

May 29, 2025

## Home First Finance Company India Limited: Long-term rating upgraded to [ICRA]AA (Stable) and assigned for enhanced amount; rating reaffirmed for CP programme

### Summary of rating action

| Instrument*                   | Previous rated amount<br>(Rs. crore) | Current rated amount<br>(Rs. crore) | Rating action   |
|-------------------------------|--------------------------------------|-------------------------------------|---|
| Long-term others – Fund based | 4,500.00                             | 5,300.00                            | [ICRA]AA (Stable); rating upgraded from [ICRA]AA- (Stable) and assigned for enhanced amount |
| NCD programme                 | 561.00                               | 561.00                              | [ICRA]AA (Stable); rating upgraded from [ICRA]AA- (Stable)                                  |
| Commercial paper              | 100.00                               | 100.00                              | [ICRA]A1+; reaffirmed   |
| <b>Total</b>                  | <b>5,161.0</b>                       | <b>5,961.0</b>                      |   |

\*Instrument details are provided in Annexure I

### Rationale

The revision in the long-term rating considers Home First Finance Company India Limited's (Home First) track record of resilient performance and its strengthened capitalisation profile, which shall support its medium-term growth plans. The company's assets under management (AUM) increased at a compound annual growth rate (CAGR) of 29% over the last five years to Rs. 12,713 crore as on March 31, 2025. Home First raised Rs. 1,250 crore of equity capital through a qualified institutional placement (QIP) in April 2025, improving its proforma capital-to-risk weighted assets ratio (CRAR) and managed gearing to ~50% and ~3.3x, respectively, from ~33% and 4.6x, respectively, as on March 31, 2025. Further, the asset quality profile remains comfortable with gross non-performing assets (GNPAs) of 1.7% and 90+ days past due (dpd) of 1.3% as on March 31, 2025 (1.7% and 1.1%, respectively, as on March 31, 2024). The rating upgrade also factors in the company's satisfactory profitability trajectory, supported by controlled credit costs. Home First has a diversified lender base comprising funding from banks (60%), followed by National Housing Bank (NHB; 16%), non-convertible debentures (NCDs; 2%), non-banking financial companies (NBFCs; 2%); external commercial borrowings (ECBs; 3%) and direct assignment (DA) & co-lending (17%) as on March 31, 2025.

The ratings remain constrained by Home First's relatively high, albeit improving, geographical concentration with Gujarat accounting for 29% of its AUM as on March 31, 2025. ICRA notes that the share of Gujarat has been gradually declining along with the share of the top 3 states (~56% of the AUM as on March 31, 2025 vis-à-vis ~58% as on March 31, 2024) with the trend expected to continue. Also, Home First's AUM remains relatively unseasoned as a significant part of the AUM growth was achieved in the last few years and mortgages are long-tenor assets. ICRA takes note of Home First's focus on the salaried affordable housing segment (68% share of salaried borrowers in AUM as on March 31, 2025), which is likely to be more resilient from an asset quality perspective, and the limited exposure to non-housing loans. Nonetheless, the company's ability to maintain the asset quality as the portfolio seasons shall be important from a credit perspective.

The Stable outlook reflects ICRA's opinion that Home First will be able to maintain its credit profile, given its strengthened capitalisation, comfortable earnings profile and established track record.

## Key rating drivers and their description

### Credit strengths

**Established track record of operations with healthy asset quality** – Home First has an established track record of resilient performance with the AUM increasing at a CAGR of ~29% over the last five years to Rs. 12,713 crore as on March 31, 2025. As on March 31, 2025, 84% of the AUM comprised home loans with around 81% of the AUM comprising loans with ticket sizes up to Rs. 20 lakh. Thus, Home First is well placed to tap the demand in the low-income housing segment.

The company has continued to grow at a robust pace while maintaining its key asset quality metrics. Its asset quality profile remains comfortable with gross NPAs of 1.7% and net NPAs of 1.3% as on March 31, 2025 (1.7% and 1.3%, respectively, as of March 31, 2024). Delinquencies remain low in the overall AUM with the 30+ and 90+ dpd at 2.7% and 1.3%, respectively, as of March 2025 (2.7% and 1.1%, respectively, as of March 2024). ICRA expects the company to continue scaling up its operations at a healthy pace, given the demand and its strengthened capitalisation profile.

**Strengthened capitalisation profile** – Home First's capitalisation profile has strengthened following the Rs. 1,250-crore equity capital raise through a QIP in April 2025, increasing its proforma net worth to ~Rs. 3,751 crore from Rs. 2,521 crore as on March 31, 2025. Consequently, the proforma CRAR and managed gearing improved meaningfully to ~50% and ~3.3x, respectively, from ~33% and 4.6x, respectively, as on March 31, 2025. Further, the company continues to report healthy internal accruals, which shall help it in maintaining a prudent capitalisation profile while supporting its growth plans. In ICRA's opinion, Home First is well capitalised to support its stated growth plans over the medium term while keeping its managed gearing below 5x.

**Comfortable earnings profile** – Home First's earnings profile has remained comfortable, supported by good operating efficiency and low credit costs. While the net interest margin (NIM) moderated to 5.7% {with respect to average managed assets (AMA)} from 6.2% in FY2024 on account of the increase in the cost of funds and gearing, good operating efficiency and low credit costs kept the overall profitability comfortable. Credit costs stood at 0.2% of AMA in FY2025 (0.3% in FY2024) while the operating efficiency remained healthy with operating expenses of 2.3% of AMA in FY2025 (2.4% in FY2024). The company reported a profit after tax (PAT) of Rs. 382 crore in FY2025, translating into a return of 3.0% on AMA and 16.5% on average net worth compared to Rs. 306 crore, 3.2% and 15.5%, respectively, in FY2024. With the recent equity infusion and the systemic easing of interest rates, ICRA expects the overall profitability to remain comfortable in the near to medium term.

### Credit challenges

**Relatively high, albeit improving, geographical concentration of portfolio** – While Home First's operations were spread across 13 states/Union Territories in India, its AUM is mostly concentrated in Gujarat (29% as on March 31, 2025), followed by Maharashtra (14%), Tamil Nadu (13%) and Telangana (9%). Given the target borrower segment, the geographical concentration makes the company vulnerable to specific geographical issues. ICRA takes note of the gradual improvement in the geographical diversity with the share of the top 3 states declining to 56% of the AUM as on March 31, 2025 from 58% as on March 31, 2024 (61% as on March 31, 2023) with the trend expected to continue.

**Exposure to relatively vulnerable borrower profile and limited portfolio seasoning** – Home First operates in the affordable housing segment, which is relatively riskier due to the low-to-middle-income profile of the borrowers. Most of the borrowers work in small private enterprises or proprietorships and remain vulnerable to economic cycles with limited income buffers to absorb income shocks. Further, a significant portion of the company's book was sourced in the last few years like most of its peers. Home First's disbursements in the last three fiscals (FY2023 to FY2025) were equivalent to around 93% of the AUM as on March 31, 2025, indicating limited portfolio seasoning.

ICRA takes note of the relatively higher share of salaried borrowers (~68% of AUM as on March 31, 2025), moderate loan-to-value (LTV; average LTV of ~47% on AUM as on March 31, 2025) and fixed obligation-to-instalment ratio (FOIR; ~10% of AUM as of March 2025 had a FOIR of more than 50%). Further, ultimate losses on default are expected to be limited, considering

the secured nature of the portfolio and the moderate LTV. Nevertheless, the company's ability to contain slippages and manage recoveries from its overdue portfolio will remain important from a credit perspective.

### Liquidity position: Strong

Home First continues to maintain a strong liquidity profile with unencumbered cash and bank balances and liquid investments of ~Rs. 1,252 crore as on March 31, 2025. This, along with scheduled collections of Rs. 1,639 crore over the next 12 months (i.e. till March 31, 2026), is expected to be sufficient to meet its scheduled debt repayments of Rs. 1,926 crore during this period. Additionally, Home First had ~Rs. 1,215 crore of sanctioned but unutilised funding lines (excluding sanctions for DA) from various lenders as on March 31, 2025. The company's liquidity coverage ratio of 156% for the quarter ended March 31, 2025 was well above the regulatory requirement of 85%.

### Rating sensitivities

**Positive factors** – A significant improvement in the company's market position and geographical diversity while maintaining healthy asset quality and earnings could positively impact the rating.

**Negative factors** – A sustained deterioration in the asset quality and earnings (return on AMA of less than 2.5%) could negatively impact the ratings. Further, sustained deterioration in the capitalisation profile (increase in the managed gearing beyond 5x) could exert pressure on the ratings.

### Environmental and social risks

While housing finance companies (HFCs) like Home First do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to which such HFCs have an exposure, face livelihood disruption because of physical climate adversities, it could translate into credit risks for the HFCs. However, such risk is not material for Home First, given its granular portfolio.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs, as any material lapse could be detrimental to their reputation and invite regulatory censure. Home First has not faced any material lapses over the years, which highlights its sensitivity to such risks. While it contributes to promoting financial inclusion by lending to underserved segments, the company's lending practices remain prudent as reflected in the healthy asset quality numbers in this segment. Home First is seen to be operating responsibly in terms of its business practices with no material instances of fines being imposed by regulatory authorities in the recent past.

### Analytical approach

| Analytical approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Non-banking Finance Companies (NBFCs)</a> |
| Parent/Group support            | Not applicable  |
| Consolidation/Standalone        | Standalone  |

### About the company

Home First Finance Company India Limited (Home First) is a housing finance company founded on February 3, 2010 with offices in various cities across India. It is a public limited company, listed on stock exchanges since February 3, 2021. The company primarily provides housing loans, loans for the purpose of purchasing commercial property, and loan against property (LAP) under the affordable finance category.

Home First's AUM stood at Rs. 12,713 crore as on March 31, 2025, managed through 155 branches (excluding satellite branches) spread across 13 states and Union Territories in India. It primarily caters to the affordable housing segment (both home loans and non-housing loans) with an average ticket size of Rs. 11-12 lakh and an average rate of interest (RoI) of 13-

15%. The company also offers relatively higher-ticket loans of ~Rs. 20-25 lakh under co-lending arrangements with partner banks.

Home First reported a net profit of Rs. 382 crore in FY2025 with a net worth of Rs. 2,521 crore and a total managed asset base of Rs. 14,302 crore (including off-book and impairment provision) as on March 31, 2025 compared to Rs. 306 crore, Rs. 2,121 crore and Rs. 11,096 crore, respectively, in FY2024 (March 31, 2024).

#### Key financial indicators (audited)

| Home First                      | FY2023 | FY2024 | FY2025 |
|---------------------------------|--------|--------|--------|
| <b>Total income</b>             | 796    | 1,157  | 1,539  |
| <b>PAT</b>                      | 228    | 306    | 382    |
| <b>Total managed assets</b>     | 7,936  | 11,096 | 14,302 |
| <b>Return on managed assets</b> | 3.2%   | 3.2%   | 3.0%   |
| <b>Managed gearing (times)</b>  | 3.3    | 4.2    | 4.6    |
| <b>Gross NPA</b>                | 1.6%   | 1.7%   | 1.7%   |
| <b>CRAR</b>                     | 49.4%  | 39.5%  | 32.8%  |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information: None

#### Rating history for past three years

| Instrument                    | Current (FY2026) |              |                   | Chronology of rating history for the past 3 years |                    |             |                    |              |                    |        |
|-------------------------------|------------------|--------------|-------------------|---|--------------------|-------------|--------------------|--------------|--------------------|--------|
|                               | FY2026           |              | (Rs. crore)       | May 29, 2025                                      | Date               | FY2025      |                    | FY2024       |                    | FY2023 |
|                               | Type             | Amount rated |                   |   |                    | Rating      | Date               | Rating       | Date               | Rating |
| Long-term others – Fund based | Long term        | 5,300.00     | [ICRA]AA (Stable) | Jul 19, 2024                                      | [ICRA]AA- (Stable) | Nov 6, 2023 | [ICRA]AA- (Stable) | Jul 5, 2022  | [ICRA]AA- (Stable) |        |
|                               |                  |              |                   | -   | -                  | -           | -                  | -            | Jul 5, 2022        |        |
| Commercial paper              | Short term       | 100.00       | [ICRA]A1+         | Jul 19, 2024                                      | [ICRA]A1+          | Nov 6, 2023 | [ICRA]A1+          | Jul 5, 2022  | [ICRA]A1+          |        |
|                               |                  |              |                   | -   | -                  | -           | -                  | Feb 27, 2023 | [ICRA]A1+          |        |
| NCDs                          | Long term        | 561.00       | [ICRA]AA (Stable) | Jul 19, 2024                                      | [ICRA]AA- (Stable) | Nov 6, 2023 | [ICRA]AA- (Stable) | Jul 5, 2022  | [ICRA]AA- (Stable) |        |
|                               |                  |              |                   | -   | -                  | Nov 6, 2023 | [ICRA]AA- (Stable) | Feb 27, 2023 | [ICRA]AA- (Stable) |        |

#### Complexity level of the rated instruments

| Instrument                          | Complexity indicator |
|-------------------------------------|----------------------|
| Non-convertible debenture programme | Simple               |
| Long-term others – Fund based       | Simple               |
| Commercial paper programme          | Very Simple          |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

| ISIN       | Instrument name               | Date of issuance     | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|------------|-------------------------------|----------------------|-------------|----------|--------------------------|----------------------------|
| NA         | Long-term others – Fund based | Mar-2014 to Dec-2024 | NA          | NA       | 5,300.00                 | [ICRA]AA (Stable)          |
| Not issued | NCD programme                 | NA                   | NA          | NA       | 561.00                   | [ICRA]AA (Stable)          |
| Not issued | CP programme                  | NA                   | NA          | NA       | 100.00                   | [ICRA]A1+                  |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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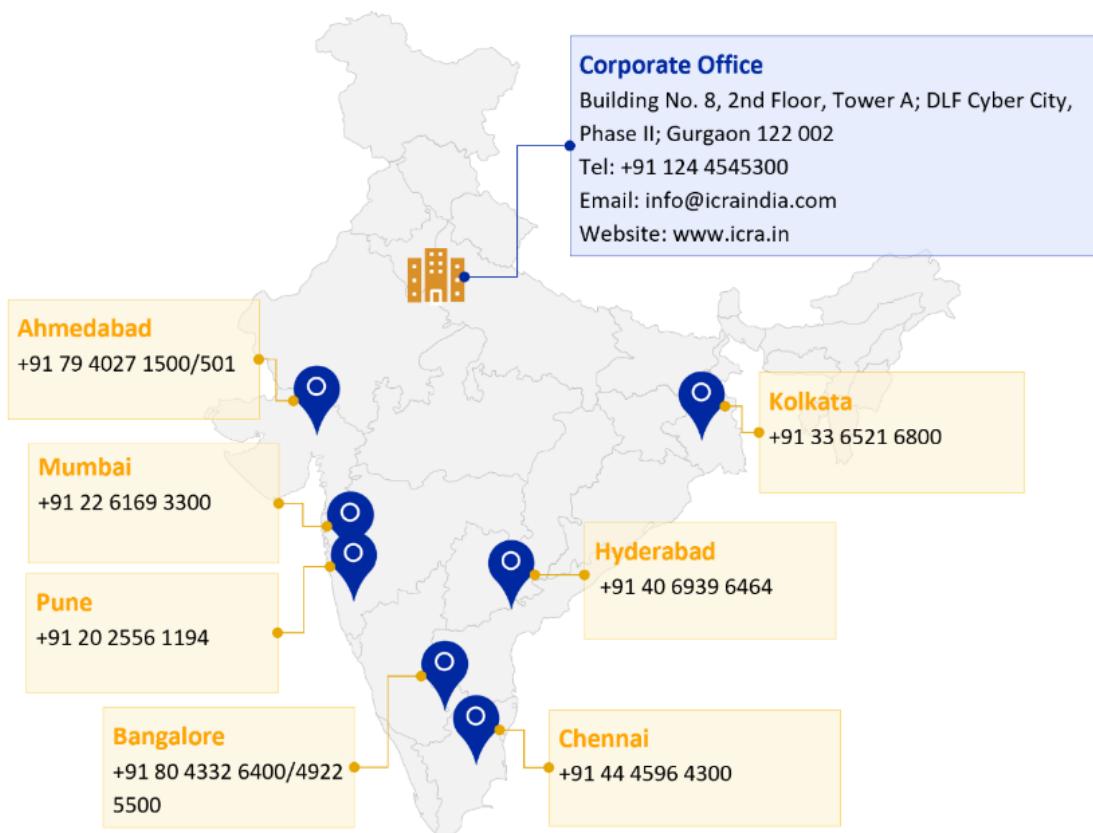
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### Branches



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