



Date: April 5, 2019

Scrip Code - 535789

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,

MUMBAI – 400 001

IBULHSGFIN/EQ

National Stock Exchange of India Limited

“Exchange Plaza”, Bandra-Kurla Complex,
Bandra (East),

MUMBAI – 400 051

Dear Sir,

Sub: Presentation on Merger of Lakshmi Vilas Bank with Indiabulls Housing Finance Limited

On the subject, please find attached, for your information.

Thank You,

Yours faithfully,

For **Indiabulls Housing Finance Limited**

Amit Jain

Company Secretary

CC:

Luxembourg Stock Exchange, Luxembourg

Singapore Exchange Securities Trading Limited, Singapore



Indiabulls Housing Finance Limited and Lakshmi Vilas Bank Merger Announcement

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Transaction Details

<p>Merger of LVB with IBH</p>	<p>Lakshmi Vilas Bank [LVB] to amalgamate into Indiabulls Housing Finance [IBH] subject to RBI and other regulatory & statutory approvals</p>		
<p>Swap Ratio</p>	<p>Share swap ratio of 0.14:1 [14 shares of IBH will be given for every 100 shares of LVB] has been agreed upon by respective board of directors</p>		
<p>IBH Board Committee</p>	<p>IBH's board has constituted a Reorganization Committee headed by Shri S.S. Mundra, Independent Director on the board of IBH and Ex-Deputy Governor, RBI, to undertake necessary decisions in relation to the proposed merger</p>		
<p>Proposed Management Structure</p>	<ul style="list-style-type: none"> • Mr. Sameer Gehlaut to be proposed as Vice Chairman of the amalgamated entity • Mr. Gagan Banga and Mr. Parthasarathi Mukherjee to be proposed as Joint MDs • Mr. Ajit Mittal to be proposed as Executive Director of the amalgamated entity 		
	<p>Valuers</p>	<p>Fairness Opinion Providers</p>	<p>Legal Counsel</p>
<p>IBH</p>	<p>Grant Thornton</p>	<p>CLSA</p>	<p>Joint Lead Counsel Shardul Amarchand Mangaldas & Co.</p>
<p>Lakshmi Vilas Bank</p>	<p>Deloitte Haskins & Sells LLP</p>	<p>EY [Ernst & Young]</p>	<p>Additional LVB Counsel Khaitan & Co.</p>

Precedents and Regulation

Gruh Finance [HFC] Balance Sheet: ₹ 20,000 Crs	+	Bandhan Bank Balance Sheet: ₹ 47,000 Crs	Announced: Jan 2019 <u>Received regulatory approval from RBI</u>
Capital First [NBFC] Balance Sheet: ₹ 29,500 Crs	+	IDFC Bank Balance Sheet: ₹ 1,23,250 Crs	Announced: Jan 2018 <u>Amalgamated: Dec 2018</u>
Bharat Financial Inclusion [NBFC - MFI] Balance Sheet: ₹ 12,500 Crs	+	IndusInd Bank Balance Sheet: ₹ 2,56,000 Crs	Announced: Oct 2017 <u>Expected to be completed shortly</u>

Amalgamation under the provisions of RBI's Master Direction – Amalgamation of Private Sector Banks, Directions, 2016 [April 21, 2016]

- Provides for amalgamation of banks with NBFCs and HFCs
- Provides for amalgamation both ways: NBFC/HFC into bank and bank into NBFC/HFC
- Boards of the NBFC/HFC and the bank approve the amalgamation proposal considering, amongst other things, the following:
 - Rationale for amalgamation
 - Valuation of the amalgamating entities by independent valuers, and establish fairness of the valuation
 - Impact on profitability and capital adequacy

Strong Regulatory Framework: No Dispensation Required

- By becoming a bank, IBH is voluntarily submitting itself to come under the direct banking supervision of RBI for all its existing and future businesses

- **Capital Adequacy Ratio:**

	IBH	LVB	Amalgamated Entity	Regulatory Requirement
Capital Adequacy Ratio	23.1%	7.7%	20.6%	10.875%
Tier 1	16.1%	5.6%	14.4%	8.875%

as of Dec 31, 2018

- **CRR and SLR requirements:** High liquidity maintained by IBH, which was ₹ 27,512 Crs as on March 31, 2019, will easily meet SLR and CRR requirements immediately on completion of merger

LVB Today

Loan Advances	₹ 24,123 Crs
Deposits	₹ 30,787 Crs
CASA	₹ 7,036 Crs
Capital Adequacy Ratio	CRAR: 7.7% Tier 1: 5.6%
Profits [9MFY19]	Losses of ₹ 630 Crs
Asset Quality	GNPA: 13.9% NNPA: 7.6%
Depositors and Account Holders	21,86,891
Loan Customers	1,86,112
Employees	4,881
Branch Network	569 branches in 150 towns and cities in 19 states 1,046 ATMs

- The bank is in need of additional capital after the recent QIP of ₹ 460 Crs

Net Worth	₹ 17,792 Crs	Increased 69% in last three years
Total Loan Assets	₹ 1,24,271 Crs	7-year CAGR: 26%
Profitability [PAT]	9MFY19: ₹ 3,084 Crs FY18: ₹3,847 Crs	7-Year CAGR: 26%
Spread	3.46%	In line with spreads of other private Indian banks
Asset Quality	GNPA: 0.79%; NNPA: 0.59%	GNPAs have remained between 0.7-0.9% for 30 quarters
Net Leverage [Proforma 31 st Mar, 2019]	4.0x	
Capital Adequacy [Proforma 31 st Mar, 2019]	CRAR: 24%; Tier 1: 15%	
Return on Assets [RoA]	3.2%	
Return on Equity [RoE]	27.3%	
Healthy Liquidity [31 st Mar, 2019]	₹ 27,512 Crs	
Highest Long Term Rating	AAA [CRISIL, ICRA, CARE, Brickwork Ratings]	Only standalone entity to be upgraded to the highest long-term rating of AAA by CRISIL in last 20 years
Home Loans Market Share	3 rd highest home loan market share among HFCs	Presence across 22 states. Cumulatively loans of ₹ 2.4 Lakh Cr disbursed till date
Technology-enabled Efficient Operations	Cost to Income: 12.5% [FY18]	Developed India's first end-to-end online home loan technology platform. Low cost-to-income driven by technology-enabled processes

Auditors

Statutory Auditor	EY [Ernst & Young]
Internal Auditor	Grant Thornton
Stock Auditor for Bankers	Deloitte Haskins & Sells LLP

Amalgamated Entity Financials

As on December 31, 2018	Amalgamated Entity
Net Worth [₹ Crs]	19,472
Loan Book [₹ Crs]	1,23,393
Operating Profit [₹ Crs]	4,630
9MFY19 Net Profit [₹ Crs]	2,455
Capital Adequacy Ratio	20.6%
Tier 1	14.4%
Return on Assets [Annualized]	2.0%
Return on Equity [Annualized]	19.2%
Gross NPA	3.5%
Net NPA	2.0%

- Amongst the top 8 private banks in India by size and profitability

Merger Rationale

Banking business:

- Access to stable, low-cost funding in the form of public deposits
- Expanded distribution franchise leading to broader customer base and diverse product portfolio

Geographical and product diversification, with cross-sell opportunities:

- IBH's presence in north and western India and LVB's presence in south India will enable wider geographical spread
- Expanded retail customer base [wallet share] to allow faster and scalable growth
- Cross-sell opportunities to increase fee income
- LVB's shorter tenor loans coupled with IBH's longer maturity book will ensure ALM optimization
- Diversified loan book will lead to evenly distributed risk profile

Improved operational efficiency:

- Amalgamated bank will derive operational efficiency from adoption of technology-enabled processes pioneered by IBH
- Amalgamated bank will aim to deliver >20% RoEs through optimal utilisation of resources and synergies created

Eligibility for Banking License

[As per guidelines for 'on tap' licensing of Universal Banks in the Private Sector, August 1, 2016]



Eligible Promoters																									
NBFCs/HFCs controlled by residents	<ul style="list-style-type: none"> All board members nominated by resident Indians on the "Nomination and Remuneration Committee" 																								
Successful track record for at least 10 years	<ul style="list-style-type: none"> Successful track record of nearly 20 years. IBH [and its erstwhile parent IBFSL, which merged with IBH in 2013], has been profitable in each year of its operations <table border="1"> <thead> <tr> <th>10-year track</th> <th>FY18</th> <th>FY08</th> <th>CAGR</th> </tr> </thead> <tbody> <tr> <td>Balance Sheet</td> <td>1,31,903</td> <td>14,779</td> <td>24.5%</td> </tr> <tr> <td>Net Worth</td> <td>15,418</td> <td>3,501</td> <td>16.0%</td> </tr> <tr> <td>Profit after Tax</td> <td>3,847</td> <td>581</td> <td>20.8%</td> </tr> <tr> <td>RoE</td> <td>28.2%</td> <td>20.4%</td> <td></td> </tr> <tr> <td>CRAR</td> <td>20.8%</td> <td>35.6%</td> <td></td> </tr> </tbody> </table> <p style="text-align: right;"><i>Amounts in ₹ Crs</i></p>	10-year track	FY18	FY08	CAGR	Balance Sheet	1,31,903	14,779	24.5%	Net Worth	15,418	3,501	16.0%	Profit after Tax	3,847	581	20.8%	RoE	28.2%	20.4%		CRAR	20.8%	35.6%	
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If a group has total assets of >₹ 5,000 Crs, non-financial businesses should not account for more than 40 % of total assets or gross income	<ul style="list-style-type: none"> 100% of the assets and profits of IBH group companies are from financial services business Even considering all companies sharing the "Indiabulls" brand name and a common promoter: 88.5% of the total assets and 81.2% of gross income are from financial services businesses 																								

Fit and Proper Criteria	
Promoting entity/group should: <ul style="list-style-type: none"> have a minimum 10 years of business experience have a past record of sound credentials and integrity be financially sound and should have a successful track record for at least 10 years 	Founder/Promoter, Mr. Sameer Gehlaut, has two decades of experience running successful businesses. Various companies sharing the "Indiabulls" brand name and promoted by Mr. Gehlaut are regulated by RBI, NHB and SEBI. Indiabulls companies are rated by leading rating agencies.

Foreign Shareholding in the Bank	
The foreign shareholding [FDI/FII/NRI] cannot exceed 74%	Presently, foreign shareholding in IBH is only 56.0%

Amalgamated Entity Parameters

Minimum Voting Equity Capital Requirements and Shareholding Pattern	
Minimum net worth of ₹ 500 Crs at all times	Proforma net worth of the amalgamated entity would be ₹ 19,472 Crs at end of Dec 2018
Minimum CAR of 13% of its risk weighted assets [RWA] for a minimum period of three years after the commencement of banking operations	Capital adequacy ratio [CAR] for amalgamated entity will stand at 20.6% with tier I of 14.4%
The bank shall get its shares listed on the stock exchanges within six years of commencement of business by the bank	IBH is listed on both NSE and BSE and is a Nifty50 stock
Promoter shareholding has to be brought to 30% within 10 years, and to 15% within 15 years	Current promoter shareholding is 21.5%, and he will bring this down to 15% when the merger is effective
No single entity or group of related entities, other than the promoters, shall have shareholding or control in excess of 10% during the first five years of the bank	None of the present investors excluding the promoter will have greater than 10% stake in the amalgamated entity
Corporate Governance, Prudential and Exposure Norms	
Bank shall comply with provisions of Banking Regulations Act, 1949 and extant guidelines on corporate governance	The amalgamated entity will meet with all these requirements from day one of operations
Bank is restricted to extend loans to directors, promoters and shareholders with more than 10% stake, relatives and entities in which promoters have significant influence or control	
No investments in equity of other NOFHCs. Investment in equity/debt capital instruments of other banks/ FIs and debt instruments of other NOFHCs should be guided by extant cross holding norms	
Restriction on bank's permissible exposures as per extant exposure norms	
Other conditions for the bank	
The Board of the bank should have a majority of independent directors	Independent directors constitute more than 50% of IBH's board

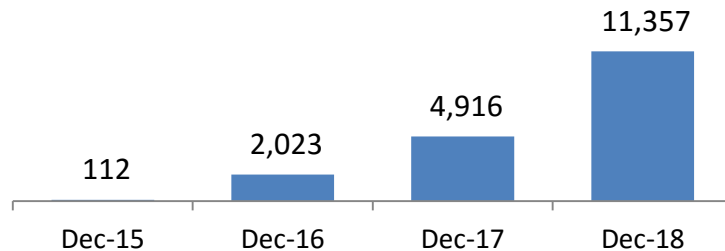
Track Record of Managing and Growing OakNorth Bank, a Commercial Bank in the UK



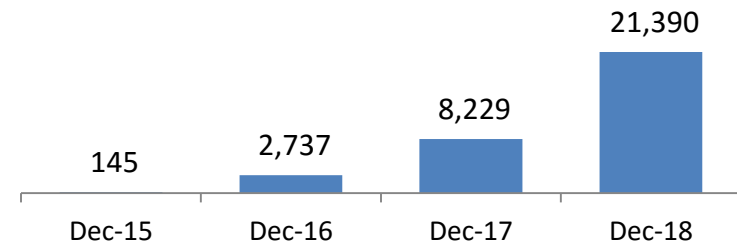
Performance of Bank

- Within three years of operations, OakNorth Bank's deposits have risen to ₹ 11,357 Crs and lending facilities to ₹ 21,390 Crs
- The loan book has a gross yield of 8.2%, cost of funds of 1.8% and NIM of 6.3%

Deposits [₹ Crs]



Lending Facilities [₹ Crs]



Performance of Investment

- Indiabulls Housing Finance acquired 40% majority stake in OakNorth Bank for ₹ 663 Crs with two nominees on Board of the bank after intense PRA [Bank of England] scrutiny on 'fit and proper', and in compliance with domestic laws
- Sold one-third of holding to GIC [Government of Singapore wealth fund] for ₹ 768 Crs in Nov 2017
- Softbank invested ₹ 2,800 Crs in OakNorth Bank in Feb 2019
- Indiabulls Housing Finance's present stake is worth ₹ 3,000 Crs
- OakNorth Bank has total loan book of ₹ 21,390 Crs as of Dec 18 with no delinquencies, and is the fastest growing bank in Europe

Steps of the Transaction

Board Resolution

On April 5, 2019, the Board approved the following:

- Valuation/Swap Ratio
- Amalgamation scheme and other legal documents

Stakeholder's Approval

- Scheme would be implemented after approval of at least 2/3rd of shareholders of the amalgamated entity

Regulatory filings and approvals

- Necessary approvals from the Reserve Bank of India, Competition Commission of India, SEBI and Stock Exchanges [NOC]

Share Issuance

- Filing of the scheme and NCLT approval
- RoC filing post the final approval from the Reserve Bank of India
- Allotment of equity shares to LVB shareholders

Thank You