

BID

Issue Details	
Issue opens	22-May-18
Issue closes	04-June-18
Issue price (Rs)	1000/-
Face value (Rs)	1000/-
Issue size (Rs.)	Base Issue size is Rs3000cr (with an option to retain over subscription amount up to Rs 9000cr). Total Issue size Rs 12,000cr
Allotment	First Come First Serve basis
Minimum application	10 NCDs (Rs. 10,000) & in multiple of 1NCD
Listing	BSE/NSE
Issuance and trading	In physical and Demat form
Rating	'CRISIL AAA/Stable (Triple A; Outlook: Stable) and 'BWR AAA (Pronounced as BWR Triple A), Outlook: Stable'

Other Details	
Lead manager	Edelweiss Financial Services Ltd, AK Capital, Axis bank, Green Bridge Capital, ICICI bank, ICICI Securities, IIFL Holdings, Indusind Bank, SBI Capital, Tust Investment Advisors, Yes Securities & Catalyst Trusteeship Ltd
Registrar	Karvy Computershare Private Limited

Category	Allocation
QIB	I
Corporate	II
HNI	III
Retail	IV

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DEWAN HOUSING FINANCE CORPORATION LTD.

(Public Issue of Secured Redeemable Non-Convertible Debentures)

Company Background:

Dewan Housing Finance Corporation Ltd (DHFL) is a deposit taking housing finance company registered with the National Housing Board and focused on providing financing products for low & middle-income groups segment in India, primarily in Tier II and Tier III cities and towns. DHFL has been active in the housing finance sector in India since 1984.

DHFL has a robust marketing and distribution network with a presence across 347 locations including 187 branches, 135 micro branches, 20 zonal / regional / CPU offices, two disbursement hubs, one collection center, one corporate office, and one national office, as on March 31, 2018.

In addition to the network within India, it also has international representative offices located in London and Dubai. Further, to broaden their customer base and to penetrate further geographically, DHFL has entered into a tie-up with a public sector bank.

Moreover, the company has received a number of awards and recognitions in the past including the Most Trusted Housing Finance Brand in the National Awards for the Best Housing Finance Companies organised by CMO Asia and the World Federation of Marketing (Fiscal 2018).

Object of the Issue:

The company proposes to utilize the funds towards lending, financing, repayment of interest, and principal of its existing borrowings.

Rationale:

CRISIL AAA/Stable (Triple A; Outlook: Stable) and 'BWR AAA (Pronounced as BWR Triple A), Outlook: Stable.

- The housing finance industry in India is growing rapidly with increase in finance penetration. Rising demand for housing from Tier II and Tier III cities, and a subsequent surge in the construction activity under PMAY scheme would boost housing finance demand in the coming quarters.
- DHFL uses a variety of funding sources to optimize funding costs, protect interest margins, and maintain a diverse funding portfolio that would enable them to further achieve funding stability and liquidity. The company continues to aim at a gradual reduction in reliance on the borrowings from banks and financial institution and thus, focus on capital market instruments with lower funding costs subject to compliance with conditions prescribed by the NHB from time to time.
- In the past three years (FY16-18), the company's loan sanction has grown at a CAGR of 32.4% and disbursement has witnessed growth at a CAGR of 36.1%. The average size of loans by DHFL has increased from Rs. 12.4 lakh in FY16 to Rs. 15.2 lakh in FY18. Further, as on March 31, 2018, the company's loan book stands at Rs. 91932cr.
- In the past three years (FY16-18), the company's net interest income and profits have grown at a CAGR of 20% and 27% respectively. Moreover, as on March 31, 2018, the company's GNPA and NNPA stands at 0.96% and 0.56% respectively.
- In the current interest rate scenario, this NCD offers a good opportunity for fixed income investors to diversify their portfolio and add a company with a good credit rating. If investors are interested in investing in this NCD, they should do so on the first day itself since the NCD may be oversubscribed very soon, leading to early closure.

Conclusion:

DHFL has a good track record of registering robust profits on YoY basis in the past few years. The company's net profit has increased from Rs. 729cr in FY16 to Rs. 1171cr in FY18. This indicates strong capacity for repayment of interest. We recommend investors to **BID** the issue.

Issue Break up:

Category	Allocation	Issue Size (Rs Cr)	
		Base Issue	Total
QIB	25%	750	3000
Corporate	10%	300	1200
HNI	30%	900	3600
Retail Individual	35%	1050	4200
Total	100%	3000	12000

Effective yield (P.A.)

Series	I	II	III	IV	V	VI	VII
Interest Type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating
Frequency of interest payment	Annual	Annual	Annual	Annual	Monthly	Monthly	Annual
Tenor	3yrs	5yrs	7yrs	10yrs	3yrs	5yrs	3yrs
Coupon (% p.a) for NCD Holder Category I & II	8.90%	8.90%	8.90%	8.90%	8.56%	8.56%	Benchmark MIBOR + spread of 2.16%
Coupon (% p.a) for NCD Holder Category III	8.90%	9.00%	9.00%	9.00%	8.56%	8.65%	Benchmark MIBOR + spread of 2.16%
Coupon (% p.a) for NCD Holders Category IV	8.90%	9.00%	9.00%	9.10%	8.56%	8.65%	Benchmark MIBOR + spread of 2.16%
Effective Yield (p.a.) for NCD Holders in Category I & II	8.90%	8.90%	8.90%	8.90%	8.90%	8.90%	Benchmark MIBOR + spread of 2.16%
Effective Yield (p.a.) for NCD Holders in Category III	8.90%	9.00%	9.00%	9.00%	8.90%	9.00%	Benchmark MIBOR + spread of 2.16%
Effective Yield (p.a.) for NCD Holders in Category IV	8.90%	9.00%	9.00%	9.10%	8.90%	9.00%	Benchmark MIBOR + spread of 2.16%

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