

DEWAN HOUSING FINANCE CORPORATION LTD.

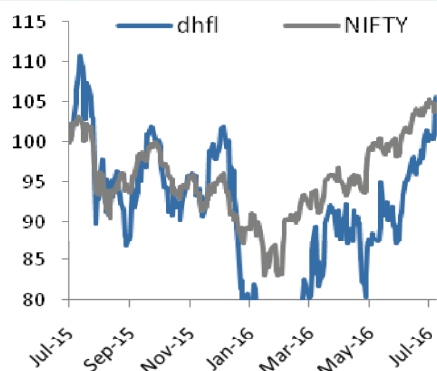
Company Update	BUY
CMP	246
Target Price	280
Previous Target Price	
Upside	14%
Change from Previous	-

Market Data	
BSE Code	511072
NSE Symbol	DHFL
52wk Range H/L	268/140
Mkt Capital (Rs Cr)	7,205
Av. Volume(,000)	237
Nifty	8683

Stock Performance	1Month	1Year	YTD
Absolute	9.5	(6.1)	(0.7)
Rel.to Nifty	6.7	(6.2)	(8.1)

Share Holding Pattern-%	1QFY17	4QFY16	3QFY16
Promoters	35%	35%	35%
PUBLIC	65%	65%	65%
Others	0%	0%	0%

Company Vs NIFTY



Growth in line, liability mix change to improve margins

DHFL posted 1Q FY17 result largely in line with the expectations. PAT grew by 16 % YoY to Rs 201 Cr against Rs 173 Cr on 1Q FY16. NII grew by 14% YoY largely on part of decline in cost of fund. Weighted average cost of fund has declined by 43 bps YoY to 9.56%. AUM grew by 20% YoY and disbursement saw healthy growth of 26% YoY. Operating profit of the company grew by 19% YoY backed by taper in C/I ratio to 28%. Operating expenses grew by only 8% YoY mainly due to lower other expenses. Assets Quality remained stable with GNPA at 0.98% against 0.93% on 4Q FY16. Provision coverage was at 99%. NIM decline marginally to 2.91% against 2.96% a year back. Decline in cost of fund and increase of loan mix towards high yield portfolio has helped to maintain the NIM. Further change in liability mix with more inclination towards NCDs and decrease in bank borrowing from 50% will help the company to reduce the cost of fund which will provide the boost to NIM.

AUM and Disbursement growth remains at healthy level.

AUM growth was healthy at 20% YoY with more focus on high yield loans. AUM as on 1Q FY17 was Rs 72012 Cr. Total On-book loan grew by 18% YoY and securitization grew by 35%. Securitized assets of DHFL stand at Rs 8365 Cr contributing 12% of the AUM. Disbursement registered a healthy growth of 26% YoY to Rs 6215 Cr. Now the proportion of Non Housing loan grew to 28% from 26% a year back. The LAP contributes 16% to the total AUM.

Stable Assets Quality

Assets quality remained stable with GNPA at 98 Bps and provision coverage ratio at 99% which resulted in almost nil NNPA. GNPA in the home loan segment was at 74 bps and in non housing segment it was 124 bps.

Operating Expense under control but margin slips

Operating expense grew by 8% only which led to decline in cost to income ratio to 28% from 30% on 1Q FY16. Decline in C/I Ratio boosted the operating profitability. C/I Ratio at 28% still is very high from its peers in housing industry. NIM in this quarter declined by 5 bps despite of 43 bps decline in cost of fund. Yields are continuously moderating due to intense competitions. Going forward decline in cost of fund will help DHFL to sustain the NIM at 2.9% level. Recently management, in an interview announced to decrease the bank borrowing from 50% to 35% with increase in NCDs share affecting the cost to fund to decline by at least by 100 bps.

Concall Highlights

- >> The proportion of project loans has increased to 10% of total AUM, does not wish to exceed 12-15% of AUM. The company disburses loans generally in the range of Rs 35 Cr-55 Cr to builders in the affordable home segment only.
- >> Confident of achieving 16-18% growth in disbursements on a sustained basis.
- >> There is good traction in home sales to the LMI segment in tier 2/3 towns.
- >> In terms of geography, west India constitutes 40-45% of AUM in LAP, north 27%, south 20% and Central+East region 10%.
- >> Comfortable with the proportion of LAP in the range of 18-25% but main focus will not be on LAP.
- >> Disburses loans against property at a ticket size of Rs 3 Lakh-5 Lakh and average LTV at origination of 50-55%.
- >> Formulated a cost-cutting plan a few quarters ago, which is well on track.
- >> 100 branches opened in the last 1.5-2 years have not yielded the intended results and are yet to break even.

View & Valuation

DHFL has continuously performed well in its operating parameters with AUM growth of 20%+ and stable assets quality. NIM has been maintained at 2.9% level with headroom to improve further as recently management announced to decrease the bank borrowing to 35% from current 50% which will help to decrease the cost of fund by at least 100 bps. Improvement in C/I ratio has boosted the confidence further. We expect the AUM growth to continue at 20%+ and RoE to increase with a lot of scope of improvement in C/I ratio and cost of fund so, recommend **BUY** with the target price of Rs 280.

Quarterly Performance

(Rs in Cr)

Financials	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Interest Income	1,398	1,412	1,488	1,541	1,633	1,762	1,845	1,914	1,932
NII	328	332	355	365	399	405	425	436	456
Net Total Income	356	371	393	407	419	454	466	488	484
Operating Expense	109	123	126	121	126	132	137	155	136
PPP	247	248	267	286	293	322	328	333	348
Provisions	25	20	25	35	32	45	48	50	45
PBT	222	228	242	251	261	277	280	283	303
Net Profit	147	152	160	162	173	180	186	190	201

(Source: Company/Eastwind)

Profitability Metrix	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Yield% (Cal.)	13.42	12.90	12.87	12.47	12.46	12.80	12.80	12.68	12.32
Cost of Fund% (Cal.)	10.51	10.02	10.05	9.90	9.69	9.92	9.75	9.77	9.45
Spread% (Cal)	2.90	2.88	2.82	2.57	2.78	2.88	3.05	2.91	2.87
NIM% (Rep.)	2.78	2.75	2.77	2.89	2.96	2.86	2.87	2.96	2.91
C/I Ratio	30.50	33.08	32.18	29.73	29.97	29.03	29.46	31.76	28.11

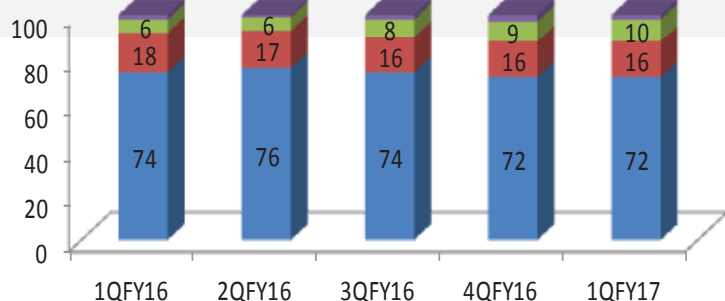
(Rs in Cr)

Assets Quality	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
GNPA%	0.79	0.78	0.77	0.84	0.8	0.81	0.84	0.93	0.98
NNPA%	0	0	0	0	0	0	0	0	0
PCR%	104.59	107.4	108.2	100.2	106.9	111	110.79	101.74	99.3

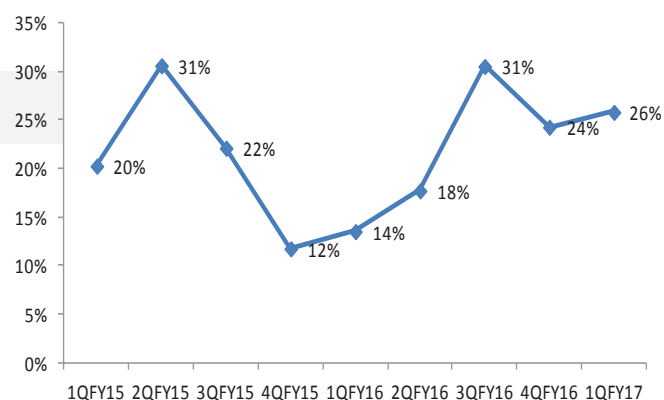
	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
AUM	46,860	49,358	52,637	56,884	60,002	62,837	65,962	69,524	72,012
On- Book	42,790	44,742	47,776	51,040	53,796	56,312	58,992	61,775	63,647
Off- Book	4,070	4,615	4,861	5,845	6,206	6,525	6,970	7,749	8,365

AUM MIX %

■ Housing ■ LAP/LRF ■ Project ■ Others

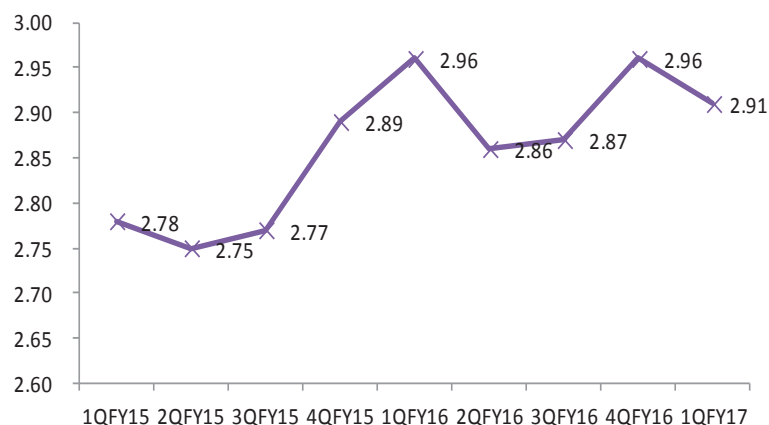


◆ Disbursement Growth% YoY



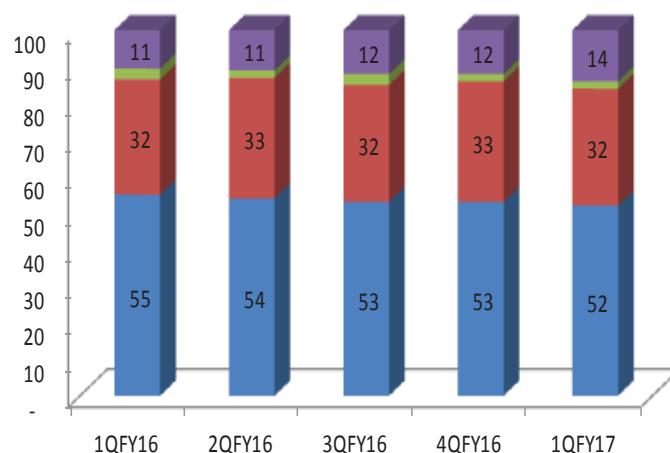
NIM Performance

NIM% (Rep.)



Borrowing Profile %

■ Bank ■ Money Market ■ NHB ■ Others



Financials Snap Shot

INCOME STATEMENT (Consolidated)

	FY13	FY14	FY15	FY16
Interest Income	3,883	4,776	5,839	7,159
Interest Expenses	3,119	3,783	4,460	5,490
Net Interest Income	764	993	1,380	1,669
Net Income	1,021	1,187	1,522	1,827
Establishment and Other Expenses	216	195	252	298
Employee Benefits Expense	141	176	196	228
Operating Expenses	365	382	474	550
Pre Provisioning Profit	656	805	1,048	1,277
Provisions / Write offs (Net)	45	70	105	175
PROFIT BEFORE TAX	611	735	943	1,102
TOTAL TAX	159	206	322	373
Reported PAT	452	529	621	729

Source: Eastwind/Company

RATIOS

Spreads Analysis (%)	FY13	FY14	FY15	FY16
Yield on Loan Portfolio %	13.7	13.1	12.9	12.7
Cost Of Borrowing %	10.7	10.6	10.4	9.8
Spread %	3.0	2.5	2.5	2.9
Profitability Ratios (%)				
NIM %	2.7	2.7	2.9	3.0
ROA %	1.5	1.3	1.3	1.2
ROE %	14.1	15.5	15.1	15.1
EPS (Rs)	17.6	20.6	21.3	25.0
Cost to Income Ratio %	35.8	32.2	31.1	30.1
Asset-Liability Profile				
Loans/Borrowings (X)	1.1	1.0	1.0	1.0
Debt/Equity (x)	8.5	9.5	8.7	10.3
PCR % Specific	113	104	100	102
Gross NPAs (Rs cr)	263	394	473	568
Gross NPAs %	0.71	0.78	0.84	0.93
Net NPAs (Rs cr)	43	93	72	50
CRAR %	19.0	16.5	17.6	17.0

Loan Mix %

Housing Loan	83	78	75	72
LAP	11	16	18	16
Project	6	6	6	10
Others	0	0	1	2
Total AUM (Rs in Cr)	36117	44822	56884	69524
Borrowing Mix %				
NCD	11	20	28	33
Bank	71	68	58	53
Others	18	12	14	14
Resource Mobilization (Rs in Cr)	32058	39487	48921	61104

BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	128	128	146	292
Reserves	3109	3447	4,490	4,725
Net Worth	3237	3575	4,636	5,017
Long term Debt	26565	32295	36,889	45,119
Short term Debt	876	1595	3,637	6,437
Total Borrowing	27441	33890	40,526	51,556
Long Term Provision	264	331	430	583
Other Liability	4,862	6,063	9,046	10,697
Total Liability	35803	43859	54,638	67,853
Fixed Assets	438	988	985	781
Non-current investments	191	307	611	720
Current investments	85	269	396	173
Loans/Advances	34222	41016	51,511	62,295
Cash & Bank Balances	513	983	676	3,408
Other Assets	356	297	460	476
Total Assets	35803	43859	54638	67853

Source: Eastwind/Company

About the Company

DHFL was founded in 1984 and is promoted by Wadhawan Group. Focused on low and medium income group it operates mainly in tier 1 and tier 2 cities with its presence in 363 cities. It has total AUM of Rs 720 Billion .

Chairman & MD
CEO

Kapil Wadhawan
Harsil Mehta