

Home First Finance Company India

Improving growth visibility; upgrade to ADD

Home First Finance Company India (HOMEFIRST) is poised to deliver ~25% AUM CAGR over FY27-FY29E on the back of increased investments in distribution post peaking of volume productivity metrics, gradually improving demand, and geographical diversification. With ~84% of AUM as home loans, HOMEFIRST has significant headroom for product diversification, along with co-lending (currently sub-5% of disbursements) to expand the addressable market. Operating efficiency is likely to remain steady at current levels, with limited room for improvement, going ahead, while RoE is likely to improve with increasing leverage. Valuation de-rating from 4.0x to 2.3x 1-yr forward P/BV, along with improving visibility of growth amidst steady profitability, provides favorable risk-reward. We upgrade HOMEFIRST from REDUCE to ADD, with RI-based TP of INR 1,250 (implying 2.3x Sep-28 ABVPS; 15x Sep-28 EPS).

- **Uptick in disbursements growth:** HOMEFIRST's disbursements growth has witnessed healthy uptick post significant disappointment over previous several quarters dragging AUM growth from ~35% YoY to 25% YoY. Loan growth continued to be led by new customer additions (Q1FY27: +18% YoY), with a marginal uptick in the average ticket size (Q1FY27: +2.5% YoY). As highlighted earlier, our analysis indicates HOMEFIRST's volume productivity metrics had peaked over the last couple of years, driving investments in distribution. Co-lending is likely to provide some fillip to loan growth over the medium term with expansion of the addressable market (improved loan pricing).
- **NIM and operating efficiency to remain rangebound:** HOMEFIRST's NIM is likely to witness marginal moderation with increasing leverage, although spreads are likely to remain steady. Product diversification (LAP at 15.7% of AUM as of Q1FY27) provides levers to improve yields, although elevated competitive intensity is likely to keep yield reflation in check. Operating efficiency is likely to witness marginal deterioration with investments in distribution and headwinds to insurance distribution income.
- **Steady asset quality:** HOMEFIRST's trade-offs on a relatively distribution-light approach vs. peers (centralized underwriting, digital branches etc.) drives operating efficiency; however, it is partly offset by marginally higher credit costs (~50bps) as well. However, early delinquencies remain steady (1+/30+ dpd at 4.7%/3.2%), while asset quality issues in select geographies have largely receded.
- **RoE on improving trajectory post capital raise; risk-reward turning favorable:** HOMEFIRST's RoE had declined to ~14% post capital raise in Q1FY26 (~51% of Mar-25 net worth). However, RoE has been improving gradually with healthy loan growth and is likely to improve further over FY27-FY29E. With improving outlook on loan growth, current valuation (2.0x Sep-28 ABVPS) provides a favorable risk-reward, driving our upgrade to ADD.

Financial Summary

Y/E Mar (INR bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	5.3	6.4	8.7	11.0	13.3	16.3
PPOP	4.3	5.3	7.6	9.5	11.2	13.6
PAT	3.1	3.8	5.4	6.7	7.8	9.5
EPS (INR)	34.5	42.4	51.8	63.9	74.7	90.8
ROAE (%)	15.5	16.5	15.7	14.3	14.6	15.5
ROAA (%)	3.8	3.5	3.9	4.0	3.8	3.8
ABVPS (INR)	228.6	264.9	400.0	453.2	513.6	589.3
P/ABV (x)	4.8	4.2	2.8	2.4	2.2	1.9
P/E (x)	32.0	26.0	21.3	17.3	14.8	12.2

.Source: Company, HSIE Research

ADD

CMP (as on 06 Oct 2026)	INR1,105
Target Price	INR1,250
NIFTY	22,776

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 1200	INR 1250
EPS %	FY27E	FY28E
	+0.4%	+0.4%

KEY STOCK DATA

Bloomberg code	HOMEFIRS IN
No. of Shares (mn)	105
MCap (INR bn) / (\$ mn)	116/1,199
6m avg traded value (INR mn)	281
52 Week high / low	INR 1,318/894

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.2)	13.0	(10.0)
Relative (%)	(0.5)	14.4	0.6

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	7.0	7.0
FIs & Local MFs	27.6	29.8
FPIs	45.7	43.9
Public & Others	19.8	19.3
Pledged Shares	0.0	0.0

Source: BSE

Pledged shares as % of total shares

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Exhibit 1: Annual report dashboard

HOMEFIRST IN	Units	FY20	FY21	FY22	FY23	FY24	FY25	FY26
AUM (INR bn)	INR bn	36	41	54	72	97	127	159
As % of gross advances								
CRE exposure	%	4%	3%	2%	2%	2%	1%	3%
Capital market exposure	%	0%	0%	0%	0%	0%	0%	0%
Secured	%	100%	100%	100%	100%	100%	100%	100%
RWA as % of assets	%	56%	55%	53%	55%	57%	56%	59%
Productivity (per month)								
AUM/branch	INR mn	565.4	591.6	707.9	753.7	794.9	882.8	974.1
AUM/employee	INR mn	52.8	59.9	70.0	78.1	86.5	88.2	91.0
Disbursements/branch	INR mn	21.1	13.1	22.3	26.3	27.1	27.8	27.7
Disbursements/employee	INR mn	2.0	1.3	2.2	2.7	2.9	2.8	2.6
% YoY								
AUM/branch	%	18%	5%	20%	6%	5%	11%	10%
AUM/employee	%	14%	13%	17%	12%	11%	2%	3%
Disbursements/branch	%	-18%	-38%	71%	18%	3%	3%	0%
Disbursements/employee	%	-21%	-33%	66%	24%	8%	-6%	-7%
Concentration metrics								
Top 20 - % of advances	%	2.6%	1.7%	0.9%	0.5%	0.3%	0.2%	0.2%
Top 20 - % of exposure	%	2.8%	1.8%	0.9%	0.5%	0.3%	0.2%	0.2%
Top 20 - % of deposits	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Top 10 - % GNPA	%	13.8%	4.4%	3.6%	2.8%	2.8%	2.5%	1.9%
Off-balance sheet								
% opening AUM assigned	%	16.8%	9.9%	13.8%	6.6%	6.8%	8.6%	8.2%
Income from portfolio assigned %	%	10.3%	14.6%	14.6%	13.1%	15.2%	12.9%	12.7%
Assets assigned o/s (% of AUM)	%	16.0%	18.6%	19.1%	15.9%	15.3%	15.6%	16.6%
Liabilities								
Borrowings mix								
Banks - Term loans	%	71%	55%	58%	71%	73%	72%	73%
ECB	%	0%	0%	0%	0%	0%	3%	5%
Debentures	%	0%	8%	5%	7%	4%	3%	2%
Tier II	%	0%	0%	0%	0%	0%	0%	0%
Securitisation	%	0%	0%	0%	0%	0%	0%	0%
NHB	%	26%	36%	34%	19%	21%	20%	18%
Others	%	2%	1%	2%	2%	2%	2%	1%
LCR %	%				157%	180%	156%	151%
Employee attrition rate %	%	38%	18%	37%	40%	32%	31%	33%
Asset Quality								
GS II %	%	0.9%	2.3%	1.6%	1.1%	1.1%	1.3%	1.5%
GS III %	%	1.0%	1.8%	2.3%	1.6%	1.7%	1.7%	1.8%
Write-offs (%)	%		0.40%	0.58%	0.26%	0.21%	0.19%	0.31%
Gross Slippages (%)	%		1.65%	2.43%	1.41%	1.73%	1.58%	1.66%
Upgrades & recoveries (%)	%		0.28%	0.73%	1.27%	0.89%	0.89%	0.90%
Net Slippages (%)	%		1.37%	1.71%	0.14%	0.84%	0.69%	0.76%
PCR - Stage I (%)	%	0.5%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
PCR - Stage II (%)	%	12.2%	14.0%	13.0%	10.5%	8.2%	9.1%	10.8%
PCR - Stage III (%)	%	25.8%	36.0%	24.9%	34.0%	29.7%	25.2%	23.9%
Portfolio mix								
% assets (net of intangibles)								
Housing	%		63%	69%	70%	66%	67%	65%
Housing (Individuals)	%		62%	69%	70%	66%	67%	65%

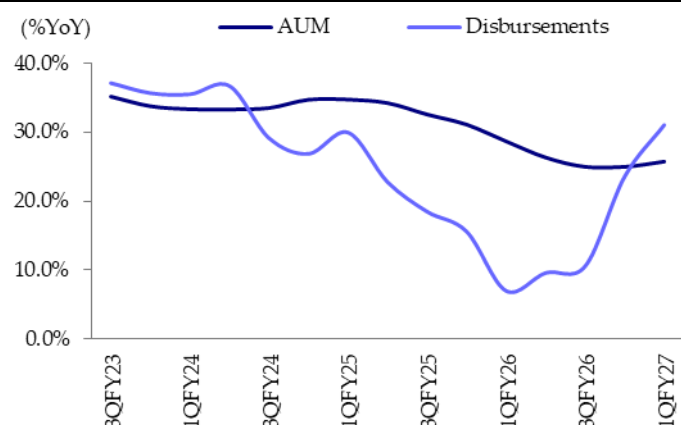
Source: Company, HSIE Research

Improving growth visibility

- Healthy AUM growth with uptick in disbursements:** HOMEFIRST's disbursements growth has witnessed healthy uptick post significant disappointment over previous several quarters, dragging AUM growth from ~35% YoY to 25% YoY. Moderation in disbursements has been due to a combination of internal (employee attrition) as well as external factors (moderation in demand, sustained elevated competitive intensity and asset quality challenges in select geographies).

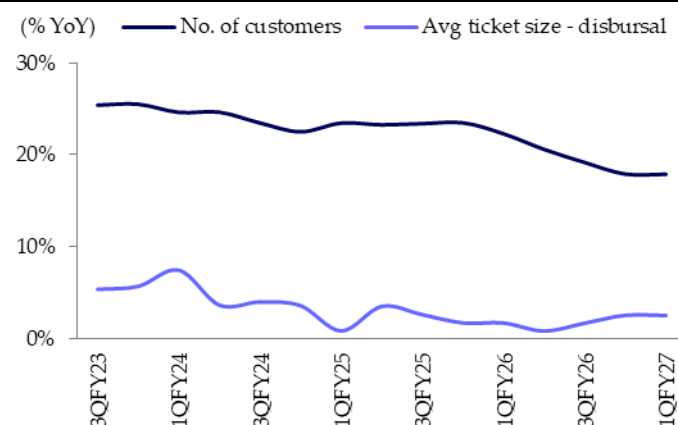
HOMEFIRST has taken certain initiatives to drive healthy loan growth such as increasing investments in distribution, tweaking of connector payouts etc. Further, there are certain levers to drive AUM growth such as product diversification, increase in ticket size etc. Loan growth continues to be driven by new customer additions (+18% YoY), with marginal uptick in ticket size (+2.5% YoY).

Exhibit 2: AUM growth moderated with slowdown in disbursements growth (% YoY)



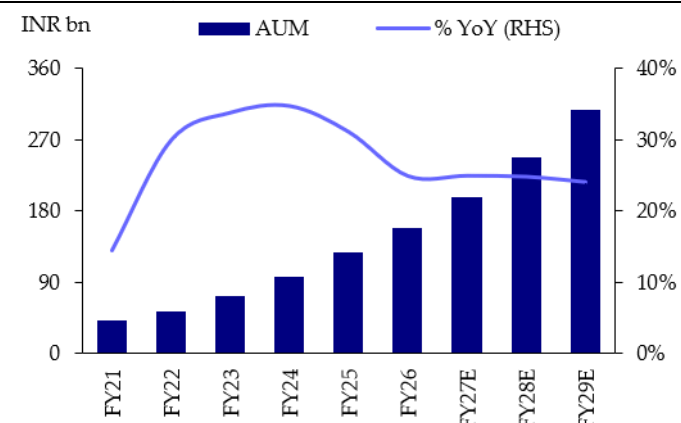
Source: Company, HSIE Research

Exhibit 3: AUM growth largely driven by number of customers with marginal increase in ticket size



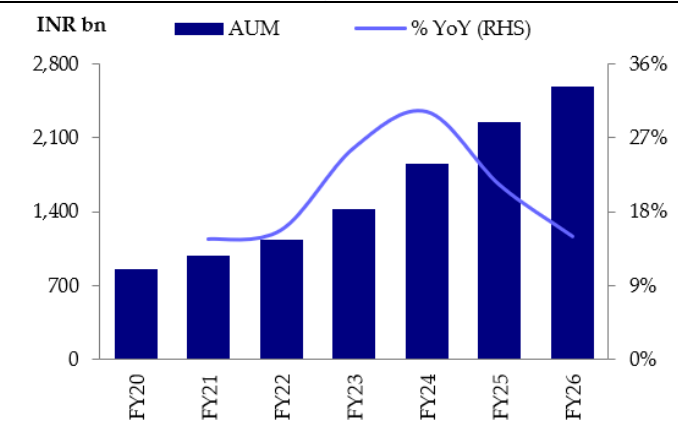
Source: Company, HSIE Research

Exhibit 4: HOMEFIRST's AUM likely to grow at ~25% CAGR during FY27-FY29E



Source: Company, HSIE Research

Exhibit 5: Affordable-focused HFCs* AUM growth moderated to ~15% during FY27-FY29E



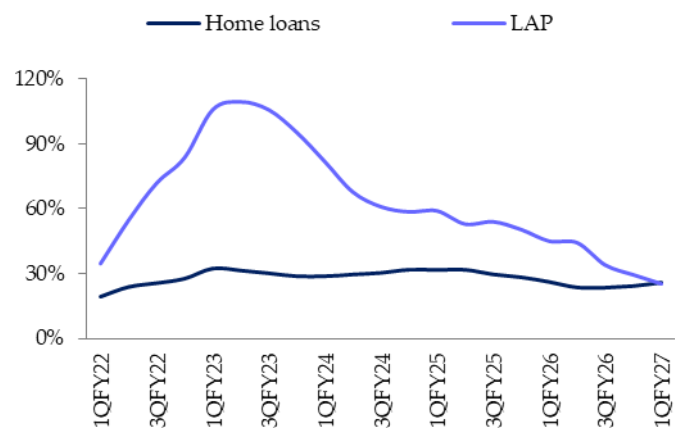
Source: Company, HSIE Research | Note: *Top-15 affordable-focused HFCs

Home First Finance Company India: Company Update

Product diversification has witnessed some moderation in the last few quarters with LAP contributing to ~15.7% of AUM (Mar-22: 8%). Management has indicated share of LAP in AUM to remain sub-20%.

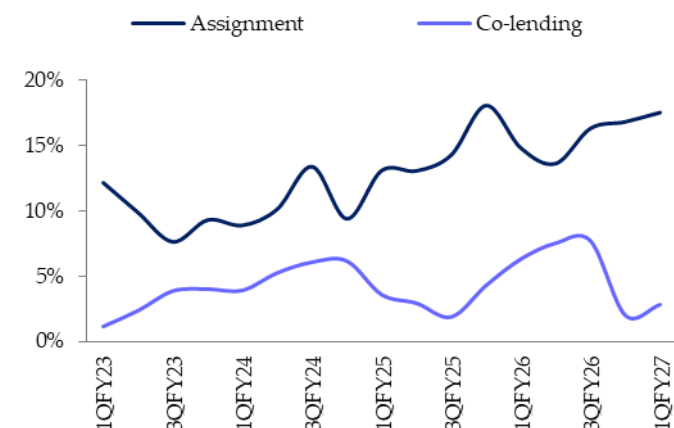
Further, co-lending provides an important lever to expand addressable market with better loan pricing to customers.

Exhibit 6: Moderation in LAP portfolio growth in recent quarters



Source: Company, HSIE Research

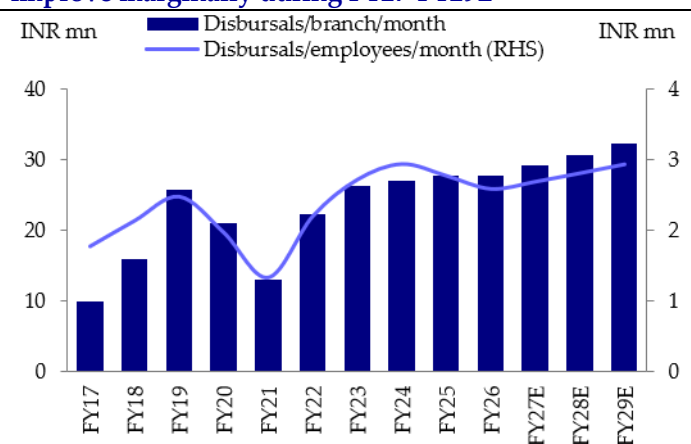
Exhibit 7: Co-lending and assignment as % of disbursements



Source: Company, HSIE Research

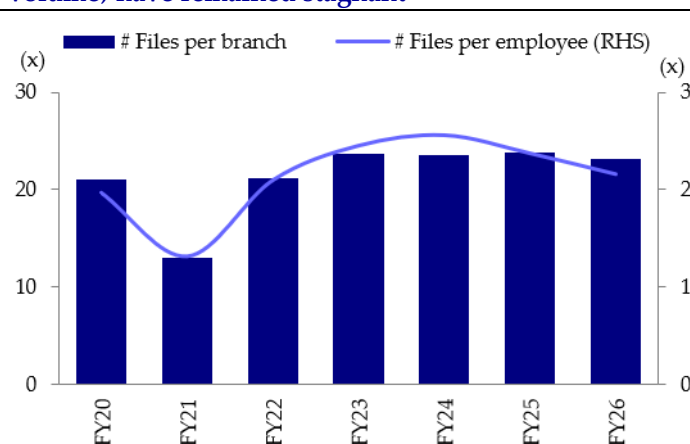
- Best-in-class productivity metrics:** HOMEFIRST's productivity metrics (disbursements per employee/per branch) in terms of both value and volume, remain best-in-class vs. peers. However, the volume throughput metrics have plateaued during FY23-FY26. This is likely to cap any further operating efficiency gains in the near-term.

Exhibit 8: HOMEFIRST's productivity metrics to improve marginally during FY27-FY29E



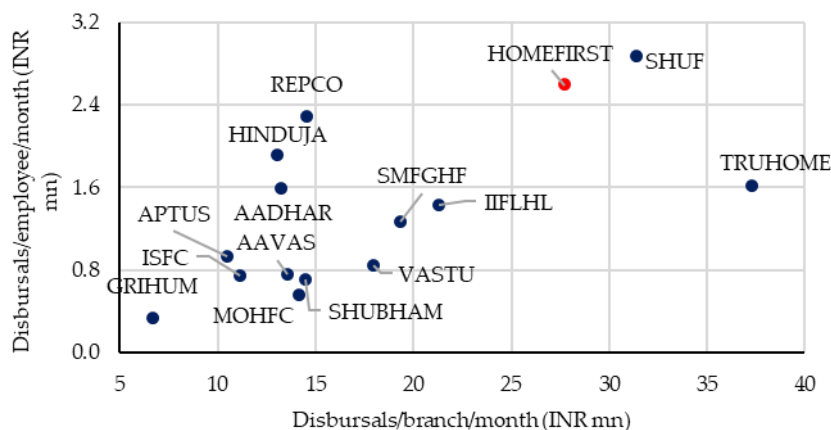
Source: Company, HSIE Research

Exhibit 9: HOMEFIRST's productivity metrics (by volume) have remained stagnant



Source: Company, HSIE Research | Note: Calculated using average ticket size of disbursements

Exhibit 10: HOMEFIRST's productivity metrics vs peers (FY26)

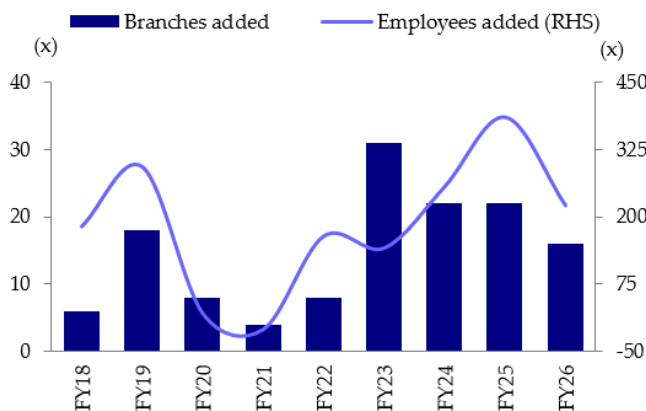


Source: Company, HSIE Research

- Opex ratios to remain rangebound with increasing investments in distribution:**
 HOMEFIRST has stepped up its pace of expansion in distribution network with ~30-40 branch additions in FY27. Further, 282 employees have been added in the last couple of quarters. With limited room for meaningful improvement in distribution throughput, opex ratios are likely to remain rangebound in the near-term.

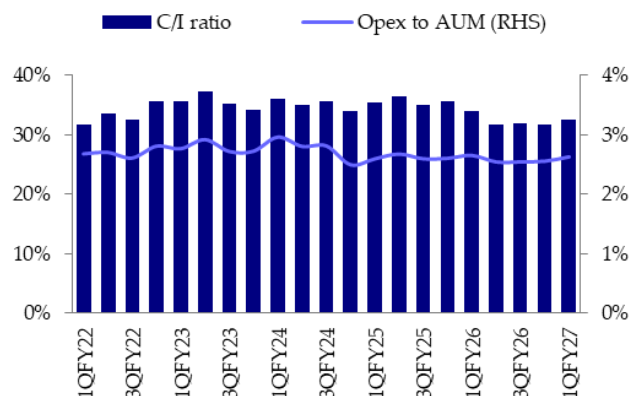
Employee attrition has remained steady (~33%) and below peers such as AAVAS (51%), ISFC (40%) and APTUS (39%).

Exhibit 11: Increase in distribution network



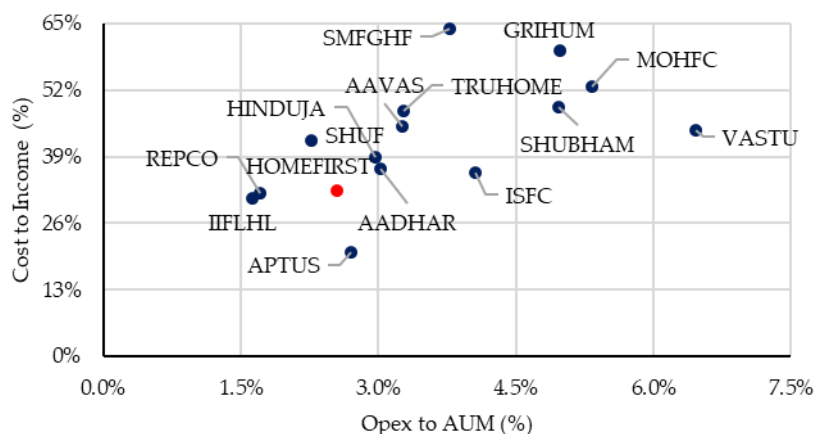
Source: Company, HSIE Research | Note: Net additions

Exhibit 12: Opex ratios remain rangebound



Source: Company, HSIE Research

Exhibit 13: HOMEFIRST's opex metrics vs peers (FY26)



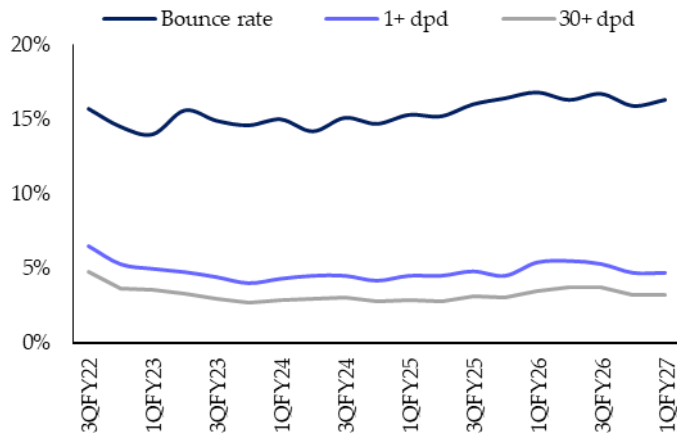
Source: Company, HSIE Research

Home First Finance Company India: Company Update

- **Steady asset quality:** HOMEFIRST's trade-offs on a relatively distribution-light approach vs. peers (centralized underwriting, digital branches etc.) drives operating efficiency; however, it is partly offset by marginally higher credit costs (~50bps) as well. Credit costs seem to be on the higher side compared to peers with similar share of salaried customers.

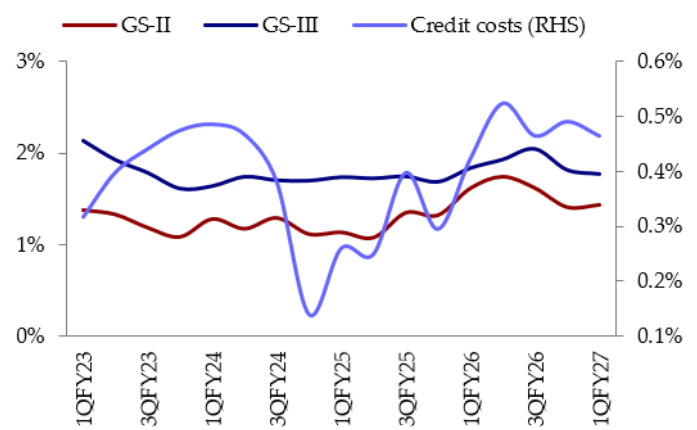
However, credit costs have remained steady at ~50bps in the last few quarters despite challenges such as tariffs etc.

Exhibit 14: Stable early delinquencies



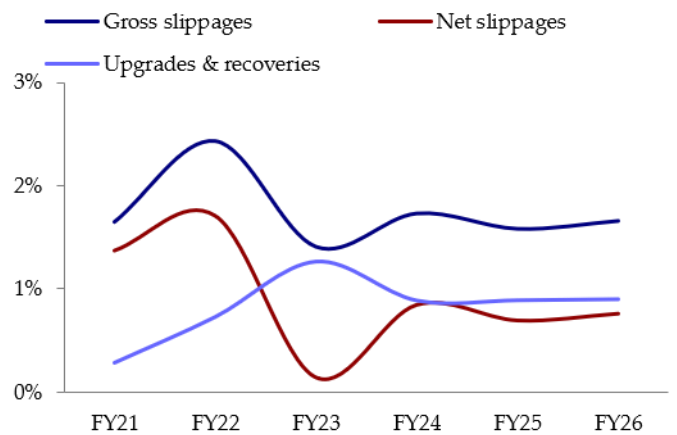
Source: Company, HSIE Research

Exhibit 15: Uptick in credit costs



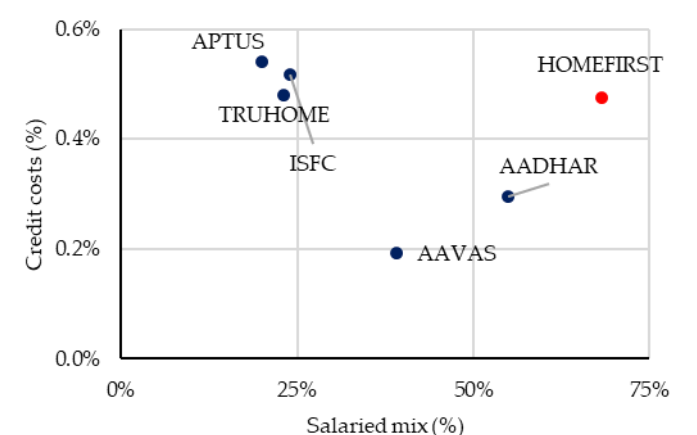
Source: Company, HSIE Research

Exhibit 16: Slippages have remained steady during FY24-FY26



Source: Company, HSIE Research

Exhibit 17: Higher credit costs despite higher salaried mix (FY26)



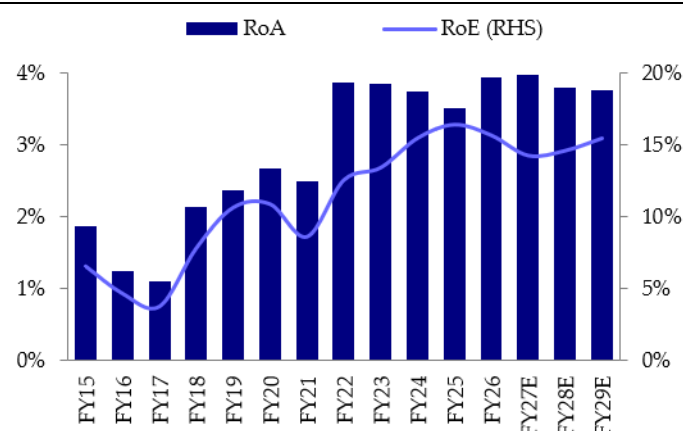
Source: Company, HSIE Research

Value emerging; upgrade to ADD

HOMEFIRST loan growth has decelerated significantly from ~35% to ~25% YoY driving valuation de-rating. Disbursements growth has witnessed an uptick, which is likely to sustain driven by company's initiatives and improving demand. To that extent, current valuations provide favorable risk-reward. Profitability has largely remained intact, with compression in RoE due to capital raise.

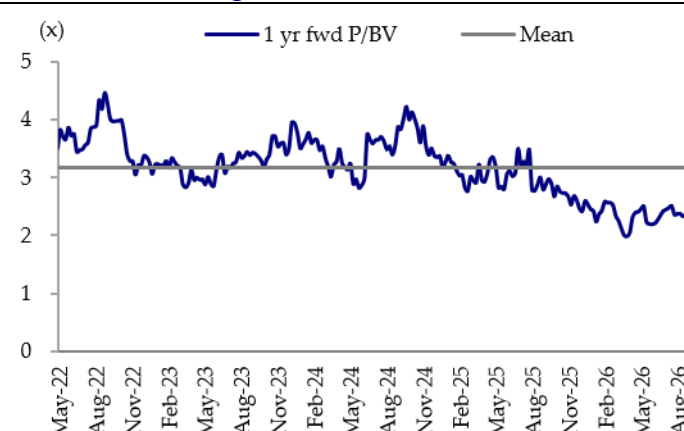
We tweak our FY27E/FY28E earnings estimates to factor in higher loan growth offset by lower other income and marginal NIM compression. We upgrade HOMEFIRST from REDUCE to ADD with revised RI-based TP of INR 1,250 (implying 2.3x Sep-28 ABVPS).

Exhibit 18: HOMEFIRST's RoE likely to improve during FY28-FY29E



Source: Company, HSIE Research

Exhibit 19: HOMEFIRST has witnessed significant valuation de-rating



Source: Bloomberg, HSIE Research

Exhibit 20: Change in estimates

(INR bn)	FY27E			FY28E		
	Old	New	Change	Old	New	Change
AUM	196	198	1.2%	242	248	2.5%
NIM (%)	6.7	6.6	-3 bps	6.6	6.6	-2 bps
NII	11.0	11.0	-0.5%	13.2	13.3	0.4%
PPOP	9.5	9.5	0.0%	11.1	11.2	0.4%
PAT	6.6	6.7	0.4%	7.8	7.8	0.4%
Adj. BVPS (INR)	453.4	453.2	0.0%	513.9	513.6	-0.1%

Source: Company, HSIE Research

Home First Finance Company India: Company Update

Exhibit 21: Peer comparison

FY26	Units	AAVAS	HOMEFIRST	APTUS	ISFC	AADHAR
AUM	INR bn	235	159	131	110	306
Disbursements	INR bn	68	54	40	38	96
Growth (% YoY)						
AUM	%	14.8%	24.9%	20.6%	34.9%	19.7%
Disbursements	%	10.7%	12.9%	11.2%	14.3%	16.6%
Margins %						
Yield on advances	%	12.4%	13.4%	17.0%	14.8%	13.7%
Cost of funds	%	7.4%	7.9%	8.8%	7.9%	7.8%
Spread	%	5.0%	5.5%	8.2%	6.9%	5.9%
NIM	%	6.1%	6.1%	10.8%	9.3%	7.5%
% Borrowings						
Banks	%	67%	73%	62%	54%	54%
NCD + CPs	%	13%	2%	17%	3%	19%
NHB	%	14%	18%	9%	20%	22%
Off balance sheet	%	21%	17%	8%	22%	18%
Cost efficiency						
Cost-to-income ratio	%	45%	32%	20%	36%	37%
Opex-to-AUM ratio	%	3.3%	2.6%	2.7%	4.1%	3.0%
Other opex/branch	INR mn	5.9	7.2	2.9	3.2	4.6
Portfolio mix						
Home loans	%	65%	83%	48%	56%	73%
ATS - Home loans	INR mn	1.3	1.2	1.0	1.0	1.1
Self-employed mix - HL	%	61%	32%	80%	76%	45%
Productivity						
AUM/branch	INR mn	564	974	410	385	507
Disbursals/branch (p.m.)	INR mn	13.6	27.7	10.5	11.2	13.2
Disbursals/employee (/month)	INR mn	0.8	2.6	0.9	0.7	1.6
Repayment rate	%	18.3%	17.8%	16.3%	12.0%	17.7%
Asset Quality						
GS III	%	1.0%	1.8%	1.6%	1.3%	1.1%
NS III	%	0.7%	1.4%	1.2%	1.0%	0.7%
GS II	%	1.3%	1.5%	5.1%	3.3%	3.0%
PCR - Stage III	%	36%	24%	25%	25%	36%
Credit costs	%	0.2%	0.5%	0.5%	0.5%	0.3%
(% of avg. assets)						
Interest earned	%	11.4%	12.2%	16.0%	14.2%	12.8%
Interest expended	%	5.5%	5.8%	5.3%	5.1%	5.4%
Net interest income	%	5.9%	6.4%	10.7%	9.0%	7.4%
Non-interest income	%	2.0%	1.9%	2.5%	3.5%	1.8%
Operating expenses	%	3.6%	2.7%	2.7%	4.5%	3.4%
Pre-provisioning profit	%	4.4%	5.6%	10.5%	8.0%	5.8%
Provisions	%	0.2%	0.4%	0.5%	0.5%	0.3%
PBT	%	4.2%	5.2%	10.0%	7.5%	5.6%
ROAA	%	3.3%	3.9%	7.8%	5.8%	4.3%
Assets/Equity	x	4.2	4.0	2.6	2.9	3.6
RoAE	%	13.9%	15.7%	20.1%	17.0%	15.8%

Source: Company, HSIE Research

Home First Finance Company India: Company Update

Financials

Income Statement

(INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest earned	10,277	13,540	16,640	20,421	25,221	31,204
Interest expended	4,999	7,153	7,923	9,458	11,931	14,926
Net interest income	5,278	6,388	8,717	10,963	13,290	16,278
Other income	1,289	1,852	2,587	3,165	3,703	4,508
Total income	6,567	8,239	11,304	14,128	16,992	20,786
Operating expenditure	2,313	2,936	3,658	4,629	5,827	7,180
Pre-provisioning operating profit	4,254	5,304	7,646	9,499	11,165	13,606
Non-tax provisions	254	288	569	750	942	1,188
Profit before tax	4,000	5,016	7,078	8,749	10,223	12,418
Share of net profit of associates and joint ventures	0	0	0	0	0	0
Exceptional gain/(loss)	0	0	0	0	0	0
Tax expenditure	942	1,195	1,674	2,078	2,428	2,949
Profit attributable to non-controlling interests	0	0	0	0	0	0
Profit after tax	3,057	3,821	5,404	6,671	7,795	9,469
Adjusted Profit after tax	3,057	3,821	5,404	6,671	7,795	9,469

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Share capital	177	180	209	209	209	209
Reserves and surplus	20,648	24,458	42,617	48,746	55,807	64,418
Net worth	21,215	25,213	43,565	49,693	56,755	65,366
Borrowings	73,021	95,507	1,05,900	1,31,591	1,66,895	2,06,500
Other liabilities and provisions	1,104	1,397	2,200	2,752	3,207	3,950
Total equity and liabilities	95,340	1,22,117	1,51,665	1,84,036	2,26,857	2,75,816
Cash and cash equivalents	8,215	9,382	8,410	4,757	5,420	2,446
Investments	3,788	3,602	8,122	13,043	15,587	19,858
Advances	81,434	1,06,487	1,31,326	1,61,857	2,00,439	2,46,905
Fixed assets	302	461	559	699	873	1,092
Other assets	1,600	2,184	3,248	3,681	4,537	5,516
Total assets	95,340	1,22,117	1,51,665	1,84,036	2,26,857	2,75,816

Source: Company, HSIE Research

Home First Finance Company India: Company Update

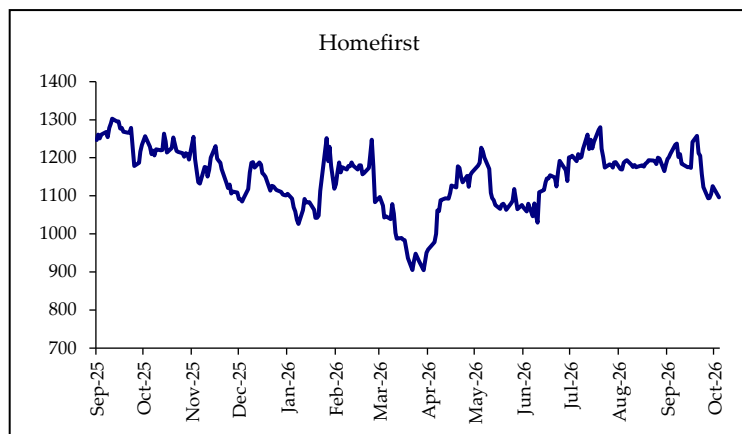
Key Ratios

Y/E Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
VALUATION RATIOS						
EPS (INR)	34.5	42.4	51.8	63.9	74.7	90.8
Earnings Growth (%)	33.9%	25.0%	41.4%	23.5%	16.8%	21.5%
BVPS (ex-reval.) (INR)	240	280	418	476	544	627
Adj. BVPS (ex-reval. & 100% cover) (INR)	229	265	400	453	514	589
ROAA (%)	3.8%	3.5%	3.9%	4.0%	3.8%	3.8%
ROAE (%)	15.5%	16.5%	15.7%	14.3%	14.6%	15.5%
P/E (x)	32.0	26.0	21.3	17.3	14.8	12.2
P/ABV (x)	4.8	4.2	2.8	2.4	2.2	1.9
P/PPOP (x)	23.0	18.8	15.1	12.1	10.3	8.5
Dividend yield (%)	0.3%	0.3%	0.5%	0.6%	0.7%	0.9%
PROFITABILITY (%)						
Yield on Advances (%)	13.9%	13.8%	13.4%	13.4%	13.4%	13.4%
Cost of Funds (%)	8.3%	8.5%	7.9%	8.0%	8.0%	8.0%
Core Spread (%)	5.7%	5.3%	5.5%	5.4%	5.4%	5.4%
NIM (%)	6.6%	6.0%	6.5%	6.6%	6.6%	6.6%
OPERATING EFFICIENCY						
Cost to average AUM ratio (%)	2.7%	2.6%	2.6%	2.6%	2.6%	2.6%
Cost-income ratio (%)	35.2%	35.6%	32.4%	32.8%	34.3%	34.5%
BALANCE SHEET STRUCTURE RATIOS						
Loan growth (%)						
AUM growth (%)	35.8%	30.8%	23.3%	23.2%	23.8%	23.2%
Borrowing growth (%)	34.7%	31.1%	24.9%	24.9%	24.8%	24.1%
Debt/Equity (x)	51.7%	30.8%	10.9%	24.3%	26.8%	23.7%
Equity/Assets (%)	3.4	3.8	2.4	2.6	2.9	3.2
Equity/Loans (%)	22.3%	20.6%	28.7%	27.0%	25.0%	23.7%
Total Capital Adequacy Ratio (CAR) (%)	26.1%	23.7%	33.2%	30.7%	28.3%	26.5%
Tier I CAR (%)	39.5%	32.8%	44.1%	41.9%	38.5%	36.1%
ASSET QUALITY						
GS III (INR mn)	1,393	1,808	2,404	3,201	4,244	5,196
NS III (INR mn)	979	1,353	1,829	2,414	3,168	3,882
Slippages (%)	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%
GS III (%)	1.7%	1.7%	1.8%	2.0%	2.1%	2.1%
NS III (%)	1.2%	1.3%	1.4%	1.5%	1.6%	1.6%
Coverage Ratio (%)	29.7%	25.2%	23.9%	24.6%	25.3%	25.3%
Provision/AUM (%)	0.30%	0.26%	0.40%	0.42%	0.42%	0.43%
Provision/Gross advances (%)	0.36%	0.30%	0.47%	0.51%	0.52%	0.53%
(% of average assets)						
Interest earned	12.6%	12.5%	12.2%	12.2%	12.3%	12.4%
Interest expended	6.1%	6.6%	5.8%	5.6%	5.8%	5.9%
Net interest income	6.5%	5.9%	6.4%	6.5%	6.5%	6.5%
Non-interest income	1.6%	1.7%	1.9%	1.9%	1.8%	1.8%
Operating expenses	2.8%	2.7%	2.7%	2.8%	2.8%	2.9%
Pre-provisioning profit	5.2%	4.9%	5.6%	5.7%	5.4%	5.4%
Non-tax provisions	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provision for tax	1.2%	1.1%	1.2%	1.2%	1.2%	1.2%
ROAA	3.8%	3.5%	3.9%	4.0%	3.8%	3.8%
Average assets/Average equity (x)	4.1	4.7	4.0	3.6	3.9	4.1
ROAE	15.5%	16.5%	15.7%	14.3%	14.6%	15.5%

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Price Movement



Rating Criteria

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

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