

HOUSING FINANCE COMPANIES

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

APRIL 2025



List of abbreviations



AHFCs	Affordable housing finance companies	LAP	Loan against p
ARCs	Asset reconstruction companies	NHB	National Hous
AUM	Assets under management	NIM	Net interest m
bps	Basis points	NNPAs	Net non-perfo
CF	Construction finance	NS3	Net stage 3
CRAR	Capital-to-risk weighted assets ratio	NBFCs	Non-banking f
dpd	Days past due	NHLs	Non-home loa
GNPAs	Gross non-performing assets	NPAs	Non-performi
GS3	Gross stage 3	NW	Net worth
HLs	Home loans	RBI	Reserve Bank
HFCs	Housing finance companies	RoMA	Return on ave
IRAC	Income Recognition and Asset Classification	RoNW	Return on ave
LCR	Liquidity coverage ratio	SCBs	Scheduled cor
LRD	Lease rental discounting	YoY	Year-on-year

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)*	Aditya Birla Housing Finance Limited (ABHFL)	Grihum Housing Finance Limited (Grihum)			
PNB Housing Finance Limited (PNBHFL)	Can Fin Homes Limited (CFHL)	India Shelter Finance Corporation Limited (ISFCL)			
Tata Capital Housing Finance Limited (TCHFL)	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

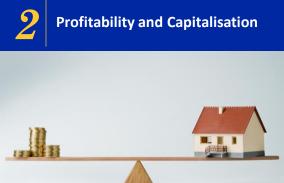
Note: Sammaan Capital, formerly Indiabulls Housing Finance Limited, is classified as an NBFC-ICC with effect from July 2024, and has been accordingly removed from the sample set retrospectively

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

Agenda















Highlights



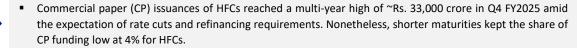


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CP issuances of HFCs reached a multiyear high of ~Rs. 33,000 crore in Q4 FY2025 amid expectation of rate cuts

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







■ 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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