BFSI

February 2018

Real Estate Lending - NBFCs most exposed

Research Analysts:

Pankaj Agarwal, CFA
pankaj.agarwal@ambit.co
Tel: +91 22 3043 3206

Rahil Shah
rahil.shah@ambit.co
Tel: +91 22 3043 3217

Ravi Singh
ravi.singh@ambit.co
Tel: +91 22 3043 3181

CONTENTS

BFSI

NEGATIVE

THEMATIC | **February 15, 2018**

Real Estate - NBFCs most exposed

The residential real estate sector is going through a pricing and volume downturn (especially in big cities) due to the impact of RERA, the government's crackdown on black money and GST. Whilst banks have been reducing exposure, non-bank lenders have significantly increased their exposure to the sector backed by a benign liquidity and interest rate environment. Seasoning and tenure of loans, city-wise and developer-wise exposure, and yield on loans show that NBFCs/HFCs have significantly riskier real estate loan books than banks. Some of these NBFCS/HFCs (Piramal, JM Finance etc.) are also running huge ALM mismatches (~2 years), and rising bond yields could impact their margins as well as asset quality. We maintain our high conviction SELL on LIC Housing and HDFC Ltd.

Residential real estate: A sector marred by slow growth

Data on real estate launches, sales and price movements shows that the sector is undergoing significant stress. Sales have declined at a compounded rate of ~8% p.a. over CY14-17 with new launches declining by ~30% p.a. Inventory levels are high and would take ~15 quarters to clear at the current sales run-rate. The reasons for the slowdown are the new real estate act (RERA), the Government's crackdown on black money, dearer under-construction properties due to GST, change in personal taxation rules, and strong equity markets taking the sheen away from real estate.

NBFCs/HFCS are increasing their exposure to developer financing

Total exposure of Indian lenders to developer financing is ~₹4trn, with banks at ₹1.8trn and HFCs/NBFCs the rest. Banks have been slowing exposure to developer financing. Market share of NBFCS/HFCs in real estate developer financing rose to ~60% from just ~30% four years ago. Amongst non-bank lenders, some specialised NBFCs (Piramal, JM, Aditya Birla Capital, HDFC Ltd, Indiabulls etc.) have >20% of their loan books exposed to developer loans.

Which lenders have riskier real estate developer loan books?

Data from analytics firm, Propstack, shows that NBFCS/HFCs have more risky real estate developer books than banks given higher yield on loans (~16%), less seasoned loan books (~63% loans originated in last 21 months), higher exposure to cities with weak real estate sales (20% of loan book), exposure to lower rated developers (52% of loan book), and concentrated loan portfolio (top ten borrowers account for 43% of loans). Lenders like Piramal Capital, L&T Finance, PNB Housing, Indiabulls Housing, Yes Bank and JM Financial seem to have the most risky loan portfolios whilst City Union Bank, Kotak Mahindra Bank, SBI, PNB and RBL Bank seem to have the least risky portfolios.

Investment implications – Maintain SELL on HDFC and LICHF

NBFCs/HFCs in quartile 4 (see Exhibit A) as per our analysis not only have riskier developer financing portfolios but also run huge ALM mismatches (average ~2 years); hence, a tightening in the bond market could not only lead to NIM compression but also increase NPAs for these lenders. **HDFC Ltd (HDFC IN, SELL)** and **LIC Housing (LICHF IN, SELL)** have less risky portfolios but rising NPAs in developer financing could pose additional headwinds for them along with NIM compression due to rising bond yields. Given no additional risk from developer loans, we maintain our high conviction BUY on **ICICI Bank (ICICIBC IN, BUY)** and **Bank of Baroda (BOB IN, BUY)**. A liquidity crunch for NBFCs/HFCs coupled with continued weakness in the real estate sector would be a key catalyst for a rise in NPAs in developer financing. A significant pick-up in real estate sales is a key risk to our thesis.

Exhibit A: Banks ranked better than HFCs or diversified NBFCs

Lenders	Quartile
City Union Bank	Q1
Kotak Mahindra Bank	Q1
State Bank Of India	Q1
Punjab National Bank	Q1
RBL Bank	Q1
The Federal Bank	Q2
Axis Bank	Q2
Edelweiss	Q2
The Karur Vysya Bank	Q2
ICICI Bank	Q2
Bank Of Baroda	Q2
HDFC Bank	Q3
India Infoline Finance	Q3
LIC Housing Finance	Q3
IndusInd Bank	Q3
HDFC Ltd.	Q3
Aditya Birla Finance	Q3
JM Financial	Q4
Yes Bank	Q4
Indiabulls Housing Finance	Q4
PNB Housing Finance	Q4
L&T Finance	Q4
Piramal Capital	Q4

Source: Propstack, Ambit Capital research; Note: Q1 indicates top quartile which means that the lender is relatively better placed to absorb shocks arising from slowdown in real estate; Q4 indicates bottom quartile

Research Analysts

Pankaj Agarwal, CFA
Tel: +91 22 3043 3206
pankaj.agarwal@ambit.co

Rahil Shah
Tel: +91 22 3043 3217
rahil.shah@ambit.co

Ravi Singh
Tel: +91 22 3043 3181
ravi.singh@ambit.co

The residential real estate slowdown

Data on residential real estate sales, new launches and price movement shows that the residential real estate sector is going through significant stress. Residential real estate sales in top cities of India have declined at an annual compounded rate of ~8% over CY14-17 with new launches declining by ~30% over similar period. Inventory levels are high and would take ~15 quarters to clear the inventory at the current sales run rate. The reasons for the slowdown are new real estate act (RERA), the Government's crackdown on black money, dearer under-construction properties due to GST, change in personal taxation rules, and strong equity markets taking the sheen away from real estate.

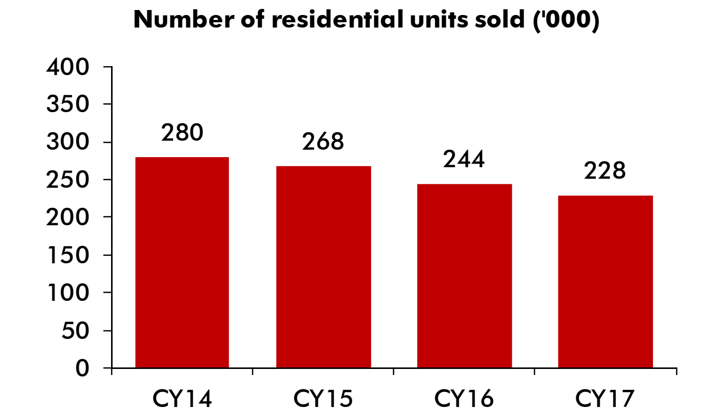
There has been a visible slowdown in residential real estate sales in India over the last couple of years as visible in: **(i)** high levels of unsold inventory coupled with falling sales and falling new launches; **(ii)** stalled realty projects being at an all-time high; and **(iii)** moderation in sales growth or decline in real estate prices across cities.

Residential real estate launches and sales both have declined at a CAGR of 20% and 8% respectively over CY14-17.

Slowdown in sales and new launches

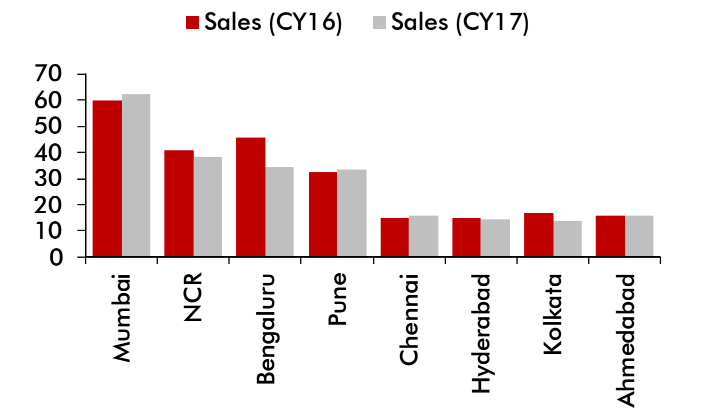
As per data from Knight Frank, residential sales have continued to dip over the last four years and have declined to the tune of ~8% over CY14-CY17 in the top eight cities of India. The slowdown is being witnessed across cities, with Bengaluru and Kolkata registering the maximum slowdown.

Exhibit 1: Residential real estate sales have been steadily falling over the years



Source: Knight Frank, Ambit Capital research

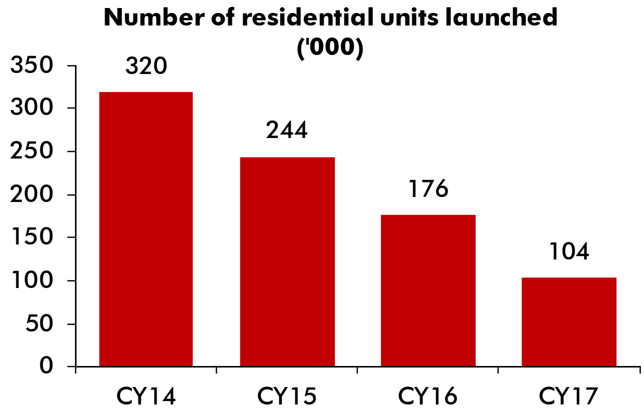
Exhibit 2: Bengaluru and Kolkata have been the worst hit regions in CY17 (units in '000)



Source: Knight Frank, Ambit Capital research

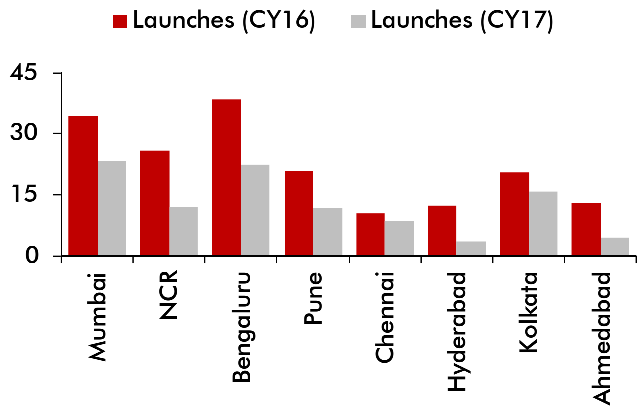
The slowdown in the sector is also visible in the significant slowdown in new launches. Residential launches in the top eight cities of the country have declined to the tune of 30% over CY14-CY17. New launches dried up in all the top eight cities with maximum slowdown in new launches in Hyderabad, Ahmedabad and NCR.

Exhibit 3: New launches have declined meaningfully over the years



Source: Knight Frank, Ambit Capital research

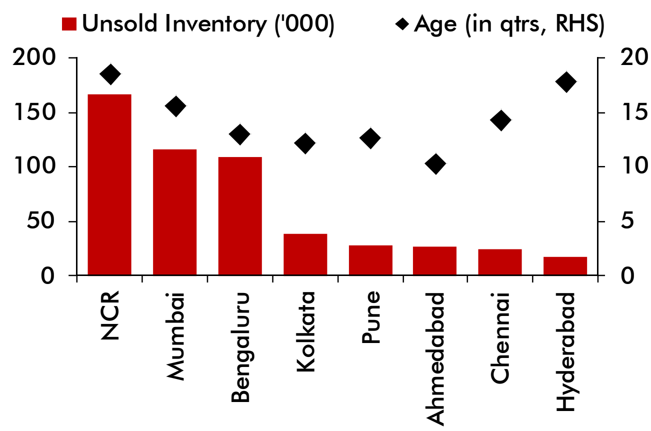
Exhibit 4: New launches have declined across all cities (units in '000)



Source: Knight Frank, Ambit Capital research

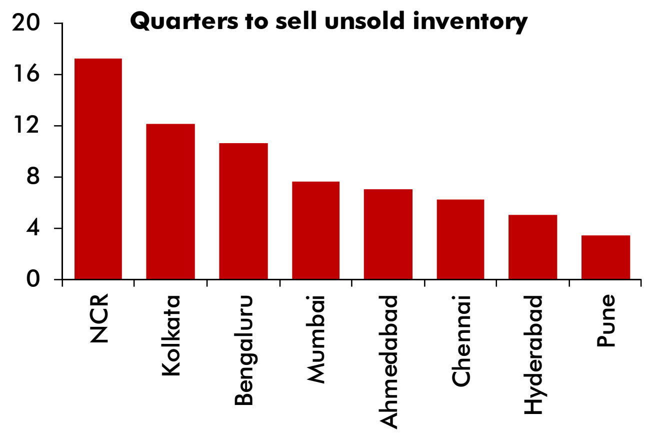
Whilst the slowdown in new launches has reduced inventory levels, weak sales mean that inventory levels are still very high in most tier 1 cities with NCR and Mumbai leading the pack. Unsold inventory in NCR stands at approximately 1,67,000 units, which will take ~52 months to get absorbed. Mumbai's unsold inventory is at approximately 1,16,000 units and will take approx 23 months to get absorbed as per residential real estate broker Knight Frank (see exhibits below).

Exhibit 5: NCR and Mumbai lead the pack in terms of total unsold inventory



Source: Knight Frank, Ambit Capital research

Exhibit 6: NCR will take the longest to clear the stock of unsold inventories

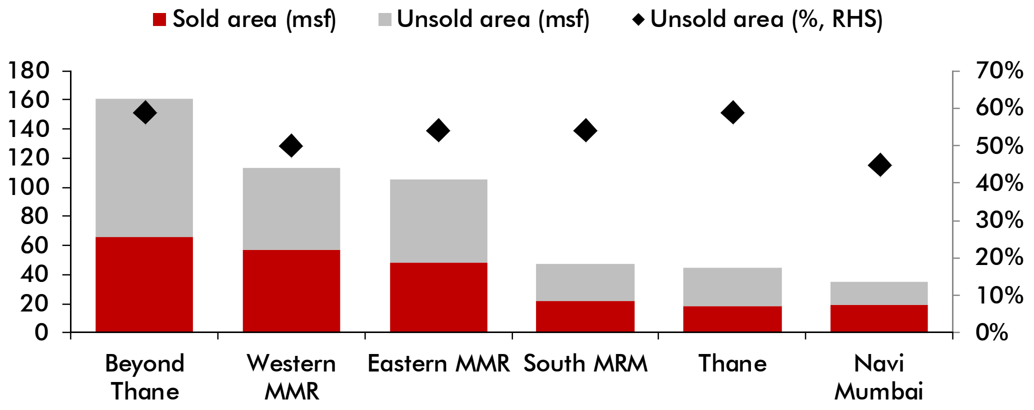


Source: Knight Frank, Ambit Capital research

Data from Maharashtra state real estate regulator (MAHARERA) also shows that over 50% of residential real estate units are unsold in the MMR (Mumbai Metropolitan Region). MMR is one of the largest real estate markets in India. Overall 3,51,000 residential units lie unsold in MMR as per MAHARERA data. In certain parts of Mumbai, the unsold inventory is as high as 60% with most of the unsold inventory (in % terms) lying in the suburbs of Thane and beyond.

In certain parts of Mumbai, the unsold inventory is as high as 60% with most of the unsold inventory (in % terms) lying in the suburb of Thane and beyond.

Exhibit 7: Suburbs beyond Thane and Western MMR contribute more than 50% of total unsold area

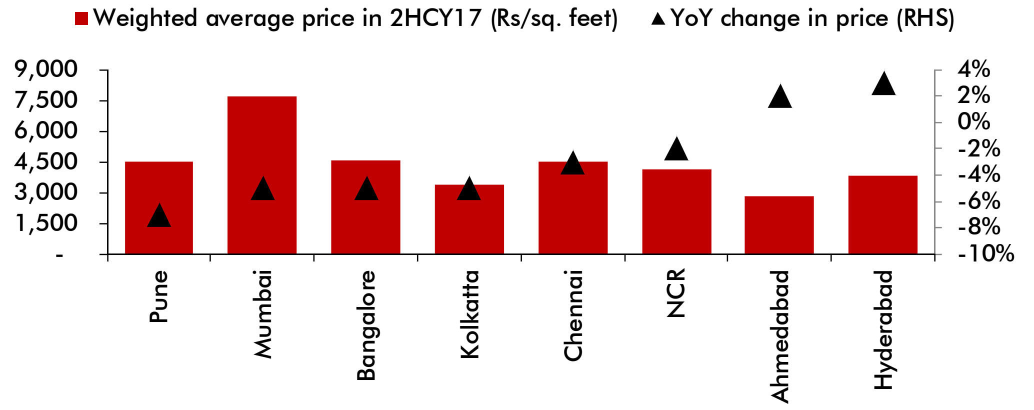


Source: Cushman & Wakefield and Propstack, Ambit Capital research; Note: 1 mfs = thousand square feet

Moderation in residential real estate prices

The combination of unsold inventory and the general state of the residential market have led to moderation in residential property prices as well. Price movements across top cities from 2HCY16 versus 2HCY17 reveal that the residential markets of Ahmedabad and Hyderabad have recorded a slight uptick in prices while the Pune, Mumbai and Bangalore have seen a downtrend in prices (see exhibit below).

Exhibit 8: Residential price movements in top cities in India



Source: Knight Frank, Ambit Capital research

The combination of weak sales and weak real estate prices poses a challenge for real estate developers. Hence, their repayment capacity on debt obligation should come under pressure and pose challenges for banks/NBFCs that have lent to this sector.

Reasons for slowdown and likely delayed recovery

The reasons for the slowdown in the real estate sector is the new real estate act (RERA) imposed in various states, the Government's drive to eradicate black money, under-construction properties made dearer due to GST, change in personal taxation rules, and strong equity markets taking the sheen away from real estate as an investment class. With low rental yields (2-3%) compared to mortgage rates (8-9%) and weak job growth in India, residential real estate sales are unlikely to pick up meaningfully in the near future.

Impact of RERA and GST along with government's drive to eradicate black money, change in personal income tax rules and strong equity markets has taken away the sheen from real estate as an investment class.

1. Impact of RERA coming into force from July 1, 2017

From July 1, 2017, Real Estate (Regulation and Development) Act (RERA) has come into force in various states including Maharashtra, which a major real estate market in India. RERA has fundamentally changed the nature of real estate developments by: (a) making it almost impossible for the developer to fund a project with payments collected for other projects; and (b) giving the buyer enormous power to take the developer to court in the event of a delay in construction or delivery and extracting from the developer all monies paid plus pending in the short term.

Exhibit 9: Key provisions of the Real Estate (Regulation and Development) Act, 2016

Developer can't make any changes to the plan without the written consent of the buyer.
Developer can't accept any monies from the customer until the project and the construction plan are registered with the real estate regulator
The property will have to be sold to the buyers on the basis of carpet area (rather than built-up area)
Registration is mandatory for all commercial and residential real estate projects where the land is over 500 square metres or includes eight apartments and which are under-construction
If the project gets delayed, the developer will have to pay penal interest on the amount paid by the buyer. The buyers can ask for their monies back with penal interest in the event of a delay
It is compulsory for a state to establish a State Real Estate Regulatory Authority
Failing to register a property will attract penalty up to 10% of the project cost and a repeated violation could send the developer to jail
Every phase of the project will be considered a standalone real estate project and will need to obtain separate registration
The developer will have to place 70% of the money collected from a buyer in a separate escrow account to meet the construction cost of the project
If the buyer finds any shortcomings in the project, he can contact the developer in writing within one year of taking possession

Source: JLL, Ambit Capital Research

2. Impact of the black money crackdown

With various measures in place aiming at cracking down on black money (including demonetisation, Black Money Bill, Benami Transactions Bill, and GST), the flow of funds into physical assets including real estate has dried up (see exhibits below).

Exhibit 10: The Government has administered a series of changes to crack down on India's black economy

Particulars	Comments
Ban on cash transactions above ₹300,000	The Income Tax Act for FY18 has introduced section 269ST, which makes cash transactions above ₹300,000 illegal. Offenders will have to pay a 100% fine if caught.
Payments of wages through bank accounts	The Parliament on February 08, 2017 passed a bill seeking to enable the Centre and State Governments to specify industrial units which will have to pay wages through cheques or by bank transfer only. Once this happens, the units will also have to comply with the minimum wages rule and other benefits such as Provident Fund.
Income tax notices	The Government has budgeted a 27% YoY increase in income tax while it expects nominal GDP to grow at 11%. Such a sharp jump hinges on the crackdown by the income tax department on black money and unexplained deposits after the demonetisation. The income tax department has already sent 1.8 million such tax notices.
Empowerment of tax officials	The Government has amended the income tax act to empower even the junior-most tax official to conduct raids.
Crackdown on benami properties	The Government has begun a massive crackdown on benami properties (properties which are in the name of fictitious persons) all over the country in order to unearth unaccounted money stashed in the form of such properties.
PAN-Aadhaar linkage	The Government has now made it compulsory to link Permanent Account Number (PAN) to the Aadhaar in order increase scrutiny on tax evaders.

Source: Ambit Capital research

3. Impact of GST

GST is applicable to real estate in a peculiar way. As per the GST rate structure, if one buys a finished property, the buyer will not have to pay GST. This is because it will not involve any service part to the buyer. However, if one does buy a property at the pre-occupation certificate stage, the buyer will attract an effective GST rate of 12%.

Under construction real estate attracts 12% GST which has impacted demand for under-construction houses.

Exhibit 11: Introduction of GST has increased the price of under-contraction property while reducing the price of ready-to-move-in property

	Pre-GST era		Post-GST era	
	Under Construction	Ready-to-move-in	Under Construction	Ready-to-move-in
Value of property purchased	100.0	100.0	100.0	100.0
Add:				
VAT rate at 4.5%	4.5	4.5		
Service tax at 1%	1.0	1.0		
Effective GST rate at 12%			12.0	0.0
Final Value of property	**105.5**	**105.5**	**112.0**	**100.0**

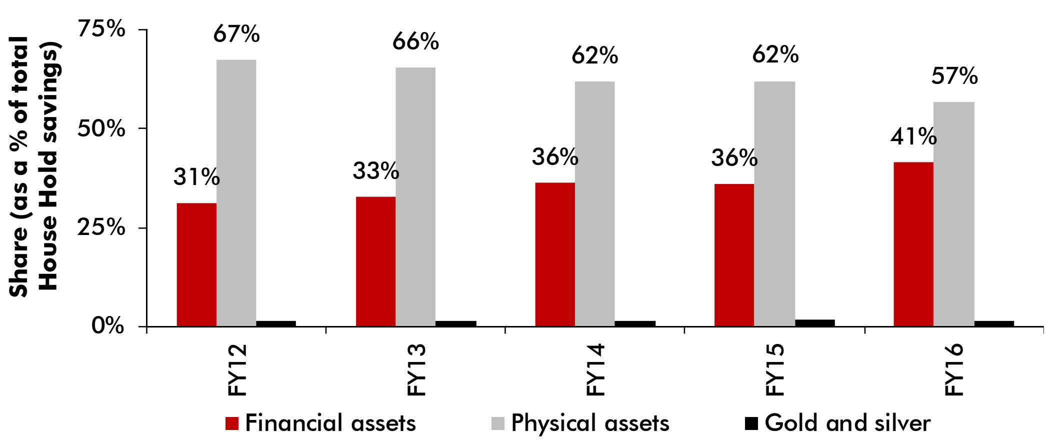
Source: Ambit Capital research

As a result, no rational buyer would want to buy a flat until it is completely finished and has an occupation certificate. Hence, this has resulted in a fall in demand and increase in unsold inventory.

4. Real estate losing sheen as an investment class

Various data points show that real estate has lost sheen as an investment class with the share of real estate in household savings coming down from 67% in FY12 to 57% in FY16.

Exhibit 12: Savings in India are moving away from physical assets



Source: CSO, CEIC, RBI, Ambit Capital research.

Apart from buoyancy in the equity markets, changes in taxation rules have also made real estate investment unattractive. Prior to 2017, all the interest paid on a home loan was tax deductible if the property was given on rent (let-out property) or was a second home (deemed let-out property). These tax benefits worked out to be as high as ~3% annually and hence a 2-3% rent yield was not a deterrent for home buyers as including tax benefits, the annual returns were as high as ~6%. However, from FY18, deduction of interest income has been capped at ₹2,00,000. Hence, the effective returns have fallen to ~4% on real estate investments for a salaried investor.

Exhibit 13: The change in tax laws has reduced effective yield by 2%

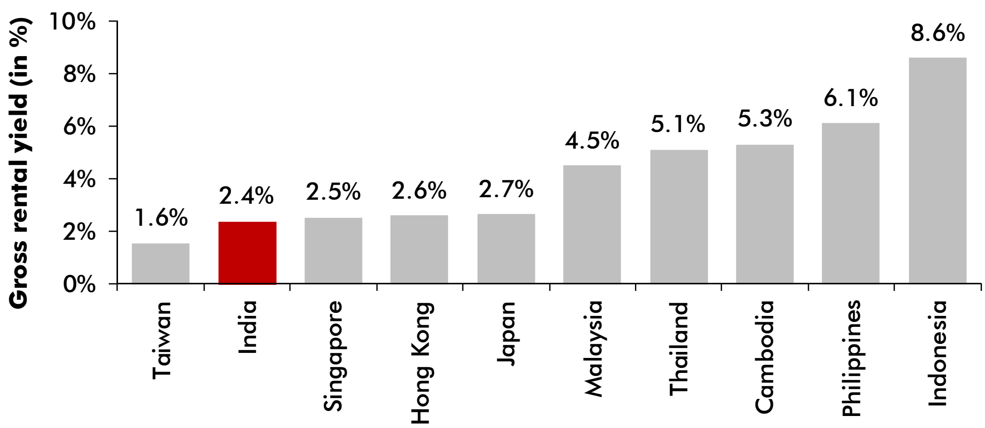
₹	Pre 2017 Budget	Post 2017 Budget
Loan Amount (A)	7,500,000	7,500,000
Interest rate	8.5%	8.5%
Interest paid (assuming on simple interest)	**637,500**	**637,500**
Individual salaried income	1,200,000	1,200,000
Income from house rent (B)	225,000	225,000
Total Gross Income	**1,425,000**	**1,425,000**
Tax savings on interest paid (C)		
@30%	191,250	
@30% for interest up to ₹200,000		60,000
Effective yields (B+C/A)	**5.6%**	**3.8%**

Source: Ambit Capital research

Rental yields in the Indian residential real estate market is abnormally low, especially compared to other emerging market cities (see exhibit below). This implies that residential real estate is fundamentally overvalued and unaffordable. Rental yields are 2-3% when mortgage rates are in the range of 8-9%. Hence, unless these two rates converge, we don't think there could be a significant pick-up in real estate demand.

Rental yields are 2-3% when mortgage rates are in the range of 8-9%. Hence, unless these two rates converge, we don't think there could be a significant pick-up in real estate demand.

Exhibit 14: India has one of the lowest gross rental yields relative to other Asian markets

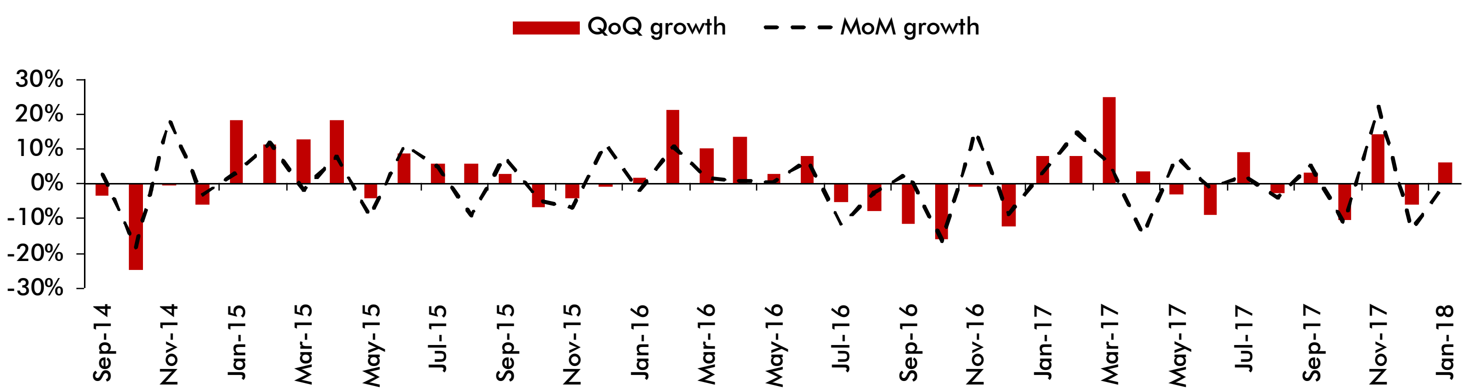


Source: Global Property Guide, Ambit Capital research. Note: The gross annual rental income, expressed as a percentage of property purchase price. This is what a landlord can expect as return on his investment before taxes, maintenance fees and other costs. The properties are 120-sq. m. apartments located in premier city centres.

5. Job squeeze also hampering demand for real estate

A slowdown in India's job engine is negative for real estate demand. The Naukri jobs index which reflects the state of employment in 9 key sector, namely insurance, automobile, pharma, IT, banking, BPO, telecom, construction and oil & gas, has been decisively trending downwards (see exhibit below).

Exhibit 15: Organised sector hiring activity has weakened over the past 15 months

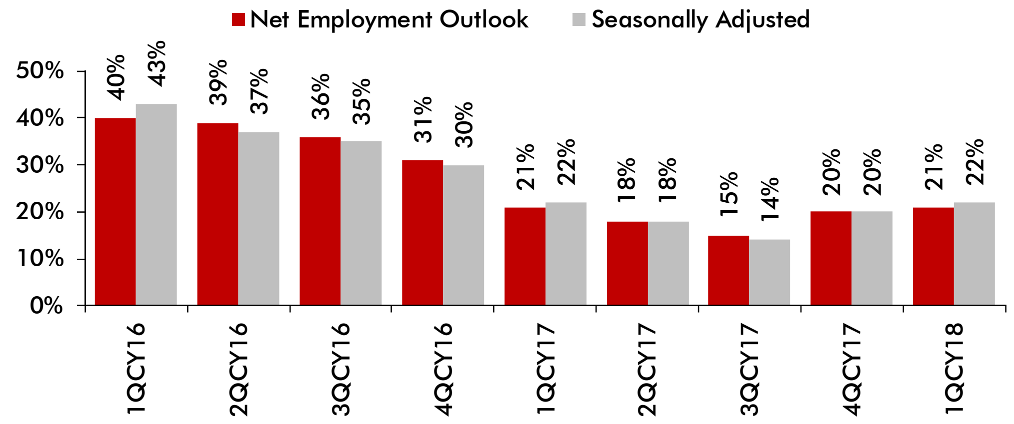


Source: Infoedge (Naukri), Ambit Capital Research

According to Manpower's quarterly survey (click here), whilst there is some pickup in hiring trends in 2HCY17, hiring trends are still significantly weaker compared to historical levels.

Hiring trends are still significantly weaker compared to historical the levels.

Exhibit 16: Recent hiring plans have been the weakest in the past 12 years



Source: Manpower Group, Ambit Capital research.

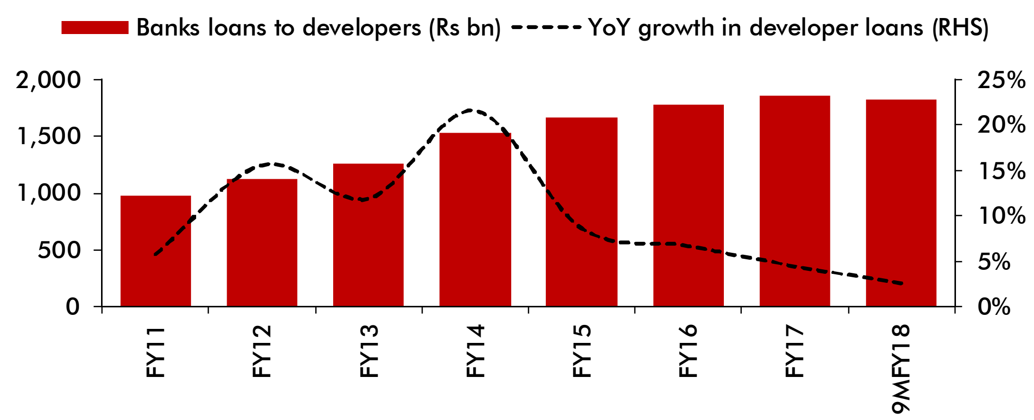
Non-bank lenders are increasing their developer financing exposure

Total exposure of Indian lenders to developer financing is ~₹4trn with banks at ₹1.8trn and HFCs/NBFCs the remaining. Banks have been slowing exposure to developer financing and the gap has been filled by HFCs/NBFCS, whose market share has increased to ~60% from ~30% four years ago. Private Banks have higher exposure (>5% of loan book) to developer financing vs PSU banks (<3%); some banks (YES, IIB) have over 10% exposure. Amongst non-bank lenders, some specialised NBFCs (Piramal, JM, etc.) have >20% of their loan book exposed to developer financing. Whilst HFCs on average have lower exposure vs specialised NBFCs, they are indirectly exposed to slowdown in residential real estate due to their home loan portfolios. Slowdown in real estate has created problems for lenders across geographies and the outcome should not be any different in India.

The total loans of the Indian banking sector to developer financing stood at ₹1.83trn at end-Dec'17. However, there has been a meaningful slowdown in banks' lending to this sector over the last three years with credit growth in the segment slowing to ~2.6% at end-Dec'17 vs 22% in FY14.

Banks are decreasing their exposure to developer financing with credit growth in the segment slowing down to ~3% in DeC'17 vs ~10% total growth in their loan books

Exhibit 17: Growth of bank loans to developers has considerably slowed down

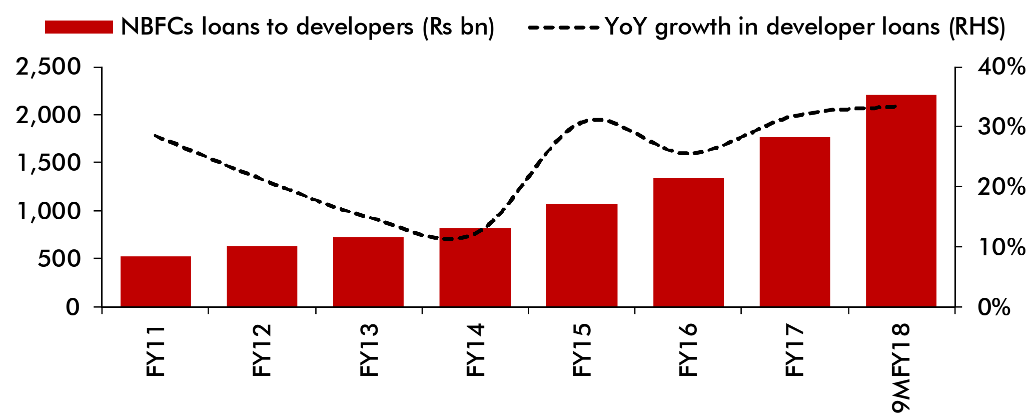


Source: RBI, Ambit Capital research

Whilst there is no official data on aggregate exposure of HFCs/NBFCs to the sector, the data from some individual listed NBFCs/HFCs shows that listed non-bank lenders (HFCs/NBFCs) seem to have filled the gap created by banks. The total loans of these NBFCs/HFCs to developers have registered a CAGR of ~27% over FY14-9MFY18 to ₹2.2trn at Dec'17.

NBFCs/HFCs are filling the gap created by banks and have ~60% market share in the segment on both stock as well as flow basis.

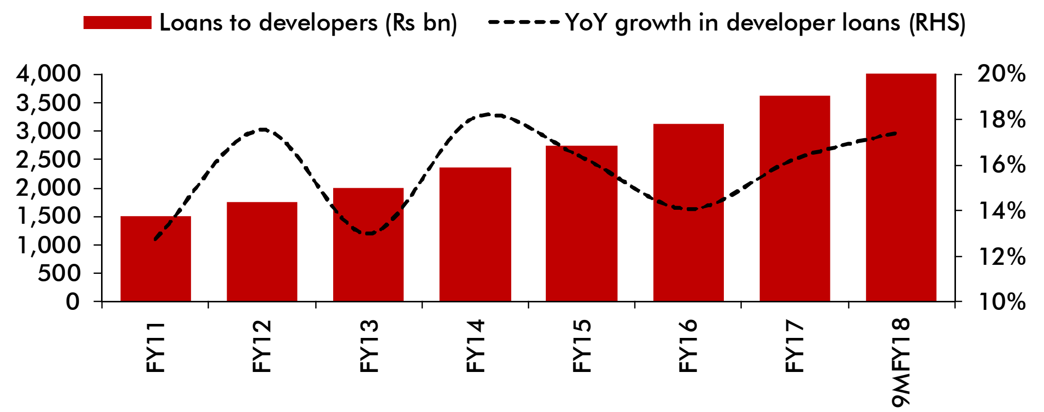
Exhibit 18: NBFCs* are filling the gap created by banks



*Source: Company, Ambit Capital research. *Note: aggregate exposure of ten HFCs/NBFCs: HDFC Ltd, LIC Housing, Indiabulls Housing, Dewan Housing, Piramal Enterprises, PNB Housing, Edelweiss, L&T Finance, JM Finance and IIFL*

Adding data from banks and NBFCs shows that bank/NBFC exposure to the sector is ~₹4.0trn at end-Dec'17 and has posted 16% CAGR over FY14-9MFY18.

Exhibit 19: Growth of real estate developer loans at overall system level has increased driven by aggressive lending from NBFCs

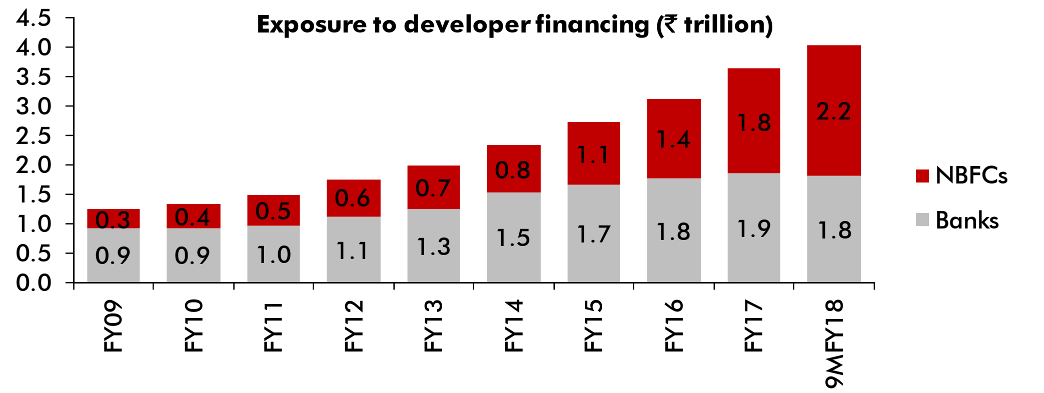


*Source: RBI, Company, Ambit Capital research; *Note: For NBFCs/HFCs we have taken aggregate exposure of ten HFCs/NBFCs: HDFC Ltd, LIC Housing, Indiabulls Housing, Dewan Housing, Piramal Enterprises, PNB Housing, Edelweiss, L&T Finance, JM Finance and IIFL*

The data clearly shows that the banks have reduced their exposure to developer financing sector whilst NBFCs/HFCs have increased their exposure to the sector and hence market share of NBFCS/HFCs have significantly gone up in this segment.

The total exposure of Indian banks and non-bank lenders to developer financing stands at ~₹4trn at Dec'17

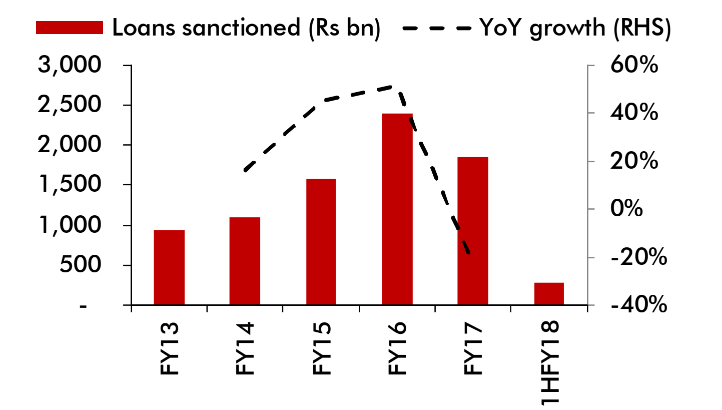
Exhibit 20: NBFCs exposure to developer financing is now higher than banks



Source: RBI, Company, Ambit Capital research

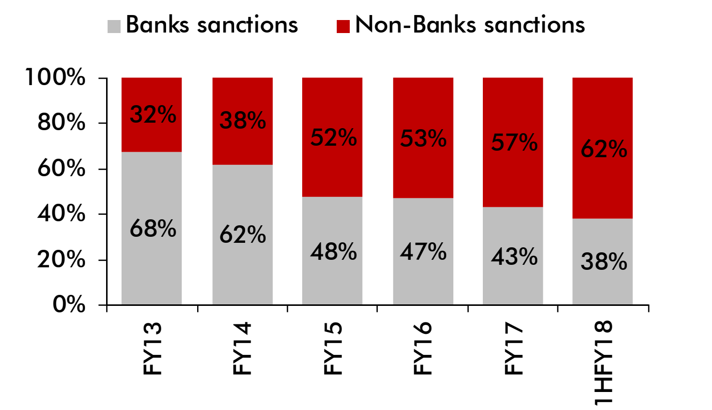
Data compiled by real estate data and analytics firm Propstack (analysing over 6,000 loan contracts originated over FY12-1HFY18) shows similar trends. It shows loans sanctions by lenders to real estate developers have posted an 18% CAGR over FY14-17. Moreover, share of non-bank lenders has been increasing over the years.

Exhibit 21: Total loans sanctioned registered an 18% CAGR over FY14-17



Source: Propstack, Ambit Capital research

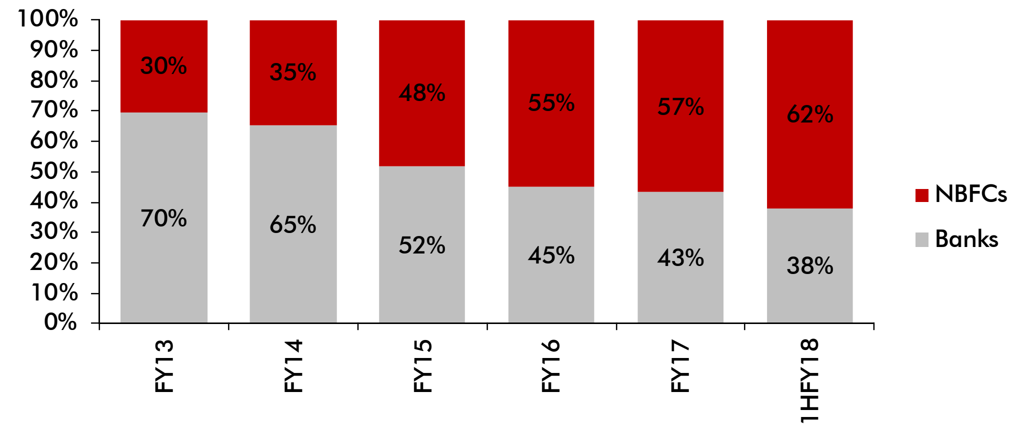
Exhibit 22: Sanctions from non-banks have been increasing over the years



Source: Propstack, Ambit Capital research

As per Propstack data, overall total outstanding sanctions of lenders to the sector are at ₹5.9trn[1] at Sep'17 and have registered ~80% CAGR over FY13-1HFY18. Even in terms of outstanding loan sanctions, share of NBFCS has increased to 62% at Sep'17 vs 30% at end-FY13.

Exhibit 23: Share of NBFCs in active loans sanctions has increased over the years

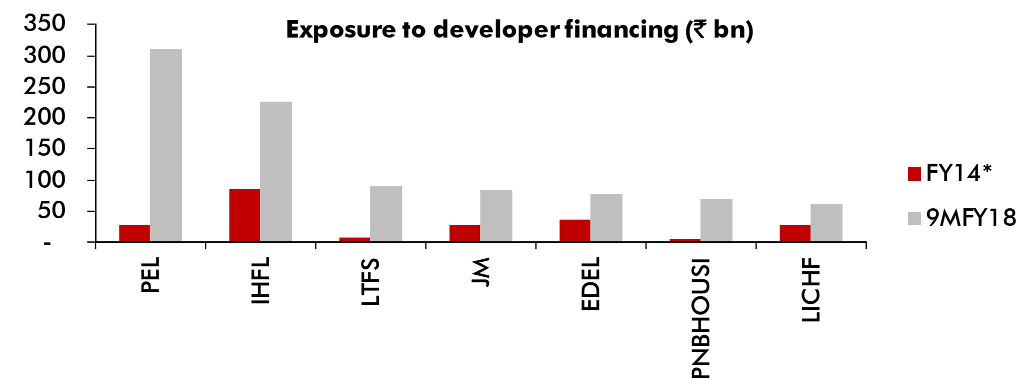


Source: Propstack, Ambit Capital research

Based on our channel checks, the reasons for banks losing market share to non-banks are: **(i)** general risk aversion by banks in sensitive sectors like real estate due to the weakness and because a large part of the banking system is struggling with high NPAs; **(ii)** inability of banks to restructure/structure real estate developer loans as per the requirement of the developers given weak/unpredictable cashflows of developers.

The rapid growth of NBFCs/HFCs in this segment is also visible in growth in developer financing portfolios of some prominent NBFCs/HFCs.

Exhibit 24: NBFCs such as Piramal, Indiabulls and L&T Finance have grown their developer loan book at a very fast pace



Source: Company filings, Ambit Capital research; Note: for Edelweiss and JM Financial we have taken data as at end-FY15 since data for FY14 was not available

[1] Active sanctions is ₹5.9trn and outstanding loans is ~₹4trn. The difference is on account of actual amount disbursed and repayments

Exhibit 25: Porter's analysis for Specialized Real Estate lenders

Bargaining power of suppliers

MODERATE

- Equity and debt capital is the key raw material for real estate developer lenders.
- Specialized real estate developer lenders are mostly wholesale borrowers and hence depend on mutual funds and insurance companies for their debt and equity requirement.
- With strong equity markets and benign liquidity environment, the bargaining power of suppliers had come down over the last three years. However, we expect it to go up given our expectations of tight liquidity and weak capital markets going forward. .

Bargaining power of buyers

WEAK

- Given weak residential real estate market, lack of transparency in real estate sector and regulators having various restrictions on banks while lending to developers, most banks have been reluctant to lend to developers. This gives huge bargaining power to specialized real estate developer lenders which is visible in~15% yield on developer loans which is ~7% higher than rates for home loans.
- We do not see any change in the barraging power of lenders given weak state of real estate sector.

Competitive intensity

MODERATE

- Given reluctance of banks to lend in the segment, the industry rivalry is moderate in the segment and confined to 8-10 HFCs/NBFCs.
- We expect industry rivalry to go up with increase in transparency.

Barriers to entry

HIGH

- Entry barriers are low in the business which is visible in multiple HFCs/NBFCs (Piramal, JM Financial, etc.) entering the segment in last 3-4 years
- Given high loan yields, even lenders with high cost of funds can enter the segment
- RERA would increase the transparency in real estate sector which would further lower down entry barriers for new lenders

Threat of substitution

HIGH

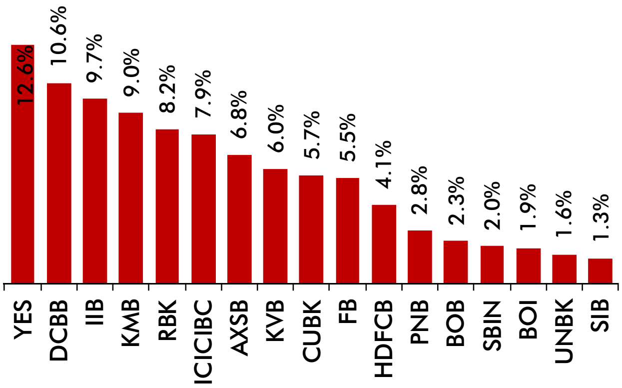
- Given that most borrowers are big corporates, there is always a substitution risk for specialized lenders from banks and bond market if the health of the sector and/or risk perception of the sector improves going forward.
- Real Estate Investment Trusts (REITS) poses a great substitution risk in lease rental discounting segment.

Improving | Unchanged | Deteriorating

Source: Ambit Capital research

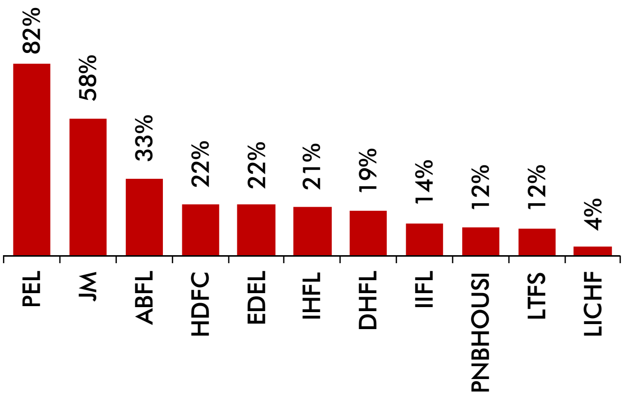
Whilst developer loans as a percentage of total loan book banking system is only **2.5%**, for some banks the exposure to developer financing was as high as 13% at Mar'17/Dec'17. Overall, private sector banks have higher exposure to the sector (>5% of loan book) vs PSU Banks (<3%). For some NBFCs this is a major lending segment. Amongst non-bank lenders, Piramal Enterprises, JM Financial, Aditya Birla Capital, Edelweiss Capital and Indiabulls Housing Finance have higher exposure (>20%) to developer loans.

Exhibit 26: Some private sector banks have significant exposure to developer financing (at Mar'17)



*Source: Company, Ambit Capital research**

Exhibit 27: Some NBFCs have more than 30% of their loan books exposed to developers (at Dec'17)



Source: Company, Ambit Capital research; Note: ABFL data is at end-FY17

Housing Finance companies (HFCs) have on average lower (4-20%) exposure to developer financing than some NBFCs (15-80%), but they are also exposed to home loans and loan against property (LAP). Hence, despite relatively low exposure to real estate developer loans, HFCs are still highly exposed to the slowdown in real estate as it could lead to NPA rising in home loans and LAP as well:

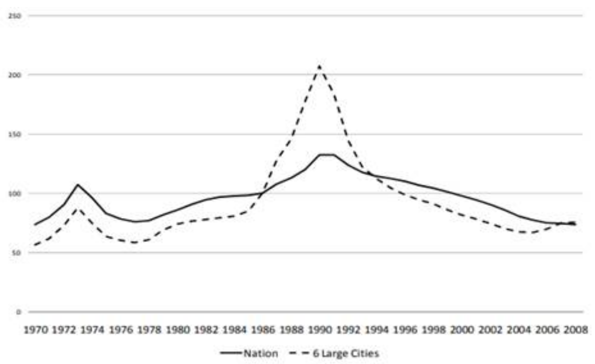
- A significant (15-65% for various HFCs) part of home loans are for under-construction properties. Hence, developer's inability to complete the project could lead to NPAs rising in the segment. E.g. the inability of Jaypee Group to complete housing projects led to home buyers delaying payments to lenders on their home loans (https://goo.gl/4DjjXP)
- As highlighted in our note *(Past perfect, future tense)*, many home loans are quasi-developer loans with little skin in the game for borrowers. Any significant correction in real estate prices could lead to large scale NPAs in this seemingly safe segment.

Case study: The Japan real estate crisis in mid-1990s

Global financial history is full of examples where real estate slowdown has created trouble for lenders. The real estate crisis in Japan is classic example on after effects.

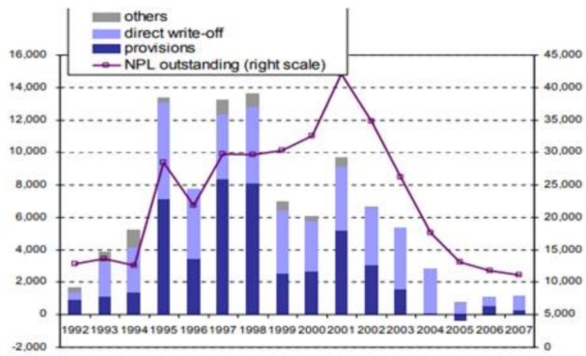
Japan saw a real estate boom between 1985 and 1990. Real estate prices increased by more than 2x over this period (see exhibit 27). Bank lending to real estate and related sectors increased meaningfully. However, after 1990, the real estate in Japan saw significant correction in prices. Real estate prices decreased by more than 50% (see exhibit 27). Because of this, banks in Japan saw a huge increase in non-performing loans. The total provisions (loan-loss provisioning and write-offs were equivalent to ~80 % of incremental loans during 1986-1990; see exhibit 28).

Exhibit 28: Japan's real residential land prices (1986=100)



Source: Professor Yuichiro Kawaguchi, Waseda University

Exhibit 29: The provisions made by the banks in Japan were ~80% of loans disbursed during 1985-90



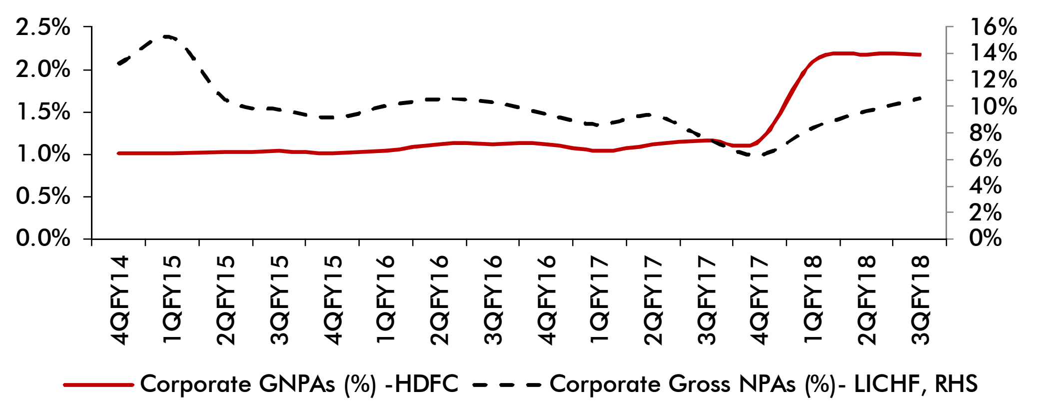
Source: Asian Development Bank (Fujii and Kawai)

Which lenders have riskier developer financing book?

Analysing developer loan portfolios of lenders on parameters like yield on loans, seasoning of loan book, exposure to stressed cities, exposure to lower rated developers, tenure of loan book and concentration of the portfolio shows that NBFCS/HFCs have more risky portfolio than banks. Moreover, lenders like PNB Housing Finance, Piramal Capital and L&T Finance seem to have the most risky loan portfolios whilst Kotak Mahindra Bank, City Union Bank and State Bank seem to have the least risky portfolios.

Separate asset quality data for developer loans is not disclosed by all the lenders. However, based on the data disclosed by some lenders, there has been only a marginal deterioration in asset quality for lenders in this segment.

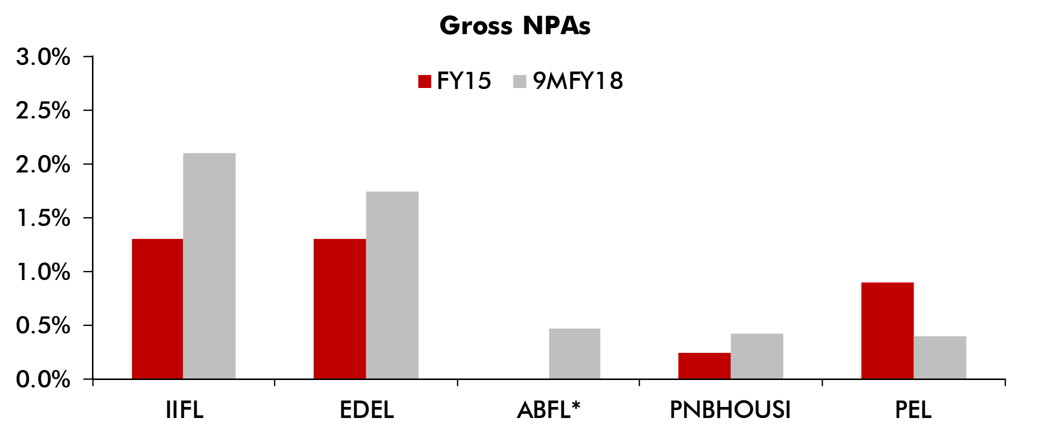
Exhibit 30: HDFC and LIC Housing Finance have recorded some increase in NPAs in developer loan portfolio



Source: Company, Ambit Capital research

NPA trends of specialized real estate lenders also do not reveal any significant stress in the segment.

Exhibit 31: NPA trends of specialized developer financing NBFCs do not reveal significant stress

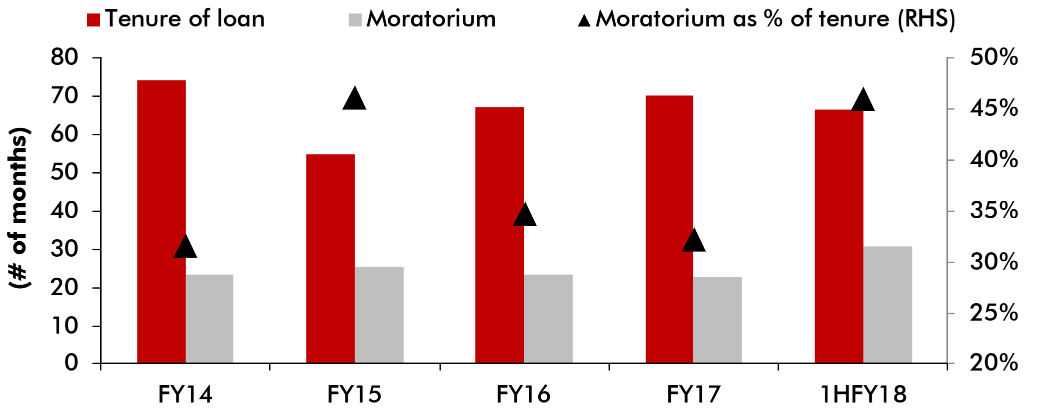


*Source: Company, Ambit Capital research; Note: *FY15 NPA data for ABFL is not available*

Long tenure of the loans and increasing moratorium is hiding stress in the segment for lenders.

However, the NPA trends in the segment are still not fully reflecting the weak state of the real estate industry in India. This, we believe, is because of the nature of structuring of real estate loans where repayments are elongated and back-ended. Data from Propstack shows that the average tenure of a developer loan is ~6 years with average moratorium period of ~2.5 years. **Moreover, the data also shows that average moratorium period has increased from average 23 months during FY14-17 to 31 months in 1HFY18, indicating that lenders are increasing moratorium period for developers given weak financial state of developers.**

Exhibit 32: Average moratorium and average tenure of loans for the sector



Source: Propstack, Ambit Capital research

Our channel checks also suggest that there is moratorium on interest payment as well in some cases where interest is funded by lenders through some other group entities. Hence, we believe that the state of real estate loans in India at present is similar to that of the power/infrastructure 5 years ago where despite extreme stress in power/infra loans, the reported NPAs of lenders were very low. However, if the residential real estate sector remains weak, the level of stress in the sector should start reflecting in the reported asset quality numbers of lenders from 2HFY19.

To understand the quality of loan book of each lender is a tricky task as all lenders claims to follow robust appraisal processes and strong monitoring mechanisms. Moreover, developers do a lot of borrowings at the project level with cash flows of the project ring fenced and, hence, the overall credit rating of the developer might not necessarily be a good representative of the riskiness of the developer.

To get a sense on the quality of the developer financing book of the lenders, we have used the data collected by Propstack. Propstack has analysed over 6,000 developer loans sanctioned by lenders over FY12-1HFY18. These loan documents (or 'charges' as per MCA records) are filed by the lenders to the Ministry of Corporate Affairs (MCA), where they have to provide details on loan covenants like loan amount, date of origination, loan tenure, moratorium period, name of the developer, interest rate etc.

To understand quality of loan portfolios of lenders, we have used Propstack database which has analysed over 6,000 developer loan documents filed by lenders over FY12-1HFY18 with MCA.

Based on these details we have tried to estimate the quality of the developer financing book of all major listed banks and NBFCs.

Higher loan yields imply higher risks

Interest rates on real estate developer loans range at 9-26%. The interest rate on real estate developer loans is a function of the quality of developer and stage of construction. E.g. a top quality developer like Godrej or L&T can borrow money at as low as 9.5% vs some small unknown developers borrowing at as high as 24%. Moreover, while lease rental discounting rates are as low as 9.5%, the rates for land purchase financing are as high as ~25%.

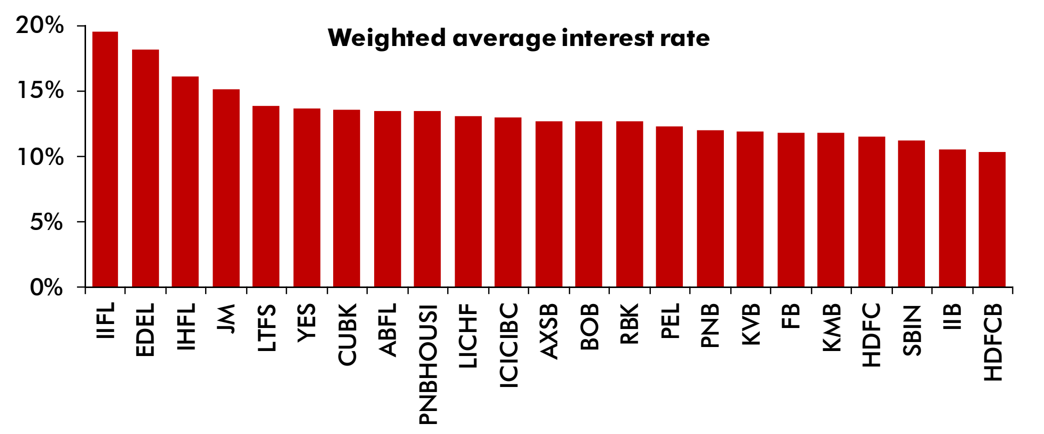
Exhibit 33: Lending sub-segments in developer loans

Stage	Interest rate	Purpose
Pre-approval/land financing	~15-26%	Primarily for land acquisition and for pre-approval stages.
Construction financing	~12-16%	Funding the project construction/completion post approvals.
Working capital financing	~12-16%	Financing the inventory of the developer till realization of sales.
Lease rental discounting	~9-12%	Discounting the lease rentals of commercial properties of the borrower.

Source: Ambit Capital research

Hence, we believe yield on loans is fair reflection of the risks lenders are taking. The data shows that yield on loans for NBFCs (15-19%) are much higher than that of banks (11-14%). NBFCs/HFCs like IIFL, Edelweiss and Indiabulls Housing have the highest loan yields amongst the major lenders, indicating a risker loan portfolio. On other hand, HDFC Ltd, HDFC Bank and IndusInd Bank have loan yields in the range of 11-12%, indicating a safer loan portfolio.

Exhibit 34: IIFL, Edelweiss and Indiabulls Finance charge the highest rates of interest



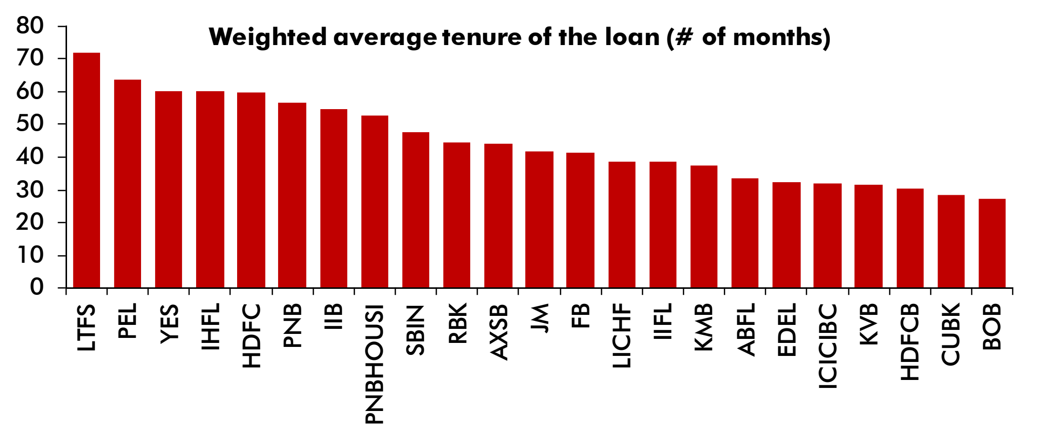
Source: Propstack, Ambit Capital research; Note: we have used data from 994 number of loans sanctioned amounting to ₹1trn to do this analysis

NBFCs/HFCs like IIFL, Edelweiss and Indiabulls Housing have the highest loan yields amongst the major lenders implying higher risk on the portfolio

Falling repayments, longer tenure - signs of stress

When borrowers are under stress, they start falling behind on their repayments. In such scenarios, the tenure of the loans starts going up as lenders start increasing the tenure of the loan to save the loan from becoming NPAs. However, lease rental discounting (LRD) loans are generally long tenure loans by nature (and least risky loans) and hence we have not considered them for this analysis. Tenure analysis of loan books suggests that L&T Finance, Piramal and Yes Bank have loans with highest tenure, indicating higher risk.

Exhibit 35: L&T Finance, Piramal Enterprises and Yes Bank have higher tenure books



Source: Propstack, Ambit Capital research; Note: for this analysis we have excluded loans having tenure more than 120 months (or 12 years); we have used data from 778 number of loans sanctioned amounting to ₹771bn for this analysis

Tenure analysis of loan books suggests that L&T Finance, Piramal and Yes Bank have loans with highest tenure, indicating higher risk.

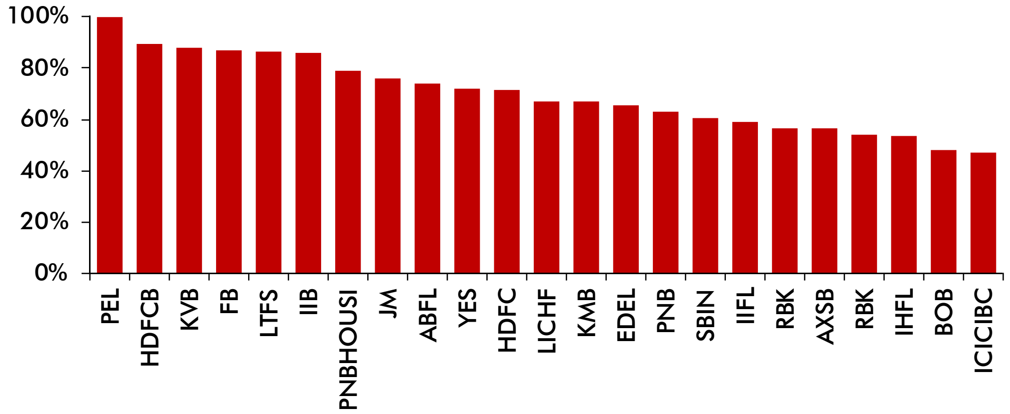
In terms of trends in weighted average tenure, lenders like Aditya Birla Finance, PNB Housing Fiancé and Federal Bank are increasing exposure to loans having higher tenure over the years while lenders like Axis Bank and Indiabulls Housing are reducing exposure to higher tenure loans.

Unseasoned loan book can cause problems

56% of real estate loans have been sanctioned over the last 30 months.

Given longer repayment of developer loans, it takes some time before the pain at the borrower level starts reflecting in the asset quality trends of the lender. Hence, we believe, keeping everything else constant, the lenders with the least seasoned loan books are more exposed to asset quality risk. We do not have fresh disbursement trends for the lenders and hence we have used data on outstanding developer loans reported by the lenders and loan sanctions data from Propstack to analyse the vintage of loans given by different lenders. As per loan sanctioned data of Propstack, **56% of developer loans have been sanctioned over the last 30 months**. As per data from Propstack, Piramal Enterprises and HDFC Bank have the most unseasoned developer financing book.

Exhibit 36: Loans sanctioned over FY16-1HFY18 as a percentage of total sanctions is highest for Piramal

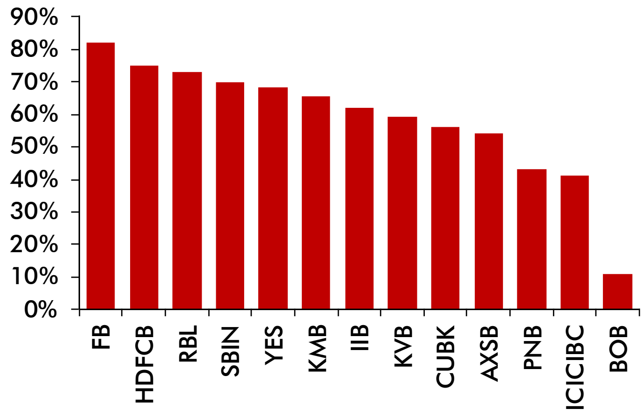


Source: Propstack, Ambit Capital research

As per data from Propstack, Piramal Enterprises and HDFC Bank have the most unseasoned developer financing.

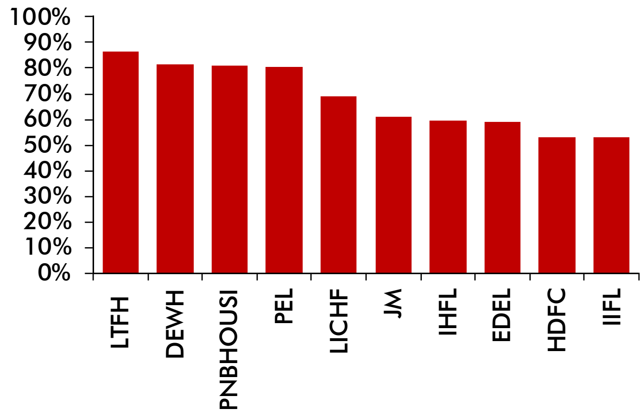
We have also corroborated this data by estimating the vintage of the loan book based on outstanding loan book of lenders at various time points. Both sets of data points show that PNB Housing Finance, L&T Finance, Piramal Enterprise and HDFC Bank have the highest percentage of unseasoned book in their portfolios whilst ICICI Bank, Axis Bank and Indiabulls Housing Finance have the most seasoned book.

Exhibit 37: Loans disbursed* over FY15-17 as a percentage of outstanding developer loans (as at FY17)



*Source: Company, Ambit Capital research; Note:; *We have assumed annual repayment rate of 20% while calculating disbursements*

Exhibit 38: Loans disbursed* over FY16-9MFY18 as percentage of o/s developer loans (as at 9MFY18)



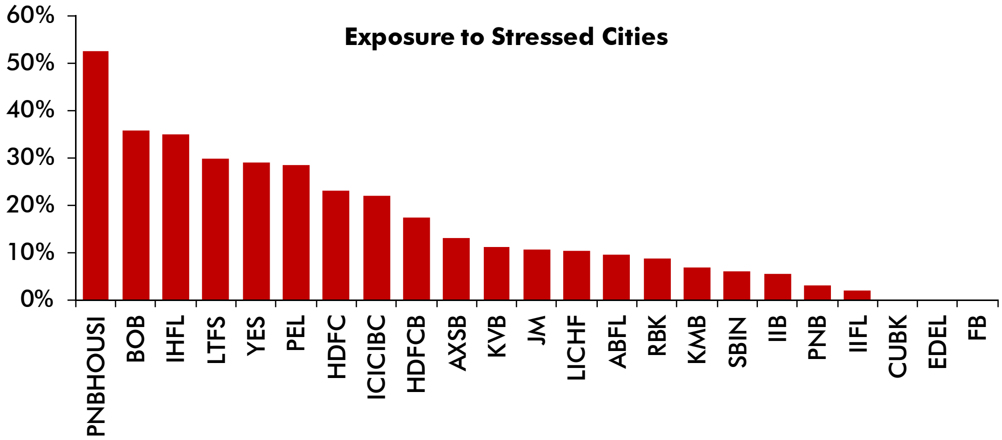
*Source: Company, Ambit Capital research; Note: *We have assumed annual repayment rate of 20% while calculating disbursements*

Higher exposure to NCR and Thane could be a problem

Real estate markets in some areas are more stressed than others. For example, data and our channel checks suggest that Thane and Navi Mumbai markets are stressed in the MMR region. Projects in NCR are also facing completion issues. City-wise loan data was available for only 1,100 loan contracts covering ~40% of the outstanding loan book/AUM of the lenders. This data shows that PNB Housing Finance, Bank of Baroda, Indiabulls Housing and L&T Finance have high exposure to projects situated in stressed cities. PNB Housing has more than 50% exposure to these stressed cities.

Thane and Navi Mumbai markets are stressed in the MMR region. Projects in NCR are also facing completion issues.

Exhibit 39: Lenders have high exposure to projects situated in stressed cities*



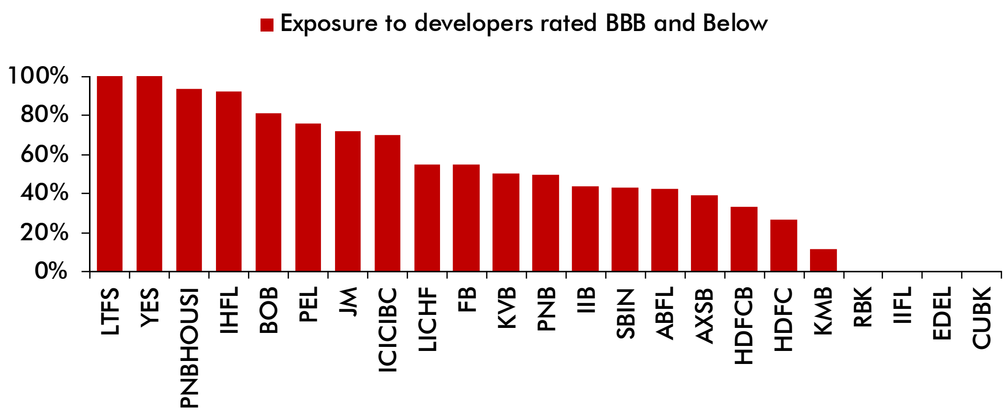
Source: Propstack, Ambit Capital research; Note: we have identified NCR region, Thane and Navi Mumbai areas as stressed areas; we have used data from 1,121 number of loans sanctioned amounting to ₹1,379bn to do this analysis

PNB Housing Finance, Bank of Baroda, Indiabulls Housing and L&T Finance have high exposure to projects situated in stressed cities.

Lenders exposed to lower rated developers

As discussed above, credit rating of the developer might not be the right indicator of risk for the lender as the lender might have given loans at the SPV level with ring fenced collateral and cash flows. Moreover, credit rating of a lot of developers is not available. However, we analysed lenders' exposure to 28 developers which had borrowed more than ₹20bn each from lenders with total exposure of ₹2.1trn for the lenders (61% of total exposure of lenders). Out of these 28 developers, 19 had rating of BBB and below and contributed ~61% of the total exposure to these large developers. Lenders such as L&T Finance, Yes Bank and PNB Housing Finance have high exposure to developers having ratings BBB and below. While L&T Finance and Yes Bank have 100% exposure to developers rated BB and below, PNB Housing has more than 90% of exposure to these lower rated developers. Lenders such as Kotak Mahindra Bank, HDFC Ltd and HDFC Bank have less exposure to such developers. Lenders such as City Union Bank, Edelweiss and IIFL have little or no exposure to lower rated developers.

Exhibit 40: L&T Finance and Yes Bank have highest exposure to stressed developers*



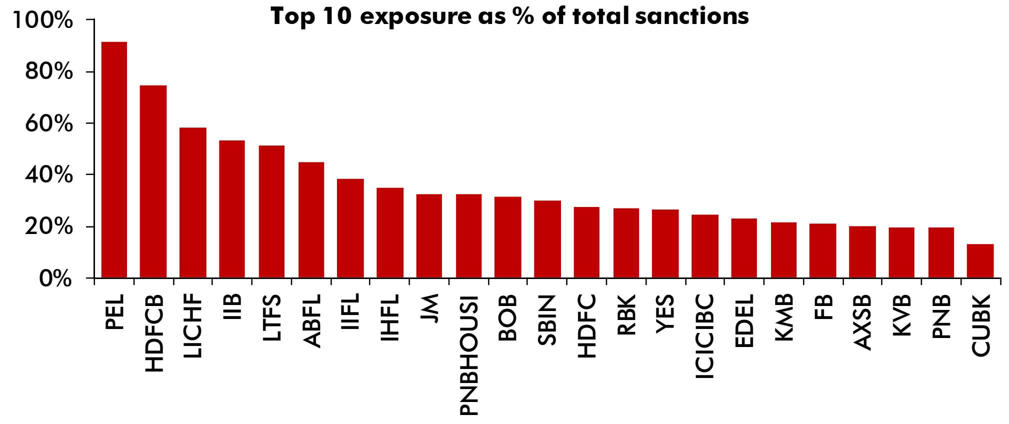
Source: Propstack, Ambit Capital research; Note: we have used data for developers having total exposure of ₹20bn or more. The exposure is calculated as a percentage of total exposure to these large developers; we have used data from 391 number of loans sanctioned amounting to ₹1.3trn for this analysis*

Lenders such as L&T Finance, Yes Bank and PNB Housing Finance have high exposure to developers having ratings BBB and below.

High concentration means high risk

Most large lenders typically tend to have a concentrated portfolio as they are comfortable lending large sums to a few developers instead of lot of small loans to small developers. Hence, a concentrated portfolio might not necessarily be a risky portfolio. However, high concentration of exposure to a few developers is still a risk as even a couple of developers getting into trouble can create problems for lenders with concentrated portfolios. Average top ten exposures contributed to 30% of total loans sanctioned by the lenders. Data suggests that Piramal, HDFC Bank and LIC Housing have concentrated loan portfolios whilst City Union Bank, Kotak Mahindra Bank and Axis Bank have diversified developer financing portfolios.

Exhibit 41: Piramal, HDFC Bank and LIC Housing have concentrated loan portfolios



Source: Propstack, Ambit Capital research

Piramal, HDFC Bank and LIC Housing have concentrated loan portfolios

Ranking of lenders

Scoring all the lenders on the risk parameters above shows that non-bank lenders (HFCs/NBFCs) have riskier developer financing portfolios than banks. Overall, Piramal, L&T Finance and PNB Housing have the most risky loan portfolios whilst City Union Bank, Kotak Mahindra Bank and State Bank of India have the least risky developer financing portfolio.

Analysing the different risk parameters shows that non-bank lenders (HFCs/NBFCs) have riskier developer financing portfolios than banks.

Exhibit 42: Summary and ranking of lenders

Lenders	Lenders	Developer financing as % of loans	Unseasoned loan book	Weighted average Tenure	Weighted average Interst rate	Exposure to Stressed Cities	Exposure to top ten accounts	Exposure to Stressed Developers	Final Score	Quartile
City Union Bank	CUBK	7	1	2	17	1	1	1	4	Q1
Kotak Mahindra Bank	KMB	12	11	8	5	8	6	5	8	Q1
State Bank Of India	SBIN	1	8	15	3	7	12	10	8	Q1
Punjab National Bank	PNB	3	9	18	8	5	2	12	8	Q1
RBL Bank	RBK	11	5	14	10	9	10	4	9	Q1
The Federal Bank	FB	6	20	11	6	3	5	14	9	Q2
Axis Bank	AXSB	9	6	13	12	14	4	8	9	Q2
Edelweiss	EDEL	19	10	6	22	1	7	2	10	Q2
The Karur Vysya Bank	KVB	8	21	4	7	13	3	13	10	Q2
ICICI Bank	ICICIBC	10	2	5	13	16	8	16	10	Q2
Bank Of Baroda	BOB	2	3	1	11	22	13	19	10	Q2
HDFC Bank	HDFCB	5	22	3	1	15	22	7	11	Q3
India Infoline Finance	IIFL	17	7	9	23	4	17	3	11	Q3
LIC Housing Finance	LICHF	4	12	10	14	11	21	14	12	Q3
IndusInd Bank	IIB	13	18	17	2	6	20	11	12	Q3
HDFC Ltd.	HDFC	20	13	19	4	17	11	6	13	Q3
Aditya Birla Finance	ABFL	21	15	7	16	10	18	9	14	Q3
JM Financial	JM	22	16	12	20	12	15	17	16	Q4
Yes Bank	YES	16	14	21	18	19	9	22	17	Q4
Indiabulls Housing Finance	IHFL	18	4	20	21	21	16	20	17	Q4
PNB Housing Finance	PNBHOUSI	15	17	16	15	23	14	21	17	Q4
L&T Finance	LTFS	14	19	23	19	20	19	22	19	Q4
Piramal Capital	PEL	23	23	22	9	18	23	18	19	Q4

Source: Ambit Capital research; Note: Q1 indicates top quartile which means that the lender is relatively better placed to absorb shocks arising from slowdown in real estate; Q4 indicates bottom quartile.

Investment implications

NBFCs/HFCs like Piramal Enterprises Ltd, L&T Finance Ltd, PNB Housing Finance, JM Financial, Indiabulls Housing and Aditya Birla Finance not only have riskier developer financing portfolios but also run huge ALM mismatches; hence, a tightening of the bond market could not only lead to NIM compression but also higher NPAs. In our coverage universe, HDFC Ltd (HDFC IN, SELL) and LIC Housing (LICHF IN, SELL) have less risky portfolios but rising NPAs in developer financing could pose headwinds for them when rising bond yields compress NIMS. A liquidity crunch for NBFCs/HFCs coupled with continued weakness in real estate would be a key catalyst for NPAs to increase in developer loans. A significant pick-up in real estate sales is a key risk to our thesis.

NBFCs and HFCs are most exposed

As shown in the table above, our analysis shows that NBFCs/HFCs are most exposed to a slowdown in the real estate sector. The most exposed lenders are **Piramal Enterprises Ltd (NOT RATED), L&T Finance Ltd (NOT RATED), PNB Housing Finance (NOT RATED), JM Financial (NOT RATED), Indiabulls Housing (NOT RATED and YES Bank (NOT RATED)**. As highlighted in our note on the impact of rising bond yields on NBFCs/HFCs (*link* to our note dated 12Jan2018), these are also the same set of NBFCs/HFCs that are exposed to rising bond yields. Whilst we don't cover these NBFC/HFCs, we would recommend investors to remain cautious on these names as they are trading at rich valuations (average P/B of 3.3x) despite their lack of a long operating history, rapid loan growth over the last couple of years, vulnerability in the rising bond yield environment, and riskier developer financing portfolios. Amongst our coverage universe, **HDFC Ltd (HDFC IN, SELL) and LIC Housing (LICHF IN, SELL**) fall in the third quartile and hence are materially exposed to any slowdown in the real estate sector. These companies are also exposed to rising bond yields and, hence, we maintain a high conviction SELL stance on them.

We maintain a high conviction SELL on HDFC Ltd. and LIC Housing Finance

Banks are better placed

As highlighted in the earlier section, banks have been reducing exposure to developer loans over the past 3 years and have exposure to safer names. Amongst the banks, HDFC Bank **(HDFCB IN, SELL**), IndusInd Bank **(IIB IN, Under Review**) and Yes Bank **(YES IN, NOT RATED**) have riskier loan book and hence exposed to a slowdown in the real estate sector. Both HDFC Bank and IndusInd Bank are trading at a significant premium of 60% and 45% respectively to the rest of the sector primarily due to their better asset quality trends in the recent past. However, both of them look vulnerable to stress in the real estate sector. Moreover, slowing earnings growth for HDFC Bank (17-18% over FY17-20) and value-destructive acquisition of Bharat Financial by IndusInd Bank make risk reward unfavorable for investors.

Amongst the banks, HDFC Bank, IndusInd Bank and Yes Bank have riskier loan book and hence exposed to a slowdown in the real estate sector.

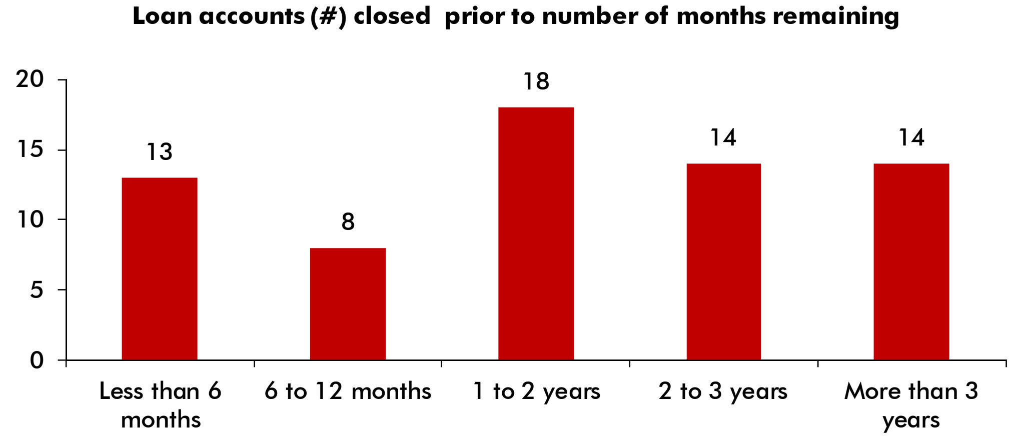
Both ICICI Bank **(ICICIBC IN, BUY**) and Bank of Baroda (**BOB IN, BUY**) fall in the second quartile and are less exposed to the real estate sector. Hence, we don't see any additional asset quality risks for both the banks and hence maintain our high conviction BUY stance on both these stocks.

Catalysts for NPAs rising in real estate developer loans

Whilst the real estate sector has been going through a downturn for the last 2-3 years, the asset quality of lenders in developer financing has still not deteriorated meaningfully. The key reason for this is the ability of NBFCs to refinance developer loans. We analysed 67 closed loans of NBFCs (over 2014-16) which were sanctioned in the last 3 years. We observe that though NBFCs had an average tenure of 41 months, the loans were closed within 19 months and were refinanced.

Ability of NBFCs to refinance developer loans has allowed the lenders to report healthy NPA numbers

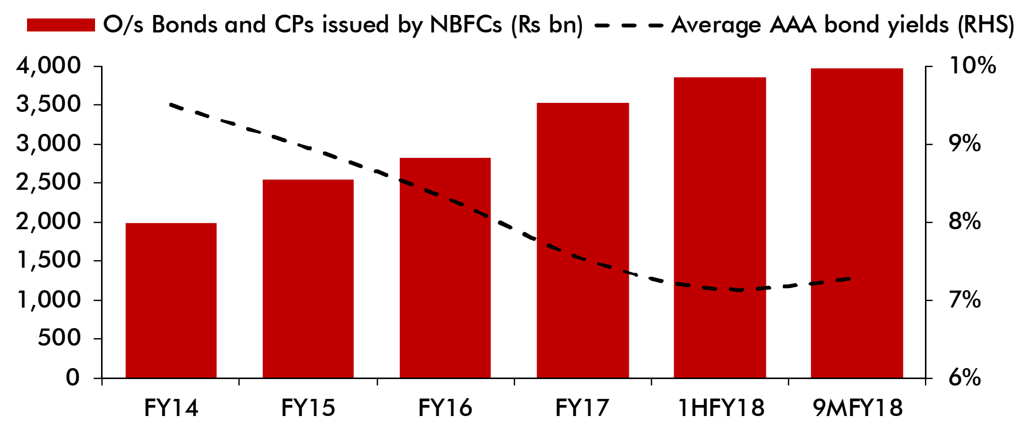
Exhibit 43: Frequent refinancing is keeping NPAs low in the real estate loans



Source: Propstack, Ambit Capital research

Refinancing was easy over the last 2-3 years due to the benign liquidity environment and falling interest rates. Analysing data of 6 NBFCs/HFCs active in developer loans shows these NBFCs raised net ~₹1.4trn from the corporate bond and CP market over FY15-9MFY18, when wholesale rates (average AAA bond yields) also declined by 170bps. This continuous funding kept developers afloat during this period.

Exhibit 44: Borrowings from NCDs and CPs doubled over FY14-9MFY18

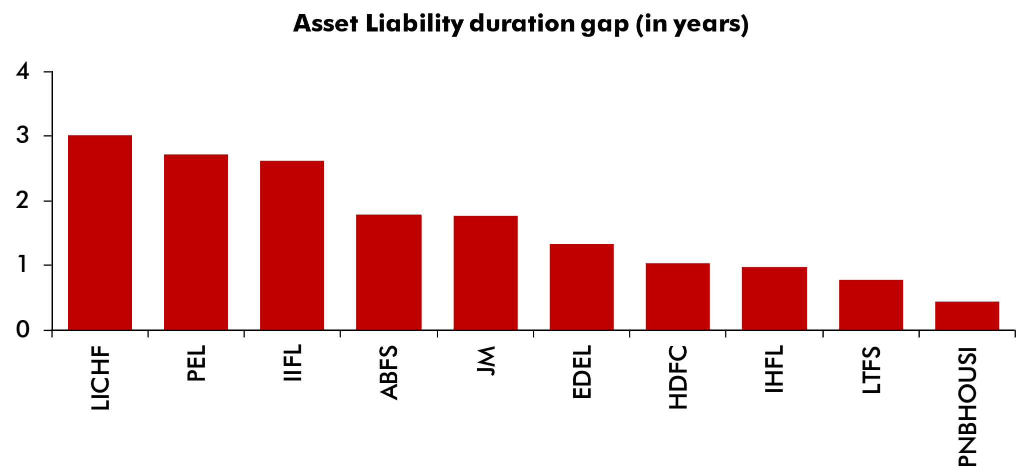


Source: Company, Ambit Capital research

NBFCs/HFCS are running large ALM mismatches, and the tightening liquidity condition coupled with rising rates could make refinancing difficult and result in NPAs surfacing in the segment if real estate remains weak.

However, most of these NBFCs/HFCS are running large ALM mismatches, and the tightening liquidity condition coupled with rising rates could make refinancing difficult and result in NPAs surfacing in the segment if real estate remains weak.

Exhibit 45: NBFCs/HFCS are running large ALM mismatches



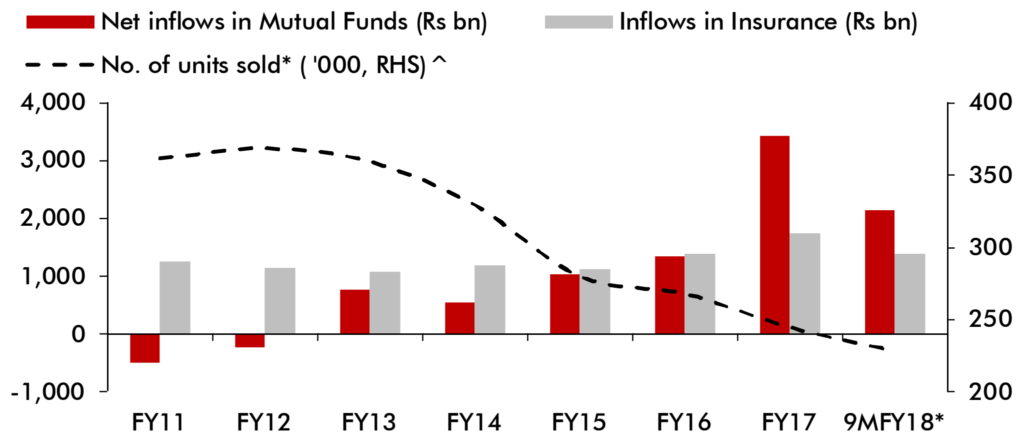
Source: Company, Ambit Capital research

Risks to our thesis

A meaningful pick-up in real estate sales is a key risk to our thesis. Given rising interest rates and weak job growth, we don't see a meaningful pick-up in demand from end-consumers. However, real estate as a popular investment class in India lost its sheen over the last 3 years due to weak returns and strong returns in the equity markets.

A meaningful pick-up in real estate sales is a key risk to our thesis.

Exhibit 46: Strong flows in MF and Insurance has kept the real estate demand low



*Source: Company, Ambit Capital research; Note: ^ Data for number of units sold represents units sold in top eight cities of India in respective colander year (i.e. data in FY15 will represent CY15); *The data for 9MFY18 is not annualised*

However, a prolonged weakness in the equity markets could lead to investments flowing back to real estate, leading to better sales and lower risk for developers.

Exhibit 47: Relative valuations of lenders

	Mcap US$bn	Price Rs	Reco.	TP Rs	Up/ (Down)	P/B		P/E		EPS CAGR
						FY18E	FY19E	FY18E	FY19E	FY17-19E
New Private Banks										
HDFC Bank	75.6	1,877	SELL	1,380	-26%	4.74	4.15	27.9	23.9	18%
ICICI Bank	32.6	326	BUY	387	19%	1.86	1.67	23.4	13.8	22%
Kotak Mahindra Bank	30.9	1,043	SELL	689	-34%	3.95	3.47	32.6	27.8	18%
Axis Bank	22.5	564	SELL	526	-7%	2.13	1.90	44.4	15.9	52%
IndusInd Bank	15.7	1,688	UR	UR	NA	4.34	3.74	28.3	23.0	24%
Yes Bank	12.0	335	NA	NA	NA	3.06	2.60	18.6	14.6	23%
IDFC Bank	2.8	54	NA	NA	NA	1.18	1.10	16.7	13.8	15%
RBL Bank	3.1	485	SELL	404	-17%	3.03	2.75	31.2	24.3	30%
DCB Bank	0.8	173	NA	NA	NA	2.06	1.85	21.3	16.6	21%
Average						**2.93**	**2.58**	**27.2**	**19.3**	**25%**
Small Finance Banks										
Equitas Holdings	0.8	144	SELL	142	-2%	2.17	2.04	368.6	33.3	-4%
Ujjivan Financial	0.7	371	SELL	360	-3%	2.56	2.31	-201.7	22.1	5%
AU Small Finance Bank	2.7	597	NA	NA	NA	7.33	6.30	53.8	44.9	12%
Average						**4.02**	**3.55**	**73.5**	**33.4**	**4%**
Large PSU Banks										
State Bank of India*	38.8	289	UR	UR	NA	1.04	0.91	-71.1	13.3	n.a.
Bank of Baroda	6.0	169	BUY	200	19%	1.04	0.94	69.9	8.9	78%
Punjab National Bank	6.1	162	SELL	202	25%	0.93	0.89	-22.1	77.1	-42%
Bank of India	2.7	145	SELL	134	-7%	0.71	0.71	-7.4	-1603.3	-92%
Union Bank of India	1.7	127	UR	UR	NA	0.56	0.58	-4.4	92.2	-59%
Average						**0.86**	**0.81**	**-7.0**	**-282.3**	**-29%**
Old Private Banks										
Federal Bank	2.9	95	SELL	80	-16%	1.51	1.39	18.0	13.8	19%
Karur Vysya bank	1.3	115	SELL	96	-16%	1.35	1.27	22.7	15.0	-12%
South Indian Bank	0.8	28.2	SELL	19.8	-30%	1.04	0.95	14.7	8.4	24%
City Union Bank	1.7	167	UR	UR	NA	2.73	2.40	18.8	15.7	18%
Average						**1.66**	**1.50**	**18.6**	**13.2**	**12%**
Housing Finance Companies										
HDFC Ltd.	44.9	1,805	SELL	1,514	-16%	3.4	3.0	19.9	18.8	6%
LIC Housing Finance	4.1	522	SELL	466	-11%	2.1	1.9	13.0	12.1	6%
Indiabulls Housing Finance	8.7	1,315	NA	NA	NA	4.0	3.3	14.4	11.8	27%
Gruh Finance	3.0	533	NA	NA	NA	15.2	12.2	53.8	44.3	23%
Dewan Housing Finance	2.6	526	NA	NA	NA	1.9	1.7	14.2	11.7	9%
Repco Home Finance	0.6	592	NA	NA	NA	2.8	2.4	17.6	14.7	19%
PNB Housing Finance	3.2	1,246	NA	NA	NA	3.3	2.9	24.9	18.4	41%
Can Fin Homes	1.0	493	NA	NA	NA	4.9	3.9	21.6	18.0	27%
Average						**4.7**	**3.9**	**22.4**	**18.7**	**20%**
Asset Financers										
Shriram Transport	4.7	1,326	UR	NA	NA	2.4	2.1	18.1	14.2	30%
M&M Finance	4.3	444	SELL	309	-30%	3.3	2.9	27.3	18.3	64%
Magma Fincorp	0.6	167	SELL	122	-27%	1.7	1.5	17.4	12.6	292%
Sundaram Finance	2.9	1,658	NA	NA	NA	4.4	3.9	31.3	26.8	18%
Cholamandalam	3.3	1,365	BUY	1,660	22%	4.2	3.5	23.3	19.6	23%
Average						**3.2**	**2.8**	**23.5**	**18.3**	**85%**

	Mcap US$bn	Price Rs	Reco.	TP Rs	Up/ (Down)	P/B		P/E		EPS CAGR
						FY18E	FY19E	FY18E	FY19E	FY17-19E
Consumer finance										
Bajaj Finance	14.7	1,644	SELL	934	-43%	5.8	4.9	36.0	27.9	33%
Shriram City Union Finance	2.1	2,021	SELL	2,147	6%	2.3	2.2	20.4	16.1	20%
Manappuram	1.4	106	NA	NA	NA	2.4	2.1	12.7	10.7	9%
Muthoot Finance	2.6	418	NA	NA	NA	2.2	1.8	10.7	10.1	19%
Bharat Financial Inclusion (SKS)	2.2	1,015	NA	NA	NA	4.6	3.6	29.7	17.5	15%
Capital First	1.1	698	NA	NA	NA	2.7	2.3	21.1	15.3	40%
Average						**3.3**	**2.8**	**21.8**	**16.3**	**23%**
Diversified Financiers										
Motilal Oswal	2.6	1,156	SELL	1,177	2%	7.9	6.2	29.2	20.9	50%
Edelweiss	3.7	258	NA	NA	NA	3.9	3.2	24.9	18.4	40%
India Infoline	3.8	762	NA	NA	NA	4.7	3.9	26.0	21.0	28%
Piramal Enterprises Ltd	7.4	2,733	NA	NA	NA	2.5	2.2	28.9	20.1	42%
JM Financial	2.1	157	NA	NA	NA	3.3	2.8	21.3	17.6	21%
L&T Finance	4.8	170	NA	NA	NA	3.3	2.8	22.2	16.6	37%
Aditya Birla Capital Ltd	5.8	168	NA	NA	NA	4.3	3.4	40.2	29.5	NA
Average						**4.3**	**3.5**	**27.5**	**20.6**	**39%**

*Source: Ambit Capital estimates; Note: We have used Bloomberg estimates for companies not under our coverage; *we have adjusted State Bank of India multiples for standalone entity*

Annexure I

About Propstack

Propstack is India's leading Real Estate data, analytics and workflow solutions platform built with a vision to bring greater market trust and transparency into the sector. We have product offerings across Office, Loans and Residential sector.

This Ambit report uses **Propstack Loans** data to offer unique and differentiated insights for investors to improve their understanding on banking and real estate sectors in India.

Propstack Loans

With cumulative investment of more than 1,000+ man hours and a robust technology stack, our team has been successful in mapping and market sizing more than 1000 developers, 10000 loans with active sanction loan book of ~US$80 bn across 10 major cities in India which is updated regularly on a monthly basis from MCA website.

The proprietary data of Propstack Loans can be efficiently mined, sliced and diced to get valuable insights on lender wise portfolio, loan tenure and interest rates to understand the risk profile of the loans, security available in case of defaults or delayed interest payments and many such other insights.

Our product is already gaining traction among the lending community as well as leading consultants to explore new business opportunities in areas of market finance, competitive analytics and loan pricing negotiations etc. The product is already used by some of the leading banks and NBFCs.

Other products

Propstack Office

- Covers 500+ mn sft of office space across 9 cities (Mumbai, Pune, Bangalore, Hyderabad, Chennai, Noida, Gurgaon, Delhi and Kolkata).
- We provide building information, transaction information (all registered rent and sale transactions in those buildings), stacking information.
- Analytics suite: Portfolio analytics, Micromarket summary and Propsense.

Propstack Resi/PropMODI

- Tracking registered rent, sale and mortgage transactions across 8,000+ projects in Mumbai, Thane, Navi Mumbai and Pune.
- We recently launched PropMODI.com which gives consumers access to this data so that they can take better property decision.

Visit www.propstack.com for more details about us. In case of queries, please reach us at support@propstack.com

Institutional Equities Team

Saurabh Mukherjea, CFA	**CEO, Ambit Capital Private Limited**	**(022) 30433174**	**saurabh.mukherjea@ambit.co**
Pramod Gubbi, CFA	**Head of Equities**	**(022) 30433124**	**pramod.gubbi@ambit.co**

Research Analysts

Name	Industry Sectors	Desk-Phone	E-mail
Nitin Bhasin - Head of Research	E&C / Infra / Cement / Home Building	(022) 30433241	nitin.bhasin@ambit.co
Aadesh Mehta, CFA	Banking / Financial Services	(022) 30433239	aadesh.mehta@ambit.co
Abhishek Ranganathan, CFA	Retail / Consumer Discretionary	(022) 30433085	abhishek.r@ambit.co
Amandeep Singh Grover	Small Caps	(022) 30433082	amandeep.grover@ambit.co
Anuj Bansal	Consumer	(022) 30433122	anuj.bansal@ambit.co
Archit Varshney	Consumer	(022) 30433275	archit.varshney@ambit.co
Ariha Doshi	Consumer	(022) 30433228	ariha.doshi@ambit.co
Basudeb Banerjee	Automobiles / Auto Ancillaries	(022) 30433141	basudeb.banerjee@ambit.co
Bhargav Buddhadev	Power Utilities / Capital Goods / Small Caps	(022) 30433252	bhargav.buddhadev@ambit.co
Deep Shah	Media / Telecom	(022) 30433064	deep.shah@ambit.co
Gaurav Khandelwal, CFA	Oil & Gas	(022) 30433132	gaurav.khandelwal@ambit.co
Gaurav Kochar	Banking / Financial Services	(022) 30433246	gaurav.kochar@ambit.co
Girisha Saraf	Home Building	(022) 30433211	girisha.saraf@ambit.co
Karan Khanna, CFA	Strategy / Small Caps	(022) 30433251	karan.khanna@ambit.co
Kushagra Bhattar	Agri Inputs / Chemicals	(022) 30433062	kushagra.bhattar@ambit.co
Nikhil Mathur	Small Caps	(022) 30433220	nikhil.mathur@ambit.co
Mayank Porwal	Retail / Consumer Discretionary	(022) 30433214	mayank.porwal@ambit.co
Pankaj Agarwal, CFA	Banking / Financial Services	(022) 30433206	pankaj.agarwal@ambit.co
Prateek Maheshwari	Cement / E&C / Infrastructure	(022) 30433234	prateek.maheshwari@ambit.co
Prashant Mittal, CFA	Strategy / Derivatives	(022) 30433218	prashant.mittal@ambit.co
Rahil Shah	Banking / Financial Services	(022) 30433217	rahil.shah@ambit.co
Rasik Pandita	Healthcare	(022) 30433293	rasik.pandita@ambit.co
Ravi Singh	Banking / Financial Services	(022) 30433181	ravi.singh@ambit.co
Ritesh Gupta, CFA	Oil & Gas / Agri Inputs / Chemicals	(022) 30433242	ritesh.gupta@ambit.co
Ritika Mankar Mukherjee, CFA	Economy / Strategy	(022) 30433175	ritika.mankar@ambit.co
Ronil Dalal, CFA	Conglomerates	(022) 30433278	ronil.dalal@ambit.co
Sudheer Guntupalli	Technology / Staffing	(022) 30433203	sudheer.guntupalli@ambit.co
Sumit Shekhar	Economy / Strategy	(022) 30433229	sumit.shekhar@ambit.co
Utsav Mehta, CFA	E&C / Infrastructure	(022) 30433209	utsav.mehta@ambit.co
Vivekanand Subbaraman, CFA	Media / Telecom	(022) 30433261	vivekanand.s@ambit.co

Sales

Name	Regions	Desk-Phone	E-mail
Sarojini Ramachandran - Head of Sales	UK	+44 (0) 20 7886 2740	sarojini.r@ambit.co
Anmol Arya	India	(022) 30433079	anmol.arya@ambit.co
Dharmen Shah	India / Asia	(022) 30433289	dharmen.shah@ambit.co
Dipti Mehta	India	(022) 30433053	dipti.mehta@ambit.co
Krishnan V	India / Asia	(022) 30433295	krishnanv@ambit.co
Nityam Shah, CFA	Europe	(022) 30433259	nityam.shah@ambit.co
Punitraj Mehra, CFA	India / Asia	(022) 30433198	punitraj.mehra@ambit.co
Shaleen Silori	India	(022) 30433256	shaleen.silori@ambit.co

Singapore

Praveena Pattabiraman	Singapore	+65 6536 0481	praveena.pattabiraman@ambit.co
Shashank Abhisheik	Singapore	+65 6536 1935	shashankabhisheik@ambitpte.com

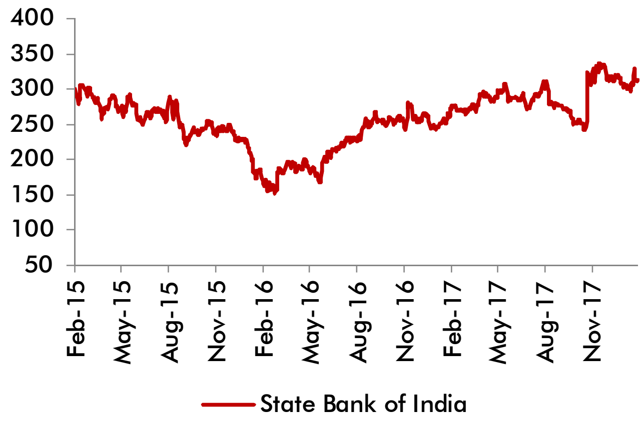
USA / Canada

Hitakshi Mehra	Americas	+1(646) 793 6751	hitakshi.mehra@ambitamerica.co
Achint Bhagat, CFA	Americas	+1(646) 793 6752	achint.bhagat@ambitamerica.co

Production

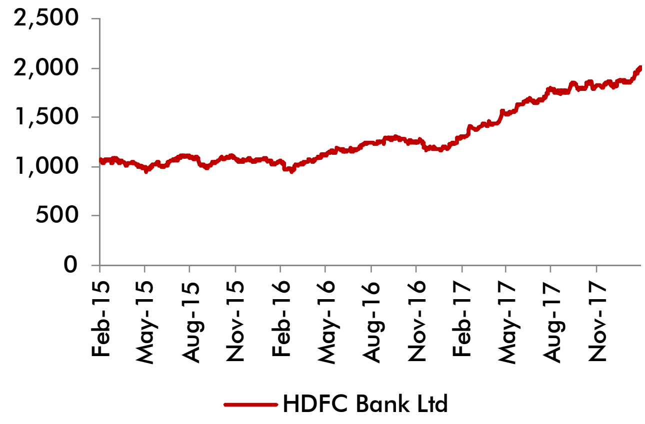
Sajid Merchant	Production	(022) 30433247	sajid.merchant@ambit.co
Sharoz G Hussain	Production	(022) 30433183	sharoz.hussain@ambit.co
Jestin George	Editor	(022) 30433272	jestin.george@ambit.co
Richard Mugutmal	Editor	(022) 30433273	richard.mugutmal@ambit.co
Nikhil Pillai	Database	(022) 30433265	nikhil.pillai@ambit.co

State Bank Of India (SBIN IN, UNDER REVIEW)



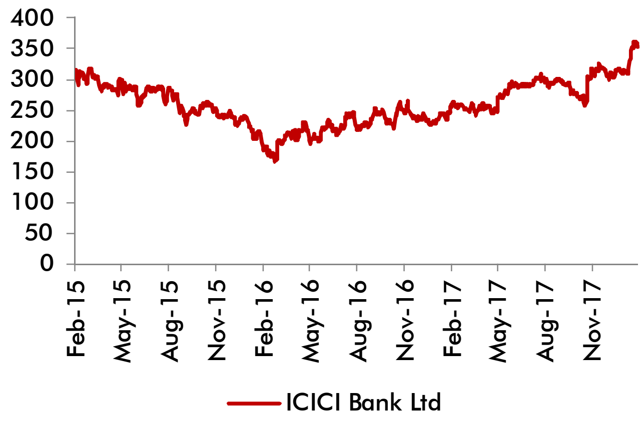
Source: Bloomberg, Ambit Capital research

HDFC Bank Ltd (HDFCB IN, SELL)



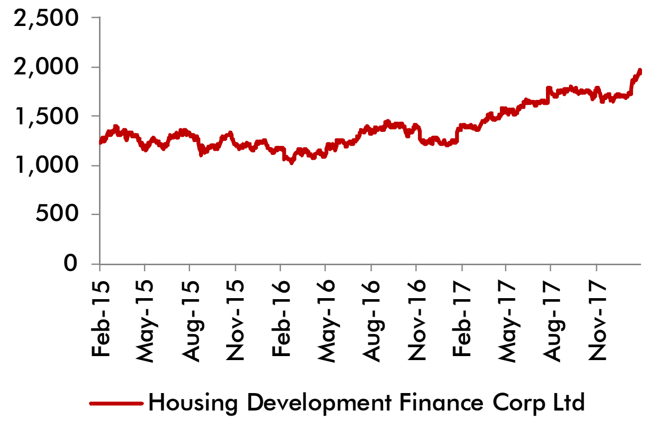
Source: Bloomberg, Ambit Capital research

ICICI Bank Ltd (ICICI IN, BUY)



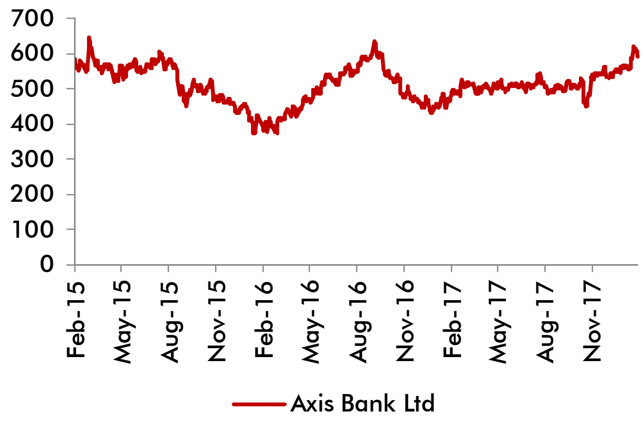
Source: Bloomberg, Ambit Capital research

Housing Development Finance (HDFC IN, SELL)



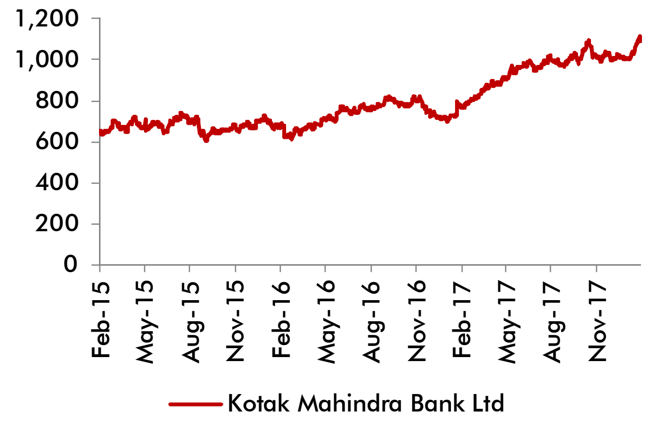
Source: Bloomberg, Ambit Capital research

Axis Bank Ltd (AXSB IN, SELL)



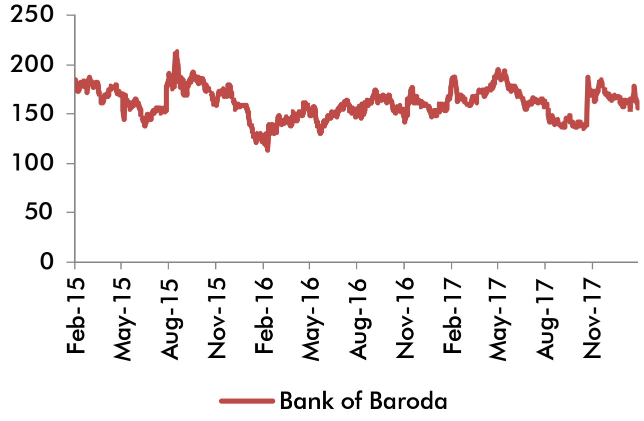
Source: Bloomberg, Ambit Capital research

Kotak Mahindra Bank Ltd (KMB IN, SELL)



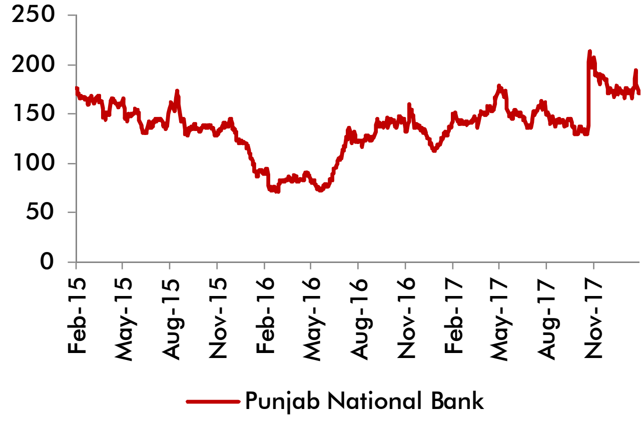
Source: Bloomberg, Ambit Capital research

Bank Of Baroda (BOB IN, BUY)



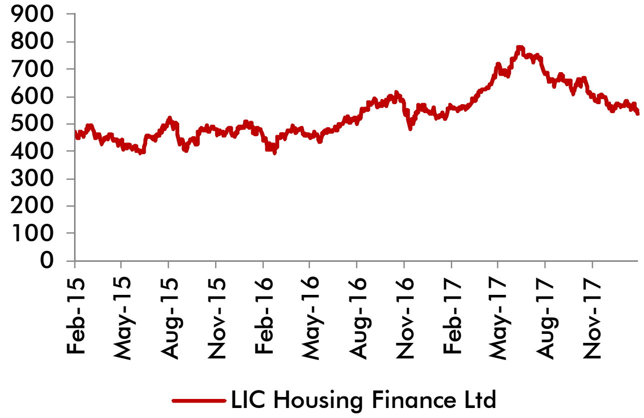
Source: Bloomberg, Ambit Capital research

Punjab National Bank (PNB IN, SELL)



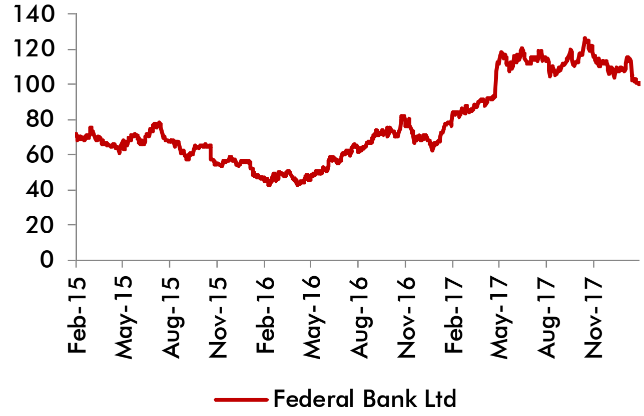
Source: Bloomberg, Ambit Capital research

LIC Housing Finance Ltd (LICHF IN, SELL)



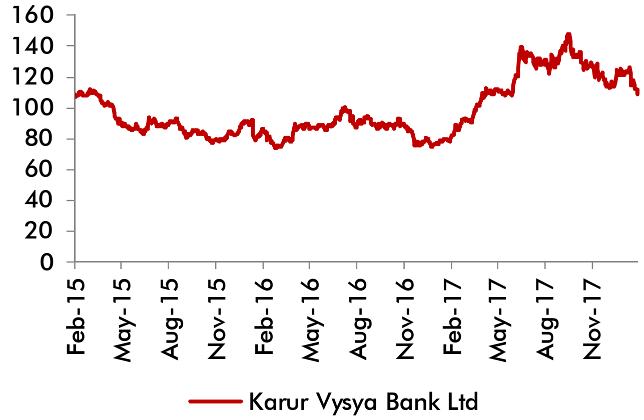
Source: Bloomberg, Ambit Capital research

Federal Bank Ltd (FB IN, SELL)



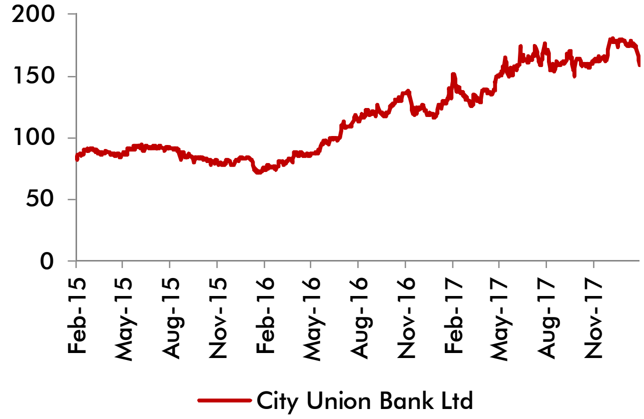
Source: Bloomberg, Ambit Capital research

Karur Vysya Bank Ltd (KVB IN, SELL)



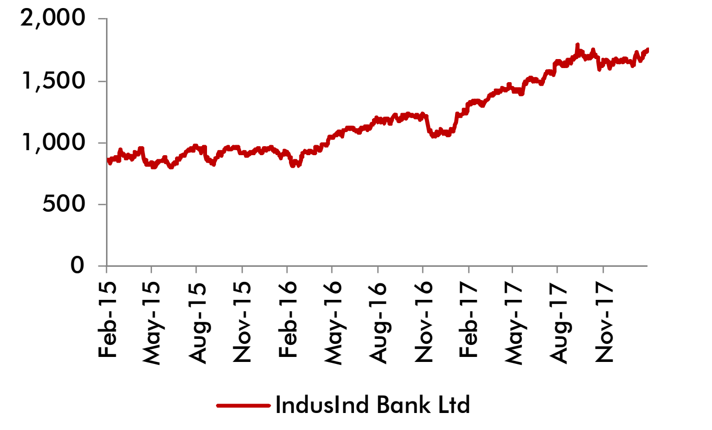
Source: Bloomberg, Ambit Capital research

City Union Bank Ltd (CUBK IN, UNDER REVIEW)



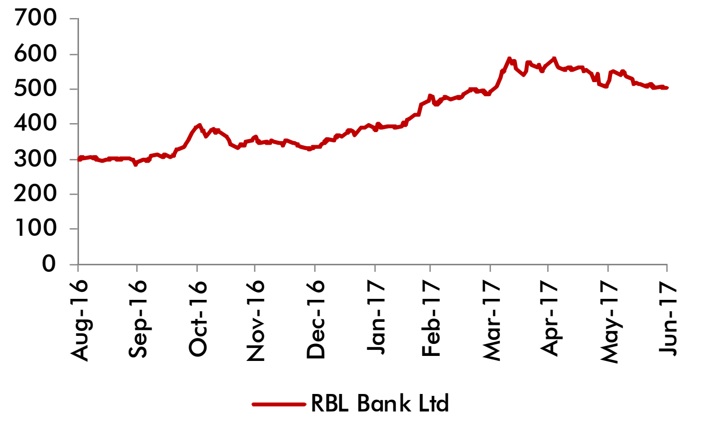
Source: Bloomberg, Ambit Capital research

IndusInd Bank Ltd (IIB IN, UNDER REVIEW)



Source: Bloomberg, Ambit Capital research

RBL Bank Ltd (RBK IN, SELL)



Source: Bloomberg, Ambit Capital research

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month)
BUY	>10%
SELL	≤10%
NO STANCE	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NOT RATED	We do not have any forward looking estimates, valuation or recommendation for the stock
POSITIVE	We have a positive view on the sector and most of stocks under our coverage in the sector are BUYs
NEGATIVE	We have a negative view on the sector and most of stocks under our coverage in the sector are SELLs

* In case the recommendation given by the Research Analyst becomes inconsistent with the rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures (like change in stance/estimates) to make the recommendation consistent with the rating legend.

Disclaimer

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Ambit Capital. AMBIT Capital Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Disclaimer

1. AMBIT Capital Private Limited ("AMBIT Capital") and its affiliates are a full service, integrated investment banking, investment advisory and brokerage group. AMBIT Capital is a Stock Broker, Portfolio Manager, Merchant Banker and Depository Participant registered with Securities and Exchange Board of India Limited (SEBI) and is regulated by SEBI.
2. AMBIT Capital makes best endeavours to ensure that the research analyst(s) use current, reliable, comprehensive information and obtain such information from sources which the analyst(s) believes to be reliable. However, such information has not been independently verified by AMBIT Capital and/or the analyst(s) and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties. The information, opinions, views expressed in this Research Report are those of the research analyst as at the date of this Research Report which are subject to change and do not represent to be an authority on the subject. AMBIT Capital and its affiliates/ group entities may or may not subscribe to any and/ or all the views expressed herein and the statements made herein by the research analyst may differ from or be contrary to views held by other parties within AMBIT group.
3. This Research Report should be read and relied upon at the sole discretion and risk of the recipient. If you are dissatisfied with the contents of this complimentary Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report and AMBIT Capital or its affiliates shall not be responsible and/ or liable for any direct/consequential loss howsoever directly or indirectly, from any use of this Research Report.
4. If this Research Report is received by any client of AMBIT Capital or its affiliate, the relationship of AMBIT Capital/its affiliate with such client will continue to be governed by the terms and conditions in place between AMBIT Capital/ such affiliate and the client.
5. This Research Report is issued for information only and the 'Buy', 'Sell', or 'Other Recommendation' made in this Research Report such should not be construed as an investment advice to any recipient to acquire, subscribe, purchase, sell, dispose of, retain any securities and should not be intended or treated as a substitute for necessary review or validation or any professional advice. Recipients should consider this Research Report as only a single factor in making any investment decisions. This Research Report is not an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.
6. This Research Report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this Research Report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other country including United States (to US Persons), Canada or Japan or to any resident thereof. The distribution of this Research Report in other jurisdictions may be strictly restricted and/ or prohibited by law or contract, and persons into whose possession this Research Report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.
7. Ambit Capital Private Limited is registered as a Research Entity under the SEBI (Research Analysts) Regulations, 2014. SEBI Reg.No.- INH000000313.

Conflict of Interests

8. In the normal course of AMBIT Capital's or its affiliates'/group entities' business, circumstances may arise that could result in the interests of AMBIT Capital or other entities in the AMBIT group conflicting with the interests of clients or one client's interests conflicting with the interest of another client. AMBIT Capital makes best efforts to ensure that conflicts are identified and managed and that clients' interests are protected. AMBIT Capital has policies and procedures in place to control the flow and use of non-public, price sensitive information and employees' personal account trading. Where appropriate and reasonably achievable, AMBIT Capital segregates the activities of staff working in areas where conflicts of interest may arise and maintains an arms – length distance from such areas, at all times. However, clients/potential clients of AMBIT Capital should be aware of these possible conflicts of interests and should make informed decisions in relation to AMBIT Capital's services.
9. AMBIT Capital and/or its affiliates may from time to time have or solicit investment banking, investment advisory and other business relationships with companies covered in this Research Report and may receive compensation for the same.
10. The AMBIT group may, from time to time enter into transactions in the securities, or other derivatives based thereon, of companies mentioned herein, and may also take position(s) in accordance with its own investment strategy and rationale, that may not always be in accordance with the recommendations made in this Research Report and may differ from or be contrary to the recommendations made in this Research Report.

Additional Disclaimer for Canadian Persons

11. AMBIT Capital is not registered in the Province of Ontario and /or Province of Québec to trade in securities and/or to provide advice with respect to securities.
12. AMBIT Capital's head office or principal place of business is located in India.
13. All or substantially all of AMBIT Capital's assets may be situated outside of Canada.
14. It may be difficult for enforcing legal rights against AMBIT Capital because of the above.
15. Name and address of AMBIT Capital's agent for service of process in the Province of Ontario is: Torys LLP, 79 Wellington St. W., 30th Floor, Box 270, TD South Tower, Toronto, Ontario M5K 1N2 Canada.
16. Name and address of AMBIT Capital's agent for service of process in the Province of Québec is Torys Law Firm LLP, 1 Place Ville Marie, Suite 1919 Montréal, Québec H3B 2C3 Canada.

Additional Disclaimer for Singapore Persons

17. This Report is prepared and distributed by Ambit Capital Private Limited and distributed as per the approved arrangement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of the First Schedule to the Financial Advisors Act (CAP 110) provided to Ambit Singapore Pte. Limited by Monetary Authority of Singapore.
18. This Report is only available to persons in Singapore who are institutional investors (as defined in section 4A of the Securities and Futures Act (Cap. 289) of Singapore (the "SFA")." Accordingly, if a Singapore Person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform Ambit Singapore Pte. Limited.

Additional Disclaimer for UK Persons

19. All of the recommendations and views about the securities and companies in this report accurately reflect the personal views of the research analyst named on the cover. No part of this research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report. This report may not be reproduced, redistributed or copied in whole or in part for any purpose.
20. This report is a marketing communication and has been prepared by Ambit Capital Pvt Ltd of Mumbai, India ("Ambit") and has been approved in the UK by Ambit Capital (UK) Limited ("ACUK") solely for the purposes of section 21 of the Financial Services and Markets Act 2000. Ambit is regulated by the Securities and Exchange Board of India and is registered as a Research Entity under the SEBI (Research Analysts) Regulations, 2014. ACUK is regulated by the UK Financial Services Authority and has registered office at C/o Panmure Gordon & Co PL, One New Change, London, EC4M9AF.
21. In the UK, this report is directed at and is for distribution only to persons who (i) fall within Article 19(1) (persons who have professional experience in matters relating to investments) or Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) or (ii) are professional customers or eligible counterparties of ACUK (all such persons together being referred to as "relevant persons"). This report must not be acted on or relied upon by persons in the UK who are not relevant persons.
22. Neither Ambit nor ACUK is a US registered broker-dealer. Transactions undertaken in the US in any security mentioned herein must be effected through a US-registered broker-dealer, in conformity with SEC Rule 15a-6.
23. Neither this report nor any copy or part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities laws, or the law of any such other jurisdictions.
24. This report does not constitute an offer or solicitation to buy or sell any securities referred to herein. It should not be so construed, nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information in this report, or on which this report is based, has been obtained from publicly available sources that Ambit believes to be reliable and accurate. However, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. It has also not been independently verified and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties.

25. The information or opinions are provided as at the date of this report and are subject to change without notice. The information and opinions provided in this report take no account of the investors' individual circumstances and should not be taken as specific advice on the merits of any investment decision. Investors should consider this report as only a single factor in making any investment decisions. Further information is available upon request. No member or employee of Ambit or ACUK accepts any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from any use of this report or its contents.
26. The value of any investment made at your discretion based on this Report, or income therefrom, maybe affected by changes in economic, financial and/or political factors and may go down as well as go up and you may not get back the original amount invested. Some securities and/or investments involve substantial risk and are not suitable for all investors.
27. Ambit and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this Report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Ambit and ACUK may from time to time render advisory and other services to companies referred to in this Report and may receive compensation for the same.
28. Ambit and its affiliates may act as a market maker or risk arbitrator or liquidity provider or may have assumed an underwriting commitment in the securities of companies discussed in this Report (or in related investments) or may sell them or buy them from clients on a principal to principal basis or may be involved in proprietary trading and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.
29. Ambit and ACUK may sell or buy any securities or make any investment which may be contrary to or inconsistent with this Report and are not subject to any prohibition on dealing. By accepting this report you agree to be bound by the foregoing limitations. In the normal course of Ambit and its affiliates' business, circumstances may arise that could result in the interests of Ambit conflicting with the interests of clients or one client's interests conflicting with the interest of another client. Ambit makes best efforts to ensure that conflicts are identified, managed and clients' interests are protected. However, clients/potential clients of Ambit should be aware of these possible conflicts of interests and should make informed decisions in relation to Ambit services.

Additional Disclaimer for U.S. Persons

30. The research report is solely a product of AMBIT Capital.
31. AMBIT Capital is the employer of the research analyst(s) who has prepared the research report.
32. Any subsequent transactions in securities discussed in the research reports should be effected through Enclave Capital LLC. ("Enclave").
33. Enclave does not accept or receive any compensation of any kind for the dissemination of the AMBIT Capital research reports.
34. The research analyst(s) preparing the email / Research Report/ attachment is resident outside the United States and is/are not associated persons of any U.S. regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.
35. This report is prepared, approved, published and distributed by the Ambit Capital located outside of the United States (a non-US Group Company"). This report is distributed in the U.S.by Enclave Capital LLC, a U.S. registered broker dealer, on behalf of Ambit Capital only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital LLC (19 West 44th Street, suite 1700, New York, NY 10036). In order to receive any additional information about or to effect a transaction in any security or financial instrument mentioned herein, please contact a registered representative of Enclave Capital LLC.
36. As of the publication of this report Enclave Capital LLC, does not make a market in the subject securities.
37. This document does not constitute an offer of, or an invitation by or on behalf of Ambit Capital or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Ambit Capital or its Affiliates consider to be reliable. None of Ambit Capital accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

Disclosures

38. The analyst (s) has/have not served as an officer, director or employee of the subject company.
39. There is no material disciplinary action that has been taken by any regulatory authority impacting equity research analysis activities.
40. All market data included in this report are dated as at the previous stock market closing day from the date of this report.
41. Ambit and/or its associates have actual/beneficial ownership of 1% or more in the securities of DCB Bank Limited. Ambit and/or its associates have received compensation for investment banking/merchant banking/brokering services from DCB Bank Limited and HDFC Bank Ltd in the past 12 months.

Additional Disclaimer on Third Party – "Propstack":

42. This Report contains certain information obtained from the third party (Propstack - Leading Source for Real-Estate Intelligence in India). Ambit's Research team has not independently verified and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from Propstack.
43. Propstack may have interest in the stocks mentioned / covered in the Report.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

AMBIT Acumen at work

Ambit Capital Pvt. Ltd.
Ambit House, 3rd Floor. 449, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013, India.
Phone: +91-22-3043 3000 | Fax: +91-22-3043 3100
CIN: U74140MH1997PTC107598
www.ambitcapital.com