

Issue Details

Listing	BSE & NSE
Open Date	21 Jan 2021
Close Date	25 Jan 2021
Price Band	Rs.517-518
Market Lot	28 shares
Minimum Lot	1 Lot

Home First Finance Company India (Home First Finance), incorporated in February 2010, is an affordable housing finance company targeting first time home buyers in low and middle-income groups. As on 30th September, 2020, Home First Finance had a network of 70 branches covering 60 districts in 11 states and 1 union territory in India. Home First has leveraged digital technology extensively across all processes of customer acquisition, loan applications, managing customer experience and risk management.

Issue Structure

Offer for sale	77%
Fresh Issue	23%
Issue Size	Rs.1,153 cr
Total no of shares	22,272,568
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

During FY18-20, Home First Finance's advances grew at a scorching pace of 51.8% CAGR to Rs. 3,014 crores at the end of FY20. Over the same period, its income grew at a CAGR of 65.2% to Rs.354.7 cr while the net profit grew at a CAGR of 122.6% to Rs.79.2 crore

Affordable housing is a gargantuan growth opportunity for incumbents like Home First. At the end of FY20 the affordable housing finance industry was a mammoth Rs. 9.1 lakh crores in size (CAGR of 53% during the period of FY15-19). The demand for affordable housing has been strong and is expected to grow owing to factors like

- Rising Urbanisation
- Favourable demographic trends
- Rising nuclearization
- Rising demand for independent housing
- Declining age of home buyers
- Government initiatives to provide housing for all by FY22 under PMAY and the CLSS subsidy under the ambit of this scheme. Convergence of PSL guidelines with PMAY guidelines has improved the eligibility criteria from INR 28 lacs to 35 lacs (cap of INR 45 lacs).
- Increased NHB refinance limits for affordable housing loans to aid borrowing costs
- Lowered risk weight rationalisation on Housing Loans

Shareholding Pattern

	Pre (%)	Post(%)
Promoters	52.85	33.70
Public	47.15	66.30

Key Financials (in ₹ crores)

	NII	NIM (%)	Net Profit	GNPA (%)	NNPA (%)	CAR (%)	BVPS ₹	RoAA (%)	RoAE (%)	P/E (x)	P/B (x)
FY19	231.9	5.4	45.2	0.7	0.5	--	--	2.4	10.7	--	--
FY20	354.7	5.1	79.2	0.9	0.7	48.8	119.2	2.7	10.9	48.1	4.4
FY21E	474.2	6.0	124.0	1.0	0.8	55.5	163.2	3.1	10.6	35.9	3.2
FY22E	625.1	6.0	168.0	0.9	0.7	47.6	182.8	3.2	11.3	26.5	2.9
FY23E	810.8	5.8	204.4	0.8	0.6	42.4	206.6	3.0	12.2	21.8	2.6

Strong and experienced management team with a distinguished board

Key Management Person	Designation	Description
Manoj Vishwanathan	MD & Chief Executive Officer	Manoj Viswanathan holds a Bachelor's degree in Electrical & Electronics Engineering from BITS, Pilani and an MBA from XLRI Jamshedpur. He possesses experience of more than 23 years in consumer lending, encompassing sectors such as automobile loans, mortgages, and unsecured lending.
Ajay Khetan	Chief Business Officer	He has more than 18 years in Consumer Lending and Technology at Macquarie Group, HP Financial Services, Citigroup and Tech Pacific
Gaurav Mohta	Chief Marketing Officer	He has more than 16 years in Consumer Lending and Product Management with Kotak Bank, Citigroup and RPG-Foodworld
Vilasini Subramaniam	Head - Strategic Alliances	She has more than 15 years in Product Development, Analytics and Business Strategy at Citigroup, MHFC and Janalakshmi Financial Services
Nutan Gaba Patwari	Chief Financial Officer	She has more than 13 years in Supply Chain Finance, Financial Planning & Analysis at HUL, ITC and Philip Morris

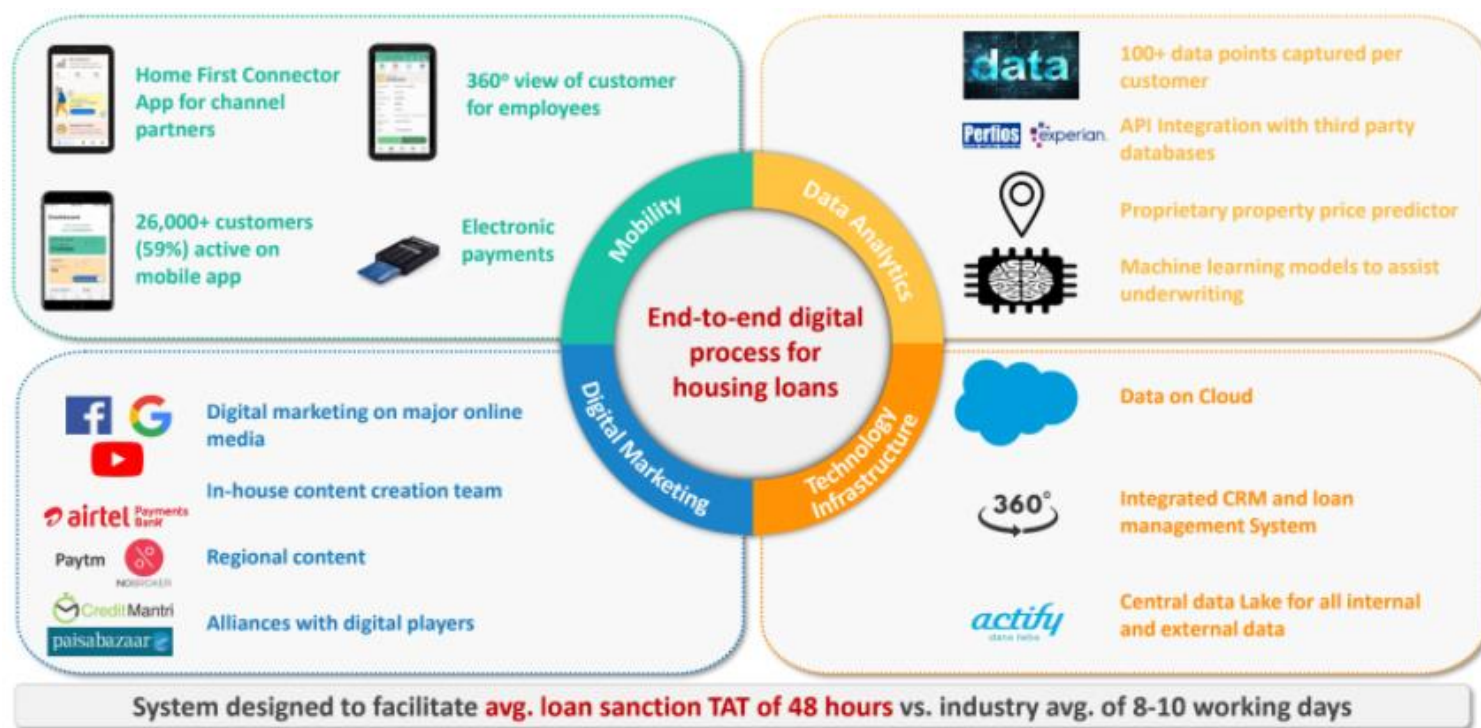
❖ Capital infusion by pedigree private equity firm

Orange Clove Investments (an affiliate of pedigree private equity firm Warburg Pincus) has infused Rs.75 cr through a subscription of 2,240,639 equity shares on 1st Oct 2020. It also acquired 18,810,719 shares from existing shareholders, which took its overall stake in Home First Finance to 29.15%. This reinstates our faith in the management.

❖ Leveraging digital technologies end-to-end to spear head growth

Home First Finance has established a differentiated technology framework, having customised systems and tools which enhances the convenience for their customers and helps in increasing operational efficiency. Their systems are designed to facilitate a loan sanction within an average turn-around time of 48 hours vs. the industry average of 8-10 working days.

Scalable operating model built on holistic technology usage

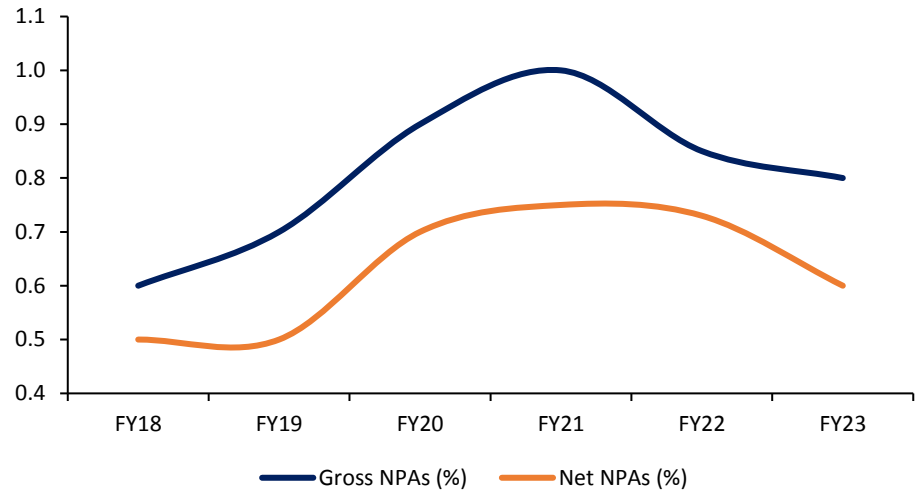


Home First Finance has demonstrated reduced borrowing costs, well diversified financing profile, sharp focus on prudent ALM, stable asset quality and collection efficiency (even during COVID times) to help sustain the high growth trajectory, superior profitability and return ratios.

Leveraging the growth opportunity provided by affordable housing, Home First has grown its AUM to Rs. 3,618 crores from Rs. 1,356 crores over the period FY18-20. Going forward, we expect the AUM to grow at a CAGR of 28% to Rs.7,620 crore by FY23.

Over the same period, we expect Net income / PPOP / PAT to grow at a CAGR of 32.7%/ 35.3%/ 37.1% to Rs. 376 cr / Rs. 306 cr / Rs. 204 cr, respectively, by FY23.

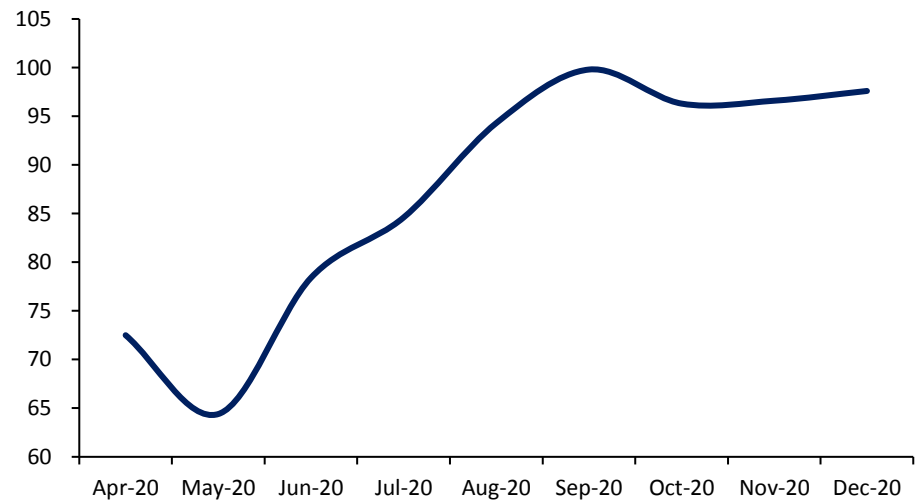
Asset quality to improve with better collection efficiency



Source: Company Reports & Ventura Research

Collection efficiency improved significantly with easing lockdown restrictions. 97% collection efficiency is the hallmark for the company.

Collection efficiency improved significantly

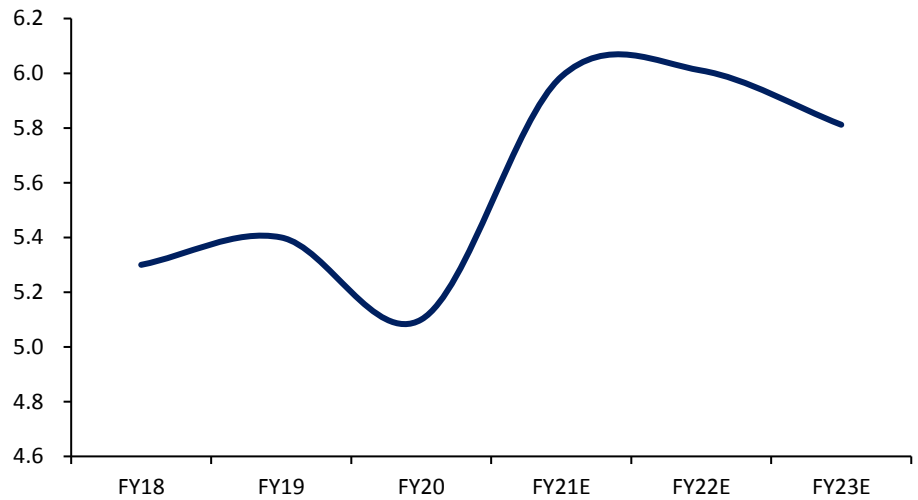


Source: Company Reports & Ventura Research

NIMs are expected to remain stable and rising given the high yielding affordable housing loans and reduced borrowing cost

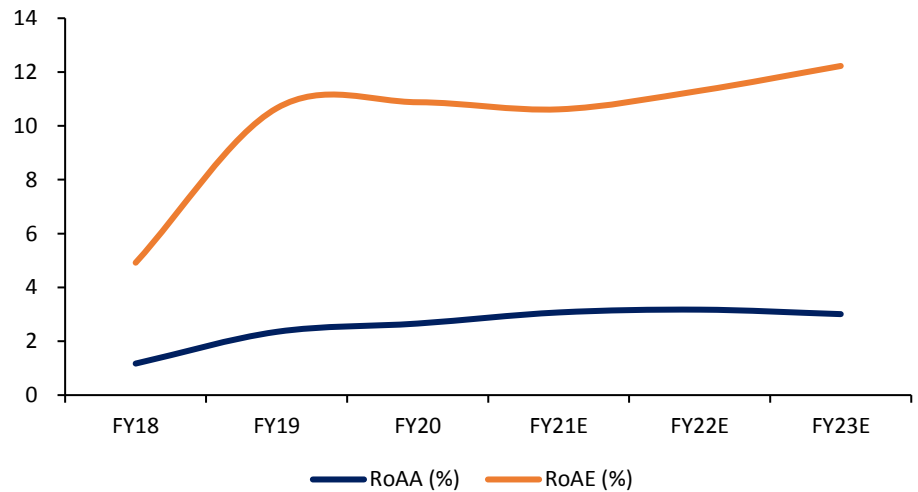


NIMs to rise in FY21 and remain stable in coming years



Source: Company Reports & Ventura Research

Return ratios to improve with better NIMs



Source: Company Reports & Ventura Research

❖ **Valuation.**

At the upper price band of the IPO, Home First is valued at 2.6X FY23 P/BV. Given the strong prospects, we recommend a BUY on the stock.

Issue Structure and Offer Details

The proposed issue size of Home First Finance IPO is Rs.1,153.7 cr of which Rs 265 crores is in the form of a fresh issue and the balance is OFS. The price band for the issue is in the range of Rs.517-518 and the bid lot is 28 shares and multiples thereof.

Issue Structure		
Category	No of Shares Offered *	% of shares Offered
QIB**	1,11,36,284	≤ 50
Non Institutional Bidders	33,40,885	≥ 15
Retail	77,95,399	≥ 35
Total	2,22,72,568	100

* no. of shares based on higher price band of Rs. 518

** the company may allocate up to 60% of the QIB Category to Anchor Investors at the Anchor Investor Offer Price, on a discretionary basis.

Source: Company Reports & SEBI

Objects of the offer	
Purpose	Amount (Rs. In Cr)
Net Proceeds proposed to be utilized for increasing the company's capital base which will be utilized towards its	●
General Corporate Purposes*	●
Total Net Proceed	●

* To be finalised upon determination of the Offer Price. The amount shall not exceed 25% of the gross proceeds of the Fresh Issue

Source: Company Reports and SEBI

Financial Projections

Y/E March (crore)	FY19	FY20	FY21E	FY22E	FY23E	Y/E March (crore)	FY19	FY20	FY21E	FY22E	FY23E
Income Statement						Ratio Analysis					
Interest Income	231.9	354.7	474.2	625.1	810.8	Efficiency Ratio (%)					
Interest Expense	126.6	193.8	244.1	322.1	434.4	Int Expended / Int Earned	54.6	54.6	51.5	51.5	53.6
Net Interest Income	105.4	160.9	230.1	303.1	376.4	Int Income / Total Funds	9.3	10.2	10.3	10.4	10.7
YoY change (%)	64.7	52.7	43.0	31.7	24.2	NII / Total Income	38.9	38.3	41.0	41.3	39.6
Non Interest Income	39.0	64.9	87.5	108.6	139.0	Other Inc. / Total Income	14.4	15.5	15.6	14.8	14.6
Total Net Income	144.4	225.8	317.6	411.7	515.4	Ope. Exp. / Total Income	26.5	24.3	22.1	22.0	22.0
Total Operating Expenses	71.9	102.0	124.1	161.2	209.0	Net Profit / Total Funds	1.8	2.3	2.7	2.8	2.7
Pre Provision profit	72.5	123.8	193.6	250.4	306.4	Credit / Borrowing	110.9	120.9	125.0	117.6	113.6
YoY change (%)	167.1	70.7	56.4	29.4	22.3	Investment / Borrowings	5.3	5.8	7.0	7.1	6.5
Provisions	7.3	16.5	27.8	25.9	33.1	NIM	5.4	5.1	6.0	6.0	5.8
Profit Before Tax	65.2	107.3	165.7	224.6	273.3	Solvency					
YoY change (%)	168.6	64.6	54.5	35.5	21.7	Gross NPA (Rs. Cr)	14.9	27.1	39.8	44.0	53.0
Taxes	20.0	28.0	41.8	56.6	68.9	Net NPA (Rs. Cr)	10.7	21.1	29.8	37.8	39.7
Net profit	45.2	79.2	124.0	168.0	204.4	Gross NPA (%)	0.7	0.9	1.0	0.9	0.8
YoY change (%)	182.6	75.3	56.4	35.5	21.7	Net NPA (%)	0.5	0.7	0.8	0.7	0.6
Balance Sheet						Capital Adequacy Ratio (%)	0.0	48.8	55.5	47.6	42.4
Cash & Balances with RBI	185.7	147.7	179.0	220.1	248.9	Tier I Capital (%)		48.0	54.5	46.8	41.7
Inter bank borrowing	6.3	74.3	93.1	124.4	149.3	Tier II Capital (%)		0.8	1.0	0.8	0.7
Investments	102.9	145.6	221.2	314.2	377.0	Per Share Data (₹)					
Loan and Advances	2,134.7	3,013.9	3,978.4	5,171.9	6,620.0	EPS	7.8	10.8	14.4	19.6	23.8
Other Assets	35.0	77.1	95.5	124.1	158.9	Book Value	413.0	119.2	163.2	182.8	206.6
Total Assets	2,482.0	3,479.6	4,593.8	5,990.0	7,600.1	Adj Book Value of Share	404.5	116.5	159.8	178.4	202.0
Deposits	0.0	0.0	0.0	0.0	0.0	Valuation Ratio					
Borrowings	1,925.6	2,493.8	3,182.7	4,396.1	5,825.6	Price/Earnings (x)	66.2	48.1	35.9	26.5	21.8
Other Liability	33.2	52.2	9.4	24.2	0.4	Price/Book Value (x)	1.3	4.3	3.2	2.8	2.5
Equity	12.7	15.7	17.2	17.2	17.2	Price/Adj.Book Value (x)	1.3	4.4	3.2	2.9	2.6
Reserves	510.5	918.0	1,384.5	1,552.5	1,756.9	Return Ratio					
Share warrant O/s	0.0	0.0	0.0	0.0	0.0	RoAA (%)	2.4	2.7	3.1	3.2	3.0
Total Liabilities	2,482.0	3,479.6	4,593.8	5,990.0	7,600.1	RoAE (%)	10.7	10.9	10.6	11.3	12.2
	0.0	0.0	0.0	0.0	0.0	Growth Ratio (%)					
Dupont Analysis						Interest Income	78.5	53.0	33.7	31.8	29.7
% of Average Assets						Interest Expenses	91.9	53.2	25.9	32.0	34.9
Net Interest Income	5.5	5.4	5.7	5.7	5.5	Other Income	811.3	66.5	34.8	24.1	28.0
Non Interest Income	2.0	2.2	2.2	2.1	2.0	Total Income	101.8	54.9	33.8	30.6	29.4
Net Income	7.5	7.6	7.9	7.8	7.6	Net profit	182.6	75.3	56.4	35.5	21.7
Operating Expenses	3.7	3.4	3.1	3.0	3.1						
Operating Profit	3.8	4.2	4.8	4.7	4.5						
Provisions & Contingencies	0.4	0.6	0.7	0.5	0.5						
Taxes	1.0	0.9	1.0	1.1	1.0						
ROAA	2.4	2.7	3.1	3.2	3.0						

Source: Company Reports & Ventura Research

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