

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
ARCs	Asset reconstruction companies
AUM	Assets under management
bps	Basis points
CF	Construction finance
CRAR	Capital-to-risk weighted assets ratio
dpd	Days past due
GNPAs	Gross non-performing assets
GS3	Gross stage 3
HLs	Home loans
HFCs	Housing finance companies
IRAC	Income Recognition and Asset Classification
LCR	Liquidity coverage ratio
LRD	Lease rental discounting

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)
	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

1 Growth in Scale



2 Profitability and Capitalisation



3 Asset Quality Trends



4 Funding and Liquidity



5 Market Dynamics and Industry Outlook



6 ICRA's Ratings in the Sector and Annexures





Click to see full report

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



- The on-book portfolio of HFCs grew by ~16% YoY to Rs. 9.3 lakh crore as on March 31, 2025. As demand is expected to remain firm, ICRA expects the growth momentum to continue in the near to medium term with the on-book portfolio likely to increase by 13-15% in FY2026.



- HFCs reported an improvement in their asset quality in FY2025 with a ~40-bps decline in GNPA's. The improvement was visible across segments, especially CF, aided by write-offs/sales to ARCs. ICRA expects GNPA's 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.



ICRA

Analytical Contact Details

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





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	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!