



Q2FY16 Update-Ranking system of Finance sector

RETURN	3M	6M	12M
CNXPSU	7%	-7%	-26%
BANKNIFTY	6%	-4%	-7%
BSEPSU	5%	-10%	-17%
NIFTY	3%	-4%	-7%

	CMP	P/ABV	Total Points
Syndicate Bank	88	0.96	71
Bank of India	119	0.56	74
SBI	236	1.43	67
DCB Bank	79	1.40	58
J&K Bank	80	0.80	60
Federal Bank	57	1.45	55
Dewan Hsg Indiabulls	218	1.30	83
Hsg LIC	678	2.80	73
Housing	462	2.80	70
PTC India Financial	39	1.6	70

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Summary of our Ranking Model for Financial Sector

Dimensional Securities uses its proprietary ranking model to evaluate stocks in the financial sector. Banks, HFCs, NBFCs are scored on profitability, valuation multiples on adjusted networth, capitalization, size and loan growth. Ranking model is based on Q2 FY16 figures. Based on our ranking model, we suggest following stocks –

A) PSU Banks- Based on our ranking model; we suggest Bank of India, Syndicate Bank & SBI. Syndicate bank scored highest with 17% on loan growth parameter while Bank of India and SBI has been consistent throughout and has been ranked 1st & 5th overall with a score of 74 & 67 respectively.

B) Old Private Banks- Based on our ranking model; we suggest J&K Bank and Federal Bank. Federal bank scored highest with 18% on loan growth parameter while J&K bank scored highest with 38% on PPOP return relative to valuation multiple.

C) New Private Banks- Based on our ranking model; we suggest DCB Bank. DCB Bank scored highest with 29% on loan growth parameter and 13% on PPOP return relative to valuation multiple.

D) HFCs (Housing Finance Cos) – Based on our ranking model; we suggest Dewan housing (DHFL), Indiabulls housing and LIC housing. DHFL scored highest on PPOP return relative to valuation multiple with 17%. Indiabulls housing scored highest on CAR with 22% and LIC housing finance was consistent throughout and has been ranked 3rd overall with a score of 70.

E) NBFC- Based on our ranking model; we suggest PTC India Financial services (PFS). PFS scored 2nd to highest on CAR (25.2%).

Methodology for ranking with its objectives

Using our point system and weightages, we compute composite score for financial companies on 4 key parameters:

1) **PPOP return / (Price / Adj. BV):** This parameter evaluate the Financials profitability viz its valuations multiple adjusted for stress assets.

2) **Capitalisation:** We score banks on their Tier I ratio (Basel III). This ratio captures the headroom available for growth as well ability to deal with stress in the loan book.

3) **Advances Growth:** Financials are scored on their latest growth numbers. This ratio captures the business growth in the past and is recognition of management quality.

4) **Loan book size:** This parameter scores financials on its sheer size. The bigger, the better as it benefits from economy of scale, diversification etc

Key recommendation from our financial model

PSU Banks	New Private Banks	Old Private Banks	HFCs	NBFCs
Syndicate Bank	DCB Bank	J&K Bank	Dewan Housing	PTC India Financial Services
Bank of India		Federal Bank	Indiabulls Housing	
SBI			LIC Housing	

Disclaimer: Please note this report purely recommends stocks based on our proprietary financial model based on Q2FY16 numbers. No specific company research has been done.



For details following are the annexures

Annexure 1:

PSU Banks (CMP as 8/Dec/2015) - Q2 FY16

Sr. No.	Company Name	CMP Rs.	(BV + Provision s) per share	(70% PCR) per share	(50% Restructured) per share	Adj. BV	PPOP return	Adj Price/BV	PPOP return/P/BV	Points	CAR (Tier I)	Points	Advances Growth (CAGR FY14-15)	Points	Size	Points	Total Points-Q2 FY16
1	BANKINDIA	119	597	264	122	210	24.5%	0.56	44%	45	8.65	9.0	8.4%	5.0	381,667	15.0	74
2	CANBK	250	748	181	211	356	24.3%	0.70	35%	45	8.63	9.0	9.6%	5.0	323,077	15.0	74
3	SYNDIBANK	88	253	82	79	92	38.0%	0.96	40%	45	7.26	6.0	16.6%	10.0	205,008	10.0	71
4	INDIANB	125	374	84	105	185	22.0%	0.68	32%	45	10.37	15.0	3.0%	0.0	122,429	7.5	68
5	SBIN	236	224	51	34	138	30.7%	1.43	21%	30	9.91	12.0	7.5%	5.0	1,337,153	20.0	67
6	UNIONBANK	161	435	158	101	176	32.0%	0.92	35%	45	7.67	6.0	11.6%	5.0	246,217	10.0	66
7	PNB	132	263	89	97	77	35.1%	1.72	20%	30	9.36	12.0	9.0%	5.0	380,958	15.0	62
8	BANKBARODA	162	254	72	45	137	22.8%	1.18	19%	30	9.92	12.0	7.8%	5.0	414,900	15.0	62
9	UCOBANK	45	174	80	45	49	48.8%	0.90	54%	45	8.66	9.0	-1.5%	0.0	138,212	7.5	62
10	CORPBANK	41	153	54	45	53	34.5%	0.77	45%	45	8.70	9.0	5.8%	0.0	142,572	7.5	62
11	IDBI	88	205	64	50	90	27.8%	0.98	28%	38	8.04	9.0	5.4%	0.0	204,661	10.0	57
12	ANDHRABANK	64	225	80	108	37	38.9%	1.73	23%	30	7.71	6.0	17.0%	10.0	126,928	7.5	54
13	ALBK	71	264	93	131	39	43.8%	1.79	24%	30	7.76	6.0	8.6%	5.0	148,526	7.5	49
14	IOB	31	193	110	64	19	33.7%	1.59	21%	30	6.59	6.0	-2.3%	0.0	168,254	10.0	46
15	ORIENTBANK	140	566	200	336	30	38.9%	4.65	8%	15	8.41	9.0	4.4%	0.0	146,777	7.5	32
16	CENTRALBK	72	143	56	80	7	24.3%	10.86	2%	5	7.91	6.0	6.3%	5.0	187,607	10.0	26
	Median						33%	1.08	26%	34	8.52	9.0	8%	5.0			62
	Mean						33%	1.96	28%	35	8.47	8.8	7%	3.8			58



**Annexure 2:
Old Private Banks (CMP as 8/Dec/2015) - Q2 FY16**

Sr. No.	Company Name	CMP Rs.	(BV + Provision s) per share	(70% PCR) per share	(50% Restructured) per share	Adj. BV	PPOP return	Adj Price/BV	PPOP return/P/BV	Points	CAR (Tier I)	Points	Advances Growth (CAGR FY14-15)	Points	Size	Points	Total Points-Q2 FY16
1	J&KBANK	80	171	44	26	100	30.3%	0.80	38%	45	11.38	15.0	-3.9%	0.0	45,722	5.0	60
2	FEDERALBNK	57	53	6	7	40	19.6%	1.45	13%	23	14.06	20.0	18.1%	12.5	50,867	5.0	55
3	KTKBANK	122	213	39	49	125	23.9%	0.98	24%	30	10.05	15.0	11.8%	5.0	32,443	5.0	50
4	CUB	88	52	5	2	45	26.7%	1.97	14%	23	14.66	20.0	11.6%	5.0	18,785	5.0	48
5	KARURVYSYA	442	405	42	91	272	26.5%	1.63	16%	23	12.05	15.0	6.2%	5.0	36,969	5.0	43
6	SOUTHBANK	20	31	5	7	19	21.9%	1.06	21%	30	9.6	12.0	3.2%	0.0	39,556	5.0	42
	Median						25%	1.25	19%	26	11.72	15	9%	5			49
	Mean						25%	1.31	21%	29	11.97	16	8%	5			50



Annexure 3: New Private Banks (CMP as 8/Dec/2015) - Q2 FY16

Sr. No.	Company Name	CMP Rs.	(BV + Provision s) per share	(70% PCR) per share	(50% Restructured) per share	Adj. BV	PPOP return	Adj Price/ BV	PPOP return/ P/BV	Points	CAR (Tier I)	Points	Advances Growth (CAGR FY14-15)	Points	Size	Points	Total Points- Q2 FY16
1	DCBBANK	79	63	6	1	56	18.8%	1.40	13%	23	12.9	20.0	28.6%	15.0	11,181	5.0	58
2	AXISBANK	459	218	13	18	187	30.9%	2.45	13%	23	11.2	15.0	22.2%	12.5	298,066	10.0	50
3	ICICIBANK	261	165	19	10	136	24.4%	1.92	13%	23	12.1	15.0	14.4%	10.0	409,693	15.0	48
4	YESBANK	726	316	8	7	301	28.9%	2.41	12%	15	10.9	15.0	35.8%	15.0	80,015	7.5	45
5	KOTAKBANK	675	132	10	1	121	14.5%	5.58	3%	5	14.4	20.0	24.8%	15.0	111,662	7.5	40
6	INDUSINDBK	944	289	7	3	278	21.3%	3.39	6%	5	15.7	20.0	24.8%	15.0	78,294	7.5	40
7	HDFCBANK	1049	282	11	1	271	28.4%	3.88	7%	5	12.8	20.0	20.6%	12.5	418,541	15.0	38
	Median						24%	2.45	12%	15	12.80	20	25%	15			45
	Mean						24%	3.00	10%	14	12.86	18	24%	14			45



Annexure 4: HFCs (CMP as 8/Dec/2015) - Q2 FY16

Sr. No.	Company Name	CMP	BV per share	NNPA per share	Adj. BV	P/Adj. BV	PPOP return	PPOP return/P/Adj. BV	Points	CAR	Points	Home loan growth CAGR (Fy14 -15)	Points	Size	Points	Total Points Q2 FY16
1	DHFL	218	168	-	168	1.3	22%	17%	38	15	15.0	27%	15.0	56,884	15.0	83
2	Indiabulls Housing Finance	678	243	5	239	2.8	28%	10%	23	22	20.0	27%	15.0	52,235	15.0	73
3	LIC Housing Finance	462	171	7	163	2.8	28%	10%	23	15	15.0	19%	12.5	108,361	20.0	70
4	GIC Housing	201	131	-	131	1.5	24%	16%	30	17	15.0	25%	15.0	6,598	5.0	65
5	HDFC	1,172	215	-	215	5.4	31%	6%	15	17	15.0	16%	10.0	228,200	20.0	60
6	Repco Home Finance	649	142	10	132	4.9	25%	5%	15	20	20.0	29%	15.0	6,013	5.0	55
7	Can Fin Homes Ltd.	979	312	3	308	3.2	23%	7%	15	17	15.0	41%	15.0	8,237	5.0	50
8	Gruh Finance	260	22	1	22	11.9	42%	3%	5	16	15.0	27%	15.0	8,915	5.0	40
	Median					2.8	25%	10%	23	17	15	27%	15	52,235		65
	Mean					3.1	26%	10%	23	18	16	26%	14			65



Annexure 5: NBFCs (CMP as 8/Dec/2015) - Q2 FY16

Sr. No.	Company Name	CMP	(BV+ Provisions) per share	(70% PCR) per share	(30% Restructured) per share	Adj. BV	P/ Adj. BV	PPOP return	PPOP return/ P/ Adj. BV	Points	CAR	Points	Loan growth (Fy14 - 15)	Points	Size	Points	Total Points Q2 Fy16
1	Rural Electrification Corp.	215	287	15	83	189	1.1	30%	26%	45	20.4	15.0	21%	12.5	179,647	20.0	93
2	Power Finance Corp.	201	271	15	78	179	1.1	27%	24%	38	21.2	15.0	15%	10.0	217,516	20.0	83
3	PTC India Financial Services	39	32	4	4	24	1.6	30%	19%	30	25.2	20.0	28%	15.0	6,379	5.0	70
4	Manappuram Finance	26	31	1	-	30	0.9	17%	20%	38	25.3	20.0	9%	5.0	8,979	5.0	68
5	Muthoot Finance	186	134	11	-	123	1.5	23%	15%	30	23.0	20.0	8%	5.0	23,350	10.0	65
6	Edelweiss Financial	58	44	2	-	42	1.4	18%	13%	23	18.3	12.0	68%	15.0	14,495	7.5	57
7	Bajaj Finance	5,518	1,370	83	-	1,286	4.3	24%	6%	15	20.5	15.0	35%	15.0	32,410	10.0	55
8	IFCI	26	42	10	12	21	1.3	12%	9%	15	20.4	15.0	28%	15.0	24,706	10.0	55
9	SKS Microfinance	446	83	0	-	83	5.4	31%	6%	15	24.6	20.0	47%	15.0	4,171	5.0	55
10	Shriram Transport Finance	855	517	72	-	445	1.9	20%	10%	23	19.2	12.0	11%	5.0	59,108	15.0	55
11	India Infoline	197	94	5	-	89	2.2	31%	14%	23	17.3	9.0	27%	15.0	14,668	7.5	54
12	Shriram City Union	1,675	733	62	-	671	2.5	21%	9%	15	27.8	20.0	14%	10.0	16,717	7.5	53
13	Capital First	378	186	9	-	177	2.1	13%	6%	15	20.1	15.0	24%	12.5	11,975	7.5	50
14	Magma Fincorp	95	95	34	-	60	1.6	21%	13%	23	19.1	12.0	9%	5.0	19,567	7.5	47
15	Cholamandalam Finance	633	239	46	-	193	3.3	25%	8%	15	20.8	15.0	9%	5.0	25,453	10.0	45
16	Mahindra Finance	238	144	44	-	100	2.4	22%	9%	15	18.2	12.0	11%	5.0	32,930	10.0	42
17	L&T Finance	68	25	3	-	22	3.0	15%	5%	5	17.7	9.0	18%	10.0	47,232	15.0	39
18	Sundaram Finance	1,420	305	21	-	284	5.0	23%	5%	5	18.0	9.0	3%	0.0	18,733	7.5	22



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