



LAKSHMI VILAS BANK



Indiabulls Housing Finance Ltd. and The Lakshmi Vilas Bank Ltd. Merger announcement

5 April 2019



Strictly confidential

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Lakshmi Vilas Bank (“LVB”) is one of the oldest banks of India

Overview

- Established in 1926, LVB is one of the oldest banks in India
- Has consistently grown over decades despite changing business and regulatory environment
- Its 4,881 employees are a core strength
- Wide coverage and distribution network with presence in 19 states across India, ~47% of business¹ in Tamil Nadu
- Portfolio of retail, SME, rural and wholesale finance



19 states incl. UT



569 branches



1,046 ATMs



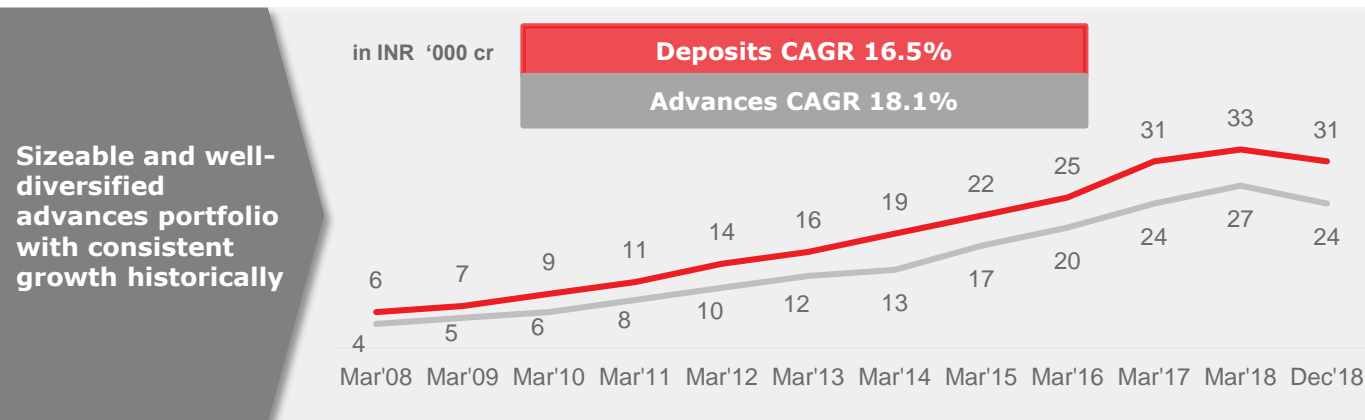
4,881² employees



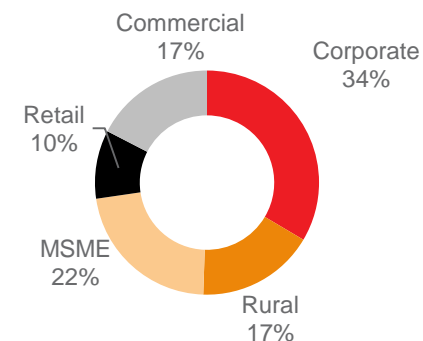
Over 20 lakh customers



22.5 lakh accounts



Dec-18 Advances: INR 24,123 cr



¹ Business is calculated as advances + deposits as of Dec-18; ² Reported basis; Includes 376 Sales staff. UT stands for Union Territory

Current financial performance

LVB today

INR Crore	9MFY19	FY18	FY17
Capital + Reserves	1,680	2,328	2,136
Balance Sheet	35,805	40,429	35,245
Loan Book	24,123	27,005	23,958
Deposits	30,787	33,309	30,553
CASA	7,036	7,016	5,839
Branches	569	548	481
NII [with fees]	613	1,137	1,285
Opex	604	782	651
Credit Costs	3.3%	5.1%	1.1%
PAT	-630	-585	256
CRAR	7.6%	9.8%	10.4%
Tier 1	5.6%	8.1%	8.8%
Cost to Income	98.5%	68.8%	50.7%
Gross NPA	14.0%	10.0%	2.7%
Net NPA	7.6%	5.7%	1.8%
RoA [Annualized]	-2.1%	-1.6%	0.8%
RoE [Annualized]	-45.7%	-28.3%	14.4%

Transaction details

Transaction overview

- Lakshmi Vilas Bank to amalgamate into Indiabulls Housing Finance (IBH) subject to RBI and other regulatory and statutory approvals

Swap ratio

- Share swap ratio of for every 1 equity share of the Transferor Company of face value of Rs. 10 each held in the Transferor Company, every equity shareholder of the Transferor Company shall be entitled to receive 0.14 equity share of face value Rs. 2 each of the Transferee Company has been agreed upon by the respective Board of Directors

Employees

- All the staff and employees of LVB on the Effective Date(1) shall become the staff and employees of IHFL, without any break or interruption in services and on same terms and conditions on which they are engaged by LVB as on the Effective Date

Proposed Management and shareholding structure

- Mr. Sameer Gehlaut to be proposed as Vice Chairman of the amalgamated entity
- Mr. Parthasarathi Mukherjee and Mr. Gagan Banga to be proposed as Joint M.D.
- Mr. Ajit Mittal to be proposed as Executive Director
- Mr. K.R. Pradeep shall be appointed as non-independent, non-executive Director
- Existing LVB shareholders to hold c.[7.5%] of the combined entity

Shareholder value creation

- Proposed swap ratio indicates a substantial premium on current market price basis for shareholders of LVB

Transaction advisors

- **LVB** - Deloitte Touche Tohmatsu LLP (Transaction advisors), Shardul Amarchand Mangaldas & Co and Khaitan & Co (Legal Counsel), Deloitte Haskins & Sells LLP (Valuers), EY (Fairness Opinion)
- **Indiabulls Housing Finance** - Shardul Amarchand Mangaldas & Co (Legal counsel), Walker Chandok & C0 LLP (Valuers), CLSA (Fairness Opinion)

Combined entity to be amongst the top 10 private banks by size and profitability

Strong capital and financial position

- Well capitalized combined entity with CAR at over 20%, well in excess of regulatory requirement of 10.875%
- Healthy credit profile with net NPAs down to c.2.0%
- Improvement in ROAs/ROEs from -2%/-41% to 2%/19% due to better profitability of IBH
- Negates need for additional capitalization in the next three years

Opportunity for growth and diversification

- Ability to diversify loan book from largely wholesale to retail
- Opportunity to cross-sell banking products given large retail customer base, as well as geographical spread of IBH
- Cost efficiency through adoption of IBH's technology

Improved market perception and access to key stakeholders

- Successful track record of capital raising
- Healthy credit profile with long term rating of AAA from all leading rating agencies in India, including CRISIL
- Strong liability profile backed by business relationships with 622 institutions which includes 21 PSU banks, 26 Private and Foreign banks and 575 Mutual Funds, Provident Funds, Pension Funds, Insurance Companies and Corporates

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

¹ Pro-forma basis Ind-AS financials for Indiabulls Housing Finance Limited

Merger with Indiabulls Housing Finance accretive for LVB

Indiabulls Housing Finance – an attractive choice

Figures in INR Cr, wherever applicable

Category	Particulars	LVB	IBH
Operations	Branches (Dec-18)	569	220+
	Employees (Mar-18)	4,881	8,111
Balance Sheet (at Dec-2018)	Total Assets	35,805	1,28,750
	Advances ⁽¹⁾	24,123	99,270
	Deposits	30,787	NA
	Capital + Reserves	1,680	16,036
	CASA	7,036	NA
Profit and loss (9m FY19)	NII (with fees)	613	4,438
	PAT	(630)	3,084
Asset Quality (at Dec-18)	GNPA (%)	14.0%	0.8%
	NNPA (%)	7.6%	0.6%
Key Ratios (9m FY19, unless otherwise stated)	Net Interest Margins (%)	1.62%	4.79%
	Capital Adequacy	7.57%	24.0% ⁽³⁾
	CASA Ratio	22.9%	NA
Credit ratings	Long Term	CARE BBB negative ⁽⁴⁾	AAA (CARE, ICRA, CRISIL, Brickworks)
	Short Term		CARE A1+

Basis reported financials and public information

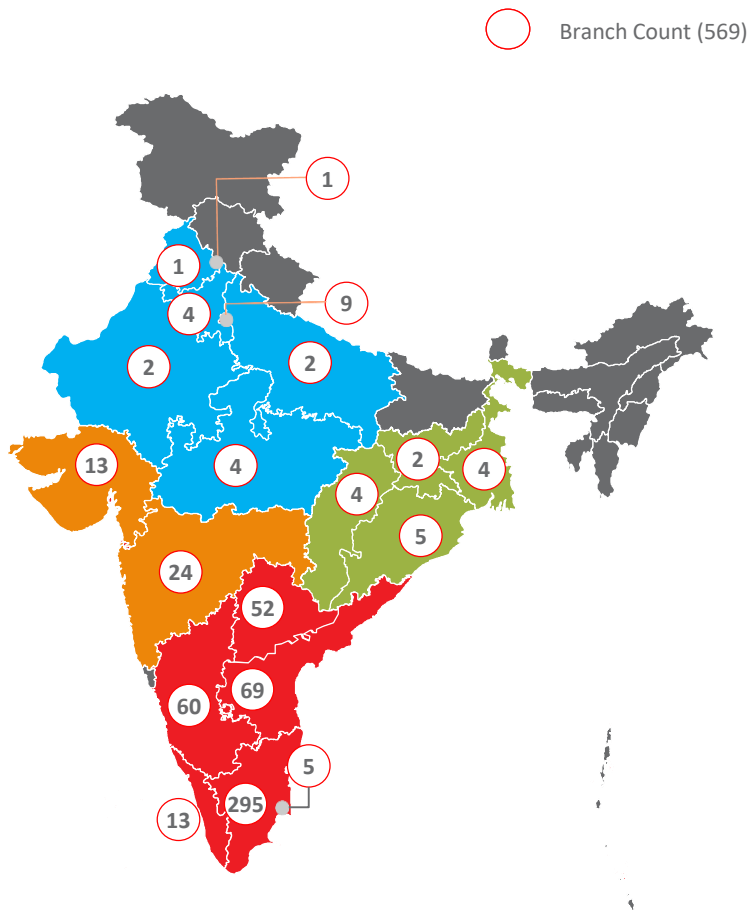
Note: (1) Represents only on book advances for IBH; total advances at INR 1,24,271 cr including off book of INR 25,001 cr

(2) Net Worth for LVB does not include QIP of INR 459 cr carried out in Mar-19

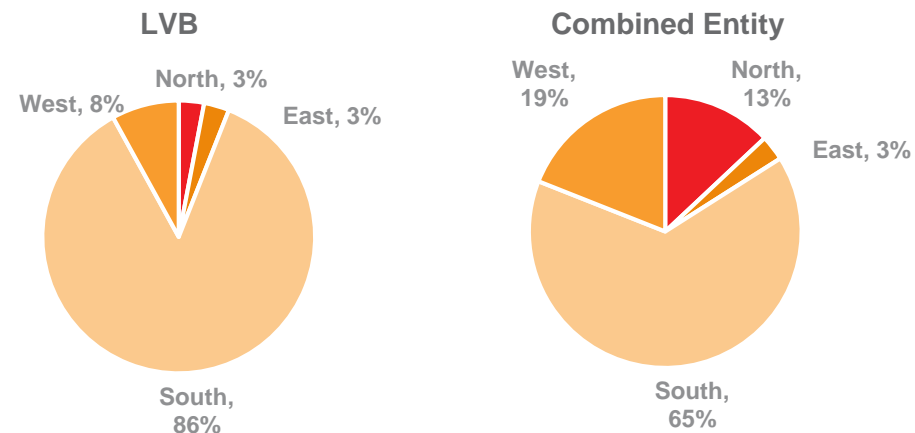
(3) As percentage of average total advances for LVB; Credit costs (%) for IBH based on avg. on book advances

Complementary geographical presence

LVB Branch distribution (December, 2018)



Diversified geographical spread of the combined entity



*Subject to IBH branches meeting RBI criteria
Branch data as of FY18

States	LVB	Combined Entity
Tamil Nadu	52%	36%
Karnataka	11%	10%
Andhra Pradesh	12%	10%
Maharashtra	4%	10%
Telangana	8%	7%
Gujarat	2%	5%
Others	11%	22%

Note: Data for 9m FY2019 as per declared results

North includes Madhya Pradesh, Uttar Pradesh, Uttarakhand, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Chandigarh and Delhi;

East includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar, Chhattisgarh, Jharkhand, Odisha, Sikkim, West Bengal and Andaman & Nicobar Islands;

West includes Goa, Gujarat and Maharashtra; South includes Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Puducherry and Telangana

Transaction would be subject to approval of shareholders of the Bank, shareholders of the HFC, lenders to the extent required, RBI, CCI, NHB, SEBI and Stock Exchanges, NCLT and any other regulatory authority as may be required

Thank you