



# HOME FIRST FINANCE COMPANY INDIA LIMITED



IPO NOTE

## Issue highlights

- Incorporated on February 3, 2010, **Home First Finance Company India Limited** ("Home First Finance") is a technology driven affordable housing finance company that targets first time home buyers in low and middle-income groups.
- The Company Promoters are **True North Fund V LLP** and **Aether (Mauritius) Ltd.** Further, **Bessemer** has invested in the company since January 2011 and **Orange Clove Investments B.V.** (an affiliate of **Warburg Pincus**, a global private equity investor) has acquired a stake in the company in October 2020.
- The company primarily offers customers **housing loans for the purchase or construction of homes, which comprised 92.1% of the Gross Loan Assets**, as of September 30, 2020. The Gross Loan Assets have grown at a CAGR of 63.4% between the financial years 2018-2020 and increased to ₹ 3,730.01 crore as of September 30, 2020.
- The company serves salaried and self-employed customers. **Salaried customers account for 73.1% of its Gross Loan Assets** and self-employed customers account for 25% of Gross Loan Assets as of September 30, 2020. **They serviced 44,796 active loan accounts, as of September 30, 2020.**
- The company has unique features viz. holistic technology usage, deep distribution in relevant markets, unique people strategy, data Science backed underwriting, analytics driven electronic collection and diversified financing profile.
- The company has **High quality housing finance portfolio; resilient through Covid-19 having above 96% collection efficiency. It has Scalable Operating Model with over 3,600 Crore AUM.**
- As of September 30, 2019, they had a network of 70 branches covering over 60 districts in 11 states and a union territory in India**, with a significant presence in the states of Gujarat, Maharashtra, Karnataka and Tamil Nadu. This accounted for approximately 79% of the affordable housing finance market in India during the financial year 2019.

## Brief Financial Details\*

(₹ In Cr)

	As at Sep'30,		As at Mar' 31,		
	2020(6)	2019(6)	2020(12)	2019(12)	2018(12)
Equity Share Capital	15.68	15.66	15.66	12.67	10.32
Reserves as stated~	972.51	873.64	917.98	510.47	314.89
Net worth as stated	988.19	889.30	933.64	523.14	325.22
Revenue from Operations	237.15	183.89	398.64	259.88	132.09
Revenue Growth (%)	28.96%	-	53.39%	96.74%	-
EBITDA as stated	185.55	145.36	308.35	196.32	92.70
Profit Before Tax	70.36	50.29	107.28	65.20	24.27
Net Profit for the Period	52.95	36.74	79.25	45.20	16.00
Net Profit as % to revenue	22.33%	19.98%	19.88%	17.39%	12.11%
EPS – Basic (₹)	6.76	5.33	10.77	7.82	3.10
EPS – Diluted (₹)	6.59	5.21	10.53	7.65	3.02
RoNW (%)	5.5%	5.2%	10.9%	10.7%	5.10%
Net Asset Value (₹)	126.06	113.58	119.24	82.59	63.01
ROE as stated	5.5%	5.2%	10.9%	10.7%	5.1%
ROA as stated	1.5%	1.3%	2.7%	2.4%	1.4%

Source: RHP \*Restated Financial, ROE= Profit after tax on average equity or average Net-worth, ROA=Profit after tax on average total assets; Ratios calculated for 30th Sep' 2020 & 30th Sep' 2019 are not annualised

## Issue Details

**Issue of Equity Shares aggregating upto ₹1,153.72 Cr**

(Fresh Issue of Equity shares aggregating upto ₹ 265 Cr and Offer for sale of Equity shares aggregating upto ₹ 888.72 Cr)

## Issue summary

**Issue size: ₹ 1,153.72 Cr**

**No. of shares: 22,315,639 – 22,272,556**

**Face value: ₹ 2/-**

## Issue summary

**Price band : ₹ 517 - 518**

**Bid Lot: 28 Shares** and in multiple thereof

**Post Issue Implied Market Cap =**

**₹ 4,518 – 4,527 Cr**

**BRLMs: Axis Capital, Credit Suisse, ICICI Securities, Kotak Mahindra Capital**  
**Registrar: KFin Technologies Pvt. Ltd.**

**Issue opens on: Thursday, 21<sup>st</sup> Jan'2020**

**Issue closes on: Monday, 25<sup>th</sup> Jan'2020**

*The Anchor Investor Bidding Date shall be 20<sup>th</sup> Jan' 2020*

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	29-01-2021
Refunds/Unblocking ASBA Fund	01-02-2021
Credit of equity shares to DP A/c	02-02-2021
Trading commences	03-02-2021

## Issue break-up

	No. of Shares	₹ In Cr	% of Issue
QIB*	11,157,818 - 11,136,277	576.86	50%
NIB	3,347,346 - 3,340,884	173.06	15%
Retail	7,810,475 - 7,795,395	403.80	35%
<b>Total</b>	<b>22,215,639 - 22,272,556</b>	<b>1,153.72</b>	<b>100%</b>

\* Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.

## Listing : BSE and NSE

## Shareholding (No. of Shares)

	Pre issue	Post issue~	Post issue^
No of shares	82,270,961	87,396,686	87,386,791

^@Lower price Band #@ Upper Price Band

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	52.85%	33.70%
Public	47.15%	66.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The company was incorporated as 'Home First Finance Company India Private Limited' on February 3, 2010. True North Fund V LLP ("TN V LLP") and Aether (Mauritius) Ltd. ("Aether") are the Promoters of the company. As on the date the Promoters hold an aggregate of 43,480,894 Equity Shares, comprising 52.85% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

TN V LLP, a limited liability partnership ("LLP"), was incorporated on December 20, 2016 having their registered office in Bangalore. TN V LLP is primarily engaged in the business of financial intermediation (other than insurance and pension funding) and is registered with SEBI as a Category II Alternative Investment Fund. The core team at TN V LLP comprises 28 investment management and business management professionals. These professionals provide management support across the Finance, Human Resources and Technology functions to companies in which TN V LLP and its affiliates have investments. True North Enterprise Private Limited ("TNEPL") is the manager of TN V LLP and True North Managers LLP is the sponsor of TN V LLP. There are 5 investors who have contributed to the capital of TN V LLP as on the date and out of the 5 investors, only Indium V (Mauritius) Holdings Ltd has made capital commitments in excess of 15% of the total capital commitment.

Aether, a company limited by shares, was incorporated on August 19, 2016 having their registered office in Mauritius. Aether holds a Category 1 Global Business License under the Financial Services Act 2007 of the Republic of Mauritius and is primarily engaged in the business of investing in Indian companies through the FDI route. Aether does not have investments in any entity other than the company as on the date.

### Shareholding of the Promoters and the Selling Shareholders

Selling Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
TN V LLP – Promoter Selling Shareholder	26,115,080	31.74%	8,409,548	17,705,532	20.26%
Aether - Promoter Selling Shareholder	17,365,814	21.11%	5,623,222	11,742,592	13.44%
<b>Total for Promoter Shareholder</b>	<b>43,480,894</b>	<b>52.85%</b>	<b>14,032,770</b>	<b>29,448,124</b>	<b>33.70%</b>
Bessemer India Capital -Investor Selling Shareholder	9,136,814	11.11%	2,325,501	6,811,313	7.79%
P. S. Jayakumar - Individual Selling Shareholders	1,304,604	1.59%	548,938	755,666	0.86%
Manoj Viswanathan -Individual Selling Shareholders	1,052,900	1.28%	249,517	803,383	0.92%
Public – Others	27,295,749	33.18%	-	49,568,305	56.72%
<b>Total for Public Shareholder</b>	<b>38,790,067</b>	<b>47.15%</b>	<b>3,123,956</b>	<b>57,938,667</b>	<b>66.30%</b>
<b>Total Equity Share Capital</b>	<b>82,270,961</b>	<b>100.00%</b>	<b>17,156,726</b>	<b>87,386,791</b>	<b>100.00%</b>

No. of shares offered are @ upper price band

### Average cost of acquisition of Equity Shares of the Promoter and each of the Selling Shareholders as on the date.

Name	No. of Equity Shares held	Average cost of acquisition per equity share (in ₹)*
<i>Promoters</i>		
TN V LLP	26,115,080	149.73
Aether	17,365,814	149.10
<i>Investor Selling Shareholders</i>		
Bessemer	9,136,814	95.67
<i>Individual Selling Shareholders</i>		
P. S. Jayakumar	1,304,604	152.82
Manoj Viswanathan	1,052,900	55.28

The company has undertaken a: (i) preferential allotment of 2,240,639 Equity Shares to Orange Clove for cash at a price of ₹334.73 per Equity Share aggregating to approximately ₹ 75 crore and (ii) preferential allotment of 122,000 Equity Shares to certain of its employees for cash at a price of ₹ 334.73 per Equity Share aggregating to ₹ 4.08 crore pursuant to the Board resolution dated November 30, 2020.

### Brief Biographies of Directors

**Deepak Satwalekar** is the Chairman and Independent Director of the company. Previously, he was associated with HDFC Ltd. as a director and HDFC Standard Life Insurance Co. Ltd. as the managing director and chief executive officer. He was appointed as an Independent Director on the Board of the company with effect from October 23, 2019.

**Sakti Prasad Ghosh** is an Independent Director of the company. He has over 39 years of experience in banking and financial services institutions. Previously, he was associated with Reserve Bank of India as joint manager, National Housing Bank as executive director, Unit Trust of India as deputy general manager, Hometrust Housing Finance Co. as managing director and Asian Development Bank as consultant. He was appointed as an Independent Director on the Board of the company with effect from January 14, 2011.

**Sujatha Venkatramanan** is an Independent Director of the company. She has over 24 years of experience in retail banking functions particularly credit risk. Previously, she was associated with Citibank as group credit policy head for the central eastern Europe, Middle East, Africa and India, AurionPro Solutions as a consultant and Experian Singapore Pte Ltd. as consulting director in decision analytics for Asia Pacific. Presently, she is associated with HSBC Group Management Ltd. as global head of credit bureau management. She was appointed as an Independent Director on the Board of the company with effect from August 16, 2012.

**Divya Sehgal** is the Nominee Director of the company. He has over 23 years of experience in the financial sector. Previously, he was associated with McKinsey & Company as an associate, ANZ Grindleys Bank, E Medlife.com Ltd. as a director and Apollo Health Street Ltd. as chief operating officer. Currently, he is associated with True North Managers LLP as a partner. He was appointed as a Nominee Director on the Board of the company with effect from June 10, 2017.

**Maninder Singh Juneja** is the Nominee Director of the company. He has over 26 years of experience in the banking industry. Prior to joining the company, he was associated with Godrej and Boyce Mfg. Co. Ltd. As management trainee, Godrej GE Appliances Ltd, SRF Finance Ltd as business manager of corporate finance, DGP Windsor India Ltd, Whirlpool of India Ltd as business manager, ICICI Bank Ltd as group executive and National Bulk Handling Corporation Pvt. Ltd. as managing director and chief executive officer. Currently, he is associated with True North Managers LLP as a partner. He was appointed as a Nominee Director on the Board of the company with effect from May 26, 2017.

**Rajagopalan Santhanam** is the Nominee Director of the company. He has over 28 years of experience in finance, accounting and treasury management. Previously, he was associated with ITC Limited and Monsanto (I) Ltd. as chief financial officer. Currently, he is associated with True North Managers LLP as managing director. He was appointed as a Nominee Director on the Board of the company with effect from March 30, 2017.

**Vishal Vijay Gupta** is the Nominee Director of the company. He has over 15 years of experience in investments in consumer internet, financial technology and healthcare technology. Previously, he was associated with DSL Software Ltd. as a senior management trainee. Currently, he is associated with Bessemer Venture Partners India Investors Pvt. Ltd. as the managing director. He was appointed as a Nominee Director on the Board of the company with effect from February 28, 2018.

**Narendra Ostawal** is the Nominee Director of the company. He is associated with Warburg Pincus India Pvt. Ltd. since 2007 where he currently holds the position of Managing Director. He has previously been associated with 3i India Pvt. Ltd. and McKinsey & Company, Inc. He was appointed as a Nominee Director on the Board of the company with effect from October 15, 2020.

**Manoj Viswanathan** is the Founder, Managing Director and the Chief Executive Officer of the company. He has over 24 years of experience in consumer lending. Previously, he was associated with Computer Garage Pvt. Ltd., Asian Paints India Ltd, Citibank and CitiFinancial Consumer Finance India Ltd as vice president of personal loans. He joined the company as a Director with effect from June 28, 2010.

### Key Managerial Personnel

**Nutan Gaba Patwari** is the Chief Financial Officer of the company. She was appointed as the Chief Financial Officer with effect from March 4, 2019. She has over 14 years of experience in finance.

**Shreyans Bachhawat** is the Company Secretary of the company. He has over 8 years of experience in corporate secretarial compliances. He was appointed as the Company Secretary with effect from September 7, 2017.

**Ajay Khetan** is the Chief Business Officer of the company. He joined the company with effect from March 14, 2012. He has over 19 years of experience in consumer finance and risk management.

**Gaurav Mohta** is the Chief Marketing Officer of the company. He joined the company with effect from March 23, 2011. He has over 17 years of experience in consumer lending and product management.

**Vilasini Subramaniam** is the Head – Strategic Alliances of the company. She joined the company with effect from August 1, 2014. She has over 16 years of experience in consumer finance.

**Ramakrishna Vyamajala** is the Chief Human Resources Officer of the company. He joined the company with effect from November 29, 2018. He has over 15 years of experience in human resources, rewards and recognition, compensation and benefits.

## OFFER DETAILS

The Offer	Amount	No of Shares <sup>^</sup>
Fresh Issue	₹ 265.00 Cr	Upto 5,115,830 Equity Shares
Offer for Sale:	₹ 888.72 Cr	Upto 17,156,734 Equity Shares
<b>The Promoter Selling Shareholders</b>		
• True North Fund LLP ("TN V LLP")	₹ 435.62 Cr	Upto 8,409,548 Equity Shares
• Aether (Mauritius) Ltd	₹ 291.28 Cr	Upto 5,623,222 Equity Shares
<b>The Investor Selling Shareholder</b>		
• Bassemer India Capital Holdings II Ltd	₹ 120.46 Cr	Upto 2,325,501 Equity Shares
<b>The Individual Selling Shareholders</b>		
• P S Jayakumar	₹28.44 Cr	Upto 548,938 Equity Shares
• Manoj Viswanathan	₹ 12.93 Cr	Upto 249,517 Equity Shares

<sup>^</sup> No. of shares at upper price band

## OBJECTS OF THE ISSUE

Objects	Amount
To utilize the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements.	265.00*
To receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of the company's brand name and creation of a public market for the Equity Shares in India.	-
General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

\* (Less) Estimated Offer-related expenses in relation to the Fresh Issue

## BUSINESS OVERVIEW

**Home First Finance Company India Limited** ("Home First Finance") is a technology driven affordable housing finance company that targets first time home buyers in low and middle-income groups. The company primarily offers customers housing loans for the purchase or construction of homes, which comprised 92.1% of the Gross Loan Assets, as of September 30, 2020. The Gross Loan Assets have grown at a CAGR of 63.4% between the financial year 2018 and the financial year 2020 and increased from ₹1,355.93 crore as of March 31, 2018 to ₹3,730.01 crore as of September 30, 2020.

The company serves salaried and self-employed customers. Salaried customers account for 73.1% of its Gross Loan Assets and self-employed customers account for 25% of Gross Loan Assets as of September 30, 2020. They serviced 44,796 active loan accounts, as of September 30, 2020. They also offers other types of loans comprising loans against property, developer finance loans and loans for purchase of commercial property, which comprised 5.1%, 1.9% and 0.9% of its Gross Loan Assets, as of September 30, 2020, respectively. As of the same date, 32.8% of the Gross Loan Assets were from customers who were new to credit. The average ticket size of its housing loans was ₹ 1.01 million, with an average loan-to-value on Gross Loan Assets of 48.8%, as of September 30, 2020. As of September 30, 2020 and March 31, 2020, its Stage 3 Loan Assets expressed as a percentage of the Gross Loan Assets were 0.74% and 0.87%, respectively.

As of September 30, 2019, they had a network of 70 branches covering over 60 districts in 11 states and a union territory in India, with a significant presence in urbanized regions in the states of Gujarat, Maharashtra, Karnataka and Tamil Nadu. They have increased the scale of its operations and grown its branches by adopting a strategy of contiguous expansion across regions and have strategically expanded to geographies where there is substantial demand for housing finance. According to the CRISIL Report, the 11 states and union territory in which they are present accounted for approximately 79% of the affordable housing finance market in India during the financial year 2019. The company utilizes a diverse range of lead sourcing channels such as connectors, architects, contractors, affordable housing developers, in addition to conducting loan camps and micro marketing activities, and utilizing employee and customer referrals and branch walk-in customers.

The company has leveraged technology in various facets of its business such as processing loan applications, managing customer experience and risk management. They have developed a paperless process to on-board customers efficiently and their well-trained front-end teams appraise customers by conducting home and workplace visits and ensure minimal disruption to a customer's daily routine. They offer mobility solutions through dedicated mobile applications for their customers to enable quick and transparent loan related transactions. They have an integrated customer relationship management and loan management system set up on a leading cloud based customer relationship platform providing them with a holistic view of all its customers. They utilize proprietary machine learning customer scoring models to assist them with its centralized credit underwriting process, which has led to consistent and accurate credit evaluation with quick turnaround times. During the 6 months ended September 30, 2020 and the last 3 financial years, they invested ₹ 20.12 crore in its information technology systems (comprising software license fees, technology fees and other intangible assets).

As of September 30, 2020, their Total Borrowings were ₹ 2,636.58 crore. They typically obtain long-term funding from a variety of sources including private and public sector banks, the NHB and through assignment transactions. According to the CRISIL Report, Home First Finance has the highest share of NHB refinance (26%) among its peers in its borrowing mix as of March 31, 2020. They have improved their credit ratings from 'CARE A-' as of March 31, 2017 to 'CARE A+' as of September 30, 2020 and also currently have an 'A+ (stable)' rating from ICRA Limited.

Home First Finance was founded by Jaithirth Rao, P. S. Jayakumar and Manoj Viswanathan and they commenced their operations in August 2010. The company is managed by professionals and their Promoters are True North Fund V LLP and Aether (Mauritius) Ltd. Further, Bessemer and Orange Clove Investments B.V. (an affiliate of Warburg Pincus, a global private equity investor), has acquired a stake in the company. They have and expect to continue to benefit from strong capital sponsorship and professional expertise of its marquee shareholders. In addition to assisting the company with capital raising their shareholders have assisted them in implementing strong corporate governance, which has been critical to the growth of their operations.

## REVENUE MIX

### Details of Revenue from Operations

	For 6 months ended Sep'30				For the year ended March 31,					
	2020		2019		2020		2019		2018	
	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total
Interest Income	207.43	87.47%	160.38	87.22%	354.73	88.99%	231.93	89.25%	129.96	98.39%
Fees and commission income	1.22	0.51%	1.10	0.60%	3.84	0.96%	3.34	1.29%	1.45	1.10%
Net gain on de-recognition of financial instruments	25.76	10.86%	21.12	11.49%	37.12	9.31%	21.48	8.27%	0	0.00%
Other operating income	2.73	1.15%	1.29	0.70%	2.95	0.74%	3.14	1.21%	0.69	0.52%
<b>Total</b>	<b>237.15</b>	<b>100.00%</b>	<b>183.89</b>	<b>100.00%</b>	<b>398.64</b>	<b>100.00%</b>	<b>259.88</b>	<b>100.00%</b>	<b>132.09</b>	<b>100.00%</b>

### Key financial and operational information

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Gross Loan Assets (₹ Cr)	3,730.01	3,113.38	3,618.36	2,443.57	1,355.93
Growth rate of Gross Loan Assets (%)	19.8%	63.1%	48.1%	80.2%	60.0%
Disbursements (₹ Cr)	295.95	885.75	1,618.29	1,572.82	745.53
Disbursements Growth Rate (%)	(66.6)%	23.6%	2.9%	111.0%	75.7%
Total Income (Revenue from operations + Other Income)(₹ Cr)	243.19	193.77	419.66	270.92	134.24



Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Profit after Tax (₹ Cr)	52.95	36.74	79.25	45.20	16.00
Net Worth <sup>4</sup> (₹ Cr)	988.19	889.30	933.64	523.14	325.22
Stage 3 Loan Assets / Gross Loan Assets (%)	0.74%	0.86%	0.87%	0.70%	0.60%
Stage 3 Loan Assets (Net) / Net Loan Assets (%)	0.51%	0.68%	0.65%	0.53%	0.48%
Average Yield on Loans - Principal Outstanding (%)	6.5%	6.5%	13.2%	13.2%	12.1%
Average Cost of Borrowing (excluding assignments) (%)	4.3%	4.3%	8.7%	8.5%	7.7%
Net Interest Margin (%) (Net Interest Income / Average total Assets)	2.4%	2.2%	5.1%	5.4%	5.3%
Operating Expenses/Average Total Assets (%)	1.3%	1.7%	3.5%	3.8%	3.6%
Cost to Income Ratio (Operating Expenses / Net Total Income)	34.9	47.5	45.8	50.3	61.0
CRAR (%) (in accordance with restated Ind AS financial information)	51.7%	47.6%	49.0%	38.5%	43.0%
Number of Branches	70	65	68	60	42
Active Loan Accounts	44,796	37,086	43,094	29,372	15,723

## COVID-19 IMPACT

The outbreak of COVID-19 resulted in slowing down of disbursements by the company from ₹ 885.75 crore for the 6 months ended September 30, 2019 to ₹ 295.95 crore for the 6 months ended September 30, 2020. The company also witnessed an increase in bounce rate from 10.5% during the last quarter of the financial year 2020 to 28.3% during the second quarter of the financial year 2021.

The company has taken a number of steps to address the challenges posed by COVID-19, including the following:

**Maintaining business continuity:** In order to protect the health and safety of the employees with minimal disruption in their operations, all their employees were moved to a work-from home model. Since their CRM, loan management and accounting systems were maintained on the cloud, they were able to easily migrate to a work-from-home model.

As of September 30, 2020, they had resumed physical operations in all of their 70 branches, including 2 new branches which were set up after March 31, 2020.

**Collections:** During the COVID-19 period, there has been an additional focus on collection activity. The average number of EMLs (other than through NACH) collected per employee was 6 during the month of March 2020, as compared to 10 during the month of June 2020 and 15 during the month of September 2020. As of October 31, 2020, their 30 days past due was at 3.1% of their Gross Loan Assets and 90 days past due was at 0.7% of their Gross Loan Assets.

The table below summarizes the collection efficiency of their loans for the periods presented:

Collection Efficiency parameters	Q3FY21	Dec'20	Nov'20	Oct'20	Q2FY21	Sep'20	Aug'20	Jul'20	Q1FY21	Jun'20	May'20	Apr'20
Collection Efficiency	96.8%	97.6%	96.6%	96.3%	93.0%	99.8%	94.3%	84.6%	71.8%	78.4%	64.4%	72.5%
Unique Customers	95.6%	96.1%	95.5%	95.3%	85.8%	93.8%	83.5%	79.8%	70.5%	74.7%	63.7%	72.9%

**Moratorium:** To alleviate the impact of COVID-19, the RBI has issued guidelines relating to COVID-19 regulatory package dated March 27, 2020 in accordance therewith, providing moratorium of 3 months on the payment of all principal amounts and interest falling due between March 1, 2020 and May 31, 2020. Further, by way of its circular dated May 23, 2020, the RBI extended the moratorium on loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020. Accordingly, the company granted the moratorium option to certain of their customers for the period between March 1, 2020 and August 31, 2020. Moratorium was granted by them to 12,525 customers valued at ₹ 41.55 crore, as of September 30, 2020, to be repaid by the borrowers over a 12/24/36 month period.

**Maintaining the liquidity position and reducing the cost of borrowings:** During the COVID-19 pandemic, the company took additional measures to improve their liquidity position to ensure adequate funding to meet financial and other commitments. They engaged with banks and participated in the Targeted Long Term Repo Operation (TLTRO 2.0) and Partial Credit Guarantee (PCG) schemes, and raised ₹ 240 crore through this process. They raised ₹ 860.47 crore during the 6 months ended September 30, 2020 through term loans, NHB refinance, issuance of non-convertible debentures and through direct assignments. The average cost of incremental borrowings for the 6 months ended September 30, 2020 was 8.0%, as compared to 8.8% for the financial year 2020. They have maintained an ALM position in terms of the NHB Regulations and as of September 30, 2020, they had cumulative positive flows across all the buckets.

**Equity capital investment for a stake by Warburg Pincus, leading global private equity investor:** On October 1, 2020, the company and certain existing shareholders entered into definitive agreements with Orange Clove Investments B.V (an affiliate of Warburg Pincus) ("Orange Clove") for an investment by Orange Clove through a combination of a primary fund raise of approximately ₹ 75 crore through a subscription of 2,240,639 Equity Shares by Orange Clove, aggregating to 2.60% of the paid up share capital of the Company (on a fully diluted basis), and a secondary sale by the existing shareholders of 18,810,719 Equity Shares to Orange Clove, aggregating to 21.82% of the paid-up capital of the Company (on a fully diluted basis).

Pursuant to this transaction, Narendra Ostawal, managing director at Warburg Pincus India Pvt. Ltd. is appointed as a Nominee Director to represent Orange Clove on the Board of the company. Further, pursuant to the approval of the RBI received by letter dated January 4, 2021, Orange Clove has purchased 3,931,952 Equity Shares from TN V LLP, Aether and Bessemer and 208,492 Equity Shares from Mr. P.S. Jayakumar respectively on January 12, 2021 and January 13, 2021. This results in the shareholding of TN V LLP to stand at 30.22%, Aether at 20.09% and Bessemer at 10.57% of the paid-up capital of the company (on a fully diluted basis).

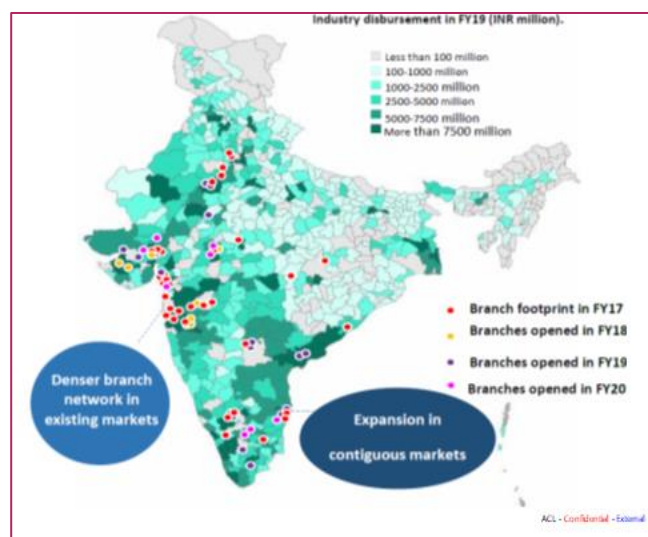
**Leveraging technology to compliment credit appraisal:** Subsequent to the onset of the COVID-19 pandemic in India, the company reassessed the market and customers, and adopted stricter interim credit guidelines for new business and disbursements of loans and launched new processes following an even more digital approach, as follows:

- Branches started conducting office and home digital verifications through video calls for certain categories of customers, with records of such calls uploaded in their internal systems.
- Consents from customers to opt for the moratorium were taken online.
- They have developed systems for Aadhar based E-signature of loan documents, which is being piloted at a few of their branches. This will result in savings on printing, storage and transaction costs.
- They have set up systems for E-KYC of customers, including KYC verification, geo tagging of the customer and facial matches.
- Digital methods of reaching out to customers and channel partners have received a boost during COVID-19 pandemic. As of September 30, 2020, 58.7% of their customers were registered on their customer mobile application 'Home First Customer Portal' as compared to 50.8% as of March 31, 2020. As of September 30, 2020, they had 93.8% of their active connectors registered on the connector application as compared to 81.6% as of March 31, 2020.

**Increasing strategic tie-ups:** The Company has established a tie-up with one of the leading payment banks in the country, Airtel Payments Bank, for providing housing loans in affordable category to their customers. They entered into arrangements with a range of new fintech partners including No Broker Technologies Solutions Pvt. Ltd., Lendingkart Technologies Pvt. Ltd. and One97 Communications Ltd. (Paytm) for advertising and promotional activity of their Company's affordable housing loans. They also initiated their campaign on Paytm using the banner advertisement channel. The company commenced offering affordable housing customers an opportunity to utilise virtual reality-based design and turnkey construction services from Buildnext Construction Solutions Pvt. Ltd., an IT enabled construction company. VNC Group, a manufacturer and distributor of building materials used in construction was on-boarded as an alliance partner in south India to jointly address the needs of an individual house builder.

## GEOGRAPHICAL PRESENCE

### Branch network in India:



### Branch network as of September 30, 2020:

State	No. of Branches	No. of Districts	% of Gross Loan Assets
Gujarat	20	11	39.00%
Maharashtra	15	13	21.00%
Tamil Nadu	11	8	10.50%
Karnataka	4	1	9.30%
Rajasthan	6	3	5.10%
Telangana	3	2	5.00%
Madhya Pradesh	5	3	4.10%
Uttar Pradesh	1	3	2.60%
Haryana & NCR	1	10	1.00%
Chhattisgarh	1	3	1.00%
Andhra Pradesh	3	3	1.40%
<b>Total</b>	<b>70</b>	<b>60</b>	<b>100.0%</b>

## KEY FINANCIAL AND OPERATIONAL METRICS

### Financial Ratios

(₹ In Cr, except %)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Gross Loan Assets	3,730.01	3,113.38	3,618.36	2,443.57	1,355.93
Growth rate of Gross Loan Assets (%)	19.8%	63.1%	48.1%	80.2%	60.0%
Average Gross Loan Assets	3,674.19	2,778.48	3,030.97	1,899.75	1,101.62
Assigned Assets	717.52	474.64	576.09	292.07	37.46
Loans – Principal Outstanding	3,012.06	2,632.95	3,040.66	2,146.67	1,314.41
Total Assets	3,722.20	3,247.65	3,479.61	2,482.01	1,364.94
Disbursements	295.95	885.75	1,618.29	1,572.82	745.53
Disbursements Growth Rate	(66.6)%	23.6%	2.9%	111.0%	75.7%
Total Outstanding Loan Accounts (Nos.)	44,796	37,086	43,094	29,372	15,723
Revenue from Operations	237.15	183.89	398.64	259.88	132.09
Other Income	6.04	9.88	21.02	11.05	2.15
Total Income (Revenue from operations + Other Income)	243.19	193.77	419.66	270.92	134.24
Interest on borrowings and Interest on debt securities	109.98	90.41	191.22	124.88	64.71
Operating expenses	46.45	49.14	104.65	73.53	42.38
Net total Income	133.21	103.37	228.43	146.04	69.53
Operating Expenses / Total Income	19.1%	25.4%	24.9%	27.1%	31.6%
Cost to Income Ratio (Operating Expenses / Net Total Income)	34.9%	47.5%	45.8%	50.3%	61.0%
Impairment loss allowance	39.89	14.99	26.75	11.97	5.67
Stage 3 loan assets	27.58	26.84	31.54	17.05	8.07
Stage 3 loan assets / Gross Loan Assets	0.74%	0.86%	0.87%	0.70%	0.60%
Impairment loss allowance on Stage 3 loan assets	8.94	5.66	8.12	4.24	1.65
Stage 3 loan assets (Net)	18.64	21.18	23.41	12.81	6.42
Net Loan Assets	3,690.12	3,098.39	3,591.61	2,431.61	1,350.26
Stage 3 loan assets (Net) / Net loan assets	0.51%	0.68%	0.65%	0.53%	0.48%
Assigned Assets/ Gross Loan Assets	19.2%	15.2%	15.9%	12.0%	2.8%

(Source: RHP)



**Return on Equity Tree**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Total assets	3,722.20	3,247.65	3,479.61	2,482.01	1,364.94
Average total assets	3,600.90	2,864.83	2,980.81	1,923.47	1,176.95
Equity or Net worth	988.19	889.30	933.64	523.14	325.22
Average Equity or Average net worth	960.91	706.22	728.39	424.18	315.79
Interest Income on term loans	198.18	154.84	342.50	228.92	127.45
Interest on borrowings and Interest on debt securities	109.98	90.41	191.22	124.88	64.71
Net Interest Income	88.20	64.43	151.28	104.03	62.74
Non-Interest Income	45.02	38.94	77.16	42.01	6.79
Operating Expenses	46.45	49.14	104.65	73.53	42.38
Credit Cost	16.41	3.95	16.50	7.31	2.87
Profit before tax	70.36	50.29	107.28	65.20	24.27
Tax expense	17.41	13.54	28.03	19.99	8.27
Profit after tax	52.95	36.74	79.25	45.20	16.00

**Return on Equity Tree (Percentages)**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Total assets	3,722.20	3,247.65	3,479.61	2,482.01	1,364.94
Average total assets	3,600.90	2,864.83	2,980.81	1,923.47	1,176.95
Equity or Net worth	988.19	889.30	933.64	523.14	325.22
Average Equity or Average net worth	960.91	706.22	728.39	424.18	315.79
Interest Income on term loans/Average total assets	5.5%	5.4%	11.5%	11.9%	10.8%
Interest on borrowings and Interest on debt securities/Average total assets	3.1%	3.2%	6.4%	6.5%	5.5%
Net Interest Income/Average total assets	2.4%	2.2%	5.1%	5.4%	5.3%
Non-Interest Income/Average total assets	1.3%	1.4%	2.6%	2.2%	0.6%
Operating Expenses/Average total assets	1.3%	1.7%	3.5%	3.8%	3.6%
Credit Cost/Average total assets	0.5%	0.1%	0.6%	0.4%	0.2%
Profit before tax/Average total assets	2.0%	1.8%	3.6%	3.4%	2.1%
Tax expense/Average total assets	0.5%	0.5%	0.9%	1.0%	0.7%
Profit after tax on average total assets (ROA)	1.5%	1.3%	2.7%	2.4%	1.4%
Leverage (Average total assets/average Equity or average Net-worth)	3.75	4.6	4.09	4.53	3.73%
Profit after tax on average equity or average Net-worth (ROE)	5.5%	5.2%	10.9%	10.7%	5.1%

(Source: RHP)

**Yields, Spreads and Margins**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Interest Earning Assets	3,274.68	2,802.27	3,249.49	2,152.93	1,321.61
Average Interest Earning Assets	3,262.09	2,477.60	2,701.21	1,737.27	1,090.34
Average total assets	3,600.90	2,864.83	2,980.81	1,923.47	1,176.95
Interest Bearing Liabilities	2,636.58	2,295.63	2,493.81	1,925.64	1,019.88
Average Interest-Bearing Liabilities	2,565.19	2,110.64	2,209.72	1,472.76	841.46
Average Interest Earning Assets as percentage of Average Total Assets	90.6%	86.5%	90.06%	90.3%	92.6%
Average Interest-bearing liabilities as percentage of Average Total Assets	71.2%	73.7%	74.1%	76.6%	71.5%

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Average Interest Earning Assets as percentage of Average Interest-Bearing Liabilities	127.2%	117.4%	122.2%	118.0%	129.6%
Average Yield on Loans - Principal Outstanding	6.5%	6.5%	13.2%	13.2%	12.1%
Average Cost of Borrowing (excluding assignments) <sup>6</sup>	4.3%	4.3%	8.7%	8.5%	7.7%
Spread <sup>7</sup>	2.2%	2.2%	4.5%	4.7%	4.4%
Average Yield on Disbursement	13.1%	13.2%	13.3%	12.6%	11.7%
Average cost of Incremental borrowings	8.0%	9.0%	8.8%	8.6%	7.5%

(Source: RHP)

**Details of Borrowings**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Number of banks borrowed from and issued debt securities to	17	14	15	14	10
- Private sector banks	8	7	8	7	4
- Public sector banks	9	7	7	7	6
Amount borrowed (Borrowings + Debt securities)	2,636.58	2,295.63	2,493.81	1,925.64	1,019.88
- Private sector banks	751.88	820.59	753.62	444.70	214.49
- Public sector banks	900.32	891.69	1025.68	894.17	559.88
- Other parties	51.47	34.47	60.14	-	-
NHB loans	693.45	546.88	654.37	586.76	245.50
Debt Securities	239.46	-	-	-	--
Average Cost of Borrowings (excluding assignments)	4.3%	4.3%	8.7%	8.5%	7.7%
Debt	2,636.58	2,295.63	2,493.81	1,925.64	1,019.88
Equity	988.19	889.30	933.64	523.14	325.52
Debt to Equity Ratio	2.67	2.58	2.67	3.68	3.14
CRAR (%)	51.7%	47.6%	49.0%	38.5%	43.0%

(Source: RHP)

**Product wise Gross Loan Assets by segment (Retail and Corporate)**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
<b>Retail</b>	<b>3,659.74</b>	<b>3,026.77</b>	<b>3,542.14</b>	<b>2,359.51</b>	<b>1,338.34</b>
• Housing Loan	3,434.89	2,847.55	3,323.06	2,248.70	1,302.21
• Loans for Purchase of Commercial Property	35.05	32.83	34.75	24.99	7.39
• Loans Against Property	189.79	146.39	184.33	85.83	28.74
<b>Corporate</b>	<b>70.27</b>	<b>86.61</b>	<b>76.22</b>	<b>84.07</b>	<b>17.59</b>
• Developer Finance	70.27	86.61	76.22	84.07	17.59
<b>Total</b>	<b>3,730.01</b>	<b>3,113.38</b>	<b>3,618.36</b>	<b>2,443.57</b>	<b>1,355.93</b>
<b>Retail</b>	<b>98.1%</b>	<b>97.2%</b>	<b>97.9%</b>	<b>96.6%</b>	<b>9.87%</b>
<b>Corporate</b>	<b>1.9%</b>	<b>2.8%</b>	<b>2.1%</b>	<b>3.4%</b>	<b>1.3%</b>

**Capital to Risk Assets Ratio (CRAR)**

(₹ In Cr, except % and ratios)

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
Tier I Capital	987.83	888.79	933.12	522.47	324.60
Tier II Capital	24.50	14.05	24.43	10.69	5.90
<b>Total Capital</b>	<b>1,012.33</b>	<b>902.84</b>	<b>957.55</b>	<b>533.16</b>	<b>330.50</b>
Total Risk Weighted Assets	1,960.11	1,898.72	1,954.48	1,383.72	767.26

Particulars	As of and for the 6 months ended September 30,		As of and the year ended March 31,		
	2020	2019	2020	2019	2018
	<b>CRAR (Total Capital / Total Risk Weighted Assets)</b>	<b>51.7%</b>	<b>47.6%</b>	<b>49.0%</b>	<b>38.5%</b>
CRAR - Tier I Capital	50.4%	46.8%	47.7%	37.7%	42.3%
CRAR - Tier II Capital	1.3%	0.7%	1.3%	0.8%	0.8%
<b>Net Worth</b>	<b>988.19</b>	<b>889.30</b>	<b>933.64</b>	<b>523.14</b>	<b>325.22</b>
Total Assets to Net Worth Ratio	3.77	3.65	3.73	4.74	4.20
Gross Loan Assets to Net Worth Ratio	3.77	3.50	3.88	4.67	4.17

### Gross Loan Assets by States / Territories

(₹ In Cr)

States / Territories	As of and for the 6 months ended September 30,				As of and the year ended March 31,					
	2020		2019		2020		2019		2018	
	Gross Loan	% to Total	Gross Loan	% to Total	Gross Loan	% to Total	Gross Loan	% to Total	Gross Loan	% to Total
Gujarat	1,453.98	39.0%	1,259.90	40.5%	1,437.51	39.7%	995.99	40.8%	515.80	38.0%
Maharashtra	779.42	21.0%	764.43	24.6%	784.73	21.7%	694.35	28.4%	482.48	35.6%
Tamil Nadu	391.80	10.5%	287.97	9.2%	359.55	9.9%	208.73	8.5%	117.57	8.7%
Karnataka	347.62	9.3%	273.17	8.8%	325.29	9.0%	200.41	8.2%	95.14	7.0%
Rajasthan	190.92	5.1%	138.65	4.5%	179.35	5.0%	93.14	3.8%	40.85	3.0%
Telangana	187.48	5.0%	124.48	4.0%	175.81	4.9%	76.62	3.1%	13.67	1.0%
Madhya Pradesh	152.22	4.1%	100.33	3.2%	141.29	3.9%	64.37	2.6%	21.11	1.6%
Uttar Pradesh	98.27	2.6%	73.65	2.4%	95.55	2.6%	48.23	2.0%	27.65	2.0%
Haryana	37.68	1.0%	37.72	1.2%	38.10	1.1%	32.63	1.3%	27.34	2.0%
Chhattisgarh	37.27	1.0%	26.70	0.9%	33.81	0.9%	20.39	0.8%	13.26	1.0%
Andhra Pradesh	53.36	1.4%	26.38	0.8%	47.37	1.3%	8.71	0.4%	1.07	0.1%
<b>Total</b>	<b>3,730.01</b>	<b>100.0%</b>	<b>3,113.38</b>	<b>100.0%</b>	<b>3,618.36</b>	<b>100.0%</b>	<b>2,443.57</b>	<b>100.0%</b>	<b>1,355.93</b>	<b>100.0%</b>

## COMPETITIVE STRENGTH

### • Technology Driven Company with Scalable Operating Model

Home First Finance is a technology driven affordable housing finance company and has built a scalable operating model. During the 6 months ended September 30, 2020 and the last 3 financial years, they invested ₹ 20.12 crore in their information technology systems. The company is able to digitally capture over **100 data points** of a customer in addition to credit bureau data, observations of their front end teams and feedback from their underwriting and management teams.

Their integrated customer relationship management and loan management system provides them with a holistic view of their customers and ensures connectivity and uniformity across their branches. They have also deployed proprietary machine learning customer-scoring models to assist them with effective credit underwriting. The company offers mobility solutions through dedicated mobile applications for their customers to enable quick and transparent loan related transactions. **Their systems are designed to facilitate a sanction within an average turn-around-time of 48 hours.** Their digital service delivery mechanisms and operating model brings uniformity in their operations, increases customer satisfaction.

### • Customer Centric Organizational Commitment

The company is a customer centric organization and has developed strong relationships with their customers by addressing their key concerns in availing housing finance. They have set up a paperless process to on-board customers efficiently and their managers' conduct home and workplace visits to ensure minimal disruption to a customer's daily routine.

They have a dedicated mobile application for customers where they can carry out a number of functions. As of September 30, 2020, their customer mobile application, '**Home First Customer Portal**' had approximately 26,098 active registrations comprising approximately 58.7% of their customer base and currently has a rating of 4.2 on the Google Play Store. They also have an application '**HomeFirst Connect**' for their channel partners and '**HomeFirst RM Pro**' for their relationship managers. Company's customer centric approach has been a key driver of their growth and helped them differentiate themselves from competition and achieve superior net promoter scores.

- **Deep Penetration in the Largest Housing Finance Markets, with Diversified Sourcing Channels**

The company has successfully adopted a strategy of contiguous expansion across regions over the years and have strategically expanded to relevant geographies by evaluating areas with high economic growth and substantial demand for affordable housing finance, along with industry portfolio-at-risk levels and socio economic risk profile. They have demonstrated their ability to successfully identify new regions to set up branches and grow their market share in such regions.

The table reflects the improvement in their market share, in terms of origination of home loans in the bucket size of ₹ 500,000 to ₹ 2,500,000, for the periods indicated:

Branch Location	Market share during Q4 FY20	Market share during Q1 FY18
Jaipur	2.3%	0.1%
Ahmedabad	2.7%	1.7%
Surat	2.5%	1.7%
Indore	2.3%	0.2%
Nagpur	2.2%	0.9%
Raipur	0.8%	0.3%
Hyderabad	1.1%	0.2%
Bengaluru	1.9%	0.2%
Chennai	2.0%	1.0%

Connectors are third-parties who provide the company with customer leads on a commission basis paid only when a loan is disbursed and they do not assist in the loan application process. Their connectors are generally individuals such as insurance agents, tax practitioners and local shopkeepers. The network of connectors has increased from over 470 active connectors as of March 31, 2018 to over 800 active connectors as of September 30, 2020, and they manage their leads effectively through their connector application. For the 6 months ended September 30, 2020 and the financial year 2020, they sanctioned 2,591 and 15,591 loans on account of leads generated through 887 and 2,553 connectors, respectively.

- **Centralized, Data Science Backed Underwriting Process**

The company serves salaried customers in low and middle-income groups which account for 73.1% of their Gross Loan Assets, and self-employed customers account for 25% of the Gross Loan Assets, as of September 30, 2020. They have employed well-trained and educated front-end teams to enable them to make right decision on several parameters, including the size of the loan. The centralized team of underwriters ensures consistency in implementing their underwriting principles.

Their customer relationship management system is integrated with the loan management system, which is set up on a leading cloud based customer relationship platform. Their technology platforms enable them to digitally capture over 100 data points of a customer from the inception of the lead. They have also entered into arrangements with third party database service providers to obtain additional information of customers. The integration of such data helps them derive a holistic view of their customers, carry out fraud checks and effectively assess the credit worthiness of customers.

A majority of the housing finance loans for affordable houses fall within the purview of the Pradhan Mantri Awas Yojana which further reduces their loan-to-value ratio once the PMAY subsidy gets disbursed. As part of their credit policy, the company limit their exposure to properties that are under construction, which helps in maintaining their asset quality. As of September 30, 2020, completed homes comprised 89.0% of their Gross Loan Assets, while properties under construction accounted for 11.0% of their Gross Loan Assets. The robust underwriting and loan approval process have helped them **reduce bounce rates** from 14.1% for the first quarter of the financial year 2018 to 10.5% for the 4<sup>th</sup> quarter of the financial year 2020.

- **Technology Driven Collections System**

The company has set up a robust collections management system wherein approximately 93% of their collections for the financial year 2020 were non-cash based. They employed a structured **collection process** wherein they remind their customers of their payment schedules. The **effective credit risk management** is reflected in their portfolio quality indicators such as high repayment rates, and low rates of Stage 3 Loan Assets and Stage 3 Loan Assets (Net) across economic cycles and events such as demonetization and the implementation of RERA.

- **Well-Diversified and Cost-Effective Financing Profile**

The company is able to access borrowings at a competitive cost due to their **stable credit history, superior credit ratings, conservative risk management policies and strong brand equity**.

The details of borrowing profile:

Metric	As of and for the 6 months ended September 30,		As of and for the Financial year ended March 31,		
	2020	2019	2020	2019	2018
<b>Number of banks borrowed from</b>	<b>17</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>10</b>
• Private sector banks	8	7	8	7	4
• Public sector banks	9	7	7	7	6
<b>Amount borrowed (Borrowings + Debt securities) (₹ Cr)</b>	<b>2,636.58</b>	<b>2,295.63</b>	<b>2,493.81</b>	<b>1,925.64</b>	<b>1,019.88</b>
• Private sector banks (₹ Cr)	751.88	820.59	753.62	444.70	214.49
• Public sector banks (₹ Cr)	900.32	891.69	1025.68	894.18	558.88
• Other parties (₹ Cr)	51.47	36.47	60.14	-	-
• NHB loans (₹ Cr)	693.45	546.88	654.37	586.76	245.50
Average Cost of Borrowings (excluding assignments)	239.46	-	-	-	-
Total Equity	4.30%	4.3%	8.7%	8.5%	7.7%
<b>Debt to Equity ratio*</b>	<b>988.19</b>	<b>889.30</b>	<b>933.64</b>	<b>523.14</b>	<b>325.22</b>
<b>CRAR</b>	<b>51.7%</b>	<b>47.6%</b>	<b>49.0%</b>	<b>38.5%</b>	<b>43.0%</b>

The company has improved their credit ratings from 'CARE A-' as of March 31, 2017 to 'CARE A+' as of September 30, 2020 and also currently have an A+ (stable) rating from ICRA Limited.

- **Experienced Management Team with Qualified Operational Personnel and Marquee Investors**

The company has a professional and experienced management team, led by the CEO and founder, Manoj Viswanathan, who has over 24 years of experience in the consumer lending industry. In addition, Ajay Khetan, Gaurav Mohta and Vilasini Subramaniam joined the founding team over 5 years ago. The management team has extensive experience in the financial services sector and is supported by qualified operational personnel.

The company primarily employs people who have obtained their engineering or management degrees and they hire them directly from campuses. They have an elaborate year-long training and development program for all their new hires. They also have a distance-learning program in association with a leading business school for their employees. As of September 30, 2020, approximately 68.3% of their employees had obtained a post-graduation and approximately 43.3% had a bachelor in technology or engineering degree. They are a young and diverse organization with a median age of 25 years, and approximately 32.9% of their employees are women, as of September 30, 2020.

## KEY BUSINESS STRATEGIES

- **Leverage Technology to Grow Business and Drive Operational Efficiency**

The company intends to launch a customer self on-boarding application through which a customer can make a loan application and upload relevant documents. They have entered into arrangements with certain digital lead aggregators and other digital companies in the housing and real estate ecosystem such as Homelane, Paisa Bazaar, Quikr India, Credit Mantri and Aapka Painter, which helps them source leads embedded with customer data.

They are focused on creating an end-to-end digital process for housing loans encompassing digital marketing, exhaustive customer data capture through **API integrations** with third-party databases such as Hunter and Perfios, automated underwriting via machine learning algorithms and instant approvals through mobility solutions.

- **Expand the Branch Network in Large Affordable Housing Markets**

The company intends to expand their business in a contiguous manner into regions with increasing urbanization, growing commercial activity and rising household incomes.

Out of 70 branches, they had set up 28 branches between April 1, 2018 and September 30, 2020 and expects their future growth to be from such branches as they continue to gain market share. They intend to increase the number of their branches to 90 by the end of the financial year 2022, in order to achieve deeper penetration in their existing 11 states and union territory.



- **Grow the Productivity of the Existing Branches**

The company focuses on increasing the productivity of their existing branches to drive the growth. They categorize their branches into large branches, mid-sized branches and small branches, on the basis of the Gross Loan Assets of each branch, and track the key performance indicators.

As of September 30, 2020, they had 21 large branches operating with average Gross Loan Assets of ₹ 104.94 crore, 21 mid-sized branches operating with average Gross Loan Assets of ₹ 50.77 crore and 28 small branches operating with average Gross Loan Assets of ₹ 16.43 crore.

- **Diversify Sources of Borrowings to Optimize Borrowing Costs**

The company has historically secured funding from private and public sector banks, the NHB and through assignment transactions. As they continue to increase the scale of their operations, they intend to diversify the sources of their funding to reduce dependence on term loans and optimize the capital costs. To diversify sources of capital, they seek to obtain funding through the issuance of non-convertible debentures and external commercial borrowings. They also intend to continue to further increase their lender base, which has grown to 17 as of September 30, 2020. They have been able to reduce their average cost of borrowings (excluding assignments) to 8.7% as of March 31, 2020.

- **Focus on Enhancing the Risk Management Framework**

The company intends to focus on enhancing their risk management framework to maintain the credit quality of their loan portfolio. Credit assessment is crucial to their operations since several of their customers are new to credit or belong to low and middle income groups. The company will continue to invest in hiring and training people to ensure that they maintain their proficiency in credit assessment.

## COMPETITION

The housing finance industry in India is highly competitive and company faces competition from other HFCs, NBFCs small finance banks, as well as scheduled commercial banks. They generally compete on the basis of the range of product offerings, interest rates, fees and customer service, as well as for skilled employees, with their competitors. Their primary competitors include Aavas Financiers Ltd, Aspire Home Finance Corporation Ltd, Aadhar Housing Finance Ltd and Aptus Value Housing Finance India Ltd.

## INDUSTRY OVERVIEW

The business scale of the companies for Fiscal 2020:

(₹ In Cr except %)

	AUM			Loans Out- standing FY20	Advances growth (YoY)	Disbursements		Total Income FY20	Profit after tax FY20	Total Net Worth FY20
	FY20	Growth CAGR FY15-20	Growth CAGR FY18-20			FY20	CAGR FY15-20			
Gruh Finance	18,100	15%	8%	18,100	4%	NA	NA	NA	NA	NA
Aadhar Housing Finance	11,400	59%	20%	8,900	11%	3,200	33%	1,400	189	2,300
Aavas Financiers	7,800	56%	38%	6,200	31%	2,900	40%	900	249	2,100
Aspire Home Finance	3,700	59%	(13)%	3,700	(16)%	200	(12)%	600	39	900
<b>Home First Finance Co.</b>	<b>3,600</b>	<b>61%</b>	<b>63%</b>	<b>3,000</b>	<b>41%</b>	<b>1,600</b>	<b>50%</b>	<b>400</b>	<b>80</b>	<b>900</b>
Aptus Value Housing Finance	3,200	54%	50%	2,700	32%	1,300	51%	500	181	1,700

### Peer Benchmarking

Entity	ROA			ROE			NIM			Yield on Advances		
	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018
	%			%			%			%		
Gruh Finance	NA	2.6%	2.8%	NA	25.9%	28.8%	NA	3.9%	4.5%	NA	11.3%	11.3%
Aspire Home Finance	0.9%	(2.9)%	0.4%	4.6%	(17.2)%	2.8%	5.2%	5.0%	4.7%	14.0%	14.0%	14.4%
Aadhar Housing Finance	1.7%	1.9%	2.5%	11.8%	20.6%	26.6%	3.9%	4.5%	3.7%	13.5%	14.0%	11.8%
Aavas Financiers	3.8%	3.6%	2.8%	12.7%	11.6%	10.3%	6.4%	7.3%	6.0%	13.5%	13.9%	14.1%
Aptus Value Housing Finance	6.3%	5.5%	5.8%	15.4%	16.1%	12.1%	8.2%	9.2%	11.6%	15.7%	16.6%	17.0%
<b>Home First Finance Co.</b>	<b>2.7%</b>	<b>2.4%</b>	<b>2.1%</b>	<b>10.9%</b>	<b>10.8%</b>	<b>7.9%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>5.1%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>12.1%</b>

Entity	Cost of Borrowings			Operating Expenses			Leverage		
	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018	FY2020	FY2019	FY2018
	%			%			(times)		
Gruh Finance	NA	8.5%	7.6%	NA	0.8%	0.7%	NA	8.9	9.3
Aspire Home Finance	10.1%	10.4%	10.6%	2.3%	2.2%	3.6%	3.9	4.8	5.7
Aadhar Housing Finance	8.6%	9.1%	8.6%	2.2%	2.6%	2.4%	5.6	9.9	8.8
Aavas Financiers	8.4%	8.7%	8.6%	3.4%	3.6%	4.9%	2.3	2.0	2.6
Aptus Value Housing Finance	10.0%	9.2%	9.3%	2.6%	3.4%	4.2%	1.4	1.9	1.0
<b>Home First Finance Co.</b>	<b>8.7%</b>	<b>8.5%</b>	<b>7.9%</b>	<b>3.4%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>3.0</b>	<b>3.5</b>	<b>2.6</b>

Gruh Finance Limited was merged with Bandhan Bank Limited and ceased to exist effective October 17, 2019.

#### The operational ratios:

Fiscal	Average employees per branch (Nos.)		Average employee cost per employee (₹ Cr)		Average AUM per branch (₹ Cr)		Average AUM per employee (₹ Cr)		Disbursements per branch (₹ Cr)		Disbursements per employee (₹ Cr)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gruh Finance	NA	0.35	NA	0.10	NA	89.5	NA	25.4	NA	25.4	NA	7.2
Aspire Home Finance	10.6	1.07	0.05	0.05	32.9	37.4	3.0	3.6	1.7	2.5	0.2	0.2
Aadhar Housing Finance	6.9	0.76	0.07	0.08	37.8	34.5	5.3	5.1	10.5	11.0	1.5	1.8
Aavas Financiers	19.9	1.70	0.04	0.05	33.9	31.7	2.0	2.4	12.7	14.3	0.8	1.1
Aptus Value Housing Finance	10.7	1.03	0.04	0.04	20.0	17.4	2.1	1.9	8.1	8.5	0.9	0.9
<b>Home First Finance Company</b>	<b>10.9</b>	<b>1.32</b>	<b>0.09</b>	<b>0.08</b>	<b>56.5</b>	<b>47.9</b>	<b>5.3</b>	<b>4.6</b>	<b>25.3</b>	<b>30.8</b>	<b>2.4</b>	<b>3.0</b>

Gruh Finance Limited was merged with Bandhan Bank Limited and ceased to exist effective October 17, 2019.

#### The number of branches and employees for the Fiscal 2020:

	Number of branches	Number of employees
Gruh Finance	195	677 <sup>^</sup>
Aspire Home Finance	110	1,184
Aadhar Housing Finance	294	2,097
Aavas Financiers	250	4,581
Aptus Value Housing Finance	175	1,702
<b>Home First Finance Company</b>	<b>68</b>	<b>696</b>

\* As of Fiscal 2019; <sup>^</sup>Excluding HDFC Sales employee numbers.

#### The capitalisation and asset quality:

Fiscal	Capital adequacy ratio		Tier-1 Capital		GNPA Reported		GNPA		Net NPA		Credit cost	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gruh Finance	NA	20.3%	NA	19.3%	NA	0.7%	NA	0.7%	NA	0.6%	NA	(0.1)%
Aspire Home Finance	47.6%	29.2%	46.4%	27.5%	1.8%	9.3%	1.8%	9.0%	1.4%	7.1%	1.8%	7.4%
Aadhar Housing Finance	51.4%	18.3%	49.1%	15.6%	1.3%	1.2%	1.4%	1.4%	0.9%	0.9%	1.0%	0.4%
Aavas Financiers	56.0%	67.8%	53.9%	64.3%	0.5%	0.5%	0.5%	0.5%	0.3%	0.4%	0.2%	0.2%
Aptus Value Housing Finance	82.5%	43.6%	82.3%	43.2%	0.7%	0.4%	1.8%	0.5%	1.6%	0.4%	0.1%	0.1%
<b>Home First Finance Company</b>	<b>48.9%</b>	<b>38.48%</b>	<b>47.7%</b>	<b>37.71%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.4%</b>

#### The customer profile and average ticket size for Fiscal 2020:

	Customer Profile		Average Ticket Size (₹ Cr)
	Salaried	Non-salaried	
Gruh Finance	59%	41%	NA
Aspire Home Finance	55%	45%	0.09

	Customer Profile		Average Ticket Size (₹ Cr)
	Salaried	Non-salaried	
Aadhar Housing Finance	65%	35%	0.08
Aavas Financiers	35%	65%	0.08
Aptus Value Housing Finance	22%	78%	0.07
<b>Home First Finance Company</b>	<b>73%</b>	<b>27%</b>	<b>0.10</b>

### The resources mix for the Fiscal 2020:

	Bonds/NCDs	Loans from banks and FIs	Deposits	Commercial paper	ECBs	Refinance from NHB	Others
Gruh Finance	29%	25%	-	1%	-	25%	20%
Aspire Home Finance	51%	49%	-	-	-	-	0%
Aadhar Housing Finance	18%	72%	1%	-	-	8%	1%
Aavas Financiers	24%	55%	-	-	-	18%	3%
Aptus Value Housing Finance	33%	48%	-	-	-	15%	3%
<b>Home First Finance Company</b>	<b>-</b>	<b>71%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26%</b>	<b>2%</b>

Note: Gruh Finance Limited was merged with Bandhan Bank Limited and ceased to exist effective October 17, 2019.

### Comparison with listed industry Peers (as on 31<sup>st</sup> March 2020)

Name of the company	Standalone / Consolidated	Face Value	Closing Share price as on Jan'8, 2021	Revenue for FY2020 (₹ Cr.)	EPS (Basic)	NAV	P/E (Basic)	RoNW (%)
<b>Home First Finance Co.</b>	<b>Restated</b>	<b>2</b>	<b>[ • ]</b>	<b>398.64</b>	<b>10.77</b>	<b>119.24</b>	<b>[ • ]</b>	<b>10.9%</b>
Aavas Financiers Ltd	Consolidated	10	1,933.10	902.55	31.85	267.86	61.41	12.7%

Source: RHP

#### AXIS CAPITAL LIMITED

Axis House, 1<sup>st</sup> Floor, Level-1, C-Wing, C-2, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.

Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

[www.axiscapital.co.in](http://www.axiscapital.co.in)

This document has been prepared by Axis Capital Limited. Affiliates of Axis Capital Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Affiliates research report.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient.

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options and other derivatives as well as non investment grade securities - involve substantial risk and are not suitable for all investors.

Axis Capital Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval.

Axis Capital Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document.

This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of Axis Capital Limited. The views expressed are those of the analyst and the Company may or may not subscribe to all the views expressed therein.

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Axis Capital Limited to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with Axis Capital Limited.