

Dewan Housing Finance Corporation Ltd.

Poised for the next leap in a niche business



Earnings Update – June 2012

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DHFL – FBHFL Merger Update

* Erstwhile Deutsche Postbank Home Finance

Group Earnings Update – Q1FY13



- Total AUM crosses ₹ 220bn in June 2012
- Total Income for Q1FY13 up 48% YoY to ₹ 7.39bn
- Profit after Tax for Q1FY13 up 18% YoY to ₹ 778.3mn
- For Q1FY13; Sanctions and Disbursements were ₹ 34.10bn and ₹ 26.76bn, respectively
- Loan book as of end June'12, up YoY by 40% to ₹ 213.97bn
- Net Interest Margin for Q1FY13 stood at 2.81%
- RoA for Q1FY13 was 1.72% and RoE for the same period stood at 17.04%
- Gross NPA's stood at 0.92% and Net NPA's were 0.13% as the provisioning coverage was maintained at 86.18%

- Total Income for Q1FY13 up 28% YoY to ₹ 2.13bn
- NII for Q1FY13 up by 22% YoY to ₹ 559.70mn
- Profit after Tax for Q1FY13 up 18% YoY to ₹ 279.80mn
- RoA improved to 1.77% from 1.75% as of Jun'11 and RoE improved to 19.35% from 16.73% as of Jun'11
- For Q1FY13; Sanctions were at ₹ 6.35bn and Disbursements at ₹ 5.86bn
- Loan book as of end June'12, up YoY by 17% to ₹ 63.38bn
- Gross and Net NPA's stood at 0.83% and 0% respectively as of end June'12

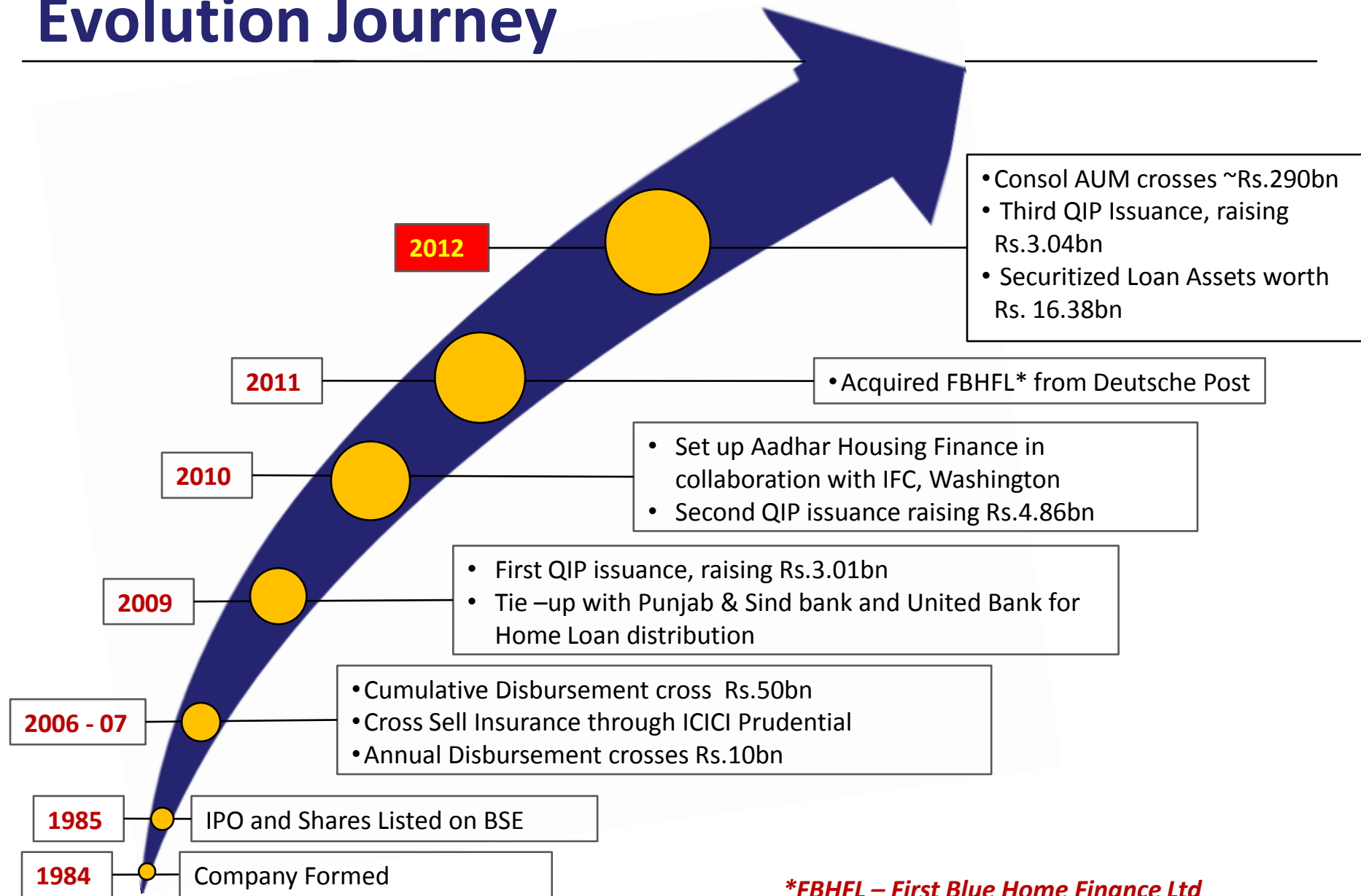


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Group Profile

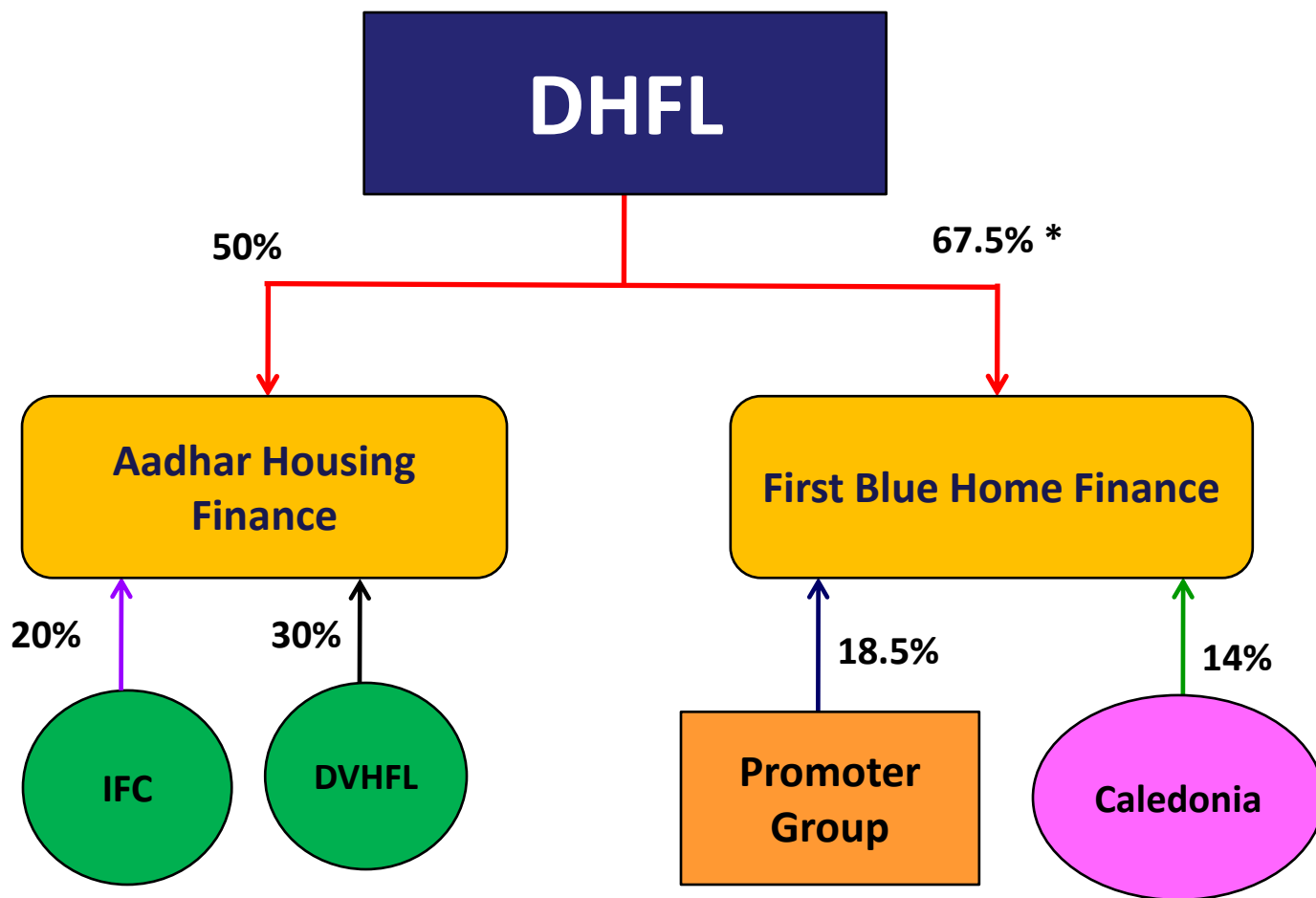
- ➡ Evolution Journey
- ➡ Corporate Profile
- ➡ Our Reach
- ➡ Experienced Management
- ➡ Opportunity Landscape

Evolution Journey



**FBHFL – First Blue Home Finance Ltd*

Corporate Profile



**** DVHFL – DHFL Vysya Housing Finance**

*** First Blue will be merged with DHFL in the First Half of FY13**

Geographical Presence

Group spread across 452 locations in India



Source: Company

Eminent Professionals – Our Driving Force

Distinguished Board of Directors

Mr. Kapil Wadhawan

**Chairman and
Managing Director**

Mr. Dheeraj Wadhawan

**Non-Executive
Director**

Mr. Anthony Hambro

**Nominee Director
Caledonia Plc**

Mr. R P Khosla

Independent Director

Mr. G P Kohli

Independent Director

Mr. R S Hugar

Independent Director

Mr. Ajay Vazirani

Independent Director

Mr. V K Chopra

Independent Director

Dr. P S Pasricha

Independent Director

Experienced Management Team

Mr. Kapil Wadhawan

**Chairman and
Managing Director**

Mr. Anil Sachidanand

President

Mr. Anoop Pabby

President

Mr. Harshil Mehta

CEO Aadhar HFL

Team DHFL

Prashant Chaturvedi - Head Finance

Rajeev Sathe - COO

J N Shah - Head Accounts & Tax

S. Ramratthinam - Head Credit and Risk

S Y Sankhe - Head Legal & Secretarial

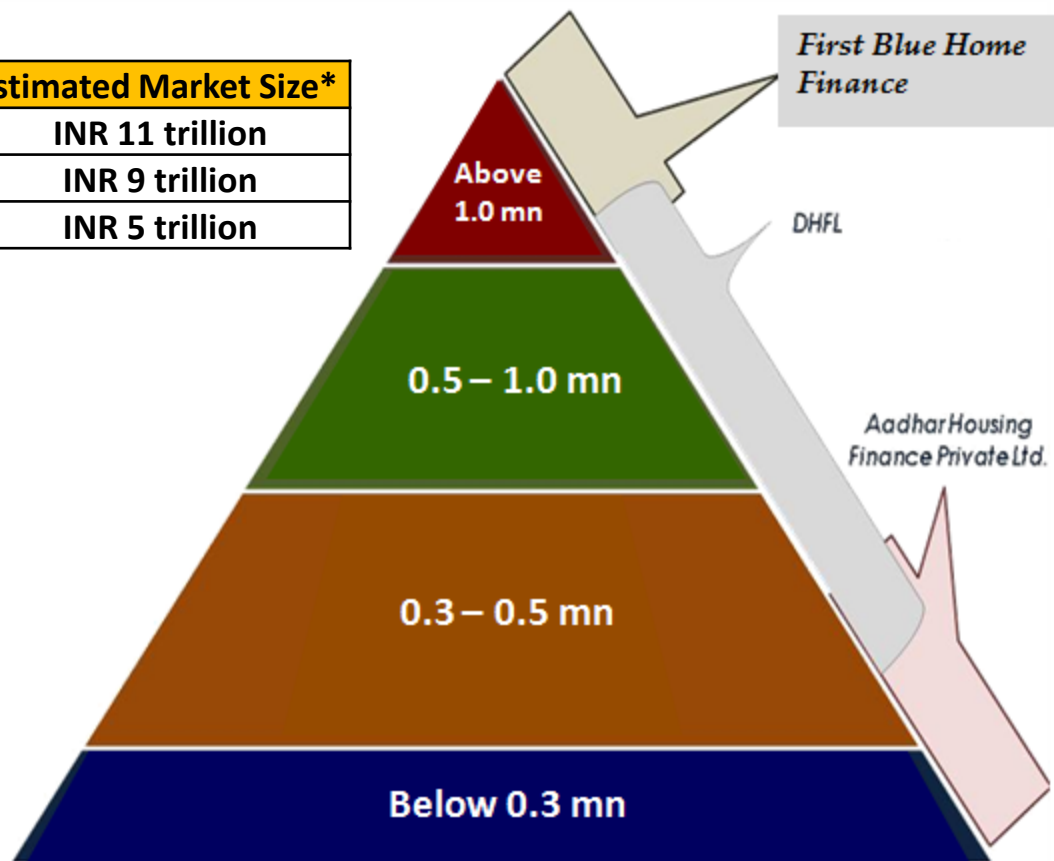
Satish Kotian - Head IT

S Krishnakumar - Head Human Resources

Ganesan B - Head Internal Audit

Opportunity Landscape

Price per Dwelling Unit	Estimated Market Size*
Between INR 0.3 - 1.0 mn	INR 11 trillion
Between INR 1.0 - 2.5 mn	INR 9 trillion
Above INR 2.5 mn	INR 5 trillion

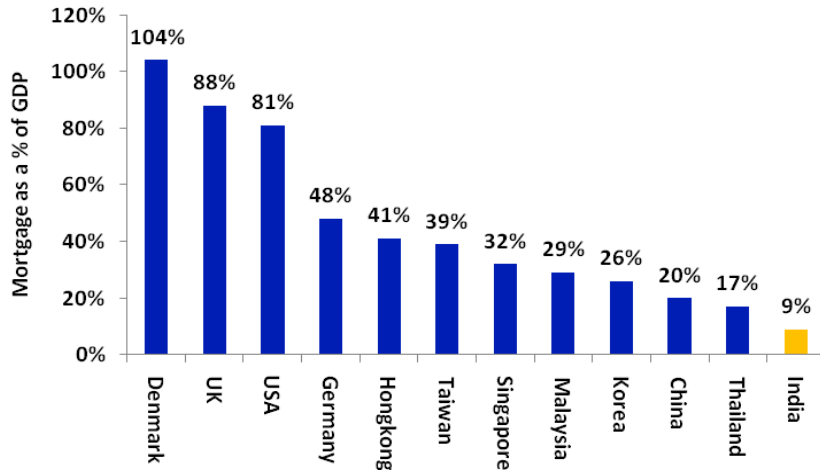


Pursuant to the acquisition of First Blue Home Finance and setting up of Aadhar Housing Finance in FY11, DHFL as a group is geared to serve customers across the housing finance spectrum, with each company serving a niche segment , resulting in minimal overlap

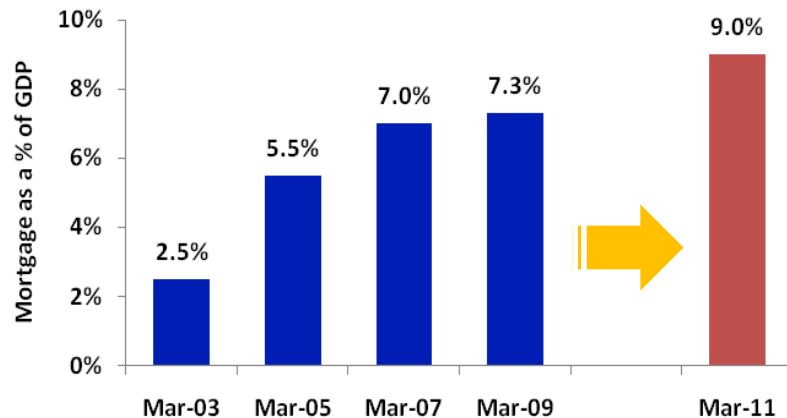
All Information Source: Monitor Group

Mortgage Finance Industry – Huge Growth Opportunity

Low Mortgage Penetration in India – A huge market potential



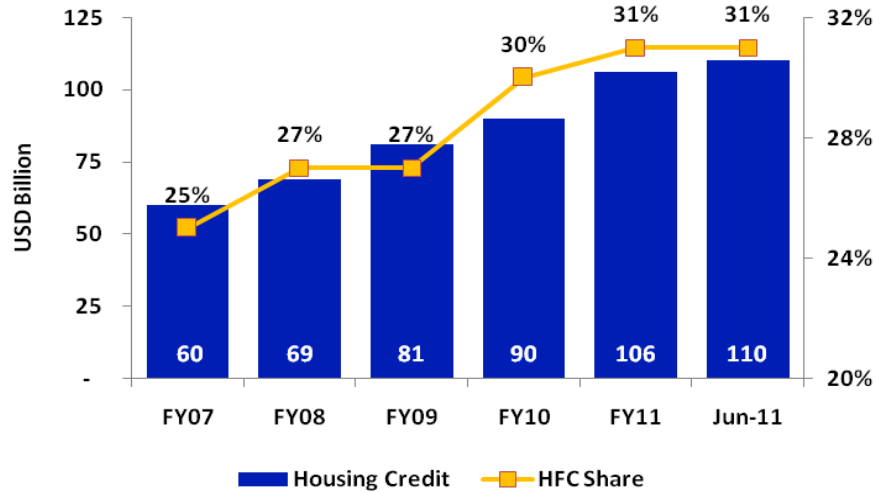
Growth in Mortgage penetration – Translating to higher Industry Growth



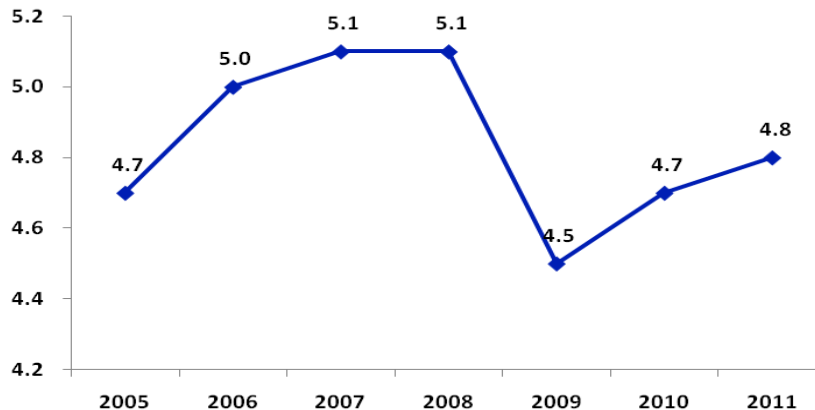
- Indian housing market has emerged as one of the most promising secured financing option
- As of June 2011, total housing loan market in India is estimated at USD 110 billion
- Current Mortgage to GDP ratio for India amongst the lowest in the world and provides huge opportunity for growth on sustainable basis for years to come
- Knight Frank in its Global House Price Index report mentions India along with Hong Kong and Taiwan as the strongest performing nations in housing market
- BCG-IBA Report estimates outstanding mortgages in India will increase 8 fold by 2020. Mortgage to GDP ratio projected at 20% by 2020
- A modest 3% increase in mortgage penetration from current levels will translate into the industry growth rate of more than 20% p.a in the coming years

Mortgage Finance Industry – HFCs gaining share

HFCs' market share rising along with Housing Credit Growth



Housing Affordability Index



Source: Crisil & CARE estimates, Census report

- In spite of more than dozen rate hikes by RBI in last 24 months, housing credit grew by 18% y/y in FY12
- Indian Housing Finance Market is split into Banks and HFCs. Banks' share has seen a reversal over the years, in which HFCs' traditional strengths have come to the fore and their market share increased to 31% in FY 11
- The top five PSBs had a gross NPA level of 1.89% in their housing finance book as on March 31, 2011, against 0.82% for HFCs
- The affordable housing segment is expected to become the key growth driver for the market.
- Government and National Housing Bank have launched various schemes to promote housing for low to middle income group and in Tier-II & III cities

Affordability equals property prices by annual income

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Dewan Housing Finance

- ➡ **Dominant Player in the LMI Segment**
- ➡ **Differentiated Business Model**
- ➡ **Nurturing Diversification in Operations**
- ➡ **Performance**

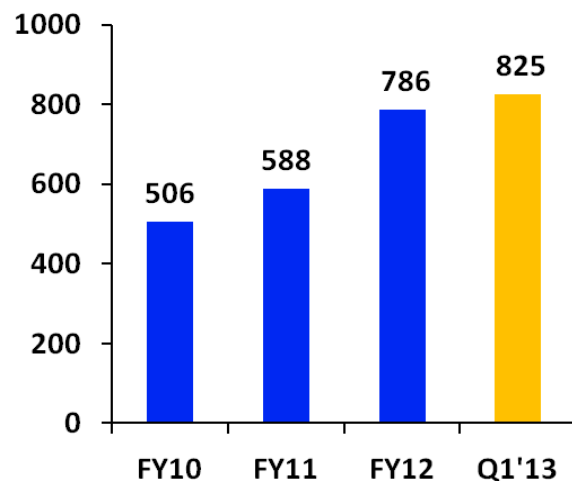
Dominant Player in LMI Segment

Our Vision

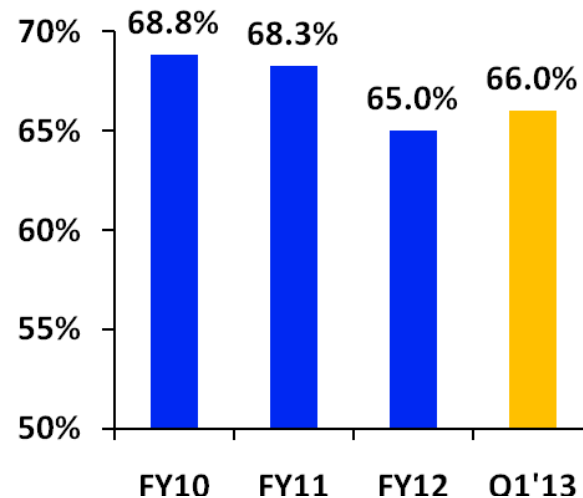
- DHFL was set up with a vision to transform the lives of millions of Indians living just beyond the consideration zone of the Mortgage industry, by giving them access to home loans
- DHFL has been unwavering in its commitment to serve the lower & middle income groups. Even after 28 years it remains a financial institution with the systems, processes and dedication to serve this socio-economic group

Key Statistics showcasing DHFL as a prominent LMI player

Avg Ticket Size (Rs'000)



Loan to Cost Ratio



Avg Installment to Income Ratio

41%

Avg Monthly Income of Clients

Rs.8K to 30K

Footprints across Tier II & III towns or outside municipal limits of main cities

~80%

Differentiated Business Model

Business Model	Branch model as against DSA model of Peers.
Operations	7 RPU's catering to more than 80% of the branches in terms of volume
Sourcing	Business sourced majorly through own Branch network
Target	Individual customers in Tier II / III cities
Appraisal	In-house Credit & Legal team, appraising each application
Technical Evaluation	In-house team of Civil Engineers for Technical Evaluation
Collection	More than 85% collection is through ECS / PDC's

Strong Fee Income Verticals

Insurance Services

Cross-sell Insurance to own customers, in order to safeguard mutual interests

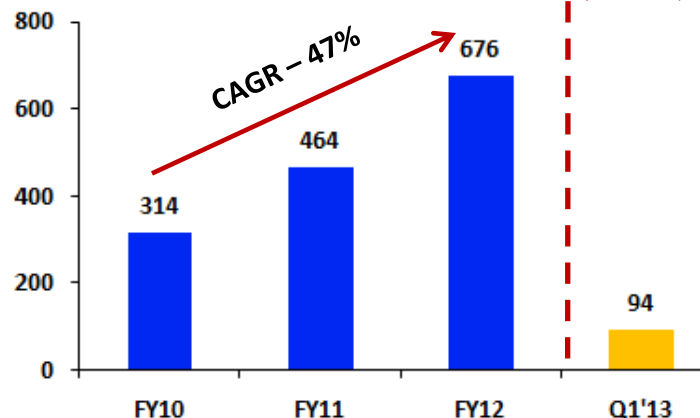
Technical Consultancy & Management

Provide TCM services to Developers and Self-Construction Clients in Tier II & III locations

Property Services

Provide Real Estate and Property Solutions to Individuals, Landlords, Developers etc.

Robust Growth in Fee Income (₹ mn)

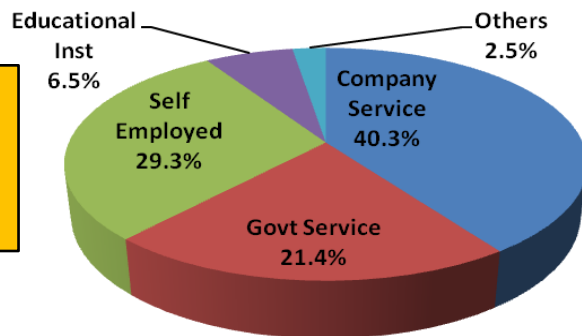


Nurturing Diversification in Operations

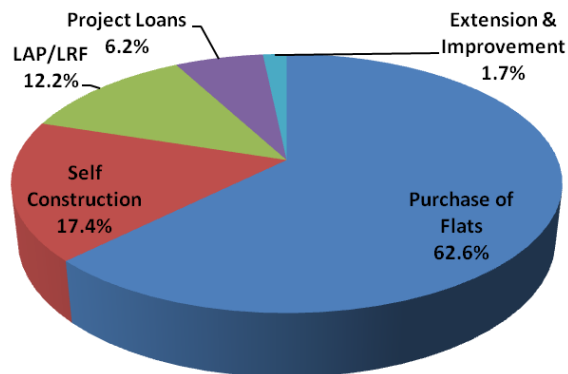
Product Offerings

Housing Loans	Non-Housing Loans
- Purchase of New Flat - Purchase of Resale Flat - Self Construction - Extension & - Project Loans	- Loan Against Property - Lease Rental Financing - Purchase of Commercial Premises

Customer Composition (Jun 12)



Portfolio Composition (Jun 12)



Loan Distribution

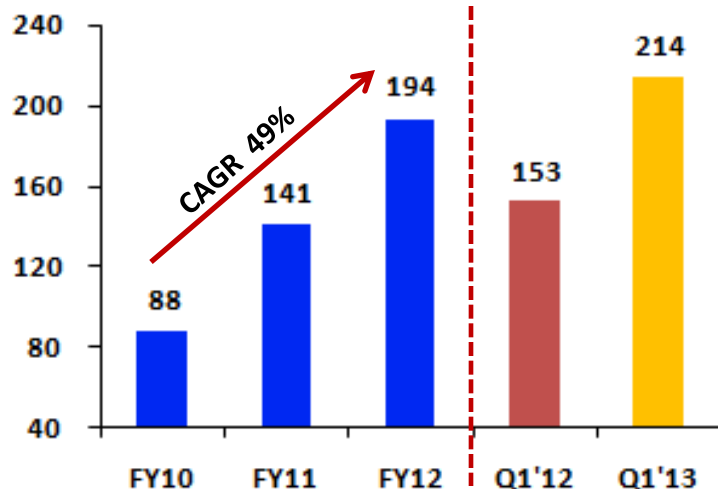


Partnered with multiple banks for Home Loan Distribution to their customers

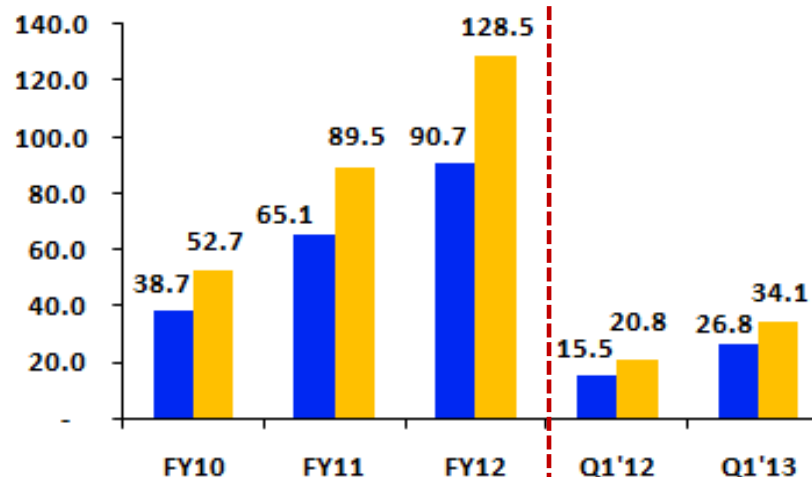
DHFL has been the industry pioneer in establishing long term relationships with multiple partners to fuel the growth engine as well as augment its income streams and feels extremely proud to win the trust of eminent and marquee names in the Finance world

Strong AUM Growth with Low NPA's

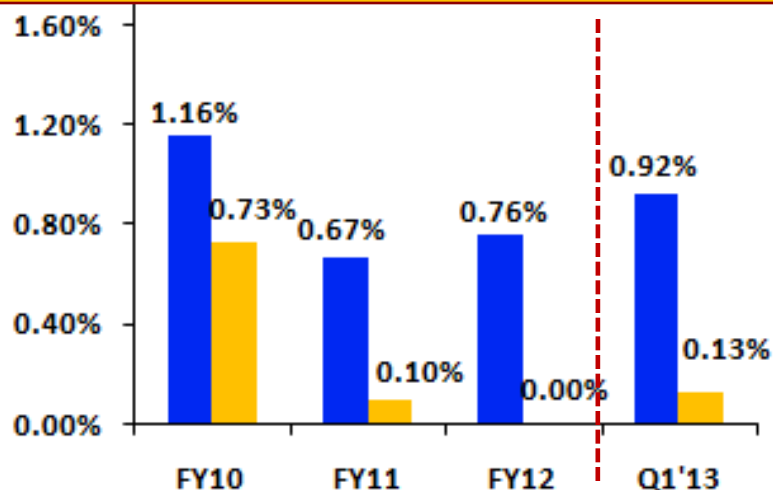
Loan Portfolio (₹ bn)



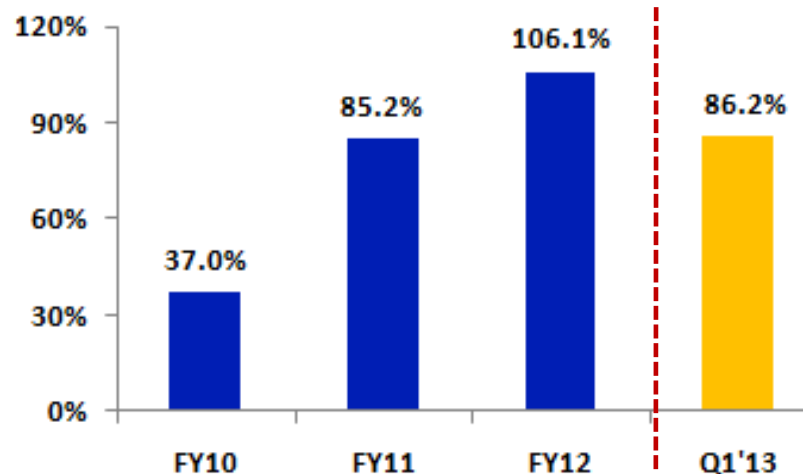
Disbursement Sanctions (₹ bn)



Gross NPA's Net NPA's

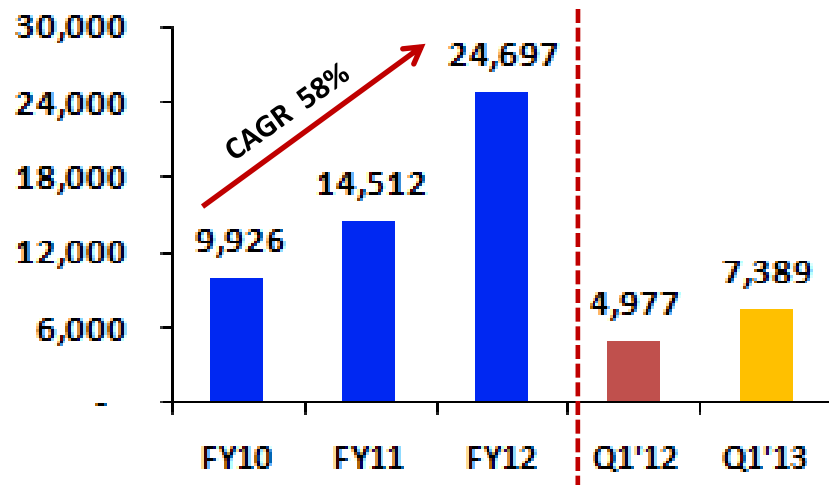


Provisioning Coverage (%)

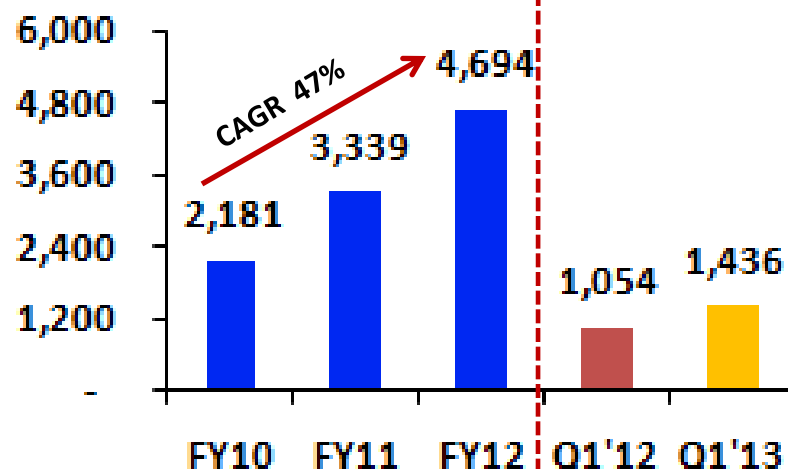


Resulting in - Robust Financial performance

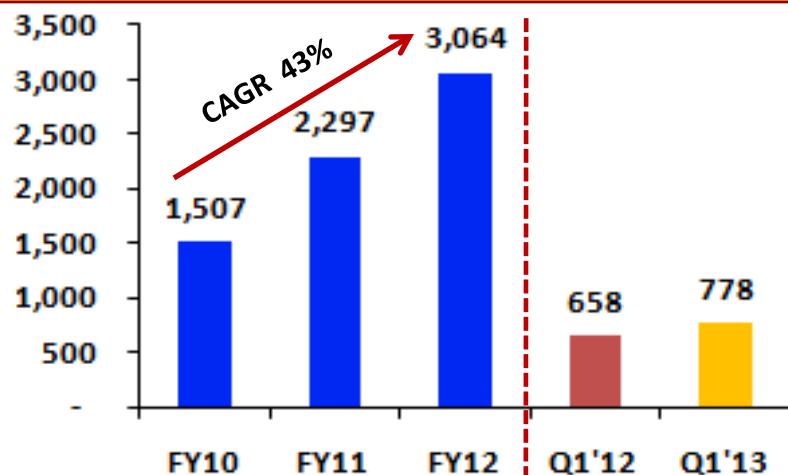
Total Income (₹ mn)



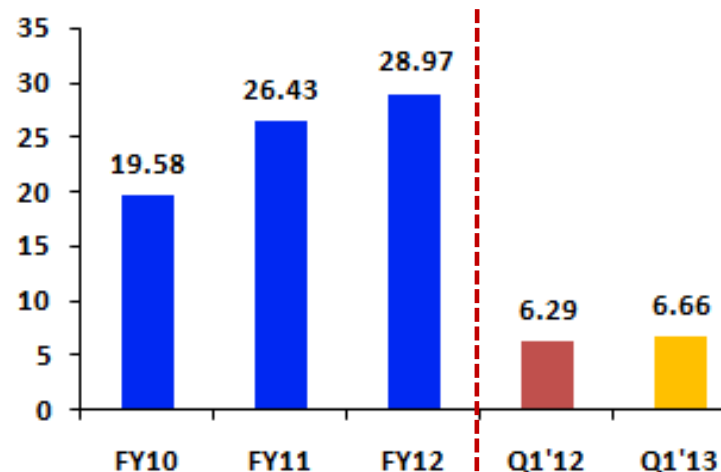
Net Interest Income (₹ mn)



Net Profit (₹ mn)

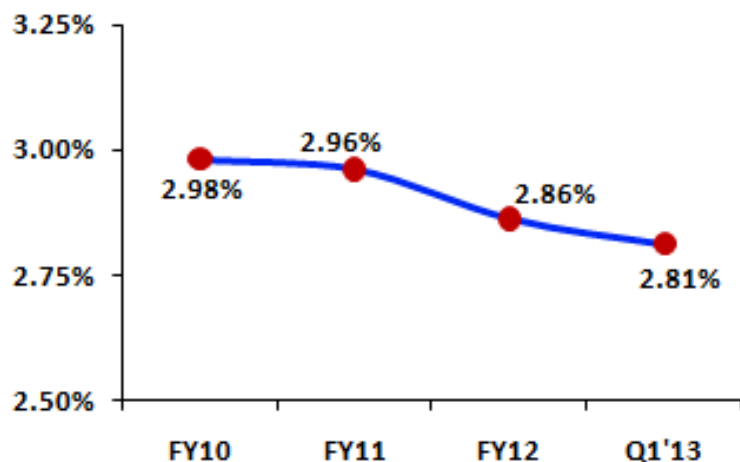


Earnings Per Share (₹)

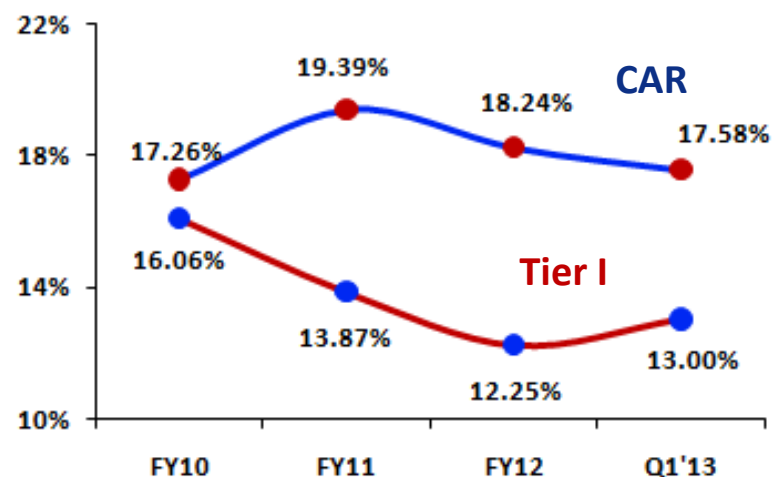


.....And Healthy Financial Ratios

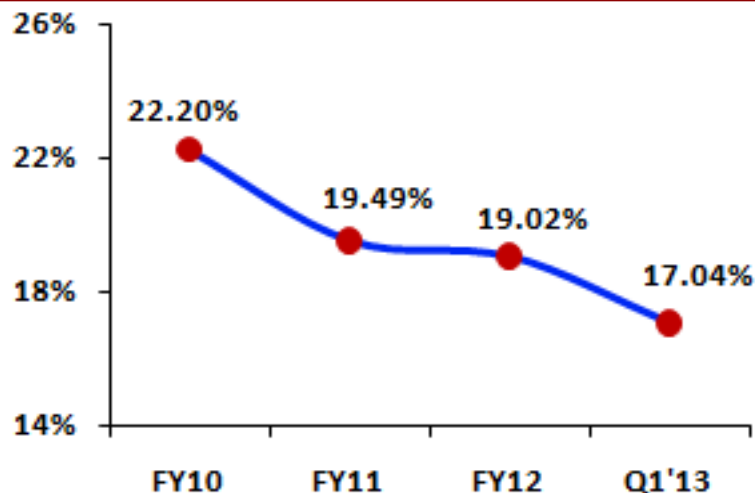
NIM (%)



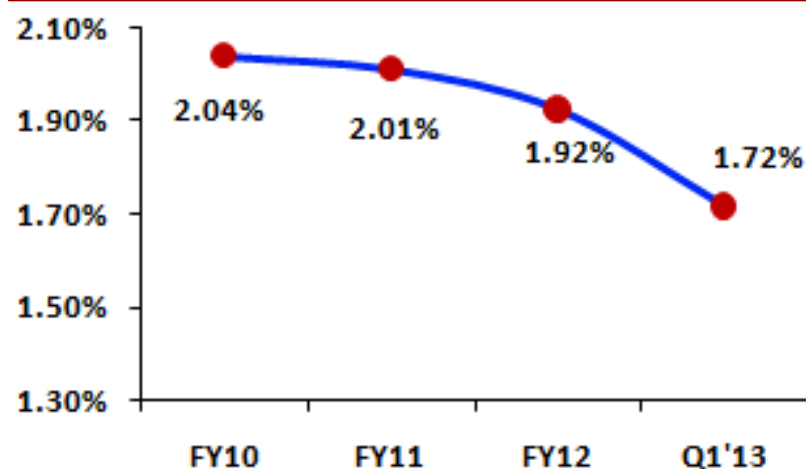
CAR / Tier I (%)



RoE (%)

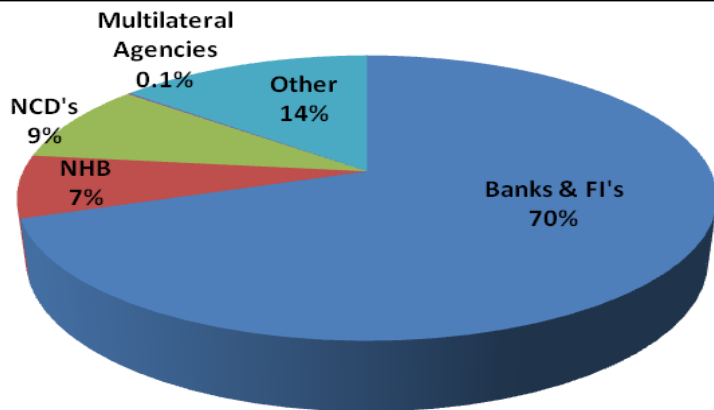


RoAA (%)



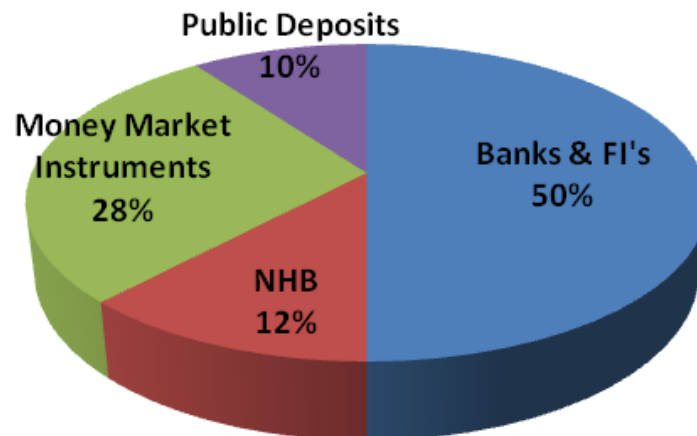
Diversifying the Borrowing Profile

Borrowings Composition



**Others include fixed deposits, subordinate debt, commercial paper and perpetual debt*

Target Borrowing Composition



**To be achieved over a period of 3 years*

Credit Ratings

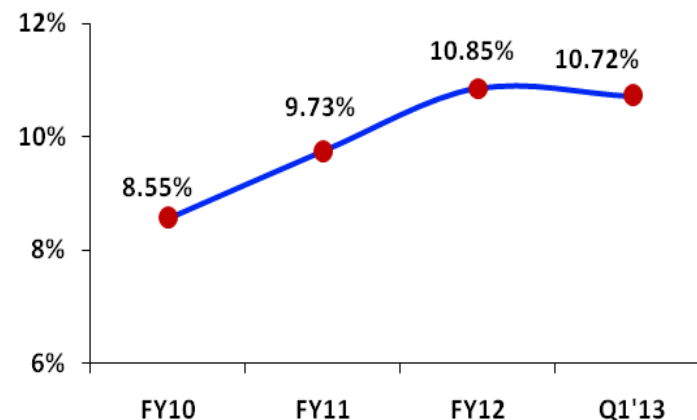
Long Term :
AA+ from CARE

Short Term :
A1+ from CRISIL

Borrowing Cost Composition

Borrowing Source	₹ mn	Cost %
Banks & FI's	1,45,226	11.27%
NHB	14,776	7.59%
NCD's	18,632	9.53%
Multilateral Agencies	306	9.79%
Others	29,235	10.35%
WACB	2,08,175	10.72%

Borrowing Cost Movement



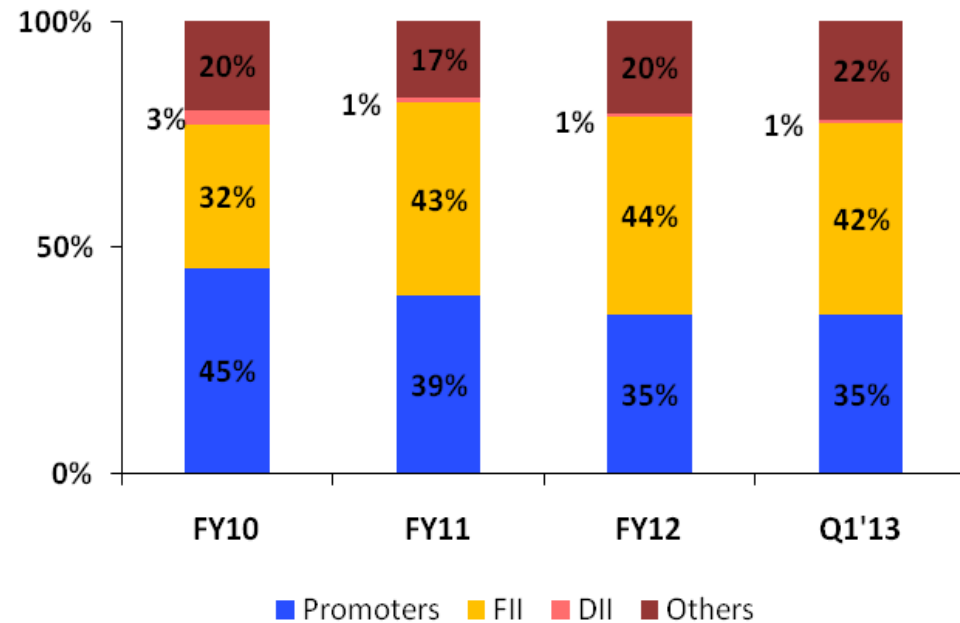
Key Financial Metrics of DHFL

Financial Summary (₹ mn)	Quarter Ended			Growth		FY12
	Jun, 2012	Jun, 2011	Mar, 2012	YoY	QoQ	
Total Income	7,389	4,977	7,211	48%	2%	24,697
Net Interest Income	1,436	1,054	1,285	36%	12%	4,694
Processing & Other Fees	339	233	268	45%	26%	1,152
TPP Fee Income	94	92	160	2%	-42%	676
Net Income on Sale of DVHFL etc	-	-	285	nm	nm	285
Interest expenses	5,521	3,599	5,213	53%	6%	17,890
Operating expense	659	462	793	43%	-17%	2,538
Provision for Contingencies	150	33	(62)	nm	nm	237
PBT (Before exceptional)	1,046	874	1,255	20%	-17%	3,984
PAT (Before exceptional)	778	658	938	18%	-17%	3,064
PAT (After exceptional)	778	658	938	18%	-17%	3,064

Key Ratios for Period Ended	Jun, 2012	Jun, 2011	Mar, 2012
Gross NPA	0.92%	0.77%	0.76%
Net NPA	0.13%	0.23%	0.00%
NPA Coverage Ratio	86.18%	70.72%	106.07%
CAR (Approx.)	17.58%	19.04%	18.24%
NIM	2.81%	2.85%	2.86%
Cost Coverage Ratio	70.71%	68.83%	79.61%
Cost to Income Ratio	28.43%	26.89%	30.38%
Return on Assets	1.72%	2.02%	1.92%
Return on Equity	17.04%	17.76%	19.02%
Debt Equity Ratio	8.96	9.08	8.63
EPS ₹	6.66	6.29	28.97

Diversified Investor Base

Shareholding Composition



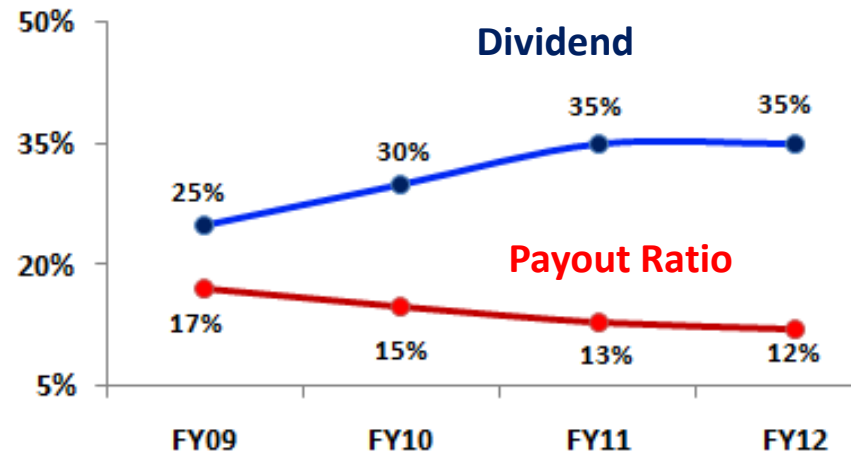
- Institutional Investors exhibit significant faith in the companies performance, as evident from their substantial increase in Holding % over a period of time
- Dividend paid consecutively for last 23 years, in 27 years of operation of company

Top 10 Institutional Investors as on 30th June 2012

Sr.No.	Name of Investor	% Holding
1	CALEDONIA INVESTMENTS PLC	8.56%
2	HSBC BANK (Mauritius) LTD	4.89%
3	IRONWOOD INVESTMENT HOLDINGS	4.44%
4	IIFL INC A/C *	3.07%
5	ASIABRIDGE FUND I, LLC	3.05%
6	GOVERNMENT OF SINGAPORE *	2.60%
7	ICICI PRUDENTIAL LIFE INSURANCE	1.77%
8	MIRAE ASSET MANAGEMENT *	1.76%
9	WELLINGTON MANAGEMENT COMPANY *	1.56%
10	EMERGING MARKET MANAGEMENT *	1.37%

* Through Multiple Funds / Schemes

Dividend and Payout Ratio



4

First Blue Home Finance*

 **Synergistic Acquisition – Satisfactory Deliverables**

*** Erstwhile Deutsche Postbank Home Finance**

Synergistic Acquisition – Satisfactory Deliverables

Access to niche customer segment

FBHFL caters to upper-mid income customers, as against LMI customers being serviced by DHFL. This acquisition will aid DHFL to service customers across the housing finance spectrum

Access to untapped geography

FBHFL conducts majority of its business through North India, where DHFL has minimal presence, providing it with necessary access to an important market

Impeccable Asset Quality

Adoption of sound credit policies and stringent collection procedures, resulting in Gross NPA's remaining below 1% and Net NPA's at 0%

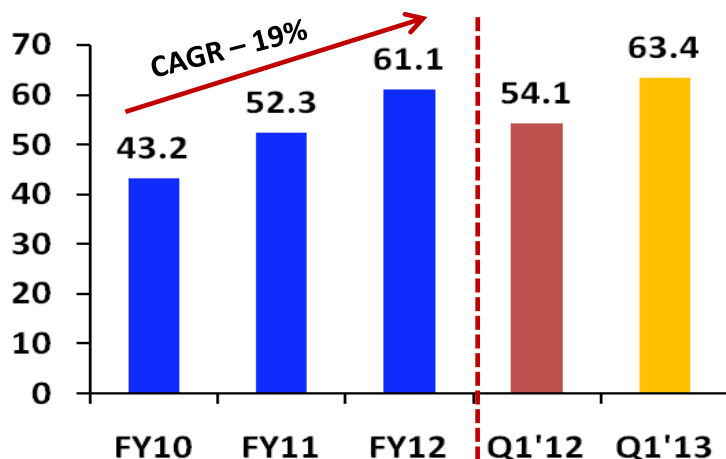
Untapped Cross Selling Opportunity

DHFL's demonstrated experience of Cross-selling Insurance to the existing customers, will be ingrained in the DNA of FBHFL, where it is very marginal

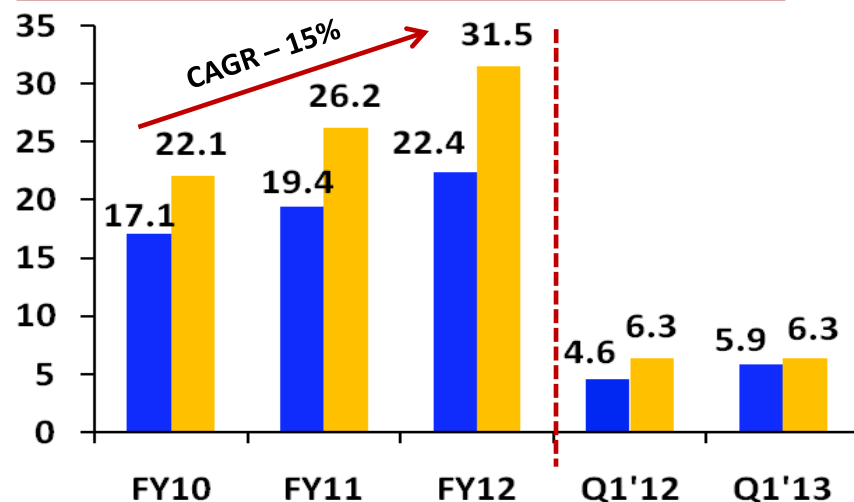
FBHFL gave robust performance in Q1FY13, with disbursements growing by 28% yoy . DHFL is confident of creating value for customers in the Metro / Tier I cities through the FBHFL platform in the future.

Healthy Growth with Healthy Assets

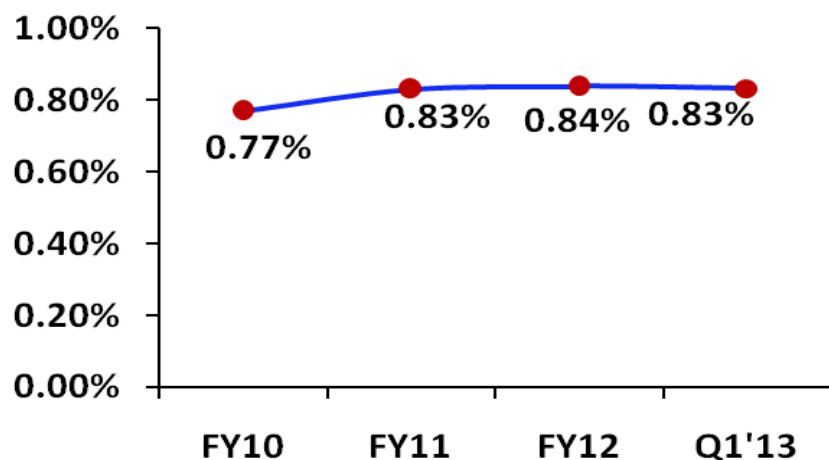
Loan Portfolio (₹ bn)



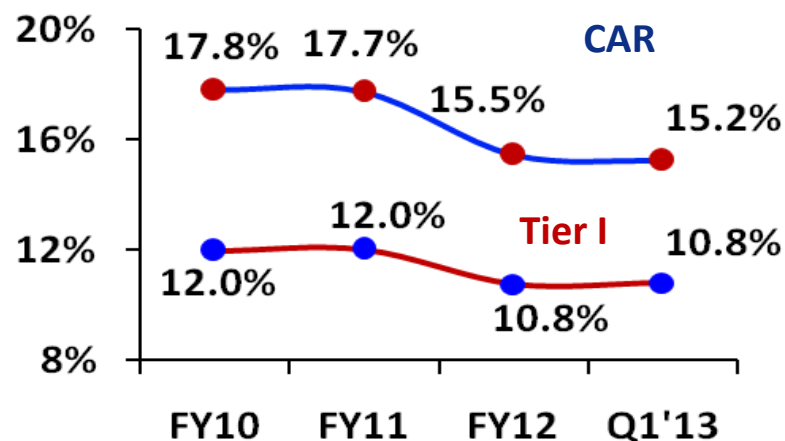
Disbursement (₹ bn) **Sanctions (₹ bn)**



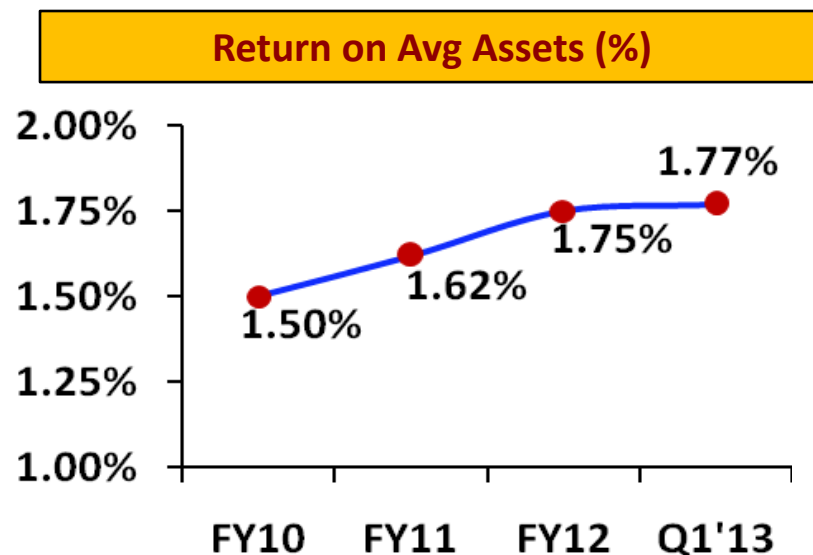
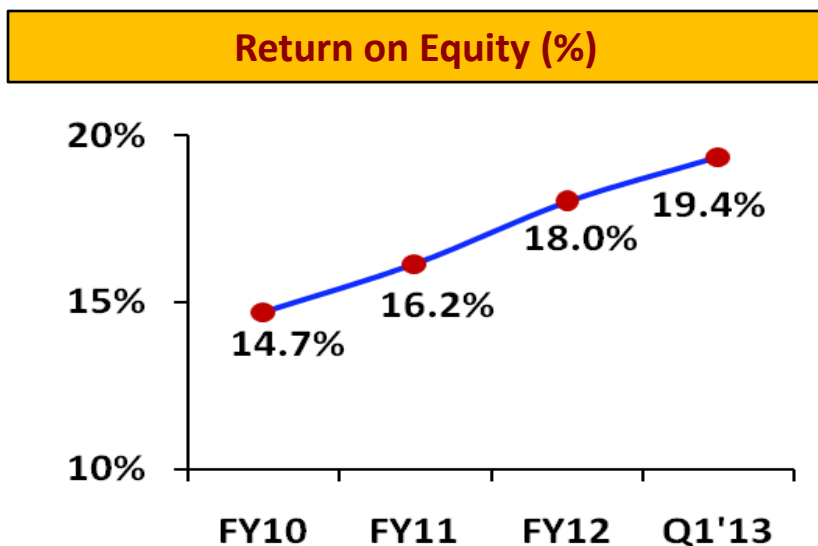
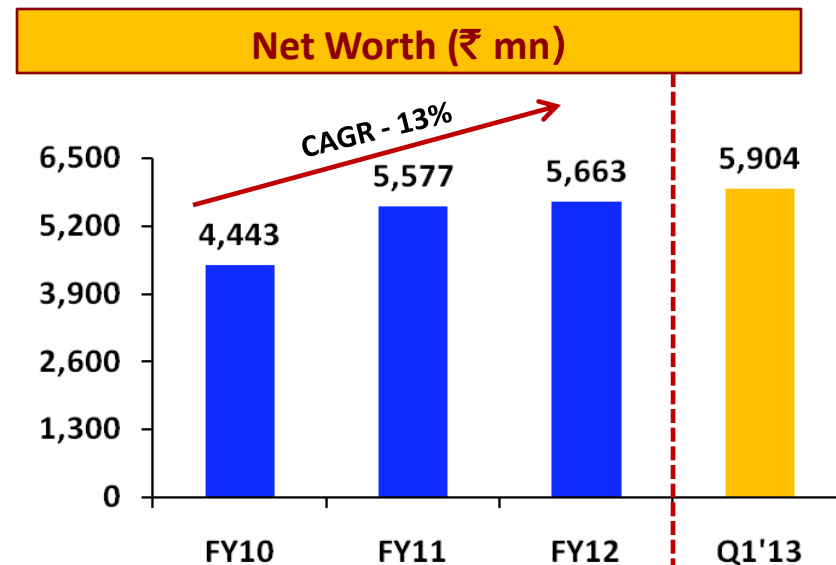
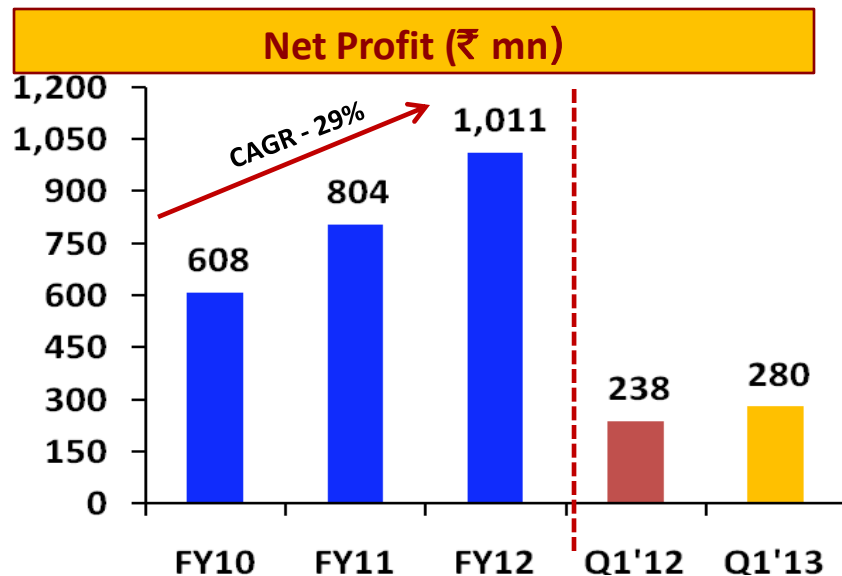
Gross NPA



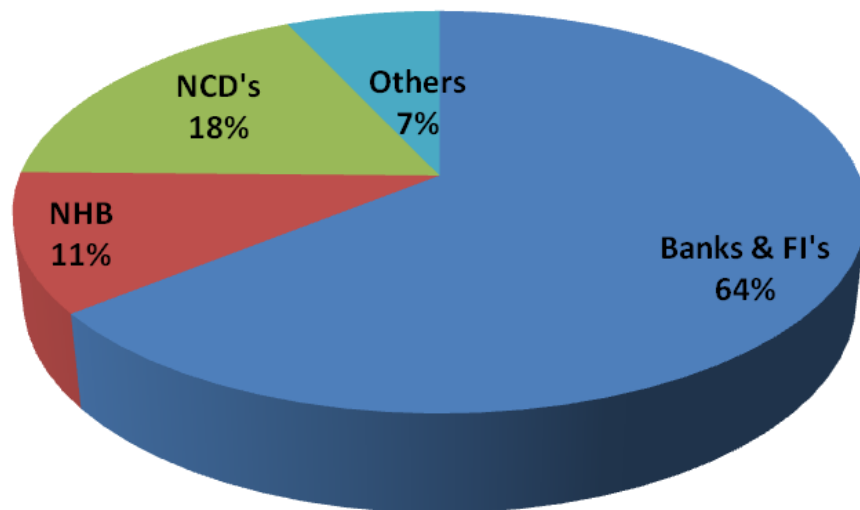
CAR (%) **Tier I (%)**



Steady Improvement in Financial Parameters

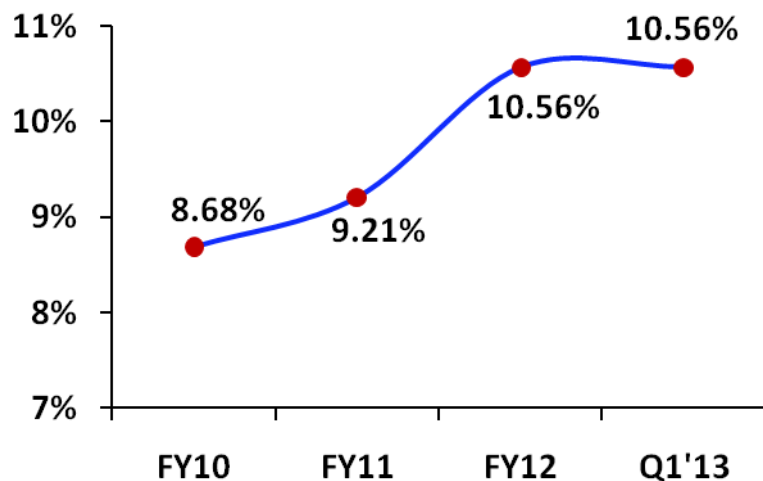


Diversified Borrowing Profile

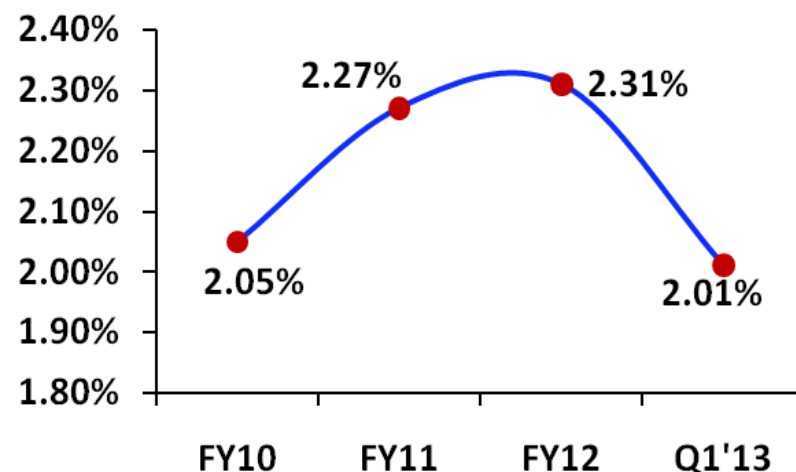


Weighted Average Borrowing Cost		
Borrowing Source	₹ mn	Cost%
Banks & FI's	37,937	11.29%
NHB	6,574	8.06%
NCD's	10,512	9.55%
Others	4,102	10.45%
Total Borrowings	59,124	10.56%

Borrowing Cost (%)



Healthy Portfolio Spreads (%)



5

Aadhar Housing Finance



Business Synopsis

Business Synopsis

Key Financial Parameters (₹mn)	Q1 FY13	FY 2012
Loan sanctioned	593	1,635
Loan Disbursed	353	1,074
Loan Book Outstanding	1,316	1,040
Networth	1,026	1,025
Borrowings	500	200

- Aadhar has achieved the first milestone, with its loan book crossing Rs.100crs in FY 2012. In Q1FY13, the book stood at Rs. 132crs.
- It will continue to grow the book at a reasonable pace in the years to come
- Geographical Spread is across 15 locations as of June 2012
- **Serving the most underserved Segment** – Business generation through six low income states in India viz; UP, MP, Bihar, Chhattisgarh, Jharkhand, and Orissa, by focusing on Low income segment of customers
- **Ticket size capped to focus on the segment** – Maximum ticket size for the company is capped at Rs.0.6mn to maintain the focus on the low income segment
- **Partnered with IFC, Washington** – Aadhar Housing Finance feels proud to have IFC as one of its key allies in furthering its agenda of servicing the most underserved population in terms of Mortgage. IFC has picked up a 20% equity stake in the company
- **Uncompromising business principles** – Aadhar Housing Finance will continue to be guided by the robust and stringent business principles adopted by DHFL over years, and cautiously build its business brick by brick

6

DHFL – FBHFL Merger Update

Merger Update

As communicated at the time of acquisition, DHFL will be merging FBHFL with itself in the near future. Various steps have already been taken in that direction, and the Merger process is well on track. Although legally FBHFL will merge with DHFL, however the business will continue to operate as a separate Strategic Business Unit (SBU) under the brand name of “First Blue”, beneath the DHFL umbrella.

Key Steps accomplished in the Merger process

- a) Announcement of SWAP ratio for Shareholders of FBHFL – The Boards of DHFL and FBHFL met on 28th September 2011, to adopt the Share SWAP ratio for minority shareholders. E&Y acted as the valuers for this transaction and Fairness opinion on the same was provided by Merchant Banking division of Standard Chartered Bank.
- b) The Boards understood in detail the methodology adopted for arriving at the fair valuation of either companies and subsequently concurred to the adoption of SWAP ratio of, 10 shares of DHFL to be issued against every 97 shares of FBHFL
- c) The minority shareholders together had invested Rs.3.5bn in FBHFL at the time of acquisition. Against this they will be receiving ~10.8mn shares of DHFL, once the scheme of amalgamation is approved by the High Courts.
- d) The Cost of acquisition / share of DHFL to the minority shareholders of FBHFL comes to ~Rs.320
- e) We have received the NOC from BSE and NSE
- f) We have filed the Scheme with the respective High Courts; Approval from Mumbai High Court is expected in the month of August and are hopeful of receiving the Delhi High Court consent by October 2012

Disclaimer

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