



Dewan Housing Finance Corporation Q2 FY16 Quarterly Update

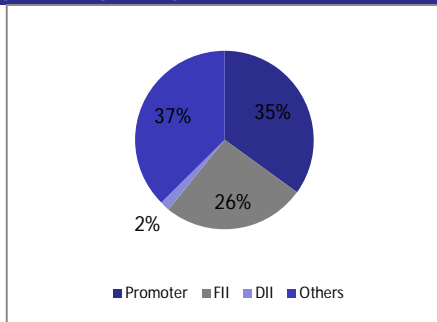
MARKET DATA

NSE TICKER	DHFL
Networth (₹ Cr)	4,888
P/BV Ratio (FY16E) (x)	1.26
EPS (FY16E)(Rs.)	28
Market Price (Rs.)	225
P/E Ratio (FY16E) (x)	4.7
52 Week High (04/03/2015)(Rs.)	285
52 Week Low (30/10/2014)(Rs.)	180
Market Capitalisation (rs. Cr)	6,408

AVERAGE MONTHLY VOLUME ('000)

BSE	150.5
NSE	1,080.8

SHARE HOLDING PATTERN



RETURN

	3M	6M	12M
DHFL	4.3%	8.9%	42.9%
Sensex	3.2%	1.4%	2.7%

Vishal Rampuria
(Director, Research)

vishal.rampuria@dimensional.in

+91-22-66545256

In Q2 FY16, DHFL reported NII growth of 2% QoQ (22% YoY) led by 5% QoQ (26% YoY) growth in loan book and improvement in NIM. Overall, PAT grew by 10% QoQ (25% YoY) supported by lower other operating expenses, down 7% QoQ (9% YoY).

Strong AUM growth; however disbursement declined

Strong AUM growth continues in Q2 FY16 with 27% YoY (5% QoQ) growth same as in FY15. Loan book grew marginally by 2% QoQ (18% YoY) to ₹56,312 cr and securitized portfolio (off balance sheet) grew by 5% QoQ to ₹6,525 cr. Sanctions de-grew by 2% QoQ (up 25% YoY) along with disbursement which grew by 2% QoQ (18% YoY). The average ticket size for the loan book declined to ₹11.8 lacs from ₹12.05 lacs in FY15, and also overall loan to value (LTV) stood at 46.5% v/s 46.9% in FY15.

NIMs improved; guidance for maintaining spreads

NIMs declined by 10bps QoQ to 2.86% as interest expenses grew at 10% as against interest income which grew by 8% and share of non-housing loans fell sequentially from 42% to 41%. Cost of funds remained steady at 9.90% due to company's effort to replace banks borrowings with capital market instruments; banks borrowings as % of total debt declined to 54% from 55% QoQ (63% YoY). Management expects to further decline in 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 % of total loans remained steady at 0.8% flat QoQ (flat YoY) due to better risk management. Company maintained PCR above 100% thus NNPA continues to be nil. Credit cost (annualized) increased 8bps QoQ (14bps YoY) to 32bps as company decided to make accelerated provisions. High yielding LAP and developer loan book remain stable at 22-23%. Stress in this segment remain key monitorable.

Insurance Venture - Value creator for DHFL

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. Other ventures Avanse Education and MF business also offers value potential for the company.

Outlook & Valuation

At CMP, DHFL is trading at P/B multiple of 1.26x FY16E and 1.09x its FY17E. We maintain BUY rating with a target of ₹303 by March '16; upside potential of 35%. Our valuation is based on FY17E P/B multiple of 1.5x, arrived at using justified P/B multiple method on FY18 BV. The stock has potential for significant rerating on increasing scale, diversification of borrowing mix and value creation through other business ventures.

Quarterly Performance:

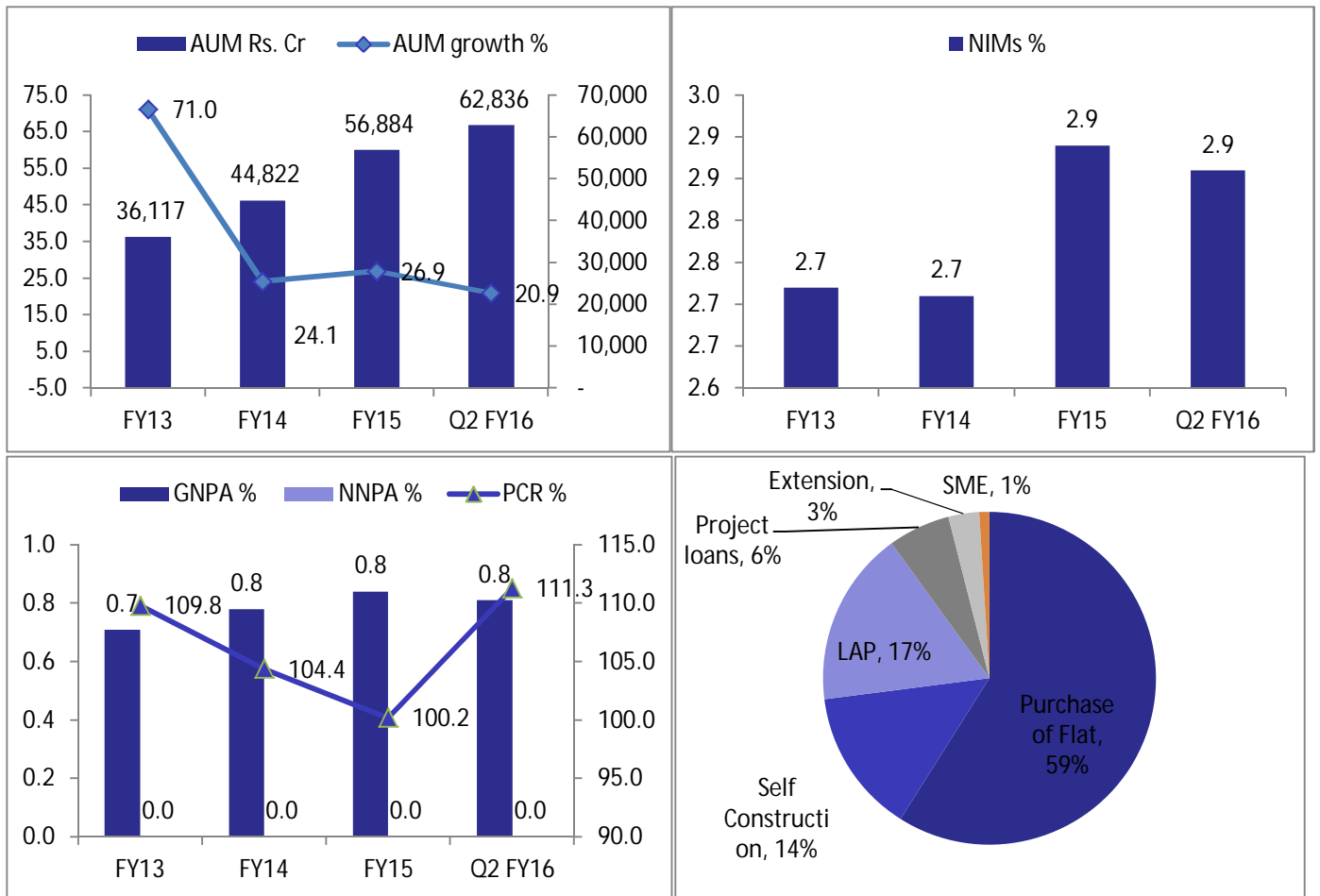
Particulars ₹ Cr	Q2 FY16	Q2 FY15	% YoY	Q1 FY15	%QoQ	FY15	FY14	% YoY
Interest Income	1,764	1,412	25%	1,633	8%	5,839	4,776	22%
Interest Expenses	1,357	1,080	26%	1,234	10%	4,460	3,783	18%
Net Interest Income	407	332	22%	399	2%	1,380	993	39%
Other Income	48	39	23%	20	137%	142	194	-27%
Total Income	454	371	23%	419	8%	1,522	1,187	28%
Operating Expenses	115	114	2%	120	-4%	449	371	21%
PPOP*	339	257	32%	299	13%	1,074	816	32%
Total Provisions	45	20	125%	32	41%	105	70	50%
PBT	287	228	26%	261	10%	943	735	28%
Taxes	97	76	28%	88	10%	274	206	33%
PAT	190	152	25%	173	10%	621	529	17%



Q2 FY16 CONFERENCE CALL HIGHLIGHTS : -

- Targeting loan book of ` 1 lac crs by FY18; Average ticket size ` 12 lacs
- Heavy investments in technology to combat competition
- To focus on extended value added services like life insurance, mutual fund, education loan
- Credit rating upgraded to "CARE AAA" by CARE and "BWR AAA" by Brickworks
- Launched "Ghar Jaisa Loan" campaign in October 2015 to boost advances in festive seasons cam

Graphs for important parameters





QUARTERLY PERFORMANCE:

Particulars ` Cr	Sep-15	Sep-14	% YoY	Jun-15	%QoQ	FY15	FY14	% YoY
Interest Income	1,764	1,412	25%	1,633	8%	5,839	4,776	22%
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Other Income	48	39	23%	20	137%	142	194	-27%
Total Income	454	371	23%	419	8%	1,522	1,187	28%
Operating Expenses	115	114	2%	120	-4%	449	371	21%
Employee	55	47	16%	55	0%	196	176	11%
Others	60	66	-9%	65	-7%	252	195	29%
Operating Profits before provisions	339	257	32%	299	13%	1,074	816	32%
Exceptional Items	-	-		-		-	-	
Total Provisions	45	20	125%	32	41%	105	70	50%
PBT	287	228	26%	261	10%	943	735	28%
Taxes	97	76	28%	88	10%	274	206	33%
PAT	190	152	25%	173	10%	621	529	17%
Asset Quality								
GNPA ` Cr	456	362	26%	430	6%	429	325	32%
GNPA %	0.81	0.81	0	0.8	1	0.84	0.80	4
NNPA %	0	0	0	0	0	0	0	0
PCR % Reported	111.3	107.4	390	106.9	440	100.2	104.4	-420
Credit Cost %	0.32	0.18	14	0.24	8	0.21	0.17	3
Ratios %								
Cost to Income ratio	25.37	30.63	-526	28.62	-325	29.47	31.26	-180
Tax Rate	33.78	33.33	44	33.68	10	29.11	28.04	107
RoA %	1.6	1.6	0	1.62	-2	1.65	1.7	-5
RoE % *	18.68	18.68	0	18.18	50	17.9	17.6	30
CAR (Basel III) %	15.27	15.27	0	15.78	-51	16.47	17.2	-73
Tier I %	11.63	11.63	0	12	-37	12.46	11.9	56
Quarterly NIMs *	2.86	2.76	10	2.96	-10	2.89	2.7	19
BV-Calculated	84	147	-43%	159	-47%	318	278	14%
Adjusted Networth	4,888	3,789	29%	4,636	5%	4,636	3,575	30%
Adj. BV	84	147	-43%	159	-47%	318	278	14%
Balance sheet								
Capital	292	129	127%	146	100%	146	128	13%
Net Worth	4,888	3,789	29%	4,636	5%	4,636	3,575	30%
FV	5	5		5		10	10	
Loan Disbursement	5,014	4,258	18%	4,938	2%	19,822	16,648	19%
Loan Sanctioned	7,668	6,126	25%	7,858	-2%	28,497	22,378	27%
Loan Outstanding	56,312	44,742	26%	53,796	5%	51,040	40,597	26%
AUM	62,837	49,358	27%	60,002	5%	56,884	44,822	27%
Borrowings	56,483	43,795	29%	53,014	7%	48,921	39,487	24%

Source: Company, Dimensional Securities

**RoA Tree Analysis:**

Particulars	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	FY15	FY14
Interest Income	12.7%	13.3%	12.5%	13.5%	12.8%	11.9%	12.0%
Interest Expenses	9.7%	10.0%	9.5%	10.3%	9.8%	9.1%	9.5%
Net Interest Income	2.9%	3.2%	3.0%	3.2%	3.0%	2.8%	2.5%
Other Income	0.3%	0.2%	0.3%	0.3%	0.4%	0.3%	0.5%
Total Income	3.3%	3.4%	3.3%	3.6%	3.4%	3.1%	3.0%
Operating Expenses	0.8%	1.0%	0.9%	1.1%	1.0%	0.9%	0.9%
Employee	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Others	0.4%	0.5%	0.5%	0.6%	0.6%	0.5%	0.5%
Operating Profits before provisions	2.4%	2.4%	2.4%	2.5%	2.3%	2.2%	2.0%
Depreciation	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%
Total Provisions	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
PBT	2.1%	2.1%	2.0%	2.2%	2.1%	1.9%	1.8%
Taxes	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%
PAT (RoA)	1.4%	1.4%	1.3%	1.4%	1.4%	1.3%	1.3%
Average Assets/ Average Equity	12.9	12.00	12.00	12.21	12.21	12.00	11.69
RoE	17.5%	16.9%	29.8%	7.2%	16.8%	15.1%	15.5%

Source: Company, Dimensional Securities

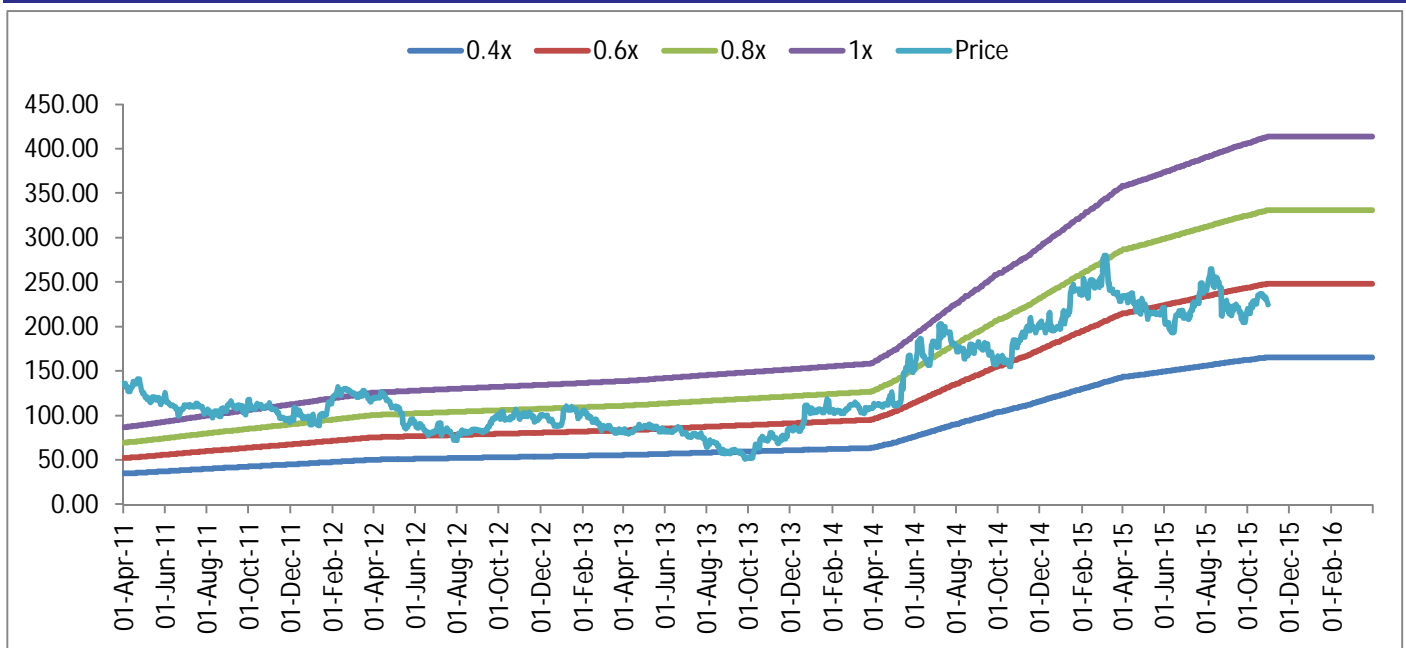


OUTLOOK & VALUATION: -

HFCs including Dewan Housing continue to benefit from home loan demand from smaller cities and towns despite broad slowdown in metro. Given the under penetration and strong presence in the smaller cities and towns which continues to see strong housing demand, we expect loan book to grow at 23% CAGR (FY15-17E) with RoA and RoE to improve towards 1.3% and 16% by FY17E.

At CMP DHFL is trading at P/B multiple of 1.26x its FY16E ABV of 179 and 1.09x its FY17E ABV of 206. We recommend a BUY rating with a target of ₹ 303 by March 2016 and an upside potential of 35%. Our valuation is based on FY17E P/B multiple of 1.5x, arrived at using justified P/B multiple method.

P/BV (Forward)



Source: Dimensional Securities



PROFIT & LOSS STATEMENT :

Particulars	FY14	FY15	FY16E	FY17E
Interest Earned	4,777	5,793	6,981	8,617
Interest expended	3,783	4,460	5,369	6,699
Net Interest Income	994	1,333	1,612	1,918
Other Income	194	260	210	238
NII + Other Inc.	1,188	1,593	1,822	2,157
Total Expenses	382	553	564	693
PPOP*	806	1,041	1,258	1,464
Provisions	70	105	162	201
PBT	736	936	1,097	1,263
Provision for Tax	206	243	285	328
PAT	530	693	812	935
EPS `	20.6	21.3	27.8	32.0

*Pre-Provisioning Operating Profit

Source: Company, Dimensional Securities

BALANCE SHEET:

Particulars	FY14	FY15	FY16E	FY17E
EQUITY AND LIABILITIES				
Share Capital	128	146	292	292
Total Reserves	3,430	4,473	5,028	5,830
Shareholder's Funds	3,575	4,636	5,337	6,140
Long-Term Borrowings	32,295	36,889	51,353	64,572
Def. Tax Assets / Liabilities	1	66	66	66
Long Term Provisions	331	430	592	793
Total Non-Current Liabilities	32,629	37,386	52,012	65,432
Current Liabilities				
Other Current Liabilities	5,988	8,920	9,227	11,456
Short Term Borrowings	1,595	3,637	1,856	2,334
Short Term Provisions	75	36	45	45
Total Current Liabilities	7,658	12,593	11,128	13,835
Total Liabilities	43,863	54,615	68,476	85,407
ASSETS				
Non-Current Assets				
Housing Loans	38,601	48,695	61,447	76,406
Net Block	192	188	550	880
Long Term Investment	446	611	735	1,590
Long Term Loans & Advances	50	95	95	95
Other Non-Current Assets	195	202	202	202
Total Non-Current Assets	40,279	50,586	63,287	79,431
Current Assets				
Currents Investments	275	396	269	269
Trade Receivables	77	192	192	192
Cash and Bank	983	676	692	519
Other Current Assets	25	43	43	43
Short Term Loans & Advances	2,222	2,722	3,944	4,904
Total Current Assets	3,583	4,029	5,140	5,927
Total Assets	43,863	54,615	68,476	85,407

Source: Company, Dimensional Securities

RATIO ANALYSIS

Particulars	FY14	FY15	FY16E	FY17E
Operational Ratios				
EPS	20	21	28	32
Adj. Book Value*	262	307	179	206
DPS	8.0	2.9	3.8	3.9
Spread Analysis				
Yield on Loans	12.4%	12.3%	11.9%	11.7%
Cost of Borrowings	10.6%	10.1%	9.7%	9.6%
Interest Spread	1.8%	2.2%	2.2%	2.1%
NIM	2.5%	2.8%	2.7%	2.6%
Profitability Ratios				
RoE	15.5%	15.1%	16.3%	16.3%
RoA	1.3%	1.3%	1.3%	1.2%
Asset Quality Ratios				
G.NPA %	0.8%	1.0%	0.9%	0.9%
N.NPA %	0.0%	0.1%	0.0%	-0.1%
Efficiency Ratios				
Int. Exp./Int. Earned	80%	77%	77%	78%
Op. Exp/Net Inc.	32%	31%	31%	32%
Debt / Equity	10.8	10.4	11.5	12.6
Valuation Ratios				
P/E (x)	4.1	5.5	8.3	7.2
P/ABV* (x)	0.32	0.38	1.29	1.12
Dividend Yield	9.6%	2.5%	1.7%	1.7%

Source: Company, Dimensional Securities



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