INDIA

BUY

GIC Housing Finance

CENTRUM

Housing Finance

Company Update 8 March 2017

Set to move into a higher ambit; upgrade to Buy

We upgrade GIC Housing Finance (GICHF) to Buy and revise our TP to Rs370 (valued at 1.8x FY19E ABV). While the final notification on GoI's extended scope of Pradhan-Mantri Awas Yojana (PMAY), which aims at providing housing for all, is still awaited, our interaction with stakeholders has pointed to immense growth potential in the affordable housing space. GICHFs increasing focus on the low-income group (LIG) customer segment makes it the key beneficiary of the scheme, which would accelerate its growth further. This, coupled with the company's diverse borrowing mix and limited asset quality risk, provides greater comfort. Capital position remains strong. Valuations at 1.5x FY19E ABV remain undemanding. Upgrade to Buy.

- **Affordable Housing – Unprecedented growth potential:** In a bid to cover a larger set of population in the LIG/EWS (economically weaker section), GoI extended the scope of PMAY in Dec'2016 to include a higher housing ticket-size and made a slightly higher income level eligible for interest subsidy. While the final notification on the scheme is awaited, our interactions with stakeholders such as developers operating in the affordable housing space, rating agencies, housing finance companies (HFCs) and the National Housing Bank (NHB), have indicated that the affordable housing segment has immense growth potential.
- **Bodes well for GICHF:** In our recent interactions, GICHF's management stated that it expects growth to accelerate post the increase in branch reach (plans to add 5-10 branches per year) and due to its focus on client acquisition and retention. Its lending rates are competitive as compared to peers' and its pace of repayment including pre-payments has moderated. With levers in place, we are factoring in 18%/20% CAGR in disbursement/loans, respectively, over FY16-19E. The extended scope of PMAY bodes well for GICHF given its customer profile (average ticket-size of Rs1.6mn) and loan exposure (50% of loans are below Rs1.5mn). Under these circumstances GICHF's growth rates are set to inch upwards. We however have not factored in the likely benefits of the scheme into our estimates as we will watch for developments therein.
- **Shift to non-bank avenues underway; temporary blip in asset quality:** The increasing reliance towards non-bank avenues has helped GICHF reduce its cost of funds and in-turn reduce its lending rates. Spreads (calc) over the same time, however have remained healthy at ~240bps+. We expect the trajectory on spreads to remain intact over FY16-19E. On the asset quality side, GNPAs increased in Q3'17 due to a) the impact of demonetisation (did not avail regulatory dispensation on NPA recognition to the tune of Rs620mn) b) reverse amortisation, and c) a change in the collection policy. However, we do not foresee any material risk to asset quality due to its retail nature of lending.
- **Valuation, view and key risk:** We have revised our growth and margin estimates for FY17E/FY18E. With the growth momentum accelerating and a respectable returns profile, we believe valuations at 1.5x FY19E ABV merit due consideration. Upgrade to Buy and revise our TP to Rs370 (valued at 1.8x FY19E ABV) from our earlier TP of Rs320 (valued at 1.8x FY18E ABV). Lower-than-expected loan growth or higher pre-payments remain key risks.

Target Price			Rs370
CMP*			Rs303
Upside			*22.1%*
Previous Target			Rs320
Previous Rating			Hold
Price Performance (%)*			
	1M	**6M**	**1Yr**
GICHF IN	*(5.5)*	*(7.4)*	*41.2*
Nifty	*1.8*	*0.2*	*19.7*

Key Data	
Bloomberg Code	GICHF IN
Curr Shares O/S (mna)	53.9
Diluted Shares O/S(mn)	53.9
Mkt Cap (Rs bn/USDmn)	16.3/244.7
52 Wk H / L (Rs)	354.4/205.5
5 Year H / L (Rs)	354.4/78.1
Daily Vol. (3M NSE Avg.)	121496

**as on 7 March 2017; Source: Bloomberg, Centrum Research*

Shareholding pattern (%)*

	Dec-16	Sep-16	Jun-16	Mar-16
Promoter	*42.2*	*42.1*	*42.3*	*45.3*
FIIs	*2.7*	*2.5*	*1.7*	*1.8*
DIIs	*14.3*	*14.4*	*14.1*	*13.5*
Others	*40.8*	*41.0*	*41.9*	*39.4*

*Source: BSE, *as on 7 March 2017*

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Y/E Mar (Rs mn)	Net Income#	PPOP	*PAT*	YoY (%)	*EPS (Rs)*	P/E (x)	Adj BV (Rs)	P/Adj BV (x)	*RoA (%)*	*RoE (%)*
FY15	2,238	1,660	1,030	*5.6*	19.1	9.5	122.6	1.5	*1.7*	*16.2*
FY16	2,757	2,069	1,245	*20.9*	23.1	9.1	135.7	1.6	*1.7*	*17.9*
FY17E	3,255	2,446	1,403	*12.7*	26.0	11.2	154.7	1.9	*1.6*	*17.9*
FY18E	3,790	2,844	1,622	*15.6*	30.1	10.1	177.2	1.7	*1.5*	*18.1*
FY19E	4,547	3,426	1,952	*20.4*	36.2	8.4	205.2	1.5	*1.5*	*18.9*

Source: Company, Centrum Research Estimates. FY15-17E have been valued on average market cap basis.

Affordable Housing: Scope extended

At the beginning of the 12th Five Year Plan, the housing shortage in India was estimated at 18.8 million. Of which 96% pertains to households under the EWS and LIG segments. In a bid to provide housing for all, The Ministry of Housing and Urban Poverty Alleviation (MHUPA) launched the ambitious Pradhan Mantri Awas Yojana (PMAY) scheme in June 2015. The scheme aims at a) providing affordable homes with water connections, toilet facilities, 24x7 electricity supply b) constructing 20 million houses across the country c) benefitting the urban poor including the LIG and EWS by 2022, and d) covering 2 million non-slum urban poor households.

The scheme has four components, a) in-situ slum redevelopment b) a credit linked subsidy scheme c) affordable housing in partnership with public or private sector, and d) beneficiary-led individual house construction/enhancements.

Exhibit 1: Components under the existing PMAY scheme

Components	Directed towards	Subsidy amount
"In-situ" slum redevelopment	Slum redevelopment	Grant of Rs0.1mn per house is admissible for all houses built for eligible slum dwellers under the component of in-situ slum redevelopment using land as a resource with participation of private developers
Credit linked subsidy scheme (CLSS)	EWS / LIG	Beneficiaries seeking housing loans from Banks, HFC and other such institutions are eligible for an interest subsidy of 6.5% on loan amount up to Rs.0.3mn. Net present value (NPV) of the interest subsidy is to be calculated at a discount rate of 9%.
Affordable housing in partnership with public or private sector	EWS	Central Assistance of Rs0.15mn per EWS house is provided by GoI in projects where atleast 35% of the houses in the projects are for EWS category and a single project has atleast 250 houses.
Beneficiary-led individual house construction / enhancements	EWS	Central assistance of Rs.0.15mn is available to individual eligible families belonging to EWS categories

Source: MHUPA - Annual Report, 2016, Centrum Research. Credit linked subsidy component is being implemented as a Central Sector Scheme while other three components as Centrally Sponsored Scheme (CSS).

The existing scheme caters to the increasing demand for affordable housing across EWS/ LIG segments and up-to a certain ticket-size and income levels (see exhibit below). However, in a bid to benefit a larger set of the population, GoI in its recent announcement (in Dec'2016) extended the scope of the Yojana for the middle class up to a certain level of housing ticket-size and income levels to be eligible for interest subsidy. (see exhibit below). The scope of the scheme was also extended to cover certain unit-sizes across various geographies.

While the final notifications from the nodal agency on the extended scheme are still awaited, we believe that the scope for expansion in the scheme follows a) limited disbursements under the PMAY scheme till-date, and b) limited incentive associated with setting-up such units. According to media sources, the government has subsidised 18,000 first time home-buyers from the low-income group at a cost of almost Rs3.1bn.

Gruh Finance (according to its FY16 AR) pointed to the CLSS scheme being extended to 804 beneficiaries. The housing finance company had received interest subsidies aggregating Rs70.1mn with respect to 372 beneficiaries. Under the capital subsidy scheme, GRUH has disbursed Rs875.7mn through 2,743 loans. Our interaction with other housing finance companies that operate in the affordable housing space elucidated that limited benefit has been availed under the existing scheme.

Exhibit 2: PMAY – Scope extended to cover a larger population base

	Earlier scheme (2015)	Revised scheme (2017)	
Loan amount	Upto Rs0.6mn	Upto Rs0.9mn	Upto Rs1.2mn
Eligibility criteria	EWS (income up to Rs0.3mn); LIG (income up to Rs0.6mn). Women to be co-borrowers along with the beneficiary	Income criteria not defined (tentatively Rs1.2mn)	Income criteria not defined (tentatively Rs1.8mn)
Subsidy calculation	6.50%	4.0%	3.0%
Subsidy amount	Rs0.22mn (for a Rs0.6mn loan)	Rs0.194mn (for Rs0.9mn loan amount)	Rs0.194mn (for Rs1.2mn loan amount)

Source: Media, Centrum Research

Exhibit 3: Interactions with stakeholders have pointed to an immense growth opportunity in the affordable housing space

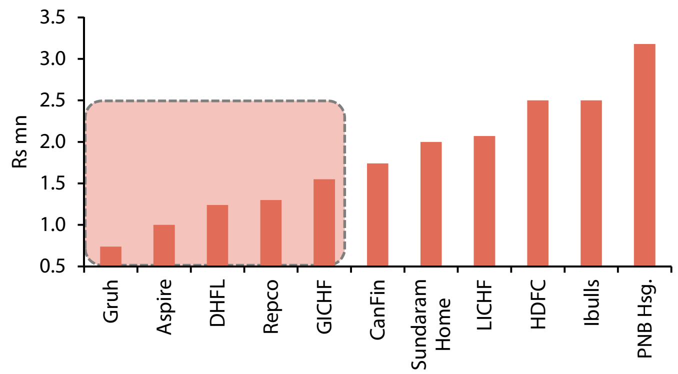
Housing finance companies	❍ Small / mid- HFCs are currently operating at 2.5-3.5x leverage for EWS / LIG customer profile.
	❍ See incremental 5-7% increase in disbursement following implementation of PMAY in immediate future.
	❍ Earlier scheme saw 18,000 units avail subsidy to the extent of Rs3.1bn; under the revised scheme**, the subsidy amount has been set at Rs14bn for urban areas.**
	❍ The scope of the scheme is determined based on the income levels and is independent of the limits (ie. Rs0.6mn / Rs0.9mn / Rs1.2mn) for the purpose of interest subsidy calculation.
National Housing Bank	❍ **Await final clarification**; the scheme is limited to first-time women (either joint / co-applicant) buyers and is intended at covering the larger population base that faces a challenge in purchasing a house.
Affordable Housing developers	❍ The affordable housing space is facing by a supply crunch; will take 15-18 months for supply to pick-up pace due to the time taken for regulatory clearances.
	❍ Also, private players are not keen to enter this space, considering the cost of land, cost of construction, thin margin profile and asset quality risk due to the customer profile.
	❍ However, a PPP arrangement wherein the land is owned by the Government and the construction part is to be borne by the builder could give a boost to the sector.

Source: Centrum Research

The extended scope of the scheme would benefit housing finance companies as market participants (rating agencies) estimate the market size in the LIG segment at ~Rs7tn and at ~Rs9tn for EWS. In FY16, the combined exposure of the leading housing finance players towards loans of up to Rs1.5mn stood at ~Rs1.1tn, implying huge market opportunity.

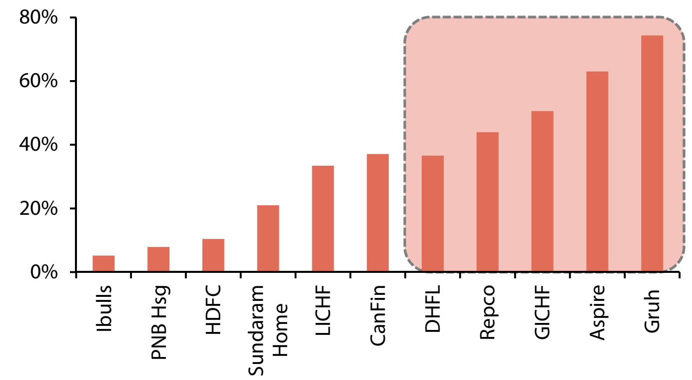
With unprecedented demand and the increasing thrust towards affordable housing, the housing finance companies in this space are set to grow rapidly. In addition since the customers belong to the EWS/ LIG segment, sensitivity to interest rates remains limited. According to the ratings agency, India Ratings and Research**:** *"The impact of the recent lending yield correction on players offering small-ticket loans is unlikely to be significant, as borrowers are generally less price-sensitive. Furthermore, HFCs in this segment have superior pricing power due to limited competition from banks."*

Exhibit 4: Average ticket-size across HFCs



Source: Companies, AR – FY16, Centrum Research

Exhibit 5: Proportion of loans < Rs1.5mn % of total loans.

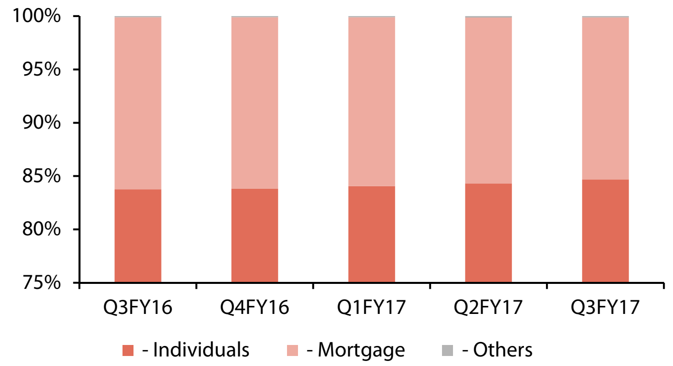


Source: Companies, AR – FY16, Centrum Research

GICHF has seen its growth rate inch up to 20% YoY in the past several quarters following continued focus towards its niche low-middle income segment, primarily in the metro/tier-I cities due to the increased branch reach. Its loan portfolio stood at Rs89.7bn for 9MFY17 (4.9% CQGR over the same time). It plans to add 5-10 new branches per year to its current branch size of 64 (vs. 42 in FY14). With levers in place, we are factoring in 18%/20% CAGR in disbursement/loans, respectively, over FY16-19E.

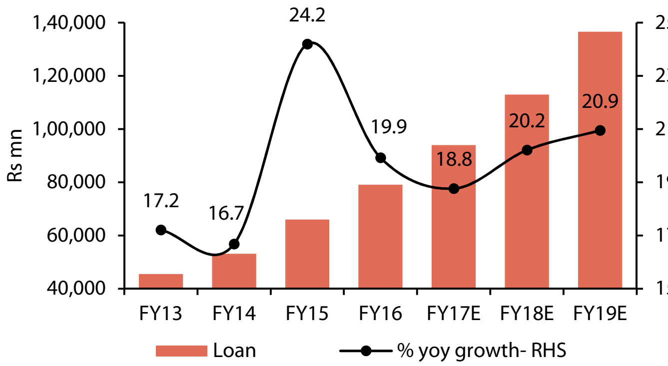
While GICHF has not availed any benefit under the PMAY scheme until FY16, the extended scope of the scheme bodes well for GICHF given its customer profile (average ticket-size at Rs1.6mn) and loan exposure (50% of loans are below Rs1.5mn). We thus expect the growth rate to inch upwards. We however have not factored in the likely benefits of the scheme into our estimates as we will be watching for developments.

Exhibit 6: Loan portfolio continues to be retail in nature….



Source: Company, Centrum Research

Exhibit 7: With efforts underway, we are factoring in 20% CAGR in loans over FY16-19E

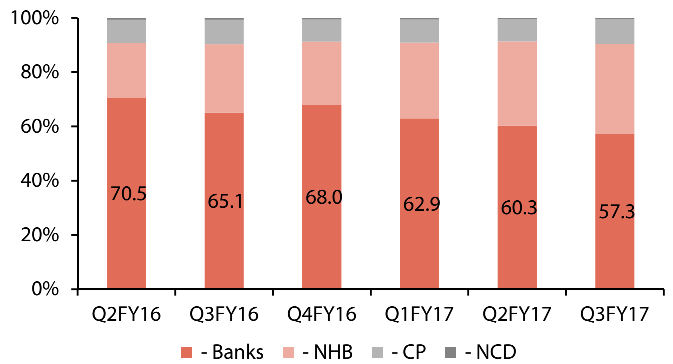


Source: Company, Centrum Research

Share of non-bank avenues on the rise; aids in curtailing pre-payment: The increasing reliance on non-bank avenues, especially NHB borrowing has seen overall cost of funds decline. In Q3'17, non-bank avenues (i.e., NHB, NCD and CPs) comprised 43% of the total borrowings as compared to 25% in FY15/ 32% in FY16. Thus the cost of funds (reported) declined to 8.93% in Dec'16 from 9.4% in FY16 /9.7% in FY15. We expect the share of non-bank avenues to continue rising, particularly through the NHB route. This is in step with the higher budgetary allocation to NHBs and competitive refinancing rates.

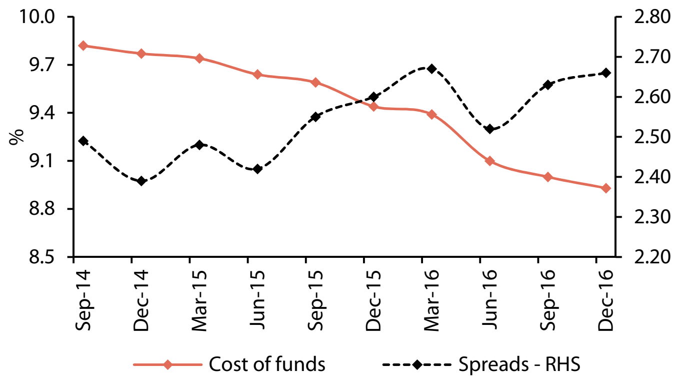
The rural housing finance portfolio is being re-financed by NHBs at 6.12%; and the eligible urban housing portfolio is being refinanced at 6.87%. The increased spreads on these portfolios to 3.5% (vs. 2% earlier) also aids in cushioning overall spreads.

Exhibit 8: Shift towards non-bank avenue underway…



Source: Company, Centrum Research

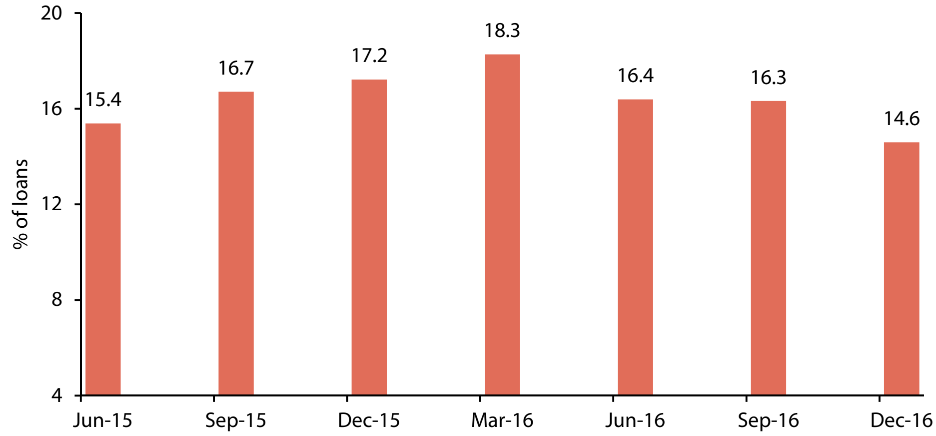
Exhibit 9: .. and has attributed to reduction in cost of funds. Spreads, however remain intact



Source: Company, Centrum Research

While the customer profile in the LIG segment tends to be less interest-rate sensitive, in a bid to remain competitive and also following the reduction in its borrowing cost, GICHF has resorted to reducing its lending rates for both a) new home-loan customers, and b) re-pricing existing loans to lower rates. As an outcome of the same, repayment rates (including pre-payment) reduced to 14.6% in Dec'16 vs. 18.3% in FY16/ 16.6% in FY15.

Exhibit 10: Pre-payment rates (% of opening loans) have started to decline.



Source: Company, Centrum Research

As for incremental lending, GICHF's lending rates at 8.8% - 12.5% (salaried class) / 8.9% - 12.5% (self-employed segment) remain competitive to peers' (see table below).

Exhibit 11: Lending rates (%) across peers

Gruh Finance		Aspire		Dewan		GICHF	
Segment	**Rate of Interest**	**Segment**	**Rate of Interest**	**Segment**	**Rate of Interest**	**Segment**	**Rate of Interest**
Suraksha (Salaried)	8.65% -14.5%	Salaried	12-15%	Salaried / SEP	9-9.75%	Salaried	8.8% and above
Suvidha (Self-employed)	9.15% -15.3%	Self-employed	12.5-15%	Self-employed / SENP	9.1-10%	Self-employed	8.9% and above
Sajavat	9.65% -13%	Self-employed / non-professional	12.5-16%			Mortgage loans	11.3% and above
Samruddhi	11.65% -15%						
Mortgage - Housing	9.65% -15 %						

Source: Companies, Centrum Research

Asset quality: A temporary blip; underlying asset quality strong: Q3'17 saw GNPAs surge to 3.2% (vs. 2.3% in Q3'16/ 1.7% in FY16). While a part of the increase in GNPAs was due to the impact of demonetisation (did not avail regulatory dispensation on NPA recognition to the tune of Rs620mn) and reverse amortization (for a portfolio of ~Rs120mn), the change in the recovery process also impacted asset quality.

Unlike the earlier process of collecting NPA dues in cash, during Q3'17 management changed the collection process to non-cash. This also had an impact on GNPAs. Management, however has highlighted that a substantial part of the same would be recovered in Q4'17. We, thus expect the trend in overall-GNPAs to remain healthy.

Earnings revision, valuation and view: We have revised our estimates for FY17E/FY18E marginally on growth and margin front. Upgrade to Buy with TP at Rs370 (valued at 1.8x FY19E ABV). Lower-than-expected loan growth or higher pre-payments remain key risks.

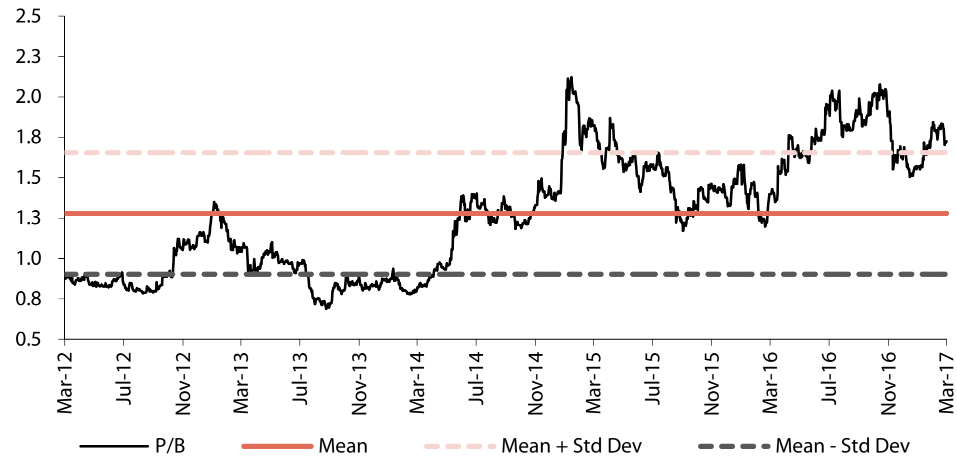
Sensitivity analysis and peer comparison

Exhibit 12: Sensitivity Analysis – impact of change in sanction/disbursement & YoA on FY18E PBT

%		Sanctions / Disbursement				
		-2%	-1%	' Current levels	+1%	+2%
Yield on advances	- 10bps	(3.1)	(1.9)	(0.8)	0.4	1.4
	- 5bps	(2.7)	(1.5)	(0.4)	0.7	1.7
	Current levels	(2.3)	(1.2)	0.0	1.1	2.2
	+ 5bps	(1.7)	(0.7)	0.4	1.4	2.6
	+ 10bps	(1.4)	(0.4)	0.8	1.9	3.1

Source: Centrum Research Estimates

Exhibit 13: 1-yr rolling forward P/B chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 14: Comparative Valuations

Company	Mkt Cap (Rs mn)	*CAGR % (FY16-FY18E)*			PE (x)			RoA (%)			*RoE (%)*			P/BVPS (x)			*Div Yield (%)*		
		NII + Oth inc	*PPOP*	*PAT*	FY16	FY17E	FY18E	*FY16*	*FY17E*	*FY18E*	*FY16*	*FY17E*	*FY18E*	FY16	FY17E	FY18E	*FY16*	*FY17E*	*FY18E*
GICHF*	**16,325**	***17.2***	***17.2***	***14.1***	**9.1**	**11.2**	**10.1**	***1.7***	***1.6***	***1.5***	***17.9***	***17.9***	***18.1***	**1.6**	**1.9**	**1.7**	***1.6***	***2.0***	***2.1***
Gruh Finance	1,32,721	*25.6*	*22.7*	*20.6*	37.0	39.5	38.4	*2.3*	*2.3*	*2.3*	*29.9*	*29.8*	*31.3*	10.8	11.0	10.5	*0.9*	*0.8*	*0.7*
Repco Home	39,711	*29.1*	*31.8*	*21.5*	27.1	26.0	17.8	*2.1*	*2.1*	*2.2*	*17.3*	*18.3*	*18.9*	4.3	3.9	3.0	-	*0.3*	*0.4*
Dewan	1,02,956	*19.4*	*29.5*	*23.5*	8.5	8.6	9.3	*1.2*	*1.3*	*1.3*	*16.4*	*17.0*	*17.6*	1.2	1.3	1.5	*3.8*	*1.8*	*1.4*
CanFin	52,085	*61.3*	*36.2*	*34.0*	14.7	18.0	18.6	*1.9*	*1.8*	*1.8*	*22.7*	*23.4*	*23.8*	2.6	3.8	3.9	*1.2*	*0.9*	*0.7*
LICHF	2,87,103	*22.9*	*18.4*	*16.6*	13.8	13.6	12.8	*1.4*	*1.4*	*1.4*	*19.5*	*19.1*	*19.5*	2.5	2.5	2.3	*1.2*	*1.3*	*1.2*
HDFC	21,65,430	*18.8*	*8.2*	*8.0*	27.0	28.0	26.0	*2.4*	*2.4*	*2.4*	*20.9*	*20.9*	*21.4*	5.6	5.4	5.1	*1.4*	*1.5*	*1.4*

*Source: Bloomberg consensus, *Centrum Research Estimates. FY16-17E have been valued on average market cap basis.*

Exhibit 15: Quarterly financials

(Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17
Income statement								
Interest earned	1,926	1,999	2,109	2,180	2,285	2,301	2,414	2,482
Interest expended	1,357	1,435	1,493	1,527	1,552	1,623	1,677	1,716
Net interest income	**569**	**564**	**616**	**653**	**733**	**678**	**737**	**766**
Non-interest income	64	47	46	48	50	48	58	49
Total income	**633**	**611**	**663**	**701**	**783**	**726**	**794**	**815**
Operating expenses	196	133	167	172	208	169	199	161
PPOP	**427**	**476**	**494**	**527**	**572**	**556**	**594**	**653**
Provisions	45	40	36	59	22	60	60	125
PBT	**381**	**436**	**457**	**468**	**550**	**496**	**534**	**527**
Tax	160	142	146	155	168	164	178	191
PAT before DTL related provisioning	**293**	**283**	**298**	**306**	**359**	**323**	**344**	**344**
DTL provisioning	(45)	12	14	7	23	9	13	(8)
Profit after tax	**267**	**283**	**298**	**306**	**359**	**323**	**344**	**344**
Balance sheet items								
Equity share capital	539	539	539	539	539	539	539	539
Reserves & surplus	6,348	6,542	6,848	6,779	6,779	7,102	7,240	7,584
Shareholders fund	**6,886**	**7,081**	**7,387**	**7,318**	**7,318**	**7,641**	**7,778**	**8,123**
Borrowings	61,134	64,118	67,888	70,010	70,010	72,674	**76,699**	**79,683**
Total liabilities	**70,680**	**73,513**	**77,589**	**80,214**	**80,214**	**83,166**	**87,264**	**90,705**
Advances	68,872	72,246	75,353	79,123	79,123	82,144	86,230	89,670
Total assets	**70,680**	**73,513**	**77,589**	**80,214**	**80,214**	**83,166**	**87,264**	**90,705**
Ratios								
Growth YoY (%)								
NII	*12.3*	*19.1*	*25.4*	*35.5*	*30.8*	*20.2*	*19.6*	*17.3*
Opex	*47.8*	*31.6*	*30.8*	*44.7*	*6.5*	*27.0*	*19.0*	*(6.6)*
PPOP	*4.8*	*15.4*	*20.2*	*28.6*	*34.1*	*16.8*	*20.3*	*23.8*
PAT	*7.1*	*11.4*	*15.3*	*21.8*	*34.5*	*14.4*	*15.4*	*12.6*
Loans	*24.2*	*24.4*	*23.3*	*22.0*	*19.9*	*19.3*	*19.4*	*19.0*
Borrowings	*23.9*	*26.5*	*25.6*	*22.7*	*20.8*	*18.9*	*19.6*	*17.4*
Reported (%) calc								
Yield on advances	*11.5*	*11.6*	*11.7*	*11.5*	*11.6*	*11.3*	*11.3*	*11.2*
Cost of funds	*8.2*	*8.3*	*8.3*	*8.1*	*7.9*	*7.9*	*7.9*	*7.7*
Spreads	*2.4*	*2.2*	*2.4*	*2.5*	*2.8*	*2.3*	*2.5*	*2.5*
Key drivers (%)								
Cost-income	*30.9*	*21.8*	*25.2*	*24.5*	*26.6*	*23.3*	*25.0*	*19.7*
GNPA	*1.8*	*2.6*	*2.2*	*2.3*	*1.7*	*2.8*	*2.7*	*3.2*
RoA	*1.6*	*1.6*	*1.7*	*1.6*	*1.8*	*1.6*	*1.6*	*1.5*
RoE	*15.8*	*16.8*	*17.1*	*16.9*	*19.5*	*17.3*	*17.8*	*17.3*

Source: Company, Centrum Research

Financials (standalone)

Exhibit 16: Income Statement

Y/E March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Interest Income	7,160	8,573	10,054	11,864	14,185
Interest Expense	5,089	6,007	7,047	8,372	9,997
Net Interest Income	**2,071**	**2,566**	**3,006**	**3,492**	**4,188**
Non-Interest Income	**168**	**191**	**248**	**298**	**360**
Fee & Other Income	149	172	226	272	329
Total Net Income	**2,238**	**2,757**	**3,255**	**3,790**	**4,547**
Total Operating Expenses	**578**	**688**	**808**	**946**	**1,122**
Employee Expenses	167	226	253	296	350
Other Operating Expenses	411	462	556	649	772
Pre-provision Profit	**1,660**	**2,069**	**2,446**	**2,844**	**3,426**
Provisions & Contingencies	**123**	**158**	**352**	**424**	**512**
NPA Provisions	123	158	352	424	512
Profit Before Tax	**1,537**	**1,911**	**2,094**	**2,420**	**2,913**
Taxes	507	666	691	799	961
Profit after tax	**1,030**	**1,245**	**1,403**	**1,622**	**1,952**

Source: Company, Centrum Research Estimates

Exhibit 17: Balance Sheet

Y/E March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
Current assets	712	857	1,072	1,824	1,826
Loans & Advances	65,979	79,123	93,970	1,12,963	1,36,628
Investments	98	98	98	98	98
Total Int Earning Assets	**66,790**	**80,078**	**95,140**	**1,14,885**	**1,38,552**
Fixed Assets	26	22	33	44	58
Total Assets	**66,816**	**80,100**	**95,173**	**1,14,930**	**1,38,610**
Borrowings	**57,943**	**70,010**	**83,673**	**1,01,791**	**1,23,450**
- Secured	44,890	48,030	50,204	58,530	70,983
- Unsecured	13,052	21,980	33,469	43,261	52,466
Interest Bearing Liabilities	**57,943**	**70,010**	**83,673**	**1,01,791**	**1,23,450**
Other non int bearing Liabilities	2,270	2,781	3,166	3,593	4,104
Total Liabilities	**60,212**	**72,791**	**86,839**	**1,05,384**	**1,27,553**
Equity	6,604	7,309	8,334	9,546	11,057
Total Liabilities	**66,816**	**80,100**	**95,173**	**1,14,930**	**1,38,610**

Source: Company, Centrum Research Estimates

Exhibit 18: DuPont analysis

(% of avg assets)	FY15	FY16	FY17E	FY18E	FY19E
Yield on assets	11.8	11.7	11.5	11.3	11.2
Cost of funds	8.4	8.2	8.0	8.0	7.9
Spreads	2.2	2.4	2.4	2.4	2.5
NIM	**3.4**	**3.5**	**3.4**	**3.3**	**3.3**
Other income	0.3	0.3	0.3	0.3	0.3
Total income	**3.7**	**3.8**	**3.7**	**3.6**	**3.6**
Operating expenses	0.9	0.9	0.9	0.9	0.9
Provisions	0.2	0.2	0.4	0.4	0.4
PBT	**2.5**	**2.6**	**2.4**	**2.3**	**2.3**
Tax	0.8	0.9	0.8	0.8	0.8
RoA	**1.7**	**1.7**	**1.6**	**1.5**	**1.5**
Leverage	10.1	11.0	11.4	12.0	12.5
RoE	**16.2**	**17.9**	**17.9**	**18.1**	**18.9**

Source: Company, Centrum Research Estimates

Exhibit 19: Key Ratios

Y/E March	FY15	FY16	FY17E	FY18E	FY19E
Growth Ratios (%)					
Loans	24.2	19.9	18.8	20.2	20.9
Borrowings	24.6	20.8	19.5	21.7	21.3
NII	9.1	23.9	17.2	16.2	19.9
Opex	21.4	19.0	17.5	17.0	18.6
PPOP	5.0	24.6	18.2	16.3	20.5
Provisions	(50.5)	28.7	123.0	20.2	20.9
PAT	5.6	20.9	12.7	15.6	20.4
Operating Ratios (%)					
Yield on funds	11.8	11.7	11.5	11.3	11.2
Cost of funds	8.4	8.2	8.0	8.0	7.9
Spread	2.18	2.43	2.45	2.44	2.49
NIM	3.4	3.5	3.4	3.3	3.3
Non-int inc / Total income	7.5	6.9	7.6	7.9	7.9
Fee to disbursement	0.7	0.7	0.8	0.8	0.8
Cost/Income	25.8	25.0	24.8	25.0	24.7
Opex/ Avg assets	0.9	0.9	0.9	0.9	0.9
Provision costs (bps)	20	22	40	40	40
Effective tax rate (%)	33.0	34.9	33.0	33.0	33.0
RoA	1.7	1.7	1.6	1.5	1.5
RoE	16.2	17.9	17.9	18.1	18.9
Credit Quality Ratios (%)					
Gross NPA	1.7	1.8	2.4	1.8	1.7
Net NPA	0.0	0.0	0.0	0.0	0.0
Dividend details					
DPS (Rs)	6.0	5.0	6.0	6.5	7.0
Dividend Pay-out (%)	36.7	26.0	27.0	25.3	22.6
Per Share (Rs)					
BVPS	122.6	135.7	154.7	177.2	205.2
Adjusted BVPS	122.6	135.7	154.7	177.2	205.2
EPS - wt avg	19.1	23.1	26.0	30.1	36.2
Valuation ratios					
Price/BV (x)	1.5	1.6	1.9	1.7	1.5
Price/Adj. BV (x)	1.5	1.6	1.9	1.7	1.5
P/E (x)	9.5	9.1	11.2	10.1	8.4
Dividend Yield (%)	3.3	2.4	2.1	2.1	2.3

Source: Company, Centrum Research Estimates. FY15-17E have been valued on average market cap basis

Appendix A

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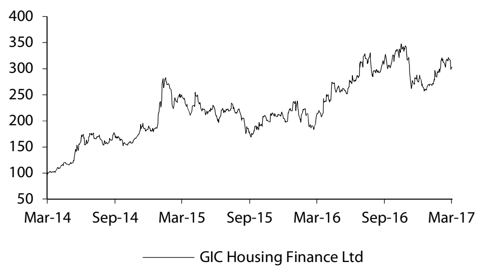
GIC Housing Finance price chart



Source: Bloomberg, Centrum Research

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