Home First Finance Company India Limited

July 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,000.00 (Reduced from 1,014.04)	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Re-affirmation of the rating of bank facilities of Home First Finance Company India Limited (HomeFirst) factors in significant improvement in scale of operations supported by branch expansion with improvement in geographical diversification for three years ended March 31, 2025. For three years ending March 31, 2025, HomeFirst's assets under management (AUM) grew at a robust compound annual growth rate (CAGR) of 33%, rising from ₹5,380 crore in FY22 to ₹12,713 crore in FY25. This growth was supported by continued branch expansion and deeper market penetration across multiple states. The rating also factors in the company's strengthened capital position, following a successful equity infusion of ₹1,250 crore through a qualified institutional placement (QIP) in April 2025. This led to a notable improvement in the company's leverage, with gearing reducing to 2.6x. Profitability remains healthy, with a return on total assets (ROTA) of 3.41% in FY25, supported by controlled credit costs (0.26%) and a diversified funding base. Asset quality remains stable, with gross stage 3 (GS3) assets at 1.7% as on March 31, 2025. The company's lender base is well-diversified, with funding sourced from banks, National Housing Bank (NHB), and capital securitisation as on March 31, 2025, at competitive rates.

However, the rating remains constrained by relatively moderate seasoning of the loan portfolio, considering the high growth trajectory in recent years. As the portfolio matures, greater visibility on long-term asset quality trends is expected. However, the lower softer delinquencies compared to peers provide comfort. While the share of top three states in the loan book declined from 64.3% in FY22 to 55.8% in FY25, Gujarat continues to account for a ~29% AUM. Continued expansion in newer geographies, particularly in southern and northern India, is expected to further reduce this concentration.

While the company's focus on salaried borrowers (~68% portfolio) provides some stability, underlying borrower segment primarily comprises low-income individuals, which may be more susceptible to economic shocks. The company's ability to maintain asset quality and operating efficiency as it scales further will remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant scaling up AUM and improvement in seasoning.
- Significant improvement in geographical diversification.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in asset quality with GS3 over 3%.
- Moderation in profitability with ROTA less than 2% on a sustained basis.
- Increase in gearing levels (debt to equity) beyond 5x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

The “Stable” outlook factors in the continuation of growth in portfolio and improvement in asset quality. Going forward, continuation of growth momentum and diversification in borrowing profile, comfortable capital and earnings growth will be a key monitorable.

Detailed description of key rating drivers:

Key strengths

Comfortable capitalisation levels

Since inception, HomeFirst demonstrated a consistent ability to raise capital at regular intervals, supported by a strong and reputed investor base. As on April 25, 2025, the company’s key shareholders include established private equity investors such as True North Fund V LLP (7.50%), Aether Mauritius Limited (5.0%), and Warburg Pincus LLC (10.7%, through Orange Clove Investments BV), who have infused growth capital from FY17–FY21. Further, strengthening its capital position, HomeFirst successfully raised ₹1,250 crore through a QIP in Q1FY26, enhancing its net worth from ₹2,520 crore in March 2025 to ~₹3,750 crore in April 2025. The capital adequacy ratio (CAR) stood comfortable at 32.84% (March 2024: 39.48%) and tier 1 CAR stood at 32.47% (March 2024: 39.08%) as on March 31, 2025, which is substantially above the regulatory requirement for housing finance companies (HFCs). While gearing stood at 3.8x as on March 31, 2025 (up from 3.5x in FY24), the recent equity infusion has brought it down to a comfortable 2.6x as of April 2025. CARE Ratings Limited (CareEdge Ratings) expects leverage to remain comfortable below 4.5x in the near term. Comfortable capitalisation is likely to enhance the company’s ability to fund its estimated growth.

Diversified resource profile

As on March 31, 2025, the company’s funding mix comprised 60% bank term loans (March 2024: 60%), 2% loans from NBFC (March 2024: 2%), 16% NHB refinance (March 2024: 18%), 2% non-convertible debentures (March 2024: 3%), 14% direct assignment (March 2024: 14%), 3% co-lending (March 2024: 3%) and 3% ECB (March 2024: 0%). In FY25, the company raised ₹5371.28 crore, which included direct assignment (DA) sanctions of ₹663.19 crore and co-lending sanctions of ₹153.31 crore. HomeFirst strategically utilised DA transactions to bolster liquidity and capitalise on lower interest rates. CareEdge Ratings notes the company intends to maintain its current funding mix as it supports effective asset liability management (ALM).

Growth in the scale of operations over the years

In the last three years ending March 31, 2025, The company’s AUM grew at CAGR of 33% to ₹12,713 crore supported by small base and favourable growth prospects of affordable housing finance sector. Of the total AUM, 85% comprises home loans and the remaining 15% as loan against property (LAP). In FY25, HomeFirst disbursed ₹4,805 crore loans with a monthly average run rate of ₹400 crore compared to ₹3963 crore in FY24 with a monthly average run rate of ₹330 crore. The company also continued to expand its operational footprint, increasing its branch network to 155 (PY: 133) and growing its employee base to 1,634 (PY:1,249), reflecting its commitment to scaling operations in a controlled and sustainable manner.

Comfortable profitability metrics

The company demonstrated sustainable profitability and improved credit costs in FY25. In FY25, the company reported a net interest margin (NIM) of 5.2% in FY25, compared to 5.8% in FY24, with the moderation primarily attributable to a rise in the cost of funds. The operating expense/average assets improved to 2.6% in FY25 (FY24: 2.9%) led by economies of scale. The credit costs improved to 0.26% in FY25 (FY24: 0.31%). ROTA remained healthy at 3.41% in FY25, despite slightly lower than 3.76% in FY24 but continues to reflect a strong and sustainable profitability profile. Return on net worth (RONW) stood at 16.24% in FY25 compared to 15.54% in FY24. Going forward, the company’s ability to maintain healthy profitable metrics while maintaining the credit costs and operating expense would be a key monitorable.

Stable asset quality

HomeFirst’s portfolio mix has been largely stable through the years with the company mainly lending to retail affordable housing. The credit underwriting policies remain conservative with 68% AUM comprising salaried borrowers and the self-employed segment forming the rest. Asset quality stood comfortable with a GS3 ratio of 1.70% as on March 31, 2025 (March 2024: 1.70%). The net stage 3 (NS3) ratio stood at 1.3% as March 31, 2025 (March 2024: 1.20%). Early delinquency indicators remained largely stable, with the 1+ days past due (dpd) book at 4.5% (Mar-24: 4.2%) and the 30+ dpd book at 3.01% (March 2024: 2.81%). While asset quality metrics remain under control, CareEdge Ratings notes maintaining these levels will be a key monitorable as the company continues to scale its operations.

Experienced promoters and management team

Manoj Vishwanathan is the company's managing director and CEO and has experience of over 27 years and possess extensive experience in consumer lending, encompassing sectors such as automobile loans, mortgages, and unsecured lending. At HomeFirst, he is assisted by a team of experienced management professionals to run the company's day-to-day operations. Deepak Satwalekar is the chairman of HomeFirst's board. The company's board of directors include nominee directors from existing private equity (PE) investors, True North and Warburg Pincus. The company has a strong focus on technology, building digital capabilities and management information systems.

Key weaknesses

Geographical concentration despite improvement

Majority portfolio as on March 31, 2025, is concentrated in Gujarat consisting of 29% AUM followed by Maharashtra- 14% and Tamil Nadu- 13% as on March 31, 2025 compared to 31% AUM in Gujarat followed by Tamil Nadu- 14% and Maharashtra- 13% as on March 31, 2024. Improvement was observed in the concentration with shift in focus towards less concentrated states for the last four years. However, Gujarat continues to dominate geographical concentration. In FY24, the company expanded in the same states venturing new Tier 2 and Tier 3 cities. Going forward, growth in AUM is expected to be contributed by expansion in markets of Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Madhya Pradesh, and Rajasthan.

Moderate seasoning of portfolio and exposure to under-banked segment of borrowers

HomeFirst caters the affordable housing segment and started operations in FY10 with 71% cumulative disbursements made in the last four years. The company's AUM grew at a 3YCAGR of 33% as on March 31, 2025. The sanctioned tenure of the home loans is 16-20 years forming 68% of the total AUM with behavioural maturity of the loans being 6-7 years, and thus, sustenance of the portfolio's asset quality is yet to be witnessed. As such, seasoning of the portfolio is improving though it remains moderate. Customers in the affordable housing segment are from economically weaker, low-to-middle income segments, having an annual household income of less than ₹60,000, who are vulnerable to economic downturns and increases risk for maintaining asset quality especially in stress. Of the AUM, ~90% have a fixed obligation to instalment ratio (FOIR) of less than 50%. New to-credit customers form ~14% of the total AUM. This is partly offset by the higher share of the relatively low-risk segment of salaried borrowers in HomeFirst's portfolio, secured asset class with lower loan to value ratio (LTV) and conservative lending practices.

Liquidity: Strong

As on March 31, 2025, there are positive cumulative mismatches across time buckets. The company has contractual debt repayments of ₹1,926 crore up to one year, against which, there are expected inflow from advances of ₹1,639 crore. The company has maintained liquidity (unencumbered) of ₹1,252 crore in the form of fixed deposits, bank balances and liquid investments to overcome the above mismatch. Above this unencumbered liquidity, HomeFirst also maintained undrawn lines of ₹1215 crore as on the same date, further strengthening its liquidity buffer. As a policy, HomeFirst always maintains liquidity of 15 months of debt repayment.

Environment, social, and governance (ESG) risks

Although Home First's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if the operations of any asset class in the portfolio are adversely impacted by environmental factors. Under its partnership with IFC, the company has been promoting the development of energy-efficient "Green" homes, which consumes less water and energy, making them 20% more energy efficient. During the year, the company had 120 homes certified under this initiative.

Social risks, such as cybersecurity threats, customer data breaches, or mis-selling practices, can affect Home First's regulatory compliance and reputation, and hence remain key areas to monitor. The company remains committed to promoting financial inclusion through affordable housing finance, whereby it disbursed loans worth ₹4,805 crore for affordable housing to over 20,000 families in the economically weaker section and low-income groups.

Home First's Board comprises seven Directors, including four Independent Directors and two female Directors. The company has a grievance redressal mechanism that ensures customer concerns are promptly resolved, fostering trust and accountability.

Applicable criteria

[Definition of Default](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios - Financial Sector](#)
[Housing Finance Companies](#)

About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

Set up in February 2010, HomeFirst registered with the National Housing Bank (NHB) and is engaged in providing affordable housing loans. The company was co-founded by former Mphasis Chairman, Jaithirth (Jerry) Rao and P S Jayakumar (former Citibank Consumer Banking Head and former MD and CEO of Bank of Baroda). Presently, Manoj Vishwanathan is the managing director and CEO. HomeFirst operates through a network of 155 branches as on March 31, 2025, across 13 states in India. As on March 31, 2025, the company had a total headcount of 1,634 and serviced 1,17,989 unique customer accounts

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	1,157	1,539
PAT	306	382
Interest coverage (times)	1.80	1.70
Total Assets*	9,531	12,210
Net NPA (%)	1.20	1.27
ROTA (%)	3.76	3.51

A: Audited; Note: these are latest available financial results
*net of Intangible assets and deferred tax assets

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-12-2027	1000.00	CARE AA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	1000.00	CARE AA; Stable	1)CARE AA; Stable (12-Jun-25)	1)CARE AA-; Stable (01-Jul-24)	1)CARE AA-; Stable (03-Jul-23)	1)CARE AA-; Stable (04-Jul-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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