

CMP: INR 769

Rating: Buy

Target Price: INR 925

Stock Info

BSE	543259
NSE	HOMEFIRS
Bloomberg	HOMEFIRS IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Cr)	17
Mkt Cap (INR Cr)	6,738
52w H/L (INR)	920 / 481
Avg Yearly Vol (in 000')	160

Shareholding Pattern %

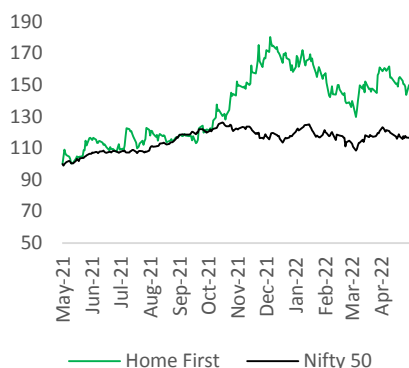
(As on March, 2022)

Promoters	33.6
FII	10.9
DII	40.5
Public & Others	15.0

Stock Performance (%)

	1m	3m	12m
Home First Finance	-6.9	-4.4	47.3
Nifty 50	-3.4	-4.0	16.7

Home First Finance Vs Nifty 50



Home First Finance (HFFC) reported good performance during Q4FY22 with strong disbursements and positive trend in asset quality metrics. PAT adjusted for DTL grew by 54% YoY at INR 48 cr was higher than our estimate of INR 42 cr, led by decline in provisions. Company has reported highest ever quarterly disbursement growth of 42% YoY/13% QoQ to INR 641 cr, leading to 30% YoY growth in AUM at INR 5,380 cr. Collection efficiency, Cheque bounce rates, DPD movement all asset quality indicators have shown improvement compared to the previous quarter. GS3 assets declined from 2.6% to 2.3% QoQ.

Key Highlights:

- NII grew by 35% YoY/11% QoQ to INR 99 cr, driven by 30% YoY growth in AUM. Spread for the quarter was flat QoQ at 5.6%. Incremental yield for the quarter declined by 10bps QoQ at 13%. Incremental CoB stood at 7.5% for Q4FY22 vs 7.6% in Q3FY22.
- PPOP increased by 30% YoY/1% QoQ to INR 66 cr as compared to our estimate of INR 60 cr. Cost to income ratio of the company increased sharply from 32.5% to 35.6% QoQ, partly due to lower other income.
- Company has reversed INR 12 cr DTL during the quarter. Reported PAT for the quarter was higher at INR 60 cr, +92% YoY/+31% QoQ.
- **Disbursements growth was robust at 13% QoQ:** Disbursements remained strong and it has recorded 42% YoY/13% QoQ growth at INR 641 cr. AUM was up by 30% YoY/7.7% QoQ, driven by 28% YoY/7% QoQ growth in home loan segment. ~91% of the loan book comprise of housing loans with average ticket size of INR 1 mn. BT out rate in Q4FY22 increased from 5% to 6.5% QoQ.
- GS3/NS3 assets decreased by 30bps/20bps QoQ at 2.3%/1.8% respectively. Ex-RBI norms on NPA, GS3 assets declined by 40bps QoQ at 1.3%. Bounce rate declined from 15.7% in Q3FY22 to 14.5% in Q4FY22 and 13.9% in Apr'22. DPD 1+/30+ book declined from 6.5%/4.7% to 5.3%/3.7% sequentially. Restructured book declined from INR 30 cr to INR 28 cr or 0.65% of the AUM.

Key Concall Highlights:

1. Loan approval within 48 hours has improved from 90% to 92% QoQ.
2. BT out rate was higher during the quarter due to rate differential. Balance transfer was largely towards Banks and larger NBFCs. Company expects BT out will be the range of 4.5-5.5%.
3. Management expects to maintain its margin. Rate hike will be pass on to the customers as 90% of the loans are on floating basis.
4. Company is not facing any challenge in terms of growth. Demand on ground seen to be strong.
5. Company is looking to enter into deeper geography into small towns.
6. Management has guided for INR 200 cr monthly run rate for Disbursements and AUM growth expected to be in the range of 30%.
7. Company have a target of opening 4-5 physical branches every quarter.

Valuation and View: HFFC's Q4FY22 performance has fared well in terms of growth, asset quality, operating performance and margins. Asset quality metrics has shown sharp improvement with GNPA nearing to its pre-covid levels. We continue to believe HFFC is well positioned to capture the strong growth in the growing and underpenetrated housing market. Leveraging technology, strong growth drivers, an experienced management and healthy capital position are its key positives. We expect HFFC to deliver a ~32% AUM CAGR over FY21-FY24E with RoA/RoE of ~3.5%/14.5% by FY24E. We maintain our Buy rating on the stock with a revised target price of INR 925, based on 4x FY24E ABV.

Financial Snapshot

	in Cr.	NII	PPOP	PAT	RoA (%)	RoE (%)	P/E(x)	P/BV(x)
FY21		247	166	100	2.5	8.7	67.1	4.9
FY22		364	251	186	3.9	12.6	36.2	4.3
FY23E		449	330	223	3.6	13.2	30.2	3.8
FY24E		553	412	283	3.5	14.6	23.8	3.2

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Q4FY22 Result update snapshot

Quarterly Result Update (Rs Cr)	Q4FY22	Q3FY22	Q4FY21	Q-o-Q	Y-o-Y
Interest Income	153	145	128	5.7%	19.7%
Interest Expended	54	55	54	-2.6%	-1.2%
Net Interest Income	99	89	73	10.8%	35.3%
Other Income	3	7	8	-53.0%	-57.7%
Operating Income	102	96	81	6.0%	26.2%
Operating Expenses	36	31	30	16.0%	20.5%
Employee Expenses	23	20	19	14.0%	21.1%
Other Operating Expenses	13	11	11	19.7%	19.3%
PPOP	66	65	51	1.2%	29.6%
Provisions	3	6	8	-55.1%	-67.9%
PBT	63	59	43	6.9%	48.7%
Tax Expenses	3	13	11	-77.1%	-73.1%
Net Income	60	46	31	31.1%	92.4%
Spreads					
Spread (%)	5.6%	5.6%	5.4%	0bps	21bps
Cost of Funds	7.2%	7.2%	7.4%	0bps	-22bps
Yield on Average Advances	12.8%	12.8%	12.8%	0bps	-1bps
CAR (%)	58.6%	59.0%	56.2%	-40bps	245bps
Asset Quality					
GNPA (%)	2.3%	2.6%	1.8%	-30bps	46bps
NNPA (%)	1.8%	2.0%	1.2%	-20bps	60bps
DPD 1+	5.3%	6.5%	6.2%	-120bps	-90bps
DPD 30+	3.7%	4.7%	4.1%	-100bps	-44bps
Cheque Bounce rate	14.5%	15.7%	17.3%	-120bps	-280bps
Returns & Expenses					
RoA	4.7%	4.0%	2.8%	74bps	193bps
RoE	15.3%	12.2%	9.1%	313bps	623bps
Cost / Income Ratio	35.6%	32.5%	37.3%	307bps	-169bps
Asset growth trend					
Total AUM	5,380	4,994	4,141	7.7%	29.9%
- Home Loans	4,884	4,570	3,826	6.9%	27.7%
- Loan for Commercial property	52	47	38	11.3%	37.7%
- LAP	421	351	230	20.0%	83.4%
- Developer Finance	23	26	48	-13.5%	-52.6%
Disbursements	641	570	452	12.6%	41.9%
AUM by customer segment (%)					
Salaried	72%	73%	74%		
Self Employed	27%	26%	25%		
Corporate	1%	1%	1%		

Source: Company, Arihant Research

Key Financials

Profit & Loss Statement (in INR Cr)	FY20A	FY21A	FY22	FY23E	FY24E
Interest Income	392	468	580	780	1,009
Interest Expended	194	220	216	331	456
Net Interest Income	198	247	364	449	553
Other Income	28	22	16	20	26
Operating Income	226	269	380	469	579
Operating Expenses	102	103	129	139	167
Employee Expenses	61	66	81	90	109
Other Operating Expenses	41	37	48	49	58
PPOP	124	166	251	330	412
Provisions	17	32	25	32	34
PBT	107	134	226	298	378
Tax Expenses	28	34	40	75	95
Net Income	80	100	186	223	283

Balance Sheet (in INR Cr)	FY20A	FY21A	FY22	FY23E	FY24E
Equity & Liabilities					
Share Capital	16	17	18	18	18
Reserves & Surplus	918	1,363	1,556	1,779	2,062
Net Worth	933	1,381	1,574	1,797	2,080
Borrowings	2,494	3,054	3,467	5,257	6,761
Other Liabilities and Provisions	53	76	76	104	134
Total Capital & Liabilities	3,480	4,511	5,117	7,158	8,975
Assets					
Cash & Bank Balances	222	680	668	718	735
Advances	3,014	3,327	4,305	5,851	7,573
Investments	146	375	0	394	413
Fixed Assets	21	17	20	27	35
Other Assets	78	112	124	169	218
Total Assets	3,480	4,511	5,117	7,158	8,975

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Ratios

Ratios	FY20A	FY21A	FY22	FY23E	FY24E
Growth rates					
Advances (%)	41.2%	10.4%	29.4%	35.9%	29.4%
Borrowings (%)	29.5%	22.5%	13.5%	51.7%	28.6%
Total assets (%)	40.2%	29.6%	13.5%	39.9%	25.4%
NII (%)	56.1%	24.9%	47.0%	23.5%	23.1%
Pre-provisioning profit (%)	70.6%	34.2%	51.2%	31.5%	24.7%
PAT (%)	74.0%	25.9%	85.8%	20.0%	26.8%
Balance sheet ratios					
Advances/Total assets (%)	86.6%	73.8%	84.1%	81.7%	84.4%
Leverage (x) (Asset/Shareholder's Fund)	3.7	3.3	3.3	4.0	4.3
CAR (%)	49.0%	56.2%	53.7%	50.3%	48.1%
CAR - Tier I (%)	47.7%	55.2%	52.7%	49.3%	47.2%
Operating efficiency					
Cost/income (%)	45.2%	38.2%	33.9%	29.6%	28.8%
Opex/total assets (%)	3.4%	2.6%	2.7%	2.3%	2.1%
Profitability					
NIM (%)	6.8%	6.4%	7.8%	7.5%	7.1%
RoA (%)	2.7%	2.5%	3.9%	3.6%	3.5%
RoE (%)	10.9%	8.7%	12.6%	13.2%	14.6%
Asset quality					
Gross Stage 3(%)	1.0%	1.8%	2.3%	1.5%	1.3%
Net Stage 3 (%)	0.8%	1.2%	1.8%	1.1%	1.0%
Per share data / Valuation					
EPS (INR)	10.2	11.5	21.2	25.5	32.3
BVPS (INR)	119	158	180	205	237
ABVPS (INR)	116	153	175	201	232
P/E (x)	NA	NA	36.2	30.2	23.8
P/BV (x)	NA	NA	4.3	3.8	3.2
P/ABV (x)	NA	NA	4.4	3.8	3.3

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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