

...continued from previous page.

5. The average cost of acquisition of the Promoter Selling Shareholder is ₹80.54 which may be below the Offer Price. The Floor Price and Cap Price are "X" times the average cost of acquisition of Selling Shareholder:

Average Cost of Acquisition (₹ Per Equity Share)	Floor Price i.e. ₹ 300 Per Equity Share	Cap Price i.e. ₹ 315 Per Equity Share
80.54	3.72 times	3.91 times

6. We have had negative net cash flows in the past and may continue to have negative cash flows in the future, which could adversely affect our ability to, among others, fund our operations or pay our debts in a timeline manner, which could in turn adversely affect our business, cash flows, financial condition and results of operations. The following table sets forth our cash flows for the periods indicated:

	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2023	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net cash used in operating activities	(12,022.9)	(9,067.5)	(11,556.9)	(10,065.7)	(16,582.2)
Net cash generated from / (used in) investing activities	(4,804.8)	8,225.7	(4,765.3)	(228.0)	4,805.7

(₹ in million)

	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2023	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net cash generated from financing activities	7,013.9	2,748.5	14,631.9	10,298.7	9,609.8

7. There have been no Equity Shares transacted in the three years, eighteen months and one year immediately preceding the Red Herring Prospectus.
8. The 5 BRLMs associated with the Offer have handled 60 public issues in the past three financial years, out of which 18 issues have closed below the offer price on the listing date

Name of the BRLMs	Total issues	Issues closed below IPO Price on listing date
ICICI Securities Limited*	21	6
Citigroup Global Markets India Private Limited*	2	0
Kotak Mahindra Capital Company Limited*	8	2
Nomura Financial Advisory and Securities (India) Private Limited*	1	1
SBI Capital Markets Limited*	7	4
Common Issues handled by the BRLMs	21	5
Total	60	18

*Issues handled where there were no common BRLMs

BID/OFFER PROGRAMME	ANCHOR INVESTOR BIDDING DATE : TUESDAY, MAY 7, 2024
	BID/OFFER OPENS ON : WEDNESDAY, MAY 8, 2024*
	BID/OFFER CLOSURES ON : FRIDAY, MAY 10, 2024**

*Our Company may, in consultation with the Book Running Lead Managers, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.
**The UPI mandate end time and date shall be at 5:00 p.m. on Bid/Offer Closing Day.

BASIS FOR OFFER PRICE

The Price Band will be determined by our Company in consultation with the Book Running Lead Managers. The Offer Price will also be determined by our Company, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is 30.0 times the face value at the lower end of the Price Band and 31.5 times the face value at the higher end of the Price Band. Investors should refer to "Risk Factors", "Our Business", "Restated Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 24, 151, 237 and 335, of the RHP, respectively, to have an informed view before making an investment decision.

Qualitative Factors: Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are as follows: • HFC focused on the low income housing segment (ticket size less than ₹1.5 million) in India with the highest AUM and net worth among our analyzed peers in Fiscal 2021, Fiscal 2022, Fiscal 2023 and nine months ended December 31, 2022 and December 31, 2023; • Seasoned business model with strong resilience through business cycles; • Extensive branch and sales office network, geographical penetration and sales channels which contribute significantly to loan sourcing and servicing; • Robust, comprehensive systems and processes for underwriting, collections and monitoring asset quality; • Access to diversified and cost-effective long-term financing with a disciplined approach to asset liability and liquidity management; • Social objectives are one of the core components of our business model; and • Experienced, cycle-tested and professional management team with strong corporate governance. For details, see "Our Business – Competitive Strengths" on page 154 of the RHP.

Quantitative Factors: Some of the information presented below relating to the Offer Price is derived from the Restated Consolidated Financial Information. For details, see "Restated Consolidated Financial Information" and "Other Financial Information" on pages 237 and 333, of the RHP, respectively.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings Per Equity Share ("EPS") (face value of each Equity Share is ₹10):

Fiscal/Period Ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2021	8.6	8.4	1
March 31, 2022	11.3	10.9	2
March 31, 2023	13.8	13.4	3
Weighted Average	12.1	11.7	-
For the nine months ended December 31, 2022 ⁽¹⁾	10.2	9.9	-
For the nine months ended December 31, 2023 ⁽²⁾	13.9	13.5	-

(1) Basic and diluted earnings per share is not annualised for the nine months' period ended December 31, 2023 and December 31, 2022.
(2) The shareholders vide special resolution have approved bonus issue of equity shares of the Company in the ratio of nine shares of face value of ₹10 each for each existing equity share of the face value of ₹10 on January 16, 2021 in extraordinary general meeting (EGM). Consequently, earnings per share has been restated for all the years presented. Notes: The above ratios have been computed as below:

- Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. (EPS x Weight) for each year/Total of weights.
- Earnings per Share (₹) = Net profit after tax attributable to equity shareholders divided by Weighted average number of equity shares outstanding during the period.
- Basic and diluted earnings/ (loss) per equity share: Basic and diluted earnings/ (loss) per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended).
- As at, March 31, 2023, March 31, 2022 and March 31, 2021, there are potential equity shares, hence considered in the calculation of diluted earnings per share.

B. Price/Earning ("P/E") ratio in relation to Price Band of ₹300 to ₹315 per Equity Share:

Particulars	P/E at the Floor Price (number of times)	P/E at the Cap Price (number of times)
Based on basic EPS for period ended March 31, 2023	21.7	22.8
Based on diluted EPS for period ended March 31, 2023	22.4	23.5

C. Industry Peer Group P/E ratio

Particulars	P/E Ratio (x)
High	34.9
Lowest	28.1
Average	31.9

Notes:
(1) The industry high and low has been considered from the industry peer set provided later in this advertisement. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this advertisement. For further details, see "Comparison with Listed Industry Peers" on page 102 of the RHP.
(2) The industry P/E ratio mentioned above is for the financial year ended March 31, 2023. P/E Ratio has been computed based on the closing market price of equity shares on BSE on April 18, 2024 divided by the Diluted EPS for the year ended March 31, 2023.
(3) All the financial information for listed industry peers mentioned above is sourced from the audited financial statements of the relevant companies for Fiscal 2023, as available on the websites of the stock exchanges.

D. Return on Net worth ("RoNW")

Fiscal/Period ended	RoNW (%)	Weight
March 31, 2021	12.6%	1
March 31, 2022	14.1%	2
March 31, 2023	14.7%	3
Weighted Average	14.2%	-
December 31, 2022 ⁽¹⁾	11.4%	-
December 31, 2023 ⁽²⁾	12.9%	-

* Not annualised for the nine months' period ended December 31, 2023 and December 31, 2022.

Notes:
(1) Return on Net Worth (%) = Net profit/(loss) after tax for the years/period attributable to the owners of the Company / Net worth attributable to owners of the Company.
(2) Net worth has been computed as a sum of paid-up share capital and other equity excluding capital reserve on amalgamation.
(3) The Weighted Average Return on Net Worth is a product of Return on Net Worth and respective assigned weight, dividing the resultant by total aggregate weight.

E. Net Asset Value ("NAV") per Equity Share of ₹10 each

Financial Year/Period	Amount (₹)
As on March 31, 2023	93.7
As on December 31, 2023	107.6
After the completion of the Offer	
-At the Floor Price	122.61
-At the Cap Price	123.07
At Offer Price	[*]

* Offer Price per Equity Share will be determined on conclusion of the Book Building Process.

Notes:
(1) Net Asset Value per Equity Share = Net worth as per the Restated Consolidated Financial Information / Number of Equity Shares outstanding as at the end of year/period

(2) Net worth has been computed as a sum of paid-up share capital and other equity excluding capital reserve on amalgamation.

F. Key Performance Indicators

The tables below set forth the details of certain financial data based on our Restated Consolidated Financial Information, certain Non-GAAP measures and key performance indicators ("KPIs") that the Company considers have a bearing on arriving at the basis for Offer Price. All the financial data based on our Restated Consolidated Financial Information, certain Non-GAAP measures and KPIs disclosed below have been approved and confirmed by a resolution of our Audit Committee dated April 30, 2024. Further, the Audit Committee has confirmed that there are no KPIs pertaining to our Company that have been disclosed to any investors except our Promoter, at any point of time during the three years prior to the date of the Red Herring Prospectus. Further, our Company has not had any investor during the past three years other than our Promoter. The KPIs disclosed herein have been disclosed to our Promoter during the three years preceding the date of the Red Herring Prospectus and have been certified by S K Patodia & Associates LLP, Chartered Accountants by their certificate dated April 30, 2024.

Bidders can refer to the below-mentioned KPIs, being a combination of financial and operational metrics, to make an assessment of our Company's performance and make an informed decision.

A list of our KPIs, is set out below for the indicated periods below:

Particulars	As at and for the Fiscal ended			As at and for the nine months period ended	
	March 31, 2021	March 31, 2022	March 31, 2023	December 31, 2022	December 31, 2023
Financial					
Asset Under Management (AUM) ⁽¹⁾	133,271.0	147,777.9	172,228.3	165,664.6	198,651.6
Disbursements ⁽²⁾	35,447.1	39,919.3	59,026.1	39,453.6	49,040.6
Profit After Tax	3,401.3	4,448.5	5,843.3	4,040.6	5,478.8
Average yield on Loan Book (%) ⁽³⁾	13.2%	12.8%	12.8%	12.8%	14.0%
Average cost of borrowings (%) ⁽⁴⁾	8.2%	7.2%	7.0%	7.0%	7.6%
Spread (%) ⁽⁵⁾	5.0%	5.6%	5.8%	5.8%	6.4%
Operating Expenses / Average Total Assets (%) ⁽⁶⁾	2.1%	2.5%	3.1%	2.9%	3.3%
Cost to Income Ratio (%) ⁽⁷⁾	35.8%	36.3%	38.1%	36.7%	36.2%
Return on Total Assets (%) ⁽⁸⁾	2.6%	3.2%	3.6%	3.6%	4.2%
Return on Equity (%) ⁽⁹⁾	13.5%	15.2%	16.5%	16.1%	18.4%
Gross NPA to AUM (%) ⁽¹⁰⁾	1.1%	1.5%	1.2%	1.8%	1.4%
Net NPA to AUM (%) ⁽¹¹⁾	0.7%	1.1%	0.8%	1.3%	1.0%
Net worth ⁽¹²⁾	26,927.6	31,486.3	36,976.0	35,556.8	42,491.0
Debt to Net worth ratio ⁽¹³⁾	3.9	3.4	3.3	3.3	3.1
CRWAR (%) ⁽¹⁴⁾	44.1%	45.4%	42.7%	44.9%	39.7%
Operational					
Number of branches ⁽¹⁵⁾	310	332	469	415	487
Number of States ⁽¹⁶⁾	20	20	20	20	20

* Annualised
(1) Prior to taking into account the exceptional items.
(2) Represents aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets under management which includes loan assets held by Company as of the last day of the relevant year or period as well as loan assets which have been transferred by our Company by way of assignment and are outstanding as of the last day of the relevant year or period.
(3) Average yield on Loan Book is calculated as interest income on loans and advances divided by the average gross loan book.
(4) Average cost of borrowings is the simple average of finance cost outstanding at the first and last day of the financial year.
(5) Spread is calculated as average yield on loan book minus average cost of borrowings including assignment.
(6) Operating Expenses / Average Total Assets (%) is the ratio of operating expenses to average total assets.
(7) Cost to income ratio (%) is calculated as operating expenses to total income minus finance cost.
(8) Return on Total Assets (%) is calculated as profit after tax divided by average total assets.
(9) Return on Equity (%) is calculated as profit after tax divided by average total equity.
(10) Gross NPA to AUM is calculated as the ratio of Gross NPA to AUM as on the last date of the relevant period.
(11) Net NPA to AUM is calculated as the ratio of Net NPA to AUM as on the last date of the relevant period.
(12) Net worth includes equity share capital plus other equity excluding capital reserve on amalgamation.
(13) Debt to Net Worth Ratio is calculated as the ratio of total borrowings to net worth as on the last day of the relevant period.
(14) CRWAR (Capital to Risk Weighted Assets Ratio) is calculated as Tier I and II capital divided by weighted average of funded and non-funded items after applying risk weights as assigned by RBI.
(15) Number of branches represents aggregate number of branches of our Company as of the last day of relevant period.
(16) Number of states represents aggregate number of states of our Company as of the last day of relevant period.
For reconciliation of certain Non-GAAP measures, see "Selected Statistical Information – Non-GAAP Reconciliation" on page 234 of the RHP. For details of our other operating metrics disclosed elsewhere in the Red Herring Prospectus, see "Our Business", "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 151, 215 and 335, of the RHP, respectively.
Our Company shall continue to disclose the KPIs disclosed hereinabove in this advertisement on a periodic basis, at least once in a year (or for any lesser period as determined by the Board of our Company), for a period of one year from the date of listing of the Equity Shares on the Stock Exchanges pursuant to the Offer, or until utilization of Offer Proceeds, whichever is later, or for such other period as may be required under the SEBI ICDR Regulations.

Description on the historic use of the KPIs by our Company to analyze, track or monitor the operational and/or financial performance of our Company
In evaluating our business, we consider and use certain KPIs as presented above, as a supplemental measure to review and assess our financial and operating performance. The presentation of these KPIs are not intended to be considered in isolation or as a substitute for the Restated Consolidated Financial Information. We use these KPIs to evaluate our financial and operating performance. Some of these KPIs are not defined under Ind AS and are not presented in accordance with Ind AS. These KPIs have limitations as analytical tools. Further, these KPIs may differ from the similar information used by other companies and hence their comparability may be limited. Therefore, these metrics should not be considered in isolation or construed as an alternative to Ind AS measures of performance or as an indicator of our operating performance, liquidity, profitability or results of operation. Although these KPIs are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that it provides an additional tool for investors to use in evaluating our ongoing operating results and trends and in comparing our financial results with other companies in our industry because it provides consistency and comparability with past financial performance, when taken collectively with financial measures prepared in accordance with Ind AS.

Explanation for the KPIs

KPI	Explanation
Asset Under Management (AUM)	Represents aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets under management which includes loan assets held by our Company as of the last day of the relevant year or period as well as loan assets which have been transferred by the Company by way of assignment and are outstanding as of the last day of the relevant year or period.
Disbursements	Represents the aggregate of all loan amounts extended to the customers of the Company in the relevant year or period.
Profit After Tax	PAT represents Profit After Tax for the relevant year or period as per the Restated Consolidated Financial Information
Average yield on Loan Book (%)	Represents the ratio of interest income on loans for a year or period to the average Gross Loan Book for the year or period.
Average cost of borrowings (%)	Represents finance cost for the relevant year or period as a percentage of Average Borrowings in such year. Average Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant year or period and our Total Borrowings outstanding as of the last day of the previous year.
Spread (%)	Represents average yield on Gross Loan Book less average cost of borrowings including assignment.
Operating Expenses / Average Total Assets (%)	Represents the ratio of our operating expenses for a year or period to the average total assets for the year or period, expressed as a percentage.
Cost to Income Ratio (%)	Cost to income ratio represents the ratio of operating expenses for the relevant year or period divided by total income for the year or period, less finance costs for the year or period, expressed as a percentage.
Return on Total Assets (%)	Calculated as the Profit After Tax for the relevant year or period as a percentage of Average total assets in such year or period.
Return on Equity (%)	Return on Equity is calculated as the Profit After Tax for the relevant year or period as a percentage of Average Total Equity in such year or period.

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