# Dewan Housing Finance Corporation Ltd.

**Poised for the next leap in a niche business**

## Earnings Update – March 2011

**Bloomberg Tkr: DEWH IN | NSE Code: DEWANHOUS | BSE Code: 511072**

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# Contents

# DHFL Earnings Update FY11

**46%**
**Total Income `14.5bn**

**53%**
**Net Interest Income `3.34bn**

**76%**
**Net Profit `2.65bn**

**68%**
**Disburse ments `65.1bn**

- Fee Income from third party product sales /services stood at ` 464mn for FY11, up 48% YoY
- Standalone Loan book stood at ` 141.11bn up 61% YoY
- Sanctions for FY11 were ` 89.49bn up 70% YoY
- Net Interest Margin for FY11 stood at 2.96%
- Capital adequacy stood at 19.39% , of which Tier I was 13.87% as of 31st March 2011
- Total employee base increased to 1,137 as of 31st Mar 11, as against 1,113 employees in Dec 10
- DHFL acquired Deutsche Postbank Housing Finance Ltd. (DPHFL), a NHB registered company w.e.f 25thMar 2011
- Net profit before extraordinary items stood at Rs.2.3bn up 52% YoY

**Focused Collection Drive resulting in Reduced NPA's**

**Gross NPA**
March 10: 1.16%
March 11: 0.67%

**Net NPA**
March 10: 0.73%
March 11: 0.10%

**Provisioning coverage increased to 85% as of 31st March 2011**

# DHFL Earnings Update contd….

| Financial Summary (₹ mn) | Period Ended | | | Quarter Ended | | | Growth | |
|---|---|---|---|---|---|---|---|---|
| | FY11 | FY10 | Growth | Q4FY11 | Q4FY10 | Q3FY11 | YoY | QoQ |
| Total Income | 14,512 | 9,926 | 46% | 4,346 | 2,719 | 3,869 | 60% | 12% |
| Net Interest Income | 3,339 | 2,181 | 53% | 954 | 620 | 864 | 54% | 10% |
| Fee & Other Income | 1,528 | 1,046 | 46% | 471 | 323 | 380 | 46% | 24% |
| Interest expenses | 9,646 | 6,698 | 44% | 2,922 | 1,777 | 2,625 | 64% | 11% |
| Operating expense | 1,679 | 1,092 | 54% | 544 | 372 | 411 | 46% | 32% |
| PBT (Before exceptional) | 3,061 | 2,022 | 51% | 810 | 565 | 811 | 43% | 0% |
| PAT (Before exceptional) | 2,297 | 1,507 | 52% | 587 | 418 | 618 | 40% | -5% |
| PAT (After exceptional) | 2,651 | 1,507 | 76% | 587 | 418 | 618 | 40% | -5% |
| Loan Sanctioned | 89,495 | 52,740 | 70% | 27,401 | 17,120 | 22,142 | 60% | 24% |
| Loan Disbursed | 65,056 | 38,656 | 68% | 20,336 | 11,146 | 15,279 | 82% | 33% |

| Key Parameters | FY11 | FY10 |
|---|---|---|
| Loan Portfolio (₹ mn) | 1,41,112 | 87,584 |
| ATS - Portfolio (₹ Lacs) | 5.88 | 5.06 |
| Average IIR % | 38.17% | 38.49% |
| Average LCR % | 68.29% | 68.80% |
| Loan Book -- Fixed % | 9.56% | 15.51% |
| Loan Book -- Variable % | 90.44% | 84.49% |
| Borrowing O/s -- Fixed % | 29.27% | 22.75% |
| Borrowing O/s -- Variable % | 70.73% | 77.25% |
| Housing Loan % | 95.57% | 94.60% |
| Non Housing Loan % | 4.43% | 5.40% |



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# Consolidated Financials Metrics

| Balance Sheet (₹ mn) | FY11 | FY10 |
|---|---|---|
| **Sources of Fund** | | |
| Share Capital | 1,044 | 850 |
| Reserves & Surplus | 14,512 | 8,019 |
| Minority Interest | 2,512 | 288 |
| **Loan Funds** | - | - |
| Secured Loans | 1,87,800 | 90,303 |
| Unsecured Loans | 19,097 | 2,751 |
| Deferred Tax Liability | (40) | 39 |
| **Total** | **2,24,925** | **1,02,250** |
| **Application Of Funds** | | |
| Gross Block | 2,651 | 2,315 |
| Less : Depreciation | 297 | 139 |
| Net Block | 2,354 | 2,176 |
| Goodwill | 3,319 | - |
| Housing & Other Loans | 1,99,304 | 91,813 |
| Investment | 7,003 | 1,149 |
| Current Assets, Loans & Advances | 17,906 | 8,549 |
| Less : Current Liablilties & Provisions | 4,986 | 1,437 |
| Net Current Assets | 12,920 | 7,112 |
| Miscellaneous Expenses | 25 | - |
| **Total** | **2,24,925** | **1,02,250** |

| Profit & Loss (₹ mn) | FY11 | FY10 |
|---|---|---|
| Income from Operations | 20,927 | 10,411 |
| Other Income | 94 | 21 |
| **Total Income** | **21,055** | **10,432** |
| Interest & Other Charges | 13,820 | 7,006 |
| Personnel Expenses | 1,022 | 437 |
| Operational & Other Expenses | 1,530 | 729 |
| **Total Expenses** | **16,372** | **8,172** |
| Provision for contingencies | 214 | 89 |
| Bad debts written off | - | 7 |
| Depreciation | 68 | 31 |
| Preliminary Expenses written off | 1 | - |
| **Profit Before Tax & Exceptional Items** | **4,361** | **2,133** |
| Prior Period Adjustments | 0 | - |
| Add : Exceptional Items | 354 | - |
| **Profit Before Tax** | **4,716** | **2,133** |
| Less : Provision for Taxation | 1,131 | 549 |
| **Profit After Tax** | **3,585** | **1,584** |



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# Group Profile

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

# Evolution Journey

**2011**
- Acquired DPHFL* from Deutsche Post
- Consol Loan book crosses Rs.200bn

**2010**
- Set up Aadhar Housing Finance in collaboration with IFC, Washington
- Second QIP issuance raising Rs.4.86bn

**2009**
- First QIP issuance, raising Rs.3.01bn
- Tie –up with Punjab & Sind bank and United Bank for Home Loan distribution

**2006 - 07**
- Cumulative Disbursement cross Rs.50bn
- Cross Sell Insurance through ICICI Prudential
- Annual Disbursement crosses Rs.10bn

**2003**
Acquired Vysya Housing Finance

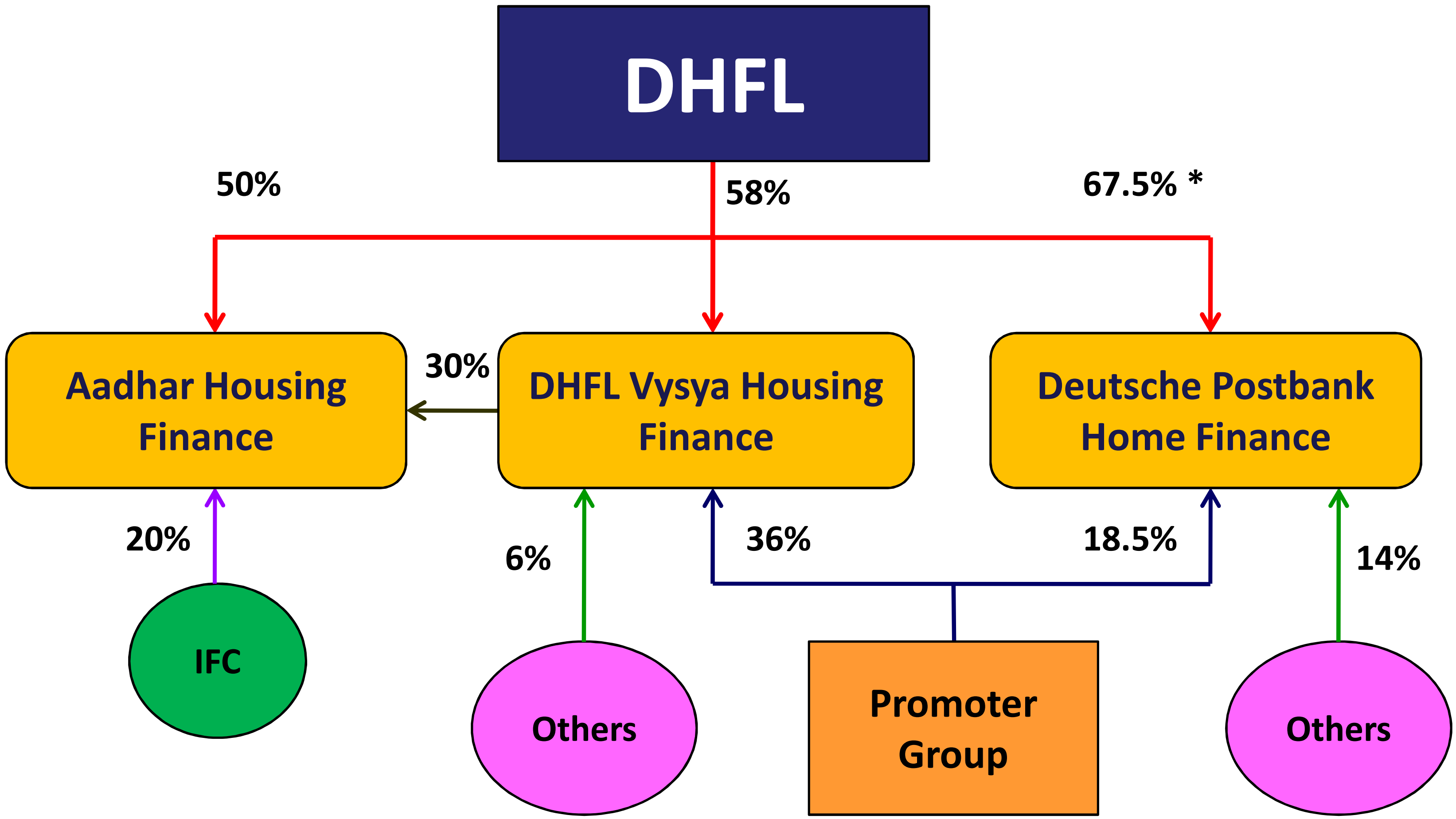
**1996**
Cumulative Disbursements cross Rs.5bn

**1985**
IPO and Shares Listed on BSE

**1984**
Company Formed

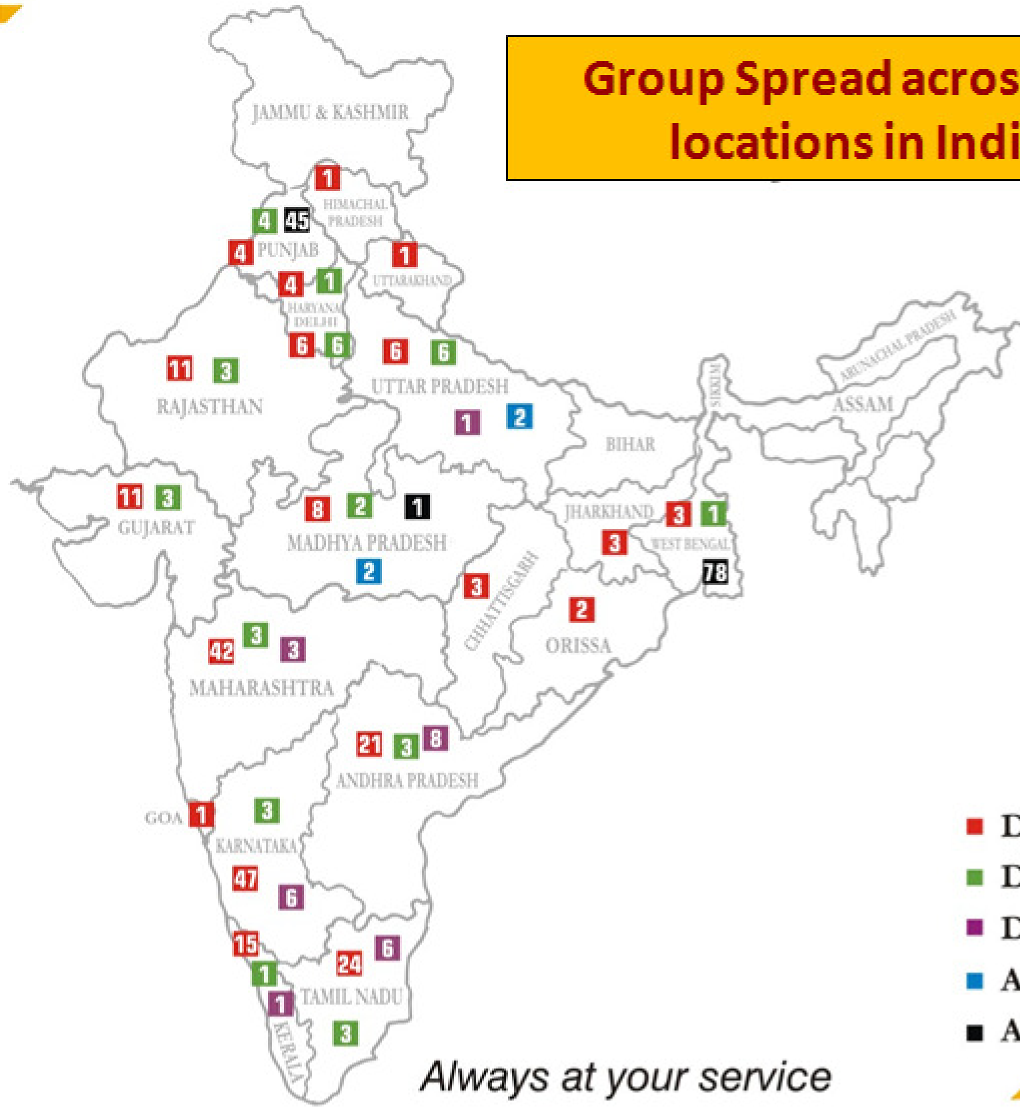
**DPHFL – Deutsche Postbank Home Finance Ltd*

# Corporate Profile




*** Through fully owned SPV DHFL Holdings Pvt.Ltd.***

# Pan India Presence




**Group Spread across 405 locations in India**

*Always at your service*

| | |
|---|---|
| DHFL | 213 |
| DPHFL | 39 |
| DHFL Vysya | 25 |
| Aadhar | 4 |
| Alliances | 124 |



Source: Company

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# 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 | CEO DHFL |
| Mr. Michael Maybaum | JMD DPHFL |
| Mr.R. Nambirajan | MD DHFL Vysya |
| Mr.Harshil Mehta | CEO Aadhar HFL |

| Team DHFL | |
|---|---|
| Prashant Chaturvedi | - Head Finance |
| Rajiv Sathe | - COO |
| B K Singh | - Head Sales |
| 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 |



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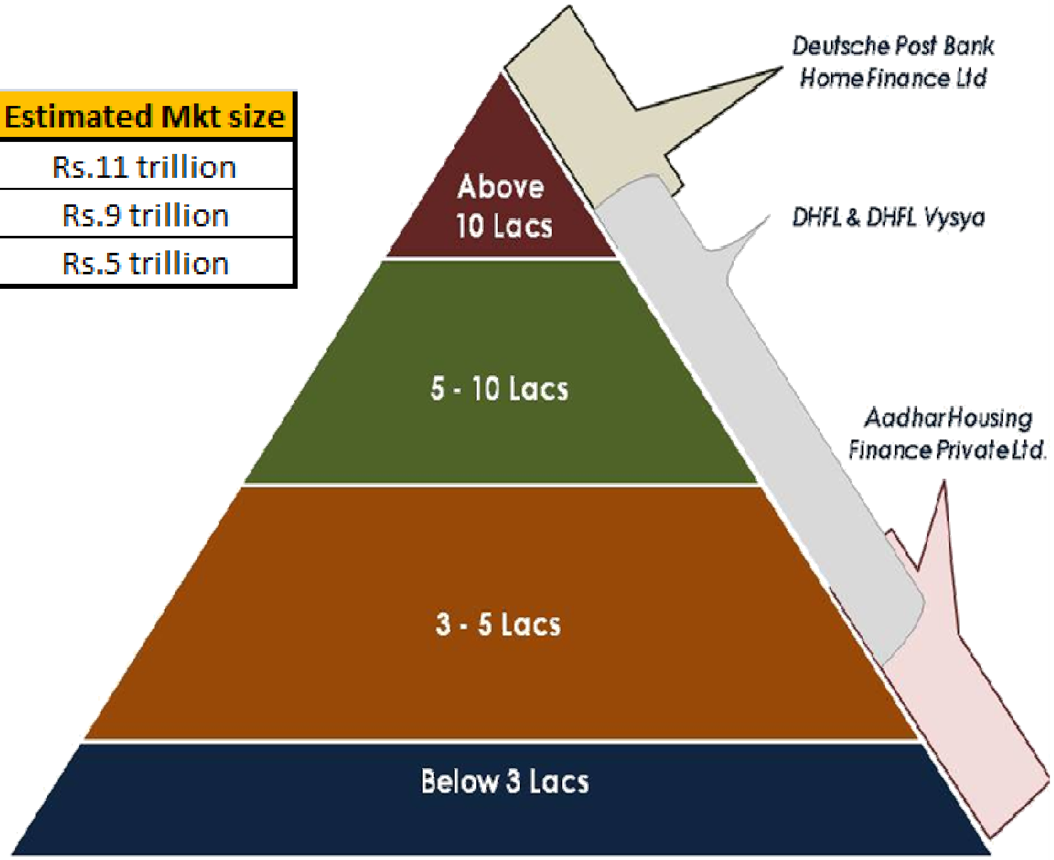
# Opportunity Landscape

| Price per Dwelling Unit | Estimated Mkt size |
|---|---|
| Between Rs.3 to 10 lacs | Rs.11 trillion |
| Between Rs.10 to 25 lacs | Rs.9 trillion |
| Above Rs.25 lacs | Rs.5 trillion |



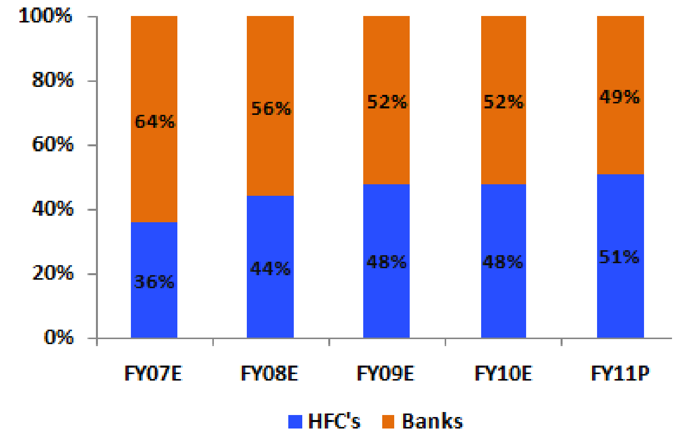

Pursuant to the acquisition of Deutsche Postbank Home Finance and setting up of Aadhar Housing Finance in FY11, DHFL as a group is geared to serve customers across the housing finance spectrum, with each company serving a niche segment , resulting in minimal overlap

***All Information Source: Monitor Group***

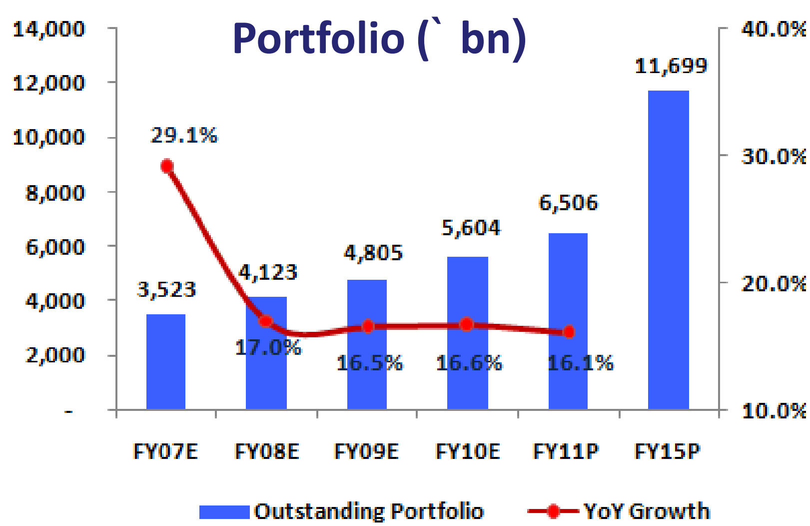
# Projected Industry Growth

- Over the year Housing Finance Companies (HFC's) have shown a significant improvement in market share vis-à-vis banks on account of robust disbursement growth .
- This growth is supported by HFC's increasing presence in Urban areas, rise in ATS along with stable asset quality
- With reduction in balance transfer cases and uniformity in interest rates across players, CRISIL research estimates the shares of banks to drop to around 49% in FY11

## Disbursement Market Share

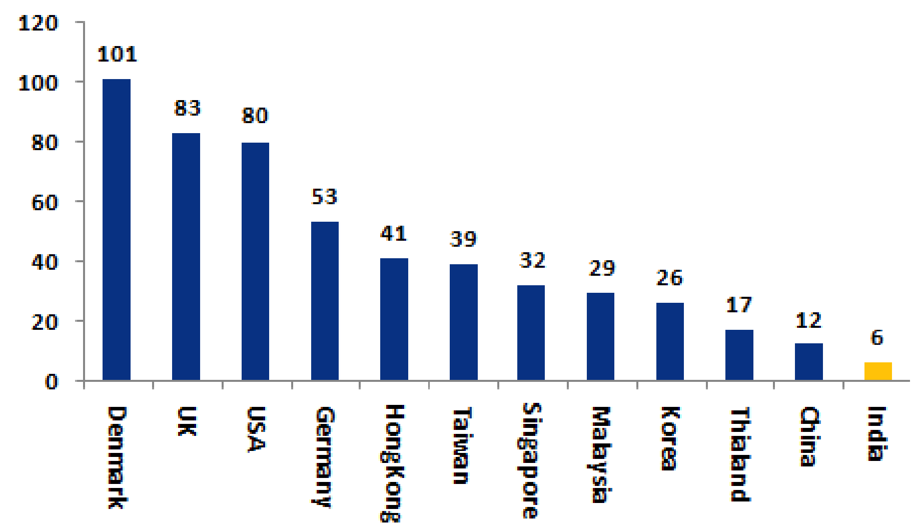



## Portfolio growth at ~15.5% CAGR FY11 to FY15




*Information Source: CRISIL Research*

## Low Mortgage Penetration in India




*Information Source: IIFL Research*



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# Dewan Housing Finance

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

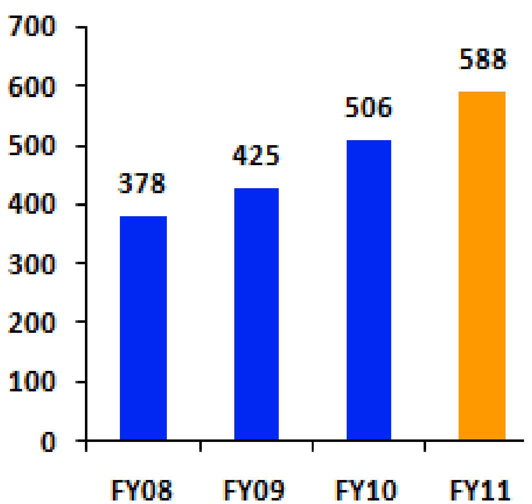
# Dominant Player in LMI Segment

**Our Vision**

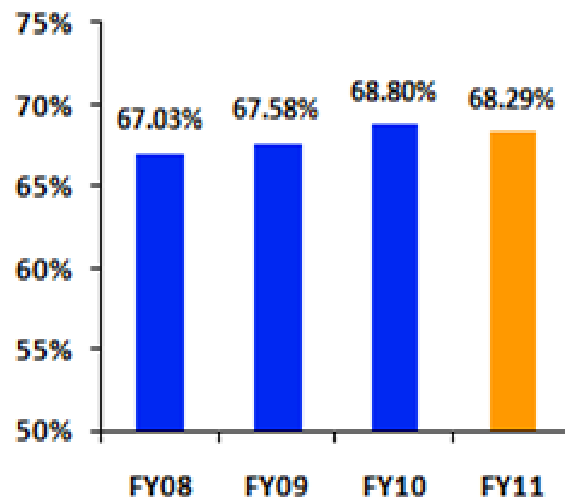
- DHFL was set up with a vision to transform the lives of millions of Indians living just beyond the consideration zone of the Mortgage industry, by giving them access to home loans
- DHFL has been unwavering in its commitment to serve the lower & middle income groups. Even after 26 years it remains 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 | 39% |
| Avg Monthly Income of Clients | Rs.8K to 30K |
| Footprints across Tier II & III towns or outside municipal limits of main cities | ~80% |



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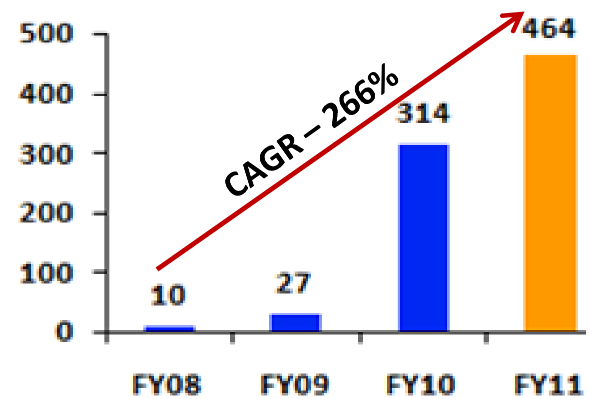
# Differentiated Business Model

| | |
|---|---|
| **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)**



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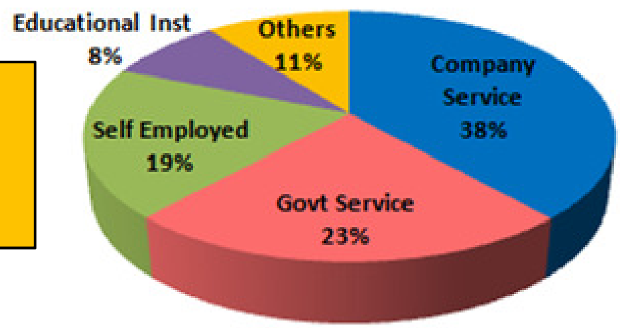
# Nurturing Diversification in Operations

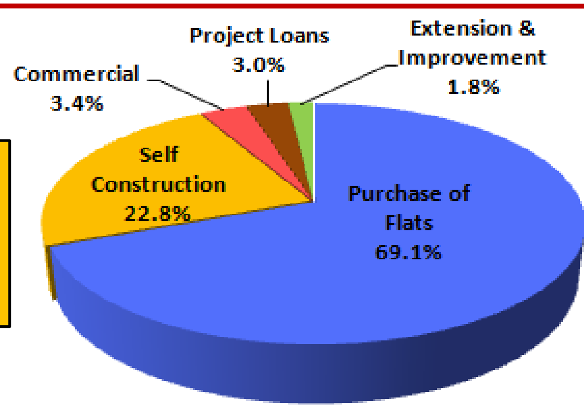
## Product Offerings

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

**Customer Composition (Mar 11)**




**Portfolio Composition (Mar 11)**




## 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



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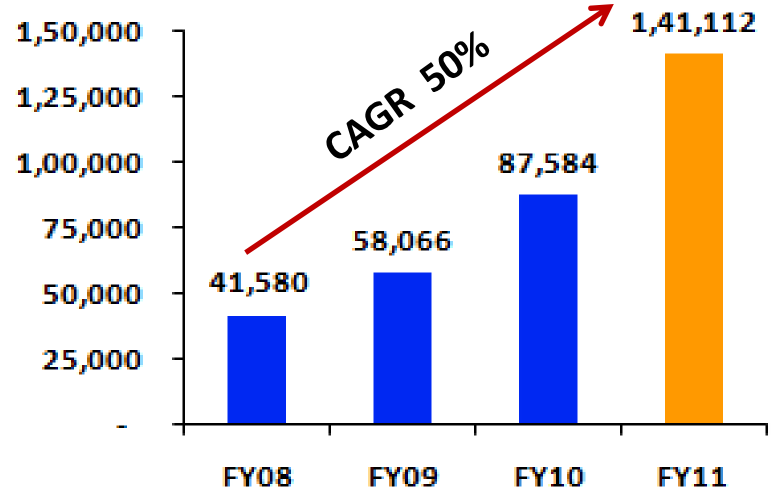
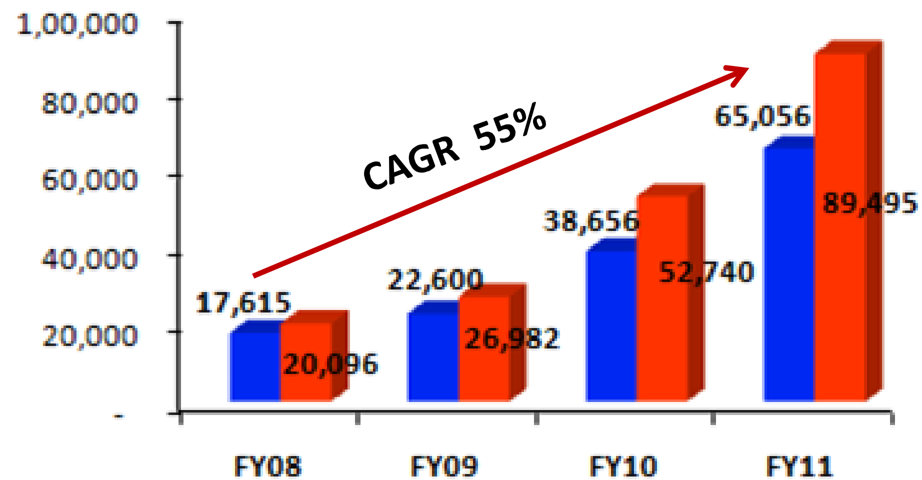
# Strong AUM Growth with Low NPA's

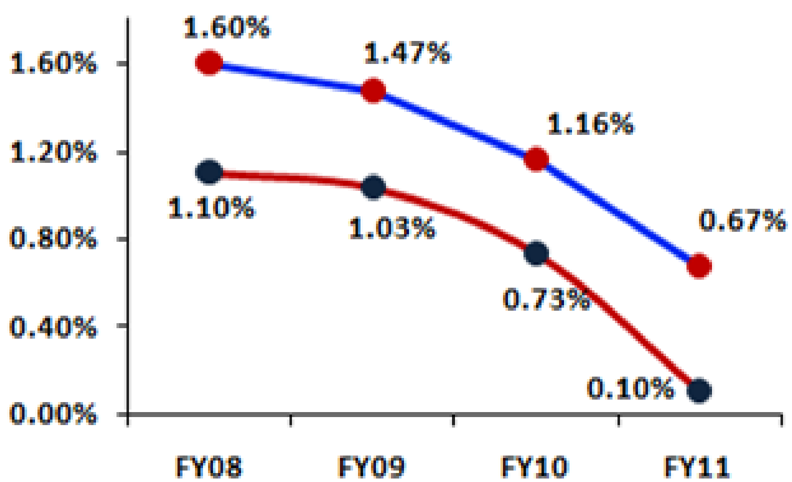
**Loan Portfolio (` mn)**



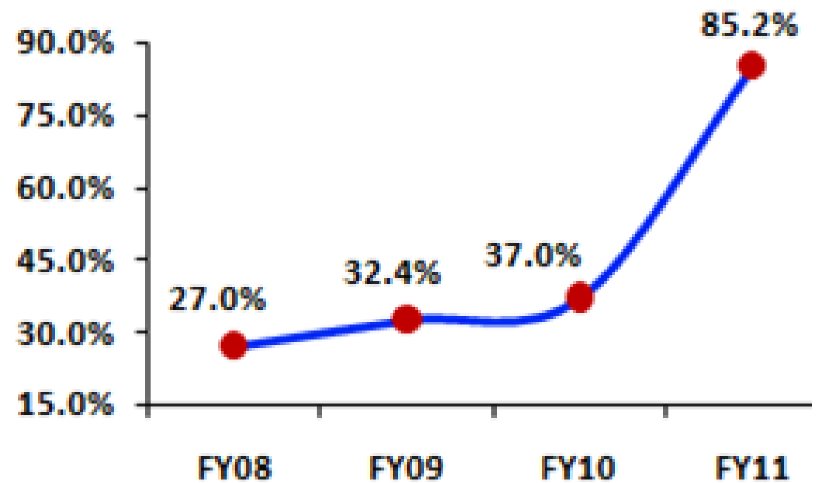

**Disbursement Sanctions (` mn)**




**Gross NPA's Net NPA's**

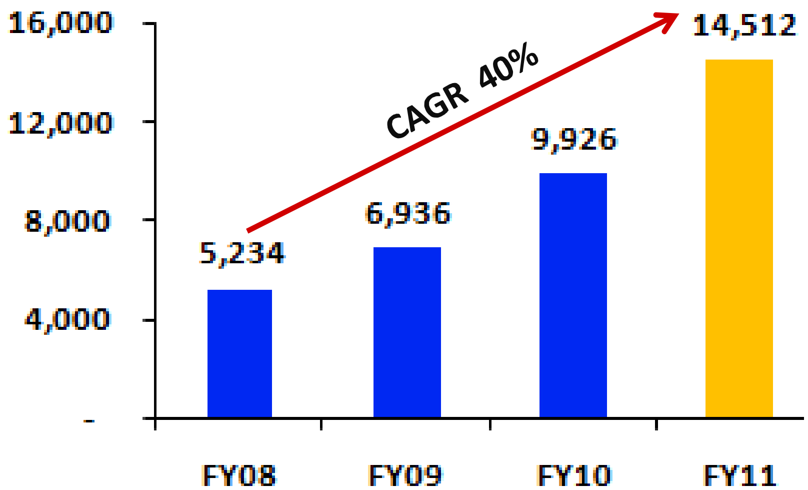



**Provisioning Coverage (%)**

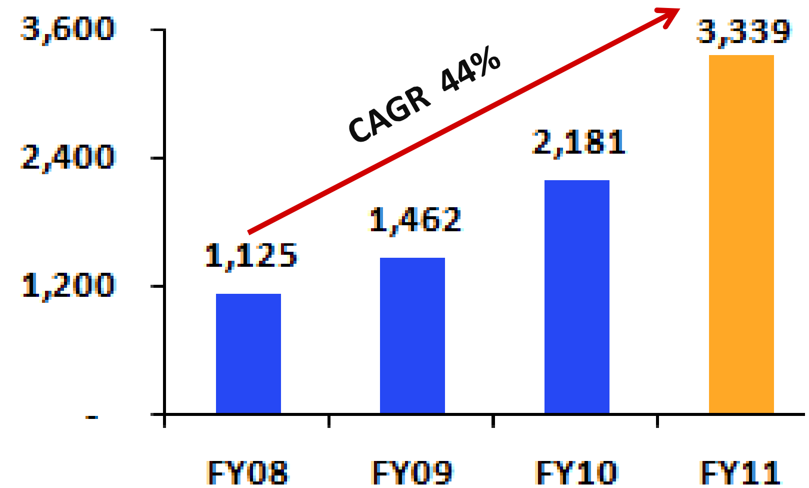


# Resulting in - Robust Financial performance

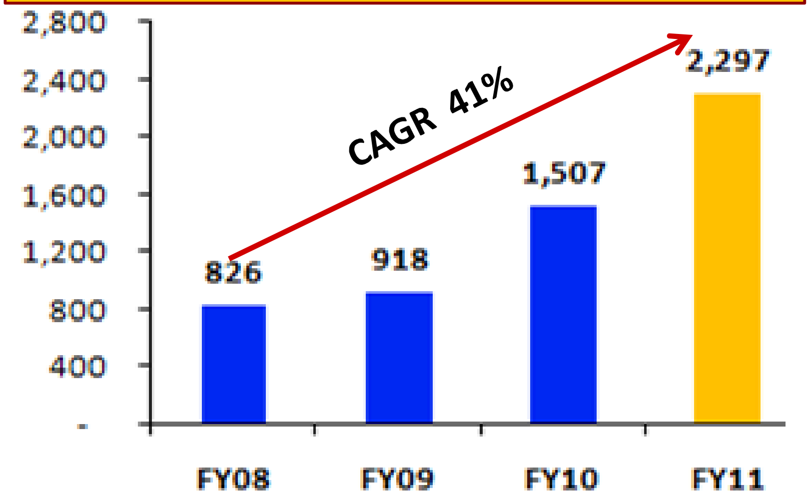
## Total Income (` mn)



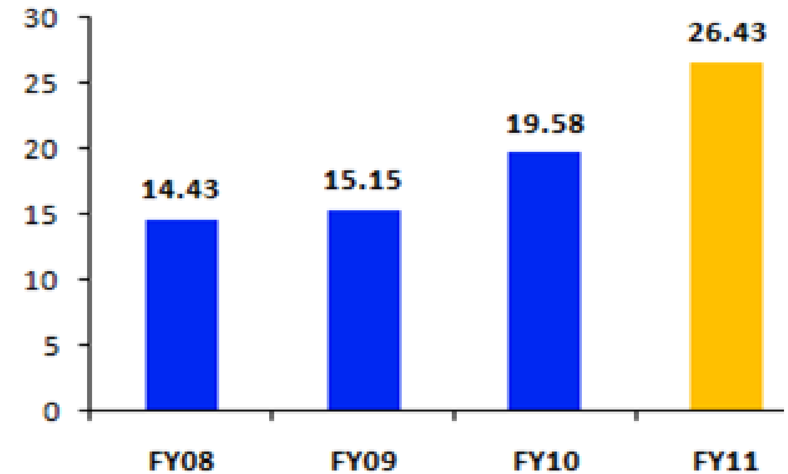

## Net Interest Income (` mn)




## Net Profit (` mn)




## Earnings Per Share (`)



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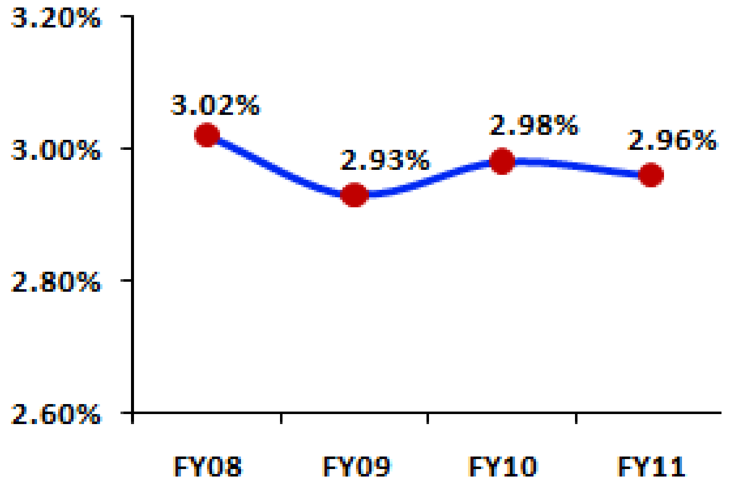
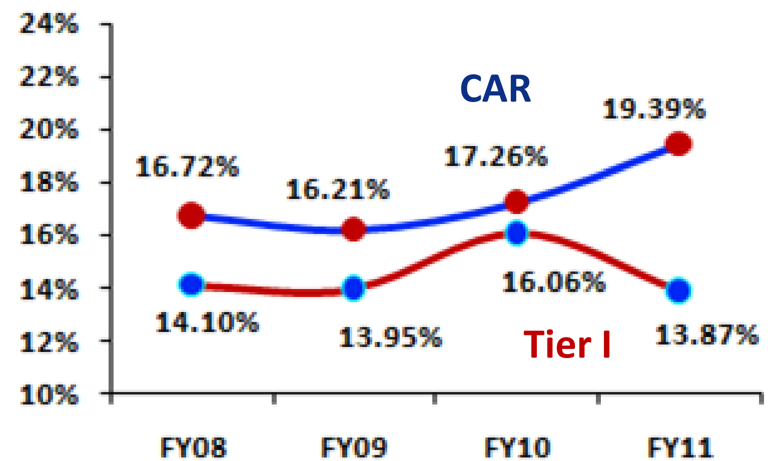
# ……And Healthy Financial Ratios

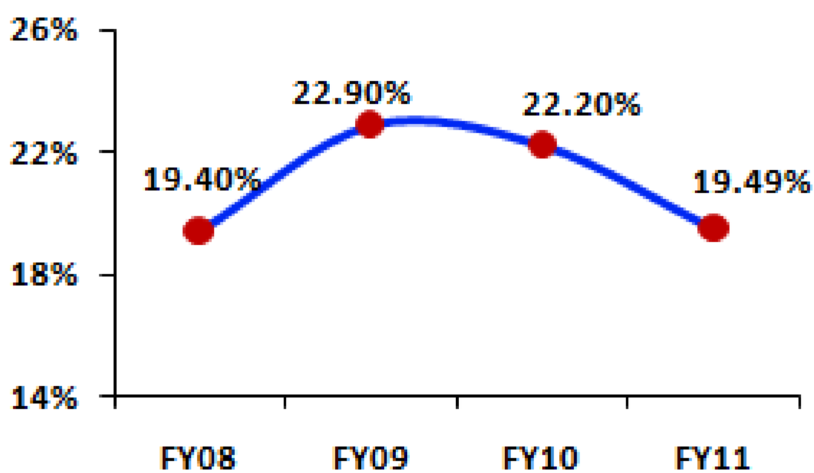
NIM (%)



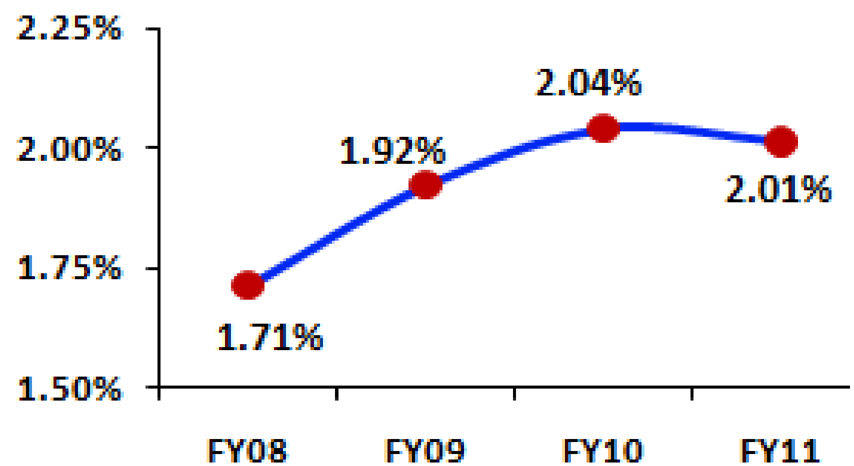

CAR / Tier I (%)




RoE (%)




RoAA (%)



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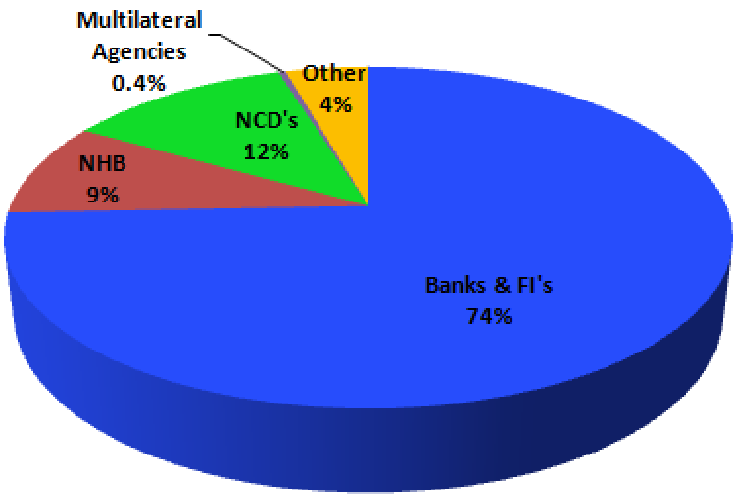
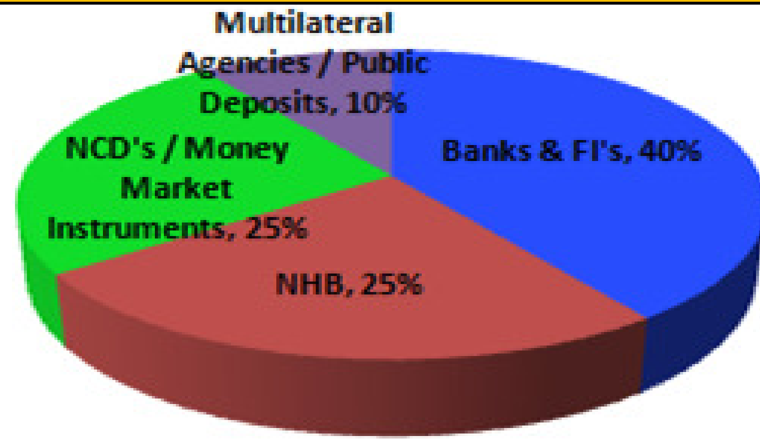
# Diversifying the Borrowing Profile

## Borrowings Composition




## Target Borrowing Composition




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

## Credit Ratings

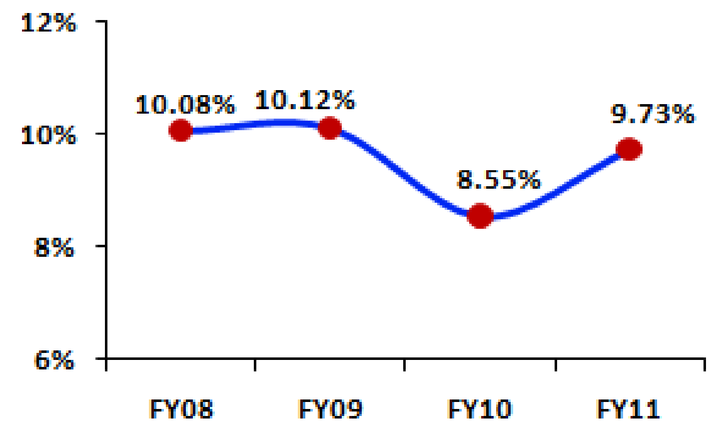
**Long Term :**
**AA+ from CARE**

**Short Term :**
**P1+ from CRISIL**

## Borrowing Cost Composition

| Borrowing Source | ₹ mn | Cost % |
|---|---|---|
| Banks & FI's | 1,10,419 | 10.01% |
| NHB | 13,256 | 7.58% |
| NCD's | 17,707 | 9.41% |
| Multilateral Agencies | 571 | 8.82% |
| Others | 6,548 | 9.92% |
| **WACB** | **1,48,501** | **9.73%** |

## Borrowing Cost Movement



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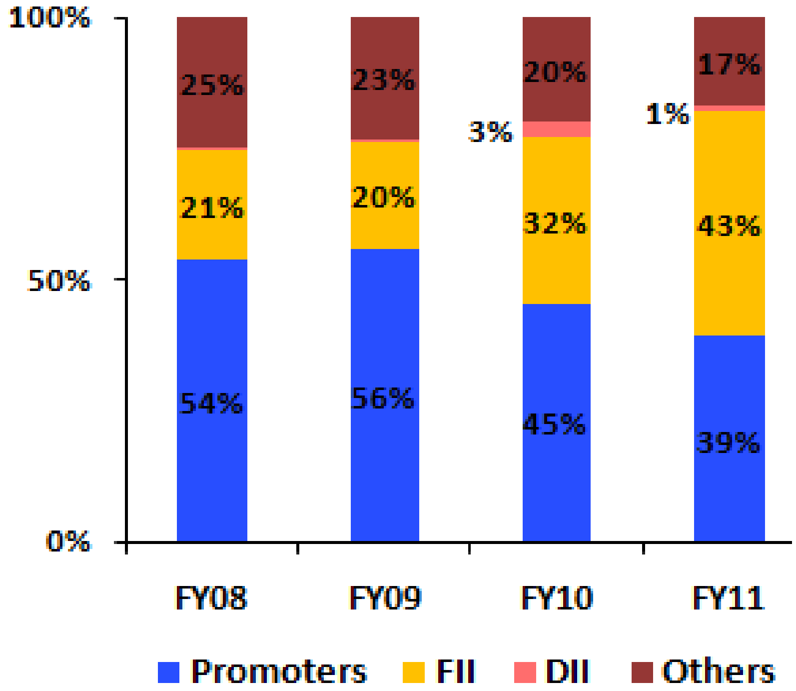
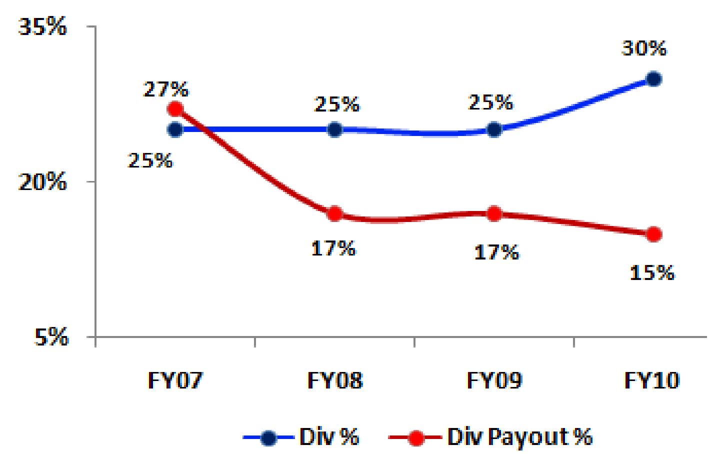
# Ensuing Solid Investor Support

## 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 22 years, in 26 years of operation of company

| Top 10 Institutional Investors as on 31st March 2011 | | |
|---|---|---|
| Sr.No. | Name of Investor | % Holding |
| 1 | CALEDONIA INVESTMENTS PLC | 9.59% |
| 2 | ASIABRIDGE FUND I, LLC | 3.42% |
| 3 | IRONWOOD INVESTMENT HOLDINGS | 3.20% |
| 4 | EQUINOX PARTNERS LP | 2.01% |
| 5 | KUROTO FUND LP | 1.96% |
| 6 | HSBCINDIAN EQUITY MOTHER FUND | 1.82% |
| 7 | GOVERNMENT OF SINGAPORE | 1.65% |
| 8 | CLSA (MAURITIUS) LIMITED | 1.21% |
| 9 | WASATCH EMERGING MARKETS S.CAP FUND | 1.08% |
| 10 | STICHTING PENSIOENFONDS ABP | 0.93% |



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4

# Deutsche Postbank Home Finance

- Synergistic Acquisition
- Financial Metrics

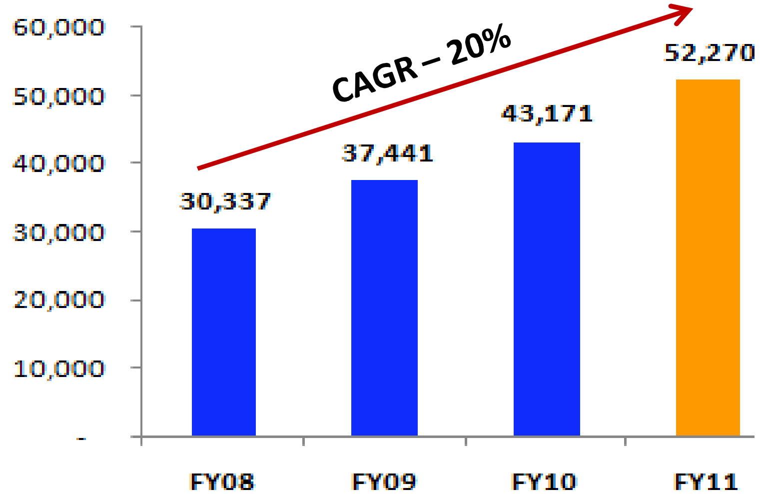
# Synergistic Acquisition

Acquisition of Deutsche Postbank Home Finance Ltd (DPHFL)will take the total assets of DHFL group over Rs.200bn as of March 2011. DPHFL has successfully built a very strong franchisee over last 15 years and would strengthen DHFL group across multiple spheres

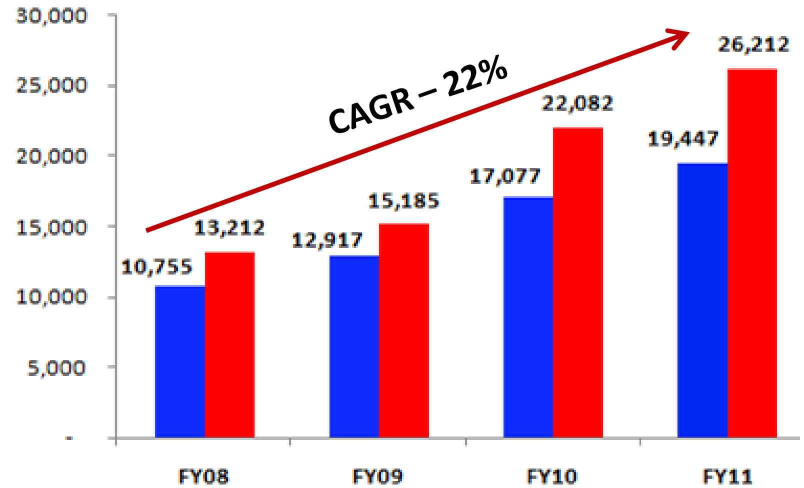
| | |
|---|---|
| **Access to niche customer segment** | DPHFL caters to upper-mid income customers, as against LMI customers being serviced by DHFL. This acquisition will aid DHFL to service customers across the housing finance spectrum |
| **Access to untapped geography** | DPHFL conducts majority 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 0.8% 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 DPHFL, where it is very marginal |

# Healthy Growth with Healthy Assets

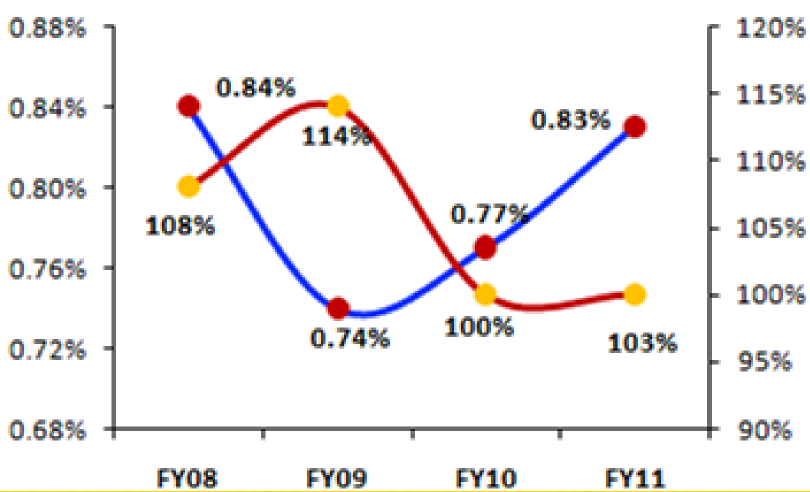
**Loan Portfolio (` mn)**



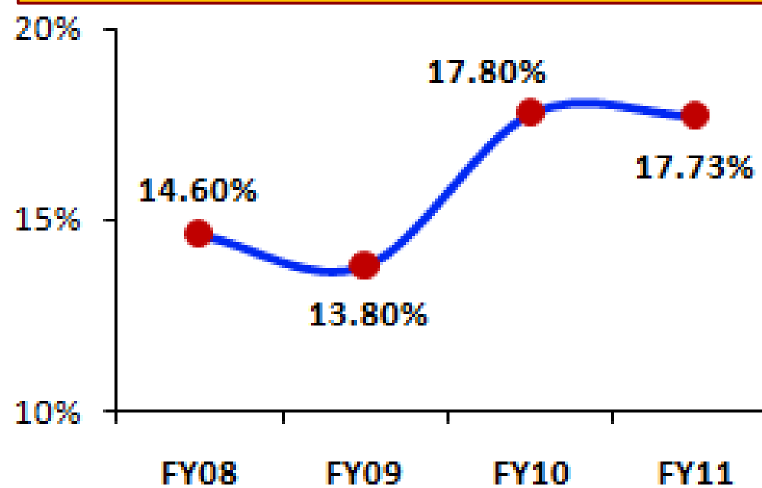

**Disbursement** **Sanctions (` mn)**




**Gross NPA** **NPA Coverage**

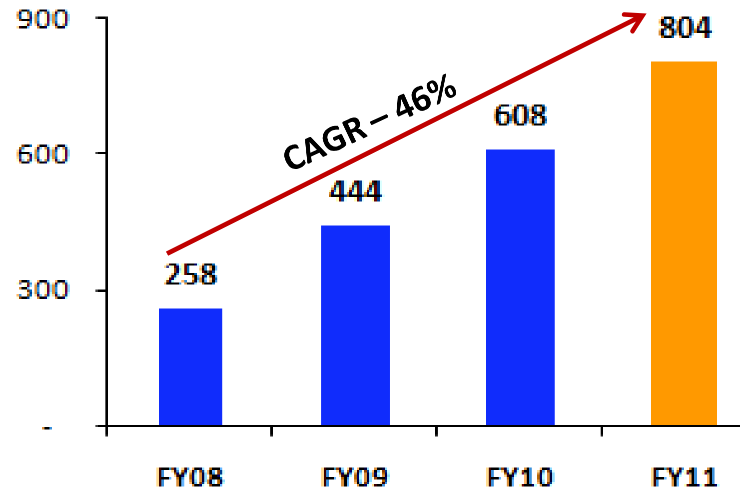



**CAR (%)**

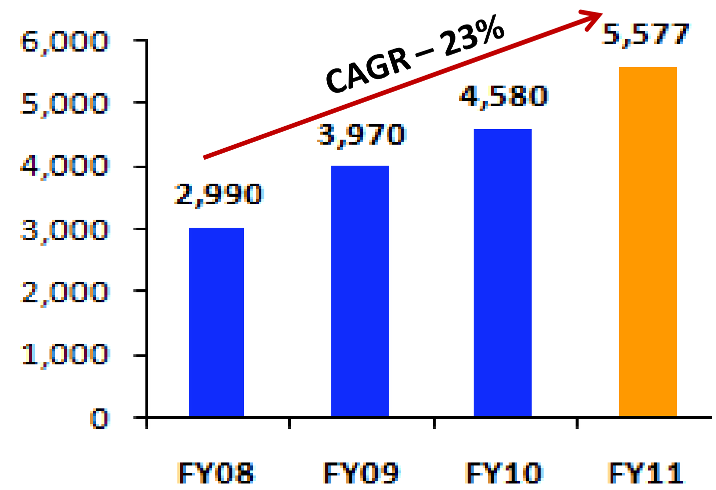


# Growth aided by Strong Profits

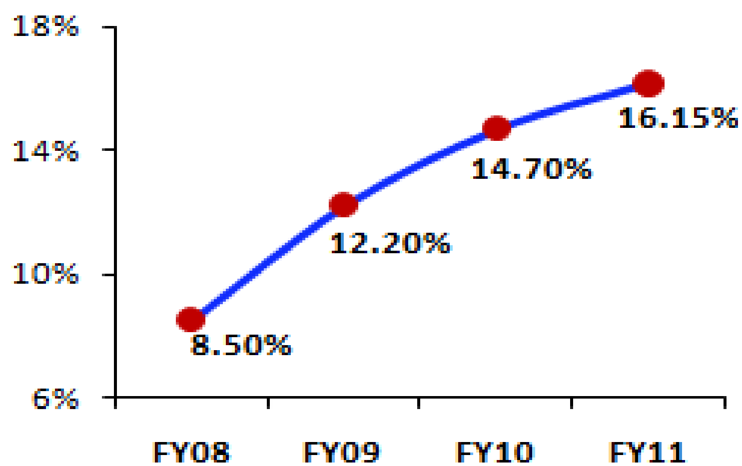
**Net Profit (` mn)**



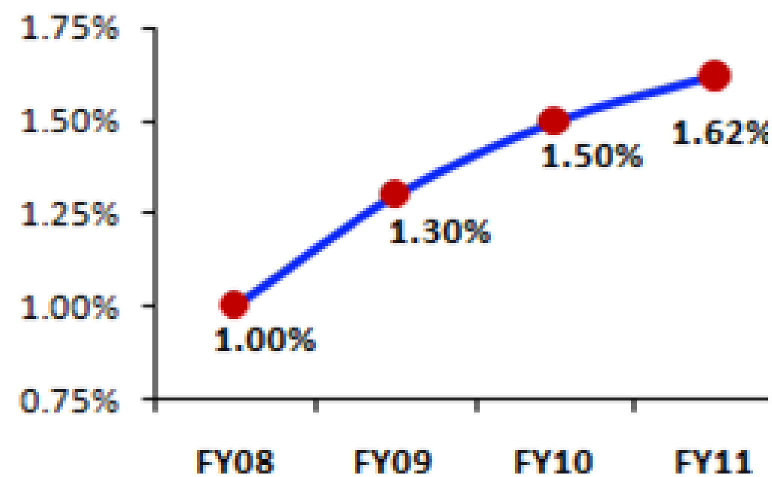

**Net Worth (` mn)**




**Return on Equity (%)**




**Return on Avg Assets (%)**



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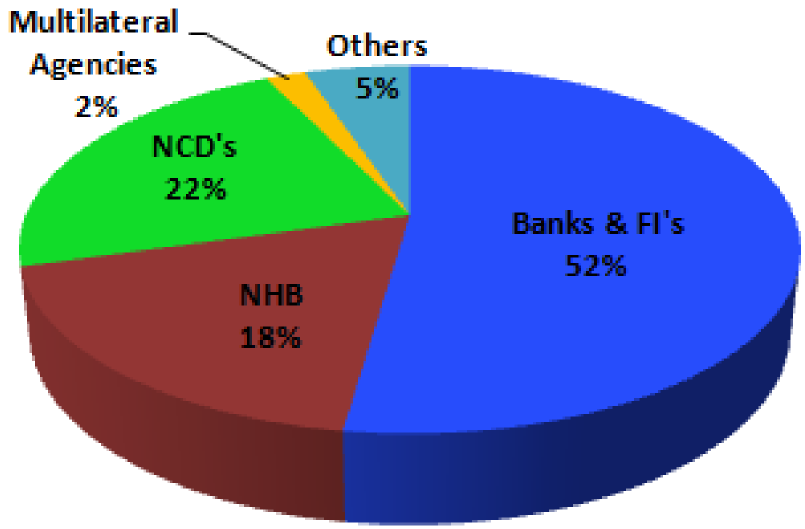
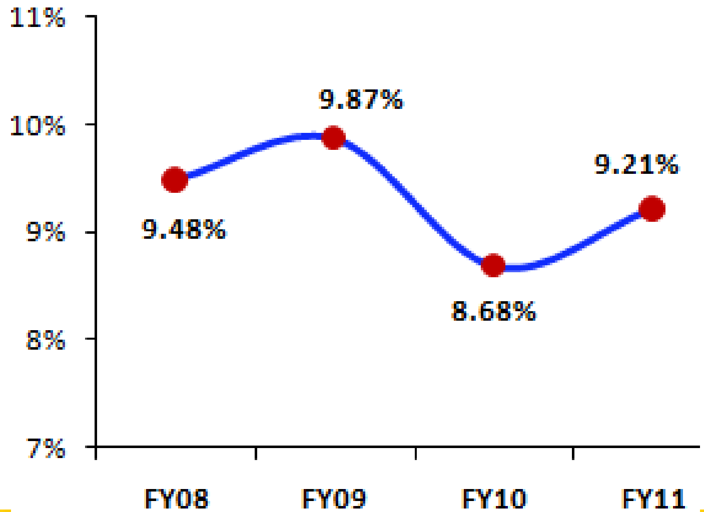
# Diversified Borrowings…Reduced Costs

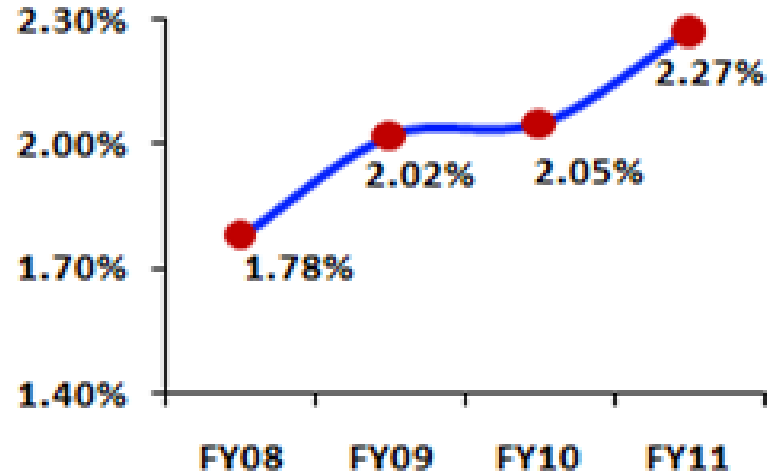



| Weighted Average Borrowing Cost | | |
|---|---|---|
| Borrowing Source | ₹ mn | Cost% |
| Banks & FI's | 25,428 | 9.75% |
| NHB | 8,895 | 8.03% |
| NCD's | 10,821 | 8.86% |
| Multilateral Agencies | 960 | 7.85% |
| Others | 2,541 | 9.80% |
| **Total Borrowings** | **48,645** | **9.21%** |

## Controlled Borrowing Cost (%)




## Healthy Portfolio Margin (%)



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5

# Aadhar Housing Finance

## Business Synopsis

# Business Synopsis

- **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
- **Low Competition** – Abysmally Low presence of players from organised sector in this geography will aid Aadhar in establishing a strong foothold & gain meaningful market share

***Note: Aadhar started operations in February 2011 with four branches functioning out of the designated geography***

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## Thank You

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