June 12, 2021

INITIATING REPORT | Sector: Financials

YES SECURITIES INSTITUTIONAL EQUITIES

Home First Finance Company

BUY	CMP Rs560	Target Rs700	Upside 25%

Niche affordable housing financier

REASONS TO BUY THE STOCK

1 Well-defined operating model

Steadfast focus on affordable housing loans (Home Loans 92% of AUM, portfolio & disbursement ATS <1mn and avg. value of property financed <2.5mn) and assessed/semi-formal income customers (Salaried at 75% of AUM and New-To-Credit at 30%). Clear market selection i.e. Tier 1-3 locations in industrialized states (affordable housing hubs).

2 Scaling-up rapidly by efficient execution

After 45% AUM CAGR over FY18-21, HomeFirst aspires to deliver 30% AUM CAGR over next three years. Market share gains at current locations and new market additions to drive growth. Occupation mix and segmental focus to remain intact. Share of LAP to increase.

3 Unique sourcing: strong underwriting

Connectors, builder ecosystem and construction community generate substantial leads - a cost efficient sourcing model. Centralized and fully digitized underwriting, backed by detailed understanding of the customer, operating geography & property. Weighted avg. FOIR of portfolio has been at 35-40%; avg. LTV based on origination at ~60%.

4 Improved spreads to sustain; cost metric to improve

Portfolio spread to be cushioned by inherent pricing resilience, negligible competition from large players, calibrated increase in share of LAP, broad basing of liabilities and possibility of rating upgrade. Productivity benefits from higher scale and efficiency gains from deepened emphasis on digital branches, sourcing and customer service.

5 Asset quality standing resilient in Covid

Increase in PAR buckets has been under control during pandemic; reflecting judicious customer selection, strong underwriting & robust collections framework. HFF expects correction in delinquent pool over coming months through rollbacks, minor restructuring & recovery actions. Co. had increased ECL coverage on Stage 2 & 3 loans in FY21 to cover flow-forward and LGD risks.

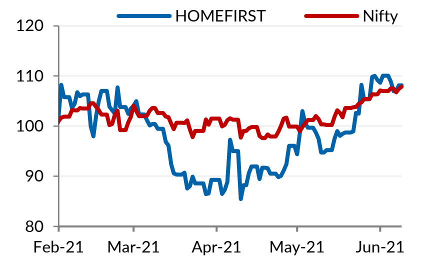
6 Core profitability to improve; HomeFirst a structural compounder

Co. to reach a structural RoA of 3%+ by FY24, and RoE of 12-13% even with CAR of 36-37%. Upside risks are stronger performance on growth, portfolio quality, LAP scale-up and rating upgrade. There is longevity to HomeFirst's current high growth phase from a sharp focus, strong processes, large addressable opportunity and low competition. Valuation of 3x FY23 P/ABV does not fully capture structural growth and profitability prospects

Stock data (as on June 11, 2021)

Nifty:	15,799
52 Week h/l (Rs)	640 / 440
Market cap (Rs/USD mn)	48994 / 670
Outstanding Shares (mn)	87
6m Avg. t/o (Rs mn):	-
Div. yield (%):	-
Bloomberg code:	HOMEFIRS IN
NSE code:	HOMEFIRST

Stock performance



	1M	3M	1Y
Absolute return	10.9%	7.7%	-

Shareholding pattern (As of Mar '21 end)

Promoter	33.7%
FII+DII	53.5%
Others	12.8%

Financial Summary

Rs mn	FY22E	FY23E	FY24E
Operating Inc.	3,307	4,297	5,395
Growth (%)	22.9	29.9	25.5
PPOP	2,037	2,726	3,477
Net Profit	1,267	1,765	2,247
Growth (%)	26.6	39.3	27.3
EPS (Rs)	14.5	20.2	25.7
ABVPS (Rs)	166.2	185.8	211.0
P/E (x)	38.6	27.7	21.8
P/ABV (x)	3.4	3.0	2.7
ROAE (%)	8.8	11.1	12.5
ROAA (%)	2.7	3.1	3.1
CAR (%)	47.7	41.0	36.0

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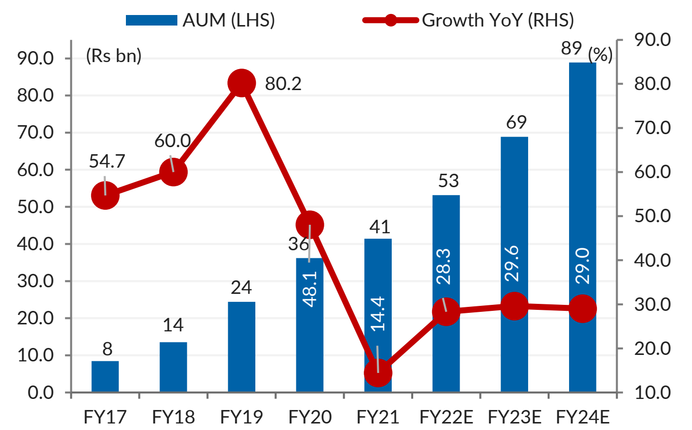
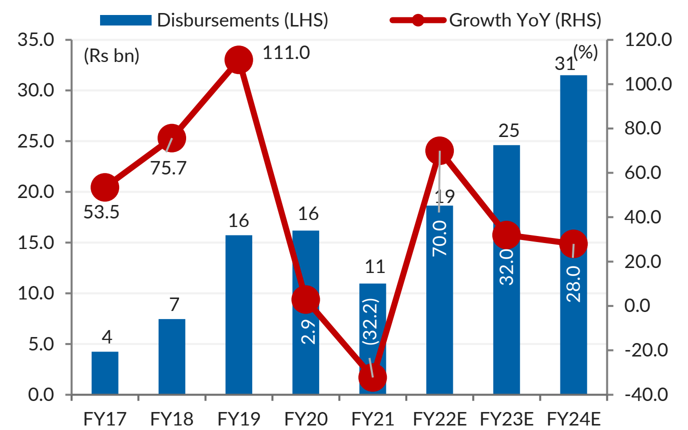
STORY IN CHARTS

Exhibit 1: On a strong growth trajectory



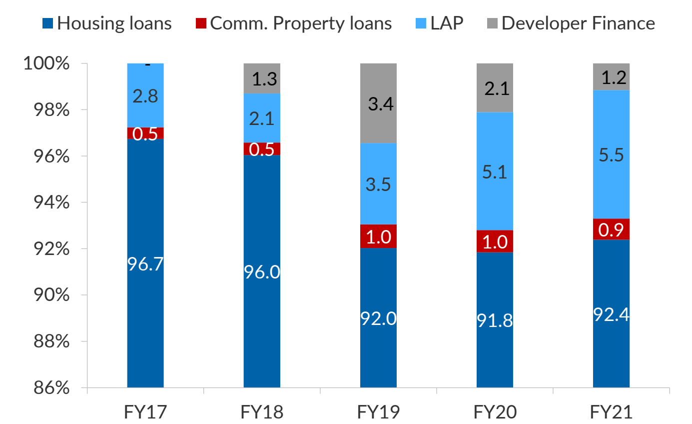
Source: Company, YES Sec – Research

Exhibit 2: Disbursements to make a come-back in FY22



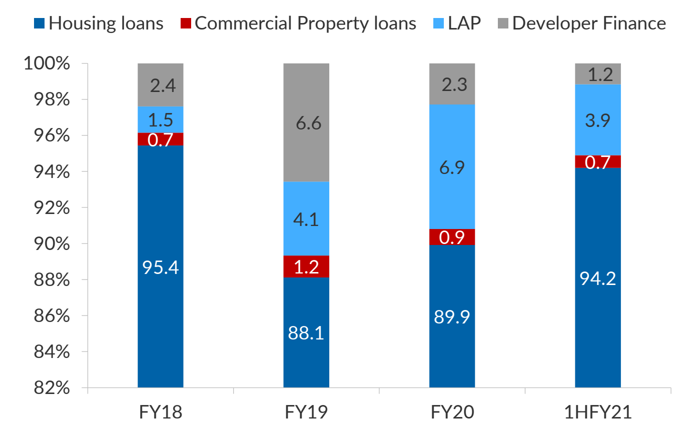
Source: Company, YES Sec – Research

Exhibit 3: AUM Mix - Sharp focus on Retail Housing Loans



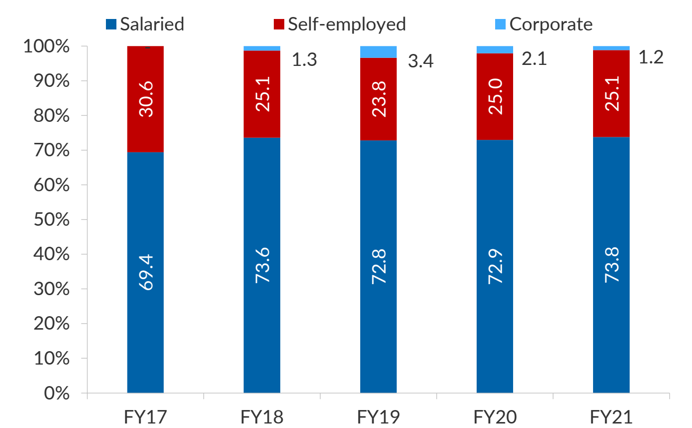
Source: Company, YES Sec – Research

Exhibit 4: Disb. Mix - Home Loans' share stabilized



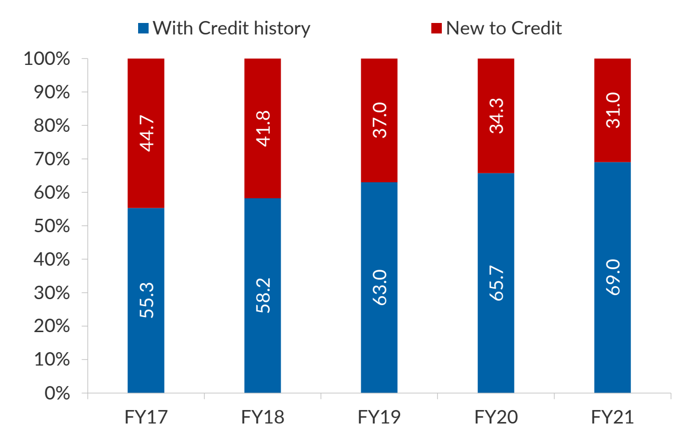
Source: Company, YES Sec – Research

Exhibit 5: AUM Mix – Steady customer profile



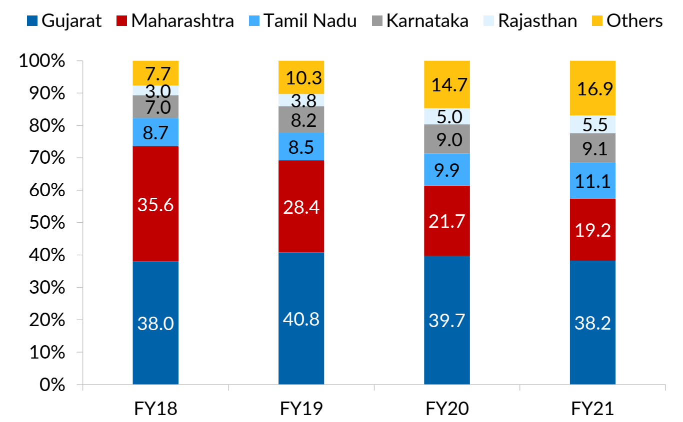
Source: Company, YES Sec – Research

Exhibit 6: AUM Mix - NTC customers coming down



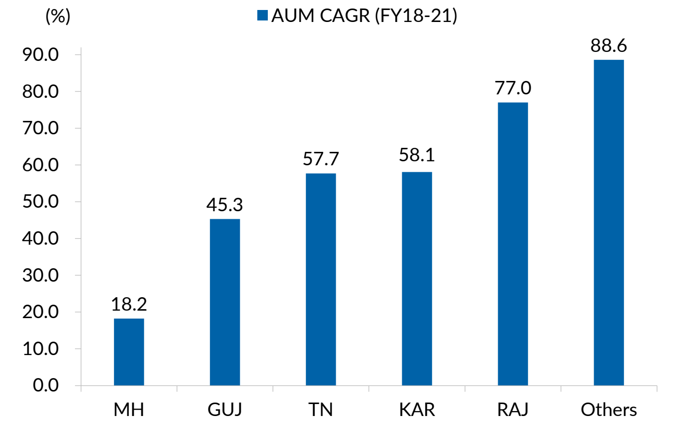
Source: Company, YES Sec – Research

Exhibit 7: AUM Mix – Diversification across key markets



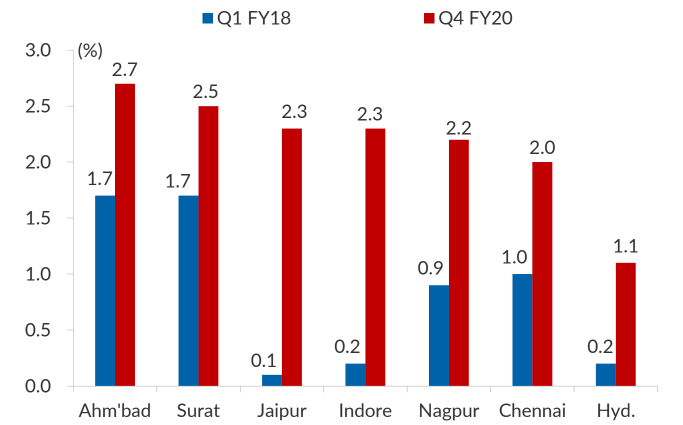
Source: Company, YES Sec – Research

Exhibit 8: Strong growth in all States, except MH



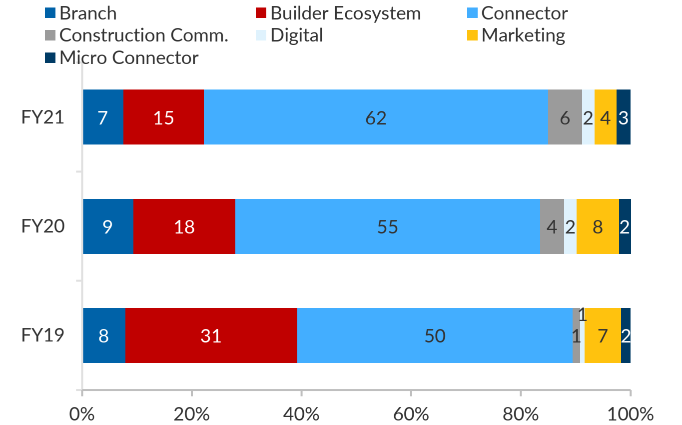
Source: Company, YES Sec – Research

Exhibit 9: Market share* has increased in key cities



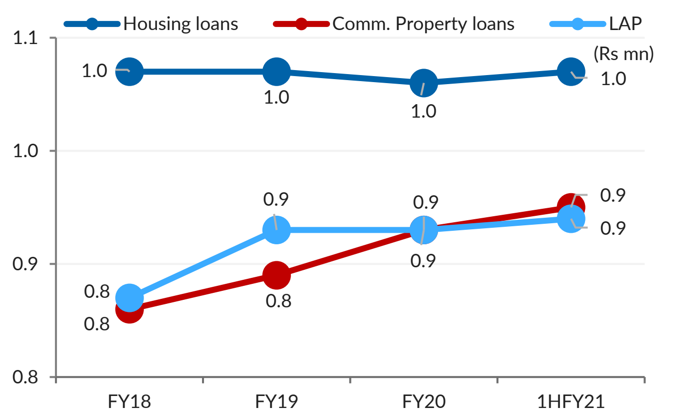
Source: Company, YES Sec – Research
*-in terms of origination of home loans in bucket size of Rs0.5mn-Rs2.5mn

Exhibit 10: Broad-basing of Sourcing Mix



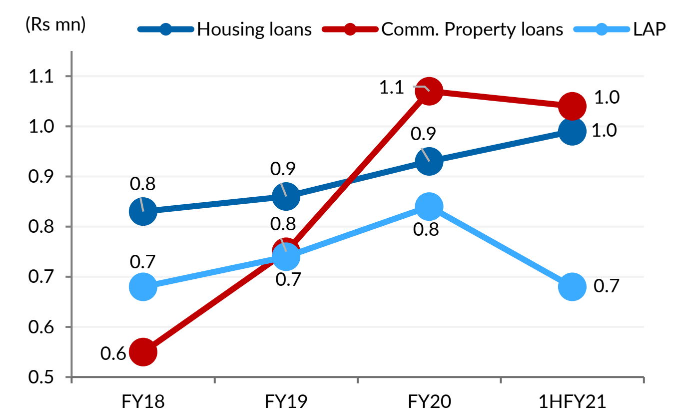
Source: Company, YES Sec – Research

Exhibit 11: Portfolio ATS of HL, LAP and CP loans



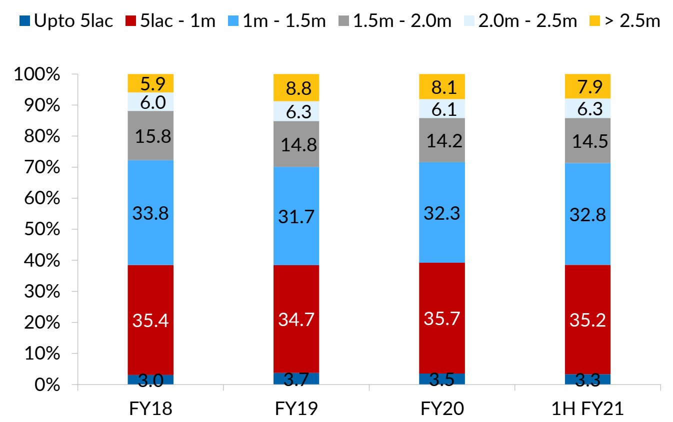
Source: Company, YES Sec – Research

Exhibit 12: Disbursement ATS of HL, LAP and CP loans



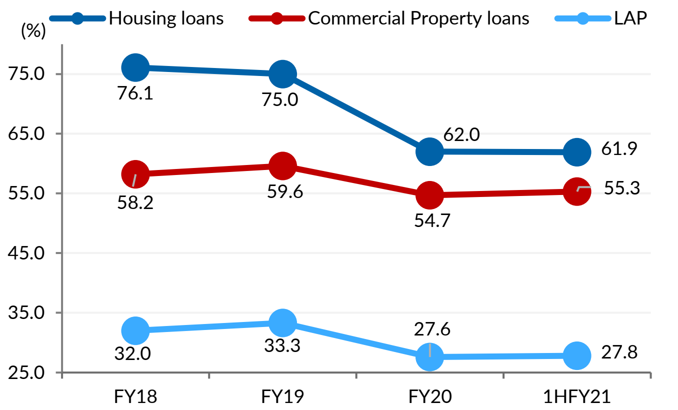
Source: Company, YES Sec – Research

Exhibit 13: Slab-wise sanction mix of retail loans



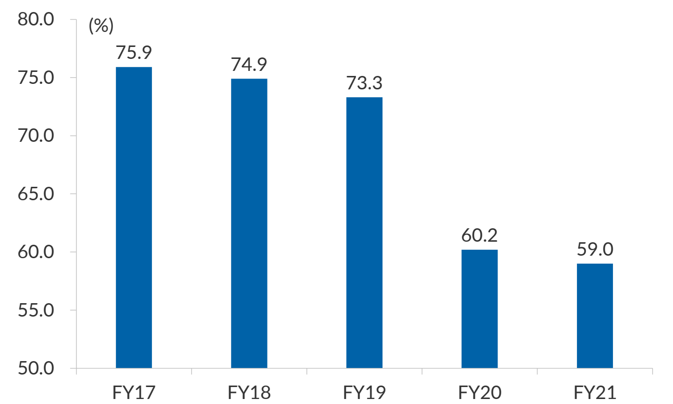
Source: Company, YES Sec – Research

Exhibit 14: Product-wise LTV (based on sanctions)



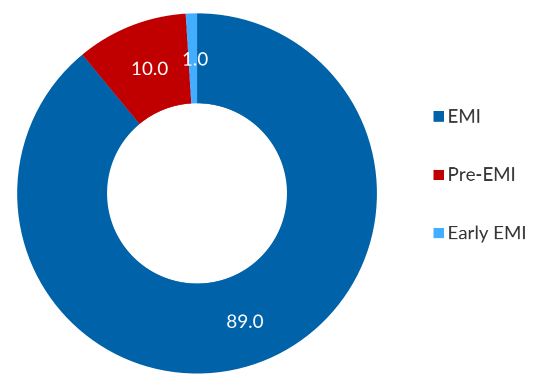
Source: Company, YES Sec – Research

Exhibit 15: Overall LTV based on originations



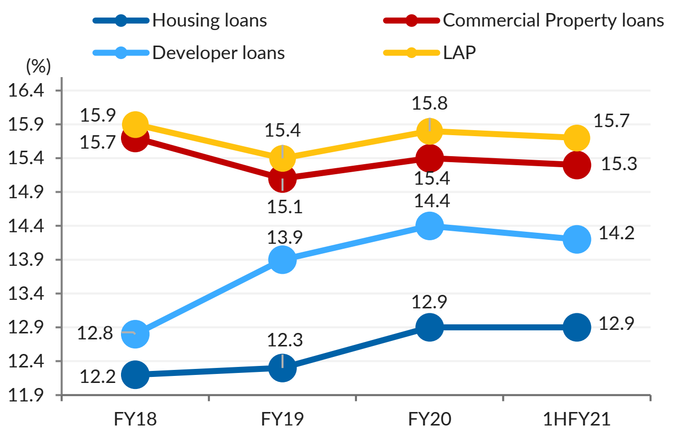
Source: Company, YES Sec – Research

Exhibit 16: Low share of under-construction property financed



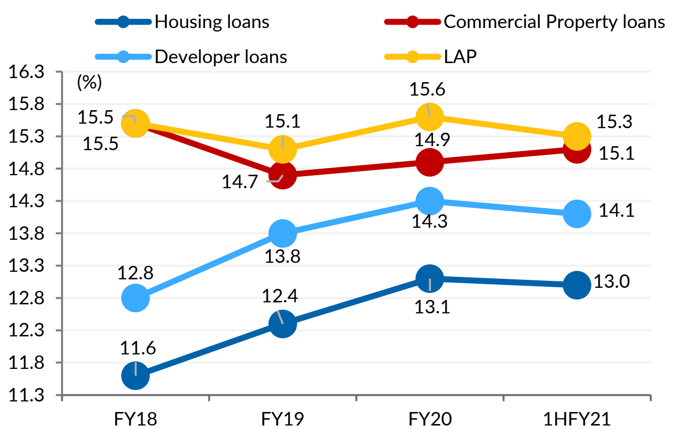
Source: Company, YES Sec – Research

Exhibit 17: Product-wise Portfolio Yields



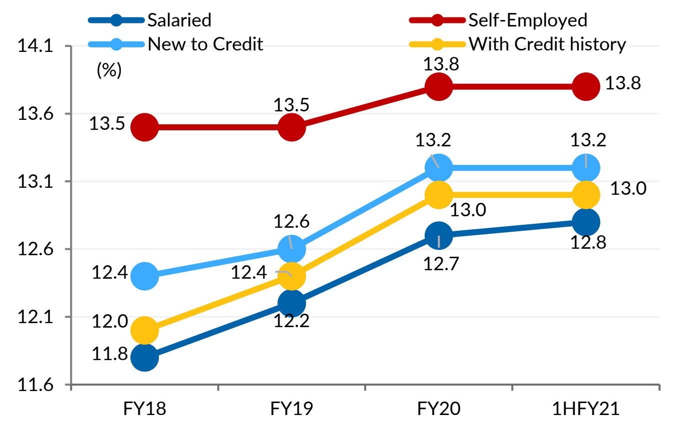
Source: Company, YES Sec – Research

Exhibit 18: Disbursement Yields across products



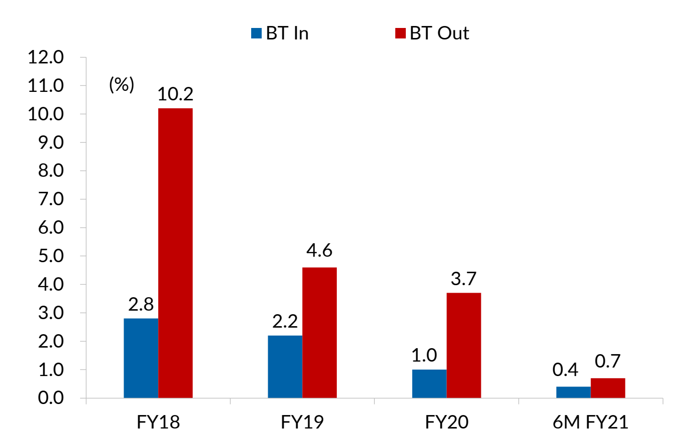
Source: Company, YES Sec – Research

Exhibit 19: Portfolio Yields based of Customers Profile and Credit History



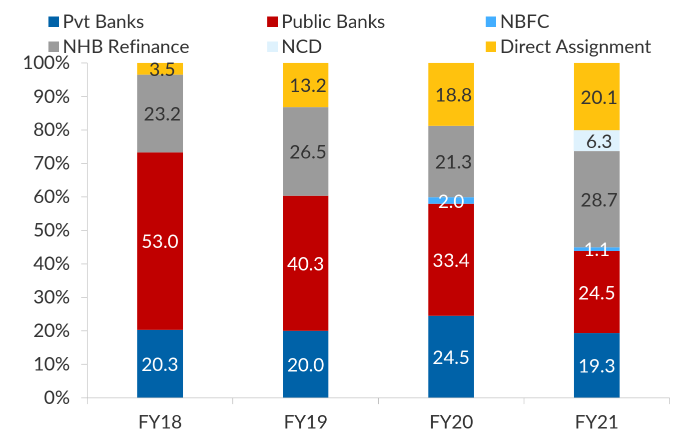
Source: Company, YES Sec – Research

Exhibit 20: Assessed income model constricting BT Out



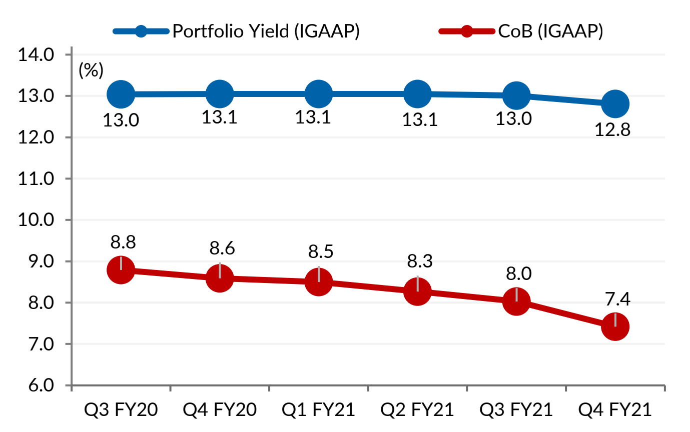
Source: Company, YES Sec – Research

Exhibit 21: Borrowing mix dominated by Banks and NHB



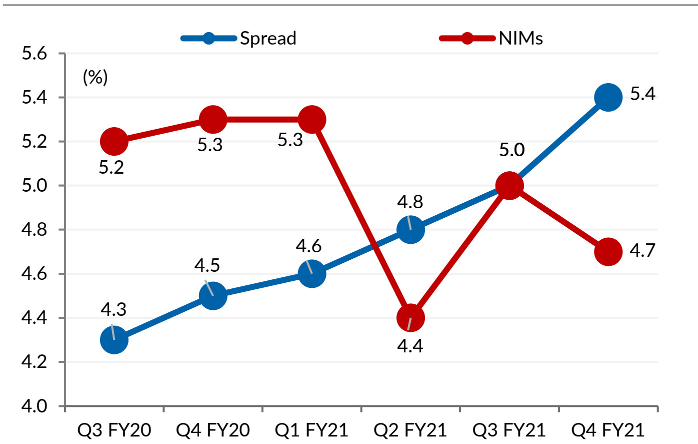
Source: Company, YES Sec – Research

Exhibit 22: Funding cost falling faster than Portfolio Yield



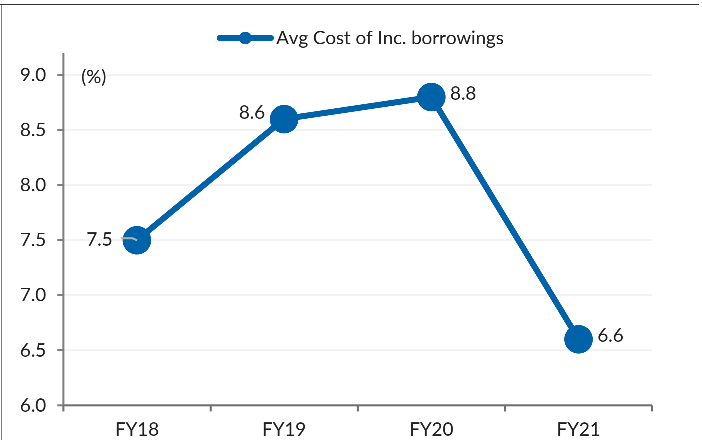
Source: Company, YES Sec – Research

Exhibit 23: Portfolio Spread has substantially improved



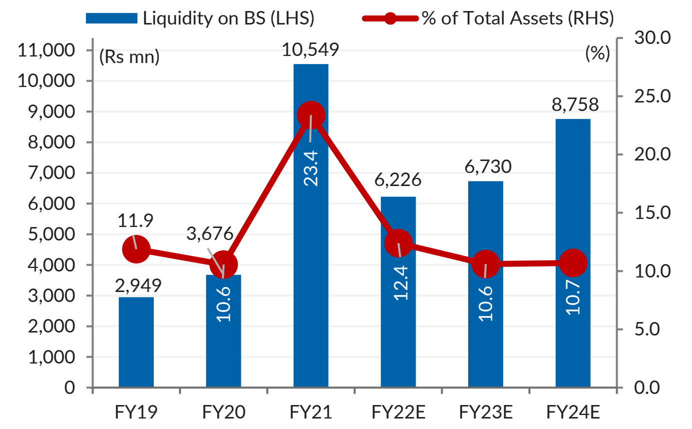
Source: Company, YES Sec – Research

Exhibit 24: Average cost of incremental borrowings



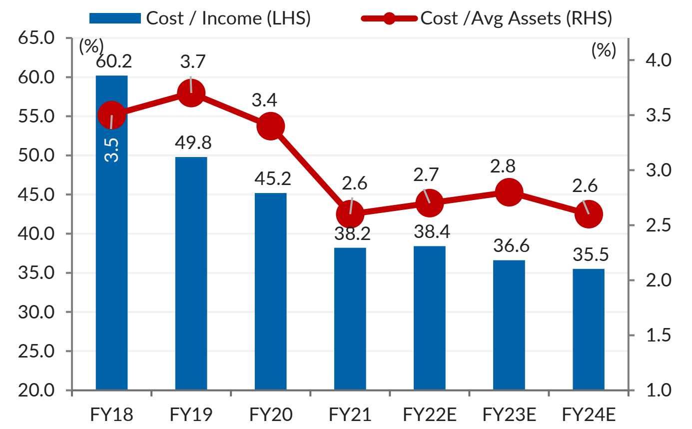
Source: Company, YES Sec – Research

Exhibit 25: Excess Balance Sheet liquidity will normalize



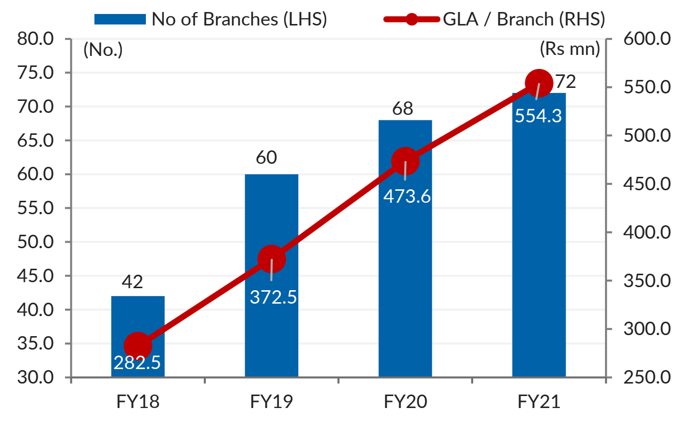
Source: Company, YES Sec – Research

Exhibit 26: Cost metrics will keep improving with scale



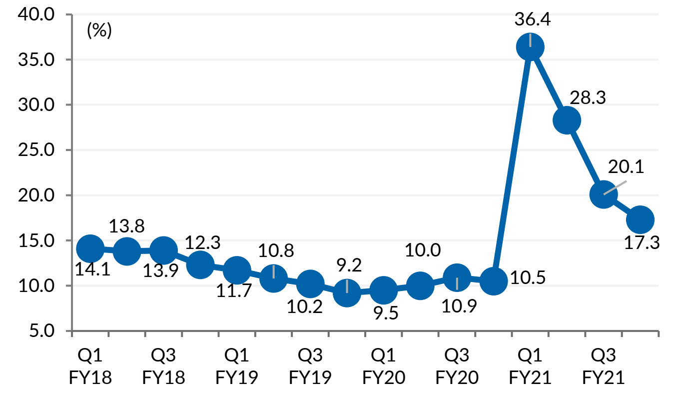
Source: Company, YES Sec – Research

Exhibit 27: Increasing network, and rising productivity



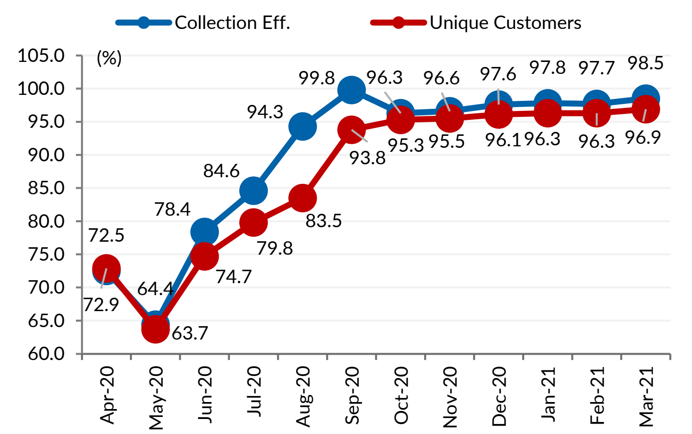
Source: Company, YES Sec – Research

Exhibit 28: Bounce rate to normalize in medium term



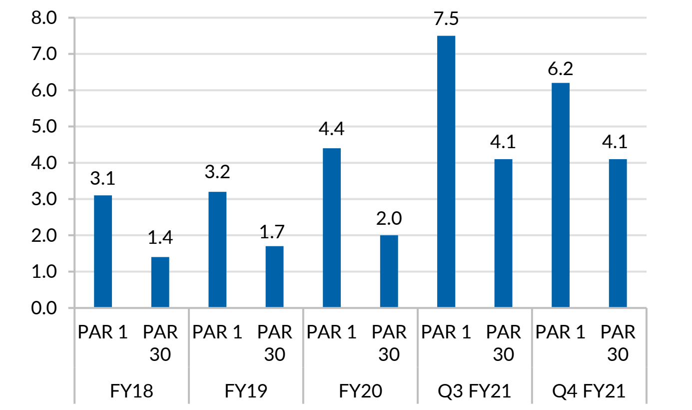
Source: Company, YES Sec – Research

Exhibit 29: Collection Efficiency fully normalized by March



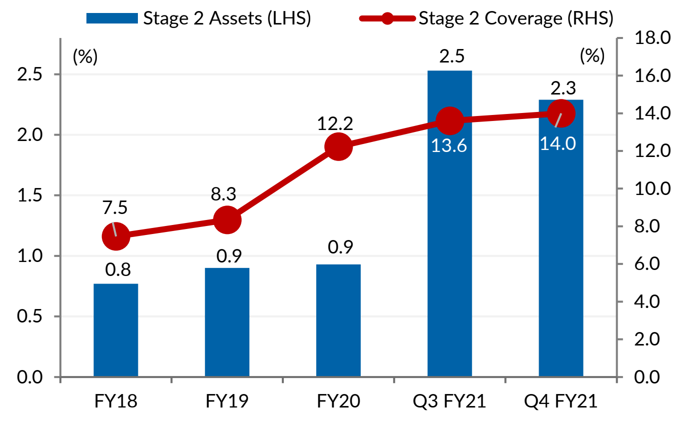
Source: Company, YES Sec – Research

Exhibit 30: Some increase in PAR buckets due to Covid



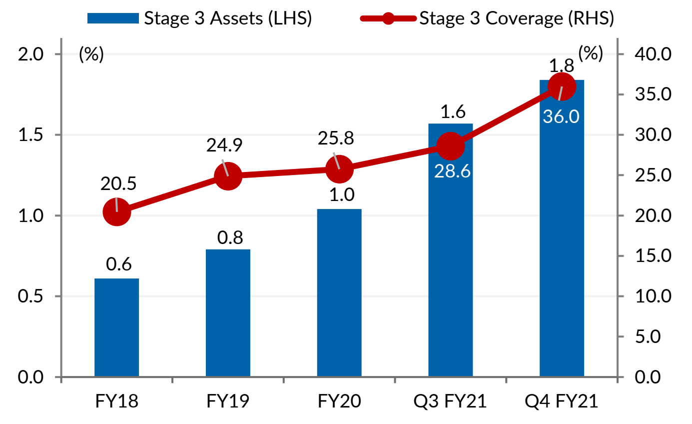
Source: Company, YES Sec – Research

Exhibit 31: Coverage on Stage-2 assets has been lifted



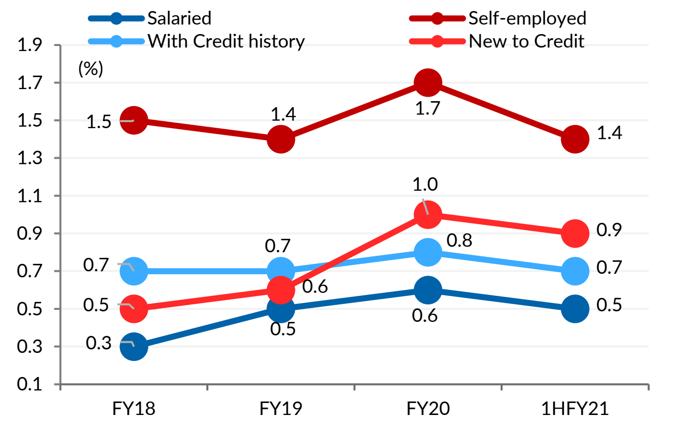
Source: Company, YES Sec – Research

Exhibit 32: Coverage on Stage-3 assets augmented too



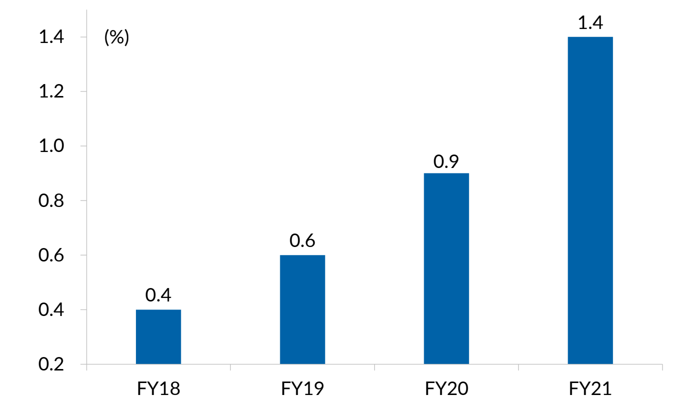
Source: Company, YES Sec – Research

Exhibit 33: Stage-3 assets by Customer's profile & credit history



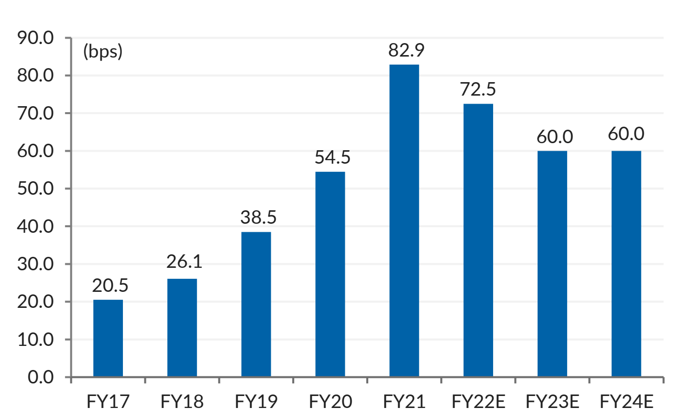
Source: Company, YES Sec – Research

Exhibit 34: Overall ECL coverage on loan assets



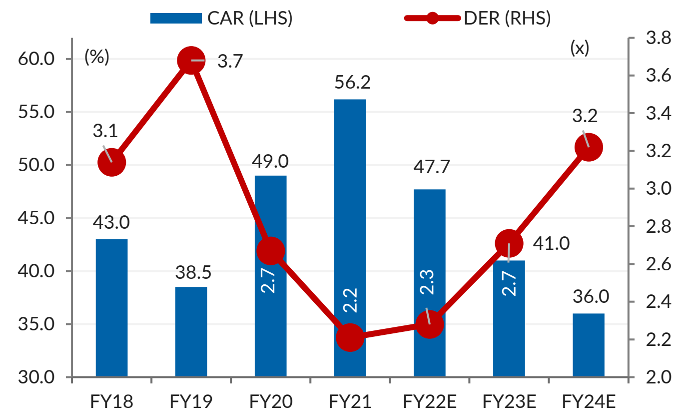
Source: Company, YES Sec – Research

Exhibit 35: Credit cost to normalize from FY22 itself



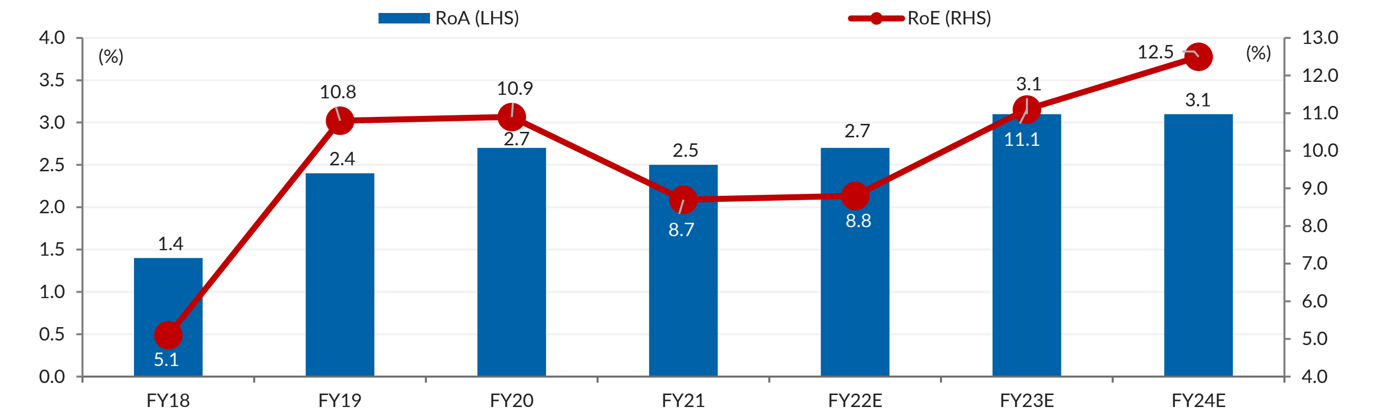
Source: Company, YES Sec – Research

Exhibit 36: Balance sheet leverage to improve



Source: Company, YES Sec – Research

Exhibit 37: Return ratios to improve meaningfully



Source: Company, YES Sec – Research

INVESTMENT RATIONALE

Scaling-up rapidly, underpinned by a clearly defined operating model and efficient execution

- ✓ HomeFirst has a well-defined target operating model in terms of customers, products, locations, sourcing, underwriting and collections that is delivering consistent quality outcomes. Company's AUM witnessed a CAGR of 45% over FY18-21 and stood at Rs41.4bn at the end of the period.

- ✓ HomeFirst is having a steadfast focus on affordable housing loans (Home Loans 92% of AUM, Portfolio & Disbursement ATS <1mn and Avg. value of property financed between Rs2-2.5mn) and assessed/semi-formal income customers (Salaried at 75% of AUM and New-To-Credit at 30%). Typically, the customers are first time home buyers with annual income of <Rs0.6mn.

- ✓ The market selection too is well defined i.e. Tier 1-3 locations within industrialized states which are thriving affordable housing hubs. After initial expansion in Gujarat and Maharashtra, HomeFirst has diversified contiguously and now has significant portfolio in Southern states, Rajasthan and Madhya Pradesh.

- ✓ Top cities (their peripheries) in terms of AUM contribution are Surat, Ahmedabad, Bangalore, Chennai, Hyderabad, Jaipur, Nagpur and Pune, and the company would have 2-3% market share in its focused ticket size segment (Rs0.5-2.5mn). Another significant advantage of being in Tier 1-3 locations is the ease in liquidation of property through SARFAESI, as there exists a vibrant market.

- ✓ With underwriting model (assessed income based), customer segment and collection framework of the company tested during Covid, HomeFirst is more confident about pursuing its growth targets. Management aspires to deliver 25-30% AUM CAGR over the next three years.

- ✓ After being impacted by lockdowns/restrictions in April and May, new business origination has picked-up in Western and Northern markets. Southern region is expected to follow suit as restrictions are being lifted. As compared to FY21, there is more time available to catch-up on the year's disbursement target (Rs20bn+).

- ✓ Management believes that market share gains at current locations and new market addition would drive growth. HomeFirst plans to have 120 branches (72 at present) in next three years, and besides this will augment the number of satellite office while also gaining traction on digital customer acquisition.

- ✓ Customer mix, product mix and segmental focus is expected to remain intact post validation of the operating model in Covid times. The trend in product ATS would be largely influenced by price inflation and the market mix.

Unique sourcing mix; differentiated and conservative underwriting

- ✓ HomeFirst's customer sourcing/lead generation channels are quite different from most other HFCs, reflecting its unique character. Self-sourcing (Branches + Marketing) was only 11-12% of the total leads during FY21, while connectors, builder ecosystem and construction community contributed 62%, 15% and 6% respectively.

- ✓ Being just lead generators (unlike traditional DSAs), the commissions paid out to the connectors and construction community is low. A faster turnaround time of 2 days for loan approvals appeals to them. HomeFirst develops these sourcing channels at all locations; and 90%+ connectors are active on the connector app.

- ✓ The bedrock of HomeFirst underwriting is detailed understanding of the customer, operating geography and the property. In his first interaction with the customer, the RM collects critical information pertaining to his income (incl. surrogate and additional income), co-applicants' or household income, recurring expenses, lifestyle, etc.

- ✓ For the cases not rejected at the Branch level (highest % rejection here), the customer level data and documents are uploaded in the system. CRM and loan management system (LMS) are integrated on a cloud-based platform.

- ✓ The underwriting in centralized and fully digitized. It uses digitally captured credit and other customer data, third party APIs which are integrated, and customer scoring models/proprietary machine learning for credit decision. Being centralized, the underwriting is consistent across regions; and being tech driven, the loans are approved within 2 days. The loan is disbursed within few days of the approval post satisfactory technical and legal check of the property.

- ✓ Weighted average FOIR (basis assessed income) of the loan portfolio has been in the range of 35-40%. FOIR thresholds determine loan eligibility of the customer and LTV of the loan. Average LTV of the portfolio based on origination has declined substantially over the past five years.

- ✓ There is no undue concentration in terms of customer profile within Salaried and Self-employed segments. Salaried customers comprise of people working at private offices, government offices, schools and other institutions.

- ✓ From property type perspective, HomeFirst's portfolio is a fine balance between apartments and self-constructed houses. It's a function of not being in Tier 4-6 locations and the regional mix (higher share of apartments in Western states).

Negligible competition from Banks and Large HFCs due to niche focus

- ✓ HomeFirst does not face any meaningful competition (direct and indirect through BT Out) from the larger housing finance players in its focused operating segment (characterized by assessed income customers have no or nascent credit history and smaller loan size/property value).

- ✓ While larger HFCs and Banks' focus on the affordable housing segment has been increasing, it is mainly restricted to formal/documented income customers, apartments financing (less in self-construction segment) and relatively larger loan size segment.

- ✓ The BT Out % for the company has been low at 4-5% in periods preceding Covid. Negligible competitive pressure also reflected in product pricing - portfolio yield and loan spread has improved over FY18-21.

- ✓ HomeFirst offers a much quicker turnaround for loan approvals (2 days for 88% of loans approved in Q4 FY21) and disbursements, and a superior customer experience through its customer app (~65% customers registered). The customers can not just view loan statements and documents on this app, but also can raise service requests and pre-pay loans with ease. Further, company's lead generation model is very different from the larger housing finance players, highlighting an intense outreach effort.

Loan spread to sustain at higher level, aided by enduring focus on assessed income customers and adept liability management

- ✓ HomeFirst's home loans rates range between 12-14% reflecting a tighter risk focus in terms of customer profile/income. The pricing of LAP (6% of AUM - ATS marginally below home loans) is about 200 bps higher.

- ✓ Portfolio spread has improved by 100bps+ over the past couple of years to 5%+ driven by a) firm portfolio yields, as pricing across products was hiked post IL&FS crisis and b) borrowing cost has declined significantly over the past five quarters on account of increased share of much lower costing NHB refinance and general easing in the interest rate (Bank TLs linked to MCLR).

- ✓ Loan spread jumped sharply in H2 FY21 to 5.4%, owing to a sharp decline in incremental cost of funds and revival in disbursements growth. The improvement in NIM (ex. assignment income) has been capped by increased liquidity on the Balance Sheet to cushion ALM position amidst the pandemic uncertainty. As of March 31, HomeFirst carried cash & liquid investments of Rs10.5bn (23% of Total Assets and 75% of Net worth)

- ✓ The company has been broad basing its funding franchise by adding more lenders and exploring new avenues like NCDs. It believes that it can sustain the share of NHB re-financing and direct assignments at 20-25% each even on much large scale of operations.

- ✓ HomeFirst is likely to sustain portfolio spread near 5% in the longer run underpinned by a) continued pricing resilience of the portfolio with direct competition from large players expected to remain benign, b) management's plan to double the share of LAP from current 6-7% over the next 3-4 years (yields 200 bps higher than Home Loans) and c) possibility of credit rating upgrade driven by increasing scale and structural expansion of profitability.

Scale will cause an improvement in cost metric

- ✓ Over the past couple of years, there has been a significant improvement in HomeFirst's cost metric (cost/income and cost/average assets ratios) underpinned by much faster growth in AUM versus the growth in branches and employees. Branches increased by 20% and employee count was flat during FY19-21, while the AUM grew by 70%. The growth largely came from vintage branches and markets.

- ✓ As HomeFirst resumes network expansion from FY22 (intends to take total branches to 120 in 3 years and add many satellite offices as well), the cost structure could swell in the interim and thereafter improve structurally driven by productivity benefits coming from higher scale (not more than 15-20% of employee cost is variable) and efficiency gains coming from a) emphasis on digital branches and satellite offices (lower cost intensity + early break-even), b) better share of digital sourcing (efficient conversion of leads) and greater digital adoption by customers (reducing the load on branches, and improving business productivity).

- ✓ In our view, the cost/income ratio could improve to 35-36% by FY24 from 38-39% in FY21. Cost/average assets ratio is estimated to stay in a tight range of 2.7-3%

Asset quality has been resilient during Covid times; credit cost to remain well contained

- Before Covid, HomeFirst's cheque bounce rates were near 10% and PAR 1+ and 30+ buckets were at 3-4% and 1.5-2% respectively. This is impressive considering company's target operating segment, and reflects judicious customer selection, strong underwriting and robust collections framework. Nearly 100% of the collections are through E-NACH and about 70% of the bounce gets resolved in the same month.

- Notwithstanding near doubling of the bounce rates in FY21 due to the pandemic, the increase in PAR buckets was well controlled. PAR 1+ and 30+ buckets at the end of FY21 were also 2x of the pre-Covid level, reflecting sustained high resolutions of the bounce and in early overdue buckets during the pandemic. Central collection team supports the branch RMs in collection activity.

- HomeFirst delivered strong collections in H2 FY21 along with higher business volumes, which manifests resilience of the customer franchise (that not much effort is required to collect). Collection efficiency has consistently improved between September and March, from 94% to 97%.

- Though collection efficiency dipped in April by 3-5% on account of the second Covid wave, it stabilized in May with some improvement witnessed in Western and Northern states in the second half of the month. With many states including the Southern region embarking unlocking (easing of curbs), the collections in June are expected to be much better.

- The delinquent pool (PAR 1+) is likely to have increased to 8-9%, but management expects a reasonable correction in the coming months through rollbacks/regularizations (most customers defaulted in April-May to conserve cash), prudential restructuring (few EMI moratorium) of some impacted clients and improved recoveries from the NPL pool through SARFAESI actions.

- HomeFirst has historically witnessed swift and substantial recoveries from NPLs as there is active and vibrant market for properties financed by the company (operations being in Tier 1-3 locations). The properties are sold through an organized marketing exercise (not auctioned) where the buyer is an end-user.

- Management does not envisage significant credit cost impact from the second wave. ECL coverage on Stage 2 & 3 assets was raised through FY21. Total ECL cover on the loan assets stands at 1.3%, doubled from the pre-Covid level. ECL coverage on Stage-2 and Stage-3 loans was at 14% and 36% respectively as of March 31, substantially covering flow-forward and LGD risks in a pandemic situation.

RoA to structurally improve to 3%+ by FY24; RoE to reach 12-13% with higher capitalization

With estimates of 28-29% AUM CAGR over FY21-24, stable spreads around 5%, normalization of Balance Sheet liquidity, some improvement in cost metric and increase in trend credit cost (due to portfolio seasoning/referring lagged NPL trends), we believe that HomeFirst can reach a structural RoA of 3%+ by FY24. Upside risks to this view exists from a) significant scale-up of LAP portfolio (steep jump in AUM contribution), b) credit rating upgrade (structurally lowering the funding cost) and c) better-than-expected portfolio quality performance. Besides core RoA expansion, the RoE will get a fillip from the increase in balance sheet leverage. We estimate HomeFirst to attain 12-13% RoE in FY24 with a high capitalization level of 36-37%.

Sharp focus, strong processes and a large addressable opportunity makes for an attractive investment proposition; Initiate with a BUY and 12m PT of Rs700

We believe that there is longevity to HomeFirst's current high growth phase considering a) a large and growing addressable market (almost all housing financiers and developers are upbeat on affordable housing space, and there is government impetus too), b) company has a clear strategy and focused operating model, c) customer sourcing/selection, underwriting process and collections framework got validated in Covid, thus increasing internal confidence around growth, d) HomeFirst's market share at current locations in its focused segment is paltry, so growth will be continually driven by existing locations and addition of new locations, e) competition from large players expected to remain benign in HomeFirst's operating segment, f) efficient processes and digital edge (paperless centralized underwriting, faster loan approvals, customer service and channel management through app, etc.) are structural growth propellers and g) liability/funding management will keep strengthening with broad basing of lenders and sources.

In our view, the longevity of high-growth phase and expansion in core profitability is not yet fully factored in the current valuation of 3x FY23 P/ABV. With a view that HomeFirst is a structural compounder, we initiate coverage on the company with a 12m price target of Rs700

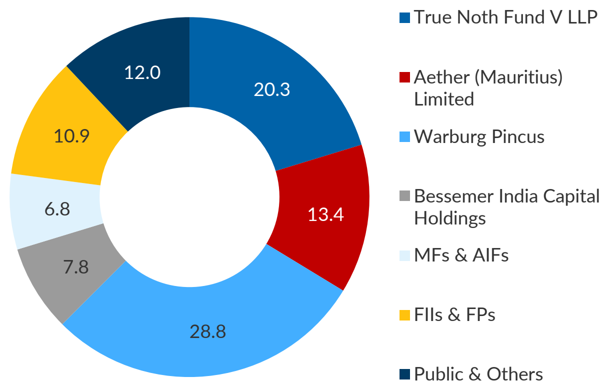
COMPANY BACKGROUND

Home First Finance (HomeFirst) is a registered Housing Finance Company engaged in the business of providing housing loans to low and mid income affordable home buyers. As of March 2021, the company has presence across 11 states with a network of 72 branches across 60 districts.

The company offers its customers home loans for the purchase or the construction of residential properties and for the extension and repair of existing housing units. Along with home loans, the company also offers Loans against property, Loans for purchase of commercial property and Developer Finance loans. As of March 2021, Home loans, LAP, Loans for purchase of commercial property and Developer Finance loans formed 92%, 6%, 1% and 1% respectively of AUM. Occupation-wise, the AUM mix favors the salaried segment which is having 74% share. Customers with credit history comprised 69% of AUM.

HomeFirst's AUM has grown from Rs8.5bn in FY17 to Rs41.4bn as of March 2021, witnessing a robust CAGR of 48.6%. Top 5 states contribute 83% of AUM currently, with Gujarat, Maharashtra and Tamil Nadu having a leading share of 38%, 19% and 11% respectively. The company plans to gain scale by driving presence in the core states and tapping newer geographies.

Exhibit 38: Shareholding as on March 2021



Source: Company, YES Sec – Research

MANAGEMENT TEAM

Mr. Manoj Viswanathan, MD & CEO: Mr. Viswanathan started his career with Asian Paints India Limited and has worked with Citibank and Citi Financial Consumer Finance India Limited prior to setting up HomeFirst. At Citi, he was heading the branch-based consumer lending business spanning 450 branches with a customer base of more than 1 Mn customers. Mr. Viswanathan has been associated with the Company since inception and has been instrumental in chartering its growth trajectory. His expertise lies in the area of finance, consumer behavior, sales & marketing, business operations, risk management, digital platforms and strategic thinking.

Mr. Ajay Khetan, Chief Business Officer: Mr. Khetan has over 19 years of experience in Consumer finance, Operations and Risk Management. Prior to joining Home First, he was associated with Macquarie Finance (India) Private Limited, Hewlett Packard Financial Services (India) Private Limited, Citi Financial Consumer Finance India Private Limited, MIRC Electronics Limited and The Tata Engineering and Locomotive Company Limited. He has been a part of the Company since March 2012.

Mr. Gaurav Mohta, Chief Marketing officer: Mr. Mohta has over 17 years of experience in consumer finance, marketing and product management. At HomeFirst, he has been instrumental in setting up sales distribution and evolving the brand identity of the company. Earlier he has worked with Kotak Mahindra Bank Limited, Citi Financial Consumer Finance India Private Limited and Foodworld Supermarkets Private Limited. He has been part of the Company since March 2011

Ms. Vilasini Subramaniam, Head - Strategic Alliances: She has over 16 years of experience in consumer finance and credit. Prior to joining HomeFirst, she was associated with Citibank India, Janalakshmi Financial Services and Micro Housing Finance Corporation Limited where she handled Credit Underwriting, Product Development, Analytics & Business Strategy. Ms. Vilasini has been part of the Company since August 2014

Ms. Nutan Gaba Patwari, Chief Financial Officer: Ms. Patwari has over 14 years of experience in finance. In her last stint, she was with True North as Vice President - Finance; responsible for the implementation of strategy of the Financial services portfolio companies. She has worked with Hindustan Unilever Limited, ITC Limited and Philip Morris Asia Limited across Business finance, Supply Chain and Distribution finance and Corporate finance. Ms. Patwari leads the Accounts, Tax, Finance and Treasury, Secretarial, Investor relations and FP&A functions of the Company. She has been part of the Company since January 2019

Mr. Ramakrishna Vyamajala, Chief Human Resource Officer: Mr. Ramakrishna has over 15 years of experience in human resources, rewards and recognition, compensation and benefits. Prior to joining Home First, he was associated with Sterlite Technologies Limited and IDFC Bank Limited. He has been part of the Company since November 2018.

Mr. Arunchandra Jupalli, Business Head – South: Mr. Arunchandra has over 17 years of experience in consumer lending business handling various products like Consumer Durable Finance, PL, Insurance, GL and LAP. Prior to joining our Company, he was associated with Atlantic Duncans International (P) Limited, India Office Solutions Private Limited, Citi Financial Consumer Finance India Limited, Net Ambit Value First Services Limited, Karvy Financial Services Limited and Small Business FinCredit India Private Limited in various capacities. He has been part of the Company since February 2018.

Mr. Abhijeet Jamkhindikar, Business Head – South zone: Mr. Abhijeet is the Head of Developer Finance. He has over 19 years of experience in construction finance (for developers), valuations, technical appraisals and business development. Prior to joining HomeFirst, he was associated with C-Net Solutions India Private Limited as a network specialist and HDFC as a senior officer. He has been part of the Company since November 2017.

PEER COMPARISON

Data as on Particulars	FY21 Aavas	H1 FY21 Aadhar	FY21 Home First	Remarks for Comparison
AUM (Rs bn)	94.5	121.6	41.4	
3-yr CAGR (%)	32.4	18.4	45.1	Aadhar-CAGR taken for 2.5 years
Customers/Live Accounts (no)	125,591	166,758	50,088	
Branches (no)	280	292	72	
Employees (no)	4581	2088	687	Aavas - Employees are as of FY20
AUM/Branch (Rs mn)	338	416	575	
AUM/Employee (Rs mn)	21	58	60	
Employee/Branch (no)	18.3	7.2	9.5	Aavas - ratio pertains to FY20
Product Mix (% of AUM)				
Home Loans	73.5	84.7	92.0	
LAP + Oher Individual Loans	26.5	15.0	7.0	
Construction Finance	-	0.3	1.0	
Avg. Ticket (Rs mn)				
Home Loans	0.9	0.9	1.0	
LAP	0.7	0.7	0.9	HomeFirst-ATS data pertains to 1HFY21
Construction Finance	-	53.3	28.1	
Customer Mix (% of AUM)				
Salaried	39.6	64.8	74.0	
Self-employed	60.4	35.2	25.0	
Credit History	-	72.4	69.0	
New to Credit	-	27.6	31.0	
Key Markets (% of AUM)				
Gujarat	15.0	10.0	38.2	Aavas data pertains to Q3 FY20 (taken from DRHP of Aadhar)
Rajasthan	43.0	9.6	5.5	
Maharashtra	15.0	14.7	19.2	
MP	15.0	11.9	4.4	
Telangana	-	5.8	5.5	
Karnataka	-	5.5	9.1	
Tamil Nadu	-	7.3	11.1	
UP	-	16.2	2.9	
Underwriting				
Approval Time (in days - for most loans)	13.1	-	2.0	
LTV on Sanction (%)	-	-	59.0	
LTV on Book (%)	50.3	56.7	47.6	Aavas data as of Q1 FY19
Credit Rating				
Long Term	AA-	AA-	A+	
Short Term	A1+	A1+	A1+	

Data as on Particulars	FY21 Aavas	H1 FY21 Aadhar	FY21 Home First	Remarks for Comparison
Borrowing Mix (%)				
Banks	34.1	49.5	44.0	
NHB	22.6	10.8	29.0	
NCD + CP	19.1	18.9	6.0	
Securitization	24.2	20.3	20.0	
Margin/Spread (%)				
Home Loan Yield	-	12.9	12.9	HomeFirst data pertains to 1H FY21
LAP Yield	-	15.3	15.7	HomeFirst data pertains to 1H FY21
Portfolio Yield	13.2	13.3	13.1	
Cost of Borrowing	7.4	8.6	8.0	
Spread	5.8	4.8	5.0	
NIM	7.7	5.3	4.7	
Cost Metric (%)				
Cost/Income	39.7	34.6	39.0	
Cost/Avg Assets	3.1	1.8	2.7	Aadhar data annualized
Asset Quality				
1+ DPD (FY20)	2.4	-	4.4	
30+ DPD (FY20)	-	-	2.0	
90+ DPD (FY20)	0.5	1.1	1.0	
1+ DPD (FY21)	6.4	-	6.2	
30+ DPD (FY21)	-	-	4.1	
90+ DPD (FY21)	1.0	-	1.8	
Stage-2 ECL Coverage (%)	-	-	14.0	
Stage-3 ECL Coverage (%)	27.3	-	36.0	
Overall ECL Coverage (%)	0.7	-	1.4	
Credit Cost (FY19)	0.2	0.4	0.4	
Credit Cost (FY20)	0.2	1.0	0.5	
Credit Cost (FY21)	0.4	0.3	0.8	Aadhar data annualized
Profitability				
RoA (FY19)	3.6	1.9	2.4	
RoA (FY20)	3.8	1.7	2.7	
RoA (FY21)	3.5	2.5	2.5	
RoE (FY19)	11.6	20.5	10.8	
RoE (FY20)	12.7	11.8	10.9	
RoE (FY21)	12.9	12.9	8.7	
Tier-1 (FY19)	64.3	15.6	37.7	
Tier-1 (FY20)	53.7	49.1	47.7	
Tier-1 (FY21)	53.3	45.9	55.2	

Source: Company, YES Sec – Research

FINANCIALS

Exhibit 39: Balance sheet

Y/e 31 Mar (Rs m)	FY20	FY21	FY22E	FY23E	FY24E
Equity Capital	157	175	175	175	175
Reserves	9,178	13,631	14,898	16,663	18,910
Shareholder's funds	**9,334**	**13,805**	**15,073**	**16,838**	**19,085**
Deferred Tax Liabilities	66	77	92	110	133
Total Non-Financial liabilities	**170**	**220**	**248**	**282**	**323**
Debt Securities	0	2,396	2,695	3,585	4,822
Borrowings (Other than Debt Securities)	24,938	28,141	31,659	42,106	56,633
Other Financial Liabilities	356	535	695	904	1,175
Total Financial liabilities	**25,298**	**31,076**	**35,053**	**46,599**	**62,633**
Total Equities and Liabilities	**34,802**	**45,102**	**50,375**	**63,719**	**82,041**
Assets					
Cash and Cash Equivalents	1,477	2,094	903	2,221	3,799
Bank balances	743	4,705	2,823	2,258	2,484
Loans	30,139	33,265	42,685	55,324	71,386
Investments in Associates	1,456	3,750	2,500	2,250	2,475
Other Financial Assets	663	1,012	1,163	1,338	1,539
Total Financial assets	**34,479**	**44,825**	**50,074**	**63,391**	**81,683**
Property, Plant and Equipment	18	27	27	27	27
Other Intangible Assets	5	3	3	3	3
Other Non-Financial Assets	95	82	91	100	110
Total Non-Financial assets	**324**	**276**	**301**	**328**	**358**
Total Assets	**34,802**	**45,102**	**50,375**	**63,719**	**82,041**

Source: Company, YES Sec – Research

Exhibit 40: Income statement

Y/e 31 Mar (Rs m)	FY20	FY21	FY22E	FY23E	FY24E
Income from Operations	3,987	4,771	5,685	7,328	9,540
Interest expense	(1,938)	(2,202)	(2,510)	(3,177)	(4,306)
Net interest income	**2,048**	**2,570**	**3,174**	**4,151**	**5,235**
Non-interest income	210	120	132	146	160
Total operating income	**2,258**	**2,690**	**3,307**	**4,297**	**5,395**
Total operating expenses	(1,020)	(1,028)	(1,270)	(1,571)	(1,918)
PPoP	**1,238**	**1,662**	**2,037**	**2,726**	**3,477**
Provisions	(165)	(322)	(343)	(366)	(473)
Profit before tax	1,073	1,340	1,694	2,360	3,004
Taxes	(278)	(339)	(427)	(595)	(757)
Net profit	**796**	**1,001**	**1,267**	**1,765**	**2,247**

Source: Company, YES Sec – Research

Exhibit 41: Growth matrix

Y/e 31 Mar	FY20	FY21	FY22E	FY23E	FY24E
Growth matrix (%)					
Net interest income	53.6	25.5	23.5	30.8	26.1
Total op income	56.4	19.1	22.9	29.9	25.5
Op profit (pre-provision)	70.8	34.2	22.6	33.8	27.6
Net profit	76.0	25.9	26.6	39.3	27.3
Loans	41.2	10.4	28.3	29.6	29.0
Borrowings + Debt	29.5	22.5	12.5	33.0	34.5
Total assets	40.2	29.6	11.7	26.5	28.8
Profitability Ratios (%)					
NIM	6.8	6.6	6.7	6.8	6.6
Non-interest income/Total income	9.3	4.5	4.0	3.4	3.0
Return on Average Equity	10.9	8.7	8.8	11.1	12.5
Return on Average Assets	2.7	2.5	2.7	3.1	3.1
Per share ratios (Rs)					
EPS	10.2	11.5	14.5	20.2	25.7
ABVPS	116.2	153.4	166.2	185.8	211.0
Other key ratios (%)					
Loans/Borrowings	120.9	108.9	124.2	121.1	116.2
Cost/Income	45.2	38.2	38.4	36.6	35.5
CAR	49.0	56.1	47.7	41.0	36.0
Gross Stage 3 (%)	1.0	1.8	2.0	1.7	1.4
Credit Cost	0.5	0.8	0.7	0.6	0.6
Tax rate	25.9	25.3	25.2	25.2	25.2

Source: Company, YES Sec – Research

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