

# Indiabulls Housing Finance

| BSE SENSEX            | S&P CNX     |
|-----------------------|-------------|
| 36,257                | 10,831      |
| Bloomberg             | IHFL IN     |
| Equity Shares (m)     | 427         |
| M.Cap.(INRb)/(USDb)   | 284.3 / 4   |
| 52-Week Range (INR)   | 1414 / 640  |
| 1, 6, 12 Rel. Per (%) | -23/-48/-53 |
| 12M Avg Val (INR M)   | 4186        |
| Free float (%)        | 78.5        |

## Financials & Valuations (INR b)

| Y/E March      | 2019E | 2020E | 2021E |
|----------------|-------|-------|-------|
| Net Fin Inc.   | 59.8  | 66.3  | 75.4  |
| PPP            | 60.8  | 66.3  | 74.7  |
| PAT            | 40.9  | 47.0  | 53.6  |
| EPS (INR)      | 95.9  | 110.2 | 125.7 |
| EPS Gr. (%)    | 6.3   | 14.9  | 14.1  |
| BV/Sh. (INR)   | 396   | 446   | 504   |
| RoA on AUM (%) | 3.2   | 3.5   | 3.4   |
| RoE (%)        | 25.7  | 26.2  | 26.5  |
| Payout (%)     | 45.0  | 45.0  | 45.0  |

## Valuations

|                |     |     |     |
|----------------|-----|-----|-----|
| P/E (x)        | 6.9 | 6.0 | 5.3 |
| P/BV (x)       | 1.7 | 1.5 | 1.3 |
| P/ABV (x)      | 1.7 | 1.5 | 1.3 |
| Div. Yield (%) | 6.5 | 7.5 | 8.5 |

**CMP: INR665**
**TP: INR900 (+35%)**
**Buy**

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

- PAT declined 15% YoY (-6% QoQ) to INR9.9b (3% miss) in a quarter characterized by tepid loan growth and stable asset quality.
- Management adopted a cautious stance on disbursements, which were at INR39b. AUM grew 16% YoY to INR1.24t. However, **IHFL sold down loans worth ~INR120b in the quarter and booked income of ~INR5.5b on the same.**
- Management guided for 20-25% of AUM growth and 10-15% balance sheet growth over the near term. Incrementally, loan assignments will be a key source of generating and maintaining balance sheet liquidity.
- IHFL reduced its exposure to sub-3 month CPs – it was down from 12% to 3% YoY. Management targets to limit its share to 5% of total borrowings.
- Asset quality was stable, with stage 3 loans at 79bp and coverage ratio of 25%. **Credit costs of INR3.08b came in higher than our estimate of INR750m, as the company made one-time provision of INR3.3b on its Supertech exposure,** although it is a standard asset. In addition, the Palais Royale project, which is an NPL, has witnessed initial signs of recovery – IHFL received INR2b in Jan'19 and expects a similar amount annually over the next four years.

**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 expansion should drive growth over the medium term. Asset quality trends have been stable. Strong relationships with banks, MFs and other entities, coupled with its AAA-rating, have enabled IHFL to sail through the current situation with relative ease. However, AUM growth has come off significantly and the recovery is expected to be very gradual. **We expect 14% AUM CAGR over FY19-21. PAT run-rate could be volatile, given the lumpy nature of upfront of assignment income. We cut our estimates by up to 5% for FY19/20. Maintain Buy with a TP of INR900 (1.8x Dec'20E BVPS).**

## Quarterly Performance

| Y/E March                           | FY18          |               |               |               | FY19          |               |               |               | (INR Million)  |                |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
|                                     | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           | FY18           | FY19E          |
| Income from operations              | 30,165        | 31,557        | 34,197        | 36,897        | 38,903        | 39,804        | 42,368        | 38,789        | 132,816        | 159,863        |
| Other Income                        | 2,718         | 2,968         | 7,593         | 2,775         | 1,811         | 2,749         | 2,434         | 2,257         | 16,053         | 9,250          |
| <b>Total income</b>                 | <b>32,882</b> | <b>34,525</b> | <b>41,790</b> | <b>39,672</b> | <b>40,713</b> | <b>42,553</b> | <b>44,802</b> | <b>41,045</b> | <b>148,869</b> | <b>169,113</b> |
| Y-o-Y Growth (%)                    | 26.6          | 20.1          | 39.1          | 23.0          | 23.8          | 23.3          | 7.2           | 3.5           | 27.2           | 13.6           |
| Interest expenses                   | 18,408        | 19,113        | 20,737        | 20,930        | 23,351        | 25,564        | 24,492        | 24,286        | 79,188         | 97,693         |
| <b>Net Income</b>                   | <b>14,475</b> | <b>15,412</b> | <b>21,053</b> | <b>18,742</b> | <b>17,362</b> | <b>16,989</b> | <b>20,310</b> | <b>16,759</b> | <b>69,681</b>  | <b>71,420</b>  |
| Y-o-Y Growth (%)                    | 22.0          | 23.6          | 53.5          | 26.1          | 19.9          | 10.2          | -3.5          | -10.6         | 31.7           | 2.5            |
| Operating Exp (Incl Prov)           | 3,856         | 4,332         | 6,161         | 6,315         | 3,337         | 3,123         | 6,435         | 3,414         | 20,663         | 16,309         |
| <b>Profit before tax</b>            | <b>10,619</b> | <b>11,080</b> | <b>14,892</b> | <b>12,427</b> | <b>14,024</b> | <b>13,866</b> | <b>13,875</b> | <b>13,345</b> | <b>49,019</b>  | <b>55,110</b>  |
| Y-o-Y Growth (%)                    | 21.4          | 20.3          | 48.1          | 28.1          | 32.1          | 25.1          | -6.8          | 7.4           | 30.0           | 12.4           |
| Tax Provisions                      | 2,571         | 2,557         | 3,492         | 2,182         | 3,538         | 3,516         | 4,147         | 3,403         | 10,802         | 14,604         |
| <b>Net Profit</b>                   | <b>8,049</b>  | <b>8,523</b>  | <b>11,401</b> | <b>10,245</b> | <b>10,487</b> | <b>10,349</b> | <b>9,728</b>  | <b>9,942</b>  | <b>38,217</b>  | <b>40,506</b>  |
| Minority Int/Profit from associates | 46            | 91            | 23            | 59            | 60            | 92            | 127           | 120           | 219            | 400            |
| <b>Net Profit after MI</b>          | <b>8,095</b>  | <b>8,614</b>  | <b>11,423</b> | <b>10,304</b> | <b>10,547</b> | <b>10,442</b> | <b>9,855</b>  | <b>10,062</b> | <b>38,435</b>  | <b>40,906</b>  |
| Y-o-Y Growth (%)                    | 28.5          | 25.9          | 52.0          | 22.6          | 30.3          | 21.2          | -13.7         | -2.3          | 32.2           | 6.4            |
| AUM Growth (%)                      | 33.0          | 33.1          | 31.4          | 34.3          | 33.4          | 28.6          | 16.2          | 5.3           | 34.3           | 5.3            |
| C/I Ratio (%)                       | 13.9          | 16.0          | 13.7          | 11.7          | 15.5          | 16.0          | 16.5          | 11.2          | 12.7           | 14.9           |
| Tax Rate (%)                        | 24.2          | 23.1          | 23.4          | 17.6          | 25.2          | 25.4          | 29.9          | 25.5          | 23.1           | 26.5           |

E: MOSL Estimates; Note: 9MFY18 and FY19 numbers as of Ind-AS

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

| Particulars                                 | 3QFY19A       | 3QFY19E       | Var. (%)  | Comments                                    |
|---|---------------|---------------|-----------|---|
| Income from operations                      | 42,368        | 41,794        | 1         |   |
| Other Income                                | 2,434         | 2,600         | -6        |   |
| <b>Total income</b>                         | <b>44,802</b> | <b>42,359</b> | <b>6</b>  |   |
| Interest expenses                           | 24,492        | 27,609        | -11       | Lower than expected interest cost           |
| <b>Net Income</b>                           | <b>20,310</b> | <b>16,785</b> | <b>21</b> | <b>Beat due to higher assignment income</b> |
| Operating Expenses                          | 6,435         | 3,555         | 81        | One-off provisions on Supertech exposure    |
| <b>Profit before Tax</b>                    | <b>13,875</b> | <b>13,230</b> | <b>5</b>  |   |
| Tax Provisions                              | 4,147         | 3,506         | 18        |   |
| <b>Net Profit</b>                           | <b>9,728</b>  | <b>9,724</b>  | <b>0</b>  |   |
| Minority Int                                | 127           | 70            | 81        |   |
| <b>Net Profit (after minority interest)</b> | <b>9,855</b>  | <b>9,794</b>  | <b>1</b>  | <b>In-line</b>                              |
| Int Exp/ operating inc (%)                  | 57.8          | 66.1          |           |   |
| Other Income / Total Income (%)             | 5.4           | 6.1           |           |   |
| Tax Rate (%)                                | 29.9          | 26.5          |           |   |

Source: MOSL, Company

**AUM growth at 16% YoY****AUM growth at 16% YoY**

- Disbursements were at INR39b in the quarter. **Disbursement mix: Home loan – INR23b, LAP – INR18.96b, Corporate – INR1.13b.**
- AUM grew 16% YoY to INR1.24t. Share of home loans was 60% of total loans.

**Targeting more sell-downs in FY20****Reported spreads largely stable; focusing on portfolio sell-downs**

- Management plans to sell down loans to fund its business. **While IHFL sold down loans worth INR120b during the quarter, it plans a quarterly run-rate of INR40-60b.**
- **CP reduced to 3% of borrowings from 12% a year ago. Management has guided to keep CPs at 7% of borrowings.**
- The board has approved a proposal to issue INR260b NCDs and raise ECB in FY20.
- The company has 622 borrowing relationships: 47 banks and 575 MFs, PFs, pension funds, insurance companies and corporates.

**Gross stage 3 loans stable at 79bp****Asset quality stable**

- Asset quality was largely stable with Stage 3 loans at 79bp and coverage ratio on the same at 25%.
- IHFL took a voluntary INR3.3b provision against its Supertech exposure (50% of exposure).

**Valuation and view**

- IHFL seems adequately equipped to gain market share from PSU banks over the long term. Additionally, 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 loan book growth over the next two years. At the same time, increased sell-downs will 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.

- However, given the recent brakes on growth, we expect AUM CAGR of only 14% over FY19-21. Hence, we cut our EPS estimates by 3-5% for FY19/20. **Maintain Buy with a TP of INR900 (1.8x Dec 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        |
| <b>Net Financing income</b> | <b>57.8</b>  | <b>68.6</b>  | <b>59.8</b>  | <b>66.3</b>  | <b>3.6</b>  | <b>-3.4</b> |
| Other Income                | 12.3         | 14.0         | 11.6         | 13.2         | -6.1        | -5.9        |
| <b>Net Income</b>           | <b>70.1</b>  | <b>82.6</b>  | <b>71.4</b>  | <b>79.5</b>  | <b>1.9</b>  | <b>-3.8</b> |
| Opex                        | 11.1         | 13.3         | 10.6         | 13.2         | -4.3        | -1.0        |
| <b>PBT</b>                  | <b>56.3</b>  | <b>65.4</b>  | <b>55.1</b>  | <b>62.8</b>  | <b>-2.2</b> | <b>-3.9</b> |
| Tax                         | 14.6         | 16.4         | 14.6         | 16.3         | -0.3        | -0.1        |
| <b>PAT</b>                  | <b>42.0</b>  | <b>49.4</b>  | <b>40.9</b>  | <b>47.0</b>  | <b>-2.6</b> | <b>-4.9</b> |
| <b>AUM</b>                  | <b>1,423</b> | <b>1,676</b> | <b>1,291</b> | <b>1,468</b> |             |             |
| Loans                       | 1,224        | 1,441        | 1,033        | 1,174        |             |             |
| Borrowings                  | 1,236        | 1,455        | 1,105        | 1,256        |             |             |
| Credit Cost                 | 0.20         | 0.25         | 0.45         | 0.25         |             |             |
| <b>RoA on AUM</b>           | <b>3.2</b>   | <b>3.2</b>   | <b>3.2</b>   | <b>3.5</b>   |             |             |

Source: Company, MOSL


**Conference call highlights**
**Business Updates**

- The product mix of the portfolio sold down during the quarter is similar to that of the loan book.
- Expect sell-downs of INR40-60b per quarter.
- Disbursement in 3Q: Total – INR38.53b; HL – INR23b, LAP – INR11b, Commercial – ~INR5b.
- Supertech project – One is a commercial building in Supernova. Second project is a residential project in Gurgaon (75% complete and 80% is sold).
- Upfronting of income via assignments would be used to create more provisions.
- Incremental CoF: 8.8%.
- Assignment income of INR5.2b in 3QFY19.

**Liquidity**

- During the quarter, incremental borrowings were as follows: Banks loans – INR56.80b, CP – INR43.00b, Securitization of INR120.55b (all to banks).

**Asset quality**

- LRD assets are cross-collateralized with residential projects of the same developers.
- INR3.3b provision against Supertech exposure (50% of exposure).
- Credit cost in 3QFY19: INR3.08b.

**Others**

- Almost all the HL and 50% of the LAP book sold down is PSL compliant. The 2.4% spread on assignment also includes a servicing fee taken from the buyer.
- Enough demand for portfolio buyouts from banks.
- LRD: 40-60% LTV for commercial; for residential LTV 30%.

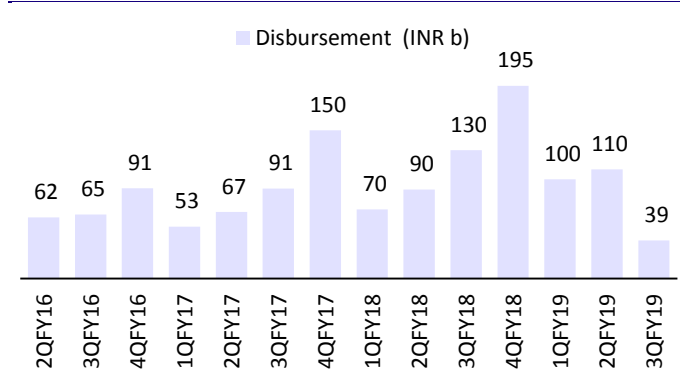
## Exhibit 3: Quarterly Snapshot

|                                   | FY18          |               |               |               | FY19          |               |               | Variation (%) |             |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
|                                   | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | QoQ           | YoY         |
| <b>Profit and Loss (INR m)</b>    |               |               |               |               |               |               |               |               |             |
| Income from operations            | 30,165        | 31,557        | 34,197        | 36,897        | 38,903        | 39,804        | 42,368        | 6             | 24          |
| Interest Expenses                 | 18,408        | 19,113        | 20,737        | 20,930        | 23,351        | 25,564        | 24,492        | (4)           | 18          |
| <b>Net Interest Income</b>        | <b>11,757</b> | <b>12,444</b> | <b>13,460</b> | <b>15,967</b> | <b>15,551</b> | <b>14,240</b> | <b>17,876</b> | <b>26</b>     | <b>33</b>   |
| Other Income                      | 2,718         | 2,968         | 7,593         | 2,775         | 1,811         | 2,749         | 2,434         | (11)          | (68)        |
| <b>Total Income</b>               | <b>14,475</b> | <b>15,412</b> | <b>21,053</b> | <b>18,742</b> | <b>17,362</b> | <b>16,989</b> | <b>20,310</b> | <b>20</b>     | <b>(4)</b>  |
| Operating Expenses                | 2,006         | 2,462         | 2,891         | 2,195         | 2,687         | 2,723         | 3,355         | 23            | 16          |
| <b>Operating Profit</b>           | <b>12,469</b> | <b>12,950</b> | <b>18,162</b> | <b>16,547</b> | <b>14,674</b> | <b>14,266</b> | <b>16,955</b> | <b>19</b>     | <b>(7)</b>  |
| Provisions                        | 1,850         | 1,870         | 3,270         | 4,120         | 650           | 400           | 3,080         | 670           | (6)         |
| <b>PBT</b>                        | <b>10,619</b> | <b>11,080</b> | <b>14,892</b> | <b>12,427</b> | <b>14,024</b> | <b>13,866</b> | <b>13,875</b> | <b>0</b>      | <b>(7)</b>  |
| Taxes                             | 2,571         | 2,557         | 3,492         | 2,182         | 3,538         | 3,516         | 4,147         | 18            | 19          |
| <b>PAT</b>                        | <b>8,049</b>  | <b>8,523</b>  | <b>11,401</b> | <b>10,245</b> | <b>10,487</b> | <b>10,349</b> | <b>9,728</b>  | <b>(6)</b>    | <b>(15)</b> |
| Minority Interest                 | 46            | 91            | 23            | 59            | 60            | 92            | 127           | 37            | 459         |
| <b>PAT Post Minority Interest</b> | <b>8,095</b>  | <b>8,614</b>  | <b>11,423</b> | <b>10,304</b> | <b>10,547</b> | <b>10,442</b> | <b>9,855</b>  | <b>(6)</b>    | <b>(14)</b> |
| <b>Asset Quality</b>              |               |               |               |               |               |               |               |               |             |
| GNPA (INR m)                      | 7,556         | 7,820         | 8,237         | 9,439         | 9,825         | 9,925         | 9,817         | (1)           | 19          |
| NNPA (INR m)                      | 2,914         | 3,093         | 3,301         | 4,150         | 7,418         | 7,462         | 7,317         | (2)           | 122         |
| <b>Gross NPA (%)</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>0.79</b>   |               |             |
| <b>Net NPA (%)</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>   | <b>0.59</b>   |               |             |
| Provisions on AUM (%)             | 0.49          | 0.47          | 0.46          | 0.43          | 0.19          | 0.19          | 0.20          |               |             |
| <b>Margins (%) - (calculated)</b> |               |               |               |               |               |               |               |               |             |
| Yield on loans                    | 12.7          | 12.3          | 13.4          | 13.1          | 13.0          | 13.1          | 14.1          |               |             |
| Cost of funds                     | 8.5           | 8.3           | 8.4           | 7.9           | 8.3           | 8.7           | 8.6           |               |             |
| Spreads                           | 4.2           | 4.1           | 5.1           | 5.2           | 4.7           | 4.5           | 5.5           |               |             |
| <b>NIMs</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>5.7</b>    |               |             |
| <b>Ratios (%)</b>                 |               |               |               |               |               |               |               |               |             |
| Cost to Income                    | 13.9          | 16.0          | 13.7          | 11.7          | 15.5          | 16.0          | 16.5          |               |             |
| Tax Rate                          | 24.2          | 23.1          | 23.4          | 17.6          | 25.2          | 25.4          | 29.9          |               |             |
| <b>Business Details</b>           |               |               |               |               |               |               |               |               |             |
| Disbursements-Quarterly (INR b)   | 70            | 90            | 130           | 195           | 100           | 110           | 39            | (65)          | (70)        |
| AUM (INR b)                       | 945           | 1,003         | 1,070         | 1,226         | 1,260         | 1,289         | 1,243         | (4)           | 16          |
| Borrowings (INR b)                | 978           | 1,071         | 1,126         | 1,227         | 1,298         | 1,351         | 1,334         | (1)           | 19          |
| <b>Total AUM Mix (%)</b>          |               |               |               |               |               |               |               |               |             |
| Mortgages                         | 78            | 78            | 79            | 79            | 79            | 80            | 81            |               |             |
| Corporate                         | 22            | 22            | 21            | 21            | 21            | 20            | 19            |               |             |
| <b>Liability Mix (%)</b>          |               |               |               |               |               |               |               |               |             |
| Bank Loans                        | 35            | 33            | 34            | 34            | 32            | 31            | 31            |               |             |
| CP                                | 0             | 0             | 12            | 0             | 0             | 0             | 3             |               |             |
| NCD                               | 52            | 54            | 41            | 53            | 53            | 54            | 43            |               |             |
| ECB                               | 3             | 3             | 3             | 2             | 4             | 4             | 4             |               |             |
| <b>Other Details</b>              |               |               |               |               |               |               |               |               |             |
| Dividend (INR/sh)                 | 9             | 9             | 14            | 10            | 10            | 10            | 10            |               |             |

Source: MOSL, Company

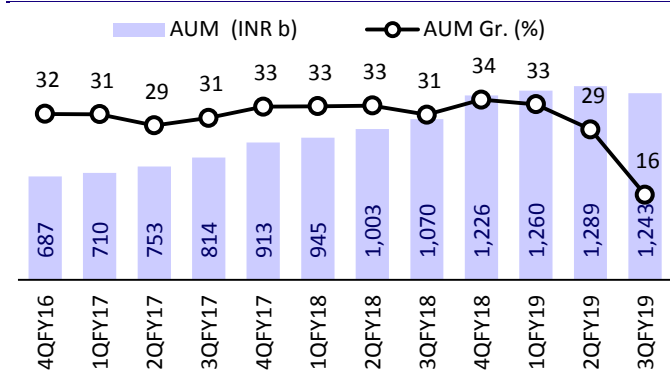
## Story in charts

**Exhibit 4: Disbursements slow down in 3QFY19**



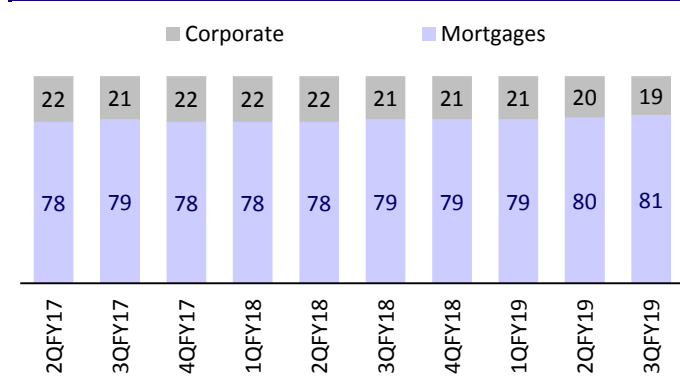
Source: Company, MOSL

**Exhibit 5: AUM growth at 16% YoY**



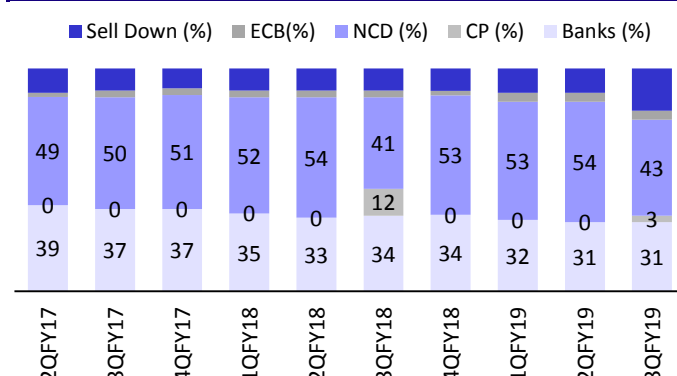
Source: Company, MOSL

**Exhibit 6: AUM mix gradually moving toward mortgages**



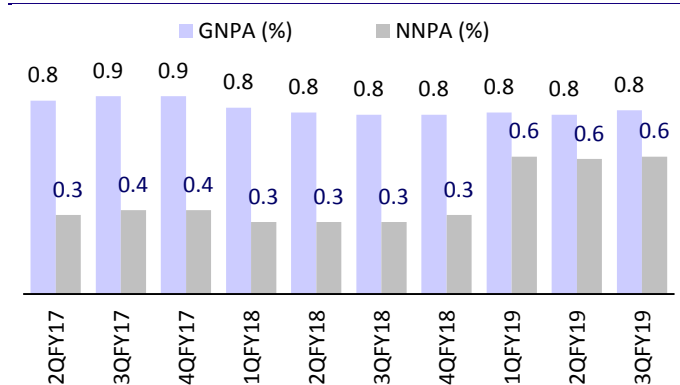
Source: Company, MOSL

**Exhibit 7: Stable liability mix**



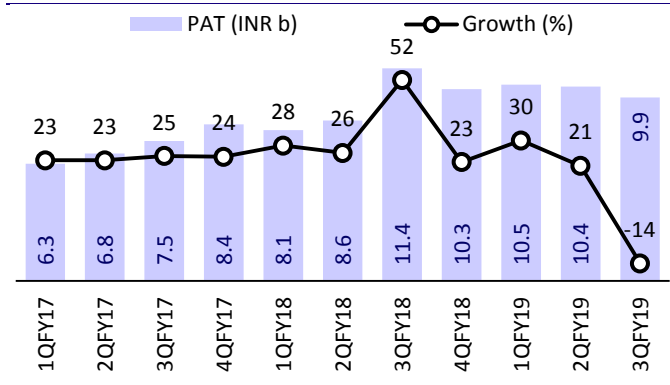
Source: Company, MOSL

**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   | EPS (INR) |       | P/E (x) |       | BV (INR) |       | P/BV (x) |       | RoA (%) |       | RoE (%) |       |
|--------------------------|---------|-------|--------|-----------|-------|---------|-------|----------|-------|----------|-------|---------|-------|---------|-------|
|                          |         | (INR) | (USDb) | FY19E     | FY20E | FY19E   | FY20E | FY19E    | FY20E | FY19E    | FY20E | FY19E   | FY20E | FY19E   | FY20E |
| ICICI* <sup>*</sup>      | Buy     | 364   | 33.1   | 7.7       | 20.2  | 34.1    | 12.9  | 166      | 181   | 1.6      | 1.4   | 0.5     | 1.2   | 4.7     | 11.8  |
| HDFCB                    | Buy     | 2,081 | 77.7   | 79.8      | 95.9  | 26.1    | 21.7  | 543      | 621   | 3.8      | 3.4   | 1.8     | 1.8   | 16.7    | 16.5  |
| AXSB                     | Buy     | 723   | 25.0   | 18.5      | 39.6  | 39.0    | 18.3  | 266      | 301   | 2.7      | 2.4   | 0.6     | 1.2   | 7.2     | 13.9  |
| KMB*                     | Neutral | 1,253 | 32.8   | 37.9      | 46.1  | 33.1    | 27.2  | 303      | 348   | 4.1      | 3.6   | 1.7     | 1.7   | 12.1    | 13.3  |
| YES                      | Buy     | 194   | 6.5    | 18.5      | 22.6  | 10.5    | 8.6   | 126      | 145   | 1.5      | 1.3   | 1.2     | 1.2   | 15.5    | 16.7  |
| IIB                      | Buy     | 1,505 | 12.5   | 68.8      | 100.2 | 21.9    | 15.0  | 441      | 556   | 3.4      | 2.7   | 1.7     | 2.1   | 16.5    | 20.2  |
| FB                       | Buy     | 86    | 2.4    | 6.1       | 8.9   | 14.0    | 9.7   | 67       | 75    | 1.3      | 1.1   | 0.8     | 1.0   | 9.5     | 12.5  |
| DCBB                     | Neutral | 178   | 0.8    | 10.2      | 13.2  | 17.6    | 13.5  | 96       | 109   | 1.9      | 1.6   | 0.9     | 1.0   | 11.6    | 13.4  |
| SIB                      | Buy     | 13    | 0.3    | 1.7       | 2.7   | 8.0     | 4.9   | 29       | 31    | 0.5      | 0.4   | 0.3     | 0.5   | 5.6     | 8.6   |
| Equitas                  | Buy     | 120   | 0.6    | 6.3       | 8.4   | 19.1    | 14.2  | 73       | 80    | 1.7      | 1.5   | 1.3     | 1.4   | 9.0     | 11.1  |
| RBL                      | Buy     | 566   | 3.4    | 20.6      | 28.0  | 27.4    | 20.2  | 176      | 199   | 3.2      | 2.8   | 1.2     | 1.3   | 12.3    | 14.9  |
| <b>Private Aggregate</b> |         |       |        |           |       |         |       |          |       |          |       |         |       |         |       |
| SBIN (cons)*             | Buy     | 293   | 36.1   | 8.7       | 32.3  | 29.6    | 8.4   | 249      | 276   | 1.0      | 1.0   | 0.1     | 0.7   | 2.7     | 12.3  |
| PNB                      | Neutral | 78    | 3.3    | -17.7     | 8.0   | -4.4    | 9.7   | 109      | 117   | 0.7      | 0.7   | -0.7    | 0.4   | -13.8   | 6.8   |
| BOI                      | Neutral | 103   | 2.4    | -24.4     | 3.7   | -4.2    | 27.6  | 127      | 128   | 0.8      | 0.8   | -0.9    | 0.2   | -15.0   | 2.7   |
| BOB                      | Buy     | 112   | 4.2    | 8.9       | 15.7  | 12.7    | 7.2   | 165      | 179   | 0.7      | 0.6   | 0.3     | 0.5   | 5.3     | 8.8   |
| CBK                      | Neutral | 250   | 2.6    | 17.0      | 42.3  | 14.7    | 5.9   | 448      | 484   | 0.6      | 0.5   | 0.2     | 0.4   | 3.5     | 8.2   |
| UNBK                     | Neutral | 82    | 1.3    | 4.5       | 12.8  | 18.4    | 6.4   | 235      | 245   | 0.4      | 0.3   | 0.1     | 0.3   | 2.1     | 5.5   |
| <b>Public Aggregate</b>  |         |       |        |           |       |         |       |          |       |          |       |         |       |         |       |
| <b>Banks Aggregate</b>   |         |       |        |           |       |         |       |          |       |          |       |         |       |         |       |
| HDFC*                    | Buy     | 1,924 | 44.4   | 42.8      | 49.6  | 20.8    | 17.9  | 307      | 343   | 2.9      | 2.6   | 1.8     | 1.9   | 15.6    | 15.3  |
| LICHF                    | Buy     | 450   | 3.1    | 45.9      | 56.1  | 9.8     | 8.0   | 325      | 371   | 1.4      | 1.2   | 1.4     | 1.5   | 15.0    | 16.1  |
| IHFL                     | Buy     | 665   | 4.0    | 95.6      | 109.7 | 7.0     | 6.1   | 395      | 446   | 1.7      | 1.5   | 3.1     | 3.1   | 25.6    | 26.1  |
| PNBHF                    | Buy     | 908   | 2.2    | 66.0      | 78.0  | 13.8    | 11.6  | 435      | 496   | 2.1      | 1.8   | 1.5     | 1.4   | 16.1    | 16.8  |
| REPCO                    | Buy     | 400   | 0.3    | 40.0      | 45.1  | 10.0    | 8.9   | 245      | 287   | 1.6      | 1.4   | 2.4     | 2.4   | 17.7    | 17.0  |
| <b>Housing Finance</b>   |         |       |        |           |       |         |       |          |       |          |       |         |       |         |       |
| SHTF                     | Buy     | 1,017 | 3.2    | 108.7     | 133.3 | 9.4     | 7.6   | 693      | 808   | 1.5      | 1.3   | 2.4     | 2.7   | 16.8    | 17.8  |
| MMFS                     | Buy     | 405   | 3.5    | 21.7      | 27.0  | 18.7    | 15.0  | 172      | 191   | 2.4      | 2.1   | 2.3     | 2.3   | 13.2    | 14.9  |
| BAF                      | Neutral | 2,570 | 21.0   | 68.3      | 89.1  | 37.6    | 28.8  | 329      | 408   | 7.8      | 6.3   | 3.8     | 3.7   | 22.8    | 24.2  |
| CIFC                     | Buy     | 1,174 | 2.5    | 77.2      | 86.4  | 15.2    | 13.6  | 393      | 470   | 3.0      | 2.5   | 2.4     | 2.3   | 21.5    | 20.0  |
| SCUF                     | Buy     | 1,706 | 1.6    | 144.2     | 158.0 | 11.8    | 10.8  | 949      | 1,089 | 1.8      | 1.6   | 3.5     | 3.6   | 16.3    | 15.5  |
| LTFH                     | Buy     | 131   | 3.7    | 11.5      | 13.3  | 11.4    | 9.9   | 66       | 78    | 2.0      | 1.7   | 2.3     | 2.2   | 18.8    | 18.5  |
| MUTH                     | Neutral | 498   | 2.8    | 50.3      | 58.0  | 9.9     | 8.6   | 229      | 270   | 2.2      | 1.8   | 5.8     | 5.9   | 23.8    | 23.3  |
| MAS                      | Buy     | 527   | 0.4    | 28.4      | 32.6  | 18.6    | 16.1  | 154      | 179   | 3.4      | 3.0   | 4.9     | 4.6   | 19.8    | 19.6  |

\*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           | 2018             | 2019E            | 2020E            | 2021E            |
| Financing Income                | 51,865         | 61,210         | 78,418         | 99,377         | 130,619          | 157,520          | 174,333          | 199,692          |
| Financing Charges               | 32,824         | 39,442         | 49,714         | 64,108         | 76,539           | 97,693           | 108,045          | 124,324          |
| <b>Net Financing income</b>     | <b>19,041</b>  | <b>21,768</b>  | <b>28,704</b>  | <b>35,270</b>  | <b>54,081</b>    | <b>59,826</b>    | <b>66,288</b>    | <b>75,368</b>    |
| Change (%)                      | 14.4           | 14.3           | 31.9           | 22.9           | 53.3             | 10.6             | 10.8             | 13.7             |
| Non interest Income             | 7,181          | 11,494         | 13,837         | 17,640         | 15,785           | 11,593           | 13,221           | 15,153           |
| <b>Net Income</b>               | <b>26,222</b>  | <b>33,262</b>  | <b>42,541</b>  | <b>52,910</b>  | <b>69,865</b>    | <b>71,420</b>    | <b>79,509</b>    | <b>90,520</b>    |
| Change (%)                      | 20.4           | 26.8           | 27.9           | 24.4           | 32.0             | 2.2              | 11.3             | 13.8             |
| Employee Cost                   | 2,637          | 3,249          | 4,131          | 4,997          | 5,812            | 8,718            | 10,897           | 13,077           |
| Other Operating Exp.            | 1,470          | 2,285          | 2,053          | 2,366          | 3,084            | 1,929            | 2,314            | 2,777            |
| <b>Operating profits</b>        | <b>22,115</b>  | <b>27,728</b>  | <b>36,357</b>  | <b>45,547</b>  | <b>60,969</b>    | <b>60,773</b>    | <b>66,297</b>    | <b>74,666</b>    |
| Change (%)                      | 24.4           | 25.4           | 31.1           | 25.3           | 33.9             | -0.3             | 9.1              | 12.6             |
| <b>Total Provisions</b>         | <b>2,297</b>   | <b>3,003</b>   | <b>5,069</b>   | <b>7,829</b>   | <b>11,213</b>    | <b>5,663</b>     | <b>3,449</b>     | <b>3,947</b>     |
| % of operating profit           | 10.4           | 10.8           | 13.9           | 17.2           | 18.4             | 9.3              | 5.2              | 5.3              |
| <b>PBT</b>                      | <b>19,818</b>  | <b>24,725</b>  | <b>31,289</b>  | <b>37,718</b>  | <b>49,756</b>    | <b>55,110</b>    | <b>62,849</b>    | <b>70,720</b>    |
| Tax                             | 4,133          | 5,713          | 7,760          | 8,633          | 11,501           | 14,604           | 16,341           | 17,680           |
| Tax Rate (%)                    | 20.9           | 23.1           | 24.8           | 22.9           | 23.1             | 26.5             | 26.0             | 25.0             |
| <b>PAT</b>                      | <b>15,685</b>  | <b>19,012</b>  | <b>23,529</b>  | <b>29,086</b>  | <b>38,255</b>    | <b>40,506</b>    | <b>46,508</b>    | <b>53,040</b>    |
| Change (%)                      | 23.9           | 21.2           | 23.8           | 23.6           | 31.5             | 5.9              | 14.8             | 14.0             |
| Minority Interest               | 44             | 1              | 81             | 22             | -219             | -400             | -480             | -576             |
| <b>PAT</b>                      | <b>15,642</b>  | <b>19,011</b>  | <b>23,448</b>  | <b>29,064</b>  | <b>38,474</b>    | <b>40,906</b>    | <b>46,988</b>    | <b>53,616</b>    |
| Change (%)                      | 24.3           | 21.5           | 23.3           | 24.0           | 32.4             | 6.3              | 14.9             | 14.1             |
| <b>Dividend (including tax)</b> | <b>11,298</b>  | <b>10,531</b>  | <b>21,459</b>  | <b>13,746</b>  | <b>21,498</b>    | <b>22,089</b>    | <b>25,374</b>    | <b>28,952</b>    |
| <b>Balance Sheet</b>            |                |                |                |                |                  |                  |                  |                  |
| Y/E March                       | 2014           | 2015           | 2016           | 2017           | 2018             | 2019E            | 2020E            | 2021E            |
| Equity Share Capital            | 668            | 711            | 843            | 848            | 853              | 853              | 853              | 853              |
| Reserves & Surplus              | 56,387         | 65,606         | 106,097        | 124,700        | 149,081          | 167,898          | 189,513          | 214,176          |
| <b>Net Worth</b>                | <b>57,055</b>  | <b>66,317</b>  | <b>106,939</b> | <b>125,548</b> | <b>149,935</b>   | <b>168,751</b>   | <b>190,366</b>   | <b>215,029</b>   |
| <b>Borrowings</b>               | <b>355,395</b> | <b>474,874</b> | <b>610,853</b> | <b>853,011</b> | <b>1,102,600</b> | <b>1,105,162</b> | <b>1,256,471</b> | <b>1,446,224</b> |
| Change (%)                      | 13.6           | 33.6           | 28.6           | 39.6           | 29.3             | 0.2              | 13.7             | 15.1             |
| Deferred Tax Liability          | -1,847         | -26            | 760            | 1,103          | 1,230            | 1,230            | 1,230            | 1,230            |
| <b>Total Liabilities</b>        | <b>410,622</b> | <b>541,186</b> | <b>718,552</b> | <b>979,662</b> | <b>1,253,764</b> | <b>1,275,143</b> | <b>1,448,067</b> | <b>1,662,483</b> |
| Cash and bank balance           | 44,190         | 34,903         | 29,017         | 56,825         | 47,478           | 47,277           | 52,678           | 60,401           |
| Investments                     | 29,470         | 61,638         | 106,928        | 136,166        | 148,709          | 252,805          | 290,726          | 334,335          |
| Change (%)                      | 27.7           | 109.2          | 73.5           | 27.3           | 9.2              | 70.0             | 15.0             | 15.0             |
| <b>Loans</b>                    | <b>354,446</b> | <b>460,396</b> | <b>608,643</b> | <b>826,139</b> | <b>1,105,600</b> | <b>1,032,862</b> | <b>1,174,272</b> | <b>1,351,611</b> |
| Change (%)                      | 15.1           | 29.9           | 32.2           | 35.7           | 33.8             | -6.6             | 13.7             | 15.1             |
| Net Current Assets              | -18,639        | -16,978        | -27,393        | -41,050        | -49,712          | -59,654          | -71,585          | -85,902          |
| Net Fixed Assets                | 469            | 541            | 686            | 903            | 1,110            | 1,275            | 1,398            | 1,459            |
| <b>Total Assets</b>             | <b>410,622</b> | <b>541,186</b> | <b>718,552</b> | <b>979,662</b> | <b>1,253,764</b> | <b>1,275,143</b> | <b>1,448,067</b> | <b>1,662,483</b> |

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



## Financials and valuations

### Ratios

| Y/E March                      | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E | 2021E |
|--------------------------------|------|------|------|------|------|-------|-------|-------|
| <b>Spreads Analysis (%)</b>    |      |      |      |      |      |       |       |       |
| Avg. Yield - on Fin. Portfolio | 13.1 | 12.7 | 12.6 | 12.2 | 12.0 | 12.3  | 12.4  | 12.4  |
| Avg Cost of funds              | 10.1 | 9.7  | 9.2  | 8.8  | 7.8  | 8.9   | 9.2   | 9.2   |
| Interest Spread on on books    | 3.0  | 3.0  | 3.4  | 3.4  | 4.2  | 3.5   | 3.3   | 3.2   |
| Net Interest Margin on AUM     | 5.0  | 4.7  | 4.7  | 4.4  | 5.1  | 4.8   | 4.8   | 4.8   |

### Profitability Ratios (%)

|                          |      |      |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|------|------|
| RoE                      | 27.0 | 30.8 | 27.1 | 25.0 | 27.9 | 25.7 | 26.2 | 26.5 |
| RoA (on AUM)             | 4.0  | 4.0  | 3.7  | 3.4  | 3.4  | 3.2  | 3.5  | 3.4  |
| Int. Expended/Int.Earned | 63.3 | 64.4 | 63.4 | 64.5 | 58.6 | 62.0 | 62.0 | 62.3 |
| Cost/Income Ratio        | 17.1 | 16.6 | 14.5 | 13.9 | 12.7 | 14.9 | 16.6 | 17.5 |
| Empl. Cost/Op. Exps.     | 64.2 | 58.7 | 66.8 | 67.9 | 65.3 | 81.9 | 82.5 | 82.5 |

### Asset quality

|          |      |      |      |      |      |      |      |      |
|----------|------|------|------|------|------|------|------|------|
| GNPA (%) | 0.83 | 0.85 | 0.84 | 0.85 | 0.77 | 1.05 | 1.02 | 1.00 |
| NNPA (%) | 0.36 | 0.36 | 0.35 | 0.36 | 0.34 | 0.44 | 0.41 | 0.40 |

| Valuations          | 2014  | 2015  | 2016  | 2017  | 2018  | 2019E | 2020E | 2021E |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Book Value (INR)    | 170.8 | 186.5 | 253.8 | 296.2 | 351.5 | 395.6 | 446.3 | 504.1 |
| BV Growth (%)       | 3.3   | 9.2   | 36.1  | 16.7  | 18.7  | 12.5  | 12.8  | 13.0  |
| Price-BV (x)        |       |       |       | 2.2   | 1.9   | 1.7   | 1.5   | 1.3   |
| Adjusted BV (INR)   | 170.8 | 186.5 | 253.8 | 296.2 | 351.5 | 395.6 | 446.3 | 504.1 |
| Price-ABV (x)       |       |       |       | 2.2   | 1.9   | 1.7   | 1.5   | 1.3   |
| EPS (INR)           | 46.8  | 53.5  | 55.7  | 68.6  | 90.2  | 95.9  | 110.2 | 125.7 |
| EPS Growth (%)      | 16.3  | 14.2  | 4.1   | 23.2  | 31.5  | 6.3   | 14.9  | 14.1  |
| Price-Earnings (x)  |       |       |       | 9.7   | 7.4   | 6.9   | 6.0   | 5.3   |
| DPS (INR)           | 29.0  | 35    | 45.0  | 36.0  | 42.0  | 43.2  | 49.6  | 56.6  |
| Dividend Payout (%) | 61.7  | 47.9  | 76.0  | 39.3  | 46.6  | 45.0  | 45.0  | 45.0  |
| Dividend Yield (%)  |       |       |       | 5.4   | 6.3   | 6.5   | 7.5   | 8.5   |

E: MOSL Estimates

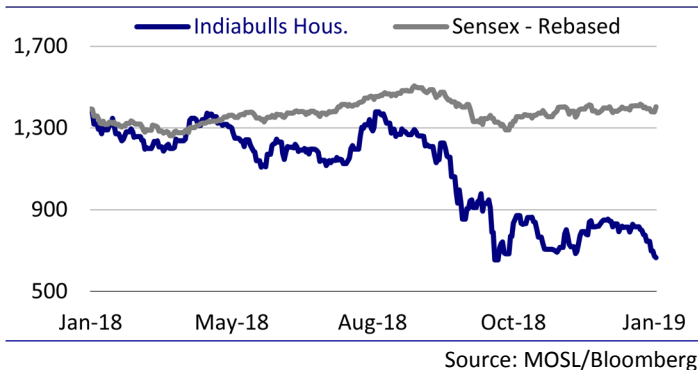


## Corporate profile

### Company description

Indiabulls Housing Finance (IHFL) is the third largest housing finance company in India with AUM of over INR1.2t as of 3QFY19. It was established as a wholly-owned subsidiary of Indiabulls Financial Services (IBFSL). In early 2013, 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 (%)

|          | Dec-18 | Sep-18 | Dec-17 |
|----------|--------|--------|--------|
| Promoter | 21.5   | 21.6   | 23.5   |
| DII      | 13.6   | 14.0   | 11.9   |
| FII      | 56.0   | 55.8   | 55.7   |
| Others   | 8.9    | 8.7    | 8.9    |

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

| Holder Name                                       | % Holding |
|---|-----------|
| LIFE INSURANCE CORPORATION OF INDIA               | 10.7      |
| JASMINE CAPITAL INVESTMENTS PTE LTD               | 4.1       |
| STAR FUNDS S.A. SICAV-SIF - STAR INTERNATIONAL FU | 2.4       |
| STEADVIEW CAPITAL MAURITIUS LIMITED               | 1.5       |
| TUPELO CONSULTANCY LLP                            | 1.5       |

Source: Capitaline

### Exhibit 4: Top management

| Name                    | Designation               |
|-------------------------|---------------------------|
| Sameer Gehlaut          | Chairman & Exec. Director |
| Gagan Banga             | Vice Chairman & M.D.      |
| 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      | 95.9          | 101.0              | -5.1          |
| FY20      | 110.2         | 117.9              | -6.5          |
| FY21      | 125.7         | 135.8              | -7.4          |

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.

#### Disclosures

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