



# INDIAN MORTGAGE FINANCE MARKET

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**HFCs poised for healthy  
performance in FY2024**

**JULY 2023**



# List of abbreviations

<b>AHFCs</b>	Affordable housing finance companies
<b>ARCs</b>	Asset restructuring companies
<b>AUM</b>	Assets under management
<b>bps</b>	Basis points
<b>CF</b>	Construction finance
<b>CRAR</b>	Capital to risk weighted assets ratio
<b>dpd</b>	Days past due
<b>GNPAs</b>	Gross non-performing assets
<b>GS3</b>	Gross stage 3
<b>HLs</b>	Home loans
<b>HFCs</b>	Housing finance companies
<b>IRAC</b>	Income Recognition and Asset Classification
<b>LCR</b>	Liquidity coverage ratio

<b>LRD</b>	Lease rental discounting
<b>LAP</b>	Loan against property
<b>NHB</b>	National Housing Bank
<b>NNPAs</b>	Net non-performing assets
<b>NS3</b>	Net stage 3
<b>NBFCs</b>	Non-banking financial companies
<b>NHLs</b>	Non-home loans
<b>NPAs</b>	Non-performing assets
<b>RBI</b>	Reserve Bank of India
<b>RoMA</b>	Return on average managed assets
<b>RoNW</b>	Return on average net worth
<b>SCB</b>	Scheduled commercial banks
<b>YoY</b>	Year on year

# HFCs included for consolidation of financials

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

Category	HFCs included for consolidation of financials
<b>Large HFCs</b>	<p>Bajaj Housing Finance Limited, Indiabulls Housing Finance Limited, LIC Housing Finance Limited, Piramal Capital and Housing Finance Limited, PNB Housing Finance Limited (AUM &gt; Rs. 50,000 crore as on March 31, 2023)</p> <p>Housing Development Finance Corporation (HDFC: merged with HDFC Bank Limited w.e.f. July 1, 2023) has been excluded from HFCs unless specifically mentioned</p>
<b>Small HFCs (incl. affordable HFCs)</b>	<p>Aadhar Housing Finance Limited, Aavas Financiers Limited, Aptus Value Housing Finance India Limited, Aviom India Housing Finance Private Limited, Can Fin Homes Limited, GIC Housing Finance Limited, Godrej Housing Finance Limited, Home First Finance Company India Limited, ICICI Home Finance Company Limited, India Infoline Housing Finance Limited, India Shelter Finance Corporation Limited, IndoStar Home Finance Private Limited, JM Financial Home Loans Limited, Mahindra Housing Finance Limited, Manappuram Home Finance Limited, Motilal Oswal Home Finance, Muthoot Homefin (India) Limited, Poonawalla Housing Finance Limited, Religare Housing Development Finance Corporation Limited, Repco Home Finance Limited, Shriram Housing Finance, Shubham Housing Development Finance Company, SMFG India Home Finance Co. Ltd. (erstwhile Fullerton India Home Finance Company Limited), SRG Housing Finance Limited, Sundaram Home Finance Limited, Tata Capital Housing Finance Limited, Vastu Housing Finance Corporation Limited (AUM &lt; Rs. 50,000 crore as on March 31, 2023)</p>
<b>Affordable HFCs</b>	<p>Aadhar Housing Finance Limited, Aavas Financiers Limited, Aptus Value Housing Finance India Limited, Aviom India Housing Finance Private Limited, Godrej Housing Finance Limited, Home First Finance Company India Limited, India Shelter Finance Corporation Limited, IndoStar Home Finance Private Limited, Mahindra Housing Finance Limited, Manappuram Home Finance Limited, Motilal Oswal Home Finance, Muthoot Homefin (India) Limited, Poonawalla Housing Finance Limited, Religare Housing Development Finance Corporation Limited, Shriram Housing Finance, Shubham Housing Development Finance Company, SRG Housing Finance Limited, SMFG India Home Finance Co. Ltd. (erstwhile Fullerton India Home Finance Company Limited), Vastu Housing Finance Corporation Limited.</p>
<b>All HFCs</b>	Large HFCs + Small HFCs

# Agenda

## 1 Portfolio Growth



## 2 Asset Quality Trends



## 3 Funding and Liquidity



## 4 Capitalisation and Profitability



## 5 Market Dynamics and Industry Outlook



## 6 ICRA's Ratings in the Sector and Annexures



*HFCs reported on-book portfolio growth of 11% in FY2023, in line with ICRA's estimates; ICRA expects portfolio growth of 12-14% per annum in FY2024 and FY2025*

*For FY2024, ICRA expects some moderation in NIMs; however, contained credit costs would support profitability*

*Adequate capital and liquidity support the entity-level risk profiles*



- NBFC-HFCs' on-book portfolio grew by 11% YoY in FY2023 (~13% excluding HDFC), in line with ICRA's growth estimate of 11-13% for FY2023. NBFC-HFCs' (excl. HDFC) AUM growth had been marginally lower at 10% in FY2023. ICRA expects disbursements to remain healthy and estimates growth of 12-14% per annum for HFCs (excl. HDFC) in FY2024 and FY2025.
- The share of HLs in the portfolio has increased gradually and was 73% in March 2023 (71% in March 2022) compared to 68% in March 2020. Going forward, the growth is expected to be slightly tilted towards NHLs (especially LAP), as the industry looks to enhance its yields.
- HFCs would witness an improvement in their headline asset quality numbers as recoveries continue. This, along with the currently maintained higher provisions, shall limit incremental credit costs. ICRA expects further recovery of 30-50 bps and projects GNPA's to decline to 2.7-2.9% by March 2024.
- The industry enjoys an adequate capital profile 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.
- Most HFCs are gradually lowering their on-book liquidity to reduce the negative carry thereon. Nevertheless, liquidity remains adequate and HFCs continue to maintain the required LCR.
- ICRA expects that the sector would need Rs. 0.9-1.0 lakh crore of additional funding (over refinancing requirement) in FY2024 for the envisaged growth. Expansion in overall bank credit, the healthy market issuance trend and strong securitisation demand shall ensure adequate fund availability for the sector.
- For FY2024, ICRA expects some moderation in the net interest margin (NIM), though contained credit costs would support profitability. ICRA expects HFCs to report RoMA of 1.7-1.9% in FY2024 compared to 1.7% in FY2023.



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