

India

ADD (no change)

Consensus ratings*: Buy 22 Hold 1 Sell 1

Current price:	Rs1,474
Target price: ▲	Rs1,650
Previous target:	Rs1,450
Up/downside:	11.9%
InCred Research / Consensus:	20.5%
Reuters:	
Bloomberg:	HOMEFIRS IN
Market cap:	US\$1,779m Rs152,054m
Average daily turnover:	US\$6.1m Rs519.8m
Current shares o/s:	102.9m
Free float:	87.5%

*Source: Bloomberg

Key changes in this note

- We have revised our target price upwards as we believe the risk-reward ratio is now more favourable.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	22.9	45.3	42.3
Relative (%)	19.1	33.8	33.8

Major shareholders	% held
Orange Clove Investments B.V.	10.7
True North	7.5
Capital Group	6.0

Research Analyst(s)

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Home First Finance company

Management meet update

- We recently interacted with the management of HFFC, wherein we were given a glimpse into its underwriting system and market study strategy.
- A robust technology platform is the basis of its low TAT at ~48 hours, while it closely tracks heavily and lightly-moving markets with a focus on the former.
- We appreciate the company's connector model and its focus on heavily-moving markets along with a tight rope around spreads and credit costs.

Quick loan sanctions - ample scope to scale

We believe that Home First Finance Company (HFFC) has carved out a niche in urban markets despite intense competition. Its well-integrated connector model and a 48-hour turnaround time (TAT) provide an edge over other players, where the speed of service is critical, ensuring robust AUM growth while capturing market share. The focus remains on Tier-1/2 cities as the company sees more untapped potential in these crowded markets.

Underwriting mechanism has a robust process flow in place

The typical peer set takes anywhere between three-to-seven days for a loan sanction while the same is done within two days at HFFC. The underwriting process comprises eight broad steps which start with the relationship manager (RM) visiting a potential customer and counselling about the loan, followed by uploading related documents on the Salesforce platform which, among other features, also has an in-built algorithm throwing up indicative yield and assessment of the loan. The underwriting team takes it from thereon to verify the property and make a detailed customer credit underwriting assessment, followed by legal and technical check before the final approval.

In-house tracking and assessment of opportunities

HFFC has built an in-house assessment system to monitor current locations and upcoming catchment areas. The model captures data comprising industry disbursements grouped in ticket sizes, competitor presence, and ancillary data about customer lifestyle changes. Then the company usually appoints connectors and a visiting or stationed RM in an upcoming catchment area known as a digital branch. Once this starts giving comfort around a certain amount and potential, a physical branch is then set up. The connectors and RMs communicate smoothly through in-house apps.

Valuation and outlook

Despite the increased pressure from customers following the repo rate cut and rising ticket sizes, HFFC gave guidance on maintaining its spreads at ~5%. We believe the connector model, tech set-up and conservative geographic deepening justifies its valuation premium on the back of consistent market share gains. The recent capital raising will subdue return ratios in the near term; however, we believe the same will normalize by mid-FY27F. We maintain our ADD rating on HFFC and increase the target price on it to Rs1,650 (Rs1,450 earlier), valuing it at 3.5x (3.1x earlier) FY27F BV, close to the long-term mean. Downside risks: A sharp fall in NIM, asset quality stress or lower-than-expected growth in assets under management.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	5,278	6,388	8,391	11,074	14,316
Total Non-Interest Income (Rsm)	1,289	1,852	2,388	2,937	3,806
Operating Revenue (Rsm)	6,567	8,239	10,780	14,012	18,122
Total Provision Charges (Rsm)	(254)	(288)	(509)	(659)	(847)
Net Profit (Rsm)	3,057	3,821	4,994	6,608	8,492
Core EPS (Rs)	34.54	42.43	48.52	64.19	82.49
Core EPS Growth	33%	23%	14%	32%	29%
FD Core P/E (x)	42.67	34.74	30.38	22.96	17.87
DPS (Rs)	0.00	0.00	0.00	0.00	0.00
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
BVPS (Rs)	239.7	280.0	404.3	468.5	551.0
P/BV (x)	6.15	5.26	3.65	3.15	2.67
ROE	15.5%	16.5%	14.9%	14.7%	16.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Home First Finance Company

Particulars	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY%	QoQ%
AUM (Rs m)	96,978	1,04,781	1,12,294	1,19,494	1,27,127	31%	6%
Disbursements (Rs m)	11,019	11,625	11,768	11,928	12,731	16%	7%
Yield	13.5%	13.4%	13.5%	13.5%	13.4%	-10bp	-10bp
COF	8.3%	8.3%	8.3%	8.4%	8.4%	10bp	0bp
Spread	5.2%	5.2%	5.3%	5.2%	5.1%	-10bp	-10bp
NIM	5.3%	5.3%	5.2%	4.9%	5.1%	-20bp	20bp
CTI	34.0%	35.5%	36.5%	35.0%	35.5%	157bp	53bp
Credit Costs	0.1%	0.2%	0.2%	0.3%	0.2%	13bp	-9bp
GNPA%	1.7%	1.7%	1.7%	1.7%	1.7%	0bp	0bp
NNPA%	1.2%	1.3%	1.3%	1.3%	1.3%	10bp	0bp
RoA	3.6%	3.6%	3.4%	3.4%	3.5%	-10bp	10bp
RoE	16.1%	16.3%	16.5%	16.6%	17.0%	91bp	41bp
Branches	133	133	142	149	155	17%	4%
AUM/branch	729	788	791	802	820	12%	2%
Avg. ticket size	1.2	1.2	1.2	1.2	1.2	2%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Aavas Financiers

Particulars	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY%	QoQ%
AUM (Rs m)	1,73,126	1,78,415	1,83,956	1,92,380	2,04,202	18%	6%
Disbursements (Rs m)	55,822	12,109	12,937	40,992	61,230	10%	49%
Yield	13.1%	13.1%	13.0%	13.2%	13.1%	0bp	-5bp
COF	8.1%	8.1%	8.2%	8.2%	8.2%	17bp	0bp
Spread	5.1%	5.0%	4.9%	4.9%	4.9%	-17bp	-5bp
NIM	7.9%	7.3%	7.6%	7.5%	7.6%	-27bp	10bp
CTI	44.1%	44.8%	41.2%	42.7%	46.1%	201bp	344bp
Credit Costs	0.1%	0.2%	0.1%	0.2%	0.2%	6bp	3bp
GNPA%	0.9%	1.0%	1.1%	1.1%	1.1%	14bp	-6bp
NNPA%	0.7%	0.7%	0.8%	0.8%	0.7%	6bp	-8bp
RoA	3.6%	3.0%	3.5%	3.4%	3.3%	-28bp	-8bp
RoE	15.4%	13.1%	14.9%	14.2%	14.4%	-101bp	19bp
Branches	367	371	372	373	397	8%	6%
AUM/branch	472	481	495	516	514	9%	0%
Avg. ticket size	1.0	1.0	1.0	1.1	1.1	5%	2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Aadhar Housing Finance

Particulars	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY%	QoQ%
AUM (Rs m)	2,11,209	2,17,263	2,28,175	2,39,759	2,55,307	21%	6%
Disbursements (Rs m)	21,682	14,967	20,356	20,936	25,663	18%	23%
Yield	13.9%	14.0%	14.0%	13.9%	13.9%	0bp	0bp
COF	8.0%	8.0%	8.1%	8.1%	8.2%	20bp	10bp
Spread	5.9%	6.0%	5.9%	5.8%	5.7%	-20bp	-10bp
NIM - Cumulative	8.9%	8.9%	9.1%	9.2%	9.1%	18bp	-10bp
CTI	38.1%	34.3%	34.3%	33.2%	37.8%	-35bp	462bp
Credit Costs	-0.1%	0.3%	0.2%	0.3%	0.1%	18bp	-22bp
GNPA%	1.1%	1.3%	1.3%	1.4%	1.1%	0bp	-30bp
NNPA%	0.7%	0.9%	0.9%	0.9%	0.7%	0bp	-20bp
RoA	4.3%	4.1%	4.4%	4.4%	4.4%	10bp	0bp
RoE	18.6%	15.9%	15.7%	15.8%	15.9%	-270bp	10bp
Branches	523	536	545	557	580	11%	4%
AUM/branch	404	405	419	430	440	9%	2%
Avg. ticket size	1.0	1.0	1.0	1.0	1.0	0%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

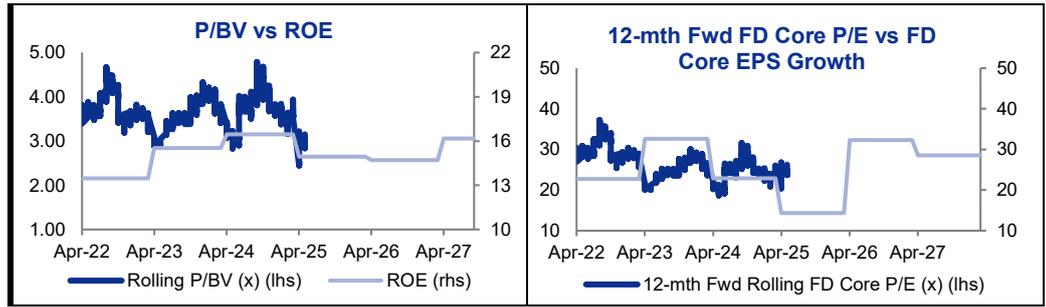
Figure 4: Aptus Value Housing Finance

Particulars	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY%	QoQ%
AUM (Rs m)	87,220	90,720	96,790	1,02,260	1,08,650	25%	6%
Disbursements (Rs m)	9,680	6,750	9,350	9,300	10,640	10%	14%
Yield	17.4%	17.4%	17.4%	17.4%	17.4%	4bp	1bp
COF	8.6%	8.6%	8.7%	8.7%	8.7%	4bp	-2bp
Spread	8.7%	8.7%	8.7%	8.7%	8.7%	0bp	3bp
NIM - Cumulative	13.4%	12.8%	13.0%	12.9%	13.0%	-39bp	2bp
CTI	20.9%	20.9%	19.9%	20.0%	20.2%	-70bp	16bp
Credit Costs	0.2%	0.2%	0.4%	0.3%	0.3%	4bp	1bp
GNPA%	1.1%	1.3%	1.3%	1.3%	1.2%	12bp	-9bp
NNPA%	0.8%	1.0%	0.9%	1.0%	0.9%	9bp	-7bp
RoA - Cumulative	8.0%	7.7%	7.8%	7.7%	7.9%	-15bp	19bp
RoE - Cumulative	17.3%	18.1%	18.3%	18.8%	19.7%	241bp	89bp
Branches	262	267	291	298	300	15%	1%
AUM/branch	333	340	333	343	362	9%	6%

Avg. ticket size	0.9	0.9	0.9	0.9	0.9	0%	5%
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SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	5,278	6,388	8,391	11,074	14,316
Total Non-Interest Income	1,289	1,852	2,388	2,937	3,806
Operating Revenue	6,567	8,239	10,780	14,012	18,122
Total Non-Interest Expenses	(2,196)	(2,780)	(3,497)	(4,410)	(5,801)
Pre-provision Operating Profit	4,254	5,304	7,087	9,363	12,032
Total Provision Charges	(254)	(288)	(509)	(659)	(847)
Operating Profit After Provisions	4,000	5,016	6,578	8,704	11,185
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	4,000	5,016	6,578	8,704	11,185
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	2,711	3,164	4,190	5,767	7,379
Exceptional Items					
Pre-tax Profit	4,000	5,016	6,578	8,704	11,185
Taxation	(942)	(1,195)	(1,584)	(2,096)	(2,693)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	3,057	3,821	4,994	6,608	8,492
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	3,057	3,821	4,994	6,608	8,492
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	6.9%	8.1%	8.5%	8.0%	6.1%
Avg Liquid Assets/Avg IEAs	7.9%	9.4%	9.8%	9.1%	6.8%
Net Cust Loans/Assets	85.4%	87.2%	86.1%	88.5%	90.5%
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans	26.1%	23.7%	30.2%	27.2%	24.8%
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans	81,434	106,487	137,826	177,584	228,791
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets	81,434	106,487	137,826	177,584	228,791
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	81,434	106,487	137,826	177,584	228,791
Intangible Assets					
Other Non-Interest Earning Assets	1,602	2,353	2,860	3,346	3,989
Total Non-Interest Earning Assets	1,902	2,645	3,214	3,760	4,484
Cash And Marketable Securities	8,215	9,382	14,625	14,144	13,469
Long-term Investments	3,788	3,602	4,378	5,122	6,107
Total Assets	95,340	122,117	160,043	200,610	252,850
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities	73,021	95,507	111,544	150,114	191,770
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,104	1,397	1,698	1,986	2,368
Total Liabilities	74,125	96,904	113,241	152,100	194,138
Shareholders Equity	21,215	25,213	41,622	48,230	56,722
Minority Interests					
Total Equity	21,215	25,213	41,622	48,230	56,722

Key Ratios					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	26.3%	21.0%	31.4%	32.0%	29.3%
Operating Profit Growth	34.2%	24.9%	33.4%	31.8%	28.3%
Pretax Profit Growth	35%	25%	31%	32%	29%
Net Interest To Total Income	80.4%	77.5%	77.8%	79.0%	79.0%
Cost Of Funds	8.25%	8.49%	7.81%	7.68%	7.63%
Return On Interest Earning Assets	14.5%	14.4%	13.5%	13.4%	13.5%
Net Interest Spread	6.29%	5.92%	5.68%	5.71%	5.83%
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	6%	5%	7%	7%	7%
Interest Return On Average Assets	6.49%	5.87%	5.95%	6.14%	6.31%
Effective Tax Rate	23.6%	23.8%	24.1%	24.1%	24.1%
Net Dividend Payout Ratio					
Return On Average Assets	3.76%	3.51%	3.54%	3.66%	3.75%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.