

Housing finance companies

A quarter gone by and how HFCs stack up against each other

In this report, we pen down a few notable trends in operating performance of housing finance companies (HFCs). We also highlight how they fared vis-à-vis I-Sec expectations and against each other's average.

What encourages

- **Disbursements and AUM growth gained traction:** Many players witnessed highest quarterly disbursements in any Q1 of earlier years. Growth in home loans was seen in both affordable housing segment as well as in high-end properties. Due to better than anticipated disbursement trajectory, growth in HDFC's individual loanbook improved to 19%, HomeFirst registered 8% QoQ/36% YoY AUM growth, Aptus at 7% QoQ/30% YoY, Aavas at 4.8% QoQ/23.7% YoY and encouragingly, trend of sequential decline in loan portfolio of Repco was arrested.
- **Quarterly run-down rate (repayments, balance transfer) moderated from Q4 levels:** The repayment/prepayment run-rate was 17% for Repco vs 22% in Q4, ~6% for Aavas and PNB Housing, ~5% for HomeFirst ~4% for Aptus and LIC Housing.
- **Stress pool in Q1FY23 was managed better across delinquency buckets (1+, 30+, 90+ dpd):** Stage-3 assets fell QoQ for HDFC, HomeFirst, Repco and PNB Housing while it rose QoQ for LIC Housing, Aavas and Aptus. However, 1+ and 30+ dpd buckets contracted ~40% from their peaks for HomeFirst and Aptus. For Aavas, improvement in 1+ dpd was more than 60% from peak. Nonetheless, delinquency print across financiers is still away from its pre-covid average and will take a couple of more quarters to normalise, in our view.
- **Reined-in credit cost for most players:** With improvement in delinquency buckets, overall retail loan ECL provisions (as percentage of outstanding loans) moderated QoQ: for HDFC (individual) to 0.60% (vs 0.70%), Aavas to 0.67% (0.71%), HomeFirst to 1.0% (1.1%), PNB Housing at 3.52% (4.44%), Repco flat at 4.0% while it increased for LIC Housing at 2.40% (2.33%) and 0.92% (0.80%) for Aptus. Almost all HFCs surprised positively on credit cost trajectory with Aavas surprising the most at mere 3bps credit cost, followed by 25-30bps for HDFC, HomeFirst and PNB Housing, LIC Housing at 49bps, Aptus at 71bps and Repco's credit cost at 80bps.

What fails to cheer

- **Lending rate hike lags repo rate increase; repricing benefit to reflect with a lag:** Despite hike in repo rates, we have seen many HFCs not passing on the entire hike in lending rates. LIC Housing and Repco compromised on yields and offered discounted rates to existing customer base in order to ensure customer retention and sustain growth momentum. HDFC's rate action did not see simultaneous transmission on the asset side, resulting in 10bps QoQ decline in NIMs.
- **Investment in franchise continued and opex-to-asset ratio was elevated:** HDFC, Aavas, HomeFirst saw rise of 25-50% YoY in operating expenses while it was relatively contained for Aptus, LICHF, PNBHF. Improved productivity and operating leverage are key to offset the rising cost.

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Outlook on key parameters:

- Now, in a rising interest rate scenario, players who will be able to pass on the rate hike to customers would tend to benefit more. LICHF, in mid-Jun'22, raised its PLR by 60bps to 15.3% and hence, all floating loans i.e. 96%, non-NPL and not disbursed in the past 3 months will see hike of 60bps wef 1st July 2022. Repco has raised its lending rates in two tranches in July which will help improve book yields in Q2FY23.
- We are building-in FY23E/FY24E AUM growth of 17%/18% for HDFC, 25-27% for Aavas, 28-29% for Aptus, 36-38% for HomeFirst, 5/10% for Repco and 2%/9% for PNBHF.
- With more room for delinquency improvement, we are building-in FY23E/FY24E stage-3 pool at 2.0%/1.8% for HDFC, 0.9%/0.8% for Aavas, 1.5%/1.3% for Aptus, 2.0%/1.7% for HomeFirst, 7.1%/6.3% and 7.0%/6.5% for PNBHF, respectively.
- Seeing the structural improvement in 1+ dpd and provisioning buffer, we expect incremental FY23E/FY24E provisioning requirement (as % of AUM) to be capped at 33bps/31bps for HDFC, 27bps/28bps for Aavas, 76bps/59bps for Aptus, 36bps/43bps for HomeFirst, 69/57bps and 53/55ps for PNBHF.

We expect >100% upside in Repco, 30% upside in Aavas and >25% in LICHF

- Lagged rate transmission effect and modest income from surplus liquidity moderated HDFC's NII growth in Q1FY23 to 8% YoY (down 3% QoQ). PAT at Rs36.7bn, up 22% YoY (flat QoQ), settled marginally below our expectations. Nonetheless, with quarterly reset of back-book loans and monthly reset of incremental loans, we expect NIM as well as NII growth to retrace. With improved real estate sentiment and normalisation of collection efficiency, we are building-in stage-3 at 2.0%/1.8% for FY23E/FY24E, respectively. We are looking at RoA of 2.3%/2.4% for FY23E/FY24E and 12.9%/13.9% for FY23E/FY24E, respectively.
- The trends that were being monitored and watched closely in LIC Housing Finance's (LICHF) Q1FY23 earnings were NIM trajectory yields compromised for customer retention and growth momentum, retail growth momentum picked-up pace with 3% QoQ growth in retail home loans and restructured pool behaviour which now stands at 1.2% of loans. However, better than anticipated operating profit profile in a seasonally modest Q1 led us to revise FY23 earnings by 17% and we expect ~12% RoE for FY23/FY24E.
- Aavas Financiers (Aavas) reported PAT of Rs892mn (up 49% YoY, down 23% QoQ) in Q1FY23, a miss on our estimate of Rs925mn due to lower securitisation gains. There was a positive surprise in 23.7% YoY growth in AUM (much awaited) and credit cost of a mere Rs9mn. Given the seasonality, 1+ dpd bucket saw some rise to 4.67% vs 4.47% QoQ. We expect productivity to improve hereon; disbursement growth is expected to catch pace and support AUM growth of 22-25% in medium term. With sustained NIMs, Aavas is likely to deliver ~3.6% / 3.7% RoA and ~14% / 15% RoE by FY23E / FY24E, respectively. Currently, Aavas trades at 33x FY24E P/E and 4.7x FY24E P/B.
- Home First Finance (HomeFirst) reported a better than expected Q1FY23 PAT of Rs512mn, up 6% QoQ and 46% YoY, translating to 3.9% RoA and 12.8% RoE. Earnings were above our estimate and buoyed by 20bps QoQ rise in spreads, 8%

QoQ / 36% YoY growth in AUM, mere 26bps credit cost, and 30bps QoQ decline in the 1+ dpd bucket. The business momentum seen in Q1FY23 improves visibility on HomeFirst being able to register >33% AUM CAGR over FY22-FY4E with sustained spreads and contained credit cost. We expect the company to deliver RoAs of ~3.8-3.9% and RoEs of ~13-14% until FY24E. This can help it command multiple of 4.25x FY24E book.

- Aptus Value Housing Finance's (Aptus) Q1FY23 earnings of Rs1.19bn (up 62% YoY / 8% QoQ), translating into 8.9% RoA and 15.9% RoEs, was better than expected. 'Cost-to-assets' at 2.44%, coupled with continuous investment in franchise and technology, leaves limited room for further operational efficiency. Also, there is need for gradual rebalancing of mix in favour of housing loans. Hence, our preference is more towards Aavas than Aptus. We expect revenue and earnings to compound at 23-24% CAGR over FY22-FY24E and RoAUMs to sustain at >7.4% by FY24E and assign a valuation of 4.5x Sep'23E book.
- Repco Home Finance (Repco) reported PAT of Rs621mn in Q1FY23, ahead of our expectations, on lower credit cost. Disbursements were up 7% QoQ due to conscious efforts to curtain BT-out, thereby, arresting the trend of a sequential decline in loan book. Under the leadership of new MD & CEO, Mr. K. Swaminathan, growth strategy seems to be delivering the right results. Company's business franchise is currently undervalued – the stock trades below its FY23E book and at 3.4x FY23E earnings, and is available at <0.1x AUM.
- PNB Housing Finance's (PNBHf) Q1FY23 earnings were characterised by write-offs, sell-down and resolution in a few developer accounts improving GNPA's to 6.35% (vs 8.12%). This coupled with a decline in stage-3 coverage to 33% (vs 37.7%) led to lower than expected credit cost at <40bps. It is revamping Unnati portfolio, building mass retail housing and driving cost efficiencies. Nonetheless, actual progress is lagging expectations and needs some realignment at a granular level. Even corporate resolutions are still underway and will take time to resolve, which will derail growth.

Table 1: Valuation summary

Particulars	CMP	Rating	P/E (x)			P/BV (x)			P/ABV (x)			EPS (Rs)		
			FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
HDFC	2,456	BUY	15.1	12.8	10.6	1.7	1.6	1.4	2.1	1.9	1.6	76	89	108
LIC Housing	387	BUY	9.3	7.0	6.4	0.9	0.8	0.7	1.1	1.0	0.8	42	55	60
Piramal Enterprises	1,921	BUY	22.9	17.6	16.4	2.3	2.2	2.2	N/A	N/A	N/A	84	109	117
Repco	158	BUY	5.2	3.4	2.9	0.4	0.4	0.4	0.5	0.5	0.4	31	47	54
Aavas	2,180	BUY	48.5	40.5	32.7	6.2	5.3	4.6	6.3	5.4	4.7	45	54	67
HomeFirst	932	BUY	44.7	38.9	30.8	5.4	4.7	4.0	5.6	4.9	4.1	21	24	30
Aptus	289	ADD	39.6	32.0	25.9	5.0	4.3	3.7	5.1	4.4	3.8	7	9	11
PNB Housing	366	HOLD	7.4	6.9	5.8	0.6	0.6	0.5	0.8	0.7	0.6	50	53	63

Particulars	BV (Rs)			ABV (Rs)			RoAA (%)			RoAE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
HDFC	663	721	829	547	599	701	2.3	2.3	2.4	12.0	12.9	13.9
LIC Housing	448	492	542	356	402	465	0.9	1.1	1.1	10.1	11.7	11.6
Piramal Enterprises	843	880	880	N/A	N/A	N/A	2.5	2.8	2.8	5.5	6.9	7.0
Repco	357	401	451	291	333	389	1.6	2.4	2.5	8.9	12.3	12.6
Aavas	353	408	474	347	401	467	3.6	3.6	3.7	13.7	14.1	15.1
HomeFirst	173	197	234	165	190	225	3.6	3.9	3.8	11.8	12.9	13.9
Aptus	58	67	78	57	65	76	7.3	7.2	7.1	15.1	14.6	15.4
PNB Housing	585	639	701	473	538	601	1.2	1.3	1.4	8.9	8.7	9.4

Source: Company, I-Sec research

Note: CMP as of August 12, 2022

- **Disbursement and AUM growth gained traction:** For many players, disbursements in Q1FY23 marked the highest-ever disbursements in the first quarter of any financial year so far. Growth in home loans was seen in both affordable housing segment as well as in high-end properties. The increasing sales momentum and new project launches augur well for the housing finance sector. Individual disbursements were up 80-150% in Q1FY23, largely attributed to lower base in Q1FY22 on account of covid second wave. Due to robust disbursements growth, AUM growth was seen at 36% for HomeFirst, 30% for Aptus and 24% for Aavas (after a long hiatus)

For HDFC, individual disbursements grew 65% in Q1FY23 to Rs420bn. On AUM basis, growth in individual loan book improved to 19% (17%/ 16%/16%/13.6% in Q4/Q3/Q2/Q1FY22) and growth in total loan book on AUM basis was 16% YoY.

LICHF's outstanding portfolio grew 1.8% QoQ / 10.0% YoY in Q1FY23 to Rs2.56trn which was largely in line with the estimate given Q1 is seasonally a slow quarter.

For Aavas, AUM was up 23.7% YoY and 4.8% QoQ to Rs118.9bn (better than expected), highest YoY growth in 7 quarters. At this run-rate, we expect disbursements to cross Rs48bn in FY23E. Pace of BT-out has normalised at 0.5% of the opening AUM (monthly).

Disbursements for Aptus grew 113% YoY / flat QoQ to Rs5.25bn that supported AUM growth of 30% YoY (27% in Q4FY22) / 7% QoQ (8% in Q4FY22) to Rs55.2bn.

HomeFirst disbursements, even on the higher base of Q4FY22, grew 3% QoQ / 117% YoY to Rs6.6bn. This supported AUM growth of 8% QoQ / 36% YoY to Rs58.3bn (vs 30% / 27% / 24% / 19% / 14% in Q4 / Q3 / Q2 / Q1FY22 / FY21).

Repco's disbursements were encouragingly up 7% QoQ to Rs6.4bn and this, on a lower base, translated to 168% YoY growth. This, coupled with repayment/prepayment run-rate at Rs1.8bn per month, arrested the sequential decline in loan portfolio.

We are building-in FY23E/FY24E AUM growth of 17%/18% for HDFC, 25-27% for Aavas, 28-29% for Aptus, 36-38% for HomeFirst, 2%/9% for PNBHF, and 5%/10% for Repco.

- **Quarterly run-down rate (repayments, balance transfer) moderated from Q4FY22 levels:** Generally, balance transfer (out) is high in Q4 and then descends in coming quarters which was also seen in Q1FY23. The repayment/prepayment run-rate was 17% for Repco vs 22% in Q4, ~6% of AUM ran down in Q1FY23 for Aavas and PNB Housing, ~5% for HomeFirst ~4% for Aptus and LIC Housing. Run-down rate for Aptus was relatively contained at <4%.
- **Lending rate hike lags repo rate increase; repricing benefit to reflect with a lag in Q2FY23:** Despite a hike in repo rate, we have seen many HFCs not passing on the entire hike in lending rates. In fact, recent rating upgrades and optimising borrowing profile for few affordable HFCs have helped them manage funding cost well and they have not increased lending rates to the extent of repo rate hike.

LIC Housing and Repco compromised on yields and offered discounted rates to existing customer base in order to ensure customer retention and sustain growth momentum.

Post repo rate hike, HDFC has raised rates on its deposits as well as lending rates. However, in Q1FY23, interest rate actions have had an immediate impact on borrowing costs, without a simultaneous transmission on the asset side, which resulted in 10bps QoQ decline in margins.

For Aavas, yields and costs remained broadly stable; lower securitisation income as well as reversal of earlier income dragged overall revenues. For Aptus, NIMs sustained momentum and were up another 2bps QoQ to 9.17% led by funding cost benefit.

Now, in a rising interest rate scenario, players who will be able to pass on the rate hike to customers would tend to benefit more. LICHF, in mid-Jun'22, raised its PLR by 60bps to 15.3% and hence, all floating loans i.e. 96%, non-NPL and not disbursed in the past 3 months will see a hike of 60bps wef 1st July 2022. Repco has raised its lending rates in two tranches in July which will help improve book yields in Q2FY23.

- ▶ **Securitisation income support to revenues as well as earnings continues:** Market opportunity as well as lower base in Q1FY22, led to relatively higher YoY securitisation income during Q1FY23. Aavas has securitised assets worth Rs1.4bn in Q1FY23 (vs Rs7.8bn in FY22) and booked gains of Rs217mn (vs nil in Q1FY22) which boosted revenues as well as earnings. HomeFirst securitised assets worth Rs879mn (Rs1.05bn QoQ and Rs 1.2bn YoY) and booked securitisation income of Rs99mn for the quarter (Rs138mnQoQ, Rs194mn YoY). During Q1, the company had its first transaction under the co-lending tie-up and assignment via co-lending for the quarter stood at Rs77mn.
- ▶ **Retail home loan collection efficiency (CE) moderated a tad after a spike in Q4, in line with seasonal trends:** Following seasonality, CE moderated a tad in Q1FY23, after improvement in Q4FY22 which was driven by focused efforts on collections/recoveries. Across the board, companies' endeavour is to collect the entire overdue amount to qualify for an upgrade (following RBI's 12th Nov'21 circular).
 - **For HDFC,** CE for individual loans on a cumulative basis in Q1FY23 was over 99% (99.5% in Mar'22, 98.9% Dec'21, 98% Sep'21, 98.3% Jun'21, 98.0% Mar'21).
 - **For Aptus,** CE after a spike in Mar'22 moderated following the seasonality to 101.17% (103.14%/ 98.28%/ 99.66%/ 94.98% in Mar22/ Dec21/ Sep21/ Jun21).
 - **For HomeFirst,** CE, after touching a high of 99.4% in Mar'22, retraced a tad to 98.4% in Jun'22.
 - **Aavas** does not share CE data, but seasonality and restructured pool slippage led to some rise in 1+ dpd and stage-3 pool.
 - **For PNBHF,** CE stood at 97.7% for Q1FY23 vs 97.9% in FY22. Retail NPAs improved ~15bps QoQ to 3.8%.
- ▶ **Stress pool in Q1FY23 was managed better across delinquency buckets (1+, 30+, 90+ dpd):** Stage-3 assets improved QoQ for HDFC, HomeFirst, Repco and PNB Housing while it rose QoQ for LIC Housing, Aavas and Aptus. However, 1+ and 30+ dpd buckets contracted ~40% from their peaks for HomeFirst and Aptus. For Aavas, improvement in 1+ dpd was more than 60% from peak. Nonetheless,

delinquency print across financiers is still away from its pre-covid average and will take a couple of more quarters to normalise, in our view.

- **For HDFC**, gross NPLs stood at Rs102bn, equivalent to 1.78% (vs 1.91% QoQ) of the portfolio (individual at 0.98% vs 0.99%, non-individual at 4.44% vs 4.76%). HDFC has not opted for the deferment, but declared its NPLs and made provisioning based on the 12th Nov'21 notification of the RBI. Similarly, stage-3 assets fell 20bps QoQ to 2.1% (vs 2.3%) and stage-2 moderated 10bps QoQ to 4.3%. For individual segment, stage-3 assets stayed flat at 1.1%, stage-2 too was maintained at 1.7%. For non-individual segment, stage-3 was down 30bps to 5.5% and stage-2 to 13.3% (vs 13.3% QoQ).
- **For Aavas**, given the seasonality, 1+ dpd delinquency bucket saw some rise to 4.67% (vs. 4.47% / 6.45% / 8.88% / 12.67% / 6.37% in Q4 / Q3 / Q2 / Q1FY22 / Q4FY21), improving visibility of it being able to narrow down the gap with pre-covid average of 4%). From the restructured pool, Rs160mn (13bps of AUM) slipped during Q1FY23 and gross stage-3 increased a tad to 1.08% from 0.99%. Of this, 26bps (vs 31bps of assets) was up to 90 dpd (under the revised classification norms).
- **Aptus'** 30+ dpd after rising to 12.98% in Dec'21 fell to 9.91% in Mar'22 and sharply improved to 6.48% in Jun'22 (achieving this level sooner than expected). The company had earlier indicated that its endeavour is to get into collection mode and clear the overdue collection to manage 30+ dpd bucket. Stage-2 has contracted significantly by 400bps QoQ to 4.72% (8.72%/11.67%/8.68% in Q4FY22/ Q2FY22/ Q4FY21).
- **HomeFirst's** gross stage-3 was 2.1% vs 2.3% QoQ, which included 90bps (vs 100bps in Q4) impact due to the RBI circular released in Nov'21. Bounce rates have reduced further to 13.5% in Jul'22 (from 14.0% / 14.5% / 15.7% / 16.5% / 18.3% in Q4 / Q3 / Q2 / Q1FY22, 17.3% in Q4FY21). 1+ dpd settled much lower at 5.0%, which is an 8-quarter low (5.3% / 6.5% / 7.6% / 8.9% / 6.2% / 4.4% in Q4FY22 / Q3FY22 / Q2FY22 / Q1FY22 / Q4FY21 / Q4FY20) and dpd 30+ too improved 20bps QoQ to 3.5% (3.7% / 4.7% / 5.2% / 5.7% / 4.1% / 2.0% in Q4FY22 / Q3FY22 / Q2FY22 / Q1FY22 / Q4FY21 / Q4FY20).
- **PNBHF's** corporate GNPA sharply declined by Rs1bn (in absolute term) to ~29% (in percentage term) from 38% QoQ. Overall, gross NPA fell to 6.35% from 8.12% QoQ and 6.40% YoY. Covid-restructured loans stood at Rs23.3bn (3.6% of AUM vs 3.7% QoQ).
- For **Repco**, GNPA's, after remaining flat at 7.0% in Q4FY22, witnessed moderation to 6.4% as recoveries of Rs1.4bn had more than offset slippages of Rs850mn. Restructured pool remained at ~Rs7bn and contingency provision of Rs200mn was created for this restructured pool.

With more room for delinquency improvement, we are building-in FY23E/FY24E stage-3 at 2.0%/1.8% for HDFC, 0.9%/0.8% for Aavas, 1.5%/1.3% for Aptus, 2.0%/1.7% for HomeFirst, 7.0%/6.5% for PNBHF, and 7.1%/6.3% for Repco.

- **Reined-in credit cost for most players; overall provisions as a % of AUM descend for most players:** For Q1FY23, Repco had the highest credit cost at 80bps, followed by Aptus at 71bps, LIC Housing at 49bps while HDFC, HomeFirst and PNB Housing had credit cost in the range of 25-30bps and Aavas at mere

3bps. Provision reversal of Rs9mn (3bps) at Aavas surprised the most. Credit cost was better than expectations even for HDFC at <35bps and Aptus at 71bps.

With improvement in delinquency buckets, overall retail loan ECL provisions (as percentage of outstanding loans) moderated QoQ: for HDFC (individual) to 0.60% (vs 0.70%), Aavas to 0.67% (0.71%), HomeFirst to 1.0% (1.1%), PNB Housing at 3.52% (4.44%), Repco flat at 4.0% while it increased for LIC Housing at 2.40% (2.33%) and 0.92% (0.80%) for Aptus

Seeing the structural improvement in 1+ dpd and provisioning buffer, we expect incremental FY23E/FY24E provisioning requirement (as % of AUM) to be capped at 33bps/31bps for HDFC, 27bps/28bps for Aavas, 76bps/59bps for Aptus, 36bps/43bps for HomeFirst, 53/45bps for PNBHF, and 69/57bps for Repco.

- **Investment in franchise continues for affordable HFCs; opex trend mixed:** Opex trend was mixed wherein HDFC, Aavas, HomeFirst saw rise of 25-50% YoY while it was relatively contained for Aptus, LICHF, PNBHF.

HDFC's non-interest expense ratios were higher (up >25%) largely due to an increase in upfront expenses on staffing, loan processing, branch expansion and information technology to enable meeting the increased demand for home loans. These expenses have been incurred upfront though benefits will accrue in course of time. Benefit of higher opex is likely to be seen in the next few quarters. Overall, management expects the cost-to-income ratio to be in single digit for FY23.

Opex for Aavas was up 53% YoY led by higher employee cost and other expenses. Aavas is building its field force for next leg of growth into newer geographies by consistently building its distribution franchise and increasing people capacity. Aavas has also strengthened its leadership in technology and will make heavy investments in it over the next 12-18 months, as it will be the key driver to make the company competitive and bring in efficiency. Management expects opex to assets to be flat YoY and from FY24, it should see 25-30bps per annum decline in 'opex to assets' ratio for the subsequent 2-3 years aided by cost efficiencies and operating leverage as it gains scale.

Operating expenses were relatively contained for Aptus, which grew 8% QoQ/16% YoY (on a low base). As a result, opex to assets improved 9bps QoQ to 2.44%, which was a decline for the fourth consecutive quarter (2.53%/ 2.61%/ 2.74%/ 2.78% in Q4/ Q3/ Q2/ Q1FY22).

HomeFirst added 54 employees during the quarter and 196 during FY22 taking the base to 905 employees, added 13 branches (to 93 branches) and increased presence to 4 more districts (to 102) with 24 more touch points (to 224). Operating expenses were elevated – growing up 6% QoQ / 39% YoY resulting in an opex-to-assets ratio of 2.9% vs 3.0% QoQ.

On a higher base of employee cost in Q1FY22, opex for LICHF fell by 25% YoY.

Affordable HFCs are preparing themselves for the next leg of growth by consistently building their distribution franchise and increasing people capacity. They are also strengthening technological capabilities to bring in efficiency and convenience.

Table 2: Gross stage-3 assets improved QoQ for HDFC, HomeFirst, Repco and PNB Housing while it rose QoQ for LIC Housing, Aavas and Aptus

Gross Stage-3 (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	1.3	1.4	2.3	2.3	2.3	2.0	1.8	2.2	2.3	2.3	2.6	2.5	2.7	2.3	2.1
LIC Housing	0.8	1.6	2.8	4.1	4.6	4.5	3.8	2.8	2.7	4.1	5.9	5.1	5.0	4.6	5.0
PNB Housing	0.3	0.5	2.7	4.4	7.6	7.0	6.5	2.6	2.6	4.4	6.0	5.9	7.6	7.6	6.4
Repco	2.9	3.0	4.3	3.7	7.0	7.1	6.3	4.0	3.3	3.7	4.4	4.3	7.0	7.0	6.4
Aavas	0.5	0.5	0.5	1.0	1.0	0.9	0.8	0.5	1.0	1.0	1.1	1.0	1.7	1.0	1.1
HomeFirst	0.6	0.8	1.0	1.8	2.3	2.0	1.7	0.9	1.6	1.8	1.9	1.7	2.6	2.3	2.1
Aptus	0.5	0.4	0.7	0.7	1.2	1.5	1.3	0.7	0.8	0.7	1.1	0.8	1.5	1.2	1.8

Source: Company data, I-Sec research

Table 3: Net Stage-3 broadly contained though higher than pre-covid levels

Net Stage-3 (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	0.8	0.8	1.2	1.1	1.0	0.9	0.8	1.1	1.2	1.1	1.3	1.1	1.4	1.0	1.0
LIC Housing	0.5	0.8	1.6	2.5	2.6	2.4	1.8	1.5	1.3	2.5	3.9	2.9	3.0	2.6	3.0
PNB Housing	0.2	0.4	1.8	2.5	4.7	4.0	3.7	1.5	1.5	2.5	3.8	3.5	5.1	4.7	4.3
Repco	1.5	1.9	2.8	2.2	4.8	4.7	3.9	2.3	1.9	2.2	2.6	2.4	4.9	4.8	4.1
Aavas	0.4	0.4	0.3	0.7	0.8	0.7	0.6	0.3	0.7	0.7	0.9	0.7	1.3	0.8	0.8
HomeFirst	0.5	0.6	0.8	1.2	1.8	1.3	1.0	0.6	1.1	1.2	1.4	1.2	2.0	1.8	1.7
Aptus	0.4	0.3	0.6	0.4	0.9	1.1	0.9	0.4	0.5	0.4	0.8	0.6	1.2	0.9	1.3

Source: Company data, I-Sec research

Table 4: Stress pool was managed better across delinquency buckets (1+, 30+, 90+ dpd)

(%)	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
1+ dpd													
Aavas	4.80	3.40	2.43	6.37	4.47	6.20	8.21	6.37	12.67	8.88	6.45	4.47	4.67
HomeFirst	3.10	3.20	4.40	6.20	5.30	6.70	7.50	6.20	8.90	7.60	6.50	5.30	5.00
30+ dpd													
HomeFirst	1.40	1.70	2.00	4.10	3.70	1.30	4.10	4.10	5.80	5.20	4.70	3.70	3.50
Aptus				9.38	9.91	7.91	10.01	9.38	10.95	12.48	12.98	9.91	6.48

Source: Company data, I-Sec research

Table 5: With improvement in delinquency buckets, ECL provisions moderated QoQ

ECL provision as a % of AUM	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	1.50	1.44	2.44	2.62	2.64	2.60	2.56	2.62	2.64	2.56	2.45	2.38	2.30
LIC Housing	0.62	0.85	1.24	1.71	2.03	1.30	1.34	1.71	2.03	2.25	2.35	2.33	2.40
PNB Housing		0.80	2.61	4.04	4.47	2.95	3.47	4.04	4.47	4.77	4.34	4.44	3.52
Repco	1.84	1.49	1.80	2.40	3.10	2.00	2.20	2.40	3.10	3.20	3.50	4.00	4.00
Aavas	0.24	0.27	0.34	0.65	0.85	0.51	0.69	0.65	0.85	0.85	0.93	0.71	0.67
HomeFirst			0.90	1.40	1.40	1.40	1.40	1.40	1.40	1.30	1.20	1.10	1.00
Aptus				0.41	0.58			0.41	0.58	0.72	0.89	0.80	0.92

Source: Company data, I-Sec research

Table 6: Reined-in credit cost was a key driver of HFCs' earnings beat

Provisions as a % of avg AUM (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	0.57	0.22	1.21	0.54	0.32	0.33	0.31	0.33	0.43	0.51	0.48	0.31	0.26	0.25	0.31
LIC Housing	0.30	0.19	0.47	0.60	0.82	0.84	0.79	0.19	0.33	1.73	1.43	1.06	0.59	0.29	0.49
PNB Housing	0.53	0.26	1.49	1.09	0.82	0.53	0.55	0.87	1.29	1.84	0.86	0.79	0.76	0.88	0.30
Repco	0.80	0.16	0.52	0.67	1.95	0.69	0.57	0.24	0.73	0.97	2.60	0.57	2.59	2.08	0.80
Aavas	0.08	0.18	0.22	0.43	0.22	0.27	0.28	0.40	0.75	0.30	0.71	0.19	0.43	-0.38	0.03
HomeFirst	0.26	0.38	0.54	0.83	0.53	0.36	0.43	1.30	0.77	0.83	1.24	0.30	0.50	0.21	0.26
Aptus	0.06	0.06	0.13	0.16	0.75	0.76	0.59	0.12	0.03	0.31	0.69	0.68	0.81	0.84	0.71

Note 1: Total provisions as per P&L is divided by average AUM for calculating credit cost

Source: Company data, I-Sec research

Table 7: HFCs are now carrying 20-35bps provisioning on stage-1, 8%-15% on stage-2 and 22-26% coverage on stage-3

Q1FY23	HDFC	HDFC (Individual)	PNB Housing	Aavas	HomeFirst	Aptus	Repco	LIC Housing
Stage-wise assets (% of assets)								
Stage 1	93.53%	97.18%	90.00%	96.39%	96.48%	93.53%	93.57%	91.08%
Stage 2	4.35%	1.70%	3.66%	2.53%	1.38%	4.72%		3.96%
Stage 3	2.12%	1.13%	6.35%	1.08%	2.14%	1.75%	6.43%	4.96%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ECL provisions & coverage ratio								
Stage 1	0.20%	0.12%	1.16%	0.24%	0.33%	0.34%	1.75%	0.08%
Stage 2	22.88%	15.53%	10.35%	7.45%	11.65%	3.46%		8.17%
Stage 3	52.75%	19.33%	32.95%	22.95%	22.43%	25.00%	36.79%	40.43%
Total provisions (B)	2.30%	0.60%	3.52%	0.67%	0.98%	0.92%	4.00%	2.40%

Source: Company data, I-Sec research

Table 8: Stress pool largely tilted towards non-individual segment

	HDFC	PNB Housing
Individual - Stage 3	1.1%	3.8%
Non Individual - Stage 3	5.5%	28.8%

Source: Company data, I-Sec research

Table 9: Disbursements jump YoY on a lower base...

Disbursements YoY % change	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY22 vs. FY20	2Y CAGR	3Y CAGR
LIC Housing (individual)	18	7	-8	18	16	23	15	37	17	8
PNB Housing (retail)		10	-35	-41	8	33	25	-36	-20	-26
Repco	9	10	-15	-30	-4	57	20	-33	-18	-17
Aavas	47	30	10	-9	36	35	30	23	11	10
HomeFirst	76	111	3	-32	85	53	35	25	12	9
Aptus		47	17	2	26	34	28	29	14	15

Source: Company data, I-Sec research

Table 10:which supported improved momentum in advances growth

AUM QoQ growth (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	2.8	1.7	2.2	3.2	0.7	4.0	3.6	5.7	2.7
LIC Housing	-0.4	1.7	3.2	5.4	0.2	2.2	2.4	3.2	1.8
PNB Housing	0.2	-2.7	-4.3	-4.2	-	-6.3	-4.7	-0.8	-1.7
Repco	1.3	0.9	-0.3	0.5	-1.1	-0.8	-0.9	-0.2	0.9
Aavas	1.8	5.4	5.4	7.2	1.7	5.5	4.6	7.0	4.8
HomeFirst	0.1	3.0	5.6	5.1	3.7	7.5	8.2	7.7	8.4
Aptus			7.1	7.5	4.6	5.4	7.2	7.8	6.5

Source: Company data, I-Sec research

Table 11: AUM growth gains traction for affordable HFCs; LICHF and Repco offer discounted rate to retain growth

AUM YoY growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	19	15	12	10	15	17	18	12	9	10	8	11	12	15	17
LIC Housing	16	16	8	10	8	12	13	5	7	10	11	11	11	8	10
PNB Housing	50	36	-2	-11	-11	2	9	-9	-10	-11	-11	-14	-14	-11	-13
Repco	10	12	7	2	-3	5	10	5	4	2	0	-2	-2	-3	-1
Aavas	51	46	31	21	20	25	27	24	23	21	21	21	20	20	24
HomeFirst	60	80	48	14	30	38	36		16	14	19	24	27	30	36
Aptus		59	41	28	27	29	28				28		27	27	30

Source: Company data, I-Sec research

Table 12: Quarterly run-down rate (repayments, balance transfer) moderated from Q4 levels

Repayment rate (%)	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
LIC Housing (individual)	16	16	16	17	18	4.5	4.8	4.7	3.5	4.8	4.7	4.4	4.1
PNB Housing (retail)	21	19	23	23	24	6.0	8.2	8.9	1.4	10.1	6.5	6.2	5.7
Repco	16	20	17	13	18	3.0	4.9	4.8	3.2	4.8	4.8	5.3	4.8
Aavas		24	23	16	23	3.7	4.6	5.5	4.0	4.8	5.9	6.5	6.1
HomeFirst		37	21	19	24	4.7	4.7	7.8	4.6	5.7	5.3	6.4	4.9
Aptus		19	15	13	13						3.0	3.1	3.7

Note 1: Repayment is calculated as % of opening AUM for all the companies

Source: Company data, I-Sec research

Table 13: Lending rate hike lags repo rate increase; repricing benefit to reflect with a lag in Q2FY23

Portfolio yield (%)	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
LIC Housing	10.1	10.5	10.0	9.1	8.4	9.8	9.5	9.1	8.8	8.7	8.5	8.4	8.1
PNB Housing	10.2	10.4	10.7	10.7	9.4	11.3	10.6	10.0	10.3	10.1	9.8	8.9	8.9
Repco	11.9	11.4	11.5	11.5	10.8	11.5	11.7	11.0	10.6	11.1	10.9	10.8	10.2
Aavas	14.0	13.8	13.6	13.2	12.7	13.5	13.4	13.2	13.0	12.9	12.8	12.7	12.7
HomeFirst	12.6	12.3	12.9	13.0	12.8	13.1	13.0	12.8	12.7	12.8	12.8	12.8	12.7
Aptus	17.4	17.3	17.2	17.0	16.9	17.1	17.1	17.0	17.0	17.0	16.9	16.9	16.9

Note: LIC Housing and Aavas quarterly numbers are on YTD basis

Source: Company data, I-Sec research

Table 14: Companies optimising on borrowing profile and managing funding cost

Cost of borrowings (%)	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
LIC Housing	8.3	8.5	8.1	6.9	6.5	7.6	7.3	6.9	6.9	6.8	6.7	6.5	6.7
PNB Housing	7.7	8.0	8.2	7.9	7.3	8.0	8.1	7.6	7.5	7.3	7.2	7.1	7.2
Repco	8.4	8.3	8.5	8.0	6.9	8.2	7.9	7.3	7.0	7.0	7.1	7.0	7.0
Aavas	8.6	8.7	8.4	7.4	6.9	7.9	7.7	7.4	7.3	7.2	7.0	6.9	6.9
HomeFirst	8.8	8.4	8.8	8.0	7.2	8.3	8.0	7.4	7.2	7.1	7.2	7.2	6.9
Aptus	9.5	9.8	9.8	8.4	7.7	9.2	8.9	8.4	8.0	7.9	8.0	7.7	7.7

Note: LIC Housing and Aavas quarterly numbers are on YTD basis

Source: Company data, I-Sec research

Table 15: Borrowing cost has bottomed out; ability to pass on funding cost and preference for margins over growth will determine the spread trajectory

Spread (%)	FY18	FY19	FY20	FY21	FY22	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
LIC Housing	1.8	2.0	1.9	2.1	1.9	2.2	2.3	2.1	1.9	2.0	1.8		
PNB Housing	2.5	2.4	2.5	2.8	2.1	3.3	2.5	2.4	2.8	2.8	2.5	1.8	1.6
Repco	3.5	3.1	3.0	3.5	3.9	3.3	3.9	3.8	3.7	4.0	3.8	3.8	3.3
Aavas	5.4	5.0	5.2	5.8	5.8	5.6	5.7	5.8	5.7	5.7	5.8	5.8	5.8
HomeFirst	3.8	3.9	4.1	5.0	5.6	4.8	5.0	5.4	5.5	5.6	5.6	5.6	5.8
Aptus	7.9	7.5	7.4	8.6	9.2	7.9	8.2	8.6	9.0	9.1	8.9	9.2	9.2

Note: LIC Housing and Aavas quarterly numbers are on YTD basis

Source: Company data, I-Sec research

Table 16: NII growth higher on a lower base for most of the players

NII growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	-3.4	18.5	11.8	17.4	14.4	15.3	17.5	22.1	24.6	13.7	23.7	14.1	7.0	14.2	7.8
LIC Housing	-5.7	24.2	9.6	11.0	6.6	23.0	9.7	2.1	4.3	38.9	9.0	-5.7	13.6	8.8	26.3
PNB Housing	43.8	30.0	11.1	0.5	-18.7	-13.2	14.7	2.7	2.5	30.5	16.1	-25.1	-24.1	-33.6	-27.6
Repco	21.5	0.4	9.7	10.6	4.3	-2.1	6.9	16.1	15.7	7.9	11.8	8.8	-1.0	-1.1	-5.4
Aavas	57.2	69.5	27.3	20.4	25.7	17.3	19.0	22.9	31.5	12.2	28.6	26.5	12.1	36.8	19.9
HomeFirst	88.5	64.7	52.8	32.1	39.2	18.0	30.0		16.3	24.2	23.5	40.3	44.9	44.8	50.8
Aptus		40.8	54.6	38.7	39.7	25.8	21.7				29.6	35.4	46.2	42.0	45.2

Source: Company data, I-Sec research

Table 17: Securitisation income support continues

Securitisation as a % of total income	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
PNB Housing	2	5	6	6	5	7	6	4	7	6	7	7	5	2	-0
Aavas	27	20	15	14	16	16	16	12	21	16	1	16	22	19	11
HomeFirst	-	15	16	16	18	22	19	-	-	22	22	19	18	14	9
Aptus	1	2	1	0	1	1	1	-	-	1	1	0	1	1	1

Source: Company data, I-Sec research

Table 18: Higher employee cost as employee base expanded YoY for most HFCs

Employee cost growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	9.4	18.8	14.6	57.8	16.0	-9.6	-2.5	-3.9	-4.3	0.6	9.1	16.6	21.0	20.2	19.4
LIC Housing	-9.6	11.4	20.9	-2.0	92.1	-29.2	7.5	2.0	3.7	-32.4	170.5	87.4	28.7	74.5	-54.7
PNB Housing	42.4	110.8	-23.3	-9.3	2.5	12.0	9.0	-22.5	-27.5	49.2	-8.5	2.7	17.2	3.2	9.5
Repco	14.6	18.6	13.4	7.4	10.2	14.2	9.8	11.5	11.5	-5.0	-4.3	5.6	13.7	24.1	25.8
Aavas	159.1	5.1	25.7	16.8	34.9	19.5	10.7	27.1	10.9	16.8	26.2	34.2	39.4	37.9	48.5
HomeFirst	67.2	72.2	41.5	8.2	22.1	29.3	24.4		13.5	21.5	27.3	25.8	15.7	21.2	37.9
Aptus		42.4	34.7	10.2	18.2	32.9	26.6				36.4	35.2	6.4	-0.4	5.2

Source: Company data, I-Sec research

Table 19: Opex growth high as HFCs are consistently building their distribution franchise and increasing people capacity

Opex growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	127.6	-22.0	-14.4	41.3	15.2	5.3	5.7	-3.5	39.9	41.1	38.9	44.8	-11.2	3.1	6.9
LIC Housing	-24.0	57.4	-9.3	9.8	41.7	-11.1	15.7	21.2	22.8	-9.8	105.7	62.2	16.1	9.6	-29.0
PNB Housing	51.9	9.3	-7.0	-17.5	4.5	3.1	12.4	-18.9	-26.0	0.4	10.6	11.1	16.7	-13.1	5.4
Repco	16.8	24.8	8.1	7.5	8.4	14.9	8.2	3.2	6.3	17.6	4.5	10.2	17.9	2.0	37.8
Aavas	144.2	14.9	21.7	11.6	36.6	19.7	13.1	20.9	6.0	13.6	27.9	36.3	36.9	42.8	52.6
HomeFirst	61.7	74.7	42.0	3.5	21.9	24.9	22.1		-3.1	17.2	24.8	28.3	16.9	16.0	38.7
Aptus		42.3	32.1	10.6	19.8	30.6	23.8				19.5	39.1	4.7	5.4	16.5

Source: Company data, I-Sec research

Table 20: Improved productivity and operating leverage are key to offset the rising cost

Cost to income (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	11.1	9.6	4.6	9.2	9.7	8.8	7.8	8.4	11.0	9.7	10.7	9.4	9.7	9.3	10.3
LIC Housing	12.6	16.4	13.6	13.5	17.8	13.1	13.8	13.2	13.4	15.4	21.8	22.7	13.6	15.1	12.3
PNB Housing	29.9	23.6	21.1	18.0	22.3	24.5	23.8	15.7	15.3	21.2	19.5	21.5	23.3	25.4	25.3
Repco	17.1	20.7	20.2	19.6	20.1	23.1	22.8	18.2	18.5	23.3	16.8	17.7	22.4	23.5	23.9
Aavas	54.6	41.5	42.0	39.7	42.3	42.2	39.5	40.6	34.4	42.1	42.3	41.2	41.8	43.8	47.0
HomeFirst	60.2	49.8	45.2	38.8	33.9	33.9	33.2	44.3	48.8	38.1	31.5	33.5	32.9	35.6	35.7
Aptus	31.6	30.3	26.0	21.8	18.5	19.3	19.6	21.0	22.3	22.2	21.5	21.2	16.2	16.4	16.8

Source: Company data, I-Sec research

Table 21: Investment in distribution franchise continued...

Branches (nos)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
PNB Housing	86	102	105	96	105	105	105	96	96	96	94	94	94	100	105
Repco	160	167	177	177				177	177	177	177	177	177	179	180
Aavas	165	210	250	280	314	349	384	259	263	280	284	297	298	314	318
HomeFirst	42	60	68	72	80	105	125		72	72	72	72	76	80	93
Aptus	109	142	174	190	208	233	258					198	202	208	211

Note: Repco number is including satellite centres

Source: Company data, I-Sec research

Table 22: ...opex-to-asset ratio was elevated except for Aptus

Opex to assets (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4
LIC Housing	0.3	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.5	0.5	0.3	0.4	0.3
PNB Housing	1.0	0.8	0.7	0.6	0.7	0.7	0.8	0.6	0.5	0.8	0.7	0.7	0.7	0.8	0.7
Repco	0.8	1.0	0.9	0.9	1.0	1.2	1.1	0.8	0.9	1.2	0.8	0.9	1.1	1.2	1.1
Aavas	5.1	3.9	3.5	3.1	3.5	3.5	3.3	3.1	3.0	3.3	3.0	3.7	3.7	4.0	3.6
HomeFirst	3.5	3.7	3.4	2.6	2.7	2.8	2.8	2.5	2.8	2.9	2.5	2.6	2.8	3.0	2.9
Aptus	3.3	3.5	2.9	2.4	2.3	2.4	2.4			2.5	2.5	2.4	2.1	2.3	2.2

Source: Company data, I-Sec research

Table 23: Improved growth momentum and stable NIMs support operating profit growth

Operating profit growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	33.9	-8.2	88.5	-32.9	8.0	18.0	19.7	-24.9	-64.2	17.1	-4.5	29.1	2.2	8.2	11.2
LIC Housing	-0.0	15.3	13.2	10.5	2.1	27.5	8.9	-2.2	1.3	55.6	-4.7	-16.0	14.5	12.2	41.5
PNB Housing	40.2	51.2	7.2	0.3	-19.7	-9.0	16.7	-0.4	14.9	26.0	17.3	-24.7	-30.4	-31.4	-24.3
Repco	15.1	-1.4	11.4	12.1	4.7	-3.9	10.6	13.1	22.3	8.7	13.0	14.1	-7.0	0.6	-11.7
Aavas	43.6	94.7	19.0	23.1	22.3	20.6	26.0	-2.9	54.9	40.9	32.9	32.8	0.1	33.1	25.7
HomeFirst	124.5	167.1	70.8	34.2	51.2	24.9	26.0		-31.0	81.1	6.0	102.0	127.9	29.6	15.2
Aptus		51.2	63.0	39.8	46.6	24.4	21.6				36.3	37.9	55.8	53.4	58.2

Source: Company data, I-Sec research

Table 24: Next 2 years earnings growth momentum to sustain at 20-25%

PAT growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	47.3	-12.1	86.8	-33.2	14.3	18.0	21.0	-27.6	-65.1	42.4	-1.7	31.7	11.5	16.4	22.3
LIC Housing	3.7	21.4	-1.2	13.8	-16.4	32.3	9.5	2.4	21.7	-5.3	-81.2	-68.7	5.5	180.4	503.2
PNB Housing	14.9	98.0	-45.8	43.9	-10.0	7.0	18.6	-14.6	-1.9	-152.5	-5.4	-24.9	-18.9	33.5	-3.4
Repco	10.4	16.6	19.6	2.6	-33.4	52.1	15.5	-19.7	14.2	32.5	-49.8	6.3	-60.5	-33.5	93.2
Aavas	62.9	89.0	41.5	16.3	23.2	19.8	24.0	-12.9	26.1	46.7	19.6	39.2	4.1	32.0	49.0
HomeFirst	139.6	182.6	75.9	25.9	73.8	25.3	23.0		-47.1	151.9	-9.1	213.0	189.0	54.0	46.0
Aptus		67.6	89.3	26.4	38.7	23.8	23.2				28.7	30.6	47.1	45.4	61.6

Source: Company data, I-Sec research

Table 25: RoA trajectory improves in FY22 and will sustain over FY23-24E

RoA (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	3.0	2.2	3.7	2.2	2.3	2.3	2.4	2.1	2.1	2.3	2.1	2.6	2.1	2.3	2.2
LIC Housing	1.2	1.3	1.2	1.2	0.9	1.1	1.1	1.4	1.3	0.7	0.3	0.4	1.3	1.8	1.5
PNB Housing	1.1	1.6	0.8	1.2	1.2	1.3	1.4	1.6	1.2	0.7	1.4	1.4	1.1	1.0	1.4
Repco	2.1	2.3	2.4	2.4	1.6	2.4	2.5	2.6	2.6	2.0	1.0	2.8	1.0	1.4	2.1
Aavas	2.9	3.6	3.7	3.5	3.6	3.6	3.7	3.2	3.9	3.9	2.6	3.9	3.6	4.4	3.2
HomeFirst	1.4	2.4	2.7	2.5	3.6	3.9	3.8	1.5	1.6	2.9	3.1	3.9	4.0	4.0	3.9
Aptus	4.6	5.9	7.0	6.5	7.3	7.2	7.1			6.7	6.5	6.6	8.0	8.2	8.1

Source: Company data, I-Sec research

Table 26: Stable to improving RoE profile for most HFCs

RoE (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
HDFC	20.9	13.5	22.0	12.3	12.0	12.9	13.9	12.0	11.4	11.8	10.9	13.5	11.5	12.6	12.3
LIC Housing	15.8	15.9	13.9	14.1	10.1	11.7	11.6	16.3	14.5	7.8	3.0	4.5	13.0	18.4	14.7
PNB Housing	9.9	16.9	8.3	11.0	8.9	8.7	9.4	14.7	10.7	5.7	10.8	10.1	8.0	7.2	10.0
Repco	16.4	16.5	16.9	15.0	8.9	12.3	12.6	17.2	16.3	12.5	6.2	16.2	5.8	7.6	11.0
Aavas	10.6	11.6	12.7	12.9	13.7	14.1	15.1	12.1	15.1	14.9	9.8	14.6	13.6	16.9	12.5
HomeFirst	5.1	10.7	10.9	8.7	11.8	12.9	13.9	5.8	6.1	10.1	10.0	12.5	12.4	12.5	12.8
Aptus	11.4	17.4	17.5	14.5	15.1	14.6	15.4			15.3	14.9	12.6	14.7	15.4	16.0

Source: Company data, I-Sec research

Q1FY23 earnings update

Lagged rate transmission effect and modest income from surplus liquidity moderated **HDFC Limited's (HDFC)** NII growth in Q1FY23 to 8% YoY (down 3% QoQ). PAT at Rs36.7bn, up 22% YoY (flat QoQ), settled marginally below our expectations. Nonetheless, with quarterly reset of back-book loans and monthly reset of incremental loans, we expect NIM as well as NII growth to retrace. Moreover, growth in individual portfolio improved to 19% (17%/16%/16%/13.6% in Q4 /Q3 /Q2 /Q1FY22) and overall AUM growth sustained 16% YoY. With overall improvement in asset quality metrics (stages-2&3 across individual and corporate books), credit cost was contained at 33bps (better than expectations). Maintain **BUY** with a SOTP target price of Rs3,205 (assigning 3x multiple to core mortgage book).

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The trends that were being monitored and watched closely in **LIC Housing Finance's (LICHF)** Q1FY23 earnings were NIM trajectory, retail growth momentum and restructured pool behaviour. The earnings reflected: i) Compromise in yields to retain customers and sustain growth as LICHF offered discounted rates to its existing customer base. Nonetheless, PLR hike wef 1st July'22 should support yield trajectory. ii) Yield pressure weighing on NIMs (moderated 11bps QoQ to 2.54%). ALM profile suggests lending rate hike will more than offset borrowing cost rise and NIMs should improve. iii) Retail home loan growth of 15% YoY / 3% QoQ supported improved overall loan growth momentum to 10% YoY / 1.8% QoQ. iv) Stage-3 assets have risen QoQ to 4.96% (vs 4.64%) and even stage-2 pool spiked QoQ to 3.96% (vs 3.08%) due to forward flow and reclassification of OTR pool. Credit cost settled lower at <50bps leading to earnings beat. However, considering 2.4% ECL provisioning against stress pool of 9%, we expect some catch up in coming quarters, estimating 80bps credit cost for FY23.

Better than anticipated operating profit profile in a seasonally modest Q1 leads us to revise FY23 earnings by 17% and we expect ~12% RoE for FY23/FY24E. Maintain **BUY** with an unchanged target price of Rs490 (0.9x FY24E book).

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Aavas Financiers (Aavas) reported PAT of Rs892mn (up 49% YoY, down 23% QoQ) in Q1FY23, a miss on our estimate of Rs925mn due to lower securitisation gains. Positive surprise was in the 23.7% YoY growth in AUM (much awaited) and credit cost of a mere Rs9mn. Given seasonality, the 1+ dpd bucket saw some rise to 4.67% (vs 4.47% / 6.45% / 8.88% / 12.67% / 6.37% in Q4 / Q3 / Q2 /Q1FY22 / Q4FY21 (improving visibility of it being able to narrow down the gap with pre-covid average of 4%). With slippages from the restructured pool, gross stage-3 increased a tad to 1.08% vs 0.99%. Investments in building capacities continued and 'opex to AUM' was elevated at 3.5%. We expect productivity to improve hereon; disbursement growth is expected to catch pace and support AUM growth of 22-25% in the medium term. With sustained NIMs, Aavas is likely to deliver ~3.6% / 3.7% RoA and ~14% / 15% RoE by FY23E / FY24E. Maintain **BUY** with the target price unchanged at Rs2,845, assigning 6.0x FY24E BV. Key risks: 1) elevated opex weighing on RoA improvement, 2) pressure on NIMs in a rising rate scenario.

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Home First Finance (HomeFirst) reported a better than expected Q1FY23 PAT of Rs512mn, up 6% QoQ and 46% YoY, translating to 3.9% RoA and 12.8% RoE. Earnings were above our estimate and buoyed by 20bps QoQ rise in spreads, 8% QoQ / 36% YoY growth in AUM, mere 26bps credit cost, and 30bps QoQ decline in the 1+ dpd bucket. Earnings momentum sustained despite lower assignment income and elevated opex (up (6% QoQ / 39% YoY). 1+ dpd settled much lower at 5.0% (5.3% QoQ) and 30+ dpd too improved 20bps QoQ to 3.5% (3.7% QoQ). Disbursements, even on the higher base of Q4FY22, grew 3% QoQ / 117% YoY to Rs6.6bn. Credit cost came in lower at Rs36mn, equivalent to 26bps annualised vs 21bps QoQ and 124bps YoY.

The business momentum seen in Q1FY23 improves visibility on HomeFirst being able to register >33% AUM CAGR over FY22-FY4E with sustained spreads and contained credit cost. We expect the company to deliver RoAs of ~3.8-3.9% and RoEs of ~13-14% until FY24E. This can help it command multiple of 4.25x FY24E book (roll-forward). Maintain **BUY** with a revised target price of Rs995 (earlier Rs915). Key risks: i) sourcing as well as collections managed by front-end team, and ii) elevated operating cost.

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Aptus Value Housing Finance's (Aptus) Q1FY23 earnings at Rs1.19bn (up 62% YoY / 8% QoQ) translating into 8.9% RoA and 15.9% RoEs was better than expected. With focused collection efforts, 30+ dpd sharply improved to 6.48% in Jun'22 (vs 9.91% / 12.98% in Dec'21/Mar'22) achieving this level sooner than expected. Some forward flow into stage-3 assets (1.75% vs 1.19% QoQ) and inch up in ECL coverage resulted in marginally higher than expected credit cost at Rs95mn (<75bps). Disbursements more than doubled YoY supporting AUM growth of 7% QoQ / 30% YoY (vs 27% over the past 3 quarters) to Rs55.2bn. Optimising the borrowing cost (reflected in a decline in cost of funds), it has not yet hiked lending rates; NIMs were stable QoQ at 9.17%. We expect revenue and earnings to compound at 23-24% CAGR over FY22-FY24E and RoAUMs to sustain at >7.4% by FY24E. Assigning a valuation of 4.5x Sep'23E book, we revise our target price to Rs339 (earlier: Rs342). Maintain **ADD**.

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PNB Housing Finance's (PNBHF) Q1FY23 earnings were characterised by write-offs, sell-down and resolution in a few developer accounts improving GNPA's to 6.35% (vs 8.12%). This coupled with decline in stage-3 coverage to 33% (vs 37.7%) led to lower than expected credit cost at <40bps. Resultantly, 39% QoQ rise in PAT to Rs2.35bn (down 3% YoY) was above our estimate of Rs1.6bn. Pressure on spreads was visible (down 20bps QoQ) as it was incrementally chasing competitive retail housing segment resulting in 9bps yield decline while funding cost went up by 11bps. Impact of 35bps hike in lending rates in Q1FY23 and another 50bps in Q2 on spreads will be key to watch out. Retailisation strategy on track reflected in retail disbursement momentum. However, BT (out) rate at ~9% and down-selling/deleveraging of corporate book dragged AUM down 13% YoY and 2% QoQ. It is revamping Unnati portfolio, building mass retail housing, and driving cost efficiencies. Nonetheless, actual progress is lagging expectations and needs some realignment at granular level. Maintain **HOLD** with a revised target price of Rs361 (earlier: Rs395) valuing it at 0.6x (earlier 0.65x) FY24E ABV.

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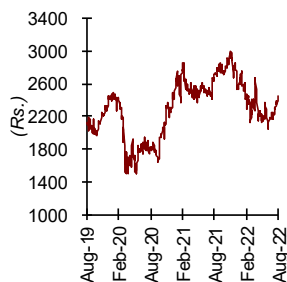
Repco Home Finance (Repco) reported PAT of Rs621mn in Q1FY23, ahead of our expectations, due to lower credit cost at Rs237mn (80bps) vs our estimate of >Rs500mn. GNPA's, after remaining flat at 7.0% in Q4FY22, moderated to 6.4% as recoveries of Rs1.4bn more than offset slippages of Rs850mn. Company increased coverage on stage-3 assets to 37% (vs 32%/30% in Q4/Q3FY22) and created Rs200mn of contingency provisions during Q1FY23. Being offset by release of provisioning on stage-2 assets, credit cost was contained at 80bps. Disbursement rate picked pace and was up 7% QoQ. This, coupled with a lower repayment/prepayment run-rate, has arrested sequential decline in the loan portfolio Q1FY23 onwards. Yields contracted 60bps QoQ due to conscious efforts of repricing loans lower to curtail balance transfer as well as waiving processing fees in a few cases. This dragged NIM and NII growth below expectations.

Under the leadership of new MD & CEO, Mr. K. Swaminathan, growth strategy seems to be delivering the right results. Company's business franchise is currently undervalued – the stock trades below its FY23E book and at 3.4x FY23E earnings, and is available at <0.1x AUM. Maintain **BUY** with an unchanged target price of Rs470, assigning 1.1x Sep'23E book value.

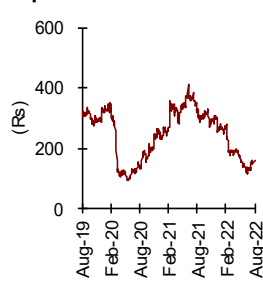
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Price charts

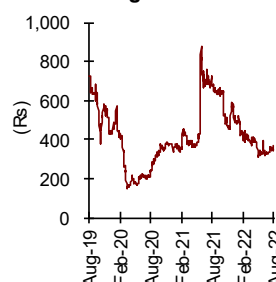
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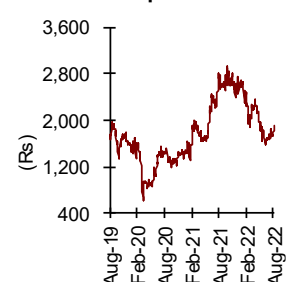
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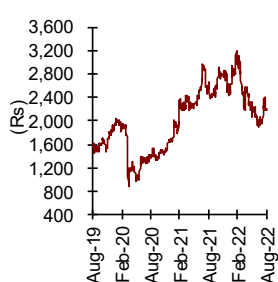
PNB Housing Finance



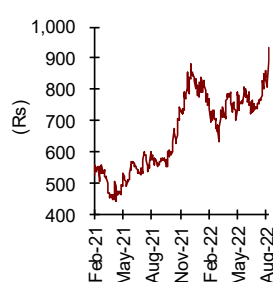
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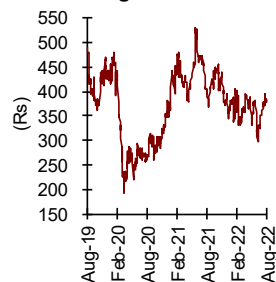
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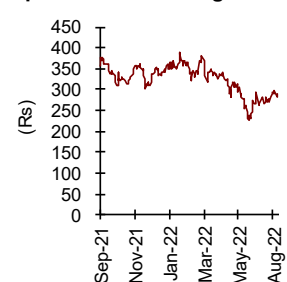
HomeFirst Finance



LIC Housing Finance



Aptus Value Housing Finance



Source: Bloomberg, I-Sec research

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