

Repco Home Finance Ltd.

BUY



Asian Markets Securities Pvt. Ltd.

Robust operating performance; Management confident on pull back on asset quality

Institutional Research

CMP (Rs)	645
Target (Rs)	820

Nifty: 8,526; Sensex: 27,518

Key Stock Data

BSE Code	535322
NSE Code	REPCOHOM
Bloomberg	REPCO IN
Shares O/s mn (FV Rs10)	62.4
Market cap (Rs bn)	40.2
52-week high/low	891/552
3-m daily avg vol.	1,16,706

Rel. Performance

(%)	1m	3m	12m
REPCO	(17.9)	(22.1)	(3.5)
NIFTY	(2.1)	(0.6)	9.5
SENSEX	(2.0)	(0.9)	6.9

Shareholding Pattern

(%)	Mar16	Jun16	Sep16
Promoter	37.1	37.1	37.1
FII	28.4	26.5	27.3
DII	19.2	22.5	21.9
Others	15.2	13.8	13.8

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Repco Home Finance Ltd (RHFL) posted net profit growth of 17% yoy at Rs 455.6mn. RHFL's NII came at Rs 903mn (up 22.1% yoy) led by strong loan growth of 24% yoy. Other income for the quarter was up by 20% yoy at Rs 96mn. NIMs for the quarter expanded by 10bps qoq at 4.4%. Spread has also increased by 10bps qoq driven by 10bps sequential fall in cost of funds at 9.2%; whereas yield on advances remained sequentially stable at 12.2%. During the quarter RHFL's loan book grew by 24% yoy at Rs 84.68bn, on YTD basis growth was 10.1% vs. 3.5% in Q1FY17 led by growth in sanctioned and disbursement by 54%/46% (qoq) and 21%/13% (yoy) respectively. This comparatively less disbursement growth is due to RHFL has held Rs 2bn of sanctioned loans to disburse and waiting for clarity from Madras High Court regarding property registration issue (*banning registration of plots/houses constructed in unauthorized housing layouts in Tamil Nadu*). However, management clarified that High court has now clarified that the rule applies only for fresh conversion of land (from agri to residential) or 1st time registration of property and not for existing properties. We believe that in Q3FY17 RHFL will disburse these Rs 2bn which will further aid loan growth. Loan book mix for RHFL broadly remained stable with ~80% Housing loan and 20% LAP. Further, customer segment mix also remained stable with ~60% self employed customers and 40% salaried class customers. Asset quality of the RHFL deteriorates during the quarter with rise in GNPA/NNPA by 17bps/11bps qoq at 2.37%/1.31% respectively. This rise in NPA is mainly due to lapse in payment by some big ticket LAP borrowers. However, management clarified that part of these big tickets LAP loans are recovered in current month and positive impact of this on asset quality would be seen in Q3FY17. Provisioning coverage ratio for the quarter declined from 49.5% in Q1FY17 to 45.3% in Q2FY17. RHFL's cost to income ratio remained stable at 16.3% after declining from last 4 quarters mainly on account of higher other expenses. RoA/RoE of the company has broadly remained stable at 2.1%/17.5% respectively. At CMP, the stock trades at 3.9x its FY17E ABV and 3.3x FY18E ABV. We maintain our positive stance on the company with BUY rating and TP of Rs 820 based on 4x FY18E ABVPS.

Asset quality breaks seasonality trend; spikes out in Q2FY17

RHFL asset quality during the quarter further deteriorated taking its GNPA/NNPA ratio to 2.37%/1.31% respectively (up by 17bps/11bps qoq). Its GNPA/NNPA has increased by 14%/16% qoq with further rise in self employed/salaried segment NPA from 2.9%/1.2% in Q1FY17 to 3.1%/1.3% in Q2FY17. Overall, Home loan NPA increased by 10bps qoq at 2% whereas NPA in LAP remained sequentially stable at 3.7%. Provision coverage ratio of the company also declined to 44.8% from 45.8% in Q1FY17. On current currency issue on collection management clarified that collection will happen over month end till then issue would be settled down and don't expect any asset quality issues. Regarding, LAP segment management clarified that RHFL has average LTV of 62% (LAP 52% and Housing 75%), management believes that LTV cushion will help them to take care of any asset quality issues and management is confident of getting back to FY16 level of NPA (1.31%). We believe that RHFL's asset quality would see some pressure in near term, however proven track record of collection efficiency give us confidence that **FY17E NPA would be ~1.5%-1.6%**.

Margin expanded by 10bps led by fall in cost of funds

RHFL's margin expanded by 10bps at 4.4% qoq along with increase in spread by 10bps qoq. This is mainly on account of sequential fall in cost of funds by 10bps at 9.2%, whereas Yield on advances for RHFL remained sequentially stable at 12.2%. During the quarter RHFL has increased its share of NCD/CP borrowing from 10% in Q1 to 13% in Q2FY17 which has provided some cushion to cost of funds. During the quarter RHFL has raised NCD at 8.5%, CP at 6.9% and bank borrowing at 9.3% taking its H1FY17 borrowing cost at 9.2%. Further, during the quarter share of high yielding self employed segment and LAP has inched up by 60bps each at 59.7% & 20.7% respectively of the loan book which has further provided cushion to margin. **We believe that going ahead company's focus on improving cost of funds can lead to further margin expansion, we expect margin to improve at 4.5%+ by FY18E.**

Outlook and Valuation: We believe that RHFL will continue to benefit from its niche business model, high profitability with ability to improve return ratios, high capitalization, consistent execution, and minimal asset quality risk which enable stock to trade at rich valuation. At CMP, stock trades at 3.9x its FY17E ABV & 3.3x FY18E ABV. We maintain our positive stance on the company with **BUY** rating and TP of **Rs 820** based on 4x FY18E ABVPS.

Exhibit 1: Key Financials (Standalone)

Y/E Mar (Rs mn)	FY16	FY17E	FY18E	FY19E
NII	3,055	3,873	4,901	6,164
yoy (%)	28.2	26.8	26.6	25.8
Other Income	281	323	371	427
yoy (%)	22.3	15.0	15.0	15.0
Operating Profit	2,693	3,407	4,304	5,403
yoy (%)	30.4	26.5	26.3	25.5
PAT	1,501	1,901	2,406	3,021
yoy (%)	21.9	26.7	26.5	25.6
Net Worth	9,548	11,261	13,441	16,214

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

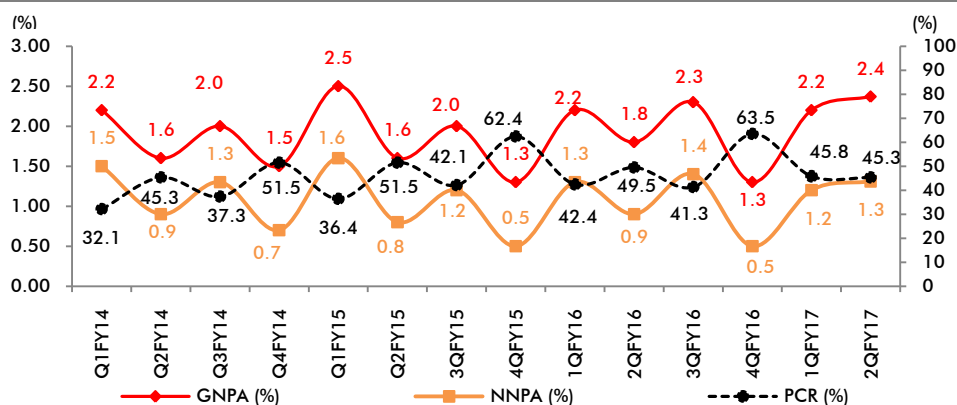
Y/E Mar	FY16	FY17E	FY18E	FY19E
Adj. BV (Rs)	146.9	171.5	204.6	245.5
EPS (Rs)	24.0	30.4	38.5	48.3
Gross NPA (%)	1.3	1.6	1.8	1.9
Net NPA (%)	0.5	0.6	0.5	0.6
NIM Calc. (%)	4.4	4.5	4.5	4.6
P/ABV (x)	4.5	3.9	3.2	2.7
PER (x)	27.7	21.9	17.3	13.8
Avg. RoA (%)	2.2	2.2	2.2	2.2
Avg. RoE (%)	17.0	18.3	19.5	20.4

Loan book growth back on track with 24% yoy growth and 10% YTD growth led by strong uptick in sanctioned and disbursements

RHFL's loan book during the quarter remained strong with growth of 24% yoy and 6.4% qoq led by significant uptick in sanctioned and disbursement at 54%/46% qoq and 21%/13% yoy respectively. However, during the quarter there was notification by Madras High court banning registration of plots/houses constructed in unauthorized housing layouts in Tamil Nadu in order to protect misuse of water body and protect illegal approval of plots under the name of panchayat. Due to this ban in September month RHFL has stopped disbursement worth Rs 2bn sanction loans and waiting for clarity from High court. However, High court has issued clarification stating that it would be applicable only for new property registration or first time registration of properties and not for existing already registered properties. Hence, these sanctioned of Rs 2bn would be disbursed in Q3FY17 and it would further aid loan growth.

Management does not believe that current currency issue would have any impact on HFCs and company as this move is positive in long run and will help in correcting real estate prices by 15%-20% which would lead to better affordability and in-turn lead to increase in demand. We believe that there would be some near term challenges to loan book growth as 43% of RHFL loan book is towards self construction houses and with new registration is banned; the incremental growth would come from existing or resale properties. However, affordable housing loan will continue to drive demand coupled with correction in real estate prices. **Management continues to guide for 25% loan book growth for FY17E.**

Exhibit 3: Asset quality quarterly trend



Source: Company, AMSEC Research

Con-call Highlights

- Management guided for 25% loan book growth for FY17E
- Management reiterate that going ahead loan book mix will remain same like 60% self employed customers and 40% salaried class customers. Home loan and LAP mix in loan book will also remain same at 80:20.
- RHFL will continue to maintain spread of 3% and margin of 4%+. Hence any change in yield or cost of fund will be function of spread.
- Out of total loan book 43% of the loans are toward self construction individual houses, 37% towards flat purchases, 15% towards LAP and 5% towards plot purchases.
- In liability mix RHFL plans to do more borrowing from NCD/CP route (depending upon market scenario) and in-turn plans to bring down bank borrowing share to 50%.
- Average yield on loans for RHFL is 12.2% with Housing loan avg yield is 11.4% and LAP average yield is 15.2%.
- Average cost of funding for H1FY17 is 9.2% and incremental borrowing was 8.5%.
- RHFL maintains LTV of 70%-75% on housing loans, LTV on LAP is ~50-52% and average LTV on loan book is 62%.
- RHFL originates ~60% loans from loan camp through branches and ~38% from branch walk-ins and remaining 2% from DSA especially in newer territory like Gujarat and Maharashtra.
- In Self employed customer's profile of the customers are mostly retail traders.
- 90% of the borrower pays EMI on due date, 2% NPA borrowers delayed more than 90 days and remaining 8% of borrowers pays within 90 days but post their due date.
- LAP portion during the quarter has increased marginally by 60bps due to RHFL has also adding housing loan by borrower for his third property purchase which is getting classified as commercial real estate loans and hence part of LAP book.
- Overall takeovers done by RHFL is 3% of loans
- RHFL has ~26% of loans for under construction properties.
- Regarding, CBI case against MD, management has clarified that it does not have any financial impact on company and the pre-closure waiver of Rs 2.4mn was in-line with NHB regulation.

Exhibit 4: 2QFY17 performance

P & L (Rs mn)	Q2FY17	yoy %	qoq %	Q1FY17	Q4FY16	Q3FY16	Q2FY16	Q1FY16	Q4FY15	Q3FY15	Q2FY15
Operating Income	2499.7	20.0	4.6	2,389.2	2,311.8	2,190.9	2,083.7	1,934.9	1,829.7	1,708.1	1,829.7
Interest exp	1597.0	18.8	3.1	1,549.5	1,459.9	1,411.4	1,344.2	1,271.1	1,167.7	1,120.2	1,053.8
NII	902.7	22.1	7.5	839.7	851.9	779.5	739.5	663.8	662.0	587.9	775.9
Other Income	96.4	20.2	20.7	79.9	91.1	63.7	80.2	66.1	85.1	49.0	50.3
Total Income	999.1	21.9	8.6	919.6	943.0	843.2	819.7	729.9	747.1	636.9	826.2
Operating Expenditure	163.3	(6.8)	9.8	148.7	153.2	160.4	175.3	154.1	164.9	141.9	128.1
Employee Expenses	99.8	(12.5)	1.9	97.9	87.9	95.6	114.1	101.1	105.3	85.1	76.7
Depreciation	8.6	(12.2)	6.2	8.1	12.3	9.0	9.8	10.4	9.7	7.3	7.1
Other Expenses	54.9	6.8	28.6	42.7	53.0	55.8	51.4	42.6	49.9	49.5	44.3
PPoP	835.8	29.7	8.4	770.9	789.8	682.8	644.4	575.8	582.2	495.0	698.1
Provisions & Write Offs	127.0	169.6	(29.2)	179.3	139.8	92.3	47.1	112.8	62.2	26.3	16.9
PBT	708.8	18.7	19.8	591.6	650.0	590.5	597.3	463.0	520.0	468.7	681.2
Tax	253.2	22.4	29.0	196.3	187.0	198.0	206.8	160.7	156.0	128.3	135.5
PAT	455.6	16.7	15.3	395.3	423.0	385.5	390.5	302.3	348.0	307.4	32.7
PAT Margin (%)	45.6	(204bps)	261bps	43.0	44.9	45.7	47.6	41.4	46.6	48.3	4.0
Cost to Income (%)	16.3	(496bps)	14bps	16.2	19.3	20.5	21.3	21.1	21.0	20.8	0.0
Loans Spreads (%)	3.0	(10bps)	10bps	2.9	3.0	3.0	3.1	2.9	2.9	2.9	0.0
Net Interest Margin (%)	4.4	(10bps)	10bps	4.3	4.6	4.4	4.5	4.3	4.5	4.5	4.5
YoA (%)	12.2	(40bps)	-	12.2	12.2	12.6	12.6	12.5	12.5	12.8	12.7
CoF (%)	9.2	(30bps)	(10bps)	9.3	9.2	9.6	9.5	9.7	9.6	9.9	9.8
Return on Assets (%)	2.1	(7bps)	(17bps)	2.30	1.9	2.3	2.2	2.3	2.3	2.4	0.0
Return on Equity (%)	17.5	142bps	(58bps)	18.10	15.7	16.7	16.1	16.4	16.1	16.2	0.0
Capital Adequacy Ratio	19.8	(120bps)	(25bps)	20.05	20.7	24.0	21.0	20.0	20.3	-	21.9
BVPS (Rs.)	158.7	12	4	152	148	148	142	135	120	126	121
Branches	153	-	-	151	150	151.0	146.0	146.0	142.0	137.0	134.0
Loan Book (Rs mn)	84687.7	23.7	6.4	79593.2	76912.0	71544.0	68488.0	63442.0	60129.0	55006.0	52380.0
Disbursed (Rs mn)	8764.0	12.9	46.1	5997.0	8975.0	5974.0	7763.0	5801.0	7505.0	4750.0	5412.0
Sanctioned (Rs mn)	10461.0	21.9	54.2	6783.3	9342.0	6290.0	8579.0	6617.0	8346.0	5243.0	5589.0
Loan book profile											
Salaried (%)	40.3	(220bps)	(60bps)	40.90	41.20	42.2	42.5	42.90	43.20	44.10	44.30
Non-salaried (%)	59.7	220bps	60bps	59.10	58.80	57.8	57.5	57.10	56.80	55.90	55.70
Home Loans (%)	79.3	(150bps)	(60bps)	79.90	80.20	81.0	80.8	81.00	80.80	80.70	80.50
LAP (%)	20.7	150bps	60bps	20.10	19.80	19.0	19.2	19.00	19.20	19.20	19.50
Asset quality											
GNPA (mn)	2011	62.7	13.6	1769.5	1008.7	1,639.0	1,236.0	1,406.0	791.0	1,094.0	862.0
NNPA (mn)	1109.4	77.8	15.7	959	368	962.0	624.0	810.0	298.0	634.0	418.0
GNPA (%)	2.37	57bps	17bps	2.20	1.31	2.30	1.80	2.20	1.30	2.00	1.65
NNPA (%)	1.31	41bps	11bps	1.20	0.48	1.36	0.90	1.30	0.50	1.30	0.81
NPA - Home Loan (%)	2.0	30bps	10bps	1.9	1.2	1.9	1.7	2.0	1.2	-	-
NPA -LAP (%)	3.7	130bps	-	3.7	2.0	3.6	2.4	3.3	1.7	-	-
NPA -Salaried (%)	1.3	20bps	10bps	1.2	0.7	1.3	1.1	1.4	0.8	-	-
NPA -Non Salaried (%)	3.1	80bps	20bps	2.9	1.8	3.0	2.3	2.9	1.7	-	-
Provision Coverage (%)	44.8	(468bps)	(97bps)	45.8	63.5	40.6	49.5	42.4	62.3	42.0	51.5
Funding Mix (%)											
Banks	62.0	(599bps)	(99bps)	63.0	72.0	63.0	68.0	68.0	68.0	72.0	69.0
NHB	18.1	110bps	(190bps)	20.0	14.0	16.0	17.0	19.0	21.0	20.0	22.0
Repco Bank	6.9	(114bps)	(14bps)	7.0	8.0	8.0	8.0	9.0	8.0	9.0	9.0
CP/NCD	13.0	603bps	303bps	10.0	6.0	13.0	7.0	4.0	3.0	0.0	0.0
Exposure (%)											
AP & Telangana	11.0	(70bps)	-	11.0	11.2	11.4	11.7	12.0	12.0	12.2	12.3
Tamilnadu	62.6	10bps	-	62.6	62.7	62.5	62.5	62.5	62.5	63.5	64.0
Karnataka	12.4	(10bps)	-	12.4	12.3	12.5	12.5	12.4	12.4	12.0	11.9
Kerala	3.8	-	-	3.8	3.8	3.7	3.8	3.7	3.7	3.7	3.7
Maharashtra	5.9	50bps	10bps	5.8	5.7	5.6	5.4	5.4	5.4	5.2	5.1
Gujarat	2.1	20bps	-	2.1	2.0	2.0	1.9	1.8	1.8	1.2	1.0
Others	2.3	-	-	2.3	2.3	2.2	2.3	2.2	2.2	2.1	2.0

Source: Company, AMSEC Research

Exhibit 5: Loan Book trend

Quarter	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
Loans (Rs bn)	40.4	43.2	46.6	48.9	52.4	55.0	60.1	63.4	68.5	71.5	76.9	79.6	84.7
growth yoy %	30.3	32.1	31.5	30.6	29.8	27.3	29.0	29.7	30.8	30.1	27.9	25.5	23.7
growth qoq %	7.7	7.0	7.9	4.9	7.1	5.0	9.3	5.5	8.0	4.5	7.5	3.5	6.4
YTD %	13.8	21.9	31.5	4.9	12.4	18.0	29.0	5.5	13.9	19.0	27.9	3.5	10.1
Sanctioned (Rs bn)	4.9	4.4	5.4	4.8	5.6	5.2	8.3	6.6	8.6	6.3	9.3	6.8	10.5
growth yoy %	28.6	51.0	26.3	34.6	15.0	18.8	55.2	37.5	53.5	20.0	11.9	2.5	21.9
growth qoq %	36.0	-9.3	21.8	-10.5	16.2	-6.2	59.2	-20.7	29.7	-26.7	48.5	-27.4	54.2
YTD %	14.2	3.6	26.3	-10.5	4.0	-2.5	55.2	-20.7	2.8	-24.6	11.9	-27.4	12.0
Disbursed (Rs bn)	4.3	4.4	5.1	4.1	5.4	4.7	7.5	5.8	7.8	6.0	9.0	6.0	8.8
growth yoy %	37.1	57.4	31.4	24.2	27.1	7.1	46.6	39.9	43.4	25.8	19.6	3.4	12.9
growth qoq %	27.6	4.2	15.4	-19.0	30.5	-12.3	58.0	-22.7	33.8	-23.0	50.2	-33.2	46.1
YTD %	9.3	13.8	31.4	-19.0	5.7	-7.2	46.6	-22.7	3.4	-20.4	19.6	-33.2	46.1

Source: Company, AMSEC Research

Exhibit 6: Region wise exposure (%)

Region wise	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
AP & Telangana	13.1	12.9	13.9	12.6	12.3	12.2	12	12	11.7	11.4	11.2	11.0	11.0
Tamilnadu	63.5	63.7	63.3	64.1	64	63.5	62.5	62.5	62.5	62.5	62.7	62.6	62.6
Karnataka	11.9	11.9	12	11.8	11.9	12.0	12.4	12.4	12.5	12.5	12.3	12.4	12.4
Kerala	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.8	3.8	3.8
Maharashtra	4.4	4.5	4	4.9	5.1	5.2	5.4	5.4	5.4	5.6	5.7	5.8	5.9
Gujarat	0	0	0.3	0.8	1	1.2	1.8	1.8	1.9	2	2	2.1	2.1
Others	3.3	3.3	2.8	2.2	2	2.1	2.2	2.2	2.3	2.2	2.3	2.3	2.3

Source: Company, AMSEC Research

Exhibit 7: Quarterly asset quality trend

Asset Quality	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
GNPA (Rs mn)	672	877	686	1218	862	1094	791	1406	1236	1639	1009	1770	2011
growth yoy %	2.5	-8.9	30.7	46.4	28.2	24.7	15.3	15.4	43.4	49.8	27.5	25.9	62.7
growth qoq %	-19.2	30.5	-21.8	77.6	-29.2	26.9	-27.7	77.7	-12.1	32.6	-38.5	75.4	13.6
NNPA (Rs mn)	368	549	332	774	418	634	298	810	624	962	368	959	1109
growth yoy %	-24.9	-27.1	-4.6	36.0	13.6	15.5	-10.2	4.7	49.3	51.7	23.5	18.4	77.8
growth qoq %	-35.3	49.2	-39.5	133.1	-46.0	51.7	-53.0	171.8	-23.0	54.2	-61.7	160.6	15.7

Source: Company, AMSEC Research

Financial Performance Improvement trend

Exhibit 8: Margin and margin drivers movement

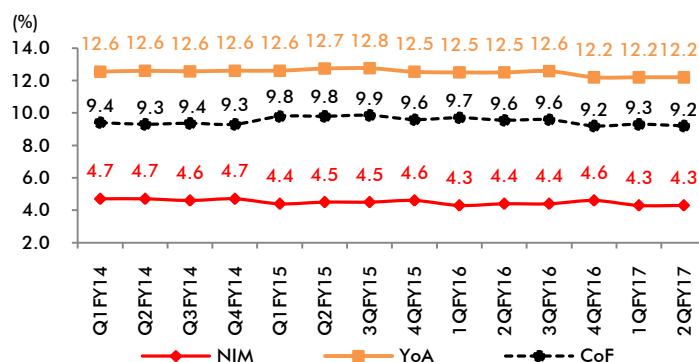


Exhibit 9: Funding Mix trend

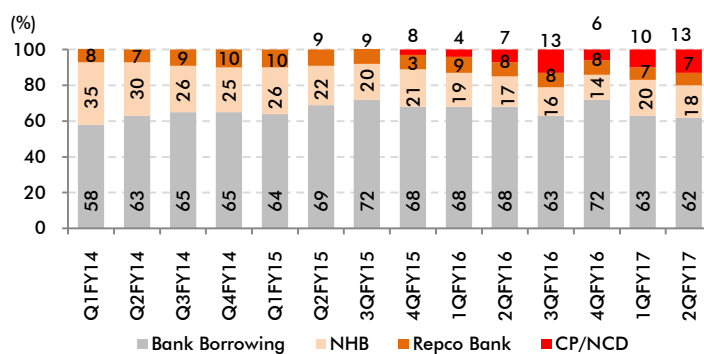


Exhibit 10: Loan book growth trend

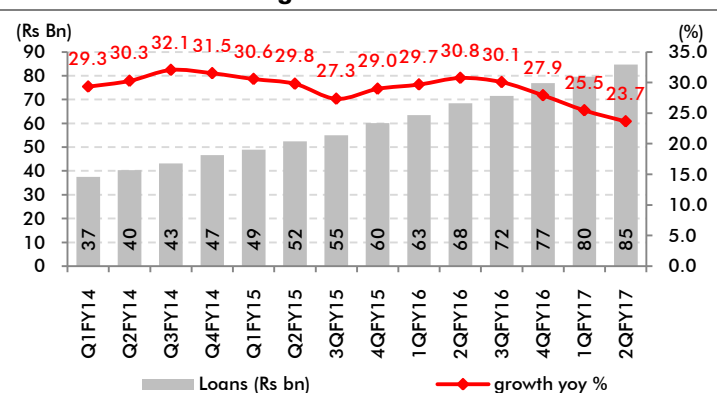
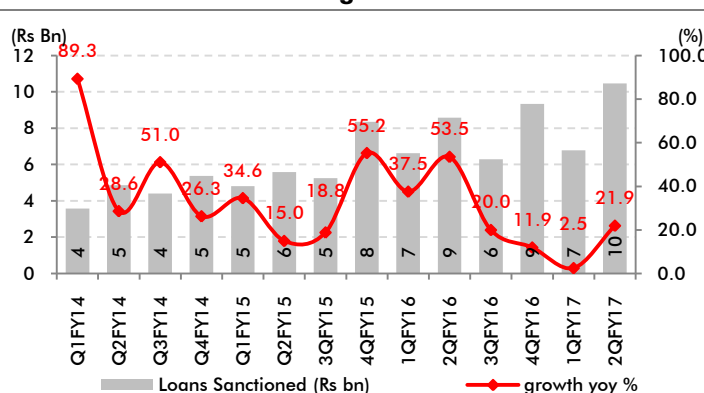


Exhibit 11: Loan Sanctioned growth



Source: Company, AMSEC Research

Exhibit 12: Loan Disbursement growth trend

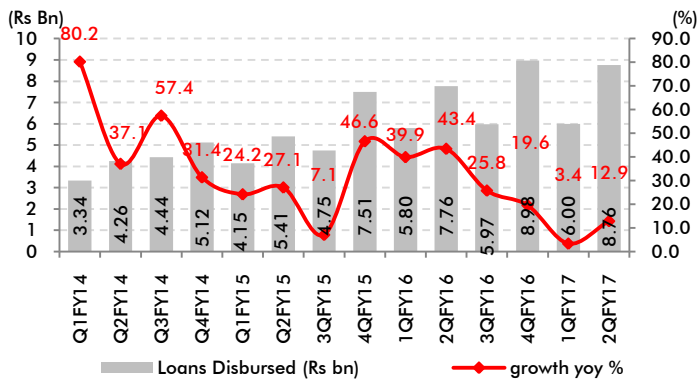


Exhibit 13: Borrowing trend

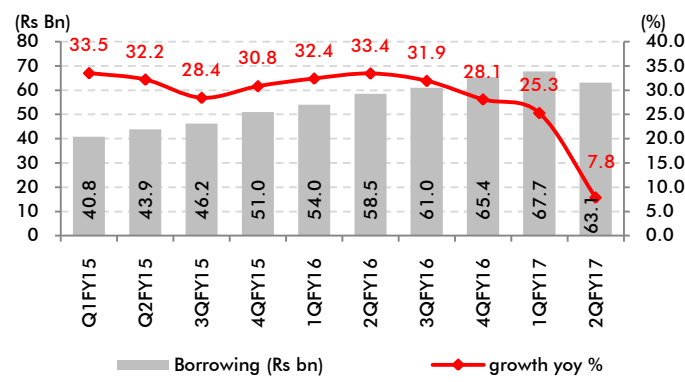


Exhibit 14: Net profit growth trend

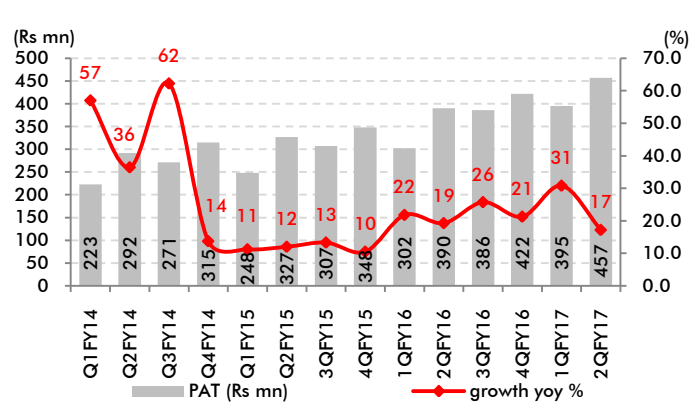


Exhibit 15: NII growth trend

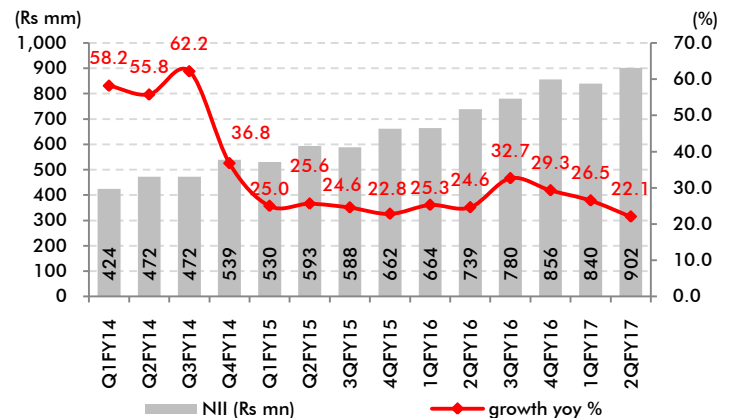


Exhibit 15: RoA and RoE trend

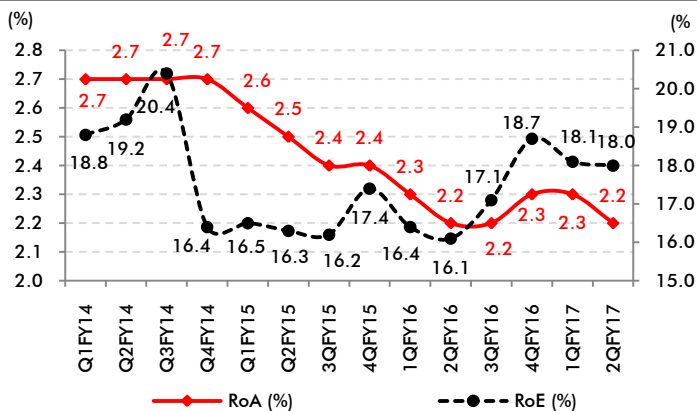


Exhibit 16: Cost to income and branch trend

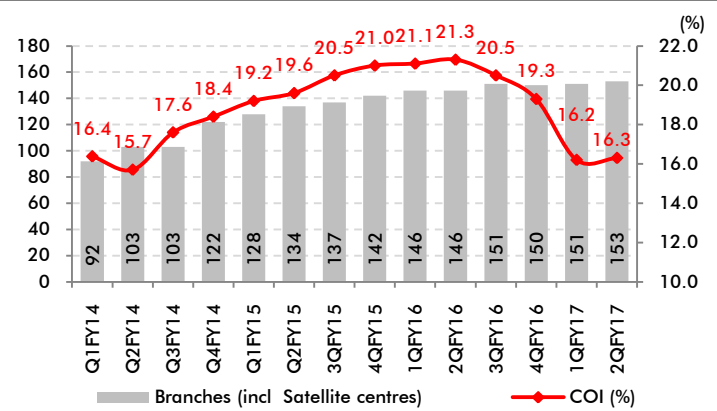


Exhibit 16: Loan Book Mix share

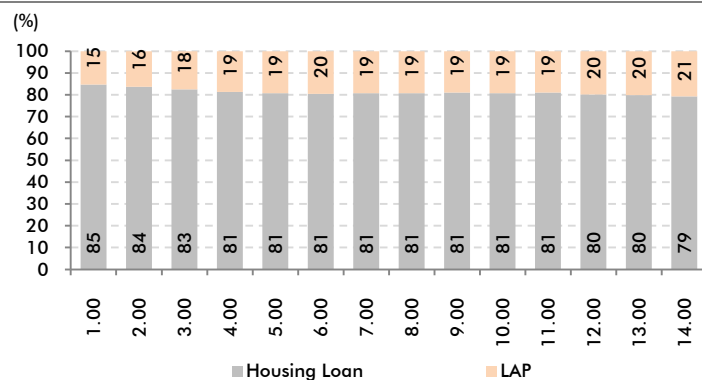
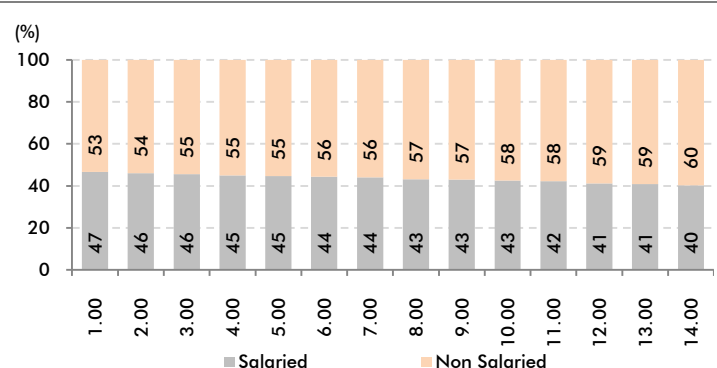


Exhibit 17: Loan Book mix of customer segment



Source: Company, AMSEC Research

Financials

(Rs mn)

Profit and Loss Statement

Y/E March	FY16	FY17E	FY18E	FY19E
Interest Earned	8,538	10,580	13,295	16,785
Interest expended	5,483	6,708	8,394	10,621
Net interest income	3,055	3,873	4,901	6,164
Non-interest income	281	323	371	427
Fee Income	269	310	356	410
Others	12	13	15	17
Net total income	3,336	4,195	5,272	6,591
Operating expenses	643	788	968	1,188
Employee expense	409	512	640	800
Other expense	234	277	328	388
Pre- provisioning profit (PPP)	2,693	3,407	4,304	5,403
Provision & Contingency	392	526	659	826
PBT	2,301	2,881	3,645	4,578
Tax	800	979	1,239	1,556
PAT	1,501	1,901	2,406	3,021

Balance Sheet

Y/E March	FY16	FY17E	FY18E	FY19E
Liabilities				
Equity Capital	625	625	625	625
Reserves	8,923	10,636	12,816	15,589
Networth	9,548	11,261	13,441	16,214
Borrowings	50,252	62,927	78,659	98,324
Other Liabilities & Provisions	17,832	22,781	29,660	37,553
Total Liabilities	77,632	96,969	1,21,760	1,52,091
Assets				
Current assets	5,385	6,798	8,620	10,669
Investments	124	130	143	158
Advances	72,030	89,934	1,12,881	1,41,138
Fixed Assets	93	107	117	127
Total Assets	77,632	96,969	1,21,760	1,52,091

Growth matrix P&L (%)

Y/E March	FY16	FY17E	FY18E	FY19E
Interest Earned	27.5	23.9	25.7	26.3
Interest expended	27.1	22.3	25.1	26.5
Net interest income	28.2	26.8	26.6	25.8
Non-interest income	22.3	15.0	15.0	15.0
Fee Income	21.6	15.2	15.0	15.0
Others	41.4	10.7	15.0	15.0
Net total income	27.7	25.8	25.7	25.0
Operating expenses	17.5	22.6	22.8	22.7
Employee expense	22.2	25.0	25.0	25.0
Other expense	10.1	18.4	18.7	18.2
Pre- provisioning profit (PPP)	30.4	26.5	26.3	25.5
Provision & Contingency	92.7	34.3	25.2	25.2
PBT	23.6	25.2	26.5	25.6
Tax	26.8	22.4	26.5	25.6
PAT	21.9	26.7	26.5	25.6

Growth matrix Balance Sheet (%)

Y/E March	FY16	FY17E	FY18E	FY19E
Net-worth	17.6	17.9	19.4	20.6
Borrowings	29.5	25.2	25.0	25.0
Advances	28.0	27.8	30.2	26.6

Ratios

Capital Adequacy Ratios (%)	FY16	FY17E	FY18E	FY19E
CRAR (%)	19.6	18.9	18.4	19.6
Tier I (%)	19.6	18.9	18.4	19.6
RWA / Total Assets (%)	40%	43%	45%	47%

Asset quality (%)	FY16	FY17E	FY18E	FY19E
GNPA (%)	1.3	1.6	1.8	1.9
NNPA (%)	0.5	0.6	0.5	0.6
Slippage Ratio (%)	0.4	0.7	0.7	0.6
PCR (ex tech write offs) (%)	63.5	65.0	70.0	70.0
Credit Costs (%)	0.6	0.7	0.7	0.7
Provisioning / avg assets (%)	0.6	0.6	0.6	0.6

Other operating indicators (%)	FY16	FY17E	FY18E	FY19E
Yield on advances	12.4	12.2	12.3	12.4
Yield on int earning assets	12.4	12.2	12.3	12.4
Cost of Funds	9.4	9.1	9.1	9.2
NIM	4.4	4.5	4.5	4.6
Spread	3.0	3.1	3.2	3.2
Cost to income (%)	19.3	18.8	18.4	18.0
Interest income/total income	91.6	92.3	93.0	93.5
other income/total income	8.4	7.7	7.0	6.5
CAR (%)	20.7	19.6	18.9	18.4
Tier I (%)	20.7	19.6	18.9	18.4
Debt Equity Ratio (X)	5.3	5.6	5.9	6.1
Tax Rate (%)	34.8	34.0	34.0	34.0

Valuation Table

Net profit (Rs mn)	1,501	1,901	2,405.8	3,021.3
Shares in issue (bn)	62.5	62.5	62.5	62.5
EPS (Rs)	24.0	30.4	38.5	48.3
EPS growth (%)	21.7	26.7	26.5	25.6
PE (x)	27.7	21.9	17.3	13.8
P/PPP (x)	15.4	12.2	9.7	7.7
Book value (Rs/share)	152.8	180.2	215.1	259.4
P/BV (x)	4.4	3.7	3.1	2.6
Adj book value (Rs/share)	146.9	171.5	204.6	245.5
P/ABV (x)	4.5	3.9	3.2	2.7
ROAA (%)	2.2	2.2	2.2	2.2
ROE (%)	17.0	18.3	19.5	20.4
Dividend Yield (%)	0.3	0.4	0.5	0.5
DPS (Rs)	1.8	2.5	3.0	3.3

Du pont Decomposition (%)

Yield on Assets	12.3	12.1	12.2	12.3
Less: Cost of Assets	7.9	7.7	7.7	7.8
Net Interest Income	4.4	4.4	4.5	4.5
Other Income	0.4	0.4	0.3	0.3
Less: Operating Exp	0.9	0.9	0.9	0.9
Less: Provisions	0.6	0.6	0.6	0.6
Less: Tax	1.2	1.1	1.1	1.1
RoAA	2.2	2.2	2.2	2.2
Leverage	7.8	8.4	8.9	9.2
RoE	17.0	18.3	19.5	20.4

Source: Company, AMSEC Research

Recommendation rationale

Sector rating

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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