Equity Research
April 16, 2021
BSE Sensex: 48804

ICICI Securities Limited is the author and distributor of this report

Initiating coverage

BFSI

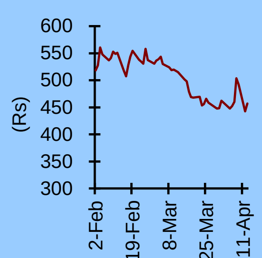
Target price Rs625

Shareholding pattern

	Mar '21
Promoters	33.7
Institutional investors	52.5
MFs and others	5.1
Foreign Corp Bodies	36.6
FPIs	10.9
Others	13.8

Source: Company

Price chart



Research Analysts:

Kunal Shah
kunal.shah@icicisecurities.com
+91 22 6637 7572

Renish Bhuva
renish.bhuva@icicisecurities.com
+91 22 6637 7465

Chintan Shah
chintan.shah@icicisecurities.com
+91 22 6637 7658

INDIA

Home First Finance Company **BUY**

Tech-led affordable housing play at affordable valuations **Rs469**

Home First Finance (HomeFirst), an affordable housing financier (AHF) with AUM of Rs39bn and focus on salaried housing loans, has several value propositions that differentiate it from peers in high growth, high yielding, hugely untapped AHF segment: i) 75% customers in EWS/LIC category and 32% being new to credit; ii) technology at its core – right from sourcing to collections; iii) well-trained/educated team to appropriately assess need and right size loans; iv) paperless loan processing with quick TAT of <48 hours; and v) omni-channel lead generation driving sourcing. Few risks include: i) Sourcing as well as collections managed by front-end team; ii) borrowing profile not fully explored yet; iii) apartment home loans showing some stress (in pockets). With >30% AUM growth, funding cost benefit, improved cost to income and contained credit cost, we expect earnings to compound at >40% over FY21-23E. However due to excessive capitalisation (Tier-1 at 51%), despite 3% plus RoAs, RoEs will be modest at ~12%. Using Gordan Growth model, we arrive at target price of Rs625 – an upside of >30% from CMP. We initiate coverage on HomeFirst with a BUY rating.

- **Appropriately positioned in high yield, high growth affordable housing space:** HomeFirst has i) dominant presence in four states that constitute more than 40% of the overall affordable housing market. ii) less than 1% market share in most markets, except Gujarat, and contiguous branch expansion approach will deepen its presence in the existing markets and open up growth potential. iii) over 75% of its customers belong to EWS/LIG category and ~32% are new to credit customer – not actively served by banks.
- **…with technology at its core - right from sourcing to collections:** HomeFirst is a technology-driven AHF reflected in Rs50-75mn of software and technology spend every year (almost 7% of opex). It has established technology framework with customised systems and tools, integrated customer relationship management and loan management system, proprietary machine learning customer-scoring models, and centralised data science backed underwriting process. This expedites scale with speed (quick turnaround time of <48 hours), uniformity in operations, convenience and cost efficiency.
- **…and other differentiated value proposition:** Training and development of well-educated staff helps HomeFirst achieve superior employee productivity with an average disbursement of Rs 30-45 mn per sales employee. Omni-channel lead generation drives sourcing at effective cost – it utilises diverse range of channels including connectors (~65%), affordable housing developer ecosystem (20%), branch (7%) marketing (5%) etc.
- **Triggers that will enhance its operating performance:** i) Upscaling of branches, deeper distribution and technology prowess, will further enhance efficiencies – triggering improvement in opex/AUM to 260bps (from 340bps in FY20); ii) Normalisation of collection efficiency, 1+ DPD, stage-3 print and credit cost (50-60bps) will further strengthen confidence on the underwriting/credit standards of HomeFirst and growth retracement path iii) contrary to perception, yield premium (12.8-13.0%) can sustain on the back of few USPs and value-added services that HomeFirst offers; iv) rising scale, consistency in operating performance, excess capital and liquidity buffer will increase the visibility on rating upgrade and close the gap with peers on borrowing cost (7.7-8.0%).

Market Cap	Rs41bn/US$545mn
Reuters/Bloomberg	HOME.BO./HOMEFIRS IN
Shares Outstanding (mn)	87.4
52-week Range (Rs)	561/443
Free Float (%)	66.3
FII (%)	36.6
Daily Volume (US$'000)	NA
Absolute Return 3m (%)	NA
Absolute Return 12m (%)	NA
Sensex Return 3m (%)	(0.3)
Sensex Return 12m (%)	62.4

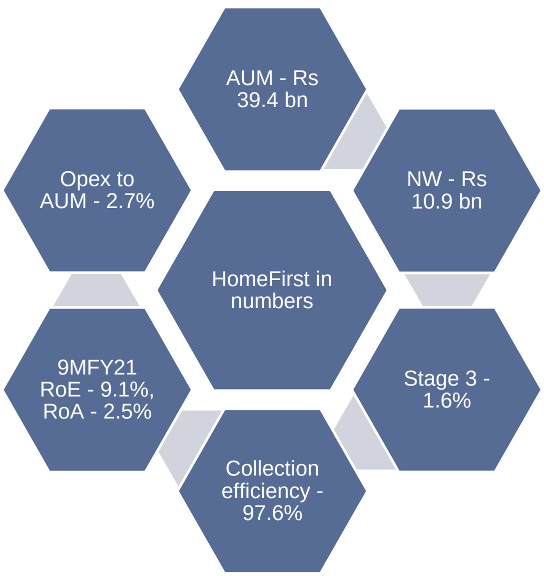
Year to Mar	FY20	FY21E	FY22E	FY23E
NII (Rs mn)	1,980	2,575	3,248	4,324
Net Income (Rs mn)	792	970	1,375	1,931
EPS (Rs)	10.5	10.6	15.1	21.1
% Chg YoY	38%	1%	42%	40%
P/E (x)	44.6	44.2	31.2	22.2
P/BV (x)	4.2	3.1	2.8	2.5
Net NPA (%)	0.8	1.3	1.1	0.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
RoA (%)	2.7	2.5	3.0	3.6
RoE (%)	10.9	8.4	9.5	11.9

TABLE OF CONTENT

Differentiated value proposition - tech at the core, quick TAT, omni-channel lead generation

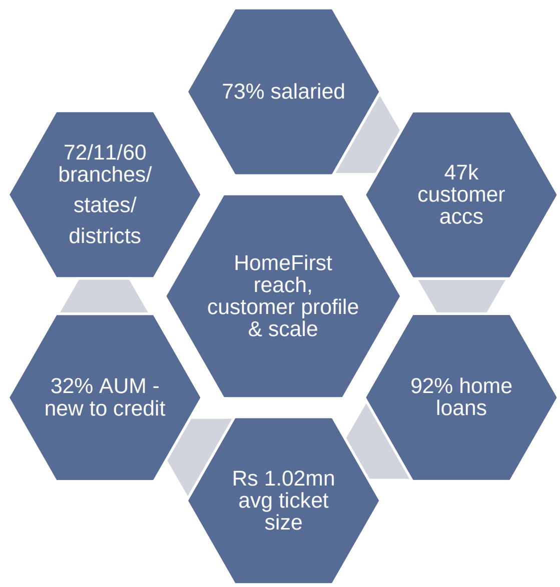
HomeFirst is a technology-driven affordable housing (average ticket size of Rs1.0mn) finance company that targets salaried (73% of AUM) as well as self-employed home-buyers in low and middle-income groups (<Rs50k per month). It has a network of 72 branches spread over 60 districts in 11 states and a Union Territory, with significant presence in Gujarat, Maharashtra, Karnataka and Tamil Nadu. The company commenced operations in August 2010 and built AUM base of Rs39.4bn (CAGR of 51% over FY17-9MFY21), net worth of Rs 10.9bn and capital adequacy (CRAR) of 52% as of Q3FY21. Home First's promoters are True North Fund V LLP and Aether (Mauritius) Ltd. The company leverages technology in various facets of its business such as processing loan applications, managing customer experience and risk management. The company currently has an 'A+ (stable)' rating from ICRA Ltd.

Chart 1: HomeFirst – key operating metrics (Dec '20)



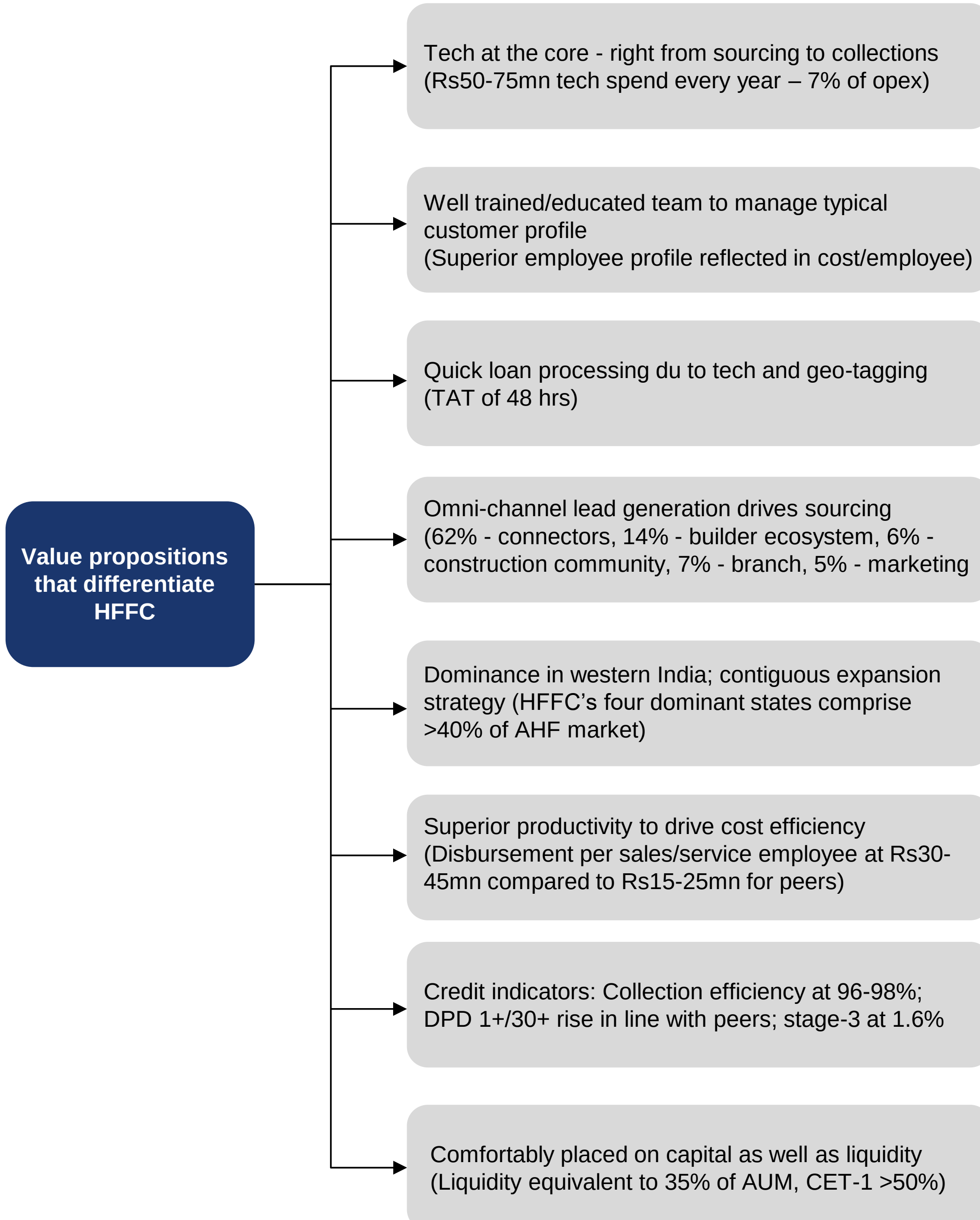
Source: Company, I-Sec research

Chart 2: HomeFirst reach and customer profile



Source: Company, I-Sec research

Chart 3: Value propositions that differentiate HomeFirst



Source: Company, I-Sec research

Tech at the core - right from sourcing to collections

HomeFirst is a technology-driven affordable housing finance company reflected in Rs50-75mn of software and technology spend every year (almost 7% of opex). It has established a differentiated technology framework with customised systems and tools to: i) build a scalable operating model, ii) bring uniformity in its operations, iii) leverage economies of scale to increase productivity, iv) reduce turn-around times and transaction costs, and v) enhance convenience to its customers.

It is able to digitally capture over 100 data points of a customer in addition to credit bureau data, observations of its front-end teams and feedback from its underwriting and management teams.

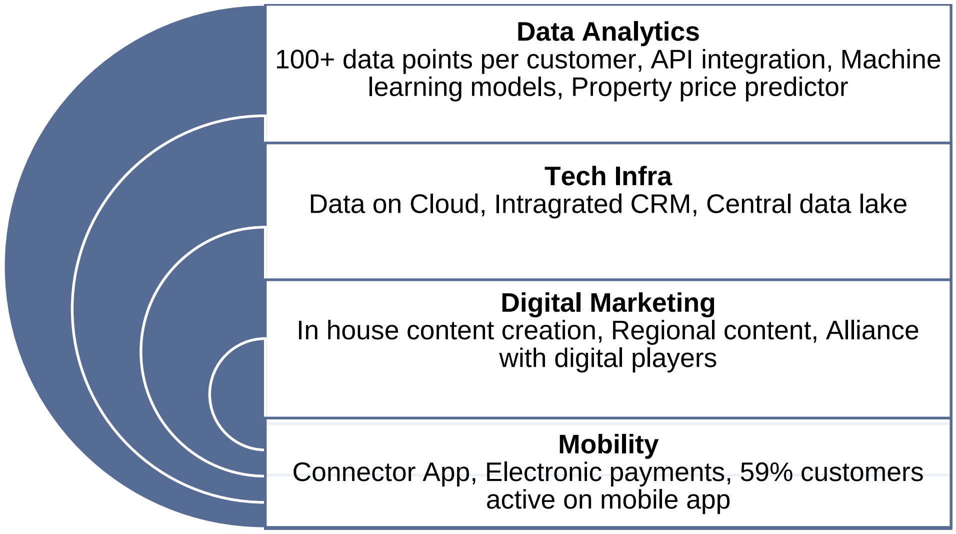
- Data from all its different applications is captured and stored on a cloud services customer relationship platform (salesforce) creating a data lake. This expedites data consolidation, visualisation, machine learning model development, and model implementation.
- Furthermore, it has entered into arrangements of API integration with third party service providers (Hunter, Perfios etc.) through whom it obtains additional information such as banking, fraud-related data, investment/taxation related data, and vehicle ownership of customers.
- The data lake enables the firm with better underwriting, facilitates detailed analytics, identify areas of concern (if any) thereby helping to take quick as well as accurate operational decisions.

Its integrated customer relationship management and loan management system provides it with a holistic view of its customers and ensures connectivity and uniformity across its branches.

From the customer point of view, the company offers mobility solutions through dedicated mobile applications for its customers to enable quick and transparent loan related transactions and access real time status of loans.

HomeFirst has also deployed proprietary machine learning customer-scoring models to assist the firm with effective credit underwriting. It believes having a centralised team of underwriters ensures consistency in implementing its underwriting principles and hence, it has set up a centralised data science backed underwriting process.

Chart 4: End-to-end digital process for housing loans



Source: Company, I-Sec research

Well trained/educated team to manage typical customer profile

HomeFirst has the highest share of salaried customers within AHF at 73% of AUM (75% of customers). Within this segment, it serves salaried customers in low and middle-income groups (income less than Rs50k per month) who are typically employed by small firms or MSMEs or mid corporates or employees who work at junior positions in larger companies. Self-employed customers that account for 25% of its AUM are generally small business owners. The company's profile of customers typically faces difficulties in disrupting their work routines in order to apply for a loan and comprehending the terms of a loan agreement. To address this, HomeFirst has set up a customer-friendly process right from loan application stage to disbursement of loan.

Chart 5: Concentrated in low and middle-income salaried customer segment

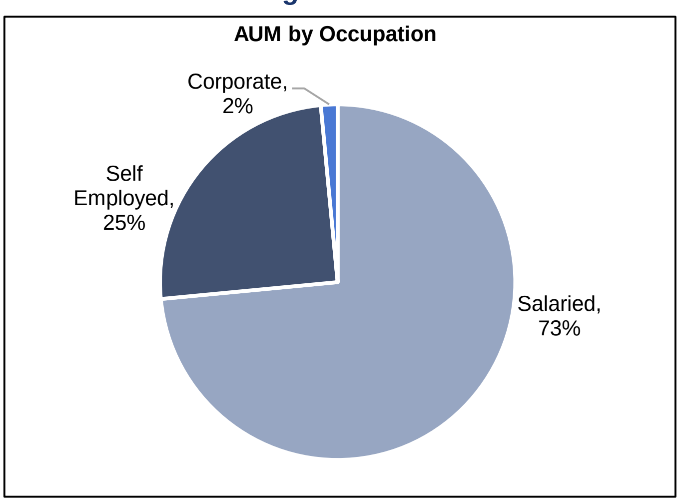
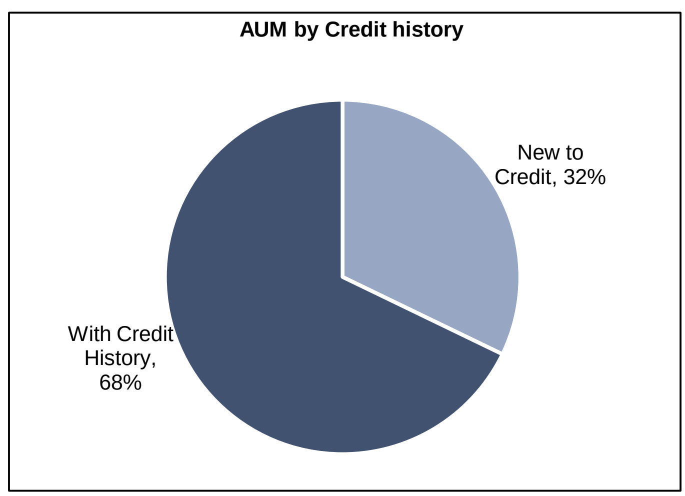


Chart 6: New to credit customers are >30%



Source: Company, I-Sec research

Chart 7: Primarily housing loan focused; relatively lower exposure to LAP/developer loans

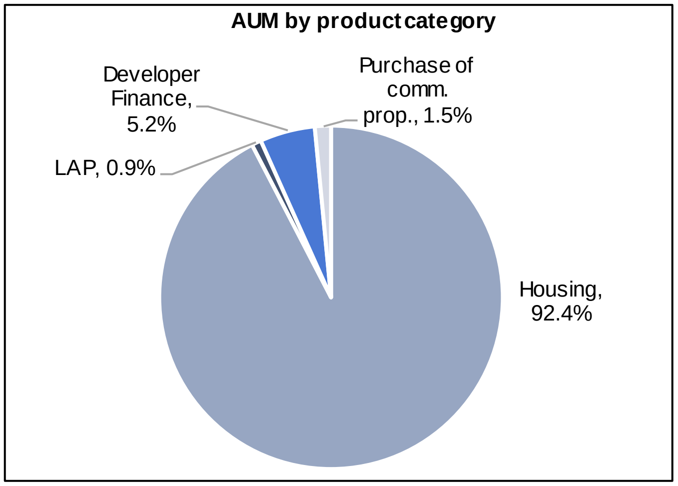
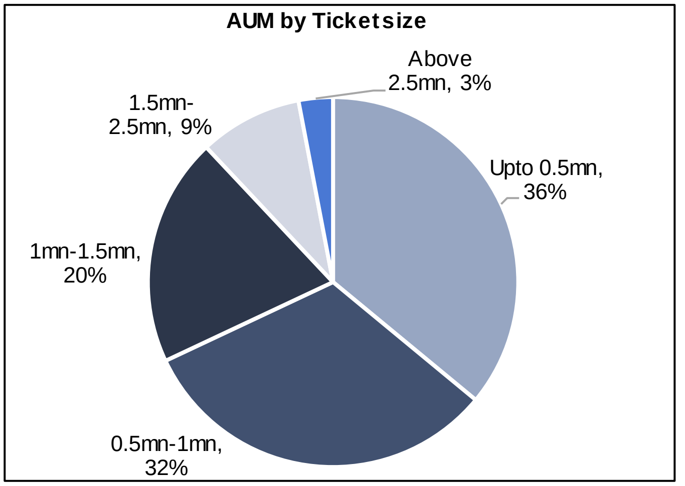


Chart 8: Majority of portfolio in the 0.5-1.5mn ticket-size band



Source: Company, I-Sec research

Table 1: Skewness towards salaried segment and primary home loan focused

AUM Split (FY20)	By products			By income Type		Average ticket size (Rs mn)
	Home Loans	LAP	Others	Salaried	Self-employed	
HomeFirst	92%	5%	3%	73%	27%	1.01
Aavas	74%	-	26%	35%	65%	0.84
Motilal Oswal Home Finance	90%	-	10%	55%	45%	0.88
Magma Housing Finance	66%	34%	-	27%	73%	0.9-1.3
Shriram Housing Finance	51%	-	49%	NA	NA	NA
Muthoot HomeFin	99%	1%	-	62%	38%	0.94
Vastu Housing Finance	65%	35%	-	23%	77%	1.22
India Shelter Finance	61%	-	39%	NA	NA	NA
Shubham Housing	81%	-	19%	57%	43%	0.7-0.8
Muthoot Housing Finance	NA	NA	NA	NA	NA	NA

Source: Company, Crisil Research, I-Sec research

It has employed well-trained and educated front-end teams who visit a customer's residence and workplace to gather the requisite customer information in their cloud-based customer relationship platform (salesforce). Relationship manager (RM) at HomeFirst spends reasonable time to understand the formal and informal sources of income of customers as well as that of their family members, employment stability, savings capacity and repayment track record to take an informed decision on whether the loan can be approved or rejected. This enable credit/underwriting team to make correct/informed decision on several parameters, including the right loan size, pricing & tenure of loan.

HomeFirst also reviews documents relating to customers as well as assets of the customer for the purpose of credit evaluation.

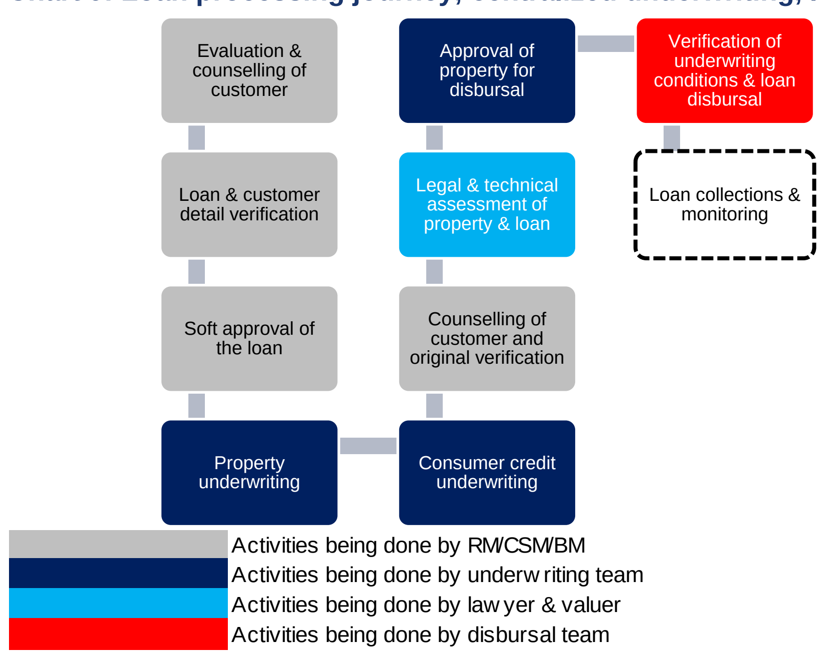
- Applicant as well as co-applicant's primary details relating to education, type of employment, organisation type, ITR details (if available), marital status, monthly income, total work experience etc.
- **Property details & loan parameters:** Property type, valuation, stamp duty & registration charges, other charges for purchase, down payment by customer, loan amount applied, assumed LTV, pricing, interest rate type, PMAY/CLSS eligibility, purpose of loan, insurance policy, purchase reason etc.

- **Verification summary by RM/CSM:** Verifying office name, designation, verification details which include place of employment/office, in-depth details relating to the work done by the applicant, photos of shop, photos of income details etc.
- Banking summary which includes total credit in the last 6 months, average bank balance, total number of credit entries in the past 6 months
- **Budget analysis & savings pattern:** Gross monthly documented income, savings pattern description, household expenses, EMI & remaining surplus
- **Post approval section:** This includes CRM account number, final approval submission date, final approval date, loan account number, CL contract number, virtual account number, decline date, cancellation reason, loan status, first disbursal date etc.
- **Collections section:** This is generated post disbursements wherein it has details relating to EMI due date, payment cleared date, DPD (if any), collected amount, payment excess/shortfall, top up payment excess/shortfall and clearance status.

All the above information including pictures wherever taken are stored in cloud-based customer relationship platform named salesforce which can be accessed by all the designated members across the organisation seamlessly at any given time. Also, the company has a maker checker concept at each level which ensures that only accurate and relevant information is feed into the system.

Based on the inputs in the system, there are certain algorithms running in the system which gives details on the probability of default for that particular loan. This is critical from the loan sanction point of view and has limited viewership rights. Also, the system has a soft approval status which suggests whether the loan can be granted or not.

Chart 9: Loan processing journey; centralized underwriting, local knowledge



Source: Company, I-Sec research

Quick TAT of 48 hours

Integrated customer relationship management, loan management system, seamless integration on cloud platform, single portal for all customer-related data across platforms and users, enables HomeFirst to process loans in a paperless manner with quick turn-around time. As per the company's policy, once the lead is generated in the HomeFirst app, RM is supposed to connect with the customer within 2 hours.

It also uses an application for geotagging of properties and a proprietary machine learning backed property price predictor to initially determine the value of the collateral property, which helps it reduce turnaround time for approving loans, as well as improve its accuracy in determining the loan to value ratio. All these facilitates a sanction within an average turn-around time of 48 hours - calculated from collating all customer information in the database till the sanctioning of the loan.

Chart 10: LTV on sanctions on an average sub-60%

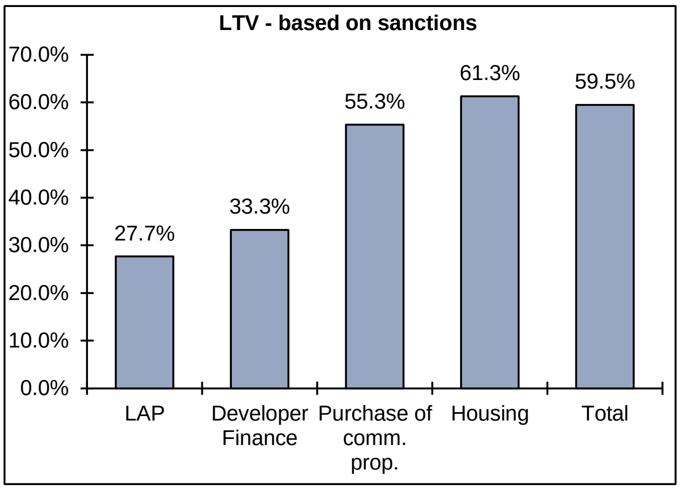
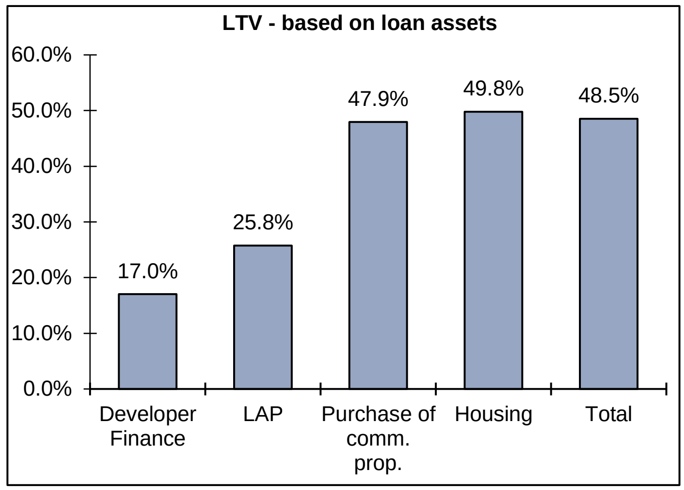


Chart 11: Further decline with PMAY subsidy



Source: Company, I-Sec research

Chart 12: LTV upwards of 80% for >40% of loans at the time of sanctions…

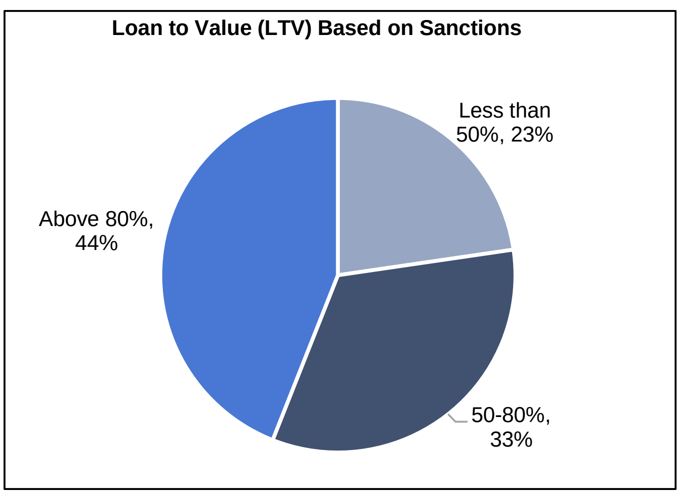
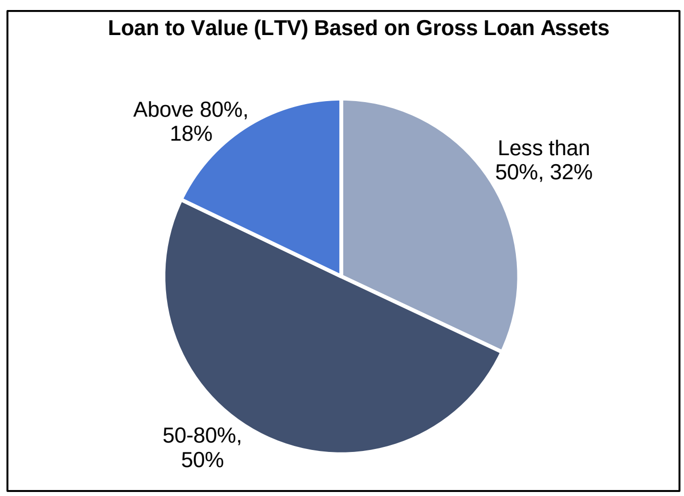


Chart 13: …With PMAY subsidy payment, LTV on loan assets relatively lower

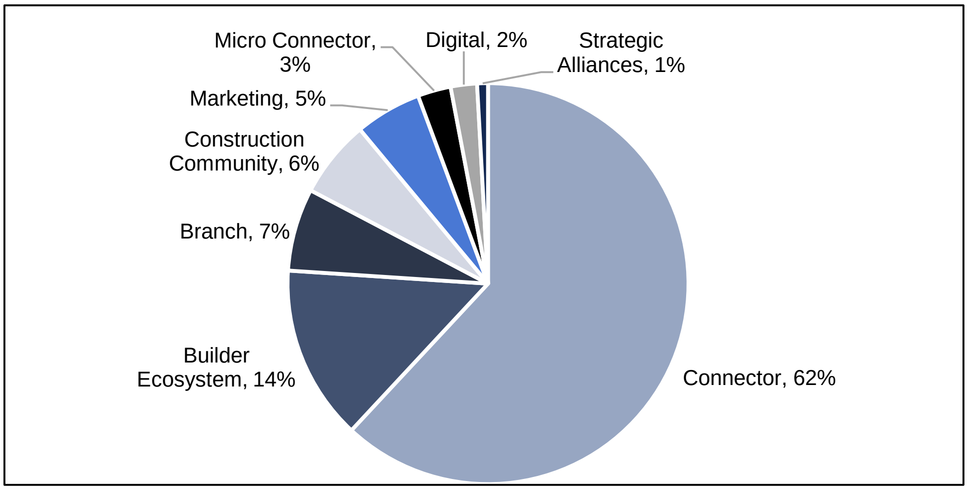


Source: Company, I-Sec research

Omni-channel lead generation drives sourcing

There is no right answer whether internal or external lead generation is more effective in bringing out efficiency and scalability if associated risks are assessed adequately. HomeFirst, contrary to other affordable housing financiers, has relied relatively more on external lead generation when under-writing and credit assessment is structured at centralised location. Depending on the geography, demand, construction type and customer requirements, it utilises diverse range of lead sourcing channels. In addition to conducting loan camps, micro marketing, utilising employee and customer referrals and branch walk-in customers, it effectively leverages external sources as well including connectors, architects, contractors, affordable housing developer ecosystem. Presently, 62% leads were generated via connectors, (plus 3% via micro-connectors), followed by 14% via builder ecosystem, 6% via construction community, 7% at branch and 5% via marketing.

Chart 14: Diversified lead generation channels; external lead dependence is high



Source: Company, I-Sec research

- ***Connectors*** are generally individuals such as insurance agents, chartered accountants, tax practitioners, local retail outlets, building material suppliers etc. It manages a network of 1,000+ active connectors (up from 470 plus in FY18) through its connector application that helps in generating leads effectively. Connectors are engaged on commission payout basis (not on leads but on disbursements) - payouts usually vary in the range of 30-40bps for most of the loans offset by processing fees of ~1.5% charged to the customers. Connectors only generates the leads and are aligned to the branch relationship manager. They have no role as far as loan application processing is concerned.

- Another relevant mode of sourcing for HomeFirst is ***builder ecosystem and construction community*** where leads are generated for affordable housing or self-construction projects coming in the vicinity. Relationship managers visits the projects sites and develop builder/agent relationship for sourcing customer leads. Leveraging builder ecosystem is more prevalent in the Western region namely Gujarat, Maharashtra etc. For self-construction, it looks upon construction community and material suppliers to generate leads. In case of sourcing through developer, the company also has an advantage of nil sourcing cost. However, in some instances, the company also does some payout to employees engaged in generating leads for HomeFirst at developer office, but the payout percentage is still lower than those paid to connectors. Also, it is important to note that despite lending to customers sourced via developer, the company is not at all engaged in lending to these developers directly.

While it's a common practice to source leads for such projects through builder or construction community ecosystem, their bias towards HomeFirst as against other financiers is driven by the following factors:

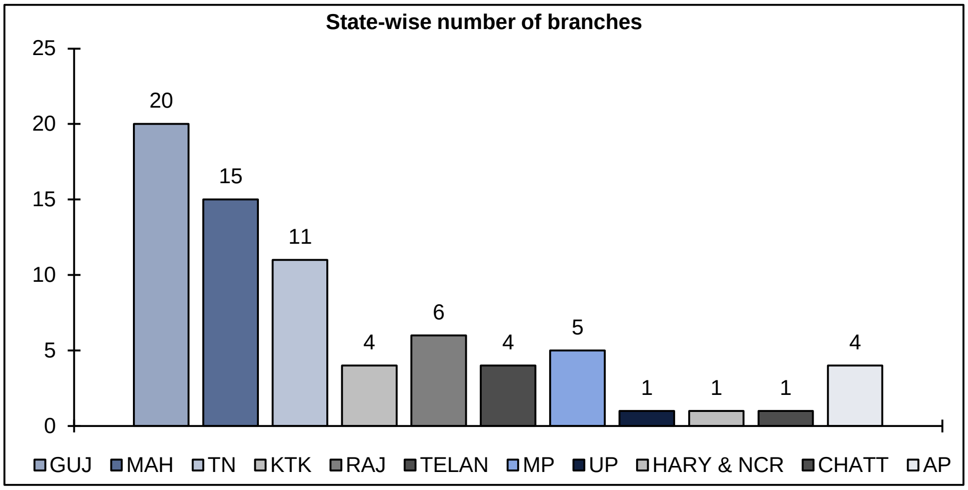
- First and foremost, quick turnaround time and rejection at an early stage at HomeFirst as compared to other financiers. Preliminary checks on eligibility are conducted at an initial stage itself by well-trained HomeFirst executives and hence there is fair assessment of customer's likelihood for availing loan.
- Ease of loan processing at HomeFirst wherein the company does not ask for a single document in loan evaluation stage.
- Steady and good rapport/relationship of regional and branch manager with the developer.
- Flexibility in income assessment and clubbing of income, either from formal or informal sources.

- HomeFirst has also entered into arrangements with certain ***digital lead aggregators*** and other digital players within the housing and real estate ecosystem, which helps the company source leads with embedded customer data. It is active in ***digital marketing,*** having advertisements on social media sites such as Facebook, Instagram and Google. It has also tied-up with Airtel Payments Bank and India Post Payments Bank. Through Airtel Payments Bank, it is able to source 2k leads per month; however, the conversion ratio is less than 1%. The company is working towards improving this conversion ratio.

Dominance in Western India; contiguous expansion strategy

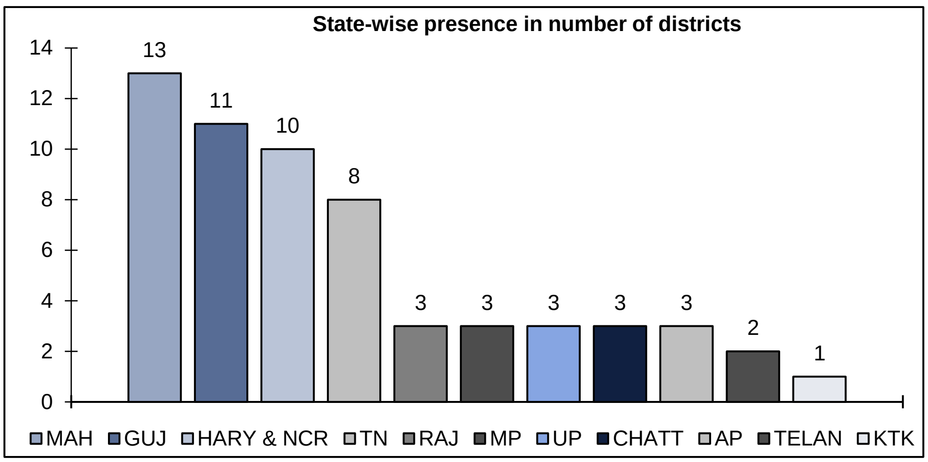
HomeFirst has 72 branches with concentrated dominance in Gujarat, Maharashtra, Tamil Nadu and Karnataka. The top four states where HomeFirst has dominance constitute more than 50% of the overall affordable housing market. HomeFirst strategically selects the locations with increasing urbanisation, rising household incomes and growing commercial activity. High density model allows it to capture market share and grow its business at relatively lower costs. Before setting up new branches, it conducts in-depth studies and market research to assess potential demand and engages with legal advisors and local property valuers. It follows contiguous expansion approach by getting deeper into the existing markets. It has currently identified 20 new districts that have high growth potential and will scale up these locations to start with. It, consequently, expects branch roll out after a lag. The company intends to expand its network to ~100 branches over the next 2-3 years and incremental growth will not be a factor of incremental branches but of improved productivity per branch.

Chart 15: Of the 72 branches, 2/3rd branches are concentrated in 4 states



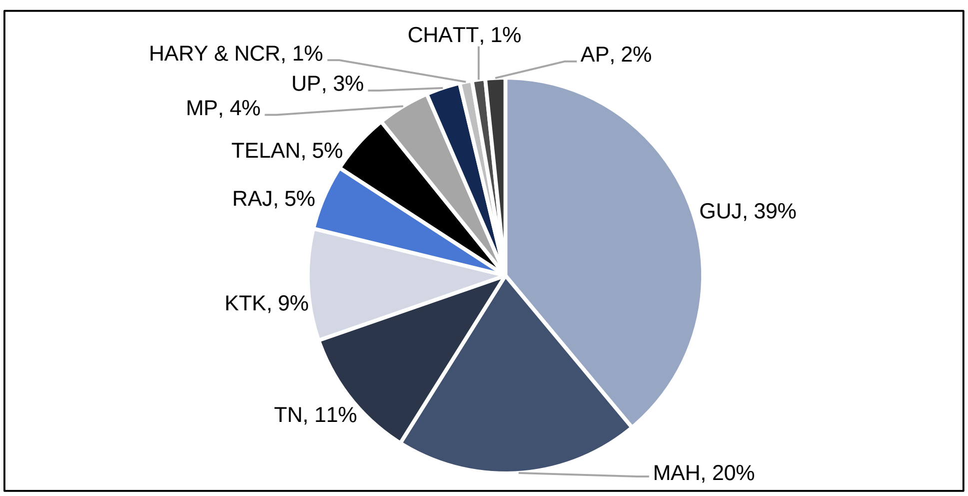
Source: Company, I-Sec research

Chart 16: Districts presence higher for Maharashtra, Gujarat, Haryana & NCR



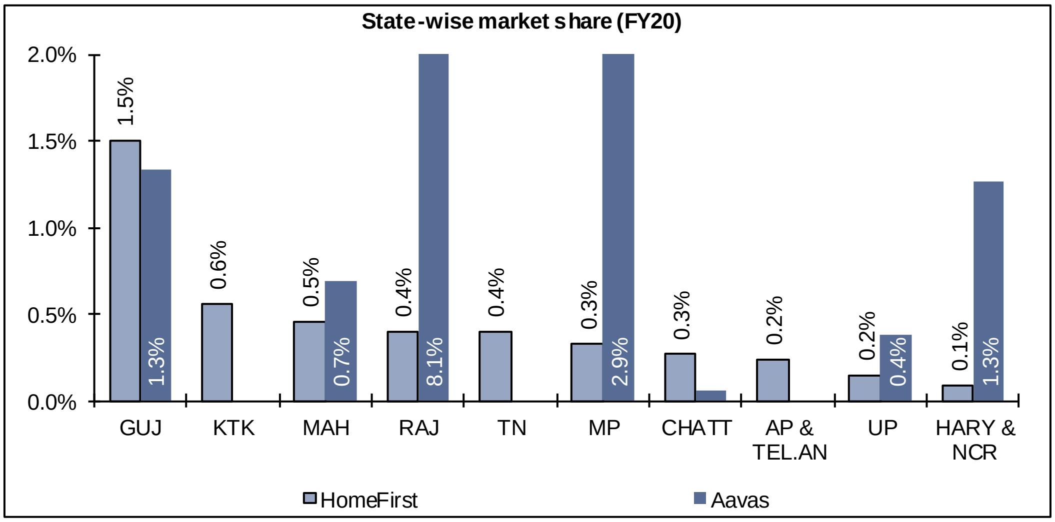
Source: Company, I-Sec research

Chart 17: Top four states constitute ~80% of AUM



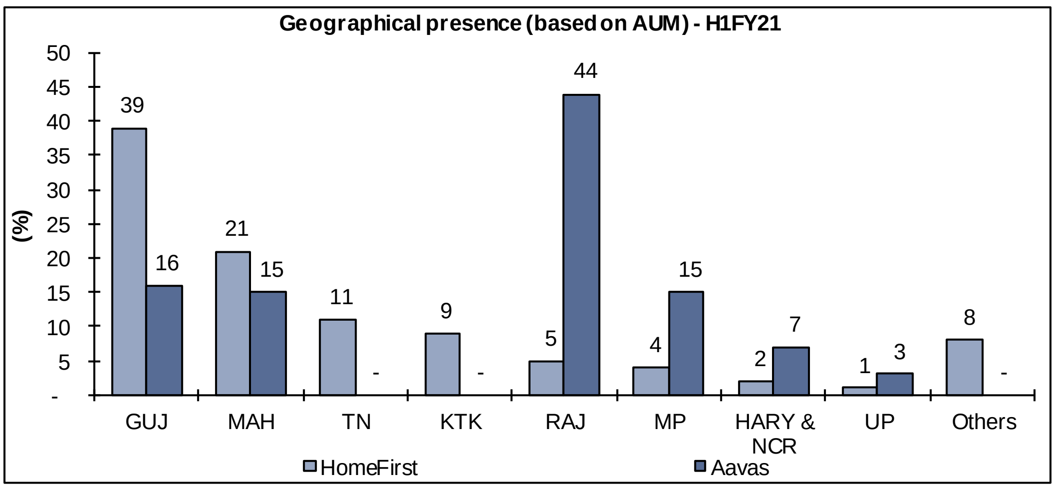
Source: Company, I-Sec research

Chart 18: Leading in market share in Gujarat, Karnataka compared to Aavas



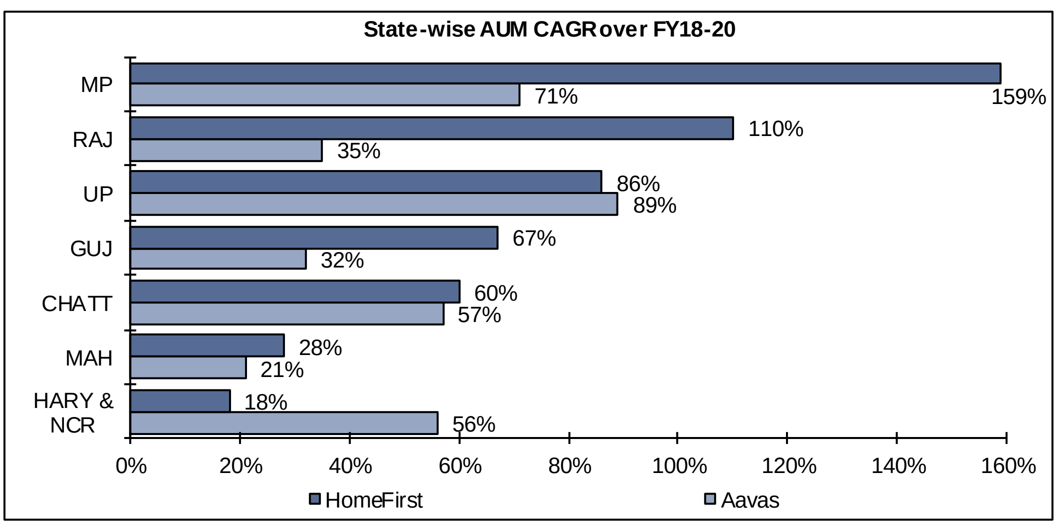
Source: Company, I-Sec research

Chart 19: HomeFirst more dominant in Gujarat and Maharashtra



Source: Company, I-Sec research

Chart 20: AUM growth outpacing Aavas in states, albeit at a lower base



Source: Company, I-Sec research

Table 2: Within states, district penetration is lower than Aavas – potential to get deeper is high

RJ	MP	GUJ	MAH	UP	HR & NCR	UTRK	CHATT	DELHI
Ajmer	Balaghar	**Ahmedabad**	**Ahmed Nagar**	Agra	Ambala	Dehradun	**Bilaspur**	Central Delhi
Alwar	Barwani	Amreli	Akola	Aligarh	Bhiwani	**Haridwar**	Dhamtari	**Delhi**
Baran	Betul	**Anand**	**Amravati**	**Gaurtam Buddha Nagar**	Faridabad	Nainital	**Durg**	**West Delhi**
Bhadra	Chhindwara	Banaskantha	**Aurangabad**	Hapur	**Gurgaon**	Rishikesh	**Raipur**	
Bhilwara	**Dewas**	**Bharuch**	Chandrapur	Kanpur	Hisar	Roorkee		
Bikaner	**Dhar**	**Bhavnagar**	**Jalgaon**	**Lucknow**	Karnal	Udham Nagar		
Bundi	East Nimar	Bodeli	**Kolhapur**	Mathura	Kurukshetra			
Chittorgarh	Gwalior	Dhokla	**Mumbai**	Modinagar	Pinjore			
Chiru	Harda	**Jamnagar**	**Nagpur**	Moradabad	Rewari			
Ganganagar	Hoshangaba	Junagadh	**Nashik**	Prayagraj	Sirsa			
Hanumangarh	**Indore**	**Mahesana**	**Pune**	Varanasi				
Jaipur	Jabalpur	Navsari	**Raigarh**					
Jalor	Katni	Panch Mahals	Ratnagiri					
Jhunjunu	Mandsaur	Patan	**Sangli**					
Jodhpur	Neemuch	**Rajkot**	Satara					
Khetri	Rajgarh	Sabarkantha	Solapur					
Kota	Rewa	Sikar	**Thane**					
Nagaur	Sagar	**Surat**	Washim					
Pali	Sehore	**Surendra Nagar**						
Raisingh Nagar	Shajapur	**Vadodara**						
Rajsamand	Ujjain	**Valsad**						
Shahpura	Vidisha	Veraval						
Sikar	West Nimar							
Sirohi								
Tonk								
Udaipur								
Udaipurwati								

Source: Company, I-Sec research
** Red shading indicates common presence in districts for Aavas and HomeFirst*

Table 3: HomeFirst's four dominant states comprise >40% of AHF market

State	Mar-18	Mar-19	Mar-20	% of Total	FY18 to FY20 CAGR
Maharashtra	697	711	704	17.7%	0.5%
Gujarat	375	418	449	11.3%	9.4%
Tamil Nadu	344	360	372	9.4%	4.0%
Uttar Pradesh	234	252	255	6.4%	4.4%
Kerala	232	245	244	6.1%	2.5%
Madhya Pradesh	195	219	240	6.0%	10.9%
Karnataka	242	243	239	6.0%	-0.6%
Rajasthan	187	211	225	5.7%	9.8%
Andhra Pradesh	175	185	191	4.8%	4.5%
West Bengal	163	176	179	4.5%	4.6%
Total			**3,972**	**100.0%**	

Source: Company, Crisil Research, CIBIL, I-Sec research

Table 4: Affordable housing financiers are dominant in few states

States (FY20)	Home First	Aavas	Shriram Housing Finance	Muthoot HomeFin
Presence in number of states and UTs	11	10	15	11
Largest states for each HFC				
MAH	22%	15%	24%	43%
UP				
MP		15%		6%
GUJ	40%	15%	14%	29%
RAJ		43%		14%
TN	10%		9%	
AP & TELAN			18%	2%
KTK	9%		13%	
DELHI				
HARY				
Share of top 5 states & UTs	**81%**	**88%**	**78%**	**94%**

Source: Company, Crisil Research, I-Sec research

Superior productivity, comfortable liquidity, industry average credit indicators

Superior employee/branch productivity to drive cost efficiency

Trained and education front line team, effective use of technology, quick turnaround time and diversified lead sourcing model facilitates superior efficiencies. Compared to all other affordable housing financiers, it exhibits much higher branch as well as employee productivity. Disbursement per branch is way higher at Rs250-300mn compared to Rs100-140mn for other affordable HFCs. It primarily flows from higher disbursement per sales employee (including CSM, BMs) at Rs30-45mn compared to Rs15-25mn for peers.

Table 5: Productivity metrics are superior to peers

FY20 (Rs mn)	AUM / branch	AUM / Employee	Disbursement / branch	Disbursement / Employee	Total income / branch	Total income / Employee	Cost to Income ratio
HomeFirst	532	52	238	23	60	5.9	44.3%
Aavas	312	17	117	6	36	2.0	38.7%
Motilal Oswal Home Finance	333	31	18	2	52	4.9	39.0%
Magma Housing Finance	319	34	128	14	35	3.7	55.8%
Shriram Housing Finance	355	29	173	14	44	3.6	84.2%
Muthoot HomeFin	185	48	39	10	22	5.7	68.3%
Vastu Housing Finance	281	21	117	9	46	3.4	31.9%
India Shelter Finance	196	15	65	5	26	2.0	49.4%
Shubham Housing	193	NA	NA	NA	32	NA	66.9%
Muthoot Housing Finance	NA	NA	NA	NA	NA	NA	48.1%

Source: Company, Crisil Research, I-Sec research

With an intent to increase the productivity per branch, it has categorised its branch into large branches, mid-sized branches and small branches on the basis of vintage and average AUM. As of December '20, it had 21 large branches with an average AUM of Rs1050mn and vintage of more than 60 months, 21 mid-sized branches (Rs500mn, >50months) and 28 small branches (Rs165mn, <35 months). Gradual upscale of branches from small to medium and medium to large will help expand operations and hereby drive efficiency with lower incremental costs resulting in improved productivity per branch.

Hiring and training procedures have helped it achieve superior employee productivity with an average disbursement of Rs 30-45 mn per sales employee. It recruits top tier talent from tier-2 business schools – 67% of its employees are MBAs. Also more than 15% employees are eligible for ESOPs providing high degree of ownership. The company is hugely focused on training and development – deploys 12 days pre-joining induction programme, 12 months of on-the-job training and continuous support through buddy programme. RMs, CSMs and BMs are well educated, trained and able to not only holistically evaluate customers' sources of income but effectively guide them on various aspects of a housing loan (assess needs appropriately, right sizing etc.).

With growing productivity of existing branches through deeper and innovative distribution and leveraging technology to optimise operations, it does not have a very aggressive plan on branch expansion in the forthcoming years.

All this makes HomeFirst cost efficient with opex to assets at 3.4-3.7% (compared to peers in 3.0-6.5% range). With the upscaling of branches and optimal utilisation, we expect opex to assets to further improve 90bps by FY23 (moving towards typical range of opex/AUM at 2.0-2.5% for large branches), which can act as one of the triggers for RoE improvement.

Chart 21: Hiring and training helps it achieve higher productivity than peers

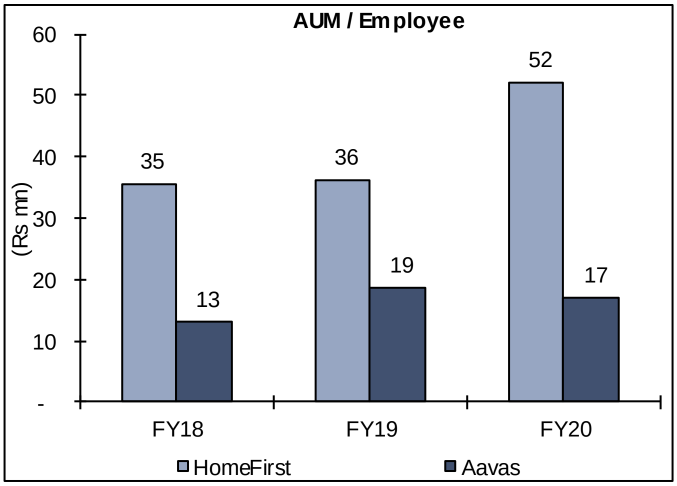
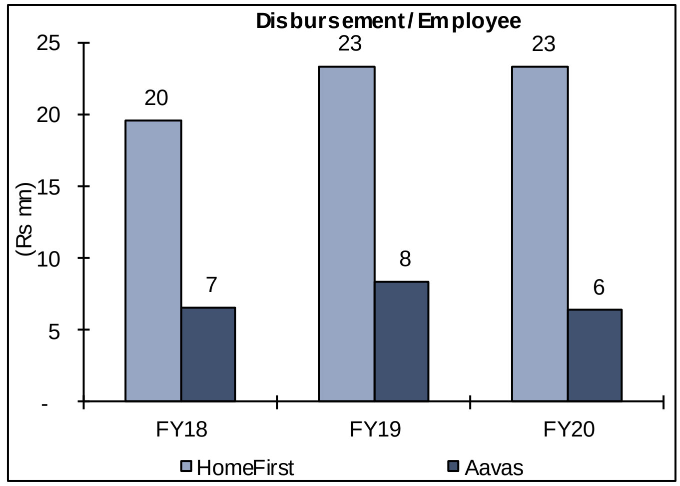


Chart 22: Educated trained employees leveraging technology processes loans quicker than peers



Source: Company, I-Sec research

Chart 23: Higher top talent from Tier-2 business schools leads to higher staff cost per employee

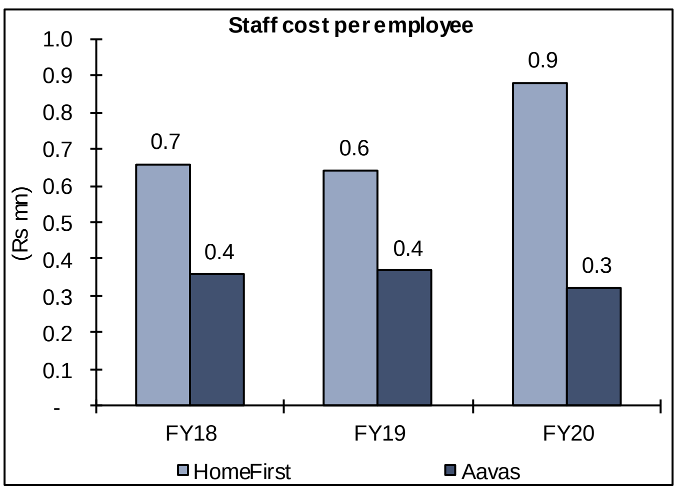
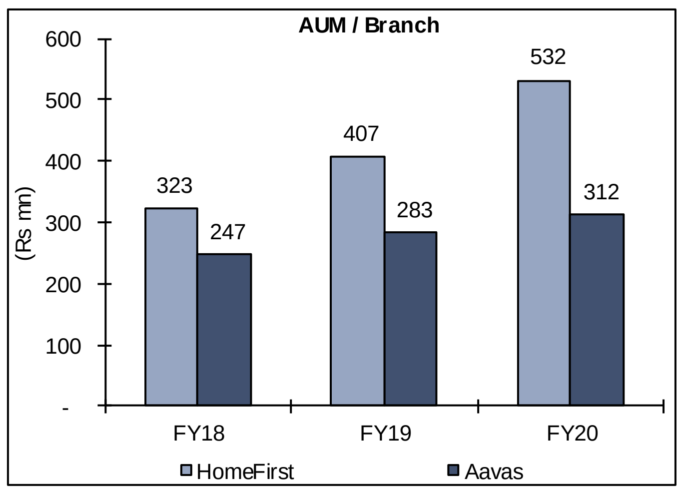


Chart 24: Growing branch productivity - deeper, innovative distribution and tech optimization



Source: Company, I-Sec research

Chart 25: Disbursements per branch superior to peers

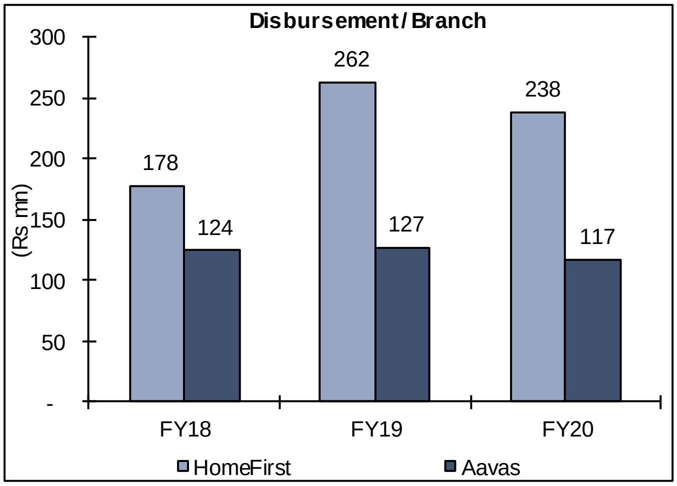
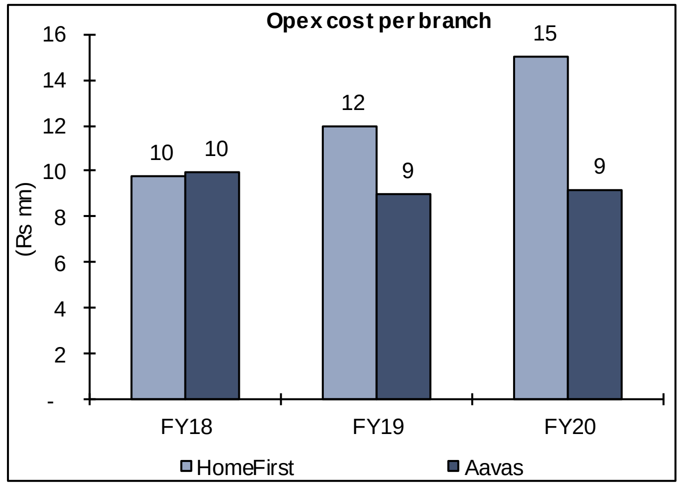


Chart 26: Cost per branch too relatively higher



Source: Company, I-Sec research

Table 6: ~80% workforce deployed into sales and servicing; collection function assigned to sales/service managers; centralized credit underwriting

Number of employees	HomeFirst (Q2FY21)	% of total	Aavas (Q4FY18)	% of total
Branches				
Relationship Manager	325	48%		
Area Sales Manager	3	0%		
Branch Manager	66	10%		
Cluster Regional Managers	18	3%		
Service	132	20%		
Sales			1,077	58%
Head Office				
IT and Digital business	30	4%	28	2%
Credit	12	2%	397	21%
Finance	11	2%	22	1%
Central services & operations	27	4%	69	4%
Product	12	2%		
Corporate (management team)	8	1%		
Marketing	8	1%		
Human resources	6	1%	24	1%
Administration, legal & secretarial	6	1%	39	2%
Strategic alliances	6	1%		
Collection	5	1%	98	5%
Technical			39	2%
Risk			23	1%
Internal Audit			19	1%
Others			12	1%
Treasury			9	0%
Data Science			6	0%
Total	**675**	**100%**	**1,862**	**100%**

Source: Company, Crisil Research, I-Sec research

Credit indicators: Deterioration in-line with peers; normalisation key

Rising collection efficiency; reducing bounce rate assuages concerns

Robust underwriting and loan approval process and proprietary machine learning model to predict the probability of bounce rate, has supported structural reduction in bounce rates from 14-15% in FY17 to as low as 9.5% 9-10% in FY20. However, with the onset of Covid pandemic, in-line with trends across the industry, HomeFirst too witnessed spike in bounce rate to 36.4% in Q1FY21. With improved collection efficiency, bounce rates are steadily improving MoM – down to 20.1% as of Q3FY21-end.

Collection efficiency (EMI received including arrears as a % of monthly EMI due) has been consistently improving MoM after hitting lows of 64% settling in the range of 96-98% from Oct'20 to Dec'20.

Table 7: Credit indicators of affordable housing financiers

FY20 (In %)	GNPA	Average GNPA for past 3 Years	NNPA	1 Year lagged GNPA	2 Year lagged GNPA	Credit cost	Capital Adequacy ratio	Tier 1 Capital	Collection efficiency (Sept 2020)
HomeFirst	1.0	0.8	0.8	1.5	2.4	0.60	49	48	96%
Aavas	0.3	0.4	0.3	0.4	0.6	0.20	56	54	95-96%
Motilal Oswal Home Finance	1.8	5.2	1.1	1.6	1.4	1.80	48	46	103%
Magma Housing Finance	1.6	2.9	1.0	2.1	2.7	0.90	36	31	102%
Shriram Housing Finance	2.4	3.7	1.9	2.7	2.8	1.10	28	27	94%
Muthoot HomeFin	1.9	1.0	1.3	1.8	2.3	1.90	51	50	NA
Vastu Housing Finance	0.3	0.1	0.3	0.4	0.8	0.20	65	64	NA
India Shelter Finance	1.3	1.3	1.1	1.7	2.6	0.70	81	81	92%
Shubham Housing	1.8	2.9	1.3	2.3	2.8	0.50	46	44	NA
Muthoot Housing Finance	3.9^	3.7	2.9	3.0	3.9	1.60	34	33	NA

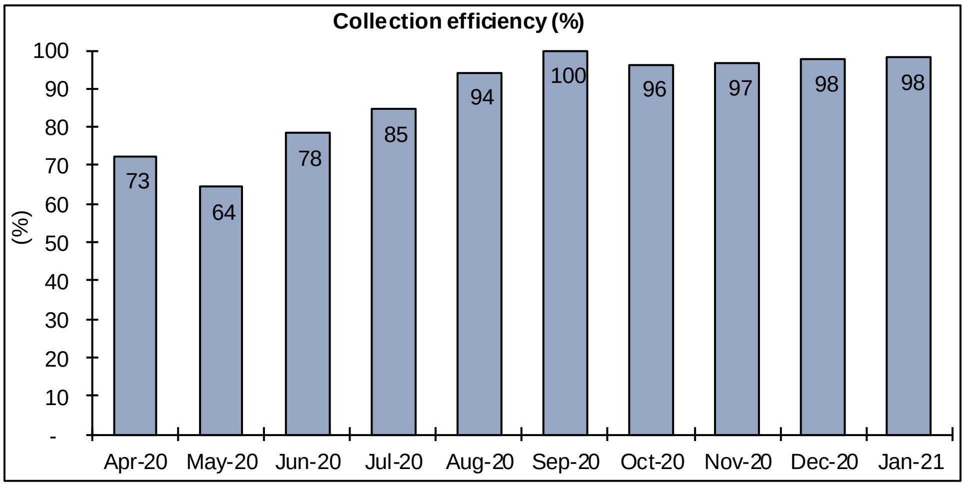
Source: Company, Crisil Research, I-Sec research

DPD 1+/30+ spiked in-line with peers; normalisation key

With the onset of Covid pandemic, 1+ days past due (DPD) and 30+ DPD has witnessed a spike for HomeFirst, largely in-line with peers. HomeFirst 1+DPD rose from 4.4% as of FY20 to 6.7% as of Q2FY21 and 7.5% as of Q3FY21. This compares with Aavas Financiers at 6.2% as of Q2FY21 and 8.2% as of Q3FY21.

With normalisation kicking in for the company in terms of collections and business momentum, 1+ DPD print should gradually approach towards its normalised range of 3-4% in the medium-term. This will further strengthen confidence on underwriting and credit assessment standards of HomeFirst.

Chart 27: Collection efficiency stabilizing around ~96-98%



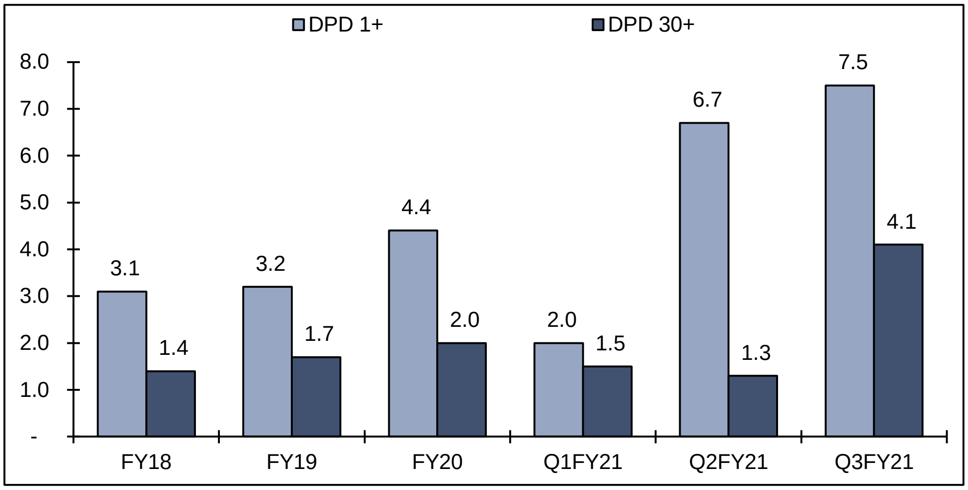
Source: Company, I-Sec research

Stage-3 relatively higher due to some sticky stress pool

Centralised, data science backed underwriting process and skew towards relatively more stable salaried customer profile should structurally assist HomeFirst report lower stage-3 vis-à-vis peers. However, some stress in concentrated apartment exposure in two specific locations of Alwar and Bhiwadi has resulted in sticky stage-3 of 55-60bps. Consequently, stage-3 even prior to Covid saw a rise from 0.6% in FY18, 0.8% in FY19 to 1.0% in FY20. With Covid pandemic, the stage-3 print has further gone upto 1.6% in Q3FY21. Delving deeper, it suggests there was deterioration across both salaried as well as self-employed segment. Salaried segment stage-3 that was contained at 0.4-0.6% has risen to 1% and self-employed after being range-bound within 1.4-1.6% band rose to 2.2%. As far as new to credit and customers with credit history are concerned, there doesn't seem to be much deviation beyond 20-30bps difference.

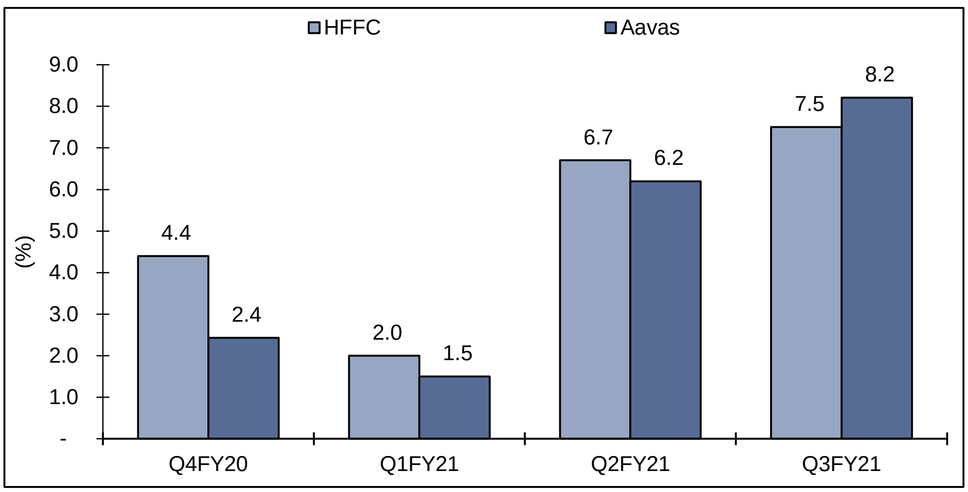
The company has been prudent enough to create a buffer towards the forthcoming stress and cumulative provisions have been upped to 1.4% of on-book AUM (from 0.9% in FY20 and 0.6% in FY19). None of the company's customers have resorted to any loan restructuring. With some further flow-through from 30+ dpd bucket into stage-3, we expect stage-3 to inch up to 1.9% for FY22E and then moderate to sub-1.5% by FY23E. and therefore, build in credit cost of 55-60 bps for FY22E/FY23E respectively.

Chart 28: DPD 1+ has seen a spike, but largely in-line with peers



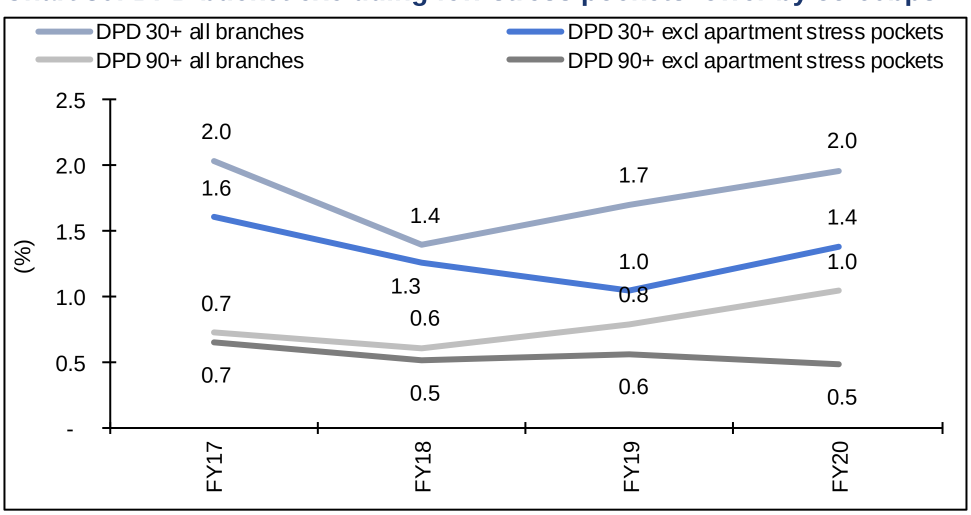
Source: Company, I-Sec research

Chart 29: Movement in DPD 1+ bucket not too different from peers



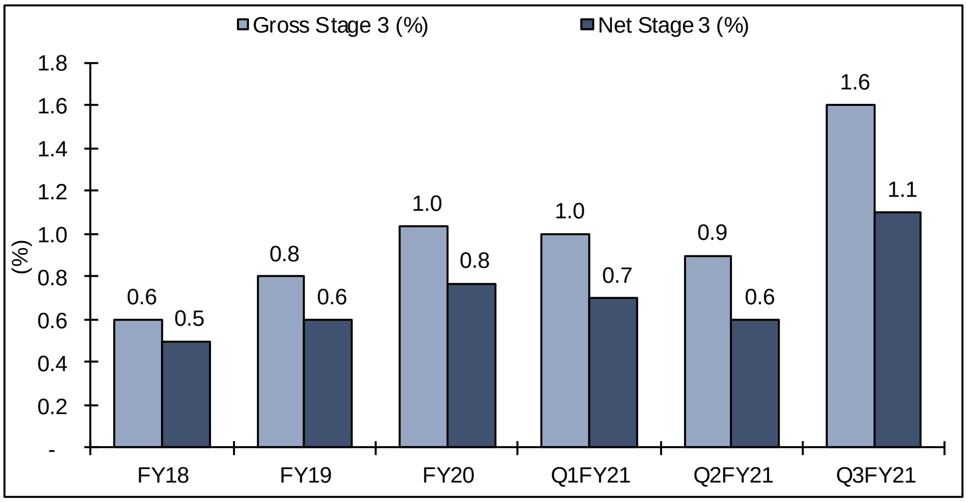
Source: Company, I-Sec research

Chart 30: DPD bucket excluding few stress pockets lower by 55-60bps



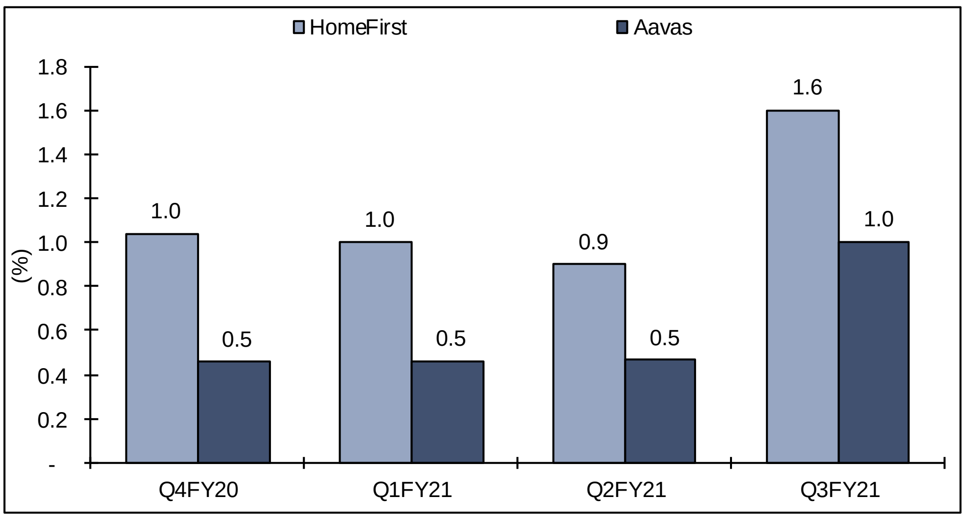
Source: Company, I-Sec research

Chart 31: Stage 3 higher due to stress in certain pockets



Source: Company, I-Sec research

Chart 32: Stage 3 on the higher side and relatively sticky



Source: Company, I-Sec research

Comfortably placed on capital as well as liquidity

Adequate liquidity buffers in place to manage uncertainty, if any

HomeFirst had sufficient liquidity buffer of Rs15.42bn as of Q3FY21 - equivalent to ~35% of AUM. Of this, 43% is in the form of cash and cash equivalents and the rest 57% constitutes undrawn credit lines from NHB and banks. We expect the company to maintain liquidity buffer in the range of Rs14-15bn over the next fiscal as well.

During FY21, HomeFirst raised borrowings to the tune of Rs 17.7bn in addition to Rs 2.65bn worth of capital raised through IPO. With this it has very comfortable tier-1 of more than 60%. This speaks about the franchise strength in raising funds during the pandemic. However, excess liquidity comes with a cost and hence it will continue to drag margins and return ratios in the interim.

Table 8: Liquidity likely to be healthy in coming quarters as well

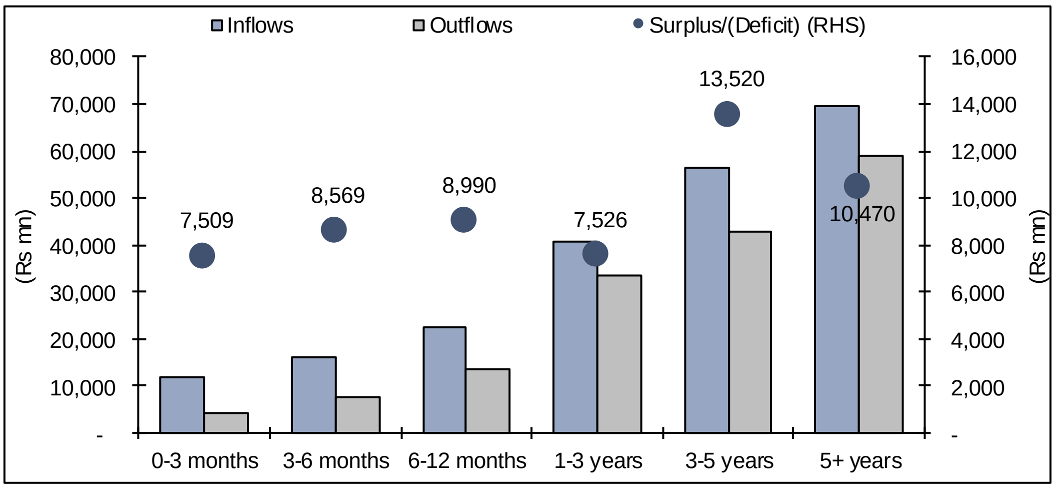
(Rs mn)	Q4FY21E	Q1FY22E	Q2FY22E	Q3FY22E
Opening Liquidity	15,427	15,634	15,550	15,384
Add: Principal Collections & Surplus from Operations	2,390	2,398	2,311	2,267
Less: Debt repayments	2,183	2,482	2,477	3,277
Closing Liquidity	**15,634**	**15,550**	**15,384**	**14,374**

Source: Company, I-Sec research

Maintains cumulative positive ALM across all buckets

The liquidity buffers are outcome of its robust asset liability management (ALM) to manage its future cash-flows. Given the nature of business, where assets' average maturity ranges between 6-7 years and liabilities are also relatively matched to that duration. For 1-3 years bucket, however, there is some mismatch of having more liabilities coming up for maturity than assets. Nonetheless, with current cash and liquidity position (sitting in less than 6 months bucket), it maintains positive cumulative cash-flows across all the time buckets.

Chart 33: Cumulative ALM positive across buckets

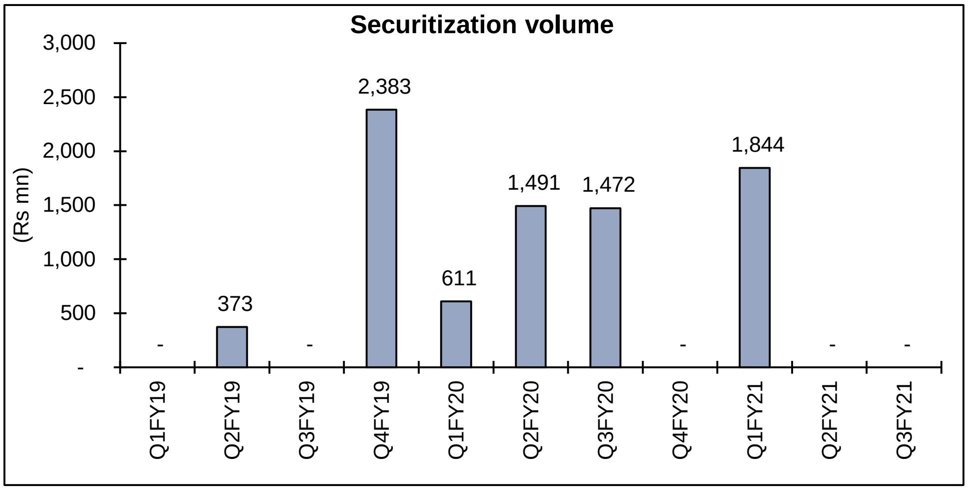


Source: Company, I-Sec research

Judiciously resort to assignment in-line with liquidity planning

Securitisation per se is effective from ALM point of view as it is directly linked to the duration of the assets. Also, it helps build credibility and comfort with banks and lending institutions once they review the book more intensely (detailed auditing) and form an opinion about the quality. In 9MFY21, it has used assignment judiciously - in 9MFY21, it was merely Rs1.8bn (compared to Rs3.6bn in FY20 and Rs2.8bn in FY19). With comfortable liquidity and equity raising plans, there are no assignment or securitisation transactions resorted to in the last two quarters). However, it will continue to explore this source of borrowing actively to optimise the capital usage, bring down leverage, and improve the cost of funds. We expect 30% of disbursements to be assigned/securitised over FY22/23E which will generate income to the tune of Rs650-950mn – 12-13% of revenues and one-third of operating profit.

Chart 34: Assignment judiciously resorted - absent in past two quarters, likely to pick pace in FY22E



Source: Company, I-Sec research

Financial outlook

Table 9: Key operating metrics of affordable housing financiers

FY20	Yield on advances	Cost of borrowings	NIM	Opex	RoA	Leverage (x)	RoE
HomeFirst	13.2%	8.7%	7.6%	3.4%	2.6%	2.7	10.9%
Aavas	13.5%	7.6%	8.2%	3.5%	3.8%	2.6	12.7%
Motilal Oswal Home Finance	14.0%	10.1%	5.5%	2.3%	0.9%	3.4	4.6%
Magma Housing Finance	14.2%	10.0%	7.8%	4.6%	1.9%	4.1	10.3%
Shriram Housing Finance	14.3%	8.0%	8.7%	4.8%	2.0%	3.8	9.5%
Muthoot HomeFin	12.5%	10.5%	7.6%	3.6%	1.7%	3.3	7.8%
Vastu Housing Finance	15.1%	8.9%	8.8%	2.8%	4.5%	1.5	11.3%
India Shelter Finance	15.4%	8.9%	9.9%	5.0%	3.0%	1.1	5.7%
Shubham Housing	17.6%	10.6%	9.7%	6.5%	2.0%	2.8	7.8%
Muthoot Housing Finance	15.9%	10.8%	8.4%	4.3%	1.8%	4.6	11.7%

Source: Company, Crisil Research, I-Sec research

Positioned for accelerated growth

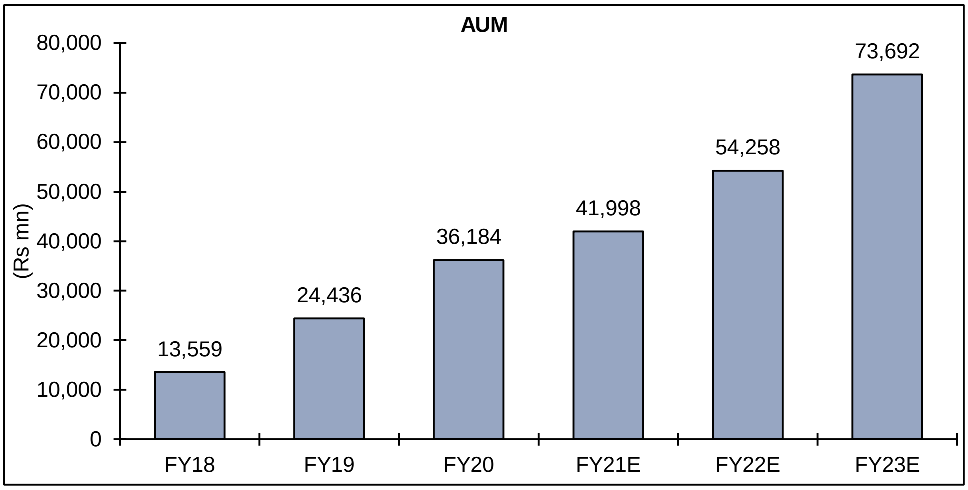
Disbursement momentum derailed in 9MFY21 (down 50% YoY) during Covid pandemic as it adopted stricter interim credit guidelines for the new business. However, with improved MoM collection efficiency and normalisation of economic activities, it started pursuing upcoming opportunities and disbursements picked up the lost momentum. Infact, Dec ’20 and Jan ’21 disbursements were better than last year’s level. Disbursement growth is expected to further accelerate to more than 60% over FY21-23E, thereby driving AUM growth by more than 30%. Key driving factors: i) Digital adoption in reaching out to customers and channel partners, ii) leveraging technology and rising productivity at existing locations, and iii) increasing market share in Karnataka, AP, Telangana, Rajasthan. For Q4FY21, we expect disbursements of Rs4.5bn and FY21 to end with Rs11bn of disbursements (down from Rs16bn in FY20). The company’s conservative stance towards apartment loans will continue, though we expect a proportion of LAP to improve hereon.

Table 10: Comparative growth metrics of affordable housing financiers

FY20	AUM (Rs bn) FY20	YoY AUM growth (FY20)	AUM growth (CAGR FY16-20)	Disbursements (Rs bn) FY20	YoY Disbursement growth (FY20)	Disbursement growth (CAGR FY16-20)	Total Net Worth (Rs bn) FY20
HomeFirst	36.1	68%	63%	16.1	3%	56%	9.3
Aavas	77.9	31%	47%	29.3	10%	29%	20.9
Motilal Oswal Home Finance	36.6	-16%	15%	1.9	-34%	-43%	8.7
Magma Housing Finance	32.8	35%	NA	13.1	21%	11%	4.8
Shriram Housing Finance	23.1	25%	16%	11.2	49%	9%	5.1
Muthoot HomeFin	19.8	3%	183%	4.1	-37%	0%	4.3
Vastu Housing Finance	17.7	35%	191%	7.3	NA	NA	8.9

Source: Company, Crisil Research, I-Sec research

Chart 35: Disbursements pace to accelerate driving >30% AUM growth



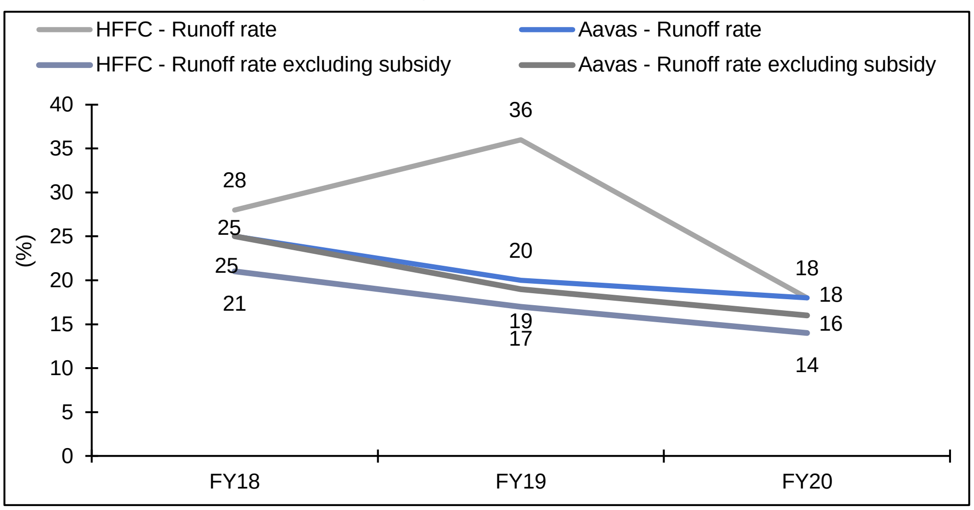
Source: Company, I-Sec research

Stable BT (out), CLSS subsidy leads to volatile run-off rate

Given the effective tenor of home loans in the range of 6-7 years with prepayments by customers from their own funds, run-off rate should range between 15-20%. However, for HomeFirst it tends to get volatile as majority of housing loans disbursed fall within the purview of PMAY scheme where borrowers are entitled to government subsidy. On receipt of subsidy in the first year, the book shrinks and these account for as high as third of the overall run-off rate – much higher than peers.

Other risk relating to run-off emanates from balance transfer (out) – given HomeFirst's card rate starts from 9.5% compared to 6.7-6.8% for general housing finance industry. We see the intensity of competition being high in metros and peripheries of it where balance transfer request is around 6-7% - though retention rate of this is about 25-30%. However, at the company level, management has highlighted that balance transfer is around 2.5-4.0% - almost 15-20% of run-off rate. Compared to other affordable housing financiers, balance transfer (out) cases for HomeFirst are at least similar, if not lower.

Chart 36: Run-off rate tends to get volatile due to PMAY subsidy



Source: Company, I-Sec research

Commands premium yields due to value-added services

HomeFirsts portfolio is relatively more skewed towards salaried customer segment. However, given the typical profile of its borrowers being in low or middle income category, few USPs and value-added services that HomeFirst offers pushes customers to pay some premium. This differentiation includes holistic assessment of customer's family income, understanding customers' requirements appropriately, right sizing the loan amount, quick turnaround time etc. Moreso, 40% of the property financed by HomeFirst is situated outside the Municipal Board limits that banks are generally reluctant to lend. This nature of borrower's profile and risk-taking ability (taking comfort from its assessment and underwriting practices) allow it to charge higher yields even to salaried customers. It generates yield of 12.8-12.9% on home loans, 15.0-15.3% on loans for commercial property, 15.5-15.8% on LAP and 14.0-14.5% on developer loans.

Over the past 18-20 months, despite falling interest scenario and higher stress recognition, yields have sustained at 13% - suggesting increase in core portfolio yields. Contrary to perception that with scale and rising competition there could be some pressure on yields, we believe yield premium is here to stay and change in mix in favour of LAP can actually arrest pressure on yield decline.

Table 11: Yields are largely stable in the home loan & LAP segment

Product-wise yield (%)	FY18	FY19	FY20	9MFY21
Housing Loan	12.2	12.3	12.9	12.8
Loans for purchase of commercial property	15.7	15.1	15.4	14.9
Developer Finance	12.8	13.9	14.4	14.3
LAP	15.9	15.4	15.8	15.2
Total	**12.3**	**12.5**	**13.1**	**13.0**

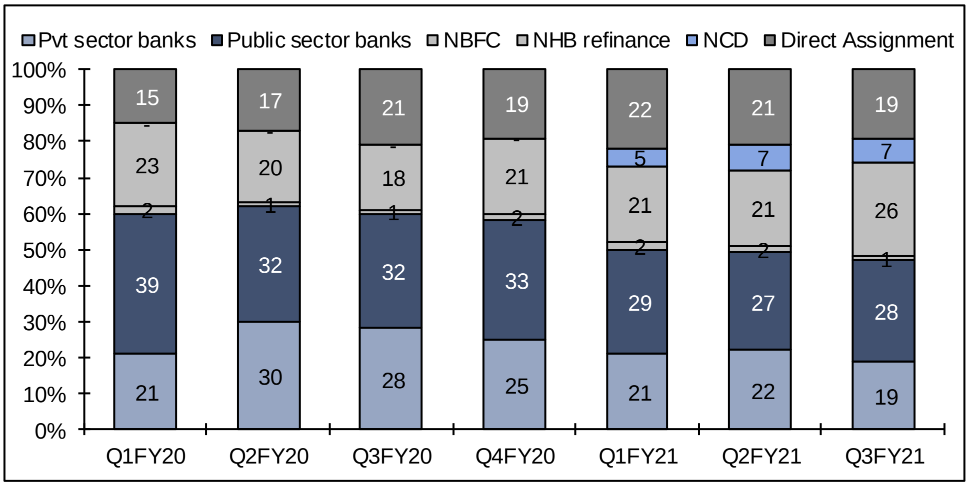
Source: Company, I-Sec research

Diversify borrowing profile to optimise cost

Historically, the borrowing profile was more skewed towards bank borrowings (>70% compared to <50% for its peers). With scale up, the endeavour has been to reduce dependence on terms loans and diversify sources towards debt market, NHB refinancing and assignment. Besides engaging with banks to raise borrowings under LTRO and PCG schemes, it raised Rs2.4bn from debt market and Rs5.4bn from NHB. Refinancing from NHB at more than 30% of the overall borrowing is relatively higher compared to peers. Diversifying borrowing mix has helped it optimise the cost that has been on a downtrend - from 8.8%/8.5%/8.3% in FY20/Q1FY21/Q2FY21 to 8.0% in Q3FY21. Credit rating assigned by ICRA and CARE is A+ - we believe rising scale, consistency in operating performance, excess capital and liquidity buffer will increase the visibility on rating upgrade and close the gap with peers both with respect to rating as well as borrowing cost.

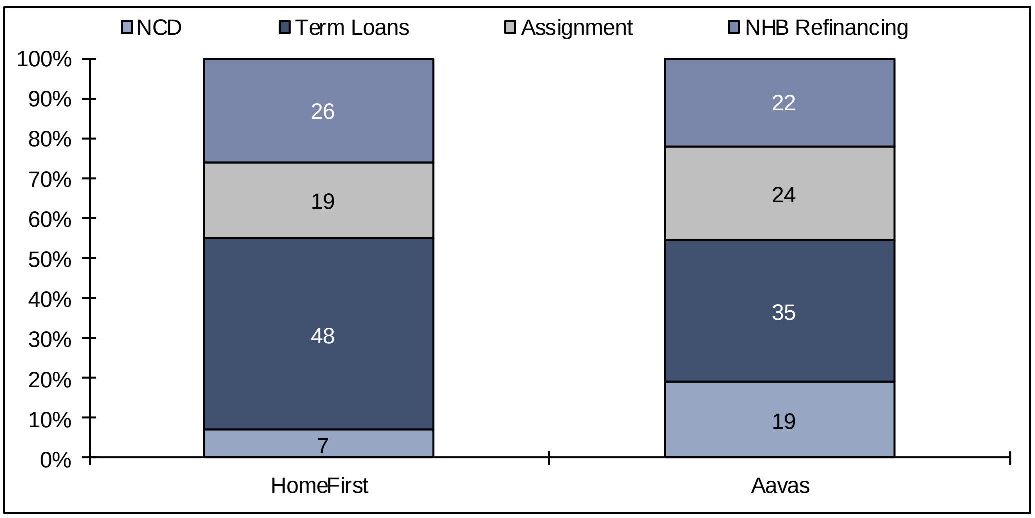
Steady yield with falling borrowing cost has aided it to generate spreads of 4.7% in 9MFY21 (up 60 bps YoY). More levers at work will get borrowing cost down further, sustained yields further buoyed by assignment income can help endure NIMs upwards of 6.5% over FY22-23E.

Chart 37: NHB refinancing risen; assignment and debt borrowings to scale up



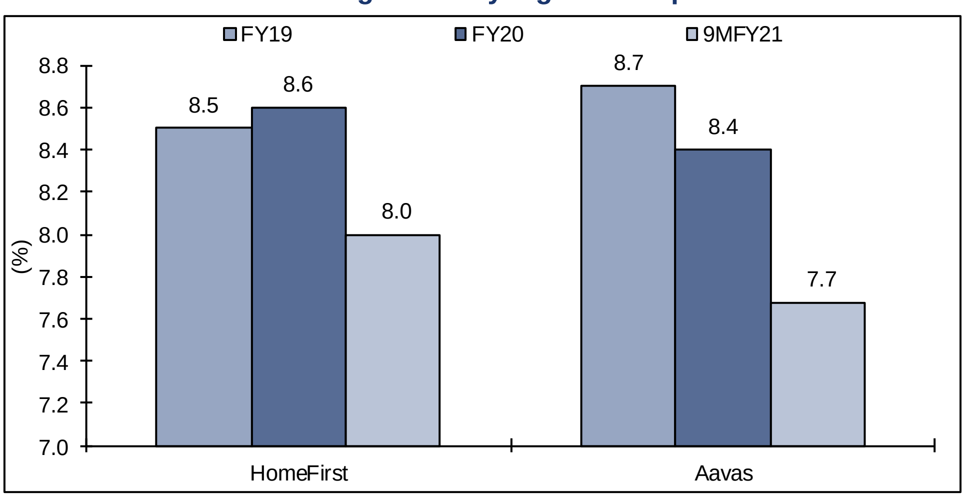
Source: Company, I-Sec research

Chart 38: Borrowing mix skewed more towards bank borrowings, yet to scale up debt borrowings



Source: Company, I-Sec research

Chart 39: Cost of borrowing relatively higher than peer



Source: Company, I-Sec research

Table 12: Excess capital/liquidity buffer improves visibility on rating upgrade

FY20	Short term credit rating	Long term credit rating
HomeFirst	ICRA A1+ (Dec,2020)	ICRA A+ (Dec,2020)
Aavas	CARE A1+ (Jan, 2021)	CARE AA- (Jan, 2021)
Motilal Oswal Home Finance	ICRA A1+ (Sept, 2020)	ICRA A+/ICRA AA (CE) (Sept,2020)
Magma Housing Finance	CRISIL A1+ (May,2020)	ICRA AA- (Dec,2020)
Shriram Housing Finance	CARE A1+ (Oct,2020)	IND AA (Dec,2020)
Muthoot HomeFin	CARE A1+ (Dec,2020)	CRISIL AA (June,2020)
Vastu Housing Finance	NA	BWR A+ (June,2020)
India Shelter Finance	NA	ICRA A (Dec,2020)
Shubham Housing	NA	CRISIL A- (Jan,2020) , ICRA A- (Jan,2020)
Muthoot Housing Finance	NA	CRISIL A- (Dec,2020)

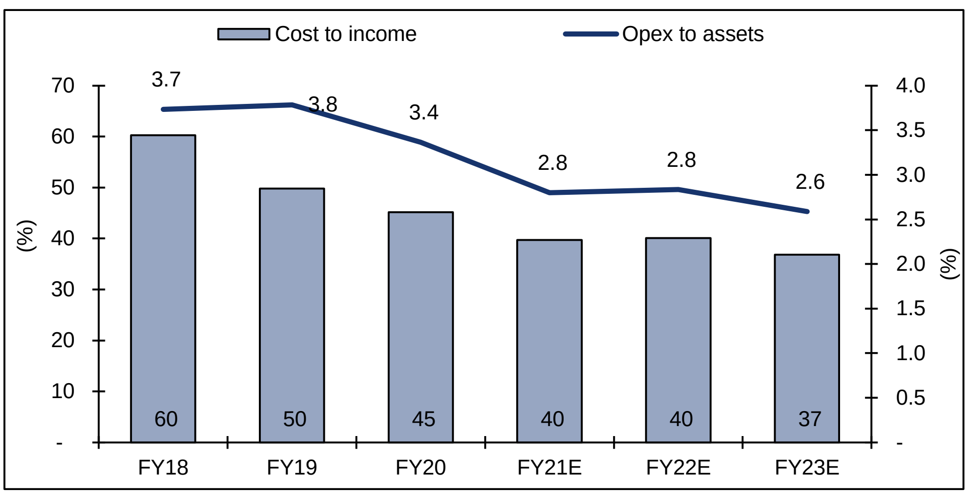
Source: Company, Crisil Research, I-Sec research

Improved productivity to drive cost efficiencies

With growing productivity of existing branches through deeper and innovative distribution and leveraging technology to optimise operations, HomeFirst does not have very aggressive plan on branch expansion in the forthcoming years.

All this makes HomeFirst cost efficient with opex to assets at 3.4-3.7% (compared to peers in 3.0-6.5% range). With the upscaling of branches and optimal utilisation, we expect opex to assets to further improve 90bps by FY23 (moving towards typical range of opex/AUM at 2.0-2.5% for large branches), which can act as one of the triggers for RoE improvement.

Chart 40: Improved productivity to drive cost efficiencies



Source: Company, I-Sec research

Stage-3 elevated due to some sticky stress pool

Some stress in concentrated apartment exposure in two specific locations of Alwar and Bhiwadi has resulted in sticky stage-3 of 55-60bps. Consequently, stage-3 even prior to Covid saw a rise from 0.6% in FY18, 0.8% in FY19 to 1.0% in FY20.

At the company level, collection efficiency (EMI received including arrears as a % of monthly EMI due) has been consistently improving MoM after hitting lows of 64% settling in the range of 96-98% from Oct'20 to Dec'20. With normalisation kicking in for the company in terms of collections and business momentum, 1+ DPD print should gradually approach towards its normalised range of 3-4% in the medium-term. With further flow-through from 30+ dpd bucket into stage-3, we expect stage-3 to inch up to 1.9% in FY22E and then moderate to sub-1.5% by FY23E. and therefore, build in credit cost of 55-60 bps for FY22E/FY23E respectively.

Table 13: 10-20 bps stress variance between credit and no credit history customers

Stage 3 Loan Assets by credit history (%)	FY18	FY19	FY20	H1FY21
New to credit	0.5	0.6	1.0	0.9
With credit history	0.7	0.7	0.8	0.7
Total	**0.6**	**0.7**	**0.9**	**0.7**

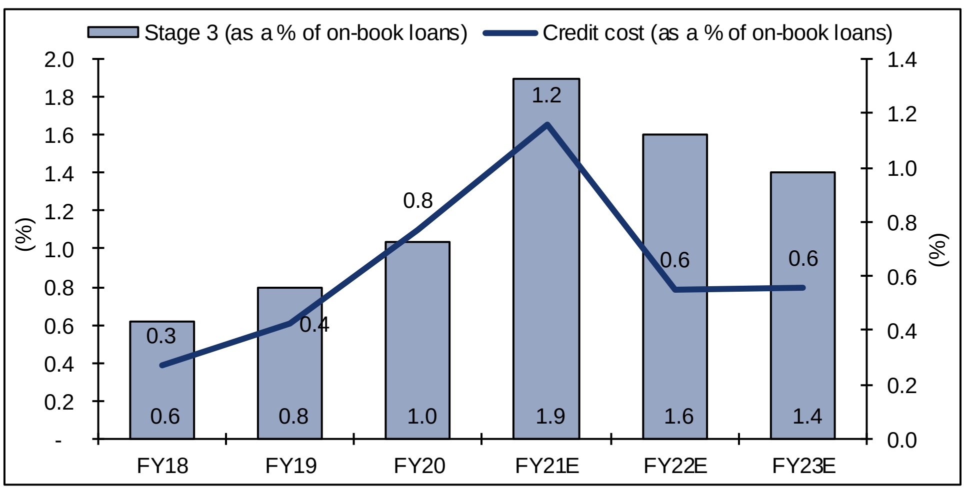
Source: Company, I-Sec research

Table 14: Self-employed customer segment reflects higher stress

Stage 3 Loan Assets by occupation (%)	FY18	FY19	FY20	9MFY21
Salaried	0.3	0.5	0.6	1.0
Self Employed	1.5	1.4	1.7	2.2
Corporate	-	-	1.4	2.0
Total	**0.6**	**0.7**	**0.9**	**1.3**

Source: Company, I-Sec research

Chart 41: Stage-3 to moderate with collections in coming years

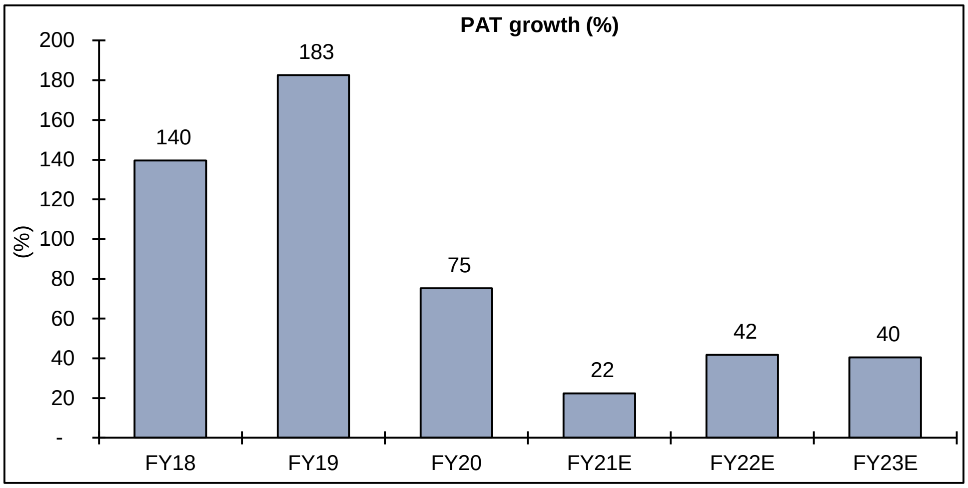


Source: Company, I-Sec research

Earnings growth robust, excess capitalisation to suppress RoEs

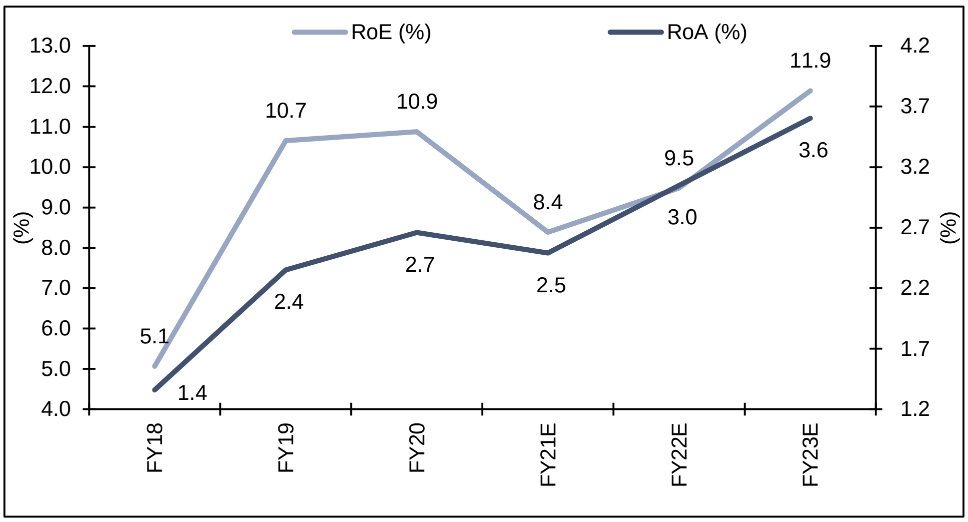
With >30% AUM growth, funding cost benefit, improved cost to income and contained credit cost, we expect earnings to compound at 40% over FY21-23E. However due to excessive capitalisation (Tier-1 at 51%), despite 3% plus RoAs, RoEs will be modest at ~12%.

Chart 42: Earnings estimated to compound at >40% over FY21-23E



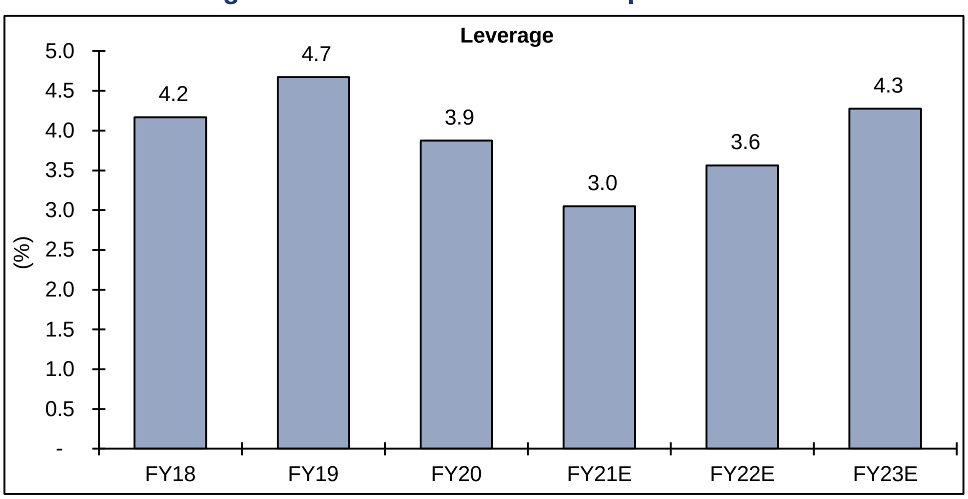
Source: Company, I-Sec research

Chart 43: RoA trajectory upwards of 3%; excess capitalisation caps RoE at ~12%



Source: Company, I-Sec research

Chart 44: Leverage levels low due to excess capitalisation



Source: Company, I-Sec research

Valuations

HomeFirst is appropriately positioned in a high growth, high yielding, hugely untapped affordable housing finance space with more than 75% of its customers belonging to EWS/LIG category and ~32% being new to credit customer. HomeFirst is further in a sweet spot with dominant presence in states that constitute more than 40% of the overall affordable housing market.

What differentiates HomeFirst's from other affordable housing financiers

- Tech at the core - right from sourcing to collections, technology framework with customised systems and tools, integrated customer relationship management and loan management system, proprietary machine learning customer-scoring models, centralised data science backed underwriting process, and API integration with third party service providers.
- Well trained/educated team to manage typical customer profile.
- Paperless loan processing with quick turnaround time of less than 48 hours.
- Omni-channel lead generation drives sourcing - utilises diverse range of lead sourcing channels including connectors, architects, contractors, affordable housing developer ecosystem etc.

What triggers will enhance its operating performance

- HomeFirst's market share in most markets, except Gujarat, is less than 1% - providing it with a huge opportunity to deepen its presence. Realizing this, it is following contiguous branch expansion approach of denser network in the existing markets with increasing urbanisation, rising household incomes and growing commercial activity.
- Compared to all other affordable housing financiers, it exhibits much higher branch as well as employee productivity. Upscaling of branches (from small to medium to large), deeper and innovative distribution and leveraging technology to optimise operations, will further drive efficiencies and incremental growth will come at a much lower incremental cost.
- Normalisation of collection efficiency, 1+ DPD and stage-3 print will further strengthen confidence on the underwriting/credit standards of HomeFirst and growth retracement path.
- Contrary to perception that with scale and rising competition, there could be some pressure on yields, we believe premium can sustain on the back of few USPs and value-added services that HomeFirst offers.
- Rising scale, consistency in operating performance, excess capital and liquidity buffer will increase the visibility on rating upgrade. We believe credit rating upgrade will be a big trigger as it helps it to get into the league of affordable housing finance and close the gap with peers on borrowing cost.

With >35% AUM growth, sustained spreads, improved cost to income and contained credit cost, we expect net revenue to grow at more than 25% over FY21-23E and earnings to compound at >40% over FY21-23E. However due to excessive capitalisation (Tier-1 at 51%), despite 3% plus RoAs, RoEs will be modest at sub-12%.

Using Gordan Growth model, we set our target multiple for HomeFirst at 3.3x FY23E P/B (lower than Aavas at 5.7x). This translates to 12-month target price of Rs625 – an upside of more than 30% from CMP. We initiate coverage on HomeFirst with a **BUY** rating.

Table 15: Relative valuation metrics

		Mkt cap	PE (x)		P/BV (x)		P/ABV (x)		EPS (Rs)	
Particulars	**CMP**	**(Rs bn)**	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**
HomeFirst	**469**	**41**	**31**	**22**	**2.8**	**2.5**	**2.9**	**2.6**	**15**	**21**
Aavas	2,328	180	52	43	6.7	5.8	6.9	5.9	45	55
Repco	281	18	6	5	0.8	0.7	N/A	N/A	48	53
HDFC	2,547	4,532	24	19	2.2	1.9	2.8	2.4	58	74
LIC Housing	390	199	8	7	0.9	0.8	0.9	0.8	47	60
PNB Housing	368	63	7	5	0.6	0.6	0.8	0.7	52	78
CanFin	513	69	14	13	2.2	1.9	N/A	N/A	36	40

	BV (Rs)		ABV (Rs)		RoAA (%)		RoAE (%)	
Particulars	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**
HomeFirst	**167**	**189**	**162**	**183**	**3.0**	**3.6**	**9.5**	**11.9**
Aavas	346	401	339	395	3.7	3.8	13.8	14.6
Repco	373	423	N/A	N/A	2.3	2.4	13.8	13.3
HDFC	639	731	505	583	2.2	2.3	12.3	13.4
LIC Housing	444	495	448	506	1.0	1.1	11.1	12.7
PNB Housing	576	652	475	558	1.2	1.7	9.5	12.7
CanFin	228	265	N/A	N/A	2.1	2.1	17.2	16.4

Source: Company, I-Sec research

Key risk factors

- **Sourcing as well as collections managed by front-end team*:*** HomeFirst follows an operating model where front-end team is responsible both for sourcing as well as collections. This is contrary to other HFC's operating structure, where sourcing, operations, credit/underwriting and collections are managed separately by different teams with no overlap in functionalities. With diverted focus on collections and stringent underwriting standards, there was a sharp dip in disbursements in H1FY20. Besides challenging environment and conservative management stance, other rationale could be rise in focus on collections during Covid period – average number of EMI collections (other than NACH) per RM went upto 15 per month in September '20 compared to normalised average of 4-6 per month. Given dual responsibility of sourcing and collections, increased focus on one may sometimes come at the cost of focus on other.
- **Relatively young team of RMs** – HomeFirst follows a differentiated people strategy of recruiting top tier talent from tier-2 business school. It also incentivises employees through ESOP programme (almost 15% employee base eligible for ESOPs). HomeFirst's average employee age would be lower than peers and given lower business cycle experience amongst employees, it can be prone to adverse impact during crisis.
- **Borrowing profile not yet explored as peers:** The borrowing profile is not as fully explored as other leading financiers given still a higher reliance on bank borrowings and NHB refinancing. Transitioning into diversified sources of borrowings including debt market, ECBs etc. will be key to watch out for given its rated by credit rating agencies one or couple of notches lower than peers.
- **Dominance in Gujarat, Maharashtra, Tamil Nadu, Karnataka:** HomeFirst has concentrated dominance in Gujarat, Maharashtra, Tamil Nadu and Karnataka that constitute more than 40% of the overall affordable housing market. Contiguous expansion approach suggests getting deeper into the existing markets but competition in these locations is equally intense and can pose a risk to its yields or growth.
- **Productivity ratios are high with lower rejection rates:** HomeFirsts per employee and branch sanction count is higher than peers. Also during our market study, we realised that preference for HomeFirst's as a financier by its external lead sources namely connectors and builder ecosystem, was primarily driven by quick turnaround and lower rejection rates. We hope this differentiation is not coming at the cost of quality or dilution of standards.
- **Apartment home loans showing higher stress:** The company was active in apartment financing with internal cap of 20% in one single project. However, it witnessed some stress in concentrated apartment exposure in two specific locations of Alwar and Bhiwadi that has resulted in sticky stage-3 of 55-60bps. With this experience it has lowered the cap to 5% and has been cautious in lending to this segment that dragged disbursement growth in FY20. Besides the experienced delinquencies, any further stress in this segment can create asset quality pressure. Also resolution of this stress through SARFAESI Act will be key to watch out.

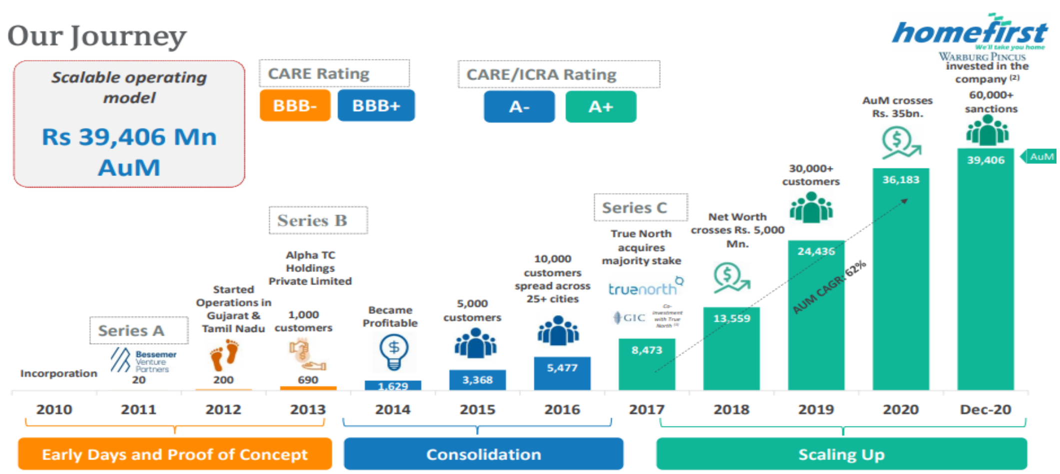
About Home First Finance Company

HomeFirst is a technology-driven affordable housing finance company that targets home-buyers in low and middle-income groups. It has a network of 72 branches spread over 60 districts in 11 states and a Union Territory, with significant presence in Gujarat, Maharashtra, Karnataka and Tamil Nadu. The company commenced operations in August 2010 and has AUM of Rs39.4bn (CAGR of >50% over FY17-9MFY21), net worth of Rs10.9bn and capital adequacy (CRAR) of 51.6% as of Q3FY21. Home First's promoters are True North Fund V LLP and Aether (Mauritius) Ltd. The company leverages technology in various facets of its business such as processing loan applications, managing customer experience and risk management. The company currently has an 'A+ (stable)' rating from ICRA Ltd

Salaried customers account for 73% of its AUM and self-employed customers account for 25% of AUM. It also offers other types of loans comprising loans against property, developer finance loans and loans for purchase of commercial property, which includes 5%, 2% and 1% of its AUM.

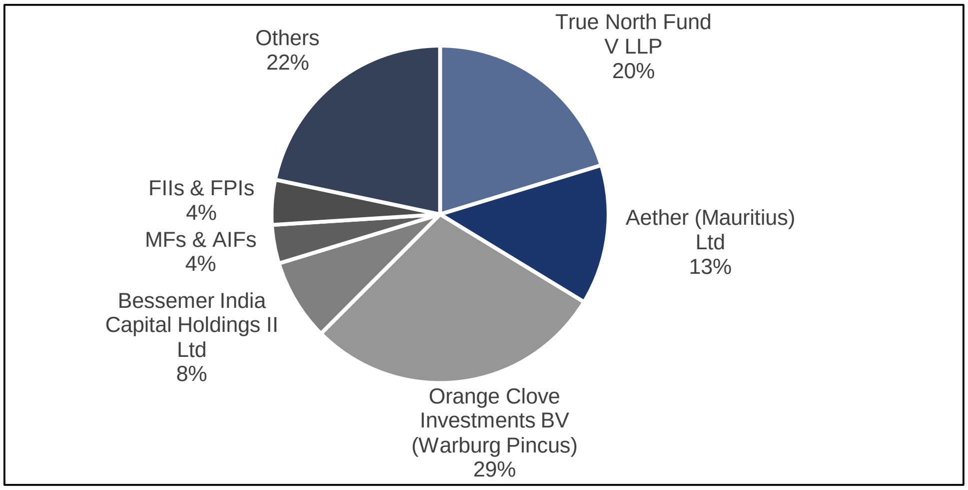
The company utilises a diverse range of lead sourcing channels such as connectors, architects, contractors, affordable housing developers, in addition to conducting loan camps and micro marketing activities, and utilising employee and customer referrals and branch walk-in customers. HomeFirst also utilises proprietary machine learning customer scoring models to assist them with their centralised credit underwriting process, which has led to consistent and accurate credit evaluation with quick turnaround times.

Chart 45: Evolution of HomeFirst over the past decade



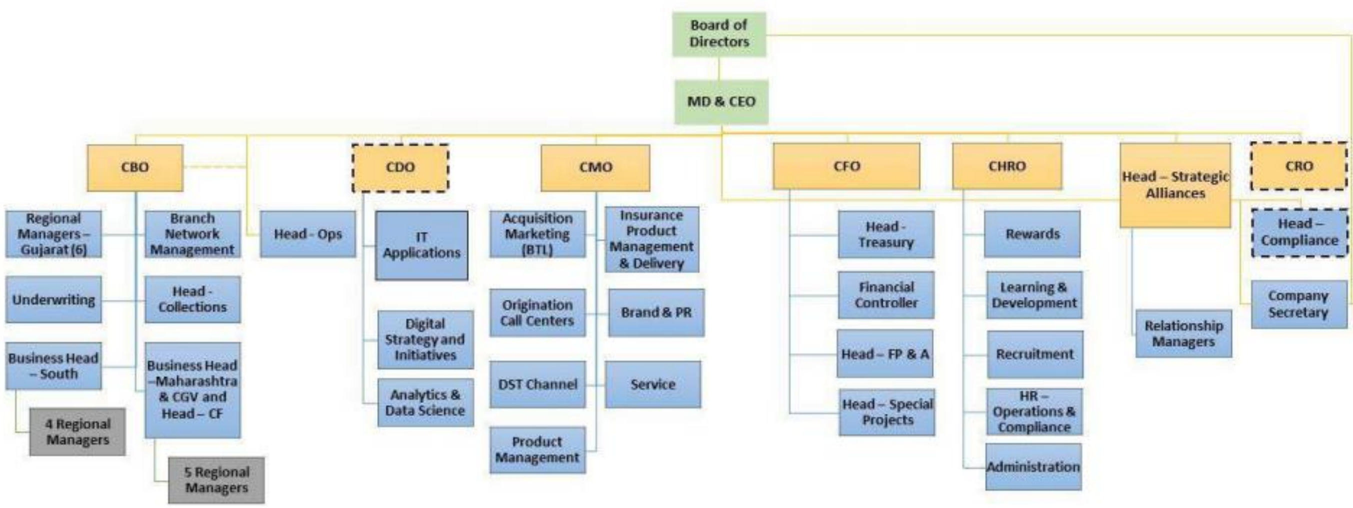
Source: Company, I-Sec research

Chart 46: Shareholding pattern



Source: Company, I-Sec research

Chart 47: HomeFirst's organization structure



Source: Company, I-Sec research

Key management personnel

Name & Designation	Experience
Manoj Viswanathan Chief Executive Officer	Mr Viswanathan holds a bachelor's degree in electrical and electronics engineering from the Birla Institute of Technology and Science, Pilani and a post graduate diploma in business management from XLRI, Jamshedpur. He has over 23 years of experience in consumer lending. Previously, he was associated with Computer Garage Private, Asian Paints India, Citibank and CitiFinancial Consumer Finance India as vice president of personal loans. He joined HomeFirst as a Director with effect from June 28, 2010.
Nutan Gaba Patwari Chief Financial Officer	Ms Nutan has passed the final examination of bachelor's degree in commerce from University of Calcutta. She is a certified chartered accountant from the Institute of Chartered Accountants of India. She joined HomeFirst with effect from January 1, 2019 and was appointed as the CFO with effect from March 4, 2019. She has over 13 years of experience in finance. Prior to joining HomeFirst, she was associated with True North as a vice president – finance, Hindustan Unilever as an operations manager in supply management, ITC Limited as assistant finance and Philip Morris Asia as manager of planning. Presently, she heads accounts, finance & treasury, budget and analytics functions of the company.
Ajay Khetan Chief Business Officer	Mr Khetan holds a bachelor's degree in mechanical engineering from the University of Allahabad and a post graduate diploma in management from Xavier Institute of Management, Bhubaneswar. He joined the company with effect from March 14, 2012. He has over 18 years of experience in consumer finance and risk management. Prior to joining HomeFirst, he was associated with Macquarie Finance (India) Private as a senior manager, Hewlett Packard Financial Services (India) Private, Citi Financial Consumer Finance India Private, MIRC Electronics and The Tata Engineering and Locomotive Company.
Gaurav Mohta Chief Marketing Officer	Mr. Mohta holds a bachelor's degree in mechanical engineering from Nagpur University and a post graduate diploma in business administration from ICFAI Business School. He joined the cCompany with effect from March 23, 2011. He has over 16 years of experience in consumer lending and product management. Prior to joining HomeFirst, he was associated with Kotak Mahindra Bank, Limited CitiFinancial Consumer Finance India Limited and Foodworld Supermarkets Limited.
Arunchandra Jupalli Business Head – South	Mr. Jupalli has passed the final examination of bachelor's degree in commerce from Osmania University. He holds a master's degree in business studies from Bharati Vidyapeeth. He joined HomeFirst with effect from November 13, 2017. He has over 16 years of experience in consumer lending business. Prior to joining HomeFirst, he was associated with Atlantic Duncans International (P) Limited, India Office Solutions Private Limited, CitiFinancial Consumer Finance India Limited , Net Ambit Value First Services Limited, Karvy Financial Services Limited and Small Business FinCredit India Private Limited.
Vilasini Subramaniam Head – Strategic Alliances	Ms Vilasini holds a bachelor's degree in commerce from University of Madras. She has passed the final examination of chartered accountancy from the Institute of Chartered Accountants of India. She joined HomeFirst with effect from August 1, 2014. She has over 15 years of experience in consumer finance. Prior to joining HomeFirst, she was associated with Citibank India, Janalakshmi Financial Services and Micro Housing Finance Corporation Limited.
Abhijeet Jamkhindikar Business Head – Maharashtra	Mr. Jamkhindikar holds a bachelor's degree in civil engineering from Nagpur University. He joined HomeFirst with effect from August 9, 2017. He is a member of the Institution of Valuers and has completed the foundation course in property valuation of the Royal Institute of Chartered Surveyors India Property Valuation. He has 18 years of experience in construction finance (for developers), finance, valuations, technical appraisals and business development. Prior to joining HomeFirst, he was associated with C-Net Solutions India Private Limited and HDFC.
Ramakrishna Vyamajala Chief - Human Resources	Mr. Vyamajala holds a post graduate diploma in management from T.A. Pai Management Institute. He joined HomeFirst with effect from July 15, 2018. He has over 14 years of experience in human resources, rewards and recognition, compensation and benefits. Prior to joining HomeFirst, he was associated with Sterlite Technologies Limited, a group company of Vedanta Resources Plc and IDFC Bank Limited.
Shreyans Bachhawat Company Secretary	Mr. Bachhawat has passed the final examination of bachelor's degree in commerce from University of Calcutta and has passed the final examination of bachelor's degree in law from Fakir Mohan University. He is a certified associate of the Institute of Company Secretaries. He has over 8 years of experience in corporate secretarial compliances. He joined HomeFirst on August 17, 2017 and was appointed as the Company Secretary with effect from September 7, 2017.

Source: Company, I-Sec research

Industry likely to grow at ~10% CAGR in near term

Affordable housing finance market caters to loans with less than Rs 2.5mn ticket size

India's mortgage market can be broadly divided into two segments by ticket size of the housing loan at the time of disbursement - loans with ticket size of less than Rs 2.5mn (market which HomeFirst is primarily catering to) and loans with ticket size of Rs 2.5mn and above. The former can be defined as the affordable housing market which generally includes houses in semi-urban and rural areas while the latter can be referred to the normal mortgage market and is largely prevalent in metro/urban areas.

The overall size of the affordable housing finance market (<Rs2.5mn) was around Rs 9trn as of FY20, which is approximately 45% of the total housing finance industry (in value terms). Having grown at 12% CAGR over FY15-20 (14% over FY15-19), the industry is further expected to grow at a CAGR of ~9-10% over the next three years.

Growth would be driven by improved supply and demand of affordable houses, government impetus to the segment through various incentives given to developers and first-time homebuyers, initiatives towards affordable housing such as PMAY, increased number of financiers with strong growth and deeper penetration across geographies and improving buyer affordability because of expected rise in income levels.

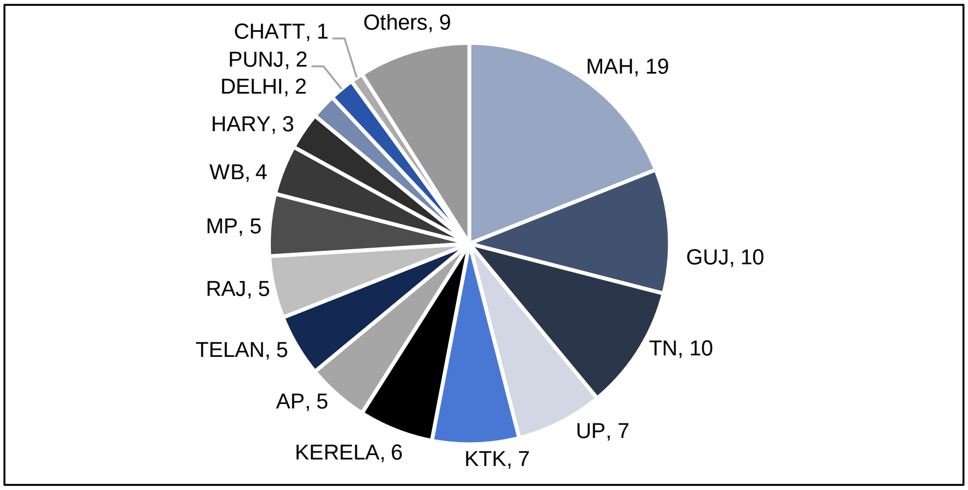
Critical success factors in affordable housing finance market include: 1) clear and deeper understanding of the micro-markets and a strong local network; 2) customer risk assessment - underwriting process requiring detailed personal discussion with the borrower as well as acquaintances to assess the source of income and pattern of cashflows as well as the stability and habits of the customer; 3) collateral risk assessment - properties sometimes lack proper property titles and there have been instances of borrowers mortgaging the same property with multiple lenders; 4) Technology usage to increase operating efficiency.

The proportion of direct sales team in sourcing business for affordable housing is estimated at approximately 70%. In terms of customer profile, affordable players have higher share of self-employed customers (45%) in comparison to normal housing players (40%), which makes their portfolio relatively riskier (due to uncertainty of cash inflows for self-employed customers). This also leads to lower approval rates and lower loan-to-value ratio.

With respect to growth, there are wide variations across states and within various districts in the same state as well, which indicates latent opportunity for offering loans to unserved or underserved customers. Based on the home loans outstanding in the affordable housing segment, the top 15 states account for over 90% of the market size in this segment. Maharashtra tops the list with the highest share of 19%, followed by Gujarat (10%), Tamil Nadu (10%), Uttar Pradesh (7%) and Karnataka (7%).

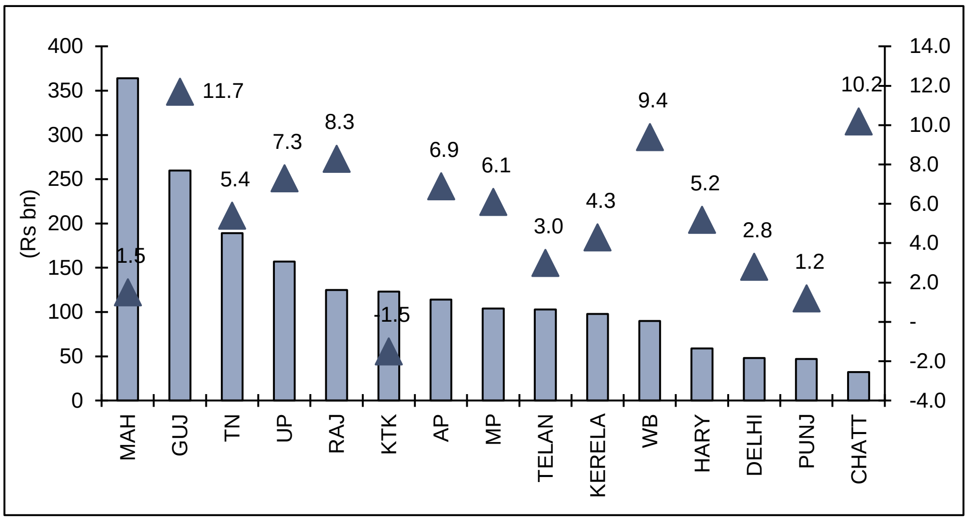
The market share of HFCs in affordable housing finance increased from 37% in FY15 to 45% in FY19 in terms of home loan disbursements. The credit outstanding of HFCs also increased over the last four years, leading their market share to increase from 34% to 39%.

Chart 48: Affordable housing market concentrated in few states



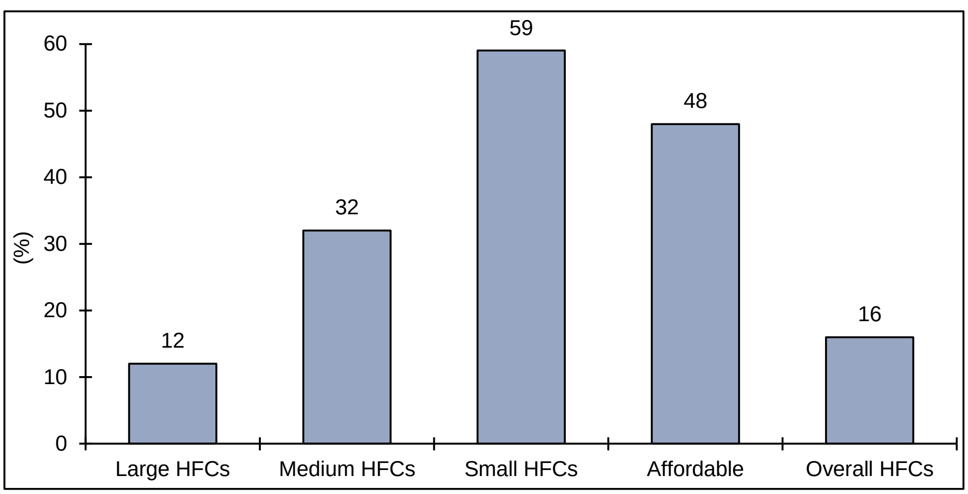
Source: Company, Crisil Research, I-Sec research

Chart 49: Affordable housing AUM and proportion of overall housing finance



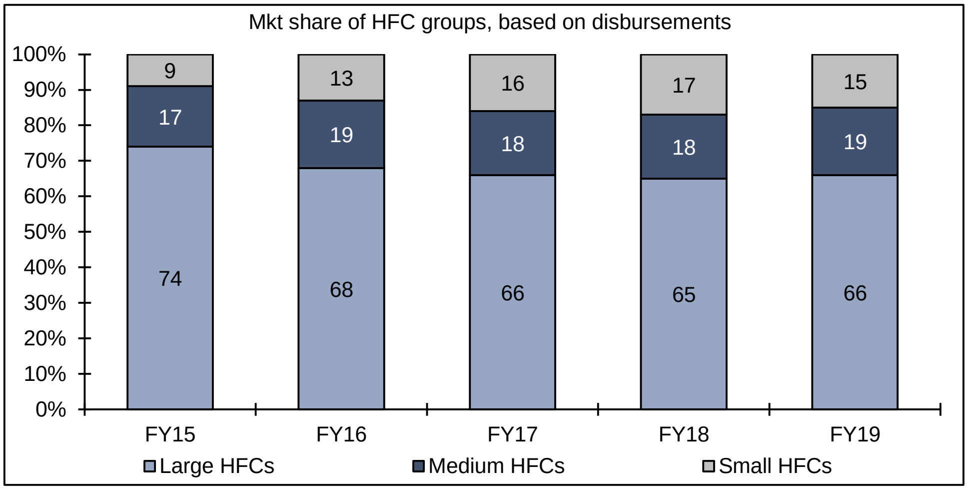
Source: Company, Crisil Research, I-Sec research

Chart 50: Affordable housing growing at rapid pace over FY15-FY19 (CAGR)



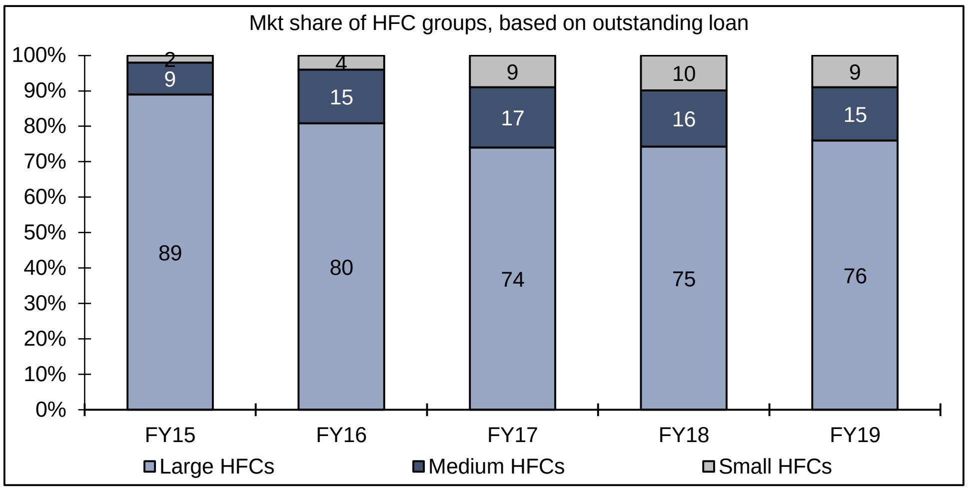
Source: Company, Crisil Research, I-Sec research

Chart 51: Disbursements market share amongst HFCs not varying much



Source: Company, Crisil Research, I-Sec research

Chart 52: Small HFCs loan market share consistently rising



Source: Company, Crisil Research, I-Sec research

Financial summary

Table 16: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	1,300	2,534	3,919	4,748	5,570	7,108
Interest Expenses	660	1,265	1,938	2,173	2,323	2,784
Net Interest Income (NII)	**640**	**1,269**	**1,980**	**2,575**	**3,248**	**4,324**
Non-Interest Income	43	175	278	181	157	177
Total Income (net of interest expenses)	**683**	**1,444**	**2,258**	**2,756**	**3,405**	**4,501**
Employee benefit expenses	251	432	611	674	868	1,093
Depreciation and amortization	25	46	72	80	88	94
Other operating expenses	136	241	337	340	409	470
Total Operating Expense	**411**	**719**	**1,020**	**1,094**	**1,364**	**1,657**
Pre Provisioning Profits (PPoP)	**271**	**725**	**1,238**	**1,662**	**2,041**	**2,844**
Provisions and write offs	29	73	165	365	202	263
Profit before tax (PBT)	**243**	**652**	**1,073**	**1,296**	**1,838**	**2,582**
Total tax expenses	83	200	280	327	463	651
Profit after tax (PAT)	**160**	**452**	**792**	**970**	**1,375**	**1,931**

Source: Company data, I-Sec research

Table 17: Balance sheet

(Rs mn, year ending Mar 31)

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share capital	103	127	157	175	176	177
Reserves & surplus	3,149	5,105	9,180	13,608	15,056	17,060
Shareholders' funds	**3,252**	**5,231**	**9,336**	**13,782**	**15,232**	**17,237**
Borrowings	10,199	19,256	24,938	28,367	30,889	41,730
Provisions	19	30	66	77	85	93
Deferred tax liabilities (net)	0	0	23	42	44	46
Other Liabilities	180	303	432	805	886	974
Total Liabilities and SHE	**13,649**	**24,820**	**34,796**	**43,073**	**47,134**	**60,080**
Fixed assets	112	174	210	168	185	203
Loans	13,087	21,347	30,139	32,389	40,203	53,150
Cash & bank balances	302	1,920	2,221	6,440	3,864	3,786
Investments	0	1,029	1,456	3,202	1,921	1,883
Other Assets	148	350	771	874	962	1,058
Total Assets	**13,649**	**24,820**	**34,796**	**43,073**	**47,134**	**60,080**

Source: Company data, I-Sec research

Table 18: Key ratios

(Year ending Mar 31)

	FY18	FY19	FY20	FY21E	FY22E	FY23E
AUM and Disbursements (in Rs mn)						
AUM	13,559	24,436	36,184	41,998	54,258	73,692
On-book Loans	13,185	21,515	30,423	32,758	40,693	53,795
Off-book Loans	375	2,921	5,761	9,240	13,564	19,897
Disbursements	7,455	15,728	16,183	10,915	18,494	28,637
Growth (%):						
AUM	60.0	80.2	48.1	16.1	29.2	35.8
Disbursements	75.7	111.0	2.9	-32.5	69.4	54.8
Loan book (on balance sheet)	66.2	63.2	41.4	7.7	24.2	32.2
Total Assets	38.0	81.8	40.2	23.8	9.4	27.5
Interest Income	43.5	95.0	54.6	21.2	17.3	27.6
Interest Expenses	22.1	91.8	53.2	12.1	6.9	19.8
Net Interest Income (NII)	75.1	98.2	56.1	30.0	26.1	33.1
Non-interest income	42.8	175.2	278.0	181.0	157.1	176.9
Total Income (net of interest expenses)	81.9	111.5	56.4	22.0	23.6	32.2
Total Non-Interest Expenses	61.7	74.7	42.0	7.2	24.7	21.4
Pre provisioning operating profits (PPoP)	124.5	167.1	70.7	34.2	22.8	39.4
PAT	139.6	182.6	75.3	22.4	41.8	40.5
EPS	-1.6	153.3	37.6	0.8	41.8	40.5
Yields, interest costs and spreads (%)						
NIM on avg loan AUM	5.8	6.7	6.5	6.6	6.7	6.8
NIM on ATA	5.4	6.6	6.6	6.6	7.2	8.1
Yield on interest-earning assets	10.8	12.3	11.7	10.4	10.0	10.2
Yield on on-book loans	12.1	13.2	13.2	13.0	12.9	12.8
Average cost of funds	7.8	8.6	8.8	8.2	7.8	7.7
Interest Spread on loan assets [on-book]	4.2	4.6	4.4	4.9	5.1	5.1
Operating efficiencies						
Non-interest income as % of Total income	6.3	12.1	12.3	6.6	4.6	3.9
Cost to income ratio (%)	60.2	49.8	45.2	39.7	40.1	36.8
Op.costs/avg AUM (%)	3.7	3.8	3.4	2.8	2.8	2.6
No of employees	382	675	696	718	865	948
Average annual salary (Rs '000)	657	640	878	939	1,004	1,154
Salaries as % of non-int.costs (%)	61.0	60.1	59.9	61.6	63.6	66.0
AUM/employee(Rsmn)	35	36	52	59	63	78
AUM/asset branch(Rsm)	323	407	532	568	596	715
Capital Structure						
Debt-Equity ratio	3.1	3.7	2.7	2.1	2.0	2.4
Leverage [AUM/Net Worth] (x)	4.2	4.7	3.9	3.0	3.6	4.3
Leverage [Assets/Net Worth] (x)	4.2	4.7	3.7	3.1	3.1	3.5
Tier 1 CAR (%)	42.3	37.8	47.7	63.5	54.9	46.0
Tier 2 CAR (%)	0.8	0.8	1.2	1.1	0.9	0.7
CAR (%)	43.1	38.5	49.0	64.6	55.8	46.7
Tier I Capital	3,246	5,225	9,331	13,782	15,232	17,237
Tier II Capital	59	107	244	244	244	244
Total RWA	7,673	13,837	19,545	21,700	27,740	37,470
Asset quality and provisioning						
GNPL (Rs mn)	81	170	315	622	651	753
GNPL (%) as a % of on-book loans	0.6	0.8	1.0	1.9	1.6	1.4
NNPL (Rs mn)	64	128	214	436	436	490
NNPL (%) as a % of on-book loans	0.5	0.6	0.8	1.3	1.1	0.9
NPL coverage ratio (%)	20.5	24.9	25.8	30.0	33.0	35.0
Credit costs as % of average AUM (bps)	27	42	64	116	55	56
Return ratios						
RoAAUM (%)	1.5	2.4	2.6	2.5	2.9	3.0
RoA (%)	1.4	2.4	2.7	2.5	3.0	3.6
RoAE (%)	5.1	10.7	10.9	8.4	9.5	11.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratios						
No of shares (mn)	51.6	63.3	78.3	87.3	87.8	88.4
No of shares - fully diluted (mn)	51.6	63.3	82.6	91.4	91.4	91.4
ESOPs outstanding			4.3	4.1	3.5	2.9
EPS (Rs)	3.1	7.8	10.8	11.1	15.7	21.8
EPS fully diluted (Rs)	3.0	7.7	10.5	10.6	15.1	21.1
Price to Earnings (x)	147.4	58.4	42.4	41.1	29.2	20.9
Price to Earnings (fully diluted) (Rs)	151.3	60.0	43.6	42.2	30.0	21.5
BVPS (fully diluted) (Rs)	63.0	82.6	113.0	150.9	166.7	188.7
Adjusted BVPS (fully diluted) (Rs)	61.8	80.6	110.8	146.1	162.0	183.3
Price to Book (x)	7.4	5.7	4.2	3.1	2.8	2.5
Price to Adjusted Book (x)	7.6	5.8	4.2	3.2	2.9	2.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, I-Sec research

Table 19: Du Pont Analysis (on average Assets)

(%, year ending Mar 31)

	FY18	FY19	FY20	FY21E	FY22E	FY23E
Average Assets (Rs mn)	11,770	19,235	29,808	38,934	45,104	53,607
Interest earned	11.0	13.2	13.1	12.2	12.4	13.3
Interest expended	5.6	6.6	6.5	5.6	5.1	5.2
Gross Interest Spread	5.4	6.6	6.6	6.6	7.2	8.1
Credit cost	0.2	0.4	0.6	0.9	0.4	0.5
Net Interest Spread	5.2	6.2	6.1	5.7	6.8	7.6
Operating cost	3.5	3.7	3.4	2.8	3.0	3.1
Lending spread	1.7	2.5	2.7	2.9	3.7	4.5
Non-interest income	0.4	0.9	0.9	0.5	0.3	0.3
Final Spread	2.1	3.4	3.6	3.3	4.1	4.8
Tax rate (%)	34.1	30.7	26.1	25.2	25.2	25.2
ROA	1.4	2.4	2.7	2.5	3.0	3.6
Effective leverage (AA/ AE)	3.7	4.5	4.1	3.4	3.1	3.3
RoAE	5.1	10.7	10.9	8.4	9.5	11.9

Source: Company data, I-Sec research

Index of Tables and Charts

Tables

Charts

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
I/We, *Kunal Shah, CA; Renish Bhuva, CFA (ICFAI); Chintan Shah, CA;* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:
ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.
ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.
ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.
Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc. as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.
Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.
ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. 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 Retail Research.
The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. 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 of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.
This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. 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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.
ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.
ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.
ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.
Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.
ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.
Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.
ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.
We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.
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 ICICI Securities and affiliates 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.
This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.