

CMP: INR 846

Rating: Accumulate

Target Price: INR 978

Stock Info

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR cr)	17.62
Mkt Cap (INR cr)	7,339
52w H/L (INR)	1004/652
Avg Yearly Vol (in 000')	246

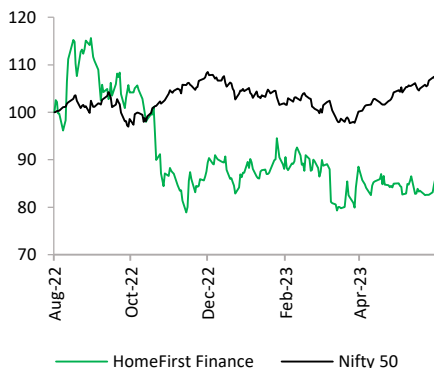
Shareholding Pattern %

(As on June, 2023)

Promoters	30.21
Public & Others	69.79

Stock Performance (%)	1m	6m	12m
Home First Finance	8.2	13.4	5.1
Nifty 50	1.3	10.5	11.7

Home First Finance Vs Nifty 50



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Home First Finance (HFFC) delivered impressive financial results for Q1FY24, showing a notable improvement in asset quality. PAT increased by 35% YoY, reaching INR 69 crore, primarily driven by a substantial 40.86% YoY growth in operating income. The company maintained strong business momentum with disbursements amounting to INR 895 crore (+35% YoY/+3% QoQ), leading to a robust 36% YoY and 8% QoQ growth in AUM which stood at INR 7,776 crore. Management remains optimistic about the demand and growth prospects, expecting its book to expand by around 30%. Over the period of FY23-25E, the company anticipates the book to grow at a CAGR of 29.4%. There was a notable improvement regarding asset quality as GNPA and NNPA decreased to 1.6% and 1.1%, respectively, compared to 2.1% and 1.7% in the previous year. The company witnessed a slight increase in the DPD 1+ book from 4% to 4.3% and DPD 30+ book from 2.7% to 2.9% QoQ. The bounce rate rose from 13.6% in Q4FY23 to 15% in Q1FY24 and 15.1% in Jul'23. However, the Collection Efficiency remained healthy at 98.5% in Jun'23, vs 99.3% in March'23.

Key Highlights:

1. NII stood at INR 110 cr (+30% YoY/+9% QoQ). The lower YoY increase in NII as compared to revenue was due to a sharp increase of 76% in interest expense, which was caused by an increase in the cost of borrowing. Spread for the quarter decreased by 10bps QoQ at 5.7%, driven by 10bps increase in cost of funds. Yield for the quarter increased by 30bps QoQ at 13.7%. Incremental yield for Q1FY24 stood at 13.6%.
2. OPEX grew by 42.82% YoY/16.54% QoQ. The C-I ratio increased by 190bps at 36.3% vs 34.4% QoQ. PPOP increased by 39.77% YoY/7.43% QoQ to INR 98 cr.
3. PAT increased by 8% QoQ to INR 69 cr. ROA holds steady at 3.9%.
4. 93% of their customers are registered on their app as on Jun'23. Unique User Logins were 55% in Q1FY24. Service requests raised on the app were stable at 91%.
5. They are doing business across 282 touchpoints across Tier 1, Tier 2, and Tier 3 markets in 13 states/ UT.
6. AUM by product- 87% of the total advances are for house loans. With the average ticket size of INR 1.12 Mn, and with Shop loans- 1% and LAP-12%. The company has set a cap rate of 15% for LAP. It also expects shops loans category to grow in long term.

Key Concall Highlights:

1. Company has opened 2 physical branches during the quarter and plans to open 17 more branches in the rest of the year.
2. The Company is expected to reach INR 100 Bn in the next 12-15 months.
3. Management expects ROE to be around 15% for FY24.
4. Spreads at 5.7% remain ahead of their guided levels of 5.25%.
5. The company is focused on technology and wants to leverage it to provide better services to its customers.
6. The housing sector is performing well and the company is well positioned to leverage this growth and gain market share.

Valuation and View

HFFC's has fared well in terms of growth, asset quality, operating performance and margins. We continue to believe, HFFC is well positioned to capture the strong growth in the growing and underpenetrated HFC market on its smaller base and strong credit underwriting model with increasing presence in other geographies. Leveraging technology, strong growth drivers, an experienced management and healthy capital position are its key positives. We expect HFFC to deliver a ~29% AUM CAGR over FY23-FY25E with RoA/RoE of ~3.6%/15% by FY25E. We reiterate our Accumulate rating on the stock with a revised target price of INR 978 (earlier INR 960), based on 3.6x FY25E ABV.

Quarterly Result Update (Rs Cr)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Interest Income	217	194	145	11.82%	49.50%
Interest Expended	106	93	60	15.01%	76.13%
Net Interest Income	110	101	84	8.90%	30.42%
Other Income	5	4	0	6.75%	-
Operating Income	38	33	24	16.04%	57.66%
Operating Expenses	56	48	39	16.56%	42.60%
Employee Expenses	36	27	26	30.61%	40.35%
Other Operating Expenses	20	20	13	-2.54%	46.88%
PPOP	98	91	70	7.37%	39.94%
Provisions	7.686	6.955	3.615	10.51%	112.61%
PBT	90	84	66	7.11%	35.97%
Tax Expenses	20.91	19.977	15.05	4.67%	38.94%
Net Income	69	64	51	7.88%	35.10%
Spreads (%)					
Spread	5.70	5.50	5.80	20bps	-10bps
Cost of Funds	8.00	7.90	6.90	10bps	110bps
Yield on Average Advances	13.70	13.40	12.70	30bps	100bps
CAR (%)	46.00	49.40	52.30	-340bps	-630bps
Asset quality (%)					
GNPA	1.60	1.60	2.10	0bps	-50bps
NNPA	1.10	1.10	1.70	0bps	-60bps
DPD 1+	4.30	4.00	5.00	30bps	-70bps
DPD 30+	2.90	2.70	3.50	20bps	-60bps
Cheque Bounce rate	15.00	13.60	14.00	140bps	100bps
Returns & expenses					
RoA	3.85	3.86	3.86	-1bps	0bps
RoE	15.04	14.47	12.79	57bps	222bps
Cost / Income Ratio (%)	36.29	34.41	35.85	190bps	50bps
Asset growth trend					
Total AUM	77,759	71,980	58,319	8.03%	33.33%
- Home Loans	67,650	63,342	52,487	6.80%	28.89%
- Loan for Commercial property	777.6	720	583	8.03%	33.34%
- LAP	8553.49	7,918	5,249	8.03%	62.96%
- Developer Finance	-	-	-	-	-
Disbursements	895.2	869.1	661	3.00%	35.43%
AUM by customer segment (%)					
Salaried	69.00	70.00	72.00	-100bps	-300bps
Self Employed	31.00	30.00	28.00	100bps	300bps
Corporate	0.00	0.00	0.00	-	-
AUM by Geography (%)					
Gujarat	32.60	32.60	35.00	0bps	-240bps
Maharashtra	14.00	14.40	15.70	-40bps	-170bps
Tamil Nadu	13.90	13.70	12.60	20bps	130bps
Karnataka	7.10	7.50	7.80	-40bps	-70bps
Rajasthan	5.70	5.70	5.80	0bps	-10bps
Telangana	8.90	8.90	8.00	0bps	90bps
Madhya Pradesh	5.30	5.10	5.00	20bps	30bps
Uttar Pradesh & Uttarakhand	5.20	5.00	4.10	20bps	110bps
Others	7.30	7.10	6.00	20bps	130bps

Source: Company, Arianth Research

Key Financials

P&L (Rs Mn)	FY21	FY22	FY23	FY24e	FY25e
Interest income	406	477	683	899	1,144
Interest expense	217	216	304	414	566
NII	189	261	378	485	579
Non-interest income	83	119	113	123	151
Net revenues	272	380	491	608	730
Operating expenses	106	129	175	211	254
PPOP	166	251	317	397	477
Provisions	32	25	22	33	43
PBT	134	226	295	364	434
Tax	34	40	67	92	109
PAT	100	186	228	272	325

Balance sheet	FY21	FY22	FY23	FY24e	FY25e
Share capital	17	18	18	18	18
Reserves & surplus	1,363	1,556	1,800	2,072	2,397
Net worth	1,381	1,574	1,817	2,089	2,414
Borrowings	3,054	3,467	4,813	6,221	8,056
Other liability	76	76	106	135	168
Total liabilities	4,510	5,117	6,737	8,446	10,638
Fixed assets	17	20	25	33	43
Investments	375	-	281	295	310
Loans	3,327	4,305	5,996	7,465	9,667
Cash	680	668	311	525	489
Other assets	112	124	124	127	130
Total assets	4,510	5,117	6,737	8,446	10,638

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

Key Ratios

Ratios	FY21	FY22	FY23	FY24e	FY25e
Growth (%)					
Advances	10.4	29.4	39.3	24.5	29.5
Borrowings	22.5	13.5	38.8	29.2	29.5
Total assets	29.6	13.5	31.7	25.4	26.0
NII	26.9	38.5	44.7	28.3	19.3
PPOP	34.7	51.5	26.0	25.2	20.2
PAT	26.6	86.5	22.7	19.2	19.3
Balance sheet ratios (%)					
Advances/Total assets	73.8	84.1	89.0	88.4	90.9
Leverage (x) (Asset/Shareholder's Fund)	3.5	3.3	3.5	3.9	4.2
CAR	56.2	58.6	49.2	44.2	39.7
CAR - Tier I	55.2	58.0	48.5	43.7	39.3
Operating efficiency (%)					
Cost/income	39.0	33.9	35.5	34.7	34.7
Opex/total assets	3.4	2.7	2.7	2.8	2.6
Profitability (%)					
NIM	4.9	5.6	6.5	6.5	6.2
RoA	2.5	3.6	3.9	3.6	3.4
RoE	8.6	11.8	13.5	13.9	14.4
Asset quality (%)					
Gross NPAs	1.8	2.3	1.6	1.3	1.1
Net NPAs	1.2	1.8	1.1	0.8	0.6
PCR	36.0	24.9	31.4	38.1	42.6
Credit cost	97.0	58.0	36.0	50.0	50.0
Per share data / Valuation					
EPS	11.4	21.2	25.9	30.9	36.9
BV	158.0	179.6	206.5	237.4	274.3
ABV	112.4	92.5	130.6	170.7	206.4
P/E	72.9	39.2	32.1	26.9	22.6
P/BV	5.3	4.6	4.0	3.5	3.0
P/ABV	7.4	9.0	6.4	4.9	4.0

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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