

Oct 27, 2024

RESULT REPORT Q2 FY25 | Sector: Financials

Home First Finance Company

A strong show, yet again

Sustains high growth, delivers improvement in spread (excl. CL) and resilient asset quality

HFF's performance was strong yet again characterized by 7% qoq/34% yoy AUM growth, augmented fee income (insurance distribution), 10 bps improvement in portfolio spread (excl. Co-lending) and sustained benign credit cost (20 bps) underpinned by stable PAR buckets (negligible write-offs). Opex was higher with significant employee addition (30% strength augmentation in H1 FY25) and higher ESOP cost. Home First continued its RoE expansion journey with 16.5% delivery in Q2 FY25.

Disbursements stood at Rs11.78bn, up 1% qoq/23% yoy. Portfolio run-off has been moderate in H1 FY25 with controlled BT Out rate of 6.3-6.7% (v/s 7.5-9% in preceding three quarters). Portfolio Yield (excl. Co-lending) increased by 10 bps to 13.6% aided by the 35 bps PLR hike taken from August. Origination Yield (excl. Co-lending) has stabilized at 13.4%. CoB (excl. Co-lending) was stable at 8.3% with marginal CoB steady at 8.6%. 1+ dpd, 30+ dpd and Stage-3 loans were stable qoq at 4.5%, 2.8% and 1.7% respectively.

Disbursement growth to stay strong; portfolio spread has stabilized

Disbursement traction would firm-up from Q3 FY25 driven by distribution and resource addition in recent quarters. Management remains confident about delivering 30% pa AUM growth over the next few years. With the benefit of PLR hike largely behind, the Portfolio Yield (excl. Co-lending) could gradually move towards the Origination Yield, assuming product/customer mix remains largely unchanged. HFF's funding profile has significant variability to rate/liquidity easing conditions with about 20% of bank loans linked to Repo and short-term rates and another 20-25% linked to 3m MCLR. The co. also has NHB sanction of Rs5bn which is likely to have a blended cost of lower than bank loans. Overall, the portfolio spread (excl. CL) is expected to stabilize around the current level for next couple of quarters.

Upgrade earnings estimate for FY25; retain BUY with increased 12m PT of Rs1325

HFF's execution on growth and RoE has been consistently strong. The growth/RoE outlook has got comforted by 1) reduction in BT rate over past couple of quarters, 2) improved view of portfolio spread, and 3) resilience demonstrated in asset quality. We estimate 29% AUM and 26% PAT CAGR over FY24-27 with RoE reaching 18.5% in FY27. Stock trades at 16x P/E and 2.8x P/ABV on FY27 estimates. Retain BUY with an increased 12m TP of Rs1325. HFF is one of our preferred picks in the affordable housing space.

Exhibit 1: Result table

(Rs mn)	Q2 FY25	Q1 FY25	% qoq	Q2 FY24	% yoy
Total Op. Income	3,628	3,267	11.1	2,677	35.5
Interest expended	(1,756)	(1,568)	12.0	(1,170)	50.0
Net Interest Income	1,872	1,699	10.2	1,507	24.2
Total Income	1,987	1,846	7.7	1,610	23.4
Operating expenses	(726)	(655)	10.9	(565)	28.4
PPOP	1,261	1,191	5.9	1,044	20.7
Provisions	(57)	(56)	3.2	(80)	(28.3)
PBT	1,204	1,135	6.0	964	24.8
Tax	(281)	(258)	9.2	(221)	27.1
Reported PAT	922	878	5.1	743	24.1

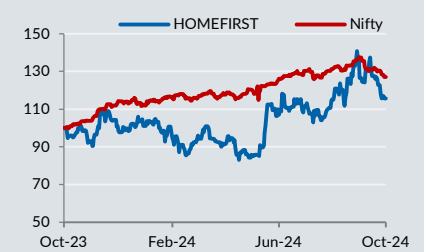
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,102
Target Price	: Rs 1,325
Potential Return	: +20.3%

Stock data (as on Oct 25, 2024)

Nifty	24,181
52 Week h/l (Rs)	1383 / 777
Market cap (Rs/USD mn)	98267 / 1169
Outstanding Shares (mn)	89
6m Avg t/o (Rs mn):	387
Div. yield (%):	0.3
Bloomberg code:	HOMEFIRS IN
NSE code:	HOMEFIRST

Stock performance



	1M	3M	1Y
Absolute return	-8.6%	3.8%	15.7%

Shareholding pattern

Promoter	23.4%
FII+DII	38.0%
Others	38.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,325	1,215

Δ in earnings estimates

	FY25e	FY26e	FY27e
EPS (New)	43.4	55.1	68.8
EPS (Old)	41.4	55.1	-
% Change	4.8%	-	-

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Op. income	8,273	10,716	13,415
PPOP	5,306	6,972	8,715
Net profit	3,841	4,881	6,085
Growth (%)	25.6	27.1	24.7
EPS (Rs)	43.4	55.1	68.8
ABVPS (Rs)	271.1	322.8	387.2
P/E (x)	25.4	20.0	16.0
P/ABV (x)	4.1	3.4	2.8
ROAE (%)	16.6	17.8	18.5
ROAA (%)	3.5	3.5	3.4

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Exhibit 2: Key Ratios

(%)	Q2 FY25	Q1 FY25	chg qoq	Q2 FY24	chg yoy
NIM	5.2	5.3	(0.1)	6.0	(0.8)
Yield	13.5	13.4	0.1	13.6	(0.1)
Cost of Borrowings	8.4	8.3	0.1	8.1	0.3
Spread	5.1	5.1	-	5.5	(0.4)
Cost to Income	36.7	35.6	1.1	35.2	1.5
Gross NPA	1.7	1.7	-	1.7	-
Credit cost*	0.2	0.2	(0.0)	0.4	(0.2)
Collection Efficiency	98.5	98.5	-	98.5	-
Leverage (x)	4.8	4.6	0.2	4.1	0.7
RoA	3.4	3.6	(0.2)	3.8	(0.4)
RoE	16.5	16.3	0.2	15.6	0.9

Source: Company, YES Sec, *Calculated

Exhibit 3: Business Data

(Rs mn)	Q2 FY25	Q1 FY25	% qoq	Q2 FY24	% yoy
AUM	1,12,294	1,04,781	7.2	83,654	34.2
Disbursements	11,768	11,625	1.2	9,591	22.7
Total loan accounts	1,06,729	1,01,085	5.6	86,102	24.0
Customer-wise AUM					
Salaried	76,360	71,251	7.2	57,721	32.3
Self-employed	35,934	33,530	7.2	25,933	38.6
Product-wise AUM					
Housing Loans	95,450	89,064	7.2	72,779	31.2
Loans - Comm. Property	1,123	1,048	7.2	837	34.2
LAP	15,721	14,669	7.2	10,038	56.6
Developer Finance	1,12,294	1,04,781	7.2	83,654	34.2

Source: Company, YES Sec

Exhibit 4: Asset Quality

(%)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
1+ DPD	4.5	4.5	4.2	4.5	4.5
30+ DPD	2.9	3.0	2.8	2.9	2.8
Stage 2	1.2	1.3	1.1	1.2	1.1
Stage 3	1.7	1.7	1.7	1.7	1.7
Net Stage 3	1.2	1.2	1.2	1.3	1.3

Source: Company, YES Sec

Exhibit 5: Top States AUM Concentration

(%)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Gujarat	32.3	32.0	31.2	30.4	29.8
Maharashtra	13.6	13.4	13.3	13.3	13.3
Tamil Nadu	14.0	14.0	14.0	13.9	13.7
Karnataka	7.0	6.9	6.8	6.7	6.7
Rajasthan	5.8	5.8	5.9	6.0	6.1
Telangana	9.0	8.9	8.9	8.6	8.5
MP	5.5	5.8	6.2	6.6	7.1
UP	5.4	5.7	6.1	6.5	6.6
Others	7.4	7.5	7.6	8.0	8.2

Source: Company, YES Sec

Exhibit 6: ECL Summary

(Rs mn)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Stage 1					
Loans - Principal outstanding	68,820	73,864	79,817	86,192	92,563
ECL Provisions	186	200	202	214	221
Net loans - Principal outstanding	68,633	73,663	79,615	85,978	92,342
ECL Provisions - (%)	0.3	0.3	0.3	0.3	0.24
Stage 2					
Loans - Principal outstanding	832	984	916	1,007	1,026
ECL Provisions	71	76	76	79	104
Net loans - Principal outstanding	761	907	840	928	922
ECL Provisions - (%)	8.6	7.8	8.2	7.8	10.1
Stage 3					
Loans - Principal outstanding	1,233	1,295	1,393	1,540	1,640
ECL Provisions	374	388	414	424	439
Net loans - Principal outstanding	859	908	979	1,116	1,202
ECL Provisions - (%)	30.3	29.9	29.7	27.6	26.7
Total ECL Provisions - (%)	0.9	0.9	0.8	0.8	0.8

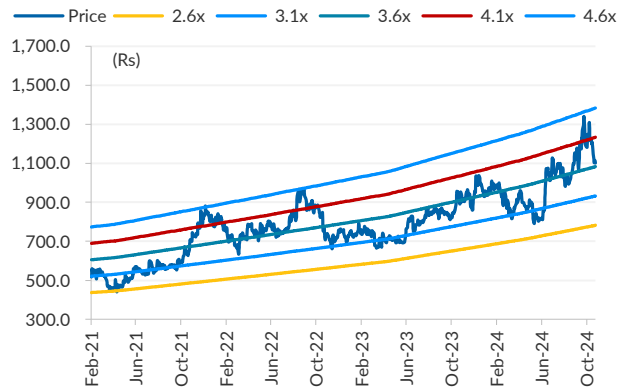
Source: Company, YES Sec

Exhibit 7: Funding Mix

(%)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Private Sector Banks	33.0	31.0	31.0	30.0	28.0
Public Sector Banks	21.0	25.0	29.0	29.0	32.0
NBFC	2.0	2.0	2.0	2.0	2.0
NHB Refinance	22.0	22.0	18.0	19.0	16.0
NCD	4.0	3.0	3.0	3.0	3.0
DA	18.0	17.0	17.0	17.0	19.0

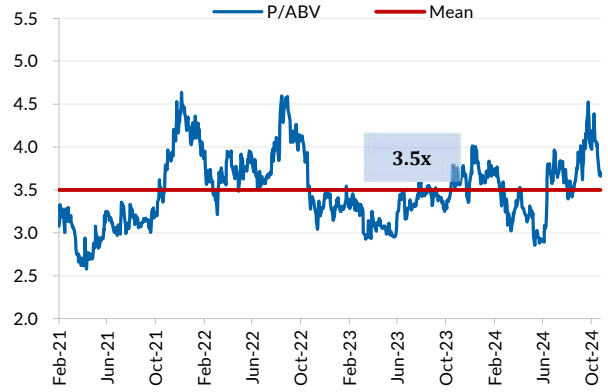
Source: Company, YES Sec

Exhibit 8: 1-yr rolling P/ABV band



Source: Company, YES Sec

Exhibit 9: 1-year rolling P/ABV vis-a-vis the mean



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Equity Capital	176	177	177	177	177
Reserves	17,997	21,038	24,879	29,759	35,845
Shareholder's funds	18,173	21,215	25,056	29,936	36,022
Deferred Tax Liabilities	60	74	89	106	128
Total Non-Financial liabilities	159	197	232	274	324
Debt Securities	3,469	2,775	3,636	4,799	6,167
Borrowings (Excl. Debt Sec.)	44,665	70,246	92,022	1,21,469	1,56,088
Other Financial Liabilities	754	789	1,033	1,363	1,752
Total Financial liabilities	49,038	73,928	96,810	1,27,752	1,64,129
Total Equities and Liabilities	67,370	95,340	1,22,098	1,57,963	2,00,475
Assets					
Cash and Cash Equivalents	2,356	5,805	6,462	10,468	14,092
Bank balances	628	2,410	2,410	2,410	2,410
Loans	59,957	81,434	1,07,292	1,38,873	1,77,444
Investments in Associates	2,808	3,788	3,788	3,788	3,788
Other Financial Assets	1,241	1,441	1,657	1,905	2,191
Total Financial assets	66,990	94,878	1,21,610	1,57,445	1,99,925
Property, Plant and Equipment	6	3	3	3	3
Other Intangible Assets	141	159	159	159	159
Other Non-Financial Assets	88	127	140	154	169
Total Non-Financial assets	380	461	488	518	550
Total Assets	67,370	95,340	1,22,098	1,57,963	2,00,475

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Income from Operations	7,731	11,053	14,830	18,878	23,256
Interest expense	(3,043)	(4,999)	(7,107)	(8,796)	(10,569)
Net interest income	4,688	6,055	7,723	10,082	12,687
Non-interest income	225	512	551	633	728
Total op income	4,913	6,567	8,273	10,716	13,415
Total op expenses	(1,746)	(2,313)	(2,968)	(3,744)	(4,700)
PPoP	3,167	4,254	5,306	6,972	8,715
Provisions	(215)	(254)	(281)	(586)	(753)
Profit before tax	2,952	4,000	5,025	6,385	7,961
Taxes	(669)	(942)	(1,184)	(1,505)	(1,876)
Net profit	2,283	3,057	3,841	4,881	6,085

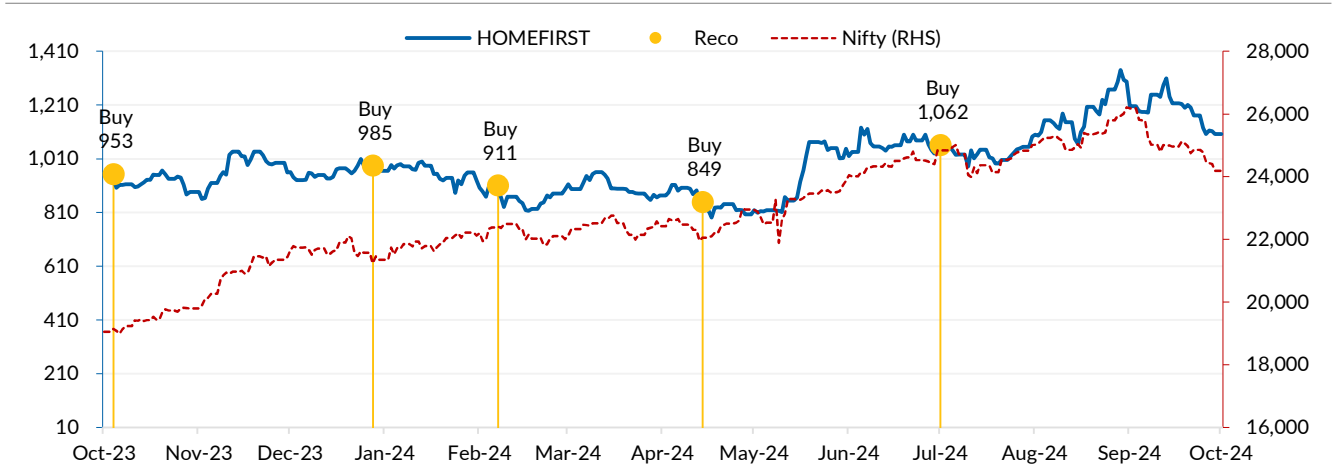
Source: Company, YES Sec

Exhibit 12: Growth and Ratio matrix

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Net interest income	28.0	29.1	27.6	30.6	25.8
Total op income	29.3	33.7	26.0	29.5	25.2
Op profit (pre-provision)	26.0	34.3	24.7	31.4	25.0
Net profit	22.7	33.9	25.6	27.1	24.7
Advances	39.3	35.8	31.8	29.4	27.8
Borrowings + Debt	38.8	51.7	31.0	32.0	28.5
Total assets	31.7	41.5	28.1	29.4	26.9
Profitability Ratios (%)					
NIM	7.5	7.2	6.9	6.9	6.7
Non-interest income /Total income	4.6	7.8	6.7	5.9	5.4
Return on Avg. Equity	13.5	15.5	16.6	17.8	18.5
Return on Avg. Assets	3.9	3.8	3.5	3.5	3.4
Per share ratios (Rs)					
EPS	25.9	34.5	43.4	55.1	68.8
Adj. BVPS	199.2	228.6	271.1	322.8	387.2
Other key ratios (%)					
Loans/Borrowings	124.6	111.5	112.2	110.0	109.4
Cost/Income	35.5	35.2	35.9	34.9	35.0
CAR	49.4	39.5	35.4	32.6	30.7
Gross Stage 3 (%)	1.6	1.7	1.4	1.4	1.4
Credit Cost	0.3	0.3	0.3	0.4	0.4
Tax rate	22.7	23.6	23.6	23.6	23.6

Source: Company, YES Sec

Recommendation Tracker



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9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.