

Current	Previous
CMP : Rs.467	
Rating : BUY	Rating : NR
Target : Rs.630	Target : NR

(NR-Not Rated)

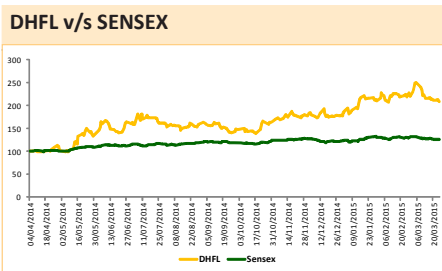
STOCK INFO	
BSE	511072
NSE	DHFL
Index	S&P BSE 500
Bloomberg	DHFL IN
Reuters	DWNH.NS
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs Mn)	1457
Mkt Cap (Rs Mn)	68,308
52w H/L (Rs)	570 / 217
Avg Daily Vol (BSE+NSE)	1,264,692

SHAREHOLDING PATTERN	%
(as on Dec. 2014)	
Promoter	39.6
FII	20.6
DII	0.3
Others	39.5

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
DHFL	-4	15	109
SENSEX	-3	4	26

Source: Capitaline, IndiaNivesh Research



Source: Capitaline, IndiaNivesh Research

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Company Background

Dewan Housing Finance Corporation (DHFL) was incorporated in 1984 by Shri Rajesh Kumar Wadhawan. DHFL primarily provides housing finance to individuals, especially to the low and lower-middle-income groups in Tier II, Tier III and Tier IV cities. The company also offers non-housing loans such as loan against properties (LAP) and developer loans. DHFL has a total AUM of Rs 526 bn with pan-India presence, with customer touch points at 574 locations as of December 31, 2014. DHFL operates in the mortgage financing business where growth and asset quality have remained healthy in the last few years.

Investment Rationale

Assets under Management (AUM) grew at a robust pace of 47% CAGR in last three years, healthy AUM growth to continue over FY14-17E: DHFL has witnessed robust growth of 47% CAGR in the past three years (FY11-14) as compared to industry CAGR of 17% partly led by acquisition of First Blue Home Finance Ltd in FY13. DHFL is well positioned to capture the opportunities arising in the Lower Income Group (LIG) and Mid Income Group (MIG) segments due to current government's focus on Housing segment. We expect its loan book to grow at a CAGR of 22% over FY14-17E led by higher growth in Tier III and Tier IV cities.

Change in borrowing mix to improve NIMs: The company intends to reshuffle its existing borrowings by reducing its bank borrowing contribution which may reduce overall cost of funds by 40-50 bps by FY16E. Considering intense competition in the housing loan segment, we expect overall margin for the company to improve by 10-15 bps over FY15E-17E and remain at 2.9%.

Asset Quality at Manageable Level: Over the last few years, the company has developed robust credit appraisal and risk management process which has helped it to maintain asset quality even during the economic slowdown. DHFL has maintained healthy asset quality over the last four years. It's Gross NPA remains at low level of 0.8% as of Q3FY15. Provision Coverage Ratio (PCR) stood at 108% as of Q3FY15. Thus the Net NPA remains nil for DHFL.

Return Ratios to Improve: DHFL enjoys average, though improving, earnings profile. Its return on assets (RoA) and return on equity (RoE) were at 1.3% and 15.5%, respectively in FY14 which were lower than that of its peers. It was mainly due to relatively low proportion of high-yielding non-housing portfolio and high operating expenses. However, we expect DHFL's return ratios to improve over the next two years (1.5% of RoA and 17% of RoE by FY17E) led by increasing proportion of high yielding LAP, reduced cost of borrowing and improved operating efficiency.

Valuation and Recommendation

DHFL is a play on the high growth Indian housing finance industry, which is driven by rising income levels, growing urbanization, and low penetration of housing finance and shortage of housing. We like DHFL due to its consistent loan growth, stable NIM, strong asset quality, better capital adequacy, improving return ratios and reasonable valuations. At CMP of Rs 467/-, as per our estimates, DHFL is trading at P/ABV of 1.2x and 1.1x for FY16E and FY17E, respectively which is the cheapest among its peers. We recommend 'BUY' rating on the stock with target price of Rs 630/- (P/ABV of 1.5x for FY17E).

Financials

Rs mn	NII	PAT	EPS (Rs)	ROA (%)	ROE (%)	BV (Rs)	ABV (Rs)	P/E	P/BV	P/ABV
FY12	3,989	3,064	26	1.6	17.1	174	174	8.6	1.3	1.3
FY13	6,783	4,519	35	1.6	17.1	252	252	5.2	0.7	0.7
FY14	8,879	5,290	41	1.3	15.5	278	278	11.4	1.7	1.7
FY15E	13,209	6,259	43	1.3	14.8	338	334	10.9	1.4	1.4
FY16E	16,754	8,007	55	1.3	15.3	384	374	8.5	1.2	1.3
FY17E	20,777	10,002	69	1.4	16.7	441	424	6.8	1.1	1.1

Source: Company, IndiaNivesh Research; Standalone

Financials

Income Statement (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Interest Income	37,977	46,705	58,493	71,057	84,557
Interest Expense	31,194	37,826	45,283	54,302	63,780
Net Interest Income	6,783	8,879	13,209	16,754	20,777
Non Interest Income	2,813	2,992	1,681	2,059	2,471
Net Income	9,596	11,871	14,890	18,813	23,248
Operating Expenses	3,039	3,820	4,538	5,610	6,795
Total Income	40,789	49,697	60,174	73,116	87,028
Total Expenditure	34,233	41,646	49,822	59,912	70,575
Pre Provisioning Profit	6,557	8,051	10,352	13,204	16,453
Provisions	450	700	882	1,091	1,321
Profit Before Tax	6,107	7,351	9,469	12,113	15,132
Tax	1,588	2,061	3,210	4,106	5,130
Net Profit	4,519	5,290	6,259	8,007	10,002

Source: Company, IndiaNivesh Research; Standalone

Balance Sheet (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Liabilities					
Capital	1,282	1,284	1,450	1,450	1,450
Reserves and Surplus	31,089	34,465	47,549	54,156	62,462
Borrowings	274,407	338,902	423,568	518,871	622,645
Provisions	3,098	4,065	5,042	6,486	8,154
Other Liabilities	48,153	59,876	75,637	92,655	111,187
Total Liabilities	358,030	438,592	553,246	673,618	805,897
Assets					
Fixed Assets	4,379	9,877	10,124	10,377	10,637
Investments	2,750	5,759	7,564	9,266	11,119
Advances	339,017	405,966	504,248	617,703	741,244
Other Assets	6,757	7,158	13,662	16,197	20,660
Cash & Bank Balances	5,126	9,832	17,649	20,075	22,237
Total Assets	358,030	438,592	553,246	673,618	805,897

Source: Company, IndiaNivesh Research; Standalone

Ratios (Calculated)

Per share data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	35.2	41.2	43.2	55.2	69.0
DPS	5.0	8.0	6.5	8.3	10.0
BV	252.5	278.4	338.0	383.6	440.9
ABV	252.5	278.4	334.1	374.1	423.8

Valuation (%)

P/E	5.2	11.4	10.9	8.5	6.8
P/BV	0.7	1.7	1.4	1.2	1.1
P/ABV	0.7	1.7	1.4	1.3	1.1
Div Yield	2.7	1.7	1.4	1.8	2.1

Spreads (%)

Yield on Funds	13.5	11.5	11.6	11.4	11.2
Cost of Funds	12.2	10.6	10.2	9.9	9.6
NIM	2.4	2.2	2.6	2.7	2.8

Capital (%)

CAR	16.5	16.5	17.2	16.4	16.1
Tier I	11.3	11.6	12.7	11.9	11.6
Tier II	5.2	4.9	4.5	4.5	4.5

Asset (%)

GNPA	0.7	0.8	1.0	1.1	1.2
NNPA	0.0	0.0	0.1	0.2	0.3

Management (%)

Cost / Income	31.7	32.2	30.5	29.8	29.2
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Earnings (%)

RoE	17.1	15.5	14.8	15.3	16.7
RoA	1.6	1.3	1.3	1.3	1.4
RoAUM	1.6	1.3	1.2	1.3	1.3

Growth Ratios (%)

AUM	80.5	24.2	25.0	22.5	20.0
Borrowing	67.4	23.2	24.9	22.5	20.0
Balance Sheet	66.1	22.5	26.1	21.8	19.6
NII	70.0	30.9	48.8	26.8	24.0
PPP	55.4	22.8	28.6	27.5	24.6
Net Profit	47.5	17.1	18.3	27.9	24.9

Source: Company, IndiaNivesh Research; Standalone

Investment Rationale

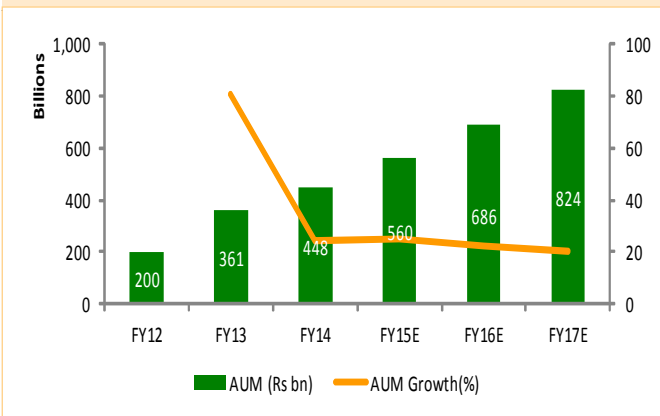
Assets under Management (AUM) grew at a robust pace of 47% CAGR in last three years, healthy AUM growth to continue over FY14-17E:

Niche presence in retail loan portfolio especially into lower middle income group

Loan book to grow at a CAGR of 22% over FY14-17E

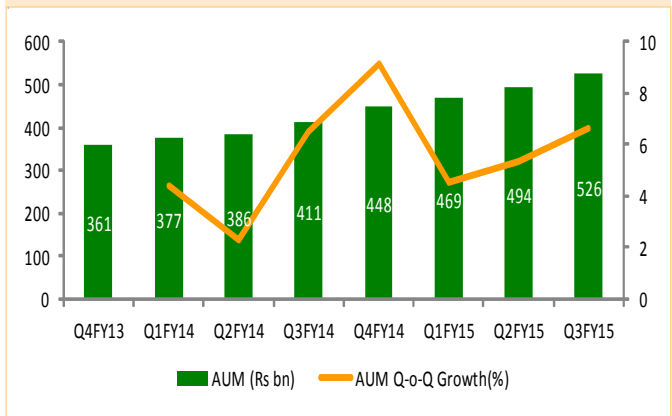
DHFL has witnessed robust growth of 47% CAGR in the past three years (FY11-14) as compared to industry CAGR of 17% partly led by acquisition of First Blue Home Finance Ltd in FY13. However, DHFL's sanctions and disbursements grew by 29% and 25%, respectively in FY14 mainly due to a challenging macro environment. Over the last few years the company has built a niche presence in retail loan portfolio by lending to self-employed as well as salaried borrowers, which will aid strong growth in the coming years. DHFL has also improved its mortgage market share to 3.8% in FY14 from 2.8% in FY11. The company's primary focus area remains Tier II to IV cities where there is low competition from scheduled commercial banks. Overall, DHFL is well positioned to capture the opportunities arising in the Lower Income Group (LIG) and Mid Income Group (MIG) segments due to current government's focus on the Affordable Housing Segment. We expect its loan book to grow at a CAGR of 22% over FY14-17E led by higher growth in Tier III and Tier IV cities.

AUM Trend (Y-o-Y)



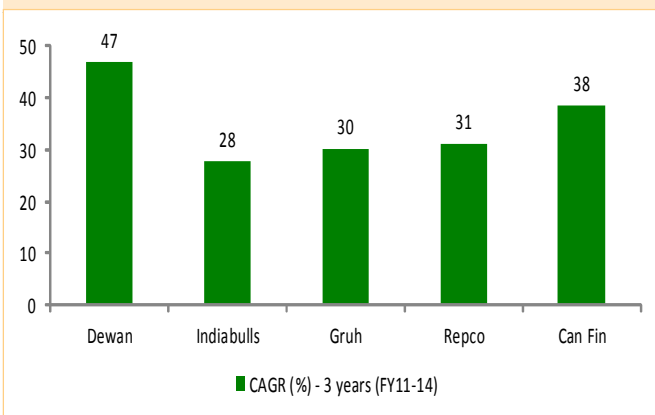
Source: Company, IndiaNivesh Research

AUM Trend (Q-o-Q)



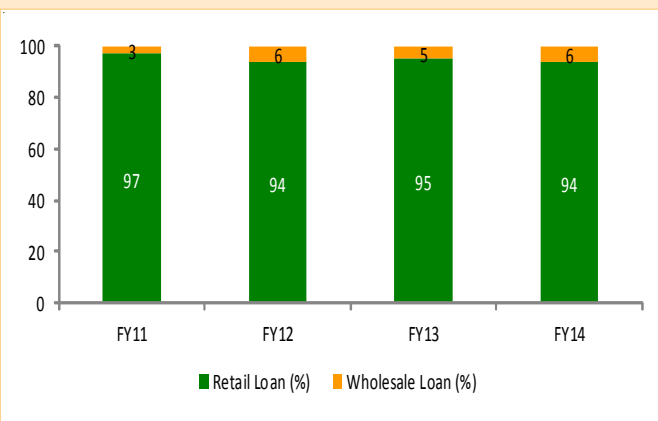
Source: Company, IndiaNivesh Research

Peers Comparison - AUM



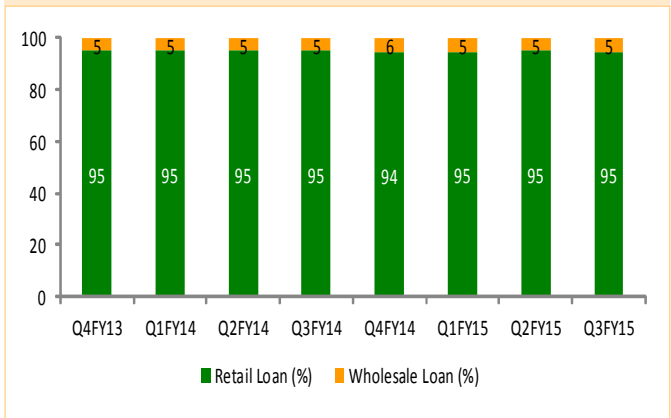
Source: Company, IndiaNivesh Research

Loan Composition (Y-o-Y)



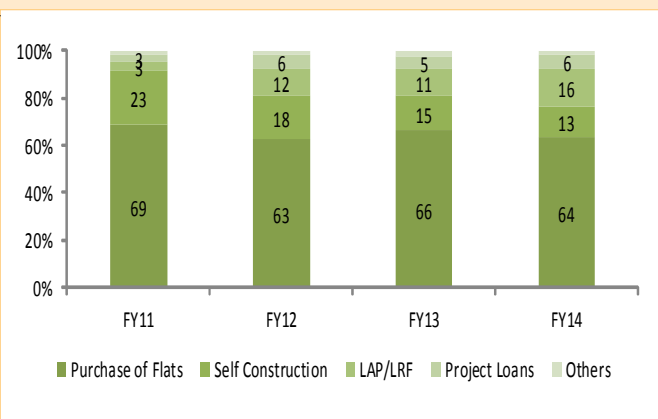
Source: Company, IndiaNivesh Research

Loan Composition (Q-o-Q)



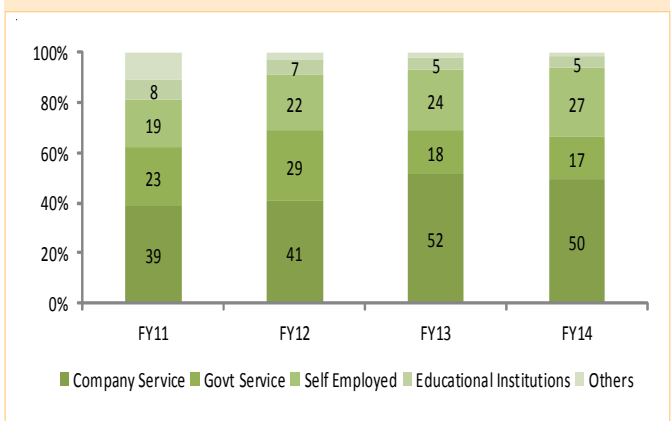
Source: Company, IndiaNivesh Research

Loan Portfolio Mix



Source: Company, IndiaNivesh Research

Customer Composition



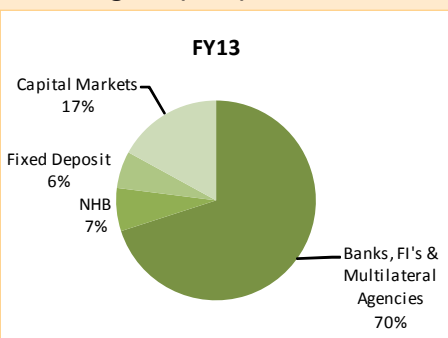
Source: Company, IndiaNivesh Research

Long term credit ratings have been upgraded to 'CARE AAA (Triple A)' by CARE and "AAA (Triple A)" by Brickwork

Change in borrowing mix to improve NIMs:

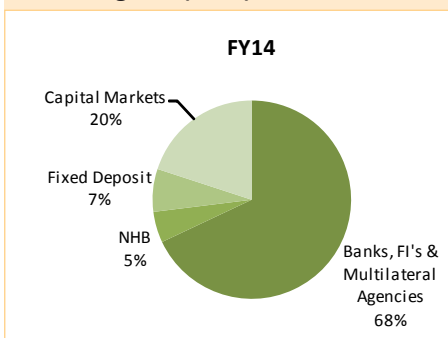
Significant portion of DHFL's borrowings forms the term loans from Banks and FIs (68% as of FY14). However, the company intends to reshuffle its existing borrowings by reducing its bank borrowing contribution from 60% at the end of Q3FY15 to 50% and replace the same with capital market instruments. In addition to, DHFL's long term credit ratings have been also upgraded to 'CARE AAA (Triple A)' by CARE and "AAA (Triple A)" by Brickwork. It provides the company with an opportunity for issuance of long term NCDs at competitive rates, and reduces its weighted average cost of borrowings. This may reduce overall cost of funds by 40-50 bps by FY16E. However, considering intense competition in the housing loan segment, there will be downward pressure on the yield on advances also. So, we expect overall margin for the company to improve by 10-15 bps over FY15E-17E and remain it at 2.9%.

Borrowing Mix (FY13)



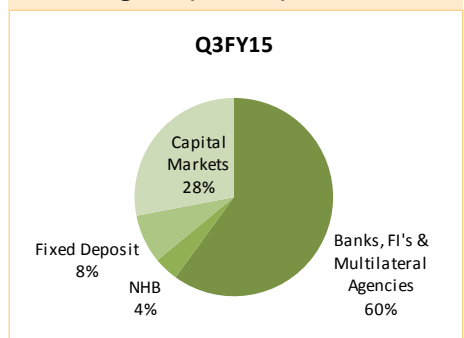
Source: Company, IndiaNivesh Research

Borrowing Mix (FY14)



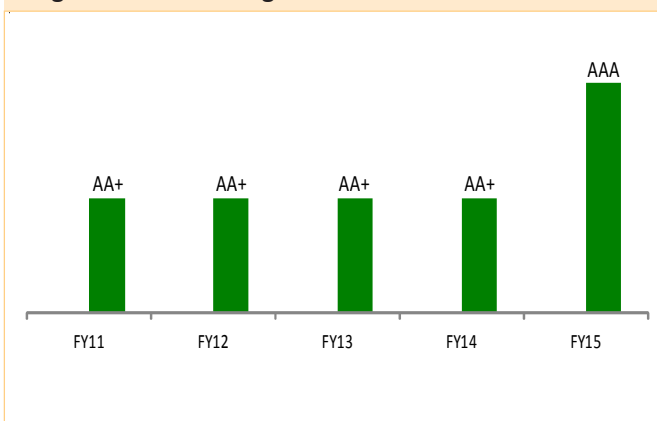
Source: Company, IndiaNivesh Research

Borrowing Mix (Q3FY15)



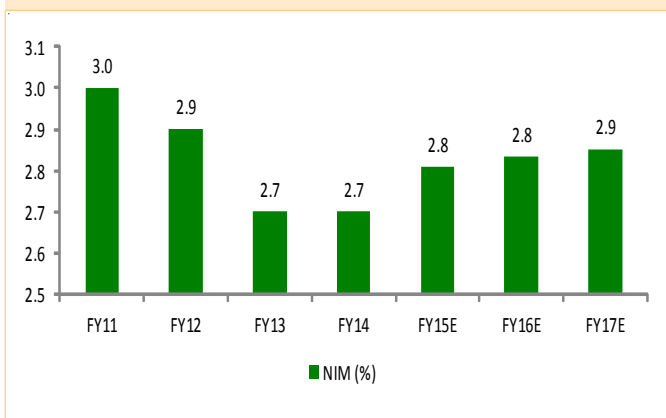
Source: Company, IndiaNivesh Research

Long Term Credit Rating



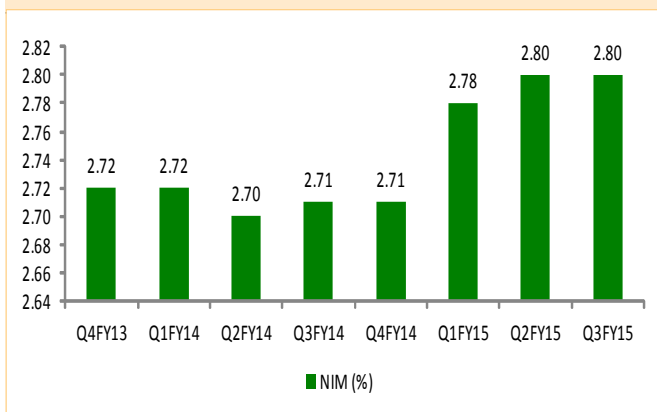
Source: Company, IndiaNivesh Research

Net Interest Margin (NIM) Y-o-Y



Source: Company, IndiaNivesh Research

Net Interest Margin (NIM) Q-o-Q



Source: Company, IndiaNivesh Research

Gross NPA remains at low level of 0.8% & Net NPA remains nil as of Q3FY15

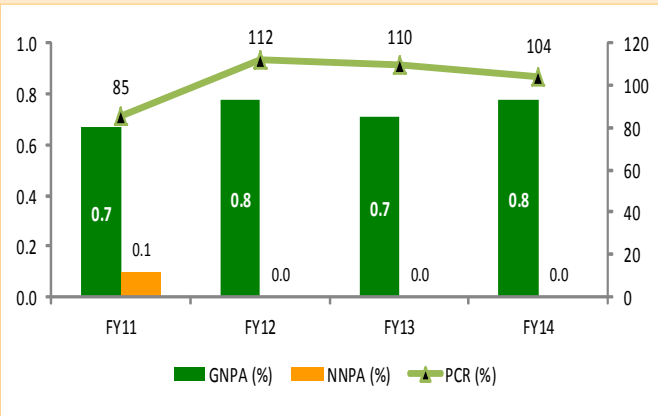
Lower LTV ratio of 56% & average ticket size of around Rs.1.2 mn on housing loan

Asset Quality at Manageable Level:

Over the last few years, the company has developed robust credit appraisal and risk management process which has helped it to maintain asset quality even during the economic slowdown. DHFL has maintained healthy asset quality over the last four years. It's Gross NPA remains at low level of 0.8% as of FY14 (0.8% as of Q3FY15). Provision Coverage Ratio (PCR) stood at 104% as on FY14 (108% as of Q3FY15). Thus the Net NPA remains nil for DHFL.

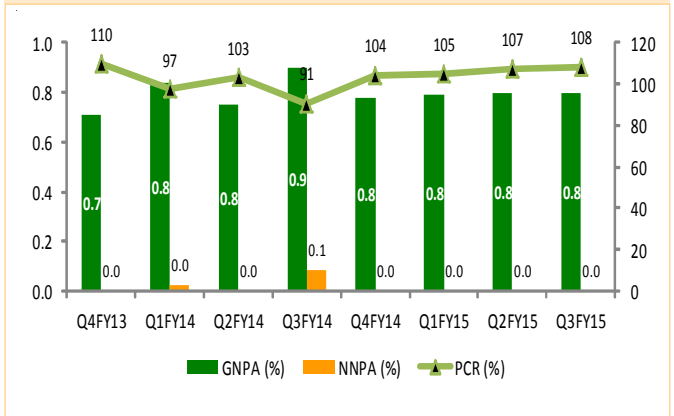
Centralized underwriting process, in-house credit & legal team and lower LTV (56%) have enabled DHFL to maintain respectable asset quality over the last four years. DHFL has loan book with an average ticket size of around Rs.1.2 mn, which remains significantly lower than that of its peers. We believe that DHFL will maintain its strong asset quality in the housing loan segment supported by its highly granular loan book comprehensive risk assessment processes, diligent risk monitoring and processes. The company's ability to maintain asset quality in the LAP portfolio and developers segment remains to be seen, especially given the high growth in these segments over the past few quarters. However, DHFL disburses loan to developers who have already acquired land and also completed 40-50% of construction work. The majority of loans are towards residential projects only. The company generally ventures into low ticket project loans with an average ticket size of 200-250 mn. In addition to, there is an escrow account maintained for all construction loans. So, all the funds from sale of flat of the funded projects flow into this escrow account.

NPA Trend (Y-o-Y)



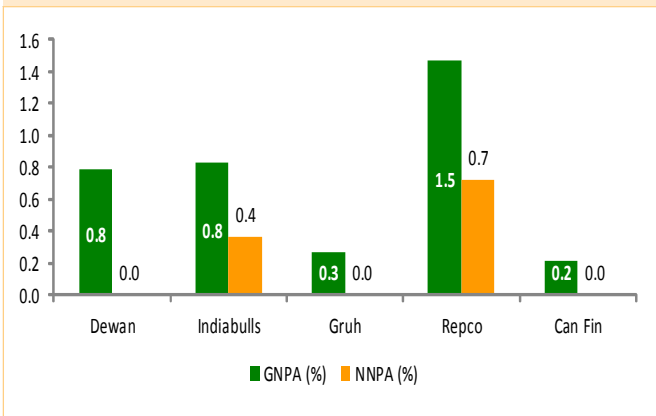
Source: Company, IndiaNivesh Research

NPA Trend (Q-o-Q)



Source: Company, IndiaNivesh Research

Peers Comparison - NPA



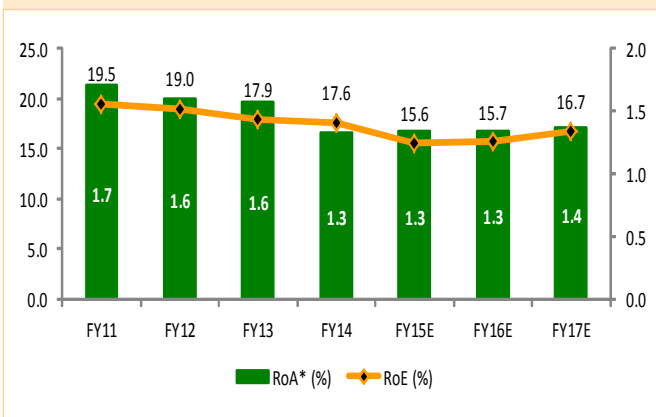
Source: Company, IndiaNivesh Research, As of FY14

Return ratios to improve (RoA of 1.5% and RoE of 17% by FY17E) led by increasing proportion of high yielding LAP, reduced cost of borrowing and improved operating efficiency

Return Ratios to Improve:

DHFL enjoys average, though improving, earnings profile. Its return on assets (RoA) and return on equity (RoE) were at 1.3% and 15.5%, respectively in FY14 which were lower than that of its peers. It was mainly due to relatively low proportion of high-yielding non-housing portfolio and high operating expenses. However, we expect DHFL's return ratios to improve over the next two years led by increasing proportion of high yielding LAP, reduced cost of borrowing and improved operating efficiency.

Return Ratios



Source: Company, IndiaNivesh Research, *Calculated

Change in borrowing mix will lead to 40-50bps reduction in cost of borrowings

DHFL's long term credit rating has been recently upgraded from AA+ to AAA by Credit Analysis & Research Ltd (CARE). The management indicated to bring down the share of high cost bank borrowings to ~55% by FY16E (68% at the end of FY14), while correspondingly increase the share of NCDs which will translate into a 40-50bps reduction in cost of borrowings in FY16E.

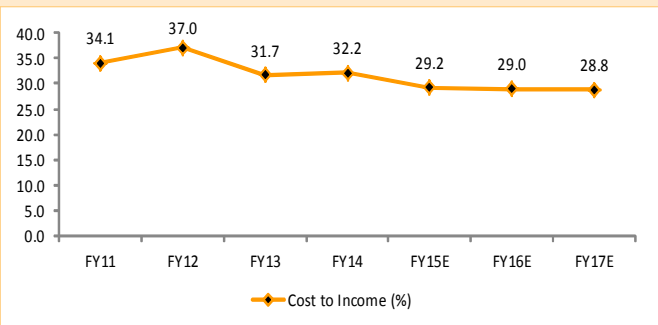
Lower amount of processing fees, weak insurance penetration and lower commissions on the third party products led to dip in other income of the company during 9MFY15. Non-Interest Income of the company decreased 35% y-o-y to Rs 281 mn during 9MFY15. However, the company is confident to increase the other income over FY15-17E by focusing more on value added services.

The company has also increased its proportion of high yielding segment LAP from 11% to 18%

Over the last eight quarters, the company has increased its proportion of high yielding segment LAP from 11% to 18%. This segment generally enjoys 200-250 bps higher yields than yields on plain mortgages. The management indicated to sustain the LAP segment in the range of 18%-20% going forward. The management's intention to utilize the securitization route to grow can also support margins as it earns additional spreads of 140-150 bps on securitized book.

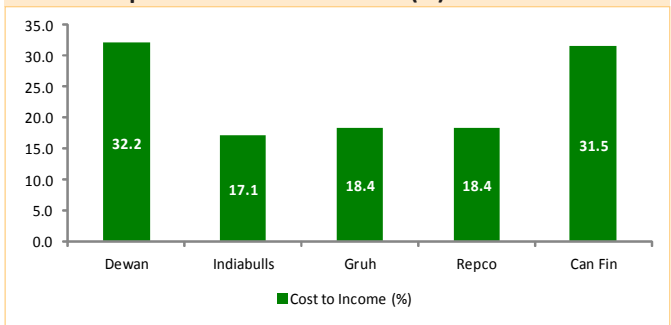
DHFL's cost-income (C/I) ratio stood at 32% which was well above its comparable HFCs using the branch model like Gruh (19%) and Repco (19%). Advertisement cost and legal and professional fees were high for the company. These expenses are likely to reduce going forward. The management also expects C/I ratio to come down to 25% by FY17E. So, there also remains significant scope for further improvement.

Cost to Income



Source: Company, IndiaNivesh Research

Peers Comparison - Cost to Income (%)



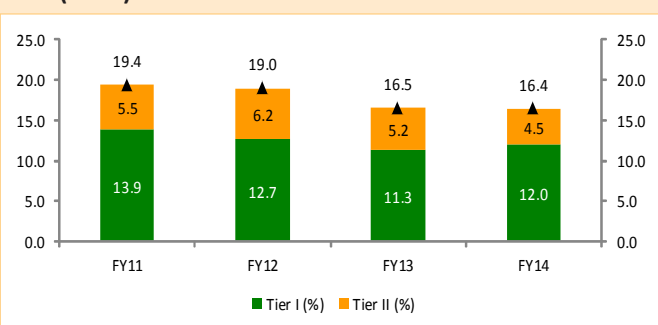
Source: Company, IndiaNivesh Research

DHFL is not required to raise fresh equity capital for next 1-2 years

Well Capitalized:

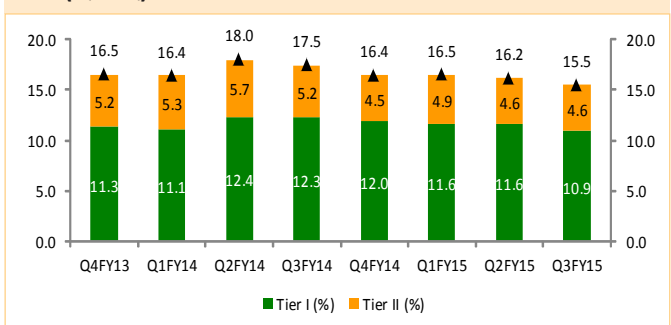
DHFL's capital adequacy ratio (CAR) stood at 15.5% as of Q3FY15 vs 17.5% in Q3FY14. The tier I ratio was at 11.0% as of Q3FY15. The CAR of company was well above the NHB's minimum stipulated requirement of 12.0%. However, DHFL has successfully raised Rs 8.1 bn through qualified institutional placement (QIP) on Feb. 27, 2015 to take the benefit of future growth opportunity. The company issued 16.9 mn equity shares at a price of Rs 478.18/- per equity share. The CAR of the company has increased to ~20%+ post this QIP. This QIP will enable the company to expand its business comfortably over next 1-2 years. The capital of the company is primarily comprised of Tier I instruments and provides necessary flexibility to raise capital through Tier II instruments to support business growth. However, the management has no intentions of raising fresh capital in the medium term after recent QIP and it also intends to utilize the securitization route to grow.

CAR (Y-o-Y)



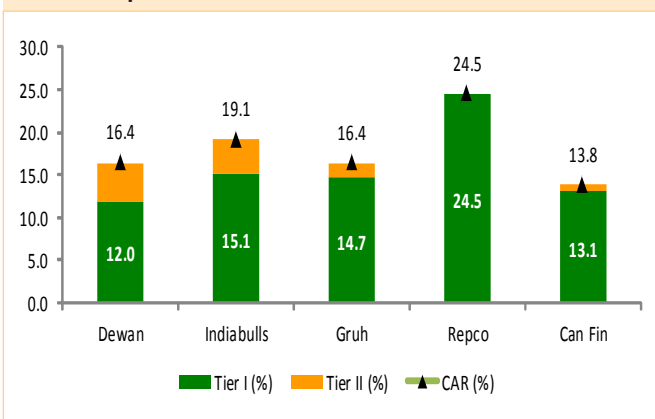
Source: Company, IndiaNivesh Research

CAR (Q-o-Q)



Source: Company, IndiaNivesh Research

Peers Comparison - CAR



Source: Company, IndiaNivesh Research, As of FY14

There is a high potential from the insurance business in the long run if managed efficiently

Insurance Business:

DHFL, along with its promoters' entities, has acquired 74% stake in DLF Pramerica Life Insurance Company Ltd (DPLI). DHFL has capped its stake at 50% in accordance with National Housing Bank (NHB) requirements, while the other two promoter entities (Yardstick developer and Resources reality) have each acquired a 12% stake. DHFL Pramerica was an asset-light acquisition for DHFL. Currently, about two third of the new business of DPLI is contributed by DHFL. The management does not envisage any incremental capital requirement in near to medium term to support growth in insurance business. Overall, there is a high potential from the insurance business in the long run if managed efficiently.

DHFL Pramerica Life Insurance (DPLI) achieved break-even in FY14. DPLI recorded an over 29% y-o-y growth in gross written premium (GWP) to Rs 3.06 bn in FY14 and added over 4 lakh customers. The company's total sum assured was about Rs 66.00 bn and assets under management (AUM) stood at Rs 7.21 bn as of FY14. DPLI has now access to DEWH's 363 branches and existing mortgage customer base. This will help the company to improve its New Business Premium (NBP) growth. As per NHB guidelines, DHFL will have to reduce its stake in the insurance business to 25% over the next five year from the date of its acquisition whereas Pramerica has an option to hike its stake to 49%.

Q3FY15 Result Highlights:

Net Interest Income (NII) of DHFL increased at a healthy pace of 25% y-o-y (+6% q-o-q) to Rs 3.9 bn in Q3FY15. Interest income grew 17% y-o-y (+5% q-o-q) to Rs 15.3 bn whereas interest expense increased at a slower pace of 15% y-o-y (+5% q-o-q) to Rs 11.3 bn. Due to healthy business growth, operating expenses also increased at a faster pace of 30% y-o-y (+6% q-o-q) to Rs 1.5 bn. Within operating expenses, employee expenses increased 22% y-o-y to Rs 490 mn. As a result, Net profit of DHFL increased 15% y-o-y (+5% q-o-q) to Rs 1.6 bn.

The Asset under Management (AUM) of the company increased 28% y-o-y (+7% q-o-q) to Rs 526 bn mainly led by 26% y-o-y increase in retail loan portfolio. The company continue to focus on retail loan portfolio which includes purchase of flats, self-construction, LAP and extension & improvements. DHFL securitised assets worth Rs 4.7 bn in Q3FY15. DHFL successfully continue to maintain its asset quality at one of the lowest levels in the industry. Gross NPA of the company decreased by 1 bp q-o-q to 0.77% and Net NPA was nil in Q3FY15. Provision coverage ratio (PCR) stood at 108%.

Rs mn	Q3FY15	Q2FY15	Q3FY14	% QoQ	% YoY	9MFY15	9MFY14	% YoY
Interest Income	15,263	14,502	13,010	5	17	44,028	35,515	24
Interest Expense	11,336	10,801	9,878	5	15	32,842	27,044	21
Net Interest Income	3,927	3,701	3,133	6	25	11,186	8,471	32
Other Income	3	4	4	-31	-25	10	11	-12
Total Net Income	3,930	3,705	3,136	6	25	11,196	8,482	32
Operating Expenses	1,514	1,426	1,167	6	30	4,276	3,197	34
Employee Benefit Expenses	490	472	401	4	22	1,411	1,197	18
Other Expenses	941	863	742	9	27	2,657	1,928	38
Depriciation	83	91	25	-8	236	208	72	188
Total Income	15,265	14,506	13,014	5	17	44,038	35,526	24
Total Expenses	12,850	12,226	11,045	5	16	37,118	30,242	23
Profit Before Tax	2,415	2,280	1,969	6	23	6,920	5,285	31
Tax	819	758	585	8	40	2,330	1,406	66
Provision for Taxation	685	642	585	7	17	1,963	1,406	40
DTL on Special I.T. Reserve	133	116	0	15	na	366	0	na
Net Profit	1,597	1,522	1,384	5	15	4,590	3,878	18
EPS- Diluted (Rs)	12.34	11.77	10.78	5	14	35.47	30.20	17

Source: Company, IndiaNivesh Research

Valuation and Recommendation

DHFL is a play on the high growth Indian housing finance industry, which is driven by rising income levels, growing urbanization, and low penetration of housing finance and shortage of housing. In addition to, the Government has been also focusing towards affordable housing segment, DHFL is well placed to fund this rising demand. Niche markets such as the non-metro (Tier II, Tier III and Tier IV) cities remains an under penetrated opportunity where DHFL is prominently present. While competition in the housing finance segment will remain high, DHFL will continue to benefit from the strong growth potential in its target customer segment with faster turnaround time over medium to long term.

At CMP of Rs 467/-, as per our estimates, DHFL is trading at P/ABV of 1.2x and 1.1x for FY16E and FY17E, respectively which is the cheapest among its peers. However, it is mainly on account of its lower return ratios and high C/I ratio among its peers and risk perceptions about the group. We expect discount on DHFL compared to other NBFCs is likely to narrow down on back of improving its return profile (With a ROA and ROE of 1.5% and 17% in FY17E, respectively) given its steady loan growth, reduced cost of borrowing, and better operational efficiency. We like DHFL due to its consistent loan growth, stable NIM, strong asset quality, better capital adequacy, improving return ratios and reasonable valuations. DHFL has applied for the small banking license and grant for the same can be additional positive trigger for the company. We recommend 'BUY' rating on the stock with target price of Rs 630/- (P/ABV of 1.5x for FY17E).

Peers Comparison

Company Name	ROE (%)			ROA (%)			P/E			P/ABV		
	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E
Indiabulls Hsg	28.7	31.3	32.9	3.7	3.9	4.0	12.0	10.4	8.8	3.4	3.1	2.7
GRUH Finance	32.2	31.5	31.6	2.8	2.6	2.6	51.5	43.0	34.8	15.1	12.2	9.9
Dewan Housing	15.5	14.8	15.3	1.3	1.3	1.3	11.4	10.9	8.5	1.7	1.4	1.3
Repco Home	16.0	16.5	18.0	2.6	2.4	2.3	37.2	32.6	25.9	5.6	5.2	4.5
Can Fin Homes	17.9	15.3	15.8	1.5	1.3	1.4	19.0	13.5	17.4	3.2	2.2	2.0

Source: Bloomberg, IndiaNivesh Research; closing price as on April 06, 2015

Risks & Concerns

Slowdown in housing prices:

Slowdown in the real estate sector can impact the DHFL's growth and earnings.

Increase in interest rate:

We are not building in scenario of any material increase in interest rates from hereon as we believe that it is very unlikely scenario. However, if anything of this sort happens then it will pose a risk to our assumptions.

Significant deterioration in asset quality:

Any significant deterioration in asset quality will affect our provisioning and slippages assumption and hence remains risk to our estimates.

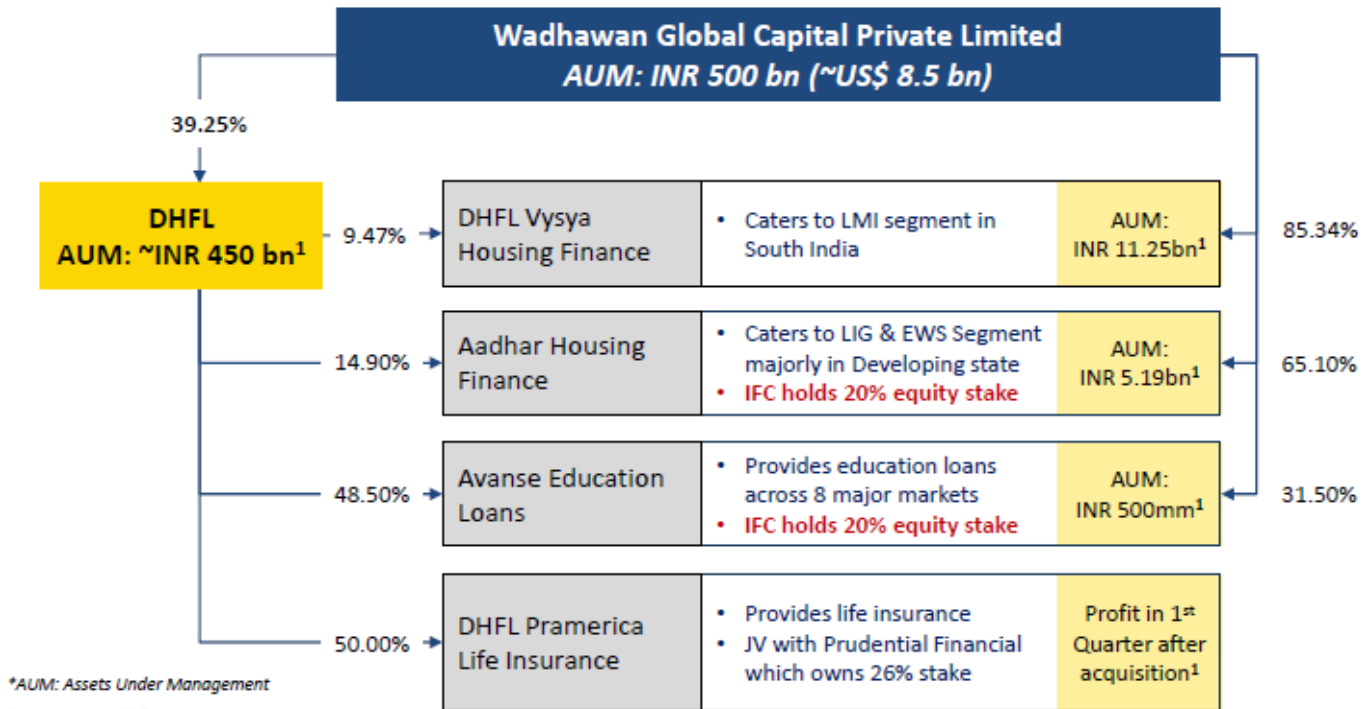
Rating downgrade:

Any rating downgrade a risk to profitability and to the business model

Company Background

Dewan Housing Finance Corporation (DHFL) was incorporated in 1984 by Shri Rajesh Kumar Wadhawan. DHFL is among the oldest and the third largest housing finance companies (HFC) in India. DHFL primarily provides housing finance to individuals, especially to the low and lower-middle-income groups in Tier II, Tier III and Tier IV cities. The company also offers non-housing loans such as loan against properties (LAP) and developer loans. DHFL has a total AUM of Rs 450 bn with pan-India presence, with customer touch points at 441 locations as of FY14. DHFL operates in the mortgage financing business where growth and asset quality have remained healthy in the last few years. DHFL also had shareholding four associate companies.

Company Structure



*AUM: Assets Under Management

*LMI: Lower Middle Income

*EWS: Economical weaker Section

Source: Company, IndiaNivesh Research, ¹As of FY14

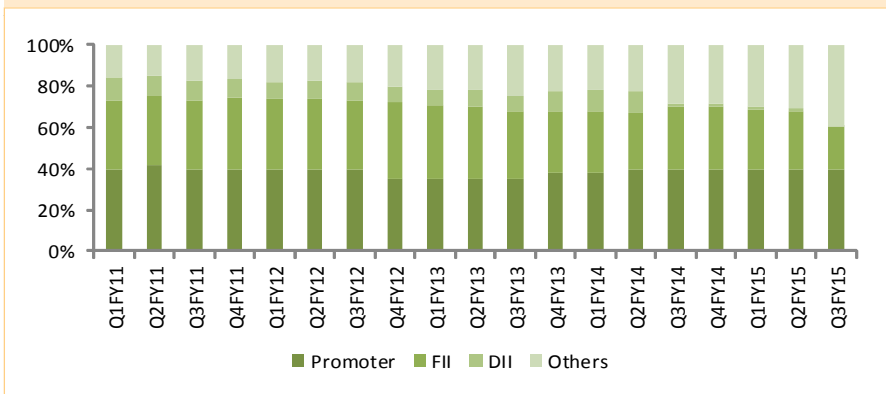
In October 2014, DHFL also entered into definitive agreements to acquire a 50.00% stake in each of Pramerica Asset Managers Private Limited (PAMPL) and Pramerica Trustees Private Limited (PTPL) from PGLH of Delaware, Inc., which is a wholly-owned, indirect subsidiary of Pramerica. PAMPL develops, manages, markets and operates an asset management business whereas PTPL provides trusteeship Services. DHFL aims to provide asset management services to customers in the LMI segment by leveraging its pan-India distribution network.

Top 10 Share Holders in Listed Entity (DHFL):

Holder Name	% o/s
WADHAWAN HOLDINGS PVT LTD	37.2
HEMISPHERE INFRA INDIA	4.2
GALAXY INFRAPROJECTS & DEV	4.1
IRONWOOD INVESTMENT HLDGS	4.0
SILICON FIRST REALTORS PVT	3.9
JHUNJHUNWAL RAKESH RADHEYS	3.8
ASIABRIDGE FUND LLC	2.8
NORGES BANK INVESTMENT MANAGEMEN	2.1
GIC PRIVATE LIMITED	1.5
GOVERNMENT PENSION FUND - GLOBAL	1.5
LAZARD EMERGING MARKETS	1.4
BIRLA SUN LIFE ASSET MANAGEMENT	1.2

Source: Bloomberg, IndiaNivesh Research

Share Holding Pattern of Listed Entity (DHFL):



Source: BSE, IndiaNivesh Research

Financials

Income Statement (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Interest Income	37,977	46,705	58,493	71,057	84,557
Interest Expense	31,194	37,826	45,283	54,302	63,780
Net Interest Income	6,783	8,879	13,209	16,754	20,777
Non Interest Income	2,813	2,992	1,681	2,059	2,471
Net Income	9,596	11,871	14,890	18,813	23,248
Operating Expenses	3,039	3,820	4,538	5,610	6,795
Total Income	40,789	49,697	60,174	73,116	87,028
Total Expenditure	34,233	41,646	49,822	59,912	70,575
Pre Provisioning Profit	6,557	8,051	10,352	13,204	16,453
Provisions	450	700	882	1,091	1,321
Profit Before Tax	6,107	7,351	9,469	12,113	15,132
Tax	1,588	2,061	3,210	4,106	5,130
Net Profit	4,519	5,290	6,259	8,007	10,002

Source: Company, IndiaNivesh Research; Standalone

Balance Sheet (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Liabilities					
Capital	1,282	1,284	1,450	1,450	1,450
Reserves and Surplus	31,089	34,465	47,549	54,156	62,462
Borrowings	274,407	338,902	423,568	518,871	622,645
Provisions	3,098	4,065	5,042	6,486	8,154
Other Liabilities	48,153	59,876	75,637	92,655	111,187
Total Liabilities	358,030	438,592	553,246	673,618	805,897
Assets					
Fixed Assets	4,379	9,877	10,124	10,377	10,637
Investments	2,750	5,759	7,564	9,266	11,119
Advances	339,017	405,966	504,248	617,703	741,244
Other Assets	6,757	7,158	13,662	16,197	20,660
Cash & Bank Balances	5,126	9,832	17,649	20,075	22,237
Total Assets	358,030	438,592	553,246	673,618	805,897

Source: Company, IndiaNivesh Research; Standalone

Ratios (Calculated)

Per share data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	35.2	41.2	43.2	55.2	69.0
DPS	5.0	8.0	6.5	8.3	10.0
BV	252.5	278.4	338.0	383.6	440.9
ABV	252.5	278.4	334.1	374.1	423.8

Valuation (%)

P/E	5.2	11.4	10.9	8.5	6.8
P/BV	0.7	1.7	1.4	1.2	1.1
P/ABV	0.7	1.7	1.4	1.3	1.1
Div Yield	2.7	1.7	1.4	1.8	2.1

Spreads (%)

Yield on Funds	13.5	11.5	11.6	11.4	11.2
Cost of Funds	12.2	10.6	10.2	9.9	9.6
NIM	2.4	2.2	2.6	2.7	2.8

Capital (%)

CAR	16.5	16.5	17.2	16.4	16.1
Tier I	11.3	11.6	12.7	11.9	11.6
Tier II	5.2	4.9	4.5	4.5	4.5

Asset (%)

GNPA	0.7	0.8	1.0	1.1	1.2
NNPA	0.0	0.0	0.1	0.2	0.3

Management (%)

Cost / Income	31.7	32.2	30.5	29.8	29.2
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Earnings (%)

RoE	17.1	15.5	14.8	15.3	16.7
RoA	1.6	1.3	1.3	1.3	1.4
RoAUM	1.6	1.3	1.2	1.3	1.3

Growth Ratios (%)

AUM	80.5	24.2	25.0	22.5	20.0
Borrowing	67.4	23.2	24.9	22.5	20.0
Balance Sheet	66.1	22.5	26.1	21.8	19.6
NII	70.0	30.9	48.8	26.8	24.0
PPP	55.4	22.8	28.6	27.5	24.6
Net Profit	47.5	17.1	18.3	27.9	24.9

Source: Company, IndiaNivesh Research; Standalone

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