



**Indiabulls Financial Services Limited**

*Earnings Update – Q3 FY09*

*Un-audited Results*

*January 23<sup>rd</sup>, 2009*

The Board of Directors of Indiabulls Financial Services Limited at their meeting held on January 23<sup>rd</sup>, 2009, approved the un-audited results for the quarter ended December 31<sup>st</sup>, 2008.

### **Highlights:**

#### **Nine months FY 09 compared to Nine months FY 08**

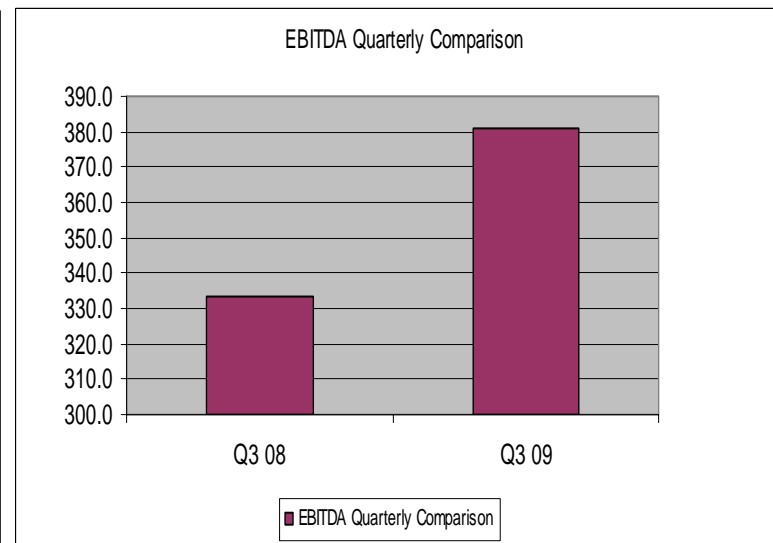
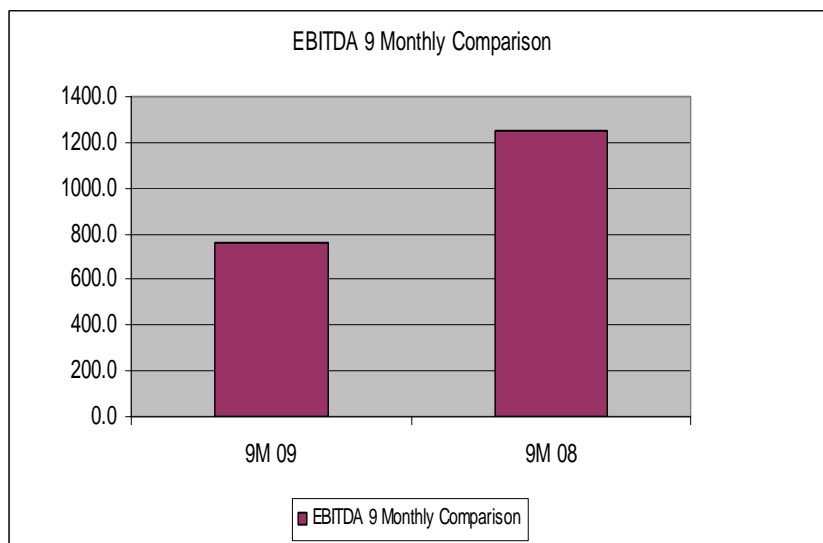
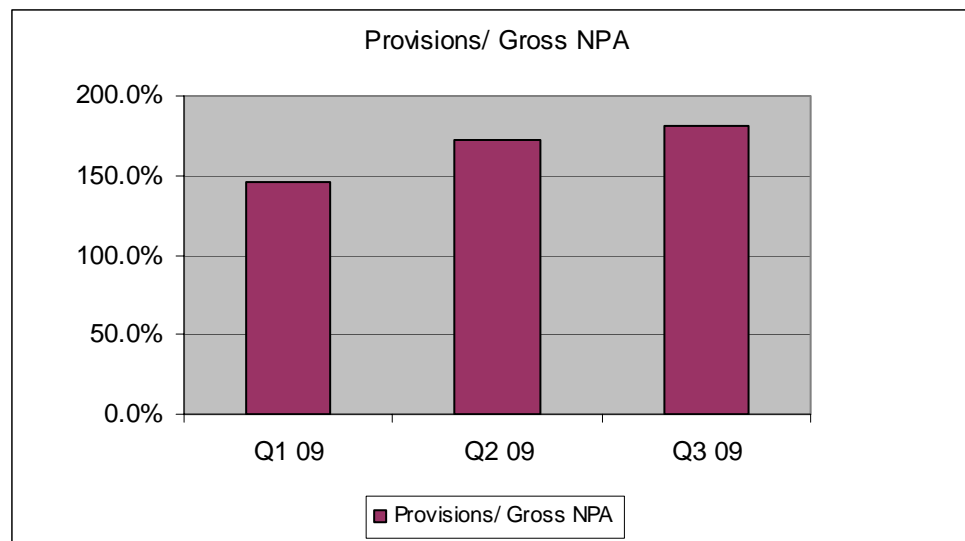
- Consolidated Total Revenues up 58.3% to Rs. 1,751.7 crore in first 9 months FY 09 from Rs. 1,106.9 crore in first 9 months FY 08
- EBITDA up 64.3% to Rs. 1,252.5 crore in first 9 months FY 09 from Rs. 762.3 crores in first 9 months FY 08
- Consolidated Profit After Tax down 9.4% to Rs. 354.7 crore in first 9 months FY 09 from Rs. 391.3 crore in first 9 months FY 08
- Basic EPS down 15.1% to Rs. 13.2 in first 9 months FY 09 from Rs. 15.5 in first 9 months FY 08

#### **Q3 FY 09 compared to Q3 FY 08 (YoY)**

- Consolidated Total Revenues up 26.2% to Rs. 546.1 crore in Q3 of FY 09 from Rs. 432.7 crore in Q3 of FY 08
- EBITDA up 14.3% to Rs. 381.2 crores in Q3 of FY 09 from Rs. 333.6 crore in Q3 of FY 08
- Consolidated Profit After Tax down 57.3% to Rs. 70 crore in Q3 of FY 09 from Rs. 163.9 crore in Q3 of FY 08
- Basic EPS down 60.9% to Rs. 2.5 in Q3 of FY 09 from Rs. 6.4 in Q3 of FY 08

#### **Revenues Grew in the Quarter but Profit Declined:**

- The temporary liquidity squeeze in the Indian market, caused by Global financial crisis, caused short term borrowing costs to increase sharply in Q3FY09.
- The returns on cash balances temporarily dropped in the quarter as the company shifted a bulk of its cash of Rs. 3320.34 crore from mutual funds to bank fixed deposits. This sharply increased the negative carry on excess cash reserves. 65.6% of the company's FDR's were parked with Public Sector Banks as of December 31, 2008.
- Due to increased uncertainty in the economic environment, the company increased its unencumbered cash position during the quarter and as on 31<sup>st</sup> December 2008, the company had a cash balance of Rs. 3320.34 crore. This cash balance does not include Rs. 712.7 crore of encumbered Fixed Deposits which the company maintains as credit enhancement for its various portfolio sell down transactions.
- The interest cost increased by Rs 190.2 crores in Q3 of FY 09 to Rs 291.8 crores from Rs. 101.6 crores in Q3 FY 08.
- The Company has provided for additional general provisioning reserves over and above the standard provisioning policy of the Company in light of the highly uncertain macro-economic environment.
- Provisions/Gross NPA of 181% increased from 171% as of 30<sup>th</sup> Sept,2008 and 146% as of 30<sup>th</sup> June,2008



### Business Highlights

- In January 2009, CRISIL has reaffirmed the P1+ rating of the short term borrowing program of the company and has enhanced it to Rs.5000 crore from Rs. 4000 crore.
- CRISIL has assigned for the first time, the long term rating of AA- /Stable for the company's Long Term Bank Loan Facility Program and its NCD Program.
- As on December 31, 2008, the Company had established banking relationships with 28 Banks and Financial Institutions.
- The company has maintained a high Cash balance throughout the quarter. As of December 31, 2008, the Cash and Cash Equivalent (including investments in Liquid Schemes of Top Asset Management Companies) was Rs. 3,320.34 crore. This cash balance does not include Rs. 712.7 crore of encumbered Fixed Deposits which the company maintains as Credit enhancement for its various sell down transactions.
- 68.5 % of Rs. 3,320.34 crore was maintained with Banks and 31.5 % was parked in Liquid Schemes of Asset Management Companies.
- 47.3 % of Rs. 3,320.34 crore was maintained with Public Sector Banks and 24.2 % was parked in Liquid Schemes of Public Sector Asset Management Companies.
- The Company has proactively re-positioned its business for the uncertain macro-economic environment by implementing significant steps that are a drag on operating profits in the short term however significantly reduce operating, financing and credit risks over the medium to long term:
  - Increase the Provision / Gross NPA ratio by making higher provisions due to difficult and challenging economic environment
  - Maintain high levels of liquidity and Capital in the business – CRAR stands at 30.36%
  - Keep leverage low (only 2.4 x debt / equity on December 31, 2008)
  - Tighten credit policies further and pursue only low LTV secure assets
  - Maintain industry leading credit and collections discipline; credit ratios reflect strong performance
  - Continue to increase number of counter parties with financing relationships with increased focus on building relationships with diverse types of banks
  - Maintain high credit ratings for Company and for collateral-backed pools

#### Net worth:

- Consolidated Net-worth of Rs 3,842.5 crore, as compared to Rs. 3,500.8 crore of consolidated network on March 31, 2008.
- Book value per share increased to Rs. 145.3 as of December 31, 2008, compared to Rs. 131.9 as of March 31, 2008.

### Portfolio Highlights:

- Total outstanding & serviced loans as on December 31, 2008 were Rs. 10,139.0 crore compared to total outstanding & serviced loans of Rs. 8,814.5 crore as on December 31, 2007 (a growth of over 15.0% yoy).
- Average annualized yield on Rs. 10,139.0 crore outstanding and serviced portfolio is 19.04%.
- The LTV for mortgage backed portfolio was 39.4% (compared to 51.4% in prior period) as the Company has purposely steered the asset mix towards lower risk and better coverage assets over the past few quarters.
- Total outstanding small ticket personal loans were Rs. 215.1 crores as on December 31, 2008 which constitutes about 2.1% of the current loan portfolio as compared to Rs. 451.9 crores as on December 31, 2007 which constituted 5.1% of the then portfolio
- The total portfolio constituting of funding done to promoters of various companies and various listed companies backed by promoters shares and other collateral like real estate as on December 31, 2008 is Rs 520 crore, out of total outstanding and serviced loans of Rs.10,139.0 crore which represents 5.1% of total outstanding and serviced loans.

### Provisioning & NPA Performance

Indiabulls Financial Services Limited follows a combination of general (including additional provisions) and specific provision policy on its outstanding loan portfolio. Company has provided additional general provisioning over and above the standard policy to provide for abnormal risks prevailing in the current economic environment. General provisions are taken upfront on all consumer loans disbursed and outstanding, while specific provisions are additional and based on progressive rates on aged portfolio and on static basis. The specific provisions reflect the actual performance of the portfolio and are in addition to the upfront general provisions.

### Credit Performance

As at December 31, 2008 Credit statistics of the portfolio:

- General provisions stood at Rs. 187.90 crore & specific provisions stood at Rs. 50.50 crore. Aggregate provisions stood at Rs 238.40 crore representing 2.4% of the loan portfolio (excluding Rs 49.7 crore of write-offs during the quarter).
- Gross NPAs of Rs 131.64 crore which represents 1.30% of the total loan portfolio.
- Net NPAs of Rs 0.0 crore which represents 0.0% of the total loan portfolio.
- Provisions / Gross NPA coverage of 181.1%
- The Company has taken total write offs of Rs. 120.0 crore in the last 9 months including Rs. 49.7 crore during the quarter ended December 31, 2008 as bad debts. This is in line with the Company policy of writing off loans at an early stage if recovery is doubtful and is reflected in the low balance of delinquent loans with DPD graduation beyond 360 days

- In addition to above, the Company has made additional provisions of Rs. 80.0 crore in the last 9 months
- The vast majority of Delinquency and Credit costs are driven by the small-ticket personal loan business, which the Company has reduced from more than 5.1% of total book a year ago to about 2.1% of total book, and is in run-off mode. This has reduced from 2.5% of total book as of 30<sup>th</sup> September 2008.
- Upfront provisioning has provided significant credit cushion as Provisions cover is 254.8% of NPAs in non-small ticket personal loan business (which is more than 97.8% of the total book) and is significantly higher as % of expected losses on these NPAs (given high recoveries in Secured Asset portfolio)

### **Strategic Updates**

#### **New Business Ventures:**

During Q3 FY 09, the Company has made significant progress towards commercial launch of its three new business ventures. The Company expects to build a significant presence in these new segments with its strong distribution, brand and existing client base and expect them to form pillars of our growth and value creation in FY 2010 and beyond.

- **Commodities Exchange:** IBFSL and MMTC Limited, a Government of India undertaking and the largest international trading house in India, have started the process of operationalising the Multi Commodities Exchange. Millennium Information Technology (MIT), a leading international exchange services provider, headquartered in Cambridge, USA, has been awarded the contract for implementing the technology platform. Millennium has implemented the technology platform at more than a dozen exchanges worldwide, including AMEX and Icap of USA. The exchange is expected to go live in the first quarter of next financial year, subject to regulatory approvals.
- **Life Insurance Venture:** Indiabulls Financial Services Limited (IBFSL) joint venture with Sogecap, the insurance arm of Societe Generale (SocGen) for its life insurance venture has made significant investments in people and technology to kick start the JV soon after the completion of the regulatory approval process. Mr Chirag Jain, has been appointed as CEO (Designate), subject to regulatory approval. The distribution network and related sales team has been strengthened during the quarter. Actuarial and Back room related technology providers have been finalized. The regulatory licensing process is expected to be over in Q4FY09.
- **Asset Management Business:** IBFSL has already received approval from SEBI for its wholly owned Asset Management Company (AMC). All agreements with service providers including Custodian, Fund Accounting have been entered into and the business is expected to be launched in Q4FY09, subject to regulatory approvals.

### **Safe Harbor**

*This document contains certain forward-looking statements based on current expectations of Indiabulls management. Actual results may vary significantly from the forward-looking statements in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, and outside India, volatility in interest rates and in Securities markets, new regulations and government policies that might impact the business of Indiabulls in either Consumer Finance or Securities Business, the general state of the Indian economy and the demand for credit by commercial enterprises and consumers, and the management's ability to implement the company's strategy. Indiabulls doesn't undertake any obligation to update these forward-looking statements.*

*This document does not constitute an offer or recommendation to buy or sell any securities of Indiabulls or any of its subsidiaries or associate companies. This document also doesn't constitute an offer or recommendation to buy or sell any financial products offered by Indiabulls.*

### **Investor Contacts:**

Gagan Banga  
Chief Executive Officer  
Indiabulls Financial Services Limited  
Tel: +91 22 39895555  
Fax: +91 22 66311641  
Email [Investor.relations@indiabulls.com](mailto:Investor.relations@indiabulls.com)

### **Media Contacts:**

Kubeir Khara  
Vice President  
Indiabulls Financial Services Limited  
Tel: +91 22 67430957  
Fax: +91 22 67430989  
Email [Investor.relations@indiabulls.com](mailto:Investor.relations@indiabulls.com)