May 2, 2018

Rating matrix	
Rating	Buy
Target	₹ 2250
Target Period	12 months
Potential Upside	18%

What's Changed?	
Target	Unchanged
EPS FY19E	Unchanged
EPS FY20E	Unchanged
Rating	Unchanged

Quarterly Performance

	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
NII	3,064	2,761	11.0	2,849	7.6
Other income	865	515	67.9	3,976	-78.2
PPP	3,697	3,086	19.8	6,585	-43.9
PAT	2,846	2,044	39.2	5,670	-49.8

Key Financials

₹ crore	FY17	FY18E	FY19E	FY20E
NII	9,510	10,901	13,508	15,781
PPP	11,427	15,718	15,569	17,866
PAT	7,443	12,173	10,143	11,641

Valuation summary

	FY17	FY18E	FY19E	FY20E
P/E	40.1	25.9	31.1	27.1
Target P/E	48.0	31.0	37.2	32.4
P/ABV	8.1	5.5	5.0	4.6
Target P/ABV	9.7	6.6	6.0	5.5
RoA	2.4	3.3	2.4	2.4
RoE	21.0	25.8	16.9	17.7

Stock data	
Market Capitalisation	₹ 315704 crore
GNPA (Q4FY18)	₹ 4019 crore
NNPA (Q4FY18)	Nil
NIM (Q4FY18) (reported)	4.00
52 week H/L	1982 /1504
Networth (Eq+Res)	₹ crore
Face value	₹ 2
DII Holding (%)	12.8
FII Holding (%)	74.0

Price performance (%)

	1M	3M	6M	12M
HDFC LTD	3.2	-3.7	10.3	22.5
LIC Housing Finance	2.3	2.2	-8.7	-18.3
Dewan Housing Fin.	25.6	10.1	-0.3	50.2

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HDFC Ltd (HDFC)

₹ 1900

Growth momentum strengthens further

- HDFC Ltd's earnings were largely in-line, with PBT at ₹ 3517 crore (up 19.7% YoY) vs. our estimate of ₹ 3500 crore. However, lower than estimated tax rate of 19.1% enabled higher PAT growth of 39.2% YoY to ₹ 2846 crore
- The key highlight of the result was higher than expected credit traction of 21% YoY to ₹ 359442 crore. This growth has been the highest in last several quarters. It was largely led by individual loan portfolio which increased by 23% YoY to ₹ 251457 crore & accounted for 70% of the total. Non individual book grew by ~17% YoY.
- Asset quality improved as expected. GNPA ratio stood at 1.11% (GNPA - ₹ 4019 crore). NNPA remained nil.
- The NPA in the individual book fell by 3 bps QoQ at 0.64% while that of the non-individual portfolio remained steady QoQ at 2.18%.
- NII increased by 11% YoY to ₹ 3064 crore. Reported NIMs were at expected levels of ~4% while spread was steady at 2.29%.
- Full year FY18 PAT was at ₹ 12164 crore vs. ₹ 7443 crore in FY17
- Consolidated PAT for Q4FY18 was at ₹ 3961 crore (up 29% YoY). Full year FY18 consolidated PAT stood at ₹ 16255 crore

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 ₹ 359442 crore as on FY18 of which individual loans account for ~70% 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 17.2% CAGR in FY18-20E to ₹ 494049 crore. We expect NIMs (calculated) to stay broadly stable at ~3.3% with reported spreads maintained 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 FY18 was 1.11%, which is adequately provided. Provision coverage ratio was maintained at 100%. Provision for contingencies balance at ₹ 5000 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%. Going ahead, we expect PAT of ₹ 11641 crore in FY20E (up 14.8% YoY). We have largely maintain our loan estimates and expect 17.2% CAGR to ₹ 494049 crore by FY20E. Other parameters such as NIM/spread and asset quality are estimated to be stable, going ahead. We value the standalone business at 2.9x FY20E ABV. We maintain our SOTP based target price of ₹ 2250/share and our **BUY** rating on the stock. HDFC remains a portfolio stock.

Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
NII	3,064	3,125	2,761	11.0	2,849	7.6	Higher-than-expected credit growth led to healthy traction in NII
Reported NIM (%)	4.0	4.0	4.1	-10 bps	3.9	14 bps	Spreads were largely steady
Other Income	865	787	515	67.9	3,976	-78.2	Other income was on the higher side, owing to one-time gain of ~₹ 300 crore on stake sale in HDFC Realty Limited and HDFC Developers Limited.
Net Total Income	3,929	3,913	3,277	19.9	6,825	-42.4	
Staff cost	96	108	86	11.4	109	-12.2	
Other Operating Expenses	136	125	104	30.6	130	4.6	
PPP	3,697	3,680	3,086	19.8	6,585	-43.9	Operating performance was healthy on a YoY basis
Provision	180	180	148	21.6	95	89.5	
PBT	3,517	3,500	2,938	19.7	6,490	-45.8	
Tax Outgo	671	1,201	894	-24.9	820	-18.2	Lower tax outgo was owing to MAT adjustment on sale of stake in subsidiaries
PAT	2,846	2,300	2,044	39.2	5,670	-49.8	
Key Metrics							
GNPA	4,019	3,976	2,378	69.0	3,937	2.1	GNPA ratio improbed by 4 bps QoQ to 1.11%. GNPA ratio in corporate segment stayed at 2.18% QoQ while in individual loans the ratio decreased by 3 bps QoQ to 0.64%
NNPA	0	0	0	NM	0	NM	
Loans	359,442	349,837	296,472	21.2	342,136	5.1	Growth remained healthy despite competition from banks, RERA, demonetisation, impact of GST and despite higher base
Borrowings	320,656	325,419	280,534	14.3	307,978	4.1	

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Net Interest Income	13,319	13,508	1.4	15,468	15,781	2.0
Pre Provision Profit	15,196	15,569	2.5	17,374	17,866	2.8
NIM(%) (calculated)	3.3	3.3	-5 bps	3.3	3.3	-2 bps
PAT	9,898	10,143	2.5	11,316	11,641	2.9
ABV per share (₹)	372.9	374.6	0.5	408.1	410.9	0.7

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier	
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E
Credit growth (%)	14.3	21.5	17.9	16.6	17.9	16.6
NIM Calculated (%)	3.3	3.2	3.3	3.3	3.3	3.3
Cost to income ratio (%)	6.8	5.7	6.5	6.4	6.5	6.4
GNPA (₹ crore)	2,378	4,017	4,799	5,687	4,792	5,661
NNPA (₹ crore)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, ICICI Direct 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.

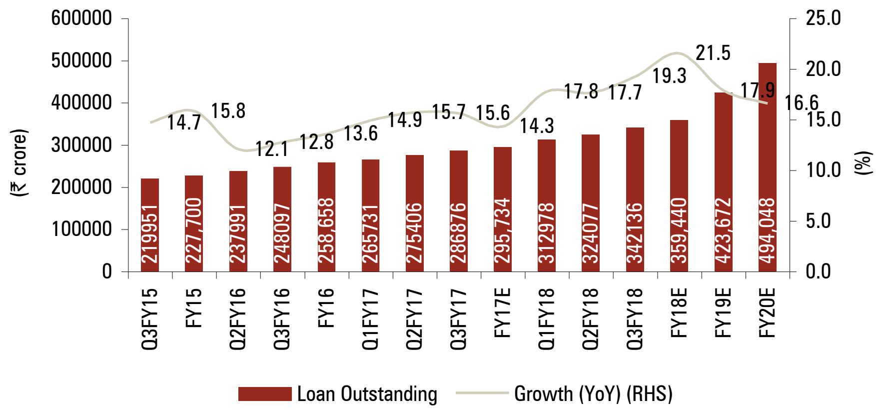
HDFC's total advances as on FY18 were at ₹ 359442 crore with individual loans amounting to ₹ 251457 crore or ~70% of total advances. Its market share including banks is ~16%, which is second highest after SBI.

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, we expect HDFC's loan growth at 17.2% CAGR in FY18-20E to ₹ 494048 crore.

We believe, going ahead, HDFC's growth may stay healthy at 17.2% CAGR over FY18-20E to ₹ 494048 crore

Exhibit 1: Credit growth trend improved further in Q4FY18

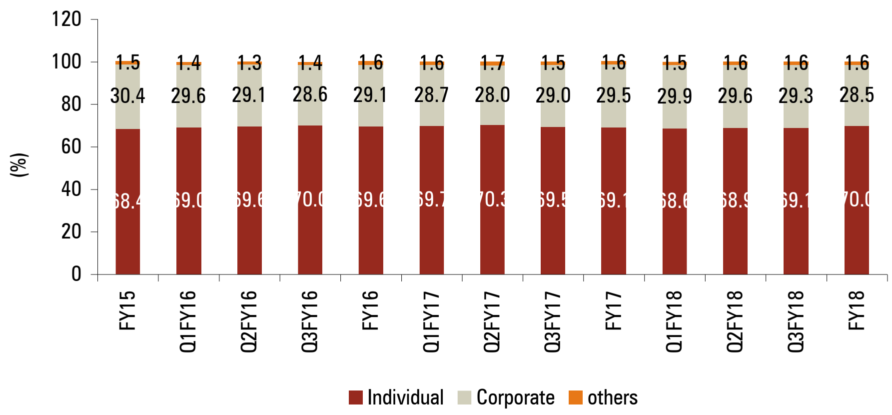


Source: Company, ICICI Direct Research

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 ~70%



Source: Company, ICICI Direct Research

Flexible borrowing profile enables stability in spreads & margins

HDFC's sources of funding at ₹ 320656 crore, as on FY18, are well diversified and include bank loans (15% of total borrowing), bonds & commercial paper (57%) and deposits (29%).

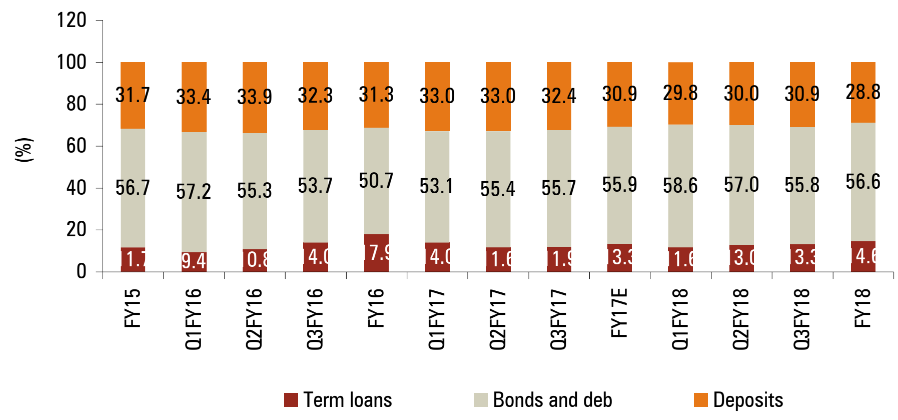
We expect NIMs (calculated) at ~3.3% with reported spreads maintained in the range of 2.2-2.3% in FY18-20E

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 (~₹ 6453 crore loans sold in the past year).

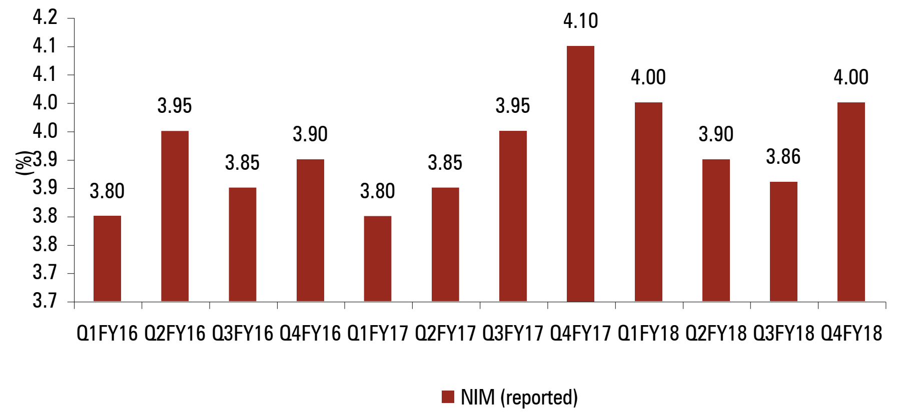
With slower traction in the corporate book, we expect margins to remain under pressure, partly offset by a declining rate cycle. Therefore, we expect NIMs (calculated) to remain broadly stable at ~3.3% with reported spreads to be maintained close to ~2.2-2.3% levels.

Exhibit 3: Diversified borrowing profile helps manage cost



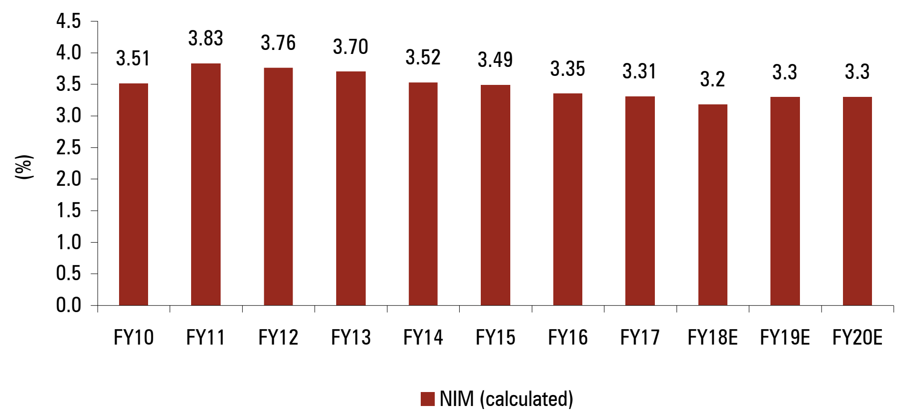
Source: Company, ICICI Direct Research

Exhibit 4: Margins broadly remain in range



Source: Company, ICICI Direct Research

Exhibit 5: Calculated margins to remain steady ahead



Source: Company, ICICI Direct Research

Resilience on asset quality front to sustain

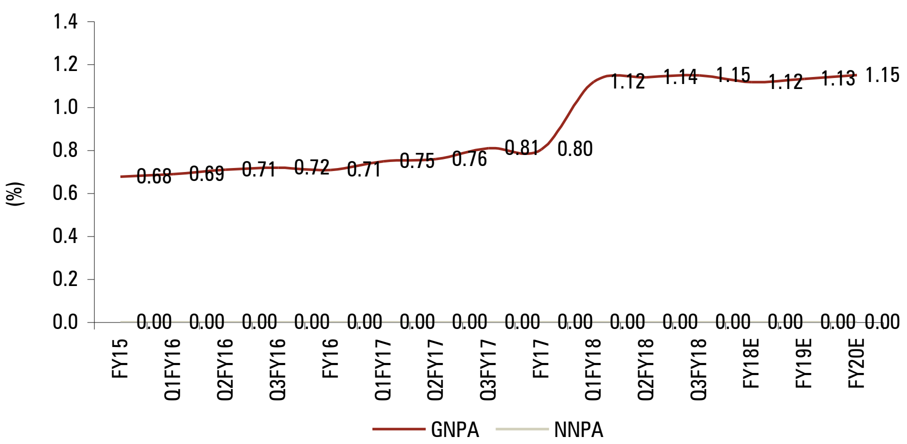
HDFC has one of the best asset quality parameters in the industry considering its large size. GNPA as on FY18 was at ₹ 4019 crore while NNPA remained nil owing to 100% provision coverage ratio. The GNPA ratio at 1.11% as on FY18 remains manageable. Credit costs are lowest in the industry. During FY16, 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 FY18-20E.

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

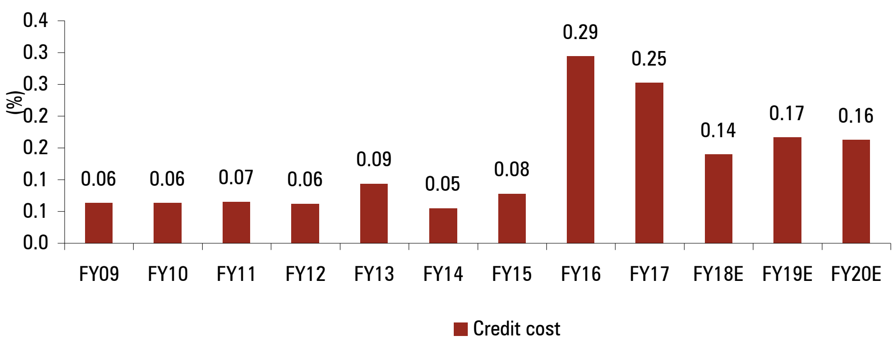
Exhibit 6: Asset quality managed well; outlook remains steady



Source: Company, ICICI Direct 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

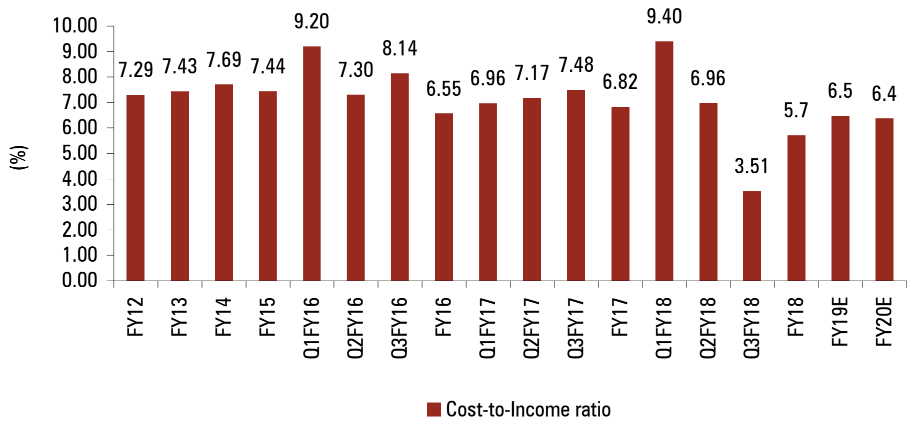


Source: Company, ICICI Direct Research

Best in class operating efficiency

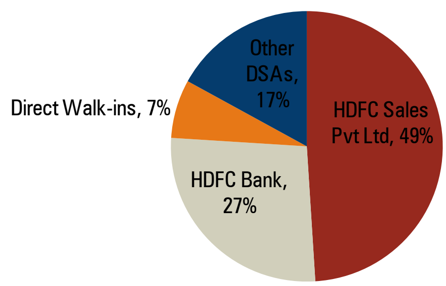
HDFC has the best operating efficiency in the industry with the cost-to income ratio at <7%. Its peers like LIC Housing Finance and Dewan Housing Finance have a cost-to-income ratio of 14% and ~40%, respectively. This is mainly due to the in-house sourcing model of HDFC compared to the DSA based model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

Exhibit 9: Sources 83% of loan in-house



Source: Company, ICICI Direct Research

Performance of subsidiaries

The share of profit from subsidiary & associate companies in the consolidated profit remained at ~33% in FY18

Consolidated earnings for FY18 were at ₹ 16255 crore vs. ₹ 11051 crore for FY17. The share of profit from subsidiary and associate companies in consolidated profit stayed at ~33% in FY18. In Q4FY18, consolidated PAT was ₹ 3961 crore against ₹ 3079 crore last year representing a growth of 29%.

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	Q4FY18	Q3FY18	Q2FY18	Q1FY18	Q4FY17	Q3FY17	Growth (%)	
Revenues							YoY	QoQ
Revenue from Operations	21569	22339	16774	14589	18405	15249	17.2	-3.4
Housing	10226	14497	8853	8653	9015	8630	13.4	-29.5
Life Insurance	9795	6310	6402	4549	7933	5152	23.5	55.2
General Insurance	932	930	925	850	891	868	4.6	0.2
Asset Management	530	498	471	426	453	449	17.0	6.4
Others	86	104	123	110	113	151	-23.9	-17.4
Net Revenue from Operations	21255	21870	16583	14463	18040	14989	17.8	-2.8
Profit/Loss Before Interest and Tax	4630	7263	3267	3184	3898	3172	18.8	-36.3
Housing	3732	6655	2622	2506	3127	2652	19.4	-43.9
Life Insurance	477	230	249	345	364	200	31.1	107.3
General Insurance	124	130	139	120	163	76	-23.6	-4.3
Asset Management	274	267	254	217	238	192	15.2	2.7
Others	22	-19	3	-4	4	53	399.3	-218.8
PBT	4396	6898	3169	3127	3657	3006	20.2	-36.3
PAT incl associates	3961	6677	2869	2734	3079	2729	28.7	-40.7

Source: Company, ICICI Direct Research

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

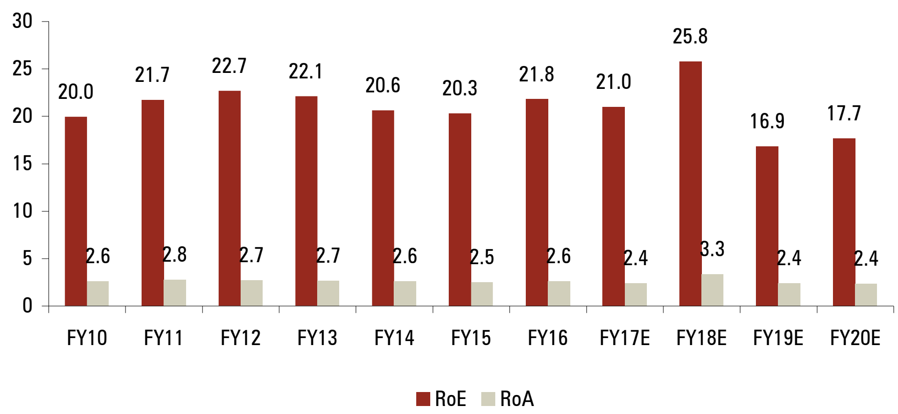
	FY12	FY13	FY14	FY15	FY16	FY17	9MFY18
HDFC Standalone Profit After Tax	41.2	48.5	54.4	59.9	70.9	74.4	93.3
HDFC Life	2.0	3.3	4.4	5.5	5.5	5.2	4.2
HDFC Ergo	-0.3	1.1	1.2	0.7	1.0	1.5	1.5
GRUH	0.5	0.6	0.7	1.1	1.3	1.7	1.2
HDFC Bank	10.0	12.8	16.2	22.9	27.4	32.3	28.2
HDFC-AMC	1.0	1.1	1.2	2.3	2.4	3.0	2.8
Others	0.3	-1.0	1.4	2.2	1.8	2.9	2.1
Dividend and Other Adjustments				-7.0	-8.5	-10.6	-10.6
Consolidated Profit After Tax	54.6	66.4	79.5	87.6	101.9	110.5	122.8
Adjustment for:							
Securities Premium debited in HDFC for Zero Coupon Bonds	4.9	4.4	3.6	4.2	4.6	5.0	3.0
Contribution of subs/associates to the consolidated PAT (%)	25.0	27.0	32.0	32.0	30.0	33.0	24.0

Source: Company, ICICI Direct 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%. Going ahead, we expect PAT of ₹ 11641 crore in FY20E (up 14.8% YoY). We have largely maintain our loan estimates and expect 17.2% CAGR to ₹ 494049 crore by FY20E. Other parameters such as NIM/spread and asset quality are estimated to be stable, going ahead. We value the standalone business at 2.9x FY20E ABV. We maintain our SOTP based target price of ₹ 2250/share and our **BUY** rating on the stock. HDFC remains a portfolio stock.

Exhibit 12: Healthy return ratios expected to be maintained



Source: Company, ICICI Direct Research

Exhibit 13: SOTP valuation

Business Segment	Basis of valuation	HDFC's stake (%)	₹/share
HDFC Ltd	2.9x FY20E Core Mortgage ABV	100	1,149
HDFC Bank	3.8x FY20E ABV / 22x FY20 EPS	21.2	674
HDFC AMC	8% of MF AUM	60	103
HDFC Std. Life	4x FY20E Embedded Value	51.7	223
HDFC ERGO	15x FY20E PAT	50.8	21
GRUH Finance	Market cap	58.5	64
Value per share of HDFC			**2,233**

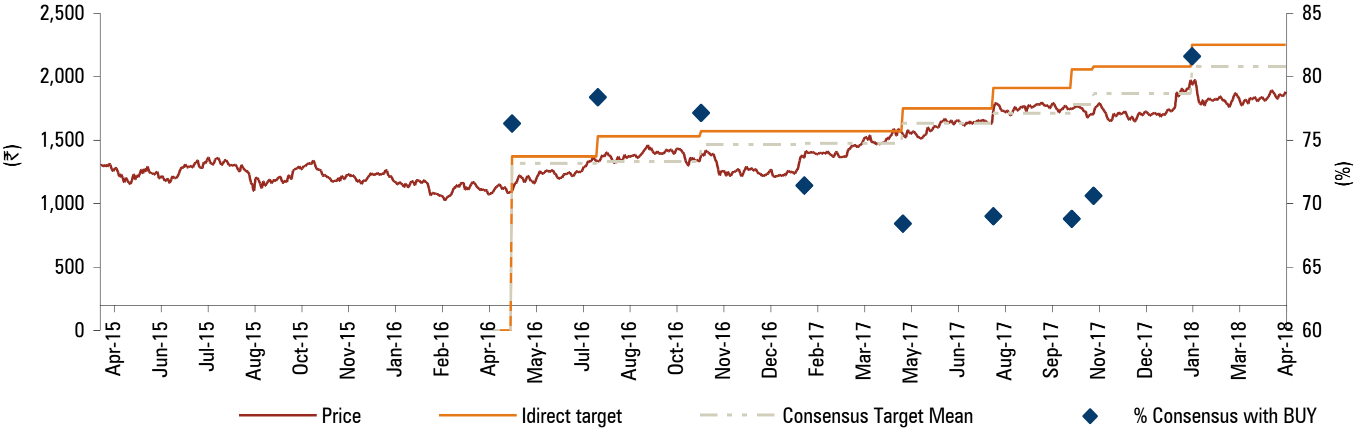
Source: Company, ICICI Direct Research

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	41.9	215.7	8.7	2.6	21.8
FY17	9,510	13.4	7,443	4.9	40.1	232.3	8.1	2.4	21.0
FY18	10,901	14.6	12,173	63.6	25.9	343.5	5.5	3.3	25.8
FY19E	13,508	23.9	10,143	(16.7)	31.1	374.6	5.0	2.4	16.9
FY20E	15,781	16.8	11,641	14.8	27.1	410.9	4.6	2.4	17.7

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct 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, ICICI Direct Research

Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Life Insurance Corporation of India	31-03-2018	3.84%	64.36M	-2.92M
2	OppenheimerFunds, Inc.	31-03-2018	2.97%	49.80M	-9.21M
3	Capital World Investors	31-03-2018	2.00%	33.47M	-0.35M
4	GIC Private Limited	31-03-2018	1.92%	32.18M	+0.62M
5	Capital International, Inc.	31-03-2018	1.90%	31.81M	0
6	Waverly Pte Ltd	31-03-2018	1.80%	30.13M	+30.13M
7	Aberdeen Asset Management (Asia) Ltd.	31-03-2018	1.68%	28.10M	0
8	The Vanguard Group, Inc.	31-03-2018	1.57%	26.32M	-0.58M
9	JPMorgan Asset Management U.K. Limited	31-03-2018	1.52%	25.46M	+0.00M
10	Fidelity Management & Research Company	31-03-2018	1.40%	23.44M	0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	-	-	-	-	-
FII	77.3	77.5	76.0	74.8	74.0
DII	10.4	11.4	12.9	13.8	12.8
Others	12.3	11.1	11.1	11.4	13.2

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Waverly Pte Ltd	+844.19M	+30.13M	BlackRock Institutional Trust Company, N.A.	-820.94M	-29.30M
Artisan Partners Limited Partnership	+246.07M	+8.78M	Vontobel Asset Management, Inc.	-326.42M	-11.65M
Norges Bank Investment Management (NBIM)	+72.33M	+2.70M	OppenheimerFunds, Inc.	-258.04M	-9.21M
BlackRock Investment Management, LLC	+65.79M	+2.14M	Stewart Investors	-201.65M	-7.53M
SBI Funds Management Pvt. Ltd.	+58.44M	+2.09M	Life Insurance Corporation of India	-81.83M	-2.92M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Interest Earned	30,405.8	33,145.9	39,331.0	45,912.3
Interest Expended	20896.2	22245.2	25823.1	30131.5
Net Interest Income	9,509.6	10,900.7	13,507.8	15,780.8
% growth	13.4	14.6	23.9	16.8
Non Interest Income	2753.8	5767.5	3139.4	3297.8
Net Income	12263.4	16668.2	16647.2	19078.6
Employee cost	388.8	425.4	480.7	542.0
Other operating Exp.	448.0	524.6	597.4	670.3
Operating Income	11426.6	15718.2	15569.1	17866.3
Provisions	700.0	457.9	652.5	747.0
PBT	10726.6	15260.3	14916.7	17119.3
Taxes	3284.0	3087.2	4773.3	5478.2
Net Profit	7,442.6	12,173.1	10,143.3	11,641.1
% growth	4.9	63.6	-16.7	14.8
EPS (₹)	46.8	72.6	60.5	69.5

Source: Company, ICICI Direct Research

Key ratios				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Valuation				
No. of Equity Shares	158.9	167.6	167.6	167.6
EPS (₹)	46.8	72.6	60.5	69.5
BV (₹)	232.3	343.5	374.6	410.9
BV-ADJ (₹)	232.3	343.5	374.6	410.9
P/E	40.1	25.9	31.1	27.1
P/BV	8.1	5.5	5.0	4.6
P/adj.BV	8.1	5.5	5.0	4.6
Yields & Margins (%)				
Yield on interest earning assets	10.6	9.7	9.6	9.6
Avg. cost on funds	8.1	7.4	7.4	7.4
Net Interest Margins	3.3	3.2	3.3	3.3
Spreads	2.5	2.3	2.2	2.2
Quality and Efficiency				
Cost / Total net income	6.8	5.7	6.5	6.4
GNPA%	0.8	1.12	1.1	1.2
NNPA%	0.0	0.0	0.0	0.0
RONW (%)	21.0	25.8	16.9	17.7
ROA (%)	2.4	3.3	2.4	2.4

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E
Sources of Funds				
Capital	317.7	335.2	335.2	335.2
Reserves and Surplus	36631.9	57231.3	62451.4	68525.2
Networth	36949.6	57566.5	62786.6	68860.3
Borrowings	280533.6	320657.1	374467.3	436744.0
Other Liabilities & Provisions	16980.4	16638.1	17617.2	19362.4
Total	334,464	394,862	454,871	524,967
Applications of Funds				
Fixed Assets	780.5	789.6	804.6	827.4
Investments	20410.1	30115.8	29269.6	28052.7
Advances	295733.8	359439.8	423671.6	494048.5
Other Assets	17539.0	4516.5	1125.2	2038.1
Total	334,464	394,862	454,871	524,967

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total assets	15.6	18.1	15.2	15.4
Advances	14.3	21.5	17.9	16.6
Borrowings	17.8	14.3	16.8	16.6
Total Income	7.1	17.4	9.1	15.9
Net interest income	13.4	14.6	23.9	16.8
Operating expenses	10.3	13.5	13.5	12.5
Operating profit (excl trading)	24.5	50.8	33.5	21.7
Net profit	4.9	63.6	-16.7	14.8
Book value	8.3	56.0	9.1	9.7
EPS	4.3	55.0	(16.7)	14.8

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (NBFC)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18E	EPS (₹) FY19E	EPS (₹) FY20E	P/E (x) FY18E	P/E (x) FY19E	P/E (x) FY20E	P/ABV (x) FY18E	P/ABV (x) FY19E	P/ABV (x) FY20E	RoA (%) FY18E	RoA (%) FY19E	RoA (%) FY20E	RoE (%) FY18E	RoE (%) FY19E	RoE (%) FY20E
LIC Housing Finance (LICHF)	539	600	Hold	27,612	39.4	46.0	55.7	13.7	11.7	9.7	2.3	1.9	1.7	1.2	1.3	1.3	16.7	16.9	17.4
Reliance Capital (RELCAP)	423	660	Buy	11,001	48.7	58.9	69.0	8.7	7.2	6.1	0.7	0.7	0.7	9.0	10.0	1.9	0.0	0.0	9.7
HDFC (HDFC)	1,900	2,250	Buy	315,704	60.5	69.5	60.5	31.4	27.4	31.4	5.1	4.6	5.1	2.4	2.4	2.4	16.9	17.7	16.9
CARE (CARE)	1,262	1,750	Buy	3,752	51.8	55.7	64.0	24.4	22.7	19.7	9.1	7.4	6.5	40.9	36.4	36.0	28.8	30.5	28.7
Bajaj Finserv (BAFINS)	5,492	6,000	Buy	87,247	142.2	178.6	229.3	38.6	30.8	24.0	5.5	4.7	3.9	1.9	1.9	2.0	15.5	16.5	17.8
Bajaj Finance (BAJFI)	1,915	2,050	Buy	110,259	33.9	45.1	58.4	56.4	42.4	32.8	10.9	6.5	5.8	3.3	3.3	3.3	21.6	19.5	18.7

Source: Company, ICICI Direct Research

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