

# AFFORDABLE HOUSING FINANCE COMPANIES

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**Growth momentum sustains at a slower pace; improving operational efficiency crucial as competition intensifies**

**AUGUST 2025**



# List of abbreviations

<b>HFC</b>	Housing finance company
<b>AHFC</b>	Affordable housing finance company
<b>RBI</b>	Reserve Bank of India
<b>NHB</b>	National Housing Bank
<b>NPAs</b>	Non-performing assets
<b>YoY</b>	Year-on-year
<b>AUM</b>	Assets under management
<b>GNPAs</b>	Gross non-performing assets
<b>LAP</b>	Loan against property
<b>HL</b>	Home loan
<b>Dpd</b>	Days past due
<b>IRAC</b>	Income Recognition and Asset Classification
<b>RoMA</b>	Return on managed assets

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

Classification	AHFCs used for consolidation of financials
<b>Affordable housing finance companies – AHFCs*</b>	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 [Home First], India Shelter Finance Corporation Limited [India Shelter], Motilal Oswal Home Finance Limited [Motilal Oswal], Niwas Housing Finance Private Limited [Niwas; erstwhile Indostar Home Finance Private Limited], Mahindra Rural Housing Finance Ltd [Mahindra], Muthoot HomeFin (India) Limited [Muthoot HomeFin], Grihum Housing Finance [Grihum], Religare Housing Development Finance Corporation [Religare], Satin Housing Finance Limited [Satin], Shubham Housing Development Finance Company Limited [Shubham], SMFG India Home Finance Company Limited [SMFG; erstwhile Fullerton India Home Finance], SRG Housing Finance Limited [SRG], Svatantra Micro Housing Finance Corporation Limited [Svatantra], Ummeed Housing Finance Private Limited [Ummeed], Vastu Housing Finance Corporation Limited [Vastu]

\* Note: The consolidation of financials for Q1 FY2026 does not include Svatantra; The entity-specific data for comparative charts is based on publicly available information and/or ICRA's estimates

# Agenda

## 1 Market landscape



## 2 Portfolio growth and asset quality trends



## 3 Capitalisation and borrowing mix



## 4 Earnings profile



## 5 Industry outlook



## 6 ICRA's ratings in the sector





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*Moderation in business growth in FY2025 and Q1 FY2026 vis-à-vis FY2024; loan book grew by 21% YoY in FY2025 and Q1 FY2026*

*Asset quality remains range-bound, the effects of portfolio seasoning yet to fully materialise*

*Bank borrowings and NHB refinance continue to dominate overall borrowing mix*

*Healthy business margins and low credit cost support earnings. Impact of leverage and competition, making improved efficiency key*



- As per ICRA's estimates, the on-book portfolio of AHFCs grew by 21% in FY2025 and stood at Rs. 1,22,201 crore as on March 31, 2025, and above Rs. 1,26,000 crore as on June 30, 2025, supported by good demand. The overall AUM growth has been similar at 22% in FY2025, supported by faster pace of growth in LAP segment. The underpenetrated market and the Government's thrust on 'housing for all' are likely to support growth, going forward. ICRA expects the on-book portfolio of AHFCs to grow by 20-22% in FY2026.
- The share of AHFCs in the overall HFC on-book portfolio (excluding Piramal) was estimated at 15% as on June 30, 2025.
- While asset quality indicators improved in Q4 FY2025 aided by controlled fresh slippages, recoveries and the base effect, they weakened in Q1 FY2026 because of seasonality. Although the asset quality remains range-bound, the effects of portfolio seasoning are yet to fully materialise.
- Bank borrowings and NHB refinance formed 74% of the overall borrowing mix as on June 30, 2025. Capital market funding has remained limited, with only a few higher rated entities tapping this segment. The overall cost of funds is likely to stay elevated despite the recent reduction in systemic interest rates as the transmission will take place when bank borrowings become due for reset.
- As AHFCs continue to expand their network, the operating ratios will remain elevated vis-à-vis traditional HFCs but would stay range-bound.
- The profitability indicators of AHFCs were supported by healthy business margins (NIMs; 6.6%) and controlled credit costs (0.6%) even as operating costs (3.4%) continue to remain elevated in Q1 FY2026. Impact of leverage, competition and seasoning on earnings remains monitorable over the medium term. ICRA expects AHFCs to report RoMA of 2.5-2.7% in FY2026 (compared to 2.6% in Q1 FY2026 and 2.7% in FY2025).



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