

Dewan Housing Finance Corporation Ltd.

Poised for the next leap in a niche business



Earnings Update – March 2012

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* Erstwhile Deutsche Postbank Home Finance

Group Earnings Update – FY12



- Total AUM crosses ₹ 200bn in March 2012
- Total Income for Q4FY12 up 66% YoY to ₹ 7.21bn and for FY2012 up by 70% to ₹ 24.7bn
- Profit after Tax for Q4FY12 up 60% YoY to ₹ 937.6mn and for FY2012 up 33% to ₹ 3.06bn
- For FY2012; Sanctions up 44% YoY to ₹ 128.45bn and Disbursements up 39% to ₹ 90.65bn
- Loan book as of end March'12, up YoY by 37% to ₹ 193.55bn
- Net Interest Margin for FY12 stood at 2.86%
- RoA for FY12 was 1.92% and RoE for the same period stood at 19.02%
- Gross NPA's stood at 0.68% and Net NPA's were NIL as the provisioning coverage was maintained at 118%



- FBHFL delivered satisfactory performance in challenging environment
- Total Income for Q4FY12 up 29% YoY to ₹ 2.07bn and for FY2012 up by 29% to ₹ 7.47bn
- NII for Q4FY12 up by 10% to ₹ 535.4mn and for FY2012 up by 26% to ₹ 2.01bn
- Profit after Tax for Q4FY12 up 18% YoY to ₹ 271.6mn and for FY2012 up 26% to ₹ 1.01bn
- RoA improved to 1.75% from 1.62% as of Mar'11 and RoE improved to 18.0% from 16.15% as of Mar'11
- For FY2012; Sanctions up 20% YoY to ₹ 31.52bn and Disbursements up 15% to ₹ 22.41bn
- Loan book as of end March'12, up YoY by 17% to ₹ 61.14bn
- Gross and Net NPA's stood at 0.84% and 0% respectively as of end March'12

Key Highlights – FY12

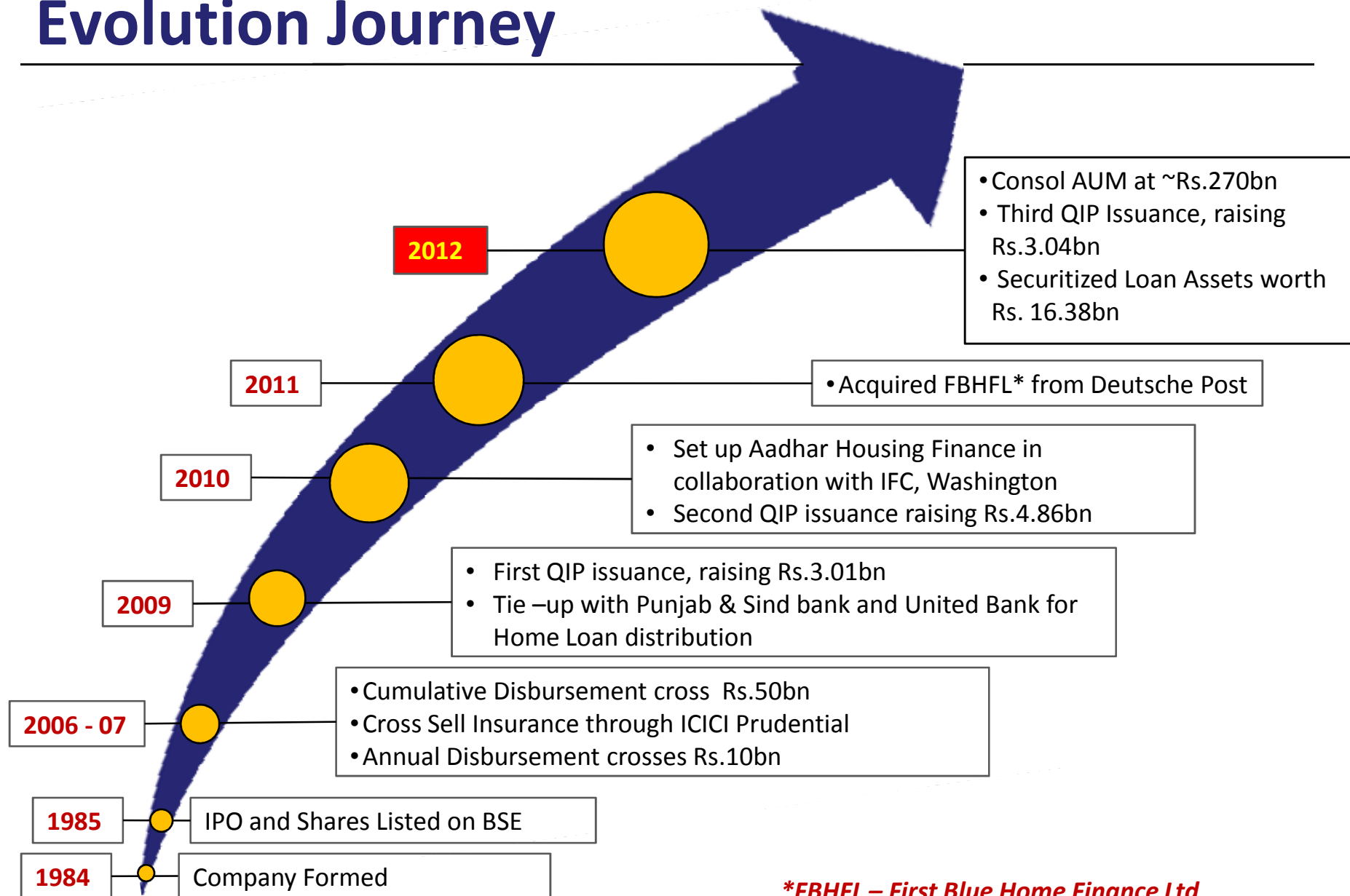
- The Company raised ₹ 3.04bn (US\$62m) via the first sizeable Indian QIP in CY12. by issuing 11.91mn shares at ₹ 255.50 per share, translating into ~10.2% post-issue equity dilution
- Total Assets Under Management for DHFL crossed Rs.200bn in FY2012
- The Company assigned pool of assets worth ₹ 16.4 bn in FY12, across multiple banks. The assignment transactions were at-par transactions, hence there was no upfront profit booking done.
- Aadhar Housing Finance Private Limited, focusing on the Low income segment, has successfully completed the first year of operations with presence in 15 locations covering six low income states across Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Bihar, Jharkhand and Orissa
- The Company has filed and is awaiting the approval from the High Court with regard to the process of merger of First Blue Home Finance with DHFL
- Ensuring compliance with clause 32 of NHB Directions 2010, the Company has divested its holding in DHFL Vysya Housing Finance Ltd (DVHFL) from 58.20% to 9.47% during the year. Grant Thornton was appointed for valuing the stake in DVHFL and after due consideration the stake was diluted to the promoters @ Rs.97 per share. This effectively works out at 1.4 times of BV of DVHFL. The Company has earned a profit of ₹ 318.7mn on sale of shares of DVHFL
- With a view to focus on its core business, has also completely divested its holding in DHFL Property Services Ltd (DPSL) and Wadhawan Retail during the year. Accordingly DVHFL, DPSL and Aadhar Housing Finance Pvt Ltd are no longer subsidiaries of the company. However DHFL continues to maintain its 50% stake in Aadhar

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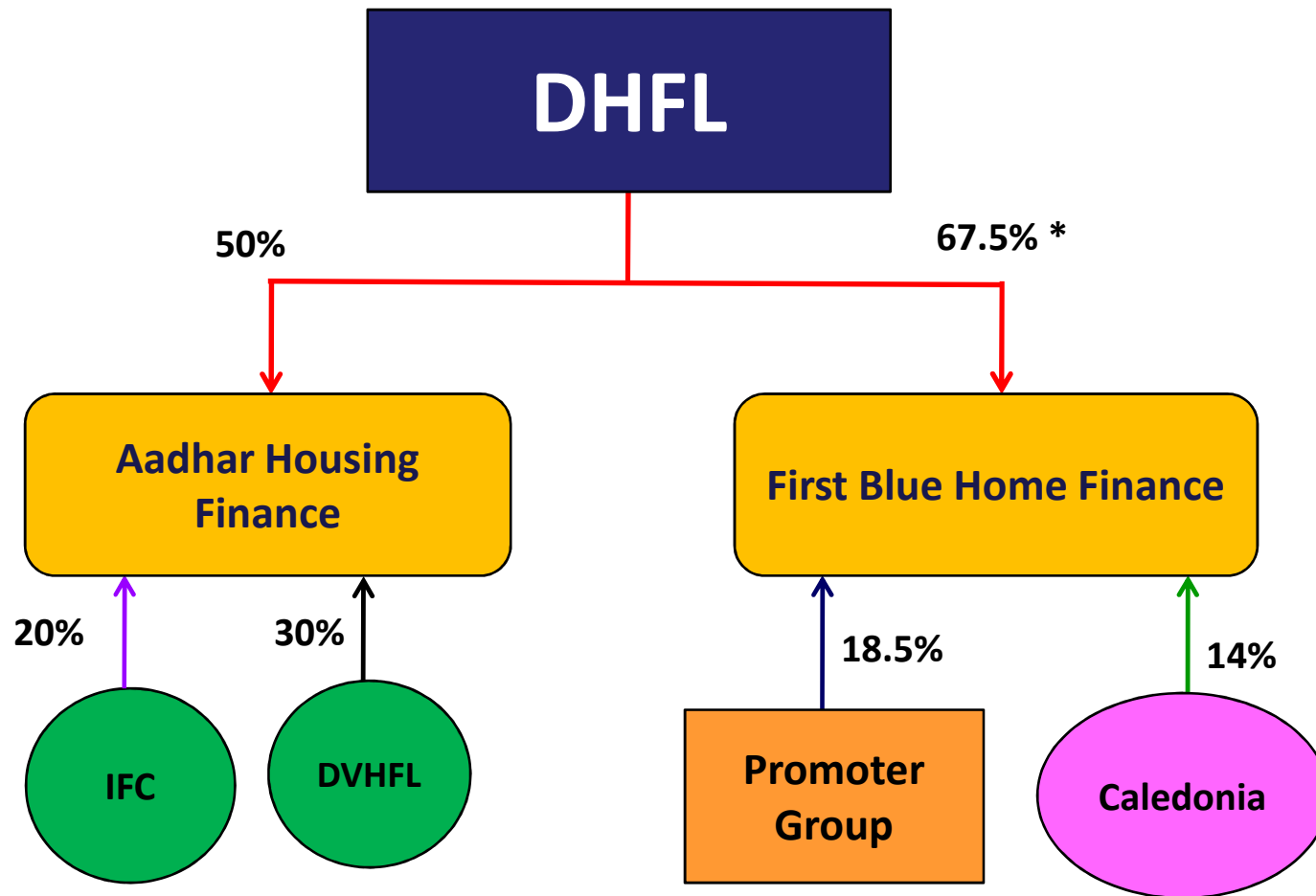
Group Profile

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

Evolution Journey



Corporate Profile

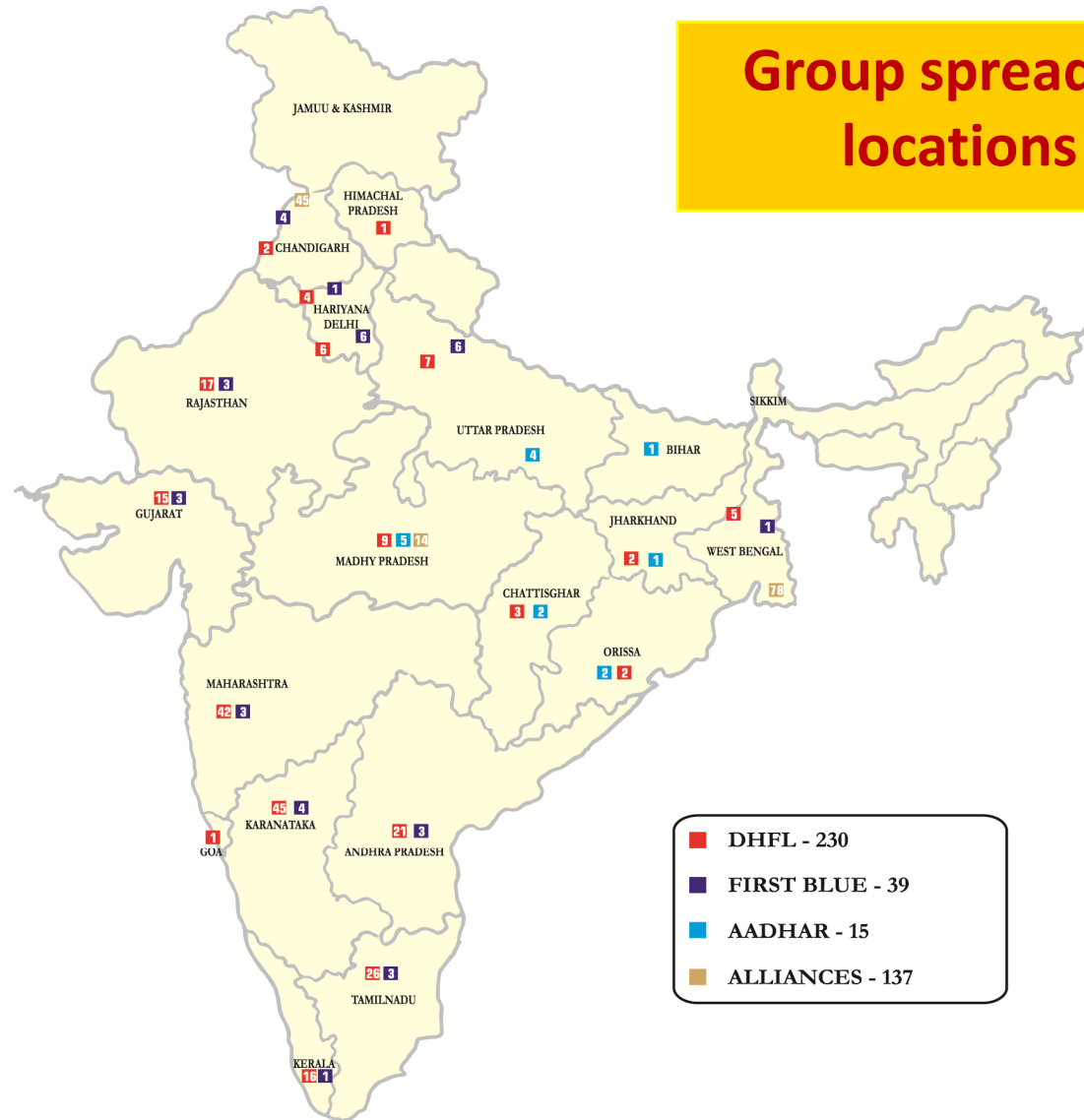


**** DVHFL – DHFL Vysya Housing Finance**

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

Geographical Presence

Group spread across 421 locations in India



DHFL - 230
FIRST BLUE - 39
AADHAR - 15
ALLIANCES - 137

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

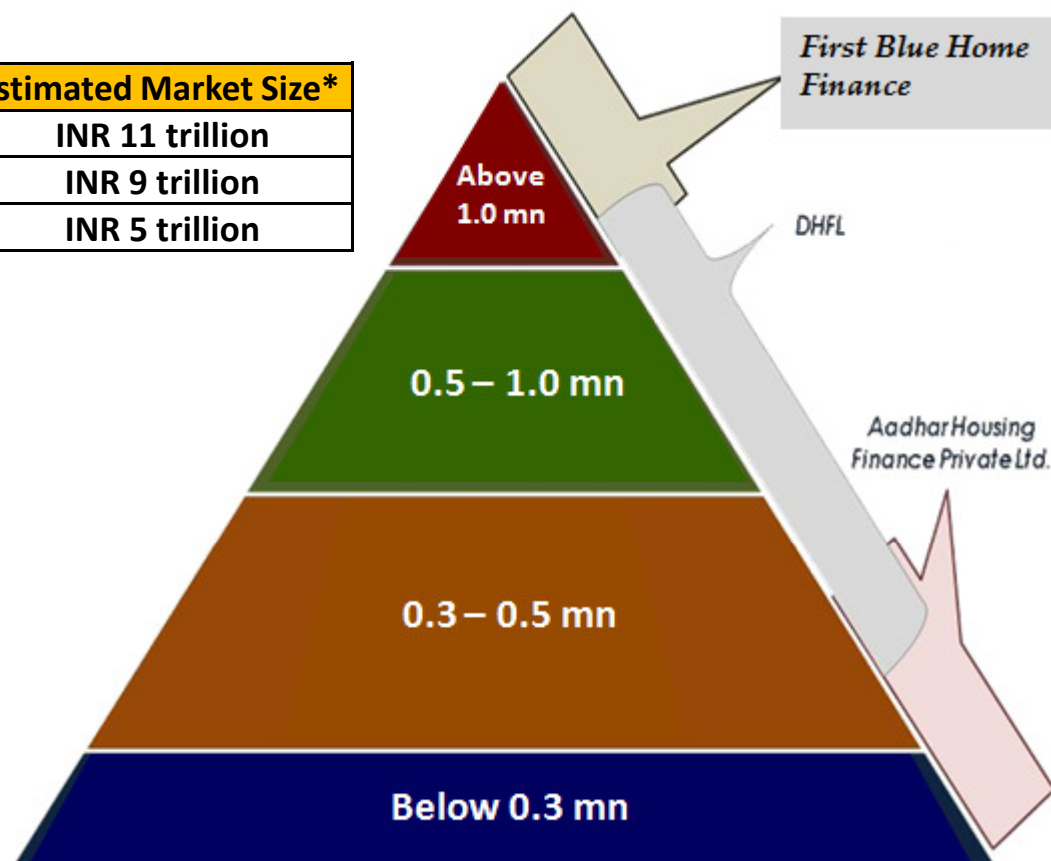
Mr. Kapil Wadhawan	Chairman and Managing Director
Mr. Anil Sachidanand	CEO DHFL
Mr. Anoop Pabby	CEO FBHFL
Mr. R. Nambirajan	MD DHFL Vysya
Mr. Harshil Mehta	CEO Aadhar HFL

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

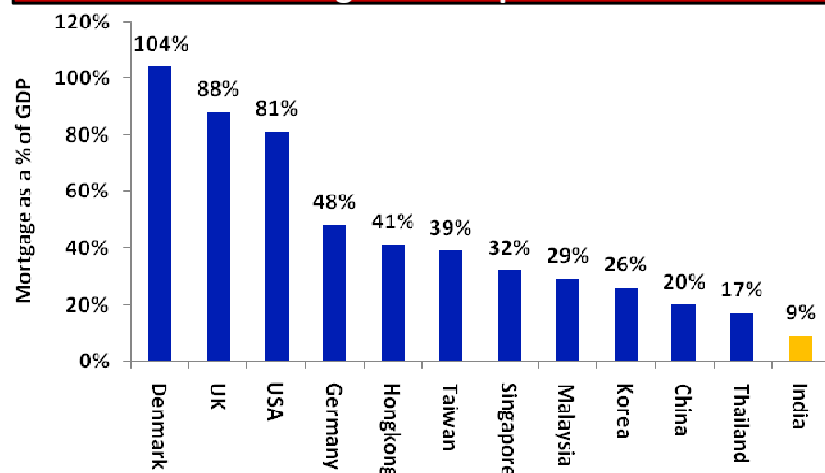


Pursuant to the acquisition of First Blue Home Finance and setting up of Aadhar Housing Finance in FY11, DHFL as a group is geared to serve customers across the housing finance spectrum, with each company serving a niche segment , resulting in minimal overlap

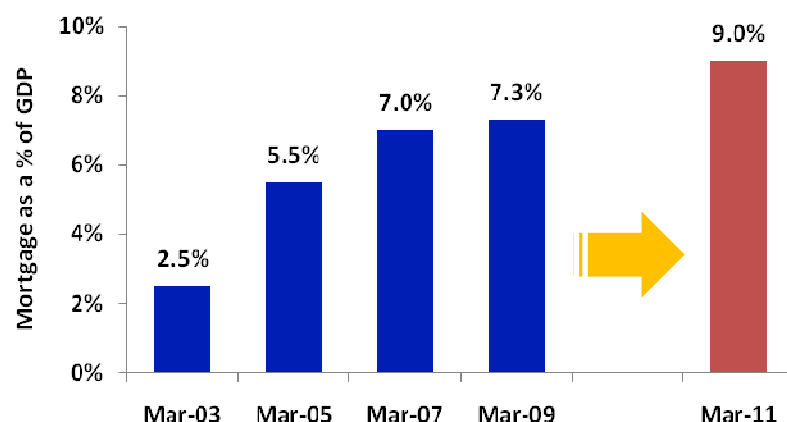
All Information Source: Monitor Group

Mortgage Finance Industry – Huge Growth Opportunity

Low Mortgage Penetration in India – A huge market potential



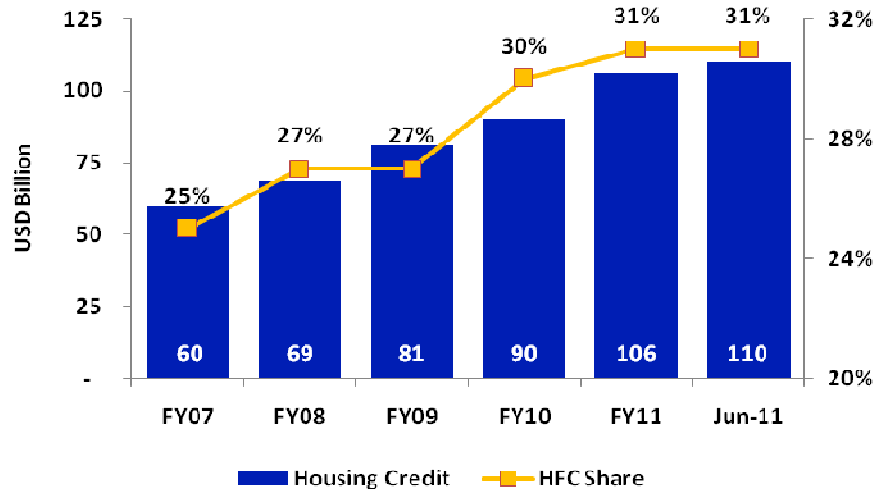
Growth in Mortgage penetration – Translating to higher Industry Growth



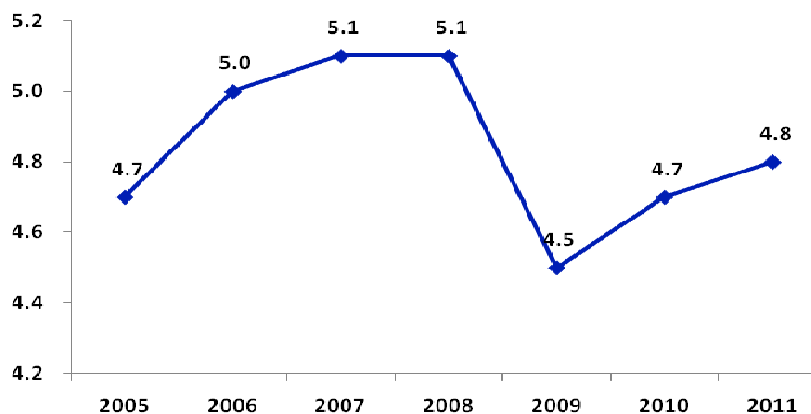
- Indian housing market has emerged as one of the most promising secured financing option
- As of June 2011, total housing loan market in India is estimated at USD 110 billion
- Current Mortgage to GDP ratio for India amongst the lowest in the world and provides huge opportunity for growth on sustainable 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

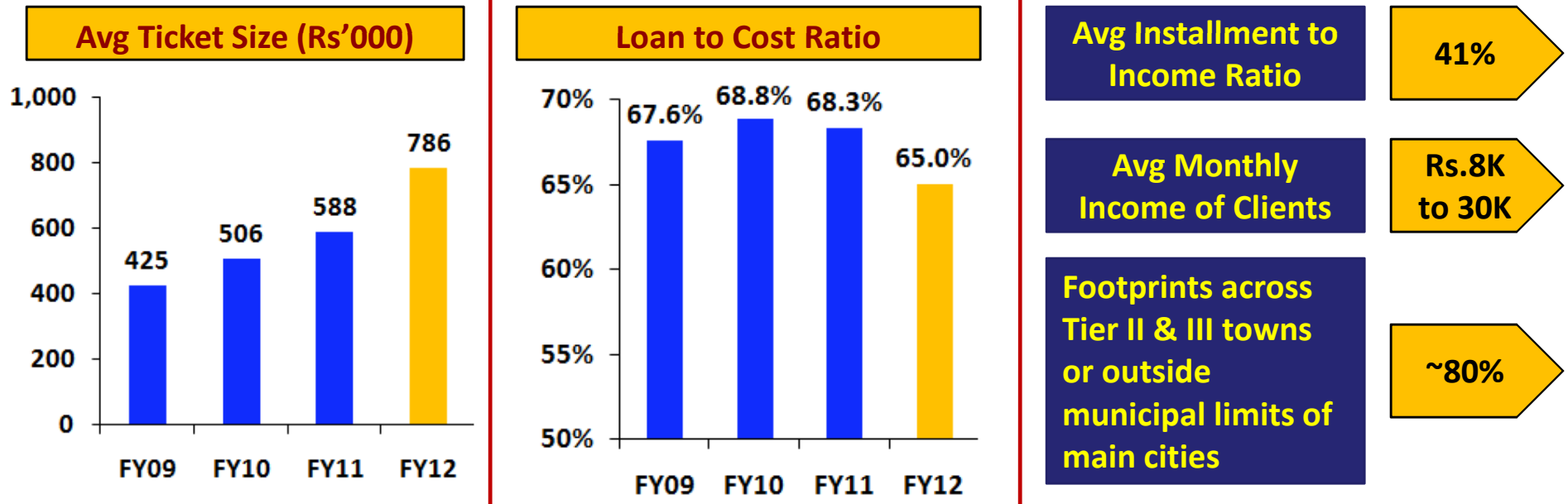
- ➡ **Dominant Player in the LMI Segment**
- ➡ **Differentiated Business Model**
- ➡ **Nurturing Diversification in Operations**
- ➡ **Performance**

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



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

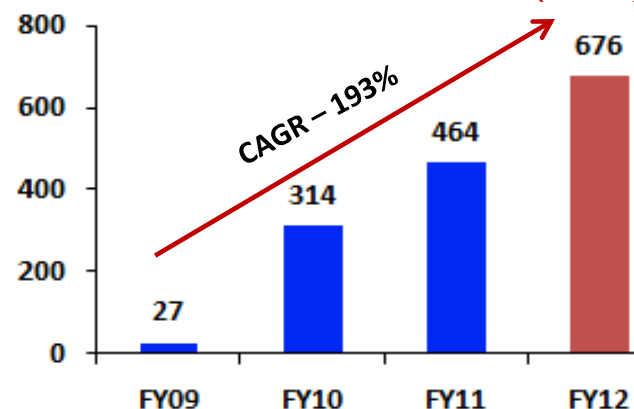
Technical Consultancy & Management

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)

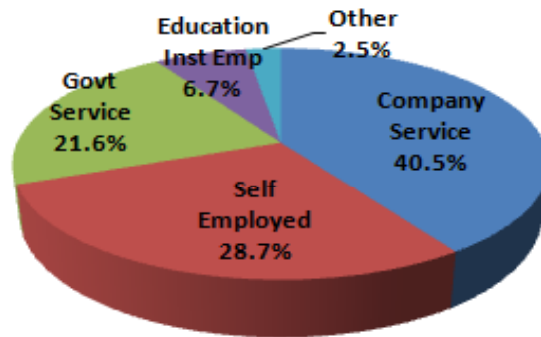


Nurturing Diversification in Operations

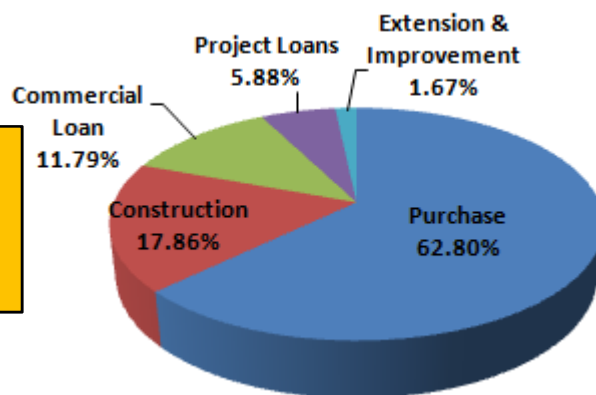
Product Offerings

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 (Mar 12)



Portfolio Composition (Mar12)



Loan Distribution

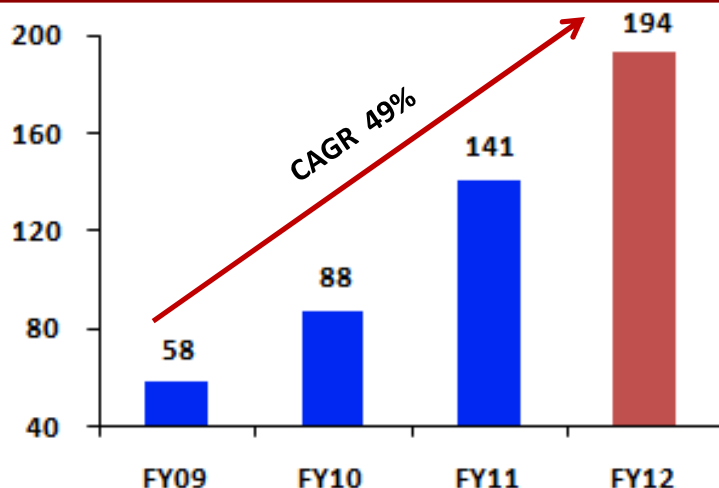


Partnered with multiple banks for Home Loan Distribution to their customers

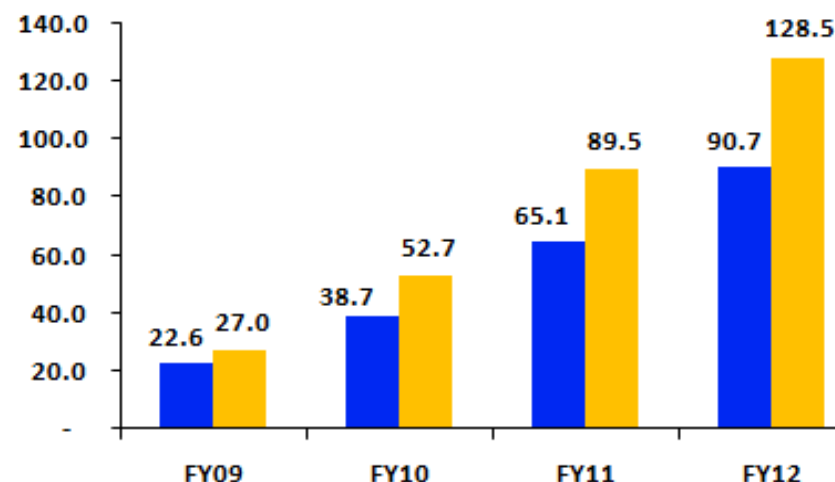
DHFL has been the industry pioneer in establishing long term relationships with multiple partners to fuel the growth engine as well as augment its income streams and feels extremely proud to win the trust of eminent and marquee names in the Finance world

Strong AUM Growth with Low NPA's

Loan Portfolio (₹ bn)

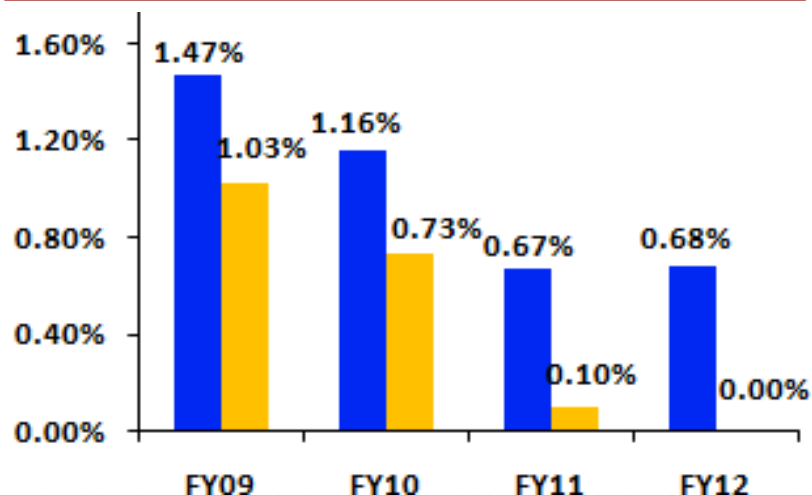


Disbursement Sanctions (₹ bn)

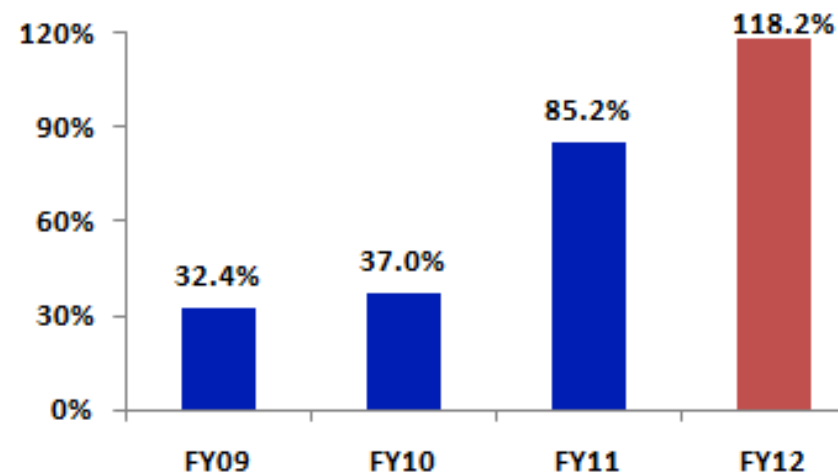


Gross NPA's

Net NPA's

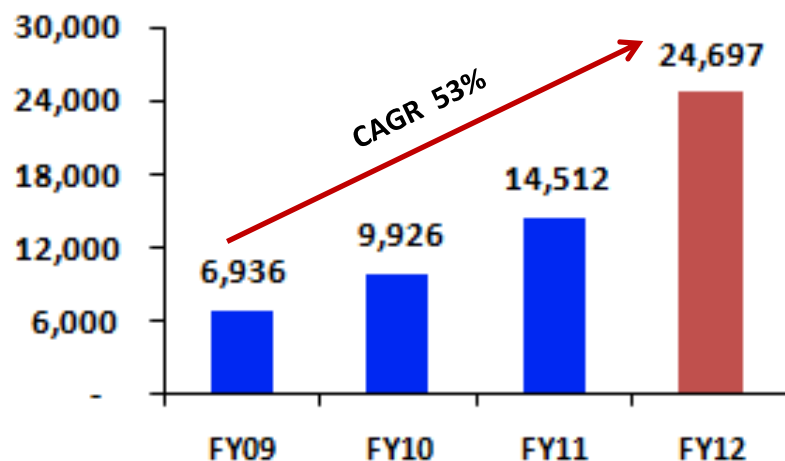


Provisioning Coverage (%)

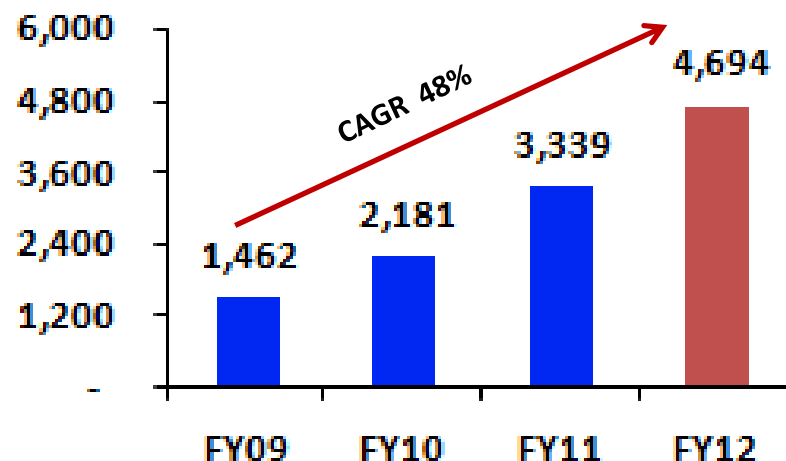


Resulting in - Robust Financial performance

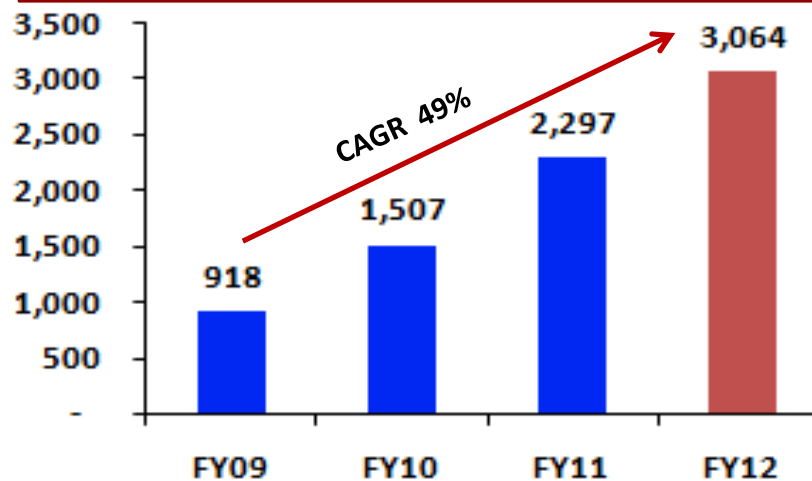
Total Income (₹ mn)



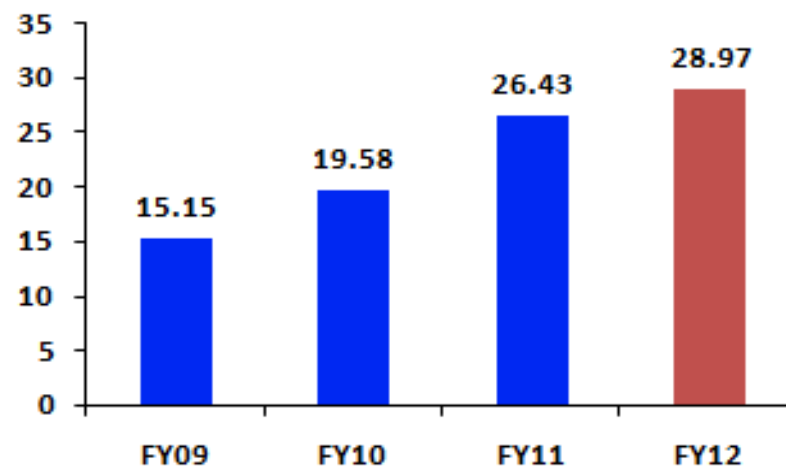
Net Interest Income (₹ mn)



Net Profit (₹ mn)

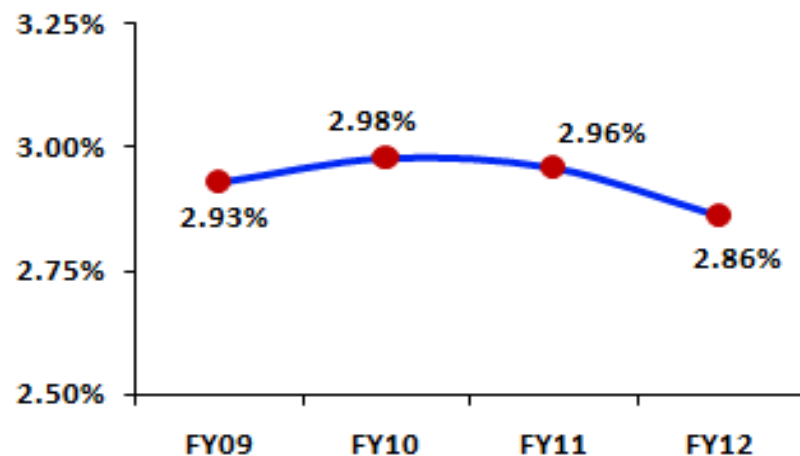


Earnings Per Share (₹)

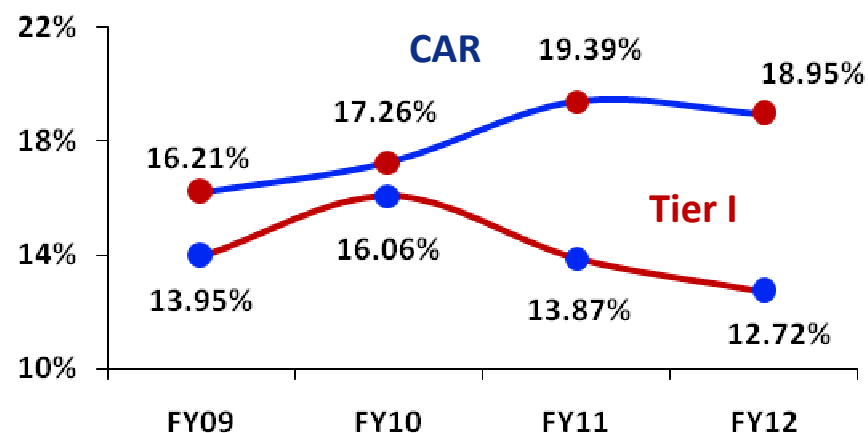


.....And Healthy Financial Ratios

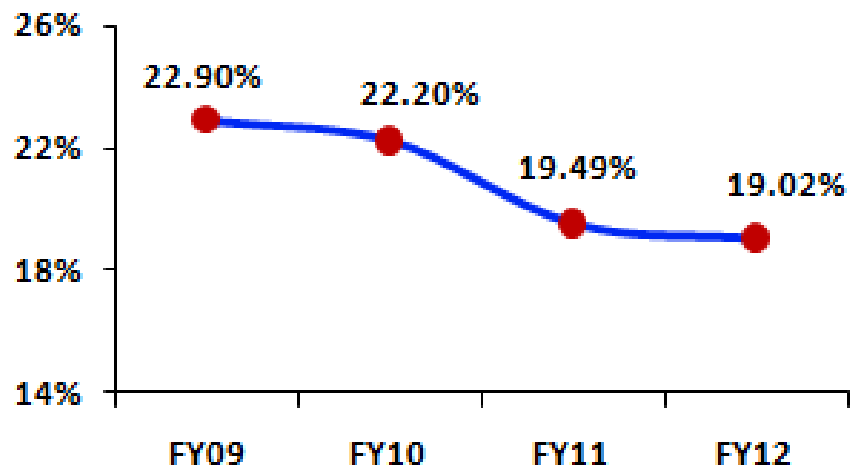
NIM (%)



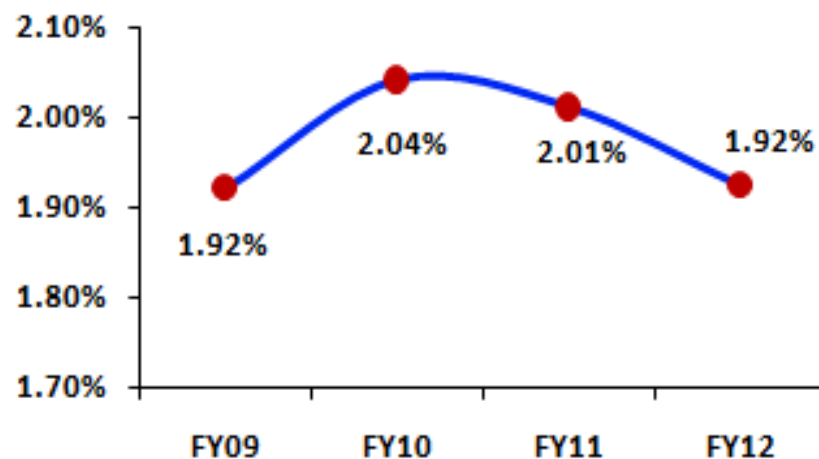
CAR / Tier I (%)



RoE (%)

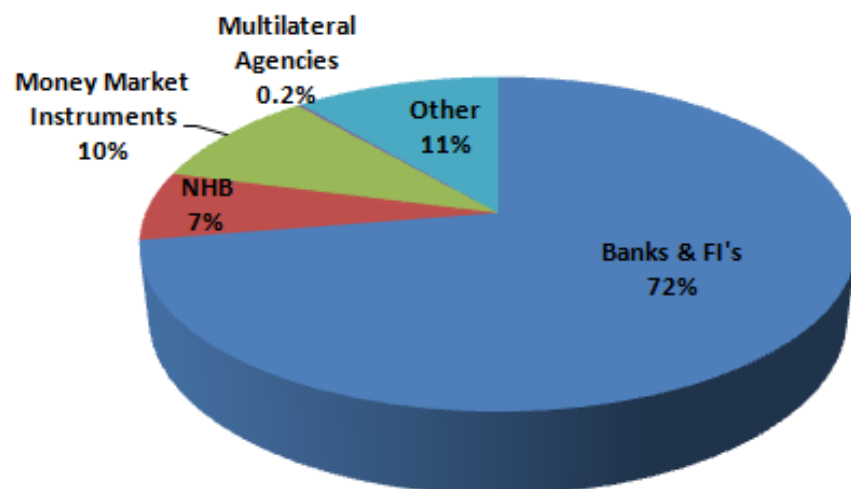


RoAA (%)

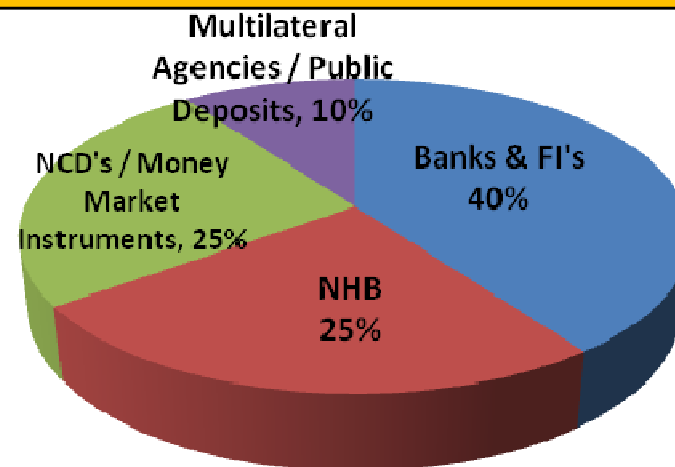


Diversifying the Borrowing Profile

Borrowings Composition



Target Borrowing Composition



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

Credit Ratings

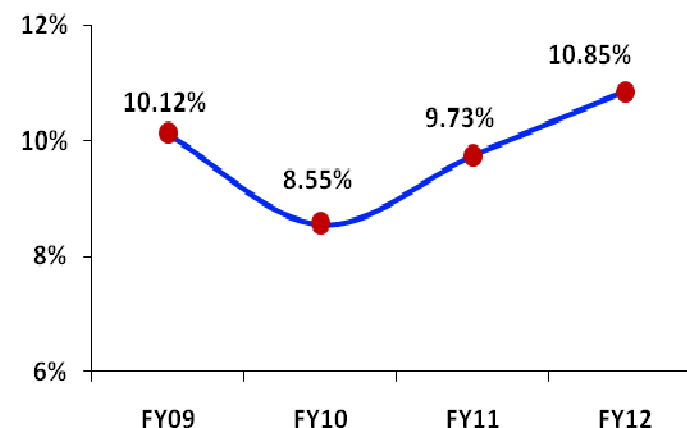
Long Term :
AA+ from CARE

Short Term :
A1+ from CRISIL

Borrowing Cost Composition

Borrowing Source	₹ mn	Cost %
Banks & FI's	138,627	11.41%
NHB	12,785	7.63%
Money Market Instruments	18,502	9.51%
Multilateral Agencies	367	9.79%
Others	21,204	10.33%
WACB	191,486	10.85%

Borrowing Cost Movement



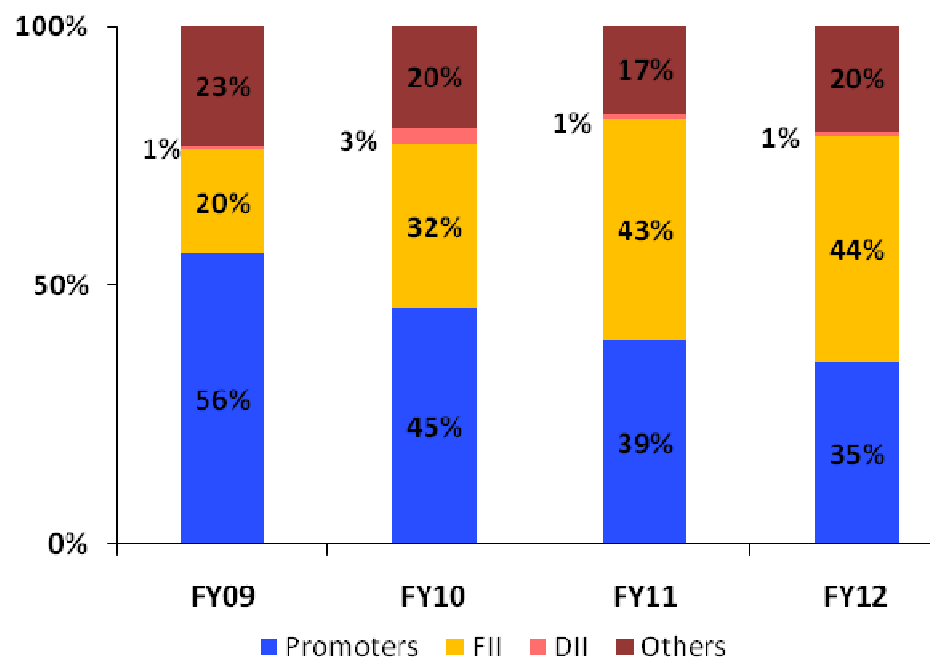
Key Financial Metrics of DHFL

Financial Summary (₹ mn)	Period Ended			Quarter Ended			Growth	
	Mar, 2012	Mar, 2011	Growth	Mar, 2012	Mar, 2011	Dec, 2011	YoY	QoQ
Total Income	24,697	14,512	70%	7,211	4,346	6,619	66%	9%
Net Interest Income	4,694	3,339	41%	1,285	954	1,241	35%	4%
Processing & Other Fees	1,152	1,064	8%	268	367	357	-27%	-25%
TPP Fee Income	676	464	46%	160	104	233	54%	-31%
Net Income on Sale of DVHFL etc	285	-	nm	285	-	-	nm	nm
Interest expenses	17,890	9,645	85%	5,213	2,922	4,788	78%	9%
Operating expense	2,528	1,679	51%	793	544	678	46%	17%
Provision for Contingencies	237	90	163%	(62)	65	150	nm	nm
PBT (Before exceptional)	3,984	3,060	30%	1,255	810	988	55%	27%
PAT (Before exceptional)	3,064	2,297	33%	938	587	750	60%	25%
PAT (After exceptional)	3,064	2,651	16%	938	587	750	60%	25%
Loan Sanctioned	128,453	89,495	44%	44,644	27,401	31,895	63%	40%
Loan Disbursed	90,652	65,056	39%	30,924	20,336	22,798	52%	36%

Key Ratios for Period Ended	Mar, 2012	Mar, 2011	Dec, 2011
Gross NPA	0.68%	0.67%	0.89%
Net NPA	0.00%	0.10%	0.17%
NPA Coverage Ratio	118.21%	85.22%	81.04%
CAR (Approx.)	18.95%	19.39%	17.10%
NIM	2.86%	2.96%	2.78%
Cost Coverage Ratio	79.61%	88.86%	78.65%
Cost to Income Ratio	30.22%	27.60%	28.41%
Return on Assets	1.92%	2.01%	1.90%
Return on Equity	19.02%	19.49%	18.54%
Debt Equity Ratio	8.63	9.81	9.94
EPS ₹	28.97	26.43	20.12

Diversified Investor Base

Shareholding Composition



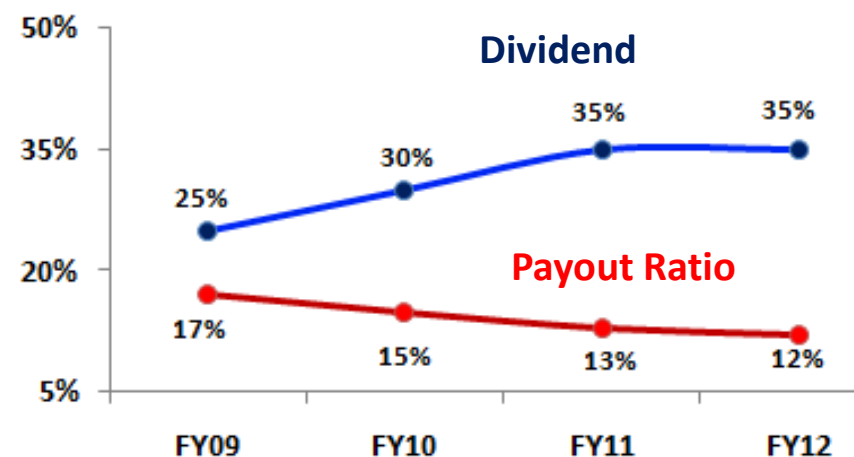
- Institutional Investors exhibit significant faith in the companies performance, as evident from their substantial increase in Holding % over a period of time
- Dividend paid consecutively for last 23 years, in 27 years of operation of company

Top 10 Institutional Investors as on 31st Mar 2012

Sr.No.	Name of Investor	% Holding
1	CALEDONIA INVESTMENTS PLC	8.57%
2	HSBC BANK (Mauritius) LTD	4.90%
3	IRONWOOD INVESTMENT HOLDINGS	4.45%
4	ASIABRIDGE FUND I, LLC	3.06%
5	IIFL INC A/C *	2.89%
6	GOVERNMENT OF SINGAPORE *	2.61%
7	MIRAE ASSET MANAGEMENT *	1.79%
8	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD *	1.60%
9	EMERGING MARKET MANAGEMENT *	1.21%
10	GMO EMERGING MARKETS FUND *	1.24%

* 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%

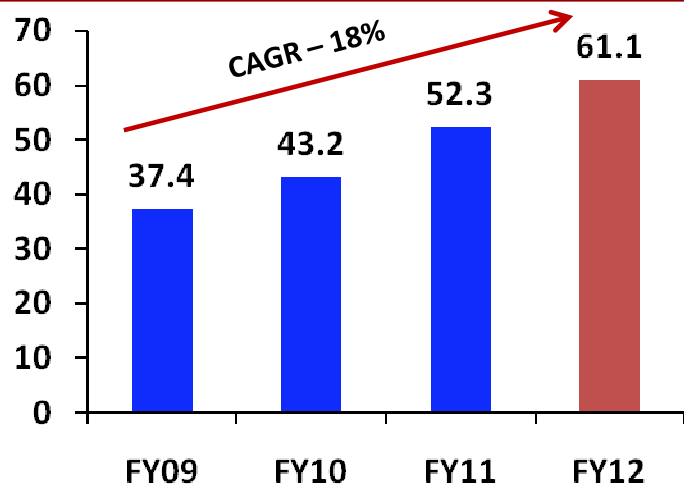
Untapped Cross Selling Opportunity

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

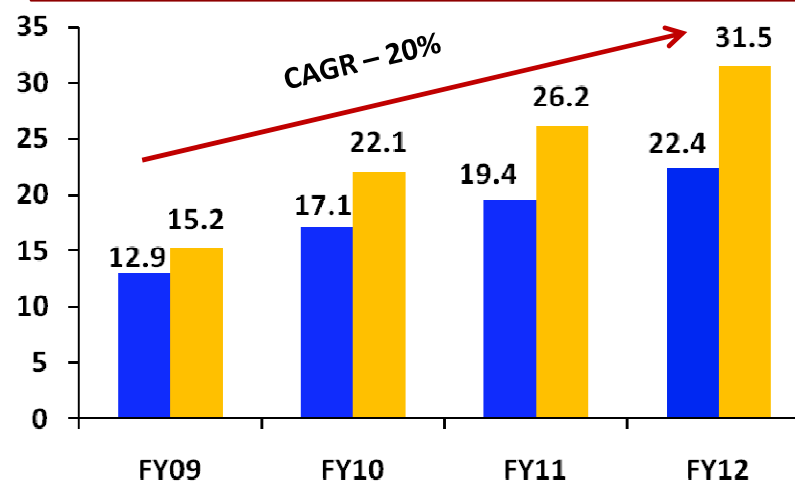
FBHFL gave robust performance in FY12, with disbursements growing by 15% and sanctions by 20%, yoy . DHFL is confident of creating value for customers in the Metro / Tier I cities through the FBHFL platform in the future.

Healthy Growth with Healthy Assets

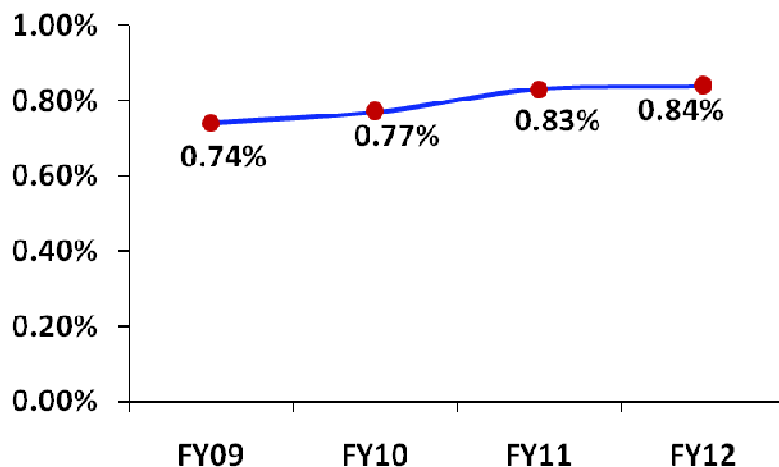
Loan Portfolio (₹ bn)



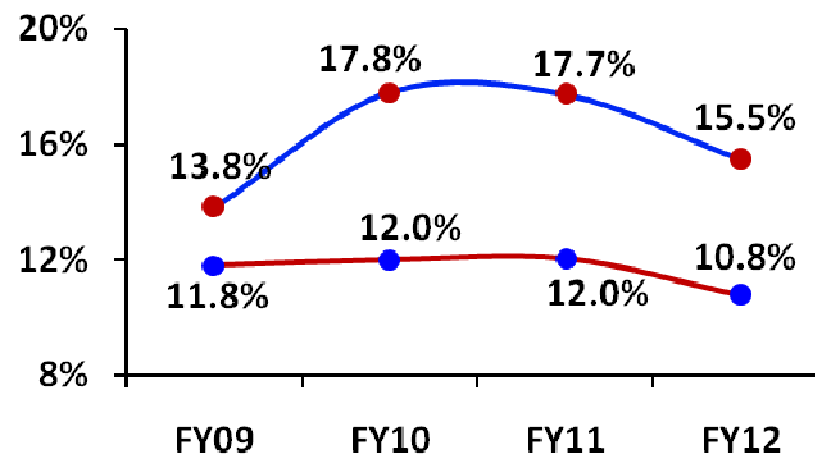
Disbursement (₹ bn) **Sanctions (₹ bn)**



Gross NPA

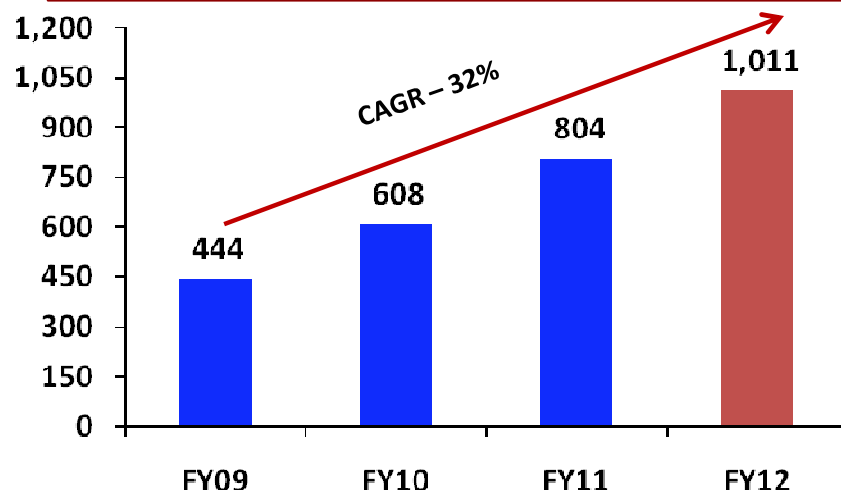


CAR (%) **Tier I (%)**

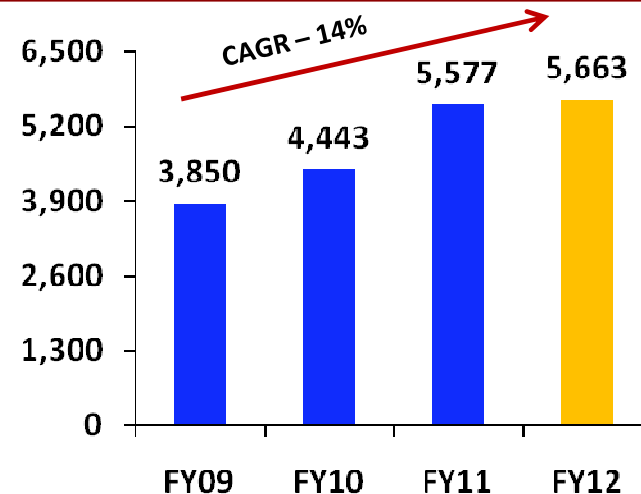


Steady Improvement in Financial Parameters

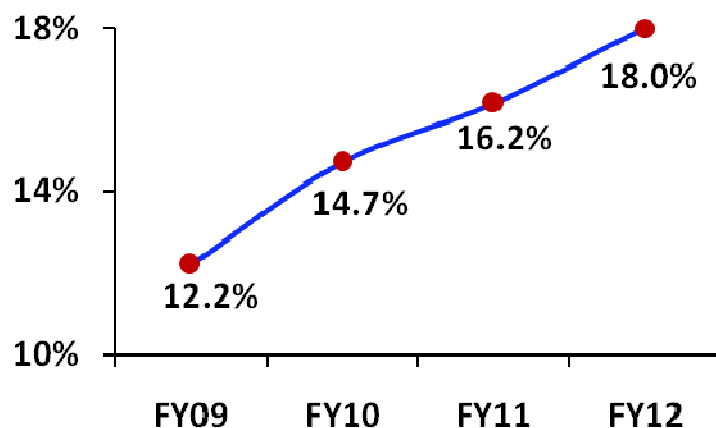
Net Profit (₹ mn)



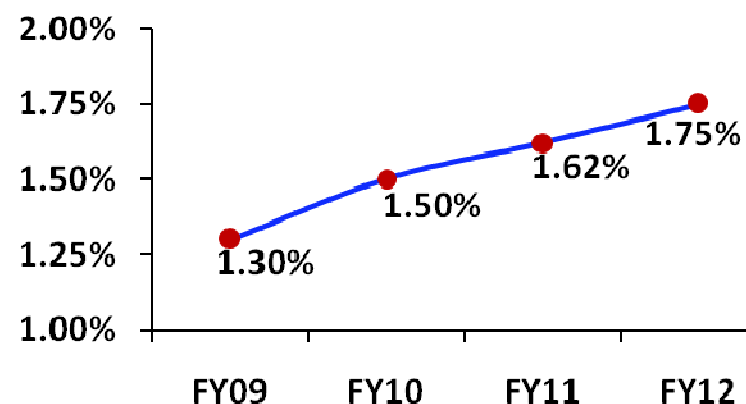
Net Worth (₹ mn)



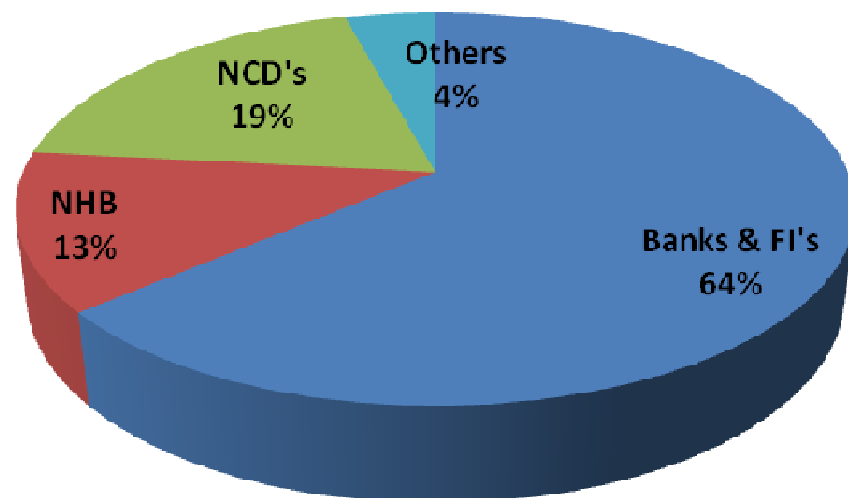
Return on Equity (%)



Return on Avg Assets (%)



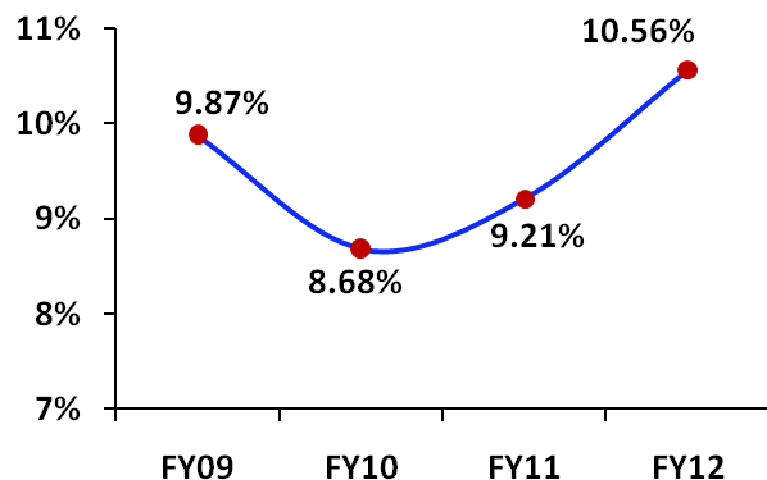
Diversified Borrowing Profile



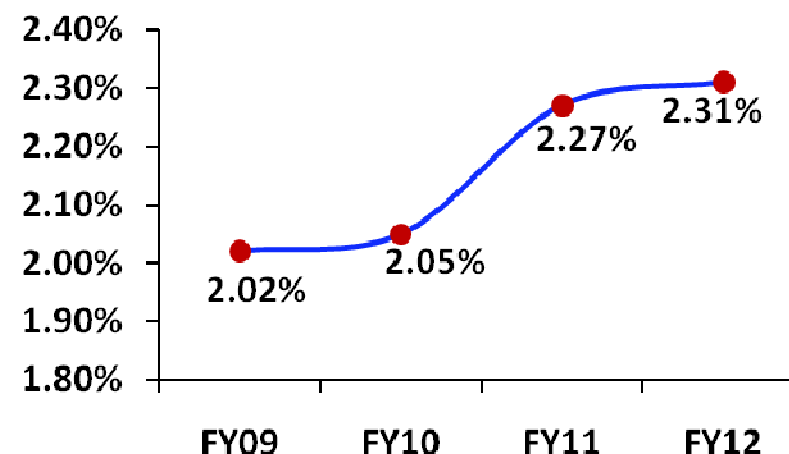
Weighted Average Borrowing Cost

Borrowing Source	` mn	Cost%
Banks & FI's	35,198	11.39%
NHB	7,154	8.06%
NCD's	10,570	9.55%
Others	2,309	10.54%
Total Borrowings	55,230	10.56%

Borrowing Cost (%)



Healthy Portfolio Spreads (%)



5

Aadhar Housing Finance

⇒ Business Synopsis

Business Synopsis

Key Financial Parameters (Rs.mn)	FY 2012
Loan sanctioned	1,635
Loan Disbursed	1,074
Loan Book Outstanding	1,040
Networth	1,025
Borrowings	200

- Aadhar has achieved the first milestone, with its loan book crossing Rs.100crs in FY 2012.
- It will continue to grow the book at a reasonable pace in the years to come
- Geographical Spread is across 15 locations as of March 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

5

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 and are hopeful of receiving the court consents by end of first quarter FY13

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