

# AFFORDABLE HOUSING FINANCE COMPANIES

Portfolio growth to remain healthy  
notwithstanding some moderation;  
managing asset quality will remain  
crucial

MARCH 2026



# List of abbreviations

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

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], Grihum Housing Finance [Grihum], Home First Finance Company [Home First], India Shelter Finance Corporation Limited [India Shelter], Mahindra Rural Housing Finance Ltd [Mahindra], Motilal Oswal Home Finance Limited [Motilal Oswal], Muthoot HomeFin (India) Limited [Muthoot HomeFin], Niwas Housing Finance Private Limited [Niwas; erstwhile Indostar Home Finance Private Limited], Religare Housing Development Finance Corporation [Religare], Satin Housing Finance Limited [Satin], SATYA Micro Housing Finance Private Limited [SATYA], 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 9M FY2026 does not include Svatantra and SATYA; Entity-specific data for comparative charts is based on publicly available information and/or ICRA's estimates

## 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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*Sustained moderation in business growth in 9M FY2026 vis-à-vis FY2025; AUM rose by 19% YoY in 9M FY2026*

*Asset quality to remain rangebound; portfolio seasoning and concerns emerging from external disruptions impacting borrower income and their credit quality remain a monitorable*

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

*Healthy business margins support AHFC earnings at present; managing credit risk is critical*



- As per ICRA's estimates, the AUM of AHFCs increased by 19% YoY in 9M FY2026 to Rs. 1,58,449 crore as on December 31, 2025, supported by good demand and faster pace of growth in the LAP segment. The underpenetrated market and the Government's thrust on 'housing for all' are likely to support growth, going forward. ICRA expects the AUM of AHFCs to rise by 19-21% in FY2026 and FY2027.



- The share of AHFCs in the overall HFC on-book portfolio was estimated at 15% as on December 31, 2025.



- While the asset quality indicators weakened in Q1 FY2026 because of seasonality, they remained range-bound in Q2 and Q3 FY2026 supported by controlled fresh slippages and recoveries. The effects of portfolio seasoning, however, are yet to fully materialise. Adverse impact of the disruptions caused by the Middle-East conflict on borrower quality remain a monitorable and pose downside risks to asset quality performance.



- Bank borrowing and NHB refinance formed 59% of the overall borrowing mix as on December 31, 2025. Capital market funding has remained limited, with only a few higher rated entities tapping this segment. The overall cost of funds could be impacted by external factors like inflationary pressures and shall remain monitorable.



- As AHFCs continue to expand their network, operating ratios will remain elevated vis-à-vis traditional HFCs but would stay range-bound.



- Profitability indicators were supported by healthy business margins (net interest margins (NIMs); 6.9%), controlled credit costs (0.5%) and stable operating expenses (3.5%) in 9M FY2026. The impact of leverage, competition and seasoning on earnings remains monitorable over the medium term. ICRA expects AHFCs to report RoMA of 2.7-2.9% in FY2026 and FY2027 (compared to 2.9% in 9M FY2026).



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