

## Sector: Housing Finance

### BUY

Upside: 26.7%

#### Stock Data

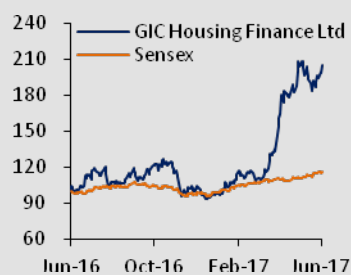
Sensex:	31,271
52 Week h/l (Rs):	592/ 250
Market cap (Rs Cr) :	3,051
BSE code:	511676
NSE code:	GICHSGFIN
FV (Rs):	10
Div yield (%):	0.89

#### Shareholding Pattern

	Sep-16	Dec-16	Mar-17
Promoters	42.1	42.2	42.2
DII+FII	16.9	16.9	16.3
Individuals	41.0	40.9	41.5

Source: www.bseindia.com

#### Share Price Trend



Prices as on 07/06/2017

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June 08, 2017

### Government push on affordable housing to drive GICHF's loan book growth

GIC Housing Finance (GICHF) will see a decent growth in its loan book led by government's focus on affordable housing. GICHF's focus on the low income group (LIG) customer segment makes it the key beneficiary of the government schemes. More than 50% of its loan book is comprised of <15 lakh ticket size loans. Given its lower ticket size customer profile, GICHF is poised to avail the opportunity of Credit Linked Subsidy Scheme (CLSS) under Pradhan Mantri Awas Yojna (PMAY). Looking at the affordable housing potential, we expect its loan book to register ~25% CAGR over FY17-19E to ~Rs14,500 cr. Moreover, increasing branch network (5-10 branches/year), expansion in its field force, government interest subsidy scheme on housing loan, falling interest rates and lower housing penetration will aid its loan book growth immensely. Its capital adequacy ratio presently stands at ~17%, which is well above the 12% minimum required level prescribed by the National Housing Bank (NHB), is quite comfortable to exploit the growth opportunity in affordable housing.

### Focus on low cost sources of funds & high yield loans to boost NIMs

GICHF intends to decrease its high cost bank borrowing (~67% of total funds). It has been proportionately increasing the share of cheaper source of funds like, commercial paper and NHB refinancing. We expect its high cost borrowing weightage in total funds to decline by ~17% to ~50% over FY17-19E. The infra status to affordable housing would also indirectly help the company to access lower cost funding, mainly from the NHB. In addition, we believe its share of high yield LAP loans of the total loans will increase by 290 bps to 19% over FY17-19E. We believe that the decline in bank borrowing and increasing share of LAP will boost its NIMs by ~21 bps to ~3.7% over FY16-19E.

### Outlook & Valuation

Strong potential in loan book growth, improving LAP share in total loans and inclination towards lower cost of funds will improve its NII. We forecast net profit CAGR of ~32% over FY17-FY19E to ~Rs 258 cr. Given these positives, we value the stock at 2.7x on FY19E P/BV. We have a BUY rating on the stock with the target price of Rs 714 over next 12 months.

### Financial Summary

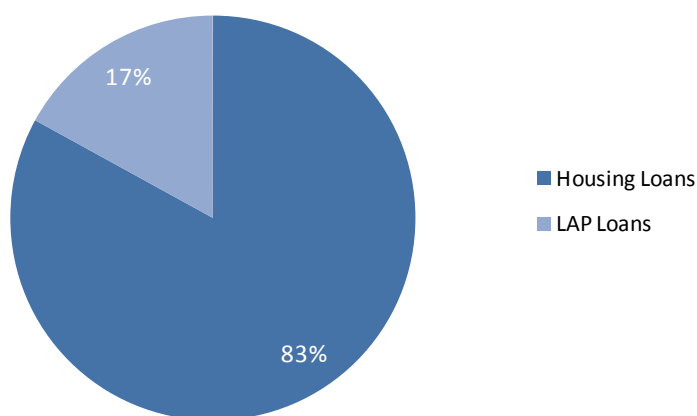
Rs Cr.	FY15	FY16	FY17	FY18E	FY19E
Net interest income	207	257	332	440	537
Total net operating income	224	276	348	457	557
Pre-provision profit	166	207	241	329	412
Net profit	103	125	148	204	258
EPS Growth (%)	6	21	19	38	26
P/E (x)	29.5	24.4	20.6	14.9	11.8
P/BVPS (x)	4.6	4.1	3.6	3.0	2.1
ROA (%)	1.8	1.8	1.7	2.0	1.8
ROE (%)	15.6	17.0	17.6	20.3	18.1

Source: Company, IIFL Research

## Snapshot of the company

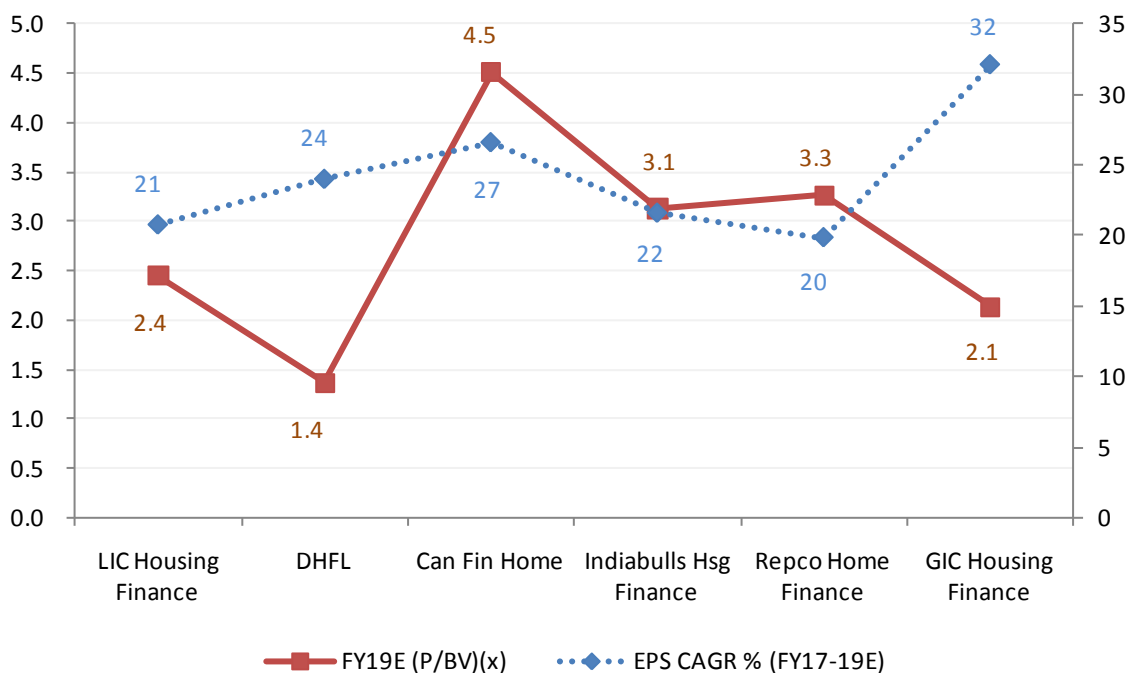
GIC housing Finance Limited (GICHFL) is one of the leading housing finance companies in India with a loan book of ~Rs9,200 cr by FY17 end. The Housing Loan & LAP contributes ~83% & ~17% respectively to the company's loan book. It has a very strong presence in the Western region with ~45% of the total branches in Mumbai & Suburban regions, while rest ~55% of the branches are situated in the South, North and the East regions. GIC's customer profile comprises low-risk loans, where the Salaried class constitutes ~77% of the total loans and Self Employed & Non Professionals contribute ~23% of the loans. The company primarily caters to the Lower Middle Income (LMI) group, with an average ticket size of ~Rs15 lakh in Housing Loan and ~Rs12 lakh in the Loan Against Property (LAP) category. Its loan book grew by ~20% over FY12-FY17. Its GNPA ratio as of March FY17 stands at ~2.33% while it has nil Net NPA, as it provides for 100% provisioning against GNPA.

## FY17 Loan Book Share



Source: Company, IIFL Research

## Housing Finance companies comparison on EPS CAGR % & P/BV(x)



Source: Company, IIFL Research

Based on FY19E P/BV(x) and FY17-19E earnings CAGR, GICHF is attractively placed, which comforts our view.

## Fundamental Recommendation

Date	Stock Name	Buy/Sell	Reco Price	Target Price	CMP / Exit Price	P & L %	Status
30-May-17	Greaves Cotton	Buy	151	193	157	3.84	Open
26-May-17	Rallis India	Buy	237	287	248	4.60	Open
22-May-17	Canara Bank	Buy	368	497	363	(1.44)	Open
17-May-17	JBF Industries	Buy	274	382	288	5.18	Open
9-May-17	Amara Raja	Buy	880	1086	874	(0.65)	Open
8-May-17	Essel Propack	Buy	259	320	271	4.73	Open
4-May-17	Crompton Greaves	Buy	216	262	235	8.96	Open
20-Apr-17	Fiem Industries	Buy	1010	1298	873	(13.53)	Open
12-Apr-17	PNC Infratech	Buy	131	173	146	11.15	Open
24-Mar-17	Bajaj Electricals	Buy	315	378	378	20.00	<b>Closed</b>
7-Mar-17	AIA Engineering	Buy	1460	1712	1404	(3.84)	Open
16-Feb-17	Balkrishna Industries	Buy	1161	1378	1378	18.69	<b>Closed</b>
10-Jan-17	Tata Power	Buy	76	90	90	17.96	<b>Closed</b>

**Recommendation Parameters for Fundamental Reports:**

- Buy – Absolute return of over +10%
- Accumulate – Absolute return between 0% to +10%
- Reduce – Absolute return between 0% to -10%
- Sell – Absolute return below -10%

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