

# Indiabulls Housing Finance

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
34,865	10,513
<b>Bloomberg</b>	<b>IHFL IN</b>
Equity Shares (m)	427
M.Cap.(INRb)/(USDb)	404.8 / 5.5
52-Week Range (INR)	1439 / 752
1, 6, 12 Rel. Per (%)	-14/-32/-34
12M Avg Val (INR M)	2831
Free float (%)	78.4

**CMP: INR949**
**TP: INR1,150 (+21%)**
**Buy**

## Core business trends stable but AUM growth to slow down

- Indiabulls Housing Finance's (IHFL) PAT grew 21% YoY (-1% QoQ) to INR10.4b (3% miss) in a quarter characterized by robust loan growth, some margin pressure and stable asset quality.
- AUM increased 29% YoY to INR1.29t, driven by disbursement growth of 23% YoY to INR110b. **IHFL sold down loans worth INR34.7b during the quarter, with another INR80b sell-downs planned for 2HFY19.** While management has guided to 20% YoY AUM growth for FY19, our AUM growth estimate for FY19 is 16% YoY given the fact that AUM has grown only 5% over Mar-Sep 2018.
- Loan mix continues trending toward retail lending – home loans now account for 61% of total AUM v/s 58% a year ago and 54% two years ago.** Management reiterated its target of achieving 66% share of home loans by FY20.
- Total income growth came in at 10% YoY – the slowest in the past several quarters due to the 34% YoY increase in interest expense. **Calculated cost of funds increased 40bp YoY to 8.65%.**
- Asset quality was largely stable, with stage 3 loans at 77bp and coverage ratio on the same at 25%. Credit costs of INR400m came in lower than our estimate of INR750m. **Note that management had guided for a 70-80bp reduction in credit costs to 25bp under Ind-AS in the prior quarter.**
- Valuation view:** IHFL's transformation from a diversified lender to a focused mortgage player has yielded returns, with RoA/RoE improving from 0.8%/3% in FY09 to 3.4%/28% in FY18. The focus on core mortgage loans and market share gains should drive AUM CAGR of 17% over the next three years. Asset quality trend is likely to remain stable. The transition to Ind-AS has been smooth. **Strong relationships with banks, MFs and other entities, coupled with its AAA-rating, should enable IHFL to sail through these tough times of tight liquidity. However, given the slow start to the year in terms of AUM growth, we cut our EPS estimates by 6-9% for FY19/20 and accordingly our TP by 6%.** In addition, any steps taken by the regulator addressing ALM and other concerns could have a bearing on our estimates/TP. Maintain **Buy** with a TP of INR1,150 (2.4x Sep'20E BV).

### Financials & Valuations (INR b)

Y/E March	2018	2019E	2020E
Net Fin Inc.	54.1	57.8	68.6
PPP	61.0	59.0	69.3
PAT	38.5	42.0	49.4
EPS (INR)	90.2	98.4	115.9
EPS Gr. (%)	31.5	9.1	17.7
BV/Sh. (INR)	352	397	450
RoA on AUM (%)	3.4	3.2	3.2
RoE (%)	27.9	26.3	27.4
Payout (%)	46.6	45.0	45.0

### Valuations

P/E (x)	10.5	9.6	8.2
P/BV (x)	2.7	2.4	2.1
P/ABV (x)	2.7	2.4	2.1
Div. Yield (%)	4.4	4.7	5.5

### Quarterly Performance

Y/E March	FY18				FY19				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY18	FY19E
Income from operations	30,165	31,557	33,492	36,897	38,903	39,804	41,794	44,847	132,111	165,348
Other Income	2,718	2,968	7,565	2,775	1,811	2,749	2,600	2,841	16,025	10,000
<b>Total income</b>	<b>32,882</b>	<b>34,525</b>	<b>41,057</b>	<b>39,672</b>	<b>40,713</b>	<b>42,553</b>	<b>44,394</b>	<b>47,688</b>	<b>148,136</b>	<b>175,348</b>
Y-o-Y Growth (%)	26.6	20.1	36.7	23.0	23.8	23.3	8.1	20.2	26.6	18.4
Interest expenses	18,408	19,113	19,531	20,930	23,351	25,564	27,098	29,238	77,982	105,251
<b>Net Income</b>	<b>14,475</b>	<b>15,412</b>	<b>21,525</b>	<b>18,742</b>	<b>17,362</b>	<b>16,989</b>	<b>17,297</b>	<b>18,450</b>	<b>70,154</b>	<b>70,097</b>
Y-o-Y Growth (%)	22.0	23.6	56.9	26.1	19.9	10.2	-19.6	-1.6	32.6	-0.1
Operating Exp (Incl Prov)	3,856	4,332	5,932	6,315	3,337	3,123	3,405	3,902	20,434	13,768
<b>Profit before tax</b>	<b>10,619</b>	<b>11,080</b>	<b>15,594</b>	<b>12,427</b>	<b>14,024</b>	<b>13,866</b>	<b>13,891</b>	<b>14,547</b>	<b>49,720</b>	<b>56,329</b>
Y-o-Y Growth (%)	21.4	20.3	55.0	28.1	32.1	25.1	-10.9	17.1	31.8	13.3
Tax Provisions	2,571	2,557	3,939	2,182	3,538	3,516	3,681	3,910	11,249	14,645
<b>Net Profit</b>	<b>8,049</b>	<b>8,523</b>	<b>11,655</b>	<b>10,245</b>	<b>10,487</b>	<b>10,349</b>	<b>10,210</b>	<b>10,637</b>	<b>38,471</b>	<b>41,683</b>
Minority Int/Profit from associates	46	91	23	59	60	92	70	77	219	300
<b>Net Profit after MI</b>	<b>8,095</b>	<b>8,614</b>	<b>11,677</b>	<b>10,304</b>	<b>10,547</b>	<b>10,442</b>	<b>10,280</b>	<b>10,714</b>	<b>38,689</b>	<b>41,983</b>
Y-o-Y Growth (%)	28.5	25.9	55.4	22.6	30.3	21.2	-12.0	4.0	33.1	8.5
AUM Growth (%)	33.0	33.1	31.8	34.3	33.4	28.6	22.5	16.1	34.3	16.1
C/I Ratio (%)	13.9	16.0	12.4	11.7	15.5	16.0	16.2	15.7	12.7	15.9
Tax Rate (%)	24.2	23.1	25.3	17.6	25.2	25.4	26.5	26.9	23.1	26.0

E: MOSL Estimates; Note: FY19 numbers as of Ind-AS; FY18 PAT had one-off gain on stake sale amounting to INR2.4b

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**Exhibit 1: Quarterly performance v/s expectations and reasons for deviations**

Particulars	2QFY19A	2QFY19E	Var. (%)	Comments
Income from operations	39,804	40,459	-2	
Other Income	2,749	1,900	45	
<b>Total income</b>	<b>42,553</b>	<b>42,359</b>	<b>0</b>	<b>In-line</b>
Interest expenses	25,564	24,519	4	Cost of funds higher than expected
<b>Net Income</b>	<b>16,989</b>	<b>17,840</b>	<b>-5</b>	<b>NII miss driven by higher cost of funds</b>
Operating Expenses	3,123	3,599	-13	Provisions lower than expected
<b>Profit before Tax</b>	<b>13,866</b>	<b>14,241</b>	<b>-3</b>	
Tax Provisions	3,516	3,560	-1	
<b>Net Profit</b>	<b>10,349</b>	<b>10,681</b>	<b>-3</b>	<b>Largely in-line</b>
Minority Int	92	67	38	
<b>Net Profit (after minority interest)</b>	<b>10,442</b>	<b>10,748</b>	<b>-3</b>	<b>Largely in-line</b>
Int Exp/ operating inc (%)	64.2	60.6		
Other Income / Total Income (%)	6.5	4.5		
Tax Rate (%)	25.4	25.0		

Source: MOSL, Company

AUM growth robust at 29%  
YoY

**AUM growth robust at 29% YoY; Management's guidance of 20% YoY for FY19**

- Disbursements were up 23% YoY to INR110b in the quarter. **Disbursement mix: Home loan – INR61.16b, LAP – INR18.96b, Corporate - INR30.22b**
- This resulted in AUM growing 29% YoY to INR1.29t. However, **given the liquidity tightening scenario, management has guided to 20% YoY AUM growth in FY19.** Given the sluggish start to the year coupled with expected slowdown due to liquidity tightening, we expect 16% YoY AUM growth in FY19.
- Share of home loans was increased 100bp QoQ to 61% of total loans. Management reiterated guidance of 66% share of home loans by FY20.

Spreads largely stable at  
3.24%; Targeting INR80b of  
sell-downs in 2HFY19

**Reported spreads largely stable; focusing on portfolio sell-downs**

- Reported spreads remained largely unchanged at 3.24%, led by ~20bp increase in both yields and CoF on a QoQ basis.
- Management continues to guide to spreads of 300-325bp on a sustainable basis.
- **IHFL sold down INR34.7b worth of loans during the quarter and plans to sell down another INR80b in 2HFY19.**
- The company bought back INR18.34b of MF paper over the past few weeks. In addition, INR5.8b of IHFL paper has traded in the past three weeks.

Gross stage 3 loans stable  
at 77bp

**Asset quality stable**

- Asset quality was largely stable with Stage 3 loans at 77bp and coverage ratio on the same at 25%.
- Credit costs of INR400m came in lower on a YoY basis (INR1.9b in 2QFY18) as well as lower than estimate (INR750m). Note that the 2QFY18 credit cost number is as per IGAAP.
- Note that, in the prior quarter, management has guided for credit costs to reduce from 70-80bp to 25bp under Ind-AS.

**Valuation and view**

- IHFL seems adequately equipped to gain market share from PSU banks, given its low cost structure. We believe IHFL will gain meaningfully from the government's impetus on affordable housing.
- We believe the focus on mortgage and market share gains will drive AUM CAGR of 17% over the next three years. As individual home loans have lower risk weight than corporate loans, capital consumption will be lower with gradual

shift toward individual home loans. At the same time, increased sell-downs will also help improve return ratios.

- IHFL has consistently outperformed peers on key parameters. Average three-year RoE at 26% is the best among the peer group. Dividend payout ratio is likely to remain high at 40%+. The company offers superior return ratios with ~4% dividend yield.
- Post the Ind-AS transition, networth increased by ~20% due to MTM on Oak North Bank stake and DTL reversal benefit. Additionally, credit costs are likely to remain low as there is no scope for floating provisions.
- However, given the slow start to the year in terms of AUM growth, we cut our EPS estimates by 8-9% for FY19/20 and accordingly our TP by 6%. In addition, any steps taken by the regulatory addressing ALM and other concerns could have a bearing on our estimates/TP. **Maintain Buy with a TP of INR1,150 (2.4x Sep 2020E BV).**

#### Exhibit 2: We downgrade our estimates to factor in lower growth

INR B	Old Est		New Est		% Change	
	FY19	FY20	FY19	FY20	FY19	FY20
Net Financing income	61.1	76.4	57.8	68.6	-5.5	-10.2
Other Income	18.9	21.8	12.3	14.0	-34.8	-35.5
Net Income	80.1	98.1	70.1	82.6	-12.5	-15.8
Opex	10.7	12.7	11.1	13.3	4.0	4.7
PBT	59.2	72.3	56.3	65.4	-4.9	-9.5
Tax	14.8	18.1	14.6	16.4	-1.1	-9.5
PAT	44.5	54.4	42.0	49.4	-5.7	-9.1
AUM	1,531	1,964	1,423	1,676	-7.0	-14.7
Loans	1,378	1,768	1,224	1,441	-11.2	-18.5
Borrowings	1,529	1,998	1,236	1,455	-19.2	-27.1
Credit Cost	0.75	0.75	0.20	0.25		
RoA on AUM	3.0	2.8	3.2	3.2		

Source: Company, MOSL



### Conference call highlights

#### Business

- Incremental spread in 2QFY19 - 280bp
- In the short term, focus is on liquidity management
- INR34.7b portfolio sell down during the quarter
- INR18.34b bought back MF paper
- INR5.8b of IBHFL paper traded in last three weeks
- Raised INR35b in last three weeks
- CPs outstanding - INR150b
- 30% of borrowings from MFs
- New pricing of CPs @ 7.75%
- Raised HL rates by 70bp since April-2018, transmission is still on
- Will continue to sell-down loans to cushion cost of funds
- Repayment of HL - 15-17% annualized
- Liquid investments of INR170b o/w INR110b is with MFs
- Rate reset in corporate loans by 100bp
- Have been funding residential projects in MMR, where asking rate is INR10-12,000 per square foot
- Sanctioned bank lines right now: ~INR50b

**Guidance**

- AUM growth of 20% in FY19
- INR8b of portfolio sell-down in 2HFY19
- Balance sheet growth will be slower than loan book growth due to securitization

**Others**

- Made proposal to NHB to switch CP for HFCs to short-term secured bonds
- RERA has been de-risking real estate market especially in top-6 cities

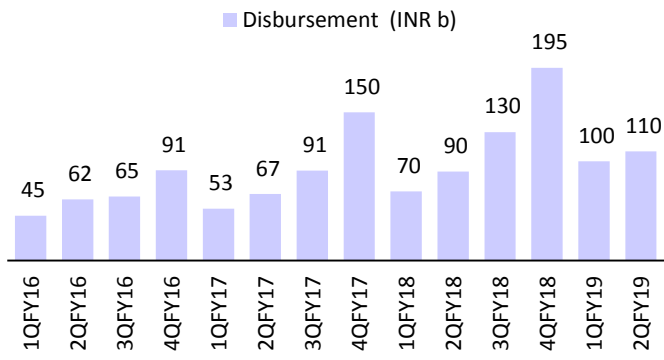
**Exhibit 3: Quarterly Snapshot**

	FY17				FY18				FY19		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>												
Income from operations	23,720	25,098	25,859	29,314	30,165	31,557	33,492	36,897	38,903	39,804	2	26
Interest Expenses	14,109	16,279	16,329	17,391	18,408	19,113	19,531	20,930	23,351	25,564	9	34
<b>Net Interest Income</b>	<b>9,611</b>	<b>8,819</b>	<b>9,530</b>	<b>11,923</b>	<b>11,757</b>	<b>12,444</b>	<b>13,960</b>	<b>15,967</b>	<b>15,551</b>	<b>14,240</b>	<b>(8)</b>	<b>14</b>
Other Income	2,255	3,651	4,186	2,935	2,718	2,968	7,565	2,775	1,811	2,749	52	(7)
<b>Total Income</b>	<b>11,866</b>	<b>12,470</b>	<b>13,716</b>	<b>14,858</b>	<b>14,475</b>	<b>15,412</b>	<b>21,525</b>	<b>18,742</b>	<b>17,362</b>	<b>16,989</b>	<b>(2)</b>	<b>10</b>
Operating Expenses	1,856	1,808	1,878	2,050	2,006	2,462	2,662	2,195	2,687	2,723	1	11
<b>Operating Profit</b>	<b>10,010</b>	<b>10,662</b>	<b>11,838</b>	<b>12,808</b>	<b>12,469</b>	<b>12,950</b>	<b>18,864</b>	<b>16,547</b>	<b>14,674</b>	<b>14,266</b>	<b>(3)</b>	<b>10</b>
Provisions	1,260	1,450	1,780	3,110	1,850	1,870	3,270	4,120	650	400	(38)	(79)
<b>PBT</b>	<b>8,750</b>	<b>9,212</b>	<b>10,058</b>	<b>9,698</b>	<b>10,619</b>	<b>11,080</b>	<b>15,594</b>	<b>12,427</b>	<b>14,024</b>	<b>13,866</b>	<b>(1)</b>	<b>25</b>
Taxes	2,401	2,352	2,555	1,325	2,571	2,557	3,939	2,182	3,538	3,516	(1)	38
<b>PAT</b>	<b>6,349</b>	<b>6,861</b>	<b>7,502</b>	<b>8,373</b>	<b>8,049</b>	<b>8,523</b>	<b>11,655</b>	<b>10,245</b>	<b>10,487</b>	<b>10,349</b>	<b>(1)</b>	<b>21</b>
Minority Interest	-49	-18	13	32	46	91	23	59	60	92		
<b>PAT Post Minority Interest</b>	<b>6,301</b>	<b>6,843</b>	<b>7,515</b>	<b>8,405</b>	<b>8,095</b>	<b>8,614</b>	<b>11,677</b>	<b>10,304</b>	<b>10,547</b>	<b>10,442</b>	<b>(1)</b>	<b>21</b>
<b>Asset Quality</b>												
GNPA (INR m)	5,966	6,251	6,921	7,761	7,556	7,820	8,264	9,439	9,825	9,925	1	27
NNPA (INR m)	2,545	2,548	2,917	3,271	2,914	3,093	3,312	4,150	7,418	7,462	1	141
<b>Gross NPA (%)</b>	<b>0.84</b>	<b>0.83</b>	<b>0.85</b>	<b>0.85</b>	<b>0.80</b>	<b>0.78</b>	<b>0.77</b>	<b>0.77</b>	<b>0.78</b>	<b>0.77</b>		
<b>Net NPA (%)</b>	<b>0.36</b>	<b>0.34</b>	<b>0.36</b>	<b>0.36</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>	<b>0.34</b>	<b>0.59</b>	<b>0.58</b>		
Provisions on AUM (%)	0.48	0.49	0.49	0.49	0.49	0.47	0.46	0.43	0.19	0.19		
<b>Margins (%) - (calculated)</b>												
Yield on loans	12.8	12.9	12.6	13.0	12.7	12.3	13.0	13.1	13.0	13.1		
Cost of funds	8.9	9.3	8.3	8.3	8.5	8.3	7.9	7.9	8.3	8.7		
Spreads	4.0	3.6	4.3	4.7	4.2	4.1	5.1	5.2	4.7	4.5		
<b>NIMs</b>	<b>5.0</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>	<b>4.9</b>	<b>4.7</b>	<b>4.4</b>	<b>4.9</b>	<b>4.8</b>	<b>4.5</b>		
<b>Ratios (%)</b>												
Cost to Income	15.6	14.5	13.7	13.8	13.9	16.0	12.4	11.7	15.5	16.0		
Tax Rate	27.4	25.5	25.4	13.7	24.2	23.1	25.3	17.6	25.2	25.4		
RoE (Calc.)	22.9	24.0	25.8	28.1	26.7	28.0	31.0	31.0	62.9	54.0		
RoA (Calc.)	3.2	3.2	3.1	3.3	3.1	3.1	3.2	3.2	3.1	3.0		
<b>Business Details</b>												
Disbursements-Quarterly (INR b)	53	67	91	150	70	90	130	195	100	110	10	23
AUM (INR b)	710	753	814	913	945	1,003	1,073	1,226	1,260	1,289	2	29
Borrowings (INR b)	745	832	919	940	978	1,071	1,132	1,227	1,298	1,351	4	26
<b>Total AUM Mix (%)</b>												
Mortgages	77	78	79	78	78	78	79	79	79	80		
Corporate	23	22	21	22	22	22	21	21	21	20		
<b>Liability Mix (%)</b>												
Bank Loans	47	39	37	37	35	33	34	34	32	31		
CP	0	0	0	0	0	0	0	0	0	0		
NCD	40	49	50	51	52	54	53	53	53	54		
ECB	2	2	3	3	3	3	3	2	4	4		
<b>Other Details</b>												
Dividend (INR/sh)	9	9	9	9	9	9	14	10	10	10		

Source: MOSL, Company

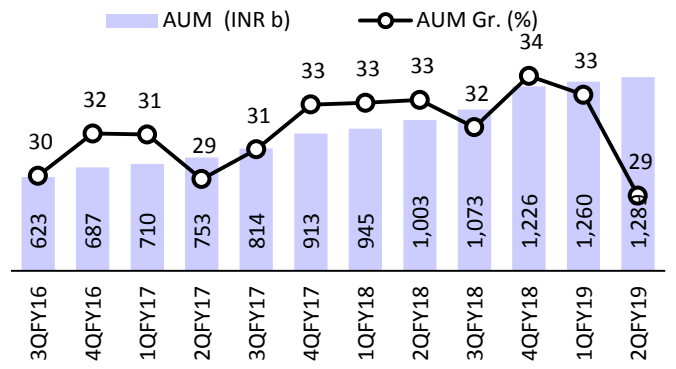
Story in charts

Exhibit 4: Strong disb. growth led by home loans



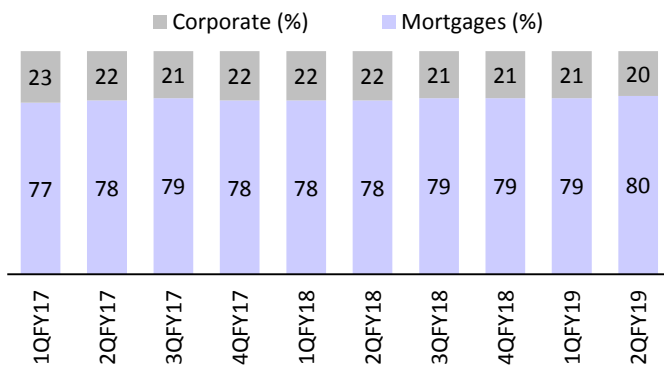
Source: Company, MOSL

Exhibit 5: Continued robust AUM growth at +29% YoY



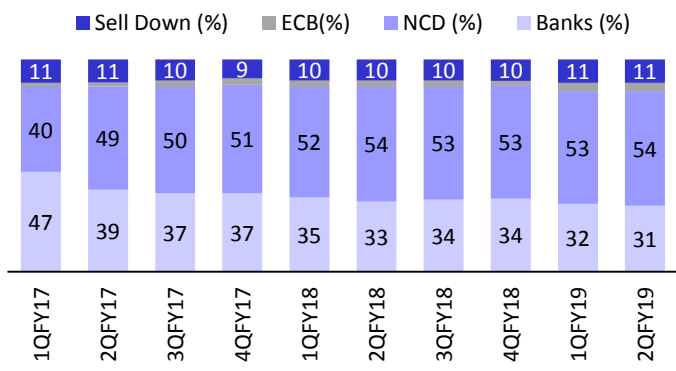
Source: Company, MOSL

Exhibit 6: AUM mix gradually moving toward mortgages



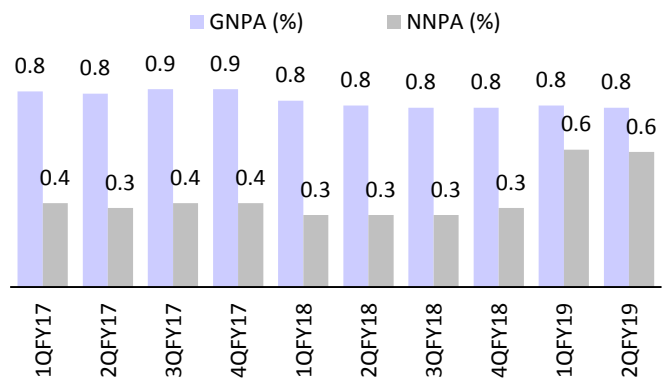
Source: Company, MOSL

Exhibit 7: Stable liability mix



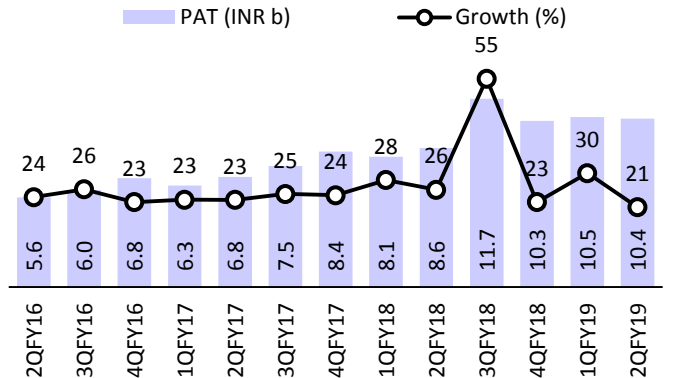
Source: Company, MOSL

Exhibit 8: Asset quality remains healthy



Source: Company, MOSL

Exhibit 9: PAT growth trend (%)



Source: Company, MOSL; Note: 10% stake sale in Oak North Bank in 3QFY18

## Exhibit 10: Financials: Valuation matrix

	Rating	CMP	Mcap	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
		(INR)	(USD\$b)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ICICIBC*	Buy	313	27.8	20.3	25.9	11.1	1.4	1.3	1.2	0.8	0.6	1.1	6.8	5.0	11.0
AXSB	Buy	576	20.3	518.2	35.6	16.0	2.3	2.2	2.0	0.0	0.6	1.0	0.5	6.3	12.9
KMB*	Neutral	1,171	30.2	36.0	31.5	25.6	4.4	3.9	3.4	1.7	1.6	1.7	12.5	11.8	13.2
YES	Buy	246	7.7	13.3	10.8	9.0	2.2	1.9	1.6	1.6	1.5	1.4	17.7	18.7	19.1
IIB	Buy	1,627	13.4	27.0	19.9	15.0	4.1	3.6	2.8	1.8	2.1	2.4	16.5	19.3	21.0
FB	Buy	76	2.0	15.9	16.0	14.1	1.2	1.2	1.1	0.7	0.6	0.5	8.3	7.4	7.9
DCBB	Neutral	162	0.7	20.4	17.0	13.6	1.9	1.7	1.5	0.9	0.9	0.9	10.9	10.9	12.3
SIB	Buy	13	0.3	6.8	7.5	3.2	0.4	0.4	0.4	0.4	0.3	0.7	6.6	5.7	12.5
Equitas	Buy	127	0.6	136.7	25.6	19.9	1.9	1.8	1.6	0.3	1.0	1.0	1.4	7.2	8.6
RBL	Buy	528	3.0	34.9	26.1	19.8	3.3	3.0	2.2	1.1	1.2	1.3	11.6	12.1	13.4
<b>Private Aggregate</b>															
SBIN (cons)*	Buy	263	31.8	-43.3	47.7	8.2	1.0	0.9	0.9	-0.2	0.1	0.6	-3.5	1.0	11.3
PNB	Neutral	67	2.5	-1.3	-10.8	6.3	0.5	0.7	0.6	-1.7	-0.2	0.4	-29.5	-4.9	9.3
BOI	Neutral	77	1.8	-1.8	15.2	9.4	0.4	0.4	0.4	-1.0	0.1	0.2	-17.8	2.5	4.0
BOB	Under Review	97	3.5	-9.9	8.3	5.0	0.6	0.6	0.5	-0.3	0.4	0.6	-5.8	6.9	10.7
CBK	Neutral	230	2.3	-3.6	11.9	5.2	0.5	0.5	0.5	-0.7	0.2	0.5	-12.2	3.9	8.5
UNBK	Neutral	69	1.1	-1.2	-16.0	19.4	0.3	0.3	0.3	-1.1	-0.1	0.1	-23.7	-2.1	1.6
INBK	Buy	237	1.5	9.1	9.6	5.6	0.7	0.6	0.6	0.5	0.4	0.7	8.3	7.3	11.6
<b>Public Aggregate</b>															
<b>Banks Aggregate</b>															
HDFC*	Buy	1,734	39.3	19.8	14.1	12.8	3.3	2.1	1.9	1.9	1.9	1.7	18.6	16.5	15.5
LICHF	Buy	446	2.9	11.9	9.1	8.0	1.7	1.5	1.3	1.3	1.5	1.5	15.7	17.7	17.5
IHFL	Buy	949	5.4	10.5	9.3	8.0	2.7	2.4	2.1	3.4	3.1	2.9	27.9	27.3	27.9
PNBHF	Buy	927	2.0	18.6	14.7	11.8	2.4	2.1	1.9	1.6	1.4	1.3	13.9	15.2	16.8
GRHF	Neutral	281	2.8	56.6	42.8	39.1	15.9	12.9	10.7	2.5	2.8	2.7	31.8	33.3	30.0
REPCO	Buy	376	0.3	11.4	9.7	8.6	1.8	1.5	1.3	2.2	2.3	2.3	16.9	17.2	16.5
<b>Housing Finance</b>															
SHTF	Buy	1,043	3.2	15.1	9.9	8.1	1.7	1.5	1.3	2.0	2.4	2.5	12.7	16.3	17.3
MMFS	Buy	386	3.2	22.1	20.6	17.3	2.5	2.3	2.1	2.3	2.1	2.1	12.5	11.5	12.6
BAF	Neutral	2,307	17.8	53.1	37.9	29.7	8.6	7.1	5.9	3.3	3.5	3.5	20.4	20.6	21.7
CIFC	Buy	1,194	2.5	19.2	16.6	14.1	3.7	3.1	2.6	2.7	2.4	2.3	20.9	20.2	19.9
SCUF	Buy	1,664	1.5	16.5	12.9	11.0	2.0	1.8	1.6	2.8	3.0	3.0	12.7	14.7	15.1
LTFH	Buy	131	3.6	19.3	11.3	9.7	2.3	2.0	1.7	1.7	2.3	2.2	14.2	18.9	18.6
MUTH	Neutral	401	2.2	9.3	8.0	7.2	2.1	1.8	1.5	5.5	6.0	5.9	24.1	23.8	22.4
MAS	Buy	489	0.4	25.5	20.9	17.0	3.7	3.3	2.8	4.1	3.9	3.8	20.7	16.5	17.9
CAFL	Buy	488	0.6	14.8	11.1	8.8	1.9	1.6	1.4	1.6	1.6	1.6	13.4	15.7	17.1
<b>Asset Finance</b>															

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

## Financials and valuations

<b>Income Statement</b>									
	(INR m)								
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Financing Income	42,634	51,865	61,210	78,418	99,377	130,619	163,005	193,088	226,414
Financing Charges	25,991	32,824	39,442	49,714	64,108	76,539	105,251	124,491	145,919
<b>Net Financing income</b>	<b>16,643</b>	<b>19,041</b>	<b>21,768</b>	<b>28,704</b>	<b>35,270</b>	<b>54,081</b>	<b>57,754</b>	<b>68,596</b>	<b>80,495</b>
Change (%)	27.7	14.4	14.3	31.9	22.9	53.3	6.8	18.8	17.3
Non-interest Income	5,145	7,181	11,494	13,837	17,640	15,785	12,343	14,046	16,060
<b>Net Income</b>	<b>21,788</b>	<b>26,222</b>	<b>33,262</b>	<b>42,541</b>	<b>52,910</b>	<b>69,865</b>	<b>70,097</b>	<b>82,642</b>	<b>96,555</b>
Change (%)	17.0	20.4	26.8	27.9	24.4	32.0	0.3	17.9	16.8
Employee Cost	2,245	2,637	3,249	4,131	4,997	5,812	9,299	11,159	13,391
Other Operating Exp.	1,761	1,470	2,285	2,053	2,366	3,084	1,820	2,184	2,621
<b>Operating profits</b>	<b>17,782</b>	<b>22,115</b>	<b>27,728</b>	<b>36,357</b>	<b>45,547</b>	<b>60,969</b>	<b>58,978</b>	<b>69,299</b>	<b>80,543</b>
Change (%)	19.1	24.4	25.4	31.1	25.3	33.9	-3.3	17.5	16.2
<b>Total Provisions</b>	<b>1,231</b>	<b>2,297</b>	<b>3,003</b>	<b>5,069</b>	<b>7,829</b>	<b>11,213</b>	<b>2,649</b>	<b>3,874</b>	<b>4,540</b>
% of operating profit	6.9	10.4	10.8	13.9	17.2	18.4	4.5	5.6	5.6
<b>PBT</b>	<b>16,551</b>	<b>19,818</b>	<b>24,725</b>	<b>31,289</b>	<b>37,718</b>	<b>49,756</b>	<b>56,329</b>	<b>65,426</b>	<b>76,003</b>
Tax	3,891	4,133	5,713	7,760	8,633	11,501	14,645	16,356	19,001
Tax Rate (%)	23.5	20.9	23.1	24.8	22.9	23.1	26.0	25.0	25.0
<b>PAT</b>	<b>12,660</b>	<b>15,685</b>	<b>19,012</b>	<b>23,529</b>	<b>29,086</b>	<b>38,255</b>	<b>41,683</b>	<b>49,069</b>	<b>57,002</b>
Change (%)	34.4	23.9	21.2	23.8	23.6	31.5	9.0	17.7	16.2
Minority Interest	76	44	1	81	22	-219	-300	-360	-432
<b>PAT</b>	<b>12,584</b>	<b>15,642</b>	<b>19,011</b>	<b>23,448</b>	<b>29,064</b>	<b>38,474</b>	<b>41,983</b>	<b>49,429</b>	<b>57,434</b>
Change (%)	34.8	24.3	21.5	23.3	24.0	32.4	9.1	17.7	16.2
<b>Dividend (including tax)</b>	<b>7,277</b>	<b>11,298</b>	<b>10,531</b>	<b>21,459</b>	<b>13,746</b>	<b>21,498</b>	<b>22,671</b>	<b>26,692</b>	<b>31,014</b>

<b>Balance Sheet</b>									
Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Equity Share Capital	625	668	711	843	848	853	853	853	853
Reserves & Surplus	51,061	56,387	65,606	106,097	124,700	149,081	168,394	191,131	217,551
<b>Net Worth</b>	<b>51,686</b>	<b>57,055</b>	<b>66,317</b>	<b>106,939</b>	<b>125,548</b>	<b>149,935</b>	<b>169,247</b>	<b>191,984</b>	<b>218,404</b>
<b>Borrowings</b>	<b>312,858</b>	<b>355,395</b>	<b>474,874</b>	<b>610,853</b>	<b>853,011</b>	<b>1,102,600</b>	<b>1,236,309</b>	<b>1,455,398</b>	<b>1,699,613</b>
Change (%)	23.7	13.6	33.6	28.6	39.6	29.3	12.1	17.7	16.8
Deferred Tax Liability	-1,641	-1,847	-26	760	1,103	1,230	1,230	1,230	1,230
<b>Total Liabilities</b>	<b>364,351</b>	<b>410,622</b>	<b>541,186</b>	<b>718,552</b>	<b>979,662</b>	<b>1,253,764</b>	<b>1,406,785</b>	<b>1,648,612</b>	<b>1,919,247</b>
Cash and bank balance	48,882	44,190	34,903	29,017	56,825	47,478	69,502	80,565	94,159
Investments	23,079	29,470	61,638	106,928	136,166	148,709	171,015	196,668	226,168
Change (%)	28.4	27.7	109.2	73.5	27.3	9.2	15.0	15.0	15.0
<b>Loans</b>	<b>307,824</b>	<b>354,446</b>	<b>460,396</b>	<b>608,643</b>	<b>826,139</b>	<b>1,105,600</b>	<b>1,224,068</b>	<b>1,440,988</b>	<b>1,682,785</b>
Change (%)	20.9	15.1	29.9	32.2	35.7	33.8	10.7	17.7	16.8
Net Current Assets	-15,889	-18,639	-16,978	-27,393	-41,050	-49,712	-59,654	-71,585	-85,902
Net Fixed Assets	456	469	541	686	903	1,110	1,275	1,398	1,459
<b>Total Assets</b>	<b>364,351</b>	<b>410,622</b>	<b>541,186</b>	<b>718,552</b>	<b>979,662</b>	<b>1,253,764</b>	<b>1,406,785</b>	<b>1,648,612</b>	<b>1,919,247</b>

Note: FY18 PAT includes one-off stake sale amounting to INR2.4b

## Financials and valuations

<b>Ratios</b>	(%)								
<b>Y/E March</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
<b>Spreads Analysis (%)</b>									
Avg. Yield - on Fin. Portfolio	13.5	13.1	12.7	12.6	12.2	12.0	12.1	12.3	12.3
Avg Cost of funds	10.1	10.1	9.7	9.2	8.8	7.8	9.0	9.3	9.3
Interest Spread on on books	3.4	3.0	3.0	3.4	3.4	4.2	3.1	3.0	3.0
Net Interest Margin on AUM	5.4	5.0	4.7	4.7	4.4	5.1	4.4	4.4	4.4
<b>Profitability Ratios (%)</b>									
RoE	25.0	27.0	30.8	27.1	25.0	27.9	26.3	27.4	28.0
RoA (on AUM)	3.7	4.0	4.0	3.7	3.4	3.4	3.2	3.2	3.2
Int. Expended/Int.Earned	61.0	63.3	64.4	63.4	64.5	58.6	64.6	64.5	64.4
Cost/Income Ratio	18.0	17.1	16.6	14.5	13.9	12.7	15.9	16.1	16.6
Empl. Cost/Op. Exps.	56.1	64.2	58.7	66.8	67.9	65.3	83.6	83.6	83.6
<b>Asset quality</b>									
GNPA (%)	0.79	0.83	0.85	0.84	0.85	0.77	0.95	0.99	1.01
NNPA (%)	0.33	0.36	0.36	0.35	0.36	0.34	0.40	0.40	0.41
<b>Valuations</b>									
Book Value (INR)	165.4	170.8	186.5	253.8	296.2	351.5	396.8	450.1	512.0
BV Growth (%)	5.1	3.3	9.2	36.1	16.7	18.7	12.9	13.4	13.8
Price-BV (x)						2.7	2.4	2.1	1.9
EPS (INR)	40.3	46.8	53.5	55.7	68.6	90.2	98.4	115.9	134.6
EPS Growth (%)	25.8	16.3	14.2	4.1	23.2	31.5	9.1	17.7	16.2
Price-Earnings (x)						10.5	9.6	8.2	7.0
DPS (INR)	20.0	29.0	35	45.0	36.0	42.0	44.3	52.1	60.6
Dividend Payout (%)	49.6	61.7	47.9	76.0	39.3	46.6	45.0	45.0	45.0
Dividend Yield (%)						4.4	4.7	5.5	6.4

E: MOSL Estimates

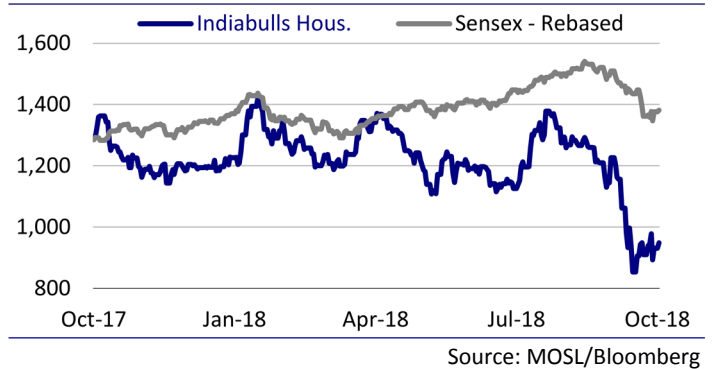


## Corporate profile

### Company description

Indiabulls Housing Finance (IHFL) is the third largest housing finance company in India with AUM of over INR1.2t as of FY18. 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.

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

	Jun-18	Mar-18	Jun-17
Promoter	21.6	23.5	23.6
DII	14.5	14.1	6.0
FII	54.6	53.9	61.7
Others	9.4	8.5	8.7

Note: FII Includes depository receipts Source: Capitaline

### Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	10.3
TUPELO CONSULTANCY LLP	2.1
CINNAMON CAPITAL LIMITED	2.0
STAR FUNDS S.A. SICAV-SIF - STAR INTERNATIONAL FUND	1.8
NOMURA INDIA INVESTMENT FUND MOTHER FUND	1.6

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
Sameer Gehlaut	Chairman & Exec. Director
Gagan Banga	Vice Chairman and MD
Ashwini Omprakash Kumar	Whole-time Director
Amit Jain	Company Secretary

Source: Capitaline

### Exhibit 5: Directors

Name	Name
Sameer Gehlaut	Kamalesh Shailesh Chandra Chakrabarty*
Gagan Banga	Labh Singh Sitara*
Manjari Kacker	Prem Prakash Mirdha*
Ajit Kumar Mittal	Shamsher Singh Ahlawat*
Sachin Chaudhari	Subhash Sheoratan Mundra*
Bisheshwar Prasad Singh*	Ashwini Omprakash Kumar
Gyan Sudha Misra*	

\*Independent

### Exhibit 6: Auditors

Name	Type
Grant Thornton India LLP	Internal
Neelam Gupta & Associates	Secretarial Audit
S R Batliboi & Co LLP	Statutory

Source: Capitaline

### Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	98.4	106.0	-7.2
FY20	115.9	127.9	-9.4
FY21	134.6	158.9	-15.3

Source: Bloomberg

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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