

HOME FIRST FINANCE COMPANY INDIA LTD.

Sector

July 25, 2022

Buy at CMP: Rs 817 | Target: Rs 972 (19%) | SL: Rs 750

Finance



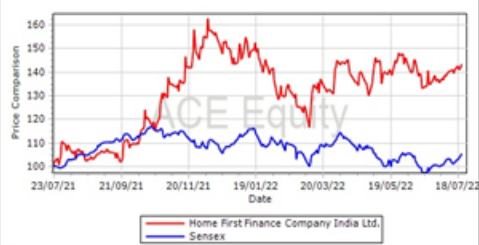
Script Details

BSE Group	A
BSE Code	543259
NSE Code	HOMEFIRST
Bloomberg Code	HOMEFIRS IN
Market Cap (INR Cr.)	7,164
Free Float (%)	66.4%
52wk Low/High	920/531
Beta (1yr Nifty 50)	0.68
Face Value (INR)/ D. Yield (%)	2/0
Total paid Up Shares (Mn.)	87.7

Share Holding Pattern (%)

Promoters	Public	Others
33.6%	66.4%	-

Share Price Relative Performance



Home First Finance is a technology driven affordable housing finance company that targets first time home buyers in low and middle-income groups. It primarily offers customers housing loans for the purchase or construction of homes. The company also offers other loans comprising loans against property, developer finance loans and loans for purchase of commercial property. It also offers mobility solutions through dedicated mobile applications for its customers to enable quick and transparent loan related transactions.

Investment Rationale

- ◆ **Expansion towards South and North to act as Growth Driver** : Affordable housing finance industry is concentrated in Western and southern regions. The Firm is expanding its operation in the same market opens up high growth opportunities. Currently company has a presence in key affordable housing markets of Gujarat, Maharashtra, and Tamil Nadu, which contribute 67% to its AUM. Focusing on the underpenetrated EWS/LIG segment (77% of AUM) along with market share gains should also result in strong AUM growth.
- ◆ **Quality Growth is Ensured Through Tech focus and Omni Channels approach**: Firm is focused on a tech-driven model for all lending operations and all the processes from sourcing to collections are digitized. Its proprietary machine learning platform and integration with third-party sources like Hunter, Perfios, etc., enable it in better credit underwriting. It has a differentiated sourcing model where 70% of the leads are generated by 'Connectors'. It has also tied up with PayTM, Paisabazaar for lead generation.
- ◆ **Lower Borrowing cost due to Respectable Rating** : The ability to contain 3C's such as cost of capital, operating cost, and credit cost are success formula for any home finance company. Its Niche clientele and limited competition therein have enabled it to enjoy stable yields. Further, a diversified borrowing mix with a respectable rating (rating outlook revised upwards to ICRA A+ positive) has aided in lowering the cost of borrowings.
- ◆ **Outlook and Valuations**: The ongoing network expansion plans to enable company to open up revenue opportunity for this HFC. We have valued the company 4.6 x FY25E BV or 38.5x FY23 earnings which results per share value of Rs 972. We recommend BUY on HOMEFIRST at CMP of Rs. 817 with Target price of Rs. 972 (19%).

◆ Financial Snapshot:

Year	Net Interest Rev.	Pre-Provision Profit	PAT	Cost to Income %	PB Ratio (x)
FY22	258	208	133	38.9	4.5
FY23E	316	246	157	40.5	4.1
FY24E	377	289	194	42.3	3.7
FY25E	426	332	223	42.7	3.2

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- On the Daily chart of HOMEFIRST, we can spot that prices have shown a bounce from the level of 624. This level acted as a multiple touch point level while at the same zone, change in the polarity can also be seen by the prices.
- In the latest trading session we witnessed a breakout from Symmetrical Triangle pattern, which here marks as a start of new bullish trend.
- The breakout was followed by high volumes, indicating strong participation of the bulls.
- Prices have closed above upper Bollinger band through which we can observe that the volatility in prices are increasing on the upside.
- The current prices are quoting below the prior swing high (837) but the RSI is above the prior swing high(63.2). This indicates that the stock has strong momentum in the prices.



Inference & Expectations

- Looking at the price action and the evidence supported by the prices we can observe that the breakout happened here is with strong bullish strength.
- Going ahead we expect the stock to move higher towards 1190 level.
- We recommend to place a stop loss at the level of 750, strictly on the closing basis.



Name	Designation	Email	Contact
Mr. Vidnyan Sawant	Assistant Vice President (AVP), Technical Desk	vidnyan@geplcapital.com	+91 (22) 66182687
Mr. Harshad Gadekar	Research Analyst, Fundamental Desk	harshadgadekar@geplcapital.com	+91 (22) 66142685

We, Research Analyst of GEPL Capital, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We, also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Disclosure :-

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL) and this report is for personal information of the selected recipient/s and does not construe to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability or obligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein. All investments including Future and Options are involving risks and investor should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL has not independently verified the accuracy or completeness of the same. Neither GEPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. GEPL and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment. GEPL specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL and GEPL accepts no liability whatsoever for the actions of third parties in this regard. GEPL or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such Distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject GEPL its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently send or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts)

Regulations, 2014.