

All round strong performance

CMP: INR 828

Rating: Accumulate

Target Price: INR 960

Stock Info

BSE	543259
NSE	HOMEFIRS
Bloomberg	HOMEFIRS IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR cr)	18
Mkt Cap (INR cr)	7,357
52w H/L (INR)	920 / 536
Avg Yearly Vol (in 000')	136

Shareholding Pattern %

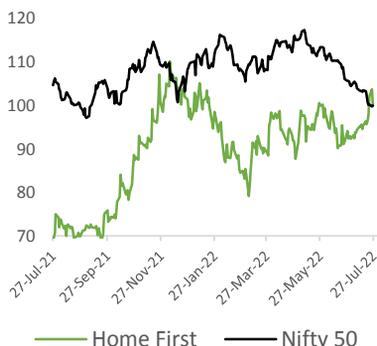
(As on June, 2022)

Promoters	33.6
FII	46.0
DII	4.6
Public & Others	15.8

Stock Performance (%)

	1m	3m	12m
Home First Finance	13.2	19.2	48.0
Nifty 50	8.3	0.0	8.4

Home First Finance Vs Nifty 50



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Home First Finance Finance (HFFC) reported a strong set of numbers during Q1FY23 with further improvement in asset quality. PAT increased by 46% YoY to INR 51 cr, driven by better operating income growth of 22% YoY and 72% YoY decline in provisions. Business momentum remained robust with disbursements at INR 661 cr (+2.2x YoY/+3% QoQ) which translates into robust AUM growth of 36% YoY/8% QoQ. AUM stood at INR 5,832 cr, a growth of 36% YoY/8% QoQ. The management remains confident of strong demand and growth opportunities are available and expect its book to grow in the range of 25-30%. We expect the book to grow at 33% CAGR over FY22-24E. On the asset quality front, GNPA/NNPA improved to 2.1/1.7% vs 2.3/1.8% QoQ. Barring the impact of the RBI circular on NPA recognition, GNPA would have been be at 0.9% vs 1.0% QoQ. DPD 1+ book of the company declined from 5.3% to 5% and DPD 30+ book declined from 3.7% to 3.5% QoQ. Bounce rate declined further from 14.5% in Q4FY22 to 14% in Q1FY23 and 13.5% in Jul'22. Collection Efficiency (CE) remained healthy at 98.4% in Jun'22 as compared to vs 97.8% in Apr'22. Restructured book declined from INR 28 cr to INR 26 cr or 0.45% of the AUM.

Key Highlights:

- NII stood at INR 104 cr (+27% YoY/+5% QoQ), ahead of our expectations of INR 101 cr. Spread for the quarter increased by 20bps QoQ at 5.8%, driven by 30bps decline in cost of funds. Yield for the quarter decreased by 10bps QoQ at 12.7%. Incremental yield for Q1FY23 stood at 13.2%.
- OPEX grew by 38% YoY/6% QoQ. However, strong topline growth kept the C-I ratio stable at 35.7% vs 35.6% QoQ. PPOP increased by 15% YoY/6% QoQ to INR 70 cr was in-line with our estimate of INR 70 cr.
- PAT declined by 15% QoQ to INR 51 cr as compared to our estimate of 56 cr. Sequential decline in PAT was mainly due to last quarter included a DTL figure of INR 12 cr. PAT adjusted for that, grew by 6% QoQ.
- **AUM growth was driven by LAP and home loan:** AUM growth was driven by 32% YoY/8% QoQ growth in home loan segment and 20% QoQ growth in LAP. ~91% of the book comprise of housing loans with average ticket size of INR 1.07 mn. BT out rate in Q1FY23 decreased from 6.5% to 5.6% QoQ.

Key Concall Highlights:

1. Company's rating on long-term credit facilities were upgraded to AA-Stable from both ICRA as well as CARE ratings.
2. HFFC has done the first transaction under the co-lending tie-up with the Union Bank of India amounting to INR 9.65 cr.
3. Company has opened 13 physical branches during the quarter, taking the total branches number to 93.
4. The 48 hour turnaround time for approval continues to be higher at 90%.
5. credit cost stood at 0.3%, within expected range.
6. Cost of borrowings will inch up little bit with increase in yields. Spread expected to be in the range of 5.25%.
7. Company's strategy is to do direct assignment transaction of INR 100 cr per quarter.
8. Company is strengthening its distribution network in Gujarat, Maharashtra, Telangana, Andhra Pradesh and Tamil Nadu.

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 ~33% AUM CAGR over FY22-FY24E with RoA/RoE of ~3.6%/15% by FY24E. We revise our rating on the stock from Buy to Accumulate with a revised target price of INR 960 (earlier INR 925), based on 4.2x FY24E ABV.

Q1FY23 Result update snapshot

Quarterly Result Update (Rs Cr)	Q1FY23	Q4FY22	Q1FY22	Q-o-Q	Y-o-Y
Interest Income	165	153	135	7.7%	22.0%
Interest Expended	61	54	53	12.8%	14.1%
Net Interest Income	104	99	82	5.0%	27.2%
Other Income	5	3	7	42.8%	-33.3%
Operating Income	109	102	89	6.2%	22.3%
Operating Expenses	39	36	28	6.5%	37.5%
Employee Expenses	26	23	19	11.5%	37.9%
Other Operating Expenses	13	13	10	-2.1%	36.6%
PPOP	70	66	61	6.1%	15.2%
Provisions	4	3	13	34.7%	-72.3%
PBT	66	63	48	4.9%	39.2%
Tax Expenses	15	3	13	397.7%	20.2%
Net Income	51	60	35	-14.9%	46.0%
Spreads					
Spread (%)	5.8%	5.6%	5.6%	20bps	23bps
Cost of Funds	6.9%	7.2%	7.2%	-30bps	-27bps
Yield on Average Advances	12.7%	12.8%	12.7%	-10bps	-4bps
CAR (%)	52.3%	58.6%	56.4%	-630bps	-407bps
Asset Quality					
GNPA (%)	2.1%	2.3%	1.9%	-16bps	21bps
NNPA (%)	1.7%	1.8%	1.4%	-12bps	23bps
DPD 1+	5.0%	5.3%	8.9%	-30bps	-390bps
DPD 30+	3.5%	3.7%	5.8%	-20bps	-227bps
Cheque Bounce rate	14.0%	14.5%	18.3%	-50bps	-430bps
Returns & Expenses					
RoA	3.7%	4.7%	3.1%	-97bps	66bps
RoE	12.6%	15.3%	9.9%	-271bps	268bps
Cost / Income Ratio	35.7%	35.6%	31.7%	8bps	394bps
Asset growth trend					
Total AUM	5,832	5,380	4,294	8.4%	35.8%
- Home Loans	5,253	4,884	3,967	7.6%	32.4%
- Loan for Commercial property	50	52	39	-3.1%	28.7%
- LAP	507	421	247	20.3%	105.4%
- Developer Finance	21	23	41	-6.6%	-48.3%
Disbursements	661	641	305	3.1%	117.1%
AUM by customer segment (%)					
Salaried	72.0%	72.0%	73.9%	0bps	-194bps
Self Employed	28.0%	27.0%	25.1%	100bps	289bps
Corporate	0.0%	1.0%	1.0%	-100bps	-95bps
AUM by Geography (%)					
Gujarat	35.0%	36.0%	38.2%	-100bps	-320bps
Maharashtra	15.7%	16.1%	18.7%	-40bps	-300bps
Tamil Nadu	12.6%	12.2%	11.4%	40bps	120bps
Karnataka	7.8%	8.1%	8.9%	-30bps	-110bps
Rajasthan	5.8%	5.7%	5.3%	10bps	50bps
Telangana	8.0%	7.5%	5.8%	50bps	220bps
Madhya Pradesh	5.0%	4.9%	4.5%	10bps	50bps
Uttar Pradesh & Uttarakhand	4.1%	3.9%	3.0%	20bps	110bps
Others	6.0%	5.6%	4.2%	40bps	180bps

Source: Company, Arihant Research

Key Financials

Profit & Loss Statement (in INR cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Interest Income	392	468	580	781	1,010
Interest Expended	194	220	216	324	446
Net Interest Income	198	247	364	457	564
Other Income	28	22	16	20	26
Operating Income	226	269	380	477	590
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	338	423
Provisions	17	32	25	32	34
PBT	107	134	226	306	389
Tax Expenses	28	34	40	77	98
Net Income	80	100	186	229	291

Balance Sheet (in INR cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Equity & Liabilities					
Share Capital	16	17	18	18	18
Reserves & Surplus	918	1,363	1,556	1,785	2,076
Net Worth	933	1,381	1,574	1,802	2,093
Borrowings	2,494	3,054	3,467	5,252	6,747
Provisions	7	8	5	6	8
Deferred tax liabilities	3	8	2	2	3
Other Liabilities and Provisions	43	60	70	95	123
Total Capital & Liabilities	3,480	4,510	5,117	7,158	8,975
Assets					
Cash & Balances with RBI	148	209	618	247	259
Balances with Other Banks & Call Money	74	470	50	470	475
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	4,510	5,117	7,158	8,975

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

Key Ratios

Ratios	FY20A	FY21A	FY22A	FY23E	FY24E
Growth rates					
Advances (%)	41.2%	10.4%	29.4%	35.9%	29.4%
Borrowings (%)	29.5%	22.5%	13.5%	51.5%	28.5%
Total assets (%)	40.2%	29.6%	13.5%	39.9%	25.4%
NII (%)	56.1%	24.9%	47.0%	25.5%	23.4%
Pre-provisioning profit (%)	70.6%	34.2%	51.2%	34.4%	25.1%
PAT (%)	74.0%	25.9%	85.8%	22.9%	27.2%
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%	50.4%	48.4%
CAR - Tier I (%)	47.7%	55.2%	52.7%	49.5%	47.5%
Operating efficiency					
Cost/income (%)	45.2%	38.2%	33.9%	29.1%	28.3%
Opex/total assets (%)	3.4%	2.6%	2.7%	2.3%	2.1%
Profitability					
NIM (%)	6.8%	6.4%	7.8%	7.7%	7.2%
RoA (%)	2.7%	2.5%	3.9%	3.7%	3.6%
RoE (%)	10.9%	8.7%	12.6%	13.5%	14.9%
Asset quality					
Gross NPA (%)	1.0%	1.8%	2.3%	1.5%	1.3%
Net NPA (%)	0.8%	1.2%	1.8%	1.1%	1.0%
PCR (%)	25.8%	36.0%	24.9%	24.9%	24.9%
Credit cost (%)	0.6%	1.0%	0.5%	0.6%	0.5%
Per share data / Valuation					
EPS (INR)	10.2	11.5	21.2	26.1	33.2
BVPS (INR)	119	158	180	206	239
ABVPS (INR)	116	153	171	198	230
P/E (x)			36.2	29.5	23.2
P/BV (x)			4.3	3.7	3.2
P/ABV (x)			4.5	3.9	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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