4 May 2017

4QFY17 Results Update | Sector: Financials

Dewan Housing

BSE SENSEX	S&P CNX
30,126	9,360
Bloomberg	DEWH IN
Equity Shares (m)	313
M.Cap.(INRb)/(USDb)	137.1 / 2.1
52-Week Range (INR)	455 / 183
1, 6, 12 Rel. Per (%)	16/37/101
Avg Val, INRm	738
Free float (%)	60.7

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
NII	18.2	23.4	28.0
PPP	16.2	21.1	25.1
Adj. PAT	9.3	12.1	14.2
EPS (INR)	29.6	38.6	45.5
EPS Gr. (%)	18.5	30.5	17.7
BV (INR)	252	281	316
RoAA (%)	1.2	1.3	1.4
RoE (%)	14.4	14.5	15.2
Payout (%)	15.7	23.2	23.2
Valuations			
P/E (x)	14.8	11.3	9.6
P/BV (x)	1.7	1.6	1.4
P/ABV (x)	1.7	1.6	1.4
Div. Yield (%)	0.9	1.8	2.1

CMP: INR438 **TP: INR559 (+28%)** **Buy**

Strong performance on all fronts; Re-rating to continue

- Dewan Housing Finance's (DEWH) 4QFY17 PAT grew 31% YoY to INR2.48b (excluding the gain on the sale of 50% stake in the life insurance subsidiary). Strong AUM growth, a YoY reduction in C/I ratio and an improvement in spreads were the highlights of the quarter.
- Disbursement growth picked up sequentially and was 11.2% YoY for the quarter. AUM growth was healthy at 6.7% QoQ/20.2% YoY, with AUM crossing INR835b.
- The company continues to diversify into non-retail lending (its share in total loan book increased from 31% to 34% QoQ). Borrowing mix, however, was largely stable. The company continues to reduce its cost of borrowings by negotiating better rates with banks and refinancing maturing NCDs at lower rates.
- Adj. PAT for FY17 increased 27% YoY to INR9.27b, with RoA/RoE of 1.2%/14.4%. RoE is depressed due to the higher base from capital infusion from stake sale of subsidiary on 31 March 2017.
- Reported margin expanded 8bp YoY, but shrunk 3bp QoQ to 3.04%. Reduction in cost of funds to 8.84% (-84bp YoY, -45bp QoQ) was the main driver of spread improvement.
- C/I ratio (-460bp YoY to 27.2%) was in line with the trend witnessed over past three quarters. For FY17, C/I ratio declined 320bp YoY to 26.9%. We expect C/I ratio to decline to 24.2% by FY19.
- **Valuation and view:** DEWH continues capitalizing on its mortgage lending expertise in an underpenetrated market. Its focuses on being a core mortgage finance player, as evident from its divestment of non-core assets (such as the life insurance business). Also, management's commitment toward lowering operating cost should improve return ratios and investor sentiment. We believe its gradual transformation to a core mortgage player with strong growth and healthy return ratios would result in further re-rating. We upgrade FY18/19 EPS estimates by 5%/6% to factor in better margins and stronger growth. **Buy** with a TP of INR559 (1.8x FY19E BVPS).

DEWH: Quarterly performance (INR Million)

Y/E March	FY16				FY17				FY16	FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	4,189	4,542	4,656	4,880	4,840	5,371	5,664	6,303	18,267	22,177
YoY Growth (%)	17.7	22.5	18.5	19.9	15.5	18.3	21.6	29.1	19.7	21.4
Operating Expenses	1,256	1,318	1,372	1,550	1,361	1,398	1,497	1,717	5,495	5,973
YoY Growth (%)	15.6	7.6	8.5	28.1	8.4	6.1	9.1	10.8	14.8	8.7
Operating Profits	2,934	3,223	3,285	3,330	3,479	3,972	4,167	4,586	12,772	16,204
YoY Growth (%)	18.6	30.0	23.3	16.4	18.6	23.2	26.9	37.7	21.9	26.9
Provisions	320	450	480	500	450	450	450	830	1,750	2,180
Profit before Tax	2,614	2,773	2,805	2,830	3,029	3,522	3,717	3,756	11,022	14,024
Tax Provisions	881	970	946	934	1,015	1,196	1,269	1,273	3,730	4,754
Profit after tax	1,733	1,804	1,859	1,897	2,014	2,326	2,448	2,483	7,292	9,270
YoY Growth (%)	17.8	18.5	16.5	16.9	16.2	29.0	31.7	30.9	17.4	27.1
Loan growth (%)	25.7	25.9	23.5	21.0	18.3	16.0	16.9	16.7	20.9	18.5
Borrowings growth (%)	26.3	29.0	30.2	24.9	20.4	38.5	28.0	33.1	52.4	45.7
Cost to Income Ratio (%)	30.0	29.0	29.5	31.8	28.1	26.0	26.4	27.2	30.1	26.9
Tax Rate (%)	33.7	35.0	33.7	33.0	33.5	34.0	34.2	33.9	33.8	33.9

E: MOSL Estimates

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Exhibit 1: Quarterly performance and reason for deviations

Particulars	4QFY17A	4QFY17E	v/s Est.	Comments
Total income	23,777	24,241	-2	
Interest expenses	17,475	18,428	-5	
Net Income	**6,303**	**5,813**	**8**	**Lower than expected cost of funds**
Opex (inc. provisions)	2,547	2,073	23	**Higher contingency provisions**
Profit before Tax	**3,756**	**3,740**	**0**	
Tax Provisions	1,273	1,268	**0**	
PAT before extraordinary item	**2,483**	**2,472**	**0**	**In-line**
Extraordinary Gain	19,694	0		
PAT after extraordinary item	**22,177**	**2,472**	**797**	
Int Exp/ Op. Inc. (%)	73.5	76.0		
C/I Ratio incl prov (%)	40.4	35.7		
Tax Rate (%)	33.9	33.9		

Source: Company, MOSL

AUM growth of 20% YoY; securitization picks up

Business momentum remains healthy; AUM growth +20% YoY

- Disbursement growth picked up sequentially and was 11.2% YoY for the quarter driven by 3% YoY growth in sanctions. For the full year FY17, disbursements were up 18% YoY, while sanctions were up 6% YoY.
- AUM growth was healthy at 6.7% QoQ/20.2% YoY, with AUM crossing INR835b.
- DEWH securitized loans worth INR64b in FY17 v/s INR40b in FY16, thus increasing the share of off-BS loans from 11.1% to 13.7%.
- The company continues to diversify into non-retail lending (its share in total loan book increased from 31% to 34% QoQ). Management plans to cap the share of LAP+SME lending at 20% but increase the share of project loans to 16%.
- Borrowing mix, however, was largely stable. The company continues to reduce its cost of borrowings by negotiating better rates with banks and refinancing maturing NCDs at lower rates.

Cost of funds declined 45bp QoQ to 8.84% - lowest ever. Opex growth was moderate at 11% YoY.

NIM increased 8bp YoY; C/I ratio continues to trend downwards

- Reported margin expanded 8bp YoY, but shrunk 3bp QoQ to 3.04%.
- Reduction in cost of funds to 8.84% (-84bp YoY, -45bp QoQ) was the main driver of spread improvement. This was primarily driven by lower cost of bank borrowings. We envisage further reduction in cost of funds driven by gradual migration from bank borrowings to market borrowings.
- Operating expenses continued to grow in line with the trend witnessed in the past three quarters (+11% YoY). Management has successfully demonstrated its ability to cut back on operating expenses without impacting growth or profitability. C/I ratio (-460bp YoY to 27.2%) was in line with the trend witnessed over past three quarters. For FY17, C/I ratio declined 320bp YoY to 26.9%..

Asset quality stable; PCR of +99%

- GNPAs remained broadly unchanged at 94bp (95bp in 3QFY17). The company continues to adequately provide for all the GNPAs.
- Provisions were higher at INR830m in 4QFY17 v/s INR450m in 3QFY17 as the company chose to add to contingency provisions.

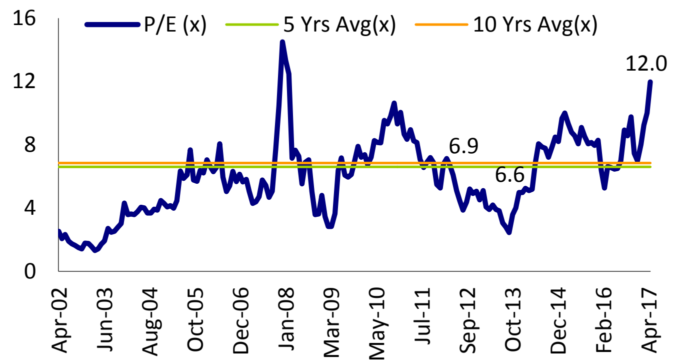
Other Highlights

- DHFL sold its entire 50% stake in the life insurance subsidiary, thus booking capital gains of INR19.69b in the quarter. This improved CRAR by ~400bp.
- Capital adequacy now stands at 119.34%, with Tier I capital at 14.92%

Valuation and view

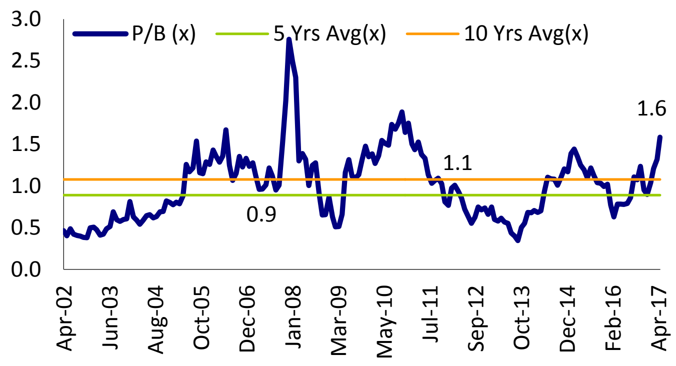
- DEWH continues to perform well on growth and asset quality front; we expect AUM growth to remain healthy at a CAGR of 18-20% over the medium term with GNPL < 1%.
- Margins are expected to improve given higher share of non-retail loans as well as significant improvement in cost of funding.
- Management is committed to bring down the costs structure by improving productivity, rationalizing branch network and centralizing back-end operations. These cost reduction initiative are clearly reflected in the performance during last few quarters; we are hopeful that this trend will continue, which will help improve return ratios and drive re-rating.
- The company has also demonstrated its focus on the core mortgage space by divesting its non-core assets, such as the life insurance subsidiary.
- We upgrade FY18/19E EPS estimates by 5%/6% to factor in better margins and stronger growth. We use RI model with Rf of 7.0%, CoE of 13.5% and terminal growth rate of 5% to value the stock. Buy with a target price of INR559 (1.8x FY19E BV).

Exhibit 2: One year forward P/E chart



Source: MOSL

Exhibit 3: One year forward P/B chart



Source: MOSL

Conference call highlights

Business Updates

- Home sales returned to normal levels by end-January.
- C/I ratio is expected to reduce with better utilization of 100 new branches opened two years back as well as streamlining of back-end processes. In 18-24 months, management targets to reduce C/I ratio by 50-75bp.
- AUM growth to remain at 18-20% going forward.
- Spreads: Retail segment – 250-275bp; Non-retail segment: 350-500bp. Incremental yields: LAP- 12.4-12.75%; Project loans - 13-15%
- Project Finance – have focused on this segment in the past 1-2 years and expect to continue with the same.
- Will look to divest other subsidiaries over the medium-to-long term.
- Cost of funds is expected to reduce by 25-30bp in FY18
- Company plans to cap share of LAP+SME at 20% and Project loans at 16%
- GNPL ratio in LAP is 1.2% (LTV capped at 50%)
- Management expects to reduce the share of bank borrowings to 35-38% over the near-to-medium term. Spread over MCLR has reduced from 60-70bp to 15-20bp over the past one year.
- Will maintain margins between 2.90-3.05% going forward

Others

- 50% of the housing finance market is in ticket sizes under INR2.5m
- Management believes that the government will increase the INR10b allocation for MIG CLSS scheme next year
- INR565m net processing fees in 4QFY17
- Average ticket size in LAP is INR4-4.5m.
- Acquired ~50,000 new customers in FY17.

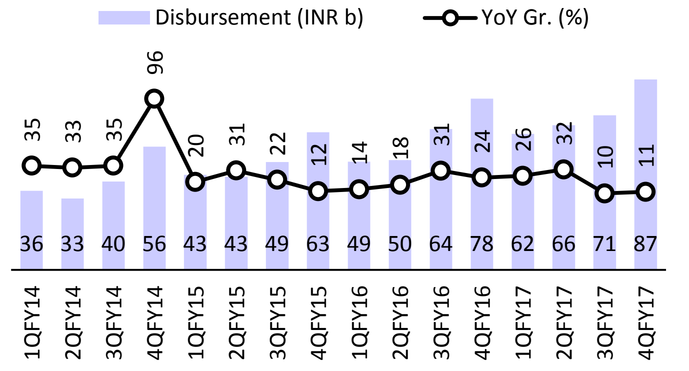
Exhibit 4: Quarterly Snapshot

	FY15				FY16				FY17				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)														
Net Interest Income	**3,279**	**3,319**	**3,548**	**3,652**	**3,988**	**4,065**	**4,264**	**4,373**	**4,565**	**4,920**	**5,150**	**5,360**	**4**	**23**
Fees and Other Income	282	387	381	419	201	477	392	507	275	451	514	943	83	86
Total Income	**3,561**	**3,706**	**3,929**	**4,071**	**4,189**	**4,542**	**4,656**	**4,880**	**4,840**	**5,371**	**5,664**	**6,303**	**11**	**29**
Operating Expenses	1,086	0	1,264	1,210	1,256	1,318	1,372	1,550	1,361	1,398	1,497	1,717	15	11
Employee	449	0	490	549	550	549	563	615	628	657	663	656	(1)	7
Others	637	0	774	661	705	769	809	935	733	741	834	1,061	27	13
Operating Profits	**2,475**	**3,706**	**2,665**	**2,861**	**2,934**	**3,223**	**3,285**	**3,330**	**3,479**	**3,972**	**4,167**	**4,586**	**10**	**38**
Provisions	250	200	250	350	320	450	480	500	450	450	450	830	84	66
PBT	**2,225**	**3,506**	**2,415**	**2,511**	**2,614**	**2,773**	**2,805**	**2,830**	**3,029**	**3,522**	**3,717**	**3,756**	**1**	**33**
Taxes	753	758	819	888	881	970	946	934	1,015	1,196	1,269	1,273	0	36
PAT	**1,472**	**2,748**	**1,596**	**1,623**	**1,733**	**1,804**	**1,859**	**1,897**	**2,014**	**2,326**	**2,448**	**2,483**	**1**	**31**
Asset Quality (%)														
GNPA	0.8	0.8	0.8	0.8	0.9	0.8	0.8	1.0	1.0	1.0	1.0	0.9		
NNPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Ratios (%)														
Cost to Income	30.5	33.1	32.2	29.7	30.0	29.0	29.5	31.8	28.1	26.0	26.4	27.2		
Tax Rate	30.4	20.4	30.7	31.0	30.0	30.1	28.8	28.0	29.2	30.1	30.5	5.2		
CAR	16.5	16.2	15.5	16.5	15.8	15.3	16.4	17.0	17.5	17.2	16.3	19.3		
Tier I	11.6	11.6	10.9	12.5	12.0	11.6	12.6	13.3	12.7	12.2	11.7	14.9		
Margins Reported - Cumulative (%)														
Cost of Funds	10.5	10.5	10.3	10.3	10.0	9.9	9.6	9.7	9.6	9.3	9.1	8.8		
NIMs	2.8	2.8	2.8	2.9	3.0	2.9	2.9	3.0	2.9	3.1	3.1	3.0		
Business (INR b)														
Sanctions	59	61	71	94	79	77	93	128	88	84	95	131	39	3
Disbursements	43	43	49	63	49	50	64	78	62	66	71	87	23	11
Loan book	428	447	478	510	538	563	590	618	636	653	690	721	5	17
AUM	469	494	526	569	600	628	660	695	720	752	783	836	7	20
Average ticket size Rs lac	10.9	11.0	11.6	12.1	11.7	11.8	12.2	12.4	12.9	13.4	14	14		
Borrowing Mix (%)														
Banks and FI	63	64	60	58	55	54	53	53	52	44	42	42		
NHB	5	4	4	3	3	3	3	2	2	2	4	4		
NCD	24	25	28	28	32	33	32	33	32	43	42	42		
Deposits	7	8	8	8	8	8	8	8	9	8	9	8		
Others	0	0	0	0	0	0	0	0	0	0	0	0		
Multilateral Agencies	1	0	0	3	3	2	4	4	5	4	4	4		
Loan Mix (%)														
Retail home loans	79	77	77	75	74	76	74	72	72	70	69	66		
LAP	16	17	18	18	18	17	16	16	16	16	16	17		
Builder	5	6	5	7	6	6	8	10	10	12	13	14		
SME	0	0	0	0	1	1	2	3	3	3	3	3		

Source: Company, MOSL

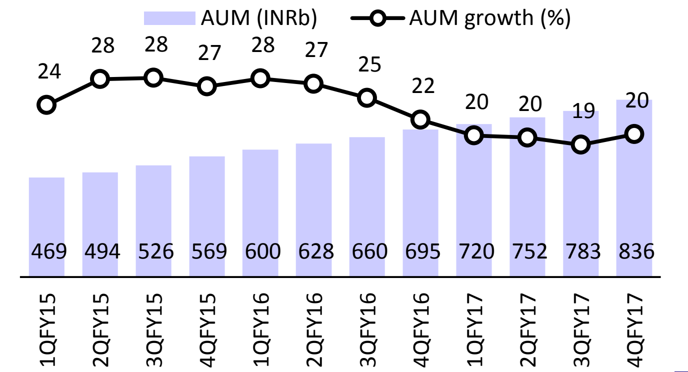
Story in charts

Exhibit 5: Disbursement growth at +11% YoY



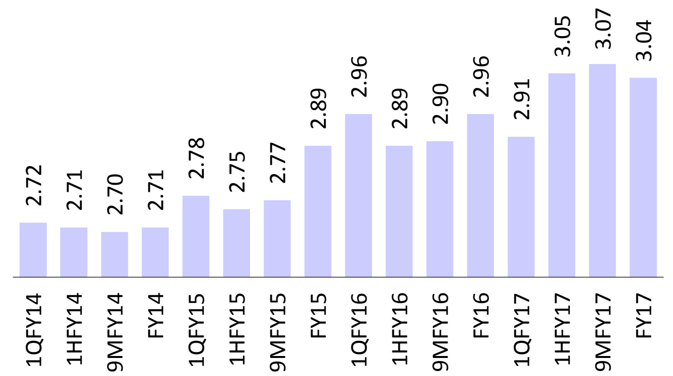
Source: Company, MOSL

Exhibit 6: AUM growth steady



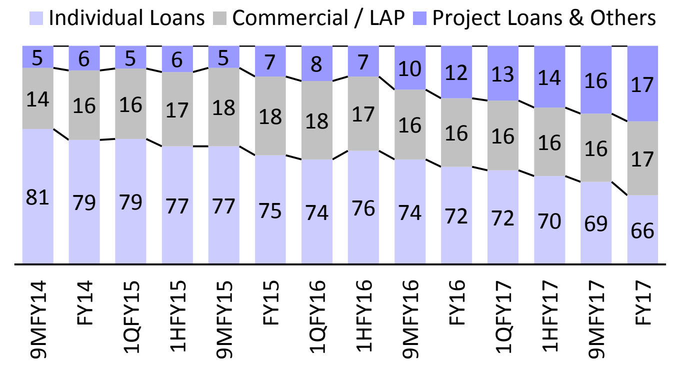
Source: Company, MOSL

Exhibit 7: NIM declined marginally QoQ (%)



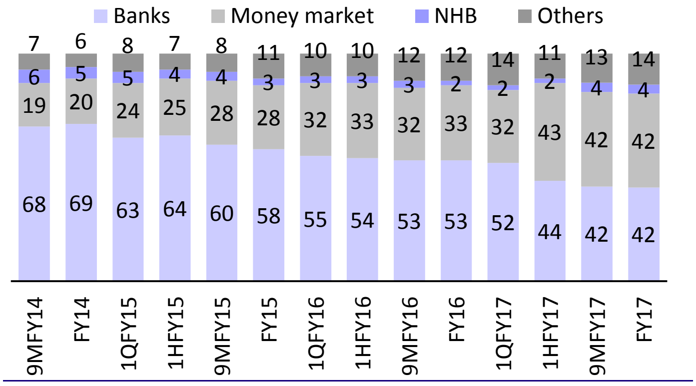
Source: Company, MOSL

Exhibit 8: AUM Mix: Non-retail now forms 34% of AUM



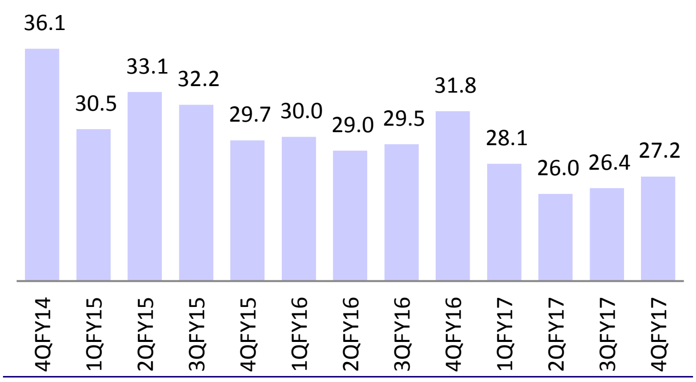
Source: Company, MOSL

Exhibit 9: Liability mix stable (%)



Source: Company, MOSL

Exhibit 10: C/I ratio has been on a declining trend (%)



Source: Company, MOSL

Exhibit 11: Valuation Metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICIBC*	Buy	298	24.7	16.8	19.2	17.7	15.5	161.0	174.6	1.85	1.71	1.20	1.20	9.1	9.8
HDFCB	Buy	1,533	61.5	67.1	79.4	22.8	19.3	386	451	3.97	3.40	1.81	1.78	18.2	19.0
AXSB	Neutral	519	18.7	23.4	41.2	22.1	12.6	244	278	2.12	1.86	0.86	1.26	9.9	15.7
KMB*	Buy	904	26.1	32.3	40.5	28.0	22.3	239	278	3.79	3.26	1.75	1.88	14.5	15.7
YES	Buy	1,628	11.6	92.2	116.2	17.7	14.0	468	635	3.48	2.57	1.78	1.84	18.0	19.7
IIB	Buy	1,423	13.3	59.4	72.0	23.9	19.8	385	447	3.69	3.18	1.87	1.88	16.5	17.3
IDFC Bk	Neutral	66	3.4	3.3	4.3	19.9	15.5	46	49	1.44	1.35	0.88	0.93	7.4	9.0
FB	Buy	112	3.0	5.8	7.3	19.5	15.5	55	61	2.03	1.84	0.78	0.81	10.9	12.5
DCBB	Neutral	193	0.9	8.8	11.2	22.0	17.2	75	85	2.58	2.27	0.94	0.97	12.4	14.0
JKBK	Neutral	83	0.6	13.0	15.4	6.4	5.4	117	129	0.71	0.64	0.69	0.72	11.6	12.5
SIB	Neutral	26	0.5	3.1	3.8	8.4	6.9	32	35	0.81	0.74	0.54	0.59	10.0	11.3
Equitas	Buy	164	0.8	6.2	7.4	26.4	22.2	73	80	2.24	2.04	1.92	1.66	8.9	9.6
RBL	Under Review	572	3.4	17.6	23.8	32.4	24.0	128	148	4.47	3.87	1.21	1.26	14.6	17.3
Private Aggregate															
SBIN (cons)*	Buy	299	35.0	16.9	23.3	15.7	11.3	243	262	1.10	1.00	0.36	0.45	7.3	9.3
PNB	Buy	179	5.8	12.4	16.6	14.4	10.8	191	205	0.94	0.87	0.36	0.43	6.7	8.3
BOI	Neutral	192	3.0	14.5	23.7	13.3	8.1	249	267	0.77	0.72	0.23	0.33	6.0	9.2
BOB	Buy	196	6.8	19.0	26.1	10.3	7.5	167	187	1.17	1.05	0.60	0.75	11.9	14.8
CBK	Neutral	389	3.1	35.9	57.6	10.8	6.8	525	569	0.74	0.68	0.31	0.43	7.0	10.5
UNBK	Neutral	190	1.9	30.5	45.3	6.2	4.2	328	368	0.58	0.52	0.45	0.59	9.7	13.0
OBC	Neutral	182	0.9	21.0	26.0	8.7	7.0	413	433	0.44	0.42	0.28	0.31	5.2	6.1
INBK	Buy	347	2.5	33.3	38.1	10.4	9.1	327	356	1.06	0.98	0.71	0.72	10.6	11.1
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,564	38.5	38.0	42.7	23.6	18.6	228	285	3.92	2.78	1.78	1.83	18.1	17.1
LICHF	Neutral	717	5.6	44.6	51.2	16.1	14.0	249	290	2.88	2.47	1.52	1.54	19.3	19.0
IHFL	Buy	1,075	7.1	82.2	101.6	13.1	10.6	322	364	3.34	2.95	3.15	3.09	27.0	29.6
GRHF	Neutral	415	2.3	10.3	12.5	40.4	33.2	37	44	11.30	9.38	2.49	2.49	30.6	30.9
REPCO	Buy	749	0.7	34.0	40.2	22.0	18.6	210	247	3.57	3.04	2.14	2.09	17.5	17.6
DEWH	Buy	438	2.2	40.5	61.1	10.8	7.2	337	385	1.30	1.14	1.39	1.86	13.7	16.9
Housing Finance															
RECL	Neutral	212	6.5	35.0	40.4	6.1	5.2	196	227	1.08	0.93	3.10	3.12	19.1	19.1
POWF	Neutral	164	6.6	27.2	30.2	6.0	5.4	169	191	0.97	0.86	2.76	2.72	17.0	16.8
Infra Finance															
SHTF	Buy	1,020	3.6	77.4	98.6	13.2	10.3	556	638	1.83	1.60	2.56	2.91	14.5	16.3
MMFS	Buy	330	2.9	12.9	16.4	25.5	20.1	122	132	2.70	2.50	1.59	1.73	10.9	12.9
BAF	Buy	1,296	10.6	47.5	64.0	27.3	20.3	207	261	6.27	4.96	3.59	3.66	25.5	27.3
SCUF	Buy	2,134	2.2	130.4	164.7	16.4	13.0	859	997	2.49	2.14	3.61	3.86	16.2	17.8
MUTH	Buy	400	2.5	34.5	40.0	11.6	10.0	182	207	2.20	1.93	4.11	4.12	20.2	20.6
SKSM	Neutral	779	1.7	32.4	45.3	24.1	17.2	210	255	3.71	3.05	3.54	3.69	16.7	19.5
Asset Finance															

*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	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Operating Income	37,977	46,705	57,160	69,706	84,759	100,233	116,057	139,530
Interest Expended	31,194	37,826	44,596	54,900	66,536	76,863	88,102	104,240
Net Interest Income	**6,783**	**8,879**	**12,564**	**14,806**	**18,222**	**23,370**	**27,956**	**35,290**
Change (%)	32.0	30.9	41.5	17.8	23.1	28.3	19.6	26.2
Fee Income	1,992	2,280	1,860	1,724	2,182	2,618	3,011	3,462
Treasury Income	644	671	769	1,689	1,723	1,895	2,084	2,293
Other Income	177	21	27	49	50	50	50	50
Net Income	**9,596**	**11,851**	**15,221**	**18,267**	**22,177**	**27,933**	**33,101**	**41,095**
Change (%)	7.8	23.5	28.4	20.0	21.4	26.0	18.5	24.2
Operating Expenses	3,039	3,800	4,740	5,495	5,973	6,797	8,020	9,464
Operating Profit	**6,557**	**8,051**	**10,480**	**12,772**	**16,204**	**21,136**	**25,080**	**31,631**
Change (%)	18.1	22.8	30.2	21.9	26.9	30.4	18.7	26.1
Provisions	450	700	1,050	1,750	2,180	2,834	3,543	4,428
% of average loans	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Extra ordinary Income	**0**	**0**	**0**	**0**	**19,694**	**0**	**0**	**0**
PBT	**6,107**	**7,351**	**9,430**	**11,022**	**33,718**	**18,302**	**21,538**	**27,203**
Tax	1,588	2,061	3,218	3,730	4,754	6,205	7,301	9,222
Tax Rate (%)	26.0	28.0	34.1	33.8	14.1	33.9	33.9	33.9
Reported PAT	**4,519**	**5,290**	**6,213**	**7,292**	**28,965**	**12,098**	**14,237**	**17,981**
Change (%)	12.0	17.1	17.4	17.4	297.2	-58.2	17.7	26.3
Adjusted PAT	**4,519**	**5,290**	**6,213**	**7,292**	**9,270**	**12,098**	**14,237**	**17,981**
Change (%)	19.4	17.1	17.4	17.4	27.1	30.5	17.7	26.3
Proposed Dividend	720	1,202	968	2,811	4,559	2,819	3,317	4,190

Balance Sheet								(INR Million)
Y/E March	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Share Capital	1,282	1,284	1,457	2,918	3,132	3,132	3,132	3,132
- Equity Share Capital	1,282	1,284	1,457	2,918	3,132	3,132	3,132	3,132
- Preference Share Capital	0	0	0	0	0	0	0	0
- Capital Reserve	2,094	1,678	1,232	756	280	0	0	0
Reserves & Surplus	31,089	34,465	44,901	47,252	75,696	84,744	95,783	109,818
Net Worth	**32,371**	**35,750**	**46,358**	**50,170**	**78,827**	**87,875**	**98,915**	**112,950**
Borrowings	**322,527**	**398,749**	**494,456**	**610,496**	**813,400**	**839,565**	**1,015,208**	**1,226,519**
Change (%)	30.7	23.6	24.0	23.5	33.2	3.2	20.9	20.8
Total Liabilities	**354,898**	**434,498**	**540,814**	**660,666**	**892,227**	**927,440**	**1,114,123**	**1,339,468**
Investments	**2,750**	**7,215**	**10,062**	**8,932**	**135,349**	**16,694**	**20,054**	**24,110**
Change (%)	-36.3	71.9	19.8	17.9	17.0	16.6	16.1	15.6
Loans	**342,219**	**408,732**	**515,109**	**622,951**	**738,398**	**893,154**	**1,074,294**	**1,291,073**
Change (%)	34.4	19.4	26.0	20.9	18.5	21.0	20.3	20.2
Net Fixed Assets	4,379	9,877	9,846	7,805	8,427	8,848	9,290	9,755
Net Current Assets	5,549	8,674	5,796	20,978	10,054	8,744	10,484	14,530
Total Assets	**354,898**	**434,498**	**540,814**	**660,666**	**892,227**	**927,440**	**1,114,123**	**1,339,468**

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)								
Avg. Yield - Housing loans	12.3	11.6	11.3	11.0	11.1	10.9	10.5	10.5
Avg. Cost of Funds	11.0	10.5	10.0	9.9	9.3	9.3	9.5	9.3
Net Interest Margin (On AUM)	2.20	2.2	2.5	2.3	2.4	2.5	2.5	2.7
Profitability Ratios (%)								
RoAE	17.1	15.5	15.1	15.1	14.4	14.5	15.2	17.0
RoAA	1.45	1.34	1.27	1.21	1.19	1.33	1.39	1.47
Int. Expended/Int.Earned	82.1	81.0	78.0	78.8	78.5	76.7	75.9	74.7
Other Inc./Net Income	29.3	25.1	17.5	18.9	17.8	16.3	15.5	14.1
Efficiency Ratios (%)								
Fees/Operating income	30.4	28.3	17.7	13.5	13.5	12.4	12.0	10.9
Op. Exps./Net Income	31.7	32.1	31.1	30.1	26.9	24.3	24.2	23.0
Empl. Cost/Op. Exps.	46.3	46.4	41.4	41.4	43.6	45.2	45.2	45.2
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	94.2	97.6	96.0	98.0	110.2	94.0	94.5	95.0
Debt/Equity (x)	10.0	11.2	10.7	12.2	10.3	9.6	10.3	10.9
Gross NPA (INR Mn)	2,393	3,175	4,851	5,731	6,777	8,132	9,759	11,711
Net NPA (INR Mn)	1,560	2,099	3,460	3,610	4,405	5,042	5,855	7,026
Valuations (Consolidated)								
Book Value (INR)	126	139	159	172	252	281	316	361
Growth (%)	45.1	10.3	14.3	8.1	46.4	11.5	12.6	14.2
Price-BV (x)	3.5	3.15	2.75	2.5	1.7	1.6	1.4	1.2
Adjusted BV (INR)*	126	139	159	169	251	281	316	361
Price-ABV (x)	3.5	3.15	2.75	2.6	1.7	1.6	1.4	1.2
OPS (INR)	26	31	36	44	52	67	80	101
Growth (%)	7.6	22.6	14.8	21.7	18.2	30.4	18.7	26.1
Price-OP (x)	17.1	14.0	12.2	10.0	8.5	6.5	5.5	4.3
EPS (INR)	17.6	20.6	21.3	25.0	29.6	38.6	45.5	57.4
Growth (%)	18.7	16.9	3.5	17.2	18.5	30.5	17.7	26.3
Price-Earnings (x)	24.9	21.3	20.5	17.5	14.8	11.3	9.6	7.6
Dividend Per Share	2.5	4.0	3.0	8.0	4.0	7.7	9.1	11.5
Dividend Yield (%)	0.6	0.9	0.7	1.8	0.9	1.8	2.1	2.6

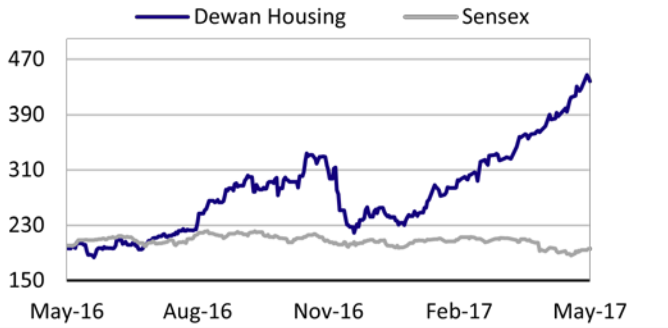
E: MOSL Estimates

Corporate profile

Company description

Dewan Housing Finance's (DEWH) promoted by the Wadhawan Group in 1984, is the 4th largest housing finance company in India AUM of INR835bn as of March 2017 (after HDFC, LICHF and IHFL). DHFL offers home loans to low and middle income segment in tier II and III cities. DEWH is the third largest HFC in India with. DHFL is present at 367 locations across India via branches, subsidiaries and alliances with public sector banks.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-17	Dec-16	Mar-16
Promoter	39.3	39.3	34.9
DII	7.2	6.0	2.6
FII	25.3	26.4	33.1
Others	28.2	28.4	29.4

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Hemisphere Infrastructure India Pvt Limited	3.4
Galaxy Infraprojects And Developers Pvt Ltd	3.3
Silicon First Realtors Private Limited	3.2
Jhunjhunwala Rakesh Radheshyam	3.2
LIC of India	3.1

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Kapil Wadhawan	Chairman & Managing Director
Niti Arya	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Dheeraj Wadhawan	G P Kohli
M Venugopalan	V K Chopra
Rajiv Kumar	VIJAYA SAMPATH

*Independent

Exhibit 6: Auditors

Name	Type
Chaturvedi & Shah	Statutory
Jayshree Dagli & Associates	Secretarial Audit
Rajendra Neeti & Associates	Statutory
T R Chadha & Co	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY13		29.2	0.0
FY14		35.5	0.0

Source: Bloomberg

N O T E S

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