

DHFL/CSD/2016-17/ 634  
Date : 14<sup>th</sup> November, 2016

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| The Manager<br>Listing Department<br>The BSE Limited.<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street, Fort,<br>Mumbai- 400 001. | The Manager<br>Listing Department<br>National Stock Exchange of India Limited,<br>'Exchange Plaza', C-1, Block G,<br>Bandra- Kurla Complex,<br>Bandra (East), Mumbai- 400 051. |
| Fax No. 2272 2082 / 3132   | Fax No. 26598237 / 38  |
| Stock Code : 511072  | Stock Code : DHFL  |

Dear Sirs,

*Sub : Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

The Government's move to demonetise high denomination currency notes is expected to lead to significant long term benefits for the economy. We wish to place on record a note (as enclosed) summarising our analysis on the impact of demonetisation process on the housing finance sector and how DHFL is well positioned in this changed scenario.

We also wish to inform you that a call with the institutional investors/analysts of the Company is scheduled to be held on Tuesday, 15<sup>th</sup> November 2016 at 6.00 PM (IST). The subject call is to discuss the impact of demonetisation on the housing finance sector in general and on the Company in particular; and to address the investor queries, if any, in this respect.

We request you to kindly take note of the same.

Thanking you,

Yours sincerely,  
**for Dewan Housing Finance Corporation Limited**

  
**Niti Arya**  
Company Secretary  
FCS No- 5586

Enclosure as above



## Government's demonetisation scheme – Positive impact on DHFL & Housing Finance sector

The recent move by Government of India to demonetise the Rs 500 and Rs 1,000 currency notes is expected to significantly deter the malpractices supported by cash economy and fake currencies.

The rapid growth of cash economy in the last few years has distorted the real estate market and encouraged unethical practices among both the developer and home buyer community. Fortunately for the housing finance sector, we have witnessed positive developments in 2016. The expected implementation of the Real Estate (Regulation and Development) Act (RERA) and now the demonetisation scheme will significantly alter the way real estate sector operates in the country.

While the medium to long term benefits of this move to the economy at large and the real estate sector in particular are indisputable, DHFL expects some short term challenges. It is expected that cash-flows of the households, particularly the self-employed category, may be impacted for some time due to withdrawal of 86% of the currency from the system until normalcy is restored and businesses align themselves to the non-cash mode of payments including electronic payments. We expect that this transition may happen in next couple of months.

Since its inception and for more than three decades, DHFL has focussed on providing affordable housing finance to the Lower and Middle Income (LMI) customers segments, primarily in the outskirts of metros and Tier 2/3 locations. In these customer segments and locations, affordability is much better and home purchases are typically for self-consumption. DHFL's systems, processes and network are aligned to support these segments and hence the business model is naturally cushioned to absorb the temporary challenges due to demonetization:

- DHFL focusses on the first time buyer/end user, and their demographics are significantly different from the investor profile. More than 70% of the home loan customers are salaried with stable income sources and for the majority of the customers, the funded property is the first home purchase. However, home purchase transactions may see a temporary dip as the market realigns itself to the new reality but we are confident that a moderation in pricing will spur new demand in the end user customer segment.
- One specific challenge that we and the overall market are facing is the sudden shortage of liquidity. While more than 90% of our EMI payments are via non cash routes, the sudden impact may lead to temporary delays. The sales and credit teams are fully aligned with collections and recoveries team to ensure that customers are contacted and offered all possible support during this transition phase. Our core customer segment has always had a structurally low default rate and the NPA levels have been stable through multiple business cycles.
- DHFL focusses on affordable housing, where the prices are more reasonable, unsold inventory is lower and probability of price correction is lower compared to luxury and high end properties. This provides the company with a significant buffer if the real estate market witnesses a correction.
- In the project loans segment, DHFL focuses on local and mid-size developers with long track record of home construction. This coupled with the fact that DHFL is the sole lender will ensure that these projects will not face cash crunch during the construction phase.
- The company also restricts its project loan exposure to projects which have obtained all approvals, started construction and launched sale process. The receivable cover at existing sales price is more than 2X in these projects.
- Finally, the demonetisation move along with RERA will materially increase the propensity to fund a home purchase with a home loan. DHFL has always considered the registered price of property to fund home loans and hence the receivable cover will remain stable.

In the long term, we believe that the country is moving towards a cleaner economy which provides a fillip to the formal financing ecosystem. DHFL has positioned itself as a lender of first choice in the affordable housing space and as previously disenfranchised segments of the population gravitate towards home loans to fund their home purchases, DHFL will be able to provide an unbeatable value proposition to customers.

