

# Dewan Housing Finance Corporation Ltd.

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Poised for the next leap in a niche business



## Earnings Update – March 2013

Bloomberg Tkr: DEWH IN | NSE Code: DHFL | BSE Code: 513072

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- 4 **DHFL – FBHFL\* Merger Update**

\* Erstwhile Deutsche Postbank Home Finance

# Earnings Update – FY13

- Total AUM crosses ₹ 361 bn in Mar 2013
- Total Income for FY13 up 29% YoY to ₹ 41.4 bn
- Profit after Tax for FY13 up 39% YoY to ₹ 4,519 mn
- For FY13; Sanctions and Disbursements were ₹ 173.4 bn and ₹ 133.6 bn, respectively
- Loan book as of end Mar'13, up YoY by 33% to ₹ 339.0 bn
- Net Interest Margin for FY13 stood at 2.72%
- RoA for FY13 was 1.71% and RoE for the same period stood at 17.86%
- Gross NPA's stood at 0.68% and Net NPA's were NIL and the provisioning coverage was maintained at 113.78%
- EPS for FY13 stood at ₹ 38.47 per share from ₹ 30.60 per share as on FY12
- During the year the Company has paid an interim dividend on equity shares @ ₹2 per share. The Board of Directors have further recommended final dividend to be paid out of current year profit @ ₹ 3 per equity share

***Note: In the presentation FY13 Financials and ratios are compared with the Consolidated Financials and ratios of FY12***

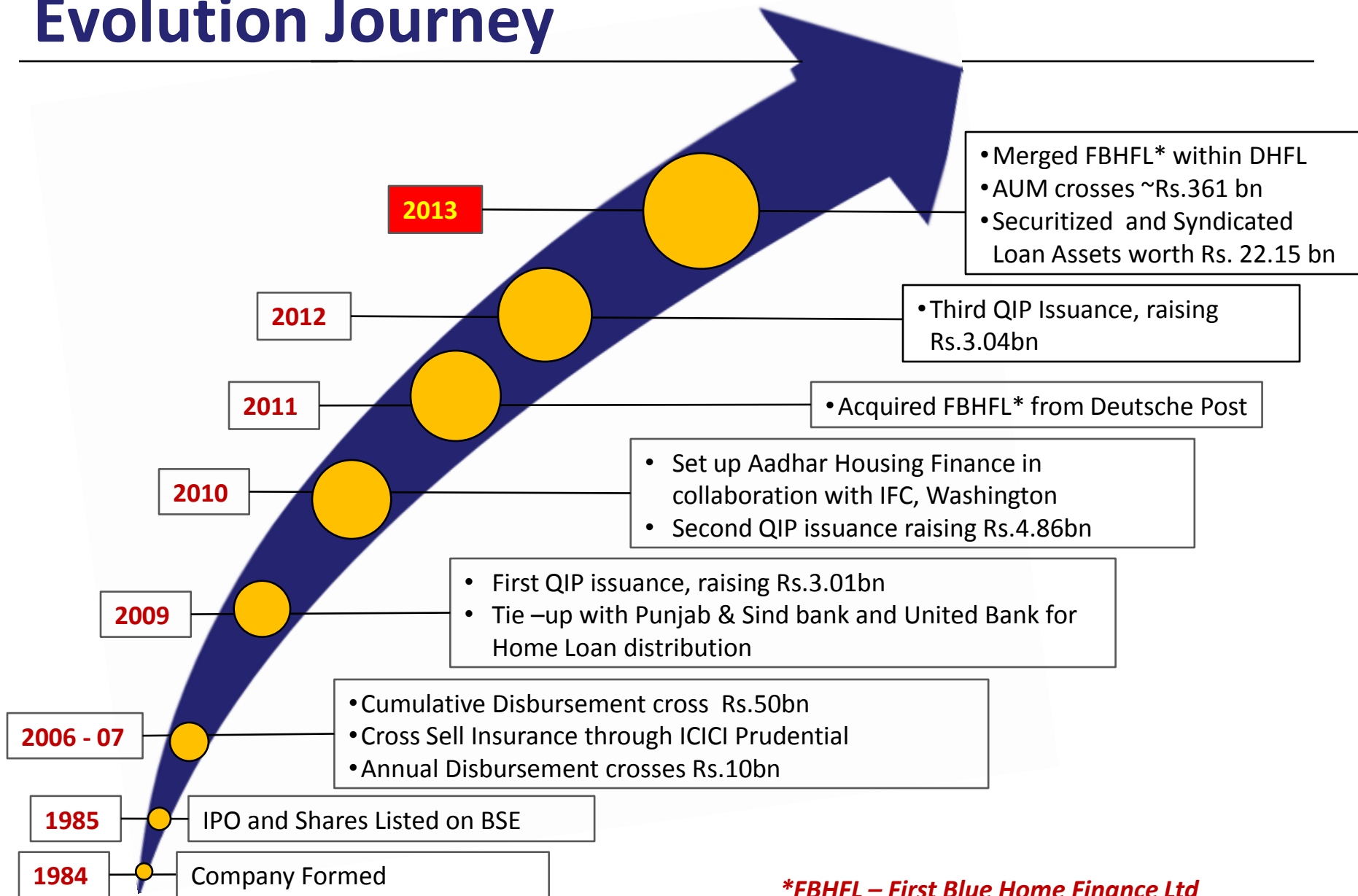
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## Corporate Profile

- ➡ Evolution Journey
- ➡ Our Reach
- ➡ Experienced Management
- ➡ Opportunity Landscape

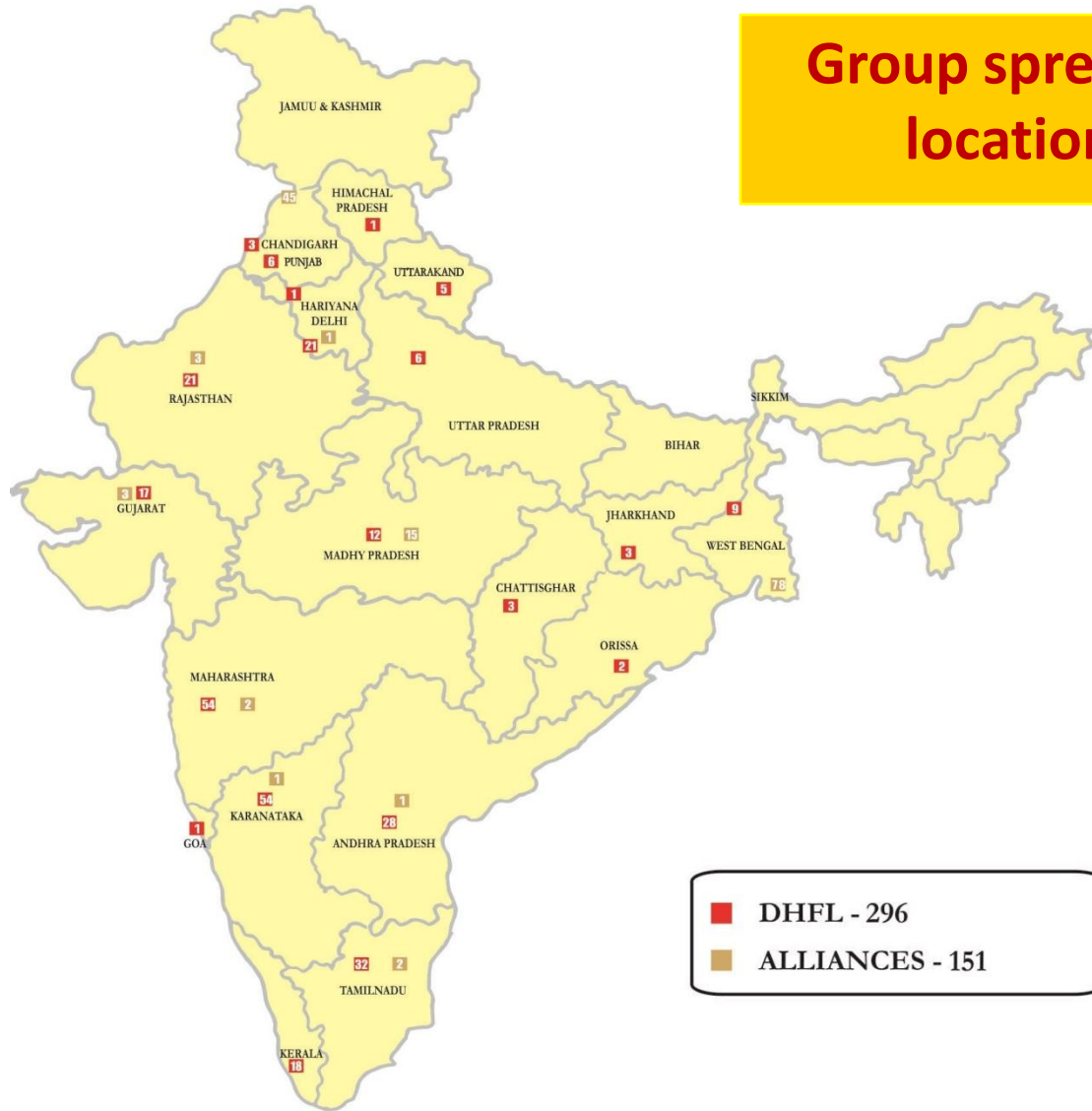
# Evolution Journey



*\*FBHFL – First Blue Home Finance Ltd*

# Geographical Presence

**Group spread across 447 locations in India**



■ DHFL - 296  
■ ALLIANCES - 151

Source: Company

# Eminent Professionals – Our Driving Force

## Distinguished Board of Directors and Experienced Management Team

**Mr. Kapil Wadhawan**

**Mr. Dheeraj Wadhawan**

**Mr. Anthony Hambro**

**Mr. R P Khosla**

**Mr. G P Kohli**

**Mr. Ajay Vazirani**

**Mr. V K Chopra**

**Mr. M. Venugopalan**

**Mr. Anil Sachidanand**

**Mr. Anoop Pabby**

**Chairman and Managing Director**

**Non-Executive Director**

**Nominee Director Caledonia Plc**

**Independent Director**

**Independent Director**

**Independent Director**

**Independent Director**

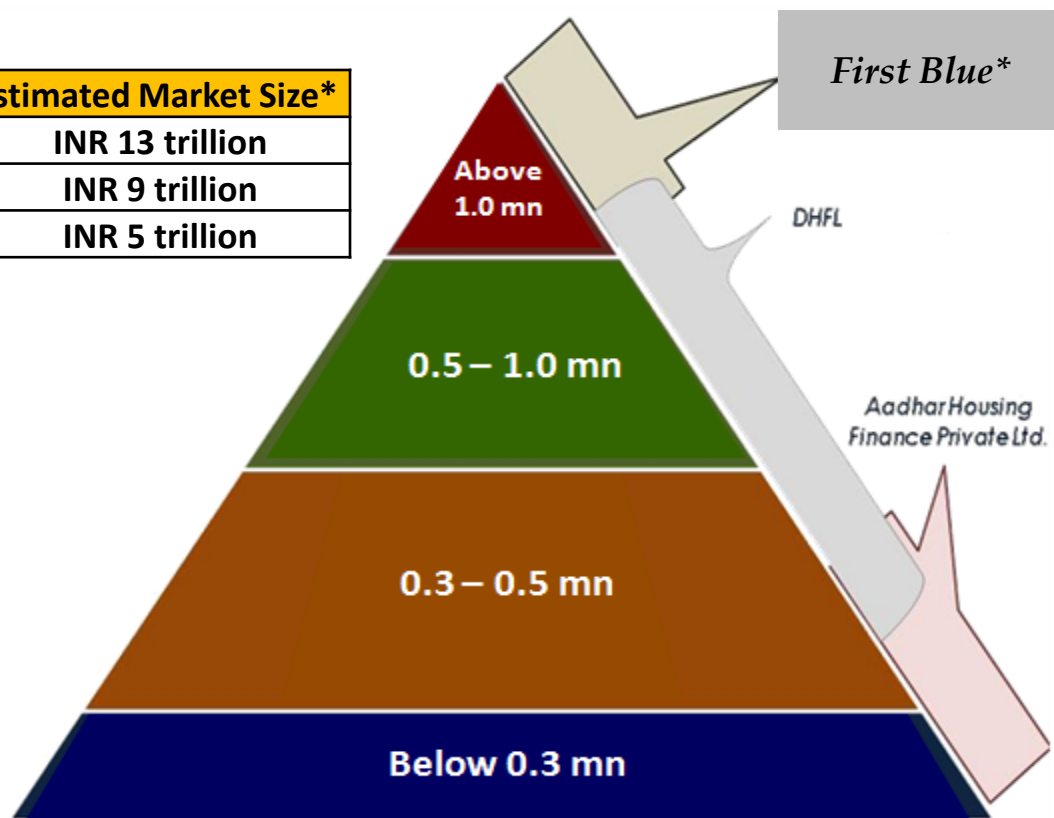
**Independent Director**

**President**

**President**

# Opportunity Landscape

Price per Dwelling Unit	Estimated Market Size*
Between INR 0.3 - 1.0 mn	INR 13 trillion
Between INR 1.0 - 2.5 mn	INR 9 trillion
Above INR 2.5 mn	INR 5 trillion



Pursuant to the merger of First Blue Home Finance and setting up of Aadhar Housing Finance in FY11, DHFL as a group is geared to serve customers across the housing finance spectrum, with each company serving a niche segment , resulting in minimal overlap

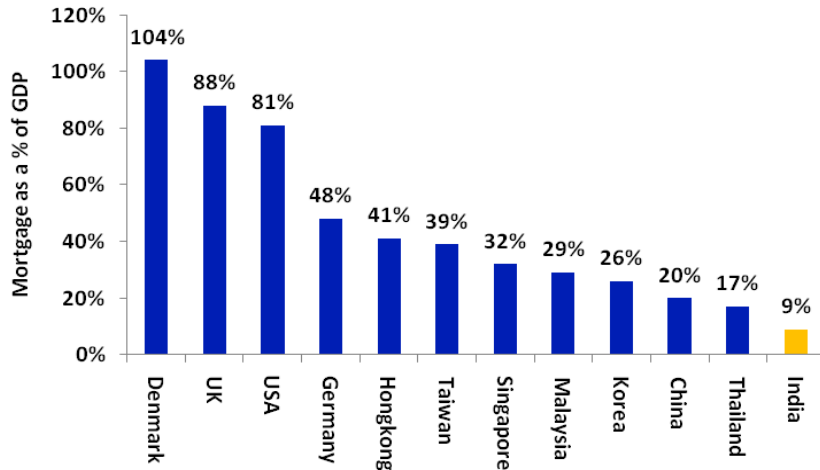
*\* Operating as an independent brand under DHFL*

*All Information Source: Monitor Group*

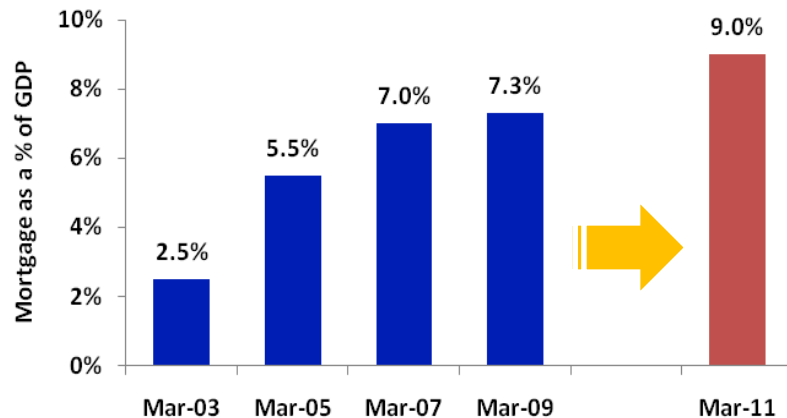


# Mortgage Finance Industry – Huge Growth Opportunity

## Low Mortgage Penetration in India – A huge market potential



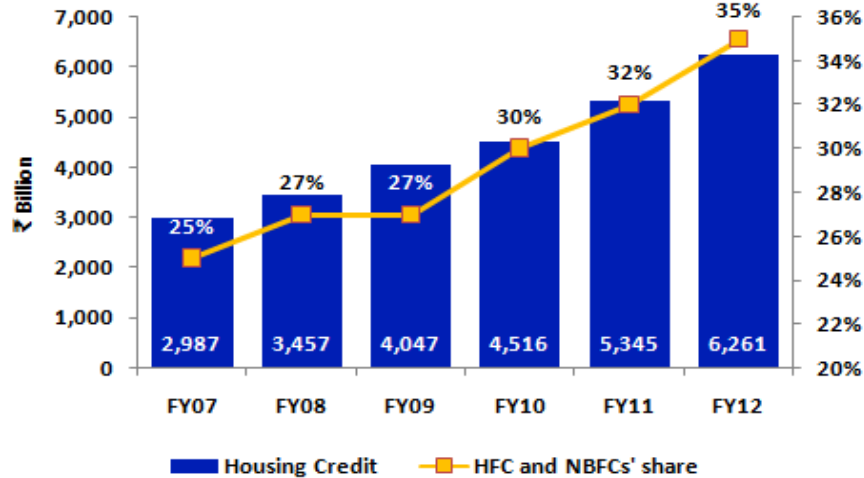
## Growth in Mortgage penetration – Translating to higher Industry Growth



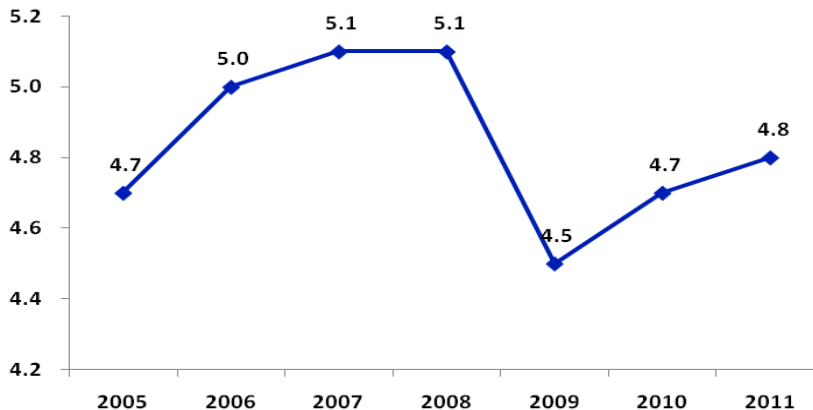
- Indian housing market has emerged as one of the most promising secured financing option
- According to ICRA's estimates, the total housing credit outstanding in India as on FY12 was over Rs. 6.3 trillion as against Rs. 5.3 trillion as on FY11 indicating growth of 17%
- Current Mortgage to GDP ratio for India amongst the lowest in the world and provides huge opportunity for growth on sustainable basis
- BCG-IBA Report, in FY11, estimates outstanding mortgages in India will increase 8 fold by 2020. Mortgage to GDP ratio projected at 20% by 2020
- A modest increase in mortgage penetration to a level of China (i.e. 20%), from current levels will translate into the industry growth rate at an average of 20% p.a in the coming years

# Mortgage Finance Industry – HFCs gaining share

**HFCs' market share rising along with Housing Credit Growth**



**Housing Affordability Index**



Source: Crisil, ICRA & CARE estimates, Census report

- In spite of more than dozen rate hikes by RBI in last 24 months, housing credit grew by 17% y/y in FY12
- Indian Housing Finance Market is split into Banks and HFCs. Banks' share has seen a reversal over the years, in which HFCs' traditional strengths have come to the fore and their market share increased to 35% in FY 12
- The top five PSBs had a gross NPA level of 1.61% in their housing finance book as on March 31, 2012, against 0.77% for HFCs
- The affordable housing segment is expected to become the key growth driver for the market.
- Government and National Housing Bank have launched various schemes to promote housing for low to middle income group and in Tier-II & III cities

**Affordability equals property prices by annual income**

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## **Business Overview**

- ➡ **Dominant Player in the LMI Segment**
- ➡ **Differentiated Business Model**
- ➡ **Nurturing Diversification in Operations**
- ➡ **Performance**

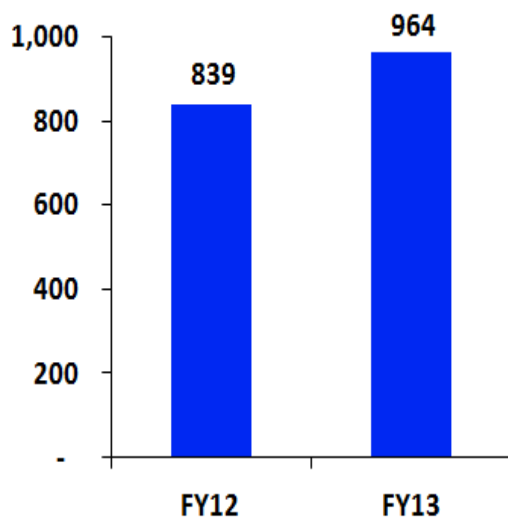
# Dominant Player in LMI Segment

## Our Vision

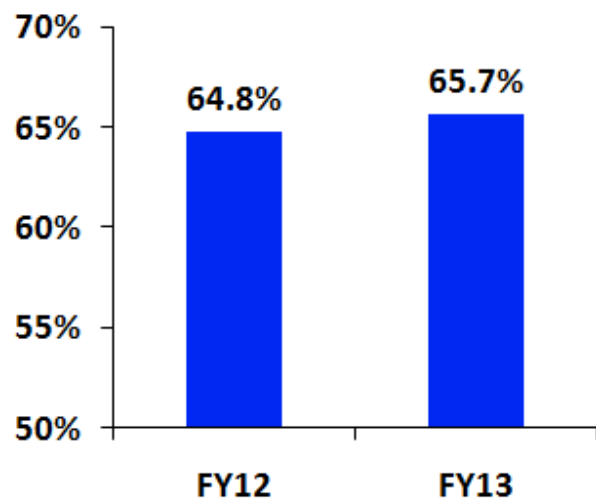
- DHFL was set up with a vision to transform the lives of millions of Indians living just beyond the consideration zone of the Mortgage industry, by giving them access to home loans
- DHFL has been unwavering in its commitment to serve the lower & middle income groups. Even after 29 years it remains a financial institution with the systems, processes and dedication to serve this socio-economic group

## Key Statistics showcasing DHFL as a prominent LMI player

### Avg Ticket Size (Rs'000)



### Loan to Cost Ratio



### Avg Installment to Income Ratio

41%

Footprints across Tier II & III towns or outside municipal limits of main cities

~80%

LTV, considering current property valuations

47% to 52%

# Differentiated Business Model

<b>Business Model</b>	Extensive use of branches as against DSA model of peers
<b>Operations</b>	9 RPU's catering to more than 80% of the branches in terms of volume
<b>Sourcing</b>	Business sourced majorly through own Branch network
<b>Target</b>	Customers across the spectrum with key focus on tier II/tier III cities
<b>Appraisal</b>	In-house Credit & Legal team, appraising each application
<b>Technical Evaluation</b>	In-house team of Civil Engineers for Technical Evaluation
<b>Collection</b>	More than 85% collection is through ECS / PDC's

## Strong Fee Income Verticals

### Insurance Services

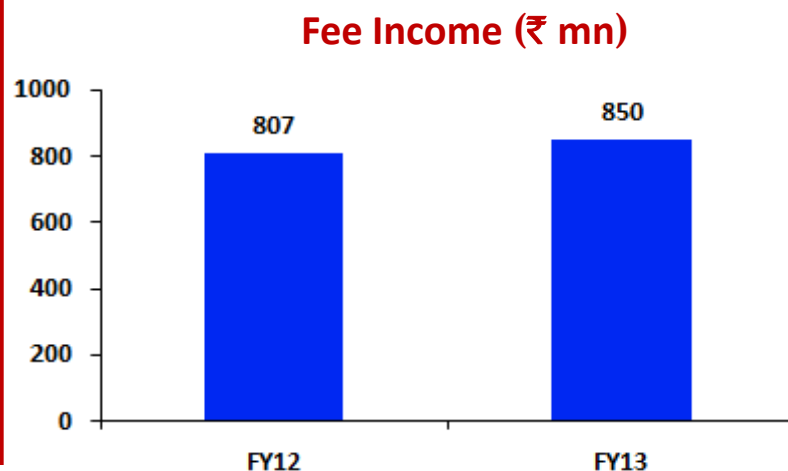
Cross-sell Insurance to own customers, in order to safeguard mutual interests

### Technical Consultancy & Management

Provide TCM services to Developers and Self-Construction Clients in Tier II & III locations

### Property Services

Provide Real Estate and Property Solutions to Individuals, Landlords, Developers etc.



# Nurturing Diversification in Operations

## Product Offerings

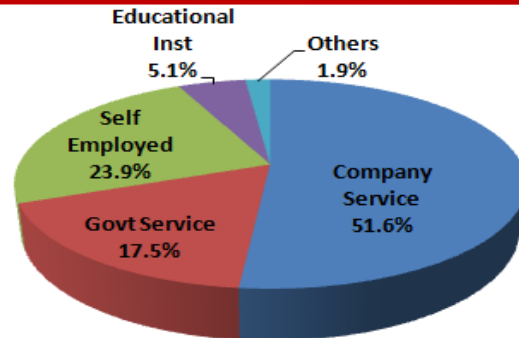
### Housing Loans

- Purchase of New Flat
- Purchase of Resale Flat
- Self Construction
- Extension &
- Project Loans

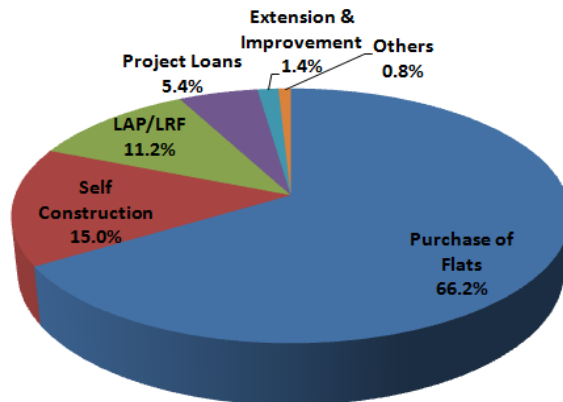
### Non-Housing Loans

- Loan Against Property
- Lease Rental Financing
- Purchase of Commercial Premises

## Customer Composition (Mar 13)



## Portfolio Composition (Mar 13)



## Loan Distribution

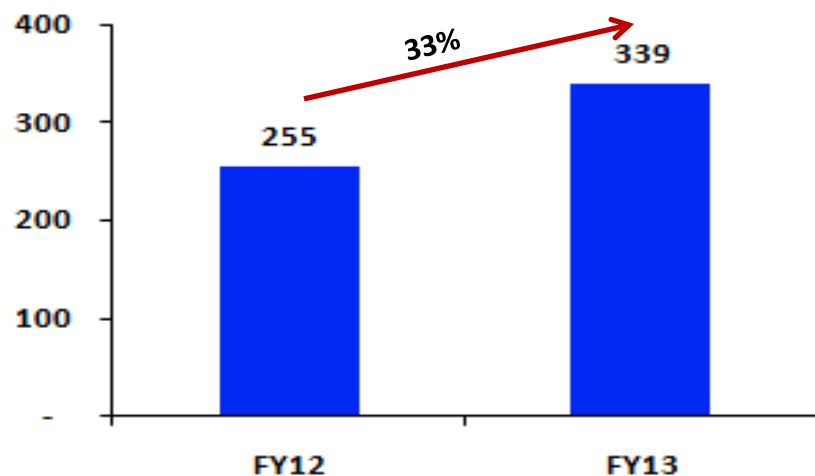


**Partnered with multiple banks for Home Loan Distribution to their customers**

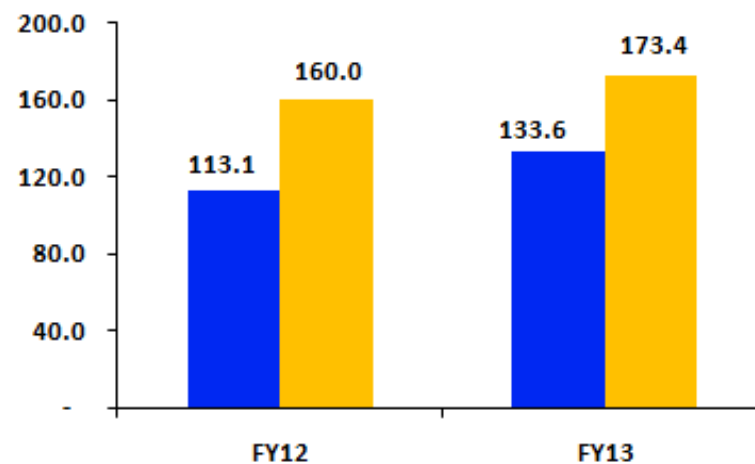
DHFL has been the industry pioneer in establishing long term relationships with multiple partners to fuel the growth engine as well as augment its income streams and feels extremely proud to win the trust of eminent and marquee names in the Finance world

# Business Barometers

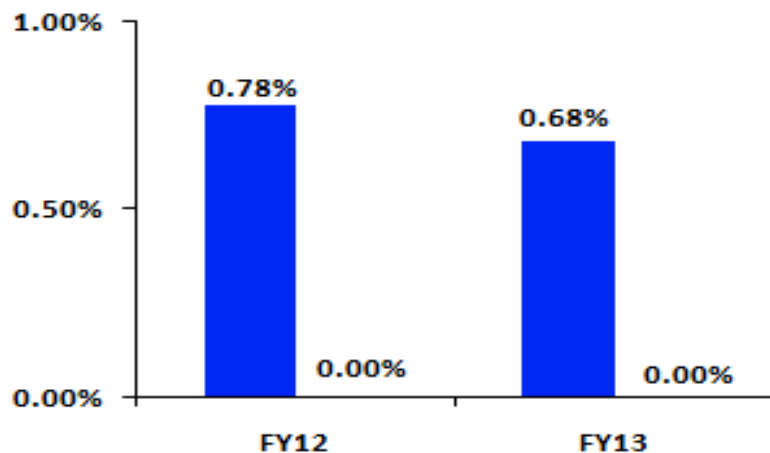
Loan Portfolio (₹ bn)



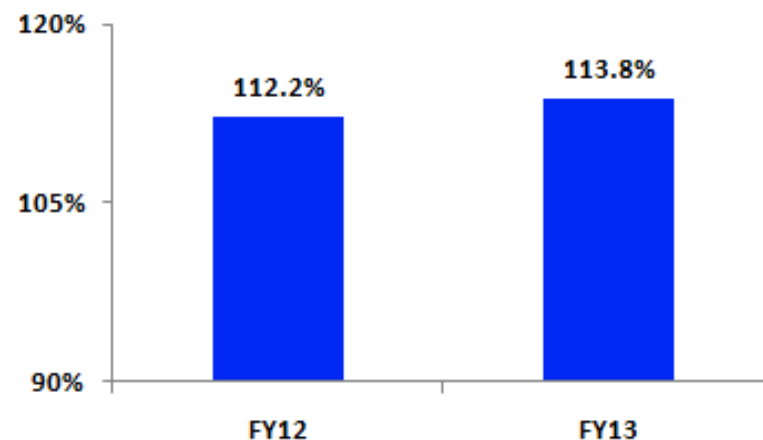
Disbursement Sanctions (₹ bn)



Gross NPA's Net NPA's

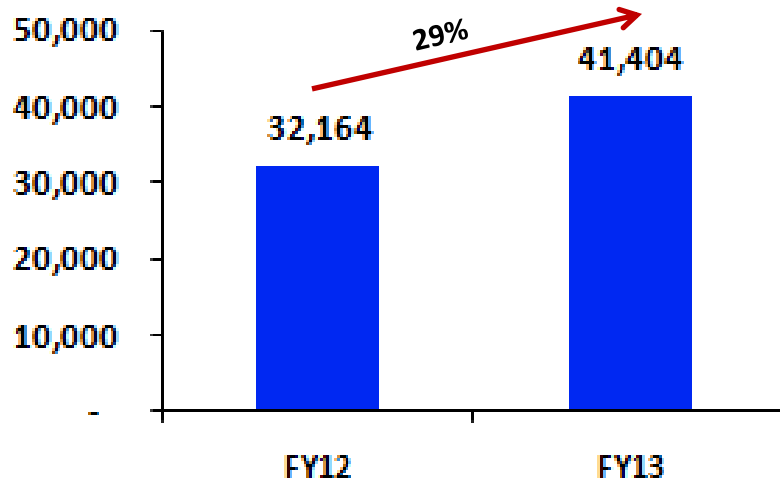


Provisioning Coverage (%)

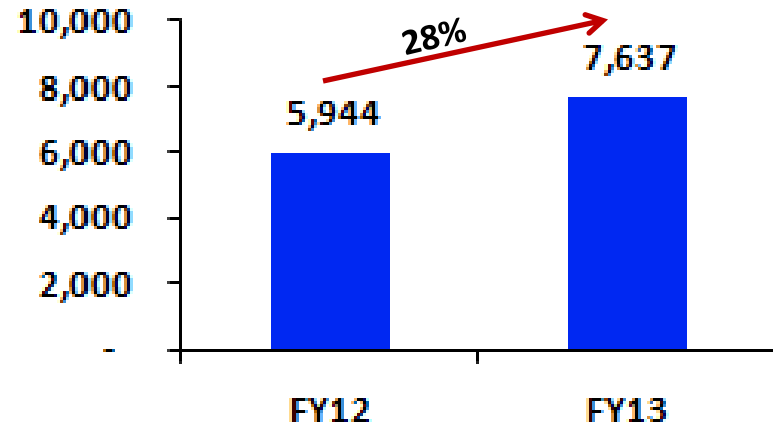


# Financial performance

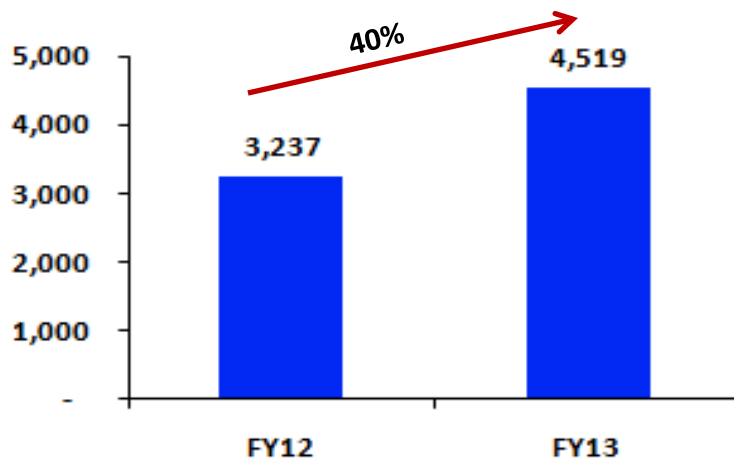
Total Income (₹ mn)



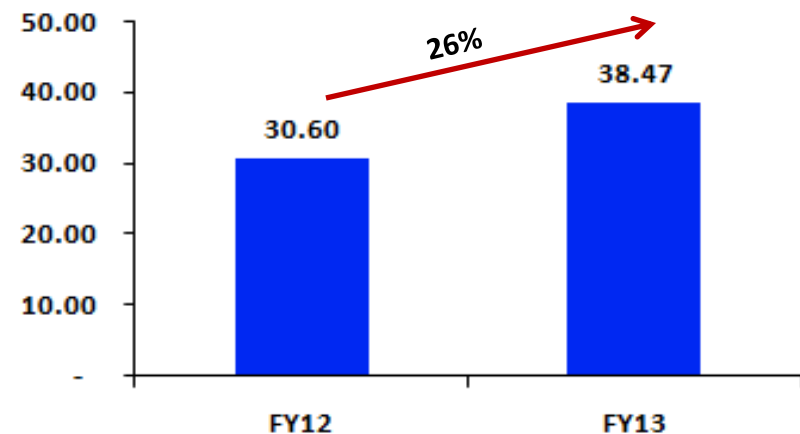
Net Interest Income (₹ mn)



Net Profit (₹ mn)



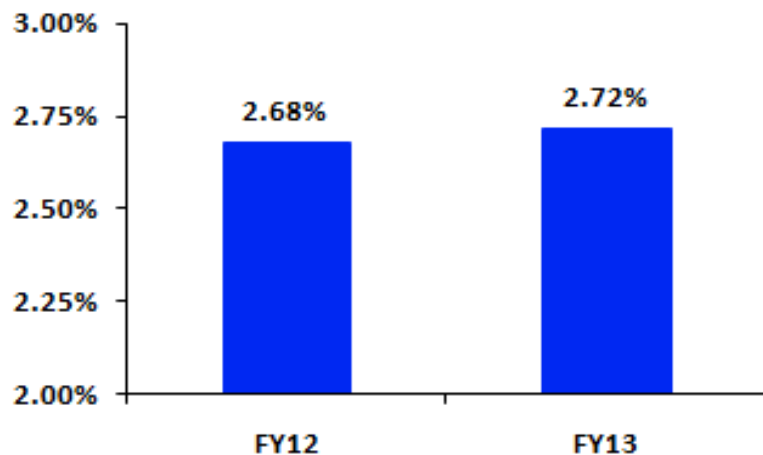
Earnings Per Share (₹)





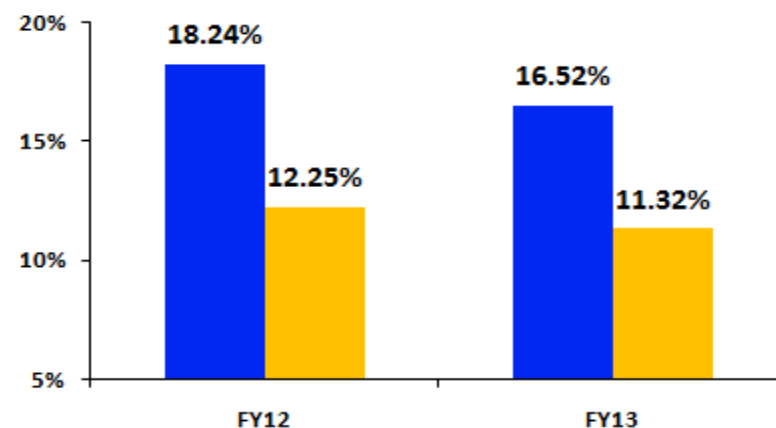
# Financial Ratios

**NIM (%)**



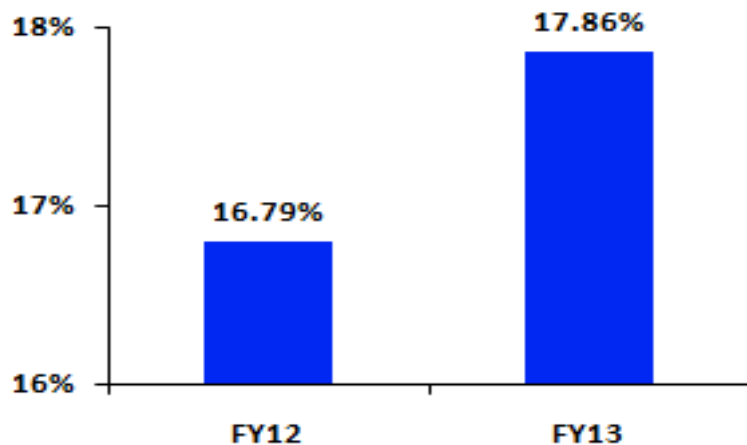
**CAR (%)**

**Tier I (%)**

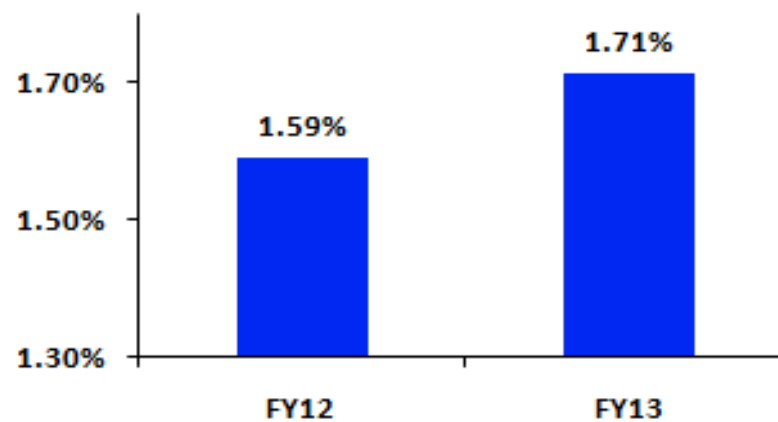


*\* FY12 CAR is on a standalone basis*

**RoE (%)**

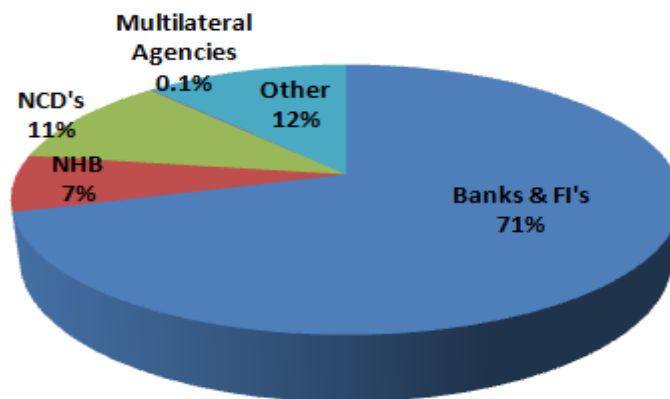


**RoAA (%)**



# Borrowing Profile

## Borrowings Composition



•Others include fixed deposits, subordinate debt, commercial paper, perpetual debt and other short term deposits

## Credit Ratings

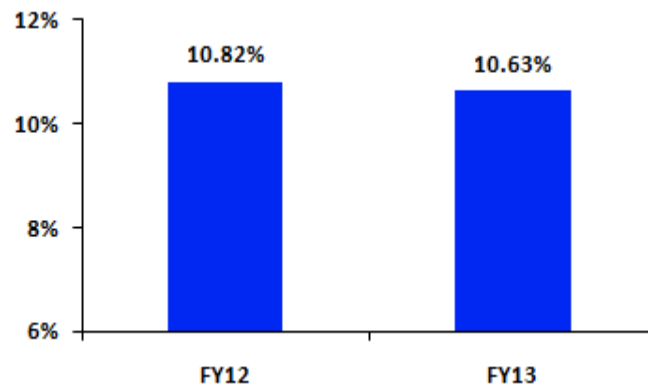
Long Term :  
AA+ from CARE

Short Term :  
A1+ from CRISIL

## Borrowing Cost Composition

Borrowing Source	₹ mn	Cost %
Banks & FI's	2,26,164	11.02%
NHB	21,813	7.99%
NCD's	34,640	9.98%
Multilateral Agencies	245	10.03%
Others	37,720	10.41%
<b>WACB</b>	<b>3,20,582</b>	<b>10.63%</b>

## Borrowing Cost Movement



# Key Financial Metrics

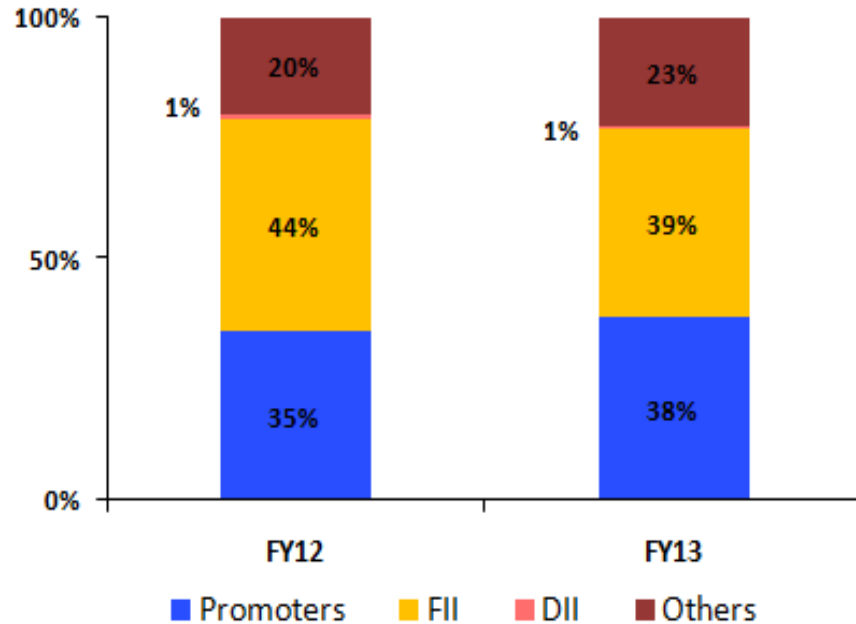
Financial Summary (₹ mn)	Financial Year Ended		
	Mar, 2013	Mar, 2012	Growth
Total Income	41,404	32,164	29%
Net Interest Income	7,637	5,944	28%
Non-Interest Income	2,573	2,724	-6%
Interest expenses	31,194	23,496	33%
Operating expense	3,569	3,275	9%
Provision for Contingencies	450	463	-3%
PBT	6,107	4,857	26%
PAT	4,519	3,237	40%
Loan Sanctioned	1,73,369	1,59,974	8%
Loan Disbursed	1,33,577	1,13,063	18%

Key Ratios for Period Ended	Mar, 2013	Mar, 2012
Gross NPA	0.68%	0.78%
Net NPA	0.00%	0.00%
NPA Coverage Ratio	113.77%	112.25%
CAR (Approx.)*	16.52%	18.24%
NIM	2.72%	2.68%
Cost Coverage Ratio	70.44%	79.61%
Cost to Income Ratio (Gross)	29.05%	31.39%
Cost to Income Ratio (Net)	17.40%	20.08%
Return on Assets	1.71%	1.59%
Return on Equity	17.86%	16.79%
Debt Equity Ratio	9.61	10.44
EPS ₹	38.47	30.60

*\* FY12 CAR is on a standalone basis*

# Diversified Investor Base

## Shareholding Composition



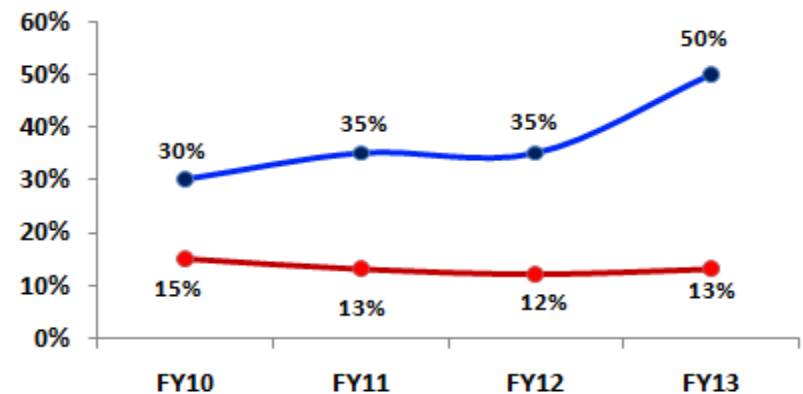
- Institutional Investors exhibit significant faith in the companies performance, as evident from their substantial share in Holding % over a period of time
- Dividend paid consecutively for last 25 years, in 29 years of operation of company

## Top 10 Institutional Investors as on 31st Mar 2013

Sr.No.	Name of Investor	% Holding
1	CALEDONIA INVESTMENTS PLC	9.99%
2	HSBC BANK (Mauritius) LTD	4.46%
3	IRONWOOD INVESTMENT HOLDINGS	4.05%
4	GOVERNMENT OF SINGAPORE *	3.20%
5	ASIABRIDGE FUND I, LLC	2.79%
6	WELLINGTON TRUST *	2.42%
7	CITIGROUP GLOBAL MARKETS MAURITIUS PVT LTD	1.60%
8	ICICI PRUDENTIAL LIFE INSURANCE	1.34%
9	EMERGING MARKET MANAGEMENT *	1.15%
10	MORGAN STANLEY ASIA (SINGAPORE) PTE	0.85%

\* Through Multiple Funds / Schemes

## Dividend and Payout Ratio



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## DHFL – FBHFL Merger Update

# Merger Update

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As communicated at the time of acquisition, FBHFL was merged with DHFL w.e.f 31<sup>st</sup> January, 2013 pursuant to the approval of the Scheme of Merger from the Honorable Mumbai and Delhi High Courts.

## **Key Steps accomplished in the Merger process**

- a) Announcement of SWAP ratio for Shareholders of FBHFL – The Boards of DHFL and FBHFL met on 28<sup>th</sup> September 2011, to adopt the Share SWAP ratio for minority shareholders. E&Y acted as the valuers for this transaction and Fairness opinion on the same was provided by Merchant Banking division of Standard Chartered Bank.
- b) The Boards understood in detail the methodology adopted for arriving at the fair valuation of either companies and subsequently concurred to the adoption of SWAP ratio of 10:97, i.e., for 10 shares of DHFL to be issued against every 97 shares of FBHFL
- c) The minority shareholders together had invested Rs.3.5bn in FBHFL at the time of acquisition. Against this they will be receiving ~10.8mn shares of DHFL, once the scheme of amalgamation is approved by the High Courts.
- d) The Cost of acquisition / share of DHFL to the minority shareholders of FBHFL comes to ~Rs.320
- e) We have received the NOC from BSE and NSE
- f) We received Approval for the Scheme of Merger filed with the Honorable Mumbai and Delhi High Courts. Effectively, as on 31<sup>st</sup> January, 2013, FBHFL was merged with DHFL

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