

# INDIABULLS HOUSING FINANCE

## Steady quarter; challenges ahead, but navigable

India Equity Research | Banking and Financial Services



Indiabulls Housing Finance's (IHFL) Q2FY19 is characterised by a steady core operating performance with AUM growth sustaining at 29% and earnings growing 20%-plus. However, amid the currently tight liquidity situation, management is focusing more on liquidity management than growth. This will lead to a near-term reset in growth, NIMs and return ratios. We anticipate AUM growth would trend near 25% and expensive incremental borrowing would weigh on NIMs. Asset quality – though stable currently (with Stage 3 assets at 0.77%) – will be a key variable if liquidity tightness persists for a while. That said, IHFL's proven track record, comfortable liquidity position, reaffirmation of credit ratings and stringent risk mitigants suggest it will traverse through these challenges relatively smoothly. In our note "[Liquidity woes: Tempered growth, multiples; shift to quality](#)" dated 25 September, we trimmed asset growth, earnings and valuation multiples. Maintain 'BUY' with TP of INR1,258.

### Focus on liquidity management over growth

Growth momentum sustained with AUM growth of 29% YoY to INR1.29tn. In the current operating environment, management's near-term aim is to focus more on liquidity management than growth. However, given adequate liquidity, rating reaffirmation (best-in-class) moderation in growth will be lower than peers, we anticipate growth of 25–27% (versus 30–35% earlier). However, at the same time, currently tight liquidity implies heightened risk to incremental funding cost, which can weigh on NIMs.

### Asset quality steady, but key variable if tight liquidity persists

Asset quality is steady with Stage 3 assets at 0.77% (similar to GNPLs) although it retained the INR10.5bn ad hoc provision. CRISIL's grading of LAP indicates IHFL's disbursements tilt towards LAP1/2 grading (highest/high quality), forming 9.6%/82.3% to date (6.5%/79.5% in FY16). A higher proportion of in-house sourcing (>90%) and focus on low-risk LRD enabled IHFL to maintain stable asset quality. However, for the industry, the way real estate portfolio plays out will be a key variable if tight liquidity persists.

### Outlook and valuations: Likely to navigate smoothly; maintain 'BUY'

Near-term disruptions in bond markets increase earnings risks for NBFCs/HFCs. However, IHFL's proven track record, comfortable liquidity position, reaffirmation of credit ratings and stringent risk mitigants should help it navigate these challenges relatively smoothly. The stock is trading at 2.4x FY20E P/BV. We maintain 'BUY/SP'.

#### Financials (Standalone)

Year to March	Q2FY19	Q2FY18	Growth (%)	Q1FY19	Growth (%)	FY18	FY19E	FY20E
Net revenue	15,036	14,390	4.5	15,887	(5.4)	64,279	72,814	84,046
Net profit	9,333	8,038	16.1	9,680	(3.6)	35,665	40,203	45,651
Dil. EPS (INR)						84.1	94.9	107.7
Adj. BV (INR)						297.2	345.1	399.1
Price/Adj book (x)						3.2	2.7	2.4
Price/Earnings (x)						11.3	10.0	8.8

\*Note: Q2/Q1FY19/Q2FY18 are as per IND-AS & balance on IGAAP. so not strictly comparable

Edelweiss Research is also available on [www.edelresearch.com](http://www.edelresearch.com), Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

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 949
Target Price	: INR 1,258
52-week range (INR)	: 1,440 / 752
Share in issue (mn)	: 426.7
M cap (INR bn/USD mn)	: 405 / 5,485
Avg. Daily Vol.BSE/NSE('000)	: 2,437.8

#### SHARE HOLDING PATTERN (%)

	Current	Q1FY19	Q4FY18
Promoters *	21.6	21.6	23.5
MF's, FI's & BK's	14.5	14.5	14.1
FII's	54.0	54.0	53.3
Others	9.9	9.9	9.2
* Promoters pledged shares (% of share in issue)			NIL

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(22.0)	(11.1)	(11.6)
3 months	(18.1)	(5.1)	(7.6)
12 months	(25.6)	3.1	0.4

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October 15, 2018

## Banking and Financial Services

**Table 1: Key takeaways from Q2FY19 earnings**

(INR mn)	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Interest income	36,129	30,063	20.2	36,011	0.3	
Interest expense	23,783	18,607	27.8	22,007	8.1	
Net interest income	12,347	11,455	7.8	14,004	(11.8)	Expensive incremental borrowing to weigh on NIMs
Non-interest income	2,689	2,934	(8.4)	1,883	42.8	
Net revenues	15,036	14,390	4.5	15,887	(5.4)	Revenue momentum softer on account of higher MTM losses (INR600mn) during the quarter
Operating expenses	2,138	2,025	5.6	2,325	(8.0)	Controlled opex benefiting from e-Home loan and Smart City home loan initiatives
-Staff expense	1,832	1,619	13.1	1,938	(5.5)	
-Depreciation	91	66	37.4	75	20.6	
-Other opex	216	340	(36.4)	312	(30.7)	
Operating profit	12,897	12,365	4.3	13,562	(4.9)	
Provisions	400	2,000	(80.0)	650	(38.5)	Asset quality steady with credit cost curtailed
Profit before tax	12,497	10,365	20.6	12,912	(3.2)	
Tax expense	3,165	2,326	36.0	3,233	(2.1)	
Profit after tax	9,333	8,038	16.1	9,680	(3.6)	
EPS (INR)	21.7	18.7	15.9	22.5	(3.6)	
<b>Key Metrics</b>						
AUM	12,90,000	10,02,570	28.7	12,59,630	2.4	AUM growth trace > 29% growth momentum, however, focus near term will be on liquidity management which will feed into below trend growth
Disbursements	1,10,340	95,042	16.1	1,08,000	2.2	
GNPA	9,699	7,820	24.0	9,825	(1.3)	
GNPA (%)	0.8	0.8		0.8		Asset quality continues to be pristine
NNPA (%)	0.6	0.3		0.6		
Spreads (%)	3.2	3.3		3.2		

Source: Company, Edelweiss research

**Table 2: Reconciliation of P&L for Q2FY18 under IND-AS**

(INR mn)	Q2FY18
Profit after tax as per previous GAAP	8,610
<b>IndAS adjustment:</b>	
Adjustment on account of EIR for financial assets and liabilities recognised at amortised cost	(1,000)
Adjustment on account of net gain on excess interest spread on assignment	1,130
Adjustment on account of Expected Credit Loss	(180)
Adjustment due to fair valuation of employee stock options	(170)
Other Adjustments	160
Tax Impact on above including reversal of Deferred Tax Liability on 36 (1) (viii) for the quarter	60
Adjusted PAT	8,610

Source: Company, Edelweiss research

**Table 3: Asset quality steady - ECL provisions for stage 3 at 25%**

(INR mn)	Q1FY18	Q1FY19	Q2FY19
Gross Stage 3	7,600	9,800	9,900
% Portfolio in Stage 3	0.8	0.78	0.77
ECL Provision Stage 3	1,800	2,400	2,500
Net Stage 3	5,700	7,400	7,500
Coverage Ratio % Stage 3	24.0	25.0	25.0
Gross Stage 1&2	9,36,900	12,49,800	12,79,100
% Portfolio in Stage 1&2	99.2	99.2	99.2
ECL Provision Stage 1&2	2,700	3,200	3,700
Coverage Ratio % Stage 1 & 2	0.3	0.3	0.3

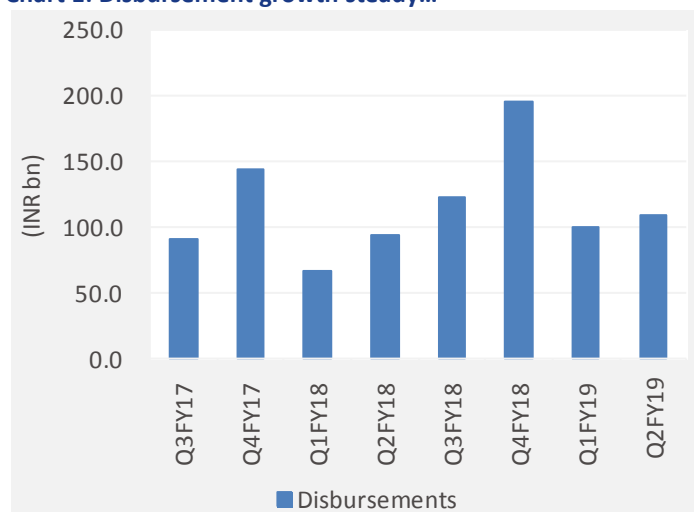
**Table 4: LAP portfolio graded by CRISIL, > 90% graded LAP1/LAP2**

Grading			Segment Characteristics			
Grading Scale	Quality of LAP loans	Disbursal - Apr'15 - Sep'18 (%)	Interest service coverage ratio (x)	Total outstanding liabilities / Total networth (x)	LTV (%)	EBITDA margins (%)
LAP2	High	82.2	8.2– 10.3	2.0 – 2.1	50.0	12 – 16
LAP3	Average	8.9	7.9 – 9.9	2.8 – 3.0	53.0	9 – 12
LAP4	Below Average	0.2	13.4 – 18.2	1.7 – 1.8	47.0	13 – 16
LAP5	Poor	0.2	8.8– 11.4	2.3 – 2.4	50.0	13 – 16

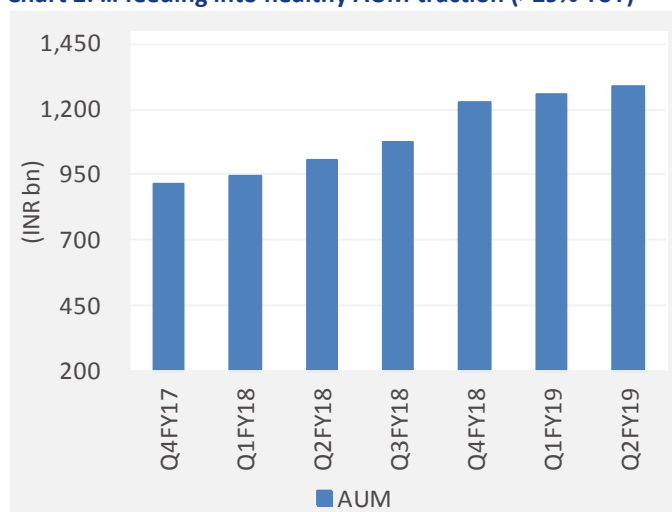
**Table 5: LAP portfolio graded by ICRA**

Grading Scale	Grading		Characteristics	
	Level of credit worthiness	Grading distribution	Median LTV (%)	Median FOIR (%)
LAP1	Excellent	12.2	25.0	32.0
LAP2	Good	67.5	54.0	50.0
LAP3	Average	20.1	65.0	58.0
LAP4	Below Average	0.1	61.0	64.0
LAP5	Inadequate	-	-	-

**Chart 1: Disbursement growth steady...**



**Chart 2: ... feeding into healthy AUM traction (>29% YoY)**



Source: Company

Chart 3: Bank borrowings at sub-35% levels

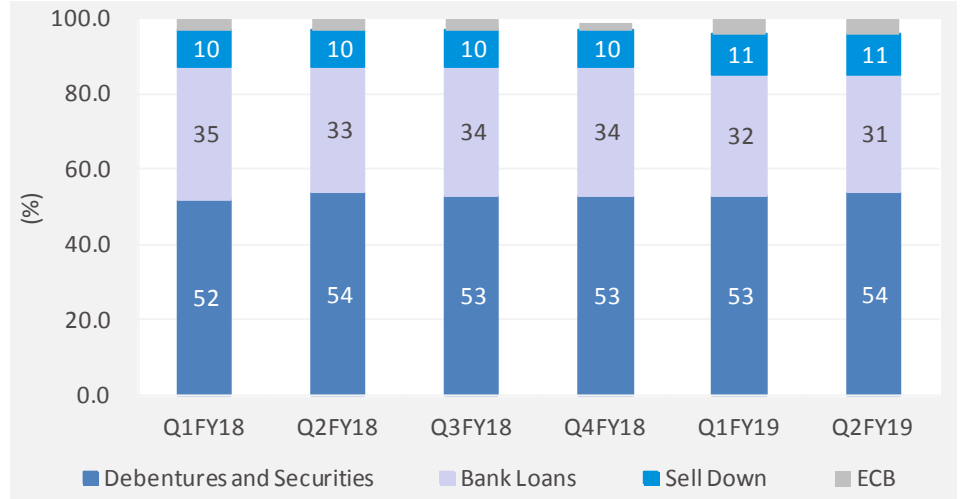
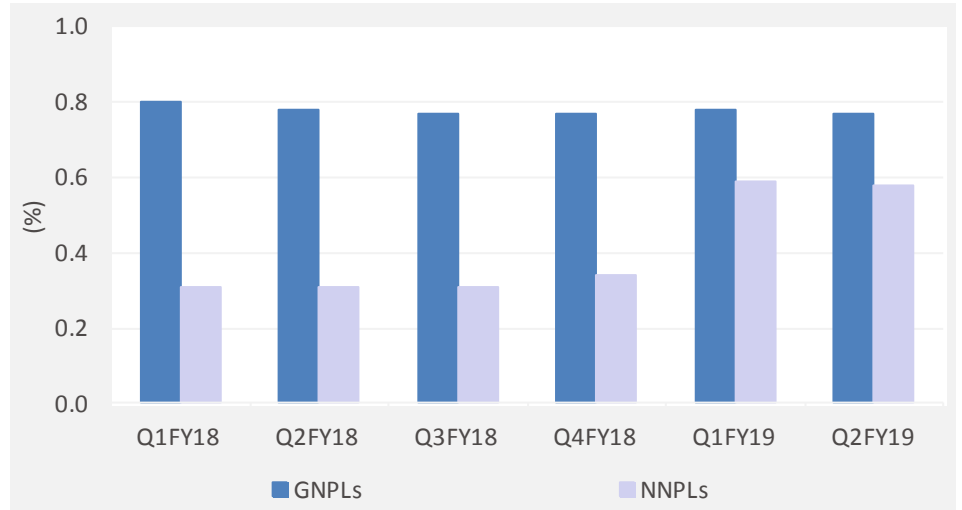


Chart 4: Stringent risk management keeps asset quality under check



\*Q1FY19/Q2FY19 is as per IND-AS, thus might not be strictly comparable  
Source: Company

## Financial snapshot

(INR mn)

Year to March	Q2FY19	Q2FY18	% change	Q1FY19	% change	YTD19	FY19E	FY20E
Interest income	36,129	30,063	20.2	36,011	0.3	72,141	158,802	199,342
Interest exp	23,783	18,607	27.8	22,007	8.1	45,790	107,708	139,932
Net int. inc. (INR mn)	12,347	11,455	7.8	14,004	(11.8)	26,351	51,094	59,410
Other income	2,689	2,934	(8.4)	1,883	42.8	4,572	5,419	6,119
Net revenues	15,036	14,390	4.5	15,887	(5.4)	30,923	72,814	84,046
Operating expenses	2,048	1,959	4.5	2,250	(9.0)	4,298	8,264	9,263
Staff expense	1,832	1,619	13.1	1,938	(5.5)	3,769	6,132	6,860
Other opex	216	340	(36.4)	312	(30.7)	528	1,915	2,172
Provisions	400	2,000	(80.0)	650	(38.5)	1,050	9,852	11,379
Depreciation	91	66	37.4	75	20.6	166	216	231
Profit before tax	12,497	10,365	20.6	12,912	(3.2)	25,409	54,698	63,404
Provision for taxes	3,165	2,326	36.0	3,233	(2.1)	6,397	14,495	17,753
PAT	9,333	8,038	16.1	9,680	(3.6)	19,012	40,203	45,651
Diluted EPS (INR)	21.7	18.7	15.9	22.5	(3.6)	22.5	94.9	107.7
GNPLs	0.8	0.8		0.8		0.8	0.9	0.9
NNPLs	0.6	0.3		0.6		0.6	0.3	0.4
B/V per share (INR)							353.9	411.0
Adj book value / share							345.1	399.1
Price/ Book (x)							2.7	2.3
Price/ Adj. book (x)							2.7	2.4
Price/ Earnings							10.0	8.8

### Key highlights from Q2FY19 earnings call

#### With respect to Liquidity position

- **The company 30 days liquidity coverage ratio of 401% ( this for most private banks adjusted for CRR/SLR is at 130-140%)** - IBHFL is the only non-bank company in India to follow strict and conservative practice of repayments through a third party trust managed by Axis Bank Trustee
- The company is fully matched across all the maturity buckets - 135% cover for 6 months' liabilities outflows
- **The company is maintaining long standing liquidity position - as on Q2FY19 the company had liquidity position of INR212.5bn ( without any undrawn line of any nature, generally the company carry bank lines of INR45-50bn).**
- The company has commercial paper of INR150bn ( of the overall borrowing of INR1.2tn), the company expects this proportion to come down over the period of time. Having said that, the company is not seeing any refinancing challenge as of now.

#### With respect to operational metrics

- Disbursement composition – a) 51.8% home loans b) 18.7% of LAP and c) 30.5% of corporate mortgage loans. The company continues to maintain its guidance of having home loan proportion of 66% over next couple of years.
- **Given the liquidity management , capital structure and ratings, the company expects to grow by 20% levels** , having said that company is still mindful of operating environmental and will focus on liquidity management in near term.
  - This crisis will squeeze of some of the competition, which will ease the competitive landscape over near to medium term and in turn will help the company over medium term.
- The spread on book ( stock of loans) stands at 3.24% with spread on incremental loans at 2.76%. The company will focus on liquidity management over near term ( 60 days or so) , and do not foresee any challenge on growth capital in near term (both in terms of availability and cost)
- **The repayment rate in mortgage book is 15-17% on annualised basis. The repayment rate in term of cc (including LRD) is 25-30%.**

#### With respect to asset quality

- GNPLs continue to be below 0.8% .
  - On total loan assets of INR1.3bn, **the loan assets in loan stage 1 & 2 are 99.2%. The ECL provisions taken on assets in stage 1 & 2 are INR3.7bn**
  - On total loan assets of INR1.3bn, **the loan assets in stage 3 are 0.77%. The ECL provision taken on loan assets in stage 3 are INR2.5bn representing 25% of the loan assets in stage 3. In addition to this the company had retained INR10.5bn as adhoc provisions**( this is one time and will be capped at INR10.5bn, further provisions will be through ECL model).

### Other highlights

- 99% of the LAP sourced post April 2015 is having a rating within top 3 rating profiles.
- One area of key focus is capital management with CRAR - 23.4%, net gearing at < 6 x levels.
- Aims to do securitisation of INR80bn in H2FY19 ( already have done INR50bn securitisation in H1FY19)
- Interim dividend of INR10/ share – long standing dividend payout policy is 50%. The dividend policy remains the same.

### Key highlights from Q1FY19 earnings call

#### With respect to transition to IND-AS

- On total loan assets of INR1.26tn, the loan assets in loan stage 1 & 2 are INR1.25bn **representing 99.2% of the total assets. The ECL provisions taken on assets in stage 1 & 2 are INR3.2bn**
- On total loan assets of INR1.26tn, the loan assets in stage 3 are INR9.8bn representing 0.78% of the total loan assets. The ECL provision taken on loan assets in **stage 3 are INR2.4bn representing 25% of the loan assets in stage 3**
- The company has taken a conservative approach towards **ECL policy and additionally opted to retain INR10.5bn as adhoc provisions** ( this is one time and will be capped at INR10.5bn, further provisions will be through ECL model)
- **Credit cost under IND-AS will likely be at 25bps (versus 65-70bps earlier)**. The credit cost during the quarter was 20bps. As the granularity of the portfolio increases then there will be even lower credit cost.
  - **There are some reversals (approximately INR1.4bn) that are expected to play out over next three quarters.**
- The opening network (NW FY17), got upside of 3% as compared to I-GAAP. The FY18 network, got upward boost on DTL reversal and fair value of oak north investment. Net worth post IND-AS was INR164.2bn.
- Despite, volatility due to upfronting of income , the company stated that it has substantial buffer and aims to continue on delivering sustained profitable growth.

#### With respect to operational metrics

- The growth momentum sustained at with AUM growth of > 30% Yo, coming in at INR1.26tn.
  - **Disbursement during the quarter : INR100.44bn , of which home loans at INR56bn, LAP at INR15bn and corporate loans INR30bn.**
  - Home loans proportion at – 60% and 19% is LAP of the overall portfolio.
  - Pre-payment trend has been holding on steady , 1% for Home loan segment.
- **Book spread at 3.23% , at higher end of guidance of 300-325bps. The company has risen rates on core home loans (by 30bps) and others (by 50bps) which has positively impacted book spreads The spread on incremental loans at 2.81%.**
  - On incremental basis yields composition – Home loans at 9.25% ( 8.9% in Q4FY18), LAP at 11.65% (11.15% in Q4FY18) , Corporate loans – INR12.86% (12.35% in Q4FY18). Management expects to take another rate hike over next month or so.
  - In terms of incremental borrowing rates – banks are at 8.1%, bonds at 8.2%, CP at 7.35%, ECB at 7.55% and Sell down at 7.88%
  - The average duration of NCD 3-3.5 years.
  - The Commercial paper forms 9-10% of borrowing . Earlier this average duration was 2 months but company has been able to elongate it to 8 months now.
- Asset quality continues to hold on pretty stable. The management is seeing no major valuation concern on valuation of residential property and see's lending opportunity to



self employed segment as one of the bigger opportunity especially post GST implementation.

- Gross NPLs (commercial)- 2.12%
- The smart city contributes 25% of incremental loans and e-home loans contributes 20% of incremental loans.
- CAR at 24% (gearing down to 5.9x), similar to level seen earlier at FY16, consequent to this the capital raising is now pushed by reasonable time.
- Interim dividend of INR10/ share , long standing dividend payout policy is 50%. The dividend policy remains the same.

### Company Description

IHFL is the fourth largest housing finance company in India with AUM of INR1.29bn. 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 plus locations across India and an in-house sales team of sourcing agents

### Investment Theme

IHFL, a prominent mortgage financier (with AUM of ~INR1.3tn), emerged much stronger after down-sizing riskier assets post FY09. The company has undergone 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 > 2.5%/28%). Moreover, high dividend yield and consistent earnings delivery will lend predictability and result in further re-rating of 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 a 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 margin.

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

## Financial Statements (As per I-GAAP)

## Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	7.1	6.7	7.3	7.6
Inflation (Avg)	4.5	3.6	4.5	4.5
Repo rate (exit rate)	6.3	6.0	6.8	6.8
USD/INR (Avg)	67.1	64.5	70.0	72.0
<b>Sector</b>				
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
<b>Company</b>				
Yield on advances	13.6	12.3	12.7	12.6
Cost of funds	8.6	7.5	8.6	8.9
Spread	4.9	4.8	4.1	3.7
Employee cost growth	23.1	16.1	16.5	11.9
Other opex growth	(48.4)	94.5	13.2	13.4
Dividend payout	53.7	50.0	44.0	44.0
Disbursement growth	34.6	35.7	16.6	21.7
Repayment rate	19.2	18.1	18.7	17.4
Gross NPLs	0.9	0.8	0.9	0.9
Net NPLs	0.4	0.3	0.3	0.4
Provision coverage	57.8	55.7	60.0	60.0

## Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Interest income	97,309	118,483	158,802	199,342
Interest expended	63,148	73,548	107,708	139,932
Net interest income	34,161	44,935	51,094	59,410
Fee & other income	4,804	2,093	5,419	6,119
Other income	11,060	17,251	16,300	18,517
Net revenues	50,025	64,279	72,814	84,046
Operating expense	5,613	7,227	8,264	9,263
- Employee exp	4,537	5,266	6,132	6,860
- Depn /amortisation	207	270	216	231
- Other opex	869	1,691	1,915	2,172
Preprovision profit	44,412	57,052	64,550	74,783
Provisions	7,604	11,152	9,852	11,379
Profit Before Tax	36,808	45,900	54,698	63,404
Less: Provision for Tax	8,384	10,236	14,495	17,753
Net profit	28,424	35,665	40,203	45,651
Reported Profit	28,424	35,665	40,203	45,651
Shares o/s (mn)	424	424	424	424
Basic EPS (INR)	67.1	84.1	94.9	107.7
Diluted shares o/s (mn)	424	424	424	424
Adj. Diluted EPS (INR)	67.1	84.1	94.9	107.7
Dividend per share (DPS)	36.0	42.1	41.7	47.4
Dividend Payout Ratio(%)	53.7	50.0	44.0	44.0

## Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Operating income growth	25.7	31.5	13.7	16.3
Revenues	25.1	28.5	13.3	15.4
Opex growth	0.9	28.7	14.3	12.1
PPP growth	29.0	28.5	13.1	15.9
Provisions growth	95.0	46.7	(11.7)	15.5
Adjusted Profit	23.9	25.5	12.7	13.6

## Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Yield on advances	13.6	12.3	12.7	12.6
Cost of funds	8.6	7.5	8.6	8.9
Net interest margins	4.1	4.1	3.7	3.4
Spread	4.9	4.8	4.1	3.7
Cost-income	11.2	11.2	11.3	11.0
Tax rate	22.8	22.3	26.5	28.0

## Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	848	848	848	848	
Reserves & Surplus	117,845	128,061	149,140	173,355	
Shareholders' funds	118,693	128,909	149,988	174,203	
Long term borrowings	500,757	647,285	816,046	1,031,499	
Short term borrowings	352,243	455,315	574,025	725,579	
Total Borrowings	853,000	1,102,600	1,390,071	1,757,078	
Long Term Liabilities	2,477	3,475	4,132	4,894	
Def. Tax Liability (net)	1,184	1,230	3,965	7,135	
<b>Sources of funds</b>	<b>975,353</b>	<b>1,236,214</b>	<b>1,548,155</b>	<b>1,943,310</b>	
Gross Block	1,787	2,087	2,237	2,387	
Net Block	813	941	877	798	
Intangible Assets	25	29	27	24	
Total Fixed Assets	838	970	904	823	
Non current investments	28,530	31,203	34,258	38,069	
Cash and Equivalents	54,441	43,480	54,650	74,702	
Loans & Advances	824,506	1,102,000	1,400,114	1,770,819	
Current assets (ex cash)	114,162	124,871	137,096	152,347	
Trade payable	69	286	364	460	
Other Current Liab	47,055	66,024	78,503	92,989	
Total Current Liab	47,124	66,310	78,867	93,449	
Net Curr Assets-ex cash	67,038	58,560	58,229	58,898	
<b>Uses of funds</b>	<b>975,353</b>	<b>1,236,214</b>	<b>1,548,155</b>	<b>1,943,310</b>	
Earning assets	972,038	1,231,769	1,543,119	1,937,593	
Disbursements	354,816	481,368	561,370	682,942	
BVPS (INR)	280.0	304.1	353.9	411.0	
AUM	909,582	1,226,000	1,557,659	1,970,076	
Total borrowing	940,012	1,226,583	1,547,880	1,951,309	
AUM growth	32.4	34.8	27.1	26.5	
EA growth	36.3	26.7	25.3	25.6	
Gross NPAs	7,770.0	9,480.0	13,332.4	17,973.4	
Net NPAs	3,280.0	4,200.0	5,333.0	7,189.4	
Provision coverage	57.8	55.7	60.0	60.0	
Gross NPA ratio	0.9	0.8	0.9	0.9	
Net NPA ratio	0.4	0.3	0.3	0.4	

RoE decomposition (%)					
Year to March	FY17	FY18	FY19E	FY20E	
Net int. income/assets	4.1	4.1	3.7	3.4	
Other income/Assets	1.9	1.8	1.6	1.4	
Net revenues/assets	5.9	5.8	5.2	4.8	
Operating expense/assets	0.7	0.7	0.6	0.5	
Provisions/assets	0.9	1.0	0.7	0.7	
Taxes/assets	1.0	0.9	1.0	1.0	
Total costs/assets	2.6	2.6	2.4	2.2	
ROA	3.4	3.2	2.9	2.6	
Equity/assets	13.3	11.2	10.1	9.3	
ROAE (%)	25.4	28.8	28.8	28.2	

Valuation parameters					
Year to March	FY17	FY18	FY19E	FY20E	
Adj. Diluted EPS (INR)	67.1	84.1	94.9	107.7	
Y-o-Y growth (%)	23.2	25.5	12.7	13.6	
BV per share (INR)	280.0	304.1	353.9	411.0	
Adj. BV per share (INR)	274.6	297.2	345.1	399.1	
Diluted P/E (x)	14.2	11.3	10.0	8.8	
P/B (x)	3.4	3.1	2.7	2.3	
Price/ Adj. BV (x)	3.5	3.2	2.7	2.4	
Dividend Yield (%)	3.8	4.4	4.4	5.0	

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Indiabulls Housing Finance	5,485	10.0	8.8	2.7	2.3	28.8	28.2
Dewan Housing Finance	1,197	6.1	5.3	0.9	0.8	16.1	16.8
HDFC	39,921	23.5	20.1	2.4	2.1	15.3	16.5
LIC Housing Finance	3,057	10.5	8.9	1.6	1.3	17.4	17.8
Mahindra & Mahindra Financial Services	3,235	18.3	15.5	2.4	2.1	13.4	14.5
Manappuram General Finance	837	7.6	6.4	1.5	1.3	21.1	22.1
Muthoot Finance	2,174	8.7	7.7	1.8	1.5	21.9	21.1
Power Finance Corp	2,935	3.4	3.1	0.5	0.4	15.0	14.6
Repco Home Finance	318	9.4	8.1	1.5	1.3	17.3	17.3
Rural Electrification Corporation	2,768	4.1	4.1	0.6	0.6	14.8	14.7
Shriram City Union Finance	1,482	10.1	8.2	1.7	1.4	18.1	18.9
Shriram Transport Finance	3,205	9.2	7.5	1.6	1.3	18.8	19.5
Median	-	9.3	7.9	1.5	1.3	17.3	17.5
AVERAGE	-	10.6	9.1	1.4	1.2	18.2	18.5

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 &amp; Co. LLP

*\*as per last annual report*

## Holding - Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corp Of India	9.93	Sg Advisory Services Ltd	6.38
Euro Pacific Growth	3.85	Blackrock Inc	2.82
Vanguard Group Inc	2.80	Merrill Lynch Capital Markets Espa	2.62
Tupelo Consultancy Llp	2.14	Nomura Holdings Inc	2.06
Nomura Asset Management Co Ltd	1.95	Blackrock Fund Advisors	1.86

*\*as per last available data*

## Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
03 Aug 2018	ORIENT GLOBAL CINNAMON CAPITAL LIMITED	SELL	2270239	1374.60
03 Aug 2018	JASMINE CAPITAL INVESTMENTS PTE LTD	BUY	2270239	1374.60
03 Apr 2018	Merrill Lynch Markets Singapore Pte. Ltd.	Sell	7597785	1292.50
03 Apr 2018	Treetop Convertible Sicav - Treetop Convertible International	Buy	7597785	1292.50
09 Nov 2017	Europacific Growth Fund	Sell	3100000	1190.17
09 Nov 2017	Bnp Paribas Arbitrage	Buy	2742373	1190.00

*\*in last one year*

## Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
01 Oct 2018	Manvinder Singh Walia	Buy	21300.00
04 Jun 2018	Ajit Kumar Mittal	Sell	23669.00
11 Apr 2018	Naveen Uppal	Sell	20000.00
12 Feb 2018	Mukesh Kumar Garg	Sell	50000.00
12 Feb 2018	Naveen Uppal	Sell	17508.00

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aditya Birla Capital	BUY	SO	H	Axis Bank	HOLD	SU	M
Bajaj Finserv	HOLD	SP	L	Bank of Baroda	BUY	SP	M
Bharat Financial Inclusion	BUY	SP	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	BUY	SP	L	HDFC Bank	BUY	SO	L
ICICI Bank	BUY	SO	L	IDFC Bank	BUY	SP	L
Indiabulls Housing Finance	BUY	SO	M	IndusInd Bank	BUY	SP	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	BUY	SO	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	HOLD	SU	M	Muthoot Finance	BUY	SO	M
Power Finance Corp	BUY	SO	M	Punjab National Bank	REDUCE	SU	M
Reliance Capital	BUY	SP	M	Repco Home Finance	HOLD	SU	M
Rural Electrification Corporation	BUY	SO	M	Shriram City Union Finance	BUY	SO	M
Shriram Transport Finance	BUY	SO	M	South Indian Bank	BUY	SO	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

Aditya Birla Capital, 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, 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
15-Oct-18	<b>IndusInd Bank</b>	Core steady; one-off provision tones down earnings; <i>Result Update</i>	1,627	Buy
12-Oct-18	<b>Karnataka Bank</b>	Core momentum soft, improvement vital; <i>Result Update</i>	98	Buy
11-Oct-18	<b>Insurance</b>	Insurance premiums: Trend's improving; <i>Sector Update</i>		

### Distribution of Ratings / Market Cap

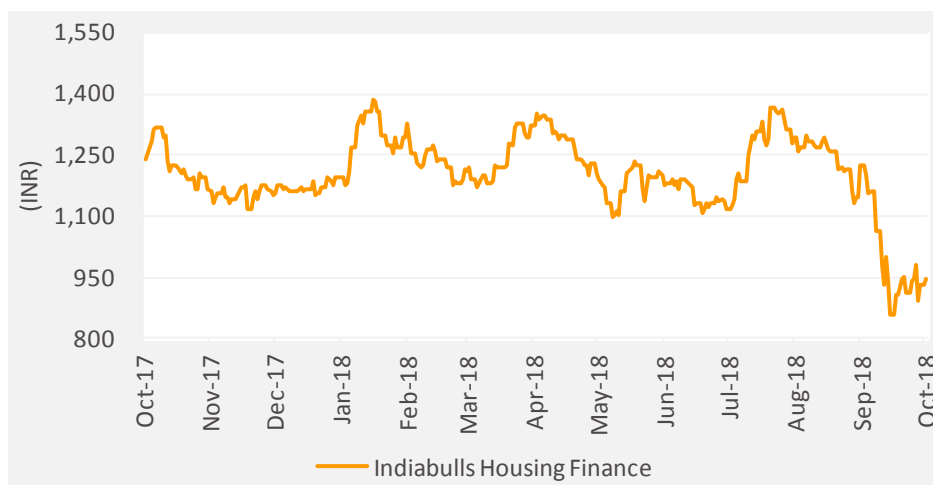
#### Edelweiss Research Coverage Universe

	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
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

### One year price chart





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