

HOUSING FINANCE COMPANIES

HFCs holding ground: Growth intact but margins under watch; sectoral performance to remain Stable

JULY 2025



List of abbreviations



AHFCs	Affordable housing finance companies	LAP	Loan against property
ARCs	Asset reconstruction companies	NHB	National Housing Bank
AUM	Assets under management	NIM	Net interest margin
bps	Basis points	NNPAs	Net non-performing assets
CF	Construction finance	NS3	Net stage 3
CRAR	Capital-to-risk weighted assets ratio	NBFCs	Non-banking financial companies
dpd	Days past due	NHLs	Non-home loans
GNPAs	Gross non-performing assets	NPAs	Non-performing assets
GS3	Gross stage 3	NW	Net worth
HLs	Home loans	RBI	Reserve Bank of India
HFCs	Housing finance companies	RoMA	Return on average managed assets
IRAC	Income Recognition and Asset Classification	RoNW	Return on average net worth
LCR	Liquidity coverage ratio	SCBs	Scheduled commercial banks
LRD	Lease rental discounting	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)			
IC 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)			
NB 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)			
	SMFG India Home Finance Company Limited (SMFG)	Muthoot Homefin (India) Limited (Muthoot)			
	Sundaram Home Finance Limited (Sundaram)	Religare Housing Development Finance Corporation Limited (Religare)			
	Truhome Finance Limited (Truhome)	Shubham Housing Development Finance Company Limited (SHDFC)			
		SRG Housing Finance Limited (SRGHFL)			
		Vastu Housing Finance Corporation Limited (Vastu)			

Large HFCs = AUM > Rs. 50,000 crore as on March 31, 2025

Mid-sized HFCs = AUM < Rs. 50,000 crore but > Rs. 10,000 crore as on March 31, 2025

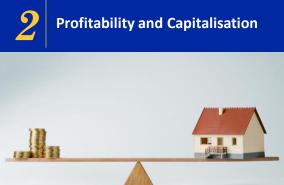
Small HFCs = AUM < Rs. 10,000 crore as on March 31, 2025

^{*}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: All data excluding Housing Development Finance Corporation Limited and Sammaan Capital Limited, unless specifically mentioned

Agenda















Highlights





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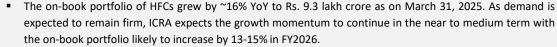
On-book portfolio of HFCs rose by ~16% in FY2025; growth momentum to continue with increase of 13-15% expected in FY2026

Healthy RoMA of 2.1% reported in FY2025 despite margin compression; ICRA retains its earnings estimate of 1.8-2.0% for FY2026

Debt capital market issuances of HFCs remained high in Q1 FY2026; bond issuances to stay healthy in FY2026 for faster transmission of systemic rate cuts









■ HFCs reported an improvement in their asset quality in FY2025 with a ~40-bps decline in GNPAs. The improvement was visible across segments, especially CF, aided by write-offs/sales to ARCs. ICRA expects GNPAs to continue to be low at 1.8-2.0% as of March 2026 with slippages slated to remain modest.



With the increase in the cost of funds, HFCs reported a compression in NIMs in FY2025. While systemic rates have declined, HFC margins remain under pressure with elevated competition from banks, as evidenced by the decline in their HL rates.



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 FY2026 compared to 2.1% in FY2025.



■ HFCs actively tapped the debt capital markets in Q1 FY2026, raising ~Rs. 30,600 crore through bond issuances during the quarter, up ~83% YoY. ICRA expects bond issuances to remain healthy in FY2026 with the systemic decline in interest rates and faster transmission through debt capital markets.



ICRA expects 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. Funding (including off-book) availability is likely
to remain adequate.



• The sector's capital profile is adequate for 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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