

Home First Finance

BSE Sensex

49,584

S&P CNX

14,596



Financial Snapshot (INR b)

Y/E March	2018	2019	2020
NII	0.6	1.1	1.6
PPP	0.3	0.7	1.2
PAT	0.2	0.5	0.8
EPS (INR)	3.1	7.1	10.2
EPS Gr. (%)	139	130	42
BV/Sh. (INR)	63	83	119
Ratios			
NIM (%)	6.1	5.9	6.0
C/I ratio (%)	60.2	49.8	45.2
RoAA (%)	1.4	2.4	2.7
RoE (%)	5.1	10.7	10.9

A niche player

Focus on analytics | Healthy asset quality | Strong growth

Home First Finance (Home First) is an affordable housing finance player with over 43k customers operating across 11 states in India. The company was founded by Mr. Jaithirth Rao, Mr. P.S. Jayakumar and Mr. Manoj Viswanathan and commenced operations in Aug'10. The company is owned by a clutch of PE investors including True North (34.4%), Warburg Pincus (25.6%), Aether (22.9%), Bessemer (11.5%).

Affordable housing finance player; Focused on digital adoption

Home First is an affordable housing finance player with an average loan ticket size of INR1.0m. **The largest states where it operates are Gujarat (39% of loans) and Maharashtra (21%).** The company has invested deeply in digital and analytical capabilities. It captures over 100 data points of its customers in addition to credit bureau data as well as fraud-related and other data. **With its digital architecture, it is able to sanction home loans with a TAT of 48 hours.**

Rising share of salaried customers

Over FY17-1HFY21, the share of salaried customers increased from 69% to 73%. Its salaried customers are typically employed by small firms or are working in junior positions in large firms. Over the past few years, Home First has focused more on customers with existing credit history – the share of such customers in total AUM increased from 55% to 67% over FY17-1HFY21. The company finances predominantly completed homes (85% of portfolio).

50%+ loan book CAGR over FY17-20; Spreads rising

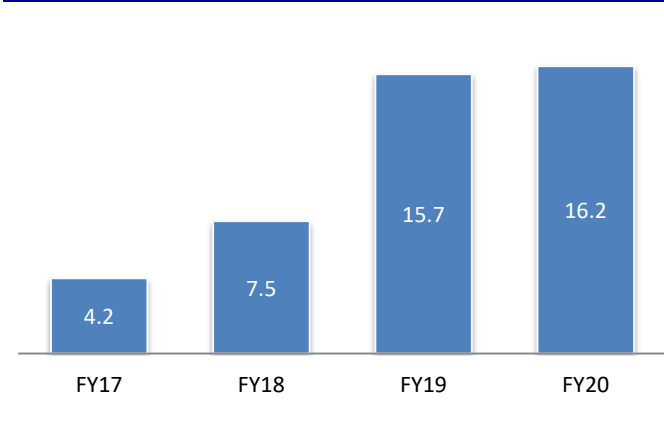
Disbursements almost quadrupled to INR15.7b over FY17-19. However, it was largely stable in FY20. **Nevertheless, it delivered loan book CAGR of 56% to reach INR30b over FY17-20. Over this the same period, the share of home loans declined from 97% to 90% while that of LAP increased from 3% to 6%.** Given the strong growth, its CRAR ratio declined from 69% to 39% over FY18-20. The company also improved its spreads from 4.6% in FY18 to 5.0% in FY20, driven by yield improvement to 13.8%.

RoA healthy; Low leverage leads to modest RoE

With strong underwriting, the company has experienced healthy asset quality with **GNPL ratio at sub-1% and credit costs of 0.3-0.6%** over the past three years. As a result, **its RoA of 2.7% in FY20 is healthy v/s peers. However, given its low leverage (loans/equity of 3.2x), it delivered modest RoE of 11% in FY20.**

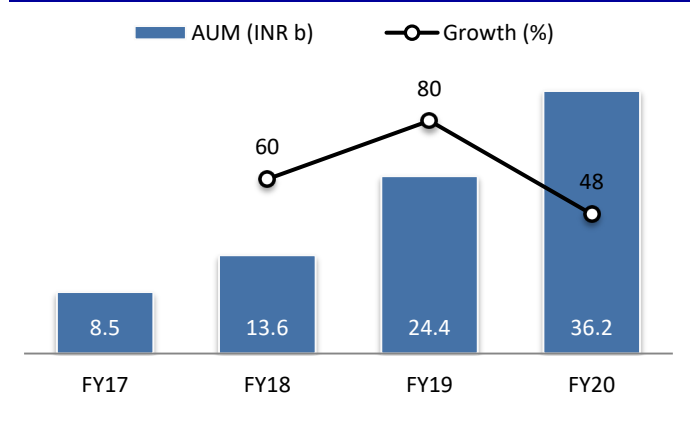
Story in charts

Exhibit 145: Strong disbursement growth...



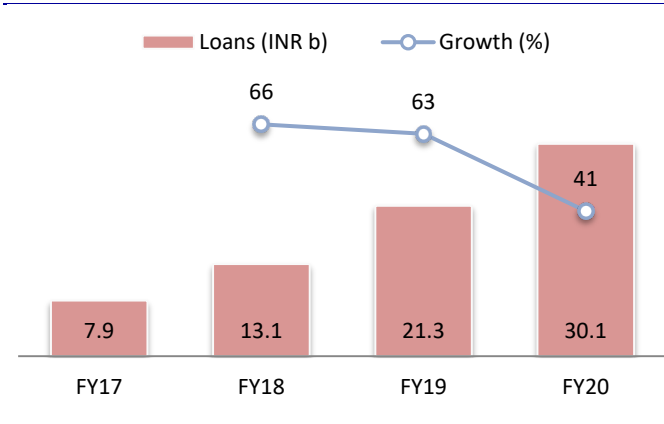
Source: MOFSL, Company

Exhibit 146: ...results in ~4x AUM in 3 years



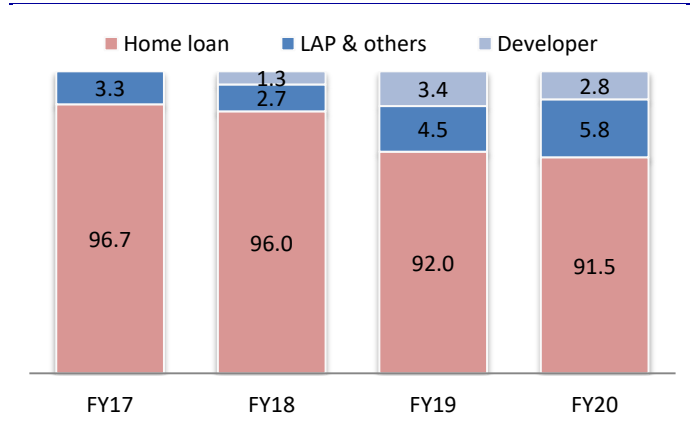
Source: MOFSL, Company

Exhibit 147: Loan CAGR of ~60% over FY17-20



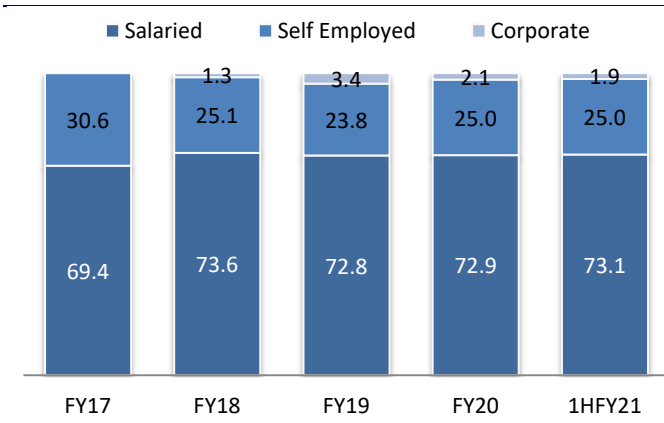
Source: MOFSL, Company

Exhibit 148: 90%+ of AUM is in home loans (%)



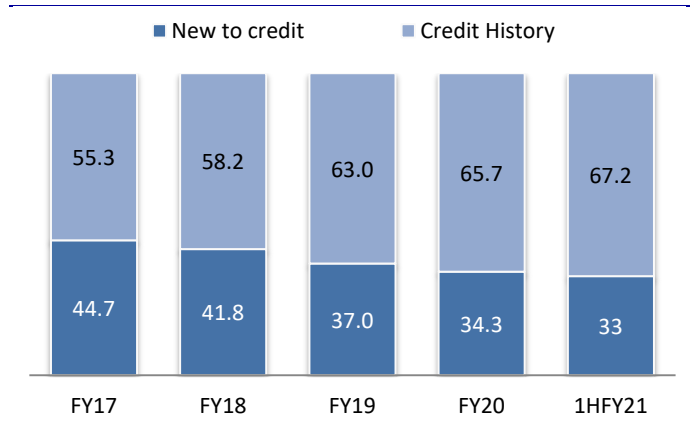
Source: MOFSL, Company

Exhibit 149: High share of salaried customers (%)...



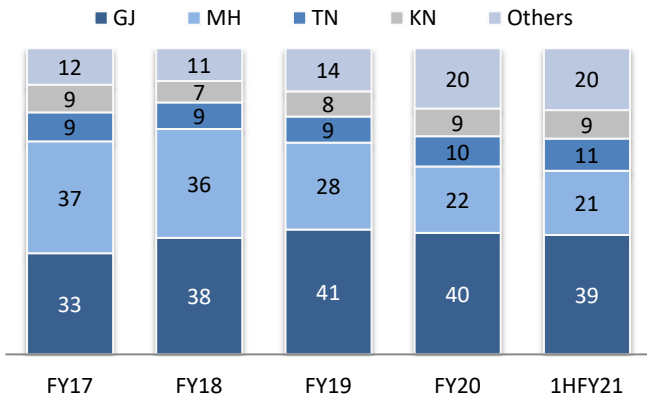
Source: MOFSL, Company

Exhibit 150: 2/3rd of customers with credit history (%)



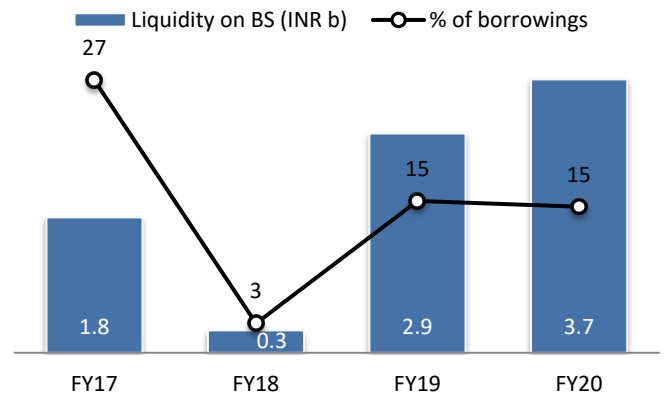
Source: MOFSL, Company

Exhibit 151: State-wise AUM mix (%)



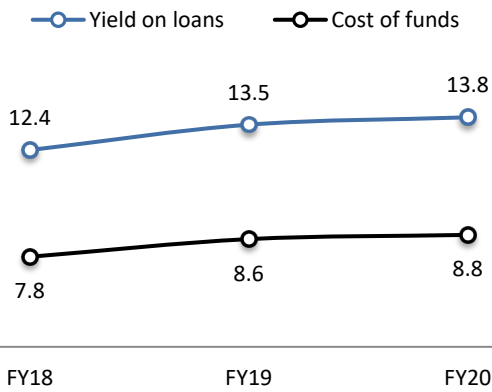
Source: MOFSL, Company

Exhibit 152: Healthy liquidity on the balance sheet



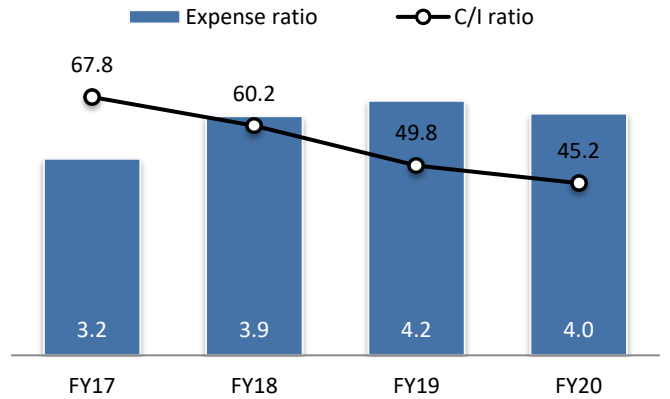
Source: MOFSL, Company

Exhibit 153: Spread expansion over FY18-20 (%)



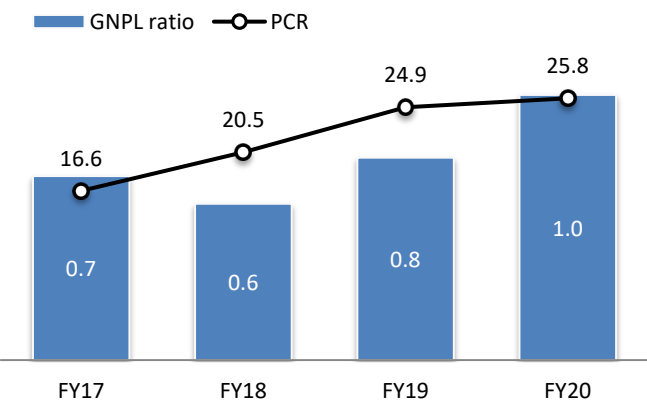
Source: MOFSL, Company

Exhibit 154: Operating leverage playing out (%)



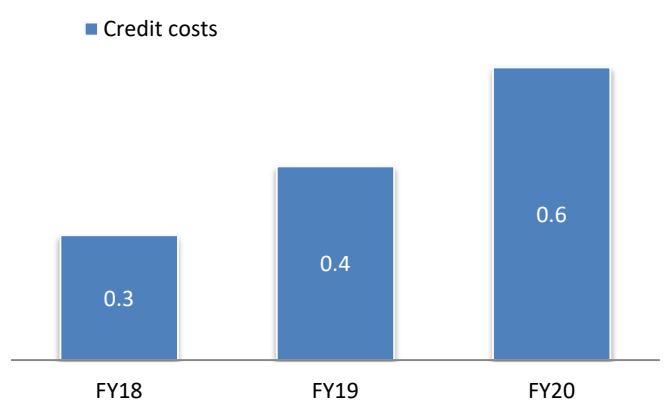
Source: MOFSL, Company

Exhibit 155: Asset quality has been healthy (%)



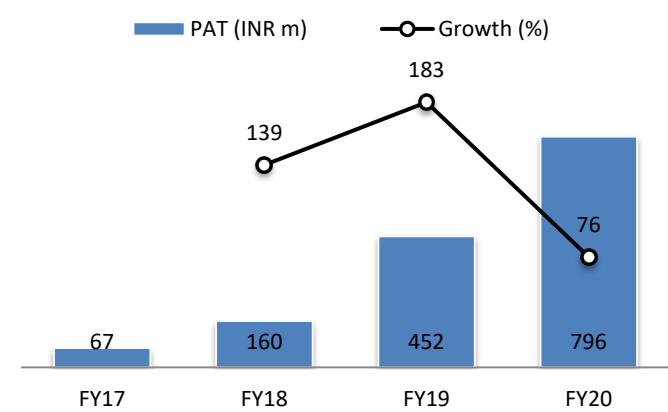
Source: MOFSL, Company

Exhibit 156: Credit costs minimal (%)



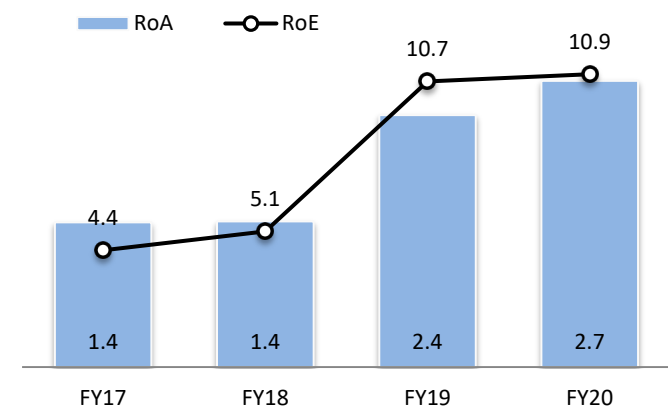
Source: MOFSL, Company

Exhibit 157: Trend in PAT



Source: MOFSL, Company

Exhibit 158: RoE modest due to low leverage (%)



Source: MOFSL, Company

Exhibit 159: DuPont analysis

%	2017	2018	2019	2020
Interest Income	17.80	11.04	12.06	11.90
Interest Expended	10.93	5.60	6.58	6.50
Net Interest Income	6.87	5.44	5.48	5.40
Other Income	0.73	0.36	2.03	2.17
Net Income	7.59	5.80	7.51	7.58
Operating Expenses	5.15	3.49	3.74	3.42
<i>Cost to Income Ratio (%)</i>	<i>67.78</i>	<i>60.24</i>	<i>49.78</i>	<i>45.17</i>
Employee Expenses	3.03	2.12	2.22	2.05
Other Expenses	2.11	1.37	1.52	1.37
Operating Profit	2.45	2.31	3.77	4.15
Provisions/write offs	0.35	0.24	0.38	0.55
PBT	2.09	2.06	3.39	3.60
Tax	0.74	0.70	1.04	0.93
<i>Tax Rate (%)</i>	<i>35.53</i>	<i>34.11</i>	<i>30.66</i>	<i>25.88</i>
PAT	1.35	1.36	2.35	2.67
Leverage	3.23	3.73	4.53	4.09
RoE	4.36	5.06	10.66	10.92

Source: MOFSL, Company

Financials and Valuation

Income statement					(INR m)
Y/E March	2017	2018	2019	2020	
Interest Income	880	1,300	2,319	3,548	
Interest Expended	540	660	1,265	1,938	
Net Interest Income	339	640	1,054	1,610	
Change (%)		88.5	64.7	52.8	
Other Operating Income	36	43	390	648	
Net Income	375	683	1,444	2,258	
Change (%)		81.9	111.5	56.4	
Operating Expenses	254	411	719	1,020	
Operating Income	121	271	725	1,238	
Change (%)		124.5	167.1	70.8	
Provisions/write offs	17	29	73	165	
PBT	104	243	652	1,073	
Extraordinary Items	0	0	0	0	
PBT after EO	104	243	652	1,073	
Tax	37	83	200	278	
Tax Rate (%)	35.5	34.1	30.7	25.9	
PAT	67	160	452	796	
Change (%)		139.5	182.7	76.0	

Balance sheet

Y/E March	2017	2018	2019	2020	
Capital	103	103	127	157	
Reserves & Surplus	2,960	3,149	5,105	9,178	
Net Worth	3,064	3,252	5,231	9,334	
Borrowings	6,630	10,199	19,256	24,938	
Change (%)		53.8	88.8	29.5	
Other liabilities	196	199	332	530	
Total Liabilities	9,890	13,649	24,820	34,802	
Loans	7,893	13,087	21,347	30,139	
Change (%)		65.8	63.1	41.2	
Investments	0	0	1,029	1,456	
Change (%)				41.4	
Net Fixed Assets	67	112	174	210	
Other assets	1,930	450	2,270	2,997	
Total Assets	9,890	13,649	24,820	34,802	

E: MOFSL Estimates

Financials and Valuation

Ratios					%
Y/E March	2017	2018	2019	2020	
Spreads Analysis (%)					
Yield on loans	11.1	12.4	13.5	13.8	
Cost of funds	16.3	7.8	8.6	8.8	
Spreads	6.0	4.5	4.5	4.4	
Net Interest Margin	8.6	6.1	5.9	6.0	
Profitability Ratios (%)					
RoE	4.4	5.1	10.7	10.9	
RoA	1.4	1.4	2.4	2.7	
Int. Expended/Int.Earned	61.4	50.8	54.6	54.6	
Other Inc./Net Income	9.6	6.3	27.0	28.7	
Efficiency Ratios (%)					
Cost-to-income	67.8	60.2	49.8	45.2	
Empl. Cost/Op. Exps.	58.9	60.7	59.4	59.9	
Asset Quality (%)					
Gross NPAs	57	81	170	315	
Gross NPAs to Adv.	0.7	0.6	0.8	1.0	
Net NPAs	48	64	128	234	
Net NPAs to Adv.	0.6	0.5	0.6	0.8	