

**Price:** 1,024

**Recommendation:** Buy

**Industry:** Housing Finance Company

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

Home First Finance Company India Limited is driving growth with a 30% AUM increase and 16.6% ROE. Expanding its network, it added 69 branches in 11 quarters, focusing on new markets. Emphasizing digital transformation, 96% of customers use their app. The company is diversifying products, notably in the Loan Against Property segment, while maintaining a conservative credit approach. Future plans include further branch expansion and targeting emerging markets for growth.

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	25.5	Sales Growth	35.8 %	Sales Growth	8.85 %
PEG Ratio	0.55	PAT Growth	34.21 %	Sales Growth QYoY	37.16 %
EV/EBITDA	14.5	EPS Growth	17.39 %	PAT Growth	5.64 %
P/B	4.00	Dividend Yield	0.33	PAT Growth QYoY	23.6 %
Capital Allocation		Holdings		Leverage	
RoE	15.5 %	Promoter	14.3 %	Debt/Equity	3.87
RoA	3.76 %	FII	36.0 %	Debt	8867 Cr
RoCE	11.2 %	DII	19.8 %	Market Cap	9224 Cr
RoIC	11.2 %	Public	29.9 %	Enterprise value	16855 Cr
		No of Shares	9.01 Cr	Cash Equivalents	1236 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Home First Finance Company India Limited highlighted several new initiatives and strategies aimed at sustaining its growth trajectory. The company reported a robust AUM growth of over 30% and a profitability with an ROE of 16.6%. A key initiative is the expansion of their distribution network, with 69 new branches added over the last 11 quarters, nearly doubling their branch count. This expansion includes 45 branches in new markets and 24 in existing ones, reflecting a strategic push into new geographies. The company also emphasized its commitment to technology, with 96% of customers registered on their app and 88% of service requests being raised digitally, showcasing their focus on digital transformation.

The company is also focusing on diversifying its product offerings. The Loan Against Property (LAP) segment is expected to grow from 15% to 20% of the AUM, indicating a strategic shift towards higher-margin products. This diversification is complemented by a conservative approach to credit risk, with tightened underwriting norms based on early warning signals. The company has also increased its employee strength significantly, from 1,249 in March 2024 to 1,704 in December 2024, to support its growth and expansion plans. This increase in manpower is part of their strategy to enhance customer service and operational efficiency.

Looking ahead, Home First Finance is optimistic about its growth prospects, with plans to add around 10 more branches in the ongoing quarter. The company is targeting a 30% AUM growth, supported by a disbursal growth of around 20%. They are also planning to raise equity funds to support their growth ambitions, aiming for an AUM of INR 20,000 crores by March 2027. The company's focus on emerging markets like MP, UP, and Rajasthan is expected to drive future growth, with significant investments planned to increase their market share in these regions.

While the company's performance and strategies are commendable, there are areas for improvement. The asset yield has remained flat despite rate increases, and the balance transfer rate has seen a slight uptick. The company's focus on maintaining a conservative credit cost and provisioning approach is prudent, but the impact of tightened credit filters on approval volumes needs to be monitored. Additionally, while the digital transformation is impressive, continuous innovation and customer engagement will be crucial to maintaining their competitive edge. Overall, Home First Finance is well-positioned for future growth, but must remain vigilant in managing risks and seizing new opportunities.

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	9223.95	25.54	15.52%	8.86%	37.01%	5.58%	23.55%
HUDCO	41999.89	15.71	13.17%	9.63%	37.14%	6.74%	41.56%
LIC Housing Fin.	31526.64	6.12	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	24347.16	13.33	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	19707.77	22.63	18.41%	4.36%	18.51%	5.20%	17.17%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding customer base.
Profit & Loss	Operating profit and PAT figures highlight efficient cost management and profitability. The year-on-year and quarter-on-quarter improvements in these metrics suggest a well-executed business model and operational efficiency.
Profitability Matrix	High operating and EBITDA margins indicate strong cost control and pricing power. The net profit margin and EPS further affirm the company's profitability, showcasing its ability to convert sales into actual profit effectively.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued with a moderate P/E ratio and a low PEG ratio, indicating potential for growth. The EV/EBITDA and P/B ratios support a stable valuation outlook.
Growth (YoY)	Year-on-year growth metrics reflect a healthy expansion in sales and PAT, supported by a solid increase in EPS. The dividend yield, though modest, adds to shareholder value, indicating a balanced growth strategy.
Growth (QoQ)	Quarter-on-quarter growth figures show consistent sales and PAT improvements, with significant QYoY growth. This suggests effective short-term strategies and adaptability to market conditions, enhancing overall performance.
Capital Allocation	The return metrics indicate efficient capital allocation, with RoE, RoA, and RoCE reflecting strong returns on investments. The company's focus on maximizing shareholder value is evident through these robust figures.
Holdings	The diverse shareholder structure, with significant FII and public holdings, suggests strong market confidence. The promoter's stake indicates commitment, while the number of shares reflects a stable equity base.
Leverage	The high debt/equity ratio indicates significant leverage, which could pose risks. However, the market cap and enterprise value suggest strong market positioning. Cash equivalents provide liquidity, balancing the leverage concerns.

**Analyst viewpoint:** Home First Finance Company India Limited exhibits impressive quarterly growth metrics with an 8.85% increase in sales and a 5.64% rise in PAT, reinforcing its strong market position and adaptability. The company's valuation metrics, featuring a moderate trailing P/E of 25.5 and a low PEG ratio of 0.55, further support its standing as an attractive investment in the housing finance sector. Capital allocation remains robust with a 15.5% ROE, backed by strategic expansions, such as adding 69 branches over 11 quarters, focusing on both new and existing markets. This is complemented by a successful digital transformation, with 96% customer engagement via their app, highlighting a forward-thinking approach in operational efficiency and customer service.

Peer-wise, Home First Finance stands competitively, given its balanced growth approach and innovative strategies. While maintaining conservative credit risk measures, they are diversifying product offerings into higher-margin segments. Despite these positive developments, one mild area of caution is the slight increase in balance transfer rate, which, while currently manageable, warrants ongoing monitoring to ensure continued credit quality. Overall, Home First Finance is poised for short-to-mid-term growth, driven by solid operational foundations and strategic market expansions.

Please read detailed disclosure on next page.

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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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