



# Indiabulls Housing Finance Limited

Unaudited Financial Results – Q1 FY 2017-18  
July 24, 2017

# Safe Harbour Statement

*This document contains certain forward-looking statements based on current expectations of Indiabulls Housing Finance Ltd.'s (CIN: L65922DL2005PLC136029) management. Actual results may vary significantly from the forward-looking statements in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, and outside India; volatility in interest rates and in the securities markets; new regulations and government policies that might impact the business of Indiabulls Housing Finance Ltd.; the general state of the Indian economy; and the management's ability to implement the company's strategy. Indiabulls Housing Finance Ltd. doesn't undertake any obligation to update these forward-looking statements.*

*This document does not constitute an offer or recommendation to buy or sell any securities of Indiabulls Housing Finance Ltd. or any of its subsidiaries or associate companies. This document also doesn't constitute an offer or recommendation to buy or sell any financial products offered by Indiabulls Housing Finance Ltd.*

## **Investor Contact**

Ramnath Shenoy

[indiabulls.update@indiabulls.com](mailto:indiabulls.update@indiabulls.com)

+91 22 6189 1444

## **Media Contact**

Rahat Ahmed

[mediaquery@indiabulls.com](mailto:mediaquery@indiabulls.com)

+91 22 6189 1155

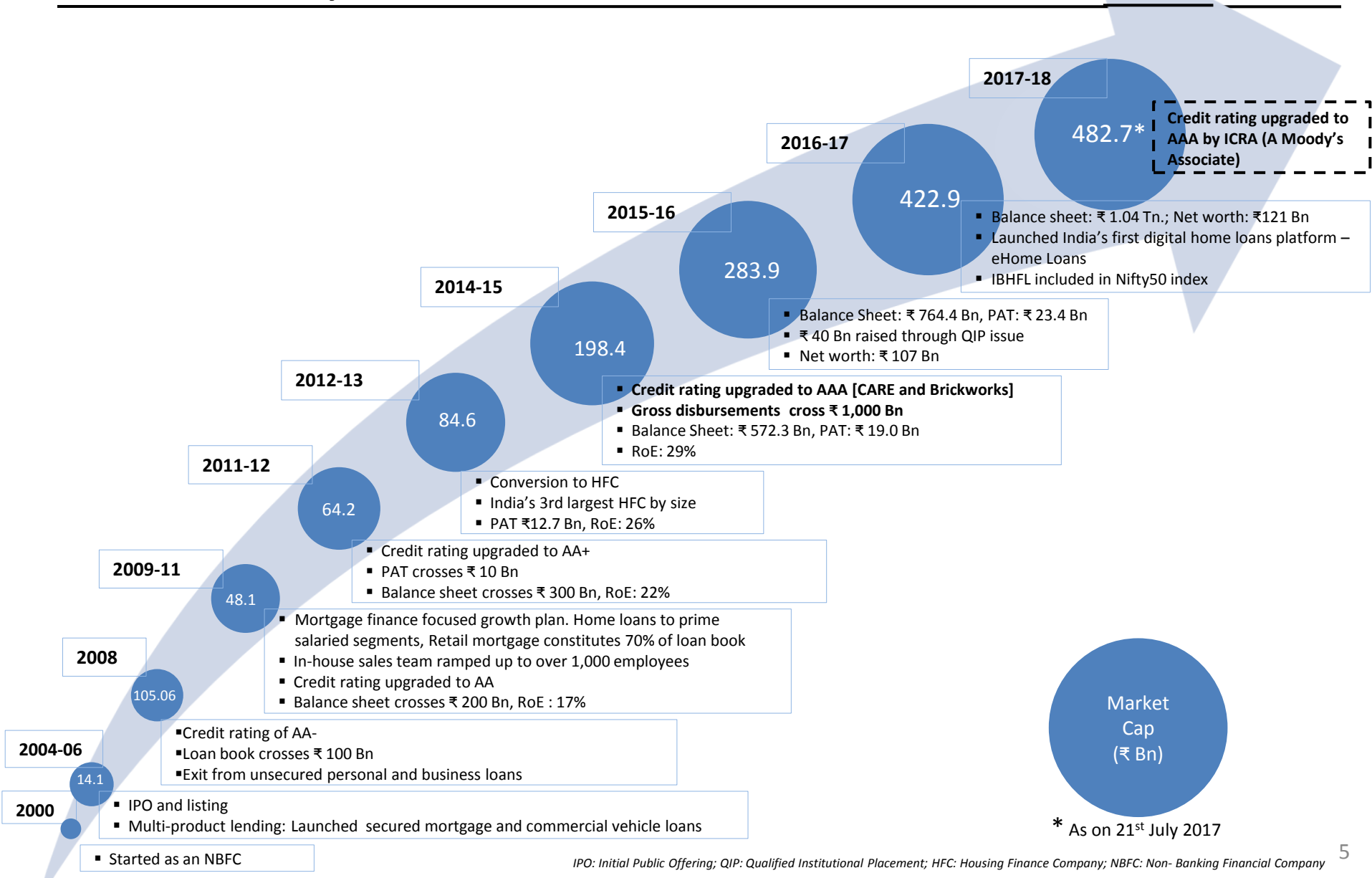
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# Business Update

# Our Journey



# Business Update

## Key Financial Highlights: Q1 FY 17-18

	Q1 FY 17-18	Q1 FY 16-17	Y-o-Y Growth (%)
Balance Sheet (₹ Bn)	1,066.12	820.69	29.9%
Loan Assets (₹ Bn)	944.51	710.26	33.0%
Total Revenues (₹ Bn)	32.25	25.97	24.2%
NII (₹ Bn)	13.24	10.53	25.7%
PAT (₹ Bn)	7.88	6.30	25.1%

- Long term credit rating upgraded to the highest rating of AAA by ICRA, a Moody's Investors Service Company
- An interim dividend of ₹ 9 per share of face value ₹ 2/-, amounting to 450%, has been declared in the board meeting held on July 24, 2017

# Indian Home Loans Market

# Favourable Macros for Mid-Income Affordable Housing

## Strong structural drivers and government focus: “Housing for All by 2022”

- Mid-income mass housing covered under Pradhan Mantri Awas Yojana (PMAY) scheme
- Homebuyers can withdraw from accumulated Employees’ Provident Fund (EPF) corpus for both down payment as well as to pay their home loan EMIs
- Budget 2017 has meaningfully enhanced the scope of ‘Affordable Housing’ and ‘PMAY’ for buyers, lenders and developers to include mass-market mid-income affordable housing
- Land owned by private developers to be roped in under the PMAY scheme to boost development of affordable homes under the proposed public-private partnership (PPP) model<sup>1</sup>

## With PMAY for mid-income affordable housing, effective interest rate at 0.30% for home loan of ₹ 2.4 Mn

- Effective home loan rates in the mid-income affordable housing segment is at near-zero levels. With rental yields at 3.2%, home ownership is very affordable and *significantly* cheaper than renting a house

## According to NHB data, disbursements of sub ₹ 2.5 Mn home loans grew by 33% in FY17 driving growth in overall home loan disbursements by 23%. Disbursements of sub ₹ 2.5 Mn home loans now form 76% of all home loan disbursements



# Favourable Macros for Mid-Income Affordable Housing

## RBI, SEBI and IRDA – Regulatory agencies working in coordination towards “Housing for All by 2022”

- SEBI has increased cap on additional exposure to AA (and above) rated HFCs from 25% to 40% in February 2017, **the only sector enjoying limit above 25% sectoral cap applicable for all other sectors**
- Affordable housing has been granted infrastructure status in the 2017 budget - **ECBs up to \$ 750 Mn per annum** can be raised under automatic route
- RBI has reduced risk weights on bank lending to AAA rated HFCs to 20% from 100%, **enabling banks to lower cost of funding to HFCs**
- IRDA has exempted investments in AAA rated HFCs from sectoral caps thereby **enabling insurance companies to freely invest in HFC debt instruments**

# Unlocking of EPF Corpus for Purchasing a House and Servicing Home Loan EMIs



- Employee Provident Fund Organisation (EPFO) members can withdraw up to 90% of their accumulated corpus for purchase or construction of a house
- The balance, unutilised EPF corpus can be further withdrawn to service home loan EMIs
- For the home buyer this means:
  - The 20% upfront amount for purchase of house can be paid from withdrawal of accumulated EPF corpus
  - Home loan amount eligibility increases as the EPF amount is now available for paying loan EMIs
- The total EPF corpus is ₹ 8.5 lakh Cr. (₹ 8.5 trillion) with a subscriber base of 50 million
- **Of the above, over 7.5 million\* subscribers are from the 'exempt' category where annual salaries are in excess of ₹ 250,000, and have been members for over 3 years, representing prime, mass-market house buyers eligible under this scheme**

\* EPFO Annual Report 2014-15

EPF: Employees' Provident Fund

Accumulated Corpus = employer's contribution + employee's contribution + accumulated interest

# PMAY and Tax Incentives for Mid-Income Affordable Housing

## **Tremendous boost from expansion of coverage to mid-income affordable housing under Pradhan Mantri Awas Yojana (PMAY)**

- People earning up to ₹ 150,000 per month now covered under the scheme for purchase of a house of carpet area up to 1,185 Sq. Ft.
- There is no cap on the value of the house being purchased
- Up to a home loan amount of ₹ 2,285,000 (property value of ₹ 3,265,000) the effective interest rate on the loan will be less than 0% - over the loan tenure, the borrower repays less than the loan amount
- Up to a home loan of ₹ 3,600,000 (property value of ₹ 5,140,000) the effective interest rate on the loan will be less than the rental yield, which averages 3.2% for the top-12 Indian cities
- Effective home loan rate for ₹ 2.4 Mn home loan, IBHFL's average ticket size, is 0.30%
- PMAY subsidies are promptly processed through the NHB and payments are received in 30 days
- PMAY projects to be out of purview of GST

# PMAY and Tax Incentives for Mid-Income Affordable Housing

## Illustration for Indiabulls Housing's average Home Loan

- House value : ₹ 3,500,000
- Home loan amount : ₹ 2,400,000 (Loan to value of 70%)
- PMAY subsidy : ₹ 230,156
- Net loan amount : ₹ 2,169,844

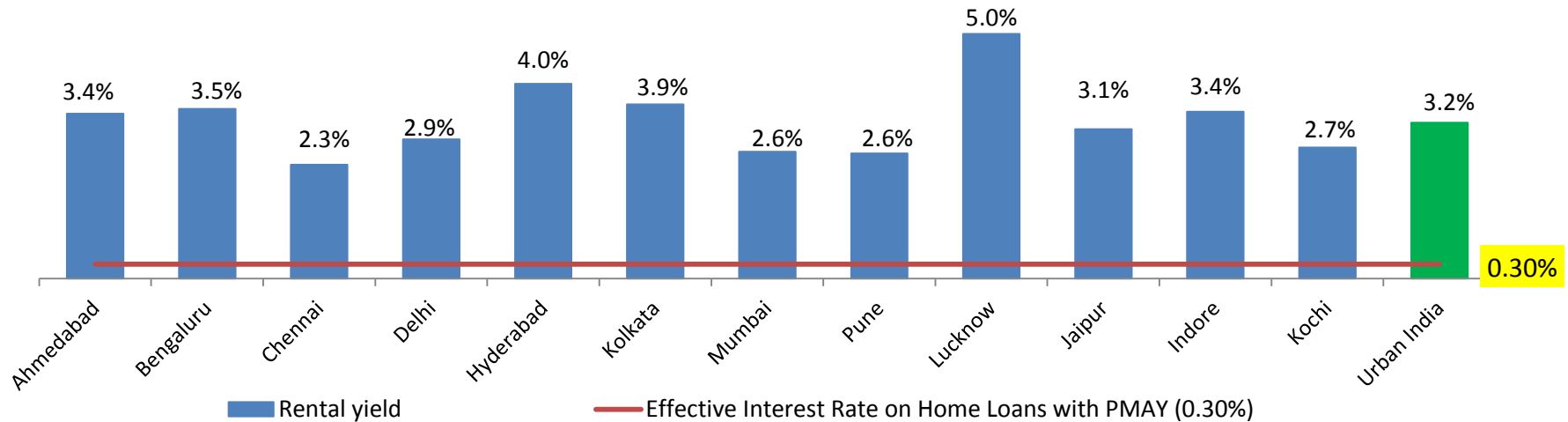
Years	Opening Loan Principal	Interest Payment (@ 8.35%)	Principal Repayment (pre-payment at least up till ₹ 150,000 p.a. to maximise tax benefit)	Tax Saved*	Net Amount Paid (Net of Tax Savings)
1	2,169,844	179,524	150,000	101,823	227,701
2	2,019,844	166,509	150,000	97,801	218,708
3	1,869,844	153,493	150,000	93,779	209,714
4	1,719,844	140,477	150,000	89,758	200,720
5	1,569,844	127,462	150,000	85,736	191,726
6	1,419,844	114,446	150,000	81,714	182,732
7	1,269,844	101,431	150,000	77,692	173,738
8	1,119,844	88,415	150,000	73,670	164,745
9	969,844	75,399	150,000	69,648	155,751
10	819,844	62,384	161,115	65,627	157,873
11	658,729	48,403	175,096	61,307	162,192
12	483,633	33,210	190,289	56,612	166,887
13	293,344	16,699	206,800	51,510	171,989
14	86,544	1,748	86,544	27,282	61,010
<b>Total</b>		<b>1,309,600</b>	<b>2,169,844</b>	<b>1,033,959</b>	<b>2,445,486</b>

Effective Interest Rate on Home Loan	0.30% p.a.
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\* Tax saved = 30.90% of [interest paid up to ₹ 250,000 + principal paid up to ₹ 150,000]

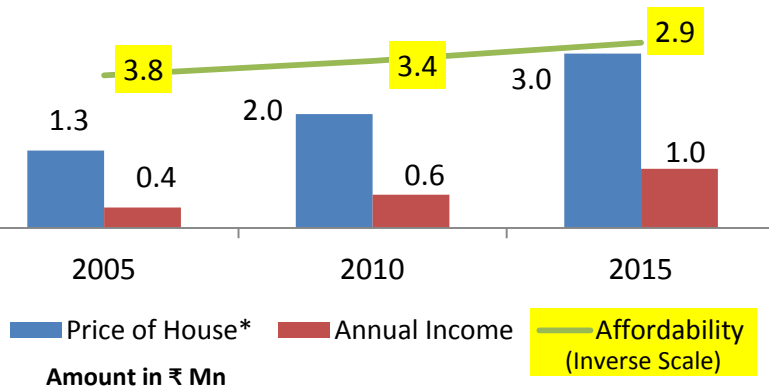
# EMI Smaller than Rent Cheque: PMAY and Tax Incentive for Mid-Income Affordable Housing

### Rental Yield v/s Home Loan Cost



Source: NHB; Industry reports

### Increasing Affordability



- The effective home loan rate is only 0.30% against rental yield of 3.2% in the top-12 Indian cities
- Home ownership is very lucrative and much cheaper than renting property

Affordability is defined as “Price of House” divided by the “Annual Income”

\* Source: NHB; Industry reports

# Growth Momentum in Mid-Income Affordable Housing

- RBI's All-India House Price Index (HPI): House prices hold steady and rise by 3.1% through demonetization phase of H2 FY17, belying much touted expectations<sup>1</sup>  
<https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics>
- Land owned by private developers to be roped in under the PMAY scheme to boost development of affordable homes under the proposed public-private partnership (PPP) model<sup>2</sup>
- ICRA estimates affordable housing market at ₹ 6.25 trillion by 2022
- Established players such as Shappoorji Pallonji [Joyville] and Tata [Value Homes] have rebranded themselves to cater to affordable housing segment

Quarter	ALL INDIA
Q2.2016-17	234.9
Q3.2016-17	240.2
Q4.2016-17	242.1

RBI, April 3, 2017

## PMAY: Govt frames model PPP policy to boost private participation in affordable housing

The government would give PMAY benefits to private players even if the project is planned on private land

ET Realty, June 15, 2017

## Affordable Housing: Behind India's Plan Of Housing For All By 2022

The government has backed its Housing for All by 2022 promise with a slew of reforms for buyers and developers alike.

NDTV Profit – Real Estate, May 23, 2017

# Growth Momentum in Mid-Income Affordable Housing



- Primary residential sales across the country's top 8 cities increased 21% sequentially in Jan-Mar over the previous Oct-Dec quarter<sup>1</sup>
  - Kolkata : 47%, Hyderabad : 43%, Ahmedabad : 30%, Delhi -NCR region : 24.5%, Mumbai : 23.6%
  - Y-o-Y growth was still low at 5%, dragged down by weak markets in Chennai (-35%) and Bengaluru (-44%)
- Post demonetization, new home loan applications started growing from January with a 102% growth between December and March
- New launches indicate developers are catering more to the affordable housing bracket
  - 85% of the new residential launches in Gurgaon is in the sub ₹ 25 lakh market<sup>2</sup>
  - 43% of new launches in ₹ 25 lakh to ₹ 50 lakh cost bracket and 71% of new launches in ₹ 25 lakh to ₹ 1 crore cost bracket
- Unsold stock has declined by 0.3%, attributed to healthy sales during the quarter

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**Home sales surge on cheaper loans, Modi government's affordable housing push**

ET Realty, May 12, 2017

**India's top eight cities saw 21% surge in home sales in last quarter**

Business Insider, May 12, 2017

# Commercial Office Space Absorption

- Office space leasing at ₹ 50 to ₹ 70 per sq. ft. per month (~ 1 USD) is a lead indicator of housing demand. As a rule of thumb, 100 sq.ft. of office space requires almost 1,000 sq.ft. of residential space
- Commercial office space absorption was at an all time high of 43 million sq.ft. in CY2016. Further to this in CY 2017<sup>1</sup> :
  - 10 million sq. ft. of office space was absorbed during April to June
  - Demand is secular across key-micro markets of the country
  - Sectorally broad-based demand led by IT, ITES, BFSI, engineering and manufacturing
- Office space vacancy was at 8-year low at the end of FY 2016-17. Construction cycle has now resumed and office space supply more than doubled at 8.2 million sq.ft. during Q1 FY 2018<sup>1</sup>
- Leasing activity is highest in suburban and peripheral localities, which coincide with supply of mid-income affordable housing

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## Office space leasing up 28% at 10 mn sq ft in Apr-Jun: CBRE

Office space leasing rose 28 per cent in eight top cities to touch 10 million sq ft during April-June over the previous quarter as corporates continued to expand their operations

The Hindu BusinessLine, July 9, 2017

1 – CBRE report: India Office MarketView Q2 2017

## Office leasing continues to remain strong: Report

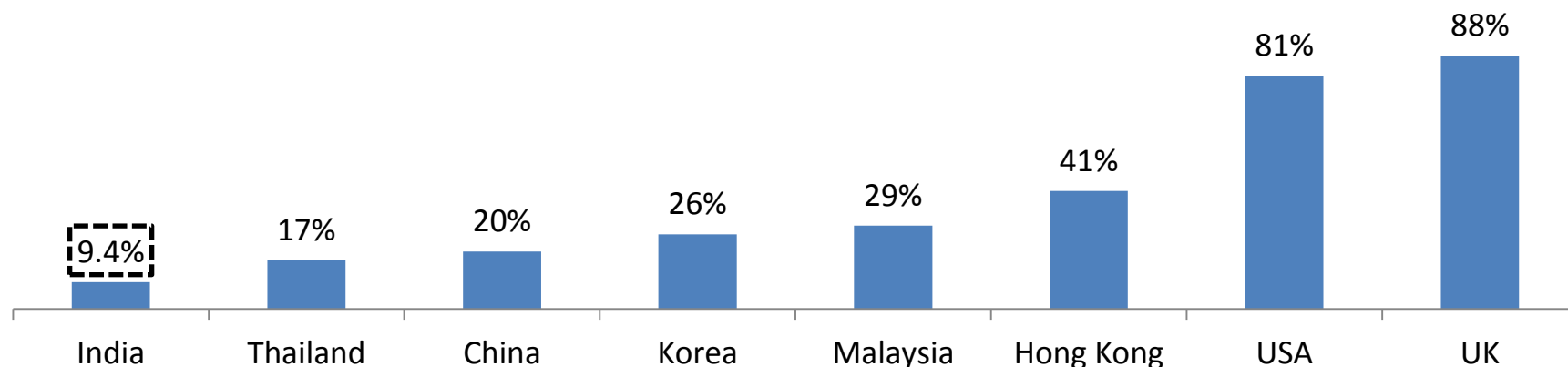
Infrastructure development across major cities, growing prominence of smaller cities for corporates and overall positive sentiment are providing a further boost to the office market which has witnessed positive momentum over the past two years

The Hindu BusinessLine, July 10, 2017



# Housing Potential: Driven by Favourable Demographics

- Urban housing requirement: estimated at 45 million units by 2022<sup>1</sup>
- Demand continues to increase due to rapid urbanization, which is expected to rise to 40% by 2030<sup>2</sup>, and growing trend of nuclear families



Source: ICRA HFC Report, March 2017

- Low mortgage penetration compared to advanced and emerging economies implies huge opportunity for growth
- Indian mortgage industry at an inflection point and is expected to grow five-fold in the next 10 years

# Strong Structural Drivers and Government Focus



## Measures in the last 18 months: Boost to the Housing Sector

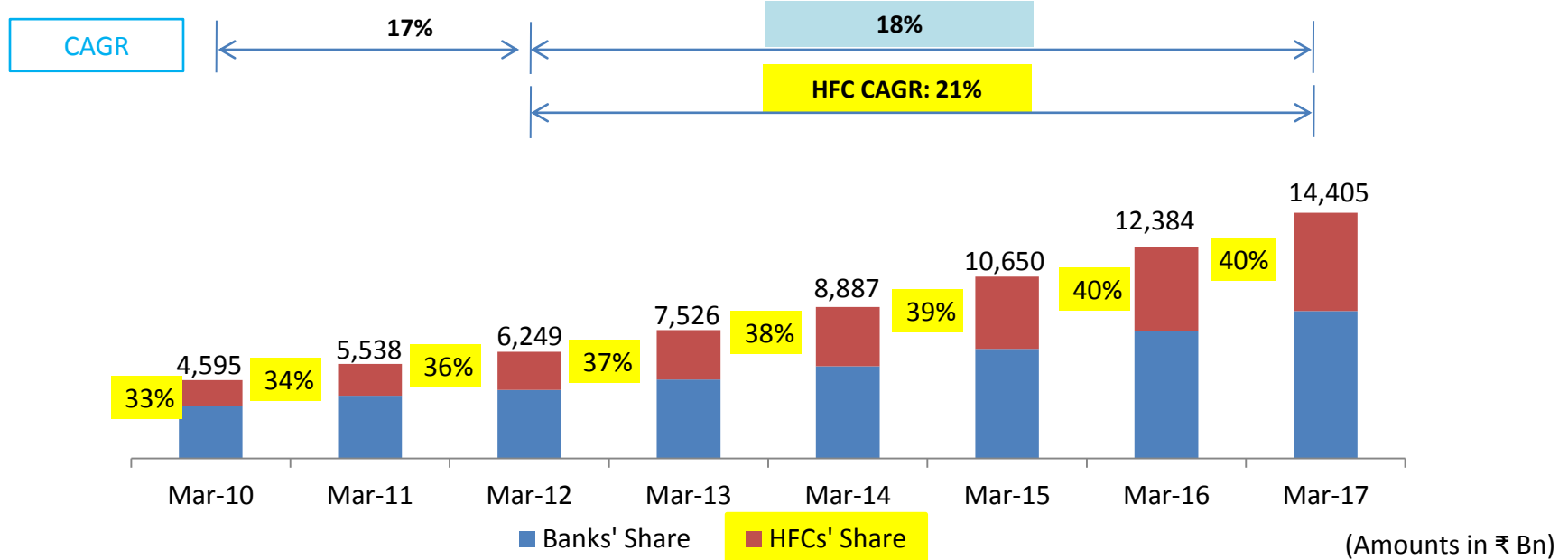
Pradhan Mantri Awas Yojana (PMAY)	Subsidy eligibility under Pradhan Mantri Awas Yojana (PMAY) enhanced to cover up to ₹ 12 lakh of home loan – reduces effective home loan rates to 0.30% for mid-income affordable housing
EPF Corpus Withdrawal	Homebuyers can withdraw from their accumulated EPF corpus for both the down payment on their house as well as paying their home loan EMIs
Regulator	Real Estate (Regulatory & Development) Act, 2016 comes into force from May 1, 2017 enabling a structured, transparent and disciplined sector
Tax Incentives	Increased tax incentive reduces effective home loan yields to 0.30% for a 8.35% home loan
Budget 2016-17	100% tax exemption on profits from construction of affordable housing has been increased by a further period of 2 years. This will attract organized developers and increase supply
Fiscal Incentives	PMAY projects to be out of purview of GST. Service tax exemption on construction of affordable housing projects will lead to reduction in prices, increasing affordability
7 <sup>th</sup> Pay Commission	Annual payout to 10 Mn government employees has gone to go up by ₹ 1 Tn per annum. Increased disposable income will have positive impact on the housing sector

## Key Structural Drivers of Housing Growth

Favorable Demographics	66% of India's population is below 35 years of age. Urban housing requirement estimated to grow to 45 million units by 2022
Accelerating Urbanization	Urbanisation to rise to 40% of population by 2030 from the present 31%
Improving Affordability	Rising disposable income, affordable housing loan interest rates and tepid property price inflation resulting in rapidly increasing affordability
Government Policy Thrust	Housing for All by 2022; Smart cities plan; Atal Mission for Rejuvenation and Urban Transformation; Pradhan Mantri Awas Yojana (PMAY)
Funding Drivers	RBI, SEBI and IRDA – regulatory focus on increasing funding avenues to HFCs; Distribution tax on securitization abolished

# Mortgage Market Growth

Growing HFC Market Share in a Steadily Expanding Home Loans Market



Rating agency ICRA in their report for June 2017 mentions that HFCs continue to outpace banks in housing credit:

- HFCs operating in the affordable housing space grew at 28% in FY17 compared to the industry
- Growth is aided by increased affordable housing supply and improved affordability supported by lower interest rates and PMAY subsidy
- HFCs unimpacted by demonetization outpaced banks to capture incremental home loans' market share
- Large HFCs have lower operating cost ratios and can better protect their profits than smaller HFCs

## No Regulatory Arbitrage: Regulatory Regime for HFCs at par with Banks

Parameters		HFCs	Banks
NPA Recognition		90 dpd	90 dpd
CRAR		12%	9%
- Tier 1		6%	6%
Standard Asset Provisions	Housing Loans	0.4%	0.4%
	Others	1%	0.25-1%
SARFAESI Coverage		Yes	Yes

- HFCs are regulated by National Housing Bank (NHB), a wholly owned subsidiary of the Reserve Bank of India (RBI)
- New regulatory guidelines are uniformly applied to both banks and HFCs

# Financial and Operational Highlights

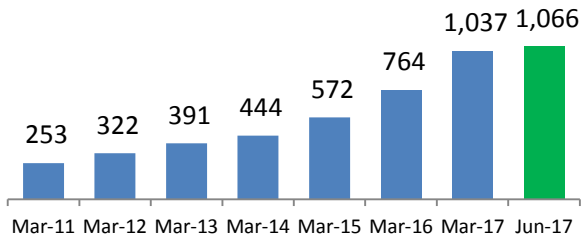
# Business Summary

• Balance Sheet	:	₹ 1.07 Trillion
• Loans Outstanding	:	₹ 944.51 Bn
(June 30, 2017)	:	(US\$ 14.53 Bn)
• Loan Assets CAGR (5 years)	:	27%
• Cumulative Loans to Retail Customers	:	936,797
• Cumulative Loans Disbursed till date	:	₹ 1.74 Tn
		(US\$ 26.74 Bn)
• Cost to Income Ratio (Q1 FY 2018)	:	12.9%
• Profit After Tax CAGR (5 years)	:	24%

# Consistent Track Record

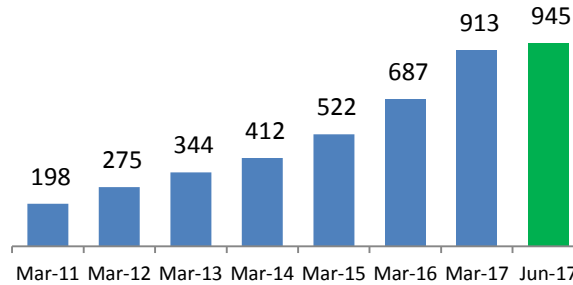
## Balance Sheet

CAGR: 27%



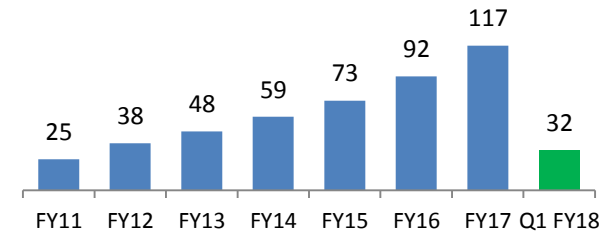
## Loan Assets

CAGR: 29%



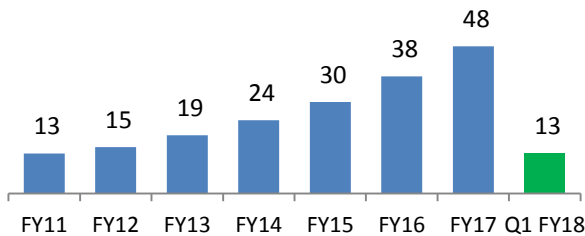
## Revenue

CAGR: 29%



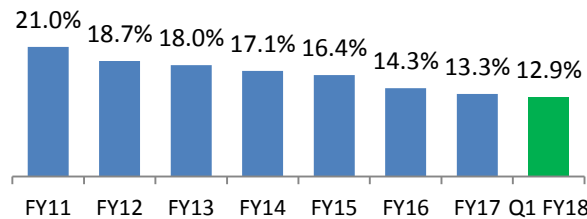
## NII

CAGR: 24%



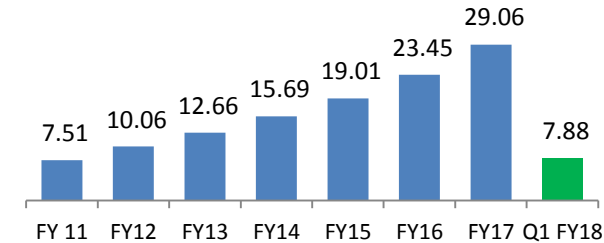
## Cost-to-Income Ratio

128 bps of average annual decline

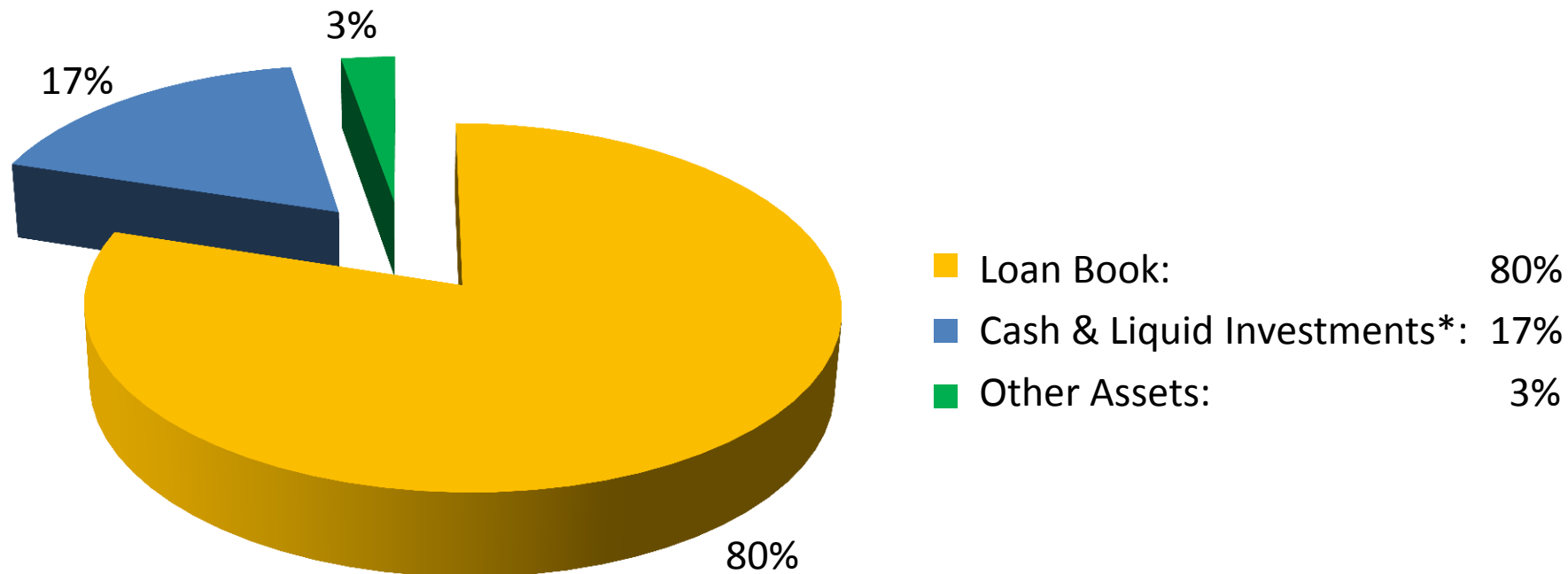


## PAT

CAGR: 25%



# Balance Sheet Assets



Total Assets	
As at June 30, 2017	₹ 1.07 Tn (US\$ 16.40 Bn)
As at June 30, 2016	₹ 820.7 Bn (US\$ 12.63 Bn)

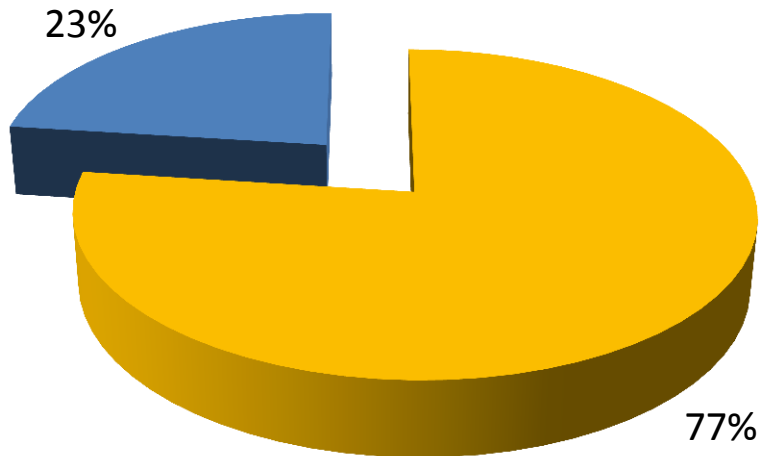
\*Cash, Cash Equivalents and Investments in Liquid Debt Instruments

US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 65

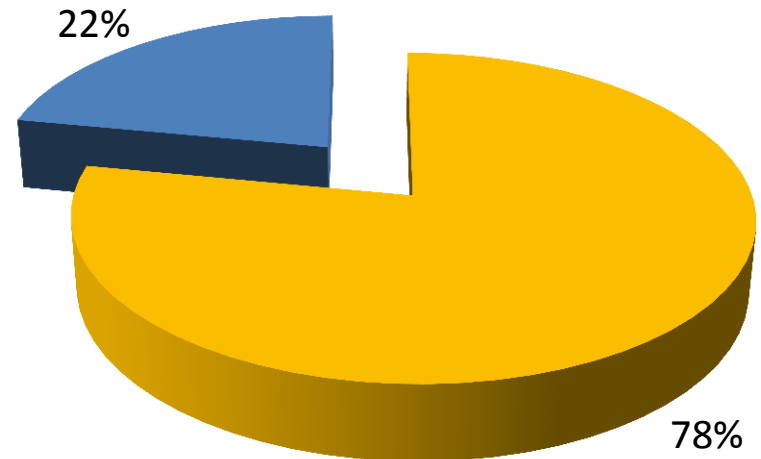


# Asset Composition

Q1FY 16-17



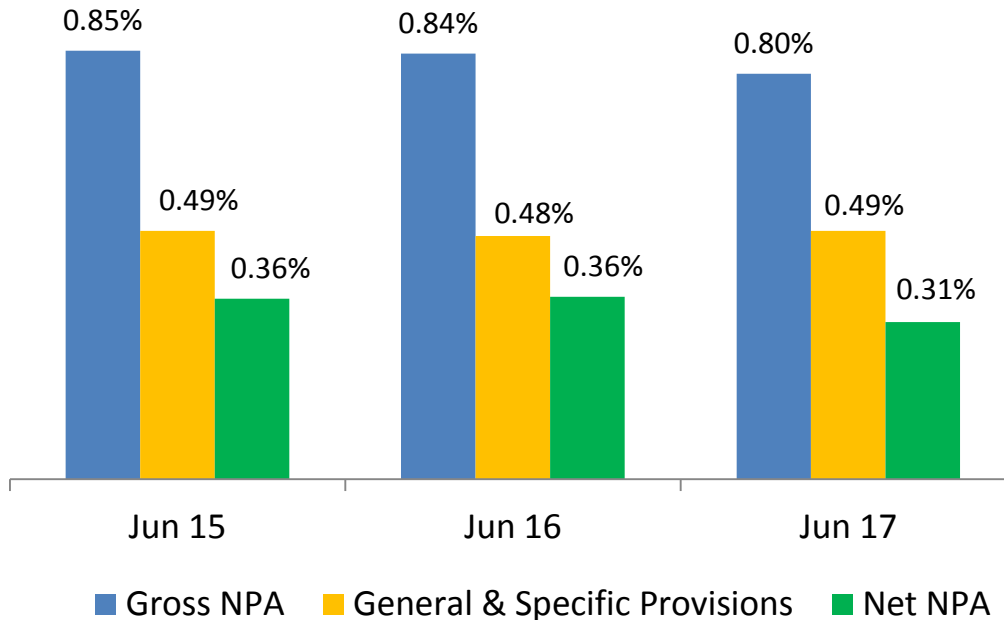
Q1FY 17-18



■ Mortgage Loans ■ Corporate Mortgage Loans

- Home loans, which form the majority of incremental disbursements, are disbursed at an average ticket size of ₹ 2.4 Mn; average LTV of 73% (at origination)

# Asset Quality



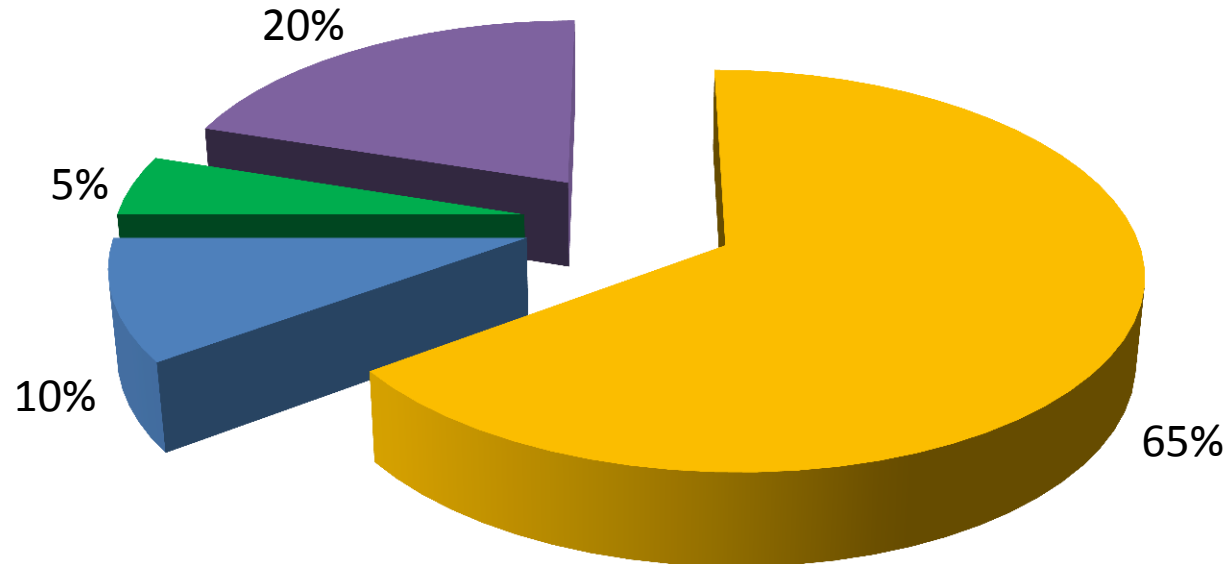
*(as % of Total Loan Assets)*

<b>As at June 30, 2017</b>	
[excluding counter-cyclical provisioning]	
<i>(in ₹ Bn)</i>	
NPA (90+ dpd*):	7.57
Provisions for Contingencies:	10.98
<i>Of which</i>	
<i>NPAs:</i>	4.64
<i>Other provisioning:</i>	6.34
Regulatory Provisioning:	7.39
Excess Provisioning over Regulatory Provisioning:	3.59

**Provisioning Cover : 145% of GNPA**

- Significant reduction in Gross and Net NPA driven by an increasing share of low-risk home loans
- Standard Asset Provision and Counter-cyclical Provisions are over and above General and Specific Provision pool and are not netted off against Gross NPAs in calculation of Net NPAs
- ₹ 4.75 Bn of counter-cyclical provisioning stock
- Standard asset provisioning rates are 0.4% for housing loans and 1.0% for non-housing loans

# Retail Mortgage Loans' Sourcing



■ Direct Sales Team ■ External Channels ■ Branch Walk-ins ■ eHome Loans

- 22% of home loans' sourcing is now through eHome Loans. Including LAP, 20% of all retail mortgage loans' sourcing is now through eHome Loans
- 90% of incremental sourcing is done in-house between on-rolls employees and eHome Loans

# Home Loan Profile:

## Focus on Mid-Income Affordable Housing



Average Loan Size	₹ 2.4 Mn
Maximum Loan to Value	80%
Average Loan to Value	73% (at origination)
Average Loan Term	15 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- PMAY extended to Middle Income Group (MIG) - defined as households with annual income up to ₹ 1.8 Mn - for purchase of a house of carpet area of up to 1,185 Sq. Ft.
- Effective home loan rate for ₹ 2.4 Mn home loan, IBHFL's average ticket size, is 0.30%

# Smart City Home Loan: Cost-effective Geographical Expansion into Profitable Home Loan Segments

Minimum Loan Size	₹ 1.0 Mn
Average Loan Size	₹ 1.5 Mn
Maximum Loan Size	₹ 4.0 Mn
Maximum Loan to Value	80% (at origination)
Maximum Loan Term	20 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- 47 Smart City Home Loan branches in new towns and cities now contribute 8% to incremental home loans' disbursements
- Smart City Home Loans rides on eHome Loans infrastructure with lean spoke branches logging in digital/ scanned loan applications underwritten at centralised regional credit hubs
- Smart City Home Loans is driving expansion into geographies with lesser competitive intensity contributing better margins at low cost-to-income without diluting credit standards

# Conservative Loan Against Property Profile

Average Loan Size	₹ 7.3 Mn
Maximum Loan to Value	65%
Average Loan to Value	49% (at origination)
Average Loan Term	7 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing
Basis of Credit Appraisal	Business cash flow analysis based

# LAP Grading

A Pioneering Initiative for Improved Risk Management and Greater Transparency

# Loan Against Property Grading from CRISIL and ICRA

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- LAP grading engagement with CRISIL (a Standard and Poor's Company) and ICRA (a Moody's Investors Service Company)
  - CRISIL grades LAP loans on aspects such as past payment track record; nature of business and financial performance; nature of property; and loan attributes like ticket size, lending scheme, loan tenure, etc.
  - ICRA grades LAP loans on aspects such as financial strength; business and management; collateral strength, quality and enforceability; and attributes of the loan itself
  - Engagement with CRISIL and ICRA was initiated more than two years ago in H1FY16
- Concurrent grading by multiple rating agencies
  - Offers IBHFL a broader and deeper perspective and a means to further improve loan portfolio
  - Rating agencies are important stakeholders: exercise will increase comfort and transparency on the asset class
- Grading exercise is being built into a comprehensive risk model
  - Portfolio performance and delinquency is being tracked against loan grades
  - Proactive customer management: retention, upsell/ cross-sell, delinquency management
  - Learning is being fed back to improve loan underwriting and continuously upgrade lending policy



# CRISIL LAP Grading Methodology

Detailed assessment of key factors determining quality of LAP loans

Financial Strength	Business Management
<ul style="list-style-type: none"><li>• Interest and debt service cover</li><li>• Revenues, margin and profitability</li><li>• Networth and leverage</li><li>• Growth track of key financial parameters</li></ul>	<ul style="list-style-type: none"><li>• Business sector and sectoral prospects</li><li>• Business duration and track record</li><li>• Debt service track record</li><li>• Experience and qualification of promoters and proprietors</li><li>• Management strength and experience</li></ul>
Collateral Quality	Underwriting Process Adherence
<ul style="list-style-type: none"><li>• Property type and location</li><li>• Valuation of property</li><li>• Ownership and title chain of property</li><li>• Adherence to local zoning and planning permissions</li></ul>	<ul style="list-style-type: none"><li>• Independent verification and valuation</li><li>• Third party database checks<ul style="list-style-type: none"><li>– CERSAI</li><li>– Registrar of companies</li><li>– Credit bureau checks</li><li>– CIBIL mortgage checks</li><li>– RBI willful defaulter list</li><li>– Experian Hunter fraud check</li></ul></li></ul>

# 9<sup>th</sup> Report updated as of Jul 21, 2017

## CRISIL LAP Grading

Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans <sup>#</sup>	Disbursals Apr 15 – June 17	Interest Service Coverage Ratio (ISCR)	Total Outstanding Liabilities/ Total Networth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	9.79%	10.9 – 14.1	1.4 – 1.5	49%	14% – 17%
LAP2	High	81.55%	9.3 – 12.0	2.1 – 2.2	50%	12% – 15%
LAP3	Average	8.17%	9.6 – 12.8	2.9 – 3.1	54%	10% – 12%
LAP4	Below Average	0.23%	11.2– 13.4	1.7 – 1.8	47%	12% – 15%
LAP5	Poor	0.26%	9.9– 11.8	2.0 – 2.1	53%	13% - 16%

Over 99% of incremental LAP loans are within the top three grades

- For the last two years, incremental LAP loans are graded by CRISIL Ratings
- Grading is based on customized scale developed by CRISIL Ratings for IBHFL’s LAP loans to small business owners
- CRISIL grades the loans on aspects such as financial strength; business and management; collateral; and underwriting process

\* CRISIL LAP grading engagement began in Q1FY16 and up till the publication of this earnings update, CRISIL had graded 78% of the disbursals from Apr 15 to Jun 17  
<sup>#</sup> Adjudged by CRISIL in relation to other LAP loans extended to other borrowers

# ICRA LAP Grading Methodology

## (2<sup>nd</sup> rating agency to grade LAP loans)

- Two years ago H1FY16, IBHFL tied up with rating agency ICRA to grade its incremental LAP loans
- ICRA LAP Grading reflects ICRA's assessment of the credit quality of the loan on a ICRA developed customised scale

### Grading Assessment Parameters

Business and Business Owner	Collateral Quality and Enforceability	Loan Attributes
<ul style="list-style-type: none"> <li>• Fixed obligation to income ratio (FOIR)</li> <li>• Past payment track record</li> <li>• Credit bureau check</li> <li>• Nature of business and financial parameters</li> <li>• Due diligence checks                             <ul style="list-style-type: none"> <li>– Field credit investigation</li> <li>– Personal discussion</li> <li>– Reference checks</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Loan to value ratio (LTV)</li> <li>• Nature of property                             <ul style="list-style-type: none"> <li>– Residential</li> <li>– Commercial</li> </ul> </li> <li>• Usage of property                             <ul style="list-style-type: none"> <li>– Self occupied</li> <li>– Rented</li> <li>– Vacant</li> </ul> </li> <li>• Property location</li> <li>• Quality of construction</li> <li>• Adherence to sanction plans</li> </ul>	<ul style="list-style-type: none"> <li>• Ticket Size</li> <li>• Sourcing channel</li> <li>• Lending scheme</li> <li>• Loan tenure</li> </ul>

# 7<sup>th</sup> Report updated as of Jul 19, 2017

## ICRA LAP Grading

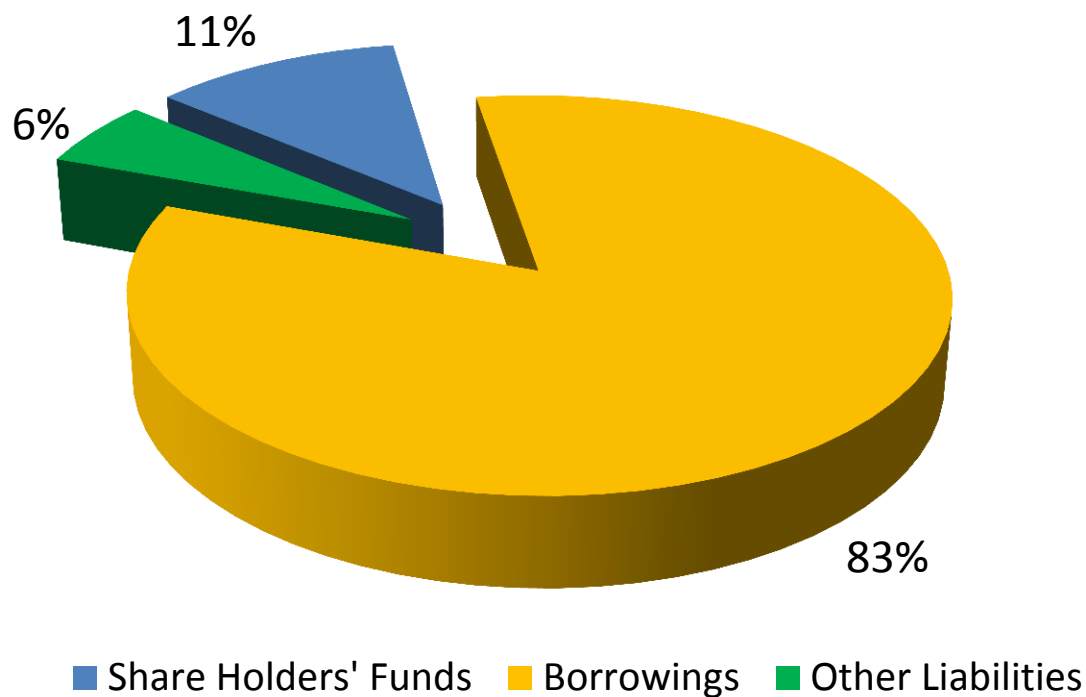
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution	Median LTV	Median FOIR
LAP1	Excellent	14.0%	26%	22%
LAP2	Good	66.7%	52%	47%
LAP3	Average	19.1%	65%	60%
LAP4	Below Average	0.2%	62%	63%
LAP5	Inadequate	-	-	-

Over 99% of incremental LAP loans are within the top three grades

- For the last two years, incremental LAP loans are graded by ICRA
- Grading is based on customized scale developed by ICRA for IBHFL's LAP loans to small business owners
- ICRA grades the loans on aspects such as business and business owner quality; collateral quality enforceability; and loan strengths

# Liabilities Profile

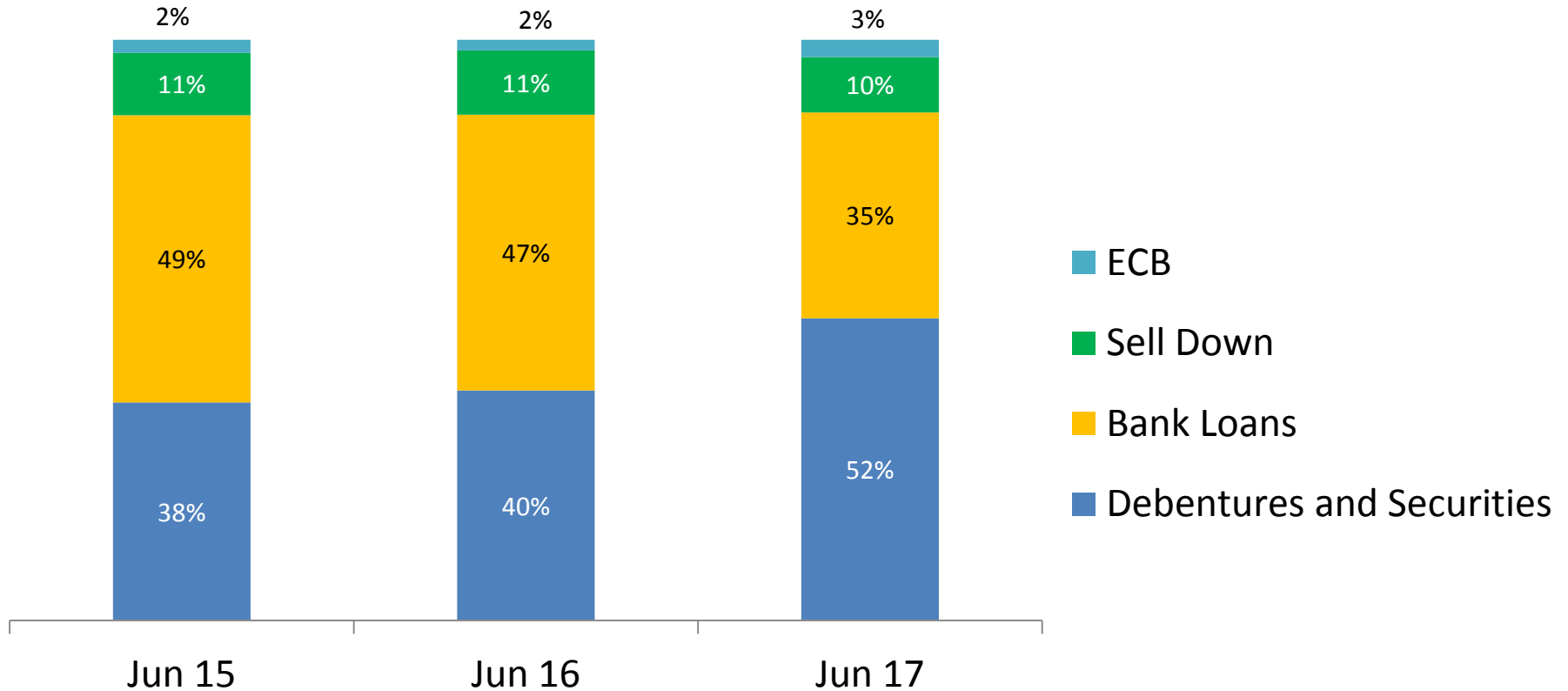
# Liabilities



<b>Total Liabilities</b>	
As at June 30, 2017	₹ 1.07 Tn (US\$ 16.40 Bn)
As at June 30, 2016	₹ 820.7 Bn (US\$ 12.63 Bn)

US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 65

# Funding Mix



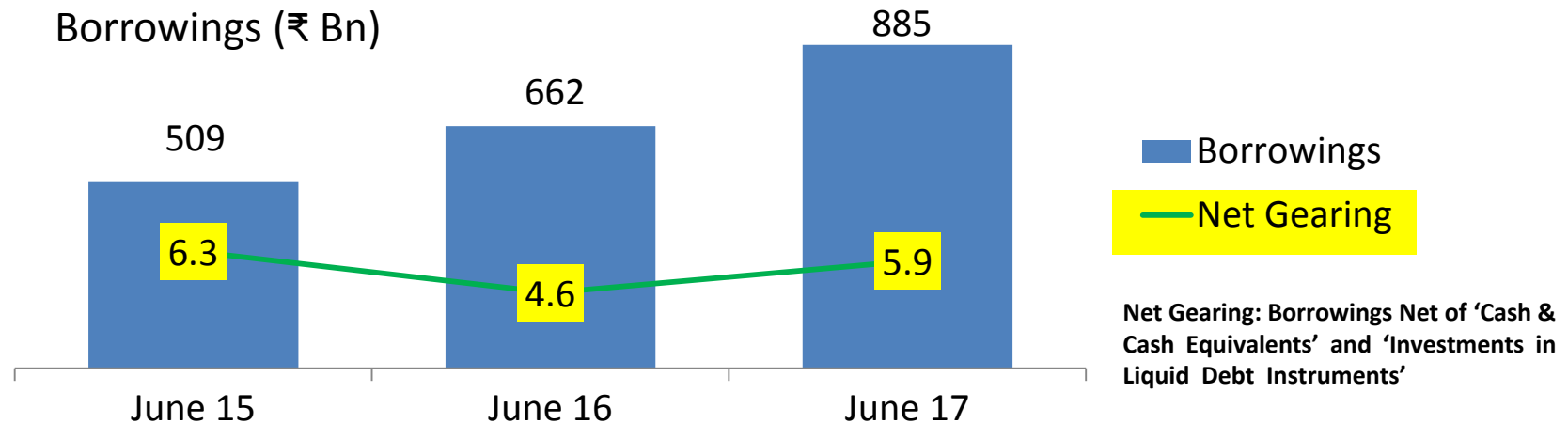
<b>Total Borrowings</b>	
As at June 30, 2017	₹ 884.7 Bn (US\$ 13.61 Bn)
As at June 30, 2016	₹ 662.3 Bn (US\$ 10.19 Bn)

US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 65

ECB: External Commercial Borrowing

# Strengthening Liability Profile

Borrowings (₹ Bn)

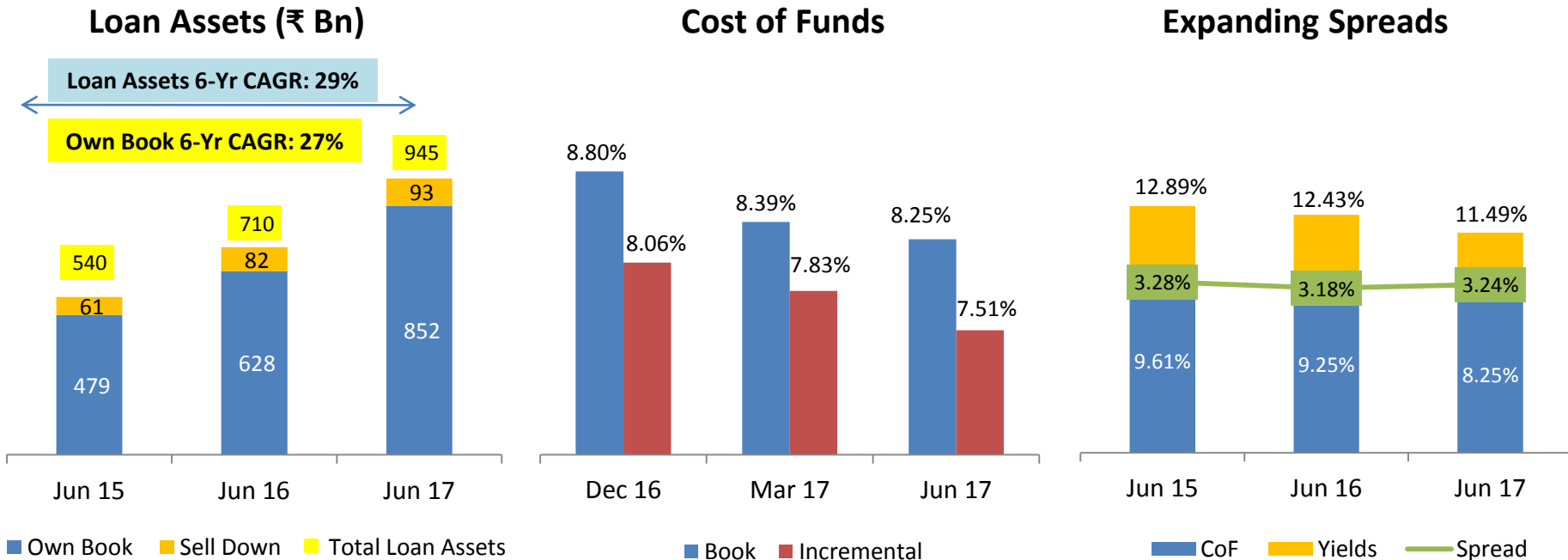


Total Funding (₹ Bn)	Total Funding (₹ Bn)		Net Incremental in 3 Months	Contribution to Incremental Borrowings in last 3 Months
	Jun 17	Mar 17		
Bank Loans	346.0	346.6	(0.6)	-2%
Debentures and Securities	509.6	480.5	29.1	77%
ECB	29.1	25.9	3.2	9%
<b>Total Borrowing</b>	<b>884.7</b>	<b>853.0</b>	<b>31.7</b>	<b>84%</b>
Sell Down	93.1	86.9	6.2	16%
<b>Total</b>	<b>977.8</b>	<b>939.9</b>	<b>37.9</b>	<b>100%</b>

- Total of ₹ 20 Bn loans sold down in Q1 FY18. This is the highest ever sell down in a first quarter, and is equivalent to 64% of incremental loan assets
- Stock of bank loans has contracted over the last 3 months
- 93% of incremental funding in Q1 FY18 was from debentures and securities and loan sell downs.
- USD 50 Mn of ECBs raised in Q1 FY18 taking the total ECBs to USD 450 Mn
- ₹ 326.8 Bn of debenture and securities raised in 15 months since March 2016 is substantially greater than ₹ 220 Bn raised in 36 months spanning FY 13-14 to FY 15-16; and is more than 2.5x of that raised in FY 2015-16
- Amongst its lenders, the company now counts 401 strong relationships: 21 PSU banks, 20 Private and Foreign banks and 360 Mutual Funds, Provident Funds, Pension Funds, Insurance Companies and corporates



# Spread Enhancement from Increasing Funding Efficiencies



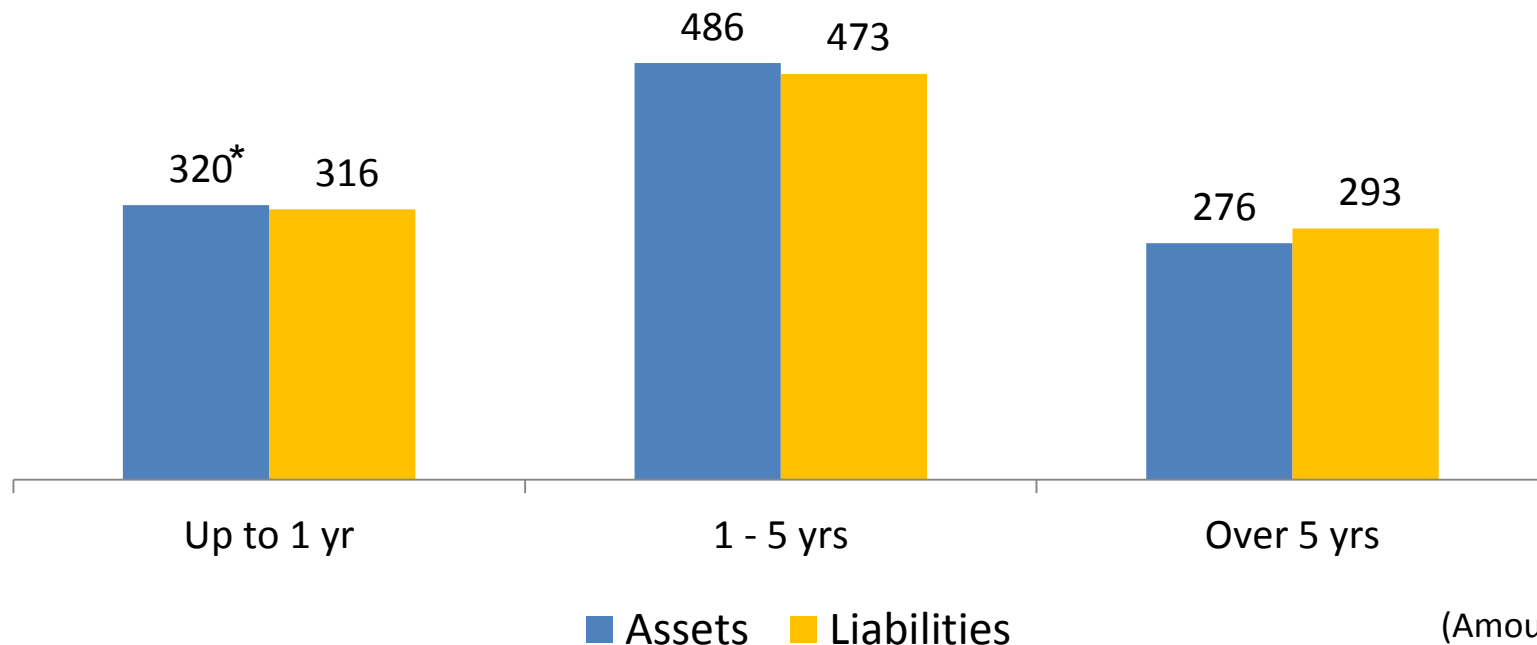
- Both incremental spread and spread on stock of loans are at the higher end of the guided range driven by continuing moderation in cost of funds.
  - Spread on stock of loans has increased to 324 bps
  - Incremental spread has expanded from the previous quarter to 297 bps
- Total of ₹ 51 Bn loans sold down in preceding 12 months, equivalent to 22% of incremental loan assets. In Q1 FY18 ₹ 20 Bn of loans were sold down equivalent to 64% of loan asset growth
- 10% of total loan assets are sold down and growth of on-balance sheet loan assets (6-year CAGR: 27%) is slower than growth in total loan assets (6-year CAGR: 29%) facilitating ROE expansion
- While profits are driven by the spread on total loan assets including sold down assets, capital is required only for on-balance sheet book\*

\*Minimal capital is required for sold down portfolio for the retained part of the pool or for the credit enhancement offered

# Optimally Matched Balance Sheet

## Maturity Profile

(As of March 31, 2017)



- \*Assets in the 'Up to 1 Yr' bucket includes ₹ 185.02 Bn (as of March 31, 2017) of Cash, Cash equivalents and investments in liquid debt instruments
- The maturity profile reflects adjustments for prepayments and renewals in accordance with the guidelines issued by the National Housing Bank

*The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 185 Bn as at 31<sup>st</sup> Mar, 2017. The company receives income from its cash, cash equivalents and investments in liquid debt instruments through the quarter, most of which appears in 'Other Income'* 42

  
**e-Home Loans**

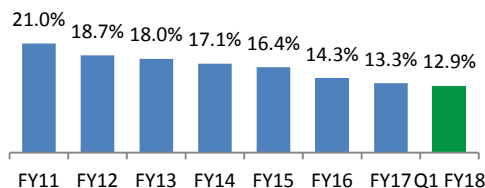
# Technology Leveraged Cost-Effective Growth

## Improving Efficiency and Throughput



- Within 12 months of launch:
  - 22% of incremental home loans are end-to-end disbursed through the ‘e-Home Loans’ platform
  - 34% of the remainder loans are using the ‘eHome Loans’ platform for one or more of its features
  - Smart city home loans, an year old initiative, are also driven through the eHome platform
- Average number of visits made by the sales executive per loan is down by half
- End-to-end technology enabled loan fulfillment features
  - Application form is being filled in 15 minutes
  - Document upload
  - E-sign of all documents
  - Online payment of processing fees
  - Disbursement initiation request for first and subsequent tranches: payment directly credited to builder/customer account following online disbursement initiation by customer
- Increased customer convenience **AND** increased thoroughness of credit appraisal
  - Parallel credit processes: eHome Loans has cut TAT by half to an average of under a day
- Reduced scope for fraud and vastly improved information quality
  - UIDAI (Aadhar)\*: eSign and eKYC – Government database
  - NSDL\*\*: Tax filings, salary income – Tax authority database
  - Bank statements directly from banks

## Declining Cost-to-Income Ratio



- **Cost-to-income ratio down by 140 bps to 12.9% for Q1 FY18 from FY16**
- Increasing scale and effective technology deployment driving cost efficiencies
- Increasing share of home loans and cost-effective expansion into tier-II smart cities will lead to continuing decline in cost-to-income ratio

\*UIDAI(Aadhar): Government of India's secured biometric and demographic database for Indian citizens

\*\*NSDL: Online PAN (Permanent Account Number – Unique tax identification number for individuals) verification by authorized entities

TAT: Turn Around Time – time taken since application submission to decision on sanction

## Application & Document Completion



Online form filled at customer convenience  
Click-of-button call centre support  
Document upload and e-sign attestation  
Video and multimedia access to information

## Credit Appraisal & Sanction



Focus on appraisal. No manual data entry  
- Fields from application form  
- Modules analyse submitted documents  
Quick turnaround. Improved productivity  
Digitally signed sanction letter

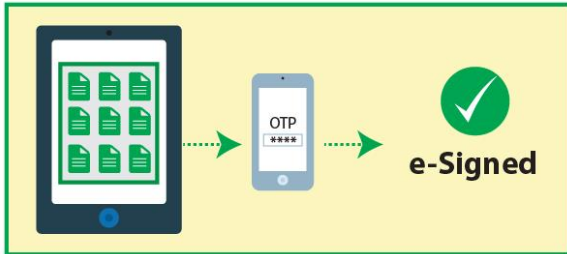
## Disbursal



No requirement to visit the branch  
Loan agreement e-signed  
Property documents collected from customer  
RTGS to builder/ seller account

- Process at customer convenience - **24x7 access**
- Better access to loan information and education
- Loan turn-around time crunched to a few working hours
- Elimination of human error. Vastly improved data quality
- Savings from a paper-free process, no storage costs and no risk of loss of important documents

**OneGO e-Sign**



Single e-signature for multiple uploaded documents  
Replaces 70+ signatures required on physical application form

**Unified Payment Interface**



Money transfer as easy as sending a text message  
UPI integration offers the easiest means of EMI payments

**Facebook Integration**



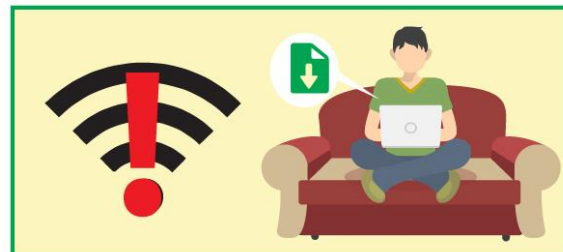
Lead generation through Facebook  
Application form filling through Facebook Chatbot  
Customer servicing, account statement and transaction confirmation

**DigiLocker Integration**



Customers increasingly store key documents in DigiLocker  
Integration with DigiLocker enables one-click submission of documents

**Offline Application Form**



Enables offline form filling  
Solution to deal with poor internet connectivity

**Application Form Hand-Holding**



Hand-holding for application form filling  
Big step towards paper-less loan processing and fulfilment

# Eminent and Experienced Board of Directors

Board of Directors with pre-eminence and experience in diverse fields

- Mr. Sameer Gehlaut : Executive Chairman
- Mr. Gagan Banga : Vice Chairman and Managing Director
- Dr. K.C. Chakrabarty : Former Deputy Governor, The Reserve Bank of India
- Justice Gyan Sudha Misra : Retired Justice, Supreme Court of India
- Justice Bisheshwar Prasad Singh : Retired Justice, Supreme Court of India
- Mrs. Manjari Kacker : Former member of CBDT (Central Board of Direct Taxes)
- Brig. Labh Singh Sitara : Honoured with the Dhyani Chand Award by the President of India
- Mr. Samsher Singh Ahlawat : 20 years of banking experience in senior management positions
- Mr. Prem Prakash Mirdha : Business background with expertise in SME sector
- Mr. Ashwini Kumar Hooda : Deputy Managing Director
- Mr. Ajit Kumar Mittal : Executive Director, Ex-Reserve Bank of India
- Mr. Sachin Chaudhary : Chief Operating Officer

# Corporate Social Responsibility



# Indiabulls Foundation: Corporate Social Responsibility



Best Overall Excellence in CSR award at National Awards for Excellence in CSR & Sustainability 2016

## Health



### Jan Swastha Kalyan Vahika (charitable medical vans):

- Free check-up
- Added 3 vans to existing fleet of 17
- More than 7,65,000 patients served

### Free Medical Clinic:

- 4 free medical clinics
- More than 119,538 treated

### Health Check-up Camp:

- Conducted in Palghar district.
- 4913 beneficiaries benefited.

## Scholarship:

- To over 600 meritorious students

## Computer Literacy Program:

- 1,000 computers to tribal ashram schools, shelter homes and night schools

## Tie-up with ESHA foundation:

- Create awareness about online library of ESHA, helped 47,000 visually challenged

## Education



## Sanitation



### Green soles:

- Footwear distribution

### Kumud:

- Sanitary napkin distribution
- Hygiene for underprivileged rural women

## Renewable Energy Plants:

- Free of cost round-the-clock seamless electricity to 5 tribal ashram schools
- Benefits 3,400 tribals students every year

## Renewable Energy

## Nutrition



### Paushtik Aahar:

- Free nutrition supplements to the underprivileged and malnourished
- 5,000 individuals per month
- Over 85,000 children to date

## Water Wheel Project:

- Distributed more than 1,400 water wheels to underprivileged people
  - Over 7,700 villagers will benefit

## Women Empowerment:

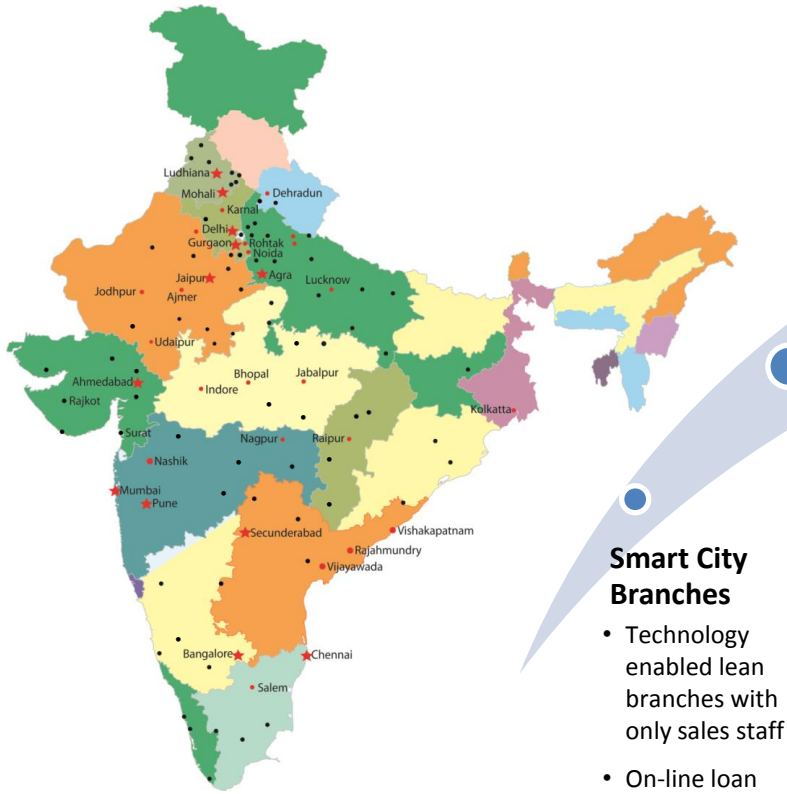
- Initiation of Skill development programme
- Over 600 women benefited across 7 states

## Rural Empowerment

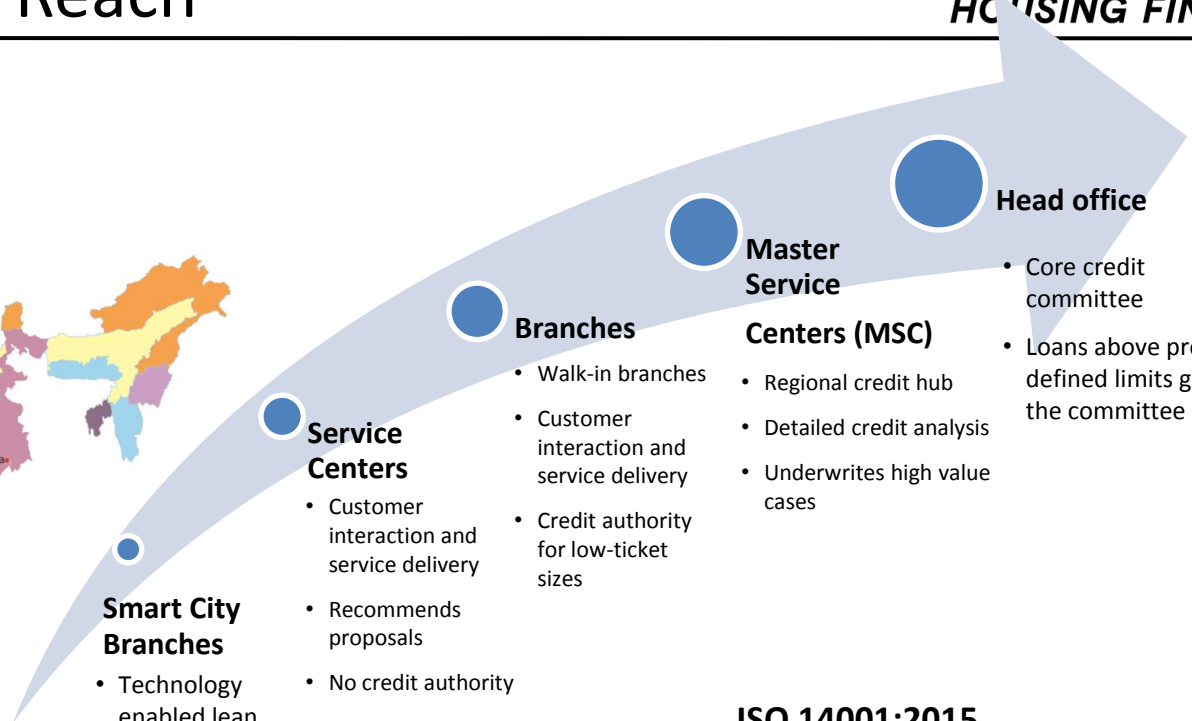


# Distribution Network, Ratings, Key Ratios, Valuations and Shareholding

# Country Wide Reach



- ★ Denotes cities with 3 or more offices
- Denotes cities with 2 offices
- Offices



- Smart City Branches**
- Technology enabled lean branches with only sales staff
  - On-line loan application file completion
  - Underwriting at 'hub' credit centres

- Service Centers**
- Customer interaction and service delivery
  - Recommends proposals
  - No credit authority

- Branches**
- Walk-in branches
  - Customer interaction and service delivery
  - Credit authority for low-ticket sizes

- Master Service Centers (MSC)**
- Regional credit hub
  - Detailed credit analysis
  - Underwrites high value cases

- Head office**
- Core credit committee
  - Loans above pre-defined limits go to the committee

**ISO 14001:2015**  
 Certifies systematic compliance of IBHFL's environmental management systems

**Awards and Accolades**

<p>Certificate for Risk Management</p> <p>Golden Peacock Awards 2017</p>	<p>Excellence in Home Loan Banking</p> <p>My FM Stars Of Industry Awards 2017</p>	<p>Best Digital Innovators in Customer Experience</p> <p>BW Digital India Summit 2017</p>	<p>Housing Finance Company of the year 2016</p> <p>Navbharat Realty Business Achievers Award 2016</p>	<p>Sustainable Growth Silver Award</p> <p>46<sup>th</sup> SKOCH Summit 2016</p>	<p>Certificate of Excellence</p> <p>BFSI Tech Maestro Awards 2016</p>
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# Credit Ratings

	Long Term Rating	Short Term Rating
ICRA(A Moody's Investor Service Company)	AAA	A1+
CARE Ratings	AAA	A1+
Brickwork Ratings	AAA	
CRISIL (a Standard & Poor's Company)	AA+ [Outlook: Positive] Outlook revised upwards from 'Stable'	A1+
India Ratings & Research (a Fitch Group Company)		A1+

- Long term credit rating upgraded to AAA by ICRA, a Moody's Investor Service Company
- The last non-bank company to be upgraded on standalone strength i.e. without sovereign support or support of a larger parent group, was 20 years ago
- IBHFL will gain as cost of borrowing will come down due to this rating upgrade and align with those of established AAA rated corporates

## Rising Productivity Ratios

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
No. of Employees	4,512	4,243	4,072	4,099	4,840	5,453	6,388
Profit per employee (₹ Mn)	1.7	2.4	3.1	3.8	3.9	4.3	4.6
Asset per employee (₹ Mn)	37.1	58.5	80.9	108.4	118.2	140.2	162.3
Cost-to-Income Ratio	21.0%	18.7%	18.0%	17.1%	16.4%	14.3%	13.3%

# Key Financial Metrics

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Pre Tax RoAA (%)	5.5%	4.9%	4.9%	4.8%	4.9%	4.9%	4.6%
Post Tax RoAA (%)	4.1%	3.7%	3.8%	3.8%	3.7%	3.7%	3.6%
RoE (%)^	17.2%	22%	26%	27%	29%	26%	26%
Capital Adequacy (%)#	23.87%	19.96%	18.58%	20.47%	19.60%	23.38%	20.91%
- Tier I#	23.63%	19.27%	15.05%	16.10%	16.28%	20.36%	17.25%
- Tier II#	0.24%	0.69 %	3.53%	4.37%	3.32%	3.02%	3.66%

^ ₹ 40 Bn of equity was raised through a QIP in September, 2015  
# Adjusted for mutual fund investments

RoAA: Return on Average Assets  
RoE: Return on Equity

# Valuations and Returns

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Jun-17
Market Price per Share (₹)	155	207	272	286	558	674	998	1,137*
Market Capitalisation (₹ Bn)	48.1	64.5	84.9	95.4	198.4	284.0	422.9	482.7
PE Ratio (times)	6.5	6.5	6.8	6.0	10.2	11.3	14.5	15.3
Dividend per Share (₹) #	10	13	20	29	35	36	36	9
Dividend Yield	6.5%	6.3%	7.4%	10.2%	6.3%	5.3%	3.6%	3.2%
Foreign Institutional Shareholding (%)	43.5%	38.7%	45.2%	41.1%	51.8%	58.9%	63.6%	61.8%

IBHFL is a part of Nifty 50 and MSCI India indices



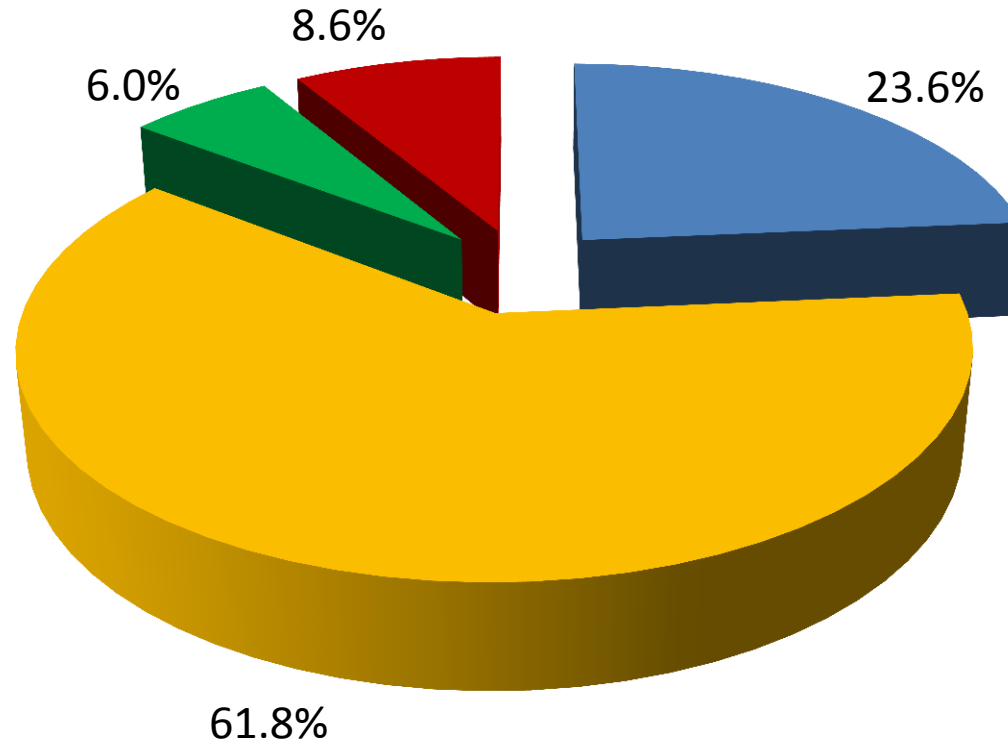
# Normalized to reflect periods the dividends pertain to

PE: Price to Earnings (12 months trailing)

US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 65

\*As on 21<sup>st</sup> July, 2017

# Shareholding Pattern



■ Founder ■ Foreign Institutional Shareholding ■ MFs/Banks/IFI ■ Public

- Domestic institutional shareholding has more than doubled to 6% from 2.7% a year ago



# Detailed Financials

# Consolidated Balance Sheet

Statement of Assets and Liabilities Particulars	(Rupees in Billion)	
	As at	
	30.06.17 (Unaudited)	30.06.16 (Unaudited)
<b>I. EQUITY AND LIABILITIES</b>		
<b>(1) Shareholder's Funds</b>		
(a) Share Capital	0.85	0.84
(b) Reserves and Surplus	120.68	112.78
<b>(2) Share application money pending allotment</b>	-	-
<b>(3) Non-Current Liabilities</b>		
(a) Long-term borrowings	573.71	406.20
(b) Deferred tax Liabilities (net)	0.22	1.19
(c) Other Long term liabilities	3.34	2.04
(d) Long term provisions	11.70	6.97
<b>(4) Current Liabilities</b>		
(a) Short-term borrowings	175.13	143.41
(b) Trade payables		
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	0.64	0.37
(c) Other current liabilities	176.34	144.92
(d) Short-term provisions	3.52	1.98
<b>Total</b>	<b>1,066.13</b>	<b>820.70</b>
<b>II. ASSETS</b>		
<b>(1) Non-current assets</b>		
(a) Fixed assets		
(i) Tangible assets	1.01	0.67
(ii) Intangible assets	0.13	0.02
(b) Goodwill on Consolidation (Net)	0.68	0.67
(c) Non-current investments	8.28	7.80
(d) Deferred tax assets (net)	0.07	0.08
(e) Long term loans and advances	750.90	549.68
(f) Other non-current assets	3.33	4.19
<b>(2) Current assets</b>		
(a) Current investments	159.16	126.58
(b) Trade receivables	0.18	0.05
(c) Cash and cash equivalents	25.73	26.77
(d) Short-term loans and advances	105.41	96.78
(e) Other current assets	11.25	7.40
<b>Total</b>	<b>1,066.13</b>	<b>820.70</b>

**₹ 184.88 Bn of  
Cash & Cash  
Equivalents and  
Investments in  
Liquid Debt  
Instruments**

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 184.88 Bn as at 30<sup>th</sup> Jun, 2017. The company receives income from its cash, cash equivalents and investments in liquid debt instruments through the quarter, most of which appears in 'Other Income'

# Consolidated Income Statement

		(Rupees in Billion)			
Particulars	Quarter ended			Year ended	
	30.06.17 (Unaudited)	31.03.17 (Unaudited)	30.06.16 (Unaudited)	31.03.17 (Audited)	
1	Revenue from operations	29.56	29.31	23.72	103.99
2	Other income	2.69	2.93	2.25	13.03
3	<b>Total revenue (1+2)</b>	<b>32.25</b>	<b>32.25</b>	<b>25.97</b>	<b>117.02</b>
4	<b>Expenses</b>				
	Employee benefits expense	1.33	1.14	1.18	5.00
	Finance costs	17.72	17.39	14.11	64.11
	Depreciation and amortisation expense	0.07	0.07	0.05	0.23
	Other expenses	2.52	3.96	1.88	9.96
	<b>Total expenses</b>	<b>21.65</b>	<b>22.55</b>	<b>17.22</b>	<b>79.30</b>
5	<b>Profit before tax (3-4)</b>	<b>10.60</b>	<b>9.70</b>	<b>8.75</b>	<b>37.72</b>
6	<b>Tax expense</b>				
	Current tax expense (Net of MAT credit entitlement)	2.34	1.77	2.07	8.29
	Deferred Tax (Credit) / Charge	0.42	(0.45)	0.33	0.34
	<b>Total Tax Expense</b>	<b>2.76</b>	<b>1.32</b>	<b>2.40</b>	<b>8.63</b>
7	<b>Profit for the Period / Year (5-6)</b>	<b>7.84</b>	<b>8.37</b>	<b>6.35</b>	<b>29.09</b>
8	Add: Share of Profit / (Loss) of Associate	0.05	0.03	(0.05)	(0.02)
9	<b>Profit for the period / year attributable to Minority Interest (7+8)</b>	<b>7.88</b>	<b>8.41</b>	<b>6.30</b>	<b>29.06</b>
10	Less: Share of Profit attributable to Minority Interest	-	-	-	-
11	<b>Profit for the period / year attributable to the Shareholders of the Company (9-10)</b>	<b>7.88</b>	<b>8.41</b>	<b>6.30</b>	<b>29.06</b>
12	Paid-up Equity Share Capital	0.85	0.85	0.84	0.85
13	Reserves excluding Revaluation Reserves as per Balance Sheet as on March 31, 2017				120.37
14	Earnings per Share (EPS) before extraordinary items <i>*(EPS for the quarters are not annualised)</i>				
	-Basic (Amount in Rs.)	18.58*	19.83*	14.95*	68.80
	-Diluted (Amount in Rs.)	18.37*	19.63*	14.77*	67.98
	-Face Value (Amount in Rs.)	2.00	2.00	2.00	2.00
	Earnings per Share (EPS) after extraordinary items <i>*(EPS for the quarters are not annualised)</i>				
	-Basic (Amount in Rs.)	18.58*	19.83*	14.95*	68.80
	-Diluted (Amount in Rs.)	18.37*	19.63*	14.77*	67.98
	-Face Value (Amount in Rs.)	2.00	2.00	2.00	2.00

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 184.88 Bn as at 30<sup>th</sup> Jun, 2017. The company receives income from its cash, cash equivalents and investments in liquid debt instruments through the quarter, most of which appears in 'Other Income'

Thank you