



Indiabulls Housing Finance Limited

Q3 FY16 Quarterly Update

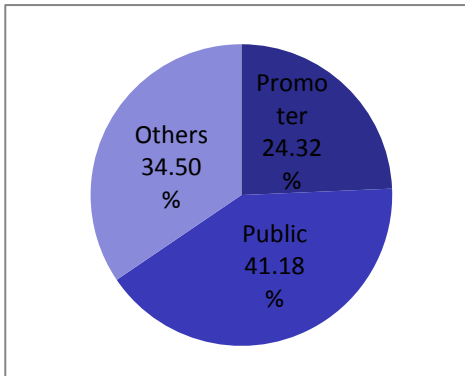
MARKET DATA

NSE TICKER	IBULHSGFIN
Networth (FY16E)(Rs. Crs)	11,638
P/BV Ratio (FY16E) (x)	2.3
EPS (FY16E) (Rs.)	58
Market Price (Rs.)	624
P/E Ratio (FY16E) (x)	10.7
52 Week High(10/8/2015)(Rs.)	820
52 Week Low (7/5/2015)(Rs.)	518
Market Capitalisation (Rs. crs)	26,275

AVERAGE MONTHLY VOLUME ('000)

BSE	196
NSE	2,521

SHARE HOLDING PATTERN



RETURN	3M	6M	12M
IBULHSGFIN	-13%	-14%	0%
SENSEX	-9%	-7%	-19%

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In Q3 FY16, Indiabulls Housing Finance (IBHF) reported NII growth of 17% q-o-q (26% y-o-y) led by 7% q-o-q (30% y-o-y) growth in loan book. Overall, PAT grew by 9% q-o-q (26% y-o-y) to Rs. 605crs as other income grew by 1% q-o-q (38% y-o-y) to Rs. 109crs and operating expenses grew by 12% q-o-q and (26% y-o-y) to Rs 159crs.

Strong growth in disbursements & loan outstanding

Disbursement grew by 5% q-o-q (22% y-o-y) to Rs. 6,474crs attributed to high growth from home loan & LAP and lower growth from corporate mortgage book. Loan book grew by 7% q-o-q (30% y-o-y) to Rs. 62,235crs and securitized portfolio (off balance sheet) grew by 7% q-o-q (37% y-o-y) to Rs. 7,412crs. Securitized portfolio will earn a spread of 3.1% p.a over the life of the loan. Home loans which forms majority of the incremental disbursements (~54%) are disbursed at an average ticket size Rs. 25 lacs; average LTV of 71% at origination.

Steady NIMs; Decrease in Cost to Income ratio

NIMs have improved to 4.9% (41bps q-o-q & down 15bps) largely due to the shift happening from bank borrowings to other sources & benefit of capital raising (QIP of Rs. 40bn). Incremental yields on all product segments are falling due to competitive pressure and a fall in the base rates. However, the same is being offset by lower incremental borrowing cost as ~65% of the incremental borrowings over last 1 year were from non-bank sources. Cost to income ratio declined by 41bps q-o-q (11bps y-o-y) attributed to increasing scale and improving employee productivity.

Stable Asset quality

GNPA% declined by 1bp q-o-q (3bps y-o-y) to 0.83% and NNPA% remained same at 0.35%. For last 3 years, asset quality has been stable for IBHF despite higher proportion of loan book towards corporate mortgage book when compared with other housing finance companies. This is mainly due to 1) more emphasis on in-house sourcing of loan, 2) accountability of the sourcing personal, 3) higher collateral for non-mortgage book and 4) corporate mortgage loan book focused around low-risk lease rental discounting. Credit cost (annualized) declined by 5bps q-o-q (up 11bps y-o-y) at 0.72%.

Other Highlights

Management has guided long term dividend pay-out ~50% for IBHF. Management's focus on affordable housing project has got a boost as budget 2016 has given 100% deduction for profits for undertaking a housing project in the affordable housing space. We expect the same will be passed on by the developers which will increase demand for housing in this segment. The budget also includes deduction of additional interest of Rs. 50,000 p.a. for loans up to Rs. 35 lacs sanctioned in 2016-17 for 1st time buyers, where house cost does not exceed Rs. 50 lacs. IBHF has average loan size of Rs. 25lacs with an average LTV of 71% at origination.

Valuation

The recent equity infusion of Rs. 40bn at Rs. 702/share through QIP has strengthened the company's B/S. We expect loan book to grow better than the industry at 23% CAGR (FY15-18E). As on Q3 FY16, IBHFL has capital adequacy ratio (CAR) of 21.6%. We have built in lower profitability due to rising competition and slowdown in the economy. At CMP, the stock is trading at P/B multiple of 2.3x FY16E BV of Rs. 276 and 2x FY17E BV of Rs. 306. We recommend a BUY rating with a target of Rs. 714 valuing at 2.4x FY17E BV of Rs 291; after adjusting net worth for investment in North Oak Bank (Rs 660 crs) which is valued at 1x its BV.

Quarterly Performance:

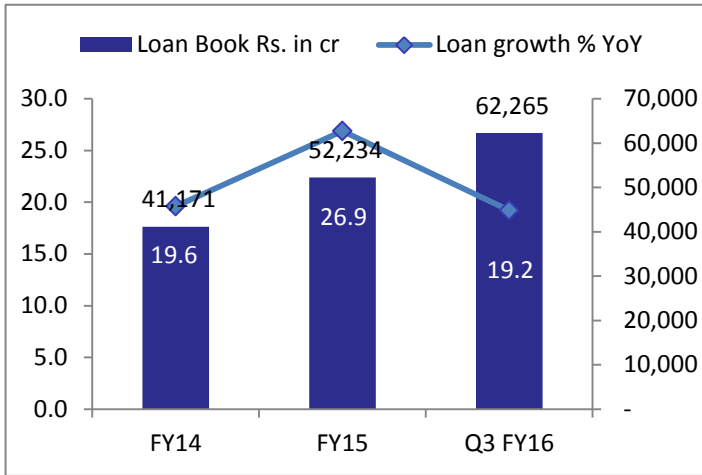
Particulars Rs. Cr	Q3 FY16	Q3 FY15	y-o-y	Q2 FY16	q-o-q	FY15	FY14	y-o-y
Net Interest Income	741	590	26%	632	17%	2,177	1,904	14%
Other Income	109	79	38%	108	1%	344	233	48%
Total Income	849	669	27%	740	15%	2,521	2,137	18%
Operating Expenses	159	126	26%	141	12%	535	406	32%
PPOP*	691	543	27%	599	15%	1,986	1,731	15%
Total Provisions	113	74	52%	113	0%	300	227	32%
PBT	806	622	29%	741	9%	2,473	1,982	25%
Taxes	201	144	39%	186	8%	571	413	38%
PAT	605	478	26%	556	9%	1,901	1,569	21%

*PPOP – Pre Provisioning Operating Profit



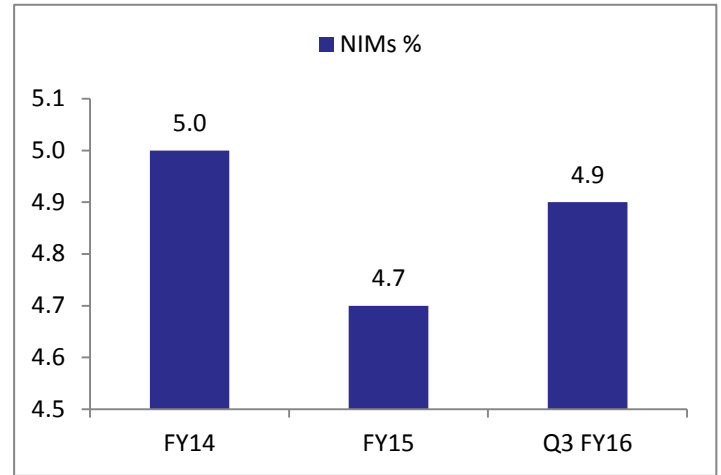
Graphs for important parameters

Steady growth in loan book



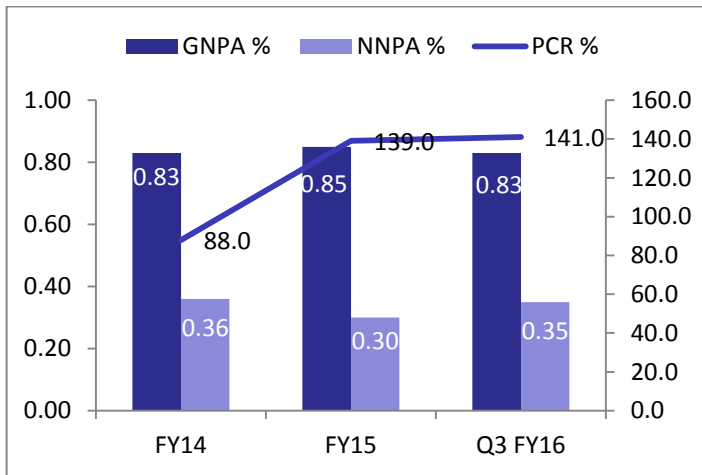
Source: Company, Dimensional Securities

Steady NIMs



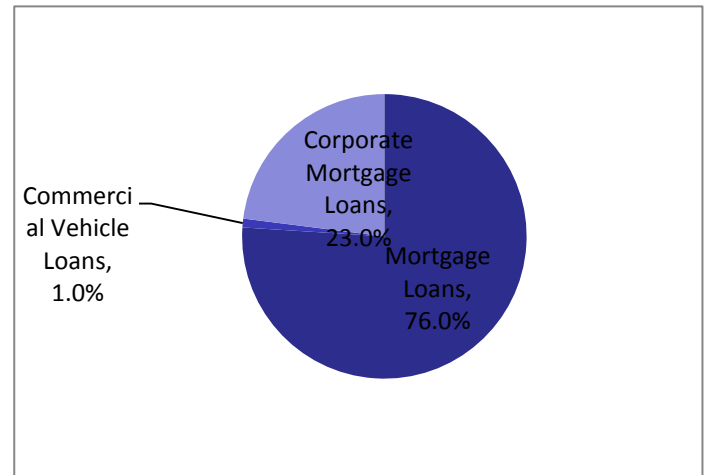
Source: Company, Dimensional Securities

Stable Asset Quality with PCR above 100%



Source: Company, Dimensional Securities

Portfolio Composition



Source: Company, Dimensional Securities

Q3 FY16 CONFERENCE CALL HIGHLIGHTS: -

- Management guided 25% growth in loan book for FY16 & 20-25% growth in FY17.
- Company continues to focus on Rs. 25-75 lacs ticket size loans.
- Bank's loan contribution to the borrowing mix has fallen to 49%. Incremental non-bank borrowing is ~65% of the total incremental borrowing and borrowing cost of non-bank is ~100bps lower than borrowing cost. Management has guided a target mix of 60:40 in favour of non-bank borrowings.
- On incremental basis, yields for home loans were above 10%, LAP – 13% & corporate mortgage loans – 14.65%.
- Disbursement's (Rs. 6474crs) break up - ~Rs. 3500crs from home loans, ~Rs. 1700crs from LAP & ~Rs. 1300crs from corporate mortgage loans.
- IBHF is optimistic but very careful with respect to the corporate mortgage book and is focused more on lease rental discounting.



QUARTERLY PERFORMANCE:

Particulars (amt in Rs. Crs)	Dec-15	Dec-14	y-o-y	Sep-15	q-o-q	FY15	FY14	y-o-y
Interest Income	1,966	1,618	22%	1,877	5%	6,121	5,187	18%
Interest Expenses	1,226	1,028	19%	1,245	-2%	3,944	3,282	20%
Net Interest Income	741	590	26%	632	17%	2,177	1,904	14%
Other Income	109	79	38%	108	1%	344	233	48%
Total Income	849	669	27%	740	15%	2,521	2,137	18%
Operating Expenses	159	126	26%	141	12%	535	406	32%
Operating Profits before provisions	691	543	27%	599	15%	1,986	1,731	15%
Total Provisions	113	74	52%	113	0%	300	227	32%
PBT	806	622	29%	741	9%	2,473	1,982	25%
Taxes	201	144	39%	186	8%	571	413	38%
PAT	605	478	26%	556	9%	1,901	1,569	21%
EPS	14.4	13.5	7%	13.3	8%	53.5	47.0	14%
Asset Quality								
GNPA %	0.83	0.86	-3	0.84	-1	0.9	0.8	2
NNPA %	0.35	0.34	1	0.35	0	0.3	0.4	-6
PCR % Reported	141	139	141	139	2	139	0.88	51
Credit Cost %	0.72	0.62	11	0.78	-5	0.57	0.55	2
Ratios %								
Cost to Income ratio (Calculated)	18.67	18.78	-11	19.08	-41	21.23	18.99	224
Tax Rate	24.95	23.16	179	25.06	-11	23.11	20.85	225
Opex to Loan book	1.02	1.05	-3	0.97	5	1.02	0.99	4
Quarterly NIMs (Calculated)	4.9%	5.1%	-15	4.5%	41	4.7%	5.0%	-38.0
Balance Sheet								
Capital	84	71	19%	84	0%	71	67	6%
Net worth	10,501	6,133	71%	10,367	1%	6,632	5,707	16%
BV	249	173	44%	247	1%	187	171	9%
Loan Disbursement	6,474	5,300	22%	6,192	5%	20,000	14,000	43%
Loan Outstanding	62,265	48,078	30%	58,225	7%	52,234	41,171	27%

*Source: Company, Dimensional Securities

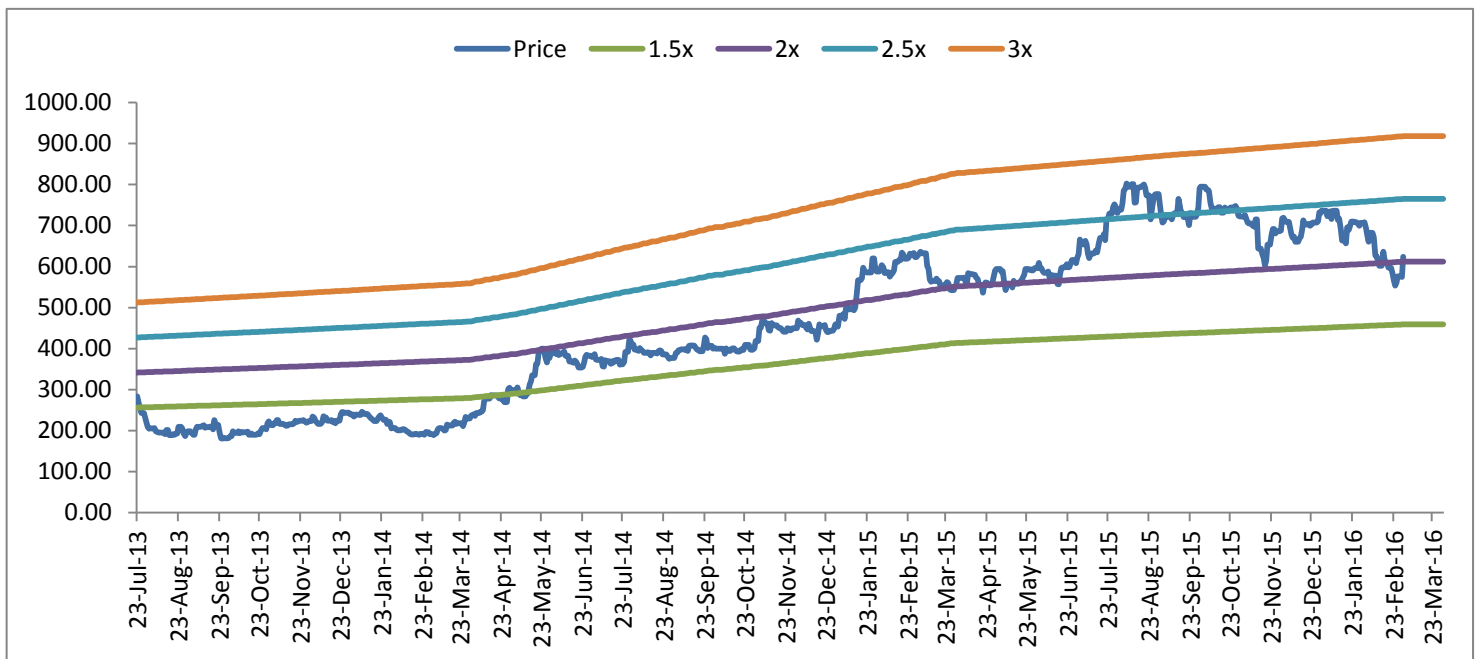


OUTLOOK & VALUATION: -

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P/BV (Forward)



Source: Company, Dimensional Securities



Profit & Loss Statement

DESCRIPTION Rs. Cr	FY14	FY15	FY16E	FY17E	FY18E
INCOME :					
Interest income	5,187	6,120	7,658	9,227	10,971
Interest Expenses	3,282	3,944	4,700	5,465	6,686
Net Interest Income	1,904	2,176	2,958	3,762	4,285
Fees & Other operating Income	233	344	389	459	542
Other Income	485	805	946	1,069	1,286
Net Revenues	2,622	3,326	4,293	5,291	6,113
EXPENDITURE :					
Employee Expense	264	325	390	443	504
Depreciation	8	19	21	25	28
Other Opex	139	210	258	307	348
Operating Profit before Provisions	2,211	2,772	3,625	4,517	5,232
Provisions and Contingencies	227	300	389	379	409
PBT	1,985	2,472	3,236	4,137	4,823
Tax	413	571	777	1,034	1,254
Profit After Tax	1,571	1,901	2,459	3,103	3,569

Source: Company, Dimensional Securities

Balance Sheet

DESCRIPTION	FY14	FY15	FY16E	FY17E	FY18E
EQUITY AND LIABILITIES					
Share Capital	67	71	87	87	87
Total Reserves	5,636	6,558	11,551	12,822	14,285
Shareholder's Funds	5,706	6,632	11,638	12,909	14,372
Borrowings	29,313	40,967	47,905	58,923	73,065
Other Liabilities	9,394	9,627	12,964	15,682	19,213
Total Liabilities	44,417	57,231	72,519	87,527	106,661
ASSETS					
Non-Current Assets					
Loans & Advances	35,580	46,473	58,828	71,262	86,707
Fixed Assets & Goodwill	115	123	130	139	149
Investments	2,947	6,164	11,146	8,828	9,327
Cash & Bank	4,419	3,490	1,364	6,106	9,091
Other Assets	1,355	982	1,050	1,192	1,388
Total Assets	44,417	57,231	72,519	87,527	106,661

Source: Company, Dimensional Securities



Ratio Analysis

	FY14	FY15	FY16E	FY17E	FY18E
Operational Ratios (Rs.)					
EPS	47	53	58	74	85
Book Value	171	187	276	306	341
DPS	29	26	25	31	36
Spread Analysis					
Yield on Loans	14.5%	14.4%	13.9%	13.5%	13.1%
Cost of Borrowings	9.8%	9.5%	9.3%	9.1%	9.0%
Interest Spread	4.7%	4.9%	4.7%	4.4%	4.2%
NIM	5.0%	4.7%	5.0%	5.1%	4.8%
Profitability Ratios					
RoE	29%	31%	27%	25%	26%
RoA	3.9%	4.1%	4.2%	4.2%	4.0%
Asset Quality ratios					
G.NPA %	0.8%	0.9%	1.0%	1.1%	1.1%
N.NPA %	0.4%	0.3%	0.5%	0.6%	0.7%
Efficiency Ratios					
Int. Exp./Int. Earned	63%	64%	61%	59%	61%
Op. Exp/Net Inc.	26%	29%	27%	25%	25%
Debt / Equity	5.1	6.2	4.1	4.6	5.1
Valuation Ratios					
P/E (x)	5.0	10.4	10.7	8.5	7.4
P/B (x)	1.4	3.0	2.3	2.0	1.8
Dividend Yield	12%	5%	4%	5%	6%

Source: Company, Dimensional Securities



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