

Price: 1,103**Recommendation:** Buy**Industry:** Housing Finance Company**Sector:** Financial Services**Report Date:** 22-Mar-2025

Home First Finance Company India Limited has shown strong performance in Q3 FY25, with over 30% AUM growth and a 16.6% ROE. The company expanded its network, adding 69 branches, and now operates across 359 touch points in 141 districts. Despite minor disbursement challenges, it plans further growth, targeting 30-40 new branches annually. With a focus on technology and strategic initiatives, it aims for sustainable growth, leveraging a strong capital foundation.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1428 Cr	Operating Profit(Year)	1147 Cr	Operating Profit Margin	80.3 %
Previous Year	796 Cr	Operating Profit(Quarter)	325 Cr	EBITDA Margin	64.08 %
Current Quarter	406 Cr	PAT (Year)	306 Cr	Net Profit Margin	26.4 %
Previous Quarter	373 Cr	PAT (Quarter)	97.4 Cr	EPS	40.5
Revenue (QYoY)	296 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	27.5	Sales Growth	35.8 %	Sales Growth	8.85 %
PEG Ratio	0.60	PAT Growth	34.21 %	Sales Growth QYoY	37.16 %
EV/EBITDA	15.2	EPS Growth	17.39 %	PAT Growth	5.64 %
P/B	4.32	Dividend Yield	0.31	PAT Growth QYoY	23.6 %
Capital Allocation		Holdings		Leverage	
RoE	15.5 %	Promoter	14.3 %	Debt/Equity	3.87
RoA	3.76 %	FII	37.9 %	Debt	8867 Cr
RoCE	11.2 %	DII	18.3 %	Market Cap	9934 Cr
RoIC	11.2 %	Public	29.5 %	Enterprise value	17566 Cr
		No of Shares	9.01 Cr	Cash Equivalents	1236 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Home First Finance Company India Limited has demonstrated robust performance in Q3 FY25, maintaining a strong AUM growth of over 30% and an ROE of 16.6%. The company has strategically expanded its distribution network, adding 69 branches over the last 11 quarters, nearly doubling its branch count from 80 in March 2022 to 149 in December 2024. This expansion includes 45 branches in new markets and 24 in existing ones, with recent additions in states like Gujarat, Rajasthan, Telangana, Tamil Nadu, Karnataka, and Andhra Pradesh. The company now operates across 359 touch points in 141 districts, spread over 13 states and union territories. Despite a slight shortfall in quarterly disbursements, attributed to issues like the Karnataka e-khatas and tighter credit filters, the company remains confident about a solid Q4.

The company is actively pursuing new initiatives and business strategies to enhance its market presence. It has increased its employee strength from 1,249 in March 2024 to 1,704 in December 2024, focusing on robust training programs for new hires. The company is also leveraging technology, with 96% of customers registered on its app and 88% of service requests being raised through it. The adoption of account aggregators has improved to 61% for new approvals, showcasing a significant improvement. The company plans to continue its branch expansion strategy, targeting 30 to 40 new branches annually, with a focus on emerging markets like Uttar Pradesh, Madhya Pradesh, and Rajasthan.

Looking ahead, Home First Finance is poised for future growth and scaling. The company has crossed INR 12,000 crore in AUM and is planning the next phase of growth with a proposed equity raise of INR 1,250 crores. The company aims to achieve a Mar'27 AUM of INR 20,000 crores, with a focus on maintaining a 30% AUM growth. The company's well-diversified borrowing profile and prudent financial management have enabled it to manage borrowing costs effectively, maintaining spreads at 5.2%. The company is also exploring co-lending opportunities, expecting it to contribute around 10% of disbursements in the medium term.

While the company's performance is commendable, there are areas for improvement. The disbursement growth has been slightly lower than expected, and the company has faced challenges with balance transfers and asset yields. The company's asset quality remains strong, with early-stage delinquencies largely range-bound, but there is a need to address the minor seasonal uptick in delinquencies. The company's focus on maintaining a conservative approach to provisioning and credit cost guidance is prudent, but there is room for optimizing operational efficiency further. Overall, Home First Finance is well-positioned for sustainable growth, leveraging its strong capital foundation and strategic initiatives.

HOMEFIRST Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Home First Finan	9934.48	27.53	15.52%	8.86%	37.01%	5.58%	23.55%
HUDCO	40598.53	15.14	13.17%	9.63%	37.14%	6.74%	41.56%
LIC Housing Fin.	31447.10	6.11	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	22374.35	12.26	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	18008.14	20.73	18.41%	4.36%	18.51%	5.20%	17.17%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a significant increase from the previous year. The current quarter also reflects a positive trend, indicating strong market demand and effective sales strategies. This growth trajectory suggests a healthy financial outlook and potential for future expansion.
Profit & Loss	Operating profit and PAT have shown substantial growth, reflecting efficient cost management and revenue generation. The quarterly figures also indicate consistent performance, suggesting the company is maintaining profitability while managing operational expenses effectively.
Profitability Matrix	The company exhibits strong profitability with high operating and EBITDA margins. The net profit margin is healthy, indicating effective cost control and pricing strategies. The EPS reflects solid earnings performance, enhancing shareholder value.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued with a moderate P/E ratio and a favorable PEG ratio. The EV/EBITDA and P/B ratios indicate the market's positive perception of the company's growth potential and financial health.
Growth (YoY)	Year-over-year growth metrics are impressive, with significant increases in sales, PAT, and EPS. This indicates the company's successful expansion and market penetration strategies, contributing to its overall financial strength and competitive positioning.
Growth (QoQ)	Quarter-over-quarter growth shows positive trends in sales and PAT, reflecting the company's ability to sustain growth momentum. The figures suggest effective short-term strategies and adaptability to market conditions, supporting ongoing financial stability.
Capital Allocation	The company demonstrates prudent capital allocation with strong RoE, RoA, and RoCE. These metrics indicate efficient use of capital to generate returns, supporting sustainable growth and shareholder value. The RoIC further underscores effective investment strategies.
Holdings	The shareholding pattern reveals a balanced distribution among promoters, FIIs, DIIs, and the public. This diversity suggests confidence from institutional investors and a stable ownership structure, which can contribute to market stability and investor trust.
Leverage	The company's leverage position is high, with a significant debt-to-equity ratio. However, the market cap and enterprise value suggest strong market confidence. Effective debt management and cash equivalents provide a buffer, supporting financial resilience.

Analyst viewpoint: Home First Finance Company India Limited has consistently delivered robust quarterly performances, as evidenced by an impressive 8.85% quarter-on-quarter sales growth and 5.64% PAT growth. The company's strategic expansion, exemplified by its ambitious network growth plan and technological integration, underscores its commitment to fortifying its market position and maximizing shareholder value. It has maintained an optimal balance of growth and value, demonstrated by valuation metrics such as a trailing P/E ratio of 27.5 and a PEG ratio of 0.60, which suggest favorable future growth prospects. Furthermore, the company's coherent capital allocation strategy, characterized by a commendable ROE of 15.5%, aligns well with its sustainable growth aspirations in the competitive financial services sector.

Despite these strengths, a potential area for improvement lies in the slight shortfall in quarterly disbursements due to disbursement challenges, which calls for refined operational strategies. The company remains well-positioned to capitalize on the growth opportunities within the housing finance sector, supported by its solid financial foundation and strategic initiatives aimed at operational efficiency and market expansion.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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