

**CMP: INR 1197**

**Rating: Buy**

**Target Price: INR 1627**

**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)	12352
52w H/L (INR)	1383 / 777
Avg Yearly Vol (in 000')	374

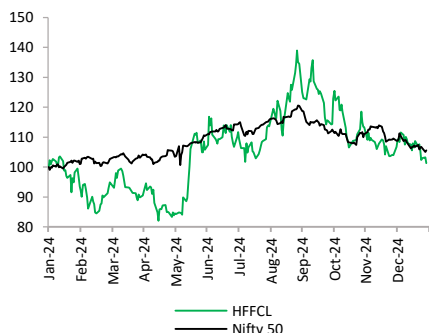
**Shareholding Pattern %**

(As on March, 2025)

Promoters	12.47
Public & Others	87.53

Stock Performance (%)	1m	6m	12m
Home First Finance	20.7	4.3	34.5
Nifty 50	4.4	1.5	7.5

**Home First Finance Vs Nifty 50**



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Home First Finance (HFFC) delivered positive financial results for Q4FY25, showing some signs of stress as bounce rates increased on a YoY basis. PAT improved by 25.43% YoY/ up 7.5% QoQ, reaching INR 1046 mn, as net interest income increased by 5.18% QoQ/ 34.43% YoY at INR 2243.6 mn. Further, finance costs increased in Q4FY25, as interest expenses rose by 30.47% YoY/ -1.21% QoQ. The company maintained strong business momentum with disbursements amounting to INR 12,731 mn (+15.5% YoY/+6.7% QoQ), leading to a robust 31.1% YoY/ 6.4% QoQ growth in AUM which stood at INR 1,27,127 mn. We believe the growth momentum to continue. Asset Quality remained largely stable but there was a notable increase in bounce rates to 16.4% YoY in Q4FY25 against 14.7% in Q4FY24. GNPA/NNPA came at 1.7% (flat QoQ/ flat YoY) and 1.3% (flat QoQ/ up 10 bps YoY), respectively. The company witnessed a slight improvement in the DPD 30+ book from 3.1% to 3.0% QoQ.

**Key Highlights:**

1. NII stood at INR 2243.6 mn (up 34.43% YoY/up 5.18% QoQ). Spread for the quarter came at 5.1% against 5.1% QoQ. In Q4FY25, Yield for the quarter improved marginally by 10bps YoY and remained flat at 13.6%.
2. OPEX grew by 37.5% YoY/ 6.75% QoQ. The C-I ratio increased by +160bps YoY/ 50 bps QoQ at 35.7%. PPOP increased by 28.29% YoY/ up 4.29% QoQ to INR 1,455.9 mn.
3. PAT increased by 7.5% QoQ to INR 1046.9 mn. ROA fell by 10 bps YoY at 3.5%.
4. The lender raised INR 12.50 bn via QIP by issuing 1.3 crore equity shares in the month of April 2025.
5. Total housing loans formed 84% of overall loan book while LAP (Loan against property) loans formed 15% and shop loans to form 1% of total loans.

**Key Concall Highlights:**

1. Spreads (excluding co-lending) for the company declined by 10 bps QoQ and by 10 bps YoY to 5.1%.
2. Credit cost for the quarter was steady on sequential basis at 30 bps while on YoY basis it was up 20 bps.
3. During the quarter, asset quality was steady as GNPA and NNPA ratios remained stable at 1.7% and 1.3% respectively as compared to the previous quarter.
4. GNPA in LAP segment is around 1.2%-1.3% while in home loans it is 1.9%.
5. Bounce rates increased to 16.4% versus 16% QoQ and 14.7% YoY.
6. The housing sector is performing well and the company is well positioned to leverage this growth and gain market share.

**Valuation and View**

Home First Finance reported steady profitability growth, primarily driven by healthy loan book expansion. NIMs declined on a YoY basis, though they improved sequentially by a few basis points. Asset quality remained largely stable, with GNPA/ NNPA ratios broadly unchanged on a sequential basis. Management commentary indicates continued business momentum, with expectations of sustained performance across key operational metrics. We continue to believe, HFFC is well positioned to capture the strong growth in the growing and underpenetrated HFC market on its smaller base and strong credit underwriting model. We expect AUM to grow by 30% for FY25. We maintain our Target Price to INR 1,627 based on 4x FY27E ABV.

Quarterly Result Update (Rs Mn)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Interest Income	4,146.7	4,059.5	3,127.6	2.15%	32.58%
Interest Expended	1,903.1	1,926.3	1,458.7	-1.21%	30.47%
Net Interest Income	2,243.6	2,133.2	1,669.0	5.18%	34.43%
Other Income	15.3	15.0	49.9	1.53%	-69.39%
Operating Income	2,258.9	2,148.2	1,718.8	5.15%	31.42%
Operating Expenses	802.9	752.2	583.9	6.75%	37.50%
Employee Expenses	517.9	507.9	365.6	1.98%	41.68%
Other Operating Expenses	285.0	244.3	218.4	16.66%	30.51%
PPOP	1,455.9	1,396.0	1,134.9	4.29%	28.29%
Provisions	77.0	97.9	27.4	-21.33%	180.58%
PBT	1,379.0	1,298.2	1,107.5	6.22%	24.52%
Tax Expenses	332.0	324.3	272.8	2.37%	21.72%
Net Profit	1,046.9	973.8	834.7	7.50%	25.43%
<b>Spreads (%)</b>					
Spread	5.10%	5.20%	5.2%	-10bps	-10bps
Yield on Average Advances	13.60%	13.60%	13.5%	0bps	10bps
CAR (%)	32.80%	33.10%	39.5%	-30bps	-670bps
<b>Asset Quality (%)</b>					
GNPA	1.7%	1.7%	1.7%	0bps	0bps
NNPA	1.30%	1.30%	1.2%	0bps	10bps
DPD 1+	4.50%	4.80%	4.2%	-30bps	30bps
DPD 30+	3.00%	3.10%	2.8%	-10bps	20bps
Cheque Bounce rate	16.40%	16.00%	14.7%	40bps	170bps
<b>Returns &amp; Expenses</b>					
RoA	3.50%	3.40%	3.6%	10bps	-10bps
RoE	17.00%	16.60%	16.1%	40bps	90bps
Cost / Income Ratio (%)	35.70%	35.20%	34.1%	50bps	160bps
<b>Asset growth trend</b>					
Total AUM	127,127	119,494	96,978	6.39%	31.09%
- Home Loans	106,786.68	100,374.96	82,938	6.39%	28.75%
- Loan for Commercial property	1,271	1,195	963	6.39%	32.01%
- LAP	19,069.05	17,924.10	13,019	6.39%	46.47%
- Developer Finance	-	-	58	#DIV/0!	-100.00%
Disbursements	12,731	11,928	11,019	6.73%	15.54%
<b>AUM by customer segment (%)</b>					
Salaried	68.00%	68.00%	70.80%	0bps	0bps
Self Employed	32.00%	32.00%	29.20%	0bps	0bps
<b>AUM by Geography (%)</b>					
Gujarat	28.90%	29.20%	31.20%	-60bps	-280bps
Maharashtra	13.90%	13.60%	13.30%	30bps	20bps
Tamil Nadu	13.00%	13.40%	14.00%	-30bps	-60bps
Karnataka	6.30%	6.40%	6.80%	-30bps	-50bps
Rajasthan	6.20%	6.20%	5.90%	10bps	40bps
Telangana	8.50%	8.60%	8.90%	10bps	-30bps
Madhya Pradesh	8.20%	7.60%	6.20%	50bps	180bps
Uttar Pradesh & Uttarakhand	6.50%	6.70%	6.10%	10bps	100bps
Others	8.50%	8.30%	7.60%	10bps	130bps

Source: Company, Arianth Research

## Concall Highlights

### Guidance

- The management expects AUM growth of over 30% for FY26
- Disbursement growth target is over 20% mark for FY26, of which 20-25% would come from new branches while rest would be from existing locations.
- LAP mix in total AUM would be around 15%-20% mark.
- ATS is expected to increase by 3%-4% every year going ahead.
- BT out (balance transfer) rate is expected to be in the range of 6%-8%.
- Going ahead the lender expects to have a NIM + Fee & other income of ~7.5%.
- Opex-to-assets is expected to be in the range of 2.7%-2.8% in FY26.
- The company has guided for spreads of over 5% mark.
- Credit cost is guided to be in the range of 30-40 bps going ahead.

### Highlights

- Net interest income was up 26% YoY and 8.1% QoQ and was driven by healthy loan growth.
- Net interest margin was down 20 bps on YoY basis, but it expanded by 20 bps on a sequential basis to 5.1% for Q4 FY25.
- Spreads for the company declined 10 bps QoQ and 20 bps YoY to 5.0%.
- Cost-to-income ratio was up 162 bps YoY and 52 bps QoQ to 35.7%
- Credit cost for the quarter was steady on sequential basis at 30 bps while on YoY basis it was up 20 bps.
- Net profit for the quarter posted steady growth of 25.4% YoY to INR 1.047 bn in Q4 FY25.
- The company reported healthy AUM growth of 31.1% YoY and 6.4% QoQ to INR 127.13 bn.
- Disbursement growth for the quarter stood at 15.5% YoY and 6.7% sequentially to INR 12.73 bn.
- Balance transfer out rate for the company stands at 7.5% in Q4 FY25 versus 7.3% a quarter ago.
- Total housing loans formed 84% of overall loan book while LAP (Loan against property) loans formed 15% and shop loans to form 1% of total loans.
- Salaried segment forms 68% of total outstanding loan book and self employed were 32% as on 31st March 2025.
- Average ticket size (ATS) of housing loans stood at INR 11.7 lakh.
- Origination yield on loans stood at ~13.3% and marginal cost of borrowings stood at 8.6% in Q4FY25.
- The lender raised INR 12.50 bn via QIP by issuing 1.3 crore equity shares in the month of April 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
<b>NII</b>	<b>378</b>	<b>528</b>	<b>639</b>	<b>828</b>	<b>1,036</b>
Non-interest income	113	129	185	251	331
<b>Net revenues</b>	<b>491</b>	<b>657</b>	<b>824</b>	<b>1,079</b>	<b>1,368</b>
Operating expenses	175	231	294	371	417
<b>PPOP</b>	<b>317</b>	<b>425</b>	<b>530</b>	<b>708</b>	<b>951</b>
Provisions	22	25	29	55	71
<b>PBT</b>	<b>295</b>	<b>400</b>	<b>502</b>	<b>653</b>	<b>879</b>
Tax	67	94	120	164	222
<b>PAT</b>	<b>228</b>	<b>306</b>	<b>382</b>	<b>488</b>	<b>658</b>

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
<b>Net worth</b>	<b>1,817</b>	<b>2,121</b>	<b>2,521</b>	<b>4,259</b>	<b>4,917</b>
Borrowings	4,813	7,302	9,551	10,431	13,507
Other liability	106	110	140	211	264
<b>Total liabilities</b>	<b>6,737</b>	<b>9,534</b>	<b>12,212</b>	<b>14,901</b>	<b>18,688</b>
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
<b>Total assets</b>	<b>6,737</b>	<b>9,534</b>	<b>12,212</b>	<b>14,901</b>	<b>18,688</b>

Source: Arihant Research, Company Filings

## Key Ratios

Ratios	FY23	FY24	FY25e	FY26e	FY27e
<b>Growth (%)</b>					
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
<b>Balance sheet ratios (%)</b>					
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
<b>Operating efficiency (%)</b>					
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
<b>Profitability (%)</b>					
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
<b>Asset quality (%)</b>					
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
<b>Per share data / Valuation</b>					
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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