

## HOME FIRST FINANCE COMPANY INDIA LTD.

Sector

July 25, 2022

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

Finance



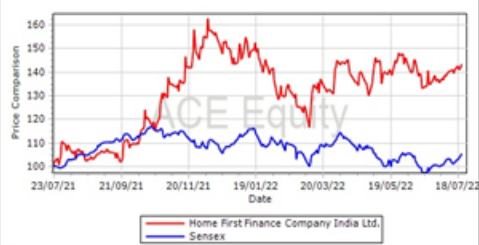
## Script Details

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.



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