

Chairman and Managing Director's Foreword



Dear Members, Colleagues and Friends

Macroeconomic Review

As per the World Economic Outlook (WEO), the Indian economy retained its tag of the fastest growing major economy in the world in the financial year 2018-19. The Indian economy grew at 8.2 percent in the first quarter, but eased sharply to 7 percent for the year as a whole as per Central Statistical Office (CSO). The economy witnessed robust industrial growth during the financial year 2018-19 and this momentum is expected to continue next year. The economy is projected to grow at the rate of 7.5% during 2019, expanding further to 7.7% during 2020 as per the International Monetary Fund (IMF) World Economic Outlook January 2019 update. With the anticipated slowdown in China's economy, India remains as one of the preferred destinations for global capital flows and is in a favourable position to aggressively attract growth capital. India's ranking moved up 23 notches in the World Bank's ease of doing business index to secure the 77th place, becoming the top ranked country in South Asia for the first time and third among the BRICS.

Recent policy measures which have helped gain optimism on the future outlook include, 1. Recapitalisation of Public Sector Banks (PSBs) helping the ongoing improvement in their financials, 2. Better Guidelines for standardising resolution of stressed assets, 3. Positive outcome through Insolvency and Bankruptcy Code in some large value cases, 4. Experienced-led rationalization in the Goods and Services Tax. With inflation under check, the room for the economy to benefit from the lower interest rate regime has become brighter. Schematic approach to address socio-economic transformation has been the hallmark of the current government in power – education, sanitation, health, housing and basic services like LPG for cooking and rural electrification at affordable costs. All schemes implemented through well-structured programmes, have helped in improving the living standards of many families. Notable initiatives include 'Kifayati Aawas Yojna' for a dedicated affordable housing fund in National Housing Bank, 'Ayushman Bharat Scheme' a National Health Protection Scheme for the poor and vulnerable families and the 'Research on Improving Systems of Education' (RISE) scheme for providing low-cost funding to the government's higher educational institutions. These schemes among others ensure that the year ahead would be far more sustainable and growth-oriented.

The year 2019 is promising for India's housing industry. Good demand for housing is expected in 2019 with rapid urbanisation, low mortgage penetration, nuclearisation of families and two-thirds of the country's population below 35 years of age. Housing affordability has increased owing to stagnated property prices, steady annual wage inflation of over 10% in the last decade and lower effective interest rates, due to the tax incentives by the Pradhan Mantri Awas Yojana (PMAY) subsidy.

Financial Year Under Review - DHFL's commitment has and always will be at the core of every intent and effort

Over the years, DHFL has maintained a strong asset quality and has been well-matched in case of the Asset Liability Management (ALM) position. The financial year 2018-19 commenced with renewed vigour and great encouragement. DHFL continued to play an increasingly transformative role in nation-building by expanding home ownership and financial inclusion, transforming lives of millions of Indians in the Economically Weaker Section (EWS) and Lower and Middle Income (LMI) segments. As a team, DHFL ensured that all inter-disciplinary and loan disbursal goals were met, while 'Griha Utsav', our primary home ownership drive, continued to reach out actively to first home buyers across tier II and III towns. We are also very enthused with the recognition and award from National Housing Bank for facilitating highest number of subsidies for PMAY in the financial year 2017-18. Through this award, DHFL has been recognized for its committed support to the Government's mission of 'Housing for All by 2022' and in taking an active lead in expanding financial inclusion across the country. For the financial year 2017-18, DHFL received subsidy for more than 7,000 cases amounting to a total of Rs. 155.9 crores. Of this, 3,207 cases fall under EWS and Lower Income Group (LIG) group amounting to Rs. 75.1 crores and the remaining 3,897 cases fall under MIG 1 & 2 groups amounting to Rs. 80.8 crores.

DHFL was at its peak in September 2018 originating close to Rs. 2000 crores of retail loans per month, when the liquidity crisis hit the NBFC sector. DHFL had to stop all new origination and get into a cautious mode to conserve liquidity to meet all financial obligations and service all partially disbursed cases for balance requirements. With no fresh inflow of resources, the Company opted for securitization of its assets as the single source of funds for meeting all obligations on time. In 6 months leading to the end of the fiscal in March 2019, we monetized assets valued over Rs. 15,630 crores and repaid over Rs. 22,700 crores of liabilities.

Our fundamentals remain strong and we continue to be optimistic of regaining growth momentum, as the situation eases on the liquidity front. The Company has opened a dialogue with many strategic investors and institutional funds to infuse fresh equity with strategic partnership proposition as well as options for investing in our loan book by buying certain parts of the wholesale loan portfolio. These initiatives have progressed in a very promising manner. Our retail brand equity and product/segment focus, reinforced by the acceptance of our assets in the securitization market by leading banks, gives us the confidence to bounce back to business sooner than later.

The Way Forward - Emerging Core Competencies

The financial year 2018-19 has been a defining year for your Company. It has shown us our strengths and abilities as a home loan provider in a country-wide landscape where affordable housing is the centre of action. Your Company will originate all future loans with a strong focus on securitisation, which will be the thrust of our future growth. While we will lean on the balance

sheet, we will be strong on the returns of our assets and equity. Cross-sell will continue to remain yet another area of strength and we will build some strong product offerings to supplement our customers' needs. We will continue to invest in people and technology bringing about greater efficiency in cost and delivery. Centralization of processes was initiated last year and is now ready to take up large volumes of underwriting through a centralized facility that uses state of the art technology. Risk management tools while underwriting have been fully embedded in the process ensuring high quality of loans.

We have many strengths to leverage as we move forward. But perhaps our greatest strength is the trust that people have in our Company and our employees, who take that responsibility very seriously. The hard work and community spirit of our employees, a culture of caring and a determination to build a better world have enabled us to earn this trust over time. In times of unprecedented changes and disruption, trust becomes more important than ever, and it is the one thing that will guard us zealously as we transform your Company. To continue earning your trust, our Board of Directors, leadership team and employees are passionately committed to delivering business results, creating value for the future and improving people's lives around us.

As we concluded the financial year 2018-19, the search to bring in an equity partner with a strong interest in continuing with the growth of our retail business has reached a promising phase. Lenders are optimistic of supporting the resolution plan that will ensure a positive outcome for all. We are optimistic of getting the Company back on the path of glory while retaining the trust your Company has witnessed.

The financial year 2019-20 is going to be about bringing consumers closer by being responsible, transparent and focussing on sustaining long-term relationships that add value. India as a country is undergoing a revolution in the affordable housing industry and we will embrace this positively.

DHFL with a strong history of serving, engaging and growing with our consumers is always conscious of the fact that it's Purpose and Values are at the centre of its continuous evolution to become an even better organization. While we embrace numerous opportunities that come our way, our virtue of being nimble-footed, keenly responsive, and being blessed with employees and partners that have a deep sense of trust and commitment to the DHFL's spirit, will continue to inspire us on our journey, yet again.

Thank you for your trust and continued support.

Regards,
Kapil Wadhawan
Chairman & Managing Director
DHFL

