

# HOME FIRST FINANCE COMPANY LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.834.25 (As on 2<sup>nd</sup> Aug 2023)

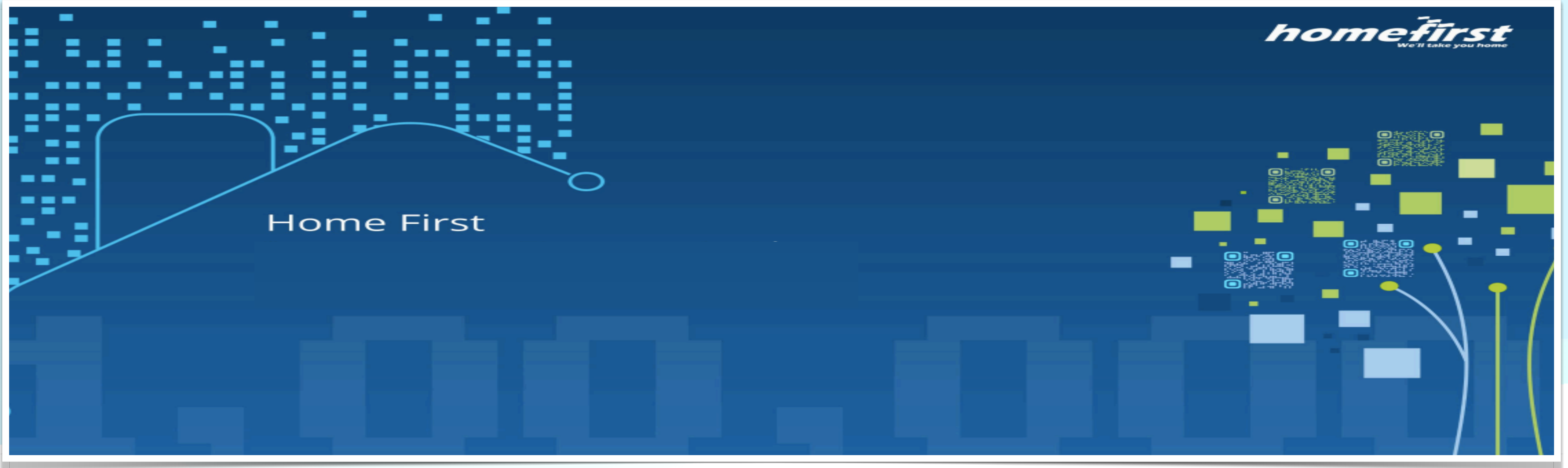
TARGET PRICE : Rs.1043.00

FACE VALUE : Rs.2

BSE CODE : 543259

NSE CODE : HOMEFIRST





## ABOUT THE COMPANY

Home First Finance Company Ltd. is a technology driven affordable housing finance company with pan India presence. The Company offers Home loans to first time home buyers with predominant focus on salaried individuals having income  $< ₹ 50k$  p.m. It has Data science backed centralised underwriting with in-depth understanding of local property markets. The Company's 87% of book comprise of housing loans with average ticket size of ₹ 1.12Mn.

Home First Finance Company Ltd. has 110+ branches in 10+ States/Uts, 120+ districts and 280+ touchpoint.



# HomeFirst – Who are We?

- Technology driven **affordable** housing **finance** company with pan India presence
- Home loans to **first** time home buyers with predominant focus on salaried individuals having income < ₹ 50k p.m
- 87% of book comprise of housing loans with average ticket size of ₹ 1.12Mn
- Strong liquidity pipeline with positive ALM and zero commercial papers
- Data science backed centralized underwriting with in-depth understanding of local property markets

**ESG Risk Rating**  
by MorningStar Sustainalytics  
'Amongst Leading Ratings in BFSI Sector'

**16.2**

**Low Risk**

Strong Risk Management

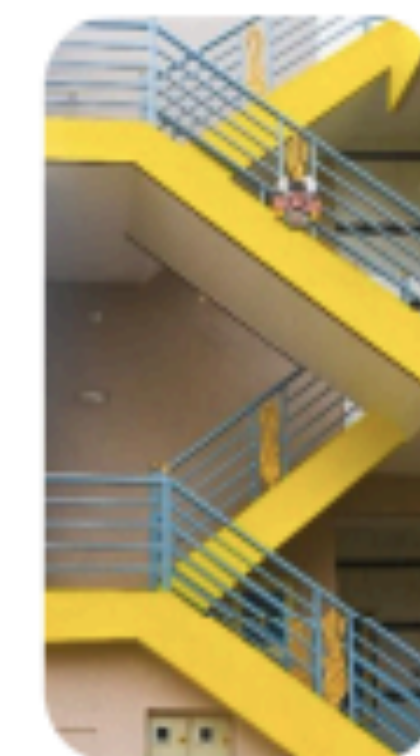
**1,105**

No of employees  
(Jun'23)

**GPTW 3 years in a row**

**Great  
Place  
To  
Work.**

**Certified**  
DEC 2022-DEC 2023  
INDIA



**113**

Branches

**13**

States / UT

**123**

Districts

**282**

Touchpoints

**81,842**

Customers

**69%**

Salaried occupation mix of AUM (Jun'23)

**₹20,917 Mn**

Liquidity buffer as on Jun'23



# Our Journey

Corporate Information

CARE Rating

BBB-

BBB+

CARE / ICRA Rating

A-

A+

India Ratings

AA-

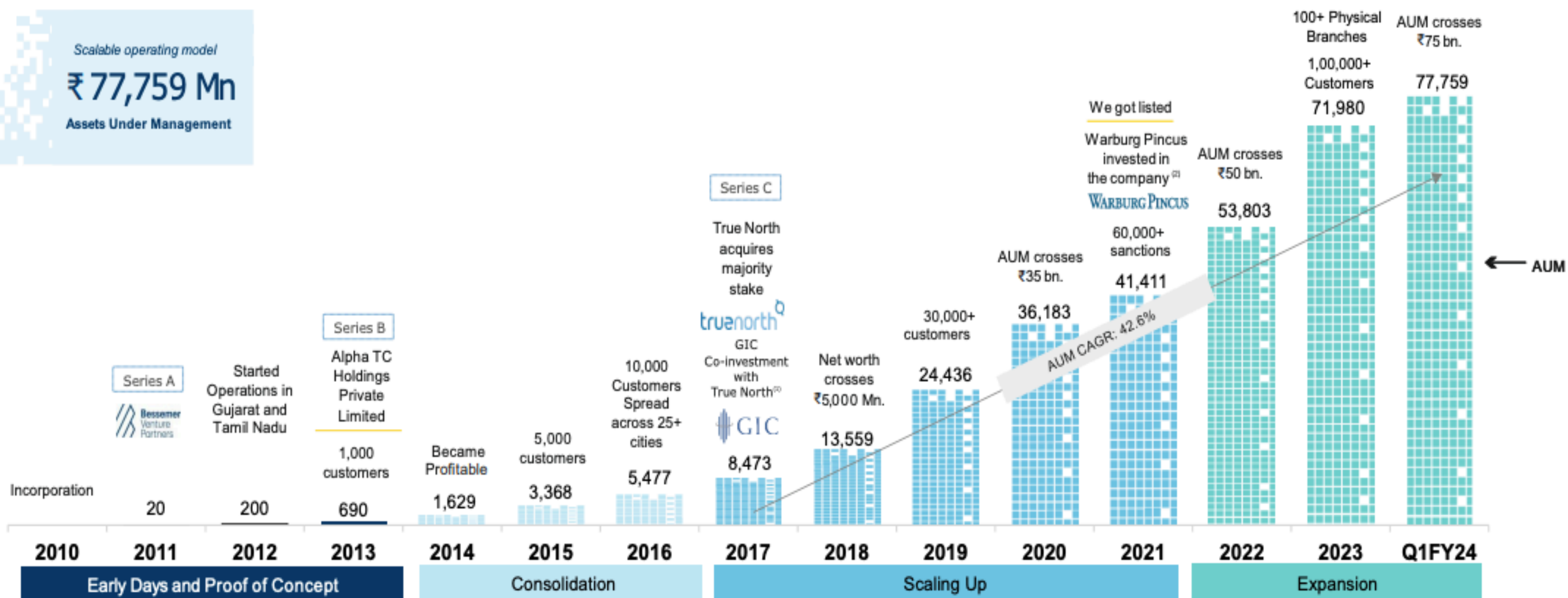
ICRA / CARE Rating

AA-

Scalable operating model

₹77,759 Mn

Assets Under Management





# Meet Our Customers

Who are they?

What is their story?

COVID  
Experience

## Formal Salaried

### Customer 1

Age: 44 / Location: KR Puram  
(suburbs of Bangalore)



Teacher with several years of experience  
and monthly family income of ₹ 49,000

- Salary credit in bank was ₹ 19,348 with additional income through private tuitions in cash
- Husband is a maintenance officer earning ₹ 13,000 p.m
- Assessment based on total income (salary + tuition income) unlike traditional financiers who will consider only salary income
- Home Loan sanctioned: ₹ 1.5mn at RoI of 13% and EMI of ₹ 17,600
- Resilient. Has not missed a single payment through COVID and is regular with her payments.

Salaried  
69%

## Informal Salaried

### Customer 2

Age: 32 / Location: Sayan  
(suburbs of Surat)



Diamond polisher for 10+ years with monthly  
family income of ₹29,000

- Cash salary of ₹20,000 p.m. His wife earned a salary of ₹9,000 also in cash.
- Found it challenging to approach a bank for a housing loan due to cash income
- Workplace verification to confirm income sources along with discussions with owner / boss to assess expertise, craftsmanship and job stability
- Home Loan sanctioned: ₹0.8mn at RoI of 13.5% and EMI of ₹9,700
- Resilient. Has not missed a single payment through COVID and was regular with his payments. In Nov'22 prepaid the entire loan (after 5 years)

Self Employed  
31%

## Self Employed

### Customer 3

Age: 36 / Location: Avadi  
(suburbs of Chennai)



Owens an iron fabricating shop for 15 years  
with monthly income of ₹40,000

- Faced difficulty with lengthy documentation process at banks; taking time out of his workshop meant loss of a day's business
- Door step service and workplace verification to confirm scale of business, reference checks with neighboring shops and home verification
- Home Loan sanctioned: ₹0.93mn at RoI of 14.5% and EMI of ₹11,900 (loan sanction in 4 hours from submission of documents)
- He has been resilient through COVID wave 1. However, he's been impacted by COVID wave 2 and lagging behind with 1 EMI overdue.



# Distribution Strategy



Pan India Distribution driven by strategic market selection & contiguous expansion



## Geographic Expansion

States/Territories	Number of		Percentage of gross loan assets as on			
	Branches	Districts	Jun'23	Jun'22	Mar'23	Mar'22
Gujarat	25	22	32.6%	35.0%	32.6%	36.0%
Maharashtra	19	18	14.0%	15.7%	14.4%	16.1%
Tamil Nadu	22	24	13.9%	12.6%	13.7%	12.2%
Telangana	8	12	8.9%	8.0%	8.9%	7.5%
Andhra Pradesh	9	9	4.6%	3.6%	4.5%	3.2%
Karnataka	6	6	7.1%	7.8%	7.5%	8.1%
Rajasthan	8	8	5.7%	5.8%	5.7%	5.7%
Madhya Pradesh	8	9	5.3%	5.0%	5.1%	4.9%
Uttar Pradesh & Uttarakhand	3	9	5.2%	4.1%	5.0%	3.9%
Chhattisgarh	3	4	1.9%	1.6%	1.8%	1.5%
Haryana & NCR	2	2	0.8%	0.8%	0.8%	0.9%
<b>Total</b>	<b>113</b>	<b>123</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

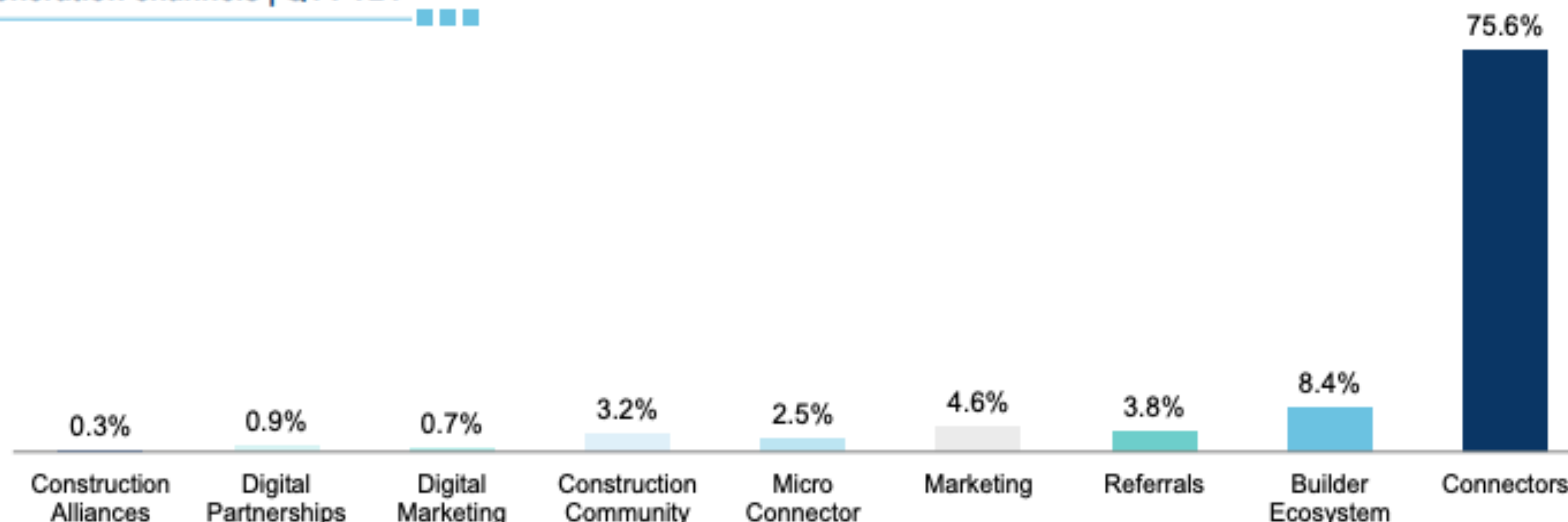
States/UT include states/UT from where we source loans irrespective of physical presence of a branch in those states/UT

Business commenced in  
2 new physical branches

Increased presence in  
4 new districts

# Omni Channel Lead Generation Strategy

Diversified lead generation channels | Q1 FY24

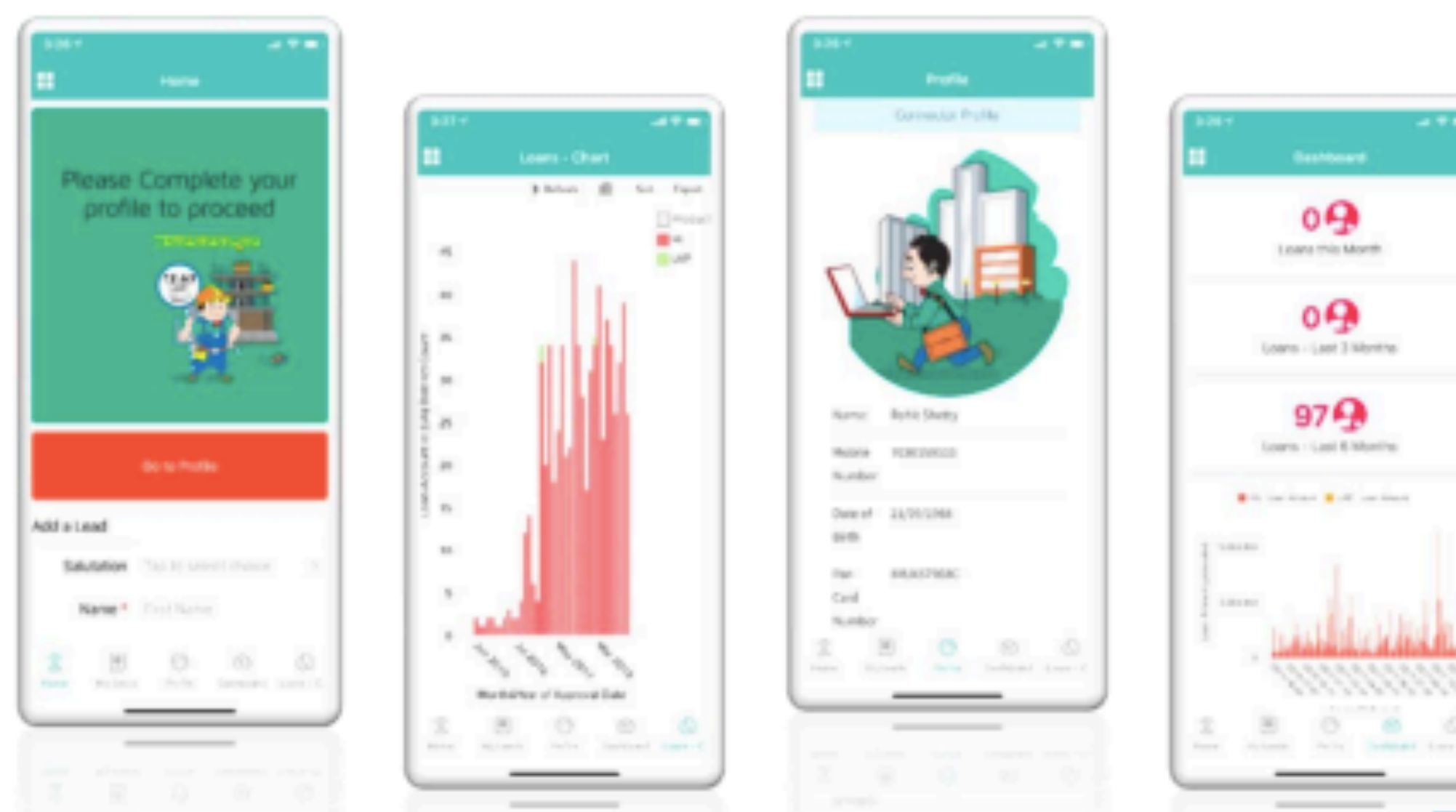


Diversified channels for generating leads such as connectors, builder ecosystem, digital, etc.

100% in-house conversion by HomeFirst RMs.

...effectively managed via connector app

Scan and Download



96.0% connectors registered on the ConnectorApp



# Data Science Backed Centralised Underwriting

## Risk Management Design

- Salaried customers
- Build detailed understanding of customer via field visits by RM
- In-depth understanding of operating geographies and property types
- Low under construction exposure and low LTV

## Tech-Led

- 100+ data points & digitally captured data for all customers
- API integration with third party independent sources like Hunter, Perfios etc.
- All customer and internal communication, documents, photographs, videos available on a single cloud based system

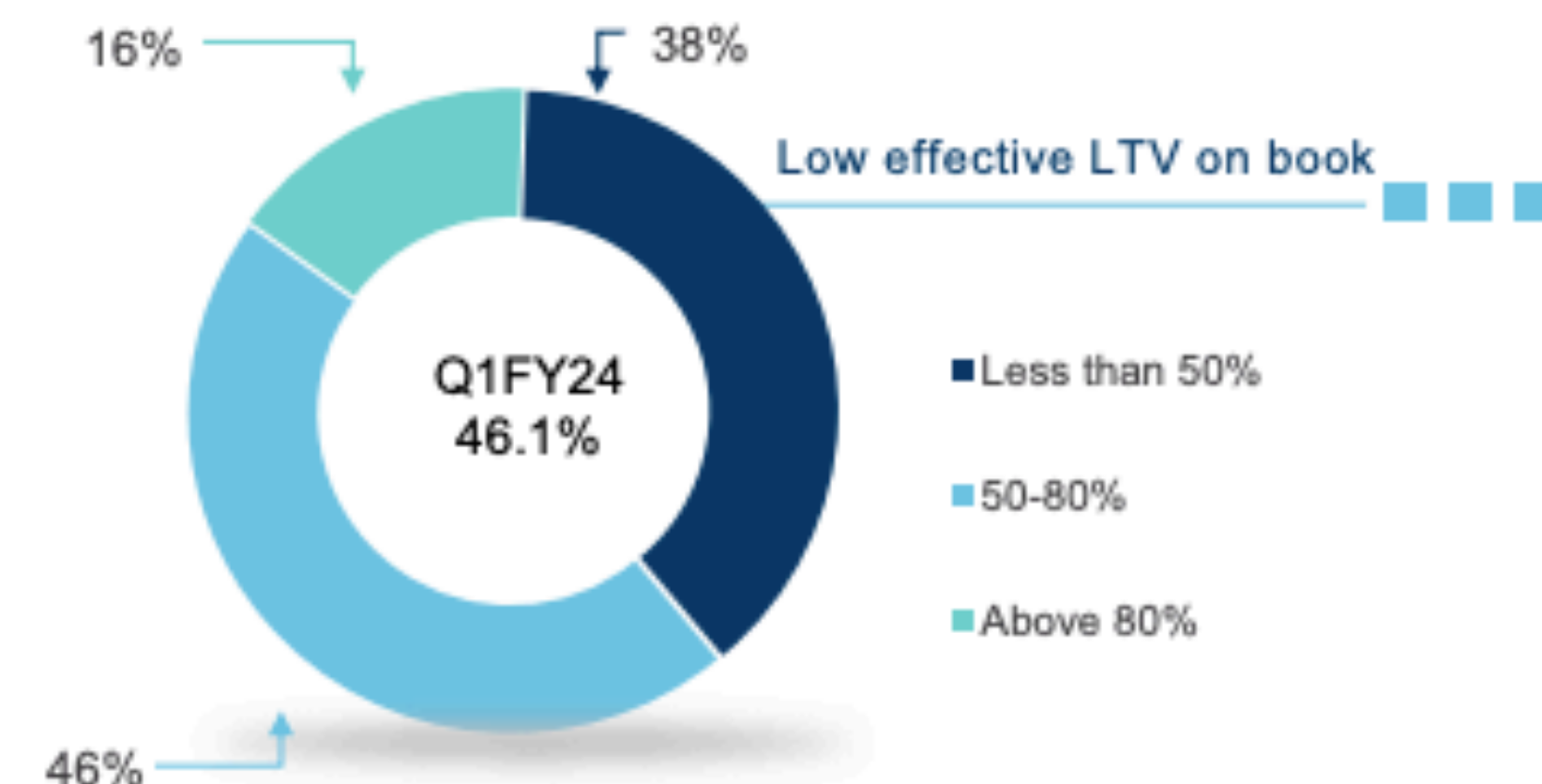
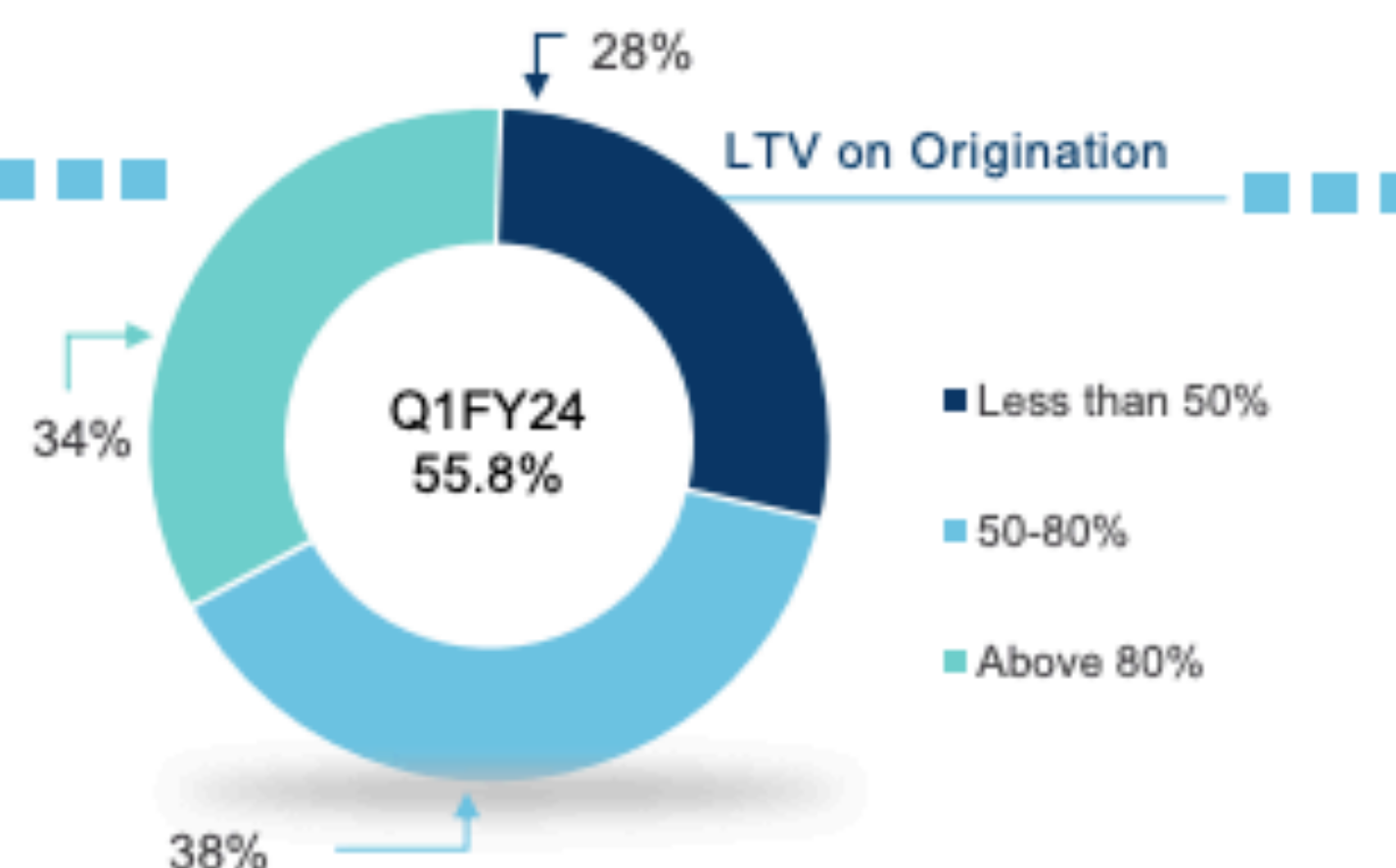
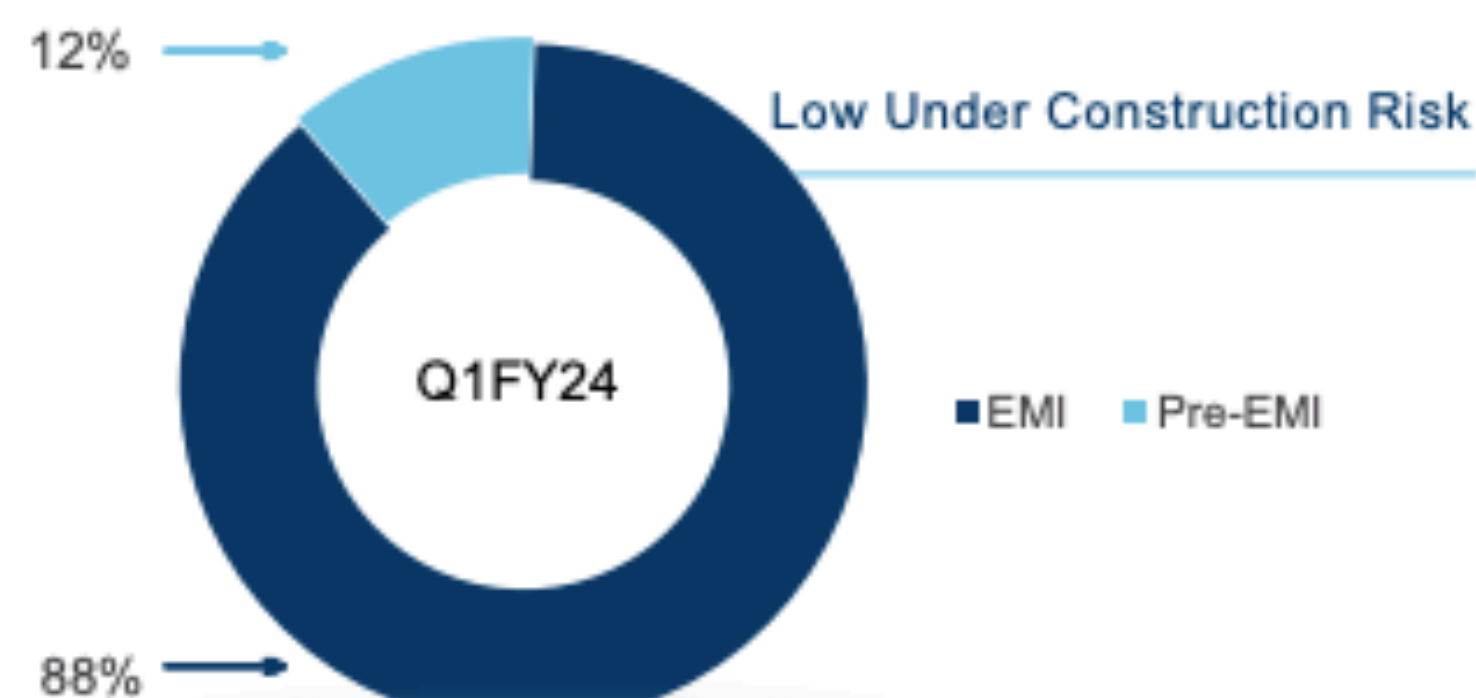
## Centralised

- Consistency in underwriting
- Integrated CRM and Loan Management System on cloud based platform
- Proprietary Machine learning & Customer scoring models used for credit decision

## Loans Approved within 48hrs

83%

For Q1FY24





# Scalable Operating Model built on Holistic Technology Usage



## Recent Tech Interventions

- E-NACH
- E- Sign
- E- Vault
- E-Stamp paper
- Instant Soft Approval on App
- Biometric authentication on Customer App
- Kaisys: Internally developed lead management system with omnichannel communication and personalized sales journey, integrated with bureau and third party data sources

- Home First App for all stakeholders
- 360° view of customer for employees
- Electronic payments
- Income module for easy assessment of customers' income

- Digital marketing on major online media
- Alliances with digital players
- 10,000+ leads generated every month
- Kaisys: Internally developed lead management system with omnichannel communication

- API Integration with third party databases
- Proprietary property price predictor
- Machine learning models to assist underwriting
- E-Signature
- Tableau Server for easy visualization

- Data on Cloud
- Integrated CRM and loan management System
- Legal and Technical Portal
- Payment automation via Bharat Bill Pay Services and Fino Payments Bank
- Digital Document Management

Mobility

Digital Marketing

Data Analytics

Tech - Infra

End - To -End Digital Process For Housing Loans



magicbricks

NOBROKER

paisabazaar

airtel Payments Bank

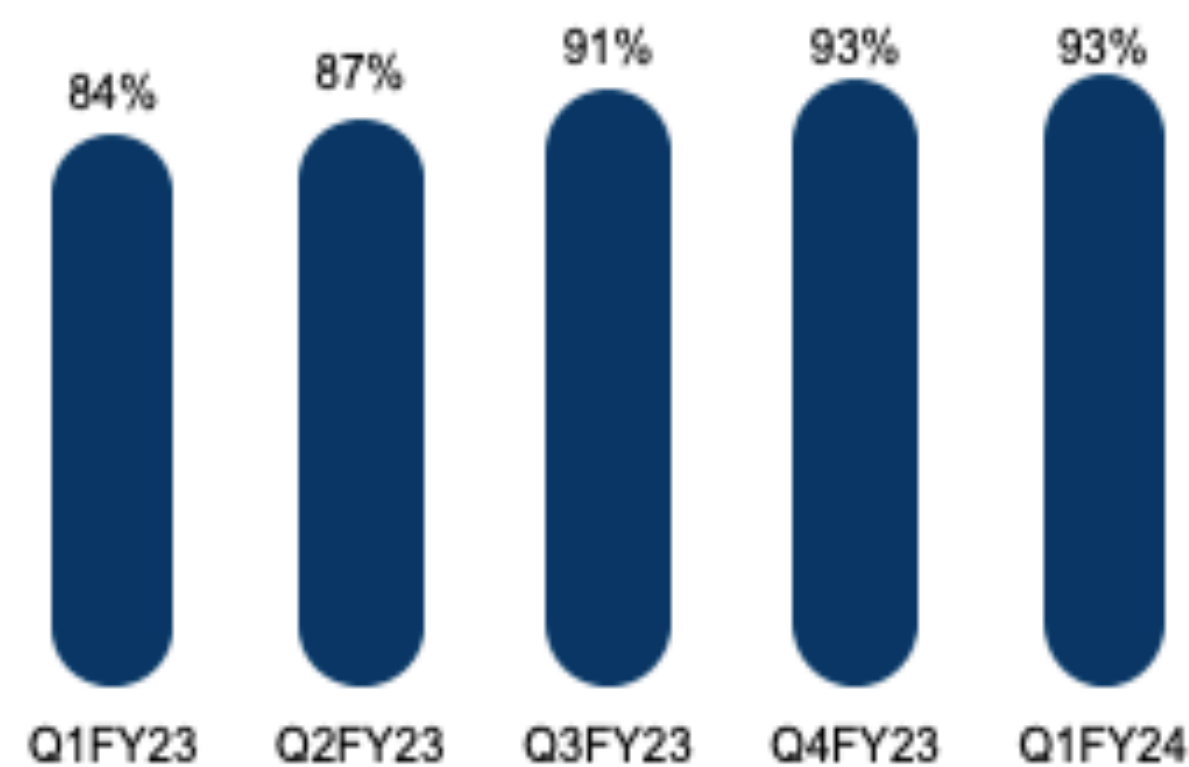
MyMoneyMantra



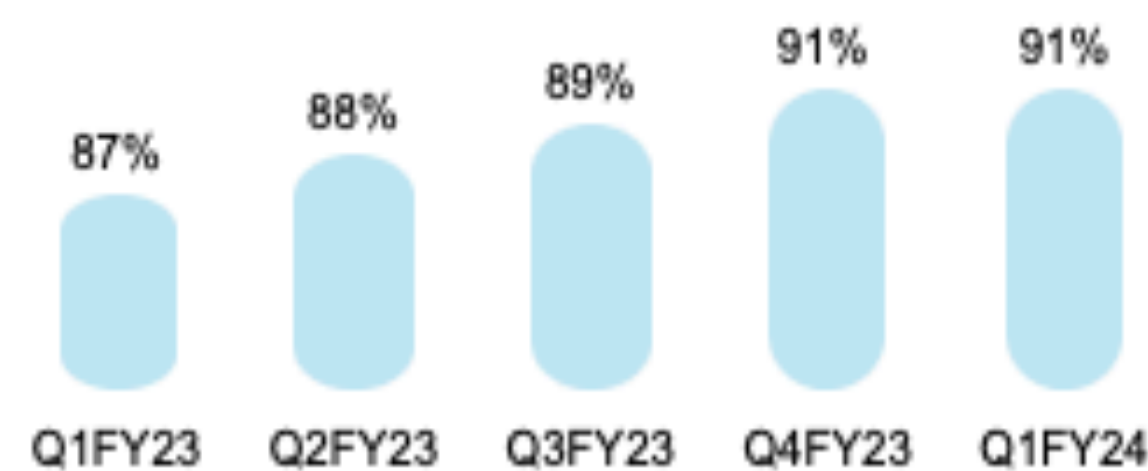


## Digital Adoption

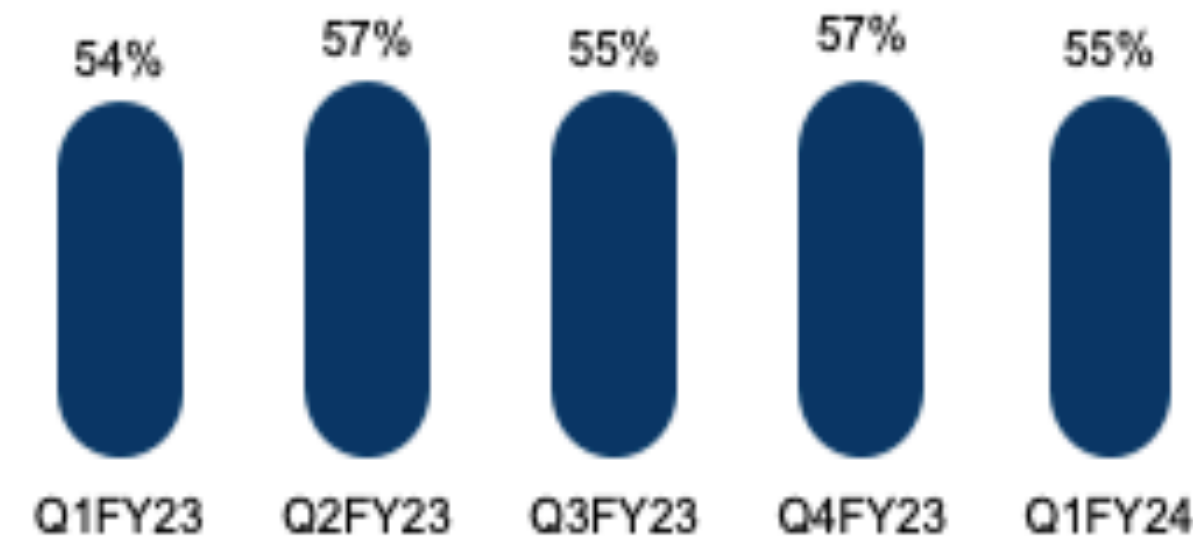
% Customers registered on App



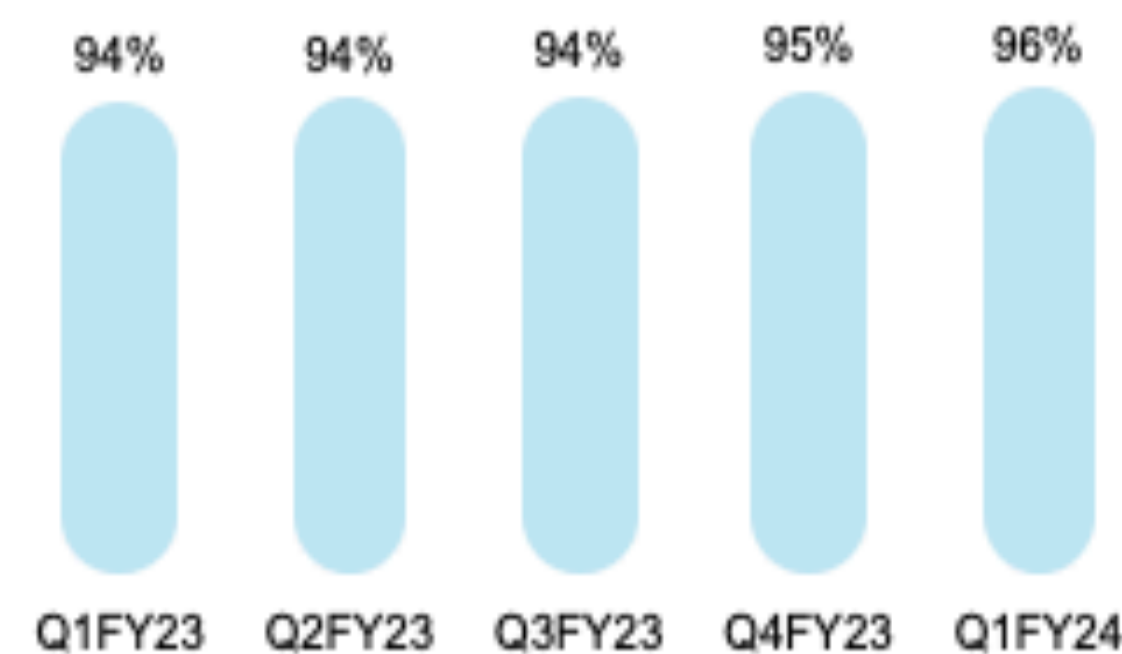
% of Service Requests raised on App



Unique user logins as % of active customers



% Non-cash collections



Customer Rating on Google Playstore

4.1



As of 24 Jul'23

Avg time spent by user on the app per session

1m 46 sec

For Q1FY24

Average payment per user on app

₹36,244

For Q1FY24

No of Payments via Customer App

17,353

For Q1FY24

Corporate Information



# Healthy Growth in Loan Book and Disbursements

## Disbursement (₹Mn)

Last 5 Years

Last 5 Quarters

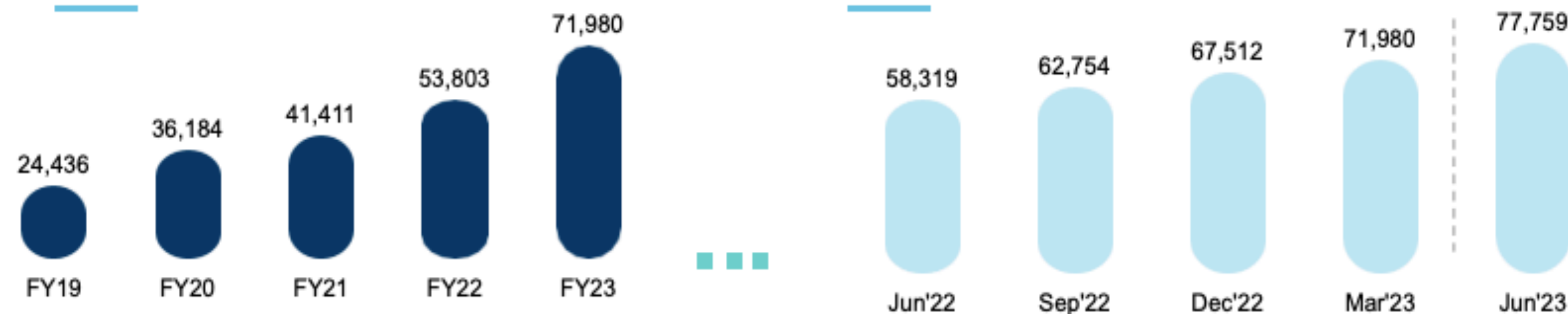


All time high disbursement in the quarter, q-o-q growth of 3.0%

## Assets Under Management (₹Mn)

Last 5 Years

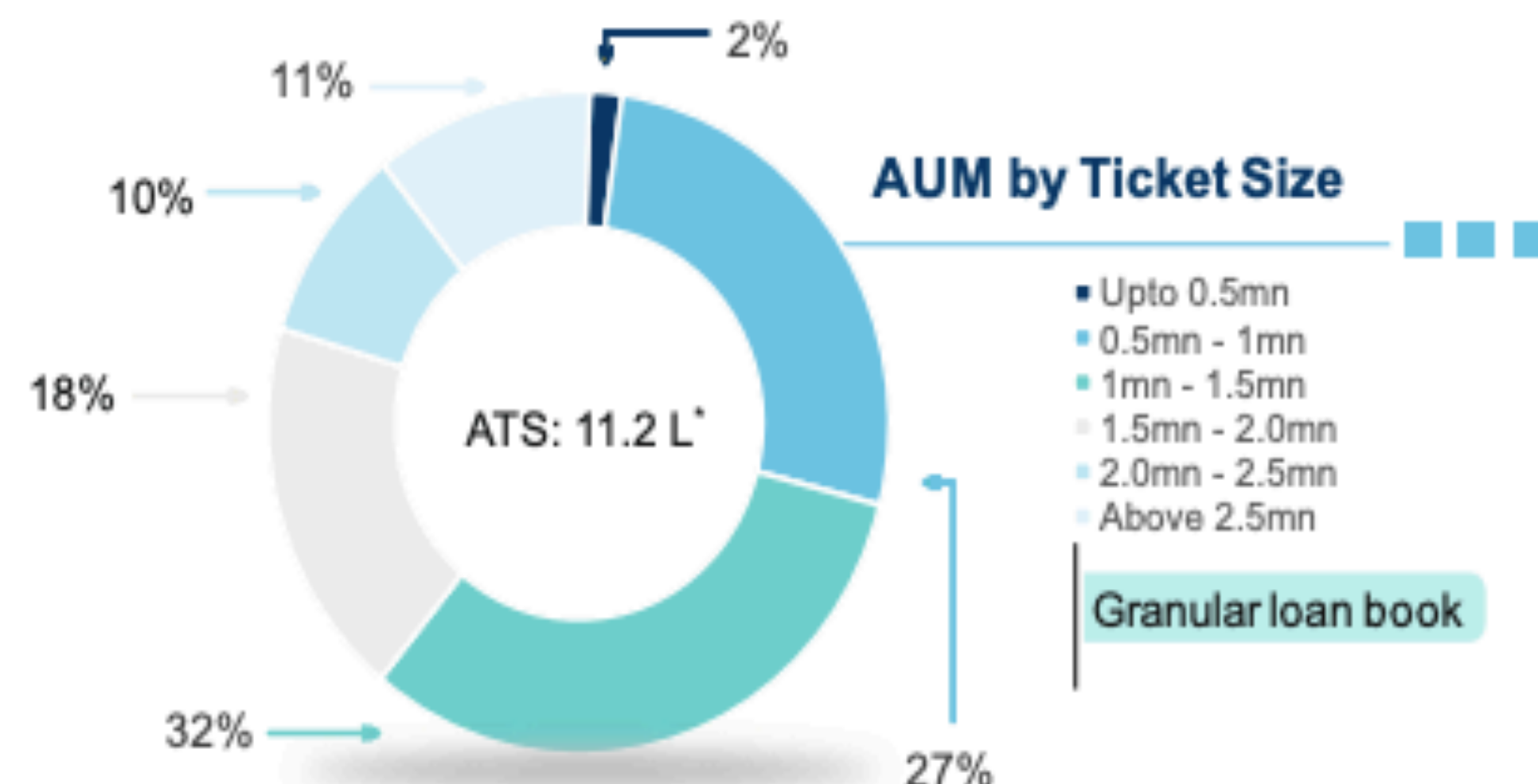
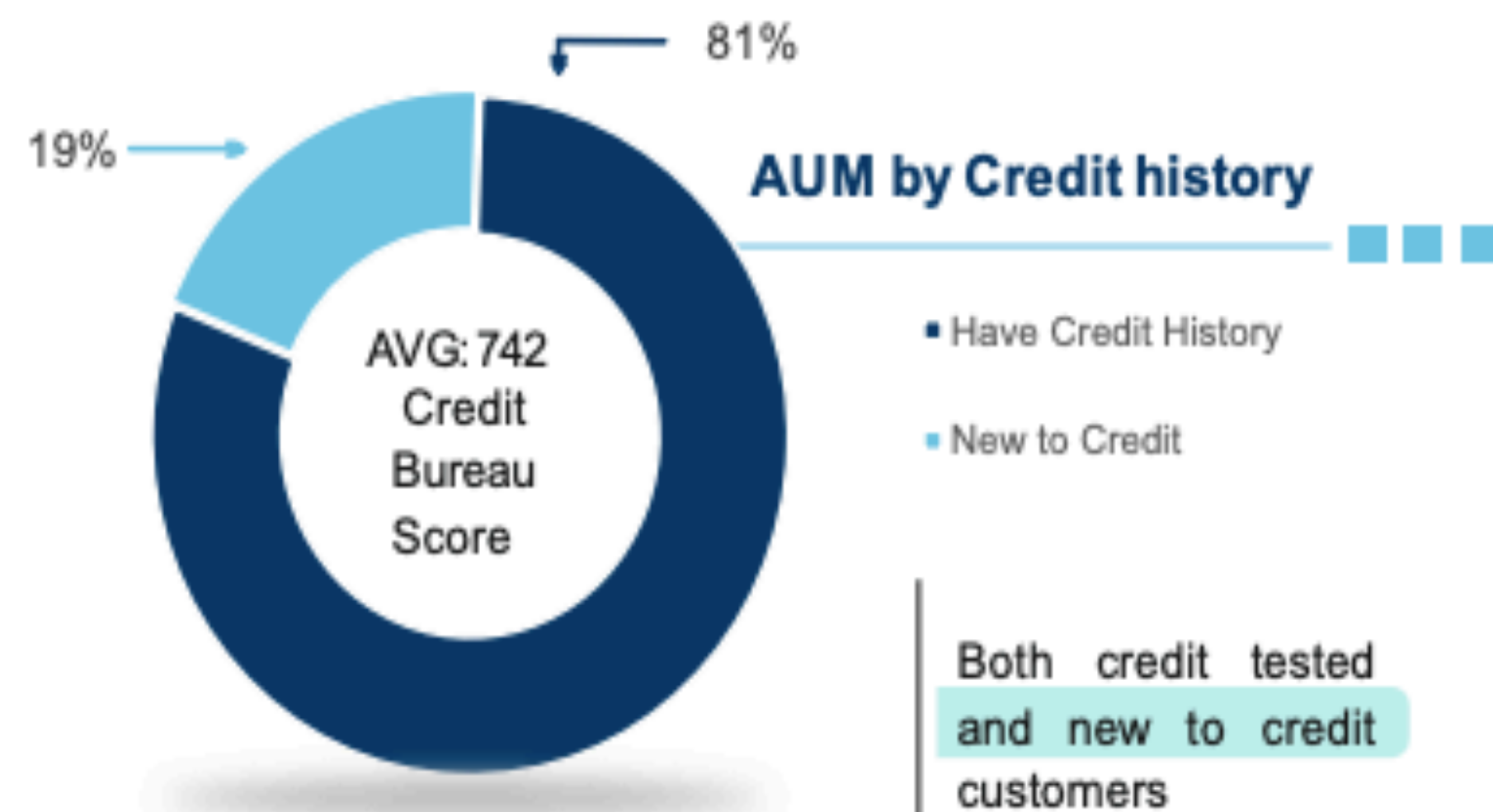
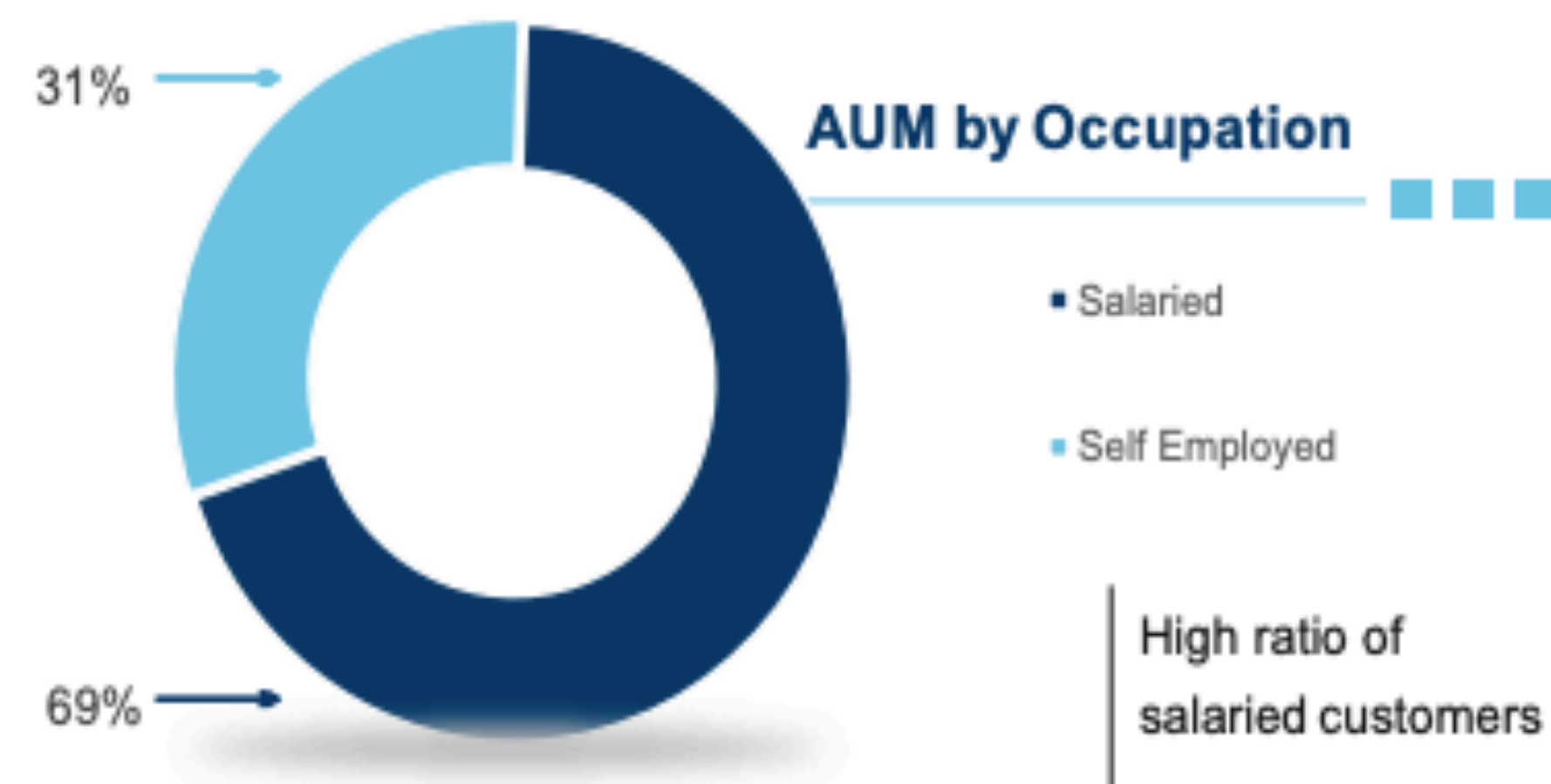
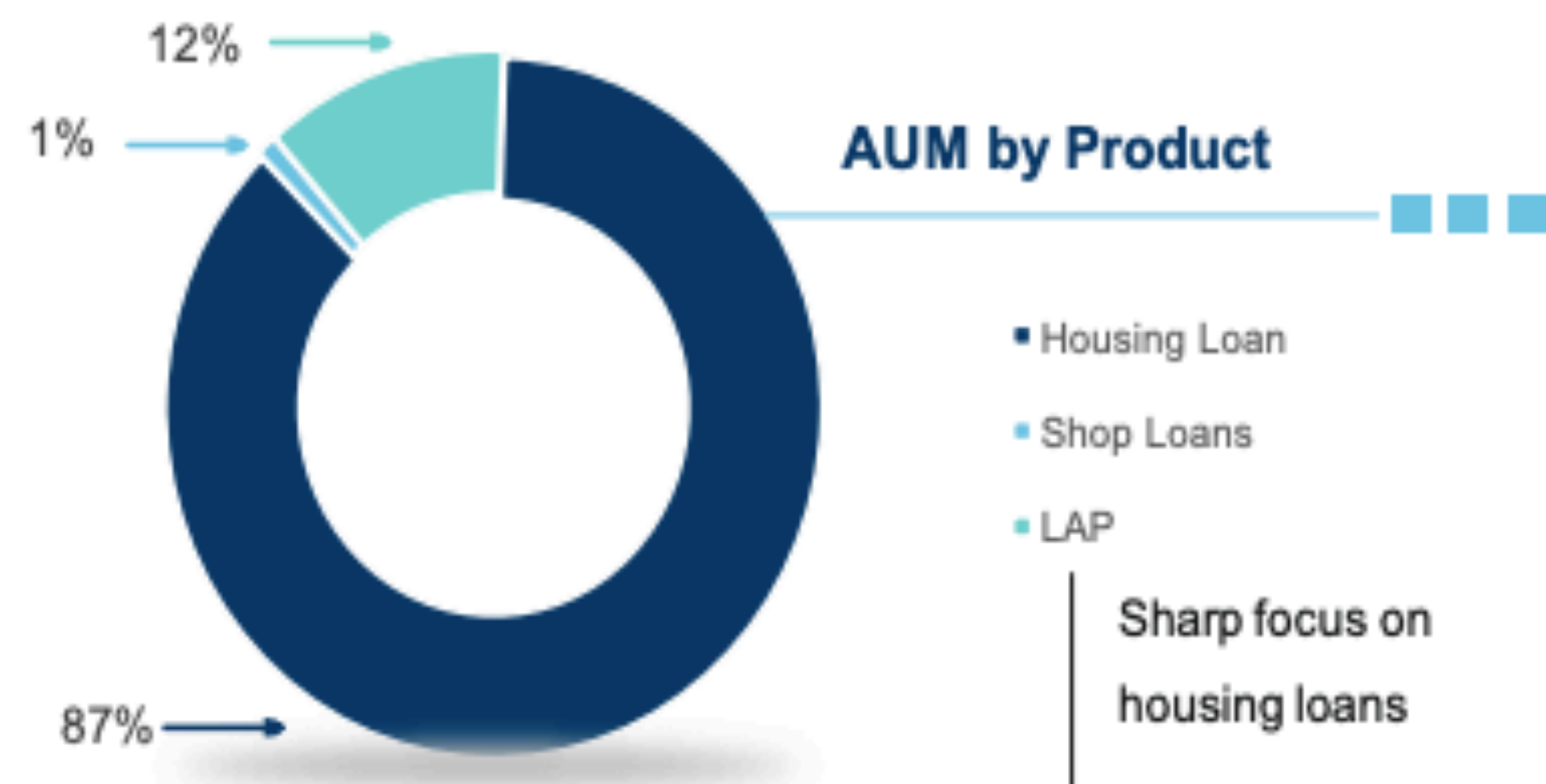
Last 5 Quarters



33.3% growth y-o-y  
8.0% growth q-o-q  
31% CAGR (4 Years FY19-FY23)  
6.5% BT Out rate for Q1FY24 (annualized)



# Consistent Portfolio Matrix | Jun'23





# Diversified funding profile at competitive Cost of Borrowing

DA & Co-lending

NCD

NHB Refinance

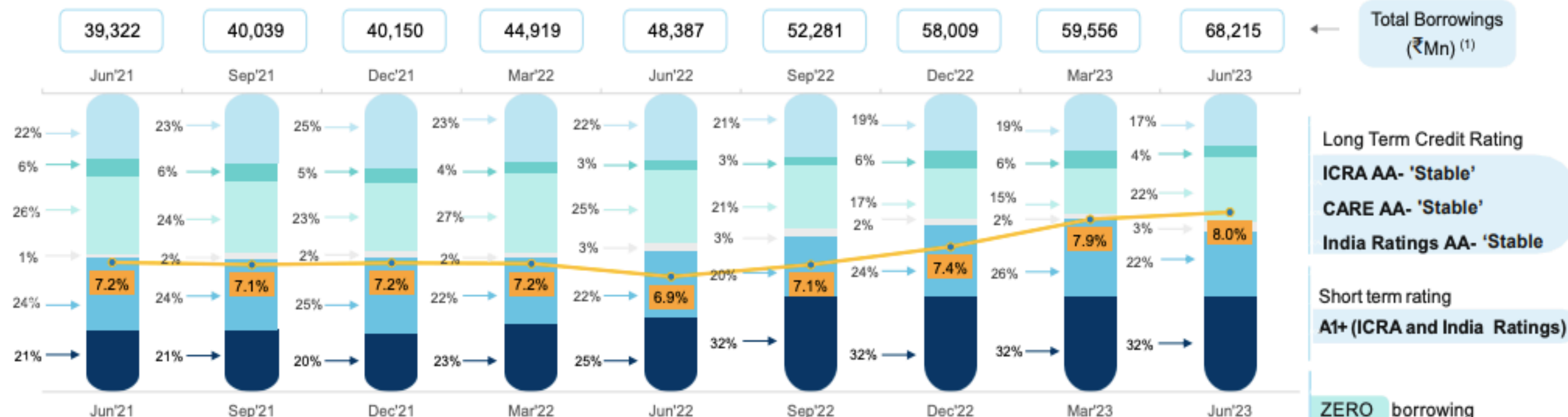
NBFC

Public Sector Banks

Pvt Sector Banks

COB%  
(Represents quarterly avg.)

## Borrowings Mix and Cost of Borrowing trend



Long Term Credit Rating

**ICRA AA- 'Stable'**

**CARE AA- 'Stable'**

**India Ratings AA- 'Stable'**

Short term rating

**A1+ (ICRA and India Ratings)**

**ZERO** borrowing  
through commercial papers

## Our banking relationships

Public Sector Bank	State Bank of India	Central Bank of India	Union Bank
	IDBI Bank	Bank of India	Indian Bank
Private Sector Bank	HDFC Bank	ICICI Bank	Axis Bank
	Federal Bank	Kotak Mahindra Bank	HSBC
NBFC	South Indian Bank	Qatar National Bank	Yes Bank
	Karnataka Bank	Shinhan Bank	CSB Bank
Bajaj Finance	J & K Bank	Karur Vyas Bank	DCB Bank
	Shinhan Bank	CSB Bank	

**Diversified banking**  
relationships with **26**  
lending partners

Validation by NHB - Single largest lender with ₹ 14,775.6 Mn outstanding 20+ lines  
₹ 2,800 Mn NCD investment by IFC – a step towards sustainability and green financing

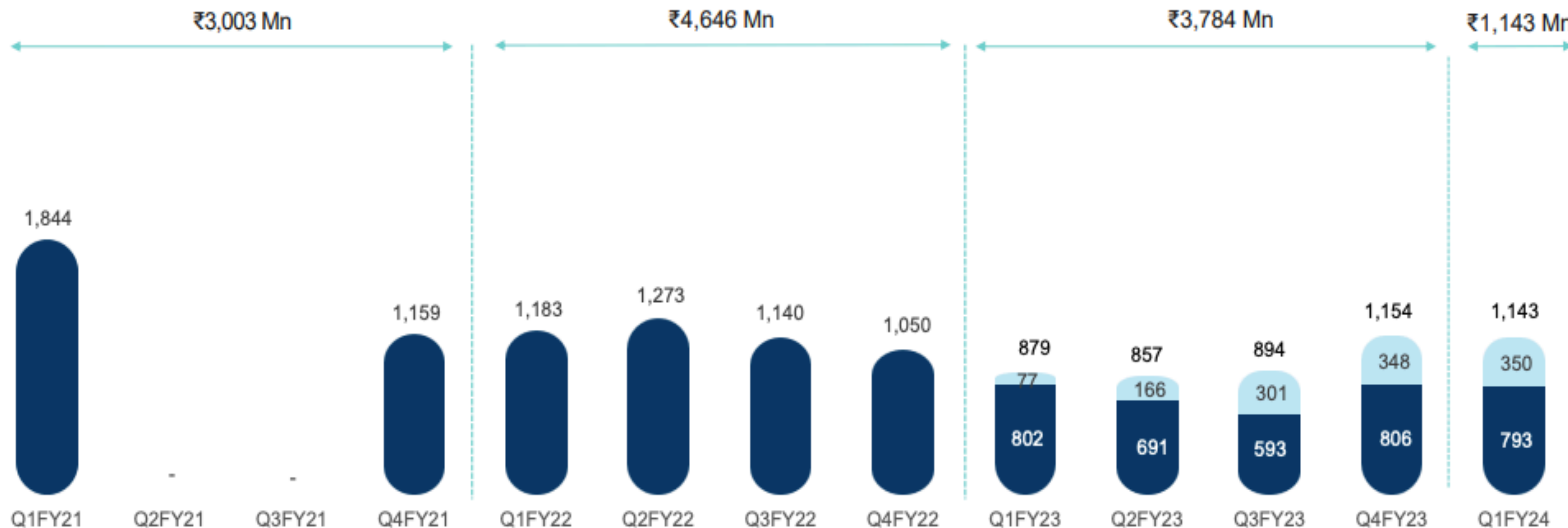


# Assignment and Co-lending Transactions



Direct Assignment Transactions

Co-Lending Transaction



Consistent demand for assignment of the company's portfolio

Generated business from co-lending transactions

## Our partners in Assignment and Co-Lending

Direct Assignment	Central Bank of India	HDFC Bank	State Bank of India	Bank of Baroda	Co-Lending	Central Bank of India
	Union Bank of India	Indian Bank	Yes Bank			Union Bank of India

Added **State Bank of India** and **Bank of Baroda** as our DA partners



## Strong Liquidity Position

### Liquidity Buffer as on Jun'23 (in ₹Mn)

Unencumbered Cash and Cash equivalent	8,622
Un-availed Sanction from NHB	-
Un-availed Sanction from Banks	12,295
<b>Total</b>	<b>20,917</b>

Particulars (in ₹Mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Opening Liquidity	20,917	21,708	22,312	22,635
Add: Principal Collections & Surplus Operations	4,799	4,782	4,718	4,640
Less: Debt Repayments	4,008	4,178	4,395	4,883
Closing Liquidity	21,708	22,312	22,635	22,392

₹ 12,472 million

Liquidity raised during Q1FY24



# Executive Summary | Q1FY24

y-o-y

q-o-q

## Assets Under Management (AUM)

₹ 77,759 Mn

+33.3%

+8.0%

## Spread<sup>(2)</sup>

5.7%

-10 bps

+20 bps

## Opex to Assets

3.1%

+20 bps

+20 bps

## Disbursement

₹8,952 Mn

+35.4%

+3.0%

## Cost to Income

36.3%

+50 bps

+190 bps

## Profit After Tax (PAT)

₹691 Mn

+34.9%

+8.0%

## Gross Stage 3 / POS (GNPA %)

1.6<sup>(1)</sup>

In line with RBI circular dated 12 Nov 2021  
1.0% prior to such classification

-50 bps

0 bps

## DPD 30+ / POS %

2.9

-60 bps

+20 bps

## Return On Assets (ROA)

3.9%

0 bps

0 bps

(1) Pursuant to the RBI circular dated 12 Nov 2021 - "Prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances - Clarifications", the Company has aligned its definition of default and taken steps to comply with the norms/ changes for regulatory reporting, as applicable. Such alignment has resulted in classification of loans amounting to ₹ 399.55 millions as Gross Stage 3 (GNPA) as at Jun'23 in accordance with regulatory requirements. Gross Stage 3 prior to such classification for Jun'23 is 1.0%.



# Yearly Results

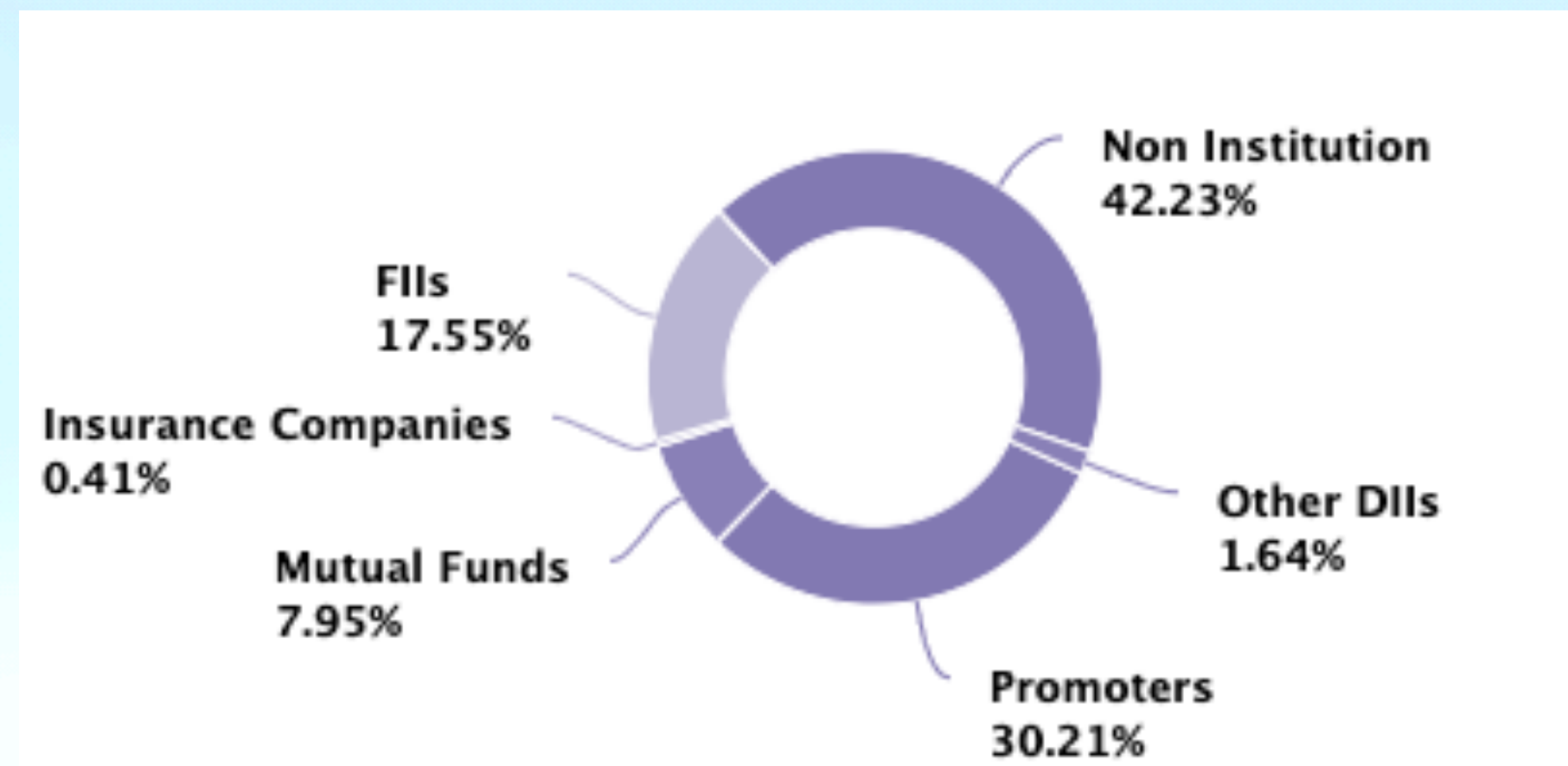
YEARLY RESULTS OF HOME FIRST FINANCE COMPANY INDIA (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	788.55	595.67	477.12	395.80	256.84
Other Operating Income	2.44	--	--	2.86	3.14
Total Income From Operations	790.99	595.67	477.12	398.66	259.98
EXPENDITURE					
Employees Cost	107.01	80.77	66.13	61.08	43.17
Depreciation	9.07	7.52	7.62	7.24	4.58
Provisions And Contingencies	21.52	25.02	32.15	16.50	7.31
Other Expenses	58.49	40.43	29.06	33.70	24.13
P/L Before Other Inc. , Int., Excpt. Items & Tax	594.90	441.93	342.16	280.14	180.79
Other Income	4.61	0.03	12.04	21.02	11.05
P/L Before Int., Excpt. Items & Tax	599.51	441.96	354.20	301.16	191.83
Interest	304.29	215.67	220.16	193.83	126.54
P/L Before Exceptional Items & Tax	295.22	226.30	134.04	107.33	65.29
P/L Before Tax	295.22	226.30	134.04	107.33	65.29
Tax	66.93	40.20	33.90	27.78	19.56
P/L After Tax from Ordinary Activities	228.29	186.10	100.14	79.55	45.72
Net Profit/(Loss) For the Period	228.29	186.10	100.14	79.55	45.72
Equity Share Capital	17.60	17.53	15.66	15.66	12.67
Reserves Excluding Revaluation Reserves	1,775.75	1,556.16	1,363.06	917.77	509.99
Equity Dividend Rate (%)	130.00	--	--	--	--
EPS BEFORE EXTRA ORDINARY					
Basic EPS	26.01	21.26	12.37	10.81	7.91
Diluted EPS	25.20	20.85	12.18	10.57	7.74
EPS AFTER EXTRA ORDINARY					
Basic EPS.	26.01	21.26	12.37	10.81	7.91
Diluted EPS.	25.20	20.85	12.18	10.57	7.74



# Key Financial Ratios

KEY FINANCIAL RATIOS OF HOME FIRST FINANCE COMPANY INDIA (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	26.01	21.26	12.37	10.81	7.91
Diluted EPS (Rs.)	25.20	20.85	12.18	10.57	7.74
Cash EPS (Rs.)	26.97	22.09	12.33	11.08	39.71
Book Value [ExclRevalReserve]/Share (Rs.)	206.48	179.57	157.96	119.21	412.58
Book Value [InclRevalReserve]/Share (Rs.)	206.48	179.57	157.96	119.21	412.58
Dividend / Share(Rs.)	2.60	0.00	0.00	0.00	0.00
Revenue from Operations/Share (Rs.)	89.87	67.97	54.59	50.91	205.22
PBDIT/Share (Rs.)	69.14	51.29	41.40	39.39	155.04
PBIT/Share (Rs.)	68.11	50.43	40.53	38.46	151.43
PBT/Share (Rs.)	33.54	25.82	15.34	13.71	51.54
Net Profit/Share (Rs.)	25.94	21.24	11.46	10.16	36.09
PROFITABILITY RATIOS					
PBDIT Margin (%)	76.93	75.45	75.83	77.35	75.54
PBIT Margin (%)	75.79	74.19	74.23	75.54	73.78
PBT Margin (%)	37.32	37.98	28.09	26.92	25.11
Net Profit Margin (%)	28.86	31.24	20.98	19.95	17.58
Return on Networth / Equity (%)	12.56	11.82	7.25	8.52	8.74
Return on Capital Employed (%)	27.49	27.84	25.25	31.68	36.21
Return on Assets (%)	3.38	3.63	2.22	2.28	1.84
Total Debt/Equity (X)	2.65	2.20	2.21	2.67	3.68
Asset Turnover Ratio (%)	0.13	0.12	10.57	11.45	10.47
LIQUIDITY RATIOS					
Current Ratio (X)	1.47	1.44	1.44	1.36	1.26
Quick Ratio (X)	1.47	1.44	1.44	1.36	1.26
Inventory Turnover Ratio (X)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (NP) (%)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.00	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	0.00	0.00	0.00	0.00
VALUATION RATIOS					
Enterprise Value (Cr.)	11,068.66	9,539.36	6,294.59	0.00	0.00
EV/Net Operating Revenue (X)	13.99	16.01	13.19	0.00	0.00
EV/EBITDA (X)	18.19	21.22	17.40	0.00	0.00
MarketCap/Net Operating Revenue (X)	8.29	11.32	8.22	0.00	0.00
Retention Ratios (%)	0.00	0.00	0.00	0.00	0.00
Price/BV (X)	3.61	4.28	2.84	0.00	0.00
Price/Net Operating Revenue	8.29	11.32	8.22	0.00	0.00
Earnings Yield	0.03	0.03	0.03	0.00	0.00

## Shareholding Pattern an on Jun'23





# Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q1 of FY'24, with Net Sales up by 49.61% i.e. Rs.253.37 crs in Jun'23 as compared to Rs.169.35 crs in Jun'22. However, the Net Profits rose up by 34.86% i.e. Rs.69.12 crs in Jun'23 versus Rs.51.25 crs in Jun'22. Additionally, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.17.62 crs in Jun'23 on contrary to Rs.17.54 crs in Jun'22.
- ❖ As per fair financials and fine fundamentals, the Company is available at a good price of Rs.834.25 with its 52 week low at Rs.652.00 and its 52 week high at Rs.1004.55.
- ❖ The Shareholding Pattern as on Jun'23, shows the Promoters stood with 30.21% stake, the FIIs and the Other DIIs collectively stood with 19.19% holdings. Whereas, the Mutual Fund Houses stood with 7.95% stake.
- ❖ It is reassuring to see that Home First Finance Company Ltd. is held by INVESCO MF, SUNDARAM MF, ABSL MF, PGIM MF, ITI MF, UNION MF, EDELWEISS MF, MAHINDRA MANULIFE MF, BANK OF INDIA MF and a few more.
- ❖ On standalone basis, Return on Equity (ROE) and Return on Capital Employed (ROCE) were registered around 12.56% & 27.49% respectively as on Mar'23.
- ❖ Home First Finance Company Ltd. is a dividend paying stock. For the year ending Mar'23, the Company has declared an equity dividend of 130.00% i.e. Rs.2.60 per equity share.



# Disclosure

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### Business Activity:

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