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Initial Public Offer of Home First Finance Company India Limited

Issue Opens on: January 21, 2021 | Issue Closes on: January 25, 2021

Price Band - Rs. 517 to Rs. 518 per share

The Floor Price is 258.50 times the face value of the Equity Shares and the Cap Price is

259.00 times the face value of the Equity Shares

Minimum Bid Lot of 28 shares; Bids in multiples of 28 shares thereafter

Initial Public Offer of [●] equity shares of face value of ₹ 2 each (“Equity Shares”) of Home First Finance Company India Limited (“Company”) for cash at a price of ₹ [●] per equity share aggregating up to ₹ 11,537.19 million comprising a fresh issue of up to of [●] equity shares aggregating up to ₹ 2,650 million* (“Fresh Issue”) and an offer for sale up to of [●] equity shares aggregating up to ₹ 8,887.19 million (“Offer for Sale”) (“Offer for Sale” and together with the Fresh Issue, “The Offer”). The offer shall constitute [●]% of the post-offer paid-up equity share capital of the company.

Selling Shareholder	No. of Offered Shares
Promoter Selling Shareholders	
TN V LLP	[●] Equity Shares aggregating up to ₹ 4,356.15 million
Aether	[●] Equity Shares aggregating up to ₹ 2,912.83 million
Investor Selling Shareholder	
Bessemer	[●] Equity Shares aggregating up to ₹ 1,204.61 million
Individual Selling Shareholders	
P. S. Jayakumar	[●] Equity Shares aggregating up to ₹ 284.35 million
Manoj Viswanathan	[●] Equity Shares aggregating up to ₹ 129.25 million
Total	[●] Equity Shares aggregating up to ₹ 8,887.19 million

*Company has undertaken (i) a Preferential Allotment of 2,240,639 equity shares to Orange Clove Investments B.V. (“Orange Clove”) for cash at a price of ₹ 334.726 per equity share aggregating to approximately ₹ 750 million pursuant to the resolution of the Board dated October 15, 2020; and (ii) a Preferential Allotment of 122,000 equity shares to certain of its employees for cash at a price of ₹ 334.726 per equity share aggregating to ₹ 40.84 million pursuant to the resolution of the Board dated November 30, 2020 (together, the “Pre-IPO placement”). The size of the Fresh Issue of up to ₹ 3,440.84 million has been reduced by approximately ₹ 790.84 million pursuant to the Pre-IPO Placement, and accordingly, the Fresh Issue size is up to ₹ 2,650 million

Overview of the Company

Business Overview

- A technology driven affordable housing finance company that targets first time home buyers in low and middle-income groups. Company primarily offers customers housing loans for the purchase or construction of homes, which comprised 92.1% of its Gross Loan Assets, as of September 30, 2020. It also offers other types of loans comprising loans against property, developer finance loans and loans for purchase of commercial property, which comprised 5.1%, 1.9% and 0.9% of its Gross Loan Assets, as of September 30, 2020, respectively. As of the same date, 32.8% of its Gross Loan Assets were from customers who were new to credit. The average ticket size of housing loans was ₹ 1.01 million, with an average loan-to-value on Gross Loan Assets of 48.8%, as of September 30, 2020
- As of September 30, 2020, Company had a network of 70 branches covering over 60 districts in 11 states and a union territory in India, with a significant presence in urbanized regions in the states of Gujarat, Maharashtra, Karnataka and Tamil Nadu.
- Company has leveraged technology in various facets of its business such as processing loan applications, managing customer experience and risk management
- According to the CRISIL Report, Company had the highest share of NHB refinance (26%) among its peers in its borrowing mix as of March 31, 2020
- Company was founded by Jaithirth Rao, P. S. Jayakumar and Manoj Viswanathan and commenced operations in

August 2010. It is a company managed by professionals and Promoters are True North Fund V LLP and Aether (Mauritius) Limited. Further, Bessemer and Orange Clove Investments B.V. (an affiliate of Warburg Pincus, a global private equity investor), has acquired a stake in Company. Company has and expects to continue to benefit from strong capital sponsorship and professional expertise of its marquee shareholders

Strengths

Technology Driven Company with Scalable Operating Model

- During the six months ended September 30, 2020 and the last three financial years, Company invested ₹ 201.19 million in information technology systems
- It is able to digitally capture over 100 data points of a customer in addition to credit bureau data, observations of front end teams and feedback from underwriting and management teams
 - The seamless integration and availability of data across platforms and users enables to process loans in a paperless manner and with quick turnaround times
- Its information technology systems allow to leverage economies of scale to increase productivity and reduce turn around times and transaction costs

Customer Centric Organizational Commitment

- Company targets first time home buyers who find it difficult to disrupt their work routines to apply for a loan and comprehend the terms of a loan transaction
 - In order to address such concerns, it has set up an easy and customer friendly process right from the loan application stage to disbursement of the loan
- Company has a dedicated mobile application for customers where they can carry out a number of functions, including accessing their loan statements, prepaying loans without any prepayment charges and raising service requests
- As of September 30, 2020, its customer mobile application, 'Home First Customer Portal' had approximately 26,098 active registrations comprising approximately 58.7% of its customer base and currently has a rating of 4.2 on the Google Play Store
- Company has a centralized repository of all the queries posted by its existing and potential customers and these are mapped to their respective loan accounts as it endeavors to address a significant majority of customer queries within 24 hours

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

- As of September 30, 2020, it had a network of 70 branches covering over 60 districts in 11 states and a union territory in India
- Successfully adopted a strategy of contiguous expansion across regions over the years and have strategically expanded to relevant geographies by evaluating areas with high economic growth and substantial demand for affordable housing finance, along with industry portfolio-at-risk levels and socio economic risk profile
- According to the CRISIL Report, the 60 districts in the 11 states and union territory in which Company is present accounted for approximately 48% of the affordable housing finance market in India during the financial year 2019 and has a high per capita income with rising levels of urbanization
- For the six months ended September 30, 2020 and the financial year 2020, it sanctioned 2,591 and 15,591 loans on account of leads generated through 887 and 2,553 connectors, respectively. (*Connectors are generally individuals such as insurance agents, tax practitioners and local shopkeepers*)

Centralized, Data Science Backed Underwriting Process

- Company serves salaried customers in low and middle-income groups which account for 73.1% of its Gross Loan Assets, and self-employed customers account for 25.0% of its Gross Loan Assets, as of September 30, 2020
- Company has employed well-trained and educated front-end teams to visit a customer's residence and workplace and gather detailed information to enable it to make right decision on several parameters, including the size of the loan
- Housing loans, loans against property, developer finance loans and loans for purchase of commercial property had an average loan-to-value at the time of the sanctioning of the loan of 61.9%, 27.8%, 31.8% and 55.3%, as of September 30, 2020, respectively
- As of September 30, 2020, completed homes comprised 89.0% of its Gross Loan Assets, while properties under construction accounted for 11.0% of its Gross Loan Assets
- Robust underwriting and loan approval process have helped reduce bounce rates from 14.1% for the first quarter of the financial year 2018 to 10.5% for the fourth quarter of the financial year 2020

Technology Driven Collections System

- Company has set up a robust collections management system wherein approximately 93% of collections for the financial year 2020 were non-cash based, which eases stress on monitoring financial transactions and reduces cash management risk
- Collections process is completely managed by branch teams and a significant portion of front end team incentives are also dependent on collections
- As of September 30, 2020, 30 days past due was at 1.1% of Gross Loan Assets and 90 days past due was at 0.7% of Gross Loan Assets

	<p>Well-Diversified and Cost-Effective Financing Profile</p> <ul style="list-style-type: none"> Company has improved credit ratings from 'CARE A-' as of March 31, 2017 to 'CARE A+' as of September 30, 2020 and also currently have an A+ (stable) rating from ICRA Limited As of September 30, 2020, Total Borrowings (including debt securities) were ₹ 26,365.78 million. During the six months ended September 30, 2020, it had proceeds of borrowings from banks and financial institutions of ₹ 1,811.00 million As of September 30, 2020, the effective tenure of its Gross Loan Assets was 97.00 months, while the closing tenure of outstanding borrowings and assignment was 96.45 months <p>Experienced Management Team with Qualified Operational Personnel and Marquee Investors</p> <ul style="list-style-type: none"> Company has a professional and experienced management team, led by CEO and founder, Manoj Viswanathan, who has over 24 years of experience in the consumer lending industry Promoters are True North Fund V LLP and Aether (Mauritius) Limited. Further, Bessemer has invested in the Company since January 2011 and Orange Clove Investments B.V. (an affiliate of Warburg Pincus, a global private equity investor) has acquired a stake in Company in October 2020 Company has and expects to continue to benefit from strong capital sponsorship and professional expertise of marquee shareholders 																																																															
Strategies	<ul style="list-style-type: none"> Leverage Technology to Grow Business and Drive Operational Efficiency Expand Branch Network in Large Affordable Housing Markets Grow the Productivity of Existing Branches Diversify Sources of Borrowings to Optimize Borrowing Costs Focus on Enhancing Risk Management Framework 																																																															
Financial Snapshot	<table border="1"> <thead> <tr> <th rowspan="2">Key Parameters</th> <th colspan="3">As of and for the</th> <th rowspan="2">As of and for the six months ended September 30, 2019</th> <th rowspan="2">As of and for the six months ended September 30, 2020</th> </tr> <tr> <th>Year ended March 31, 2018</th> <th>Year ended March 31, 2019</th> <th>Year ended March 31, 2020</th> </tr> </thead> <tbody> <tr> <td>Gross Loan Assets (₹ million)</td> <td>13,559.32</td> <td>24,435.74</td> <td>36,183.60</td> <td>31,133.76</td> <td>37,300.12</td> </tr> <tr> <td>Growth rate of Gross Loan Assets (%)</td> <td>60.00%</td> <td>80.20%</td> <td>48.10%</td> <td>63.10%</td> <td>19.80%</td> </tr> <tr> <td>Disbursements (₹ million)</td> <td>7,455.29</td> <td>15,728.21</td> <td>16,182.88</td> <td>8,857.53</td> <td>2,959.48</td> </tr> <tr> <td>Profit after Tax (₹ million)</td> <td>159.96</td> <td>452.04</td> <td>792.49</td> <td>367.41</td> <td>529.53</td> </tr> <tr> <td>Net Worth (₹ million)</td> <td>3,252.15</td> <td>5,231.40</td> <td>9,336.36</td> <td>8,893.03</td> <td>9,881.90</td> </tr> <tr> <td>Cost to Income Ratio (Operating Expenses / Net Total Income)</td> <td>61</td> <td>50.3</td> <td>45.8</td> <td>47.5</td> <td>34.9</td> </tr> <tr> <td>Number of Branches</td> <td>42</td> <td>60</td> <td>68</td> <td>65</td> <td>70</td> </tr> <tr> <td>Active Loan Accounts</td> <td>15,723</td> <td>29,372</td> <td>43,094</td> <td>37,086</td> <td>44,796</td> </tr> <tr> <td>Gross Loan Assets (₹ million)</td> <td>13,559.32</td> <td>24,435.74</td> <td>36,183.60</td> <td>31,133.76</td> <td>37,300.12</td> </tr> </tbody> </table>	Key Parameters	As of and for the			As of and for the six months ended September 30, 2019	As of and for the six months ended September 30, 2020	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Gross Loan Assets (₹ million)	13,559.32	24,435.74	36,183.60	31,133.76	37,300.12	Growth rate of Gross Loan Assets (%)	60.00%	80.20%	48.10%	63.10%	19.80%	Disbursements (₹ million)	7,455.29	15,728.21	16,182.88	8,857.53	2,959.48	Profit after Tax (₹ million)	159.96	452.04	792.49	367.41	529.53	Net Worth (₹ million)	3,252.15	5,231.40	9,336.36	8,893.03	9,881.90	Cost to Income Ratio (Operating Expenses / Net Total Income)	61	50.3	45.8	47.5	34.9	Number of Branches	42	60	68	65	70	Active Loan Accounts	15,723	29,372	43,094	37,086	44,796	Gross Loan Assets (₹ million)	13,559.32	24,435.74	36,183.60	31,133.76	37,300.12
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Objects of the Offer	<ul style="list-style-type: none"> The Offer comprises the Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders <ul style="list-style-type: none"> Company proposes to utilise the Net Proceeds (as set out below) towards augmenting its capital base to meet its future capital requirements, arising out of the growth of business and assets In addition, Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, including enhancement of Company's brand name and creation of a public market for Equity Shares in India 																																																															

Investors are requested to refer to the Red Herring Prospectus (available at <https://www.icicisecurities.com/Upload/ArticleAttachments/HFFC%20RHP.pdf>) dated January 16, 2021 for details regarding the Offer, the Company and the risk factors before taking any investment decision.