

India

ADD (no change)

Consensus ratings\*: Buy 23 Hold 0 Sell 2

Current price: Rs1,372  
 Target price:  Rs1,650  
 Previous target: Rs1,650  
 Up/downside: 20.3%  
 InCred Research / Consensus: 17.3%

Reuters:  
 Bloomberg: HOMEFIRS IN  
 Market cap: US\$1,634m  
 Rs141,619m  
 Average daily turnover: US\$6.6m  
 Rs572.4m  
 Current shares o/s: 102.9m  
 Free float: 87.6%

\*Source: Bloomberg

**Key changes in this note**

- We build in a lower margin amid rising contribution from high-ticket loans, repo rate cut, intense competition, and rising leverage in the medium term.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.9)	10.4	29.2
Relative (%)	(3.3)	9.6	30.0

Major shareholders	% held
Orange Clover Investments B.V.	10.6
True North	7.5
AETHER (MAURITIUS) LIMITED	4.9

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# Home First Finance Company

## Coming quarters to set the tone

- Home First Finance Company reported a solid 1QFY26 PAT of ~1.2bn fueled by AUM growth, treasury gains, fee income, & improved cost-to-income ratio.
- AUM was up 6% qoq at ~Rs135bn, and disbursements growth slowed to 7% yoy because of seasonality and tight borrower liquidity, especially in Apr 2025.
- We appreciate the company's connector model and its focus on heavily-moving markets. We will keep a close eye on spreads and credit costs.

**Strong PAT supported by AUM, fee income and treasury gains**

Home First Finance Company (HFFC) posted a strong 1QFY26 PAT of ~Rs1.2bn, up ~36% yoy and ~14% qoq, aided by strong AUM growth, treasury gains, and fee income, which together boosted other income by ~84% yoy and ~49% qoq. Calculated NIM expanded by ~10bp qoq to ~6% owing to the recent qualified institutional placement (QIP) of shares. The cost-to-income ratio improved to ~34% (down 1.5pp yoy and qoq) aided by treasury gains and lower other operating expenses.

**Disbursements pick up pace in Jul 2025; AUM up by ~6% qoq**

Assets under management or AUM rose to ~Rs135bn, up ~6% qoq and ~29% yoy, as repayments slowed (balance transfer out at 6% vs. 6.3% yoy and 7.5% qoq). Disbursements stood at Rs12bn, up by ~7% yoy but down ~2% qoq, impacted by the seasonal slowdown and tight borrower cashflow. However, management has indicated a revival in the coming quarters and its full-year guidance is Rs560-580bn. Average ticket size of housing loans inched up to Rs1.18m as the book continued to tilt towards >Rs1.5m loans. Regionally, the share of Madhya Pradesh and Maharashtra rose to 8.6% (+40bp qoq) and 14.2% (+30bp qoq), respectively, on account of industrialization while the share of Gujarat and Tamil Nadu declined to 28.7% (-20bp qoq) and 12.6% (-40bp qoq) on account of the E-Khata rollout issue and tight borrower cashflow.

**Early delinquencies climb, guided to be a seasonal blip**

Asset quality showed signs of rising stress, prominently in Karnataka, Tamil Nadu and Gujarat, with the overall 1+ DPD up at ~5.4%, (+94bp yoy; +98bp qoq) and 30+ DPD up to ~3.5% (+58bp yoy and +44bp qoq), reflecting weak collection intensity, along with rising borrower liquidity stress. The equated monthly instalment or EMI bounce rate moved up to ~16.8%; however, the same eased to 15.8% in Jul 2025. Management indicated further abatement in the coming quarters.

**Outlook and valuation**

We believe the coming quarters will set the tone. The company's connector model, tech set-up and conservative geographic deepening justifies its valuation premium on the back of consistent market share gains. The recent capital raising will subdue return ratios in the near term; however, we believe the same will normalize by mid-FY27F. We maintain our ADD rating on HFFC with a stable target price of Rs1,650, valuing it at 3.8x FY27F BV.

**Downside risks: A sharp fall in NIM, asset quality stress or slow AUM growth.**

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	4,698	5,649	7,483	9,301	11,374
Total Non-Interest Income (Rsm)	1,869	2,590	3,462	3,979	5,020
Operating Revenue (Rsm)	6,567	8,239	10,945	13,280	16,394
Total Provision Charges (Rsm)	(254)	(288)	(399)	(432)	(522)
Net Profit (Rsm)	3,057	3,821	5,236	6,422	8,114
Core EPS (Rs)	34.54	42.43	50.71	62.20	78.59
Core EPS Growth	33%	23%	20%	23%	26%
FD Core P/E (x)	39.72	32.33	27.05	22.05	17.45
DPS (Rs)	0.00	0.00	0.00	0.00	0.00
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
BVPS (Rs)	239.7	280.0	407.5	457.3	520.2
P/BV (x)	5.72	4.90	3.37	3.00	2.64
ROE	15.5%	16.5%	15.6%	14.4%	16.1%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly earnings summary**

Particulars (Rs m)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
<b>Net Interest Income</b>	<b>1,306</b>	<b>1,391</b>	<b>1,418</b>	<b>1,534</b>	<b>1,669</b>	<b>27.8%</b>	<b>8.9%</b>
<i>NIM (% of AUM)</i>	<i>5.3%</i>	<i>5.2%</i>	<i>4.9%</i>	<i>5.1%</i>	<i>5.1%</i>		
<i>Other Operating Income</i>	<i>570</i>	<i>691</i>	<i>884</i>	<i>898</i>	<i>1,073</i>	<i>88.2%</i>	<i>19.5%</i>
<i>Operating Expenses</i>	<i>655</i>	<i>726</i>	<i>752</i>	<i>803</i>	<i>868</i>	<i>32.6%</i>	<i>8.1%</i>
<b>Operating Profit</b>	<b>1,222</b>	<b>1,356</b>	<b>1,550</b>	<b>1,629</b>	<b>1,874</b>	<b>53.4%</b>	<b>15.1%</b>
<i>Provisions</i>	<i>56</i>	<i>57</i>	<i>98</i>	<i>77</i>	<i>117</i>	<i>110.4%</i>	<i>51.7%</i>
<i>PBT</i>	<i>1,166</i>	<i>1,299</i>	<i>1,452</i>	<i>1,552</i>	<i>1,758</i>	<i>50.7%</i>	<i>13.2%</i>
<i>Tax</i>	<i>258</i>	<i>281</i>	<i>324</i>	<i>332</i>	<i>376</i>	<i>46.0%</i>	<i>13.3%</i>
<i>Tax Rate (%)</i>	<i>22.1%</i>	<i>21.7%</i>	<i>22.3%</i>	<i>21.4%</i>	<i>21.4%</i>		
<b>PAT</b>	<b>909</b>	<b>1,018</b>	<b>1,128</b>	<b>1,220</b>	<b>1,381</b>	<b>52.0%</b>	<b>13.2%</b>
<b>AUM (Rs bn)</b>	<b>105</b>	<b>112</b>	<b>119</b>	<b>127</b>	<b>135</b>	<b>28.6%</b>	<b>6.0%</b>
<b>Disbursements</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>7.0%</b>	<b>-2.3%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

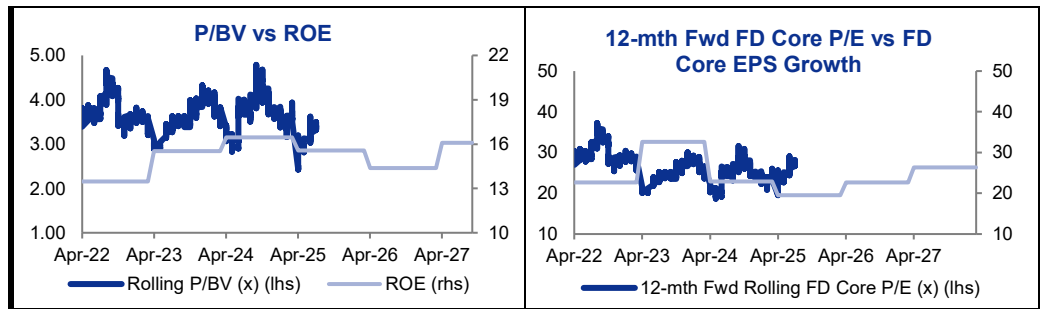
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
<i>Net interest income</i>	<i>8,337</i>	<i>7,483</i>	<i>-10.2%</i>	<i>10,769</i>	<i>9,301</i>	<i>-13.6%</i>	<i>13,556</i>	<i>11,374</i>	<i>-16.1%</i>
<i>PPOP</i>	<i>7,033</i>	<i>7,291</i>	<i>3.7%</i>	<i>9,058</i>	<i>8,885</i>	<i>-1.9%</i>	<i>11,271</i>	<i>11,203</i>	<i>-0.6%</i>
<i>PAT</i>	<i>4,957</i>	<i>5,236</i>	<i>5.6%</i>	<i>6,394</i>	<i>6,422</i>	<i>0.4%</i>	<i>7,955</i>	<i>8,114</i>	<i>2.0%</i>
<i>EPS (Rs)</i>	<i>48</i>	<i>51</i>	<i>5.3%</i>	<i>62</i>	<i>62</i>	<i>0.1%</i>	<i>77</i>	<i>79</i>	<i>1.7%</i>
<i>BV (Rs)</i>	<i>404</i>	<i>408</i>	<i>0.9%</i>	<i>466</i>	<i>457</i>	<i>-1.9%</i>	<i>543</i>	<i>520</i>	<i>-4.3%</i>
<i>AUM (Rsbn)</i>	<i>161</i>	<i>161</i>	<i>-0.3%</i>	<i>202</i>	<i>195</i>	<i>-3.5%</i>	<i>253</i>	<i>236</i>	<i>-6.5%</i>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 1QFY26 earnings-call highlights ►

- Credit rating agencies have upgraded HFFC to AA (stable).
- The company raised Rs12.5bn through the QIP route, strengthening its capital base with the CRAR at 50%.
- The company plans to open six branches in 2QFY26F.
- Borrowing composition: Repo rate-linked 20% & MCLR-linked 60%. Banks are yet to pass on the rate cuts; expected benefits to reach the company in 3Q-4QFY26F, bringing the cost of funds down by 50-80bp to 8.0-8.1%. Thereafter, the company expects to pass on the benefits to its customers (spreads guidance at 5%-5.25%)
- The PMAY 2 scheme is expected to drive the growth in the affordable housing segment.
- Apr 2025 disbursements stood at Rs3.8bn, below the run rate (Rs4.3-4.5bn) due to the holiday season leading to unavailability of both employees and customers.
- Growth in Karnataka has weakened on account of the E-Khata issue. Other southern states were also impacted due to organizational rejig.
- The company currently holds ~2.3% market share in the affordable housing market, with a target to reach 5% in the next four-to-five years.
- Around 90% of the customers take insurance, making fee income largely disbursement-linked and sustainable.
- Operating costs-to-total assets guidance is in the range of 2.6%-2.7% for FY26F, and it is expected to decline to ~2.5% over the next three years.
- Growth in the higher ticket segment is slowing, as the company has increased its focus on the affordable housing space and has implemented stricter underwriting norms for the same since last year.
- Credit cost guidance for the full year is in the range of 30-40bp.

## BY THE NUMBERS



### Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	4,698	5,649	7,483	9,301	11,374
<b>Total Non-Interest Income</b>	<b>1,869</b>	<b>2,590</b>	<b>3,462</b>	<b>3,979</b>	<b>5,020</b>
Operating Revenue	6,567	8,239	10,945	13,280	16,394
<b>Total Non-Interest Expenses</b>	<b>(2,196)</b>	<b>(2,780)</b>	<b>(3,465)</b>	<b>(4,166)</b>	<b>(4,912)</b>
Pre-provision Operating Profit	4,254	5,304	7,291	8,885	11,203
<b>Total Provision Charges</b>	<b>(254)</b>	<b>(288)</b>	<b>(399)</b>	<b>(432)</b>	<b>(522)</b>
Operating Profit After Provisions	4,000	5,016	6,892	8,453	10,680
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	4,000	5,016	6,892	8,453	10,680
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	2,130	2,425	3,430	4,474	5,661
<b>Exceptional Items</b>					
Pre-tax Profit	4,000	5,016	6,892	8,453	10,680
Taxation	(942)	(1,195)	(1,656)	(2,031)	(2,566)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	3,057	3,821	5,236	6,422	8,114
Minority Interests					
Pref. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	3,057	3,821	5,236	6,422	8,114
Recurring Net Profit					

### Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	6.9%	8.1%	6.1%	5.2%	4.8%
<b>Avg Liquid Assets/Avg IEAs</b>	<b>7.9%</b>	<b>9.4%</b>	<b>6.9%</b>	<b>5.9%</b>	<b>5.4%</b>
Net Cust Loans/Assets	85.4%	87.2%	89.7%	88.5%	89.1%
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans	26.1%	23.7%	31.3%	29.0%	27.2%
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Gross Loans</b>	<b>81,434</b>	<b>106,487</b>	<b>134,229</b>	<b>162,938</b>	<b>197,083</b>
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets	81,434	106,487	134,229	162,938	197,083
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets	81,434	106,487	134,229	162,938	197,083
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>1,602</b>	<b>2,353</b>	<b>2,712</b>	<b>3,297</b>	<b>4,083</b>
<b>Total Non-Interest Earning Assets</b>	<b>1,902</b>	<b>2,645</b>	<b>3,213</b>	<b>3,839</b>	<b>4,682</b>
Cash And Marketable Securities	8,215	9,382	7,187	10,260	9,157
<b>Long-term Investments</b>	<b>3,788</b>	<b>3,602</b>	<b>5,076</b>	<b>7,165</b>	<b>10,300</b>
Total Assets	95,340	122,117	149,705	184,202	221,222
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others	73,021	95,507	111,544	150,114	191,770
Total Interest-Bearing Liabilities	73,021	95,507	111,544	150,114	191,770
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,104	1,397	1,602	1,767	1,987
Total Liabilities	74,125	96,904	113,145	151,881	193,757
Shareholders Equity	21,215	25,213	42,075	47,212	53,703
<b>Minority Interests</b>					
Total Equity	21,215	25,213	42,075	47,212	53,703

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	24.2%	20.3%	32.5%	24.3%	22.3%
Operating Profit Growth	34.2%	24.9%	37.0%	21.8%	26.0%
Pretax Profit Growth	35%	25%	37%	23%	26%
Net Interest To Total Income	71.5%	68.6%	68.4%	70.0%	69.4%
Cost Of Funds	8.25%	8.49%	7.79%	7.14%	6.72%
Return On Interest Earning Assets	13.7%	13.6%	12.9%	12.5%	12.7%
Net Interest Spread	5.46%	5.14%	5.13%	5.41%	5.98%
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	6%	5%	5%	5%	5%
Interest Return On Average Assets	5.77%	5.20%	5.51%	5.57%	5.61%
Effective Tax Rate	23.6%	23.8%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio					
Return On Average Assets	3.76%	3.51%	3.85%	3.85%	4.00%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.