Initiating Coverage

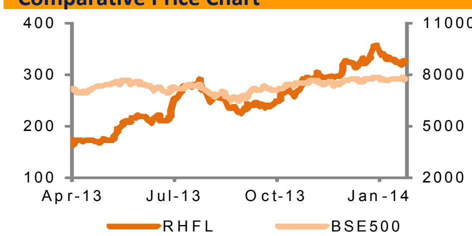
Industry	BFSI

Date	**January 24, 2014**
CMP (Rs.)	324
Target (Rs.)	393
Upside	21%
BSE Sensex	21134
NSE Nifty	6267

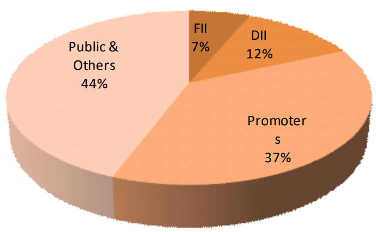
Scrip Code	
Bloomberg	REPCO IN
Reuters	RHFL.BO
BSE Group	B
BSE Code	535322
NSE Symbol	REPCOHOME

Market Data	
Market Cap.(Rs Mn)	20120
Equity Sh. Cap.(Rs Mn)	621.6
52 Wk High/Low	373/158
Avg. Quarterly Volume	24850
Face Value (Rs.)	10

Comparative Price Chart



Shareholding Pattern (31st Dec 2013)



Financials (Rs bn)	FY13	FY14E	FY15E	FY16E
Loan Bk	35.4	44.0	54.6	66.6
NII	1.3	1.7	2.1	2.6
NIM	4.0	4.3	4.4	4.3
PAT	8.0	10.4	12.9	15.9
PATM	19.7	20.1	20.4	20.7
EPS	12.9	16.6	20.6	25.6
P/E	13.4	19.5	15.7	12.7
P/ABV	1.8	2.9	2.5	2.1
RoAA	2.4	2.5	2.6	2.6

Repco Home Finance Ltd (REPCO)

January 24, 2013

Redefining Housing Finance

BUY (CMP: Rs.324)

Mkt Cap Rs 20.12bn; USD0.32bn

REPCO Home Finance Ltd. (RHFL) has emerged as one of the most promising players within a short span of time in the housing finance sector. Having created a strong niche for itself in the under-serviced and under-penetrated sections of Tamil Nadu and other Southern states, it has now made forays into the West and East. With a fine mix of salaried and self-employed customers (54%), supported by a strong credit appraisal process, RHFL has wedged itself in a sweet spot of higher yields (NIMs of 4% plus) and superior asset quality. RHFL's low Average Ticket Size (Rs.1.04 mn) and focus on the Tier-II / Tier-III cities, has enabled the company to maintain a low cost incidence (Cost-to-Income Ratio of 15.7). The "Owned Customer" marketing model of RHFL, as against a DSA model, has resulted in superior client engagement. Given its niche positioning, under-penetrated markets, superior risk management and a low cost go-to-market model, along with a very strong Tier 1 CAR of 25%, we value the stock at 3x FY2015E ABV, recommending a Buy with target price of Rs. 393.

Niche presence with solid execution strength: Historically banks and HFCs have largely focused on the salaried class, as can be seen by the fact that salaried borrowers account for 80-85% of the total outstanding loans due to the ease in validating income levels. RHFL has created a niche for itself by focusing on Tier II and Tier III cities, which have been largely underpenetrated by large HFCs and banks. Among these 56% of the loans have been advanced to self-employed individuals. Given the calculated aggression in its expansion model, the company is well set to leverage on its niche positioning and execution capabilities to clock exceptional growth.

Low cost operating model with lucrative NIMs: RHFL branches consist of 3-4 employees having sound local knowledge and good understanding of customer needs. Further, centralized model of credit appraisal helps in reducing administrative costs. This has resulted in low cost-income ratio for the company of 15-16%. Direct and localized advertising through loan camps and word of mouth referrals has resulted in lower client acquisition cost. As a result, NIMs of the company have been robust at 4%. We expect NIMs to improve going forward as share of higher yielding LAP loans increases.

Robust risk management systems and processes: The company follows a stringent two tiered credit appraisal process wherein the branch is responsible for sourcing, credit appraisal, loan disbursement, and collection and recovery. It conducts personal interview, scrutinizes documents complemented with site visits and independent legal opinions. Sanctioning is done through centralized location where credit officers do their due diligence and sanction loans based on LTV and IIR. Consequently, NPA levels have been contained with GNPA at 1.5% and NNPA at 1% at the end of FY13.

Comfortable capital adequacy with improving returns: Post equity raising (Rs. 2700 mn) in March 13, CAR of the company has improved to over 25%. The management believes the company is adequately capitalized and would not require any equity funding for the next 3-4 years. Repco has delivered strong RoA of ~2.5% driven by healthy NIMs. We expect the company to maintain strong RoA in excess of 2.5% over the next couple of years.

Outlook and Valuation: Repco has built up a well-balanced portfolio backed by strong traction in advances. Following the recent equity raising, the company is adequately capitalized for the next 3-4 years. Expansion to West and East regions and the Government's thrust on low cost housing will enable the company to maintain its growth momentum. Increasing share of LAP loans will aid margin expansion. Given strong growth prospects, we value the stock at 3x FY15E ABV and recommend BUY with a price target of Rs. 393.

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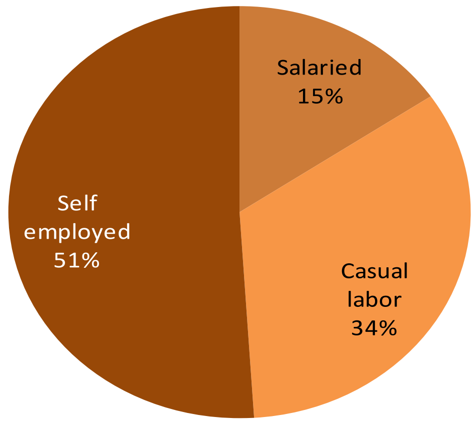
INVESTMENT ARGUMENTS

Niche player with a strong focus on self-employed category

54% of the loans have been advanced to self-employed individuals. Despite the proportion of self-employed in India's total workforce being more than 50%, banks and large HFCs have largely focused on the salaried class, due to the ease in validating income levels and lower volatility in repayment of loans

Chart 1: Breakup of workforce in India



Source: National Sample Survey Office

Non-salaried borrowers account for 15-20% of the total outstanding loans of large HFCs like HDFC and LIC Housing Finance. Repco has the highest percentage of non-salaried loans as compared to its major peers:

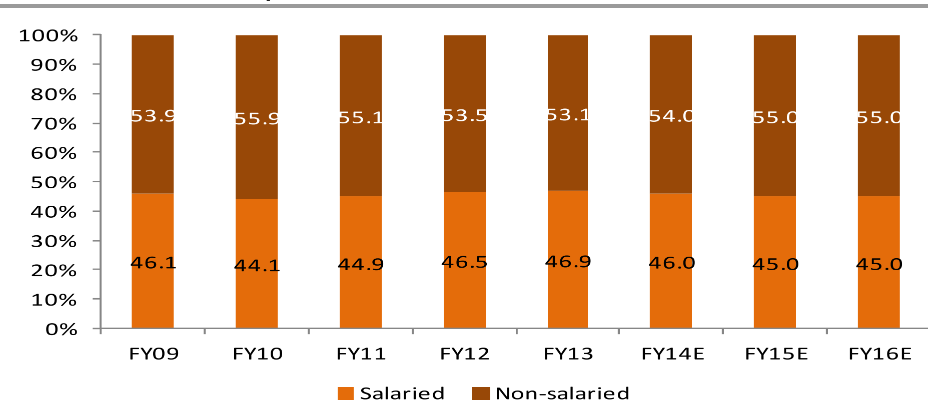
Table 1: Breakup of Salaried and Non-salaried loans

Company	Loan book (Rs Bn)	Salaried loans (%)	Non-Salaried loans (%)
Repco Home Finance	35.45	46	54
Gruh Finance	54.38	63	37
Dewan Housing Finance	339.00	75	25
HDFC	1700.46	85	15
LIC Housing Finance	778.13	85	15

Source: Company, Systematix Institutional Research

Share of non-salaried loans in the total loan book has remained in the range of 53-55% over the last 5 years. Repco expects non-salaried loans to remain dominant in the loan book for the next few years.

Chart 2: Loan Book composition



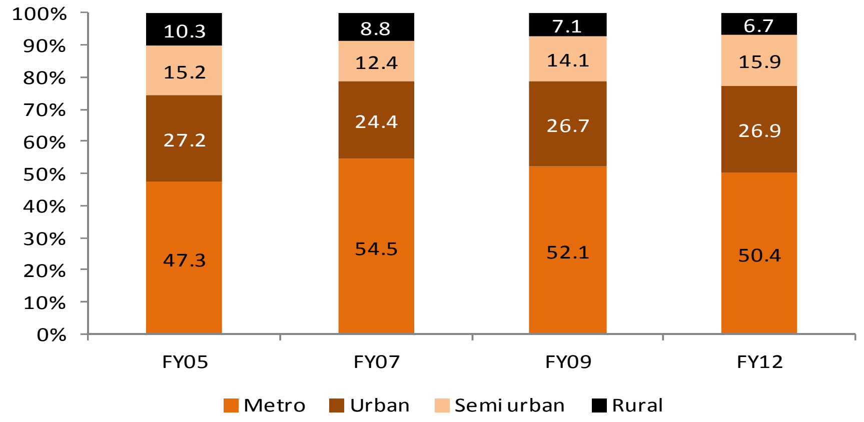
Source: Company, Systematix Institutional Research

Focus on under-penetrated markets

RHFL has created a niche for itself by focusing on Tier II and Tier III cities which have been largely underpenetrated by large HFCs and banks. It has since inception consciously targeted markets that are relatively underserved and underpenetrated. It is focusing on Tier II and Tier III cities and peripheral areas of Tier I cities.

The company is expected to benefit from the increasing urbanization and significant development in these cities. Metro and Urban areas continue to dominate home loan portfolio of banks with more than 3/4th of the outstanding loan book coming from these areas.

Chart 3: Home Loan portfolio of Banks



Source: NHB

The company has started expanding its network to western and eastern India. It has entered into Maharashtra in FY09 and Gujarat in FY11. In FY13 it expanded to West Bengal and Odisha. At the end of H1FY14 it had 102 branches and satellite centres with more than 50% in Tamil Nadu. Repco plans to open 15 branches every year with 10 in South India and 5 in other regions.

Chart 4: Branch Network

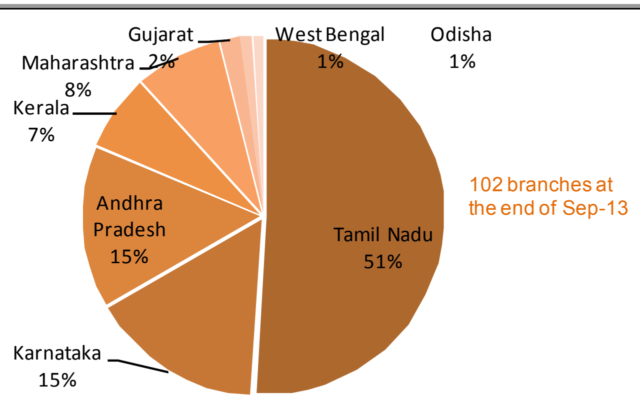
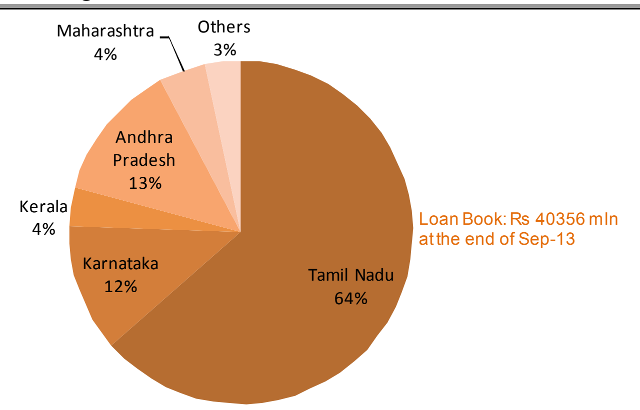
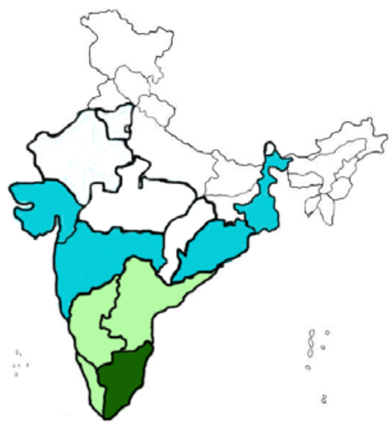
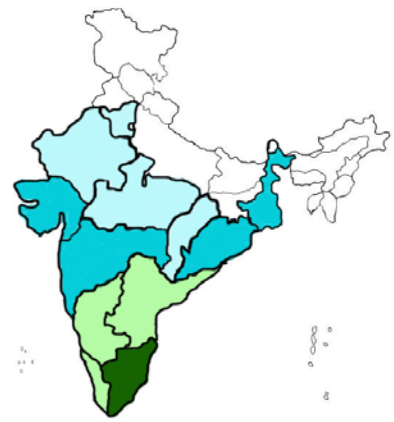


Chart 5: Region wise Loan Book



Source: Company, Systematix Institutional Research





Current Geographic Spread (2013) **Projections for 2016**

	Strong Presence	1. Tamil Nadu
	Significant Presence	2. AP, 3. Karnataka, 4. Kerala
	Recent Expansions	5. Maharashtra, 6. Gujarat, 7. Odisha, 8. West Bengal
	Projected Expansions	9. Rajasthan, 10. MP, 11. Rajasthan, 12. Chhattisgarh

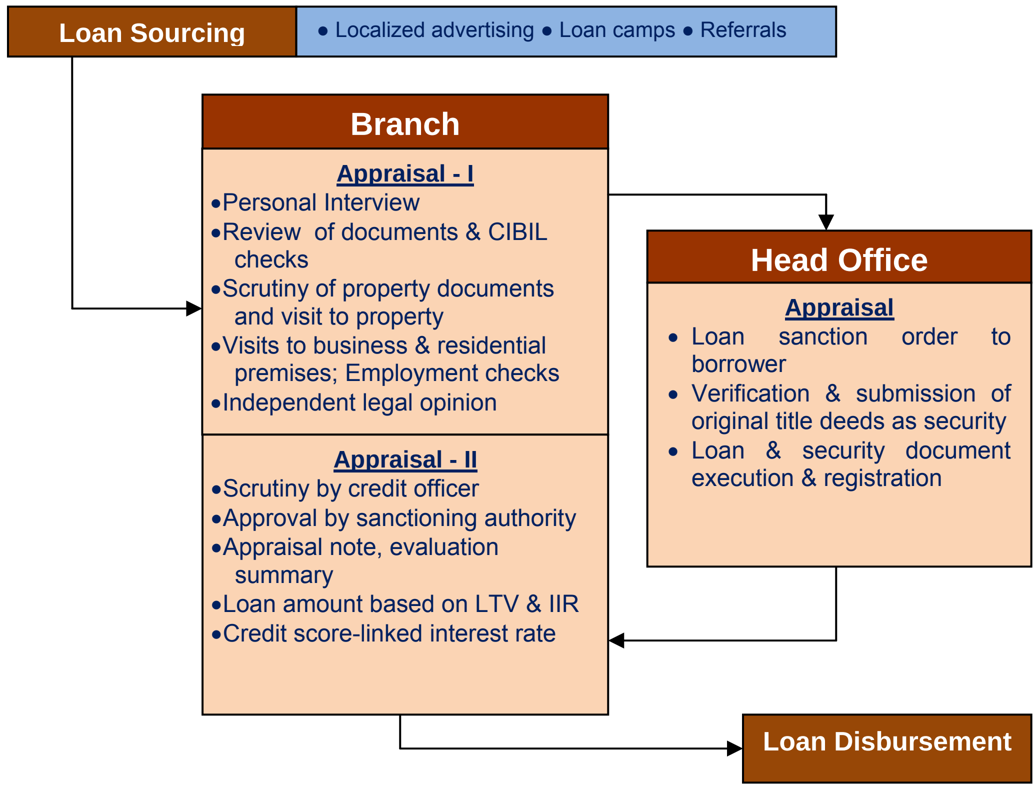
Table 2: Top 15 districts

Chennai	Madurai	Pondicherry
Coimbatore	Tirupur	Thanjavur
Trichy	Yelahanka	Namakkal
Bangalore	Hosur	Karur
Hyderabad	Erode	Mysore

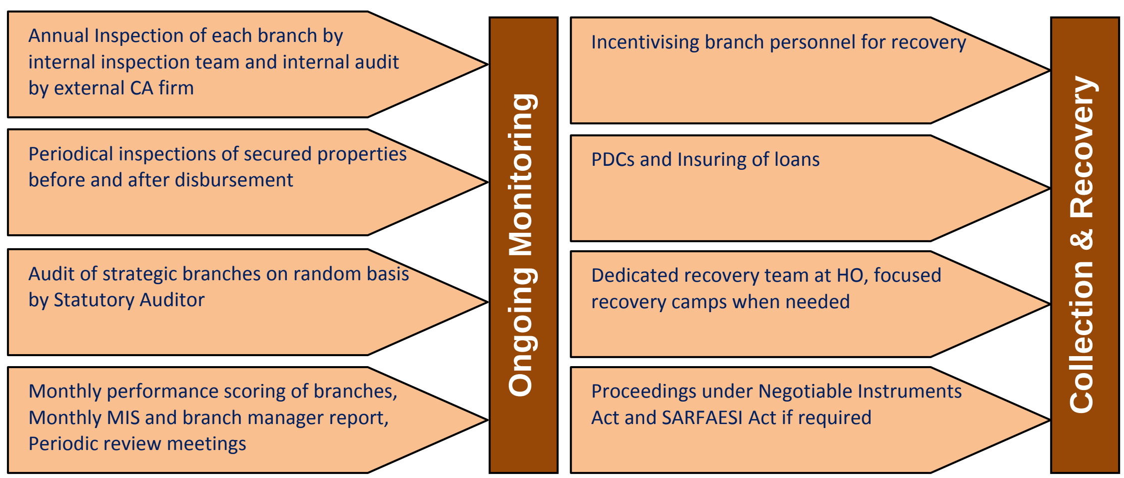
Robust credit appraisal process

Despite catering mainly to self employed individuals (54% of loan book at the end of H1FY14) who have volatile cash flows, Repco has been able to maintain healthy asset quality. This is primarily due to the robust credit appraisal process, followed by continuous monitoring and strong collection & recovery mechanism employed by the company.

Repco has in place a two-tiered credit appraisal process. It eschews intermediaries and reaches out to customers directly through localized advertising, loan camps and word of mouth referrals. Branches conduct personal interview, CIBIL checks, visits to property and take independent legal opinion. The application is then forwarded to the head office where it is scrutinized by a credit officer and loan amount is decided based on LTV & IIR. Once approved the branch verifies the original title deeds and gets the loan and security documents registered.



After disbursement of loans the company performs an annual inspection of each branch. All the loans are verified once every year by the inspection team



The robustness of the risk management systems of Repco is demonstrated by the fact that the total amount of loans written off since inception till FY13 was only Rs 39.4 mn, which was 0.08% of the total disbursements.

NPAs under control; strong asset quality

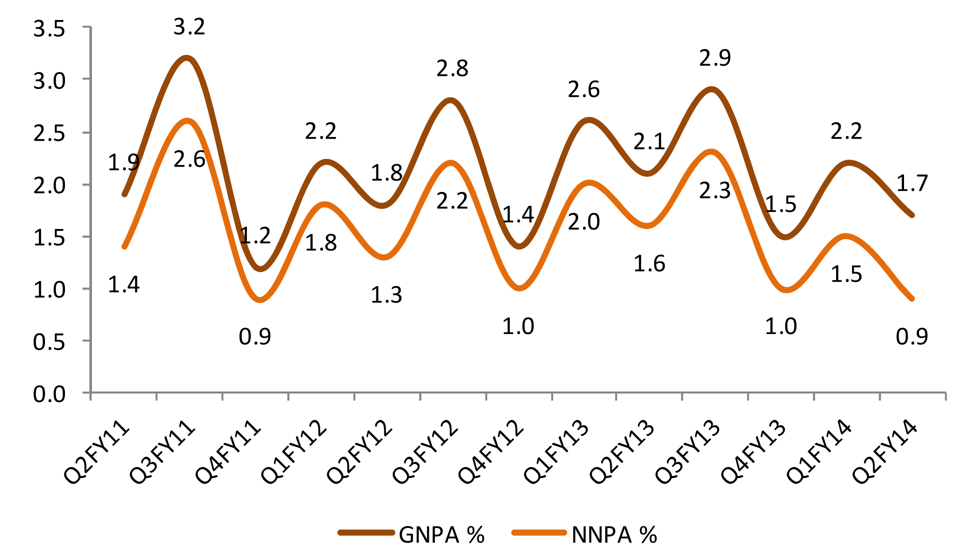
The robust credit appraisal and risk management process employed by Repco has resulted in keeping NPAs under control. The company maintains a conservative LTV ratio incase of self-employed individuals. While loans to salaried individuals has an LTV of 80-85% of agreement value, loans to self employed individuals is 60% of the agreement value. LAP have LTV value of 50% giving the portfolio an average LTV OF 60-65%.

Table 3: Comparison of LTV

Company	LTV (%)
Repco Home Finance	60-65
Gruh Finance	NA
Dewan Housing Finance	50-55
HDFC	60-65
LIC Housing Finance	50-55

Due to higher percentage of self-employed borrowers RHFL faces significant variability in NPA profile qoq resulting from lumpy income profile of customers. Q1 and Q3 of the financial year witness an increase in NPA which comes down in Q2 and Q4. At the end of H1FY14, GNPA and NNPA stood at 1.7% and 0.9% respectively.

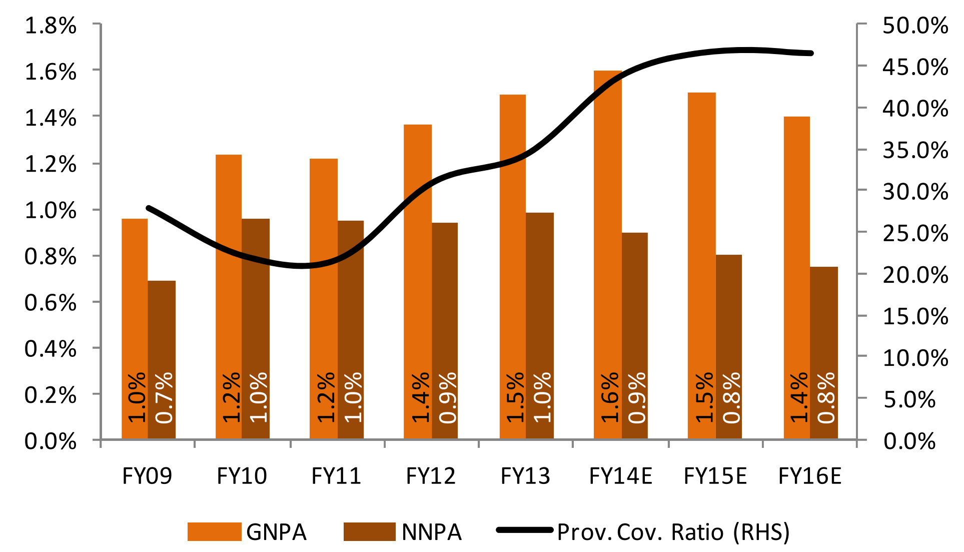
Chart 6: NPA behaviour



Source: Company, Systematix Institutional Research

Although the GNPA of the company has increased over the past couple of years it has been actively making provisions for the same. As a result NNPA has remained under check and PCR has improved from 22% in FY11 to 45% at the end of H1FY14.

Chart 7: Asset Quality

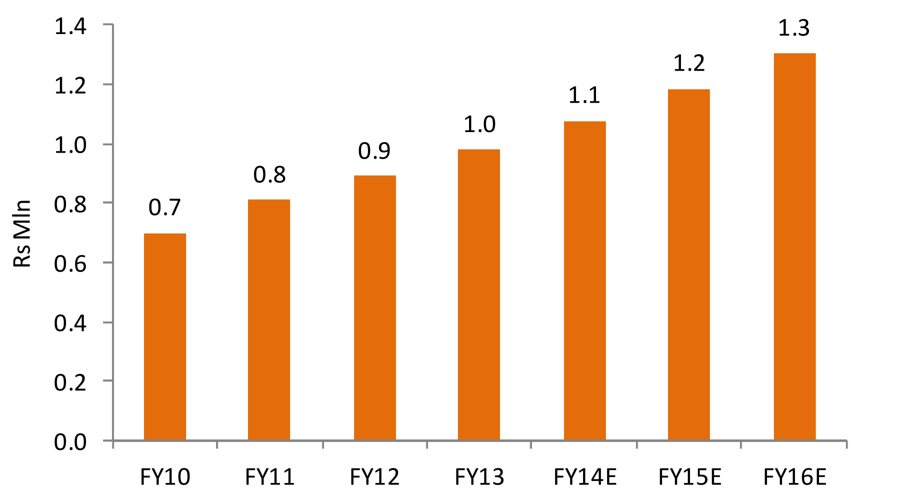


Source: Company, Systematix Institutional Research

Ticket size small, but increasing

Being focused on Tier II and Tier III cities where property prices are not as high as those in metro cities, average ticket size (ATS) of the company is small. However with increasing urbanization and rising property prices the ticket size of the company is growing. ATS of the company has grown at CAGR of 11.9% from FY10-FY13. Banks and larger HFCs which are more focused on metros have witnessed a decline in low ticket housing in their loan books. This provides a significant opportunity for companies like Repco to enhance their customer base and loan book.

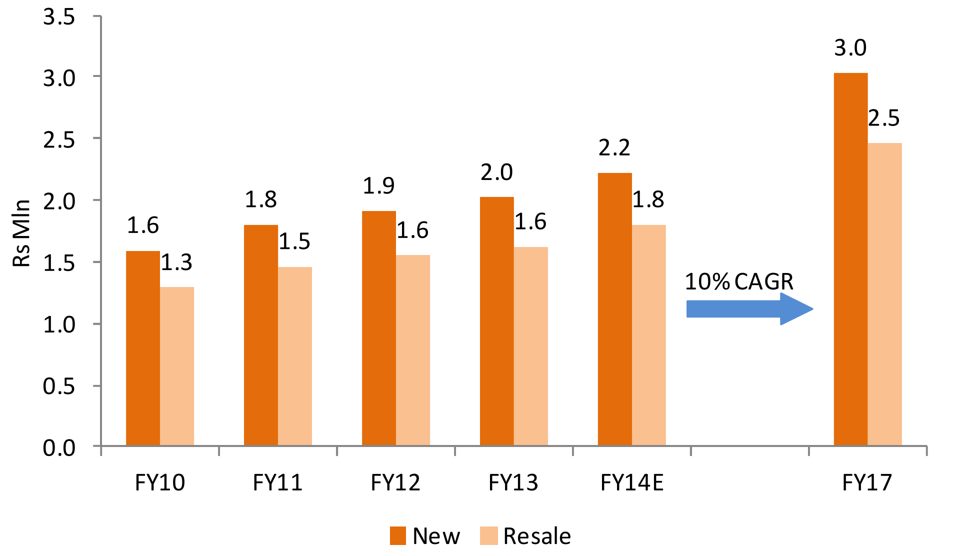
Chart 8: Average Ticket Size



Source: Company, Systematix Institutional Research

According to CRISIL estimates the average ticket size is expected to grow at CAGR of 9-10% over the long term in urban areas driven by increase in property prices and marginal increase in LTV ratio.

Chart 9: Average Ticket Size in Urban areas for housing



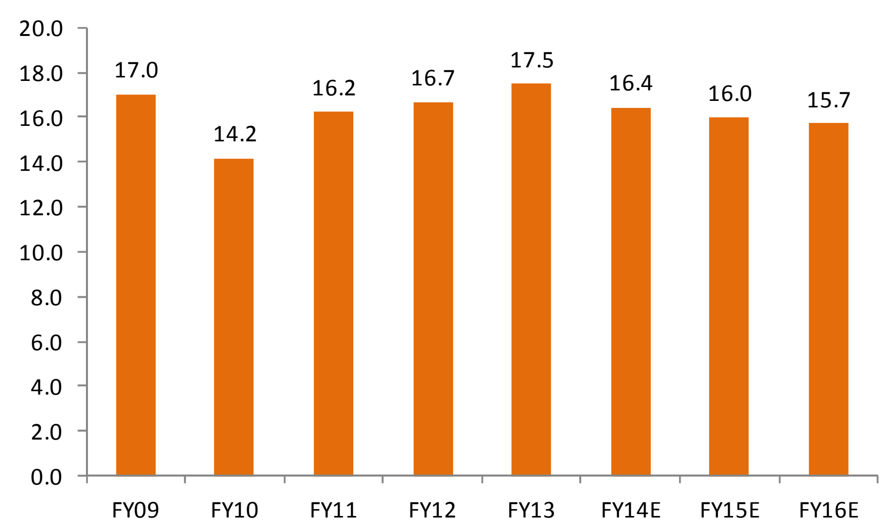
Source: Company, Systematix Institutional Research

Lean cost structure leading to lower and faster Break Even

With majority of the branches in Tier II and Tier III cities, Repco has been able to control costs. Branches have 3-4 employees with strong local knowledge and good understanding of customer needs. Satellite centres are manned by 1-2 employees. All the employees are on company payrolls and RHFL does not employ and commission agents, which leads to most of the clientele being “owned customers”. The branches breakeven at a business of ~Rs 80-100 mln which is achieved in 12-16 months.

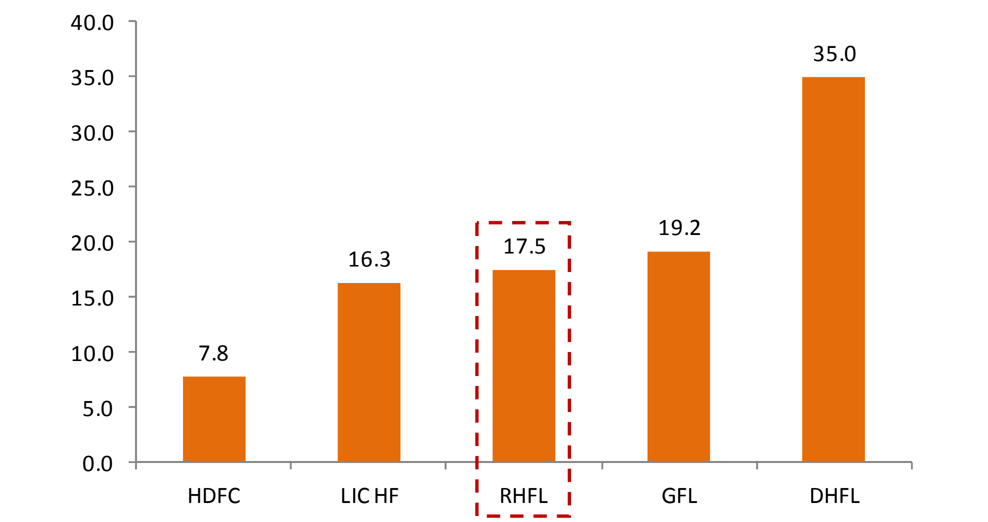
The branches conduct regular camps to source new business and documents collected from prospective customers are sent to head office for further processing. The centralized model of credit appraisal also helps in reducing the administrative costs.

Chart 10: Cost-Income Ratio



Source: Company, Systematix Institutional Research

Chart 11: Cost-Income Ratio – Peer comparison



Source: Company, Systematix Institutional Research

A highly scalable expansion model

The expansion model of the company is extremely scalable, without compromising much on cost efficiencies.

(1) Low cost of marketing as the company sources customers using localized advertising, loan camps and client referrals

(2) A focused target market, with minimum threat of competition

(3) A largely under-penetrated market in the Tier-II and Tier-III cities and towns

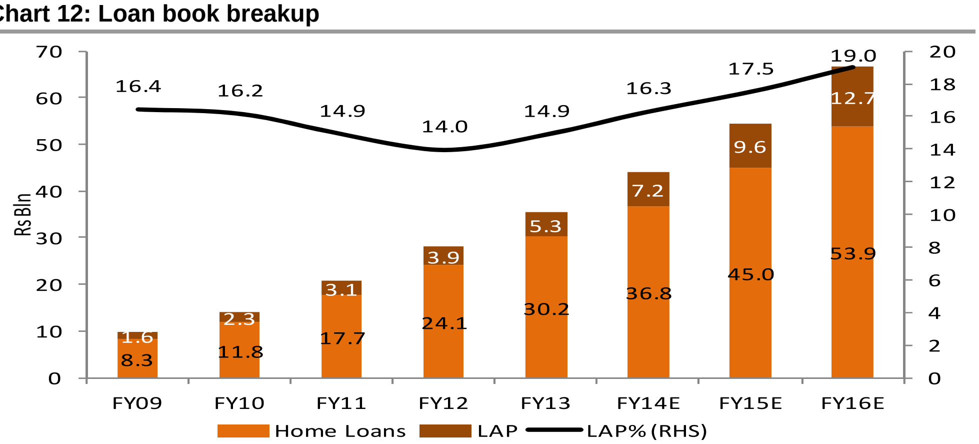
(4) A superior appraisal and risk management process

(5) Faster Turn Around Time (TAT) of around 3 weeks.

Strong financials and healthy NIMs

Loan book of the company has grown by a strong 38% CAGR over the period FY09-FY13. At the end of H1FY14 loan book of the company stood at Rs 40.4 bln. The entire loan book of the company is composed of retail loans. It has no loans advanced to real estate developers. As of H1FY14 ~84% of the loan book was home finance and ~16% loans against property. The company expects its LAP book to grow to 20% by the end of FY17. This would aid NIM expansion for the company as LAP loans generally have 250-300 bps higher margin.

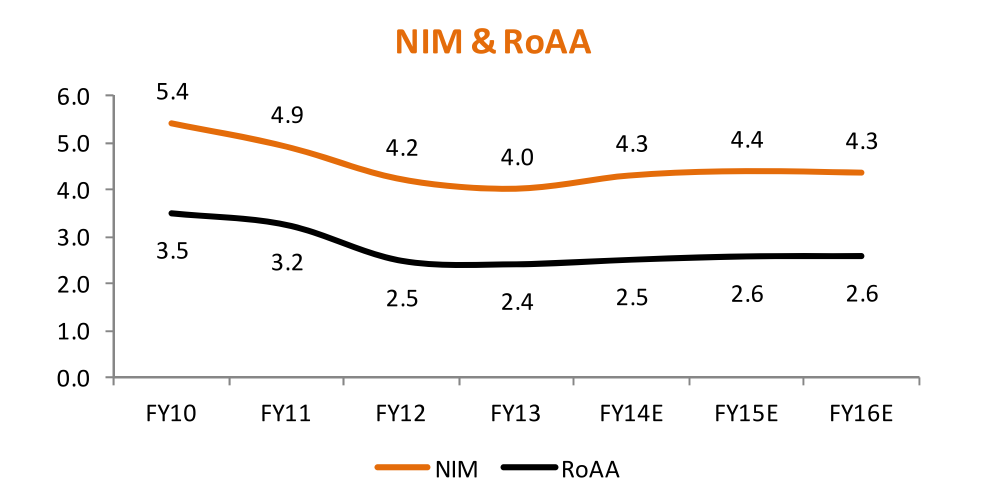
Chart 12: Loan book breakup



Source : Company and Systematix research

Repco has been able to sustain healthy net interest margins in excess of 4% on account of its lean cost structure and controlled credit cost. Due to the nature of its loan book i.e. low ticket borrowers, it has been able to access cheaper refinance from NHB. Also it has been able to access funds from banks at lower rates as low cost housing comes under priority sector. This has enabled the company to keep its credit costs under control and deliver healthy RoA of ~2.5%.

Chart 13: NIMs and RoAA

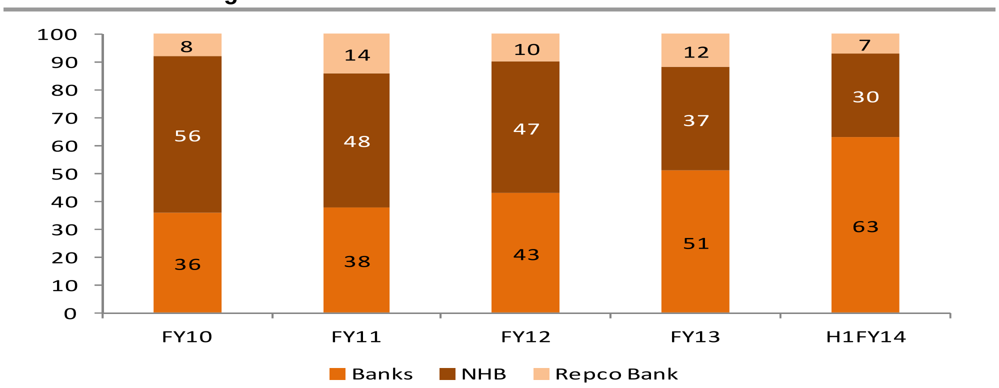


Source: Company, Systematix Institutional Research

RHFL raises its resources through a variety of sources, including term loans from scheduled commercial banks, refinance from NHB and borrowings from promoter, Repco Bank. As of H1FY14 banks accounted for 63% of the resources while refinance from NHB stood at 30%. Given the nature of loans RHFL gets the benefit of lower rates for refinancing from NHB. Banks also lend at favorable rates as low cost housing comes under priority sector lending.

Funding from NHB has seen a decline from 56% in FY10 to 30% at the end of H1FY14. Further 20% of the borrowings got impacted due to regulation change by NHB in Sep-13 which capped the spread on borrowings under Rural Housing Fund to 2% from 3% earlier. However, despite the higher cost of funding RHFL expects to maintain its margins above 4% due to limited competition in the areas it operates.

Chart 14: Borrowing Sources



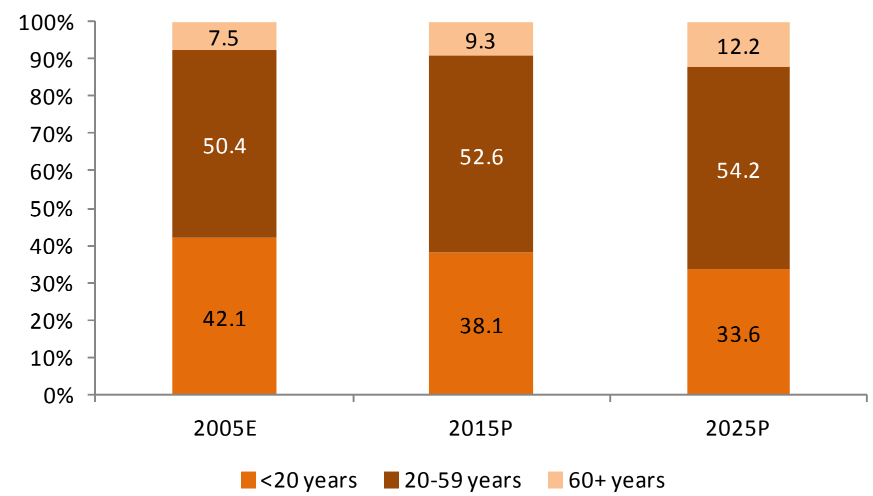
Source: Company, Systematix Institutional Research

INDUSTRY OVERVIEW

Increasing population to drive demand for housing needs

India is the second most populous country in the world with an estimated population of 1.2 bln as per 2011 census. Population grew by 17.64% in the decade from 2001 to 2011 resulting in an annual growth of 1.64%. According to CRISIL estimates population growth is likely to moderate to 1.5% per annum in the current decade. Working population; i.e. age group of 20-59 years; is expected to grow from 50.4% of the total population in 2005 to 54.2% in 2025 as per CRISIL estimates. This would drive the need for more housing and housing finance.

Chart 15: Age-wise population breakup

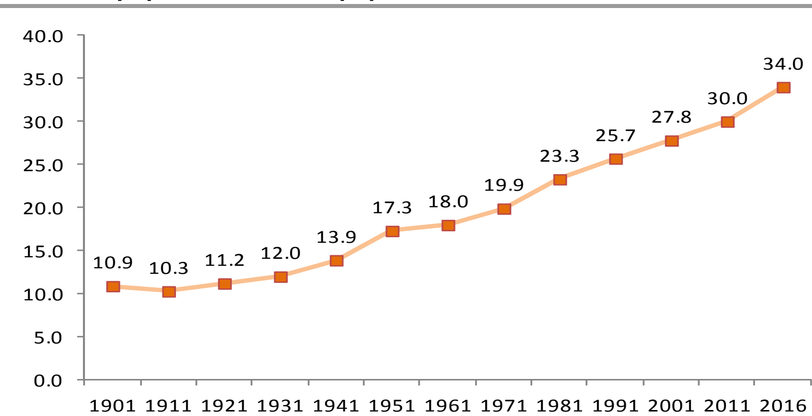


Source: CRISIL Report – Housing, November 2012

Huge opportunities from increasing urbanization

Urban population has been steadily growing in India. The share of urban population has risen steadily to around 30% of the overall population in Fiscal 2011. The growth in urban population has been higher at 2.2-2.5% per annum, as compared to the 1.4-1.7% per annum growth in overall population. As per CRISIL estimates, the urbanization trend is expected to continue in the future, from an earlier growth rate of around 2.8% per annum during the last decade (2001- 2011) to around 2.6% per annum between Fiscal 2011 and 2016 (as compared to a total population increase of around 1.5% per annum) to reach over 34% in Fiscal 2016.

Chart 16: Urban population to Total population

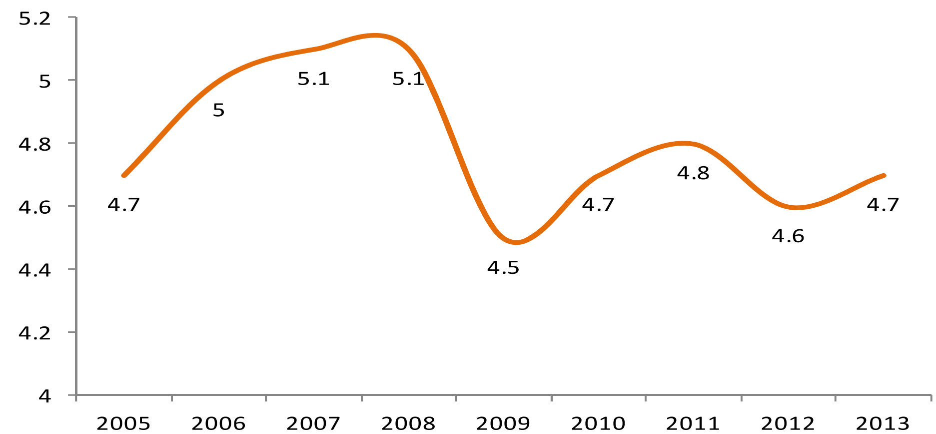


Source: CRISIL Report – Housing, January 2012

Rising Affordability

With the sustained economic development in the country over the last 2 decades the demographics has witnessed several changes. Rising employment opportunities have led to an overall increase in income levels. Increasing working population has reduced the average age of the work force, with higher aspiration levels leading to rising standards of living, matched with sufficient purchasing power. The number of Rs 0.2-0.5 mln income households and greater than Rs 0.5 mln income households in India are estimated to have grown at a CAGR of 15% and 12% respectively, from Fiscal 2005 to Fiscal 2011. With rising income levels, there is greater demand for owned houses as well as larger houses, thereby providing a fillip to the housing industry.

Chart 17: Affordability Index

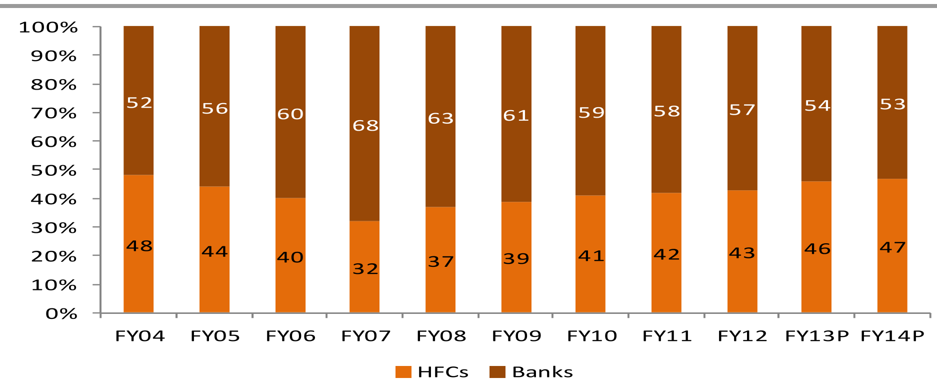


Source: HDFC

Increasing share of housing finance companies

Over the last few years housing finance companies have significantly improved their market share vis-à-vis banks. Banks were aggressive in the housing finance space in 2004-2008 by offering low interest rates which resulted in HFCs losing their market share. However with the credit crisis in 2008-09 and subsequent asset stress faced by the banking sector, banks have gone slow on this segment. Also HFCs now match the rates offered by the banks. According to CRISIL Research HFCs are expected to grow faster because of their increasing presence in tier II and tier III centers, increase in their ATS and stable asset quality. Consequently, market share of HFCs is expected to increase further.

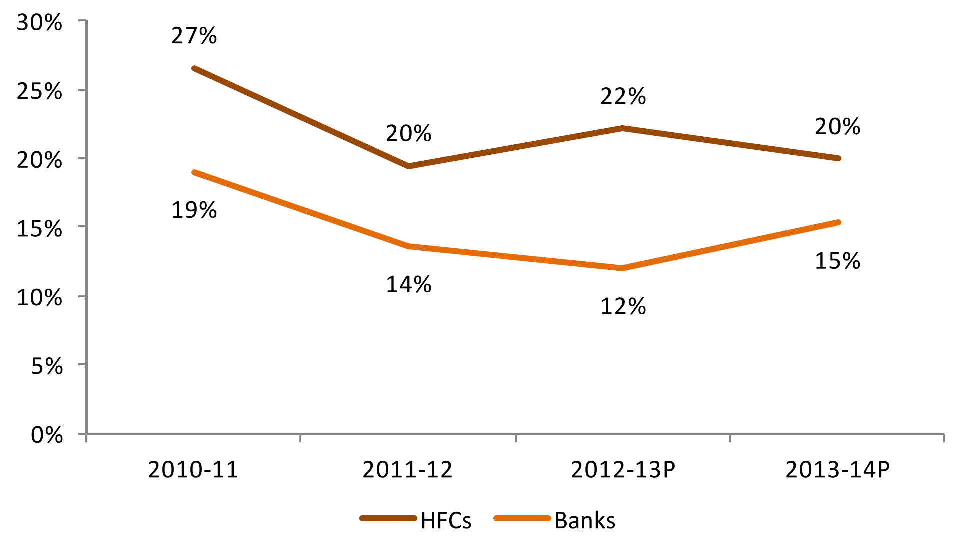
Chart 18: Market share of Banks and HFCs



Source: NHB, CRISIL Report: Retail Finance – Housing, October 2012

Disbursements by HFCs have been growing at a faster rate than banks. According to CRISI Report on Retail Housing disbursement from HFCs are expected to grow at 20% in FY14 while bank advances to housing sector are estimated to grow at 15.3%. Repco is looking to grow its loan book by 25-30% per annum over the next few years.

Chart 19: Disbursement growth of HFCs and Banks



Source: CRISIL Report: Retail Finance – Housing, October 2012

NHB refinancing to lower borrowing cost for niche HFCs

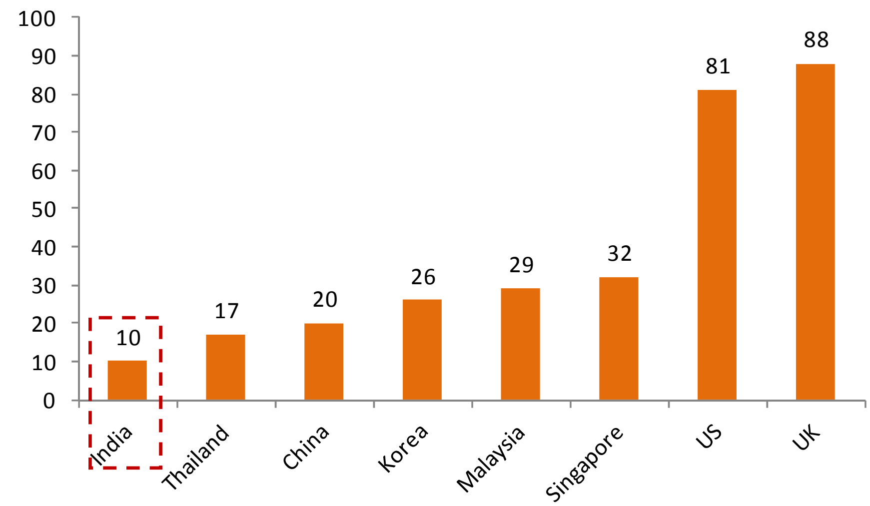
Given their size and strong parentage larger HFCs are able to access debt market and mobilize funds at lower cost. However smaller and niche HFCs are dependant on commercial banks and NHB for their financing needs. NHB offers various refinancing schemes to banks and HFCs with the aim to encourage lending in semi-urban and rural areas where ticket sizes are lower. HFCs have largely benefitted from these schemes and it has enabled them to reduce their cost of funds. RHFL comes under the Rural Housing Fund (RHF) shown in the box in the table below.

Scheme	Liberalized Refinance Scheme	Golden Jubilee Rural Housing	Rural Housing Fund	Energy efficient housing scheme	Urban Low Income Housing
Launch Date	2002	1998	2008	2012	2012
Objective	Provide refinance assistance to HFCs	Flagship scheme of NHB to refinance rural housing	Encourage housing to weaker sections, funds allocated from RIDF	Promote use of solar equipment in homes	Increasing credit flow to low income housing in urban areas
Disbursement		FY11: Rs37.8bn FY12: Rs26.1bn	FY12: Rs30bn FY13: Rs40bn FY14E: Rs60bn	FY12: Rs 1.3bn FY13: Rs 1.0 bn	FY13: 0.3bn
Loan Size	Any; Concessional rates to loans below Rs0.5mn	Less than Rs 1.5 mln	Less than Rs1.5 mln	Upto Rs50,000	Less than Rs 1.0 mln
Location	Rural or Urban	Rural	Rural	Urban	Urban
Tenure	1 to 15 years	1 to 15 years	3 to 7 years	1 to 15 years	5 to 15 years
Interest Rate	Floating or Fixed	Floating or Fixed	Fixed: Spread cap of 200 bps	Fixed	Fixed: Spread cap of 250 bps

Low mortgage to GDP ratio

Mortgage to GDP ratio in India is lower as compared to some of the other emerging economies and significantly below developed economies like US and UK. Mortgage to GDP ratio in India stood at 10% as compared to 20% in China and ~30% in Malaysia whereas US and UK had mortgages in excess of 80% of their GDP.

Chart 20: Mortgage to GDP ratio



Source: Company

The Government has taken various steps to boost housing market in urban and rural India. The Rural Housing Fund, Urban Housing Fund, Golden Jubilee Rural Housing Finance Scheme, ISHUP, Credit risk guarantee fund etc are some of the schemes started by the Government to give impetus to low cost housing market. As per BCG/IBA report, the estimated outstanding mortgage in India is set to increase by 8 fold by 2020 to cross nearly 20 percent of India's GDP.

PEER COMPARISON

Table 4

	RHFL	LIC HF	Dewan Housing	Gruh Finance	HDFC
CAR	**25.5**	16.5	16.5	14.6	16.4
RoAA	**2.4**	1.4	1.7	2.9	2.8
RoAE	**17.1**	16.8	17.9	33.0	22.0
GNPA	**1.5**	0.6	0.7	0.3	0.7
NNPA	**1.0**	0.1	0.0	0.1	0.0
NIM	**4.0**	2.2	2.7	4.4	3.9
Cost-Income	**17.5**	10.6	35.0	19.2	7.8
Cost-NII	**11.8**	12.2	50.5	10.1	17.3

Source: Company, Systematix Institutional Research *Data as at FY2013*

Table 5

Company	CMP	Mcap (Rs bn)	Loans (Rs bn)	P/E (FY14E)	P/B (FY14E)
RHFL	**324**	**20.1**	**35**	**19.5**	**2.9**
LIC HF	212	107.0	778	8.2	1.4
Dewan Housing	237	30.5	361	5.9	0.8
Gruh Finance	254	45.7	54	26.3	7.3
HDFC	856	1334.9	1700	24.1	4.7

Source: Company, Systematix Institutional Research

RHFL compares favorably over its peers on multiple parameters, despite being a relatively new company.

- RHFL's higher Capital Adequacy Ratio (CAR) of 25% provides the company with a comfortable headroom for the next 3-4 years.
- On the RoAA front RHFL ranks comfortably ahead of competitors LIC HF and DHFL.
- Gruh Finance is the HFC that comes closest to being a direct competitor of RHFL. Given the fact that Gruh Finance comes from the strong pedigree of HDFC, it will always command a premium over RHFL. But over a period of time, with RHFL expanding to newer territories with its lower cost model this gap will narrow down.
- Gruh Finance currently trades at a multiple of 7.3 X its FY2014E APB, while RHFL trades at 2.9x its FY2014E APB. As this gap bridges, we expect RHFL to command an increased valuation, so we value the stock at 3 X FY2015E ABV of Rs.131, translating to a target of Rs.393.

COMPANY BACKGROUND

RHFL is a NHB registered housing finance company headquartered in Chennai, Tamil Nadu. It was incorporated in April 2000 as a wholly owned subsidiary of the Repatriates Co-operative Finance and Development Bank Limited (Repco Bank Limited, repcobank.com), a Government of India enterprise, to tap the growth potential in the housing finance market.

RHFL primarily provides loans to individuals for the purchase and/or construction of residential or commercial properties (individual home loans and loans against property). As of Sep-2013 the company has 102 branches and satellite centers in Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Maharashtra, Gujarat, Odisha, West Bengal and Puducherry.

The company focuses on Tier II and Tier III cities and peripheral areas of Tier I cities, areas which are relatively under penetrated. It sources its clients directly through local advertising, loan camps and word of mouth referrals. RHFL does not employ any DSAs resulting in most of the customers owned by the company. Repco has a strong credit appraisal and risk management process with centralized processing leading to costs remaining under control. Outstanding loans amounted to Rs 40356 mln at the end of H1FY13.

MAJOR SHAREHOLDERS

Shareholder	%
Repco Bank	37.4
First Carlyle Growth VI	17.7
WCP Holdings III	10.0
Creador I LLC	7.5
SBI Emerging Business Fund	3.1

KEY MANAGEMENT PERSONNEL

Mr. R Varadarajan Managing Director	Over 35 years of work experience in the banking industry. Prior to joining Repco Home Finance in 2010, he was associated with Syndicate Bank in various capacities for a period of 23 years and with Repco Bank since 2001.
Mr. V. Raghu Executive Director	Over 32 years of work experience. His prior work experience includes a stint at NHB as a General Manager and stint with RBI as Research Officer.
Mr. P. Natarajan Executive Director	Around 30 years of experience in banking and financial services. Prior to joining Repco Home Finance, he was a general manager at Repco Bank.

RISKS#

Macroeconomic risks

An extended slowdown in the economy, leading in turn, to further slowing down of the Real Estate sector could result in an adverse impact on the earnings of RHFL.

A continuation of the high interest scenario posts a serious threat to the demand for housing loans.

Regulatory Risks

RHFL is regulated by the NHB, under the RBI. Any changes to the risk weights or caps on the interest spread could negatively affect the earnings of the company.

Internal Risks

The company's loan book is a highly concentrated one, with around 2/3 of it originating in Tamil Nadu. Any sharp correction in the real estate sector in TN could seriously impact its earnings. But with the company steadily foraying into other states, the risk due to concentration will get nitigated over the next few years.

The company is able to maintaining low marketing costs, using localised marketing and an "Owned Customer" model. But with the company's entry into newer terrain, it may resort to the use of DSAs and this could dent their cost advantage.

Profit & Loss Statement

(Figures in Rs Mn.)

Y/E March	FY12	FY13	FY14E	FY15E	FY16E
Interest Income	3055	3912	4980	6125	7466
Interest Expenses	2023	2656	3282	3977	4833
Net Interest Income	**1032**	**1255**	**1698**	**2148**	**2633**
Non interest income	134	148	176	200	224
Total Income	**1166**	**1403**	**1874**	**2348**	**2857**
Operating Expenses	194	245	308	375	448
Pre Prov Profit	**971**	**1158**	**1566**	**1973**	**2409**
Prov & Cont	155	90	154	191	200
Profit Before Tax	816	1068	1411	1782	2209
Tax	202	268	381	499	618
PAT	**615**	**800**	**1030**	**1283**	**1590**

Source: Company, Systematix Institutional Research

Balance Sheet

(Figures in Rs Mn.)

Y/E March	FY12	FY13	FY14E	FY15E	FY16E
Share Capital	464	622	622	622	622
Reserves & Surplus	2568	5724	6674	7877	9388
Total Shareholder funds	3033	6345	7296	8499	10009
Borrowings	24860	30647	36334	45660	56092
Other Liab & Prov.	634	932	1073	1275	1556
SOURCES OF FUNDS	**28527**	**37925**	**44703**	**55434**	**67657**
Cash & Bank Balance	175	2101	308	437	599
Investment	81	81	88	93	113
Advances	28090	35500	44021	54586	66594
Fixed Assets	33	45	55	63	70
Other Assets	148	197	231	256	280
TOTAL ASSETS	**28527**	**37924**	**44703**	**55434**	**67657**

Source: Company, Systematix Institutional Research

Ratios

Y/E March	FY12	FY13	FY14E	FY15E	FY16E
Return Ratios					
Avg yield on advances	12.4%	12.2%	12.4%	12.3%	12.2%
Avg cost of borrowings	9.4%	9.6%	9.8%	9.7%	9.5%
NIM	4.2%	4.0%	4.3%	4.4%	4.3%
RoAE	22.3%	17.1%	15.1%	16.2%	17.2%
RoAA	2.5%	2.4%	2.5%	2.6%	2.6%
Asset Quality Ratios					
Gross NPA to Advances	1.4%	1.5%	1.6%	1.5%	1.4%
Net NPA to Advances	0.9%	1.0%	0.9%	0.8%	0.8%
Provision Coverage	30.9%	34.3%	43.8%	46.7%	46.4%
Growth Ratios					
NII	20.1%	21.6%	35.2%	26.5%	22.6%
PAT	5.7%	30.2%	28.8%	24.5%	23.9%
Advances	35.3%	26.4%	24.0%	24.0%	22.0%
Valuation Ratios					
EPS	13.2	12.9	16.6	20.6	25.6
P/E	NA	13.4	19.5	15.7	12.7
Adj. BVPS	59.6	96.5	112.2	131.1	154.4
P/ABV	NA	1.8	2.9	2.5	2.1
Other Ratios					
Cost-Income	16.7%	17.5%	16.4%	16.0%	15.7%
Dividend Yield	NA	0.6%	0.3%	0.3%	0.3%

Source: Company, Systematix Institutional Research

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