

HFFCIL/BSE/NSE/EQ/33/2025-26

Date: 04-06-2025

To, BSE Limited, Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001. Scrip Code- 543259	To, The National Stock Exchange of India Limited, The Listing Department, Bandra Kurla Complex, Mumbai- 400 051. Scrip Symbol- HOMEFIRST
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Subject: Intimation of Credit Rating upgrade to IND AA/Stable from IND AA-/ Positive of Home First Finance Company India Limited (“the Company”) by India Ratings and Research Private Limited (“India Ratings”)

Dear Sir/Madam,

In accordance with Regulation 30(6) read with Para A Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that based on rating assessment undertaken by **India Ratings**, the Company’s long term credit rating has been upgraded to **IND AA/ Stable** from **IND AA-/ Positive** and has reaffirmed the short term credit rating for commercial paper.

Name of the Company	Credit Rating Agency	Type and Instrument	Size of the Issue (Rs. in billion)	Rating assigned along with Outlook	Rating Action
Home First Finance Company India Limited	India Ratings and Research Private Limited	Long Term; Bank Loans	8.00	IND AA/ Stable	Assigned
		Long Term; Bank Loans	41.00	IND AA/ Stable	Upgraded
		Long Term; Non-convertible Debentures	4.00	IND AA/ Stable	Upgraded
		Short Term; Commercial paper programme	1.00	IND A1+	Reaffirmed

The credit rating rationale issued by India Ratings confirming the above rating is enclosed as Annexure I.

Request you to kindly take the same on record.

For **Home First Finance Company India Limited**

Shreyans Bachhawat
Company Secretary and Compliance Officer
 ACS No.: 26700

India Ratings Upgrades Home First Finance Company India's NCDs and Banks Loans to 'IND AA'/Stable; Affirms CP at 'IND A1+'; Rates New Bank Loan

Jun 04, 2025 | Housing Finance Company

India Ratings and Research (Ind-Ra) has taken the following ratings action on Home First Finance Company India Limited's (Home First) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Banks loans	-	-	-	INR8.00	IND AA/Stable	Assigned
Banks loans	-	-	-	INR41.00	IND AA/Stable	Upgraded
Non-convertible debentures*	-	-	-	INR4.00	IND AA/Stable	Upgraded
Commercial paper programme^	-	-	-	INR1.00	IND A1+	Affirmed

^yet to be issued

* Details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of Home First to arrive at the ratings.

Detailed Rationale of the Rating Action

The upgrade reflects the continued strengthening of Home First's credit profile, supported by the capital raise in April 2025, expanding presence in the affordable housing segment, and growing geographical footprint. The company benefits from a high proportion of salaried customers, which helps manage credit risk, and maintains a well-diversified funding base along with strong capitalisation (FY25 Tier 1: 32.5%). Despite a slight compression in the spreads to 5.1% due to the rising interest rates, Home First sustained a healthy return on asset of 3.5%, aided by improved credit costs and operational efficiency. The ratings are further supported by the company's adequate liquidity, stable profitability buffers and adequate risk management framework.

List of Key Rating Drivers

Strengths

- Established and growing franchise in affordable housing segment
- Healthy capital level; leverage remains comfortable
- Diversified lender base with availability of long-dated funding
- Experienced and stable management team
- Profitability remains strong

Weaknesses

- Stable asset quality but vulnerable borrower class

Detailed Description of Key Rating Drivers

Established and Growing Franchise in Affordable Housing Segment: Home First is one of the key players in the affordable housing segment in terms of market share with assets under management (AUM) of INR127.1 billion in FY25 (FY24: INR97.0 billion; FY23: INR72.0 billion). It has a presence across 13 states and union territories, where it continues to deepen its presence as these are the key and significant markets in terms of the affordable housing markets in India. The company has been continuously expanding its reach and

widening its footprint. Consequently, in FY25, Home First increased its presence to 141 districts (FY24: 131), through 155 branches (133) and 361 touch points (321 touchpoints). It plans to maintain the share of housing loans of around 80% of total AUM (FY25: 84%). To support growth and further scale up its AUM in the medium-to-long term, the company plans to keep adding branches and deepening its presence in its existing geographies. The agency believes market share gain would depend on the successful execution of its expansion strategy, driving overall AUM growth, and this would remain a key monitorable. The deepening of Home First's presence in its existing geographies will also result in geographic diversification in its key markets, thereby mitigating the impact of accentuated pressure in any key region/district on the asset quality at the portfolio level.

Healthy Capital Level; Leverage Remains Comfortable: Home First's AUM grew at a CAGR of approximately 32.4% over FY21-FY25 supported by regular capital infusions, the company's ability to mobilise funding, and government policy support for affordable housing. The company has consistently demonstrated its ability to raise capital. In April 2025, it raised INR12.5 billion through a qualified institutional placement, which, according to management, will increase its capital base to INR37.5 billion. It had raised INR0.79 billion via a preferential allotment in 3QFY21 and INR2.65 billion through an initial public offering in February 2021. At FYE25, Home First's net worth stood at INR25.2 billion (FYE24: INR21.2 billion; FYE23: INR18.2 billion) and Tier 1 capital ratio remained comfortable at 32.4% (39.5%; 48.9%). The company's leverage (debt/equity) increased to 3.8x in FY25 (FY24: 3.4x; FY23: 2.6x; FY22: 2.2x), driven by strong AUM growth. However, with the recent capital raise, the leverage will reduce below 3.0x in FY26. Management aims to maintain leverage at around 5.0x over the near-to-medium term. Ind-Ra believes Home First is well-positioned to scale up its AUM over the medium term, supported by its strong capital base and ability to raise funds from diverse sources.

Diversified Lender Base with Availability of Long-dated Funding: Home First has mobilised funds from 35 financiers, including banks. Bank loans accounted for 72.4% of on-book borrowings at the end of FY25, while a large non-banking finance company contributed 2.0%. The company raised external commercial borrowing of around INR6.2 billion, of which around INR3 billion was utilised, with the remaining amount being unutilised. The utilised portion accounted for 3.1% of the total on-book borrowings in FY25. Non-convertible debentures accounted for an additional 3%. The company also has refinancing lines (19.5%) from the National Housing Bank. Furthermore, Home First has banking relationships with some of the largest public sector, private sector and foreign banks. Given the scale at which Home First operates, the number of lending relations it has is adequate. A major portion of its loan book qualifies for priority sector lending; therefore, securitisation/assignment is an additional source of fund raising. The company has also entered into partnerships for co-lending since FY23, wherein it offloads assets, thereby freeing up capital and maintaining similar return profiles on their share of co-lending.

Experienced and Stable Management Team: Home First has an operating track record of over 15 years and has established its presence as a key player in the affordable housing finance market. Its top management consists of experienced professionals, with a relevant experience of more than 15 years on an average basis, and most of the senior leadership has been with the entity for at least five years, with an average tenor of about eight years for the whole senior management team. The company has a strong focus on technology, building digital capabilities and management information systems. Home First's board of directors consists of eight members, comprising four independent directors with varied industry experience, three investor nominee directors, and the managing director and chief executive officer.

Profitability Remains Strong: Home First's spread came under pressure in FY25 due to rising interest rates, which led to elevated cost of funds. The spread declined to 5.1% in FY25 (FY24: 5.4%). The agency believes with interest rate cuts, Home First is likely to benefit from a reduction in its cost of funds, a portion of which may be passed on to customers while retaining some to maintain spread at 5% floor as per management.

Despite the pressure on spreads, Home First reported a healthy return on assets of 3.5% in FY25 (FY24: 3.8%; FY23: 3.9%), supported by stable credit costs of 0.3% (0.3%; 0.4%) and a reduction in the opex-to-average assets ratio to 2.7% (2.8%; 2.9%). The company's profitability trajectory will depend on its ability to lower borrowing costs, enhance fee income through direct assignment and cross-selling, achieve operating leverage by scaling AUM, and maintain asset quality over the medium term. In Ind-Ra's opinion, the company's profitability ratio (pre-provisioning operating profit to credit cost), which stood at 18.4x in FY25 (FY24: 16.7x; FY23: 14.7x) and adequate capitalisation are adequate to absorb the existing levels of stress in the loan book.

Stable Asset Quality but Vulnerable Borrower Class: Home First's gross stage three assets saw a marginal uptick to 1.3% in FY25 (FY24: 1.1%; FY23: 1.0%). Furthermore, the gross non-performing assets, which had increased to 2.6% with the addition of 0.9% in 3QFY22 due to the impact of the Reserve Bank of India's (RBI) circular dated 12 November 2021, have remained steady for the last seven quarters at 1.7%. The 1+ days past due (dpd) remained steady at 4.1% in FY25 (FY24: 4.0%; FY23: 4.2%). Bounce rates continue to hover around 16% in FY25. Its collection efficiency remained strong at around 99% during FY25. In addition, the company's restructured portfolio declined to 0.12% of the AUM in FY25 (around 19% of this is already in stage 3), with a provision coverage of 29.9%. The company's stage 3 provision declined to 25.2% in FY25 (FY24: 29.7%), but the total provision coverage on the loan portfolio was largely steady at 0.8% (0.8%). With 69% of the AUM in FY25 (37.4% in the last four quarters) consisting of disbursements in the last eight quarters and Home First's plans to further increase its AUM to INR200 billion over the next three years, the asset quality would be a key monitorable.

That said, the company's borrowers largely come from low income and economically weaker sections, with limited capacity to absorb income volatility. Consequently, any disruption in their income-generating ability could impair repayment behaviour. However, Home First mitigates this risk through a high proportion of salaried customers (68% of total AUM), which lowers the likelihood of delinquencies due to income volatility. Furthermore, the average affordable housing loan ticket size is approximately INR1 million, given the higher risk associated with under-banked customers lacking documented income, the agency emphasises the need for rigorous credit assessment and robust monitoring and collection practices to maintain asset quality.

Liquidity

Adequate: As on March 2025, Home First had unencumbered cash/bank balances and liquid investments of INR12.5 billion, which is sufficient to meet the debt obligations until September 2025 without factoring in inflows and assuming nil disbursements. During the same period, the company had undrawn bank lines of INR12.2 billion. This, together with the on-balance sheet liquidity, is more than adequate to meet the repayment obligations for the next 12 months, factoring in nil collections and disbursements. On an ongoing basis, Home First aims at maintaining liquidity of over three months of disbursements. Furthermore, in the up-to-one-year bucket, Home First maintained a surplus on a cumulative basis during FY25, and even when the structural liquidity statement is stressed by the agency, the surplus continues. Given borrower cash flows in the affordable housing segment are more susceptible to shocks and even persistent inflationary pressures, Ind-Ra expects the company to maintain above-average liquidity buffers on an ongoing basis.

Rating Sensitivities

Positive: Future developments that could, collectively, lead to a positive rating action include:

a significant increase in the franchisee, along with asset quality control and a further penetration in existing geographies,

- maintenance of adequate capital buffers in line with book granularity and scale,
- maintenance of adequate liquidity buffers,
- completion of multiple business cycles.

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- deterioration in the asset quality on a sustained basis,
- leverage (debt/equity) exceeding 5.0x on a sustained basis,
- challenges in fund raising and erosion in liquidity buffers.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Home First, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Home First is a Mumbai-based affordable housing finance company, primarily engaged in extending home loans to borrowers in the low-to-middle income groups. It operates through a network of 155 branches and 138 digital branches across 141 districts through a total of 361 touch points.

Key Financial Indicators

Particulars (in billion)	FY25	FY24
Total assets	122.1	95.3
Total equity	25.2	21.2
Net income	3.8	3.1
Return on average assets (%)	3.5	3.8
Equity/assets (%)	20.6	22.3
Capital adequacy ratio (%)	32.8	39.5
Source: Ind-Ra, Home First		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (billion)	Rating	25 September 2024	29 February 2024	2 March 2023
Bank loans	Long-term	INR49.00	IND AA/ Stable	IND AA-/Positive	IND AA-/Positive	IND AA-/Stable
Non-convertible debentures	Long-term	INR4.00	IND AA/ Stable	IND AA-/Positive	IND AA-/Positive	IND AA-/Stable
Commercial paper	Short-term	INR1.00	IND A1+	IND A1+	IND A1+	IND A1+

Bank wise Facilities Details

The details are as reported by the issuer as on (04 Jun 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	HDFC Bank Limited	Term Loan	1291.666666	IND AA/Stable
2	HDFC Bank Limited	Term Loan	4758.333333	IND AA/Stable
3	Yes Bank Ltd	Term Loan	1297.101447	IND AA/Stable
4	State Bank of India	Term Loan	2496.635971	IND AA/Stable
5	Indian Bank	Term Loan	1139.348738	IND AA/Stable
6	Indian Bank	Term Loan	2748.761288	IND AA/Stable
7	CSB Bank Limited	Term Loan	674.865269	IND AA/Stable
8	IndusInd Bank Limited	Term Loan	1726.869706	IND AA/Stable
9	IndusInd Bank Limited	WCL/CC	100	IND AA/Stable
10	IndusInd Bank Limited	Term Loan	249.890058	IND AA/Stable
11	UCO Bank	Term Loan I	790.938146	IND AA/Stable
12	Central Bank of India	Term Loan XIII PSL	3000	IND AA/Stable
13	Central Bank of India	Term Loan XIV	2000	IND AA/Stable
14	Punjab & Sind Bank	Term Loan 1	894.55245	IND AA/Stable
15	Punjab & Sind Bank	Term Loan 2	2200	IND AA/Stable

16	Punjab National Bank	Term Loan 1	1916.168112	IND AA/Stable
17	Bandhan Bank	Term Loan 1	2375	IND AA/Stable
18	National Housing Bank	Refinance	174.689	IND AA/Stable
19	National Housing Bank	Refinance	267.611	IND AA/Stable
20	National Housing Bank	Refinance	1137.51	IND AA/Stable
21	National Housing Bank	Refinance	309.941	IND AA/Stable
22	National Housing Bank	Refinance	2235.218	IND AA/Stable
23	National Housing Bank	Refinance	112.228	IND AA/Stable
24	National Housing Bank	Refinance	2183.205	IND AA/Stable
25	National Housing Bank	Refinance	4895.088	IND AA/Stable
26	NA	Bank Loan(Unutilised)	8024.378813	IND AA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan	Low
Commercial paper	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Non-convertible debentures	INE481N07063	23 December 2022	MIOIS linked rate	21 December 2029	INR2.8	IND AA/Stable
				Total unutilised	INR1.2	

Source: NSDL; Home First

Contact

Primary Analyst

Vivek Singh

Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001756

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Jinay Gala

Director

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

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