

1. Business Overview

Market Position

Home First Finance Company India Limited is a technology-driven, affordable housing finance company. It primarily serves low- and middle-income, first-time home buyers in semi-urban and rural areas with limited access to formal banking credit. The company aims to be the fastest provider of home finance for the aspiring middle class, delivered with ease and transparency.

- **Affordable Housing Focus** – A significant portion of customers earn less than **₹6 lakh annually**.
- **Pan-India Presence** – Operates **133 branches and 321 touchpoints** across 13 states/UTs as of March 2024.
- **Technology Leadership** – Fully digital loan processing, improving efficiency and customer experience.
- **Competitive Edge** – Faces competition, especially in Rajasthan and Gujarat, where balance transfers are a key factor.
- **Market Share** – Holds an **average 2.5% market share**, with **higher penetration (4-5%) in Gujarat**.
- **Brand Strength** – Recognized for **speed, transparency, and customer focus** in the affordable housing segment.

Business Model

1. Core Business Approach

- **Target Segment:** Low- & middle-income homebuyers with limited formal credit access.
- **Product Offerings:** Home loans, construction loans, home improvement loans, **loan against property**, and **shop loans**.

2. Technology-Driven Lending

- **End-to-end digital processes** for speed & efficiency.
- **Paperless, mobile-friendly onboarding** and real-time loan tracking.
- **Data-backed underwriting & analytics-driven collections.**

3. Distribution & Growth Strategy

- **Hub-and-spoke model** – Physical branches + digital channels.
- **Connector model** – Local partnerships for last-mile access.
- **Branch Expansion:** Targeting **500 touchpoints in 3 years** and adding ~25 branches annually.

4. Financial & Risk Management

- **Diversified funding sources** to optimize borrowing costs.
- **Strong risk management framework** for credit quality control.
- **ALM (Asset-Liability Management) strategy** to balance long-term liabilities.

5. Future Plans & Adaptations

- **Aiming for ₹35,000 Cr AUM by 2030.**
- **Expanded insurance product cross-selling** (MoA change in Dec'23).
- Leveraging automation to enhance efficiency & reduce costs.

Geographical Presence

Home First Finance Company India Limited has a well-defined geographical presence across India, with a strategy focusing on both current market penetration and future expansion.

- As of March 2024, Home First has established its presence across **13 states and union territories**.
- The company's network includes **133 physical branches** and a total of **321 touchpoints**, covering **131 districts**.
- Key states contributing to the Assets Under Management (AUM) are **Gujarat, Maharashtra, Tamil Nadu, Telangana, Andhra Pradesh, and Karnataka**. These states comprised **83.1%** of the company's total AUM as of March 2022.
- **Gujarat** has a relatively high concentration of the loan portfolio at **31%** of the overall Gross loan book as of March 31, 2024.
- HomeFirst is present in 98 of the top 200 districts comprising 82% of the total affordable housing finance market in India.

Expansion History & Future Plans:

- Home First aims to deepen its presence in core markets like Gujarat, Maharashtra, Andhra Pradesh, Telangana, Karnataka, and Tamil Nadu.

- The company intends to reach **500 touchpoints in the next 3 years** while expanding by approximately **20 branches annually**.
- Expansion plans include Tier 1, 2, and 3 towns.
- New growth engines include markets such as Lucknow, Nagpur, Indore, Jaipur, and Rajkot.
- Home First is focusing on expanding into the markets of Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Madhya Pradesh, and Rajasthan.
- The company plans to penetrate deeper into emerging markets such as UP, MP and Rajasthan and expects many of these states to be at the 10% mark as a share of the overall AUM of the country over the next three to five years.
- The distribution strategy involves a hub-and-spoke model with branches and touchpoints.
- In FY24, Home First added 7 branches in UP, MP, and Rajasthan, serving 16 additional touchpoints in these States.
- The company is focused on **reducing concentration risk** by expanding pan-India.
- Geographical diversification will be achieved by venturing into new Tier 2 and Tier 3 cities within the same states.

2. Financial Performance

YoY NIM

Particulars	FY19 (₹ Cr)	FY20 (₹ Cr)	FY21 (₹ Cr)	FY22 (₹ Cr)	FY23 (₹ Cr)	FY24 (₹ Cr)
Net Interest Income	104	151	190	262	379.24	470.95
Change (%)		45.19%	25.83%	37.89%	44.75%	24.18%
NIM (%)					7.5%	6.49%

QoQ NIM

Particulars	Q3FY24 (₹ Mn)	Q4FY24 (₹ Mn)	Q1FY25 (₹ Mn)	Q2FY25 (₹ Mn)
Net Interest Income	1,209.9	1,217.9	1,309.8	1,394.5
NIM (%)				5.3%

Trends and Analysis:

- **Net Interest Margin (NIM) %:**
 - In FY24, the company reported a **Net Interest Margin (NIM) of 6.49%**, as compared to 7.05% in FY23.
 - The decline in NIM is because of increased cost of borrowing on the back of policy rates increases and MCLR's increase across all banks.
- Guidance for spread is **5% to 5.25% for the medium term.** (Q3 FY24)

YoY Loan Disbursements (in crores):

Particulars	FY20	FY21	FY22	FY23	FY24	CAGR (FY21- FY24)
Loan Disbursements	1,618	1,097	2,031	3,013	3,963	53.5%
Growth (%)		-32.2%	85.1%	48.3%	31.5%	

QoQ Loan Disbursements (in crores):

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Loan Disbursements	780	869	793	969	1,347	869	1,163	1,177
Growth (%)	11.1%	11.4%	-8.7%	22.2%	39.0%	-35.5%	4.3%	1.2%

Future Guidance:

- Home First is looking at a disbursal growth of **20% to 25%** to achieve an **AUM growth of 30%**.

Fluctuations, why?

- Specific Quarterly Performance:** There was significant growth in Q3FY24, followed by a decrease in Q4FY24 [from prior conversation].
- Isolated Events:** Lower-than-expected disbursal in Q3FY25 was due to the Karnataka government stopping stamp duty collection and a competitor in the affordable housing segment offering lower interest rates.
- Changes to internal processes:** Changes to internal processes can also have an impact. In Q3, of an unspecified year, the business saw an impact of **INR 30 crores - INR 40 crores due to some internal changes**.
- External Factors:** Balance transfer fluctuations occur in the 6% to 8% range, depending on the aggressiveness of competitors and the effectiveness of internal retention methods.
- Broad-based fluctuations:** Fluctuations happen branch to branch and not region to region.

Cost of Borrowing YoY data

Particulars	FY21	FY22	FY23	FY24
Cost of Borrowing (COB) (%)	8.0%	7.2%	8.1%	8.2%
Cost to Income Ratio (%)	39.0%	34.0%	35.7%	35.3%
Interest Expense (₹ Crs)	216.58	214.82	303.26	498.66
Net Interest Income (₹ Crs)	190	262	379.24	470.95
Total Borrowings (₹ Crs)			4,813.5	7,302.1

Cost of Borrowing QoQ data

Particulars	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24
COB (%)	7.9%	8.0%	8.2%	8.3%	8.3%	8.4%
Interest Income on term loans (₹ Mn)	2,347.8			2,673.3	2,874.1	3,146.4
Interest expense (₹ Mn)	1,167.4			1,455.4	1,564.3	1,751.9

Trends and Analysis:

- **Cost of Borrowing (COB):**

- The weighted cost of borrowings decreased from 8.8% to 8.0% during FY21.
- **COB increased from 7.2% in FY22 to 8.1% in FY23 and 8.2% in FY24.**
- The company's COB has been increasing, with quarterly averages showing a rise from 7.9% in Jun'23 to 8.4% in Sep'24.
- **Despite continuous increases in deposit rates by banks, the cost of borrowing still remains below 8.5%, which is a reflection of the strength of the funding profile of the company.**

- **Cost to Income Ratio:**

- The cost to income ratio has remained range-bound at 35.7% (from 34.0% the year before).
- The cost to income ratio was 35.3% in FY24.

- **Interest Expense:**

- Interest expenses have increased significantly from ₹216.58 Crs in FY21 to ₹498.66 Crs in FY24.
- **Rising interest costs reflect increased borrowing costs and more debt being added to the balance sheet.**

- **Borrowing Costs vs. Origination Yields:**

- Origination yield for Q3FY25 stood at 13.4%.
- Marginal Cost of Borrowing for Q3FY25 stood at 8.5%.

Future Guidance:

- The company aims to optimize borrowing costs.
- Home First seeks to optimize borrowing profiles between short-term and long-term loans in order to manage interest rate risk.
- Home First is also negotiating on transmissions coming from banks.
- Home First is trying to curtail the stock of borrowings from getting repriced.

Profitability YoY data

Particulars	FY21 (₹ Cr)	FY22 (₹ Cr)	FY23 (₹ Cr)	FY24 (₹ Cr)
Profit After Tax (PAT)	80	174	228.29	306
PAT Growth (%)		85.8%	31.1%	33.9%
Profit Before Tax (PBT)	134.04	226.30	295.22	399.96
Return on Assets (ROA) (%)	2.5%	3.6%	3.9%	3.8%
Return on Equity (ROE) (%)	8.7%	11.8%	13.5%	15.5%
Total Income	489.16	595.70	795.60	1,156.54

Profitability QoQ data

Particulars	Q4FY24 (₹ Cr)	Q1FY25 (₹ Cr)	Q2FY25 (₹ Cr)
Profit After Tax	74.31	87.77	92.23
PAT Growth (%)		18.1%	5.1%
Return on Assets (ROA) (%)	3.6%	3.6%	3.4%
Return on Equity (ROE) (%)	16.1%	16.3%	16.5%
Total Income		3,413.3	3,742.4

Future Guidance:

- Home First is focused on achieving **sustainable and profitable growth**.
- Home First is also trying to curtail the stock of borrowings from getting repriced [from prior turn in conversation].
- The company's strategy includes balancing growth with asset quality and profitability, indicating a commitment to maintaining and improving these financial metrics.
- Home First is looking at sustaining an **ROA of 3.4%**.

Loan Book Data

Particulars	FY17 (₹ Crs)	FY18 (₹ Crs)	FY19 (₹ Crs)	FY20 (₹ Crs)	FY21 (₹ Crs)	FY22 (₹ Crs)	FY23 (₹ Crs)	FY24 (₹ Crs)
AUM	847	1,356	2,444	3,618	4,141	5,380	7,198	9,698
YoY Growth (%)	-	60.10%	80.24%	48.03%	14.46%	29.92%	33.79%	34.73%
Particulars	Q3FY24 (₹ Crs)		Q4FY24 (₹ Crs)		Q1FY25 (₹ Crs)		Q2FY25 (₹ Crs)	
AUM	1,007.2		1,101.9		1,162.5		1,176.8	
QoQ Growth (%)	-		9.40%		5.50%		1.23%	

Category	Data
Time	December 31, 2024 (Q3FY25)
Mix of Customers	~51% of loans have an average ticket size between INR 5-15 Lakh
Customer Credit History	82% of AUM is from customers with a credit history

Home First Finance has tightened its underwriting norms for specific loan products in response to early warning signals and portfolio analyses. This means the company is applying stricter approval criteria to mitigate risks in certain segments rather than implementing broad changes across all products.

Key aspects of this adjustment include:

- **Risk-Based Selectivity:** Stricter scrutiny of applications based on product-specific risks rather than a uniform tightening.
- **Early Warning Indicators:** Continuous monitoring of loan performance, customer behavior, and economic factors to detect emerging risks.
- **Nuanced Approach:** Adjustments based on factors like loan-to-value (LTV) ratios and property types, though specific details remain undisclosed.
- **Potential Volume Impact:** A temporary slowdown in loan disbursements as more applications undergo rigorous evaluation.
- **Strategic Objective:** Balancing risk absorption while minimizing the need to reprice existing loans.

This move reflects Home First's proactive risk management to ensure portfolio stability without significantly disrupting business growth.

Tightening underwriting norms in response to **early warning signals** and **portfolio analysis** is more of a **prudent risk management strategy** rather than a definitive macroeconomic slowdown indicator. However, it can hint at certain risk trends. Unless this move is accompanied by **a sharp rise in NPAs or widespread tightening across the financial sector**, it is **more of a cautious strategy than an outright economic red flag**. It suggests **Home First Finance is prioritizing stability and risk-adjusted growth over short-term volume expansion**.

Cautious Approach to Loan Against Property (LAP):

- Home First Finance takes a cautious approach to LAP.
- LAP customers are primarily those taking quasi home loans for self-use.
- As of March 2024, Loan Against Property (LAP) comprises 12.7% of the total AUM.

Future Guidance

- **AUM Growth Target:** The company is aiming for an overall AUM growth of **30%**.
- **Co-lending Contribution:** Co-lending business is growing and is expected to contribute to around **10% of disbursement in the near future.**

3. Asset Quality

Year-over-Year (YoY) Asset Quality Data

Metric	FY22	FY23	FY24
Gross NPA (GNPA) %	1.8%	1.6%	1.7%
Net NPA %	1.2%	1.1%	1.2%
30+ DPD			2.8%
1+ DPD			4.2%
CRAR (%)	58.6%	49.4%	39.5%
Tier 1 CRAR (%)	58.1%	48.9%	39.1%
Stage 3 Loans as % of Loans Outstanding (Principal) Mar'21	1.8%		

Quarter-over-Quarter (QoQ) Asset Quality Data

Metric	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Gross NPA %	1.6%	1.7%			1.7%
30+ DPD					3.1%
1+ DPD					4.8%

LTV Ratio YoY

Metric	FY20	FY21	FY22	FY23
Loan to Value (Origination)	60%	57%	47%	46%
Loan to Value (Live Book)	49%	46%	46%	46%

Origination LTV provides insights into the company's initial risk appetite and lending standards. (originally issued). **Live Book** LTV indicates how the risk profile of the portfolio has changed over time due to property value fluctuations and loan repayments.

Trends Spotted

- **Early Delinquencies:** There was a minor seasonal uptick in early delinquencies. The 1+ DPD increased by 30 basis points.
- **CRAR Decrease:** CRAR has decreased from 58.61% in FY22 to 39.5% in FY24. Tier 1 CRAR also decreased, from 58.05% to 39.1% in the same period.
- **Geographic Concentration:** Loan portfolio concentration in Gujarat continues to be relatively high, although the company is diversifying into southern and northern markets.
- **Bounce Rates:** Bounce rates have generally decreased from March 2021 to March 2024.
- Despite the decline, 39.5% is still well above regulatory requirements, so this is not necessarily a red flag but rather an expected outcome of expansion.

Future Guidance

- The company aims to maintain its asset quality by focusing on early delinquency management and consumer profile-led lending.
- HomeFirst is focusing on expanding into southern and northern markets to reduce geographical concentration.
- The company continues to have low under-construction properties.
- HomeFirst is confident about asset quality, with no major concerns.

4. Management & Governance

Corporate Governance

Based on the provided sources, Home First Finance Company India Limited **does not appear to have a history of significant corporate governance issues.**

Here's a breakdown of the company's corporate governance practices, which emphasize transparency, accountability, and ethical conduct:

- **Strong Corporate Governance Framework:**
 - Home First Finance has a strong corporate governance framework in place for effective risk management.
 - The company emphasizes transparency, accountability, and integrity as the three pillars of its corporate governance framework.
 - Their corporate governance framework incorporates a system of robust checks and balances between the Board, its committees, management, auditors, and various other stakeholders.
- **Board of Directors:**
 - The Board plays a primary role in protecting and enhancing stakeholders' value through strategic supervision and appropriate controls.
 - Home First believes that an active, well-informed, and independent Board is necessary to ensure the highest standards of corporate governance.
 - The Board comprises a mix of Non-Executive Independent Directors, Non-Executive Nominee Directors, and an Executive Director.
- **Committees of the Board:**
 - The Board has several committees, including the Audit Committee, Nomination and Remuneration Committee, Stakeholder Relationship Committee, Risk Management Committee, and Corporate Social Responsibility Committee.
 - These committees oversee various aspects of the company's operations, including financial expertise, risk oversight, fraud prevention, and CSR initiatives.
- **Risk Management:**
 - The company has a well-established risk reporting and monitoring framework.
 - The Board monitors risks through sub-committees such as the ALCO (Asset & Liability Management Committee), Risk Management Committee, and IT Strategy Committee.
 - The company has appointed Internal Auditors to ensure adherence to policies, procedures, and compliance with laws and regulations.

- **Policies and Procedures:**

- Home First Finance has implemented various effective policies and procedures that are mandated and reviewed by the Board or its committees at regular intervals.
- The company adheres to Internal Guidelines on Corporate Governance, which define the legal, contractual, and social responsibilities of the company towards its stakeholders.
- A whistle blower policy and vigil mechanism are in place to ensure employees and directors can express concerns about malpractice or fraud.

- **Compliance and Ethics:**

- The company's framework endorses ethical values, good corporate governance, and risk management practices.
- The company strives to maintain transparency, accountability, and integrity in its operations.
- The compliance function ensures adherence to regulatory and statutory requirements, updating the Board and management on compliance status.
- There was no violation of the company's Code of Conduct in FY21, and no cases were reported under the Whistle Blower Policy or Sexual Harassment Policy.
- The company has an Anti-Bribery and Anti-Corruption Policy applicable to all directors, officers, employees, and associated persons.

- **Related Party Transactions:**

- The company has a policy on materiality of related party transactions and dealing with such transactions, including clear threshold limits approved by the Board.
- Related party transactions are reviewed to ensure they do not affect the independence of independent directors or present conflicts of interest.

- **Audit and Vigil Mechanism:**

- The Audit Committee reviews the performance of internal audits and the adequacy of internal control systems.
- The company has established a Vigil Mechanism and Whistleblower Policy under the surveillance of the Audit Committee.

- **Reporting and Disclosure:**

- The company makes timely and appropriate disclosures and shares factual and accurate information.
- The Corporate Governance report is furnished as part of the Directors' Report.

- **Clean Track Record:**

- The company has a clean track record with no defaults, auditor qualifications, or restatements of financials.
- There have been no instances of non-compliance, penalties, or strictures imposed by stock exchanges, SEBI, or any statutory authority on matters related to capital markets.

Leadership Team Tenure

- **Manoj Viswanathan (Managing Director & CEO):** As the founder of HomeFirst, Manoj Viswanathan has been with the company since its inception.
- **Ajay Khetan (Chief Business Officer):** As of Q4 FY24, Ajay Khetan has been with HomeFirst for **14 years**.
- **Nutan Gaba Patwari (Chief Financial Officer):** Nutan Gaba Patwari has over 16 years of experience in finance. The source does not specify how long she has been with Home First Finance Company.
- **Board of Directors:** The average tenure of the Board Members is **5.24 years**.

The **average tenure of 5.24 years** for the Board of Directors in a **Housing Finance Company (HFC)** indicates a **moderate level of stability** in leadership.

Comparison with Industry Standards:

- The **average board tenure in financial services** is typically **4-7 years**.
- In **well-established banks and NBFCs**, board tenures tend to be **longer** (7-10 years) for stability.
- In **startups or newer HFCs**, board members often change more frequently (2-4 years) as strategy evolves.

Inside Ownership

Shareholder	Mar'20	Mar'21	Mar'22	Mar'23	Mar'24	Jan'25
True North Fund V LLP	45.97%	33.70%	20.12%	20.12%	14.18%	8.6%
Aether (Mauritius) Limited	30.65%	13.44%	13.34%	13.34%	9.38%	5.7%
Orange Clove Investments B.V.			28.62%			12.2%
Total Promoter Holding (Approx.)	76.62%	47.14%	62.08%	33.46%	23.56%	26.5%

Trends Spotted

- **Fluctuation with Orange Clove Investments B.V:** Orange Clove Investments B.V. had a significant holding in March 2022 (28.62%), which is not present in March 2023 or March 2024 data. As of Jan 2025, it is at 12.2%.
- **Private Equity Exits:** Both True North and Aether (Mauritius) are private equity funds, and it is typical for such funds to **gradually exit their investments over time**. This allows them to realize their returns and distribute capital to their investors.

- **Gradual Exit Strategy:** As stated in the Q4 FY24 Earnings Call, True North and Aether are **likely to exit gradually**, with plans to sell approximately 10% of their holdings annually through block deals in the market. This structured approach aims to provide predictability and comfort to the market.
- **Diversification of Ownership:** The decrease in promoter holding indicates a **diversification of ownership** in Home First Finance Company [From previous conversation]. This can be seen as a positive development, as it reduces concentration risk and potentially increases the company's appeal to a broader range of investors [From previous conversation].
- **Lock-in Periods:** After previous transactions, True North and Aether have agreed to a **6-month lock-in period** to provide assurance to the market that sales will not occur too frequently.

Yes, it is **likely** that True North Fund V LLP and Aether (Mauritius) Limited will **completely exit** Home First Finance Company in the future. Based on their current holdings and stated exit strategy, it is **reasonable to expect** that they will continue to decrease their stakes and **eventually exit completely**.