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Rating Information	
Price (Rs)	1,650
Target Price (Rs)	1,880
Target Date	31-Mar-19
Target Set On	24-Apr-18
Implied yrs of growth (ERE)	20
Fair Value (ERE)	1,880
Fair Value (DDM)	-
Ind Benchmark	BANKEX
Model Portfolio Position	

Stock Information	
Market Cap (Rs Mn)	257,892
Free Float (%)	46.9%
52 Wk H/L (Rs)	1728.5/985.3
Avg Daily Volume (1yr)	292,237
Avg Daily Value (1yr)	359
Equity Cap (RsMn)	1,563
Face Value (Rs)	10.0
Bloomberg Code	CIFC IN

Ownership	Recent	3M	12M %
Promoters	53.1%	0.0%	0.0%
DII	16.2%	2.5%	2.1%
FII	20.3%	-3.2%	-2.4%
Public	10.5%	0.7%	0.2%

Price %	1M%	3M%	12M%
Absolute	18.8%	26.3%	50.5%
Vs Industry	13.0%	36.2%	37.2%
Sundaram Fin	9.9%	3.0%	22.7%
SHTF	16.6%	13.1%	54.3%

Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (18A)	13.2	14.5	15.9	18.6
EPS (19E)	19.2	19.9	20.5	21.2

Cholamandalam Finance

4QFY18 Result: Est. (↑), Target (↑), Rating(↔)

Regular Coverage

Strong all-round performance; momentum to continue ahead – retain LONG

Cholamandalam Investment (CIFIC) delivered a strong 4QFY18 with ~33% yoy PAT growth, ~50bps qoq NIM expansion, ~26% yoy AUM growth and a 76bps/64bps qoq improvement in GNPA/NNPA. Various macro tailwinds should likely drive a 20.6% three-year AUM CAGR over FY18-FY21E. While older, high-cost borrowings are being re-priced at a lower rate, we expect a ~10bps NIM compression in FY19E as incremental cost of borrowings would be likely be higher than FY18. We see continued improvement in asset quality led by strong recovery efforts and improving borrower income. CIFIC has indicated a pause in branch addition during 1HFY19E, which should likely improve opex/AUM. Given a strong 4Q and expectations of robust ~30% FY19E PAT growth, we revise our target multiple and thus our Mar'19 TP to Rs 1,880 (Rs 1,570 earlier), set at 5.3x/4.3x FY19E/FY20E ABV of Rs 352/437. Retain LONG.

Disbursements increase 54% yoy & drive ~26% yoy AUM growth: AUM/disbursements grew ~26%/-54% yoy with vehicle finance (VF)/home equity (HE) disbursement growth of 55%/48%. While CV sales were strong, CIFIC gained market share across segments. Management expects strong CV sales for the next few years on the back of (a) migration towards higher-tonnage vehicles under the hub-and-spoke model, (b) higher GDP growth, (3) ban on vehicle overloading and (d) an uptick in construction activities. Management expects ~15-20% growth in HE disbursements and overall disbursement growth of ~25% in FY19E. We built in a ~21% AUM CAGR over FY18-FY21E. CIFIC believes it will not need to raise capital to support FY19E growth.

Expect opex/AUM to improve to ~3% by FY20E: CIFIC's 4Q NIMs expanded 50bps qoq on a 30bps qoq decline in CoF, with incremental CoF at ~8.2%. The share of bank borrowings increased to ~46% vs. ~33% qoq. The company's rating was upgraded to AA+, which should contain the increase in borrowing costs in FY19E. CIFIC indicated that it would look to pass on the increase in CoF to borrowers wherever possible. FY18 opex/AUM was elevated at 3.3% due to (a) NPA recovery efforts, (b) technology investments and (c) 170 branch additions. The company has indicated a pause in new branch additions in 1HFY19E, which along with productivity improvement of recently-added branches would improve opex/AUM to 3.1%/3% by FY19E/FY20E.

Strong recoveries drive asset quality improvement: During FY18, GNPA/NNPA improved 172bps/153bps yoy to 2.9%/1.6% driven by more aggressive collection efforts. GNPA/NNPA in both VF and HE segment improved by 210bps/170bps yoy and 40bps/80bps yoy respectively. PCR also increased to 43.5% vs 31.6% in FY17. Credit cost for FY18 stood at 1.1%. We expect continued improvement in asset quality as (a) ~40% of HE NPAs are under various stages of SARFAESI recovery, and (b) collection efforts continue in the VF segment.

Key risks: A protracted slowdown in the economy, a considerable increase in fresh slippages and an increase in opex.

Absolute: LONG

Relative : OverWeight

16% ATR in 11 months

BFSI

Rs Mn	Revised Estimates		% Change	
	FY19E	FY20E	FY19E	FY20E
NII	32,660.9	39,272.9	6.4%	10.0%
Opex	15,063.5	17,617.2	4.7%	7.2%
Provisions	4,017.0	4,735.3	-2.7%	7.9%
PAT	12,639.3	15,505.4	8.6%	10.4%
EPS	80.8	99.1	8.5%	10.4%
AUM	527,751.4	634,491.8	7.6%	9.9%

Standalone Financials

Rs Mn YE Mar	FY18A	FY19E	FY20E	FY21E
Int Income	49,537	62,063	75,132	89,914
Int Expense	23,079	29,402	35,859	42,955
NII	26,459	32,661	39,273	46,960
Other Income	4,720	5,570	6,573	7,756
Operating Exp	23,029	27,959	32,681	38,245
Provisions	3,451	4,017	4,735	5,444
PAT	9,741	12,639	15,505	18,905
Loan & Advance	366,455	451,029	542,252	643,464
AUM	428,791	527,751	634,492	752,920
Net Worth	94,631	114,232	139,553	171,140
NIM	8.0%	7.9%	7.8%	7.8%
Credit Cost	1.1%	1.0%	1.0%	0.9%

Rs Per Share	FY18A	FY19E	FY20E	FY21E
EPS	62.3	80.8	99.1	120.9
Adjusted EPS	62.3	80.8	99.1	120.9
Book Value	329.3	401.1	491.2	603.0
Adjusted BVPS	283.8	352.1	436.9	542.8
DPS	6.5	7.5	7.5	7.5
P/E (x)	26.5x	20.4x	16.6x	13.7x
Adj P/B (x)	5.8x	4.7x	3.8x	3.0x
ROE (%)	20.6%	22.1%	22.2%	22.1%
RoA (%)	2.8%	2.9%	2.9%	3.0%
EPS	62.3	80.8	99.1	120.9

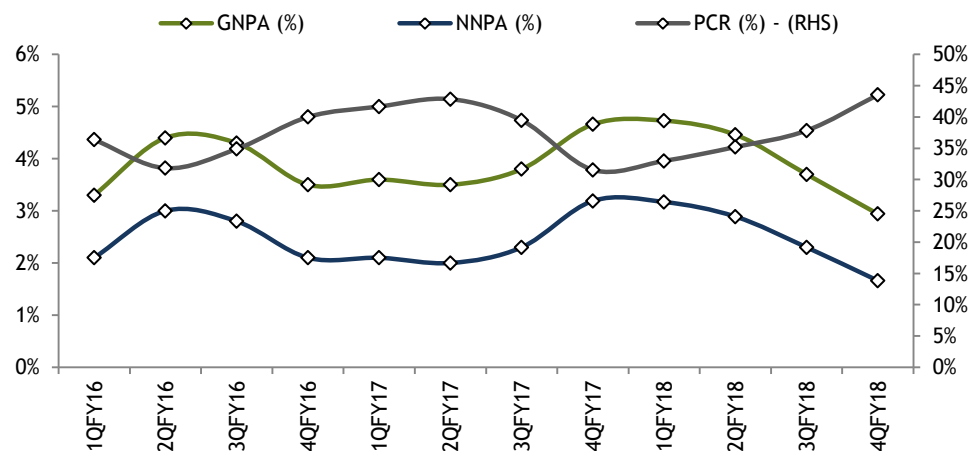
Quarterly performance

Particulars					%Variation		
P&L Statement (Rs mn)	4QFY18	4QFY18E	3QFY18	4QFY17	% change vs Est.	% change q-o-q	% change y-o-y
Total income	8,917.2	8,419.6	7,930.7	6,658.8	5.9%	12.4%	33.9%
Operating expenses	3,792.6	3,416.6	3,236.6	2,754.3	11.0%	17.2%	37.7%
Staff expenses	1,549.5	1,467.0	1,281.0	1,214.8	5.6%	21.0%	27.6%
Other expenses	2,243.1	1,949.6	1,955.6	1,539.5	15.1%	14.7%	45.7%
Operating profit	5,124.6	5,003.0	4,694.1	3,904.5	2.4%	9.2%	31.2%
Total provisions	736.7	977.2	902.1	528.5	-24.6%	-18.3%	39.4%
Exceptional Item	-	-	-	-	-	-	-
Profit before tax	4,387.9	4,025.8	3,792.0	3,376.0	9.0%	15.7%	30.0%
Tax	1,477.0	1,305.2	1,300.0	1,180.5	13.2%	13.6%	25.1%
Profit after tax	2,910.9	2,720.6	2,492.0	2,195.5	7.0%	16.8%	32.6%
Balance sheet (Rs mn)	4QFY18	4QFY18E	3QFY18	4QFY17	% change vs Est	% change q-o-q	% change y-o-y
Borrowings	319,022.7	290,481.3	282,983.0	241,090.9	9.8%	12.7%	32.3%
Advances	366,455.0	346,786.0	326,871.0	279,036.0	5.7%	12.1%	31.3%
AUM	428,791.0	416,982.1	390,742.0	341,670.0	2.8%	9.7%	25.5%
Gross NPL	12,606.5		14,457.5	15,921.8		-12.8%	-20.8%
Net NPL	7,117.9		8,987.1	10,899.3		-20.8%	-34.7%

Particulars	4QFY18	4QFY18E	3QFY18	4QFY17	bp change q-o-q	bp change y-o-y
Profitability ratios						
Cost of Funds	8.2%		8.6%	8.9%	(32)	(70)
NIM	10.1%		9.6%	9.3%	50	80
RoA	3.3%		3.0%	3.1%	30	20
RoE	23.6%		20.6%	21.0%	298	260
Asset Quality						
Gross NPL ratio	2.9%		3.7%	4.7%	(76)	(172)
Net NPL ratio	1.7%		2.3%	3.2%	(64)	(153)
Coverage ratio	43.5%		36.8%	31.6%	668	1,184
Business & Other Ratios						
Cost-income ratio	42.5%		40.8%	41.4%	172	117
CAR	18.4%		18.5%	18.6%	(13)	(24)
Tier-I	13.3%		13.8%	13.6%	(51)	(31)

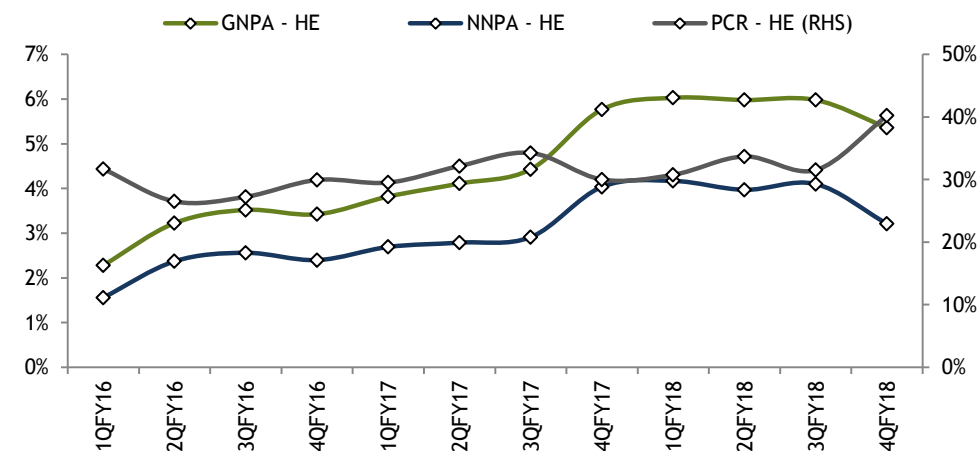
Source: Company Filings, Equirus Securities

Exhibit 1: GNPA/NNPA improves by 172bps/153bps yoy owing to...



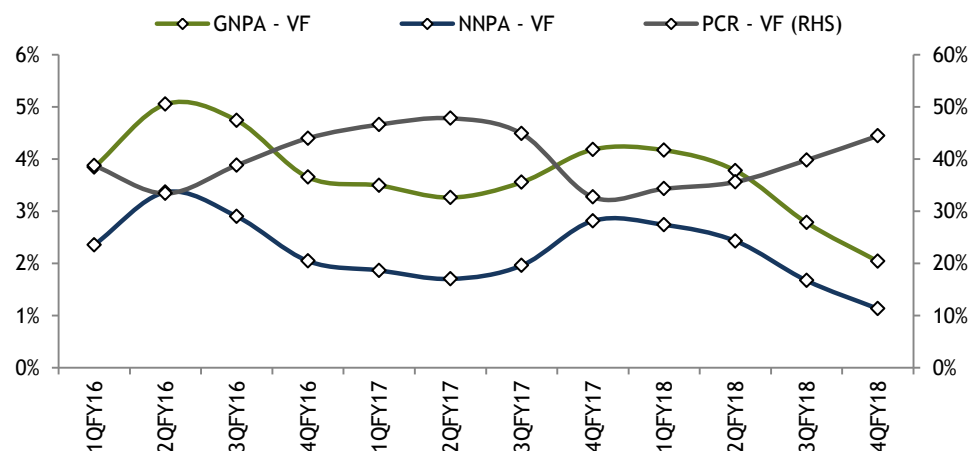
Source: Company, Equirus Securities

Exhibit 3: ...and a 41bps/83bps yoy improvement in GNPA/NNPA of HE segment



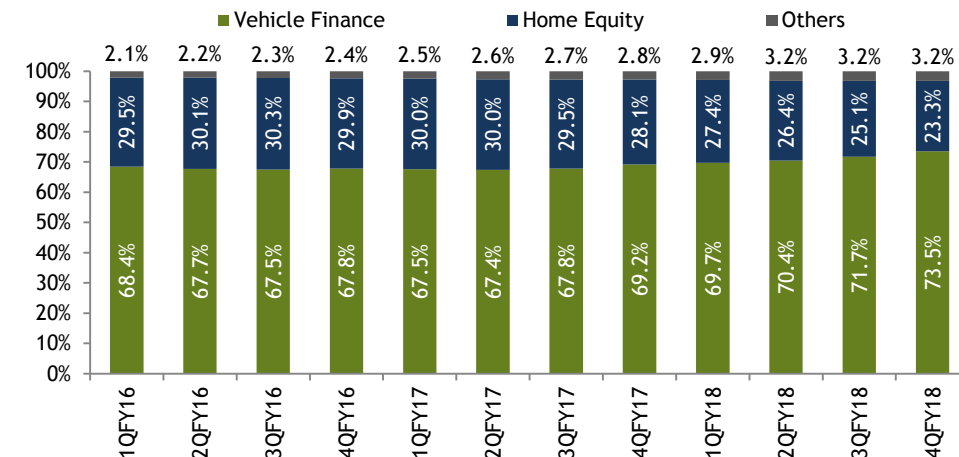
Source: Company, Equirus Securities

Exhibit 2: ...a 214bps/169bps yoy improvement in GNPA/NNPA of VF segment...

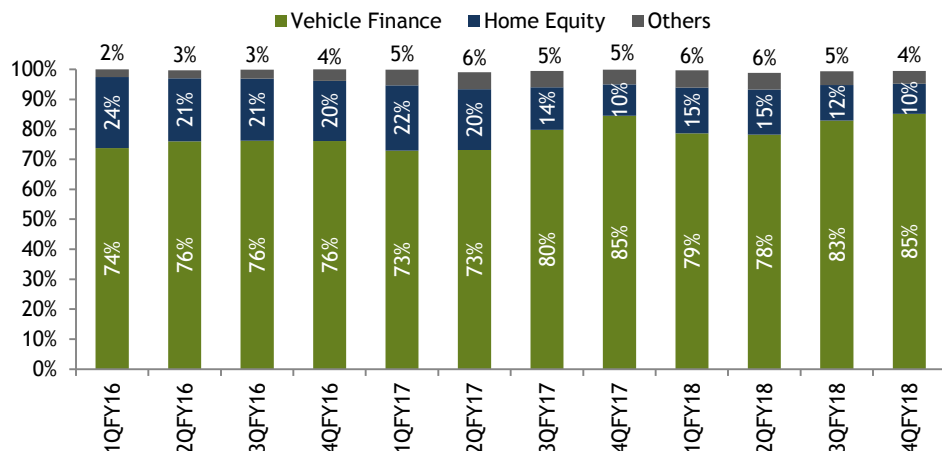


Source: Company, Equirus Securities

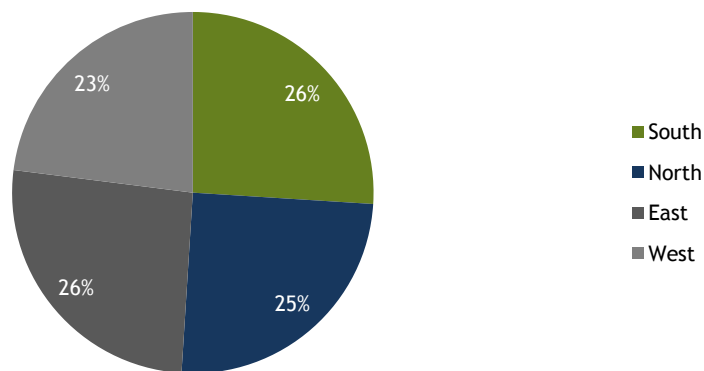
Exhibit 4: VF AUM share increases to ~74% on a 33% yoy growth in VF AUM



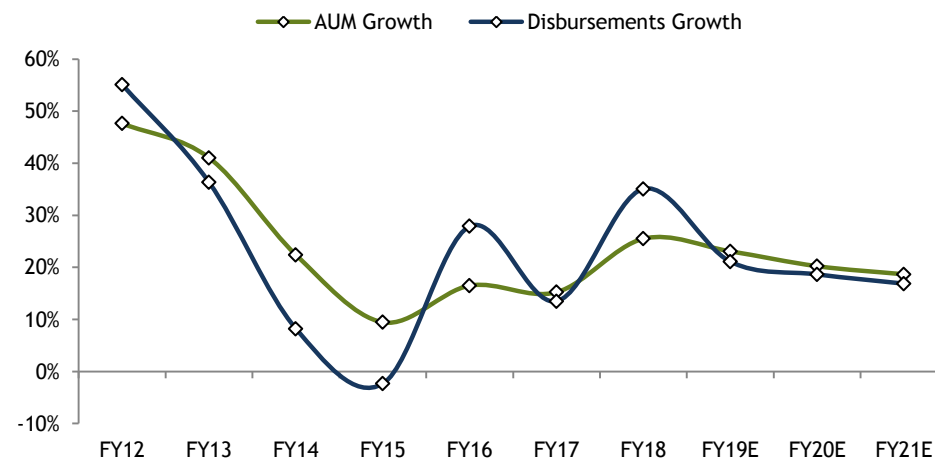
Source: Company, Equirus Securities

Exhibit 5: 42% yoy growth in VF disbursements improves VF share in overall disbursements


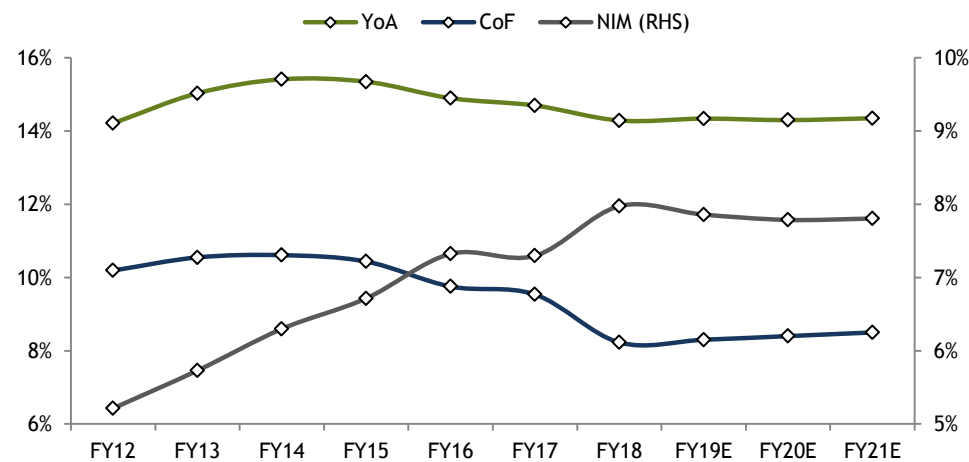
Source: Company, Equirus Securities

Exhibit 6: AUM is well spread across regions


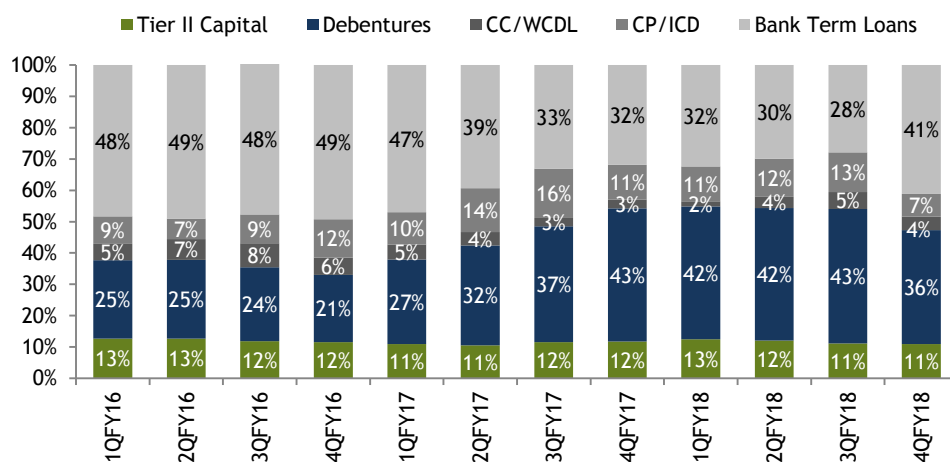
Source: Company, Equirus Securities

Exhibit 7: AUM/disbursements likely to grow at 20.6%/18.9% CAGR over FY18-FY21E


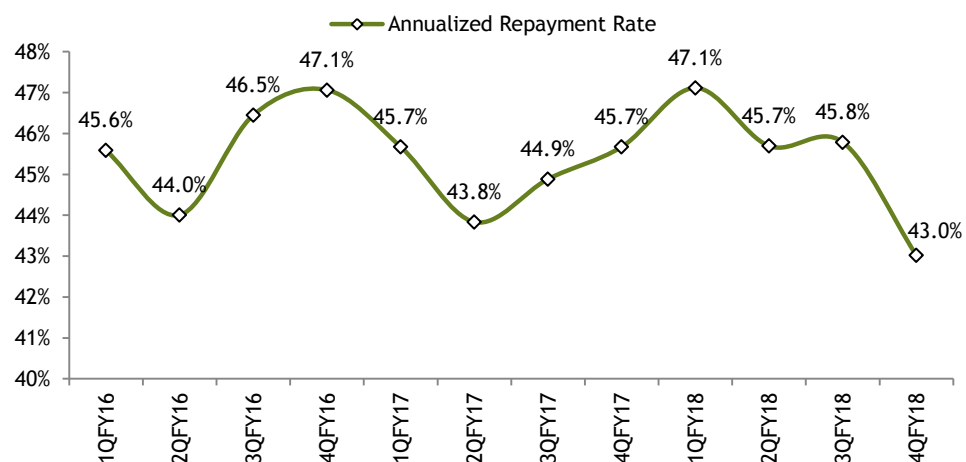
Source: Company, Equirus Securities

Exhibit 8: NIMs estimated to be range-bound at 7.8-7.9% for FY19E/FY20E


Source: Company, Equirus Securities

Exhibit 9: Banks' share in total borrowings increased sharply during 4QFY18


Source: Company, Equirus Securities

Exhibit 10: Repayment rates lowest in last 12 quarters


Source: Company, Equirus Securities

Earnings call takeaways

Industry update

- Growth was strong in eastern and northern regions on higher vehicle demand.
- CRISIL estimates ~8% CAGR growth in MHCV units over FY18-FY22E.
- CV demand would continue improving due to (a) a ban on vehicle overloading, (b) an uptick in construction activities, (c) transport network moving to the hub-and-spoke model and (d) an expected improvement in GDP.
- Management indicated that productivity and capacity utilization of fleet operators have improved. It also stated that small fleet operators own maximum number of trucks in India and that their capacity utilization is better.
- In the HCV/car segments, CIFC is facing competition from private banks/PSU banks. Many new players have started to enter the pre-owned financing segment.
- Management pointed out that demand for used CVs increases/decreases along with demand for new CVs.
- In the pre-owned segment, demand is higher for 7-10 year old CVs.
- Products like personal loans, credit cards and LAP have a high concentration in top-20 cities while two-wheeler/auto loans are disbursed across geographies.

Business update

- CIFC has been maintaining market share in the LCV/SCV segments while gaining market share in the HCV and pre-owned segments.
- CIFC efforts are towards (a) sustaining growth and profitability and (b) improving collections and asset quality.
- Management stated that there would be no branch expansion during 1HFY19; rather, the focus would be on increasing productivity of newly-opened branches, i.e. converting 'E' and 'D' category branches to 'D' and 'C' category respectively. The company may look at opening branches in 2HFY19.
- CIFC won't need capital during FY19, while capital requirement for FY20 would be evaluated at a later stage.
- There has been no change in LTVs across the industry.
- CIFC will pass on increasing interest rates wherever possible.

Balance sheet update

- CoF declined as old borrowings are getting re-priced at lower rates. Management expects to maintain CoF at similar levels during FY19 unless there is a significant increase in interest rates.
- CIFC does not want to significantly increase the share of its pre-owned and refinance book.
- The company is doing tractor disbursements very selectively and only in a few regions.
- The entire VF book is on a fixed rate whereas the home equity and home loan books are on a floating rate.
- Securitization book will be ~20-25% of AUM going ahead. Spreads in securitization are 100bps-150bps.

P&L update

- Opex was higher in FY18 due to (a) aggressive spending on collections, (b) technology costs, and (c) opening of 170 branches.

Asset quality update

- Aggressive collection efforts have led to an improvement in GNPA/NNPA.
- CIFC has seen recovery in the home equity segment post SARFESI application.
- About 40% or Rs 2.1bn of total home equity GNPA value is eligible for SARFESI.

Guidance

- ~15-20% of disbursements growth is expected in the home equity segment for FY19E.
- CIFC does not intend to enter any new verticals, at least in next 6-12 months.

Exhibit 10: ROE-ROA Tree Analysis

Particulars (Rs mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Yield on Loans and Advances	14.7%	14.3%	14.3%	14.3%	14.4%
Yield on Investments	2.0%	1.0%	0.9%	0.9%	0.9%
Cost of Funds	9.5%	8.2%	8.3%	8.4%	8.5%
Net Interest Margin	7.3%	8.0%	7.9%	7.8%	7.8%
Advances (A)	284,152	366,455	451,029	542,252	643,464
Investments (B)	2,385	3,190	3,350	3,401	3,612
Cash & Cash Equivalent (` C)	4,870	3,925	4,674	5,572	6,556
Securitized Assets (D)	62,634	62,336	76,722	92,240	109,457
Interest Earning Assets (A+B+C)	353,357	435,192	535,028	642,684	762,273
Average Interest Earning Assets	329,519	394,275	485,110	588,856	702,479
NII/Avg Int Earning Assets	6.1%	6.7%	6.7%	6.7%	6.7%
Non Int Inc/Avg Int Earning Assets	1.2%	1.2%	1.1%	1.1%	1.1%
Total Income/Avg Int Earning Assets	7.4%	7.9%	7.9%	7.8%	7.8%
Op. Costs/Avg Int Earning Assets	3.1%	3.3%	3.1%	3.0%	2.9%
PPI/Avg Int Earning Assets	4.3%	4.6%	4.8%	4.8%	4.9%
Provisions/Avg Int Earning Assets	0.9%	0.9%	0.8%	0.8%	0.8%
Taxes/Avg Int Earning Assets	1.2%	1.3%	1.3%	1.4%	1.4%
Return on Avg Int Earning Assets	2.2%	2.5%	2.6%	2.6%	2.7%
Extraordinary item	0.0%	0.0%	0.0%	0.0%	0.0%
Adj Return on Avg Int Earning Assets	2.2%	2.5%	2.6%	2.6%	2.7%
Productivity (Avg Int Earning Assets/Avg Total Assets)	95.5%	95.3%	95.4%	95.9%	96.2%
Return on Average Total Assets	2.5%	2.8%	2.9%	2.9%	3.0%
Leverage (Average Total Assets/Average Equity)	7.4	7.4	7.7	7.6	7.4
Return on Average Equity	18.0%	20.6%	22.1%	22.2%	22.1%

Source: Company, Equirus Securities

Company Snapshot

How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY19E	80.8	75.8	6.6%	We expect consensus to be revised
	FY20E	99.1	93.2	6.4%	
NII + Other Inc	FY19E	38,231	38,960.0	-1.9%	
	FY20E	45,846	46,918.6	-2.3%	
PAT	FY19E	12,639	11,821.4	6.9%	
	FY20E	15,505	14,464.5	7.2%	

Our Key Investment arguments: Our Key Investment arguments: (1) AUM growth of 20.6% for FY18-FY21E (2) Opex/Avg. AUM to reduce to 3.0% by FY20E (3) Steady FY19E/FY20E NIM of 7.9%/7.8%

Key Assumptions	2017A	2018A	2019E	2020E	2021E
Yield on AUM	13.3%	12.9%	13.0%	12.9%	13.0%
Cost of Funds	9.5%	8.2%	8.3%	8.4%	8.5%
Net interest margin (%)	7.3%	8.0%	7.9%	7.8%	7.8%
Fee Income/ Gross Assets(%)	1.2%	1.1%	1.1%	1.1%	1.1%
Cost to Income Ratio (%)	41.7%	41.4%	39.4%	38.4%	37.7%
Prov/Avg Loans (%)	1.0%	0.0%	0.9%	0.9%	0.9%
DPS	5.5	6.5	7.5	7.5	7.5
Advances Growth (%)	9.7%	29.0%	23.1%	20.2%	18.7%
Borrowings Growth (%)	7.2%	31.8%	22.1%	19.2%	17.7%
AUM Growth (%)	15.2%	25.5%	23.1%	20.2%	18.7%

Key Risks: A protracted slowdown in the economy, a considerable increase in fresh slippages and increase in Opex.

Key Triggers: (1) Strong Pickup in Home Equity Disbursements and AUM(2) Substantial Improvement in Asset Quality.

Comparable valuation			Mkt Cap (Rs Bn)	Price Target	Target Date	P/E			P/B			BPS		RoE		Div Yield		
Company	Reco.	CMP				FY18A/E	FY19E	FY20E	FY18A/E	FY19E	FY20E	FY19E	FY18A/E	FY19E	FY20E	FY18A/E	FY19E	FY20E
CIFC	LONG	1,650	257.9	1,880	Mar-19	26.5	20.4	16.6	5.0	4.1	3.4	401.1	20.6%	22.1%	22.2%	0.4%	0.5%	0.5%
SUF	NR	1,771	196.8	NR	NR	33.3	28.6	24.4	4.7	4.2	3.8	423.7	15.0%	15.6%	16.4%	0.7%	0.7%	0.7%
STFC	NR	1,626	368.9	NR	NR	20.7	15.7	12.9	2.9	2.5	2.2	643.0	14.8%	17.1%	17.9%	0.8%	1.0%	1.1%

Sensitivity to Key Variables	% Change	% Impact on EPS
Net Interest Income	10%	17.1%
Provisioning Costs	10%	-2.1%
Loans & Advances Growth	10%	7.7%

EroE Valuations & Assumptions

Rf	Ke	Term. Growth	RoE in Terminal Yr
6.9%	12.6%	5.0%	18.2%

	FY19E	FY20-23E	FY24-28E	FY29-38E
PAT Growth (%)	29.8%	10.5%	17.2%	17.2%
Dividend Payout (%)	11.2%	13.0%	13.0%	13.0%
BV Growth	21.8%	17.2%	17.2%	17.2%
RoE (%)	22.1%	18.2%	18.2%	18.2%

Years of strong growth	1	5	10	20
Valuation as of current FY end (Rs)	875	881	1,149	1,881
Valuation as of 31 st Mar'19	875	881	1,149	1,880

Our EroE-based Mar'19TP of Rs1,880 implies 20 years of high growth, with cost of equity at 12.6% and average RoE at 18.2%.

Company Description:

Incorporated in 1978, Cholamandalam Investment and Finance Company Limited, a nonbanking finance company, provides various financial services in India i.e. Vehicle Loans, Home Equity, Home Loans and SME Loans. Part of Murugappa group, Chola operates through 873 branches and is headquartered in Chennai.

Standalone quarterly earnings forecast and key drivers

Particulars (Rs mn)	1Q18A	2Q18A	3Q18A	4Q18A	1Q19E	2Q19E	3Q19E	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E	FY18A	FY19E	FY20E	FY21E
Interest Income	12,348	12,959	13,833	15,114	15,797	16,512	17,262	18,050	19,043	19,862	20,755	22,028	49,537	62,063	75,132	89,914
Interest Expense	5,410	5,568	5,903	6,199	6,630	7,090	7,580	8,102	8,444	8,765	9,098	9,551	23,079	29,402	35,859	42,955
Net Interest Income	6,938	7,392	7,930	8,915	9,168	9,422	9,681	9,948	10,598	11,096	11,657	12,477	26,459	32,661	39,273	46,960
Non Interest Income	1	1	1	2	3	3	3	3	4	4	4	5	4,720	5,570	6,573	7,756
Total Income	6,939	7,392	7,931	8,917	9,170	9,425	9,685	9,952	10,602	11,100	11,661	12,482	31,179	38,231	45,846	54,716
Operating and Other Expenses	2,777	3,089	3,237	3,793	3,782	3,772	3,762	3,748	4,002	4,276	4,572	4,767	12,895	15,064	17,617	20,628
Staff Cost	1,149	1,297	1,281	1,550	1,563	1,576	1,589	1,604	1,714	1,833	1,960	2,091	5,277	6,332	7,598	9,118
Other Operating Expenses	1,114	1,221	1,273	1,402	1,402	1,402	1,402	1,396	1,451	1,509	1,570	1,732	5,010	5,601	6,262	7,002
Pre-Provision Income	4,162	4,304	4,694	5,125	5,389	5,653	5,922	6,204	6,600	6,824	7,089	7,715	18,284	23,168	28,228	34,088
Provisions and Write-offs	981	832	902	737	831	937	1,057	1,192	1,186	1,180	1,180	1,188	3,451	4,017	4,735	5,444
PBT	3,181	3,472	3,792	4,388	4,558	4,716	4,865	5,012	5,414	5,644	5,909	6,527	14,833	19,151	23,493	28,644
TAX	1,116	1,199	1,300	1,477	1,550	1,603	1,654	1,704	1,841	1,919	2,009	2,219	5,092	6,511	7,988	9,739
Extraordinary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAT	2,066	2,273	2,492	2,911	3,008	3,112	3,211	3,308	3,573	3,725	3,900	4,308	9,741	12,639	15,505	18,905
EPS	13.2	14.5	15.9	18.6	19.2	19.9	20.5	21.1	22.8	23.8	24.9	27.5	62.3	80.8	99.1	120.9
Key Drivers																
Yield on Advances	17.6%	17.5%	17.4%	17.4%	15.5%	16.2%	16.9%	17.7%	15.3%	16.0%	16.7%	17.7%	14.3%	14.3%	14.3%	14.4%
Yield on AUM	14.3%	14.5%	14.6%	14.8%	13.2%	13.8%	14.4%	15.1%	14.2%	14.2%	14.1%	14.3%	12.9%	13.0%	12.9%	13.0%
CoF	8.9%	8.6%	8.6%	8.2%	7.5%	8.0%	8.6%	9.1%	7.9%	8.2%	8.5%	8.9%	8.2%	8.3%	8.4%	8.5%
NIM	9.8%	9.9%	9.9%	10.2%	8.9%	9.1%	9.4%	9.7%	8.5%	8.9%	9.3%	10.0%	8.0%	7.9%	7.8%	7.8%
C/I Ratio	40.0%	41.8%	40.8%	42.5%	41.2%	40.0%	38.9%	37.7%	37.7%	38.5%	39.2%	38.2%	41.4%	39.4%	38.4%	37.7%
Non-Interest Income/ Total Inc.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.1%	14.6%	14.3%	14.2%
ROA	2.7%	2.8%	2.9%	3.1%	2.7%	2.8%	2.9%	3.0%	2.7%	2.8%	2.9%	3.3%	2.8%	2.9%	2.9%	3.0%
ROE	18.8%	19.8%	20.8%	23.1%	21.1%	21.8%	22.5%	23.2%	20.5%	21.4%	22.4%	24.7%	20.6%	22.1%	22.2%	22.1%
Sequential Growth (%)																
NII	4.2%	6.5%	7.3%	12.4%	2.8%	2.8%	2.8%	2.8%	6.5%	4.7%	5.1%	7.0%				
TI	4.2%	6.5%	7.3%	12.4%	2.8%	2.8%	2.8%	2.8%	6.5%	4.7%	5.1%	7.0%				
PPI	6.6%	3.4%	9.1%	9.2%	5.2%	4.9%	4.8%	4.8%	6.4%	3.4%	3.9%	8.8%				
Provisions and Write-offs	85.5%	-15.2%	8.5%	-18.3%	12.8%	12.8%	12.8%	12.8%	-0.5%	-0.5%	0.0%	0.7%				
PAT	-5.9%	10.0%	9.7%	16.8%	3.3%	3.5%	3.2%	3.0%	8.0%	4.2%	4.7%	10.5%				
EPS	-6.0%	10.0%	9.7%	16.8%	3.3%	3.5%	3.2%	3.0%	8.0%	4.2%	4.7%	10.5%				
Advances	1.7%	8.5%	6.2%	12.1%	5.3%	5.3%	5.3%	5.4%	5.0%	4.8%	6.0%	3.1%				
AUM	2.4%	4.3%	7.1%	9.7%	5.3%	5.3%	5.3%	5.4%	3.0%	6.0%	4.0%	5.9%				
Borrowings	2.3%	9.0%	5.2%	12.7%	5.1%	5.1%	5.1%	5.1%	3.7%	4.1%	4.4%	5.8%				
Yearly Growth (%)																
NII	23.8%	24.7%	30.0%	33.9%	32.1%	27.5%	22.1%	11.6%	15.6%	17.8%	20.4%	25.4%	30.7%	23.4%	20.2%	19.6%
TI	23.8%	24.7%	30.0%	33.9%	32.2%	27.5%	22.1%	11.6%	15.6%	17.8%	20.4%	25.4%	28.3%	22.6%	19.9%	19.3%
PPI	24.6%	26.6%	33.7%	31.2%	29.5%	31.4%	26.2%	21.1%	22.5%	20.7%	19.7%	24.4%	29.1%	26.7%	21.8%	20.8%
Provisions and Write-offs	22.0%	7.8%	-10.0%	39.4%	-15.3%	12.7%	17.1%	61.8%	42.8%	26.0%	11.7%	-0.3%	11.1%	16.4%	17.9%	15.0%
PAT	24.6%	33.3%	53.3%	32.6%	45.6%	37.0%	28.9%	13.6%	18.8%	19.7%	21.4%	30.2%	35.5%	29.8%	22.7%	21.9%
EPS	24.6%	33.2%	53.2%	32.5%	45.5%	36.9%	28.8%	13.6%	18.8%	19.7%	21.4%	30.2%	35.5%	29.7%	22.7%	21.9%
Advances	6.2%	12.2%	15.6%	31.3%	36.0%	32.0%	30.9%	23.1%	22.7%	22.1%	23.0%	20.2%	29.0%	23.1%	20.2%	18.7%
AUM	13.5%	14.4%	19.5%	25.5%	29.0%	30.3%	28.1%	23.1%	20.4%	21.2%	19.7%	20.2%	25.5%	23.1%	20.2%	18.7%
Borrowings	3.0%	8.4%	13.7%	32.3%	36.0%	31.1%	31.0%	22.1%	20.4%	19.3%	18.4%	19.2%	31.8%	22.1%	19.2%	17.7%

Standalone financials

P&L (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Interest Income	49,537	62,063	75,132	89,914
Interest Expense	23,079	29,402	35,859	42,955
Net Interest Income	26,459	32,661	39,273	46,960
% Growth	30.7%	23.4%	20.2%	19.6%
Treasury Income	204	117	116	49
Other Inc. ex TI	4,517	5,453	6,456	7,707
Total Income	31,179	38,231	45,846	54,716
Employees Expenses	5,277	6,332	7,598	9,118
Other Op. Expenses	7,619	8,732	10,019	11,510
Operating Profit	18,284	23,168	28,228	34,088
% Growth	29.1%	26.7%	21.8%	20.8%
Tax	5,092	6,511	7,988	9,739
Total Provisions	3,451	4,017	4,735	5,444
Net Profit	9,741	12,639	15,505	18,905
% Growth	35.5%	29.8%	22.7%	21.9%
Earnings Ratios				
Int Inc./Avg Asset	14.1%	14.1%	14.2%	14.3%
Int Exp./Avg Asset	6.6%	6.7%	6.8%	6.8%
NIM (%)	8.0%	7.9%	7.8%	7.8%
Int. exp/ Int earned	46.6%	47.4%	47.7%	47.8%
Oth. Inc./ Tot. Inc.	15.1%	14.6%	14.3%	14.2%
Staff exp/Tot. Opex	40.9%	42.0%	43.1%	44.2%
Cost/ Income Ratio	41.4%	39.4%	38.4%	37.7%
Prov./Oper. Profit	18.9%	17.3%	16.8%	16.0%
Prov./Avg. Loans	1.1%	1.0%	1.0%	0.9%

Balance Sheet (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Capital	1,564	1,564	1,564	1,564
Reserves and Surplus	49,938	61,166	75,259	92,752
Net Worth	51,502	62,730	76,823	94,316
Borrowings	319,023	389,460	464,335	546,360
Other Liab&Prov	24,521	30,406	35,879	41,261
Total liabilities	395,046	482,595	577,037	681,937
Cash & Cash Equi	3,925	4,674	5,572	6,556
Investments	3,190	3,350	3,401	3,612
Advances	366,455	451,029	542,252	643,464
Fixed Assets	1,608	1,688	1,772	1,861
Other Assets	19,868	21,855	24,040	26,444
Total assets	395,046	482,595	577,037	681,937
% Growth	28.6%	22.2%	19.6%	18.2%

Key assumptions

Borrowings

Avg Borrowing Gr	31.8%	22.1%	19.2%	17.7%
Avg cost of Borwing	8.2%	8.3%	8.4%	8.5%

Advances

Avg. Advances Gr	29.0%	23.1%	20.2%	18.7%
AvgYoA	14.3%	14.3%	14.3%	14.4%

Investments

Avg. Investment Gr	33.7%	5.0%	1.5%	6.2%
Avg. Yol	1.0%	0.9%	0.9%	0.9%

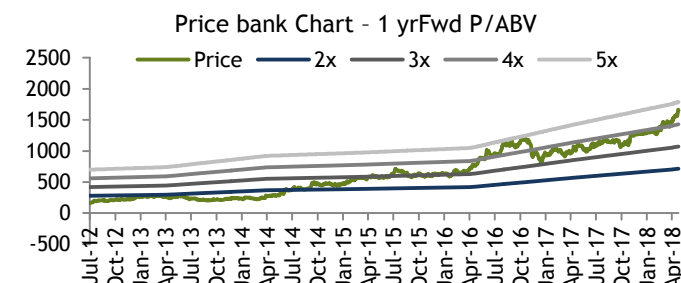
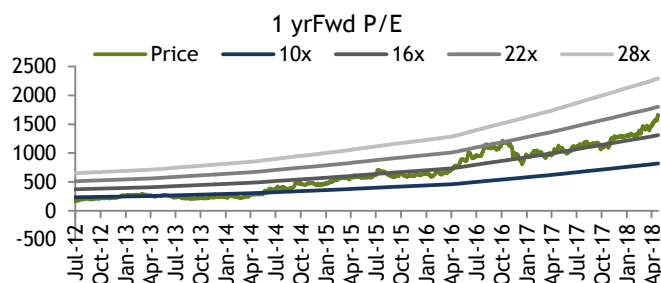
Particulars	FY18A	FY19E	FY20E	FY21E
Asset Quality				
Gross NPA (Rs mn)	12,606	14,631	17,040	19,600
Gross NPA (%)	3.4%	3.2%	3.1%	3.0%
Net NPA (Rs mn)	7,118	7,659	8,487	9,428
Net NPA (%)	2.0%	1.7%	1.6%	1.5%
% coverage of NPA	43.5%	47.7%	50.2%	51.9%
Delinquencies (%)	2.6%	2.5%	2.4%	2.3%
Business Ratios				
Advances/Borrowing	114.9%	115.8%	116.8%	117.8%
Advances/AUM	85.5%	85.5%	85.5%	85.5%
Securitized/AUM	14.5%	14.5%	14.5%	14.5%
RoA (%)	2.8%	2.9%	2.9%	3.0%
RoE (%)	20.6%	22.1%	22.2%	22.1%
Dividend Yield (%)	0.4%	0.5%	0.5%	0.5%

CAR

RWA (Rs. bn)	382	470	565	671
Tier I (%)	13.3%	13.2%	13.5%	13.9%
Tier II (%)	5.1%	4.1%	3.4%	2.9%
Total CAR (%)	18.4%	17.3%	16.9%	16.8%

Per Share Data

BVPS	329.3	401.1	491.2	603.0
Adj. BVPS, Rs.	283.8	352.1	436.9	542.8
Price/ Adj. BV	5.8	4.7	3.8	3.0
EPS, Rs.	62.3	80.8	99.1	120.9
P/E Ratio	26.5	20.4	16.6	13.7



Historical standalone financials

P&L (Rs mn)	FY15A	FY16A	FY17A	FY18A
Interest Income	33,972	38,429	42,549	49,537
Interest Expense	19,604	20,508	22,308	23,079
Net Interest Income	14,368	17,921	20,241	26,459
% Growth	21.9%	24.7%	12.9%	30.7%
Treasury Income	216	71	128	204
Other Inc. ex TI	2,724	3,437	3,926	4,517
Total Income	17,308	21,429	24,295	31,179
Employees Expenses	2,217	2,539	4,026	5,277
Other Op. Expenses	5,271	5,910	6,107	7,619
Operating Profit	9,819	12,980	14,162	18,284
% Growth	17.8%	32.2%	9.1%	29.1%
Tax	2,221	3,023	3,868	5,092
Total Provisions	3,247	4,272	3,106	3,451
Net Profit	4,352	5,685	7,187	9,741
% Growth	19.5%	30.6%	26.4%	35.5%
Earnings Ratios				
Int Inc./Avg Asset	15.0%	14.8%	14.5%	14.1%
Int Exp./Avg Asset	8.6%	7.9%	7.6%	6.6%
NIM (%)	6.7%	7.3%	7.3%	8.0%
Int. exp/ Int earned	57.7%	53.4%	52.4%	46.6%
Oth. Inc./ Tot. Inc.	17.0%	16.4%	16.7%	15.1%
Staff exp/Total Opex	29.6%	30.1%	39.7%	40.9%
Cost/ Income Ratio	43.3%	39.4%	41.7%	41.4%
Prov./Oper. Profit	33.1%	32.9%	21.9%	18.9%
Prov./Avg. Loans	1.6%	1.8%	1.1%	1.1%

Balance Sheet (Rs mn)	FY15A	FY16A	FY17A	FY18A
Capital	6,437	1,562	1,563	1,564
Reserves and Surplus	25,296	35,012	41,565	49,938
Deposits	31,733	36,574	43,129	51,502
Borrowings	194,752	225,762	242,068	319,023
Other Liabilities	12,247	16,547	22,015	24,521
Total liabilities	238,732	278,883	307,211	395,046
Cash Balance with RBI	3,407	4,905	4,870	3,925
Bal. with bank	675	666	2,385	3,190
Investments	221,835	259,101	284,152	366,455
Advances	683	1,113	1,401	1,608
Fixed Assets	12,132	13,098	14,403	19,868
Other Assets	238,732	278,883	307,211	395,046
Total assets				
% Growth	10.8%	16.8%	10.2%	28.6%

Key assumptions

Deposits				
Avg deposit growth	7.6%	15.9%	7.2%	31.8%
Avg cost of deposits	10.4%	9.8%	9.5%	8.2%
Advances				
Avgadv growth (%)	14.2%	16.8%	9.7%	29.0%
Avg yield on adv (%)	15.3%	14.9%	14.7%	14.3%
Investments				
Avg invest growth (%)	-18.1%	-1.3%	258.3%	33.7%
Avg yield on invest (%)	5.1%	4.2%	2.0%	1.0%

Particulars	FY15A	FY16A	FY17A	FY18A
Asset Quality				
Gross NPA (Rs mn)	8,028	10,218	15,450	12,606
Gross NPA (%)	3.6%	3.9%	5.4%	3.4%
Net NPA (Rs mn)	5,235	5,978	10,334	7,118
Net NPA (%)	2.4%	2.3%	3.7%	2.0%
% coverage of NPA	34.8%	41.5%	33.1%	43.5%
Delinquencies (%)	3.1%	2.7%	3.8%	2.6%
Business Ratios				
Advances/Borrowing	113.9%	114.8%	117.4%	114.9%
Advances/AUM	87.2%	87.4%	83.2%	85.5%
Securitized/AUM	12.8%	12.6%	16.8%	14.5%
RoA (%)	1.9%	2.2%	2.5%	2.8%
RoE (%)	15.9%	16.6%	18.0%	20.6%
Dividend Yield (%)	0.2%	0.3%	0.3%	0.4%
Capital Adequacy Ratio				
RWA (Rs. bn)	228	269	296	382
Tier I (%)	13.0%	13.3%	13.6%	13.3%
Tier II (%)	8.2%	6.4%	5.0%	5.1%
Total CAR (%)	21.2%	19.7%	18.6%	18.4%
Per Share Data				
Book value per share, Rs	220.8	234.1	275.9	329.3
Adj. BVPS, Rs.	184.4	195.9	209.8	283.8
Price/ Adj. Book value	9.0	8.4	7.9	5.8
EPS, Rs.	30.3	37.9	46.0	62.3
P/E Ratio	54.4	43.5	35.9	26.5



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Absolute Rating

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only on an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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