

HOUSING FINANCE COMPANIES

**HFCs lean on non-housing loans to
protect margins and growth;
earnings and growth likely to remain
healthy during FY2026-FY2027**

JANUARY 2026



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)
PNB Housing Finance Limited (PNBHFL)	Aditya Birla Housing Finance Limited (ABHFL)	Grihum Housing Finance Limited (Grihum)
Tata Capital Housing Finance Limited (TCHFL)	Can Fin Homes Limited (CFHL)	India Shelter Finance Corporation Limited (ISFCL)
	GIC Housing Finance Limited (GICHFL)	Niwas Home Finance Limited (Niwas)
	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)	Manappuram 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 September 30, 2025

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

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

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

1 Growth in Scale



2 Housing Market Dynamics



3 Profitability and Capitalisation



4 Funding and Liquidity



5 Asset Quality Trends



6 ICRA's Ratings in the Sector and Annexures





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ICRA expects healthy growth of 15-17% in HFCs' AUM during FY2026 and FY2027.

Growth in the NHL segment has been increasing over the past few quarters; ICRA expects the share of NHLs to inch up further in the near term amid competitive challenges in the HL segment and pressure on margins.

Earnings is likely to remain healthy with RoMA of 1.9-2.1% in FY2026 and 1.8-2.0% in FY2027, supported by low operating expenses and credit costs.



- As on September 30, 2025, the AUM of HFCs stood at Rs. 9.8 lakh crore, increasing by approximately 15% YoY. ICRA forecasts a robust growth of 15-17% in the AUM for FY2026 and FY2027. The NHL segment has shown steady growth in recent quarters and ICRA anticipates its share to rise further shortly, driven by competitive pressure in the HL segment and narrowing margins.



- The total on-book HL portfolio of HFCs, NBFCs, and banks is estimated to have increased by 10% YoY to Rs. 40.8 lakh crore as on September 30, 2025. YoY housing credit growth for H1 FY2026 was approximately 12% for HFCs, around 11% for NBFCs, and about 10% for SCBs, with moderation in the growth rate witnessed across lenders in the segment.



- The profitability of HFCs, as measured by RoMA, is estimated to have been stable at 2.1% in H1 FY2026, broadly in line with the performance in FY2025. While ICRA anticipates some compression in NIMs due to intensifying competitive pressure, the overall profitability is expected to remain healthy with RoMA at 1.9-2.1% in FY2026 and 1.8-2.0% in FY2027.



- 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.



- Debt capital market issuances by HFCs have been slow from Q2 FY2026 amid elevated yields. HFCs raised ~Rs. 5,000 crore through bond issuances in Q3 FY2026 vis-à-vis ~Rs. 7,300 crore in Q2 FY2026, significantly lower than ~Rs. 31,000 crore raised in Q1 FY2026 through such issuances.



- ICRA expects that the sector will need an additional Rs. 1.0-1.2 lakh crore in funding (beyond refinancing needs) in FY2026, followed by Rs. 1.1-1.3 lakh crore in FY2027, to support the expected growth; funding availability (including off-book sources) is likely to remain sufficient.



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