INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **State Bank of India:** SBIN reported its best-ever quarterly profits on the back of strong fee income traction, healthy loan growth, and stable NIMs. Strong loan growth (15.8%YOY) came in across asset classes with corporate book also gaining traction. Deposit growth (~11% YoY) lagged loan growth with CASA% (39.5%) being stable on the back of seasonal pick-up in current accounts. At 75%, the LDR continued to be comfortable for SBIN to sustain growth levels. Asset quality improved further with gross slippage run-rate moderating alongside strong recoveries/w-offs. With bulk of the deposit re-pricing behind, we expect a slight moderation in margins assuming a turn in the rate cycle during H2FY25. We tweak our estimates to account for higher growth and lower credit costs. We maintain BUY with an SOTP-based target price of INR970 (core bank at 1.5x Mar-26 ABVPS).
- **Asian Paints:** APNT's revenue remained largely flat in Q4 at INR 87.3bn (HSIE: INR 89.1bn). Decorative clocked 10/-1.8% volume/value growth in Q4 and industrial business grew ~9% YoY in Q4. Luxury and economy products grew well. Growth in urban markets continues to outpace rural markets as the latter remain impacted by inflationary pressures. GM expanded 121bps YoY to 43.7% (in-line) courtesy RM deflation. However, (1) higher A&P spending (to defend share amid rising competitive intensity) and (2) higher employee expenses led to a 185bp EBITDAM contraction (19.4% vs HSIE: 21.6%). We've cut our FY25/26 EPS estimates by 6.4/7.4% to account for lower margins as higher supply (led by Birla Opus' entry + capacity additions across the sector) meets weak-to-average demand and in FY25/26. Maintain REDUCE with a DCF-based TP of INR 2,750/sh (earlier: INR2,900/sh); implying 46x FY26 P/E.
- **SRF:** We retain our ADD ratings on SRF, with a target price of INR 2,457 on the back of (1) deployment of capex for high-growth speciality chemicals business over the next 3-4 years to tap opportunities emerging from the agrochemical and pharmaceutical industries and (2) a strong balance sheet. Q4 EBITDA is in line with our expectations. There was a tax adjustment of INR1,007mn related to earlier years as the company has reassessed its taxability on income from sales of Carbon Emission Reduction (CER) certificates. Thus, PAT is 23% above our estimates at INR4,222mn.
- **Kalpataru Projects International:** Kalpataru Projects (KPIL) reported Q4FY24 revenue/EBITDA/APAT of INR 51/4/1.8bn, missing our estimates by 6/17/20%. KPIL secured new orders worth INR 300.2bn in FY24 (excluding INR 50bn L1 vs. FY24 guidance of INR 240-250bn), taking the order book (OB) to INR 584.1bn (~3.5x FY24 revenue). It targets FY25 revenue growth guidance of 20% with an EBITDA margin band of 8-8.5% and a PBT margin of 5%. On the monetisation of BOOT assets, KPIL is looking for prospective buyers and is in the advanced stages of a non-binding offer for VEPL by Q1FY25. It guided for NWC days as of FY25 to be below 100 and a capex of INR 5bn for FY25. KPIL expects robust order booking, driven by T&D and Civil, and market share gains, both in local and international markets. Given robust order booking, improving growth outlook, and strong BS and NWC, we increase our P/E target multiple to 18x (vs. 16x earlier). Due to supply chain issues and geopolitical friction, we have cut our estimates to factor in slower-

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than-expected margin recovery. Maintain a BUY rating on the stock with an increased TP of INR 1,426/sh (18x Mar-26E EPS, INR 44/sh for subsidiaries Linje Montage and Fasttel).

- **Home First Finance Company:** HOMEFIRST reported mixed outcomes, with strong loan growth momentum (+35% YoY), offset by sustained pressure on margins. HOMEFIRST continued its product (LAP at 13.4%) and customer (self-employed at 32%) diversification strategy, supporting loan growth. However, the company's volume throughput metrics (branch/employee) appear to be peaking, indicating the need for further investments in the distribution network, inching up opex ratios. Core spreads declined further to 5.2% (vs. 5.5% in Q4FY23; marginal spreads at 4.7%) and are likely to stay under pressure, given the growth impetus amidst higher funding costs, and elevated competitive intensity. We raise our FY25/FY26E estimates by 4%/1% to factor in higher fee income offset by NIM compression; maintain ADD with a revised RI-based TP of INR995 (implying 3.2x Mar-26 ABVPS).

State Bank of India

Fantastic close to FY24; RoA normalisation ahead

SBIN reported its best-ever quarterly profits on the back of strong fee income traction, healthy loan growth, and stable NIMs. Strong loan growth (15.8%YOY) came in across asset classes with corporate book also gaining traction. Deposit growth (~11% YoY) lagged loan growth with CASA% (39.5%) being stable on the back of seasonal pick-up in current accounts. At 75%, the LDR continued to be comfortable for SBIN to sustain growth levels. Asset quality improved further with gross slippage run-rate moderating alongside strong recoveries/w-offs. With bulk of the deposit re-pricing behind, we expect a slight moderation in margins assuming a turn in the rate cycle during H2FY25. We tweak our estimates to account for higher growth and lower credit costs. We maintain BUY with an SOTP-based target price of INR970 (core bank at 1.5x Mar-26 ABVPS).

- **Healthy growth alongside stable margins:** NII growth (+4%QoQ) came in on the back of stable margins with minimal incremental cost of deposits. Loan growth was strong across segments with the corporate portfolio also showing a strong uptick in addition to SME and retail assets (Housing and Xpress Credit). With majority of one-time wage and pension provisions accounted for, we expect cost-to-income to normalise lower in FY25/FY26.
- **Benign asset quality:** Coupled with further improvement in gross slippage run-rate to ~0.4% and higher recoveries and write-offs, GNPA/NNPA eased further to ~2.2/0.6%. The bank carries a ~75% PCR in addition to non-NPA provisions to the tune of INR322bn (~0.9% of loans). Asset quality improved across segments with Agri GNPA at sub-10%. However, we expect credit costs to normalise upwards (averaging 40bps) during FY25-26 (FY24: 25bps).
- **Operating efficiencies key to sustaining RoA:** Given the growth guidance (~13-15%) and stable margins, we believe SBIN needs to continue ramping up other avenues of productivity (fee income and opex) to sustain RoA at ~1%. While SBIN was able to improve its capital buffer via internal accruals (Tier-1: 11.8%; CET-1: 10.3%), we opine that the bank might need to evaluate fund-raising alternatives (monetisation opportunities) in the medium-term.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY25E	FY26E
NII	416.6	403.9	*3.1%*	398.2	*4.6%*	1,598.8	1,754.6	1,940.4
PPOP	287.5	246.2	*16.8%*	132.4	*117.2%*	867.0	1,109.3	1,225.1
PAT	207.0	166.9	*24.0%*	91.6	*125.9%*	610.8	684.5	725.0
EPS (INR)	23.2	18.7	*24.0%*	10.3	*125.8%*	68.4	76.7	81.2
ROAE (%)						17.3	16.9	15.6
ROAA (%)						1.0	1.0	1.0
ABVPS (INR)						384.7	447.0	508.8
P/ABV (x)						2.1	1.8	1.6
P/E (x)						12.0	10.7	10.1

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	40,745	42,413	4.1%	45,979	48,507	5.5%
NIM (%)	3.1	3.0	-6bps	3.1	3.0	-8bps
NII	1,755.1	1,754.6	0.0%	1,936.0	1,940.4	0.2%
PPOP	1,077.4	1,109.3	3.0%	1,223.5	1,225.1	0.1%
PAT	610.3	684.5	12.2%	646.7	725.0	12.1%
Adj. BVPS (INR)	425.4	447.0	5.1%	479.4	508.8	6.1%

Source: Company, HSIE Research

BUY

CMP *(as on 9 May 2024)*	INR 820
Target Price	INR 970
NIFTY	21,958

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR790	INR970
EPS %	FY25E	FY26E
	12.2%	12.1%

KEY STOCK DATA	
Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / ($ mn)	7,316/87,612
6m avg traded value (INR mn)	13,353
52 Week high / low	INR 840/543

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.0	41.7	42.9
Relative (%)	11.9	30.1	25.7

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	57.5	57.5
FIs & Local MFs	24.2	24.0
FPIs	10.9	11.1
Public & Others	7.4	7.4
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Asian Paints

Weak print; competitive pressures palpable

APNT's revenue remained largely flat in Q4 at INR 87.3bn (HSIE: INR 89.1bn). Decorative clocked 10/-1.8% volume/value growth in Q4 and industrial business grew ~9% YoY in Q4. Luxury and economy products grew well. Growth in urban markets continues to outpace rural markets as the latter remain impacted by inflationary pressures. GM expanded 121bps YoY to 43.7% (in-line) courtesy RM deflation. However, (1) higher A&P spending (to defend share amid rising competitive intensity) and (2) higher employee expenses led to a 185bp EBITDAM contraction (19.4% vs HSIE: 21.6%). We've cut our FY25/26 EPS estimates by 6.4/7.4% to account for lower margins as higher supply (led by Birla Opus' entry + capacity additions across the sector) meets weak-to-average demand and in FY25/26. Maintain REDUCE with a DCF-based TP of INR 2,750/sh (earlier: INR2,900/sh); implying 46x FY26 P/E.

- **Q4FY24 highlights**: Q4 consolidated revenue remains largely flat at INR 87.3bn (HSIE: INR 89.1bn). Standalone revenue declined by 1.9%. The decorative and industrial business collectively clocked -1.8/-0.7% growth in Q4 (decorative volume: 10%). Growth was impacted by weak demand and high competitive intensity-led price cuts and downtrading (especially in the premium segment) in Q4. Management intends to clock double-digit volume growth in the coming quarters. However, a 5-6% gap in volume-price growth is likely to persist. International business grew 2.3% YoY to INR 8.12bn but concerns related to macroeconomic headwinds in South Asia and Egypt prevail. Within the industrial business, automotive (PPG-AP) and general industrial (AP-PPG) segments grew 10.2/8.1% respectively. Overall, GM expanded 121bps YoY to 43.7% (in-line) courtesy RM deflation. However, (1) higher A&P spending (to defend share) and (2) higher employee expenses led to a 185bp EBITDAM contraction (19.4% vs HSIE: 21.6%). Q4 EBITDA growth: -9.3%; INR16.91bn. APAT grew 2% YoY to INR 12.57bn (HSIE: INR 13.61bn).
- **Outlook**: The paints sector is likely to grapple with (1) elevated capacity levels and (2) rising competitive intensity (courtesy GRASIM's entry into Paints) and their consequent impact on profitability. We've cut our FY25/26 EPS estimates by 6.4/7.4% to account for lower margins and maintain our REDUCE rating on APNT (TP: INR2,750/sh; implying 46x FY26 P/E).

Quarterly financial summary

(Rs mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	87,308	87,873	(0.6)	91,031	(4.1)	2,91,013	3,44,886	3,54,947	3,86,310	4,28,867
EBITDA	16,914	18,648	(9.3)	20,561	(17.7)	48,036	62,598	75,850	78,736	84,756
APAT	12,567	12,338	1.9	14,752	(14.8)	29,149	40,576	54,602	53,436	56,885
EPS (Rs)	13.1	13.1	(0.1)	15.4	(14.8)	30.4	42.3	56.9	55.7	59.3
P/E (x)						77.1	60.1	46.3	48.7	45.8
Core RoCE(%)						25.9	29.4	32.0	25.2	22.5

Source: Company, HSIE Research

Change in estimates

(Rs mn)	FY24 New	FY24 Old	FY24 Change (%)	FY25E New	FY25E Old	FY25E Change (%)	FY26E New	FY26E Old	FY26E Change (%)
Revenue	3,54,947	3,56,729	*(0.5)*	3,86,310	3,94,755	*(2.1)*	4,28,867	4,36,591	*(1.8)*
EBITDA	75,850	78,149	*(2.9)*	78,736	83,551	*(5.8)*	84,756	91,621	*(7.5)*
EBITDA margin (%)	21.4	21.9	***-54 bps***	20.4	21.2	***-78 bps***	19.8	21.0	***-122 bps***
APAT	54,602	54,324	*0.5*	53,436	57,098	*(6.4)*	56,885	61,578	*(7.6)*
APAT margin (%)	15.4	15.2	***15 bps***	13.8	14.5	***-63 bps***	13.3	14.1	***-84 bps***
EPS (Rs)	56.9	56.6	*0.5*	55.7	59.5	*(6.4)*	59.3	64.2	*(7.6)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 9 May 2024)*	**INR 2,710**
Target Price	**INR 2,750**
NIFTY	**21,958**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 2,900	INR 2,750
EPS %	FY25E	FY26E
	-6.4	-7.4

KEY STOCK DATA	
Bloomberg code	APNT IN
No. of Shares (mn)	959
MCap (INR bn) / ($ mn)	2,600/31,128
6m avg traded value (INR mn)	3,523
52 Week high / low	INR 3,568/2,704

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(8.2)	(12.0)	(10.7)
Relative (%)	(9.3)	(23.7)	(27.9)

SHAREHOLDING PATTERN (%)	**Dec-23**	**Mar-24**
Promoters	52.63	52.63
FIs & Local MFs	10.58	11.66
FPIs	17.32	15.89
Public & Others	19.47	19.82
Pledged Shares	3.46	3.70

Source : BSE

Pledged shares as % of total shares,

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SRF

Volume-driven growth

We retain our ADD ratings on SRF, with a target price of INR 2,457 on the back of (1) deployment of capex for high-growth speciality chemicals business over the next 3-4 years to tap opportunities emerging from the agrochemical and pharmaceutical industries and (2) a strong balance sheet. Q4 EBITDA is in line with our expectations. There was a tax adjustment of INR1,007mn related to earlier years as the company has reassessed its taxability on income from sales of Carbon Emission Reduction (CER) certificates. Thus, PAT is 23% above our estimates at INR4,222mn.

- **Chemicals business (CB): In Q4FY24,** Revenue came at (-14/30 % YoY/QoQ) INR 18.1bn while EBIT came at (-33/55% YoY/QoQ) INR 4.97 bn. The performance was impacted by (a) inventory rationalization by key customers and (b) pricing pressure by Chinese players. Performance in the fluorochemical business was impacted by the Chinese dumping of refrigerants in India and the international market. Overall performance has improved QoQ due to improved market share in the Dymel vertical through entering newer geographies.
- **Packaging films business (PFB)**: Revenue improved by (3/9 % YoY/QoQ) to INR 11.8bn while EBIT came at (-33/55% YoY/QoQ) to INR 0.33 bn. New capacity additions have resulted in margin pressure. The company is facing pressures in the Southeast Asian market due to competition from Chinese manufacturers. The company expects a revival in demand for global and multi-location facilities. Energy prices have started softening in Hungary. The company expects better performance with its focus on Europe.
- **Technical textiles business (TTB):** Revenue improved by (9/2.3 % YoY/QoQ) to INR 4.8 bn while EBIT improved by 44/2% YoY/QoQ to INR 0.3 bn. Business improved owing to volume growth in Nylon Tyre Cord Fabrics and the Polyester Industrial Yarn segment. The company is increasing its focus on the Belting Fabrics segment and high-end value-added products.
- **Change in estimates:** We cut our FY25/26 EPS estimates by 13.6/7.1% to INR 55.6/84.2 due to an increase in depreciation and interest cost estimates.
- **DCF-based valuation: Our target price is INR 2,457 (WACC 11%, terminal growth 5.5%). The stock is trading at 41/27x FY25/26E EPS.**

Financial summary (consolidated)

INR mn	4Q FY24	3Q FY24	*QoQ (%)*	4Q FY23	*YoY (%)*	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	35,697	30,530	*16.9*	37,781	*(5.5)*	1,23,128	1,45,918	1,29,104	1,45,175	1,75,805
EBITDA	7,116	5,839	*21.9*	9,596	*(25.8)*	31,032	35,292	25,841	31,849	44,205
APAT	4,222	2,896	*45.8*	5,625	*(24.9)*	18,285	21,518	13,357	16,479	24,967
AEPS (INR)	14.2	9.8	*45.8*	19.0	*(24.9)*	61.7	72.6	45.1	55.6	84.2
P/E (x)						37.1	31.6	50.8	41.2	27.2
EV/EBITDA(x)						22.8	20.2	27.9	22.9	16.6
RoE (%)						23.7	22.8	12.3	13.5	18.0

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	26,502	25,841	(2.5)	33,341	31,849	(4.5)
Adj. EPS (INR/sh)	47.4	45.1	(4.8)	64.3	55.6	(13.6)

Source: Company, HSIE Research

ADD

CMP *(as on 9 May 2024)*	INR 2,291
Target Price	INR 2,457
NIFTY	21,958

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,668	INR 2,457
EPS %	FY24E -4.8%	FY25E -13.6%

KEY STOCK DATA	
Bloomberg code	SRF IN
No. of Shares (mn)	296
MCap (INR bn) / ($ mn)	679/8,133
6m avg traded value (INR mn)	1,267
52 Week high / low	INR 2,697/2,040

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(0.3)	(2.0)	(11.4)
Relative (%)	(1.4)	(13.6)	(28.7)

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	50.53	50.30
FIs & Local MFs	14.53	15.97
FPIs	19.60	19.08
Public & Others	15.35	14.64
Pledged Shares	0.00	0.00

Source : BSE

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Kalpataru Projects International

Robust inflows, strong balance sheet

Kalpataru Projects (KPIL) reported Q4FY24 revenue/EBITDA/APAT of INR 51/4/1.8bn, missing our estimates by 6/17/20%. KPIL secured new orders worth INR 300.2bn in FY24 (excluding INR 50bn L1 vs. FY24 guidance of INR 240-250bn), taking the order book (OB) to INR 584.1bn (~3.5x FY24 revenue). It targets FY25 revenue growth guidance of 20% with an EBITDA margin band of 8-8.5% and a PBT margin of 5%. On the monetisation of BOOT assets, KPIL is looking for prospective buyers and is in the advanced stages of a non-binding offer for VEPL by Q1FY25. It guided for NWC days as of FY25 to be below 100 and a capex of INR 5bn for FY25. KPIL expects robust order booking, driven by T&D and Civil, and market share gains, both in local and international markets. Given robust order booking, improving growth outlook, and strong BS and NWC, we increase our P/E target multiple to 18x (vs. 16x earlier). Due to supply chain issues and geopolitical friction, we have cut our estimates to factor in slower-than-expected margin recovery. Maintain a BUY rating on the stock with an increased TP of INR 1,426/sh (18x Mar-26E EPS, INR 44/sh for subsidiaries Linje Montage and Fasttel).

- **Q4FY24 financial highlights:** Revenue: INR 51.5bn (+17/+24% YoY/QoQ, a miss of 6%). EBITDA: INR 4bn (+28/+16% YoY/QoQ, a miss of 17%). EBITDA margin: 7.8% (69/-54bps YoY/QoQ, vs. our estimate of 8.8%). RPAT/APAT: INR 1.5/1.8bn (+65/+28% YoY/QoQ, a miss of 20%). It expects FY25 revenue growth of 20%+ YoY with an EBITDA margin between 8-8.5% and a PBT margin of 5%.
- **Strong order inflow and robust OB:** Total orders received in FY24 amounted to INR 300.2bn (excluding INR 50bn L1). Domestic/international orders accounted for 52/48%. OB stood at INR 584bn and across segments, T&D/B&F/water/railways/oil & gas/urban infra segments constituted 35/19/18/16/7/5%. It stated its key focus area is the domestic T&D, urban infra, and B&F market for the near term, and the international oil and gas market.
- **Stable balance sheet:** The standalone gross/net debt as of Mar'24 stood at INR 29/18.3bn vs. INR 32.6/25.8bn as of Dec'23. With NWC days at 99 as of Mar'24, KPIL guided for FY25-end NWC days below 100 and it will incur a capex of INR 5bn in FY25. It continues to expect the majority of the inventory of Indore real assets to be sold by FY25-end (INR 1.7bn yet to be realised).

Standalone Financial Summary (INR mn)

INR mn	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	FY25E	FY26E
Net Revenues	51,470	43,960	17.1	41,470	24.1	143,370	167,600	206,986	258,733
EBITDA	4,000	3,110	28.6	3,440	16.3	11,610	13,660	17,594	23,803
APAT	1,838	1,115	64.8	1,440	27.6	5,130	5,805	8,128	12,474
EPS (INR)	11.3	6.9	64.8	8.9	27.6	31.6	35.7	50.0	76.8
P/E (x)						37.7	33.3	23.8	15.5
EV/EBITDA (x)						18.4	15.0	11.3	8.3
RoE (%)						9.6	9.8	12.1	15.7

Source: Company, HSIE Research

Change in Estimates

INR mn	FY25E			FY26E		
	New	Old	% chg.	New	Old	% chg.
Revenues	206,986	214,521	-3.5	258,733	258,497	0.1
EBIDTA	17,594	19,307	-8.9	23,803	24,557	-3.1
EBIDTA Margins (%)	8.5	9.0	-50.0	9.2	9.5	-30.0
APAT	8,128	9,421	-13.7	12,474	13,187	-5.4

Source: Company, HSIE Research

BUY

CMP (as on 9 May 2024)	INR 1,188
Target Price	INR 1,426
NIFTY	21,958

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,299	INR 1,426
EPS %	FY25E	FY26E
	-13.7	-5.4

KEY STOCK DATA	
Bloomberg code	KPIL IN
No. of Shares (mn)	162
MCap (INR bn) / ($ mn)	193/2,311
6m avg traded value (INR mn)	411
52 Week high / low	INR 1,299/485

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	35.3	93.2	125.4
Relative (%)	34.2	81.5	108.2

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	40.59	40.59
FIs & Local MFs	43.81	43.64
FPIs	7.69	8.17
Public & Others	7.92	7.60
Pledged Shares	17.25	12.79

Source: BSE

Pledge share as a % of total shares

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Home First Finance Company

Peak throughput metrics call for higher investments

ADD

HOMEFIRST reported mixed outcomes, with strong loan growth momentum (+35% YoY), offset by sustained pressure on margins. HOMEFIRST continued its product (LAP at 13.4%) and customer (self-employed at 32%) diversification strategy, supporting loan growth. However, the company's volume throughput metrics (branch/employee) appear to be peaking, indicating the need for further investments in the distribution network, inching up opex ratios. Core spreads declined further to 5.2% (vs. 5.5% in Q4FY23; marginal spreads at 4.7%) and are likely to stay under pressure, given the growth impetus amidst higher funding costs, and elevated competitive intensity. We raise our FY25/FY26E estimates by 4%/1% to factor in higher fee income offset by NIM compression; maintain ADD with a revised RI-based TP of INR995 (implying 3.2x Mar-26 ABVPS).

- **Strong loan growth, one-offs drive beat on earnings**: HOMEFIRST's beat on earnings estimates was largely driven by higher loan growth and a few one-offs. Opex to AUM was at ~2.5% and included a few adjustments on provisions vs. 2.8% in Q3. Credit costs (12bps) were subdued due to recoveries from written-off accounts, while early delinquencies (dpd 1+/dpd 30+) improved sequentially. HOMEFIRST's fee income is likely to witness a fillip from Q3 onwards with the contribution of insurance income (estimated ~INR 50-60mn quarterly).
- **Call for distribution expansion, balancing growth-margin trade-off:** HOMEFIRST's calculated throughput (files disbursed per employee/branch) was nearly stagnant in FY24 indicating need for branch and employee additions to sustain the pace of growth. Further, the sustained pressure on margins (6% vs. 6.4% in Q3FY24; 6.9% in Q4FY23) amidst higher cost of funds and limited room for rate hikes (to manage BT-outs; 8.3% in Q4) is likely to weigh on profitability going ahead.
- **Earnings call key takeaways:** Cost of funds could increase further by ~10-20bps, while the spread guidance remains at 5% - 5.25%. Incremental focus is on North/Central states such as UP, MP and Rajasthan where there is strong demand for affordable housing. Branch additions guidance remains ~20-25 branches annually. The share of LAP could go up from 13% to 20% by FY27.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
NII	1.4	1.1	*22.4*	1.3	*1.8*	4.2	5.3	6.7	8.1
PPOP	1.1	0.9	*24.8*	1.1	*3.4*	3.2	4.3	5.2	6.4
PAT	0.8	0.6	*30.4*	0.8	*5.9*	2.3	3.1	3.7	4.5
EPS (INR)	9.2	7.1	*29.7*	8.7	*5.9*	25.9	34.5	41.4	50.4
ROAE (%)						13.5	15.5	16.0	16.7
ROAA (%)						3.9	3.8	3.4	3.3
ABVPS (INR)						199.2	228.7	263.8	306.5
P/ABV (x)						4.3	3.7	3.2	2.8
P/E (x)						32.7	24.6	20.5	16.8

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	122	125	2.1%	154	157	1.5%
NIM (%)	6.5	6.3	-27 bps	6.4	6.1	-38 bps
NII	6.7	6.7	-0.4%	8.4	8.1	-2.9%
PPOP	5.0	5.2	4.2%	6.3	6.4	1.5%
PAT	3.5	3.7	3.6%	4.4	4.5	1.1%
ABVPS (INR)	260.6	263.8	1.2%	305.2	306.5	0.4%

Source: Company, HSIE Research

CMP *(as on 9 May 2024)*	INR 848
Target Price	INR 995
NIFTY	21,958

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 990	INR 995
EPS %	FY25E	FY26E
	3.6%	1.1%

KEY STOCK DATA	
Bloomberg code	HOMEFIRST IN
No. of Shares (mn)	89
MCap (INR bn) / ($ mn)	75/898
6m avg traded value (INR mn)	284
52 Week high / low	INR 1,061/686

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.8)	(8.0)	19.1
Relative (%)	(14.9)	(19.7)	1.9

SHAREHOLDING PATTERN (%)	Dec-23	Mar-24
Promoters	23.6	23.6
FIs & Local MFs	11.7	11.9
FPIs	24.8	25.1
Public & Others	39.8	39.5
Pledged Shares		0

Source: BSE

Pledged shares as % of total shares

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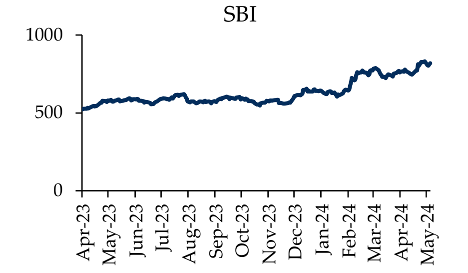
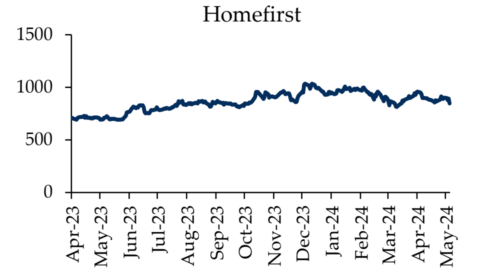
Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

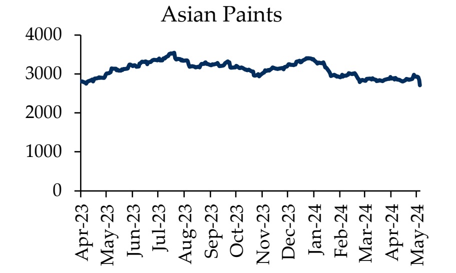
Disclosure:

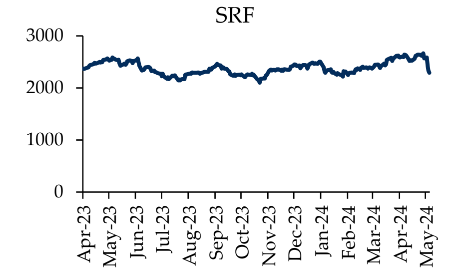
Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	State Bank of India, Home First Finance Company	PGDM	NO
Deepak Shinde	State Bank of India, Home First Finance Company	PGDM	NO
Akshay Badlani	State Bank of India, Home First Finance Company	CA	NO
Varun Lohchab	Asian Paints	PGDM	NO
Jay Gandhi	Asian Paints	MBA	NO
Tanuj Pandia	Asian Paints	CA	NO
Nilesh Ghuge	SRF	MMS	NO
Harshad Katkar	SRF	MBA	NO
Prasad Vadnere	SRF	MSc	NO
Akshay Mane	SRF	PGDM	NO
Parikshit Kandpal	Kalpataru Projects International	CFA	NO
Jay Shah	Kalpataru Projects International	CA	NO

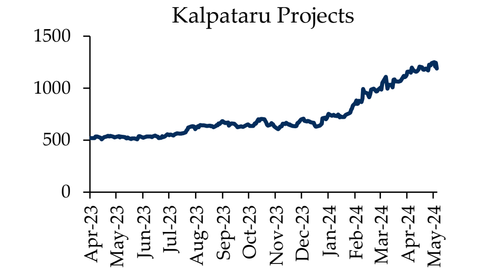
1 Yr Price movement











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