

Jan 30, 2025

RESULT REPORT Q3 FY25 | Sector: Financials

# Home First Finance Company

## Misses disbursements and asset quality expectations

### Soft disbursements, expected decline in spread and increase in delinquent pool

For second successive quarter, the sequential increase in HFF's disbursements was modest; decelerating the disbursement growth for 9m FY25 to 23% yoy (31.5% yoy in FY24). The originations in Q3 FY25 were impacted to the extent of Rs250-300mn due to slowed registration in Karnataka and tightening of underwriting (nuanced, not overall). There was an increase in BT Out rate too, from 6.7% in the preceding quarter to 7.3%. Notwithstanding some shortfall in business and a higher BT rate, HFF's AUM grew by 6.4% qoq/32.6% yoy. The product mix further shifted towards LAP which continues to grow much faster on a lower base aided by distribution penetration and sharp focus. Fee income jumped sequentially with full-quarter impact of insurance distribution commissions.

Portfolio Spread (excl. Co-lending) contracted 10 bps qoq to 5.2% owing to similar increase in funding cost. The marginal CoF continues to be slightly higher than stock CoF. Portfolio Yield was stable in the quarter with unchanged Origination Yield (remains below the former). Opex growth has been largely running in-line with the franchise growth. HFF's 1+ dpd/30+ dpd increased by 30 bps each to 4.8%/3.1% owing to increase in Bounce Rate and decline in collection efficiency during the quarter. Management attributed these trends to usual seasonality and soft macro environment causing income volatility for some customers. Credit cost rose to 34 bps, also inflated by higher quantum of write-off. Higher fee and other income enabled HFF to remain on the trajectory of RoE improvement.

### Management expects pick-up in disbursements and correction in delinquent pool in Q4 FY25

HFF expects the usual acceleration in disbursements over the coming quarters driven by significant branch/resource addition in past 15-18 months and the planned further augmentation. Registration situation in Karnataka is expected to ease out and adjustment to tightened underwriting would be behind in next couple of quarters. The new markets which would likely lead AUM growth would be Rajasthan, MP, UP and Telangana. The management is focused on taking the share of LAP to near 20% of AUM over next 2-3 years. The witnessed increase in the delinquent pool is largely expected to be pulled-back in Q4 FY25 as collection efficiency has improved in January. Guidance on credit cost remains at 30-40 bps. Portfolio Spread is expected to remain under pressure till funding cost starts to move down. Within bank borrowings, about 20% is linked to T-Bill/Repo and remaining is linked to MCLR (nearly equally split between 3m, 6m and 12m MCLRs).

### Announces Rs12.5bn capital raise; remain constructive on HFF

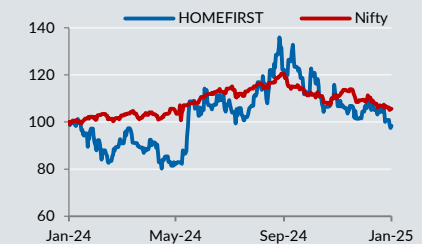
To fund 25-30% pa AUM growth in the long term, HFF plans to raise Rs12.5bn equity capital over the next 3-6 months. A successful capital raise would also enable the co. to receive a credit rating upgrade in 6-12 months. We have assumed the aforesaid capital raise in Q4 FY25 and estimate 27-28% AUM CAGR and 30% PAT CAGR over FY25-27 with RoE delivery of 15%+ in FY27. Stock trades at 14x P/E and 2x P/ABV on FY27 estimates. Retain BUY with a revised 12m TP of Rs1265. HFF is one of our preferred picks in the affordable housing space.

Reco	: BUY
CMP	: Rs 970
Target Price	: Rs 1,265
Potential Return	: +30.4%

#### Stock data (as on Jan 29, 2025)

Nifty	23,163
52 Week h/l (Rs)	1383 / 777
Market cap (Rs/USD mn)	86408 / 999
Outstanding Shares (mn)	90
6m Avg t/o (Rs mn):	480
Div. yield (%):	0.3
Bloomberg code:	HOMEFIR IN
NSE code:	HOMEFIRST

#### Stock performance



	1M	3M	1Y
Absolute return	-5.8%	-18.2%	-1.7%

#### Shareholding pattern

Promoter	23.4%
FII+DII	38.0%
Others	38.6%

#### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,265	1,325

#### Δ in earnings estimates

	FY25e	FY26e	FY27e
EPS (New)	41.5	56.4	70.1
EPS (Old)	43.4	55.1	68.8
% Change	-4.4%	2.3%	1.8%

#### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Op. income	8,765	11,824	14,754
PPOP	5,847	8,106	10,091
Net profit	4,234	5,753	7,147
Growth (%)	38.5	35.9	24.2
EPS (Rs)	41.5	56.4	70.1
ABVPS (Rs)	361.7	415.1	481.6
P/E (x)	23.4	17.2	13.8
P/ABV (x)	2.7	2.3	2.0
ROAE (%)	14.3	14.1	15.1
ROAA (%)	3.9	4.2	4.1

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## Exhibit 1: Result table

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Op. Income	3,938	3,628	8.5	2,883	36.6
Interest expended	(1,926)	(1,756)	9.7	(1,302)	47.9
<b>Net Interest Income</b>	<b>2,011</b>	<b>1,872</b>	<b>7.4</b>	<b>1,581</b>	<b>27.2</b>
Other Income	137	114	19.5	127	7.5
Total Income	2,148	1,987	8.1	1,708	25.8
Operating expenses	(752)	(726)	3.6	(611)	23.2
<b>PPOP</b>	<b>1,396</b>	<b>1,261</b>	<b>10.7</b>	<b>1,097</b>	<b>27.2</b>
Provisions	(98)	(57)	70.8	(70)	39.7
PBT	1,298	1,204	7.9	1,027	26.4
Tax	(324)	(281)	15.3	(239)	35.6
<b>Reported PAT</b>	<b>974</b>	<b>922</b>	<b>5.6</b>	<b>788</b>	<b>23.5</b>

Source: Company, YES Sec

## Exhibit 2: Key Ratios

(%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
NIM	4.9	5.2	(0.3)	5.7	(0.8)
Yield	13.5	13.5	-	13.5	-
Cost of Borrowings	8.4	8.4	-	8.2	0.2
Spread	5.1	5.1	-	5.3	(0.2)
Cost to Income	35.2	36.7	(1.5)	35.9	(0.7)
Gross NPA	1.7	1.7	-	1.7	-
Credit cost*	0.3	0.2	0.1	0.3	0.0
Collection Efficiency	98.4	98.5	(0.1)	98.7	(0.3)
Leverage (x)	4.9	4.8	0.1	4.3	0.6
RoA	3.4	3.4	-	3.7	(0.3)
RoE	16.6	16.5	0.1	15.8	0.8

Source: Company, YES Sec, \*Calculated

## Exhibit 3: Business Data

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
<b>AUM</b>	<b>1,19,494</b>	<b>1,12,294</b>	<b>6.4</b>	<b>90,137</b>	<b>32.6</b>
Disbursements	11,928	11,768	1.4	10,072	18.4
Total loan accounts	1,12,160	1,06,729	5.1	90,851	23.5
<b>Customer-wise AUM</b>					
Salaried	81,256	76,360	6.4	61,293	32.6
Self-employed	38,238	35,934	6.4	28,844	32.6
<b>Product-wise AUM</b>					
Housing Loans	1,00,375	95,450	5.2	77,518	29.5
Loans - Comm. Property	1,195	1,123	6.4	901	32.6
LAP	17,924	15,721	14.0	11,718	53.0

Source: Company, YES Sec

## Exhibit 4: Asset Quality

(%)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
1+ DPD	4.5	4.2	4.5	4.5	4.8
30+ DPD	3.0	2.8	2.9	2.8	3.1
Stage 2	1.3	1.1	1.2	1.1	1.4
Stage 3	1.7	1.7	1.7	1.7	1.7
Net Stage 3	1.2	1.2	1.3	1.3	1.3

Source: Company, YES Sec

## Exhibit 5: Top States AUM Concentration

(%)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Gujarat	32.0	31.2	30.4	29.8	29.2
Maharashtra	13.4	13.3	13.3	13.3	13.6
Tamil Nadu	14.0	14.0	13.9	13.7	13.4
Karnataka	6.9	6.8	6.7	6.7	6.4
Rajasthan	5.8	5.9	6.0	6.1	6.2
Telangana	8.9	8.9	8.6	8.5	8.6
MP	5.8	6.2	6.6	7.1	7.6
UP	5.7	6.1	6.5	6.6	6.7
Others	7.5	7.6	8.0	8.2	8.3

Source: Company, YES Sec

## Exhibit 6: ECL Summary

(Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
<b>Stage 1</b>					
Loans - Principal outstanding	73,864	79,817	86,192	92,563	98,326
ECL Provisions	200	202	214	221	232
Net loans - Principal outstanding	73,663	79,615	85,978	92,342	98,094
<b>ECL Provisions - (%)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
<b>Stage 2</b>					
Loans - Principal outstanding	984	916	1,007	1,026	1,368
ECL Provisions	76	76	79	104	131
Net loans - Principal outstanding	907	840	928	922	1,237
<b>ECL Provisions - (%)</b>	<b>7.8</b>	<b>8.2</b>	<b>7.8</b>	<b>10.1</b>	<b>9.6</b>
<b>Stage 3</b>					
Loans - Principal outstanding	1,295	1,393	1,540	1,640	1,770
ECL Provisions	388	414	424	439	451
Net loans - Principal outstanding	908	979	1,116	1,202	1,319
<b>ECL Provisions - (%)</b>	<b>29.9</b>	<b>29.7</b>	<b>27.6</b>	<b>26.7</b>	<b>25.5</b>
<b>Total ECL Provisions - (%)</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

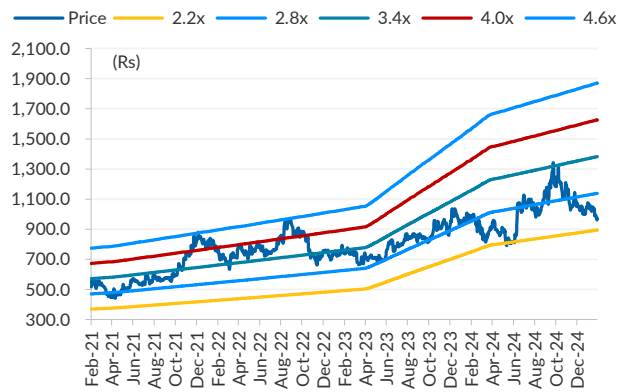
Source: Company, YES Sec

**Exhibit 7: Funding Mix**

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

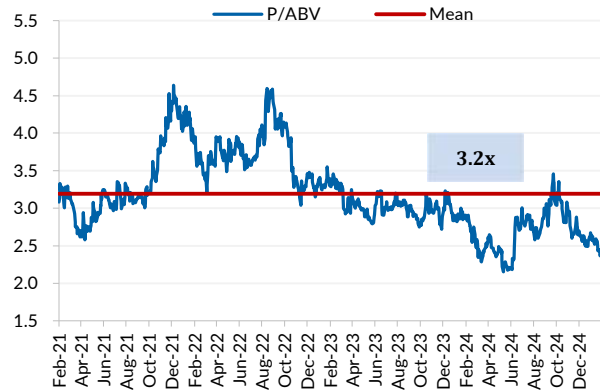
Source: Company, YES Sec

**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	204	204	204
Reserves	17,997	21,038	37,745	43,497	50,645
<b>Shareholder's funds</b>	<b>18,173</b>	<b>21,215</b>	<b>37,949</b>	<b>43,701</b>	<b>50,849</b>
Deferred Tax Liabilities	60	74	89	106	128
<b>Total Non-Financial liabilities</b>	<b>159</b>	<b>197</b>	<b>232</b>	<b>274</b>	<b>324</b>
Debt Securities	3,469	2,775	3,192	4,117	5,311
Borrowings (Excl. Debt Sec.)	44,665	70,246	80,783	1,04,210	1,34,430
Other Financial Liabilities	754	789	907	1,170	1,509
<b>Total Financial liabilities</b>	<b>49,038</b>	<b>73,928</b>	<b>85,000</b>	<b>1,09,617</b>	<b>1,41,373</b>
<b>Total Equities and Liabilities</b>	<b>67,370</b>	<b>95,340</b>	<b>1,23,181</b>	<b>1,53,593</b>	<b>1,92,546</b>
<b>Assets</b>					
Cash and Cash Equivalents	2,356	5,805	8,198	7,994	9,675
Bank balances	628	2,410	2,410	2,410	2,410
Loans	59,957	81,434	1,06,640	1,36,977	1,73,932
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
<b>Total Financial assets</b>	<b>66,990</b>	<b>94,878</b>	<b>1,22,693</b>	<b>1,53,075</b>	<b>1,91,996</b>
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
<b>Total Non-Financial assets</b>	<b>380</b>	<b>461</b>	<b>488</b>	<b>518</b>	<b>550</b>
<b>Total Assets</b>	<b>67,370</b>	<b>95,340</b>	<b>1,23,181</b>	<b>1,53,593</b>	<b>1,92,546</b>

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	15,031	19,276	23,609
Interest expense	(3,043)	(4,999)	(6,791)	(8,030)	(9,491)
<b>Net interest income</b>	<b>4,688</b>	<b>6,055</b>	<b>8,240</b>	<b>11,246</b>	<b>14,118</b>
Non-interest income	225	512	525	578	635
Total op income	4,913	6,567	8,765	11,824	14,754
Total op expenses	(1,746)	(2,313)	(2,918)	(3,718)	(4,662)
<b>PPoP</b>	<b>3,167</b>	<b>4,254</b>	<b>5,847</b>	<b>8,106</b>	<b>10,091</b>
Provisions	(215)	(254)	(308)	(580)	(741)
<b>Profit before tax</b>	<b>2,952</b>	<b>4,000</b>	<b>5,539</b>	<b>7,526</b>	<b>9,351</b>
Taxes	(669)	(942)	(1,305)	(1,773)	(2,203)
<b>Net profit</b>	<b>2,283</b>	<b>3,057</b>	<b>4,234</b>	<b>5,753</b>	<b>7,147</b>

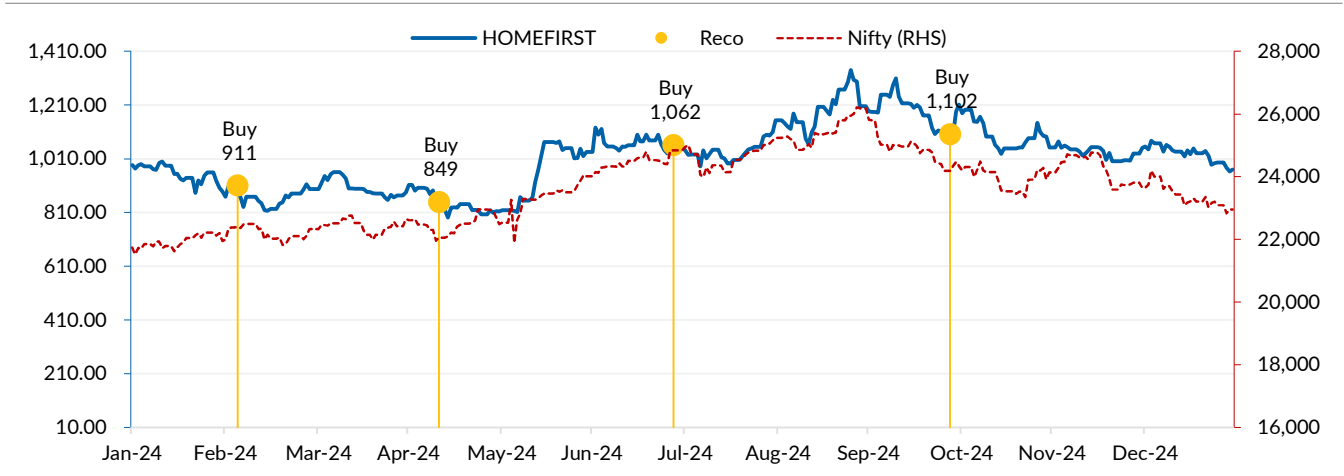
Source: Company, YES Sec

## Exhibit 12: Growth and Ratio matrix

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Net interest income	28.0	29.1	36.1	36.5	25.5
Total op income	29.3	33.7	33.5	34.9	24.8
Op profit (pre-provision)	26.0	34.3	37.5	38.6	24.5
Net profit	22.7	33.9	38.5	35.9	24.2
Advances	39.3	35.8	31.0	28.4	27.0
Borrowings + Debt	38.8	51.7	15.0	29.0	29.0
Total assets	31.7	41.5	29.2	24.7	25.4
<b>Profitability Ratios (%)</b>					
NIM	7.5	7.2	7.4	7.8	7.6
Non-interest income /Total income	4.6	7.8	6.0	4.9	4.3
Return on Avg. Equity	13.5	15.5	14.3	14.1	15.1
Return on Avg. Assets	3.9	3.8	3.9	4.2	4.1
<b>Per share ratios (Rs)</b>					
EPS	25.9	34.5	41.5	56.4	70.1
Adj. BVPS	199.2	228.6	361.7	415.1	481.6
<b>Other key ratios (%)</b>					
Loans/Borrowings	124.6	111.5	127.0	126.4	124.5
Cost/Income	35.5	35.2	33.3	31.4	31.6
CAR	49.4	39.5	53.7	48.1	44.1
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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Name of the Research Analyst: Rajiv Mehta, Manuj Oberoi

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Analyst signature

Analyst signature

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