ICRA

AFFORDABLE HOUSING FINANCE COMPANIES

Steady performance supported by good demand; asset quality remains monitorable

April 2024

List of abbreviations

HFC	Housing finance company
AHFC	Affordable housing finance company
RBI	Reserve Bank of India
NHB	National Housing Bank
NPAs	Non-performing assets
YoY	Year on year
AUM	Assets under management
GNPAs	Gross non-performing assets
LAP	Loan against property
HL	Home loan
Dpd	Days past due
IRAC	Income Recognition and Asset Classification
RoMA	Return on managed assets

For the analysis in this note, ICRA has used the data of the following entities

Classification	AHFCs used for consolidation of financials
Affordable Housing Finance Companies – AHFCs	Aadhar Housing Finance Limited [Aadhar], Aavas Financiers [Aavas], Aptus Value Housing Finance India Limited [Aptus], Aviom India Housing [Aviom], DMI Housing [DMI], Home First Finance Company [HFFC], Motilal Oswal Home Finance Limited [Motilal Oswal Home], India Shelter Finance Corporation Limited [India Shelter], IndoStar Home Finance [IndoStar], Mahindra Rural Housing Finance Ltd [Mahindra], Muthoot HomeFin (India) Limited [Muthoot HomeFin], Grihum Housing Finance [Grihum], Religare Housing Development Finance Corporation [Religare], Roha Housing Finance [Roha], Shriram Housing Finance Limited [Shriram Housing], Shubham Housing Development Finance Company Limited [Shubham], SMFG Grihashakti Home Finance [SMFG Grih; erstwhile Fullerton India Home Finance], SRG Housing Finance Limited [SRG], Ummeed Housing Finance [Ummeed], Vastu Housing [Vastu]

Agenda

1 Market landscape

2 Portfolio growth and asset quality trends

3 Capitalisation and borrowing mix

4 Earnings profile

5 Industry outlook

6 ICRA's ratings in the sector

Highlights

ICRA

Click to see full report

Disbursement volumes remain strong; loan book continued to grow at a high rate of 32% YoY in 9M FY2024

Asset quality indicators remained stable in 9M FY2024; marginal improvement expected supported by good book growth and limited slippages

Bank borrowings and NHB refinance constitute 77% of the overall borrowing mix

Higher operating efficiency and controlled credit costs to support overall profitability

- As per ICRA's estimates, the on-book loan portfolio of AHFCs continued to report strong YoY growth of 26% in 9M FY2024 and exceeded Rs. 1,04,000 crore as of December 31, 2023, supported by good demand. The underpenetrated market and the Government's thrust on 'housing for all' are likely to support growth, going forward.
- The share of AHFCs in the overall HFC loan book was meaningful at 13% as on December 31, 2023, following the change in the HFC market size due to HDFC Limited's merger with HDFC Bank. Earlier, the share in the overall HFC pie used to be 6-7%.
- The reported asset quality indicators of AHFCs remained stable in 9M FY2024, supported by controlled slippages and portfolio growth. Good collection efficiency is likely to keep delinquencies range-bound.
- The restructured book was ~2% of the loan book as on September 30, 2023, while incremental slippages from this book could be around 10-15% in-line with past trends.
- Bank borrowings and NHB refinance formed 77% of the overall borrowing mix as on September 30. 2023. The presence of capital market funding has remained limited, with only a few higher rated entities tapping this market. The overall cost of funds is expected to remain elevated due to the impact of the rise in systemic rates.
- As entities continue to expand their network, the operating ratios will remain elevated vis-à-vis traditional HFCs, but shall stabilise at the current levels.
- The profitability indicators of AHFCs were supported by stable net interest margins (NIMs; ~7.1%) and controlled credit costs (~0.4%) in H1 FY2024, despite high operating expenses (~3.8%) because of continued branch expansion. NIMs are expected to remain under pressure, going forward. This would weaken the profitability profile with RoMA of 2.5-2.7% in FY2025 (compared to 2.7% in H1 FY2024), despite controlled credit costs and stable operating ratios.

ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Senior Vice President	a.karthik@icraindia.com	+91-44-4596308
Manushree Saggar	Senior Vice President	manushrees@icraindia.com	+91-124-4545316
Rajat Kher	Senior Analyst	rajat.kher@icraindia.com	+91-124-4545833

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!