Dewan Housing Finance Corporation

Parallel play on "Housing for All"

Dewan Housing Finance Corporation Ltd (DHFL) is the third largest housing finance company in India with a market share of ~4%. With a focus on the low and medium income (LMI) consumer segment, the company has increased its presence in tier-II & III cities where the growth opportunity is immense. With strong asset quality and healthy return ratios, the company is all set to witness its next leg of growth.

DHFL is the 3rd largest private sector housing finance company with a scalable business model: Given the present declining interest rate scenario, the housing finance industry is likely to emerge stronger. After delivering 39% AUM CAGR over FY2010-15, we expect DHFL to grow at a CAGR of 20% over FY2015-18, as demand for housing in the middle & low income group is expected to pick up, which is the focus area for the company. Backed by stable asset quality and firm margins, DHFL has reported a 32% CAGR in PAT over FY2010-15 and we expect the same to grow by 21.3% (CAGR) over FY2015-18.

Seasoned and granular loan book with stable asset quality: DHFL is a pioneer in the home loan business with nearly three decades of experience and has achieved strong underwriting skills. Individual borrowers account for 75%, while the high yielding loan against property (LAP) and projects loans account for 16% and 8% of advances, respectively. The company has increased its average ticket size from ₹0.59mn in FY2011 to ₹1.2mn by FY2015, while it has brought down its loan-to-value (LTV) from 61.8% to 46.9% during the same period. Despite strong loan growth, the GNPAs and NNPAs of the company are likely to be at ~1.05% and 0.71%, respectively, for FY2016. We don't expect any major deterioration in the asset quality going ahead.

Lower cost of funds will help maintain NIM: After its rating having got upgraded to AAA from AA+ earlier by CARE the incremental cost of funds for the company has come down and is likely to continue to remain favorable. Nearly 70% of the bank borrowings are due for maturity over the next three years and swapping a part of that with non-convertible debentures (NCDs), where it has ~100bp cost benefit, will help DHFL in maintaining its NIM at ~2.86%.

NHB's move to reduce risk weightage will help further leveraging: The National Housing Bank (NHB) has recently revised LTV to as high as 90% for home loans upto ₹30lakh against ₹20lakh earlier and reduced the risk weightage on the same to 35% vs 50% earlier. This move will give a fillip to the affordable home segments. DHFL being a key player in this segment will be able to growth its balance sheet by further increasing its leverage, with lower incremental capital requirement. Further the promoters have subscribed warrants worth ₹500cr, which will improve the CAR (which currently stands at 16.4%).

Outlook and valuation: We expect the company to post a healthy loan book CAGR of 20% over FY2015-18E, which is likely to translate in an earnings CAGR of 21.3%, over the same period. The stock currently trades at 0.8x FY2018E ABV. **We recommend a Buy on the stock, with a target price of ₹270.**

Key Financials (Standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E	FY2018E
NII	**888**	**1,256**	**1,621**	**1,993**	**2,431**
% chg	30.9	41.5	29.0	22.9	22.0
Net profit	**527**	**620**	**757**	**898**	**1,107**
% chg	14.8	17.8	22.0	18.7	23.2
NIM (%)	2.4	2.8	2.9	2.9	2.7
EPS (₹)	**20.5**	**21.3**	**25.9**	**30.8**	**35.4**
P/E (x)	8.6	8.3	6.8	5.8	5.0
P/ABV (x)	1.4	1.2	1.0	0.9	0.8
RoA (%)	1.3	1.3	1.2	1.2	1.1
RoE (%)	15.5	15.1	15.3	15.9	16.4

Source: Company, Angel Research; Note: CMP as of April 5, 2016

BUY

CMP	₹189
Target Price	₹270
Investment Period	12 Months

Stock Info	
Sector	HFC
Market Cap (₹ cr)	5,547
Beta	1.5
52 Week High / Low	268 / 141
Avg. Daily Volume	1,29,241
Face Value (₹)	10
BSE Sensex	24,884
Nifty	7,603
Reuters Code	DWNH.BO
Bloomberg Code	DEWH.IN

Shareholding Pattern (%)	
Promoters	34.9
MF / Banks / Indian FIs	2.0
FII / NRIs / OCBs	35.9
Indian Public / Others	27.2

Abs.(%)	3m	1yr	3yr
Sensex	(2.7)	(12.7)	34.9
DHFL	(17.8)	(18.9)	137.0

3-Year Daily Price Chart

Source: Company, Angel Research

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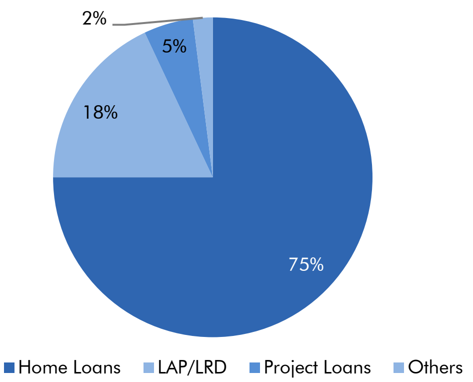
Seasoned and granular loan book gaining further strength: DHFL has a diversified loan book, with individual borrowers accounting for 75% of the advances. Within the retail loan book, 60% of the advances are towards purchase of flats, 13% is accounted by the self construction segment, while the high yielding LAP and projects loans account for 16% and 8%, respectively. Loans to the individual segment normally carry a low risk of default as has been historically witnessed. Loans to builders are generally perceived to be risky; still, DHFL has so far been able to manage this loan portfolio with minimum NPAs.

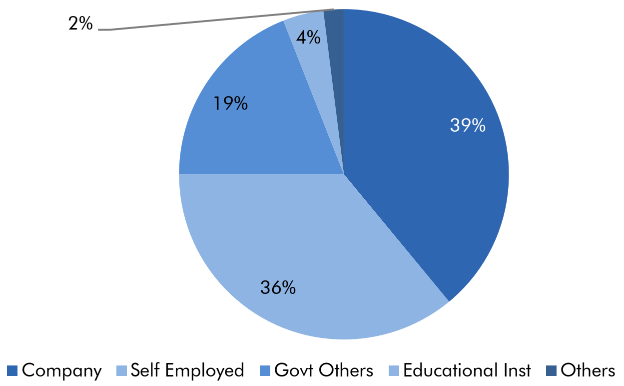
Based on customer profile the company's loan book is well diversified with ~60% of it accounted by service holders, within which ~18% is towards government employees while the balance is accounted by private sector employee. In order to diversify its client base DHFL over the last few years has increased advances to the self-employed segment which now accounts for 34% of the loan book compared to 19% in FY2011. The company is also engaged in funding the construction of educational institutes which accounts for 4% of the loan book. Further, the company has recently forayed into lending to the SME segment, which accounts for 2% of the total loan portfolio. The company doesn't intend to go aggressive on MSE loans although it believes that the segment has strong growth prospects and the potential to offer attractive yields.

Exhibit 1: Retail Oriented loan book growing strong



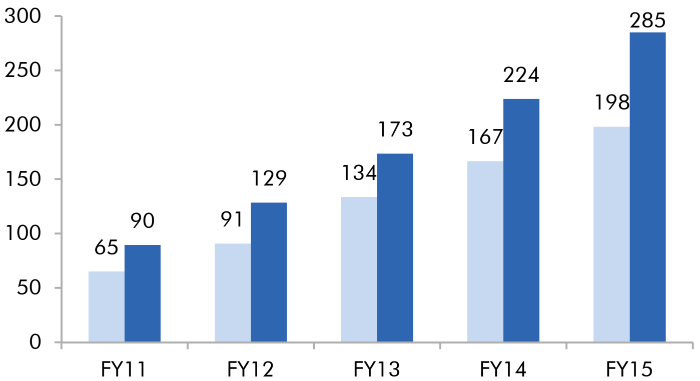
Source: Company, Angel Research

Exhibit 2: Diversified customer profile



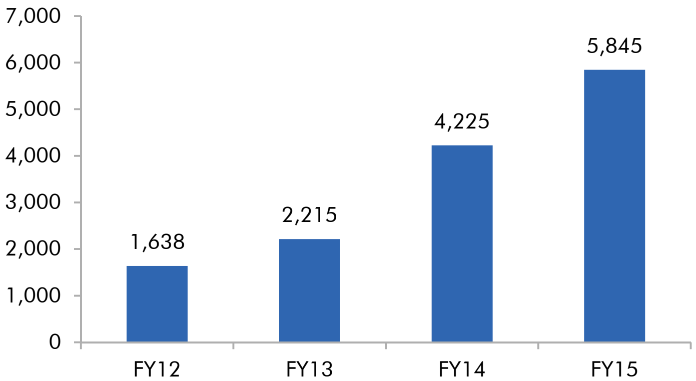
Source: Company, Angel Research

Exhibit 3: Strong growth in sanctions & disbursements



Source: Company, Angel Research

Exhibit 4: Securitized portfolio (In Rs cr)



Source: Company, Angel Research

Increase in average ticket size with a simultaneous reduction in LTV: The company has increased its average ticket size from ₹0.59mn in FY2011 to ₹1.2mn by FY2015, while on the other hand it has brought down its blended LTV from 61.8% to 46.9% during the same period. Lower LTV reduces the incremental risk in case of a default while simultaneously increasing the average ticket size helps in meeting business growth. Both the moves are certainly a positive for the long term growth of the company.

DHFL also maintains a decent income to installment ratio of 39%, in line with the industry, which is a key indicator of borrowers' repayment capability. Increase in average ticket size can largely be attributed to inflation in real-estate prices. The incremental average ticket size of the company in the home loan segment has risen to ~₹18 lakhs, which again is in line with the industry. While in the LAP segment, the average ticket size stands at ₹25 lakhs and the incremental ticket size is at ₹28 lakhs.

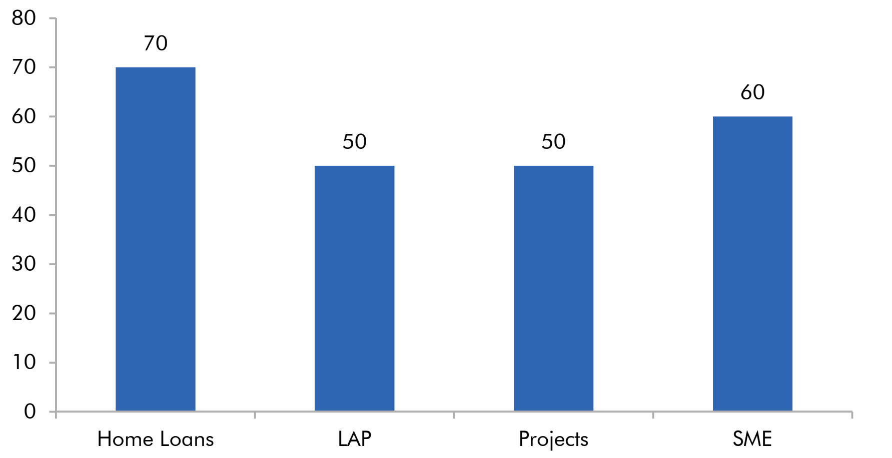
In the builder loan segment DHFL normally lends to mid and small sized builders. Ideally the loans are given for entire projects and not just for working capital. This ensures enough security as it gets the first charge on the receivables from the proceeds in case of liquidation. The average ticket size for builder loans remains at ₹20cr and the incremental ticket size is at ~₹30cr.

Exhibit 5: Segmental Ticket Size (Average & Incremental)

Category	Incremental	Average
Home Loan	₹18 lakhs	₹12 lakhs
LAP	₹28 lakhs	₹25 lakhs
Builder Loan	₹30cr	₹20cr

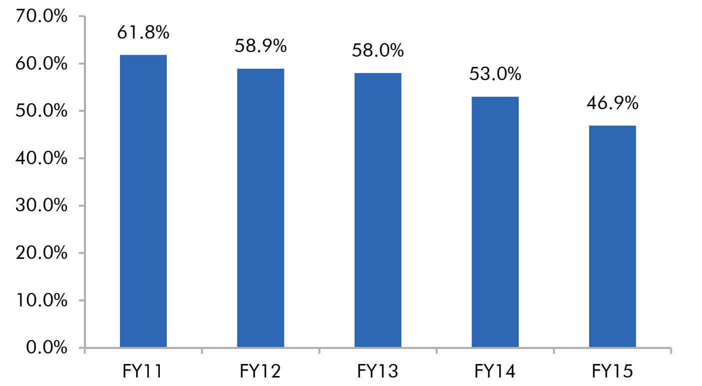
Source: Company, Angel Research

Exhibit 6: Segmental LTV



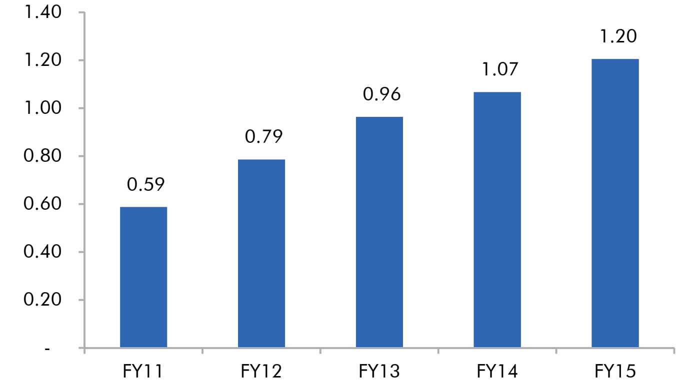
Source: Company, Angel Research

Exhibit 7: Decreasing LTV (Blended)



Source: Company, Angel Research

Exhibit 8: Average Ticket Size *(In Rs mn)*



Source: Company, Angel Research

Exhibit 9: Comparative data

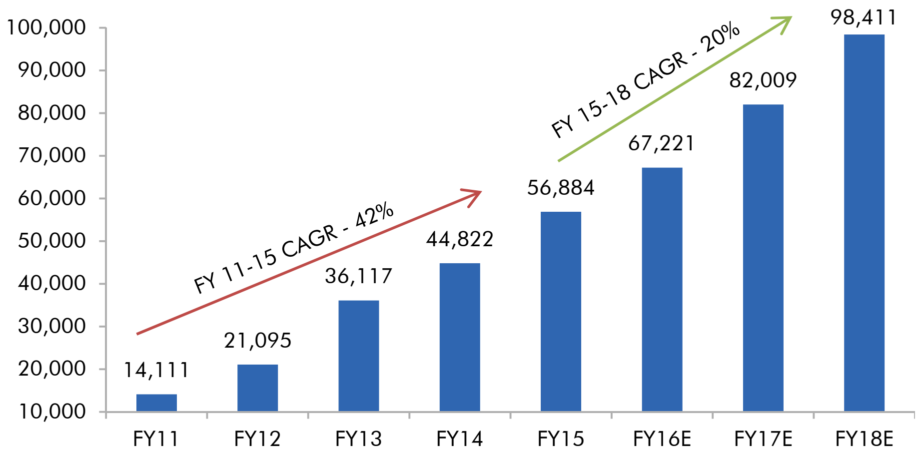
Name of the Company	DHFL	India Bulls Housing	REPCO	LIC Housing	Can Fin Homes	HDFC Ltd
Loan Bifurcation						
Retail	74	76	81	91	84	69
Non Retail	26	24	19	9	16	31
Of Which						
LAP	16	0	19	6	0	0
Developer	6	0	0	3	0	30
Average Ticket Size						
Housing Loan (Rs Lakhs)	12	25	12	18.2	17.3	25
Non Housing Loan	25	73			12.8	
LTV %						
LTV %	49.1	71	62	50-60	63	65
LTV						
Instalment to Income Ratio	39.2	NA	50	30-40	50	0

Source: Company, Angel Research

Company expected to report AUM CAGR of 20% and PAT CAGR of 21.3% over FY2015-18: DHFL has delivered 39% AUM CAGR over FY2010-15, backed by increasing geographical penetration and higher incremental average ticket size of its loans. The company has been able to increase the average ticket size of its loan portfolio on a continuous basis. The incremental average ticket size, at ₹17 lakhs, is ~40% higher than the average ticket size of ₹12 lakhs for FY2015. In our view, this higher incremental loan size together with widening market share would propel growth for the company going ahead.

We expect the company to deliver AUM CAGR of 20% over FY2015-18, as demand for housing in the middle and low income group is expected to pick up, on the back of lower interest rates and the governments thrust on affordable housing.

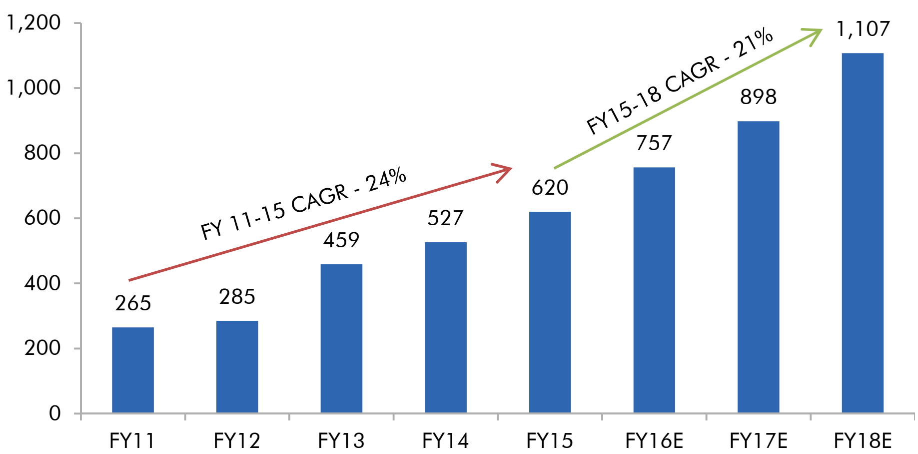
Exhibit 10: AUM trend (In Rs Cr)



Source: Company, Angel Research

DHFL has maintained healthy asset quality with Gross NPA at 0.99% in FY2015 and decent margins in the range of 2.70% to 2.89% in FY2015 (2.87% in 9MFY2016). As a result it has been able to achieve a 32% CAGR in PAT over FY2010-15. We do not expect any material change in the asset quality and margins and hence expect the company to deliver 21.3% growth in PAT over FY2015-18.

Exhibit 11: PAT growth likely to remain strong



Source: Company, Angel Research

Exhibit 12: Comparative AUM of HFCs

(₹ Cr)	DHFL	India Bulls Housing	REPCO	LIC Housing	Can Fin Homes	HDFC Ltd
AUM (31 Dec 2015)	65,962	62,265	7,154	1,17,396	9,895	2,48,097
5 Yr AUM CAGR %	42.1%	36.5%	33.8%	23.3%	34.5%	15.3%
AUM March 2010	9,804	11,023	1,400	38,081	1,887	1,11,763
AUM March 2015	56,884	52,235	6,013	1,08,361	8,302	2,27,700

Source: Company, Angel Research

Increased sourcing of funds from capital markets will help reduce cost of funds: The company intends to reduce its dependence on bank borrowings and rely more on capital markets for meeting its funding requirements, which is cost effective and the same has resulted in lower cost of funds at 10.28% in FY2015 vs 10.85% in FY2012. During the same period, the share of bank borrowings came down to 58% from 70%, while the share of capital market borrowings went up to 28% from 18%. For 9MFY2016 the cost of funds has further come down to 9.60% vs 10.33% in the corresponding period of the previous year and the share of funding from capital markets has increased to 32%.

We believe there is enough headroom for the company to reduce its cost of funds by migrating from bank loans to other instruments like NCDs as ~₹22,000cr worth of bank loans are due for maturity in the next three years, while some part of it could be migrated towards other instruments of borrowings.

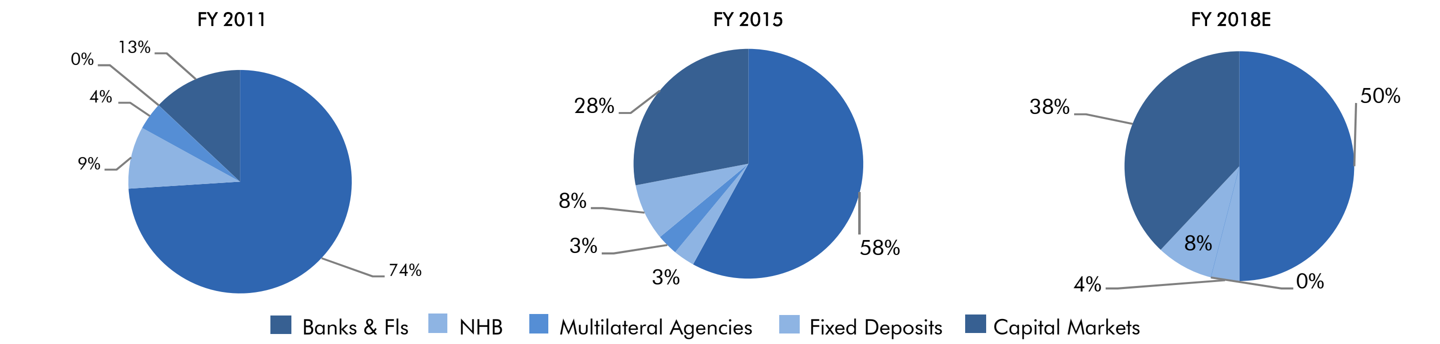
Exhibit 13: Funding Mix

Cost of Funds	FY10	FY11	FY12	FY13	FY14	9MFY16
Banks & FIs	10.01%	11.41%	11.02%	11.00%	10.81%	10.16%
NHB	7.58%	7.63%	7.99%	8.04%	7.93%	7.59%
Capital Markets	9.72%	9.92%	10.06%	9.84%	9.49%	9.00%
Multilateral Agencies	9.27%	9.79%	10.03%	10.73%	8.56%	8.21%
Fixed Deposits	9.49%	10.04%	10.59%	10.56%	10.34%	9.65%
WACB (Day end)	**9.73%**	**10.85%**	**10.63%**	**10.59%**	**10.28%**	**9.60%**

Source: Company, Angel Research

The company also enjoys AAA rating, the highest financial rating by CARE, which helps the company in availing to lower cost of funds. We expect the company to be able to further cut down on its cost of funds with the RBI on a rate cutting spree. Cuts in the repo rate will reduce the borrowing cost via NCDs, which is a focus area for the company. Over the next three years the company intends to reduce the share of bank borrowings in total capital to 45% from the current ~55% and replace the same via low cost funds raised from the capital markets, primarily through NCDs.

Exhibit 14: Composition of Funding



Source: Company, Angel Research

Exhibit 15: Maturity profile of borrowings and loans

₹ (In crs)	Borrowings from Banks	Market Borrowings	Housing & Property Loans
Upto 1 yr	4,574	6,237	2,158
Upto 3 yrs	22,219	13,026	12,901
Upto 5 yrs	28,022	14,962	18,277
Upto 7 yrs	31,285	16,227	26,549
Upto 10 yrs	31,343	16,434	50,852
Above 10 yrs	-	-	-
Total	31,483	17,438	51,040

Source: Company, Angel Research

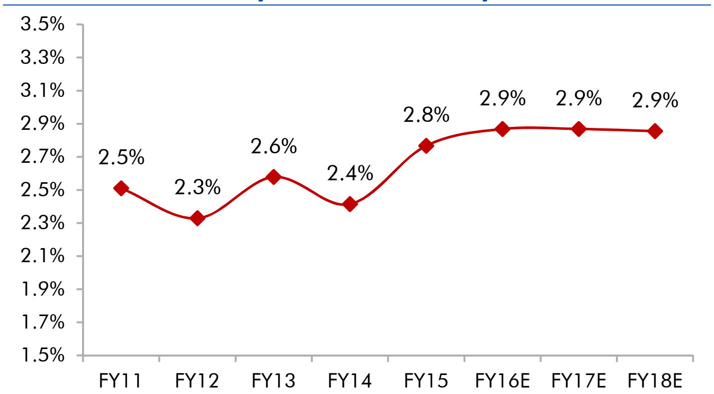
NIM likely to stabilize going ahead: DHFL's NIM has improved on the back of lower cost of funds through higher incremental funding from low cost NCDs. However, with housing finance being a very competitive business, we don't expect substantial improvement in the NIM and expect the same to cross 3% any time soon. We believe the company would intend to pass on any cost benefit to its borrowers and try to gain market share instead of purely focusing on improving its NIM.

Exhibit 16: Comparative Return Ratios

Name of the Company	DHFL	India Bulls Housing	REPCO	LIC Housing	Can Fin Homes	HDFC Ltd
ROE % (9m FY16 Annualised)	19.3	27	16.1	19.2	16.9	18
ROA % (9m FY16 Annualised)	1.6	3.6	2.2	1.52	1.6	2.4
NIM % ((9mFY16)	2.9	NA	4.4	2.6	3.2	3.9
Cost/ Income	26.3	19.2	21.3	16.3	18.2	7.6
Yield On Assets %	12.6	12.6	12.6	10.8	11.2	11.1
Cost of Funds %	9.6	9.4	9.6	9.2	9.0	8.6
Spread %	3.0	3.2	3.0	2.1	2.2	2.6

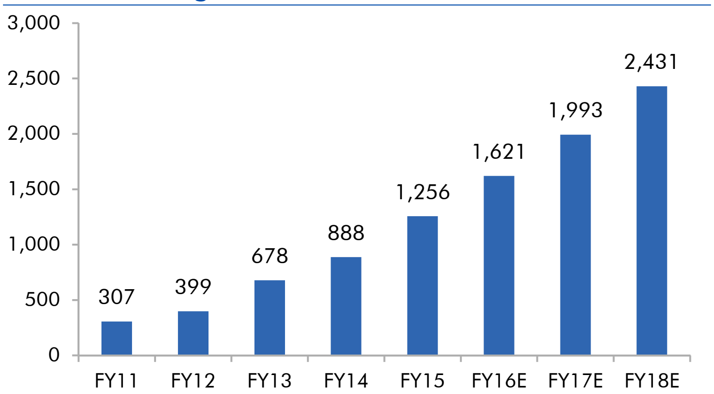
Source: Company, Angel Research

Exhibit 17: NIM likely to remain healthy



Source: Company, Angel Research

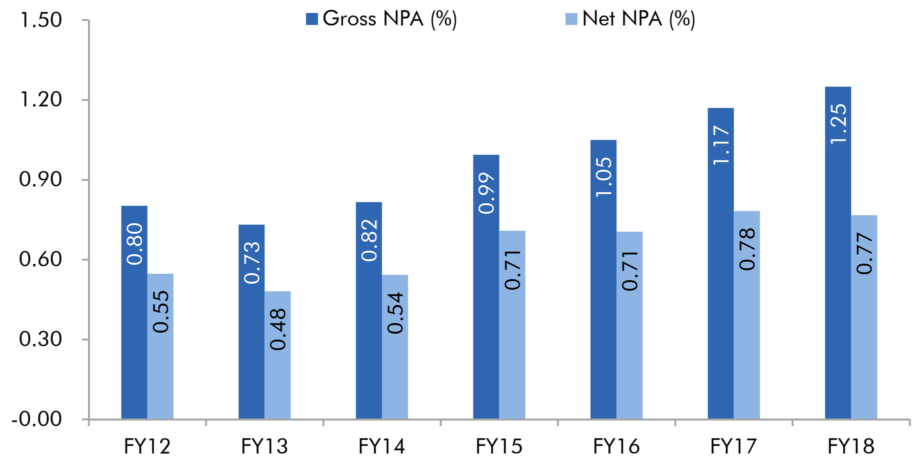
Exhibit 18: NII growth trend



Source: Company, Angel Research

Asset quality stable and expected to continue to be stable: Housing finance companies have so far maintained very good asset quality across the board. Despite a sharp slowdown in the economy this is one sector which is witnessing decent and qualitative growth. Despite high growth rates the asset quality of DHFL continues to be decent with Gross NPA at 1.05% and Net NPA at 0.71%. We don't expect any deterioration in the asset quality in the near term.

Exhibit 19: Gross & Net NPA Ratio



Source: Company, Angel Research

ROE likely to see marginal uptick: Housing finance companies across the board have witnessed a decline in ROEs in the last three years. Similarly, DHFL has also undergone a fall in ROE to ~15.3% in FY2016E. However, we expect the reported ROE to improve to 16.4% by FY2018E from 15.1% in FY2015. The company had raised zero coupon bonds worth ₹3,119cr, of which ~₹1,200cr has been deployed for investments which are not yield generating. These have been used towards land & building, which show as WIP in the balance sheet. Adjusting for the implied interest rate on the zero coupon bonds, the ROE of the company should come down by 80bp/69bp/57bp in FY2016/FY2017/FY2018 to 14.5% / 15.2% / 15.8% respectively.

Exhibit 20: Comparative DuPont of HFCs

Year End FY15	DHFL	HDFC	LICHFL	IndiabullsHsg	CanFin	GICHFL
Interest Earned	11.6	11.1	10.1	12.1	11.1	11.7
Provisions	0.2	0.1	0	0.6	-0.2	0.2
Risk Adjusted Interest Earned	11.4	11	10.1	11.5	11.3	11.5
Interest Expended	9	7.8	8	7.8	8.6	8.3
Risk adjusted NII	2.3	3.2	2.1	3.7	2.7	3.2
Other Inc.	0.5	0.5	0.2	2.3	0.4	0.3
Op. Inc.	2.9	3.7	2.4	6	3.1	3.5
Op. Exp	1	0.3	0.4	1.1	0.7	0.9
Op Profit	1.9	3.4	2	4.9	2.4	2.5
PBT	1.9	3.4	2	4.9	2.4	2.5
Taxes	0.7	1.1	0.7	1.1	0.7	0.7
RoA	1.3	2.3	1.3	3.8	1.7	1.8
Leverage	12	11.2	13.6	8.2	11.6	9.6
RoE	**15.1**	**25.7**	**18.1**	**31.0**	**19.7**	**17.8**

Source: Company, Angel Research

**HDFC not adjusted for subsidiary income*

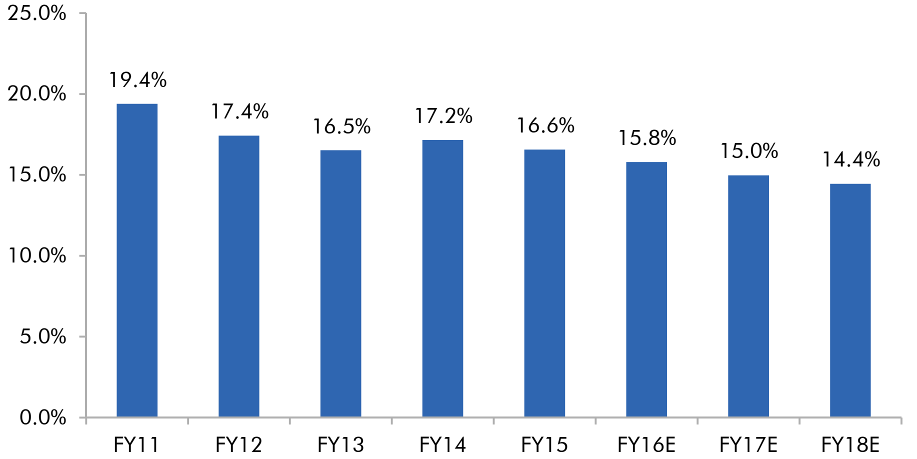
Exhibit 21: Dupont Reported Vs Comparative (DHFL)

Dupont Reported vs Adjusted for ZCB	Reported			Adjusted		
	FY16E	FY17E	FY18E	FY2016E	FY2017E	FY2018E
NII	2.6	2.7	2.6	2.5	2.6	2.6
(-) Prov. Exp.	0.3	0.4	0.3	0.3	0.3	0.3
Adj NII	2.3	2.3	2.3	2.2	2.2	2.2
Int. Sens. Inc.	2.3	2.3	2.3	2.2	2.2	2.2
Other Inc.	0.4	0.4	0.3	0.4	0.4	0.3
Op. Inc.	2.8	2.7	2.6	2.7	2.6	2.6
Opex	0.9	0.9	0.8	0.9	0.9	0.8
PBT	1.9	1.8	1.8	1.7	1.7	1.74
Taxes	0.6	0.6	0.6	0.6	0.6	0.6
ROA	**1.2**	**1.2**	**1.2**	**1.1**	**1.1**	**1.1**
Leverage	12.4	13.3	13.7	12.6	13.5	13.8
ROE	**15.3**	**15.9**	**16.4**	**14.5**	**15.2**	**15.8**

Source: Company, Angel Research

NHB's move to reduce risk weightage for affordable housing will help further leveraging: The company's current leverage (Total Assets/Net worth) stands at ~12x and we see scope for further leveraging after the NHB's relaxation on risk weightage on the affordable housing segment. Recently the regulator allowed LTV upto 90% for home loans upto ₹30 lakhs as against ₹20 lakhs earlier. The capital adequacy of the company is at 16.4% with tier-I CAR of 12.6% for 9MFY2016. The company has already got some benefit in capital due to the relaxation. Incrementally we believe this comes as a big relief for players like DHFL which are primarily engaged in lending to the middle and low income group, which is driving the demand for the affordable housing segment. Housing finance companies are required to maintain a CAR of 12%. Looking at the current growth rate it seems the company will have to raise funds in the next 18 months to maintain the current capital adequacy. The promoters have issued 2.12cr warrant to themselves worth ₹500cr to be converted at a price of ₹235.5/share. This will help the company in meeting its capital requirement. However, we believe the company will have to raise further capital in FY2018 to boost CAR and reduce the high leverage.

Exhibit 22: Capital Adequacy Ratio



Source: Company, Angel Research

Exhibit 23: Exhibit 22: Comparative Analysis

Name of the Company	DHFL	India Bulls Housing	REPCO	LIC Housing	Can Fin Homes	HDFC Ltd
CAR %	16.4	21.6	24.0	15.5	21.1	17.7
Tier I	12.6	18.8	NA	12.5	19.5	14.2
Gross NPAs% (9M FY16)	1.0	0.8	1.3	0.6	0.3	0.6
Net NPAs% (9M FY16)	0.7	0.4	0.5	0.3	0.0	0.0

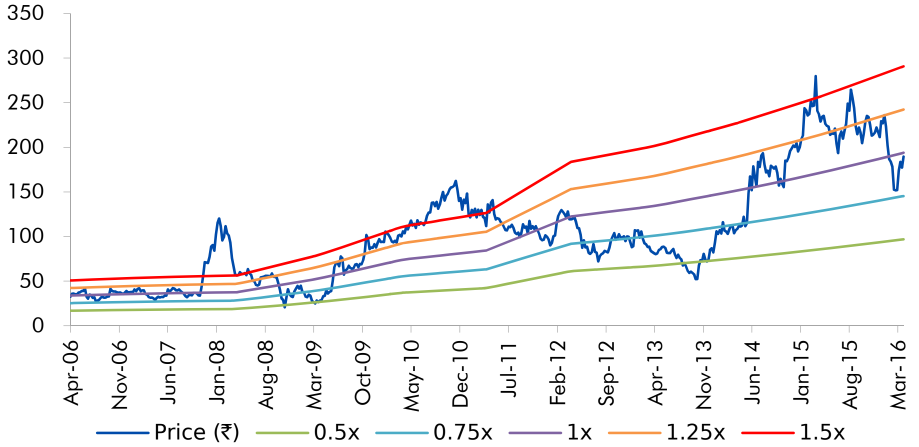
Source: Company, Angel Research

Outlook and valuation

On a conservative side, we have factored in interest cost on the entire ₹1,200cr on Zero Coupon Bond in the P&L. We feel the effect of the same on the ROE for FY17 will be ~69bp at 15.2% against our calculated ROE of 15.9%. The prevalent benign interest rate scenario will help DHFL in reducing its cost of funds and this we believe will help in sustaining the ROE at the current level in the long run. The centre's and NHB's move to reduce risk weight on the affordable home loans segment will allow housing finance companies to incase their leverage and this will act as an additional growth driver.

The stock is trading at 0.8x FY2018E Adj BV which is lower than its 10-year historical median P/ABV multiple of 1.07x while its 10-year historical range has been 0.88x -1.39x. We expect the company to post a healthy loan book CAGR of 20% over FY2015-18E, which is likely to reflect in earnings CAGR of 21.3%, over the same period. The stock currently trades at 0.8x FY2018E ABV. **We recommend Buy on the stock, with a target price of ₹270.**

Exhibit 24: One-year forward P/B band



Source: Company, Angel Research

Exhibit 25: Comparative Analysis:

Parameters (₹ Cr)	DHFL	India Bulls Housing	REPCO	LIC Housing	Can Fin Homes	HDFC Ltd
5 Yr PAT CAGR %	32.8	44.0	22.9	19.2	17.1	16.2
PAT March 2010	151	307	44	662	39	2,826
PAT March 2015	621	1,901	123	1,591	86	5,990
CAR %	16.4	21.6	24.0	15.5	21.1	17.7
Borrowings (March 2015)	48,881	45,556	5,104	83,217	6,941	1,30,860
Net worth (March 2015)	4,636	6,492	812	7,818	772	30,970
Leverage	10.5	7.0	6.3	10.6	9.0	4.2
Gross NPAs% (9M FY16)	1.1	0.8	1.3	0.6	0.3	0.6
Net NPAs% (9M FY16)	0.7	0.4	0.9	0.3	0.0	0.0
Cost/ Assets	0.9	1.4	0.9	0.3	0.7	0.3
CMP	189	613	626	467	1,152	1,103
P/ BV	1.1	2.5	4.2	2.6	3.6	4.9

Source: Company, Angel Research

Key Risk & Concern:

The company has ~ ₹3,119cr of Zero Coupon Bonds on its balance sheet, out of which ₹800cr has been earmarked for the construction of corporate office in Mumbai. The amount currently doesn't earn interest. However, post maturity of the bond we believe the company will have to pay interest on it as it will have to be replaced with fresh debt, which so far was not being accounted in the P&L account. In the absence of any income generation from the above investments, we believe it will be RoE dilutive for the company.

Company Background

DHFL—a leading housing finance company in India

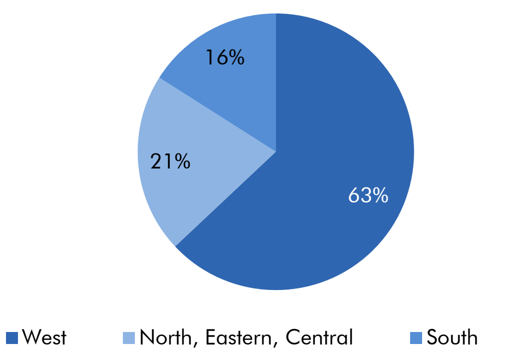
Dewan Housing was established in 1984 by late Shri Rajesh Kumar Wadhawan. DHFL is a dominant player in niche markets (tier II & III cities) with strong foothold in the limited competition low and middle income (LMI) segment. After the acquisition and merger of First Blue Home Finance, DHFL also now caters to the middle and upper middle income group. The company operates in the mortgage financing business where the growth and asset quality have remained healthy over the past few years.

The company has emerged as a one-stop-shop for its customers' financial needs, extending beyond home loans. The company has a presence in the education loans, life insurance, and mutual funds segments through Avanse Education Loans, DHFL Pramerica Life Insurance and DHFL Pramerica Asset Managers Pvt Ltd, respectively.

It is India's third largest private sector housing finance company with an AUM of ₹65,962cr as on 31st December, 2015. The company has a well diversified loan book with housing loans accounting for the largest share at 77%, followed by LAP (16%), project loans (5%) and loans to SME (2%) (as of 31st December, 2015).

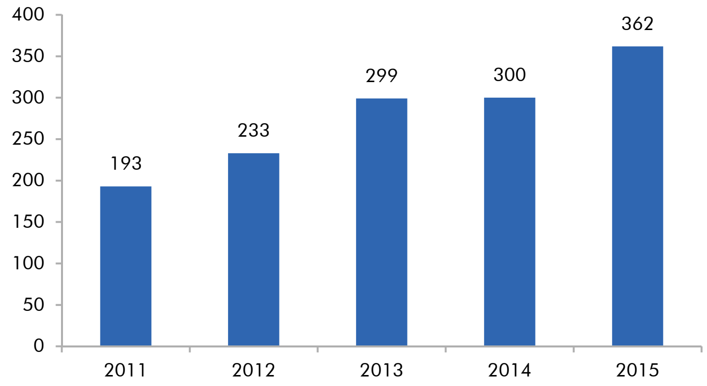
DHFL currently has a strong distribution network with pan-India presence and 2 international representative offices in the UK and the UAE. It operates via a large distribution network of 362 company operated centers across India and 357 locations through alliance partners with the distribution network focused primarily on tier II and tier III locations.

Exhibit 26: Geographical Presence



Source: Company, Angel Research

Exhibit 27: Strong Branch Expansion



Source: Company, Angel Research

Key Management Personnel

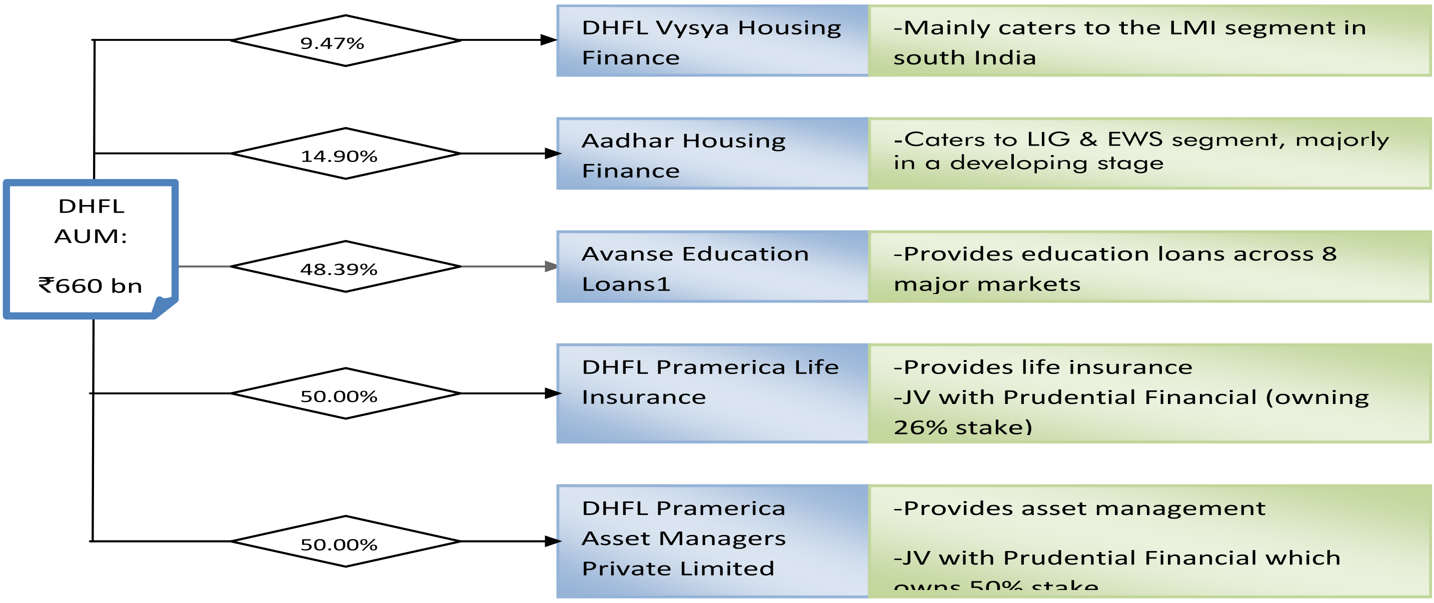
Mr Kapil Wadhawan (CMD): Mr Wadhawan is an MBA from Edith Cowan University (Australia). He was appointed as the MD in 2000 and as CMD in 2009. He has been one of the driving forces behind the group when the AUM surged from ~₹5,000cr to ~₹50,000cr over 6 years.

Mr Harshil Mehta (CEO): Mr Mehta was the MD & CEO of Aadhar Housing Finance since the company's inception in 2011 till January 2015. He then assumed office of the CEO at DHFL.

Mr GP Kohli, (Independent Director): Mr Kohli was the former MD of LIC and has extensive experience in the field of insurance, housing, HRD and IT.

Mr V.K Chopra (Independent Director): Mr Chopra was former CMD, Corporation Bank & SIDBI. He was also the former executive director of Oriental Bank of Commerce and former whole time member of SEBI.

Exhibit 28: Company Structure - Associates & Joint Ventures (JV's)



Source: Company, Angel Research

Industry Overview

The new government's aim of providing housing for all by 2022 has the potential to create demand for 60mn new affordable housing units in the next 8 years. Strengthening its focus on housing for all, the government has allowed additional interest deduction of ₹50,000 for loans upto ₹35 lakhs, with property cost not exceeding ₹50 lakhs.

These additional deductions will give a fillip to the mid-end housing segment in both urban and semi-urban areas and housing finance companies are likely to see accelerated growth in loan demand on this account. DHFL having a wide presence in the tier II and tier III cities with a focus on mid and low income group segment is likely to be a key beneficiary of the above efforts of the government.

Exhibit 29: Housing Industry Data

	Urban Housing			Rural Housing	
Category	Shortage (in mn)	% to Total	Category	Shortage (in mn)	% to Total
Economically Weaker Section	10.55	56.2	Below Poverty Line	39.3	90
Lower Income Group	7.41	39.5	Above Poverty Line	4.37	10
Middle Income Group	0.82	4.37			
Total	18.78	100		43.67	100

Source: Company, Angel Research

Income statement (standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E	FY2018E
NII	888	1,256	1,621	1,993	2,431
- YoY Growth (%)	*30.9*	*41.5*	*29.0*	*22.9*	*22.0*
Other Income	296	265	271	284	304
- YoY Growth (%)	*5.8*	*(10.5)*	*2.1*	*5.0*	*7.0*
Operating Income	1,184	1,522	1,892	2,277	2,735
- YoY Growth (%)	*23.6*	*28.5*	*24.3*	*20.3*	*20.1*
Operating Expenses	384	480	560	649	744
- YoY Growth (%)	*26.2*	*25.2*	*16.6*	*15.8*	*14.7*
Pre - Provision Profit	801	1,041	1,332	1,628	1,991
- YoY Growth (%)	*22.4*	*30.1*	*27.9*	*22.2*	*22.3*
Prov. & Cont.	66	99	184	264	310
- YoY Growth (%)	*47.7*	*48.7*	*85.8*	*44.1*	*17.4*
Profit Before Tax	734	943	1,149	1,364	1,681
- YoY Growth (%)	*20.5*	*28.4*	*21.8*	*18.7*	*23.2*
Prov. for Taxation	206	322	392	466	574
- as a % of PBT	*28.1*	*34.1*	*34.1*	*34.1*	*34.1*
PAT	527	620	757	898	1,107
- YoY Growth (%)	*14.8*	*17.8*	*22.0*	*18.7*	*23.2*

Balance sheet (standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E	FY2018E
Share Capital	128	146	292	292	313
Reserve & Surplus	3,447	4,490	4,983	5,741	7,154
Loan Funds	33,890	40,526	49,800	61,730	76,519
- Growth (%)	*23.5*	*19.6*	*22.9*	*24.0*	*24.0*
Other Liab. & Prov.	6,465	9,557	12,776	15,015	17,819
Total Liabilities	43,930	54,718	67,851	82,778	1,01,805
Investments	721	1,006	1,248	1,522	4,076
Advances	38,651	48,789	60,499	73,808	88,570
- Growth (%)	*19.3*	*26.2*	*24.0*	*22.0*	*20.0*
Fixed Assets	988	985	1,221	1,490	1,832
Other Assets	3,569	3,938	4,883	5,958	7,327
Total Assets	43,930	54,718	67,851	82,778	1,01,805

Ratio analysis (standalone)

Y/E March	FY2014	FY2015	FY2016E	FY2017E	FY2018E
Profitability ratios (%)					
NIMs	2.4	2.8	2.9	2.9	2.9
Cost to Income Ratio	32.4	31.6	29.6	28.5	27.2
RoA	1.3	1.3	1.2	1.2	1.2
RoE	15.5	15.1	15.3	15.9	16.4
Asset Quality (%)					
Gross NPAs	0.8	1.0	1.1	1.2	1.3
Net NPAs	0.5	0.7	0.7	0.8	0.8
Provision Coverage	33.5	28.7	32.8	33.1	38.6
Per Share Data (₹)					
EPS	20.5	21.3	25.9	30.8	35.4
ABVPS (75% cover.)	129.0	143.7	171.2	193.8	225.1
DPS	1.6	1.1	0.7	0.8	0.9
Valuation Ratios					
PER (x)	8.6	8.3	6.8	5.8	5.0
P/ABVPS (x)	1.4	1.2	1.0	0.9	0.8
Dividend Yield	0.9	0.6	0.4	0.5	0.5
DuPont Analysis					
NII	2.2	2.5	2.6	2.6	2.6
(-) Prov. Exp.	0.2	0.2	0.3	0.4	0.3
Adj. NII	2.1	2.3	2.3	2.3	2.3
Treasury	0.0	0.0	0.0	0.0	0.0
Int. Sens. Inc.	2.1	2.4	2.3	2.3	2.3
Other Inc.	0.7	0.5	0.4	0.4	0.3
Op. Inc.	2.8	2.9	2.8	2.7	2.6
Opex	1.0	1.0	0.9	0.9	0.8
PBT	1.8	1.9	1.9	1.8	1.8
Taxes	0.5	0.7	0.6	0.6	0.6
RoA	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**
Leverage	11.7	12.0	12.4	13.3	13.7
RoE	**15.5**	**15.1**	**15.3**	**15.9**	**16.4**

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DISCLAIMER

Disclosure of Interest Statement	Dewan Housing Finance Corporation
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%)*	*Neutral (-5 to 5%)*
		Reduce (-5% to -15%)	*Sell (< -15)*