

BFSI Q1'15 Earnings Review – Lower Provisioning Supported Bottomline; Private Peers Too Reported Higher NPA...

Industry's GNPA crossed over
~INR2.48 trillions or ~3.73% of
total advance

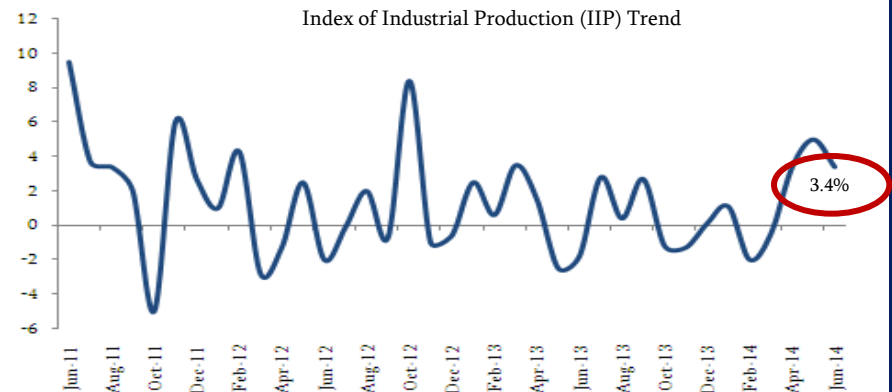
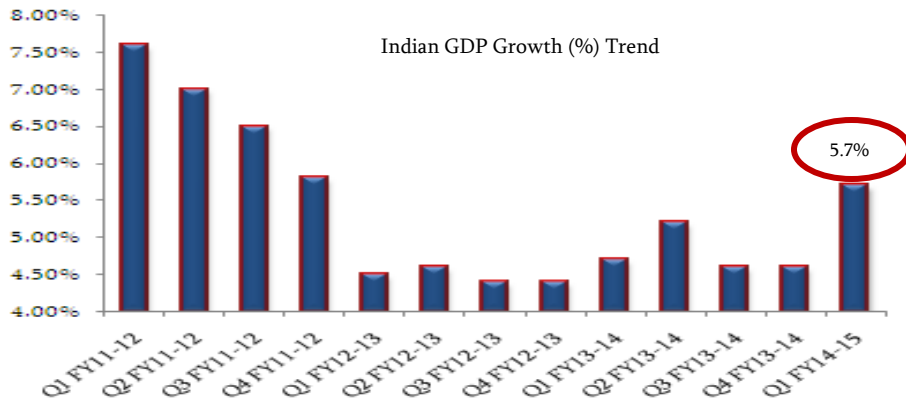


31st August 2014

Picture source: Google

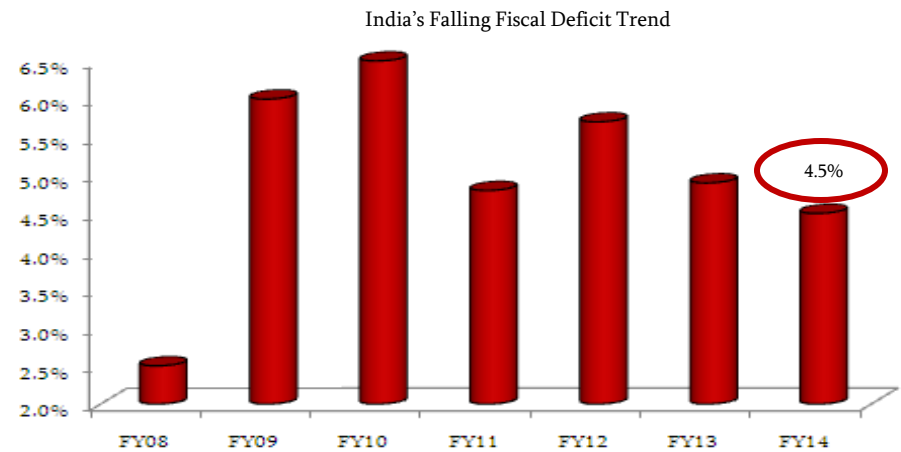
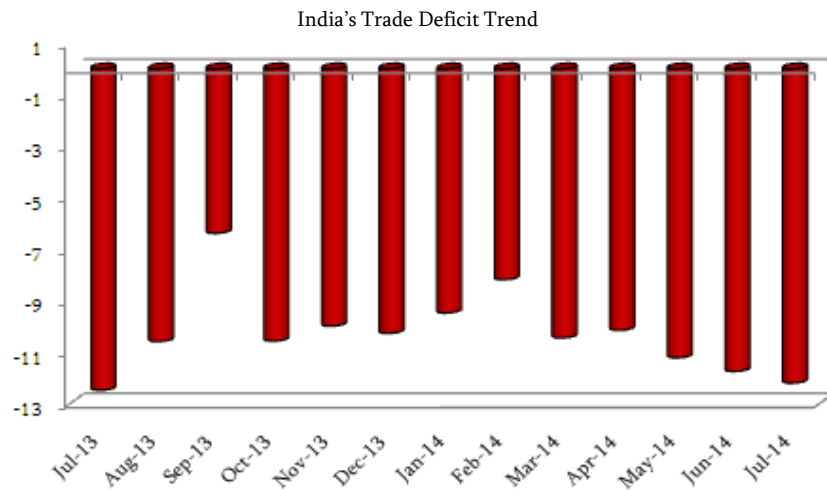
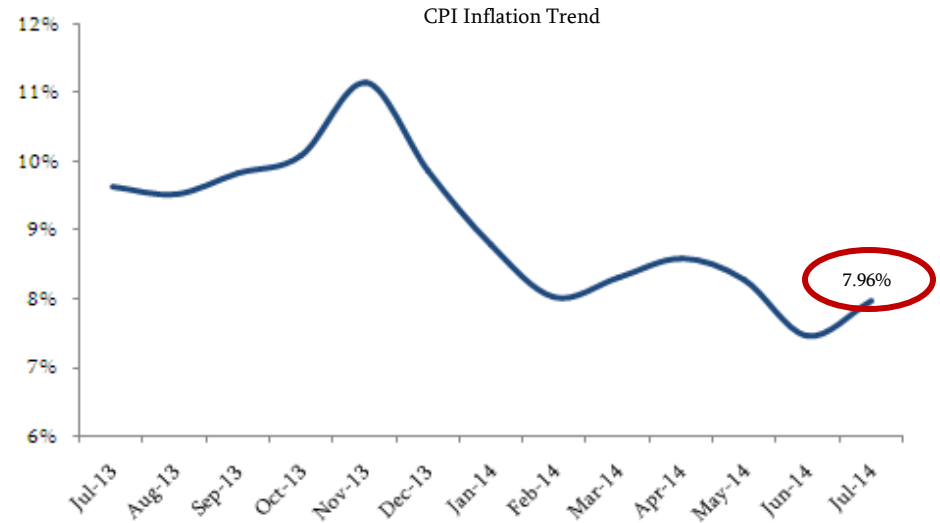
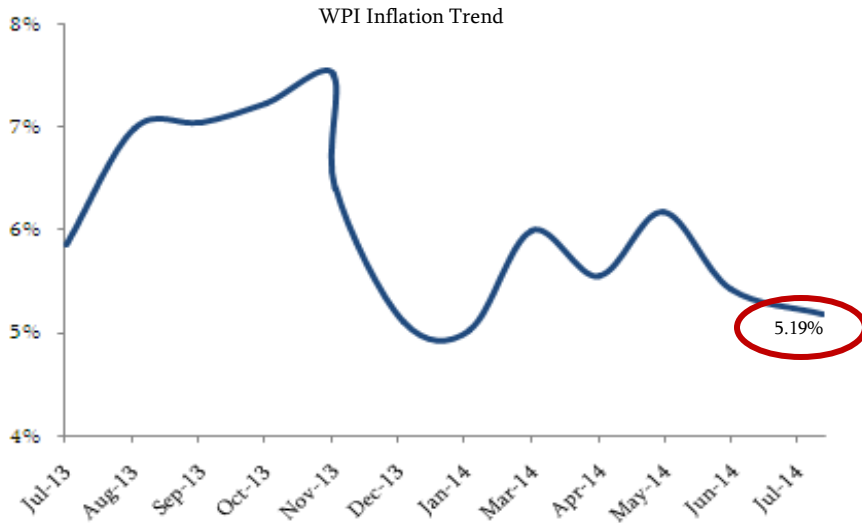
Macro Economy – Key Highlights

- India's Q1FY15, Gross Domestic Product (GDP) growth grew at a 27 months high of 5.7% YoY as compared to 4.6% in Q4FY14 and came at 4.7% YoY in the corresponding quarter last year. For FY14, it came at 4.7% YoY against 4.5% YoY in the previous year.
- India's Industrial Production growth had shown a sign of sluggishness in the economy as it slowed to 3.4% in June 2014 as against 5% in the previous month of the current financial year.
- India's wholesale price inflation eased to a five month low at 5.19% in July 2014 as against 5.43% in June and 5.85% in corresponding month last year.
- While, India's Consumer Price Inflation (CPI) accelerated to 7.96% in July 2014 as against 7.46% in June and 9.64% in the corresponding month last year.
- India's Trade Deficit increased to 12.22 billion USD in July 2014 as compared to 11.76 billion USD in the June and 12.49 billion USD in the corresponding period last year.
- India's Fiscal Deficit for FY14 came down to \$86.08 billion or equivalent to 4.5% of the country's Gross Domestic Product (GDP) as against 4.9% a year earlier.
- Repo Rate, Reverse Repo Rate, Cash Reserve Ratio (CRR) stood at 8%, 7% and 4% respectively.



Source: Bloomberg, Microsec Research

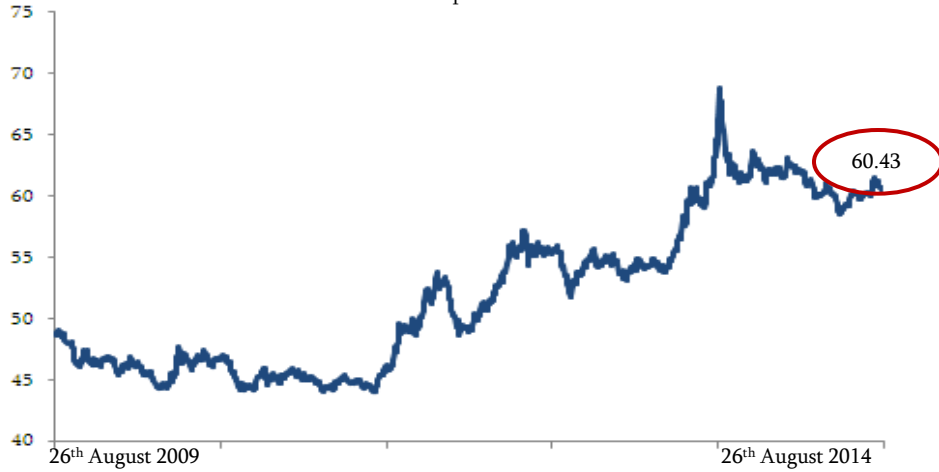
Macro Economic – Review Contd.....



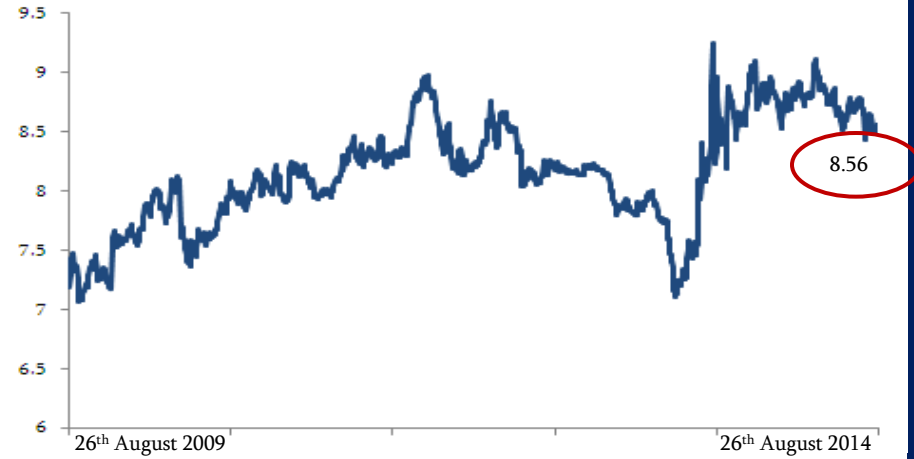
Source: Bloomberg, Microsec Research

Macro Economic – Review Contd.....

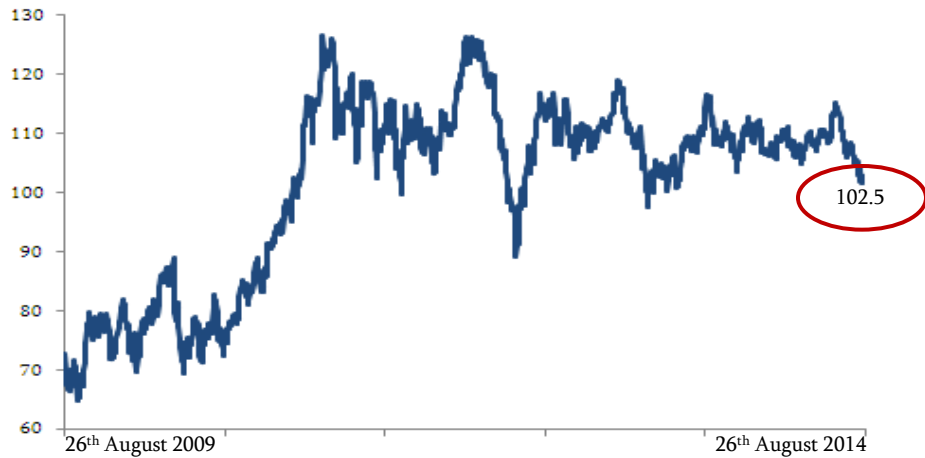
Indian Rupee vs. USD



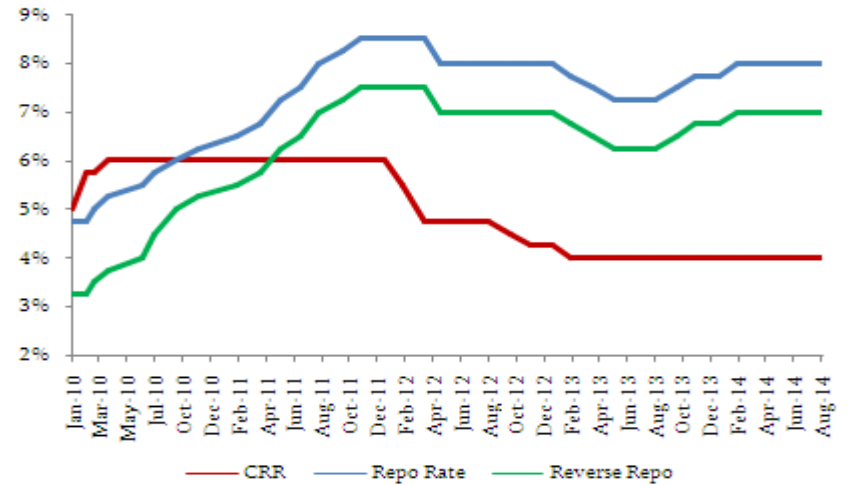
GOI 10 years Bond Yield (%)



Brent Crude USD/bbl



RBI's Monetary Policy Stance



Source: RBI, Bloomberg, Microsec Research

Banking Sector – Outlook & Top Picks

Performance of real economy drives the fortune of Indian Banking Industry. India's poor economic growth rate coupled with high inflation which led to high cost of capital and adverse regulatory environment in some business such as Mining, Power, Infrastructure etc have badly affected the Indian Banks' (specially PSBs) financial. Moreover, delayed in the execution of projects along with high cost of capital have dented the ability of Indian companies to repay their loans, which has been clearly reflected in the loan books of Indian Banks especially, PSBs. However, the Government's persistent support, strong vigilance by the regulator (RBI) and the Banks' diversified business portfolio continue to make Indian Banks resilient.

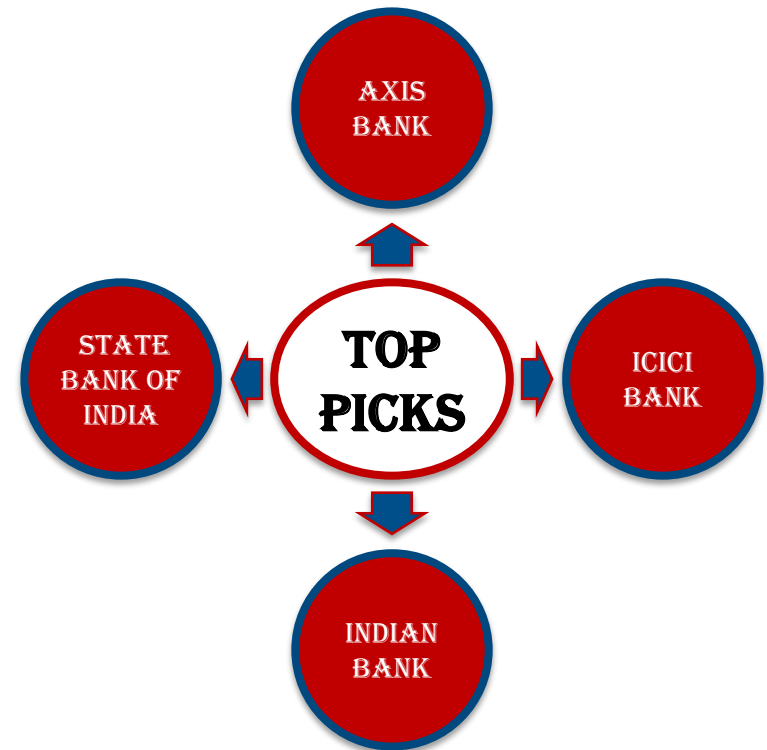
Outlook

Indian economy seems to be turn around as all indicators are favorable. Current Account Deficit (CAD) and Fiscal Deficit have shown some improvement which has helped in the INR appreciation and may continue to keep INR firm. As a result, Banks' operating environment may get stable going forward. We believe that the new and stable Government may focus more on the stalled projects (in which the Banks have a significant exposures) and take initiative to revive the same. The Government may also keep focus on the investment front and may come out with the new business friendly policies, which will solve the issue of infrastructure bottlenecking and increase the capacity expansion which may fuel the economic growth and INR appreciation against major currencies. However, recently few PSBs are under the scanner of investigating agency on account of fixed deposits fraud which dented our confidence to invest on them for short term. We believe, the Banks which are better placed are likely to generate better business and returns.

On the Monetary policy front, as per the RBI August 2014, Monetary Policy, bring down inflation at the projected level will be the priority. We believe, the monsoon which is below average may inch up the inflation figure in the coming months. Hence, we see, from CY15 onwards, the RBI may start cutting rates cautiously.

Top Picks

Taking into consideration various valuations and fundamental parameters, coupled with quarterly performances (Q1FY15), our top picks for three months in the Banking space are:-

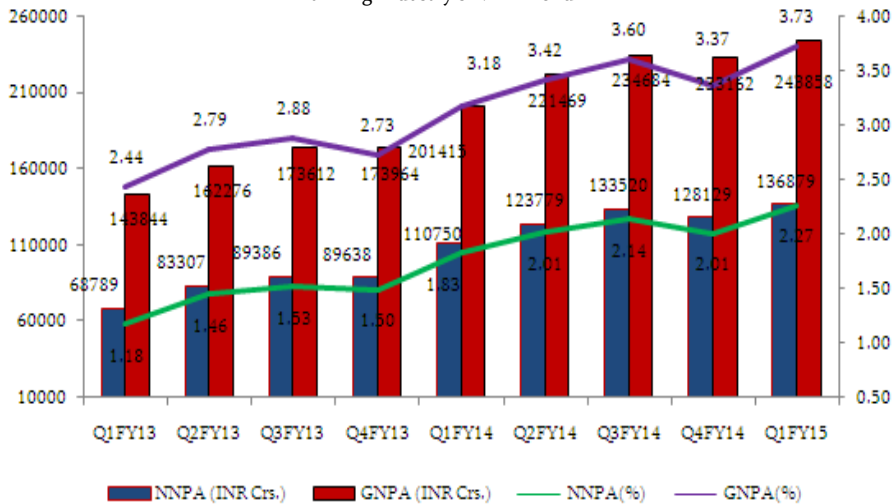


Indian Banking – NPA Still The Big Threat; Slowdown in Restructuring.....

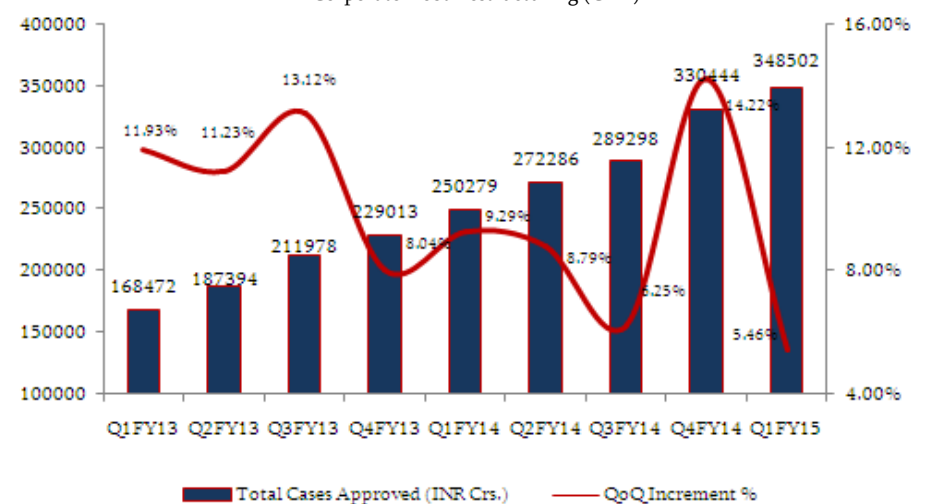
Unlike last quarter (Q4FY14) wherein, the industry had reported an improvement in the asset quality, in this quarter, most of the listed Banks and all big Banks (including Private and Public) reported deterioration in their asset quality. As on 30th June 2014, Gross Non-Performing Asset (GNPA) of 37 listed Indian Banks crossed over INR2.48 trillions or 3.73% of total advances. Out of which, GNPA of 21 listed Public Sector Banks stood at ~INR2.16 trillions or 4.72% of total advances as against ~INR2.09 trillions or 4.37% in fourth quarter of FY14, deteriorated by ~INR7909 crores or 35bps QoQ. Whereas, GNPA of 16 listed Private Sector Banks too deteriorated by 34bps or ~INR2919 crores to 2.39% or ~INR27060 crores as against 2.05% or ~INR24141 crores in the fourth quarter of FY14. Slowdown in the economy, lower restructuring and tepid advance growth were the reason for this abysmal numbers. However, to avoid this NPA problems and to enhance healthy business growth, the Indian Banks are rapidly expanding their wings in retail banking wherein, the demand is high and relatively secured.

On the debt restructuring front, according to the latest data available in the Corporate Debt Restructuring (CDR) cell, as on 30th June, 2014, about 624 cases involving a total debt of ~INR4.32 trillions are referred to since its inception. Out of which, the total debt approved in 486 cases through the CDR route, which is ~INR3.49 trillions. Whereas, live cases in CDR are 281 and its aggregate debt is ~INR2.52 trillions. **This time again, Infrastructure sector is leading the CDR list which comprises almost 23.01% of the total debt in the CDR cell as on 30th June 2014, followed by the Iron & Still, Textile and Power at 16.21%, 8.74% and 8.06% respectively.**

Banking Industry's NPA Trend



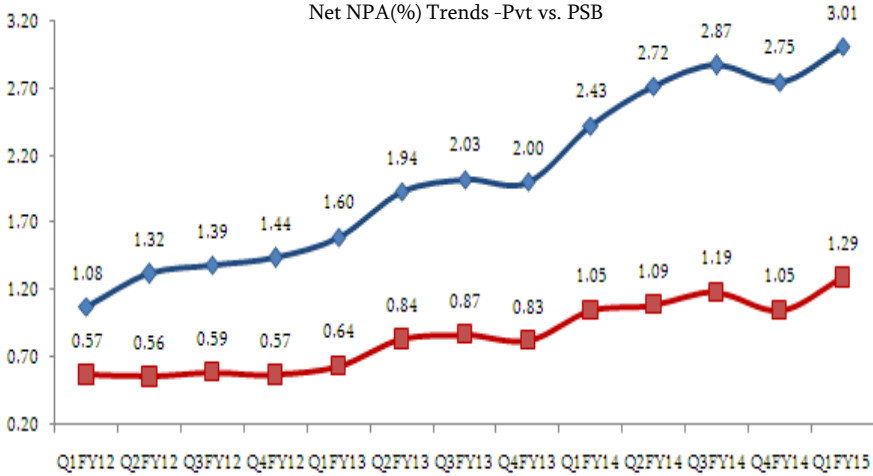
Corporate Debt Restructuring (CDR)



Source: ACE Equity, Banks, CDR Mechanism, Microsec Research

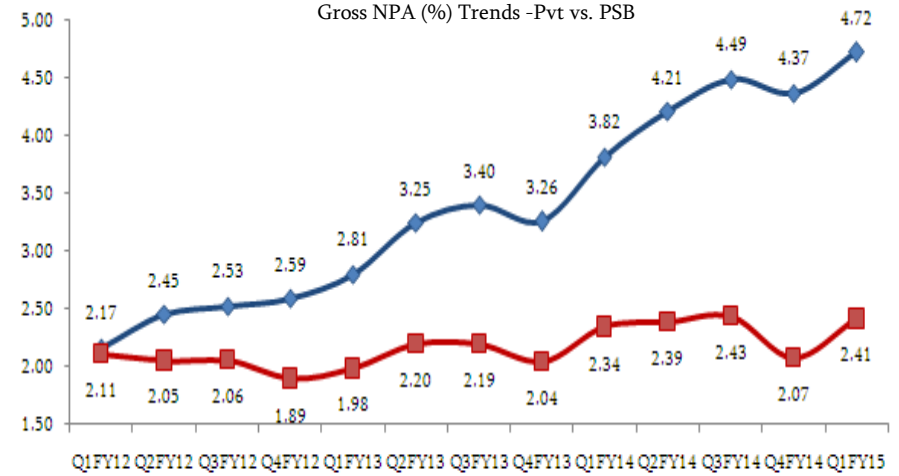
Asset Quality Trend; Both Private & Public Sector Banks Reported Higher NPA...

Net NPA(%) Trends -Pvt vs. PSB



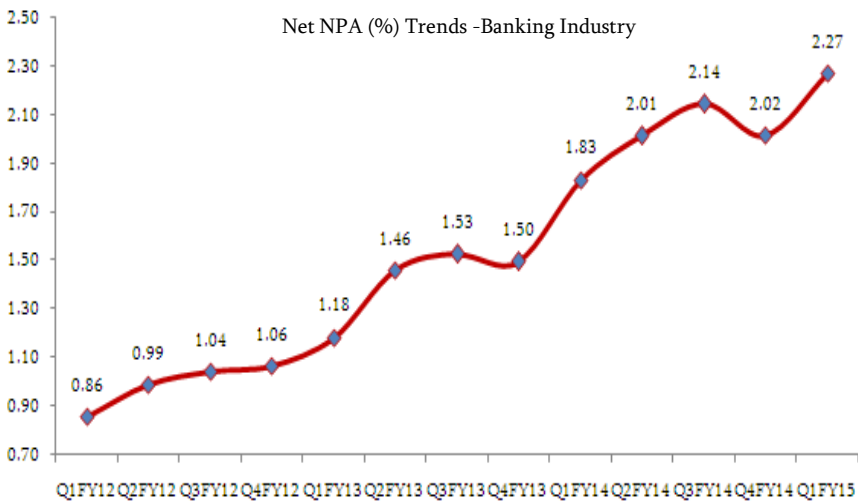
Public Sector Banks Private Banks

Gross NPA (%) Trends -Pvt vs. PSB

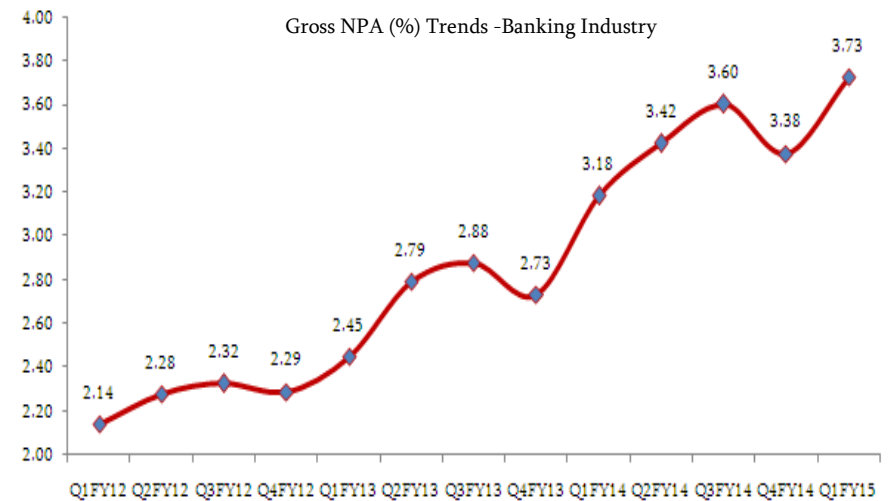


Public Sector Banks Private Banks

Net NPA (%) Trends -Banking Industry



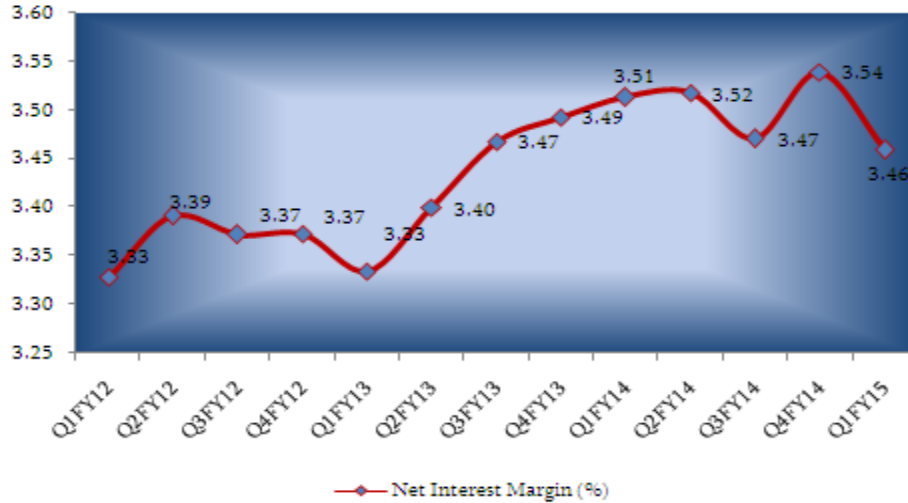
Gross NPA (%) Trends -Banking Industry



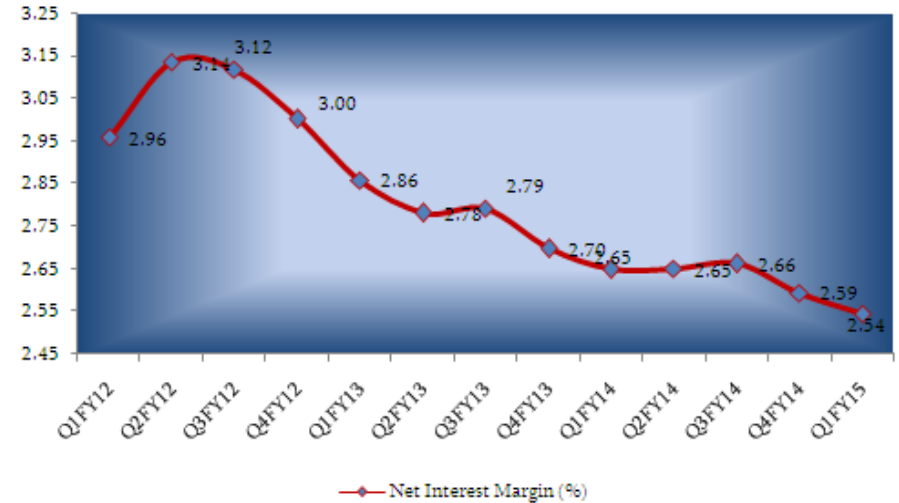
Source: ACE Equity, Banks, Microsec Research

Tepid Interest Income Dragged Down Net Interest Margin (NIM)

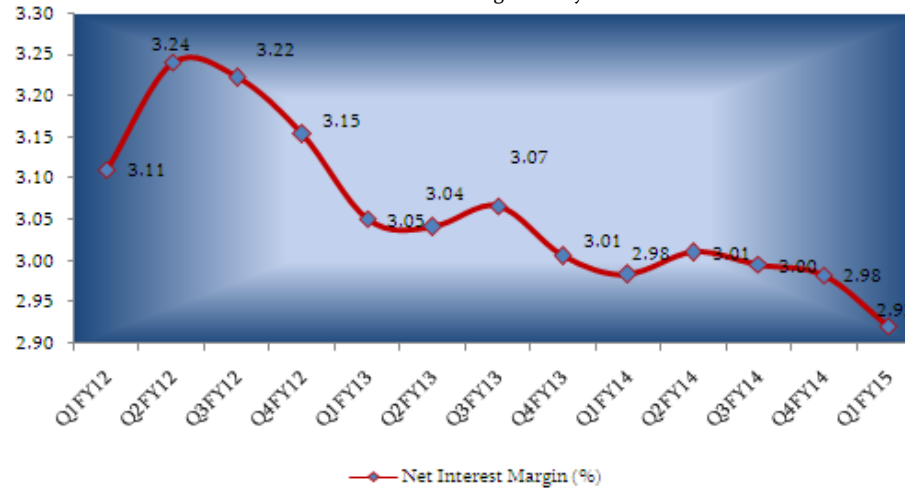
Private Sector Banks



Public Sector Banks



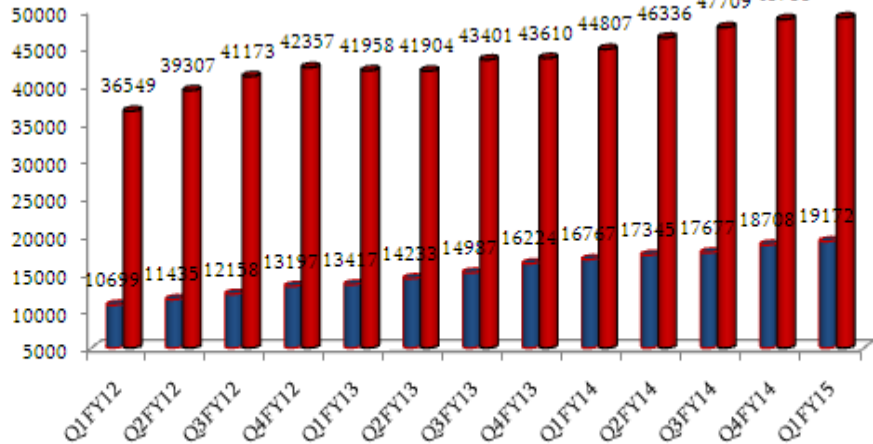
Indian Banking Industry



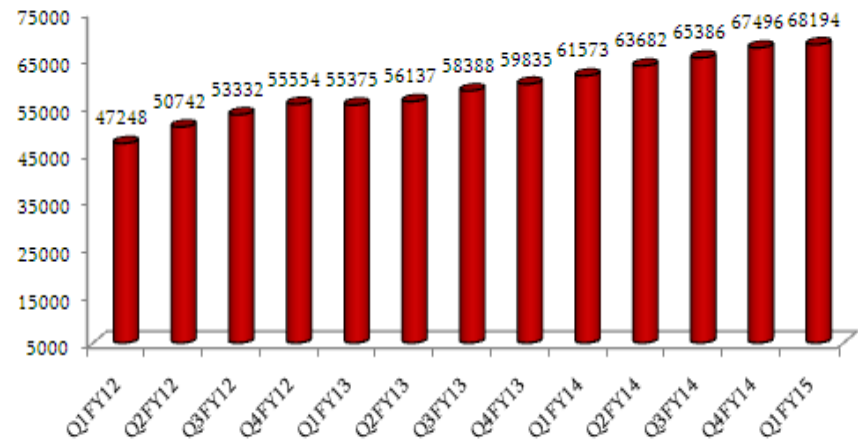
Source: ACE Equity, Banks, Microsec Research

Tepid Growth In Top line Led By Flat Other Income

Net Interest Income (INR Crs.)

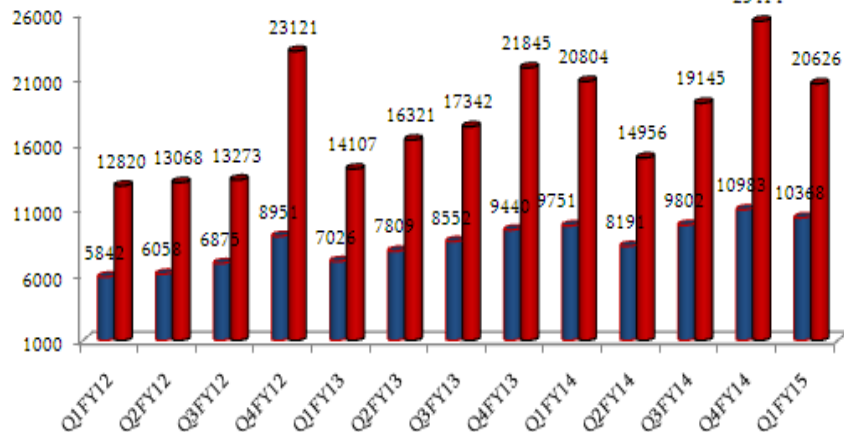


Net Interest Income (INR Crs.)



Private Banks Public Sector Banks

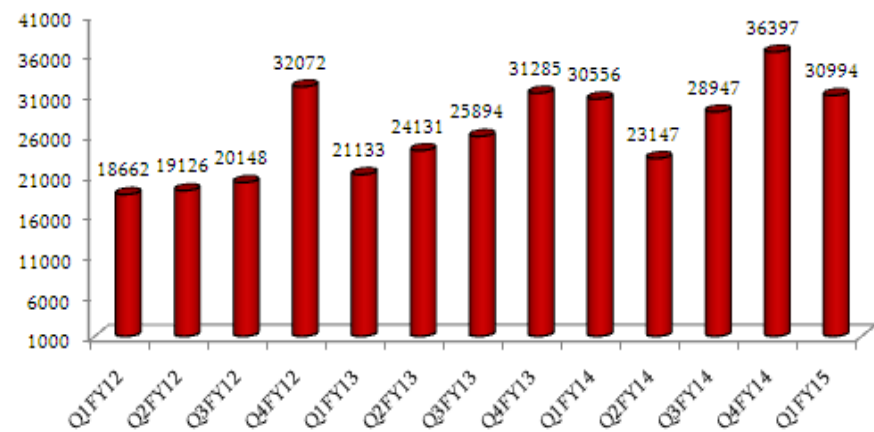
Other Income (INR Crs.)



Private Banks Public Sector Banks

Indian Banking Industry

Other Income (INR Crs.)

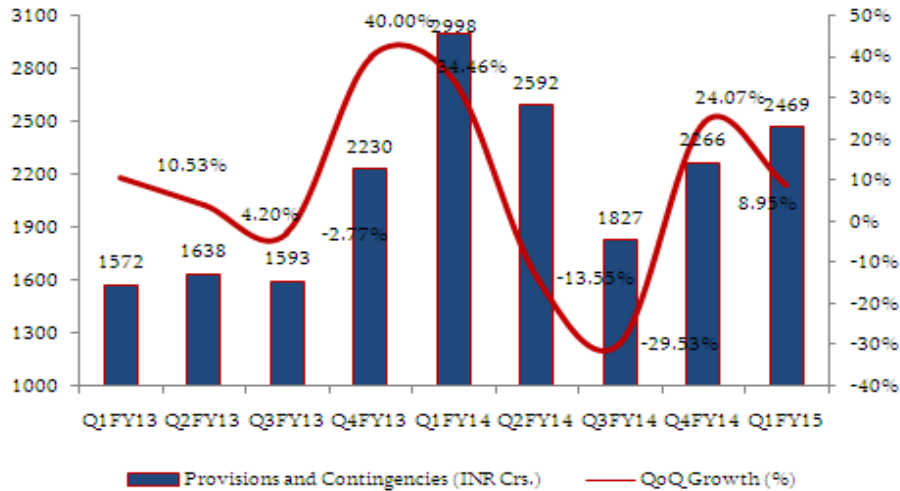


Indian Banking Industry

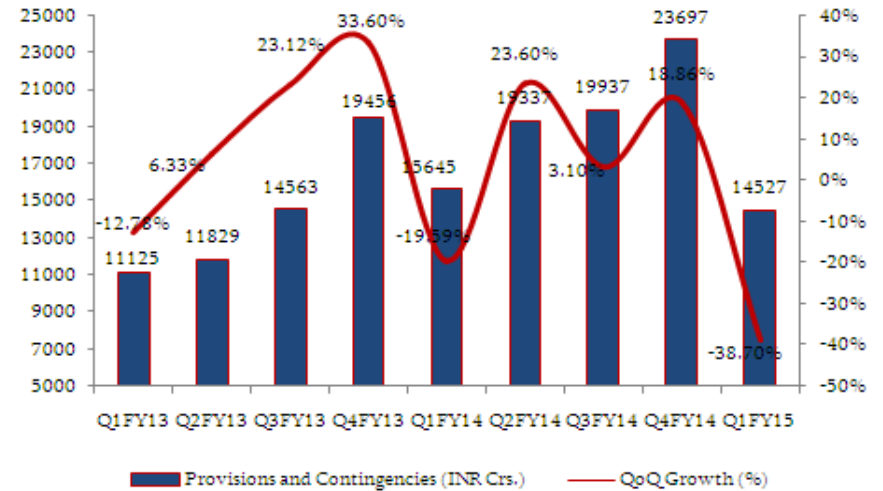
Source: ACE Equity, Banks, Microsec Research

Lower Restructuring Pulled Down Provisioning.....

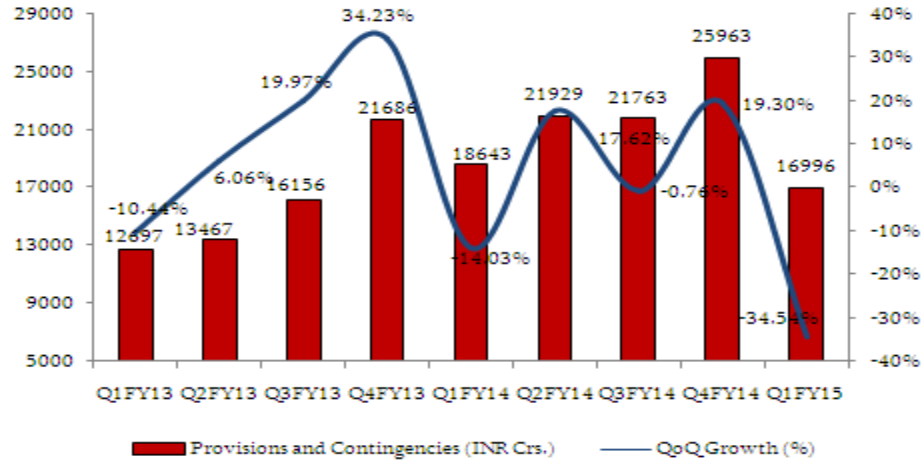
Private Banks



Public Sector Banks



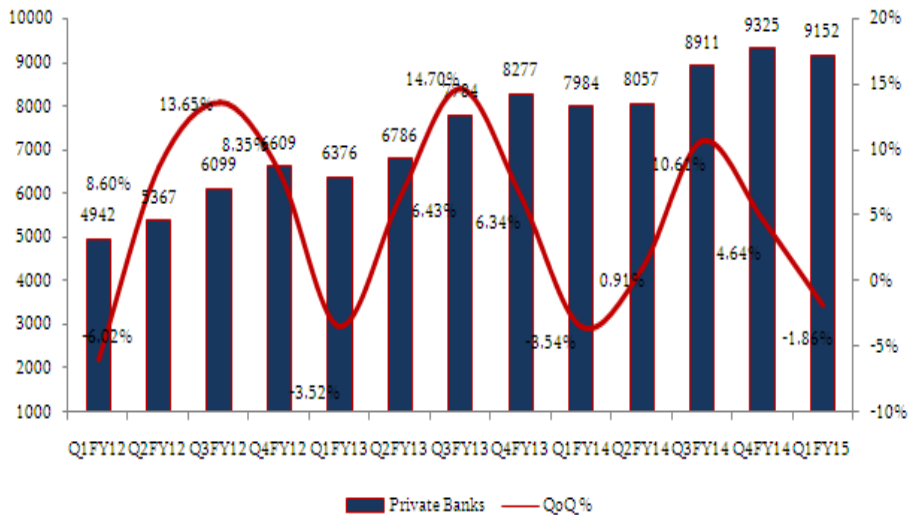
Indian Banking Industry



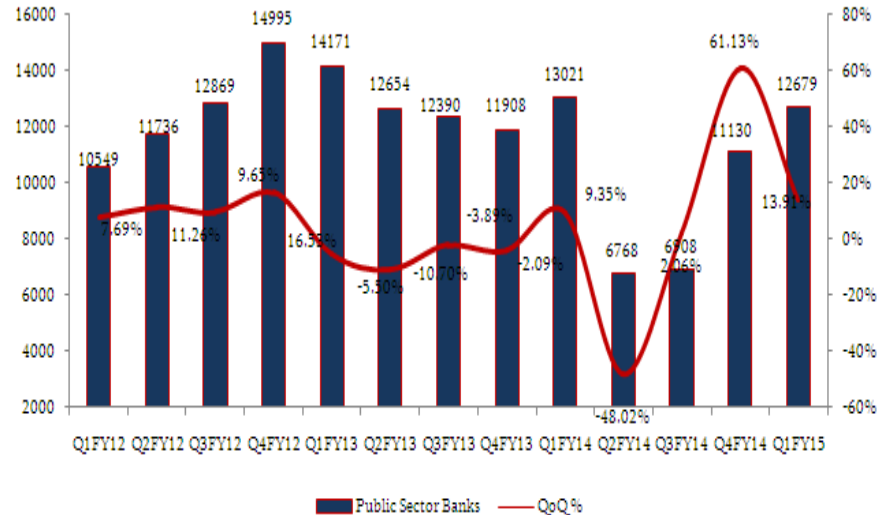
Source: ACE Equity, Banks, Microsec Research

Despite Lower Provisioning PSBs Profitability Down; Industry's PAT Flat-Supported By Private Banks...

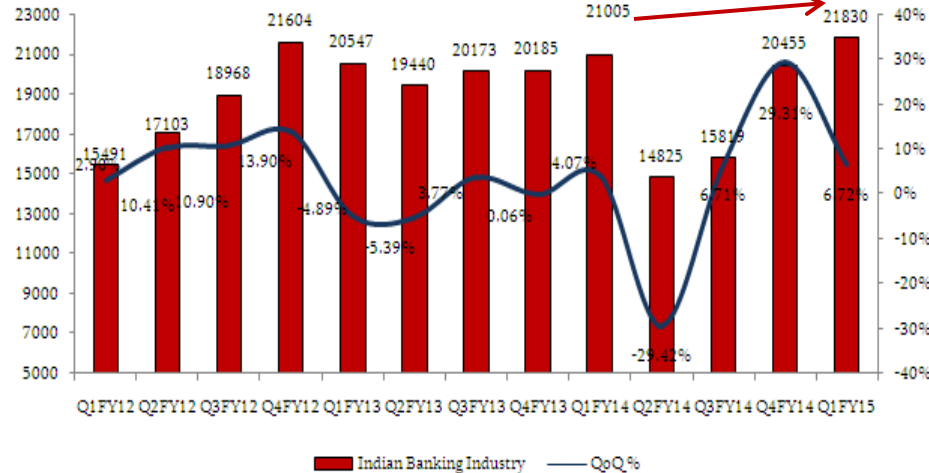
Profit After Tax (INR Crs.)



Profit After Tax (INR Crs.)



Profit After Tax (INR Crs.)



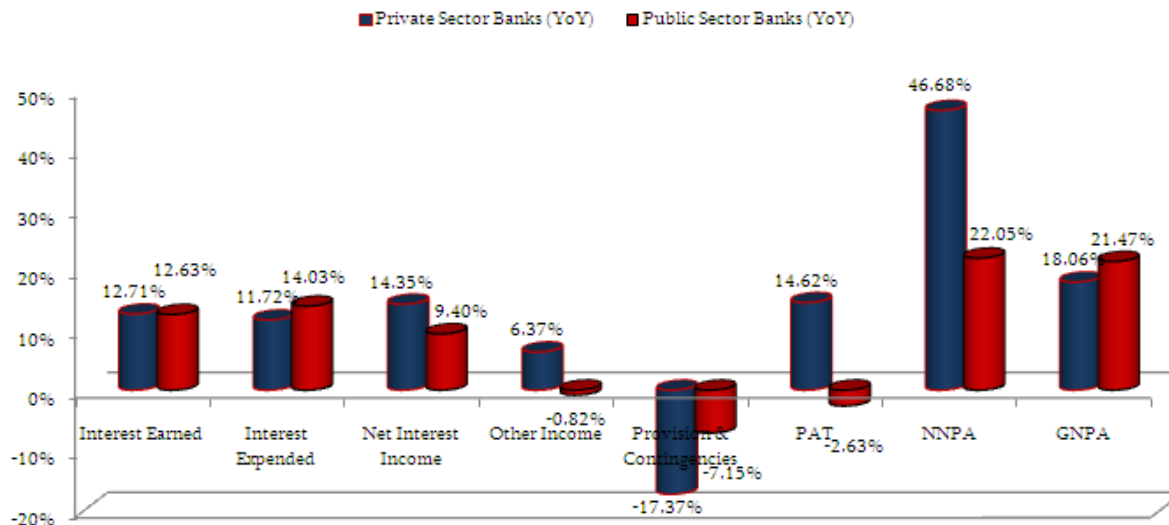
Source: ACE Equity, Banks, Microsec Research

Banking Quarterly Performance Analysis (Q1'15) – Private Banks Continued To March Over Public Sector Peers...

In this quarter (Q1FY15), Private Banks too reported a rise in their NPA. It is mainly because of continued slowdown in the economy. However, in term of Interest Income, profitability, business growth etc, Private Sector Banks continued to maintain their shine over Public Sector peers. Increasing foothold in retail banking space coupled with Banks' proactive risk management ability and thoughtful business strategy have widened the gap of performance compared to their Public Sector peers. Since last 3 years, PSBs are suffering from asset quality problem, as a result, their profitability has been eroded and also their overall business growth has gone down. In this quarter (Q1FY15), despite lower provisioning, PSBs have reported ~3% YoY de-growth in their bottom line. Whereas, Private Banks reported a ~15% YoY growth in their bottom line, supported by lower provisioning and stable topline growth.

The highest YoY growth in Net Profit for Q1FY15 was reported by **Federal Bank Ltd. (~+108%)** and **Karnataka Bank Ltd. (~+29%)** amongst the Private Banks. On the PSBs front, the highest YoY growth in Net Profit for Q1FY15 was observed in case of **Central Bank of India Ltd. (~+774%)** and **Indian Overseas Bank Ltd. (~+116%)**.

On the asset quality front, amongst PSBs, **Allahabad Bank Ltd.** has shown the best performance as compared its peers. It's Gross NPA and Net NPA decreased by 25bps and 27bps QoQ to 5.48% and 3.88% respectively. Amongst the Private Sector Banks, again **Lakshmi Vilas Bank Ltd.** reported a strong improvement in its assets quality. The Bank's Gross NPA and Net NPA improved by 23bps and 25bps QoQ to 3.96% and 3.19% respectively.



Source: ACE Equity, Banks, Microsec Research

Quarterly Performance Analysis (Appendix 1)

Private Sector Banks	Interest Earned		Interest Expended		Other Income		Prov & Contg		PAT		CAR (in bps)		GNPA (in bps)		NNPA (in bps)	
	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ	YoY	QoQ	YoY	QoQ	YoY
Axis Bank	4.07%	13.90%	3.74%	12.83%	-23.60%	-5.07%	-23.48%	-45.72%	-9.53%	18.30%	-144	-137	12	24	4	9
City Union Bank	1.24%	3.10%	1.30%	4.58%	21.86%	40.31%	44.14%	107.96%	19.37%	10.20%	-53	137	10	66	5	65
Development Credit Bank	14.39%	35.08%	2.59%	20.05%	3.13%	-23.52%	107.63%	169.71%	14.23%	4.25%	-11	-16	9	-163	6	13
Dhanalakshmi Bank	-0.58%	4.30%	-0.08%	0.40%	-9.79%	-30.65%	-93.82%	2.09%	-102.26%	-15.36%	-94	-267	119	139	82	52
HDFC Bank	4.00%	16.11%	3.64%	15.34%	-7.54%	-3.90%	68.73%	-8.41%	-4.02%	21.11%	-100	-90	10	10	0	0
ICICI Bank	2.42%	12.92%	1.99%	10.22%	-4.24%	14.71%	1.72%	22.40%	0.12%	16.76%	-208	-134	2	-18	2	17
IndusInd Bank	5.42%	20.14%	7.05%	21.41%	10.22%	22.47%	-8.42%	-16.40%	6.31%	25.75%	-85	-131	-1	5	0	12
ING Vysya Bank	7.17%	6.96%	12.20%	6.05%	1.89%	-6.90%	148.34%	48.00%	3.08%	-18.11%	-157	260	62	64	59	68
Karur Vysya Bank	1.64%	9.98%	3.08%	12.78%	-19.05%	-43.00%	-21.46%	-47.03%	2.07%	1.47%	-19	-28	48	-21	12	3
Kotak Mahindra Bank	3.40%	5.33%	4.98%	1.41%	6.94%	37.98%	-4716.95%	-82.93%	3.02%	8.61%	-51	40	-7	-2	-7	1
Federal Bank	-3.66%	7.15%	-0.52%	5.56%	-12.26%	-27.46%	-59.88%	-90.61%	-20.58%	108.43%	2	16	-24	-129	-6	-23
Jammu & Kashmir Bank	-0.53%	8.85%	5.02%	16.60%	17.90%	42.03%	307.41%	581.12%	-48.10%	-57.77%	37	-57	250	249	196	204
Karnataka Bank	6.23%	12.70%	4.66%	13.18%	13.79%	-37.02%	45.72%	-23.25%	49.77%	29.16%	-25	-103	51	21	46	41
Lakshmi vilas Bank	3.22%	10.98%	6.61%	14.56%	-7.92%	4.04%	-57.31%	-34.66%	33.88%	11.08%	-27	-138	-23	-131	-25	-55
South Indian Bank	3.23%	9.76%	7.02%	11.84%	25.45%	2.90%	234.62%	-10.18%	1.65%	10.28%	-21	-134	31	-7	13	-21
Yes Bank	4.34%	11.75%	4.64%	11.24%	-4.47%	-3.72%	-67.16%	-75.52%	2.15%	9.64%	-10	-50	2	11	2	4

Source: Bloomberg, ACE Equity, Banks, Microsec Research

Quarterly Performance Analysis (Appendix 2)

Public Sector Banks	Interest Earned		Interest Expended		Other Income		Prov & Contg		PAT		CAR (in bps)		GNPA (in bps)		NNPA (in bps)	
	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%	QoQ	YoY	QoQ	YoY	QoQ	YoY
Allahabad Bank	4.94%	10.64%	-0.56%	5.77%	10.04%	-6.45%	33.26%	91.23%	-28.55%	-72.71%	-1	-82	-25	70	-27	1
Andhra Bank	2.39%	12.52%	8.49%	19.67%	17.25%	-15.61%	-41.77%	7.63%	21.48%	-53.74%	-66	-94	69	125	78	62
Bank Of Baroda	3.59%	12.34%	2.31%	11.09%	-22.75%	-16.74%	-54.32%	-48.25%	17.68%	16.61%	-37	-20	17	12	6	-11
Bank Of India	-0.54%	20.64%	4.17%	26.87%	12.13%	-13.24%	-42.28%	28.58%	44.52%	-16.44%	3	13	13	24	14	4
Bank Of Maharashtra	0.72%	12.60%	-1.08%	18.46%	-36.27%	-15.40%	-8.20%	-12.39%	106.88%	-55.76%	-1	27	107	243	91	214
Canara Bank	1.53%	15.44%	3.34%	13.65%	-4.03%	-17.07%	-27.78%	-13.98%	32.09%	1.87%	-46	-74	18	-24	5	-45
Central Bank Of India	2.00%	11.14%	0.45%	8.53%	-27.24%	-27.90%	18.90%	-34.42%	17.95%	773.69%	-55	-2	-12	12	-13	-23
Corporation Bank	4.50%	13.62%	4.61%	18.22%	-6.87%	-37.78%	-44.34%	2.66%	456.82%	-38.76%	-37	-26	54	159	39	106
Dena Bank	3.31%	11.67%	4.45%	15.19%	-46.98%	-60.49%	-60.01%	-0.04%	-56.47%	-56.91%	5	80	88	151	59	120
IDBI Bank Ltd	0.26%	0.07%	6.63%	4.35%	-56.58%	-30.30%	-35.24%	-6.45%	-79.51%	-65.41%	-135	-157	74	130	39	71
Indian Bank	0.46%	7.13%	0.84%	11.20%	-33.60%	-59.24%	-45.18%	-11.55%	-23.64%	-34.73%	61	65	34	60	22	17
Indian Overseas Bank	2.25%	11.19%	2.60%	12.08%	-53.82%	-64.61%	-75.15%	-64.50%	1.26%	116.01%	-54	-67	86	139	65	104
Oriental Bank Of Commerce	1.78%	5.73%	4.26%	9.81%	-22.05%	9.32%	-41.81%	1.66%	17.47%	3.16%	-10	-27	34	97	29	77
Punjab & Sind Bank	0.11%	14.15%	-0.45%	20.49%	2.34%	2.85%	-32.87%	326.69%	-40.22%	-82.39%	-35	-89	81	177	52	140
Punjab National Bank	4.39%	11.38%	1.54%	10.96%	-11.49%	-7.87%	-56.63%	-13.02%	74.26%	10.18%	7	-9	23	64	17	4
State Bank Of India	1.22%	12.94%	0.71%	13.03%	-20.11%	29.12%	-35.41%	11.83%	14.06%	4.36%	-63	48	-5	-66	9	-17
Syndicate Bank	3.49%	14.33%	7.30%	20.08%	-1.15%	54.94%	-25.92%	-4.36%	18.60%	7.33%	-83	-75	35	59	32	69
UCO Bank	4.59%	20.59%	9.10%	26.27%	-29.79%	-30.24%	-42.83%	-30.24%	83.14%	2.01%	-49	-81	-1	-127	-5	-82
Union Bank Of India	2.42%	14.57%	2.15%	15.98%	-10.70%	-8.58%	-57.33%	-42.36%	14.71%	18.54%	-46	29	19	77	13	50
United Bank of India	-5.78%	5.63%	-2.80%	6.89%	28.91%	-0.79%	59.54%	-15.93%	-85.96%	47.31%	-29	-57	2	490	5	337
Vijaya Bank Ltd	6.51%	24.34%	7.60%	27.53%	-12.74%	-37.73%	-66.07%	5.02%	18.86%	21.89%	-16	-9	27	26	22	32

Source: Bloomberg, ACE Equity, Banks, Microsec Research

Key Financial Snapshot (Appendix 3)

Private Banks	CMP	52Wk High	52Wk Low	Credit to Deposits (FY14)	Interest Earned to Expended (Q1FY15)	P/B TTM	P/E TTM	Dvd Yield (%)	CAR (%) (Q1FY15)	NNPA (%) (Q1FY15)	ROA (%) (Q1FY15)
Axis Bank	397.75	408.59	152.80	81.89%	1.66	2.34	14.49	1.01	15.53	0.44	1.78
City Union Bank	78.85	82.70	37.95	73.11%	1.41	1.90	13.18	1.27	14.58	1.28	1.58
Development Credit Bank	82.60	88.40	38.05	78.84%	1.65	1.81	13.52	0.00	13.73	0.97	1.39
Dhanlakhmi Bank	45.60	61.25	28.00	65.41%	1.30	0.79	0.00	0.00	10.21	4.62	0.09
HDFC Bank	842.50	861.00	528.00	85.93%	1.86	4.41	22.92	0.81	15.10	0.30	0.50
ICICI Bank	1510.05	1590.35	758.80	107.74%	1.62	2.30	17.14	1.52	17.00	0.99	1.83
IndusInd Bank	561.90	586.90	318.00	91.07%	1.53	3.27	19.85	0.62	13.11	0.33	1.92
ING Vysya Bank	638.50	723.15	405.50	86.94%	1.49	1.71	19.38	0.94	15.19	0.87	0.96
Kotak Mahindra Bank	1056.75	1060.00	588.00	125.93%	1.93	4.12	32.12	0.08	18.50	0.81	0.56
Federal Bank	117.80	136.00	44.25	72.72%	1.47	1.41	10.57	1.70	15.16	0.68	0.30
Jammu & Kashmir Bank	1476.50	1995.00	1003.00	66.90%	1.56	1.22	7.12	3.39	13.28	2.18	0.72
Karnataka Bank	124.05	150.75	71.50	69.85%	1.33	0.74	6.91	3.22	13.05	2.37	1.02
Karur Vysya Bank	470.05	509.90	297.65	77.68%	1.34	1.40	13.15	2.77	12.58	0.53	0.94
Lakshmi Vilas Bank	80.50	86.20	43.06	69.40%	1.28	1.02	23.14	0.93	10.66	3.19	0.53
South Indian Bank	28.20	35.05	18.95	76.29%	1.34	1.13	7.32	2.84	12.32	0.91	0.93
Yes Bank	567.70	593.45	216.10	74.99%	1.39	2.25	14.25	1.41	17.60	0.07	1.60

Source: Bloomberg, ACE Equity, Banks, Microsec Research

Key Financial Snapshot (Appendix 4)

Public Sector Banks	CMP	52Wk High	52Wk Low	Credit to Deposits (FY14)	Interest Earned to Expended (Q1FY15)	P/B TTM	P/E TTM	Divd Yield (%)	CAR(%) (Q1FY15)	NNPA (%) (Q1FY15)	ROA (%) (Q1FY15)
Allahabad Bank	116.95	150.00	64.90	72.31%	1.47	0.58	7.31	2.14	10.25	3.88	0.21
Andhra Bank	73.35	110.00	47.30	76.03%	1.27	0.49	13.89	1.50	10.52	3.89	0.25
Bank Of Baroda	890.90	1009.00	431.00	69.79%	1.45	1.02	8.08	1.18	12.50	1.58	0.83
Bank Of India	281.20	356.75	126.95	77.85%	1.35	0.67	7.03	2.06	10.79	2.14	0.53
Bank Of Maharashtra	42.30	55.15	29.10	76.13%	1.42	0.71	18.94	2.36	12.10	2.94	0.35
Canara Bank	393.50	498.00	189.90	71.56%	1.29	0.74	7.40	2.80	10.68	2.03	0.66
Central Bank Of India	64.35	88.85	43.05	73.86%	1.39	0.70	0.00	0.00	11.41	3.62	0.27
Corporation Bank	328.15	417.50	220.10	70.88%	1.24	0.53	13.24	2.06	11.84	2.71	0.44
Dena Bank	60.15	94.40	41.85	70.49%	1.30	0.50	7.29	3.66	11.92	2.94	0.27
IDBI Bank	79.55	116.50	52.30	83.92%	1.23	0.58	13.86	1.26	11.78	2.87	0.14
Indian Bank	145.55	198.90	60.50	75.31%	1.38	0.58	6.45	3.23	13.71	2.48	0.45
Indian Overseas Bank	62.90	89.90	37.20	77.15%	1.31	0.53	10.39	1.91	10.93	3.85	0.39
Oriental Bank Of Commerce	269.20	377.30	121.40	71.88%	1.33	0.61	7.02	2.82	11.75	3.11	0.68
Punjab & Sind Bank	55.35	83.90	36.75	67.55%	1.23	0.38	7.61	3.97	11.75	3.87	0.09
Punjab National Bank	953.15	1068.00	402.20	77.38%	1.61	0.96	9.94	1.05	12.35	3.02	1.00
State Bank Of India	2493.15	2833.85	1452.90	85.83%	1.56	1.22	12.99	1.20	12.33	2.66	0.74
Syndicate Bank	123.55	179.10	61.30	81.90%	1.36	0.68	4.42	4.45	11.18	1.88	0.81
UCO Bank	98.35	115.75	46.00	74.97%	1.41	0.89	6.56	1.02	12.91	2.33	0.90
Union Bank Of India	203.85	259.60	97.10	76.96%	1.37	0.73	7.14	1.96	11.43	2.46	0.77
United Bank of India	47.25	61.65	23.40	58.98%	1.30	0.75	0.00	0.00	11.17	7.23	0.22
Vijaya Bank	45.40	58.80	33.40	65.57%	1.22	0.67	8.77	4.41	10.81	1.77	0.49

Source: Bloomberg, ACE Equity, Banks, Microsec Research

NON-BANKING FINANCIAL COMPANIES (NBFC)

NBFCs – Outlook & Top Picks

The prolonged slowdown in the economy coupled with high cost of capital dented the purchasing power of the individuals and hit the confidence of the Indian companies for new investments, which has been clearly reflected by the tepid growth of Automobile finance companies. However, we believe that these companies may perform well from the coming quarters backed by the expectation of high demand in the Industry due to the onset of festival season and also, sign of surge in the economic growth going forward.

However, Mid and Small housing finance companies continued to report a healthy set of numbers. It is mainly, because of the renewed efforts from the Government to prioritize low cost housing construction coupled with the various schemes launched by the National Housing Bank (NHB) to promote housing from low to middle income group in Tier-II and Tier-III cities and also, the Indian's appetite of own home have increased the demand. We believe, the industry itself may see revival, if interest rates decline. Moreover, with the expectations of economic recovery along with the Government and regulator's persistent effort to promote low cost housing may set the industry for a strong growth in the coming years.

Power Finance Companies (PFCs) reported a strong set of number. The number of actions that have been taken by the Government like hike in tariff rates, forest clearances to coal mining projects and focus given to infrastructure (especially, Power sector) supported the industry's business growth. On August 25th 2014, Supreme Court verdict 213 coal blocks that allocated between 1993 and 2010 were illegal which loosened our confidence on the PFCs. However, companies which are fundamentally strong may remain firm.

Notwithstanding challenging environment, Infrastructure finance companies have maintained their profitability. We believe, the sector may improve faster than others as the Government's effort in the fast execution of the pending projects and focus given to infrastructure may fuel the industry.

Top Picks

Taking into consideration various valuations and fundamental parameters, coupled with quarterly performances (Q1FY15), our top picks for three months in the NBFC space are:-



Key Financial Snapshot (Appendix 1)

Non Banking Financial Companies Q1FY15	Total Income		Operating Profit		PAT		CMP	52 Wk High	52 Wk Low	P/B TTM	P/E TTM	Divd Yield (%)
	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%						
Bajaj Finance Ltd.	16.10%	33.96%	15.11%	37.79%	16.07%	20.27%	2420.95	2429.95	965.50	2.89	16.09	0.66
Can Fin Homes Ltd.	8.87%	39.03%	7.92%	43.38%	-5.74%	14.84%	380.00	487.00	113.00	1.65	9.96	1.71
Dewan Housing Finance Corpn. Ltd.	0.70%	29.11%	0.65%	30.04%	4.24%	22.32%	344.15	425.95	101.50	1.19	7.97	1.45
GIC Housing Finance Ltd.	2.77%	14.05%	7.86%	18.49%	11.77%	14.53%	162.55	181.50	78.55	1.37	8.66	3.69
Grub Finance Ltd.	-5.03%	32.32%	-11.00%	33.94%	-37.31%	36.63%	210.65	229.45	97.88	11.07	40.34	0.71
Housing Development Finance Corporation Ltd.	-18.16%	18.46%	-7.13%	13.84%	-28.24%	4.99%	1061.85	1149.90	632.20	4.27	20.52	1.32
IDFC Ltd.	-3.74%	-7.64%	11.94%	-15.37%	82.52%	-13.23%	143.10	166.70	76.25	1.40	12.57	1.82
IFCI Ltd.	-9.31%	31.68%	-3.43%	30.02%	-44.52%	71.42%	34.35	44.90	17.85	0.97	10.43	2.91
L&T Finance Holdings Ltd.	2.72%	24.64%	3.42%	24.30%	53.68%	97.36%	66.60	88.35	53.85	1.88	15.52	1.13
LIC Housing Finance Ltd.	2.69%	16.77%	2.94%	17.37%	-12.90%	3.80%	303.15	352.85	152.00	1.95	11.51	1.48
Mahindra & Mahindra Financial Services Ltd.	-6.10%	18.21%	-21.27%	10.73%	-49.58%	-16.19%	279.90	355.90	215.60	2.92	17.29	1.36
Manappuram Finance Ltd	-0.24%	-23.09%	1.57%	-22.92%	35.88%	-16.80%	27.55	29.85	14.05	0.91	10.67	6.53
Muthoot Finance Ltd	-5.64%	-15.29%	-3.14%	-20.11%	-0.42%	-7.07%	191.60	221.00	89.10	1.56	9.93	3.13
Power Finance Corpn. Ltd.	5.08%	17.99%	5.75%	17.66%	2.61%	20.87%	254.25	344.20	99.35	1.16	5.92	3.54
PTC India Financial Services Ltd	15.93%	100.92%	20.00%	117.79%	12.44%	113.17%	41.35	44.65	10.00	1.66	9.87	2.42
Rural Electrification Corpn Ltd	5.06%	17.02%	6.27%	15.77%	7.64%	11.19%	266.30	383.35	161.00	1.20	5.46	3.57
Shriram City Union Finance Ltd.	5.25%	6.90%	2.41%	2.14%	-13.37%	8.77%	1688.35	1827.80	880.00	2.92	20.93	0.59
Shriram Transport Finance Company Ltd.	0.01%	5.93%	-2.75%	3.33%	-0.63%	-14.57%	912.30	1021.30	465.20	2.35	15.87	0.77
SREI Infrastructure Finance Ltd.	11.21%	19.57%	7.11%	4.41%	1683.09%	32.12%	44.85	57.55	17.45	0.65	14.53	1.11
Max India Ltd.	-92.98%	-90.90%	-149.14%	37.83%	872.01%	-19.66%	329.70	346.45	150.50	2.69	53.12	0.55
Repcos Home Finance Ltd.	4.19%	31.51%	0.95%	33.45%	-21.21%	11.21%	432.35	515.00	221.10	3.51	23.87	0.28

Source: Bloomberg, ACE Equity, Companies, Microsec Research

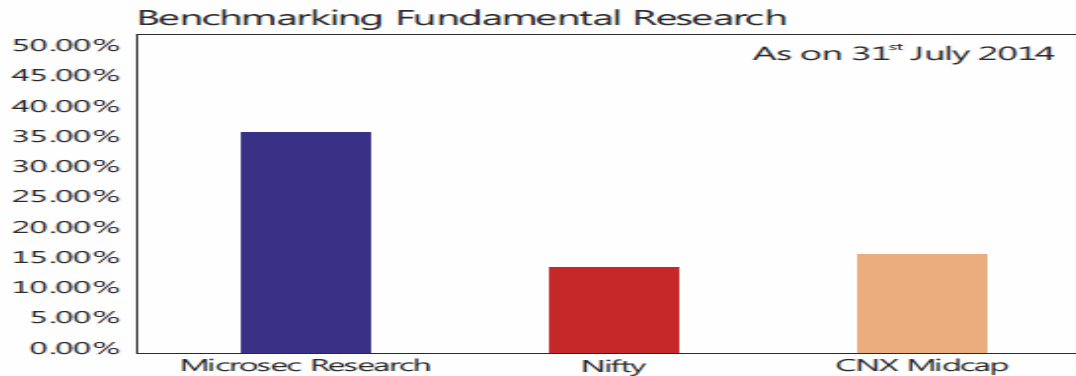
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