

Indiabulls Housing Finance

BSE SENSEX 29,656
S&P CNX 9,218

CMP: INR1,007

TP: INR1,227 (+22%)

Buy

Bloomberg	IHFL IN
Equity Shares (m)	421.3
M.Cap. (INR b) / (USD b)	424.2/6.6
52-Week Range (INR)	1013 / 616
1, 6, 12 Rel. Per (%)	4/10/35
12M Avg Val (INR M)	1689
Free float (%)	76.4

Financials & Valuation (INR Billion)

Y/E March	2017	2018E	2019E
Net Fin inc	39.9	49.0	60.3
PPP	45.5	56.4	70.0
EPS (INR)	69.0	82.2	101.6
EPS Gr. (%)	24.0	19.2	23.5
BV/Sh. (INR)	288	322	364
RoA on AUM (%)	3.1	2.9	2.8
RoE (%)	25.5	27.0	29.6
Payout (%)	52.5	50.0	50.0
Valuations			
P/E (x)	14.6	12.2	9.9
P/BV (x)	3.5	3.1	2.8
P/ABV (x)	3.5	3.1	2.8
Div. Yield (%)	3.6	4.1	5.0

Impressive performance on all fronts

- Indiabulls Housing Finance's (IHFL) PAT grew 24% YoY to INR8.4b (1% below our estimate) in a quarter that was characterized by strong disbursement growth (+44% YoY), stable spreads and cost-to-income ratio. The tax rate, however, was lower at 14%, the impact of which was offset by increased additions to floating provisions buffer. AUM growth of 33% YoY (+12% QoQ) was the highest in 19 quarters.
- Yield on loans declined sharply by 44bp QoQ to 11.63% due to continued mix shift toward retail home loans, coupled with interest rate cuts in the quarter. However, cost of funds also declined 41bp QoQ, resulting in largely stable spreads (3.24% v/s 3.27% QoQ).
- FY17 marked a year of sharp change in liability mix. Only 4% of incremental borrowings came from banks. Management targets to continue reducing the share of bank borrowings from 37% currently to 20-25% by FY20.
- PAT for FY17 grew 24% YoY, in-line with the trend witnessed in the past few years. RoA/RoE remained best-in-class at 3.1%/26%.
- GNPA/NNPA remained largely stable at 0.85%/0.36%. Provisions made during the quarter amounted to INR3.11b v/s INR1.78b in 3QFY17. The company made additional provisions due to tax benefit in enjoyed on DTAs in the quarter.
- **Valuation and view:** IHFL's transformation from a diversified lender to a focused mortgage player has yielded returns, with RoE/RoA improving from 3%/0.8% in FY09 to +26%/3.4% in FY17. Focus on core mortgage loans and market share gains should drive AUM growth of 26% over next three years. Also, capital consumption will be lower, with a gradual shift toward individual home loans and increased sell-downs. IHFL is among the lowest-levered HFCs. Asset quality trend is likely to remain stable. We expect RoE to cross 30% by FY20. We largely maintain our EPS estimates. We use RI model with Rf of 7%, CoE of 15% and terminal growth rate of 5%. Maintain Buy with a TP of INR1,227 (3.8x FY19E P/B).

Quarterly Performance

(INR Million)

Y/E March	FY16				FY17				FY16	FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from operations	18,290	19,850	20,751	24,009	23,720	25,098	25,859	29,314	82,899	103,990
Other Income	1,960	2,607	2,326	2,463	2,255	3,651	4,186	2,935	9,356	13,027
Total income	20,249	22,457	23,077	26,472	25,975	28,749	30,045	32,249	92,256	117,017
Y-o-Y Growth (%)	27.4	31.7	24.2	24.7	28.3	28.0	30.2	21.8	26.8	26.8
Interest expenses	11,390	12,450	12,258	13,616	14,109	16,279	16,329	17,391	49,714	64,108
Net Income	8,859	10,007	10,820	12,855	11,866	12,470	13,716	14,858	42,541	52,910
Y-o-Y Growth (%)	26.6	33.4	30.2	22.3	33.9	24.6	26.8	15.6	27.7	24.4
Operating Expenses	1,937	2,594	2,765	3,957	3,116	3,258	3,658	5,160	11,253	15,192
Profit before tax	6,922	7,413	8,055	8,898	8,750	9,212	10,058	9,698	31,289	37,718
Y-o-Y Growth (%)	29.2	31.1	29.5	18.7	26.4	24.3	24.9	9.0	26.5	20.5
Tax Provisions	1,810	1,858	2,010	2,083	2,401	2,352	2,555	1,325	7,761	8,633
Net Profit	5,113	5,555	6,045	6,815	6,349	6,861	7,502	8,373	23,528	29,085
Minority Int	0	0	-21	-60	-49	-18	13	32	-81	-22
Net Profit after MI	5,113	5,555	6,024	6,754	6,301	6,843	7,515	8,405	23,447	29,064
Y-o-Y Growth (%)	20.7	23.9	26.0	22.6	23.2	23.2	24.7	24.4	23.3	24.0

E: MOSL Estimates

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: Quarterly performance v/s expectations and deviations for the same

Particulars	4QFY17A	4QFY17E	Var. (%)	Comments
Income from operations	29,314	28,028	5	
Other Income	2,935	4,990	-41	
Total income	32,249	33,018	-2	In-line with estimate
Interest expenses	17,391	16,657	4	
Net Income	14,858	16,361	-9	Higher interest cost led to Total Income miss
Operating Expenses	5,160	4,827	7	Higher provisioning due to tax benefit
Profit before Tax	9,698	11,534	-16	
Tax Provisions	1,325	2,976	-55	Tax break on DTA
Net Profit	8,373	8,558	-2	In-line with estimate
Minority Int	32	-56	-157	
Net Profit (after minority interest)	8,405	8,502	-1	In-line with estimate
Int Exp/ operating inc (%)	59.3	59.4		
Other Income / Total Income (%)	9.1	15.1		
Tax Rate (%)	13.7	25.8		

E: MOST Estimates

Management has guided to 25-20% AUM growth over the medium term

AUM growth robust at 33% YoY – Highest in 19 quarters

- Disbursements were up 44% YoY to INR132b, driven by strong growth in corporate credit (lease rental discounting).
- As a result, AUM growth in the quarter was 33% YoY and 12% QoQ (highest in the past 19 quarters).
- Loan mix continues to evolve in favour of retail home loans (56% of total loans), while LAP and corporate accounted for 22% of total loans each.
- Management guides to 25-30% AUM growth over the foreseeable future.
- It plans to achieve a balance sheet size of INR2t by FY20, with PAT in excess of INR55b.

Incremental spreads expected to range between 275-300bp

Stable spreads

- Post the sharp MCLR cuts by banks in January, IHFL's incremental cost of funds stood at 7.83% in 4QFY17. Management believes this should help cushion the yield pressure due to cut in home loan rates. Management has guided to incremental spreads of 275-300bp and book spreads of 300-325bp going forward.
- Incremental yields in each segment are as follows- HL: 8.98%, LAP: 11.25% and Corporate: 12%
- Management targets share of bank borrowings to further decline to 20-25% by FY20 (currently 37%). It also plans to increase the share of sell downs to 20% from 9% currently. This change in liability mix will help support margins.

Asset quality continue to remain stable

- GNPA% remained steady at 0.85% and NNPA at 0.36% respectively.
- Provisions made during the quarter amounted to INR3.11b, as against INR1.78b in 3QFY17. The company made additional provisions during the quarter due to the tax benefit in enjoyed on DTAs this quarter.

Valuation and view

- Indiabulls Housing Finance Ltd (IHFL) has transformed from a diversified lender to a focused mortgage player. Mortgage focus has yielded returns, with RoE/RoA improving from 3%/0.8% in FY09 to +26%/3.4% in FY17.

- We believe the focus on mortgage and market share gains will drive AUM growth of ~26% for the next three years. As individual home loans have lower risk weight than corporate loans, capital consumption will be lower with gradual shift towards individual home loans. At the same time, increased sell-downs will also help improve return ratios.
- One of the lowest levered HFCs, IHFL would need no further dilution over the next couple of years.
- IHFL has consistently outperformed peers on key parameters. Average three-year RoE at 26% is the best among the peer group. The company offers superior return ratios with a 4% dividend yield. We use RI model with Rf of 7%, CoE of 15% and terminal growth rate of 5%. Maintain **Buy** with a target price of INR1,227 (3.8x FY19E P/B).

Exhibit 2: We maintain our estimates

INR B	Old Est		New Est		% Change	
	FY18	FY19	FY18	FY19	FY18	FY19
Net Financing income	46.5	56.6	49.0	60.3	5.2	6.4
Other Income	18.3	22.0	16.3	20.4	-11.0	-7.5
Net Income	64.8	78.7	65.3	80.6	0.6	2.5
Opex	9.1	10.4	8.9	10.7	-2.3	2.1
PBT	48.2	58.6	46.9	58.0	-2.6	-1.1
Tax	12.5	15.2	12.2	15.1	-2.6	-1.1
PAT	35.6	43.3	34.6	42.8	-2.6	-1.1
AUM	1,126	1,423	1,177	1,487	4.5	4.5
Loans	1,002	1,267	1,059	1,339	5.7	5.7
Borrowings	1,143	1,457	1,091	1,385	-4.5	-4.9
Credit Cost	0.75	0.75	0.90	0.90		
RoA on AUM	2.9	2.7	2.9	2.8		

Source: Company, MOSL

Conference call highlights**Business growth**

- Reiterated loan book growth guidance of 25-30% and 20-25% for all other financial parameters.
- Plan to reach INR2tn balance sheet by FY20, with PAT in excess of INR55b
- Disbursements in 4QFY17: Home loans – INR60b; LAP: INR20b; LRD: INR30b.

Margins

- Incremental CoF: 7.83% in 4QFY17; Continue to guide to incremental spreads: 2.75-3% and book spreads of 3-3.25%
- NCDs are still 50-60bp cheaper than bank loans, even after the MCLR cuts
- Incremental yield- HL: 8.98%, LAP: 11.25%, Corp: 12%. Book yield - HL: 9.7%, LAP: 13.5%, Corp: 14%.

Business Updates

- Loan Mix: Home loans - 56%, LAP - 22%, Corporate - 22%. Will increase share of home loans to 66% by FY20.
- Only 4% of incremental funding in FY17 was from banks
- Fee income in 4QFY17: INR1.93b
- Look to raise USD1b from overseas markets

- Had a tax break on DTA in 4QFY17.
- Provided INR1.25b more this quarter (due to tax benefit). INR3.11b credit cost in 4QFY17.
- Expect 60-70bp credit costs in FY18 and beyond.
- By FY20, share of bank borrowings is targeted to reduce to 20-25%.

Others

- Builders have started to focus more on the 'affordable housing' segment.
- RERA – Will increase demand for formal credit.
- 'SMART CITY' home loans comprise 7% of total loan sourcing.
- eHome Loans now contribute 20% of total loan applications. Opex in such loans is half of that of other retail home loans.
- OakNorth – Equity capital stands at GBP150m.
- Well capitalized for the next 2 years.

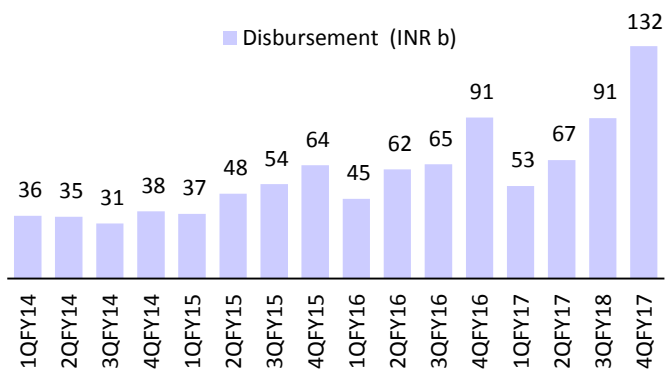
Exhibit 3: Quarterly Snapshot

	FY15				FY16				FY17				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)														
Income from operations	13,641	15,186	17,011	18,777	18,290	19,850	20,751	24,009	23,720	25,098	25,859	29,314	13	22
Interest Expenses	8,894	9,553	10,281	10,713	11,390	12,450	12,258	13,616	14,109	16,279	16,329	17,391	7	28
Net Interest Income	4,747	5,632	6,730	8,064	6,900	7,400	8,493	10,392	9,611	8,819	9,530	11,923	25	15
Other Income	2,249	1,872	1,577	2,449	1,960	2,607	2,326	2,463	2,255	3,651	4,186	2,935	(30)	19
Total Income	6,996	7,504	8,307	10,513	8,859	10,007	10,820	12,855	11,866	12,470	13,716	14,858	8	16
Operating Expenses	1,640	1,851	2,085	3,020	1,937	2,594	2,765	3,957	3,116	3,258	3,658	5,160	41	30
Employee	716	894	817	822	914	1,059	1,012	1,147	1,185	1,358	1,318	1,136	(14)	(1)
Others	924	956	1,268	2,198	1,023	1,535	1,753	2,811	1,931	1,900	2,340	4,024	72	43
PBT	5,356	5,654	6,222	7,494	6,922	7,413	8,055	8,898	8,750	9,212	10,058	9,698	(4)	9
Taxes	1,119	1,171	1,441	1,983	1,810	1,858	2,010	2,083	2,401	2,352	2,555	1,325	(48)	(36)
PAT	4,238	4,483	4,781	5,511	5,113	5,555	6,045	6,815	6,349	6,861	7,502	8,373	12	23
Minority Interest	0	0	0	0	0	0	-21	-60	-49	-18	13	32		
PAT Post Minority Interest	4,238	4,483	4,781	5,511	5,113	5,555	6,024	6,754	6,301	6,843	7,515	8,405	12	24
Asset Quality														
GNPA (INR m)	3,529	3,827	4,135	3,913	4,071	4,309	4,553	5,116	5,430	5,686	6,557	7,062	8	38
NNPA (INR m)	1,463	1,523	1,626	1,871	1,935	2,028	2,169	2,393	2,533	2,548	2,917	3,271	12	37
Gross NPAs (%)	0.84	0.85	0.86	0.85	0.85	0.84	0.83	0.84	0.84	0.83	0.85	0.85		
Net NPAs (%)	0.35	0.34	0.34	0.36	0.36	0.35	0.35	0.35	0.36	0.34	0.36	0.36		
Provisions on AUM (%)	0.49	0.51	0.52	0.49	0.49	0.49	0.48	0.49	0.48	0.49	0.49	0.49		
Margins (%) - (calculated)														
Yield on loans	9.8	10.2	11.2	12.0	11.1	11.2	10.7	11.6	12.9	12.8	12.2	12.3		
Cost of funds	9.7	9.7	9.1	8.9	9.3	9.6	8.4	8.2	7.9	8.3	7.5	7.5		
Spreads	0.1	0.6	2.1	3.1	1.8	1.6	2.3	3.4	5.0	4.5	4.7	4.8		
NIMs	4.9	4.7	5.2	6.1	5.2	5.2	5.2	5.6	5.0	4.8	5.0	5.0		
Ratios (%)														
Cost to Income	23.4	24.7	25.1	28.7	21.9	25.9	25.6	30.8	26.3	26.1	26.7	34.7		
Tax Rate	20.9	20.7	23.2	26.5	26.1	25.1	25.0	23.4	27.4	25.5	25.4	13.7		
RoE (Calc.)	30.48	31.23	34.54	30.72	26.07	23.08	25.47	0.00	23.97	25.85	28.13	0.00		
RoA (Calc.)	3.74	3.72	3.98	3.49	3.51	3.49	3.66	0.00	3.16	3.10	3.26	0.00		
Business Details														
Disb.-Quarterly (INR m)	36,700	48,000	53,500	64,190	45,250	61,900	64,740	91,370	52,500	67,200	91,000	131,800	45	44
AUM (INR m)	420,140	450,268	480,780	522,350	540,215	582,246	622,650	687,000	707,000	753,130	814,220	913,000	12	33
Borrowings (INR m)	378,640	411,030	491,560	474,870	508,630	527,620	636,290	689,100	744,800	832,000	919,200	939,900	2	36
Total AUM Mix (%)														
Mortgages	75	76	76	76	76	76	76	77	77	78	79	78		
Corporate	21	21	21	22	22	23	23	22	23	22	21	22		
CV	4	3	3	2	2	1	1	1	0	0	0	0		
Liability Mix (%)														
Bank Loans	60	54	53	59	55	47	49	49	47	39	37	37		
CP	8	7	7	7	7	6	6	0	0	0	0	0		
NCD	32	28	28	31	35	33	31	38	40	49	50	51		
ECB	0	0	1	3	3	2	2	2	2	2	3	3		
Other Details														
Dividend (INR/sh)	8	9	9	9	9	9	9	9	9	9	9	9		

Source: Company, MOSL

Story in charts

Exhibit 4: Disb. growth of 44%+ YoY



Source: Company, MOSL

Exhibit 5: AUM growth at multi-quarter high at +33%

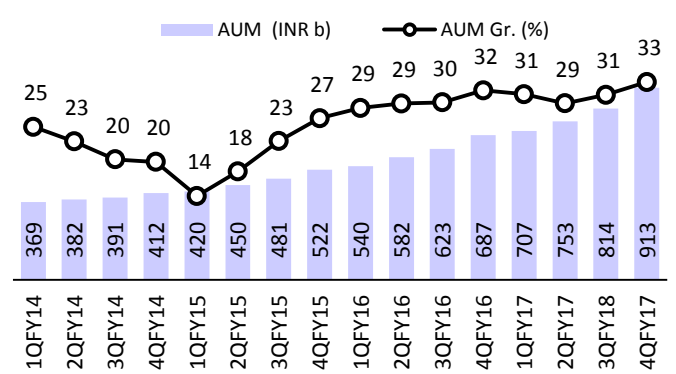
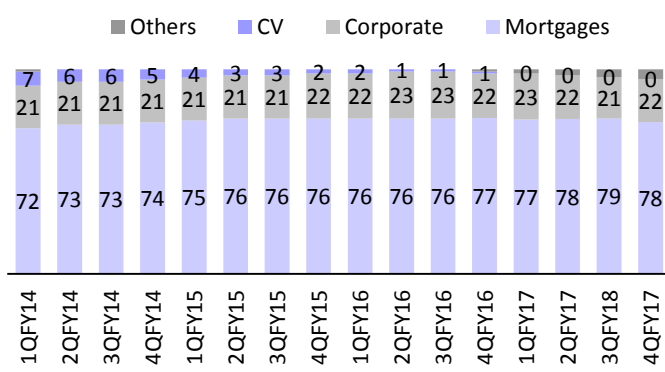
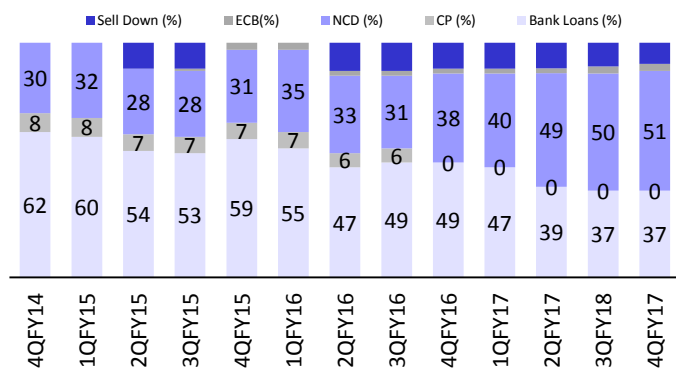


Exhibit 6: AUM mix has been stable



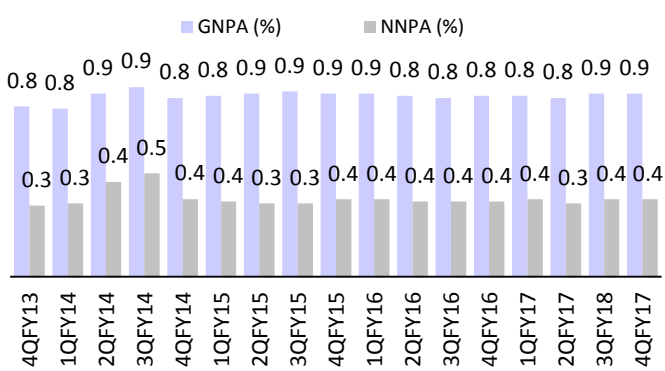
Source: Company, MOSL

Exhibit 7: Bank borrowings will continue to decline



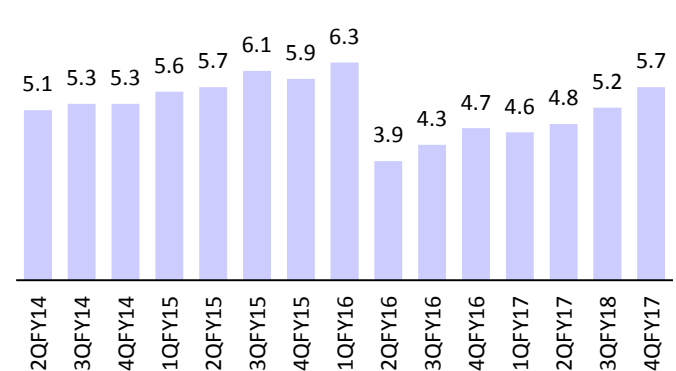
Source: Company, MOSL

Exhibit 8: Asset quality remains healthy



Source: Company, MOSL

Exhibit 9: Net gearing (x) among lowest compared to peers



Source: Company, MOSL

Exhibit 10: Financials: Valuation metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USD\$)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICI* [*]	Buy	269	24.3	17.8	20.5	10.4	8.3	158.0	172.4	1.17	0.98	1.23	1.22	9.8	10.5
HDFCB	Buy	1,533	59.5	67.1	79.4	22.8	19.3	387	448	3.96	3.42	1.81	1.78	18.2	19.0
AXSB	Neutral	498	18.0	23.9	42.2	20.9	11.8	250	285	1.99	1.75	0.90	1.30	9.9	15.7
KMB*	Buy	893	25.0	32.3	41.6	27.7	21.5	238	278	3.75	3.21	1.78	1.95	14.5	16.0
YES	Buy	1,556	10.9	92.2	116.2	16.9	13.4	542	635	2.87	2.45	1.78	1.84	18.0	19.7
IIB	Buy	1,434	13.2	59.4	72.0	24.1	19.9	385	447	3.72	3.21	1.87	1.88	16.5	17.3
IDFC Bk	Neutral	59	3.1	3.8	4.8	15.3	12.4	45	49	1.30	1.20	1.03	1.06	8.7	10.1
FB	Buy	93	2.5	5.2	6.7	17.7	13.9	54	60	1.71	1.56	0.72	0.75	10.0	11.7
DCBB	Neutral	182	0.8	8.8	11.2	20.7	16.2	75	85	2.43	2.14	0.94	0.97	12.4	14.0
JKBK	Neutral	79	0.6	13.0	15.4	6.1	5.1	117	129	0.67	0.61	0.69	0.72	11.6	12.5
SIB	Neutral	25	0.5	3.1	3.8	8.1	6.6	32	35	0.78	0.71	0.54	0.59	10.0	11.3
Equitas	Buy	169	0.9	6.2	7.4	27.3	23.0	73	80	2.32	2.11	1.92	1.66	8.9	9.6
RBL	Under Review	564	3.2	18.5	24.3	30.5	23.2	130	149	4.35	3.78	1.24	1.27	15.2	17.4
Private Aggregate															
SBIN (cons)*	Buy	286	34.0	16.9	23.3	14.9	10.7	243	262	1.04	0.95	0.36	0.45	7.3	9.3
PNB	Buy	156	5.1	12.4	16.6	12.5	9.4	191	205	0.81	0.76	0.36	0.43	6.7	8.3
BOI	Neutral	153	2.5	14.5	23.7	10.6	6.5	249	267	0.62	0.57	0.23	0.33	6.0	9.2
BOB	Buy	179	6.3	19.0	26.1	9.4	6.9	167	187	1.07	0.96	0.60	0.75	11.9	14.8
CBK	Neutral	328	2.7	35.9	57.6	9.1	5.7	525	569	0.63	0.58	0.31	0.43	7.0	10.5
UNBK	Neutral	160	1.7	30.5	45.3	5.2	3.5	328	368	0.49	0.43	0.45	0.59	9.7	13.0
OBC	Neutral	156	0.8	21.0	26.0	7.4	6.0	413	433	0.38	0.36	0.28	0.31	5.2	6.1
INBK	Buy	285	1.9	30.1	35.9	9.5	7.9	324	352	0.88	0.81	0.64	0.68	9.6	10.6
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,531	36.8	38.4	43.2	22.6	17.9	225	283	3.85	2.72	1.78	1.83	18.1	17.1
LICHF	Buy	658	5.0	46.9	55.3	14.0	11.9	249	294	2.64	2.24	1.60	1.63	20.3	20.3
IHFL	Buy	1,007	6.5	84.4	102.7	11.9	9.8	316	358	3.19	2.81	3.13	3.00	28.3	30.5
GRHF	Neutral	387	2.2	10.3	12.5	37.7	30.9	37	44	10.53	8.74	2.49	2.49	30.6	30.9
REPCO	Buy	765	0.7	34.0	40.2	22.5	19.0	210	247	3.64	3.10	2.14	2.09	17.5	17.6
DEWH	Buy	417	2.0	36.7	42.7	11.4	9.8	278	311	1.50	1.34	1.37	1.31	13.9	14.5
Housing Finance															
RECL	Neutral	205	6.3	35.0	40.4	5.9	5.1	196	227	1.05	0.90	3.10	3.12	19.1	19.1
POWF	Neutral	158	6.4	27.2	30.2	5.8	5.2	169	191	0.93	0.83	2.76	2.72	17.0	16.8
Infra Finance															
SHTF	Buy	1,055	3.7	81.9	100.5	12.9	10.5	558	637	1.89	1.66	2.74	3.00	15.5	16.7
MMFS	Buy	343	3.0	10.9	14.1	31.3	24.3	117	125	2.92	2.73	1.34	1.50	9.6	11.6
BAF	Buy	1,270	10.4	47.5	64.0	26.8	19.9	207	261	6.15	4.86	3.59	3.66	25.5	27.3
SCUF	Buy	2,300	2.4	134.5	164.6	17.1	14.0	870	1,008	2.64	2.28	3.73	3.85	16.5	17.5
MUTH	Buy	395	2.5	34.5	40.0	11.5	9.9	182	207	2.17	1.91	4.11	4.12	20.2	20.6
SKSM	Neutral	786	1.6	42.8	55.1	18.4	14.3	243	298	3.23	2.64	4.58	4.18	19.3	20.4
Asset Finance															
NBFC Aggregate															
Financials															

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and valuations

Income Statement							(INR Million)
Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Financing Income	51,865	61,210	78,418	103,990	130,612	161,176	198,972
Financing Charges	32,824	39,442	49,714	64,110	81,643	100,908	123,372
Net Financing income	19,041	21,768	28,704	39,880	48,969	60,267	75,599
Change (%)	14.4	14.3	31.9	38.9	22.8	23.1	25.4
Non interest Income	7,181	11,494	13,837	13,030	16,288	20,359	25,449
Net Income	26,222	33,262	42,541	52,910	65,256	80,627	101,049
Change (%)	20.4	26.8	27.9	24.4	23.3	23.6	25.3
Employee Cost	2,637	3,249	4,131	4,997	5,996	7,195	8,634
Other Operating Exp.	1,470	2,285	2,053	2,443	2,909	3,465	4,130
Operating profits	22,115	27,728	36,357	45,470	56,351	69,966	88,284
Change (%)	24.4	25.4	31.1	25.1	23.9	24.2	26.2
Total Provisions	2,297	3,003	5,069	7,750	9,404	11,988	15,048
% of operating profit	10.4	10.8	13.9	17.0	16.7	17.1	17.0
PBT	19,818	24,725	31,289	37,720	46,947	57,978	73,236
Tax	4,133	5,713	7,760	8,630	12,206	15,074	19,041
Tax Rate (%)	20.9	23.1	24.8	22.9	26.0	26.0	26.0
PAT	15,685	19,012	23,529	29,090	34,741	42,904	54,195
Change (%)	23.9	21.2	23.8	23.6	19.4	23.5	26.3
Minority Interest	44	1	81	22	100	120	140
PAT	15,642	19,011	23,448	29,068	34,641	42,784	54,055
Change (%)	24.3	21.5	23.3	24.0	19.2	23.5	26.3
Dividend (including tax)	11,298	10,531	21,459	17,855	20,265	25,029	31,622
Balance Sheet							
Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Equity Share Capital	668	711	843	843	843	843	843
Reserves & Surplus	56,387	65,606	106,097	120,370	134,746	152,501	174,934
Net Worth	57,055	66,317	106,939	121,213	135,589	153,344	175,776
Equity Net worth	57,055	66,317	106,939	121,213	135,589	153,344	175,776
Minority Interest	19	20	0	0	0	0	0
Borrowings	355,395	474,874	610,853	853,000	1,090,880	1,385,398	1,737,953
Change (%)	13.6	33.6	28.6	39.6	27.9	27.0	25.4
Deferred Tax Liability	-1,848	-26	760	1,100	1,100	1,100	1,100
Total Liabilities	410,622	541,186	718,552	975,312	1,227,568	1,539,841	1,914,829
Cash and bank balance	44,190	34,903	29,017	56,830	64,270	75,816	93,275
Investments	29,470	61,638	106,928	136,170	163,404	196,085	235,302
Change (%)	27.7	109.2	73.5	27.3	20.0	20.0	20.0
Loans	354,446	460,396	608,643	830,880	1,059,107	1,338,549	1,671,109
Change (%)	15.1	29.9	32.2	36.5	27.5	26.4	24.8
Net Current Assets	-18,639	-16,978	-27,393	-50,472	-60,566	-72,679	-87,215
Net Fixed Assets	469	541	686	900	690	1,407	1,695
Total Assets	410,622	541,186	718,552	974,980	1,227,575	1,539,849	1,914,837
AUM Mix							(%)
Assets Under Management	411,690	522,350	686,830	913,000	1,176,785	1,487,276	1,856,788
Change (%)	19.6	26.9	31.5	32.9	28.9	26.4	24.8
On Books	354,446	460,396	608,643	830,880	1,059,107	1,338,549	1,671,109
% of AUM	86.1	88.1	88.6	91.0	90.0	90.0	90.0
Off books	57,244	61,954	78,187	82,120	117,679	148,728	185,679
% of AUM	13.9	11.9	11.4	9.0	10.0	10.0	10.0

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)							
Avg. Yield - on Fin. Portfolio	13.1	12.7	12.6	13.0	12.5	12.1	11.9
Avg Cost of funds	10.1	9.7	9.2	8.8	8.4	8.2	7.9
Interest Spread on on books	3.0	3.0	3.4	4.2	4.1	4.0	4.0
Net Interest Margin on AUM	5.0	4.7	4.7	5.0	4.7	4.5	4.5

Profitability Ratios (%)

RoE	27.0	30.8	27.1	25.5	27.0	29.6	32.8
RoA	4.0	4.0	3.7	3.4	3.1	3.1	3.1
RoA (on AUM)	3.6	3.6	3.3	3.1	2.9	2.8	2.9
Int. Expended/Int.Earned	63.3	64.4	63.4	61.7	62.5	62.6	62.0
Cost/Income Ratio	17.1	16.6	14.5	14.1	13.6	13.2	12.6
Empl. Cost/Op. Exps.	64.2	58.7	66.8	67.2	67.3	67.5	67.6

Asset quality

GNPA (%)	0.83	0.85	0.84	0.80	0.80	0.80	0.80
NNPA (%)	0.36	0.36	0.35	0.40	0.40	0.40	0.40

Valuations	2014	2015	2016	2017	2018E	2019E	2020E
Book Value (INR)	170.8	186.5	253.8	287.7	321.8	364.0	417.2
BV Growth (%)	3.3	9.2	36.1	13.3	11.9	13.1	14.6
Price-BV (x)	5.9	5.4	4.0	3.5	3.1	2.8	2.4
Adjusted BV (INR)	170.8	186.5	253.8	287.7	321.8	364.0	417.2
Price-ABV (x)	5.9	5.4	4.0	3.5	3.1	2.8	2.4
EPS (INR)	46.8	53.5	55.7	69.0	82.2	101.6	128.3
EPS Growth (%)	16.3	14.2	4.1	24.0	19.2	23.5	26.3
Price-Earnings (x)	21.5	18.8	18.1	14.6	12.2	9.9	7.8
DPS (INR)	29.0	35	45.0	36.2	41.1	50.8	64.2
Dividend Payout (%)	61.7	47.9	76.0	52.5	50.0	50.0	50.0
Dividend Yield (%)	2.9	3.5	4.5	3.6	4.1	5.0	6.4

E: MOSL Estimates

Corporate profile

Company description

Indiabulls Housing Finance (IHFL) is the fourth largest housing finance company in India with AUM of over INR900b as of FY17. It was established as a wholly-owned subsidiary of Indiabulls Financial Services (IBFSL). In early 2013, keeping with IHFL's long-term commitment to the housing finance business, the company was reversed-merged into its housing finance subsidiary IHFL. IHFL offers home loans to target client base of middle and upper-middle income individuals and small and medium-sized enterprises, or SMEs. It has presence across 200+ locations across India.

Exhibit 10: Sensex rebased

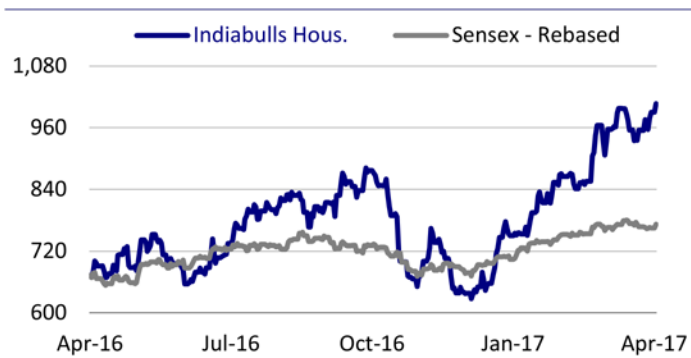


Exhibit 11: Shareholding pattern (%)

	Dec-16	Sep-16	Dec-15
Promoter	24.1	24.2	24.2
DII	2.7	2.2	2.3
FII	60.9	62.2	57.9
Others	12.4	11.5	15.6

Note: FII Includes depository receipts

Exhibit 13: Top management

Name	Designation
Sameer Gehlaut	Chairman
Gagan Banga	Vice Chairman and MD
Ashwini Kumar	Deputy Managing Director
Mukesh Garg	Chief Financial Officer
Pinank Shah	Head Treasury
Ramnath Shenoy	Executive Vice President, IR

Exhibit 12: Top holders

Holder Name	% Holding
EUROPACIFIC GROWTH FUND	6.2
MERRILL LYNCH MARKETS SINGAPORE PTE. LTD	3.5
MORGAN STANLEY MAURITIUS COMPANY LIMITED	3.3
TUPELO CONSULTANCY LLP	2.2
SMALLCAP WORLD FUND, INC	1.8

Exhibit 14: Directors

Name	Name
Sameer Gehlaut	Shamsher Singh Ahlawat*
Gagan Banga	Aisharya Katoch
Rajiv Rattan	Joginder Singh Kataria
Saurabh Kumar Mittal	Ajit Kumar Mittal
Karan Singh Khera*	Ashwini Omprakash Kumar
Ram Kumar Sheokand*	Kamalesh Shailesh Chandra Chakrabarty*
Prem Prakash Mirdha*	

*Independent

Exhibit 15: Auditors

Name	Type
N D Kapur & Co	Internal
Jatin Gupta & Associates	Secretarial Audit
Deloitte Haskins & Sells LLP	Statutory

Exhibit 16: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	69.0	67.3	2.5
FY18	82.2	80.7	1.9
FY19	101.6	94.9	7.1

NOTES

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