

Home First Finance (HOMEFIRS) – BUY

Initiating Coverage

Current Market Price (CMP) Rs. 705	Target Price Rs. 900
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We see 27.8% upside in the stock at our Fair Value of Rs. 900.

Rationale:

- We initiate with a RGM based FV of Rs. 900 (4.2x September 23E book).
- Current valuation ignore solid runway on growth.
- Its geographically diversified model, technology provide high growth visibility.
- The large valuation discount to peers is not warranted.

(RGM: Residual growth model, FV – Fair value)

Initiating Coverage:

👍 Positives:

- It caters to salaried segment (~73% of AUM); ~43 bps in market share.
- Strong technology ensures lower TAT of 48 hours compared to >5 days.
- Expect it to deliver 36% EPS CAGR during FY21-24E on 29% AUM CAGR.

(AUM: Asset under management, TAT: Turnaround time, EPS: Earning per share, CAGR: Compounded annual growth rate)

👎 Negatives:

- Higher competition from large and mid-sized players especially on the outskirts.
- Unseasoned loan book coupled with high growth pose concerns on asset quality.

[Click here](#)

For detailed report dated 25th October 2021. Note: CMP & valuation may differ due to difference in dates.



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Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>