



## Indiabulls Housing Finance Limited

### Q4 FY16 Quarterly Update

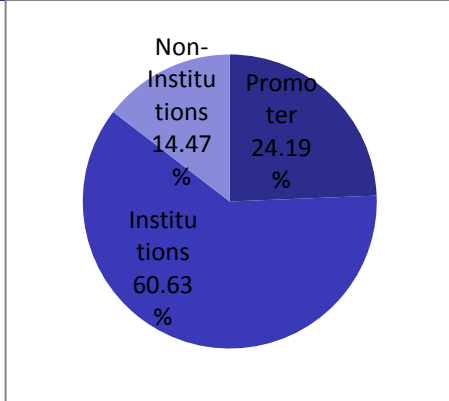
#### MARKET DATA

NSE TICKER	IBULHSGFIN
Networth (FY17E)(Rs. Crs)	12,468
P/BV Ratio (FY17E) (x)	2.4
EPS (FY17E) (Rs.)	75
Market Price (Rs.)	701
P/E Ratio (FY17E) (x)	9.3
52 Week High(10/8/2015)(Rs.)	820
52 Week Low (7/5/2015)(Rs.)	518
Market Capitalisation (Rs. crs)	29,552

#### AVERAGE MONTHLY VOLUME ('000)

BSE	284
NSE	1,606

#### SHARE HOLDING PATTERN



RETURN	3M	6M	12M
IBULHSGFIN	-0.4%	-6.2%	25.6%
SENSEX	2.9%	-4.4%	-4.0%

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In Q4 FY16, Indiabulls Housing Finance (IBHF) reported Nil of Rs 871crs which grew by 18% sequentially (29% y-o-y) led by 10% sequential (31% y-o-y) growth in loan book to Rs. 68,683crs. PAT grew by 13% q-o-q (24% y-o-y) to Rs. 682crs. Disbursement growth of more than 40% q-o-q & y-o-y and stable asset quality were the key highlights for this quarter.

#### Strong growth in disbursements & loan outstanding

Disbursement grew by 42% q-o-q (43% y-o-y) to Rs. 9,191crs attributed to higher growth from home loan and corporate mortgage book. Loan book grew by 10% q-o-q (31% y-o-y) to Rs. 68,683crs. As per management guidance, the share of housing loans will increase from 52% in FY16 to 60% in the next two years. Home loan disbursements to salaried segment were 70% of overall disbursement and balance were to self-employed segment. Home loans are disbursed at an average ticket size Rs. 25 lacs; average LTV of 71% at origination.

#### Stable spreads led to healthy NIMs in Q4 FY16

NIMs have improved to 5.3% (41bps q-o-q & down 6bps) on back of 2bps increase in book spreads to 318bps, aided by reduction in cost of funds. The rating upgrade will provide access to debt borrowing at lower cost which will help replace bank borrowings and in turn support NIMs. The change in borrowing profile towards debt and active sell downs (which forms currently 11% of total borrowings and 14% of incremental borrowings for FY16) will provide further support to NIMs. Overall cost of funds stood at 9.34% whereas incremental borrowing cost stood 8.84%. Cost to income ratio declined by 101bps q-o-q (up 13bps y-o-y) attributed to increasing scale and improving employee productivity.

#### Stable Asset quality and higher credit cost

GNPA% increased by 1bp q-o-q (down 1bps y-o-y) to 0.84% and NNPA% remained same at 0.35% q-o-q (up 5bps y-o-y). 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 stood at Rs. 215crs of which Rs. 60crs was towards standard assets & counter cyclical buffers and Rs. 115crs towards specific provisions taking the full year cost at 0.73%.

#### Other Highlights

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 1<sup>st</sup> time buyers, where house cost does not exceed Rs. 50 lacs.

#### Valuation

We expect IBHF's loan book to grow at 25% CAGR from FY16 to FY18E. With stable asset quality and low gearing we expect IBHF to deliver superior return ratios (3.5% & 29% ROA & ROE respectively for FY18E). At CMP, the stock is trading at P/B multiple of 2.4x FY17E BV of Rs. 296 and 2.1x FY18E BV of Rs. 334. We recommend a BUY rating with a target of Rs. 745 valuing at 2.6x FY17E BV of Rs 280; after adjusting net worth for investment in North Oak Bank (Rs 660 crs) which is valued at 1x its BV.

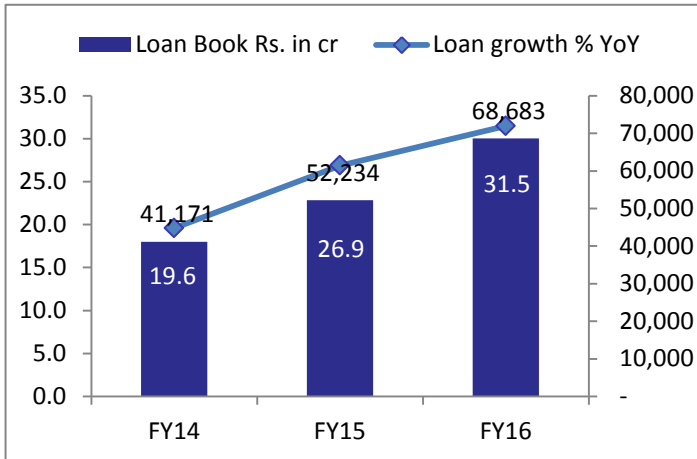
#### Quarterly Performance:

Particulars Rs. Cr	Q4 FY16	Q4 FY15	y-o-y	Q3 FY16	q-o-q	FY16	FY15	y-o-y
Net Interest Income	871	675	29%	741	18%	2,870	2,177	32%
Other Income	246	245	1%	233	6%	936	805	16%
Total Income	1,286	1,051	22%	1,082	19%	4,254	3,326	28%
Operating Expenses	175	142	23%	159	11%	600	535	12%
Op. Profit before Provisions	864	664	30%	691	25%	2,718	1,986	37%
Total Provisions	215	155	39%	113	91%	505	300	68%
PBT	890	749	19%	806	10%	3,129	2,473	27%
Taxes	208	198	5%	201	4%	776	571	36%
PAT	682	551	24%	605	13%	2,353	1,901	24%



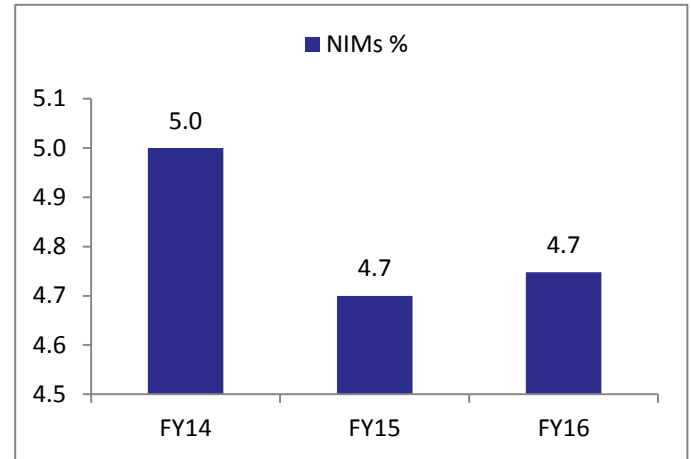
## Graphs for important parameters

### Steady growth in loan book



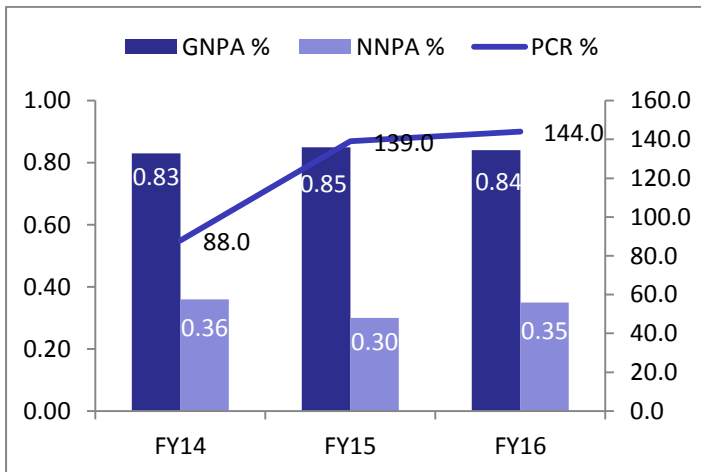
Source: Company, Dimensional Securities

### Steady NIMs



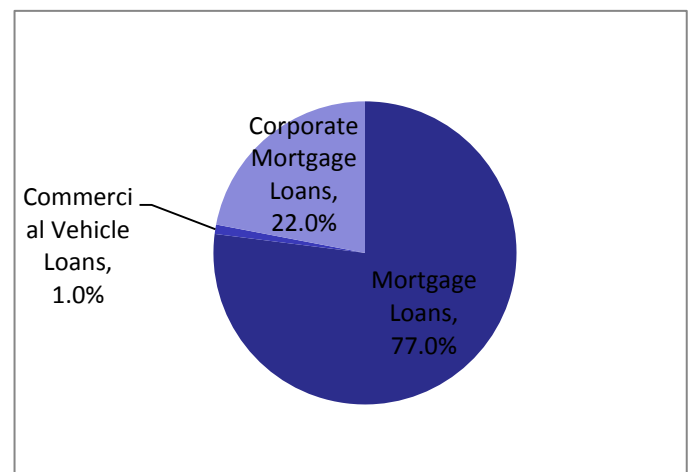
Source: Company, Dimensional Securities

### Stable Asset Quality with PCR above 100%



Source: Company, Dimensional Securities

### Portfolio Composition



Source: Company, Dimensional Securities

## Q4 FY16 CONFERENCE CALL HIGHLIGHTS: -

- Management continues with the guidance of 20-25% growth across key financial parameters
- Credit cost for FY16 is 73bps. Management guide credit cost to be in the range of 60-70bps for FY17.
- 60% of the LAP book is validated by third party
- Break up of substandard provision of Rs. 339crs – General provision of Rs.160crs, and specific provision of Rs. 179crs.
- Loan book growth for FY16 > 30% y-o-y. Contribution of the home loan segment has been increasing and stands at 52% of the loan assets, management aims to increase it to 60% of the loan assets by FY18 without impacting margins.
- Guidance for Cost/income - Target of 13.5% by FY17 and 12-13% by FY18. Expect branch expansion of 10% every year
- On incremental basis, yields for home loans were above 10%, LAP – 13% & corporate mortgage loans – 15.2%.
- Disbursement's (Rs. 9,137crs) break up - ~Rs. 4,100crs from home loans, ~Rs. 3,039crs from LAP & ~Rs. 1,998crs 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)	Mar-16	Mar-15	y-o-y	Dec-15	q-o-q	FY16	FY15	y-o-y
Interest Income	2,233	1,746	28%	1,966	14%	7,842	6,121	28%
Interest Expenses	1,362	1,071	27%	1,226	11%	4,971	3,944	26%
Net Interest Income	871	675	29%	741	18%	2,870	2,177	32%
Other Operating Income	168	132	27%	109	54%	448	344	30%
Other Income	246	245	1%	233	6%	936	805	16%
Total Income	1,286	1,051	22%	1,082	19%	4,254	3,326	28%
Operating Expenses	175	142	23%	159	11%	600	535	12%
Employee	115	82	40%	101	13%	413	325	27%
Others	61	60	1%	57	6%	187	210	-11%
Operating Profits before provisions	864	664	30%	691	25%	2,718	1,986	37%
Depreciation	5	5	11%	5	1%	20	19	9%
Total Provisions	215	13.5	7%	13.3	8%	53.5	47.0	14%
PBT	890	749	19%	806	10%	3,129	2,473	27%
Taxes	208	198	5%	201	4%	776	571	36%
PAT	682	551	24%	605	13%	2,353	1,901	24%
EPS	16	15	4%	14	13%	56	53	4%
<b>Asset Quality</b>								
GNPA %	0.84	0.85	-1	0.83	1	0.84	0.85	-1
NNPA %	0.35	0.30	5	0.35	0	0.35	0.30	5
Credit Cost %	1.25	1.19	6	0.72	53	0.73	0.57	16
<b>Ratios %</b>		1.05	-3	0.97	5	1.02	0.99	4
Cost to Income ratio (Calculated)	13.65	13.52	13	14.66	-101	14.11	16.09	-198
Tax Rate	23.40	26.46	-306	24.95	-155	24.80	23.11	169
RoA %	3.70	3.70	0	3.60	10	3.70	3.70	0
RoE %	26.00	29.00	-300	27.00	-100	26.00	29.00	-300
CAR (Basel III) %	23.33	19.60	373	21.64	169	23.33	18.36	497
Tier I %	20.33	16.28	405	18.83	150	20.33	15.25	508
Tier II %	3.00	3.32	-32	2.81	19	3	3.11	-11
Opex to Loan book	1.02	1.09	-7	1.02	0	0.87	1.02	-15
<b>Margins %</b>								
Quarterly NIMs (Calculated)	5.32	5.38	-6	4.92	41	4.75	4.66	8.7
Net worth	10,694	6,632	61%	10,501	2%	10,694	6,632	61%
BV	254	187	36%	249	2%	254	187	36%
<b>Balance sheet</b>								
Capital	84	71	18%	84	0%	84	71	18%
Net Worth	10,694	6,632	61%	10,501	2%	10,694	6,632	61%
FV	2	2		2		2	2	
Loan Disbursement	9,191	6,419	43%	6,474	42%	26,357	20,000	32%
Loan Outstanding	68,683	52,234	31%	62,265	10%	68,683	52,234	31%

\*Source: Company, Dimensional Securities



## ROA TREE:

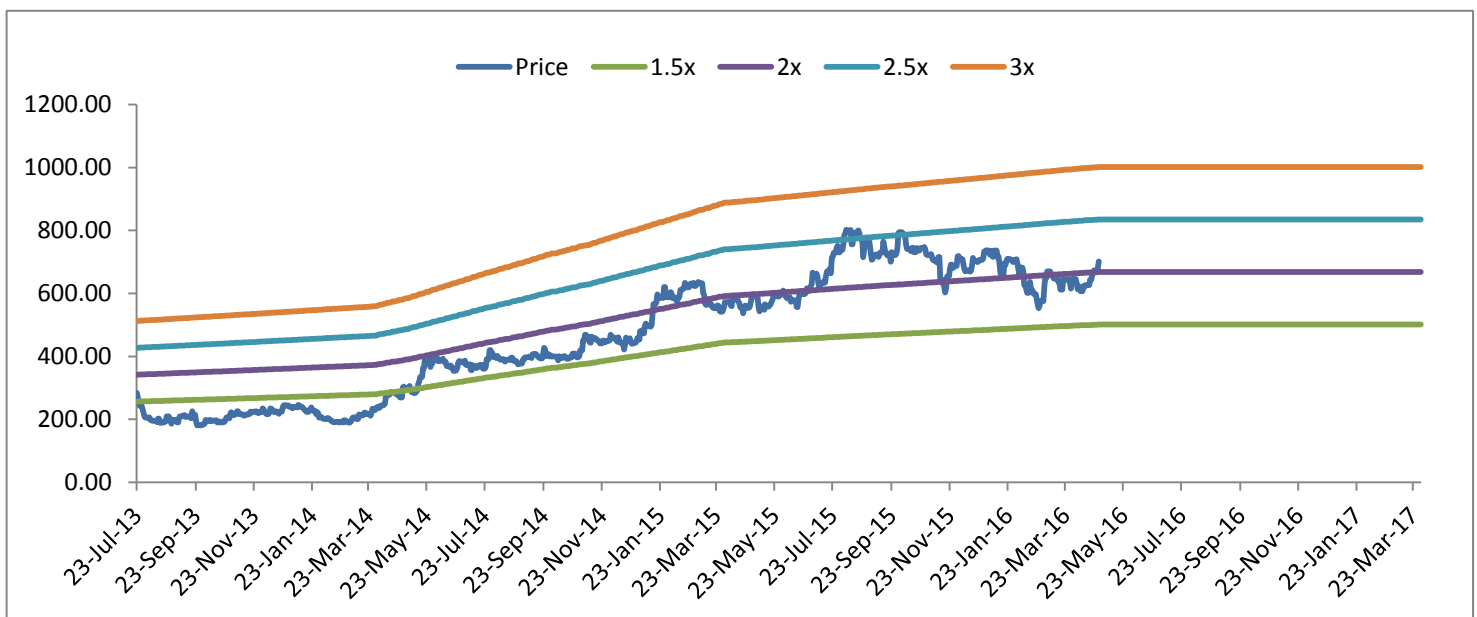
Particulars	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	FY16	FY15
Interest Income	12.6%	12.1%	11.8%	11.4%	12.1%	11.7%	12.0%
Interest Expenses	7.7%	7.8%	7.9%	7.1%	7.4%	7.4%	7.8%
Net Interest Income	4.9%	4.3%	4.0%	4.3%	4.7%	4.3%	4.3%
Other Operating Income	1.0%	0.4%	0.7%	0.6%	0.9%	0.7%	0.7%
Other Income	1.8%	1.3%	1.6%	1.3%	1.3%	1.4%	3.6%
Total Income	7.6%	6.0%	6.3%	6.3%	7.0%	6.4%	6.5%
Operating Expenses	1.0%	0.9%	0.9%	0.9%	1.0%	0.9%	1.1%
Employee	0.6%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%
Others	0.4%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%
Operating Profits before provisions	6.6%	5.2%	5.4%	5.4%	6.0%	5.5%	5.5%
Total Provisions	1.1%	0.4%	0.7%	0.7%	1.2%	0.8%	0.6%
PBT	5.4%	4.7%	4.7%	4.7%	4.8%	4.7%	4.9%
Taxes	1.4%	1.2%	1.2%	1.2%	1.1%	1.2%	1.1%
PAT (RoA)	4.0%	3.5%	3.5%	3.5%	3.7%	3.5%	3.7%
Average Assets/Average Equity	8.67	8.80	7.44	6.61	6.97	7.72	8.24
RoE	34.5%	30.7%	26.1%	23.2%	25.7%	27.2%	30.8%

Source: Company, Dimensional Securities

## OUTLOOK & VALUATION: -

We expect IBHF's loan book to grow at 25% CAGR from FY16 to FY18E. LIC housing finance has reported loan book growth of ~15% for FY16. With stable asset quality and low gearing we expect IBHF to deliver superior return ratios (3.5% & 29% ROA & ROE respectively for FY18E). At CMP, the stock is trading at P/B multiple of 2.4x FY17E BV of Rs. 296 and 2.1x FY18E BV of Rs. 334. We recommend a BUY rating with a target of Rs. 745 valuing at 2.6x FY17E BV of Rs 280; after adjusting net worth for investment in North Oak Bank (Rs 660 crs) which is valued at 1x its BV.

## P/BV (Forward)



Source: Company, Dimensional Securities



## Profit & Loss Statement

DESCRIPTION Rs. Cr	FY14	FY15	FY16	FY17E	FY18E
<b>INCOME :</b>					
Interest income	5,187	6,120	7,842	9,708	11,743
Interest Expenses	3,282	3,944	4,971	6,095	7,400
Net Interest Income	1,904	2,176	2,870	3,613	4,342
Fees & Other operating Income	233	344	448	533	628
Other Income	485	805	936	1,483	1,924
Net Revenues	2,622	3,326	4,254	5,628	6,894
<b>EXPENDITURE :</b>					
Employee Expense	264	325	413	560	656
Depreciation	8	19	20	24	27
Other Opex	139	210	187	210	237
Operating Profit before Provisions	2,211	2,772	3,633	4,835	5,976
Provisions and Contingencies	227	300	505	607	712
PBT	1,985	2,472	3,129	4,228	5,264
Tax	413	571	776	1,057	1,369
Profit After Tax	1,571	1,901	2,353	3,171	3,895

Source: Company, Dimensional Securities

## Balance Sheet

DESCRIPTION Rs. Cr	FY14	FY15	FY16	FY17E	FY18E
<b>EQUITY AND LIABILITIES</b>					
Share Capital	67	71	87	87	87
Total Reserves	5,636	6,558	10,610	12,381	13,977
Shareholder's Funds	5,706	6,632	10,697	12,468	14,065
Borrowings	29,313	40,967	49,832	70,014	88,217
Other Liabilities	9,394	9,627	15,901	15,702	19,735
Total Liabilities	44,417	57,231	76,439	98,195	122,028
<b>ASSETS</b>					
Non-Current Assets					
Loans & Advances	35,580	46,473	61,618	77,022	93,967
Fixed Assets & Goodwill	115	123	136	147	159
Investments	2,947	6,164	10,693	11,584	12,221
Cash & Bank	4,419	3,490	2,905	8,157	14,152
Other Assets	1,355	982	1,088	1,286	1,529
Total Assets	44,417	57,231	76,439	98,195	122,028

Source: Company, Dimensional Securities



## Ratio Analysis

	FY14	FY15	FY16	FY17E	FY18E
<b>Operational Ratios (Rs.)</b>					
EPS	47	53	56	75	92
Book Value	171	187	254	296	334
DPS	29	26	38	25	40
<b>Spread Analysis</b>					
Yield on Loans	14.5%	14.4%	14.0%	13.4%	12.9%
Cost of Borrowings	9.8%	9.5%	9.2%	8.7%	8.3%
Interest Spread	4.7%	4.9%	4.8%	4.7%	4.6%
NIM	5.0%	4.7%	4.7%	4.6%	4.4%
<b>Profitability Ratios</b>					
RoE	29%	31%	27%	27%	29%
RoA	3.8%	3.7%	3.5%	3.6%	3.5%
<b>Asset Quality Ratios</b>					
GNPA %	0.8%	0.9%	0.8%	0.9%	0.9%
NNPA %	0.4%	0.3%	0.4%	0.4%	0.4%
<b>Efficiency Ratios</b>					
Int. Exp./Int. Earned	63%	64%	63%	63%	63%
Op. Exp/Net Inc.	26%	29%	26%	25%	24%
Debt / Equity	5.1	6.2	4.7	5.6	6.3
<b>Valuation Ratios</b>					
P/E (x)	5.0	12.1	12.6	9.3	7.6
P/B (x)	1.4	3.5	2.8	2.4	2.1
Dividend Yield	12%	4%	5%	4%	6%

Source: Company, Dimensional Securities



## ANALYST CERTIFICATION

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