RESULT UPDATE

MULTI COMMODITY EXCHANGE OF INDIA

Growth opportunities opening up

India Equity Research| Banking and Financial Services

Edelweiss
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2016 INDIAN OLYMPIC TEAM

Multi Commodity Exchange's (MCX) Q2FY17 earnings were stable and on expected lines (PAT before extra-ordinary items of INR376mn). We believe earnings trajectory over medium term would be materially different given the series of recent announcements. In a completely surprise move, MCX recently raised transaction charges by 25% with effect from October'16. Moreover, SEBI, as a new regulator, has been more assertive in permitting introduction of options and allowing participation of institutions. This has the potential to lend huge fillip to ADTV from current levels of ~INR250bn. However, these measures are expected to be rolled out only gradually with full benefits materialising in next few years. Moreover, expenses are expected to remain high to meet increased compliance norms, investments in technology and higher marketing spend. Considering this, valuation though appears expensive at 33x FY18E P/E, structural growth visibility and leadership positioning of MCX will drive further re-rating. We maintain 'BUY'.

Options and institutional participation to lend fillip to volumes

One of the key performance barometers for MCX is traction in ADTV. The trend has been volatile for the company given adverse impact of imposition of commodity transaction tax (CTT) in July 2013 and the NSEL fallout (in Sept 2013) - ADTV slipped to <INR180bn. In past few quarters however, ADTV gained momentum and bounced back to INR252bn, a vindication of management's focus on strengthening core and introduction of pan-India programmes to have wider participation (total terminals have crossed 0.6mn from 0.5mn a year ago). Introduction of options and allowing participation of institutions has the potential to lend huge fillip to ADTV (globally, derivatives volumes on commexes are equally split between options and futures and institutions derive ~25% of overall volumes). However, these steps are expected to be rolled out only gradually (initially will introduce options in 1 bullion and agri commodity and only 1 institution either MF/FII/bank to start with). Thus, benefits will fully materialise over next few years.

Outlook and valuations: Visibility improves; maintain 'BUY'

Factoring in gradual roll-out of SEBI's measures, we estimate 20-22% CAGR in ADTV over FY16-18E. MCX's firmly entrenched leadership positioning with structurally altered dynamics of commodity futures market will drive 34% earnings CAGR over FY16-18E. We maintain **'BUY/SP'** with TP of INR1,475 based on 38x FY18E P/E.

Financials **(INR mn)**

Year to March	Q2FY17	Q2FY16	*Growth %*	Q1FY17	*Growth %*	FY16	FY17E	FY18E
Net revenue	954	901	*6.0*	938	*1.7*	3,327	4,110	5,103
Net profit	376	306	*23.1*	328	*14.8*	418	1,382	1,961
Dil. EPS (INR)	7.4	6.0	*23.1*	6.5	*14.6*	21.3	29.1	38.5
Adj. BV (INR)						271.9	285.7	303.9
Price/ Adj book (x)						4.7	4.4	4.2
Price/ Earnings (x)						59.5	43.6	32.9

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: MCEI.BO, B: MCX IN)*	
CMP	: INR 1,266
Target Price	: INR 1,475
52-week range (INR)	: 1,420 / 725
Share in issue (mn)	: 51.0
M cap (INR bn/USD mn)	: 65 / 965
Avg. Daily Vol.BSE/NSE('000)	: 332.7

SHARE HOLDING PATTERN (%)

	Current	Q1FY17	Q4FY16
Promoters *	-	-	-
MF's, FI's & BK's	40.6	40.6	41.6
FII's	17.8	17.8	15.3
Others	41.6	41.6	43.1
** Promoters pledged shares (% of share in issue)*	:		*NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	10.0	(1.0)	0.2
3 months	19.9	(0.0)	2.6
12 months	39.3	4.6	9.9

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Hike in transaction charges to boost revenue momentum

MCX has revised transaction charges for non-agri commodities to INR2.6/lakh (from INR2.1/lakh) for turnover less than INR3.5bn and to INR1.75/lakh (from INR1.4/lakh) for turnover above INR3.5bn with effect from October 2016. Earlier, on an average, the company earned INR1.7-1.8/lakh transaction charges, which will now jump by 25% plus. The hike will boost FY18E transaction revenue by 16% and earnings by 19%.

Out-of-court settlement with MSEI done

With regards the MSEI case, MCX highlighted there has been some settlement between the parties concerned (which is pending a court approval). The terms includes: 1) out of the total 416mn warrants, MSEI issued equity shares in lieu of 265mn warrants and cancelled the balance 151mn warrants (pertaining to which the INR151mn deposit placed with MSEI will be released to the company). This amount has been reversed during this quarter. Therefore, we have also reversed the extraordinary loss in our estimates.

Table 1: ADTV tracing back to INR252bn supported by management's marketing efforts

(INR bn)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	FY15	FY16	QoQ	YoY
Average Daily Trading Volumes	212	225	204	236	246	252	203	219	*2.3*	*12.0*
-Gold	39	49	42	64	62	54	48	48	*(13.7)*	*10.1*
-Si lver	36	34	29	31	37	45	36	32	*20.4*	*34.4*
-Crude Oil	65	65	61	71	68	68	50	65	*0.0*	*4.7*
-Agri	6	4	4	5	5	6	4	5	*20.0*	*51.3*
-Others	67	73	68	66	73	78	65	69	*7.6*	*7.4*

Table 2: Zinc and crude oil volumes support growth

(INR bn)	Qty Denomination	ADTV Q2FY17 Value (INR bn)	ADTV Q2FY17 Volume	ADTV Q2FY16 Value (INR bn)	ADTV Q2FY16 Volume	Change in ADTV (YoY) Value	Change in ADTV (YoY) Volume	ADTV Q1FY17 Value (INR bn)	ADTV Q1FY17 Volume	Change in ADTV (QoQ) Value	Change in ADTV (QoQ) Volume	ADTV FY16 Value (INR bn)	ADTV FY16 Volume	ADTV FY15 Value (INR bn)	ADTV FY15 Volume	Change in ADTV (YoY) Value	Change in ADTV (YoY) Volume
Gold	000 Kgs	53.5	17,130	48.6	18,763	10.1	(8.7)	62.0	20,786	(13.7)	(17.6)	48.4	18,064	48.0	17,667	0.9	2.3
Silver	000 Kgs	45.1	969	33.6	959	34.4	1.1	37.5	929	20.4	4.4	32.1	893	36.5	924	(11.9)	(3.3)
Crude Oil	000 BBLs	68.4	22,674	65.3	21,547	4.7	5.2	68.4	22,511	0.0	0.7	65.4	23,037	49.5	11,629	32.1	98.1
Copper	000 Kgs	15.3	47,288	19.7	57,188	(22.5)	(17.3)	17.7	56,143	(13.8)	(15.8)	17.0	50,034	14.9	37,464	14.7	33.5
Zinc	000 Kgs	24.4	1,61,656	16.5	1,38,125	47.7	17.0	20.8	1,60,823	17.4	0.5	15.2	1,28,582	10.1	74,990	50.9	71.5
Lead	000 Kgs	11.7	92,274	11.6	1,03,635	0.6	(11.0)	11.1	95,997	5.3	(3.9)	11.4	98,183	8.2	66,189	38.6	48.3
Nickel	000 Kgs	9.1	13,117	10.4	15,092	(13.3)	(13.1)	6.1	10,146	49.4	29.3	8.9	12,893	10.4	10,028	(14.8)	28.6

Table 3: Reconciliation of Q2FY16 results (Indian GAAP vs. Ind AS)

(INR mn)	Q2FY16
Net Profit/ (Loss) after tax under erstwhile Indian GAAP	**310.3**
Loss on Fair valuation of Investments in Mutual Fund, Exchange Traded Fund and Equity Instruments	(0.9)
Employee Benefit expenses (including acturial valuation Gain/losses)	(4.5)
Reversal of Loss on Investments classified as Fair value through Other Comprehensive Income	-
Other adjustments	(0.6)
Deferred tax adjustments	1.6
Net Profit/ (loss) after tax under Ind AS	**305.9**
Other Comprehensive Income (net of tax)	(0.4)
Total Other Comprehensive Income	**(0.4)**
Total Comprehensive Income under Ind AS	**305.5**

Source: Company

Table 4: Commodity-wise assumption for ADTV growth

	FY15	FY16	FY17E	FY18E
SILVER				
Avg daily volume (INR bn)	36	32	39	48
Vol (kgs)	924	893	1,045	1,223
Avg price (INR)	39,463	35,970	37,769	39,657
Proportion of total volume (%)	*17.9*	*14.6*	*15.0*	*15.1*
GOLD				
Avg daily volume (INR bn)	48	48	58	71
Vol (gms)	17,667	18,064	20,593	24,094
Avg price (INR)	27,166	26,807	28,147	29,555
Proportion of total volume (%)	*23.6*	*22.1*	*22.0*	*22.1*
COPPER				
Avg daily volume (INR bn)	15	17	20	25
Vol (kgs)	37	50	56	66
Avg price (INR)	4.0	3.4	3.6	3.8
Proportion of total volume (%)	*7.3*	*7.8*	*7.6*	*7.6*
CRUDE OIL				
Avg daily volume (INR bn)	50	65	79	98
Vol ('000 bbls)	11.6	23	25	28
Avg price (INR)	42.6	28.4	31.2	34.4
Proportion of total volume (%)	*24.4*	*29.8*	*30.0*	*30.3*
ZINC				
Avg daily volume (INR bn)	10	15	18	22
Vol (kgs)	74,990	1,28,582	1,47,869	1,65,614
Avg price (INR)	1.3	1.2	1.2	1.3
Proportion of total volume (%)	*5.0*	*6.9*	*7.0*	*6.7*
LEAD				
Avg daily volume (INR bn)	8	11	14	18
Vol (kgs)	66,189	98,183	1,12,910	1,32,105
Avg price (INR)	1.2	1.2	1.2	1.3
Proportion of total volume (%)	*4.0*	*5.2*	*5.3*	*5.4*
NICKEL				
Avg daily volume (INR bn)	10	9	11	13
Vol (kgs)	10,028	12,893	14,827	17,051
Avg price (INR)	10.4	6.9	7.2	7.6
Proportion of total volume (%)	*5.1*	*4.0*	*4.1*	*4.0*
AGRI	4.3	4.4	5.3	6.4
Proportion of total volume (%)	*2.1*	*2.0*	*2.0*	*2.0*
OTHERS	21.4	16.4	18.9	21.7
Proportion of total volume (%)	*10.5*	*7.5*	*7.1*	*6.7*
TOTAL	**203**	**219**	**264**	**322**

Source: Company, Edelweiss research

Financial snapshot **(INR mn)**

Year to March	Q2FY17	Q2FY16	% change	Q1FY17	% change	YTD17	FY17E	FY18E
Revenues	954	901	*6.0*	938	*1.7*	1,892	4,110	5,103
Expenses	401	432	*(7.2)*	408	*(1.8)*	809	1,796	2,124
- employee cost	144	114	*26.4*	143	*0.3*	287	552	724
- software support charges	107	100	*6.9*	106	*1.3*	213	474	571
- other expenses	150	218	*(31.3)*	159	*(5.7)*	309	770	829
EBITDA	553	468	*18.2*	530	*4.4*	1,083	2,314	2,978
- Interest	0.5	0.7	*(35.4)*	0.6	*(23.7)*	1.0	2.1	2.1
- Depreciation	42	65	*(34.3)*	49	*(13.9)*	92	256	254
PBT before exceptional items	511	403	*26.6*	480	*6.4*	991	2,058	2,724
Tax	134	97	*37.9*	152	*(11.8)*	286	576	763
PAT	376	306	*23.1*	328	*14.8*	705	1,482	1,961
Exceptional items	-	-	*NA*	-	*NA*	-	(100)	-
Reported PAT	376	306	*23.1*	328	*14.8*	705	1,382	1,961
Diluted EPS (INR)	7.4	6.0	*23.1*	6.5	*14.6*	13.9	29.1	38.5
Ratios (%)								
EBITDA margin	58.0	52.0		56.5		57.3	56.3	58.4
PAT margin	39.5	34.0		35.0		37.2	36.1	38.4
Employee cost/revenues	15.1	12.6		15.3		15.2	13.4	14.2
Software chg./revenues	11.2	11.1		11.3		11.3	11.5	11.2
Tax rate	26.3	24.1		31.7		28.9	26.7	28.0
Valuation metrics								
Adj book value / share							285.7	303.9
Price/ Adj. book (x)							4.4	4.2
Price/ Earnings							43.6	32.9

Change in Estimates

	FY17E			FY18E			
	New	Old	% change	New	Old	% change	Comments
Net revenue	4,110	4,018	*2.3*	5,103	4,986	*2.3*	
Operating profit	2,314	2,267	*2.1*	2,978	2,990	*(0.4)*	
Reported PAT	1,382	1,171	*18.0*	1,961	1,970	*(0.4)*	Factoring in benefit of out-of-court settlement with MSEI
Operating margin	*56.3*	*56.4*		*58.4*	*60.0*		

Q2FY17 Earnings Conference Call

Operational highlights

- Controlled opex at INR401mn (down ~7% YoY)
  - Employee exp. to increase at 15-20% due to annualisation and balance hires
    - Headcount: 353 (vs. 286 last year), with most increase in technology and risk dept.
  - Advertising exp. to rise in Q4FY17 on account of options launch (investor education, etc.)
  - Software exp.: Revenue-related variable price change (in line with ADTV)
- Other comprehensive income:
  - MSEI investment: Out-of-court settlement
    - Part of INR416mn warrants under dispute were converted into shares
    - Balance INR151mn was received as a refund
- EBITDA margin: 58% (vs. 52% last year)
- ADTV witnessed a 12% YoY increase
  - Avg. value realisation (per lakh INR traded): 1.77 (vs. 1.80 in FY16)

Other highlights

- Key developments under watch:
  - Introduction of options trading
    - Mgmt. aims to drive liquidity and wider participation initially
    - Pricing will depend on option type and commodity in question
    - Trading is likely to begin by Q4FY17
  - Allowing institutional participation (MFs, banks, etc.)
- No change in top 25/50/100 broker composition since price revision
- SGF is as per SEBI guidelines
  - Based on a stress test - Adequacy of fund vs. build-up in concentration
- Within the revised list of commodities for trading, MCX is focusing on:
  - Non-agri: Ferrous metals, brass
  - Agri: Tea, pepper
- Training programs:
  - >1.2 per day, with >1000 trainings over past 3 years
  - ~400 trainings specifically focused towards hedgers

Company Description

MCX is a leading electronic commodity futures exchange in India promoted by FTIL (though has not ceased to be a promoter with NSEL fallout) facilitating online trading, clearing & settlement operations for futures market across the country. The exchange started operations in November 2003 and within eight years it has emerged the market leader in commodities future industry with 85% plus market share, leveraging on product and service innovations and effective use of technology. Well designed technology platform that ensures security, reliability, flexibility and scalable architecture with handling capacity of 40mn transactions in a day. In terms of innovation, it is the first exchange in India to launch mini contracts to cater to needs of small traders and SMEs and has initiated evening sessions to synchronise with trading hours of exchanges in London, New York and other major international markets.

Investment Theme

Multi commodity exchange (MCX) was fraught with challenges since past couple of years with its promoter, FTIL, being declared not “fit and proper” to run the exchange post NSEL fallout leading to entire top management rejig. Moreover, imposition of CTT had an adverse impact on trading volumes, coupled with sharp fall in commodity prices. Despite such turmoils, the company emerged unscathed maintaining market leadership (with >80% market share) bearing testimony to its underlying business strength. Infact, the model has evolved much stronger with experienced management backed by strong financial partner (Kotak). This further supported with structural growth levers and regulatory changes (FCRA Act clearance) place MCX in a favorable position to capitalise on emerging opportunities. Trading volumes appear to have bottomed out and are estimated to report 20-22% CAGR over FY16‑18E. Operating leverage benefit will provide >500bps of positive delta to operating margin.

Key Risks

- Higher regulatory risks due to speculative nature of trades: i) Delay in implementation of proposed policy measures; ii) Ban on trading in certain commodities; iii) Revision in open position limits, higher margin requirement, CTT imposition etc
- Significant dependence on a few commodities: Top four commodities—gold, silver, crude oil and copper—accounted for more than 85% of total volumes on MCX
- Long-term pricing pressure likely in commodities futures

Financial Statements

Key Assumptions

Year to March	FY15	FY16	FY17E	FY18E
Macro				
GDP(Y-o-Y %)	7.2	7.4	7.9	8.3
Inflation (Avg)	5.9	4.8	5.0	5.2
Repo rate (exit rate)	7.5	6.8	6.0	6.0
USD/INR (Avg)	61.1	65.0	67.5	67.0
Sector				
Credit growth	9.8	9.3	13.0	16.0
Deposit growth	10.7	8.6	14.0	15.0
CRR	4.0	4.0	4.0	4.0
SLR	21.5	20.8	20.0	20.0
G-sec yield	7.8	7.5	7.0	7.0
Company				
Operating margin	59.4	52.4	56.3	58.4
Employee cost/revenues	10.5	12.2	13.4	14.2
Technology cost/revenues	12.9	12.1	11.5	11.2
Dividend payout	40.0	35.0	45.0	45.0
Dividend tax	17.0	17.0	17.0	17.0
Tax rate (%)	26.5	27.6	28.0	28.0
Avg Daily Trading Vol.	203.3	219.3	263.9	322.0
- Gold	48.0	48.4	58.0	71.2
- Silver	36.5	32.1	39.5	48.5
- Crude Oil	49.5	65.4	79.1	97.5
- Agri	4.3	4.4	5.3	6.4
- Others	65.0	68.9	82.0	98.4
Commission yields	1.7	1.8	2.0	2.2
# of members	2,067	2,074	2,101	2,138
# of employees	284	295	390	420
# of terminals	500	550	605	665

Income statement (INR mn)

Year to March	FY15	FY16	FY17E	FY18E
Net revenue	3,323	3,327	4,110	5,103
- Transaction Fee	1,911	1,973	2,624	3,530
- Mem. fee/Terminal chg.	129	173	185	194
- VSAT Connectivity Inc	84	82	83	85
- Int., Div. & Invst. Inc.	1,022	899	1,004	1,066
- Other Income	176	201	214	228
Operating expenses	1,349	1,582	1,796	2,124
- Employee Cost	349	405	552	724
- Technology Costs	429	404	474	571
- Advt. & Business Development	139	192	143	156
- Admin & Other Expenses	432	581	627	673
Operating profits	1,974	1,745	2,314	2,978
Depreciation	259	246	256	254
EBIT	1,715	1,498	2,058	2,724
Profit Before Tax	1,701	1,498	2,058	2,724
PBT incl. extraor. inc.	1,701	1,498	2,058	2,724
Less: Provision for Tax	450	413	576	763
Net profit	1,251	1,085	1,482	1,961
Exceptional items	-	(667)	(100)	-
Reported Profit	1,251	418	1,382	1,961
Adj. Diluted EPS (INR)	24.5	21.3	29.1	38.5
Dividend per share (DPS)	10.0	7.4	13.1	17.3
Dividend Payout Ratio (%)	40.8	35.0	45.0	45.0

Growth ratios (%)

Year to March	FY15	FY16	FY17E	FY18E
Revenues	(24.5)	0.1	23.5	24.2
- Transaction fee growth	(37.4)	3.2	33.0	34.5
Opex growth	(30.8)	17.3	13.5	18.3
Operating margin growth	(19.4)	(11.6)	32.6	28.7
PBT	(18.9)	(11.9)	37.4	32.4
Adjusted Profit	(18.1)	(13.3)	36.6	32.4

Operating ratios

Year to March	FY15	FY16	FY17E	FY18E
Operating margin	59.4	52.4	56.3	58.4
PAT margin	37.7	32.6	36.1	38.4
Employee cost/revenues	10.5	12.2	13.4	14.2
Technology cost/revenues	12.9	12.1	11.5	11.2
Opex/revenues	40.6	47.6	43.7	41.6
Tax rate	26.5	27.6	28.0	28.0

Balance sheet (INR mn)

As on 31st March	FY15	FY16	FY17E	FY18E
Share capital	510	510	510	510
Net worth	13,893	13,867	14,569	15,497
Def. Tax Liability (net)	97	105	117	132
Total liabilities	**13,990**	**13,972**	**14,685**	**15,629**
Gross Block	3,573	3,766	3,916	4,066
Depreciation	2,145	2,314	2,570	2,825
Net Block	1,451	1,452	1,346	1,242
Investments	12,927	13,069	13,569	14,269
Cash and Equivalents	346	5	174	299
Sundry Debtors	107	16	63	133
Fixed Deposits	2,310	2,420	2,920	3,620
Loans & Advances	837	876	998	1,103
Other Current Assets	265	318	382	458
Total current assets	3,864	3,634	4,536	5,613
Current liabilities	3,519	3,376	3,878	4,517
Security Deposits	95	96	98	100
Networking Equip. Dep.	4	4	4	4
Trading Margin from Mem.	2,389	2,193	2,639	3,220
Other Current Liab	1,031	1,083	1,137	1,194
Net current assets	346	258	658	1,095
Provisions	734	807	888	977
Total assets	**13,990**	**13,972**	**14,685**	**15,629**
BVPS (INR)	272.4	271.9	285.7	303.9

Key operating metrics

Year to March	FY15	FY16	FY17E	FY18E
Avg Daily Trading Vol.	203.3	219.3	263.9	322.0
- Gold	48.0	48.4	58.0	71.2
- Silver	36.5	32.1	39.5	48.5
- Crude Oil	49.5	65.4	79.1	97.5
- Agri	4.3	4.4	5.3	6.4
Commission yields	1.7	1.8	2.0	2.2
# of members	2,067	2,074	2,101	2,138
# of terminals	500	550	605	665

Valuation parameters

Year to March	FY15	FY16	FY17E	FY18E
Adj. Diluted EPS (INR)	24.5	21.3	29.1	38.5
Y-o-Y growth (%)	*(18.1)*	*(13.3)*	*36.6*	*32.4*
BV per share (INR)	272.4	271.9	285.7	303.9
RoE (%)	9.2	3.0	9.7	13.0
Diluted P/E (x)	51.6	59.5	43.6	32.9
P/B (x)	4.6	4.7	4.4	4.2
Dividend Yield (%)	0.8	0.6	1.0	1.4

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Multi Commodity Exchange of India	965	43.6	32.9	4.4	4.2	9.7	13.0
Dewan Housing Finance	1,389	10.9	9.8	1.7	1.5	16.7	16.5
HDFC	31,516	28.0	24.7	6.0	5.4	22.4	22.9
Indiabulls Housing Finance	5,377	13.4	11.4	3.2	2.9	24.7	26.7
LIC Housing Finance	4,417	16.3	14.3	2.8	2.4	20.0	19.3
Mahindra & Mahindra Financial Services	3,083	28.9	19.9	3.1	2.8	11.3	14.9
Manappuram General Finance	1,302	16.0	12.0	2.9	2.5	18.9	22.5
Muthoot Finance	2,165	14.7	11.9	2.3	2.0	16.5	18.1
Power Finance Corp	4,915	2.5	2.6	0.4	0.4	17.7	15.2
Reliance Capital	1,983	12.8	10.7	0.8	0.8	6.7	7.5
Repco Home Finance	716	25.5	21.3	4.3	3.6	18.1	18.4
Rural Electrification Corporation	3,956	2.0	2.4	0.4	0.4	21.3	15.4
Shriram City Union Finance	2,290	21.0	16.4	3.0	2.6	15.2	17.1
Shriram Transport Finance	3,822	16.4	12.8	2.2	1.9	14.5	16.2
Median	-	16.1	12.4	2.8	2.5	17.2	16.8
AVERAGE	-	18.1	14.6	2.7	2.4	16.7	17.4

Source: Edelweiss research

Additional Data

Directors Data

Satyananda Mishra	Chairman	Parveen Kumar Singhal	President & Whole Time Director
Mrugank M. Paranjape	Managing Director & CEO	Arun Nanda	Director
S K Mitra	Director	M. Govinda Rao	Director
Padma Raghunathan	Director	Madhu Vadera Jayakumar	Director
Amit Goela	Director	Saurabh Chandra	Director
Pravin Tripathi	Director	Hemang Raja	Director

Auditors - Shah Gupta & Co.

*as per last annual report

Holding - Top 10

	Perc. Holding		Perc. Holding
Kotak Mahindra	15.00	Blackstone FP Capital Partners	4.79
Axis Asset Management	4.72	Jhunjhunwala Rakesh	3.94
Reliance Capital Trustee	3.34	IDFC Mutual Fund	3.33
Baron Capital	1.96	Goldman Sachs Group	1.95
L&T Investment Management	1.91	Baron Emerging Markets Fund	1.81

*as per last available data

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
29 Sep 2016	Nomura Singapore Ltd	Buy	397800	1352.69
05 Nov 2015	Smaller Cap World Fund Inc	Buy	400000	1068.00
05 Nov 2015	Barca Global Master Fund Lp	Sell	400000	1068.00

*in last one year

Insider Trades

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

*in last one year

RATING & INTERPRETATION

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	HOLD	SU	M	Axis Bank	BUY	SO	M
Bajaj Finserv	BUY	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	H
DCB Bank	REDUCE	SU	M	Dewan Housing Finance	BUY	SO	M
Federal Bank	BUY	SP	L	HDFC	HOLD	SP	L
HDFC Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
IDFC Bank	HOLD	SP	L	Indiabulls Housing Finance	BUY	SO	M
IndusInd Bank	BUY	SP	L	Karnataka Bank	BUY	SP	M
Kotak Mahindra Bank	HOLD	SP	M	LIC Housing Finance	BUY	SP	M
Magma Fincorp	BUY	SP	M	Mahindra & Mahindra Financial Services	HOLD	SU	M
Manappuram General Finance	BUY	SO	H	Max India	BUY	SO	L
Multi Commodity Exchange of India	BUY	SP	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	HOLD	SP	L	Power Finance Corp	HOLD	SP	M
Punjab National Bank	BUY	SP	M	Reliance Capital	BUY	SP	M
Repco Home Finance	BUY	SO	M	Rural Electrification Corporation	HOLD	SP	M
Shriram City Union Finance	BUY	SO	M	Shriram Transport Finance	BUY	SO	L
South Indian Bank	BUY	SP	M	State Bank of India	BUY	SP	L
Union Bank Of India	HOLD	SP	M	Yes Bank	BUY	SO	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

Edelweiss
Ideas create, values protect

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Manoj Bahety

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

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, Max India, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, 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
27-Oct-16	**IDFC Bank**	Steady quarter; execution holds key; *Result Update*	78	Hold
26-Oct-16	**HDFC**	Gained traction in asset and core revenue growth; *Result Update*	1,335	Hold
26-Oct-16	**MMFS**	Growth springs positive surprise; asset quality pain persists; *Result Update*	356	Hold

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

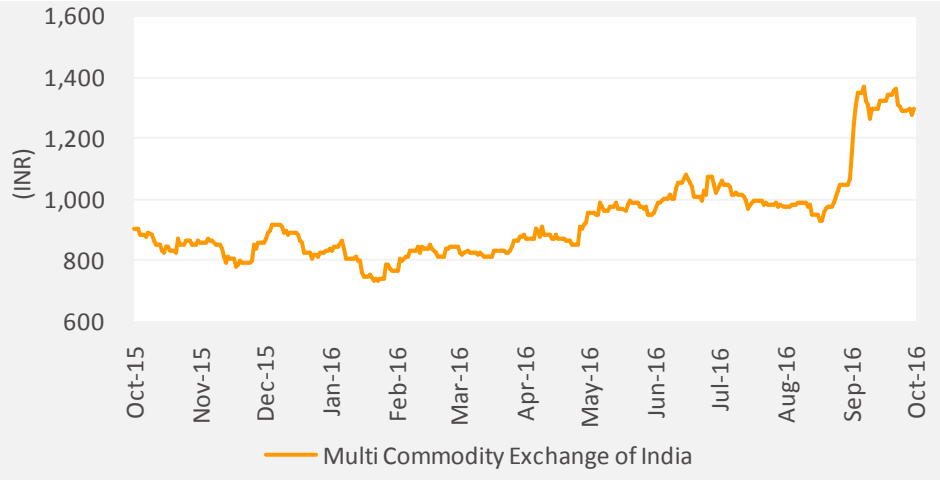
	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1 stocks under review				

	> 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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