

Muthoot Finance

SPARKLE YOUR INVESTMENT WITH MUTHOOT

CHOICE

S C R I P

1 Year Investment Horizon

HERE IS WHY

Acquisition of Belstar Investment and Finance and tie-up with TechProcess Payment Services

Strong financials and high stakes in subsidiaries

Attractive valuations

Best of LAST ONE Year

Name of Company	Reco Price (₹)	CMP (₹)	Gain (%)
Vakrangee	132.00	260.50	97.35
Arvind Ltd	285.00	404.00	41.75
Mahanagar Gas	518.00	716.50	38.32
Techno Electric & Engg.	217.00	300.00	38.25
Gujarat State Petronet	131.00	154.00	17.56

(Closing price as of Nov 08, 2016)

Muthoot Finance (MFL) is the largest gold mortgage financing company in India in terms of loan portfolio. The company provides personal and business loans secured by gold jewellery and gold items.

MFL's average gold loan per branch stood at ₹6.01 crore in Q1FY17 as compared to same period in the previous fiscal. The company's total weight of gold jewellery pledged stood at 146 tonnes with an increment of 6 per cent in Q1FY17 on yearly basis. Its average loan ticket size was ₹37,417 in Q1FY17 as against ₹37,293 in Q1FY16.


On the financial front, MFL's total income increased 14 per cent to ₹1,301 crore in Q1FY17 on a yearly basis. Its NIM increased 220 basis points to 11.8 per cent in Q1FY17 on yearly basis. The company's PAT also jumped 48 per cent to ₹270 crore in Q1FY17 as compared to the corresponding period in previous fiscal. Its branch network of 4,294 spread across 27 states including Union Territories grew one per cent in Q1FY17.

On the income front, MFL's topline increased 13.77 per cent to ₹4,920 crore in

FY16 as compared to the previous fiscal. The company's EBITDA too rose 13.6 per cent to ₹3,650 crore in FY16 on a yearly basis. Its bottomline increased 21.38 per cent to ₹815 crore in FY16 as compared to the previous financial year.

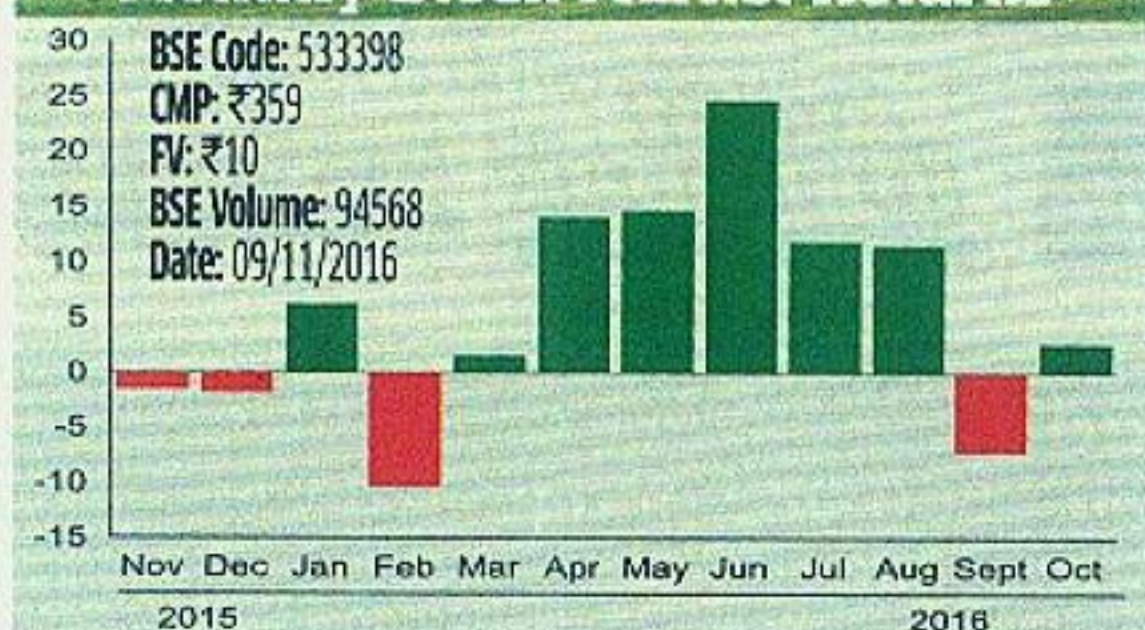
Asia Asset Finance Plc, MFL's Sri-Lankan subsidiary, has increased its loan portfolio by 50 per cent at ₹335 crore in Q1FY17 on a yearly basis. The interest income of the company has increased 72 per cent to ₹19.39 crore in Q1FY17 as compared to the corresponding period in the previous financial year. Its profitability increased 60 per cent to ₹2.71 crore in Q1FY17 on a yearly basis. Muthoot Homefin (India) has increased its loan portfolio by 46.67 per cent to ₹44 crore in Q1FY17 as compared to same period in the previous financial year.

MFL has infused ₹40 crore as fresh capital acquiring 38.23 per cent of the expanded equity share capital of Belstar Investment and Finance (BIFPL). Acquisition of additional 10.32 per cent from the existing shareholders is expected to be completed soon. The total holding in BIFPL would be raised to 57.15 per cent making it a subsidiary. MFL and TechProcess Payments Services have joined hands to facilitate digital repayment of loan EMIs of customers.

On valuation front, MFL's share price is trading at 17.14x as against peers such as Manappuram Finance (18.59x), Sundaram Finance (25.91x), Cholamandalam Investment and Finance Company (26.38x), Shriram City Union Finance (29.38x). The company's P E is also attractive as compared to industry PE of 20.13x. We recommend a **'BUY'** on the stock considering available information. 

Note: The stocks recommended under this section are fundamentally strong stocks. However investors are advised to wait for the correct opportunity to enter these stocks considering the market sentiment right now.

Monthly Stock Market Returns



Shareholding Pattern

30/06/2016

Promoter	74.63
FII	14.46
DII	6.88
Others	4.03
Total	100

Last Five Quarters (₹/Cr)

Particulars	June-16	Mar-16	Dec-15	Sep-15	Jun-15
Total Income	1296.40	1446.95	1138.27	1136.13	1140.06
Operating Profit	992.49	1053.60	865.97	847.90	864.49
Interest	557.09	563.90	561.58	565.22	567.00
Net Profit	270.27	265.22	186.67	174.50	183.16
Equity	399.05	399.00	398.04	398.04	398.00