



COMPANY NAME	: GIC Housing Finance
BSE Code	: 511676
Time Duration	: 1 year
CMP	: ₹247.40 (as on 18 July., 2019)
Target Price	: ₹309

The Mid Bridge recommendation for this month is GIC Housing Finance Ltd. It is exclusively engaged in the housing finance business. It was founded by GIC Re, along with subsidiaries such as National Insurance Co Ltd, New India Assurance Co Ltd, The Oriental Insurance Co Ltd and United India Insurance Co Ltd together with UTI, ICICI, IFCI, HDFC and SBI, which later on sold their holdings in GIC HF and ceased to be the promoters of the company. GIC HF provides individual housing loans to the middle to low income groups in Tier-II and Tier-III cities. The company has a widespread network of more than 70 branches.

Robust loan book growth

GIC Housing Finance's loan book has grown at a CAGR of 18.12 per cent in five years ending FY19. It focuses largely on housing loans, which constitute nearly 85 per cent of its total loan book. It continued its growth momentum to post loan book growth of 18.46 per cent YoY in FY19 to Rs. 12535 crore. Its disbursements and sanctions however de-grew by 3 per cent YoY and 6 per cent YoY, respectively, during the same period owing to slowdown in NBFC market because of the recent liquidity crunch.

Low credit risk

It primarily lends to salaried individuals along with some exposure to self-employed persons. Its exposure to self-employed persons has increased from 25 per cent in FY16 to 28 per cent in FY19. The company has one of the highest gross NPAs in comparison to its peers. Net NPAs also rose to 2.5 per cent, which is highest ever. One of the reasons for relatively higher NPAs is its reluctance to sell off dud assets. Increasing share of loans to self-employed with focus on mid-income group continues to make its portfolio vulnerable. The customer profile would continue to be dominated by salaried class in FY20.

Industry spread to show the way ahead

GIC Housing Finance has regionally concentrated business network in western India. Its major peer such as LIC Housing Finance operates with pan-India network with 273 marketing offices.

India's housing finance market has more than 80 players, but 78% of the market share is dominated by top five players. With an average loan size of Rs. 30 lakh and total housing demand of 12 to 20 million units, housing sector in India is considered as a leading growth driver with a market size of more than Rs 28 lakh crore. Thus, the growth opportunities for HFCs in India remain strong.

Government's focus on affordable housing

The government's focus on affordable housing is the biggest boost for housing finance companies. With strong retail exposure, GIC Housing can be considered as key beneficiary of any positive development in the sector. The government made few important announcements such as tax holiday for developers of affordable housing and additional deduction of Rs. 1.5 lakh (Rs. 3.5 lakhs in total) on interest on loan borrowed up to March 31, 2020 with a ticket size of Rs. 45 lakh and total benefit of Rs 7,00,000 on interest over loan tenure of 15 years. The Union budget proposed one very important announcement that the HFCs will be regulated by the RBI instead of the NHB. The necessary provisions have been made in the finance bill. Since the RBI will be the sole regulator for HFCs, there will be regulatory clarity that can avoid ambiguity.

Comfortable capitalisation

GIC Housing's cash availability is comfortable. It has net worth of Rs. 1,034 crore and Tier-I capital adequacy ratio (CAR) of 16.24 per cent. The company is expected to maintain its capitalisation over the medium term, given the management's stable growth plans.

Financial performance

The company has shown strong financial stability over the last few years. Its net profit for the last three years grew by CAGR 21.45 per cent till FY19. Further, its NII has grown at a CAGR of 17 per cent from FY14 to FY19, which was mostly led by its well-planned borrowing and efficient recovery. For FY19, its NIM stood at 2.33 per cent. Given the challenges faced by the industry, the numbers can be considered as positive.

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Valuation and outlook

The stock is currently trading at TTM PE multiple of 8x and TTM EPS of Rs 32. Going ahead, we expect that the housing finance sector will see sharp recovery, led by key measures taken by the government in the affordable housing segment. In addition to

this, its expansion in regions other than Maharashtra is another positive for the company. It is also expanding its presence gradually to Uttar Pradesh, Karnataka, and Telangana. Hence, looking at the positive sentiment for the sector and the larger scope of growth in the future, we recommend BUY for the scrip with a target price of Rs. 309.

Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201903	201803	201703	201603	201503
Net Sales	1224.78	1126.37	1000.21	874.44	730.91
Total Income	1227.66	1128.40	1001.74	876.37	732.74
Total Expenditure	114.60	143.17	106.10	83.79	66.60
PBIDT	1113.06	985.23	895.64	792.58	666.14
PAT	171.81	184.43	147.73	124.50	102.96
Dividend %	55.00	55.00	50.00	50.00	50.00
Adj. EPS(Rs)	31.91	34.25	27.43	23.12	19.12

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201903	201812	Q on Q Var%	201803	Y on Y Var%
Net Sales	323.49	305.67	5.83	292.48	10.60
Total Expenditure	28.62	32.35	-11.53	24.13	18.61
PBIDT (Excl OI)	294.87	273.81	7.69	268.35	9.88
PAT	50.99	35.02	45.60	66.40	-23.21
PBIDTM% (Excl OI)	91.15	89.43	1.92	91.75	-0.65
PBIDTM%	91.41	89.43	2.21	92.03	-0.67
PATM%	15.76	11.44	37.76	22.70	-30.57
Adj. EPS(Rs)	9.47	6.50	45.69	12.33	-23.20



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