



INDIAN MORTGAGE FINANCE MARKET

Debt capital market issuances of
HFCs hit multi-year high in H1
FY2025

OCTOBER 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	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)	Aviom India Housing Finance Private Limited (Aviom)
Piramal Capital and Housing Finance Limited (PCHFL)*	Can Fin Homes Limited (CFHL)	Godrej Housing Finance Limited (Godrej)
PNB Housing Finance Limited (PNBHFL)	GIC Housing Finance Limited (GICHFL)	Grihum Housing Finance Limited (Grihum)
Sammaan Capital Limited (SCL)^	Home First Finance Company India Limited (Home First)	India Shelter Finance Corporation Limited (ISFCL)
Tata Capital Housing Finance Limited (TCHFL)	ICICI Home Finance Company Limited (ICICIHFC)	Indostar Home Finance Limited (Indostar)
	IIFL Home Finance Limited (IIFLHFL)	JM Financial Home Loans Limited (JMHFL)
	Repco Home Finance Limited (Repco)	Mahindra Rural Housing Finance Limited (Mahindra)
	Sundaram Home Finance Limited (Sundaram)	Mannapuram Home Finance Limited (Mannapuram)
	Shriram Housing Finance Limited (Shriram)	Motilal Oswal Home Finance Limited (MOHFL)
		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 June 30, 2024

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

Small HFCs = AUM < Rs. 10,000 crore as on June 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

1 Funding and Liquidity



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HFCs' debt capital market issuances touched multi-year high in H1 FY2025; share of CP funding remains low

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

HFCs reported YoY growth of ~14% in on-book portfolio in June 2024; ICRA retains its portfolio growth estimate of 12-14% for FY2025



- With the increase in the cost of funding from banks, HFCs have moved towards the debt capital market to support their funding requirements. Bond issuances reached a multi-year high of Rs. 45,700 crore in H1 FY2025, up 44% YoY.



- Commercial paper (CP) issuances have also increased, and CPs outstanding hit a multi-year high of ~Rs. 35,000 crore as of July 2024, though the share of CP funding is low for HFCs due to shorter maturities. The share of CP in total borrowings remains range-bound at 3-5%.



- With the increase in the cost of funds, HFCs reported some compression in NIMs in Q1 FY2025 and ICRA expects the trend to continue during the remainder of the fiscal. Nevertheless, profitability is projected to remain healthy, supported by low operating expenses and credit costs.



- 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.



- HFCs' on-book portfolio grew by ~14% YoY to Rs. 8.4 lakh crore as on June 30, 2024. With demand expected to remain firm, ICRA expects the growth momentum to continue during the rest of FY2025 as well. ICRA maintains its growth estimate of 12-14% for HFCs' on-book portfolio for FY2025.



- The composition of the total on-book portfolio of HFCs has remained stable over the past few quarters with HLs comprising ~75% of the book, followed by LAP (~15%) and CF & others (~10%). ICRA expects the product mix of the on-book portfolio to stabilise around the current level.



- 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.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President, Group Head	karthiks@icraindia.com	+91-22-61143444
A M Karthik	Senior Vice President, Co-Group Head	a.karthik@icraindia.com	+91-44-4596308
Prateek Mittal	Assistant Vice President, Sector Head	prateek.mittal@icraindia.com	+91-33-71501100
Jatin Arora	Senior Analyst	jatin.arora@icraindia.com	+91-124-4545846
Chandni	Analyst	chandni@icraindia.com	+91-124-4545873





ICRA

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





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