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HOUSING FINANCE THEMED STOCKS 2024

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LIC Housing Finance

CMP (Rs): **561**

Buy Range: **550-570**

Target Price: **690**

Upside: **23%**

Duration of Recommendation

8-12 months

Home First Finance Company

CMP (Rs): **939**

Buy Range: **930-950**

Target Price: **1070**

Upside: **14%**

Duration of Recommendation

8-12 months

Housing & Urban Development Corporation

CMP (Rs): **124**

Buy Range: **120-130**

Target Price: **155**

Upside: **25%**

Duration of Recommendation

8-12 months

Can Fin Homes

CMP (Rs): **772**

Buy Range: **770-790**

Target Price: **925**

Upside: **19%**

Duration of Recommendation

8-12 months

Company Name: LIC Housing Finance

BSE CODE: 500253 NSE CODE: LICHGFIN
Sector: Finance Industry: Housing Finance

CMP (Rs): 561 | Buy Range: 550-570| Target Price: 690 | Upside: 23%

Duration of Recommendation: 8 - 12 months

Company Data	
Market Cap (Rs Cr)	30,674
Enterprise value (Rs Cr)	2,72,476
52-Week High/Low (Rs)	569/315
EPS (TTM) (Rs)	75.7
P/E Ratio (x)	7.37
Industry PE (x)	15.6
EV/EBITDA (x)	11.9
P/PB (x)	1.05

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	45.2	45.2	45.2
FII's	17.7	17.2	21.2
DII's	24.2	25	21.5
Public	12.4	12.1	11.6
Others	0.6	0.5	0.4
Total	100.0	100.0	100.0
Pledged	0.0	0.0	0.0

Financial Performance			
INR (Cr)	FY23	FY24E	FY25E
NII	6330	7818	8873
Growth (%)	14.36	23.5%	13.5%
NIM (%)	2.4	2.7	2.8
Pre. Prov. Profit	5500	6903	7765
Net Profit	2892	4199	4791
Growth (%)	26.4	45.2%	14.1%
EPS	52.6	76.5	87.5
BVPS	557.6	555	630
P/E	6.3	6.00	5.50
P/B	0.7	0.8	0.7
P/ABV	0.9	1.1	0.9
ROE (%)	11.2	14.8	14.5
ROCE (%)	7.23	9.5	8.5

Price Performance

Our Recommendation: Management's guidance is 12-15% YoY growth in loan book in FY24. Brand power, association with LIC, wide distribution network, and diverse portfolio mix to support growth in long run. Aided by higher recoveries, asset quality should improve. On macro levels, Govt's increasing capex on infra projects including housing may improve order book. **We recommend BUY in price range Rs. 550-570 with target price Rs 690 (1.1x FY25E BV) with upside 23%.**

LIC Housing Finance is a housing finance company registered with National Housing Bank (NHB) and is mainly engaged in financing purchase / construction of residential flats / houses to individuals and project finance to developers, Loan against Property (LAP), Lease Rental Discounting (LRD) for commercial properties as well as purchase of commercial shops/showrooms.

KEY POINTS

- **25 Lakhs** Families served and more.
- **284 marketing offices** Including two abroad
- More than **12000** marketing intermediaries to guide through the loan processes.
- Rs **3.35** lakh crore+ cumulative disbursement since inception
- Rs **2** lakh crore plus is the loan book

Q2FY24 Results: Strong performance, recovery in disbursement

- Net interest income (NII) rose 83.2% YoY to Rs. 2,107 cr from 1150 cr reported in same quarter last year.
- Net interest margin (NIM) improved 126bps YoY to 3.04%.
- Pre-provision profit increased 101% YoY to Rs. 1899 from Rs. 945 cr.

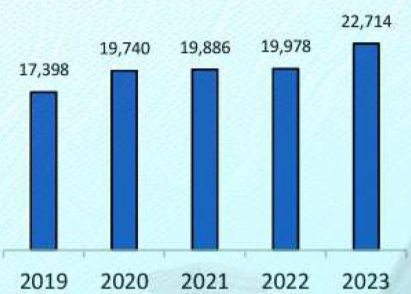
Concall Highlights: The management expects 12-15% YoY loan book growth in FY24. Brand image, subsidiary of LIC, extensive distribution network, diverse product portfolio and improving asset quality should aid the company's future performance. NIM may reduce in the near term due to rising cost of funds.

Key Risks:

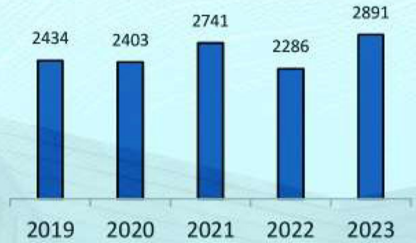
- Credit cost higher than guided range of 40-50 bps.
- Volatility in margins

Financial Summary in Charts

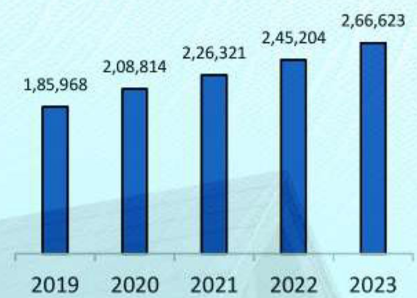
Revenues (INR Cr)



Net Profit (INR Cr)

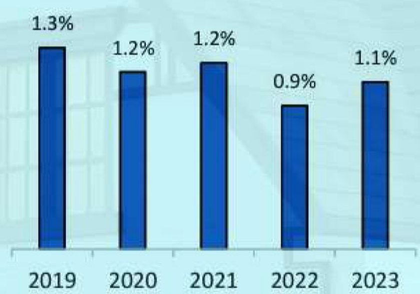


Total Assets (INR Cr)

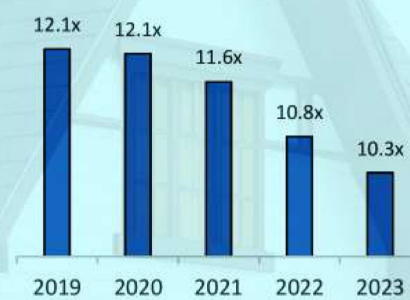


Return on Equity (%)

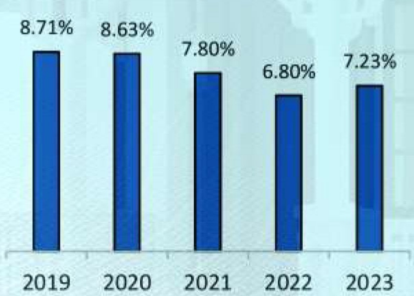
Return on Assets (%)



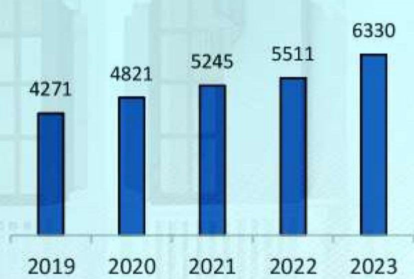
Financial Leverage



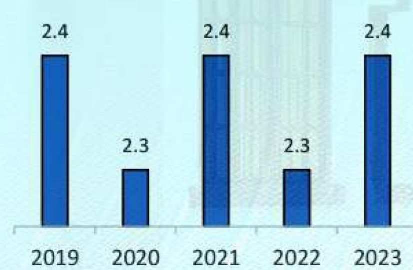
Return on Capital Employed (%)



Net Interest Income (INR Cr)



Net Interest Margin (%)



Company Name: Home First Finance Company

BSE CODE: 543259 | NSE CODE: HOMEFIRST

Sector: Finance | Industry: Housing Finance

CMP (Rs): 939 | Buy Range: 930-950 | Target Price: 1070 | Upside: 14%

Duration of Recommendation: 8 - 12 months

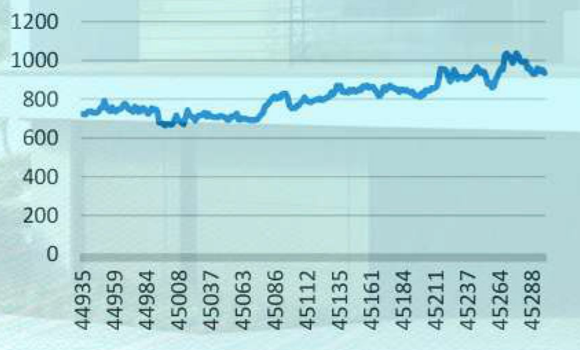
Company Data	
Market Cap (Rs Cr)	8,298
Enterprise value (Rs Cr)	13,811
52-Week High/Low (Rs)	1058/655
EPS (TTM) (Rs)	30.2
P/E Ratio (x)	31.8
Industry PE (x)	15.6
EV/EBITDA (x)	18.6
P/PB (x)	4.26

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	33.46	30.21	30.19
FII's	15.69	17.56	17.02
DII's	8.41	10	9.96
Public	42.44	42.24	42.83
Others	0	0	0
Total	100.0	100.0	100.0
Pledged	0.0	0.0	0.0

Financial Performance

INR (Cr)	FY23	FY24E	FY25E
NII	418	544	700
Growth (%)	*41.2*	*30.1*	*28.7*
NIM (%)	6.7	6.8	6.6
Pre. Prov. Profit	317	418	529
Net Profit	228	295.0	369
Growth (%)	21.1	29.5	*24.9*
EPS	25.9	33.5	43.5
BVPS	199	237	275
P/E	36.7	28.5	22.00
P/B	4.8	4.0	3.5
P/ABV	4.9	4.2	3.7
ROE (%)	13.5	15.0	17.0
ROCE (%)	9.03	11.5	13.2

Price Performance



Our Recommendation: HomeFirst has robust financials & is consistent performer. Company's strategic investment in franchise and expanding distribution network position company well to capitalize on the robust growth in affordable housing finance. We expect robust AUM growth, improvement in leverage, & low credit cost. **Given this scenario, we recommend BUY in price range Rs. 930-950 with target price Rs 1070 (3.9x FY25E BV) with upside 14%.**

Home First Finance Company (HFFC) is a technology-oriented affordable housing finance firm targeting first-time homebuyers in the low and middle-income brackets. Its main focus is on providing housing loans for acquiring or building homes, constituting 87% of its loan portfolio.

KEY POINTS

- **Geographical presence:** 120 branches covering over 125 districts in 13 states - 295 Touch Points..
- **Omni Channel Lead generation:** Diversified channel for generating leads such as connectors (77.2%), builder ecosystem (7.9%), digital (2.2%), referrals (3.3%).
- **AUM Details:** As of Sep 2023, AUM of Rs. 8365 Cr and made a loan disbursement of Rs. 959 Cr in Q2FY24.

Q2FY24 Results: Consistent performance,

- Interest income rose 44.2% YoY to Rs. 249 cr from 173 cr reported in same quarter last year.
- Net Interest Income (NII) up by 30% to Rs. 132 cr from 102 cr in same quarter last year
- Net interest margin (NIM) reduced 40 bps YoY to 6.0% from 6.4%.
- Pre-provision profit increased 41% YoY to Rs. 104.4 cr from Rs. 74 cr.

Business Outlook: HomeFirst is expanding its branch network in urban outskirts and Tier 2 cities, while investing in technology for improved underwriting. This strategic execution positions the company well to capitalize on opportunities in the affordable housing segment. Asset quality is expected to improve and credit cost is expected to be minimal over FY24-FY26 driven by the company's focus on early bucket collections.

Key Risks:

- Margin contraction due to high competative intensity.
- AUM growth decelerations.

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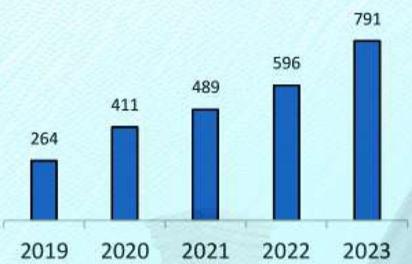
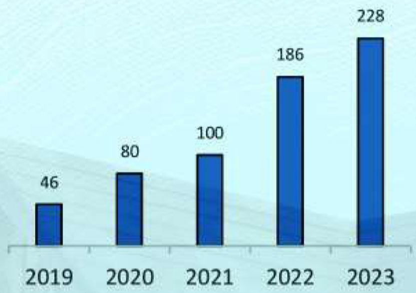
Financial Summary in Charts

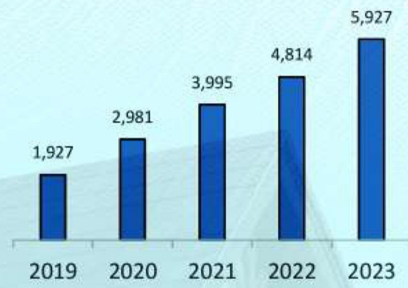
Revenues (INR Cr)



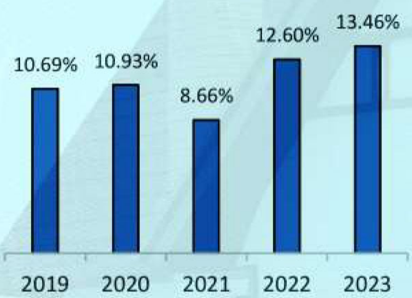
Net Profit (INR Cr)



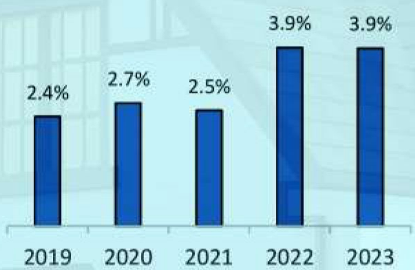
Total Assets (INR Cr)



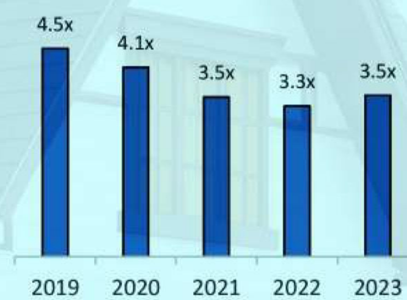
Return on Equity (%)



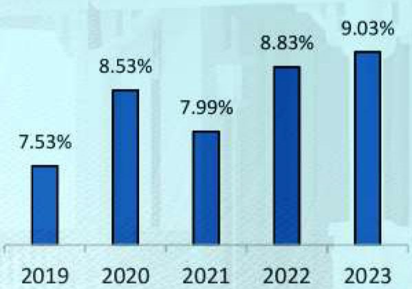
Return on Assets (%)



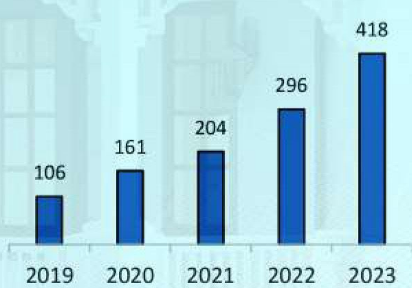
Financial Leverage



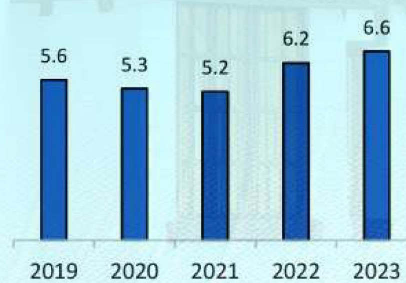
Return on Capital Employed (%)



Net Interest Income (INR Cr)



Net Interest Margin (%)



Company Name: Housing & Urban Development Corporation

BSE CODE: 540530 NSE CODE: HUDCO
Sector: Finance Industry: Housing Finance

CMP (Rs): 124 | Buy Range: 120-130 | Target Price: 155 | Upside: 25%

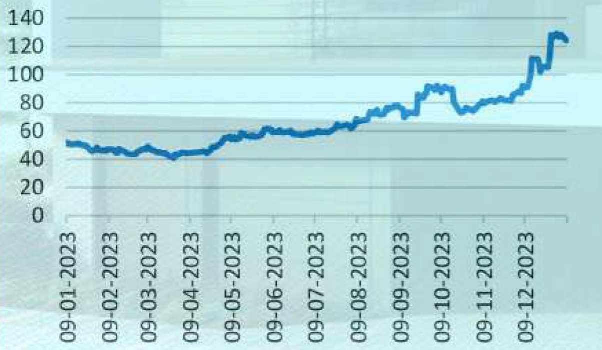
Duration of Recommendation: 8 - 12 months

Company Data	
Market Cap (Rs Cr)	25,734
Enterprise value (Rs Cr)	88,209
52-Week High/Low (Rs)	137/40.4
EPS (TTM) (Rs)	8.95
P/E Ratio (x)	14.4
Industry PE (x)	15.7
EV/EBITDA (x)	12.4
P/PB (x)	1.65

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	81.81	81.81	81.81
FII's	0.12	0.32	0.65
DII's	7.29	7.17	7.15
Public	10.61	10.69	10.41
Others	0	0	0
Total	100.0	100.0	100.0
Pledged	0.0	0.0	0.0

Financial Performance			
INR (Cr)	FY23	FY24E	FY25E
NII	2476	2773	3117
Growth (%)	*5.0%*	*12.0%*	*12.4%*
NIM (%)	3.2	3.4	3.5
Pre. Prov. Profit	2179	2504	2852
Growth (%)	*3.8%*	*14.9%*	*13.9%*
Net Profit	1665	1813	2076
Growth (%)	*-3.00%*	*8.90%*	*14.50%*
EPS	8.3	9.5	10.5
BVPS	75.1	81	87.0
P/E	9.3	8.5	7.5
Yield on Advanc.	8.9	9.5	9.5
P/ABV	1.03	1.0	0.9
ROE (%)	9.03	11.5	12.0

Price Performance



Our Recommendation: Being a big player of India's infrastructure story, HUDCO offers consistent business growth with steady operational performance and asset quality. Company entered into corporate lending activities for urban infrastructure including power, lending to Gridcos in states. **Given this scenario, we recommend BUY in price range Rs. 120-130 with target price Rs 155 (1.8x FY25E BV) with upside 25%.**

HUDCO is a public sector Miniratna company that plays a key role in various government's schemes to develop Indian housing & urban infrastructure sector. Designated as one of the nominated nodal agencies, HUDCO facilitates subsidies to beneficiaries through the credit-linked subsidy scheme.

Business Outlook: The government's focus on Sustainable Development Goals and urbanization creates substantial growth potential in the housing and infrastructure sector. Anticipated capital expenditure in the infrastructure sector for FY2022-2025 is around ₹111 lakh crore, with ₹19 lakh crore earmarked for urban infrastructure.

Continued revival in growth expected in FY24-25E: Post stalling in COVID, expect continued growth in FY24-25E with a recovery in state government capex for housing and urban infrastructure, driven by a substantial budget allocation of ~₹10 lakh crore.

Consistent operational efficiency with unchanging margins and asset quality: HUDCO has "AAA" credit rating for long-term borrowing from CARE, ICRA, & IRRPL. State government's exposure maintains steady asset quality, reflected in a GNPA ratio around 3.3-3.5% and an NNPA ratio

Q2FY24 Results:

- Interest income rose 7% YoY to Rs. 1844 cr from 1722.74 cr reported in same quarter last year.
- Net Interest Income (NII) up by 2.85% to Rs. 648 cr from 630 cr in same quarter last year
- Net Profit soared 9.7% to Rs. 452 cr from Rs. 412 cr reported in same quarter last year.

Key Risks: Increasing interest rates may lead to higher costs for home loans, potentially affecting their demand and temporarily squeezing Net Interest Margins (NIMs).

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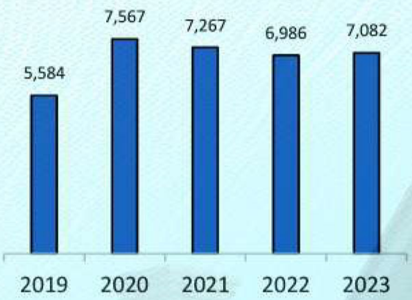
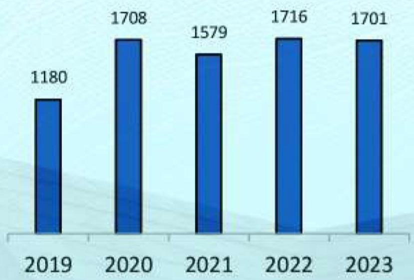
Financial Summary in Charts

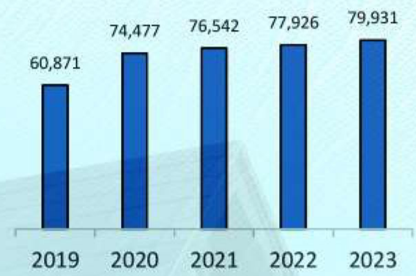
Revenues (INR Cr)



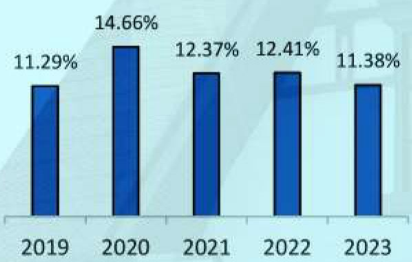
Net Profit (INR Cr)



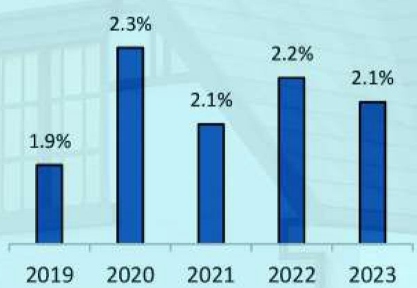
Total Assets (INR Cr)



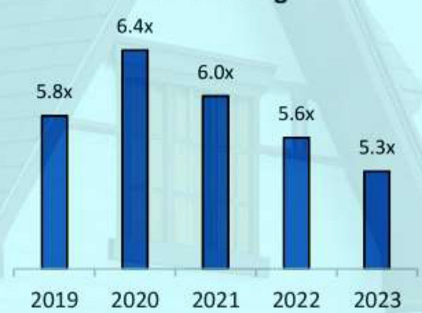
Return on Equity (%)



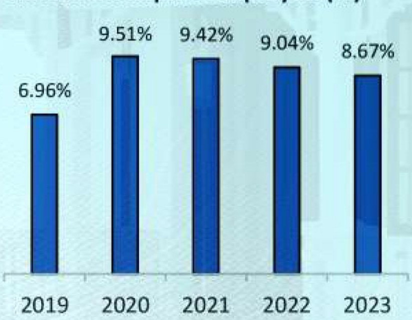
Return on Assets (%)



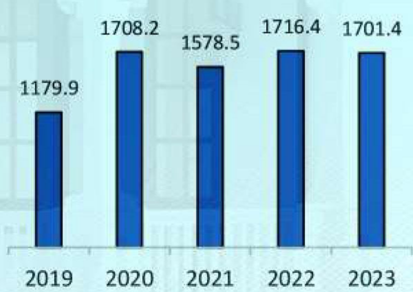
Financial Leverage



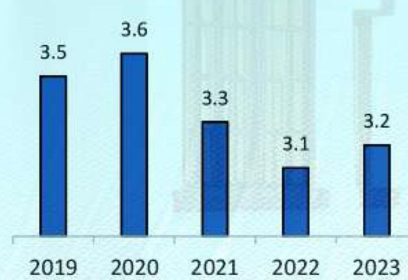
Return on Capital Employed (%)



Net Interest Income (INR Cr)



Net Interest Margin (%)



Company Name: Can Fin Homes

BSE CODE: 511196 | NSE CODE: CANFINHOME
Sector: Finance | Industry: Housing Finance

CMP (Rs): 772 | Buy Range: 770-790 | Target Price: 925 | Upside: 19%

Duration of Recommendation: 8 - 12 months

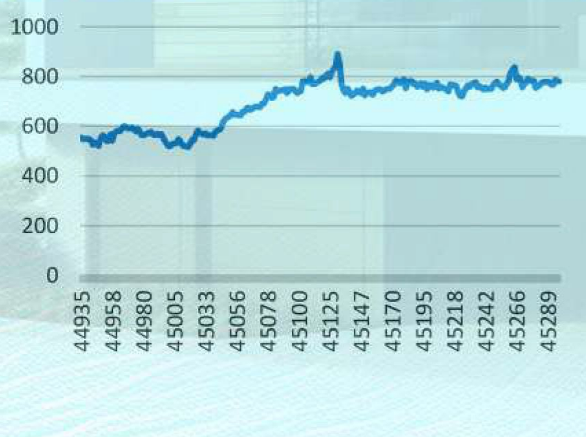
Company Data	
Market Cap (Rs Cr)	10,368
Enterprise value (Rs Cr)	40,674
52-Week High/Low (Rs)	910/508
EPS (TTM) (Rs)	49.50
P/E Ratio (x)	15.8
Industry PE (x)	16
EV/EBITDA (x)	14.2
P/PB (x)	2.6

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	29.99	29.99	29.99
FII's	10.35	10.72	11.36
DII's	24.97	27.97	27.41
Public	34.68	31.32	31.23
Others	0	0	0
Total	100.0	100.0	100.0
Pledged	0.0	0.0	0.0

Financial Performance

INR (Cr)	FY23	FY24E	FY25E
NII	1014.6	1192	1396
Growth (%)	*24.30%*	*17.50%*	*17.10%*
NIM (%)	3.5	3.5	3.7
Pre. Prov. Profit	865.8	1009	1171
Growth (%)	*27.0%*	*16.5%*	*16.1%*
Net Profit	621.2	686	820
Growth (%)	*31.9%*	*10.5%*	*19.5%*
EPS	46.7	52	62
Adj. BVPS	268	315	370
P/E (x)	16.8	14.4	11.9
P/BV	2.8	2.3	2.0
ROE (%)	18.5	17.6	18.0
RoAA (%)	2.0	2.0	2.0

Price Performance



Our Recommendation: CANF has consistently upheld its excellent asset quality over numerous years. CANF is actively improving its governance structure and introducing additional elements to propel sustainable and profitable expansion. Recent steps undertaken by CANF to broaden its sourcing channels are expected to enhance its customer base, contributing to the growth of its balance sheet. **We recommend BUY in price range Rs. 770-790 with target price Rs 925 (2.5x FY25E BV) with upside 19%.**

Can Fin Homes is a public deposit-taking housing finance company promoted by Canara Bank. Can Fin Homes deals in funding to low & middle group individuals & first-time homebuyers preferably salaried or professional. However, since 2014, the company is also increasing its exposure to self-employed professionals & non-professionals

KEY POINTS:

Branches: 196 Branches, 21 Affordable Housing Loan Centres & 12 Satellite Offices spread across parts of the country in 21 States & Union Territories.

Product Mix: Housing finance, Non-housing Finance & Deposits. Average ticket size is 18 lacs for housing loans & 9 lacs for non-housing loans.

Loan Book Mix

- 70% of loans are sourced from southern states. Total loan book is 31500 Crs.
- Customer based increased to 1.70 lakh (Dec 20) vs 2.40 Lakh (FY23).
- Total loan book consists of 72% Salaried & professional borrowers.

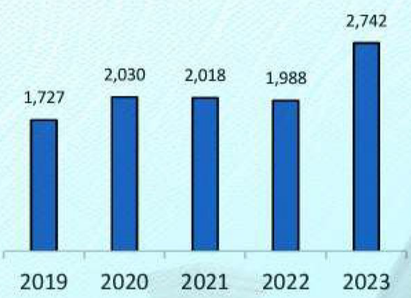
Q2FY24 Results:

- ❖ Interest income rose 32.65% YoY to Rs. 865.2 cr from Rs. 652.2 cr reported in same quarter last year.
- ❖ Net Interest Income (NII) up by 26.1% to Rs. 316.8 cr from 251.2 cr in same quarter last year
- ❖ Net Profit soared 11.6% to Rs. 158.1 cr from Rs. 141.7 cr reported in same quarter last year.

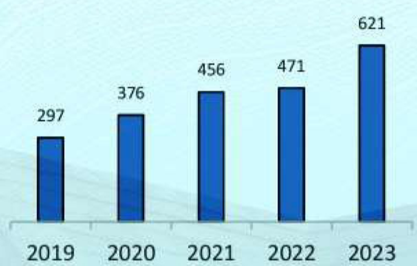
Key Risks: Slowdown in credit momentum which could potentially impact earnings momentum for the company.

Financial Summary in Charts

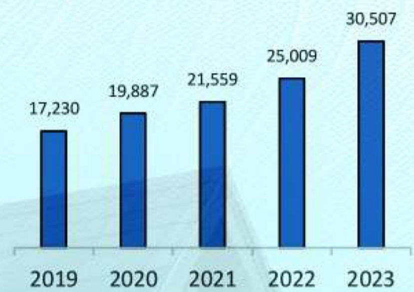
Revenues (INR Cr)



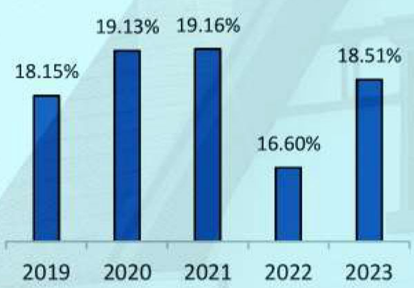
Net Profit (INR Cr)



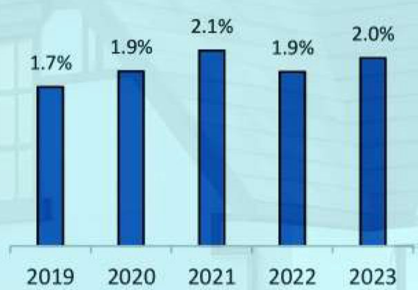
Total Assets (INR Cr)



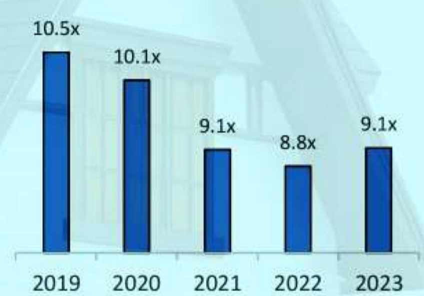
Return on Equity (%)



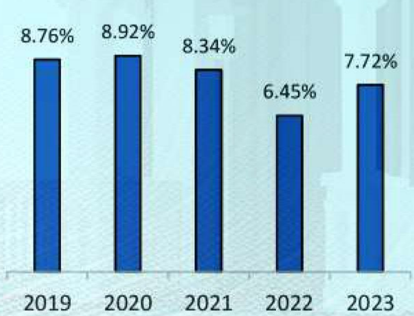
Return on Assets (%)



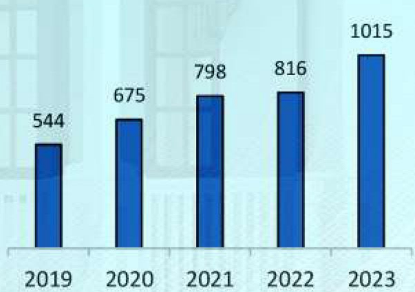
Financial Leverage



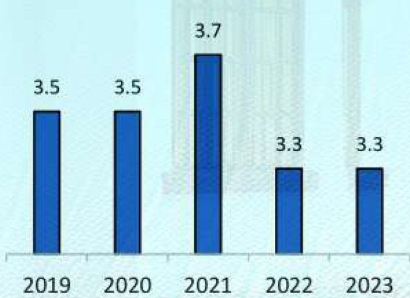
Return on Capital Employed (%)



Net Interest Income (INR Cr)



Net Interest Margin (%)



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