

# POSITIONAL CALL

## INDIABULLS HOUSING FINANCE LTD



BUY | CMP 898 | TARGET 980 | POTENTIAL UPSIDE 9%

04 APRIL 2019

### Stock Data

M.Cap (₹ in cr)	38380.52
Equity (₹ in cr)	85.48
52 wk H/L ₹	1396.85/576.35
Face Value ₹	2
Div. Yield	5.01%
NSE Code	IBULHSGFIN
BSE Code	535789

### Valuation Data

P/BV	2.33
BV	385.59
Goss NPA*	0.79%
Net NPA*	0.59%
CAR(FY18)	20.82%

\*as a % of loan assets as on Dec18

### Index Detail

Sensex	38684.72
Nifty	11598.00
Index	A / S&P BSE 100

**21 ongoing relationships with banks for sell downs**

### LEAD RATIONAL

Unlike most of the HFC's, the share of IndiaBulls Housing has fallen dramatically from levels of Rs 1400. The fall has largely been on account of the IL&FS wreck and also on account of the worries surrounding DHFL. Though, India Bulls has often clarified it stating that its liquidity position continues to remain sound (as closed with cash of 21000cr in Q3FY19) and has performed well during the quarter. It has significantly bought down reliance on 3-month CP in the process, thereby ensuring a well matched ALM and durability of liquidity levels. It now counts 21 strong banking relationships - 16 with PSU banks and 5 with private and foreign banks amongst its securitization investors.

India bulls has guided the **loan growth** of 20-25%, **Pat growth** at 17-19% and **Balance sheet growth** is expected to be around 10% for FY20. *Thus, by conservative leverage through sell-downs, would help IB in growing the total loan assets and retaining the spread. This strategy would also help to maintain healthy ROE (reported 30% for FY18) going forward.*

Considering, Low mortgage penetration, favorable demographics and increasing affordability, combined with the government and regulatory push, the housing finance industry is expected to deliver good growth ahead. We value the stock at an estimated P/BV of FY20Est. at 2.25x with a target of ₹ 980 in medium term.

PSU Banks			Private and Foreign Banks
Bank of Baroda	Bank of India	Canara Bank	ICICI Bank
Central Bank of India	Corporation Bank	Dena Bank	IDFC Bank
IDBI Bank	Indian Bank	Indian Overseas Bank	Kotak Mahindra Bank
Oriental Bank of Commerce	Punjab National Bank	State Bank of India	RBL Bank
Syndicate Bank	UCO BANK	Union Bank of India	Deutsche Bank
Vijaya Bank			

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### RECOVERY STATUS OF OLD WRITE-OFFs, PROVISIONS WATCHFULL

- During Q3FY19, ₹ 330 Cr of provision has been taken against Supertech Limited. Though IBH's loan is a standard asset, this is taken as a matter of abundant caution considering issues with other projects of Supertech Limited.
- ₹ 200 Cr to be recovered from **Palais Royale [construction finance loan]** in Q4FY19, the first installment against this has already been received. Further, ₹ 234 Cr in Mar 2020, ₹ 234 Cr in Mar 2021 and ₹ 234 Cr in Mar 2022, will be recovered. This account was recognised as NPA and is provided for in the books. The resolution of the case happened after pursuing litigation process in the courts for 2 years.
- IBH has been proactive and conservative in its provisioning policy and has healthy quarterly recovery rate from its stage 3 pool. It has been empirically demonstrated that IBH has in excess of 80% loan recovery on its written-off/ NPA assets over time. In Q3FY19, IBH recovered ₹ 125 Cr from its already written off pools.

### WAY FORWARD- GUIDANCE STATED

- IBH is expected to deliver PAT growth of 15%-16% for the current FY and 17%-19% for the next FY. ***The core strategy of its business is to sell down pools of loans while retaining a spread door-to-door over the entire length of the loan. While total assets under management is expected to grow 20%-25%, balance sheet growth is expected to be around 10%, this strategy will not only allow the company to grow its business without raising fresh equity capital, but will also help increase RoE.***
- As on Jan.31,2019, the sell down pool principal outstanding for IBH is ₹ 25,822 Cr (earn a spread of 2.4%) representing 21% of total assets under management of IBH.

### GOVERNMENT FOCUS- TO BOOST HOUSING SECTOR

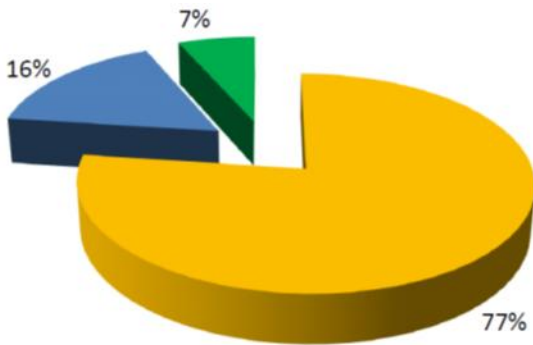
Subsidy eligibility under Pradhan Mantri Awas Yojana [PMAY] covers up to ₹ 12 lakh of home loan – reduces effective home loan rates to 0.67% for mid-income affordable housing. Also, 100% tax exemption on profits from construction of affordable housing will attract organized developers and increase supply. Besides, 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.

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### LIQUIDITY SITUATION REMAINS SOUND DESPITE WORRIES AROUND



Current Account Balance & Fixed Deposits	9,703
Mutual Fund Investments [available on t+1/t+2 basis]	8,202
Investment in Bank CDs	2,328
Quasi-sovereign Tax-free Liquid Bonds	853
Cash in Hand	4
<b>Total Cash and Cash Equivalents</b>	<b>21,090</b>

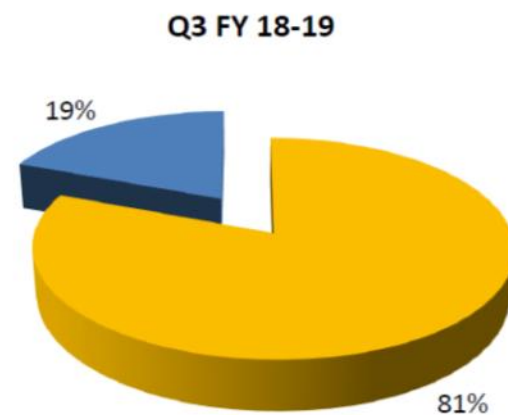
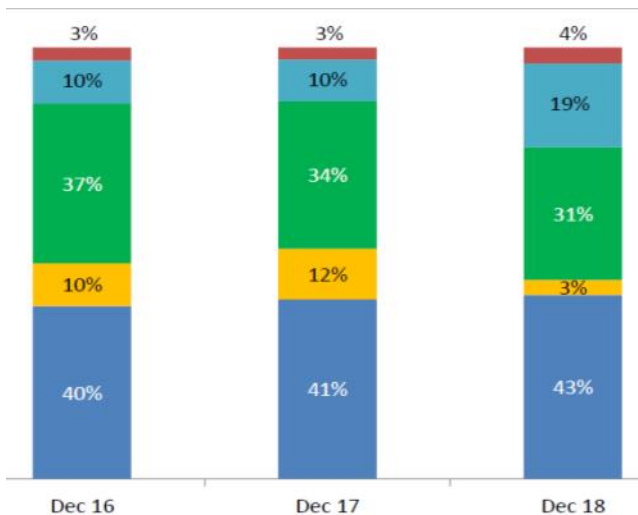
Amount in ₹ Cr

- Loan Book
- Cash & Cash Equivalents
- Other Assets

*Despite IL&FS wreck and worries of DHFL, India Bulls has often clarified it stating that its liquidity position continues to remain sound. It has closed with cash of 21090cr in Q3FY19. Company has significantly bought down reliance on 3-month CP in the process, thereby ensuring a well matched ALM and durability of liquidity levels.*

### FUNDING MIX

### ASSET COMPOSITION



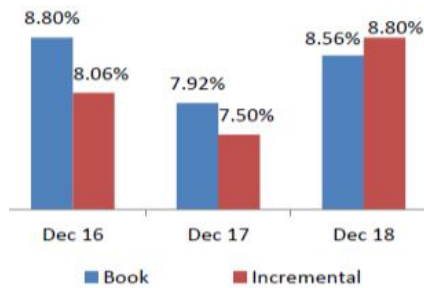
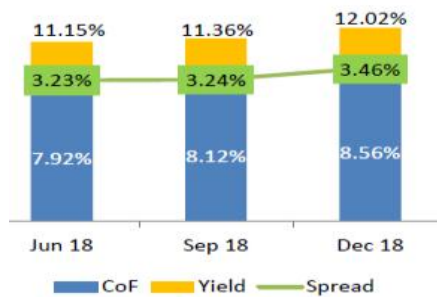
- Debtures and Securities
- 3-Month CP
- Bank Loans
- Sell Down
- ECB
- Mortgage Loans
- Corporate Mortgage Loans

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### KEY HIGHLIGHTS Q3FY19



### Loan Assets [₹ Cr]

Loan Assets 7-Yr CAGR: 26%

Own Book 7-Yr CAGR: 22%



### LIABILITY PROFILE



- 3- month CPs presently is at 4%. The total 3-month CPs of the company is expected to be below 5% of its borrowings going ahead.
- Customer repayments in Q3FY19 were ₹ 7,431 Cr. The average customer repayments per quarter in the 3 quarters of this financial year is ₹ 6,523 Cr.
- Lease Rental Discounting [LRD] assets exclusively mortgaged to IBH by developers are valued in excess of ₹ 26,000 Cr. by leading IPCs. These rental assets are liquid and have a low LTV.
- Home loans, which form the majority of incremental disbursements, are disbursed at an average ticket size of ₹ 24 Lakhs; average LTV of 73% [at origination].
- On total loan assets of ₹ 1,24,271 Cr, the loan assets in loan stage 1 & 2 are ₹ 1,23,284 Cr representing 99.2% of the total assets. The ECL provisions taken on assets in stage 1 & 2 are ₹ 673 Cr [As per Indian Accounting Standards [IndAS], all assets less than 90 dpd are standard assets classified in stage 1 & 2].
- On total loan assets of ₹ 1,24,271 Cr, the loan assets in stage 3 are ₹ 987 Cr representing 0.79% of the total loan assets. The ECL provision taken on loan assets in stage 3 are ₹ 247 Cr representing 25% of the loan assets in stage 3 [as per IndAS, all assets that are more than 90 dpd are impaired or non-performing assets and are classified as NPA].
- Over the past 36 months IBH has demonstrated the depth of its diversified liabilities franchise by moving nimbly across instruments such as securitization, institutional bonds, retail bonds, ECB's, Masala Bonds and Bank Term Loans based on macro conditions around liquidity and interest rates.
- Amongst its lenders, the company now counts 622 strong relationships: 21 PSU banks, 26 Private and Foreign banks and 575 Mutual Funds, Provident Funds, Pension Funds, Insurance Companies and Corporate.
- Growth of on-balance sheet loan assets [7-year CAGR: 22%] is slower than growth in total loan assets [7-year CAGR: 26%] facilitating RoE expansion.

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