

DEWAN HOUSING FINANCE LTD

Update

Due to the development regarding the cobra post expose on DHFL, we recommend a Neutral rating on the stock, given the significant uncertainties that now surround the stock.

In order to address investor concerns, the management had conducted a conference call with investors today. However, the management was unable to satisfactorily counter some of the allegations made by Cobrapost by providing concrete facts. Post the management's concall there are still lots of unanswered questions like

1. Delay in management's response countering the Cobrapost allegations with a line by line rebuttal backed by concrete facts and figures.
2. Whether MF/Banks would continue to lend to DHFL going forward and whether the company will be able to manage redemption pressures in case lenders start calling in their loans.
3. Whether the allegations will have an adverse impact on non-core asset monetisation plan of the company.

Over the last 4 months, there has been a broader correction in markets and especially midcap space & NBFC space, triggered by the IL&FS crisis amongst other things. DHFL had also corrected sharply, however being a 1) "AAA" rated company with 2) Deloitte as auditor, & 3) tightly regulated by RBI/NHB, 4) public deposit taking company having large number of reputed banks/MFs as lenders, and 5) major institutions as shareholder. Therefore the reasons for correction were uncertain.

Management had taken several steps to resolve liquidity issue post IL&FS event. However, before these measures could play out, the cobra post allegation has emerged and significantly increased the risk associated with DHFL.

Hence, in our opinion, it will take long time for the dust to settle and for the company to regain investor confidence. Considering the above issues, we believe that the risk reward is not favourable at the current juncture. **Thus, we recommend a Neutral rating on the stock.**

NEUTRAL

CMP	₹162
Target Price	-
Investment Period	-

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Disclosure of Interest Statement

Disclosure of Interest Statement	DHFL
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No