

CMP: INR 953

Rating: ACCUMULATE

Target Price: INR 1073

Stock Info

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Bn)	17.63
Mkt Cap (INR Bn)	83.9
52w H/L (INR)	985 / 652
Avg Yearly Vol (in 000')	238

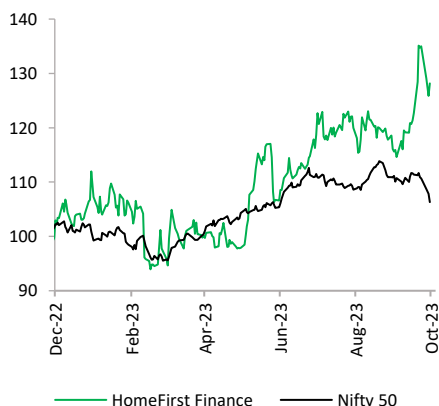
Shareholding Pattern %

(As on September, 2023)

Promoters	30.19
Public & Others	69.81

Stock Performance (%)	1m	6m	12m
Home First Finance	13.9	32	31.7
Nifty 50	-3.7	6.24	7.3

Home First Finance Vs Nifty 50



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Home First Finance (HFFC) delivered positive financial results for Q2FY24, showing a notable improvement in asset quality. PAT increased by 37% YoY, reaching INR 74 crore, primarily driven by a substantial 36% YoY growth in operating income. The company maintained strong business momentum with disbursements amounting to INR 959 crore (+37% YoY/+7% QoQ), leading to a robust 33% YoY and 8% QoQ growth in AUM which stood at INR 8,365 crore. Management remains optimistic about the demand and growth prospects, expecting its book to expand by around 30%. Asset Quality increased marginally QoQ but there was a notable improvement in asset quality YoY as GNPA/ NNPA came at 1.7% (+10bps QoQ/ -20bps YoY) and 1.2% (+10bps/ -20bps YoY), respectively, compared to 1.9% and 1.4% in Q2FY23. The company witnessed a slight increase in the DPD 1+ book from 4.3% to 4.5% QoQ and DPD 30+ book remained flat QoQ at 2.9%. The bounce rate declined from 15% in Q1FY24 to 14.2% in Q2FY24 and 15.6% in Q2FY23. However, the Collection Efficiency remained healthy at 98.5% in Q2FY24.

Key Highlights:

1. NII stood at INR 132.09 cr (+30.06% YoY/+6.04% QoQ). The lower YoY increase in NII as compared to revenue was due to a sharp increase of 64% YoY in interest expense, which was caused by an increase in the cost of borrowing. Spread for the quarter came at 5.5% against the guided levels of 5.25%. Yield for the quarter declined marginally by 10bps QoQ at 13.6%..
2. OPEX grew by 28% YoY/2% QoQ. The C-I ratio increased by 110bps QoQ at 35.2% vs 36.3% QoQ. PPOP increased by 41% YoY/7% QoQ to INR 104 cr.
3. PAT increased by 8% QoQ to INR 74 cr. ROA holds steady at 3.9%.
4. 94% of their customers are registered on their app as on Sept'23. Unique User Logins were 54% in Q2FY24. Service requests raised on the app were stable at 90%.
5. They are doing business across 295 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 1.13 Mn, and with Shop loans- 1% and LAP-12%.

Key Concall Highlights:

1. Company delivered a ROE of 15.6%, in an inflationary and peak interest rate environment, up by 60bps QoQ and 250 bps YoY.
2. Spreads came at 5.5% against the guided levels of 5.25%.
3. Credit Cost remained flat QoQ at 40 bps v/s 30 bps in Q2FY23, which is within the guidance of 30-50 bps as earlier given by the Management.
4. The attrition rate has elevated since the last couple of quarters. Hence, the Management has started ESOP programs for customer retention. Their ESOP coverage encompasses 335 employees which is 27% of their total employee base.
5. The Management remained confident of their Connector & loan distribution Model.
6. The company is focused on technology and wants to leverage it to provide better services to its customers.
7. The housing sector is performing well and the company is well positioned to leverage this growth and gain market share.

Valuation and View

HFFC has done well in terms of growth, asset quality and operational performance. During the quarter, the company witnessed robust growth in revenue and net profit driven by increase in disbursements. 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. We expect AUM to grow by 30% for FY24. We reiterate our Accumulate rating on the stock with a revised target price of INR 1073 (earlier INR 978), based on 5.2x FY25E ABV.

Quarterly Result Update (INR in Cr)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Interest Income	249.10	231.3	172.7	7.68%	44.22%
Interest Expended	117.01	106.8	71.2	9.59%	64.43%
Net Interest Income	132.09	124.6	101.6	6.04%	30.06%
Other Income	28.88	28.5	16.7	1.46%	0.73079228
Operating Income	160.97	153.0	118.2	5.19%	36.13%
Operating Expenses	56.53	55.3	44.1	2.19%	28.17%
Employee Expenses	36.87	35.9	26.6	2.69%	38.77%
Other Operating Expenses	19.66	19.4	17.5	1.27%	12.11%
PPOP	104.44	97.7	74.1	6.88%	40.87%
Provisions	8.00	7.7	5.0	4.05%	60.39%
PBT	96.44	90.0	69.2	7.12%	39.46%
Tax Expenses	22.13	20.9	14.9	5.86%	48.56%
Net Income	74.31	69.1	54.3	7.50%	36.96%
Spreads (%)					
Spread	5.5%	5.7%	5.8%	-20bps	-30bps
Yield on Average Advances	13.6%	13.7%	13.0%	-10bps	60bps
CAR (%)	45.5%	46.0%	50.7%	-50bps	-520bps
Asset Quality (%)					
GNPA	1.7%	1.6%	1.9%	10bps	-20bps
NNPA	1.2%	1.1%	1.4%	10bps	-20bps
DPD 1+	4.5%	4.3%	4.7%	20bps	-20bps
DPD 30+	2.9%	2.9%	3.3%	0bps	-40bps
Cheque Bounce rate	14.2%	15.0%	15.6%	-80bps	-140bps
Returns & Expenses					
RoA	3.9%	3.8%	3.8%	10bps	10bps
RoE	15.6%	15.0%	13.1%	56bps	250bps
Cost / Income Ratio (%)	35.2%	36.3%	37.2%	-109bps	-200bps
Asset growth trend					
Total AUM	8,365	7,776	6,276	7.58%	33.30%
- Home Loans	7,278	6,765	5,585	7.58%	30.31%
- Loan for Commercial property	84	78	63	7.58%	33.30%
- LAP	1,004	933	628	7.58%	59.97%
Disbursements	959	895	702	7.13%	36.61%
AUM by customer segment (%)					
Salaried	69%	69%	71%	30bps	-200bps
Self Employed	31%	31%	29%	30bps	200bps
AUM by Geography (%)					
Gujarat	32%	33%	34%	30bps	-170bps
Maharashtra	14%	14%	15%	30bps	-160bps
Tamil Nadu	14%	14%	13%	30bps	90bps
Karnataka	7%	7%	8%	30bps	-70bps
Rajasthan	6%	6%	6%	30bps	-10bps
Telangana	9%	9%	8%	30bps	70bps
Madhya Pradesh	6%	5%	5%	30bps	50bps
Uttar Pradesh & Uttarakhand	5%	5%	4%	30bps	100bps
Others	7%	7%	6%	30bps	100bps

Source: Company, Arianth Research

Key Financials

P&L (INR in Cr)	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: Arihant Research, Company Filings

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	83.5	44.9	36.7	30.8	25.8
P/BV	6.0	5.3	4.6	4.0	3.5
P/ABV	8.5	10.3	7.3	5.6	4.6

Source: Arianth Research, Company Filings

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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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