CD EquisearchPvt Ltd

CHANGING DIMENSIONS
CD EQUISEARCH

March 30, 2019

GIC Housing Finance Ltd. (GICHFL)	
No. of shares (m)	53.9
Mkt cap (Rs crs/$m)	1452/209.9
Current price (Rs/$)	270/3.9
Price target (Rs/$)	349/5.0
52 W H/L (Rs.)	436/213
Book Value (Rs/$)	199/2.9
Beta	1.0
Daily volume NSE (avg. monthly)	130550
P/BV (FY19e/20e)	1.3/1.2
P/E (FY19e/20e)	8.8/7.1
Cost to Income (FY18/FY19e/20e)	19.8/19.8/19.5
EPS growth (FY18/19e/20e)	24.8/-10.6/23.7
NIM (FY18/19e/20e)	3.8/2.9/3.1
ROE (FY18/19e/20e)	21.0/16.2/17.5
ROA(FY18/19e/20e)	1.8/1.3/1.4
D/E ratio (FY18/19e/20e)	10.5/10.8/10.8
BSE Code	511676
NSE Code	GICHSGFIN
Bloomberg	GICHF IN
Reuters	GICH.NS

Shareholding pattern	%
Promoters	42.4
MFs / Banks / FIs/ Others	11.2
Foreign Portfolio Investors	2.9
Govt. Holding	-
Public & Others	43.5
Total	**100.0**

As on Dec 31, 2018

Recommendation

BUY

Phone: + 91 (33) 4488 0055

E- mail: research@cdequi.com

Quarterly Highlights

- Despite the funding environment remaining constrained in the NBFC sector, GICHFL reported decent loan book growth of 17.3% (yoy) last quarter, galvanized by robust growth in housing loan portfolio. However, disbursements and sanctions were heavily affected with de-growth of 20.5% (yoy) and 18.8% (yoy) respectively in Q3FY19. Salaried class continued to be the focus of lending with 72.2% of total loan book (71.7% in the same period last year).
- NII de-grew by 13.4% (yoy), largely due to decline in yield on advances (10.2% vs 11.1% in Q3FY18) and rise in cost of borrowed funds (8.0% in Q3FY19 vs 7.9% a year ago). NIMs for the quarter fell to 2.8% vs 3.8% in Q3FY18. Total income, which witnessed a fall of 13.1% (yoy), along with 15.1% (yoy) growth of operating expenses hindered cost to income ratio (21.0% last quarter vs 15.9% in the corresponding quarter of FY18). With pre-provision profits already down by 18.4% (yoy), marginal rise in provisions curtailed dent in earnings- post tax earnings down by 24.1% (yoy).
- After facing some stress in LAP portfolio in FY17, GICHFL has constantly reduced its exposure to the segment, which was on an upswing from FY12 to FY16. Its share declined to 14.2% in FY18 from 16.1% in FY16. In first nine months of current fiscal, it further fell to 12.9% of the total loan book (13.3% in H1FY19 and 13.8% in Q1FY19). With company’s decision to prune LAP growth, we expect it to grow at a CAGR of 5.2% during FY18-20 and constitute 13.0% and 11.7% of loan book in FY19 and FY20 respectively.
- The stock currently trades at 1.3x FY19 BV (8.8x FY19e EPS of Rs 30.63) and 1.2x FY20 BV (7.1x FY20e EPS of Rs 37.90). According to ICRA, as disbursements in Q4FY19 are expected to remain muted for some large HFCs, housing credit growth is likely to be in the range of 13%-15% in FY19, and would increase marginally to 14%-16% in FY20, provided the liquidity conditions in the market ease out. With some revival of the sector, we expect GICHFL’s loan book to grow by 15.4% and 16.0% in FY19 and FY20 respectively. Its focus on mid-income group with average ticket size of Rs 15 lacs bodes well, given a gamut of initiatives introduced by GOI to boost affordable housing. Given the recent liquidity crisis, NII would grow at a CAGR of 6.0% during FY18-20. NIMs would stand at 2.9% and 3.1% in FY19 and FY20 respectively. Weighing odds, we assign ‘buy’ rating on the stock with target price of Rs 349 (previous target Rs 529) based on 1.5x FY20e BV for a period of 9-12 months.

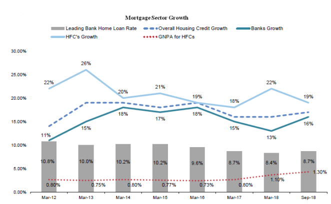
(Rs crs)	FY16	FY17	FY18	FY19e	FY20e
Net Interest Income	256.63	312.20	386.44	355.70	433.99
Non Interest Income	19.09	21.70	29.20	2.73	2.83
Pre-Provision Profits	206.87	260.50	333.15	287.47	351.82
Net profit	124.50	147.73	184.43	164.96	204.12
EPS(Rs)	23.12	27.43	34.25	30.63	37.90
EPS growth (%)	20.9	18.7	24.8	-10.6	23.7

Outlook & Recommendation

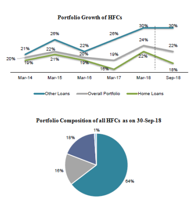
Industry Overview

Post liquidity crisis, the housing credit landscape is undergoing a sea change. The home loans portfolio growth for HFCs and other NBFCs came down to 13% (yoy) for the period ended December 31st, 2018 from 18% a year-ago, while the overall housing credit outstanding growth also narrowed down to 16% from 18% in the same period last year (Source ICRA). Focus of HFCs has shifted from loan growth to conserving or raising liquidity. According to industry reports, overall growth of HFCs is likely to moderate in coming months. With increased retail portfolio sales by various HFCs, share of home loans in the overall on-book portfolio would also decline.

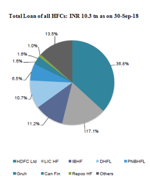
Asset quality remains vulnerable, especially in pockets like construction finance. ICRA posits Gross NPAs in the home loan segment to increase to ~1.3% (current level of 1%) over the medium term. Moreover, higher Gross NPA ratio on the non-housing loan segment could lead to increase in GNPAs for HFCs to ~1.8% during the medium term from the present 1.4%. The ongoing troubles would result in narrowing of margins and moderation of profit levels to 14%-15% in FY19 (vs 18% in FY18). As for FY20, ICRA expects HFCs to report similar profitability indicators as FY19 unless a prolonged slowdown in growth impact the operating expense ratios and asset quality of some asset classes, which could lead to further dip in profitability indicators.



Source: ICRA Indian Mortgage Finance Market Update



Source: ICRA Indian Mortgage Finance Market Update



Recent reduction in GST rates on both under construction projects (from 12% to 5%) and under-construction affordable housing projects (from 8% to 1%) is expected to give a leg up to the affordable housing segment. Any incremental demand from the GST rate cut would be positive for HFCs, especially in case of the affordable housing segment where the loan books have increased by 2.6x since FY15 (Source: Indian Ratings). Concurrently, the lagged delinquencies in the affordable housing segment have reached 2%. However, incremental savings at the disposal of home buyers due to the reduction in GST rates could moderate delinquencies across the segments going forward.

Some HFCs have cut their 2021 business targets owing to the recent liquidity crunch. Many companies that have witnessed sharp dip in disbursements last quarter are yet to see any signs of pickup. According to India Ratings, a credit rating agency, growth of HFCs has considerably slowed down in Q3FY19. Subramanian Balaganapathy, Assistant General Manager, Repco Home Finance, said “The government’s targets under PMAY scheme for providing housing for all by 2022 could see some delay because of the recent liquidity crisis. Profitability for many HFCs is likely to be hit as cost of funds has gone up by 50-100 basis points."

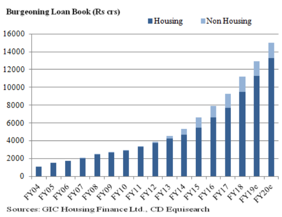
In order to address HFC’s liquidity crisis, NHB (National Housing Bank) has proposed to increase CAR (capital adequacy ratio) for HFCs to 15% (the current ratio stands at 12%), in a phased manner by FY22, which will be increased by 1% over the next three years. The housing finance regulator has also reduced the borrowing limit of HFCs from 16 times of net owned funds to 12 times by March 2022.

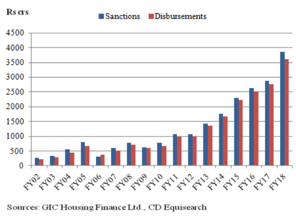
The new guidelines would be credit positive as they would limit HFCs' credit growth and cap their maximum exposure to the debt capital markets, benefitting HFCs and its lenders, largely commercial banks. However, Moody’s reckons that these guidelines do not address issues regarding the key credit risk of these companies, their funding and liquidity. Volatility in the debt financing markets is a key risk for the HFCs because short-term funding is increasing and is used to fund long-dated assets. Additionally, these companies maintain very little backup liquidity, it noted.

Loan Portfolio

GICHFL's loan book has grown at a CAGR of 19.9% in five years ending FY18. With an average ticket size of ~Rs 15 lacs, housing loans constitute a large chunk of its loan book (~85%), and has recorded a CAGR growth of 17.6% during FY13 to FY18. Continuing its growth momentum, it posted loan book growth of 17.3% (yoy) in 9MFY19 to Rs 12,535 crs ($1796.0m). Disbursements and sanctions however de-grew by 3.4% (yoy) and 4.0% (yoy) respectively during the same period owing to slowdown in NBFC market because of the recent liquidity crunch.

Although like Can Fin and LICHFL, it primarily lends to salaried individuals, it has somewhat increased its exposure to self employed class from 25.3% in FY16 to ~28% in 9MFY19. In view of the recent scenario in housing finance industry, we expect GICHFL's loan book to clock a 15.7% CAGR over FY18-20 period, mainly driven by housing segment growing at a CAGR of 18.4%. The customer profile would continue to be dominated by salaried category constituting 72% of the loan book in FY19 and FY20 respectively.

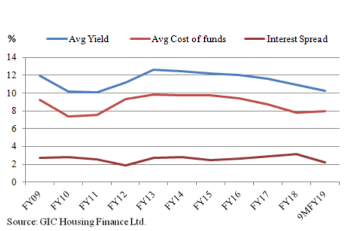


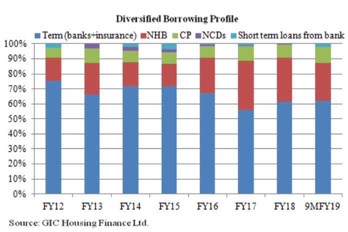


Optimizing cost of funds

GICHFL's prudent borrowing strategy has helped it optimize funding costs over the years – average cost of borrowing has reduced from 9.9% in FY13 to 7.8% in FY18 – driven by a healthy mix of borrowings from banks, NHB and money market. Term loans from banks and insurance companies continue to be the primary source of funding – 67.4% in 9MFY19 (vs 59.4% in 9MFY18) –despite discernible fall in its share over last few years - from 75.3% in FY12 to ~62% in FY18. With the recent liquidity crisis and rising interest rates, overall borrowing cost increasing by 12 bps to 8.0% (7.9% in the same period last year).

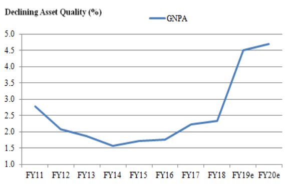
When compared to its peers, GICHFL's cost of funds is less than that of LICHFL (8.5%), Repco (8.4%) and Gruh (8.2%). Yet, increase in funding cost and slowdown in disbursements restricted its spread – 2.2% vs 3.1% and 3.0% of Gruh and Repco respectively. With its ability to manage its borrowing basket well and marginal pick up in disbursements, we expect its spreads to improve next fiscal.



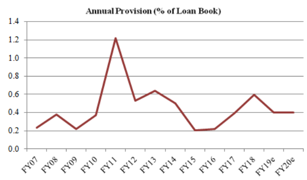


Asset Quality

Despite smaller share of LAP exposure (12.9% of the total loan book in 9MFY19) and over 72% share of loans to less risky salaried class, GICHFL's asset quality has been on a downhill since FY15, with gross NPAs rising from 1.7% in FY15 to 2.3% in FY18, and rising further to 4.7% in 9MFY19. It has one of the highest gross NPAs among its peers, followed by Repco (3.9% of GNPA last quarter). Net NPA also rose to 2.5%, the 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.



Sources: GIC Housing Finance Ltd., CD Equisearch

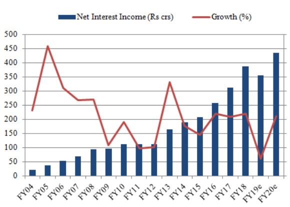


Sources: GIC Housing Finance Ltd., CD Equisearch

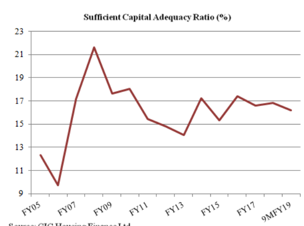
Financials &Valuation

GICHFL's NII has grown at a CAGR of 18.7% from FY13 to FY18, thanks to its efficient borrowing basket which helped curtail growth in interest expenses (up by CAGR 13.8% in five years ending FY18) compared to CAGR growth of 15.4% in interest income during the same period. Weakened yield on advances (10.2% in 9MFY19 vs 11.1% a year ago) and disbursements (down by 3.4% yoy) because of rise in cost of funds restricted growth in NII - down by notable 7.2% (yoy) in 9MFY19- resulted in NIM of 3.0% vs 3.8% in the same period last year.

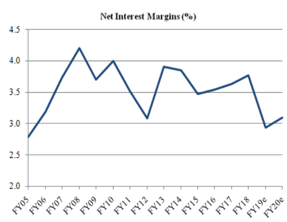
Had it not been for lower provisions (down by 13.2% yoy), profits would have plummeted more- already reported de-growth of 8.7% (yoy) in 9MFY19. With somewhat recovery in HFC space, we expect disbursements to pick and NII to grow at a CAGR of 6.0% during FY18-20, with NIMs of 2.9% in current fiscal and 3.1 in next fiscal. Post tax profits would witness an uptick of CAGR 5.2% in two years ending FY20.



Sources: GIC Housing Finance Ltd., CD Equisearch

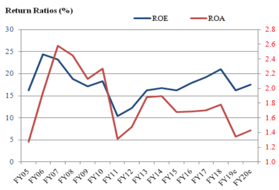


Source: GIC Housing Finance Ltd.

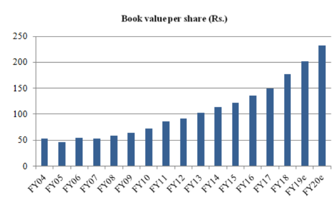


Sources: GIC Housing Finance Ltd., CD Equisearch

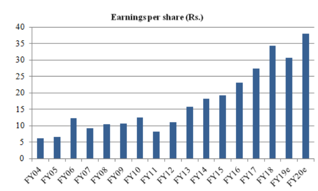
In terms of scale, although GICHFL has increased its number of branches to 69 in FY18 from 42 in FY13, it still lags behind its peers like Can Fin, Repco and PNB Housing, each with 189, 167 and 100 branches respectively. With ~61% of its branches concentrated in southern and western parts of India, it is now gradually diversifying its geographical presence in the east – 3 out of the total 10 new branches opened during FY17 and FY18 were in Barasat, Guwahati and Siliguri.



Sources: GIC Housing Finance Ltd., CD Equisearch



Sources: GIC Housing Finance Ltd., CD Equisearch



Sources: GIC Housing Finance Ltd., CD Equisearch

Given the three year period for compliance, the regulatory change to set minimum CAR (capital adequacy requirement) from the current 12% to 15% by March 2022 is not expected to be detrimental. Karthik Srinivasan, Group Head, Financial Sector Ratings, ICRA said, "From a systemic level it's a good move to keep the leverage levels under control. While it is a draft, it provides a three-year road map for HFCs to meet those guidelines. I don't see any immediate adverse impact on any of the HFCs."

To exploit opportunities in the housing finance industry in India, banks and HFCs are launching new products to compete with peers. Both LICHFL and ICICI Bank have recently tied up with India Mortgage Guarantee Corporation (IMGC) to offer a special loan scheme under which borrowers can repay the amount till the age of 75 years in case of LICHFL, while ICICI Bank offers it up to 65 years. The maximum tenure in both cases is 30 years. IMGC will provide LICHFL with mortgage guarantee and will help LICHFL attract more home loan borrowers, combat NPAs and increase market penetration. It will also reduce the burden of monthly EMIs on the borrowers along with increasing the loan quantum. Merger of Gruh Finance with Bandhan Bank would help the merged entity to get access to a wider distribution network and larger customer base. It would also reduce risk arising out of geographical concentration (Gruh has a significant presence in western part of the country whereas Bandhan Bank is predominantly present in eastern India).

The stock currently trades at 1.3x FY19 BV (8.8x FY19e EPS of Rs 30.63) and 1.2x FY20 BV (7.1x FY20e EPS of Rs 37.90). In view of the recent crisis in the NBFC sector, we have cut our earnings estimate for current fiscal by 26.4% (EPS of Rs 30.63 vs earlier estimate of Rs 41.65). GICHFL's puny business size and dominance in western India cannot be overlooked. Weakened asset quality (GNPA and NNPA of 4.7% and 2.5% respectively in 9MFY19 compared to 2.3%and 0.2% in FY18) demands scrutiny. Weighing odds, we recommend buying the stock with target price of Rs 349 (previous target Rs 529) based on 1.5x FY20e BV for a period of 9-12 months; earnings expected to grow at CAGR 5.2% during FY18-20 period. For more information, refer to our March 2018 report.

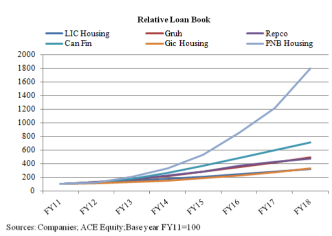
Cross Sectional Analysis

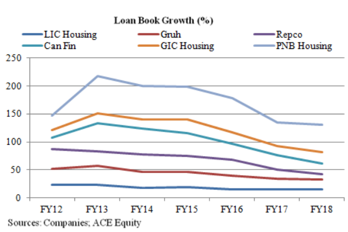
Company	Equity*	CMP	Mcap*	NII*	Profit*	NIMs ***(%)	Loan Book growth(%)	ROE (%)	ROA** (%)	P/E	P/BV
LICHF	101	532	26858	4237	2319	2.5	16.3	16.6	1.3	11.6	1.7
Gruh	147	276	20235	672	406	4.2	14.1	25.5	2.3	49.9	11.5
Repco	63	464	2904	441	221	4.4	12.4	16.9	2.1	13.2	2.0
GICHF	54	270	1452	366	172	3.2	17.3	17.2	1.6	8.4	1.4
Can Fin	27	349	4645	524	328	3.2	16.7	23.4	2.0	14.2	3.0
PNB Housing	167	865	14482	1639	951	2.6	27.9	14.5	1.4	15.2	2.1

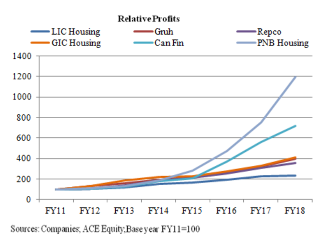
*figures in crores; calculations on ttm basis; standalone or consolidated data as available as on Dec 31, 2018, **calculated on half yearly or 9 month basis as data available

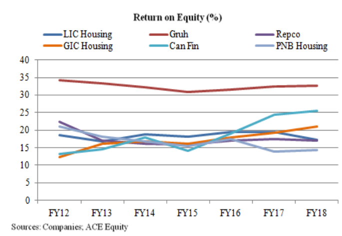
Despite liquidity tightening, PNB Housing reported the highest loan book growth of 27.9% (yoy) in 9MFY19 amongst its peers. While disbursements was impacted for most of the HFCs (Gruh and GICHFL each witnessed disbursement de-growth of 3.9% and 3.4% respectively), some of the players did manage to post a double digit growth – it was highest for LICHFL (up by 14.7% yoy), followed by Repco (uptick of 13.1% yoy) and PNB Housing (12.5% yoy growth) in 9MFY19. With non-housing loans constituting 18.4% of Repco's loan book, it outpaced its peers by recording highest NIMs in 9MFY19 (see table). Non-salaried class forming 55.1% of Repco's loan book partially explains its poor asset quality – GNPA of 3.9%.

LICHFL boasts of pan-India network with 273 marketing offices, while other players enjoy strong regional presence – Can Fin and Repco derive most of their business from southern India, whereas Gruh and GICHFL are regionally concentrated in western India. Western India is also the largest market for PNB Housing with 38% of its assets under management, followed by north and south India at 31% each. According to ICRA, 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 ($35,000 as per ICRA in 2018) and a total housing demand of 12 to 20 million units leading to a market size of more than Rs 28 lakh crores, growth opportunities of HFCs in India remain strong.









Note: Graphs on standalone or consolidated data as applicable.

Financials

Quarterly Results

Figures in Rs crs

	Q3FY19	Q3FY18	% chg.	9MFY19	9MFY18	% chg.
Net Interest Income	80.63	93.06	-13.4	263.04	283.42	-7.2
Non Interest Income	0.49	0.31	58.1	2.09	10.11	-79.3
Total Income	**81.12**	**93.37**	**-13.1**	**265.13**	**293.53**	**-9.7**
Operating Expenses	17.07	14.83	15.1	51.26	47.17	8.7
Pre-Provision Profits	**64.05**	**78.54**	**-18.4**	**213.87**	**246.36**	**-13.2**
Provision	15.47	14.63	5.7	35.02	55.13	-36.5
PBT	**48.58**	**63.91**	**-24.0**	**178.85**	**191.23**	**-6.5**
Tax	13.56	17.79	-23.8	51.98	52.28	-0.6
PAT	**35.02**	**46.12**	**-24.1**	**126.87**	**138.95**	**-8.7**
EPS (Rs.)	6.50	8.56	-24.1	23.56	25.80	-8.7

Income Statement

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Net Interest Income	256.63	312.20	386.44	355.70	433.99
Non Interest Income	19.09	21.70	29.20	2.73	2.83
Total Income	**275.72**	**333.90**	**415.64**	**358.42**	**436.82**
Operating Expenses	68.85	73.40	82.49	70.95	85.00
Pre-Provision Profits	**206.87**	**260.50**	**333.15**	**287.47**	**351.82**
Provision	15.76	33.40	61.32	48.39	56.00
PBT	**191.11**	**227.10**	**271.83**	**239.08**	**295.82**
Tax	66.61	79.37	87.40	74.11	91.70
PAT	**124.50**	**147.73**	**184.43**	**164.96**	**204.12**
EPS (Rs.)	23.12	27.43	34.25	30.63	37.90

Balance Sheet

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Sources Of Funds	**8021.38**	**9371.59**	**11328.88**	**13203.42**	**15285.35**
Shareholders Funds	**731.80**	**838.22**	**990.24**	**1119.50**	**1287.91**
Share Capital	53.88	53.88	53.88	53.88	53.88
Reserves and Surplus	677.92	784.34	936.36	1065.62	1234.03
Non Current Liabilities	**5728.89**	**6733.18**	**7962.74**	**9351.57**	**10970.23**
Long Term Borrowings	5510.75	6481.61	7651.22	8992.61	10556.16
Long Term Provisions	218.14	251.57	311.52	358.97	414.08
Current Liabilities	**1560.69**	**1800.19**	**2375.90**	**2732.35**	**3027.21**
Short Term Borrowings	618.56	897.38	892.86	817.51	947.35
Trade Payables	6.67	5.77	6.19	6.81	7.49
Other Current Liabilities	897.30	887.61	1470.89	1899.99	2061.94
Short Term Provisions	38.16	9.43	5.96	8.04	10.44
Application of Funds	**8021.38**	**9371.59**	**11328.88**	**13203.42**	**15285.35**
Non- Current Assets	**7611.77**	**8901.54**	**10772.29**	**12583.60**	**14573.44**
Tangible Assets	2.16	2.30	2.07	2.21	2.32
Non-Current Investments	9.80	26.47	26.47	26.47	26.47
Long Term Loans and Advances	7588.37	8905.67	10769.55	12434.34	14424.07
Deferred tax asset (net)	11.44	-32.90	-25.80	120.58	120.58
Current Assets	**409.61**	**470.05**	**556.59**	**619.82**	**711.91**
Trade Receivables	12.13	13.27	12.69	13.96	15.35
Cash and Cash Equivalents	52.34	62.11	57.35	57.80	60.99
Short term loans and advances	345.14	394.67	486.55	548.06	635.56

Cash Flow Statement

Figures in Rs crs

	FY17	FY18	FY19e	FY20e
Net Profit (a)	**147.73**	**184.43**	**164.96**	**204.12**
Non cash expenses & others (b)	**35.61**	**52.88**	**-99.44**	**54.57**
Depreciation	0.70	0.64	0.66	0.69
Provision for NPA	33.40	61.32	48.39	56.00
(Profit)/Loss on sale of investments	-1.51	-1.96	-2.12	-2.12
Others	3.02	-7.12	-146.38	-
Adjustments in NWC & others (c)	**-1361.13**	**-1958.61**	**-1723.02**	**-2075.93**
Bank deposits (maturity more than 3 months)	-0.17	-0.16	2.30	-
Trade payables	-0.90	0.42	0.62	0.68
Provisions	3.70	-4.83	1.13	1.51
Others including Loans and advances	-1363.76	-1954.04	-1727.07	-2078.12
Net Cash flow from Operations (a+b+c)	**-1177.79**	**-1721.30**	**-1657.50**	**-1817.24**
Purchase of fixed assets	-0.88	-0.47	-0.80	-0.80
Sale of fixed assets	0.06	0.07	-	-
Net Investments	-15.16	1.96	2.12	2.12
Net Cash Flow from Investing activities (d)	**-15.98**	**1.56**	**1.32**	**1.32**
Net borrowings	1235.78	1747.23	1694.64	1854.82
Dividends paid(including CDT)	-32.41	-32.41	-35.71	-35.71
Net Cash flow from Financing activities (e)	**1203.37**	**1714.82**	**1658.93**	**1819.12**
Net change (a+b+c+d+e)	**9.60**	**-4.92**	**2.75**	**3.19**

Key Financial Ratios

	FY16	FY17	FY18	FY19e	FY20e
Growth Ratios (%)					
Net Interest Income	23.9	21.7	23.8	-8.0	22.0
Total Income	23.2	21.1	24.5	-13.8	21.9
Pre Provision Profits	24.6	25.9	27.9	-13.7	22.4
Net Profit	20.9	18.7	24.8	-10.6	23.7
EPS	20.9	18.7	24.8	-10.6	23.7
Loan Book	19.9	17.2	21.1	15.4	16.0
Return Ratios (%)					
ROE	17.9	19.2	21.0	16.2	17.5
ROA	1.7	1.7	1.8	1.3	1.4
Return on loan assets	1.7	1.7	1.8	1.4	1.5
Margins (%)					
Cost To Income Ratio	25.0	22.0	19.8	19.8	19.5
Net Interest Margin (% of Loan Book)	3.5	3.6	3.8	2.9	3.1
Asset Quality (%)					
Gross NPA	1.8	2.2	2.3	4.5	4.7
Net NPA	0.0	0.3	0.2	1.8	2.0
Provision on Housing loans	2.5	2.4	2.4	2.4	2.4
Provision on Non housing loans	2.9	3.5	3.9	4.6	4.9
Valuation Ratios					
P/BV	1.8	2.4	2.1	1.3	1.2
P/E	10.7	13.3	10.9	8.8	7.1
Other Ratios					
Debt / Equity	9.6	10.2	10.5	10.8	10.8
Current Ratio	0.3	0.3	0.2	0.2	0.2
Dividend payout Ratio	26.0	21.9	19.4	21.6	17.5

Cumulative Financial Data

Rs crs	FY05-08	FY09-12	FY13-16	FY17-20e
NII	252	431	818	1488
Pre-provision profits	216	380	671	1233
PBT	203	306	591	1034
PAT	157	228	410	701
Dividends	58	116	134	140
Loan Book*	2442	3872	7912	15037
Total debt*	2111	3595	7001	13534
NII growth (%)	-	71.2	89.5	82.0
Pre-provision profit growth (%)	-	75.8	76.6	83.8
Loan Book growth (%)	-	58.6	104.4	90.1
Cost to Income (%)	24.7	20.3	24.3	20.2
NIM (%)	3.6	3.4	3.5	3.2
ROE (%)	19.1	14.0	16.7	17.7
ROA (%)	2.1	1.7	1.7	1.5
Debt-equity*	6.7	7.2	9.6	10.8
Dividend payout ratio (%)	36.8	39.1	32.7	19.9

FY05-08 implies four year period ending fiscal 08;*as on terminal year.

Favorable opportunities in the housing finance industry have helped GICHFL demonstrate 3.2x loan book growth in eight years ending FY16. Endeavors to reduce cost of borrowing by diverse funding sources partially justify NII growth of 71.2% during FY09-12 period, when loan book grew by 58.6% (see table). Although cost of funds peaked during FY13-16, hovering in the range of 9.4% to 9.9% (average funding cost stood at 8.4% during FY09-12), better yield on advances helped maintain NIM (see table). Rise in operating expenses explain elevated cost to income ratio (24.3% from 20.3% during four years ending FY12).

Tight liquidity and intense competition may ebb GICHFL's overall loan book growth to 90.1% during FY17-20 period compared to growth of 104.4% in the previous four years (see table). Higher growth in interest expense would dent NIMs (see table). However, wielding strict control on operating costs would reduce cost to income ratio to 20.2%, increasing cumulative after tax profits by 71%. Return ratios would see an improvement – ROE projected at 17.7% during FY17-20 period (see table).

Financial Summary- US$ denominated

million $	FY16	FY17	FY18	FY19e	FY20e
Equity capital	8.1	8.3	8.3	7.8	7.8
Shareholders funds	110.3	124.3	146.8	156.7	181.0
Total debt	1055.4	1270.4	1535.0	1688.4	1956.5
Total loans and advances	1196.0	1434.4	1730.5	1876.8	2177.2
Investments	1.5	4.1	4.1	3.8	3.8
Net current assets	-173.5	-210.1	-285.2	-310.6	-339.9
Total assets	1209.3	1445.4	1741.7	1908.8	2209.8
Net Interest Income	39.2	46.5	60.0	51.4	62.7
Pre-provision Profits	31.6	38.8	51.7	41.6	50.9
PBT	29.2	33.9	42.2	34.6	42.8
PAT	19.0	22.0	28.6	23.8	29.5
EPS($)	0.35	0.41	0.53	0.44	0.55
Book value ($)	2.05	2.31	2.73	2.91	3.36

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 69.17/$).
All dollar denominated figures are adjusted for extraordinary items.

Disclosure & Disclaimer

CD Equisearch Private Limited (hereinafter referred to as **'CD Equi'**) is a Member registered with National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange of India Limited (Formerly known as MCX Stock Exchange Limited). CD Equi is also registered as Depository Participant with CDSL and AMFI registered Mutual Fund Advisor. The associates of CD Equi are engaged in activities relating to NBFC-ND - Financing and Investment, Commodity Broking, Real Estate, etc.

CD Equi is registered under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration no INH300002274. Further, CD Equi hereby declares that –

- No disciplinary action has been taken against CD Equi by any of the regulatory authorities.
- CD Equi/its associates/research analysts do not have any financial interest/beneficial interest of more than one percent/material conflict of interest in the subject company(s) **(*kindly disclose if otherwise*)**.
- CD Equi/its associates/research analysts have not received any compensation from the subject company(s) during the past twelve months.
- CD Equi/its research analysts has not served as an officer, director or employee of company covered by analysts and has not been engaged in market making activity of the company covered by analysts.

This document is solely for the personal information of the recipient and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved) and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. CD Equi or any of its affiliates/group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. CD Equi has not independently verified all the information contained within this document. Accordingly, we cannot testify nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document.

While, CD Equi endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory compliance or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly. Neither, CD Equi nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

CD Equisearch Private Limited (CIN: U67120WB1995PTC071521)
Registered Office: 37, Shakespeare Sarani, 3rd Floor, Kolkata – 700 017; Phone: +91(33) 4488 0000; Fax: +91(33) 2289 2557 Corporate Office: 10, Vasawani Mansion, 5th Floor, Dinshaw Wachha Road, Churchgate, Mumbai – 400 020. Phone: +91(22) 2283 0652/0653; Fax: +91(22) 2283, 2276 Website: www.cdequi.com; Email: research@cdequi.com

buy: >20%	accumulate: >10% to ≤20%	hold: ≥-10% to ≤10%	reduce: ≥-20% to <-10%	sell: <-20%

Exchange Rates Used- Indicative

Rs/$	FY15	FY16	FY17	FY18
Average	61.15	65.46	67.09	64.45
Year end	62.59	66.33	64.84	65.04

All $ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.