

Dewan Housing Finance Ltd

Performance Highlights

Particulars (₹ cr)	4QFY18	3QFY18	% chg (qoq)	4QFY17	% chg (yoy)
NII	667	626	7	536	25
Pre-prov. profit	610	562	9	459	33
PAT	313	306	2	249	26

Source: Company, Angel Research

Dewan Housing Finance (DHFL) posted an impressive operating performance yet again in 4QFY18. The HFC's business grew in the quarter with a 28% yoy rise in loan book to ₹91,932 cr. In line with it, AUMs also increased by 33%yoy in the quarter. At the bottom line, the company's net profit grew by 26%, aided by steady growth of 25% in net interest income, a surge of 70% in other income and a reduction in cost with respect to income, which decreased by 120 bps to 25.4%.

Asset quality intact even when advances surge

During 4QFY18, the company's AUM grew by 23%, 57%, 42% and 61% in home loans, LAP, corporate loan and SME loans, respectively. Aggressive growth is witnessed in LAP as the interest rate is higher than that of home loans. This increasing concentration on LAP helps the NIM to be at 3% even with competitive rise in total loans and other assets. Off balance sheet, AUM stood at 17% of total AUM as of 4QFY18. The company's loan book also increased simultaneously. On yoy basis, disbursements and sanctions spiked by 85% and 81%, respectively.

Added to this, borrowings increased by 11.3%, while the cost of funds was almost same. The mix in borrowing remained largely unchanged with banks accounting for 42% of total borrowings, followed by capital markets (40%) and others (18%).

Even when the loans and advances soar, DHFL is careful about its asset quality. The company maintains an excellent asset quality with GNPA at 1% of the advances and NNPA at 0.5% at the end of 4QFY18. The company increased provisions by 57%yoy and 30%qoq.

Outlook & Valuation: We expect the company to post a healthy loan book CAGR of 28.5% over FY2017-20E, which is likely to translate in earnings CAGR of 28%, over the same period. At the current level, the stock is valued at 1.8x FY2020E ABV. We maintain BUY on the stock, and retain our target price of ₹740.

Key financials (Standalone)

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2021E
NII	1,859	2,460	3,114	3,789
% chg	25.5	32.4	26.6	21.7
Net profit	927	1,174	1,565	1,931
% chg	27.1	26.7	33.2	23.4
NIM (%)	2.3	2.5	2.6	2.5
EPS (₹)	29.6	37.4	49.9	61.6
P/E (x)	21.3	16.8	12.6	10.2
P/ABV (x)	2.5	2.3	2.1	1.8
RoA (%)	1.3	1.3	1.4	1.4
RoE (%)	14.4	14.0	16.6	17.8

Source: Company, Angel Research; Note: CMP as of May 10, 2018

BUY

CMP	₹625
Target Price	₹740
Investment Period	12 Months

Stock Info

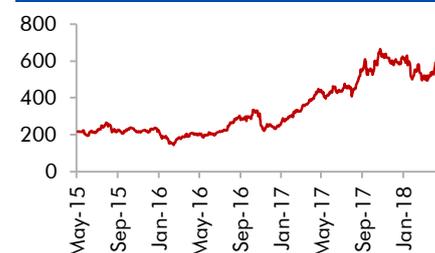
Sector	HFC
Market Cap (₹ cr)	19,580
Beta	2.3
52 Week High / Low	680.6/387.2
Avg. Daily Volume	4,40,992
Face Value (₹)	10
BSE Sensex	35,216
Nifty	10,718
Reuters Code	DWNH.NS
Bloomberg Code	DEWH.IN

Shareholding Pattern (%)

Promoters	39.2
MF / Banks / Indian Fls	9.5
FII / NRIs / OCBs	20.5
Indian Public / Others	16.3

Abs. (%)	3m	1yr	3yr
Sensex	2.0	17.0	30.0
DHFL	9.4	102.7	153.3

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarterly update

Y/E March ('cr)	4QFY18	3QFY18	%qoq	4QFY17	%yoy	FY18	FY17	%chg
Interest Income	2647	2520	5	2283	16	10024	8512	18%
Interest Expenses	1980	1894	5	1747	13	7564	6654	14%
Net Interest Income	667	626	7	536	25	2460	1859	32%
Fees and Other Income	161	114	41	95	69	441	345	28%
Total Income	828	740	12	631	31	2901	2204	32%
Operating Expenses	218	178	22	172	27	722	583	24%
Employee	100	89	13	66	53	357	262	36%
Others	118	89	32	106	11	338	297	14%
Operating Profits	610	562	9	459	33	2179	1620	34%
Provisions	130	100	30	83	57	420	218	93%
PBT	480	462	4	376	28	1759	1402	25%
Taxes	167	156	7	127	31	584	475	23%
PAT	313	306	2	249	26	1174	927	27%

Source: Company

Exhibit 2: Business Snapshot

Y/E March (₹ cr)	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	%YoY	%QoQ
Business										
Sanctions	8,801	8,437	9,459	13,149	10,863	14,201	16,552	24,300	85	47
Disbursements	6,215	6,609	7,059	8,700	8,237	9,950	10,846	15,770	81	45
AUM	71,940	75,223	78,296	83,560	88,236	93,995	1,01,286	1,11,090	33	10
Borrowing Mix (%)										
Banks	52	44	42	42	44	43	41	42		
DCM	32	43	42	42	39	40	41	40		
FD	9	8	9	8	9	9	10	11		
Multilateral Agencies	5	4	4	4	4	4	4	3		
NHB	2	1	4	4	4	4	4	3		
Loan Mix (%)										
Retail home loans	72	70	69	66	66	64	63	61		
LAP	16	16	16	17	17	18	18	20		
Builder	10	12	13	14	15	15	15	15		
SME	3	3	3	3	3	3	4	4		
Retail home loans	51,489	52,807	53,946	54,982	57,795	59,935	63,810	67,765	23	6
LAP	11,522	11,810	12,214	14,122	14,647	16,748	18,231	22,218	57	22
Builder	7,057	8,651	9,787	11,698	12,971	14,207	15,193	16,664	42	10
SME	1,872	1,956	2,349	2,757	2,824	3,105	4,051	4,444	61	10

Source: Company

Balance Sheet Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	292	313	314	314	314
Reserve & Surplus	4,600	7,683	8,482	9,753	11,317
Net Worth	4,892	7,996	8,796	10,067	11,630
Borrowings	51,556	71,023	79,027	1,01,154	1,27,454
- Growth (%)	27.3	37.8	11.3	28.0	26.0
Other Liabilities & Provisions	11,405	13,280	19,750	20,036	26,842
Total Liabilities	67,853	92,298	1,07,572	1,31,257	1,65,927
Cash & Bank Balance	3,408	3,430	2,468	2,518	2,568
Investments	893	13,535	8,077	3,679	4,288
Advances	61,775	72,096	91,932	1,19,512	1,52,975
- Growth (%)	21.0	16.7	27.5	30.0	28.0
Fixed Assets	781	843	979	1,021	1,115
Other Assets	996	2,394	4,117	4,528	4,981
Total Assets	67,853	92,298	1,07,572	1,31,257	1,65,927
- Growth (%)	24.2	36.0	16.5	22.0	26.4

Standalone Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	1,481	1,859	2,460	3,114	3,789
- YoY Growth (%)	17.8	25.5	32.4	26.6	21.7
Other Income	329	345	441	507	603
- YoY Growth (%)	24.0	4.7	27.8	15.0	18.9
Operating Income	1,810	2,204	2,901	3,621	4,392
- YoY Growth (%)	18.9	21.8	31.7	24.8	21.3
Operating Expenses	533	583	722	799	883
- YoY Growth (%)	12.4	9.5	23.9	10.7	10.5
Pre - Provision Profit	1,277	1,620	2,179	2,821	3,509
- YoY Growth (%)	21.9	26.9	34.5	29.5	24.4
Provision and Contingencies	175	218	420	486	627
- YoY Growth (%)	66.7	24.6	92.7	15.8	28.9
Profit Before Tax	1,102	1,402	1,759	2,335	2,882
- YoY Growth (%)	16.9	27.2	25.4	32.8	23.4
Provision for Taxation	373	475	584	771	951
- as a % of PBT	33.8	33.9	33.0	33.0	33.0
PAT	729	927	1,174	1,565	1,931
- YoY Growth (%)	17.4	27.1	26.7	33.2	23.4
Exception Item	-	1,969	-	-	-
Reported PAT	729	2,896	1,174	1,565	1,931

Key Ratio

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability ratios (%)					
NIMs (Calculated)	2.4	2.3	2.5	2.6	2.5
Cost to Income ratio	29.4	26.5	24.9	22.1	20.1
Cost to Asset ratio	0.9	0.7	0.7	0.7	0.6
ROA	1.3	1.3	1.3	1.4	1.4
ROE	15.3	14.4	14.0	16.6	17.8
CAR %	16.7	19.3	17.0	15.0	14.0
Asset Quality					
Gross NPAs (%)	0.9	0.9	0.9	1.0	1.0
Net NPAs (%)	0.6	0.6	0.5	0.6	0.6
Credit Cost (%)	0.3	0.3	0.5	0.5	0.5
Provision coverage	38	38	38	37	40
Per Share Data (₹)					
EPS	25.0	29.6	37.4	49.9	61.6
BV	168	255	280	321	371
ABVPS	160	247	271	307	354
DPS	8.0	4.0	6.0	8.0	10.0
Valuation Ratios					
PER (x)	25.2	21.3	16.8	12.6	10.2
P/BVPS (x)	3.8	2.5	2.2	2.0	1.7
P/ABVPS (x)	3.9	2.5	2.3	2.1	1.8
Dividend Yield	1.3	0.6	1.0	1.3	1.6
Dupont Analysis					
Interest Income	11.4	10.6	10.0	10.4	10.5
Interest Expenses	9.0	8.3	7.6	7.8	7.9
NII	2.4	2.3	2.5	2.6	2.5
Other Income	0.5	0.4	0.4	0.4	0.4
Total Income	3.0	2.8	2.9	3.0	3.0
Operating Expenses	0.9	0.7	0.7	0.7	0.6
PPP	2.1	2.0	2.2	2.4	2.4
Provisions	0.3	0.3	0.4	0.4	0.4
PBT	1.8	1.8	1.8	2.0	1.9
Tax	0.6	0.6	0.6	0.6	0.6
ROA	1.2	1.2	1.2	1.3	1.3
Leverage	12.9	12.4	11.9	12.7	13.7
ROE	15.3	14.4	14.0	16.6	17.8

Source: Note - Valuation done on closing price of 07/05/2018