

CMP: INR 1199

Rating: Buy

Target Price: INR 1655

Stock Info

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Cr)	17.80
Mkt Cap (INR Bn)	12385
52w H/L (INR)	1519 / 878
Avg Yearly Vol (in 000')	483

Shareholding Pattern %

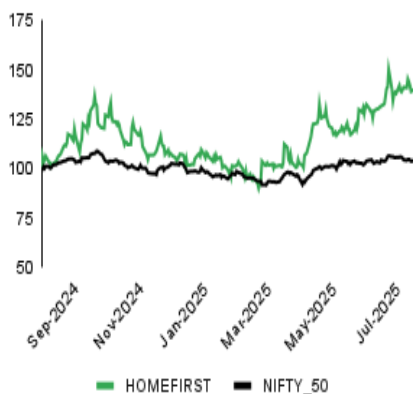
(As on June, 2025)

Promoters	12.47
Public & Others	87.53

Stock Performance (%)

	1m	6m	12m
Home First Finance	-11.5	20.1	22.2
Nifty 50	-3.4	3.6	2.3

Home First Finance Vs Nifty 50



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Home First Finance (HFFC) delivered positive financial results for Q1FY26, showing some signs of stress as bounce rates increased on a YoY basis. PAT improved by 35.46% YoY/ up 13.56% QoQ, reaching INR 1188.9 mn, as net interest income increased by 12.91% QoQ/ 41.02% YoY at INR 2533.3 mn. Further, finance costs increased in Q1FY26, as interest expenses rose by 27.75% YoY/ 5.24% QoQ. The company maintained strong business momentum with disbursements amounting to INR 12,435 mn (+6.97% YoY/-2.33% QoQ), leading to a robust 28.64% YoY/ 6.03% QoQ growth in AUM which stood at INR 1,34,787 mn. We believe the growth momentum to continue. Asset Quality remained largely stable but there was a notable increase in bounce rates to 16.8% YoY in Q1FY26 against 15.3% in Q1FY25. GNPA/NNPA came at 1.8% (+10bps QoQ/ +10 bps YoY) and 1.4% (+10bps QoQ/ +10 bps YoY), respectively. The company witnessed a deterioration in the DPD 30+ book from 3% to 3.5% QoQ.

Key Highlights:

1. NII increased at healthy pace of 27.9% YoY and 8.8% QoQ to INR 1.68 bn on the back of good growth in AUM.
2. Net interest margin declined by 10 bps YoY but was up 10 bps QoQ to 5.2% in Q1 FY26.
3. Cost to income declined to 34.2% as against 35.6% YoY and 35.7% QoQ.
4. Provisions increased sharply by 110.5% YoY and 51.7% QoQ, however, owing to steady operational performance the net profit growth came in at 35.5% YoY.
5. The lender raised capital worth INR 12.50 bn via QIP during the quarter which boosted its capital adequacy ratio to 49.6% as on June 2025.
6. Total housing loans formed 83% of overall loan book versus 85% YoY while LAP loans formed 16% as against 14% YoY.

Key Concall Highlights:

1. Interest Spreads (ex-co-lending) for the quarter were stable on sequential basis at 5.1%.
2. Cost of borrowing was flat at 8.4% on a sequential basis and marginal cost of borrowing was down 10 bps QoQ to 8.5%.
3. Credit cost for the quarter increased to 40 bps from 20 bps YoY and 30 bps QoQ.
4. During the quarter, GNPA and NNPA ratios increased by 10 bps each on a sequential basis to 1.8% and 1.4%, respectively.
5. Markets like Surat and Coimbatore saw higher delinquencies.
6. 30+DPD (days past due) book for the company was up 50 bps sequentially to 3.5%, and 1+DPD for the lender was up 90 bps QoQ to 5.4%.

Valuation and View

The company reported healthy profitability growth, primarily supported by robust top-line performance. Margins expanded sequentially, although they remained lower on a year-over-year basis. Asset Under Management (AUM) growth was commendable during the period. However, asset quality showed some deterioration, with a marginal uptick in delinquencies observed in certain regions, partly attributable to seasonal factors. Looking ahead, disbursement growth is expected to accelerate. We maintain our Target Price to INR 1,655 based on 4.4x FY27E ABV.

Quarterly Result Update (Rs Mn)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Interest Income	4,536.1	4,146.7	3,364.2	9.39%	34.84%
Interest Expended	2,002.8	1,903.1	1,567.7	5.24%	27.75%
Net Interest Income	2,533.3	2,243.6	1,796.5	12.91%	41.02%
Other Income	16.5	15.3	49.1	8.19%	-66.35%
Operating Income	2,549.8	2,258.9	1,845.5	12.88%	38.16%
Operating Expenses	868.1	802.9	654.8	8.11%	32.56%
Employee Expenses	603.7	517.9	415.7	16.55%	45.21%
Other Operating Expenses	264.4	285.0	239.1	-7.21%	10.58%
PPOP	1,681.8	1,455.9	1,190.7	15.51%	41.24%
Provisions	116.8	77.0	55.5	51.71%	110.41%
PBT	1,565.0	1,379.0	1,135.2	13.49%	37.86%
Tax Expenses	376.1	332.0	257.5	13.26%	46.03%
Net Profit	1,188.9	1,046.9	877.7	13.56%	35.46%
Spreads (%)					
Spread	5.10%	5.10%	5.10%	0bps	0bps
Yield on Average Advances	13.50%	13.60%	13.50%	-10bps	0bps
CAR (%)	49.60%	32.80%	36.20%	1680bps	1340bps
Asset Quality (%)					
GNPA	1.8%	1.7%	1.7%	10bps	10bps
NNPA	1.40%	1.30%	1.30%	10bps	10bps
DPD 1+	5.40%	4.50%	4.50%	90bps	90bps
DPD 30+	3.50%	3.00%	2.90%	50bps	60bps
Cheque Bounce rate	16.80%	16.40%	15.30%	40bps	150bps
Returns & Expenses					
RoA	3.70%	3.50%	3.60%	20bps	10bps
RoE	14.90%	17.00%	16.30%	-210bps	-140bps
Cost / Income Ratio (%)	34.20%	35.70%	35.60%	-150bps	-140bps
Asset growth trend					
Total AUM	134,787	127,127	104,781	6.03%	28.64%
- Home Loans	111,873.21	106,786.68	90,112	4.76%	24.15%
- Loan for Commercial property	1,348	1,271	1,048	6.03%	28.64%
- LAP	21,565.92	19,069.05	14,669	13.09%	47.01%
- Developer Finance	-	-	-	#DIV/0!	#DIV/0!
Disbursements	12,435	12,731	11,625	-2.33%	6.97%
AUM by customer segment (%)					
Salaried	68.00%	68.00%	68.00%	0bps	0bps
Self Employed	32.00%	32.00%	32.00%	0bps	0bps
AUM by Geography (%)					
Gujarat	28.70%	28.90%	30.40%	-20bps	-170bps
Maharashtra	14.20%	13.90%	13.30%	30bps	90bps
Tamil Nadu	12.60%	13.00%	13.90%	-40bps	-130bps
Karnataka	6.10%	6.30%	6.70%	-20bps	-60bps
Rajasthan	6.30%	6.20%	6.00%	10bps	30bps
Telangana	8.40%	8.50%	8.60%	-10bps	-20bps
Madhya Pradesh	8.60%	8.20%	6.60%	40bps	200bps
Uttar Pradesh & Uttarakhand	6.40%	6.50%	6.50%	-10bps	-10bps
Others	8.70%	8.50%	8.00%	20bps	70bps

Source: Company, Arianth Research

Concall Highlights

Guidance

- The lender has guided for disbursements of INR 56 to INR 58 bn for FY26.
- The company plans to add 6 branches in next quarter.
- Co-lending share to rise to 10% of total disbursements.
- Credit cost guidance for FY26 is in the range of 30-40 bps.
- The company expects disbursement market share is to reach 4%-5% from 2.5% currently in the medium term.
- Cost of borrowing to decline in Q2 FY26 and should reach around 8% mark by end of FY26.
- The lender looks to have cost to assets in the range of 2.6%-2.7% in FY26.
- It envisages to have ROA close to 4% mark, going forward.

Highlights

- Net interest income increased at healthy pace of 27.9% YoY and 8.8% QoQ to INR 1.68 bn on the back of good growth in AUM.
- Net interest margin declined by 10 bps YoY but was up 10 bps QoQ to 5.2% in Q1 FY26.
- Interest Spreads (ex-co-lending) for the quarter were stable on sequential basis at 5.1%.
- Cost to income declined to 34.2% as against 35.6% YoY and 35.7% QoQ.
- Provisions increased sharply by 110.5% YoY and 51.7% QoQ, however, owing to steady operational performance the net profit growth came in at 35.5% YoY.
- Cost of borrowing was flat at 8.4% on a sequential basis and marginal cost of borrowing was down 10 bps QoQ to 8.5%.
- Direct assignments and co-lending volume during the quarter increased to INR 2.62 bn v/s INR 1.94 bn YoY.
- Tamil Nadu and Telangana state continued to face subdued disbursement growth in Q1 FY26.
- Growth in Maharashtra has been improving.
- Home first has a liquidity buffer of INR 33.79 bn including Cash and un-availed sanctions from Banks.
- The lender raised capital worth INR 12.50 bn via QIP during the quarter which boosted its capital adequacy ratio to 49.6% as on June 2025.

Key Financials

P&L (INR in Cr)	FY23	FY24	FY25	FY26e	FY27e
Interest income	683	1,028	1,354	1,678	2,105
Interest expense	304	500	715	849	1,068
NII	378	528	639	828	1,036
Non-interest income	113	129	185	251	331
Net revenues	491	657	824	1,079	1,368
Operating expenses	175	231	294	371	417
PPOP	317	425	530	708	951
Provisions	22	25	29	55	71
PBT	295	400	502	653	879
Tax	67	94	120	164	222
PAT	228	306	382	488	658

Balance sheet	FY23	FY24	FY25	FY26e	FY27e
Share capital	18	18	18	20	20
Reserves & surplus	1,800	2,104	2,503	4,239	4,897
Net worth	1,817	2,121	2,521	4,259	4,917
Borrowings	4,813	7,302	9,551	10,431	13,507
Other liability	106	110	140	211	264
Total liabilities	6,737	9,534	12,212	14,901	18,688
Fixed assets	25	30	45	58	76
Investments	281	379	360	378	397
Loans	5,996	8,143	10,649	12,518	16,209
Cash	311	838	938	1,722	1,777
Other assets	124	144	220	225	230
Total assets	6,737	9,534	12,212	14,901	18,688

Source: Arihant Research, Company Filings

Key Ratios

Ratios	FY23	FY24	FY25e	FY26e	FY27e
Growth (%)					
Advances	39.3	35.8	30.8	17.6	29.5
Borrowings	38.8	51.7	30.8	9.2	29.5
Total assets	31.7	41.5	28.1	22.0	25.4
NII	44.7	39.6	21.0	29.7	25.1
PPOP	26.0	34.3	24.7	33.5	34.3
PAT	22.7	33.9	25.0	27.8	34.7
Balance sheet ratios (%)					
Advances/Total assets	89.0	85.4	87.2	84.0	86.7
Leverage (x) (Asset/Shareholder's Fund)	3.5	4.1	4.7	-	-
CAR	49.2	39.8	36.1	48.9	44.2
CAR - Tier I	48.5	39.3	35.8	48.7	44.0
Operating efficiency (%)					
Cost/income	35.5	35.2	35.6	34.4	30.5
Opex/total assets	2.7	2.8	2.9	2.8	2.8
Profitability (%)					
NIM	6.5	6.6	6.0	6.2	6.3
RoA	3.9	3.8	3.5	3.6	3.9
RoE	13.5	15.5	16.5	14.4	14.3
Asset quality (%)					
Gross NPAs	1.6	1.2	1.0	1.0	1.0
Net NPAs	1.1	0.7	0.6	0.6	0.5
PCR	31.4	38.2	42.6	45.0	46.2
Credit cost	36.0	50.0	50.0	50.0	50.0
Per share data / Valuation					
EPS	25.9	34.5	42.4	48.8	65.7
BV	206.5	239.7	280.0	425.7	491.4
ABV	130.6	172.1	210.0	354.3	406.9
P/E	46.1	34.7	28.2	24.5	18.2
P/BV	5.8	5.0	4.3	2.8	2.4
P/ABV	9.2	7.0	5.7	3.4	2.9

Source: Arihant Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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