

INDIABULLS HOUSING FINANCE

Business momentum strong

India Equity Research | Banking and Financial Services



Indiabulls Housing Finance (IHFL) clocked strong operating performance in Q3FY18, with core PAT (ex- gains from OakNorth Bank sale) jumping >23% YoY . Key highlights: a) growth momentum sustained (AUM up >30% YoY) with tilt in favour of core home book (59% versus ~54% a year ago); and b) book spreads sustained at 3.22% benefitting from rating upgrade by CRISIL though higher interest rates impacted incremental spreads. IHFL maintained FY18 growth guidance of 20-25% across financial parameters. The company is envisaged to sustain superior return ratios—RoA and RoE of 2.8% and >30%—riding optimal product strategy with stringent risk mitigants, stable franchise and high liquidity. Maintain 'BUY'.

Robust growth momentum sustained

Growth momentum sustained with disbursements rising 35% YoY led by home loans, leading to AUM jumping ~32% YoY. Commendably, IHFL has been sharpening focus on beyond top-20 cities (30% versus 15% in FY12) with spotlight on Smart City home loans (69 branches now, >10% of disbursements) and e-home loans; IHFL aims to take this to >50% by FY20. Management continues to target home loan proportion of 66% by FY20.

Book spreads sustained; incremental spreads lower

Book spreads were sustained at 322bps with funding cost benefit flowing from rating upgrades (earlier by ICRA, followed by CRISIL). However, with wholesale rates inching up, incremental spreads contracted to 280bps for Q3FY18. As liabilities reprice further, book spreads will come off gradually (towards lower end of guided range of 300-325 bps) as pressure on yields might continue due to heightened competition in this space.

Asset quality intact; contingency provisions lead to higher credit cost

GNPLs fell to 77bps (78bps in Q2FY18). However, credit cost was higher as IHFL prudently made higher contingency provisions (INR1.82bn) utilising gains from stake sale in OakNorth Bank. Higher proportion of in-house sourcing (>90%), lower LTV and focus on low-risk LRD enabled IHFL maintain stable asset quality.

Outlook and valuations: Pragmatic mover; maintain 'BUY'

Profitability was higher given capital gains from Oak North Bank stake sale. Hence, we revise up FY18E EPS by 5.7%, even while core earnings are stable. We believe, fundamentals are on strong footing & expect IHFL to clock strong operating performance. We maintain 'BUY/SP' with revised TP of INR1,547 (earlier INR1,393), on 3.9 FY20E P/ABV.

Financials (Standalone)

(INR mn)

Year to March	Q3FY18	Q3FY17	Growth (%)	Q2FY18	Growth (%)	FY17	FY18E	FY19E
Net revenue	19,970	13,169	51.6	13,936	43.3	50,025	64,550	74,491
Net profit	10,840	7,531	43.9	7,961	36.2	28,424	36,171	40,865
Dil. EPS (INR)	27.5	17.6	55.9	18.5	48.2	67.1	85.3	96.4
Adj. BV (INR)						274.6	306.0	346.0
Price/ Adj book (x)						5.0	4.5	4.0
Price/Earnings (x)						20.6	16.2	14.3

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: INBF.BO, B: IHFL IN)

CMP	: INR 1,379
Target Price	: INR 1,547
52-week range (INR)	: 1,397 / 741
Share in issue (mn)	: 426.4
M cap (INR bn/USD mn)	: 588 / 9,221
Avg. Daily Vol.BSE/NSE('000)	: 2,068.6

SHARE HOLDING PATTERN (%)

	Current	Q2FY18	Q1FY18
Promoters *	23.6	23.6	23.6
MF's, FI's & BK's	7.2	7.2	6.0
FII's	59.7	59.7	60.9
Others	9.6	9.6	9.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	15.6	5.6	7.4
3 months	3.1	8.8	15.7
12 months	82.6	32.1	44.5

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Banking and Financial Services

Table 1: Key takeaways from Q3FY18 earnings

(INR mn)	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)	Comments
Interest income	31,159	25,147	23.9	29,087	7.1	
Interest expense	18,748	16,109	16.4	17,848	5.0	
Net interest income	12,411	9,038	37.3	11,240	10.4	<i>Nil growth supported by robust AUM traction and sustained spreads (following funding cost benefits)</i>
Non-interest income	7,559	4,132	82.9	2,696	180.4	
Net revenues	19,970	13,169	51.6	13,936	43.3	
Operating expenses	2,319	1,254	84.9	1,813	27.9	<i>Controlled opex, benefiting from e-Home loan and Smart City home loan initiatives. Management expects to draw further benefits as they scale smart city home loan branches to 100 (69 currently)</i>
-Staff expense	1,415	1,207	17.2	1,370	3.2	
-Depreciation	68	53	29.4	66	3.2	
-Other opex	836	(5)	NA	376	122.2	
Operating profit	17,651	11,915	48.1	12,123	45.6	
Provisions	3,274	1,782	83.7	1,820	79.9	<i>Asset quality continues to be benign, but credit cost higher as company made contingency provisions</i>
Profit before tax	14,377	10,133	41.9	10,303	39.5	
Tax expense	3,537	2,602	35.9	2,343	51.0	
Profit after tax	10,840	7,531	43.9	7,961	36.2	<i>Core PAT (ex-capital gains) in line with guidance, higher capital gains from stake sale in Oak North Bank fed to higher PAT</i>
EPS (INR)	27.5	17.6	55.9	18.5	48.2	
Key Metrics						
AUM	10,73,000	8,14,220	31.8	10,02,570	7.0	<i>Healthy disbursement growth led to strong AUM traction. Expansion outside of Top 20 cities will help it sustain momentum</i>
Loan book	10,73,280	7,27,000	47.6	9,00,000	19.3	
Disbursements	1,22,800	90,981	35.0	95,042	29.2	<i>Robust home loan disbursements (up >40% YoY to INR70.9bn) fed into healthy disbursement growth</i>
GNPA	8,251	6,940	18.9	7,820	5.5	
GNPA (%)	0.8	0.9		0.8		<i>Asset quality continues to be pristine</i>
NNPA (%)	0.3	0.4		0.3		
Spreads (%)	3.2	3.3		3.3		<i>Despite tilt towards home loans, spreads remain stable following funding cost benefits</i>

Source: Company, Edelweiss research

Table 2: LAP portfolio graded by CRISIL, > 90% graded LAP1/LAP2

Grading Scale	Quality of LAP loans	Grading			Segment Characteristics			
		Disbursal - Apr'15 - Mar'17 (%)	Disbursal - Apr'15 - Jun'17 (%)	Disbursal - Apr'15 - Dec'17 (%)	Interest service coverage ratio (x)	Total outstanding liabilities / Total networth (x)	LTV (%)	EBITDA margins (%)
LAP1	Highest	9.7	9.8	10.2	10.6 – 13.4	1.3 – 1.4	49.0	15 – 18
LAP2	High	81.1	81.6	82.0	8.6 – 11.9	2.1 – 2.2	50.0	12 – 15
LAP3	Average	8.7	8.2	7.4	9.3 – 12.0	2.9 – 3.0	54.0	9 – 12
LAP4	Below Average	0.2	0.2	0.2	12.0 – 14.0	1.5 – 1.6	47.0	13 – 16
LAP5	Poor	0.3	0.3	0.2	9.9 – 11.9	2.0 – 2.1	54.0	13 – 15

Source: Company

Table 3: LAP portfolio graded by ICRA

Grading Scale	Grading		Characteristics	
	Level of credit worthiness	Grading distribution	Median LTV (%)	Median FOIR (%)
LAP1	Excellent	14.0	26.0	22.0
LAP2	Good	66.7	52.0	47.0
LAP3	Average	19.1	65.0	60.0
LAP4	Below Average	0.2	62.0	63.0
LAP5	Inadequate	-	-	-

Source: Company

Chart 1: Strong disbursement growth at >35% YoY...

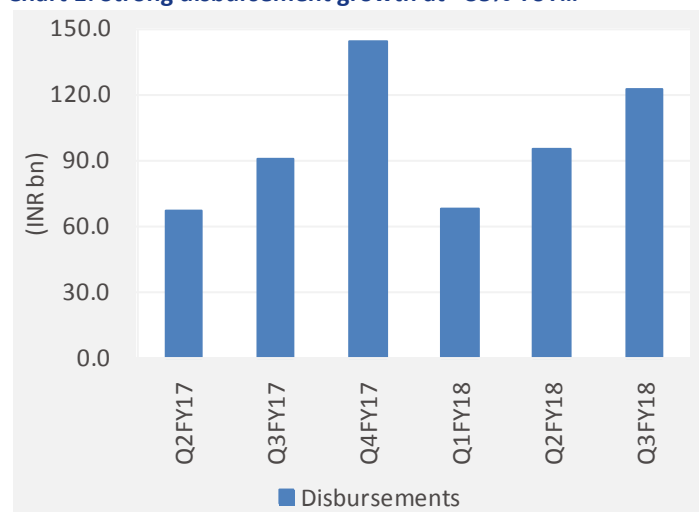
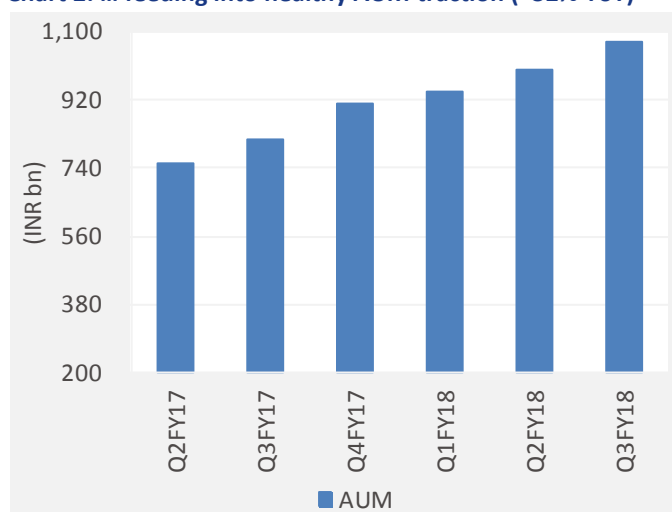


Chart 2: ... feeding into healthy AUM traction (~32% YoY)



Source: Company

Chart 3: Bank borrowings at sub-40% levels

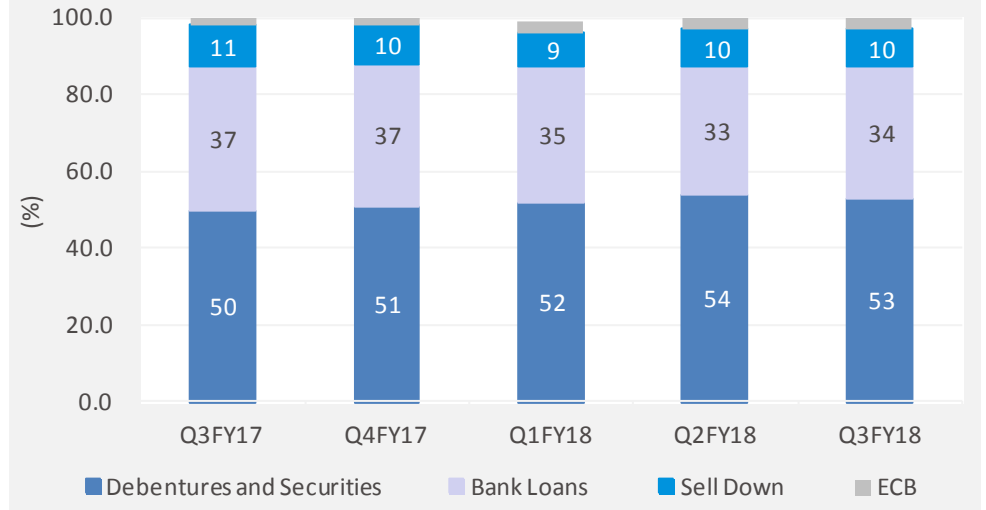


Chart 4: Endeavour to take home loan proportion to 66% (currently 59%) by FY20

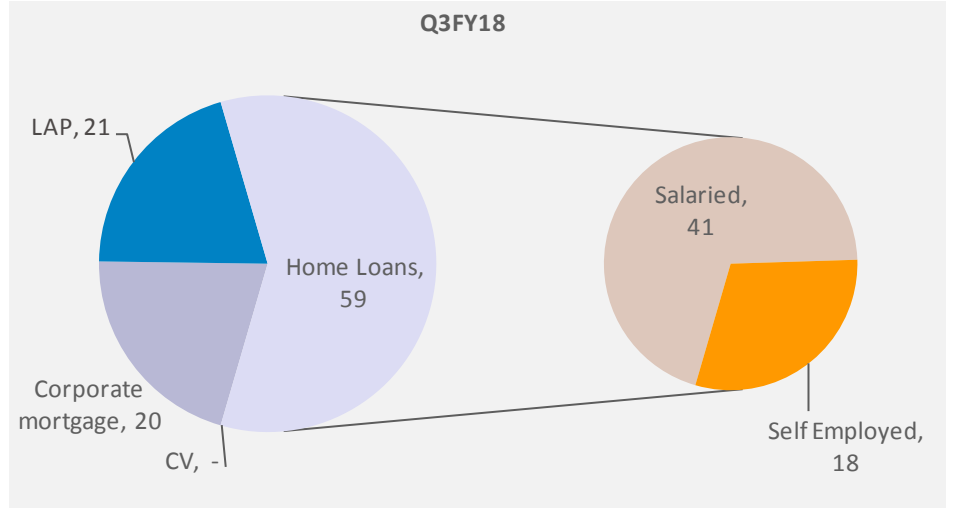
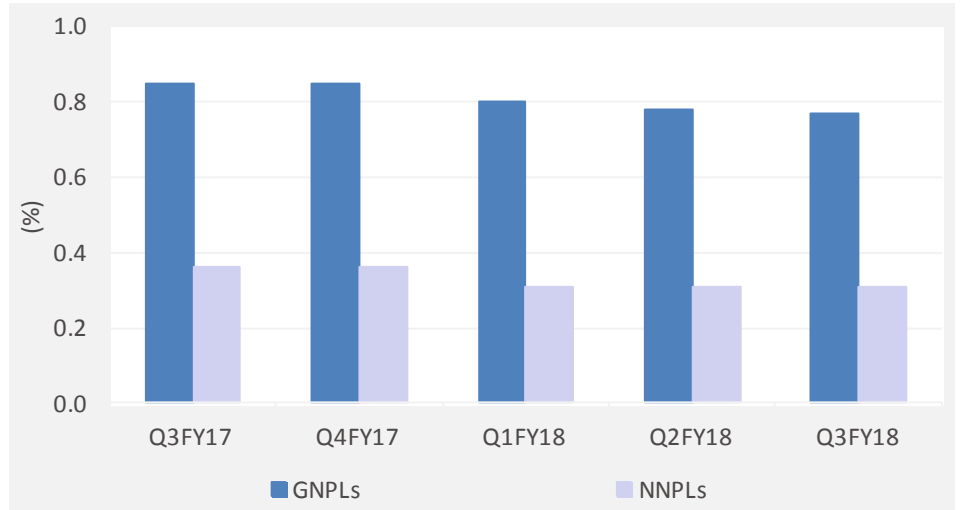


Chart 5: Stringent risk management practice keeps asset quality under check



Source: Company

Financial snapshot

(INR mn)

Year to March	Q3FY18	Q3FY17	% change	Q2FY18	% change	YTD18	FY18E	FY19E
Interest income	31,159	25,147	23.9	29,087	7.1	88,139	122,695	156,337
Interest exp	18,748	16,109	16.4	17,848	5.0	53,778	81,266	103,637
Net int. inc. (INR mn)	12,411	9,038	37.3	11,240	10.4	34,361	41,429	52,700
Other income	7,559	4,132	82.9	2,696	180.4	12,861	6,030	7,150
Net revenues	19,970	13,169	51.6	13,936	43.3	47,222	64,550	74,491
Operating expenses	2,251	1,201	87.3	1,747	28.9	5,421	7,639	8,535
Staff expense	1,415	1,207	17.2	1,370	3.2	4,008	5,252	5,893
Other opex	836	(5)	NA	376	122.2	1,413	2,135	2,425
Provisions	3,274	1,782	83.7	1,820	79.9	7,032	8,683	8,802
Depreciation	68	53	29.4	66	3.2	197	252	216
Profit before tax	14,377	10,133	41.9	10,303	39.5	34,572	48,228	57,154
Provision for taxes	3,537	2,602	35.9	2,343	51.0	8,430	12,057	16,289
PAT	10,840	7,531	43.9	7,961	36.2	26,142	36,171	40,865
Diluted EPS (INR)	27.4	17.6	55.9	18.5	48.2	63.1	85.3	96.4
GNPLs	0.8	0.9		0.8		0.8	0.8	0.8
NNPLs	0.3	0.4		0.3		0.3	0.3	0.3
Provision coverage (%)	59.7	57.6		60.3		59.7	60.0	60.0
B/V per share (INR)							312.2	354.0
Adj book value / share							306.0	346.0
Price/ Book (x)							4.4	3.9
Price/ Adj. book (x)							4.5	4.0
Price/ Earnings							16.2	14.3

Change in Estimates

	FY18E			FY19E			Comments
	New	Old	% change	New	Old	% change	
NII	41,429	42,704	(3.0)	52,700	52,264	0.8	
PPOP	56,911	54,791	3.9	65,956	66,966	(1.5)	Factoring in gains from stake sale in OakNorth Bank in Nov, 2017
Provisions	8,683	6,939	25.1	8,802	9,274	(5.1)	
PAT	36,171	34,214	5.7	40,865	41,250	(0.9)	
NIMs	3.8	3.9		3.8	3.8		

Key highlights from Q3FY18 earning call

With respect to operational metrics

- In Nov 2017, **IHFL sold ~10% stake in OakNorth Bank for a consideration of INR7.68bn, recording a one-off pre-tax profit on sale of Investment of INR5.43bn. As a prudent means IHFL has utilised 33% of the one-off pre-tax gain, to make an additional special provision, in the form of counter-cyclical provisions, of INR1.8bn (not towards any particular asset).** The balance shareholding in Oak North bank is 20% which is valued at ~15bn
- An interim dividend of INR14/ share. An additional dividend of INR5 over the regular INR9, is being distributed from the profits of sale of ~10% stake in OakNorth Bank to GIC of Singapore
- **Core PAT (excluding impact of stake sale in Oak north bank) registered a 23.8% YoY growth. Management continues to maintain its stance of 20-25% growth across financial parameters.**
- The proportion of home loans has increased from 50% as at FY17 to 59% currently, management expects this to further rise to 66% by FY20 (guidance intact)
- **Disbursement composition: Home loans at INR70.9bn, LAP : INR20.4bn, construction finance : INR31.5bn** (higher as the market is picking up especially in INR10-30mn TS, with RERA and GST behind the company is also more comfortable on sustainability of growth). The growth in construction finance is spread across developers, the company will syndicate and sell down across to various banks.
 - The competitive landscape especially in construction finance by the bank is not much, as the banks has a cap around commercial real estate and most of the banks are very close to threshold levels. Having said that there is some rise in the competition in LRD space by banks
- The focus continued on expanding distribution model through e-home loans and smart city home loans
 - **27% of incremental home loans are end-to-end disbursed through the 'eHome Loans' platform**
 - Have launched 59 smart city HL branches; will launch it in 100 cities going ahead

With respect to NIMs

- **Management has maintained spreads guidance of 300-325bps on book basis and 275-300bps on incremental basis**
 - Currently, spreads on book and incremental basis stand at ~322bps and 280bps respectively
- The CRISIL upgrades has come this quarter, the funding cost benefits has been visible on company financials (spread benefit of 15-85bps versus May 2017).
 - The management expects the benefit of rating upgrade to further be there atleast for 18-24months given re-pricing of bonds (INR400bn of bonds will re-price over next 18-24 months)

- Cost of funds on-book basis is 7.92%. The incremental cost of funds (as of Q3FY18) was 7.5%. Having said that, first few days into this quarter the incremental loans were at 7.65% (still lesser than on-book cost). Further to this management expects the benefit to flow from INR30bn of securitisation (slated for in Q4FY18) , which will be done with the handle of < 7%. Just to put into some perspective, of the incremental funding cost benefit in Q4FY18, ~20% should come from higher securitisation.
- Assets Yields will stabilise or start going up (if bond market were not to cool off). The transmission is somewhat reflected in rate movements by few banks also by few large HFCs (one of them raise BPLR by 15bps for corporate lending)
 - Incremental yields (10.3%): Home loan : 8.9%, LAP : 11% , LRD: 10% , Construction Finance: 15%

With respect to market analysis

- The management expects that the housing penetration in India will rise to 12% by FY22 (from current level of 9%)
- The share of the affordable housing segment in terms of the number of housing projects launched increased to 30% in 2017 from 25% in 2016
 - The Delhi/NCR has seen a very good traction in the affordable housing scheme

Other highlights

- Core net credit (excluding counter cyclical provisions) at INR1.47bn (versus INR1.78bn in Q3FY17)
- The commercial paper borrowing would have come down by ~INR30bn, with overall proportion being less than 10% levels.

Key highlights from Q2FY18 earning call

Management commentary

- **IHFL will put a blueprint “Life at Indiabulls” along with its annual results in April. Key themes:**
 - **Focus is on expanding distribution model through e-home loans and smart city home loans**
 - E-Home loans product is superior to peers’ (which have only 1-2 of 3 vital stages)
 1. Trying to develop version 2.0, which will focus on several things in addition to customer experience
 2. With increasing contribution from e-home loans (~21%), cost/income ratio will be on downward trend
 - Smart City home loans now contribute ~9% to incremental loan business; this should increase to 15% next year
 1. Have launched 59 smart city HL branches; will launch it in 100 cities going ahead
 2. **>50% of loans in FY20 should come from smaller towns and cities**
 - **Besides distribution change, IHFL is making a scoring card to reduce processing time from 8 hours to a few minutes**
 - By Q1FY19, it will present a blueprint on how the model will impact C/I ratio, sourcing, etc.
 - **IHFL will also use big-data analytics for cross-sell: Targeting INR75bn of insurance premium**
 - This should start increasing above loan book growth going ahead
- **Management is confident of clocking loan book growth at ~30% levels for the year**
 - IHFL is very well placed given its market positioning – Based on recent NHB update,
 - Home loan disbursals upto INR2.5mn compounded at ~33% during FY17
 - Consequently, home loans upto INR2.5mn now constitute ~76% of overall pool
 - Given other distractions, banks (esp. PSU banks) are losing market share – down to 59% from 67% in 2010
- Affordable housing (AH) space has shrugged off GST impact and posted extremely strong growth
 - **Given avg. income of INR1mn and avg. house size of 1,000 sq.ft, ~85-90% of IHFL loans (by number) are eligible under MIG scheme**
 - **Be end of December 2018, management believes that ~30,000 IHFL customers would have availed of CLSS credit**
 - On the supply-side, there has been 27% increase in new AH units in top 10 cities
 - In regions such as the outskirts of Mumbai, the increase has been as much ~40%

- **IHFL continues to be circumspect and opportunistic in the Construction Finance space - should post high-teen growth going ahead**
 - Top 5 cities constitute 100% of the CF book
- Focus going forward will continue to remain on the salaried segment, with **salaried:non-salaried home loan mix to be 70:30**
- Sourcing quality has sustained in the LAP portfolio - >99% of incremental LAP loans are in the top 3 grades in the 5-point scale
- **Management has maintained spreads guidance of 300-325bps on book basis and 275-300bps on incremental basis**
 - Currently, spreads on book and incremental basis stand at ~325bps and ~299bps, respectively
- **FY20 guidance: (i) BS of ~INR2tn, (ii) ~66% home loan book, (iii) ~60% bonds proportion**

Other highlights

- **Disbursements – Total: INR95bn, Home loans: INR57bn, LAP: INR18bn, Corporate mortgage: INR19bn**
 - Management expects HL disbursements to go up further due to festive season
 - HL breakup – New acquisitions: ~70-75%, Self-construction: 10%, Buying plot/etc.: 4-5%, Rest: Open market txns.
- Pre-payment rates have come off due to re-basing of rates with industry leaders
- **Backed by the steepest rating upgrade, IHFL's bond yields are comparable to the best in the industry**
 - ~INR60bn of liabilities will come for re-pricing in H2FY18
 - Incremental CoFs is in the range of 7.2-7.3% (monthly blended rate)
- Over the course of the year, IHFL will increase tier-II capital to maintain CAR at ~20% levels
 - During Q2FY18, IHFL raised INR10bn of tier-II capital
- **IHFL's investment in OakNorth Bank has increased to USD380mn (3.8x in under 2 years)**
 - This was following a USD203mn investment for a 16% stake, valuing it at USD1.3bn
- **Home loan pricing has been stable at 150-200bps over G-secs**
- Fee income in Q2FY18 stood at INR1.85bn, with net credit costs at INR1.87bn
- Loan book proportion - Home loans: 58%, LAP: 21%, Others: 21%
- Book yields – HL: 9.6%, LAP: 13%, CF: 16%, LRD: 11%
- Sell-downs – ~INR54bn in H1FY18 (vs. INR42bn in FY17)
- IHFL will hire 600 people across colleges this year
- By next year, IHFL could increase dividend beyond INR9 per share levels

Company Description

IHFL is one of the largest housing finance companies in India with AUM of >INR1tn. It was established as a wholly-owned subsidiary of Indiabulls Financial Services (IBFSL), a leading non-banking financial firm providing home loans, commercial vehicle loans and business loans that was established in 2000. In early 2013, keeping with IHFL's long-term commitment to the housing finance business, the company was reversed-merged into its housing finance subsidiary IHFL. IHFL offers a broad suite of lending and other financial products to target client base of middle and upper-middle income individuals and small- and medium-sized enterprises, or SMEs. It has presence across 200+ locations across India and in house sales team of sourcing agents

Investment Theme

IHFL, a prominent mortgage financier (with AUM of over INR1tn), emerged much stronger after down-sizing riskier assets post FY09. The company is undergoing structural metamorphosis with steady 20% plus asset growth, credit rating upgrades and active sell-downs supporting its best-in-class NIMs. We believe an optimal product strategy with stringent risk mitigants to manage NPLs, stable franchise, high liquidity and low gearing will help sustain superior return ratios (RoA/RoE of > 3%/27% - post capital raising). Moreover, high dividend yield and consistent earnings delivery will lend predictability and result in further re-rating of the stock.

Key Risks

Any slowdown in the real estate sector will adversely hit growth and earnings. It will also impact the default rates and recoverability in the event of default.

Adverse regulatory changes like increase in risk weights, cap on the interest spread under refinance schemes, etc., can impact IHFL's growth and profitability. Changes in the terms and eligibility conditions of the refinance schemes can also impact margins.

The self-employed category accounts for ~30% of home loans. This indicates the company's high asset quality risks as these borrower segments are susceptible to volatile income stream.

Financial Statements

Key Assumptions

Year to March	FY17	FY18E	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
Sector				
Credit growth	9.0	12.0	14.0	17.0
Bank's base rate (%)	9.0	9.0	9.0	9.0
Wholesale borr. cost (%)	8.5	8.5	8.5	8.5
G-sec yield	6.5	6.5	7.0	7.1
Company				
Yield on advances	13.6	12.8	12.5	12.3
Cost of funds	8.6	8.5	8.4	8.3
Spread	4.9	4.3	4.1	4.0
Employee cost growth	23.1	15.8	12.2	11.9
Other opex growth	(48.4)	145.6	13.6	13.8
Dividend payout	53.7	50.0	50.0	50.0
Disbursement growth	34.6	31.8	23.6	24.0
Repayment rate	19.2	19.2	18.3	17.9
Gross NPLs	0.9	0.8	0.8	0.7
Net NPLs	0.4	0.3	0.3	0.3
Provision coverage	57.8	60.0	60.0	60.0

Income statement

(INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Interest income	97,309	122,695	156,337	198,373
Interest expended	63,148	81,266	103,637	134,146
Net interest income	34,161	41,429	52,700	64,228
Fee & other income	4,804	6,030	7,150	8,901
Other income	11,059.63	17,090.93	14,641.69	19,031.27
Net revenues	50,025	64,550	74,491	92,160
Operating expense	5,613	7,639	8,535	9,583
- Employee exp	4,537	5,252	5,893	6,592
- Depn /amortisation	207	252	216	231
- Other opex	869	2,135	2,425	2,759
Preprovision profit	44,412	56,911	65,956	82,577
Provisions	7,604	8,683	8,802	10,338
Profit Before Tax	36,808	48,228	57,154	72,239
Less: Provision for Tax	8,384	12,057	16,289	21,672
Net profit	28,424	36,171	40,865	50,567
Reported Profit	28,424	36,171	40,865	50,567
Shares o /s (mn)	424	424	424	424
Basic EPS (INR)	67.1	85.3	96.4	119.3
Diluted shares o/s (mn)	424	424	424	424
Adj. Diluted EPS (INR)	67.1	85.3	96.4	119.3
Dividend per share (DPS)	36.0	42.7	48.2	59.7
Dividend Payout Ratio(%)	53.7	50.0	50.0	50.0

Growth ratios (%)

Year to March	FY17	FY18E	FY19E	FY20E
Operating income growth	25.7	21.3	27.2	21.9
Revenues	25.1	29.0	15.4	23.7
Opex growth	0.9	36.1	11.7	12.3
PPP growth	29.0	28.1	15.9	25.2
Provisions growth	95.0	14.2	1.4	17.5
Adjusted Profit	23.9	27.3	13.0	23.7

Operating ratios

Year to March	FY17	FY18E	FY19E	FY20E
Yield on advances	13.6	12.8	12.5	12.3
Cost of funds	8.6	8.5	8.4	8.3
Net interest margins	4.1	3.8	3.8	3.6
Spread	4.9	4.3	4.1	4.0
Cost-income	11.2	11.8	11.5	10.4
Tax rate	22.8	25.0	28.5	30.0

Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18E	FY19E	FY20E	
Share capital	848	848	848	848	
Reserves & Surplus	117,845	131,480	149,181	171,334	
Shareholders' funds	118,693	132,328	150,028	172,181	
Short term borrowings	352,243	437,656	582,289	753,574	
Long term borrowings	500,757	622,181	827,795	1,071,297	
Total Borrowings	853,000	1,059,836	1,410,084	1,824,870	
Long Term Liabilities	2,477	3,079	3,758	4,525	
Def. Tax Liability (net)	1,184	3,595	6,453	10,065	
Sources of funds	975,353	1,198,839	1,570,323	2,011,641	
Gross Block	1,787	2,087	2,237	2,387	
Net Block	813	860	796	717	
Intangible Assets	25	26	24	22	
Total Fixed Assets	838	887	820	739	
Non current investments	28,530	20,873	20,258	20,069	
Cash and Equivalents	54,441	62,061	125,020	185,928	
Loans & Advances	824,506	1,090,080	1,414,668	1,810,703	
Current assets (ex cash)	114,162	83,538	81,081	80,330	
Trade payable	69	92	119	152	
Other Current Liab	47,055	58,509	71,406	85,976	
Total Current Liab	47,124	58,600	71,525	86,129	
Net Curr Assets-ex cash	67,038	24,938	9,556	(5,798)	
Uses of funds	975,353	1,198,839	1,570,323	2,011,641	
Earning assets	972,038	1,194,873	1,565,744	2,006,377	
Disbursements	354,816	467,553	577,914	716,897	
BVPS (INR)	280.0	312.2	354.0	406.2	
AUM	909,582	1,202,559	1,560,641	1,997,541	
Total borrowing	940,012	1,184,317	1,568,409	2,023,450	
AUM growth	32.4	32.2	29.8	28.0	
EA growth	36.3	22.9	31.0	28.1	
Gross NPAs	7,770.0	9,425.5	12,019.2	14,738.9	
Net NPAs	3,280.0	3,770.2	4,807.7	5,895.6	
Provision coverage	57.8	60.0	60.0	60.0	
Gross NPA ratio	0.9	0.8	0.8	0.7	
Net NPA ratio	0.4	0.3	0.3	0.3	

RoE decomposition (%)					
Year to March	FY17	FY18E	FY19E	FY20E	
Net int. income/assets	4.1	3.8	3.8	3.6	
Other income/Assets	1.9	2.1	1.6	1.6	
Net revenues/assets	5.9	6.0	5.4	5.2	
Operating expense/assets	0.7	0.7	0.6	0.5	
Provisions/assets	0.9	0.8	0.6	0.6	
Taxes/assets	1.0	1.1	1.2	1.2	
Total costs/assets	2.6	2.6	2.4	2.3	
ROA	3.4	3.3	3.0	2.8	
Equity/assets	13.3	11.6	10.2	9.0	
ROAE (%)	25.4	28.8	28.9	31.4	

Valuation parameters					
Year to March	FY17	FY18E	FY19E	FY20E	
Adj. Diluted EPS (INR)	67.1	85.3	96.4	119.3	
Y-o-Y growth (%)	23.2	27.3	13.0	23.7	
BV per share (INR)	280.0	312.2	354.0	406.2	
Adj. BV per share (INR)	274.6	306.0	346.0	396.5	
Diluted P/E (x)	20.6	16.2	14.3	11.6	
P/BV (x)	4.9	4.4	3.9	3.4	
Price/ Adj. BV (x)	5.0	4.5	4.0	3.5	
Dividend Yield (%)	2.6	3.1	3.5	4.3	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Indiabulls Housing Finance	9,221	16.2	14.3	4.4	3.9	28.8	28.9
Dewan Housing Finance	3,019	17.2	14.1	2.2	2.0	13.7	15.3
HDFC	47,208	21.1	18.7	4.1	3.2	19.4	20.5
LIC Housing Finance	4,538	15.3	13.1	2.3	2.0	17.4	18.0
Mahindra & Mahindra Financial Services	4,920	47.9	29.0	3.5	3.3	8.5	11.7
Manappuram General Finance	1,576	12.8	11.2	2.8	2.5	23.5	23.4
Muthoot Finance	2,731	11.1	10.4	2.3	1.9	22.1	20.0
Power Finance Corp	5,009	4.7	4.6	0.8	0.7	17.8	16.2
Reliance Capital	2,085	10.7	8.6	0.8	0.7	7.5	8.7
Repco Home Finance	675	19.3	16.2	3.2	2.7	18.0	18.2
Rural Electrification Corporation	4,885	5.8	5.2	0.8	0.7	15.3	15.2
Shriram City Union Finance	2,111	16.6	11.6	2.4	2.2	15.1	18.7
Shriram Transport Finance	5,225	19.7	12.0	2.6	2.2	14.2	20.1
Median		16.2	12.0	2.3	2.0	17.4	18.2
AVERAGE		18.0	14.0	2.5	2.2	17.0	18.1

Source: Edelweiss research

Additional Data

Directors Data

Sameer Gehlaut	Founder & Executive Chairman	Gagan Banga	Vice-Chairman & MD
Ashwini Kumar Hooda	Deputy Managing Director	Ajit Kumar Mittal	Executive Director
Sachin Chaudhary	Chief Operating Officer & Whole-time Director	Bisheshwar Prasad Singh	Director
Labh Singh Sitara	Director	Samsher Singh Ahlawat	Director
Prem Prakash Mirdha	Director	Kamalesh Shailesh Chandra Chakrabarty	Director
Manjari Ashok Kacker	Director	Gyan Sudha Misra	Director

Auditors - S.R. Batliboi & Co. LLP

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corp Of India	4.25	Euro Pacific Growth	3.85
Merrill Lynch Capital Markets Es	3.72	Blackrock	3.37
Capital Group Companies Inc	2.97	Vanguard Group	2.74
Merrill Lynch Mkt Sgp Ltd	2.53	Tupelo Consultancy Llp	2.15
Nomura	1.83	Bny Mellon	1.64

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Mar 2017	Eastspring Invts Developed & Emerging Asia Equity Fd	Buy	2511681	955.25
28 Mar 2017	The Prudential Assurance Company Limied	Sell	194203	955.25
28 Mar 2017	The Prudential Assurance Company Ltd	Sell	2317478	955.25
22 Mar 2017	Silene Advisory Services Llp	Sell	2305000	922.13
22 Mar 2017	Tupelo Consultancy Llp	Buy	2305000	922.13
08 Feb 2017	Sameer Gehlaut	Sell	37101278	844.84
08 Feb 2017	Sg Advisory Services Pvt Ltd	Buy	35404779	844.94

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
08 May 2017	Naveen Uppal	Sell	15000.00
18 Apr 2017	Sachin Chaudhary	Sell	15000.00
07 Apr 2017	Ajit Kumar Mittal	Sell	34000.00
07 Apr 2017	Ramnath R A Shenoy	Sell	50000.00
24 Mar 2017	Sachin Chaudhary	Sell	20000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	HOLD	SU	M	Axis Bank	HOLD	SP	M
Bajaj Finserv	HOLD	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SO	M	Capital First	BUY	SO	M
DCB Bank	HOLD	SP	M	Dewan Housing Finance	BUY	SO	M
Equitas Holdings Ltd.	BUY	SO	M	Federal Bank	BUY	SP	L
HDFC	HOLD	SP	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC Bank	HOLD	SP	L
Indiabulls Housing Finance	BUY	SP	M	IndusInd Bank	BUY	SP	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SP	M
L&T FINANCE HOLDINGS LTD	BUY	SO	M	LIC Housing Finance	BUY	SP	M
Magma Fincorp	BUY	SP	M	Mahindra & Mahindra Financial Services	HOLD	SP	M
Manappuram General Finance	BUY	SO	H	Max Financial Services	BUY	SO	L
Multi Commodity Exchange of India	BUY	SP	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	HOLD	SP	L	Power Finance Corp	BUY	SO	M
Punjab National Bank	BUY	SP	M	Reliance Capital	BUY	SP	M
Repco Home Finance	BUY	SO	M	Rural Electrification Corporation	BUY	SO	M
Shriram City Union Finance	BUY	SO	M	Shriram Transport Finance	BUY	SO	L
South Indian Bank	BUY	SP	M	State Bank of India	BUY	SP	L
Union Bank Of India	HOLD	SP	M	Yes Bank	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
22-Jan-18	Axis Bank	Positives priced in; sustenance key; Result Update	612	Hold
22-Jan-18	DHFL	Strong foot forward; Result Update	631	Buy
22-Jan-18	IDFC Bank	Investment depreciation dents earnings; Result Update	59	Buy

Distribution of Ratings / Market Cap

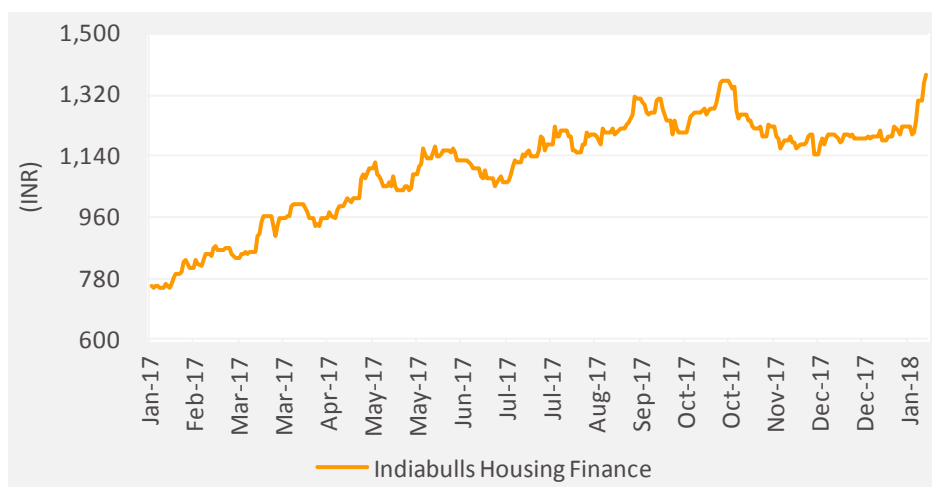
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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