

## HOUSING FINANCE COMPANIES

Earnings likely to remain healthy  
despite pressure on margins; notable  
decline in bond issuances in Q2 FY2026  
amid rising yields

OCTOBER 2025



# List of abbreviations

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

|              |                                  |
|--------------|----------------------------------|
| <b>LAP</b>   | Loan against property            |
| <b>NHB</b>   | National Housing Bank            |
| <b>NIM</b>   | Net interest margin              |
| <b>NNPAs</b> | Net non-performing assets        |
| <b>NS3</b>   | Net stage 3                      |
| <b>NBFCs</b> | Non-banking financial companies  |
| <b>NHLs</b>  | Non-home loans                   |
| <b>NPAs</b>  | Non-performing assets            |
| <b>NW</b>    | Net worth                        |
| <b>RBI</b>   | Reserve Bank of India            |
| <b>RoMA</b>  | Return on average managed assets |
| <b>RoNW</b>  | Return on average net worth      |
| <b>SCBs</b>  | Scheduled commercial banks       |
| <b>YoY</b>   | 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                                                          |
| <b>Bajaj Housing Finance Limited (BHFL)</b>         | Aadhar Housing Finance Limited (Aadhar)               | Aptus Value Housing Finance India Limited (Aptus)                   |
| <b>LIC Housing Finance Limited (LICHFL)</b>         | Aavas Financiers Limited (Aavas)                      | Godrej Housing Finance Limited (Godrej)                             |
| <b>PNB Housing Finance Limited (PNBHFL)</b>         | Aditya Birla Housing Finance Limited (ABHFL)          | Grihum Housing Finance Limited (Grihum)                             |
| <b>Tata Capital Housing Finance Limited (TCHFL)</b> | Can Fin Homes Limited (CFHL)                          | India Shelter Finance Corporation Limited (ISFCL)                   |
|                                                     | 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 June 30, 2025

Mid-sized HFCs = AUM < Rs. 50,000 crore but > Rs. 10,000 crore as on June 30, 2025

Small HFCs = AUM < Rs. 10,000 crore as on June 30, 2025

Note: All data excluding Housing Development Finance Corporation Limited, Piramal Capital and Housing Finance Limited and Sammaan Capital Limited, unless specifically mentioned

# Agenda

## 1 Profitability and Capitalisation



## 2 Funding and Liquidity



## 3 Asset Quality Trends



## 4 Growth in Scale



## 5 Market Dynamics and Industry Outlook



## 6 ICRA's Ratings in the Sector and Annexures





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*Margin pressure persists in Q1 FY2026; earnings likely to remain healthy with return on managed assets (RoMA) of 1.8-2.0% in FY2026 supported by low operating expenses and credit costs.*

*Slight uptick in the reported GNPA's in Q1 FY2026 in line with past trends, however, overall asset quality remains comfortable.*

*ICRA estimates a healthy growth of 14-16% for HFCs' on-book portfolio in FY2026.*



- The net interest margins (NIMs) remained under pressure in Q1 FY2026 amid elevated competition from banks and limited transmission of rate cuts. Nevertheless, profitability is projected to remain healthy, supported by stable operating expenses and low credit costs. ICRA expects HFCs to report a healthy RoMA of 1.8-2.0% in FY2026 compared to 2.0% in Q1 FY2026 (2.1% in FY2025).



- Funding costs have been reducing with larger HFCs reducing their cost of funding at a faster pace by tapping the debt capital markets whereas small HFCs saw limited benefit. Nonetheless, fund-raising from debt capital markets dropped in Q2 FY2026 with increase in yields. In Q2 FY2026, the HFCs raised around Rs.7,300 crore through bond issuances in Q2 FY2026, compared to around Rs. 35,400 crore in the earlier quarter.



- ICRA expects the sector to 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 HFCs experienced a slight rise of approximately 10 bps points in GNPA's, reaching 1.7% in Q1 FY2026, consistent with previous patterns. Although the increase in GNPA's was observed across all HFC segments, small and mid-sized HFCs reported higher GNPA's when viewed on a two-year lag, as their portfolios season.



- The on-book portfolio of HFCs reached Rs. 8.8 lakh crore as on June 30, 2025, up by ~16% YoY. With demand likely to remain firm, ICRA expects the growth momentum to continue in FY2026 with a healthy growth of 14-16% expected in the on-book portfolio of HFCs in FY2026.



- 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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