

CMP: INR 1,113

Rating: Accumulate

Target Price: INR 1,286

Stock Info

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Cr)	20.8
Mkt Cap (INR Bn)	115.6
52w H/L (INR)	1,519 / 839
Avg Yearly Vol (in 000')	391.69

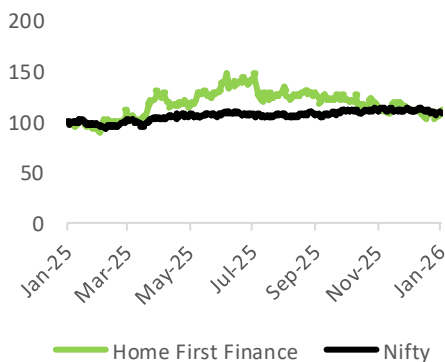
Shareholding Pattern %

(As on Dec, 2025)

Promoters	12.35
Public & Others	87.65

Stock Performance (%)	3m	6m	12m
Home First Finance	-8.18	-18.87	13.89
Nifty 50	-3.86	1.49	9.72

Home First Finance Vs Nifty 50



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The company reported a net profit of INR 1,402 Mn, marginally above our estimate of INR 1,392 Mn, compared with INR 1,319 Mn in Q2FY26 and INR 974 Mn in Q3FY25, reflecting growth of ~44% YoY and ~6% QoQ. NII stood at INR 2,347 Mn, ahead of our estimate of INR 2,168 Mn, registering strong growth of ~44% YoY and ~14% QoQ. PPOP came in at INR 1,970 Mn, slightly below our estimate of INR 2,017 Mn, compared with INR 1,885 Mn in Q2FY26 and INR 1,396 Mn in Q3FY25. Provisions were INR 142 Mn, up ~45% YoY but down ~7% QoQ. PBT was reported at INR 1,828 Mn, marginally lower than our estimate of INR 1,857 Mn, versus INR 1,732 Mn in Q2FY26 and INR 1,299 Mn in Q3FY25. Advances grew by ~22.7% YoY and ~4.6% QoQ, reflecting healthy underlying business momentum.

Healthy AUM growth with improving asset quality trends: The company continues to grow at a healthy pace, with AUM rising ~25% YoY to ~INR 14,900 crore, supported by record quarterly disbursements. Asset quality trends are improving, with 1+ DPD declining QoQ and 30+ DPD remaining stable, indicating moderating incremental stress. While GNPA has inched up to ~2%, management expects Stage 3 assets to be near peak, aided by better collections and seasonally strong Q4 performance, suggesting the company is past the worst of the credit cycle while sustaining disciplined growth.

Strong profitability with healthy margins and returns: Despite a one-off gratuity provision, profitability remains strong, with PAT growing over 40% YoY in Q3FY26. Margins expanded on the back of a lower cost of funds, improved liquidity management, and calibrated leverage, while ex one-off earnings growth would have been even higher, underscoring solid operating performance. With ROA of ~4% and ROE in the mid-teens, Home First continues to deliver high-quality, profitable growth while investing in branches, people, and technology.

Tech-led model enables scalable growth: The company's tech-first, granular lending model remains a key differentiator, with most loans now digitally originated and fulfilled, supported by Account Aggregators and app-based engagement that drive efficiency and scalability. Its focus on first-time home buyers with small ticket sizes ensures portfolio diversification. With strong capitalization (~49% CAR) and a diversified funding mix, the company has ample headroom to sustain ~25% AUM growth over the medium term without straining the balance sheet or asset quality.

Valuation and View

The company confidence ~25% AUM growth for FY26 exit and FY27, supported by improving asset quality, normalization in early delinquencies, and stronger disbursements from Q4 onwards. Margin outlook is stable, with spreads guided at ~5.0-5.2%, aided by easing borrowing costs and pricing discipline. Asset quality is expected to improve sequentially, driven by better collections, stabilization in Gujarat and Maharashtra, and a gradual turnaround in Tamil Nadu from FY27. Strong capital adequacy, diversified funding, and continued technology investments provide sufficient headroom to fund growth while keeping ROA ~4%. **We maintain our Target Price to INR 1,286 based on 2.8x FY28E ABV**

Exhibit: Financial Performance

HFCL (INR Cr)	FY24A	FY25E	FY26E	FY27E	FY28E
NII	528	639	783	965	1,145
PPOP	425	530	642	780	932
PAT	306	382	439	535	641
BVPS	240	280	329	388	459
RoA (%)	3.76	3.51	3.23	3.39	3.53
RoE (%)	15.52	16.46	16.01	16.58	16.81
P/ABV(x)	4.9	4.2	3.6	3.0	2.5

Quarterly Result Update (Rs Mn)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Interest Income	4,822.5	4,773.2	4,059.5	1.03%	18.79%
Interest Expended	1,941.0	2,026.2	1,926.3	-4.21%	0.76%
Net Interest Income	2,881.5	2,747.0	2,133.2	4.90%	35.08%
Other Income	14.3	17.3	15.0	-17.20%	-4.86%
Operating Income	2,895.8	2,764.2	2,148.2	4.76%	34.80%
Operating Expenses	925.8	879.5	752.2	5.26%	23.08%
Employee Expenses	635.6	598.5	507.9	6.20%	25.16%
Other Operating Expenses	290.1	281.0	244.3	3.26%	18.77%
PPOP	1,970.0	1,884.8	1,396.0	4.52%	41.12%
Provisions	141.7	152.4	97.9	-7.04%	44.78%
PBT	1,828.3	1,732.3	1,298.2	5.54%	40.84%
Tax Expenses	426.3	413.9	324.3	3.01%	31.45%
Net Profit	1,402.0	1,318.5	973.8	6.34%	43.97%
Spreads (%)					
Spread	5.40%	5.30%	5.20%	10bps	20bps
Yield on Average Advances	13.40%	13.40%	13.60%	0bps	-20bps
CAR (%)	49.00%	48.40%	33.10%	60bps	1590bps
Asset Quality (%)					
GNPA	2.0%	1.9%	1.7%	10bps	30bps
NNPA	1.60%	1.50%	1.30%	10bps	30bps
DPD 1+	5.30%	5.50%	4.80%	-20bps	50bps
DPD 30+	3.70%	3.70%	3.10%	0bps	60bps
Cheque Bounce rate	16.70%	16.30%	16.00%	40bps	70bps
Returns & Expenses					
RoA	4.00%	3.80%	3.40%	20bps	60bps
RoE	13.70%	13.40%	16.60%	30bps	-290bps
Cost / Income Ratio (%)	32.10%	32.00%	35.20%	10bps	-310bps
Asset growth trend					
Total AUM	149,249.0	141,781.0	119,494.0	5.27%	24.90%
- Home Loans	123,876.7	117,678.2	100,375.0	5.27%	23.41%
- Loan for Commercial property	1,492.5	1,417.8	1,194.9	5.27%	24.90%
- LAP	23,879.8	22,685.0	17,924.1	5.27%	33.23%
Disbursements	12,894.0	12,894.0	11,768.0	0.00%	9.57%
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	28.60%	28.60%	29.20%	0bps	-60bps
Maharashtra	14.80%	14.50%	13.60%	30bps	120bps
Tamil Nadu	13.40%	12.10%	13.40%	130bps	0bps
Karnataka	6.00%	6.00%	6.40%	0bps	-40bps
Rajasthan	6.40%	6.30%	6.20%	10bps	20bps
Telangana	8.10%	8.40%	8.60%	-30bps	-50bps
Madhya Pradesh	9.70%	9.10%	7.60%	60bps	210bps
Uttar Pradesh & Uttarakhand	6.20%	6.30%	6.70%	-10bps	-50bps
Others	6.80%	8.70%	8.30%	-190bps	-150bps

Source: Company, Aриhant Research

Q2FY26 Concall Highlights

Business Growth & Scale

- AUM grew 24.9% YoY and 5.3% QoQ to ~INR 149.3 bn, continued strong growth momentum.
- Disbursements stood at ~INR 13.2 bn, up 10.5% YoY and 2.2% QoQ, with December 2025 monthly disbursements crossing INR 5.0 bn for the first time. Individual housing loans accounted for ~83% of originations, keeping the portfolio granular and strongly retail focused.
- Origination yield remained at 13.1%, pricing discipline despite competitive intensity. The company added 2 branches in Q3 across Karnataka and MP, has 6–8 branches in the pipeline, and plans to open ~6 branches in Q4.
- The Company guided for 25–30 branch additions in FY27, with expansion focused on MP, Maharashtra, Tamil Nadu, Andhra Pradesh, and Telangana.

Asset Quality & Collections

Early delinquencies improved, with 1+ DPD declining 20 bps QoQ to 5.3%, indicating normalization in early stress, while 30+ DPD remained stable at 3.7% and Stage-2 assets declined 10 bps QoQ. Gross Stage-3 rose marginally to 2.0% (up 10 bps QoQ), though management expects improvement from Q4 onwards. Credit cost stood at 40 bps in Q3, with guidance remaining benign supported by improving collections. Collection efficiency continues to improve despite elevated bounce rates, which management now views as largely behavioural rather than credit driven. Provision coverage remained healthy at 40.4%, with Stage-3 coverage strengthened to 22%.

State-wise Performance

Regional performance remained mixed but broadly stable. Gujarat has fully absorbed tariff-related stress, with growth and asset quality now stable. Maharashtra is seeing a strong recovery, particularly in Mumbai and Pune, which is driving AUM growth. Tamil Nadu was impacted by tariff issues and team churn; however, stabilization is underway with a turnaround expected from FY27, likely from Q2 onwards. Karnataka is emerging from the Ekata overhang, with strong growth momentum resuming. Uttar Pradesh is being approached in a calibrated manner, with team build-up in progress, and is expected to become a meaningful contributor from FY28. Other states including Rajasthan, MP, Andhra Pradesh, and Telangana are tracking growth broadly in line with plan.

Capital, Liquidity & Funding

Capital adequacy remained strong at 49% (vs 48.4% in Q2), supported by a sharp increase in net worth to ~INR 41.8 bn, up 73.6% YoY, with book value per share at INR 402. The funding mix continues to be well diversified, with 57% from banks, 16% from NHB, 20% through assignment and co-lending, and the balance from NCDs, ECBs, and NBFC borrowings. During Q3, the company executed direct assignments of ~INR 2.2 bn, while co-lending disbursements stood at ~INR 1.0 bn, taking the co-lending book to ~INR 5.9 bn, or ~3.9% of AUM. Management targets co-lending to scale up to ~10% of AUM over time to support higher ticket-size loans. Additionally, the NHB sanction pipeline remains healthy at ~INR 9.0 bn, with pricing broadly aligned with bank borrowings at ~7.5%.

Technology & Digital Initiatives

Digital adoption remains high, with 81% of approvals routed through the Account Aggregator framework and over 80% of loans digitally fulfilled using e-agreements and e-mandates. Customer engagement is largely digital, with 96% of customers onboarded via the mobile app and 85% of service requests raised digitally. The company has implemented a new in-house Document Management System to enhance scalability, security, and cost efficiency. Multiple AI pilots are currently underway, which management expects to contribute meaningfully over the next few years. On the sustainability front, the company has certified 310 green homes to date, including 70 added during Q3.

Key Financials

P&L (INR in Cr)	FY24	FY25	FY26e	FY27e	FY28e
Interest income	1,028	1,354	1,677	2,005	2,334
Interest expense	500	715	894	1,040	1,189
NII	528	639	783	965	1,145
Non-interest income	129	185	236	260	315
Net revenues	657	824	1,019	1,225	1,460
Operating expenses	231	294	377	445	527
PPOP	425	530	642	780	932
Provisions	25	29	56	64	75
PBT	400	502	587	716	857
Tax	94	120	148	180	216
PAT	306	382	439	535	641

Balance sheet	FY24	FY25	FY26e	FY27e	FY28e
Share capital	18	18	18	18	18
Reserves & surplus	2,104	2,503	2,942	3,477	4,119
Net worth	2,121	2,521	2,960	3,495	4,137
Borrowings	7,306	9,568	11,839	12,928	15,387
Other liability	106	122	152	175	201
Total liabilities	9,534	12,212	14,951	16,598	19,725
Fixed assets	30	46	60	78	177
Investments	379	360	378	397	417
Loans	8,143	10,649	13,259	15,256	17,849
Cash	838	938	1,031	641	1,050
Other assets	144	219	223	227	232
Total assets	9,534	12,212	14,951	16,598	19,725

Source: Arianth Research, Company Filings

Key Ratios

Ratios	FY24	FY25	FY26e	FY27e	FY28e
Growth (%)					
Advances	35.8	30.8	24.5	15.1	17.0
Borrowings	51.8	31.0	23.7	9.2	19.0
Total assets	41.5	28.1	22.4	11.0	18.8
NII	39.6	21.0	22.6	23.2	18.6
PPOP	34.3	24.7	21.1	21.4	19.6
PAT	33.9	25.0	14.9	22.0	19.8
Balance sheet ratios (%)					
Advances/Total assets	85.4	87.2	88.7	91.9	90.5
CAR	39.8	36.1	34.0	35.5	34.7
CAR - Tier I	39.3	35.8	33.7	35.2	34.5
Operating efficiency (%)					
Cost/income	35.2	35.6	37.0	36.4	36.1
Opex/total assets	2.8	2.7	2.6	2.6	2.5
Profitability (%)					
NIM	6.6	6.0	5.9	6.2	6.4
RoA	3.8	3.5	3.2	3.4	3.5
RoE	15.5	16.5	16.0	16.6	16.8
Asset quality (%)					
Gross NPAs	1.7	1.7	1.5	1.5	1.5
Net NPAs	1.2	1.3	1.1	1.0	1.0
PCR	29.7	25.2	29.0	31.4	33.2
Credit cost	50.0	50.0	50.0	50.0	51.0
Per share data / Valuation					
EPS	34.5	42.4	48.7	59.4	71.2
BV	239.7	280.0	328.7	388.1	459.3
ABV	228.6	265.0	312.8	370.5	439.5
P/E	32.2	26.2	22.8	18.7	15.6
P/BV	4.6	4.0	3.4	2.9	2.4
P/ABV	4.9	4.2	3.6	3.0	2.5

Source: Arian Research, Company Filings

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Stock Rating Scale**Absolute Return**

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

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