CanFin Homes (CANHOM)

ICICI direct Research

CMP: ₹ 534 | Target: ₹ 625 (17%) | Target Period: 12 months | **BUY**

January 2, 2023

Initiating Coverage

ICICI Securities – Retail Equity Research

In sweet spot; continued growth to drive valuation…

About the stock: CanFin Homes (CFHL) was promoted by Canara Bank in 1987, with ~30% stake as of September 2022. The HFC is spread across 204 locations across 21 states and UTs with south contributing ~72% of loans and focus on tier II & III cities. Most borrowers are first time home buyers with average age of 35 years.

- Housing loans comprise ~90% of advances of which ~74% is to salaried customers
- The company caters to customers in the mid & affordable segment with average ticket size being ₹ 22 lakh for housing and ₹ 8 lakh for non-housing loans

Key triggers for future price performance:

- Rising demand for own house, improved affordability, government support (PMAY) and low mortgage penetration in India remain catalysts for sustainable growth in the housing finance segment.
- CFHL's focus on non-metro cities (predominantly tier II & III cities) with relatively lower competitive pressure and well defined process oriented credit disbursement is seen aiding business growth with low risk volatility
- The management's comment in the recent past with increasing proportion of LAP to further support AUM and NIM trajectory
- Strong parentage and consistent superior asset quality enables it to keep cost of funds lower & leverage higher, thus enabling better margins & RoE
- Stringent cost control with CI ratio at 16-17% ensures continued focus on maximising productivity, which, in turn, would benefit earnings trajectory
- Exhibited superior asset quality in the past. Focus on salaried segment & strong underwriting practices enable it to maintain steady asset quality
- The management has clearly articulated that recent concerns regarding fraudulent accounts has been addressed with no further surprise anticipated
- Healthy performance continued under the interim leadership. Identification of new MD & CEO (preferably from the private sector) is in advanced stage

What should investors do? Consistent business growth with focus on efficient operations coupled with relatively lower cost and strong underwriting to benefit earnings and return ratios. Anticipated healthy earnings growth at 17% CAGR in FY22-25E and RoA at ~1.8-1.9% are expected to drive valuations.

- We initiate coverage on the stock with a **BUY** recommendation

Target Price & Valuation: We value CFHL at ~1.8x P/ABV FY25E to arrive at a target price of ₹ 625 per share.

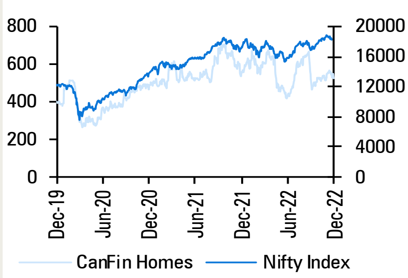
Alternate Stock Idea: Apart from CFHL, we like HDFC Ltd in the housing space.

- HDFC Ltd is the largest NBFC engaged in housing finance business. It has demonstrated consistent performance in growth as well as asset quality
- BUY with a target price of ₹ 2850

Particulars

Particulars	Amount
Market Capitalisation	₹ 7244 crore
52 week H/L	685 / 408
Net worth	₹ 3370 Crore
Face Value	₹ 2
DII Holding (%)	23.3
FII Holding (%)	9.3

Share price performance



Shareholding Pattern

Holding (%)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	30.0%	30.0%	30.0%	30.0%
FII	0.0%	0.0%	0.0%	9.3%
DII	22.4%	24.7%	24.8%	23.3%
Others	47.6%	45.3%	45.2%	37.4%

Key risks

- Delay in appointment of new MD & CEO
- Stake sale by Canara Bank may impact CoF

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Pravin Mule
pravin.mule@icicisecurities.com

Key Financial Summary

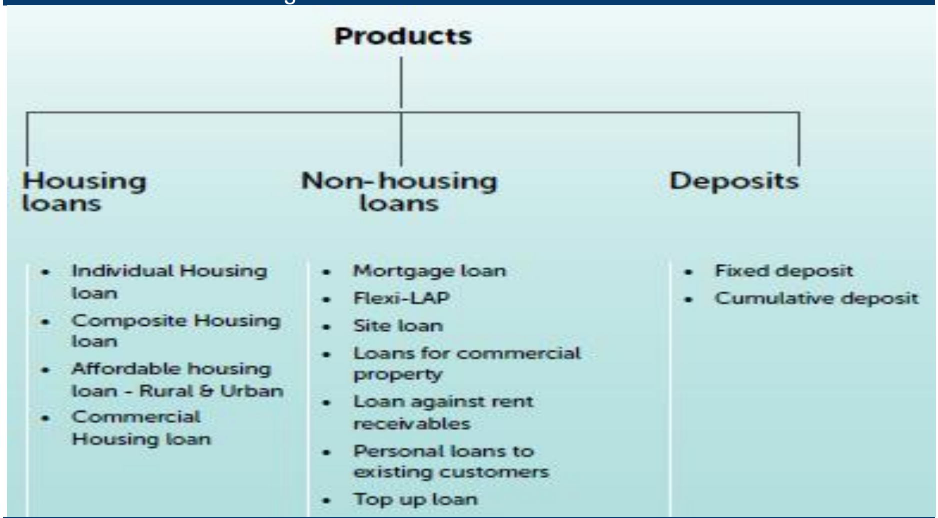
₹ crore	FY19	FY20	FY21	FY22	3 year CAGR (FY19-FY22)	FY23E	FY24E	FY25E	3 year CAGR (FY22-25E)
NII	544	675	798	816	14.5%	981	1125	1295	16.6%
PPP	471	579	686	682	13.2%	829	949	1091	17.0%
PAT	297	376	456	471	16.7%	566	652	750	16.8%
ABV (₹)	128	153	186	224	20.6%	261	305	356	16.7%
P/E	23.3	18.4	15.2	14.7		12.2	10.6	9.2	
P/ABV	4.1	3.4	2.8	2.3		2.0	1.7	1.5	
RoA	1.7%	1.9%	2.1%	1.9%		1.8%	1.8%	1.8%	
RoE	18.2%	19.1%	19.2%	16.6%		17.1%	16.8%	16.5%	

Source: Company, ICICI Direct Research

Company Background

Commencing operations in 1987, Can Fin Homes (CFHL) was promoted by Canara Bank. As of September 2022, Canara Bank held ~30% stake in CFHL. The HFC is spread across 204 locations across 21 states and union territories with south contributing ~72% of loans while balance is from non-south regions. CFHL offers housing loans for individuals, non-housing loans including mortgage loans, site loans, loans for commercial properties, loan against rent receivables, top up loans and personal loans. It has mainly focused on housing loans to individuals with ~90% of loan book comprising home loans and ~10% non-housing loans. The company caters to customers in the mid and affordable segment with average ticket size of loan at ₹ 22 lakh for housing loans and ₹ 8 lakh for non-housing loans. Most borrowers are first time home buyers with an average age of 35 years.

Exhibit 1: Product offerings



Source: Company, ICICI Direct Research

As of September 2022, the loan book was at ₹ 28,823 crore, in which ~74% are loans to salaried & professionals, ~26% are loans to self-employed & non-professionals. CFHL has been focusing on housing loans, that constitute 90% of overall loans, on a steady-state basis. Mortgage loans contributes ~5.2% followed by ~4.1% top up personal loans. Rest all segments contributes <1% of the total loan book.

Exhibit 2: Housing comprises ~90% of total loan book

Product wise - Breakup	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Q2FY23
Housing Loans	89.9%	89.3%	90.1%	90.4%	89.5%	89.5%
Top up Personal Loans	3.2%	3.4%	3.6%	3.6%	4.0%	4.1%
Mortgage Loans / Flexicap	5.1%	4.8%	4.6%	4.6%	5.1%	5.2%
Loans for sites	1.1%	1.8%	1.1%	1.0%	0.9%	0.8%
Others	0.5%	0.5%	0.5%	0.4%	0.4%	0.3%
Builder Loans	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Staff Loans	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Customer segment wise - Breakup	**Mar-18**	**Mar-19**	**Mar-20**	**Mar-21**	**Mar-22**	**Q2FY23**
Salaried & Professional	73.2%	71.1%	70.9%	72.9%	74.2%	74.1%
Self employed & Non professional	26.7%	28.8%	29.0%	27.0%	25.7%	25.9%
Builder Loans	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Staff Loans	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Source: Company, ICICI Direct Research

CFHL has delivered a consistent performance over the past few years with NII growth at 14% CAGR in FY17-22 while PAT grew at 15% CAGR during the same period. RoA and RoE for FY22 were at 1.9% and 16.6%, respectively. CFHL has best in class asset quality as it has managed to keep GNPA at <1% even during tough cycles. The company has a comfortable capital position with CRAR at 23.6%.

Shareholding Pattern (as of September 2022)

Holding (%)	Sep-22
Promoter	30.0%
FII	9.3%
DII	23.3%
Others	37.4%

Source: BSE

Top Shareholders

As of March 31, 2022	Holding (%)
Canara Bank	29.99%
Chhattisgarh Investments ltd	6.49%
Axis Mutual Fund Trustee Ltd	2.02%
Sarda Energy & Minerals Ltd	1.49%
DSP Flexi Cap Fund	1.25%
PGIM India Trustees Private Ltd	1.18%
L and T Mutual Fund Trustee Ltd	1.05%
Vanguard Emerging Markets Stock Index Fund	1.03%

Source: BSE

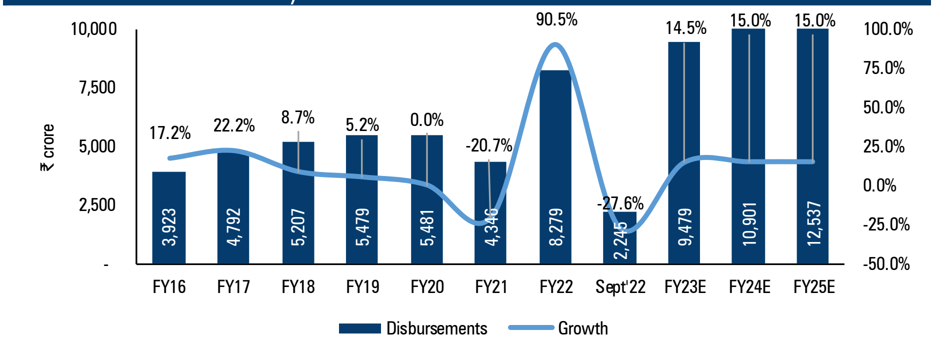
Investment Rationale

Sustained disbursement to aid growth momentum

CFHL has delivered healthy growth on a consistent basis in the past with focus on a selective customer approach, which has led to growth in AUM and earnings along with steady asset quality. However, since FY18, the disbursements trend has been muted due to a slowdown in key operating states (Karnataka and Tamil Nadu) and impact of RERA implementation. This has impacted the AUM trajectory, which came down from 25.1% in FY17 to 12.6% in FY20. Further, in FY21, disbursements registered a de-growth due to pandemic led disruptions. However, in FY22, with a recovery in economic activity and housing demand, disbursements almost doubled YoY albeit on a lower base of FY21. Thus, AUM increased 20.8% YoY in FY22 and 22.2% in H1FY23.

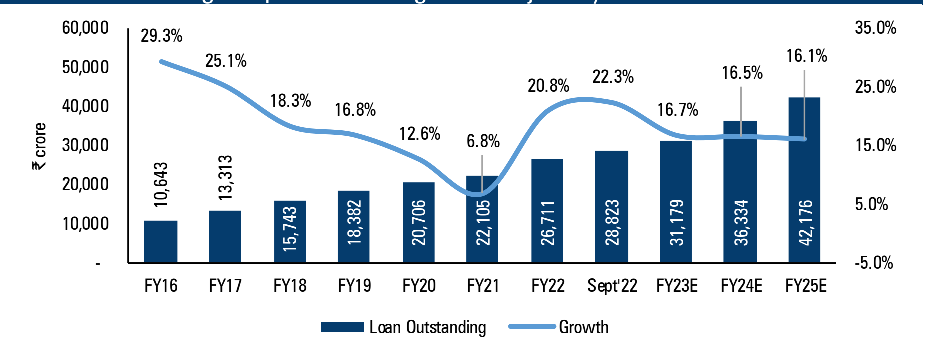
As of September 2022, the loan book was at ₹ 28823 crore with southern states contributing 70% plus to total loans. Disbursements as of September 2022, were at ₹ 3967 crore. Rising housing demand and improved affordability led by government initiatives will continue to drive the pace of disbursements. CFHL continues to focus on tier II and tier III cities where competition from banks is less and it can benefit from pricing power with an increased focus on branch expansion. With the government's focus on affordable housing, largely in non-metro cities, CFHL is poised well to benefit in terms of an improved growth trajectory. Hence, we expect the loan book to grow at a healthy CAGR of ~17% in FY22-25E. The management has guided for ~18% loan growth in FY23E. Strong growth in disbursements are expected to aid the bottomline resulting in PAT CAGR of ~17% in FY22-25E.

Exhibit 3: Robust recovery seen in disbursements from FY22



Source: Company, ICICI Direct Research

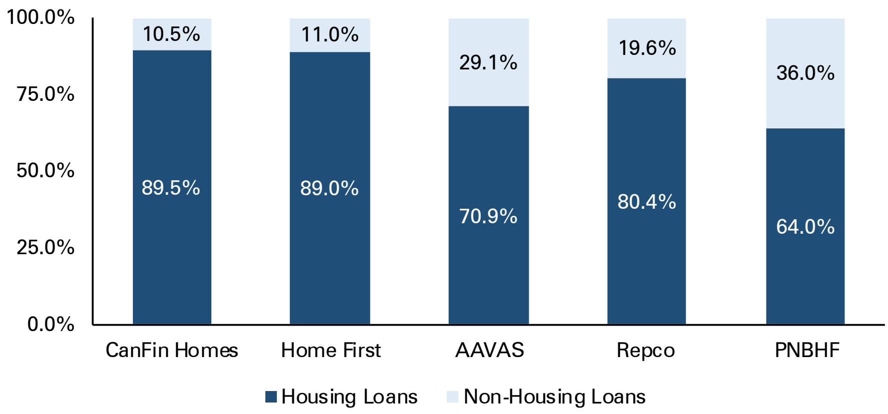
Exhibit 4: ...leading to uptick in AUM growth trajectory



Source: Company, ICICI Direct Research

Loan growth to regain momentum leading to AUM CAGR of ~17% over FY22-25E

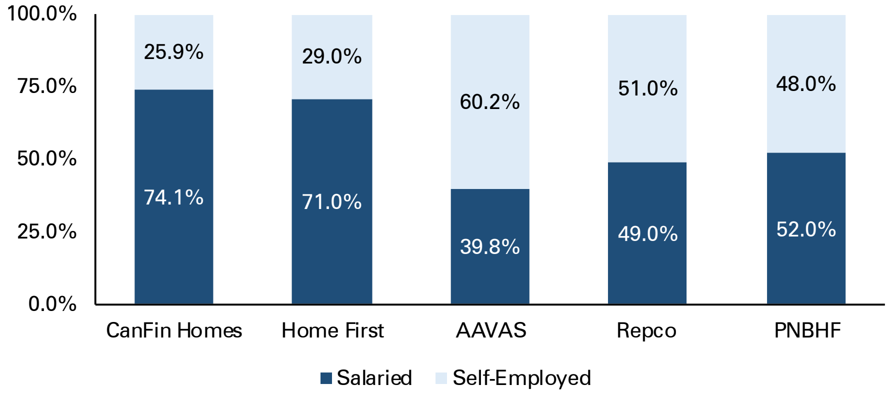
Exhibit 5: Product wise peer comparison as of September 2022



Source: Company, ICICI Direct Research

CFHL has highest share of housing loans in its total loan book vs. peers. It has zero exposure to builder loans

Exhibit 6: CFHL has higher proportion of salaried customers vs. peer as of Sept'22



Source: Company, ICICI Direct Research

Higher share of salaried customers has kept NPAs lower compared to peers

Strong liability franchise to aid margin trajectory

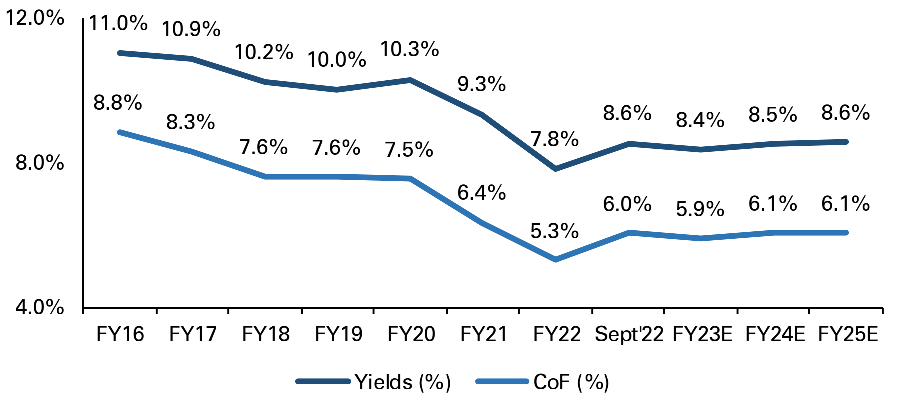
CFHL was promoted by Canara Bank, which holds ~30% stake as on September 30, 2022. The HFC benefit from brand name, management & board guidance and better credit rating owing to strong parentage, resulting in lowest funding cost compared to peers. Consistently prudent asset quality and healthy overall performance enables better credit rating (long term loans rated as AAA with "Stable" outlook by CARE Ratings) and, thereby, lower cost of funds.

As of September 30, 2022, CFHL has a diversified funding source, which includes term loans from private and public banks (54%), non-convertible debentures (14%), deposits (2%), commercial paper (8%) and refinancing from National Housing Bank (NHB) (22%). The overall share of CP borrowings has declined from 19% of total borrowings as of March 31, 2021 to 11% as of March 31, 2022 and further to 8% as of September 30, 2011. Share of NHB refinancing (funds available to HFCs at cheaper rates) has increased from 15% as of March 31, 2018 to 22% as of September 30, 2022.

As indicated by the management earlier, increased proportion of high yielding assets are likely to arrest NIM compression

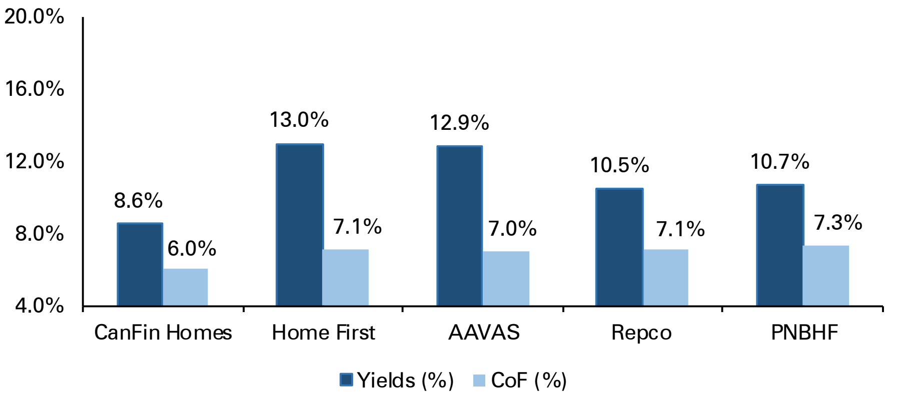
The overall incremental borrowing cost is relatively lower for CFHL though with the current scenario of interest rates moving northwards, CFHL is expected to witness some pressure on margins due to faster repricing of borrowings compared to yields. The management has guided NIMs to be at ~3% level spreads at ~2.4% in the long term. On a sustainable basis, NIMs are expected to remain broadly steady at 3-3.2% ahead with pressure from rising competition being offset by increase in proportion of high yielding non-housing loans (the management in the recent past has indicated at plans to gradually increase proportion of LAP).

Exhibit 7: Increase in non-home loan book to improve yields



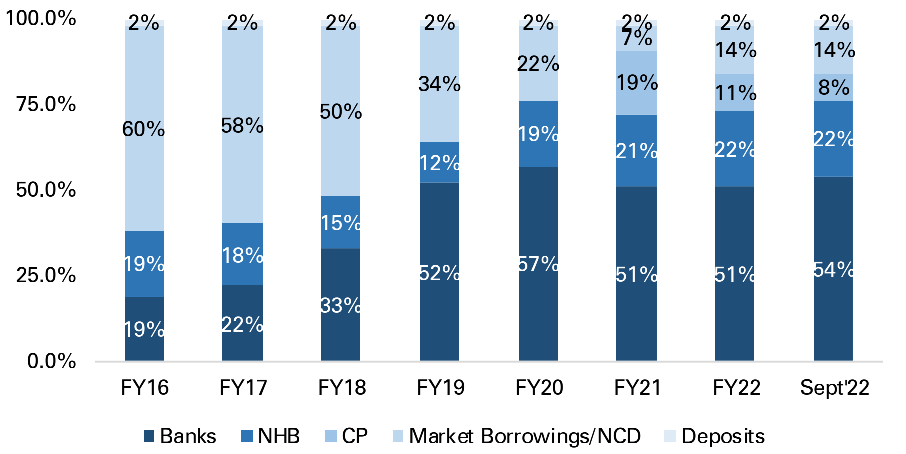
Source: Company, ICICI Direct Research

Exhibit 8: Relatively lower CoF supports steady margins (September 2022)



Source: Company, ICICI Direct Research

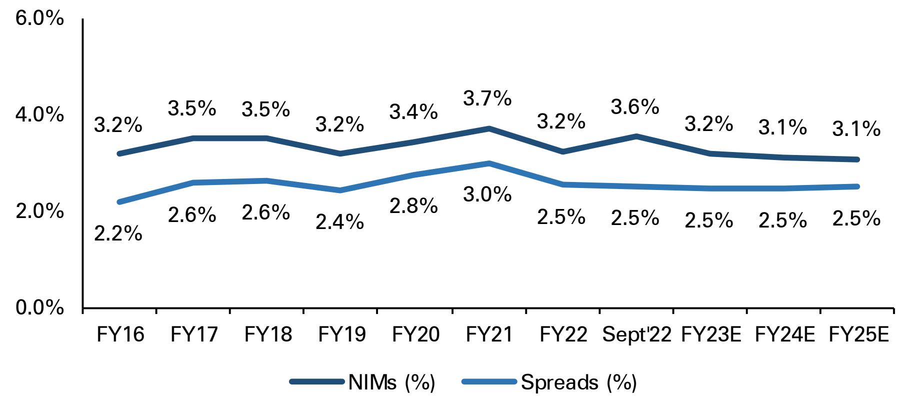
Exhibit 9: Share of CPs has declined to ~8% as of Sept'22



Source: Company, ICICI Direct Research

CFHL has higher reliance on borrowings from banks and NHB, which leads to lower funding cost. Comparatively, peers have a more diversified borrowing mix

Exhibit 10: Prudent business practice to keep margins steady



Source: Company, ICICI Direct Research

The management has guided NIMs to be at ~3% levels with spreads at ~2.4% in the long term

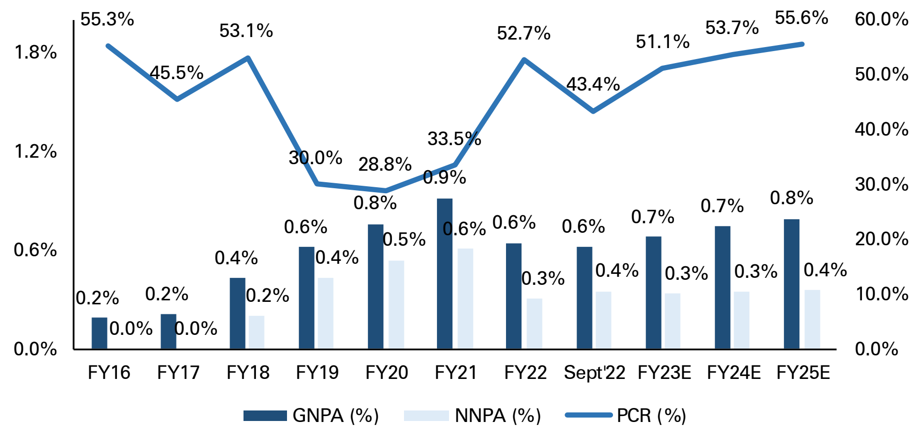
Prudent underwriting, business mix to keep NPA steady

CFHL has managed to keep GNPA at <1% during various cycles and Covid-19 was no exception. This shows the company's prudent underwriting standards further supported by a healthy business mix (majority being salaried customers). Despite substantial exposure to small ticket loans in tier II and III cities, CFHL has consistently delivered a steady performance on asset quality as well as credit cost. Further, the management has clearly articulated that recent concerns regarding fraudulent accounts has been addressed with no further surprise anticipated ahead.

CFHL has healthy asset quality compared to peers as GNPA and NNPA were at ~0.62% and 0.35% levels, respectively, as of September 2022. The restructured book was at ₹ 647 crore (2.2% of total loans) vs. ₹ 676 crore (2.5% of total loans) in March 2022. The management has guided GNPA to be in the range of 0.6-0.75% with ~5% of the restructured pool expected to slip into NPA in the near term.

We believe slippage from the restructured pool could keep the GNPA ratio a bit volatile in the near term. Thus, we expect GNPAs to inch up marginally but continue to remain under 1% level in FY23-24E.

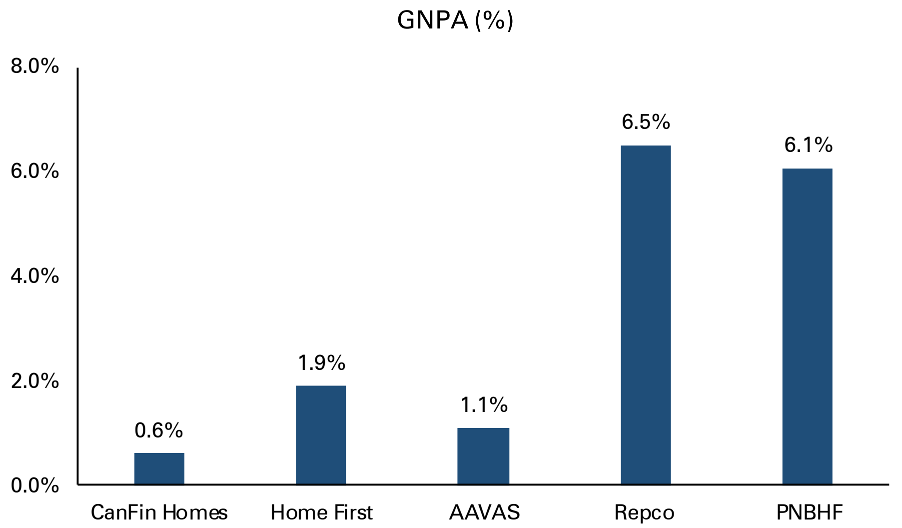
Exhibit 11: Prudent underwriting practices to keep NPAs steady



Source: Company, ICICI Direct Research

Best in class asset quality resulting in lower credit cost. The management has guided credit cost to be in the range of 0.12-0.14% for FY23E vs. 0.19% in FY22

Exhibit 12: CFHL has lowest GNPA ratio vs peers (as of September 2022)



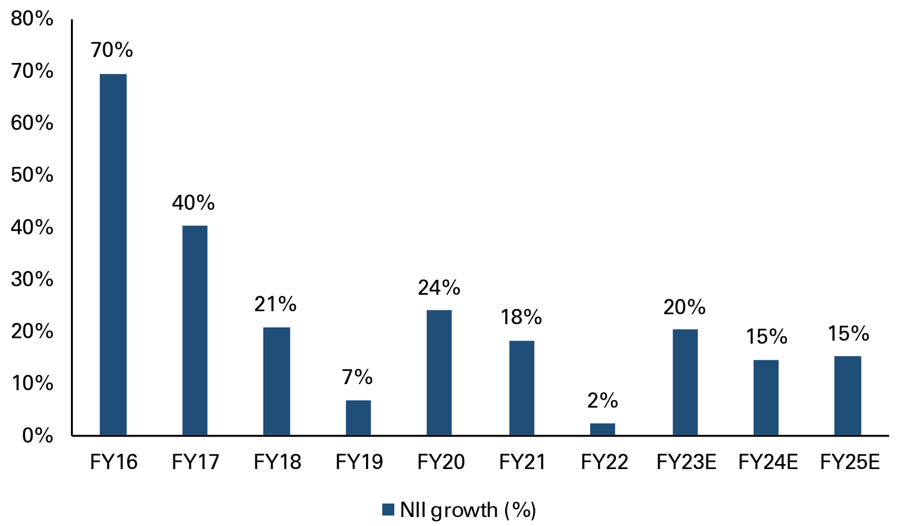
Source: Company, ICICI Direct Research

Business growth with operational efficiency to enable superior return ratios

CFHL's core growth strategy is to focus on tier II and tier III cities where the competition is less and capture market share by expanding its branch network. The management aims to increase the proportion of non-housing and top-up loans in the overall loan book to improve yields further.

CFHL has favourable funding costs backed by strong parentage and healthy business mix. We expect an improvement in loan book at 17% CAGR over FY22-25E, which is expected to translate into strong NII growth of 17% over FY22-25E. Its CI ratio has been trending downwards given more productivity from existing branches and employees. Its average business per branch and average business per employee has been increasing gradually from ₹ 107 crore and ₹ 24 crore in March 2018 to ₹ 147 crore and ₹ 29 crore in March 2022, respectively. The company plans to open more than 200 branches by the end of FY23E. Scaling up of branches is likely to keep the C/I ratio elevated in the near term. However, the benefit at the bottomline level is expected to flow gradually (healthy 17% CAGR in PAT in FY22-25E) and drive return ratios. We expect RoA, RoE at ~1.8-1.9%, ~16-17%, respectively, over FY22-25E.

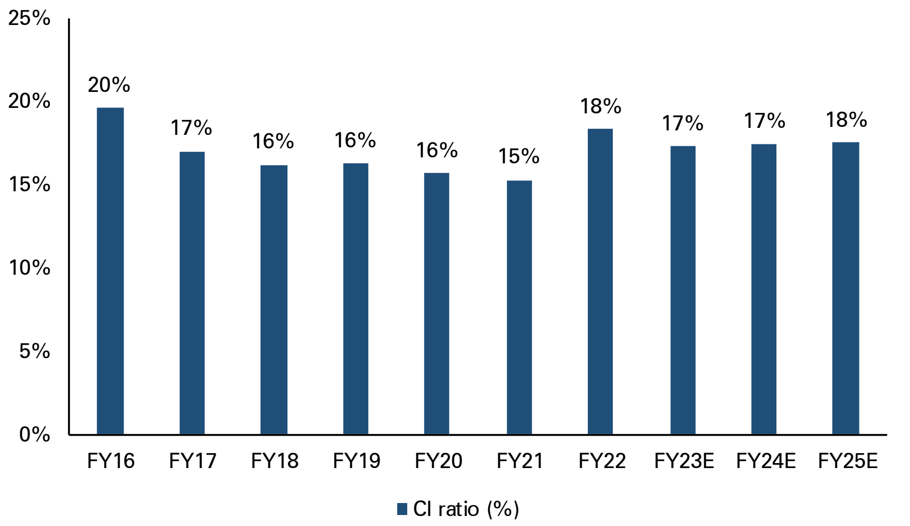
Exhibit 13: Steady NIMs to drive NII growth



Source: Company, ICICI Direct Research

We expect NII to grow at a CAGR of ~17% over FY22-25E aided by strong loan growth and steady NIMs…

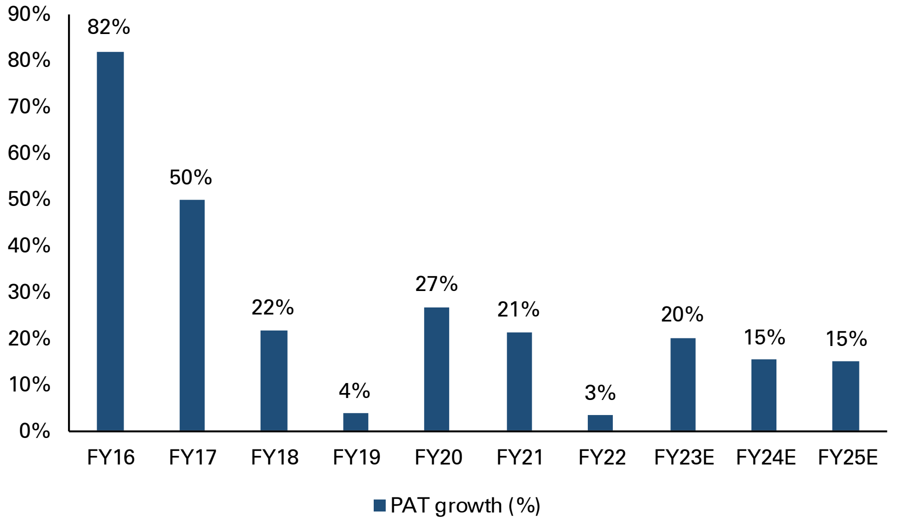
Exhibit 14: CI ratio to remain steady with a temporary blip



Source: Company, ICICI Direct Research

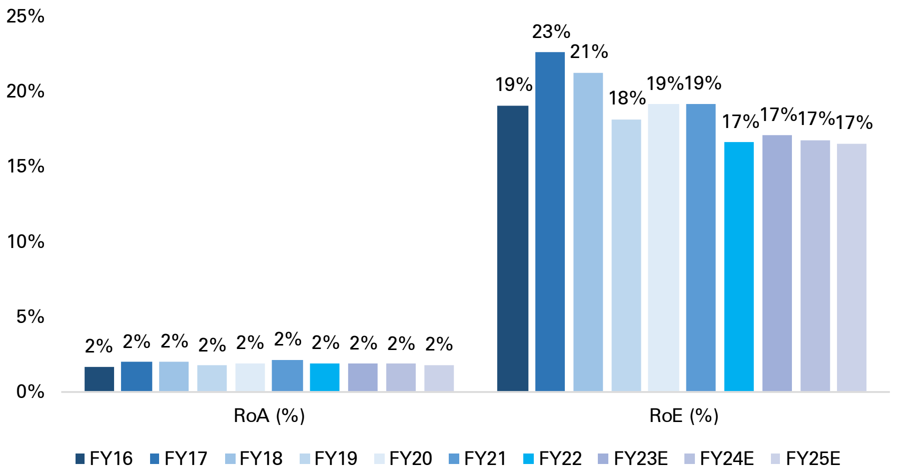
Branch addition is expected to keep CI ratio elevated in the near term with benefit at the bottomline level expected to flow gradually

Exhibit 15: Earnings to grow at a CAGR of ~17% over FY22-FY25E



Source: Company, ICICI Direct Research

Exhibit 16: ...resulting in healthy return ratios



Source: Company, ICICI Direct Research

We expect earnings to grow at a CAGR of ~17% over FY22-25E aided by a strong operational performance and steady asset quality. Hence, RoA, RoE are expected at ~2%, ~17%, respectively, in FY25E

Valuation

Consistent performance at reasonable valuation

CFHL has been a best in class HFC player with a robust business model and underwriting practices, which resulted in healthy earnings growth with moderate stress. Focus on the salaried segment and lower ticket size are expected to aid in maintaining GNPA <1% levels (vs. peers). Across cycles, CFHL has maintained its healthy growth trajectory and consistently delivered above industry average performance. At the CMP, CFHL trades at ~1.5x FY25E ABV, which is at a better valuation compared to its peers. Hence, we initiate coverage on the stock with a **BUY** rating and a target price of ₹ 625/share.

We expect NII to grow at a CAGR of 17% in FY22-25E to ₹ 1295 crore while PAT is expected to grow at 17% CAGR over the same period to ₹ 750 crore. Yields are expected at 8%+ over FY23E-25E. The recent correction in stock price on the back of concerns on fraudulent accounts and exit of MD & CEO present a good entry point with a long term investment horizon. The management has clearly articulated that recent concerns regarding fraudulent accounts have been addressed with no further surprise anticipated. Healthy performance continued under the leadership of interim leadership of DMD Amitabh Chatterjee and CFO Prashanth Joishy. Identification of a new MD & CEO (preferably from the private sector) is in advanced stages though it is difficult to put a timeline.

Exhibit 17: Key valuation parameters

(Year-end March)	FY21	FY22	FY23E	FY24E	FY25E
EPS (₹)	34.2	35.4	42.5	49.0	56.3
BV (₹)	196.0	230.3	268.3	314.4	367.3
ABV (₹)	185.9	224.2	260.5	304.9	356.1
P/E	15.2	14.7	12.2	10.6	9.2
P/BV	2.6	2.3	1.9	1.7	1.4
P/adj.BV	2.8	2.3	2.0	1.7	1.5

Source: Company, ICICI Direct Research

Exhibit 18: Valuation of peers

(Year-end March)	RoE				RoA				P/BV			
	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
CanFin Homes	16.6%	17.1%	16.8%	16.5%	1.9%	1.8%	1.8%	1.8%	2.3	1.9	1.7	1.4
HDFC	12.0%	13.3%	14.8%	15.9%	2.3%	2.4%	2.4%	2.4%	4.0	4.0	3.6	3.5
LICHF	10.1%	11.9%	12.9%	13.4%	0.9%	1.1%	1.2%	1.3%	0.9	0.9	0.8	0.7
PNBHF	8.8%	8.5%	9.0%	9.5%	1.2%	1.4%	1.5%	1.7%	1.0	0.9	0.9	0.8
Repco	8.9%	11.3%	11.9%	12.0%	1.6%	2.1%	2.3%	2.4%	0.7	0.6	0.6	0.5
HFFC	12.6%	13.1%	14.4%	15.5%	3.9%	3.8%	3.8%	3.6%	4.2	3.7	3.2	2.7

Source: Bloomberg, company, ICICI Direct Research

Risks and concerns

Change in parentage

At present, Canara Bank (promoter) holds ~30% stake in CFHL. In the past, Canara Bank had indicated its intention to exit partially, which was called off later. Currently, CFHL is able to source funds at competitive interest rates led by strong parentage – brand name and management support. Any change in parentage (the government has asked PSU banks to review investments in non-core business) could have an impact on borrowing cost, leverage and pose supply pressure on the stock price.

Inability to find credible successor to position of MD & CEO

Recently, Girish Kousgi resigned from the position of MD & CEO at CFHL. During his tenure, the company demonstrated robust business growth, operating performance and steady asset quality. CFHL had indicated that the position will be filled by March 2023. We believe the overhang on the stock price is likely to remain till the new MD & CEO is appointed. Delay in intimation/appointment may have a negative impact on the business performance.

Increasing competitive intensity

For affordable housing finance companies, concentration in tier I and tier II cities means huge competition from banks and large HFCs. Hence, affordable housing finance companies (AHFCs) need to penetrate deeper in tier II and beyond cities to benefit from pricing power.

CFHL is mainly focused on the salaried segment, which is largely catered to by banks. Also, the company is focusing on tier II and tier III cities where most AHFCs are also present in similar geographies. The increasing competition between AHFCs may impact the business momentum of CFHL in future.

Trend in restructured book to be watched

Restructured loans were at ₹ 647 crore (2.2% of total loans) vs. ₹ 676 crore (2.5% of total loans) in March 2022. The management has guided that ~5% of restructured pool may slip into NPA in the near term. Hence, we remain watchful on the trend in restructured book in upcoming quarters.

Peer comparison

Exhibit 19: AUM mix of peers

As of Sept'22	Canfin Homes	HDFC Ltd	LICHF	PNBHF	Repco	HFFC
AUM (₹ crore)	28,823	5,95,269	2,62,336	52,124	12,068	6,275
Loan mix (%)						
Housing	89%	81%	83%	64%	80%	89%
Non-Housing	11%	19%	17%	36%	20%	11%
Loan Mix (%) - customer segment						
Salaried	74%	79%	88%	52%	49%	71%
Self-Employed	26%	21%	12%	48%	51%	29%
Average ticket size (₹ lakhs)						
Housing	22	11-20	~26-27	-	15	11
Non-Housing	8	-	-	-	-	

Source: Company, ICICI Direct Research

Exhibit 20: Funding mix of peers

Funding Mix (%) (Sept'22)	Canfin Homes	HDFC Ltd	LICHF	PNBHF	Repco	HFFC
Banks	54	23	34	32	83	55
NHB	22	-	4	6	17	21
CP	8	-	2	-	-	-
Market Borrowings/NCD	14	42	53	9	-	3
Deposits	2	31	7	30	-	-
ECB	-	4	-	10	-	-
Assignment	-	-	-	13	-	21

Source: Company, ICICI Direct Research

Exhibit 21: Key metrics

Key Ratios (%)	Canfin Homes	HDFC Ltd	LICHF	PNBHF	Repco	HFFC
Yields	8.6%	-	8.6%	10.7%	10.5%	13.0%
Cost of funds	6.0%	-	7.1%	7.3%	7.1%	7.1%
NIMs	3.6%	3.5%	1.8%	4.1%	4.8%	6.5%
GNPA	0.6%	1.6%	4.9%	6.1%	6.5%	1.9%
NNPA	0.4%	-	-	3.6%	3.8%	1.4%
RoA	2.1%	2.6%	4.7%	1.6%	2.4%	3.8%
RoE	16.8%	-	5.0%	9.8%	13.3%	13.1%
BV (FY22)	230	663	448	586	357	192
P/BV (x)	2.3	4.0	0.9	1.0	0.7	3.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 22: Profit and loss statement

(Year-end March)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Earned	2,019	2,006	1,970	2,564	3,062	3,580
Interest Expended	1,344	1,208	1,154	1,582	1,937	2,285
Net Interest Income	675	798	816	981	1,125	1,295
% growth	24.0	18.3	2.3	20.3	14.6	15.1
Non Interest Income	12	12	19	21	24	28
Net Income	686	810	835	1,003	1,149	1,323
Employee cost	57	70	77	87	102	118
Other operating Exp.	51	54	76	86	99	113
Operating Profit	579	686	682	829	949	1,091
Provisions	60	69	47	59	61	71
PBT	518	618	635	770	888	1,020
Taxes	142	162	164	204	235	270
Net Profit	376	456	471	566	652	750

Source: Company, ICICI Direct Research

Exhibit 23: Balance sheet

(Year-end March)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sources of Funds						
Capital	27	27	27	27	27	27
Reserves and Surplus	2,123	2,583	3,040	3,547	4,160	4,865
Networth	**2,150**	**2,610**	**3,067**	**3,573**	**4,187**	**4,892**
Borrowings	18,748	19,293	24,648	29,503	34,814	41,081
Other Liabilities & Provisions	145	171	230	241	283	333
Total	**21,044**	**22,074**	**27,944**	**33,317**	**39,284**	**46,305**
Applications of Funds						
Fixed Assets	38	38	35	36	38	40
Investments	24	50	1,126	1,569	1,829	2,123
Advances	20,526	21,891	26,378	31,179	36,334	42,176
Other Assets	456	95	406	532	1,083	1,966
Total	**21,044**	**22,074**	**27,944**	**33,317**	**39,284**	**46,305**

Source: Company, ICICI Direct Research

Exhibit 24: Key Ratios

(Year-end March)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Valuation						
No. of Equity Shares	13.3	13.3	13.3	13.3	13.3	13.3
EPS (₹)	28.2	34.2	35.4	42.5	49.0	56.3
BV (₹)	161.5	196.0	230.3	268.3	314.4	367.3
ABV (₹)	153.1	185.9	224.2	260.5	304.9	356.1
P/E	18.4	15.2	14.7	12.2	10.6	9.2
P/BV	3.2	2.6	2.3	1.9	1.7	1.4
P/adj.BV	3.4	2.8	2.3	2.0	1.7	1.5
Yields & Margins (%)						
Yield on interest earning assets	10.3%	9.3%	7.8%	8.4%	8.5%	8.6%
Avg. cost on funds	7.5%	6.4%	5.3%	5.9%	6.1%	6.1%
Net Interest Margins	3.4%	3.7%	3.2%	3.2%	3.1%	3.1%
Spreads	2.8%	3.0%	2.5%	2.5%	2.5%	2.5%
Quality and Efficiency						
Cost / Total net income	15.7%	15.3%	18.3%	17.3%	17.4%	17.5%
GNPA%	0.8%	0.9%	0.6%	0.7%	0.7%	0.8%
NNPA%	0.5%	0.6%	0.3%	0.3%	0.3%	0.4%
ROE (%)	19.1%	19.2%	16.6%	17.1%	16.8%	16.5%
ROA (%)	1.9%	2.1%	1.9%	1.8%	1.8%	1.8%

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey   Head – Research   pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093

research@icicidirect.com

ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA and Pravin Mule, MBA, M.com, Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.