



PL Capital
PRABHUDAS LILLADHER

Home First Finance Company India (HOMEFIRS IN)

Rating: BUY | CMP: Rs1,174 | TP: Rs1,375



Backing the Talos^ of affordable housing

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Company Initiation

[^]Talos is widely considered to be the first mechanized version of a robot in the Greek mythology. It is said to have been created by Hephaestus to protect the island of Crete from invaders. Just like Talos' ability to guard against intruders, we believe that investments in technology would help HOMEFIRS protect its return profile

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	6,388	8,831	10,761	12,931
Growth (%)	21.0	38.3	21.9	20.2
Op. Profit (Rs m)	5,304	7,609	8,748	10,134
PAT (Rs m)	3,821	5,402	6,288	7,300
EPS (Rs.)	42.8	55.7	60.5	70.2
Gr. (%)	23.5	30.2	8.6	16.1
DPS (Rs.)	3.7	5.2	6.1	7.0
Yield (%)	0.3	0.4	0.5	0.6
Margin (%)	5.7	6.2	6.1	5.9
RoAE (%)	16.5	15.8	13.5	13.7
RoAA (%)	3.5	4.0	3.7	3.5
PE (x)	27.4	21.1	19.4	16.7
P/BV (x)	4.2	2.8	2.5	2.1
P/ABV (x)	4.4	3.0	2.6	2.3

Key Data	HOME.BO HOMEFIRS IN
52-W High / Low	Rs. 1,519 / Rs. 839
Sensex / Nifty	83,295 / 25,713
Market Cap	Rs. 122 bn/ \$ 1,344 m
Shares Outstanding	104m
3M Avg. Daily Value	Rs. 498.85m

Shareholding Pattern (%)

Promoter's	12.35
Foreign	40.82
Domestic Institution	27.61
Public & Others	19.22
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.5	(10.2)	25.7
Relative	3.3	(12.4)	13.7

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Rating: BUY | CMP: Rs1,174 | TP: Rs1,375

Backing the Talos[^] of affordable housing

We initiate coverage on Home First Finance Company (HOMEFIRS) with 'BUY' rating and TP of Rs1,375 at 2.6x FY28E P/ABV. HOMEFIRS has demonstrated robust AUM growth of 29% CAGR over FY20-25. We expect the trajectory to continue and AUM to grow by ~24% CAGR over FY25-28E aided by deeper geographic expansion in existing and new markets. Investments in technology, connector model of sourcing, and centralized control over underwriting underpin scalability of the business model and justify a premium over peers. Despite rising competition and higher BT-outs, HOMEFIRS has been able to maintain steady yields. We expect spreads to remain in the guided range of 5.0%-5.2%. While credit cost has been elevated (40bps in Q3FY26) due to challenges in the MFI/ MSME segment, we expect it to normalize in FY27/ FY28E. The stock has seen significant correction (trading below -1 SD). Our valuation at 2.6x FY28E P/ABV accounts for a 20% discount from 5-year average (3.3x). Initiate with 'BUY'.

- Diversification to drive growth:** HOMEFIRS has consistently delivered robust AUM growth (29% CAGR over FY20-25). Long runway in affordable housing finance, rapid geographical expansion, and lean operating model are key growth drivers. Incremental growth will be driven by newer geographies as well as deeper presence in existing locations. Gradual portfolio diversification beyond Tier 1/2 cities and focus on Rs1mn+ ticket sizes/ co-lending and LAP are likely to augment growth, leading to AUM CAGR of ~24% over FY25-28E.
- Distribution-light model paying off:** HOMEFIRS's centralized model of underwriting, leveraging data-analytics, cheque bounce prediction models, and ML tools, has led to higher efficiency compared to peers (credit underwriting TAT of ~48 hours). Moreover, the connector-based sourcing model (~77% of leads), with opening of satellite/virtual branches first, highlights scalability in operations. These place HOMEFIRS in a better position vs. peers to tap new geographies quickly.
- Higher BT-outs and credit cost are near-term challenges:** While BT-outs have seen a spike (6.6%/ 7.6% in 3QFY26/ 2QFY26), HOMEFIRS has been able to maintain a healthy origination yield (13%+ over the last 2 years). Moreover, it has the potential to increase LAP share to 30% (vs. 16% currently), supporting yields. We expect spreads to remain in the guided range (5.0%-5.2%) as cost of borrowing moderates. Asset quality metrics have been weak in 9MFY26 due to stress in the MFI/ export-oriented segments, and we have accounted for higher credit cost (average of ~34bps over FY26-28E) in our valuation.
- Valuation attractive; initiate on 'BUY':** Affordable housing players have seen a sharp de-rating over the past year due to slower growth and asset quality challenges. However, HOMEFIRS's unique technology-focused model, lean operations and strong execution capability grant a premium valuation vs. peers (FY28E P/ABV of 2.3x vs. 1.6x for AAVAS). While near-term RoE is suppressed due to recent capital raise (QIP of Rs12.5bn in Apr'25) and high capital adequacy (48.6% Tier 1 ratio), we expect it to expand to ~14% by FY28E with RoA of 3.5% (earnings CAGR of 24% over FY25-28E). We initiate with 'BUY' and TP of Rs1,375 (2.6x FY28E P/ABV).

Company Overview

HOMEFIRS: Tech-driven, connector-led affordable housing lender

Founded in 2010, Home First Finance Company (HOMEFIRS) is a non-deposit taking housing finance company (HFC) focused on lending to home buyers belonging to salaried and self-employed segments with income less than Rs50k per month. As of Dec'25, the company had an AUM of Rs149.2bn, 83% of which comprised pure housing loans, 16% LAP and 1% commercial/shop loans. It is majorly a technology-driven lender with end-to-end loan processing handled digitally.

Exhibit 1: Key milestones

Year	Milestone
2010	Incorporation of the company
2011	Primary investment of Rs100mn
2012	Started operations in Ahmedabad, Gujarat, & Chennai, Tamil Nadu
2013	Tata Capital (Alpha TC Holdings Pte Ltd) primary investment of Rs470mn
2014	HOMEFIRS turns profitable
2015	Customer base crosses 5,000
2016	AUM crosses Rs5bn with 10,000+ customers and reach across 25+ cities
2017	True North acquires majority stake, GIC co-invests with True North
2018	Networth crosses Rs5bn with 15,000+ customers & 10 lenders
2019	30,000+ customers across 11 states + 1 UT
2020	AUM crosses Rs36bn
2021	Listed on NSE and BSE, Warburg Pincus invests in the company, 60,000+ sanctions
2022	India Ratings: Assigns Long Term Credit Facilities Rating; AA- Stable
2023	ICRA & CARE Ratings upgrade to AA- Stable; crosses 100 physical branches; 1,00,000+ customers served
2024	India Ratings upgrades to AA- (Positive); AUM crosses Rs75bn
2025	AUM crosses Rs120bn; 150+ physical branches

Source: Company, PL

Underwriting model - Key features

- Focused on high-velocity markets:** HOMEFIRS analyzes loan origination data from Credit Information Bureau/ Experian to identify high-velocity pin codes, districts and markets in India. It also uses data on 2W/car purchases and fast-food retail outlets as proxies for income to decide where to set up a branch.
- Ground study through connectors:** Once the company has identified high-velocity areas, it conducts a ground study with connectors in the areas. The main purpose is to analyze customer behavior in terms of ticket sizes, sensitivity to pricing, delinquency trends, etc. Sometimes, HOMEFIRS sets up a satellite branch with a relationship manager (RM) from a nearby branch to disburse loans along with the help of connectors in the region. Once this satellite arm reaches a threshold of Rs100mn in AUM, the company invests in a physical branch. This process usually takes 9-12 months.

- **Using connectors to generate leads:** Once a branch has been set up, RMs from the branch depend largely on connectors to source leads. Connectors can be of various types and include (1) builders, (2) financial connectors (chartered accountants, lawyers, real-estate brokers, insurance agents), (3) construction connectors (masons, plumbers, cement dealers, hardware store owners) and (4) micro-connectors (kirana store owners).

HOMEFIRS has 3.6k+ active connectors, and it usually pays a commission of ~40bps on disbursal to these connectors. Apart from connectors, the company also sources leads through referrals, digital partnerships and marketing efforts.

- **Field check by RMs:** Once the lead has been sourced, the RM collects all the basic information from the customer (PAN card, Aadhaar card, e-KYC). The RM then conducts a field check by visiting the home/ workplace of the customer to cross-verify documents of identity, property/asset/vehicle ownership, etc. They also take photos/videos of the property/asset as proof along with documents such as GST, LPG and utility bills. All this data helps in creating a detailed profile of the customer to present to the central credit underwriting team.
- **Comprehensive credit underwriting:** The centralized credit team evaluates all the documents such as KYC details, CIBIL score, bank statements, salary slips, asset ownership/insurance documents, and other bills to assess the borrower's income generation capacity. The credit algorithm used by the team has access to 100+ data points of the customer provided by third-party vendors (including account aggregator data from banks, Hunter, Perfios, etc.). Based on this, the credit underwriting team decides whether to lend to the customer and applies a risk-based pricing mechanism (depending on the customer profile, type of loan) to arrive at interest rate, ticket size and LTV. This function of credit underwriting team typically takes ~48 hours.
- **Technical valuation and legal verification:** Once the credit underwriting team has given approval, the technical and legal teams assess the property while reviewing all the legal documents. HOMEFIRS has outsourced this function to an outside vendor.
- **Strong collections mechanism:** RMs at branches are responsible for collections with ~50% of their incentives linked to collection activity.

HOMEFIRS sources majority of leads from connectors (~77%). Moreover, it has a distinct model, backed by a centralized underwriting team, which helps in processing files faster (TAT of ~48 hours). It outsources functions such as legal/technical analysis to third-party vendors, while others perform these in-house. All these aspects, with the support of efficient tech operations, help HOMEFIRS in staying nimble vs. peers and expanding quickly into new geographies.

Exhibit 2: HOMEFIRS's underwriting model has a distinct competitive advantage vs. peers

	AAVAS	APTUS	HOMEFIRS
Lead generation	In-house (via referrals)	In-house (via referrals)	Mostly outsourced (via connectors)
Initial screening	In-house (KYC/ credit bureau scores/ third party or account aggregator information) done by RMs	In-house (KYC/ credit bureau scores/ third party or account aggregator information) done by RMs	In-house (KYC/ credit bureau scores/ third party or account aggregator information)
	Home/ workplace visits done by Credit Officers	Home/ workplace visits done by Credit Officers	Home/ workplace visits done by Sales RMs
Underwriting	De-centralized	Centralized	Centralized
Separation of Sales and Credit Underwriting	Yes	Yes	Yes
Legal/ Technical Assessment	In-house team of lawyers/ engineers/ valuers	In-house team of lawyers/ engineers/ valuers	External/ third party vendors
Collections	In-house (done by Field Officers)	In-house	In-house (done by RMs)

Source: Company, PL

Exhibit 3: Peer benchmarking

	AAVAS				APTUS				HOMEFIRS			
	FY23	FY24	FY25	9MFY26	FY23	FY24	FY25	9MFY26	FY23	FY24	FY25	9MFY26
AUM (Rs bn)	141.7	173.1	204.2	222.0	67.4	87.2	108.7	123.3	72.0	97.0	127.1	149.2
AUM growth CAGR (FY20-25)	21%				28%				29%			
Disbursements (Rs bn)	50.2	55.8	61.2	44.3	24.0	31.3	36.0	27.7	30.1	39.6	48.1	38.5
Disbursement growth CAGR (FY20-25)	16%				23%				24%			
AUM Mix												
Home Loans	72%	69%	68%	66%	58%	60%	60%	69%	88%	86%	84%	83%
LAP	28%	14%	13%	13%	0%	0%	0%	0%	11%	13%	15%	16%
Others	0%	17%	19%	21%	42%	40%	40%	31%	1%	1%	1%	1%
Salaried	40%	40%	40%	39%	29%	26%	22%	24%	70%	68%	68%	68%
Self-Employed	60%	60%	60%	61%	71%	74%	78%	76%	30%	32%	32%	32%
Operational Metrics												
Yields	13.1%	13.1%	13.1%	13.0%	17.0%	17.3%	17.4%	17.3%	14.0%	14.5%	14.4%	14.3%
CoF	7.6%	8.1%	8.2%	7.7%	8.1%	8.6%	8.7%	8.4%	7.3%	8.2%	8.5%	8.2%
Spreads	5.5%	5.1%	4.9%	5.3%	8.9%	8.7%	8.7%	8.9%	6.7%	6.3%	5.9%	6.1%
NIMs	8.3%	7.9%	7.6%	7.8%	13.9%	13.3%	13.0%	13.4%	6.7%	6.2%	5.7%	6.1%
Opex/ AUM Ratio	3.2%	3.1%	2.9%	3.2%	2.8%	2.7%	2.6%	2.7%	2.8%	2.7%	2.6%	2.6%
Cost to Income Ratio	44.6%	45.6%	43.8%	44.6%	19.4%	20.3%	20.3%	20.2%	35.5%	35.2%	35.6%	32.6%
Productivity												
AUM/ Branch (Rs mn)	409	472	514	550	292	333	362	368	648	729	820	904
AUM/ Employee (Rs mn)	23	28	28	31	28	30	32	32	72	78	78	87
Disbursement/ Branch (Rs mn)	145	152	154	110	104	119	120	83	271	298	310	233
Disbursement/ Employee (Rs mn)	8	9	8	6	10	11	11	7	30	32	29	23
Branches	346	367	397	404	231	262	300	335	111	133	155	165
Districts	480	490	NA	NA	NA	NA	NA	NA	119	131	141	143
Avg Ticket Size (Rs mn)	0.9	0.9	1.0	1.0	0.9	0.9	0.9	1.0	1.1	1.2	1.2	1.2

Contd...7

	AAVAS				APTUS				HOMEFIRS			
	FY23	FY24	FY25	9MFY26	FY23	FY24	FY25	9MFY26	FY23	FY24	FY25	9MFY26
Asset Quality												
GNPA	0.92%	0.94%	1.08%	1.19%	1.15%	1.07%	1.19%	1.56%	1.61%	1.70%	1.68%	2.00%
NNPA	0.68%	0.67%	0.73%	0.79%	0.86%	0.80%	0.89%	1.18%	1.07%	1.20%	1.27%	1.60%
PCR	26.1%	28.7%	32.4%	33.6%	25.0%	25.0%	25.0%	25.0%	34.0%	29.7%	25.2%	22.0%
Return Ratios												
RoA	3.5%	3.3%	3.3%	3.3%	8.4%	8.0%	7.7%	7.9%	3.9%	3.8%	3.5%	3.9%
RoE	14.1%	13.9%	14.1%	13.7%	16.3%	17.3%	18.8%	20.2%	13.5%	15.5%	16.5%	15.6%
Geographic Dist (% of AUM)												
Top 5 states	NA	NA	NA	NA	100%	100%	100%	100%	75%	74%	73%	73%
Capital Adequacy												
Tier 1 Ratio	46.7%	43.8%	44.4%	NA	76.6%	72.4%	71.1%	NA	48.9%	39.1%	32.4%	48.6%
Capital Adequacy Ratio	47.0%	44.0%	44.5%	46.4%	77.4%	73.0%	71.3%	70.5%	49.4%	39.5%	32.8%	49.0%
Borrowing Mix												
Term Loans	45%	47%	51%	52%	60%	63%	52%	59%	58%	60%	60%	57%
NHB	21%	20%	14%	12%	26%	24%	15%	11%	15%	18%	16%	15%
NCD	12%	9%	10%	10%	10%	5%	19%	18%	6%	3%	2%	2%
Others	22%	24%	25%	26%	4%	8%	14%	12%	21%	19%	22%	26%

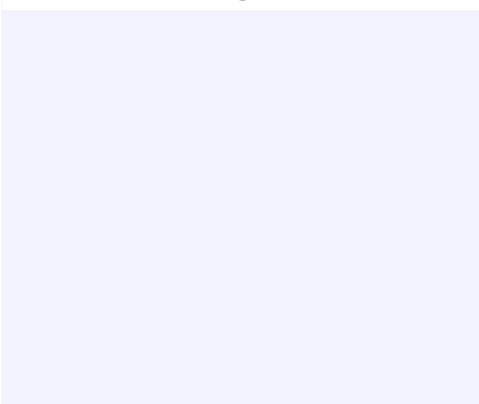
Source: Company, PL

Exhibit 4: Valuation summary

Company	CMP (Rs)	TP (Rs)	Rating	% Chng.	M-cap (Rs bn)	P/BV (x)				P/E (x)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Home First Finance	1,174	1,375	BUY	17%	122	4.2	2.8	2.5	2.1	27.4	21.1	19.4	16.7
Aavas Financiers	1,285	1,700	BUY	32%	102	2.3	2.0	1.8	1.5	17.7	15.6	13.7	11.4
Aadhar Housing Finance	470	NR	NR	NR	204	3.2	2.7	2.3	2.0	22.5	18.5	15.2	12.7
Aptus Value Housing Finance	244	NR	NR	NR	122	2.8	2.4	2.1	1.8	16.2	13.2	11.1	9.5
India Shelter Finance	718	NR	NR	NR	78	2.9	2.5	2.1	1.8	21.2	16.1	13.4	11.0

Company	CMP (Rs)	TP (Rs)	Rating	% Chng.	M-cap (Rs bn)	RoE (%)				RoA (%)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Home First Finance	1,174	1,375	BUY	17%	122	16.5	15.8	13.5	13.7	3.5	4.0	3.7	3.5
Aavas Financiers	1,285	1,700	BUY	32%	102	14.1	13.9	13.7	14.4	3.3	3.3	3.2	3.4
Aadhar Housing Finance	470	NR	NR	NR	204	16.9	15.8	16.5	16.9	4.3	4.2	4.3	4.3
Aptus Value Housing Finance	244	NR	NR	NR	122	18.6	19.8	20.0	20.0	7.4	7.5	7.3	7.2
India Shelter Finance	718	NR	NR	NR	78	15.1	16.6	16.9	17.4	5.6	5.2	4.9	4.7

Source: PL, Bloomberg *NR = Not Rated

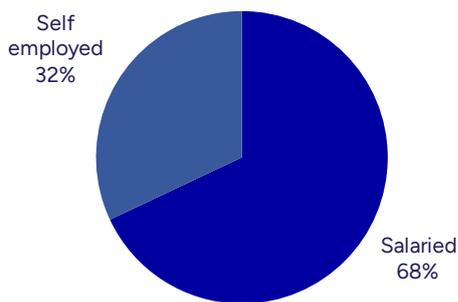


Investment Arguments

Deepening distribution across geographies

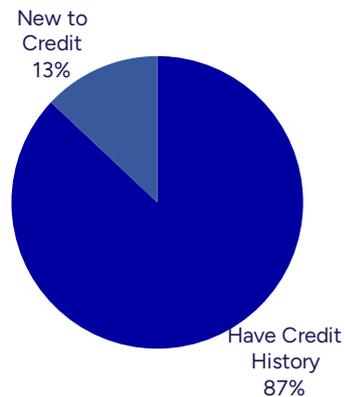
HOMEFIRS underwrites largely salaried home loan customers living in the peripheries of urban cities and usually having an established credit score/ track record. 68% of its customers are salaried, with 87% having prior credit history with an average credit bureau score of 747 (Dec'25).

Exhibit 5: 68% of HOMEFIRS's customers are salaried...



Source: Company, PL

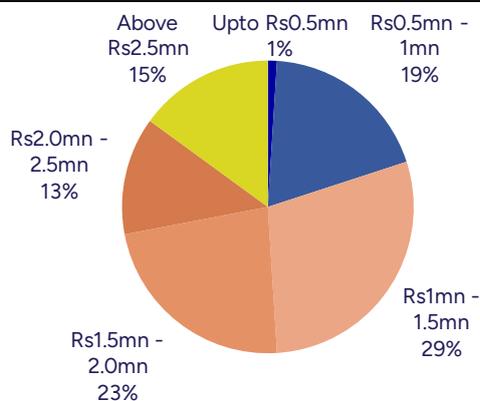
Exhibit 6: ...with 87% having prior credit history



Source: Company, PL

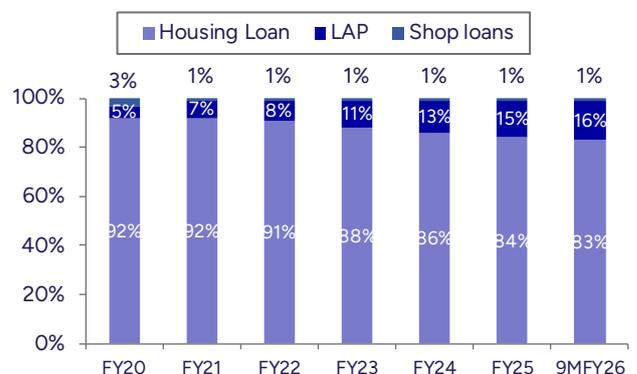
In terms of ticket size, 20% of HOMEFIRS's AUM is up to Rs1mn, 52% is Rs1-2mn and 28% is above Rs2mn (Dec'25). With rising inflation and high competitive intensity, the company is increasingly focusing on the Rs1mn+ ticket size. Moreover, it plans to increase co-lending (with banks such as Central Bank of India, Union Bank of India and Axis Bank) to ~10% of disbursements (currently ~8%). Apart from that, LAP portfolio contributes to 16% of AUM (as of Q3FY26) and HOMEFIRS has the capacity to explore this category further, increasing overall ticket sizes.

Exhibit 7: HOMEFIRS is focusing on Rs1mn+ ticket size



Source: Company, PL

Exhibit 8: LAP contributes to 16% of AUM



Source: Company, PL

HOMEFIRS has established a pan-India presence with 165 branches and 368 touch-points across 143 districts. Gujarat (GJ), Maharashtra (MH), Tamil Nadu (TN), Madhya Pradesh (MP) and Telangana (TL) are the top 5 states contributing 28.5%, 14.8%, 11.6%, 9.7% and 8.1%, respectively, to the loan book (Dec'25). The

company plans to increase market share to ~5% in established markets (GJ) and ~3% in crowded states (MH). In addition, it has identified Rajasthan (RJ) and MP as key focus markets and is focusing on strengthening presence in these states. It plans to reach 500 touch points over the next 3 years by expanding its presence in existing states and targeting new markets (opening ~25 new branches every year).

Exhibit 9: HOMEFIRS network

State/Territory	Number of		% of gross loan assets as of			
	Branches	Districts	Dec'25	Dec'24	Mar'25	Mar'24
Gujarat	37	23	28.5%	29.2%	28.9%	31.2%
Maharashtra	30	20	14.8%	13.6%	13.9%	13.3%
Tamil Nadu	24	25	11.6%	13.4%	13.0%	14.0%
Madhya Pradesh	17	12	9.7%	7.6%	8.2%	6.2%
Telangana	10	14	8.1%	8.6%	8.5%	8.9%
Rajasthan	12	9	6.4%	6.2%	6.2%	5.9%
Uttar Pradesh & Uttarakhand	8	13	6.2%	6.7%	6.5%	6.1%
Karnataka	8	7	6.0%	6.4%	6.3%	6.8%
Andhra Pradesh	12	12	5.6%	5.4%	5.5%	4.8%
Chhattisgarh	4	5	2.2%	2.0%	2.1%	1.9%
Haryana & NCR	3	3	0.9%	0.9%	0.9%	0.9%
Total	165	143	100.0%	100.0%	100.0%	100.0%

Source: Company, PL

We believe that HOMEFIRS’s top-down approach of identifying volume-driven markets and creating presence in such markets, is likely to drive steady growth over FY25-28E. This, coupled with its opex-light strategy of setting up a satellite branch and then converting it into a physical branch once AUM reaches the Rs100mn threshold, is likely to sustain growth momentum.

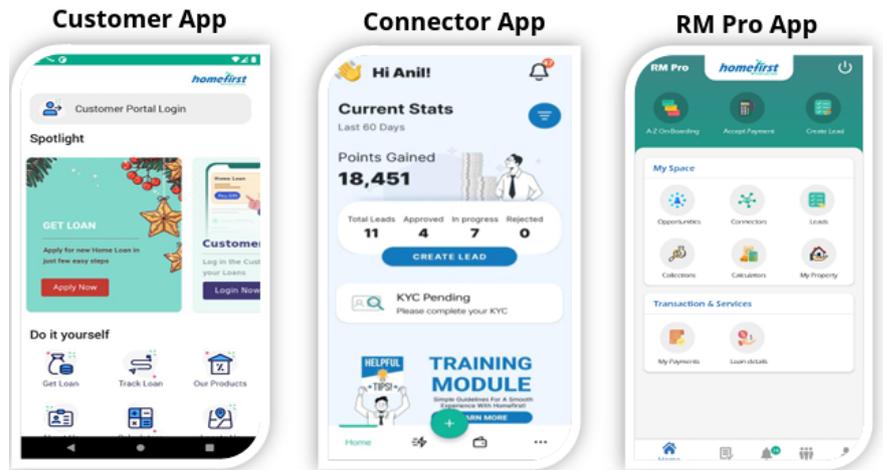
HOMEFIRS has an overall market share of ~2.2% in existing states, with scope to penetrate more pockets/pin codes. It plans to increase market share to ~3% in states where it has a market share of 1-1.5% (MH) and ~5% in states where it has 3-4% market share (GJ). It is also focusing on new markets (RJ & MP) to boost growth. By deepening distribution in existing pin codes and expanding into new territories, we believe there is scope for HOMEFIRS to replicate the growth trajectory seen in established markets (GJ & MH).

Making tech ubiquitous at every stage

HOMEFIRS has leveraged tech across functions such as lead generation using an app, and using machine learning tools in credit underwriting and bounce prediction. Majority of its operations are handled digitally by a centralized team with a credit underwriting TAT of ~48 hours.

- It has 3 separate apps in place to streamline the underwriting process by making it more transparent for all stakeholders: (1) HF Connect (for connectors); (2) RM Pro (for RMs/Sales); and (3) HF Customer Portal (for customers).

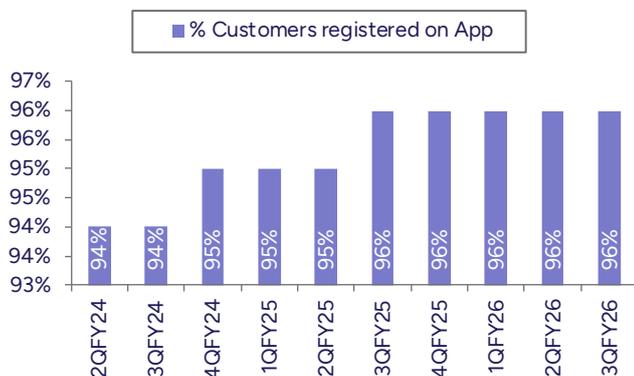
Exhibit 10: Developed proprietary applications to connect with all stakeholders



Source: Company, PL

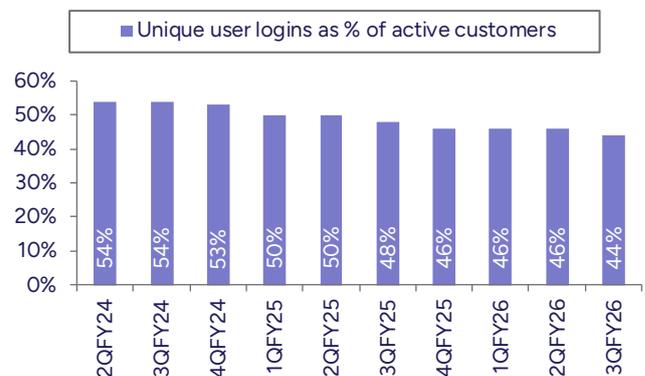
- These apps have API integrations with third-party service providers like Karza, Perfios, Digitap, and Digilocker. The apps are also integrated with credit bureaus, account aggregators, e-signing and e-stamping features
- HOMEFIRS has implemented electronic processes for key functions: (1) capturing KYC documents; (2) digital agreements (85% of total in Q3FY26); (3) e-stamping (55% of total in Q3FY26); and (4) e-NACH mandates (80% of total in Q3FY26).
- Its credit algorithm captures 100+ data points for all customers with all documents, photographs and videos available on a single cloud-based system.
- It has also put in place an internally developed omni-channel lead management system (Kaisys) and uses Salesforce to manage operations.
- It uses bounce prediction tools while underwriting to identify cases of early delinquencies.

Exhibit 11: 96% customers registered on app as of Dec'25...



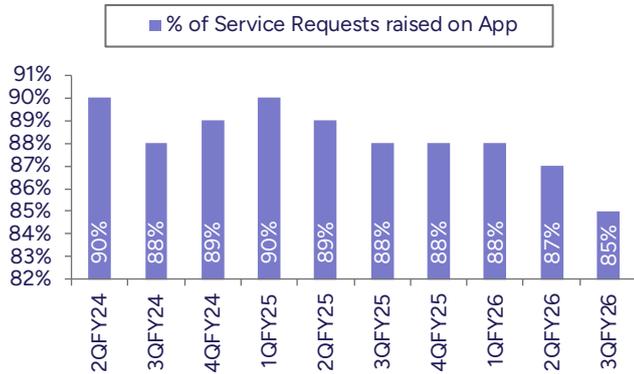
Source: Company, PL

Exhibit 12: ...44% of active customers have unique user logins



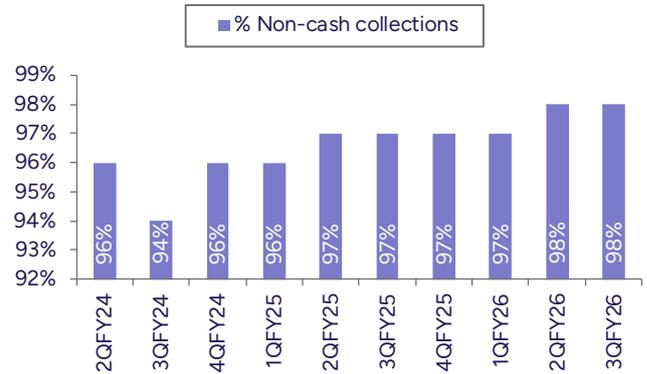
Source: Company, PL

Exhibit 13: 85% service requests raised on app in 3QFY26



Source: Company, PL

Exhibit 14: Non-cash collections at 98% in 3QFY26



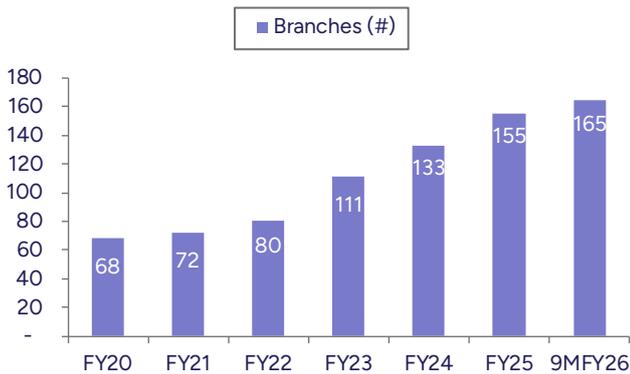
Source: Company, PL

Distribution-light model keeps costs under control

HOMEFIRS follows a centralized model of underwriting supported by a branch RM collecting customer data via field visits. A single RM at HOMEFIRS performs multiple functions (sales, data verification, collections), resulting in a lean operating model. The use of tech along with the connector-model of sourcing leads, virtual branches and digitalized processes ensures higher efficiency in operations (TAT of ~48 hours for approval).

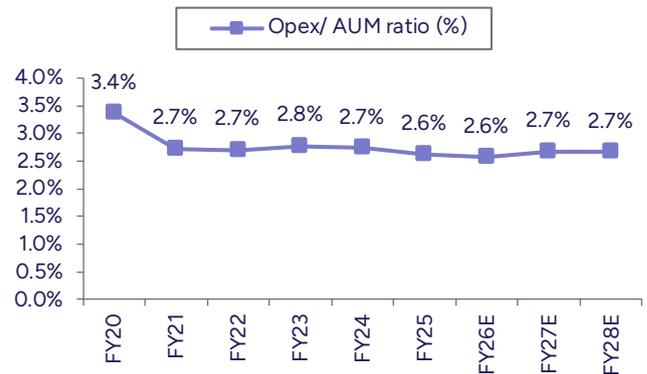
While HOMEFIRS historically has seen adverse cost ratios, opex/AUM ratio has declined from 3.8% in FY19 to 2.6% in FY25 due to economies of scale. We expect opex costs to remain controlled at 2.7% over the next 2 years, factoring in planned branch expansion. We expect branch expansion costs to be offset by productivity gains from new branches.

Exhibit 15: Branch network grows 18% over FY20-25



Source: Company, PL

Exhibit 16: Opex/ AUM ratio to remain stable

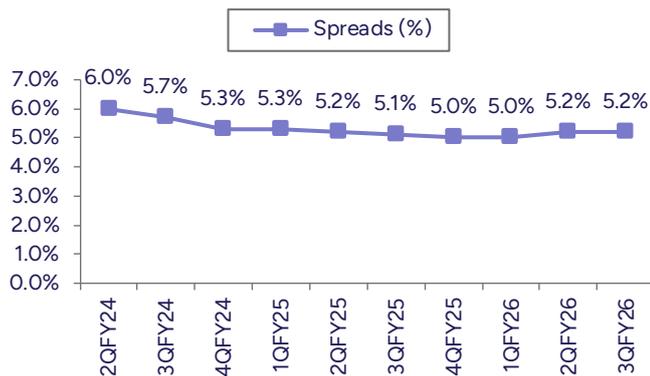


Source: Company, PL

Steady yields, strong liability profile to aid maintain spreads

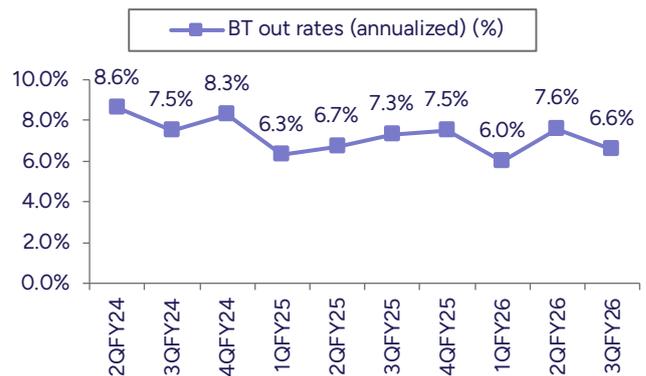
HOMEFIRS's focus on salaried, urban customers implies higher competition. However, spreads are still higher than banks/large HFCs, reflecting a segment which is under-serviced by large lenders. Historically, we have seen pressure on spreads for players operating in these markets due to competition from banks/NBFCs/other affordable HFCs. This is also reflected in higher BT-out rates of 6.6%/ 7.6% (annualized) seen by the company in Q3FY26/ Q2FY26.

Exhibit 17: Spreads remain range-bound...



Source: Company, PL

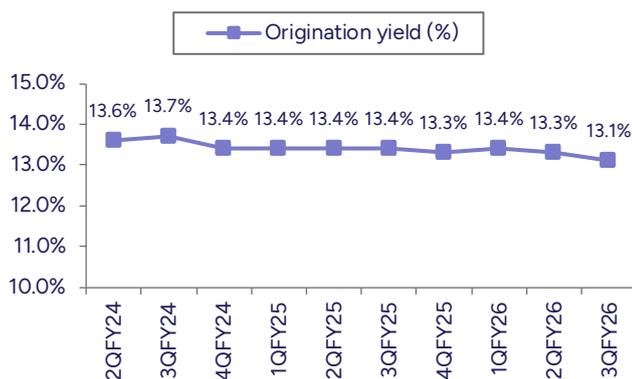
Exhibit 18: ... but BT-out rates have come down



Source: Company, PL

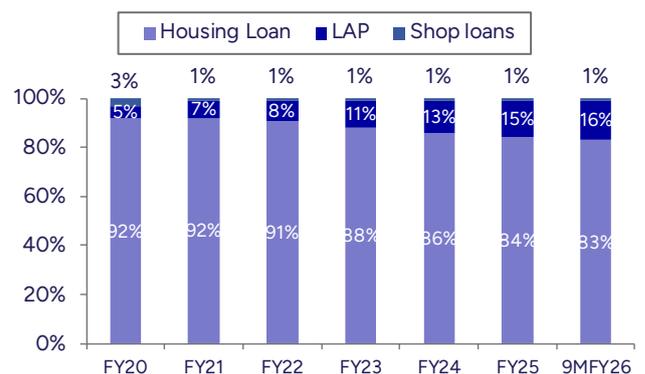
The company maintains a healthy origination yield of 13.1%, despite 83% share of individual housing loans (Q3). We believe this is a significant growth lever in a reducing interest rate environment. Moreover, it has remained conservative in its LAP portfolio at ~16% of AUM (as of Q3FY26). We believe that it has scope to explore this category further, boosting yields.

Exhibit 19: Maintains healthy origination yield of 13%+



Source: Company, PL

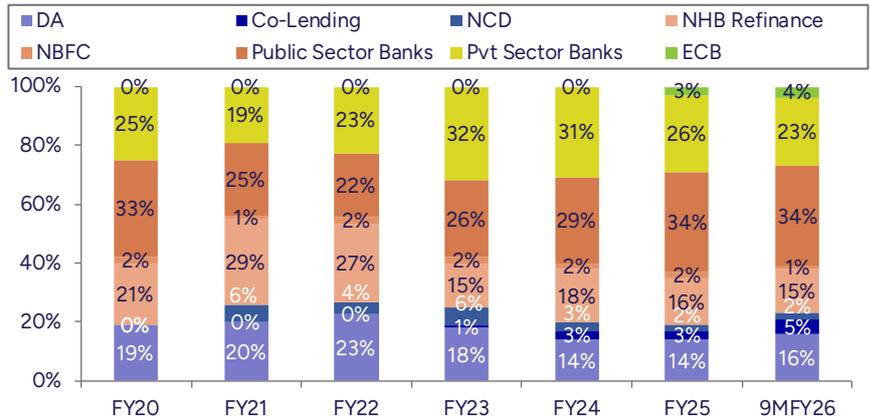
Exhibit 20: Scope to increase LAP share



Source: Company, PL

A diversified borrowing mix with zero borrowing through commercial papers and a healthy long-term credit rating (AA Stable from ICRA/CARE/India Ratings) lend support to HOMEFIRS's liability franchise. 57% of its total borrowings are sourced from banks, 21% from co-lending/direct assignments, 15% re-financed from NHB at subsidized rates, and 3% from NBFCs/NCDs (Dec'25).

Exhibit 21: HOMEFIRS has a diversified funding profile

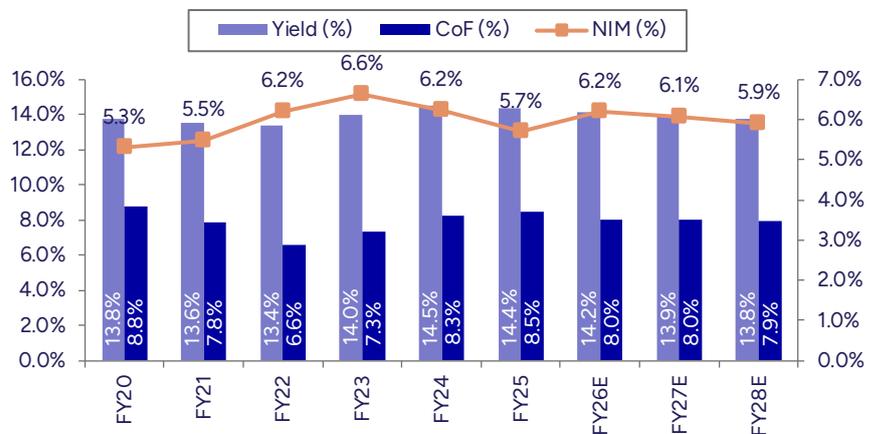


Source: Company, PL

HOMEFIRS's cost of borrowing has seen a moderation in 9MFY26, driven by lower incremental CoF due to system-wide repo rate cuts (~125bps). While it has already seen a benefit of 40-50bps, it expects a further reduction in CoF of 5-10bps every quarter over the next 2-3 quarters from repricing of MCLR-linked borrowings. Moreover, it has received NHB approval to raise ~Rs9bn at a subsidized rate of 7.5%. On the asset side, HOMEFIRS has recently taken a PLR cut of 10bps from Jan'26, which is likely to offset some of the benefit.

We expect yields to moderate in FY26E with a corresponding reduction in CoF, keeping spread largely stable. Yields are likely to moderate faster over FY27-28E, as the book reprices, bringing overall spread down. The company has guided for spreads to remain in the range of 5.0%-5.2%; we build a similar trajectory. Similarly, while calculated NIM has increased to 6.2% in FY26E due to a lower CoF, we expect it to moderate to 5.9% by FY28E, as the company passes on the benefit to customers.

Exhibit 22: Expect NIM to moderate as the book reprices



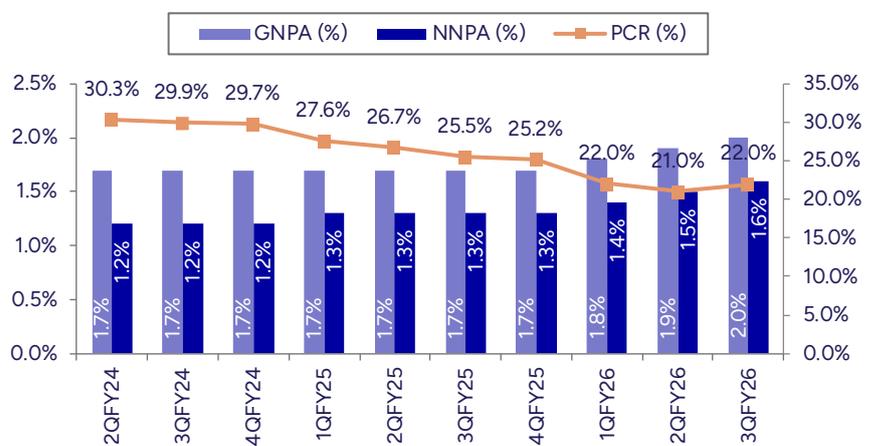
Source: Company, PL

Expect higher credit costs over the near term

As highlighted earlier, HOMEFIRS's credit underwriting is backed by data science. Its proprietary models divide customers into different risk buckets to predict bounce rates for each category. Despite that, the company saw higher stress vs. peers during the pandemic, leading to higher slippages and credit cost (average of 63bps) during FY20-22.

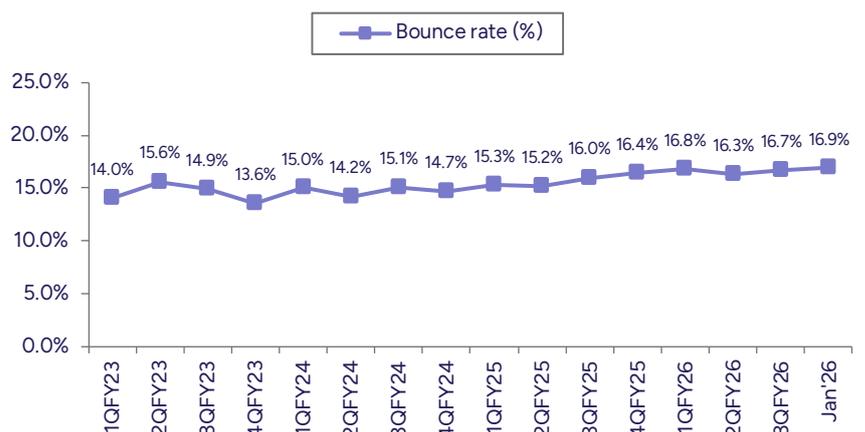
In terms of asset quality trend, HOMEFIRS has seen an improvement in Gross Stage 3 levels over FY20-25, moderating to 1.7% from peak of 2.3% in FY22. However, GS3 has seen a weaker trend in 9MFY26 at 2.0% in Q3 (vs. 1.7% in FY25), while bounce rates have spiked up to 16.9% as of Jan'26 vs. ~15% in Q4FY24.

Exhibit 23: Asset quality trend weaker over 9MFY26



Source: Company, PL

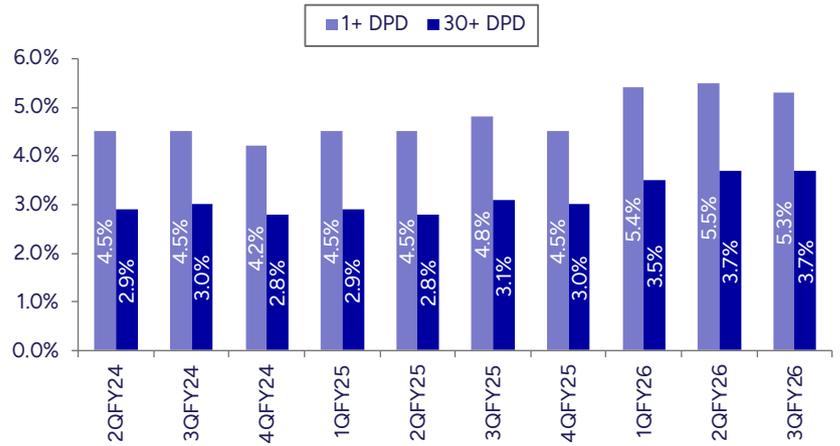
Exhibit 24: Bounce rates have seen an increase



Source: Company, PL

The company has seen a spillover effect from stress in the MSME/ MFI sector over the past year and has highlighted near-term impact of tariff-related uncertainties in certain states (leather industry near Chennai, textile industry around Coimbatore-Tirupur). Consequently, it has calibrated disbursements in certain export-oriented geographies/ cohorts and is focusing more on collection effort in the near term. Q3FY26 commentary indicates a stabilizing trend, especially from MFI-related issues with an improvement in early-stage delinquencies. While 1+ DPD improved by 20bps QoQ, 30+ DPD remained flat in Q3FY26.

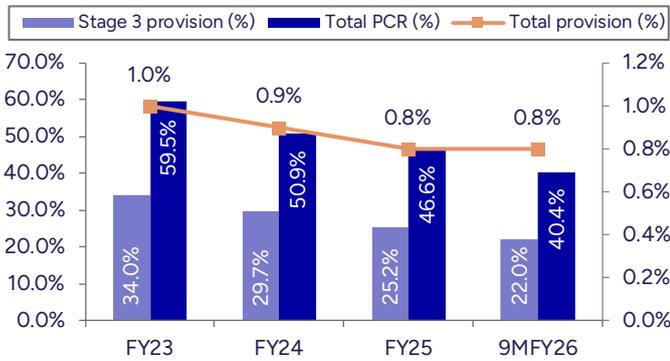
Exhibit 25: 1+ / 30+ DPD trend starts improving



Source: Company, PL

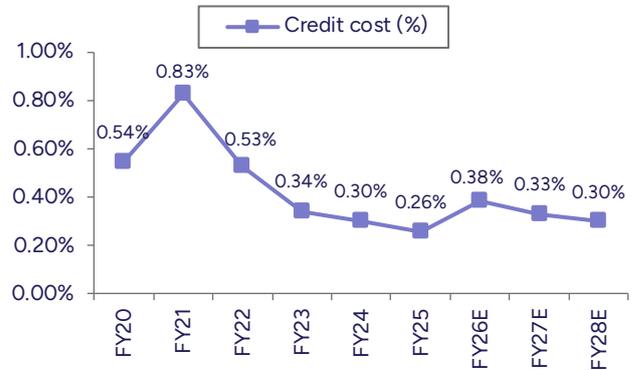
HOMEFIRS maintains Stage 3 PCR of 22.0% and total PCR of 40.4% (as of Dec'25), which we believe is sufficient for a highly secured business. Credit cost stood at 40bps in Q3FY26, and we expect it to remain elevated in FY26E (at 38bps). We build a gradual recovery in FY27E as asset quality trends stabilize. While we do not expect any other asset quality challenges over the medium term, we are factoring in higher credit cost (average of ~34bps over FY26-28E) based on historical trend/difference in operations.

Exhibit 26: HOMEFIRS maintains sufficient provision buffer



Source: Company, PL

Exhibit 27: Credit cost to improve over FY26-28E



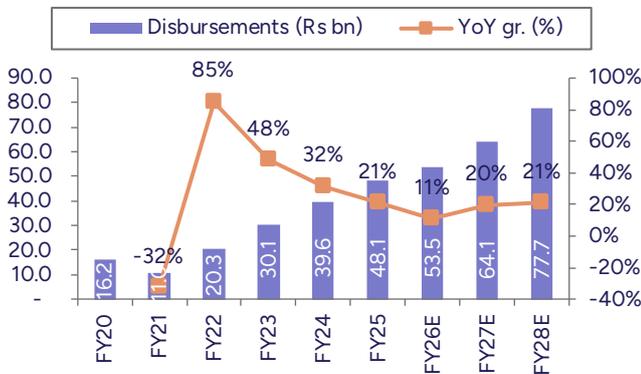
Source: Company, PL

Valuation and View

Deeper expansion to drive AUM growth: Over FY20-25, HOMEFIRS has seen a rapid growth, delivering 29% AUM CAGR. We expect HOMEFIRS to deliver ~24% AUM CAGR over FY25-28E, with 17% CAGR in disbursements. We find 2 levers of growth for HOMEFIRS: (1) deeper penetration into existing states (GJ & MH) and (2) expansion into new states (MP, RJ and UP). We expect HOMEFIRS to add 20-25 branches per year over the next 3 years to expand its footprint.

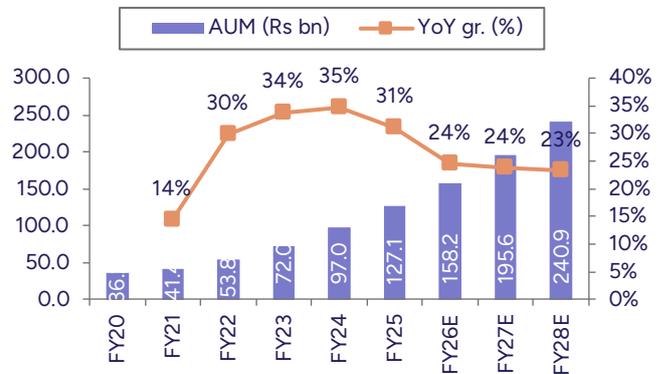
We bake in disbursement growth of 11% in FY26E (vs. growth of 9% in 9MFY26), increasing up to 20-21% over FY27-28E, driven by deeper penetration in existing states. Higher BT-outs will likely lead to elevated repayment rates, resulting in AUM CAGR of 24% over FY25-28E.

Exhibit 28: Disbursements to grow 17% over FY25-28E



Source: Company, PL

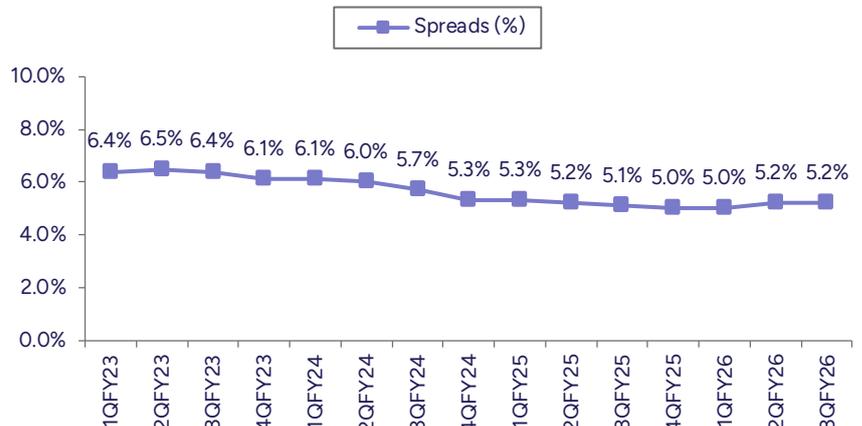
Exhibit 29: ...AUM to grow at 24% CAGR over FY25-28E



Source: Company, PL

Spreads to be range-bound: While BT-out rate was controlled at 6.6% in Q3FY26, it remains higher than 5-6% reported during FY22-23. Due to high competitive intensity, we expect spreads to be range-bound at 5.0%-5.2% over the medium term (similar to Dec'25) with any subsequent reduction in the cost of borrowing to be passed on to customers. Deeper geographic penetration and increase in the share of LAP portfolio are likely to support yields.

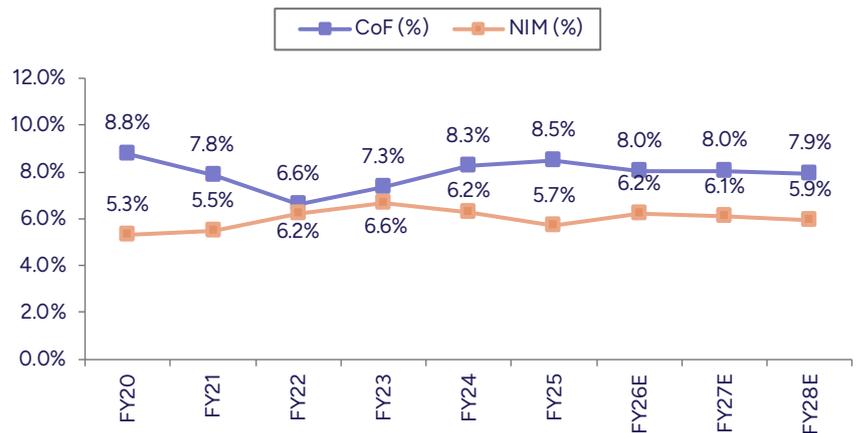
Exhibit 30: Spreads to remain range-bound at 5.0%-5.2%



Source: Company, PL

We expect yields to moderate in FY26E with a corresponding reduction in CoF, keeping spreads largely stable. Yields are likely to moderate faster over FY27-28E, as the book reprices, bringing overall spread down. The company has guided for spreads to be range-bound at 5.0%-5.2%; we build a similar trajectory. Similarly, while calculated NIM has increased to 6.2% in YTD FY26 due to a lower CoF, we expect it to moderate to 5.9% by FY28E, as the company passes on the benefit to customers.

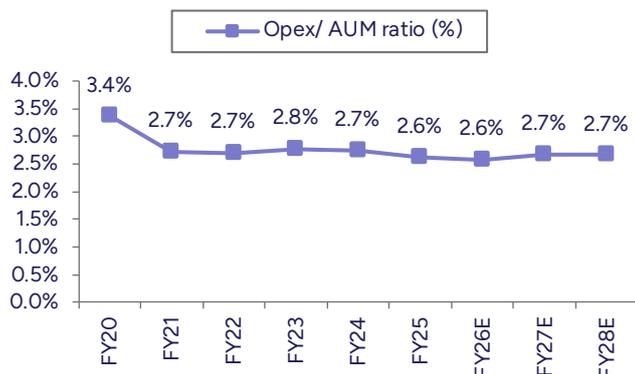
Exhibit 31: NIM to moderate as the book reprices



Source: Company, PL

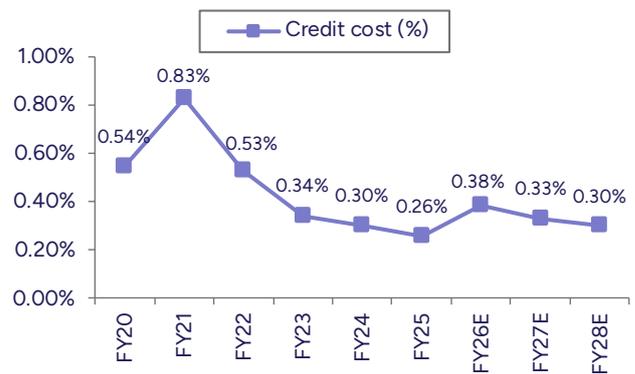
Opex costs elevated; credit cost to remain moderate: We expect opex/AUM ratio of 2.7% over the next 2 years, factoring in planned branch expansion and higher rentals/salaries. We expect operating costs to gradually reduce as the benefits of scale kick in with new branches becoming more productive. Credit cost was elevated at ~40bps in 9MFY26; we expect a moderation in FY27E as the US tariff/ MFI-related stress subsides.

Exhibit 32: Opex spend to be controlled



Source: Company, PL

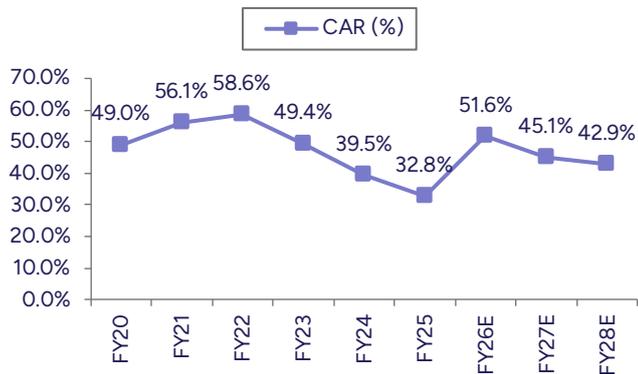
Exhibit 33: Credit cost to normalize in FY27E



Source: Company, PL

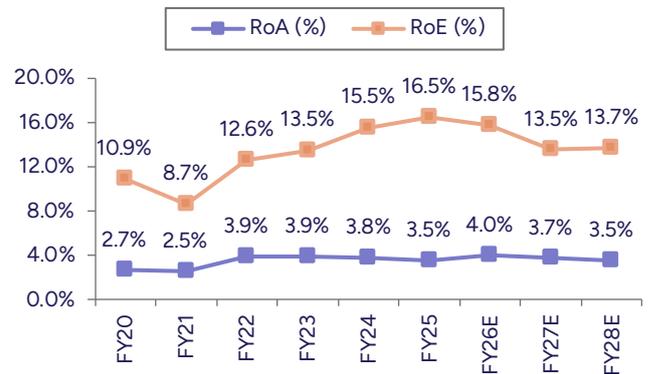
Sufficiently capitalized to fuel growth: HOMEFIRS's Tier 1 ratio/CAR stood at 48.6%/49.0% as of Dec'25, which makes it sufficiently capitalized to support growth ambitions. Moreover, the company has recently raised Rs12.5bn through a QIP in Apr'25, due to which, RoE ratios are subdued. We expect a moderation in CAR to ~43% by FY28E as the company utilizes capital to sustain growth.

Exhibit 34: HOMEFIRS has a strong capital buffer



Source: Company, PL

Exhibit 35: Expect RoA/ RoE of 3.5%/ 13.7% by FY28E



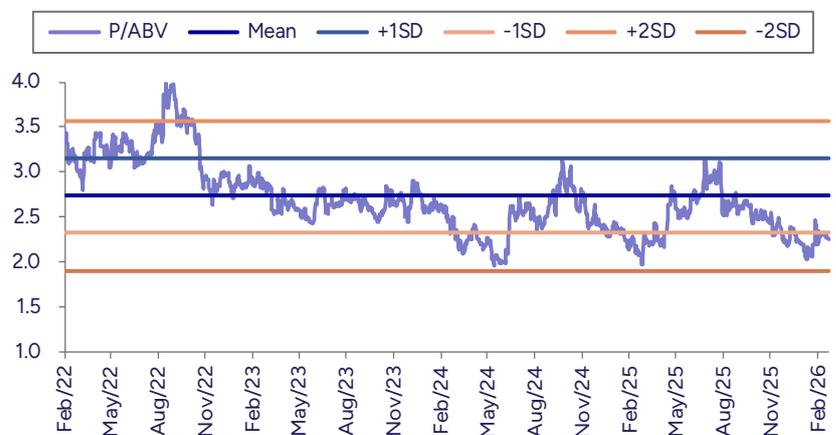
Source: Company, PL

We initiate coverage on HOMEFIRS with 'BUY' rating and TP of Rs1,375 (2.6x FY28E P/ABV). Rapid geographic expansion, lean operations and controlled credit cost should help sustain HOMEFIRS's strong return profile, delivering an RoA of 3.7%/ 3.5% in FY27/ FY28E. While near-term RoE is suppressed due to high capital adequacy (48.6% Tier 1 ratio), we expect it to expand to ~14% by FY28E with an earnings CAGR of 24% over FY25-28E.

Sector has de-rated; HOMEFIRS valuation attractive

Listed affordable HFCs have seen a de-rating over the past year due to slow disbursements, higher delinquencies and elevated credit cost. HOMEFIRS is trading at a valuation of 2.3x (2-year forward P/ABV vs. average of 3.3x over the past 5 years). We find the valuation attractive and view HOMEFIRS as one of the best affordable housing finance plays in India. Its unique technology-based model, lean operations and distribution-light franchise grant a premium over other players. Moreover, it is a diversified franchise, expanding into other markets (RJ, MP and UP), while maintaining controlled opex and credit costs.

Exhibit 36: HOMEFIRS trading at attractive valuation – 2-yr fwd P/ABV of 2.3x



Source: Company, PL

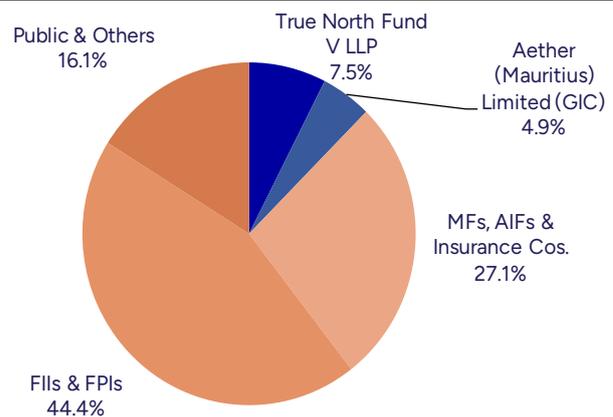
Risks

- **Significant concentration risk:** While HOMEFIRS operates in 13 states in India, top 3 states (GJ, MH and TN) comprise 55% of business (as of Dec'25). Furthermore, 91 out of 165 branches are located in these states. Thus, any significant social, political or economic disruption/natural calamities in these states could disrupt operations.
- **Execution risk for new geographies:** HOMEFIRS has actively expanded its branch network over the years and aims to further expand its presence in existing/new geographies. Difference in business environment in new states vs. existing geographies could result in slower growth for HOMEFIRS.
- **Risk of spreads erosion due to competition:** HOMEFIRS is most susceptible to competition from banks/ large lenders as it targets mostly formal/ salaried customers. Higher BT-outs/ re-payments due to high competitive intensity are likely to result in slower growth.
- **Asset quality stress likely to be higher:** HOMEFIRS has seen higher slippages/GNPA ratios over the past few years, indicating higher stress vs. peers. While we do not expect any asset quality challenges in the medium term for the sector, we have accounted for higher credit costs vs. peers in our estimates.

Shareholding pattern

The promoters- True North LLP and Aether (Mauritius) Ltd together own 12.4%, while the rest is owned by MFs, FPIs and public shareholders.

Exhibit 37: Shareholding pattern as of Jan'26



Source: Company, PL

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	13,540	16,806	20,406	24,931
Interest Expenses	7,153	7,974	9,644	12,000
Net interest income	6,388	8,831	10,761	12,931
Growth(%)	21.0	38.3	21.9	20.2
Non-interest income	1,852	2,450	2,714	3,006
Growth(%)	43.7	32.3	10.8	10.7
Net operating income	8,239	11,281	13,476	15,937
Expenditures				
Employees	1,944	2,130	2,600	3,017
Other Expenses	836	1,542	2,128	2,785
Depreciation	155	-	-	-
Operating Expenses	2,936	3,672	4,728	5,803
PPP	5,304	7,609	8,748	10,134
Growth(%)	24.7	43.5	15.0	15.8
Provisions	288	544	581	653
Profit Before Tax	5,016	7,064	8,167	9,480
Tax	1,195	1,662	1,878	2,180
Effective Tax rate(%)	23.8	23.5	23.0	23.0
PAT	3,821	5,402	6,288	7,300
Growth(%)	25.0	41.4	16.4	16.1

Balance Sheet (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Source of funds				
Equity	180	208	208	208
Reserves and Surplus	25,033	43,088	49,377	56,677
Networth	25,213	43,296	49,585	56,885
Growth (%)	18.8	71.7	14.5	14.7
Loan funds	95,507	1,03,723	1,35,921	1,66,790
Growth (%)	30.8	8.6	31.0	22.7
Deferred Tax Liability	24	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	1,373	1,648	1,828	2,077
Total Liabilities	1,22,117	1,48,667	1,87,334	2,25,752
Application of funds				
Net fixed assets	459	-	-	-
Advances	1,06,487	1,30,862	1,61,839	1,99,370
Growth (%)	30.8	22.9	23.7	23.2
Investments	3,602	6,690	10,303	13,545
Current Assets	9,382	8,026	11,400	8,096
Net current assets	9,382	8,026	11,400	8,096
Other Assets	5,789	9,780	14,095	18,287
Total Assets	1,22,117	1,48,667	1,87,334	2,25,752
Growth (%)	28.1	21.7	26.0	20.5
Business Mix				
AUM	1,27,127	1,58,152	1,95,590	2,40,948
Growth (%)	31.1	24.4	23.7	23.2
On Balance Sheet	1,06,487	1,30,862	1,61,839	1,99,370
% of AUM	83.76	82.74	82.74	82.74
Off Balance Sheet	20,640	27,291	33,751	41,578
% of AUM	16.24	17.26	17.26	17.26

Profitability & Capital (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	5.7	6.2	6.1	5.9
ROAA	3.5	4.0	3.7	3.5
ROAE	16.5	15.8	13.5	13.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Int. Inc. / Operating Inc.	3,629	3,944	4,091	4,288
Income from securitization	-	-	-	-
Interest Expenses	1,903	2,003	2,026	1,941
Net Interest Income	1,726	1,941	2,065	2,347
Growth (%)	26.2	32.6	31.8	43.9
Non-Interest Income	533	609	699	549
Net Operating Income	2,259	2,550	2,764	2,896
Growth (%)	31.4	38.2	39.1	34.8
Operating expenditure	803	868	879	926
PPP	1,456	1,682	1,885	1,970
Growth (%)	33.9	26.7	25.3	18.4
Provision	77	117	152	142
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	1,379	1,565	1,732	1,828
Tax	332	376	414	426
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	24.1	24.0	23.9	23.3
PAT	1,047	1,189	1,318	1,402
Growth	25	35	43	44
AUM	1,27,127	1,34,787	1,41,781	1,49,249
YoY growth (%)	31.1	28.6	26.3	24.9
Borrowing	95,507	96,744	96,526	99,257
YoY growth (%)	30.8	22.5	8.9	7.7

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	1,174	1,174	1,174	1,174
EPS (Rs)	42.8	55.7	60.5	70.2
Book value (Rs)	280.0	416.6	477.1	547.4
Adj. BV(Rs)	265.0	397.7	454.5	519.5
P/E(x)	27.4	21.1	19.4	16.7
P/BV(x)	4.2	2.8	2.5	2.1
P/ABV(x)	4.4	3.0	2.6	2.3
DPS (Rs)	3.7	5.2	6.1	7.0
Dividend Payout Ratio(%)	8.7	10.0	10.0	10.0
Dividend Yield(%)	0.3	0.4	0.5	0.6

Asset Quality

Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	1,808	2,421	2,832	3,489
Net NPA(Rs m)	1,353	1,963	2,347	2,891
Gross NPAs to Gross Adv.(%)	1.3	1.9	1.8	1.8
Net NPAs to net Adv.(%)	1.0	1.5	1.5	1.5
NPA coverage(%)	25.2	18.9	17.1	17.1

Du-Pont as a % of AUM

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	5.9	6.5	6.4	6.3
NII INCI. Securitization	5.9	6.5	6.4	6.3
Total income	7.6	8.3	8.0	7.7
Operating Expenses	2.7	2.7	2.8	2.8
PPOP	4.9	5.6	5.2	4.9
Total Provisions	0.3	0.4	0.3	0.3
RoAA	3.5	4.0	3.7	3.5
Avg. Assets/Avg. net worth	4.7	4.0	3.6	3.9
RoAE	16.5	15.8	13.5	13.7

Source: Company Data, PL Research

Notes

Notes

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	BUY	1,700	1,380
2	Bajaj Finance	BUY	1,125	964
3	Can Fin Homes	Accumulate	1,015	938
4	Cholamandalam Investment and Finance Company	BUY	1,850	1,594
5	HDFC Life Insurance Company	BUY	900	723
6	ICICI Prudential Life Insurance Company	Accumulate	725	684
7	LIC Housing Finance	Accumulate	525	496
8	Mahindra & Mahindra Financial Services	Accumulate	395	371
9	Max Financial Services	BUY	2,050	1,734
10	SBI Life Insurance Company	Hold	2,125	2,053
11	Shriram Finance	BUY	1,175	1,004
12	Sundaram Finance	Hold	5,500	5,359

PL's Recommendation Nomenclature

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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(Indian Clients)

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