

HOUSING FINANCE COMPANIES

WITH FOCUS ON AFFORDABLE HOUSING

INTRODUCTION AND BACKGROUND

- Rural to Urban migration coupled with the trend of nuclear families
- Number of cities with population of 1 Million increased from 35 to 50 in last 10 years
- Shortage of 19 Million Homes (2012)
- 95% Shortage For EWS
- Delayed Approvals, Low Margin, Raw Material Costs
- Demand in LIG but Supply in MIG and HIG
- Slums and Informal Settlements

URBANISATION

Table: Rural-urban differential in population growth

Period	Avg. annual population growth (%)		
	Rural	Urban	Total
1951-1961	2.06	2.64	2.16
1961-1971	2.19	3.82	2.48
1971-1981	1.93	4.61	2.47
1981-1991	2.00	3.64	2.38
1991-2001	1.81	3.15	2.15
2001-2011	1.22	3.18	1.76

* Urban population as % of total population, # Values in percentage

Source: Registrar General of India, Socio Economic Statistics of India, 2011

Table: Trend in urbanization in India

Year	Ur.pop.*#	Change#
1951	17.30	
1961	18.00	0.70
1971	19.90	1.90
1981	23.30	3.40
1991	25.70	2.40
2001	27.80	2.10
2011	31.20	3.40

NUCLEARISATION

Table: Size of rural and urban households has shrunk faster than slowdown in population growth rate

Year	Average size of household			Avg. no. of persons / dwelling		
	Rural	Urban	Total	Rural	Urban	Total
1961	5.2	5.1	5.2	5.5	5.7	5.5
1971	5.5	5.2	5.5	6.0	6.0	6.0
1981	5.6	5.5	5.6	5.9	5.7	5.8
1991	5.6	5.3	5.5	5.8	5.5	5.7
2001	5.4	5.1	5.3	4.9	5.1	5.1
2011	4.9	4.6	4.8	n.a.	n.a.	n.a.

Source: Registrar General, India; Census of India 2011; IDBI Capital Research

HOME OWNERSHIP STATUS

Figure: Home ownership in India

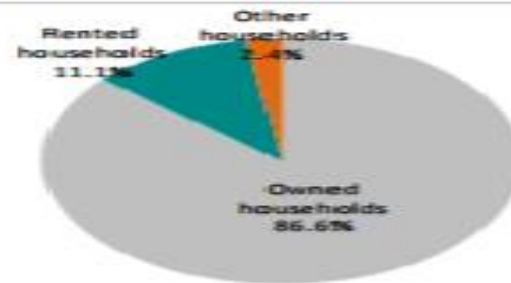


Figure: Home ownership in rural areas

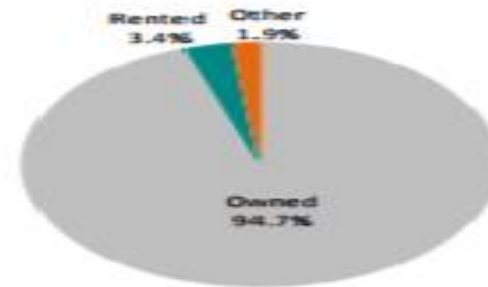
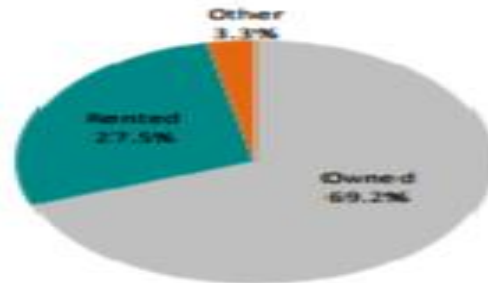
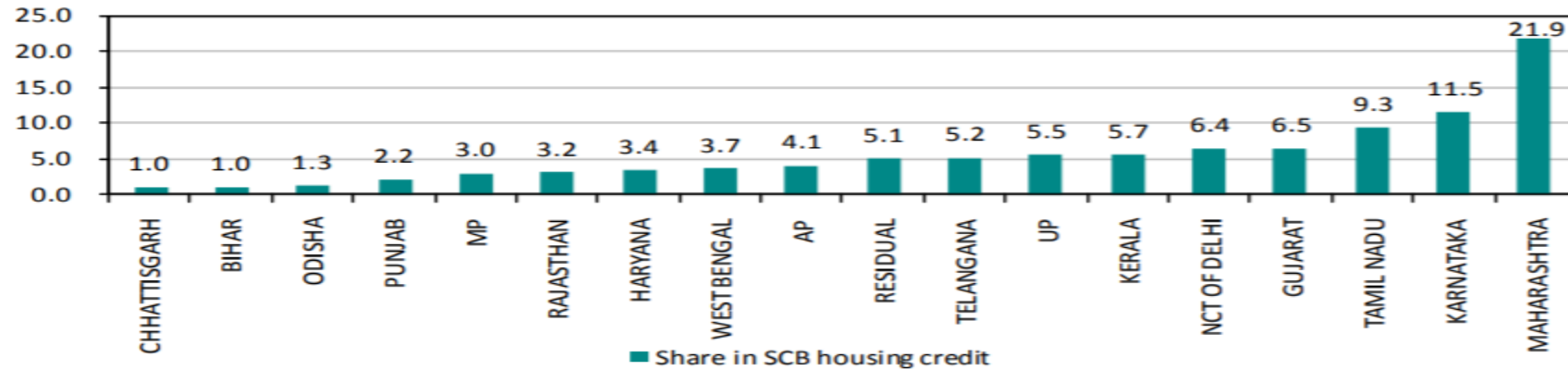


Figure: Home ownership in urban areas



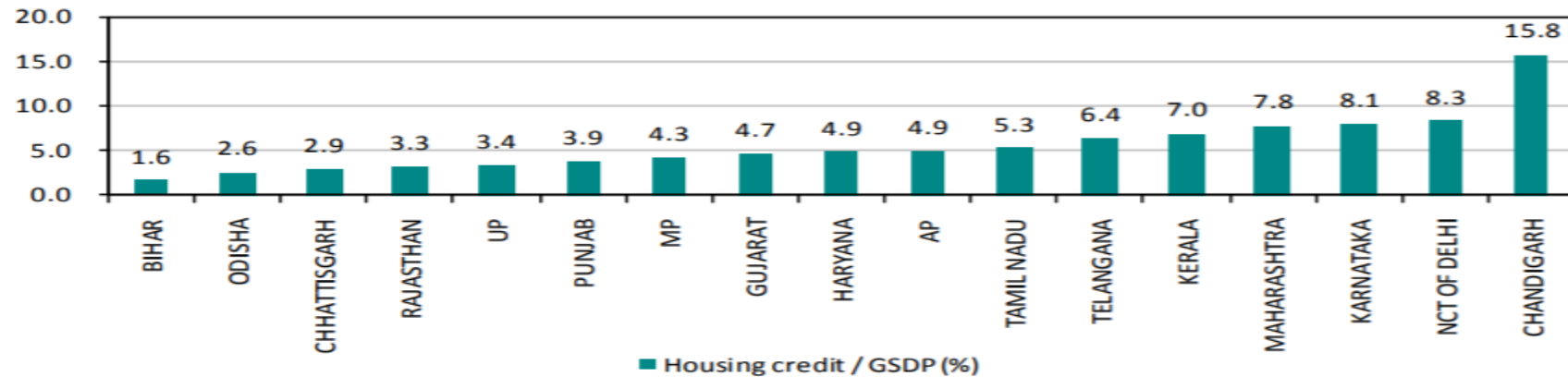
STATE WISE STATUS

Figure: Mortgage penetration amongst India's states (SCB data)



Source: RBI; IDBI Capital Research

Figure: Mortgages as % of GSDP: States with high urbanization show higher penetration (SCB data)



PLANNED CITIES – FAR AND FEW

Table: Greenfield cities created in post-independent India

City	Created By	Year founded#	Area (sq.km.)	Population in inception year	Population in latest census
Chandigarh	Govt. of India	1966	114 sq.km.	0.02mn	1.05mn
Navi Mumbai	Govt. of Maharashtra	1979	344 sq.km.	0.16mn	1.12mn
Pimpri Chinchwad New Township	Govt. of Maharashtra	1972	43 sq.km.	n.a.	0.50mn
New Town Kolkata	Govt. of West Bengal	2007	28 sq.km.	n.a.	0.40mn
Gandhinagar	Govt. of Gujarat	1970	177 sq.km.	n.a.	0.29mn
Lavasa [^]	HCC	n.a.	100 sq.km.	n.a.	0.20mn*

Year when planned basic infrastructure was ready, *on completion, [^]Lavasa is a hill town

HOUSING FINANCE COMPANIES

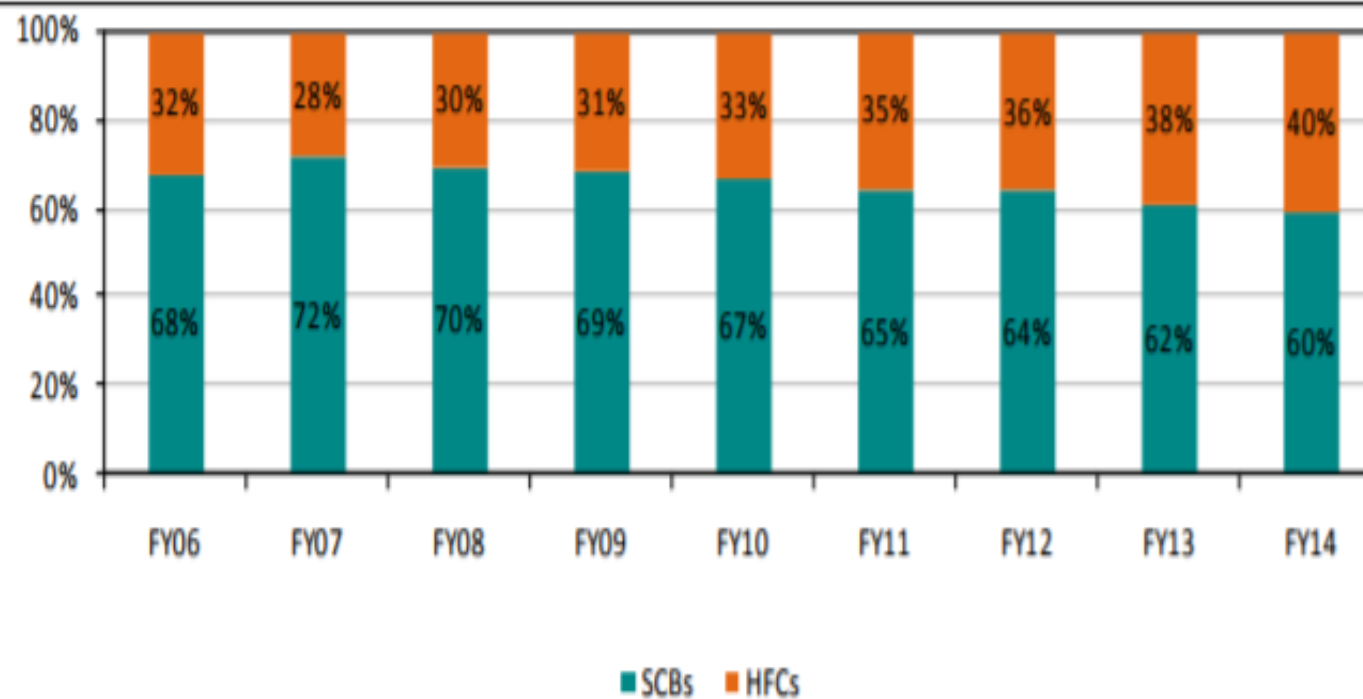
- A total of 71 Housing Finance Companies in India registered under section 29A of National Housing Bank Act , 1987
- 80 licences pending with National Housing Bank
- Steadily eating share of business from Banks
- Increase in total loan outstanding from 2010 – 11 at 23% CAGR
- Interest rate cycle extremely favourable since 2015

HFC Vs SCHEDULED COMMERCIAL BANKS

- HFC regulated by NHB while Banks regulated by RBI
- Cost of funds higher for HFC – no access to CASA balances
- Faster turned around time for HFC vs Banks
- HFCs works on “PLR – Discount” while Banks works on “Base rate + Spread” & MCLR. HFCs backward looking while banks forward looking
- Loan amount offered by both is almost similar
- HFC relatively lenient in documentation
- Pricing difference narrowed down considerably though Banks are still cheaper

HFC Vs SCHEDULED COMMERCIAL BANKS

Figure: Rising share of HFCs in housing loans



AFFORDABLE HOUSING

- Every Indian family to own a house by 2022
- Housing units affordable to section of society earning less than median household income
- Definition – carpet area 60 Sq meter and 30 Sq meter in non-metros and metros respectively
- 32% of India is below poverty line
- Average per capita living space in India – 103 Sq feet in rural India and 117 Sq feet in Urban India
- Loans upto Rs 30 Lacs
- 2015 – 2017 : Corporate credit growth 0.76%, mortgage growth 36%
- Envisages requirement of 18-20 million homes
- At an average of 4.6 people / household, the gap is for 80-90 million people

AFFORDABLE HOUSING - STATUS

- Houses less than Rs 50 Lacs - 71% of the total launches in H1 2017
- Turning into a respectable and serious sector
- Infrastructure sector status - cheaper funding including ECB
- Project completion deadline - 5 years instead of 3 years
- Long term capital gains - reduced from 3 to 2 years
- Credit linked subsidy scheme for loans up to Rs 12 Lacs
- 39% higher allocation under Pradhan Mantri Awas Yojana
- Expected growth 30% per annum
- Demand supply gap reducing for the first time in several decades
- RERA a big game changer

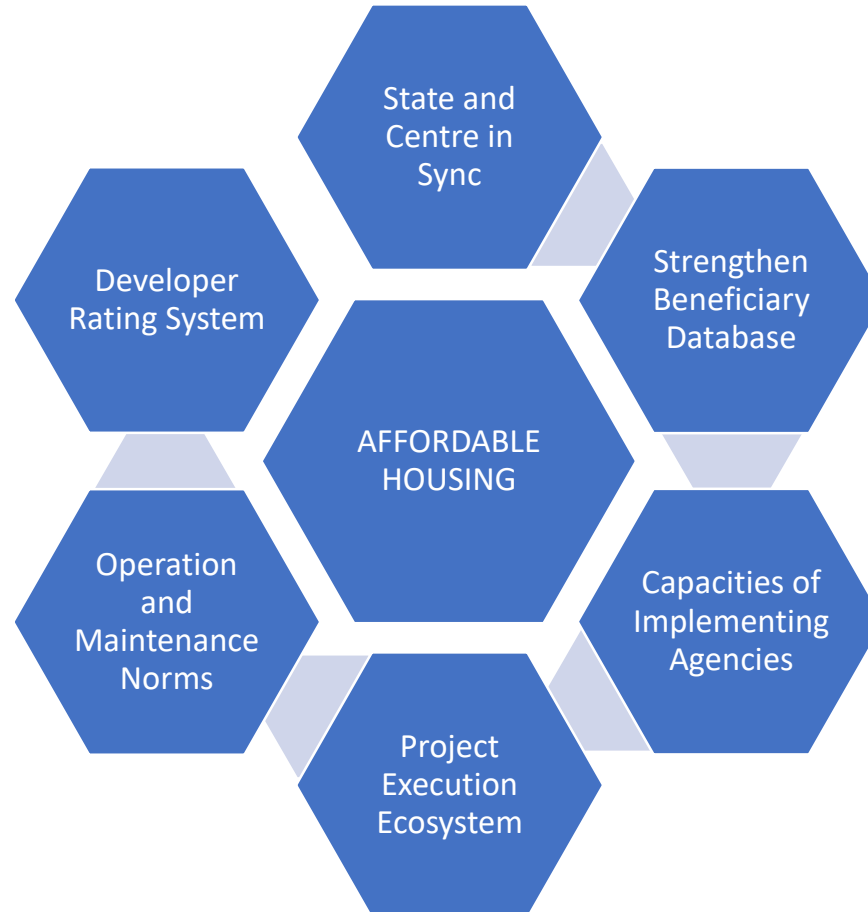
CREDIT LINKED SUBSIDY SCHEME

Particulars	EWS	LIG	MIG-I	MIG-II
Household income (up to Rs. lacs per annum)	3	6	12	18
Interest Rate Subsidy	6.50%	6.50%	4%	3%
Maximum Loan Tenure (Years)	20	20	20	20
Eligible Home loan amount for subsidy (Rs lacs)	6	6	9	12
Maximum Carpet Area (sq. mtr)	30	60	90	110
Maximum Carpet Area (sq. feet)	322.9	645.8	968.5	1184.03
Discount Rate of Calculation of Subsidy	9%	9%	9%	9%
<i>*As I understand, borrowers under EWS and LIG can construct bigger houses too, but the subsidy is capped at Rs 6 lacs</i>				

AFFORDABLE HOUSING – CHALLENGES

- Unlocking land in urban areas
- 57,392 acres required for 20 million houses assuming 500 sq ft and FSI of 4
- Colossal \$1.3 Trillion investment to housing over next 7 years
- Poor maintenance post handover create New Urban Slums
- Housing including affordable housing is a state subject
- Risk of rate of interest reversal

UNFINISHED AGENDA



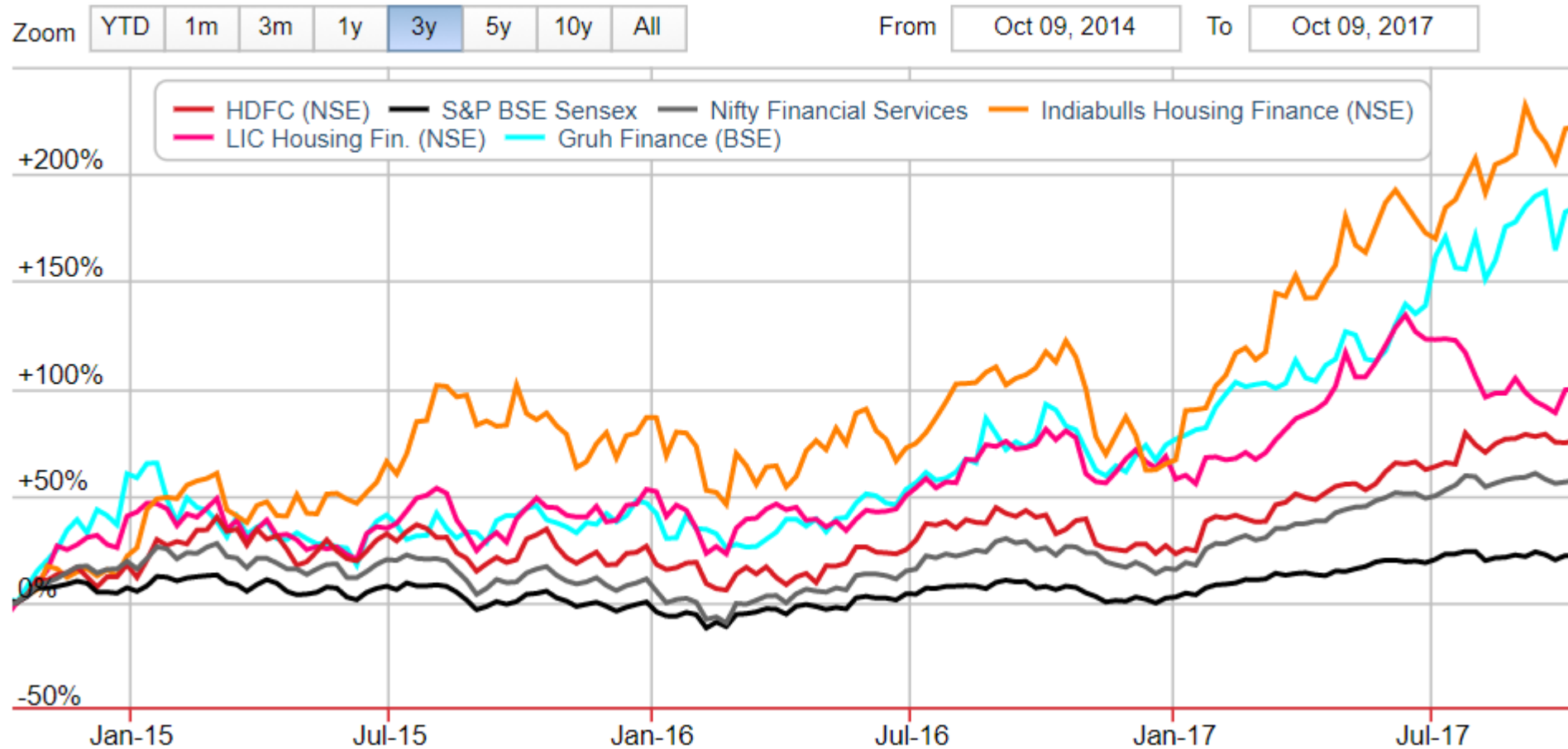
FOCUSSED STOCKS



MARKET CAPITALISATION

Company Name	Last Price	% Chg	52 wk High	52 wk Low	Market Cap (Rs. cr)
HDFC	1,749.65	0.55	1,802.25	1,241.00	278,701.71
Indiabulls Hsg	1,271.55	0.26	1,323.40	639.80	53,957.92
LIC Housing Fin	666.05	0.61	794.10	534.70	33,613.08
PNB Housing Fin	1,504.85	-0.73	1,715.30	789.25	25,068.77
GRUH Finance	528.80	0.87	551.00	300.30	19,307.77
Dewan Housing	544.90	-0.18	651.30	231.80	17,085.37
Can Fin Homes	2,662.05	0.60	3,333.00	1,559.90	7,089.38
Reliance Home F	91.25	-0.27	109.90	10.00	4,426.16
Repco Home	643.95	1.15	923.00	499.50	4,028.64
GIC Housing Fin	516.30	0.71	623.20	259.15	2,780.33
Coral India Fin	89.80	7.93	315.50	21.08	447.91
Crest Ventures	168.00	-0.53	214.75	61.00	437.72
SRG Housing Fin	204.70	0.20	249.25	72.45	266.11
India Home Loan	130.00	0.46	160.00	41.40	185.66
Akme Star	113.00	11.06	117.00	34.00	134.12
Sahara Housing	79.40	5.03	121.90	57.80	55.58
Satkar Finlease	2.49	-4.96	13.94	2.49	54.89
Ind Bank Housin	19.65	0.00	39.55	14.40	19.65

STOCK COMPARISON



HDFC LIMITED

- Founder Mr Hasmukh Parekh started his career with ICICI in 1956
- Became ICICI's chairman in 1972
- Founded HDFC Limited in 1977 at the age of 66
- Disbursed first loan in 1978
- Public issue in 1978 of Rs 10 Cr
- Set up GRUH in 1988
- Deepak Parekh became chairman in 1993
- Launched HDFC Bank in 1995
- Goldman Sachs placed HDFC among world's seven best companies in financial services in 2009
- Featured in top 10 wealth creator in India by MOSL in 2015

LIC HOUSING FINANCE

- Promoted by LIC of India
- Incorporated in 1989
- Went public in 1994
- 240 Marketing unit, 11452 intermediaries – One of the largest networks
- 40% held by LIC of India

LIC HOUSING FINANCE - SHAREHOLDING

Name	Category	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
LIFE INSURANCE CORPORATION OF INDIA	Promoter and Promoter Group	40.31	40.31	40.31	40.31	40.31
BANK MUSCAT INDIA FUND	Public shareholder	2.28	2.28	2.28	2.28	-
MAWER INTERNATIONAL EQUITY FUND	Public shareholder	1.81	1.81	1.92	1.8	1.77
ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	Public shareholder	1.74	2.12	-	-	-
GOVERNMENT OF SINGAPORE - E	Public shareholder	1.72	1.67	1.44	1.7	1.73
HSBC GLOBAL INVESTMENT FUNDS - INDIAN EQUITY	Public shareholder	1.04	1.21	1.34	-	-
FIL INVESTMENTS(MAURITIUS)LTD	Public shareholder	1.02	1.05	1.05	1.05	1.05
ABU DHABI INVESTMENT AUTHORITY - LGLINV	Public shareholder	1.01	-	1.22	-	1.05

INDIABULLS HOUSING FINANCE

- Promoted by Indiabulls
- Incorporated in 2005
- Only Housing Finance company among top 5 with interest in realty
- Highest long term credit rating from CARE
- Average ticket size of loan is Rs 24 Lacs and tenure is 15 years
- Targeting fund raising of Rs 45,000 Cr for this financial year

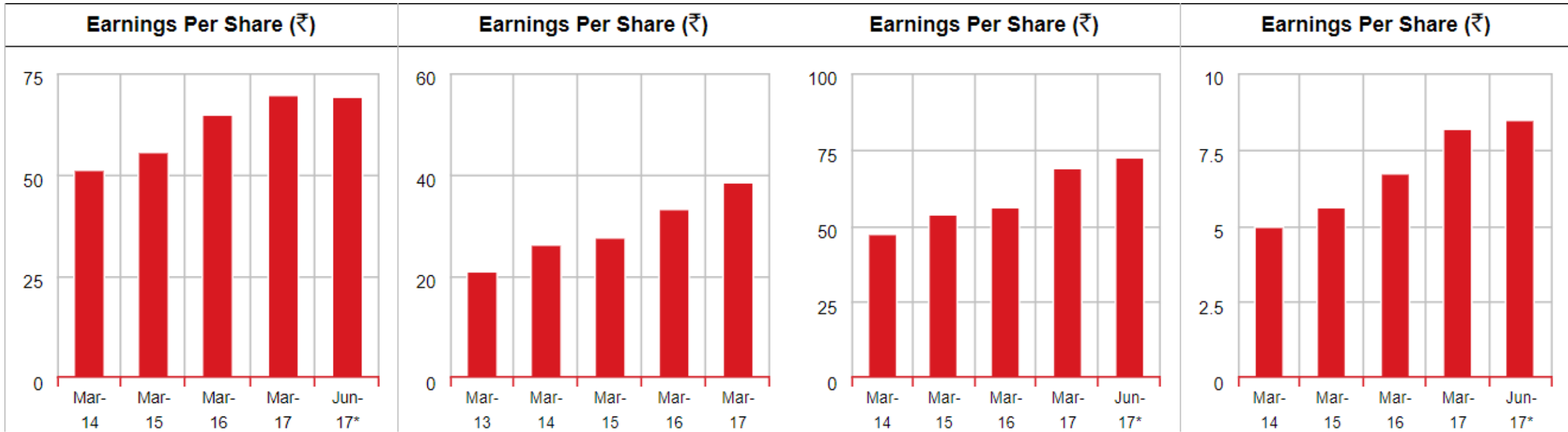
GRUH FINANCE

- Promoted by HDFC
- Started operations in 1988
- A subsidiary of HDFC since 2000
- Average ticket size is Rs 8.8 Lacs
- More than 50% of the loan advances in rural area
- Gross NPA at 0.64% and net NPA at 0.16%
- Disbursement CAGR of 22% for last 5 years

GRUH FINANCE - SHAREHOLDING

Name	Category	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
Housing Development Finance Corporation Limited	Promoter and Promoter Group	58.36	58.45	58.55	58.55	58.59
SBI Magnum Balanced Fund	Public shareholder	2.83	-	-	-	-
Smallcap World Fund, INC	Public shareholder	1.89	1.89	-	1.9	1.9
Matthews India Fund	Public shareholder	1.17	1.21	-	1.27	1.27

HDFC : LIC HF: INDIABULLS : GRUH



PEER COMPARISON

Peer Comparison

	Market Cap (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Net Margin (%)	RoE (%)	Price to Book	Price to Earnings
HDFC	279,086.84	61,809.66	8,510.08	13.68	15.57	4.49	25.40
Indiabulls Housing Finance	53,962.18	10,983.05	3,057.24	24.80	25.50	4.18	17.61
LIC Housing Fin.	33,613.08	14,260.45	1,993.27	13.89	19.07	2.91	16.86
Gruh Finance	19,322.09	1,562.68	308.71	19.76	30.45	16.30	62.59

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THANK YOU!