

11 April 2025

India | Equity Research | Company Update

Home First Finance Company

NBFCs

Steady growth led to effective capital consumption; first AHFC to raise fresh capital post listing

Home First Finance (Home First) was listed in Feb'21. Ever since, it has managed to stand out among peers in the affordable housing finance space, consistently delivering 6–8% QoQ growth every quarter. This, in our view, is testament to its business' resiliency and management's ability to navigate external challenges arising from a rising rate cycle, regulatory changes (disbursements recognition on actual payment to customers rather than cheque issuance) and state-specific issues (e-khata issue in Karnataka). Successful execution of its business strategies has led to judicious capital consumption with Home First's financial leverage (AUM/net worth) improving to ~5x by Dec'24 (~3x in FY21) alongside stable asset quality. Fresh capital of INR12.5bn would allow adequate capital to fund incremental growth, as it plans to reach INR 400bn in AUM by FY30.

Fresh capital infusion to ensure sustained growth momentum, thus, steady RoE expansion; upgrade to BUY

Home First has delivered a strong 33% AUM CAGR between FY21–24 and 23% FY25–YTD growth. In parallel, by Dec'24, RoE expanded to 16.6%, from sub-10% in Mar'21; thus, reflecting strong profitability aided by business agility and superior execution of business strategies by management. With industry-wide tailwinds in place, such as re-introduction of CLSS scheme and likely rate cut cycle, Home First would likely sustain its growth momentum. The recent fresh capital infusion – to the tune of INR 12.5bn – would ensure adequate capital to fund Home First's aspirational AUM target of INR 400bn by FY30, implying a ~27% CAGR between FY24–30. CAR now stands at ~50% vs. 33.1%, as on Dec'24. We believe, near-term AUM growth would still remain in excess of 30%. With higher visibility of Home First sustaining its growth momentum and steady 15% RoE by FY27E, we upgrade the stock to BUY (from Add) and revise our TP to INR 1,350 (vs. INR 1,075), valuing it at 3x Sep'26E BVPS (earlier 3.5x Sep'25E).

Capital infusion led to >20% BVPS accretion

Steady AUM growth and tight control on opex and credit quality helped Home First in commanding sector-premium valuations, evident in average ~3.4x P/B (one-year forward) between FY21–25. Capital raising at premium valuation led to >20% book value accretion. Our FY26E/FY27E revised BVPS (factoring in fresh capital) stands at INR 411/INR 477 vs. INR 332/INR 395 earlier.

Key risks: 1) Sourcing, collections managed by front-end team; and 2) Lower-than-estimated AUM growth.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Interest Income	5,062	6,348	8,387	11,249
PAT	3,057	3,742	4,962	6,871
EPS (INR)	34.5	41.5	48.1	66.4
% Chg YoY	33.2	20.3	15.7	38.2
P/E (x)	30.7	25.5	22.0	15.9
P/BV (x)	4.5	3.8	2.6	2.2
Gross Stage - 3 (%)	1.7	1.7	1.7	1.6
Dividend Yield (%)	0.2	0.2	0.2	0.2
RoAA (%)	3.8	3.4	3.5	3.9
RoAE (%)	15.5	16.2	14.7	15.0

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Market Data

Market Cap (INR)	95bn
Market Cap (USD)	1,108mn
Bloomberg Code	HOMEFIRS IN
Reuters Code	HOME BO
52-week Range (INR)	1,383 / 777
Free Float (%)	53.0
ADTV-3M (mn) (USD)	6.4

Price Performance (%)	3m	6m	12m
Absolute	2.2 (13.0)	17.7	
Relative to Sensex	5.0 (5.3)	17.5	

ESG Score	2023	2024	Change
ESG score	79.3	78.9	-0.4
Environment	51.8	59.8	8.0
Social	80.6	79.3	-1.3
Governance	86.5	85.6	-0.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
PAT	-	8%

Previous Reports

30-01-2025: [Q3FY25 results review](#)

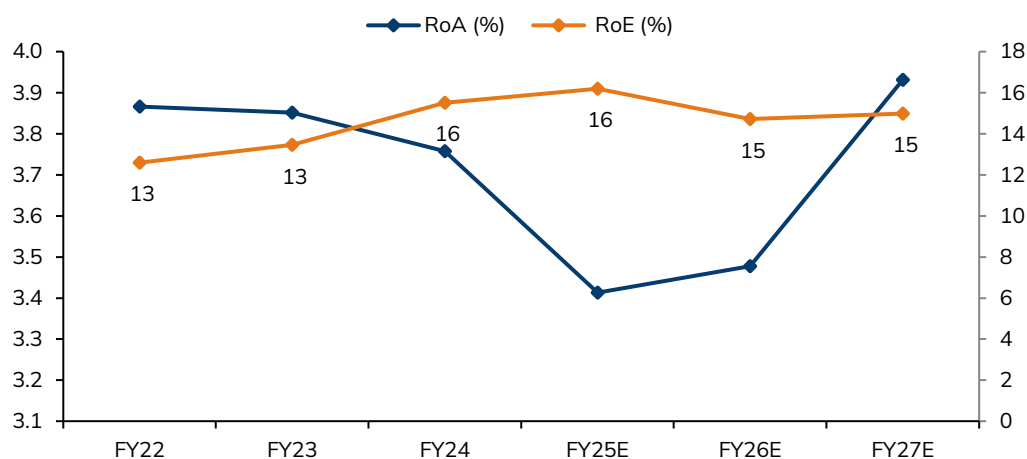
26-10-2024: [Q2FY25 results review](#)

Exhibit 1: Capital raise to be book value accretive and lead to a leap in CAR as well

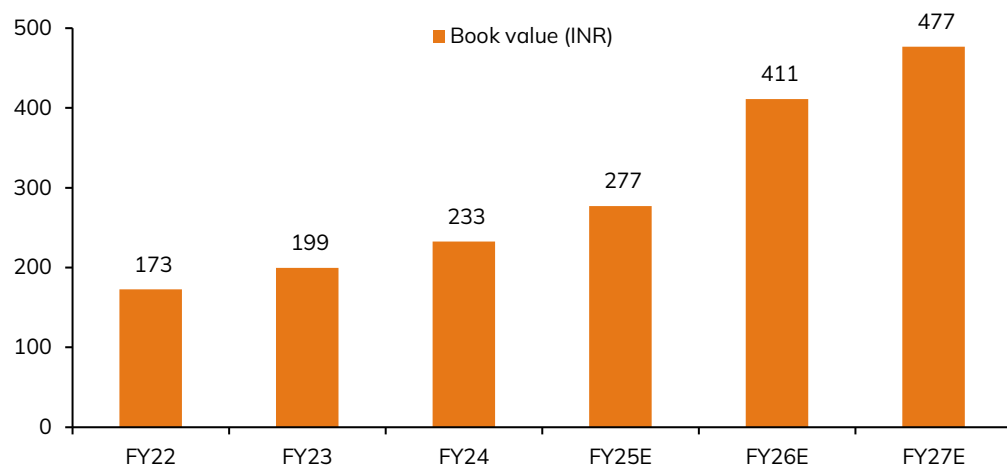
Particulars	INR
Amount of fund raise (INR mn)	12,500
Issue price (INR)	970
No. of new shares to be issued (mn)	13
Face value (INR)	2
Chg in Sh. Cap. (INR mn)	26
Chg. In R&S (INR mn)	12,474
Existing shares (mn) – Q4FY25	90
Sh. Cap dilution (%)	14%
Existing RWA (INR mn)	72,756
Existing CRAR (%) – Q3FY25	33
Existing Capital (INR mn)	24,082
Revised Capital (INR mn)	36,582
New CRAR (%)	50
Absolute change in CRAR (in %)	17

Book value per share (INR)	Earlier	Revised	Chg (%)
FY26E book value	332	411	24
FY27E book value	395	477	21

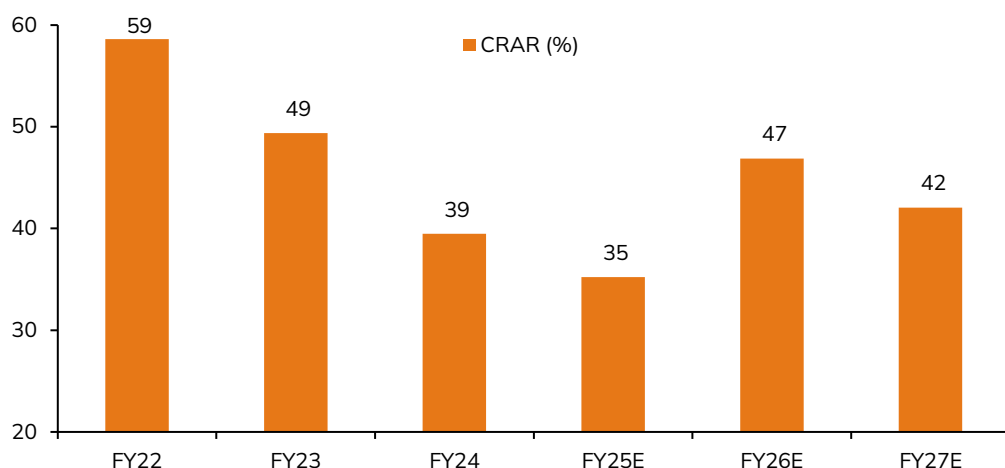
Source: I-Sec research, Company data

Exhibit 2: RoA to inch up post capital raise; RoE to fall in the interim


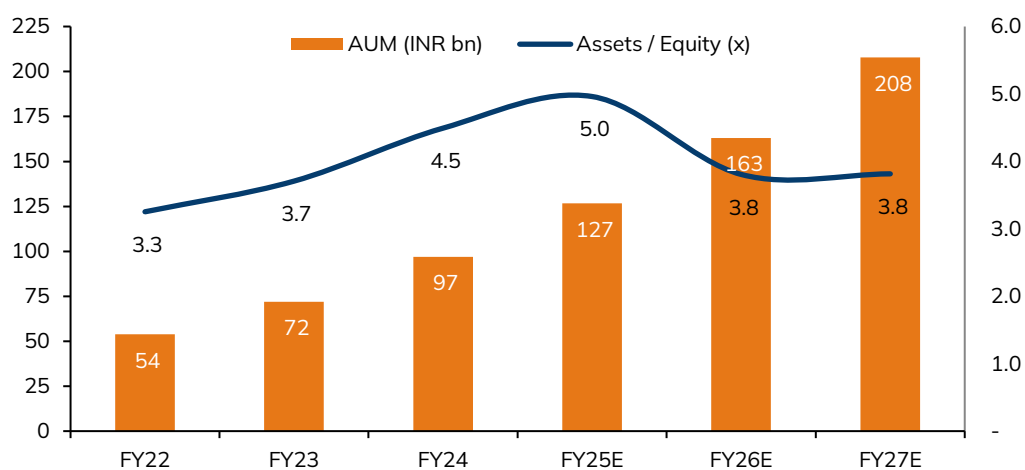
Source: I-Sec research, Company data

Exhibit 3: Book value per share to grow at >25% CAGR from FY24–27E due to capital infusion


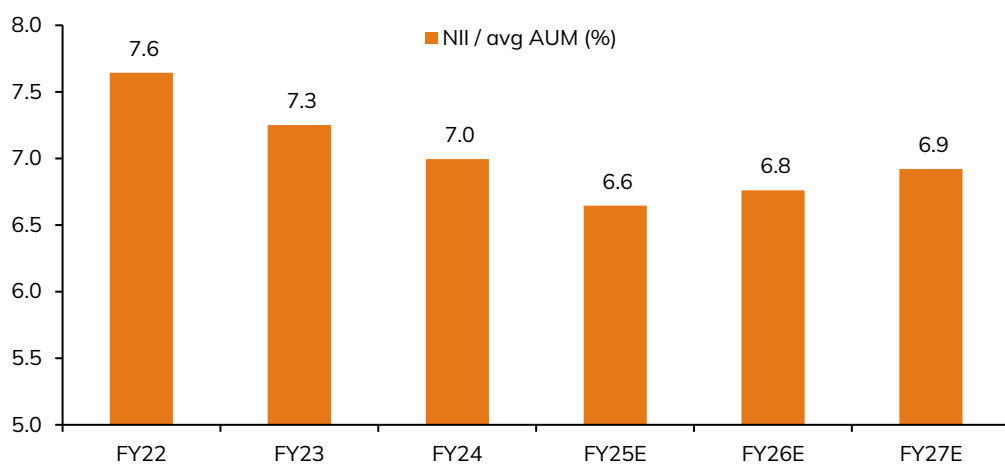
Source: I-Sec research, Company data

Exhibit 4: CRAR likely to be back to ~50% post capital raise

Source: I-Sec research, Company data

Exhibit 5: AUM growth momentum shall sustain; leverage to dip post fund raise

Source: I-Sec research, Company data

Exhibit 6: NII, as a % of average AUM, likely to inch up in FY26E/FY27E post fund raise proceeds

Source: I-Sec research, Company data

Exhibit 7: Home First traded at ~3.4x from FY21-25 on a one-year forward-basis

Source: I-Sec research, Company data

Exhibit 8: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	23.5	23.4	14.3
Institutional investors	36.9	38.0	56.2
MFs and other	9.7	10.7	15.5
FIs/ Banks	1.4	1.7	2.8
FIIIs	25.6	25.6	37.9
Others	39.8	38.6	29.5

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Interest Income	10,061	13,310	17,061	21,523
Interest Expenses	(4,999)	(6,962)	(8,674)	(10,274)
Net Interest Income (NII)	5,062	6,348	8,387	11,249
Other Income	1,504	1,922	2,479	2,963
Total Income (net of interest expenses)	6,567	8,270	10,866	14,212
Employee benefit expenses	(1,483)	(1,986)	(2,564)	(2,945)
Depreciation and amortization	(117)	(141)	(162)	(186)
Other operating expenses	(712)	(855)	(1,111)	(1,444)
Total Operating Expense	(2,313)	(2,981)	(3,837)	(4,575)
Pre Provisioning Profits (PPoP)	4,254	5,289	7,029	9,637
Provisions and write offs	(254)	(359)	(414)	(476)
Profit before tax (PBT)	4,000	4,930	6,616	9,161
Total tax expenses	(942)	(1,188)	(1,654)	(2,290)
Profit after tax (PAT)	3,057	3,742	4,962	6,871

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Share capital	177	180	206	207
Reserves & surplus	21,038	24,779	42,215	49,086
Shareholders' funds	21,215	24,960	42,422	49,293
Borrowings	73,021	97,593	1,17,623	1,37,287
Provisions & Other Liabilities	1,104	1,332	1,407	1,487
Total Liabilities and Stakeholder's Equity	95,340	1,23,884	1,61,452	1,88,067
Cash and balance with RBI	8,215	11,704	21,833	11,908
Fixed assets	298	417	463	514
Loans	81,434	1,06,400	1,33,336	1,70,118
Investments	3,788	3,599	3,959	3,563
Other Assets	1,604	1,764	1,861	1,964
Total Assets	95,340	1,23,884	1,61,452	1,88,067

Source Company data, I-Sec research

Exhibit 12: Key Ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
AUM and Disbursements (INR mn)				
AUM	96,978	1,26,649	1,62,992	2,07,945
On-book Loans	82,126	1,07,254	1,34,468	1,71,555
Off-book Loans	14,852	19,396	28,524	36,390
Disbursements	39,634	49,543	62,338	78,438
Repayments	14,636	19,871	25,995	33,485
Growth (%):				
Total AUM (%)	34.7	30.6	28.7	27.6
Disbursements (%)	31.5	25.0	25.8	25.8
Repayments (%)	22.5	35.8	30.8	28.8
Loan book (on balance sheet) (%)	35.8	30.7	25.3	27.6
Total Assets (%)	41.5	29.9	30.3	16.5
Net Interest Income (NII) (%)	26.8	25.4	32.1	34.1
Non-interest income (%)	63.3	27.8	29.0	19.5
Total Income (net of interest expenses) (%)	33.7	25.9	31.4	30.8
Operating Expenses (%)	32.5	28.9	28.7	19.2
Employee Cost (%)	38.6	33.9	29.1	14.9
Non-Employee Cost (%)	21.8	20.0	30.0	30.0
Pre provisioning operating profits (PPoP) (%)	34.3	24.3	32.9	37.1
Provisions (%)	18.2	41.2	15.2	15.0
PBT (%)	35.5	23.3	34.2	38.5
PAT (%)	33.9	22.4	32.6	38.5
EPS (%)	33.2	20.3	15.7	38.2
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	7.1	6.7	6.9	7.4
NIM on IEA (%)	5.6	5.2	5.2	5.6
NIM on AUM (%)	6.0	5.7	5.8	6.1
Yield on loan assets (%)	14.1	14.1	14.1	14.1
Yield on IEA (%)	11.2	10.9	10.6	10.6
Yield on AUM (%)	11.9	11.9	11.8	11.6
Cost of borrowings (%)	8.3	8.2	8.1	8.1
Interest Spreads (%)	5.9	5.9	6.1	6.0
Operating efficiencies				
Cost to income ratio	35.2	36.0	35.3	32.2
Op.costs/avg assets (%)	2.8	2.7	2.7	2.6
Op.costs/avg AUM (%)	2.7	2.7	2.6	2.5
No of employees (estimate) (x)	1,249	1,752	1,938	2,099
No of branches (x)	133	158	183	208
Salaries as % of non-interest costs (%)	64.1	66.6	66.8	64.4
NII /employee (INR mn)	4.1	3.6	4.3	5.4
AUM/employee(INR mn)	77.6	72.3	84.1	99.1
AUM/ branch (INR mn)	729.2	801.6	890.7	999.7
Capital Structure				
Average gearing ratio (x)	3.4	3.9	2.8	2.8
Leverage (x)	4.5	5.0	3.8	3.8
CAR (%)	39.5	35.2	46.9	42.0
Tier 1 CAR (%)	39.1	34.9	46.6	41.9
Tier 2 CAR (%)	0.4	0.3	0.2	0.2
RWA (estimate) - INR mn	53,922	71,517	90,955	1,17,747
RWA as a % of loan assets	66.2	67.2	68.2	69.2

Source Company data, I-Sec research

	FY24A	FY25E	FY26E	FY27E
Asset quality and provisioning				
GNPA (%)	1.7	1.7	1.7	1.6
NNPA (%)	1.2	1.2	1.2	1.1
GNPA (INR mn)	1,393	1,820	2,281	2,739
NNPA (INR mn)	979	1,292	1,574	1,835
Coverage ratio (%)	29.7	29.0	31.0	33.0
Credit Costs as a % of avg AUM (bps)	30	32	29	26
Credit Costs as a % of avg on book loans (bps)	36	38	34	31
Return ratios				
RoAA (%)	3.8	3.4	3.5	3.9
RoAE (%)	15.5	16.2	14.7	15.0
ROAAUM (%)	3.6	3.3	3.4	3.7
Dividend Payout ratio (%)	7.5	6.3	5.4	3.9
Valuation Ratios				
No of shares	89	90	103	103
No of shares (fully diluted)	91	90	103	103
ESOP Outstanding	3	-	-	-
EPS (INR)	34.5	41.5	48.1	66.4
EPS fully diluted (INR)	33.5	41.5	48.1	66.4
Price to Earnings (x)	30.7	25.5	22.0	15.9
Price to Earnings (fully diluted) (x)	31.6	25.5	22.0	15.9
Book Value (fully diluted)	233	277	411	477
Adjusted book value	222	263	396	459
Price to Book	4.5	3.8	2.6	2.2
Price to Adjusted Book	4.8	4.0	2.7	2.3
DPS (INR)	2.6	2.6	2.6	2.6
Dividend yield (%)	0.2	0.2	0.2	0.2

Source Company data, I-Sec research

Exhibit 13: Key Metrics

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
DuPont Analysis				
Average Assets (INR mn)	81,355	1,09,612	1,42,668	1,74,760
Average Loans (INR mn)	70,696	93,917	1,19,868	1,51,727
Average Equity (INR mn)	19,694	23,087	33,691	45,857
Interest earned (%)	12.4	12.1	12.0	12.3
Interest expended (%)	6.1	6.4	6.1	5.9
Gross Interest Spread (%)	6.2	5.8	5.9	6.4
Credit cost (%)	0.3	0.3	0.3	0.3
Net Interest Spread (%)	5.9	5.5	5.6	6.2
Operating cost (%)	2.8	2.7	2.7	2.6
Lending spread (%)	3.1	2.7	2.9	3.5
Non interest income (%)	1.8	1.8	1.7	1.7
Operating Spread (%)	4.9	4.5	4.6	5.2
Tax rate (%)	23.6	24.1	25.0	25.0
ROAA (%)	3.8	3.4	3.5	3.9
Effective leverage (AA/ AE)	4.1	4.7	4.2	3.8
RoAE (%)	15.5	16.2	14.7	15.0

Source Company data, I-Sec research

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