



Report Date	4 th March 2010	
Company Name	GIC Housing Fin. Ltd.	
Price / Recommendation	CMP 86.5	Hold (Result Update)

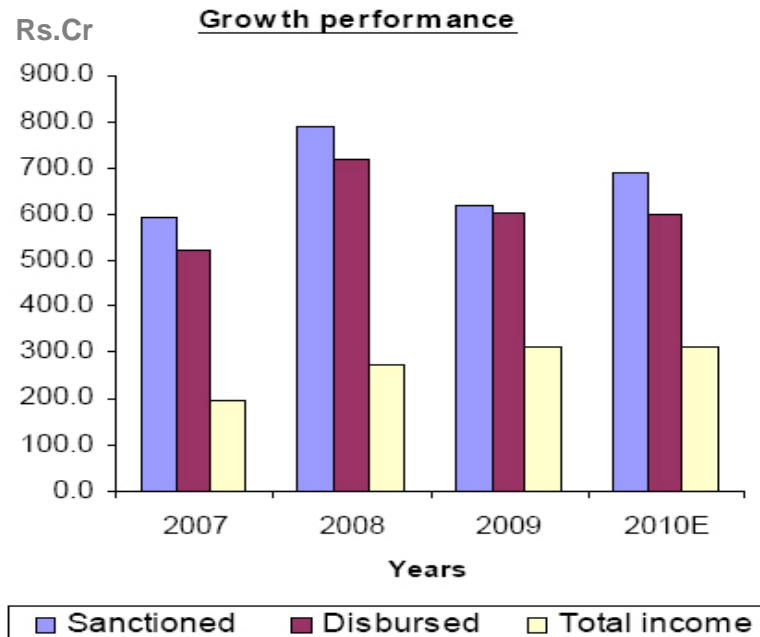
QUARTERLY (Rs Cr.)	Q3FY09	Q3FY10	%y-o-y	Q2 FY10	%q-o-q	9MFY10	FY09	FY10E
Gross sales	79.38	73.74	-7.1%	72.52	1.7%	220.15	310.72	298.1
Total income	79.7	77.36	-2.9%	76.64	0.9%	231.85	312.49	312.54
Total Exp*	9.08	10.64	17.2%	5.57	91.0%	20.62	22.47	28.62
Interest Paid	56.91	45.68	-19.7%	47.7	-4.2%	143.45	211.51	189.59
PBDT	13.71	21.04	53.5%	23.37	-10.0%	67.78	78.51	94.34
Depreciation	0.15	0.17	13.3%	0.15	13.3%	0.45	0.58	0.62
Net Profit	10.04	15.5	54.4%	17.13	-9.5%	49.51	57.14	65.63
Equity (F.V 10)	53.85	53.85	0.0%	53.85	0.0%	53.85	53.85	53.85
Int. Earned	79.38	73.74	-7.1%	72.52	1.7%	220.15	310.72	298.1
Int. Paid	56.91	45.68	-19.7%	47.7	-4.2%	143.45	211.51	189.59
Net Int. Earned	22.47	28.06	24.9%	24.82	13.1%	76.7	99.21	108.52
EPS(Rs)	1.86	2.88	54.8%	3.18	-9.4%	9.19	10.61	12.18
CMP (Rs)	86.55	86.55		86.55		86.55	86.55	86.55
P/E(x)							8.2	7.1

GIC Housing Finance Limited (GICHF) has come out with Q3FY10 results in line with other housing finance companies showing improved profit although there is a decline in sales y-o-y. GICHF's net profit grew by 55% y-o-y with reduced interest expenses of 20% y-o-y. The Net Interest Income increased by 25% y-o-y and 13% q-o-q to Rs 28.06 cr on account of easier interest rate policy prevail in the economy during this period. Higher provision of 7.46 cr in Q3FY10 resulted lower profit this quarter. GICHF has increased its provisions considerably to 7.46 cr in Q3 compared to 1.79 cr in Q2 and 0.47 cr in Q1 of FY10 believed to be improve the balance sheet position whose picture would only clear in the year end results.

Investment rationale:

- Continuous growth in total income with increase in sanctioned and disbursals proves GICHF's sustainability in the industry.

Rs in crore	2007	2008	2009	2010E
Sanctioned	594.4	788.3	619.9	687.6
Disbursed	521.5	718.4	601.1	599.7
Total Income	197.2	274.8	312.5	312.5



*global financial crisis & low credit growth affects the entire industry 2009-10.

- High CAR of 17.7% as against the minimum requirement of 12% improves its potential to raise risk assets.
- GICHF has been able to make a remarkable improvement in asset quality by reducing its NNPA from 2.97% in FY06 to 1.46% in FY09.
- In a changed strategy the company is focusing in the retail sector to maximize returns and minimizing risks. Borrowings to retail sector command higher interest spread and Lower default rates as compared to corporate sector. Realizing this fact GICHF is concentrating to spread its business in Tire II cities giving more thrust to retail segment.
- Strong parent company back up improves the reliability.
- GICHF has a track record of paying dividend continuously since its inception of business.

Strength of Industry : Future outlook for housing finance sector is quite promising

- Rising disposable income with improved affordability
- Favorable demographics: 60% of Indian population is below 30 years of age.
- Tax incentive reduces the effective rate makes housing loan affordable for average family.
- Housing shortages (total 24.7 mn units as per National Building Organization's recent data), increasing urbanization led to increase the potential of housing finance sector.
- 100%FDI through automatic route in construction and development of mega housing projects is another encouraging factor to drive growth in this sector.
- The share of housing mortgages in India is just at 7% of GDP as compared to above 12% of GDP in case of China, reflecting a huge scope for growth of housing finance sector in India.
- House is considered as the best and secured investment caters growth to this industry.
- Indian mortgage market which was least impacted by sub prime cases improves credibility of this sector among housing finance investors.

Result Highlights

- GICHF is exposed to sectoral risk. If reality sector slows down, it will adversely impact housing finance companies.
- Banks have emerged as direct competitors to housing finance companies.

- Government is on the verge of exiting stimulus which would result hardening of interest rate affecting housing finance demand. Hardening of interest rate would result higher interest expenses affecting housing finance companies bottom line also.
- Rise in land and real estate prices, may impact the demand of housing finance badly.
- Every time incremental cost cannot be passed on to the present and prospective customers which can reduce the interest rate spread of the company and leads to reduce the margins

Recommendation

There is a growth in the core business such as sanctioned and disbursal in tandem with other housing finance companies. Its margins have improved and are expected to improve further with the normalization of credit off take in the industry. Going forward at CMP Rs 86.5 the stock is trading at forward earning multiple of 7.1x. Investors can continue to hold the scrip.

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