Capital First

Reco: Buy

Stock Update

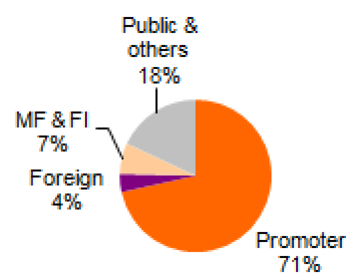
Strong operating performance, PT revised to Rs 485

CMP: Rs416

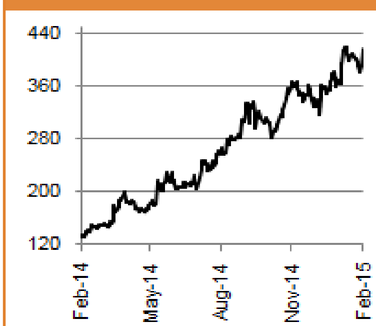
Company details

Price target:	Rs485
Market cap:	Rs3,460 cr
52 week high/low:	Rs431/131
NSE volume: (no. of shares)	2.7 lakh
BSE code:	532938
NSE code:	CAPF
Sharekhan code:	CAPF
Free float: (no. of shares)	2.4 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	6.0	9.3	52.5	199.8
Relative to Sensex	2.6	7.4	35.8	111.9

Key points

- Capital First reported a strong set of numbers for Q3FY2015 as the net profit grew by 196% YoY led by a 56% Y-o-Y expansion in the net interest income. The non-interest income also showed a strong growth of 76% YoY, mainly contributed by the fee income. The AUM were up by 29% YoY to Rs11,695 crore.
- Despite the strong growth, the gross NPAs saw a marginal uptick (up 7BPS QoQ to 0.63% of advances) and remained at a healthy level. The company exited the gold loan business due to a weak growth outlook. The provisions increased by 67% YoY due to an increase in loans and higher standard asset provisioning of Rs4.4 crore (as per the RBI's revised norms for NBFCs).
- Capital First is likely to sustain a strong growth in retail and SME segments and is likely to benefit from a drop in interest rates and revival in consumption. Given the strong management bandwidth and stringent risk management procedures, the asset quality may remain healthy. We expect the earnings to grow at a CAGR of 57% over FY2014-17 and the return ratios to improve significantly from FY2016 onwards. We value the company at 2.5x FY2017E book value which results in a price target of Rs485. We maintain our Buy rating on the stock.

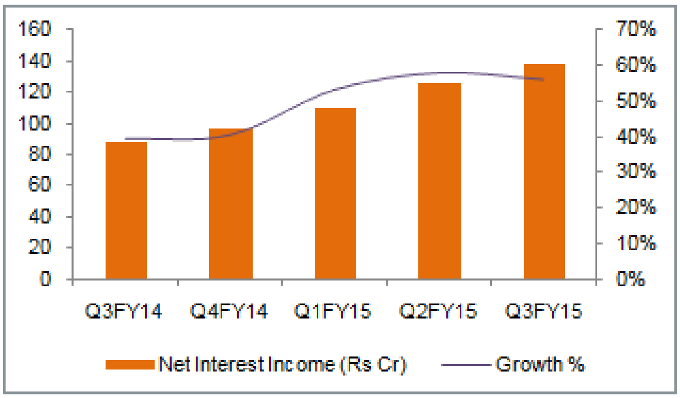
Results Rs cr

Particulars	Q3FY15	Q3FY14	YoY %	Q2FY15	QoQ %
Interest income	342.2	255.1	34.1	318.0	7.6
Interest expense	204.6	166.8	22.7	192.8	6.1
Net interest income	**137.6**	**88.3**	**55.8**	**125.2**	**9.9**
Non-interest income	37.9	21.5	76.3	29.6	28.0
Net total income	**175.5**	**109.8**	**59.8**	**154.8**	**13.4**
Operating expenses	99.6	74.6	33.5	91.3	9.1
Pre-provisioning profit	**75.9**	**35.2**	**115.6**	**63.5**	**19.5**
Provisions	30.6	18.3	67.2	21.8	40.4
Profit before tax	45.3	16.9	168.0	41.7	8.6
Tax	15.4	6.8	126.5	14.7	5.0
Profit after tax	**29.9**	**10.1**	**196.0**	**27.0**	**10.6**
Key items					
AUM	11,695	9,071	28.9	11,047	5.9
Wholesale	1,871	1,846	1.4	1,768	5.9
Retail	9,824	7,225	36.0	9,279	5.9
Loan Book	8,857	6,675	32.7	8,310	6.6
Key ratios (%)					
Gross NPLs	0.63	0.49	14 BPS	0.56	7 BPS
Net NPLs	0.01	0.19	-18 BPS	0.01	0 BPS
CAR	20.2	21.4	-120 BPS	21.0	-80 BPS
C/I ratio	56.8	67.9	-1119 BPS	59.0	-223 BPS

Strong growth in net interest income

Capital First continued to report a strong growth in the net interest income, which increased by 56% year on year (YoY), in line with our estimate. The growth was contributed by a strong rise in loans and an expansion of 20 basis points (BPS) quarter on quarter (QoQ) in the margins. In line with a reduction in the wholesale borrowing cost, the cost of funds moderated. In addition, the focus on high-yielding products contributed to healthy margins.

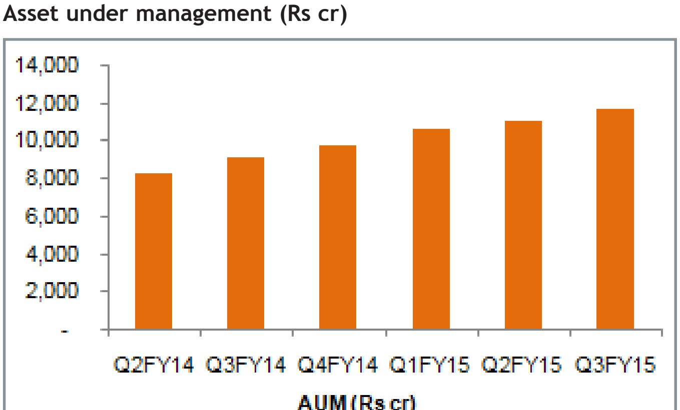
Net interest income (Rs cr)



AUM up 29%, SME and retail loans continue to grow at strong pace

Led by a strong growth in the retail, and small and medium enterprise (SME) loans (which form 84% of the portfolio) the assets under management (AUM) grew by 29 % YoY to Rs11,695 crore. The loan book also grew at 33% YoY which contributed to the growth in the operating income. From a segmental perspective, the consumer durable & two-wheeler segment grew by 110% while the SME mortgage segment delivered a growth of 34%. Given the company's specialisation in the SME mortgage and increasing market share in the retail loan space, we have built in a loan growth of 26% compounded annual growth rate (CAGR) for FY2014-17.

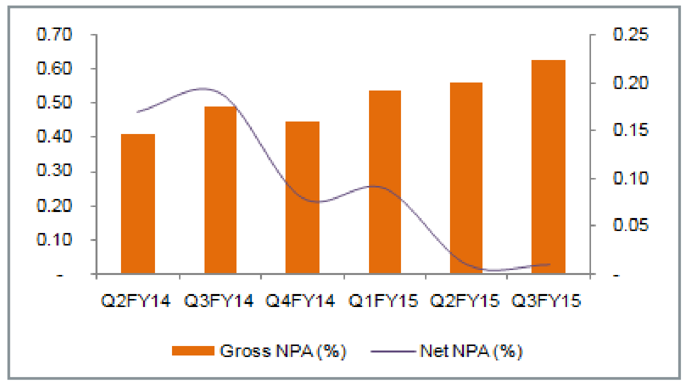
Asset under management (Rs cr)



Asset quality stays healthy

Despite the strong growth, the gross non-performing assets saw a marginal uptick (up 7BPS to 0.63% of the total advances) QoQ and remained at a healthy level. The company exited the gold loan business due to a weak growth outlook. The provisions increased by 67% YoY due to an increase in the loans and higher standard asset provisioning of Rs4.4 crore (as per the Reserve Bank of India [RBI]'s revised norms for the no-banking finance companies [NBFCs]).

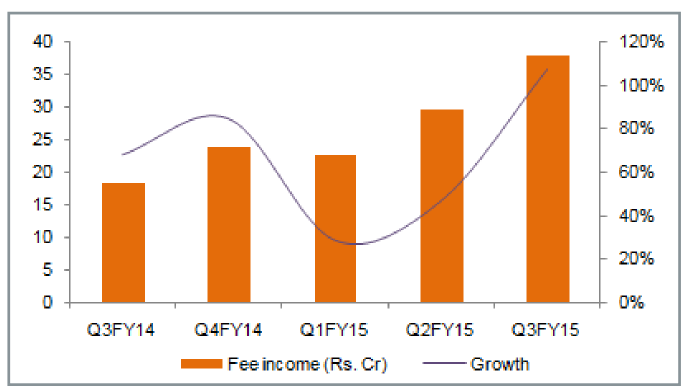
Asset quality



Robust growth in fee income

The non-interest income grew at a strong pace (up 76% YoY) mainly contributed by the fee income. The income from assignment transaction grew by 72% YoY to Rs5 crore. The operating expenses increased by 34% YoY due to a pick-up in the retail business and expenses on assignment transaction.

Fee income (Rs cr)



Valuation and outlook

Capital First is likely to sustain a strong growth in retail and SME segments and is likely to benefit from a drop in interest rates and revival in consumption. Given the strong management bandwidth and stringent risk management procedures, the asset quality may remain healthy. We expect the earnings to grow at a CAGR of 57% over FY2014-17 and the return ratios to improve significantly from FY2016 onwards. We value the company at 2.5x FY2017E book value which results in a price target of Rs485. We maintain our Buy rating on the stock.

Financials

Profit and loss statement

Rs cr

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Net interest income	**245**	**328**	**461**	**597**	**768**
Non interst income	80	88	105	124	146
Net total income	**325**	**416**	**566**	**721**	**915**
Operating expenses	245	302	344	403	477
Pre-provisioning profit	**80**	**114**	**222**	**318**	**438**
Provision	22	49	70	92	118
Profit before tax	**58**	**65**	**153**	**226**	**320**
Exceptional items	15	-6	-	-	-
Tax	10	6	43	66	94
Reported Profit after tax	63	53	110	160	226
Adj. Profit after tax	**48**	**58**	**110**	**160**	**226**

Balance sheet

Rs cr

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Liabilities					
Share capital	70	82	82	82	82
Reserves and surplus	890	1,089	1,171	1,294	1,467
Networth	961	1,172	1,253	1,376	1,549
Borrowings	6,230	8,422	10,275	12,398	15,387
Current liabilities and provisons	344	538	603	675	756
Total Liabilities	**7,535**	**10,132**	**12,131**	**14,449**	**17,692**
Assets					
Net block	33	28	30	33	37
Investments	1	347	313	297	300
Loans and advances	5,912	7,323	9,341	11,808	14,724
Current assets	1,574	2,411	2,430	2,294	2,614
Deffered tax assets	9	17	17	17	17
Other assets (incl goodwill)	6	6	0	0	0
Total Assets	**7,535**	**10,132**	**12,131**	**14,449**	**17,692**

Key ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Per share data (Rs)					
Reported earnings	9.0	6.4	13.4	19.6	27.5
Adj. earnings	6.9	7.1	13.4	19.6	27.5
Book value	136.4	142.8	152.8	167.8	193.9
Adj. book value	135.4	141.3	152.6	167.6	188.6
Dividend	1.8	2.0	3.0	3.9	5.5
Spreads (%)					
Yield on funds	14.1	14.7	15.3	15.0	15.0
Cost of funds	9.1	8.8	8.7	8.7	8.7
Net interest margins	4.7	5.0	5.5	5.6	5.8
Operating ratios (%)					
Interest expended/ Interest earned	66.3	66.3	63.8	62.3	61.3
Cost to income	75.4	72.7	60.7	55.9	52.1
Non-interest income/ net total income	24.7	21.1	18.5	17.2	16.0
Return ratios (%)					
RoAE	7.0	4.9	9.1	12.2	15.4
RoAA	1.0	0.6	1.0	1.2	1.4
Assets/Equity (x)	7.8	8.6	9.7	10.5	11.4
Dividned yield	0.4	0.5	0.7	0.9	1.3
Growth ratios (%)					
Net interest income	56.6	33.9	40.6	29.4	28.7
Pre-provisioning profit	-54.0	41.7	95.7	43.1	37.7
Profit after tax	-40.4	-16.6	109.0	45.9	40.7
Advances	33.0	23.9	27.6	26.4	24.7
Borrowings	42.0	35.2	22.0	20.7	24.1
Valuation ratios (x)					
P/E	46.4	64.8	31.0	21.3	15.1
P/BV	3.0	2.9	2.7	2.5	2.2
P/ABV	3.1	2.9	2.7	2.5	2.2
Asset quality (%)					
Gross NPA	0.1	0.5	0.7	0.8	1.0
Net NPA	0.0	0.1	0.2	0.2	0.3

Triveni Turbine

Reco: Buy

Stock Update

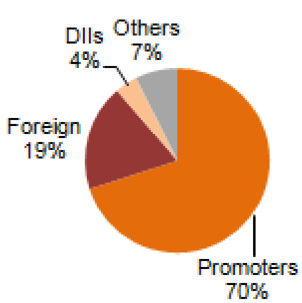
Growth outlook remains intact, maintain Buy

CMP: Rs106

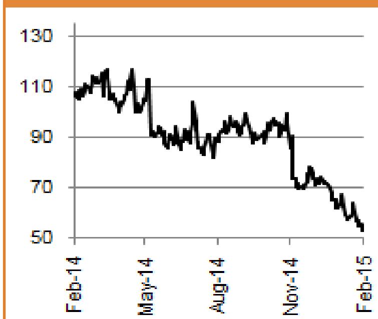
Company details

Price target:	Rs135
Market cap:	Rs3,510 cr
52-week high/low:	Rs126/52
NSE volume: (No of shares)	86,367
BSE code:	533655
NSE code:	TRITURBINE
Sharekhan code:	TRITURBINE
Free float: (No of shares)	9.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-4.7	16.2	20.4	92.4
Relative to Sensex	-7.7	14.1	7.3	36.0

Key points

- **Deferment of some deliveries led to lower than expected revenues:** In Q3FY2015 Triveni Turbine Ltd (TTL) reported a lower than expected growth of 7% YoY in its stand-alone revenues owing to a deferment of delivery of turbines worth Rs30 crore which would be booked in Q4FY2015. Consequently, the OPM was marginally lower at 21.1%. But the PAT increased to Rs23.6 crore (up 13.8% YoY), which was in line with our expectation.
- **Strong order book; outlook robust:** On a stand-alone basis, it has reported an order inflow of about Rs160 crore taking the order book to Rs610 crore with a strong growth in export orders. The order booking in the joint venture with GE was also healthy with a consolidated order book of Rs770 crore. More importantly, the company indicated an inquiry pipeline of over 7,500MW spread across multiple countries. Thus, the management is confident of achieving a much better financial performance in Q4FY2015 and in the next couple of years.
- **Maintain Buy with a price target of Rs135:** We continue to like the stock for its strong competitive positioning, international marketing efforts, robust order backlog, margin profile, shorter execution cycle and healthy balance sheet (it is a debt-free company with superior return ratios). The company continues to look attractive on the valuation front at 19x FY2017E consolidated earnings per share. That is a 25-30% discount to its nearest peers like Thermax. We maintain our Buy rating on the stock with a revised price target of Rs135 (at 24x FY2017E EPS).

Results Rs cr

Particulars	Q3FY15	Q3FY14	YoY %	Q2FY15	QoQ %
Income from operations	150.2	140.8	6.7	155.6	-3.5
Other operating income	0.3	0.1	200.0	0.2	87.5
Operational income	150.5	140.9	6.8	155.8	-3.4
Total expenditure	118.7	109.5	8.4	120.9	-1.8
Operating profits	31.8	31.3	1.5	34.8	-8.8
Other income	6.7	2.2	209.3	4.6	46.5
EBIDTA	38.5	33.5	14.9	39.4	-2.4
Interest	0.1	0.1	-11.1	0.0	300.0
Adjusted PAT	23.6	20.7	13.8	23.9	-1.1
Reported PAT	23.6	20.7	13.8	23.9	-1.1
Ratio (%)					
Operating margin	21.12	22.2		22.36	
PAT margin	15.7	14.7		15.3	
Tax rate	31.5	31.2		32.5	