

Current	Previous
CMP : Rs.211	
Rating : BUY	Rating : NR
Target : Rs.265	Target : NR

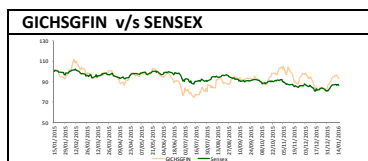
STOCK INFO	
Bse	511676
Nse	GICHSGFIN
Bloomberg	GICHF IN
Reuters	GICH.BO
Sector	NBFC
Index	S&P BSE 500
Face Value (Rs)	10
Equity Capital (Rs Mn)	539
Mkt Cap (Rs Mn)	11,338
52w H/L (Rs)	261/161
Avg Daily Vol (Bse+Nse)	142,456

SHAREHOLDING PATTERN (as on Dec. 2015)		%
Institutions		57.8
Others, Incl Public		0.0
Promoters		42.3

Source: BSE

STOCK PER. (%)	1m	3m	12m
GICHSGFIN	8	-3	-9
Sensex	5	-4	-14

Source: Capitaline, IndiaNivesh Research



Source: Capitaline, IndiaNivesh Research

GIC Housing Finance (GICHSG), incorporated in 1989, is housing finance company initially started with the name of "GIC Grih Vitta Ltd" which was later changed to GIC Housing Finance in 1993. GICHSG was promoted by GIC of India and other Govt. general insurance companies like National Insurance, New India Assurance, Oriental Insurance and United India Insurance. Currently it has 59 branches largely in Tier I and Tier II cities.

Investment rationale

Low penetration and increasing affordability bodes well for GIC housing too: GICHSG was comparatively slow in business growth till FY12 as loan book grew modest 13% CAGR in FY05-12 with 31 branches. However the company has started to deliver high teen / largely inline industry growth at 17% yoy for both FY13 and FY14 which increased further to 24% yoy in FY15 (and 22% yoy in Q3FY16) and CAGR growth for last 1 decade increased to 16%. Clearly, the company has optimized its branch network which is almost doubled to 59 branches since FY12. We believe GICHSG is likely to deliver 19% CAGR over FY15-18E led by 18% growth in retail segment and 25% growth in non individual segment over the same period.

Margins likely to remain broadly stable: Based on past trend, it is clearly visible that GICHSG has started to take the benefit of growing LAP as non individual loans now constitute 16.1% to loan book compared to 2.3% in FY12. As a result, despite decline in lending rates due to increase in competition, NIMs (Calc) for GICHSG was maintained at 3.7% in FY15. We expect NIMs to stabilize at 3.4-3.5% for FY17E and FY18E.

Asset quality one of the best amongst peers, higher provisioning / nil NNPA drives comfort: Asset quality for all Housing finance companies is best in financial space as Housing finance companies provide financing largely to salaried (barring few players like Repco which focus on non salaried). GICHSG is not much different from other players on asset quality front as Gross NPA of GICHSG is at 1.7%. Interestingly GICHSG is one the player in HFC space where the Net NPAs are nil indicating 100% coverage.

Healthy earnings along with improving leverage to drive ROEs further to 19% by FY18E: GICHSG's earnings growth CAGR has been healthy at 20% since FY12 led by similar growth in both Loan book and Net Interest Income. We expect growth momentum to remain healthy at 17% CAGR in both NII and operating profit in FY15-18E. Further we expect ROEs to improve to 19% by FY18E from 16% in FY15. Moreover average ROA of 1.6% remain one of the best in the industry.

Valuation and recommendation:

We continue to prefer Housing Finance stocks over Asset financing and Infra Financing NBFCs as housing finance segment remains unaffected both on growth as well as on asset quality front. We believe GICHSG is likely to be next candidate for re rating due to reasons stated above. Although the growth for closest peers is high compared to GICHSG but we believe average valuation gap of 53% (excl. HDFC and Gruh) is ignoring the positives of GICHSG. At CMP of Rs 211, GICHSG is trading at P/ABV of 1.5x and 1.3x for FY17E and FY18E respectively. We initiate coverage on GICHSG with buy rating and target price of Rs 265, valuing it at 1.6x FY18E ABV. Risks - Significant deterioration in asset quality, Lower growth than anticipated, Significant correction in real estate prices, Increase in competition / contraction in margins.

YE March (Rs mn)	NII	Net Profit	EPS (Rs)	BV (Rs)	ABV (Rs)	ROE (%)	ROA (%)	P/BV (x)	P/ABV (x)
FY15	2220	1030	19.1	122.6	122.6	16.2	1.7	1.7	1.7
FY16E	2675	1208	22.4	135.1	132.5	17.4	1.6	1.6	1.6
FY17E	3067	1386	25.7	145.5	142.4	18.3	1.6	1.4	1.5
FY18E	3540	1603	29.7	166.6	162.8	19.1	1.5	1.3	1.3

Source: IndiaNivesh Research

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Company Background

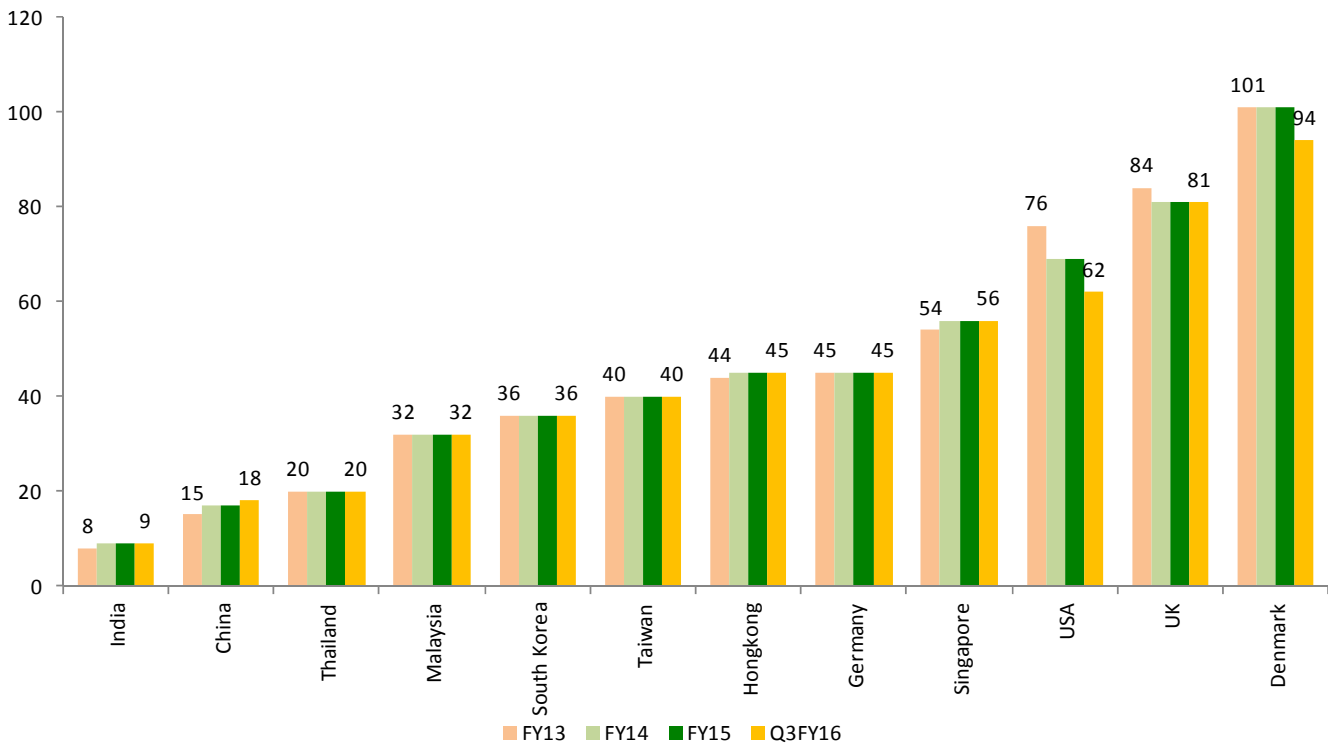
GIC Housing Finance (GICHSG), incorporated in 1989, is housing finance company initially started under the name of “GIC Grih Vitta Ltd” which was later changed to GIC Housing Finance in 1993. GICHSG was promoted by General Insurance Corporation of India and other Government general insurance companies like National Insurance Company Ltd, New India Assurance Company Ltd, Oriental Insurance Company Ltd and United India Insurance Company Ltd. The primary business of GICHFL is granting housing loans to individuals and of late, the company has started focusing on loan against property segment. Currently it has 59 branches largely in Tier I and Tier II cities. It has got a strong Direct Sales Associates (DSAs) network and has tie ups with builders to provide finance to individual borrower and with corporates for various housing finance needs.

Investment rationale

Low penetration and increasing affordability bodes well for GIC housing too:

Housing Finance business in India is highly under penetrated compared to both developed and developing countries leaving significant potential for existing as well as new players to deliver atleast 15% CAGR (despite increasing base) for next 1 decade. This will be led by 1) increasing affordability and urbanization on back of increase in number of earning population, 2) government’s initiative of focusing more on affordable housing and 3) tax advantage for individuals (which has increased further by Rs 50,000/- in FY17 Union Budget totaling deduction of Rs 4,00,000/- including both principal and interest component). Importantly India’s population is expected to increase to 1.38 bn by FY20 from current ~1.25 bn which will lead to sustainable demand for housing / real estate assets.

Mortgage Penetration (as % of GDP)

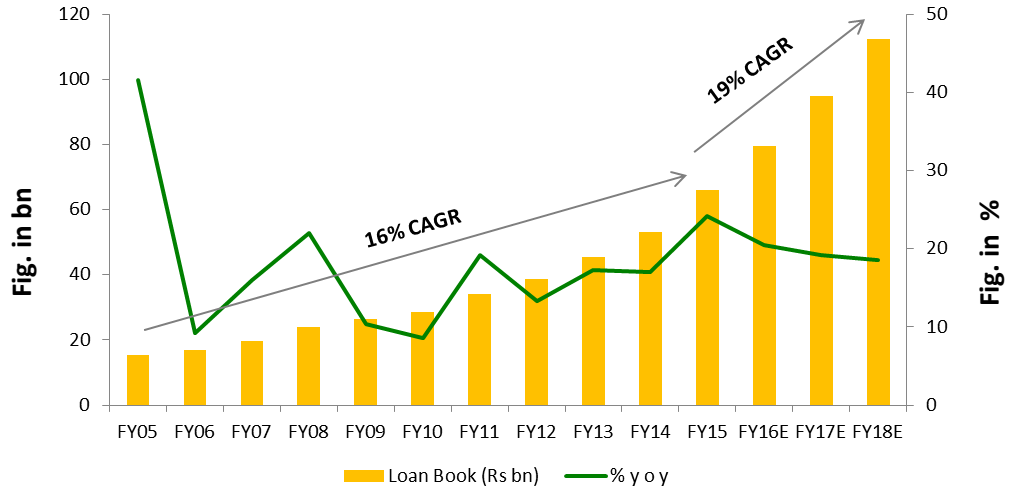


Source: Company, HDFC, IndiaNivesh Research

Till FY12 GICHSG was comparatively slow in business growth as loan book grew modest 13% CAGR in FY05-12 with 31 branches. However the company has started to deliver high teen / largely inline industry growth at 17% yoy for both FY13 and FY14 which increased further to 24% yoy in FY15 (and 22% yoy in Q3FY16) and CAGR growth for last 1 decade increased to 16%. Clearly, the company has optimized its branch network which is almost doubled to 59 branches since FY12. This growth is despite the fact that banks are focusing on Home and Auto loans in last 2 to 3 years due to 1) significant slowdown in Corporate segment and 2) significant increase in stress. While banks are likely to shift their focus on Corporate segment once the capex picks up, Housing finance players are likely to get benefited from strategic

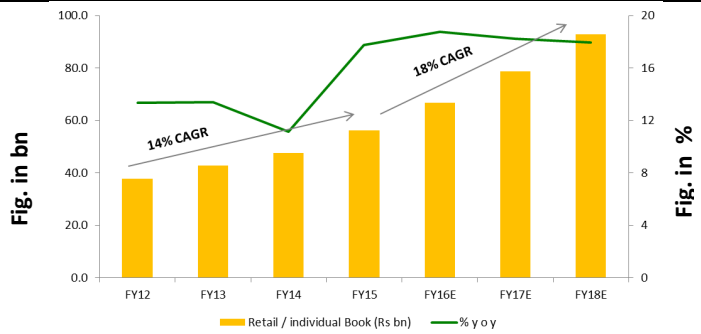
shift of banks as well. However we are not building in any incremental benefit to HFCs (under coverage) from strategic shift in business of bank as we believe corporate capex cycle is unlikely to improve atleast in FY17. Hence we believe GICHSG is likely to deliver 19% CAGR over FY15-18E led by 18% growth in retail segment and 25% growth in non individual segment over the same period.

Loan book (bn) / Growth (%)



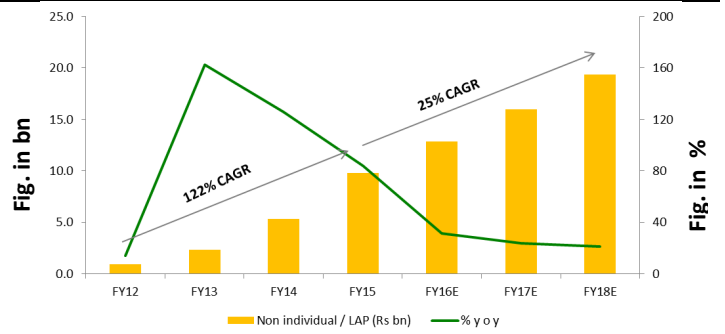
Source: Company filings, IndiaNivesh Research

Individual / Retail loan (bn) and growth (%)



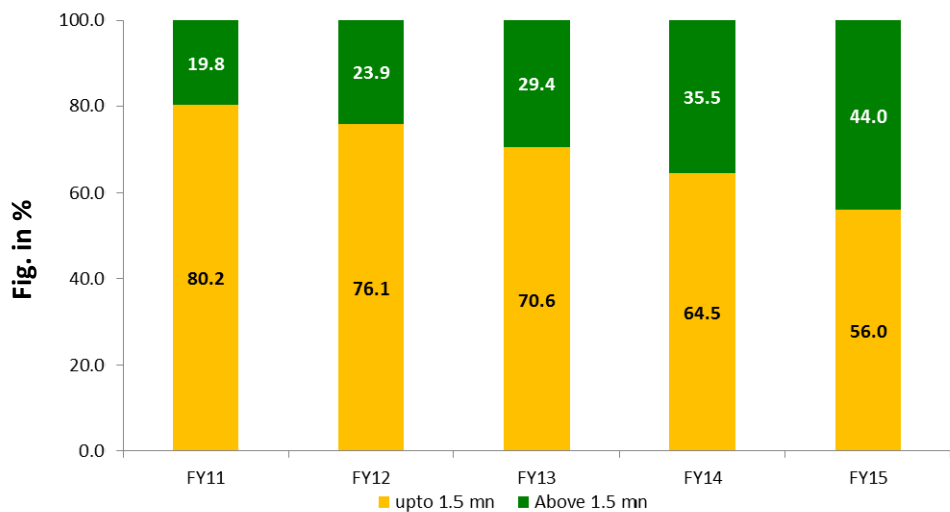
Source: Company, IndiaNivesh Research

Non Individual / LAP (bn) and growth (%)



Source: Company, IndiaNivesh Research

% of loans upto Rs 1.5 mn and above Rs 1.5 mn



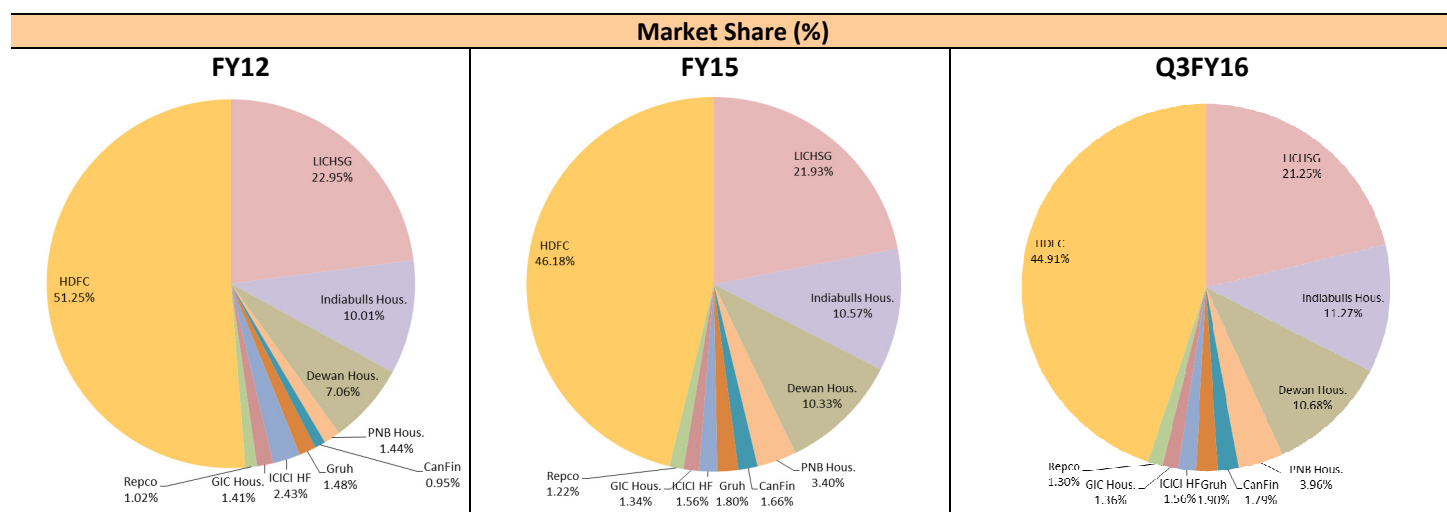
Source: Company filings, IndiaNivesh Research

....Small players gaining market share and so is GIC Housing but marginally:

While RBI provides only banking sector’s outstanding credit numbers in housing segment, we have tried to calculate the broad Housing Finance industry market size based on top 10 HFCs (including listed and unlisted). Based on our calculation, we note that small housing finance companies are gaining market share on continuous basis while top 2 players (based on our calculation) are losing the market share to small players. This is clearly indicative of thrust for growth amongst small players and scaling the business especially in Tier 3 and Tier 4 cities.

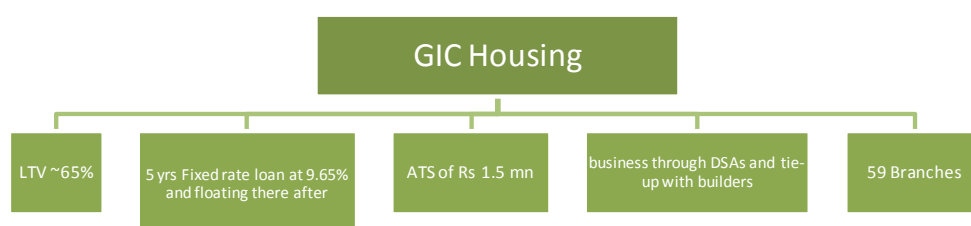
	Loan book (bn)						CAGR		Market Share (%)					
	FY11	FY12	FY13	FY14	FY15	Q3FY16	FY11-Q3FY16	FY14-Q3FY16	FY11	FY12	FY13	FY14	FY15	YTD FY16
HDFC	1171	1409	1700	1971	2282	2481	17.1	14.1	52.15	51.25	49.02	48.05	46.18	44.91
LICHSG	511	631	778	913	1084	1174	19.1	15.4	22.75	22.95	22.43	22.27	21.93	21.25
Indiabulls Hous.	198	275	344	412	522	623	27.2	26.7	8.83	10.01	9.92	10.04	10.57	11.27
Dewan Hous.	141	194	339	406	510	590	35.2	23.8	6.28	7.06	9.77	9.90	10.33	10.68
PNB Hous.	32	40	66	106	168	219	50.2	51.5	1.41	1.44	1.91	2.58	3.40	3.96
CanFin	22	26	40	58	82	99	37.2	35.7	0.98	0.95	1.15	1.41	1.66	1.79
Gruh	32	41	54	70	89	105	28.7	26.1	1.41	1.48	1.57	1.71	1.80	1.90
ICICI HF	84	67	66	66	77	86	0.6	16.2	3.75	2.43	1.90	1.62	1.56	1.56
GIC Hous.	34	39	45	53	66	75	18.1	22.1	1.52	1.41	1.31	1.30	1.34	1.36
Repco	21	28	35	47	60	72	29.8	27.7	0.92	1.02	1.02	1.14	1.22	1.30
Total	2246	2749	3469	4102	4941	5524	20.9	18.5	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, IndiaNivesh Research

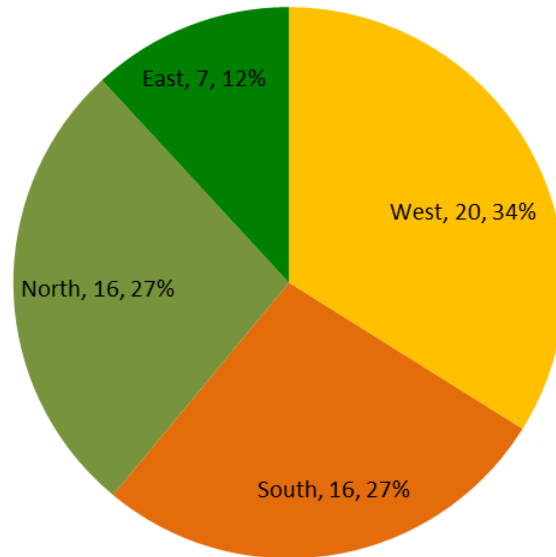


Business Model

While GICHSG’s retail / individual loan segment has delivered 14% CAGR since FY12, non individual segment (LAP) has grown at 122% over the same period. ATS (average ticket size) for GICHSG at Rs 1.5 mn is comparatively lower and largely inline with small players. Further it offers both fixed and fix-o-floating loans (fixed for first ~5 years and floating thereafter) like LIC Housing (offers 2 years fixed rate loan). GICHSG offers loans at 9.65% for first 5 years and 1 month and floating thereafter like LIC housing which offers similar product for 2 years fixed at 9.6%. Further Loan to Value is 65% for GICHSG and it generates business through DSAs (Direct Selling Agents) and tie up with builders. The company is planning to increase its focus in northern part of the country and likely to open branches in that region.



Branches (No.) / % of Total

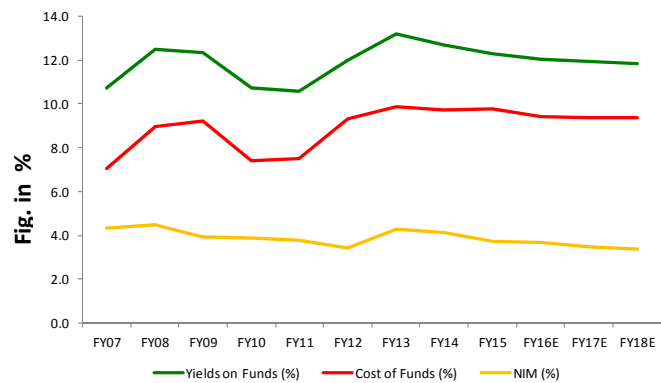


Source: Company filings, IndiaNivesh Research

Margins likely to remain broadly stable:

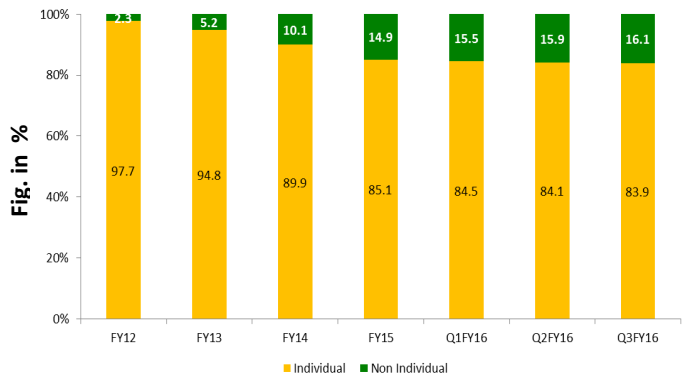
Based on past trend, it is clearly visible that GICHSG has started to take the benefit of growing LAP as non individual loans now constitute 16.1% to loan book compared to 2.3% in FY12. As a result, despite decline in lending rates due to increase in competition, NIMs (Calc) for GICHSG was maintained at 3.7% in FY15 against 3.9% average for last 5 years. However we are not building in any significant increase in non-individual loan segment as a % of loan book from current level. Hence we expect NIMs to stabilize at 3.4-3.5% for FY17E and FY18E.

NIMs / Yields / Cost (%)



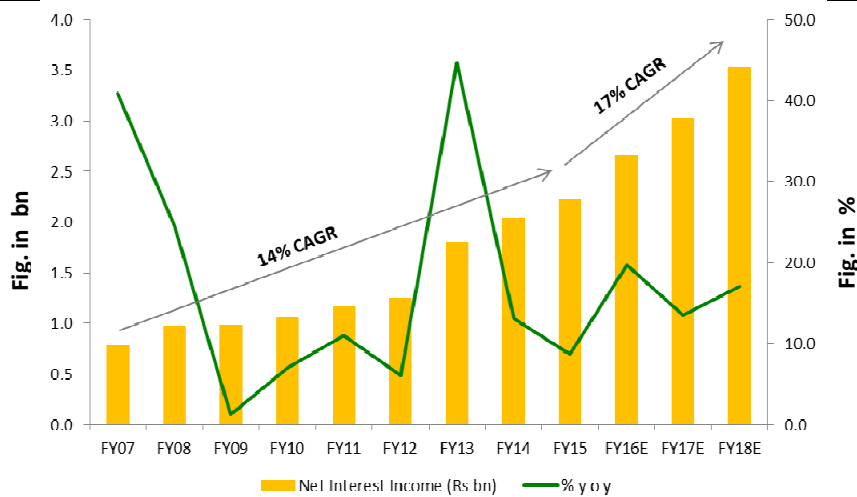
Source: Company, IndiaNivesh Research

Loan book break up (%)



Source: Company, IndiaNivesh Research

Net Interest Income (bn) and NII growth (%)



Source: Company filings, IndiaNivesh Research

Bank Borrowings have come down with similar increase in NHB borrowings:

Bank borrowings of GICHSG have come down from 72% in FY14 and FY15 to 65% currently. NHB borrowings have increased to 25% vs 15% in FY15. As per management, the company will also consider CP and NCDs if the rates are compelling. We believe gradually GICHSG will increase its focus on money market borrowings compared to fixed rate borrowings currently.

Borrowing Profile (Rs mn)	FY11	FY12	FY13	FY14	FY15	Q1FY16	Q2FY16	Q3FY16
Bank	22770	27080	26400	33460	41740	42950	43730	44180
% of total	73.8	75.3	66.4	71.9	72.0	70.3	68.2	65.1
Refinance from NHB	4100	5510	8230	7230	8600	12510	12990	17070
% of total	13.3	15.3	20.7	15.5	14.8	20.5	20.3	25.1
Short term loans and CP	4000	3450	4000	4750	6500	5230	6950	6190
% of total	13.0	9.6	10.1	10.2	11.2	8.6	10.8	9.1
NCDs	0	0	1150	1150	1150	450	450	450
% of total	0.0	0.0	2.9	2.5	2.0	0.7	0.7	0.7
Borrowings	30864	35949	39730	46520	57940	61130	64120	67890

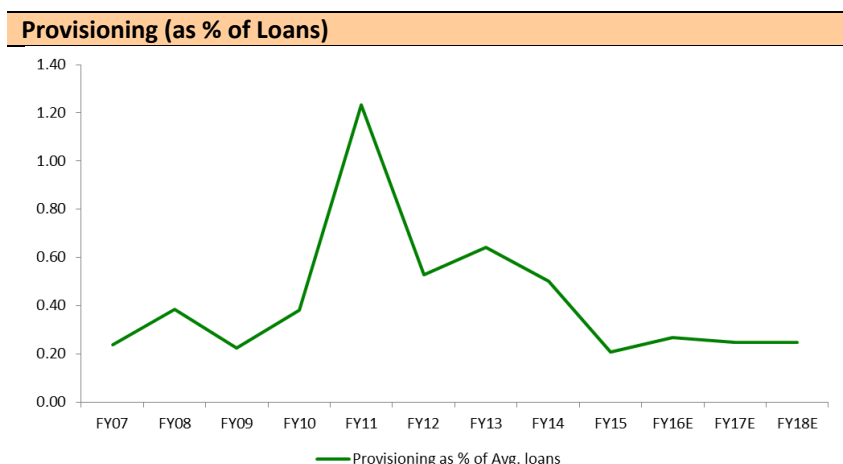
Source: Company, IndiaNivesh Research

Asset quality one of the best amongst peers, higher provisioning / nil NNPA drives comfort:

Asset quality for all Housing finance companies is best in financial space as Housing finance companies provide financing largely to salaried (barring few players like Repco which focus on non salaried). This segment is safer because 1) loan sanctioning is done based on 50-60% EMI repayment from borrower's total salary leaving 40-50% for routine home expense, 2) complete CIBIL check of borrower and 3) by nature Indians (as large part of India is middle and lower middle class) are emotionally attached to hard earned assets like Property and Gold which results in lowest NPAs (like 50-170 bps) for most of the players. Moreover to minimize the risk, GICHSG has made it compulsory for all borrowers to opt for 1) Personal Accident Insurance and 2) Mortgaged property Insurance while Life Insurance is optional. Hence GICHSG is not much different from other players on asset quality front. Gross NPA of GICHSG is at 1.7%. Interestingly GICHSG is one the player in HFC space where the Net NPAs are nil indicating 100% Provision coverage. Excess provisioning over the regulatory requirement is comforting factor.

	FY11	FY12	FY13	FY14	FY15
Gross NPA	2.78	2.08	1.86	1.57	1.73
Net NPA	0.41	0.00	0.00	0.00	0.00

Source: Company, IndiaNivesh Research

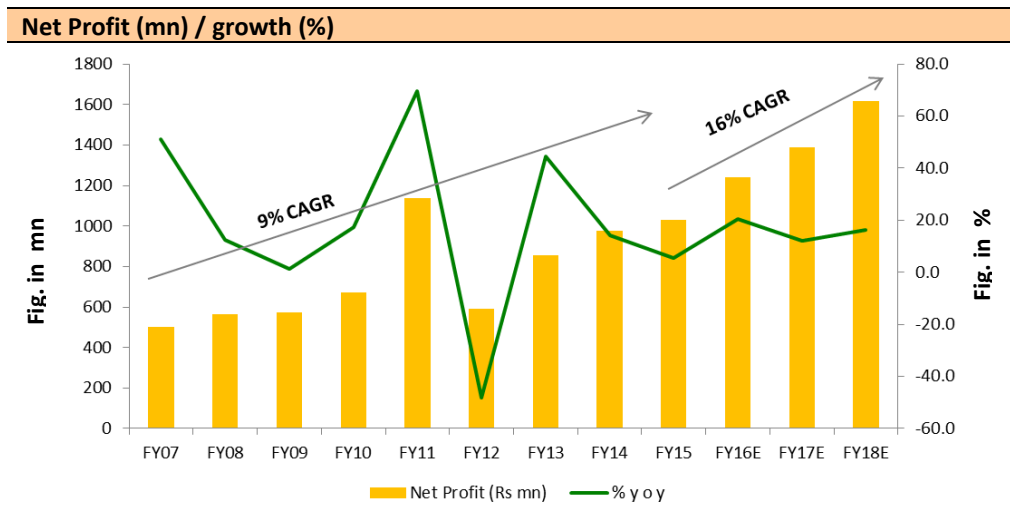


Source: Company filings, IndiaNivesh Research

Healthy earnings along with improving leverage to drive ROEs further to 19% by FY18E:

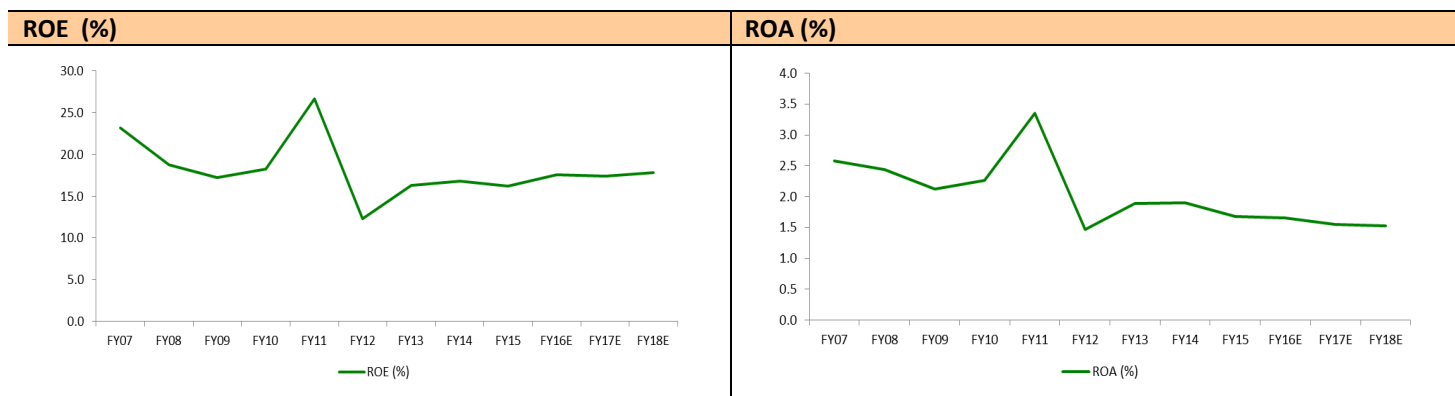
GICHSG's earnings growth CAGR has been healthy at 20% since FY12 led by similar growth in both Loan book and Net Interest Income. We expect growth momentum to remain healthy at 17% CAGR in both NII and operating profit in FY15-18E. Further we have built in provisioning expense slightly higher compared to FY15 (18 bps in FY15) at 25 bps of loan book and expect Net profit CAGR at 16%. Further we would like to highlight that we have

factored in cost to income ratio at higher end of 26% for both FY17E and FY18E as the company is likely to expand its branch network in northern markets. This is despite the fact that company has reported lower cost to income ratio of 24.2% for 9MFY16 mainly due to higher NII growth in 9MFY16.



Source: Company filings, IndiaNivesh Research

Note: FY11 Net Profit is high mainly due to higher other income of Rs 885 mn on back of Stake sale in LIC AMC Ltd. & LIC Trustee



Source: Company, IndiaNivesh Research

Note: FY11 ROE and ROA is high mainly due to higher other income of Rs 885 mn on back of Stake sale in LIC AMC Ltd. and LIC Trustee Co

Dupont Analysis

(Rs mn)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
NII (%)	4.1	4.2	3.7	3.6	3.5	3.1	4.0	4.0	3.6	3.6	3.4	3.4
Non Int Inc (%)	0.1	0.1	0.1	0.6	2.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Operating Inc (%)	4.1	4.4	3.8	4.1	6.3	3.2	4.0	4.0	3.7	3.6	3.5	3.4
Operating Exp (%)	0.6	0.7	0.6	0.7	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Pre provision profit (%)	3.5	3.7	3.1	3.5	5.4	2.5	3.1	3.1	2.7	2.7	2.6	2.5
ROA (%)	2.6	2.4	2.1	2.3	3.4	1.5	1.9	1.9	1.7	1.6	1.6	1.5
Avg total assets / Avg equity (x)	9.0	7.7	8.1	8.0	7.9	8.3	8.6	8.8	9.6	10.7	11.8	12.5
ROE (%)	23.2	18.8	17.2	18.3	26.7	12.3	16.3	16.8	16.2	17.4	18.3	19.1
Avg total assets (mn)	19407	23067	26848	29568	33898	40051	45173	51347	61187	74588	89372	105514
Avg Equity (mn)	2162	3007	3322	3676	4267	4818	5240	5806	6354	6942	7560	8408

Source: IndiaNivesh Research

Further we note that GICHSG historically maintained its leverage ratio at 8-10x (average total assets to average equity) which is lower than 9-13x for other HFCs under coverage. We believe improving leverage is likely to help in improving ROEs to 19% from 16% in FY15. Moreover average ROA of 1.6% remain one of the best in the industry.

Dupont Analysis - Peer Comparison

(Rs mn)	Dewan Housing				LIC Housing				GIC Housing			
	FY12	FY13	FY14	FY15	FY12	FY13	FY14	FY15	FY12	FY13	FY14	FY15
NII (%)	2.4	2.9	2.7	3.0	2.4	2.1	2.2	2.2	3.1	4.0	4.0	3.6
Non Int Inc (%)	1.6	1.0	0.5	0.3	0.4	0.3	0.3	0.2	0.1	0.0	0.0	0.0
Operating Inc (%)	4.0	3.8	3.2	3.3	2.7	2.4	2.5	2.4	3.2	4.0	4.0	3.7
Operating Exp (%)	1.5	1.4	1.0	1.0	0.4	0.4	0.4	0.4	0.8	0.9	0.9	0.9
Pre provision profit (%)	2.5	2.5	2.2	2.3	2.3	2.0	2.1	2.0	2.5	3.1	3.1	2.7
ROA (%)	1.8	1.7	1.4	1.4	1.5	1.4	1.5	1.3	1.5	1.9	1.9	1.7
Avg total assets / Avg equity (x)	9.3	10.1	10.9	11.2	12.0	12.0	12.6	13.5	8.3	8.6	8.8	9.6
ROE (%)	17.1	17.1	15.5	15.1	18.6	16.8	18.8	18.1	12.3	16.3	16.8	16.2
Avg total assets (mn)	167387	266286	372492	458181	591521	731632	881683	1038266	40051	45173	51347	61187
Avg Equity (mn)	17906	26349	34060	41054	49257	60817	70071	76757	4818	5240	5806	6354

Source: IndiaNivesh Research

Capital adequacy:

GICHSG has maintained its capital adequacy ratio at 16.5% (purely tier I capital) well above the regulatory requirement at 12%. GICHSG has not raised Tier II capital till date. Further we believe GICHSG is well capitalized to grow for next 2 to 3 years without additional capital till FY18E.

Sensitivity of earnings / Price target with respect to Loan growth:

While we don't expect any significant decline in margins or significant deterioration in asset quality, we have tried to capture the impact on earnings or ABV based on change in loan growth assumptions. We believe the valuations are likely to remain reasonable (compared to small HFCs) even after considering the bear case scenario.

	Bear Case			Base Case			Bull Case		
	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Loan Book (mn)	77513	89986	103973	79513	94736	112273	80763	98936	119173
Loan growth (%)	17.5	16.1	15.5	20.5	19.1	18.5	22.5	21.1	20.5
NII (mn)	2649	2952	3370	2675	3067	3540	2664	3126	3740
NII growth (%)	19.3	11.5	14.2	20.5	14.6	15.4	20.0	17.4	19.6
Net Profit (mn)	1237	1337	1518	1208	1386	1603	1244	1443	1717
Net Profit growth (%)	20.1	8.1	13.6	17.3	14.7	15.7	20.8	16.0	19.0
ABV (Rs)	132.8	140.0	158.0	132.5	142.4	162.8	135.8	147.0	169.9
ROE (%)	17.8	17.7	18.2	17.4	18.3	19.1	17.9	18.9	20.1
ROA (%)	1.7	1.6	1.5	1.6	1.6	1.5	1.7	1.6	1.5
P/ABV	1.6	1.5	1.3	1.6	1.5	1.3	1.6	1.4	1.2

Source: IndiaNivesh Research

Peer Analysis

	Loan Book (Rs bn)	Book Value (Rs)		EPS (Rs)		P/E (x)		P/BV (x)		ROE (%)		ROA (%)	
		FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
HDFC*	2481	244	274	49.1	56.4	23.0	20.0	4.6	4.1	21.5	21.8	2.5	2.5
LICHSG	1174	211	245	37.0	41.9	11.6	10.3	2.2	1.9	18.9	18.4	1.3	1.3
Indiabulls Hous.*	623	288	314	65.0	75.0	9.4	8.2	2.1	2.0	23.5	25.0	3.7	3.5
Dewan Hous.	590	201	219	27.0	31.1	6.2	5.4	0.9	0.8	14.0	16.0	1.2	1.2
Gruh*	105	31	35	8.6	10.5	27.3	22.3	7.6	6.7	30.2	32.8	2.4	2.4
CanFin*	99	393	458	71	86	14.4	11.9	2.6	2.2	18.9	20.3	1.5	1.5
GIC Hous.	75	146	167	25.7	29.7	8.2	7.1	1.4	1.3	18.3	19.1	1.6	1.5
Repco*	72	177	213	31	38	18.9	15.2	3.3	2.7	18.7	20.0	2.2	2.2

Source: *Bloomberg, IndiaNivesh Research

Risks and Concerns:

Significant deterioration in asset quality:

GICHSG has maintained its asset quality at 1.7% Gross NPA and nil Net NPAs. However conservatively we have factored in marginal increase in Gross NPA in FY17E. Any significant deviation from our assumption remains risk to our estimates.

Lower growth than anticipated:

We are expecting loan growth of 19% over FY15-18E which is lower than current growth rate of 24% in FY15 and 22% for Q3FY16. Lower than expected growth from our assumption remains the key risk to our estimates.

Significant correction in real estate prices:

Real estate prices are key factor in housing finance business as loan growth depends on property market. Although there is marginal correction in prices in some pockets but if any significant correction happens then it will pose threat to business and our estimates. However GICHSG's LTV in LAP is inline with industry at 55-60% but higher than LICHSG which does at 30-35%. Hence correction in property prices will impact asset quality in LAP if not individual loans.

Increase in competition / contraction in margins:

We expect margins of 3.5% and 3.4% for FY16E and FY17E respectively. Any significant contraction in margins due to competition from banks could lead to change in earnings. However our margin assumption is at base case and holds upside risk as company is focusing on LAP business which is comparatively high yielding.

Valuation and recommendation:

We continue to prefer Housing Finance stocks over Asset financing and Infra Financing NBFCs as housing finance segment remains unaffected both on growth as well as on asset quality front. While we have continuously highlighted the positives about housing finance segment in our coverage stocks (like LIC Housing and Dewan Housing), most of the listed housing finance companies got re-rated (like Repco, Gruh Finance, Indiabulls Housing and CanFin homes) subsequently. However we believe GICHSG is likely to be next candidate for re rating due to 1) increased thrust of growing loan book led by recent branch expansion, 2) selectively focusing on LAP to maintain margins, 3) likely improvement in ROEs with comparatively better ROAs (compared to similar size players like Repco and CanFin and even large players like LICHSG and Dewan Housing). Although the growth for closest peers is high compared to GICHSG but we believe average valuation gap of 53% (excl HDFC and Gruh) is ignoring the positives of GICHSG. Hence we believe this discount is likely to narrow to average of 40% implying multiple expansions of atleast 25% from current level for GICHSG. At CMP of Rs 211, GICHSG is trading at P/ABV of 1.5x and 1.3x for FY17E and FY18E respectively. We initiate coverage on GICHSG with buy rating and target price of Rs 265, valuing it at 1.6x FY18E ABV.

Financial Statements:

Income Statement (Rs mn)	FY15	FY16E	FY17E	FY18E
Interest Income	7309	8743	10391	12242
Interest Expense	5089	6068	7325	8702
Net Interest Income	2220	2675	3067	3540
Other Income	18	20	22	24
Net Income	2238	2696	3089	3564
Total Income	7327	8763	10414	12266
Total Expenses	578	681	806	917
Pre Provision Profit	1660	2015	2283	2647
Provisions	123	194	216	257
Profit Before Tax	1537	1820	2067	2391
Tax	507	613	681	788
Profit After Tax	1030	1208	1386	1603

Source: Company, IndiaNivesh Research

Balance Sheet (Rs Mn)	FY15	FY16E	FY17E	FY18E
Liabilities				
Equity	539	539	539	539
Reserves and Surplus	6065	6741	7302	8436
Net Worth	6604	7280	7840	8975
Borrowings	57943	71641	85357	101158
Other Liabilities & Provision	2646	3063	3564	4134
Total Liabilities	67192	81984	96761	114266
Assets				
Net Block	26	28	30	32
Loans & advances	65979	79513	94736	112273
Investments & Other Assets	1187	2442	1995	1961
Total Assets	67192	81984	96761	114266

Source: Company, IndiaNivesh Research

Valuation Ratios	FY15	FY16E	FY17E	FY18E
Earning Per Share (Rs)	19.1	22.4	25.7	29.7
Book Value Per Share (Rs)	122.6	135.1	145.5	166.6
Adj Book Value Per Share (Rs)	122.6	132.5	142.4	162.8
Dividend Per Share (Rs)	5.0	5.0	5.5	6.0
P/E (x)	11.0	9.4	8.2	7.1
P/BV (x)	1.7	1.6	1.4	1.3
P/ABV (x)	1.7	1.6	1.5	1.3
Growth Y-o-Y (%)				
Loan	24.2	20.5	19.1	18.5
Borrowing	24.6	23.6	19.1	18.5
Balance sheet	21.8	22.0	18.0	18.1
Net Interest Income	8.6	20.5	14.6	15.4
Other Income	34.6	9.7	10.0	10.0
Net Profit	5.5	17.3	14.7	15.7
Return Ratios (%)				
ROA	1.7	1.6	1.6	1.5
ROE	16.2	17.4	18.3	19.1
Yield / Margin (%)				
Yield on Funds	12.3	12.0	11.9	11.8
Cost of Funds	9.7	9.4	9.3	9.3
Interest Spread	2.5	2.7	2.6	2.5
Net Interest Margin	3.7	3.7	3.5	3.4
Net Profit Margin	14.1	13.8	13.3	13.1
Dividend Yield	2.4	2.4	2.6	2.8
Other Ratios (%)				
Cost / Income	25.8	25.3	26.1	25.7
Interest Expense / Interest Ir	69.6	69.4	70.5	71.1
Net Interest Income / Net Inc	99.2	99.3	99.3	99.3
CAR	15.4	16.4	15.0	14.5
Tier I	15.4	16.4	15.0	14.5
Gross NPA	1.7	1.8	1.9	1.8
Net NPA	0.0	0.2	0.2	0.2
Provision Coverage Ratio	100.0	90.1	90.3	90.2

Source: Company, IndiaNivesh Research

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SELL. We expect this stock to deliver <-15% returns over the next 12 months.

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