

Stable compounder !!!

Home First Finance has yet again delivered the strong set of numbers – PAT came in at INR 878 mn, up by 27% yoy & 5.2% qoq led by strong asset growth. Gross AUMs reported growth of 35.1% yoy / 8% qoq to ~INR 105 bn – similar to the run-rates that we have seen in prior periods. Disbursements too grew by 30.2% yoy / 5.5% qoq to INR 11625 mn. Management is not seeing any slowdown in the demand and it is likely to continue with the current run-rates of AUM growth of 30%+ in near future. Spreads contracted marginally by 10 bps qoq to 5.1% levels while it sees full year spreads is likely to be seen at 5%+ levels. GNPA / NNPA largely remained stable at 1.7% / 1.2% levels similar to the last quarter levels. However, during the quarter, there was rise in the provisions amounting to INR 56 mn vs. INR 27 mn in Q4FY24 which resulted in PCR improving to 48% mark. Going forward, the management is seeing credit cost of 30-40 bps for FY25 vs. 20 bps seen in Q1FY25. **Retain BUY.**

Outlook for FY25

- **AUM growth of 30%**
- **Cost/Income ratio will be brought down to 30% levels over the longer time frame**
- **Spreads will be seen at 5%+ levels**
- **Credit cost for FY25 will be at 30-40 bps vs. 20 bps seen in Q1FY25**

Valuations

Going forward, we expect PAT to grow at 27% CAGR during FY24-26e led by higher asset growth of 30%. Given strong demand for affordable loans and better visibility of asset growth, we expect the re-rating on the stock to continue. It is currently trading at 3.9x/3.3x FY25e/FY26e ABV on ROE/ROA of 16-17%/3.7-3.8% in FY25-26 period. We retain our BUY rating on the stock with revised TP of INR 1226, upside of 16% from the current levels.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
NII	2,135	2,960	4,179	5,278	7,351	9,437
PAT	1,001	1,861	2,283	3,057	3,885	4,901
Net worth	13,805	15,737	18,173	21,215	25,100	30,001
Adj BVPS	153	171	197	229	270	323
EPS (Rs)	11	21	26	35	44	55
P/ABV (x)	6.9	6.2	5.4	4.6	3.9	3.3
P/E (x)	93	50	41	31	24	19
RoA (%)	2.5	3.9	3.9	3.8	3.7	3.8
RoE (%)	8.7	12.6	13.5	15.5	16.8	17.8

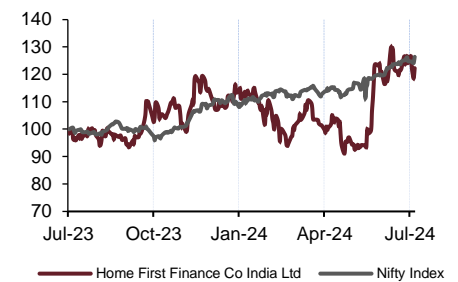
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	1,226	15

Market data

Current price	Rs	1,062
Market Cap (Rs.Bn)	(Rs Bn)	94
Market Cap (US\$ Mn)	(US\$ Mn)	1,127
Face Value	Rs	2
52 Weeks High/Low	Rs	1195 / 777
Average Daily Volume	('000)	132
BSE Code		543259
Bloomberg		HOMEFIRST.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	23	24
Public	77	76
Others	-	-
Total	100	100

Source: Bloomberg

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Financial & Concall Highlights

- Home First Finance yet again delivered strong set of numbers – PAT came in at INR 878 mn, up by 27% yoy & 5.2% qoq led by strong asset growth
- **Strong asset growth** – Gross AUMs reported growth of 35.1% yoy / 8% qoq to ~INR 105 bn – similar to the run-rates that we have seen in prior periods. Disbursements too grew by 30.2% yoy / 5.5% qoq to INR 11625 mn. Management has gone deeper the its existing geographies viz. Gujarat which contribute 30.4% of overall AUMs, Tamilnadu 13.9% share, Maharashtra 13.3%. However, incrementally it is building higher focus on the new geographies like MP, UP, Rajasthan, AP are also contributing meaningfully – all state put together share which was at 24.3% in Q1FY25 vs. 20.8% in Q1FY24. In addition to this, 85% of the loans are housing loans, 14% LAP loans and 1% shop loans.
Management is not seeing any slowdown in the demand and it is likely to continue with the current run-rates of AUM growth of 30%+
- **Co-lending book + direct assignments is also growing at rapid pace** which currently amounts to 1936 mn, up by 69.4% yoy / 13.3% qoq (1.8% share in the overall AUMs). The company co-lending partners are largely PSU banks & some private banks namely including HDFC Bank and Yes Bank. Share of this off-book assets will be at 10% of the disbursements incrementally which will increase further in next 2-3 years as this is ROA accretive product.
- **Margins contracted marginally on qoq basis** – During the quarter, spreads (overall on total book) saw contraction of 10 bps on qoq basis to 5.2% to 5.1% levels. While spreads (ex co-lending) declined by 20 bps qoq to 5.2%. Management highlighted that PLR hike has been done to the tune of ~35 bps which will see full impact of this in August 2024 (previous cumulative PLR hikes was ~125 bps; last hike done in April 2023). With this PLR hike, there will be largely increase in the tenures of the loans and not EMI increase. Incremental origination yield of the company is at 13.7% vs. book yield of 13.5%. While on the liability side, incremental cost of borrowings is at 8.4% vs. 8.2% seen in the Q1FY25 (this rise is despite higher NHB drawdowns in this quarter). Going forward, the management highlighted that for the full year FY25, spreads are likely to be maintained at 5%+.
- **Asset quality steady** – GNPA / NNPA largely remained stable at 1.7% / 1.2% levels similar to the last quarter levels. However, during the quarter, there was rise in the provisions amounting to INR 56 mn vs. INR 27 mn in Q4FY24 which resulted in PCR improving to 48% mark. Going forward, the management is seeing credit cost of 30-40 bps for FY25 vs. 20 bps seen in Q1FY25

- Bounce rates are range bound currently at 14.5% levels largely to previous quarters. While collection efficiency is at 98.6% marginally lower than the March 2024 levels of 99.1%
- ROA / ROE of the company stood at 3.6% / 16.3% largely similar to last quarter levels.
- Active number of connectors stood at 3500+
- Management aims to see operating leverage kicking in - cost/income ratio of <30% over the longer time-frame vs. 35.5% currently in Q1FY25

Valuations

Going forward, we expect PAT to grow at 27% CAGR during FY24-26e led by higher asset growth of 30%. Given strong demand for affordable loans and better visibility of asset growth, we expect the re-rating on the stock to continue. It is currently trading at 3.9x/3.3x FY25e/FY26e ABV on ROE/ROA of 16-17%/3.7-3.8% in FY25-26 period. We **retain our BUY rating on the stock with revised TP of INR 1,226**, upside of 16% from the current levels.

Quarterly Financials (Q1FY25)

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	yoy (%)	qoq (%)
Interest income	2313	2491	2646	2827	3032	31.0	7.2
Interest expense	1068	1170	1302	1459	1568	46.8	7.5
Net interest income	1246	1321	1344	1368	1464	17.5	7.0
Net gain on DA	198	208	206	147.71	195	-1.2	32.2
<i>DA income / Assigned Assets</i>	<i>17.3</i>	<i>14.1</i>	<i>13.0</i>	<i>8.6</i>	<i>10.1</i>		
Other Income	87	81.15	158	202.97	187	114.1	-8.1
Net Income	1530	1610	1708	1719	1846	20.6	7.4
Operating Expenses	553	565	611	584	655	18.4	12.1
<i>Cost/Income ratio</i>	<i>36.1</i>	<i>35.1</i>	<i>35.7</i>	<i>34.0</i>	<i>351.1</i>		
Employee expense	359	369	390	366	416	15.8	13.7
Other expense	194	197	220	218.35	239.12	23.2	9.5
PPOP	977	1044	1097	1135	1191	21.9	4.9
Provisions	77	80	70	27	56	-27.8	102.3
<i>Credit Cost / Advances (%)</i>	<i>0.12</i>	<i>0.11</i>	<i>0.09</i>	<i>0.03</i>	<i>0.06</i>		
PBT	900	964	1027	1107	1135	26.1	2.5
Tax	209	221	239.22	272.79	257.52	23.2	-5.6
<i>Tax Rate (%)</i>	<i>23.2</i>	<i>23.0</i>	<i>23.3</i>	<i>24.6</i>	<i>22.7</i>		
One-time tax adjustment							
PAT	691	743	788	835	878	27.0	5.2
<i>growth (yoy %)</i>	<i>34.9</i>	<i>36.9</i>	<i>34.2</i>	<i>30.4</i>	<i>27.0</i>		
<i>growth (qoq %)</i>	<i>8.0</i>	<i>7.5</i>	<i>6.1</i>	<i>5.9</i>	<i>5.2</i>		
EPS	7.9	8.4	9.0	9.5	9.9		
Ratios							
C-D ratio	115.9	117.1	110.2	111.5	111.4		
Credit Cost (%)	0.1	0.1	0.1	0.0	0.1		
Yield on AUMs	12.4	12.4	12.3	12.2	12.0		
Yield on advances	14.8	14.7	14.5	14.4	14.3		
Cost of Funds	8.2	8.1	8.1	8.2	8.3		
Spreads	5.7	5.5	6.4	6.2	6.1		
NIMs	7.1	6.9	6.4	6.0	6.0		
ROA	3.9	3.8	3.7	3.6	3.6		
ROE	15.0	15.6	15.8	16.1	16.3		
Gross Loan Assets / AUM	77564	83654	88438.1	96,978	104781		
<i>growth (yoy %)</i>	<i>33.0</i>	<i>33.3</i>	<i>31.0</i>	<i>34.7</i>	<i>35.1</i>		
<i>growth (qoq %)</i>	<i>7.8</i>	<i>7.9</i>	<i>5.7</i>	<i>9.7</i>	<i>8.0</i>		
Disbursements	8926	9591	10535	11,019	11625		
<i>growth (yoy %)</i>	<i>35.0</i>	<i>36.6</i>	<i>35.0</i>	<i>26.8</i>	<i>30.2</i>		
<i>growth (qoq %)</i>	<i>2.7</i>	<i>7.4</i>	<i>9.8</i>	<i>4.6</i>	<i>5.5</i>		
Assigned + Co-lending	1143	1471	1592	1708	1936		
<i>growth (yoy %)</i>	<i>30.0</i>	<i>71.6</i>	<i>78.1</i>	<i>48.0</i>	<i>69.4</i>		
<i>growth (qoq %)</i>	<i>-1.0</i>	<i>28.7</i>	<i>8.2</i>	<i>7.3</i>	<i>13.3</i>		
<i>Assigned / AUMs</i>	<i>1.5</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>		

Loans – Principal Outstanding**Ratios**

DPD 1+	4.3	4.5	4.5	4.2	4.5
DPD 30+/POS	2.9	2.9	3.0	2.8	2.9
Gross Stage 3 (GNPAs)	1.6	1.7	1.7	1.7	1.7
Net Stage 3 (Net NPAs)	1.1	1.2	1.2	1.2	1.3
PCR	31.3	29.4	29.4	29.4	23.5
Bounce Rates	15.0	14.2	15.1	14.7	15.3
Collection Efficiency	98.5	98.5	98.7	99.1	98.5
Portfolio Yield (IGAAP)	13.7	13.6	13.5	13.6	13.5
Cost of Borrowings (IGAAP)	8.0	8.1	8.2	8.2	8.3
Spread	5.7	5.5	5.3	5.2	5.1

Source: Company, Dalal & Broacha Research

Financials

P&L (Rs Mn)	FY22	FY23	FY24e	FY25e	FY26e
Interest income	5,117	7,222	10,277	14,002	17,763
Interest expense	2,157	3,043	4,999	6,651	8,326
NII	2,960	4,179	5,278	7,351	9,437
Non-interest income	840	734	1,289	1,263	1,601
Net revenues	3,800	4,913	6,567	8,615	11,038
Operating expenses	1,287	1,746	2,313	2,997	3,935
PPOP	2,513	3,167	4,254	5,617	7,103
Provisions	250	215	254	424	551
PBT	2,263	2,952	4,000	5,194	6,552
Tax	402	669	942	1,309	1,651
PAT	1,861	2,283	3,057	3,885	4,901
<i>growth (yoy)</i>	<i>85.8</i>	<i>22.7</i>	<i>33.9</i>	<i>27.1</i>	<i>26.2</i>
Balance sheet	FY22	FY23	FY24e	FY25e	FY26e
Share capital	175	176	177	177	177
Reserves & surplus	15,562	17,997	21,038	24,923	29,824
Net worth	15,737	18,173	21,215	25,100	30,001
Borrowings	34,668	48,135	73,021	87,233	1,13,402
Other liability	764	1,062	1,104	1,749	2,201
Total liabilities	51,169	67,370	95,340	1,14,081	1,45,604
Fixed assets	200	253	298	361	437
Investments	-	2,808	3,788	3,978	4,176
Loans	43,049	59,957	81,434	1,05,900	1,37,670
Cash	6,678	2,984	8,215	2,027	1,266
Other assets	1,242	1,368	1,604	1,816	2,055
Total assets	51,169	67,370	95,340	1,14,081	1,45,604

Ratios	FY22	FY23	FY24e	FY25e	FY26e
Growth (%)					
NII	38.6	41.2	26.3	39.3	28.4
PPOP	51.2	26.0	34.3	32.1	26.4
PAT	85.8	22.7	33.9	27.1	26.2
Advances	29.4	39.3	35.8	30.0	30.0
Spread (%)					
Yield on Funds	12.5	13.3	13.9	14.5	14.5
Cost of Funds	6.6	7.3	8.3	8.3	8.3
Spread	5.9	5.9	5.7	6.2	6.2
Asset quality (%)					
Gross NPAs	2.3	1.9	1.6	1.5	1.5
Net NPAs	1.8	1.4	1.2	1.1	1.0
Provisions	24.9	26.4	27.7	28.7	29.4
Return ratios (%)					
RoE	12.6	13.5	15.5	16.8	17.8
RoA	3.9	3.9	3.8	3.7	3.8
Cost Ratios (%)					
C/I Ratio	33.9	35.5	35.2	34.8	35.6
Opex / Avg. Assets	2.7	2.9	2.8	2.9	3.0
Per share (Rs)					
EPS	21.2	25.9	34.5	43.9	55.4
BV	179.6	206.5	239.7	283.6	338.9
ABV	170.9	196.8	228.8	270.5	322.7
Valuation (x)					
P/E	49.9	40.9	30.7	24.2	19.1
P/BV	5.9	5.1	4.4	3.7	3.1
P/ABV	6.2	5.4	4.6	3.9	3.3

Source: Dalal & Broacha Research, Company

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