

## Dewan Housing Finance

### Performance Highlights

Particulars (₹ cr)	3QFY18	2QFY18	% chg (qoq)	3QFY17	% chg (yoy)
<b>NII</b>	<b>626</b>	<b>601</b>	<b>4.2</b>	<b>516</b>	<b>21.3</b>
Pre-prov. profit	563	542	3.9	417	35.0
<b>PAT</b>	<b>307</b>	<b>294</b>	<b>4.4</b>	<b>245</b>	<b>25.2</b>

Source: Company, Angel Research

Dewan Housing Finance Ltd (DHFL) came out with yet another quarter of good results for Q3FY2018. AUM growth of 29.4% and PAT growth of 25.2% was in-line with expectations. NIM on AUM marginally declined by 7bps to 2.56% qoq, as the incremental yield on disbursement was lower.

**Loan growth remained decent:** DHFL reported a 29.4% yoy growth in AUM to ₹ 1,01,286cr. Home loan/Loan against property/Project fin/SME segments grew 18/49/55/72% yoy respectively. The disbursements remained strong growing by 26% yoy at ₹6,215cr. 17% of the AUM is off book. Entire SME book has been securitised.

**Asset quality remained stable:** DHFL has maintained stable asset quality over the last few quarters. During the current quarter, GNPA remained stable at 0.96%. On a yoy basis, provision was up 122%, however looking at the strong growth in non individual loan book, where the regulatory requirements of provisions are high; it appears the provisioning growth is reasonable.

**Marginal decline in NIM:** Yield has come down in the last one quarter due to overall competition, and hence the calculated NIM was lower at 2.56% compared to 2.64% in Q2FY18. We believe increasing exposure to the high yielding project loans and LAP portfolio will enable it in maintaining NIM above 2.6% level.

**Outlook and valuation:** We expect the company to post a healthy loan book CAGR of 23% over FY2017-20E, which is likely to translate in earnings CAGR of 26%, over the same period. At the current level, the stock is valued at 1.7x FY2020E ABV. **We maintain BUY on the stock, and retain our target price of ₹720.**

### Key financials (standalone)

Y/E March (₹ cr)	FY16	FY17	FY18E	FY19E	FY20E
<b>NII</b>	<b>1,481</b>	<b>1,859</b>	<b>2,279</b>	<b>2,927</b>	<b>3,440</b>
% chg	17.8	25.5	22.6	28.4	17.5
<b>Net profit</b>	<b>729</b>	<b>927</b>	<b>1,171</b>	<b>1,556</b>	<b>1,861</b>
% chg	17.4	27.1	26.3	32.8	19.6
NIM (%)	2.4	2.3	2.4	2.7	2.6
<b>EPS (₹)</b>	<b>25.0</b>	<b>29.6</b>	<b>37.4</b>	<b>49.7</b>	<b>59.4</b>
P/E (x)	23.8	20.1	15.9	12.0	10.0
P/ABV (x)	3.8	2.5	2.2	2.0	1.7
RoA (%)	1.3	1.3	1.3	1.5	1.5
RoE (%)	15.3	14.4	13.8	16.2	17.0

Source: Source: Company, Angel Research; Note: CMP as of January 25, 2018

## BUY

CMP	₹596
Target Price	₹720

Investment Period	12 months
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### Stock Info

Sector	HFC
Market Cap (₹ cr)	18,698
Beta	1.6
52 Week High / Low	678/277.4
Avg. Daily Volume	3,41,668
Face Value (₹)	10
BSE Sensex	36,050
Nifty	11,069
Reuters Code	DWNH.BO
Bloomberg Code	DEWH.IN

### Shareholding Pattern (%)

Promoters	39.2
MF / Banks / Indian Fls	10.2
FII / NRIs / OCBs	20.8
Indian Public / Others	29.8

Abs. (%)	3m	1yr	3yr
Sensex	9.0	33.4	23.1
DHFL	(3.3)	108.2	139.4

### 3-Year Daily Price Chart



Source: Company, Angel Research

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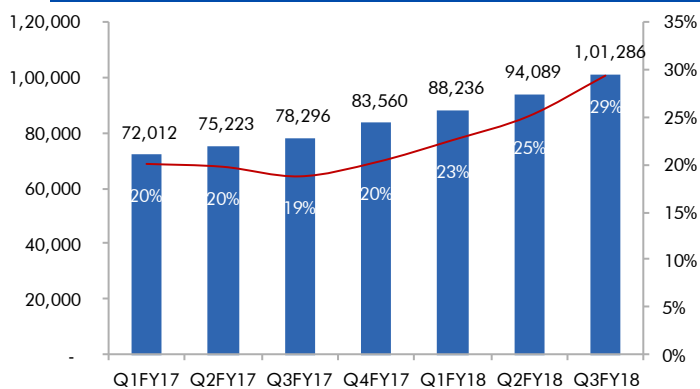
**Exhibit 1: 3QFY2018 performance (standalone)**

	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	% YoY	% QoQ
Interest Income	1,846	1,916	1,932	2,123	2,316	2,283	2,353	2,504	2,520	8.8	0.6
Interest Expenses	1,420	1,479	1,475	1,631	1,800	1,747	1,787	1,903	1,894	5.2	-0.5
<b>NII</b>	<b>426</b>	<b>438</b>	<b>457</b>	<b>492</b>	<b>516</b>	<b>536</b>	<b>566</b>	<b>601</b>	<b>626</b>	<b>21.3</b>	<b>4.2</b>
Other Income	39	50	27	45	51	95	55	111	114	123.5	2.7
Total Income	465	488	484	537	567	631	621	712	740	30.5	3.9
Operating Expenses	130	150.1	130	133	143	168	151	164	170	18.9	3.7
Cost / Income %	28.0	30.8	26.9	24.8	25.2	26.6	24.3	23.0	23.0		
Depreciation	7	5	6	7	7	3	6	6	7	4.3	16.7
<b>PPP</b>	<b>328</b>	<b>333</b>	<b>348</b>	<b>397</b>	<b>417</b>	<b>459</b>	<b>464</b>	<b>542</b>	<b>563</b>	<b>35.0</b>	<b>3.9</b>
Provisions	48	50	45	45	45	83	83	107	100	122.2	-6.5
PBT	280	283	303	352	372	376	381	435	463	24.4	6.4
Tax	95	93	102	120	127	127	120	141	156	22.9	10.6
Tax Rate %	34	33	34	34	34	34	32	32	34		
PAT	185	190	201	232	245	249	260	294	307	25.2	4.4
Extra Ordinary Gain	0	0	0	0	0	1,969	0	0	0		
<b>Reported PAT</b>	<b>185</b>	<b>190</b>	<b>201</b>	<b>232</b>	<b>245</b>	<b>2,218</b>	<b>260</b>	<b>294</b>	<b>307</b>	<b>25.2</b>	<b>4.4</b>

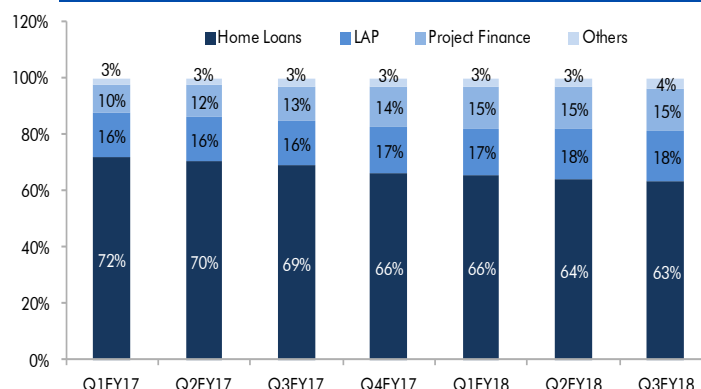
Source: Company, Angel Research

**Loan growth remained decent:** DHFL reported a 29.4% yoy growth in AUM to ₹1,01,286cr. HL/LAP/PF/SME segments grew 18/49/55/72% yoy. The disbursements remained strong growing by 26% yoy at ₹ 6,215cr. 17% of the AUM is off book. Entire SME book has been securitised.

**Project loans growing faster than overall loan:** Loans to individuals grew by 18.3% yoy (63% of the AUM). DHFL continued to aggressively expand its non individual loan book, primarily the loans to projects, which went up by 55.2% yoy accounting for ~15% of the AUM compared to 13% at the end of Q3FY17. We believe DHFL will continue to expand the high yielding developer loan book in the near term.

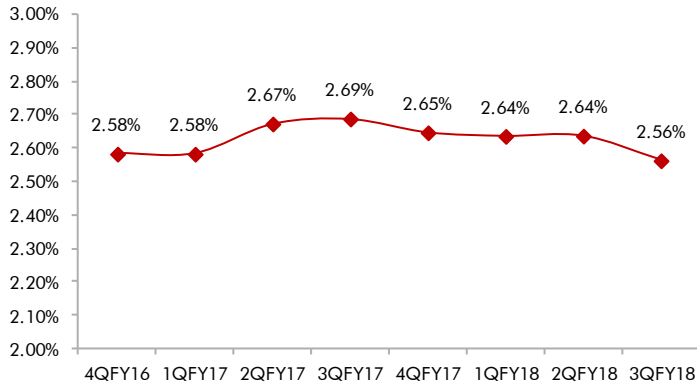
**Exhibit 2: AUM (₹cr), yoy growth**


Source: Company, Angel Research

**Exhibit 3: Product mix**


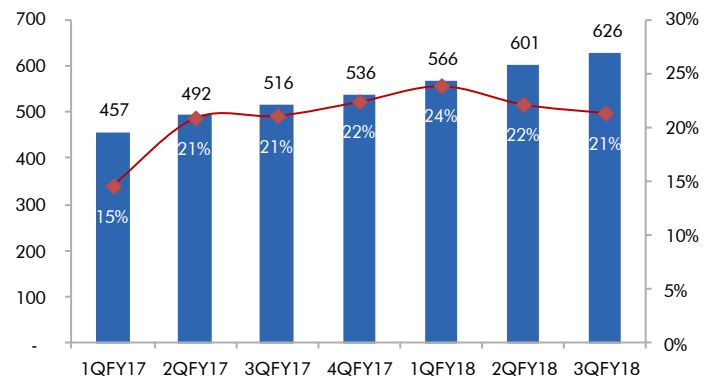
Source: Company, Angel Research

**Exhibit 4: Marginal decline in NIM**



Source: Company, Angel Research

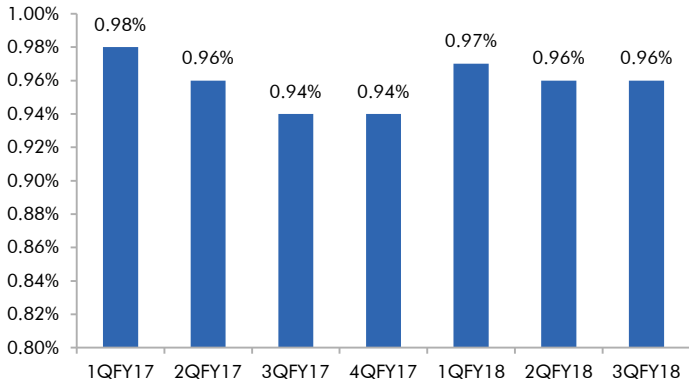
**Exhibit 5: NII (₹ cr) growth trend remains healthy**



Source: Company, Angel Research

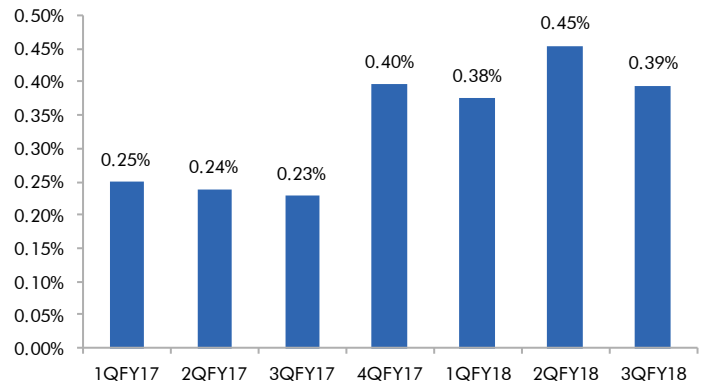
**Asset quality remained stable:** DHFL has maintained stable asset quality over the last few quarters. During the current quarter, GNPA remained stable at 0.96%. On a yoy basis provision was up 122%, however looking at the strong growth in non individual loan book, where the regulatory requirements of provisions are high, it appears the provisioning growth is reasonable.

**Exhibit 6: Stable asset quality**



Source: Company, Angel Research

**Exhibit 7: Credit cost**



Source: Company, Angel Research

## Outlook and valuation

**Outlook and valuation:** We expect the company to post a healthy loan book CAGR of 23% over FY2017-20E, which is likely to translate in earnings CAGR of 26% over the same period. At the current level, the stock is valued at 1.7x FY2020E ABV. **We maintain BUY on the stock, and retain our target price of ₹720**

**Income statement (standalone)**

Y/E March (₹ cr)	FY16	FY17	FY18E	FY19E	FY20E
<b>Net Interest Income</b>	<b>1,481</b>	<b>1,859</b>	<b>2,279</b>	<b>2,927</b>	<b>3,440</b>
- YoY Growth (%)	17.8	25.5	22.6	28.4	17.5
<b>Other Income</b>	<b>329</b>	<b>345</b>	<b>397</b>	<b>456</b>	<b>525</b>
- YoY Growth (%)	24.0	4.7	15.0	15.0	15.0
<b>Operating Income</b>	<b>1,810</b>	<b>2,204</b>	<b>2,676</b>	<b>3,383</b>	<b>3,965</b>
- YoY Growth (%)	18.9	21.8	21.4	26.4	17.2
<b>Operating Expenses</b>	<b>533</b>	<b>583</b>	<b>644</b>	<b>711</b>	<b>784</b>
- YoY Growth (%)	12.4	9.5	10.4	10.5	10.3
<b>Pre - Provision Profit</b>	<b>1,277</b>	<b>1,620</b>	<b>2,032</b>	<b>2,672</b>	<b>3,181</b>
- YoY Growth (%)	21.9	26.9	25.4	31.5	19.0
<b>Provision and Contingencies</b>	<b>175</b>	<b>218</b>	<b>284</b>	<b>350</b>	<b>403</b>
- YoY Growth (%)	66.7	24.6	30.2	23.3	15.0
<b>Profit Before Tax</b>	<b>1,102</b>	<b>1,402</b>	<b>1,748</b>	<b>2,322</b>	<b>2,778</b>
- YoY Growth (%)	16.9	27.2	24.7	32.8	19.6
<b>Provision for Taxation</b>	<b>373</b>	<b>475</b>	<b>577</b>	<b>766</b>	<b>917</b>
- as a % of PBT	33.8	33.9	33.0	33.0	33.0
<b>PAT</b>	<b>729</b>	<b>927</b>	<b>1,171</b>	<b>1,556</b>	<b>1,861</b>
- YoY Growth (%)	17.4	27.1	26.3	32.8	19.6
Exception Item	-	1,969	-	-	-
<b>Reported PAT</b>	<b>729</b>	<b>2,896</b>	<b>1,171</b>	<b>1,556</b>	<b>1,861</b>

Source:

**Balance sheet (standalone)**

Y/E March (₹ cr)	FY16	FY17	FY18E	FY19E	FY20E
Share Capital	292	313	313	313	313
Reserve & Surplus	4,600	7,683	8,634	9,897	11,392
<b>Net Worth</b>	<b>4,892</b>	<b>7,996</b>	<b>8,947</b>	<b>10,210</b>	<b>11,705</b>
<b>Borrowings</b>	<b>51,556</b>	<b>71,023</b>	<b>83,807</b>	<b>1,00,568</b>	<b>1,20,682</b>
- Growth (%)	27.3	37.8	18.0	20.0	20.0
Other Liabilities & Provisions	11,405	13,280	6,385	9,122	12,672
<b>Total Liabilities</b>	<b>67,853</b>	<b>92,298</b>	<b>99,139</b>	<b>1,19,901</b>	<b>1,45,058</b>
Cash & Bank Balance	3,408	3,430	3,499	3,569	3,640
Investments	893	13,535	1,995	2,545	3,097
<b>Advances</b>	<b>61,775</b>	<b>72,096</b>	<b>90,120</b>	<b>1,09,947</b>	<b>1,34,135</b>
- Growth (%)	21.0	16.7	25.0	22.0	22.0
Fixed Assets	781	843	891	944	1,000
Other Assets	996	2,394	2,634	2,897	3,187
<b>Total Assets</b>	<b>67,853</b>	<b>92,298</b>	<b>99,139</b>	<b>1,19,901</b>	<b>1,45,058</b>
- Growth (%)	24.2	36.0	7.4	20.9	21.0

### Key Ratios

Y/E March	FY16	FY17	FY18E	FY19E	FY20E
<b>Profitability ratios (%)</b>					
NIMs ( Calculated)	2.4	2.3	2.4	2.7	2.6
Cost to Income ratio	29.4	26.5	24.1	21.0	19.8
Cost to Asset ratio	0.9	0.7	0.7	0.6	0.6
ROA	1.3	1.3	1.3	1.5	1.5
ROE	15.3	14.4	13.8	16.2	17.0
<b>CAR %</b>	<b>16.7</b>	<b>19.3</b>	<b>17.0</b>	<b>15.0</b>	<b>14.0</b>
<b>Asset Quality</b>					
Gross NPAs (%)	0.9	0.9	1.0	1.0	1.0
Net NPAs (%)	0.6	0.6	0.6	0.6	0.6
Credit Cost (%)	0.3	0.3	0.4	0.4	0.3
Provision coverage	38	38	37	40	40
<b>Per Share Data (₹)</b>					
EPS	25.0	29.6	37.4	49.7	59.4
BV	168	255	286	326	374
ABVPS	155	242	268	305	348
DPS	8.0	4.0	6.0	8.0	10.0
<b>Valuation Ratios</b>					
PER (x)	23.8	20.1	15.9	12.0	10.0
P/BVPS (x)	3.5	2.3	2.1	1.8	1.6
P/ABVPS (x)	3.8	2.5	2.2	2.0	1.7
Dividend Yield	1.3	0.7	1.0	1.3	1.7
<b>DuPont Analysis</b>					
Interest Income	11.4	10.6	10.4	10.9	10.7
Interest Expenses	9.0	8.3	8.0	8.2	8.1
<b>NII</b>	<b>2.4</b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>	<b>2.6</b>
Other Income	0.5	0.4	0.4	0.4	0.4
Total Income	3.0	2.8	2.8	3.1	3.0
Operating Expenses	0.9	0.7	0.7	0.6	0.6
<b>PPP</b>	<b>2.1</b>	<b>2.0</b>	<b>2.1</b>	<b>2.4</b>	<b>2.4</b>
Provisions	0.3	0.3	0.3	0.3	0.3
PBT	1.8	1.8	1.8	2.1	2.1
Tax	0.6	0.6	0.6	0.7	0.7
<b>ROA</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.4</b>	<b>1.4</b>
Leverage	12.9	12.4	11.3	11.4	12.1
<b>ROE</b>	<b>15.3</b>	<b>14.4</b>	<b>13.8</b>	<b>16.2</b>	<b>17.0</b>

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Disclosure of Interest Statement	Dewan Housing
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)