

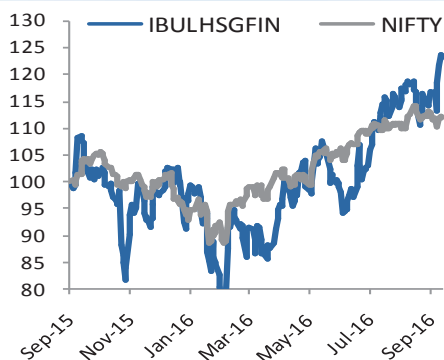
Company Update	BUY
CMP	865
Target Price	910
Previous Target Price	835
Upside	5%
Change from Previous	9%

Market Data	
BSE Code	535789
NSE Symbol	IBULHSGFIN
52wk Range H/L	879/551
Mkt Capital (Rs Cr)	36,498
Av. Volume(,000)	692
Nifty	8744

Stock Performance	1Month	1Year	YTD
Absolute	5.5	9.3	17.3
Rel.to Nifty	7.4	(0.7)	7.3

Share Holding Pattern-%	1QFY17	4QFY16	3QFY16
Promoters	24%	24%	24%
PUBLIC	76%	76%	76%
Others			
Total	100%	100%	100%

Company Vs NIFTY



Healthy Operating Performance

IBULHSGFIN posted the 1Q FY16 results with the steady PAT growth of 23% YoY within the guided range of 20% to 25%. Reported NII grew by 28% YoY to Rs 1053 Cr backed by robust AUM growth of 31% YoY. Fee income grew by 61% to Rs 129 Cr against Rs 80 Cr in 1Q FY16. Operating expense grew by 27% YoY checking the C/I Ratio to 13.8% against 14.6% a year back. This led the operating profit to grow by 35% but the higher provisions hit the P&L and translated into 24% net profit before associates shares. The provisions in the quarter increased by 129% YoY to Rs 148 Cr, due to standard assets provisioning and some write offs. Assets quality was fairly stable with GNPA and NNPA at 0.84% and 0.36% respectively. The AUM was at Rs 71026 Cr registering the healthy growth of 31% YoY. Disbursement grew by 15% YoY.

Assets Quality is stable but provisions spiked

Assets Quality of Indiabulls Housing Finance has been stable since last 2 years. This quarter also company was able to manage the same with GNPA and NNPA at 0.84% and 0.36% against 0.85% and 0.36% respectively. Total Provisions has increased by 129% YoY to Rs 148 Cr against Rs 65 Cr a year back. The increase in provisions were mainly due to contingent provisions on Standard assets and some write offs. The provisioning cover increased to 146% against 137% on 1Q FY16. As on 1Q FY17 the company has excess provisions of Rs 299 Cr over the regulatory requirement. Due to strategy of management to increase the share of retail housing loan to 60% (less risky assets), we expects the assets quality to remain healthy.

Healthy AUM growth continues, Home loan contribution uptick

The AUM grew by healthy rate of 31% YoY to Rs 71026 Cr against Rs 54022 Cr a year back. Disbursement for the quarter moderated to 15% growth YoY to Rs 5250 Cr. The disbursement in Home loan, LAP and corporate loan was Rs 2700 Cr, 1200 Cr and Rs 1300 Cr respectively. The composition of mortgage loan increased to 77% from 76% on 1Q FY16 and corporate loan increased to 23% from 22% YoY. Under the Mortgage loan, LAP was at 24% and individual home loan inched up to 53% from 50% a year back. Management is targeting the individual home loan in FY18 and FY20 to reach to 60% and 65% respectively of the total loan book. The commercial vehicle loan got dissolve in this quarter. Management is more aggressive towards sell down approach of the loan book to use it as means of capital conservation. Currently the sell down book is 12% of the AUM and going forward this can increase further for funding. Management continues to give the guidance of 20 to 25 percent growth in the book.

Spread stabilises due to effective liability management

Sequentially the spread was stable at 3.18% but it declined by 10 bps YoY. Incremental spread was at 3% under the guided range of 3%-3.25%. The change in liability mix has helped the company to lower the cost of fund to offset the decline in yield and thus maintaining the spread within the guided range. Now the bank borrowing is 47% down from 49% on 1Q FY16. Going forward the strategy to shift more towards individual home loan will obviously impact the yield to decline but on the other hand strategic mix of resource will offset this decline to maintain the margins.

Quarterly Performance

(Rs in Cr)

Financials	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Interest Income	1,319	1,438	1,618	1,746	1,766	1,877	1,966	2,233	2,261
NII(Cal.)	429	483	590	675	627	632	741	871	850
Net Income	713	750	843	1,051	886	1,001	1,082	1,286	1,187
Operating Expense	113	148	147	147	129	146	164	179	163
PPP	601	603	697	904	757	854	918	1,106	1,023
Provisions	65	37	74	155	65	113	113	217	148
PBT	536	565	622	749	692	741	806	890	875
Net Profit	424	448	478	551	511	556	602	676	630

(Source: Company/Eastwind)

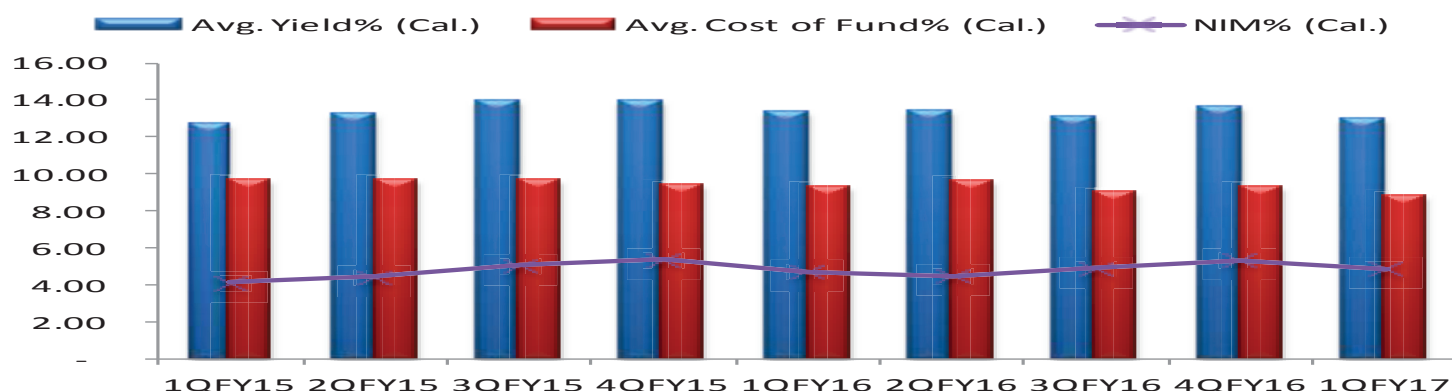
Concall Highlight:

- >> Launching the e-home loan business. Will get benefit in time processing and other areas.
- >> Incremental market share for the year is 6% among all HFCs and Banks.
- >> Owing to uncertainty over BREXIT ended with the cash and cash equivalent of Rs 15300 Cr.
- >> Target of reaching retail home loan of 60% in FY18 and 65% till FY20. So home loan segment will grow faster than market.
- >> Fee income is Rs 129 Cr against Rs 80 Cr in 1Q FY16.
- >> Home loan disbursement is Rs 2700 Cr, LAP is Rs 1200 Cr and Corporate mortgage is Rs 1300 Cr, total of Rs 5251 Cr against Rs4545 Cr on 1Q FY16.
- >> Zero Coupon bond is at Rs 1060 Cr against Rs 1960 Cr on 1Q FY16. Refraining from issuing further ZCB.
- >> Securitization will be in the focus for the means of capital conservation.
- >> Recently BMC has given clearance to PALIS Royale, IBULHSGFIN has the exposure of Rs 573 Cr. Management expects the resolution to start in 4 to 5 months in this accounts.
- >> Guided the growth of 20to 25 percent in all key parameters.
- >> Yield on investment book would be 6 to 6.50 percent.
- >> 30% of the retail home loan would be self employed and 40% of the total book would be self employed.
- >> Recent check by IT department was normal check.
- >> Will reduce the bank borrowing to 30% till FY20.
- >> By FY 20, home loan would be 65% so there will be reduction of 70 bps in yield and this will get offset by decline in cost of fund. The composition of funding will be 30% bank, 20% securitization, 40% bonds and 10% ECBs.

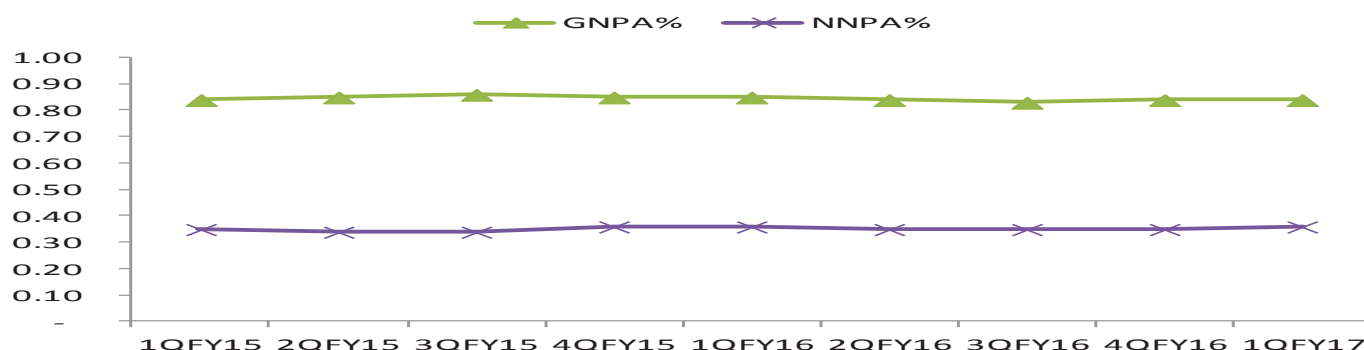
Outlook & Valuation

IBULHSGFIN is one of the consistent performers in all the key parameters among the housing finance industry. The company registered the healthy AUM growth of 31% in this quarter and likely to maintain more than 26% growth in FY17 with more focus on retail home loan. Assets Quality is likely to remain stable with more focus on less risky assets. Spreads will be maintained within the guided range of 300 to 325 bps due to strategic mix of liability. Focus on incremental borrowing through NCDs will reduce the cost and help to maintain the NIM at current level. We believe the 7th Pay Commission and tax benefit for first time home buyer will drive the retail home loan demand. We have upgraded our target price to Rs 910 and recommend to **HOLD**.

Profitability Metrix	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Avg. Yield% (Cal.)	12.68	13.22	13.90	13.92	13.29	13.38	13.06	13.64	12.95
Avg. Cost of Fund% (Cal.)	9.69	9.68	9.69	9.39	9.26	9.61	9.00	9.29	8.86
Spread% (Cal)	2.99	3.54	4.21	4.53	4.03	3.77	4.06	4.36	4.08
NIM% (Cal.)	4.13	4.44	5.07	5.38	4.72	4.50	4.92	5.32	4.87
C/I Ratio	15.78	19.70	17.39	13.97	14.57	14.62	15.14	13.94	13.77

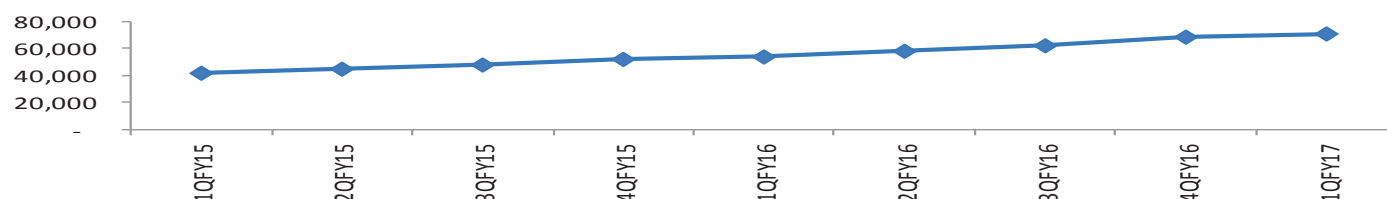


Assets Quality	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
GNPA (In Rs)	353	383	412	443	457	490	516	577	598
NNPA (In Rs)	147	153	165	186	194	205	219	238	258
GNPA%	0.84	0.85	0.86	0.85	0.85	0.84	0.83	0.84	0.84
NNPA%	0.35	0.34	0.34	0.36	0.36	0.35	0.35	0.35	0.36
PCR%(Specific)	58	60	60	58	58	58	57	59	57



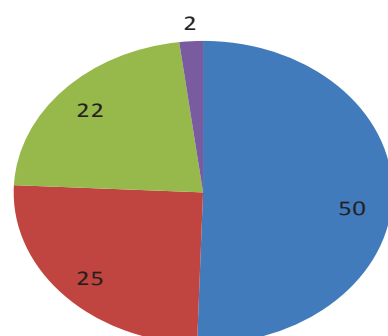
	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Total AUM	42,014	45,027	48,078	52,235	54,022	58,225	62,265	68,683	71,026
On book AUM	36,396	39,789	42,668	46,040	47,896	51,303	54,853	60,863	62,800

Total AUM

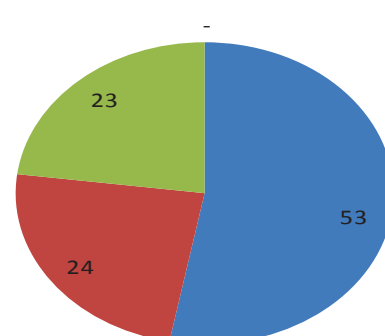


Loan Portfolio Category

1QFY16



1QFY17



Liability Mix

The change in composition of resource has helped the company to decline the cost of fund. Gradually the company is declining its high cost of borrowing and resorting to more bond borrowing and sell down of loans. Capital market sources along with ECBs and sell down, contributed 68% of incremental funding in Q1 FY17. Going forward by FY20, the management intends to keep the composition of bank, bonds, ECB and Sell down of loans to 30%, 40%, 10%, and 20% respectively.

