



HOUSING FINANCE COMPANIES

**Stable performance in a volatile
environment**

JANUARY 2025



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	Mid-sized HFCs	Small HFCs
Bajaj Housing Finance Limited (BHFL)	Aadhar Housing Finance Limited (Aadhar)	Aptus Value Housing Finance India Limited (Aptus)
LIC Housing Finance Limited (LICHFL)	Aavas Financiers Limited (Aavas)	Godrej Housing Finance Limited (Godrej)
Piramal Capital and Housing Finance Limited (PCHFL)*	Can Fin Homes Limited (CFHL)	Grihum Housing Finance Limited (Grihum)
PNB Housing Finance Limited (PNBHFL)	GIC Housing Finance Limited (GICHFL)	India Shelter Finance Corporation Limited (ISFCL)
Sammaan Capital Limited (SCL)^	Home First Finance Company India Limited (Home First)	Indostar Home Finance Limited (Indostar)
Tata Capital Housing Finance Limited (TCHFL)	ICICI Home Finance Company Limited (ICICIHFC)	JM Financial Home Loans Limited (JMHFL)
	IIFL Home Finance Limited (IIFLHFL)	Mahindra Rural Housing Finance Limited (Mahindra)
	Repco Home Finance Limited (Repco)	Mannapuram Home Finance Limited (Mannapuram)
	Sundaram Home Finance Limited (Sundaram)	Motilal Oswal Home Finance Limited (MOHFL)
	Shriram Housing Finance Limited (Shriram)	Muthoot Homefin (India) Limited (Muthoot)
		Religare Housing Development Finance Corporation Limited (Religare)
		Shubham Housing Development Finance Company Limited (SHDFC)
		SMFG India Home Finance Company Limited (SMFG)
		SRG Housing Finance Limited (SRGHFL)
		Vastu Housing Finance Corporation Limited (Vastu)

Large HFCs = AUM > Rs. 50,000 crore as on September 30, 2024

Mid-sized HFCs = AUM < Rs. 50,000 crore but > Rs. 10,000 crore as on September 30, 2024

Small HFCs = AUM < Rs. 10,000 crore as on September 30, 2024

*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

^Sammaan Capital, formerly Indiabulls Housing Finance Limited, is classified as a NBFC-ICC with effect from July 2024

Note: All data excluding HDFC, unless specifically mentioned

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2 Asset Quality Trends



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HFCs reported YoY growth of ~14% in on-book portfolio in June 2024; ICRA expects a portfolio growth of 13-15% for FY2025-FY2026. Housing finance companies' (HFCs') debt capital market issuances remain high in Q3 FY2025 amid increasing cost of bank funding.

ICRA expects a healthy return on managed assets (RoMA) of 1.8-2.0% over FY2025-FY2026; contained credit costs and improving operating efficiency to support profitability amid margin compression.



- HFCs' on-book portfolio grew by ~14% YoY to Rs. 8.8 lakh crore as on September 30, 2024. With demand expected to remain firm, ICRA expects the growth momentum to continue in the near to medium term. A growth of 13-15% for HFCs' on-book portfolio for FY2025-FY2026 is likely.



- While there was a slight uptick in the reported GNPA's (GS3) in Q1 FY2025, in line with past trends, the same has come down in Q2 FY2025 driven by write-offs and some recoveries. ICRA expects the GNPA's to remain stable at 2.0-2.2% as of March 2025 and March 2026 with slippages slated to remain low.



- With the increase in the cost of funds, the HFCs reported a compression in the net interest margin (NIM) in H1 FY2025. ICRA expects the trend to continue for the remainder of the fiscal, given the increasing cost of funds and gearing, followed by some respite in FY2026 with expected easing of systemic interest rates.



- Nevertheless, profitability is projected to remain healthy, supported by low operating expenses and credit costs. ICRA expects the HFCs to report a healthy return of 1.8-2.0% on managed assets in FY2025-FY2026, compared to 2.1% in FY2024.



- With the increase in the cost of funding from banks, the HFCs have moved towards the debt capital market to support their funding requirements. The HFCs raised ~Rs. 67,600 crore through bond issuances in 9M FY2025, compared to ~Rs. 46,100 raised in FY2024.



- ICRA estimates that the sector would need Rs. 1.0-1.2 lakh crore of additional funding (over the refinancing of existing maturing debt) in FY2026 for the envisaged growth. ICRA expects funding (including off-book) availability to remain adequate.



- 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.



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