

CMP: INR 1060

Rating: Buy

Target Price: INR 1390

Stock Info

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Cr)	17.70
Mkt Cap (INR Bn)	94.37
52w H/L (INR)	1195 / 777
Avg Yearly Vol (in 000')	257

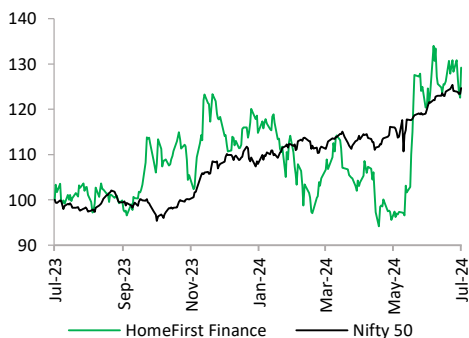
Shareholding Pattern %

(As on April, 2024)

Promoters	23.45
Public & Others	76.55

Stock Performance (%)	1m	6m	12m
Home First Finance	3.8	10.2	29.3
Nifty 50	3.3	13.4	24.6

Home First Finance Vs Nifty 50



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Home First Finance (HFFC) delivered positive financial results for Q1FY25, showing a some signs of stress as bounce rates increased. PAT improved by 26.9% YoY/ up 5.2% QoQ, reaching INR 878 mn, as net interest income increased by 7.64% QoQ/ 21.16% YoY at INR 1796 mn. Further, finance costs increased in Q1FY25, as interest expenses rose by 46.8% YoY/ 7.5% QoQ. The company maintained strong business momentum with disbursements amounting to INR 11.63 bn (+29.9% YoY/+5.5% QoQ), leading to a robust 34.75% YoY/ 8.05% QoQ growth in AUM which stood at INR 104.78 bn. Management remains optimistic about the demand and growth prospects, expecting its book to expand further. Asset Quality remained stable sequentially but there was a notable increase in bounce rates to 15.3% in Q1FY25 against 14.7% in Q4FY24. GNPA/NNPA came at 1.7% (flat QoQ/ up 10 bps YoY) and 1.3% (up 10 bps QoQ/ up 20 bps YoY), respectively. The company witnessed a slight increase in the DPD 30+ book from 2.8% to 2.9% QoQ and DPD 1+ book increased by 30 bps QoQ/ 20 bps YoY at 4.5%.

Key Highlights:

- NII stood at INR 1.79 bn (up 21.16% YoY/up 7.64% QoQ). Spread for the quarter came at 5.1% against 5.2% QoQ. In Q1FY25, Yield for the quarter declined marginally by 20bps YoY at 13.5%.
- OPEX grew by 18.37% YoY/ 12.14% QoQ. The C-I ratio increased by -69bps YoY/ 150 bps QoQ at 35.6%. PPOP declined by 21.9% YoY/ up 4.92% QoQ to INR 1,191 mn.
- PAT increased by 5.15% QoQ to INR 878 mn. ROA fell by 20 bps YoY at 3.6%.
- 95% of their customers are registered on their app as on June'24. Unique User Logins were 50% in Q1FY25. Service requests raised on the app were stable at 90%.
- They are doing business across 343 touchpoints across Tier 1, Tier 2, and Tier 3 markets in 13 states/ UT.
- AUM by product 85% of the total advances are for house loans. With the average ticket size of INR 0.5-1.5 Mn, and with Shop loans- 1% and LAP-14%.

Key Concall Highlights:

- ROE is expected to remain in the range of 16.2% - 16.5% for the FY25. The company reiterates its guidance of ROE to increase every year by 50-75 bps.
- Spreads (excluding co-lending) for the company declined 20 bps QoQ and 50 bps YoY to 5.2%.
- Credit cost for the quarter stood at 0.2%. It declined by 20 bps YoY but increased by 10 bps QoQ.
- The attrition rate has elevated since the last couple of quarters. Hence, the Management has started ESOP programs for customer retention. Their ESOP coverage encompasses 332 employees which is 22.1% of their total employee base.
- The Management remained confident of their Connector & loan distribution Model with 2,900 connectors.
- The company is focused on technology and wants to leverage it to provide better services to its customers.
- The housing sector is performing well and the company is well positioned to leverage this growth and gain market share.

Valuation and View

HFFC has done well in terms of growth, and operational performance. During the quarter, the company witnessed robust growth in revenue and net profit driven by increase in disbursements. We continue to believe, HFFC is well positioned to capture the strong growth in the growing and underpenetrated HFC market on its smaller base and strong credit underwriting model. We expect AUM to grow by 30% for FY25. We revise our Target Price to INR 1,390 based on 5x FY27E ABV.

Quarterly Result Update (Rs Mn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Interest Income	3,364	3,128	2,550	7.56%	31.90%
Interest Expended	1,568	1,459	1,068	7.48%	46.83%
Net Interest Income	1,796	1,669	1,483	7.64%	21.16%
Other Income	49	50	48	-1.60%	3.07%
Operating Income	1,846	1,719	1,530	7.37%	20.60%
Operating Expenses	655	584	553	12.14%	18.37%
Employee Expenses	416	366	359	13.71%	15.78%
Other Operating Expenses	239	218	194	9.51%	23.18%
PPOP	1,191	1,135	977	4.92%	21.85%
Provisions	56	27	77	102.30%	-27.78%
PBT	1,135	1,107	900	2.51%	26.09%
Tax Expenses	258	273	209	-5.60%	23.17%
Net Profit	878	835	691	5.15%	26.98%
Spreads (%)					
Spread	5.10%	5.2%	5.7%	-10bps	-60bps
Yield on Average Advances	13.50%	13.5%	13.7%	0bps	-20bps
CAR (%)	36.20%	39.5%	46.0%	-330bps	-980bps
Asset Quality (%)					
GNPA	1.7%	1.7%	1.6%	0bps	10bps
NNPA	1.30%	1.2%	1.1%	10bps	20bps
DPD 1+	4.50%	4.2%	4.3%	30bps	20bps
DPD 30+	2.90%	2.8%	2.9%	10bps	0bps
Cheque Bounce rate	15.30%	14.7%	15.0%	60bps	30bps
Returns & Expenses					
RoA	3.60%	3.6%	3.8%	0bps	-20bps
RoE	16.30%	16.1%	15.0%	20bps	126bps
Cost / Income Ratio (%)	35.60%	34.1%	36.3%	150bps	-69bps
Asset growth trend					
Total AUM	10478	9,698	7,776	8.05%	34.75%
- Home Loans	9011	8,294	6,765	8.65%	33.20%
- Loan for Commercial property	105	96	78	8.81%	34.75%
- LAP	1467	1,302	933	12.68%	57.21%
- Developer Finance	0	6	-	-100.00%	0.00%
Disbursements	1162.5	1,102	895	5.50%	29.86%
AUM by customer segment (%)					
Salaried	68.00%	70.80%	69.00%	-280bps	-100bps
Self Employed	32.00%	29.20%	31.00%	280bps	100bps
AUM by Geography (%)					
Gujarat	30.40%	31.20%	32.60%	-80bps	-220bps
Maharashtra	13.30%	13.30%	14.00%	0bps	-70bps
Tamil Nadu	13.90%	14.00%	13.90%	-10bps	0bps
Karnataka	6.70%	6.80%	7.10%	-10bps	-40bps
Rajasthan	6.00%	5.90%	5.70%	10bps	30bps
Telangana	8.60%	8.90%	8.90%	-30bps	-30bps
Madhya Pradesh	6.60%	6.20%	5.30%	40bps	130bps
Uttar Pradesh & Uttarakhand	6.50%	6.10%	5.20%	40bps	130bps
Others	8.00%	7.60%	7.30%	40bps	70bps

Source: Company, Arianth Research

Concall Highlights

Guidance:

- The company expects 7 branches to be opened by the end of Q2FY25.
- Co-lending business is expected to contribute 10% of business growth, going forward.
- Cost of borrowing might increase by 10-20 bps, during the year.
- The company intends to take a prime lending rate increase of 30-35 bps which will be effective from 1st August 2024.
- ROE is expected to remain in the range of ~16.2%-16.5% for the full financial year. The company reiterates its guidance of ROE to increase every year by 50-75 bps.

Key Highlights:

- Spreads (excluding co-lending) for the company declined 20 bps QoQ and 50 bps YoY to 5.2%.
- Cost to income ratio (C/I ratio) decreased by 70 bps YoY but increased by 150 bps on a sequential basis.
- Borrowing mix consists of private sector banks at 30%, public sector banks at 29%, National Housing Bank refinance share at 19%, 14% from direct assignments and 3% from co-lending and non-convertible debentures.
- Total housing loans formed 85% of overall loan book while loan against property (LAP) loans formed 14% and shop loans 1% of total book.
- Salaried segment forms 68% of total outstanding loan book and was steady on sequential basis.
- Average ticket size (ATS) of housing loans stood at INR 11.6 lakh.
- Total number of branches for the company stood at 133 spread across 13 states and union territories. Total touchpoints increased to 343, adding 22 touchpoints on a sequential basis
- The management mandated that they will try focus on the ATS range of INR 15 lakh – INR 30 lakhs which is on a growth phase.
- The company anticipates to raise capital in the next 6 to 18 quarters.
- The company anticipates a credit ratings upgrade in the next 9-12 months.
- The company wants to improve penetration in the states of Uttar Pradesh, Madhya Pradesh and Rajasthan for the distributions segment in the next 3 years.

Source: Company, Arianth Research

Key Financials

P&L (INR in Cr)	FY23	FY24	FY25e	FY26e	FY27e
Interest income	683	1,028	1,232	1,478	1,877
Interest expense	304	500	609	772	1,050
NII	378	528	623	706	827
Non-interest income	113	129	204	194	208
Net revenues	491	657	828	901	1,034
Operating expenses	175	231	280	338	410
PPOP	317	425	548	563	625
Provisions	22	25	43	55	71
PBT	295	400	506	508	553
Tax	67	94	127	128	139
PAT	228	306	378	380	414

Balance sheet	FY23	FY24	FY25e	FY26e	FY27e
Share capital	18	18	18	18	18
Reserves & surplus	1,800	2,104	2,482	2,862	3,276
Net worth	1,817	2,121	2,500	2,880	3,293
Borrowings	4,813	7,302	8,056	10,431	13,507
Other liability	106	110	164	207	260
Total liabilities	6,737	9,534	10,720	13,518	17,061
Fixed assets	25	30	39	50	66
Investments	281	379	398	418	439
Loans	5,996	8,143	9,667	12,518	16,209
Cash	311	838	469	381	194
Other assets	124	144	147	151	154
Total assets	6,737	9,534	10,720	13,518	17,061

Source: Arianth Research, Company Filings

Key Ratios

Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
Advances	39.3	35.8	18.7	29.5	29.5
Borrowings	38.8	51.7	10.3	29.5	29.5
Total assets	31.7	41.5	12.4	26.1	26.2
NII	44.7	39.6	18.1	13.3	17.0
PPOP	26.0	34.3	28.9	2.7	10.9
PAT	22.7	33.9	23.7	0.5	8.9
Balance sheet ratios (%)					
Advances/Total assets	89.0	85.4	90.2	92.6	95.0
Leverage (x) (Asset/Shareholder's Fund)	3.5	4.1	4.4	-	-
CAR	49.2	39.8	40.8	36.6	32.5
CAR - Tier I	48.5	39.3	40.4	36.3	32.3
Operating efficiency (%)					
Cost/income	35.5	35.2	33.8	37.5	39.6
Opex/total assets	2.7	2.8	2.9	2.7	2.5
Profitability (%)					
NIM	6.5	6.6	6.3	5.9	5.5
RoA	3.9	3.8	3.7	3.1	2.7
RoE	13.5	15.5	16.4	14.1	13.4
Asset quality (%)					
Gross NPAs	1.6	1.2	1.1	1.0	1.0
Net NPAs	1.1	0.7	0.6	0.6	0.5
PCR	31.4	38.2	42.6	45.0	46.2
Credit cost	36.0	50.0	50.0	50.0	50.0
Per share data / Valuation					
EPS					
BV	25.9	34.5	42.7	42.9	46.7
ABV	206.5	239.7	282.4	325.3	372.1
P/E	130.6	172.1	213.0	247.4	278.0
P/BV	40.9	30.7	24.8	24.7	22.7
P/ABV	5.1	4.4	3.8	3.3	2.8

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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