HDFC Ltd (HDFC)

₹ 1937

Growth momentum stays; one-offs lift earnings

- HDFC's results were healthy on asset quality, growth & spreads front
- In Q3FY18, HDFC Ltd received ₹ 5250 crore from its stake sale in HDFC Life. Out of this, ₹ 1575 crore has been provided as additional special provision. Factoring this exceptional gain, standalone PAT surged to ₹ 5670 crore. PBT came in line at ₹ 6490 crore but lower than expected tax expenses led to a relatively higher bottomline
- Asset quality remained steady QoQ with GNPA at 1.15% (GNPA - ₹ 3937 crore). NNPA remained nil
- NPA in the individual book increased 2 bps QoQ at 0.67% while that of the non-individual portfolio remained steady QoQ at 2.18%
- NII increased at a healthy rate of 13.9% YoY to ₹ 2849 crore. Reported margins were broadly at expected levels of 3.86% while spread was steady sequentially at 2.29%
- Advances grew higher than estimate at 19.3% YoY to ₹ 342136 crore, led by up-tick in growth in individual loans at 18.6% YoY (15.3% YoY in Q2FY18) to ₹ 236352 crore forming 69% of the book while corporate loan witnessed traction of 20.6% YoY to ₹ 100363 crore
- Consolidated PAT for Q3FY18 was ₹ 6677 crore (led by one-time gain from stake sale in life insurance business) vs. ₹ 2729 crore last year

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 ₹ 342136 crore as on Q3FY18 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 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, we expect loan growth of 17.3% CAGR in FY17-20E to ₹ 485111 crore. We expect NIMs (calculated) to stay broadly stable at ~3.3% with reported spreads maintained close in range of 2.2-2.3%.

Resilient asset quality to continue

HDFC has one of the best asset quality parameters in the industry with nil NNPA. Its GNPA as on Q3FY18 was 1.15%, which is adequately provided. Provision coverage ratio was maintained at 100%. Provision for contingencies balance at ₹ 4889 crore provides comfort. We expect GNPA at ~1.2% levels with nil NNPA in FY19-20E.

Healthy standalone business, strong show by subsidiaries; retain 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 introduce FY20E estimates and expect PAT of ₹ 11316 crore in FY20E (up 14% YoY). We have revised upwards loan estimates and expect 17.3% CAGR to ₹ 485111 crore by FY20E. Other parameters such as NIM/spread and asset quality are estimated to be stable, going ahead. We roll over to FY20E ABV and value the standalone business at 2.9x. Further, we value HDFC Bank at our revised target price of ₹ 2300. Hence, we revise our SOTP based target price higher to ₹ 2250/share (₹ 2080/share) earlier. We retain our **BUY** rating on the stock. HDFC remains a portfolio stock.

Rating matrix

Rating	Buy
Target	₹ 2250
Target Period	12 months
Potential Upside	16%

What's Changed?

Target	Changed fro ₹ 2080 to ₹ 2250
EPS FY19E	Changed from ₹ 59.1 to ₹ 60.8
EPS FY20E	Introduced at ₹ 69.6
Rating	Unchanged

Quarterly Performance

	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)
NII	2,849	2,502	13.9	2,510	13.5
Other income	3,976	360	1,004.1	717	454.5
PPP	6,585	2,648	148.7	3,002	119.4
PAT	5,670	1,701	233.3	2,101	169.9

Key Financials

₹ crore	FY17	FY18E	FY19E	FY20E
NII	9,510	11,126	13,319	15,468
PPP	11,427	15,688	15,196	17,374
PAT	7,443	11,532	9,898	11,316

Valuation summary

	FY17	FY18E	FY19E	FY20E
P/E	41.3	27.3	31.8	27.8
Target P/E	48.0	31.7	37.0	32.3
P/ABV	8.3	5.7	5.2	4.7
Target P/ABV	9.7	6.6	6.0	5.5
RoA	2.4	3.1	2.3	2.3
RoE	21.0	24.9	17.0	17.8

Stock data

Market Capitalisation	₹ 314393 crore
GNPA (Q3FY18)	₹ 3937 crore
NNPA (Q3FY18)	Nil
NIM (Q3FY18) (reported)	3.90
52 week H/L	1982 /1353
Networth (Eq+Res)	₹ 46437 crore
Face value	₹ 2
DII Holding (%)	13.8
FII Holding (%)	74.8

Price performance (%)

	1M	3M	6M	12M
HDFC LTD	15.0	15.8	10.2	43.2
LIC Housing Finance	-2.8	-10.7	-24.0	-1.8
Dewan Housing Fin.	2.3	-2.5	29.5	110.0

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Variance analysis

	Q3FY18	Q3FY18E	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	Comments
NII	2,849	2,784	2,502	13.9	2,510	13.5	Higher-than-expected credit growth led to healthy traction in NII
Reported NIM (%)	3.9	4.0	4.0	-9 bps	3.9	-4 bps	Spread stood steady QoQ at 2.29%; spread on individual loans was at 1.91% and in corporate loans was at 3.1% (up 3 bps QoQ)
Other Income	3,976	5,566	360	1,004.1	717	454.5	Other income was on the higher side, owing to one-time gain of ₹ 3692 crore on stake sale in HDFC Life. This also led to PAT being on the higher side than usual
Net Total Income	6,825	8,350	2,862	138.4	3,227	111.5	
Staff cost	109	120	103	5.9	105	4.3	
Other Operating Expenses	130	124	111	17.4	120	8.5	
PPP	6,585	8,106	2,648	148.7	3,002	119.4	
Provision	95	1,685	117	-18.8	95	0.0	
PBT	6,490	6,421	2,531	156.4	2,907	123.3	
Tax Outgo	820	2,183	830	-1.2	806	1.7	Lower tax outgo also supported earnings in Q3FY18
PAT	5,670	4,238	1,701	233.3	2,101	169.9	
Key Metrics							
GNPA	3,937	3,886	2,341	68.2	3,701	6.4	GNPA ratio was steady QoQ at 1.15%. GNPA ratio in corporate segment stayed at 2.18% QoQ while in individual loans the ratio increased marginally by 2 bps QoQ to 0.67%
NNPA	0	0	0	NM	0	NM	
Loans	342,136	332,776	286,876	19.3	324,077	5.6	Growth remained healthy despite competition from banks, RERA, demonetisation, impact of GST and despite higher base
Borrowings	307,978	301,694	263,488	16.9	300,296	2.6	

Source: Company, ICICIdirect.com Research

Change in estimates

	FY19E			FY20E
(₹ Crore)	Old	New	% Change	Introduced
Net Interest Income	12,357	13,319	7.8	15,468
Pre Provision Profit	14,212	15,196	6.9	17,374
NIM(%) (calculated)	3.2	3.3	14 bps	3.3
PAT	9,393	9,898	5.4	11,316
ABV per share (₹)	358.9	372.9	3.9	408.1

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		
	FY17	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Credit growth (%)	14.3	19.3	17.9	16.6	16.3	16.0	16.0
NIM Calculated (%)	3.3	3.3	3.3	3.3	3.2	3.2	3.2
Cost to income ratio (%)	6.8	5.6	6.5	6.4	6.9	6.7	6.4
GNPA (₹ crore)	2,378	4,027	4,792	5,661	4,086	4,734	5,509
NNPA (₹ crore)	0.0	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, 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.

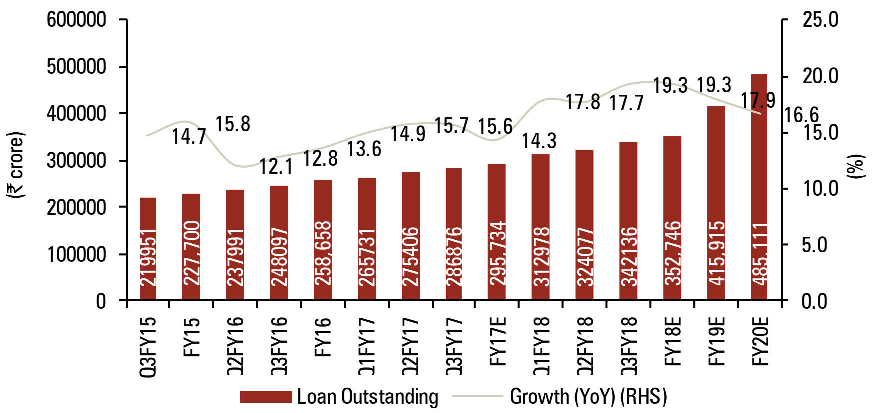
HDFC's total advances as on Q3FY18 were at ₹ 342136 crore with individual loans amounting to ₹ 236352 crore or ~69% of total advances. Its market share including banks is ~16%, which is second highest after SBI.

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, we expect HDFC's loan growth at 17.3% CAGR in FY18-20E to ₹ 485111 crore.

We believe, going ahead, HDFC's growth may stay healthy at 17% CAGR over FY18-20E to ₹ 485111 crore

Exhibit 1: Credit growth trend improved further in Q3FY18

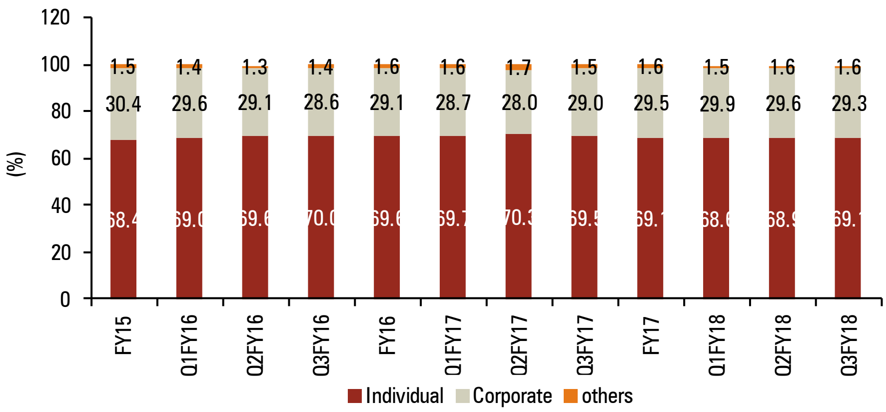


Source: Company, ICICIdirect.com Research

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 factor in ~16.5% CAGR in FY18-19E in individual loans while 19% CAGR is expected in the corporate portfolio. However, any improvement in the economic scenario may result in higher than estimated growth in case of the corporate portfolio.

Exhibit 2: Loan book- Individual segment proportion maintained at ~69-70%



Source: Company, ICICIdirect.com Research

Flexible borrowing profile enables stability in spreads & margins

HDFC's sources of funding at ₹ 307978 crore, as on Q3FY18, are well diversified and include bank loans (13% of total borrowing), bonds & commercial paper (56%) and deposits (31%).

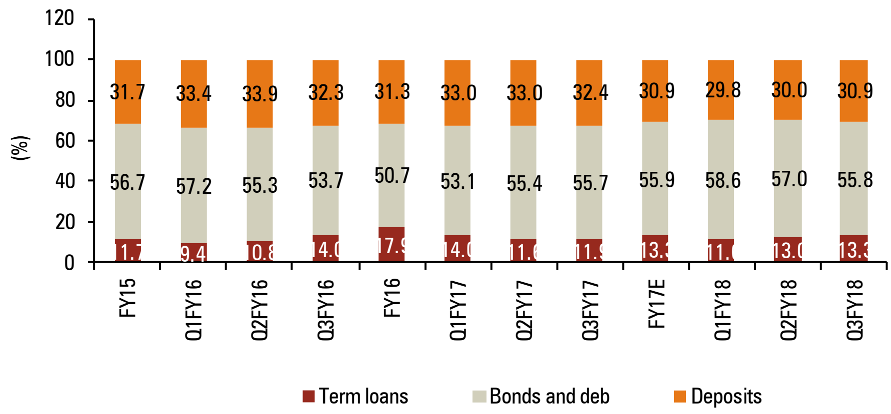
We expect NIMs (calculated) at ~3.3% with reported spreads maintained in the range of 2.2-2.3% in FY18-20E

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 reported spreads & NIMs above 2.2% 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).

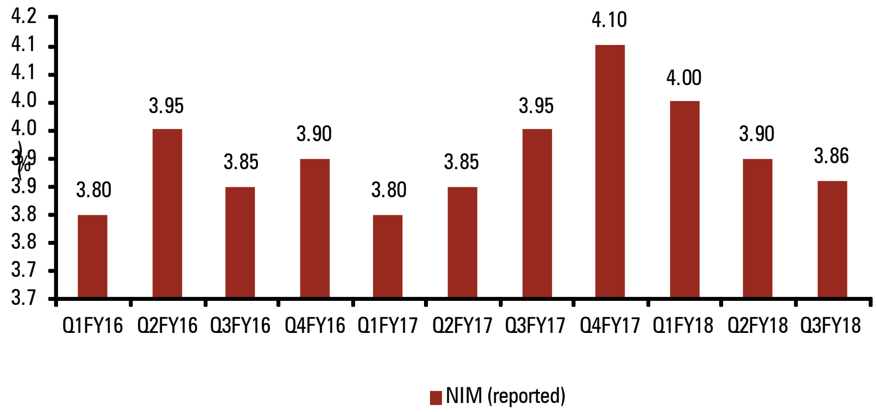
With slower traction in the corporate book, we expect margins to remain under pressure, partly offset by a declining rate cycle. Therefore, we expect NIMs (calculated) to remain broadly stable at ~3.3% with reported spreads to be maintained close to ~2.2-2.3% levels.

Exhibit 3: Diversified borrowing profile helps manage cost



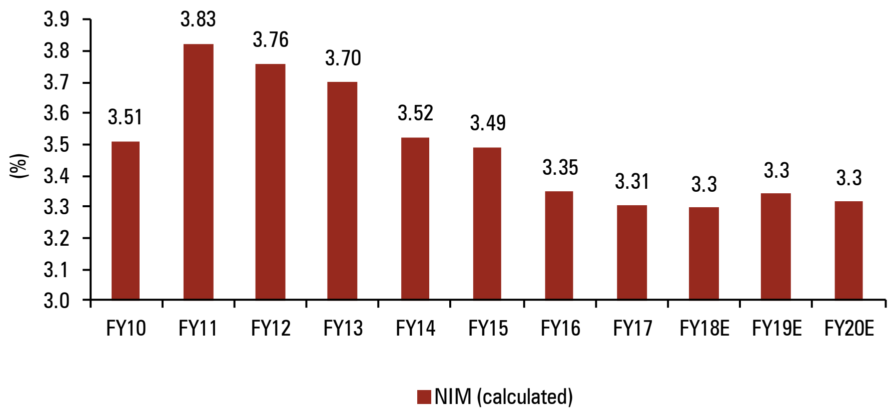
Source: Company, ICICIdirect.com Research

Exhibit 4: Margins expected to remain in range



Source: Company, ICICIdirect.com Research

Exhibit 5: Calculated margins to remain steady ahead



Source: Company, ICICIdirect.com Research

Resilience on asset quality front to sustain

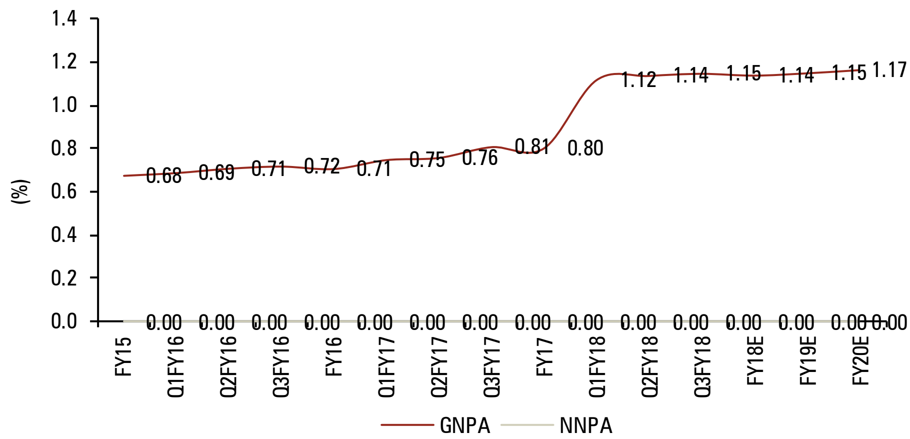
HDFC has one of the best asset quality parameters in the industry considering its large size. GNPA as on FY17 was at ₹ 2378 crore while NNPA remained nil owing to 100% provision coverage ratio. The GNPA ratio at 0.8% as on FY17 is lower than industry ratio of >0.8%. Credit cost at 0.08% is lowest in 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. In Q1FY18, GNPA witnessed a significant rise due to an exposure of ₹ 909 crore turning NPA. However, adequate provision has been made for this account.

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 (13% 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 expected at 1.2% levels and nil NNPA in FY17-18E.

We expect the asset quality to remain healthy, going forward, with GNPA estimated at 1.2% levels and nil NNPA over FY18-20E

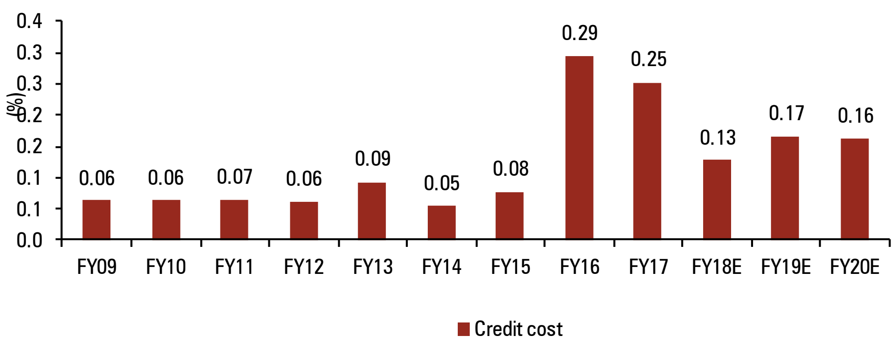
Exhibit 6: Asset quality managed well; outlook remains steady



Source: Company, ICICIdirect.com Research

In Q1FY18, GNPA ratio increased ~33 bps QoQ to 1.12%, (GNPA - ₹ 3513 crore) while NNPA remained nil. Such increase in NPA is the highest in the last several quarters. This was on account of an exposure of ₹ 909 crore as Q1FY18, which was among the 12 accounts referred for insolvency proceedings to NCLT. As at Q4FY17, though this account was not an 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

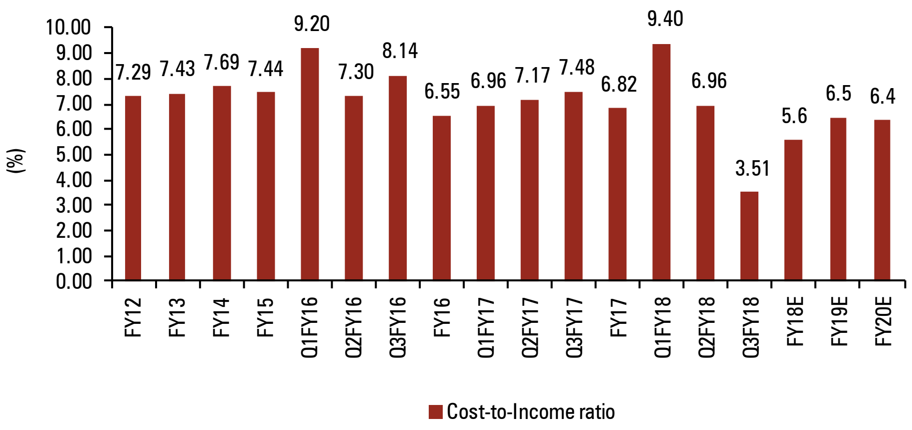


Source: Company, ICICIdirect.com Research

Best in class operating efficiency

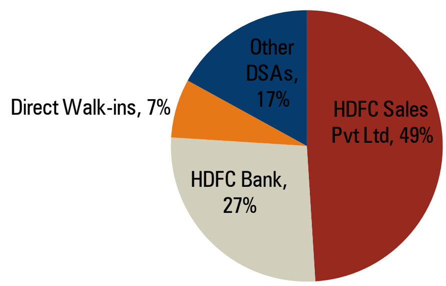
HDFC has the best operating efficiency in the industry with the cost-to income ratio at <7%. Its peers like LIC Housing Finance and Dewan Housing Finance have a cost-to-income ratio of 14% and ~40%, respectively. This is mainly due to the in-house sourcing model of HDFC compared to the DSA based model (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 was at 33% in FY17 vs. 30% in FY16.

In Q3FY18, consolidated PAT was ₹ 6677 crore against ₹ 2729 crore last year. For the nine months ended December 31, 2017, the consolidated PAT was at ₹ 12280 crore compared to ₹ 7972 crore in the corresponding period last year.

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 51.7% owned by HDFC Ltd and 29.3% by Standard Life, 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 was at ₹ 890 crore. The company got listed in Q3FY18.

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 a market share of 9.8% in the private sector space. 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 was 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 a PAT of ₹ 550 crore vs. ₹ 478 crore in the previous year.

Exhibit 10: Quarterly consolidated profit analysis

Particulars	Q3FY18	Q2FY18	Q1FY18	Q4FY17	Q3FY17	Q2FY17	Growth (%)	
Revenues							YoY	QoQ
Revenue from Operations	22339	16774	14589	18405	15249	14672	14.3	15.0
Housing	14497	8853	8653	9015	8630	8191	8.1	2.3
Life Insurance	6310	6402	4549	7933	5152	5259	21.7	40.7
General Insurance	930	925	850	891	868	723	28.0	8.9
Asset Management	498	471	426	453	449	412	14.3	10.6
Others	104	123	110	113	151	87	40.9	11.0
Net Revenue from Operations	21870	16583	14463	18040	14989	14527	14.2	14.7
Profit/Loss Before Interest and Tax	7263	3267	3184	3898	3172	2861	14.2	2.6
Housing	6655	2622	2506	3127	2652	2302	13.9	4.6
Life Insurance	230	249	345	364	200	246	1.1	-27.9
General Insurance	130	139	120	163	76	131	5.9	15.8
Asset Management	267	254	217	238	192	198	28.1	16.6
Others	-19	3	-4	4	53	-17	-119	-173.7
PBT	6898	3169	3127	3657	3006	2789	13.6	1.3
PAT incl associates	6677	2869	2734	3079	2729	2446	17.3	4.9

Source: Company, ICICIdirect.com Research

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

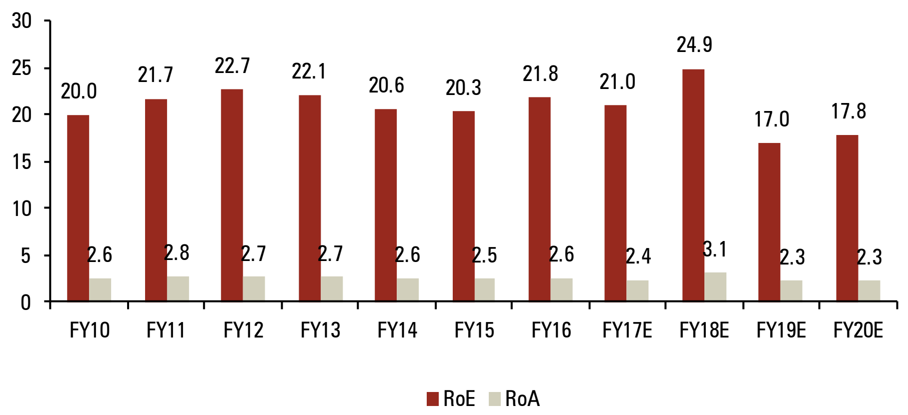
	FY12	FY13	FY14	FY15	FY16	FY17
HDFC Standalone Profit After Tax	41.2	48.5	54.4	59.9	70.9	74.4
HDFC Life	2.0	3.3	4.4	5.5	5.5	5.2
HDFC Ergo	-0.3	1.1	1.2	0.7	1.0	1.5
GRUH	0.5	0.6	0.7	1.1	1.3	1.7
HDFC Bank	10.0	12.8	16.2	22.9	27.4	32.3
HDFC-AMC	1.0	1.1	1.2	2.3	2.4	3.0
Others	0.3	-1.0	1.4	2.2	1.8	2.9
Dividend and Other Adjustments				-7.0	-8.5	-10.6
Consolidated Profit After Tax	54.6	66.4	79.5	87.6	101.9	110.5
Adjustment for:						
Securities Premium debited in HDFC for Zero Coupon Bonds	4.9	4.4	3.6	4.2	4.6	5.0
Contribution of subs/associates to the consolidated PAT (%)	25.0	27.0	32.0	32.0	30.0	33.0

Source: Company, ICICIdirect.com Research

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 introduce FY20E estimates & expect PAT of ₹ 11316 crore in FY20E (up 14% YoY). We have increased loan estimates & expect CAGR of 17.3% to ₹ 485111 crore by FY20E. Other parameters such as NIM/spread and asset quality are estimated to be stable, going ahead. We roll over to FY20E ABV and value the standalone business at 2.9x. Further, we value HDFC Bank at our revised target price of ₹ 2300. Hence, we revise our SOTP based target price higher to ₹ 2250/share (₹ 2080/share) earlier. We retain our **BUY** rating on the stock. HDFC remains a portfolio stock.

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	2.9x FY20E Core Mortgage ABV	100	1,133
HDFC Bank	3.8x FY20E ABV / 22x FY20 EPS	21.2	694
HDFC AMC	8% of MF AUM	60	106
HDFC Std. Life	4x FY20E Embedded Value	51.7	230
HDFC ERGO	15x FY20E PAT	50.8	21
GRUH Finance	Market cap	58.5	66
Value per share of HDFC			**2,250**

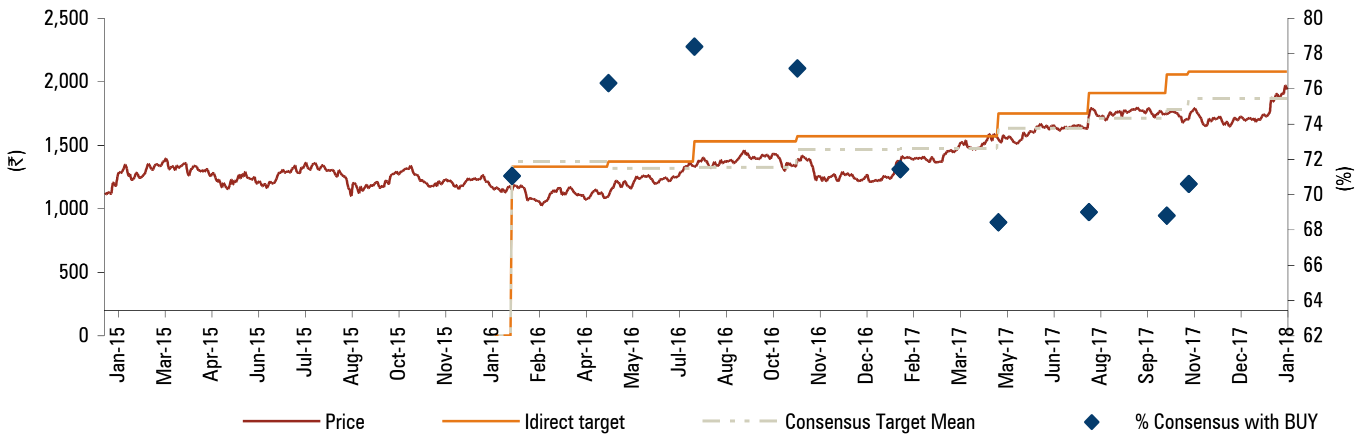
Source: Company, ICICIdirect.com Research

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	-	215.7	-	2.6	21.8
FY17	9,510	13.4	7,443	4.9	-	232.3	-	2.4	21.0
FY18E	11,126	17.0	11,532	54.9	-	342.7	-	3.1	24.9
FY19E	13,319	19.7	9,898	(14.2)	-	372.9	-	2.3	17.0
FY20E	15,468	16.1	11,316	14.3	-	408.1	-	2.3	17.8

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	31-12-2017	4.21%	67.28M	+8.20M
2	OppenheimerFunds, Inc.	31-12-2017	3.69%	59.00M	-11.10M
3	BlackRock Institutional Trust Company, N.A.	31-03-2017	2.56%	40.90M	+23.12M
4	Capital World Investors	31-12-2017	2.31%	36.93M	-10.50M
5	Capital International, Inc.	31-12-2017	1.99%	31.81M	-9.41M
6	GIC Private Limited	31-12-2017	1.98%	31.56M	+2.68M
7	Aberdeen Asset Management (Asia) Ltd.	30-11-2017	1.97%	31.40M	-1.04M
8	Vontobel Asset Management, Inc.	31-12-2017	1.79%	28.54M	+0.63M
9	Stewart Investors	31-10-2017	1.71%	27.33M	-5.16M
10	The Vanguard Group, Inc.	31-12-2017	1.68%	26.90M	-0.12M

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Promoter	-	-	-	-	-
FII	76.4	77.3	77.5	76.0	74.8
DII	12.1	10.4	11.4	12.9	13.8
Others	11.5	12.3	11.1	11.1	11.4

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Life Insurance Corporation of India	+219.8M	+8.20M	OppenheimerFunds, Inc.	-297.44M	-11.10M
Invest AD	+142.4M	+5.31M	Capital World Investors	-281.31M	-10.50M
GIC Private Limited	+71.75M	+2.68M	Capital International, Inc.	-252.02M	-9.41M
Bessemer Trust Company, N.A. (US)	+54.99M	+1.97M	Stewart Investors	-136.14M	-5.16M
Franklin Advisers, Inc.	+44.22M	+1.65M	DSP BlackRock Investment Managers Pvt. Ltd.	-46.85M	-1.75M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Interest Earned	30,405.8	35,427.5	41,390.3	47,938.3
Interest Expended	20896.2	24301.9	28071.8	32470.2
Net Interest Income	9,509.6	11,125.6	13,318.5	15,468.0
% growth	13.4	17.0	19.7	16.1
Non Interest Income	2753.8	5490.7	2928.4	3084.7
Net Income	12263.4	16616.3	16246.9	18552.7
Employee cost	388.8	431.5	487.2	548.9
Other operating Exp.	448.0	496.9	563.4	629.6
Operating Income	11426.6	15687.9	15196.3	17374.2
Provisions	700.0	413.8	640.5	733.5
PBT	10726.6	15274.1	14555.8	16640.7
Taxes	3284.0	3742.1	4657.9	5325.0
Net Profit	7,442.6	11,531.9	9,897.9	11,315.7
% growth	4.9	54.9	-14.2	14.3
EPS (₹)	46.8	70.9	60.8	69.6

Source: Company, ICICIdirect.com Research

Key ratios				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Valuation				
No. of Equity Shares	158.9	162.7	162.7	162.7
EPS (₹)	46.8	70.9	60.8	69.6
BV (₹)	232.3	342.7	372.9	408.1
BV-ADJ (₹)	232.3	342.7	372.9	408.1
P/E	41.3	27.3	31.8	27.8
P/BV	8.3	5.7	5.2	4.7
P/adj.BV	8.3	5.7	5.2	4.7
Yields & Margins (%)				
Yield on interest earning assets	10.6	10.5	10.4	10.3
Avg. cost on funds	8.1	8.0	7.9	7.9
Net Interest Margins	3.3	3.3	3.3	3.3
Spreads	2.5	2.5	2.5	2.4
Quality and Efficiency				
Cost / Total net income	6.8	5.6	6.5	6.4
GNPA%	0.8	1.14	1.2	1.2
NNPA%	0.0	0.0	0.0	0.0
RONW (%)	21.0	24.9	17.0	17.8
ROA (%)	2.4	3.1	2.3	2.3

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Sources of Funds				
Capital	317.7	325.3	325.3	325.3
Reserves and Surplus	36631.9	55417.1	60337.3	66065.6
Networth	36949.6	55742.4	60662.6	66390.9
Borrowings	280533.6	328320.4	381647.5	441389.1
Other Liabilities & Provisions	16980.4	16623.4	17617.2	19362.4
Total	334,464	400,686	459,927	527,142
Applications of Funds				
Fixed Assets	780.5	789.6	804.6	827.4
Investments	20410.1	21618.0	23962.8	26614.2
Advances	295733.8	352746.3	415915.1	485111.0
Other Assets	17539.0	25532.3	19244.8	14589.7
Total	334,464	400,686	459,927	527,142

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total assets	15.6	19.8	14.8	14.6
Advances	14.3	19.3	17.9	16.6
Borrowings	17.8	17.0	16.2	15.7
Total Income	7.1	23.4	8.3	15.1
Net interest income	13.4	17.0	19.7	16.1
Operating expenses	10.3	11.0	13.2	12.2
Operating profit (excl trading)	24.5	50.5	24.7	20.4
Net profit	4.9	54.9	-14.2	14.3
Book value	8.3	51.1	8.8	9.4
EPS	4.3	51.3	(14.2)	14.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (NBFC)

	CMP			M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
Sector / Company	(₹)	TP(₹)	Rating	(₹ Cr)	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
LIC Housing Finance (LICHF)	538	650	Buy	27,650	38.2	38.9	48.6	14.1	13.8	11.1	2.5	2.2	1.9	1.4	1.2	1.3	19.1	16.4	17.4
Reliance Capital (RELCAP)	505	660	Buy	12,747	49.9	61.1	69.0	10.1	8.3	7.3	0.9	0.8	0.9	1.5	1.6	1.9	7.2	8.2	9.7
HDFC (HDFC)	1,937	2,250	Buy	314,393	46.8	70.9	60.8	41.3	27.3	31.8	8.3	5.7	5.2	2.4	3.1	2.3	21.0	24.9	17.0
CARE (CARE)	1,373	1,750	Buy	4,082	51.4	59.5	69.5	26.7	23.1	19.8	8.1	7.1	6.2	36.4	36.2	38.1	30.4	30.8	31.4
Bajaj Finserv (BAFINS)	4,887	6,000	Buy	78,186	142.2	200.3	253.8	34.4	24.4	19.3	4.9	4.1	3.4	1.9	2.2	2.4	15.5	18.3	19.2
Bajaj Finance (BAJFI)	1,710	2,050	Buy	98,906	33.9	44.2	57.3	50.4	38.7	29.8	9.7	5.8	5.2	3.3	3.3	3.3	21.6	19.1	18.5

Source: Company, ICICIdirect.com Research

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