Indiabulls Housing Finance Limited announces its Q2 FY23 Financial Results

Retail disbursals under the asset-light model has risen 9x times in H1FY23 over H1FY22
Straight-pass-through digital process piloted and operational for co-lending
Q2 FY23 PAT of ₹ 289 Cr vs Q2 FY22 PAT of ₹ 286 Cr
H1 FY23 PAT of ₹ 576 Cr vs H1 FY22 PAT of ₹ 568 Cr

Mumbai, 14th November 2022: The Board of Directors of Indiabulls Housing Finance Ltd. (IBH) announced its unaudited financial results for the quarter ended September 30th 2022.

IBH Key Financials:

Particulars	Q2 FY22-23	Q1 FY22-23
Balance sheet	75,812	75,794
PAT	289	287
Net Gearing	2.5x	3.0x
CRAR	34%	34%
Tier-1	28%	28%
Particulars	H1 FY22-23	H1 FY21-22
PAT	576	568

Highlights:

- PAT for Q2FY23 is ₹ 289 Cr, vs Q2FY22 PAT of ₹ 286 Cr.
- PAT for H1FY23 is ₹ 576 Cr, vs H1FY22 PAT of ₹ 568 Cr.
- Balance sheet, loan book and AUM have stabilized. Base formed for ~10% AUM growth in FY23
- **Retail disbursals under the asset-light model have increased 9x times in H1FY23 v/s H1FY22**
- Since FY2022, retail disbursals of ~₹ 7,800 Cr have been done under the asset-light model. Disbursals have sharply picked up, retail AUM has resumed growth and asset-light model is earning RoA of 3%+
- Over 1,500 employees added since March 2021
- Book spread has expanded to 3.1% at end H1FY23 as rate increases have been passed on
- Assignment/ Securitization/ Co-lending constituted 31% of IBH's funding mix as at end of Q2FY23
- In H1FY23, Stage 2 loans assets are down by 26% from FY22, and 39% from FY21
- Gross NPAs at 2.94% in Q2FY23. Net NPAs at 1.70%. Total provisions at ₹ 1,775 Cr [3.0% of loan book], which is 2.6x times of the regulatory requirement. Stage 3 provision coverage ratio at 42%
- Capital adequacy stands at 34% and Tier 1 at 28%.
- Net gearing at 2.5x at the end of Q2FY23. Will remain stable at these levels as incremental business will be done in an asset-light model
- The Company's Liquidity Coverage Ratio stood at 196% against a regulatory requirement of only 50%.
- Board has approved creation of ear-marked pool of fixed deposits in four tranches from Q3FY23 to meet ECB repayments due in Q2FY24. The board has also approved subsequently creating similar ear-marked pools to meet FCCB dues due in Q4FY24
- Opened 11 new branches in H1FY23
- Of the 7 partner banks and FIs, IBH has completed technical integration with 4. Tech integration with all 7 will be completed within FY23 itself

Scaling up of Disbursals under Retail Asset-Light Model

The Company disbursed retail loans of ₹ 4,598 Cr under the asset-light model in H1FY23, scaling up from its quarterly disbursal run-rate of ₹ 1,500 Cr in H2FY22. The Company has completed co-lending tech integration with 4 partners and expect to complete the tech integration with the remaining 3 partners within FY23 itself.

In-line with its guidance, the AUM of the Company is now on the growth trajectory. Under the asset-light model, the AUM will keep compounding while balance-sheet size and on-balance sheet loan book will stay flat or decline sometimes.

Much like in the US where the sell down/ securitization market is increasingly getting streamlined, The Company is working towards a multi-bank marketplace where loans seamlessly flow to multiple partner banks. The Company has standardized its documentation across all its partners, and the loan appraisal and on-boarding processes have also been standardized. Along with tech integration, the Company has also put in place a straight pass through mechanism, such that loans approved under the joint policy get seamlessly on-boarded with partner banks.

In fact, with a large public sector bank, the Company successfully completed an end-to-end digital straight-pass-through pilot. Incremental disbursals are now being on-boarded through this straight-pass-through digital platform

Increase in Reference Rate and Expansion of Spreads

Book spread has expanded to 3.1% at end H1FY23 as rate increases have been passed on.

An increasing interest rate cycle is always beneficial for the Company’s spreads, as over 99% of its advances are on floating rate, wherein the Company passes on the rate increase almost instantaneously, while a large part of its funding mix is on a fixed rate basis. The rate increases will thus help improve the Company’s spreads and NIMs going ahead.