

RESULT PREVIEW (4Q FY18E)

NBFC

06-Apr-18

Company	Reco	Target
BAJFINANCE	HOLD	2018
CANFINHOME	NEUTRAL	483
CHOLAFIN	HOLD	1557
DHFL	BUY	658
IBULHSGFIN	ACCUMULATE	1529
LICHSGFIN	NEUTRAL	513
SATIN	HOLD	460
SRTRANSFIN	HOLD	1660

Growth accelerates but margin under pressure.

The 4Q FY18e results season will kick in middle of the month for NBFCs. The spike in bond yield by more than 100 bps in last 6 months will result in margin pressure for most of the NBFCs in 4Q FY18 especially for (HFC) Housing Finance Companies. Further continued pressure on loan pricing due to competition from banks will add more pressure on margins for HFCs. On the other hand Vehicle Finance NBFC should report robust loan growth on the back of strong CV sales during the quarter.

Key parameters to watch-

- NIM-** We expect NIM pressure for majority of NBFC especially all HFCs given the increase in 10 year G-Sec bond yield by more than 100 bps in last two quarters. Further most of the Banks have also increased their MCLR which will lead the cost of fund to rise for NBFCs. On the other hand most of the companies are also facing pressure on loan pricing due to intensive competition from banks. However we expect companies like CHOLAFIN, BAJFINANCE and SATIN will have minimal impact on margin while companies like LICHSGFIN and CANFIN HOME will have major impact.
- Loan Growth-** Due to lower base in 4Q FY17 for NBFCs, AUM growth is expected to remain robust for most of the companies. Pick up in loan growth for housing finance companies will be key watchable after slow down in real estate activity impacted by demonetization and RERA. However companies focused to affordable housing like DHFL will see good growth in its AUM. Further there have been strong auto sales in the country. Commercial vehicle sales has seen healthy pick up due to increased infrastructure activity, good demand from logistic companies, replacement demand and stricter overloading norm. We expect CHOLAFIN to be one of the key beneficiaries on this front and rising demand of used commercial vehicle will boost SRTRANSFIN loan growth going forward. AUM growth from Bajaj Finance and SATIN is also expected to remain robust.
- Assets Quality-** Assets quality of HFCs is expected to remain under control. SRTRANSFIN GNPA is expected to rise by around 2% as company will shift to 90 days recognition policy. Hence credit cost will be elevated. Improvement in assets quality for CHOLAFIN will be key positive. Credit cost for most of the companies will be under control other than micro finance lender SATIN which can post elevated provisions during the quarter. Recovery of GNPA for SATIN will be key watchable. Further management commentary on impact to collection in Rajasthan after loan waiver announcement will be important.

Sector View

We continue to prefer growth companies with minimal impact on NIM from our NBFC horizon list. Growth would remain favorable for vehicle finance companies. We like CHOLAFIN and BAJFINANCE. We also prefer SRTRANSFIN and SATIN although 4Q FY18 profitability seems to be under pressure for both the stock but growth would be robust going ahead.

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RESULT PREVIEW (4Q FY18E)

CMP	1914
Target Price	2018
Upside	5%
Reco	HOLD
52wk Range H/L	1989/1152
Mkt Cap (Rs Cr)	110627

	(Rs in Crore)					
BAJFINANCE	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	2271	1689	34%	2372	-4%	
PPP	1234	979	26%	1423	-13%	
PAT	617	449	37%	767	-20%	
AUM	81262	60194	35%	77970	4%	

Key Highlights

We expect consumer durable loans to remain healthy. Assets quality is expected to remain stable hence credit cost will be under control. NIM will see marginal pressure. Pick up in two wheeler loans, customer acquisition and expansion in point of presence trend will be key watchable. Management commentary on opex will be important.

CMP	439
Target Price	483
Upside	10%
Reco	NEUTRAL
52wk Range H/L	666/403
Mkt Cap (Rs Cr)	5848

	(Rs in Crore)					
CANFINHOME	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	148	135	10%	144	2%	
PPP	125	111	12%	124	1%	
PAT	77	71	9%	80	-3%	
AUM	15976	13313	20%	15058	6%	

Key Highlights

Pick up in loan growth will be crucial for the company. NIM is expected to be under pressure. Management commentary on RERA impact will be important. Assets quality will be key watchable and future growth guidance will be also important.

CMP	1524
Target Price	1557
Upside	2%
Reco	HOLD
52wk Range H/L	1548/970
Mkt Cap (Rs Cr)	23834

	(Rs in Crore)					
CHOLAFIN	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	839	666	26%	793	6%	
PPP	495	390	27%	469	5%	
PAT	272	220	24%	249	9%	
AUM	40488	34167	19%	39074	4%	

Key Highlights

Due to strong commercial vehicle sales in the country, we expect AUM to remain healthy. Due to increase in used CV portfolio mix, NIM is expected to remain stable despite increase in cost of fund during the quarter. Assets quality trend will be key watchable.

CMP	540
Target Price	658
Upside	22%
Reco	BUY
52wk Range H/L	677/373
Mkt Cap (Rs Cr)	16939

	(Rs in Crore)					
DHFL	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	808	630	28%	740	9%	
PPP	613	459	34%	562	9%	
PAT	333	248	34%	306	9%	
AUM	106121	83560	27%	101286	5%	

Key Highlights

Focus on affordable housing will keep AUM growth healthy. Margin is expected to remain stable. Management commentary on prepayment rate and competition will be important. Trend in cost to income ratio and future guidance will be key watchable.

RESULT PREVIEW (4Q FY18E)

CMP	1337
Target Price	1529
Upside	14%
Reco	ACCUMULATE
52wk Range H/L	1439/921
Mkt Cap (Rs Cr)	57066

	(Rs in Crore)					
IBULHSGFIN	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	1893	1486	27%	2153	-12%	
PPP	1634	1276	28%	1887	-13%	
PAT	1031	841	23%	1168	-12%	
AUM	118690	91300	30%	107328	11%	

Key Highlights

Due to recent credit rating upgrade, margin is expected to remain stable. AUM growth will be healthy; however disbursement growth and future guidance will be important. Assets quality and credit cost will be under key watch.

CMP	563
Target Price	513
Upside	-9%
Reco	NEUTRAL
52wk Range H/L	794/477
Mkt Cap (Rs Cr)	28425

	(Rs in Crore)					
LICHSGFIN	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	1041	1092	-5%	953	9%	
PPP	871	895	-3%	805	8%	
PAT	515	529	-3%	491	5%	
AUM	166214	144534	15%	156176	6%	

Key Highlights

Loan growth will remain moderate. Margin is expected to remain under pressure with intensifying competition. Assets quality trend and prepayment will be key watchable. Assets quality in developer segment has worsened in last quarter. Credit cost is expected to be elevated during the quarter.

CMP	416
Target Price	460
Upside	11%
Reco	HOLD
52wk Range H/L	525/243
Mkt Cap (Rs Cr)	1983

	(Rs in Crore)					
SATIN	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	145	55	164%	139	4%	
PPP	60	-22	370%	56	7%	
PAT	-19	-43	55%	22	-190%	
AUM	5287	4067	30%	4882	8%	

Key Highlights

Recovery in NPA account will be key watchable. Management commentary on collection trend in loan waiver announcement state Rajasthan will be very important. SATIN is expected to post loss due to clean up of balance sheet. However we remain positive on future growth outlook.

CMP	1537
Target Price	1660
Upside	8%
Reco	HOLD
52wk Range H/L	1546/897
Mkt Cap (Rs Cr)	34875

	(Rs in Crore)					
SRTRANSFIN	4Q FY18e	4Q FY17	YoY Gr %	3Q FY18	QoQ Gr %	
Total Net Income	1814	1433	27%	1731	5%	
PPP	1429	1142	25%	1349	6%	
PAT	355	150	137%	496	-28%	
AUM	92938	78761	18%	90019	3%	

Key Highlights

Backed by increased infrastructure activity, demand of used commercial vehicle is expected to remain robust. SRTRANSFIN being the largest old vehicle financier will be key beneficiary from expected healthy growth in CV industry. PAT will remain under pressure due to elevated credit cost impacted by shift to 90 days NPA recognition norm. Quantum of increase in GNPA will be key watchable.

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Peers Comparison

	EPS Growth %		RoE %		RoA %		P/B (x)		P/E (x)	
	FY18e	FY19e	FY18e	FY19e	FY18e	FY19e	FY18e	FY19e	FY18e	FY19e
BAJFINANCE	31	37	20	20	4.0	4.1	6.9	5.8	43.4	31.8
CANFINHOME	31	11	26	23	2.1	1.9	4.4	3.6	19.0	17.1
CHOLAFIN	33	20	20	20	2.8	2.8	4.7	3.9	24.9	20.8
DHFL	(59)	20	14	15	1.2	1.2	1.9	1.7	14.2	11.8
IBULHSGFIN	32	25	30	32	3.3	3.3	4.1	3.4	14.7	11.7
LICHSGFIN	2	(9)	17	14	1.2	1.0	2.3	2.1	14.5	15.8
SATIN	(311)	292	(8)	12	(8.1)	11.9	2.0	1.7	(29.8)	15.5
SRTRANSFIN	41	38	15	17	2.2	2.6	2.6	2.3	19.6	14.2



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