HFFCIL/BSE/NSE/EQ/147/2021-22 | Date: 04-03- 2022

To, **BSE Limited**, Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 **Scrip Code: 543259**	To, **The National Stock Exchange of India Limited,** The Listing Department, Bandra Kurla Complex, Mumbai- 400 051 **Scrip Code: HOMEFIRST**

Subject: Intimation of Credit Rating assigned by India Ratings & Research Private Limited ("India Ratings & Research")

In accordance with Regulation 30(6) read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that based on the rating assessment undertaken, **India Ratings & Research** has assigned "IND AA-/Stable" for Bank loans and Non-Convertible Debentures ("NCD") and reaffirmed "IND A1+" for Commercial Paper Programme more particularly described in the below mentioned table:

Name of the Company	Credit Rating Agency	Type	Instrument	Rating/Outlook	Rating Action
Home First Finance Company India Limited	India Ratings & Research	Long Term	Credit Rating for Rs. 1500 Crore- Term Loan	IND AA-/ Stable	Assigned
		Long Term	Credit Rating for Rs. 400 Crore- Non- Convertible Debentures	IND AA-/ Stable	Assigned
		Short Term	Credit Rating for Rs. 100 Crore- Commercial Paper Programme	IND A1+	Affirmed

We request you to take the same on record.

For **Home First Finance Company India Limited**

SHREYANS BACHHAWAT

Digitally signed by SHREYANS BACHHAWAT
DN: c=IN, postalCode=700007, st=WEST BENGAL, o=Personal, serialNumber=fde20153e75f5e87dabaa79d6eee7a1cd4ad6b8aad8b8e8951489217c6080659, 2.5.4.20=16307146407087da668653d4e9771e128e5f8b7d2c113998badd9215660e7810, email=SHREYANS.BACHHAWAT@HOMEFIRSTINDIA.COM, cn=SHREYANS BACHHAWAT, l=KOLKATA, title=2535, pseudonym=253520210819122932649
Date: 2022.03.04 17:15:53 +05'30'

Shreyans Bachhawat
Company Secretary and Compliance Officer
ACS No.: 26700

India Ratings & Research
A Fitch Group Company

India Ratings Assigns Home First Finance Company India's Banks Loans and NCDs 'IND AA-'/Stable; Affirms CP at 'IND A1+'

04

MAR 2022

By Karan Gupta

India Ratings and Research (Ind-Ra) has taken the following ratings action on Home First Finance Company India Limited's (Home First) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Banks loans*	-	-	-	INR15.00	IND AA- / Stable	Assigned
Non-convertible debentures (NCDs)*	-	-	-	INR4.00	IND AA- / Stable	Assigned
CP programme^	-	-	-	INR1.00	IND A1+	Affirmed

^yet to be issued
* Unutilised

KEY RATING DRIVERS

Established and Growing franchise in Affordable Housing Segment: Home First has established a reasonable franchise in affordable housing segment while continuing to expand its reach and establish its footprint (assets under management (AUM) of INR49.9 billion in 3QFY22). It has a presence across 13 states and union territories, and across 92 districts, through 76 branches and 187 touch points. The company intends to double its branches over next three years (to around 140) and increasing its digital touch points for sourcing, which should help in its plans to almost double its AUM over the next three years. Although the management's focus on diversifying its geographical presence is evident from the reduced concentration over the years, an accentuated pressure on the collections in any key state/region could lead to heightened pressure on the asset quality in the near term.

Strong Capital Buffers, with Demonstrated Capital Raising Ability: Home First's assets under management (AUM) grew 3.7x over FY18-3QFY22, supported by regular capital infusions, the ability to leverage, and the government's impetus on affordable housing. The company's capitalisation levels strengthened in FY21 owing to the raising of INR0.79 billion through a preferential allotment and allotment of employee stock options in 3QFY21 and INR2.65 billion through an initial public offer in February 2021; the tangible net worth stood at INR15.1 billion in 3QFY22 (FY21: INR13.8 billion; FY20: INR9.33 billion). Home First's leverage (debt to equity) improved to 2.2x in FY21 (FY20: 2.7x) and remained at 2.0x in 3QFY22 with internal accruals and the use of direct assignment. The management aims to maintain steady state leverage at 3.0-3.5x in the near-to-medium term. According to Ind-Ra, the company is well positioned to scale up its AUM in the medium term on the back of its strengthened capitalisation and the ability to mobilise funds through diverse sources.

Fairly Diversified Funding Mix; Relationship with Large Banks Already in Place: Home First has mobilised funds from 16 financiers, including banks (59.9% of total borrowings at 3QFY22), and a large non-banking finance company (2.9%), and it also has refinance lines (30.0%) from the National Housing Bank ('IND AAA'/Stable). More importantly, the banking relationships are with some of the largest public sector, private sector and foreign banks, including State Bank of India (IND AAA / Stable), Union Bank of India (IND AA+ / Stable), HDFC Bank (IND AAA / Stable), Axis Bank (IND AAA /Stable) and Hongkong and Shanghai Banking Corporation, India branch (IND A1+). Given the scale at which Home First operates, the number of lending relations it has is adequate. A major portion of its loan book qualifies for priority sector lending; therefore, securitisation/assignment is an additional source of fund raising. The company had benefitted from the targeted long-term repo operations and partial credit guarantee schemes in FY21, wherein it raised funds from banks through non-convertible debentures. The company's funding pipeline for 4QFY22 and FY23 includes funding from banks, mutual fund, direct assignment and refinancing lines from National Housing Bank.

Experienced Management Team: Home First has an operating track record of over 11 years and a considerable presence in the states of Gujarat, Maharashtra and Tamil Nadu; the states jointly accounted for 65.7% of the assets under management (AUM) in 3QFY22 (FY21:69% FY20: 71%; FY19: 78%). Its top management consists of experienced professionals with a relevant experience of more than 15 years on an average basis. The company has a strong focus on technology, building digital capabilities and management information systems. It has also benefited from the involvement of the key institutional investors such as True North Fund and its affiliates, Warburg Pincus and Bessemer India Capital Holding which together held 70.2% equity as on 31 December 2022. Home First's board of directors consists of nine members, comprising four independent directors with varied industry experience, four investor nominee directors and the managing director and chief executive office.

Liquidity Indicator - Adequate: As on 31 December 2021, Home First had unencumbered cash/bank balances and liquid investments of INR4.8 billion, which is almost sufficient to meet the debt obligations until June 2022 without relying on collections and assuming nil disbursements. It further had undrawn bank lines of INR9.2 billion. This together with the on-balance sheet liquidity is more than adequate to meet the repayment obligations for the next 1.5 years, factoring in nil collections and disbursements. Home First almost halved its on-balance sheet liquidity in 3QFY22, from a high of INR10.0 billion in 4QFY21 as collections have been on an improving trend. On an ongoing basis, Home First , aims at maintaining liquidity for two-three months of repayments and disbursements. Given that borrower cashflows in certain segments are yet to reach steady state, and considering the possibility of asset quality shocks due to the prevailing pandemic, Ind-Ra expects the company to maintain above average liquidity buffers till the business scenario completely returns to normalcy.

Stable Profitability: In spite of COVID-19-led disruptions, Home First's profitability remained stable during FY21-9MFY22 owing to stable credit costs. The company reported healthy net interest margins of 5.6% in 3QFY22 (FY21: 5.0%) and has so far, exhibited reasonable credit costs (credit cost to average loans ratio: 9MFY22: 0.6%; FY21: 1.0%;

FY20: 0.5%). The credit costs rose in FY21 due to an increase in write-offs, though the impact of the same was largely absorbed by improved operating efficiencies (opex-to-average asset ratio: FY21: 2.6%; FY20: 3.4%). Ind-Ra believes the opex improvement seen in FY21 was the result of lower disbursement volumes; the opex-to-average asset ratio moved up to 2.8% in 3QFY22 and is likely to remain between 2.8-3.0% over the near-to-medium term as Home First executes its expansion plan. Home First's profitability trajectory will depend upon the benefits it derives from the economies of scale with growth in AUM, and maintaining control on asset quality. In Ind-Ra's opinion, the company's profitability ratio (pre -provisioning operating profit to credit cost) in 9MFY22 at 8.3x (FY21: 5.2x) and capitalisation with Tier 1 at 57.8% (FY21: 55.2%) levels are adequate to absorb the existing levels of stress in the loan book.

Manageable Impact of Pandemic and Reserve Bank of India's (RBI) Circular on Asset Quality: Home First's gross stage three (GS3) assets increased to 2.6% in 3QFY22 (2QFY22: 1.7%; FY21: 1.8%; FY20: 1.0%; two year lagged gross NPA: FY21: 2.9%). This is a sharp increase from the pre-pandemic levels of about 1.0% in FY20, led by the subdued economic environment and its impact on borrower cash flows. Furthermore, in 3QFY22, 0.9% was added to GS3 due to the impact of the RBI circular dated 12 November 2021. 1+ DPD declined to 6.5% in 3QFY22 (2QFY22: 7.6%; 1QFY22: 8.9%: FY21: 6.2%), and the management expects the declining trend to continue towards pre-pandemic levels (FY20: 4.4%), provided the pandemic's impact does not turn severe again. In addition, the company's restructuring was at 0.7% in 3QFY22, with no incremental restructuring done during the quarter. Home First has not extended the benefit of emergency credit line guarantee scheme to its borrowers.

The company's stage three provision moderated to 22.7% in 3QFY22 from 36% in 4QFY21, as it had written off some loans that carried higher provisioning and the loans that were moved to GS3 in 3QFY22 due to the RBI circular carried lower provisions. Consequently, the total provision coverage on the loan portfolio declined to 1.2% in 3QFY22 (FY21: 1.4%). The company carries 15% provisioning on its restructured book. Furthermore, three cities - Surat, Ahmedabad and Pune – accounted for 30.8% of the AUM in 3QFY22 (FY21: 34.2%: FYE20: 38%; FYE19: 43%); some branches in these cities have faced a sharper impact of the pandemic and reflect higher delinquencies, which needs to be monitored. Home First's plans to double its AUMs in the next three years; the asset quality would be a key monitorable as the company achieves the same.

RATING SENSITIVITIES

Positive: Significant growth in the scale of operations, continued geographic diversification, sustained profitability levels, continued improvements in the funding profile and cost of funding relative to peers and a demonstrated ability to manage its asset quality could lead to a positive rating action.

Negative: Significant deterioration in profitability, impacting the capitalisation buffers, and challenges in mobilising incremental funds could lead to a negative rating action. Furthermore, deterioration in the asset quality with the gross non-performing assets crossing 4%, on a sustained basis could lead to a rating review.

ESG ISSUES

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Home First, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

COMPANY PROFILE

Home First is a Mumbai-based affordable housing finance company, primarily engaged in extending home loans to borrowers in the low-to-middle income groups. It operates through a network of 76 branches.

The company's key investors include True North LLP and affiliate Aether Investments (33%), Orange Clove (Warburg Pincus; 28%) and Bessemer (7%). The company was listed on the Bombay Stock Exchange and National Stock Exchange in FY21.

FINANCIAL SUMMARY

Particulars (in billion)	**FY21**	**FY20**
Total assets	45.1	34.8
Total equity	13.8	9.3
Net income	1.0	0.79
Return on average assets (%)	2,5	2.7
Equity/assets (%)	30.6	26.8
Capital adequacy ratio (%)	56	48.8
Source: Ind-Ra, Home First		

RATING HISTORY

Instrument Type	**Current Rating/Outlook**			**Historical Rating**			
	Rating Type	**Rated Limits (billion)**	**Rating**	**27 August 2021**	**27 August 2020**	**28 August 2019**	**30 August 2018**
Bank Loans	Long-term	INR15.00	IND AA- / Stable	-	-	-	-
Non-convertible debentures	Long-term	INR4.00	IND AA- / Stable	-	-	-	-
CP	Short-term	INR1.00	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+

BANK WISE FACILITIES DETAILS

Click here to see the details

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Description	Complexity Indicator
Bank loans	Low
Non-convertible debentures	Low
CP	Low

For details on complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Evaluating Corporate Governance
Financial Institutions Rating Criteria
Non-Bank Finance Companies Criteria

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