

# HOUSING FINANCE COMPANIES

**HFCs turn to commercial paper  
market amid rate cut anticipation;  
sectoral performance remains Stable**

**APRIL 2025**



# List of abbreviations

<b>AHFCs</b>	Affordable housing finance companies
<b>ARCs</b>	Asset reconstruction 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>NIM</b>	Net interest margin
<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>NW</b>	Net worth
<b>RBI</b>	Reserve Bank of India
<b>RoMA</b>	Return on average managed assets
<b>RoNW</b>	Return on average net worth
<b>SCBs</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:

All HFCs		
Large HFCs	Mid-sized HFCs	Small HFCs
<b>Bajaj Housing Finance Limited (BHFL)</b>	Aadhar Housing Finance Limited (Aadhar)	Aptus Value Housing Finance India Limited (Aptus)
<b>LIC Housing Finance Limited (LICHFL)</b>	Aavas Financiers Limited (Aavas)	Godrej Housing Finance Limited (Godrej)
<b>Piramal Capital and Housing Finance Limited (PCHFL)*</b>	Aditya Birla Housing Finance Limited (ABHFL)	Grihum Housing Finance Limited (Grihum)
<b>PNB Housing Finance Limited (PNBHFL)</b>	Can Fin Homes Limited (CFHL)	India Shelter Finance Corporation Limited (ISFCL)
<b>Tata Capital Housing Finance Limited (TCHFL)</b>	GIC Housing Finance Limited (GICHFL)	Indostar Home Finance Limited (Indostar)
	Home First Finance Company India Limited (Home First)	JM Financial Home Loans Limited (JMHFL)
	ICICI Home Finance Company Limited (ICICIHFC)	Mahindra Rural Housing Finance Limited (Mahindra)
	IIFL Home Finance Limited (IIFLHFL)	Mannapuram Home Finance Limited (Mannapuram)
	Repco Home Finance Limited (Repco)	Motilal Oswal Home Finance Limited (MOHFL)
	Sundaram Home Finance Limited (Sundaram)	Muthoot Homefin (India) Limited (Muthoot)
	Truhome Finance Limited (Truhome)	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 December 31, 2024

Mid-sized HFCs = AUM < Rs. 50,000 crore but > Rs. 10,000 crore as on December 31, 2024

Small HFCs = AUM < Rs. 10,000 crore as on December 31, 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

Note: Sammaan Capital, formerly Indiabulls Housing Finance Limited, is classified as an NBFC-ICC with effect from July 2024, and has been accordingly removed from the sample set retrospectively

Note: All data excluding Housing Development Finance Corporation Limited and Sammaan Capital Limited, unless specifically mentioned

## 1 Funding and Liquidity



## 2 Profitability and Capitalisation



## 3 Growth in Scale



## 4 Asset Quality Trends



## 5 Market Dynamics and Industry Outlook



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





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*CP issuances of HFCs reached a multi-year high of ~Rs. 33,000 crore in Q4 FY2025 amid expectation of rate cuts*

*HFCs reported a healthy RoMA of 1.9% in 9M FY2025 despite margin compression; ICRA retains its earnings estimate at 1.8-2.0% for FY2025-FY2026 for the sector*



- Commercial paper (CP) issuances of HFCs reached a multi-year high of ~Rs. 33,000 crore in Q4 FY2025 amid the expectation of rate cuts and refinancing requirements. Nonetheless, shorter maturities kept the share of CP funding low at 4% for HFCs.



- HFCs actively tapped the debt capital market in FY2025 to support their funding requirements, given the elevated cost of funding from banks. HFC bond issuances increased by ~80% YoY to ~Rs. 82,200 crore in FY2025 from ~Rs. 45,500 crore in the year-ago period.



- With the increase in the cost of funds, HFCs reported a compression in NIMs in 9M FY2025. ICRA expects some improvement in NIMs in FY2026 with expected easing of interest rates. Nonetheless, elevated competition from banks will maintain pressure on HFCs.



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



- HFCs' on-book portfolio grew by ~17% YoY to Rs. 8.8 lakh crore as on December 31, 2024. With demand expected to remain firm, ICRA expects the growth momentum to continue in the near to medium term. The on-book portfolio is likely to increase by 15-16% in FY2025 and 13-15% in FY2026.



- 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 sector'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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# Analytical Contact Details

Name	Designation	Email	Contact Number
Karthik Srinivasan	Senior Vice President and Group Head	<a href="mailto:karthiks@icraindia.com">karthiks@icraindia.com</a>	+91-22-61143444
A M Karthik	Senior Vice President and Co-Group Head	<a href="mailto:a.karthik@icraindia.com">a.karthik@icraindia.com</a>	+91-44-4596308
Prateek Mittal	Assistant Vice President and Sector Head	<a href="mailto:prateek.mittal@icraindia.com">prateek.mittal@icraindia.com</a>	+91-33-71501100
Anubhav Khatri	Senior Analyst	<a href="mailto:anubhav.khatri@icraindia.com">anubhav.khatri@icraindia.com</a>	+91-124-4545846
Chandni	Analyst	<a href="mailto:chandni@icraindia.com">chandni@icraindia.com</a>	+91-124-4545873





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# Business Development/Media Contact Details

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





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