

Price: 991

Recommendation: Buy

Industry: Housing Finance Company

Sector: Financial Services

Report Date: 02-Apr-2025

HomeFirst Finance Company India Ltd. is a key player in affordable housing finance, focusing on expanding its reach and enhancing services. By leveraging technology, it offers efficient loan processing and customer engagement. The company diversifies its product offerings to cater to various customer segments, ensuring a robust revenue stream. With a strong financial position and strategic focus on innovation, HomeFirst is well-positioned for growth in India's affordable housing market.

| 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 | 24.8 | Sales Growth | 35.8 % | Sales Growth | 8.85 % |
| PEG Ratio | 0.54 | PAT Growth | 34.21 % | Sales Growth QYoY | 37.16 % |
| EV/EBITDA | 14.3 | EPS Growth | 17.39 % | PAT Growth | 5.64 % |
| P/B | 3.92 | Dividend Yield | 0.34 | 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 | 8928 Cr |
| RoIC | 11.2 % | Public | 29.5 % | Enterprise value | 16560 Cr |
| | | No of Shares | 9.01 Cr | Cash Equivalents | 1236 Cr |

source : Company filings

Company's Overview Based on Recent Concall and Performance:

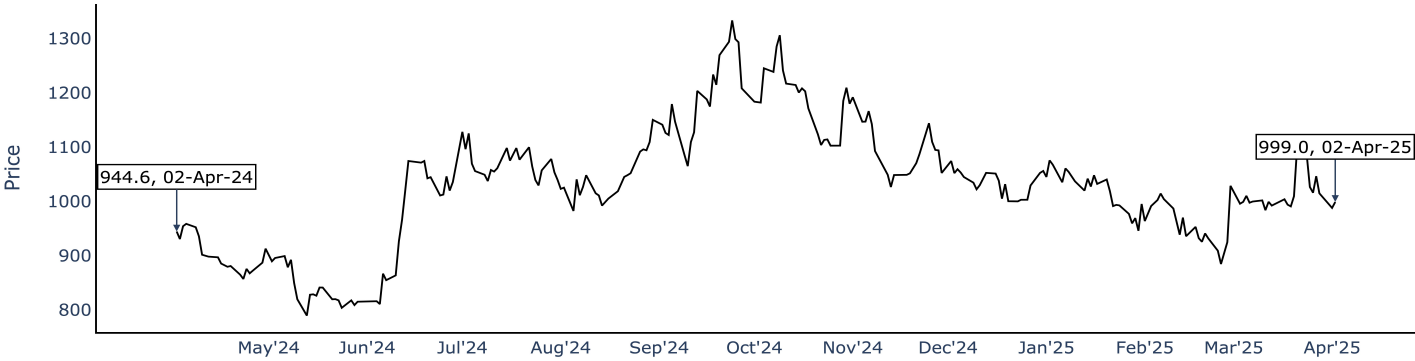
HomeFirst Finance Company India Ltd., a prominent player in the affordable housing finance sector, has recently been focusing on expanding its reach and enhancing its service offerings. The company has been actively working on increasing its geographical footprint across India, particularly in underserved regions, to tap into the growing demand for affordable housing. This expansion strategy is supported by the company's robust distribution network and its use of technology to streamline operations and improve customer service. HomeFirst's commitment to leveraging digital platforms for loan processing and customer engagement is a key differentiator, allowing it to offer faster and more efficient services compared to traditional methods.

In terms of business strategies, HomeFirst has been diversifying its product offerings to cater to a broader customer base. The company has introduced new loan products tailored to the needs of different customer segments, including self-employed individuals and those with informal income sources. This diversification is aimed at mitigating risks associated with a single customer segment and enhancing the company's revenue streams. Additionally, HomeFirst has been focusing on strengthening its credit assessment processes to ensure the quality of its loan portfolio. By employing advanced data analytics and credit scoring models, the company aims to maintain a healthy asset quality while expanding its customer base.

Looking ahead, HomeFirst is poised for significant growth, driven by favorable market conditions and government initiatives promoting affordable housing. The company's strategic focus on technology and innovation positions it well to capitalize on these opportunities. HomeFirst's investment in digital infrastructure not only enhances operational efficiency but also provides a scalable platform for future growth. The company's emphasis on customer-centric solutions and its ability to adapt to changing market dynamics are expected to drive sustainable growth in the coming years. Furthermore, HomeFirst's strong financial position and prudent risk management practices provide a solid foundation for its expansion plans.

To further enhance its growth prospects, HomeFirst could consider exploring partnerships with fintech companies to develop innovative financial products and services. Such collaborations could help the company tap into new customer segments and enhance its competitive edge. Additionally, HomeFirst could benefit from increasing its focus on financial literacy programs to educate potential customers about the benefits of formal housing finance. This initiative could help in expanding the market for affordable housing loans and contribute to the company's long-term growth. Overall, HomeFirst's strategic initiatives and focus on innovation position it well to capitalize on the growing demand for affordable housing finance in India.

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 | 8928.07 | 24.76 | 15.52% | 8.86% | 37.01% | 5.58% | 23.55% |
| HUDCO | 41199.12 | 15.47 | 13.17% | 9.63% | 37.14% | 6.74% | 41.56% |
| LIC Housing Fin. | 31125.35 | 5.98 | 16.22% | 1.91% | 3.91% | 8.07% | 22.75% |
| PNB Housing | 23913.08 | 13.14 | 11.80% | 2.96% | 9.99% | -0.06% | 36.04% |
| Aadhar Hsg. Fin. | 19159.89 | 22.09 | 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 and quarter. This indicates a robust demand for its services, likely driven by strategic expansion and enhanced service offerings. |
| Profit & Loss | Operating profit and PAT have increased, reflecting efficient cost management and strong sales performance. This suggests the company is effectively converting revenue into profit, enhancing shareholder value. |
| Profitability Matrix | High operating and EBITDA margins indicate strong operational efficiency. The net profit margin suggests effective cost control and pricing strategies, contributing to overall profitability. |
| 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 ratio supports a positive market perception. |
| Growth (YoY) | Year-over-year growth in sales and PAT highlights the company's successful expansion and market penetration strategies. The EPS growth further underscores the company's profitability and shareholder returns. |
| Growth (QoQ) | Quarter-over-quarter growth in sales and PAT indicates consistent performance and effective short-term strategies. This reflects the company's ability to adapt and thrive in changing market conditions. |
| Capital Allocation | The company demonstrates prudent capital allocation with healthy RoE and RoCE, indicating efficient use of equity and capital employed. This suggests a strong focus on maximizing shareholder returns. |
| Holdings | The diverse shareholder base with significant FII and public holdings reflects market confidence. The promoter's stake indicates a vested interest in the company's success, aligning with shareholder interests. |
| Leverage | The high debt/equity ratio suggests significant leverage, which could pose risks. However, the company's market cap and enterprise value indicate strong market confidence, potentially offsetting leverage concerns. |

Analyst viewpoint: HomeFirst Finance Company India Ltd. exhibits a promising short to mid-term growth outlook, underpinned by its robust quarterly sales growth of 8.85% and a PAT increment of 5.64% compared to the previous quarter. This performance is indicative of the company's strategic market expansion, bolstered by effective use of technology to improve customer engagement and operational efficiency. With a reasonable P/E ratio of 24.8 and a PEG ratio of 0.54, the company's valuation metrics point to potential for upward revaluation, particularly as it continues to fortify its market presence through product diversification. The company's commitment to leveraging digital solutions not only enhances service delivery but also scales operational processes, positioning it advantageously amidst peer competition which remains vital for tapping into new customer segments.

Equipped with strategic foresight, HomeFirst is poised to capitalize on favorable government policies promoting affordable housing. It boasts a prudent capital allocation with a commendable RoE of 15.5% and RoCE of 11.2%, reflecting efficient resource utilization, enhancing shareholder returns. The company's strategic focus on strengthening its credit assessment processes ensures portfolio quality while broadening its customer base. Although its high debt-to-equity ratio of 3.87 necessitates cautious financial management, the existing strong financial position and market confidence, coupled with the company's strategic innovations, provide a solid foundation for sustainable growth amidst industry competitors.

Please read detailed disclosure on next page.

