Indiabulls

Indiabulls Housing Finance Limited

October 21, 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: Earnings Update for the quarter ended September 30, 2016

Dear Sir,

Please find enclosed an Earnings Update of Indiabulls Housing Finance Limited for the quarter ended September 30, 2016, for your information and record.

Thanking you,

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

Amit Jain
Company Secretary

Enclosure: as above

CC:
Luxembourg Stock Exchange, Luxembourg
Singapore Exchange Securities Trading Limited, Singapore

Indiabulls Housing Finance Limited

Unaudited Financial Results – Q2 2016-17
October 21, 2016

Safe Harbour Statement

This document contains certain forward-looking statements based on current expectations of Indiabulls Housing Finance Ltd. (CIN: L65922DL2005PLC136029) 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 Housing Finance Ltd.

Investor Contact

Ramnath Shenoy

investor.relations@indiabulls.com

+91 22 6189 1444

Media Contact

Rahat Ahmed

mediaquery@indiabulls.com

+91 22 6189 1155

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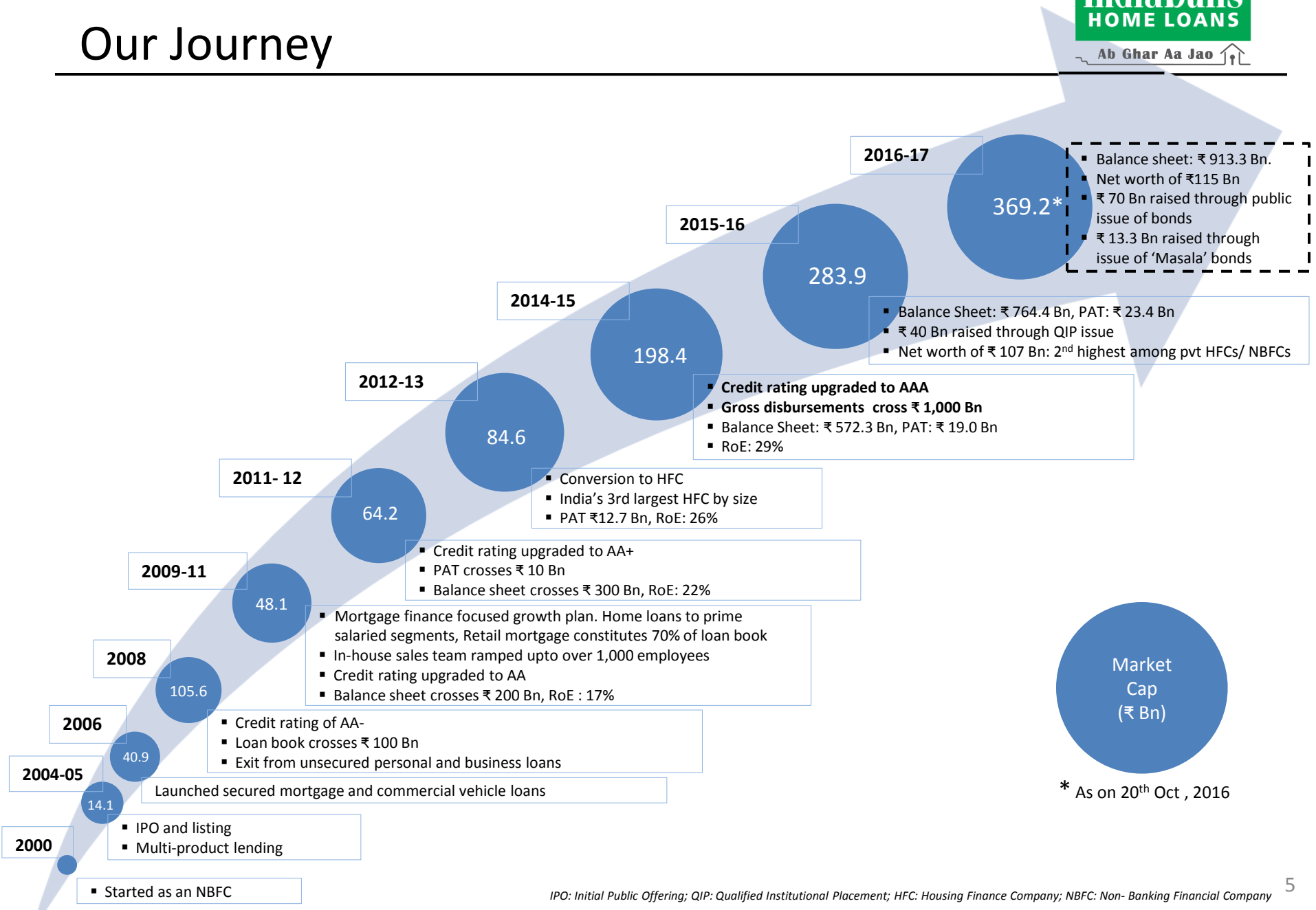
Business Update

Our Journey



* As on 20th Oct , 2016

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

Business Update

Key Financial Highlights : H1 FY 16-17 (ending September 30, 2016)

	H1 FY 16-17	H1 FY 15-16	Y-o-Y Growth (%)
Total Revenues (₹ Bn)	54.72	42.71	28.1%
NII (₹ Bn)	21.46	17.06	25.8%
PBT (₹ Bn)	17.96	14.34	25.3%
PAT (₹ Bn)	13.14	10.67	23.2%

Year-on-Year (Y-o-Y) Comparison : Q2 FY16-17 vs Q2 FY15-16

	Q2 FY16-17	Q2 FY15-16	Y-o-Y Growth (%)
Balance Sheet (₹ Bn)	913.30	667.99	36.7%
Loan Assets (₹ Bn)	753.13	582.25	29.3%
Total Revenues (₹ Bn)	28.75	22.46	28.0%
NII (₹ Bn)	10.93	8.85	23.6%
PBT (₹ Bn)	9.21	7.41	24.3%
PAT (₹ Bn)	6.84	5.56	23.2%

- **Business goal of reducing funding from bank term loans to below 40% by FY 2018 has been achieved 1.5 in advance**
- ₹ 194.5 Bn of bonds raised in H1 2016-17 was greater than ₹ 173.3 Bn of bonds raised in the two years of FY 2014-15 and FY 2015-16 combined
- A second interim dividend of ₹ 9 per share of face value ₹ 2/-, amounting to 450%, has been declared in the board meeting held on 21st October, 2016

Growth Driver: Core Home Loans Business

Increased Focus on Affordable Housing

- Launching Smart City Home Loans
  - Expanding reach into emerging smart cities
  - Technology led, low-cost, lean distribution
  - Average ticket size of ₹ 15 Lacs
- Increasing Home Loans penetration
  - Target ticket size range increased upto ₹ 50 Lacs, with average ticket size of ₹ 28 Lacs
  - Caters to a large segment of prime, mass-market affordable housing loans
- e-Home Loans: Technology leveraged loan fulfillment
  - Expansion of reach without proportional increase in branches and manpower
  - Customer Convenience + Increased Thoroughness of loan appraisal
  - Enhanced distribution without negative impact on cost-to-income ratio

Strong Momentum in Affordable Housing Sector

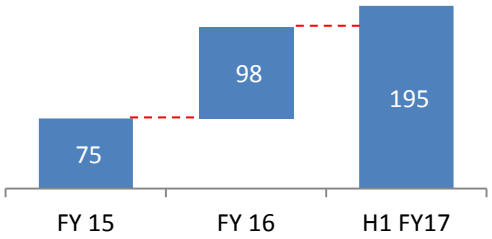
- Strong pick up in sales
  - Mumbai and Bangalore residential sales up y-o-y by 23% and 18% respectively in the first half of CY 2016
  - 57.3% y-o-y growth in home loan disbursals in Gujarat
- Launches of affordable housing units have doubled year on year (H1 2015 to H1 2016)
- Sharpest decline in unsold inventory in last two years
- Across the country, projects involving 7,28,840 affordable housing units have received all approvals

Growth Driver: Core Home Loans Business

Enabler : Changing Liability Profile Driving Fall in Cost of Funds

Bonds raise in H1 FY17 > Bonds Raised in FY15+FY16

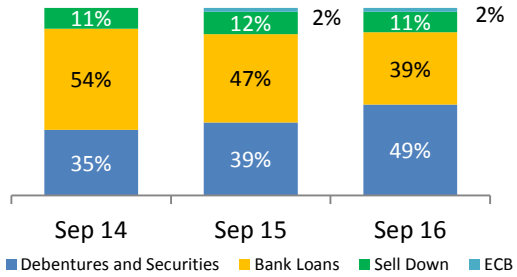
Bonds Issued (₹ Bn)



- Diversified and sustainable bond franchise: first time issues open up a large and hitherto untapped investor class
  - Masala bonds: Access to a vast international investor class
  - Public issue of bonds: opens up investment from individual investors

For the First Time, Bank Borrowings < 40%

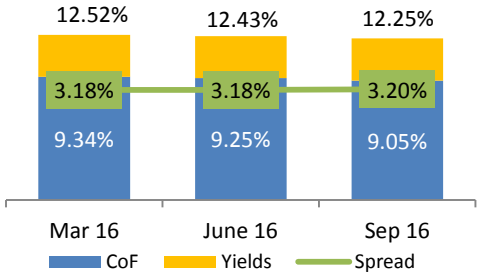
Funding Mix



- 83% of the incremental funding in the last 12 months was from debentures & securities and sell downs
- Demonstrated flexibility to optimise funding mix
- Diversified funding profile with established franchise across all funding sources

Bonds Cost 80-100 bps Lower Than Term Loans

Stable Spreads



- Despite increasing home loans, spread has marginally expanded due to a drop in cost of funds
- Increased negotiating leverage from broad based diversification of funding

Growth Driver: Core Home Loans Business

Enabler: Technology Leveraged Cost-Effective Growth

Reduction in Processing Cost per File

- Technology-enabled lean distribution, reduction in cost-to-income
- Within 3 months of launch, 11% of incremental home loans sourced through 'e-Home Loans'
- Manpower and branches need not grow in proportion to business
- End-to-end IT enabled loan fulfillment
  - Application form filled in 15 minutes
  - Parallel running credit processes: Appraisal, technical check, legal verification and fraud control

Greater Credit Control

Unique Identification Authority of India
Government of India

AADHAAR

NSDL
Technology, Trust & Reach

- Increased customer convenience **AND** increased thoroughness of credit appraisal
- Reduced scope for fraud and vastly improved information quality
  - UIDAI (Aadhar)*: eSign and eKYC – Government database
  - NSDL**: Tax filings, salary income – Tax authority database
  - Bank statements directly from banks
- Elimination of human and data entry error
- Credit focus on appraisal and underwriting, free from time-consuming data entry

**UIDAI(Aadhar): Government of India's secured biometric and demographic database for Indian citizens*
***NSDL: Online PAN verification by authorized entities*

Growth Driver: Core Home Loans Business

Enabler: Sell Down of Home Loans without Capital Consumption

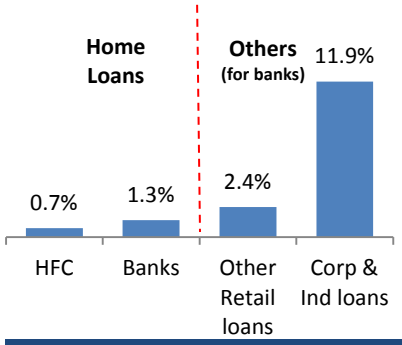
Capital Conservation

Loan Product	Risk Weight
Home Loans	35%
Resi. Construction Finance	75%
LAP and Other Loans	100%

- At 35%, home loans have the lowest risk weight
  - Capital consumption at slower pace than book growth
- Strengthened securitization programme:
  - Sub ₹ 28 Lacs priority sector home loans have highest demand
  - Presently, an equivalent of 27% of incremental loan assets are sold down

Improved Risk Profile: Reduced Cost of Credit

NPA Levels (Industry)



Standard Asset Provisioning	
Home Loans	0.40%
Other Loans	1.00%

- Across banks and HFCs, home loans have the lowest NPAs and credit costs
- Standard asset provisioning requirement for home loans (40 bps) is substantially lower than 100 bps for other loans
- Terminal loss for home loans is less than 5 bps
  - SARFAESI: Strong legal recovery framework
  - High marketability of affordable residential property

Impact on Earnings

Sustained Spreads	**With falling cost of debt despite increasing share of home loans**
Stable RoA	**From reducing cost-to-income ratio and lower credit costs**
Stable RoE	**Due to capital efficient home loans**

Regulatory Impetus in the Last 90 days

Government focus and mission of 'Housing For All' has prompted all financial regulators to increase flow of funds to housing finance companies

- RBI has reduced risk weights on bank lending to AAA rated housing finance companies to 20% from 100%

- SEBI has increased limit for mutual funds for investment in the housing finance sector
  - Cap on additional exposure in securities of HFCs rated AA and above increased from 5% to 10% (over and above 25% sectoral limits)

- IRDA has also increased limit for insurance companies for investment in the housing finance sector
  - Investment in AAA rated bonds of HFCs to be exempt from the sectoral cap of 25%
  - An aggregate of 15% of the investable corpus should be invested in HFC or infrastructure securities, as against the earlier requirement of 5% in HFCs and 10% in infrastructure securities

First Time Issuances : Masala Bonds and Public Bonds Issue

Masala Bonds

- US$ 200 Mn (₹ 13.3 Bn) of rupee-denominated, Singapore listed issue
- Marquee global investors: AllianceBernstein, BlackRock, Jupiter, BlueBay, BFAM Partners
- Taps into a new and vast international investor class, leading to true, broad-based diversification of funding profile

Public Issue of Bonds and Private Placement

- ₹ 70 Bn (US$ 1.05 Bn) of AAA rated public bond issue
  - Increased Duration: 91% of the bonds placed were in the 5 and 10 year tenure bucket
  - Greater diversification: Over 37% of the issue (₹ 25.9 Bn) subscribed by individuals
- ₹ 111.2 Bn (US $ 1.66 Bn) of bonds placed through private placement with various domestic investors including mutual funds, insurance companies and banks

Business goal of reducing funding from bank term loans to below 40% by FY 2018 has been achieved 1.5 years in advance

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

Operational Update

Business Summary

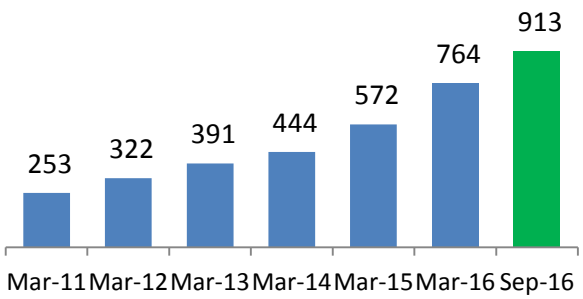
• Loans Outstanding	:	₹ 753.13 Bn
(September 30, 2016)	:	(US$ 11.24 Bn)
• Loan Assets CAGR (5 years)	:	26 %
• Cumulative Loans given to retail Customers	:	8,66,785
• Cumulative Loans Disbursed till date	:	₹ 1,447.2 Bn (US$ 21.60 Bn)
• Cost to Income Ratio (H1 FY 17)	:	14.1%
• Profit After Tax CAGR (5 years)	:	24%

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

Growth Track Record

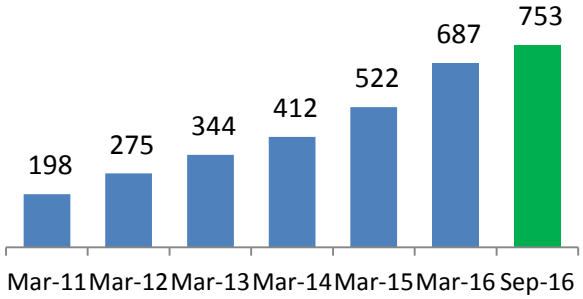
Balance Sheet

CAGR: 26%



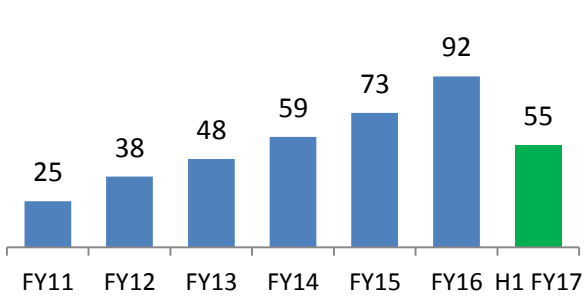
Loan Assets

CAGR: 27%



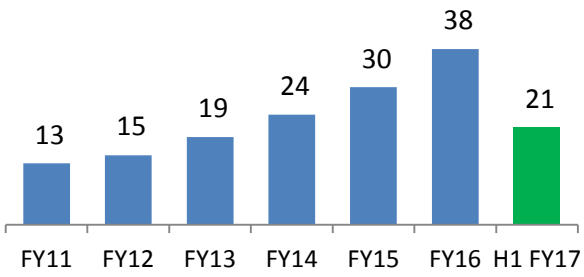
Revenue

CAGR: 30%



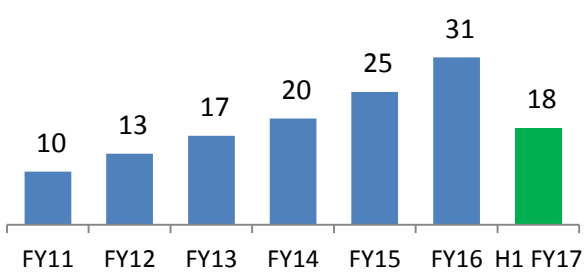
NII

CAGR: 23%



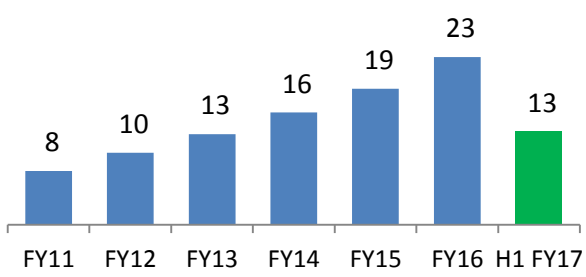
PBT

CAGR: 26%



PAT

CAGR: 26%



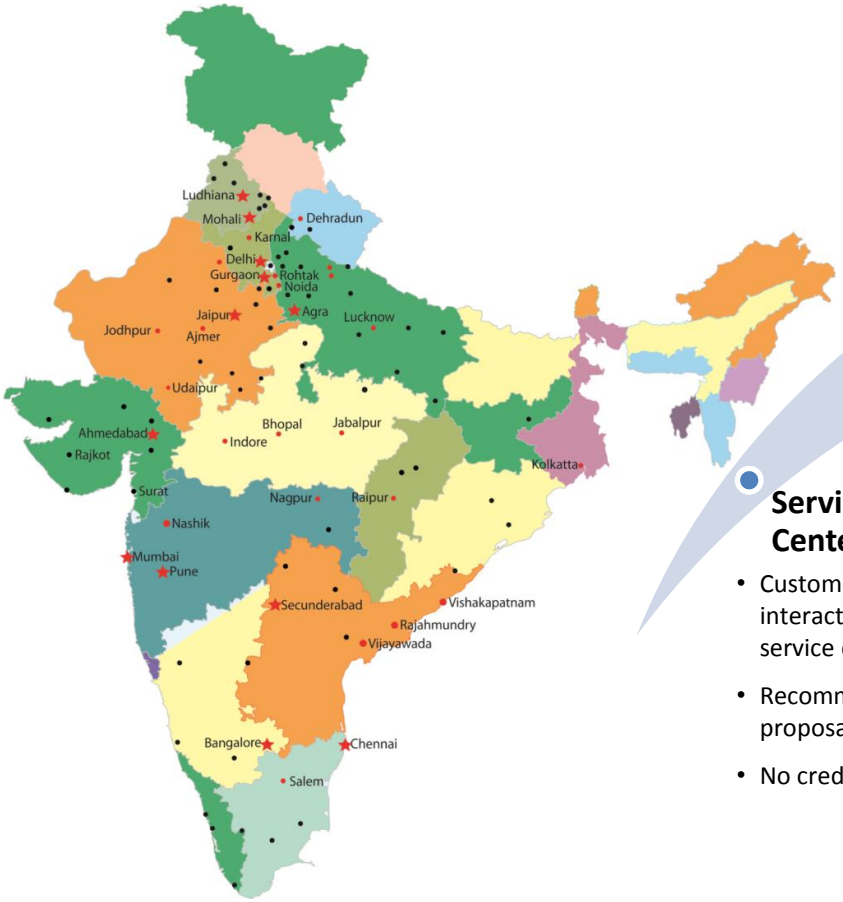
Amounts in ₹ Bn

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+

In Q1 FY17 IBHFL's subordinate debt credit rating was upgraded to the highest AAA rating. IBHFL is now amongst the select few financial services companies that enjoys AAA on both senior and subordinate debt

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 pre-defined limits go to the committee

Awards and Accolades

Housing Finance Company of the year FY15-16

Accommodation Times

Business Superbrand

Superbrands India 2016

Most Promising brand of the year

ZEE Business

Indian Mortgage Market

Growth Momentum:
Trends in Residential Real Estate

- Remarkable gain in supply of affordable, mid-ranged housing units :
  - Twice[1] as many launches of affordable housing projects during H1 CY 2016 as compared to same period last year
  - Across the country, projects involving 728,840 affordable housing units have received all approvals
  - Within affordable housing, Mid-ranged housing space witnessed highest number of launches in the H1 CY 2016
- Strong pick up in sales:
  - Mumbai and Bangalore residential sales up y-o-y by 23%[2] and 18% respectively in the first half of CY 2016
  - 57.3% [3] y-o-y growth in home loan disbursals in Gujarat
- 'Smart city' plan (covering 100 cities) is expected to boost quality infrastructure, which in return will increase the demand for new apartments in these cities:
  - Backed by a funding of ~500 Cr by Government of India and a matching contribution by States / ULBs
  - Smart city plan is expected to drive economic growth resulting in a worthwhile gain the housing demand
- H1 CY 2016 witnessed a Private equity inflow of ₹ 191 Bn[4] (64% increase as compared to same period last year)
  - 2016 could record highest ever private equity investment in real estate sector, as per estimates

Budget housing launches double in H1, says report

Business Standard, Aug 19, 2016

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

'2016 could record highest ever private equity investments in real estate'

The year 2016 could record the highest Private Equity investments in real estate (PERE) since 2008 which is estimated to be Rs 436 billion, estimate Cushman & Wakefield

Indian Express, Oct 1, 2016

1- Cushman and Wakefield, 2- Knight Frank report, 3-SLBC, Gujarat report, 4- Cushman and Wakefield

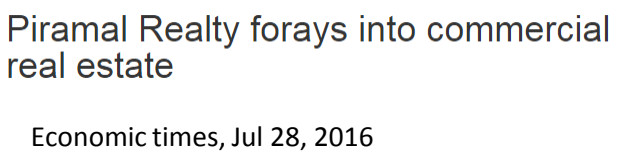
Growth Momentum: Trends in Commercial Real Estate

- Office space demand in the first half of CY 2016 grew by 12%[1] y-o-y across top 6 cities in India
- Increase in office space pre-commitments (reservation of property before it is ready)
  - Retail and technology sectors among forerunners
  - Pune recorded a jump to 53% from 26% pre-commitments in 2015[2]
- Office space leasing in the top 7 cities was up by 18% y-o-y in CY2015[3]
- Absorption of 17 Mn sqft during H1 CY 2016
  - Mumbai Metropolitan Region experienced a growth of 50%[1] y-o-y in the commercial space leasing in H1 CY 2016
  - Mumbai office leasing space witnessed a 21% growth (Q-o-Q) during Q2 CY 2016
  - Hyderabad reported the highest growth of 91%[1] in the commercial space leasing
- Office space vacancy is at a 5-year low. Office space vacancy in metros has slipped below 10%
  - Bangalore topped the list with only 3% [4]office space vacancy and it also saw highest leasing volumes in the Asia-Pacific region
  - Pune and Hyderabad recorded 6% and 9%[4] levels of office vacancy space respectively
- Office leasing is a forerunner of housing demand
- Leasing activity is the highest in suburban and peripheral localities, which coincide with supply of affordable housing

Article rank | 20 Jun 2016 | mint ePaper

Commercial office market a bright spot for realty sector

Mint, Jun 20, 2016


Piramal Realty forays into commercial real estate

Economic times, Jul 28, 2016

Bangalore has lowest office space vacancy of only 3 per cent

Economic times, Aug 29, 2016

1 – Knight Frank report; 2- Economic Times, 3 - CBRE report, 4 - JLL

Accelerators of Housing

First 3 Months of CY2016: Boost to the Housing Sector

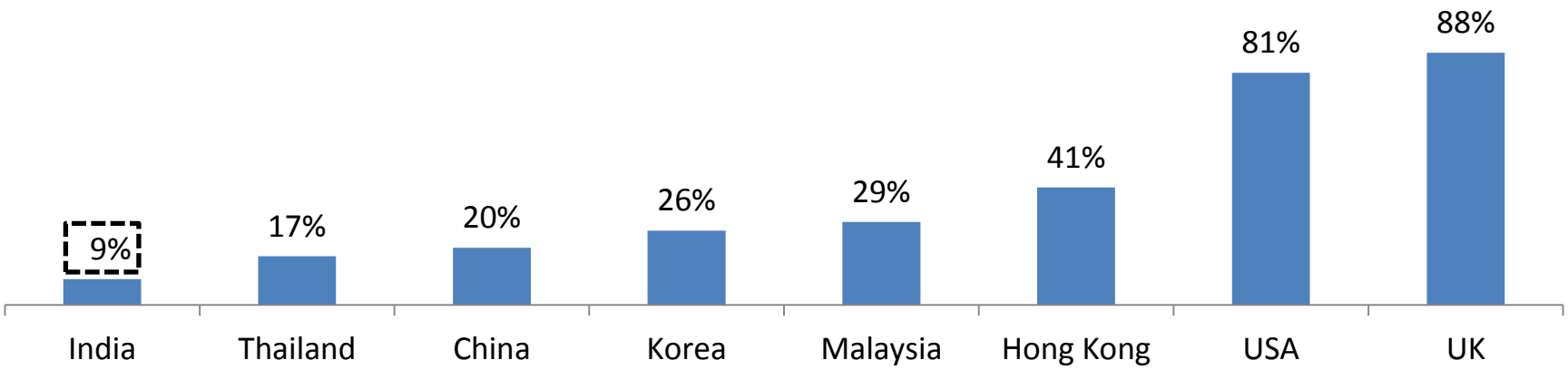
Regulator	Real Estate (Regulatory & Development) Act, 2016 will lead to a structured, transparent and disciplined sector
Tax Incentives	Increased tax incentive reduces effective home loan yields to 4.0% for a 9.4% home loan for first-time home buyers buying affordable houses
Budget 2016-17	100% tax exemption on profits from construction of 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
7Th Pay Commission	Annual payout to 10 Mn government employees to go up by ₹ 1 Tn per annum. Increased disposable income will have positive impact on the housing sector

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



- Low 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 – KPMG Report; 2 – RBI Deputy Governor Speech, Aug 2014

Tax Incentive for Affordable Housing

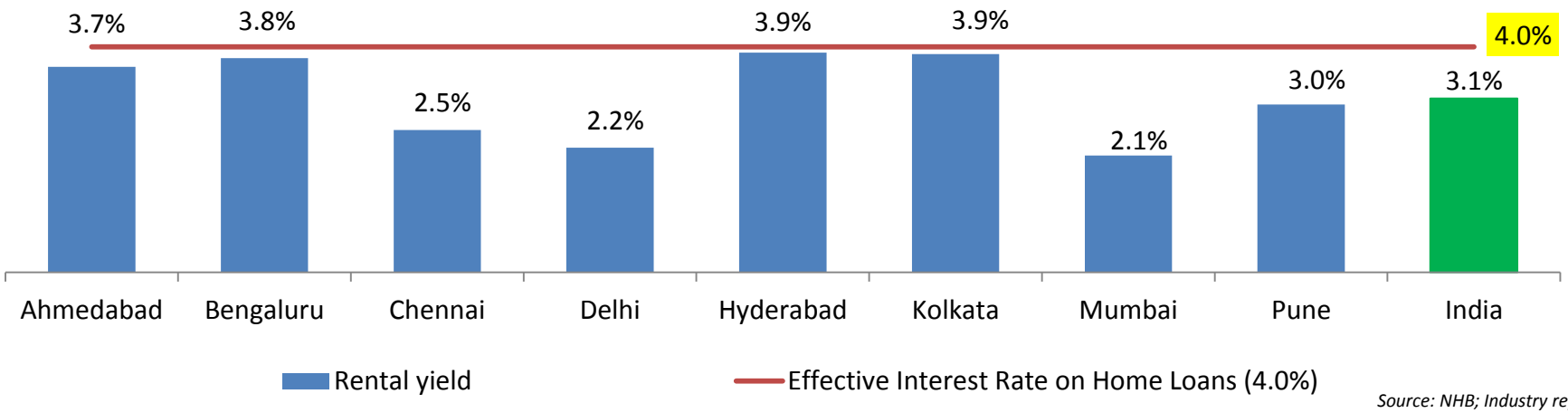
Particular	2016	2010	2000
Loan amount	2,400,000	2,400,000	2,400,000
Nominal interest rate(%)	**9.40%**	**9.25%**	**13.25%**
Deduction allowed on interest repayment*	250,000	150,000	75,000
Deduction allowed on principal repayment#	150,000	100,000	20,000
Tax rate applicable	**34.61%**	**30.90%**	**34.50%**
Tenure (yrs)	15	15	15
Total amount paid per year	372,354	318,763	369,140
Interest component	222,354	218,763	314,777
Principal component	150,000	100,000	54,363
Tax amount saved	128,864	77,250	32,775
Effective interest paid on home loan	93,489	141,513	282,002
Effective interest rate on home 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

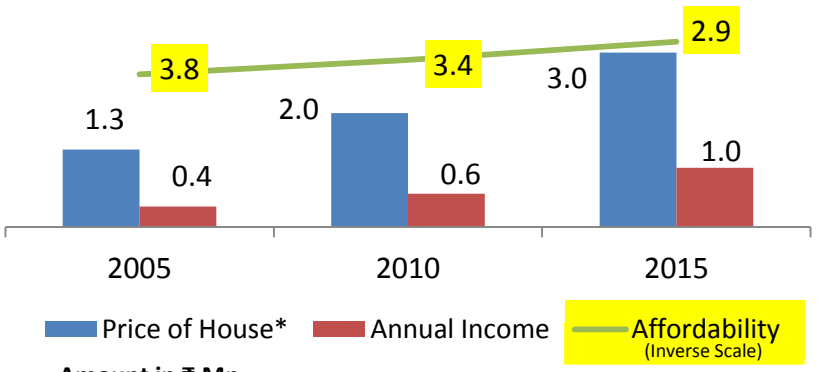
Buying a House: Prudent Financial Investment

Rental Yield v/s Home Loan Cost



Source: NHB; Industry reports

Increasing Affordability



Amount in ₹ Mn

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

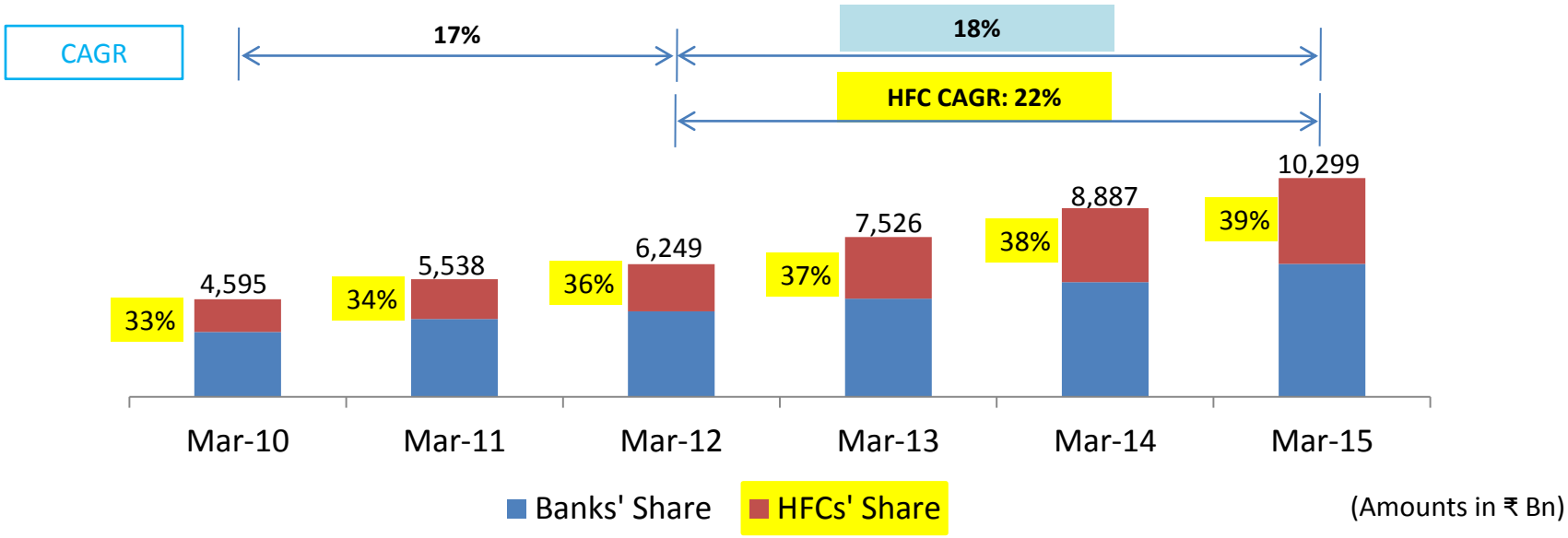
Affordability is defined as "Price of House" divided by the "Annual Income"

- Difference between rental yield and effective home loan interest rate is only 0.9%
- For only ₹ 1,800 (US $ 27) 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 home loan rate expected to slip below rental yield by FY18 spurring demand
- Tepid property price appreciation combined with wage inflation pushing up affordability

** Source: NHB; Industry reports*

Mortgage Market Growth

Growing HFC Market Share in a Steadily Expanding Home Loans Market



- Home 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 home loan rates (after tax benefits), and rental yields, make house purchase increasingly compelling in comparison to renting
- Rising disposable incomes coupled with low effective interest rates (after tax benefits) is resulting in steadily increasing affordability

Source: RBI Database, NHB Reports & Industry Estimates

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

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

Parameters		HFCs	Banks	NBFCs
NPA Recognition		90 dpd	90 dpd	120 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

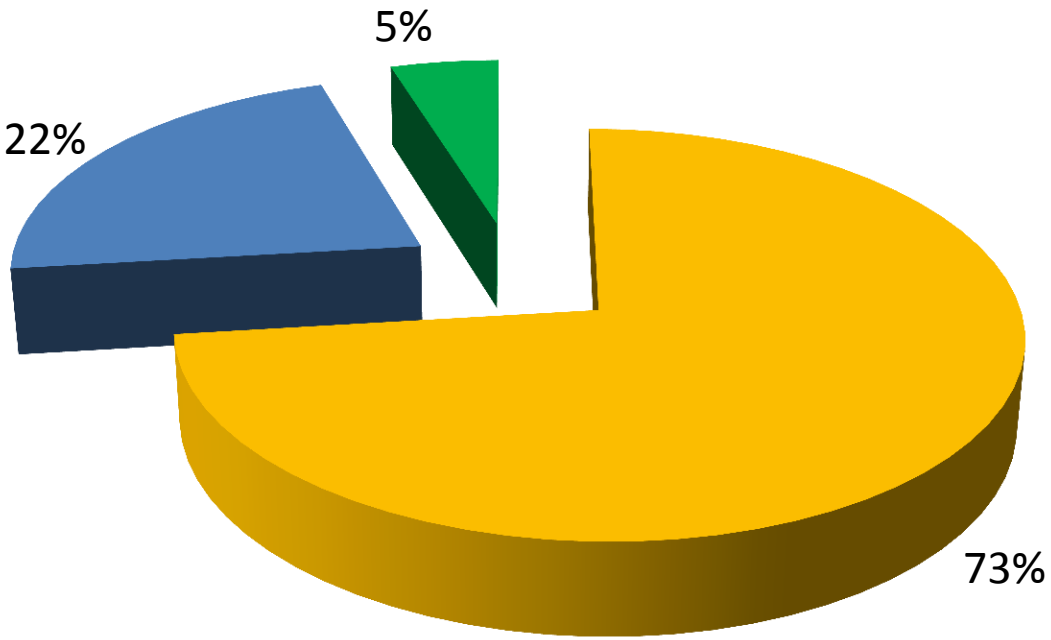
- HFCs are regulated by National Housing Bank (NHB), a wholly owned subsidiary of the Reserve Bank of India (RBI)
- New regulatory guidelines are uniformly applied to both banks and HFCs

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

Financial and Operational Highlights

Balance Sheet Assets



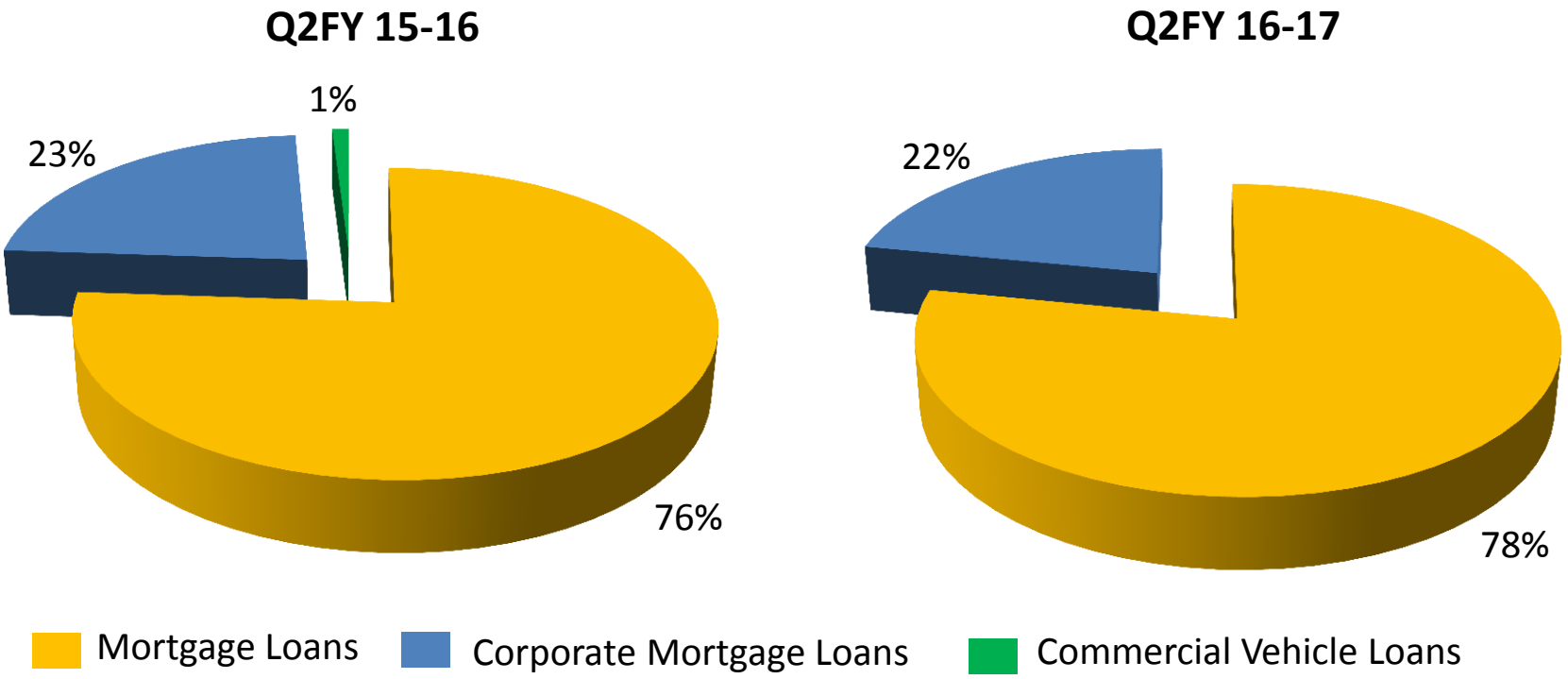
- Loan Book: 73%
- Cash & Liquid Investments*: 22%
- Other Assets: 5%

Total Assets	
As at September 30, 2016	₹ 913.3 Bn (US$ 13.63 Bn)
As at September 30 , 2015	₹ 668.0 Bn (US$ 9.97 Bn)

*Cash, Cash Equivalents and Investments in Liquid Debt Instruments

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

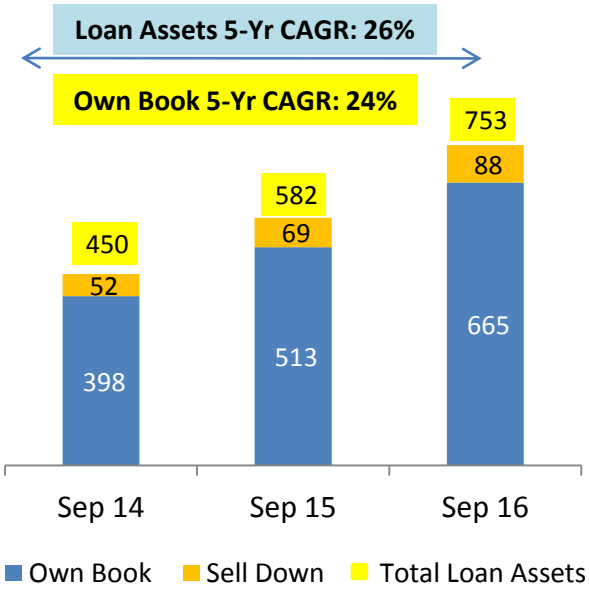
Asset Composition



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

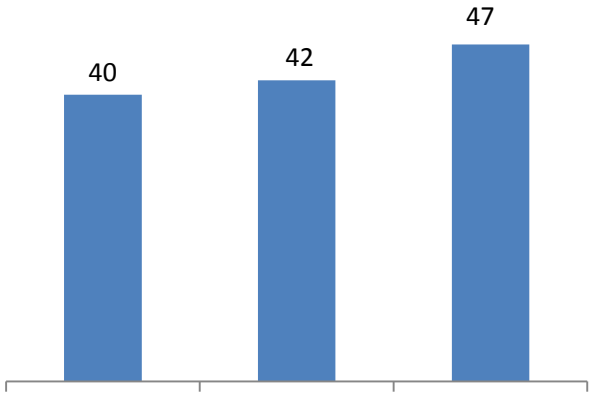
RoE Maximization through Capital Conservation

Loan Assets (₹ Bn)

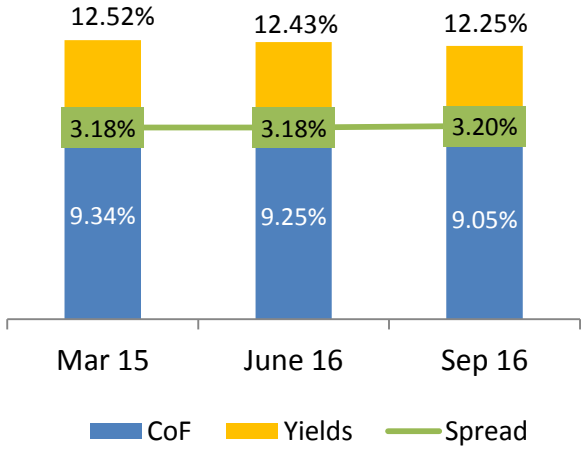


Loans Sold (₹ Bn)

(in preceding 12 months)



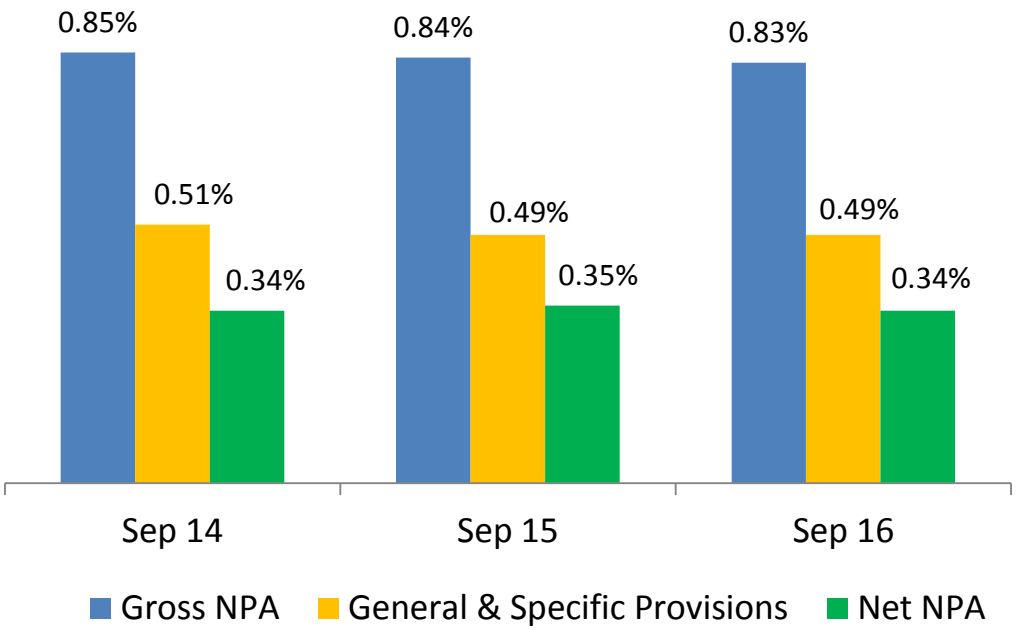
Stable Spreads



- Total of ₹ 47 Bn loans sold down in preceding 12 months, equivalent to 27% of incremental loan assets
- 12% of total loan assets are sold down and growth of on-balance sheet loan assets (5-year CAGR : 24%) is slower than growth in total loan assets (5-year CAGR : 26%)
- While profits are driven by the spread on total loan assets, capital is required only for on-balance sheet book*

**Minimal capital is required for sold down portfolio for the retained part of the pool or for the credit enhancement offered*

Asset Quality



(as % of Total Loan Assets)

As at September 30, 2016	*(in ₹ Bn)*
NPA (90+ dpd):	6.24
Provisions for Contingencies:	9.54
Of which	
NPAs:	*3.70*
Other provisioning:	*5.84*
Regulatory Provisioning:	6.18
Excess Provisioning Over Regulatory Provisioning:	3.36

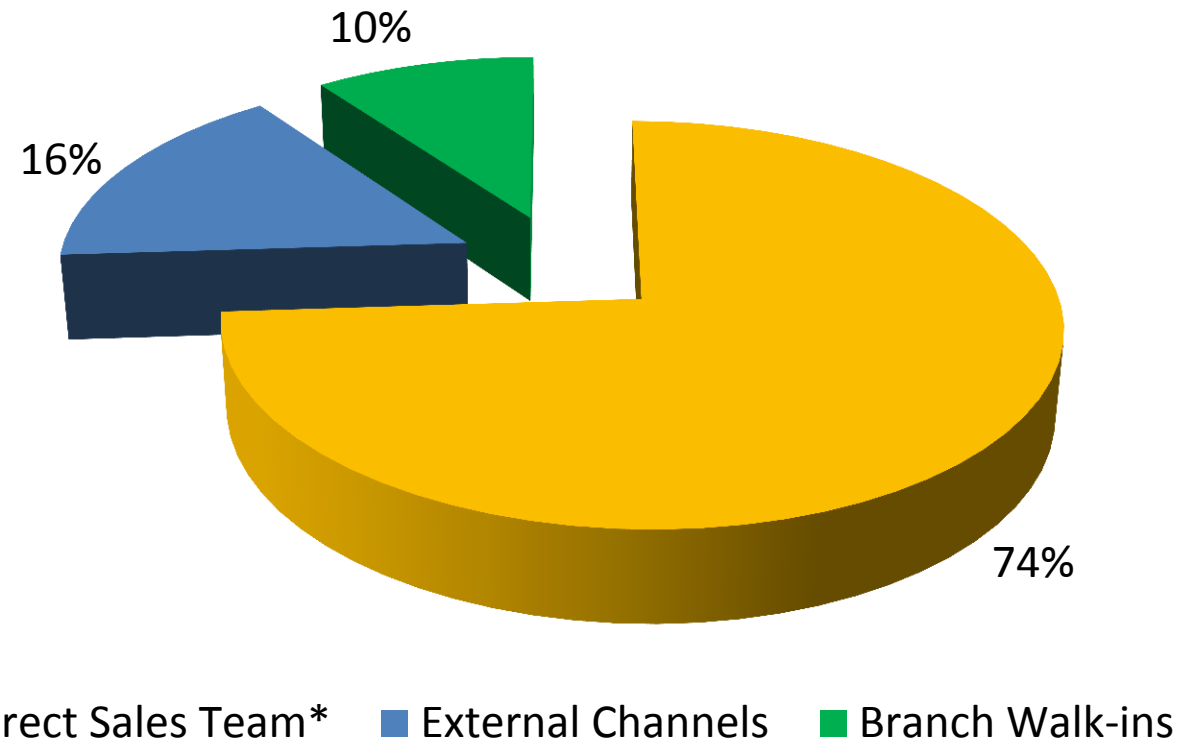
Provisioning Cover : 153% of GNPA

- Total provisioning cover is above the 150% target level
- NPAs have remained within the target range for the last 20 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
- ₹ 3.36 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*

New Initiative: Smart City Home Loan

Minimum Loan Size	₹ 1.0 Mn
Average Loan Size	₹ 1.5 Mn
Maximum Loan Size	₹ 4.0 Mn
Maximum Loan to Value	80% (at origination)
Maximum Loan Term	20 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing

- RBI defines affordable housing finance as housing loans to individuals up to ₹ 4 Mn for houses of value up to ₹ 5 Mn in non-metro towns / cities

Home 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

- 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 performance; 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 is being tracked against loan grades
  - Proactive customer management: retention, upsell/ cross-sell, delinquency management
  - Learning is being fed back to improve loan underwriting and continuously upgrade lending policy

CRISIL LAP Grading Methodology

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

6th Report
CRISIL LAP Grading: Updated for Q2 FY17

Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans#	Disbursals Apr 15 – Sep 16	Interest Service Coverage Ratio (ISCR)	Total Outstanding Liabilities/ Total Networth	Loan to Value (LTV)	EBITDA Margins
LAP1	Highest	8.90%	11.3 – 13.8	1.4 – 1.6	48%	14% – 17%
LAP2	High	80.96%	11.0 – 13.6	2.2 – 2.4	48%	12% – 15%
LAP3	Average	9.48%	12.6 – 15.7	2.9 – 3.1	52%	9% – 12%
LAP4	Below Average	0.27%	13.4 – 15.3	1.1 – 1.2	47%	14% – 17%
LAP5	Poor	0.39%	8.4 – 9.7	1.7 – 1.9	45%	14% - 16%

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 74% of the disbursals from Apr15 to Sep16*

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

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

- 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

4th Report
ICRA LAP Grading: Updated for Q2 FY17

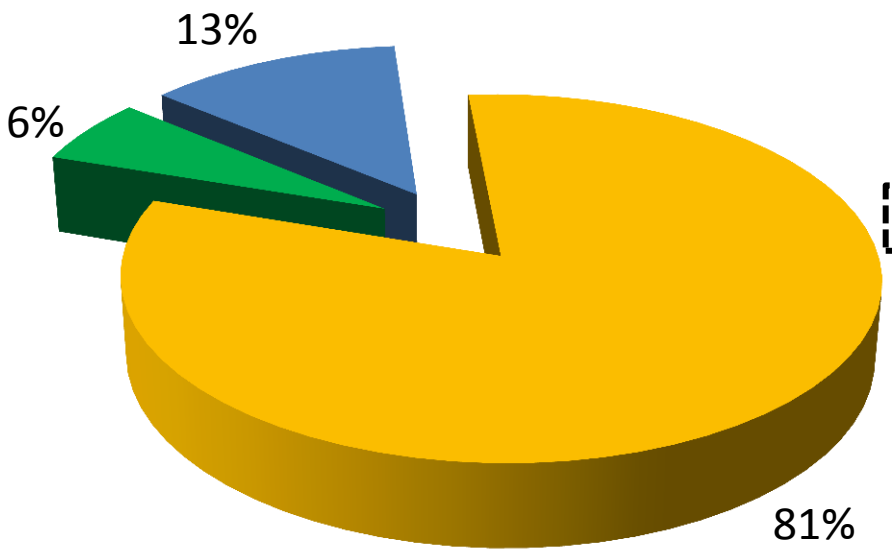
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution	Median LTV	Median FOIR
LAP1	Excellent	14.8%	25%	33%
LAP2	Good	67.3%	49%	48%
LAP3	Average	17.7%	62%	59%
LAP4	Below Average	0.2%	61%	66%
LAP5	Inadequate	-	-	-

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



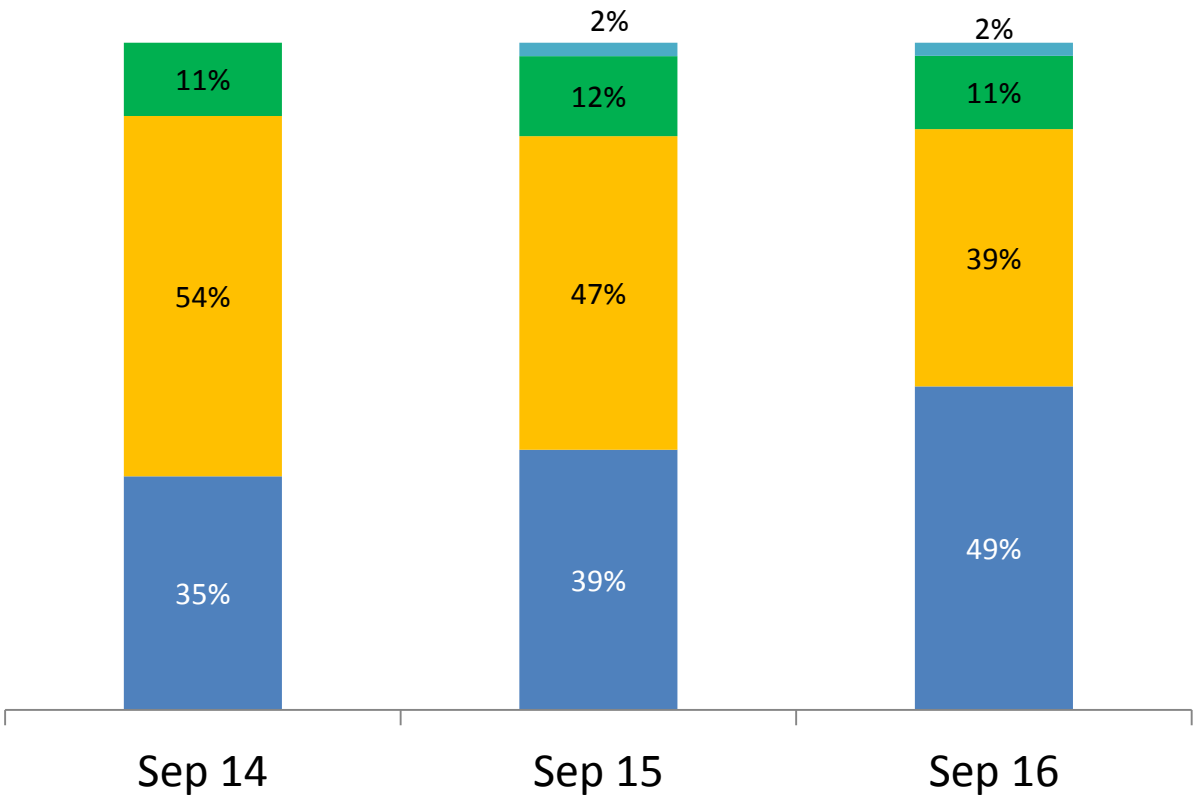
- Share Holders' Funds: ₹ 114.7 Bn (US$ 1.71 Bn)
- Borrowings: ₹ 743.9 Bn (US$ 11.1 Bn)
- Other Liabilities: ₹ 54.7 Bn (US$ 0.82 Bn)

Total Liabilities:

As of September 30, 2016: ₹ 913.3 Bn (US$ 13.63 Bn)
As of September 30, 2015: ₹ 668.0 Bn (US$ 9.97 Bn)

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

Funding Mix



Total Borrowings:

As of September 30, 2016: ₹ 743.9 Bn (US$ 11.10 Bn)

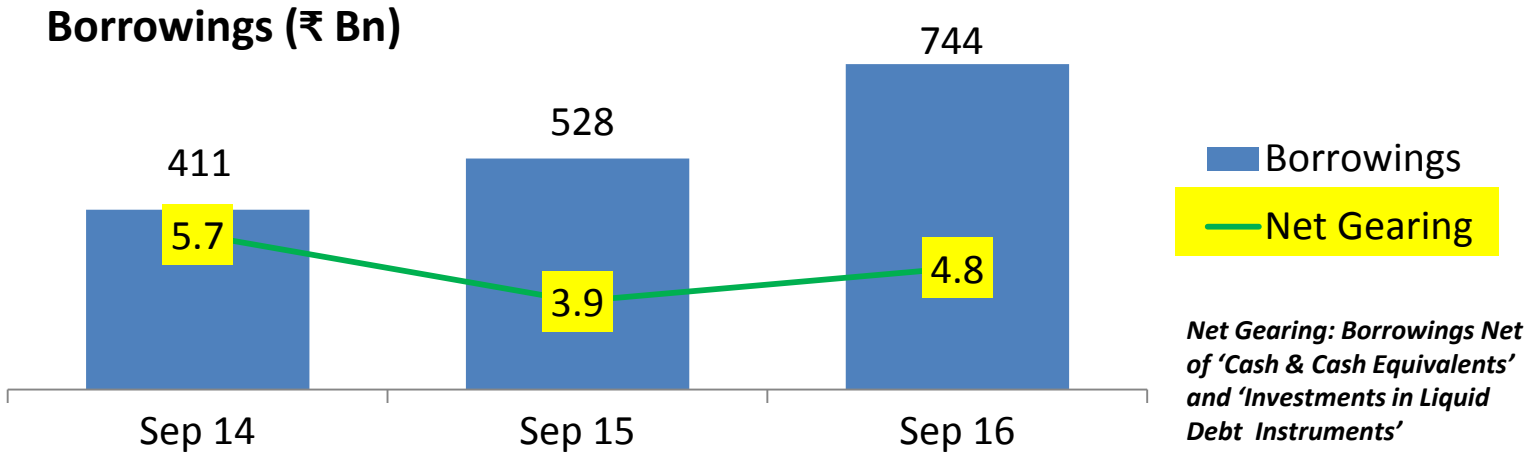
As of September 30, 2015: ₹ 527.61 Bn (US$ 7.87 Bn)

- **For the first time, bank borrowings are less than 40% of the funding mix**
- **IBHFL now has a very well diversified funding profile with established franchise across all funding sources**

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

ECB: External Commercial Borrowing

Strengthening Liability Profile



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

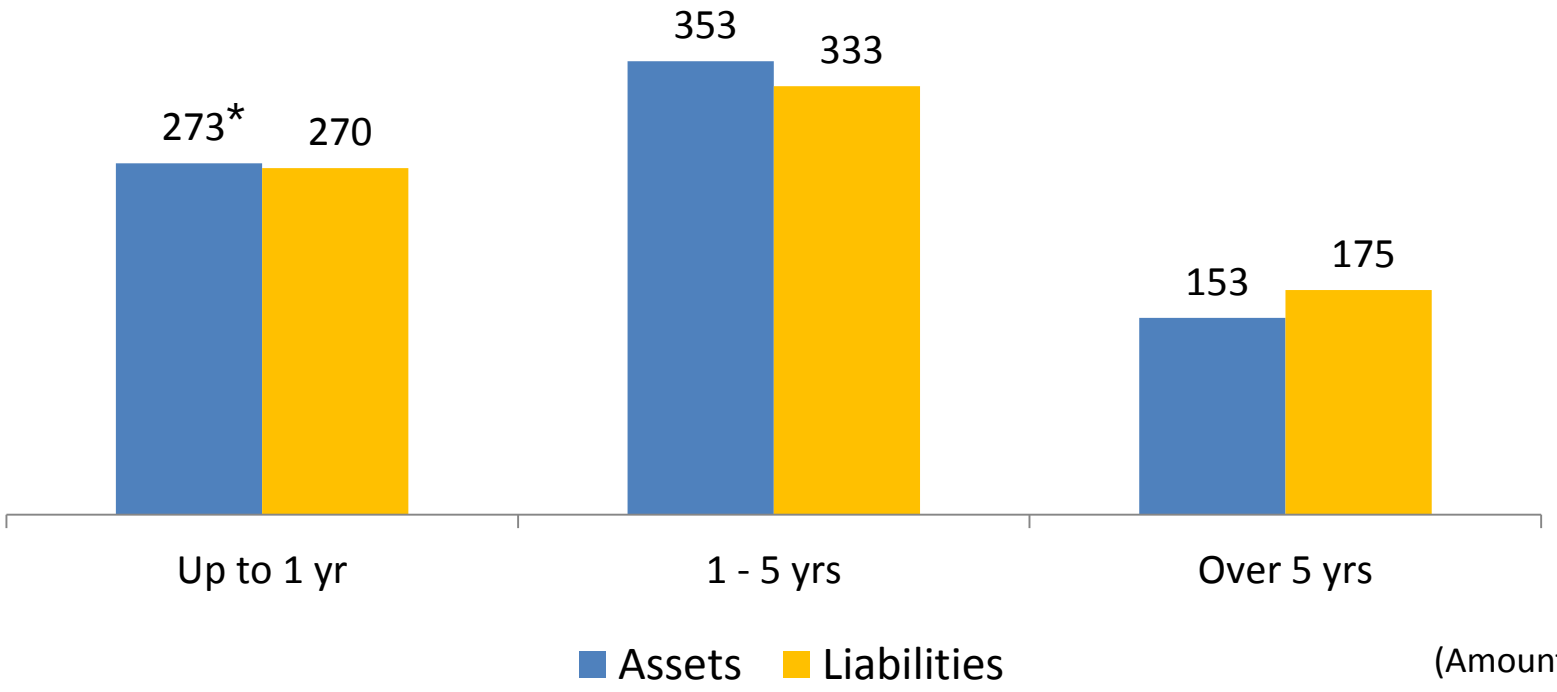
Total Funding (₹ Bn)			Net Incremental in 6M	Contribution to Incremental Borrowings in last 6 Months
	Sep 16	Mar 16		
Bank Loans	322.6	335.7	40.9	(9.2%)
Debentures and Securities	408.0	261.9	175.3	102.2%
ECB	13.3	13.3	0.1	-
Total Borrowing	743.9	610.9	216.3	92.0%
Sell Down	88.1	78.2	18.9	7.0%
Total	832.0	689.1	235.2	100%

- ₹ 194.5 Bn of bonds raised in H1 2016-17 was greater than ₹ 173.3 Bn of bonds raised in the two years of FY 2014-15 and FY 2015-16 combined
- For the first time, bank borrowings are less than 40% of the funding mix
- All of our incremental funding needs in H1 FY 2016-17 have been met from capital market securities and loan sell downs

Optimally Matched Balance Sheet

Maturity Profile

(As of March 31, 2016)



(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 the National Housing Bank

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 205.92 Bn as at 30th Sep, 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'

Eminent and Experienced Board of Directors

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 Gyan Sudha Misra : Retired Justice, Supreme Court of India [New Inductee]
- 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
- Mr. Sachin Chaudhary : Executive Director, Mortgage Business Head [New Inductee]

Underlining focus on Home Loans as the cornerstone of our business, Mr. Sachin Chaudhary, Business Head of Retail Mortgages, has been elevated to the Board of Directors

Sachin Chaudhary

- Sachin launched the home loans and LAP vertical for IBHFL 11 years ago in 2005
- Sachin has a total of 20 years of mortgage industry experience spanning all operational functions. Sachin has complete operational responsibility for retail mortgage P&L
- Across businesses and functions IBHFL has a very stable senior and mid-management teams
  - Key business and function leaders have been with IBHFL since launch of respective loans products
  - Home loans and LAP to self-employed customers is a key area of competency built on processes, tools and an underwriting approach that leads to a thorough but prompt credit appraisal

Corporate Social Responsibility

Indiabulls Foundation: Corporate Social Responsibility

Health

Jan Swastha Kalyan Vahika (mobile medical vans):

- Free check-up
- 13 mobile medical vans
- More than 4,50,000 patients

Free Medical Clinic:

- 4 free medical clinics
- More than 90,000 treated

Cleft / Palate deformation surgery:

- 1,500 children across 6 states

Sanitation

Green soles:

- Footwear distribution

Kumud:

- Sanitary napkin distribution
- Hygiene for underprivileged rural women

Nutrition

Paushtik Aahar:

- Free nutrition supplements to the underprivileged and malnourished
- 5,000 individuals per month
- Over 85,000 children to date

Disaster Relief

Rainwater harvesting:

- At schools during the Latur drought
- Benefitted over 350 students

Nutritional Packets Distribution:

- Nepal earthquake : 10,000 packets
- Chennai floods : 5kg packets to 1,500 families
- Kashmir floods : 10,000 packets

Rural Empowerment

Rahat:

- Water project at 3 tribal ashram schools
- Over 2,500 children will benefit every year

Education

Scholarship:

- To over 500 meritorious students

Computer Literacy Program:

- 1,000 computers to tribal ashram schools, shelter homes and night schools

Tie-up with ESHA foundation:

- Create awareness about online library of ESHA, helped 35,000 visually challenged

Renewable Energy

Renewable Energy Plants:

- Free of cost round-the-clock seamless electricity to 5 tribal ashram schools

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-to-Income Ratio	14.3%	16.4%	17.1%	18.0%	18.7%

Key Financial Metrics

	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 (%)#	23.38%	19.60%	20.47%	18.58%	19.96%
- Tier I#	*20.36%*	*16.28%*	*16.10%*	*15.05%*	*19.27%*
- Tier II#	*3.02%*	*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

RoAA: Return on Average Assets
RoE: Return on Equity

Valuations and Returns

	Sep -16	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Market Price per Share (₹)	875*	674.0	557.9	285.6	271.8	207.1
Market Capitalisation (₹ Bn)	369.2	284.0	198.4	95.4	84.9	64.5
PE Ratio (times)	14.2	11.3	10.2	6.0	6.8	6.5
Dividend per Share (₹) #	18	36	35	29	20	13
Dividend Yield	4.1%	5.3%	6.3%	10.2%	7.4%	6.3%
Foreign Institutional Shareholding (%)	62.3%	58.9%	51.8%	41.1%	45.2%	38.7%

- IBHFL is a part of Nifty Next 50, Nifty 100, Nifty 200 and Nifty 500 indices
- Nifty Next 50 is an index of the 50 top companies after those covered by the benchmark Nifty 50
  - At 4.02%, IBHFL has the second highest weightage on Nifty Next 50 index

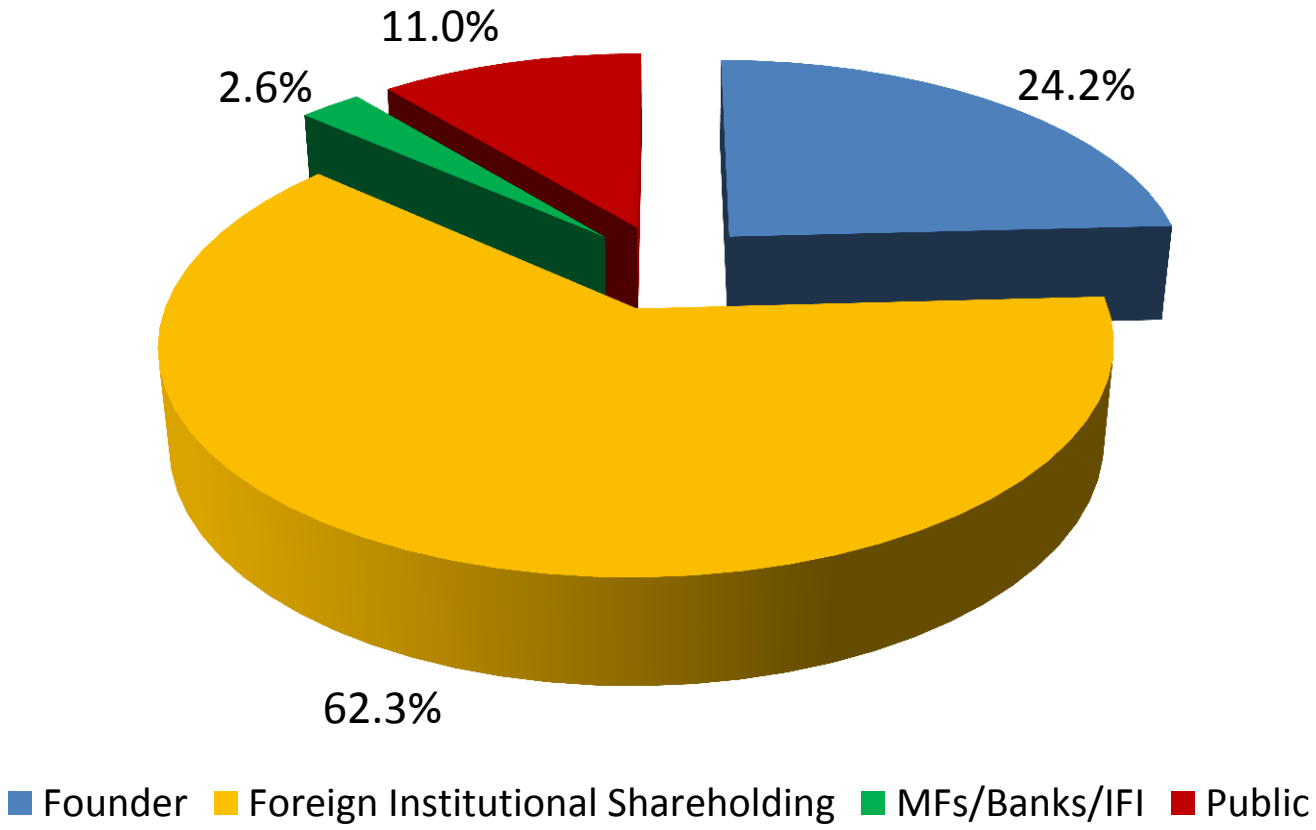
NIFTY Next 50
NIFTY 100
NIFTY 200
NIFTY 500

Normalized to reflect periods the dividends pertain to
PE: Price to Earnings (12 months trailing)

US $ amounts are converted based on the exchange rate of US $1 = ₹ 67

*As on 20th Oct , 2016

Shareholding Pattern



As on 30th September, 2016

MF: Mutual Funds; IFI: Indian Financial Institutions

Detailed Financials

Consolidated Balance Sheet

Statement of Assets and Liabilities	(Rupees in Billion)	
Particulars	As at	
	30.09.16 (Unaudited)	31.03.16 (Audited)
I. EQUITY AND LIABILITIES		
(1) Shareholder's Funds		
(a) Share Capital	0.84	0.84
(b) Reserves and Surplus	113.89	106.10
(2) Share application money pending allotment	0.01	-
(3) Non-Current Liabilities		
(a) Long-term borrowings	530.77	355.21
(b) Deferred tax Liabilities (net)	1.04	0.81
(c) Other Long term liabilities	14.81	1.54
(d) Long term provisions	7.74	6.81
(4) Current Liabilities		
(a) Short-term borrowings	107.83	143.11
(b) Trade payables	0.05	0.09
(c) Other current liabilities	134.26	147.74
(d) Short-term provisions	2.06	2.11
Total	**913.30**	**764.36**
II. ASSETS		
(5) Goodwill on Consolidation	0.67	0.67
(6) Non-current assets		
(a) Fixed assets	0.70	0.69
(b) Non-current investments	7.78	7.24
(c) Deferred tax assets (net)	0.05	0.05
(d) Long term loans and advances	598.44	535.23
(e) Other non-current assets	3.88	4.14
(7) Current assets		
(a) Current investments	179.25	99.69
(b) Trade receivables	0.03	0.03
(c) Cash and cash equivalents	26.67	29.02
(d) Short-term loans and advances	86.60	80.95
(e) Other current assets	9.23	6.66
Total	**913.30**	**764.36**

₹ 205.92 Bn of Cash & Cash Equivalents and Investments in Liquid Debt Instruments

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 205.92 Bn as at 30th Sept, 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'

Consolidated Income Statement

(Rupees in Billion)

	Particulars	Quarter ended			Six Months ended		Year ended
		30.09.16 (Unaudited)	30.06.16 (Unaudited)	30.09.15 (Unaudited)	30.09.16 (Unaudited)	30.09.15 (Unaudited)	31.03.16 (Audited)
1	**Income from Operations**						
	a) Income from Operations	23.95	22.61	18.77	46.56	36.43	78.42
	b) Other Operating Income	1.15	1.11	1.08	2.26	1.71	4.48
	Total Income from operations (net)	**25.10**	**23.72**	**19.85**	**48.82**	**38.14**	**82.90**
2	**Expenses**						
	a) Employee Benefits Expense	1.36	1.18	1.06	2.54	1.97	4.13
	b) Depreciation and Amortisation Expense	0.05	0.05	0.05	0.10	0.10	0.20
	c) Other Expenses	1.85	1.88	1.48	3.73	2.46	6.92
	Total Expenses	**3.26**	**3.12**	**2.59**	**6.37**	**4.53**	**11.25**
3	Profit from Operations before Other Income, Finance costs & Exceptional Items (1-2)	21.84	20.60	17.26	42.44	33.61	71.65
4	Other Income	3.65	2.25	2.61	5.91	4.57	9.36
5	Profit from ordinary activities before Finance costs & Exceptional Items (3+4)	25.49	22.86	19.86	48.35	38.18	81.00
6	Finance Costs	16.28	14.11	12.45	30.39	23.84	49.71
7	Profit from ordinary activities after Finance costs but before Exceptional Items (5-6)	9.21	8.75	7.41	17.96	14.34	31.29
8	Exceptional Items	-	-	-	-	-	-
9	**Profit from Ordinary Activities before Tax (7-8)**	**9.21**	**8.75**	**7.41**	**17.96**	**14.34**	**31.29**
10	Tax Expense (including Deferred Tax and MAT credit entitlement)	2.35	2.40	1.86	4.75	3.67	7.76
11	**Net Profit from Ordinary Activities after Tax (9-10)**	**6.86**	**6.35**	**5.56**	**13.21**	**10.67**	**23.53**
12	Extraordinary Items (net of tax expenses Rs. NIL)	-	-	-	-	-	-
13	**Net Profit for the period / year (11-12)**	**6.86**	**6.35**	**5.56**	**13.21**	**10.67**	**23.53**
14	Share of (Loss) of Associate	(0.02)	(0.05)	-	(0.07)	-	(0.08)
15	Minority Interest for the period / year	-	-	-	-	-	-
16	**Net Profit after Taxes, Minority Interest and Share of Profit / (Loss) of Associate (13+14-15)**	**6.84**	**6.30**	**5.56**	**13.14**	**10.67**	**23.45**
17	Paid-up Equity Share Capital	0.84	0.84	0.84	0.84	0.84	0.84
18	Reserves excluding Revaluation Reserves as per Balance Sheet as on March 31, 2016						106.10
19	Minority Interest	-	-	-	-	-	-
20	Earnings per Share (EPS) before extraordinary items						
	**(EPS for the quarters and six months are not annualised)*						
	-Basic (Amount in Rs.)	16.23*	14.95*	15.01*	31.18*	29.39*	59.84
	-Diluted (Amount in Rs.)	16.02*	14.77*	14.69*	30.79*	28.70*	58.75
	-Face Value (Amount in Rs.)	2.00	2.00	2.00	2.00	2.00	2.00
	Earnings per Share (EPS) after extraordinary items						
	**(EPS for the quarters and six months are not annualised)*						
	-Basic (Amount in Rs.)	16.23*	14.95*	15.01*	31.18*	29.39*	59.84
	-Diluted (Amount in Rs.)	16.02*	14.77*	14.69*	30.79*	28.70*	58.75
	-Face Value (Amount in Rs.)	2.00	2.00	2.00	2.00	2.00	2.00

The company had cash, cash equivalents and investments in liquid debt instruments of ₹ 205.92 Bn as at 30th Sept, 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'

Indiabulls HOME LOANS
Ab Ghar Aa Jao

Thank you