August 28, 2018

# LIC Housing Finance (LICHF)

₹ 520

## Operationally weak performance…

- Headline asset quality continued to witness deterioration in Q1FY19. GNPA ratio saw a sequential increase of 43 bps to 1.21%, partly seasonal also. As per NHB norms, total gross NPAs of the company were at ₹ 2036 crore vs. ₹ 1304 crore in Q4FY18 (may not be fully comparable in Ind-As). Gross NPA in individual segment was 0.81%
- Margins remained under pressure with ~15 bps YoY decline to 2.34%, lower than our estimate. Advances traction came in line with estimate at 15% YoY to ₹ 168652 crore. Individual book increased 13% YoY to ₹ 160265 crore while developer loans increased 49.5% YoY to ₹ 8387 crore. Disbursement growth was at 10% YoY. The proportion of loan against property (LAP) portfolio, which is part of individual loans, increased to 16% of total loans vs. 14.3% in Q4FY18
- PAT came in higher and increased 18.4% YoY to ₹ 568 crore, mainly due to higher NII at ₹ 980 crore (up 6.6% YoY) & lower provisions

### Rapid rise in assets in past; expect moderation ahead

LICHF's loans are currently at ₹ 168652 crore, making it the second largest housing finance company (HFC) in India after HDFC Ltd. Including banks, it ranks third after HDFC and SBI. Since FY07, LICHF has increased its loan book at an aggressive pace of >25% CAGR vs. industry growth of ~15-17%. The growth has been predominantly led by the individual loan book, which accounts for ~95% of the book. Developer portfolio (high yielding) has shrunk to 5% now from 10% as on FY10. We expect credit CAGR of 14.8% in FY18-20E to ₹ 219295 crore.

### Pressure on yields, high individual loans to cap NIMs at ~2.4-2.5%

LICHF grew its loan book at a rapid pace, enabling it to raise its market share. However, it also saw its margins declining to ~2.2% from >3% in FY10. Elevated interest rates for a prolonged period and a dwindling developer portfolio kept margins under pressure. Margins have come down from 2.97% in Q4FY17 to 2.34% in Q1FY19. Going ahead, we expect yields to improve due to rise in high yielding assets, which would support margins ahead. We factor in calculated NIMs at ~2.4% by FY19E.

### Developer book remains drag on asset quality; steady NPA ahead

Asset quality for HFCs, in general, and LICHF, in particular, had stayed benign. This is since the bulk of exposure is to the salaried class, better underwriting, lower LTV and instalment-to-income ratio. LICHF's FY17 ratio was below industry levels at 0.43%. However, in recent quarters, slippage from developer book has remained a drag with GNPA surging to 1.21% in Q1FY19. We expect GNPA to increase to ₹ 2280 crore by FY20E keeping GNPA ratio at ~1%, which remains acceptable.

### Margin, growth improvement key for re-rating ahead; HOLD

LICHF's core individual book has been witnessing a moderation in growth due to increasing competition. With yield pressure & CoF rising, margins were under pressure. Though an improvement in NIM is expected ahead due to a rise in high yield assets, it would be lower than peers. Further, asset growth at ~15% YoY has also lagged peers. We expect PAT CAGR of 16% (vs. 19% earlier) in FY18-20E to ₹ 2812 crore. We revise our target price lower to ₹ 560 (earlier ₹ 600) valuing at 1.7x FY20E ABV. We maintain **HOLD** recommendation. **Led by Ind-As method of reporting in Q1FY19, the net worth increased by ~₹ 1000 crore due to a reversal in DTL provisions. Further, ~₹ 200 crore increase could occur due to release of provisions under ECL, which has not been factored by us.**

### Rating matrix

| | | |
|---|---|---|
| Rating | : | Hold |
| Target | : | ₹ 560 |
| Target Period | : | 12 months |
| Potential Upside | : | 8% |

### What's Changed?

| | |
|---|---|
| Target | Changed from ₹ 600 to ₹ 560 |
| EPS FY19E | Changed from ₹ 46 to ₹ 44 |
| EPS FY20E | Changed from ₹ 55.7 to ₹ 53.1 |
| Rating | Unchanged |

### Quarterly Performance

| ₹ crore | Q1FY19 | Q1FY18 | YoY (%) | Q4FY18 | QoQ (%) |
|---|---|---|---|---|---|
| NII | 980 | 919 | 6.6 | 1,004 | -2.4 |
| Total income | 1,026 | 971 | 5.6 | 1,091 | -6.0 |
| PBT | 788 | 676 | 16.6 | 839 | -6.0 |
| PAT | 568 | 501 | 13.4 | 539 | 5.3 |

### Key Financials

| ₹ crore | FY17 | FY18E | FY19E | FY20E |
|---|---|---|---|---|
| NII | 3,645 | 3,701 | 4,367 | 5,134 |
| PPP | 3,237 | 3,301 | 3,813 | 4,437 |
| PAT | 1,931 | 1,989 | 2,220 | 2,681 |

### Valuation summary

| | FY17 | FY18E | FY19E | FY20E |
|---|---|---|---|---|
| P/E | 13.6 | 13.2 | 11.8 | 9.8 |
| Target P/E | 14.6 | 14.2 | 12.7 | 10.5 |
| P/ABV | 2.4 | 2.2 | 1.8 | 1.5 |
| Target P/ABV | 2.6 | 2.4 | 1.9 | 1.7 |
| RoE | 19.1 | 16.7 | 15.6 | 15.8 |
| RoA | 1.4 | 1.2 | 1.2 | 1.3 |

### Stock data

| | |
|---|---|
| Market Capitalisation | ₹ 26200 crore |
| GNPA (Q1FY19) | ₹ 2036 crore |
| NNPA (Q1FY19) | ₹ 1382 crore |
| NIM % (Q1FY19) | 2.34 |
| 52 week H/L | 691 /456 |
| Networth | ₹ 12700 crore |
| Face value | ₹ 2 |
| DII Holding (%) | 7.65 |
| FII Holding (%) | 31.7 |

### Price performance (%)

| | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| HDFC LTD | -6.0 | 5.8 | 5.3 | 9.5 |
| LICHF | -1.4 | 9.6 | 3.9 | -19.6 |
| Dewan Hous. | 6.7 | 6.8 | 16.6 | 38.5 |
| Gruh Finance | 1.8 | -2.1 | 18.9 | 29.1 |

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**Exhibit 1: Ind-As reconciliation**

| | |
|---|---|
| Net Profitas per IGAAP | 470.1 |
| Add/ (Less) : Adjustments as per IND AS on account of: | |
| Adjustment on account of EIR on financial assets and liabilities | 23.1 |
| Adjustment on account of ExpectedCredit Loss(ECL) | -65.1 |
| Reversalof Deferred Tax liability (DTL) on 36(1)(viii) for the quarter | 51.4 |
| Other Adjustments | 0.2 |
| Net Profit after Tax as per IND As | 479.7 |
| Other Comprehensive Income (Netof Tax) | -0.5 |
| Total Comprehensive Income (Net of Tax as per IndAS) | 479.2 |

*Source: CRISIL, ICICI Direct Research*

**Variance analysis**

| | Q1FY19 | Q1FY19E | Q1FY18 | YoY (%) | Q4FY18 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|---|
| NII | 980 | 928 | 919 | 6.6 | 1,004 | -2.4 | NII traction was higher-than-expected |
| NIM (%) | 2.34 | 2.40 | 2.52 | -18 bps | 2.49 | -15 bps | Margins remained under pressure. It was partly also seasonal. The management has guided that on account of the recent increase in lending rates, the margin trajectory could improve ahead |
| Other Income | 46 | 74 | 52 | -11.6 | 87 | -47.4 | |
| | | | | | | | |
| Net Total Income | 1,026 | 1,002 | 971 | 5.6 | 1,091 | -6.0 | |
| Operating Expenses | 77 | 160 | 91 | -16.0 | 224 | -65.7 | |
| PPP | 949 | 842 | 880 | 7.9 | 867 | 9.5 | |
| Provision | 161 | 62 | 204 | -21.2 | 28 | 471.5 | Provisions came in lower on account of ECL framework under Ind-As |
| PBT | 788 | 780 | 676 | 16.6 | 839 | -6.0 | |
| Tax Outgo | 220 | 276 | 175 | 26.0 | 299 | -26.4 | |
| PAT | 568 | 504 | 501 | 13.4 | 539 | 5.3 | PAT came in higher, largely aided by lower provisions & higher NII |
| | | | | | | | |
| Key Metrics | | | | | | | |
| GNPA | 2,036 | 1,434 | 1,066 | 91.0 | 1,304 | 56.1 | GNPA ratio increased QoQ, owing to seasonality |
| NNPA | 1,383 | 787 | 553 | 150.1 | 715 | 93.4 | |
| Total Loans | 168,652 | 169,109 | 147,051 | 14.7 | 166,323 | 1.4 | Retail segment loan growth remained lower than peers at 13.3% YoY. The developer book grew 49.5% YoY on a lower base |

*Source: Company, ICICI Direct Research*

**Change in estimates**

| | FY19E | | | FY20E | | |
|---|---|---|---|---|---|---|
| (₹ Crore) | Old | New | % Change | Old | New | % Change |
| Net Interest Income | 4,428 | 4,367 | -1.4 | 5,338 | 5,134 | -3.8 |
| Pre Provision Profit | 3,899 | 3,813 | -2.2 | 4,652 | 4,437 | -4.6 |
| NIM(%) (calculated) | 2.4 | 2.4 | -3 bps | 2.5 | 2.5 | -7 bps |
| PAT | 2,324 | 2,220 | -4.5 | 2,812 | 2,681 | -4.7 |
| ABV per share (₹) | 278.9 | 290.7 | 4.2 | 326.9 | 335.2 | 2.5 |

*Source: Company, ICICI Direct Research*

**Assumptions**

| | | | Current | | | Earlier | |
|---|---|---|---|---|---|---|---|
| | FY16 | FY17E | FY18E | FY19E | FY20E | FY19E | FY20E |
| Credit growth (%) | 15.5 | 15.5 | 15.1 | 14.8 | 14.9 | 15.5 | 15.6 |
| NIM Calculated (%) | 2.49 | 2.66 | 2.35 | 2.41 | 2.47 | 2.44 | 2.54 |
| Cost to income ratio (%) | 14.7 | 15.9 | 16.4 | 17.1 | 18.0 | 16.8 | 17.3 |
| GNPA (₹ crore) | 568 | 627 | 1,304 | 1,910 | 2,280 | 1,554 | 1,881 |
| NNPA (₹ crore) | 270 | 205 | 737 | 1,060 | 1,260 | 786 | 941 |

*Source: Company, ICICI Direct Research*

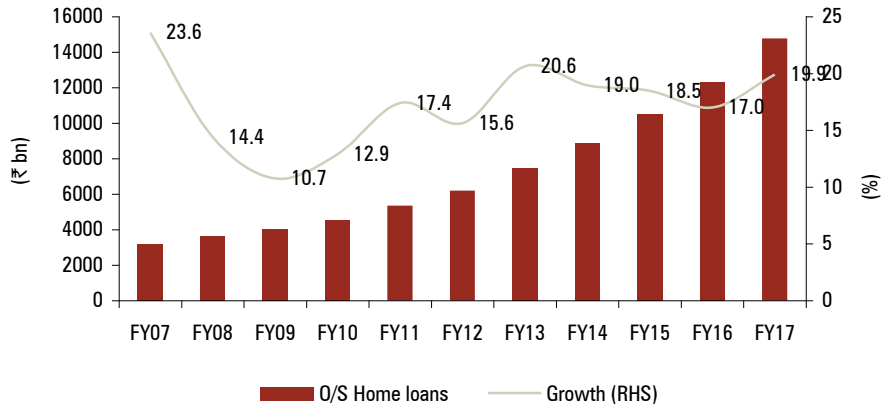
# Company Analysis

## Loan traction to moderate compared to past trends…

The size of the housing finance industry is currently at ~₹ 15,00,000 crore, which includes both banks and HFCs. The industry has grown at a healthy pace of 16% CAGR in the past six years. Though banks still comprise a bulk of the proportion of the industry (~60%), HFC's share has increased to ~40% in FY15E from 29% in FY08. This is due to aggressive growth clocked by them owing to their single business focus vs. banks.

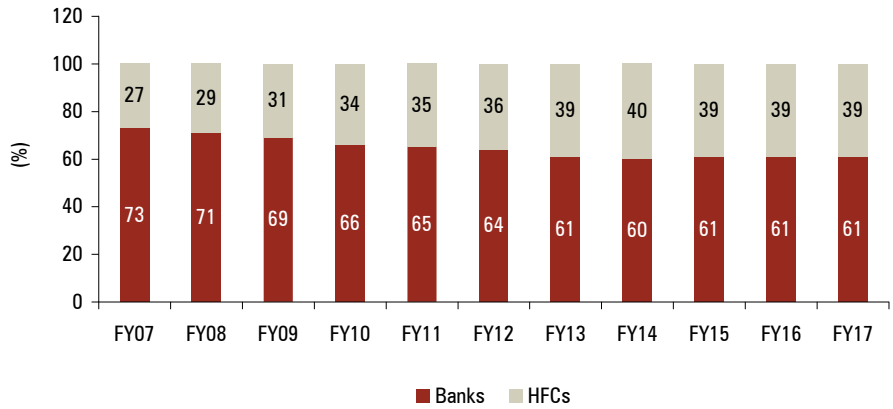
The industry has grown at a healthy pace of 16% CAGR in the past eight years

**Exhibit 2: Industry CAGR in past eight years at 16%**




*Source: CRISIL, ICICI Direct Research*

**Exhibit 3: HFCs gain market share in housing finance industry**



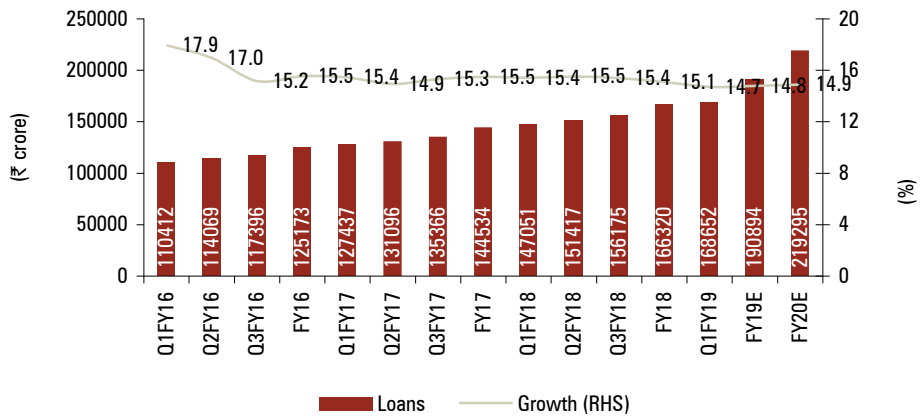

*Source: CRISIL, ICICI Direct Research*

LICHF's market share is currently ~10%

The structural drivers of the housing finance industry in India such as a favourable demographic profile, rising urbanisation, nuclear families, housing shortage, tax incentives, etc, remain intact. These could continue to drive healthy loan growth for a long time. However, in the near term, owing to a weak economic outlook, stagnant retail prices and declining affordability, growth is expected to moderate compared to previous trends.

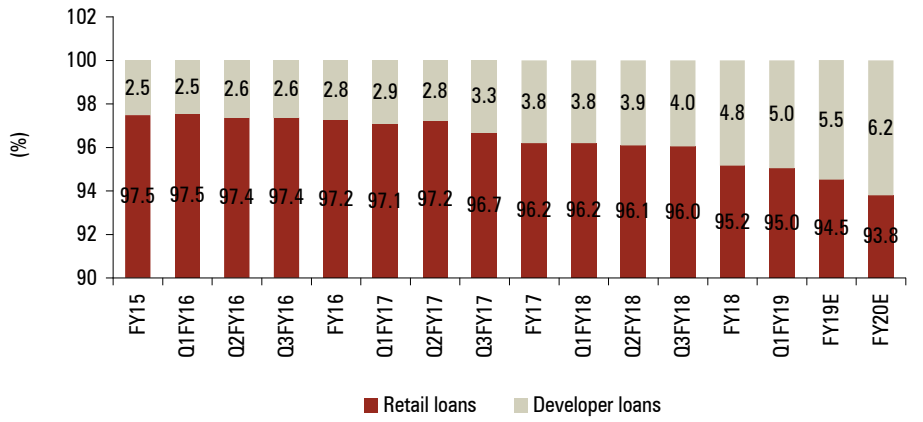
LICHF, with a current loan book of ₹ 168652 crore, is the second largest HFC in India after HDFC Ltd. Including banks, it is third after HDFC and SBI with each having ~15% market share. Since FY07, we observe that LICHF has increased its loan book at an aggressive pace of >25% CAGR vs. industry growth of ~15-17%. Consequently, LICHF's market share increased and almost doubled in the last seven years to ~10% now. The growth has been predominantly led by the individual loan book (retail book), which accounts for ~95% of the total book. The developer portfolio (high yielding) has shrunk to ~3% in FY14 from 10% as on FY10. Later, from FY14-17, the proportion of the developer segment has increased to ~5%.

**Exhibit 4: Expect LICHF loan book to grow at 14.8% CAGR in FY18-20E**




*Source: Company, ICICI Direct Research*

**Exhibit 5: Trends in loan mix; developer proportion to improve, going ahead**




*Source: Company, ICICI Direct Research*

In Q1FY19, advances traction came in line with estimate at 14.7% YoY to ₹ 168652 crore. The individual book increased 13.3% YoY to ₹ 160265 crore while developer loans increased 49.5% YoY to ₹ 8387 crore. Retail loans and LAP contributed 79% and 16%, respectively, towards loan book, whereas developer loans share was at 5% for the quarter.

Going ahead, we expect LICHF's advances traction at 14.8% CAGR in FY18-20E to ₹ 219295 crore. The proportion of loan against property (LAP) and developer portfolio is expected to continue to move northwards from the current 21% levels.

## Decline in yield, slippages impact NIM in recent quarters; expect improvement ahead though it will lag peers

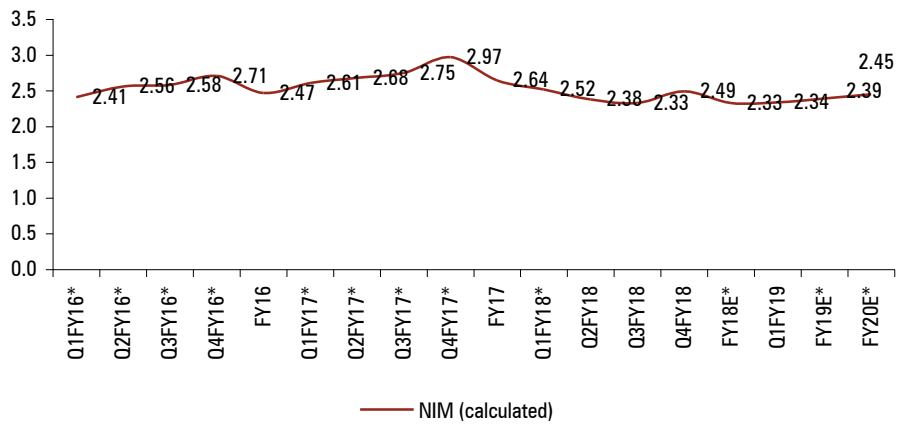
Margins of LICHF have declined from >3% in FY10 to ~2.2% in FY15 and 2.47% in FY16. This was on account of higher disbursement of dual rate loans (currently account for ~40% of total loans) since FY09, which have been fixed for a few years at lower rates and then converted to floating loans at rates, up ~100-200 bps later, keeping yields under pressure. Yields were also impacted by increased competition due to which LICHF had to keep lending rates at one of the lowest levels in the industry. Further, high yielding developer loans, wherein yields are up ~300 bps vs. individual loans, have declined to ~4.9% from ~10% in FY10. In recent quarters, yields have declined at a faster rate compared to cost on borrowing, led by larger cut by banks. This has led to a decline in margins from 2.97% in Q4FY17 to 2.49% in Q4FY18.

On the liability side, a prolonged elevated interest rate scenario kept cost of funds (CoF) higher. The company has taken steps to contain CoF by reducing dependence on bank deposits (down from 32% in FY12 to ~17% as on FY15 and ~10% as on FY18).

Expect NIMs to stay at ~2.4-2.5% ahead, any major increase in NIMs would be an upside risk to our call

Going ahead, we believe an improvement in developer loan proportion, conversion of dual rate loans into high rate floating rates and gradually increasing LAP (currently ~16%) & developer book remain positive for margins. Further, LICHF has also raised its loan rates by 20 bps to reflect the recent rise in borrowings rate. However, increased competition from banks will still entail pressure on margins. Consequently, NIMs should improve to ~2.5% by FY20E. However, despite an improvement, LICHF's margins are still expected to be lower than its peer's margins of >3%.

**Exhibit 6: Margins expected at ~2.5% by FY20E**




*Source: Company, ICICI Direct Research, * Quarterly NIMs are reported numbers*

## Asset quality to remain acceptable

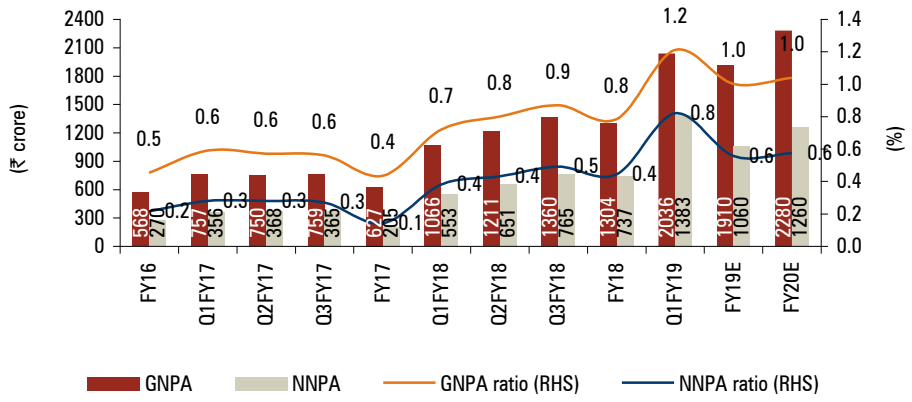
The asset quality of the housing finance sector, in general, and LICHF, in particular, has stayed benign. The GNPA ratio for the industry is ~0.8% while LICHF's FY17 ratio is below industry levels at 0.43% with absolute GNPA at ₹ 759 crore. This is due to bulk of the exposure to the salaried class (~85% of retail book), better underwriting standards, lower LTV and increasing/stable real estate prices.

However, FY18 saw some asset quality pressure. In Q1FY18, it witnessed some stress in asset quality (though manageable) largely in the developer loan space wherein three accounts were responsible for ~₹ 120 crore slippages. As per the management, these accounts are well collateralised. Further, in Q3FY18, the GNPA and NNPA ratios saw a sequential increase to 0.87% & 0.49% from 0.8% and 0.43%, respectively. Absolute GNPA increased by ₹ 150 crore to ₹ 1360 crore. There are around seven NPL on developer (corporate) side. Of this, two to three accounts are fully provided, few of which slipped this year are at 15% provision. Of ₹ 655 crore NPL, around ₹ 360 crore is provided. Top five accounts make ₹ 450 crore. The management plans to bring down the NPA by next year with resolutions happening.

In Q1FY19, the company adopted Ind-As method of reporting. The GNPA ratio increased to 1.21% vs. 0.78% in Q4FY18. Though the increase in GNPA was expected in Q1, owing to seasonality, the rise was a bit higher than expected.

We expect GNPA to increase to ₹ 2280 crore by FY20E keeping GNPA ratio at ~1%.

**Exhibit 7: Asset quality estimated to stay at manageable levels**

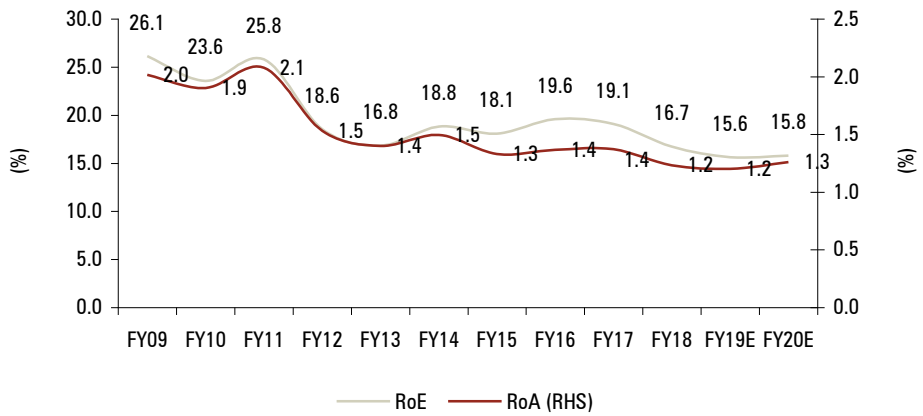



*Source: Company, ICICI Direct Research*

## Outlook and valuation

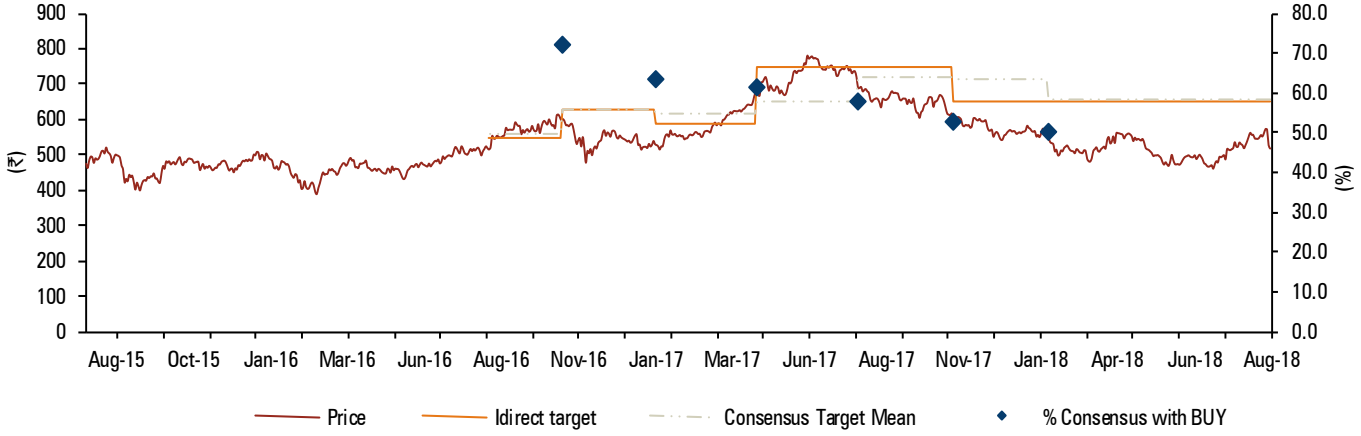
LICHF's core individual book has been witnessing a moderation in growth due to increasing competition. With yield pressure & CoF rising, margins were under pressure. Though an improvement in NIM is expected ahead due to rise in high yield assets, it would be lower than peers. Further, asset growth at ~15% YoY has also lagged peers. We expect PAT CAGR of 16% (vs. 19% earlier) in FY18-20E to ₹ 2812 crore. We revise our target price lower to ₹ 560 (earlier ₹ 600) valuing at 1.7x FY20E ABV. We maintain **HOLD** recommendation. **Led by Ind-As method of reporting in Q1FY19, the net worth increased by ~₹ 1000 crore due to reversal in DTL provisions. Further, ~₹ 200 crore increase could occur due to release of provisions under ECL, which has not been factored by us.**

**Exhibit 8: Return ratios expected to remain steady**




*Source: Company, ICICI Direct Research*

## Recommendation history vs. Consensus




*Source: Bloomberg, Company, ICICI Direct Research*

## Key events

| Date | Event |
|---|---|
| Aug-04 | LICHF's one-crore global depository receipts (GDR) issue opens |
| FY04 | Introduces new product that starts as a fixed rate loan but contains an option to convert it to a floating rate loan at the end of five years, at the then prevailing rate |
| FY08 | Launches reverse mortgage product for senior citizens |
| FY09 | Launches dual rate loans (teaser loans) named Fix-O-Floaty |
| FY10 | Unveils a private equity fund focused on real estate development projects |
| Oct-10 | On October 27, approves a stock split in the ratio of 1:5 |
| FY12 | Applies for banking license |
| FY14 | Overhang on stock reduces as its banking license application gets rejected |

*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 | 30-06-2018 | 40.31% | 203.44M | 0 |
| 2 | Fidelity Management & Research Company | 30-06-2018 | 2.57% | 12.99M | +5.79M |
| 3 | Bank Muscat SAOG | 30-06-2018 | 2.28% | 11.50M | 0 |
| 4 | The Vanguard Group, Inc. | 31-07-2018 | 1.84% | 9.31M | -0.03M |
| 5 | FIL Investment Management (Hong Kong) Limited | 31-03-2018 | 1.75% | 8.84M | +8.84M |
| 6 | BlackRock Institutional Trust Company, N.A. | 31-07-2018 | 1.62% | 8.19M | +0.09M |
| 7 | Mawer Investment Management Ltd. | 30-06-2018 | 1.56% | 7.88M | +0.05M |
| 8 | Janus Henderson Investors [Activist] | 30-06-2018 | 1.37% | 6.93M | +0.43M |
| 9 | ICICI Prudential Asset Management Co. Ltd. | 30-06-2018 | 1.27% | 6.41M | +0.26M |
| 10 | FIL Investment Management (Singapore) Ltd. | 30-06-2018 | 1.27% | 6.39M | -0.00M |

*Source: Reuters, ICICI Direct Research*

## Shareholding Pattern

| (in %) | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 |
|---|---|---|---|---|---|
| Promoter | 40.3 | 40.3 | 40.3 | 40.3 | 40.3 |
| FII | 34.9 | 33.7 | 34.1 | 32.9 | 31.7 |
| DII | 12.2 | 13.7 | 13.7 | 8.3 | 7.7 |
| Others | 12.6 | 12.3 | 11.9 | 18.5 | 20.3 |

## Recent Activity

| Buys | | | Sells | | |
|---|---|---|---|---|---|
| Investor name | Value | Shares | Investor name | Value | Shares |
| FIL Investment Management (Hong Kong) Limited | +72.49M | +8.84M | Fidelity International Asset Management Company (Korea) | -41.39M | -5.05M |
| Fidelity Management & Research Company | +39.62M | +5.79M | GIC Private Limited | -23.89M | -3.49M |
| Florida State Board of Administration | +16.64M | +2.03M | Newton Investment Management Ltd. | -23.50M | -3.43M |
| NN Investment Partners (Singapore) Ltd. | +4.27M | +0.52M | Kotak Mahindra Asset Management Company Ltd. | -7.54M | -1.10M |
| Janus Henderson Investors | +2.95M | +0.43M | Robeco Institutional Asset Management B.V. | -7.54M | -1.07M |

*Source: Reuters, ICICI Direct Research*

# Financial summary

| Profit and loss statement | | | | ₹ Crore |
|---|---|---|---|---|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Interest Earned | 13,876.7 | 14,826.2 | 17,324.9 | 20,099.2 |
| Interest Expended | 10231.5 | 11125.0 | 12958.2 | 14965.4 |
| Net Interest Income | 3,645.2 | 3,701.2 | 4,366.7 | 5,133.9 |
| % growth | 23.8 | 1.5 | 18.0 | 17.6 |
| Non Interest Income | 203.6 | 247.2 | 235.0 | 277.2 |
| Net Income | 3848.9 | 3948.4 | 4601.7 | 5411.1 |
| Employee cost | 245.8 | 278.9 | 332.3 | 393.7 |
| Other operating Exp. | 366.0 | 368.3 | 456.2 | 580.8 |
| Operating Income | 3237.1 | 3301.2 | 3813.1 | 4436.7 |
| Provisions | 281.3 | 240.9 | 397.4 | 312.7 |
| PBT | 2955.8 | 3060.3 | 3415.7 | 4124.0 |
| Taxes | 1024.7 | 1071.1 | 1195.5 | 1443.4 |
| Net Profit | 1,931.0 | 1,989.2 | 2,220.2 | 2,680.6 |
| % growth | 16.3 | 3.0 | 11.6 | 20.7 |
| EPS (₹) | 38.2 | 39.4 | 44.0 | 53.1 |

*Source: Company, ICICI Direct Research*

| Key ratios | | | | |
|---|---|---|---|---|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Valuation | | | | |
| No. of Equity Shares | 50.5 | 50.5 | 50.5 | 50.5 |
| EPS (₹) | 38.2 | 39.4 | 44.0 | 53.1 |
| BV (₹) | 219.4 | 251.5 | 311.7 | 360.1 |
| ABV (₹) | 215.3 | 236.9 | 290.7 | 335.2 |
| P/E | 13.6 | 13.2 | 11.8 | 9.8 |
| P/BV | 2.4 | 2.1 | 1.7 | 1.4 |
| P/adj.BV | 2.4 | 2.2 | 1.8 | 1.5 |
| Yields & Margins (%) | | | | |
| Yield on interest earning assets | 10.1 | 9.4 | 9.5 | 9.6 |
| Avg. cost on funds | 8.6 | 8.2 | 8.3 | 8.4 |
| Net Interest Margins | 2.6 | 2.3 | 2.4 | 2.5 |
| Quality and Efficiency | | | | |
| Cost / Total net income | 15.9 | 16.4 | 17.1 | 18.0 |
| GNPA% | 0.4 | 0.8 | 1.0 | 1.0 |
| NNPA% | 0.1 | 0.4 | 0.6 | 0.6 |
| ROE (%) | 19.1 | 16.7 | 15.6 | 15.8 |
| ROA (%) | 1.4 | 1.2 | 1.2 | 1.3 |

*Source: Company, ICICI Direct Research*

| Balance sheet | | | | ₹ Crore |
|---|---|---|---|---|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Sources of Funds | | | | |
| Capital | 101.0 | 101.0 | 101.0 | 101.0 |
| Reserves and Surplus | 10976.0 | 12598.1 | 15639.8 | 18084.8 |
| Networth | 11077.0 | 12699.1 | 15740.8 | 18185.7 |
| Secured Loans | 115246.2 | 132055.5 | 150257.0 | 170995.8 |
| Unsecured Loans | 11090.8 | 13081.8 | 15354.0 | 18022.8 |
| Other Liabilities & Provisions | 13485.2 | 14343.4 | 16581.4 | 20328.2 |
| Total | 150,899 | 172,180 | 197,933 | 227,533 |
| | | | | |
| Applications of Funds | | | | |
| Fixed Assets | 96.3 | 112.5 | 130.6 | 151.0 |
| Investments | 3341.0 | 3672.7 | 4129.8 | 4660.7 |
| Advances | 144534.0 | 166320.4 | 190894.1 | 219294.7 |
| Other Assets | 2927.9 | 2074.1 | 2778.6 | 3426.2 |
| Total | 150,899 | 172,180 | 197,933 | 227,533 |

*Source: Company, ICICI Direct Research*

| Growth ratios | | | | (% growth) |
|---|---|---|---|---|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Total assets | 15.7 | 14.1 | 15.0 | 15.0 |
| Advances | 15.5 | 15.1 | 14.8 | 14.9 |
| Secured Loans | 11.4 | 14.6 | 13.8 | 13.8 |
| Total Income | 12.8 | 7.1 | 16.5 | 16.0 |
| Net interest income | 23.8 | 1.5 | 18.0 | 17.6 |
| Operating expenses | 30.5 | 5.8 | 21.9 | 23.6 |
| Operating profit (excl trading) | 19.7 | 2.0 | 16.0 | 16.6 |
| Net profit | 16.3 | 3.0 | 11.6 | 20.7 |
| Book value | 21.1 | 14.6 | 24.0 | 15.5 |
| EPS | 16.3 | 3.0 | 11.6 | 20.7 |

*Source: Company, ICICI Direct Research*

## ICICI Direct coverage universe (NBFCs)

| Sector / Company | CMP (₹) | TP(₹) | Rating | M Cap (₹ Cr) | EPS (₹) | | | P/E (x) | | | P/ABV (x) | | | RoA (%) | | | RoE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E |
| LIC Housing Finance (LICHF) | 519 | 560 | Hold | 26,197 | 39.4 | 46.0 | 55.7 | 13.2 | 11.3 | 9.3 | 2.2 | 1.9 | 1.6 | 1.2 | 1.3 | 1.3 | 16.7 | 16.9 | 17.4 |
| Reliance Capital (RELCAP) | 437 | 660 | Buy | 11,040 | 51.7 | 64.9 | 69.6 | 8.4 | 6.7 | 6.3 | 0.8 | 0.8 | 0.7 | 1.5 | 1.7 | 1.6 | 10.0 | 12.0 | 11.9 |
| CARE (CARE) | 1,284 | 1,200 | Hold | 3,783 | 54.7 | 61.5 | 69.7 | 23.5 | 20.9 | 18.4 | 6.3 | 6.1 | 5.5 | 34.4 | 37.2 | 38.1 | 27.0 | 29.1 | 29.7 |
| Bajaj Finserv (BAFINS) | 7,024 | 7,750 | Buy | 111,783 | 172.3 | 226.8 | 294.9 | 40.8 | 31.0 | 23.8 | 5.4 | 4.6 | 3.9 | 1.9 | 2.0 | 2.1 | 15.0 | 16.0 | 17.6 |
| Bajaj Finance (BAJFI) | 2,955 | 3,050 | Buy | 170,752 | 47.2 | 61.8 | 85.8 | 62.6 | 47.8 | 34.4 | 10.3 | 8.4 | 6.7 | 3.6 | 3.7 | 4.0 | 20.3 | 19.1 | 21.5 |

*Source: Company, ICICI Direct Research*

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