July 27, 2017

HDFC Ltd (HDFC)

₹ 1727

Growth, strong earnings & value unlocking…

Rating matrix	
Rating	Buy
Target	₹ 1910
Target Period	12 months
Potential Upside	11%

What's Changed?	
Target	Changed fro ₹ 1750 to ₹ 1910
EPS FY18E	Changed from ₹ 52 to ₹ 51.6
EPS FY19E	Unchanged at ₹ 58.7
Rating	Unchanged

Quarterly Performance

	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
NII	2,488	2,116	17.6	2,761	-9.9
Other income	211	1,151	-81.6	515	-59.0
PPP	2,445	3,040	-19.6	3,086	-20.8
PAT	1,557	1,871	-16.8	2,044	-23.8

Key Financials

₹ crore	FY16	FY17	FY18E	FY19E
NII	8,388	9,510	10,734	12,357
PPP	10,823	11,427	12,579	14,212
PAT	7,093	7,443	8,203	9,325

Valuation summary

	FY16	FY17	FY18E	FY19E
P/E	38.5	36.9	33.4	29.4
Target P/E	42.5	40.8	37.0	32.5
P/ABV	8.0	7.4	6.7	6.0
Target P/ABV	8.9	8.2	7.4	6.7
RoA	2.6	2.4	2.3	2.3
RoE	21.8	21.0	21.1	21.6

Stock data	
Market Capitalisation	₹ 272631 crore
GNPA (Q1FY18)	₹ 3513 crore
NNPA (Q1FY18)	Nil
NIM (Q1FY18) (reported)	4.00
52 week H/L	1743 /1183
Networth (Eq+Res)	₹ 39404 crore
Face value	₹ 2
DII Holding (%)	11.4
FII Holding (%)	77.5

Price performance (%)

	1M	3M	6M	12M
HDFC LTD	-1.1	3.0	22.1	19.5
LIC Housing Finance	-2.2	9.0	35.0	43.8
Dewan Housing Fin.	4.3	6.2	60.9	106.8

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- Standalone net profit for Q1FY18 stood at ₹ 1556 crore vs. our estimate of ₹ 1737 crore. The PAT is not comparable on a YoY basis owing to large one-off gains last year on account of stake sale in the general insurance business.
- GNPA ratio increased by ~33 bps QoQ at 1.12%, (GNPA - ₹ 3513 crore,) while NNPA remained nil. Such increase in NPA is the highest in last several quarters. This was on account of an exposure of ₹ 909 crore as Q1FY18. As at Q4FY17, though the account was not NPA, HDFC had made adequate provisioning against this exposure. Thus, no further provisioning was required on this exposure in Q1FY18.
- Net interest income increased by 17.6% YoY to ₹ 2488 crore. Margins were at 4% while spread was at 2.29%. Advances grew higher than estimate at 17.8% YoY to ₹ 312978 crore, led by individual loans growing 15.9% YoY to ₹ 214721 crore forming 69% of the loan book while corporate loan saw traction of 22.4% YoY to ₹ 93431 crore
- Consolidated PAT for Q1FY18 was ₹ 2734 crore against ₹ 2797 crore in last year. The share of profit from subsidiary and associate companies in the consolidated PAT was ~43%.

Healthy loan traction continues, margins maintained

HDFC Ltd is the first specialised housing finance company (HFC) and also the largest. Including banks, it is second after SBI with a market share of ~16% (individual loan). Its total outstanding loan book is ₹ 312978 crore as on Q1FY18 of which individual loans account for ~69% while the corporate proportion has declined to ~30% from 36% in FY12. HDFC has witnessed healthy traction of 18% CAGR in the past four years vs 16% industry CAGR mainly driven by the individual loans. HDFC has maintained its leading position despite a challenging macro environment. This is owing to its unique strengths such as a strong franchise, brand pedigree, in-house model, large network and a dedicated business. Going ahead, owing to enhanced competition and a general slowdown, we have maintained our loan growth expectation of 16.2% CAGR in FY17-19E to ₹ 399035 crore. We expect NIMs (calculated) to stay broadly stable at ~3.2% with reported spreads maintained close to ~2.2%.

Resilient asset quality to continue

HDFC has one of the best asset quality parameters in the industry with Nil NNPA. Its GNPA as on Q1FY18 was 1.12% though marginally surged but adequately provided. Provision coverage ratio maintained at 100%. Provision for contingencies balance at ₹ 3150 crore provides comfort. We expect GNPA to remain at 0.9-1.0% with nil NNPA over FY18-19E.

Upgrade valuations of insurance, AMC, Re-iterate BUY

HDFC has commanded premium valuations over the years due to its consistent track record in earnings. Return ratios have remained healthy across economic cycles with RoE >20% & RoA ~2.2-2.5%. We expect PAT CAGR of ~11.9% in FY17-19E and loan CAGR of 16.2%. Factoring higher housing finance multiples, we value standalone business at 3.5x ABV. Merger with Max Life Insurance is currently on hold due to regulatory hurdles, and HDFC life IPO process has begun. Accordingly we upgrade life valuation to 3x fwd EV. With strong performance and couple of IPO's expected in asset management industry, we have revised valuations for HDFC AMC business too. We revise our SOTP based TP higher to ₹ 1950/share (earlier ₹ 1750). Re-iterate our **BUY rating**.

Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
NII	2,488	2,519	2,116	17.6	2,761	-9.9	Healthy credit growth led to traction in NII on YoY basis
Reported NIM (%)	4.0	4.0	3.8	20 bps	4.1	-10 bps	Spread stood at 2.29%; spread on individual loans was at 1.9% and in corporate loans was at 3.18%
Other Income	211	266	1,151	-81.6	515	-59.0	Decline in other income on YoY basis due to one-off gains from stake sale in general insurance business in previous year
Net Total Income	2,699	2,785	3,267	-17.4	3,277	-17.6	
Staff cost	115	101	106	8.7	86	34.1	
Other Operating Expenses	138	127	121	14.0	104	32.5	
PPP	2,445	2,557	3,040	-19.6	3,086	-20.8	
Provision	85	110	340	-75.0	148	-42.6	NPA surged but were already provided in previous quarter
PBT	2,360	2,447	2,700	-12.6	2,938	-19.7	
Tax Outgo	803	710	829	-3.1	894	-10.2	
PAT	1,557	1,737	1,871	-16.8	2,044	-23.8	PAT came lower than estimate due to marginally lower PPP and higher tax outgo
Key Metrics							
GNPA	3,513	2,497	2,006	75.1	2,378	47.7	GNPA ratio increased by ~33 bps QoQ at 1.12% on account of an exposure of ₹ 909 crore. Therefore, GNPA ratio in corporate segment surged 93 bps to 2.09%. In individual loans, GNPA ratio increased 4 bps QoQ to 0.65%.
NNPA	0	0	0	NM	0	NM	
Loans	312,978	302,933	265,731	17.8	296,472	5.6	
Borrowings	286,195	281,240	247,472	15.6	280,534	2.0	

Source: Company, ICICIdirect.com Research

Change in estimates

	FY18E			FY19E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Net Interest Income	11,092	10,734	-3.2	12,755	12,357	-3.1	
Pre Provision Profit	12,917	12,579	-2.6	14,543	14,212	-2.3	
NIM(%) (calculated)	3.3	3.2	-11 bps	3.3	3.2	-10 bps	
PAT	8,676	8,203	-5.4	9,759	9,325	-4.4	
ABV per share (₹)	261.9	257.2	-1.8	292.4	286.1	-2.2	Due to NPA addition, adjusted book value declined

Source: Company, ICICIdirect.com Research

Assumptions

		Current			Earlier	
	FY16	FY17	FY18E	FY19E	FY18E	FY19E
Credit growth (%)	13.6	14.3	16.3	16.0	16.3	16.0
NIM Calculated (%)	3.4	3.3	3.2	3.2	3.3	3.3
Cost to income ratio (%)	6.6	6.8	6.9	6.7	6.7	6.5
GNPA (₹ crore)	1,833	2,378	3,260	4,108	2,916	3,564
NNPA (₹ crore)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, ICICIdirect.com Research

Company Analysis

Advances growth above industry despite high base; expect healthy traction to stay

HDFC, the largest HFC, has witnessed healthy loan traction of 20% CAGR since FY07, which has been ahead of industry CAGR of ~15%. It should be noted that HDFC has been able to maintain such healthy growth on a higher base. This is owing to its unique strengths such as strong franchise, brand pedigree, in-house model (sources ~83% of loans in-house), large network, dedicated business & experienced management.

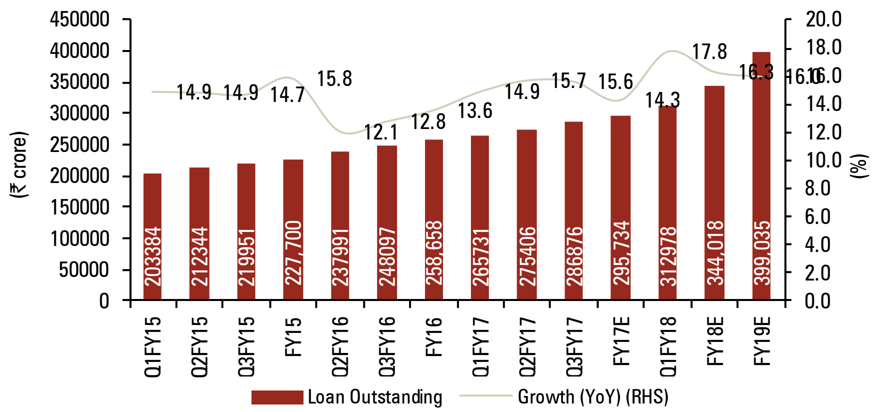
HDFC's total advances as on FY17 were at ₹ 296472 crore with individual loans amounting to ₹ 204436 crore or ~70% of total advances. Its market share including banks is ~16%, which is second highest after SBI.

We believe major drivers for the housing finance industry such as a large population with a favourable demographic profile, increasing urbanisation, nuclearisation of families, demand-supply mismatch, etc. remain intact. However, owing to a weak economic environment in the past few years, industry growth is expected to witness some moderation.

Going ahead, owing to enhanced competition HDFC's growth may get impacted. Thus, we factor in 16% CAGR in FY17-19E to ₹ 399035 crore.

We believe, going ahead, owing to enhanced competition HDFC's growth might get impacted. Thus, we factor in 16% CAGR over FY17-19E to ₹ 399035 crore.

Exhibit 1: Credit growth trend to be lower compared to past trends but is still at healthy levels

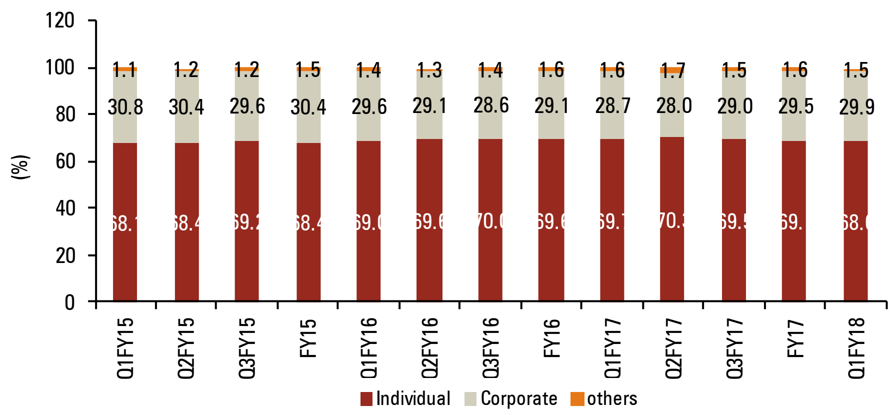


Source: Company, ICICIdirect.com Research

In the past four years, the major driver has been the individual loan book, which grew at 19% CAGR vs. 11% seen in the corporate book. This is owing to a strained economic environment leading to a weak investment cycle. Further, risks in the corporate portfolio also increased, leading the company to focus more on the relatively lower defaulting individual loan portfolio. Proportion of individual loan in the total book is on the up move from 68.2% in FY15 to ~70% in FY17.

Going ahead, we have factored in ~16.5% CAGR in FY17-19E in individual loans while 15% CAGR is expected in the corporate portfolio. However, any improvement in the economic scenario could result in higher than estimated growth in case of the corporate portfolio.

Exhibit 2: Loan book- Individual segment traction to remain ahead in FY17-18E



Source: Company, ICICIdirect.com Research

Flexible borrowing profile enables stability in spreads & margins

HDFC's sources of funding at ₹ 280534 crore, as on FY17, are well diversified and include bank loans (13% of total borrowing), bonds & commercial paper (56%) and deposits (31%).

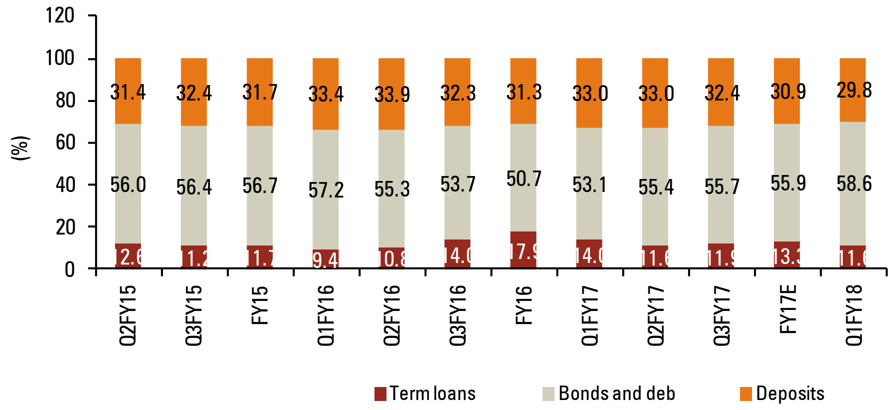
We expect NIMs (calculated) at ~3.2% with reported spreads maintained close to ~2.2% in FY17-19E

The company, owing to its brand, higher credit rating and sound track record of timely repayments has the ability to immediately change its borrowings mix profile to suit its need and take advantage of the prevailing market conditions. For instance, in Q2FY14, when wholesale rates increased to ~12% after the RBI's measure to stem rupee depreciation, the company immediately increased its funding via bank loans to 19% vs. 8% in the previous quarter as the average base rate was around 10.25-10.5%.

Such flexibility in the funding profile enables HDFC to maintain a healthy track record of sustaining spreads & NIMs above 2% and 3.5%, respectively, across volatile interest rate cycles. Further, it earns ~1.2% spread on loans sold to banks (~₹ 16000 crore loans sold in the past year).

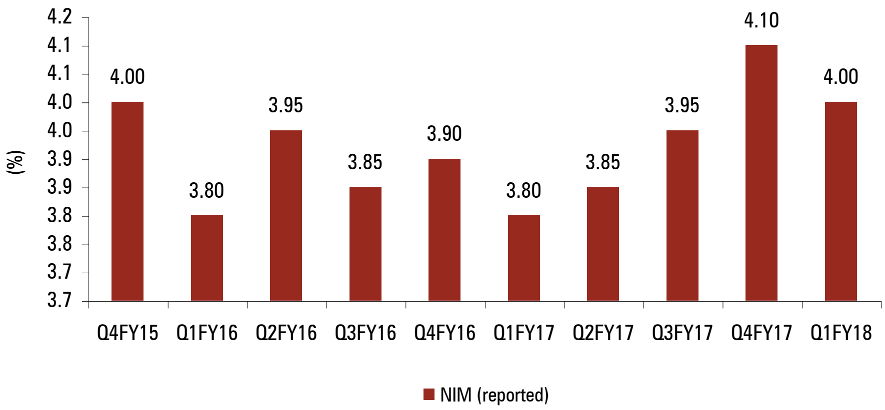
With slower traction in the corporate book, we expect margins to remain under pressure, partly offset by a declining rate cycle. Therefore, we expect NIMs (calculated) to remain broadly stable at ~3.2% with reported spreads to be maintained close to ~2.2-2.3% levels.

Exhibit 3: Diversified borrowing profile helps manage cost



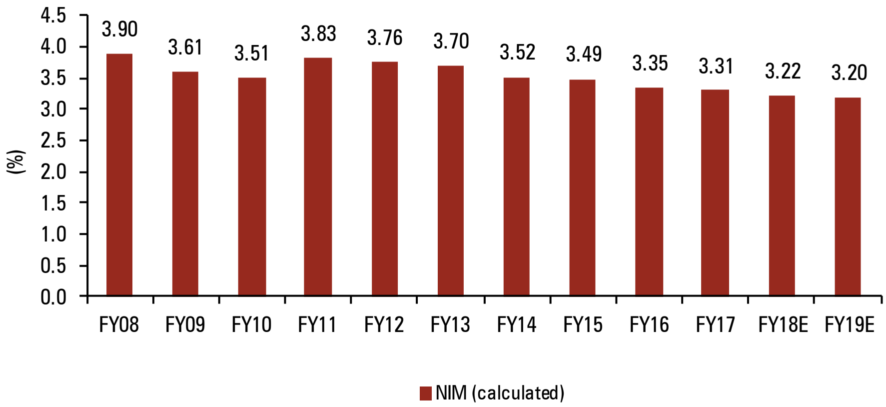
Source: Company, ICICIdirect.com Research

Exhibit 4: Margins expected to remain in range but declining bond yields may help



Source: Company, ICICIdirect.com Research

Exhibit 5: Calculated margins to remain in range



Source: Company, ICICIdirect.com Research

Resilience on asset quality front to sustain

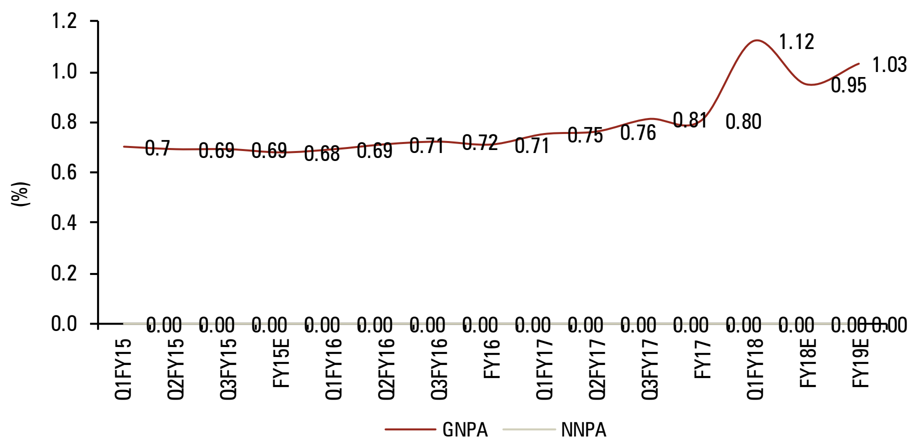
HDFC has one of the best asset quality parameters in the industry considering its large size. The GNPA as on FY17 was at ₹ 2378 crore while NNPA remained nil owing to 100% provision coverage ratio. The GNPA ratio at 0.8% as on FY17 is lower than industry ratio of >0.8%. Credit cost at 0.08% is lowest in the industry. During FY16, an additional provision to the tune of ₹ 450 crore, was made utilising part of exceptional gains from sale of stake in the life insurance business.

The major reasons for such a benign asset quality have been HDFC's conservative lending policies, which enable it to avoid customers defaulting on loans. On an average, it lends only up to 66% of the assessed value of a property/asset. Other reasons include preventing aggressive loan growth or going for higher market share, 90% of individual portfolio belonging to salaried class wherein the default is lower. Further, exposure to real estate developers (12% of the total loan portfolio) is backed by collateral of 2.0x the loan size.

We expect the asset quality to remain healthy, going forward, with GNPA ratio maintained in the range of 0.8-0.9% and nil NNPA in FY17-18E.

We expect the asset quality to remain healthy, going forward, with GNPA maintained in the range of 0.8-1% and nil NNPA with credit cost factored in ~ 0.15% in FY17-19E

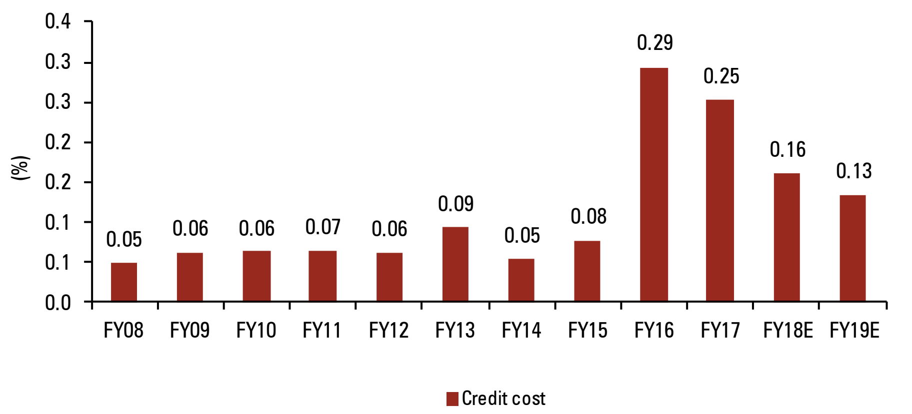
Exhibit 6: Asset quality managed well; outlook remains steady



Source: Company, ICICIdirect.com Research

In Q1FY18, GNPA ratio increased by ~33 bps QoQ to 1.12%, (GNPA - ₹ 3513 crore,) while NNPA remained nil. Such increase in NPA is the highest in last several quarters. This was on account of an exposure of ₹ 909 crore as Q1FY18 which was amongst the 12 accounts referred for insolvency proceedings to NCLT. As at Q4FY17, though this account was not a NPA, HDFC had made adequate provisioning against this exposure. Thus, no further provisioning was required on this exposure in Q1FY18

Exhibit 7: Credit cost lower compared to peers

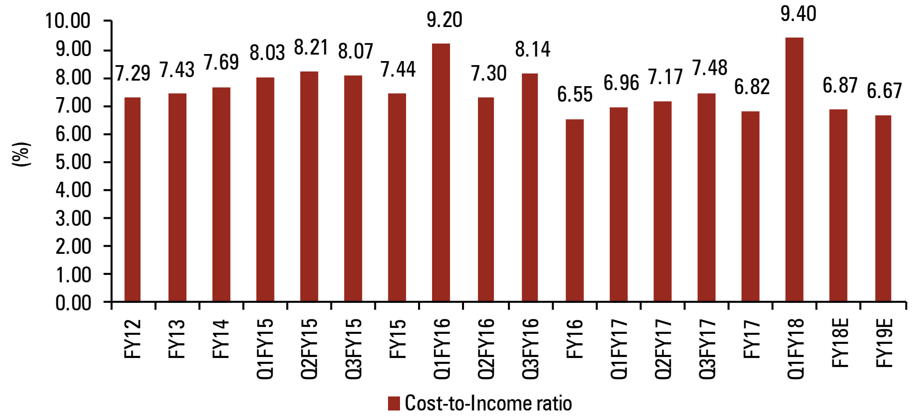


Source: Company, ICICIdirect.com Research

Best in class operating efficiency

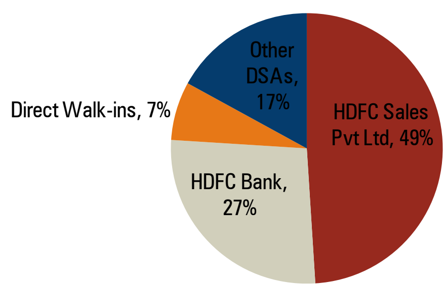
HDFC has the best operating efficiency in the industry with the cost-to income ratio at <7%. Its peers like LIC Housing Finance and Dewan Housing Finance have a cost-to-income ratio of 14% and ~40%, respectively. This is mainly due to the in-house sourcing model of HDFC compared to the DSA based model (90%) of LIC Housing Finance and branch based model of Dewan Housing Finance. Further, the lower employee base of HDFC, compared to other HFCs and banks enables the company to maintain such low ratios. We expect HDFC to maintain such operating efficiency, going ahead.

Exhibit 8: Operating efficiency unmatchable



Source: Company, ICICIdirect.com Research

Exhibit 9: Sources 83% of loan in-house



Source: Company, ICICIdirect.com Research

Performance of subsidiaries

Consolidated earnings for FY17 were at ₹ 11051 crore vs. ₹ 10190 crore for FY16, which was an increase of 8% YoY. The share of profit from subsidiary and associate companies in consolidated profit stood at 33% in FY17 vs. 30% in FY16.

The share of profit from subsidiary & associate companies in the consolidated profit remained in a range at 33% in FY17 vs. 30% in FY16

Its four major subsidiaries include HDFC Life, HDFC Ergo, HDFC AMC and Gruh Finance.

HDFC Life, which is 61.5% owned by HDFC Ltd and 35% by Standard Life post 9% stake sale, is third in the private market share as on FY17. Its individual business market share is 12.7% (private sector). The HDFC group network is used to cross-sell by offering customised products. The company reported a PAT of ₹ 818 crore for FY16 vs. ₹ 786 crore in the previous year. For FY17, the PAT stood at ₹ 890 crore.
The merger with Max Life has been called off currently and HDFC is going for IPO of HDFC life, expected in FY18.

HDFC Ergo is the general insurance subsidiary of HDFC Ltd, which holds 50.8% stake while the balance 48.7% is held by Ergo. It is the fourth largest private player in the general insurance industry with market share of 9.8% in the private sector space while overall its market share is 4.6% in terms of gross direct premium. As in case of HDFC Life, the HDFC group network is used to cross-sell home, health and other insurance products.

Gross direct premium in FY17 was ₹ 5840 crore vs. ₹ 3380 crore in FY16. PAT for FY17 stood at ₹ 277 crore vs. ₹ 151 crore in FY16. In September 2016, HDFC ERGO acquired 100% shareholding of L&T General Insurance Company (LTGI) for a consideration of ₹ 551 crore. Accordingly, LTGI has become a fully owned subsidiary of HDFC ERGO.

HDFC AMC is a tie-up with Standard Life Investments. HDFC holds 59.9% in HDFC AMC. HDFC Mutual Fund manages 59 debt, equity, exchange traded and fund of fund schemes. Average AUM as on FY17 was at ~₹ 246000 crore. For FY17, HDFC AMC reported PAT of ₹ 550 crore vs. ₹ 478 crore in the previous year.

Exhibit 10: Quarterly consolidated profit analysis

Particulars	Q1FY18	Q4FY17	Q3FY17	Q2FY17	Q1FY17	Q4FY16	Growth (%)	
Revenues							YoY	QoQ
Revenue from Operations	14589	18405	15249	14672	13687	17474	7	-21
Housing	8653	9015	8630	8191	8829	9556	-2	-4
Life Insurance	4549	7933	5152	5259	3847	6654	18	-43
General Insurance	850	891	868	723	559	574	52	-5
Asset Management	426	453	449	412	369	557	15	-6
Others	110	113	151	87	83	133	33	-2
Net Revenue from Operations	14463	18040	14989	14527	13531	17027	7	-20
Profit/Loss Before Interest and Tax	3184	3898	3172	2861	3288	4411	-3	-18
Housing	2506	3127	2652	2302	2813	3785	-11	-20
Life Insurance	345	364	200	246	251	351	37	-5
General Insurance	120	163	76	131	53	69	126	-26
Asset Management	217	238	192	198	178	236	22	-9
Others	-4	4	53	-17	-8	-30	-42	-197
PBT	3127	3657	3006	2789	3198	4168	-2	-15
PAT incl associates	2734	3079	2729	2446	2797	3460	-2	-11

Source: Company, ICICIdirect.com Research

Exhibit 11: PAT reported for each subsidiary (₹ billion)

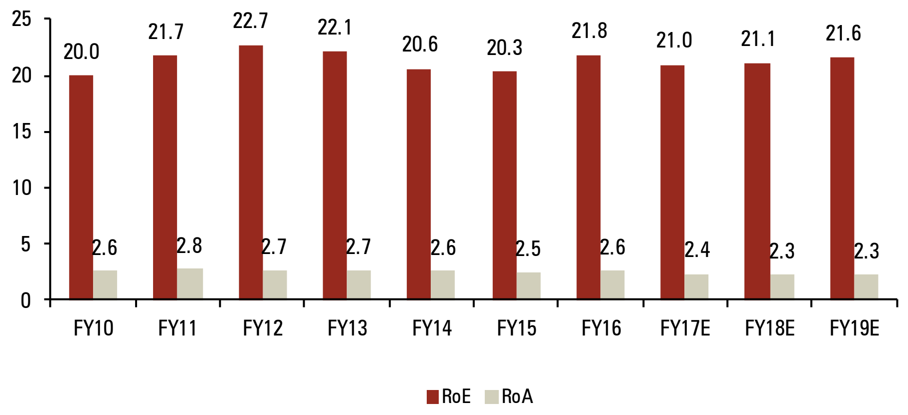
	FY12	FY13	FY14	FY15	FY16
HDFC Standalone Profit After Tax	41.2	48.5	54.4	59.9	70.9
HDFC Life	2.0	3.3	4.4	5.5	5.5
HDFC Ergo	-0.3	1.1	1.2	0.7	1.0
GRUH	0.5	0.6	0.7	1.1	1.3
HDFC Bank	10.0	12.8	16.2	22.9	27.4
HDFC-AMC	1.0	1.1	1.2	2.3	2.4
Others	0.3	-1.0	1.4	2.2	1.8
Dividend and Other Adjustments				-7.0	-8.5
Consolidated Profit After Tax	54.6	66.4	79.5	87.6	101.9

*Source: Company, ICICIdirect.com Research, *PAT for subsidiaries is after adjustment for dividend*

Outlook and valuation

HDFC has commanded premium valuations over the years due to its consistent track record in earnings. Return ratios have remained healthy across economic cycles with RoE >20% & RoA ~2.2-2.5%. We expect PAT CAGR of ~11.9% in FY17-19E and loan CAGR of 16.2%. Factoring higher housing finance multiples, we value standalone business at 3.5x ABV at ₹982 per share. Merger with Max Life Insurance is currently on hold due to regulatory hurdles, and HDFC life IPO process has begun. Accordingly we upgrade life valuation to 3x FY19E Embedded Value (EV) FY17 EV stood at ₹12390 crore. With strong performance and couple of IPO's expected in asset management industry, we have revised valuations of HDFC's AMC business too. We revise our SOTP based TP higher to ₹ 1950/share (earlier ₹ 1750). Re-iterate our **BUY** rating.

Exhibit 12: Healthy return ratios expected to be maintained



Source: Company, ICICIdirect.com Research

Exhibit 13: SOTP valuation

Business Segment	Basis of valuation	HDFC's stake (%)	₹/share
HDFC Ltd	3.5x FY19E Core Mortgage ABV	100	982
HDFC Bank	4.2x FY19E ABV	21.2	580
HDFC AMC	6% of MF AUM	60	84
HDFC Std. Life	3x EV	61.5	168
HDFC ERGO	15x FY19E PAT	50.8	20
GRUH Finance	Market cap +10%	58.5	71
Unrealised Gains	On quoted equity book excl. subsidiaries	100	4
Value per share of HDFC			**1,910**

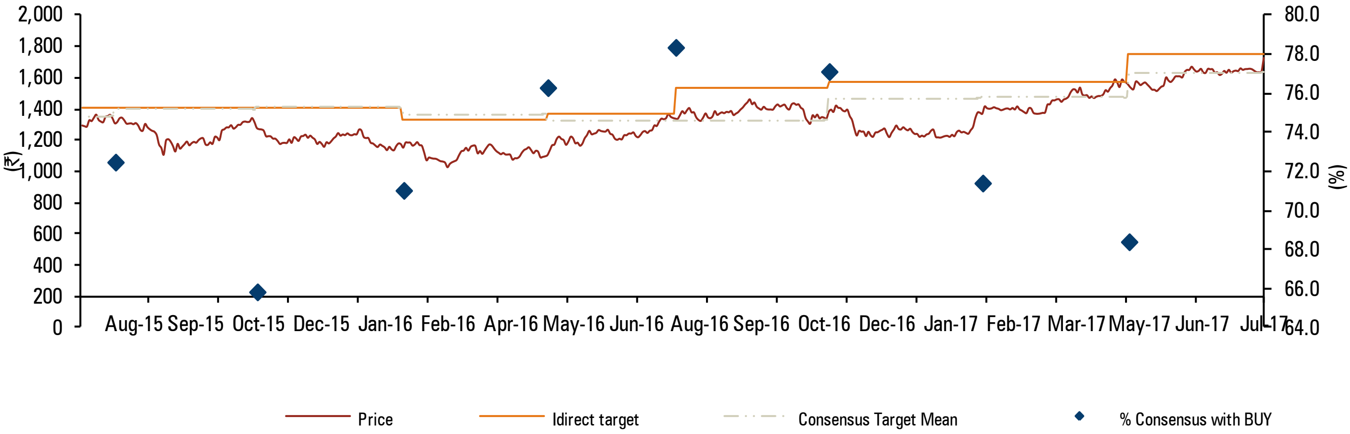
Source: Company, ICICIdirect.com Research

Exhibit 14: Valuation

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY16	8,388	9.9	7,093	18.4	38.5	215.7	8.0	2.6	21.8
FY17	9,510	13.4	7,443	4.9	36.9	232.3	7.4	2.4	21.0
FY18E	10,734	12.9	8,203	10.2	33.4	257.2	6.7	2.3	21.1
FY19E	12,357	15.1	9,325	13.7	29.4	286.1	6.0	2.3	21.6

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
FY03	HDFC Board approves arrangement between HDFC & HDFC Bank wherein HDFC Bank will source housing loans for HDFC in return for a fee
FY04	Becomes first private corporate to raise ₹ 1,000 crore debt in a single tranche and in a single option
FY07	HDFC Ltd forges alliance with Germany's Ergo International AG as the new joint venture partner for its general insurance business
FY07	All subsidiaries, AMC, life insurance, etc. get higher valuations, taking the stock to peaks in 2008
FY09	HDFC - Agreement to acquire stake in Credila Ltd (an education finance company)
Feb-10	Company splits face value of shares from ₹ 10 to ₹ 2
FY11	Launches HDFC Real Estate Destination (HDFC RED), an online real estate portal
Feb-12	Housing credit growth continues to be strong at 19-20% and gains size. Banks also enter aggressively
May-13	Surpasses previous highs to make life-time high as housing finance, only segment, was growing
May-14	Speculation of announcement of reverse merger with HDFC Bank firms ground but nothing happens
Oct-15	Raises ~₹ 5000 crore via debentures and warrants

Source: Company, ICICIdirect.com Research

Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Life Insurance Corporation of India	31-03-2017	4.24%	67.51M	-1.29M
2	OppenheimerFunds, Inc.	31-03-2017	4.22%	67.27M	-1.88M
3	Capital World Investors	30-06-2017	3.15%	50.21M	-9.72M
4	Aberdeen Asset Management (Asia) Ltd.	31-05-2017	2.53%	40.29M	-0.67M
5	Stewart Investors	31-05-2017	2.18%	34.73M	+0.29M
6	Vontobel Asset Management, Inc.	31-05-2017	2.01%	32.07M	-0.04M
7	GIC Private Limited	31-03-2017	1.86%	29.68M	-1.01M
8	Fidelity Management & Research Company	31-05-2017	1.67%	26.55M	-0.06M
9	The Vanguard Group, Inc.	31-03-2017	1.58%	25.11M	-21.81M
10	JPMorgan Asset Management U.K. Limited	31-05-2017	1.52%	24.25M	-0.18M

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	-	-	-	-	-
FII	76.9	77.3	76.4	77.3	77.5
DII	11.3	11.3	12.1	10.4	11.4
Others	11.8	11.5	11.5	12.3	11.1

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Fidelity International	+76.9M	+3.32M	The Vanguard Group, Inc.	-505.17M	-21.81M
Aberdeen Asset Management Company Ltd. (Thailand)	+60.42M	+2.94M	Capital World Investors	-242.99M	-9.72M
Baron Capital Management, Inc.	+48.79M	+2.11M	Lyxor Asset Management	-129.73M	-5.33M
Parekh (Deepak S)	+37.06M	+1.60M	OppenheimerFunds, Inc.	-43.56M	-1.88M
J.P. Morgan Asset Management (Hong Kong) Ltd.	+22.76M	+0.98M	Life Insurance Corporation of India	-29.91M	-1.29M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY16	FY17	FY18E	FY19E
Interest Earned	27,762.0	30,405.8	34,973.6	40,257.2
Interest Expended	19374.5	20896.2	24239.8	27900.4
Net Interest Income	8,387.5	9,509.6	10,733.8	12,356.8
% growth	9.9	13.4	12.9	15.1
Non Interest Income	3194.6	2753.8	2773.8	2870.7
Net Income	11582.1	12263.4	13507.6	15227.5
Employee cost	349.1	388.8	431.5	477.1
Other operating Exp.	409.9	448.0	496.9	538.2
Operating Income	10823.1	11426.6	12579.2	14212.3
Provisions	715.0	700.0	516.0	498.8
PBT	10108.1	10726.6	12063.2	13713.5
Taxes	3015.0	3284.0	3860.2	4388.3
Net Profit	7,093.1	7,442.6	8,202.9	9,325.2
% growth	18.4	4.9	10.2	13.7
EPS (₹)	44.9	46.8	51.6	58.7

Source: Company, ICICIdirect.com Research

Key ratios				₹ Crore
(Year-end March)	FY16	FY17	FY18E	FY19E
Valuation				
No. of Equity Shares	158.0	158.9	158.9	158.9
EPS (₹)	44.9	46.8	51.6	58.7
BV (₹)	215.7	232.3	257.2	286.1
BV-ADJ (₹)	215.7	232.3	257.2	286.1
P/E	38.5	36.9	33.4	29.4
P/BV	8.0	7.4	6.7	6.0
P/adj.BV	8.0	7.4	6.7	6.0
Yields & Margins (%)				
Yield on interest earning assets	11.1	10.6	10.5	10.4
Avg. cost on funds	8.7	8.1	8.0	7.9
Net Interest Margins	3.4	3.3	3.2	3.2
Spreads	2.4	2.5	2.5	2.5
Quality and Efficiency				
Cost / Total net income	6.6	6.8	6.9	6.7
GNPA%	0.7	0.8	0.9	1.0
NNPA%	0.0	0.0	0.0	0.0
RONW (%)	21.8	21.0	21.1	21.6
ROA (%)	2.6	2.4	2.3	2.3

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17	FY18E	FY19E
Sources of Funds				
Capital	316.0	317.7	317.7	317.7
Reserves and Surplus	33805.1	36631.9	40534.9	45128.6
Networth	34121.0	36949.6	40852.6	45446.3
Borrowings	238193.3	280533.6	326690.1	377822.9
Other Liabilities & Provisions	16992.3	16980.4	16589.0	17617.2
Total	289,307	334,464	384,132	440,886
Applications of Funds				
Fixed Assets	916.6	780.5	789.6	804.6
Investments	15344.9	20410.1	21618.0	23962.8
Advances	258658.2	295733.8	344017.8	399034.6
Other Assets	14386.8	17539.0	17706.2	17084.3
Total	289,307	334,464	384,132	440,886

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16E	FY17	FY18E	FY19E
Total assets	13.9	15.6	14.9	14.8
Advances	13.6	14.3	16.3	16.0
Borrowings	14.2	17.8	16.5	15.7
Total Income	12.7	7.1	13.8	14.3
Net interest income	9.9	13.4	12.9	15.1
Operating expenses	7.4	10.3	11.0	9.4
Operating profit (excl trading)	29.7	24.5	20.7	20.7
Net profit	18.4	4.9	10.2	13.7
Book value	10.0	8.3	10.7	11.2
EPS	18.0	4.3	10.2	13.7

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (NBFC)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17	FY18E	FY19E	P/E (x) FY17	FY18E	FY19E	P/ABV (x) FY17	FY18E	FY19E	RoA (%) FY17	FY18E	FY19E	RoE (%) FY17	FY18E	FY19E
LIC Housing Finance (LICHF)	742	750	Buy	37,158	38.3	46.9	56.4	19.4	15.8	13.2	3.5	2.9	2.4	1.4	1.5	1.5	19.1	19.4	19.3
Reliance Capital (RELCAP)	665	718	Buy	13,540	42.7	53.9	69.0	15.6	12.3	9.6	1.3	1.2	1.1	1.5	1.6	2.0	6.7	7.9	9.7
HDFC (HDFC)	1,727	1,910	Buy	259,922	46.8	51.6	58.7	36.9	33.4	29.4	7.4	6.7	6.0	2.4	2.3	2.3	21.0	21.1	21.6
CARE (CARE)	1,624	1,750	Buy	4,866	51.5	58.7	69.2	31.6	27.7	23.5	9.6	9.5	8.1	36.5	41.3	42.2	30.4	34.4	34.6
Bajaj Finserv (BAFINS)	4,998	5,170	Buy	78,775	142.2	202.2	253.9	35.2	24.7	19.7	5.0	4.2	3.5	1.9	2.2	2.4	15.5	18.5	19.2
Bajaj Finance (BAJFI)	1,701	1,800	Buy	92,678	33.9	45.3	60.1	50.1	37.6	28.3	9.7	7.8	6.5	3.3	3.4	3.4	21.6	23.1	24.7

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Buy: >10%/15% for large caps/midcaps, respectively;
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