

Home First Finance



A CredITable trailblazer – the FIRST among equals

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Home First Finance: A Creditable trailblazer – the FIRST among equals

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Financials and valuations

Home First Finance

BSE Sensex
59,029

S&P CNX
17,624

CMP: INR860

TP: INR1020 (+19%)

Buy



Stock Info

Bloomberg	HOMEFIRS IN
Equity Shares (m)	87.5
M.Cap.(INRb)/(USDb)	75.4 / 0.9
52-Week Range (INR)	1004 / 536
1, 6, 12 Rel. Per (%)	2/24/48
12M Avg Val (INR M)	108
Free float (%)	66.4

Financial Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E	FY25E
NII	3.0	4.0	5.1	6.4
PPoP	2.5	3.1	3.9	4.9
PAT	1.9	2.2	2.8	3.6
EPS (INR)	21.5	25.3	31.8	40.2
EPS Gr. (%)	87.9	17.8	25.4	26.3
BV/Sh. (INR)	180	205	236	276
ABV/Sh. (INR)	173	198	229	268

Ratios

NIM (%)	6.2	6.4	6.2	6.1
C/I ratio (%)	33.2	36.8	36.2	34.9
RoAA (%)	3.9	3.8	3.8	3.9
RoAE (%)	12.8	13.2	14.5	15.7

Valuations

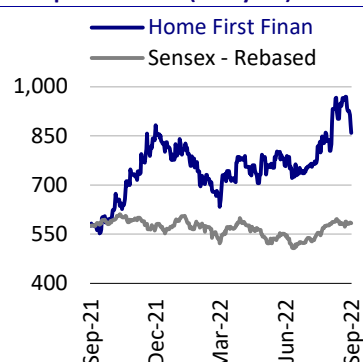
P/E (x)	40.0	33.9	27.1	21.4
P/BV (x)	4.8	4.2	3.6	3.1
P/ABV (x)	5.0	4.3	3.8	3.2

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	33.6	33.6	33.7
DII	41.2	40.5	43.1
FII	9.5	10.9	11.6
Others	15.7	15.0	11.6

FII Includes depository receipts

Stock performance (one-year)



A CredITable trailblazer – the FIRST among equals

Play on the multi-year opportunity in affordable housing finance!

- Home First Finance (HomeFirst) is a retail affordable housing financier (ATS: INR1.1m), which operates mainly in the peripheries of urban centers/ Tier1/ Tier2 cities. It has presence across 13 states (top 5 contributing ~77% of its AUM) with a lean distribution network of ~93 branches.
- The company primarily targets the informal salaried segment, which is underserved by banks and large HFCs.
- The company is aggressively leveraging its core competencies to ride on the multi-year growth opportunity presented by affordable housing. HomeFirst's first mover advantage in technology along with its strategic digital partnerships has resulted in robust underwriting, quicker turnaround and superior asset quality.
- Backed by True North and GIC (combined shareholding of ~34%) and Warburg Pincus (~29%) – HomeFirst delivered an AUM growth of ~45% along with robust asset quality over FY17-FY22. Its gross NPA (<=1%) and credit costs (<40bp) have been benign all through, except during Covid. We model an AUM and PAT CAGR of ~29% and ~24%, respectively, over FY22-FY25E.
- HomeFirst has levers to mitigate the potential margin compression with a sustainable improvement in cost ratios. We expect the company to reduce its opex/avg AUM to 2.5% by FY25 (FY20: 3.4%).
- HomeFirst is gradually normalizing its asset quality and we model benign credit costs of ~30bp. Further, we estimate RoA of ~3.8-3.9% over FY23-FY25, which translates into an RoE of ~16% in FY25.
- We initiate coverage on HomeFirst with a BUY rating and a TP of INR1,020 (premised on 4.0x Sep'24E P/BV).** Key downside risks include: a) high business concentration in India's best affordable housing states, b) vulnerability to external shocks restraining access to liquidity and c) likely sharp contraction in spreads/margins due to its inability to pass on higher borrowing costs and continued aggressive approach by banks and HFCs.

Consistently excelling in technology adoption

- HomeFirst was one of the earliest adopters of the cloud-based Salesforce platform. The company applies its robust technology infrastructure across its business functions to drive healthy underwriting and faster turnaround.
- HomeFirst also extensively utilizes its technology platform and data analytics, resulting in superior asset quality and better underwriting. Its proprietary property price predictor serves as an excellent tool for valuation of collateral, while the predictive analytics tool effectively forecasts the propensity to default.
- Some of the company's more recent technology interventions such as e-NACH, e-Sign and e-Stamp Paper have exhibited an improving adoption and further enhanced the onboarding journey for its customers.

Multiple sourcing channels with focus on improving throughput

- In addition to the connectors and developer channels (combined ~80% of the sourcing mix), the company also taps the construction community, branch marketing, digital platforms and forge strategic alliances.

- HomeFirst recently entered into a co-lending partnership with the Union Bank of India and is also exploring more such partnerships. It has also tied-up with multiple platforms/aggregators including payments banks, credit bureaus and fintechs for digital loan originations.

Building blocks in place for an expected ~29% three-year loan CAGR

- The company's core management team, infrastructure and processes in place can ensure a healthy AUM growth as well as low risk-adjusted credit costs.
- We expect HomeFirst to deliver a 29% loan CAGR during FY22-FY25 (although its execution needs to be monitored over the period).

Levers to mitigate margin compression with lower cost ratios

- Despite aggressive competition, HomeFirst can avoid a major yield compression by penetrating deeper into its existing states and increasing the proportion of LAP in its AUM to ~12-13% by FY25E. Further, despite expectations of a ~140-160bp increase in the policy rates, we are building in a ~120bp increase in its cost of borrowings over FY22-FY25E.
- While investments in physical branches and employee onboarding will keep opex elevated in FY23E, we build a sustainable decline of 10-20bp in cost ratios every year and expect steady state opex/average AUM of 2.2-2.3% by FY27.

Restructured loans lower than peers; expect benign credit cost of ~30bp

- HomeFirst is constantly striving hard to improve its TAT and manage risks efficiently.
- Underpinned by improving collections and further decline in bounce rates, we expect a continued improvement in asset quality and model benign credit costs of ~30bp over FY23-FY25E.

Multiple growth levers in place; initiate coverage with a BUY rating

- We estimate HomeFirst to deliver an AUM CAGR of 29% over FY22-FY25E and a NIM of 6.1%-6.4% over the same period. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios.
- HomeFirst's asset quality should exhibit strength and credit costs are likely to remain benign over FY23E-FY25E as there are no sticky NPAs from the past. Even with an RoA of ~3.8-3.9% over FY23E-FY25E, we estimate an RoE of ~16% in FY25E due to its high capital adequacy.
- We ascribe a target multiple of 4.0x Sep'24E P/BV for HomeFirst (valuation discount of ~5% to Aavas having a target multiple of 4.2x) to arrive at our TP of INR1,020. **We initiate coverage on HomeFirst with a BUY rating.**

Exhibit 1: Comparative valuations

Peers	CMP (INR)	Mkt. Cap (INR b)	BV		P/BV		EPS		P/E		RoA (%)		RoE (%)	
			FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Homefirst	860	77	205	236	4.2	3.6	25	32	34	27	3.8	3.8	13.2	14.5
Aavas	2,285	180	410	479	5.6	4.8	54	68	42	33	3.5	3.6	14.2	15.4
Aptus*	361	179	68	79	5.3	4.6	9	11	39	32	7.3	7.0	14.6	15.1
Repco	238	15	398	446	0.6	0.5	44	51	5	5	2.2	2.3	11.6	12.1
Canfin	642	86	272	318	2.4	2.0	43	49	15	13	1.9	1.8	17.3	16.6

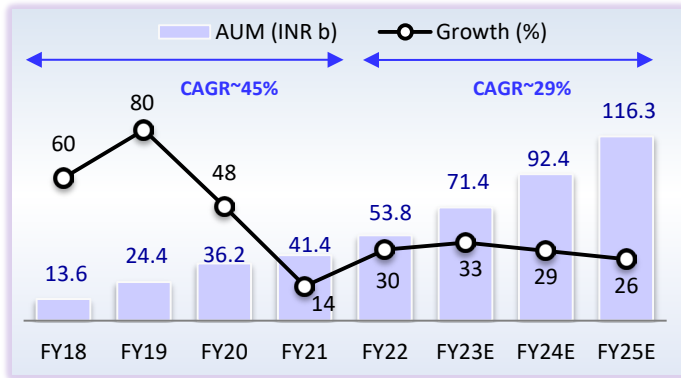
Source: MOFSL, Company; Note: *BBG consensus estimates for Aptus

KEY MILESTONES

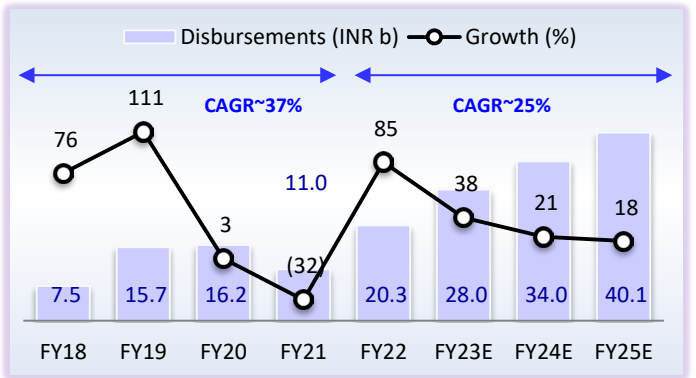


Story in charts

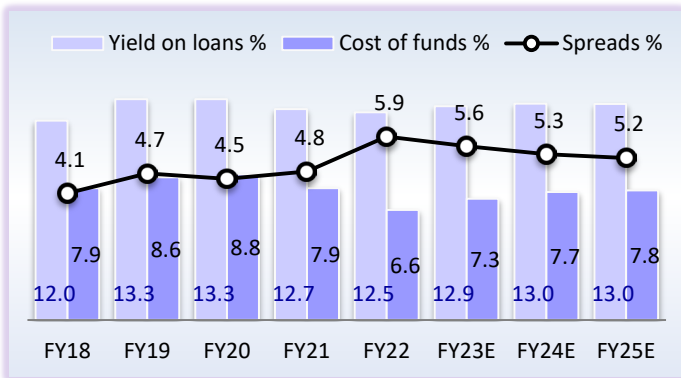
AUM CAGR of ~29% likely over FY22-FY25E...



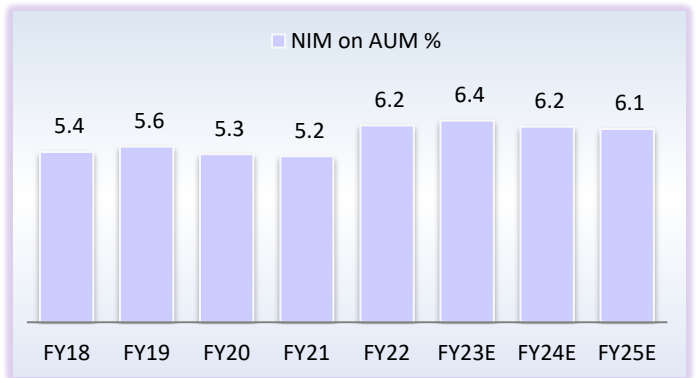
...supported by equally strong disbursements



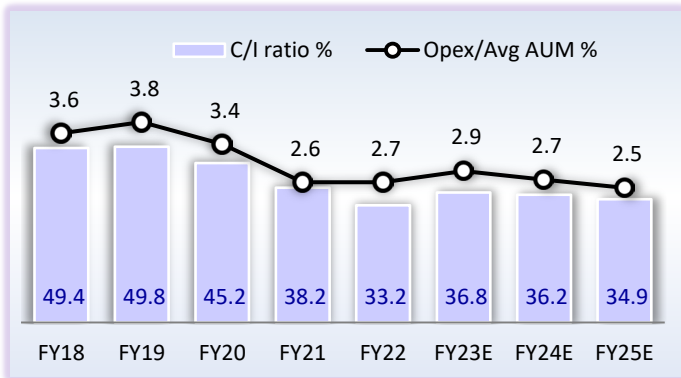
CoF benefits to help protect spreads



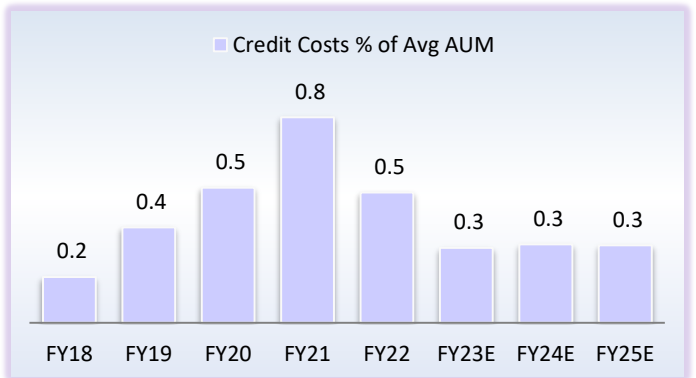
NIMs to contract over the next few years



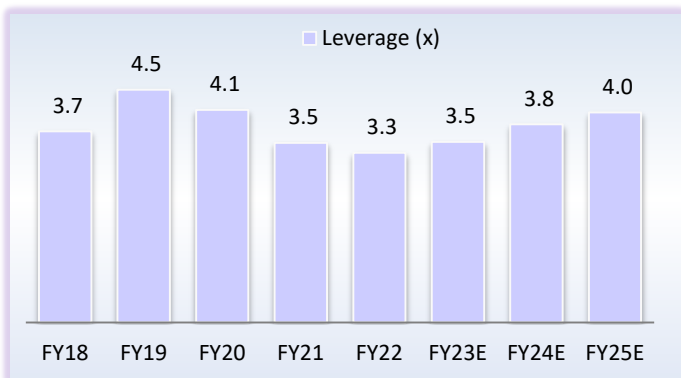
Cost ratios to improve steadily in FY24 and FY25



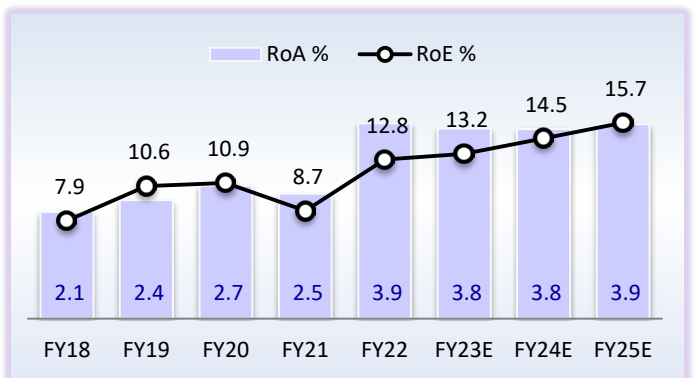
Credit costs to remain benign



Build-up in leverage to be gradual...



...leading to improvement in RoE



Source: MOFSL, Company

Company overview and affordable housing opportunity

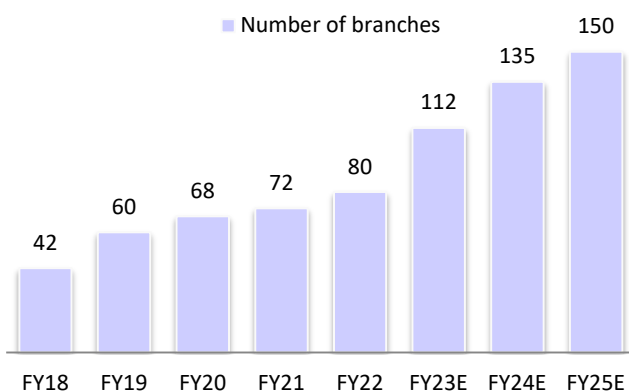
- HomeFirst is a technology-driven affordable housing finance company. It has presence across 13 states with 93 branches in 102 districts as of 1QFY23.
- The company offers home loans for purchase or construction of residential properties and for the extension and repair of existing housing units. Along with home loans (90% of AUM), the company also offers loans against property, commercial real estate finance and developer finance. It is primarily focused on financing informal salaried segment customers (72% of total AUM). HomeFirst depends heavily on the connectors and builder ecosystems for sourcing potential customers. Currently, they contribute over 80% of the total leads generated by the company.
- HomeFirst reported an AUM CAGR of ~45% between FY17 (INR8.5b) and FY22 (INR53.8b). The Top 5 states contribute ~77% of its AUM as of Jun'22 with Gujarat, Maharashtra and Tamil Nadu having a leading share at 35%, 16% and 13%, respectively. The company plans to expand in its core states and tap newer geographies through data science-backed centralized underwriting and in-depth knowledge of the local property markets.

Exhibit 2: Key business parameters

CUSTOMERS	AVERAGE TICKET SIZE	LTV	NEW TO CREDIT
65,254	INR1.07M	57% (Origination) 47% (Portfolio)	24%
SALARIED %	HOME LOAN %	BRANCHES / STATES	EMPLOYEES
72%	90%	93/13	905

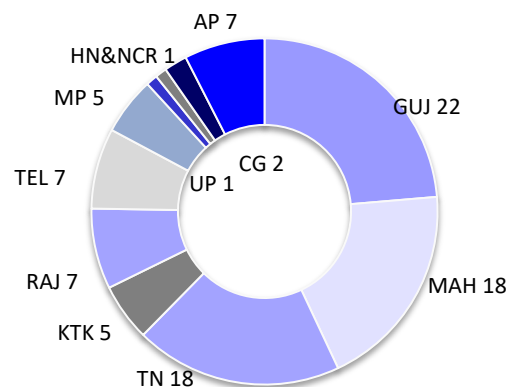
Source: MOFSL, Company

Exhibit 3: Focus on deepening penetration in existing states



Source: MOFSL, Company

Exhibit 4: Maximum branches and business concentration in Gujarat, Maharashtra and Tamil Nadu



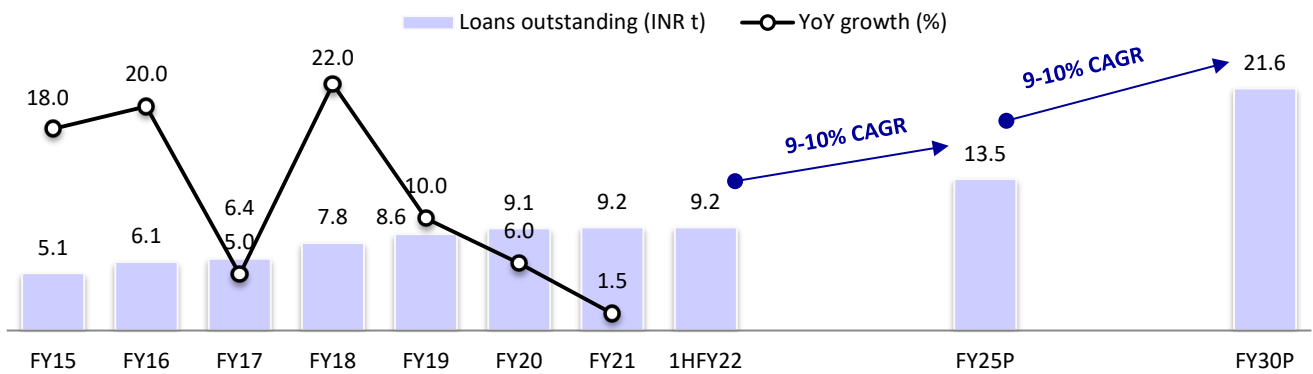
Source: MOFSL, Company

Affordable housing – a multi-year opportunity

Strong buoyancy in demand for completed inventory

- The velocity of transactions seen in the residential real estate segment just before the second COVID wave in India (Jan-Mar'21) and post that (all through FY22 and 1HFY23) gives us reason to believe that there is indeed a robust underlying demand for housing that is here to stay for the next few years. Even after withdrawal of the stamp duty cuts announced by a few states such as Maharashtra, demand for residential housing has remained buoyant.

Exhibit 5: Affordable housing market likely to post a CAGR of 9-10%

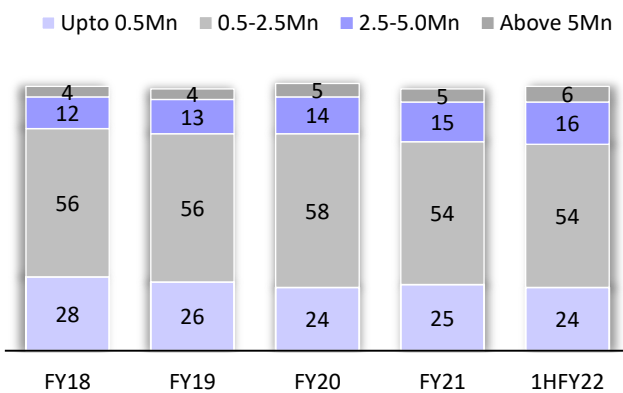


Source: Industry Bodies, Credit Rating Agencies, MOFSL; Note: Affordable housing loans having ticket size upto INR2.5m

Given deeper penetration, wider distribution and ability to holistically underwrite self-employed and informal salaried customers, the opportunity to extend mortgages to an under-served customer segment has also improved over the last 3-4 years.

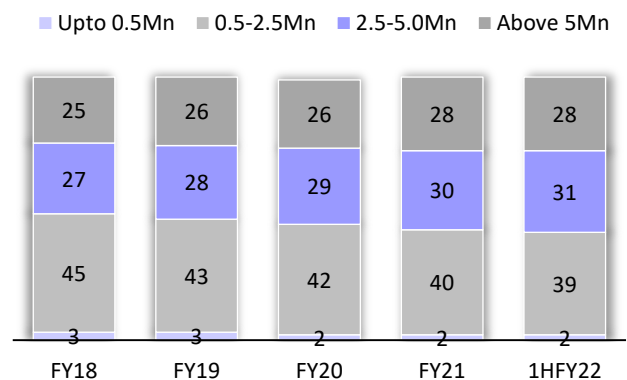
- Despite the evidence appearing to be anecdotal, COVID has forced people to slightly pre-pone their housing purchase decisions. Besides, the hybrid working model (and flexibility given by organizations to their employees) will encourage more people to consider upgrading their homes (on a need basis). **Pre-COVID, there were a number of theories about millennials preferring to stay in rental accommodation rather than buy their own house. COVID, however, will persuade a section of these millennials to invest in purchasing their own house, in our view.**

Exhibit 6: Ticket size-wise portfolio mix: basis volume (in %)



Source: Industry Bodies, Credit Rating Agencies, MOFSL

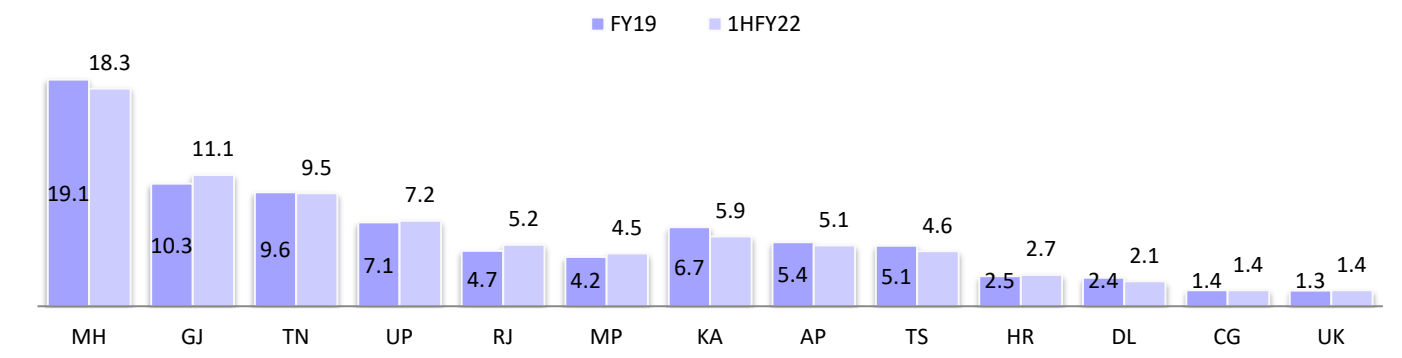
Exhibit 7: Ticket size-wise portfolio mix: basis value (in %)



Source: Industry Bodies, Credit Rating Agencies, MOFSL

- The demand for completed inventory has been obviously higher than under-construction projects. However, developers have demonstrated their ability to liquidate inventory, as well as introduced newer project launches, especially in the low-ticket size and affordable housing segments. These two segments witnessed a decent demand even before the pandemic. **However, what is even more interesting is that given the deeper penetration, wider distribution and ability to holistically underwrite self-employed and informal salaried customers, the opportunity to extend mortgages to an under-served customer segment such as self-construction has also improved over the last 3-4 years.**

Exhibit 8: Top 10 States contribute ~74% of affordable housing finance



Source: Industry Bodies, Credit Rating Agencies, MOFSL

Note: State-wise AUM share- data for housing loans between INR0.5m-2.5m ticket size

- We believe that housing finance is indeed a structural growth opportunity in India, despite a potential near-term slowdown, given the estimated trajectory of the interest rate environment and levels of home loan rates in India.
- Interest rates, until recently, were at historical lows for the prime salaried customer segment typically addressed by banks and large HFCs. However, the low-ticket housing financiers did not have to completely pass on the benefits of lower borrowing cost to their customers and as such, their spreads only improved during the COVID period.
- Demand continues to remain robust, and given the available opportunity, there exists room for quality low-ticket housing finance franchises to thrive and exhibit strong growth.

Leveraging core strengths

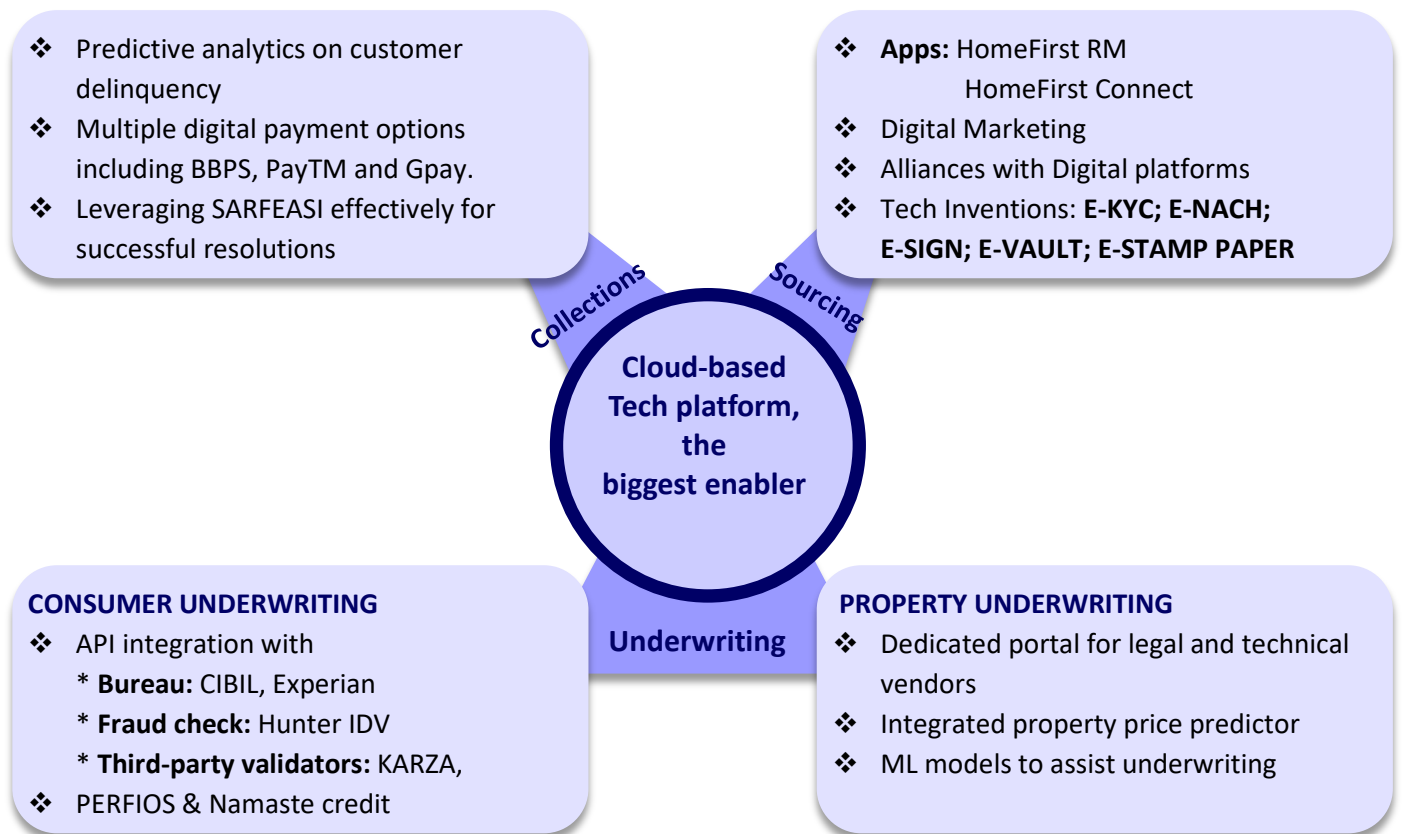
First mover advantage in technology and digital/strategic partnerships

Cloud-based tech platform cutting across business functions

HomeFirst applies its robust technology infrastructure across its business functions of sourcing, underwriting, collections and servicing.

- Technology infrastructure has aided robust underwriting and quicker turnaround. HomeFirst was one of the earliest adopters of the cloud-based Salesforce platform. The company continues to invest in improving the digital journey of its end-customers, although the API and ease of integration offered to its digital partners is among the most evolved today. This is what has led to multiple digital platforms, including financial services aggregators, payment banks and real estate aggregators, entering into strategic partnerships with the company.
- HomeFirst applies its robust technology infrastructure across its business functions – aggregator app for efficient sourcing of leads, RM app for entering all details with respect to potential opportunities into the system, an integrated customer CRM and LMS on a cloud-based platform, dedicated portal for legal and technical vendors, and digital document management (leveraging e-vaulting).
- Some of its more recent technology interventions such as e-NACH, e-Sign and e-Stamp Paper have further improved the onboarding journey for its customers. On the underwriting front, the company has API integrations with credit bureaus such as CIBIL and Experian, fraud check databases like Hunter (by Experian) and IDV (by TransUnion CIBIL), third-party validation tools such as Karza and financial statement (bank statement) analysis tools such as Perfios and Namaste Credit.

Exhibit 9: Tech/Analytics all pervasive across three distinct functions in lending business



Source: MOFSL, Company

Machine learning models/algorithms help it in a) correct sizing and pricing the loan b) predicting the PD and giving a sense of direction to the underwriter

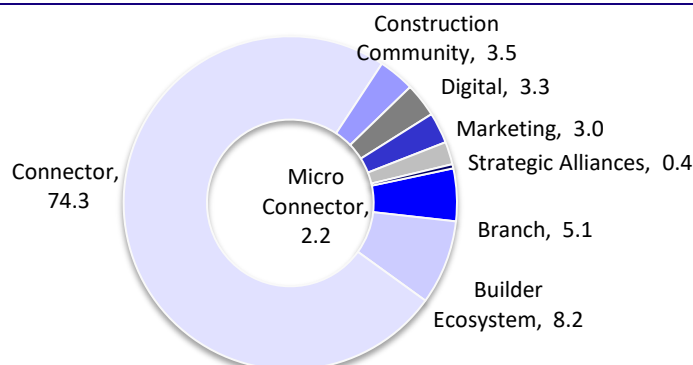
- In addition to its tech infrastructure that helps in delivering faster turnaround and a frictionless customer experience, **HomeFirst also extensively utilizes in-house data analytics, which enables better (and quicker) underwriting and superior asset quality.** HomeFirst has developed machine learning models/ algorithms which help it in: a) correctly sizing and pricing the risk (or loan) b) predicting the probability of default (PD) by customers and giving a sense of direction to the underwriter in terms of areas where it needs to focus on and gain better clarity before sanctioning/rejecting a loan.
- The company has also developed a **proprietary property price predictor** that is extensively used by its property underwriting team for valuation of collateral and also helps ensure there is not much deviation in the technical reports submitted by the third-party vendor tasked with technical evaluation.
- **On the collections front, HomeFirst runs predictive analytics to forecast the propensity of particular customers to default during the coming payment cycle and takes measures to prevent such defaults.** MIS and dashboards (which are currently common practice) integrated with the tableau server for easy visualization enable the company to remain on top of all that is happening across different functions. With an integrated CRM and LMS on the same cloud-based platform, HomeFirst has different teams across sourcing, underwriting and collections using the same platform for the same truth.

Diversity of sourcing enhances quality

Quality of sourcing is also a function of diversity of sourcing and HomeFirst has made efforts to further diversify its sourcing mix.

- At HomeFirst, sourcing of leads is the responsibility of the branch relationship manager (RM). An RM can receive leads through connectors, builder ecosystem, centralized channels like digital partnerships and strategic alliances, customer referrals (which contribute 2%-3% to total sourcing) and BTL activities conducted in and around the branch. While the contribution of connectors and builder ecosystem to its sourcing mix has been traditionally higher, HomeFirst has made concerted efforts to improve the share of organic channels (branch walk-ins, branch BTL activities, customer referrals and branch phone banking) which have the lowest acquisition costs and highest conversion rates.
- The company has also been working actively to increase the conversion rate for the leads generated from digital channels. **The quality of sourcing is also a function of diversity of sourcing, and HomeFirst has made efforts to further diversify its sourcing mix. We expect the results of its concerted efforts to be visible over the next two years.**

Exhibit 10: Omni-channel sourcing mix with higher dependence on connectors and builder channels



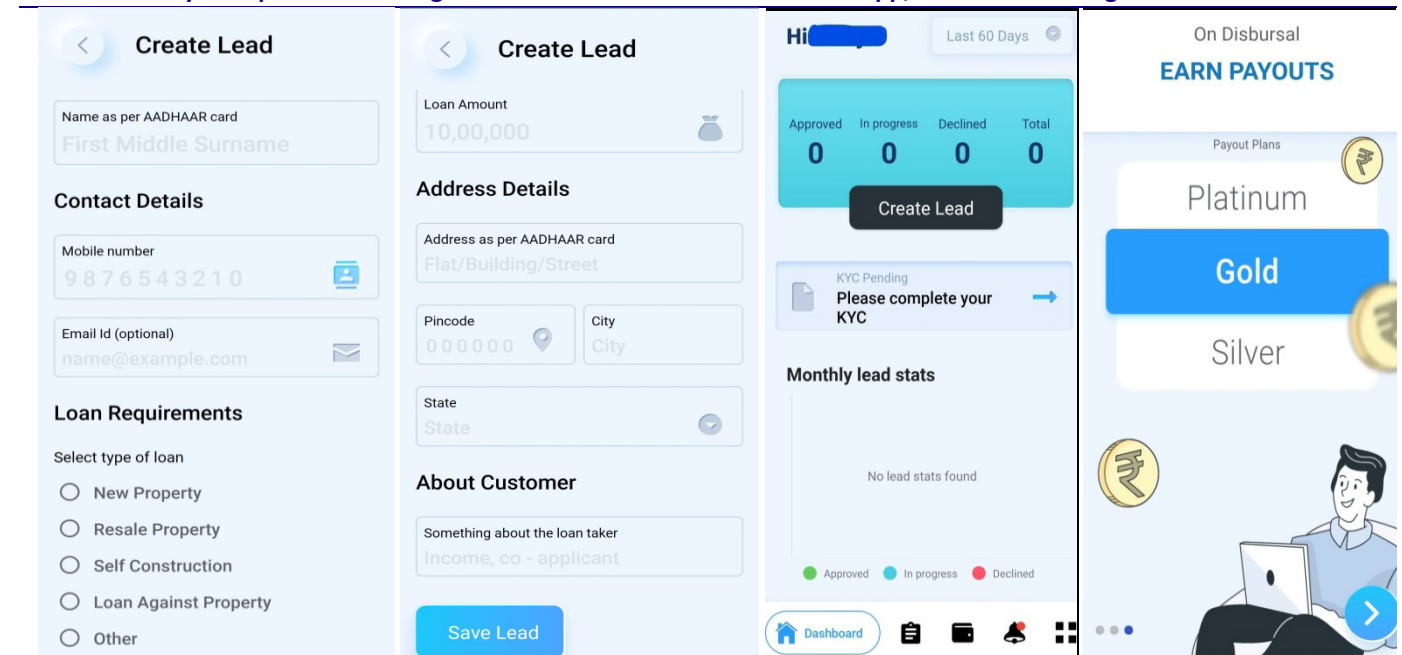
Source: MOFSL, Company

Connectors form the backbone of originations for HomeFirst

In our view, no single model of sourcing (either an in-house model or a hybrid model which leverage DSA/connectors) is superior to the other. There are strengths and pitfalls in each of these customer acquisition models, and what works best for one lender might not necessarily suit another.

- Acquiring customers organically in the last mile is more expensive than other indirect channels of customer acquisition. Obviously, there are also advantages that can sometimes outweigh the higher cost of this channel. In our view, no single model of sourcing (either an in-house model or a hybrid model which leverage DSA/connectors) is superior to the other. There are strengths and pitfalls in each of these customer acquisition models, and what works best for one lender might not necessarily suit another. For HomeFirst’s sourcing model to succeed, it is important that its technology infrastructure would be so robust that it can help RMs (the first level underwriters) to weed out poor quality leads before they are pursued and logged into the system (subject to the customer meeting the credit framework).
- Unlike some DSAs who source exclusively for a particular lender, HomeFirst does not have any exclusivity arrangement with its connectors. Out of the ~10,000 connectors on the HomeFirst platform, ~1,500-2,000 connectors are active in any given quarter. This is because the core vocation of these connectors is not to deal with financial institutions or to source home loans. These connectors are typically people who are related to construction or are a part of the real estate ecosystem such as the employees of residential developers, contractors, real estate brokers and store owners who sell hardware, cement or paint, etc. There could also be Chartered Accountants and insurance agents (typically selling insurance policies) who act as connectors. While many of these connectors also come onboard the HomeFirst platform through word of mouth, there is also an established and structured process of scouting for, building connect and onboarding new connectors, especially when entering newer districts/towns. The addition of connectors is an ongoing activity even though the churn among connectors is not very high.

Exhibit 11: Easy and quick onboarding of connectors on HomeFirst Connect App; Real time tracking of status of leads

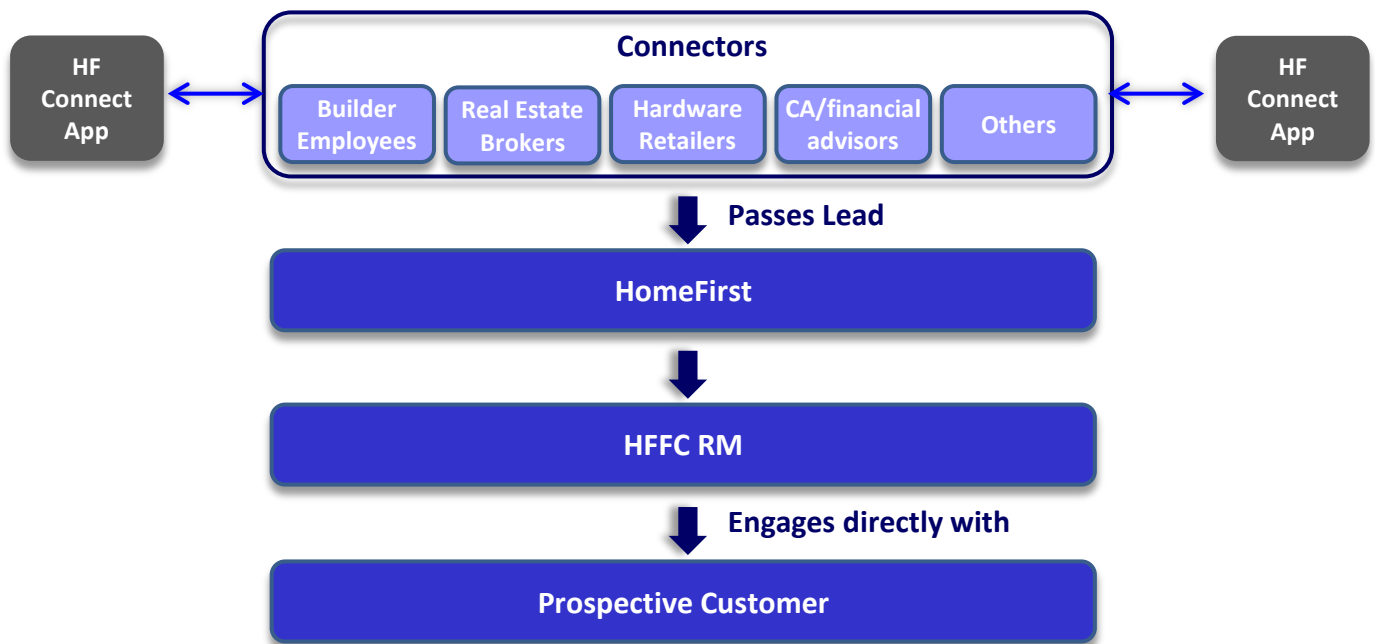


Source: MOFSL, Company

“Connector app” makes the whole process of logging in leads more transparent and agile.

- Connectors (which form a high proportion of HomeFirst’s sourcing mix) use the company’s “Connector app” which makes the whole process of logging in leads more transparent and agile. This is because immediately after a connector submits a lead into the app, the lead is created in HomeFirst’s core LMS solution (Salesforce application) and gets reflected against the RM who is mapped to the connector.
- The Branch Manager (BM) ensures that the connectors are appropriately distributed across the RMs so that the sourcing is more broad-based. **Additionally, wherever appropriate, the BMs even reallocate the connectors across the RMs (from time to time) to mitigate the possibility of any collusion between the RMs and connectors.**

Exhibit 12: How the connector ecosystem functions



Source: MOFSL, Company

Despite non-exclusivity, connectors pass on the leads to HomeFirst because of the company’s fairness and transparency and the very fast turnaround which is appreciated by both the connectors and the customers.

- Given the non-exclusivity, it is also very important to understand the USP of this partnership that encourages these connectors to forward leads to HomeFirst despite its commission payout structure being lower than that of the competition.
 - **Firstly, the connector is just required to pass on the lead (name and contact number of the prospective customer) by logging it into the Connector App.** All steps following that, including meetings with the prospective customer, collection of required documents, legal and technical due diligence, are carried out by HomeFirst.
 - **Secondly, the ability to deliver a very fast turnaround (eligibility/terms of the loan/soft approval) is appreciated by both the connector and customer alike.** HomeFirst’s ability to provide a definitive answer within two days (faster turnaround than most other home financiers) to the connector/customer is the biggest draw and, in turn, incentivizes connectors to bring in more business for HomeFirst.
 - **Lastly, each connector has a dedicated RM who resolves any queries that the connector might have.** Eligible commission payouts are processed at the end of every month without fail. In our view, the key to success of the

HomeFirst-connector relationship is the company's ability to holistically access customers and provide custom-built solutions.

- In addition to connectors, the developer channel also plays an important role at HomeFirst. The company typically works with residential developers who build houses/apartments of a particular configuration. These would typically be a 1 or 2 BHKs with a ticket size of INR1.5m – INR2.5m. **HomeFirst does not make any commission payouts to developers but in case a referral is made by a developer's employee, then he/she is typically paid a ~30bp commission following disbursal of the loan.**

HomeFirst is among those very few affordable housing financiers with such a big thrust on digital loan originations and strategic partnerships

Benefitting from digital platforms and strategic partnerships

- Digital channels/strategic partnerships are also an important customer acquisition channel for HomeFirst. The contribution of this channel to its sourcing mix is presently lower v/s other traditional channels, although HomeFirst has been making great progress on this front by entering into multiple partnerships and tie-ups. **None of these partnerships are exclusive but, in our view, the service delivery will determine the proportion of business shared by these digital partners.**
- HomeFirst has tied-up with the likes of PayTM, Bajaj Finserv Markets, MagicBricks, NoBroker, PaisaBazaar, Airtel Payments Bank, India Post Payment Bank, Credit Mantri and TransUnion CIBIL for digital loan originations. One of the challenges in digital origination is to consistently acquire better quality leads/customers. **HomeFirst also has a low conversion ratio from this channel, although it is working on various initiatives to improve both the quality and throughput of the leads from these digital platforms and partnerships.** Automation in do-it-yourself (DIY) customer onboarding can greatly improve customer experience and further reduce turnaround times.

Exhibit 13: Partnerships on the digital front



Source: Company, MOFSL

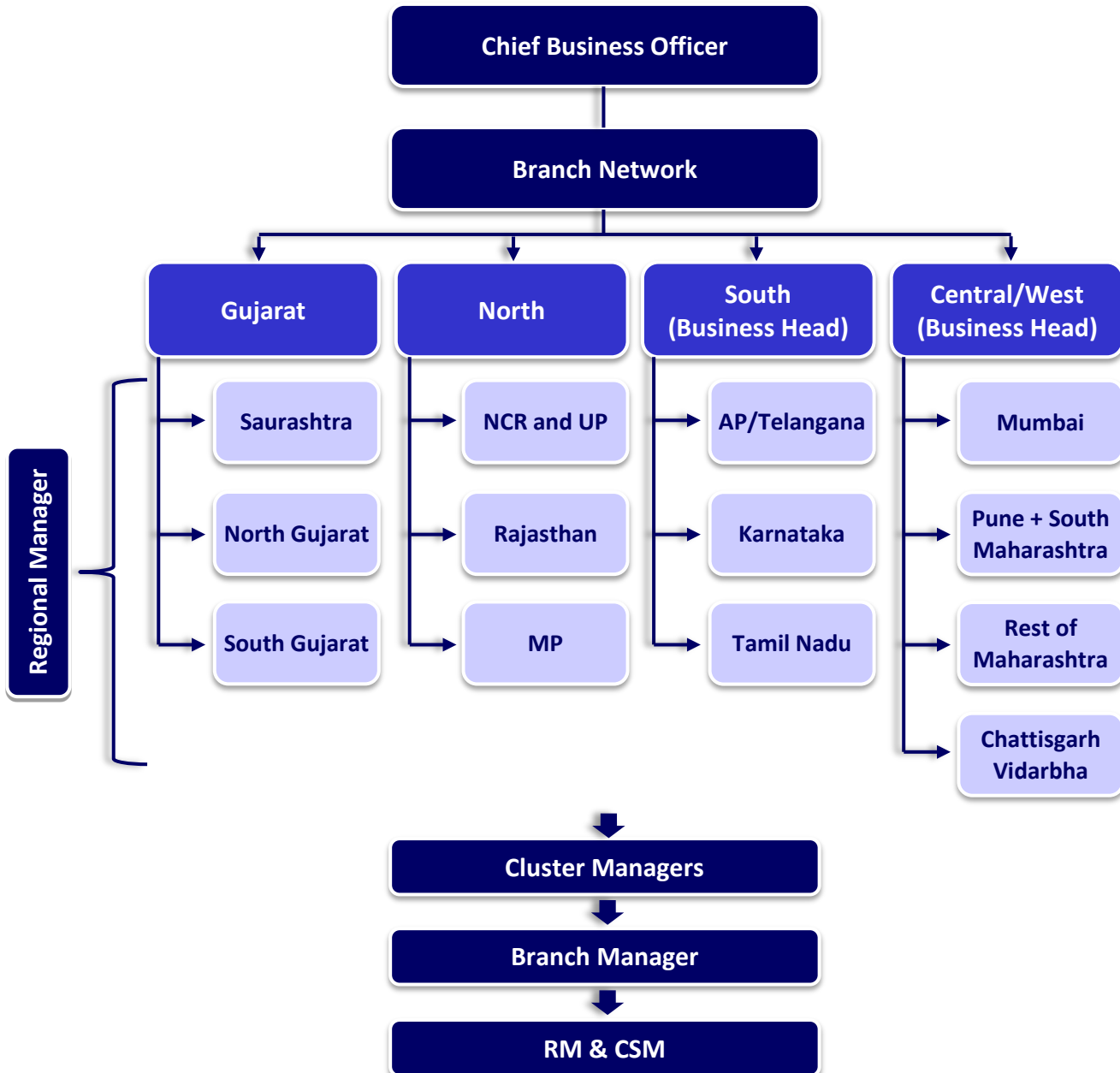
Co-lending partnerships should benefit from the technology-led distribution capabilities of HomeFirst

- HomeFirst recently entered into a co-lending arrangement with the Union Bank of India (UBI) to provide retail home loans to customers in the priority sector. This would allow HomeFirst to expand its product offerings to customers who were not catered to by the company in the past.
- Under this partnership, HomeFirst will originate loans based on the agreed credit policy with UBI. HomeFirst will retain minimum 20% of the loans on its books while 80% will be on UBI's loan book. However, the servicing of all the loans sourced under this partnership will be done by HomeFirst, throughout the loan lifecycle.

Lean branch network through use of multiple sourcing channels

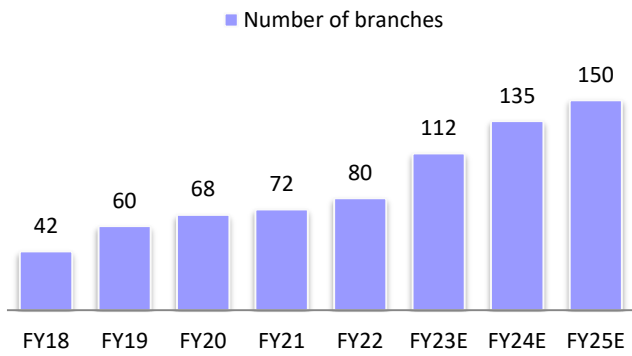
HomeFirst’s distribution network of 93 branches is spread across four zones viz. South, Central/West, North and Gujarat. Typically, each zone has a zonal manager who has multiple regional managers reporting to him/her. Currently, there are around 13 regional managers at HomeFirst, and each regional manager is responsible for leading 4-6 branches. In addition to its 93 physical branches, HomeFirst also has ~80 virtual/digital branches (total 224 touch-points), which act as spokes to its physical branches and contribute to sourcing.

Exhibit 14: Simple hierarchies in branch organizational structure



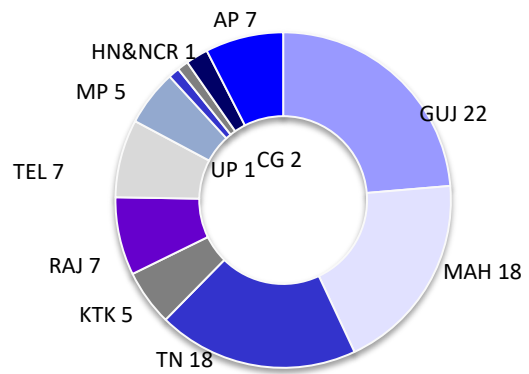
Source: MOFSL, Company

Exhibit 15: Focus on deepening penetration in existing states



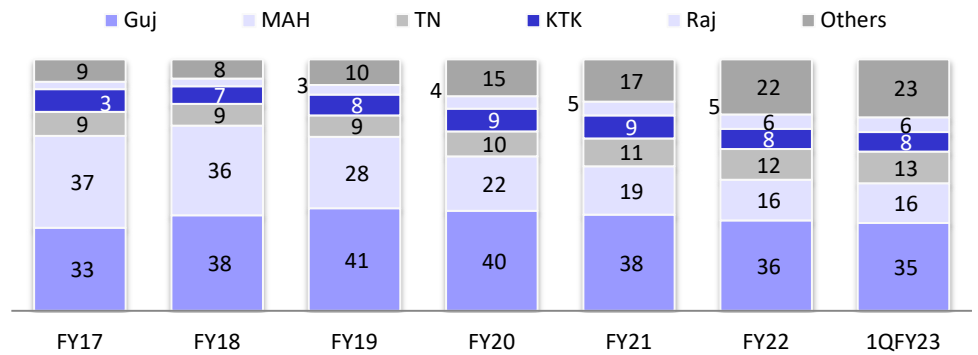
Source: MOFSL, Company

Exhibit 16: Maximum branches and business concentration in Gujarat, Maharashtra and Tamil Nadu



Source: MOFSL, Company

Exhibit 17: Top 5 states contribute ~77% to AUM



Source: MOFSL, Company

HomeFirst has made many technology-driven interventions which has reduced friction in the customer onboarding process and also led to a gradual reduction in the cost of customer sourcing and servicing.

Virtual branches to test the waters before taking the plunge

- **A virtual branch** is typically setup to supplement an existing physical branch or enter newer districts/cities/towns. A virtual branch is usually led by a branch manager and about 2-3 RMs.
- Once a virtual branch surpasses a certain threshold in customer acquisitions or business volumes, HomeFirst typically converts the virtual branch into a physical branch. While a physical branch typically covers a radius of 35-40km, the virtual branch (spoke) sources business from a contiguous cluster beyond the area addressed by the physical branch.
- In recent years, **HomeFirst has made rapid strides in making the home loan journey more seamless and even more digital for customers by digitizing several newer physical processes.** It has made several digital interventions in the customer onboarding process such as introducing e-agreements and replacing NACH with e-NACH. All these interventions have reduced friction in the customer onboarding process and also led to a gradual reduction in the cost of customer sourcing and servicing.

HomeFirst DNA: Managing costs, TAT and risks

Business model is centered around these tenets

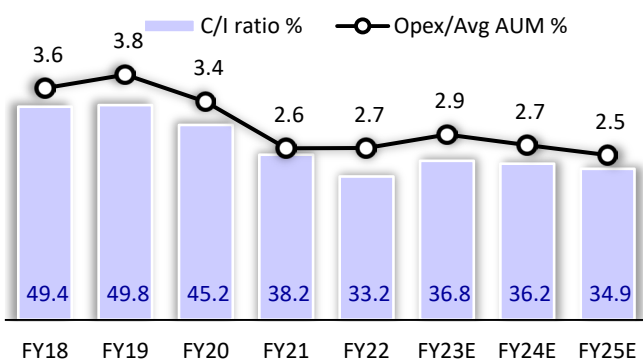
If one were to attempt to define the DNA of HomeFirst, it would be the company’s strong focus on improving TAT, reducing cost and managing risks. The company has built its entire business model in such a way that these three basic tenets of its DNA are reflected across all its process. This has helped it deliver a healthy RoA profile.

Cost management

Expect ~40bp decline in opex over the next three years

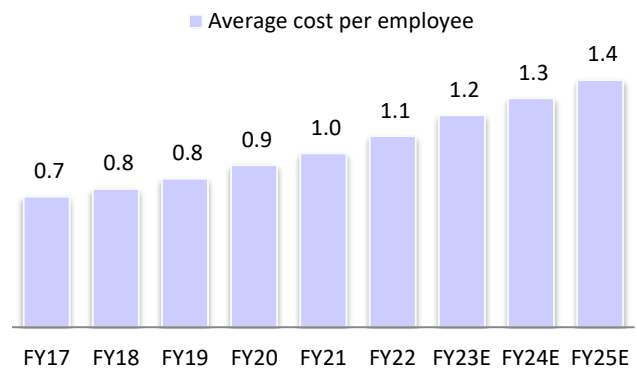
Turnaround time, in our view, is also one of the surrogates for cost. Higher efficiency/productivity of existing branches and employees by deploying automation, technological interventions and digital tools can lead to a steady improvement in cost ratios. HomeFirst, with its lean physical branch network, effectively utilizes its virtual branches and connector network. A close look at its productivity metrics indicates that HomeFirst has been able to sweat its current distribution network and personnel better than its peers.

Exhibit 18: Levers to drive operational efficiency improvement in the near to medium term



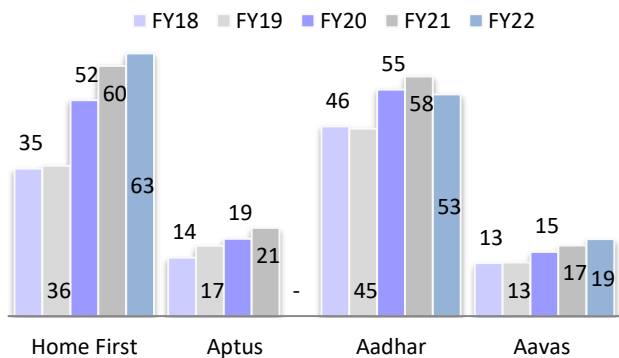
Source: MOFSL, Company

Exhibit 19: Rise in cost per employee likely due to hiring of more highly skilled workforce (INR m)



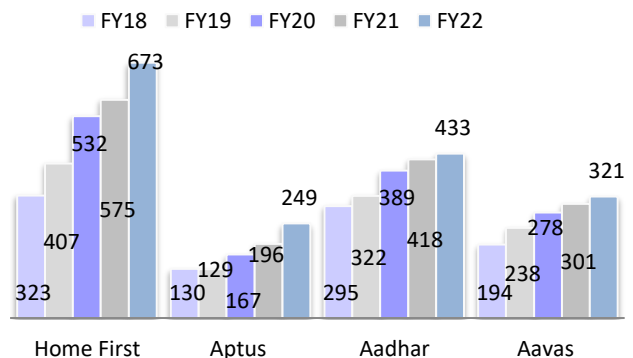
Source: MOFSL, Company

Exhibit 20: AUM per employee (INR m) of HomeFirst remains highest among peers...



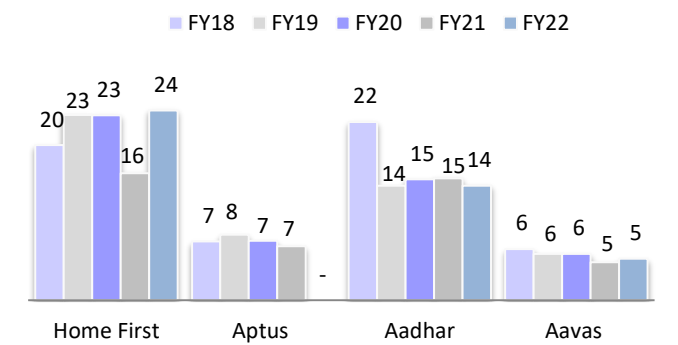
Source: MOFSL, Company,

Exhibit 21: AUM per branch (INR m) highest for HomeFirst



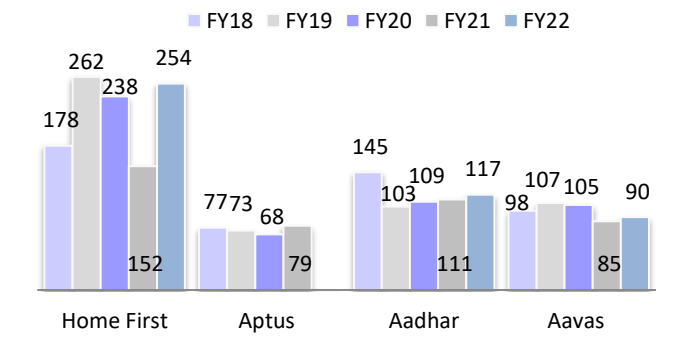
Source: MOFSL, Company,

Exhibit 22: Disbursement per employee (INR m) remains highest among peers...



Source: MOFSL, Company,

Exhibit 23: ... as well as disbursement/branch (INR m)



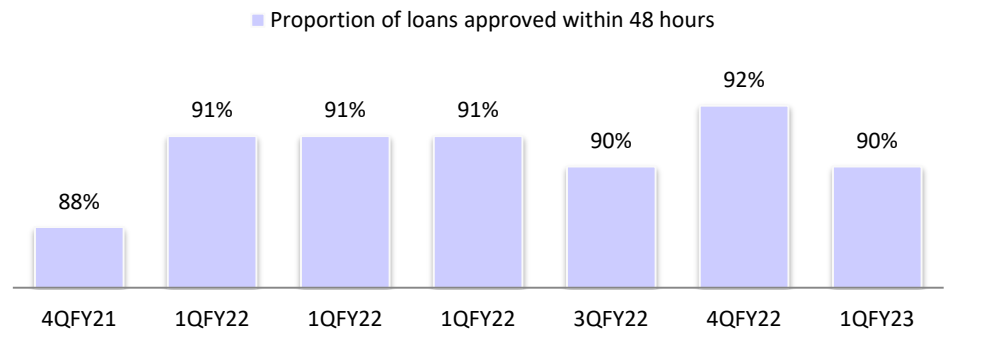
Source: MOFSL, Company,

TAT improvement

~90% of loans approved within 48 hours

HomeFirst has adopted technological innovations such as e-NACH, e-Sign, e-Vault and e-Stamp Paper and has also introduced various apps/web portals for connectors, RMs and customers to make the customer onboarding journey extremely seamless as well as further improve turnaround times. **The company has exhibited a consistent improvement in the proportion of loans approved within 48 hours (from the time of login by the RM).** In 1QFY23, the company reported that 90% of its loans were approved within 48 hours.

Exhibit 24: Reducing TAT to improve customer experience



Source: MOFSL, Company

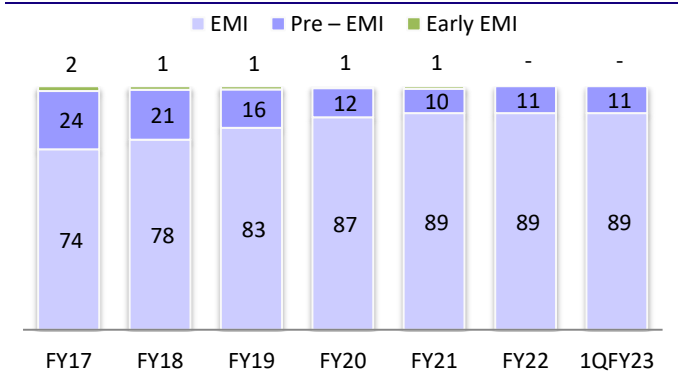
Risk management

Sticking to its credit underwriting framework

- A key question that comes to our mind is whether HomeFirst is taking higher risks to reduce TAT. However, our deep-dive into the company’s underwriting workflow reassures us that this is not the case. **In our view, given the company’s strong focus on managing risks, HomeFirst is not undertaking any activities to lower its TAT at the cost of higher risks.**
- During its early years, HomeFirst began by utilizing predominantly builder-channel driven originations and has over time broad-based its sourcing mix. **The company has also reduced its exposure to under-construction properties, and the proportion of pre-EMI in its gross loan assets has declined steadily over the last five years.** The objective of all these measures is to benefit from its robust underwriting framework in order to demonstrate superior asset quality and low risk-adjusted credit costs across cycles.

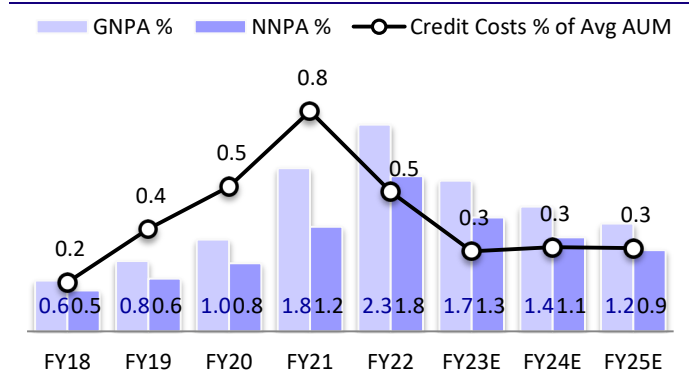
Our deep-dive into the company’s underwriting workflow reassures us that it is not taking higher risks in the quest for growth

Exhibit 25: Marginal exposure to under-construction projects



Source: MOFSL, Company

Exhibit 26: Asset quality remains pristine except during pandemic which also impacted other players



Source: MOFSL, Company

The company does centralized underwriting with a relatively lean team based out of Mumbai

Centralized underwriting has kept asset quality benign Aids in taking objective credit decisions

- The biggest dilemma for HFCs is whether underwriting should be centralized or decentralized at the branch/zone/regional levels. Different players have different underwriting models (either centralized or de-centralized), and it is really impossible to decide which approach is better. Underwriting, as we know it, involves much more than just taking credit decisions based on machine learning algorithms and using artificial intelligence. There are various layers to underwriting and only when all these different layers come together in unison can it result in a robust underwriting framework.
- HomeFirst has a centralized underwriting team which operates out of its Mumbai corporate office. **This 15-member strong team is split across two sub-teams: consumer underwriting and collateral underwriting.**

Exhibit 27: Underwriting backed by various databases and proprietary algorithms on consumer front and empanelled legal/technical vendors on property front



Source: MOFSL, Company

- As its name suggests, the consumer underwriting team is responsible for evaluating the credit worthiness of customers. This team evaluates the customer’s ability and willingness to repay by analyzing bureau scores, customer KYC documents and all the details captured by the RMs, including but not limited to the background of the applicant/co-applicant, family details, photographs of current and/or future place of residence and employment, recordings of personal discussions with the customer and his/her employers, reference checks, salary/income/cash flow analysis (for self-employed), geo coordinates, bank account statements (if available), description of loan sought, property papers/sale deed (if relevant), details of any 2W/4W with applicant, and details of any other ongoing loans.
- This list is not exhaustive, and HomeFirst claims that its RM captures more than 100 data points objectively which aids the underwriting team in making very objective credit decisions.

Exhibit 28: Data collected by RM

Applicant & Co-applicant	Employment Details	Income & Savings	Property Details	Loan Details
<ul style="list-style-type: none"> ❖ Marital Status ❖ Contact details of family, friends & colleagues ❖ Education ❖ Details of current place of residence including photos/videos ❖ KYC Documents 	<ul style="list-style-type: none"> ❖ Office name & address ❖ Reference checks with employer ❖ Photos, audio, video recording of workplace 	<ul style="list-style-type: none"> ❖ Formal & informal source of income of applicants & family members ❖ Household expenses and savings ❖ Bank statements ❖ Vehicles details (if any) ❖ Insurance policies (if any) 	<ul style="list-style-type: none"> ❖ Property type including valuation, registration charges & stamp duty ❖ Property papers including sales deed (if any) 	<ul style="list-style-type: none"> ❖ Down payment from customer ❖ Amount of loan applied for ❖ Indicative LTV ❖ Interest rate ❖ Type: Fixed or variable ❖ Eligibility for PMAY/CLSS ❖ Insurance on loan ❖ EMI & FOIR

Source: MOFSL, Company

- On the collateral front, the respective underwriting team evaluates the legal and technical reports to ensure that the title of the property is clear and arrive at a fair valuation of the property. The legal and technical evaluation is typically outsourced to empanelled vendors and the cost is borne directly by the customer.
- Once the loan is approved/sanctioned by the underwriting team, the branch raises the demand for disbursement. **All the disbursements are done by a central team via NEFT either directly to the builder (in case of house purchases) or to the customer (in case of self-construction). NACH (e-NACH) mandate is mandatory before the loan is disbursed.**

RMs donning dual hats of sales as well as collections

...Collection efforts start from 1dpd itself

HomeFirst's collection efforts begin from 1dpd itself (the day the NACH mandate bounces) – a practice that has insulated its loan portfolio from all kinds of adverse events and external disruptions.

HomeFirst uses machine learning algorithms to predict 12%-15% of its customers having the highest potential for defaulting on their loan repayments in a particular month.

- HomeFirst's underwriting machinery certainly deserves credit, although the superior asset quality delivered by the company over the years is also equally driven by its collections framework wherein the RMs themselves double up as a collection personnel (basically discharging dual responsibilities of sales as well as collections). The RMs and branches are also supported by a centralized collection team which has three-four members. All RMs effectively leverage the "HomeFirst RM Pro App" wherein each of their customer visits is geo-tagged.
- Given its current size and bounce rates in the normal course of business (pre-COVID), HomeFirst has done reasonably well in managing collections by utilizing its existing fleet of relationships managers. However, as it scales up and progresses towards the critical AUM milestone of INR100b-INR150b, the company might have to at least begin evaluating if it needs a separate collection vertical. This could still be 4-5 years away, but given that the current collections framework has worked well for HomeFirst in the past, the company will look to continue with this setup in the foreseeable future as well.
- What has worked in HomeFirst's favor is its continued efforts to reinforce the habit of timely payment of dues among its customers. **HomeFirst's collection efforts begin from 1dpd itself (the day the NACH mandate bounces) – a practice that has insulated its loan portfolio from all kinds of adverse events and external disruptions.**
- Using technology through multiple mediums such as automated voice calls, emails and WhatsApp messages to remind customers of upcoming dates for EMI payment (or NACH mandate) is now a common practice. **The company also uses machine learning algorithms to predict 12%-15% of its customers having the highest potential for defaulting on their loan repayments in a particular month.** For such customers, HomeFirst undertakes more proactive personalized calling to sensitize them about the importance of making repayments on the due date and the need to maintain sufficient balance in their bank accounts so that their NACH mandate can be honored.
- Customers who default even after the second NACH presentation can make the payments on the company's app using digital modes like PayTM, GPay, debit cards and even BillDesk. The EMI repayment can also be made on multiple platforms that offer loan repayment facility through the BBPS platform. When the RMs pay a visit to defaulting customers, he/she also carries a small POS device which can be used to swipe their debit card and immediately issue a payment receipt.
- The natural resort for any mortgage lender to tackle NPA loans is adopting legal measures like SARFAESI. **While HomeFirst also leverages SARFAESI effectively, where it differentiates itself is in the way it engages with defaulting customers and handholds them after they default and express their inability to repay owing to their circumstances.**

Poised and enabled for healthy execution

Strong loan growth trajectory with robust asset quality

HomeFirst has a core management team, which has been with the company since its inception. The team, the infrastructure and the processes in place ensure a consistently healthy growth in AUM along with low risk-adjusted credit costs.

Mortgage is as much a liabilities business as it is an assets business. **HomeFirst is aware of this and is building a liability franchise which (like its more established peers) has no short-term CP borrowings and will incrementally move towards even longer-tenured debt market borrowings and ECBs to achieve further diversification.**

We believe that the company has the ability to maintain spreads in the range of ~5.2%-5.6% over the next three years despite offering predominantly home loans and having a presence largely in the urban peripheries is creditable. This is primarily attributable to its target customer segment (mainly informal income) and lower ticket size which allow it to maintain such yields/spreads even in the face of an aggressive approach by banks and larger HFCs.

Ability to maintain spreads greater than 5.0% over the next three years despite offering predominantly home loans is primarily attributable to its target customer segment (mainly informal income) and lower ticket size

Expect a strong AUM CAGR of ~29% over FY22-FY25

Well on track in its growth path

- In the lending business, AUM growth can be achieved through a combination of two factors: a) healthy disbursement growth b) stemming balance transfers to peers and keeping the BT-out low.
- HomeFirst has managed to deliver on both the fronts. While the company did err on the side of caution on incremental disbursements in FY21, we believe this was prudent. For a company of its size, protecting its balance sheet and ensuring healthy collections were more important than growing its loan book despite the adversities posed by the first COVID wave. Disbursements did however gain steam in FY22 and we expect the momentum to continue in FY23 as well.
- HomeFirst has wings to deliver a strong AUM CAGR of ~29% over FY22-FY25E, propelled by a disbursement CAGR of ~25% over the same period. The company's disbursements during the period could receive a further fillip if it enters into more co-lending partnerships (it has already entered into one such partnership with Union Bank) with any of the large private/PSU banks.

Exhibit 29: AUM CAGR of ~29% likely over FY22-FY25E...

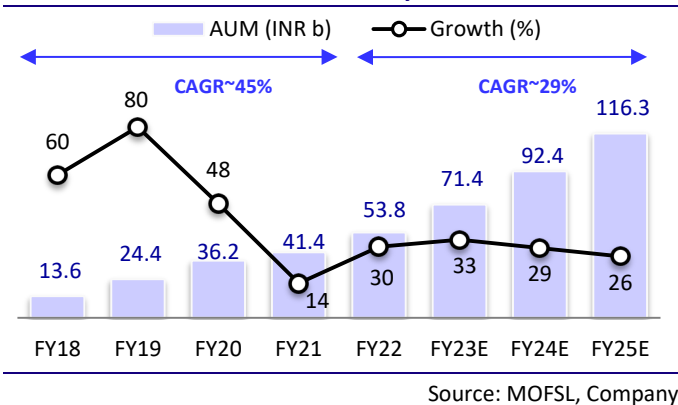
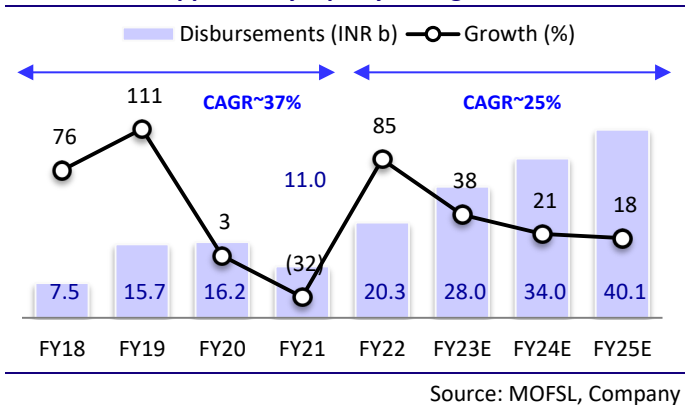


Exhibit 30: ...supported by equally strong disbursements



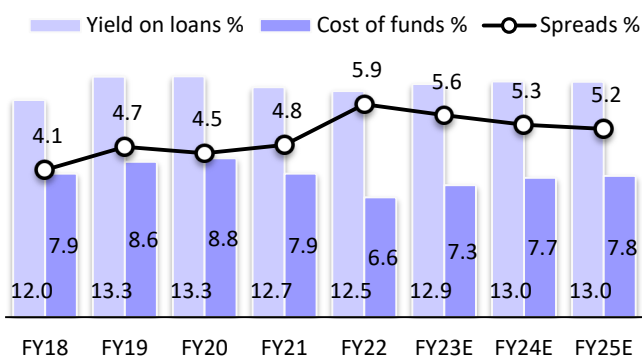
Expect HomeFirst to penetrate deeper into its existing states where the pressure on yields is slightly lower as compared to the regions/pockets where it is currently present.

Ability to maintain healthy spreads and margin

HomeFirst can maintain spreads of 5.2%-5.6% in the near-term

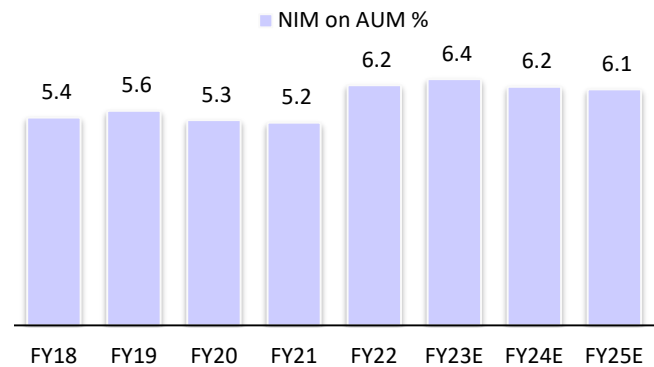
- It is pertinent to note here that HomeFirst has, until now, maintained blended yields of 12.5%-13.0% while operating primarily in the peripheries of urban towns/cities and semi-urban centers.
- Over the next few years, we expect HomeFirst to penetrate deeper into its existing states where the pressure on yields is slightly lower as compared to the regions/pockets where it is currently present. Further, HomeFirst’s LAP as a proportion of its AUM mix, is currently low at ~9% which we estimate to increase steadily to ~12-13% by FY25E.
- Given the increasing proportion of LAP in its product mix and deeper penetration into its existing states, the pressure on HomeFirst’s yields will be lower and enable it to maintain spreads of 5.2%-5.6% over FY23-FY25E.
- In the context of the rising interest rate environment, we expect the cost of funds to increase gradually and reflect fully in the borrowing cost by end-FY23. However, HomeFirst, like other low-ticket housing players will not be able to pass on the entire increase in borrowing costs to customers. This will result in a gradual contraction in spreads over FY23-FY25E.

Exhibit 31: Rising CoF to lead to compression in spreads



Source: MOFSL, Company

Exhibit 32: NIM compression of ~30bp over FY23-25E



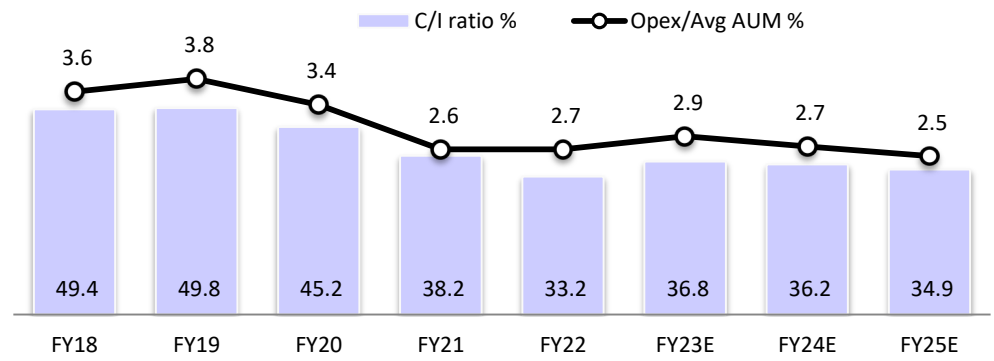
Source: MOFSL, Company

We believe that HomeFirst’s operating costs could decline sustainably over the next 3 years to reach 2.5% by FY25E.

Operating leverage benefits will accrue over the next three years

- HomeFirst has a lean physical presence (93 branches) although it is targeting a ramp up to ~150 branches over the next three years that will entail higher spending. However, with focus on strengthening its digital acquisition platform and expected improvement in the productivity of its existing branches, we believe that operating leverage would kick in as the company grows in size.
- HomeFirst’s operating cost ratio of 2.6% during the COVID period (in FY21) might seem to be a bit of an aberration, although we believe that its operating cost (as % of the AUM) could decline sustainably over the next three years to reach 2.5% by FY25E.

Exhibit 33: Cost ratios to improve steadily over next three years



Source: MOFSL, Company

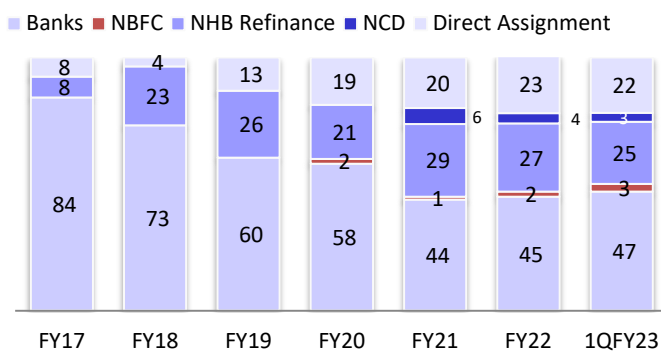
Building a strong liability profile

HomeFirst does not have commercial-papers in its borrowing mix

- HomeFirst currently enjoys an AA- credit rating from both India Ratings and ICRA. Understandably, in the past, raising funds from the debt markets with an A+ credit rating was difficult, which is why a large proportion of the company’s borrowing mix is still dominated by bank term loans, NHB borrowings and direct assignments. However, the company has over the last 12-18 months been able to increasingly tap the debt markets and raise funds through the issuance of NCDs as well. Importantly, as is a best practice among the affordable HFCs, the company does not use CPs as an instrument to raise short-term borrowings.
- HomeFirst’s strategic intent is to only raise long-term borrowings which feed into a very positive and comfortable ALM profile. Despite being relatively smaller than some of its peers, the company managed its liquidity very well even when the pandemic broke out and the RBI moratoriums were in force. With its robust ALM, HomeFirst ensures that its liquidity buffers are always sufficient and are able to demonstrate healthy surplus across individual (as well as cumulative) time buckets.

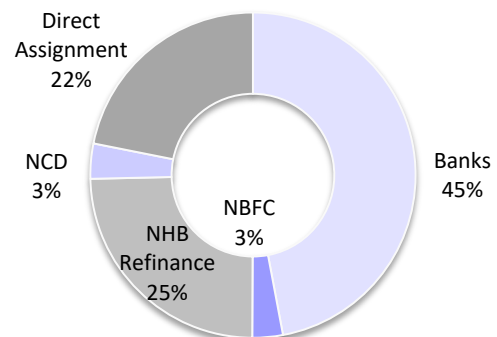
Despite being in the early growth stages, HomeFirst is already following best practices for building a longer-tenured liability book like some of its larger peers

Exhibit 34: Proportion of direct assignments improve over time



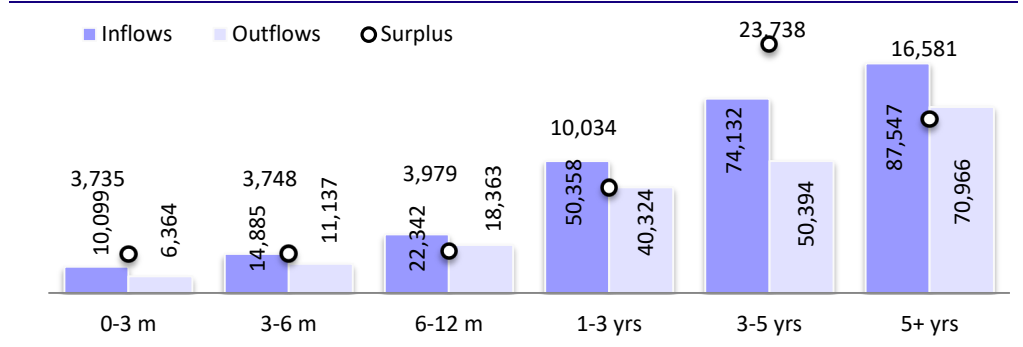
Source: MOFSL, Company

Exhibit 35: Share of debt-market borrowings (NCD) to improve with reducing dependence on banks



Source: MOFSL, Company

Exhibit 36: Positive flows across all ALM maturity buckets (INR m)



Source: MOFSL, Company; Note: Cumulative ALM profile as on 1QFY23

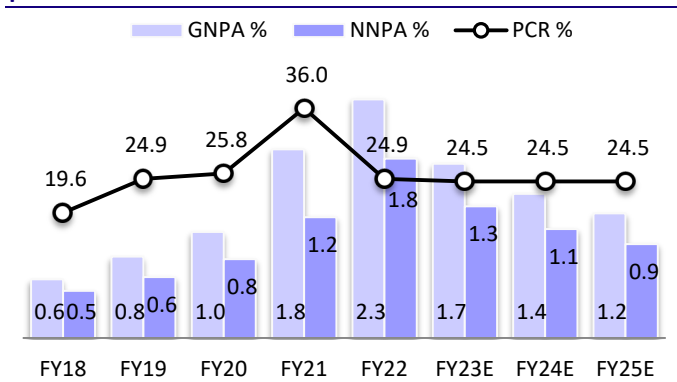
Asset quality strength to result in benign credit costs

Proportion of restructured loans lower than peers

The proportion of restructured loans (~65bp v/s 140bp+ for peers) is unarguably the lowest for HomeFirst and in all fairness, the company has exhibited higher resilience during the pandemic as compared to its peers.

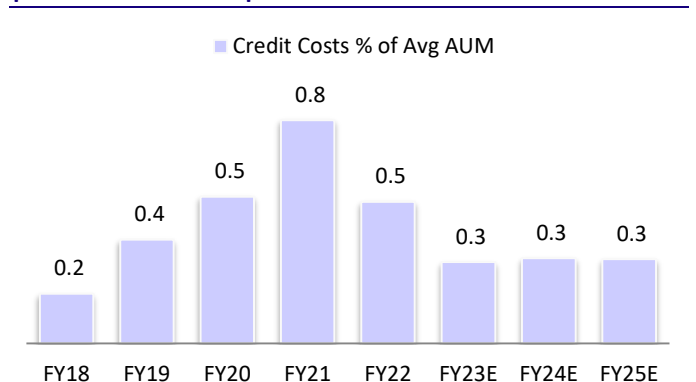
- During periods of external shocks, such as Covid-19, the likes of HomeFirst went into a shell and disbursements were impacted adversely. However, in our view, the ability to slowdown incremental disbursements amid a challenging external environment, undertake measures to mitigate loan book risks and then capitalize on opportunities when the storm has passed are among the hallmarks of a prudent franchise. This is precisely what HomeFirst has exhibited over the last two years.
- HomeFirst’s asset quality did deteriorate during the pandemic and subsequently as a result of the RBI circular on NPA classification (like it did for the sector), the company is well on track to deliver a sustained improvement in its gross stage 3 and 1+dpd/30dpd metrics in FY23E. From thereon, we expect it to sustain the same rigor in delivering superior asset quality performance, led by its robust underwriting and collections, which utilize technology (and analytics) for improved outcomes.
- **GNPA/Stage 3 of <1%, in our view, is the gold standard in affordable housing finance, and we estimate the company to move towards that goalpost very quickly over the next three years.**
- HomeFirst no longer has any baggage (in terms of legacy/sticky NPAs) from the past and has already taken aggressive write-offs on some exposures in Alwar and Bhiwadi during FY22. However, **based on our estimated improvement in its asset quality, we expect credit costs to remain benign at ~30bp for HomeFirst over FY23-FY25E.**

Exhibit 37: Asset quality to strengthen as pandemic-induced pain fades



Note: FY22 numbers include impact of RBI NPA circular

Exhibit 38: Credit costs to remain benign assuming no major pandemic-led developments

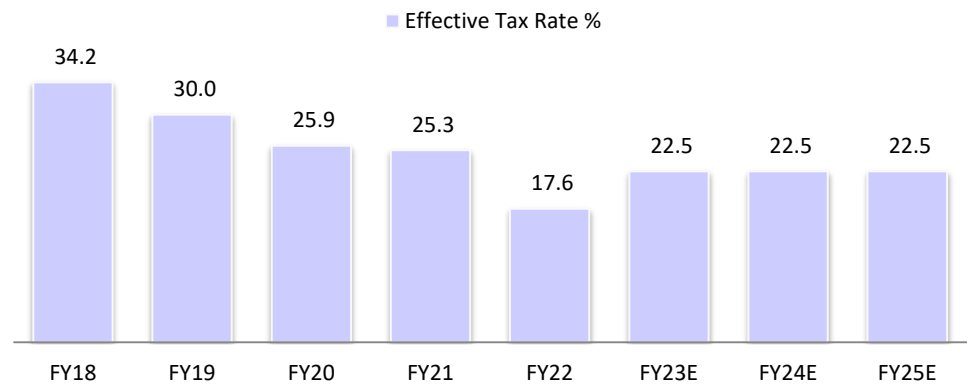


Source: MOFSL, Company

Benefits of lower effective tax rate to accrue

- Currently, most HFCs (including affordable) operate at an effective tax rate (ETR) of 21.5%-22.0%. However, HomeFirst was (until FY21) an outlier of sorts among its peers with an ETR of 25.0%-25.5%. This was due to the deferred tax liability (DTL) that it used to create on the special reserve (20% of profits) required under NHB provisions. Under Ind-AS, HFCs are not required to create this DTL and as such, their ETR declines to 21.5%-22.0%.
- HomeFirst (until FY21) had conservatively created this DTL even under Ind-AS and as such, its ETR had remained elevated at 25.0%-25.5%. The company has stopped creating this DTL under Ind-AS and its ETR will now decline to ~23.0%.

Exhibit 39: Effective tax rate to be higher in FY23E and beyond



Source: MOFSL, Company;

Note: FY22 ETR of ~18% includes impact of one-time deferred tax liability (DTL) adjustment

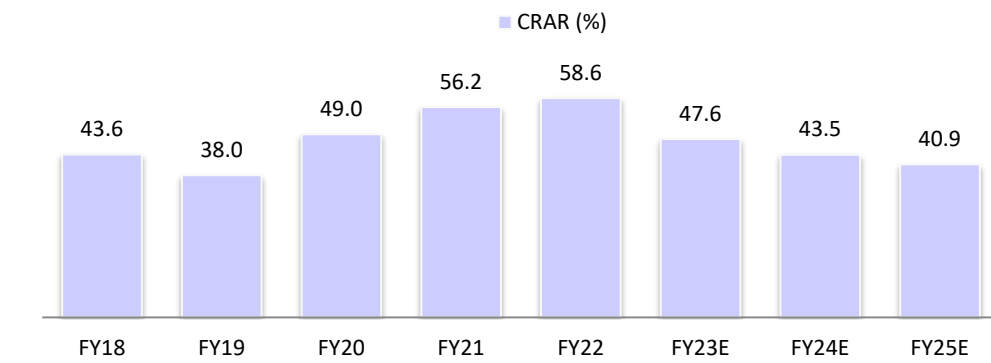
Superior RoA profile than most peers

With a gradual improvement in leverage, expect RoE of ~16% in FY25

- A quick glance at the DuPont table makes it clear that HomeFirst has levers on operating costs and credit costs to mitigate the adverse impact of margin compression. While FY21-FY22 was hurt by the pandemic-induced lockdowns, we believe that in a normalized environment, HomeFirst can deliver an RoA of 3.8-3.9% over FY23-FY25E.
- The company raised INR2.65b in primary equity capital during the time of its IPO in Feb'21. This resulted in a decline in its leverage and ended up further bolstering its capital adequacy. For our estimates, we have factored in a ~20-30bp YoY improvement in leverage over FY23-FY25. With this gradual improvement, we estimate HomeFirst to deliver an RoE of ~16% by FY25.

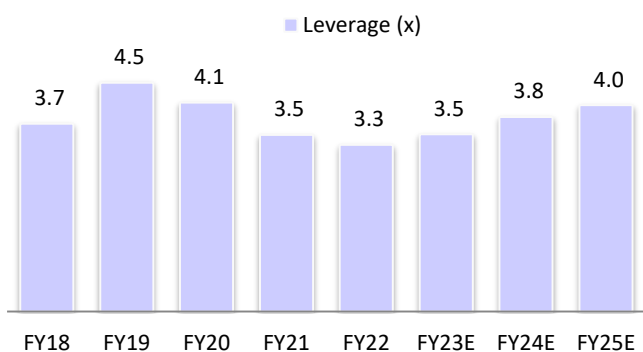
Expect HomeFirst to deliver an RoE of ~16% by FY25.

Exhibit 40: High capital adequacy; expected to remain over capitalized in near future



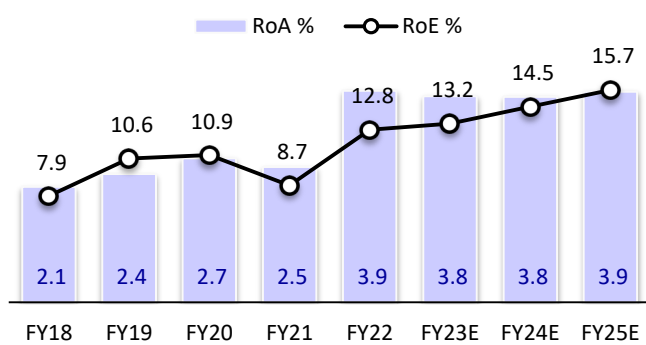
Source: MOFSL, Company

Exhibit 41: Build-up in leverage to be gradual...



Source: MOFSL, Company

Exhibit 42: ...leading to improvement in RoE



Source: MOFSL, Company

Peer comparison

Exhibit 43: Peer comparison

INR m	HomeFirst			Aavas			Can Fin Homes			Aptus Housing
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22
AUM	53,800	71,448	92,433	1,13,502	1,40,166	1,72,642	2,67,110	3,14,079	3,62,464	51,800
Disbursements	20,304	28,007	33,995	36,022	48,711	58,275	82,790	90,241	99,265	16,410
Net Interest Income	2,960	3,991	5,063	6,513	7,638	9,073	8,162	9,933	11,219	5,826
PPoP	2,538	3,074	3,901	4,775	5,689	7,158	6,820	8,409	9,472	5,149
Credit Costs	250	189	259	226	206	278	469	646	726	345
PBT	2,288	2,885	3,642	4,549	5,483	6,880	6,351	7,763	8,746	4,805
PAT	1,886	2,236	2,823	3,568	4,299	5,394	4,711	5,784	6,516	3,706
GNPA (%)	2.3	1.7	1.4	1.0	1.0	0.9	0.6	0.7	0.8	1.2
NNPA (%)	1.8	1.3	1.1	0.8	0.8	0.7	0.3	0.4	0.4	0.9
PCR (%)	24.9	24.5	24.5	23.1	24.0	24.0	52.7	53.0	51.0	25.0
Credit costs (bps)	53	30	32	27	20	22	19	22	22	75

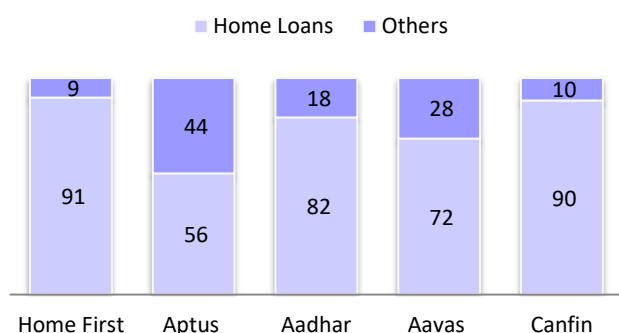
Source: MOFSL, Company

Exhibit 44: DuPont comparison between affordable housing financiers

DuPont Analysis	HomeFirst			Aavas			Can Fin Homes			Aptus Housing
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22
%	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22
Interest Income	10.6	11.9	12.4	11.3	11.5	11.7	7.9	8.5	8.8	15.5
Interest Expended	4.5	5.1	5.6	4.8	5.3	5.7	4.6	5.2	5.6	4.1
Net Interest Income	6.1	6.8	6.8	6.5	6.2	6.0	3.3	3.3	3.2	11.4
Gain on DA	1.4	1.0	0.9	1.2	1.3	1.3				0.0
Other Income incl fees	0.3	0.5	0.5	0.5	0.6	0.6	0.1	0.1	0.1	1.0
Total Income (net of int. exp)	7.9	8.3	8.2	8.3	8.1	7.9	3.3	3.3	3.3	12.4
Operating Expenses	2.6	3.1	3.0	3.5	3.4	3.1	0.6	0.6	0.6	2.3
Cost to Income Ratio (%)	33.2	36.8	36.2	42.3	42.6	39.8	18.3	17.3	17.5	18.5
Employee Expenses	1.7	1.9	2.0	2.3	2.3	2.1	0.3	0.3	0.3	1.7
Other Expenses	0.9	1.1	1.0	1.2	1.1	1.0	0.3	0.3	0.3	0.6
PPoP	5.3	5.2	5.3	4.8	4.6	4.8	2.7	2.8	2.7	10.1
Provisions/write offs	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.7
PBT	4.8	4.9	4.9	4.6	4.5	4.6	2.5	2.6	2.5	9.4
Tax	0.8	1.1	1.1	1.0	1.0	1.0	0.7	0.7	0.6	2.2
RoAA	3.9	3.8	3.8	3.6	3.5	3.6	1.9	1.9	1.8	7.3
Leverage (x)	3.3	3.5	3.8	3.8	4.1	4.3	8.8	9.1	9.0	2.1
RoAE	12.8	13.2	14.5	13.7	14.2	15.4	16.6	17.3	16.6	15.1

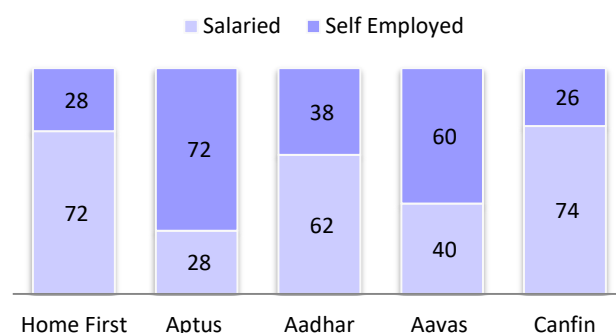
Source: MOFSL, Company

Exhibit 45: Home Loans comprise >90% of product mix for HomeFirst and CanFin



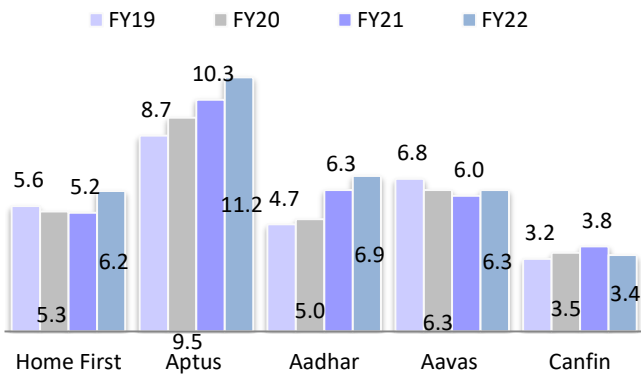
Source: MOFSL, Company,

Exhibit 46: HomeFirst and CanFin have predominant focus on salaried customers



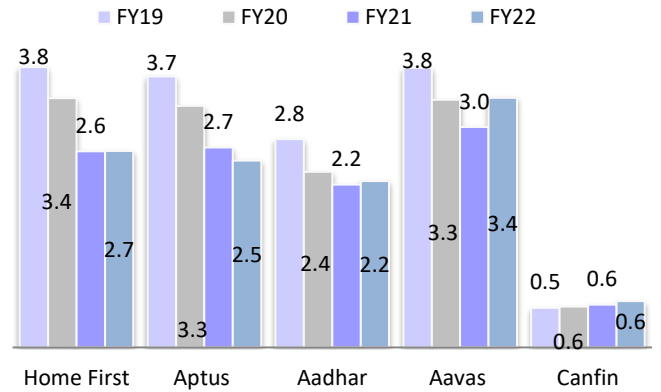
Source: MOFSL, Company,

Exhibit 47: Margin profile of affordable housing financiers



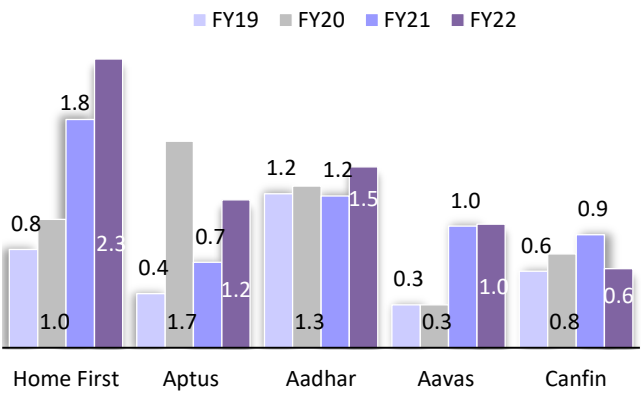
Source: MOFSL, Company

Exhibit 48: Aavas has higher cost-ratios since it runs an in-house sourcing to collections model



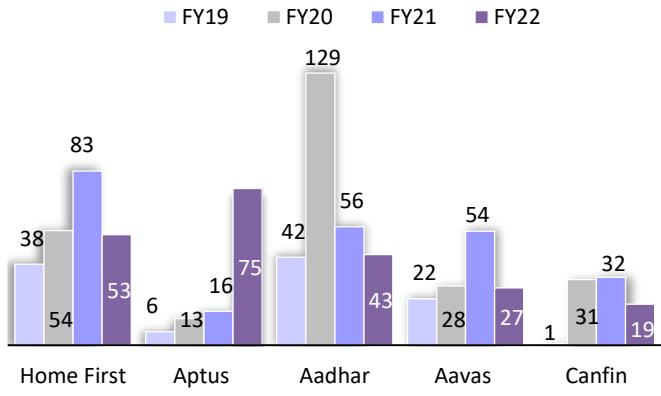
Source: MOFSL, Company

Exhibit 49: NPA deterioration due to COVID and RBI NPA circular was most pronounced for HomeFirst and Aadhar



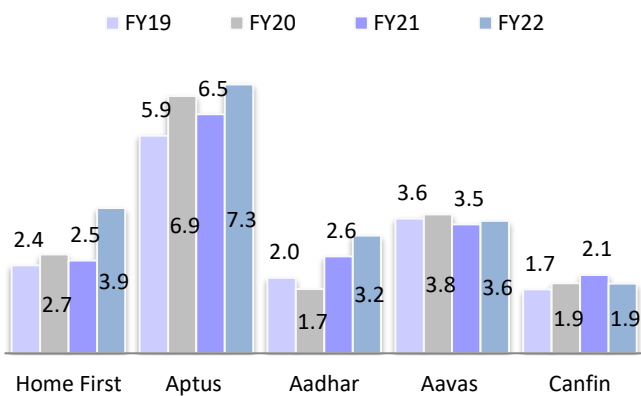
Source: MOFSL, Company,

Exhibit 50: COVID-led stress also transpired into higher credit costs (in bps) for affordable housing sector



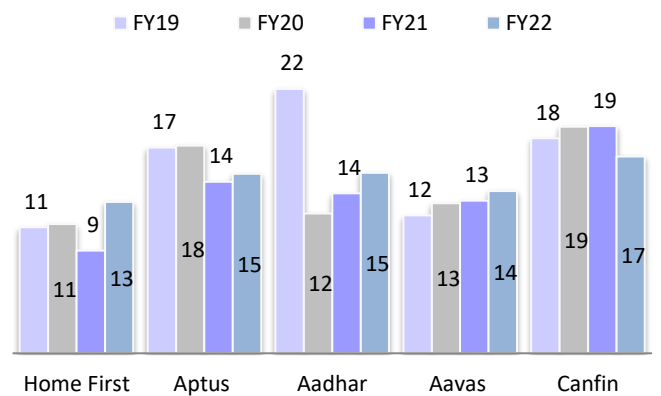
Source: MOFSL, Company

Exhibit 51: Aptus has best RoA profile...



Source: MOFSL, Company

Exhibit 52: ...however, RoE is a function of leverage



Source: MOFSL, Company

Multiple growth levers in place

Initiate coverage with a BUY rating and a target price of INR1,020

Right to Win in affordable housing finance

- HomeFirst leverages technology extensively – across sourcing, underwriting and collections- so much so that every person in the organization sees the same truth and that too in real time. LMS and CRM are integrated on its cloud-based Salesforce platform that considerably focuses on improving customer experience. The company spent ~INR100m (~8% of total opex) on technology in FY22 to stay ahead of the curve.
- RMs who originate loans are typically better-trained and educated to carry out that “first level” of underwriting when meeting customers. A TAT of <48 hours for ~90% of the loans approved is plausible as the company has an in-depth understanding of the operating geographies and property types.
- Given its lean physical distribution network, and ability to effectively utilize the connector and builder channels, HomeFirst enjoys the best productivity metrics (AUM/disbursement per branch or per employee) among its peers that will help drive cost efficiencies.
- HomeFirst works progressively towards delivering a very smooth customer experience. The RMs work very closely with customers to help them get that loan for their dream home. The company is perhaps among the few (or maybe the only) HFCs that encourage customers to prepay their loans. When circumstances are tough and customers are unable to repay, it works with them to find a resolution.
- The company has adopted strong risk mitigation measures, including slowing disbursements when the external environment is difficult, limiting exposures to particular projects/apartments, continuously building on its expertise of different geographical pockets and dominant customer profiles to limit risk, and real-time tracking of business volumes and collections which are actioned upon (as appropriate).
- We estimate HomeFirst to deliver an AUM CAGR of 29% over FY22-FY25E and a NIM of 6.1%-6.4% over the same period. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios over the medium term. HomeFirst’s asset quality should strengthen and credit costs should remain benign over FY23E-FY25E as there are no sticky NPAs from the past. This will come on the back of an improvement in collection efficiencies seen post-COVID and our expectation of a sustained improvement in 1+dpd/30+dpd and Stage 3. Even with RoA of ~3.8-3.9% expected over FY23-FY25E, we estimate RoE of ~16% in FY25E due to the company’s high capitalization and low leverage (which will only improve gradually from hereon).
- Investors appreciate traditional lending franchises which have a lineage, managed different credit cycles and have demonstrated a consistent execution track record. HomeFirst was incorporated in Feb’10 but has grown its book only over the last four-five years i.e. FY17-To date. One can always argue over whether HomeFirst’s book has already had appropriate seasoning, although we believe that the company’s strong execution on the asset quality front over the next two years will speak for itself and convince investors further about the quality of this franchise.

Company spent ~INR100m (~8% of total opex) in FY22 on technology to stay ahead of the curve.

HomeFirst has the best productivity metrics (AUM/disbursement per branch or per employee) among its peers

Strong risk mitigation measures, including limiting exposures to particular projects/apartments and real-time tracking of business volumes and collections which are actioned upon

Cost efficiencies would kick in and drive a sustained improvement in its operating cost ratios. Asset quality should strengthen and credit costs should remain benign over FY23-FY25E as there are no sticky NPAs from the past.

Company’s strong execution on the asset quality front over the next two years will speak for itself and convince investors further about the quality of this franchise.

HomeFirst has room to penetrate deeper (not necessarily entirely physically) in the current states where it has a presence and utilize digital platforms/partnerships more constructively.

View, Recommendation and Target Price

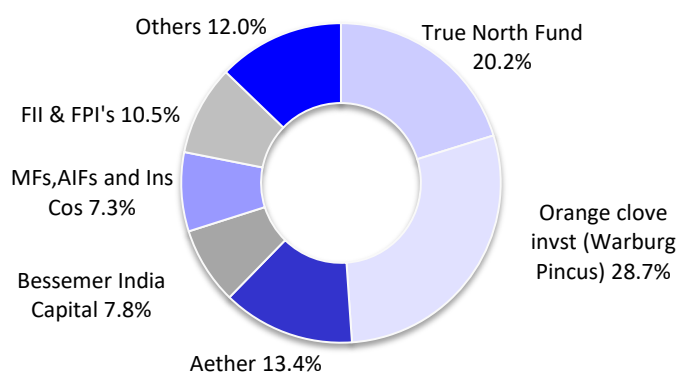
- HomeFirst has invested in building a franchise which has made it well-positioned to capitalize on the strong growth opportunity in affordable housing finance. Given its current size, we have strong faith in the company's ability to deliver a ~29% AUM growth over FY22E-FY25E.
- HomeFirst has built its current loan book in some of the large markets in the peripheries of urban centers and Tier-1 cities. The company caters primarily to the informal salaried segment (~72% of the mix) and extensively utilizes the connector and builder channels. About 24% of its AUM is towards customers who are new to credit (NTC) and whom the company has the capability to underwrite. This suggests that HomeFirst still has room to penetrate deeper (not necessarily entirely physically) in the current states where it has a presence and utilize digital platforms/partnerships more constructively.
- We estimate HomeFirst to deliver a 29% AUM CAGR over FY22-FY25 along with NIM of 6.1%-6.4% over the same period. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios over the medium term. HomeFirst's asset quality should strengthen and credit costs should remain benign over FY23E-FY25E as there are no sticky NPAs from the past. This will come on the back of an improvement in collection efficiencies seen post-COVID and our expectation of a sustained improvement in 1+dpd/30+dpd and Stage 3. Even with RoA of ~3.8-3.9% expected over FY23E-FY25E, we estimate RoE of ~16% in FY25E due to the company's high capitalization and low leverage (which will only improve gradually from hereon).
- Hence, we ascribe a target multiple of 4.0x Sep'24E P/BV for HomeFirst (valuation discount of ~5% to Aavas having a target multiple of 4.2x) to arrive at our TP of INR1,020. **We initiate coverage on HomeFirst with a BUY rating.**

Exhibit 53: Comparative valuations

Peers	CMP (INR)	Mkt. Cap (INR b)	BV		P/BV		EPS		P/E		RoA (%)		RoE (%)	
			FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Homefirst	860	77	205	236	4.2	3.6	25	32	34	27	3.8	3.8	13.2	14.5
Aavas	2,285	180	410	479	5.6	4.8	54	68	42	33	3.5	3.6	14.2	15.4
Aptus*	361	179	68	79	5.3	4.6	9	11	39	32	7.3	7.0	14.6	15.1
Repco	238	15	398	446	0.6	0.5	44	51	5	5	2.2	2.3	11.6	12.1
Canfin	642	86	272	318	2.4	2.0	43	49	15	13	1.9	1.8	17.3	16.6

Source: MOFSL, Company; Note: *BBG consensus estimates for Aptus

Exhibit 54: Shareholding pattern



Source: MOFSL, Company; Note: Shareholding as on Jun'22

Key Risks

As explained earlier – while HomeFirst’s building blocks are largely in place, a close watch will have to be kept on its execution over the next two years. Our faith in the company’s growth trajectory combined with superior asset quality outcome remains strong, although it is also important to highlight a few risks which could prevent our investment story from playing out in its entirety:

- a. **Business concentration in India’s best affordable housing pockets – Gujarat and Maharashtra:** As on FY22, Gujarat and Maharashtra contributed 36% and 16%, respectively, to HomeFirst’s AUM. These are the best affordable housing states in India, and any loss of market share in these two states could adversely impact the company if it is unable to scale up in its remaining states or deliver the same healthy performance in some of the newer states.
- b. **NBFCs without long lineage and/or strong parentage remain vulnerable to external shocks, restraining access to liquidity:** HomeFirst, in our view, is still in its formative days and remains vulnerable to any external event which can restrain access to liquidity.
- c. **Same personnel responsible for both sales and collection could hamper either function once it reaches closer to critical AUM size of INR100b-INR150b:** At its current scale, while the RM can manage to discharge the dual responsibilities of sales as well as collections, doing full justice to this dual role could become increasingly difficult for the RMs as the number of live customer accounts increases.
- d. **Quest for quicker turnaround and lower rejection rates to deliver loan growth could compromise underwriting that may adversely impact asset quality:** Our deep dive into HomeFirst’s underwriting processes reassures us that given the company’s strong focus on managing risks, it is not undertaking any activities to lower its TAT at the cost of higher risks. We hope that in the quest for delivering strong growth HomeFirst does not cut corners in underwriting, which could lead to poor asset quality outcomes.
- e. **Spreads and margins could come under pressure if banks and large HFCs become very aggressive in HomeFirst’s customer segment (informal income) and ticket sizes (INR0.5m-1.5m):** This is an overarching risk for the affordable housing financiers in general. However, the small ticket-size housing financiers face a lower risk due to the lack of interest and poor economics among banks/large HFCs in catering to such small-ticket size customers.

Annexure

Bull and Bear Case



Exhibit 55: Bull and Bear Case

TP	(INR m)	FY22	FY23E	FY24E	FY25E	CAGR FY22-25E	Thesis
Bear Case	NII	2,960	3,931	4,787	5,767	25%	❖ NII and PPOP CAGR of ~25%/ 20% respectively over FY22-25E on account of contraction in spread driven by higher CoF.
	PPOP	2,538	3,034	3,636	4,332	20%	
INR750 (Target multiple of 3.0x Sep'24 BV)	PAT	1,886	2,156	2,570	3,085	18%	❖ Average credit costs of ~35-40bp in FY23/FY25E and PAT CAGR of 18% over FY22-25E
Base Case	NII	2,960	3,991	5,063	6,377	29%	❖ NII and PPOP CAGR of ~29%/25% respectively over FY22-25E.
	PPOP	2,538	3,074	3,901	4,942	25%	
INR1,020 (Target multiple of 4.0x Sep'24 BV)	PAT	1,886	2,236	2,823	3,577	24%	❖ Benign credit costs of ~30 bps and operating efficiencies to lead to PAT CAGR of 24%
Bull Case	NII	2,960	4,073	5,316	6,858	32%	❖ NII and PPOP CAGR of ~32%/ 28% respectively over FY22-25E on account of higher loan growth and ability to maintain operating efficiencies.
	PPOP	2,538	3,221	4,167	5,376	28%	
INR1,300 (Target multiple of 5.0x Sep'24 BV)	PAT	1,886	2,354	3,048	3,944	28%	❖ Average credit costs of ~25-30bp to lead to PAT CAGR of 28%.

Source: MOFSL, Company

**Bull Case**

- ☑ In our bull case, we assume a 32% AUM CAGR driven by a 27% disbursement CAGR over FY22-FY25E
- ☑ We expect spreads to decline from current levels to ~5.4% and stable margins in FY25E
- ☑ NII and PPOP CAGR of ~32%/ 28% respectively over FY22-25E on account of higher loan growth and ability to maintain operating efficiencies.
- ☑ We estimate cost ratios to improve over the next three years. Average credit costs of ~25-30bp lead to PAT CAGR of 28% over FY22-FY25E.

**Bear Case**

- ☑ In our bear case, we assume a 27% AUM CAGR driven by a 21% disbursement CAGR over FY22-FY25E
- ☑ We expect spreads and margins to compress by 50bp by FY25E
- ☑ NII and PPOP CAGR of ~25%/ 20% respectively over FY22-25E on account of contraction in spread driven by higher CoF.
- ☑ Average credit costs of ~35-40bp in FY23-FY25E and PAT CAGR of 18% over FY22-FY25E.

Exhibit 56: Bull case scenario

INR m	FY23E	FY24E	FY25E
AUM	72,989	96,978	1,23,625
Growth (%)	36	33	27
NIM (%)	6.4	6.3	6.2
NII	4,073	5,316	6,858
PPoP	3,221	4,167	5,376
Credit Costs	184	234	287
PBT	3,037	3,933	5,089
PAT	2,354	3,048	3,944
Growth (%)	25	29	29
RoA (%)	4.0	4.0	4.1
RoE (%)	13.9	15.5	16.9
ABV (INR)	199	233	276
BV (INR)	206	240	284
Target PV multiple (Sep'24E)	5.0		
Target price (INR)	1,300		
Upside (%)	51%		

Source: MOFSL, Company

Exhibit 57: Bear case scenario

INR m	FY23E	FY24E	FY25E
AUM	70,797	89,513	1,09,824
Growth (%)	32	26	23
NIM (%)	6.3	6.0	5.8
NII	3,931	4,787	5,767
PPoP	3,034	3,636	4,332
Credit Costs	234	298	325
PBT	2,800	3,338	4,007
PAT	2,156	2,570	3,085
Growth (%)	14	19	20
RoA (%)	3.8	3.7	3.6
RoE (%)	12.8	13.3	13.9
ABV (INR)	197	225	259
BV (INR)	204	232	266
Target PV multiple (Sep'24E)	3.0		
Target price (INR)	750		
Upside (%)	-13%		

Source: MOFSL, Company

SWOT analysis

- ☑ HomeFirst has been a leader in technology adoption which has allowed it to effectively leverage its platform to deliver the fastest turnaround and best productivity metrics across peers
- ☑ Despite being relatively younger, it is already following best practices like some of its larger peers to build its liability franchise

S

STRENGTH



- ☑ Concentration in the peripheries of the urban centers and Tier1/2 cities would mean that competition from banks and large HFCs will be more pronounced, unless it continues to penetrate deeper in rural centers of its existing states
- ☑ Absence of dedicated collections vertical
- ☑ Higher dependence on connectors and lower proportion of organic sourcing of loans

W

WEAKNESS



- ☑ The affordable housing sector is positioned for strong growth and is turbo-charged by the robust demand, liquidity support from NHB and tax incentives offered by the government
- ☑ Sustained productivity of existing network (physical and virtual branches, connectors, etc.) can lead to a continual improvement in cost ratios

O

OPPORTUNITY



- ☑ Contraction in spreads/margins due to continued aggression from banks and peers HFCs in the affordable housing space
- ☑ Higher BT-OUTs from seasoned customers to banks and large HFCs
- ☑ Adverse asset quality experience with increasing proportion of LAP and further seasoning of loan-book

T

THREATS



Management Team



Manoj Viswanathan
 Managing Director &
 Chief Executive
 Officer

24+ years in
 Consumer Lending.
 11 years with
 Citigroup



Ajay Khetan
 Chief Business
 Officer

19+ years in
 Consumer Lending &
 Technology at
 Macquarie Group,
 HP Financial Services
 and Citigroup



Gaurav Mohta
 Chief Marketing
 Office

17+ years in
 Consumer Lending
 and Product
 Management with
 Kotak Bank, Citigroup
 and RPG Foodworld



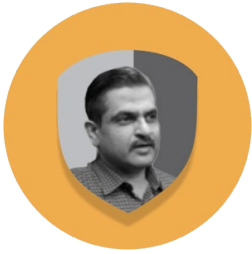
Vilasini Subramaniam
 Head- Strategic
 Alliances

16+ years in Product
 Development,
 Business Strategy at
 Citigroup and
 Janalakshmi Financial
 Services



Nutan Gaba Patwari
 Chief Financial Officer

14+ years in Business
 Finance and
 Operation
 Management at HUL,
 ITC and Philip Morris



Abhijeet Jamkhindikar
 Business Head -
 Maharashtra

19+ Years in Project
 Developer Financing
 at HDFC Ltd.



Dharmvir Singh
 Chief Technoogy Officer

15+ years with
 companies like TCS,
 Birlasoft, IBM and Wipro.
 Last assignment was with
 Hero Fincorp.



Ramakrishna Vyamajala
 Chief Human Resources

15+ years in HR
 operations at IDFC Bank
 and Vedanta



Ashishkumar Darji
 Chief Risk Officer

16+ years in BFSI with
 SBI, Kotak Securities and
 Clearing Corporation of
 India. Last assignment
 was technical director at
 KPMG.



Arunchandra Jupalli
 Business Head -
 South

17+ Years in
 Consumer Lending
 and Mortgage at
 Citigroup and Karvy
 Financial Services

Board of Directors



Deepak Satwalekar
Chairman & Independent
Director

Ex-MD CEO HDFC Life and
HDFC, consultant to World
Bank & ADB, expert in the
fields of housing finance &
strategic planning



Geeta Dutta Goel
Country Director for Michael &
Susan Dell Foundation in India

Served as the Chairperson of
India's Impact Investors Council
from 2017-2019. Also served on
Boards of Ujjivan Financial
Services, Janalakshmi Financial
Services, Micro Housing Finance
Corporation, Arohan Financial.



Anuj Srivastava
Co-founder and Chief Executive
Officer of Livspace

Before setting up Livspace, Anuj
was heading product marketing
and growth at Google where he
was responsible for building,
launching and scaling products
such as Google Wallet, Google
Adsense, Google Local and Google
Adwords.



Divya Sehgal
Partner-True North

25+ years in treasury,
finance and strategic
thinking. Started
Medlife which was
merged with Apollo
Health Street



Maninder Singh Juneja
Partner-True North

26+ years across
industries including retail
banking, payment
services, etc.



Sucharita Mukherjee
WTD and CEO- Kaleidofin

Co-founded the IFMR group
and most recently was the
group CEO of IFMR
Holdings. She has also
conceptualized and founded
Northern Arc Capital



Narendra Ostawal
MD- Warburg Pincus

15+ years in Warburg Pincus.
Also on the board of Carmel
Point, CAMS, Fusion
Microfinance, etc.



Manoj Viswanathan
MD & CEO- HomeFirst

24+ years in consumer
lending. 11 years with
Citigroup

Financials and valuations

Income statement							(INR M)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	840	1,258	2,320	3,548	4,237	5,117	6,972	9,201	11,672
Interest Expenses	541	665	1,265	1,938	2,202	2,157	2,981	4,138	5,296
Net Interest Income	300	593	1,055	1,610	2,035	2,960	3,991	5,063	6,377
Change (%)		98.0	77.9	52.6	26.4	45.4	34.8	26.9	25.9
Gain on Direct assignment	23	23	215	371	439	678	585	697	802
Fee and Commissions	15	31	33	38	35	13	56	68	80
Other Income	65	150	142	239	180	148	234	282	337
Total Income (net of interest expenses)	402	797	1,445	2,258	2,690	3,800	4,866	6,110	7,596
Change (%)		98.2	81.2	56.3	19.1	41.3	28.1	25.6	24.3
Employee Expenses	144	222	432	611	661	808	1,132	1,475	1,774
Depreciation	5	9	46	72	76	75	83	94	105
Other Operating Expenses	99	163	241	337	291	379	577	641	776
Operating Expenses	249	394	719	1,020	1,028	1,262	1,792	2,209	2,655
PPoP	154	404	726	1,238	1,662	2,538	3,074	3,901	4,942
Change (%)		162.4	79.9	70.6	34.2	52.7	21.1	26.9	26.7
Provisions/write offs	17	20	73	165	322	250	189	259	326
PBT	137	383	653	1,073	1,340	2,288	2,885	3,642	4,615
Tax	49	131	196	278	339	402	649	820	1,038
Tax Rate (%)	35.8	34.2	30.0	25.9	25.3	17.6	22.5	22.5	22.5
PAT	88	252	457	796	1,001	1,886	2,236	2,823	3,577
Change (%)		187.3	81.4	74.0	25.8	88.4	18.6	26.3	26.7

Balance sheet									
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Capital	103	103	127	157	175	175	176	178	178
Reserves & Surplus	2,975	3,228	5,135	9,178	13,631	15,562	17,870	20,765	24,381
Net Worth	3,078	3,331	5,262	9,334	13,805	15,737	18,047	20,943	24,559
Borrowings	6,571	10,199	19,256	24,938	30,537	34,668	47,011	60,465	75,318
Change (%)		55.2	88.8	29.5	22.5	13.5	35.6	28.6	24.6
Other liabilities	253	110	297	530	759	764	917	1,054	1,213
Total Liabilities	9,903	13,639	24,815	34,802	45,102	51,169	65,974	82,462	1,01,089
Loans	7,877	13,087	21,347	30,139	33,265	43,049	58,038	75,581	95,339
Change (%)		66.2	63.1	41.2	10.4	29.4	34.8	30.2	26.1
Investments	0	0	1,029	1,456	3,750	0	3,500	3,675	3,859
Change (%)				41.4	157.6			5.0	5.0
Fixed Assets	26	112	174	210	167	202	243	279	321
Cash and cash equivalents	1,770	302	1,920	2,221	6,799	6,678	2,769	1,359	-154
Other assets	230	138	345	777	1,121	1,239	1,425	1,568	1,724
Total Assets	9,903	13,639	24,815	34,802	45,102	51,169	65,974	82,462	1,01,089

E: MOFSL Estimates

Financials and valuations

AUM and Disbursements (in INR m)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
AUM	8,473	13,559	24,436	36,184	41,411	53,800	71,448	92,433	1,16,296
On-book Loans	7,912	13,142	21,467	30,407	33,718	43,515	58,587	76,257	96,177
Off-book Loans	561	417	2,969	5,777	7,693	10,285	12,861	16,176	20,119
Disbursements	4,244	7,455	15,728	16,183	10,966	20,304	28,007	33,995	40,097
Ratios									
Growth %	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
AUM		60.0	80.2	48.1	14.4	29.9	32.8	29.4	25.8
Disbursements		75.7	111.0	2.9	-32.2	85.2	37.9	21.4	18.0
Loan book (on balance sheet)		66.1	63.3	41.6	10.9	29.1	34.6	30.2	26.1
Total Assets		37.7	81.9	40.2	29.6	13.5	28.9	25.0	22.6
NII		98.0	77.9	52.6	26.4	45.4	34.8	26.9	25.9
PPOP		162.4	79.9	70.6	34.2	52.7	21.1	26.9	26.7
PAT		187.3	81.4	74.0	25.8	88.4	18.6	26.3	26.7
EPS		187.2	47.8	40.7	12.7	87.9	17.8	25.4	26.3
Y/E March									
Spreads and margin (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Avg yield on loans	10.7	12.0	13.3	13.3	12.7	12.5	12.9	13.0	13.0
Avg. cost of funds	8.2	7.9	8.6	8.8	7.9	6.6	7.30	7.70	7.8
Interest Spread	2.4	4.1	4.7	4.5	4.8	5.9	5.6	5.3	5.2
NIM on AUM	3.5	5.4	5.6	5.3	5.2	6.2	6.4	6.2	6.1
Capital Structure & Profitability Ratios (%)									
	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Debt-Equity ratio	2.1	3.1	3.7	2.7	2.2	2.2	2.6	2.9	3.1
CAR	66.7	43.6	38.0	49.0	56.2	57.9	51.4	46.8	44.7
Tier-I	66.0	41.9	37.4	47.7	55.2	57.0	50.7	46.2	44.2
Leverage	3.2	4.1	4.7	3.7	3.3	3.3	3.7	3.9	4.1
RoAA		2.1	2.4	2.7	2.5	3.9	3.8	3.8	3.9
RoAE		7.9	10.6	10.9	8.7	12.8	13.2	14.5	15.7
ROAAUM		2.3	2.4	2.6	2.6	4.0	3.6	3.4	3.4
Int. Expended/Int. Earned	64.3	52.9	54.5	54.6	52.0	42.1	42.8	45.0	45.4
Other Inc./Net Income	16.2	18.8	9.8	10.6	6.7	3.9	4.8	4.6	4.4
Cost/Productivity Ratios (%)									
	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Cost/Income	61.8	49.4	49.8	45.2	38.2	33.2	36.8	36.2	34.9
Op. Exps./Avg Assets	2.5	3.3	3.7	3.4	2.6	2.6	3.1	3.0	2.9
Op. Exps./Avg AUM	2.9	3.6	3.8	3.4	2.6	2.7	2.9	2.7	2.5
Non-interest income as % of Total income	16.2	18.8	9.8	10.6	6.7	3.9	4.8	4.6	4.4
AUM/employee (INR m)	42	35	36	52	60	63	65	74	86
AUM/ branch (INR m)	235	323	407	532	575	673	638	685	775
Empl. Cost/Op. Exps. (%)	58	56	60	60	64	64	63	67	67
Asset Quality (INR m)									
	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Gross NPA	54	75	170	315	622	1,015	998	1,074	1,170
GNPA %	0.7	0.6	0.8	1.0	1.8	2.3	1.7	1.4	1.2
Net NPA	45	61	128	234	398	763	753	811	883
NNPA %	0.6	0.5	0.6	0.8	1.2	1.8	1.3	1.1	0.9
PCR %	16.5	19.6	24.9	25.8	36.0	24.9	24.5	24.5	24.5
Credit cost % of avg AUM (bps)	20	18	38	54	83	53	30	32	31

Valuation	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
No.of Shares (m)	51.6	51.6	63.3	78.3	87.4	87.6	88.2	88.8	89.1
EPS	1.7	4.9	7.2	10.2	11.5	21.5	25.3	31.8	40.2
P/E (x)	505.9	176.1	119.1	84.6	75.1	40.0	33.9	27.1	21.4
BV (INR)	60	65	83	119	158	180	205	236	276
Price-BV (x)	14.4	13.3	10.4	7.2	5.4	4.8	4.2	3.6	3.1
Adjusted BV (INR)		64	82	117	155	173	198	229	268
Price-ABV (x)		13.5	10.5	7.4	5.6	5.0	4.3	3.8	3.2
DPS (INR)	0.0	0.0	0.0	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	0.0	0.0	0.0

Dupont %	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	8.5	10.7	12.1	11.9	10.6	10.6	11.9	12.4	12.7
Interest Expenses	5.5	5.7	6.6	6.5	5.5	4.5	5.1	5.6	5.8
Net Interest Income	3.0	5.0	5.5	5.4	5.1	6.1	6.8	6.8	6.9
Gain on DA	0.2	0.2	1.1	1.2	1.1	1.4	1.0	0.9	0.9
Other Income (incl fees)	0.8	1.5	0.9	0.9	0.5	0.3	0.5	0.5	0.5
Total Income (net of int exp)	4.1	6.8	7.5	7.6	6.7	7.9	8.3	8.2	8.3
Operating Expenses	2.5	3.3	3.7	3.4	2.6	2.6	3.1	3.0	2.9
<i>Cost to Income Ratio (%)</i>	<i>61.8</i>	<i>49.4</i>	<i>49.8</i>	<i>45.2</i>	<i>38.2</i>	<i>33.2</i>	<i>36.8</i>	<i>36.2</i>	<i>34.9</i>
Employee Expenses	1.5	1.9	2.2	2.0	1.7	1.7	1.9	2.0	1.9
Other Expenses	1.1	1.5	1.5	1.4	0.9	0.9	1.1	1.0	1.0
PPoP	1.6	3.4	3.8	4.2	4.2	5.3	5.2	5.3	5.4
Provisions/write offs	0.2	0.2	0.4	0.6	0.8	0.5	0.3	0.3	0.4
PBT	1.4	3.3	3.4	3.6	3.4	4.8	4.9	4.9	5.0
Tax	0.5	1.1	1.0	0.9	0.8	0.8	1.1	1.1	1.1
RoAA	0.9	2.1	2.4	2.7	2.5	3.9	3.8	3.8	3.9
Leverage (x)	3.2	3.7	4.5	4.1	3.5	3.3	3.5	3.8	4.0
RoAE	2.8	7.9	10.6	10.9	8.7	12.8	13.2	14.5	15.7

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