

## Retail Equity Research

# Home First Finance Company India Ltd

## Finance

CMP Rs. ₹ 1166

Rating: Overweight

NSE CODE: HOMEFIRST BSE CODE: 543259

The company has demonstrated consistent revenue growth, with sales increasing from ₹296.3 Cr in Dec-23 to ₹405.95 Cr in Dec-24, reflecting a 9% YoY growth. Operating profit followed a similar trend, growing at a steady pace of 9%, despite rising expenses (₹80.88 Cr in Dec-24 vs. ₹65.04 Cr in Dec-23).

However, a notable decline in other income (₹1.5 Cr in Dec-24 from ₹4.7 Cr in Dec-23) and rising interest costs (₹192.63 Cr in Dec-24) indicate pressure on profitability. Net profit grew at a modest 5%, suggesting margin compression due to increased borrowing costs and operational expenses.

The company's ability to sustain revenue growth amid increasing costs will be key. Strategic cost control and improved operational efficiency could drive better margins in the coming quarters. Investors should monitor debt levels and interest costs, which are impacting bottom-line growth.

### Company Data

Market Cap (cr)	Rs.	8,269.39
Enterprise Value (cr)	Rs.	14,426.12
Outstanding Shares (cr)		8.98
52 week high	Rs.	1,388.00
52 week low	Rs.	777.00
1m average volume (lacs)		2.75
Face value	Rs.	2.00

	FY22	FY23	FY24
Sales	595.67	795.58	1156.51
Growth(%)	22%	34%	45%
EBITDA	452.83	612.35	914.65
EBITDA Margin(%)	76.0%	77.0%	79.1%
PAT	186.10	228.29	305.72
Growth(%)	86%	23%	34%
EPS	21.2	25.9	34.5
P/E	36.2	28.6	26.0
P/B	4.3	3.6	3.7
EV/EBITDA	21.1	18.0	15.8
ROE(%)	12%	12.6%	14%
ROCE(%)	9%	9.1%	9.6%
ROIC(%)	7%	7.3%	7.6%
D/E	2.20	2.65	3.44

**Strong Financial Performance** Home First Finance achieved 30% AUM growth in Q3FY25, with an ROE of 16.6%. Disbursals stood at ₹1,193 crores, slightly below expectations due to Karnataka e-khatas issues and stricter credit filters. Asset quality remains stable, with Gross Stage 3 NPA at 1.7% and a credit cost of 30 bps.

**Expansion and Digital Growth** The company added 69 branches in 11 quarters, totaling 149 branches and 359 touchpoints, with plans for 10 more. Digital adoption is strong, with 96% of customers on the app, 88% of service requests processed digitally, and 61% account aggregator adoption for approvals.

**Future Growth Strategy** Plans to raise ₹ 1,250 crores in equity to sustain 30% AUM growth, targeting ₹20,000 crores by March 2027. Despite rising competition, its focus on ₹5-25 lakh loans, tech integration, and improved governance (ESG score up from 34 to 45) ensures a strong market position.

## Key Highlights

**Technology-Driven Affordable Housing Finance** Home First Finance Company (HFFC) is a technology-driven housing finance company (HFC) that focuses on first-time homebuyers in low and middle-income groups. The company primarily offers housing loans for purchasing or constructing homes, which constitute 87% of its loan book.

**Strong Geographical Presence** HFFC has a well-established network of 120 branches across 125 districts in 13 states, with a total of 295 touchpoints. It has a strong presence in urbanized regions, particularly in Gujarat, Maharashtra, Karnataka, and Tamil Nadu, contributing significantly to its business.

**Diverse Lead Generation Model** The company employs an omnichannel lead generation approach, with key sources being connectors (77.2%), builder ecosystem (7.9%), digital (2.2%), and referrals (3.3%). Additionally, 94.5% of connectors are registered on the company's ConnectorApp, ensuring a streamlined and efficient lead conversion process.

**Asset Under Management (AUM) and Loan Portfolio** As of September 2023, HFFC's AUM stood at ₹8,365 crores, with loan disbursements of ₹959 crores in Q2FY24. The loan portfolio is diversified as follows:

By Product: Housing Loans (87%), Shop Loans (12%), Loan Against Property (1%)

By Occupation: Salaried (69%), Self-Employed (31%)

By Credit History: Customers with a credit history (82%), New to credit (18%)

Average Credit Bureau Score: 743

**Robust Borrowing Structure** The company maintains a well-diversified borrowing mix, with total borrowings standing at ₹3,075 crores as of September 2021. It has funding from 19 lenders, maintains zero reliance on commercial papers, and reported a cost of borrowing of 8.1% as of September 2023.

**High Digital Adoption and Tech Integration** HFFC leverages technology to enhance customer experience, loan processing, and risk management. The company has developed a paperless onboarding process and utilizes a proprietary machine learning customer scoring model to assist in centralized credit underwriting. Notably, 88% of loans are approved within 48 hours. Moreover, 94% of its customers are registered through the app, with around 11,000 customers making payments digitally.

**Loan Growth and Performance Metrics** The company has demonstrated strong loan growth, with an average housing loan ticket size of ₹10.13 lakh and a loan-to-value ratio of 48.8% on gross loan assets. It achieved a 48.7% CAGR in its loan book from FY2017 to FY2021, indicating significant expansion and financial strength.

**Successful IPO and Market Debut** HFFC raised ₹1,153 crores through its IPO, with ₹265 crores as a fresh issue and ₹888 crores as an offer for sale by promoters. The company made its stock market debut on January 21, 2021, with an impressive 19% listing gain, reflecting strong investor confidence in its growth prospects.

## Quarterly Financial Consolidated

### Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	296.30	312.76	336.42	372.91	405.95
Growth(%)	8%	6%	8%	11%	9%
Expenses	65.04	57.90	67.58	74.69	80.88
Operating Profit	231.26	254.86	268.84	298.22	325.07
Growth(%)	9%	10%	5%	11%	9%
Other Income	4.70	4.99	4.91	1.32	1.50
Depreciation	3.01	3.23	3.46	3.62	4.12
Interest	130.21	145.87	156.77	175.56	192.63
Profit before tax	102.74	110.75	113.52	120.36	129.82
Tax	23.93	27.28	25.75	28.13	32.43
Net profit	78.82	83.47	87.77	92.23	97.38
Growth(%)	6%	6%	5%	5%	5%

## Financial Consolidated

### Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	410.83	489.12	595.67	795.58	1,156.51
Growth(%)	56%	19%	22%	34%	45%
Expenses	111.28	127.33	142.87	183.25	241.90
Operating Profit	299.55	361.79	452.80	612.33	914.61
Growth(%)	58%	21%	25%	35%	49%
Other Income	8.85	0.04	0.03	0.02	0.04
Depreciation	7.24	7.62	7.52	9.07	11.73
Interest	193.83	220.16	219.01	308.06	502.96
Profit before tax	107.33	134.05	226.30	295.22	399.96
Tax	27.78	33.90	40.20	66.93	94.24
Net profit	79.55	100.14	186.10	228.29	305.72
Growth(%)	74%	26%	86%	23%	34%

**Balance Sheet**

(Rs Cr)

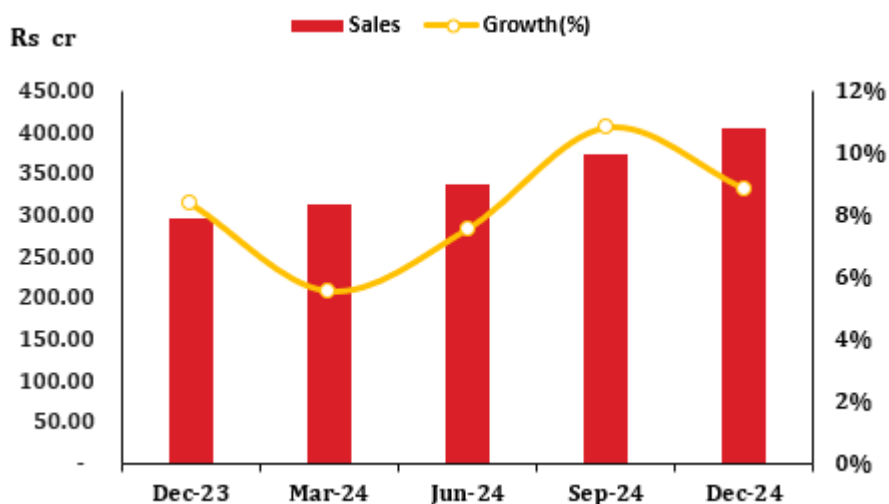
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	15.66	17.48	17.53	17.60	17.70
Reserves	917.77	1,363.06	1,556.16	1,799.74	2,103.78
Borrowings	2,493.81	3,053.69	3,466.77	4,813.47	7,302.10
Other Liabilities	52.97	75.92	76.40	108.15	110.38
<b>Total</b>	<b>3,480.21</b>	<b>4,510.15</b>	<b>5,116.86</b>	<b>6,738.96</b>	<b>9,533.96</b>
Net Block	21.00	16.67	20.23	25.73	30.03
Capital Work in Progress	-	-	-	0.05	0.18
Investments	145.56	375.02	-	280.80	378.81
Other Assets	3,313.65	4,118.46	5,096.63	6,432.38	9,124.94
<b>Total</b>	<b>3,480.21</b>	<b>4,510.15</b>	<b>5,116.86</b>	<b>6,738.96</b>	<b>9,533.96</b>

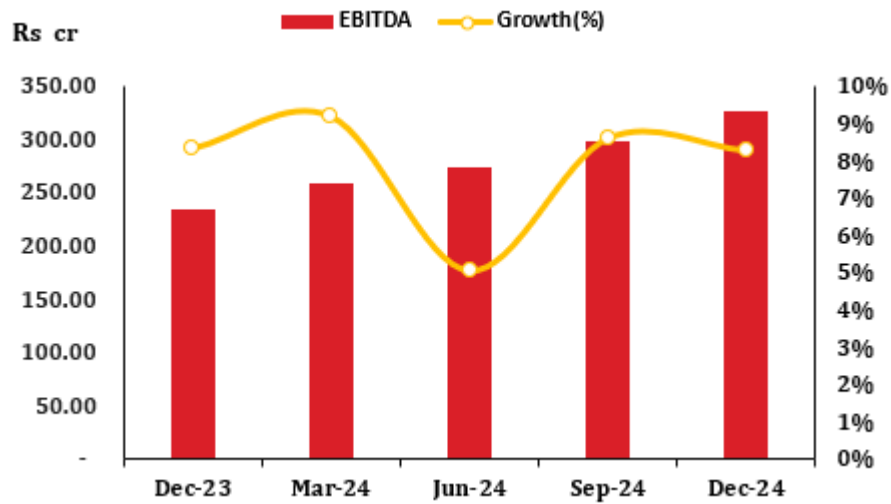
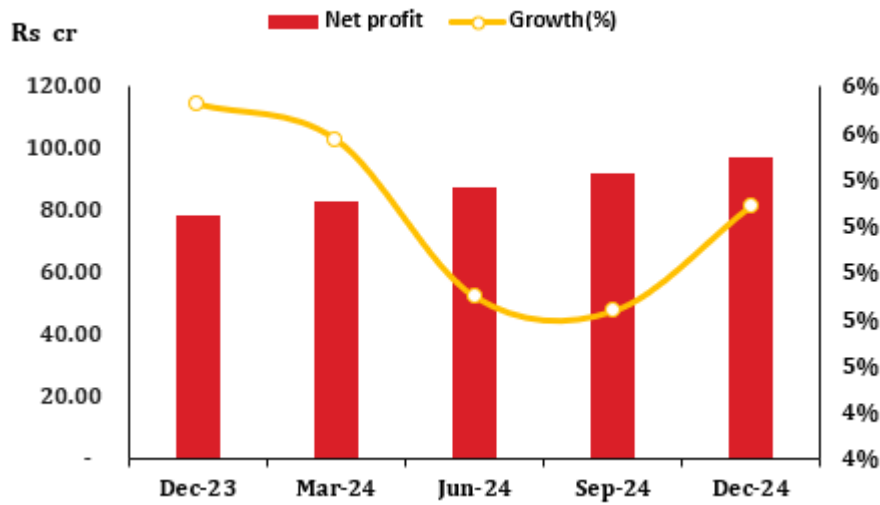
**Cash Flow**

(Rs Cr)

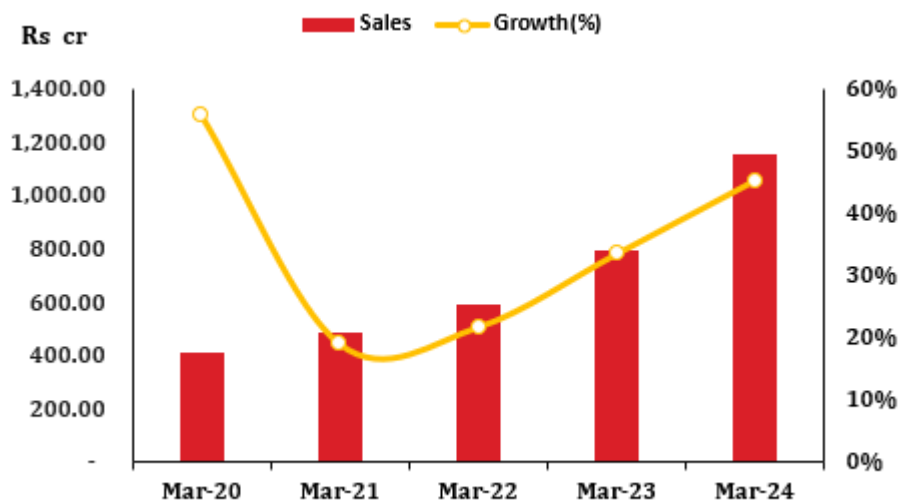
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	-823.19	-222.93	-807.03	-1468.53	-1907.68
Cash from Investing Activity	-108.07	-614.97	803.96	-266.59	-217.38
Cash from Financing Activity	893.26	899.6	411.41	1352.92	2469.98
Net Cash Flow	-38	61.69	408.34	-382.2	344.91

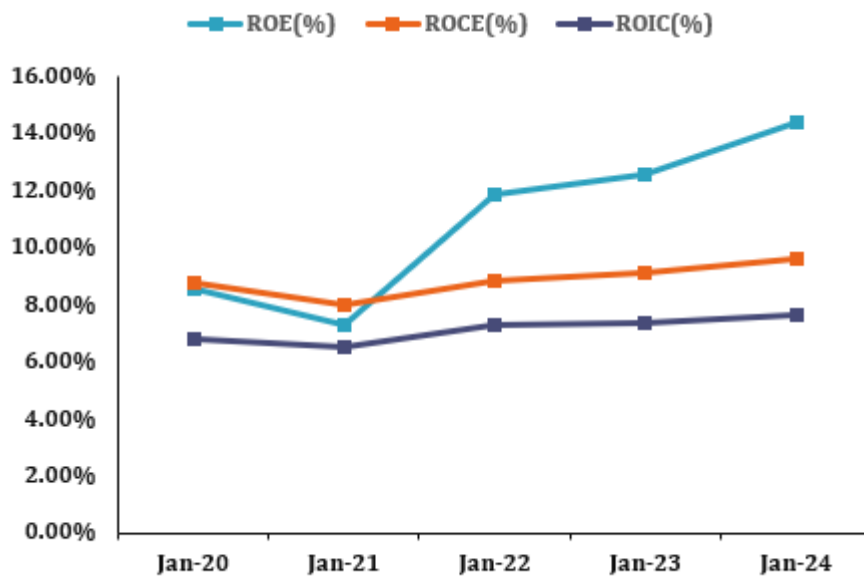
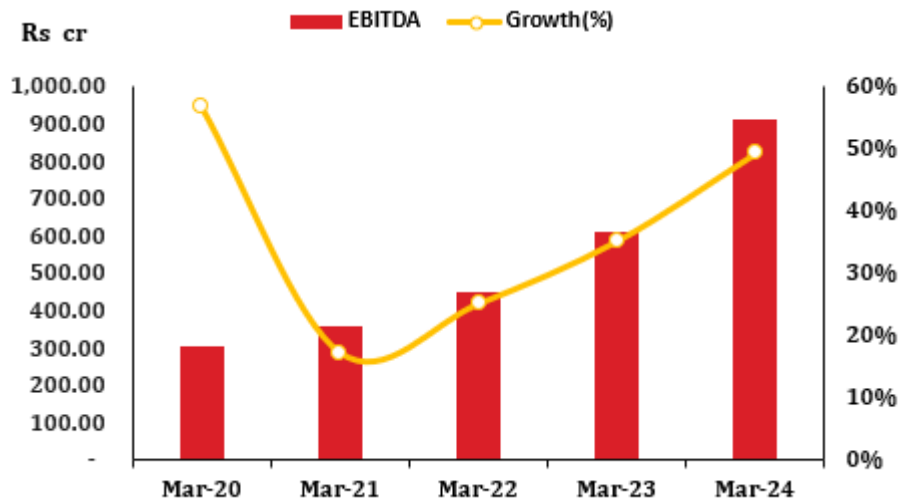
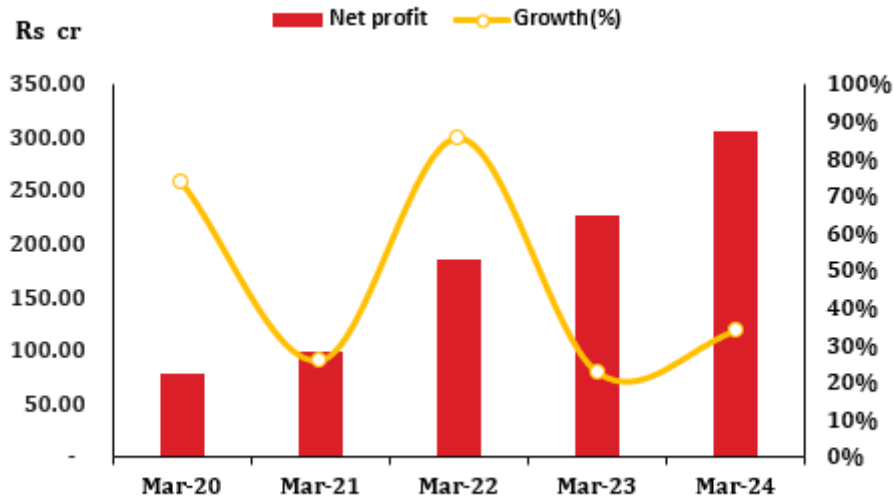
**Key Metrics: Quarterly**





### Key Metrics: Yearly





**Key Ratio:**

<b>Leverage Ratios</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
D/E	2.67	2.21	2.20	2.65	3.44
Debt/Assets	0.72	0.68	0.68	0.71	0.77
Debt/Ebitda	8.09	8.44	7.66	7.86	7.98
Debt/Capital Ratio	73%	69%	69%	73%	77%
Cash flow/Debt	-0.33	-0.07	-0.23	-0.31	-0.26
Interest coverage ratio	1.55	1.61	2.03	1.96	1.80
Sales Change	56%	19%	22%	34%	45%
Ebit Change	57%	18%	26%	35%	50%
Operating Leverage	1.05	1.09	1.15	1.05	1.09
Financial Leverage	3.73	3.27	3.25	3.71	4.49

<b>Efficiency ratios</b>					
Receivable days	0	0	0	0	0
Receivable turnover	-	-	-	-	-
Inventory days	-	-	-	-	-
Inventory turnover					
Net Fixed assets turnover	19.56	29.34	29.44	30.92	38.51
Sales/capital employed	0.12	0.11	0.12	0.12	0.12
Total Asset Turnover	0.12	0.11	0.12	0.12	0.12

<b>Profitability ratios</b>					
Ebitda	308.4	361.83	452.83	612.35	914.65
Ebitda margin	75%	74%	76%	77%	79%
Gross Profit	410.2	488.61	594.99	794.66	1155.26
Gross Profit Margin	100%	100%	100%	100%	100%
EBIT	301.16	354.21	445.31	603.28	902.92
EBIT Margin	73%	72%	75%	76%	78%
ROE	9%	7%	12%	13%	14%
Net profit margin	19%	20%	31%	29%	26%
EPS	10.16	11.46	21.24	25.94	34.54
DU Pont ROE	9%	7%	12%	13%	14%
Net Profit Margin	19%	20%	31%	29%	26%
Sales/Total assets	0.12	0.11	0.12	0.12	0.12
Financial Leverage	3.73	3.27	3.25	3.71	4.49
DU PONT ROA	2%	2%	4%	3%	3%
Net Profit Margin	19%	20%	31%	29%	26%
Sales/Total assets	0.12	0.11	0.12	0.12	0.12

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	8%	8%	8%	8%	9%
EBIT Margin	73%	72%	75%	76%	78%
Sales/cap employed	0.12	0.11	0.12	0.12	0.12
NOPAT	223.21	264.63	366.20	466.51	690.17
Capital employed	3427.24	4434.23	5040.46	6630.81	9423.58
ROIC	7%	6%	7%	7%	7%

Valuation Ratios					
Price/Earnings		39.14	36.22	28.62	25.99
Price/Book	-	2.84	4.28	3.60	3.75
Marketcap	-	3,919.02	6,740.38	6,534.44	7,945.53
Enterprise Value	2,271.75	6,292.84	9,539.30	11,049.50	14,426.12
EV/EBITDA	7.37	17.39	21.07	18.04	15.77



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