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Dated: 6th Nov 2025

# Home First Finance (HOMEFIRS) - BUY

## Q2FY26 Result Update

| Current Market Price (CMP) | Fair Value (FV) |
|---|---|
| **Rs.1,196** | **Rs.1,525** |

## Rationale:

- Home First has chosen to go slow on new business, tightening the screen after seeing signs of stress in select segments and geographies.
- A few tough quarters with lower growth and asset quality volatility lie ahead amid tailwinds to margins.
- Retain BUY with Fair value of Rs. 1,525.

## Q2FY26 Earnings Update:

### Positives:

- Home First reported a Profit After Tax ("PAT") of Rs. 130 crores in Q2 FY26, up 43% yoy and inline with our estimates.
- Net Interest Income ("NII") growth was strong at 32% yoy, and Asset Under Management ("AUM") growth was 26%.
- Home First reported a sharp 20 bps qoq expansion in spreads, driven by a moderation in the cost of borrowings. We expect a sharp Net Interest Margin ("NIM") expansion in H2 FY26E.
- Company bake in a disbursement growth of 17% in H2 FY26E, picking up to 22%-24% over FY 2027-28E, driven by deeper penetration in existing states.

### Negatives:

- Home First's Q2 FY26 performance was affected by asset quality stress. The gross stage-2 ratio was up 13 bps qoq to 1.7% and the stage-3 ratio was up 9 bps to 1.9%.
- Credit costs were elevated at 0.4% in 2QFY26, up 23 bps yoy and 8 bps qoq, driven by elevated write offs of 0.3%



Holding Period: 12 months

## Rating Scale (Private Client Group)

### Definitions of ratings

| | | |
|---|---|---|
| **BUY** | – | We expect the stock to deliver more than 15% returns over the next 12 months |
| **ADD** | – | We expect the stock to deliver 5% - 15% returns over the next 12 months |
| **REDUCE** | – | We expect the stock to deliver -5% - +5% returns over the next 12 months |
| **SELL** | – | We expect the stock to deliver < -5% returns over the next 12 months |
| **NR** | – | **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only. |
| **SUBSCRIBE** | – | We advise investor to subscribe to the IPO. |
| **RS** | – | **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. |
| **NA** | – | **Not Available or Not Applicable.** The information is not available for display or is not applicable |
| **NM** | – | **Not Meaningful.** The information is not meaningful and is therefore excluded. |
| **NOTE** | – | Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark. |

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