

## How Macros have changed favourably

**Prime Minister's most important focus "Housing for All by 2022": Action Steps and Outcomes**  
*(Urban housing requirement estimated at 4.5 Cr units by 2022)*

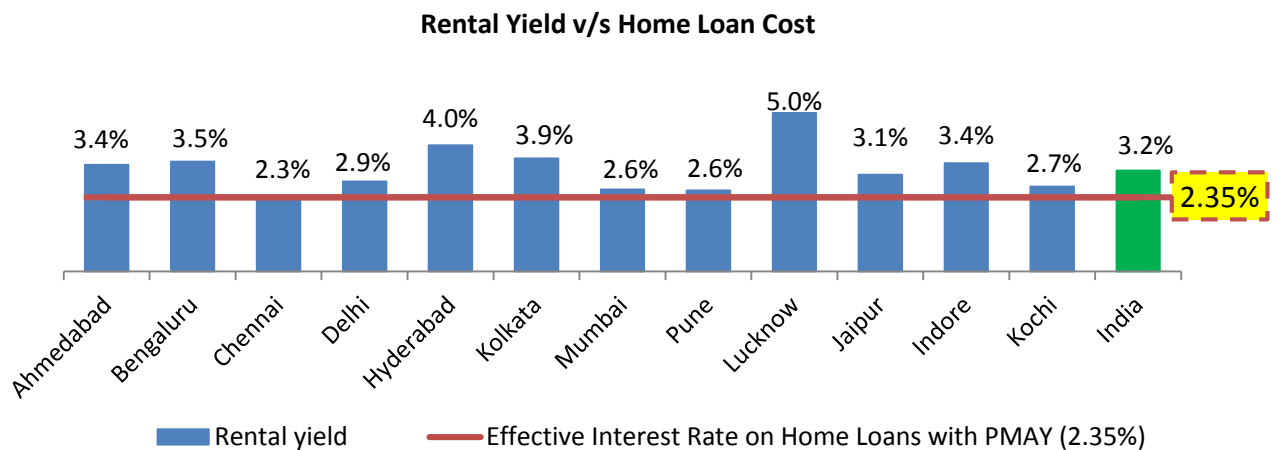
**1. Regulatory Impetus to widen sources of funding for Home Loans**

- a. RBI has reduced risk weights on bank lending to AAA rated HFCs to 20% from 100% enabling banks to lower the cost of funding to HFCs
- b. IRDA has exempted investments in AAA rated HFCs from sectoral caps thereby enabling insurance companies to invest freely in HFC debt instruments
- c. SEBI has increased cap on additional exposure to AA (and above) rated HFCs from 25% to 35%, the only sector enjoying limit above 25% sector limit for all other sectors

**2. Due to tax benefits and interest subsidy available under Pradhan Mantri Awas Yojana (PMAY) the effective rate on home loan has dropped to 2.35%, the lowest in many decades**

Particulars	2017	2016	2010	2000
Loan amount	24,00,000	24,00,000	24,00,000	24,00,000
<b>Nominal interest rate (%)</b>	<b>8.65%</b>	<b>9.10%</b>	<b>9.25%</b>	<b>13.25%</b>
Deduction allowed on interest repayment	2,50,000	2,50,000	1,50,000	75,000
Deduction allowed on principal repayment	1,50,000	1,50,000	1,00,000	20,000
<b>Tax rate applicable</b>	<b>30.90%</b>	<b>34.61%</b>	<b>30.90%</b>	<b>34.50%</b>
Tenure (yrs)	15	15	15	15
Subsidy received under PMAY	3,33,029			
Total amount paid per year	2,96,333	3,65,173	3,18,763	3,69,140
Interest component	1,46,333	2,15,173	2,18,763	3,14,777
Principal component	1,50,000	1,50,000	1,00,000	54,363
Tax amount saved	91,567	1,26,379	77,250	32,775
Effective interest paid on home loan	54,766	88,794	1,41,513	2,82,002
<b>Effective interest rate on home loan</b>	<b>2.35%</b>	<b>3.82%</b>	<b>6.02%</b>	<b>11.88%</b>

**3. For the first time EMI has dropped below rents across cities making home ownership more lucrative and cheaper than renting property**

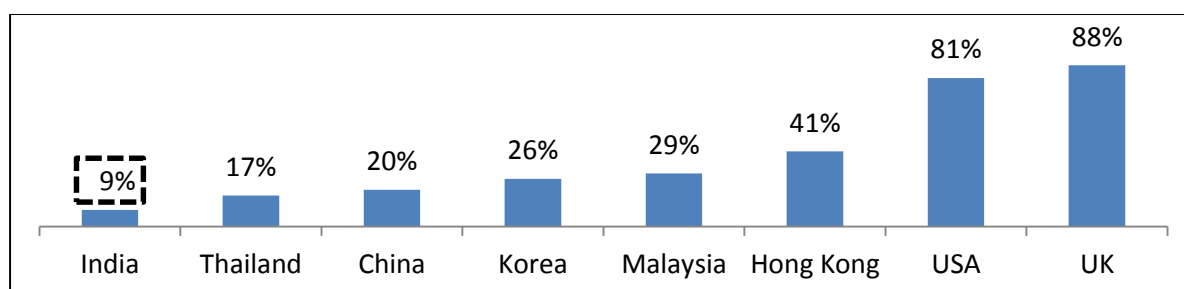


The above measures have vastly opened funding sources for Indiabulls Housing Finance like never before. In FY17, **IBHFL raised only 1.9% of its funds from banks and 88.1% of its borrowings from debt capital markets** which were done from 275 Domestic MFs, PFs, Pension Funds, Insurance companies and Corporates, 24 International asset managers (masala bond investors) and 10 International banks(ECB lenders).

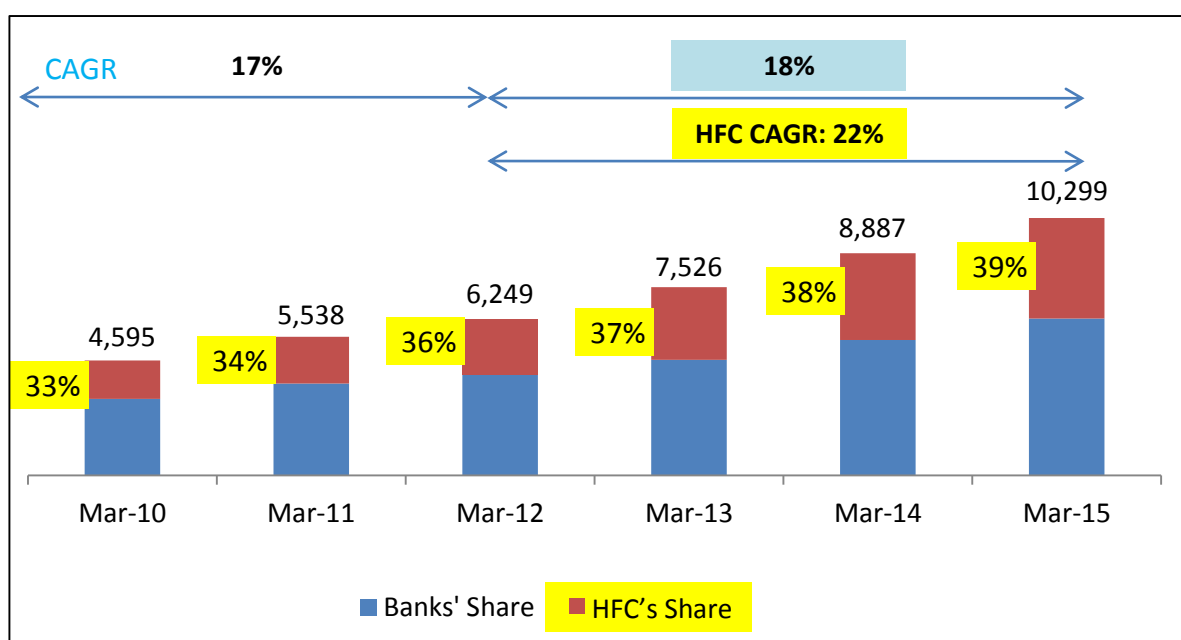
	Total Funding (₹ Cr)		Net Incremental in 9M	Contribution to Incremental Borrowings in last 9 Months
	Dec-16	Mar-16		
Bank Loans	34,002	33,571	431	1.9%
Debentures and Securities	46,461	26,187	20,274	88.1%
ECB	2,718	1,327	1,392	6.0%
<b>Total Borrowing</b>	<b>83,181</b>	<b>61,085</b>	<b>22,096</b>	<b>96.0%</b>
Sell Down	8,668	7,819	849	4.0%
<b>Total</b>	<b>91,849</b>	<b>68,904</b>	<b>22,945</b>	<b>100.0%</b>

The dependence of IBHFL on banks for its funding has come down drastically imparting huge financial flexibility to the company and in the event banks stop lending for few months, IBHFL remains unaffected.

**4. Low mortgage penetration compared to advanced and emerging economies implies huge opportunity for growth**



**5. Growing HFC Market Share in a Steadily Expanding Home Loans Market**



## Business Profile of IBHFL

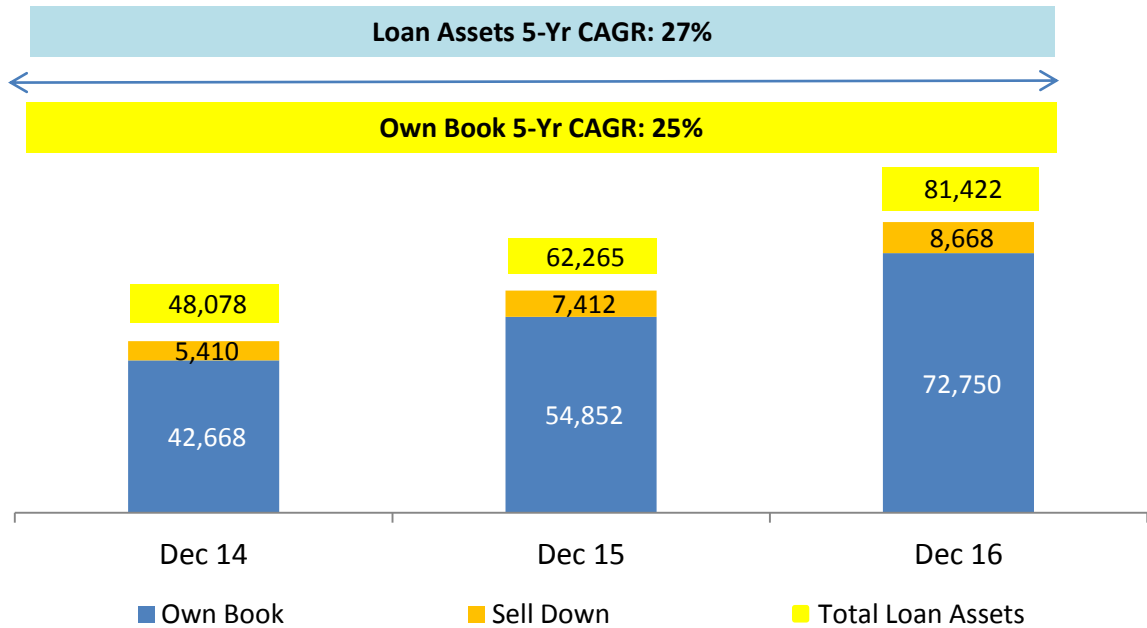
### 1. Financial parameters over last 5 years:

	9M FY17	FY16	FY15	FY14	FY13	FY12
Balance Sheet (₹ Cr)	1,02,406	76,436	57,231	44,418	39,129	32,226
Loan Assets (₹ Cr)	81,422	68,683	52,235	41,169	34,425	27,521
Profit After Tax (₹ Cr)	2,066	2,345	1,901	1,569	1,266	1,006
Networth (₹ Cr)	11,786	10,694	6,634	5,709	5,315	5,037
Capital Adequacy (%)	23.4%*	23.4%	19.6%	20.5%	18.6%	20.0%
Net Leverage	5.2	4.7	5.9	5.2	4.6	3.9
GNPA (%)	0.85%	0.84%	0.85%	0.83%	0.79%	0.79%
NPA (%)	0.36%	0.35%	0.36%	0.36%	0.33%	0.33%
RoE (%)	26%*	26%	29%	27%	26%	22%
Dividend per Share (₹)	27	36	35	29	20	13
Market Capitalisation (₹ Cr)	31,930	28,395	19,837	9,540	8,494	6,451

\*As on 31<sup>st</sup> March 2016

### 2. Quality of Business done by IBHFL

- a) Loan assets have grown at a measured pace, resulting in a well-seasoned loan portfolio



- b) ₹ 15,946 Cr of loans sold down to third parties. Performance check of these loans on random pools done by CRISIL, ICRA & CARE

Rating Agency	Number of Pools	Sold Down Principal (₹ Cr)
CRISIL	73	14,288
ICRA	1	315
CARE	6	1,343
<b>Total</b>	<b>80</b>	<b>15,946</b>

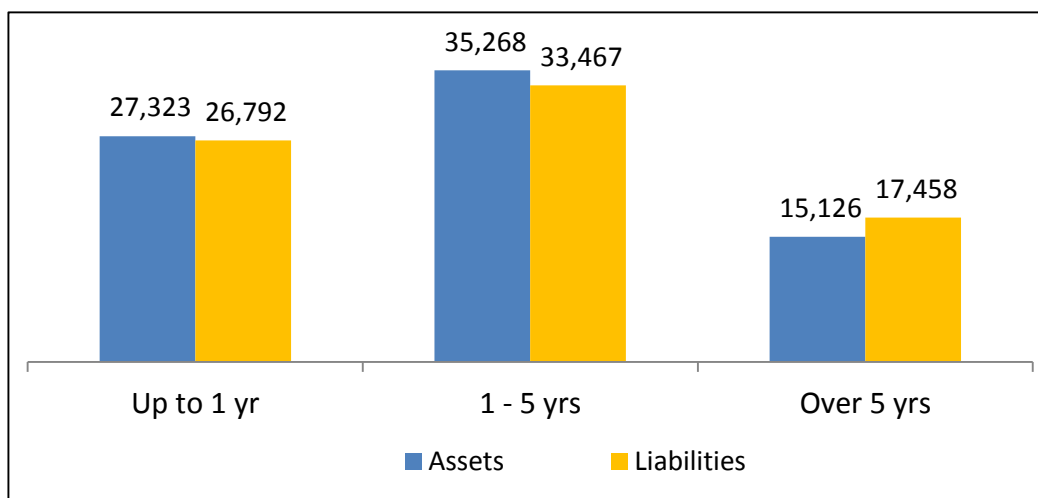
- c) Performance report of ₹ 15,946 Cr of sold down portfolio from rating agencies- CRISIL, ICRA and CARE

	<b>Initial Pool Details</b>				<b>of Initial POS</b>					
	No. of Pools	Disb. (₹ Cr)	Sold Down Principal (₹ Cr)	MoB	Pool Principal (₹ Cr)	Amortisation	90+ dpd %	180+ dpd %	CCR	MCR
HL Pools	46	8,183	7,548	40	4,451	46%	0.03%	0.00%	99.9%	100.5%
LAP Pools	34	9,279	8,397	35	4,261	54%	0.05%	0.01%	99.5%	100.2%
<b>Total</b>	<b>80</b>	<b>17,462</b>	<b>15,946</b>	<b>38</b>	<b>8,712</b>	<b>50%</b>	<b>0.04%</b>	<b>0.01%</b>	<b>99.6%</b>	<b>100.3%</b>

POS: Principal Outstanding  
 MoB: Months on Book  
 dpd: days past due  
 MCR: Monthly collection ratio  
 CCR: Cumulative collection ratio

### 3. Optimally matched balance sheet

**Maturity Profile**  
 (As of March 31, 2016)



## Business after Demonetisation

1. **RBI Monthly Bulletin released on January 10, 2017, shows Housing Credit has grown at 15.6% upto November 2016**

No. 15: Deployment of Gross Bank Credit by Major Sectors						
(₹ Billion)						
Item	Outstanding as on				Growth (%)	
	Mar. 18, 2016	2015	2016		Financial year so far	Y-o-Y
		Nov. 27	Oct. 28	Nov. 25	2016-17	2016
	1	2	3	4	5	6
1 Gross Bank Credit	66,500	63,468	67,055	65,994	-0.8	4
1.1 Food Credit	1,031	1,089	815	832	-38.7	-40.9
1.2 Non-food Credit	65,469	62,397	66,239	65,362	-0.2	4.8
1.2.1 Agriculture & Allied Activities	8,829	8,260	9,302	9,112	3.2	10.3
1.2.2 Industry	27,307	26,687	26,047	25,793	-5.5	-3.4
1.2.2.1 Micro & Small	3,715	3,722	3,543	3,435	-7.5	-7.7
1.2.2.2 Medium	1,148	1,148	1,087	1,033	-10.1	-10.1
1.2.2.3 Large	22,444	21,817	21,417	21,325	-5.0	-2.3
1.2.3 Services	15,411	14,403	15,849	15,426	0.1	7.1
1.2.3.1 Transport Operators	997	963	1,020	1,017	2	5.8
1.2.3.2 Computer Software	191	197	181	179	-6.2	-9.1
1.2.3.3 Tourism, Hotels & Restaurants	371	378	383	380	2.5	0.5
1.2.3.4 Shipping	104	105	105	107	2.9	1.9
1.2.3.5 Professional Services	1,046	945	1,218	1,177	12.5	24.5
1.2.3.6 Trade	3,811	3,605	3,925	3,728	-2.2	3.4
1.2.3.6.1 Wholesale Trade	1,886	1,641	1,741	1,682	-0.3	2.5
1.2.3.6.2 Retail Trade	2,125	1,964	2,184	2,047	-3.7	4.2
1.2.3.7 Commercial Real Estate	1,776	1,708	1,787	1,762	-0.8	3.2
1.2.3.8 Non-Banking Financial Companies (NBFCs)	3,527	3,124	3,345	3,165	-10.3	1.3
1.2.3.9 Other Services	3,587	3,377	3,885	3,910	9	15.8
1.2.4 Personal Loans	13,922	13,046	15,041	15,031	8	15.2
1.2.4.1 Consumer Durables	178	185	198	198	10.2	18.2
1.2.4.2 Housing	7,468	7,052	8,113	8,153	9.2	15.6
1.2.4.3 Advances against Fixed Deposits	687	615	613	595	-10.7	-3.3
1.2.4.4 Advances to Individuals against share & bonds	64	58	46	46	-28.0	-20.5
1.2.4.5 Credit Card Outstanding	377	378	463	463	23	23.1
1.2.4.6 Education	682	677	710	710	4	4.8
1.2.4.7 Vehicle Loans	1,529	1,379	1,680	1,673	9.4	21.4
1.2.4.8 Other Personal Loans	2,958	2,723	3,220	3,194	8	17.3
1.2A Priority Sector	22,259	21,183	22,985	22,421	0.7	5.8
1.2A.1 Agriculture & Allied Activities	8,828	8,260	9,286	9,079	2.9	9.9
1.2A.2 Micro & Small Enterprises	8,476	8,105	8,468	8,200	-3.2	1.2
1.2A.2.1 Manufacturing	3,715	3,722	3,374	3,435	-7.5	-7.7
1.2A.2.2 Services	4,761	4,383	4,875	4,765	0.1	8.7
1.2A.3 Housing	3,423	3,352	3,690	3,575	4.4	6.8
1.2A.4 Micro-Credit	188	192	230	180	-4.5	-6.3
1.2A.5 Education Loans	601	607	628	607	0.9	-0.1
1.2A.6 State-Sponsored Orgs. for SC/ST	5	5	38	6	22.4	22.9
1.2A.7 Weaker Sections	4,774	4,533	4,843	5,045	5.7	11.3
1.2A.8 Export Credit	424	314	734	454	7.1	44.5

Note: Data are provisional and relate to select banks which cover 95 per cent of total non-food credit extended by all scheduled commercial banks (excludes ING Vysya which has been merged with Kotak Mahindra since April 2015).

Export credit under priority sector relates to foreign banks only.

Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.

Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.

Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

**2. IBFHL availing full advantage of over 60% floating rate liabilities- unique amongst any HFC/ NBFC**

	Mar-16	Jun-16	Sep-16	Dec-16	Jan-17
SBI Base Rate	9.30%	9.30%	9.30%	9.30%	9.25%
IBHFL CoF on Stock	9.34%	9.25%	9.05%	8.80%	8.44%
SBI 1-yr MCLR	9.15%	9.15%	9.10%	8.90%	8.00%
IBHFL CoF Incremental	8.82%	8.90%	8.40%	8.06%	7.70%
AAA Bond Yield	8.37%	8.31%	7.70%	7.63%	7.45%
10-yr G-Sec Yield	7.46%	7.45%	6.96%	6.51%	6.48%

61 bps reduction in funding costs for IBHFL on stock since Sep 2016  
**v/s**  
 5 bps transmission by banks on stock of loans

70 bps reduction in incremental funding costs for IBHFL since Sep 2016  
**v/s**  
 45 bps reduction in Home Loan rates

112 bps reduction in incremental funding costs for IBHFL since Mar 2016 largely in line with fall in AAA bond yields

Drop in funding costs ahead of financial system gives IBHFL considerable leverage to cater to the prime mass-market affordable housing segment

**3. Increasing spread for IBHFL**

