

**Well-positioned affordable housing financier  
with strong growth visibility**

**CMP: INR 1,224**

**Rating: BUY**

**Target Price: INR 1,486**

**Stock Info**

BSE	543259
NSE	HOMEFIRST
Bloomberg	HOMEFIRS:IN
Reuters	HOME.NS
Sector	NBFC
Face Value (INR)	2
Equity Capital (INR Cr)	20.9
Mkt Cap (INR Bn)	127.7
52w H/L (INR)	1,519 / 894
Avg Yearly Vol (in 000')	377.16

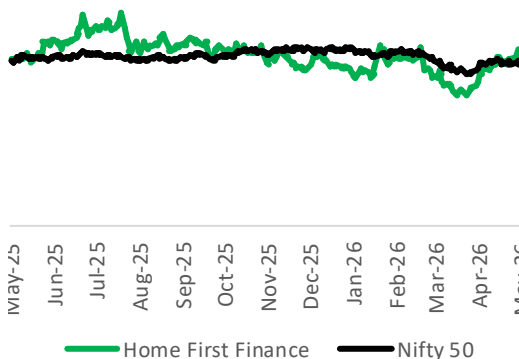
**Shareholding Pattern %**

(As on March, 2026)

Promoters	6.98
Public & Others	93.02

Stock Performance (%)	3m	6m	12m
Home First Finance	4.72	-2.96	5.64
Nifty 50	-5.45	-5.58	-0.36

**Home First Finance Vs Nifty 50**



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The company reported a strong Q4FY26 performance, with NII growing 37.0% YoY to INR 3,061 Mn, supported by healthy loan growth of 23.3% YoY. PPOP increased 44.9% YoY to INR 2,110 Mn on the back of controlled operating expenses and improved operating leverage. PAT rose 42.7% YoY to INR 1,494 Mn, driven by strong core income and stable credit costs, while asset quality remained healthy with prudent provisioning. Advances stood at INR 1,31,326 Mn, up 23.3% YoY, and the balance sheet remained strong with total equity of INR 43,565 Mn. During FY26, the company also raised INR 12,500 Mn through QIP and announced a dividend of INR 5.20 per share.

**Strong and Sustainable Growth Visibility:** The company delivered strong growth momentum in FY26, with AUM rising 24.9% YoY to INR 15,878 crore despite a challenging environment for affordable housing financiers. Q4 disbursements reached a record INR 1,572 crore, up 23.5% YoY and 19.3% QoQ, taking FY26 disbursements to INR 5,424 crore. The company continued expanding its franchise with 171 branches, 373 touchpoints, and 221 additional customer-facing employees, taking total headcount to 1,855. Its granular loan book, with an average ticket size of INR 12 lakh and 83% exposure to housing loans, provides stability and lower concentration risk. With Q4 annualized growth nearing 28% and strong traction across Gujarat, Maharashtra, and South India, management remains confident of sustaining ~25% AUM growth in FY27.

**Profitability with Healthy Margins:** Strong profitability momentum continued in FY26, with PAT growing 41.4% YoY to INR 540 crore, while Q4 PAT increased 42.7% YoY to INR 149 crore. Despite strong business growth and continued branch expansion, spreads remained healthy at 5.3% and Q4 NIM stood at 5.9%, supported by portfolio yields of 13.2% and a controlled borrowing cost of 7.9%. Operational efficiency also improved, with the cost-to-income ratio declining to 32.5% while opex-to-assets remained stable at 2.7%. Management expects margins and operating costs to remain stable, supporting steady earnings growth ahead.

**Improving Asset Quality and Strong Balance Sheet:** Asset quality continued to improve in FY26, supported by strong underwriting and collection efficiency. Gross Stage 3 GNPA declined to 1.8% in Q4FY26 from 2.0% in the previous quarter, while 1+ DPD and 30+ DPD improved to 4.7% and 3.2%, respectively. Collection efficiency remained strong at 98%, and bounce rates moderated to 15.9%, healthy repayment trends. Credit costs stayed controlled at 40 bps, with management guiding for a stable 30–40 bps range ahead. The balance sheet also remains strong, with net worth at INR 4,357 crore, CRAR at 44.1%, and a liquidity buffer of INR 3,126 crore, providing ample strength to support future growth.

**Valuation and View:** The company remains optimistic on FY27 and the medium-term growth outlook, guiding for ~ 25% AUM growth supported by strong disbursement momentum, improved staffing, stable collections, and healthy housing demand trends. The company indicated that its internal restructuring phase is now largely complete, positioning the organization for scalable growth over the next 2–3 years. Management expects asset quality to remain stable, with credit costs guided at 30–40 bps, while spreads are expected to remain resilient in the 5%–5.25% range despite interest-rate volatility due to the company's floating-rate loan book and pricing flexibility. **We maintain our Target Price to INR 1,486 based on 2.3x FY29E ABV**

**Exhibit: Financial Performance**

HFCL (INR Cr)	FY25A	FY26A	FY27E	FY28E	FY29E
NII	639	872	1,073	1,284	1,549
PPOP	530	765	940	1,127	1,365
PAT	382	540	653	783	949
BVPS	280	418	480	555	646
RoA (%)	3.51	3.95	3.93	3.93	3.96
RoE (%)	16.46	15.72	13.95	14.49	15.15
P/ABV(x)	4.6	3.1	2.7	2.3	2.0

Quarterly Result Update (Rs Mn)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Interest Income	5,014.1	4,822.5	4,146.7	3.97%	20.92%
Interest Expended	1,953.2	1,941.0	1,903.1	0.63%	2.64%
Net Interest Income	3,060.9	2,881.5	2,243.6	6.23%	36.43%
Other Income	33.3	14.3	15.3	132.52%	117.89%
Operating Income	3,094.1	2,895.8	2,258.9	6.85%	36.98%
Operating Expenses	984.4	925.8	802.9	6.33%	22.60%
Employee Expenses	649.2	635.6	517.9	2.13%	25.34%
Other Operating Expenses	335.2	290.1	285.0	15.53%	17.62%
PPOP	2,109.8	1,970.0	1,455.9	7.09%	44.91%
Provisions	157.9	141.7	77.0	11.40%	105.03%
PBT	1,951.9	1,828.3	1,379.0	6.76%	41.55%
Tax Expenses	457.5	426.3	332.0	7.30%	37.77%
Net Profit	1,494.5	1,402.0	1,046.9	6.59%	42.75%
<b>Spreads (%)</b>					
Spread	5.30%	5.40%	5.10%	-10bps	20bps
Yield on Average Advances	13.20%	13.40%	13.50%	-20bps	-30bps
CAR (%)	44.10%	49.00%	32.80%	-490bps	1130bps
<b>Asset Quality (%)</b>					
GNPA	1.8%	2.0%	1.7%	-20bps	10bps
NNPA	1.40%	1.60%	1.30%	-20bps	10bps
DPD 1+	4.70%	5.30%	4.50%	-60bps	20bps
DPD 30+	3.20%	3.70%	3.00%	-50bps	20bps
Cheque Bounce rate	15.90%	16.70%	16.40%	-80bps	-50bps
<b>Returns &amp; Expenses</b>					
RoA	4.10%	4.00%	3.50%	10bps	60bps
RoE	14.00%	13.70%	17.00%	30bps	-300bps
Cost / Income Ratio (%)	32.00%	32.10%	35.70%	-10bps	-370bps
<b>Asset growth trend</b>					
Total AUM	158,780.0	149,250.0	127,130.0	6.39%	24.90%
- Home Loans	131,787.4	123,877.5	106,789.2	6.39%	23.41%
- Loan for Commercial property	1,587.8	1,492.5	1,271.3	6.39%	24.90%
- LAP	25,404.8	23,880.0	19,069.5	6.39%	33.22%
Disbursements	15,720.0	13,180.0	12,730.0	19.27%	23.49%
<b>AUM by customer segment (%)</b>					
Salaried	68.00%	68.00%	68.00%	0bps	0bps
Self Employed	32.00%	32.00%	32.00%	0bps	0bps
<b>AUM by Geography (%)</b>					
Gujarat	28.50%	28.50%	28.90%	0bps	-40bps
Maharashtra	15.00%	14.80%	13.90%	20bps	110bps
Tamil Nadu	10.90%	11.60%	13.00%	-70bps	-210bps
Karnataka	6.00%	6.00%	6.30%	0bps	-30bps
Rajasthan	6.50%	6.40%	6.20%	10bps	30bps
Telangana	8.00%	8.10%	8.50%	-10bps	-50bps
Madhya Pradesh	10.30%	9.70%	8.20%	60bps	210bps
Uttar Pradesh & Uttarakhand	6.20%	6.20%	6.50%	0bps	-30bps
Others	8.60%	8.70%	8.50%	-10bps	10bps

Source: Company, Aриhant Research

## Q4FY26 Concall Highlights

### Asset Quality & Credit Cost

- Asset quality improved meaningfully during Q4FY26, with 1+ DPD declining by 60 bps QoQ to 4.7%, while 30+ DPD improved by 50bps QoQ to 3.2%.
- Gross Stage 3 assets declined sequentially by 20 bps to 1.8%, while Stage 2 assets also improved to 1.4%, reflecting better portfolio quality trends.
- Management highlighted that April 2026 collection efficiency was stronger compared to both April 2025 and April 2024, indicating improving borrower repayment behaviour and lower fresh slippages.
- The company continued to follow a conservative provisioning approach, increasing Stage 3 provisioning coverage from 22% to 24% during the quarter.
- Total provision coverage ratio stood at 44.9%, while FY26 credit cost remained stable at 40 bps. Management reiterated its FY27 credit cost guidance of 30–40 bps.
- Total write-offs during FY26 stood at approximately INR 36 crore. The company currently auctions around 50-100 repossessed units per month, translating to nearly 1,000 units annually.

### State-wise Business Trends

- Gujarat, Madhya Pradesh, and Rajasthan continued to deliver healthy growth with stable asset quality, supported by steady housing demand.
- Maharashtra, particularly Mumbai and Pune, witnessed strong momentum in AUM growth and sourcing. The company strengthened its developer-led sourcing strategy over the last 18–24 months to improve penetration in formal housing markets.
- Home First continues to focus on informal income customers purchasing homes in RERA-approved projects, a segment underserved by larger banks.
- Karnataka and Tamil Nadu are expected to see stronger growth in FY27 as staffing and organizational structures have now stabilized.
- Karnataka business trends have normalized after temporary disruptions related to the “Ekata issue,” while Tamil Nadu is expected to gradually recover after muted growth in FY26.
- Uttar Pradesh remains in the investment and team-building phase, with management expecting stronger scale-up from FY28 onwards.

### Yield, Spread

- Origination yields remained healthy at ~ 13%, while portfolio yields excluding co-lending stood at 13.2%.
- Management reiterated that the company follows a floating-rate asset strategy and does not intend to carry significant interest-rate risk on the balance sheet.
- The company remains focused on maintaining spreads rather than maximizing yields, with guided spreads maintained at 5%–5.25%.
- LAP yields remain higher at around 14%–14.5%; however, management clarified that the company avoids pursuing risky high-yield LAP segments.
- Credit costs across housing loans and LAP portfolios remain broadly comparable, generally ranging between 20-60 bps depending on the segment.

### Co-lending & Direct Assignment

- Co-lending disbursements doubled from INR 153 crore in FY25 to INR 307 crore in FY26.
- The co-lending book increased to INR 593 crore and now contributes around 3.7% of total AUM.
- Management views co-lending primarily as a productivity enhancement and customer acquisition tool rather than a balance sheet optimization strategy.
- The company largely uses co-lending for customers with relatively formal income profiles and ticket sizes in the INR 20–40 lakh range.
- Management indicated that temporary operational challenges in the co-lending business are expected to normalize by June 2026. Direct assignment transactions during Q4FY26 stood at INR 264 crore.

### Branch Expansion & Distribution

- The branch network expanded to 171 branches and 373 touchpoints after the addition of 6 new branches and 5 touchpoints during Q4FY26.
- Employee count increased by 221 during FY26, primarily in customer-facing roles, taking total headcount to 1,855 employees.
- Management plans to continue adding 30–40 branches annually while also increasing branch density in existing large cities.
- The company typically opens full-fledged branches only in markets capable of generating monthly disbursements of INR 2–3 crore, while smaller markets are serviced through touchpoints and satellite offices.
- Less than 10 branches currently have AUM below INR 10 crore, while around 50 branches have AUM below INR 50 crore.

### Funding, Liquidity & Capital Position

- Cost of borrowing excluding co-lending declined by 10 bps QoQ to 7.9%, while incremental borrowing cost during the quarter stood at around 7.6%.
- The funding mix remains well diversified, with 59% sourced from banks, 15% from NHB, and 20% from assignment and co-lending.
- Following the INR 1,254 crore QIP completed in April, the company continues to maintain a strong capital position.
- Capital adequacy ratio stood at 44.1%, with Tier-1 ratio at 43.8%, providing significant headroom for future growth.

## Key Financials

P&L (INR in Cr)	FY25	FY26	FY27e	FY28e	FY29e
Interest income	1,354	1,664	2,002	2,388	2,879
Interest expense	715	792	929	1,104	1,330
<b>NII</b>	<b>639</b>	<b>872</b>	<b>1,073</b>	<b>1,284</b>	<b>1,549</b>
Non-interest income	185	259	318	394	487
Net revenues	<b>824</b>	<b>1,130</b>	<b>1,392</b>	<b>1,678</b>	<b>2,037</b>
Operating expenses	294	366	451	551	671
PPOP	<b>530</b>	<b>765</b>	<b>940</b>	<b>1,127</b>	<b>1,365</b>
Provisions	29	57	67	80	96
<b>PBT</b>	<b>502</b>	<b>708</b>	<b>873</b>	<b>1,047</b>	<b>1,269</b>
Tax	120	167	220	264	320
<b>PAT</b>	<b>382</b>	<b>540</b>	<b>653</b>	<b>783</b>	<b>949</b>

Balance sheet	FY25	FY26	FY27e	FY28e	FY29e
Share capital	18	20.9	21	21	21
Reserves & surplus	2,503	4,336	4,989	5,772	6,721
<b>Net worth</b>	<b>2,521</b>	<b>4,357</b>	<b>5,010</b>	<b>5,793</b>	<b>6,742</b>
Borrowings	9,568	10,590	12,920	15,762	19,230
Other liability	122	220	180	210	242
<b>Total liabilities</b>	<b>12,212</b>	<b>15,166</b>	<b>18,110</b>	<b>21,765</b>	<b>26,213</b>
Fixed assets	45	54	65	78	94
Investments	360	812	975	1,072	1,179
Loans	10,649	13,133	15,510	18,449	22,139
Cash	938	841	1,268	1,867	2,498
Other assets	220	326	292	298	304
<b>Total assets</b>	<b>12,212</b>	<b>15,166</b>	<b>18,110</b>	<b>21,765</b>	<b>26,213</b>

Source: Arianth Research, Company Filings

## Key Ratios

Ratios	FY25	FY26	FY27e	FY28e	FY29e
<b>Growth (%)</b>					
Advances	30.8	23.3	18.1	19.0	20.0
Borrowings	31.0	10.7	22.0	22.0	22.0
Total assets	28.1	24.2	19.4	20.2	20.4
NII	21.0	36.5	23.1	19.6	20.7
PPOP	24.7	44.2	23.0	19.8	21.2
PAT	25.0	41.4	20.9	19.9	21.3
<b>Balance sheet ratios (%)</b>					
Advances/Total assets	87.2	86.6	85.6	84.8	84.5
CAR	32.8	44.1	42.3	40.5	38.9
CAR - Tier I	32.4	43.8	42.1	40.3	38.7
<b>Operating efficiency (%)</b>					
Cost/income	35.6	32.4	32.4	32.9	33.0
Opex/total assets	2.7	2.6	2.6	2.6	2.6
<b>Profitability (%)</b>					
NIM	6.0	6.5	6.6	6.6	6.6
RoA	3.5	3.9	3.9	3.9	4.0
RoE	16.5	15.7	13.9	14.5	15.1
<b>Asset quality (%)</b>					
Gross NPAs	1.7	1.8	1.9	2.0	2.0
Net NPAs	1.3	1.4	1.4	1.5	1.5
PCR	25.2	24.7	24.6	24.6	24.6
<b>Per share data / Valuation</b>					
EPS	42.4	51.8	62.6	75.0	91.0
BV	280.0	417.6	480.2	555.2	646.2
ABV	265.0	400.5	458.9	528.8	614.0
P/E	28.8	23.6	19.5	16.3	13.4
P/BV	4.4	2.9	2.5	2.2	1.9
P/ABV	4.6	3.1	2.7	2.3	2.0

Source: Arian 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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