GEOJIT

RETAIL EQUITY RESEARCH

Can Fin Homes Ltd. (CFHL)

NBFC

BSE CODE: 511196 NSE CODE: CANFINHOME

Bloomberg CODE: CANF:IN SENSEX: 31,847

BUY

Rating as per Mid Cap 12 month investment period

CMP Rs. 2,662 TARGET Rs. 3,060 RETURN 15%

10th October, 2017

Proxy to "Housing for All"

CFHL is a south based housing finance company (HFC) sponsored by Canara Bank with focus on Tier 1 and 2 cities.

- Focused approach along with implementation of well-defined strategies has helped CFHL to report robust CAGR of 38% and 40% in loan book and net profit, respectively over FY12-17.
- Going ahead, initiatives by the government like "Housing for all by 2022" and incentive like credit linked subsidy scheme will drive the business growth for all HFCs and CFHL is well placed to exploit this growth opportunity.
- We expect NII and PAT to grow at a robust pace of 25% and 30% CAGR, respectively over FY17-19E led by strong loan growth (25% CAGR) along with stable asset quality.
- Given the strong growth rate, unparalleled asset quality (Gross/Net NPA at 0.2%/0.0% as of FY17) and superior return ratios, CFHL will continue to command premium valuation within the HFC space. We initiate coverage on CFHL with a BUY rating and assign TP of Rs3,060 (P/ABV of 4.0x for FY19E).

Extensive product portfolio

CFHL offers ~24 loan products, under housing and non-housing, tailor-made for its niche customer segment. The products basket covers individual housing loans for construction, purchase, extension, repairs & renovation, site purchase, composite loan, loans for rural housing, loans for urban housing etc and non-housing loans like mortgage loans, personal loans to existing customers, loans for commercial property, loans for rent receivables etc. We believe that such an extensive product portfolio will help the company to drive robust CAGR of 26% in loan sanctions over FY17-19E.

Aggressive branch expansion to support strong business growth

CFHL has a strong marketing and distribution network of 170 outlets spread across 19 states comprising of 124 branches, 10 affordable housing loan centres (AHLCs) and 36 satellite offices. Notably, the company started branch expansion aggressively since FY12 under the leadership of Mr C. Ilango as compared to no branch addition in the preceding decade. Notably, the company's branches are strategically located outside cities to focus on small ticket customers (of below Rs2mn). As a result, the company's sanctions and disbursements grew at a strong CAGR of 37.6% and 41.0%, respectively over FY12-17. We believe that the renewed vigour to expand balance sheet and new branch additions in recent months will help the company to sustain a loan book growth of ~25% CAGR over FY17-19E.

Well placed to benefit from huge growth opportunities in housing finance area

Indian economy would require an investment of around USD1.0tn over the next five to seven years to meet the increasing infrastructure and housing demand at the current growth levels. Around 70–80% of the demand is expected to come from the housing sector especially from the small ticket affordable housing segment and Tier-II/III cities. CFHL is well placed to exploit huge growth opportunities as it is well capitalized with stable asset quality and has also marketing & distribution network in tier I and II cities across India.

Outlook and Valuations

CFHL has delivered healthy operating performance backed by strong business growth along with steady asset quality over the last five years. Given the strong traction in loan book expansion and sustained healthy asset quality (Gross/Net NPA at 0.2%/0.0% as of FY17), we expect the return ratios to improve further in the medium term. We project CFHL to deliver ~2%+ RoA over FY17-19E. Given the strong growth rate, unbeatable asset quality and superior return ratios, its premium valuations within the HFC space is justified. Thus, we initiate coverage on CFHL with a BUY rating and assign a target price (TP) of Rs3,060 (P/ABV of 4.0x for FY19E).

Company Data	
Market Cap (cr)	Rs. 7,086
Outstanding Shares (cr)	2.7
Free Float	57%
Dividend Yield (%)	0.4
52 week high	Rs. 3,333
52 week low	Rs. 1,252
6m average volume (cr)	0.01
Beta	1.1
Face value	Rs. 10

Shareholding (%)	Q3 FY17	Q4 FY17	Q1 FY18
Promoters	44.1	30.6	30.7
FII's	0.2	0.4	0.2
MFs/Insti	0.4	0.8	1.6
Public	55.2	68.2	67.6
Others	-	-	-
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-18.1%	14.2%	52.9%
Absolute Sensex	1.6%	7.2%	13.5%
Relative Return*	-19.7%	7.0%	39.4%

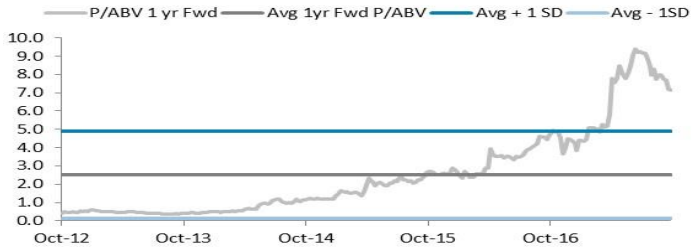
*over or under performance to benchmark index

Y.E Mar (Rs cr)	FY17	FY18E	FY19E
Net Interest Income	422	521	660
Growth (%)	*40%*	*23%*	*27%*
NIM (%)	3.5	3.5	3.6
Pre Pro Profit	388	480	614
Growth (%)	*42%*	*23%*	*28%*
Net Profit	235	307	394
Growth (%)	*49%*	*31%*	*28%*
EPS	88.4	100.4	128.7
Growth (%)	*50%*	*14%*	*28%*
P/E	18.0	26.5	20.7
P/BV	3.9	3.7	3.4
P/ABV	3.9	3.7	3.5
RoE (%)	24.1	18.6	17.0
RoA (%)	1.9	2.1	2.1

Valuations

CFHL is one of the best placed housing finance companies (HFCs) with best in class asset quality and strong return ratios. It is also the fastest growing HFC with a strong loan book CAGR of 38% over FY12-17. With high-quality management, the company has consistently been reporting healthy growth numbers. We expect CFHL's strong loan growth, higher NIM and stable asset quality to drive 29% CAGR in net profit over FY17-19E with an improvement in RoA from 1.9% in FY17 to 2.1% in FY19E. Moreover, we believe that CFHL is well placed to benefit from the government's various initiatives and focus on affordable housing segment. Besides, CFHL's ability to strengthen its loan book at a brisk pace (though on a small base) while maintaining stable asset quality has helped it to outpace its competitors. As a result, the company has seen a sharp re-rating in the past three years. However, given the company's pure focus on salaried class with very little exposure to loan against property (LAP), CFHL is expected to sustain a premium in its valuation multiple. Hence, we initiate coverage on CFHL with a BUY rating and assign a target price (TP) of Rs3,060 (P/ABV of 4.0x for FY19E).

1 Year forward P/ABV band



Source: Bloomberg, Geojit Research

CFHL is the largest bank-sponsored HFC in India with a clearly differentiated financial performance compared with other HFCs. When we compare CFHL with the peers, the company has outpaced its competitors in terms of loan book and earnings growth over the last five years. CFHL's loan book grew at a CAGR of 37.8% which was higher than that of Gruh (26.6%) and DHFL (33.1%) over FY12-17. Net Interest Income (NII) of CFHL grew by 38.2% CAGR over FY12-17 as compared to 24.3% for Gruh and 38.1% for DHFL. Net profit of CFHL also grew at much faster pace of 40.0% CAGR over FY12-17E vis-à-vis 19.8% for Gruh and 24.8% for DHFL. Further, CFHL's return on assets (RoA) improved by 19 bps to 1.9% as compared to 75 and 14 bps decline for Gruh (2.4%) and DHFL (1.6%), respectively over FY12-17. Similarly, return on equity (RoE) of CFHL improved by 1077 bps to 24.1% over FY12-17 as compared to decline of 376 and 292 bps for Gruh (30.5%) and DHFL (19.0%), respectively. Moreover, CFHL was successful in maintaining its credit quality with lowest Gross NPA of 0.2% as of FY17 as compared to 0.3% and 0.9% for Gruh and DHFL, respectively. Given such a consistent phenomenal performance over peers, we believe that the market will continue to rerate CFHL's valuation multiple upwards.

Peer comparison

Company	M Cap*	Loans	P/BV		
	Rs Cr	Rs Cr	FY17	FY18E	FY19E
CFHL	7,086	13,313	3.9	3.7	3.4
Gruh	19,322	13,244	17.3	14.2	11.7
DHFL	17,085	72,096	2.1	1.9	1.7

Company	RoE* (%)			RoA (%)		
	FY17	FY18E	FY19E	FY17	FY18E	FY19E
CFHL	24.1	18.6	17.0	1.9	2.0	2.1
Gruh	30.4	29.9	29.2	2.4	2.5	2.4
DHFL	16.8	17.0	17.3	1.2	1.2	1.2

*Source: Geojit Research; *As on October 09, 2017*
**For CFHL, Estimated RoE is calculated post capital infusion of Rs10.0bn at Rs2,500 per share.*

Investment Rationale

Extensive product portfolio

CFHL offers 24 loan products, under housing and non-housing, tailor-made for its niche customer segment. The products basket covers individual housing loans for construction, purchase, extension, repairs and renovation, site purchase, composite loan, loans for rural housing, loans for urban housing etc and non-housing loans like mortgage loans, personal loans to existing customers, loans for commercial property, loans for rent receivables etc. CFHL introduced a fixed loan product called IHL Super and various products under credit linked subsidy scheme (CLSS) under Pradhan Mantri Awas Yojana (PMAY) for economically weaker sections (EWS), lower income group (LIG) and MIG (middle income groups) in FY17. Notably, being a housing finance company (HFC), home loans dominate with a share of 88%, followed by non-housing loans at 12%. Share of the salaried segment at 75% dominates the customer mix. We believe that such an extensive product portfolio will help the company to drive robust CAGR of 26% in loan sanctions over FY17-19E.

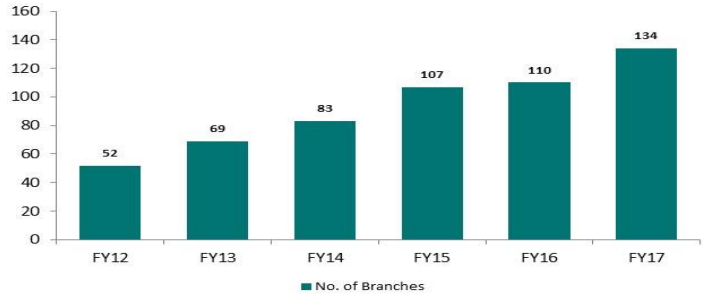
Aggressive branch expansion to support strong business growth

CFHL has a strong marketing and distribution network of 170 outlets spread across 19 states comprising 124 branches, 10 AHLCs and 36 satellite offices. Notably, the company started aggressive branch expansion since FY12 under the leadership of Mr C. Ilango, compared with no branch addition in the preceding decade. Moreover, CFHL introduced the concept of 'Affordable Housing Loan Centres' (AHLCs) to exclusively provide smaller ticket size loans under CLSS, PMAY Urban Housing and PMAY Rural Housing schemes. Under this initiative, the first tranche of 10 AHLCs were opened in Q4FY17 by upgrading existing satellite offices. Remarkably, CFHL was the first HFC to have exclusive AHLCs under 'Housing for all' initiative by the Government.

Going forward, CFHL plans to add 22 new branches in FY18E. Of this, 10 have been added in Q1FY18 itself. Further, the company plans to add 20 affordable housing loan centres (AHLC) in FY18E. So far, 12 satellite offices have already been converted to AHLCs.

Apart from the above branch network, the company utilizes the services of direct selling agents (DSA) to source business. There are 685 active DSAs and the business secured through them amounts to 54% of the total sanctions in FY17. We believe that the renewed vigour to expand the balance sheet and new branch additions in recent months will help the company to sustain strong business growth in the near to medium term.

Aggressive branch expansion to support business growth



Source: Company, Geojit Research

Niche presence in metro and non-metro markets

CFHL is a play on the high-growth Indian housing finance industry which is driven by growing urbanization, rising income levels, low penetration of housing finance and shortage of houses. The company has created a niche for itself by focusing on low-ticket loans in Tier 1 & Tier 2 cities as operating hassles and cost compulsions prevent banks from entering this segment. Further, the company has strategically opened most of its branches outside cities to cater small ticket customers.

Low ticket sizes offer huge growth potential

CFHL has strategically targeted the low-ticket-size housing finance segment to benefit from high growth and low competition from banks. The average ticket size (ATS) of incremental housing and non-housing loans are Rs1.8mn and Rs1.0mn, respectively. The lower ticket size also mitigates high concentration risk to a single borrower. Loan to value (LTV) ratios are also conservative with housing loan at 62% and mortgage loan at 33%. Going forward, we expect this trend to continue.

Faster turnaround time - key competitive advantage

CFHL has been able to achieve faster turnaround times owing to its robust loan origination system, which allows real-time transmission & review of loan applications with a personalized focus at any point in time. The company's turnaround time (TAT) is among the lowest in the industry. We believe that faster turnaround time right from loan origination (as fast as 2-3 weeks) to the release of deed has provided the company with a competitive edge, which it can leverage to increase its customer base.

Indian real estate sector to grow at a 11.2% CAGR

The Indian real estate sector is expected to have doubled itself since 2008 and is currently valued around Rs 7 Lakh Crore. The sector share in the Indian GDP has stayed constant between 7-8% over the past five years, is expected to touch USD180bn by 2020, reflecting a CAGR of 11.2% over FY08-20.

Source: Company, Geojit Research

Low mortgage penetration

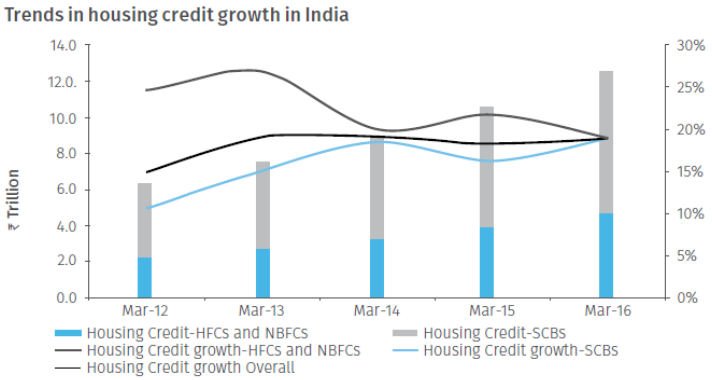
Over the last couple of years, the Indian mortgage industry has shown some promising growth numbers, as it continuously registered double-digit growth numbers. India's housing finance market still remains under penetrated with mortgage to GDP ratio at 9% in comparison to many emerging Asian countries (average: 20%+). Thus, a lower mortgage penetration compared to advanced and emerging economies implies a huge opportunity for future growth.

Rapidly rising urban population

India is projected to add 300 mn new urban residents by 2050. In order to meet the needs of the growing population, it needs to build climate friendly cities to address the challenge of accommodation. Rising demand for housing in tier II and tier III cities has led to an increase in housing finance requirement in urban areas.

Huge growth opportunities in affordable housing finance space

India's housing finance market is currently worth Rs9.7tn and has achieved a steady growth over the last three years. The total housing credit outstanding in India as on FY16 was around Rs12.5tn, registering 19% YoY growth. The housing credit growth was supported by disbursements of construction linked loans, growth in the small ticket affordable housing segment and demand from Tier-II/III cities. Notably, the home loan growth for large HFCs (HFCs with assets under management greater than Rs450bn) was lower at 15% YoY vis-à-vis home loan growth of 36% YoY for smaller HFCs during FY16 leading to an overall growth of 19%. The portfolio growth of small HFCs benefitted from their increased focus on faster growing segments like affordable housing finance, self-employed borrower segments and rise in new entrants.



Source: Company, Geojit Research

Going forward, the Indian economy would require an investment of around USD1.0tn over the next five to seven years to meet the increasing infrastructure and housing demand at the current growth levels. Around 70–80% of the demand is expected to come from the housing sector while the balance is expected to come from initiatives like smart cities, infra-linked real estate projects like airports, railways and urban transport, and development of industrial corridors like DMIC. Hence, with a rising mortgage volume, banks and HFCs will continue to register mid to high teens growth over next five years.

Key budgetary announcements to support housing sector growth further

Under the scheme for profit-linked income tax deduction for promotion of affordable housing, the qualifying criteria for affordable housing has been revised to 30 square metres and 60 square metres on carpet area rather than on super built up area in the four main metros and non-metros, respectively. This effectively increases the size of affordable housing market across India.

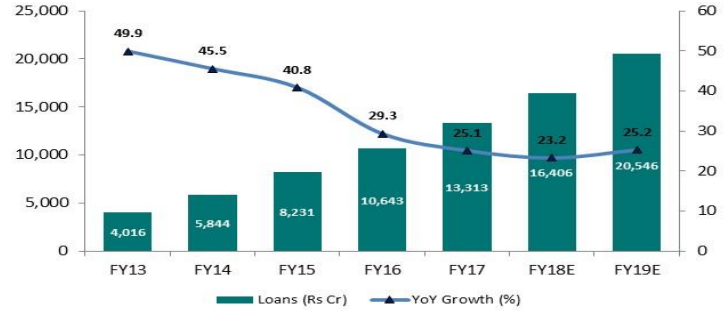
Besides, the government also introduced a new Credit Linked Subsidy Scheme (CLSS) for the mid-income group with a provision of Rs10.0bn. Further, the budget also increased allocation to PMAY from Rs150.0bn to Rs230.0bn in the rural areas and tenure of loans under the CLSS of Pradhan Mantri Awas Yojana (PMAY) has been increased from 15 to 20 years.

Financial Analysis

Loan book to grow at a healthy CAGR of 25% over FY17-19E

CFHL has seen significant turnaround in its performance post management change in FY12 as its loan book grew at a strong CAGR of 38% over FY12-17 as compared to just 7% over FY07-12. This was mainly driven by 41% CAGR in disbursements during the same period. Notably, despite recent slowdown in real estate market in some parts of the country, stiff competition from Banks & HFCs, the loan book continued to grow at an impressive pace of 16% YoY during FY17. Going forward, we believe that loan growth momentum would continue and expect it to grow at a CAGR of 25% over FY17-19E on the back of lower interest rates coupled with the government's push for housing for all by 2022 and stringent steps taken to bring transparency in the real estate sector.

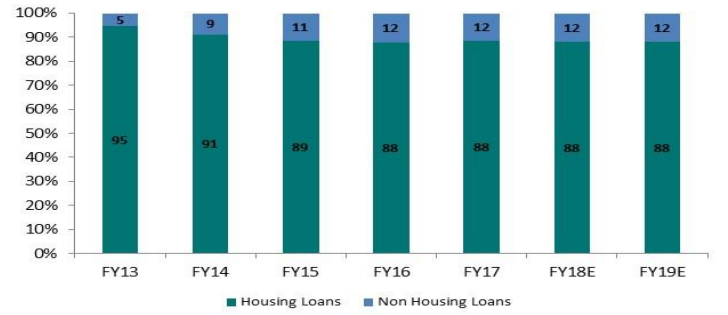
Loan book to grow at 25% CAGR over FY17-19E



Source: Company, Geojit Research

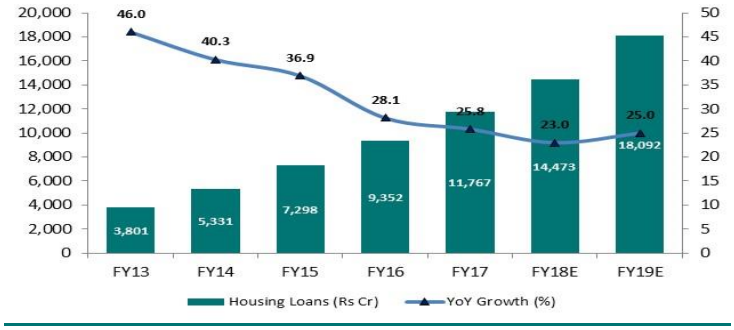
CFHL has grown its housing loan book by 35% CAGR over FY12-17 while its non-housing loan book, on a low base, grew by 83% CAGR during this period. As a result, the share of non-housing segment has increased to 12% as of FY17 from just 3% as of FY12. The customer profile continues to be dominated by the salaried and professional category, accounting for 75% of the total portfolio.

Increasing share of non-housing loans



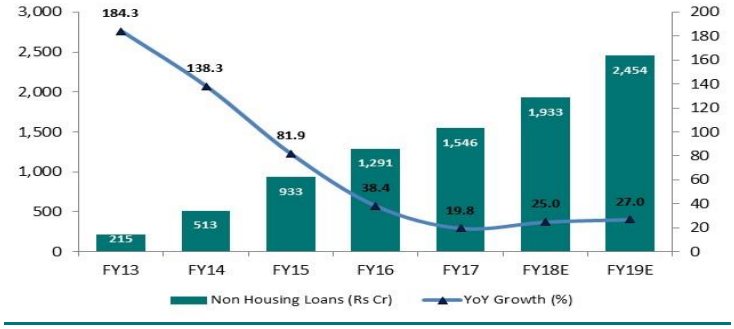
Source: Company, Geojit Research

Housing loans to grow at 24% CAGR over FY17-19E



Source: Company, Geojit Research

Non-housing loans to grow at 26% CAGR over FY17-19E

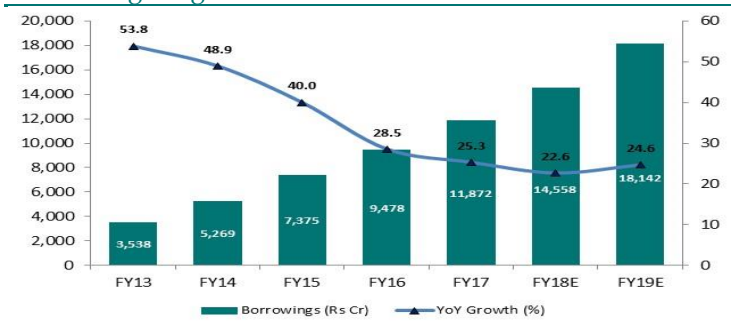


Source: Company, Geojit Research

Well diversified borrowing mix

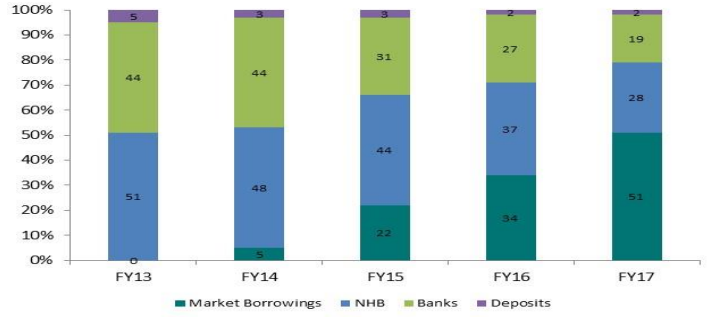
CFHL has a well-diversified borrowing mix across banks, non-convertible debentures (NCDs), commercial papers (CPs), National Housing Bank (NHB) and deposits (FDs). Due to its strong parentage, the company enjoys easy access of bank borrowings. Hence, about 44% of borrowings used to come from banks at a base rate as of FY13. However, to reduce the borrowing cost further and improve the margins and profitability, the company has increased the proportion of market borrowings (includes money market instruments like NCDs and CPs) to 51% as of FY17 from nil in FY13. Notably, the company enjoys strong AAA ratings for long term borrowings and A1+ for short term borrowings.

Borrowings to grow at 24% CAGR over FY17-19E



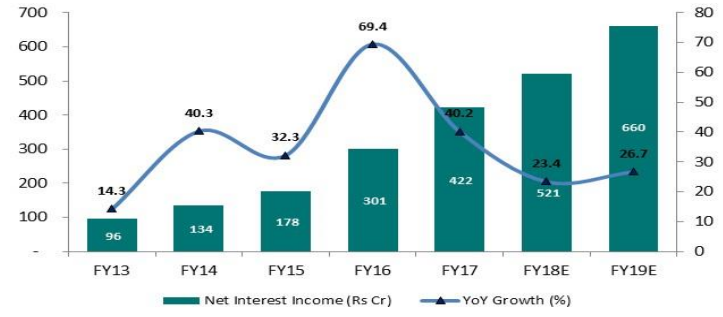
Source: Company, Geojit Research

Well diversified borrowings mix



Source: Company, Geojit Research

NII to grow at a CAGR of 25% over FY17-19E

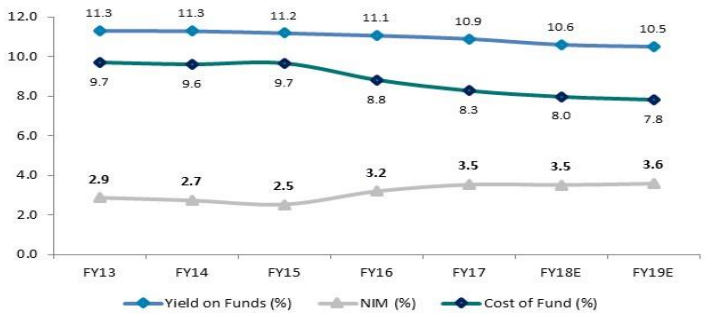


Source: Company, Geojit Research

NIM to remain stable

The company has successfully improved its net interest margin (NIM) trajectory to 3.5% in FY17 from 2.5% in FY15 by changing asset mix and diversifying borrowing mix. Going forward, we expect easing interest-rate cycle and improving borrowing profile to continue to aid reduction in cost of funds. However, the entire benefit will not be reflected in NIM as it will get partially offset by declining yield on advances given the intense competition from banks and other financial players. Hence, we expect CFHL's margin to remain broadly stable around current level of 3.5-3.6% over FY17-19E.

Margins to remain broadly stable at 3.5% over FY17-19E



Source: Company, Geojit Research

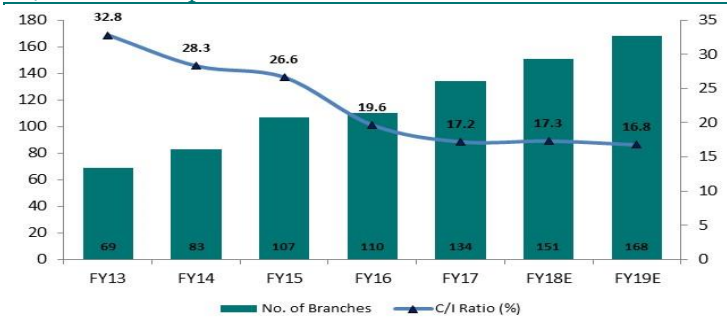
Strong loan growth and stable NIM to drive NII

CFHL's net interest income (NII) has grown at a CAGR of over 38.2% over FY12-FY17 which was in line with the steady increase in its loan book and interest spread during the same period. Henceforth, we expect the company to register NII CAGR of over 25.1% over FY17-19E mainly supported by strong loan growth along with stable NIM.

Productivity to improve despite continuous investment in branches

Even though the company has almost doubled the number of branches in last four years (134 as of FY17 as compared to 69 as of FY13), the cost to income (C/I) ratio has improved considerably to 17.2% in FY17 from 32.8% in FY13. This was led by improving efficiency of branches on the back of various cost reduction programs. As a part of this program, CFHL also introduced the cluster concept during FY17 wherein five clusters have been formed with a senior executive heading each cluster. This move is likely to help the company to improve its operational efficiency further. Given the faster turnaround in branches, higher business volumes and operating efficiencies, we expect C/I ratio to improve further (albeit at a slower pace) to 16.8% in FY19E.

C/I ratio to improve further to 16.8% in FY19E

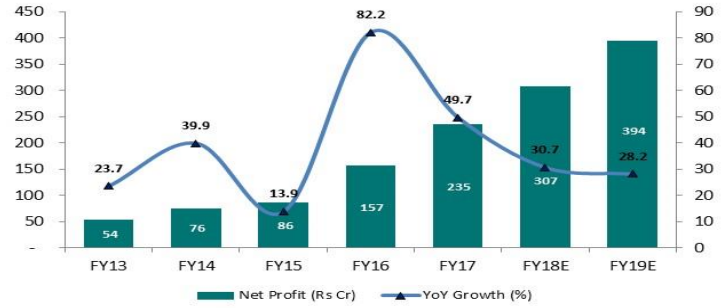


Source: Company, Geojit Research

Consistent increase in net profit to continue

CFHL has delivered strong net profit CAGR of 40.0% over the last five years backed by healthy growth in loan book and consistent improvement in operating efficiency along with stable asset quality. Going forward, we expect the net profit to grow at a CAGR of 29.4% over FY17-19E.

Net profit to grow at a CAGR of 29% over FY17-19E

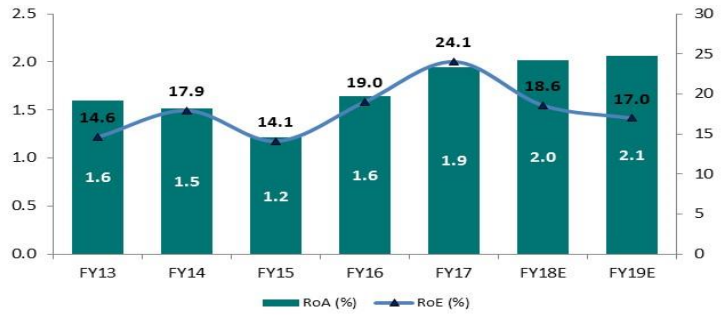


Source: Company, Geojit Research

Superior return profile

The company has reported 35 bps expansion in Return on Assets (RoA) to 1.9% and 943 bps expansion in Return on Equity (RoE) to 24% over FY13-17. This improvement in return ratios was fueled by 35% loan book CAGR over the same period, margin expansion by 66 bps, reduction in the C/I ratio by 797 bps along with low credit costs (10-20bps) on the back of stable asset quality. Going forward, we expect improvement in return ratios to continue and project RoA to cross 2.0% level by FY18E.

RoA to cross 2.0% mark by FY18E

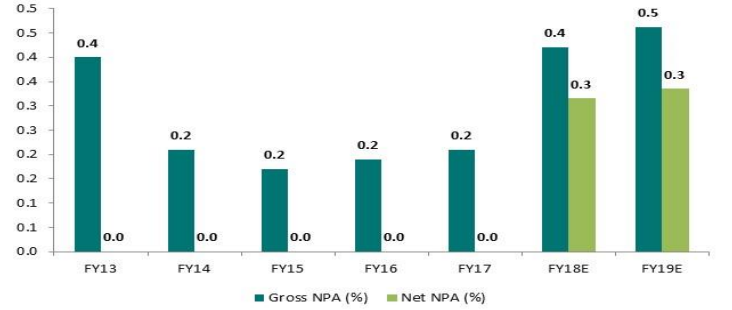


Source: Company, Geojit Research

Best in class asset quality

In addition to healthy profitability, CFHL has maintained an impressive asset quality matrix. With CFHL's relentless focus on asset quality, the company has been able to maintain one of the lowest Gross non-performing assets (NPA) levels among its peers with zero Net NPA level. Notably, the company has maintained a provisioning coverage ratio (PCR) of 100% since FY10 led by improving asset quality matrix. The company's Gross/Net NPA stood at 0.2%/0.0% as of FY17. The robust asset quality matrix is the result of 1) clear focus on retail salaried borrowers, 2) negligible exposure to builder loans, 3) robust assessment and follow-up of the Special Mention Accounts (SMA) at the incipient stage and 4) centralised processing of loan applications above Rs3.0mn ticket size. Importantly, the company has in-house lawyers and asset valuation personnel who aid better assessment of borrowers and help contain asset quality stress. Besides, the company is conservative with loan to value (LTV) ratio of 62% for housing loans and 33% for loan against property (LAP). Going forward, we expect NPA in housing finance to rise over FY17-19E given the uncertain environment post implementation of Real Estate Regulatory Act (RERA). While we are building a gradual rise in CFHL's NPAs over FY17-19E (Gross NPA of 0.5% and Net NPA of 0.3% by FY19E) on the back of an unseasoned book and increasing share of the self-employed, we continue to see it as best placed in terms of asset quality in the HFC space.

Asset quality ratios to remain broadly stable over FY17-19E

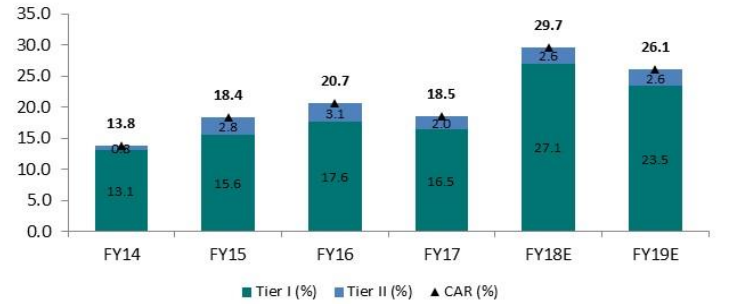


Source: Company, Geojit Research

Capital raising plans to fuel loan growth

CFHL is in a comfortable position on the capital front with capital adequacy ratio (CAR) at 18.5% and Tier I ratio at 16.5% as of FY17. However, given the strong growth momentum in loan book, the board has approved a plan to raise capital of upto Rs10bn through rights issue. The capital infusion will help fuel growth for the company. We have already built in equity capital dilution in our estimates and factored dilution at Rs2,500 per share.

Capital raising to fuel loan growth and increase book value



Source: Company, Geojit Research

Can Fin Homes Ltd.: Business overview

Can Fin Homes Ltd. (CFHL) is a housing finance company (HFC) sponsored by Canara Bank. It was set up in 1987. The company offers a range of products on housing finance, such as loans for home purchase, home construction, home improvement/extension and site purchase as well as non-housing finance. It has 132 branches, 12 affordable housing loan centres (AHLCs) & 33 satellite offices spread across 19 states. Out of total branches, 70% are in southern India and the remaining 30% are in Northern India. Notably, most of its branches are located outside cities and mainly cater to customers requiring relatively smaller loans (of up to Rs2.0mn) that are also eligible for interest subvention. Apart from the branch network, the company utilises the services of 685 direct selling agents (DSA).

Being an HFC, home loans dominate with a share of 88%, followed by non-housing led by loan against property (LAP) & commercial housing loans at 12% and builder loans at 0.2%. Share of the salaried segment at 75% dominates the customer mix. CFHL's average ticket size for housing loan and mortgage loan stand at Rs2.0mn and Rs1.0mn, respectively. The company's loan to value (LTV) ratios are also conservative with housing loan at 62% and mortgage loan at 33%.

CFHL enjoys a 5-Star rating from the NHB for refinance and an AAA rating for long-term financing. Canara Bank is the promoter with a 30% stake, followed by Caladium investment at 13% and Chhattisgarh Investments at 10%.

Key risks:

- **Intense competition:** CFHL's ability to grow its balance sheet while maintaining profitability and quality depend on the intensity of competition. While the current competitive landscape is comfortable, further intensification and its potential implications on underwriting standard could disturb the balance between growth, quality and profitability.

- **Concentration risk:** The company has 40% of loan book only in Karnataka. Deep slowdown in south market may affect business growth, asset quality and earnings materially. CFHL has been expanding outside the south region which will bring in the much-needed diversification but only in the long term.

- **Precipitous correction and prolonged down cycle of real estate price:** Steep price correction in real estate market could heighten the risk of deteriorating asset quality.

Standalone Financials

Profit & Loss Account

Y.E March (Rs cr)	FY15	FY16	FY17	FY18E	FY19E
Interest Income	788	1,044	1,306	1,576	1,941
Interest Expense	610	743	884	1,055	1,280
Net Interest Income	**178**	**301**	**422**	**521**	**660**
% Change	*32.3*	*69.4*	*40.2*	*23.4*	*26.7*
Non-Interest Income	29	39	47	59	77
Net Income	**207**	**340**	**469**	**580**	**737**
Operating Expenses	55	67	81	100	124
Total Income	**817**	**1,084**	**1,353**	**1,635**	**2,018**
Total Expenditure	**665**	**810**	**965**	**1,155**	**1,404**
Pre-Provisioning Profit	**152**	**273**	**388**	**480**	**614**
% Change	*36.3*	*80.1*	*42.1*	*23.5*	*28.0*
Provisions	14	19	19	26	32
Profit Before Tax	**137**	**254**	**370**	**454**	**581**
Tax	51	97	135	146	187
Tax Rate (%)	*37*	*38*	*37*	*32*	*32*
Net Profit	**86**	**157**	**235**	**307**	**394**
% Change	*13.6*	*82.2*	*49.4*	*31.0*	*28.2*
No. of Shares (cr)	13	13	13	15	15
EPS (Rs)	32.4	59.0	88.4	100.4	128.7
% Change	*(12.3)*	*82.2*	*49.7*	*13.6*	*28.2*

Balance Sheet

Y.E March (Rs cr)	FY15	FY16	FY17	FY18E	FY19E
Liabilities					
Capital	27	27	27	31	31
Reserves & Surplus	745	852	1,050	2,201	2,380
Borrowings	7,375	9,444	11,872	14,194	18,142
Provisions	124	189	208	262	335
Other Liabilities	64	244	301	311	313
Total Liabilities	**8,334**	**10,756**	**13,458**	**16,998**	**21,201**
Assets					
Cash & Bank Balances	8	17	20	387	332
Investments	15	15	16	18	21
Advances	8,302	10,715	13,411	16,581	20,834
Fixed Assets	9	9	10	12	14
Other Assets	0	0	0	0	0
Total Assets	**8,334**	**10,756**	**13,458**	**16,998**	**21,201**

Ratios

Y.E March (Rs)	FY15	FY16	FY17	FY18E	FY19E
EPS	32.4	59.0	88.4	100.4	128.7
DPS	7.0	10.0	0.0	10.0	16.4
BV	290.0	330.0	404.5	728.7	787.4
ABV	290.0	330.0	404.5	711.8	764.9
Valuation (%)					
P/E	14.1	15.3	18.0	26.5	20.7
P/BV	1.6	2.7	3.9	3.7	3.4
P/ABV	1.6	2.7	3.9	3.7	3.5
Div. Yield	1.5	1.1	0.0	0.4	0.6
Spreads (%)					
Yield on Funds	11.2	11.1	10.9	10.6	10.5
Cost of Funds	9.7	8.8	8.3	8.0	7.8
Capital (%)					
CAR	18.4	20.7	18.5	29.7	26.1
Tier-I	15.6	17.6	16.5	27.1	23.5
Tier-II	2.8	3.1	2.0	2.6	2.6
Asset (%)					
GNPA	0.2	0.2	0.2	0.4	0.5
NNPA	0.0	0.0	0.0	0.3	0.3
Management (%)					
Debt/Equity	9.6	10.7	11.0	6.4	7.5
Cost/Income	26.6	19.6	17.2	17.3	16.8
Earnings (%)					
NIM	2.5	3.2	3.5	3.5	3.6
ROE	14.1	19.0	24.1	18.6	17.0
ROA	1.2	1.6	1.9	2.0	2.1

Recommendation Summary (last 3 years)

Source: Bloomberg, Geojit Research

Dates	Rating	Target
10-Oct-2017	BUY	3,060

*Initiating Coverage

Investment Rating Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	**Upside is 10% or more.**	**Buy**	-	**Upside is 15% or more.**
Hold	-	**Upside or downside is less than 10%.**	**Accumulate***	-	**Upside between 10% - 15%.**
Reduce	-	**Downside is 10% or more.**	**Hold**	-	**Absolute returns between 0% - 10%.**
			Reduce/Sell	-	**Absolute returns less than 0%.**

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.
* For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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KAUSHAL KANUBHAI PATEL Digitally signed by KAUSHAL KANUBHAI PATEL Date: 2017.10.10 12:40:48 +05'30'