

**Price:** 1,204

**Recommendation:** Buy

**Industry:** Housing Finance Company

**Sector:** Financial Services

**Report Date:** 21-Apr-2025

Home First Finance Company India Limited (HFFCIL) is focused on growth and market expansion, reporting a 30% AUM increase and 16.6% ROE. It has nearly doubled its branches to 149 since March 2022, with plans for more. The company is diversifying its loan portfolio, aiming for a 20% Loan Against Property share. HFFCIL leverages technology for efficiency and targets emerging markets, planning to reach INR 20,000 crores by 2027. Challenges include managing yield and external factors.

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	34.3	Sales Growth	35.8 %	Sales Growth	8.85 %
PEG Ratio	0.74	PAT Growth	34.21 %	Sales Growth QYoY	37.16 %
EV/EBITDA	17.2	EPS Growth	17.39 %	PAT Growth	5.64 %
P/B	4.72	Dividend Yield	0.28	PAT Growth QYoY	23.6 %
Capital Allocation		Holdings		Leverage	
RoE	15.5 %	Promoter	12.5 %	Debt/Equity	3.87
RoA	3.76 %	FII	36.5 %	Debt	8867 Cr
RoCE	11.2 %	DII	21.2 %	Market Cap	12366 Cr
RoIC	11.2 %	Public	29.8 %	Enterprise value	19997 Cr
		No of Shares	10.3 Cr	Cash Equivalents	1236 Cr

source : Company filings

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

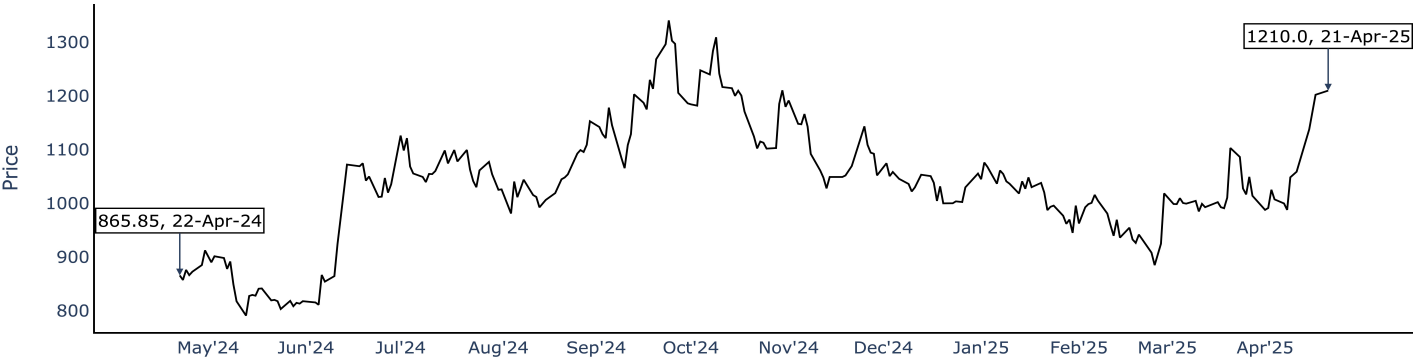
In the recent earnings conference call, Home First Finance Company India Limited (HFFCIL) highlighted several strategic initiatives and business strategies aimed at sustaining growth and expanding its market presence. The company reported a robust AUM growth of over 30% and a profitability with an ROE of 16.6%. A key focus has been on expanding its distribution network, with 69 new branches added over the last 11 quarters, nearly doubling the 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 plans to add around 10 more branches in the ongoing quarter. The company also emphasized its investment in human resources, increasing its employee strength from 1,249 in March 2024 to 1,704 in December 2024, and enhancing its training programs for new hires.

The company is actively pursuing diversification strategies, particularly in its loan portfolio. The Loan Against Property (LAP) segment is growing at a faster pace, currently constituting about 15% of the AUM, with plans to increase it to 20% in the near term. This growth is part of a broader strategy to balance the portfolio mix between home loans and LAP, aiming for an 80% home loan and 20% LAP distribution. The company is also leveraging technology to enhance operational efficiency, with 96% of customers registered on its app and 88% of service requests being raised through it. The adoption of account aggregators has improved significantly, reaching 61% for new approvals.

Looking ahead, HFFCIL is optimistic about its growth prospects, targeting a 30% AUM growth and planning to reach INR 20,000 crores by March 2027. The company is focusing on emerging markets like Madhya Pradesh, Uttar Pradesh, and Rajasthan, which are showing potential as large affordable housing markets. The strategy includes deeper market penetration and increasing market share in these regions. The company is also preparing for future growth by planning capital enhancements and maintaining a robust balance sheet to support its expansion plans.

While the company has demonstrated strong performance, there are areas for improvement. The sequential disbursement growth has been slightly lower than expected, attributed to external factors like the Karnataka e-khatas issue and tighter credit filters. The company is confident about a solid Q4 performance, but it needs to address these challenges to maintain its growth trajectory. Additionally, while the LAP segment is growing, the asset yield has remained flat, indicating a need for better yield management. The company's focus on maintaining a diversified borrowing profile and managing borrowing costs effectively will be crucial in sustaining its financial health and achieving its ambitious growth targets.

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
HUDCO	46932.25	17.50	13.17%	9.63%	37.14%	6.74%	41.56%
LIC Housing Fin.	33364.07	6.48	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	26230.53	14.37	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	20723.75	23.86	18.41%	4.36%	18.51%	5.20%	17.17%
AAVAS Financiers	17127.05	30.42	13.93%	3.04%	17.47%	-1.01%	25.52%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year. The current quarter also reflects a positive trend, indicating effective sales strategies and market demand. This growth is crucial for sustaining profitability and expanding market share.
Profit & Loss	Operating profit and PAT figures indicate robust financial health, with substantial year-on-year and quarter-on-quarter improvements. This suggests efficient cost management and revenue generation, contributing to overall profitability and shareholder value.
Profitability Matrix	High operating and EBITDA margins reflect strong operational efficiency and cost control. The net profit margin and EPS are also favorable, indicating effective management strategies and a solid return on investment for shareholders.
Valuation Matrix	The company's valuation metrics, including P/E and PEG ratios, suggest it is reasonably valued with growth potential. The EV/EBITDA and P/B ratios further support a positive outlook, making it an attractive investment opportunity.
Growth (YoY)	Year-on-year growth metrics show impressive sales and PAT increases, highlighting the company's ability to expand its market presence and improve financial performance. This growth trajectory is essential for long-term success.
Growth (QoQ)	Quarter-on-quarter growth figures demonstrate consistent performance improvements, with notable sales and PAT growth. This indicates effective short-term strategies and adaptability to market conditions, supporting ongoing expansion.
Capital Allocation	The company's capital allocation metrics, such as RoE and RoCE, reflect prudent financial management and efficient use of resources. These figures suggest a strong ability to generate returns on investments and sustain growth.
Holdings	The diverse shareholder base, with significant FII and DII holdings, indicates strong market confidence. The promoter's stake and public holdings balance suggest stability and potential for future investment inflows.
Leverage	The company's leverage metrics, including debt/equity ratio, indicate a high level of debt. However, the market cap and enterprise value suggest the company is managing its financial obligations effectively, supporting growth initiatives.

**Analyst viewpoint:** Home First Finance Company India Limited has demonstrated compelling growth and robust financial health, making it an attractive prospect for investors looking at short to mid-term opportunities. The company has reported a significant 30% increase in AUM, reinforcing its strategy of market expansion and operational efficiency. The impressive 8.85% quarter-over-quarter sales growth and 5.64% PAT growth indicate strong sales and profit momentum. With a focus on technology integration, HFFCIL has boosted customer engagement, achieving a 96% app registration rate among its clients. Additionally, the valuation metrics, such as the trailing P/E of 34.3 and a PEG ratio of 0.74, suggest reasonable pricing with substantial upside potential. Coupled with a diversified loan portfolio aimed at enhancing its Loan Against Property share and a solid ROE of 16.6%, the foundation for achieving its growth objectives by 2027 is robust.

The competitive landscape remains favorable for HFFCIL, with its strategic positioning in emerging markets like Madhya Pradesh and Uttar Pradesh proving pivotal. The company's RoE and RoCE stand strong at 15.5% and 11.2%, respectively, reflecting prudent capital allocation. However, potential investors should consider the company's high debt/equity ratio of 3.87, which reflects a substantial leverage that, while being effectively managed, requires continuous monitoring to sustain financial health. Despite these concerns, HFFCIL's proactive strategies to penetrate new markets, coupled with its consistent investment in human resources and infrastructure, position it well for continued success in a dynamic market environment.

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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