ICRA

Affordable Housing Finance Companies

Well positioned for sustained growth; maintaining prudent credit oversight and efficient operational management is crucial

July 2025

Highlights

ICRA

Click to see full report

By FY2028, AHFC' AUM is projected to reach Rs. 2.5 trillion, while total retail mortgage loans from non-bank entities are expected to surpass Rs. 20 trillion.

The AHFCs maintain a robust risk profile, marked by strong earnings and minimal loan losses; continuing to manage operational risks, uphold conservative underwriting standards, and control costs will remain essential.

Currently, AHFCs have sufficient capital and are well positioned to achieve their medium-term growth objectives.

Retail mortgage-backed loans offered by NBFCs and HFCs are expected to grow to Rs.20 trillion by FY2028, rising from the current ~Rs.13 trillion. This growth will be driven by robust demand and the restricted availability of alternative credit options due to ongoing issues with unsecured lending. Moreover, this sector has traditionally demonstrated strong performance, marked by low loan losses and healthy business returns.

As of March 2025, the assets under management (AUM) of HFCs (AHFCs + Prime HFCs) represent 68% of retail mortgage loans by non-bank lenders. While the AHFCs account for 11% in this AUM, they serve nearly 33% of the borrowers within the HFC exposure, highlighting their extensive reach and loan granularity. The AHFC AUM is projected to grow at a 20-22% CAGR and reach Rs.2.5 trillion by FY2028.

The AHFCs have become critical lenders within the broader non-bank lending sector, addressing the housing and related requirements of their target borrowers, who are primarily self-employed or possess average credit profiles with minimal banking relationships.

Key emerging credit trends in the AHFC portfolio include low seasoning, a decreasing proportion of home loans (HL), and a higher share of self-employed borrowers. Significant portion of their exposure to self-construction, and a conservative loan-to-value (LTV) ratio however support their credit risk profile.

Given their borrower characteristics, **the AHFCs will have a more operationally intensive business model compared to prime HFCs.** This would require an extensive network of branches and staff to manage loan origination and handle collections in case of overdues. Thus, stability in operational and credit policies, and people management, would be crucial for operating at a larger scale.

Healthy business margins and low credit cost support AHFC earnings, even as their operating costs continue to remain elevated. Competitive pressures, however, will increase steadily going forward from larger players, making improved efficiency the key issue, when yields moderate and margins shrink with leverage.

The AHFCs are well positioned, given their current capitalisation and internal cash generation to support their growth plans over the next three years. The AHFCs' managed gearing was approximately 3.5 times as of March 2025, and ICRA does not expect it to exceed 5 times during this period.

NBFC- Non-Banking Financial Companies (Excluding HFCs) ; HFCs-Housing Finance Companies ; HFC = AHFCs (Affordable Housing Finance Companies) + Prime HFCs
Non-banks = NBFCs + HFCs; AHFCs - HFCs with 2/3rd or above of their HL exposures to small ticket loans (less than Rs.2.5 million)

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	+91-44-45964308
Prateek Mittal	Assistant Vice President & Sector Head	prateek.mittal@icraindia.com	+91-33-71501100
Sandeep Sharma	Assistant Vice President & Sector Head	sandeep.sharma@icraindia.com	+91-22-61143419

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 –East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector - West	sanket.kulkarni@icraindia.com	022-61693365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

Thank You!