



AFFORDABLE HOUSING FINANCE COMPANIES

**Diversification into new geographies
to drive growth; key portfolio
characteristics remain intact**

June 2025



List of abbreviations

CAGR	Compounded annual growth rate
HFC	Housing finance company
AHFC	Affordable housing finance company
NHB	National Housing Bank
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
NSDP	Net State Domestic Product
NHB	National Housing Bank
AUM	Assets under management
GNPAs	Gross non-performing assets
LAP	Loan against property
HL	Home loans
NHL	Non-home loans
Dpd	Days past due
LTV	Loan-to-value

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

Classification	AHFCs used for analysis
Affordable Housing Finance Companies – AHFCs	Aadhar Housing Finance Limited [Aadhar], Aavas Financiers Limited [Aavas], Aptus Value Housing Finance India Limited [Aptus], DMI Housing Finance Private Limited [DMI], Home First Finance Company [HFFC], India Shelter Finance Corporation Limited [India Shelter], ManiBhavnam Home Finance [ManiBhavnam], Motilal Oswal Home Finance Limited [Motilal Oswal], Niwas Housing Finance Private Limited [Niwas; erstwhile Indostar Home Finance Private Limited], Muthoot HomeFin (India) Limited [Muthoot HomeFin], Grihum Housing Finance [Grihum], Shubham Housing Development Finance Company Limited [Shubham], Truhome Finance Limited [Truhome; erstwhile Shriram Housing Finance Limited], Ummeed Housing Finance Private Limited [Ummeed], Vastu Housing Finance Corporation Limited [Vastu]



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Rise in the share of incremental AUM for Category-2 states has been driven by branch expansion and favorable macro-economic factors; expected to continue over medium to long term; Category-1 states, however, continue to hold a dominant share in the overall AUM for AHFCs.

Most Category-2 states have the best asset quality in the industry; however, impact of seasoning remains to be seen.

Weighted average rates and LTVs remained range-bound. Average ticket size has gradually increased over the past five years with the rise in real estate prices.



- **The overall AUM (including on-book and off-book portfolios) for AHFCs grew at a 4-year CAGR of 25% during FY2020-FY2024.** The growth declined slightly on a high base to 22% (on annualised basis) in 9M FY2025 with the overall AUM at over Rs. 125,000 crore as on December 31, 2024.



- **Category-1* states remain dominant markets with a 61% share in the AUM of AHFCs as on December 31, 2024;** albeit down from 69% on March 31, 2020. The increasing share of Category-2* states in incremental AUM over the past five years has been supported by branch expansions by AHFCs to tap underpenetrated affordable housing markets and favorable macroeconomic factors such as higher per capita income and population growth.



- **Category-2 and Category-3 states contributed 37% and 9%, respectively, to the incremental AUM in 9M FY2025,** compared to 30% and 6%, respectively, in FY2022. Continued branch expansion in Category-2 and 3 states is expected to support AUM growth trajectory on a sustained basis.



- **Category-2 states have better asset quality performance compared to Category-1 states;** however, they are in the early stage of business expansion, and the impact of portfolio seasoning remains to be seen. Three Category-2 states, Delhi, Karnataka and Telangana, are demonstrating the best asset quality at present.



- **Despite onboarding customers with better credit quality, weighted average rates have not declined** due to a rise in systemic interest in FY2023 and FY2024. LTVs for AHFCs are typically lower than prime housing loans because of the nature of the target borrower.



- **The average ticket size has gradually increased over the past five years with the rising real estate prices.** Loans with longer tenors have witnessed higher delinquencies following the rise in interest rates. AHFCs have increased the share of self-employed borrowers in the overall AUM.

* Category-1: Top 5 states (Maharashtra, Rajasthan, Gujarat, Tamil Nadu, Madhya Pradesh), Category-2: State #6-10 (Andhra Pradesh, Uttar Pradesh, Telangana, Karnataka, Delhi), Category-3: State #11-15 (Haryana, Punjab, Uttarakhand, Chhattisgarh, West Bengal), Category-4: Remaining states in terms of AUM as on December 31, 2024



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