



## Dewan Housing Finance Corporation Q1 FY16 Quarterly Update

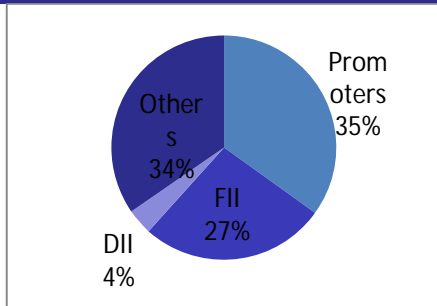
### MARKET DATA

NSE TICKER	DHFL
Networth (₹ Cr)	4,636
P/BV Ratio (FY16E) (x)	1.45
EPS (FY16E) (₹)	57
Market Price (₹)	514
P/E Ratio (FY16E) (x)	9.0
52 Week High (04/03/2015) (₹)	570
52 Week Low (17/10/2014) (₹)	307
Market Capitalisation (₹ Cr)	7,485

### AVERAGE MONTHLY VOLUME ('000)

BSE	156.8
NSE	1178.9

### SHARE HOLDING PATTERN



### RETURN

	3M	6M	12M
DHFL	15%	3%	45%
Sensex	3%	-2%	9%

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In Q1 FY16, Net interest income grew by 9% QoQ (22% YoY) led by 5% QoQ (26% YoY) growth in loan book and improvement in NIMs. Overall, PAT grew by 7% QoQ (18% YoY) supported by lower provisions, down 9% QoQ (up 28% YoY).

#### ■ Strong AUM growth; however disbursement declined

Strong AUM growth continues in Q1 FY16 with 28% YoY (5% QoQ) growth as compared to 27% YoY growth in FY15. Loan book grew by 5% QoQ (26% YoY) to ₹53,796 cr and securitized portfolio (off balance sheet) grew by 6% QoQ to ₹6,206 cr. In line with industry trend of high growth in LAP, DHFL's LAP portfolio grew by 5% QoQ (40% YoY) and thus forms 18% of loan portfolio as against 16% YoY (flat QoQ). Sanctions de-grew by 16% QoQ (up 33% YoY) and disbursement de-grew by 22% QoQ (up 14% YoY) due to seasonality impact. The average ticket size for the loan book declined to ₹11.7 lacs as against ₹12.05 lacs in FY15, and also overall loan to value (LTV) stood at 46.6% v/s 46.9% in FY15.

#### ■ NIMs improved; guidance for maintaining spreads

NIMs improved 6bps QoQ to 2.96% (highest in last 3years) led by a) 29bps QoQ decline in cost of funds to ~10%; c) Equity capital of ₹809 cr raised in Q4 FY15. Cost of funds declined due to company's effort to replace banks borrowings with capital market instruments; banks borrowings as % of total debt declined to 55% from 58% QoQ (63% YoY). Management expects to further decline banks borrowings (% of total debt) to 45% in next 2 years. Yields on the loan portfolio are declining due to competitive pressure however; management expects to maintain spreads with decline in cost of funds.

#### ■ Asset quality continues to be strong;

GNPA as % declined by 4bps QoQ (flat YoY) to 0.8% due to better risk management. Company maintained PCR above 100% thus NNPA continues to be nil. Credit cost (annualized) declined 4bps QoQ (flat YoY) to 24bps as provisions declined 9% QoQ (up 28% YoY). However, going forward risk could arise from LAP portfolio.

#### ■ DHFL Pramerica - Value creator

DHFL Pramerica, Insurance JV with Prudential Financial delivered financial strong performance with PAT of ₹40 cr in FY15. As the company invested only ₹1 for 50% stake in the Insurance JV, this is creating huge value for DHFL. In Q1FY16, Insurance business reported PAT of ₹6.7 cr up 22% YoY in Q1 FY16 and New business premium grew by 57% YoY to ₹157 cr.

#### ■ Valuation

At CMP DHFL is trading at P/B multiple of 1.45x its FY16E ABV of ₹356 and 1.25x its FY17E ABV of ₹413. We recommend a BUY rating with a target of ₹606 by March 2016 and an upside potential of 17%. Our valuation is based on FY17E P/B multiple of 1.5, arrived at using justified P/B multiple method.

### Quarterly Performance:

Particulars ₹ Cr	Q1 FY16	Q1 FY15	% YoY	Q4 FY15	%QoQ	FY15	FY14	% YoY
Interest Income	1,633	1,399	17%	1,541	6%	5,839	4,776	22%
Interest Expenses	1,234	1,071	15%	1,175	5%	4,460	3,783	18%
Net Interest Income	399	328	22%	365	9%	1,380	993	39%
Other Income	20	28	-28%	37	-46%	142	194	-27%
Total Income	419	356	18%	403	4%	1,522	1,187	28%
Operating Expenses	120	105	14%	112	7%	449	371	21%
PPOP*	299	251	19%	291	3%	1,074	816	32%
Total Provisions	32	25	28%	35	-9%	105	70	50%
PBT	261	222	17%	251	4%	943	735	28%
Taxes	80	64	26%	78	3%	274	206	33%
PAT	173	147	18%	162	7%	621	529	17%

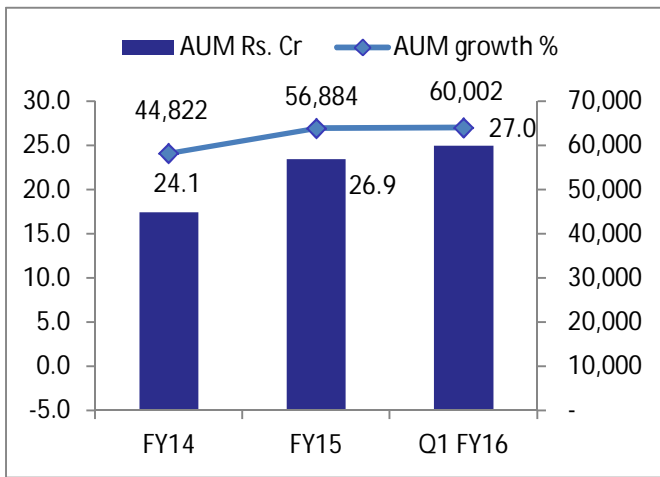
\*PPOP - Pre-Provisioning Operating profits



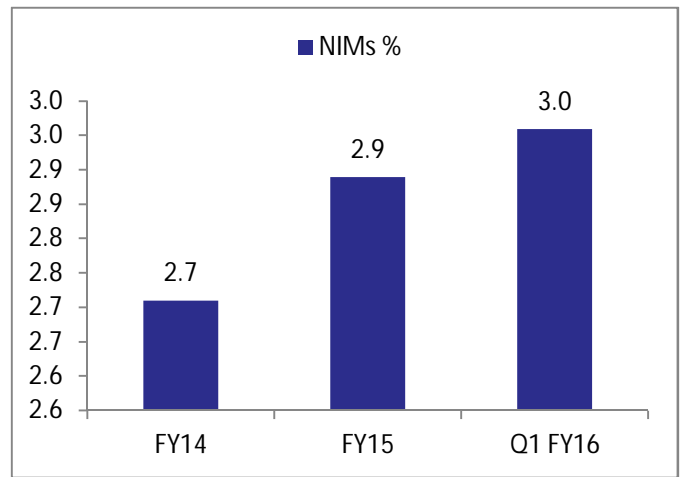
**Q1 FY16 CONFERENCE CALL HIGHLIGHTS: -**

- Salaried & Self-employed composition – 65:35
- Geographically top 7 cities reported muted growth; major growth from Tier II,III cities; Maintains growth target of 22-24%
- Government targets housing for all by 2022 have potential to develop 60 million new houses in next 8 years
- Have received SEBI approval for the Mutual Fund business
- Applied for small finance bank license

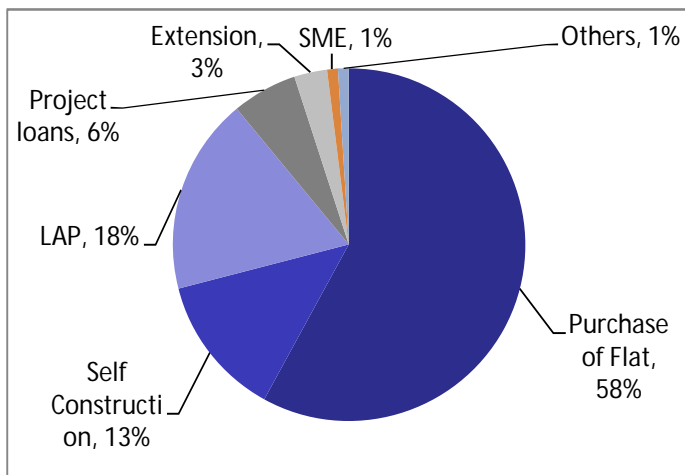
**Graphs for important parameters**



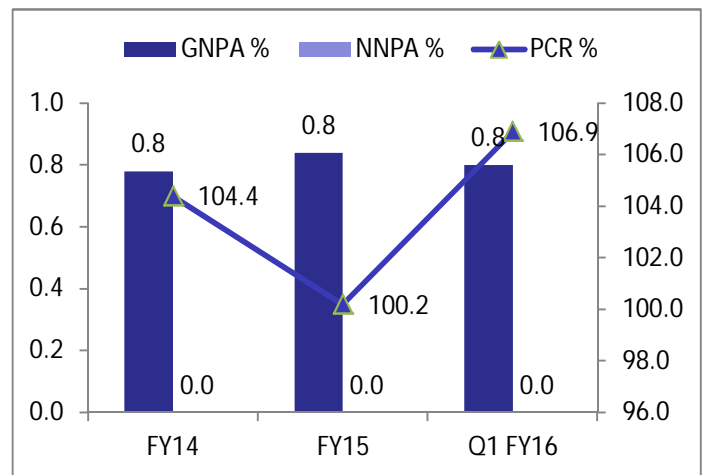
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**QUARTERLY PERFORMANCE:**

Particulars ` Cr	Jun-15	Jun-14	% YoY	Mar-15	%QoQ	FY15	FY14	% YoY
Interest Income	1,633	1,399	17%	1,541	6%	5,839	4,776	22%
Interest Expenses	1,234	1,071	15%	1,175	5%	4,460	3,783	18%
Net Interest Income	399	328	22%	365	9%	1,380	993	39%
Other Income	20	28	-28%	37	-46%	142	194	-27%
Total Income	419	356	18%	403	4%	1,522	1,187	28%
Operating Expenses	120	105	14%	112	7%	449	371	21%
Employee	55	45	23%	55	0%	196	176	11%
Others	65	60	8%	57	14%	252	195	29%
Operating Profits before provisions	299	251	19%	291	3%	1,074	816	32%
Total Provisions	32	25	28%	35	-9%	105	70	50%
PBT	261	222	17%	251	4%	943	735	28%
Taxes	80	64	26%	78	3%	274	206	33%
PAT	173	147	18%	162	7%	621	529	17%
EPS	12	11	4%	11	7%	43	41	4%
<b>Asset Quality</b>								
GNPA	430	338	27%	429	0%	429	325	32%
GNPA %	0.80	0.79	1	0.84	-4	0.84	0.80	4
PCR %	106.9	104.59	231	100.2	670	100.2	104.4	-420
Credit Cost %	0.24	0.23	0	0.27	-4	0.21	0.17	3
<b>Ratios %</b>								
Cost to Income ratio	28.62	29.55	-93	27.74	88	29.47	31.26	-180
Tax Rate	30.78	28.60	217	31.13	-35	29.11	28.04	107
RoA	1.62	1.69	-7	1.6	2	1.65	1.7	-5
RoE	18.18	18.77	-59	17.9	28	17.9	17.6	30
CAR (Basel III)	15.78	16.51	-73	16.47	-69	16.47	17.2	-73
Tier I	12.0	0	1200	12.46	-46	12.46	11.9	56
Opex to Loan book	0.89	0.98	-9	0.88	2	0.88	0.91	-4
Quarterly NIMs	2.96	2.78	18	2.9	6	2.89	2.7	19
<b>Balance sheet</b>								
BV Rs.	318	278	14%	318	0%	318	278	14%
Capital	146	128	13%	146	0%	146	128	13%
Net Worth	4,636	3,575	30%	4,636	0%	4,636	3,575	30%
FV	10	10		10		10	10	
Loan Disbursement	4,938	4,349	14%	6,291	-22%	19,822	16,648	19%
Loan Sanctioned	7,858	5,913	33%	9,387	-16%	28,497	22,378	27%
Loan Outstanding	53,796	42,790	26%	51,040	5%	51,040	40,597	26%
AUM	60,002	46,860	28%	56,884	5%	56,884	44,822	27%
Borrowings	53,014	41,970	26%	48,921	8%	48,921	39,487	24%

Source: Company, Dimensional Securities

**RoA Tree Analysis:**

Particulars	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	FY15	FY14
Interest Income	13.3%	12.5%	13.5%	12.8%	14.0%	11.9%	12.0%
Interest Expenses	10.0%	9.5%	10.3%	9.8%	10.8%	9.1%	9.5%
Net Interest Income	3.2%	3.0%	3.2%	3.0%	3.3%	2.8%	2.5%
Other Income	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%	0.5%
Total Income	3.4%	3.3%	3.6%	3.4%	3.6%	3.1%	3.0%
Operating Expenses	1.0%	0.9%	1.1%	1.0%	1.1%	0.9%	0.9%
Employee	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%
Others	0.5%	0.5%	0.6%	0.6%	0.6%	0.5%	0.5%
Operating Profits before provisions	2.4%	2.4%	2.5%	2.3%	2.5%	2.2%	2.0%
Depreciation	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%
Total Provisions	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%
PBT	2.1%	2.0%	2.2%	2.1%	2.2%	1.9%	1.8%
Taxes	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%
PAT (RoA)	1.4%	1.3%	1.4%	1.4%	1.5%	1.3%	1.3%
Average Assets/ Average Equity	12.00	12.00	12.21	12.21	11.69	12.00	11.69
RoE	16.9%	15.8%	17.6%	16.8%	17.3%	15.1%	15.5%

Source: Company, Dimensional Securities



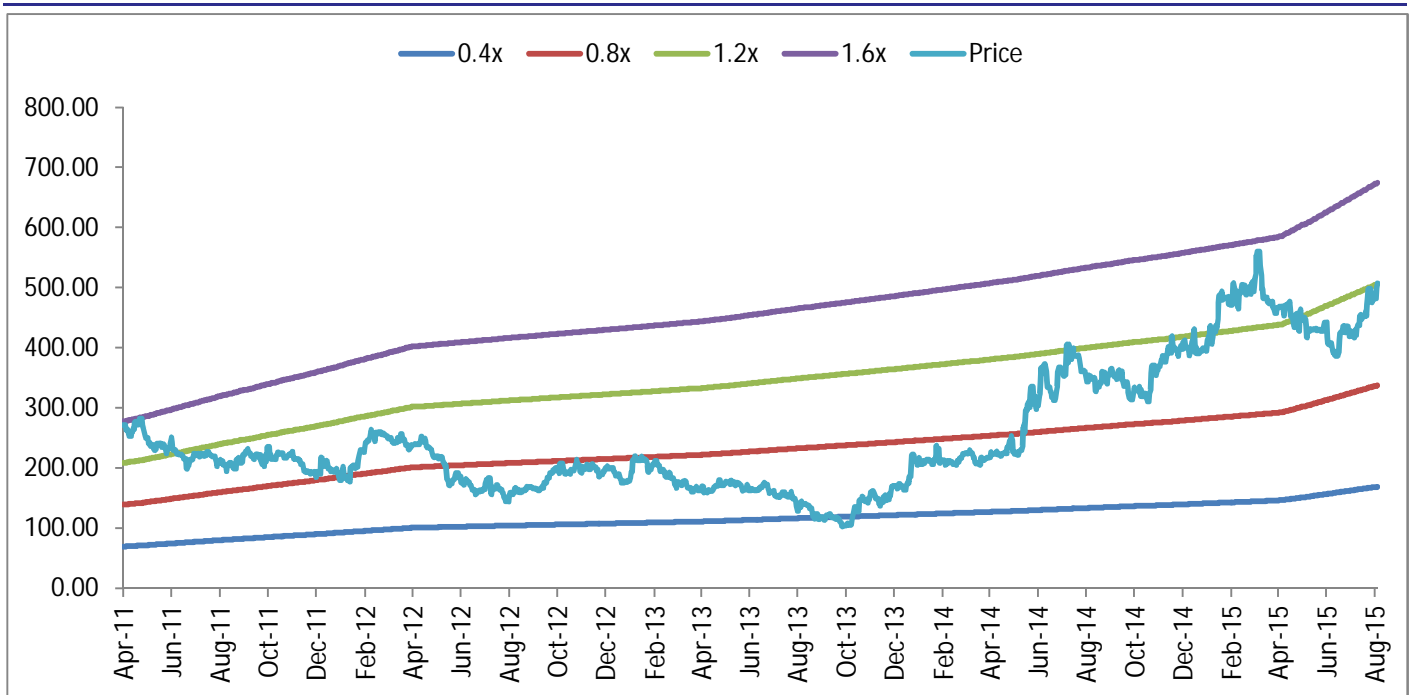
### OUTLOOK & VALUATION: -

DHFL reported better performance with a) strong AUM growth (27% YoY), b) improvement in NIMs (2.96%) and c) robust asset quality. Also with PCR above 100%, asset quality to remain healthy with stable credit cost. With governments focus on housing for all by 2022, high growth could sustain going forward.

We expect loan book to grow at 23% CAGR (FY15-17E) with RoA and RoE to improve towards 1.4% and 17% by FY17E.

At CMP DHFL is trading at P/B multiple of 1.45x its FY16E ABV of ` 356 and 1.25x its FY17E ABV of ` 413. We recommend a BUY rating with a target of ` 606 by March 2016 and an upside potential of 17%. Our valuation is based on FY17E P/B multiple of 1.5, arrived at using justified P/B multiple method.

#### P/BV (Forward)



Source: Dimensional Securities



**PROFIT & LOSS STATEMENT :**

Particulars ( ` Cr)	FY14	FY15	FY16E	FY17E
Interest Earned	4,777	5,793	6,924	8,264
Interest expended	3,783	4,460	5,323	6,320
Net Interest Income	994	1,333	1,601	1,943
Other Income	194	260	303	356
NII+ Other Inc.	1,188	1,593	1,904	2,300
Total Expenses	382	553	675	842
PPOP*	806	1,041	1,229	1,458
Provisions	70	105	94	153
PBT	736	936	1,135	1,305
Provision for Tax	206	243	295	339
PAT	530	693	841	967
EPS Rs.	41.2	47.6	57.7	66.3

\*Pre-Provisioning Operating Profit

Source: Company, Dimensional Securities

**BALANCE SHEET:**

Particulars ( ` Cr)	FY14	FY15	FY16E	FY17E
<b>EQUITY AND LIABILITIES</b>				
Share Capital	128	146	146	146
Total Reserves	3,430	4,473	5,149	5,978
Shareholder's Funds	3,575	4,636	5,311	6,141
Long-Term Borrowings	32,295	36,889	49,629	60,891
Def. Tax Assets / Liabilities	1	66	66	66
Long Term Provisions	331	430	524	677
Total Non-Current Liabilities	32,629	37,386	50,221	61,635
<b>Current Liabilities</b>				
Other Current Liabilities	5,988	8,920	8,936	10,835
Short Term Borrowings	1,595	3,637	1,793.84	2,200.87
Short Term Provisions	75	36	45	45
Total Current Liabilities	7,658	12,593	10,775	13,081
Total Liabilities	43,863	54,615	66,307	80,858
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Housing Loans	38,601	48,695	59,485	72,820
Net Block	192	188	532	828
Long Term Investment	446	611	710	1,009
Long Term Loans & Advances	50	95	95	95
Other Non-Current Assets	195	202	202	202
Total Non-Current Assets	40,279	50,586	61,282	75,211
<b>Current Assets</b>				
Currents Investments	275	396	269	269
Trade Receivables	77	192	192	192
Cash and Bank	983	676	703	469
Other Current Assets	25	43	43	43
Short Term Loans & Advances	2,222	2,722	3,818	4,674
Total Current Assets	3,583	4,029	5,025	5,647
Total Assets	43,863	54,615	66,307	80,858

Source: Company, Dimensional Securities

**RATIO ANALYSIS**

Particulars	FY14	FY15	FY16E	FY17E
<b>Operational Ratios</b>				
EPS	41	42	57	66
Adj. Book Value#	262	307	356	413
DPS	8.0	5.9	7.9	8.0
<b>Spread Analysis</b>				
Yield on Loans	12.4%	12.3%	12.0%	11.7%
Cost of Borrowings	10.6%	10.1%	9.8%	9.5%
Interest Spread	1.8%	2.2%	2.2%	2.2%
NIM	2.5%	2.8%	2.8%	2.7%
<b>Profitability Ratios</b>				
RoE	15.5%	15.1%	16.9%	16.9%
RoA	1.3%	1.3%	1.4%	1.3%
<b>Asset Quality Ratios</b>				
G.NPA %	0.8%	1.0%	0.9%	0.9%
N.NPA %	0.0%	0.1%	0.1%	0.0%
<b>Efficiency Ratios</b>				
Int. Exp./Int. Earned	80%	77%	77%	76%
Op. Exp./Net Inc.	32%	31%	35%	37%
Debt / Equity	10.8	10.4	11.1	11.9
<b>Valuation Ratios</b>				
P/E (x)	8.2	11.1	9.0	7.9
P/ABV# (x)	1.28	1.52	1.45	1.25
Dividend Yield	2.4%	1.3%	1.5%	1.6%

# Adjusted for capital reserves.

Source: Company, Dimensional Securities



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