

SHRIRAM CITY UNION FINANCE

Trudging through tough quarter

India Equity Research | Banking and Financial Services



Shriram City Union Finance (SCUF) posted a weaker-than-expected Q2FY20 PAT of about INR3bn due to a softer core and higher write-offs. Highlights: i) Growth momentum is tepid with disbursement down >19% YoY – amid liquidity challenges – leading to flattish AUM at INR297bn; management, however, expects trend to improve considering liquidity is stabilising and disbursements are normalising. ii) NIMs are under pressure due to higher funding cost and excess balance sheet liquidity. iii) Asset quality improved with stage-3 assets at 8.7% (8.9% in Q1FY20)—though largely due to higher write-offs. While H1FY20 was challenging, we expect H2FY20 to be relatively good given better monsoon and seasonality. On balance, SCUF's calibrated approach towards growth with focus on quality will help it trace RoA/RoE of 4%/17%-plus. This, juxtaposed with a P/BV of 1x FY21E, renders risk-reward favourable. Maintain 'BUY' with a TP of INR1,740.

Growth moderation playing through; revival key

Supply-side constraints showed up in the dip in disbursements to INR52bn (INR60–62bn run rate for last six quarters), leading to a >2% QoQ dip in AUM. Management went slow on the SME and gold loan segments. This selective toggle in an upshot of unrelenting liquidity challenges (conscious run-down of commercial papers), which may persist for a while in our view. With growth impacted and NIMs under pressure (funding cost challenges), we believe revenue traction would continue to be under pressure.

Asset quality steady with positive bias

Asset quality improved with stage-3 assets at 8.7% (down 20bps QoQ)—partially supported by higher write-offs. Our analysis by segment suggests a steady performance across the board (except in the auto segment). While management highlighted a positive bias with assets moving from stage-3 to stage-2 (provisioning write-back), sustainability is key. H2FY20 is generally a strong half, which along with a better monsoon augurs well but watch out for variability in its key operating segments.

Outlook and valuation: Growth momentum key; maintain 'BUY'

Events over past two years have tested SCUF's resilience, particularly given its reliance on the self-employed segment. SCUF went slow on growth and maintained a well-matched ALM, which helped it navigate the challenging environment. Once the situation normalises, operating leverage and credit cost containment would drive up RoA/RoE to 4%/ 17% plus. Maintain 'BUY/SP'.

Financials

(INR mn)

Year to March	Q2FY20	Q2FY19	Growth (%)	Q1FY20	Growth (%)	FY19	FY20E	FY21E
Net revenue	9,519	10,206	(6.7)	9,628	(1.1)	38,114	41,158	45,890
Net profit	2,975	2,493	19.3	2,532	17.5	9,888	12,181	13,922
Dil. EPS (INR)	45.1	37.8	19.4	38.4	17.5	149.9	184.7	211.1
Adj. BV (INR)						886.8	1,022.6	1,201.1
Price/ Adj book (x)						1.5	1.3	1.1
Price/ Earnings (x)						8.9	7.2	6.3

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: SHCU.BO, B: SCUF IN)

CMP	: INR 1,320
Target Price	: INR 1,740
52-week range (INR)	: 1,900 / 1,222
Share in issue (mn)	: 66.0
M cap (INR bn/USD mn)	: 87 / 1,229
Avg. Daily Vol.BSE/NSE('000)	: 19.7

SHARE HOLDING PATTERN (%)

	Current	Q1FY20	Q4FY19
Promoters *	33.9	33.7	33.7
MF's, FI's & BK's	6.0	6.2	6.6
FII's	26.1	26.1	25.6
Others	34.0	34.0	34.1
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(1.3)	1.2	(3.3)
3 months	(6.9)	2.9	0.8
12 months	(13.0)	14.4	17.6

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Shriram Housing Finance (housing finance subsidiary)

The performance of SCUF's housing finance subsidiary was also soft as disbursements were subdued due to the large repayments which were due in September. That said, management expects to ramp up disbursements back to normalcy in ensuing quarters, and is expecting ~INR3bn in Q3FY20 (versus INR980mn in Q2FY20), thereby ending FY20 with AUM growth of 20%-plus. Furthermore, asset quality rose somewhat with GNPA/NNPA at 3.01%/2.37% (versus 2.86%/2.25% in Q2FY20). Asset quality has been volatile for the company, and we would wait for data points to draw further trends.

Table 1: Q2FY20 earnings snapshot....

(INR mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Interest income	14,892	15,150	(1.7)	14,935	(0.3)	
Interest expense	5,384	4,952	8.7	5,316	1.3	
Net interest income	9,509	10,197	(6.8)	9,619	(1.1)	Core revenue momentum softer following lower growth and pressure on NIMs
Non-interest income	10	8	20.2	9	14.8	
Net revenues	9,519	10,206	(6.7)	9,628	(1.1)	
Operating expenses	3,775	3,963	(4.7)	3,695	2.2	
Operating profit	5,744	6,243	(8.0)	5,933	(3.2)	
Provisions	1,969	2,506	(21.4)	2,092	(5.9)	Provisioning came in higher due to write-offs
Profit before tax	3,775	3,737	1.0	3,841	(1.7)	
Tax expense	800	1,244	(35.7)	1,309	(38.9)	
Profit after tax	2,975	2,493	19.3	2,532	17.5	
EPS (INR)	45.1	37.8	19.4	38.4	17.5	
Key Metrics						
AUM	2,97,220	2,95,880	0.5	3,03,520	(2.1)	Softer disbursements (amid liquidity challenges) impacted AUM growth
Non-gold	2,67,930	2,62,930	1.9	2,72,970	(1.8)	
Gold	29,290	32,950	(11.1)	30,550	(4.1)	
Disbursements	52,010	64,680	(19.6)	62,750	(17.1)	Disbursements were softer given persistent challenges on liquidity leading to selective toggle among various segments
Non-gold	35,510	49,099	(27.7)	44,850	(20.8)	
Gold	16,500	15,581	5.9	17,900	(7.8)	
Gross Stage-3 (%)	8.7	9.5		8.9		Headline asset quality supported by higher write-offs
NNPA (%)	4.9	5.2		5.0		
Shriram Housing Finance						
AUM	18,750	19,400	(3.4)	19,330	(3.0)	Higher scheduled repayments in September leads to softer disbursements
Disbursements	980	2,490	(60.6)	2,430	(59.7)	
GNPA (%)	3.0	6.1		2.9		
NNPA (%)	2.4	4.6		2.3		

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q2FY20	Q2FY19	% change	Q1FY20	% change	YTD20	FY20E	FY21E
Net revenues	9,519	10,206	(6.7)	9,628	(1.1)	19,146	41,158	45,890
Operating expenses	(3,568)	(3,881)	NA	(3,492)	NA	(7,060)	(15,879)	(17,872)
Pre-provision profit	5,951	6,325	(5.9)	6,136	(3.0)	12,086	25,279	28,018
Provisions and write off	(1,969)	(2,506)	NA	(2,092)	NA	(4,061)	(8,240)	(8,761)
Operating profit	3,982	3,819	4.3	4,044	(1.5)	8,026	17,039	19,257
Depreciation	(207)	(82)	NA	(203)	NA	(410)	(481)	(695)
Profit before tax	3,775	3,737	1.0	3,841	(1.7)	7,616	16,559	18,563
Tax	(800)	(1,244)	NA	(1,309)	NA	(2,109)	(4,378)	(4,641)
PAT	2,975	2,493	19.3	2,532	17.5	5,507	12,181	13,922
Diluted EPS (INR)	45.1	37.8	19.4	38.4	17.5	83.4	184.7	211.1

Ratios

Cost/income (%)	39.7	38.8		38.4		39.0	39.7	40.5
Tax rate (%)	21.2	33.3		34.1		27.7	26.4	25.0
B/V per share (INR)							1,120.8	1,300.3
Adj book value / share							1,022.6	1,201.1
Price/ Book (x)							1.2	1.0
Price/ Adj. book (x)							1.3	1.1
Price/ Earnings							7.2	6.3

Q2FY20 Concall takeaway

With respect to growth and outlook

- The Q2FY20 was one of the tough quarters for the company as demand scenario (especially in 2W segment) remained weak. This, combined with expensive tight and liquidity (conscious run-down of commercial papers), led to muted disbursements.
- The company wanted to preserve liquidity for the festive season in Q3. Depending on the availability of liquidity, the pecking order would be 2W > personal loans > business loans (SME), gold loans.
- Business loans (SME) – the demand continues to remain robust (in INR0.5-1.5nm ticket size) with not much of stress, however, due to tight and expensive liquidity, the disbursements were moderated (along with some cautious stance).
 - A new product with yields 14-17% has been launched to retain SME customers and ~5% of SME book would be from this.
- 2-Wheelers – Q2FY20 was softer for manufacturers as well financiers. The month of October has been relatively better (hope to see growth Q3) as enquiries and deliveries have picked up. Having said that, November and December needs to be monitored.
 - Dussera demand was muted, Diwali is expected to be good.
 - In Q2FY20, 0.23mn 2-wheelers were financed (compared to 0.292mn in Q2FY19 and 0.274mn in Q1FY20).
 - Expected to finance ~30,000 more 2W in next 2-3 days.
- Gold loans – have stopped funding gold aggregators and would lend only to retail borrowers – will look to expand geographies post 2022.
- The disbursements were down 17% which, coupled with run-down in shorter tenor book, led to AUM remaining flat.
- The company expects liquidity situation to ease in H2FY20 which will lead to growth – expected to achieve ~10% AUM growth.
- Housing finance – there was a large repayment due in September 2019 due to which disbursements were constrained.
 - Expecting ~INR3bn of disbursements in Q3FY20 and ending FY20 with AUM of INR33bn (25% growth).
- Effective tax rate during the year would remain at ~27.5% due to deferred items while in FY21, it would be at ~25%.

With respect to asset quality

- On the overall portfolio basis asset quality remains stable with positive bias as assets are moving from stage 3 to stage 2 (provision benefit can flow in).
- SME portfolio has been doing till now – will look to reduce GNPA to ~7% levels (from ~9% levels currently) in next 18-20 months as old book would get replaced.
- The write-offs during the quarter were higher at ~INR 2bn which is due to shifting from provisions to write-offs. Recovery in write-offs has been improving.
- Passing on the benefits of tax rate cut will not improve delinquencies (especially in SME) as they are driven by overall economic environment.

With respect to liquidity/borrowings/margins

- While the liquidity has been tight and expensive, **banks have started become more receptive and proactive in lending now (including PSU banks).**
- **Raised ~INR22bn during the quarter** (~INR9.3bn via securitisation, ~INR5bn of direct assignment, ~INR1.4 via NCD, ~INR2bn via retail FD, and ~INR3bn via term loans) of which **INR10bn+ went to replace the existing short-term borrowings.**
 - The exposure to commercial paper is ~INR5bn which are 1-year and will run-down by March 2020 (may not avail short-term CPs).
 - **All borrowing as of Q2FY20 end are long-term in nature reflect in positive ALM.**
 - Cost of funds are expected at current levels going forward (will not reduce).
- The liquidity maintained on balance sheet is not encumbered.

Q1FY20 Concall takeaways

With respect to growth & strategy

- The company deliberately went slow on disbursements in large ticket SME loans to preserve liquidity while slow-down in 2W was market led.
 - It moved away from large ticket loans (above INR10mn) – earlier disbursement run-rate of ~INR1.5-2bn was brought down to ~INR300mn in Q1FY20.
- The company has not hiked lending rates significantly in last 2 quarters (barring minor tweaking) and does not intend to do so in Q2FY20 post which it will take a call depending on liquidity situation.
- The company targets 15% AUM growth for FY20 majorly driven by SME and small ticket personal loans.
- It expects to return to 90% of normalised overall disbursements run-rate in next quarter and normalised rate over next 2-3 quarters.
- The pecking order in terms of capital allocation would be SME, personal loans, and then 2 wheelers.
- **SME lending –**
 - ~80% of SME customers are engaged in services and trading (and not manufacturing) – the company does not see any stress in this segment.
 - The company has cautiously moved away from construction and allied activities where majority of slowdown is happening.
- **2-wheelers –**
 - In Q1FY20, the company financed ~0.275mn vehicles as compared to 0.29mn in Q1FY19.
 - While there is a slow-down at industry level, the company is confident of increasing penetration of financing to drive the growth.
 - It does not expect vehicle sales to recover for next 2-3 quarters.
 - The west region is growing good while share of south has been declining.
- **Personal loans –**
 - Since Jan 2019, the company is giving personal loans only to existing customers (ticket size of ~INR60K) and market sourcing has been stopped completely. The customer profile is entirely internal wherein the loans are given to 2W customers (~2.5mn) and existing PL customers who have repaid completely (~1mn).
 - While the operating costs savings is negligible, there is considerable benefit in credit costs (4-5% lower for existing customers).
- **Gold loans –**
 - **While this quarter the growth in gold loans** was account of deployment of short-term funds (though CPs) in short-term assets given ascertaining over rolling-over (better ALM). The company expects gold loans to be flat in Q2FY20.

With respect to asset quality

- The company remains confident of maintaining credit costs in all three segments (SME, personal loans, and 2W).
- Over next 3 quarters, the company expects steady decline in provisions and writ-off due to recovery.

- There has been an increase in stage1/2 assets as assets moved from stage 3 to stage 2 and stage 2 to stage 1

With respect to borrowings and liquidity

- The company continues to face some challenges on liquidity front (higher costs and increased processing time by banks).
- In order to meet the growth guidance, the company requires ~INR13bn per month.
- In Q1FY20, the company borrowed ~INR27bn (~INR13bn from banks, ~INR7bn via public NCDs, ~INR7bn through CPs).
- The company is engaging with banks for term-loans and securitisation, however, the bank lending rates are still high and time required for processing loans has increased.
 - The securitisation run-rate is ~INR12bn per month.
- The company does not expect CP and mutual fund funding to come back soon. In the meantime it will look to tap public NCD market, accelerate FD program, and explore overseas borrowings.
 - It has received in-principle approval for USD750mn medium term overseas borrowings program (expected to hit market by 2nd week of October).
- The current CC lines outstanding are ~INR20bn.

With respect to operational metrics

- For FY20, the company guides to restrict cost-to-income to ~38%.
- In Q1FY20, the company added ~1000 employees of which ~600 are in collection and ~200 in credit.
- There would be pressure on NIMs as borrowings costs are expected to increase without corresponding increase in lending rates, however the company aims to offset it by controlling operating and credit costs.
- In Q1FY20, employee costs were down due to rationalization of workforce.
- There was one-off MTM hit of INR105mn on strategic equity investment of ~INR1bn in a Sri Lankan general and Life Insurance Company and ~INR30mn impact due to lease accounting change.

With respect to housing finance subsidiary

- The company now focuses on 7 states (Gujarat, Maharashtra, Rajasthan, Andhra Pradesh, Telangana, Tamil Nadu, and Karnataka) from 17 earlier. Thus, there is decrease in sourcing of business from 88 branches to 70 now.
- There was one-off loss in housing finance on account of 1 deal turning NPA (stuck project with repayment guaranteed by buyers).

Other highlights

- Merger – the company maintained that it has not received any communication from holding company and cannot commit to any timelines.

Company Description

SCUF was incorporated in 1986 as a deposit accepting NBFC. Prior to 2002, it was exclusively engaged in transport finance with special emphasis on financing pre-owned commercial vehicles to small road transport operators. In 2002, it extended its product lines to include small-ticket retail financing, viz., consumer durables, two wheelers, personal, and enterprise loans. It deliberately went slow on disbursements in the CV segment, which has become a key area of its group company Shriram Transport Finance. The company's operations are largely concentrated in the southern states like Andhra Pradesh, Tamil Nadu, and Karnataka and the western region (particularly Maharashtra).

Investment Theme

SCUF follows a unique and sound business model with presence in high-yielding, high growth, small-ticket retail finance segment (auto loans, personal loans, business finance, and retail gold loans), and RoA of 4-% plus. Events over the past couple of years (demonetisation and GST) had put to test SCUF's resilience, particularly given its dependence on the self-employed segment. The company has not been aggressive on the growth front and maintained a well-matched ALM, which should help it sail through the currently challenging operating environment. Once the situation normalises, we expect operating leverage and credit cost containment to lead to RoA/RoE of 4%/ 17% plus. Maintain 'BUY/SP'.

Key Risks

SCUF operates in the small-ticket retail finance segment in semi-urban and rural areas and may face stiff competition from banks, other financial institutions, and multinational players, which have access to cheap funds. Our earnings estimates may not fructify if the company is unable to maintain its spreads at expected levels due to inability to maintain yields amidst stiff competition.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.2	6.8	6.3	6.8
Inflation (Avg)	3.6	3.4	3.7	4.0
Repo rate (exit rate)	6.0	6.3	4.5	4.5
USD/INR (Avg)	64.5	70.0	71.0	71.0
Sector				
Credit growth	12.0	14.0	17.0	17.0
Borrowings growth (%)	12.0	13.0	14.0	14.0
Bank's base rate (%)	9.0	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	6.5	7.0	7.1	7.1
Company				
Op. metric assumptions (%)				
Yield on advances	19.2	19.3	19.2	19.1
Cost of funds	8.9	9.3	9.5	9.4
Net interest margins	13.9	13.6	13.5	13.7
Dividend income	21	18	16	15
Employee cost growth	27.8	17.0	14.1	14.1
Other opex growth	13.5	2.8	1.0	10.3
Balance sheet assumptions (%)				
Disbursement growth	11.5	(3.4)	1.4	14.5
Bad debt written off	2.5	2.3	2.3	2.1
Gross NPLs	9.0	8.7	8.3	7.8
Prov Cov	61.9	69.1	65.5	67.0
Net NPLs	3.4	2.7	3.1	2.8

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Interest income	49,407	56,100	60,749	66,893
Interest expended	16,670	19,763	21,458	22,975
Net interest income	32,737	36,337	39,291	43,918
Other income	1,596.86	1,776.21	1,867.47	1,972.63
Net revenues	34,334	38,114	41,158	45,890
Operating expense	13,620	14,997	16,360	18,567
- Employee exp	7,031	8,227	9,386	10,707
- Depn /amortisation	333	340	481	695
- Other opex	6,256	6,430	6,494	7,165
Preprovision profit	20,715	23,116	24,798	27,323
Provisions	10,537	7,956	8,240	8,761
Profit Before Tax	10,178	15,161	16,559	18,563
Less: Provision for Tax	3,531	5,273	4,378	4,641
Profit After Tax	6,647	9,888	12,181	13,922
Shares o /s (mn)	66	66	66	66
Basic EPS (INR)	100.7	149.9	184.7	211.1
Diluted shares o/s (mn)	66	66	66	66
Adj. Diluted EPS (INR)	100.7	149.9	184.7	211.1
Dividend per share (DPS)	18.0	23.0	25.0	27.0
Dividend Payout Ratio(%)	20.9	18.0	15.8	15.0

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Operating income growth	18.2	11.0	8.1	11.8
Revenues	18.4	11.0	8.0	11.5
Opex growth	19.9	10.1	9.1	13.5
PPP growth	17.4	11.6	7.3	10.2
Adjusted Profit	19.5	48.8	23.2	14.3

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Yield on assets	21.0	21.0	20.9	20.9
Cost of funds	8.9	9.3	9.5	9.4
Net interest margins	13.9	13.6	13.5	13.7
Spread	12.1	11.7	11.5	11.5
Cost-income	39.7	39.3	39.7	40.5
Tax rate	34.7	34.8	26.4	25.0

Balance sheet				
(INR mn)				
As on 31st March	FY18	FY19	FY20E	FY21E
Share capital	659	659	659	659
Reserves & Surplus	54,876	62,982	73,228	85,060
Shareholders' funds	55,535	63,642	73,887	85,719
Long term borrowings	142,947	154,718	162,356	180,289
Short term borrowings	61,263	66,308	69,581	77,267
Total Borrowings	204,210	221,025	231,937	257,556
Long Term Liabilities	7,952	8,626	9,036	9,544
Def. Tax Liability (net)	(250)	(250)	-	-
Sources of funds	267,448	293,045	314,861	352,820
Gross Block	6,758	6,833	6,908	6,983
Net Block	4,632	4,576	4,468	4,282
Intangible Assets	417	412	403	386
Total Fixed Assets	5,049	4,988	4,871	4,668
Non current investments	1,211	511	511	511
Cash and Equivalents	5,406	11,270	7,727	7,861
Loans & Advances	273,651	295,833	323,055	362,850
Current assets (ex cash)	(1,784)	(2,022)	(2,941)	(3,657)
Other assets	2,468	2,591	2,721	2,857
Other Current Liab	18,553	20,127	21,083	22,269
Total Current Liab	18,553	20,127	21,083	22,269
Net Curr Assets-ex cash	(20,337)	(22,149)	(24,024)	(25,926)
Uses of funds	267,448	293,045	314,861	352,820
BVPS (INR)	842.4	965.4	1,120.8	1,300.3

RoE decomposition (%)				
Year to March	FY18	FY19	FY20E	FY21E
Op. income /Assets	13.9	13.6	13.5	13.7
Net int. income/assets	14.6	14.3	14.2	14.4
Other income/Assets	0.7	0.7	0.6	0.6
Operating expense/assets	(5.8)	(5.6)	(5.6)	(5.8)
Provisions/assets	(4.5)	(3.0)	(2.8)	(2.7)
Taxes/assets	(1.5)	(2.0)	(1.5)	(1.5)
Total costs/assets	(11.8)	(10.6)	(10.0)	(10.0)
ROA	2.8	3.7	4.2	4.4
Equity/assets	22.5	22.3	23.7	25.0
ROAE (%)	12.6	16.6	17.7	17.4

Valuation parameters				
Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	100.7	149.9	184.7	211.1
Y-o-Y growth (%)	19.6	48.8	23.2	14.3
BV per share (INR)	842.4	965.4	1,120.8	1,300.3
Adj. BV per share (INR)	742.8	886.8	1,022.6	1,201.1
Diluted P/E (x)	13.1	8.9	7.2	6.3
P/B (x)	1.6	1.4	1.2	1.0
Price/ Adj. BV (x)	1.8	1.5	1.3	1.1
Dividend Yield (%)	1.3	1.7	1.9	2.0

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Shriram City Union Finance	1,229	7.2	6.3	1.2	1.0	17.7	17.4
HDFC	51,189	31.9	27.6	2.0	1.9	14.1	15.2
Indiabulls Housing Finance	1,123	3.3	3.5	0.5	0.5	15.9	14.6
LIC Housing Finance	2,664	7.3	5.6	1.0	0.9	15.0	17.2
Mahindra & Mahindra Financial Services	2,939	16.8	11.6	1.9	1.7	11.2	15.2
Manappuram General Finance	1,958	16.4	14.2	2.8	2.4	18.2	18.3
Muthoot Finance	3,744	12.1	10.7	2.5	2.1	22.1	21.3
Repco Home Finance	245	6.4	5.6	1.0	0.8	16.4	16.2
Rural Electrification Corporation	3,799	5.0	4.6	0.7	0.7	15.0	15.1
Shriram Transport Finance	3,601	8.5	7.3	1.5	1.2	18.7	18.6
Median	-	7.9	6.8	1.3	1.1	16.2	16.7
AVERAGE	-	11.5	9.7	1.7	1.5	16.4	16.9

Source: Edelweiss research

Additional Data

Directors Data

Debendranath Sarangi	Chairman	Yalamati Srinivasa Chakravarti	Managing Director & CEO
Diwakar Bhagwati Gandhi	Director	Duruvasan Ramachandra	Director
Maya Swaminathan Sinha	Director	Pranab Prakash Pattanayak	Director
Ramarao Muralidharan Coimbatore	Director	Ranvir Dewan	Director
Shashank Singh	Director	Venkataraman Murali	Director
Ignatius Michael Viljoen	Director		

Auditors - G.D. Apte & Co.

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Dynasty Acquisition	20.34	Piramal Enterprises	9.97
East Bridge Capital	5.89	Matthews International Capital Management	3.06
Ward Ferry Management	2.43	WF Asian Smaller Companies Fund	2.30
Aditya Birla Sun Life Asset Management	2.07	Cornalina Acquisition	1.85
Acacia Partners	1.52	SBI Mutual Fund	1.47

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
04 Jul 2019	Shriram Financial Ventures (Chennai) Pvt Ltd	Buy	15063.00
04 Jul 2019	Shriram Capital Ltd	Buy	102717.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aavas Financiers	HOLD	SP	M	Aditya Birla Capital	BUY	SO	H
Axis Bank	BUY	SO	M	Bajaj Finserv	REDUCE	SU	L
Bank of Baroda	REDUCE	SU	M	DCB Bank	HOLD	SP	M
Equitas Holdings Ltd.	BUY	SO	M	Federal Bank	BUY	SO	L
HDFC	BUY	SO	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC Bank	BUY	SP	L
Indiabulls Housing Finance	HOLD	SU	M	IndusInd Bank	BUY	SO	L
Kotak Mahindra Bank	BUY	SP	M	L&T FINANCE HOLDINGS LTD	HOLD	SP	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SP	M
Mahindra & Mahindra Financial Services	BUY	SP	M	Manappuram General Finance	BUY	SP	H
Max Financial Services	BUY	SO	L	Multi Commodity Exchange of India	HOLD	SU	M
Muthoot Finance	BUY	SO	M	Power Finance Corp	BUY	SP	M
Punjab National Bank	REDUCE	SU	M	Repco Home Finance	BUY	SP	M
Rural Electrification Corporation	HOLD	SU	M	Shriram City Union Finance	BUY	SP	M
Shriram Transport Finance	BUY	SO	M	South Indian Bank	BUY	SP	M
State Bank of India	BUY	SO	L	Union Bank Of India	HOLD	SU	M
Yes Bank	HOLD	SU	M				

ABSOLUTE RATING

Ratings

Expected absolute returns over 12 months

Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings

Criteria

Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings

Criteria

Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings

Criteria

Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Aditya Narain

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Aavas Financiers, Aditya Birla Capital, AU Small Finance Bank Ltd, Axis Bank, Bajaj Finserv, Bank of Baroda, DCB Bank, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, ICICI Lombard General Insurance Company Ltd, IDFC Bank, Indiabulls Housing Finance, IndusInd Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Punjab National Bank, Power Finance Corp, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
26-Oct-19	ICICI Bank	All-round strong performance; <i>Result Update</i>	469	Buy
25-Oct-19	State Bank of India	Core steady; incremental stress reined in; <i>Result Update</i>	282	Buy
25-Oct-19	IDFC First Bank	Credible progress operationally, credit cost normalisation key; <i>Result Update</i>	39	Buy

Distribution of Ratings / Market Cap

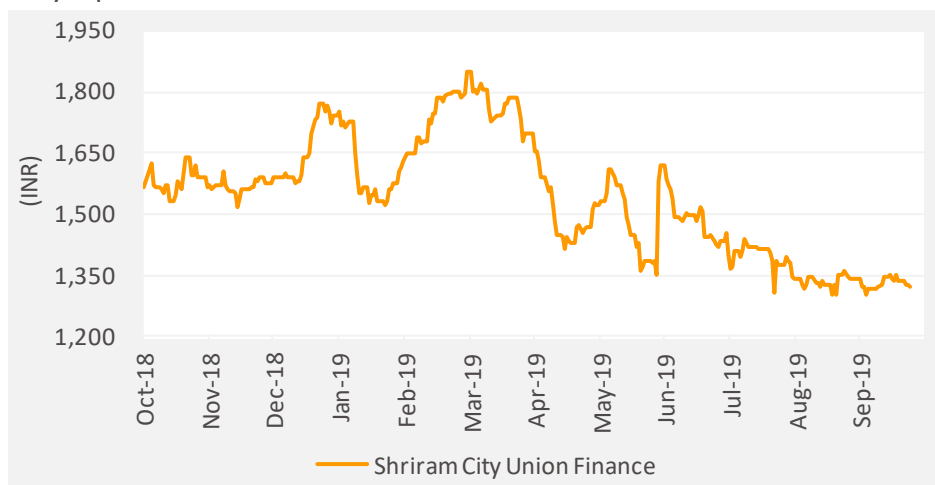
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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