

May 10, 2024

RESULT REPORT Q4 FY24 | Sector: Financials

Home First Finance Company

BT and Marginal Yields reflect competitive pressure

Strong growth but yield remains under pressure; asset quality improves

Excluding DA income (declined qoq on lower assignments), HFF's NII was 1% below estimate while PPOP was 10% above expectations. Reported PAT was 7% higher than our estimate as credit cost was lower (~10 bps v/s usual 30-40 bps) due to asset quality improvement and material bad debts recovery. In Q4 FY24, the treasury income stood much higher due to increased balance sheet liquidity and there was significant sequential decline in opex owing to certain one-time reversals. RoA/RoE stood at 3.6%/16.1%

Disbursement momentum remained strong (up 9.4% qoq/27% yoy) and underpinning sustained robust AUM growth (up 7.6% qoq/34.7% yoy). While the product mix and occupation mix of AUM was stable, the contribution of >Rs1.5mn loans rose to 44% v/s 41% in Q3 FY24 (risen by ~10 ppt over past six quarters). Growth in the largest market of Gujarat slowed to ~4.9% qoq (~6.7% qoq in Q3 FY24) despite 20% augmentation of branches in past three quarters; growth remained solid in RJ, MP, UP, TL, AP & TN.

Portfolio Yield (excl. Co-lending) declined 10 bps qoq with Origination Yield (excl. Co-lending) declining by 30 bps. Margin CoB (ex-NHB) remained stable at 8.7% but overall CoB increased by 10 bps. Portfolio Spread came-off by 10 bps to 5.2%. Asset quality improved with sequential reduction of 30 bps/20 bps in 1+ dpd/30+ dpd. Bounce Rates were 14.7% versus 15.1% in Q3 FY24; loan write-offs were negligible. Lower credit cost was additionally supported by marginal decline in Stage-1 ECL coverage.

Growth could remain around 30% pa; product mix (incl. co-lending share) can be a lever for RoA protection

Notwithstanding the increase in BT Out and competition, Home First can deliver 27-30% AUM CAGR over FY24-27 on the back of 1) large and growing low-ticket affordable housing market and demonstrated execution rigor by the Management, 2) persistent Branch/RO addition driven by market potential, deeper penetration, and regional diversification, 3) continuous expansion of connector network with active engagement, 4) improved throughput from other sourcing channels with growing recognition of HFF brand, 5) further headroom to increase the share of LAP and 6) calibrated scaling-up of co-lending AUM. From the perspective of funding, underwriting and tech capability, scaling the book to Rs200bn is unlikely to be an issue for HFF. Key monitorable would be employee management/attrition.

Management expects to maintain portfolio spread in the band of 5-5.25%; however, the incremental spread has been trending below 5% due to increase in CoB and limited ability to fully transmit it due to competition. The three lending rate hikes in this cycle (cumulating 125 bps) has already increased BT Out. Further, the origination yield has been maintained in a narrow band to drive growth. Any further increase in CoB could incrementally hit the portfolio spread. Hence, driving up the share of LAP and co-lending would be critical for HFF to protect structural RoA.

Retain BUY, but would closely watch BT, incremental Spread and employee metrics

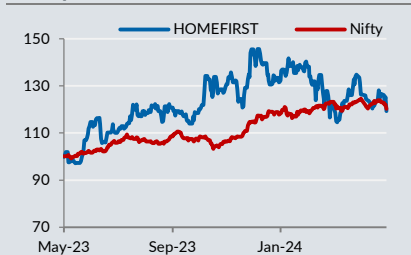
We expect continuance of strong growth with RoE breaching the 17% mark in FY26 assuming a calibrated pass-through of funding cost decline. The stock trades at 16x PE and 2.7x PABV on FY26 for an estimated earnings CAGR of 24% over FY24-26. We retain BUY but have trimmed the 12m PT to Rs1080 (earlier Rs1140). Key monitorables for growth and profitability would be a) branch/connector additions, b) employee attrition/cost, c) product mix evolution, d) BT Out, e) origination yields & incremental spreads, and f) 30+ dpd & write-offs.

Reco	: BUY
CMP	: Rs 849
Target Price	: Rs 1,080
Potential Return	: +27.2%

Stock data (as on May 09, 2024)

Nifty	21,958
52 Week h/l (Rs)	1061 / 686
Market cap (Rs/USD mn)	79034 / 947
Outstanding Shares (mn)	89
6m Avg t/o (Rs mn):	193
Div. yield (%):	0.3
Bloomberg code:	HOMEFIRS IN
NSE code:	HOMEFIRST

Stock performance



	1M	3M	1Y
Absolute return	-9.3%	-13.7%	19.3%

Shareholding pattern (As of Mar-24)

Promoter	23.6%
FII+DII	36.9%
Others	39.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,080	1,140

Δ in earnings estimates

	FY24	FY25e	FY26e
EPS (New)	34.5	40.8	53.0
EPS (Old)	34.3	42.1	54.2
% Change	0.7%	-3.2%	-2.3%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Op. income	6,567	8,207	10,624
PPOP	4,254	5,114	6,717
Net profit	3,057	3,609	4,688
Growth (%)	33.9	18.0	29.9
EPS (Rs)	34.5	40.8	53.0
ABVPS (Rs)	228.6	268.6	318.1
P/E (x)	24.6	20.8	16.0
P/ABV (x)	3.7	3.2	2.7
ROAE (%)	15.5	15.7	17.3
ROAA (%)	3.8	3.3	3.4

RAJIV MEHTA
Lead Analyst
rajiv.mehta@ysil.in



MANUJ OBEROI, Associate

Exhibit 1: Result table

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
Total Op. Income	3,015	2,883	4.6	2,200	37.0
Interest expended	(1,459)	(1,302)	12.0	(929)	57.1
Net Interest Income	1,556	1,581	(1.6)	1,271	22.4
Other Income	163	127	28.1	113	43.7
Total Income	1,719	1,708	0.6	1,384	24.2
Operating expenses	(584)	(611)	(4.4)	(475)	23.0
PPOP	1,135	1,097	3.4	910	24.8
Provisions	(27)	(70)	(60.8)	(70)	(60.5)
PBT	1,107	1,027	7.8	840	31.8
Tax	(273)	(239)	14.0	(200)	36.6
Reported PAT	835	788	5.9	640	30.4

Source: Company, YES Sec

Exhibit 2: Key Ratios

(%)	Q4 FY24	Q3 FY24	chg qoq	Q4 FY23	chg yoy
NIM	5.3	5.7	(0.4)	6.1	(0.8)
Yield	13.5	13.5	-	13.4	0.1
Cost of Borrowings	8.3	8.2	0.1	7.9	0.4
Spread	5.2	5.3	(0.1)	5.5	(0.3)
Cost to Income	34.1	35.9	(1.8)	34.4	(0.3)
Gross NPA	1.7	1.7	-	1.6	0.1
Credit cost*	0.1	0.3	(0.2)	0.4	(0.3)
Collection Efficiency	99.1	98.7	0.4	99.3	(0.2)
Leverage (x)	4.5	4.3	0.2	3.7	0.8
RoA	3.6	3.7	(0.1)	3.9	(0.3)
RoE	16.1	15.8	0.3	14.4	1.7

Source: Company, YES Sec, *Calculated

Exhibit 3: Business Data

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
AUM	96,978	90,137	7.6	71,980	34.7
Disbursements	11,019	10,072	9.4	8,691	26.8
Active loan accounts	95,512	90,851	5.1	77,512	23.2
Customer-wise AUM	32	32		30	
Salaried	65,945	61,293	7.6	50,386	30.9
Self-employed	31,033	28,844	7.6	21,594	43.7
Product-wise AUM	13	13		11	
Housing Loans	83,401	77,518	7.6	63,342	31.7
Loans - Comm. Property	970	901	7.6	720	34.7
LAP	12,607	11,718	7.6	7,918	59.2

Source: Company, YES Sec

Exhibit 4: Asset Quality

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
1+ DPD	4.0	4.3	4.5	4.5	4.2
30+ DPD	2.7	2.9	2.9	3.0	2.8
Stage 2	1.1	1.3	1.2	1.3	1.1
Stage 3	1.6	1.6	1.7	1.7	1.7
Net Stage 3	1.1	1.1	1.2	1.2	1.2

Source: Company, YES Sec

Exhibit 5: Top States AUM Concentration

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Gujarat	32.6	32.6	32.3	32.0	31.2
Maharashtra	14.4	14.0	13.6	13.4	13.3
Tamil Nadu	13.7	13.9	14.0	14.0	14.0
Karnataka	7.5	7.1	7.0	6.9	6.8
Rajasthan	5.7	5.7	5.8	5.8	5.9
Telangana	8.9	8.9	9.0	8.9	8.9
MP	5.1	5.3	5.5	5.8	6.2
UP	5.0	5.2	5.4	5.7	6.1
Others	7.1	7.3	7.4	7.5	7.6

Source: Company, YES Sec

Exhibit 6: ECL Summary

(Rs mn)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Stage 1					
Loans - Principal outstanding	58,891	63,875	68,820	73,864	79,817
ECL Provisions	164	179	186	200	202
Net loans - Principal outstanding	58,726	63,696	68,633	73,663	79,615
ECL Provisions - (%)	0.3	0.3	0.3	0.3	0.3
Stage 2					
Loans - Principal outstanding	657	842	832	984	916
ECL Provisions	69	86	71	76	76
Net loans - Principal outstanding	587	756	761	907	840
ECL Provisions - (%)	10.5	10.2	8.6	7.8	8.2
Stage 3					
Loans - Principal outstanding	974	1,077	1,233	1,295	1,393
ECL Provisions	331	334	374	388	414
Net loans - Principal outstanding	643	743	859	908	979
ECL Provisions - (%)	34.0	31.0	30.3	29.9	29.7
Total ECL Provisions - (%)	0.9	0.9	0.9	0.9	0.8

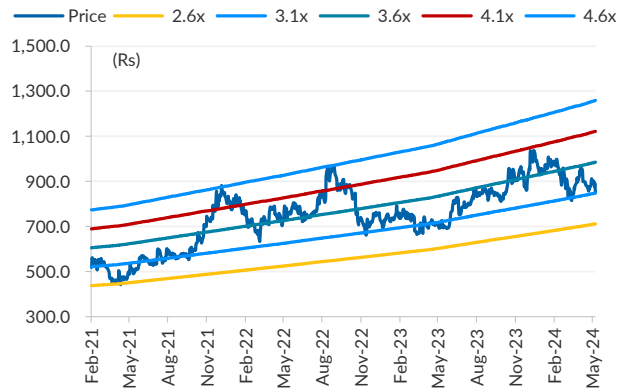
Source: Company, YES Sec

Exhibit 7: Funding Mix

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Private Sector Banks	32.0	32.0	33.0	31.0	31.0
Public Sector Banks	26.0	22.0	21.0	25.0	29.0
NBFC	2.0	3.0	2.0	2.0	2.0
NHB Refinance	15.0	22.0	22.0	22.0	18.0
NCD	6.0	4.0	4.0	3.0	3.0
DA	19.0	17.0	18.0	17.0	17.0

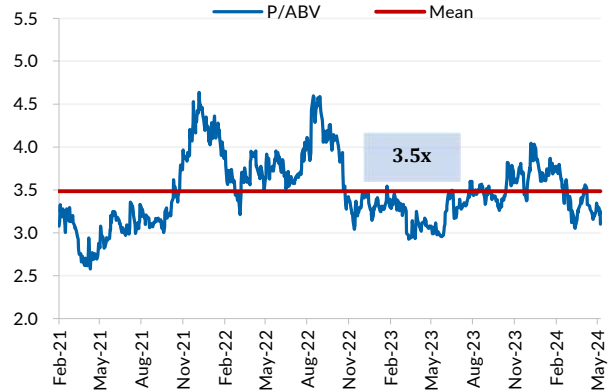
Source: Company, YES Sec

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)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	175	176	177	177	177
Reserves	15,562	17,997	21,038	24,646	29,334
Shareholder's funds	15,737	18,173	21,215	24,823	29,511
Deferred Tax Liabilities	45	60	74	89	106
Total Non-Financial liabilities	133	159	197	232	274
Debt Securities	1,688	3,469	2,775	3,622	4,708
Borrowings (Excl. Debt Sec.)	32,980	44,665	70,246	91,671	1,19,172
Other Financial Liabilities	569	754	789	1,029	1,338
Total Financial liabilities	35,299	49,038	73,928	96,441	1,25,339
Total Equities and Liabilities	51,169	67,370	95,340	1,21,496	1,55,124
Assets					
Cash and Cash Equivalents	6,178	2,356	5,805	6,172	8,446
Bank balances	501	628	2,410	2,410	2,410
Loans	43,049	59,957	81,434	1,06,981	1,38,057
Investments in Associates	0	2,808	3,788	3,788	3,788
Other Financial Assets	1,150	1,241	1,441	1,657	1,905
Total Financial assets	50,877	66,990	94,878	1,21,008	1,54,606
Property, Plant and Equipment	1	6	3	3	3
Other Intangible Assets	111	141	159	159	159
Other Non-Financial Assets	88	88	127	140	154
Total Non-Financial assets	292	380	461	488	518
Total Assets	51,169	67,370	95,340	1,21,496	1,55,124

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Income from Operations	5,820	7,731	11,053	14,558	18,485
Interest expense	(2,157)	(3,043)	(4,999)	(6,902)	(8,440)
Net interest income	3,663	4,688	6,055	7,656	10,045
Non-interest income	137	225	512	551	578
Total op income	3,800	4,913	6,567	8,207	10,624
Total op expenses	(1,287)	(1,746)	(2,313)	(3,093)	(3,907)
PPoP	2,513	3,167	4,254	5,114	6,717
Provisions	(250)	(215)	(254)	(393)	(584)
Profit before tax	2,263	2,952	4,000	4,721	6,133
Taxes	(402)	(669)	(942)	(1,112)	(1,445)
Net profit	1,861	2,283	3,057	3,609	4,688

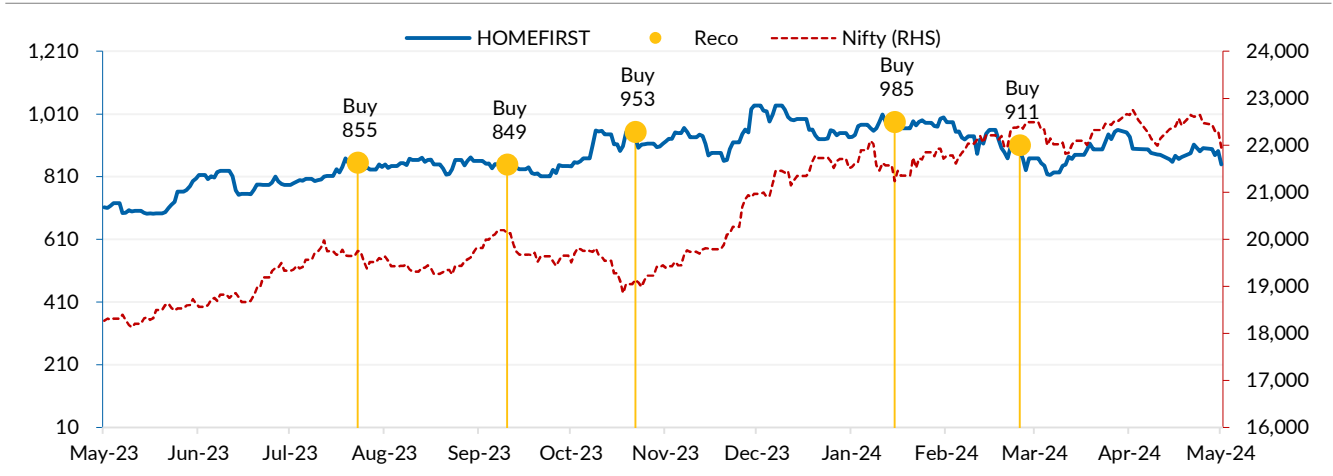
Source: Company, YES Sec

Exhibit 12: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Net interest income	41.0	28.0	29.1	26.4	31.2
Total op income	39.8	29.3	33.7	25.0	29.5
Op profit (pre-provision)	51.2	26.0	34.3	20.2	31.3
Net profit	85.8	22.7	33.9	18.0	29.9
Advances	29.4	39.3	35.8	31.4	29.0
Borrowings + Debt	13.5	38.8	51.7	30.5	30.0
Total assets	13.5	31.7	41.5	27.4	27.7
Profitability Ratios (%)					
NIM	7.7	7.5	7.2	6.8	6.9
Non-interest income /Total income	3.6	4.6	7.8	6.7	5.4
Return on Avg. Equity	11.8	13.5	15.5	15.7	17.3
Return on Avg. Assets	3.6	3.9	3.8	3.3	3.4
Per share ratios (Rs)					
EPS	21.2	25.9	34.5	40.8	53.0
Adj. BVPS	170.9	199.2	228.6	268.6	318.1
Other key ratios (%)					
Loans/Borrowings	124.2	124.6	111.5	112.3	111.4
Cost/Income	33.9	35.5	35.2	37.7	36.8
CAR	58.6	49.4	39.5	35.1	32.3
Gross Stage 3 (%)	2.3	1.6	1.7	1.4	1.4
Credit Cost	0.5	0.3	0.3	0.4	0.4
Tax rate	17.8	22.7	23.6	23.6	23.6

Source: Company, YES Sec

Recommendation Tracker



DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The

securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 7th Floor, Urmi Estate Tower A, Ganpatrao
Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West),
Mumbai - 400 013, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL &
NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 |
RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER:
INA000007331 | Sponsor and Investment Manager to YSL Alternates
Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |
AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

Grievances Redressal Cell: customer.service@ysil.in/igc@ysil.in

DISCLOSURE OF INTEREST

Name of the Research Analyst: Rajiv Mehta, Manuj Oberoi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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

Analyst Signature

Analyst Signature

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

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL 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). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL 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. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.