



MINDPOWER SOLUTIONS

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Indian Housing Finance Market Outlook to 2015

- Exploring the Under-penetrated Rural
Market

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GOVERNMENT INITIATIVES TO PROMOTE HOUSING FINANCE

Table 1: Government Initiative to promote rural housing finance market

Scheme	Purpose and Benefits	Limits on Subsidy	Comments
Indira Awas Yojana (IAY)	▪	▪	▪
Two Million Housing Programme	▪	▪	▪
Golden Jubilee Rural Housing Finance Scheme – NHB Scheme	▪	▪	▪
Stipulation for providing urban facilities in rural areas	▪	▪	▪
Bharat Nirman	▪	▪	▪
Rural Housing Fund (RHF)	▪	▪	▪

INDIAN HOUSING AND HOUSING FINANCE MARKET SIZE, FY'2005 - FY'2010

The mortgage market in India is largely dominated by floating rate mortgage (FRM) or Adjustable Rate Mortgage (ARM). Nearly ~% of the market constitutes of the FRM.

“ The housing finance industry with outstanding loan of INR ~ billion has leaped over the years from being run majorly by the government to crossing over ~ housing companies which are engaged in this sector ”

Due to rapid increase in the development of cities, the demand for households in the country has increased tremendously. During 2007-2008, the country registered a shortage of ~ million houses.

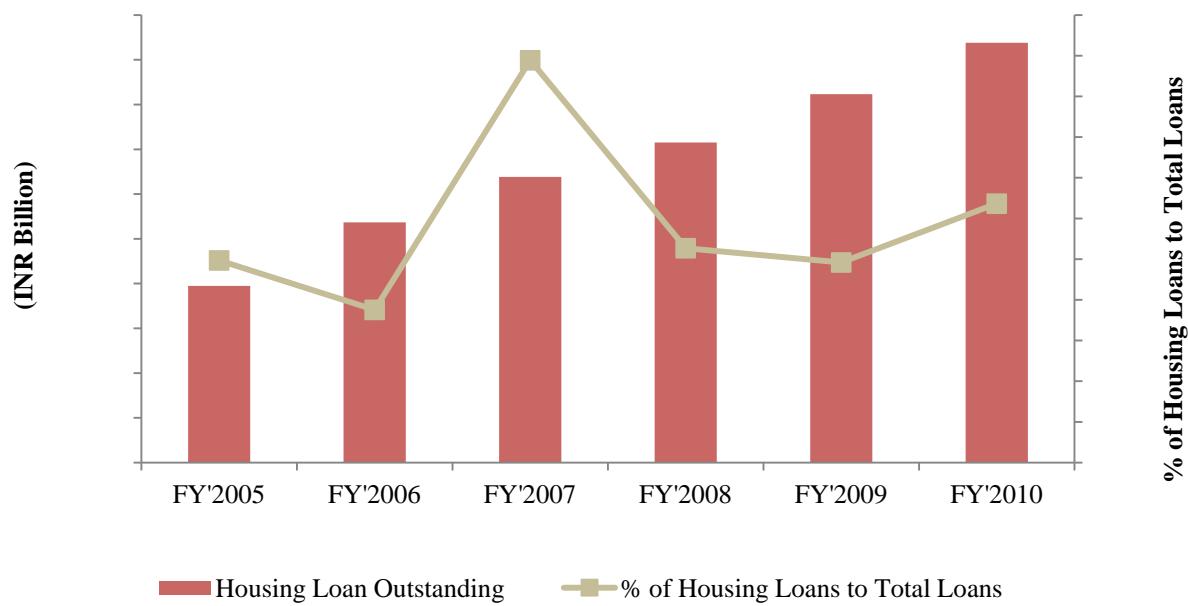
Even after the implementation of various schemes, the number of homes fell short of the desired numbers. In order to provide home for all, housing finance system was incorporated. The system was planned in such a manner

wherein the reach was enhanced and was made economical for millions of individuals who had the capability to possess a house.

Home loans in India are raised either from housing finance companies (HFC's) or from banks. The SCBs dominate the home loan market in the country. Dewan Housing is the only major private HFC operating in this sector.

Indian Housing Loan outstanding increased from INR ~ billion in 2009 to INR ~ billion in 2010, registering an increase of housing loans to total loans from ~% in 2009 to ~% in 2010.

Figure: Indian Housing Loan Outstanding in INR Billion and Percentage of Housing Loans to Total Loans, FY'2005-FY'2010



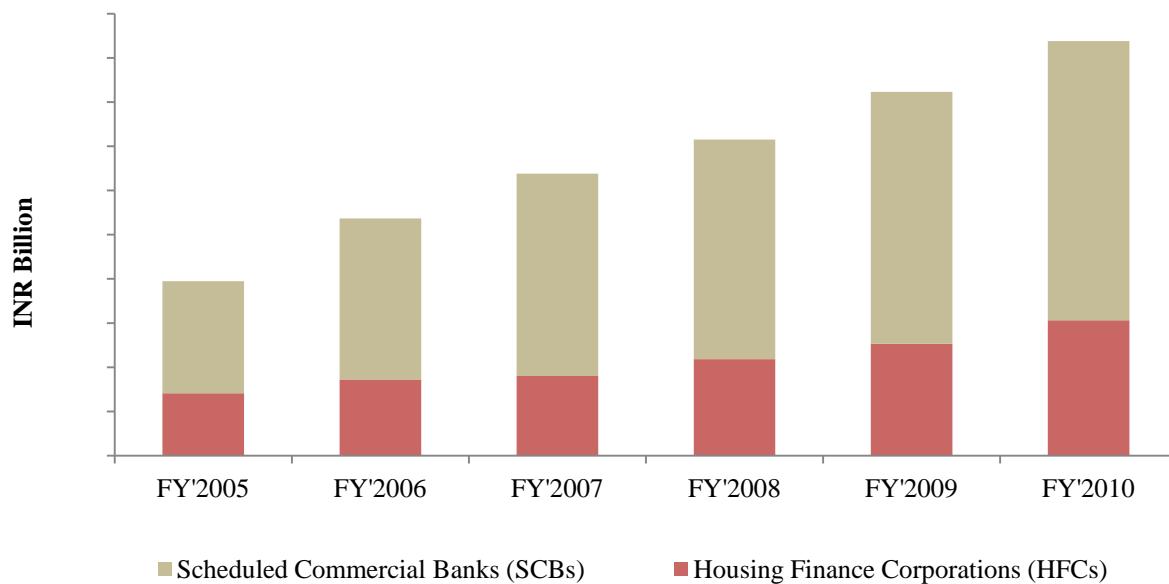
HOUSING LOAN OUTSTANDING BY HOUSING FINANCE CORPORATIONS AND SCHEDULED COMMERCIAL BANKS, FY'2005 - FY'2010

The demand for housing loan is expected to increase in the future with the contribution from various upcoming institutions in the finance industry. The availability of funds along with client servicing is one of the important factors prevailing in the industry. The awareness among the borrowers has increased regarding the prevalent industry norms. Moreover, extra level of transparency is expected in this process which will have a positive impact on the housing finance market in India.

With respect to the amount of housing loans in areas across the country, half of the loans were restricted to metropolitan areas. The second largest area was the urban area with ~% followed by ~% in semi urban and ~% in rural areas.

SCBs hold a major share of over ~% of the home loan portfolio in India. In value terms, SCBs had INR ~ billion compared to INR ~ billion by HFC's.

Figure: Indian Housing Loan Outstanding by Housing Finance Corporations and Scheduled Commercial Banks in INR Billion, FY'2005-FY'2010



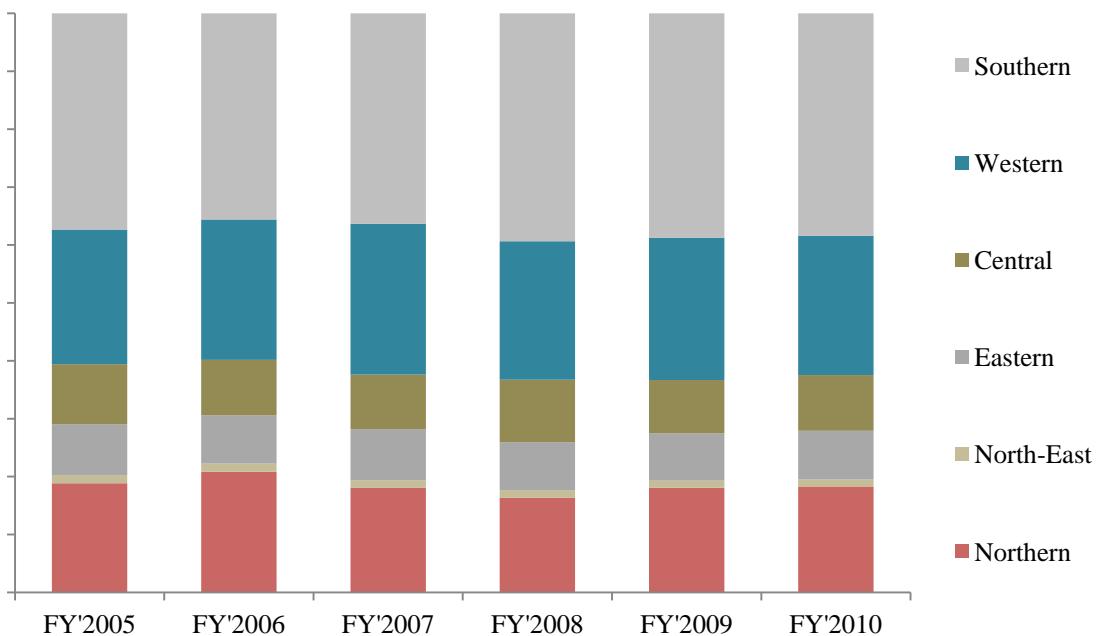
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SCHEDULED COMMERCIAL BANKS (SCBS)

HOUSING LOAN OUTSTANDING OF SCBS BY REGION, FY'2005 - FY'2010

Since 2005, Southern region has accounted for the highest share in the outstanding loan segment with a share of ~% in the total housing loan outstanding in 2010. Western and Northern region account for the second and third largest region in outstanding house loan segment with ~% and ~% share respectively. Other regions such as North-East, Eastern and Central region constitute a combined proportion of ~% in FY'2010.

Figure: Indian Housing Loan Outstanding of SCBs by Region in Percentage, FY'2005-FY'2010



HOUSING PRICE MOVEMENT INDEX IN MAJOR CITIES, 2007-2010

The housing price index will help buyers in making a purchase decision by making a comparison between the cities and also among the various localities in and across different cities. NHB Residex offers an assessment opportunity wherein the buyer can anticipate the cost of the property. Assessing the price of the property is a very crucial because it has a direct bearing on the credit appraisal and measurement of the worth of security against the loan.

The judgment of the housing price index will also help in evaluating the budding areas across various cities. It will also help the developers in estimating the demand arising from a specific area thereby channelizing the efforts in those regions.

States like Surat, Mumbai, Lucknow and Ahmedabad are some of the prominent states which have registered the maximum rise in price index in April-June 2010 over Jan-Mar 2010, whereas states like Jaipur, Bhopal, Patna and Faridabad have registered a decline during the same period.

Table 2: Housing Price Movement Index in Major Cities (Base Year = 2007), FY'2005-FY'2010

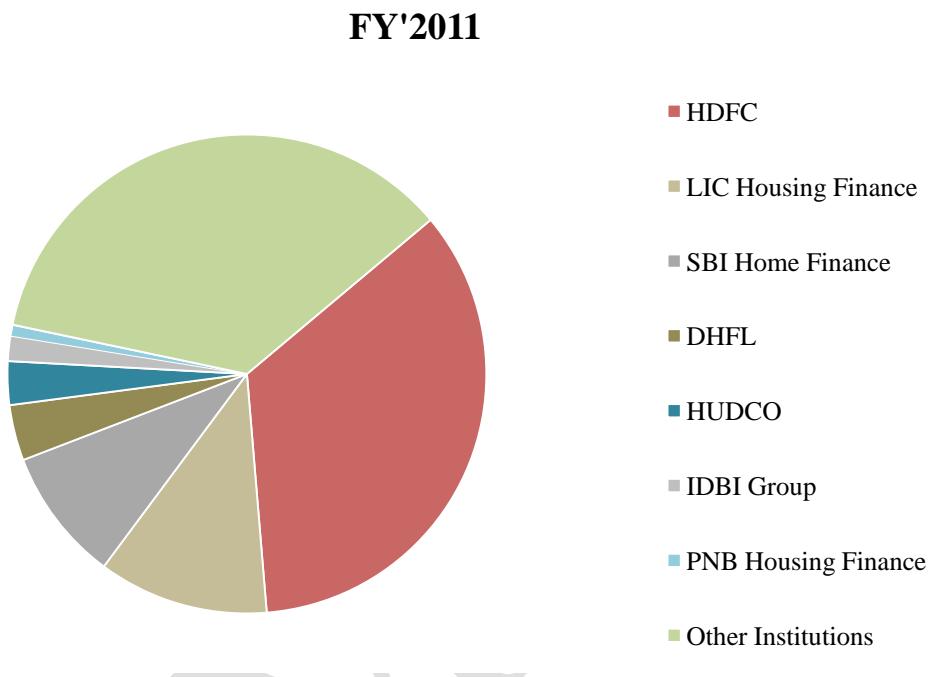
Cities	Jan-Jun 2008	July-Dec 2008	Jan-Jun 2009	July-Dec 2009	Jan-Mar 2010	Apr-Jun 2010
Delhi						
Bengaluru						
Mumbai						
Kolkata						
Bhopal						
Hyderabad						
Faridabad						
Patna						
Ahmedabad						
Chennai						
Jaipur						
Lucknow						
Pune						
Surat						
Kochi						

INDIAN HOUSING FINANCE COMPETITIVE LANDSCAPE, FY'2011

HDFC Group which comprises of HDFC and HDCF bank along with SBI are the leading players in the home loan market in India. Both command a market share of ~%. LIC Housing Finance is the second largest player with ~% of the market. DHFL, HUDCO and IDBI group are some of the other major players in the industry with a market share of ~%, ~% and ~% respectively. Apart from these big players, other local small players also exist which operate

with a limited credit portfolio. Although there has been a steady rise of various players in the industry, it is expected that the big players will continue to dominate the housing loan market in India in the near future.

Figure: Indian Housing Finance Companies' Market Share on the Basis of Home Loan Disbursement, in Percentage, FY'2011



INDIAN HOUSING FINANCE COMPANY PROFILES

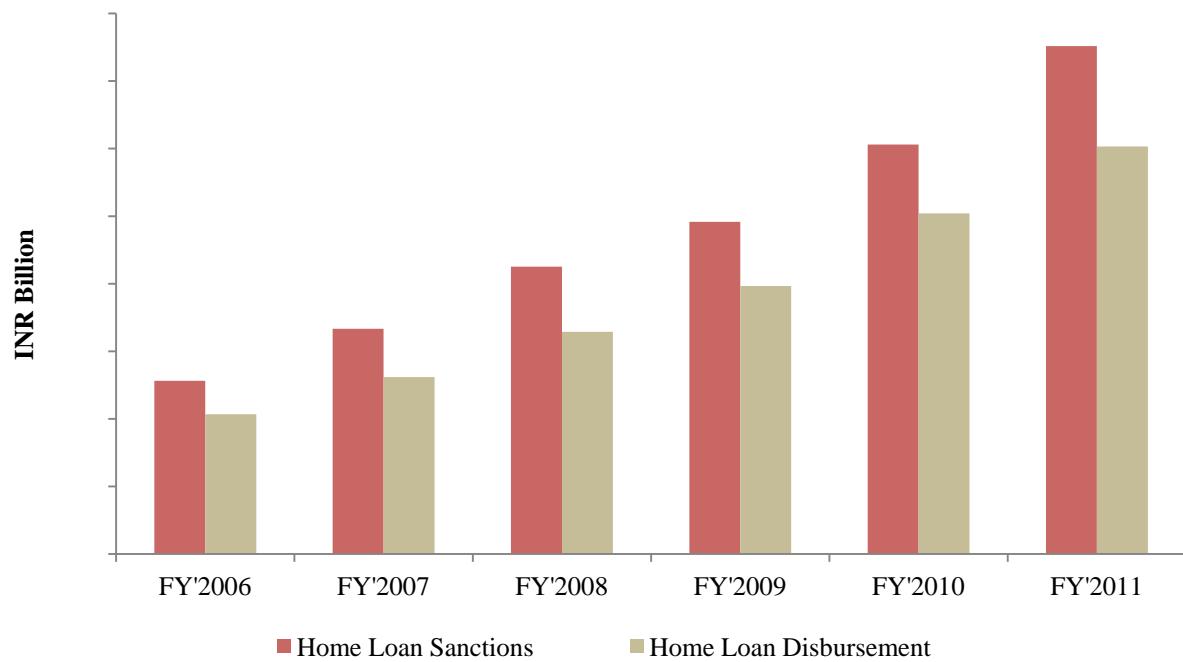
HOUSING DEVELOPMENT FINANCE CORPORATION LTD (HDFC)

HOME LOAN SANCTIONS AND DISBURSEMENT, FY'2006-FY'2011

HDFC has witnessed an exceptional growth in the home loan sanctions and disbursement in the last 5 years. The company has registered a CAGR of ~% in loan approvals while ~% CAGR in loan disbursement. Home Loan sanctions for FY'2011 were INR ~ billion as compared to INR ~ billion in FY'2010. During the period, Company's loan book inclined to

INR ~ billion from INR ~ billion in FY'2010. Additionally, loans securitized and assigned by the corporation and outstanding as on March 31, 2011 amounted to INR ~ billion.

Figure: HDFC's Home Loan Sanctions and Disbursement, in INR Billion, FY'2006-FY'2011



INDIAN HOUSING FINANCE MARKET FUTURE OUTLOOK

CAUSE AND EFFECT RELATIONSHIP BETWEEN DEPENDENT AND INDEPENDENT FACTORS PREVAILING IN HOUSING FINANCE INDUSTRY

Table: Cause and Effect Relationship Analysis between Industry Factors and Expected Housing Finance Market Prospects

Industry Factors	Market Impact	Comments
Increasing Urban Population		▪

Rising Personal Disposable Income		■
Government Support Measures and Yojna plans		■
Falling interest rate		■
Increasing Investment in Housing Finance		■

Source: AM Mindpower Solutions

Note:

Shaded region represents the degree of impact on the market

INDIAN HOUSING FINANCE MARKET INDUSTRY PROJECTIONS, FY'2011-FY'2015

HOUSING LOAN OUTSTANDING BY HOUSING FINANCE CORPORATIONS AND COMMERCIAL BANKS, FY'2011 - FY'2015

Indian Housing Mortgage Industry has evolved and developed over the period with several business opportunities and challenges compelling new alternatives for the market players. With the huge population, rising urbanization level and personal disposable income of middle class and higher income group level, the demand for housing finance has swelled exceptionally at a CAGR of ~% in the past 5 years.

Under the normal business conditions (base case scenario), it is expected that housing finance market will recover to some extent in the next 2 years with an expected growth rate of ~% in FY'2011 and ~% in FY'2012. Housing finance market will bank on the potency of the domestic market to maintain the growth momentum. It is anticipated that FY'2013 onwards, government measures and yojnas will reap benefit for the sector in terms of surge in demand for home loans at cheaper interest rate to urban poor and middle income class group. The

next level of growth will also be witnessed in rural areas, where challenges such as high down payment and non-availability of the title deeds in the absence of land records have impeded HFCs and commercial banks to reach out to vast population in these areas. AM Mindpower Solutions believes that with the growing penetration level in these areas, the outstanding home loans will grow by ~% and ~% in FY'2014 and FY'2015 respectively to reach INR ~ billion portfolio by FY'2015. The contribution of scheduled commercial banks in outstanding home loan portfolio will also increase to ~% relative to HFCs market share of ~% by FY'2015.

Table: Indian Housing Loan Outstanding by HFCs in INR Billion, FY'2011-FY'2015

Year	Housing Finance Loan Outstanding by HFCs (in INR Billion)		
	Conservative Case	Base Case	Aggressive Case
FY'2011			
FY'2012			
FY'2013			
FY'2014			
FY'2015			

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