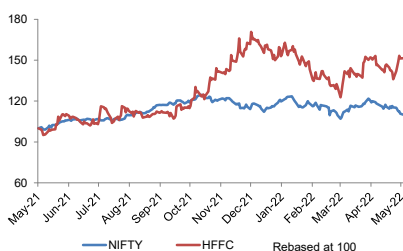


Outlook unchanged in view of robust in-line performance

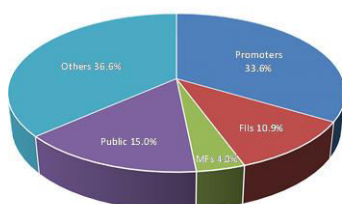
BUY

Sector	: Housing Finance
Target Price	: Rs 988
Last Closing Price	: Rs 776
Market Cap	: Rs 6,783 crore
52-week High/Low	: Rs 921/481
Daily Avg Vol (12M)	: 1,73,178
Face Value	: Rs 2
Beta	: 0.63
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 543259
NSE Scrip Code	: HOMEFIRST
Bloomberg Code	: HOMEFIRS IN
Reuters Code	: HOME.NS
Nifty	: 16,240
BSE Sensex	: 54,365
Analyst	: Research Team

Price Performance



Shareholding Pattern



4Q FY22 Update

Results Analysis

- Home First Finance Company's (HFFC's) 4Q FY22 and FY22 results were broadly in line with our expectations as the company reached two key milestones in 4Q FY22, crossing Rs 5,000 crore in AUM and Rs 2,000 crore in annual disbursement for the first time.
- Registering a healthy growth of 30% y-o-y, AUM stood at Rs 5,380 crore as of 31 March 2022. Loan disbursements increased by 42% y-o-y to Rs 641 crore in 4Q FY22 while it grew by 85% y-o-y to Rs 2,031 crore over the full financial year.
- NII expanded 45% y-o-y to Rs 85 crore and 41% y-o-y to Rs 288 crore in 4Q FY22 and FY22, respectively. Net revenues increased 24% y-o-y to Rs 102 crore and 40% y-o-y to Rs 378 crore in 4Q FY22 and FY22, respectively.
- Adjusted PAT increased 54% y-o-y to Rs 48 crore and 74% y-o-y to Rs 174 crore in 4Q FY22 and FY22, respectively. The adjustment in the PAT pertains to a one-time deferred tax liability.
- Mar-22 Gross Stage 3 ratio was 2.3%. Mar-22 GNPA ratio based on the old classification was 1.3% (vs 1.7% in Dec-21). GNPA provision coverage ratio stood at 47.1% in Mar-22 vs 46.2% in Dec-21. PCR without considering the impact of the new RBI circular was 83.6% in Mar-22 vs 69.1% in Dec-21.
- Total CRAR was 58.6% while Tier-1 capital was 58.0% as of 31 March 2022.
- Physical branches / total distribution points increased from 76 to 80 and 187 to 200, respectively on a q-o-q basis.

Outlook & Valuation

We expect HFFC's revenues to be driven by continued brisk demand for low-cost housing that the company plans to capture through 20-25% annual increase in physical branches and stronger expansion in virtual locations. Healthy growth in loans/AUM will result in strong increase in earnings and book value, enabling the company to maintain high levels of ROAA and ROAE. The HFFC stock has appreciated by 3% since we initiated coverage on the company on 01 February 2022. We maintain a BUY rating with an unchanged price target of Rs 988, implying a FY24E P/E of 35x and P/BV of 4.3x and informing an upside of 27% from current levels.

Key Financial Metrics

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Net interest income	105.5	161.0	203.5	287.5	362.8	458.3
Non-interest income	39.0	64.8	65.5	90.1	99.1	109.0
Net revenues	144.5	225.8	269.0	377.6	461.9	567.3
PPOP	72.6	123.8	166.2	251.3	304.8	366.6
PAT	45.7	79.6	100.1	186.1	204.7	244.8
Diluted EPS (₹)	7.74	10.57	12.18	21.29	23.42	28.01
BVPS (₹)	413	119	158	180	203	231

Source: Company data, Khambatta Research

Home First Finance Company Limited

10 May 2022

Financial Performance

₹ crore	4Q FY21	3Q FY22	4Q FY22	Y-o-Y	Q-o-Q	FY21	FY22	Y-o-Y
Net interest income	58.8	75.9	85.1	44.8%	12.0%	203.5	287.5	41.3%
Non-interest income	23.4	21.1	17.2	-26.7%	-18.5%	65.5	90.1	37.6%
Net revenues	82.2	97.0	102.3	24.4%	5.4%	269.0	377.6	40.4%
PPOP	34.2	65.1	65.9	92.9%	1.2%	166.2	251.3	51.2%
PAT	31.3	45.9	60.2	92.4%	31.0%	100.1	186.1	85.8%

Source: Company data, Khambatta Research

Profit & Loss Account

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Net interest income	105.5	161.0	203.5	287.5	362.8	458.3
Non-interest income	39.0	64.8	65.5	90.1	99.1	109.0
Net revenues	144.5	225.8	269.0	377.6	461.9	567.3
Operating expenses	67.3	94.8	95.2	118.8	149.1	192.1
Depreciation & amortization	4.6	7.2	7.6	7.5	8.0	8.6
PPOP	72.6	123.8	166.2	251.3	304.8	366.6
Provisions & impairment of assets	7.3	16.5	32.2	25.0	31.3	39.4
PBT	65.3	107.3	134.0	226.3	273.5	327.1
Tax expense	19.6	27.8	33.9	40.2	68.8	82.3
PAT	45.7	79.6	100.1	186.1	204.7	244.8
Diluted EPS (₹)	7.74	10.57	12.18	21.29	23.42	28.01

Source: Company data, Khambatta Research

Abridged Balance Sheet

₹ crore	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Total shareholders' equity	522.7	933.4	1,380.5	1,573.7	1,778.4	2,023.2
Total debt	1,925.6	2,493.8	3,053.7	3,466.8	4,589.0	6,160.4
Loans	2,134.7	3,013.9	3,326.5	4,304.9	5,596.3	7,163.3
Cash & cash equivalents	185.7	147.7	209.4	617.8	642.4	882.1
Total assets/equity & liabilities	2,481.5	3,480.2	4,510.2	5,116.9	6,453.0	8,275.9

Source: Company data, Khambatta Research

Ratio Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
GNPA	0.8%	1.0%	1.8%	1.3%	1.4%	1.6%
NNPA	0.6%	0.8%	1.2%	0.9%	1.0%	1.2%
NIM	5.9%	5.9%	5.8%	6.9%	7.3%	7.2%
Cost-to-income ratio	24.8%	22.6%	35.4%	31.5%	32.3%	33.9%
ROAA	2.4%	2.7%	2.5%	3.9%	3.5%	3.3%
ROAE	10.8%	10.9%	8.6%	12.6%	12.2%	12.9%
BVPS (₹)	413	119	158	180	203	231

Source: Company data, Khambatta Research

Home First Finance Company Limited

10 May 2022

Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

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Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

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Sell recommendations are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

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Home First Finance Company Limited

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