



# **Indiabulls Housing Finance Limited**

(CIN: L65922DL2005PLC136029)

***Unaudited Financial Results – Q1 2016-17***  
***July 25, 2016***

# Safe Harbour Statement

*This document contains certain forward-looking statements based on current expectations of Indiabulls Housing Finance 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 Securities markets, new regulations and government policies that might impact the business of Indiabulls Housing Finance, the general state of the Indian economy and the management's ability to implement the company's strategy. Indiabulls Housing Finance 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 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.*

## **Investor Contact**

Ramnath Shenoy

[investor.relations@indiabulls.com](mailto:investor.relations@indiabulls.com)

+91 22 6189 1444

## **Media Contact**

Rahat Ahmed

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

+91 22 6189 1155

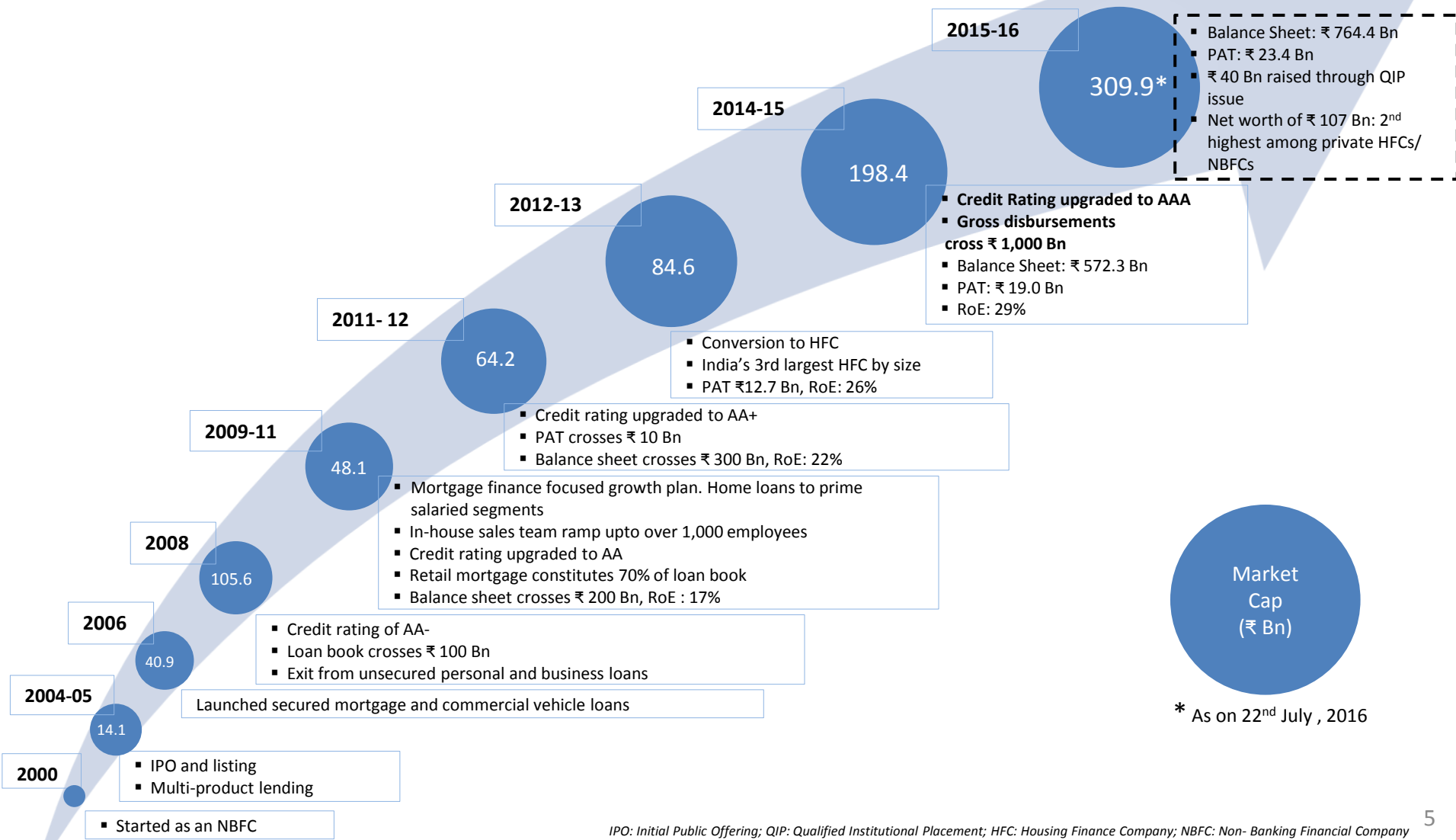
# Contents

---

	<u>Pg. No.</u>
1. Business Update	4
2. Operational Update	8
3. Indian Mortgage Market	13
4. Financial and Operational Highlights	25
5. e-Home Loans	33
6. LAP Grading	38
7. Liabilities Profile	44
8. Corporate Social Responsibility	51
9. Key Ratios, Valuations and Shareholding	54
10. Detailed Financials	59

# Business Update

# Our Journey



Market Cap (₹ Bn)

\* As on 22<sup>nd</sup> July , 2016

# Business Update

## Key Financial Highlights : Q1 FY 16-17

	Q1 FY 16-17	Q1 FY 15-16	Y-o-Y Growth (%)
Balance Sheet (₹ Bn)	820.69	599.59	36.9%
Loan Assets (₹ Bn)	710.26	540.22	31.5%
Total Revenues (₹ Bn)	25.97	20.25	28.3%
NII (₹ Bn)	10.53	8.21	28.2%
PBT (₹ Bn)	8.70	6.92	25.7%
PAT (₹ Bn)	6.30	5.11	23.2%

- **A first interim dividend of ₹ 9/-per share of face value of ₹ 2/-, amounting to 450%, has been declared in the Board meeting held on 25<sup>th</sup> July, 2016**
- **Launching India's first e-Home Loans:** Will propel growth, increase reach & productivity and reduce costs
- **RoE maximisation through capital conservation:** Sold down ₹ 50 Bn of loans in last 12 months and Issued ₹ 6.1 Bn of tier II capital in Q1 FY17

## Benefits to Customer

- Branch in pocket - 24x7 access
- Entire process from loan application to loan disbursement is online
- Aadhar enabled eSignature – no need for scores of signatures
- eKYC – biometric enabled, paper-free quick KYC
- Videos and multimedia based loan tutorials, click-to-call support
- Personalised assistance a click away

## Benefits to Indiabulls Housing Finance

- Leapfrogging headway in brand presence and relevance
- Cost-to-income reduction – reduced manpower, lean-branch loan fulfilment
- Unbound, branchless reach into tier II & III towns
- Transformation to a technology-centric organisational culture

## Technology Partners



- Unique Identification Authority of India (UIDAI) Aadhar: eSign and eKYC
- Samsung for biometric retina scanners : eKYC
- National Security Depository Limited (NSDL): PAN verification
- Perfios: bank statement analysis and data capture
- **Made possible by Prime Minister's Digital India campaign**

# Operational Update



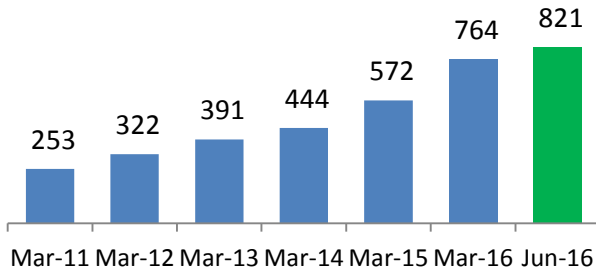
# Business Summary

• Loans Outstanding (June 30, 2016)	:	₹ 710.26 Bn (US\$ 10.60 Bn)
• Loan Book CAGR (5 years)	:	28 %
• Cumulative Loans given to retail Customers	:	8,47,791
• Cumulative Loans Disbursed till date	:	₹ 1,380.0 Bn (US\$ 20.60 Bn)
• Cost to Income Ratio (FY 2016)	:	14.3%
• Profit After Tax CAGR (5 years)	:	26%

# Growth Track Record

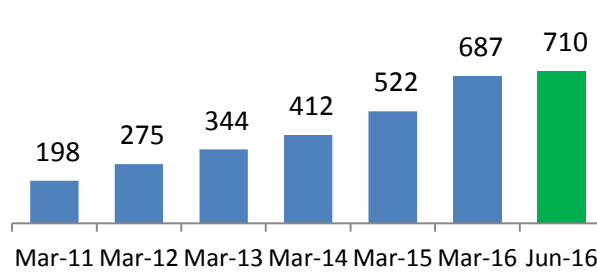
## Balance Sheet

CAGR: 25%



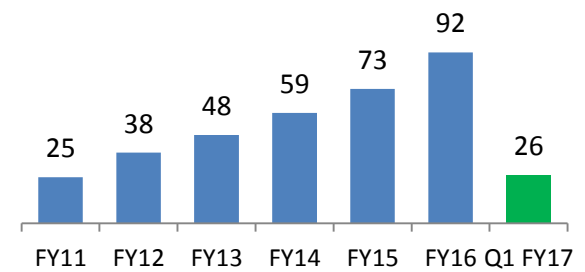
## Loan Assets

CAGR: 28%



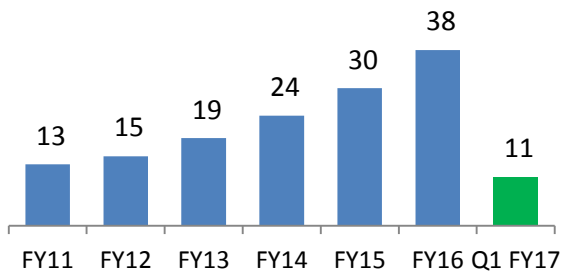
## Revenue

CAGR: 30%



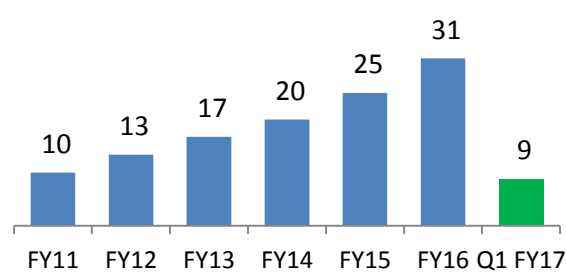
## NII

CAGR: 23%



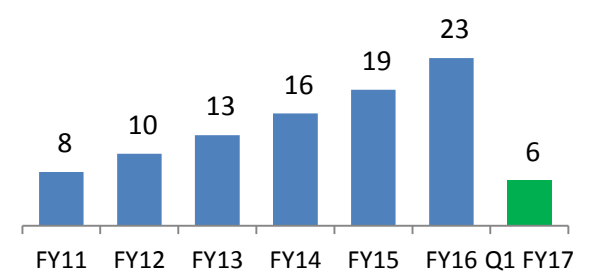
## PBT

CAGR: 26%



## PAT

CAGR: 26%

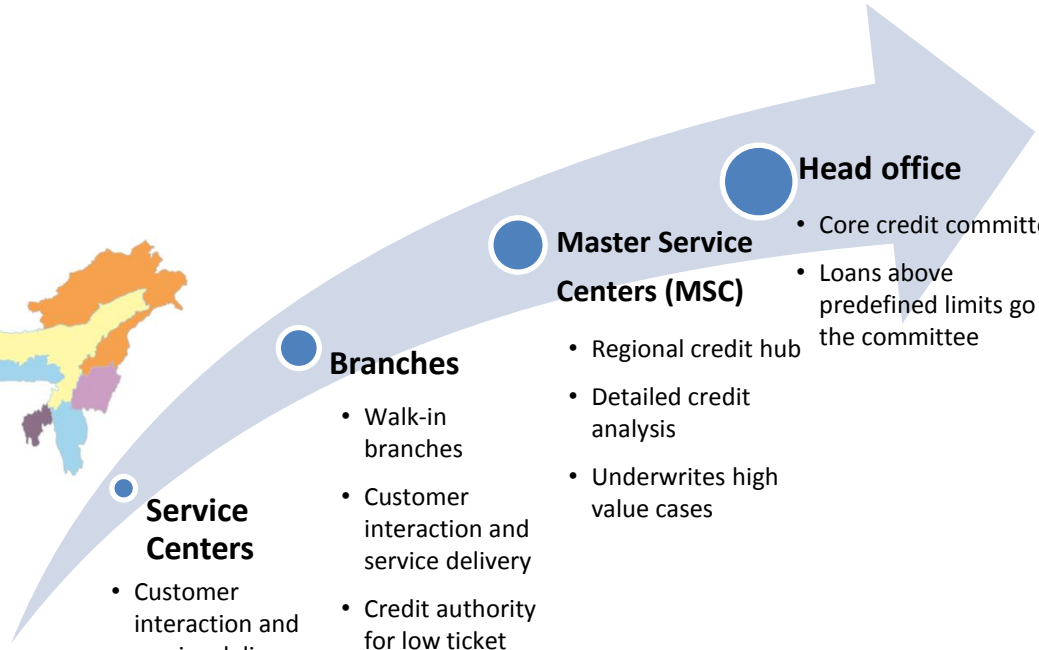
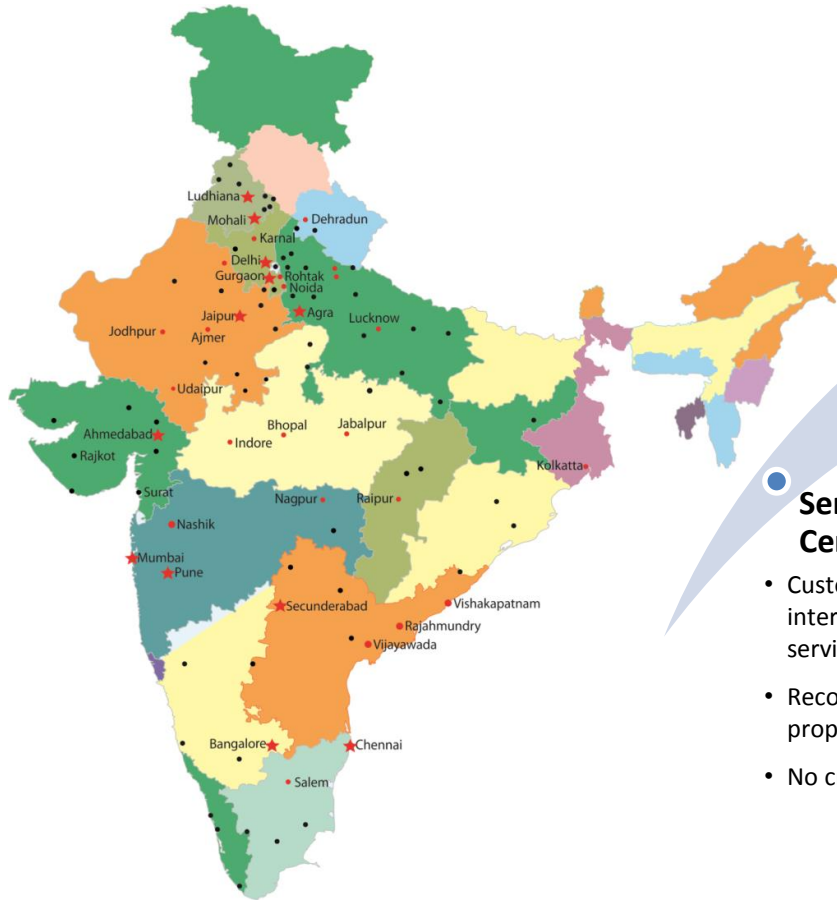


# Credit Ratings

	Long Term Rating	Short Term Rating
CARE Ratings	AAA	A1+
Brickwork Ratings	AAA	
CRISIL (A Standard & Poor's Company)	AA+	A1+
ICRA (An Associate of Moody's Investor Service)	AA+	A1+
India Ratings & Research (A Fitch Group Company)		A1+

In Q1 FY17 IBHFL's subordinate debt credit rating was upgraded to the highest AAA rating. IBHFL is now amongst the select few financial services companies that enjoys AAA on both senior and subordinate debt

# Country Wide Reach



**Head office**

- Core credit committee
- Loans above predefined limits go to the committee

**Master Service Centers (MSC)**

- Regional credit hub
- Detailed credit analysis
- Underwrites high value cases

**Branches**

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

**Service Centers**

- Customer interaction and service delivery
- Recommends proposals
- No credit authority

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

**Awards and Accolades**

Housing Finance Company of the year FY15-16



Accommodation Times

Business Superbrand



Superbrands India 2016

# Indian Mortgage Market

# Growth Momentum: Trends in Residential Real Estate

- The real estate sector in India at an inflection point, with sales in the top six residential markets showing a strong positive uptake
- Mumbai residential sales up y-o-y by 23%<sup>1</sup> for H1 CY 2016
- Bangalore residential sales up y-o-y by 18%<sup>1</sup> for H1 CY 2016
- 57.3<sup>2</sup>% y-o-y growth in home loan disbursements in Gujarat
- Private equity inflow into the sector has crossed 2007 levels in first five months of 2016; expected to cross previous high of 2008<sup>3</sup>
- Real estate developers seeing strong pick up in sales
  - Godrej Properties has sold all the flats in phase I of its project 'The Trees' – 93% of this within one month of launch
  - Mahindra Lifespace sold 60% of its units in 'Mahindra Windchimes' within a month of its launch; and also sold 60% of its inventory in 'Vivante' – with the 700 sq.ft. apartments completely sold off
  - Kotak Mahindra's private equity arm raised ₹ 16 Bn to invest in residential projects over the next 3-4 years
- Affordable segment continued to maintain the largest share of total residential sales with more than 70% of the units sold in the affordable housing segment<sup>4</sup>



## Kotak Realty raises Rs 1,600 crore for residential projects

Srinivasan further said the recent clarifications by the government enabled the company to structure this as an Alternative Investment Fund (AIF).

Tue, 8 Mar 2016-08:05pm . Mumbai , PTI

DNA, Mar 8, 2016

## Revamped rural housing scheme gets Cabinet nod

ET Bureau | 24 Mar, 2016, 04:38AM IST

Economic Times, Mar 24, 2016

## Home sales picking up as confidence to spend returns: Renu Sud, HDFC

By . ET Bureau | Jul 11, 2016, 02:39 AM IST

Economic Times, Jul 11, 2016

# Growth Momentum: Trends in Commercial Real Estate

- Office space demand in the first half of CY 2016 increased by 12%<sup>1</sup> growth y-o-y across top 6 cities in India
- Office space leasing in the top 7 cities of India is up by 18% y-o-y in CY2015<sup>2</sup>
- Absorption of 17 Mn sqft during H1 CY 2016
  - Mumbai Metropolitan Region experienced a growth of 50%<sup>1</sup> y-o-y in the commercial space in H1 CY 2016
  - Hyderabad reported the highest growth of 91%<sup>1</sup> in the commercial real estate
  - Demand driven by IT / ITeS recorded over 50% of the total leasing activities
- Office space vacancy is at a 5-year low. Office space vacancy in metros has slipped below 10%
- Driven by real demand as corporates implement growth plans
- As a rule of thumb, 100 sqft of office space requires almost 1,000 sqft of residential space
- Leasing activity is the highest in suburban and peripheral localities, which coincide with availability of affordable housing

Article rank  | 20 Jun 2016 | mint ePaper

## Commercial office market a bright spot for realty sector

### THE ECONOMIC TIMES

Office space demand up 19% in Q1, vacancy level lowest in 10 quarters: Cushman & Wakefield  
Economic Times, Apr 19, 2016

## Bengaluru Tops in Asia Pacific on Commercial Realty Growth: JLL

Press Trust of India | Last Updated: February 02, 2016 14:10 (IST)

# Accelerators of Housing

## First 6 Months of CY2016: Boost to the Housing Sector

Regulator	Real Estate (Regulatory & Development) Act, 2016 will lead to a structured, transparent and disciplined sector
Tax Incentives	Increased tax incentive reduces effective housing loan yields to 4.0% for a 9.4% housing loan for first-time home buyers buying affordable houses
Budget 2016-17	100% tax exemption on profits from building affordable housing will attract organized developers and increase supply
Fiscal Incentives	Service tax exemption on construction of affordable housing will lead to reduction in prices, increasing affordability
7 <sup>th</sup> Pay Commission	Annual payout to 10 Mn government employees to go up by ₹ 1 Tn per annum. Increased disposable income will have positive impact on the housing sector

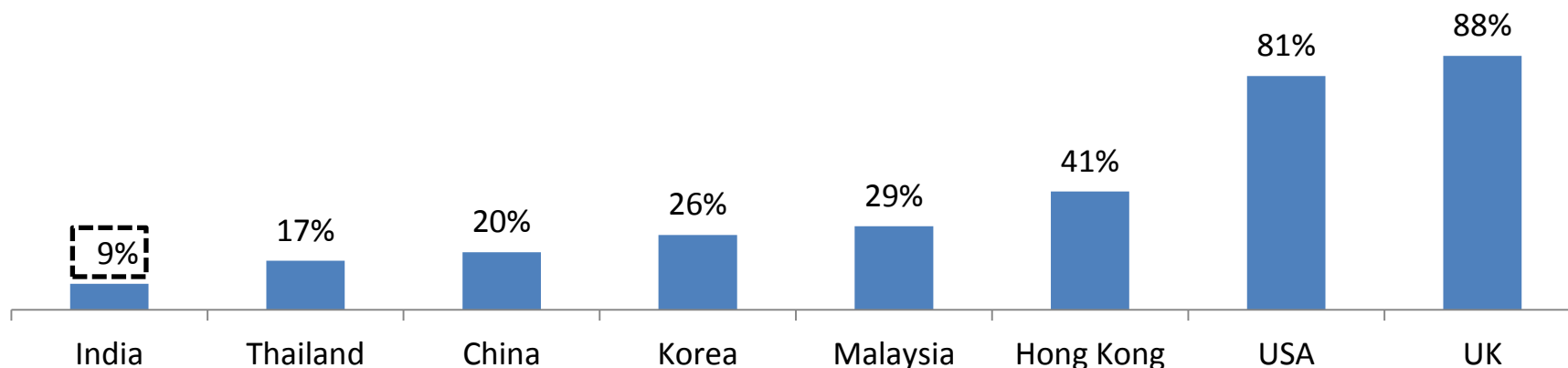
## Key Structural Drivers of Housing Growth

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
Funding Drivers	RBI focus on long-term liquidity; Distribution tax on securitization abolished; Insurance companies, provident & pension funds to invest 15% of corpus in affordable housing and infra



# 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, and growing trend of nuclear families



- Lower 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

# Tax Incentive for Affordable Housing

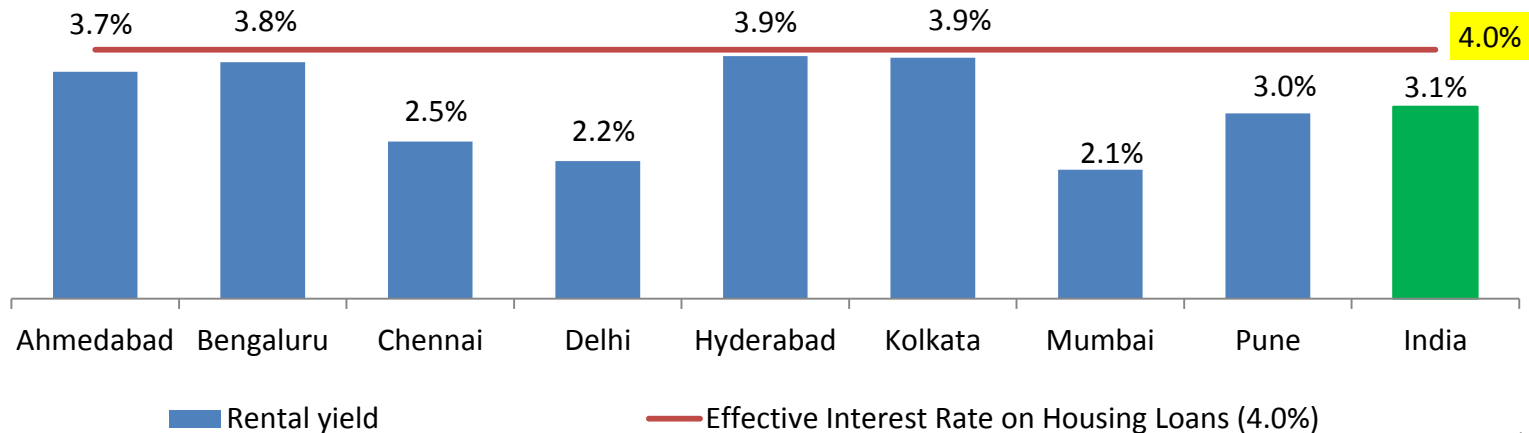
Particular	2016	2010	2000
Loan amount	24,00,000	24,00,000	24,00,000
<b>Nominal Interest Rate(%)</b>	<b>9.40%</b>	<b>9.25%</b>	<b>13.25%</b>
Deduction allowed on interest repayment*	2,50,000	1,50,000	75,000
Deduction allowed on principal repayment#	1,50,000	1,00,000	20,000
<b>Tax Rate applicable</b>	<b>34.61%</b>	<b>30.90%</b>	<b>34.50%</b>
Tenure (Yrs)	15	15	15
Total amount paid per year	3,72,354	3,18,763	3,69,140
Interest component	2,22,354	2,18,763	3,14,777
Principal component	1,50,000	1,00,000	54,363
Tax amount saved	1,28,864	77,250	32,775
Effective interest paid on housing loan	93,489	1,41,513	2,82,002
<b>Effective interest rate on housing loan</b>	<b>4.02%</b>	<b>6.02%</b>	<b>11.88%</b>

**Amount in ₹**

\* Interest Repayment Tax Break: Section 24 of the Income Tax Act  
# Principal Repayment Tax Break: Section 80C of the Income Tax Act

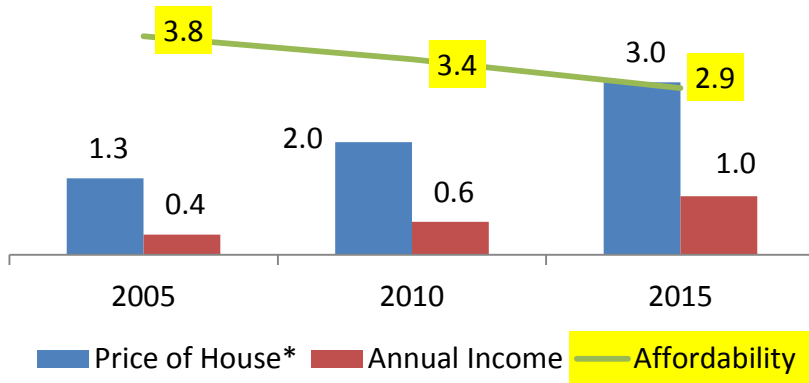
# Buying a House: Prudent Financial Investment

## Rental Yield v/s Housing Loan Cost



Source: NHB; Industry reports

## Increasing Affordability



- Difference between rental yield and effective housing loan interest rate is only 0.9%
- For only ₹ 1,800 per month more, a house costing ₹ 3 Mn can be purchased instead of renting it – a tremendous incentive to own a house and create real assets
- Effective housing loan rate expected to slip below rental yield by FY18 unleashing demand
- Tepid property price appreciation combined with wage inflation pushing up affordability

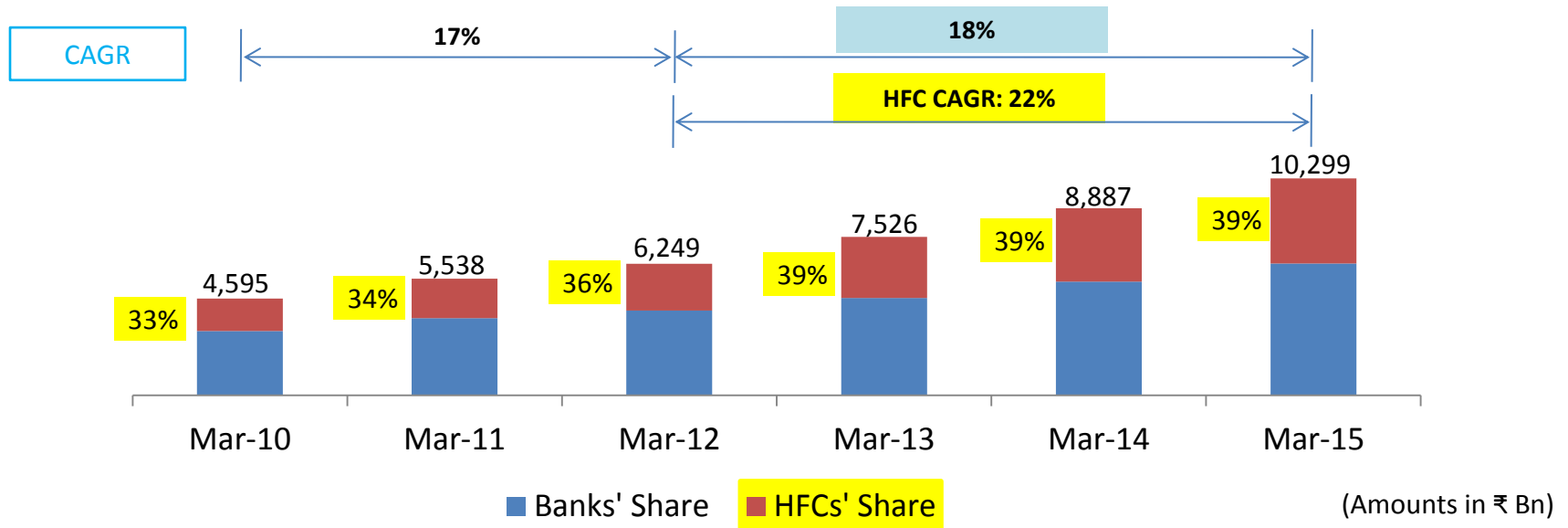
Amount in ₹ Mn

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

\* Source: NHB; Industry reports

# Mortgage Market Growth

## Growing HFC Market Share in a Steadily Expanding Housing Loans Market



- Housing loan market is concentrated in the ₹ 1.5 Mn to ₹ 7.5 Mn range, demand in this segment is sustained and disbursements have grown YoY at 15<sup>1</sup>%
- HFCs which are particularly focused on sub-7.5 Mn loans have out-paced industry growth at a CAGR of 22% between FY12 and FY15

### High demand growth driven by:

- Reducing interest rates compressing the gap between effective housing loan rates, after tax benefits, and rental yields, making house purchase increasingly compelling in comparison to renting
- Rising disposable incomes coupled with low effective interest rates, after tax benefits, resulting in steadily increasing affordability

# No Regulatory Arbitrage: Regulatory Regime for Housing Finance Co's at par with Banks



Parameters		HFCs	Banks	NBFCs
NPA Recognition		90 dpd	90 dpd	150 dpd
CRAR		12%	9%	15%
- Tier 1		6%	6%	7.5%
Standard Asset Provisions	Housing Loans	0.4%	0.4%	0.25%
	Others	1%	0.25-1%	0.25%
SARFAESI Coverage		Yes	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

Regulations	Imposed for Banks	Imposed for HFCs
Waiver of pre-payment penalties on home loans	7 May 2014	18 Oct 2010
Deferred tax liability creation for profit appropriation towards regulatory reserves	30 May 2014	27 May 2014
Waiver of pre-payment penalties on all other individual loans	27 May 2014	14 Aug 2014
Individual housing loans: Rationalization of risk weights and LTV ratios	8 Oct 2015	9 Oct 2015

# Recent Regulatory Impetus

Government policy focus and historically superior credit quality of housing loans has prompted the regulator to increase operational leverage and flexibility of the housing finance sector

With effect from 9<sup>th</sup> Oct 15

LTV	Ticket Size Bands		
	<= 3 Mn	>3.0 – 7.5 Mn	> 7.5 Mn
<= 75%	35%	35%	75%
75% - 80%	35%	50%	NA
80% - 90%	50%	NA	NA
> 90%	NA	NA	NA

In the past

LTV	Ticket Size Bands		
	<= 2 Mn	>2.0 – 7.5 Mn	> 7.5 Mn
<= 75%	50%	50%	75%
75% - 80%	50%	50%	NA
80% - 90%	50%	NA	NA
> 90%	NA	NA	NA

With an average ticket size of ₹ 2.5 Mn, IBHFL is focused on affordable housing, and a substantial reduction in risk weights by 15% in our core segment is very beneficial

Despite upward revision of regulatory LTV cap to 90% for up to ₹ 3 Mn housing loans, IBHFL will not relax the lending policy parameters on this

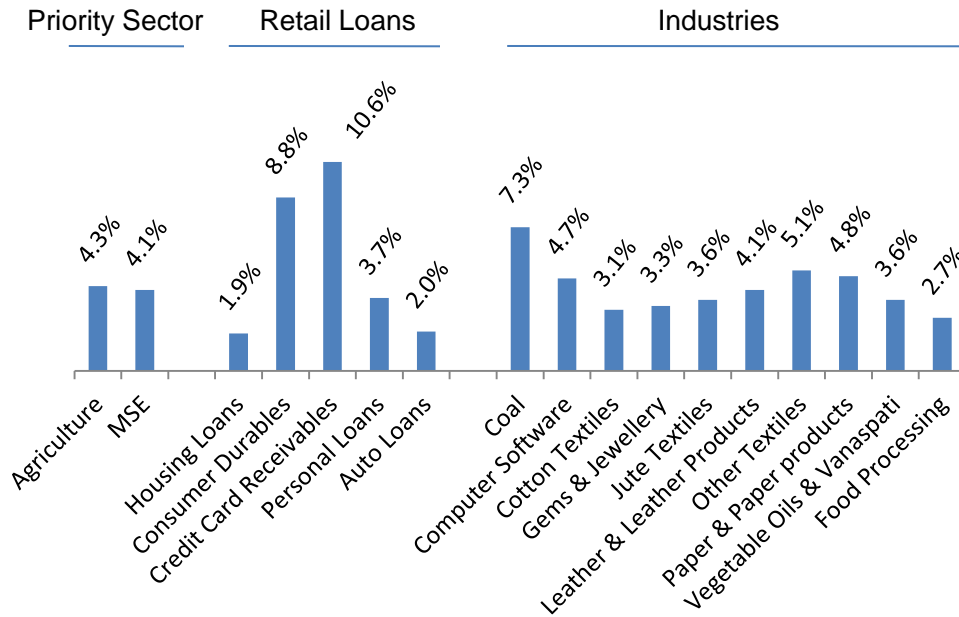
Masala Bonds: Eases ECB guidelines and permits raising up to \$ 750 Mn per year under automatic route

- Opens up a new and large investor class
- Avenue for greater diversification of borrowing profile
- Increases depth of capital markets

Boost to sell-down transactions: Distribution tax for sell-down transactions in PTC done away with

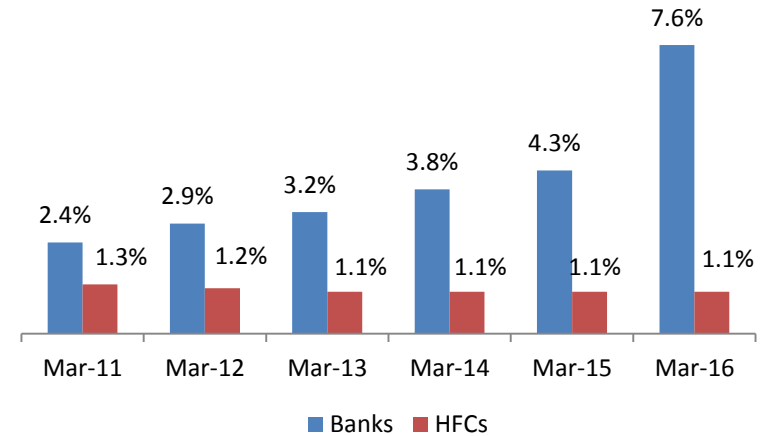
# Housing Loans: Lowest Risk Asset Class

Split of Banking NPA levels (FY 12)



Source: RBI Working Paper Series

GNPA (%) Comparison between Banks and HFCs



Source: RBI and NHB

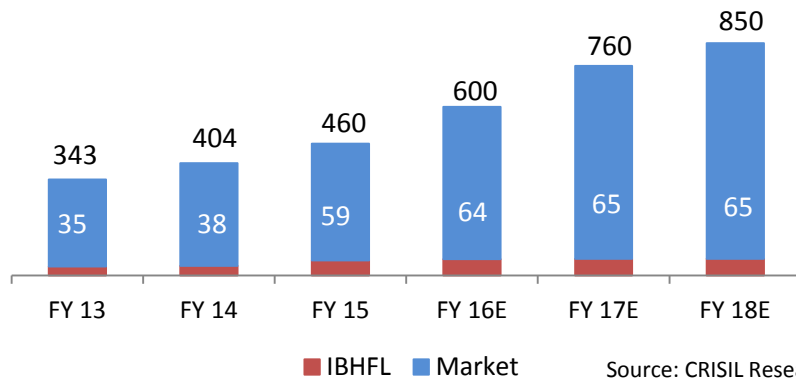
- Housing loan NPAs are the lowest amongst all asset classes
- HFCs due to their singular focus and single-product specialized appraisal skills have low NPAs
- HFC NPAs have been declining even through the period of economic stagflation between 2008 and 2015

# Loan Against Property Market

## Secured Loans to Small Businesses

Basis of Loan Appraisal	Collateral	Yields	Risk Levels
Lending against components of business	Factory/ office space Inventory Business receivables	18%+	High
Asset based lending	Home/ commercial property	14% - 18%	Moderate
Cash flow based lending	Self-occupied Residential Property	11% - 14%	Low

LAP Market Size - Disbursals (₹ Bn)



Source: CRISIL Research

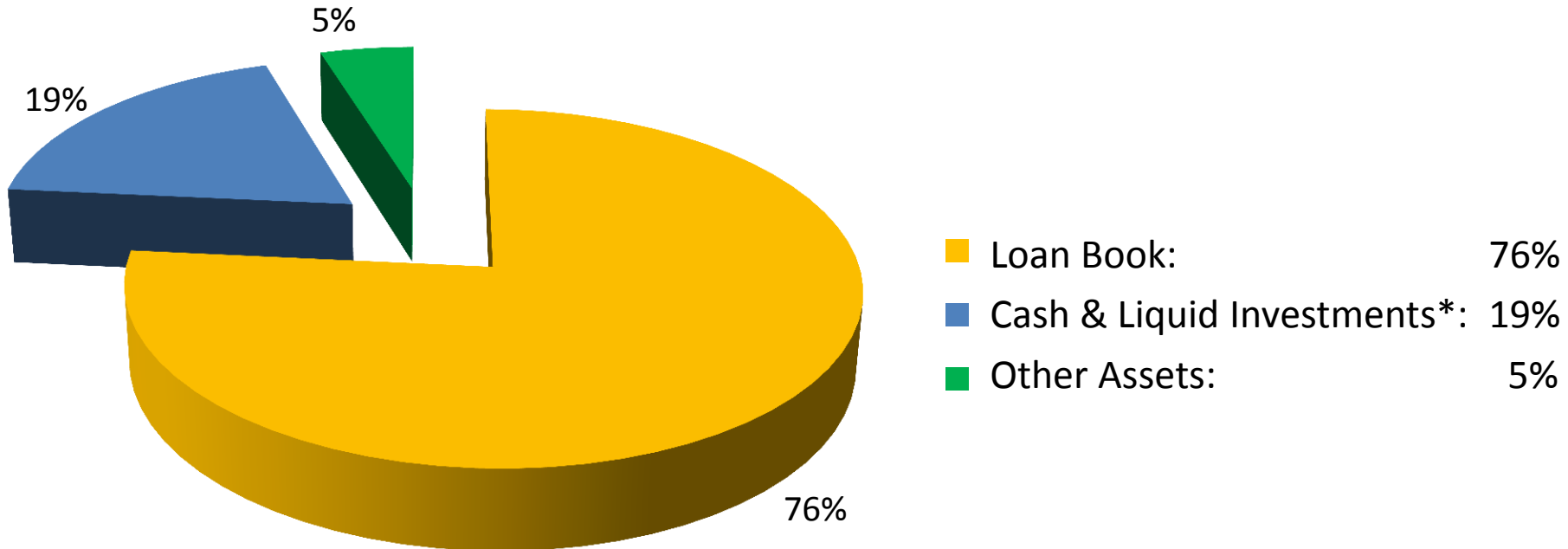
### Low-risk Prime LAP

- Market estimated to grow at a CAGR of 17%
- IBHFL is a market pioneer with underwriting experience and capacity
- Cash flow based loan appraisal



# Financial and Operational Highlights

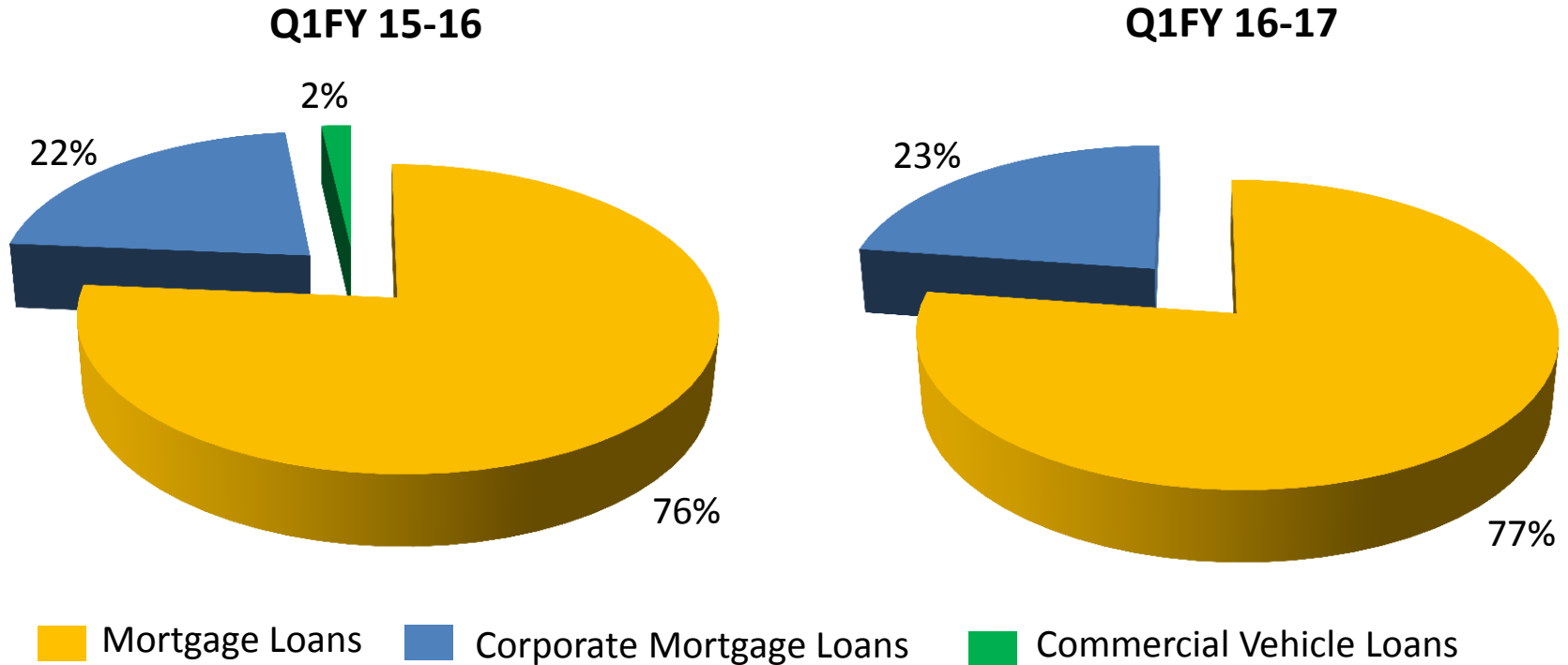
# Balance Sheet Assets



Total Assets	
As at June 30, 2016	₹ 820.7 Bn (US\$ 12.25 Bn)
As at June 30, 2015	₹ 599.6 Bn (US\$ 8.95 Bn)

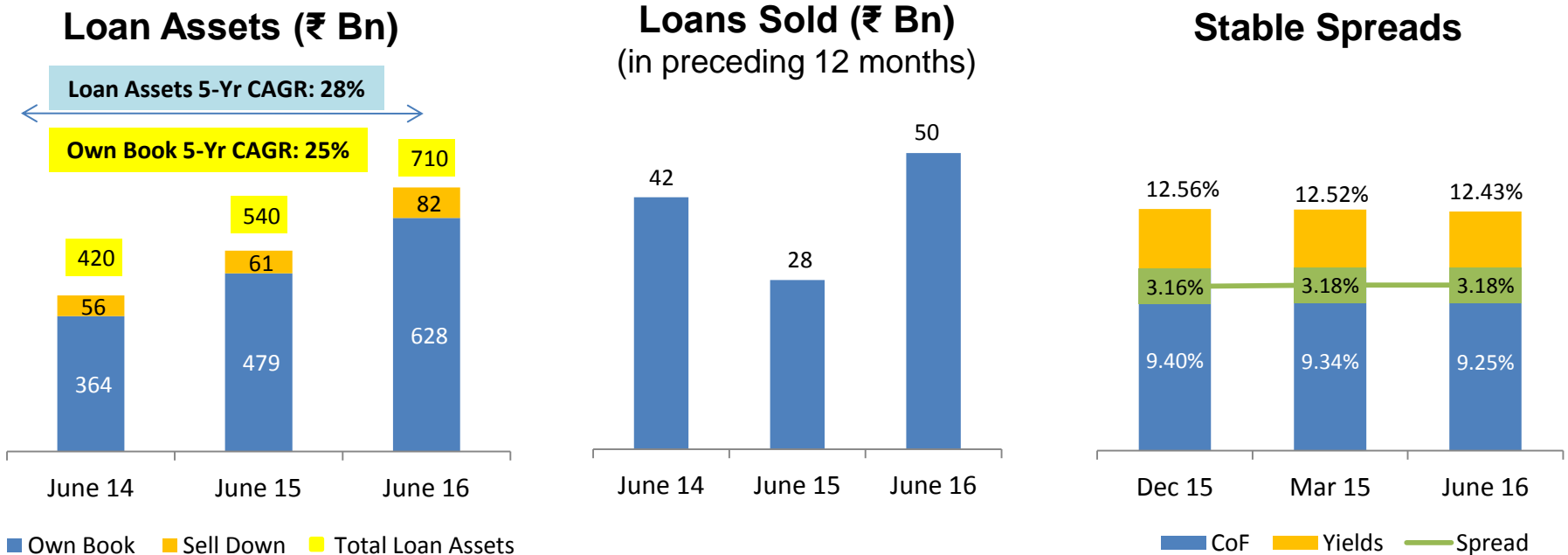
\* Cash, Cash Equivalents and Investments in Liquid Debt Instruments  
US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 67

# Asset Composition



- Housing loans, which forms the majority of incremental disbursements, are disbursed at an average ticket size of ₹ 2.5 Mn; average LTV of 71% (at origination)
- Retail loans' runoff down to 1.4% per month. This has continuously reduced to a level that is now in line with industry average

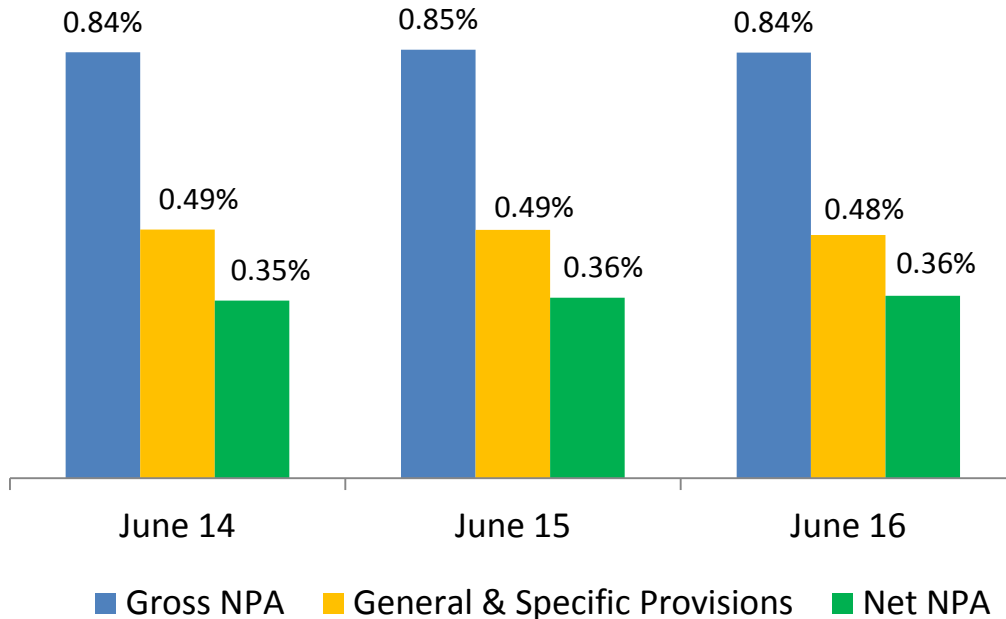
# Capital Conservation, Loan Book Growth at Steady Spreads



## RoE Maximisation through Capital Conservation

- ₹ 11.14 Bn of loans sold down in Q1 FY17, more than double that of ₹ 5.22 Bn in Q1 FY16
- Total of ₹ 50 Bn loans sold down in preceding 12 months compared with ₹ 28 Bn in the 12 months preceding June'15
- ₹ 6.1 Bn of tier-II capital was raised in Q1 FY17
- Raising Tier-II capital increases operational leverage and helps conserve equity capital bolstering returns

# Asset Quality



(as % of Total Loan Assets)

As at June 30, 2016	
	(in ₹ Bn)
NPA (90+ dpd*):	5.98
Provisions for Contingencies:	8.75
<i>Of which</i>	
<i>NPAs:</i>	3.40
<i>Other provisioning:</i>	5.35
Regulatory Provisioning:	5.76
Excess Provisioning Over Regulatory Provisioning:	2.99

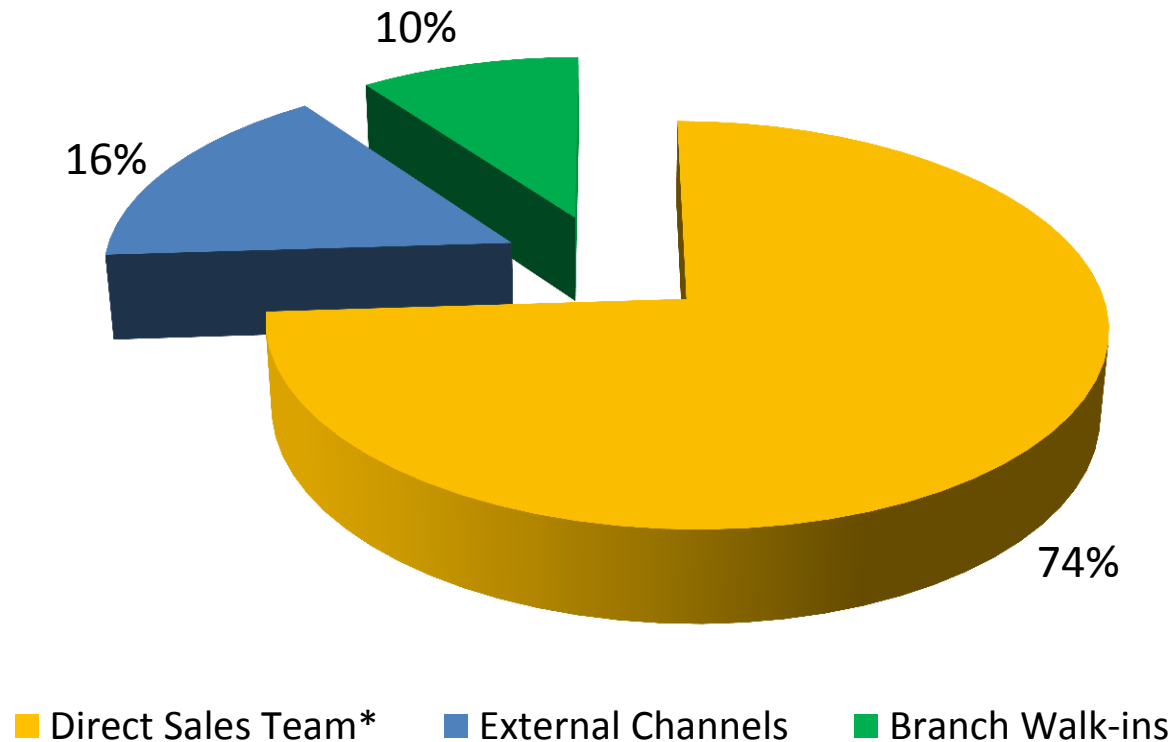
**Provisioning Cover : 146% of GNPA**

- NPAs have remained within the target range for the last 19 quarters
- 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
- ₹ 2.99 Bn of excess provisioning over and above regulatory requirements
- Standard asset provisioning rates are 0.4% for housing loans and 1.0% for non-housing loans

\* dpd: days past due

# Retail Mortgage Loans' Sourcing

84% of Mortgage loans are sourced in-house



- Nearly 85% of the incremental sourcing is done in-house by on-rolls employees

*\*Direct Sales Team - on rolls sales employees*

# Housing Loan Profile:

## Focus on Affordable Housing

Average Loan Size	₹ 2.5 Mn
Maximum Loan to Value	80%
Average Loan to Value	71% (at origination)
Average Loan Term	15 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- RBI defines Affordable housing finance as housing loans to individuals up to ₹ 5 Mn for houses of value up to ₹ 6.5 Mn in the six metros and housing loans up to ₹ 4 Mn for houses of value up to ₹ 5 Mn in other towns / cities

# 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



**Launching India's first**

  
**e-Home Loans** v1.0

# Evolution of Home Loans Distribution Model

Pre 2005



- Entirely branch based. Multiple customer visits to the branch.
- Long drawn process usually taking 20+ days
- Tedious process for subsequent disbursements
- Multiple visits for on-going loan management, tax docs etc

2005-16



- Lead generation at residential construction sites
- Doorstep service and loan fulfilment
- End-to-end process down to 7 to 10 days
- One branch visit mandatory
- Online components ease loan management

The Next Wave



- Branch-in-your-pocket: Loan fulfilment through cell phones
- Technology and internet leveraged lean branch model
- On-line loan application, soft copy uploads, e-signature, eKYC
- Online disbursement to seller/ builder
- End-to-end paperless process

# Traditional Home Loans Model

## Application & Document Completion



Appointment with loan executive  
Hand-filled lengthy loan application form  
Multiple visits for additional documents

## Credit Appraisal & Sanction



Manual data entry from application form  
Manual scrutiny of documents  
Process non-transparent to customers

## Disbursal



Customer has to visit branch  
Hard-copies of all documents required  
Hurried signing of multi-page agreement

- Lender driven process, not at customer convenience
- Takes 8 to 10 working days
- Loan files, property documents and agreements are physical copies, high storage risks and costs
- Customer has limited access to information and a limited window to review key clauses
- High manual dependency and prone to human errors and poor data capture

# e-Home Loans: India's First Online Home Loans

## 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 app 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 education and loan information
- Takes a few hours from loan initiation to disbursal
- 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

## Efficiency and Productivity

- Seamless sourcing process. Low customer drop-out
- Time spent on travel vastly reduced
- Manual data entry eliminated saving 5 man-hours per file
- Credit can focus on appraisal and not data capture

## Cost Reduction

- Save in manpower from automation of effort-intensive steps
- Vastly increased productivity of existing resources
- Lower dependency on physical branches. Fewer needed.
- Reduction in stationery, printing and document storage expenses

## Brand Recall and Reach

- Branchless reach to tier II and III locations
- Unparalleled customer convenience
- Quick turnaround before competition has begun process
- Videos and multimedia tutorials and loan information

## Risk Management

- Reduction in operational risk from lower human involvement
- Reduction in fraud risk:
  - Customer data validated from Aadhar and NSEDL
  - Direct contact with IBHFL, no intermediaries
- Improved data quality and reduced human error
- Improved credit quality from focus on underwriting
- Risk of misplacing documents reduced

# LAP Grading

A Pioneering Initiative for Improved Risk Management  
and Greater Transparency

# Loan Against Property Grading from CRISIL and ICRA

---

- LAP grading engagement with CRISIL (A Standard and Poor's Company) and ICRA (A Moody's Investors Service Company)
  - CRISIL grades the loans on aspects such as past payment track record; nature of business and financial parameters; nature of property; and loan attributes like ticket size, lending scheme, loan tenure, etc.
  - ICRA grades the loans on aspects such as financial strength; business and management; collateral strength quality and enforceability; and attributes of the loan itself
  - Engagement with CRISIL was initiated in Q1FY16 and with ICRA in Q2FY16
- Concurrent grading by multiple rating agencies
  - Offers IBHFL a broader and deeper perspective and means to further improve loan portfolio
  - Rating agencies are important stakeholders: exercise will increase comfort and transparency on the asset class
- Grading exercise will build into a comprehensive risk model
  - Portfolio performance and delinquency will be tracked against loan grade
  - Proactive customer management: retention, upsell/ cross-sell, delinquency management
  - Learnings will feed 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

- Interest and debt service cover
- Revenues, margin and profitability
- Networth and leverage
- Growth track of key financial parameters

## Business Management

- Business sector and sectoral prospects
- Business duration and track record
- Debt service track record
- Experience and qualification of promoters and proprietors
- Management strength and experience

## Collateral Quality

- Property type and location
- Valuation of property
- Ownership and title chain of property
- Adherence to local zoning and planning permissions

## Underwriting Process Adherence

- Independent verification and valuation
- Third party database checks
  - CERSAI
  - Registrar of companies
  - Credit bureau checks
  - CIBIL mortgage checks
  - RBI willful defaulter list
  - Experian Hunter fraud check



Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans <sup>#</sup>	Disbursals Apr'15 – Jun'16*	Interest Service Coverage Ratio (ISCR)	Total Outstanding Liabilities/ Total Networth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	9.2%	11.4 – 13.5	1.3 – 1.6	44%	14% – 16%
LAP2	High	80.4%	12.2 – 14.4	2.0 – 2.4	32%	12% – 14%
LAP3	Average	9.6%	13.8 – 16.3	2.7 – 3.1	29%	9% – 11%
LAP4	Below Average	0.3%	13.0 – 15.5	1.1 – 1.2	23%	15% - 16%
LAP5	Poor	0.5%	8.4 – 9.7	1.7 – 1.9	33%	14% - 16%

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

- Incremental LAP loans from FY16 onwards 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 73% of the disbursals from Apr'15 to June'16.

# 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)

- In Q2 FY 2015-16, 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>

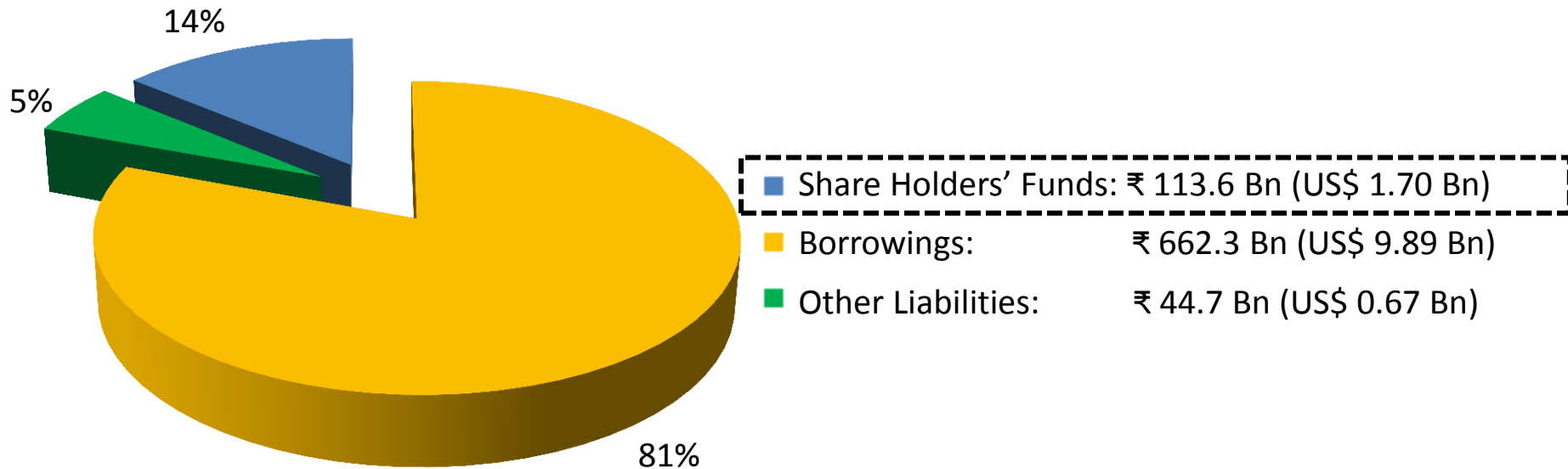
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution*	Median LTV	Median FOIR
LAP1	Excellent	15.1%	26%	34%
LAP2	Good	66.1%	49%	50%
LAP3	Average	18.5%	61%	59%
LAP4	Below Average	0.3%	61%	66%
LAP5	Inadequate	-	-	-

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

- Incremental LAP loans from FY16 onwards 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

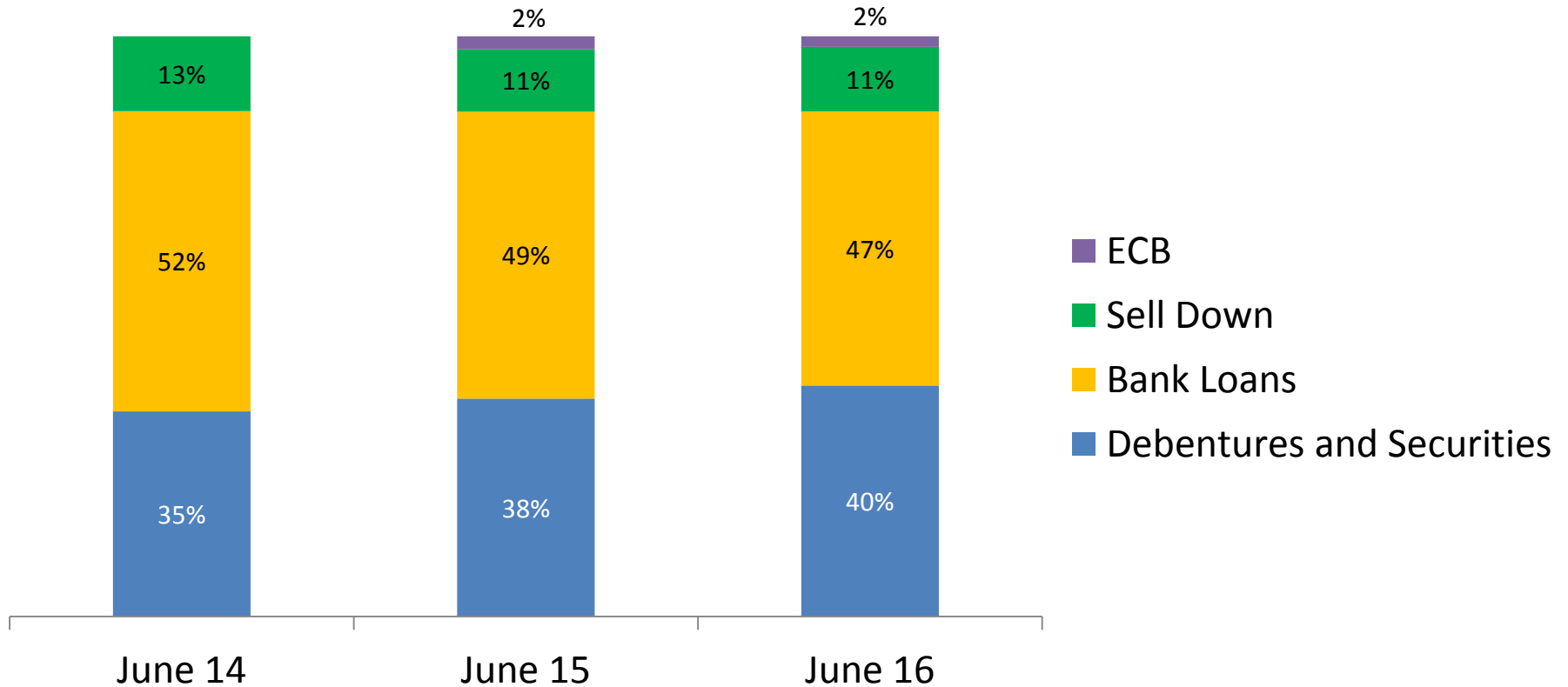


## Total Liabilities:

As of June 30, 2016: ₹ 820.7 Bn (US\$ 12.25 Bn)

As of June 30, 2015: ₹ 599.6 Bn (US\$ 8.95 Bn)

# Funding Mix



## Total Borrowings:

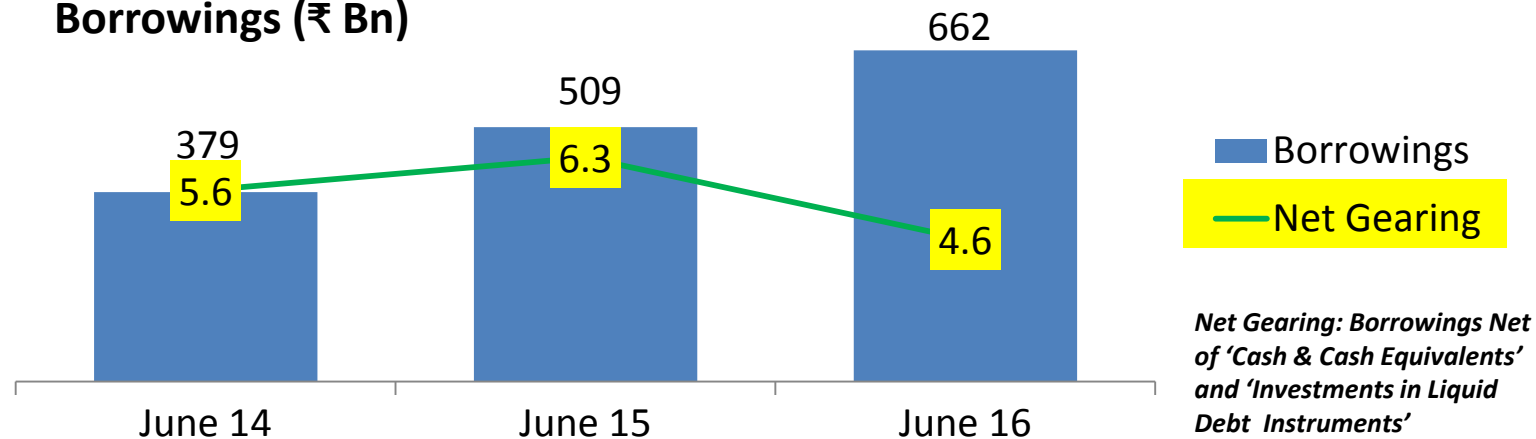
As of June 30, 2016: ₹ 662.3 Bn (US\$ 9.89Bn)

As of June 30, 2015: ₹ 508.6 Bn (US\$ 7.59 Bn)

*Higher proportion of variable rate liabilities compared to peers, makes IBHFL best placed to take advantage of a reduction in interest rates*

# Strengthening Liability Profile

## Borrowings (₹ Bn)



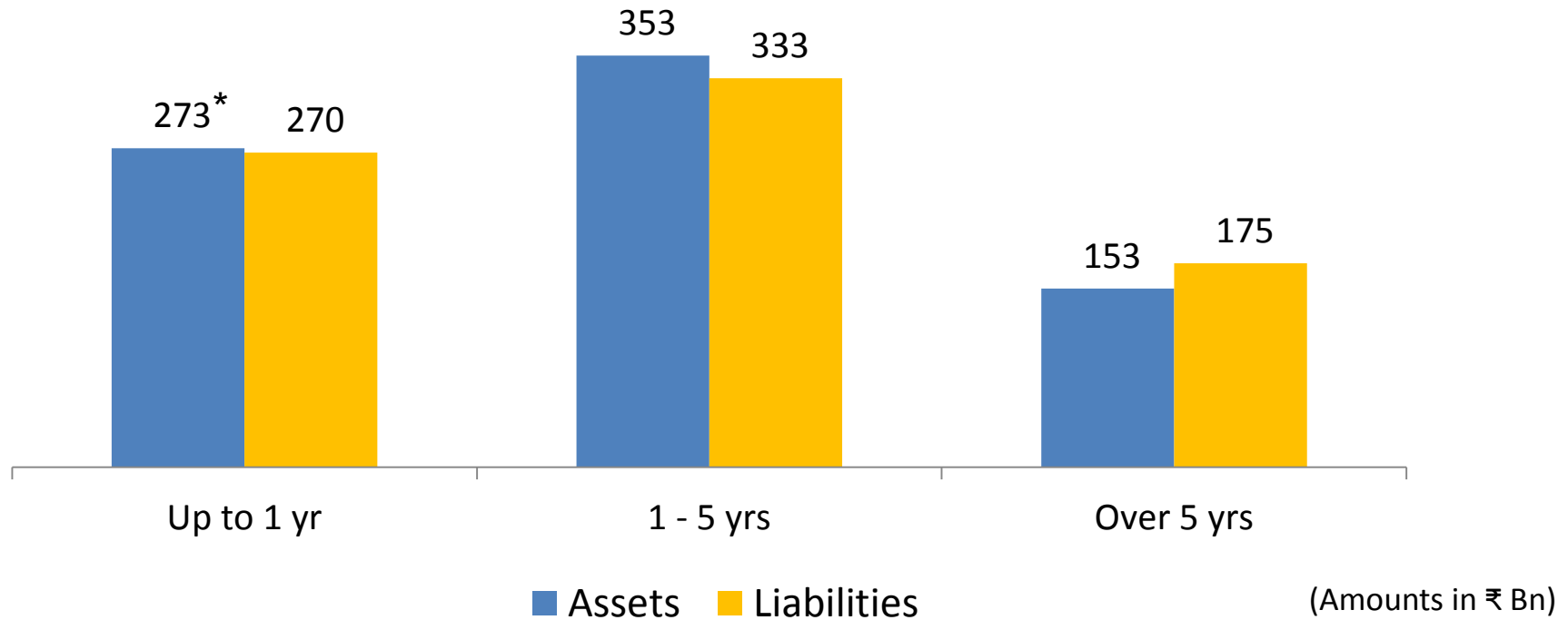
	Total Funding (₹ Bn)		Net Incremental in 3M	Contribution to Incremental Borrowings in last 3 months
	Jun 16	Mar 16		
Bank Loans	353.8	335.7	18.1	32%
Debentures and Securities	295.0	261.9	33.1	59%
ECB	13.5	13.3	0.3	0.5%
<b>Total Borrowing</b>	<b>662.3</b>	<b>610.9</b>	<b>51.5</b>	<b>92%</b>
Sell Down	82.5	78.2	4.3	8%
<b>Total</b>	<b>744.8</b>	<b>689.0</b>	<b>55.8</b>	<b>100%</b>

- Bond issuances have been healthy; capital market sources along with ECBs and sell down, contributed 68% of incremental funding in Q1 and 66% of the incremental funding since March 2015
- In Q1 FY17 IBHFL raised a total of ₹ 6.1 Bn of subordinated debt. Subordinate and perpetual debt count as Tier-II capital and increase operational leverage helping the company efficiently deploy and leverage the equity capital
- Amongst its lenders, the company now counts 300 strong relationships: 26 PSU banks, 17 Private and Foreign banks and 257 Mutual Funds, Provident Funds, Pension Funds, Insurance Companies and others

# Optimally Matched Balance Sheet

## Maturity Profile

(As of March 31, 2016)



- \* Assets in the 'Up to 1 Yr' bucket includes ₹ 128.7 Bn (as of March 31, 2016) 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 National Housing Bank

*The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 153.35 Bn as at 30<sup>th</sup> June, 2016. 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'*



# 3 Pillars of Long-Term Growth



## Profitability

- Focus on profitability in each business segment
- Internal cost structures aligned along product lines
- Regions and branches evaluated on profitability and asset quality, not market share
- Stable margins despite continuous reduction in risk levels within each asset class

## Sustainability

- Stable senior and mid-manager levels
  - Senior personnel in key business functions unchanged since inception 10 years ago
  - Credit team with average 5+ years experience
- Focus on affordable housing segment
  - Vast urban housing shortage of 19 Mn units
  - Government policy focus and thrust
- Only mortgage backed lending
  - At only 9% India has one of the lowest mortgage-to-GDP ratios ensuring a large and sustainable opportunity
  - Historically low NPA levels

## Scalability

- Efficient capital deployment
  - Focus on loan sell downs
  - Home loan segments with lowest risk weights
- Focus on operating efficiencies
  - Declining cost-to-income ratio
  - Lower credit costs from expanding housing loan share
  - Increasing sales force productivity
- Digital and Technology leveraged
  - Amongst top 3 in search results
  - Over 200 leads per day
  - Customer engagement through social media
  - IT enabled work-flow for sales, credit and collections



Increased growth from increased productivity and stronger brand pull

- Reduction in cost-to-income:
- Lower sourcing costs
  - Vastly increased sales and credit productivity
  - Reduced dependency on branches

Increasing penetration and adoption of the internet

Online banking usage has grown at a CAGR of 45% for the last 7 years

Manpower and branches need not grow in proportion to business

Lean branch model. Business reach can expand without large increase in branches

Increased automation reduces manpower intensity

# 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 Surinder Singh Nijjar : 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 Dhyan Chand Award by the President of India
- Mr. Samsheer 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

# Corporate Social Responsibility

# Indiabulls Foundation: Corporate Social Responsibility

## Health

Four free medical clinics to provide primary and preventive health care to the underprivileged. Diagnosed and treated more than 56,000 patients till date

Jan Swasthya Kalyan Vahika vehicles: 9 Mobile medical vans provide free primary healthcare services to nearly 2,60,000 patients every year

Cleft deformity surgery for 1,200 children across 6 states in partnership with Smile Train, an international children's charity



## Women's Health

Free sanitary napkins to promote hygiene and sanitation amongst rural women. About 30,000 underprivileged and rural women have benefitted from this initiative



## Nutrition

Free Paushtik Aahar (nutrition supplements) to 5,000 underprivileged malnourished individuals every month and regular monitoring of their health, weight and height. Support to women self-help groups to make Paushtik Aahar (nutritional supplements) and provide sustainable employment options to the underprivileged







## Computer Literacy Program

In order to improve IT literacy amongst the underprivileged population, contributed 1,000 computers to tribal ashram schools, shelter homes and night schools in Mumbai, Thane, Raigarh and Palghar districts of Maharashtra



# Indiabulls Foundation: Corporate Social Responsibility

<p>Disaster Relief</p>	<p>During the Chennai floods, provided timely relief to 1,500. The nutritional supplement is a ready to eat mixture providing well needed nourishment to the Chennai flood affected</p>	
<p>Indiabulls Foundation E-learning (IBFE)</p>	<p>Tie-up with MKCL (Maharashtra Knowledge Corporation Ltd.) authorized computer centers to help impart basic IT literacy to rural youth</p> <p>Equipped 31 ashram schools with sophisticated e-learning methods to enhance the quality of education in rural Maharashtra</p>	
<p>Education and Development</p>	<p>Awarded scholarships to 365 meritorious and deserving students from economically challenged background to pursue higher education after 12<sup>th</sup> standard</p> <p>Started Sport Excellence Program to support athletes and provide them with world class training facilities</p> <p>Tie-up with ESHA Foundation to create awareness about the online library of ESHA in Indian languages. Will help about 12,000 visually challenged and resource deprived children and adults in Gurgaon and Andhra Pradesh</p>	
<p>Rural Empowerment</p>	<p>Implemented water project called 'Rahat' at 3 Tribal Ashram Schools where there was acute scarcity of water. Over 2500 children from these tribal schools will benefit from this initiative every year.</p> <p>Installed Renewable Energy Plants at 5 tribal ashram schools in Maharashtra. These plants will provide free of cost round-the-clock seamless electricity to these schools for 25 years absolutely free of cost</p>	

# Key Ratios, Valuations and Shareholding

# Rising Productivity Ratios

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
No. of Employees	5,453	4,840	4,099	4,072	4,243
Profit per employee (₹ Mn)	4.3	3.9	3.8	3.1	2.4
Asset per employee (₹ Mn)	140.2	118.2	108.4	80.9	58.5
Cost Income Ratio	14.3%	16.4%	17.1%	18.0%	18.7%

# Key Financial Metrics

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Pre Tax RoAA (%)	4.9%	4.9%	4.8%	4.9%	4.9%
Post Tax RoAA (%)	3.7%	3.7%	3.8%	3.8%	3.7%
RoE (%) <sup>^</sup>	26%	29%	27%	26%	22%
Capital Adequacy (%) <sup>#</sup>	23.38%	19.60%	20.47%	18.58%	19.96%
- Tier I <sup>#</sup>	20.36%	16.28%	16.10%	15.05%	19.27%
- Tier II <sup>#</sup>	3.02%	3.32%	4.37%	3.53%	0.69%

<sup>^</sup> ₹ 40 Bn of equity was raised through a QIP in September, 2015

<sup>#</sup> Adjusted for mutual fund investments



# Valuations and Returns

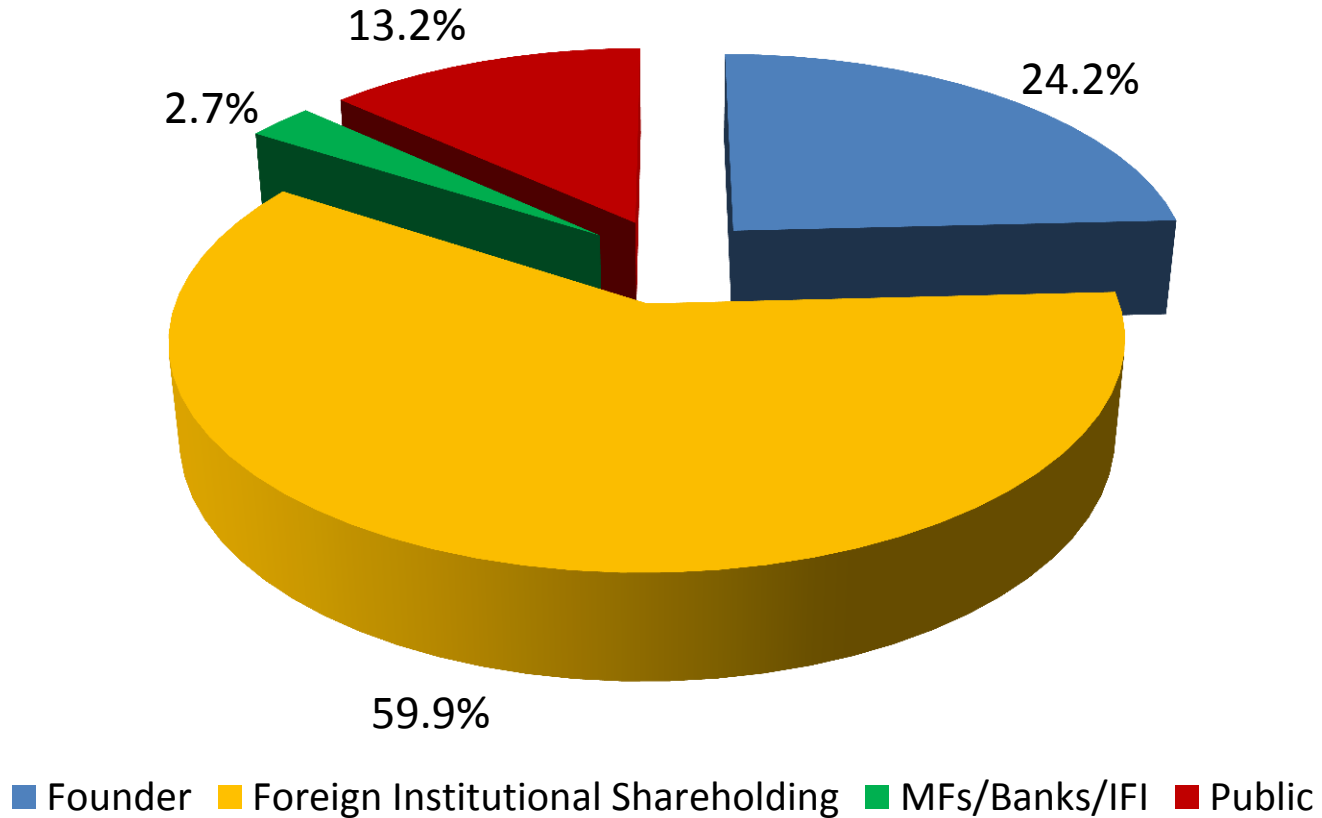
	June -16	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Market Price per share (₹)	735.5*	674.0	557.9	285.6	271.8	207.1
Market Capitalisation (₹ Bn)	309.9	284.0	198.4	95.4	84.9	64.5
PE Ratio (times)	12.3	11.3	10.2	6.0	6.8	6.5
Book Value per share (₹)	269.6	253.8	184.5	168.7	165.4	157.7
Price to Book Ratio (times)	2.7	2.7	3.0	1.7	1.6	1.3
Dividend per share (₹) #	9	36	35	29	20	13
Foreign Institutional Shareholding (%)	59.9%	58.9%	51.8%	41.1%	45.2%	38.7%

# Normalized to reflect periods the dividends pertain to

\*As on 22<sup>nd</sup> July , 2016

US \$ amounts are converted based on the exchange rate of US \$1 = ₹ 67

# Shareholding Pattern



As on 30<sup>th</sup> June, 2016

# Detailed Financials

# Consolidated Balance Sheet

Statement of Assets and Liabilities Particulars	(Rupees in Billion)	
	As at	
	30.06.16 (Unaudited)	31.03.16 (Audited)
<b>I. EQUITY AND LIABILITIES</b>		
<b>(1) Shareholder's Funds</b>		
(a) Share Capital	0.84	0.84
(b) Reserves and Surplus	112.78	106.10
<b>(2) Non-Current Liabilities</b>		
(a) Long-term borrowings	406.20	355.21
(b) Deferred tax Liabilities (net)	1.19	0.81
(c) Other Long term liabilities	2.04	1.54
(d) Long term provisions	6.97	6.81
<b>(3) Current Liabilities</b>		
(a) Short-term borrowings	143.41	143.11
(b) Trade payables	0.37	0.09
(c) Other current liabilities	144.92	147.74
(d) Short-term provisions	1.98	2.11
<b>Total</b>	<b>820.70</b>	<b>764.36</b>
<b>II. ASSETS</b>		
<b>(4) Goodwill on Consolidation</b>	0.67	0.67
<b>(5) Non-current assets</b>		
(a) Fixed assets	0.69	0.69
(b) Non-current investments	7.80	7.24
(c) Deferred tax assets (net)	0.09	0.05
(d) Long term loans and advances	549.68	535.23
(e) Other non-current assets	4.19	4.14
<b>(6) Current assets</b>		
(a) Current investments	126.58	99.69
(b) Trade receivables	0.05	0.03
(c) Cash and cash equivalents	26.77	29.02
(d) Short-term loans and advances	96.78	80.95
(e) Other current assets	7.40	6.66
<b>Total</b>	<b>820.70</b>	<b>764.36</b>

**₹ 153.35 Bn of  
Cash & Cash  
Equivalents and  
Investments in  
Liquid Debt  
Instruments**

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 153.35 Bn as at 30<sup>th</sup> June, 2016. 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	
	30.06.16 (Unaudited)	31.03.16 (Unaudited)	30.06.15 (Unaudited)	31.03.16 (Audited)	
<b>1</b>	<b>Income from Operations</b>				
	a) Income from Operations	22.61	22.33	17.66	78.42
	b) Other Operating Income	1.11	1.68	0.63	4.48
	<b>Total Income from operations (net)</b>	<b>23.72</b>	<b>24.01</b>	<b>18.29</b>	<b>82.90</b>
<b>2</b>	<b>Expenses</b>				
	a) Employee Benefits Expense	1.18	1.15	0.91	4.13
	b) Depreciation and Amortisation Expense	0.05	0.05	0.05	0.20
	c) Other Expenses	1.88	2.76	0.98	6.92
	<b>Total Expenses</b>	<b>3.12</b>	<b>3.96</b>	<b>1.94</b>	<b>11.25</b>
<b>3</b>	<b>Profit from Operations before Other Income, Finance costs &amp; Exceptional Items (1-2)</b>	<b>20.60</b>	<b>20.05</b>	<b>16.35</b>	<b>71.65</b>
<b>4</b>	<b>Other Income</b>	<b>2.25</b>	<b>2.46</b>	<b>1.96</b>	<b>9.36</b>
<b>5</b>	<b>Profit from ordinary activities before Finance costs &amp; Exceptional Items (3+4)</b>	<b>22.86</b>	<b>22.51</b>	<b>18.31</b>	<b>81.00</b>
<b>6</b>	<b>Finance Costs</b>	<b>14.11</b>	<b>13.62</b>	<b>11.39</b>	<b>49.71</b>
<b>7</b>	<b>Profit from ordinary activities after Finance costs but before Exceptional Items (5-6)</b>	<b>8.75</b>	<b>8.90</b>	<b>6.92</b>	<b>31.29</b>
<b>8</b>	<b>Exceptional Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9</b>	<b>Profit from Ordinary Activities before Tax (7-8)</b>	<b>8.75</b>	<b>8.90</b>	<b>6.92</b>	<b>31.29</b>
<b>10</b>	<b>Tax Expense (including Deferred Tax and MAT credit entitlement)</b>	<b>2.40</b>	<b>2.08</b>	<b>1.81</b>	<b>7.76</b>
<b>11</b>	<b>Net Profit from Ordinary Activities after Tax (9-10)</b>	<b>6.35</b>	<b>6.82</b>	<b>5.11</b>	<b>23.53</b>
<b>12</b>	<b>Extraordinary Items (net of tax expenses ₹ NIL)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>13</b>	<b>Net Profit for the period / year (11-12)</b>	<b>6.35</b>	<b>6.82</b>	<b>5.11</b>	<b>23.53</b>
<b>14</b>	<b>Share of (Loss) of Associate</b>	<b>(0.05)</b>	<b>(0.06)</b>	<b>-</b>	<b>(0.08)</b>
<b>15</b>	<b>Minority Interest for the period / year</b>	<b>-</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>
<b>16</b>	<b>Net Profit after Taxes, Minority Interest and Share of Profit / (Loss) of Associate (13+14-15)</b>	<b>6.30</b>	<b>6.76</b>	<b>5.11</b>	<b>23.45</b>
<b>17</b>	<b>Paid-up Equity Share Capital</b>	<b>0.84</b>	<b>0.84</b>	<b>0.71</b>	<b>0.84</b>
<b>18</b>	<b>Reserves excluding Revaluation Reserves as per Balance Sheet as on March 31, 2016</b>				<b>106.10</b>
<b>19</b>	<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20</b>	<b>Earnings per Share (EPS) before extraordinary items</b>				
	<i>*(EPS for the quarters are not annualised)</i>				
	-Basic (Amount in ₹)	14.95*	16.04*	14.38*	59.84
	-Diluted (Amount in ₹)	14.77*	15.85*	14.01*	58.75
	-Face Value (Amount in ₹)	2.00	2.00	2.00	2.00
	<b>Earnings per Share (EPS) after extraordinary items</b>				
	<i>*(EPS for the quarters are not annualised)</i>				
	-Basic (Amount in ₹)	14.95*	16.04*	14.38*	59.84
	-Diluted (Amount in ₹)	14.77*	15.85*	14.01*	58.75
	-Face Value (Amount in ₹)	2.00	2.00	2.00	2.00

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 153.35 Bn as at 30<sup>th</sup> June, 2016. 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