Indiabulls

Indiabulls Housing Finance Limited

April 25, 2016

Scrip Code – 535789
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI – 400 001

IBULHSGFIN/EQ
National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (E).
MUMBAI – 400 051

Sub: Submission of Earnings Update for the financial year ended March 31, 2016

Dear Sir,

Please find enclosed an Earnings Update of Indiabulls Housing Finance Limited for the financial year ended March 31, 2016, for your information and record.

Thanking you,

Yours truly,
for **Indiabulls Housing Finance Limited**

Amit Jain
Company Secretary

Enclosure : as above

INDIABULLS HOUSING FINANCE LIMITED

CIN : L65922DL2005PLC136029
Corporate Office: "Indiabulls House" Tower 1, 17th Floor, Indiabulls Finance Centre, S. B. Marg, Elphistone Road, Mumbai - 400 013.
Registered Office: M-62 & 63, First Floor, Connaught Place, New Delhi - 110 001. Tel.: +91 11 30252900, Fax: +91 11 30252901
E-mail: homeloans@indiabulls.com
Website: www.indiabulls.com

Indiabulls Housing Finance Limited

(CIN: L65922DL2005PLC136029)

Audited Financial Results – FY 2015-16

April 25, 2016

Safe Harbour Statement

Indiabulls HOME LOANS

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.

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Business Update

Our Journey

Indiabulls HOME LOANS

2000
- Started as an NBFC

2004-05 — 14.1
- IPO and listing
- Multi-product lending

2006 — 40.9
Launched secured mortgage and commercial vehicle loans

2008 — 105.6
- Credit rating of AA-
- Loan book crosses ₹ 100 Bn
- Exit from unsecured personal and business loans

2009-11 — 48.1
- Mortgage finance focused growth plan. Home loans to prime salaried segments
- In-house sales team ramp upto over 1,000 employees
- Credit rating upgraded to AA
- Retail mortgage constitutes 70% of loan book
- Balance sheet crosses ₹ 200 Bn, RoE : 17%

2011- 12 — 64.2
- Credit rating upgraded to AA+
- PAT crosses ₹ 10 Bn
- Balance sheet crosses ₹ 300 Bn, RoE: 22%

2012-13 — 84.6
- Conversion to HFC
- India's 3rd largest HFC by size
- PAT ₹12.7 Bn, RoE: 26%

2014-15 — 198.4
- **Credit Rating upgraded to AAA**
- **Gross disbursements cross ₹ 1,000 Bn**
- Balance Sheet: ₹ 572.3 Bn
- PAT: ₹ 19.0 Bn
- RoE: 29%

2015-16 — 283.9*
- Balance Sheet: ₹ 764.4 Bn
- PAT: ₹ 23.4 Bn
- ₹ 40 Bn raised through QIP issue
- Net worth over ₹ 107 Bn: 2nd highest among private HFCs/ NBFCs

Market Cap (₹ Bn)

* As on 22nd April, 2016

IPO: Initial Public Offering; QIP: Qualified Institutional Placement; HFC: Housing Finance Company; NBFC: Non- Banking Financial Company

Business Update

Indiabulls HOME LOANS

Key Financial Highlights: FY15-16 (ending March 31, 2016)

	FY 15-16	FY 14-15	Y-o-Y Growth (%)
Balance Sheet (₹ Bn)	764.36	572.31	33.6%
Loan Assets (₹ Bn)	686.83	522.35	31.5%
Total Revenues (₹ Bn)	92.26	72.53	27.2%
Fee Income (₹ Bn)	5.23	3.88	34.8%
NII (₹ Bn)	37.94	29.67	27.8%
PAT (₹ Bn)	23.45	19.01	23.3%
EPS (₹)	59.84	54.95	

Sequential Quarter-on-Quarter (Q-o-Q) Comparison: Q4 FY15-16 v/s Q3 FY15-16

	Q4 FY 15-16	Q3 FY 15-16	Q-o-Q Growth (%)
Loan Assets (₹ Bn)	686.83	622.65	10.3%
Total Revenues (₹ Bn)	26.47	23.08	14.7%
NII (₹ Bn)	11.16	9.71	14.9%
PAT (₹ Bn)	6.76	6.02	12.1%
EPS (₹)	16.04	14.34	

Margins have expanded on a sequential Q-o-Q basis with NII growing at 14.9% while loan assets grew by 10.3%

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 128.7 Bn as at 31st March, 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'

Operational Update

Business Summary

Indiabulls HOME LOANS

• Loans Outstanding	:	₹ 686.8 Bn
(March 31, 2016)	:	(US$ 10.33 Bn)
• Loan Book CAGR (5 years)	:	28 %
• Cumulative Loans given to retail Customers	:	8,35,289
• Cumulative Loans Disbursed till date	:	₹ 1,327.5 Bn (US$ 19.96 Bn)
• Cost to Income Ratio	:	14.3%
• Profit After Tax CAGR (5 years)	:	26%

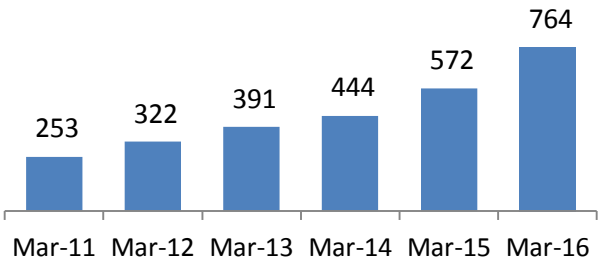
US $ amounts are converted based on the exchange rate of US $1 = ₹ 66.5

Impressive Growth Track Record

Indiabulls HOME LOANS

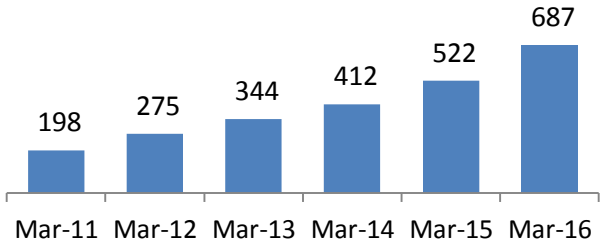
Balance Sheet

CAGR: 25%



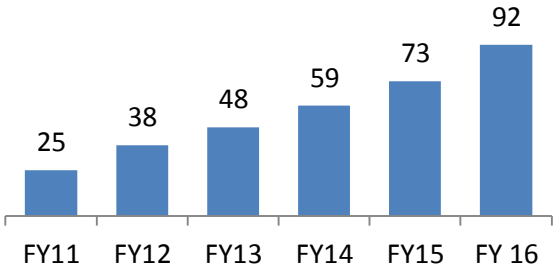
Loan Assets

CAGR: 28%



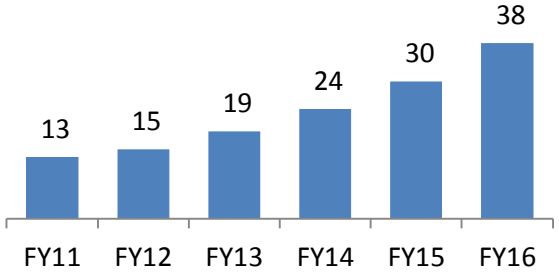
Revenue

CAGR: 30%



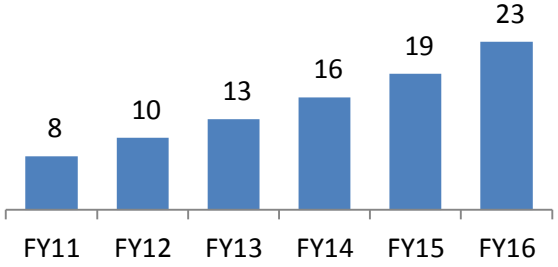
NII

CAGR: 23%



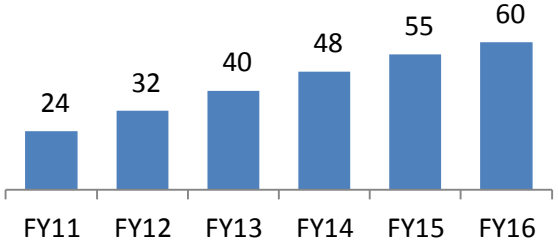
PAT

CAGR: 26%



EPS (₹)

CAGR: 20%

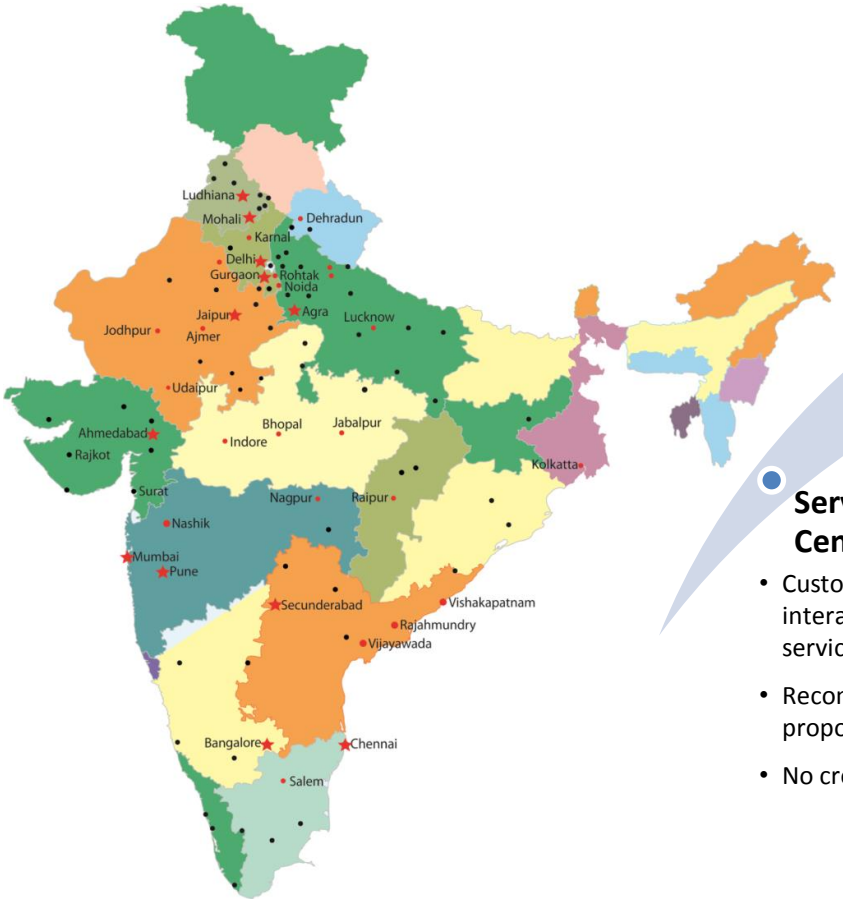


Amounts in ₹ Bn

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+

Country Wide Reach



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

Service Centers

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

Branches

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

Master Service Centers (MSC)

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

Head office

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

Awards and Accolades

Housing Finance Company of the year FY15-16

Accommodation Times

Excellence in Home Loan Banking

MY FM Stars of the Industry Awards

Indian Mortgage Market

Accelerators of Housing

Indiabulls HOME LOANS

First 4 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

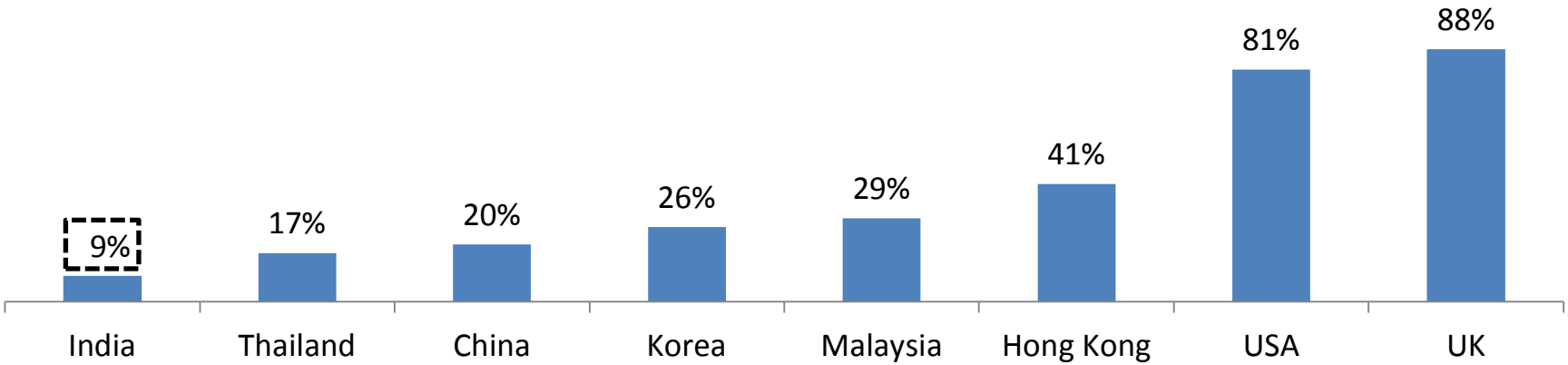
Key Structural Drivers of Housing Growth

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[1]

- 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

1 – Industry Reports; 2 – RBI Deputy Governor Speech, Aug 2014

Tax Incentive for Affordable Housing

Indiabulls HOME LOANS

Particular	2016	2010	2000
Loan amount	24,00,000	24,00,000	24,00,000
Nominal Interest Rate(%)	**9.40%**	**9.25%**	**13.25%**
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
Tax Rate applicable	**34.61%**	**30.90%**	**34.50%**
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
Effective interest rate on housing loan	**4.02%**	**6.02%**	**11.88%**

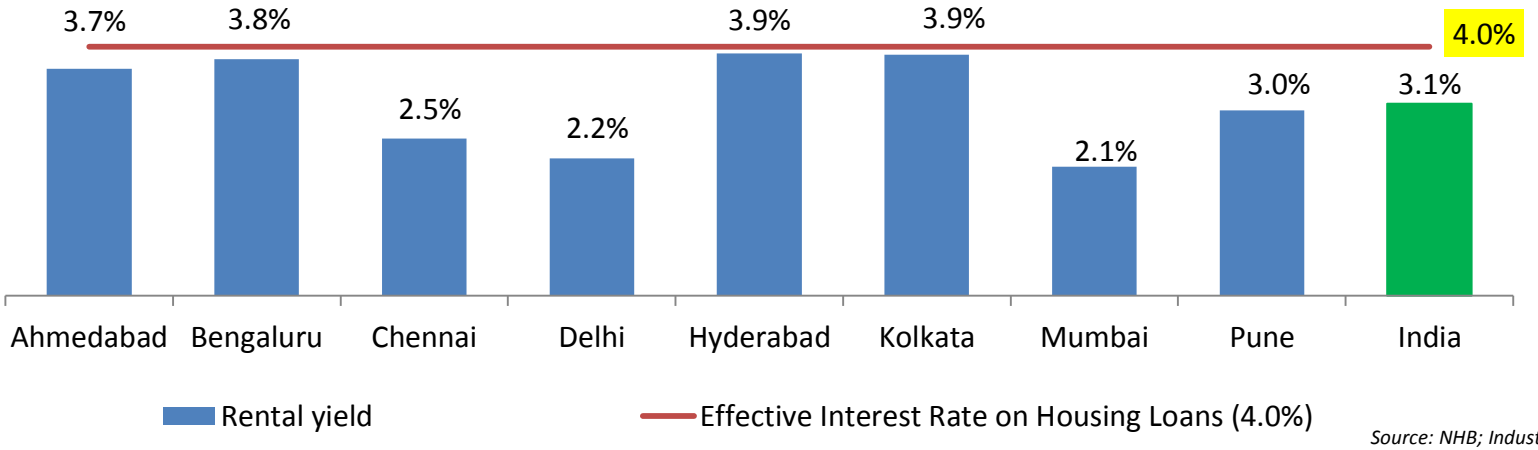
Amount in ₹

* 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

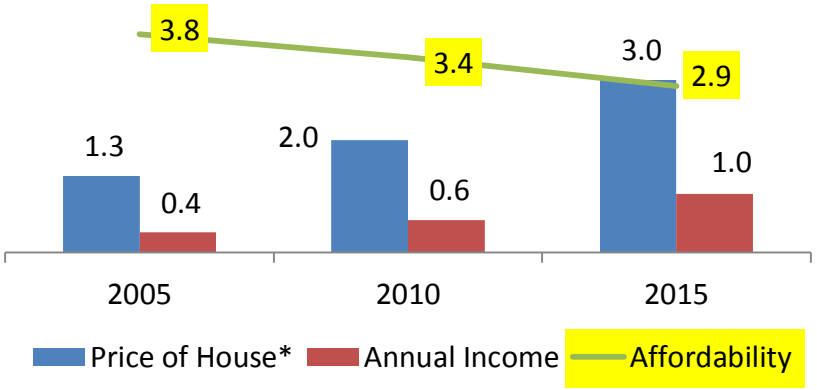
Indiabulls HOME LOANS

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

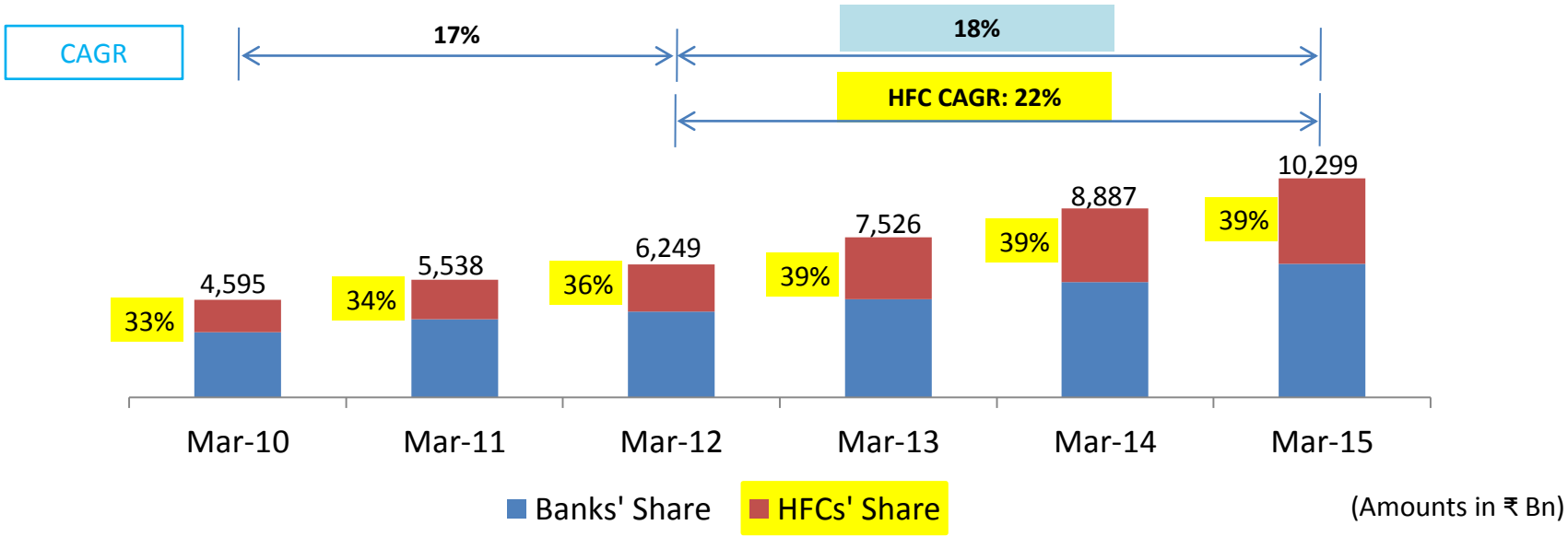
Amount in ₹ Mn

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[1]%
- 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

Source: RBI Database, NHB Reports & Industry Estimates

1 – Credit Bureau of India Ltd. (CIBIL) data

Growth Momentum: Trends in Residential Real Estate

Indiabulls HOME LOANS

- Mumbai residential sales expected to drive realty recovery
- Mumbai residential sales up year-on-year by 28%[1]
- Hyderabad residential sales up year-on-year by 67%[1]
- Bangalore, with its resilient real estate market was globally ranked amongst the top 20 real estate destinations by JLL
- 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
  - Average realisations for phase II is expected to be at least 10% higher than that of phase I
  - Kotak Mahindra's private equity arm raised ₹ 16 Bn to invest in residential projects over the next 3-4 years
- Housing loans of between ₹ 1.5 Mn and ₹ 7.5 Mn continues to witness the most robust growth[2]

Revamped rural housing scheme gets Cabinet nod

ET Bureau | 24 Mar, 2016, 04.38AM IST

Economic Times, Mar 24, 2016

live mint

Home » Politics — Last Modified: Mon, Jan 11 2016, 06 58 PM IST

Hyderabad residential market sees 67% growth in third quarter: report

Live Mint, Jan 11, 2016

Economy 17

Bengaluru is Top Destination for Real Estate Investments

Nearly 13% of ₹44,450 crore that PEs have invested in property market from 2013 have come to the city

Embassy Buys Land for Biz Park in City

Economic Times, Nov 10, 2015

dna

Kotak Realty raises Rs 1,600 crore for residential projects

Sriniwasan 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

THE ECONOMIC TIMES

Godrej Properties sells 300 apartments within a week, stock jumps 5%

By *Kailash Babar*, ET Bureau | 8 Dec, 2015, 02.42AM IST

Economic Times, Dec 8, 2015

Business Standard

Realty firm Godrej Properties' sale bookings are likely to double at record Rs 5,500 crore in the current financial year despite slowdown in the property market.

Business Standard, Feb 8, 2016

TAKING LEAD

Mumbai driving realty recovery with steady stream of new projects

Mint, Jan 20, 2016

1 – Jones Lang LaSalle (JLL) report; 2- Data from Credit Information Bureau of India Limited

Growth Momentum: Trends in Commercial Real Estate

Indiabulls HOME LOANS

- Office space demand in the first quarter of CY2016 increased by 19% to 11.7 msf across the top eight cities[1]
- Office space leasing in the top 7 cities of India is up by 18% y-o-y in CY2015[2]
- Absorption of 40.2 Mn sqft in CY2015 second highest in history after 2011[2,3]
  - Leasing up by 32% in Bangalore and 23% in NCR
  - Best amongst last 5 years for Gurgaon – up 18%
  - Over 1.2 Mn sq ft of leasing in last 12 months by Indiabulls Real Estate and sister companies
- 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

THE ECONOMIC TIMES

Office space sees improved demand: JLL

By *Ashish Kulshrestha*, ET Bureau | 19 Mar, 2016, 09.53PM IST

Economic Times, Mar 19, 2016

WWW.ECONOMICTIMES.COM

'Office Space Leasing in Top 7 Cities Soared 18% in 2015'

RaviTeja.Sharma@timesgroup.com

Economic Times, Jan 8, 2016

WEDNESDAY, JANUARY 6, 2016, DELHI * WWW.LIVEMINT.COM

Private equity funds to extend investment spree in real estate

Live Mint, Jan 6, 2016

THE ECONOMIC TIMES

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

Economic Times, Apr 19, 2016

'Office Realty Space Vacancy Eases to 15%'

Sharpest fall in vacancy levels expected in 2016, 2017: JLL India

Economic Times, Jan 16, 2016

Business Standard

Office space vacancy hits 5-yr low

Business Standard, Jan 19, 2016

1- Cushman & Wakefield; 2 - CBRE report; 3- Colliers Report;

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

Indiabulls HOME LOANS

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

dpd : days past due

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 9th Oct 15

	Ticket Size Bands		
LTV	<= 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

	Ticket Size Bands		
LTV	<= 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

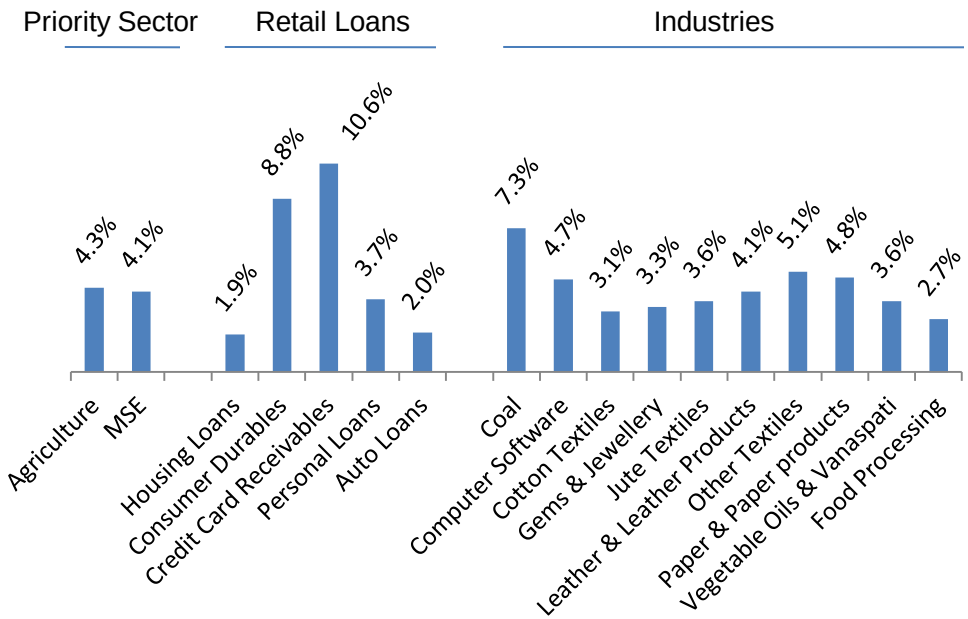
Masala Bonds: Eases ECB guidelines and permits raising up to $ 750 Mn per year under automatic route

- 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

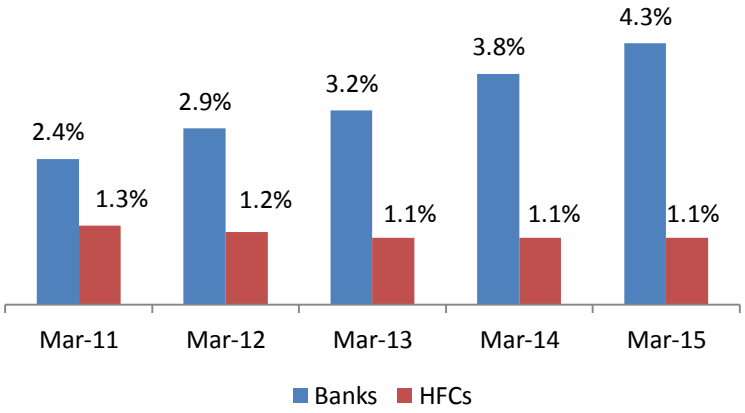
Housing Loans: Lowest Risk Asset Class

Split of Banking NPA levels (FY 12)



Source: RBI Working Paper Series

GNPA (%) Comparison between Banks and HFCs



Source: RBI and NHB

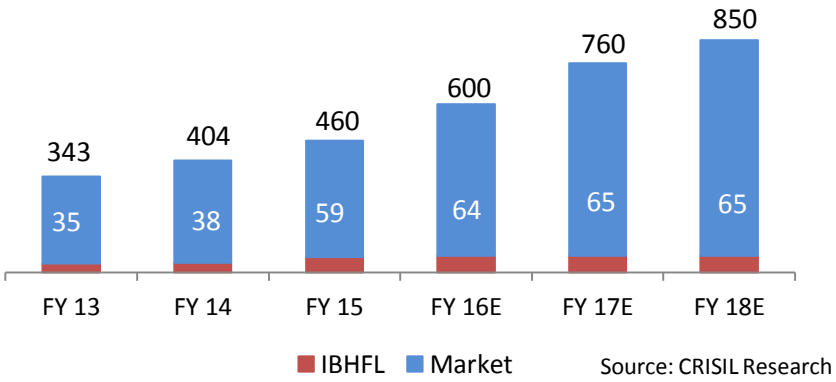
- Housing loan NPAs are the lowest amongst all asset classes
- HFCs due to their singular focus and single-product specialized appraisal skills have low NPAs
- HFC NPAs have been declining even through the period of economic stagflation between 2008 and 2015

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

Low–risk Prime LAP

LAP Market Size - Disbursals (₹ Bn)

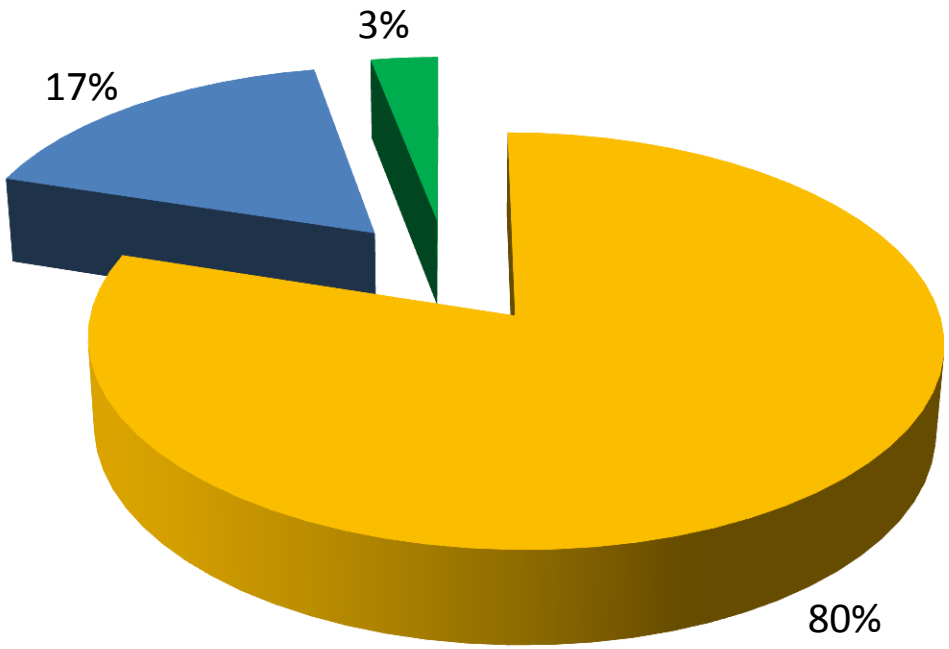


Source: CRISIL Research

- 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

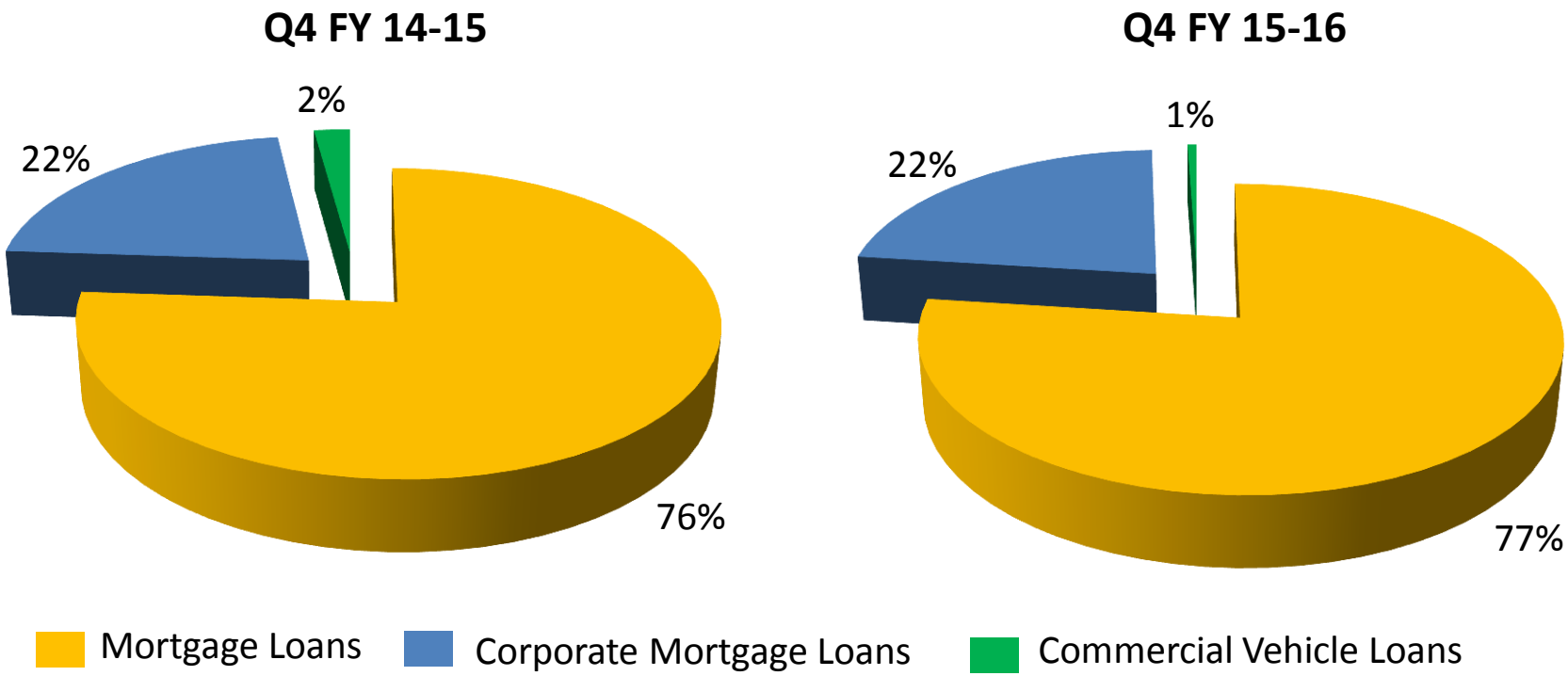


- Loan Book: 80%
- Cash & Liquid Investments*: 17%
- Other Assets: 3%

Total Assets	
As at March 31, 2016	₹ 764.4 Bn (US$ 11.49 Bn)
As at March 31, 2015	₹ 572.3 Bn (US$ 8.61 Bn)

* Cash, Cash Equivalents and Investments in Liquid Debt Instruments
US $ amounts are converted based on the exchange rate of US $1 = ₹ 66.5

Asset Composition

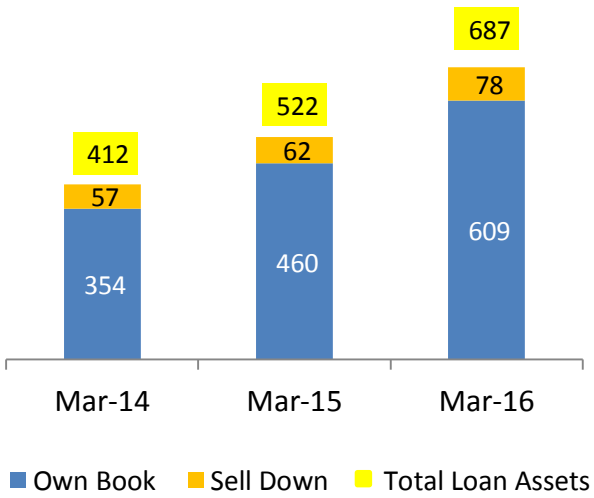


- Housing loans, which forms the majority of incremental disbursals, are disbursed at an average ticket size of ₹ 2.5 Mn; average LTV of 71% (at origination)

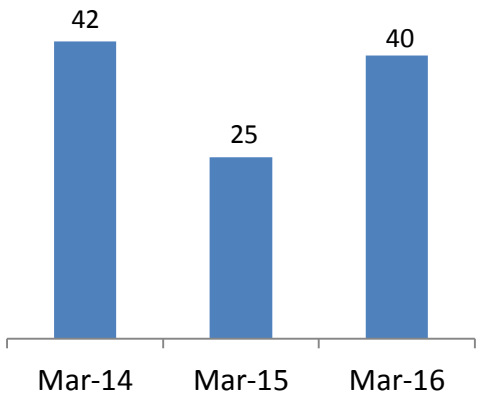
Loan Book Growth with Steady Spreads and Efficient Capital Deployment

Indiabulls HOME LOANS

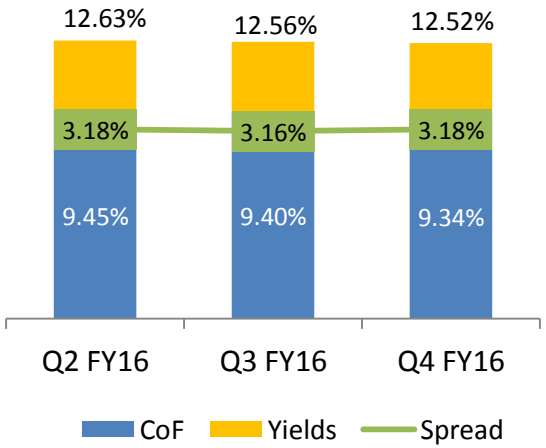
Loan Assets (₹ Bn)



Loans Sold (₹ Bn)
(in preceding 12 months)



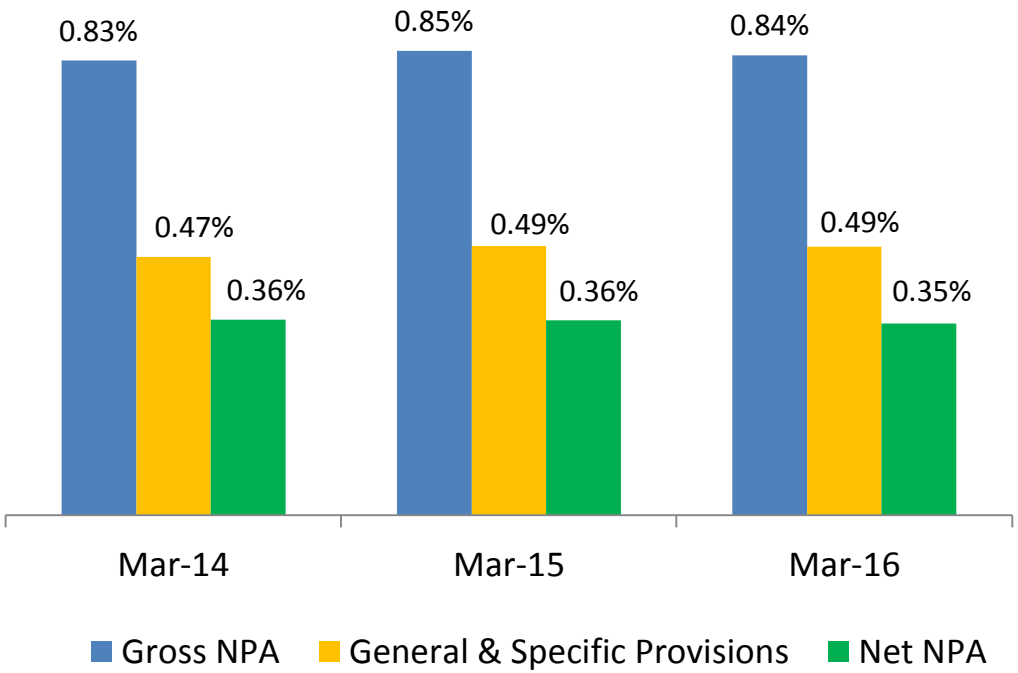
Stable Spreads



- Margins have expanded on a sequential Q-o-Q basis with NII growing at 14.9% while loan assets grew by 10.3%
- Fee Income in FY16 has increased to ₹ 5.23 Bn up 34.8% from ₹ 3.88 Bn in FY15
- Higher proportion of variable rate liabilities compared to peers, makes IBHFL best placed to take advantage of a reduction in interest rates
- Spreads maintained at higher end of guided range of 300 to 325 bps while proportion of housing loans has increased

- ₹ 39.7 Bn sold down in FY16 compared to ₹ 25.5 Bn in FY15
- Over ₹ 210 Bn of loans sold down to 28 banks and FIs since FY 06
- IBHFL has signed up with HDFC Life to offer comprehensive risk coverage solutions to customers. This opens up new fee income avenues and help IBHFL minimize risk
- Loans sold (outstanding as on 31th March, 2016): ₹ 78.2 Bn – on which spread at 3.0% p.a. is earned over the life of the loan

Asset Quality



(as % of Total Loan Assets)

As at March 31, 2016	*(in ₹ Bn)*
NPA (90+ dpd*):	5.77
Provisions for Contingencies:	8.31
Of which	
NPAs:	*3.39*
Other provisioning:	*4.92*
Regulatory Provisioning:	5.47
Excess Provisioning Over Regulatory Provisioning:	2.84

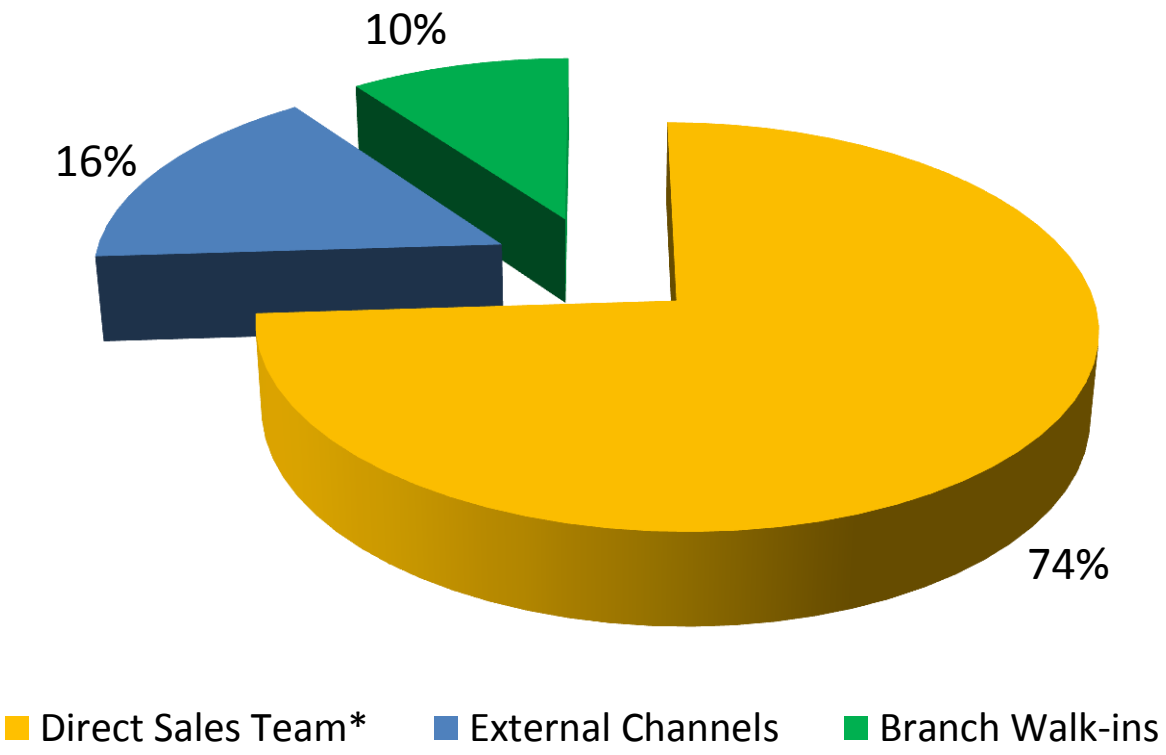
Provisioning Cover : 144% of GNPA

- NPAs have remained within the target range for the last 18 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
- ₹ 2.84 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

LAP Grading

A Pioneering Initiative for Improved Risk Management and Greater Transparency

Loan Against Property Grading from CRISIL and ICRA

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- 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

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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

4th Report
CRISIL LAP Grading: Updated for FY16

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Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans#	Disbursals 12M FY16*	Interest Service Coverage Ratio (ISCR)	Total Outstanding Liabilities/ Total Networth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	6.48%	8.9 – 11.6	1.3 – 1.7	42%	13% – 16%
LAP2	High	79.47%	9.2 – 12.0	2.0 – 2.3	38%	11% – 14%
LAP3	Average	13.00%	11.6 – 14.0	2.9 – 3.5	34%	9% – 12%
LAP4	Below Average	0.38%	11.5 – 13.2	1.0 – 1.3	29%	14% - 16%
LAP5	Poor	0.67%	12.2 – 16.5	1.6 – 1.8	35%	13% - 15%

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 71% of the disbursals for 12MFY16 period.*

 # Adjudged by CRISIL in relation to other LAP loans extended to other borrowers

ICRA LAP Grading Methodology (2nd rating agency to grade LAP loans)

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- 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**
• Fixed obligation to income ratio (FOIR) • Past payment track record • Credit bureau check • Nature of business and financial parameters • Due diligence checks – Field credit investigation – Personal discussion – Reference checks	• Loan to value ratio (LTV) • Nature of property – Residential – Commercial • Usage of property – Self occupied – Rented – Vacant • Property location • Quality of construction • Adherence to sanction plans	• Ticket Size • Sourcing channel • Lending scheme • Loan tenure

2nd Report
ICRA LAP Grading: Updated for FY16

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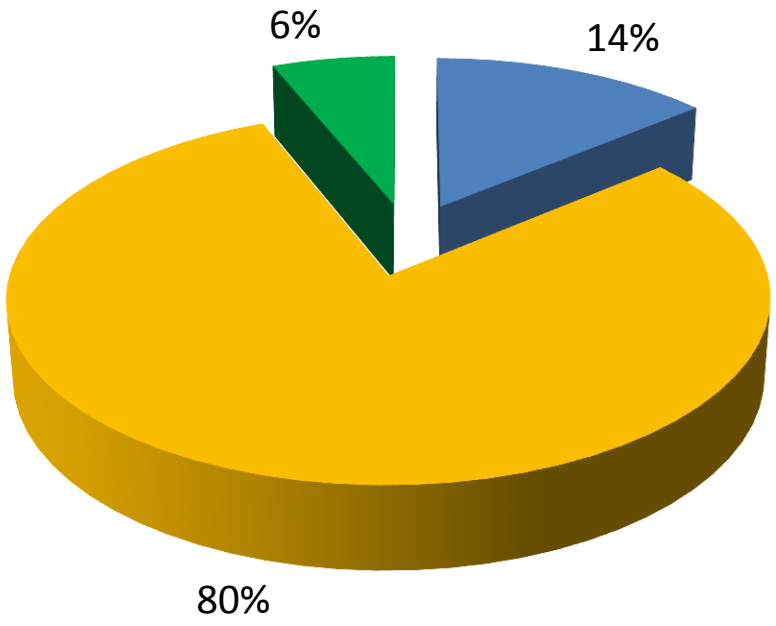
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution	Median LTV	Median FOIR
LAP1	Excellent	13.3%	25%	34%
LAP2	Good	65.9%	48%	50%
LAP3	Average	20.5%	61%	61%
LAP4	Below Average	0.4%	61%	66%
LAP5	Inadequate	-	-	-

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



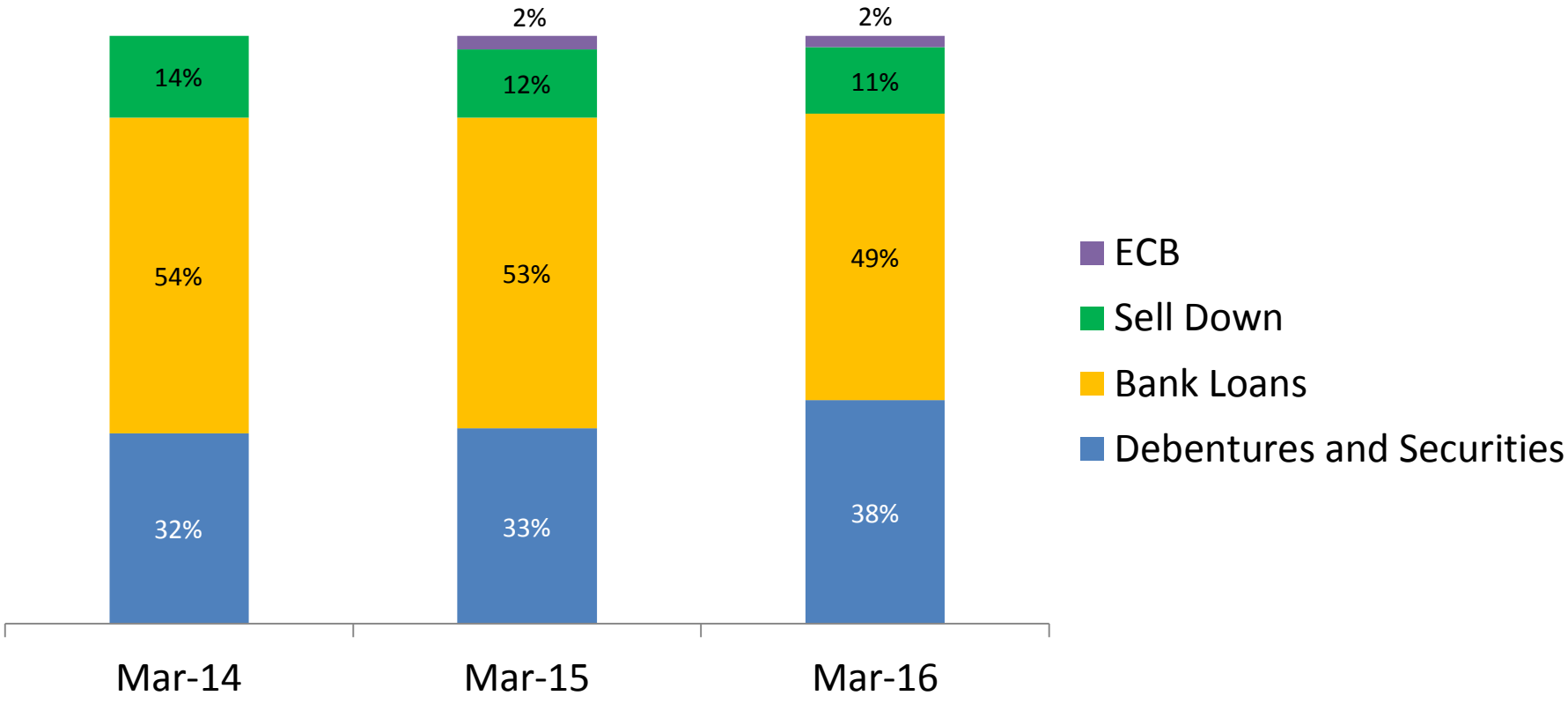
- Share Holders' Funds: ₹ 106.9 Bn (US$ 1.61 Bn)
- Borrowings: ₹ 610.9 Bn (US$ 9.19 Bn)
- Other Liabilities: ₹46.6 Bn (US$ 0.70 Bn)

Total Liabilities:

As of March 31, 2016: ₹ 764.4 Bn (US$ 11.49 Bn)
As of March 31, 2015: ₹ 572.3 Bn (US$ 8.61 Bn)

US $ amounts are converted based on the exchange rate of US $1 = ₹ 66.5

Funding Mix



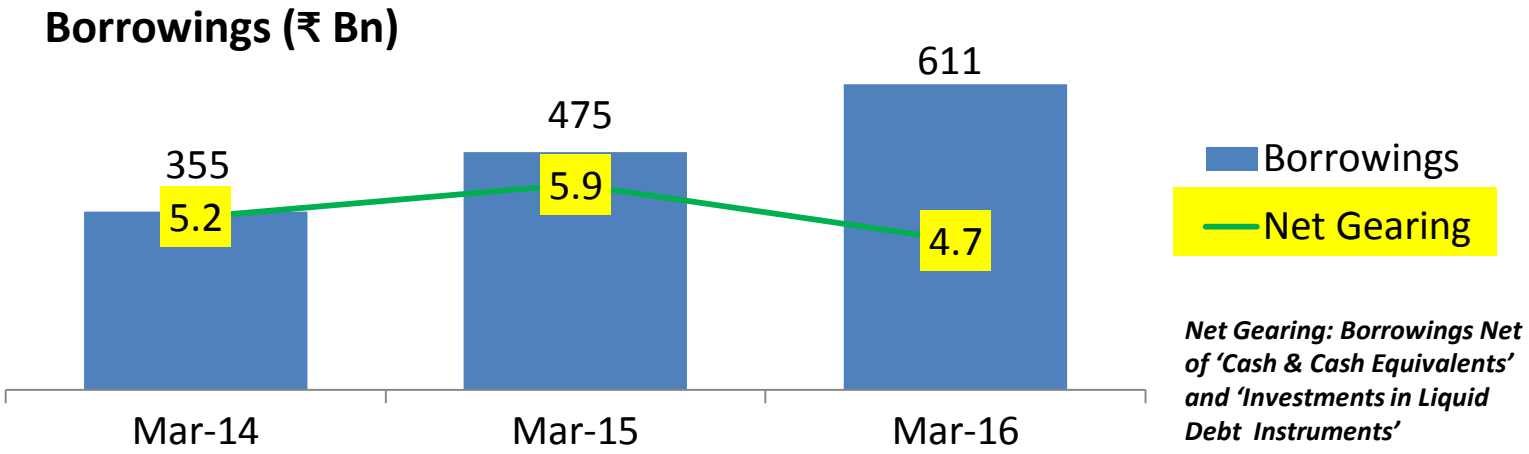
Total Borrowings:

As of March 31, 2016: ₹ 610.9 Bn (US$ 9.19Bn)
As of March 31, 2015: ₹ 474.9 Bn (US$ 7.14 Bn)

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

US $ amounts are converted based on the exchange rate of US $1 = ₹ 66.5

Strengthening Liability Profile

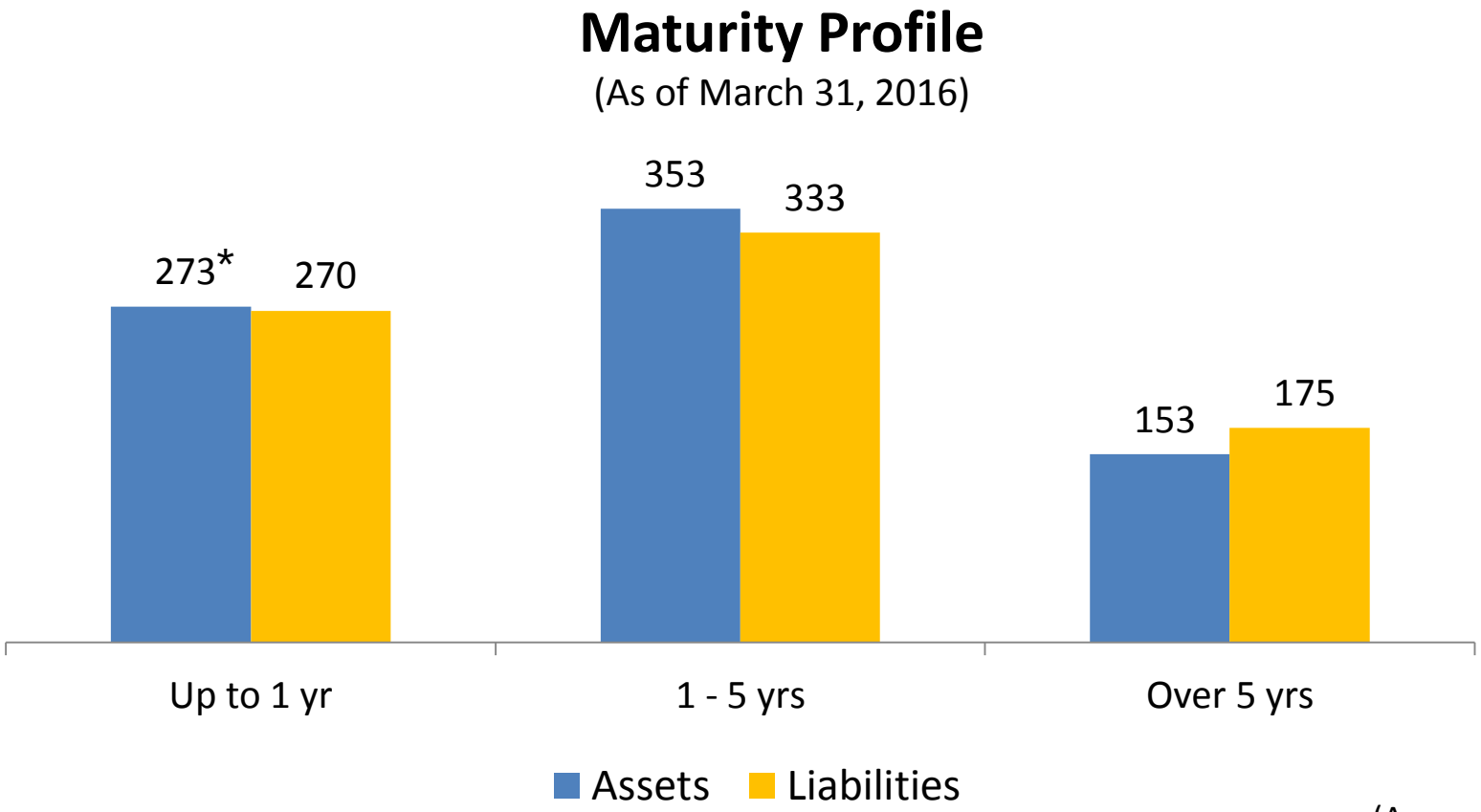


Net Gearing: Borrowings Net of 'Cash & Cash Equivalents' and 'Investments in Liquid Debt Instruments'

Total Funding (₹ Bn)			Net Incremental	Contribution to Incremental Borrowings in last 12 months
	Mar-16	Mar-15		
Bank Loans	335.7	284.0	51.7	34%
Debentures and Securities	261.9	178.4	83.5	55%
ECB	13.3	12.5	0.7	0%
Total Borrowing	610.9	474.9	136.0	89%
Sell Down	78.2	62.0	16.2	11%
Total	689.0	536.8	152.2	100%

- Bond issuances have been healthy; capital market sources along with ECBs and sell down, contributed to 66% of the incremental funding in FY 2015-16
- Amongst its lenders, the company now counts 254 strong relationships: 26 PSU banks, 17 Private and Foreign banks and 211 Mutual Funds, Provident Funds, Pension Funds, Insurance Companies and others

Optimally Matched Balance Sheet



(Amounts in ₹ Bn)

- * 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

3 Pillars of Long-Term Growth

Indiabulls HOME LOANS

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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

Will far outpace market in housing loans' growth
- IBHFL is advantageously placed for sustained long-term growth

Efficient capital deployment
- Focus on loan sell downs
- Home loan segments with lowest risk weights

FY18: Target 60-60-60
- Housing loans to be 60% of loan assets
- Bonds to form 60% of borrowings
- 60% of LAP loans sourced in-house

Focus on operating efficiencies
- Declining cost-to-income ratio
- Lower credit costs from expanding housing loan portfolio
- Increasing sales force productivity

Digital and Technology leveraged
- Amongst top 3 in search results
- Over 200 leads per day
- Customer engagement through social media
- Network connecting all branches
- IT enabled work-flow for sales, credit and collections

Eminent and Experienced Board of Directors

Indiabulls HOME LOANS

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. Samsher 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

Financial Technology Driven Approach

Indiabulls HOME LOANS

Social engagements:
Facebook, Twitter, YouTube, Google+, Blog spot

Focus on online visibility:
- Google SEO/ SEM
- Keyword and page rank optimization
- Regular posts and articles on sectors

Digital eco-system
connect with stakeholders via mediums like website, mobile application service, SMS and e-mail

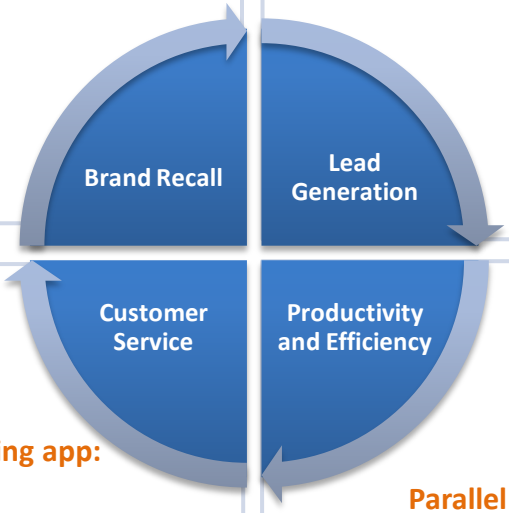
Customers can reach out to IBHFL through the following digital mediums:

Website:
Direct search, group website, Google ads network

Mobile Application:
Loan eligibility, EMI calculator, Loan application, instant in-principle approval, documents upload

Digital e-partners:
Housing.com, Bank bazaar, Snapdeal, India Property, CIBIL marketplace, etc

SMS or call



Accessibility for new IBHFL customers:
website, mobile application, SMS, email, call, e-partners, CIBIL marketplace

Quick response to leads via mobile lead handling app:
- Call centre/ sales to reach out to new leads in 24 hours
- Customer can upload relevant documents through app
- Door-step service

Faster TAT for Loan Decisioning:
- Centralized credit decisioning centres for faster processing
- Scanning solutions help parallel processing
- Technical valuation on the go

Service for existing customers:
- Account service through mobile application and website
- Collection management e-receipt on mobile
- Customer feedback and grievance redressal mechanism through mobile app

Portable lead management app on-the-go
Sales force need not visit branch
Directly receive and update leads
Update documents from customer-convenient location

Parallel processing for faster TAT on credit decisioning
Scanned document upload from customer convenient locations
Processed simultaneously by Credit, Technical, FCU teams
Technical verification reports on mobile

e-signature option for customers

Update on OakNorth Bank

OakNorth: Validation of Valuation

Indiabulls HOME LOANS

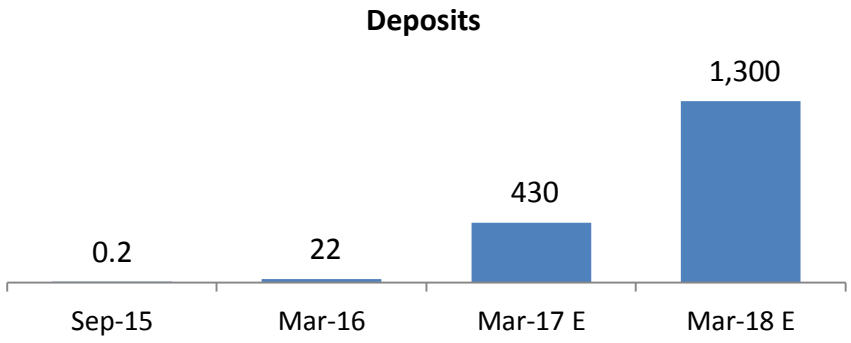
For a controlling stake IBHFL invested US$ 100 Mn in OakNorth Bank at a valuation of US$ 250 Mn at price-to-book of 1.9x in Nov-15
Recent transactions in the UK market lends credibility to IBHFL's conservative valuation of OakNorth

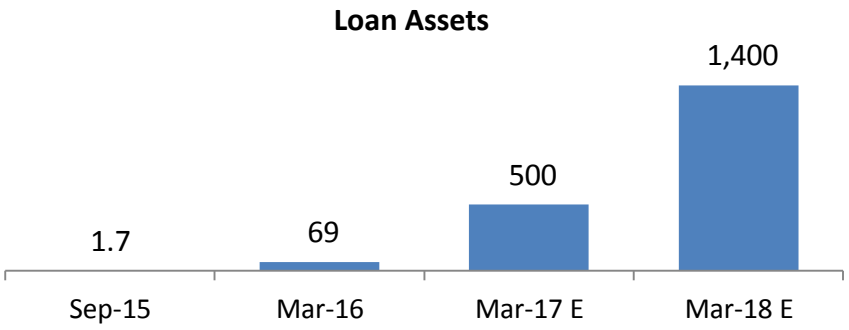
Challenger Bank	Valuation	Investment Amount	Valuation Period	Mode of transaction	Transaction Highlights
Metro Bank	US$ 2.3 Bn	US$ 571 Mn	Mar'16	IPO	IPO at a P/B multiple of 2.0x
Shawbrook Bank	US$ 1.0 Bn	US$ 129 Mn	Mar'15	IPO	IPO at a P/B multiple of 3.5x
Aldermore Bank	US$ 1.0 Bn	US$ 129 Mn	Mar'15	IPO	IPO at a P/B multiple of 2.4x
Atom Bank	US$ 230 Mn	US$ 128 Mn	Nov'15	Stake purchase by BBVA & others	• Valuation for minority stake • Licensing conditions not met at buyout

- Congenial operating environment
  - Since 2010 only 3 other banks have been issued operating licenses
  - Stellar performance of challenger banks generating RoEs of ~25%
  - No drag from legacy issues and book

US$ amounts are converted based on the exchange rate of US$ 1 = 0.7 GBP

OakNorth Bank Update





Amounts in US$ Mn

- Deposit franchise
  - Deposit base at US$ 22 Mn
  - Target deposit base at the end of Mar'17 is US$ 430 Mn
- Loan book growth
  - Catering to unfulfilled demand rather than underwriting risky loans
  - Loan book at US$ 69 Mn with a strong pipeline of deals
  - Target loan book at end of Mar'17 is US$ 500 Mn

US$ amounts are converted based on the exchange rate of US$ 1 = 0.7 GBP

Corporate Social Responsibility

Indiabulls Foundation: Corporate Social Responsibility

Health	Four free medical clinics to provide primary and preventive health care to the underprivileged	
	Jan Swasthya Kalyan Vahika vehicles: 9 Mobile medical vans provide free primary healthcare services to nearly 2,50,000 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

Indiabulls HOME LOANS

Disaster Relief	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	
Indiabulls Foundation E-learning (IBFE)	Tie-up with MKCL (Maharashtra Knowledge Corporation Ltd.) authorized computer centers to help impart basic IT literacy to rural youth	
	Equipped 31 ashram schools with sophisticated e-learning methods to enhance the quality of education in rural Maharashtra	
Education and Development	Awarded scholarships to 365 meritorious and deserving students from economically challenged background to pursue higher education after 12th standard	
	Started Sport Excellence Program to support athletes and provide them with world class training facilities	
Rural Empowerment	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.	
	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	

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%

Rising Productivity Ratios

Indiabulls HOME LOANS

	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 (%)^	26%	29%	27%	26%	22%
Capital Adequacy (%)#	23.33%	19.60%	20.47%	18.58%	19.96%
-Tier I#	*20.33%*	*16.28%*	*16.10%*	*15.05%*	*19.27%*
- Tier II#	*3.00%*	*3.32%*	*4.37%*	*3.53%*	*0.69%*

^ ₹ 40 Bn of equity was raised through a QIP in September, 2015
# Adjusted for mutual fund investments

Valuations and Returns

Indiabulls HOME LOANS

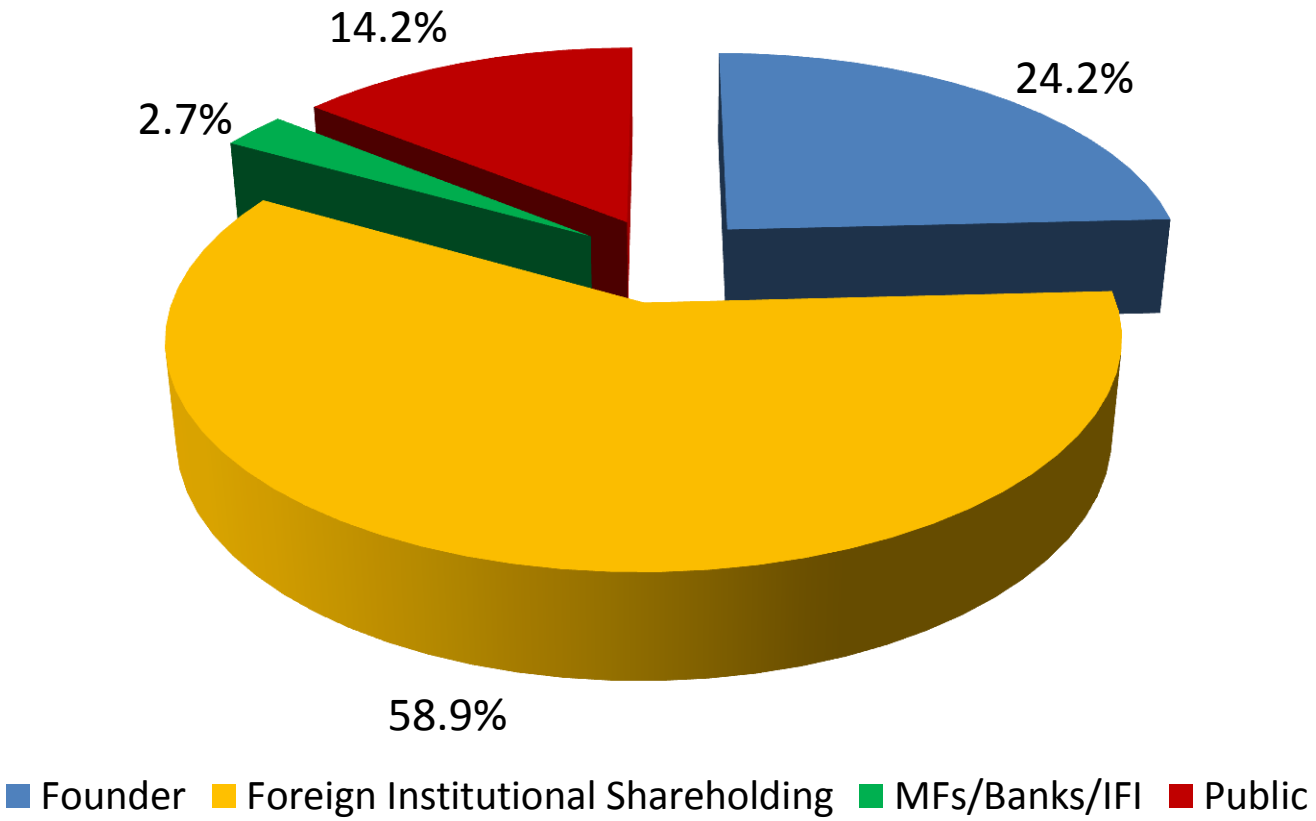
	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Market Price per share (₹)	674.0*	557.9	285.6	271.8	207.1
Market Capitalisation (US$ Bn)	4.27	2.98	1.19	1.27	0.97
PE Ratio (times)	11.3	10.2	6.0	6.8	6.5
Book Value per share (₹)	253.8	184.5	168.7	165.4	157.7
Price to Book Ratio (times)	2.7	3.0	1.7	1.6	1.3
Dividend per share (₹) #	36	35	29	20	13
Foreign Institutional Shareholding (%)	58.9%	51.8%	41.1%	45.2%	38.7%

Normalized to reflect periods the dividends pertain to

*As on 22nd April, 2016

US $ amounts are converted based on the exchange rate of US $1 = ₹ 66.5

Shareholding Pattern



As on 31st March, 2016

MF: Mutual Funds; IFI: Indian Financial Institutions

Detailed Financials

Consolidated Balance Sheet

Statement of Assets and Liabilities		(Rupees in Billion)
Particulars	As at	
	31.03.16 (Audited)	31.03.15 (Audited)
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital	0.84	0.71
(b) Reserves and Surplus	106.10	65.61
(2) Minority Interest	-	0.02
(3) Non-Current Liabilities		
(a) Long-term borrowings	355.21	291.05
(b) Deferred tax Liabilities (net)	0.81	0.02
(c) Other Long term liabilities	1.54	2.39
(d) Long term provisions	6.81	4.79
(4) Current Liabilities		
(a) Short-term borrowings	143.11	118.61
(b) Trade payables	0.09	0.03
(c) Other current liabilities	147.74	86.17
(d) Short-term provisions	2.11	2.90
Total	**764.36**	**572.31**
II. ASSETS		
(5) Goodwill on Consolidation	0.67	0.69
(6) Non-current assets		
(a) Fixed assets	0.69	0.54
(b) Non-current investments	7.24	0.23
(c) Deferred tax assets (net)	0.05	0.05
(d) Long term loans and advances	535.23	406.74
(e) Other non-current assets	4.14	4.18
(7) Current assets		
(a) Current investments	99.69	61.41
(b) Trade receivables	0.03	0.04
(c) Cash and cash equivalents	29.02	34.90
(d) Short-term loans and advances	80.95	57.99
(e) Other current assets	6.66	5.55
Total	**764.36**	**572.31**

₹ 128.7 Bn of Cash & Cash Equivalents and Investments in Liquid Debt Instruments

Consolidated Income Statement

Indiabulls HOME LOANS

(Rupees in Billion)

	Particulars	Quarter ended			Year ended	
		31.03.16	31.12.15	31.03.15	31.03.16	31.03.15
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
1	**Income from Operations**					
	a) Income from Operations	22.33	19.66	17.46	78.42	61.21
	b) Other Operating Income	1.68	1.09	1.27	4.48	3.28
	Total Income from operations (net)	24.01	20.75	18.73	82.90	64.49
2	**Expenses**					
	a) Employee Benefits Expense	1.15	1.01	0.82	4.13	3.25
	b) Depreciation and Amortisation Expense	0.05	0.05	0.05	0.20	0.19
	c) Other Expenses	2.76	1.70	2.10	6.92	4.92
	Total Expenses	**3.96**	**2.76**	**2.97**	**11.25**	**8.36**
3	Profit from Operations before Other Income, Finance costs & Exceptional Items (1-2)	20.05	17.99	15.76	71.65	56.14
4	Other Income	2.46	2.33	2.45	9.36	8.03
5	Profit from ordinary activities before Finance costs & Exceptional Items (3+4)	22.51	20.31	18.21	81.00	64.17
6	Finance Costs	13.62	12.26	10.71	49.71	39.44
7	Profit from ordinary activities after Finance costs but before Exceptional Items (5-6)	8.90	8.06	7.49	31.29	24.73
8	Exceptional Items	-	-	-	-	-
9	**Profit from Ordinary Activities before Tax (7-8)**	**8.90**	**8.06**	**7.49**	**31.29**	**24.73**
10	Tax Expense (including Deferred Tax and MAT credit entitlement)	2.08	2.01	1.98	7.76	5.71
11	**Net Profit from Ordinary Activities after Tax (9-10)**	**6.82**	**6.05**	**5.51**	**23.53**	**19.01**
12	Extraordinary Items (net of tax expenses Rs. NIL)	-	-	-	-	-
13	**Net Profit for the period / year (11-12)**	**6.82**	**6.05**	**5.51**	**23.53**	**19.01**
14	Share of (Loss) of Associate	(0.06)	(0.02)	-	(0.08)	-
15	Minority Interest for the period / year	-	-	0.00	0.00	0.00
16	**Net Profit after Taxes, Minority Interest and Share of Profit / (Loss) of Associate (13+14-15)**	**6.76**	**6.02**	**5.51**	**23.45**	**19.01**
17	Paid-up Equity Share Capital	0.84	0.84	0.71	0.84	0.71
18	Reserves excluding Revaluation Reserves as per Balance Sheet as on March 31, 2016				106.10	65.61
19	Minority Interest	-	-	0.02	-	0.02
20	Earnings per Share (EPS) before extraordinary items					
	**(EPS for the quarters are not annualised)*					
	-Basic (Amount in ₹)	16.04*	14.34*	15.50*	59.84	54.95
	-Diluted (Amount in ₹)	15.85*	14.13*	15.11*	58.75	53.36
	-Face Value (Amount in ₹)	2.00	2.00	2.00	2.00	2.00
	Earnings per Share (EPS) after extraordinary items					
	**(EPS for the quarters are not annualised)*					
	-Basic (Amount in ₹)	16.04*	14.34*	15.50*	59.84	54.95
	-Diluted (Amount in ₹)	15.85*	14.13*	15.11*	58.75	53.36
	-Face Value (Amount in ₹)	2.00	2.00	2.00	2.00	2.00

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Thank you