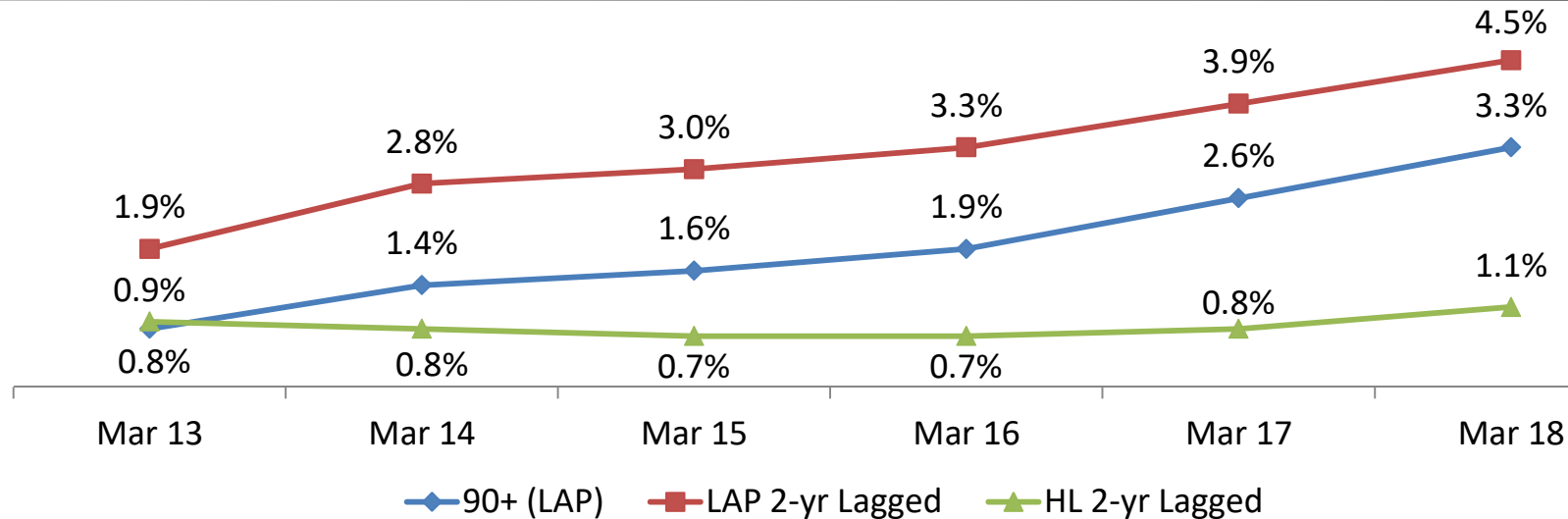


# **Loan Against Property Portfolio**

# Concern in LAP Portfolio at Industry Level



Source: Leading Rating Agency Data

- Ticket sizes are increasing
- LTVs [loan to value] are rising
- Funding against non-residential property is increasing
- Large volume of balance transfers masks true delinquency

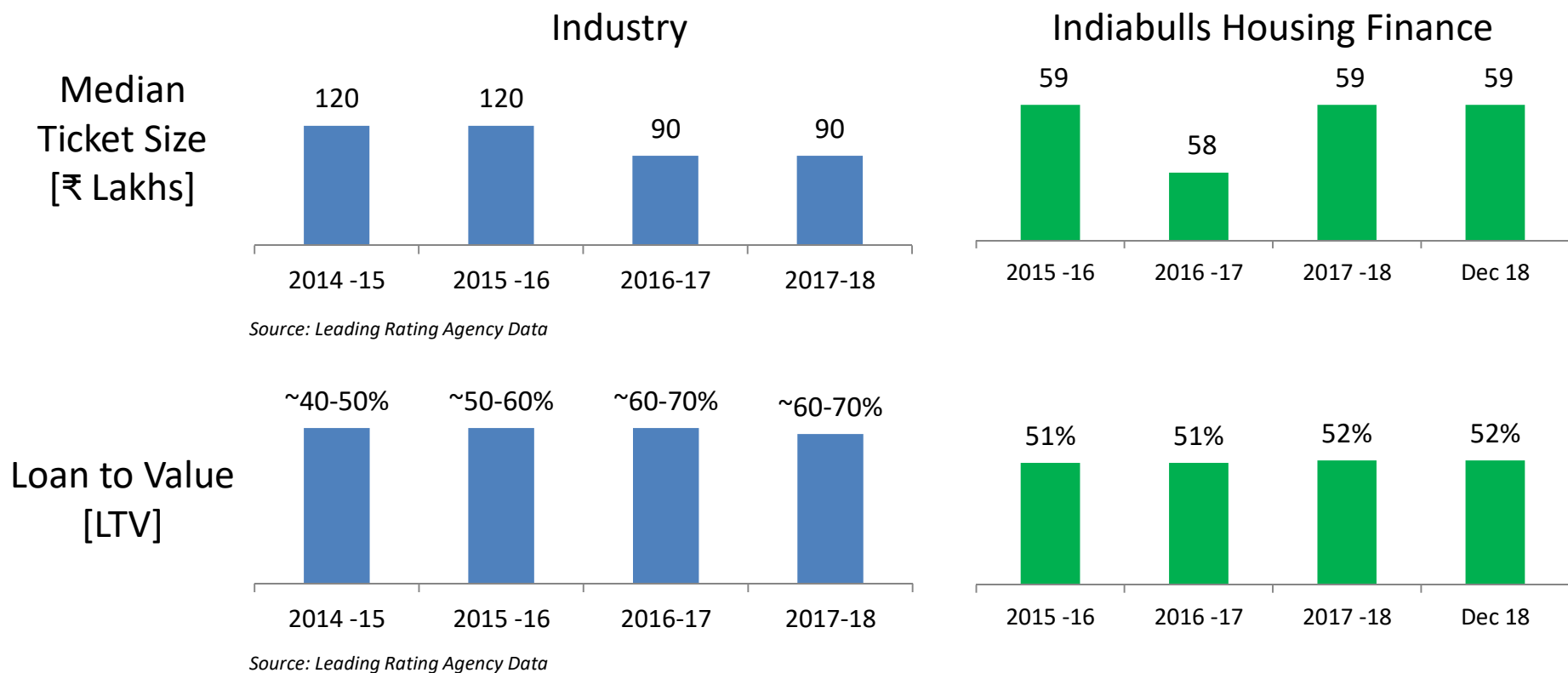
	Outstanding LAP Portfolio <sup>^</sup> [₹ Cr]	90+ days past due %
<b>Total</b>	4,33,682	3.96%
Indiabulls Housing Finance	23,467	0.50%
Private Banks	1,20,538	2.33%
Public Sector Banks	55,777	7.73%
NBFC	84,504	5.62%
HFC [includes IBHFL]	1,34,386	2.03%
Others	38,477	6.72%

Source: Credit Bureau of India Limited [CIBIL] data, Dec 2018

<sup>^</sup> Data is for individual non-housing loan mortgage loans  
IBHFL data is company information

LAP: Loan Against Property  
HL: Housing Loans

# How is Indiabulls' LAP Different?

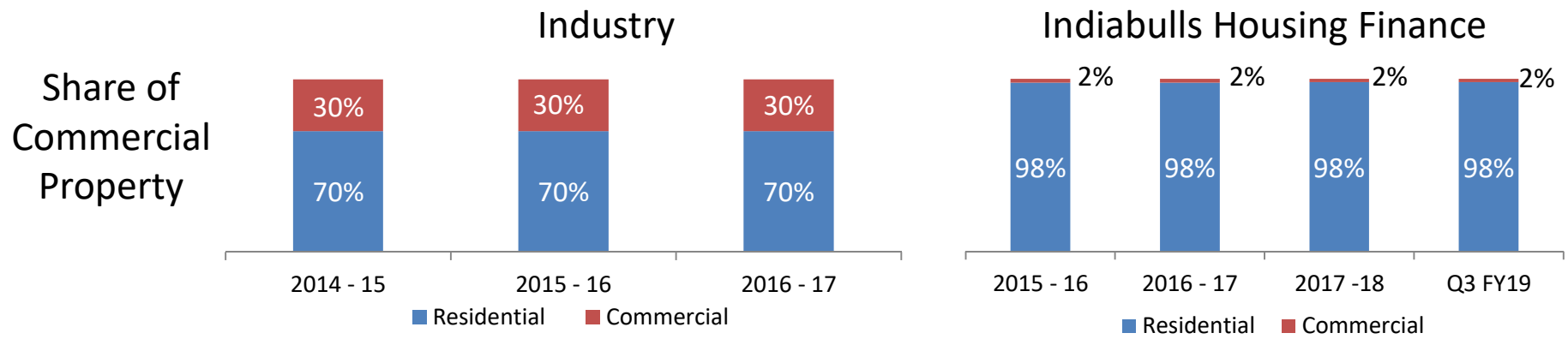


**Industry-level concern:** one-third of incremental lending is either high-ticket [ $> ₹200$  Lakhs] or high LTV [ $>65\%$ ]

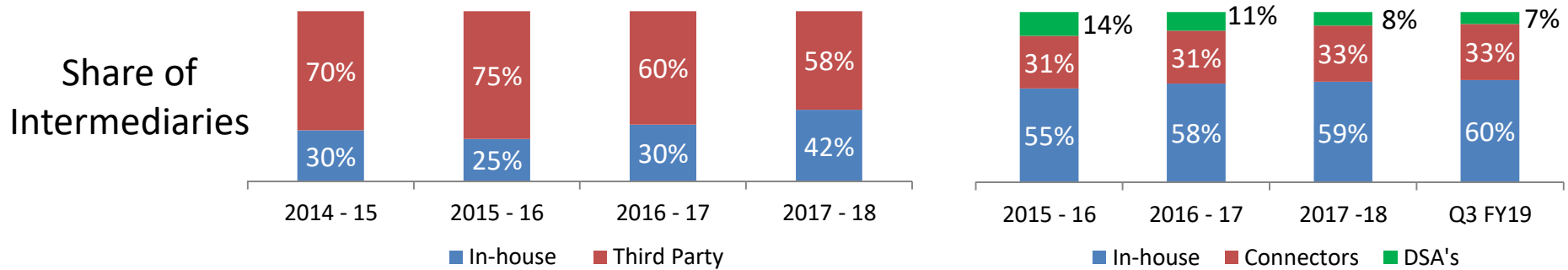
## Indiabulls Housing:

- Median ticket sizes have only moderately increased, roughly in line with inflation
- LTVs have remained stable
- Incremental sourcing where ticket size is  $> 200$  Lakhs and/or LTV is greater than 65% is only 17% compared to 30%+ for the industry

# How is Indiabulls' LAP Different?



Source: Leading Rating Agency Data



Source: Leading Rating Agency Data

DSA: Direct Selling Agents

## Industry-level concern

- Share of residential collateral decreasing
- Share of intermediaries increasing reducing control on credit and pushing up balance transfers

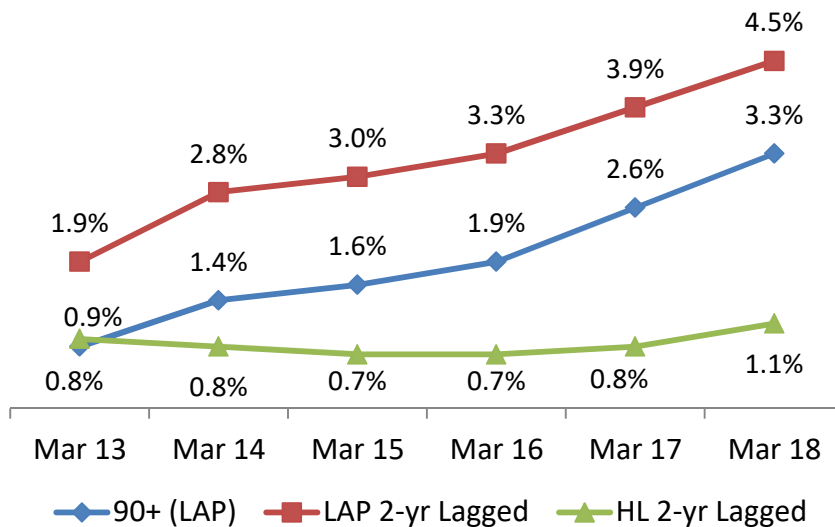
## Indiabulls Housing Finance

- Credit standards have not been diluted
- Strength of portfolio relies on funding against residential property for productive deployment in business
- Large direct sales team [DST] originally built up for housing loans is increasingly also sourcing LAP

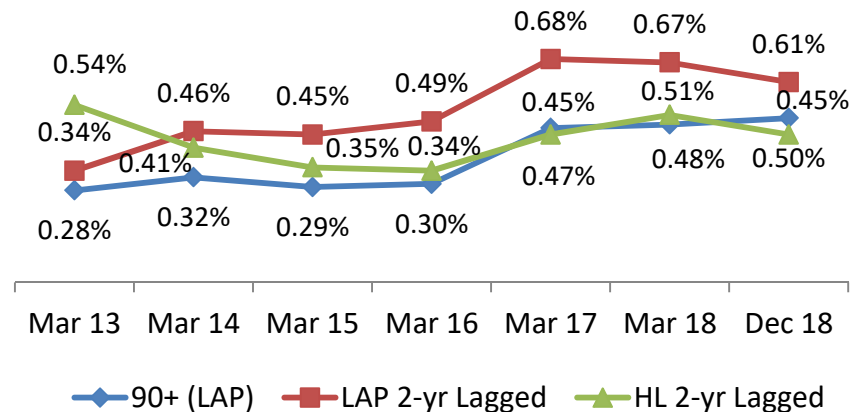
# Evident in Portfolio Performance



## Industry



## Indiabulls Housing Finance



Source: Leading Rating Agency Data

**Industry-level concern:** LAP 2-year lagged delinquencies is steeply increasing and is over 4x that of housing loans

### Indiabulls Housing:

- 2-year lagged delinquency for LAP is stable and only marginally higher than that of housing loans

LAP: Loan Against Property  
HL: Housing Loans

## Conservative Loan Against Property Profile



Average Loan Size	₹ 73 Lakhs
Maximum Loan to Value	65%
Average Loan to Value	49% [at origination]
Average Loan Term	7 years
Primary Security	Mortgage of property financed
Repayment Type	Monthly amortizing
Average Age of Business	7 years
Basis of Credit Appraisal	Business cash flow analysis based

**Cash flow based underwriting:** *Loan repayment is from underlying business cash flows and not from refinancing*

# Loan Against Property Myths

## LAP Myth 1: LAP loans' credit appraisal is mainly asset value based

- IBHFL LAP loans are underwritten on a cash flow based appraisal model
- **For over three years now IBHFL has been getting all of it's incremental LAP loans graded by CRISIL [a Standard and Poor's Company] and ICRA [a Moody's Investors Service Company]**
  - ICRA grades the loans on aspects such as past payment track record; nature of business and financial parameters; nature of property; and loan attributes like ticket size, sourcing channel, lending scheme, loan tenure, etc.
  - CRISIL grades the loans on aspects such as financial strength; business and management; collateral strength quality and enforceability; and attributes of the loan itself
  - Engagement with CRISIL was initiated in Q1FY16 and ICRA in Q2FY16
- **Concurrent grading by multiple rating agencies**
  - Offers IBHFL a broader and deeper perspective and a means to further improve loan portfolio
  - Rating agencies are important stakeholders: exercise will increase comfort and transparency on the asset class
- **Grading exercise is building into a comprehensive risk model**
  - Portfolio performance and delinquency is tracked against loan grades
  - Proactive customer management: retention, upsell/ cross-sell, delinquency management
  - Learnings are going towards improving loan underwriting and continuously upgrade lending policy

# CRISIL LAP Grading Methodology

Detailed assessment of key factors determining quality of LAP loans

Financial Strength	Business Management
<ul style="list-style-type: none"><li>• Interest and debt service cover</li><li>• Revenues, margin and profitability</li><li>• Networth and leverage</li><li>• Growth track of key financial parameters</li></ul>	<ul style="list-style-type: none"><li>• Business sector and sectoral prospects</li><li>• Business duration and track record</li><li>• Debt service track record</li><li>• Experience and qualification of promoters and proprietors</li><li>• Management strength and experience</li></ul>
Collateral Quality	Underwriting Process Adherence
<ul style="list-style-type: none"><li>• Property type and location</li><li>• Valuation of property</li><li>• Ownership and title chain of property</li><li>• Adherence to local zoning and planning permissions</li></ul>	<ul style="list-style-type: none"><li>• Independent verification and valuation</li><li>• Third party database checks<ul style="list-style-type: none"><li>– CERSAI</li><li>– Registrar of companies</li><li>– Credit bureau checks</li><li>– CIBIL mortgage checks</li><li>– RBI willful defaulter list</li><li>– Experian Hunter fraud check</li></ul></li></ul>



# CRISIL LAP Grading



Grading			Segment Characteristics			
Grading Scale	Quality of LAP Loans <sup>#</sup>	Disbursals Apr 15 –Sep 17	Interest Service Coverage Ratio [ISCR]	Total Outstanding Liabilities/ Total Networth	Loan to Value [LTV]	EBITDA Margins
LAP1	Highest	8.35%	10.3 – 13.3	1.3 – 1.4	49%	15% – 19%
LAP2	High	81.93%	8.2 – 10.3	2.0 – 2.1	50%	12% – 16%
LAP3	Average	9.35%	7.6 – 9.6	2.8 – 3.0	53%	9% – 12%
LAP4	Below Average	0.17%	13.4 – 18.2	1.7 – 1.8	47%	13% – 16%
LAP5	Poor	0.21%	8.8 – 11.4	2.3 – 2.4	50%	12% - 16%

Over 99% of incremental LAP loans are within the top three grades

- For the last three years, incremental LAP loans are graded by CRISIL Ratings
- Sourcing quality sustained through transition to GST
- Grading is based on customized scale developed by CRISIL Ratings for IBH’s LAP loans to small business owners
- CRISIL grades the loans on aspects such as financial strength; business and management; collateral; and underwriting process

\* CRISIL LAP grading engagement began in Q1FY16 and up till the publication of this earnings update, CRISIL had graded 86% of the disbursals from Apr 15 to Dec 18  
 # Adjudged by CRISIL in relation to other LAP loans extended to other borrowers

# ICRA LAP Grading Methodology

## [2<sup>nd</sup> rating agency to grade LAP loans]



- ICRA LAP Grading reflects ICRA’s assessment of the credit quality of the LAP loan on a ICRA developed customised scale

Grading Assessment Parameters		
Business and Business Owner	Collateral Quality and Enforceability	Loan Attributes
<ul style="list-style-type: none"> <li>• Fixed obligation to income ratio [FOIR]</li> <li>• Past payment track record</li> <li>• Credit bureau check</li> <li>• Nature of business and financial parameters</li> <li>• Due diligence checks                             <ul style="list-style-type: none"> <li>– Field credit investigation</li> <li>– Personal discussion</li> <li>– Reference checks</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Loan to value ratio [LTV]</li> <li>• Nature of property                             <ul style="list-style-type: none"> <li>– Residential</li> <li>– Commercial</li> </ul> </li> <li>• Usage of property                             <ul style="list-style-type: none"> <li>– Self occupied</li> <li>– Rented</li> <li>– Vacant</li> </ul> </li> <li>• Property location</li> <li>• Quality of construction</li> <li>• Adherence to sanction plans</li> </ul>	<ul style="list-style-type: none"> <li>• Ticket Size</li> <li>• Sourcing channel</li> <li>• Lending scheme</li> <li>• Loan tenure</li> </ul>

# ICRA LAP Grading



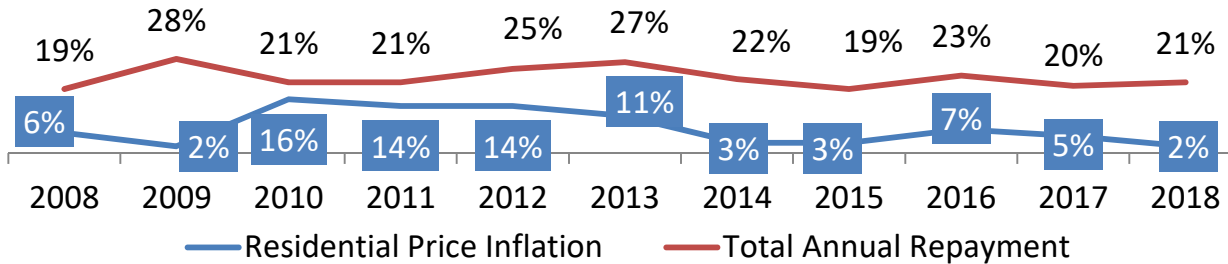
Grading			Characteristics	
Grading Scale	Level of credit worthiness	Grading Distribution	Median LTV	Median FOIR
LAP1	Excellent	12.2%	25%	32%
LAP2	Good	67.5%	54%	50%
LAP3	Average	20.1%	65%	58%
LAP4	Below Average	0.1%	61%	64%
LAP5	Inadequate	-	-	-

Over 99% of incremental LAP loans are within the top three grades

- Sourcing quality sustained through demonetisation and GST transition
- Grading is based on customized scale developed by ICRA for IBHFL’s LAP loans to small business owners
- ICRA grades the loans on aspects such as business and business owner quality; collateral quality enforceability; and loan strengths

# Loan Against Property Myths

## LAP Myth 2: Asset inflation is mainly responsible for LAP portfolio quality



3-Year Amortization Experience for IBHFL	
Contracted Amortization	23%
Actual Amortization	51%

Residential price inflation is from NHB Residex weighed with population of constituent cities

Fluctuation in property price inflation has no direct correlation with the repayment capability of LAP borrowers

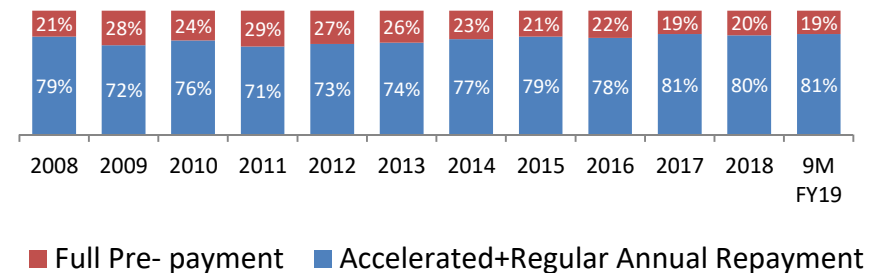
## LAP Myth 3: Real Estate Price Deflation will Inflate LTVs

	At Disbursal	2 Years Later	
Property Value	100	70	Price deflation by 30% over 2 years
Loan Amount	50	32	Repayment of 20% per annum
LTV <sup>2</sup>	50%	46%	Real LTV

- Assuming an extreme case 30% price deflation over a two year period, repayment rate of 20% per annum will mean that actual LTV will not rise

NHB: National Housing Bank, sector regulator for housing finance institutions  
LTV: Loan to value

## LAP Myth 4: Refinance drives LAP repayment rates



- Full pre-payment, a proxy for refinance, has been low
- An average of 76% of repayments are from clients' business cash flows, not from loans being refinanced

# Static Performance of Total LAP Portfolio

- Four cycles are through for the LAP product where average repayment period is about three years
- Pre-FY11 LAP portfolio has amortised 95%, is of eight years' vintage with 90+DPD% [incl. write-off] of only 0.13%

## Evident in Portfolio Performance

Financial Year	Disbursal [₹ Cr]	POS [₹ Cr]	Amortization	Average LTV	Avg MoB	90+DPD [incl. write off] [₹ Cr]	90+DPD% [of disbursal]
FY 2007	752.8	-	100.0%	48.0%	140.1	-	0.00%
FY 2008	2,141.1	22.6	98.9%	52.0%	126.0	0.0	0.00%
FY 2009	1,055.0	28.6	97.3%	55.7%	120.4	1.1	0.10%
FY 2010	2,548.7	161.2	93.7%	50.7%	109.8	2.9	0.11%
FY 2011	4,186.3	353.7	91.6%	47.5%	93.8	10.1	0.24%
<b>LAP Pre-FY11</b>	<b>10,683.8</b>	<b>566.1</b>	<b>94.7%</b>	<b>49.0%</b>	<b>101.0</b>	<b>14.0</b>	<b>0.13%</b>
FY 2012	3,698.6	536.2	85.5%	47.8%	85.0	14.0	0.38%
FY 2013	3,666.6	783.2	78.6%	43.5%	73.6	24.2	0.66%
FY 2014	3,778.6	1,051.8	72.2%	45.9%	61.4	26.0	0.69%
FY 2015	5,690.4	2,315.9	59.3%	49.4%	49.6	26.2	0.46%
FY 2016	6,436.7	3,406.5	47.1%	50.3%	37.1	15.1	0.23%
FY 2017	6,690.8	4,313.0	35.5%	50.3%	23.8	6.4	0.10%
FY 2018	7,926.5	6,241.3	21.3%	49.8%	13.2	1.4	0.02%
9M FY19	4,590.9	4,252.5	7.4%	44.3%	5.9	-	0.00%
<b>LAP Post-FY11</b>	<b>42,479.1</b>	<b>22,900.5</b>	<b>46.1%</b>	<b>48.5%</b>	<b>27.0</b>	<b>113.3</b>	<b>0.26%</b>
<b>Grand Total</b>	<b>53,162.8</b>	<b>23,466.5</b>	<b>55.9%</b>	<b>48.5%</b>	<b>28.8</b>	<b>127.3</b>	<b>0.25%</b>

DPD: Days Past Due

POS: Principal outstanding

LTV: Loan to value

MoB: Months on book

## Sold down LAP portfolio of ₹ 14,519 Cr as on December 31, 2018



- Pool collections are monitored at an account level
- CRISIL, a Standard & Poor's Company, ICRA, a Moody's Investors Service Company and CARE publishes pool performance of 7 PTC pools rated by them
- The summary report of the LAP pools:
  - Average vintage of sold down pools of ₹ 14,519 Cr of principal is 31 months
  - The pools have amortised 48% since disbursal
  - The cumulative collection ratio [CCR] is at 99.7% and the monthly collection ratio [MCR] is at 99.8 %

Summary	Number of Pools	Initial Pool Details			of Initial POS				CCR	MCR
		Disbursement (₹ Cr)	Sold Down Principal (₹ Cr)	Months on Book	Pool Principal (₹ Cr)	Amortisation	90+ dpd %	180+ dpd %		
DA Pools	68	15,847	12,276	58	6,149	62%	0.04%	0.03%	99.7%	99.8%
PTC Pools	7	2,443	2,243	40	1,186	51%	0.00%	0.00%	99.8%	99.2%
<b>Total</b>	<b>75</b>	<b>18,290</b>	<b>14,519</b>	<b>31</b>	<b>7,335</b>	<b>48%</b>	<b>0.04%</b>	<b>0.03%</b>	<b>99.7%</b>	<b>99.8%</b>

# LAP Pool Performance Factsheet

## Pass-Through Certificates



Sr No	Investor	Initial Pool Details			MPS	Pool Principal[₹ Cr]	Amortisation#	of Initial POS		CCR	MCR	QCR	Outstanding Rating from
		Sold Down Date	Disbursement [₹ Cr]	Sold Down Principal [₹ Cr]				90+ dpd %	180+ dpd %				
1	Bank 2	30-Dec-13	111.4	98.6	60	12.5	89%	0.00%	0.00%	99.8%	96.0%	101.0%	CARE
2	Bank 2	20-Mar-14	440.3	385.0	57	41.4	91%	0.00%	0.00%	99.9%	99.5%	99.6%	CARE
3	Bank 3	31-Mar-16	228.0	209.1	32	87.7	62%	0.00%	0.00%	99.7%	96.9%	98.3%	CARE
4	Bank 9	27-Sep-17	664.0	609.7	14	496.8	25%	0.00%	0.00%	99.8%	99.9%	99.9%	ICRA
5	Bank 14	30-Sep-16	143.7	136.0	26	47.5	67%	0.00%	0.00%	99.5%	99.0%	99.6%	CRISIL
6	Bank 9	30-Dec-16	545.8	512.7	23	303.7	44%	0.00%	0.00%	99.8%	99.6%	99.9%	CRISIL
7	Bank 9	27-Mar-17	310.1	292.4	20	197.2	36%	0.00%	0.00%	99.9%	99.6%	99.7%	CRISIL

Pools monitored for payouts until 31<sup>st</sup> Dec'18

MPS: Months post securitisation  
CCR: Cumulative collection ratio

MCR: Monthly collection ratio  
QCR- Quarterly collection ratio

# Amortisation is calculated on Disbursement  
dpd: days past due

Data is for Dec 2018 payouts

# LAP Pool Performance Factsheet: CRISIL Direct Assignments [Sold Down]



Sr. No	Investor	Initial Pool Details			MPS	Pool Principal [₹ Cr]	Amortisation#	of Initial POS			CCR	MCR	QCR
		Sold Down Date	Disbursement [₹ Cr]	Sold Down Principal [₹ Cr]				90+ dpd %	180+ dpd %				
1	Bank 3	31-Dec-13	224.4	178.6	59	9.0	96%	0.00%	0.00%	100.0%	100.0%	99.8%	
2	Bank 10	07-Feb-14	429.8	329.8	59	28.2	93%	0.01%	0.01%	99.9%	97.0%	97.7%	
3	Bank 4	28-Mar-14	271.6	214.5	57	17.3	93%	0.00%	0.00%	100.0%	102.8%	102.2%	
4	Bank 4	20-Jun-14	231.1	189.4	53	15.0	93%	0.07%	0.07%	99.8%	102.7%	100.5%	
5	Bank 4	27-Jun-14	185.5	153.6	53	25.1	85%	0.11%	0.11%	99.9%	98.7%	98.7%	
6	Bank 10	29-Dec-14	454.0	371.6	47	52.8	87%	0.13%	0.13%	99.9%	102.2%	100.4%	
7	Bank 2	30-Mar-15	1,067.2	869.5	44	178.3	81%	0.17%	0.06%	99.9%	99.1%	100.3%	
8	Bank 4	30-Jun-15	145.1	112.8	41	19.1	85%	0.09%	0.09%	100.0%	99.6%	99.1%	
9	Bank 12	28-Sep-15	220.2	180.7	38	35.7	82%	0.00%	0.00%	100.0%	110.4%	101.2%	
10	Bank 12	28-Sep-15	234.5	200.3	38	46.8	78%	0.00%	0.00%	99.9%	97.1%	102.6%	
11	Bank 1	28-Sep-15	359.5	285.0	38	52.1	84%	0.00%	0.00%	99.9%	105.6%	101.7%	
12	Bank 8	29-Sep-15	430.3	364.1	39	75.2	81%	0.17%	0.17%	99.8%	101.6%	101.2%	
13	Bank 12	09-Dec-15	33.3	24.2	36	5.0	83%	0.00%	0.00%	99.9%	100.8%	99.5%	
14	Bank 12	09-Dec-15	50.6	43.5	36	17.3	62%	0.00%	0.00%	100.0%	100.0%	99.8%	
15	Bank 12	23-Dec-15	156.2	133.7	35	29.7	79%	0.00%	0.00%	100.0%	104.6%	101.8%	
16	Bank 1	31-Dec-15	120.4	99.8	36	26.7	75%	0.00%	0.00%	99.9%	97.1%	98.0%	
17	Bank 1	31-Dec-15	278.5	222.5	36	43.9	82%	0.00%	0.00%	99.8%	99.5%	103.3%	
18	Bank 1	03-Mar-16	95.7	77.4	33	21.5	75%	0.00%	0.00%	99.9%	101.1%	100.5%	
19	Bank 12	10-Mar-16	175.4	150.0	33	20.7	87%	0.00%	0.00%	99.9%	105.8%	99.5%	
20	Bank 9	30-Jun-16	250.3	209.4	29	82.2	64%	0.37%	0.37%	99.7%	99.6%	99.2%	
21	Bank 10	30-Jun-16	405.9	331.5	29	113.0	69%	0.29%	0.27%	99.8%	99.6%	98.8%	
22	Bank 13	26-Sep-16	152.4	124.8	27	45.9	67%	0.00%	0.00%	99.7%	97.1%	99.4%	
23	Bank 13	26-Sep-16	216.3	174.8	27	40.4	79%	0.00%	0.00%	100.0%	101.9%	100.7%	
24	Bank 8	30-Sep-16	331.2	273.3	26	89.4	70%	0.00%	0.00%	99.9%	97.1%	100.5%	

Pools monitored for payouts until 31<sup>st</sup> Dec'18

MPS: Months post securitisation  
CCR: Cumulative collection ratio

MCR: Monthly collection ratio  
QCR: Quarterly collection ratio

# Amortisation is calculated on Disbursement  
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# LAP Pool Performance Factsheet: CRISIL Direct Assignments [Sold Down]



Sr. No	Investor	Initial Pool Details			MPS	Pool Principal [₹ Cr]	Amortisation#	of Initial POS			CCR	MCR	QCR
		Sold Down Date	Disbursement [₹ Cr]	Sold Down Principal [₹ Cr]				90+ dpd %	180+ dpd %				
25	Bank 14	30-Mar-17	415.9	340.5	20	182.1	51%	0.00%	0.00%	99.8%	99.9%	99.5%	
26	Bank 1	20-Mar-12	236.0	222.3	81	11.9	95%	0.00%	0.00%	100.0%	100.0%	99.0%	
27	Bank 8	30-Jun-17	406.0	332.7	18	206.6	43%	0.10%	0.00%	99.3%	101.9%	99.9%	
28	Bank 10	28-Jun-17	626.6	469.4	17	263.2	53%	0.00%	0.00%	99.6%	97.2%	98.8%	
29	Bank 5	26-Sep-17	1,237.7	947.7	14	594.6	47%	0.07%	0.07%	99.7%	99.8%	99.9%	
30	Bank 5	26-Sep-17	706.1	580.8	14	358.1	44%	0.00%	0.00%	99.6%	97.9%	99.2%	
31	Bank 5	29-Dec-17	436.8	356.9	11	265.3	33%	0.00%	0.00%	99.4%	97.3%	99.0%	
32	Bank 5	29-Dec-17	444.6	354.0	11	281.8	30%	0.00%	0.00%	99.1%	98.7%	101.6%	
33	Bank 12	29-Dec-17	160.6	129.8	11	90.5	37%	0.00%	0.00%	99.8%	100.9%	99.9%	
34	Bank 12	29-Dec-17	217.1	172.0	11	92.1	53%	0.00%	0.00%	99.7%	98.8%	98.7%	
35	Bank 12	01-Mar-18	136.6	115.4	9	94.8	23%	0.00%	0.00%	99.8%	99.1%	99.4%	
36	Bank 12	01-Mar-18	89.5	71.4	9	59.4	26%	0.00%	0.00%	99.7%	97.1%	99.0%	
37	Bank 15	29-Jun-18	515.3	428.1	6	382.9	17%	0.00%	0.00%	99.6%	99.6%	99.6%	
38	Bank 12	29-Jun-18	196.0	166.3	6	153.7	13%	0.00%	0.00%	99.8%	99.3%	99.8%	
39	Bank 12	29-Jun-18	182.6	147.7	6	134.2	18%	0.00%	0.00%	99.6%	99.4%	99.6%	
40	Bank 8	28-Jun-18	112.8	86.5	6	76.0	25%	0.00%	0.00%	100.0%	100.0%	100.1%	
41	Bank 8	27-Sep-18	108.4	81.1	3	75.7	22%	0.00%	0.00%	98.9%	99.8%	98.9%	
42	Bank 15	19-Sep-18	284.2	237.5	3	221.6	13%	0.00%	0.00%	98.9%	98.2%	98.9%	
43	Bank 12	23-Aug-18	121.7	102.2	4	93.8	14%	0.00%	0.00%	99.4%	99.1%	99.4%	
44	Bank 12	31-Oct-18	64.6	53.3	2	52.9	9%	0.00%	0.00%	98.2%	98.2%	98.2%	
45	Bank 12	23-Aug-18	96.2	83.2	4	79.8	8%	0.00%	0.00%	99.8%	99.8%	99.8%	
46	Bank 12	31-Oct-18	64.1	53.6	2	53.1	8%	0.00%	0.00%	99.8%	99.8%	99.8%	
47	Bank 15	26-Sep-18	404.0	334.4	3	305.7	16%	0.00%	0.00%	99.8%	100.2%	99.8%	
48	Bank 15	31-Oct-18	153.8	131.0	2	129.3	7%	0.00%	0.00%	100.0%	100.0%	100.0%	

Pools monitored for payouts until 31<sup>st</sup> Dec'18

MPS: Months post securitisation  
CCR: Cumulative collection ratio

MCR: Monthly collection ratio  
QCR: Quarterly collection ratio

# Amortisation is calculated on Disbursement  
dpd: days past due

Data is for Dec 2018 payouts

Thank you