Can Fin Homes

Favorably placed for sustainable growth

Can Fin Homes Ltd (Can Fin) is a south based (74% of business) housing finance company with 43.53% shareholdings owned by Canara Bank. Can Fin has maintained a low-risk profile loan book, predominantly focused on salaried class.

Growth momentum to continue: Over the last 4 years Can Fin has reported phenomenal 41.6% CAGR in loan book. Considering the lower interest rates and the government's interest subvention scheme, we believe that the company's growth momentum would continue and it would record a CAGR of 26% in loan book over FY2016-19E. Moreover, well capitalized balance sheet, with Capital Adequacy Ratio (CAR) of 18.76% would support the growth trajectory. The management is targeting a loan book of ₹35,000cr by March 2020.

Retail oriented book with a focus on salaried class: Can Fin's Loan book comprises of 88% Housing finance, 6% of LAP (50% is to salaried class), builder loans constitute only 0.16% and the remaining consists of others such as staff, loan for sites & top up. According to the recent quarter result, it was witnessed that Can Fin was not much affected due to demonetization, as loans are largely offered to the first time home buyers in the salaried class and for the projects nearing completion. .

Favorable borrowing & changing asset mix to support NIM: Can Fin has reduced its dependence on bank borrowing and increased borrowing from debt market instruments such as CP & NCD (48% in 3QFY2017 v/s. 5% in FY2014), which resulted into lower cost of fund (8.32% in 3QFY2017 from 9.70% in FY2013). Further, Can Fin is focusing on the high yielding Non-housing / Non-Salaried loans in calibrated manner, which should be margin accretive.

Impressive asset quality: Can Fin has been able to improve its asset quality (GNPA) from 1.06% in FY2011 to 0.24% in 3QFY2017. With 100% provisioning of NPA it has been able to maintain nil NPA consistently for last six years. Its NPAs are consistently 0% for the last six years implying 100% coverage ratio.

Outlook & Valuation: We expect Can Fin to deliver RoE of more than 20% on a sustained basis from FY2017 onwards (FY2017-23.6%, FY2018E-24.1%, and FY2019E-25.6%) on the back of higher growth, NIM expansion and stable credit cost. Additionally, cost optimization should also add to return ratio. At the current market price, the stock is trading at 2.85x its FY2019E BV of ₹608. **We recommend a BUY rating on the stock with a target price of ₹2,128 (3.5x FY2019E BV).**

Key Financials (Standalone)

	FY14	FY15	FY16	FY17E	FY18E	FY19E
NII	136.1	179.6	309.0	420.3	525.7	665.1
% Chg	*41.1*	*31.9*	*72.1*	*36.0*	*25.1*	*26.5*
Net Profit	75.7	86.2	157.1	230.3	287.1	375.2
% Chg	*41.0*	*13.9*	*82.2*	*46.6*	*24.6*	*30.7*
NIM (%)	2.7	2.5	3.2	3.5	3.5	3.5
EPS (₹)	37.0	32.4	59.0	86.5	107.8	141.0
P/E (x)	46.8	53.13	29.13	20	16	12.3
P/BV (x)	7.8	6.0	5.2	4.3	3.5	2.8
RoA (%)	1.5	1.2	1.6	1.9	1.9	2.0
RoE (%)	17.9	14.1	19.0	23.6	24.1	25.6

Source: Company, Angel Research; Note: CMP as of January 25, 2017

BUY

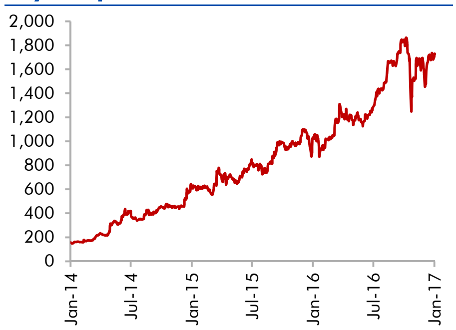
CMP	₹1,728
Target Price	₹2,128
Investment Period	12 Months

Stock Info	
Sector	Housing Finance
Market Cap (₹ cr)	4,539
Beta	1.2
52 Week High / Low	1887/841
Avg. Daily Volume	7,825
Face Value (₹)	10
BSE Sensex	27,708
Nifty	8,603
Reuters Code	CNFH.BO
Bloomberg Code	CANF@IN

Shareholding Pattern (%)	
Promoters	44.1
MF / Banks / Indian FIs	18.1
FII / NRIs / OCBs	3.8
Indian Public / Others	34.0

Abs.(%)	3m	1yr	3yr
Sensex	(2.9)	11.0	26.9
Canfin Homes	(5.0)	67.2	992.7

3-year price chart



Source: Company, Angel Research

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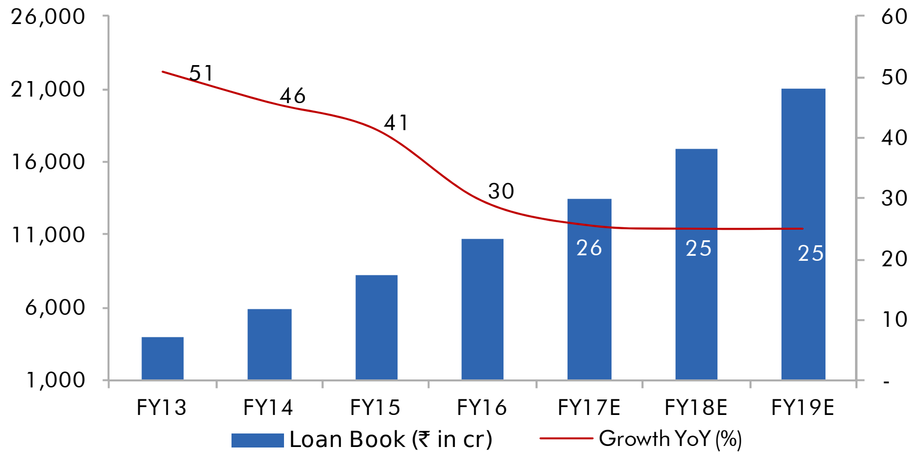
Multiple drivers for loan growth

Affordable housing segment – principle growth driver

The company's loan book has grown at a CAGR of 39%/41.6%/37.3% in the last 3/4/5 years. This growth is without any deliberate policy by the government. We believe that the recent changes in Pradhan Mantri Awas Yojana (PMAY) and other initiatives, stringent policy and regulation by government are likely to raise demand for houses & eventually the demand for home loans. The management is targeting a loan book of ₹35,000cr by March 2020.

Exhibit 1: Loan Book growth Trend



Source: Company, Angel Research

Until 2011, Can Fin Homes was reporting moderate loan growth (~9% CAGR over 2002-2011). However, since 2011 it has grown its advances at a CAGR of 39%/41.6%/37.3% in the last 3/4/5 year. In order to achieve such a phenomenal growth, Can Fin has added 79 branches and 50 satellite offices in last five years (currently 120 offices and 50 satellite offices). For further growth, the management has a vision to reach the loan book size of ₹35,000cr by March 2020 with high asset quality. This implies that its loan book could grow by healthy ~35% CAGR till 2020. We estimate Can Fin's loan book to grow at a CAGR of 25% over FY2016-FY2019E.

Exhibit 2: Comparative Loan book growth of peers

₹ in cr	FY11	FY12	FY13	FY14	FY15	FY16	CAGR 5 (%)	CAGR 4 (%)	CAGR 3 (%)
LIC Hsg	51,400	63,080	77,812	91,341	1,08,361	1,25,173	19.5	18.7	17.2
DHFL	19,740	28,805	42,163	58,810	78,632	1,02,834	39.1	37.5	34.6
India Bulls Hsg	19,800	27,500	34,400	41,200	52,200	68,700	28.3	25.7	25.9
PNB Hsg	2,899	3,800	5,400	8,600	14,400	25,600	54.6	61.1	68.0
Gruh Fin	3,176	4,077	5,447	7,020	8,926	11,115	28.5	28.5	26.8
Can Fin Hom	2,205	2,673	4,030	5,874	8,302	10,753	37.3	41.6	38.7
Repco	2,079	2,804	3,545	4,662	6,013	7,691	29.9	28.7	29.5
GIC Housing	3,416	3,872	4,539	5,313	6,598	7,912	18.3	19.6	20.3

Source: Company, Angel Research

Government's drive - affordable housing for all

Since the general election of 2014, NDA had campaigned and promised to roll out low cost housing programs (Affordable house/House for all), which would benefit the large population of India, especially the economically weaker sections. After taking office, NDA had granted infrastructure status to the affordable housing segment in the 2014-15 Budget, which enabled lower borrowing costs for developers.

Affordable house/House for all was one of the core promises made during the election campaigns. The government launched the Pradhan Mantri Awas Yojana in 2015, with the aim of building 2 crore houses over a seven year period till 2022. The scheme provided for an upfront subsidy for low cost housing along with a 6.5% interest rate subsidy for loans up to ₹ 6 lakh.

The Government plans to implement the project via four modes:

- Slum Redevelopment
- Affordable Housing through credit linked Subsidy
- Affordable Housing in partnership
- Subsidy for beneficiary led individual house construction or enhancement

Exhibit 3: The Pradhan Mantri Awas Yojna older schemes

Beneficiary	Dwelling Area	Eligibility Criteria
EWS (Economically Weaker Section)	30 Sq Meters	Having an annual income upto ₹ 3 Lakhs
LIG (Low Income Group)	60 Sq Meters	Having Annual Income Upto ₹3-6 lakhs

Source: Company, Angel Research

Under this scheme, loan up to ₹6 lakh is provided to the beneficiary at a subsidized interest rate of 6.5% for a tenure of 15 years. The maximum interest subsidy is ₹2.2 lakh. The scheme was officially launched in 2015; it subsumed an earlier scheme called the Rajiv Awas Yojana.

Exhibit 4: Progress of PM Awas Yojana between 2014 - 2016

House Involved	12,27,088
House gronded for construction	2,21,373
House Completed	48,236

Source: Company, Angel Research

As per the vision of 'Housing for All by 2022', the government has been aiming to supply affordable homes to majority of the population. In addition to that, the Real Estate Regulatory Act that has been passed by both the houses at the end of this financial year has also brought forward the scope for development of the sector. In the upcoming years, certain long term goals and initiatives of the government are likely to raise demand for houses, thereby eventually raising the demand for home loans.

Can Fin Homes, FY2016 Annual Report

The actual number of PMAY doesn't commensurate with the big bang promise made by present government. Primary reason for the muted response/activity could be the loan limit of ₹ 6 lakh, which may be inadequate for meeting the cost involved for building house. The average ticket size for affordable house in tier 2 & 3 Cities is ₹10-15 lakhs, much higher than the earlier cap of ₹ 6 lakh for interest subvention on housing loans.

This can be validated from the recent data provided by National Housing Board (NHB) progress of housing report released last year. Out of the total outstanding individual housing loans of ₹ 4.40 lakh crore given by 26 PSBs in 2014-15, 65% were given to people taking loans up to ₹ 25 lakh.

PM Modi's new scheme for subsidized home loans could trigger a growth for the sector

In his address to the nation, Honorable Prime Minister, Mr. Narendra Modi, announced some benefits which could make affordable housing more realistic. Under the new scheme, there would be two more slabs i.e. home loans upto ₹9 lakh taken in 2017 will receive an interest subvention of 4%, while loans upto ₹12 lakh taken in 2017 will receive an interest subvention of 3%. This scheme will run along with the existing scheme under which loans upto ₹6 lakh are provided to the EWS/LIG segment at a subsidized interest rate of 6.5%. More details on the eligibility of the home loans under this scheme are still awaited.

Exhibit 5: New schemes announced by Govt.

New schemes announced by Govt.	Subsidy	Eligibility
Loan Amount Upto		
₹2 lakhs	3%	For Rural
₹9 lakhs	4%	For Urban
₹12 lakhs	3%	For Urban

Source: Company, Angel Research

The government's scheme is likely to provide big boost to demand for affordable housing, mostly in the peripheral area of Tier – 2 cities, as maximum affordable houses are priced anywhere between ₹15 lakhs to ₹30 lakhs. The newly launched scheme effectively narrows down the gap between rent and EMI, hence, it is tremendously positive for housing loan demand.

Exhibit 6: Avg ticket Size FY2016

Company	₹ Lakhs
Can Fin Hom	17.4
LIC Hsg	21.0
DHFL	18.0
India Bulls Hsg	25.0
PNB Hsg	32.0
Gruh Fin	6.4
Repco	13.0

Source: Company, Angel Research

Various initiatives, schemes and policies to support sector growth

Smart Cities: GOI has in place a developmental plan covering 100 cities between 2016 to 2020, which will include improvement, city renewal, city extension (Source: Ministry of Urban Development (Government of India) - Smart City Mission Transform-nation – Mission Statement & Guidelines).

Housing for all by 2022: GOI had launched the program in June 2015, with the aim of providing 20 million new housing units in 500 towns and cities over the next seven years, recently changed to incorporate faster implementation.

Sebi relaxes debt fund exposure limit for housing finance companies: Debt mutual funds can invest an additional 10% in housing finance companies above the 25 percent sectoral limit. SEBI had earlier allowed a 5 percent additional limit for housing finance companies.

Real Estate (Regulatory & Development) Act, 2016: This is expected to bring sea changes in the otherwise unregulated industry. Primary fears in the mind of house buyers are delayed possession, incomplete paperwork and poor quality of construction. Hence, many cases are running against builders in consumer courts and eventually the buyer has to suffer in terms of long waiting for judgment. Also, the builders used to sell flats before construction actually happened and they used the same money to buy other plot/project. However, under the Act, builders have to deposit 70 per cent of the collected amount in an escrow account to ensure that money is not diverted from one project to another.

Favorable borrowing mix to support NIM

Well diversified resource mix supports profitability

Can Fin has reduced its reliance on bank borrowing (20% in 3QFY2017 v/s. 68% in FY2012) and increased borrowing from debt market instruments such as Commercial Papers (CP) & Non-Convertible Debentures (NCD), which thereby resulted in lower cost of funds i.e. 8.55% in 2QFY2017 from 9.70% in FY2013.

Can Fin Homes continues to enjoy AAA rating for borrowings/ NCD and A+ for CP issuance. We believe Can Fin would continue to receive capital and funding support from Canara Bank, and hence, ratings would remain the highest (AAA).

Eventually, this would help its plan to increase reliance on money market instrument and would reduce the borrowing cost and improve margins.

Exhibit 7: Borrowing Mix Trend of CanFin Homes (%)

Borrowing Mix	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Q1FY17	Q2FY17	Q3FY17
Deposit	11	8	6	5	3	3	2	3	2	2
NHB	28	29	26	51	48	44	37	34	32	30
Banks	61	63	68	44	44	31	27	19	18	20
NCD, CP	-	-	-	-	5	22	34	44	48	48

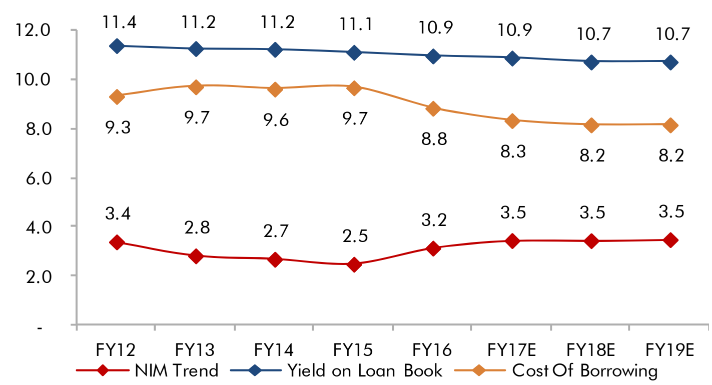
Source: Company, Angel Research

Exhibit 8: Comparative Source of borrowing (%)

FY16	Banks	NCD	NHB	CP	FD &Others
Can Fin Hom	27	23	37	11	2
LIC Hsg	13	77	2.7	1	6.3
DHFL	53	33	2	-	12
India Bulls Hsg	49	38	-	-	13
PNB Hsg	6	38	8	20	28
Gruh Fin	38	-	39	-	23
Repco	72	6	14	-	8

Source: Company, Angel Research

Exhibit 9: NIM Trend (%)



Source: Company, Angel Research

Can Fin Homes has been able to borrow from money market at an average 1% premium to G-Sec yield

Well diversified funding mix, shift toward money market instrument (NCD & CP)

Due to demonetization, banks have been flooded with low cost deposits (CASA), therefore the cost of funds for the banks has declined drastically. Hence, post demonetization, banks have reduced their lending rates vary aggressively. This would intensify competition in housing finance market, however, it is not a big cause of concern for Can Fin due to – (1) historically, Can Fin used to charge 50 - 75bps higher than banks despite this it has able to deliver stellar CAGR of 41% in last 4 years. Recently, Can Fin has revised its loan rate to 8.85% from 9.5%. Thus, the average difference now is ~40 bps between lower interests charged by banks and other housing finance companies compared to Can Fin Homes (Exhibit-10); (2) Can Fin Homes has been able to raise NCD/debt from money market on an average 1% higher than 10-Year G-sec Yield (Exhibit -10). We believe that in future also it would be able to borrow at similar attractive rates owing to support and majority ownership of Canara Bank and maintain top grade asset quality; (3) Can Fin Homes had 20% of its total borrowing from banks in 3QFY2017, out of which certain portion is floating. Therefore, the reducing MCLR rates of the bank would help Can Fin Homes to reduce its cost of funding.

Exhibit 10: Competitive borrowing

Issue Date	Maturity	Coupon	10 Year G Sec Yield	Prem Over G-Sec
13-01-2014	13-01-2017	10.05	8.71	1.34
03-12-2014	03-12-2024	8.94	7.97	0.97
06-02-2015	06-02-2018	8.80	7.70	1.10
28-05-2015	28-06-2018	8.70	7.65	1.05
02-07-2015	02-07-2018	8.80	7.81	0.99
08-10-2015	08-10-2018	8.44	7.54	0.90
07-01-2016	06-04-2019	8.60	7.74	0.86
17-02-2016	17-05-2019	8.85	7.79	1.06
22-04-2016	22-03-2019	8.37	7.46	0.91
27-05-2016	27-08-2019	8.55	7.47	1.08
16-09-2016	16-12-2019	7.85	6.87	0.98
15-11-2016	15-11-2021	7.77	6.53	1.24

Source: Company, Angel Research

Exhibit 11: Equally competitive lending rate

HFC	Floating Interest Rate (%)
CanFIn Homes	8.85
SBI	8.6
PNB	8.45
HDFC LTD	8.65
Axis Bank	8.85
ICICI Bank	8.65
LIC Hsg	8.5
DHFL	8.6
India Bulls Hsg	8.65
PNB Hsg	8.9
Gruh Fin	9.75
Repco	9.6

Source: Company, Angel Research

Scope to increase higher yielding book: Can Fin's focus has always been on relatively low risk salaried home loans segment (78% in 2QFY2017). However, the management now intends to increase focus on building a high yielding non-housing portfolio. The share of non-housing loan has increased from 3% in FY2012 to 12% by the end of 3QFY2017.

Exhibit 12: LAP as % of Total Loan Book

Particular	Can Fin Hom	LIC Hsg	DHFL	India Bulls Hsg	PNB Hsg	Gruh Fin	Repco
LAP Loan (%)	4	9	16	37	26	11	20

Source: Company, Angel Research

Growing non-housing (higher yielding) Portfolio

Can Fin Homes has been able to position itself very well owing to its predominant focus on the salaried class, and primarily to first home buyers and near-completion projects. However, with lower exposure to LAP, loans to builders and under construction projects, the company would be able to increase business in higher yielding assets going ahead. We believe, on the whole, portfolio vulnerability would not increase due to rising share of relatively riskier segments (LAP, self-employed, non-housing loans). Nevertheless, the strong monitoring and control processes, borrowers' own equity in the properties, lower LTV in LAP portfolio (50%) and a large proportion of self-occupied properties could reduce the impact of the concerns on asset quality to some extent.

We believe, going ahead, transparency into the sector would improve owning to crack down on black money (improved accountability of income, thereby, would help to improve non-salaried portfolio), implementation of Real Estate Regulatory Authority (RERA; improved level of transparency) and Amendment Bill (The Benami Transaction (Prohibition) Amendment Act).

Considering, Can Fin's existing low risk portfolio and management's incremental focus on non-housing, non-salaried and higher yielding asset would fetch in higher return ratio and growth going ahead.

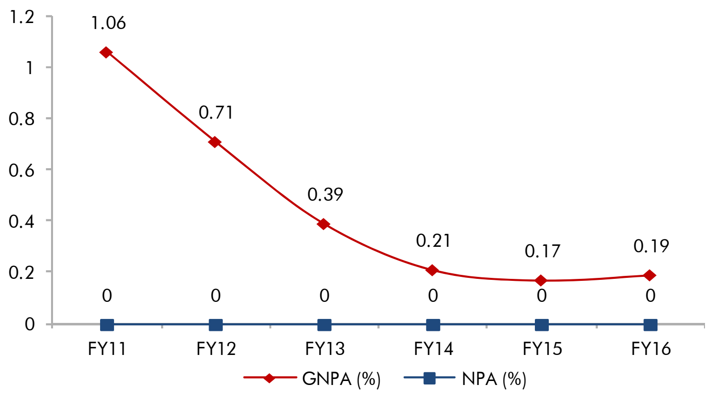
Robust loan growth with impressive asset quality and sufficient CAR

Best-in-class asset quality maintained

Can Fin Homes has aggressively expanded its loan book (41% CAGR over FY2012-16). Regardless of this, asset quality (GNPA) has improved from 1.06% in FY2011 to 0.24%in 3QFY2017. Its NPAs have consistently remained 0% for the last six years, implying 100% coverage ratio. Also, the capital adequacy ratio (18.76%) is at a comfortable level backing their growth prospects. Going forward, we believe that loan growth momentum would continue, supported by the government's push for housing for all by 2022 and stringent steps taken to bring transparency and lower interest rates.

The asset quality indicators remain comfortable, Gross NPAs at 0.24% & NPA at 0.01% as on 3QFY2017. We do not feel that the overall portfolio vulnerability would increase due to the rising share of relatively riskier segments (LAP, self-employed, non-housing loans). Nevertheless, the strong monitoring and control processes, borrowers' own equity in the properties and a large proportion of self-occupied properties would continue to abate asset quality concerns.

Exhibit 13: GNPA & NPA Trend



Source: Company, Angel Research

Exhibit 14: Comparative Asset Quality, GNPA (%)

HFC	FY12	FY13	FY14	FY15	FY16	Q1 FY17	Q2 FY17
Can Fin Hom	0.71	0.39	0.21	0.17	0.19	0.24	0.25
LIC Hsg	0.42	0.61	0.67	0.46	0.45	0.59	0.57
DHFL	0.76	0.76	0.78	0.95	0.93	0.98	0.96
India Bulls Hsg	0.79	0.79	0.83	0.85	0.84	0.84	0.83
PNB Hsg	1.04	0.56	0.32	0.20	0.20	0.22	0.26
Gruh Fin	0.52	0.32	0.27	0.28	0.32	0.56	0.62
Repco	1.40	1.50	1.50	1.30	1.30	2.20	2.37

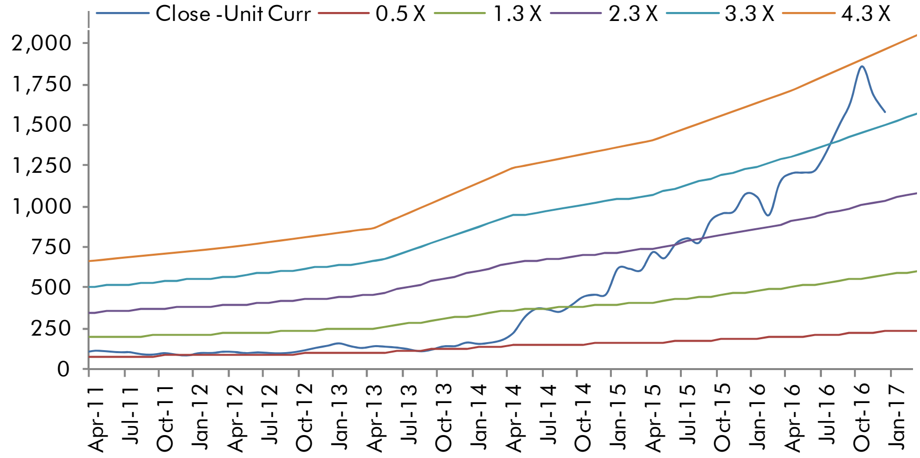
Source: Company, Angel Research

Adequate capitalization; supported by internal capital generation

In 3QFY2017, capital adequacy ratio for Can Fin remained comfortable (18.76%). The relaxation in the risk weightage for certain categories of home loans has enabled most Housing Finance Companies to show a better capital adequacy ratio. However, for Can Fin in addition to this relaxation, best in class asset quality has also helped to report higher internal capital generation, which eventually helped to report better CAR.

Outlook & Valuation: We expect CanFin to deliver ROE of more than 20% on a sustained basis from FY2017 onwards (FY2017-23.6%, FY2018E-24.1%, and FY2019E-25.6%) on the back of higher growth, NIM expansion and stable credit cost. Additionally, cost optimization should also add to return ratio. At the current market price, the stock is trading at 2.85x its FY2019E BV of ₹608. **We recommend a BUY on the stock with a target price of ₹2,128 (3.5x FY2019E BV).**

Exhibit 15: One year forward P/BV



Source: Company, Angel Research

Exhibit 16: Comparative Valuation & Return ration

	P/BV			RoE%			RoA%		
	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Can Fin Home	4.3	3.5	2.8	23.6	24.1	25.6	1.9	1.9	2.0
LIC Hsg Fin	2.5	2.1	1.8	19.5	19.1	19.6	1.4	1.4	1.4
DHFL	1.5	1.3	1.1	16.9	17.5	17.8	1.2	1.3	1.3
Indiabulls Hsg Fin	2.7	2.4	2.1	25.6	27.7	29.5	3.3	3.2	3.1
GRUH Finance	12.0	9.7	8.2	29.9	29.8	31.3	2.3	2.3	2.3
Repco Home Fin	3.6	3.0	2.6	17.6	18.6	18.8	2.1	2.1	2.1
PNB Hsg Fin	2.5	2.2	1.9	14.9	14.9	18.7	1.6	1.7	1.8

*Source: Company, Angel Research, Note: CMP as of January 24, 2017, * other bank Consensus taken from Bloomberg,*

Exhibit 17: Comparative DuPont Analysis for FY16

	Can Fin Home	LIC Housing	DHFL	India Bulls	PNB HSG	Gruh Fin	Repco
Interest Income	10.9	10.1	11.4	11.6	10.4	11.9	12.3
Interest expenses	7.8	7.7	9.0	7.4	7.6	7.8	7.9
Net Interest margin	3.1	2.4	2.4	4.2	2.8	4.1	4.4
Fees & Other Income	0.4	0.2	0.6	2.0	0.6	0.5	0.4
Total Income	3.6	2.6	3.0	6.1	3.4	4.5	4.8
Employee Exp	0.3	0.1	0.4	0.6	0.3	0.4	0.6
Other exp	0.4	0.3	0.5	0.3	0.7	0.4	0.3
Opex	0.7	0.4	0.9	0.9	1.0	0.8	0.9
PPP	2.9	2.2	2.1	5.3	2.4	3.7	3.9
Provision	0.2	0.1	0.3	0.6	0.3	0.2	0.6
PBT	2.7	2.1	1.8	4.7	2.1	3.5	3.3
Tax	1.0	0.7	0.6	1.2	0.7	1.1	1.2
RoA	**1.6**	**1.4**	**1.2**	**3.5**	**1.3**	**2.4**	**2.2**
Leverage	11.6	14.3	12.7	7.7	13.1	13.3	7.8
RoE (%)	**19.0**	**19.6**	**15.1**	**27.0**	**17.6**	**31.5**	**17.0**

Source: Company, Angel Research

Key Risk

Precipitous correction and prolonged down cycle of real estate price: Steep price correction in real estate market could heighten the risk of deteriorating asset quality.

Recent management change: Till June 2016, Mr Illango was running the company's show very effectively and under him Can Fin Homes performed very well. Any drastic changes by new MD could be a cause of concern.

Loan mix gets riskier aggressively in the wake of growth: Till now Can Fin Homes has smartly built and maintained a low-risk profile loan book. But in wake of growth, aggressive and less compliant lending to riskier assets (LAP, non-salaried and builder loans) could pose issues for the company.

Company Background

"69.74% collection of installments done through Electronic Clearing System (ECS)"
CanFin Homes, FY16 Annual Report

Can Fin Homes Ltd is a south based (74% of business) finance company with 43.53% shareholding owned by Canara Bank. Since inception, Can Fin has smartly built and maintained a low-risk profile loan book. Housing finance holds a giant share of the total loan book at ~88%. The remaining 12% which is into non-housing, of that less than 50% is to salaried class. Can Fin has been lending predominantly to the salaried class, and primarily to first buyers and near completion projects. The management's goal is to augment the loan book to ₹13,500cr by the end of FY2017E and ₹35,000cr by March 2020E.

Key management Personnel

SHRI K.N. PRITHVIRAJ, Chairman - Shri K.N. Prithviraj was appointed as Director on June 4, 2014. He is an independent and non-executive Chairman of the Company. He has over 45 years of experience in the banking industry.

SHRI SARADA KUMAR HOTA, Managing Director - Shri Sarada Kumar Hota has been appointed as the Managing Director of Can Fin Homes Ltd. w.e.f May 19, 2016. Prior to his posting to the Company, he was the Deputy General Manager and Circle Head of Nagpur and Jaipur Circles of Canara Bank for 3 years followed by a brief stint at the Recovery Wing of the Bank at Head Office.

Income statement (standalone)

Y/E March (₹cr)	FY14	FY15	FY16	FY17E	FY18E	FY19E
NII	136	180	309	420	526	665
- YoY Growth (%)	*41*	*32*	*72*	*36*	*25*	*27*
Other Income	21	29	39	44	61	76
- YoY Growth (%)	*50*	*39*	*34*	*14*	*37*	*25*
Operating Income	155	207	340	465	586	741
- YoY Growth (%)	*42*	*33*	*64*	*37*	*26*	*26*
Operating Expenses	44	55	67	79	107	133
- YoY Growth (%)	*21*	*25*	*21*	*18*	*36*	*25*
Pre - Provision Profit	111	152	273	386	480	608
- YoY Growth (%)	*52*	*36*	*80*	*41*	*24*	*27*
Prov. & Cont.	4	14	19	24	38	48
- YoY Growth (%)	-	*221*	*36*	*21*	*62*	*25*
Profit Before Tax	107	137	254	363	442	560
- YoY Growth (%)	*43*	*29*	*85*	*43*	*22*	*27*
Prov. for Taxation	31	51	97	132	155	185
- as a % of PBT	*29*	*37*	*38*	*37*	*35*	*33*
PAT	76	86	157	230	287	375
- YoY Growth (%)	*41*	*14*	*82*	*47*	*25*	*31*

Balance Sheet (standalone)

Y/E March (₹cr)	FY14	FY15	FY16	FY17E	FY18E	FY19E
Share Capital	20	27	27	27	27	27
Reserve & Surplus	432	745	851	1,043	1,281	1,592
Networth	452	771	878	1,069	1,308	1,619
Borrowing	5,269	7,375	9,478	12,108	15,014	18,693
- YoY Growth (%)	*49*	*40*	*29*	*28*	*24*	*25*
Other Liab. & Prov.	191	188	438	371	614	858
Total Liabilities	**5,912**	**8,334**	**10,795**	**13,549**	**16,936**	**21,170**
Investment	15	15	15	19	24	30
Advance	5,874	8,302	10,753	13,500	16,875	21,094
- YoY Growth (%)	*46*	*41*	*30*	*26*	*25*	*25*
Fixed Asset	8	9	9	13	16	20
Other Assets	14	8	18	17	21	26
Total Asset	**5,912**	**8,334**	**10,795**	**13,549**	**16,937**	**21,170**

Ratio analysis (standalone)

Profitability Ratio (%)	FY14	FY15	FY16	FY17E	FY18E	FY19E
NIMs	2.7	2.5	3.2	3.5	3.5	3.5
Cost to Asset	0.9	0.8	0.7	0.6	0.7	0.7
Cost to Income	28.3	26.6	19.6	16.9	18.2	18.0
RoA	1.5	1.2	1.6	1.9	1.9	2.0
ROE	17.9	14.1	19.0	23.6	24.1	25.6
Asset Quality (%)						
Gross NPAs	0.2	0.2	0.2	0.2	0.3	0.3
Net NPAs	0.0	0.0	0.0	0.0	0.0	0.0
Credit Cost	0.1	0.2	0.2	0.2	0.3	0.3
Per Share Data (₹)						
EPS	37	32	59	87	108	141
BV	221	290	330	402	491	608
DPS	7	7	10	15	18	24
Valuation Ratios						
PER (x)	47	53	29	20	16	12
P/BV	7.8	6.0	5.2	4.3	3.5	2.8
Dividend Yield (%)	0.4	0.4	0.6	0.9	1.1	1.4

DuPont Analysis

	FY14	FY15	FY16	FY17E	FY18E	FY19E
Interest Income	11.2	11.1	10.9	10.8	10.7	10.7
Interest expenses	8.5	8.6	7.8	7.4	7.3	7.2
Net Interest Income	2.7	2.5	3.1	3.5	3.4	3.5
Fees & Other Income	0.4	0.4	0.4	0.4	0.4	0.4
Total Income	3.1	2.9	3.5	3.8	3.8	3.9
Opex	0.9	0.8	0.7	0.6	0.7	0.7
PPP	2.2	2.1	2.9	3.2	3.1	3.2
Provision	0.1	0.2	0.2	0.2	0.3	0.3
PBT	2.1	1.9	2.6	3.0	2.9	2.9
Tax	0.6	0.7	1.0	1.1	1.0	1.0
RoA	**1.5**	**1.2**	**1.6**	**1.9**	**1.9**	**2.0**
Leverage	11.8	11.6	11.6	12.5	12.8	13.0
RoE (%)	**17.9**	**14.0**	**19.0**	**23.6**	**24.1**	**25.6**

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Ratings (Based on expected returns over 12 months investment period):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
		Reduce (-5% to -15%)	*Sell (< -15)*