

Home First Finance Co Ltd : Good Issue IPO Note : Strong Top and Bottom line Growth: Good Margins Ranking***



Issue details

Price band (Rs)	Rs.517-518
IPO Opening Date	21/01/21
IPO Closing Date	25/01/21
Issue Size	Rs.1153.72 Cr.

Recommendation

Total revenue grew at a **CAGR of 76.81%** from Rs.134.23 Cr for the FY 2018 to Rs.419.65 Cr for FY 2020 and Net Profit grew at a **CAGR of 122.62%** in the same period. Net profit grew from Rs.15.99 crore to Rs.79.25 crore in this period. For the first six months ended on September 30, 2020, it has earned a net profit of Rs. 52.95 cr. on a total income of Rs. 243.19 cr. As on September 30, 2020, the company's net **NPA stood at 0.54%**. As per offer documents, HFFC has shown Aavas Financiers as its listed peer which is trading at a P/E of around 61.8. If we annualize latest earnings and attribute it to post IPO fully diluted equity, then asking price is at a **P/E of around 42.80**. The company has posted growth in its top and bottom lines for the last three and a half fiscals which are indicative of likely trends going forward with its niche play. **The affordable housing segment is set for a boom with the Government of India's drive of home for all in 2022. Overall with High Growth & Margins, one can subscribe.**

Highlights

- Home First Finance Co. Ltd. (HFFC) is a technology-driven affordable housing finance company that targets first time home buyers in low and middle-income groups.
- According to the CRISIL Report, the 11 states and union territory in which the company present accounted for approximately 79% of the affordable housing finance market in India during the financial year 2019
- It primarily offers customers housing loans for the purchase or construction of homes, which comprised 92.1% of its Gross Loan Assets, as of September 30, 2020.
- HFFC is a niche player and tapping first home buyers for its lending.
- As of September 30, 2020, HFFC had a network of 70 branches covering over 60 districts in 11 states and a union territory in India,

Company Introduction

Home First Finance Company is an affordable housing finance company. The company primarily caters to the low and middle income groups by offering them housing loans to construct and buy homes. It further offers other loans like loans against property, developer finance loans, and loans to buy commercial property. The company has a diverse lead generation source channel including connectors, contractors, architects, affordable housing developers, and others. As on Sep 30, 2019, the business has a strong branch network of 65 branches across 60 districts in 11 different states and a union territory in India with key presence in market such as Maharashtra, Karnataka, Tamil Nadu, and Gujarat. The firm currently focuses on leveraging technology benefits in the area such as processing loan applications, risk management, and managing customer experience. It offers quick and transparent loan transactions through its mobile app. As on Sep 30, 2019, it has serviced a total of 37,086 active loans.



homefirstindia.com

Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	243.19	419.65	270.92	134.23
Net Profit	52.95	79.25	45.20	15.99
EPS (Rs)	6.05	9.06	5.17	1.83

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

HFFC also offers other types of loans comprising loans against property, developer finance loans and loans for the purchase of commercial property, which comprised 5.1%, 1.9% and 0.9% of its Gross Loan Assets, as of September 30, 2020, respectively. As of the same date, 32.8% of Gross Loan Assets were from customers who were new to credit.

Company Promoters:

True North Fund V LLP and Aether (Mauritius) Limited are the company promoters.

Objects of the Issue:

The net proceed from the issue will be used towards following purposes.

- To augment company's capital base to meet future capital requirement.
- To achieve share listing benefits on the exchange.

IPO Issue Proceed

To part finance its plans for augmenting capital base as well as listing benefits and unlocking the brand value, HFFC is coming out with a maiden IPO of Rs.1153.72 cr. (approx 22272590 shares) consisting fresh equity issue of approx 5115830 equity shares (Rs. 265 cr.) and offer for sale of 17156760 shares (Rs. 888.72 cr.) (Based on the upper price band). The company has fixed the price band of Rs. 517 - Rs. 518 per share against face value of Rs. 2 per share. Minimum application is to be made for 28 shares and in multiples thereon, thereafter. The issue opens for subscription on January 21, 2021, and will close on January 25, 2021. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 25.49% of the post issue paid-up capital of the company. Post issue, HFFC's current paid-up equity capital of Rs. 16.45 cr. will stand enhanced to Rs. 17.48 cr. At the upper price of the IPO, the company is looking for a market cap of Rs. 4526.64 cr.

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