



Farsight

MORNING FARSIGHT

Thursday, June 14, 2018

GIC HOUSING FINANCE

CMP:RS 393

TRGT:RS 450

TIME HORIZON: 1 YEAR

GIC Housing Finance, promoted by GIC and its erstwhile subsidiaries, is looking a good buy, post good Q4FY18 earnings ,wherein company has not only shown strong loan growth, but also has witnessed dramatic improvement in asset quality, after previous 2 quarters of disappointments on this front . For Q4FY18, company's PAT is placed at Rs. 60 cr against Rs. 42 cr QoQ and Rs. 47 cr YoY, a growth of 43% QoQ and 28% YoY, led by 35% YoY growth in Disbursements, at Rs. 987 cr. For whole year, Disbursement grew at 31% YoY to Rs. 3,621 cr against Rs. 2,761 cr. Company has reported 21% growth in loan & advances primarily aided by 22% growth in retail housing loans. Company consciously decided to prune the LAP growth, hence LAP growth came down to 14%YoY and it constitutes 14% of loan book, against 16%in Q4FY17. GIC has reported a significant improvement in asset quality. Gross NPA reduced from 3.2% in Q3FY18 to 2.4% and in absolute term GNPA reduced from Rs. 342 cr in Q3FY18 to Rs. 270 cr in Q4FY18, net NPA reduced from 1% in Q3FY18 to 0.21% in Q4FY18 and PCR also improved from 69% to 91%. Top managements are chasing for recovery & up-gradation and hence they have set up monthly and bio-monthly recovery & up-gradation target As a consequence of this, asset quality improved substantially and targeting further improvement in the next 2-3 quarters. Stock is trading at PE of 9.3x on an estimated EPS of Rs. 42 for FY19 and PBV of 1.7x on an estimated BV of Rs. 225 for FY19 (current BV is at Rs. 183),which have ample potential of re-rating account of a) accelerating loans growth, marginally higher than industry average and also de-risking the loans portfolio through reducing LAP proportion; b) significant improvement in asset quality will lead to lower credit cost c) available at very attractive level as compared to its peers. RBI raising home loan limits for Urban city at Rs.35 lakhs and Rs. 25 lakhs for other places, will see credit growth going forward, with NIM expansion as well. Share ruling at Rs. 393 can move to Rs. 450 in the next 1 year. Buy as an investor

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.