



IndiaNivesh Securities Private Limited

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NiveshMonthly

February 2015

MONTHLY RECOMMENDATIONS

	CMP (Rs.)	RATING	TP (Rs.)
Cairn India Ltd.	247	BUY	317
LIC Housing Finance Ltd.	460	BUY	551

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Current	Previous
CMP : Rs.247	
Rating : BUY	Rating : BUY
Target : Rs.317	Target : Rs.317

Units Rs/Mn	FY14	FY15E	FY16E
Net Sales	187617	133861	153227
EBITDA	5	-42	11
EBITDA Margin (%)	0.0	0.0	0.0
PAT	124731	61916	69966
PAT Margin (%)	66.5	46.3	45.7
EPS	65.3	32.4	36.6
ROE (%)	21.7	9.8	10.0
P/E	5.9	7.6	6.7
EV/EBITDA	4.0	3.6	2.6

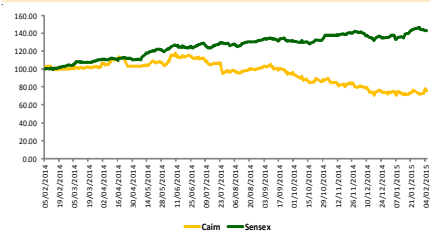
Source: Company; IndiaNivesh Research

Shareholding Pattern (%)

	Dec-14
Institutions	26.04
Others, Incl Public	14.08
Promoters	59.88

Source: BSE

CAIRN INDIA v/s SENSEX



Source: Capitaline; IndiaNivesh Research

Cairn has seen the worst impact of fall in crude prices as it is a pure play on crude price; however, the stock is trading at 0.7x book value which is at a discount to its historical average of 1.2x book value. While the stock is likely to remain under pressure in the near-term, these levels can be used for buying for the medium to long term given the company has significant hydrocarbons reserves, potential of further additions to these reserves and production ramp up plans. Over the medium term upside to crude oil production is expected to come from Cairn India's blocks (primarily Rajasthan) which are expected to deliver a CAGR of 7.4% over the next three years till FY17 even though production is expected to remain flat during FY15. Key catalysts for upside in the stocks are: a) high production; b) increasing reserve base; 3) strong free cash flow; and 4) being a key gainer from a weaker INR. At CMP of Rs. 247, the stock trades at 6.8x FY16E EPS of Rs. 32.4 and has dividend payout of 20%. We maintain buy rating on the stock with DCF based target price of Rs. 317.

Production growth of 7.4% CAGR over FY14-17E from RJ field

Cairn India has 9 blocks in its portfolio. These are located in three strategically focused areas: one block in Rajasthan, two on the west coast, and six on the east coast, which includes a block in offshore Sri Lanka. Rajasthan, Combay and Ravva are three producing blocks. The company made a major oil discovery in Rajasthan. Management has guided 3 year production CAGR of 7-10% from known discoveries (helped by ongoing infra projects, horizontal wells and gas ramp-up) with flat production in FY15. We model ~7.4% CAGR in our estimates with FY16/FY17 production at 212/225kbpd respectively.

Production details from RJ field

Normal production	FY10	FY11	FY12	FY13e	FY14e	FY15e	FY16e	FY17e
Manglam	15	101	125	148	151	148	147	142
Bhagyam	0	0	3	21	25	26	35	38
Aishwarya	0	0	0	1	6	8	15	25
Rageshwari/Saraswati/Oth							5	10
MA oil	15.0	101.0	128.1	169.4	181.5	181.5	202.0	215.0
EOR								
Manglam							10	10
Bhagyam								
Aishwarya								
Total production(Raj field) (Mbb/d)	15.0	101.0	128.1	169.4	181.5	181.5	212.0	225.0

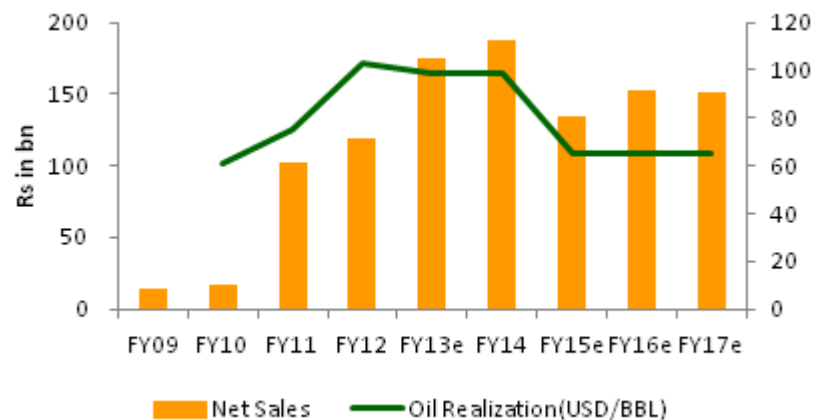
Source: Company, IndiaNivesh Research

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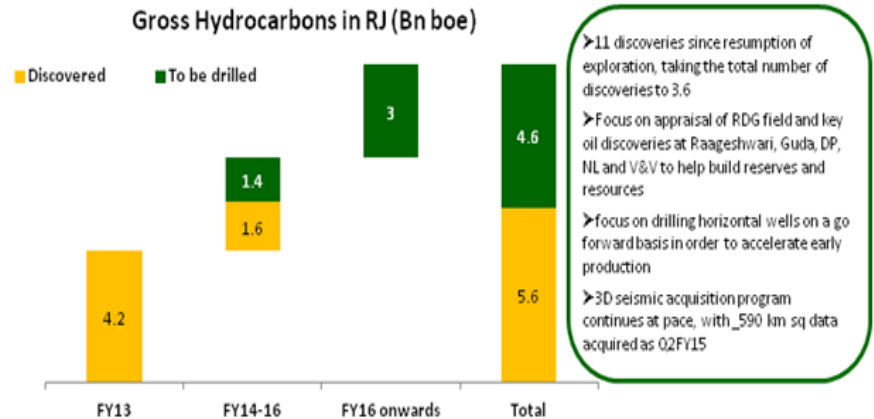
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Source: Company, IndiaNivesh Research

Rajasthan Block-is a world class assets, sufficient reserve to enhance production guideline

- In Q1FY15 Cairn India has increased in-place oil and gas resources at Rajasthan from 7b boe (4bboe discovered + 3bboe under exploration) to 10bboe and the current FY14-16 exploration program is targeting the initial 7bboe resource base.



Source: Company, IndiaNivesh Research

- Cairn tested ~50% of the undiscovered 3bboe reserves and in the ongoing exploration program it has reported 11 discoveries of the 36 wells drilled.
- It plans to test the remaining 50% of 3b boe resources by FY16 and beyond FY16 will be targeting to test the newly added 3bboe of resources.
- We think this is a key positive that highlights the exploration potential of the block. This should enable it further enhance production guideline from 240kbpd to 300kbpd in the next five years.
- Management continues to guide for doubling of gas production from current 10 mmscfd to 20 mmscfd by end-FY15 and further likely increase to 100 mmscfd by FY17 subject to regulatory approvals.
- Cairn plans to spend USD3b over the next three years of which USD2.4b will be spent on Rajasthan, with 81% to be spent in FY15 and FY16.

Rajasthan field to drive up earnings and strong cash flow

- The Rajasthan block which accounts for majority of Cairn India's fair value and earnings is a high quality asset with a strong potential of reserve upgrades particularly in the medium term. We expect revenues and profits for Cairn to keep rising, driven by higher production in the Rajasthan block and a weak rupee.
- We expect Cairn India to generate over USD1bn of free cash flow annually over the next few years. We expect Rajasthan project would generate cumulative cash flow of USD 6 bn by FY17 end led by a gradual ramp-up in oil production from the Rajasthan block. We believe effective utilization of cash will be critical to stock performance in the medium term: (1) re-investment of cash in value accretive E&P opportunities will be positive, (2) dividend payout will be neutral to shareholders and (3) any 'movement' of cash to Group entities other than dividends will be negative.
- CAIR's cash utilization concerns which were allayed to some extent by its dividend policy have again come back with USD1.25b loan to parent (Vedanta) group company Sesa Sterlite. Cairn indicated that it has ability to maintain absolute dividend despite fall in earnings subject to board approval. Management clarified that its dividend policy of 20% is the minimum payout policy. It also clarified that if need arises it could use balance sheet reserves to pay the dividend.

Cumulative Cash Flow (RJ field)

TOTAL PROJECT - \$ Mn(RJ field)	FY10	FY11	FY12	FY13	FY14	FY15e	FY16e	FY17e
Oil Revenue (a)	193	2,743	4,734	5,997	6,427	4,247	4,727	5,031
EOR Revenue (b)	-	-	-	-	-	-	351	234
Total Revenue(c=a+b)	193	2,743	4,734	5,997	6,427	4,247	5,078	5,265
Exploration cost(d)	-	-	200	275	300	275	200	100
Development costs(e)	934	703	500	600	600	600	500	500
Total Capex (inflated)(f=d+e)	934	703	700	875	900	875	700	600
Total Opex (inflated)(g)	10	129	176	231	281	353	468	493
Royalty(h)	31	436	761	964	1,029	656	783	810
OIDD Cess(i)	44	519	350	728	702	733	876	878
Net Cash Flow, Pre-Tax(j=c-f-g-h-i)	-825	955	2,746	3,199	3,515	1,630	2,251	2,484
IRR - Pre Tax(j=k)	(825)	955	2,746	3,199	3,515	1,630	2,251	2,484
Cumulative Cash Flow(l)	-2,783	-1,828	918	4,117	7,632	9,262	11,513	13,997
CONTRACTOR - \$ Mn								
Recoverable Costs(f+g+h+i)	1018	1787	1988	2798	2912	2617	2827	2781
Unrecovered Costs B/F	1958	2783	1828	0	0	0	0	0
Cost for recovery (incl. unrec. cost)	2976	4571	3816	2798	2912	2617	2827	2781
Cost Recovery in the year	193	2743	3816	2798	2912	2617	2827	2781
Unrecovered Costs C/F	2783	1828	0	0	0	0	0	0
Total Cost Oil	193	2743	3816	2798	2912	2617	2827	2781
Total Profit Oil	0	0	918	3199	3515	1630	2251	2484
Contractor Share of Profit oil	80%	80%	80%	80%	70%	70%	70%	60%
Contractor Cash Flow	-825	955	2563	2559	2460	1141	1576	1490
Cairn India - \$ Mn								
Cost Oil	135	1920	2671	1959	2038	1832	1979	1947
Profit Oil	0	0	514	1791	1722	799	1103	1043
Total Revenue	135	1920	3185	3750	3760	2631	3082	2990
Royalty on Oil	0	0	854	675	720	459	548	567
OIDD Cess	31	364	350	510	491	513	613	615
CAPEX	654	492	550	695	720	695	550	450
OPEX	7	90	123	162	197	247	328	345
Cairn Cash Flow (Pre-tax)	-556	974	1308	1709	1632	716	1043	1013
Cairn IRR (Pre-tax)	-556	974	1308	1709	1632	716	1043	1013
Cumm. Cash Flow	-2,107	-1,133	175	1884	3516	4233	5276	6289

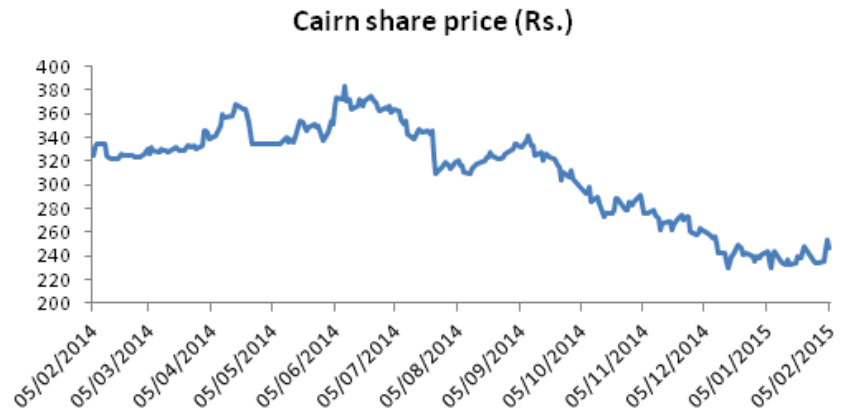
Source: Company, IndiaNivesh Research

New discovery would provide further visibility

- Even as Cairn India's management focus remains on faster monetization of the Rajasthan resource, the company is also expediting exploration work in KG onshore and Sri Lanka. This is necessary to continue its long term growth momentum. We, however, do not ascribe any value for these projects as of now.
- Cairn India has planned appraisal activity for KG onshore to evaluate the size and commercial viability of its two discoveries in block.

Favorable risk reward ratio

- Historically Cairn stock price has a strong correlation to INR and crude price. In last 9m Brent crude price has fallen by 54% to USD ~50/bbl and cairn share prices has fallen by 46%. As per our calculation at current exchange rate of 62/USD and Brent prices of 50/bbl, fair value of the company stands at Rs. 271. Thus we believe all negatives are already factored in price.



Source: Cline, IndiaNivesh Research

Sensitivity of Cairn's value to Brent oil prices and exchange rates

Oil prices>>		50	55	60	65	70	75
<<Exchange rate	50	255	271	285	301	316	330
	54	261	277	292	309	325	339
	58	265	284	300	317	333	349
	62	271	288	307	324	342	358
	64	274	292	310	328	346	363

Source: Company, IndiaNivesh Research

Concerns

Fall in crude prices hit the profitability

Cairn is one of the preferred ways to play the twin macro themes of higher crude price and weaker rupee. As crude price has corrected substantially in last few months, we assume long term crude oil (Brent) price to US\$ 65/bbl and expect FY15E/FY16E EPS to Rs. 32.4/ Rs. 36.6.

Higher Government profit sharing would impact on revenue

Revenue share of the government is rising and expected to touch 40% by FY17E that will put pressure on earnings.

	FY10	FY11	FY12	FY13e	FY14e	FY15e	FY16e	FY17e
Cumulative Net Cash flow(\$ Mn)	76	1,237	3,521	5,925	8,277	9,688	11,281	12,744
Cumulative Capex(\$ Mn)	2,025	2,517	3,007	3,619	4,249	4,862	5,352	5,772
Investment Multiple(x)	0.04	0.49	1.17	1.64	1.95	1.99	2.11	2.21
Profit Oil share (Contractor)	80%	80%	80%	80%	70%	70%	70%	60%
Govt. share of profit petroleum	20%	20%	20%	20%	30%	30%	30%	40%

Source: Company, IndiaNivesh Research

Highly dependent on Rajasthan field

Unlike large diversified upstream companies, bulk of Cairn's value comes from a single block - the Rajasthan fields which account for 87% of Cairn's 2P+2C reserves and resources. Cairn has stakes in 2 other blocks which are producing but are relatively much smaller compared to the Rajasthan block. Of the other 7 blocks in which it owns stakes, none are likely to start producing in the next 3-4 years and contribute only 10% to its net proved & probable reserves and resources. This adds substantially to Cairn's risks and merits a valuation discount to peers with more diversified asset bases in our view.

Valuation

We believe effective utilization of cash will be critical to stock performance in the medium term and re-investment of cash in value accretive E&P opportunities will be positive for the company and vice versa. Its flagship Rajasthan block is a quality asset with potential for significant upgrades in 2P reserves. Key catalysts for upside in the stocks are 1) high production; 2) increasing reserve base; 3) strong free cash flow; and 4) being a key gainer from a weaker INR. At CMP of Rs. 247, the stock trades at 6.8x FY16E EPS of Rs. 32.4 and has dividend payout of 20%. We maintain BUY rating on the stock with DCF based target price of Rs. 317.

Consolidated Financial Statements

Income statement

Y E March (Rs m)	FY 12	FY 13	FY 14	FY 15E	FY 16E
Net sales	118607	175242	187617	133861	153227
Growth %	15.4	47.8	7.1	-28.7	14.5
Expenditure	26062	44910	50761	54256	65258
(Inc) / Dec In Stock In Trade & WIP	-263	-274	-141	0	
Operating expenses	19150	36588	40728	45358	55626
Unsuccessful exploration costs	2988	4549	4124	4174	4224
Administrative expenses	4186	4047	6050	4725	5408
EBITDA	92545	130331	136856	79605	87969
Growth %	10.7	40.8	5.0	-41.8	10.5
EBITDA Margin %	78.0	74.4	72.9	59.5	57.4
Depletion and site restoration costs	1,029	0	0	0	0
Depreciation	14403	18459	22974	20082	23430
EBIT	77113	111872	113882	59522	64539
EBIT Margin %	65.0	63.8	60.7	44.5	42.1
Other Income	3194	7228	7638	10549	14180
FX gain/(loss)	-6186	-3134	-7390	0	0
Interest	2258	687	0	0	0
PBT	84235	121548	128909	70071	78719
Tax	4858	2351	4178	8155	8753
Effective tax rate %	5.8	1.9	3.2	11.6	11.1
Adjusted PAT	79378	119197	124731	61916	69966
Growth%	25.3	50.2	4.6	-50.4	13.0
PAT Margin %	66.9	68.0	66.5	46.3	45.7

Balance sheet

Y E March (Rs m)	FY 12	FY 13	FY 14	FY 15E	FY 16E
Share Capital	19073	19102	19076	19159	19188
Reserves & Surplus	463737	457891	555300	613384	678554
Stock options outstanding	110	0	0	-28	-57
Net Worth	482920	476994	574376	632515	697685
Total debt	0	0	0	0	0
Net deferred tax liability	6736	4643	7356	9256	10587
Total Liabilities	489655	481636	581733	641772	708272
Goodwill	253415	151889	151889	151889	151889
Gross Block	72654	82544	102544	116544	130544
Less Depreciation	13583	21898	44872	64954	88385
Net Block	59071	60646	57672	51590	42160
Exploratory and development wells in progress	45002	43850	47850	67850	97850
Cost of producing facilities (net)	30207	33366	50316	55207	43366
Investments	18356	103823	163638	153638	183638
Current Assets	128379	146440	185542	215234	250765
Inventories	1361	1961	2971	2119	2426
Sundry Debtors	14966	22852	25124	26380	27699
Cash & Bank Balance	70135	55568	17619	32260	58454
Loans & advances	33765	58877	84494	114994	116994
Other Current assets	8152	7182	55335	39480	45192
Current Liabilities & provisions	44774	58377	75174	53635	61395
Net Current Assets	83606	88063	110368	161598	189370
Mis Exp not written off	0	0	0	0	0
Total assets	489655	481636	581733	641772	708272

Cash Flow

Y E March (Rs m)	FY 12	FY 13	FY 14	FY 15E	FY 16E
PBT	84235	121548	128910	70071	78720
Adjustment for:					
Depreciation	14709	18459	22974	20082	23430
Interest(Net)	-865	-6467	-7638	-10549	-14180
Dividend Received	0	0	0	0	0
Tax	-3732	-2986	-1463	-6255	-7422
P/L on Sales of Assets	0	0	0	0	0
Prov. & W/O (Net)	943	0	0	0	0
Others	0	0	0	0	0
Changes in working capital	-7975	-19024	-64742	-36535	-1579
Cash flow from operations	87316	111529	78041	36815	78969
Capital expenditure	-20285	-11898	-40950	-38891	-32159
Free Cash Flow	67030	99632	37091	-2076	46810
Pur/ Sale of Investment	-7411	-108799	-59816	10000	-29999
Dividend Received	0	0	0	0	0
Interest Received	3123	7154	7638	10549	14180
Cash flow from investments	-24574	-113543	-93128	-18342	-47978
Interest	-2258	-687	0	0	0
Loans availed or (repaid)	-26782	0	0	0	0
Proceeds from Issue of shares (incl share premium)	1050	0	28	0	0
Dividend paid (incl tax)	0	-12417	-22892	-3832	-4797
Cash flow from Financing	-27990	-13103	-22863	-3832	-4797
Net change in cash	34751	-15116	-37950	14641	26194
Cash at the beginning of the year	44847	70684	55568	17619	32260
Others	-8691	0	0	0	0
Cash at the end of the year	70135	55568	17619	32260	58454

Key ratios

Y E March	FY 12	FY 13	FY 14	FY 15E	FY 16E
EPS (Rs)	41.54	62.38	65.28	32.40	36.62
Cash EPS (Rs)	49.1	72.0	77.3	42.9	48.9
DPS (Rs)	0.0	11.5	11.5	6.5	9.1
BVPS	252.7	249.6	300.6	331.0	365.1
ROCE	17.9	25.6	22.4	11.1	11.3
ROE	16.4	25.0	21.7	9.8	10.0
EBITDA Margin %	78.03	74.37	72.94	59.47	57.41
Net Margin %	66.93	68.02	66.48	46.25	45.66
EV/sales(x)	4.96	2.65	2.92	2.14	1.50
PER (x)	8.52	5.23	5.85	7.62	6.75
P/BV (x)	1.40	1.31	1.27	0.75	0.68
P/CEPS (x)	7.2	4.5	4.9	5.8	5.1
EV/EBITDA (x)	6.4	3.6	4.01	3.59	2.61
Dividend Yield %	0.0	3.5	3.0	2.6	3.7
M cap/sales (x)	5.7	3.6	3.9	3.5	3.1
Debt/equity (x)	0.00	0.00	0.00	0.00	0.00
Net debt/ebitda (x)	-1.4	-1.1	-1.4	-2.7	-2.9
Debtor Turnover Ratio	45.4	46.9	48.2	70.9	65.1
Inventory Turnover Ratio	4.1	4.0	5.7	5.7	5.7

Source: Company, IndiaNivesh Research

Current	Previous
CMP : Rs.460	
Rating : BUY	Rating : BUY
Target : Rs.551	Target : Rs.551

Rs Mn	FY15E	FY16E	FY17E
Net Interest Income	21996	26293	31348
PPP	20951	24988	29635
PBT	20878	24311	28832
PAT	13785	16052	19037
EPS (Rs)	27	32	38
ABV (Rs)	164	190	220
ROE (%)	17.1	17.3	17.8
ROA (%)	1.3	1.3	1.3
P/E	16.7	14.3	12.1
P/ABV	2.8	2.4	2.1

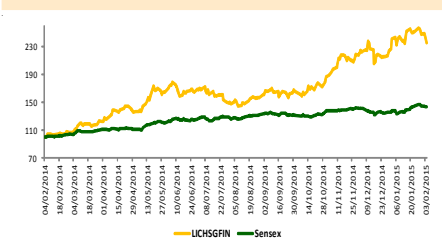
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Promoters	40.3

Source: BSE

LICHF v/s SENSEX



Source: Capitaline; IndiaNivesh Research

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We continue to prefer LIC Housing Finance in Housing finance space over other NBFCs mainly due to 1) healthy Loan growth of 19% CAGR over FY15-17E, 2) stable NIMs of 2.2% with upward bias led by declining cost of funds at wholesale level, 3) Best in class asset quality with Gross and Net NPA of 0.57% and 0.31% respectively, 4) strong earnings CAGR of 18% for FY15-17E reflecting ROEs / ROAs of 18% / 1.3% for FY17E and 5) reasonable valuation of 2.4x and 2.1x for FY16E and FY17E ABV. Recommend BUY with target price of Rs 551, valuing it at 2.5x FY17E ABV.

Investment rationale:

Loan book likely to grow by 19% CAGR in FY15-17E:

LIC housing finance's loan book has grown at healthy growth rate of 27% CAGR in last 5 years (FY09-14) largely led by strong growth in individual loan book at 28% CAGR over the same period. Project loan segment was muted mainly due to company's conscious decision of not growing in this segment due to continuous stress. In Q3FY15, LIC housing's loan growth was stable at 18% yoy to Rs 1019 bn with 18.5% yoy growth in individual loan book to Rs 993.6 bn. Project loans have started to pick up with sequential increase of 8% to Rs 25.8 bn. Proportion of developer loan to total loans continues to remain stable at 2.5%. In Q3FY15, Disbursements growth was also healthy at 25% yoy to Rs 76.3 bn led by 23% yoy increase in individual loans and 51% yoy in project loans. The company has strong pipeline of sanctioning in project loans and expecting around Rs 6-7 bn disbursements in Q4FY15.

Loan / Borrowings (Rs mn)	% of total	Q3FY15	Q3FY14	% YoY	Q2FY15	% QoQ
Loan book	100.0	1019440	864220	18.0	975282	4.5
Individual	97.5	993620	838390	18.5	951295	4.4
Project	2.5	25820	25830	0.0	23987	7.6
Outstanding Borrowings		905720	777910	16.4	882250	2.7

Source: Company, IndiaNivesh Research

Building in stable NIMs with upward bias:

We are expecting NIMs of LIC housing to remain stable at 2.2% which holds the upside risk mainly of 20-25 bps due to 1) decline in cost of funds at wholesale level, 2) Rs 250 bn (24.5% of the loan book) loans which are under fixed category likely to convert to floating rate where the interest differentials are ~100 bps, 3) higher disbursements in high yielding project loans and 4) increasing proportion of LAP (loan against property) to 5% from 4% currently which again is high yielding segment. However we believe base rate of banks are likely to come down which will make LIC housing to cut their lending rates to sustain the current growth rate. Therefore we are keeping our margin estimates at 2.2% both for FY16E and FY17E.

Yields/Costs/Margins (%)	Q3FY15	Q3FY14	YoY bps	Q2FY15	QoQ bps
NIM	2.20	2.16	4	2.2	-3
Yield on loans	10.7	10.9	-20	10.9	-17
Individual	10.6	10.8	-22	10.7	-8
Project	13.6	12.8	79	16.8	-321
Cost of funds	9.5	9.7	-22	9.7	-17
Spread	1.22	1.21	1	1.21	0

Source: Company, IndiaNivesh Research

No fret on asset quality:

Asset quality of LIC housing continues to remain strong at Gross and Net NPA of 0.57% and 0.31% respectively. In absolute terms, Gross NPA has come down by 5% qoq while Net NPA was flat in Q3FY15. Gross NPA in individual segment improved materially by 10% qoq to Rs 3.3 bn while in project loan was stable at Rs 2.5 bn. We are not worried on asset quality front mainly because of better risk management practice and safer customer profile (89% salaried) for LIC housing.

Gross/Net NPA (Rs mn)	Q3FY15	Q3FY14	% YoY	Q2FY15	% QoQ
Gross NPA	5795	7042	-17.7	6110	-5.1
Gross NPA - Individual loan	3279	3354	-2.2	3615	-9.3
Gross NPA - Project loan	2516	3688	-31.8	2520	-0.1
Net NPA	3166	4419	-28.4	3167	-0.1
Gross NPA (%)	0.57	0.81	-24bps	0.63	-6bps
Net NPA (%)	0.31	0.51	-20bps	0.33	-2bps
PCR (%)	45.4	37.2	813bps	48.2	-278bps

Source: Company, IndiaNivesh Research

Strong earnings growth to deliver ROEs / ROAs of 18% / 1.3% for FY17E:

Healthy high teen loan growth and stable NIMs for LIC housing is likely to result in strong 18% CAGR in earnings for FY15-17E. We believe LIC housing's ROEs are likely to improve further to 18% by FY17E from 17% in FY15E and ROAs to remain stable at 1.3%.

Dupont Analysis

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
NII (%)	2.1	2.2	2.1	2.1	2.2
Non Int Inc (%)	0.3	0.3	0.3	0.2	0.2
Operating Inc (%)	2.4	2.5	2.4	2.4	2.4
Operating Exp (%)	0.4	0.4	0.4	0.4	0.3
Pre provision profit (%)	2.0	2.1	2.0	2.0	2.0
ROA (%)	1.4	1.5	1.3	1.3	1.3
Avg total assets / Avg equity (x)	12.0	12.6	12.9	13.2	13.6
ROE (%)	16.8	18.8	17.1	17.3	17.8
Avg total assets (mn)	731635	881708	1040809	1227855	1455651
Avg Equity (mn)	60817	70071	80775	92684	106982

Source:IndiaNivesh Research

Valuation:

LIC Housing continue to remain our top bet in Housing finance space over other NBFCs driven by 1) 19% CAGR in Loan growth of FY15-17E, 2) stable NIMs of 2.2% with upward bias led by declining cost of funds at wholesale level, 3) Best in class asset quality and 4) strong return profile of 18% ROEs / 1.3% ROAs for FY17E. Recent correction in stock price by 11% (after reaching high of Rs 505 on 28th January 2015) gives the opportunity to enter at reasonable valuations of 2.4x and 2.1x for FY16E and FY17E. Hence we recommend BUY with target price of Rs 551, valuing it at 2.5x FY17E ABV.

Valuation	LICHSG		HDFC*		Gruh Finance*		Repco*	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Net Profit (Rs mn)	16052	19037	71427	85091	2528	3300	1661	2033
ROE (%)	17.3	17.8	21.9	23.2	29.6	32.7	18.4	19.6
ROA (%)	1.3	1.3	2.5	2.6	2.5	2.5	2.4	2.2
EPS (Rs)	31.8	37.7	45.6	54.3	7.0	9.2	26.8	33.0
Book Value (Rs)	196.3	227.4	218.0	246.0	25.4	31.2	154.0	180.0
P/E (x)	14.5	12.2	27.3	23.0	37.2	28.3	24.1	19.6
P/BV (x)	2.3	2.0	5.7	5.1	10.2	8.3	4.2	3.6

Source:*Bloomberg, IndiaNivesh Research

Income Statement (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest Income	90733	105320	124642	147830
Interest Expense	71744	83324	98349	116483
Net Interest Income	18989	21996	26293	31348
Other Income	2613	2663	3033	3355
Net Income	21602	24659	29326	34703
Total Income	93347	107983	127675	151186
Total Expenses	3133	3708	4338	5068
Pre Provision Profit	18470	20951	24988	29635
Provisions	215	73	677	804
Profit Before Tax	18255	20878	24311	28832
Tax	5083	7093	8259	9795
Profit After Tax	13172	13785	16052	19037

Source: Company, IndiaNivesh Research

Balance Sheet (Rs Mn)	FY14	FY15E	FY16E	FY17E
Liabilities				
Equity	1010	1010	1010	1010
Reserves and Surplus	74319	85212	98136	113808
Net Worth	75329	86222	99146	114818
Borrowings	820400	966676	1154018	1376799
Other Liabilities & Provisions	62085	70907	78741	87781
Total Liabilities	957814	1123805	1331905	1579398
Assets				
Net Block	756	880	927	961
Loans & advances	913409	1079542	1281603	1520570
Investments & Other Assets	43586	43382	49375	57867
Total Assets	957814	1123804	1331905	1579397

Source: Company, IndiaNivesh Research

Valuation Ratios	FY14	FY15E	FY16E	FY17E
Earning Per Share (Rs)	26.1	27.3	31.8	37.7
Book Value Per Share (Rs)	149	171	196	227
Adj Book Value Per Share (Rs)	143	164	190	220
Dividend Per Share (Rs)	4.5	4.9	5.3	5.7
P/E (x)	17.6	16.8	14.5	12.2
P/BV (x)	3.1	2.7	2.3	2.0
P/ABV (x)	3.2	2.8	2.4	2.1
Growth Y-o-Y (%)				
Loan	17.4	18.2	18.7	18.6
Borrowing	19.3	17.8	19.4	19.3
Balance sheet	18.9	17.3	18.5	18.6
Net Interest Income	23.7	15.8	19.5	19.2
Other Income	30.8	1.9	13.9	10.6
Net Profit	28.7	4.7	16.4	18.6
Return Ratios (%)				
ROA	1.5	1.3	1.3	1.3
ROE	18.8	17.1	17.3	17.8
Yield / Margin (%)				
Yield on Funds	10.7	10.6	10.6	10.6
Cost of Funds	9.5	9.3	9.3	9.2
Interest Spread	1.2	1.2	1.3	1.3
Net Interest Margin	2.2	2.2	2.2	2.2
Net Profit Margin	14.1	12.8	12.6	12.6
Dividend Yield	1.0	1.1	1.2	1.2
Other Ratios (%)				
Cost / Income	14.5	15.0	14.8	14.6
CAR	17.4	17.1	16.3	15.7
Tier I	12.5	12.4	12.0	11.7
Gross NPA	0.7	0.6	0.5	0.5
Net NPA	0.4	0.3	0.3	0.3
Provision Coverage Ratio	42.0	44.4	46.6	46.3

Source: Company, IndiaNivesh Research

Past Recommendations Review (CMP as on Feb. 5, 2015)

Month	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
January 2015							
HSIL	399	January 2, 2015	369	Buy	439	485	Hold
Kalpataru Power Trans.	238	January 2, 2015	236	Buy	249	332	Hold
December 2014							
**Lupin Ltd.	1,582	December 5, 2014	1,482	Buy	1,606	1,777	Hold
Prism Cement Ltd.	98	December 5, 2014	78	Buy	109	103	Achieved
November 2014							
**Exide Industries Ltd.	191	November 10, 2014	163	Buy	206	242	Hold
OnMobile Global (OGL)	87	November 10, 2014	52	Buy	98	82	Achieved
October 2014							
**Cadila Healthcare Ltd.	1,463	October 1, 2014	1,323	Buy	1,760	1,636	Achieved
**KPR Mills Ltd.	425	October 1, 2014	312	Buy	457	570	Hold
September 2014							
HSIL Ltd.	399	September 4, 2014	335	Buy	439	425	Achieved
Radico Khaitan Ltd.	95	September 4, 2014	90	Buy	103	165	Hold
August 2014							
**Bajaj Auto Ltd.	2,243	August 4, 2014	2,090	Buy	2,690	2,840	Hold
**Capital First Ltd.	390	August 4, 2014	243	Buy	431	400	Achieved

Note: **Revised Target Price.

Please refer our past monthly reports for reviewing the earlier mentioned recommendations.

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