



INDIAN MORTGAGE FINANCE MARKET

Charting stability with steady
growth and profitability

JULY 2024



List of abbreviations

AHFCs	Affordable housing finance companies
ARCs	Asset reconstruction companies
AUM	Assets under management
bps	Basis points
CF	Construction finance
CRAR	Capital-to-risk weighted assets ratio
dpd	Days past due
GNPAs	Gross non-performing assets
GS3	Gross stage 3
HLS	Home loans
HFCs	Housing finance companies
IRAC	Income Recognition and Asset Classification
LCR	Liquidity coverage ratio
LRD	Lease rental discounting

LAP	Loan against property
NHB	National Housing Bank
NIM	Net interest margin
NNPAs	Net non-performing assets
NS3	Net stage 3
NBFCs	Non-banking financial companies
NHLs	Non-home loans
NPAs	Non-performing assets
NW	Net worth
RBI	Reserve Bank of India
RoMA	Return on average managed assets
RoNW	Return on average net worth
SCBs	Scheduled commercial banks
YoY	Year-on-year

HFCs included for consolidation of financials

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

All HFCs		
Large HFCs	Small HFCs (excl. AHFCs)	AHFCs
Bajaj Housing Finance Limited (BHFL)	Can Fin Homes Limited (CFHL)	Aadhar Housing Finance Limited (Aadhar)
Indiabulls Housing Finance Limited Limited (renamed as Sammaan Capital Limited; SCL)	GIC Housing Finance Limited (GICHFL)	Aavas Financiers Limited (Aavas)
LIC Housing Finance Limited (LICHFL)	Godrej Housing Finance Limited (Godrej)	Aptus Value Housing Finance Limited (Aptus)
Piramal Capital and Housing Finance Limited (PCHFL)*	ICICI Home Finance Company Limited (ICICIHFL)	Motilal Oswal Home Finance Limited (Motilal)
PNB Housing Finance Limited (PNBHFL)	IIFL Home Finance Limited (IIFLHFL)	Aviom India Housing Finance Limited (Aviom)
Tata Capital Housing Finance Limited (TCHFL)	JM Financial Home Loans Limited (JMHFC)	SMFG India Home Finance Company Limited (SMFG)
	Repco Housing Finance Limited (Repco)	Home First Finance Company India Limited (Home First)
	Sundaram Home Finance Limited (Sundaram)	India Shelter Finance Corporation Limited (ISFCL)
		Indostar Home Finance Limited (Indostar)
		Grihum Housing Finance Limited (Grihum)
		Mahindra Rural Housing Finance Limited (Mahindra)
		Mannapuram Home Finance Limited (Mannapuram)
		Muthoot Homefin (India) Limited (MHIL)
		Religare Housing Development Finance Corporation Limited (Religare)
		Shriram Housing Finance Limited (Shriram)
		Shubham Housing Development Finance Corporation Limited (Shubham HDFC)
		SRG Housing Finance Limited (SRGHFL)
		Vastu Housing Finance Corporation Limited (Vastu)
Large HFCs	Small HFCs	

Large HFCs = AUM > Rs. 50,000 crore as on March 31, 2024; As TCHFL crossed AUM of Rs. 50,000 crore in Q4 FY2024, it was bifurcated into Large HFC segment

Small HFCs (excl. AHFCs) = AUM < Rs. 50,000 crore as on March 31, 2024 (minus) AHFCs

Certain values differ from last release due to change in TCHFL's category to Large HFC from Small HFC with AUM crossing Rs. 50,000-crore threshold in Q4 FY2024

Housing Development Finance Corporation Limited (HDFC Limited: merged with HDFC Bank Limited w.e.f. July 1, 2023) has been excluded from HFCs unless specifically mentioned

*PCHFL's board has approved its conversion into an NBFC-investment and credit company (NBFC-ICC) and Piramal Enterprises Limited will merge with PCHFL, subject to regulatory approvals

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HFCs reported on-book portfolio growth of 13% in FY2024; ICRA retains its portfolio growth estimate of 12-14% for FY2025

ICRA expects some moderation in NIMs in FY2025; however, contained credit costs and improving operating efficiency will support profitability

Adequate capital and liquidity support the entity-level risk profiles



- The on-book portfolio of NBFC-HFCs grew by 13% in FY2024. Real estate developers are expected to augment their launch pipelines, driven by the decadal low inventory and the comfortable years-to-sell. Given the buoyant demand and healthy launch pipeline, ICRA retains its on-book portfolio growth estimate at 12-14% for FY2025.



- The share of HLs in the on-book portfolio had increased marginally in FY2024 to ~75% in March 2024 (73% in March 2023) on account of the RBI's principal business criteria (PBC) guidelines and decline in construction finance loans. ICRA expects the product mix of HFCs' on-book portfolio to largely stabilise around the current level.



- HFCs witnessed an improvement in their GNPAs in FY2024, driven by sales to ARCs and write-offs, primarily from construction finance segment, and recoveries from retail loans. ICRA expects the GNPAs to remain in the range of 2.1-2.3% as of March 2025.



- The industry's capital profile is adequate with the same expected to remain sufficient for meeting the growth targets. While no major capital raise is required, some entities would raise funds depending on their capital position with respect to their growth aspirations.



- Most HFCs have gradually lowered their on-book liquidity to reduce the negative carry. Nevertheless, liquidity remains adequate and HFCs continue to maintain sufficient buffer on the required LCR.



- ICRA estimates that the sector would need Rs. 1.0-1.1 lakh crore of additional funding (over the refinancing of existing maturing debt) in FY2025 for the envisaged growth. ICRA expects funding (including off-book) availability to remain adequate.



- HFCs reported higher NIMs in FY2024. However, with some increase expected in the cost of funds, the NIM is likely to contract to a certain extent in FY2025. Nevertheless, ICRA expects HFCs (excluding PCHFL) to report RoMA of 1.7-1.9% in FY2025 vis-à-vis 2.0% in FY2024.



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