

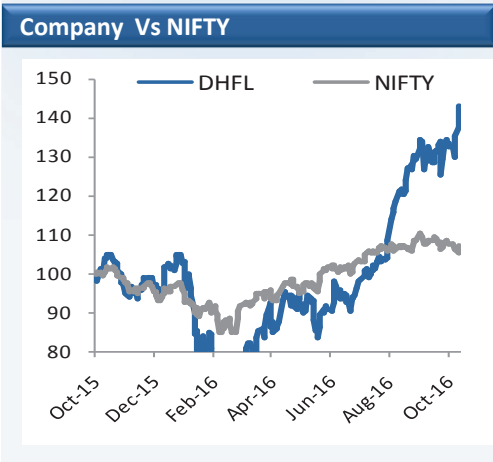
## DEWAN HOUSING FINANCE CORPORATION LTD.

Company Update	BUY
CMP	323
Target Price	385
Previous Target Price	
Upside	19%
Change from Previous	

Market Data	
BSE Code	511072
NSE Symbol	DHFL
52wk Range H/L	325/140
Mkt Capital (Rs Cr)	9,449
Av. Volume(,000)	235
Nifty	8677

Stock Performance	1Month	1Year	YTD
Absolute	13.9	42.5	37.5
Rel.to Nifty	15.3	35.9	28.3

Share Holding Pattern-%	2QFY17	1QFY17	4QFY16
Promoters	39%	35%	35%
PUBLIC	61%	65%	65%
Others	0%	0%	0%



### Results in line with expectation, Margins improved

DHFL posted a very strong set of numbers with Net Interest Income growth of 21% YoY backed by strong AUM growth and improvement in NIM. Strong control over cost to income ratio at 26% helped the Pre-Provisioning Profit growth of 23% YoY. Operating Expense grew by only 6% YoY mainly due to lower other expenses. Provisions were steady YoY with Rs 45 Cr. This all led the PAT growth of 28% YoY. AUM grew by 20% YoY backed by strong disbursement growth of 32% YoY. NIM improved to 3.05% from 2.89% a year back backed by decline in cost of fund. On sequential basis Assets Quality improved little with GNPA at 0.96% from 0.98% on 1Q FY17. Provision coverage was at 99.6%.

### Improved NIM and Decline in C/I Ratio boosted the PAT

NIM of DHFL has shown a significant improvement of 16 bps YoY to 3.05% backed by decline in cost of fund by 57 bps. Change in liability mix with reduction in bank rate has supported this decline in cost of fund. Yields are continuously moderating despite of increase in the share of high yield products due to intense competitions. Now the management is more focus on sourcing the low cost of fund to protect the NIM. Going forward we expect the NIM to sustain around 3%. DHFL was again able to curtail its cost to income ratio by 2% YoY to 26%. Total operating expenses grew by 6% only led by lower other expense which de-grew by 4% YoY. Advertisement expenses and legal professional expenses were the two area which contributed more than the half of the expense reduction. Employee expenses have increased by 20% YoY. This decline in cost to income ratio has helped the company to achieve the pre-provisioning profit of 23% YoY. C/I Ratio at 26% is still very high from its industry peers, so a lot of scope to improve further.

### AUM grew on sustainable basis backed by healthy disbursement growth

AUM grew with a healthy pace of 20% YoY to Rs 752 Bn backed by healthy disbursement growth of 32% YoY to Rs 66 Bn. This growth has come mostly from tier 2 and tier 3 cities. The portfolio mix has change towards the high yield loan i.e. project loans which has now doubled to 12% of the total AUM. LAP is 16% and SME is 3% of the portfolio. Rest is home loan which has decreased to 70% from 76% a year back. Management intends to increase the project loan to 15% in next 2 to 3 quarters and will maintain the LAP at 15%. The off Balance sheet AUM has increased to 13% from 10% a year back signifying a growth of 51% YoY. The on Balance sheet AUM has grown by 16% YoY.

### Stable Assets Quality

Assets quality improved with GNPA at 96 Bps and provision coverage ratio at 99.6% which resulted in almost nil NNPA. GNPA in the home loan, project loan and LAP are 85 bps, 130 bps and 120 bps respectively.

### Concall Highlights

- >> Decline in cost of fund was due to incremental borrowing through NCDs as well as decline in bank rate.
- >> Advertisement and legal professional expenses were two major expenses which cause the reduction on C/I ratio.
- >> Company has cancelled the deal of office building by which Rs 500 Cr would come back to the company till FY17.
- >> Will increase the project loan to 15% in next 2-3 quarters.
- >> SME is increasing at decent pace and will maintain the portfolio at 3 to 5 percent.
- >> The excess cash balance in the balance sheet generated by the issue of NCDs will be used for repayment and prepayment of high cost of borrowing.
- >> Demand is coming from tier 2 and tier 3 cities.
- >> Management expects the AUM growth of 13 to 15 percent on sustainable basis and Disbursement growth of 15 to 20 percent on sustainable basis.

### View & Valuation

DHFL has continuously performed well in its operating parameters with AUM growth of 20%+ and stable assets quality. NIM has improved to 3.05% level with reduction in cost of fund. Due to rate cut by RBI and efficient liability mix by the management, we expect the NIM to sustain with little improvement at this level. Declining C/I ratio has given the confidence with the scope of further decrease in it. We expect the AUM growth to continue at 20% supported by robust demand from tier 2 and tier 3 cities in affordable segment and RoE to increase with a lot of scope of improvement in C/I ratio and cost of fund so, we recommend **BUY** with the target price of Rs 385.

### Quarterly Performance

(Rs in Cr)

Financials	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
Interest Income	1,412	1,488	1,541	1,633	1,762	1,845	1,914	1,932	2,122
NII	332	355	365	399	405	425	436	456	491
Net Total Income	371	393	407	419	454	466	488	484	536
Operating Expense	123	126	121	126	132	137	155	136	140
PPP	248	267	286	293	322	328	333	348	396
Provisions	20	25	35	32	45	48	50	45	45
PBT	228	242	251	261	277	280	283	303	351
Net Profit	152	160	162	173	180	186	190	201	232

(Source: Company/Eastwind)

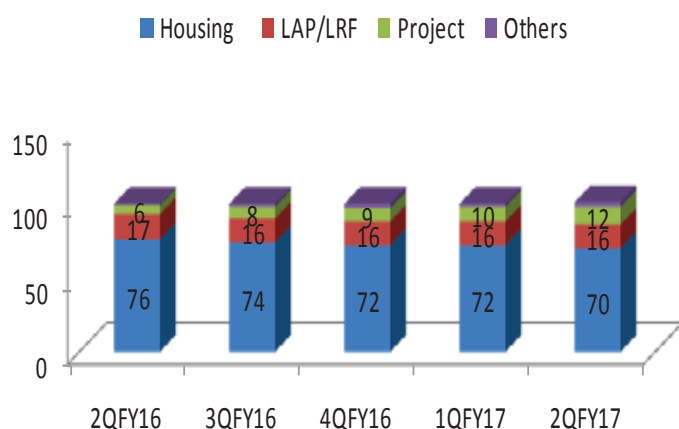
Profitability Metrix	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
Yield% (Cal.)	11.74	11.67	11.25	11.18	11.48	11.46	11.30	10.92	11.53
Cost of Fund% (Cal.)	10.02	10.05	9.90	9.69	9.92	9.75	9.77	9.45	9.18
Spread% (Cal)	2.88	2.82	2.57	2.78	2.88	3.05	2.91	2.87	2.35
NIM% (Rep.)	2.75	2.77	2.89	2.96	2.86	2.87	2.96	2.91	3.05
C/I Ratio	33.08	32.18	29.73	29.97	29.03	29.46	31.76	28.11	26.09

(Rs in Cr)

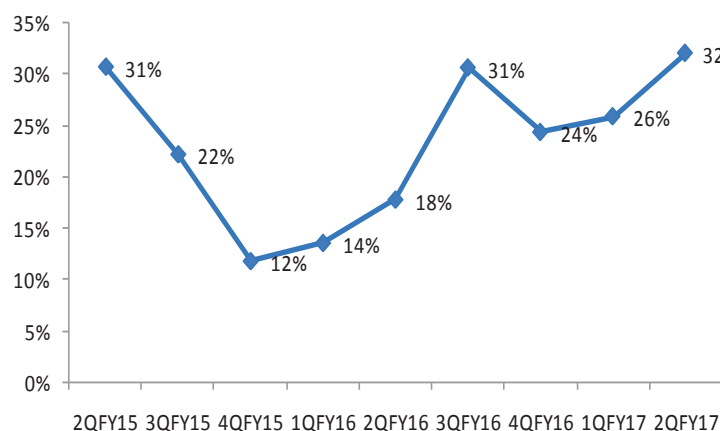
Assets Quality	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
GNPA%	0.78	0.77	0.84	0.8	0.81	0.84	0.93	0.98	0.96
NNPA%	0	0	0	0	0	0	0	0	0
PCR%	107.4	108.2	100.2	106.9	111	110.79	101.74	99.3	99.6

	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17
AUM	49,358	52,637	56,884	60,002	62,837	65,962	69,524	72,012	75,223
On- Book	44,742	47,776	51,040	53,796	56,312	58,992	61,775	63,647	65,346
Off- Book	4,615	4,861	5,845	6,206	6,525	6,970	7,749	8,365	9,877

AUM MIX %

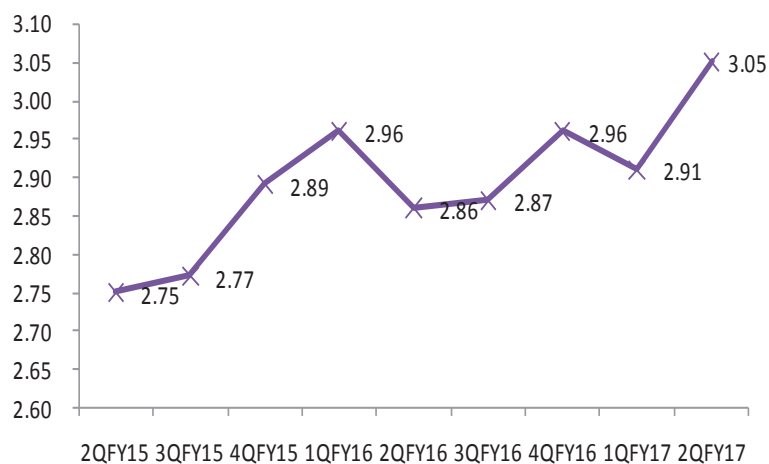


Disbursement Growth% YoY

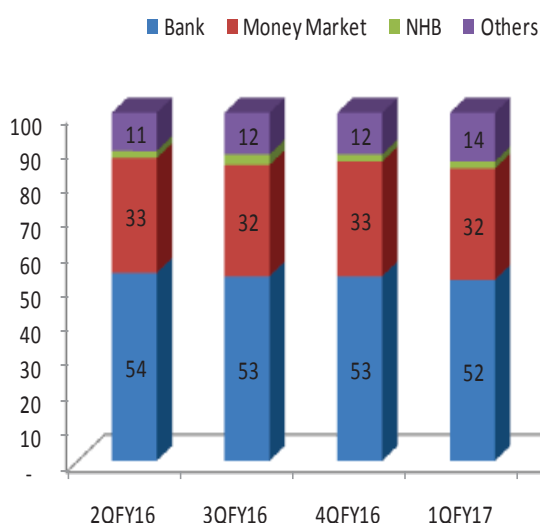


NIM Performance

NIM% (Rep.)



Borrowing Profile %



## 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
<b>Total AUM (Rs in Cr)</b>	<b>36117</b>	<b>44822</b>	<b>56884</b>	<b>69524</b>

### Borrowing Mix %

NCD	11	20	28	33
Bank	71	68	58	53
Others	18	12	14	14
<b>Resource Mobilization (Rs in Cr)</b>	<b>32058</b>	<b>39487</b>	<b>48921</b>	<b>61104</b>

### 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
<b>Total Liability</b>	<b>35803</b>	<b>43859</b>	<b>54,638</b>	<b>67,853</b>
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
<b>Total Assets</b>	<b>35803</b>	<b>43859</b>	<b>54638</b>	<b>67853</b>

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 752 Billion .

**Chairman & MD**  
**CEO**

Kapil Wadhawan  
Harsil Mehta