



Dewan Housing Finance Corporation Q3 FY16 Quarterly Update

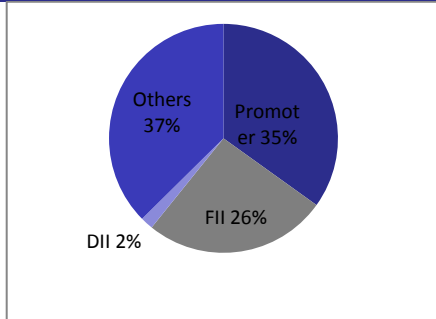
MARKET DATA

NSE TICKER	DHFL
Networth FY16E (Rs in Crs)	5,361
P/BV Ratio (FY16E) (x)	0.95
EPS (FY16E)(Rs.)	25
Market Price (Rs.)	174
P/E Ratio (FY16E) (x)	4.7
52 Week High (4/03/2015)(Rs)	285
52 Week Low (9/2/2016)(Rs)	167
Market Capitalisation (rs. Cr)	5,084

AVERAGE MONTHLY VOLUME ('000)

BSE	148.2
NSE	1,544.4

SHARE HOLDING PATTERN



RETURN

	3M	6M	12M
DHFL	-18%	-34%	-27%
Sensex	8%	14%	15%

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In Q3 FY16, DHFL reported NII growth of 5% q-o-q (20% y-o-y) led by 5% q-o-q (23% y-o-y) growth in loan book. Overall, PAT grew by 3% q-o-q (16% y-o-y) to Rs. 186crs. as other income de-grew by 18% q-o-q (up 3% y-o-y) to Rs. 39crs. and operating expenses grew by 4% q-o-q and (10% y-o-y) to Rs 130 crs.

Strong overall growth in AUM, disbursements, loan sanctioned & loan outstanding

Strong AUM growth continues in Q3 FY16 with 5% q-o-q (25% y-o-y) growth same as in FY15. Loan book grew marginally by 5% q-o-q (23% y-o-y) to Rs. 58,992crs. and securitized portfolio (off balance sheet) grew by 7% q-o-q to Rs. 6,970crs. Sanctions grew by 21% q-o-q (32% y-o-y) along with disbursement which grew by 28% q-o-q (31% y-o-y). The average ticket size for the loan book increased to Rs. 12.2 lacs from ₹12.05 lacs in FY15, and also overall loan to value (LTV) stood at 49.1% v/s 46.9% in FY15.

NIMs remained stable; guidance for maintaining spreads

NIMs increased by 1bp q-o-q (10bps y-o-y) to 2.87%. Cost of funds declined by 30bps at 9.60% due to company's effort to replace banks borrowings with capital market instruments; banks borrowings as % of total debt declined to 53% from 54% q-o-q (60% y-o-y). 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 0.84% (up 3bps q-o-q & 7bps y-o-y) due to better collection. Company maintained PCR above 100% thus NNPA continues to be nil. Credit cost (annualized) remained steady at (up 1bps q-o-q (12bps y-o-y)) to 33bps as provisions were elevated following higher standard asset provisions given higher disbursements towards developer loan book. High yielding LAP and project loans as a % of total portfolio increased from at 23% to 24% q-o-q. Stress in these segments remains key monitorable area.

Other Highlights

Cost to Income (CI) ratio for 9MFY16 has come down from 27.3% to 26.3% in FY15 but is still higher when compared with peers. Going forward, Management expect to bring down CI ratio by 100-150bps. DHFL has debited Rs. 59.3crs. from reserves for ZCDs.

Outlook & Valuation

At CMP, DHFL is trading at P/B multiple of 0.95x FY16E and 0.83x FY17E. We maintain BUY rating with a target of Rs. 247 by FY17E. Our valuation is based on SOTP method; we have valued the core business at Rs. 210 (discounted P/B multiple of 1x FY18E BV of Rs. 243.) and the subsidiary DHFL Pramerica Insurance at Rs. 37(P/BV of 1x H1FY16). We have lowered our assigned multiple given global growth outlook challenges

Quarterly Performance:

Particulars (Rs in crs)	Q3 FY16	Q3 FY15	y-o-y	Q2 FY16	q-o-q	FY15	FY14	y-o-y
Interest Income	1,846	1,489	24%	1,764	5%	5,839	4,776	22%
Interest Expenses	1,420	1,134	25%	1,358	5%	4,460	3,783	18%
Net Interest Income	426	355	20%	407	5%	1,380	993	39%
Other Income	39	38	3%	48	-18%	142	194	-27%
Total Income	466	393	18%	454	3%	1,522	1,187	28%
Operating Expenses	130	118	10%	125	4%	449	371	21%
PPOP*	335	275	22%	329	2%	1,074	816	32%
Total Provisions	48	25	92%	45	7%	105	70	50%
PBT	280	242	16%	277	1%	943	735	28%
Taxes	81	69	18%	73	11%	274	206	33%
PAT	186	160	16%	180	3%	621	529	17%

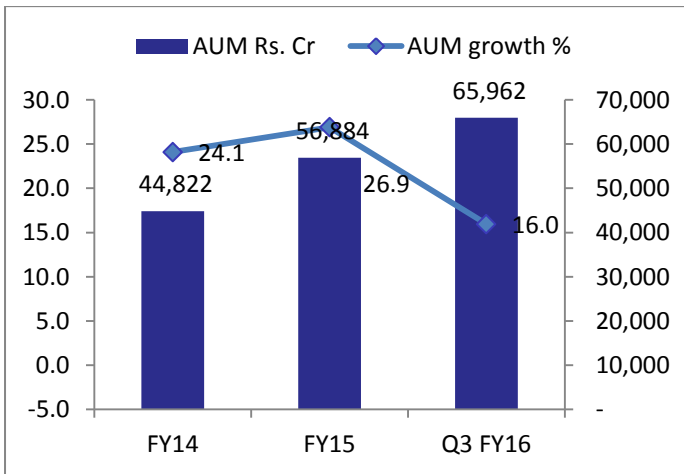


Q3 FY16 CONFERENCE CALL HIGHLIGHTS: -

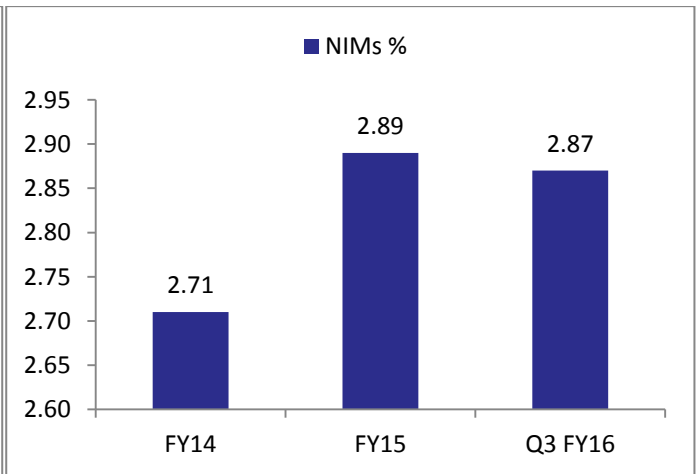
- DHFL proposes to issue equity warrants of Rs. 500crs. to promoters. Pricing of the warrants would be at 5% premium over the SEBI determined pricing formula. Issuance of equity warrants will be concluded before 31st March 2016. Hence, 25% of the money towards equity warrants would come in before 31st March 2016. Balance of 75% would come within 18 months of issuance of warrants.
- NIM to be in the range of 2.8-3.0%
- Within home loans, fixed book is only 1.34% and floating rate book is the balance 98.66%
- Of the total disbursements during the quarter; 25% were from project loans.
- Going ahead, company plans to reduce their dependence on DSA's. Currently, of the total home loans – 23% are sourced from DSA and of the LAP portfolio – 70% are sourced through DSA's.

Graphs for important parameters

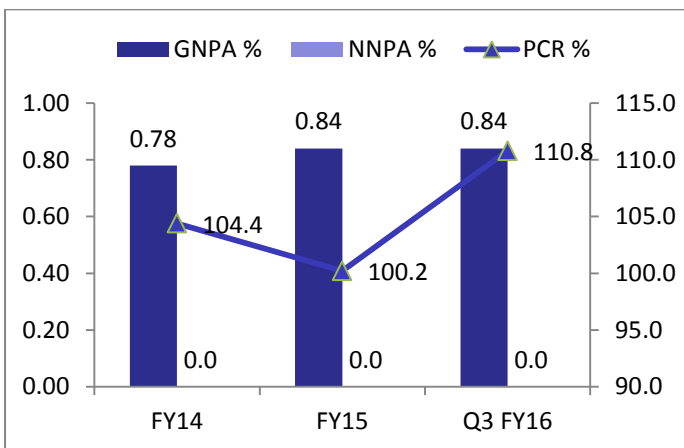
Strong AUM growth



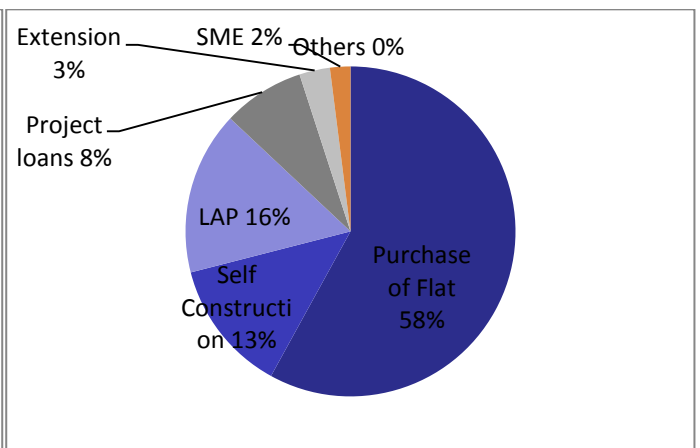
Stable NIMs



Steady Asset Quality with PCR above 100%



Portfolio composition



*Source Dimensional Securities


QUARTERLY PERFORMANCE:

Particulars (Rs in Crs)	Dec-15	Dec-14	y-o-y	Sep-15	q-o-q	FY15	FY14	% YoY
Interest Income	1,846	1,489	24%	1,764	5%	5,839	4,776	22%
Interest Expenses	1,420	1,134	25%	1,358	5%	4,460	3,783	18%
Net Interest Income	426	355	20%	407	5%	1,380	993	39%
Other Income	39	38	3%	48	-18%	142	194	-27%
Total Income	466	393	18%	454	3%	1,522	1,187	28%
Operating Expenses	130	118	10%	125	4%	449	371	21%
Employee	56	49	14%	55	3%	196	176	11%
Others	74	69	8%	70	5%	252	195	29%
Operating Profits before provisions	335	275	22%	329	2%	1,074	816	32%
Exceptional Items	-	-		-		-	-	
Total Provisions	48	25	92%	45	7%	105	70	50%
PBT	280	242	16%	277	1%	943	735	28%
Taxes	81	69	18%	73	11%	274	206	33%
PAT	186	160	16%	180	3%	621	529	17%
Asset Quality								
GNPA	496	368	35%	456	9%	429	325	32%
GNPA %	0.84	0.77	7	0.81	3	0.84	0.80	4
NNPA %	0	0	0	0	0	0	0	0
PCR % Reported	110.79	108.2	259	111.3	-51	100.2	104.4	-420
Credit Cost %	0.33	0.21	12	0.32	1	0.21	0.17	3
Ratios %								
Cost to Income ratio	27.99	30.05	-207	27.54	44	29.47	31.26	-180
Tax Rate (%)	28.81	28.36	44	26.33	248	29.47	31.26	-180
RoA %	1.6	1.6	-6	1.6	0	29.11	28.04	107
RoE % *	19.3	19.25	5	18.68	62	1.65	1.7	-5
CAR (Basel III) %	16.39	15.5	89	15.27	112	17.9	17.6	30
Tier I %	12.6	10.94	166	11.63	97	16.47	17.2	-73
Quarterly NIMs*	2.87	2.77	10	2.86	1	2.89	2.7	19
BV-Calculated	168	295	-43%	168	0%	318	278	14%
Adjusted Net worth	4,888	3,789	29%	4,888	0%	4,636	3,575	30%
Adj. BV	168	295	-43%	168	0%	318	278	14%
Balance sheet								
Capital	292	129	127%	292	0%	146	128	13%
Net Worth	4,888	3,789	29%	4,888	0%	4,636	3,575	30%
FV	10	10		10		10	10	
Loan Disbursement	6,428	4,923	31%	5,014	28%	19,822	16,648	19%
Loan Sanctioned	9,308	7,072	32%	7,668	21%	28,497	22,378	27%
Loan Outstanding	58,992	47,776	23%	56,312	5%	51,040	40,597	26%
AUM	65,962	52,600	25%	62,837	5%	56,884	44,822	27%
Borrowings	59,966	46,044	30%	56,483	6%	48,921	39,487	24%

Source: Company, Dimensional Securities

**RoA Tree Analysis:**

Particulars	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	FY15	FY14
Interest Income	13.3%	12.7%	13.3%	4.8%	13.5%	11.9%	12.0%
Interest Expenses	10.2%	9.8%	10.0%	3.6%	10.3%	9.1%	9.5%
Net Interest Income	3.1%	2.9%	3.2%	1.2%	3.2%	2.8%	2.5%
Other Income	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.5%
Total Income	3.3%	3.3%	3.4%	1.5%	3.6%	3.1%	3.0%
Operating Expenses	0.9%	0.9%	1.0%	0.6%	1.1%	0.9%	0.9%
Employee	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Others	0.5%	0.5%	0.5%	0.1%	0.6%	0.5%	0.5%
Operating Profits before provisions	2.4%	2.4%	2.4%	0.9%	2.5%	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%	0.3%	0.2%	0.2%	0.2%
PBT	2.0%	2.0%	2.1%	0.6%	2.2%	1.9%	1.8%
Taxes	0.6%	0.5%	0.7%	0.6%	0.6%	0.6%	0.5%
PAT (RoA)	1.3%	1.3%	1.4%	-0.2%	1.4%	1.3%	1.3%
Average Assets/ Average Equity	12.83	12.83	12.00	12.00	12.21	12.00	11.69
RoE	17.1%	16.6%	16.9%	-1.9%	17.6%	15.1%	15.5%

Source: Company, Dimensional Securities

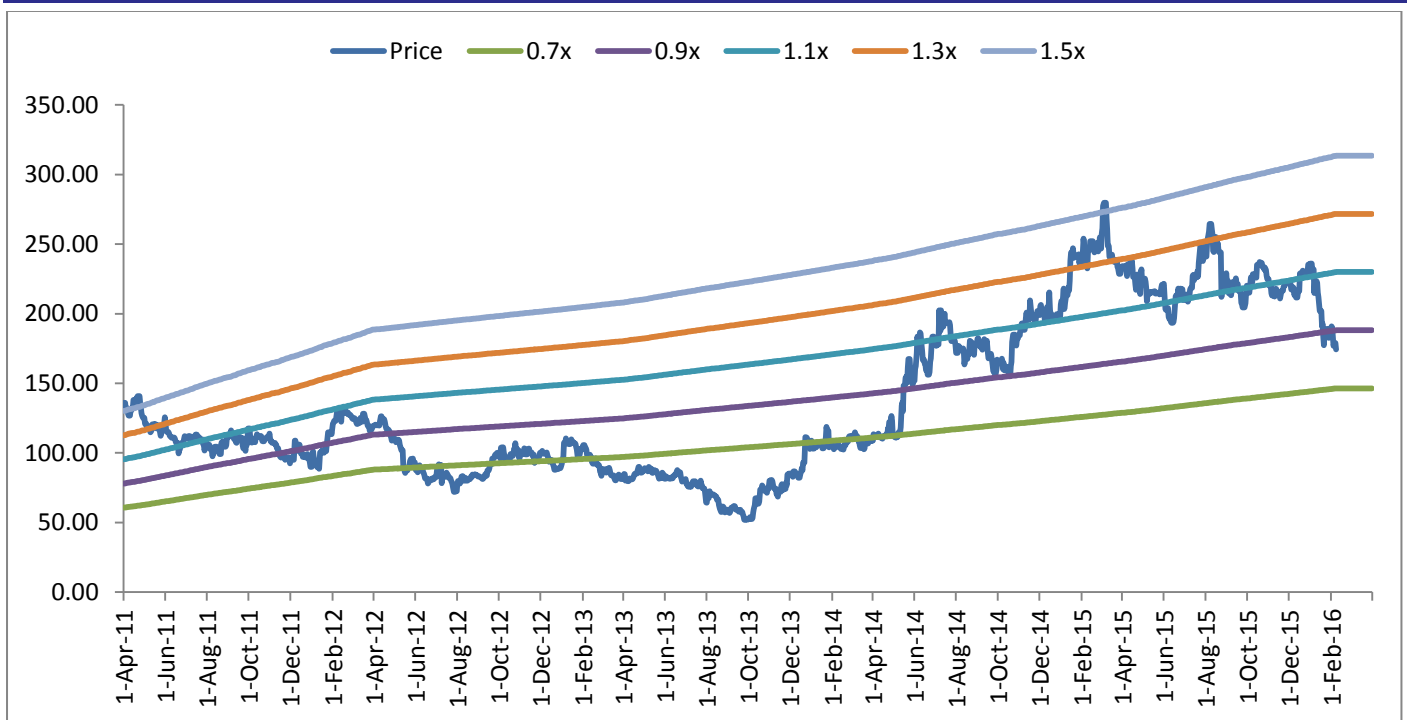


OUTLOOK & VALUATION: -

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 26% CAGR (FY15-17E) with RoA and RoE to improve towards 1.1% and 14.3% by FY17E.

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P/BV (Forward)



Source: Dimensional Securities

**PROFIT & LOSS STATEMENT:**

Particulars	FY14	FY15	FY16E	FY17E	FY18E
Interest Earned	4,738	5,793	6,981	8,617	10,627
Interest expended	3,783	4,460	5,367	6,652	8,103
Net Interest Income	955	1,333	1,614	1,965	2,524
Other Income	230	189	210	238	265
NII+ Other Inc.	1,185	1,522	1,824	2,203	2,789
Total Expenses	380	474	564	706	886
PPOP*	805	1,048	1,260	1,498	1,903
Provisions	70	105	162	201	246
PBT	735	943	1,098	1,297	1,657
Provision for Tax	206	322	380	449	573
PAT	529	621	718	848	1,084
EPS	21	21	25	27	35

*Source: Dimensional Securities

BALANCE SHEET:

Particulars	FY14	FY15	FY16E	FY17E	FY18E
EQUITY AND LIABILITIES					
Share Capital	128	146	292	313	313
Total Reserves	3,430	4,473	5,052	6,135	7,065
Shareholder's Funds	3,575	4,636	5,362	6,465	7,396
Long-Term Borrowings	32,295	36,889	51,322	64,400	78,819
Def. Tax Assets / Liabilities	1	66	66	66	66
Long Term Provisions	331	430	592	793	1,039
Total Non-Current Liabilities	32,629	37,386	51,981	65,260	79,925
Current Liabilities					
Other Current Liabilities	5,988	8,920	9,221	11,427	13,860
Short Term Borrowings	1,595	3,637	1,855	2,328	2,849
Short Term Provisions	75	36	45	45	45
Total Current Liabilities	7,658	12,593	11,121	13,800	16,753
Total Liabilities	43,863	54,615	68,464	85,525	104,074
ASSETS					
Non-Current Assets					
Housing Loans	38,601	48,695	61,447	76,406	93,350
Net Block	192	188	550	880	796
Long Term Investment	446	611	734	1,586	2,114
Long Term Loans & Advances	50	95	95	95	95
Other Non-Current Assets	195	202	202	202	202
Total Non-Current Assets	40,279	50,586	63,286	79,427	96,815
Current Assets					
Currents Investments	275	396	269	269	269
Trade Receivables	77	192	192	192	192
Cash and Bank	983	676	729	690	763
Other Current Assets	25	43	43	43	43
Short Term Loans & Advances	2,222	2,722	3,944	4,904	5,992
Total Current Assets	3,583	4,029	5,177	6,098	7,259
Total Assets	43,863	54,615	68,464	85,525	104,074

*Source: Dimensional Securities

**RATIO ANALYSIS:**

Particulars	FY14	FY15	FY16E	FY17E	FY18E
Operational Ratios					
EPS	20	21	24	29	37
Adj. Book Value*	131	153	179	202	232
DPS	8.0	2.9	3.4	3.3	4.2
Spread Analysis					
Yield on Loans	12.4%	12.3%	11.9%	11.7%	11.7%
Cost of Borrowings	10.6%	10.1%	9.7%	9.5%	9.4%
Interest Spread	1.8%	2.2%	2.2%	2.1%	2.3%
NIM	2.5%	2.8%	2.7%	2.6%	2.8%
Profitability Ratios					
RoE	15.5%	16.8%	14.4%	14.3%	15.6%
RoA	1.3%	1.3%	1.2%	1.1%	1.1%
Asset Quality Ratios					
G.NPA %	0.8%	1.0%	0.9%	0.9%	0.9%
N.NPA %	0.0%	0.1%	0.0%	-0.1%	-0.2%
Efficiency Ratios					
Int. Exp./Int. Earned	80%	77%	77%	77%	76%
Op. Exp/Net Inc.	32%	31%	31%	32%	32%
Debt / Equity	10.8	10.4	11.4	11.9	12.7
Valuation Ratios					
P/E (x)	4.1	5.5	7.1	6.0	4.7
P/ABV* (x)	0.32	0.38	0.97	0.86	0.75
Dividend Yield	9.6%	2.5%	1.9%	1.9%	2.4%

Source: Dimensional Securities

*Note: Adj. Book Value – Networth – Capital reserve



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