HOUSING FINANCE COMPANIES

Key financial and operational statistics of housing finance companies extracted from ICRA's database

December 2025

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EXECUTIVE SUMMARY

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HFCs reported on-book portfolio growth of 16% YoY in Q1FY2026 and FY2025; ICRA retains its portfolio growth estimate of 14-16% for FY2026.

NIMs remained under pressure in Q1 FY2026 amid elevated competition from banks and limited transmission of rate cuts; however, low credit costs and stable operating expenses will support profitability

HFCs' debt capital market issuances witnessed a significant increase in Q1 FY2026, driven by a quicker transmission of rate cuts, but dropped sharply in Q2 FY2026 as yields rose; share of CP funding remains low

The on-book portfolio of the non-banking financial companies-housing finance companies (NBFC-HFC) sector grew by around 16% year-on-year (YoY; estimated) in Q1FY2026 and FY2025. With demand expected to remain firm, ICRA expects the growth momentum to continue during the rest of FY2026 as well. ICRA maintains its growth estimate of 14-16% for HFCs' on-book portfolio for FY2026. With the rate cuts being reflected more quickly in debt capital markets, the proportion of NCDs rose to 37% as on June 30, 2025 and is expected to remain stable. CP funding has remained limited in recent years as HFCs focused on addressing asset-liability mismatches.

- **Slight uptick in GNPAs in Q1 FY2026, expected to remain stable by fiscal end:** HFCs witnessed a slight rise of approximately 10 bps in GNPAs, reaching 1.7% in Q1 FY2026, consistent with previous patterns. Although the increase in GNPAs was observed across all HFC segments, small and mid-sized HFCs reported higher GNPAs when viewed on a two-year lag, as their portfolios season.
- **Adequate capital profile and liquidity:** The industry's capital profile is adequate with the same expected to remain sufficient for meeting 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. Most HFCs are gradually lowering their on-book liquidity to reduce the negative carry thereon. Nevertheless, liquidity remains adequate and HFCs continue to maintain the required liquidity coverage ratio (LCR). ICRA expects that the sector would need Rs. 1.0-1.2 lakh crore of additional funding (over and above the refinancing of existing maturing debt) in FY2026 for the envisaged growth. ICRA expects funding (including off-book) availability to remain adequate for the sector.
- **Profitability:** 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.
- **Outlook remains Stable:** ICRA expects a steady growth in the industry portfolio, driven by buoyant demand for individual loans. ICRA expects some moderation in the net interest margin (NIM) in FY2026, though low credit costs and stable operating expenses would support profitability. ICRA expects HFCs to report a return on managed assets (RoMA) of 1.8-2.0% in FY2025 compared with 2.1% in FY2025.

Source: *Financials and investors presentations of HFCs and ICRA's calculations*
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

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ICRA

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- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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