Crisil Intelligence

Analysis of the housing finance market in India

Truhome Finance Limited

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by S&P Global

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Macroeconomic Scenario in India

Global macroeconomic outlook

The global economy has demonstrated remarkable ability to absorb shocks, says the International Monetary Fund (IMF) in its World Economic Outlook – January 2026, pointing to the substantial tariffs the United States (US) imposed on most of its trading partners in April.

Despite the initial uncertainty and concerns about the potential impact on global growth, the effects have been relatively contained, thanks to the agility and adaptability of the private sector, which rapidly adjusted its supply chains and trade flows to mitigate the damage. The front-loading of imports in the first half of the year, as well as the swift reorganization of supply chains to redirect trade flows, have helped to minimize the disruption, while the negotiation of trade deals between various countries and the US has also contributed to the relatively modest decline in global growth prospects.

The global economy is experiencing "tenuous resilience" with growth projected to moderate to 2.7-3.3%, below pre-pandemic averages, due to the "Trump-Centric" tariff shock, geopolitical tensions and stagflation pressures. The US has imposed average headline tariffs of 18%, with effective rates at 9.2%, disrupting global trade. India's economy, however, is a "bright spot" with projected FY26 GDP growth of 6.6-7.4%, driven by strong domestic demand, high infrastructure spending and improvements in manufacturing and services. India has mitigated external shocks, such as US tariffs due to diversified trade partnerships and robust foreign exchange reserves ($703 billion). The India-Europe FTA finalized on January 27, 2026, aims to reshape trade, with the EU dropping tariffs on 99.5% of Indian exports and India reducing tariffs on European luxury cars and wines. The deal serves as a strategic hedge to reduce dependency on China and the US.

Global growth is expected to remain steady at 3.3% in CY26 and 3.2% in CY27 marking a slight deceleration from CY25's 3.3%. Despite ongoing tariffs and uncertainty, growth is expected to be supported by momentum in high-tech sectors, with the negative impact of tariffs set to fade. The forecast for CY26 has been revised upward by 0.2% points, while CY27's forecast remains unchanged. However, there are significant revisions for some countries, with changes in different directions.

Global inflation is expected to decline to 3.8% in CY26 and 3.4% in CY27. The US core inflation will likely return to its 2% target by 2027, while Australia and Norway will experience prolonged above-target inflation. In contrast, the UK's inflation will return to target by end-2026, Japan's will moderate in 2026, and the euro area’s will hover around 2%. Inflation in China is projected to rise from low levels, whereas in India, it is expected to return to near-target levels after a significant decline in 2025 driven by subdued food prices.

Meanwhile, the global economy is experiencing a slowdown, with the US showing signs of a weakening labour market and the net international migration flow falling. China's gross domestic product (GDP) growth slowed to 4.2% in the second quarter, while the euro area's growth slowed to 0.5%, with declines in Germany, Italy and Ireland. Japan's economy grew at an annualised 2.2% in the second quarter, driven by solid capital spending and strong exports, but new export orders fell in July as per CYs. Among emerging markets, Brazil's economy gained in the first half of CY25, thanks to a record agricultural output, but signs of moderation are appearing. India's economy showed robust service sector expansion and Türkiye's economy showed resilient domestic demand. Mexico is also facing challenges, with the US tariffs affecting its exports and investment, and the country's GDP growth is expected to slow down in coming quarters.

We expect growth to be resilient next FY27, but several downside risks exist. Labour markets (especially in the US) remain vulnerable as job creation is restricted to a few sectors. An increase in indebtedness may push bond yields higher, while asset prices could decline, leading to reduced consumption as the wealth effect is reversed.

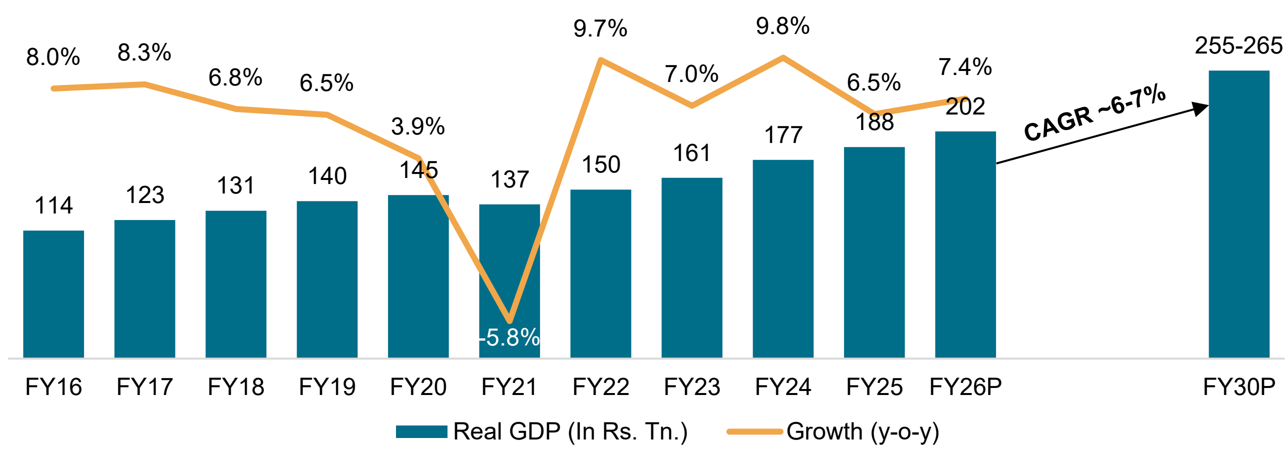
The US and India have reached an interim trade deal, reducing US tariffs on Indian goods to 18% from 50%. The agreement eliminates a 25% punitive tariff on Russian oil imports and provides zero-duty access for Indian sectors like gems, jewellery, and pharmaceuticals. In return, India will reduce tariffs on US goods. This deal marks a significant easing of trade tensions that escalated in 2025, with the US imposing tariffs of up to 50% on Indian goods. The agreement is expected to boost Indian exports and provide access to a $30 trillion market. More recently, fixed and portfolio investments into AI and allied sectors have surged to unprecedented levels. While this wave of investment has generated positive spillovers globally and helped cushion economies against headwinds from higher US tariffs, any signs of risks in the AI ecosystem could unsettle investor sentiment and trigger ripple effects across financial markets.

India to be one of the world's fastest-growing economies

As of the January 2026 IMF World Economic Outlook update, India is projected to remain the world's fastest-growing major economy, with an estimated Real GDP growth of 7.3% in CY25, and a steady 6.4% in CY26 and CY27. Driven by strong domestic demand, robust consumption, and improved financial conditions, India's growth is significantly outperforming other major economies and emerging markets. The country's growth is fuelled by high consumer spending and positive investment sentiment, allowing it to outpace China's growth, which is projected to be around 5% in CY25-26 and 4.5% in CY26-27. This sustained growth trajectory reinforces India's position as a major contributor to global economic growth, poised to continue its upward momentum despite global uncertainties. CPI inflation is expected to rise to 5% in the next fiscal year, up from an estimated 2.5% in the current fiscal year as food inflation normalizes. This forecast is in line with recent trends as CPI inflation rose to 1.3% in December 2025 from 0.7% in November 2025, still within the RBI target range of 2-6%. Given the creeping up of inflation, Crisil Intelligence expects the RBI to maintain the current policy rates keeping a close watch on the evolving inflation trajectory.

Despite the elevated tariffs, the effect was less severe than anticipated. Consequently, growth forecasts have been revised upwards and inflation forecasts have been revised downwards. Crisil Intelligence projects India's real GDP to grow 7.4% in FY26 up from 6.5% in FY25. Additionally, the CPI is expected to remain around 2.5% in FY26 and for FY27 it is expected to be around 5%.

GDP to grow at a CAGR of 6.00-7.00% over the next 5 years



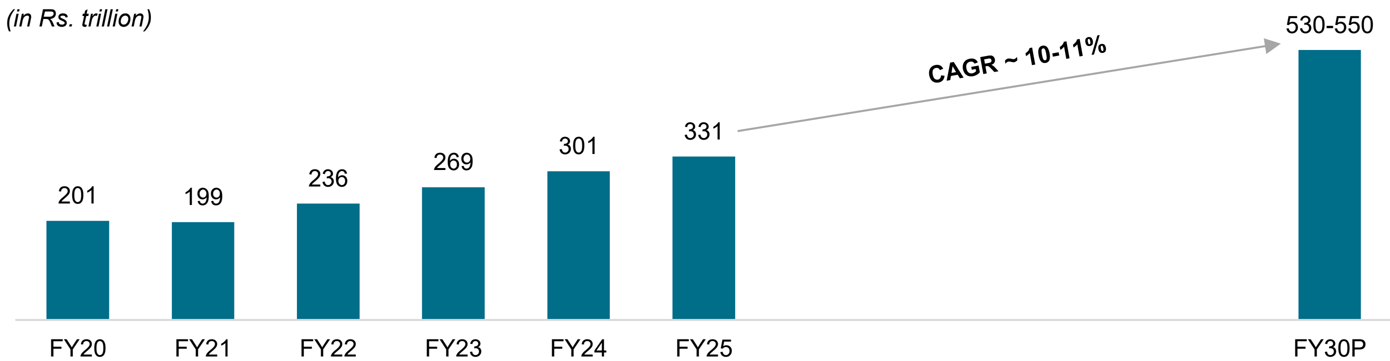
P–Projected

Note: GDP growth till FY2024 is actuals. GDP estimates for FY25 are based on NSO estimates, for FY26 are based on Crisil Intelligence estimates and for fiscals 2026-2030 are based on IMF estimates

Source: NSO, Crisil Intelligence, IMF (World Economic Outlook – October 2025 update)

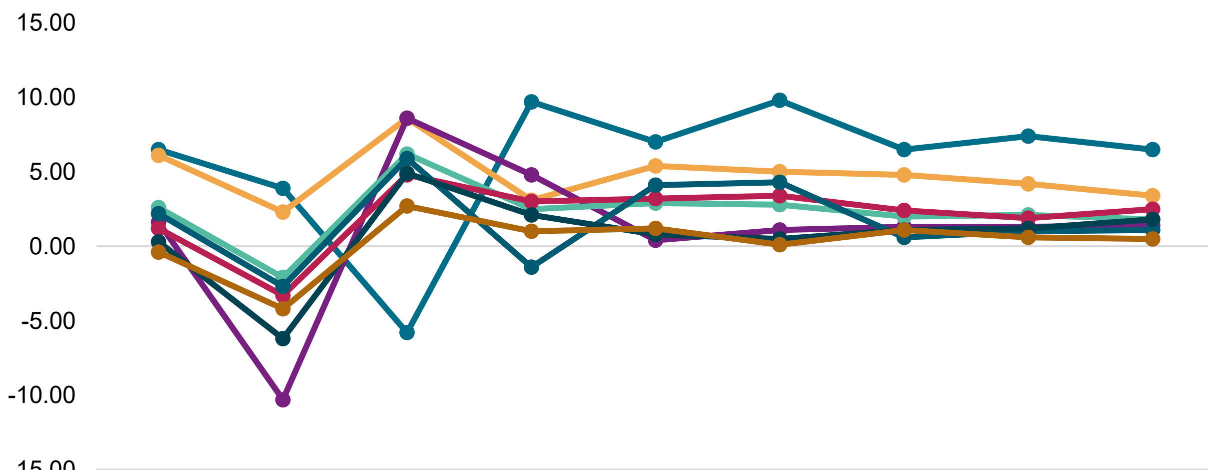
Over fiscals 2022-2025, the Indian economy grew at a faster pace than its global counterparts. The IMF expects the Indian economy to remain strong and be among the fastest-growing economies globally. The nominal GDP is expected to grow by 8% in FY 2025-26

Nominal GDP at current prices



Note: GDP projection for FY2030 is from IMF at current prices
Source: NSO, Crisil Intelligence, IMF (World Economic Outlook – October 2025)

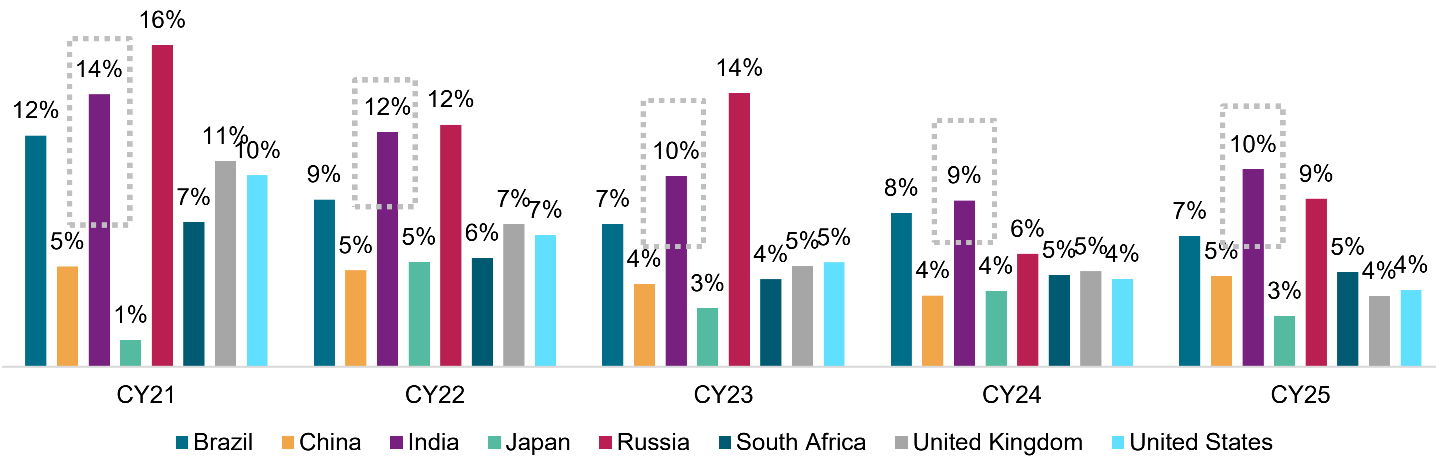
India is one of the fastest growing economies in terms of GDP growth (% on-year)



	2019	2020	2021	2022	2023	2024	2025E	2026P	2030P
India	6.50	3.90	-5.80	9.70	7.00	9.80	6.50	7.40	6.50
China	6.10	2.30	8.60	3.10	5.40	5.00	4.80	4.20	3.40
United Kingdom	1.60	-10.30	8.60	4.80	0.40	1.10	1.30	1.30	1.40
United States	2.60	-2.10	6.20	2.50	2.90	2.80	2.00	2.10	1.80
Brazil	1.20	-3.30	4.80	3.00	3.20	3.40	2.40	1.90	2.50
Russia	2.20	-2.70	5.90	-1.40	4.10	4.30	0.60	1.00	1.10
South Africa	0.30	-6.20	4.90	2.10	0.80	0.50	1.10	1.20	1.80
Japan	-0.40	-4.20	2.70	1.00	1.20	0.10	1.10	0.60	0.50

E– Estimate; P–Projected
Note: All forecasts refer to IMF forecasts except for India, which is basis the NSO Estimates; GDP growth is based on constant prices; Data for calendar years, except for India, which is in financial years
Source: IMF (World Economic Outlook – October 2025), NSO, Crisil Intelligence

India's nominal GDP position is strengthening compared with other major economies (GDP growth, % on-year)



*Note: All forecasts are from IMF. GDP growth is based on current prices in national currency for each country. * Estimated GDP growth for CY25*
Source: IMF (World Economic Outlook – October 2025), Crisil Intelligence

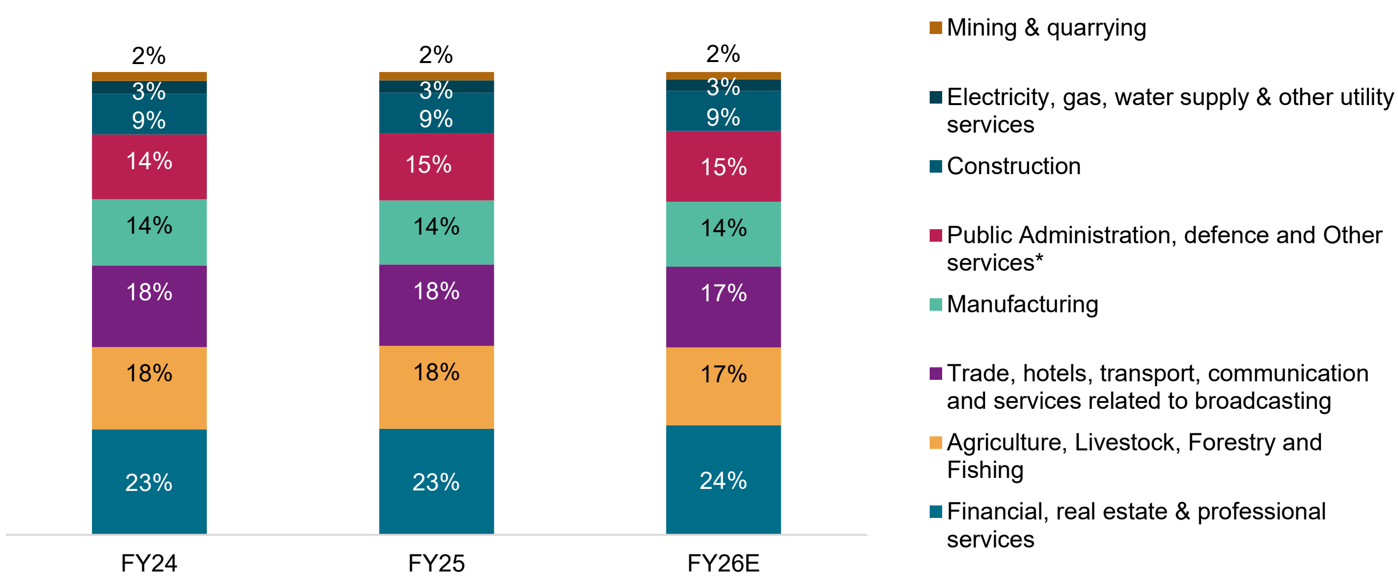
India's nominal GDP has been growing at a rapid pace, with an average annual growth rate of around 10% over the past decade. India's nominal GDP expected to grow by 8% for FY25-26. This is one of the fastest growth rates among major economies, followed by Russia and Brazil with an annual growth rate of 9% and 7%, respectively.

India's large and young population, below the age of 35, provides a significant demographic dividend. This demographic advantage is expected to support India's economic growth. India has a rapidly growing digital economy, with a large and growing base of internet users, mobile phone penetration and digital payments. This has created new opportunities for economic growth and job creation.

Contribution of various sectors to India's growth

The trend in gross value added (GVA) at current prices by economic activity denotes that financial, real estate and professional services have consistently contributed the highest to the GVA and contributed an estimated 23% in FY25E. Total GVA at current prices clocked a compound annual growth rate (CAGR) of 10% from FY2023 to FY25E.

GVA by economic activity (in %)



*Note: * Public administration, defence and other services categories include other services sectors, i.e. education, health, recreation and other personal services; numbers for FY2024 and FY25 are First Advance Estimates and for FY26 are Provisional Estimates as per NSO*

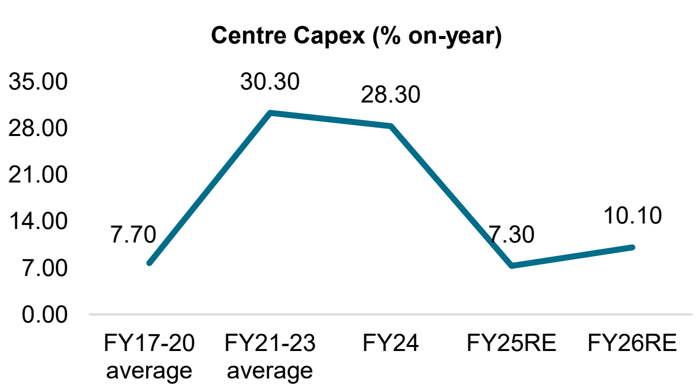
Source: Ministry of Statistics and Programme Implementation (MoSPI), Crisil Intelligence

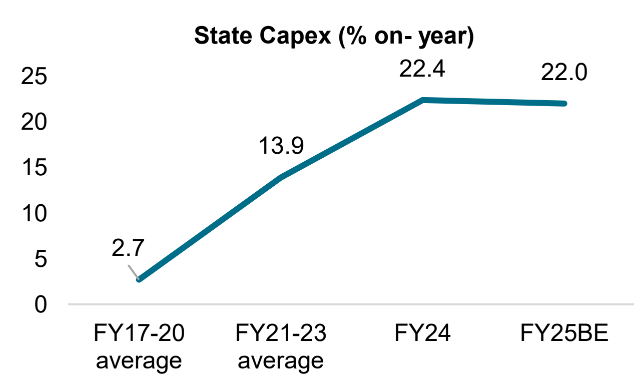
Fiscal support may continue to moderate

The Fiscal support that drove growth in the post-pandemic years is likely to become more measured in the next fiscal, reducing its contribution to GDP growth. With government capex having expanded substantially during fiscals 2021-23, the scope for maintaining the pace is narrowing, given the Fiscal consolidation targets.

However, infrastructure development is expected to be a priority. Government capex spending from FY2024 has reduced considerably compared with the pre-pandemic period and the post-pandemic three-year average (chart below).

As a result, a more meaningful acceleration in the investment cycle will largely depend on stronger participation from the private sector.





RE – Revised estimates; BE – Budget estimates

Source: Budget documents, state finance reports, CEIC, Crisil Intelligence

Indian economy to be a major contributor to world trade

India's rising competitiveness on the global stage is underscored by its consistent exports to the US—which demonstrates its ability to deliver high-value products to a dynamic market. This shows its preparedness to navigate the challenges posed by additional tariffs imposed by the US on Indian imports. Notably, while exports to the US decreased from July 2025 to August 2025, India's exports to other countries increased, highlighting the country's strategic diversification efforts.

By upgrading product quality, aligning with global standards, strengthening supply chains and tapping new markets, India is not only boosting its exports but also expanding its global footprint. This is evident in its growing trade relationships with key countries, including Germany, where merchandise exports grew 11.73% in April-August 2025, driven by engineering goods, electrical and electronic equipment and pharmaceuticals. Similarly, merchandise exports to Korea rose 9.69% in April-August 2025, driven by engineering goods, petroleum products and chemicals. It was also supported by the India-Korea Comprehensive Economic Partnership Agreement (CEPA), which has reduced tariffs and improved market access for Indian businesses.

Exports to face challenges despite a US-India trade deal

India is optimistic about a potential trade agreement with the US as it may provide some relief through tariff reduction and improve market access for specific industries. According to the World Trade Organization (WTO), the trade weighted average tariff rate imposed by the US on India is ~18% in February 2026, rate became effective immediately, removing the additional punitive duty previously linked to India's Russian oil purchases.

The US and India have reached an interim trade deal, reducing US tariffs on Indian goods to 18% from 50%. The agreement eliminates a 25% punitive tariff on Russian oil imports and provides zero-duty access for Indian sectors like gems, jewellery, and pharmaceuticals. In return, India will reduce tariffs on US goods. This deal marks a significant easing of trade tensions that escalated in 2025, with the US imposing tariffs of up to 50% on Indian goods. The agreement is expected to boost Indian exports and provide access to a $30 trillion market.

Meanwhile, India faces a new challenge from a 50% tariff hike imposed by Mexico, effective January 1, 2026. In the absence of a free trade agreement, India has proposed a preferential trade agreement to mitigate the impact.

Also, the export surge in the first half of CY25, driven by frontloading ahead of the US tariff hikes, proved short-lived, with exports moderating in the second half as order flows normalised. With the frontloading boost fading, export growth is expected to moderate in FY27, with merchandise shipments remaining sensitive to global industrial activity and services exports providing some cushion.

In CY26, the global trade environment remains challenging amid ongoing geopolitical uncertainties. According to the WTO, the growth in global trade in volume terms is expected to slow, as the full impact of higher tariffs materialises. For 2026, it has lowered merchandise trade growth forecast to 0.5% from its August 2025 projection of 1.8% and revised its growth outlook for world commercial services trade to 4.4%, which is lower than 4.6% in 2025 and 6.8% in 2024.

RBI reduces repo rate by 100 bps to 5.25% in fiscal 2026, maintains neutral stance

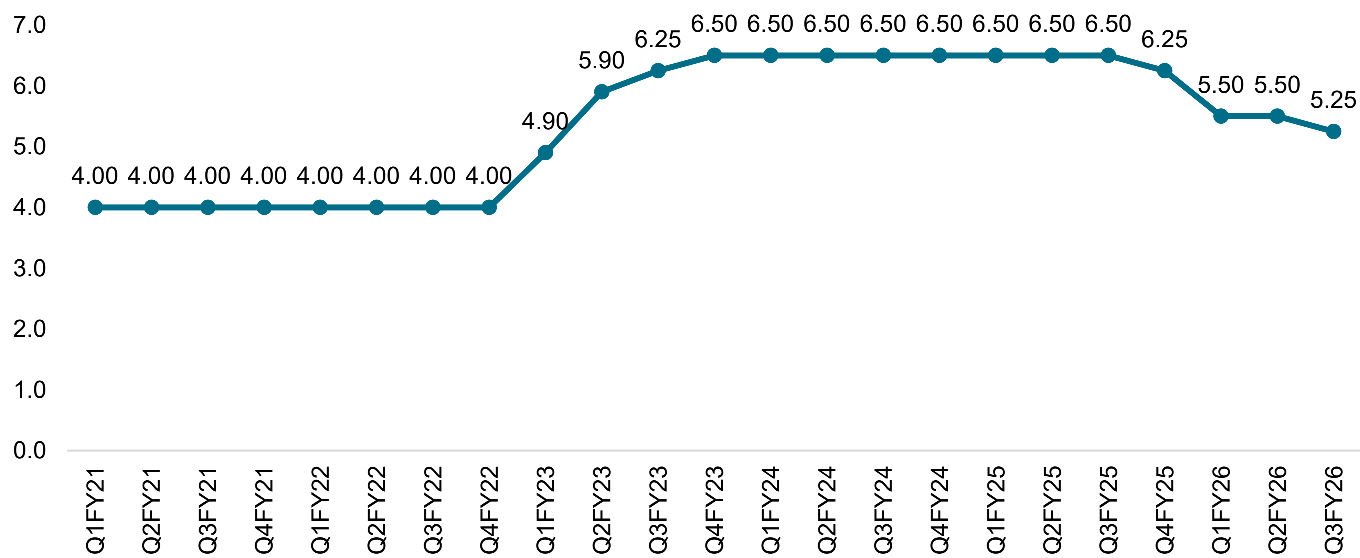
The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) initiated a monetary policy easing cycle in 2025 through calibrated repo rate cuts to support economic growth. A 25-bps cut in February lowered the repo rate to 6.25%, followed by another 25-bps reduction in April, alongside a shift in policy stance to 'accommodative' from 'neutral'. In June, the central bank intensified easing efforts, with a 50-bps rate cut and shifting its policy stance to ‘neutral’, followed by another 25-bps rate cut in December lowering the repo rate to 5.25%.

At its February meeting, the MPC kept the repo rate unchanged at 5.25% and maintained at 'neutral' stance, in line with market expectations. This decision reflected low inflation risks due to a healthy monsoon and goods and services tax (GST) cuts, as well as a positive growth outlook, allowing the central bank to support growth while remaining vigilant on inflation. The repo rate is expected to support the economy by allowing banks to maintain current lending rates, thereby encouraging borrowing and spending. It should also help sustain growth momentum of 7-8% for the current fiscal. In addition, the neutral policy stance suggests that the RBI is not inclined towards monetary tightening, which will help preserve liquidity and support growth.

The RBI's repo rate cut to 5.25% in last fiscal aims to boost economic growth. Non-Banking Financial Companies (NBFCs) will benefit from lower funding costs and improved liquidity. This will enable them to offer cheaper credit and lower EMIs to consumers. The move supports India's strong GDP growth, projected at 7.4% for FY26. Inflation is expected to remain stable at 2.5%. The rate cut will spur loan demand and fuel economic activity. Overall, it will benefit consumers and sustain the economic recovery.

While the US tariffs remain a risk to external demand, the RBI expects structural reforms, including GST streamlining, to partly offset these headwinds. Also, the standing deposit facility rate remains at 5%, while the marginal standing facility rate and the bank rate declined to 5.50%, supporting financial system stability.

Repo rate movement (%)



Source: RBI, Crisil Intelligence

CPI inflation to average at 2.5% in fiscal 2026

Inflation based on the Consumer Price Index (CPI) accelerated to 1.3% in December from 0.7% in November from 0.3% in October, driven by slower deflation in food and beverages and pick-up in fuel and light inflation. As food-related base effect fades, headline CPI is likely to edge up. This fiscal, RBI expects CPI inflation to average at 2.5%.

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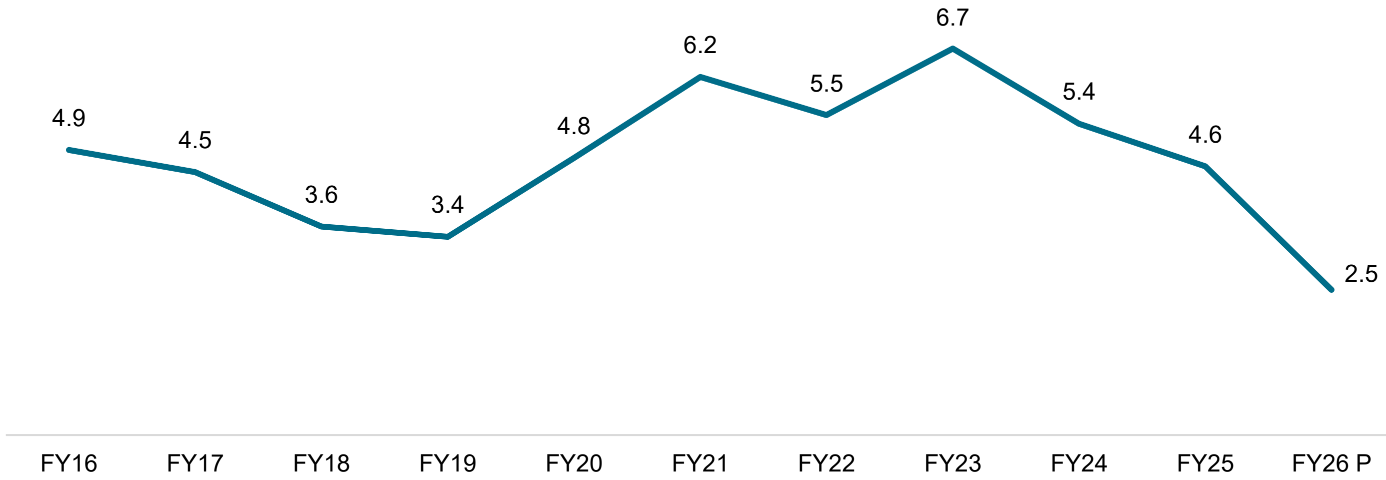
CPI general index trend (%)



Note: P – Projected
Source: Crisil Intelligence

In FY27, we project inflation to rise for the first time since FY2023 but remain close to the decadal trend of 5% (average over fiscals 2016-2025), up from our estimate of 2.5% for FY26. The rise in inflation will be led by a base effect, with other factors supporting benign prices.

Macroeconomic outlook (fiscal 2026)

Macro parameters	FY25	FY26	FY27P	Rationale
Real GDP growth (on year %)	6.5	7.4*	6.7	Growth to be moderate but remain above trend, driven by healthy consumption and a mild revival in private investment. Consumption to derive support from low interest rates, improved disposable income owing to income tax cuts and reduced prices of mass consumption items on the back of GST rate cuts. Besides a high base, moderating government capex is expected to pull growth. Normal monsoon assumed.
CPI inflation (on year %)	4.6	2.5	5.0	Inflation is set to rise, given the low base effect on food inflation. However, softer global commodity prices will help keep inflation within the RBI's target range of 2-6%. The impact of GST rates rationalization will extend into the first half of fiscal 2027
Fiscal deficit (% of GDP)	4.8	4.4^	4.3^^	The government aims to bring down fiscal deficit via lower revenue spending as percentage of GDP, while the capex thrust is maintained.
10-year government security yield (March average %)	6.7	6.7	6.6	Yield will remain sticky given a sharp rise in gross market borrowings. But lower prices, fiscal consolidation and benign monetary policy rates can lend a mild downside to yields. State borrowings and foreign portfolio flows will be monitorable.
Current account balance (% of GDP)	-0.6	-0.8	-1.2	CAD is set to widen as the trade deficit will come under pressure, given forecasts of slowing global trade volumes. However, it is likely to remain manageable owing to a healthy services trade surplus and low crude oil prices.
Exchange rate (March average, Rs/$)	86.6	88.0	89.0	After a steep depreciation of this fiscal, a manageable CAD in the next fiscal should keep pressure on the rupee in check, although geopolitical shocks could still pose a risk.

P – projected
** With downside risk, ^ Revised estimate, ^^ Budget estimate*
Source: RBI, NSO, Crisil Intelligence

Government measures aiding economic growth

- Last fiscal, India's capital expenditure (capex) reached Rs 10.52 trillion, with a high-quality expenditure ratio of over 0.27. The government's capex grew 8.2% between July and November 2024, while real private final consumption expenditure rose 7.0% and government final consumption expenditure increased 9.7% in the first quarter of the current fiscal
- A Rs 697 billion revival package, comprising the Shipbuilding Financial Assistance Scheme, Maritime Development Fund and Shipbuilding Development Scheme, was introduced to support the shipbuilding industry and micro, small and medium-sized enterprises (MSMEs) through enhanced credit guarantee covers and higher Kisan Credit Card (KCC) limits. The government also launched the 'Rural Prosperity and Resilience' programme to promote skill development and technology adoption and created a Rs 1 trillion 'Urban Challenge Fund' to drive urban development. In addition, economic assistance to other countries is being enhanced through the revamped Indian Development and Economic Assistance Scheme, alongside efforts to boost manufacturing under the Make in India initiative
- Furthermore, the Fiscal policy for the current Fiscal includes a capex of Rs 11.21 trillion, a Fiscal Deficit of 4.4% of GDP and next-generation GST reforms to lower taxes on essentials and ease MSME compliance, alongside initiatives to boost employment, particularly for the youth, and support innovation and new technologies
- Also, the RBI has eased lending norms by withdrawing the 2016 framework that restricted bank lending to large corporates, proposing a framework to enable banks to finance acquisitions by Indian corporates, and relaxing regulations for lending against listed debt securities and equity shares. For non-banking financial companies (NBFCs), risk weights on infrastructure projects have been reduced

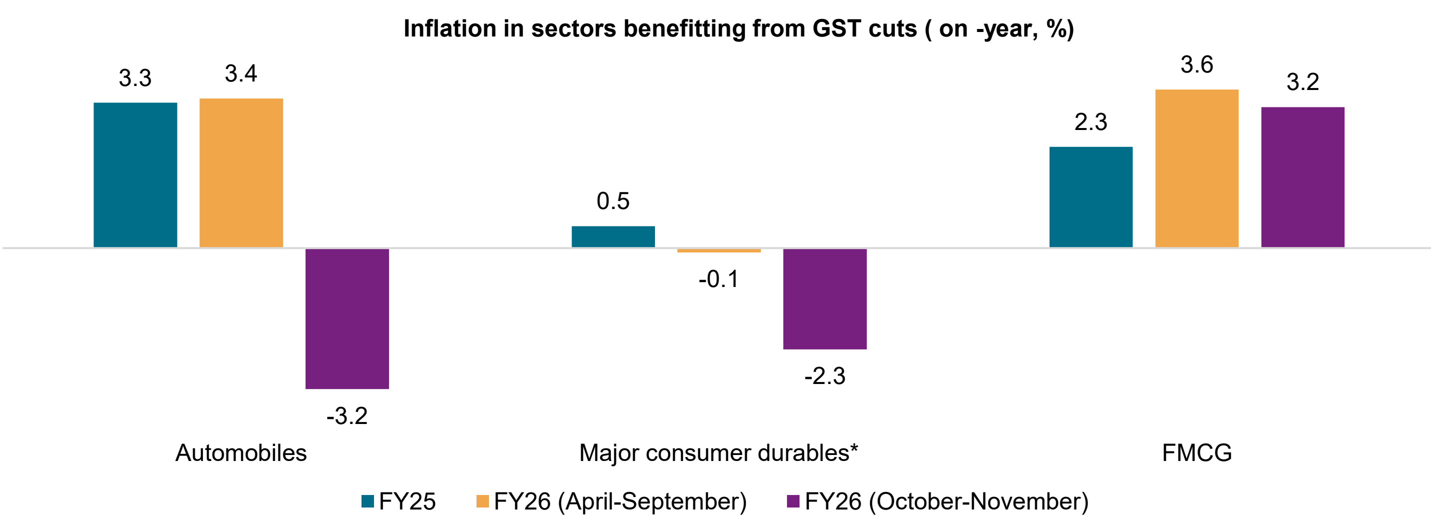
Key government measures providing heft to the economy

GST reforms

- A major GST overhaul was undertaken to simplify the tax structure and reduce taxes on essential goods, boosting consumer spending and supporting economic growth
- The simplified and more predictable GST regime is also expected to attract foreign investment

Overall, these reforms represent a step in the right direction and are likely to have a meaningful impact on the economy in the coming years.

Rationalizing GST Rates to Tame Inflation



Note: The new GST rates were applicable from September 22, 2025. Major consumer durables consist of air conditioners, washing machines, refrigerators, televisions and mobile handsets.

Source: NSO, CEIC, Crisil Intelligence

Pradhan Mantri Awas Yojana (PMAY): The PMAY aims to achieve housing for all, with a target of 49.5 million houses in rural areas by 2029 and completion of sanctioned urban houses by December 31, 2025. Under the scheme, eligible families receive financial assistance including Rs 0.25 million in urban areas and up to Rs 0.12 million in rural areas, along with concessional loans and additional support such as toilet construction assistance and liquified petroleum gas connections to support housing construction and upgradation.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

- The initiative, formed part of a broader vision for universal financial inclusion, is aligned with the United Nations Sustainable Development Goals (SDGs) on poverty reduction and economic empowerment. Key features include zero-balance accounts to improve access for the poor, RuPay debit cards with accident insurance cover of Rs 0.1 million (later enhanced to Rs 0.2 million for new accounts), overdraft facilities up to Rs 10,000 for eligible account holders, and life insurance under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and accident insurance under Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- As on February 04, 2026, official PMJDY data showed 575.9 million beneficiary accounts were opened across public sector banks (445.6 million), regional rural banks (108.6 million), private sector banks (19.8 million), and rural cooperative banks (1.9 million), indicating sustained success.

Real Estate (Regulation and Development) Act (RERA)

- Following parliamentary committee recommendations and stakeholder consultations, the RERA Act was enacted on May 1, 2016, to protect consumer interests and promote sustainable growth in real estate. It established a regulatory framework to ensure timely project delivery, fair practices and effective dispute resolution. Key provisions include mandatory registration of projects exceeding 500 square metres or eight apartments, public disclosure of project details such as layout, timelines and financials, and establishment of state-level real estate regulatory authorities to oversee compliance
- It also mandates that 70% of buyer funds be deposited in a separate escrow account for project-specific use, preventing diversion. As of December 2025, Uttar Pradesh, Maharashtra and Karnataka had robust portals, whereas others, including Odisha, were implementing reforms such as revised quarterly reporting formats to enhance accountability

Reintroduction of Credit-Linked Subsidy Scheme (CLSS)

- Launched by the Ministry of Micro, Small and Medium Enterprises, the Special Credit Linked Capital Subsidy Scheme for scheduled caste (SC) and scheduled tribe (ST) is a sub-scheme under the National Scheduled Caste and Scheduled Tribe Hub. The scheme aims to facilitate capacity augmentation of the existing SC/ST MSMEs
- Benefits: A 25% capital subsidy is provided on institutional finance for the purchase of plant and machinery or equipment (capped at Rs 25,00,000), with no sector-specific restrictions

Priority Sector Lending (PSL) for housing

The RBI's PSL initiative has supported affordable housing, particularly for economically weaker sections and low-income groups. As of April 1, 2025, revised PSL eligibility criteria allowing loans up to Rs 5 million in Metropolitan cities, Rs 4.5 million in cities with 1-5 million population, and Rs 3.5 million in smaller towns, have supported growth in housing credit. This growth reflects increased private capital flows into housing finance companies (HFCs), rising incomes among lower-middle-income households and a shift towards earlier home purchases.

PSL housing loan growth is expected to continue, driven by genuine end-user demand and broader credit inclusion through lower interest rates and relaxed eligibility norms.

However, lenders must remain vigilant to income volatility, early delinquencies and oversupply risks, as the segment expands.

Stamp duty

In India, several states offer stamp duty concessions to promote affordable housing, particularly for women, first-time buyers and senior citizens. Maharashtra levies 5% stamp duty for women and 6% for men, with a flat duty of Rs 1,000 for senior living housing, whereas Karnataka offers a concessional 3% rate for properties below Rs 3.5 million. Delhi provides a 1% rebate for women buyers, with Haryana, Punjab, and Rajasthan offering similar gender-based concessions.

Stamp duty rates are generally lower in rural areas than in urban centres.

Under Section 80C of the Income Tax Act, homebuyers can claim deductions up to Rs 0.15 million on stamp duty and registration charges. Buyers can also maximise benefits by registering properties in a woman's name, using senior citizen schemes and checking state-specific rates aligned with national housing schemes such as the PMAY.

Other government initiatives include:

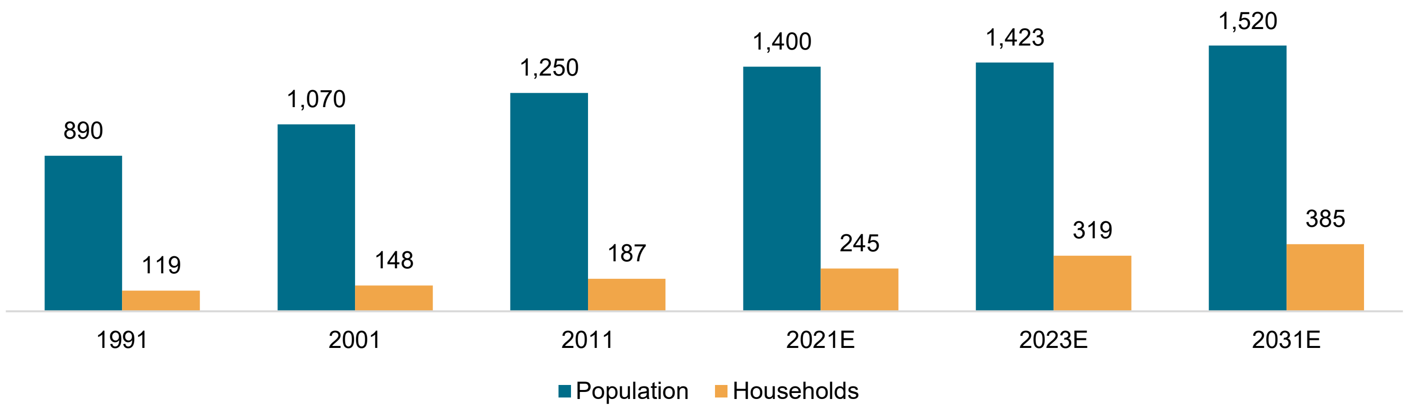
- The JAM (Jan Dhan-Aadhaar-Mobile) trinity linking Jan Dhan accounts, mobile numbers and Aadhaar cards to enable direct cash transfer to beneficiary bank accounts and reduce subsidy leakages
- India Stack, which is a suite of digital infrastructure, including Aadhaar, United Payments Interface (UPI), DigiLocker, e-KYC and e-Sign, enabling unbanked citizens to access formal financial services, promoting financial inclusion
- The GST regime has been stabilising fast and is expected to bring more transparency and formalisation, eventually leading to higher economic growth
- The government launched the Digital India initiative on July 1, 2015, to transform the country into a digitally empowered society and a knowledge-based economy. It aims to bridge the divide to ensure digital access and digital inclusion. Following are the details of some of the key initiatives under Digital India and how they have progressed:
  - **Unified Mobile Application for New-age Governance (UMANG)** is a mobile app through which citizens can access government services. It is available in 23 languages (for top 100 services), including English and Hindi. As of October 2025, the platform provides access to a total of 2,363 services, comprising 866 services from central government departments and 1,497 from state government departments, covering 32 states and Union Territories
  - **Unified Payment Interface (UPI)** is the leading digital payment mechanism in the country. It has onboarded 683 banks and has facilitated 20,700.92 million transactions (by volume) worth Rs 27.28 trillion as of October 2025
  - **The Information Technology (IT) Act, 2000,** has necessary provisions for data privacy and data security**,** which ensure cybersecurity for the citizens
  - **Common Services Centres** offer government and business services in digital mode in rural areas through Village Level Entrepreneurs (VLEs). These centres offer more than 400 digital services. As of September 2024, 0.57 million CSCs are functional (in urban and rural areas) across the country, out of which 0.44 million CSCs are functional at the gram panchayat level

Key growth drivers

India has the world's largest population

As per the Census 2011, India's population was approximately 1.3 billion and comprised nearly 187 million households. We estimate it logged a compound annual growth rate (CAGR) of 1.1% between 2011 and 2021 to reach 1.4 billion. In comparison, the CAGR between 2001 and 2011 is estimated to have been at 1.5%. Furthermore, the population is projected to reach 1.5 billion by 2031, with the number of households expected to increase to around 385 million logging a CAGR of 4.6% between fiscals 2021 and 2031, indicating a significant expansion in the country's demographic landscape. India has the highest young population (15-29 years) with 381.5 million individuals, among the major economies.

Population and number of households (in million)



Note: Data at the end of each Fiscal; E: Estimated; Source: United Nations Department of Economic and Social Affairs, (https://population.un.org/wpp/), Census India, Crisil Intelligence

Rising urbanisation

Urbanisation is one of India's most important economic growth drivers. It is expected to drive substantial investments in infrastructure development, which, in turn, is expected to create jobs, develop modern consumer services and increase the ability to mobilise savings. India's urban population has been rising consistently. In FY1981, it formed 23% of total, which rose to 28% in FY2001 and further to nearly 40% in FY2021. By 2031, 41% of the country's population is projected to live in urban areas, still lower than in developed nations. Comprehensive urban planning, education & residential infrastructure will bridge digital divide access. This will help bridge the digital divide, promote remote learning and ensure equal access to education. Investing in education planning and infrastructure is crucial to realise the full potential of the human capital and materialise high economic growth.

Increasing per capita GDP

India's per capita net national income at constant price expanded 5.5% last fiscal, reflecting robust economic growth and the government's continued endeavour to make the country an upper middle-income economy. As per the International Monetary Fund (IMF) estimates, the country's per capita income (at constant prices) is expected to clock 5-6% CAGR in real terms between fiscals 2025 and 2028, indicating a gradual increase in average income levels. This will help a larger portion of the population, particularly in the emerging middle class, meet and exceed the income threshold needed for necessities such as food, shelter and essential services. This is expected to lead to increased savings accumulation, which will contribute to the deepening of the financial sector and foster long-term economic stability.

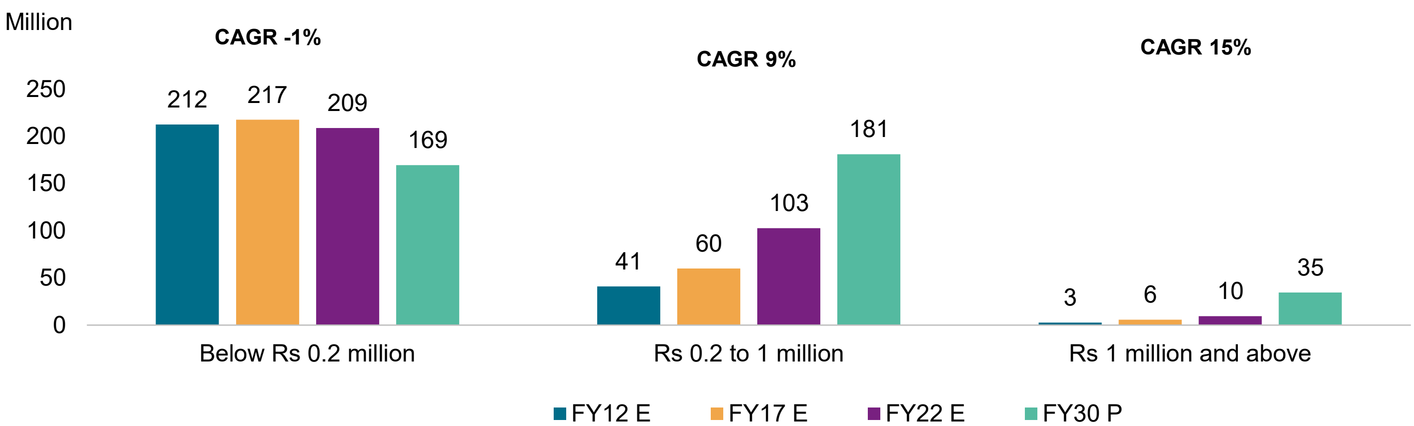
Per capita NNI	FY25 (Rs. '000)		Growth of real GDP per capita at constant prices (%)											
	Current prices	Constant prices	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
	205	115	4.6	6.2	6.7	6.9	5.5	5.2	2.5	-8.9	7.6	5.7	8.2	5.5

Notes: Per capita NNI (Net National Income) as per the Second Advance Estimates of Annual GDP for FY25
Source: MoSPI, IMF, Crisil Intelligence

Expanding middle-India population to help sustain economic growth

The proportion of middle India (defined as households with annual income of Rs 0.2-1.0 million) has been on the rise over the past decade and is expected to continue increasing with the rising GDP and household incomes. As per our estimate, middle-income households are expected to increase to 181 million by FY30 from an estimated 41 million in FY2012. A large number of households that have entered this bracket in the past few years are likely to be from semi-urban and rural areas. As per the 76th round (2018) of the National Sample Survey, 83.3% of households were living in pucca dwelling units compared with 74.6% in the 69th round (2012).

Middle India households projected to clock 9% CAGR between fiscals 2012 and 2030

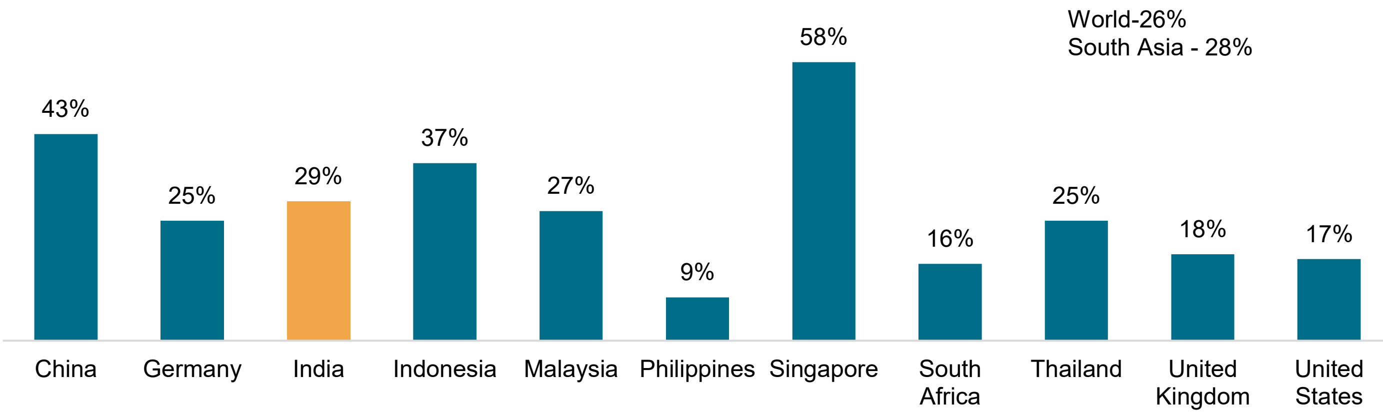


Notes: E - Estimated; P - Projected
Source: Crisil Intelligence

India's gross domestic savings rate is higher than global average (CY24)

In CY24, India's gross domestic savings stood at approximately 29% of GDP, marginally higher than the global average of around 26%. A structurally strong savings rate reflects household balance sheet stability and the capacity for capital formation in the economy. Higher domestic savings support long-term investment, infrastructure development, and credit expansion. In the context of housing finance, this provides an enabling backdrop for asset creation and mortgage growth, particularly as rising incomes translate into both consumption and savings over time.

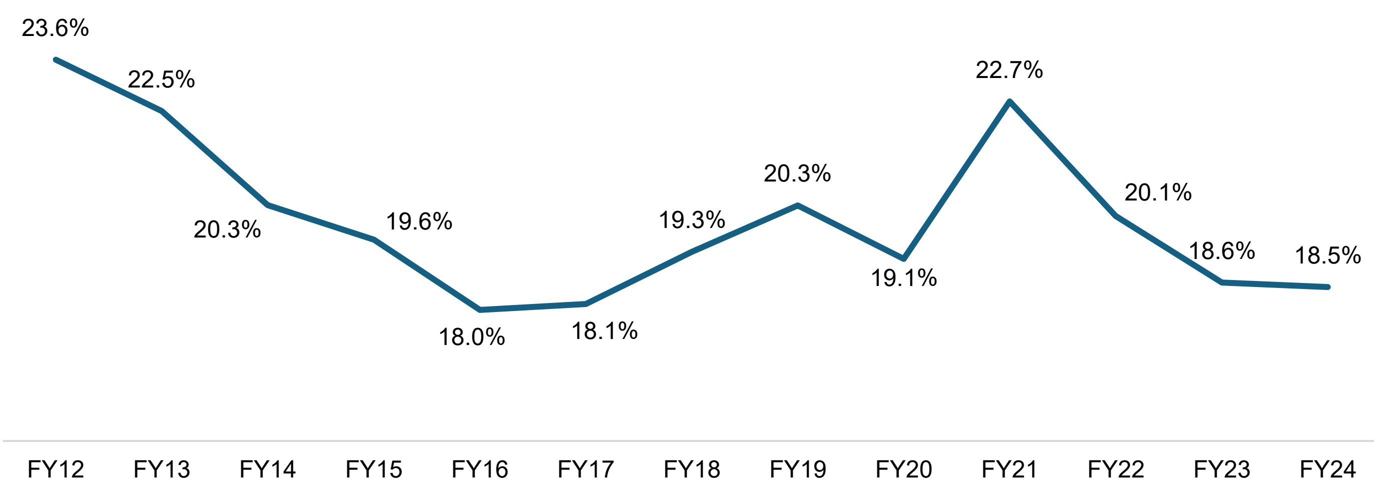
India savings vs other economies (as a % of GDP)



Note: The savings rate is in % of GDP; South Asia include Nepal, Maldives, Sri Lanka, India, Bangladesh, Bhutan

Source: World Bank, Crisil Intelligence

Household savings as a percentage of GDP on the decline from FY21.



Source: MoSPI, NSO, Crisil Intelligence

Gross domestic savings trend

Parameters (Rs billion)	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024
Gross domestic savings	36,082	40,200	42,823	48,251	54,807	60,004	59,411	57,869	73,631	82,440	92,592
Household sector savings (net financial savings and savings in physical assets and in the form of gold and silver ornaments)	22,853	24,391	24,749	27,871	32,966	38,446	38,452	45,056	47,423	50,105	54,613
Household sector savings as a proportion of gross domestic savings (%)	63%	61%	58%	58%	60%	64%	65%	78%	64%	61%	59%

Parameters (Rs billion)	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024
Gross financial savings	11,908	12,572	14,962	16,147	20,564	22,637	23,246	30,670	26,120	29,276	34,306
Net financial savings (% of household sector savings)	36%	36%	45%	41%	40%	39%	40%	52%	36%	27%	29%
Savings in physical assets (% of household sector savings)	62%	62%	53%	57%	59%	60%	59%	47%	63%	72%	70%
Savings in the form of gold and silver ornaments (% of household sector savings)	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%

Note: Data is for financial years running from April to March. Net financial savings are financial savings after excluding financial liabilities. Physical assets are those held in physical form, excluding gold and silver ornaments

Source: MoSPI, National Accounts Statistics, Crisil Intelligence

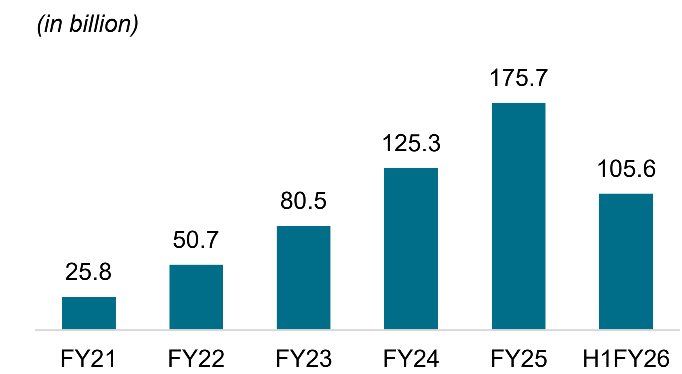
Unlike most other countries, where financial savings dominate, physical assets constitute the majority of household savings in India. In FY2014, household savings in physical form in the country stood at 62%. This decreased to 47% in FY2021 as pandemic-induced nationwide lockdowns slowed down construction of houses. With the lifting of lockdowns post the pandemic, the share surged to 63% in FY2022 and 70% in FY2024 owing to an increase in construction of houses.

Digitalisation aided by technology to be pivotal to economic growth

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. The country has seen a tremendous rise in fintech adoption in the past few years. Among many government initiatives, the UPI has been vital to deepen financial inclusion. It provides a single-click digital interface across systems for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. Volume of digital transactions has also surged in the past few years, driven by increased adoption of the UPI. Apart from financial services, other industries like retail are also digitalising, increasing their role in the economic growth.

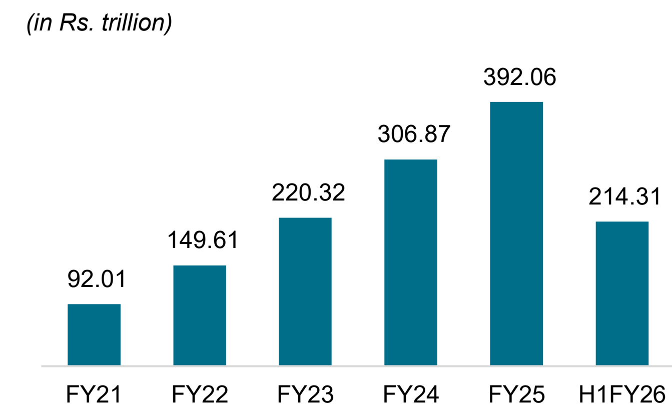
Mobile banking: The government is promoting mobile banking to make financial services accessible to people who are unable to access physical bank branches. Mobile banking has increased financial inclusion in rural areas. Some of the mobile banking initiatives that facilitated financial inclusion are UPI, mobile wallets, Jan Dhan Yojana mobile app and the business correspondent model.

Mobile payments volume (mobile-app-based)



Source: RBI; Crisil Intelligence

Mobile payments value (mobile-app-based)

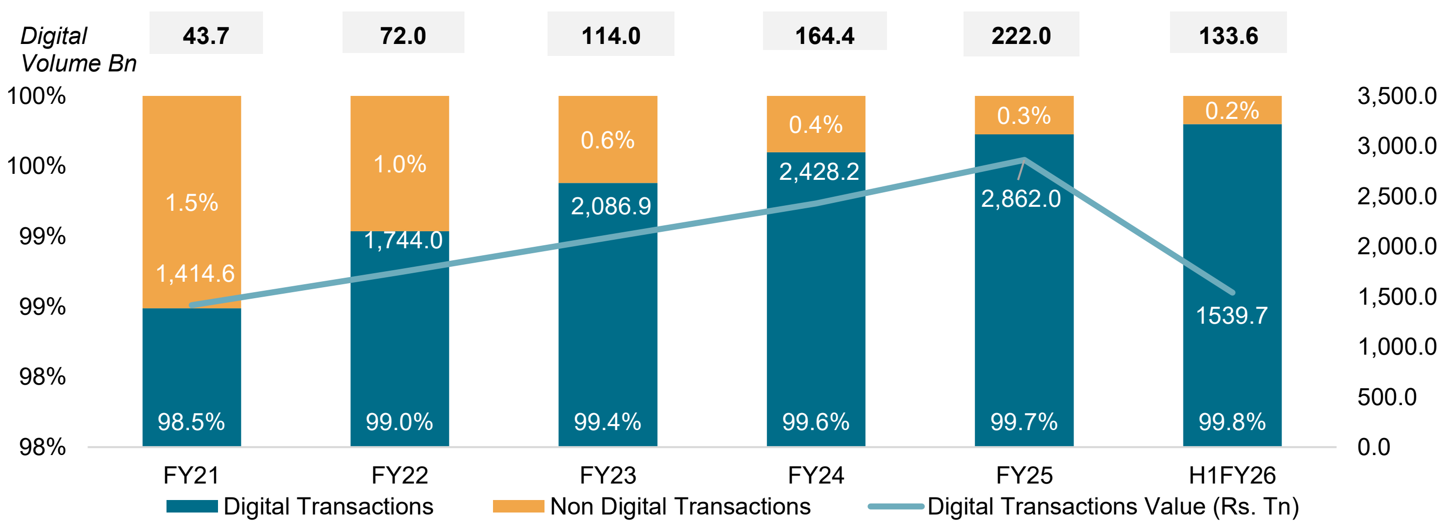


Source: RBI; Crisil Intelligence

Digital payments grow substantially

Deeper mobile penetration, improved connectivity and faster and cheaper data supported by Aadhaar and expanded bank account penetration have transformed India from a cash-dominated economy to a digital one. Total digital payments in the country grew significantly over the past few years. Between fiscals 2021 and 2025, volume of digital payments transactions increased from 43.7 billion to 222.0 billion, logging a CAGR of ~50%. The value of digital transactions, meanwhile, rose from Rs 1,414.6 trillion to Rs 2,862.0 trillion. In the first half of the current FY (up to September), digital transactions volume stood at 133.6 billion and value at Rs 1,539.7 trillion. Consumers are increasingly finding transacting through mobile convenient. We expect the share of mobile banking to increase dramatically over the coming years. In addition, we expect improved data connectivity, low digital payment penetration and proactive government measures to drive digitalisation in the country.

Trend in value and volume of digital payments



Note: Digital payments include RTGS payments, credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), debit transfers (BHIM, ECS Dr, NACH Dr, NETC), card payments (debit and credit cards) and prepaid payments instruments

Source: RBI, Crisil Intelligence

UPI, an instant payment platform, has seen considerable uptake among retailers, with the number of transactions increasing to 185.9 billion in FY25 from 22.3 billion in FY21 and in value-terms growing to Rs 260.6 trillion from Rs 41.0

trillion. Following this growing trajectory in the first nine months of FY26, UPI transactions in volume and value terms stood at 176.9 billion and Rs 481.2 trillion, respectively. This accelerated trend underscores the technological innovations driving financial inclusion and accelerating digital economy.

Trend in retail payments

Retail Payment	Volume (In Bn.)						Value (In Rs. Tn.)					
	FY21	FY22	FY23	FY24	FY25	9MFY 26	FY21	FY22	FY23	FY24	FY25	9MFY 26
IMPS*	3.3	4.7	5.7	6	5.6	3.9	29.4	41.7	55.9	65	71.4	56.1
NEFT	3.1	4	5.3	7.3	9.6	6.6	251.3	287.3	337.2	391.4	443.6	280.1
UPI*	22.3	46	83.7	131.1	185.9	176.9	41	84.2	139.1	200	260.6	481.2
Credit Cards	1.8	2.2	2.9	3.6	4.8	3.9	6.3	9.7	14.3	18.3	21.1	15.6
Prepaid payment instruments	5	6.6	7.5	7.9	7	6.2	2	2.8	2.9	2.8	2.2	1.8
Paper based Instruments	0.7	0.7	0.7	0.7	0.6	0.4	56.3	66.5	71.7	72.1	71.1	46.5

*Note: * 9 months data available. Rest only till November 2025 available. Source: RBI, Crisil Intelligence*

Financial Inclusion

Financial penetration to grow with increased awareness of financial products

Overall literacy in India was 80.3% as per the results of the NSO survey conducted from July 2022 to June 2023. This is still below the world average of 87.35%. Also, according to the National Financial Literacy and Inclusion Survey 2019, which defines financial literacy as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being, only 27% of the country's population was financially literate.

While the gap is substantial, it also alludes to considerable potential for financial services industry. Government initiatives such as Pradhan Mantri Jan Dhan Yojana, financial literacy programmes and continuous focus on financial inclusion have increased financial literacy. This has resulted in significant uptick in demand for financial products over the past few years, particularly in smaller cities. Going forward as well, we expect financial penetration to increase on account of continuing growth in financial literacy.

According to the World Bank's Global Findex Database 2025, the average global share of adult population with an account opened with a bank, financial institution or mobile money provider was ~75% in CY24. In the case of India, financial inclusion improved significantly over CY14 to CY24, with the adult population with bank accounts increasing to 89% from 53%.

This remarkable progress can be attributed to the government's concerted efforts to promote financial inclusion through a range of initiatives, including the launch of Jan Dhan Yojana, the proliferation of mobile banking and digital payments, and the implementation of government subsidies and benefits such as the Direct Benefit Transfer (DBT) scheme. Advancements in financial technology have also contributed to significant improvement in financial inclusion.

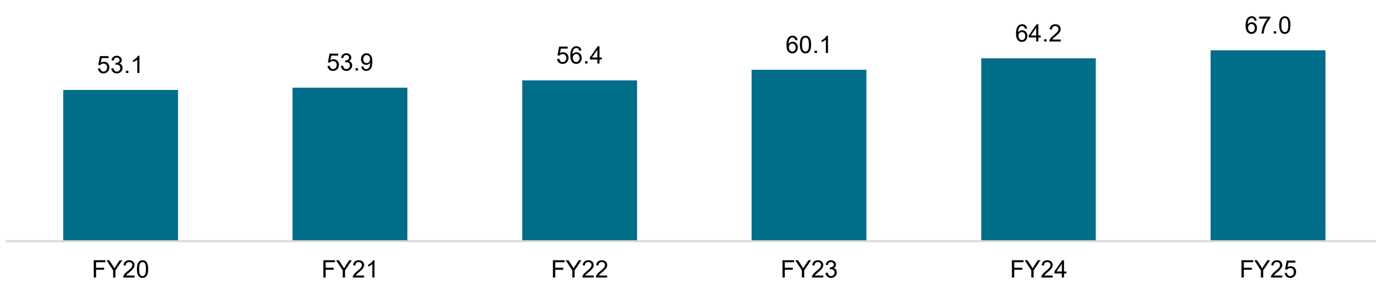
Financial Inclusion Index (FI-Index)

The RBI has developed a comprehensive Financial Inclusion Index (FI-Index) to measure the extent of financial inclusion in the country.

The index is a composite measure that ranges from 0-100, wherein 0 represents complete financial exclusion and 100 indicates universal financial inclusion. The index comprises three key parameters: Access (35%), Usage (45%) and Quality (20%), each of which is further segregated into multiple dimensions and indicators.

Unlike traditional indices, the FI-Index does not have a specific base year, making it a cumulative reflection of the efforts of all stakeholders towards promoting financial inclusion over time. As of FY25, the index was 67.0, representing an increase from 64.2 in FY24, with growth observed across all sub-indices.

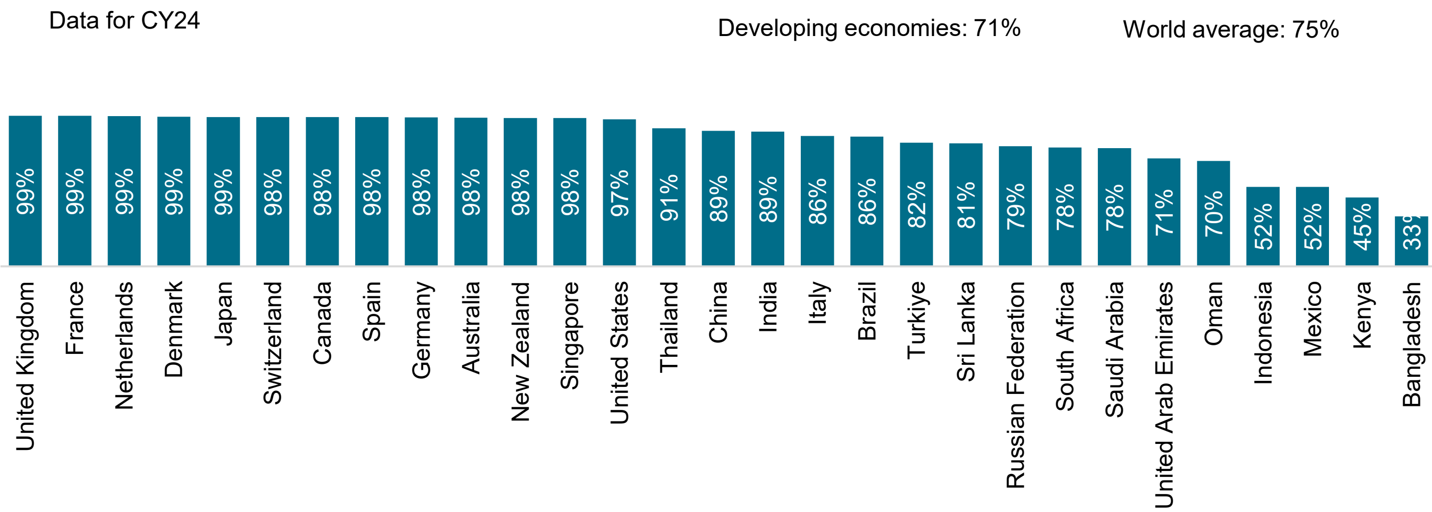
Financial inclusion has improved over the years



Source: RBI, Crisil Intelligence

Adult population with a bank account: India vis-à-vis other countries

As per the Global Findex Database 2024, ~53% of the world's 650 million unbanked adults live in only eight countries – India, Bangladesh, China, Indonesia, Egypt, Mexico, Nigeria and Pakistan. Despite high rates of account ownership, India's sheer population size means it remains among the countries with a high number of unbanked adults. The 2025 report (reporting on 2024 data) indicates that, while 89% of Indian adults now own a financial account, in 2024, 14% of adults (representing a significant portion of the global unbanked population) in India still had inactive accounts, which provides immense opportunity for financial institutions to increase financial inclusion within the country.



Notes:

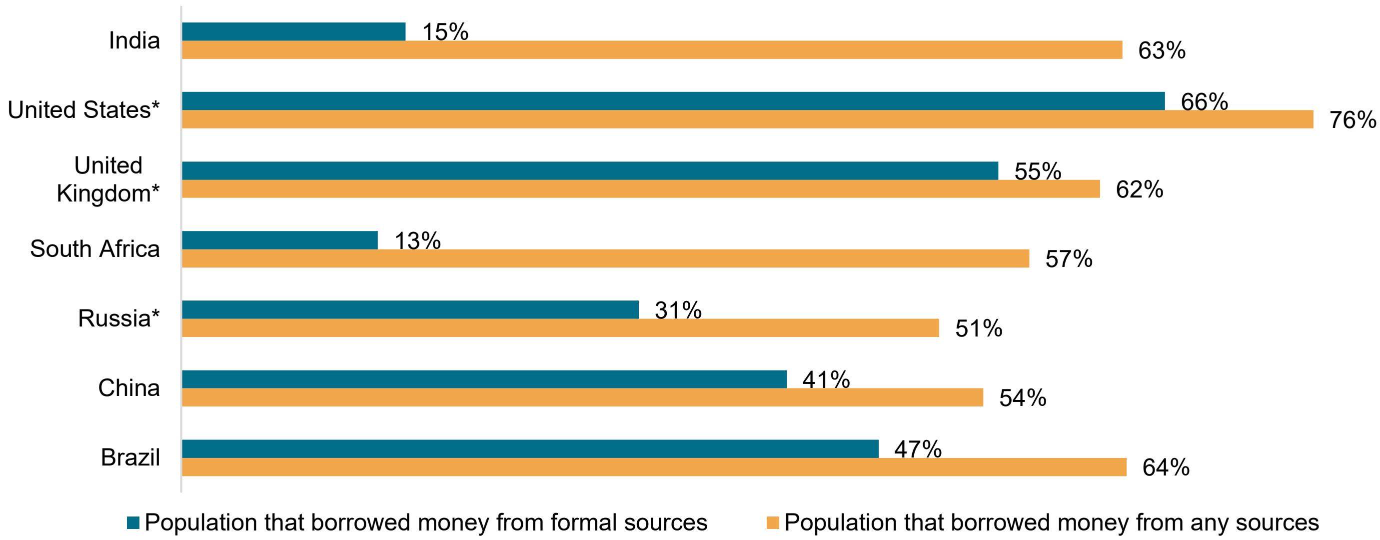
1. Global Findex data for India excludes northeast states, remote islands and selected districts

2. Account penetration is for the population within the age group of 15+ years,

Source: World Bank – The Global Findex Database 2025, Crisil Intelligence

In the case of the US, in 2021, 66% of the population borrowed money from formal sources, such as banks, NBFCs and through credit cards, followed by the UK, at 55%. But only 15% of the Indian population borrowed money from formal sources. This implies that a significant majority relied on informal sources of credit, such as friends, family or unorganized lenders. The print is, in fact, the lowest among the major economies. The key reason could be that a significant portion of the population may not have the necessary documents, such as proof of income or identity, to access formal credit.

Only 15% of the population in India borrowed money from formal sources (CY24)



** Data is for calendar year 2021*

Notes:

1. Global Findex data for India excludes northeast states, remote islands and selected districts

2. Data is for the population within the age group of 15+ years

3. Money borrowed from formal sources includes money borrowed from banks, NBFCs and the usage of credit cards

Source: World Bank – The Global Findex Database 2025, Crisil Intelligence

Pradhan Mantri Jan Dhan Yojana

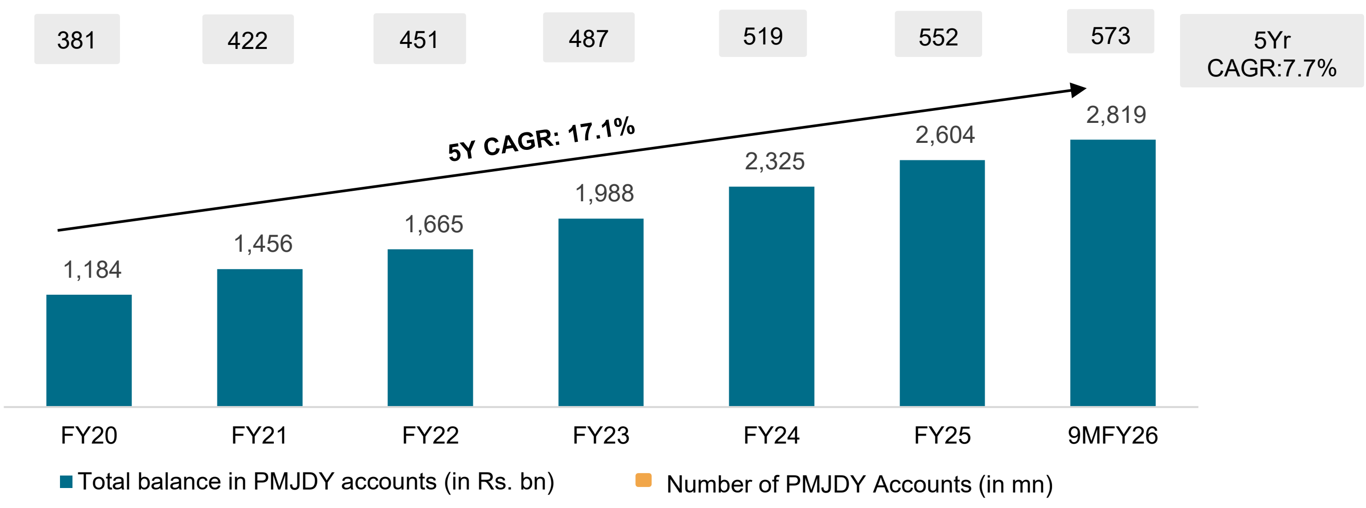
The two key initiatives launched by the government to promote financial inclusion are the PMJDY and the PMJJBY. Under the PMJDY, the government's aim is to ensure that every household in India has a bank account that they can access from anywhere and avail of all financial services such as savings and deposit accounts, remittances, credit and insurance affordably.

PMJJBY is a one-year life insurance scheme that offers a life cover of Rs 0.2 million at a premium of Rs 436 per annum per member, which can be renewed every year.

The government has also launched PMSBY, an accident insurance policy that offers an accidental death and full disability cover of Rs 0.2 million at a premium of Rs 20 annually. As per the government, over 700 million individuals have registered for these two social security schemes.

Also, as of December 2025, 573 million PMJDY accounts had been opened, with total deposits of Rs 2.8 trillion. (Source: Pradhan Mantri Jan-Dhan Yojana: Progress Report)

Number of PMJDY accounts and total balance in PMJDY accounts



Source: PMJDY; Crisil Intelligence

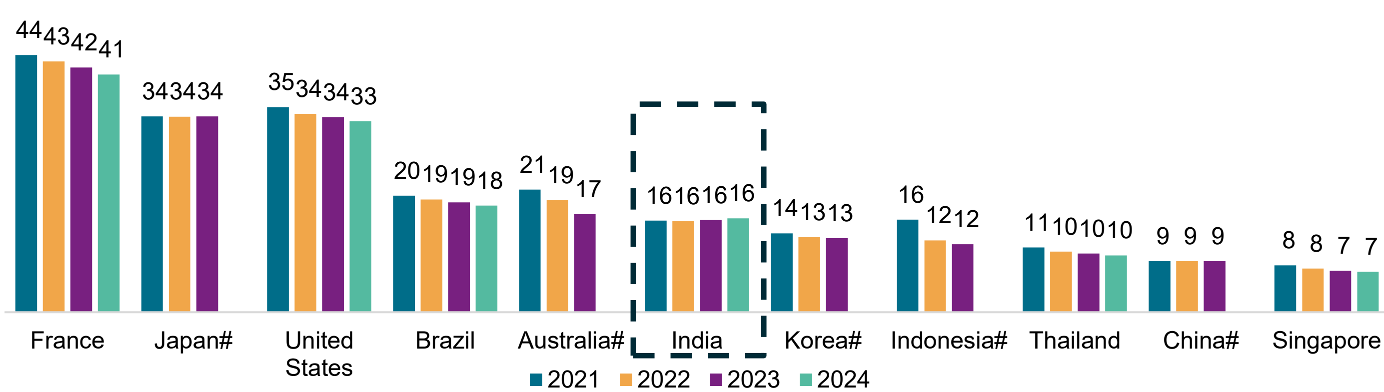
Under-penetration of the Indian banking sector provides opportunities

The Indian banking sector is significantly under-penetrated, as observed in the current bank credit-to-GDP ratio of 93% for India as of the CY24 as compared with China and the US, wherein the bank credit-to-GDP ratio was 198% and 143%.

Also, the number of commercial bank branches as well as ATMs in India per 100,000 people in contrast with other countries is low. This provides immense opportunities for banks and other financial institutions over the long term.

France had the highest number of commercial bank branches per 100,000 adults at 41 bank branches in 2024.To be sure, in major economies the number of bank branches per 100,000 adults have remained stable due to the digitization of banking services, with customers preferring online and mobile banking over physical visits.

Number of commercial bank branches per 100,000 adults (CY)



Notes:

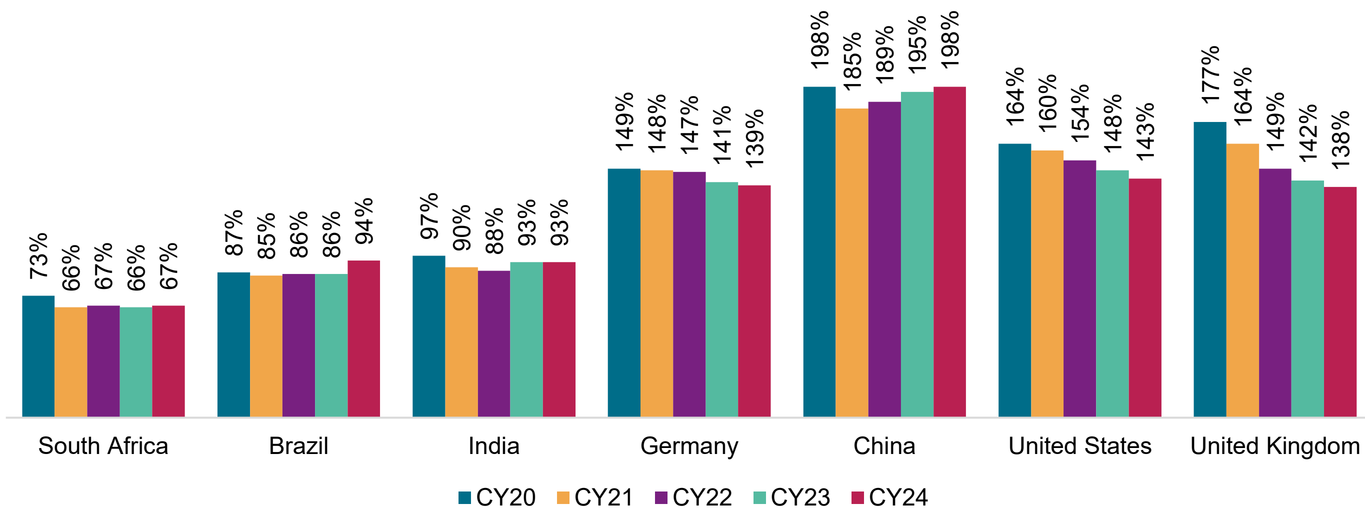
1. #Data not available for calendar year 2024

2. Population above 15 years having an account at bank or another type of financial institution

Source: IMF: Financial Access Survey; Crisil Intelligence

On another parameter, ~100% of UK's population above 15 years had an account at a bank or another type of financial institution in 2024, followed by Australia at 98%.

Credit to GDP ratio (%) from CY20 to CY24



Source: Bank of International Settlements, Crisil Intelligence

China has the highest credit to GDP ratio of 198% followed by United States with a ratio of 143%. The Indian banking sector is under-penetrated as observed in the current bank credit-to-GDP ratio of 93% for India.

India's urban and semi-urban growth story: A consumption-led phenomenon

India's urban and semi-urban areas are fuelling housing-led demand supported by durable structural drivers — favourable demographics, rising household incomes, urban migration, and improving credit penetration. With a young working-age population and continued formalization of income streams, housing remains a priority asset class for Indian households.

Urbanisation is expanding beyond Metropolitan & Tier I cities, with Tier II and Tier III & beyond cities emerging as incremental growth engines. Improved infrastructure connectivity, industrial dispersion, and digital adoption are enhancing economic participation in these markets, translating into sustained end-user housing demand.

Government Initiatives enhancing demand visibility

Policy support continues to reinforce housing demand, particularly in the affordable segment. Initiatives such as Pradhan Mantri Awas Yojana (Urban) (PMAY-U 2.0) provide central assistance through Grant-in-Aid (GIA), reducing the effective funding requirement for eligible beneficiaries and improving affordability metrics.

Over 12 million houses have been sanctioned since the inception of PMAY with nearly 9.63 million homes already handed over. Total investment of Rs. 8.4 trillion by the government for this scheme. The scheme has a nationwide reach, covering 5,000+ Urban Local Bodies (ULBs) through door-to-door awareness drives, housing camps, and public events.

Government-led housing programs have facilitated large-scale sanctioning and delivery of dwelling units, supporting steady demand in urban and semi-urban markets. Our assessment indicates that continued focus on upgrading living standards and expanding homeownership penetration is expected to sustain structural demand across economically weaker and low-income segments.

Improving credit ecosystem and market formalization

Improving labour market conditions, moderated urban unemployment rates, and increasing female workforce participation are strengthening borrower credit profiles. Concurrently, enhanced digital verification systems, bureau penetration, and formal documentation processes are improving underwriting visibility for lenders. In addition, credit deepening across semi-urban markets is being aided by improved banking reach, fintech enablement, and digital payment infrastructure, thereby supporting broader mortgage penetration.

Outlook: Structural stability with gradual deepening

India's housing finance sector benefits from:

- Under-penetration relative to global benchmarks
- Favourable demographic trends
- Continued policy support
- Expanding formal credit access

These structural factors provide demand visibility across affordable and mid-ticket housing segments. While near-term growth may be influenced by interest rate cycles and affordability considerations, the medium-term outlook remains supported by underlying demographic and urbanisation dynamics. The government has taken various steps to improve overall financial inclusion which are as follows:

Direct-benefit transfer

DBT has been instrumental in the acceleration of financial inclusion. It has helped eliminate human interface and leakages in the system, ensuring timely, accurate and quality services and fund transfers to the beneficiaries.

This tool has helped in the disbursal of benefits to a wide population spread geographically through 328 government schemes, such as the Pradhan Mantri Matru Vandana Yojana for women, Pradhan Mantri Ujjwala Yojana, Krishi Unnati Yojana or MGNREGS for beneficiary bank accounts held by any gender.

The total DBT was ~Rs 6.89 billion in FY25 and the cumulative total DBT was Rs 46.78 billion as of March 2025.

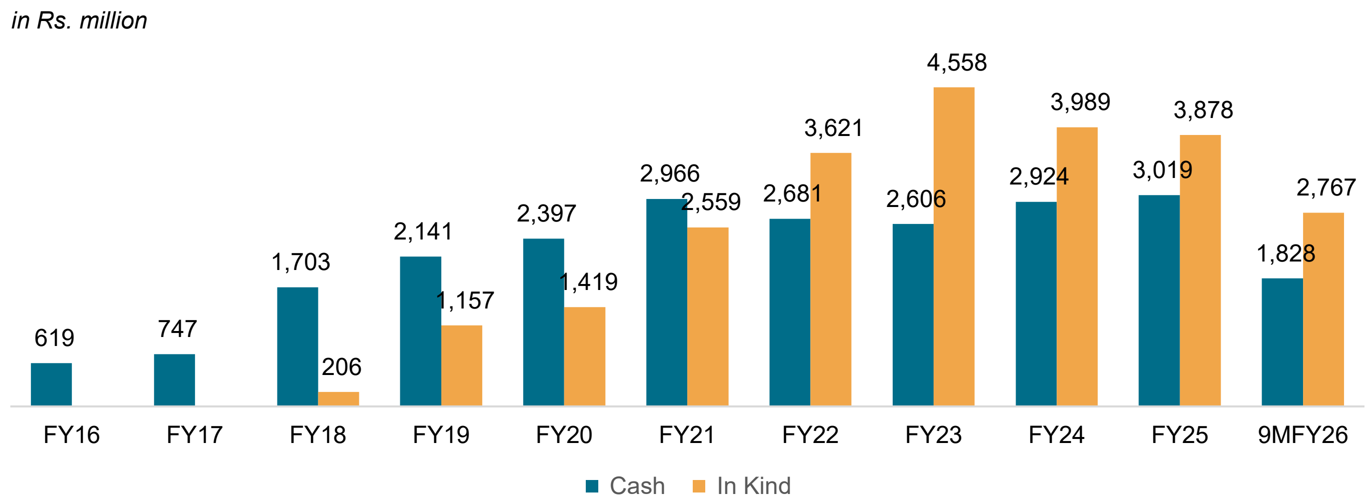
Aadhaar card

The Aadhaar card has played a crucial role in promoting financial inclusion in India by enabling easy and efficient identification of individuals and reducing the need for physical documents. It has been used for various initiatives such as PMJDY, DBT, mobile wallets and e-KYC to improve financial access.

Mobile banking

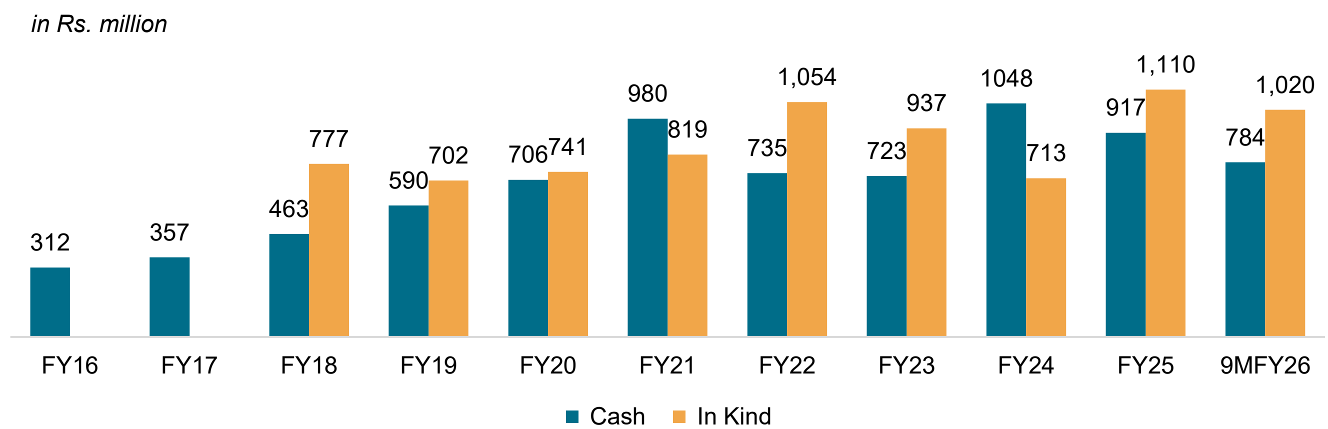
The government has promoted mobile banking to make financial services accessible to people who are unable to access physical bank branches. Mobile banking has increased financial inclusion in rural areas. Some of the mobile banking initiatives for financial inclusion are UPI, mobile wallets, Jan Dhan Yojana mobile app and BC model.

Government schemes being delivered through digital adoption – fund transfer



Source: Direct benefit transfer, Crisil Intelligence

Trend in DBT beneficiaries (non-unique)



Source: Direct benefit transfer, Crisil Intelligence

Digital public infrastructure reforms by the government of India

Digitisation improves the transparency and efficiency of government processes, and widespread digital transformation helps governments and institutions in policy implementation and broad policy outreach. The key idea for digital public infrastructure (DPI) is not the complete digitisation of narrow public services, but the establishment of a building block of digital modularity, which can be used modularly by both government and private players to create the specific digital infrastructure required. The India Stack is a collective name for a set of open APIs and public goods in digital form such as DigiLocker, UPI and e-sign.

Use of generative AI and new technologies increasing productivity

Generative AI (Gen AI) is transforming the Banking, Financial Services, and Insurance (BFSI) sector by offering numerous benefits. It enables efficient, conversational banking through chatbots and voice bots, enhancing customer experiences and saving time. Gen AI also aids in cost optimization by performing fraud checks and analysing customer behaviour patterns, allowing lending organizations to be more cost-efficient and take proactive measures to bolster transaction security. Additionally, it assists in risk analysis, early delinquency prediction, and fraud prevention by swiftly detecting potentially fraudulent activity through continuous monitoring and analysis of vast amounts of data. Furthermore, Gen AI facilitates the creation of synthetic data, which is useful for training models and testing systems without using sensitive real-world customer information, ultimately helping to drive informed decision-making and improve overall operational efficiency.

Open Credit Enablement Network (OCEN)

The Open Credit Enablement Network (OCEN) is a digital framework that utilizes open APIs to standardize lending, enabling instant, data-driven loans for underserved MSMEs and individuals. It creates a seamless "digital highway" for loans, allowing lenders and digital platforms to communicate through common technical standards. OCEN unbundles lending functions, fostering innovation and collaboration among specialized entities. The framework aims to bridge the credit gap for MSMEs and individuals with limited formal credit history by using alternative data for creditworthiness. Key components include digital platforms, lenders, account aggregators, and OCEN APIs, which facilitate consent-based data sharing and credit provision. OCEN offers benefits to borrowers, lenders, and digital platforms, including instant credit access, reduced acquisition costs, and new revenue streams. By leveraging India Stack components like Aadhaar, UPI, and Account Aggregators, OCEN digitizes and democratizes credit, creating an interoperable ecosystem for embedded finance. This foundational protocol enables data-driven risk assessment, shifting from asset-based to cash-flow assessment for greater financial inclusion and efficient credit distribution.

Account Aggregator (AA)

An Account Aggregator (AA) is an RBI-regulated entity in India that facilitates the secure sharing of financial data between individuals and financial service providers with explicit consent. The process involves registering with an AA app, linking financial accounts, and granting consent for data sharing. The AA acts as a secure, encrypted bridge, fetching data from Financial Information Providers (FIPs) and delivering it to Financial Information Users (FIUs) without storing the data. This enables benefits such as security, control, convenience, and innovation, including faster loan approvals and easier access to services without physical documents, all while allowing individuals to view and revoke consents through the AA app. Key participants include FIPs (banks, NBFCs, MFs, insurers), FIUs (lenders, insurers, wealth managers), and AAs (licensed NBFCs).

Pre-sanctioned Credit Line at Banks through UPI

The "Pre-sanctioned Credit Line at Banks through UPI" is an innovative financial offering that allows individuals and businesses to access pre-sanctioned credit lines from banks through the Unified Payments Interface (UPI). This product enables low-ticket, high-volume retail loans, promoting economic growth and financial inclusion. With benefits including seamless linking, secure authentication, credit line details, transaction variety, and repayment methods, this service allows users to access credit lines easily and make payments to merchants and users. The service also offers dispute resolution through the ODR (UPIHelp) available on UPI apps, ensuring a transparent and user-friendly experience. By leveraging advanced technologies like data analytics and AI, banks can identify credit line opportunities for customers and merchants engaged in significant UPI-based digital payments and offer customized credit lines based on consumer behaviour and repayment patterns.

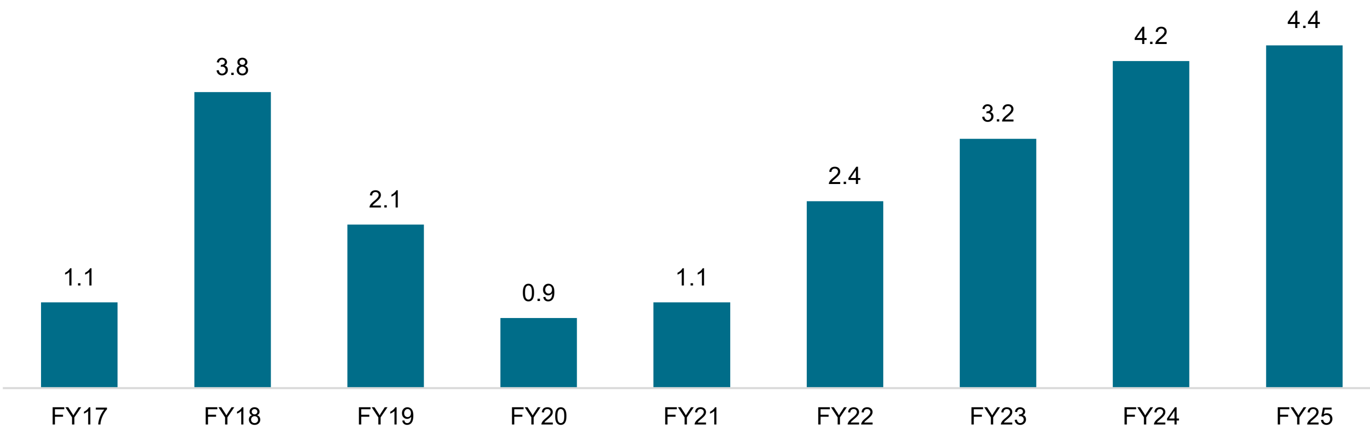
Fintech innovation

Fintech innovation is a core part of India’s DPI reforms, driven by the government to foster financial inclusion, transparency and economic growth. Key initiatives such as UPI have revolutionized the digital payments landscape, making real-time, cost-effective transactions accessible to millions. Aadhaar-based system for identity verification and Jan Dhan Yojana for financial inclusion are transforming India’s financial ecosystem.

Trends in the number of e-KYC transactions

The adoption and implementation of e-KYC in rural areas have transformed India's financial landscape, streamlining access to various financial services. By enabling digital identity verification, e-KYC has minimised the time and cost involved in customer onboarding, facilitating easier access to banking services, credit and government benefits for rural population. This technology has played a crucial role in enhancing financial inclusion, integrating more individuals into the formal financial system and improving transparency while mitigating fraud risks.

e-KYC transactions (In billion.)



Source: UIDAI annual report 2024-2025, Crisil Intelligence

Region-wise asymmetry: Over 52% of deposits and 61% of credit held by south and west

In value terms, bank credit and deposits are predominantly concentrated in the southern and western regions, while these are considerably low in the northeastern and eastern regions. The share of deposit amount in the southern region increased to 24.2% in FY25, while the credit share jumped to 28.6% during the same period.

Region-wise share of banking credit (fiscal 2025)

Region and Population group wise total credit (Rs. Tn)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
Central	6.55	3.04	3.28	5.28	18.15
East	4.52	2.68	2.34	4.07	13.62
Northeast	0.0	0.57	0.65	0.99	2.22
North	22.83	3.10	4.23	8.07	38.22
South	24.30	6.19	12.46	10.80	53.75
West	52.04	1.79	3.88	4.19	61.90
Total credit	**110.24**	**17.38**	**26.84**	**33.40**	**187.87**

Region and Population group-wise total credit (% of total credit)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
Central	5.94%	17.50%	12.23%	15.81%	9.66%
East	4.10%	15.43%	8.73%	12.18%	7.25%

Region and Population group-wise total credit (% of total credit)					
Northeast	0.00%	3.31%	2.43%	2.98%	1.18%
North	20.71%	17.85%	15.75%	24.16%	20.35%
South	22.04%	35.63%	46.42%	32.33%	28.61%
West	47.21%	10.29%	14.44%	12.55%	32.95%
Total credit	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes: Region and population group-wise credit according to place of sanction

Rural centres (population up to ten thousand), semi-urban centres (population more than ten thousand but up to one lakh), urban centres (population more than one lakh but up to ten lakh) and Metropolitan centres (population more than ten lakh) for opening of branches depending upon the business potential and profitability of the proposed branches.

1. *Northeast includes Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura*
2. *Central includes Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand*
3. *West includes Goa, Gujarat, Maharashtra, Dadra and Nagar Haveli, and Daman and Diu*
4. *East includes Bihar, Jharkhand, Odisha, Sikkim, West Bengal, and Andaman and Nicobar Islands*
5. *South includes Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Lakshadweep, and Puducherry*
6. *North includes Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, Punjab, Rajasthan, Chandigarh and Delhi*

Source: RBI, Crisil Intelligence

Region-wise share of banking deposits (fiscal 2025)

Region and population group-wise total deposit (Rs. trillion)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
Central	10.72	5.42	5.32	9.52	30.98
East	7.83	5.51	5.44	8.92	27.70
Northeast	0.0	0.93	1.20	1.87	4.00
North	25.24	5.05	6.11	12.21	48.61
South	28.92	4.45	12.33	11.08	56.78
West	52.11	3.06	5.86	5.41	66.44
Total deposit	**124.83**	**24.42**	**36.26**	**49.01**	**234.52**

Region and Population group wise deposit (% total deposit)					
Region	**Metropolitan**	**Rural**	**Semi-urban**	**Urban**	**Total credit**
Central	8.59%	22.20%	14.66%	19.43%	13.21%
East	6.27%	22.56%	15.01%	18.19%	11.81%
Northeast	0.0%	3.80%	3.31%	3.82%	1.71%
North	20.22%	20.68%	16.85%	24.92%	20.73%
South	23.17%	18.21%	34.00%	22.61%	24.21%
West	41.75%	12.55%	16.17%	11.03%	28.33%
Total deposit	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes

Rural centres (population up to ten thousand), semi-urban centres (population more than ten thousand but up to one lakh), urban centres (population more than one lakh but up to ten lakh) and Metropolitan centres (population more than ten lakh) for opening of branches depending upon the business potential and profitability of the proposed branches.

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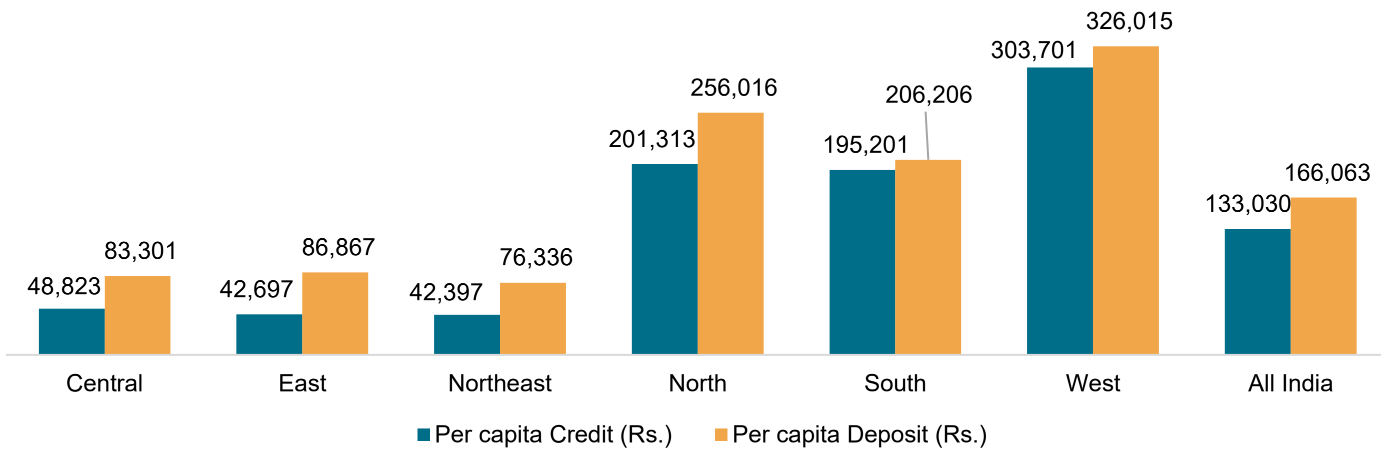
6. North includes Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, Punjab, Rajasthan, Chandigarh and Delhi

Source: RBI, Crisil Intelligence

Region-wise bank credit and deposit per capita

Bank credit per capita in the eastern and central regions has been the second and third lowest, respectively, among all the regions in FY25. When compared with the other regions, this implies low penetration of banks in the two regions. In contrast, the northern and southern regions have nearly 1.5 times credit per capita vis-à-vis the national average, while in the western region, it is nearly 2.3 times.



Note: Per-capita credit in the region is calculated by dividing the total banking credit amount by total estimated population in the region. Population projected as per UIDAI

Source: RBI, Crisil Intelligence

Similarly, bank deposit per capita has been dominated by the northern and western regions, accounting for over 1.5 times and 2 times the national deposit per capita, respectively, whereas the southern, northeastern and central regions were lower at 1.2 times, 0.5 times and 0.5 times, respectively. This provides an opportunity for all lending and deposit-accepting institutions to expand in these regions and widen their footprint in specific regions.

Chandigarh, Delhi, Maharashtra, Telangana and Tamil Nadu have a higher banking credit penetration compared with other states

As of March 2025, Delhi, Maharashtra, Tamil Nadu, Telangana and Chandigarh had a banking-credit-to-GDP ratio of more than 100%, which indicates that the banking credit penetration in these states is higher than the other states in India. Delhi (including NCR) had the highest banking credit penetration of 272.25% as of March 2025, followed by Chandigarh at 264.76%. Maharashtra had the third highest banking credit penetration among Indian states at 171.62%. Sikkim, Mizoram, Tripura and Himachal Pradesh had the lowest banking credit penetration among all states in FY25.

Banking credit penetration across states in India (fiscal 2025)

State/union territory	Gross state domestic product (GSDP) (constant price) (Rs in billion)	Banking credit penetration	Rural banking credit share	Semi-urban banking credit share	Urban banking credit share	Metropolitan banking credit share
Chhattisgarh	3,297.52	67.66%	6.99%	11.41%	20.24%	29.01%
Madhya Pradesh	7,122.60	77.23%	10.01%	16.88%	14.72%	35.62%
Uttarakhand	2,178.17	49.11%	9.18%	10.40%	29.53%	0.00%

State/union territory	Gross state domestic product (GSDP) (constant price) (Rs in billion)	Banking credit penetration	Rural banking credit share	Semi-urban banking credit share	Urban banking credit share	Metropolitan banking credit share
*Uttar Pradesh	14,118.83	73.06%	14.32%	10.64%	23.92%	24.18%
*Andaman & Nicobar Islands	80.99	55.38%	10.78%	9.22%	35.39%	0.00%
*Bihar	4,653.76	65.42%	15.95%	16.24%	16.88%	16.36%
*Jharkhand	2,850.70	53.00%	9.97%	10.46%	13.71%	18.87%
Odisha	5,638.96	52.86%	11.55%	12.48%	28.83%	0.00%
*Sikkim	249.02	28.66%	9.24%	2.91%	16.51%	0.00%
West Bengal	9,418.54	70.69%	10.94%	7.07%	15.11%	37.57%
*Chandigarh	358.51	264.76%	1.35%	4.06%	259.35%	0.00%
Haryana	6,770.33	100.07%	7.78%	12.93%	70.98%	8.38%
Himachal Pradesh	1,465.53	43.49%	24.80%	14.26%	4.43%	0.00%
Jammu & Kashmir	1,446.14	80.42%	28.75%	25.96%	15.64%	10.07%
*NCR of Delhi	6,698.63	272.25%	0.98%	1.56%	6.73%	262.97%
Punjab	5,244.90	78.23%	13.81%	22.61%	21.54%	20.28%
Rajasthan	9,062.94	77.06%	11.47%	17.43%	19.88%	28.28%
*Arunachal Pradesh	204.91	51.99%	15.67%	36.32%	0.00%	0.00%
Assam	3,379.33	45.71%	10.67%	12.86%	22.19%	0.00%
*Manipur	243.94	54.92%	17.51%	11.51%	25.90%	0.00%
Meghalaya	299.12	51.46%	18.46%	9.84%	23.15%	0.00%
*Mizoram	222.67	40.64%	7.11%	10.20%	23.32%	0.00%
*Nagaland	213.65	47.03%	10.14%	22.41%	14.48%	0.00%
*Tripura	460.54	41.56%	14.80%	10.50%	16.25%	0.00%
Andhra Pradesh	8,650.13	96.24%	18.17%	25.41%	30.75%	21.92%
Karnataka	15,702.98	87.34%	9.53%	10.70%	14.20%	52.91%
*Kerala	6,349.12	99.73%	3.80%	49.87%	46.06%	0.00%
Puducherry	295.41	83.14%	10.13%	16.29%	56.72%	0.00%
Tamil Nadu	17,236.98	102.27%	12.11%	24.62%	15.23%	50.30%
Telangana	8,168.35	128.0%	11.5%	15.5%	11.1%	89.9%
*Goa	641.37	53.80%	10.48%	43.32%	0.00%	0.00%
*Gujarat	15,970.15	70.50%	4.83%	9.01%	12.69%	43.97%
Maharashtra	26,122.63	171.62%	3.81%	8.52%	9.99%	149.30%

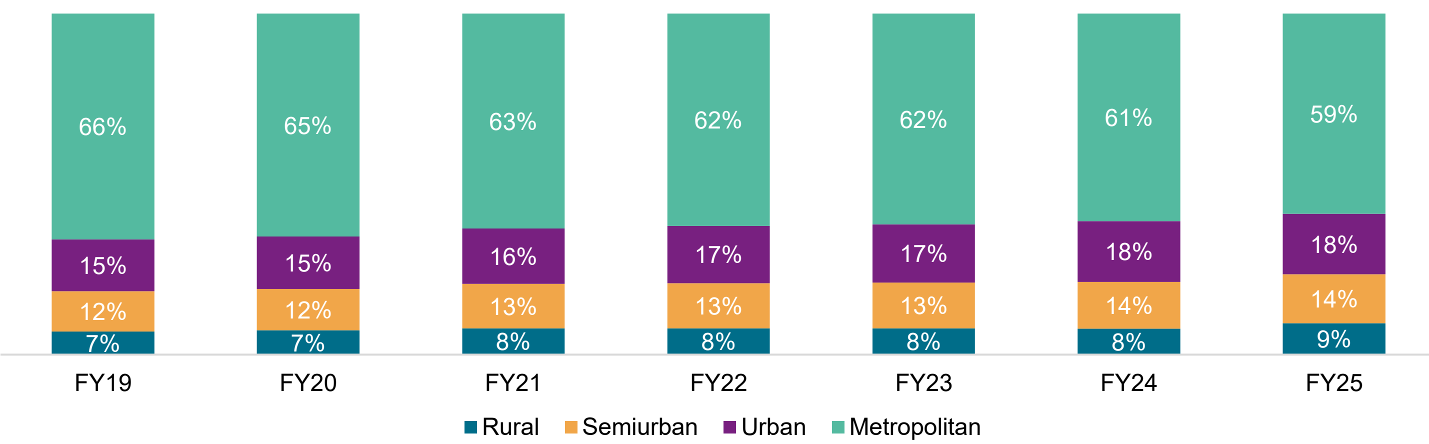
*Note: Credit penetration calculated as banking credit to states as of FY25 divided by state GSDP (at constant prices) as of FY25; GDP taken as GSDP at constant prices, base year: 2011-2012, *GSDP taken for FY2024; tier-wise share is taken as outstanding in the tier divided by total outstanding in the state; source: RBI, MOSPI, Crisil Intelligence*

Under penetration and untapped market in rural and semi-urban India presents a huge opportunity of growth for financiers

Bank credit to Metropolitan areas has decreased over the past few years with its share declining from 66% as on March 31, 2019, to 59% as on March 31, 2025. During the period, credit share rose marginally in rural (7% in FY2019 to 9% in FY25) and semi-urban areas (12% to 14%). As on March 31, 2025, rural areas received just 9% of the overall banking credit as per the RBI's banking credit data, which shows the vast market opportunity for banks and NBFCs to lend in these areas. With the government's increasing focus on financial inclusion, rising financial awareness and deepening smartphone and internet penetration, Crisil Intelligence expects delivery of credit services in rural areas to pick up. Further, usage of alternative data to underwrite customers is also expected to help banks and NBFCs to assess customers and cater to the informal sections of the society in the rural areas.

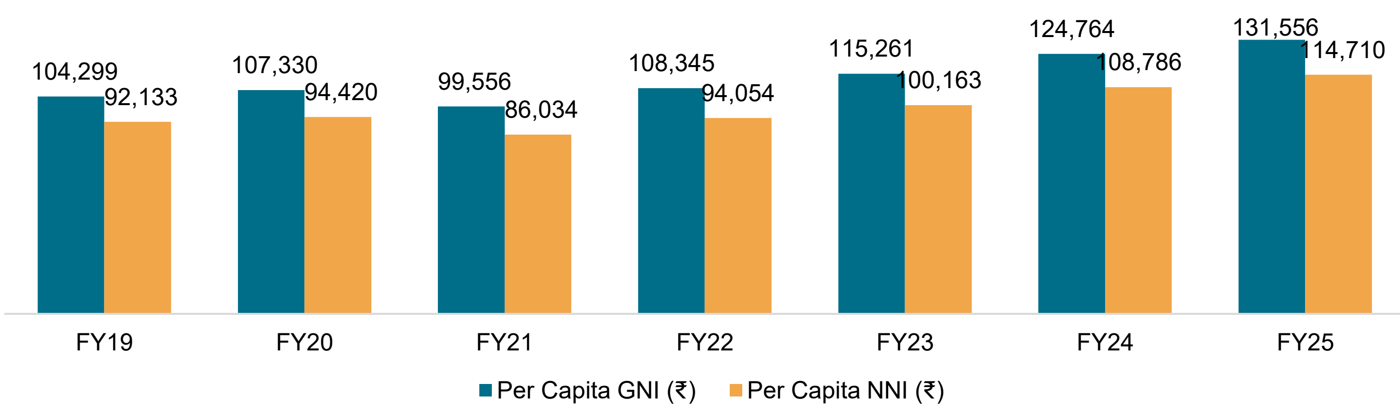
Share of banking credit in semi-urban & rural region increased to 14% and 9% respectively in fiscal 2025 from 12% and 7% respectively in fiscal 2019

Population group-wise banking credit (in %)



Source: RBI, Crisil Intelligence

Increasing per capita income



Note: Data is based on the RBI Handbook (Aug 2025)
Source: RBI, PIB, Crisil Intelligence

The increase in per capita income in recent years reflects the overall economic growth and improved living standards across various sectors. Higher income levels have resulted in greater purchasing power, enabling individuals to access better goods and services, including education, healthcare and technology. This upward trend also highlights the success of policy reforms, infrastructure development and financial inclusion efforts that have contributed to employment generation and wealth distribution. As per capita income continues to rise, it is expected to drive sustained economic momentum and elevate the quality of life for the broader population.

Financial literacy programmes

The government has launched several financial literacy programmes to educate people about the benefits of financial planning and management. These programmes aim to improve financial literacy among the marginalised sections of the society and empower them to make informed financial decisions. The government and financial institutions have launched various financial literacy programmes (National Centre for Financial Education, Swabhimaan, etc.) to improve financial literacy among the general public, especially in rural areas.

Kisan Credit Card (KCC)

The KCC scheme aims at providing adequate and timely credit support to farmers for their agricultural activities at various stages of farming. According to the Economic Survey 2024-25, the total number of operative KCC accounts stood at 77.2 million with a total outstanding amount of Rs 10.05 trillion as on March 31, 2025.

National Pension Scheme (NPS)

Regulated by the Pension Fund Regulatory and Development Authority (PFRDA), NPS is mandatory for Central government employees and voluntary for corporates and all citizens (aged 18-70 years) with matching contributions by the employer. As of fiscal 2025, the National Pension System Trust reported assets under management (AUM) of Rs 13.98 trillion and a subscriber base of 19.8 million. As of October 2025, AUM for NPS and Atal Pension Yojana (APY) had crossed Rs 16 trillion with the combined subscriber base reaching 90 million.

Priority Sector Lending (PSL)

PSL is an important policy tool used by the RBI to promote financial inclusion in India. The PSL requirement mandates banks to allocate a specified percentage of their lending portfolio to priority sectors, such as agriculture; micro, small and medium-sized enterprises (MSMEs); education; housing; and other weaker sections of the society. Lending to such priority sectors not only increases the credit access to underserved sectors but also leads to higher economic growth and promotes inclusive development. It also encourages banks to develop innovative products and services specifically for priority sectors. As of FY2024, bank credit to PSL stood at Rs 42.73 trillion, up from Rs 23 trillion in FY2010.

PSL ensures credit flow to the underserved segments of the population through banks. PSL also encourages bridging the gap between rural and urban credit and hence reduces regional imbalances. PSL is also used by the government to ensure that credit is given to sectors which can help the country in the long term. PSL mandates banks to lend to MSMEs, which ultimately adds to the overall manufacturing output of the country.

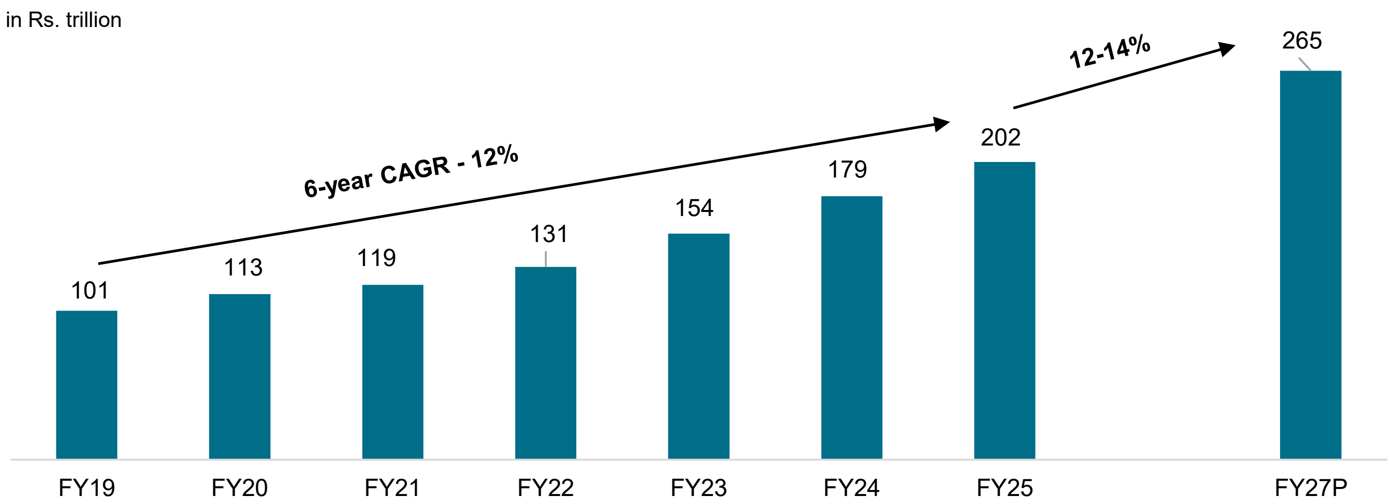
Small saving schemes

The Sukanya Samriddhi Yojana is a savings scheme designed by the government, especially for girl children. Through this investment scheme, parents of a girl child can save for their education and marriage purposes. The scheme was launched as a part of the Beti Bachao, Beti Padhao campaign. As of FY25, 41 million registered subscribers were active as part of the scheme.

Mahila Samman Savings Certificate was launched as a part of Union Budget 2023-24 through which women of any age could open an account with a minimum deposit of Rs 1,000 and maximum deposit of Rs 200,000, with a partial withdrawal facility. The interest rate for the accounts was 7.5% p.a. which would be compounded on a quarterly basis. Other small saving schemes available include the Kisan Vikas Patra.

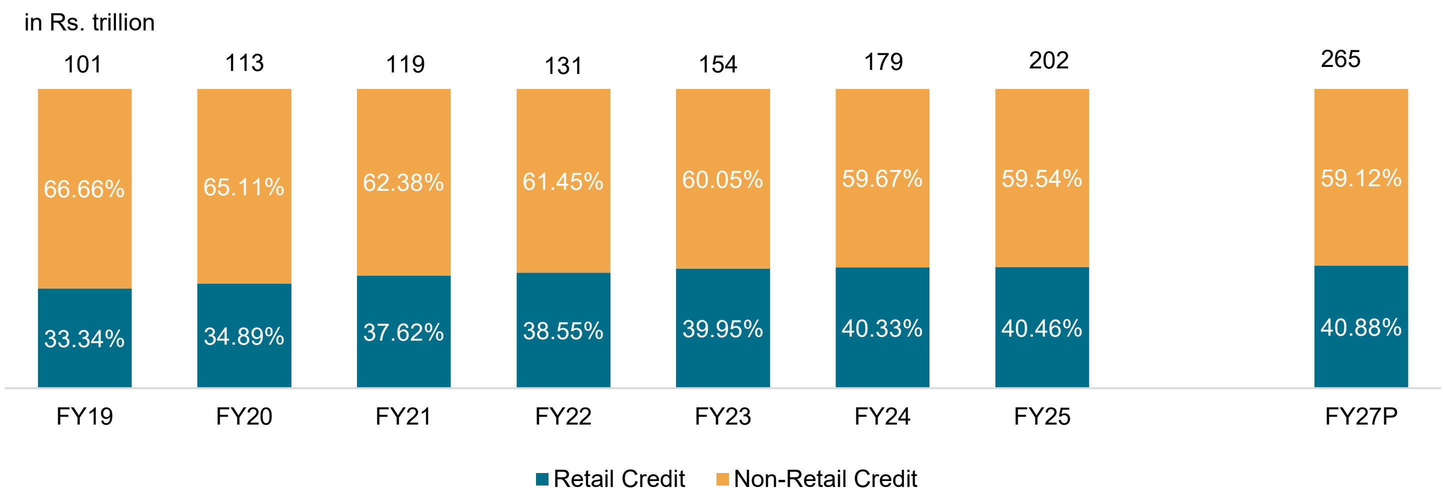
Overview of Systemic Credit in India

Systemic credit to grow 12-14% between fiscals 2025 and 2027



Note: P: Projected; Source: RBI, company reports, Crisil Intelligence

Split of systemic credit across retail and non-retail

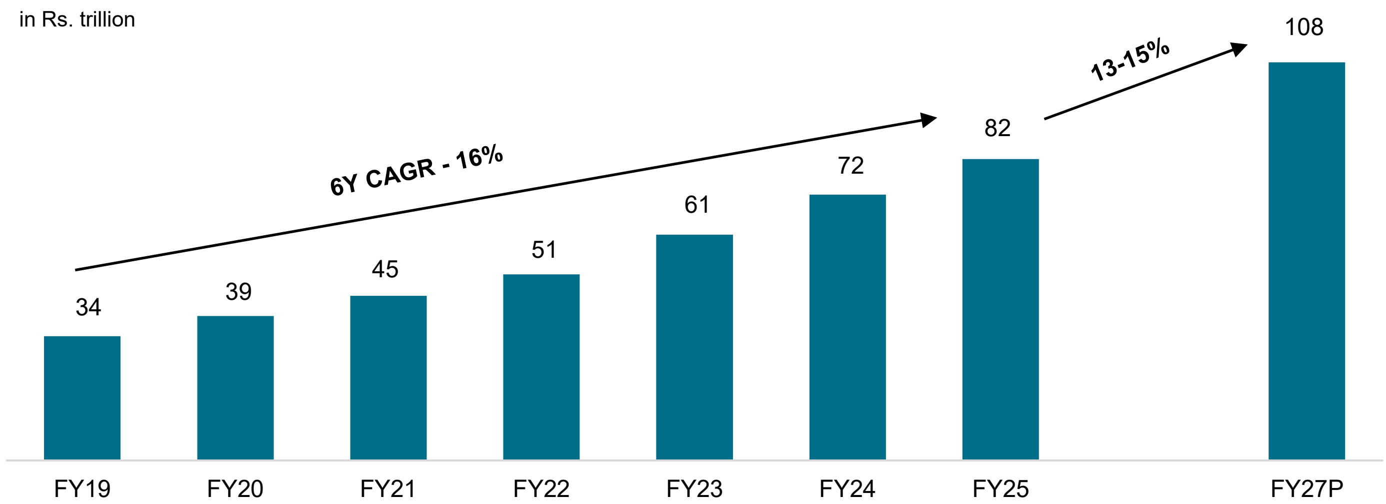


Note: P: Projected; Source: RBI, company reports, Crisil Intelligence

Systemic credit in India grew to Rs 202 trillion in fiscal 2025 from Rs 101 trillion in fiscal 2019, a CAGR of 12%. Retail credit continued to lead the systemic credit growth in fiscal 2025, supported by the focused approach of banks and NBFCs in expanding the retail portfolio. Retail credit portfolio continues to outpace non-retail credit. Looking ahead, Crisil Intelligence projects systemic credit to grow at a 12-14% CAGR between fiscals 2025 and 2027.

As of fiscal 2025, the retail and non-retail segments accounted for 40% and 60%, respectively, of the total systemic credit. The retail segment is projected to expand its share to 41% by fiscal 2027, while the non-retail segment's share will decline slightly to 59%. This represents a modest rebalancing of the credit landscape, with retail credit gaining a slightly larger foothold.

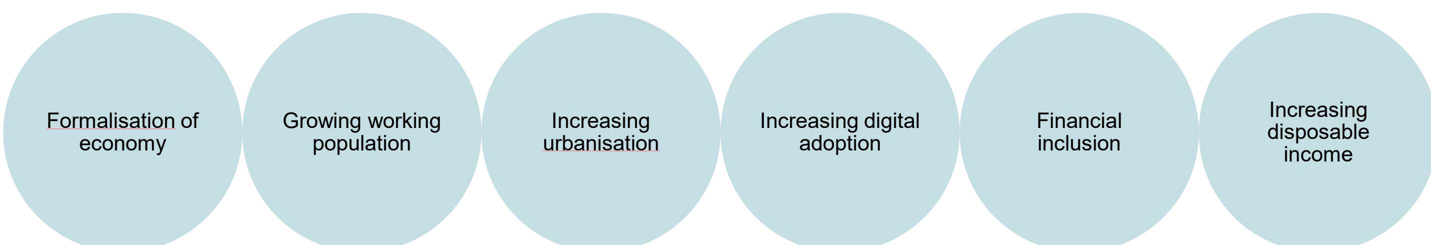
Systemic retail credit growth is projected to log stable growth between fiscals 2025 and 2027



Note: P-Projected; Source: RBI, Crisil Intelligence

The Indian retail credit market, encompassing various asset classes such as housing, vehicle financing, and personal loans, stood at Rs. 82 trillion as of fiscal 2025, having grown at a CAGR of 16% from Rs. 34 trillion in fiscal 2019. The market grew 14% in fiscal 2025, driven by steady demand in housing, auto, and education loans, as well as consumption-led growth in personal loans. With a projected growth rate of 13-15% between fiscal 2025 and fiscal 2027, reaching Rs. 108 trillion.

Factors that will support retail credit growth



Source: Crisil Intelligence

The Indian retail credit market is poised for significant growth, driven by increasing disposable incomes, changing lifestyles and a shift towards discretionary spending. This trend is evident in both rural and urban India, with the share of discretionary items in the consumption basket growing between fiscals 2012 and 2024 (Household Consumption Expenditure Survey(HCES) 2023-24, Ministry of Statistics and Programme Implementation (MoSPI). With improving financial health, consumers are seeking credit to finance purchases such as vehicles and homes, creating a sizable market for lenders. The government's initiatives to promote digitalisation and financial inclusion have improved access to credit for underserved segments, including MSMEs and low-income households. Despite rapid growth, retail credit penetration remains low, presenting an opportunity for lenders to expand their customer base and increase market share. India's demographic dividend, with a large working-age population, is expected to drive consumption and credit demand, fuelling the growth of the retail credit market. The young population's aspirations for a better lifestyle and increased access to credit will contribute to a sustained growth trajectory, offering lenders opportunities.

Impact of digitalization on retail credit

Higher mobile penetration, improved connectivity, and faster and cheaper data, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one. Technology has played an important role in taking the financial sector to the next level of growth, by helping to surmount challenges stemming from India’s vast geography, which makes physical footprint in smaller locations commercially unviable.

In the financial space, the underwriting process can be improved by leveraging all available data efficiently. Lenders are increasingly using their web platforms and creating apps to register, score, approve and disburse loans to their customers. Digitalisation has enabled lenders to make informed decisions through business insight generation and data visualisation. Moreover, it has improved lead generation for lenders with faster onboarding of customers, comprehensive loan servicing, and fraud detection. For customers, it has become easier to gather information about different lenders with the help of digitalisation and compare them.

Furthermore, the India Stack, a set of APIs and tools that enable the building of digital platforms for various services, has been a gamechanger in the retail credit sector. The India Stack includes Aadhaar (for identity verification), e-KYC (for paperless Know Your Customer processes), eSign (for digitally signing documents), and the Unified Payments Interface (UPI) for seamless and instant fund transfers. All of these components have been seamlessly integrated into the lending ecosystem; traditional lending players have also integrated these components into their loan processes, making it easier for them to streamline their operations and offer seamless experience to borrowers. Looking ahead, the digitalisation of retail credit in India is expected to continue evolving.

Credit through UPI

The RBI recently announced a proposal to broaden the scope of UPI by allowing transfer to and from pre-sanctioned credit lines with banks. Prior to this announcement, only amounts held in bank deposits could be transferred through the UPI. The proposed broadening of scope will allow overdraft accounts, credit cards and prepaid wallets to be eligible for linking to UPI. As per the announcement, this step enables the inclusion of credit lines as a funding account. The RBI, in its monetary policy meet held in December 2024, announced that it has allowed even small finance banks to offer the credit line on UPI. This move is expected to further enhance the financial inclusion and access to formal credit for new credit customers.

Overview of NBFC credit in India

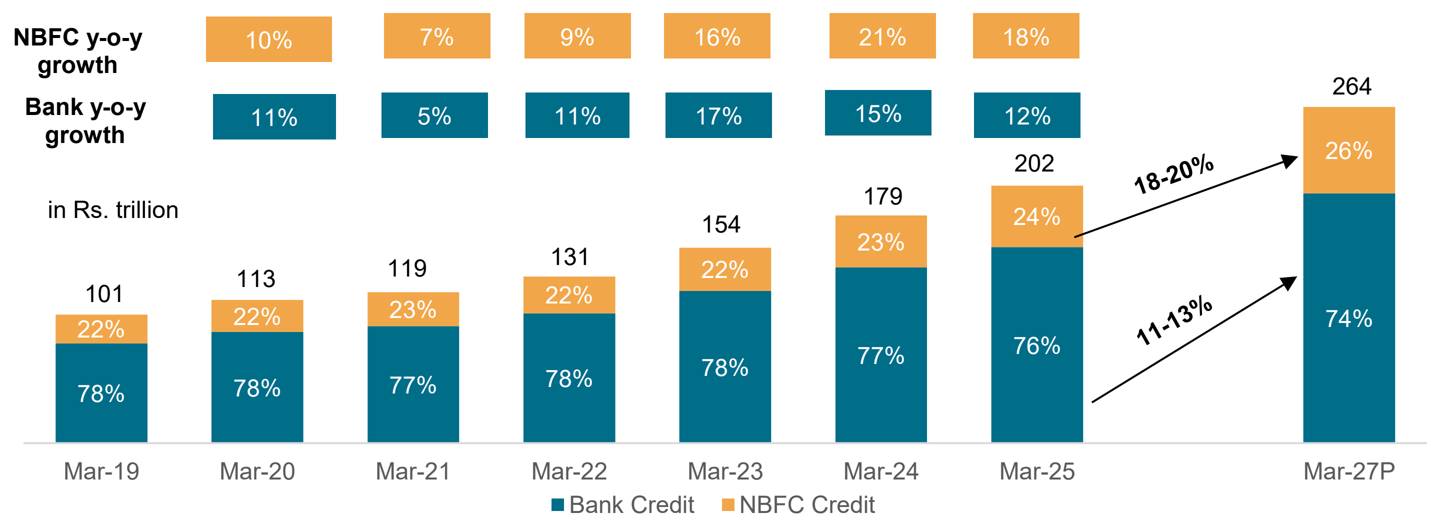
NBFC credit is expected to clock higher growth (18-20%) than bank credit (11-13%) between March 2025 and 2027

The credit growth of NBFCs which has trended above India's GDP growth historically, is expected to continue to rise at a faster pace. NBFCs have shown remarkable resilience and gained importance in the financial ecosystem, growing from less than Rs 2 trillion AUM at the turn of the century to Rs 48 trillion at the end of fiscal 2025.

The traditional banking system had many limitations for certain sections of the society with lower Gross State Domestic Product (GSDP) and no credit score. NBFCs were able to bridge that gap by opening branches in rural and semi-urban areas by not only providing credit but also other financial services. NBFCs could bridge the credit gap on account of their flexibility in assessing customers with lower/no credit score. Unlike banks, they could provide customised services to retail and institutional customers and introduce newer credit products.

The credit growth of banks increased at 12% on-year in fiscal 2025, despite a high base, spurred by their aggressive focus on the retail loans segment in recent times. Banks typically focus on Tier I cities and salaried customers to maintain their asset quality. NBFCs have niche and differentiated skills to serve the customer segment, underserved by Banks, offering flexibility of products, faster TAT and ability to assess credit in absence of complete set of formal documentation.

Overall NBFC credit constitutes ~24% of the overall systemic credit in fiscal 2025



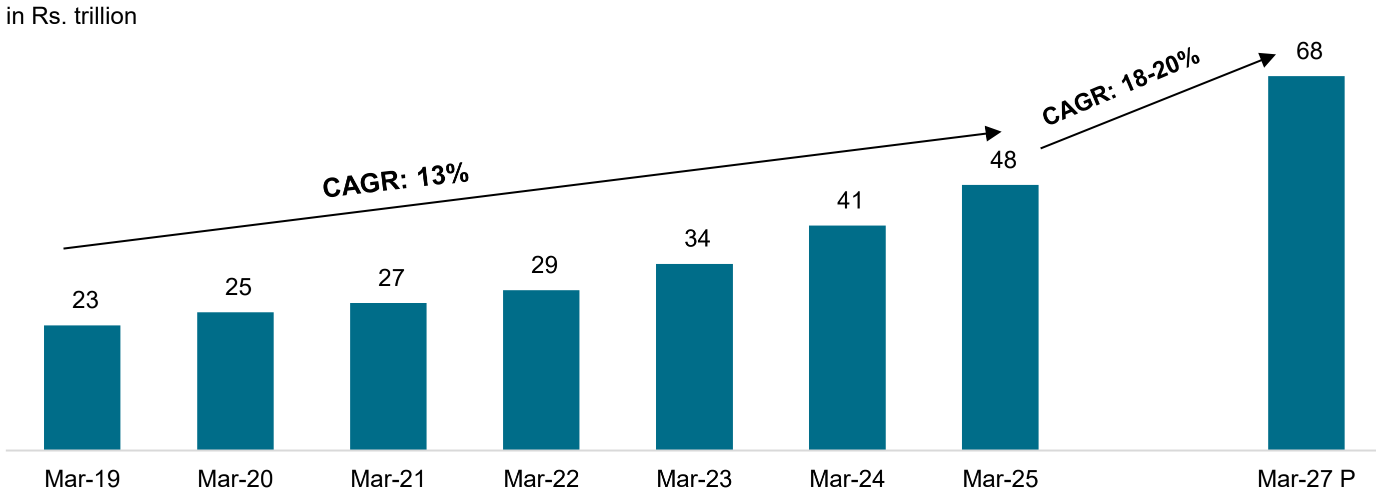
Note: P = Projected

Source: RBI, Company reports, Crisil Intelligence

The share of NBFCs in systemic credit is estimated to have increased to 24% in fiscal 2025 from 22% in fiscal 2019 and is expected to be marginally higher at 26% in fiscal 2027. Overall, consolidation in certain corporate groups and other corporate activities indicate buoyancy in the NBFC space and expectations of healthy credit growth.

We believe that NBFCs will remain a force to reckon within the Indian credit landscape, given their inherent strength of providing last-mile funding and catering to customer segments not conventionally targeted by the banks. NBFCs are expected to continue to gain market share over banks due to their ability to provide flexible lending solutions and tailored services, focused approach to tap under-served and niche customer segments, ability to penetrate deeper into geographies, leveraging technology to reimagine the lending process, strong origination skills and shorter turnaround time.

NBFCs AUM from fiscal 2019 to fiscal 2027



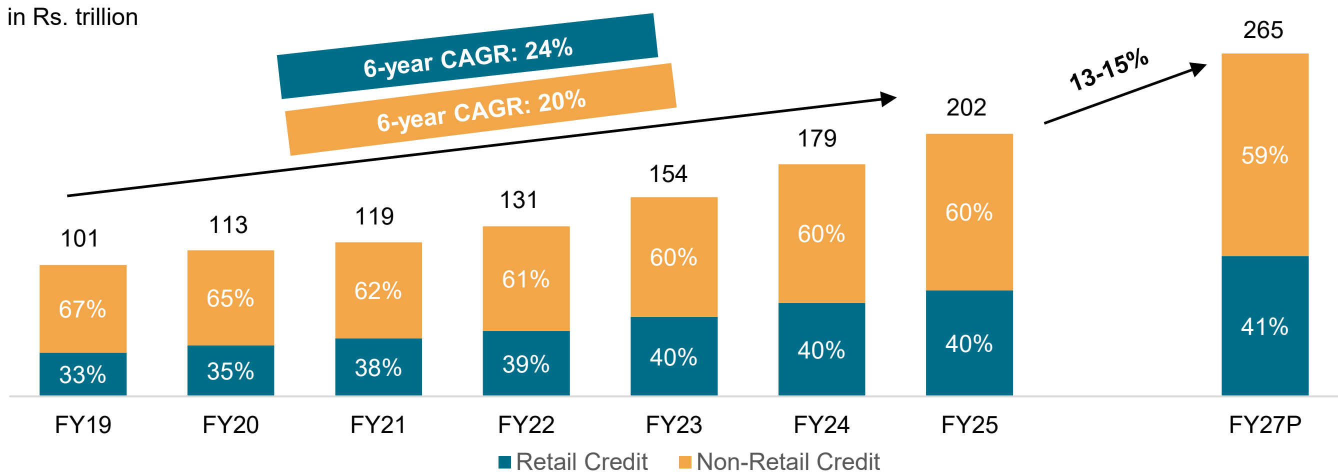
Note: P = Projected
Source: RBI, Company reports, Crisil Intelligence

NBFCs AUM was Rs 23 trillion in fiscal 2019, clocking a CAGR of 13.2% to reach Rs 48 trillion in fiscal 2025. Going forward, tax incentives, GST 2.0 and rising income levels in the economy are expected to drive consumer demand, leading to healthy growth of NBFCs.

NBFCs are driving financial inclusion

While banks are the primary institutions for banking in India, the retail loan portfolio formed only 40% of the overall banking credit as of fiscal 2025. Other focus areas for banks are wholesale lending to large corporates, credit to services sector and agriculture sector. Lower presence of banks in the retail space has created an opportunity for NBFCs to penetrate the segment, which has also led to greater financial inclusion as NBFCs also cater to riskier customer profiles with lower income. Compared with that of banks, NBFC credit to the retail segment formed more than 45% of its portfolio as of fiscal 2025, indicating larger focus on retail customers, with rural and semi-urban areas presenting vast market opportunity for NBFCs. NBFCs have played a significant role in meeting this need, complementing banks and other financial institutions. NBFCs help fill gaps in the availability of financial services with respect to products as well as customer and geographic segments. A strong linkage at the grassroots level makes them a critical cog in the financial machine. They cater to the unbanked and underbanked masses in rural and semi-urban India and lend to the informal sector and people without credit histories, thereby enabling the government and regulators to realise the mission of financial inclusion. MSMEs often lack easy access to formal credit from banks due to limited credit history, insufficient collateral or lack of financial documentation. NBFCs bridge the gap by offering customised solutions. Their stronger presence in rural and semi-urban areas where MSMEs are prominent helps them to serve the under-penetrated segments, driving financial inclusion.

Retail credit and non-retail credit

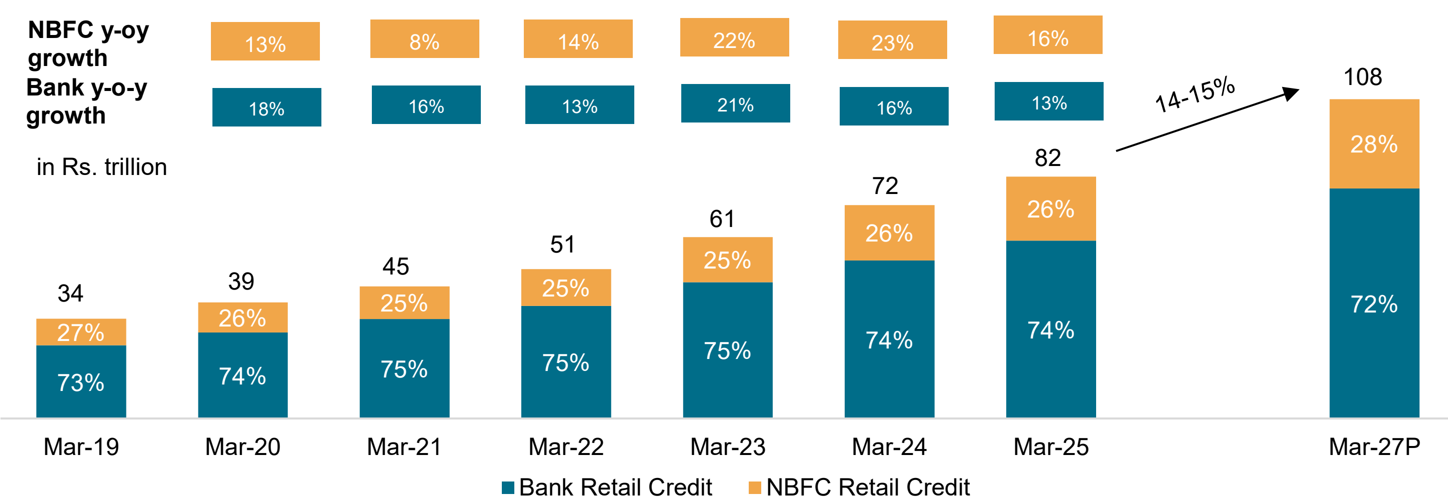


Note: P = Projected

Source: RBI, Company reports, Crisil Intelligence

The NBFC sector has evolved in terms of size, operations, technological sophistication, and entry into newer areas of financial services and products over the years. The number of NBFCs and the size of the sector has grown significantly, with a number of players engaged in heterogeneous business models starting operations. The increasing penetration of neo-banking, digital authentication, mobile phone usage and mobile internet has resulted in the democratisation of financial services, particularly credit.

NBFC retail credit has grown at faster pace



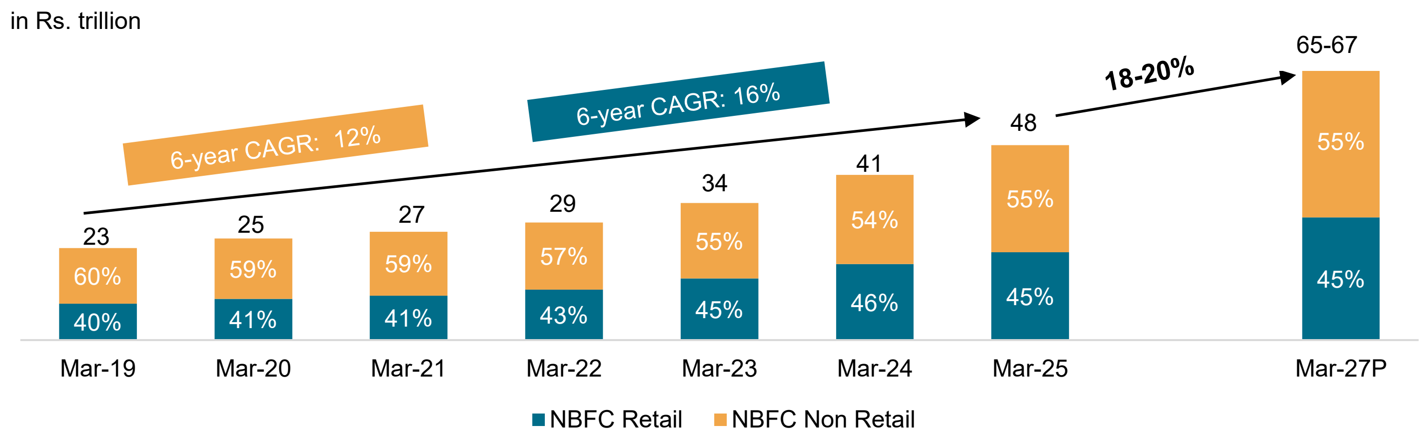
Note: P = Projected

Source: RBI, Company reports, Crisil Intelligence

The retail credit sector has experienced steady growth, marked by a consistent upward trend in both bank and NBFC retail credit. However, growth of NBFC retail credit is accelerating at a faster rate, indicating the increasing significance of NBFCs in the retail credit market. Bank retail credit has seen a steady annual increase from Rs 25 trillion in fiscal 2019 to Rs 60 trillion in fiscal 2025. NBFC retail credit has also demonstrated an increasing trend, growing from Rs 9 trillion in fiscal 2019 to Rs 22 trillion in fiscal 2025.

The growth of NBFCs has moderated to 16% in fiscal 2025 from 23% and 22% in fiscal 2024 and fiscal 2023, respectively, owing to a decline in unsecured loans, including microfinance, personal and consumer durables, which had experienced rapid expansion in previous years, and concerns over overleveraging and potential asset quality issues. Nevertheless, the sustained growth of NBFCs underscores the continued expansion of the retail credit market, driven by steady increase in both bank and NBFC retail credit, which highlights the ongoing demand for credit in the retail sector, with both banks and NBFCs playing a crucial role in meeting this demand.

Share of NBFC retail credit stood at ~45% of overall NBFC credit



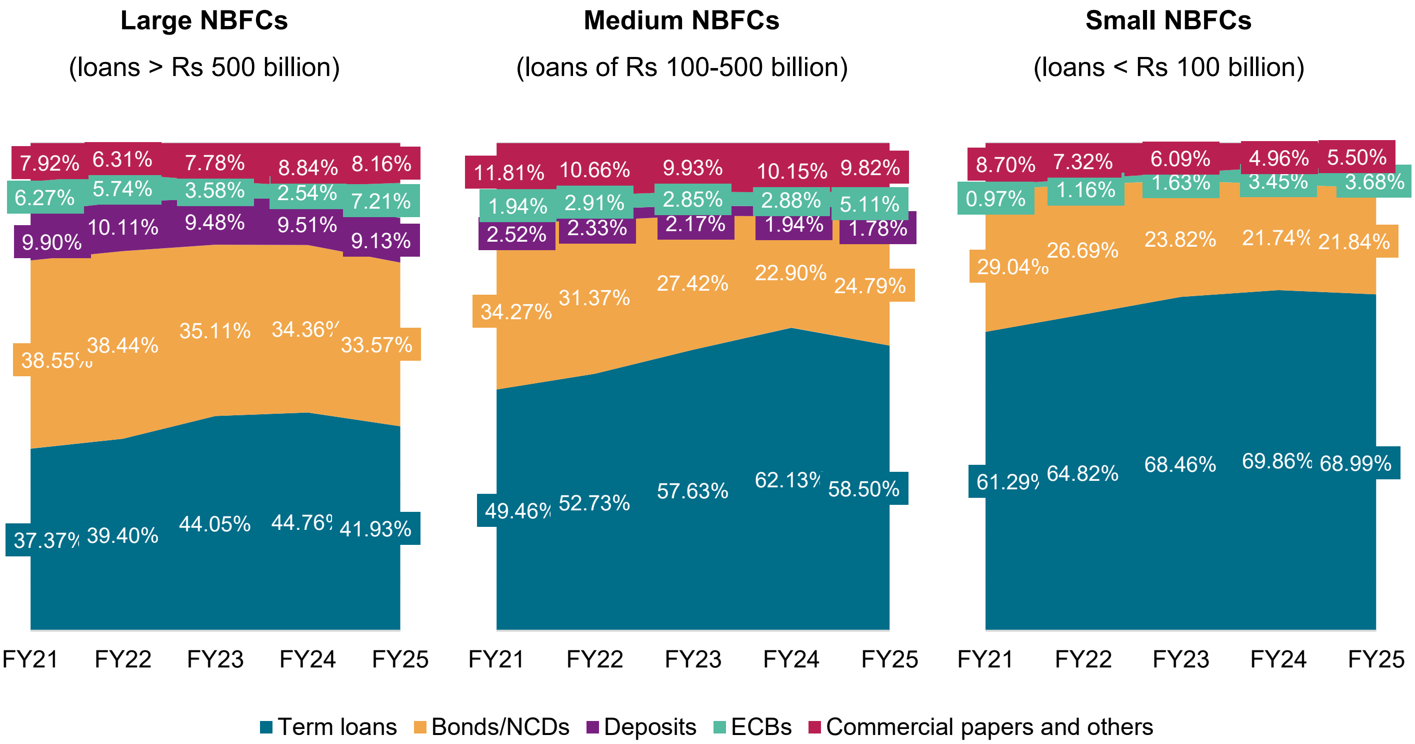
Note: P = Projected
Source: RBI, Company reports, Crisil Intelligence

The NBFC sector has, over the years, evolved considerably in terms of size, operations, technological sophistication, and entry into newer areas of financial services and products. Overall, NBFC credit during fiscals 2019 to 2025, is estimated to have witnessed a CAGR of ~13.2%, driven by the retail segment, which is estimated to have witnessed a CAGR of ~16%, while NBFC non-retail credit is estimated to have witnessed a growth of ~11.5% during the same time period.

Going forward, growth in the NBFC retail segment is expected at 17-19% from fiscal 2025 to fiscal 2027, which will support overall NBFC credit growth, with continued focus on the retail segment.

Borrowing mix and cost of funds for NBFCs

Share of ECB rose across all categories of NBFCs due to faster interest rate cuts in the US and Europe compared with the domestic market

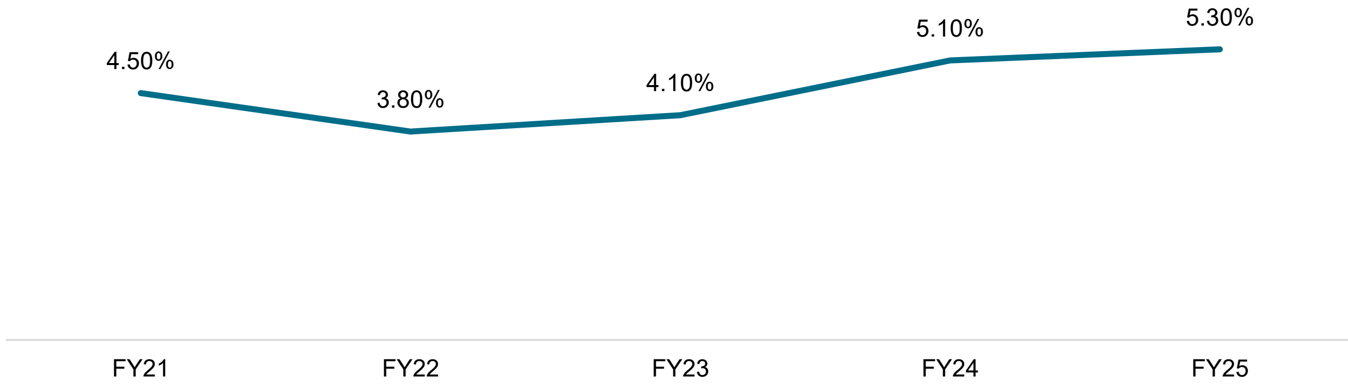


Note: The analysis is based on data of 100+ NBFCs (including HFCs), which collectively accounted for loans and advances of Rs 30,600 billion as of March 31, 2025. These NBFCs account for more than 80% of the total loans and advances outstanding of the overall NBFC sector. The above set excludes PFC and REC. Others include refinance from National Housing Bank and inter corporate borrowings
Source: Crisil Intelligence

In fiscal 2025, the share of term loans from banks reduced across NBFCs, driven by the dynamic management of liquidity in the system, which led to higher lending rates among banks. In November 2023, the RBI increased risk weights on bank lending to NBFCs by 25 percentage points, further compounding the slowdown. Many NBFCs, particularly large and highly rated, resorted to overseas and capital market borrowings, which reduced their dependence on banks for funding.

We believe that the recent reversal of the 25-percentage-point increase in risk weights on banks' exposure to NBFCs effective April 01, 2025, along with the normalisation of rates in the capital markets and a reduction in asset quality stress, are expected to boost lending by banks to NBFCs.

Cost of funds for banks stood at ~5.3% as of fiscal 2025

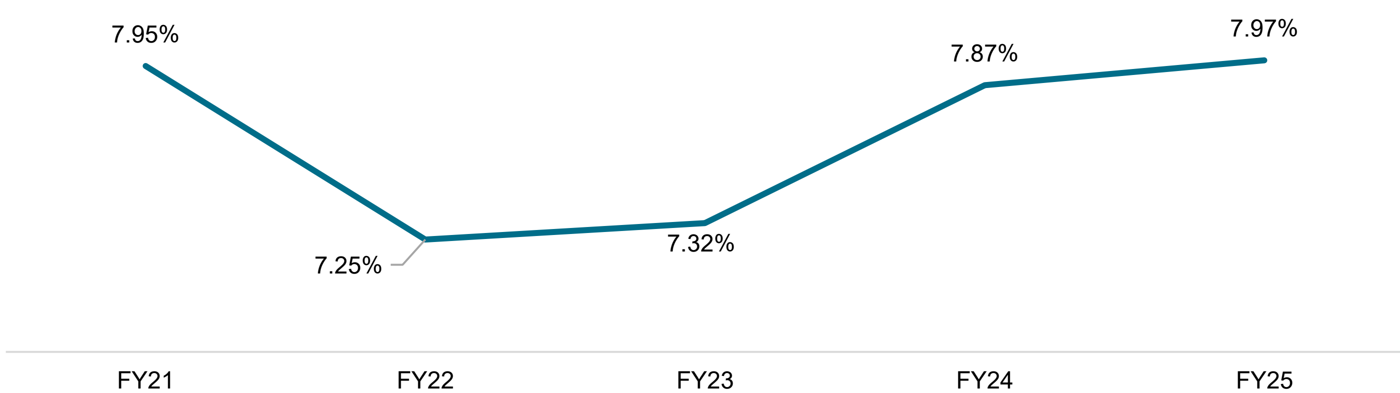


Source: Company reports, Crisil Intelligence

NBFC borrowing cost increased in fiscal 2025

Owing to an increase unsecured lending by NBFCs in recent times, the RBI issued a circular on risk weights, which acts as a deterrent to the growth of unsecured loans. The central bank increased risk weights for all consumer loans (extended by banks and NBFCs). The consumer credit exposure for banks and NBFCs will attract a risk weight of 125% from 100% earlier, excluding housing, vehicle, education, and gold loans. In addition, the risk weights for exposure of banks to NBFCs where the extant risk weight of the NBFC was below 100% were also increased. An increase in the cost of funds for NBFCs could drive the demand for securitisation and co-lending. NBFCs will also need to maintain adequate capital buffers.

Borrowing cost for NBFCs



Note: The analysis is based on data of 100+ NBFCs (including HFCs), which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs account for more than 80% of the total loans and advances outstanding of the overall NBFC sector.

Profitability of NBFCs

Profitability of NBFCs (fiscal 2021-fiscal 2025)	FY21	FY22	FY23	FY24	FY25
Interest on Loans	11.99%	11.30%	11.68%	12.46%	12.62%
Interest Expense	6.48%	5.64%	5.68%	6.27%	6.41%
NIMs	5.51%	5.65%	6.00%	6.19%	6.21%
Other Income	1.17%	1.18%	1.41%	1.56%	1.43%
OPEX	2.07%	2.45%	2.79%	2.83%	2.86%
Credit costs	2.53%	1.70%	1.03%	1.01%	1.51%
Tax	0.52%	0.69%	0.88%	1.04%	0.77%
Post Tax RoA	**1.57%**	**1.99%**	**2.71%**	**2.87%**	**2.50%**

Source: Crisil Intelligence

Note: Above data represents trend for key 200+ NBFCs forming more than 95% of loans and advances of estimated NBFC sector outstanding

Over the period from Fiscal 2021 to Fiscal 2025, the yield on advances has exhibited a notable increase, rising from 11.99% to 12.62%. This upward trend can be attributed to the Reserve Bank of India's (RBI) decision to raise the repo rate to 6.50% in February 2023. Although the repo rate has been gradually reduced since February 2025, the transmission of these rate cuts is expected to moderate the growth of yield on advances.

Concurrently, the cost of funds has remained relatively stable, fluctuating within a narrow range of 6.48% in Fiscal 2021 to 6.41% in Fiscal 2025, following a brief decline to 5.64% in Fiscal 2022.

Operating expenses have, however, demonstrated an upward trajectory, increasing from 2.07% in Fiscal 2021 to 2.86% in Fiscal 2025. This escalation can be attributed to the expansion of branch networks and investments in technology by NBFCs.

Notably, credit costs have decreased significantly from 2.53% in Fiscal 2021 to 1.01% in Fiscal 2024, effectively mitigating the impact of the COVID-19 pandemic. However, a marginal increase in credit costs to 1.51% in Fiscal 2025 has been observed, primarily due to underwriting concerns and over-leveraging issues in the unsecured loan segment.

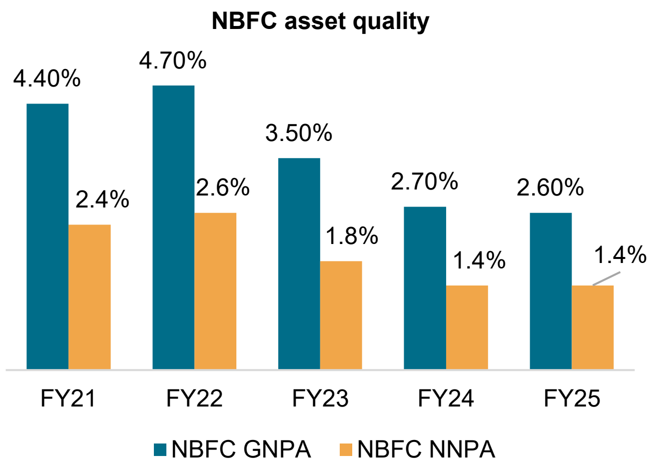
Despite the elevated credit costs in Fiscal 2025, the overall profitability of the organization has demonstrated a marked improvement, increasing from 1.57% in Fiscal 2021 to 2.50% in Fiscal 2025.

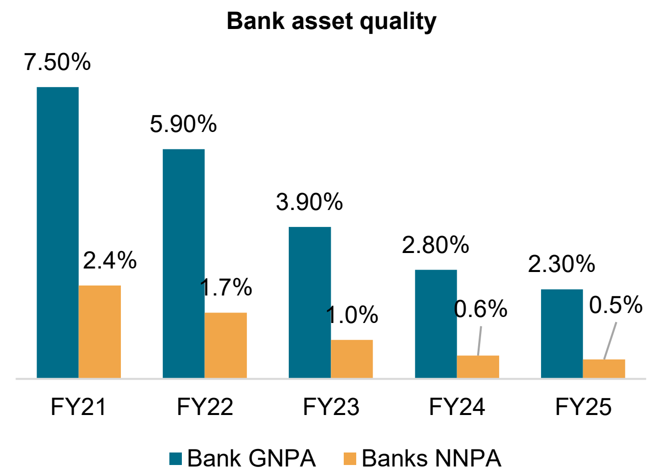
Asset quality of NBFCs

The asset quality of NBFCs continued to improve in fiscal 2025, with gross non-performing assets (GNPA) declining to 2.6%, despite challenges in unsecured lending, and personal loans and microfinance facing asset quality concerns due to borrower overleveraging. Intensified collection efforts and monitoring, especially for early delinquencies (days past due: +1 day), along with higher provisions, supported the improvement in asset quality. We expect GNPA stress in the unsecured segment to persist in fiscals 2026 and 2027, despite regulatory interventions.

Secured retail assets, such as housing and vehicle loans, saw a decline in GNPA in fiscal 2025, driven by effective collections and provisioning. However, vehicle loans may experience a marginal uptick in GNPA in the near term due to retail borrowers' increasing exposure to unsecured lending.

Asset quality improved despite stress in unsecured loans

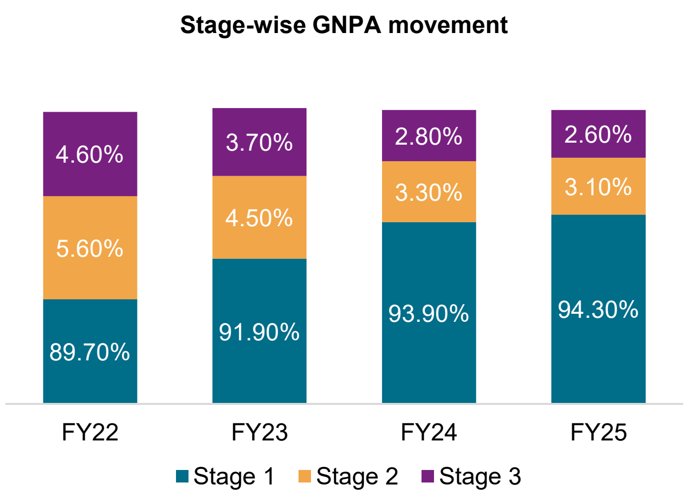


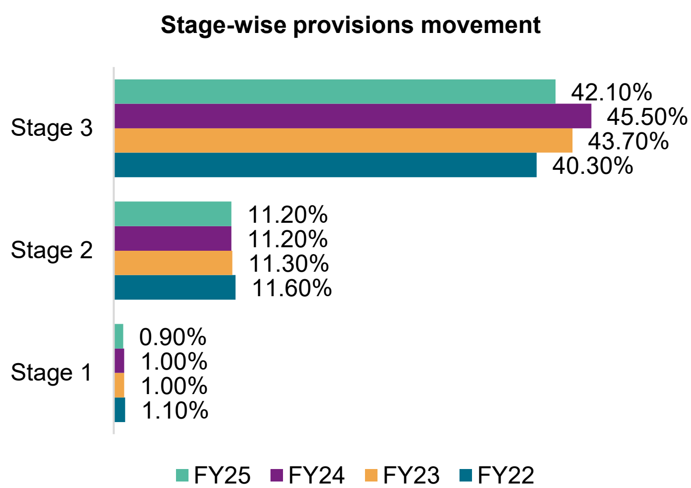


Note: The analysis is based on data of over 100 NBFCs (including HFCs), which collectively accounted for loans and advances of Rs 30,600 billion as on March 31, 2025. These NBFCs account for more than 80% of the total loans and advances outstanding of the overall NBFC sector. The above set excludes PFC and REC.

Source: RBI, company reports, Crisil Intelligence

Decline in Stage 2 and Stage 3 assets and higher provisioning instill optimism among NBFCs





Note: The analysis is based on aggregate data for 27 NBFCs/HFCs, accounting for a gross exposure of Rs 22,700 billion as on March 31, 2025.

Source: RBI, company reports, Crisil Intelligence

Housing stands out as a relatively safe asset class

The housing portfolio of NBFCs/HFCs, on the other hand, is expected to remain stable, with no significant indication of a surge in bad loans or write-offs. Credit costs declined a material ~20 bps to 0.1%, as many large HFCs reversed their provisions during fiscal 2025 on account of improving asset quality.

RoA tree for NBFCs across asset classes

Asset class	Financial metric	FY22	FY23	FY24	FY25	FY26P
MSME loans	Interest income	14.5%	15.5%	16.0%	16.1%	15-16%
	Interest expense	5.6%	5.7%	6.3%	6.0%	5-6%
	Credit cost	3.1%	1.5%	2.0%	2.7%	2.7-2.8%
	RoA	3.3%	3.7%	3.5%	3.4%	3.4-3.6%
Auto loans	Interest income	11.3%	12.3%	12.2%	12.6%	12.4-12.5%
	Interest expense	5.8%	6.0%	6.4%	6.6%	6.4-6.5%
	Credit cost	2.3%	1.3%	1.3%	1.4%	1.4-1.5%
	RoA	1.8%	2.8%	2.6%	2.7%	2.7-2.8%
Housing loans	Interest income	8.7%	9.2%	10.0%	9.9%	9.6-9.7%
	Interest expense	5.6%	5.8%	6.3%	6.3%	6.0-6.1%
	Credit cost	0.8%	0.6%	0.3%	0.1%	0.3-0.4%
	RoA	1.5%	1.8%	2.2%	2.3%	2.1-2.2%
Gold loans	Interest income	16.4%	14.9%	16.1%	16.6%	16.2-16.3%
	Interest expense	5.6%	5.2%	5.9%	6.3%	6.1-6.2%
	Credit cost	0.2%	0.1%	0.2%	0.7%	0.5-0.6%
	RoA	5.6%	4.7%	5.2%	5.0%	5.0-5.1%
Education loans	Interest income	10.2%	10.6%	10.9%	10.8%	10.2-10.4%
	Interest expense	5.7%	6.6%	7.2%	7.3%	6.8-7.0%
	Credit cost	0.2%	0.2%	0.2%	0.2%	0.3-0.4%
	RoA	2.2%	2.2%	2.4%	2.6%	2.0-2.1%
Microfinance	Interest income	15.6%	17.1%	19.8%	19.3%	19.1-19.2%
	Interest expense	7.3%	7.3%	8.1%	7.8%	7.4-7.5%
	Credit cost	3.5%	3.4%	2.7%	8.7%	6-7%
	RoA	1.1%	2.7%	4.5%	-1.6%	0.0-0.5%

P: Projected

Note: The ratios are calculated on average total assets.

Source: Company documents, Crisil Intelligence

Overview of the Housing Industry in India

Housing and real estate: A foundational pillar of economic growth

Housing occupies a central position in India's socio-economic framework and is widely regarded as a foundational necessity, alongside food and clothing—often encapsulated in the phrase "Roti, Kapda aur Makaan". Beyond its social significance, housing is one of the most powerful engines of economic activity in the country, with deep and wide-ranging multiplier effects across industries, employment, consumption and financial intermediation.

The residential real estate sector in India has strong forward and backward linkages with more than 250 allied industries, including cement, steel, construction materials, electricals, fittings, transport, logistics, and professional services. Investment in housing stimulates demand across this entire ecosystem, generates large-scale direct and indirect employment, and catalyses capital formation. As a result, housing development has consistently been recognised as a critical lever for inclusive economic growth and urban development in India.

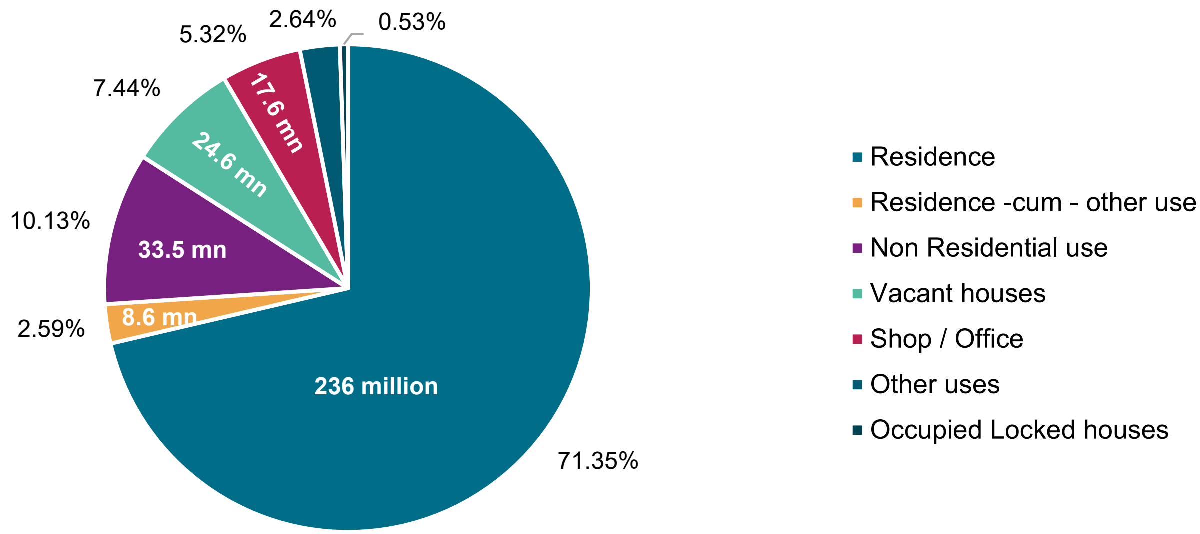
Demand dynamics: Structural and long term in nature

Demand for housing in India is driven by enduring structural factors rather than short-term cyclical trends. These include population growth, rapid urbanisation, rural-to-urban migration, rising household formation, and increasing aspiration for home ownership. India continues to witness a steady transition towards nuclear families, higher workforce mobility, and migration to economic centres, all of which translate into incremental demand for residential housing.

Urbanisation remains a particularly strong demand driver. As cities expand and new economic corridors emerge, housing demand increasingly shifts towards peripheral urban and peri-urban locations supported by transport infrastructure and employment hubs. Importantly, a significant proportion of housing demand is driven by first-time homebuyers seeking stable and secure ownership, rather than speculative or discretionary purchases. The demand profile is heavily skewed towards the affordable and mid-income segments, reflecting India's income distribution and demographic structure. This creates a large and resilient base of end-user demand that is less dependent on market sentiment and more closely linked to lifecycle needs such as marriage, family formation and employment stability.

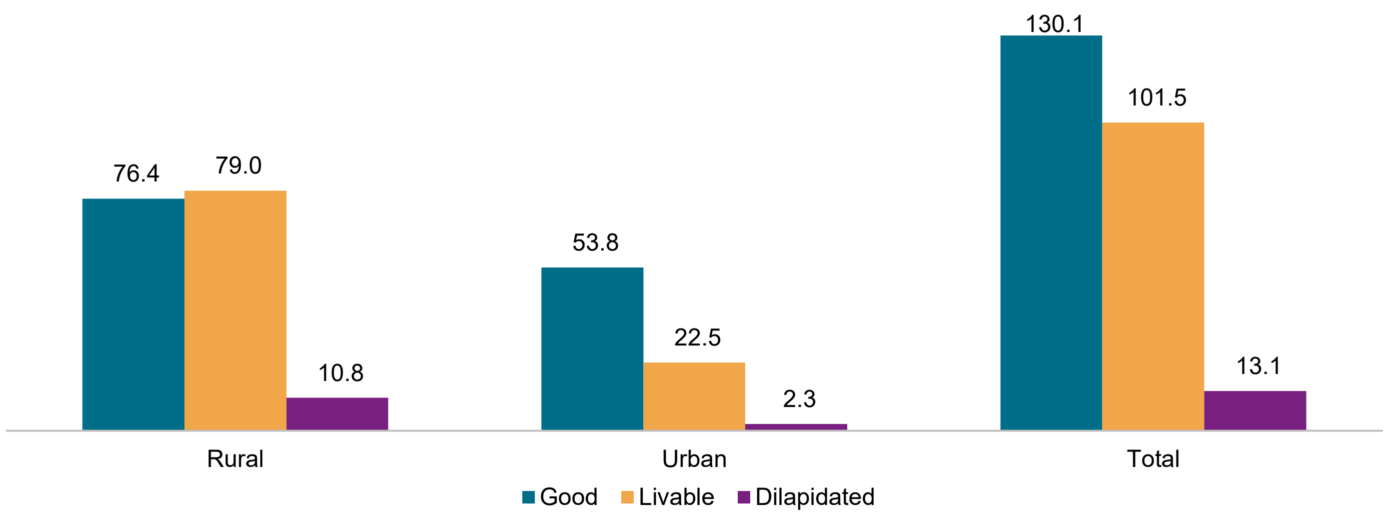
As per the 2011 census, India has 330.84 million houses, of which 244.64 million are used for residential or residential-cum-other purposes. Further, among the occupied houses, 130.12 million are classified as being in **'good habitable condition'**, 101.47 million (41%) in '**liveable habitable condition'** and the remaining in **'dilapidated habitable condition'**.

Housing stock in India as per Census 2011



Note: Other use – school, college, hotel, lodge, guest house, hospital dispensary, factory, workshop, work shed, place of worship, etc.; Original census figures were corrected via notification by Press Information Bureau (PIB);*Source: Census 2011; Ministry of Housing and Urban Poverty Alleviation, National Buildings Organization; Planning Commission; Crisil Intelligence*

Residential households as per living condition



Source: Census 2011; Ministry of Housing and Urban Poverty Alleviation, National Buildings Organization; Planning Commission; Crisil Intelligence

Supply constraints and the persistent housing shortage

Despite sustained demand, India continues to face a structural housing shortage, particularly in urban areas and within economically weaker and lower-income segments. Historical assessments of housing demand and supply indicate most of this shortage is concentrated in the affordable housing category, highlighting a mismatch between what is supplied and what is required by the population. The overall housing shortage is much higher at 62.5 million (as per the Twelfth Five-Year Plan, 2012-2017), due to changing social and demographic patterns in India, such as nuclearization of families and rapid urbanisation.

Urban housing shortages are mainly due to congestion, while rural shortages are linked to non-serviceable and kutcha houses, followed by congested living spaces. In its Twelfth Five-Year Plan (2012-2017), the Government accorded this issue utmost importance and focused on increasing the number of housing units available, both in the urban and rural sectors. As per the estimates of the Twelfth Five-Year Plan, the shortage of housing in the urban segment of society stood at 18.78 million. The economically weaker section (EWS) accounts for ~56% of the housing shortage in urban regions, followed by low-income group (LIG) at ~39%.

Urban housing shortage split by socio-economic group (2012)

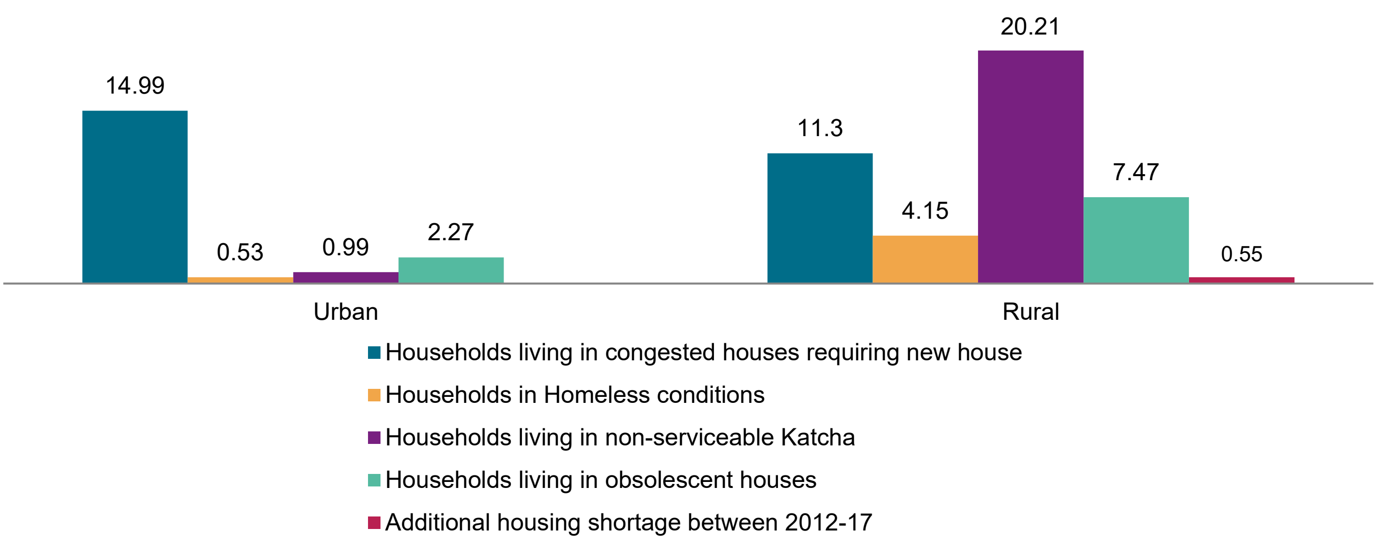
Category	Urban housing shortage (million)	(in %)
EWS	10.55	56.2%
LIG	7.41	39.5%
MIG and HIG	0.82	4.3%
Total	**18.78**	**100%**

Note: 2012 estimates; LIG – Lower Income group; MIG – Middle Income group; HIG – High Income group

Source: Ministry of Rural Development; Ministry of Housing and Urban Poverty Alleviation, National Buildings Organization; Planning Commission; Crisil Intelligence

The erstwhile Planning Commission and the Ministry of Rural Development, Government of India, have undertaken initiatives to assess the quantum of housing shortage in rural India. As per the estimates of the Twelfth Five-Year Plan, the shortage of housing in the rural segment of society stood at 43.13 million.

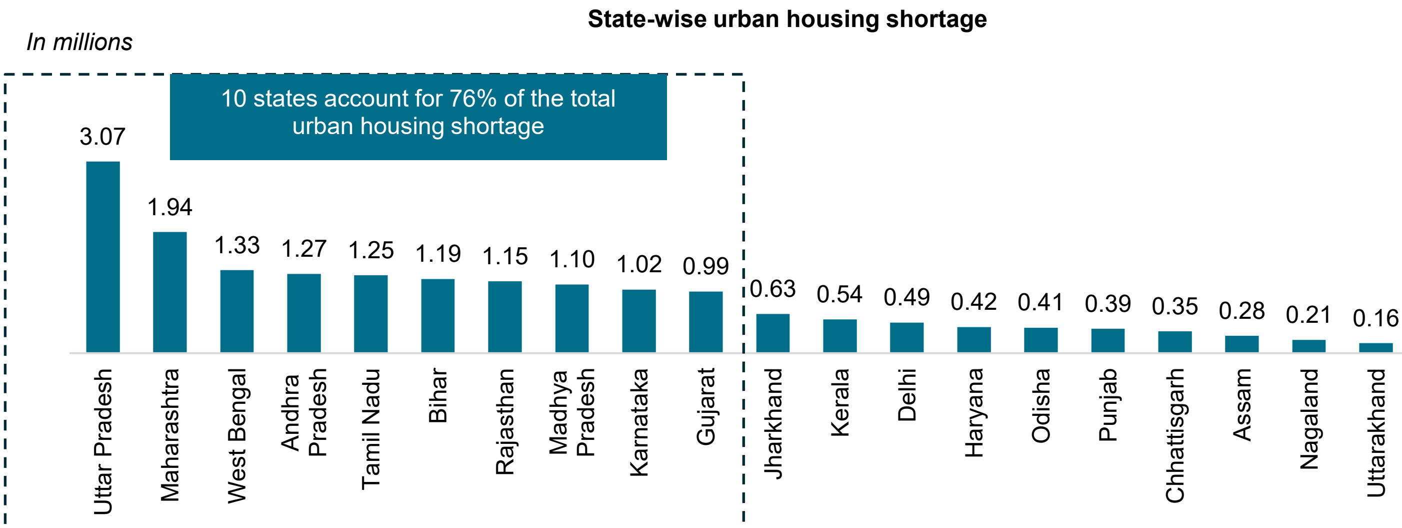
Housing shortage split between urban and rural (2012), in million



Source: 2012 estimates, Ministry of Rural Development, Planning Commission, Crisil Intelligence

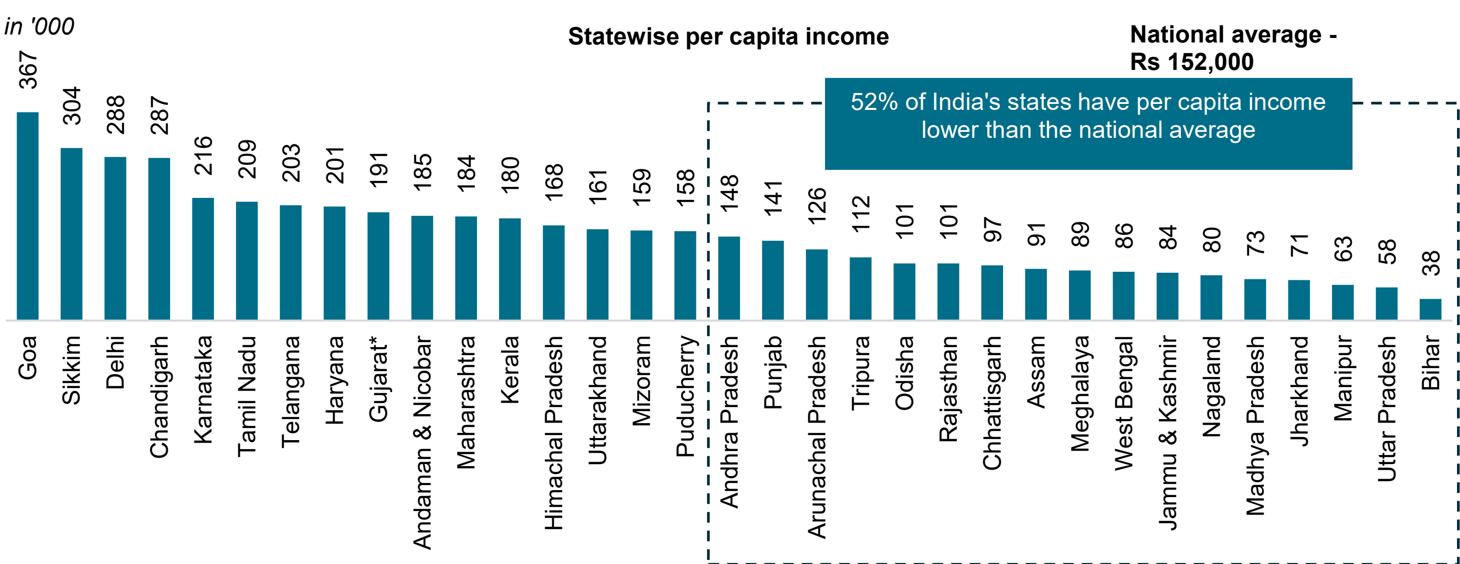
Urban housing shortage is concentrated in top 10 states

As per the estimates of the Twelfth Five-Year Plan, 10 states accounted for ~76% of the urban housing shortage in India. Uttar Pradesh had a housing shortage of over 3.07 million, followed by Maharashtra (1.94 million), West Bengal (1.33 million), Andhra Pradesh (1.27 million) and Tamil Nadu (1.25 million).



Source: Report of the Technical Group (TG-12) on Urban Housing Shortage, Crisil Intelligence

Majority of states fall below the national per capita income average (FY2026E)



Source: RBI, Crisil Intelligence

Crisil Intelligence

Estimated shortage in 2025 and 2030

Housing shortage in India in 2025 and 2030		
In Million	**CY 2025E**	**CY2030E**
Population	1,408.0	1,525.1
Household size	4.0	4.0
No. of houses (A)	290.5	317.3
Required houses (B)	352.0	381.3
Overall shortage (B-A)	**61.5**	**64.0**

Note: E: Estimated; Required houses = Population/household size

Source: Census 2011, RBI, Crisil Intelligence

Crisil Intelligence estimates the housing shortage for 2025 at 61.5 million housing units, growing to 64 million by 2030.

Government-run schemes such as PMAY have enabled the completion of ~40 million houses between CY 2019 and CY 2025 (rural and urban). However, the shortfall of 61.1 million houses in CY 2025 is estimated to increase marginally to 64 million units by CY 2030, despite additional housing supply through such government-run schemes.

While housing supply has improved over the past decade through private sector participation and government-led initiatives, constraints such as land availability, regulatory approvals, project execution timelines and financing challenges continue to limit the pace at which the gap can be bridged.

As a result, the housing deficit remains a defining feature of the Indian real estate landscape. This persistent shortage underscores that the housing demand is not transient. Instead, it represents a long-term structural opportunity that is likely to play out over multiple economic cycles, particularly as formalization increases and housing quality standards improve.

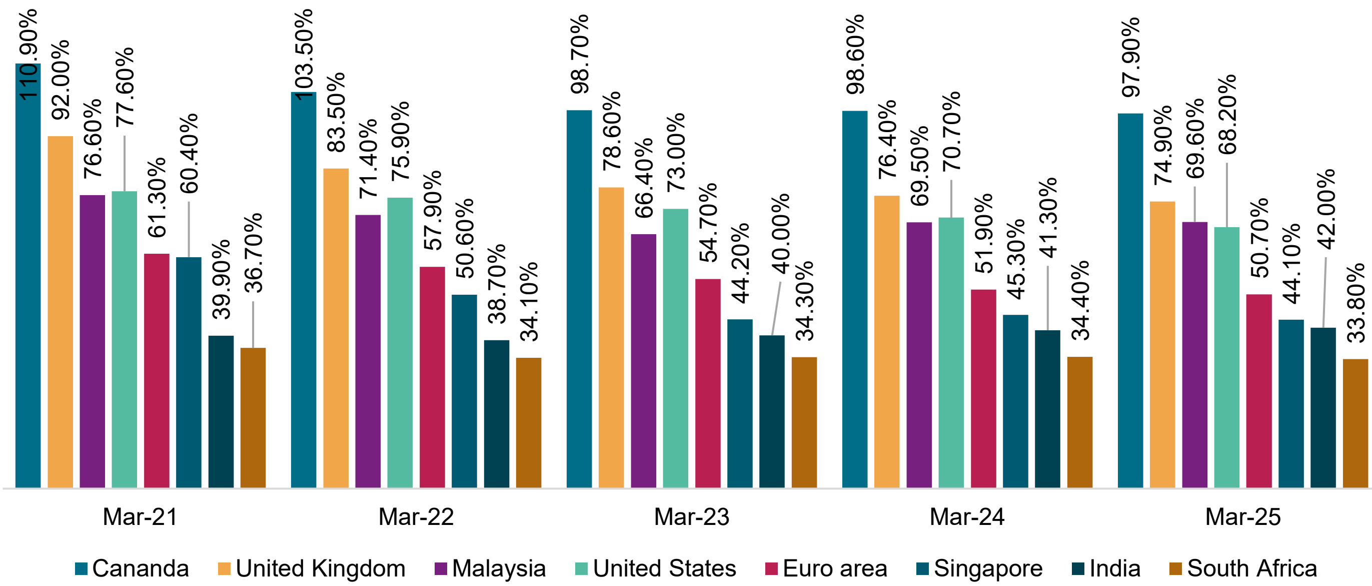
Housing Loan Demand in rural and urban areas for 2025E	Rural	Urban
Total Shortage of houses	36.7	24.4
Average value of house	2,706,825	4,392,754
LTV	70%	75%
ATS of housing loans	1,894,777	3,294,566
Total Housing Loan Demand (in trillion)	116	211
Credit Penetration	8.5%	12.6%
Total addressable demand (in trillion)	**6**	**10**

*Note: Total Housing Loan demand = ATS of housing loan*Total shortage of houses; Source: Crisil Intelligence*

Despite government-led initiatives, the persistent shortage of housing presents a significant long-term opportunity for home financiers. The total addressable housing loan market is estimated to be Rs. 16 trillion, with Rs. 10 trillion attributed to urban housing and Rs. 10 trillion to urban housing. While approximately 40% of the population resides in urban areas, where the housing shortage stands at 24.4 million units, the urban housing loan demand of Rs. 10 trillion surpasses that of rural housing due to the higher cost of urban dwellings. This disparity presents a promising opportunity for financiers, as urban housing loans typically offer favourable credit profiles and repayment histories, making them an attractive segment for growth.

Opportunities in the underpenetrated mortgage market for India

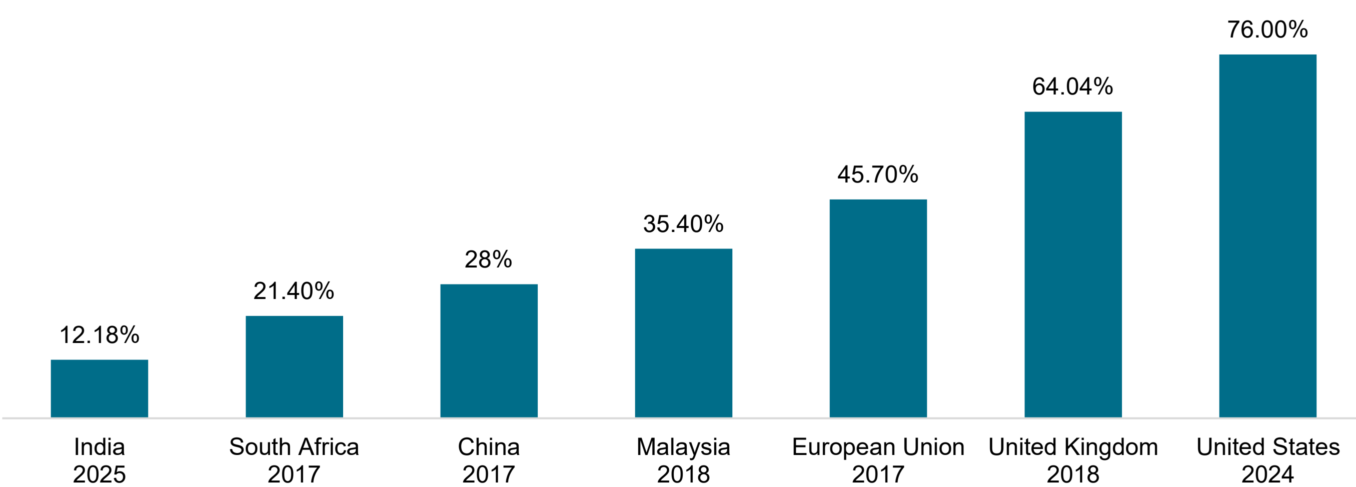
Household debt to GDP (%)



Source: Bank of International settlement, Crisil Intelligence

The household debt-to-GDP ratio captures the proportion of household debt relative to a country's economic output. Notably, mortgage debt constitutes a significant component of household debt. In comparison with Western developed economies, such as Canada, the United Kingdom and the United States, India's household debt-to-GDP ratio is relatively lower at 42% as of Mar-25. Furthermore, it is marginally lower than that of Singapore and the European Union. In contrast, Malaysia’s household debt-to-GDP ratio is substantially higher, at ~70% as of March 2025. Canada has the highest househould debt-to-GDP ratio, at 98% as of March 2025.

Mortgage-to-GDP ratio in India compared with other countries



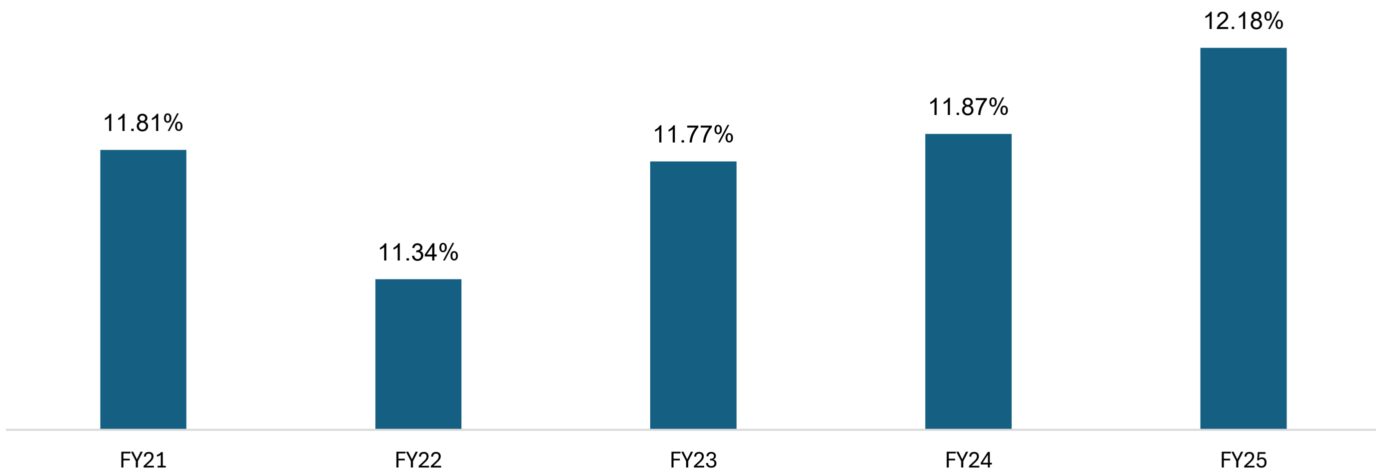
Source: HOFINET, European Mortgage Federation, NHB, Crisil Intelligence

India’s mortgage penetration is lower than in other economies

India has very low penetration in housing finance compared with peers, which demonstrates the higher potential for Indian housing finance companies to expand. The housing finance market continues to face supply constraints from banks and

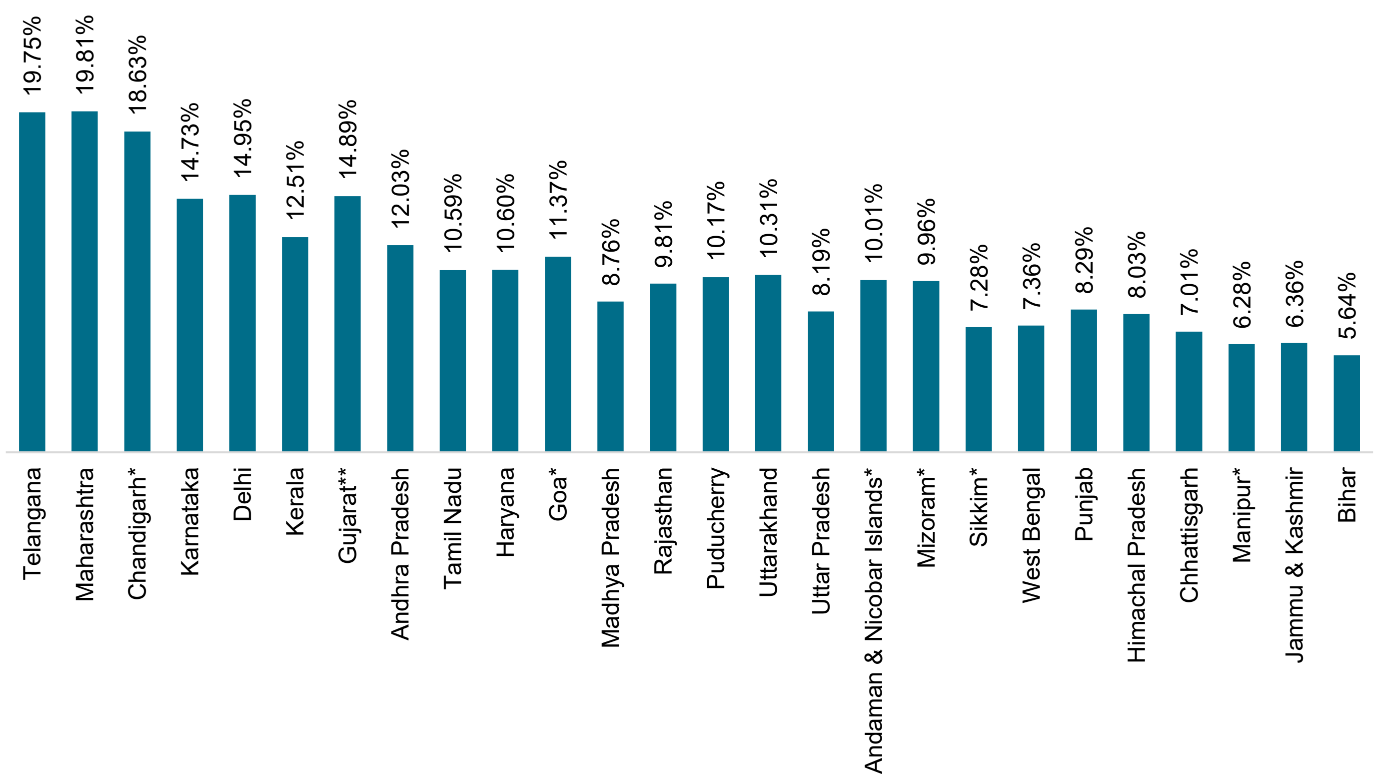
NBFCs. This is particularly for the lower income group, which is perceived as risky since it is generally employed in the informal sector.

Mortgage-to-GDP ratio in India (FY21-FY25)



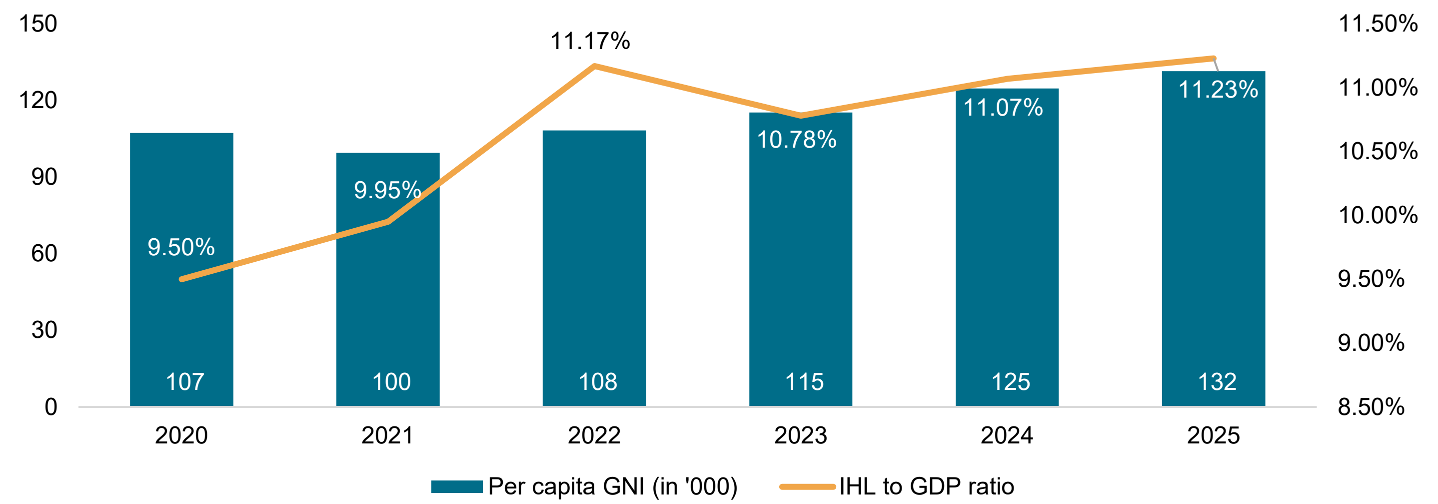
Source: CRIF Highmark; RBI Handbook 2024-25

State-wise mortgage-to-GDP ratio (FY25)



*Note: * State GDP as at FY24; ** State GDP as at FY25 Source: RBI Handbook 2024-25, CRIF Highmark*

Rise in the individual housing loan-to-GDP ratio in line with higher per capita gross national income



Note: - GNI – gross national income, IHL – individual housing loan
Source: NHB, RBI, Crisil Intelligence

India's per capital earning capability has trended upwards, with a projected increase from Rs 107,000 in 2020 to Rs 132,000 in 2025. Concurrently, the individual housing loan to GDP ratio has expanded from 9.5% to 11.23%, suggesting a direct correlation between rising incomes and increased aspiration for homeownership. We forecast a further growth in per capita income will likely provide individual homebuyers an impetus to invest in residential properties, driving sustained growth in the housing market.

Factors affecting mortgage-to-GDP ratio in India

Mortgage penetration in India is far lower than in other emerging economies owing to the lower per capita income and higher proportion of informal employment in the country and lack of availability of credit to unassessed income category. However, we believe rising urbanisation, growing disposable income, favourable demographics and government measures will lead to higher mortgage penetration going forward.

1- Higher affordability led by increase in disposable income

2- Rapid growth in urbanization

3- Higher proportion of young population

4- Government measures to push housing sector such as 'Housing for all', impetus packages to tackle the pandemic, the NHB refinance scheme, SARFAESI Act, etc.

1- Relatively high house prices

2- High percentage of population in informal employment and lack of credit availability in this segment

3- Information asymmetry in smaller cities

4- Insufficient long-term capital

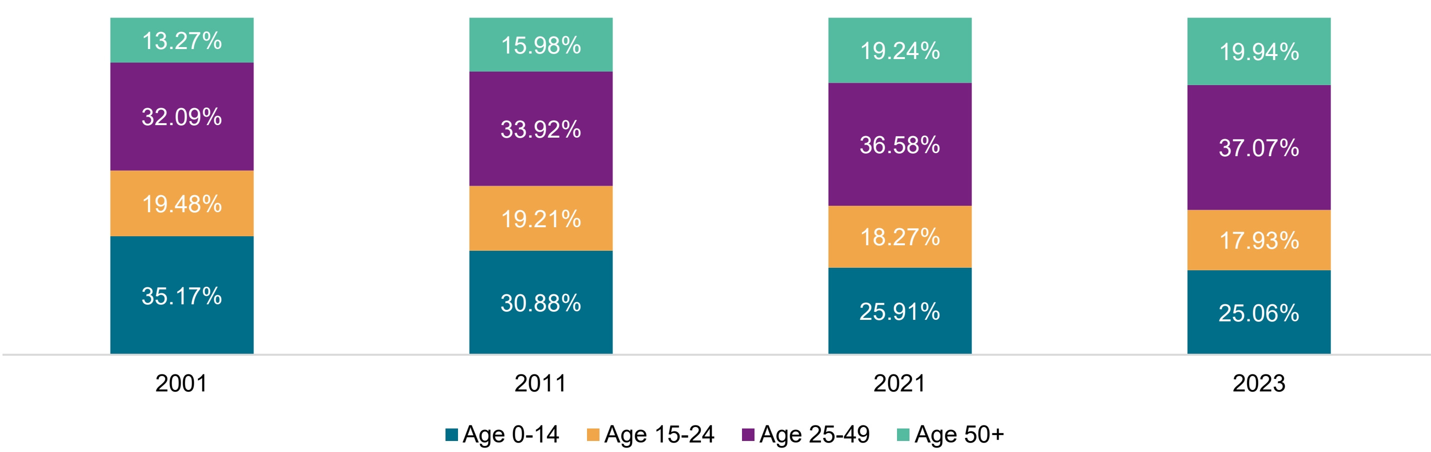
5- Inadequate legal infrastructure

Source: Crisil Intelligence

Shift towards younger age profile for home loan borrowings to boost sector

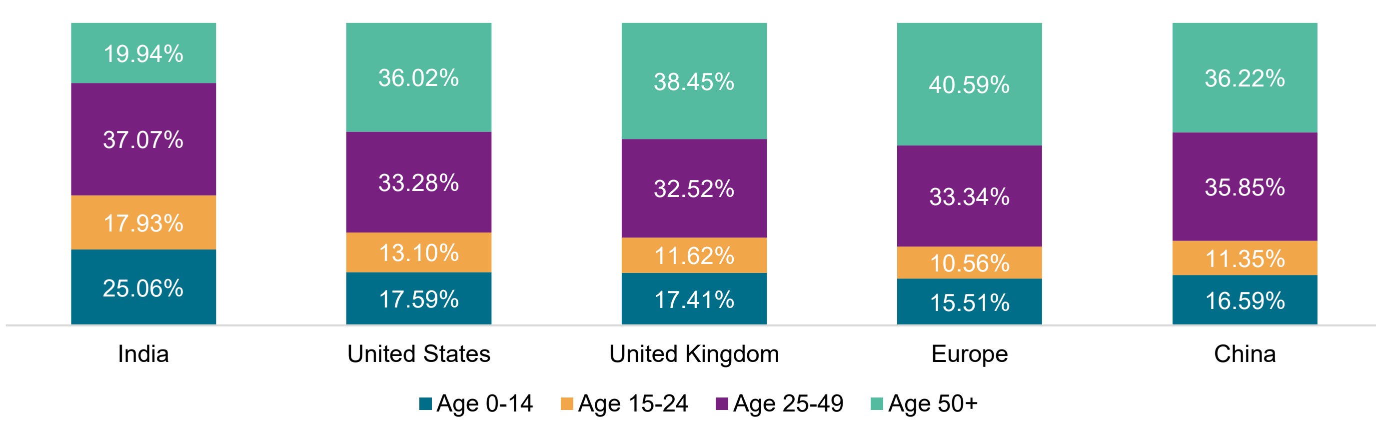
As of 2023, India had one of the largest youthful populations globally, with a median age of 28 years. Notably, the working population, comprising individuals between 25 and 49 years of age, constitutes 37% of the total. In comparison, other major economies have a smaller working-age population percentage: the United States (33.28%), the United Kingdom (32.5%), Europe (33.3%) and China (35.8%). Conversely, India has a relatively higher proportion of its population under the age of 14, at 25%, compared with the United States (17.6%), the United Kingdom (17.4%), Europe (15.5%) and China (16.6%). This demographic trend suggests India's working-age population is expected to increase significantly in the coming years, which is likely to translate into enhanced income-earning capabilities.

India's demographic dividend (2023)



Source: United Nations Department of Economic and Social affairs, Crisil Intelligence

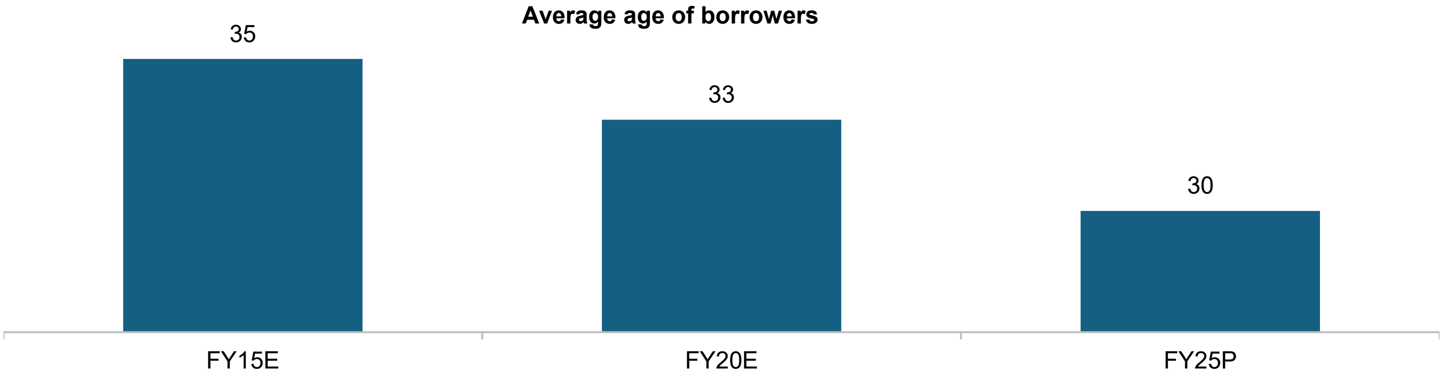
India's demographic comparison with other economies



Source: United Nations Department of Economic and Social Affairs, Crisil Intelligence

The average age of borrowers has been declining over the years and was estimated at 33 years in fiscal 2020. We expect this figure to decline further with growth in salaries and people's strengthening preference for accumulating assets, both for investment and tax benefits. India's demographic profile is expected to favour the housing industry, spurring the housing finance market.

Declining age of borrowers



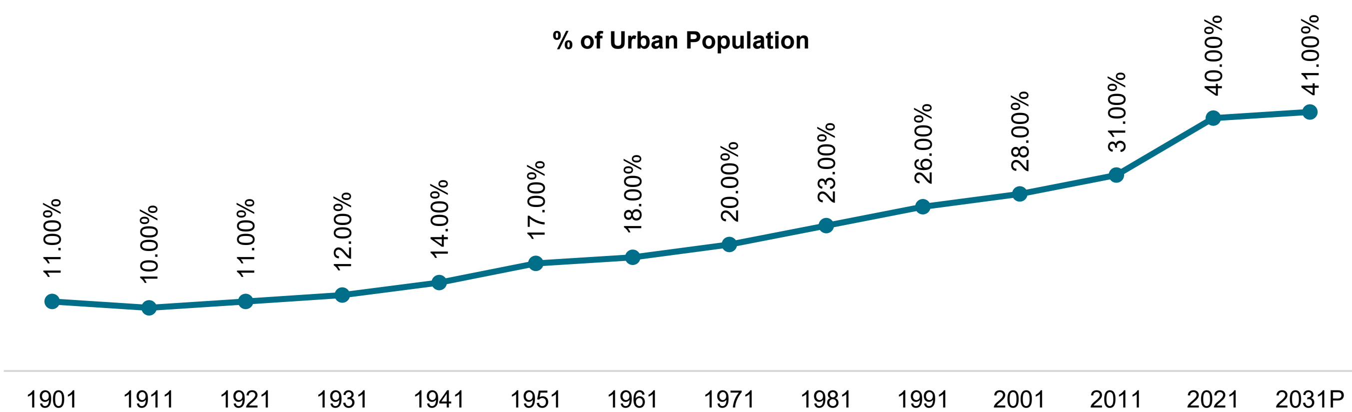
Note: E – estimated, P – projected, Source: Crisil Intelligence

Increasing share of the urban population to boost housing demand in cities and towns

The share of the urban population in relation to the total has been rising consistently. People from rural areas move to cities for job opportunities, education and a better life, among others. Entire families or only a few people (generally the earning member or students) may migrate, while a part of the family holds on to the native house. The urban population was 377 million in 2011, marking a 2.8% CAGR (2001-2011); the rural population was 833 million, increasing at 1.2% CAGR. Urbanisation rose from 28% in 2001 to about 31%in 2011 and is expected to have reached ~40% in 2021. This percentage is expected to increase further in the years to come, thereby translating into higher demand for housing and related amenities in urban areas.

As cities continue to grow, new urban centres will emerge to meet the needs of a rising urban population. The Smart Cities mission is a strategic response to this challenge, addressing the demand for job opportunities, independent living, and improved amenities, and driving residential demand in peri-urban areas

Urban population as a percentage of total population

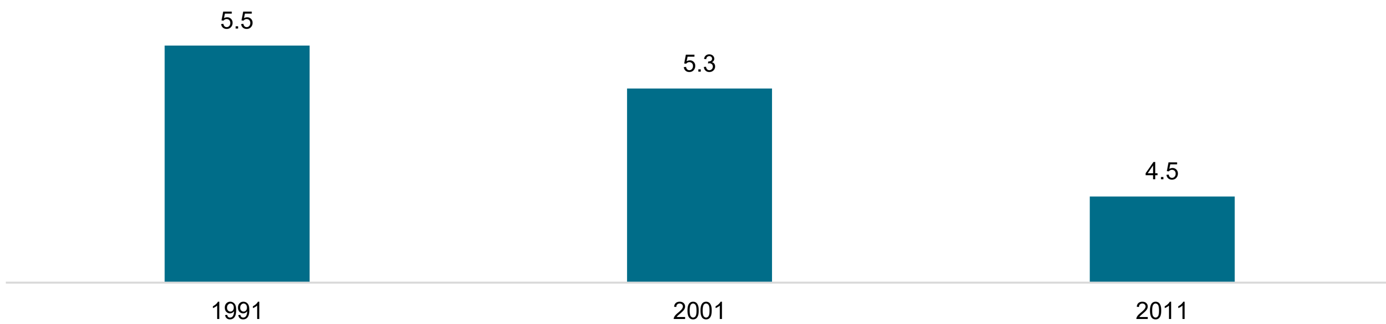


Note: E: estimated, P: projected; Source: Census 2011, World Bank, Crisil Intelligence

Rise in number of nuclear families spurring demand for new houses

Nuclearization refers to formation of multiple single families out of one large joint family. Each family lives in a separate house, while the ancestral house may be retained or partitioned to buy new houses. Nuclearization in urban areas is primarily driven by the changing lifestyle of people, individualism, changing social/cultural attitudes and increased mobility of labour in search of better employment. These trends are expected to continue in future.

Trend in average household size



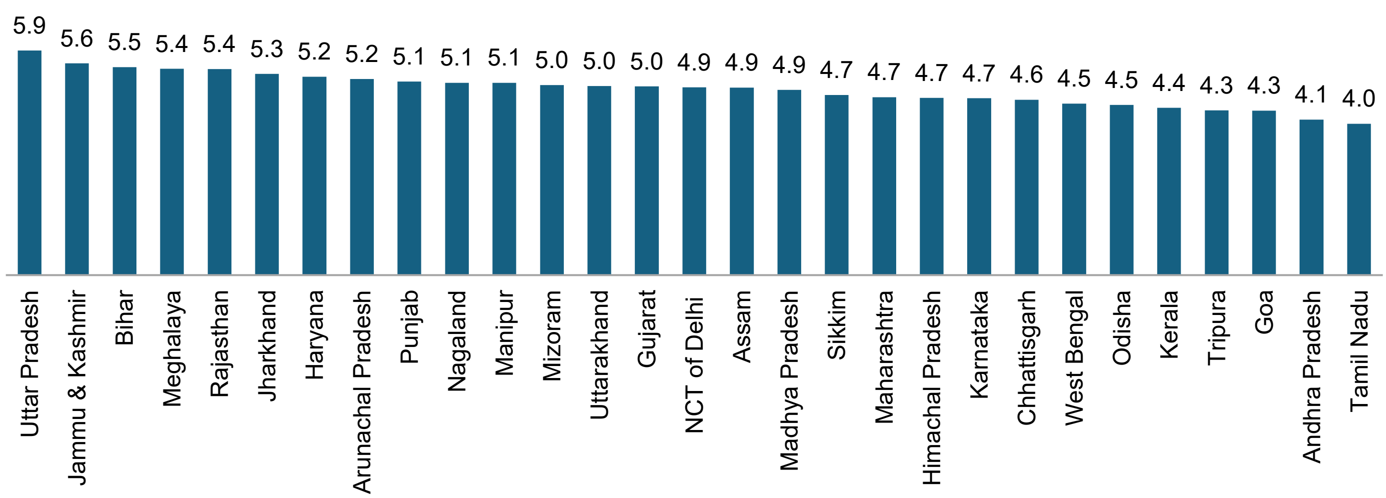
Note: Household size represents the number of family members per family
Source: Census 2011, Crisil Intelligence

According to Census 2011, majority of Indian households live in one-room or two-room houses. The National Sample Survey Organisation (NSSO), in 2012, revealed that the average floor area of a dwelling unit was 40.03 sq. m in rural India and 39.20 sq. m in urban India in that year.

The average household size in India was 4.5 members, with 4.8 members for rural and 4.2 members for urban. Uttar Pradesh and Jammu and Kashmir had the highest average household sizes of 5.9 members and 5.6 members, respectively, while in Andhra Pradesh and Tamil Nadu, the sizes stood at 4.1 members and 4.0 members, respectively.

As per Census Data 2011 it has been very clear that Indians do prefer independent housing. This is expected to continue to drive the demand for such homes, which are often self-constructed, especially in the smaller cities.

State-wise average household size (2011)



Note: Household size represents the number of family members per family
Source: NSSO, Crisil Intelligence

Infrastructure development to boost demand for real estate

The real estate market is influenced by infrastructure growth. Development of new infrastructure such as roads, bridges, airports and smart cities opens up new areas for development and increases the value of existing properties. It also attracts businesses and leads to population growth, which supports the local economy and the market.

Smart Cities Mission (SCM)

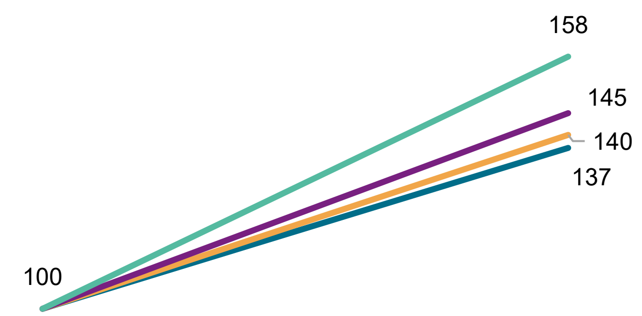
The mission was launched in June 2015 with an aim to improve the quality of life in 100 cities by providing efficient services, robust infrastructure, and sustainable solutions. Focused on economic growth, inclusivity, and sustainability, it addresses diverse needs such as housing, transport, education, healthcare, and recreation, with the goal of creating adaptable urban spaces that serve as models for other cities.

As of 13th December 2024, 91% (7,380 projects out of 8,075 projects) of the total projects valuing Rs. 1,47,705 crores have been successfully completed, reflecting significant progress in reshaping urban landscapes across India. Following are some of the achievements of SCM:

1. More than 17,026 kilometers of the water supply is being monitored, reducing non-revenue water and leakages.
2. Over 66 cities are managing solid waste with increased technology use, improving route management, efficiency of collection, and daily management.
3. Over 1,740 kilometres of smart roads have been constructed or improved, and 713 kilometres of cycle tracks have been developed.
4. 9,433 smart classrooms and 41 digital libraries have been developed.

Quality housing amenities can be a key factor in driving demand for housing, as they improve the overall quality of life for residents

Housing Price Appreciation in the top 50 districts from 2018



	Base Year 2018	Housing Price Index Mar2025
Beyond Top 50	100	137
Next 30	100	140
Next 10	100	145
Top 10	100	158

Beyond Top 50 | Next 30 | Next 10 | Top 10

Source: NHB, Crisil Intelligence

The Housing Price Index serves as a benchmark for tracking changes in residential housing property prices over time, with fiscal 2018 as the base year. Prices have appreciated 58% in the top 10 districts until March 2025. This is followed by the next 10 districts, which have seen a 45% growth in housing prices. The subsequent 30 districts saw housing prices rise 40%, while in districts other than the top 50 prices surged 37% The upward trend in average housing prices is likely to have a direct impact on the average ticket size for HFCs.

Crisil Intelligence

Regulatory initiatives

RBI as the regulatory authority of HFCs

The transfer of regulatory power on HFCs to the RBI, which was earlier vested with the NHB was announced during the budget for fiscal 2020. This shift resulted in streamlined regulations and implementation as well as a better risk management framework for HFCs. The RBI Act, 1934, was amended to facilitate it to regulate HFCs. The move was expected to ensure greater parity in regulations for NBFCs and HFCs.

PSL eligibility increased in housing loans

Population limit for centers	Loan limit	Maximum cost
50 lakh and above	Rs 50 lakh	Rs 63 lakh
Between 10 lakh and 50 lakh	Rs 45 lakh	Rs 57 lakh
Below 10 lakh	Rs 35 lakh	Rs 44 lakh

Source: RBI

The RBI increased the housing loan limit under PSL to Rs 50 lakh from Rs 35 lakh for centres having population of 50 lakh and above as part of **Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025.** The said changes will encourage more families beyond Tier I cities to invest in properties as they will benefit from low cost of funding. This will ensure financial inclusion and reduction in economic disparity.

NHB’s refinance schemes to aid borrowing costs for HFCs catering to affordable housing

While access to debt markets allows large HFCs to mobilize resources at competitive rates, niche HFCs have benefitted from the NHB’s refinance schemes. The NHB runs various schemes under which it refinances banks and HFCs. The funding is available to affordable housing players at a low rate but with an interest-rate capping. It leads to improvements in borrowing costs but reduces the yield while keeping the spread at similar levels.

Monthly, not quarterly submission of principal business criteria for HFCs

According to the RBI, a HFC must fulfil the following principal business criteria:

a) At least 60% of its total assets (netted off by intangible assets) should be dedicated to housing

b) Of the total assets (netted off by intangible assets), a minimum of 50% should be for individuals

Effective, November 1, 2024, HFCs must submit the principal business criteria data to regulators monthly, instead of quarterly earlier. The change in the criteria is aimed at improved monitoring of HFCs and higher focused growth in the housing segment.

Low-risk weight and standard assets provisioning on home loans

Risk Weights for Home Loans as per August 2019 notification

LTV	Risk Weight	Home Loan amount
80%	35%	< Rs. 7.5 million
75%	50%	> Rs. 7.5 million
> 80%	50%	< Rs. 3 million

Source: Crisil Intelligence

The steep reduction in risk weights, when compared to other loan segments, indicates the superior experience with the asset quality of housing loans and the comfort of the regulators with the asset class. Lower risk weight has enabled HFCs and banks to lend more against their capital.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002

Various amendments were made to the SARFAESI Act, 2002 in 2015 and 2016 to strengthen the process and include a wider set of lenders. HFCs registered under the NHB Act with assets above Rs 1 billion were brought under the ambit of the SARFAESI Act, which helped them accelerate recoveries. As many as 41 HFCs were included under SARFAESI (under the notification released in December 2015), incorporating newer HFCs.

Access to SARFAESI Act means that HFCs do not have to seek recourse through the tedious and time-consuming conventional legal route. This allows them to lend more freely and increase their exposure to low-cost housing informal sector customers, who are mostly located in small towns where legal action is costly and time-consuming. Further, the threshold limit mentioned under the Act does not apply to HFCs, which allows them to exercise SARFAESI on lower tickets loans.

Implementation of the Real Estate (Regulation and Development) Act (RERA Act, 2016)

Implementation of the RERA Act in 2017 had a direct impact on the supply-demand dynamics in the sector. The Act is expected to improve transparency, delivery and operations over time. It does not permit developers to launch new projects before registering them with the real estate authority.

This is a major shift from the practices followed earlier by developers, wherein they managed to sell part of the project through soft/pre-launch activities. RERA puts an end to fund diversion across projects as it mandates that 70% of the funds collected from customers for a specific project be maintained in a separate escrow account and used only for the same project. Besides, developers must disclose project-related information, such as plan, layout, government approvals, carpet area of units, construction status and delivery schedule.

Framework of RERA

Transparency

- Compulsory registration of projects with RERA
- Developers to disclose project details to customers
- Buyers pay only for carpet area
- Two-third allottee consent required for major changes

Liability

- Promoters to rectify structural defects within 5 years
- No false advertising or exaggerated commitments
- Buyers must comply with the payment schedule mentioned in the model sale agreement (which mandates them to pay up to 30% of total consideration on execution of agreement, an additional of up to 15% of total consideration on completion of plinth work; and remaining payment as per clauses mentioned in the model sale agreement).

Security

- 70% of buyer funds to be held in escrow account
- Withdrawals tied to project completion, certified by experts

Discipline

- Developers and brokers must register with RERA
- Quarterly project updates on RERA website
- Annual project audits by chartered accountants

Compliance

- Developers pay 2% above SBI's lending rate for delays
- Agreement termination possible for 3 payment defaults
- Monetary fines for non-compliance

Justice

- The initial complaint will be handled by the authority and further appeals by the RERA Appellate Tribunal. A second appeal can be filed before a high court.

Establishment of RDCL, a residential mortgage-backed securitisation (RMBS) company

The National Housing Bank (NHB), a statutory body under the Government of India, set up RMBS Development Company Ltd (RDCL) as the single largest shareholder in January 2025. The company is supported by a strong mix of investor classes, including banks, HFCs/ NBFCs and insurance companies.

The company aims to play the role of a commercially sustainable market intermediary to facilitate the growth and development of the RMBS market in the country. It provides investment avenues to long-term institutional investors, such as insurance companies, and pension and provident funds, in the RMBS market.

The company's key business activities include investing in RMBS issuances, extending second loss credit enhancements, supporting liquidity, and promoting standard processes and documentation for market development.

A well-developed RMBS market can complement existing sources of funding and liquidity for primary lending institutions. Individual housing loans outstanding have grown from Rs 17.95 trillion as on March 31, 2019, to Rs 38.14 trillion as on March 31, 2025, clocking a CAGR of 13.4%, and this growth is expected to continue.

RDCL received the certificate of registration from the RBI on January 23, 2025. It commenced operations in March 2025. The company has a paid-up capital of Rs 5 billion, and its registered office is in Mumbai.

Implementation of PMAY

PMAY–Gramin (PMAY-G), was rolled out on April 1, 2016, to address rural housing shortage by providing pucca houses with basic amenities to all individuals who did not own a house and those living in kutcha/ dilapidated dwellings by 2022. It provided financial assistance for constructing/upgrading homes in rural areas. The scheme was later extended with a target of a total 49.4 million houses—29.4 million under PMAY 1.0 (2015-2024) and 20 million under PMAY 2.0 (2024-2029).

The Ministry of Housing and Urban Affairs launched PMAY–Urban (PMAY-U) on June 25, 2015, to address the shortage of urban housing among the EWS/low-income group (LIG) and middle-income group MIG population, including slum dwellers, and provide pucca houses to all eligible urban households by 2022 (extended to 2024 and then 2029). The scheme aimed to provide 10 million houses for EWS, LIG and MIG by providing interest subsidies on home loans under a credit-linked subsidy scheme. The credit-linked subsidy is a central government component, implemented through nodal agencies such as NHB, Housing and Urban Development Corporation, and State Bank of India. The scheme aims to provide 20 million houses— 10 million under PMAY 1.0 and another 10 million under PMAY 2.0.

PMAY 2.0 was launched in September 2024 with a goal to construct 30 million houses (rural and urban) over fiscals 2025 to 2029. The revamped scheme revised the interest subsidy scheme and the target beneficiary groups. Key comparable aspects between the original PMAY scheme and PMAY 2.0 are as follows:

	PMAY 1.0	PMAY 2.0
Launch year	2015	2024
Housing target (million)	49.5	30
of which, urban	*20*	*10*
of which, rural	*29.5*	*20*
Nature of support		
Urban	Credit Linked Subsidy Scheme	Interest Subsidy Scheme
Rural	Financial assistance	Financial assistance
Eligibility criteria		
Urban	EWS: Annual income up to Rs 0.3 million LIG: Annual income between Rs 0.3-0.6 million MIG I: Annual income between Rs 0.6-1.2 million MIG II: Annual income between Rs 1.2-1.8 million	EWS: Annual income up to Rs. 0.3 million LIG: Annual income between Rs 0.3 - 0.6 million MIG: Annual income between Rs. 0.6-0.9 million

	PMAY 1.0	PMAY 2.0
Rural	Below poverty line households	Below poverty line households
Interest rate subsidy		
Urban	EWS: 6.5% LIG: 6.5% MIG I: 4% MIG II: 3%	4% for all income groups
Rural	3%	3%

Source: Crisil Intelligence

A key difference between the two phases of the scheme is the nature of the interest subsidy. Under the erstwhile scheme, the interest subsidy was credited upfront to the loan account of the beneficiary with the primary lending institutions, resulting in reduced equated monthly instalments. Under PMAY 2.0, the interest subsidy will be released in five equal yearly instalments. Further, if the borrower has taken a housing loan from one primary lending institution and later transfers the balance to another, the beneficiary will not be eligible to claim the interest subsidy again. This significantly reduces balance transfers among the lenders. The government has allocated Rs 35 billion for the interest subsidy scheme for fiscal 2026. Under the scheme, the end borrower is expected to receive a benefit of up to Rs 180,000 with a net present value of approximately Rs 150,000 during the tenure of the loan.

Budgetary allocations under PMAY scheme

Schemes	FY24A (Rs billion)	FY25RE (Rs billion)	FY26BE (Rs billion)	FY26BE over FY25RE
PMAY–U 1.0	216.84	136.70	197.94	45%
PMAY–U 2.0	-	15	35	133%
Interest Subsidy Scheme - I for EWS/LIG	-	10	25	150%
Interest Subsidy Scheme - II for MIG	-	5	10	100%
PMAY–G	217.70	324.26	548.32	69%

Source: Budget documents, Crisil Intelligence

Higher budgetary allocations to PMAY–U reflect the central government's focus on housing. PMAY-U 2.0 received a separate allocation, which is likely to revive interest in the weakening affordable housing segment, since developers have increasingly shifted focus towards the premium and luxury segments in Tier I and Tier II cities.

PMAY's progress

Progress of PMAY-U (as of December 15, 2025)	No. of houses/value	Progress of PMAY-G (as of December 30, 2025)	No. of houses/value
Houses sanctioned	12.22 million	House target	40.77 million
Houses grounded	11.43 million	Houses sanctioned	36.58 million
Houses completed	9.63 million	Houses completed	25.27 million
Central assistance committed	Rs 2,046 billion	Funds allocated	Rs 3,221 billion
Central assistance released	Rs 1,757 billion	Funds released	Rs 3,248 billion
Total investment	Rs 8,410 billion	Funds utilized	Rs 4,260 billion

Note: The table represents total progress, i.e. PMAY 1.0 and the ongoing PMAY 2.0
Source: Crisil Intelligence

PMAY Benefits for women

The Pradhan Mantri Awas Yojana (PMAY) scheme offers exclusive benefits to women co-owners, promoting gender equality and women's empowerment in homeownership. A key provision of the scheme requires at least one woman co-owner in the property, thereby ensuring formal ownership stakes in family assets and fostering women's participation in decision-making processes.

Under the Credit Linked Subsidy Scheme (CLSS) component of PMAY, women homeowners or co-owners belonging to the Economically Weaker Section (EWS) and Lower-Income Group (LIG) are eligible for interest subsidies on housing loans. This provision significantly reduces the Equated Monthly Instalments (EMIs) and overall cost of the house, making homeownership more affordable and accessible.

Notably, eligible women owners can avail an increased subsidy of up to Rs. 2.67 lakhs on home loans, providing them with substantial financial relief and incentivizing women's participation in the housing sector.

Union Budget 2026-27

The allocation towards the Ministry of Rural Development and Ministry of Housing and Urban Affairs has increased 52.9% and 25.4%, respectively, over fiscal 2026 RE. The allocation for the Pradhan Mantri Awas Yojana-Gramin (PMAY-G) is up 69%. The scheme targets to construct 49.5 million rural houses, of which 39.7 million beneficiaries have already registered as on January 28. The allocation for PMAY-Urban under the Grant In Aid (GIA) has increased 182% over fiscal 2026 RE. The scheme has a target of 22.4 million urban houses with 12.2 million houses sanctioned as on January 5.

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

AMRUT aims to provide basic services (e.g., water supply, sewerage and urban transport) to households, build amenities in cities and improve the quality of life for all, especially the poor and the disadvantaged.

Key components include:

- Access to a tap with assured water supply for every household
- Assured sewerage connection in every household
- Better amenities in cities by developing greenery and well-maintained open spaces (such as parks)
- Lower pollution by switching to public transport or constructing facilities for non-motorised transport (e.g., walking and cycling)

Status of AMRUT 2.0 as of February 13, 2025	Projects	Value
Approved by MoHUA	8,887	Rs 1,891.88 billion
Contracts awarded	6,010	Rs 835.74 billion

Source: Ministry of Housing and Urban Affairs (MoHUA), Crisil Intelligence

Digital India Land Records Modernisation Programme (DILRMP)

The Digital India Land Records Modernisation Programme aims to develop a modern, comprehensive and transparent land record management system with an integrated land information management system which will, among other things, (i) improve real-time information on land; (ii) optimise use of land resources; (iii) benefit both landowners and prospectors; (iv) assist in policy and planning; (v) reduce land disputes; (vi) check fraudulent/benami transactions (vii) obviate the need for physical visits to revenue/registration offices and (viii) enable sharing of information with organisations/agencies.

Other recent changes that can boost affordable housing

1. **Repo rate cuts:** The Monetary Policy Committee of the RBI reduced the repo rate by a cumulative 125 bps in calendar year 2025. This is expected to lower the EMI costs for home buyers, encouraging investment.
2. **Maharashtra Housing Policy 2025:** The Maharashtra government aims to provide 3.5 million affordable houses by 2030 with an investment of Rs 70,000 crore. This will support homebuyers, developers and other stakeholders in the housing ecosystem.
3. **GST rate rationalisation:** To stimulate demand for affordable homes, the GST rate for under-construction affordable housing was reduced to a low 1% in March 2019. Further, the reduction in GST on construction materials in September 2025 will reduce the cost for developers, who are expected to pass on the benefit to buyers.

Government programs for fostering urban growth and connectivity

Scheme	Vikshit Bharat - Vande Bharat Trains	UDAN scheme	Freight Corridor	Metros	Smart Cities
Mission	Connect urban cities through long-distance semi-high-speed trains	Connect small and medium cities with major cities through air travel	Develop railway lines exclusively for freight trains	Increase connectivity in metro cities	Provide essential infrastructure in cities
Initial Target	-	-	2,843 Km of railway lines	-	8,058 smart cities project in 100 Cities
Launch date	FY 2018	FY 2016	FY 2006	FY 2024	FY 2015
Current status	Vande Bharat trains in operational increased from 10 in fiscal 2023 to 68 in fiscal 2025 (up to October 2025) Number of coaches increased from 216 in fiscal 2023 to 900 in fiscal 2024	88 UDAN Airports operationalised in December 2024, up from 84 in March 2024 619 UDAN routes operationalised in December 2024, up from 545 in March 2024	As of November 2024, ~**2,741** kms completed (under both EDFC and WDFC) of the planned 2,843 km network	**980** km under construction ~**1,010** km metro lines currently operational in 23 cities	As of January 13, 2025, 8.058 projects were proposed with 7,479 projects completed worth Rs 1.5 trillion
Schemes Completion (In %)	-	-	~96% physical progress	-	92% of total projects
Revised Target	-	-	Additional ~4,300 Km New Lines to be added (Still in proposal stage)	-	-
Updated Project Timelines	-	-	FY 2025	-	-

Source: Economic Survey 2024-25, Crisil Intelligence

Note: Eastern Dedicated Freight Corridor (EDFC), Western Dedicated Freight Corridor (WDFC)

Overview of the Indian Housing finance market

The housing finance sector in India is a critical component of the country's financial system, facilitating access to home ownership and supporting the development of the residential real estate market. Housing credit enables long-term capital formation while contributing to economic growth through strong backward and forward linkages with construction, infrastructure, employment, and allied sectors. The institutional framework for housing finance in India comprises scheduled commercial banks (SCBs), housing finance companies (HFCs), and certain non-banking financial companies (NBFCs). Banks account for a significant share of outstanding housing loans, benefiting from access to low-cost deposits and a broad customer base. HFCs, however, play a differentiated role by serving specific borrower segments, geographies, and loan ticket sizes, particularly among self-employed, informal salaried borrowers, who are evaluated using surrogates and alternate data. This niche capability of HFCs have contributed to broader credit access and product customization across income categories.

HFCs have a distinct competitive advantage over banks, driven by:

- An extensive distribution network that that caters to the peri-urban markets in Metropolitan & Tier I cities, Tier II and Tier III and beyond cities along with a deeper local understanding of micro markets which cannot be incorporated in system driven lending of Banks
- Focused product capabilities like housing loans and LAP, unlike banks where housing finance may not be the core strategic product
- Expertise in underwriting customers with limited or informal income documentation, allowing for more inclusive lending practices

Over the past decade, the Indian housing finance market has expanded steadily, supported by structural demand for housing, rising urbanization, nuclearization of family, rising disposable income, and rising number of players in the segment, which has increased access to formal credit. A significant portion of incremental demand is driven by first-time homebuyers, nuclear households across tiers. Rural and semi-urban markets have emerged as key growth centres, on account of relatively better affordability, improving infrastructure, and increasing formalization of incomes.

Housing finance loans have steadily compounded at a rate of 14.48% from fiscal 2021 to 2025

Housing finance credit in India has demonstrated sustained structural growth, with housing loan outstanding recording a compound annual growth rate (CAGR) of 14.48% between fiscal 2021 and fiscal 2025. Growth during this period was supported by a combination of rising homeownership aspirations, improving affordability metrics in non-Metropolitan markets, and increasing income formalisation.

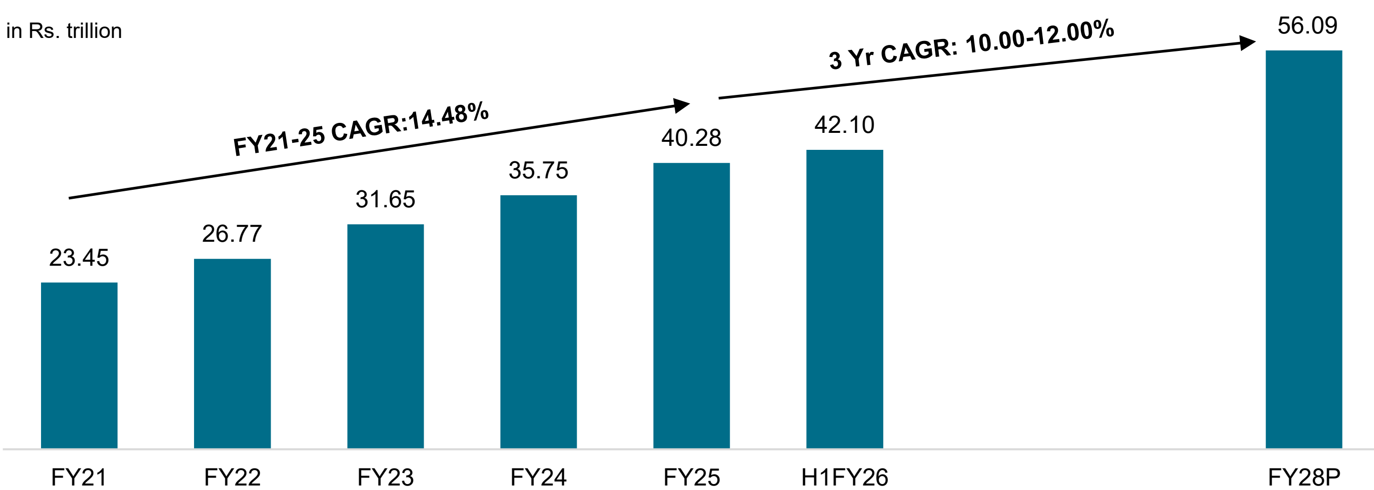
While there was a post-pandemic recalibration in loan sizes in select Metropolitan & Tier I cities owing to increased demand for larger homes to support hybrid working, growth within the broader affordable housing construct (loans up to Rs. 3.5 million) remained structurally supported by first-time homebuyers and households upgrading to formal housing. In particular, the Rs 1.5–3.5 mn segment has continued to benefit from stable end-user demand across Tier II and Tier III cities. The housing credit market witnessed strong expansion in fiscal 2022 and fiscal 2023, followed by a moderation to 12.95% in fiscal 2024 and 12.67% in fiscal 2025 amid a higher interest rate environment. This moderation reflects a normalization from recovery-led expansion to a more sustainable growth trajectory rather than a structural slowdown.

Despite largest share in retail loans, housing finance market is expected to grow faster than nominal GDP growth

Going forward, total housing credit outstanding is expected to grow at a CAGR of 10.00–12.00% through fiscal 2028, supported by increase in ticket size of loans, stable income growth, continued urbanisation, and ongoing government support for affordable housing. Despite already accounting for the largest share within overall retail lending, housing finance is projected to grow faster than the nominal GDP growth, indicating that housing finance penetration relative to the size of the economy is likely to improve gradually, reinforcing its position as a structurally expanding asset class within the Indian financial system.

Policy support remains a key enabler for the sector, with the allocation of Rs. 35.00 billion to the Interest Subsidy Scheme under Pradhan Mantri Awas Yojana (PMAY) in the Union Budget 2025–26, and the launch of the second tranche of the Special Window for Affordable and Mid-Income Housing (SWAMIH) fund amounting to Rs. 150.00 billion, aimed at facilitating the completion of approximately 100,000 housing units. These measures are expected to support housing supply completion and sustain credit demand over the medium term.

Housing loans expected to grow at a steady rate of 10.00-12.00% CAGR till fiscal 2028



Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

Key growth drivers for housing finance sector

- **Cross-market capital flows into real estate:** The Indian real estate sector in 2026 is experiencing a phase of "structural maturity," where high returns from other investment assets are being recycled into down payments for residential property. Investors are utilizing profits from other high-performing asset classes—such as equity, gold, various mutual funds—to fund the 20-30% down payment required for property purchases, spurring demand for housing in the country.
- **Demographic dividend:** India’s young population profile, coupled with rising nuclearization of families, continues to support sustained housing demand. A growing working-age population, increasing female workforce participation, and earlier household formation have structurally increased the demand for owner-occupied housing, translating into long-term growth in housing loan originations.
- **Changing housing preferences and lifestyle shifts:** Post-pandemic shifts toward hybrid and remote working have altered housing preferences, with increased demand for larger homes and ownership-led consumption, particularly in peripheral urban areas and non-metro cities. This has supported demand for both affordable and mid-income housing loans, and increased mortgage penetration in emerging residential corridors.

- **Rising Income & improving affordability:** Housing affordability has improved over the medium term due to rising incomes and the expected transmission of recent monetary easing to retail lending rates. Lower interest rates enhance loan eligibility and reduce EMI burdens, particularly for affordable and mid-income borrowers who are highly sensitive to monthly repayment obligations. Improved affordability is expected to support incremental housing demand and credit uptake. Also, implementation of the 7th Pay commission, pay revision exercise undertaken by the Government of India (GOI) to revise the salaries and allowances of central government employees is expected to increase the disposable income, potentially spurring demand for housing.
- **Data availability and technology advancement:** Formalization of economy through initiatives such as GST, digitization of payments, financial inclusion and deeper credit bureau penetration has increased the data availability which is being used by players for better understanding of customers, estimating income and mortgage processing, thereby increasing the pool of borrowers eligible for housing finance including informal salaried and self-employed customers, with limited formal income proofs.
- **Government support:** The Government of India's "Housing for All" vision continues to act as a foundational pillar for the housing ecosystem. Flagship programs such as the Pradhan Mantri Awas Yojana (PMAY – Urban and Rural) have played a critical role in promoting home ownership among economically weaker sections (EWS), low-income groups (LIG), and middle-income households. Interest subsidy schemes, beneficiary-linked incentives, and targeted budgetary allocations under PMAY have directly enhanced affordability and expanded the formal housing finance market. In addition, initiatives such as the Special Window for Affordable and Mid-Income Housing (SWAMIH) support the completion of stalled residential projects, reducing execution risk and restoring buyer confidence. These measures facilitate housing supply completion, enable mortgage disbursements against completed or near-completed projects, and strengthen lender confidence.

Housing loans disbursements increased at ~18% CAGR between fiscals 2021 and 2025

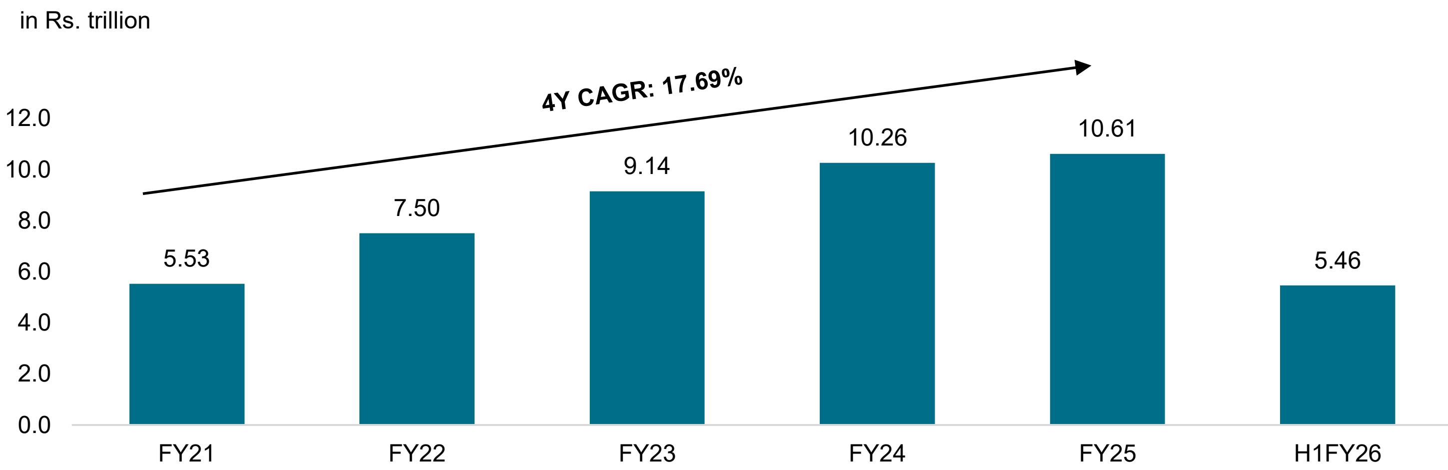
Housing loan disbursements in India expanded at a robust CAGR of 17.69% between fiscal 2021 and fiscal 2025, underscoring broad-based structural demand across income cohorts and ticket sizes. Growth was visible across all segments, albeit at varying velocities reflecting underlying demand drivers.

Disbursements in sub-Rs. 3.5 million segment witnessed an increase from Rs. 2.76 trillion in fiscal 2021 to Rs. 3.70 trillion in fiscal 2025, representing a CAGR of 7.60% during the period. This segment continues to be anchored in end-user demand, largely driven by first-time homebuyers and affordability-led purchases, providing depth and resilience to the overall housing finance ecosystem. Within this segment, loans between Rs. 1.5-3.5 million have grown at 7.90% between fiscal 2021 and 2025, outpacing the overall sub-Rs. 3.5 million segment, while the segment below Rs. 1.5 mn has witnessed slower growth of 6.81% during the same period.

The Rs. 3.5–5.0 million segment recorded a CAGR of 15.25%, growing from Rs. 0.89 trillion to Rs. 1.57 trillion over the same period. Disbursements above Rs. 5.0 million expanded at a faster CAGR of 29.82%, supported by post-pandemic demand recalibration toward larger homes and upward repricing across select urban markets.

While higher ticket segments have exhibited stronger growth momentum, the sub-Rs. 3.5 million category remains structurally significant, accounting for approximately one-third of total disbursements in fiscal 2025. Its demand profile, predominantly end-use driven rather than price-cycle led, continues to provide stability and breadth to the overall market expansion.

Housing loans disbursements rose at healthy pace of 17.69% CAGR during fiscals 2021 to 2025



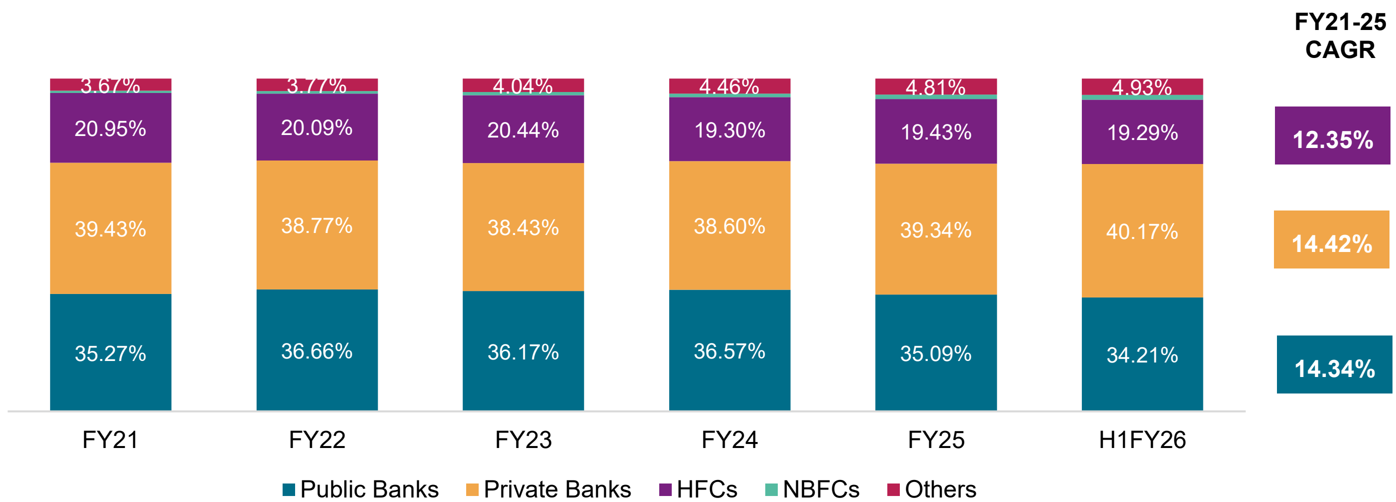
Source: CRIF Highmark, Crisil Intelligence

Lender-wise credit outstanding

Share of HFCs remained range-bound at 19.00-21.00% in the overall housing loans segment

India's housing finance sector comprises public and private sector banks, HFCs, NBFCs and other players (including foreign banks and small finance banks). Of the total Rs 42.10 trillion credit outstanding as of September 2025, private sector banks accounted for a 40.17% market share, followed by public sector banks with 34.21%. Over the years, HFCs have maintained a healthy market share across cycles in the range of 19.00-21.00%, with a share of 19.29% at end of September 2025, despite aggressive interest rates on housing loans provided by Banks.

Lender-wise credit outstanding from fiscal 2021 to first half of fiscal 2026



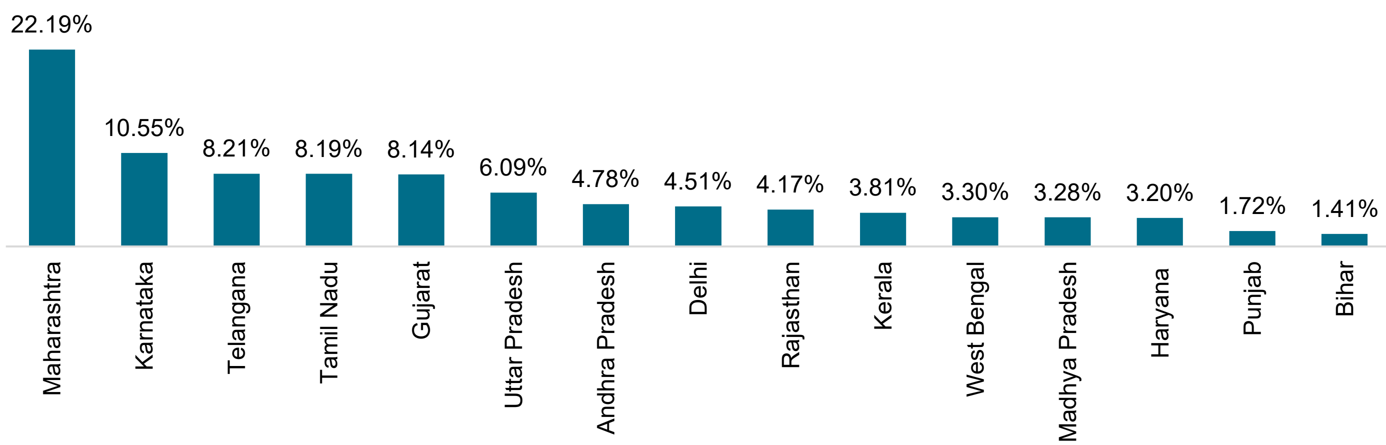
Note: Others include foreign banks, small finance banks and other financial institutions
Source: CRIF Highmark, Crisil Intelligence

Housing finance companies continue to remain a critical component of India's housing finance ecosystem. While banks are focusing on high-ticket prime-segment loans in Metropolitan and Tier I cities (primarily more than Rs. 5.0 million), it leaves a huge opportunity for HFCs to leverage their ability to assess informal income and penetrate low and mid ticket size segment across tiers. HFCs are playing an important role to tap into the opportunity and extend housing credit to borrower segments (salaried and self-employed) with informal or semi-formal income profiles, where borrowers lack official documentation or credit history. HFCs are tackling this with a technology-driven, simplified documents strategy that evaluates alternative data allowing them to assess the borrower through cash-flow based underwriting, surrogate indicators, and local market knowledge. In addition, their decentralised branch networks, on-ground sourcing capabilities, and proximity to borrowers enable last-mile credit delivery across rural and semi-urban markets. As a result, HFCs are playing a key role in improving access to housing finance and driving the financial inclusion agenda.

State-wise analysis of the housing loan market

The housing loan market remains concentrated in the top 15 states, which accounted for 93.55% of the loan outstanding as of September 2025. Among these states, the top 10 accounted for 80.64% of market share. Maharashtra topped with 22.19%, followed by Karnataka (10.55%), Telangana (8.21%), Tamil Nadu (8.19%) and Gujarat (8.14%) at end of September 2025. Cumulatively, the top five states accounted for more than half (57.28%) of the housing loans outstanding.

Top 15 states account for 93.55% of the housing loan market as on September-end 2025



Source: CRIF Highmark, Crisil Intelligence

In terms of growth in top 10 states, Telangana had the highest growth rate from fiscals 2021 to 2025, at 18.50% CAGR, ahead of Andhra Pradesh and Rajasthan (17.02% each), Uttar Pradesh (14.80%) and Karnataka (14.75%).

State-wise housing loan market share and growth trends

State Share	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	Market Share
Maharashtra	22.94%	22.88%	22.84%	22.35%	22.28%	22.19%	13.66%	Top 5 States: 57.28%
Karnataka	10.45%	10.33%	10.35%	10.52%	10.55%	10.55%	14.75%	
Telangana	7.01%	7.40%	7.68%	8.00%	8.05%	8.21%	18.50%	
Tamil Nadu	9.06%	8.81%	8.56%	8.36%	8.20%	8.19%	11.66%	
Gujarat	8.32%	8.43%	8.31%	8.24%	8.15%	8.14%	13.87%	
Uttar Pradesh	5.99%	5.95%	5.98%	6.00%	6.06%	6.09%	14.80%	Top 10 States: 80.64%
Andhra Pradesh	4.36%	4.43%	4.50%	4.67%	4.76%	4.78%	17.02%	
Delhi	4.70%	4.63%	4.64%	4.50%	4.51%	4.51%	13.30%	
Rajasthan	3.80%	3.90%	3.97%	4.11%	4.15%	4.17%	17.02%	

State Share	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	Market Share
Kerala	4.39%	4.27%	4.09%	4.00%	3.88%	3.81%	11.02%	
Other States	18.98%	18.97%	19.08%	19.25%	19.41%	19.36%	15.10%	
Overall	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**14.48%**	

Note: Highlighted in green are the fastest growing states among the top 10 states.
Source: CRIF Highmark, Crisil Intelligence

Concentration among top districts exists across states (H1FY26)

Among all states, Maharashtra had the highest credit outstanding as of the first half of this fiscal. The top five districts of Maharashtra accounted for 73.53% of the state's total portfolio. The trend in Karnataka and Telangana was similar with 81.81% and 76.89% concentration, respectively. Among the top five states based on credit outstanding, Tamil Nadu had a wider distribution of districts, with the top five districts accounting for 54.52% of the state's total loan outstanding. Based on the top 10 states, the top five districts accounted for an average 65.00-67.00% of the respective state credit. Despite being among the top 10 states, many districts in these states remained underpenetrated, creating a substantial opportunity for financiers to explore new avenues and drive growth.

District-wise concentration of housing loans in states as of September 2025

State	No. of districts	Top five districts based on outstanding housing loans50	Share of accounts in top five districts (loan accounts)	Share of outstanding in top five districts (portfolio)
Maharashtra	36	Pune, Thane, Mumbai, Mumbai Suburban, Raigarh	57.70%	73.53%
Karnataka	31	Bengaluru, Mysuru, Dakshina Kannada, Belagavi, Dharwad	67.10%	81.81%
Telangana	33	Medchal-Malkajgiri, Rangareddy, Hyderabad, Sangareddy, Karimnagar	64.40%	76.89%
Tamil Nadu	37	Chennai, Thiruvallur, Coimbatore, Chegalpattu, Kancheepuram	39.28%	54.52%
Gujarat	33	Ahmedabad, Surat, Vadodara, Rajkot, Gandhinagar	61.41%	70.48%
Uttar Pradesh	75	Ghaziabad, Lucknow, Gautam Buddha Nagar, Kanpur Nagar, Agra	36.80%	48.42%
Andhra Pradesh	13	Visakhapatnam, Krishna, East Godavari, Guntur, West Godavari	59.87%	60.54%
Delhi	10	South, North West, West, South West, East	82.40%	84.31%
Rajasthan	33	Jaipur, Jodhpur, Ajmer, Alwar, Udaipur	48.48%	54.35%
Kerala	14	Ernakulam, Thiruvananthapuram, Thrissur, Kottayam, Kozhikode	52.61%	58.26%
West Bengal	24	Kolkata, North Twenty Four Parganas, South Twenty Four Parganas, Haora, Hugli	53.12%	66.33%
Madhya Pradesh	52	Indore, Bhopal, Jabalpur, Gwalior, Ujjain	50.55%	59.79%
Haryana	22	Gurgaon, Faridabad, Panchkula, Panipat, Hisar	48.70%	69.79%
Punjab	22	Sahibzada Ajit Singh Nagar, Ludhiana, Jalandhar, Patiala, Amritsar	59.50%	68.59%
Bihar	38	Patna, Muzaffarpur, Gaya, Vaishali, Bhagalpur	42.81%	49.47%
Orissa	30	Khordha, Cuttack, Ganjam, Baleshwar, Sundargarh	52.95%	59.05%
Chhattisgarh	28	Raipur, Durg, Bilaspur, Janjgir-Champa, Rajnandgaon	71.98%	73.33%
Uttarakhand	13	Dehradun, Hardwar, Udham Singh Nagar, Nainital, Garhwal	87.43%	87.33%
Jharkhand	24	Ranchi, Purbi Singhbhum, Dhanbad, Bokaro, Hazaribagh	74.18%	77.18%

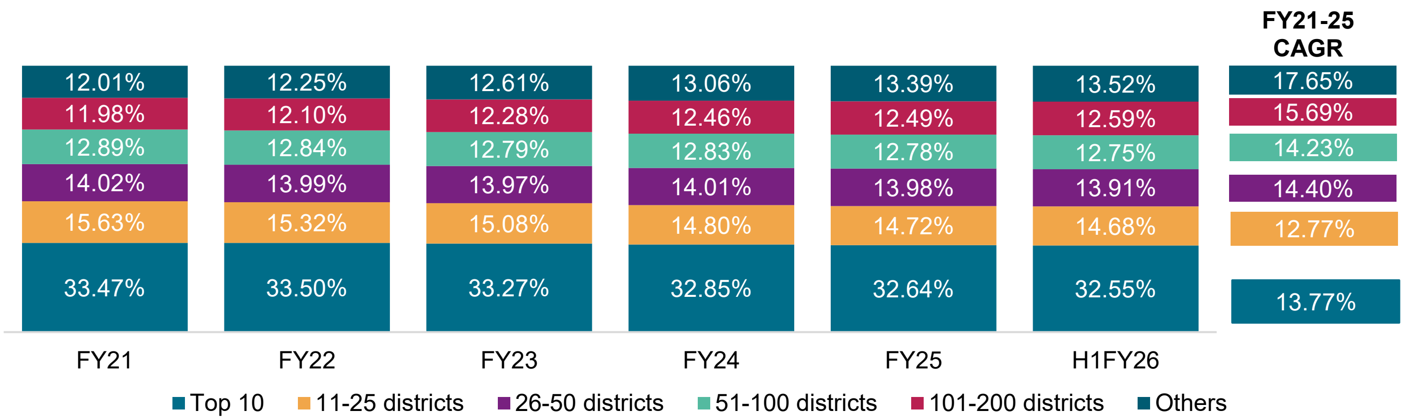
State	No. of districts	Top five districts based on outstanding housing loans50	Share of accounts in top five districts (loan accounts)	Share of outstanding in top five districts (portfolio)
Assam	33	Kamrup Metropolitan, Kamrup, Jorhat, Nagaon, Dibrugarh	45.21%	53.42%
Himachal Pradesh	12	Kangra, Shimla, Solan, Mandi, Sirmaur	69.28%	71.91%
Jammu and Kashmir	22	Jammu, Srinagar, Baramulla, Badgam, Anantnag	51.97%	55.87%
Goa	2	North Goa, South Goa	100.00%	100%
Chandigarh	1	Chandigarh	99.89%	99.64%
Puducherry	4	Karaikal, Mahe, Puducherry, Yanam	100.00%	100.00%
Tripura	8	Gomati, North Tripura, South Tripura, West Tripura, Sepahijala	91.28%	91.75%
Sikkim	4	East District, North District, South District, West District	100.00%	100.00%
Mizoram	11	Aizawl, Lunglei, Lawngtlai, Saiha, Kolasib	84.30%	86.89%
Manipur	16	Imphal West, Imphal East, Kangpokpi, Pherzawl, Thoubal	76.60%	77.56%
Meghalaya	11	East Khasi Hills, West Garo Hills, West Jaintia Hills, Ribhoi, South West Garo Hills	95.81%	95.32%
Dadra and Nagar Haveli	1	Dadra & Nagar Haveli	100.00%	100.00%
Arunachal Pradesh	17	East Siang, West Siang, Lower Subansiri, Kurung Kumey, West Kameng	78.17%	80.48%
Andaman and Nicobar Island	3	Nicobar North & Middle Andaman, South Andaman	100.00%	100.00%
Nagaland	11	Dimapur, Kohima, Mokokchung, Wokha, Zunheboto	96.01%	95.36%
Daman and Diu	2	Daman, Diu	100.00%	100.00%
Lakshadweep	1	Lakshadweep	100.00%	100.00%

Source: CRIF Highmark, Crisil Intelligence

District-wise share of total housing loans outstanding

Top 10 districts in India accounted for ~33.00% of total housing loans outstanding from fiscal 2021 to the first half of fiscal 2026. Districts below the top 200 had the highest four-year CAGR (fiscals 2021-2025) of 17.65% followed by districts 101-200 at 15.69%. This underlines the fact that underpenetrated districts are growing at a higher growth rate.

Top 10 districts account for 1/3rd of housing loan O/S; Districts beyond 200 districts grew the fastest



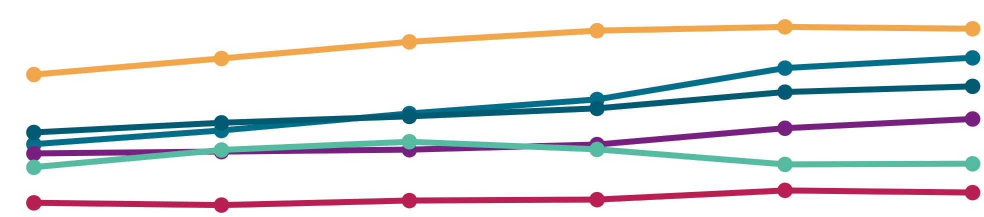
Source: CRIF Highmark, Crisil Intelligence

Ticket size analysis

The Average Ticket Size (ATS) of loans significantly rose from Rs. 2.21 million in fiscal 2021 to Rs 3.05 million in the first half of fiscal 2026, on the back of rising housing prices, growing preference for larger living spaces, reduction in the repo rate by the RBI's Monetary Policy Committee and rising per capita income. Over the period, an analysis across lender segments showed that the ticket size of private sector banks remained the highest. This is on account of Banks prioritizing high-ticket loans (Rs. 3.58 million & Rs. 4.11 million for public sector & private sector banks respectively in H1FY26) which reflects a cautious approach in managing risk with limited distribution in semi urban and rural areas, while improving profitability per customer, and reducing administrative costs related to loan processing, whereas smaller ticket, high-volume lending is often dominated by HFCs (ATS of Rs. 2.46 million) and NBFCs (ATS of Rs. 1.64 million).

Trends in ticket size by lender (fiscal 2021-first half of fiscal 2026)

in Rs. million



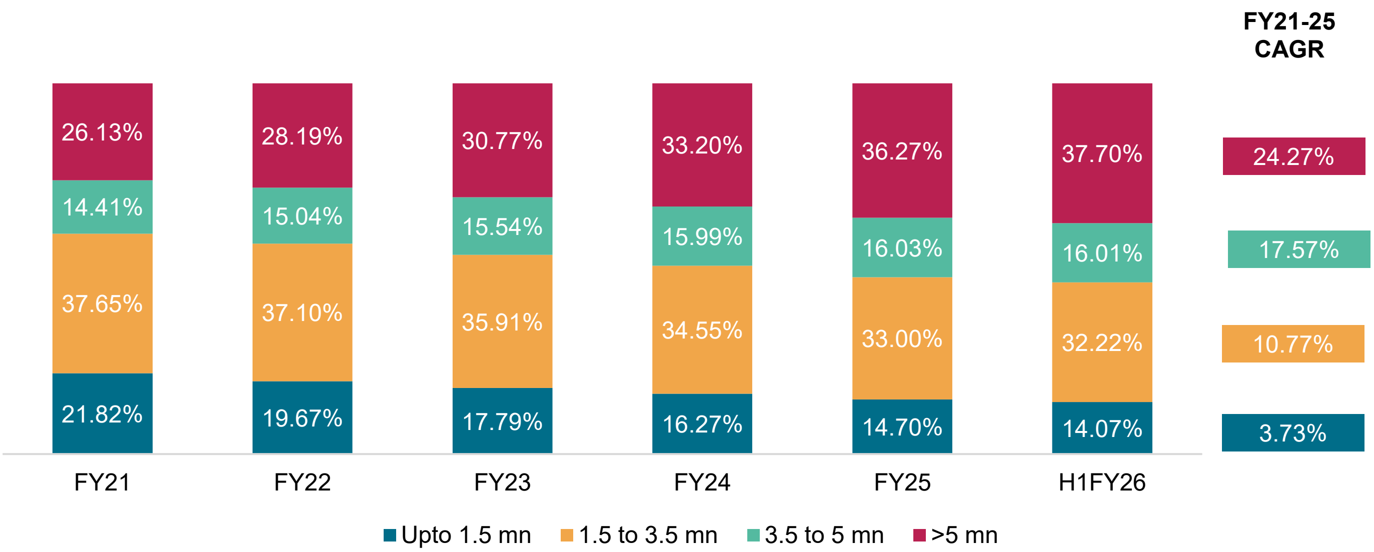
	FY21	FY22	FY23	FY24	FY25	H1FY26
Public Banks	2.00	2.25	2.56	2.82	3.39	3.58
Private Banks	3.27	3.56	3.87	4.07	4.14	4.11
HFCs	1.83	1.87	1.90	1.99	2.29	2.46
NBFCs	1.58	1.90	2.04	1.91	1.64	1.64
Others	0.93	0.89	0.97	0.99	1.16	1.12
Overall	2.21	2.39	2.51	2.65	2.95	3.05

Note: Ticket size is sanctioned amount/ sanctioned loans
Source: CRIF Highmark, Crisil Intelligence

Trends in outstanding loans (by ticket size)

The composition of housing loan outstanding has progressively shifted toward higher ticket sizes over FY21 to H1FY26. Loans with ticket size above Rs. 5.0 million account for the largest share of the portfolio at 37.70% in H1FY26 and recorded the highest four-year CAGR of 24.27% between FY21 and FY25. Ticket size segments of Rs. 3.5–5.0 million and Rs. 1.5–3.5 million have also demonstrated steady growth, registering CAGRs of 17.57% and 10.77%, respectively, over the same period. In contrast, loans below Rs. 1.5 million witnessed relatively modest growth, with a CAGR of 3.73%, resulting in a gradual decline in their share of outstanding from 21.82% in FY21 to 14.07% in H1FY26. The increasing share of higher ticket size loans reflects a structural shift in the housing finance market, supported by rising property prices, improved borrower affordability across tiers, and a growing preference for larger dwelling units. Overall, the data indicates a rebalancing of the housing credit portfolio, with loans above Rs. 1.5 million consistently delivering double-digit growth.

Loans with ticket size more than Rs. 1.5 mn have experienced double digit growth rate (value terms)



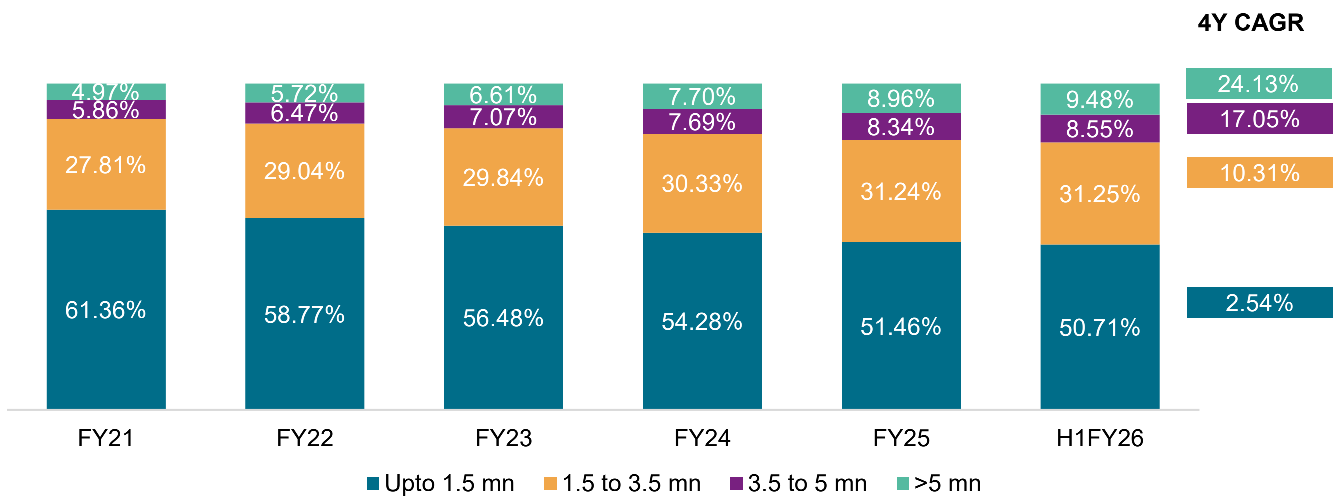
Source: CRIF Highmark, Crisil Intelligence

Loans with ticket size below Rs. 3.5 million continue to anchor volumes in housing finance

Between fiscal 2021 and fiscal 2025, the high growth rate in loans above Rs 5.0 million among ticket size categories can be attributed to premiumisation trends in Metropolitan and Tier I cities, increased supply of higher-value residential units, and strong participation from prime salaried and self-employed borrowers with established credit histories. The growth in this segment has also been supported by competitive pricing from banks and large lenders targeting high-credit-quality borrowers. Despite the faster growth, loans sub-Rs 3.5 million category still continue to account for over 80% of total loan volumes, highlighting the structural depth of the affordable and lower mid-income housing finance segment.

Within the segment, housing loans with ticket sizes up to Rs 1.5 million accounted for 50.71% of total loan volumes, compared with 61.36% in fiscal 2021. The moderation in the sub-Rs 1.5 million share represents a natural premiumization within the affordable housing segment as property prices and construction costs have increased over the period, which has resulted in the share of loans in the Rs 1.5–3.5 million bracket increased from 27.81% in fiscal 2021 to 31.25% in the first half of fiscal 2026. This shift reflects a gradual recalibration in ticket sizes driven by increase in residential property prices across markets, migration toward formal housing and improved borrower eligibility supported by rising incomes and better credit penetration.

Loans with ticket size up to Rs. 3.5 million continue to over ~80.00% of market volume



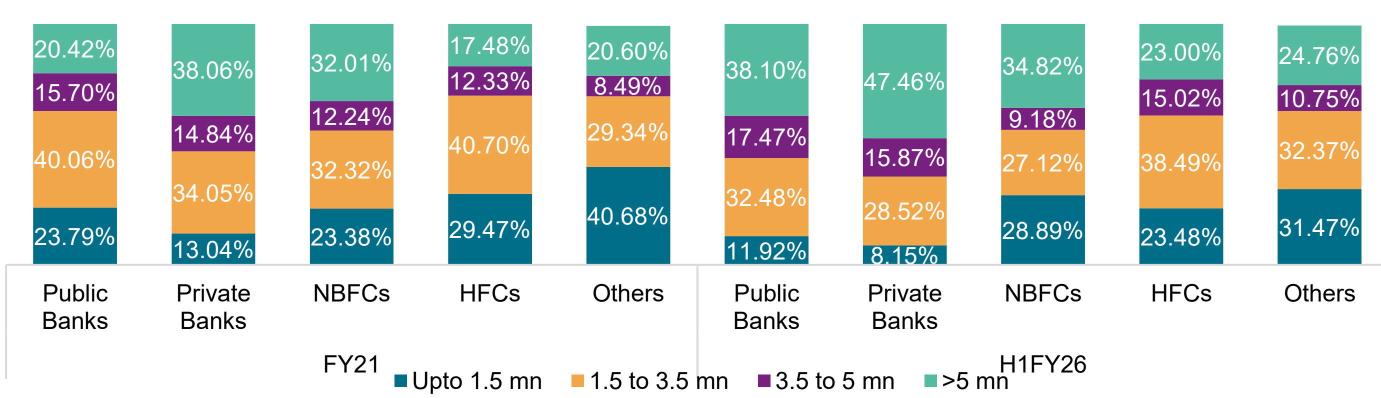
Source: CRIF Highmark, Crisil Intelligence

Lender wise analysis

Over the years, lender preference has progressively shifted toward higher ticket housing loans. As of H1FY26, Public & Private sector banks have increased their concentration in loans above Rs. 5.0 million, reducing their relative exposure to sub Rs. 3.5 million segments. HFCs, in contrast, continue to maintain a meaningful & largest presence in the Rs. 1.5–3.5 million segments. This differentiated positioning underscores the importance of AHFCs within the housing ecosystem — sustaining value share despite operating at lower average ticket sizes compared to prime-focused banks.

Our analysis indicates that, wihin the HFCs, traditional HFCs have been moving away from smaller, riskier loans toward higher ticket sizes, with many focusing on loans between Rs. 3.5-5.0 million or higher, in tandem with the premiumization of residential launches. This has created a significant space for AHFCs to grow at a rapid pace and capitalise on the growing opportunity in the sub-Rs. 3.5 million ticket size segment.

Player group wise housing loan trend (in terms of portfolio outstanding)



Note: Others include small finance banks (SFBs), foreign banks and other financial institutions
Source: CRIF Highmark, Crisil Intelligence

City tier-wise analysis of housing loans

The overall share of Metropolitan and Tier I cities across all ticket sizes have reduced between fiscal 2021 to H1 fiscal 2026. For instance, the share of Metropolitan and Tier I cities regions has reduced from 15.92%, 28.64%, 41.68% and 58.85% in ticket size band of upto Rs. 1.5 million, Rs. 1.5-3.5 million, Rs. 3.5-5.0 million and more than Rs. 5.0 million respectively in fiscal 2021 to 13.51%, 23.91%, 33.87% and 50.29% respectively in the first half of fiscal 2026. Meanwhile, the focus has shifted to Tier III and beyond as can be seen from increase in market share from 50.98%, 41.24%, 33.10% and 20.13% in fiscal 2021 to 53.44%, 45.77%, 39.85% and 27.71% in first half of fiscal 2026 in ticket size band of upto Rs. 1.5 million, Rs. 1.5-3.5 million, Rs. 3.5-5 million and more than Rs. 5.0 million respectively. The share in Tier II has remained rangebound across ticket size bands between fiscal 2021 and H1 of fiscal 2026.

FY21	Up to 1.5 mn	1.5 to 3.5 mn	3.5 to 5.0 mn	>5.0 mn
Metropolitan and Tier I	15.92%	28.64%	41.68%	58.85%
Tier II	32.93%	30.02%	25.14%	20.91%
Tier III & beyond	50.98%	41.24%	33.10%	20.13%

Note: Numbers in the table don't add up to 100% as there is portion of portfolio which is not tagged to any district
Source: CRIF High Mark, Crisil Intelligence

H1FY26	Up to 1.5 mn	1.5 to 3.5 mn	3.5 to 5.0 mn	>5.0 mn
Metropolitan and Tier I	13.51%	23.91%	33.87%	50.29%
Tier II	32.99%	30.29%	26.24%	21.91%
Tier III & beyond	53.44%	45.77%	39.85%	27.71%

Note: Numbers in the table don't add up to 100% as there is portion of portfolio which is not tagged to any district
Source: CRIF High Mark, Crisil Intelligence

Customer analysis

The housing finance customer base in India spans salaried, self-employed, and informal income segments, with banks and HFCs/NBFCs serving overlapping products but differentiated borrower profiles. Banks predominantly cater to salaried and formally documented borrowers, where income assessment is standardised and rule-based, relying on salary proofs, income tax returns, bureau scores, and employer profiling. This approach enables scale and operational efficiency, resulting in relatively higher average ticket sizes and greater concentration in urban markets, but offers limited flexibility for non-standard income structures. In contrast, HFCs and NBFCs focus more on self-employed and salaried customers engaged in informal sectors, particularly in Tier II, Tier III, and semi-urban markets. Their underwriting frameworks are cash-flow oriented and relationship-led, incorporating surrogate income indicators, field-level assessments, and local market knowledge in addition to bureau data. In order to compensate the underwriting risks, HFCs and NBFCs charge higher rate of interest to their borrowers.

Credit cost & asset quality in housing loans

Overall housing loans have the lowest annual credit cost in fiscal 2025 among major asset segments

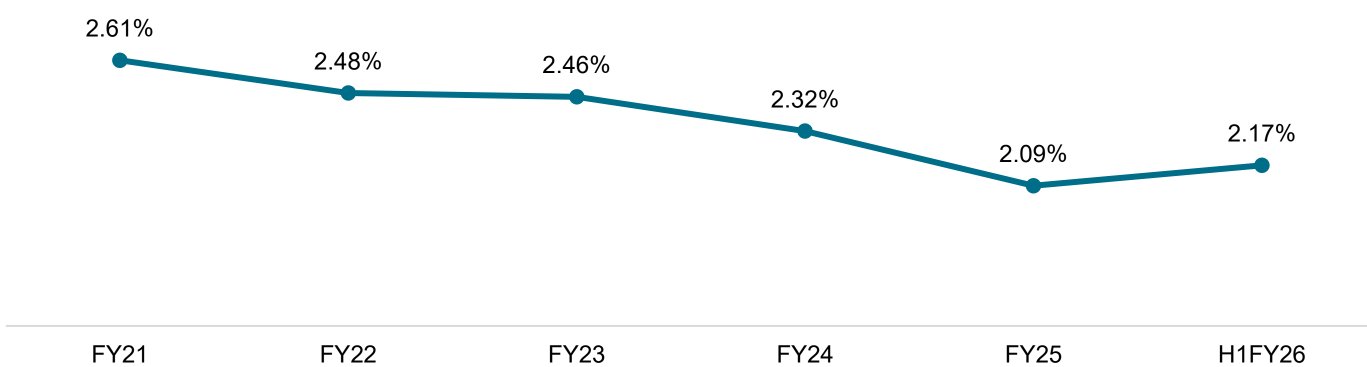
Segment-wise credit cost	FY21	FY22	FY23	FY24	FY25	FY26P	FY27P
Gold loan	0.30%	0.20%	0.10%	0.20%	0.70%	0.50-0.60%	0.40-0.50%
Housing loans	0.84%	0.78%	0.59%	0.35%	0.14%	0.30-0.40%	0.20-0.30%
Affordable housing loans	1.15%	0.99%	0.52%	0.34%	0.53%	0.70-0.80%	0.60-0.70%
MSME	2.28%	3.06%	1.47%	1.97%	2.73%	2.70-2.80%	2.70-2.80%

Segment-wise credit cost	FY21	FY22	FY23	FY24	FY25	FY26P	FY27P
Auto loans	2.70%	2.30%	1.30%	1.30%	1.40%	1.40-1.50%	1.30-1.40%
Micro finance loans	4.60%	3.50%	3.40%	2.70%	8.70%	6.00-7.00%	3.00-5.00%

P – Projected
Note: Housing loans include affordable housing loans; Ratios are calculated on average total assets
Source: Company reports, Crisil Intelligence

Housing finance has one of the lowest annual credit costs among large financial asset classes, primarily due to its collateral backed nature of the funding. Housing finance and affordable housing finance have consistently shown improved asset quality in historical period. Credit cost of housing finance is projected to remain the lowest till fiscal 2027. In fiscal 2025, the credit cost for NBFCs was 8.70% for microfinance loans and 1.40% for auto loans, whereas that of housing loans was 0.14%. Credit costs for housing loans declined ~21 bps to 0.14% from Fiscal 2024 to fiscal 2025, owing to reversal of provisions by several large HFCs following an improvement in asset quality.

GNPA trend in the housing finance market (fiscal 2021-first half of fiscal 2026)



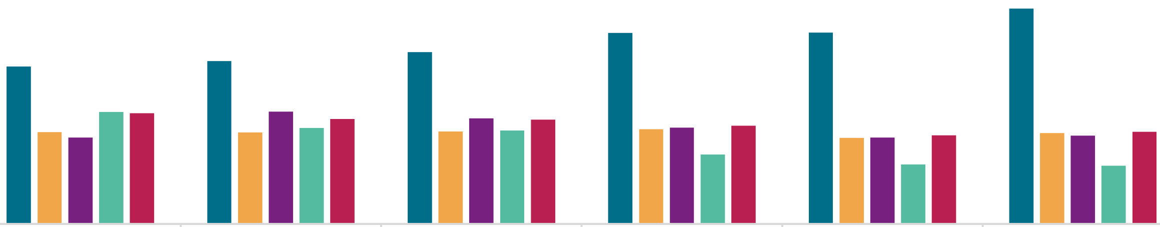
Source: CRIF Highmark, Crisil Intelligence

In the first half of fiscal 2026, the housing portfolio's GNPA declined 44 bps from fiscal 2021 to 2.17%, due to the resilience of both prime and affordable housing customers. Asset quality was further supported by effective collections, higher provisioning and intensified monitoring of early delinquencies.

Loans above Rs. 5.0 million have the best asset quality; Loans between Rs. 1.5-3.5 mn ticket size has been stable showing the resilience of the segment

Loans above Rs. 5.0 million continue to exhibit strong performance with GNPA declining to 1.37% in September 2025. The segment benefits from relatively stronger borrower profile and higher income stability. However, ticket segments of Rs. 3.5-5.0 million and Rs. 1.5-3.5 million have also shown resilience, despite macroeconomic fluctuations. For instance, the Rs. 1.5-3.5 million segment had shown better asset quality compared to performance of the overall industry across time periods. Loans below Rs. 1.5 million have underperformed with GNPA rising from 3.71% in fiscal 2021 to 5.08% in H1 fiscal 2026. This segment is sensitive to macro-economic cycles and income is highly fluctuating affecting repayment of loans.

GNPA in Rs.1.5-3.5 million ticket size was better than overall industry across time periods



	FY21	FY22	FY23	FY24	FY25	H1FY26
Upto 1.5 mn	3.71%	3.84%	4.05%	4.50%	4.51%	5.08%
1.5-3.5 mn	2.17%	2.16%	2.18%	2.24%	2.03%	2.14%
3.5-5 mn	2.04%	2.65%	2.49%	2.27%	2.03%	2.08%
> 5mn	2.64%	2.26%	2.20%	1.63%	1.40%	1.37%
Overall	2.61%	2.48%	2.46%	2.32%	2.09%	2.17%

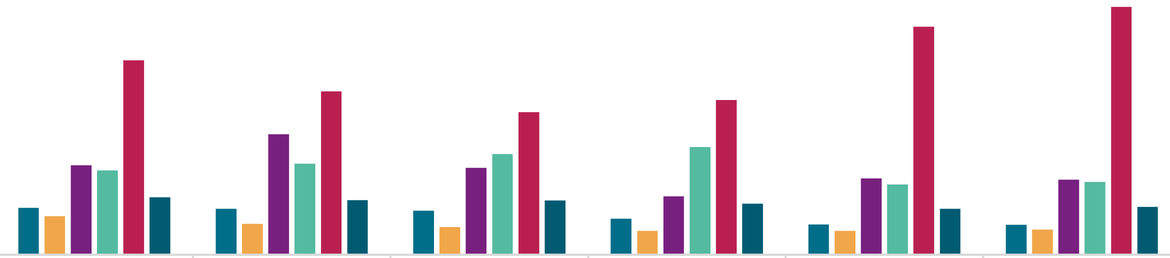
Upto 1.5 mn   1.5-3.5 mn   3.5-5 mn   > 5mn   Overall

Source: CRIF Highmark, Crisil Intelligence

HFCs have witnessed improving asset quality with GNPA declining to 3.31% in the first half of fiscal 2026 from 3.83% in fiscal 2021

Historically, private and public banks have demonstrated superior asset quality compared to HFCs and NBFCs. This disparity can be attributed to the distinct customer segments that these players cater to. HFCs and NBFCs typically serve a more vulnerable segment, characterized by a lack of formal income sources and limited documentation. Consequently, this customer class is inherently riskier and more prone to delinquencies. To compensate for the elevated risk, HFCs and NBFCs charge borrowers' higher interest rates as a premium for the risk undertaken. This risk-based pricing strategy enables them to offset the potential losses arising from higher delinquencies, thereby maintaining a viable business model. As of the first half of fiscal 2026, private banks exhibited the strongest asset quality, with a GNPA ratio of 1.14%, followed by public banks at 1.35%. HFCs also showed improvement, with GNPA declining to 3.31% in the first half of fiscal 2026 from 3.83% in fiscal 2021, after peaking at 4.88% in fiscal 2024.

Player group-wise GNPA (fiscals 2021-H1FY2026)



	FY21	FY22	FY23	FY24	FY25	H1FY26
Public Banks	2.13%	2.09%	2.00%	1.64%	1.38%	1.35%
Private Banks	1.75%	1.41%	1.26%	1.09%	1.09%	1.14%
NBFCs	4.06%	5.47%	3.94%	2.65%	3.47%	3.41%
HFCs	3.83%	4.13%	4.58%	4.88%	3.19%	3.31%
Others	8.83%	7.41%	6.48%	7.02%	10.35%	11.25%
Overall	2.61%	2.48%	2.46%	2.32%	2.09%	2.17%

Source: CRIF Highmark, Crisil Intelligence,

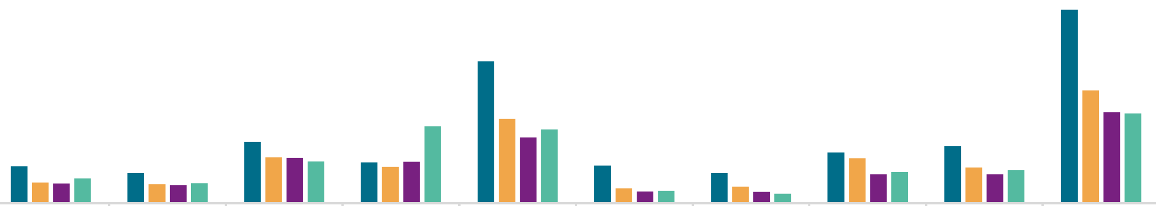
Asset quality by lender and ticket size

Asset quality has notably improved across major lenders in the higher ticket size segment (loans above Rs 1.5 million). As of September 2025, private and public sector banks reported GNPA ratios of 0.80% and 1.04%, respectively vs 1.70% and 2.10% in fiscal 2021 in loans with ticket size more than Rs. 5 million. HFCs have noted steep correction in GNPA for ticket size more than Rs. 5 million and Rs. 3.5 – 5 million from 6.49% and 3.50% in fiscal 2021 to 2.79% and 2.46% in H1 fiscal 2026 respectively.

Asset quality in the mid-ticket size segment (Rs 1.5-3.5 million) remained stable and resilient for HFCs at 3.07-3.02% between fiscal 2021 and the first half of fiscal 2026. This stability reflects effective credit risk management while supporting sustained growth even during the time of downturn of FY21.

In contrast, the GNPA of the lower ticket size segment—particularly loans up to Rs 1.5 million—has remained relatively higher, with HFCs recording the second highest GNPA for loans below Rs 1.5 million, reaching 4.84% in H1 fiscal 2026 from 3.45% in fiscal 2021.

Asset quality for HFCs have remained stable across Rs. 1.5-3.5 million ticket size across cycles



	FY21					H1FY26				
	Public Banks	Private Banks	NBFCs	HFCs	Others	Public Banks	Private Banks	NBFCs	HFCs	Others
Upto 1.5 mn	3.11%	2.55%	5.18%	3.45%	12.00%	3.18%	2.56%	4.30%	4.84%	16.37%
1.5 to 3.5 mn	1.74%	1.61%	3.88%	3.07%	7.12%	1.25%	1.39%	3.80%	3.02%	9.54%
3.5 to 5 mn	1.65%	1.53%	3.83%	3.50%	5.55%	0.98%	0.95%	2.43%	2.46%	7.70%
>5 mn	2.10%	1.70%	3.53%	6.49%	6.23%	1.04%	0.80%	2.64%	2.79%	7.59%

Upto 1.5 mn | 1.5 to 3.5 mn | 3.5 to 5 mn | >5 mn

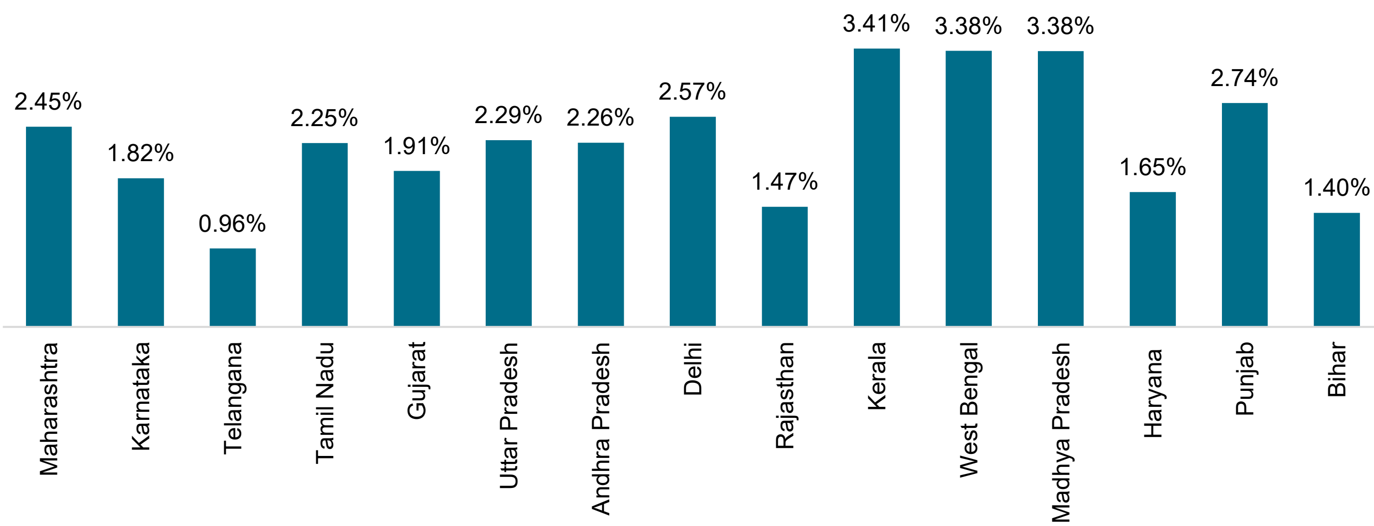
Note: The % represents GNPA ratios across ticket sizes and lender type

Source: CRIF Highmark, Crisil Intelligence

State-wise asset quality of housing loans

Among the top 15 states, Kerala reported the highest GNPA at 3.41% as of September 2025, followed by West Bengal and Madhya Pradesh at 3.38%, Punjab (2.74%), Delhi (2.57%) and Maharashtra (2.45%). The average GNPA for these states was 2.26% in the first half of fiscal 2026.

Asset quality for top 15 states (93.55% of AUM; first half of fiscal 2026)



Source: CRIF Highmark and Crisil Intelligence

Asset quality trends in top 15 states along with market share between fiscal 2021 to fiscal 2025

Top 15 states share	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	GNPA
Maharashtra	22.94%	22.88%	22.84%	22.35%	22.28%	22.19%	13.66%	2.45%
Karnataka	10.45%	10.33%	10.35%	10.52%	10.55%	10.55%	14.75%	1.82%
Telangana	7.01%	7.40%	7.68%	8.00%	8.05%	8.21%	18.50%	0.96%
Tamil Nadu	9.06%	8.81%	8.56%	8.36%	8.20%	8.19%	11.66%	2.25%
Gujarat	8.32%	8.43%	8.31%	8.24%	8.15%	8.14%	13.87%	1.91%
Uttar Pradesh	5.99%	5.95%	5.98%	6.00%	6.06%	6.09%	14.80%	2.29%
Andhra Pradesh	4.36%	4.43%	4.50%	4.67%	4.76%	4.78%	17.02%	2.26%
Delhi	4.70%	4.63%	4.64%	4.50%	4.51%	4.51%	13.30%	2.57%
Rajasthan	3.80%	3.90%	3.97%	4.11%	4.15%	4.17%	17.02%	1.47%
Kerala	4.39%	4.27%	4.09%	4.00%	3.88%	3.81%	11.02%	3.41%
West Bengal	3.33%	3.38%	3.38%	3.34%	3.32%	3.30%	14.37%	3.38%
Madhya Pradesh	3.15%	3.11%	3.13%	3.21%	3.27%	3.28%	15.55%	3.38%
Haryana	3.06%	3.10%	3.12%	3.15%	3.19%	3.20%	15.72%	1.65%
Punjab	1.75%	1.77%	1.77%	1.76%	1.73%	1.72%	14.03%	2.74%
Bihar	1.14%	1.18%	1.25%	1.33%	1.39%	1.41%	20.34%	1.40%
Weighted Average for top 15 states							**14.33%**	**2.19%**
Others	6.55%	6.43%	6.43%	6.46%	6.51%	6.45%	15.14%	1.88%

Source: CRIF Highmark and Crisil Intelligence

Meanwhile, the top two fastest growing states (highlighted in the table above) —Bihar and Telangana achieved rapid growth while maintaining prudent credit performance, with GNPA ratios ranging 0.96-1.40% in the first half of fiscal 2026, which was below the average of top 15 states (2.19%). This correlation between growth and credit quality reflects robust underwriting standards that support responsible and sustainable expansion.

Asset quality has improved for higher ticket sizes across all tier classes

Between Fiscal 2021 and H1 Fiscal 2026, asset quality has faced challenges in the lower ticket size segments, specifically for loans up to Rs. 1.5 million, across all tiers. In terms of market, Tier II & Tier III and beyond regions have exhibited better asset quality than Metropolitan and Tier I cities across ticket size of less than Rs. 1.5 mn and Between Rs. 1.5mn and Rs. 3.5mn.

The resilience in ticket size between Rs.1.5 -3.5 million across fiscals amongst all tiers exhibits the strong underwriting demonstrated by lenders, more specifically HFCs (~38.49% of HFC's overall portfolio in Rs. 1.5-3.5 million ticket size), who use their local knowledge and differentiated underwriting practices to cater to people who lacks documentation and have informal income profiles. Further, HFCs get benefitted owing to higher interest rate charged to customers, coupled with contained asset quality that supports the profitability for HFCs.

Asset quality across tiers and ticket size (GNPA Ratio) indicates that asset quality for Rs.1.5-3.5 million ticket size segment was better than overall industry during downturn of fiscal 2021

Upto Rs. 1.5 mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Metropolitan and Tier I	3.98%	4.55%	4.55%	5.54%	5.99%	6.35%
Tier II	3.36%	3.46%	3.66%	4.30%	4.13%	4.72%

Upto Rs. 1.5 mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Tier III and beyond	3.83%	3.84%	4.12%	4.32%	4.33%	4.94%
NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	**3.69%**	**3.82%**	**4.03%**	**4.49%**	**4.48%**	**5.05%**

Rs. 1.5-3.5 mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Metropolitan and Tier I	2.47%	2.58%	2.61%	2.69%	2.64%	2.78%
Tier II	2.36%	2.33%	2.33%	2.42%	2.14%	2.25%
Tier III and beyond	1.80%	1.75%	1.80%	1.85%	1.61%	1.74%
NA	12.87%	10.53%	10.86%	5.72%	5.23%	8.21%
Total	**2.17%**	**2.16%**	**2.18%**	**2.24%**	**2.03%**	**2.14%**

Rs. 3.5-5mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Metropolitan and Tier I	2.19%	2.10%	2.01%	1.91%	1.82%	1.84%
Tier II	2.42%	2.19%	2.03%	1.73%	1.52%	1.54%
Tier III and beyond	1.50%	1.35%	1.29%	1.23%	1.05%	1.12%
NA	19.55%	12.62%	11.35%	1.30%	1.60%	1.16%
Total	**2.04%**	**1.87%**	**1.75%**	**1.60%**	**1.44%**	**1.47%**

More than Rs. 5 mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Metropolitan and Tier I	2.52%	2.23%	2.31%	1.77%	1.55%	1.49%
Tier II	3.18%	2.72%	2.51%	1.80%	1.48%	1.47%
Tier III and beyond	2.28%	1.85%	1.66%	1.22%	1.04%	1.07%
NA	31.04%	14.87%	13.64%	4.32%	5.39%	4.57%
Total	**2.64%**	**2.26%**	**2.20%**	**1.63%**	**1.40%**	**1.37%**

Note - NA refers to the portfolio which is untagged as per the bureau data and constitutes less than 5% of the total portfolio

Source: CRIF Highmark, Crisil Intelligence

Profitability for housing finance companies

Over the period from FY2021 to FY2024, HFCs have demonstrated a notable improvement in profitability. The Post-Tax Return on Assets (ROA) has increased from 1.40% in FY2021 to 2.23% in FY2024, driven by a combination of enhanced Net Interest Margins (NIMs) and reduced credit costs. This improvement is largely attributed to a 74 bps increase in NIMs, from 2.94% in FY2021 to 3.68% in FY2024, primarily due to a 65 bps rise in Interest on Loans, from 9.31% to 9.96% over the same period. Meanwhile, the cost of borrowings has remained relatively stable, ranging between 6.37% and 6.28% between FY2021 and FY2024 after reducing to 5.58% and 5.82% in fiscal 2022 and fiscal 2023 respectively. Additionally, HFCs have seen a significant reduction in credit costs, from 0.84% in FY2021 to 0.35% in FY2024. Other income has also grown, increasing from 0.56% in FY2021 to 0.87% in FY2024. However, Operating Expenses (OPEX) have risen moderately, from 0.87% to 1.34% over the same period, partially offsetting the gains.

In fiscal 2025, the net interest income to average assets ratio of HFC declined ~16 bps to 3.52% on account of lower lending yields and higher borrowing cost. Interest on loans declined ~10 bps to 9.86% due to an increase in the asset base on the back of fast growth in loan book, given loan growth and pricing pressures. This was led by intense competition in housing as banks and non-banks focused on growing secured assets to mitigate asset quality pressures.

On the funding side, interest expense to average assets ratio increased ~5 bps to 6.33% due to higher interest rates during fiscal 2025 over fiscal 2024, and reliance on costlier funding sources such as commercial paper and non-convertible debentures (NCDs). Credit costs declined ~21 bps to 0.14% as many large HFCs reversed their provisions during fiscal 2025 on account of improving asset quality. As a result, return on assets improved ~4 bps to 2.27%.

Profitability for Housing Finance Companies

Parameters	FY21	FY22	FY23	FY24	FY25	FY26P	FY27P
Total Income	9.88%	9.28%	9.94%	10.83%	10.80%	10.60-10.80%	10.50-10.70%
Interest on Loans	9.31%	8.66%	9.21%	9.96%	9.86%	9.60-9.70%	9.50-9.60%
Interest Expense	6.37%	5.58%	5.82%	6.28%	6.33%	6.10-6.20%	6.00-6.10%
NIMs	2.94%	3.09%	3.39%	3.68%	3.52%	3.40-3.50%	3.40-3.50%
Other Income	0.56%	0.62%	0.73%	0.87%	0.94%	1.00-1.10%	1.00-1.10%
OPEX	0.87%	1.04%	1.20%	1.34%	1.41%	1.10-1.20%	1.10-1.20%
Credit Cost	0.84%	0.78%	0.59%	0.35%	0.14%	0.30-0.40%	0.20-0.30%
Post tax RoA	1.40%	1.46%	1.81%	2.23%	2.27%	2.10-2.20%	2.10-2.20%
Avg Total Assets (in bn)	5,302	5,654	6,284	7,164	8,235		

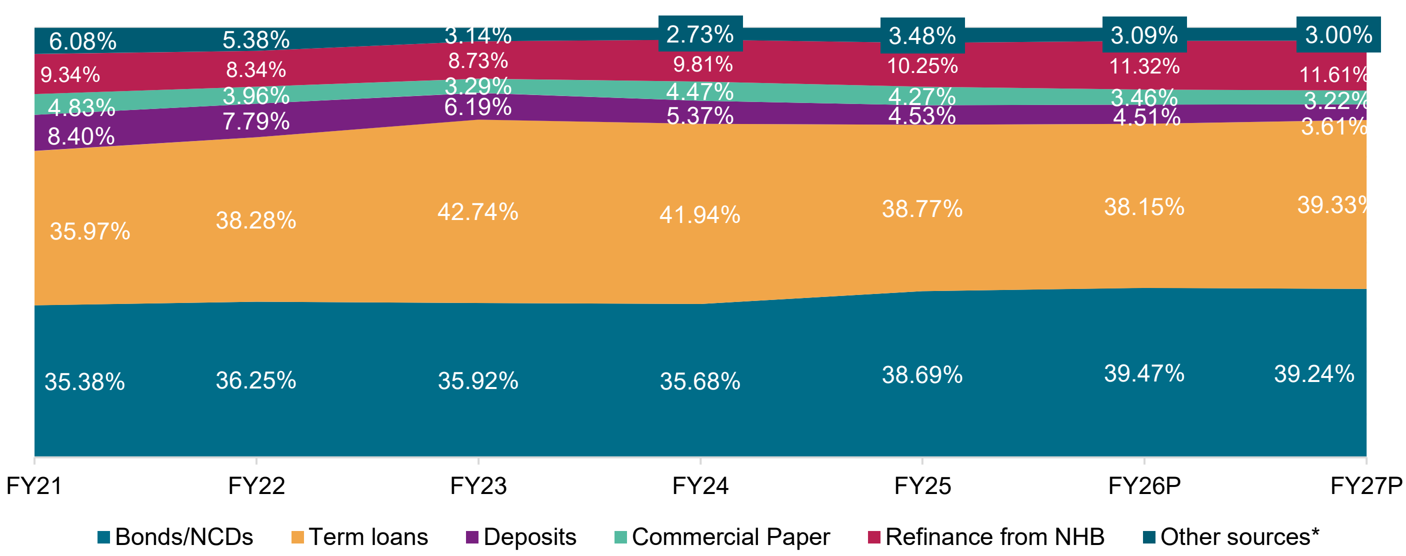
Note: P: Projected; Ratios are calculated on average total assets
Source: Crisil Intelligence

Crisil Intelligence expects yield on advances to decrease 20-30 bps to 9.60-9.70% in fiscal 2026 as lenders reduce the yields due to repo rate cuts and the same range will be sustained in fiscal 2027. Interest expense to average assets is expected to drop 10-15 bps to 6.10-6.20% due to slower repricing, leading to a 5-10 bps decline in net interest income to 3.40-3.50% in fiscal 2026. Credit cost is expected to normalize in the range of 0.30-0.40% after large reversals in previous fiscals. Overall, return on assets is expected to be in the range of 2.10-2.20%.

Borrowing mix of HFCs

Bonds and term loans dominate the borrowing mix of HFCs

Term loans continue to moderate in fiscal 2026 but likely to pick up in fiscal 2027



Note: P – projection
**Other sources include external commercial borrowings, securitisation, working capital loans, cash credit and inter corporate deposits; HDFC Ltd and*

HDFC Bank became a merged entity effective July 1, 2023. Past numbers have been adjusted for HDFC Ltd's borrowing profile
Source: Company reports, Crisil Intelligence

In fiscal 2023, the repo rate rose a cumulative 250 bps, causing capital market borrowings to become more expensive. As a result, term loans from banks increased to 41.94% in fiscal 2024 from 38.28% in fiscal 2022 owing to better cost of funds compared with capital market borrowings, especially for lower-rated entities. In fiscal 2025, the proportion of bonds/ NCDs in the borrowing mix of HFCs rose 300 bps on year to 38.69% as capital market interest rates eased in anticipation of repo rate cuts, making it cheaper for higher rated companies to borrow at a lower rate. However, the proportion of term loans declined 317 bps on-year to 38.77% as interest rates remained high for most part of the fiscal. Refinancing from the National Housing Bank (NHB), though stable at 10.25% of the borrowing mix of HFCs, accounted for ~16.00% of the borrowing mix of Affordable housing Companies (AHFCs). We project the proportion of term loans to reduce to 38.15% in fiscal 2026 as higher rated HFCs will tap the capital market for competitive pricing and that of refinance from NHB is expected to rise to 11.32%.

Technology trends & usage of Generative Artificial Intelligence (GenAI)

The housing finance segment in India is undergoing a technology-led transformation that is fundamentally reshaping how credit is originated, assessed, disbursed and serviced. What was traditionally a branch-centric, paper-intensive and manually underwritten business is steadily evolving into an integrated, data-driven operating model anchored around digital customer interfaces, automated workflows and analytics-enabled decisioning.

Within this space, players are increasingly focused on having an integrated business and technology architecture that enables end-to-end digitisation, scalability and risk control. The architecture typically comprises digital customer interfaces, a central loan origination system (LOS), workflow orchestration layers and deep integration with third-party data sources such as credit bureaus, KYC utilities, valuation agencies and payment systems. This technology backbone enables seamless movement of a loan across stages such as customer acquisition, onboarding, underwriting, property and legal due diligence, sanction, disbursement, servicing and closure while ensuring standardisation, auditability and regulatory compliance. Over time, deeper integration of analytics, document intelligence and automation across the lifecycle is expected to improve turnaround times, reducing cost-to-serve and enhancing customer experience, particularly in high-volume affordable housing segments.

Business and technology architecture in the segment

Lead management system	Rule engine	Loan management system	Document management	Collection management	Analytics and reporting
Loan origination system	Fraud analytics	Accounting fundamentals	Physical verification documents	Customer intimation	Real-time dashboards
Lead management for DSAs	AI and ML-based underwriting	Interest/ other charges calculations	Automated valuation models	Cash flow forecast of customer	Portfolio early signs
App/web-based applications	Internal credit score for customer	Geospatial/ registry APIs	Document workflow automation	Management of overdue customer	Data lake
Bureau pre-checks	Automated lending decision	Customer lifecycle management	Storage and track record of documents	Automation of non-cash collection	Budgeting and variance analysis

Source: Crisil Intelligence

For HFCs and AHFCs, these advancements are particularly significant as they enable scalable growth in high-volume, document-intensive segments without proportionate increases in manpower. We believe technology has transitioned from being a support enabler to a strategic cornerstone of the housing finance business, with lenders that embed digital, analytics and governance capabilities deeply into their operating architecture likely to demonstrate stronger operating leverage, superior customer experience and more resilient risk-adjusted performance over the medium term.

While digital adoption across customer onboarding and application processing was widespread, the competitive differentiation among lenders increasingly hinges on how effectively technology is embedded across the entire home loan lifecycle, including underwriting, collateral due diligence, disbursement controls, portfolio monitoring and collections. Our assessment of the landscape indicates the following technological trends/ shifts shaping the sector.

1. Application Programming Interface (API) -first, modular lending architectures

The segment is transitioning from monolithic, siloed core systems to **API-first, modular architectures** that enable real-time integration between LOS, document management systems, bureau interfaces, valuation platforms, payment rails and servicing systems. This architectural shift enables:

- Near real-time credit decisioning
- Seamless integration with third-party data providers
- Improved scalability without proportional increases in operating costs

For AHFCs, API-led integration supports faster processing of geographically dispersed and document-intensive loan applications.

2. Data-driven and AI-augmented underwriting

Underwriting processes are increasingly supported by machine learning (ML) models, business rule engines (BREs) and advanced analytics, which together improve underwriting consistency while reducing subjectivity. Some of the key applications include, but are not limited to:

- Automated extraction and validation of borrower documents through OCR and language models
- Bank statement and cash-flow analysis using consent-based data access frameworks
- Predictive risk scoring and policy adherence checks
- Automated generation of structured credit appraisal summaries for underwriter review

Within the broader architecture, the BRE functions as the core decisioning and policy execution layer for HFCs and AHFCs. The BRE translates credit policies, eligibility criteria, underwriting norms, pricing grids, deviation frameworks and approval hierarchies into executable rules that operate consistently across channels and geographies. From a technology perspective, the BRE interfaces with the LOS, data and feature layers and external APIs to support real-time eligibility checks, income and obligation assessment, collateral guardrails, pricing decisions and exception handling. Importantly, the BRE also enables governance through version control, maker-checker frameworks, audit trails and explainability of credit decisions. These systems are being deployed as decision-support tools, with final credit decisions governed by predefined policies and human oversight.

Technology architecture of the BRE module in the segment

Eligibility decisioning	Income calculation	Loan decisioning	Price decisioning	Deviation handling	Fraud decisioning
-Bureau checks -Past repayment track record -Collateral guardrails	-Bank statement analyser -Income tax returns -GST returns -FOIR	-Loan calculators -Internal checklist/ grading -Collateral with adequate LTV	-Pricing engine -EMI simulated based on FOIR -Pricing grid	-Deviation engine -Internal approval matrix -Deviation treatments -High-risk flag	-Fraud rule engine -Timely indication

Note: FOIR – Fixed obligation to income ratio
Source: Crisil Intelligence

3. Collateral intelligence and property analytics

Property-related risk remains central to mortgage-led lending and hence HFCs are increasingly adopting automated valuation models, geo-spatial analytics and digital title assessment tools. This supports faster and more standardised property valuation, improved loan-to-value (LTV) discipline and early identification of documentation gaps or legal inconsistencies. In addition, advanced document intelligence tools are being used to summarise property title chains and legal documents, improving turnaround times while maintaining risk controls.

4. GenAI across the lending lifecycle

GenAI is emerging as a horizontal capability across the home loan lifecycle, augmenting front-end and risk functions. HFCs are increasingly exploring GenAI for building conversational interfaces for lead qualification and borrower assistance, automating summarisation of underwriting and legal documents during personal discussions, customer query and grievance servicing and building portfolio-level risk narrative generation to support early warning systems. From a governance perspective, GenAI deployments are also increasingly accompanied by model validation, explainability checks and audit trails, reflecting heightened regulatory and institutional scrutiny.

5. Portfolio monitoring, early warning and collections analytics

Post-disbursement, technology adoption is enabling continuous portfolio monitoring through analytics-driven early warning systems. These systems integrate repayment behaviour, bureau updates and internal performance metrics to flag emerging stress at an early stage. In collections, digital tools usually support with:

- Automated borrower communication and reminders
- Agent productivity enhancement through contextual insights
- Improved recovery outcomes while preserving customer experience

6. Fraud risk management and controls

With increased digitisation, lenders are strengthening fraud detection frameworks using real-time document checks, identity verification, anomaly detection and cross-database validation. Integrated fraud analytics platforms reduce credit losses and reputational risk.

Assessment of technology diffusion in value chain of housing finance

Housing financing has already witnessed a substantial portion of secured lending workflows being automated. However, residual manual intervention persists in property valuation, customer's financial diligence in case of surrogate income programs, legal due diligence, deviation handling and exception management. These stages historically account for a disproportionate share of turnaround time and operational cost. With increasing technology evolution, HFCs and AHFCs are addressing these constraints through workflow orchestration engines, document intelligence platforms and analytics-driven exception handling, enabling consistency, auditability and improved predictability of outcomes.

Current state analysis: Degree of digitisation across the home loan lifecycle

Parameter	Objective	Measures used	Intensity of technology usage
Digital loan approval process	To understand the magnitude of paperless process	• Existence of paperless leads to approval process • Availability of scanning facility for data and documents from field for credit evaluation • Facility to view the data centrally	Medium-High
Data capture	To understand the intensity of customer data captured through digital channels	• Number of data points digitally captured for each customer for every loan transaction • Access to all data captured real time	Medium
Third-party data integration	To understand the intensity of API integration with third-party aggregators and public databases	• API integration with third-party aggregators • Number of tie-ups with third-party aggregators	Medium
Technology-enabled processes	To understand the number of processes that are technology-enabled in the loan lifecycle	• Intensity of technology usage in different stages of loan processing such as credit approval, sanction, disbursal, fraud check, collections and query resolutions	Medium
e-Payments and NACH	To understand the existing mechanisms for cashless and digital payments/collections	• ACH/ECS penetration in EMI repayment • Cash, cheque, UPI and NEFT penetration in processing fee collection • Penetration of the electronic mode in field collection	High
Mobility solutions	To evaluate the existence of mobility solutions for stakeholders	• Existence of mobile application for customers, employees and channel partners • Intensity of customer application usage	Medium
Customer 360° view	To understand if customer information is available to all employees in real-time and need-to-know basis	• Complete access to customer information on an ongoing basis • Real-time tracking of the current loan stage of any customer	Medium
Digital marketing	To identify existence of any digital presence and loan origination through digital channels	• Presence on social media websites • Website ranking analysis, organic and inorganic traffic • Proportion of total leads originated through digital channels • Proportion of total leads converted through digital channels	High

Source: Crisil Intelligence

We expect technology to become the principal determinant of competitiveness and sustainability in the HFC and AHFC segments, rather than merely an enabler of operational efficiency. As housing finance penetration expands into more heterogeneous borrower profiles and geographies, lenders will increasingly rely on digital architecture, advanced analytics and rule-driven decisioning to manage scale without diluting credit discipline.

The next phase of transformation is likely to be characterised by deeper integration of data, automation and governance across the home loan lifecycle, enabling faster, more consistent and explainable credit outcomes even in segments marked by informal incomes and complex property documentation. Over time, this shift is expected to create a clear differentiation between institutions that treat technology as a strategic core and those that view it as a supporting layer, with the former better positioned to achieve sustained growth, superior operating leverage and resilient risk-adjusted performance.

Potential threats in housing finance industry

The housing finance industry operates within a dynamic macroeconomic and regulatory environment. While the sector benefits from strong structural demand drivers, its performance may be influenced by certain external and operational factors. These risks are inherent to long-tenor retail lending businesses and are actively managed by lenders through prudent risk management practices.

- **Interest rate movements and affordability sensitivity:** Housing finance activity is sensitive to movements in interest rates, as changes in borrowing costs can influence affordability and borrower decision-making. Periods of elevated interest rates may temporarily moderate demand or defer purchase decisions, particularly in interest-sensitive borrower segments. However, housing loans are long-term products, and demand typically adjusts over time as interest rates stabilise, or transmission improves. Lenders mitigate this risk through calibrated pricing, portfolio diversification, and prudent underwriting.
- **Funding and liquidity management:** Housing finance companies rely on a diversified mix of funding sources, including bank borrowings, capital market instruments, and refinance facilities. Managing asset-liability maturity is an important aspect of the business, given the long-tenor nature of housing loans. While market disruptions can affect funding conditions in the short term, most established HFCs actively manage liquidity through diversified funding channels, adequate liquidity buffers, and staggered maturities to ensure continuity of operations.
- **Competitive intensity within the sector:** The housing finance industry is characterised by competition from banks and other financial institutions, particularly in higher-ticket and salaried borrower segments. Banks benefit from access to lower-cost deposits, which can influence pricing dynamics. However, housing finance companies continue to maintain relevance through differentiated operating models, focus on specific borrower segments, geographic reach, and underwriting expertise. Regulatory requirements applicable to HFCs, including capital adequacy norms, support balance sheet strength and long-term stability.
- **Property price trends and input costs:** Residential property prices and construction costs influence housing affordability and demand. Periods of sharp increases in prices or input costs may lead to temporary moderation in demand, particularly in affordable housing segments. However, in the medium term, affordability tends to adjust through a combination of income growth, policy support, and interest rate movements. Additionally, demand often shifts across geographies and ticket sizes rather than contracting uniformly.

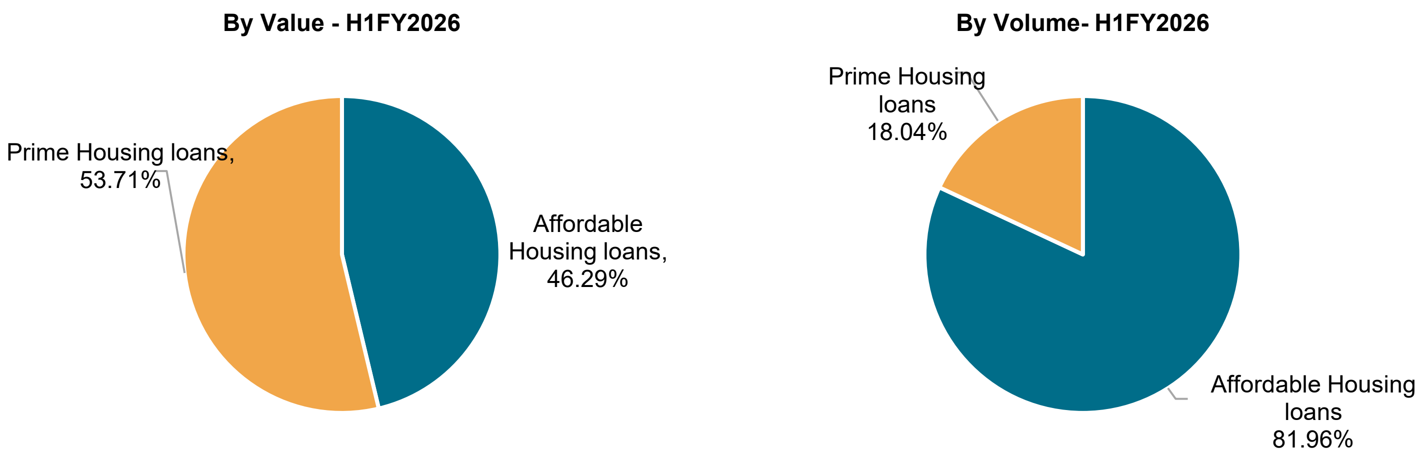
Crisil
Intelligence

Overview of the Indian Affordable-housing finance market

India's mortgage market can broadly be divided into two segments by ticket size of the housing loan at the time of disbursement – prime loans and affordable housing loans. The affordable housing finance segment is typically characterised by housing loans with ticket sizes of up to Rs. 3.5 million, which represents one of the most structurally significant and underpenetrated segments of India's housing finance market, particularly in the self-employed segment. The segment continues to represent a significant portion of India's housing credit ecosystem, accounting for 46.29% in terms of total loan outstanding and 81.96% in terms of active loan accounts. Higher share in volumes provides space for diversification of borrowers and reducing the concentration of defaults.

Demand in this segment is primarily driven by first-time homebuyers across salaried (including salaried within the informal sector) and self-employed customers, in Tier II, Tier III, and semi-urban markets, where affordability considerations and access to formal credit play a critical role in home ownership decisions. This segment comprises small business owners, traders, service professionals and entrepreneurs who are economically active, generate stable cash flows and often maintain banking relationships, but lack formal income documentation. As a result, this segment remains inadequately served by banks and larger NBFCs/HFCs.

Affordable-housing finance constitutes 46.29% of housing loan O/S & 81.96% of active loans in first half of fiscal 2026



Source: CRIF Highmark, Crisil Intelligence

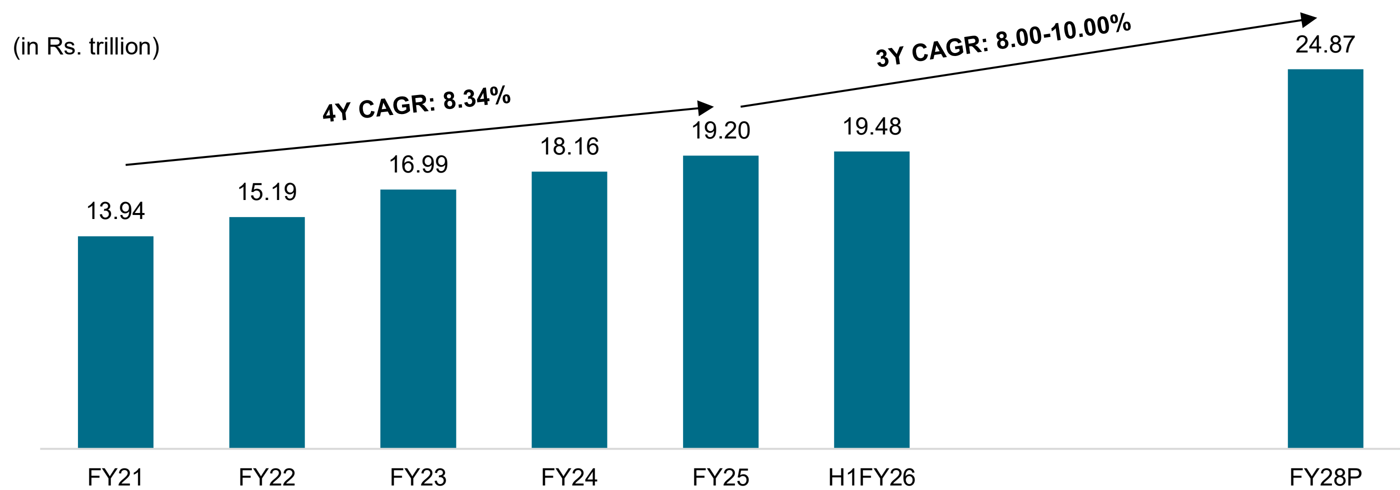
This segment represents a large and growing opportunity, supported by rising urbanisation, rising incomes and increasing aspiration for home ownership. Further, the segment benefits from relatively lower loan-to-value risk, and policy support through priority sector classification and targeted housing initiatives. While borrowers in this segment often exhibit non-standardised income profiles, repayment behaviour has remained largely stable due to essential housing demand, smaller ticket sizes, and conservative underwriting practices adopted by lenders. As a result, affordable housing finance continues to be a key growth driver for specialised housing finance companies and an important channel for expanding formal housing credit penetration in India.

The affordable housing segment experienced temporary volatility during Fiscal 2021 due to the disproportionate impact of the pandemic on economically weaker sections (EWS) and lower-income group (LIG) borrowers. However, policy support, accommodative interest rates, and gradual normalization of economic activity supported a recovery in Fiscal 2022. As economic momentum strengthened and housing demand revived across tiers, outstanding affordable housing credit expanded meaningfully through fiscal 2023 and fiscal 2024. In fiscal 2025, growth in affordable housing credit moderated relative to the elevated growth seen in the broader housing finance market. This moderation reflects a combination of factors including elevated interest rates during much of the fiscal 2025, increase in property prices, and recalibration of underwriting standards across lenders. Importantly, moderation was more pronounced in the sub-Rs.1.5 million ticket size segment which grew by a CAGR of 3.73% between fiscal 2021 and fiscal 2025. In contrast, mid-ticket segments within the affordable bracket (Rs. 1.5–3.5 million) continued to demonstrate relatively stable demand and improved borrower profiles having recorded a growth of 10.77% during the same period.

In past 1-2 fiscals, rising input costs such as steel, cement and labour led to incremental pricing adjustments in new housing launches. This resulted in a gradual migration of loan demand toward slightly higher ticket sizes within the affordable band, reflecting both price pass-through and incremental income growth among borrowers. The shift does not indicate structural demand erosion but rather a recalibration of affordability thresholds.

Looking ahead, Crisil projects affordable housing finance market to grow at a compounded rate of 8.00–10.00% through fiscal 2028. We expect rationalisation of GST rates on construction materials, and continued government support through schemes such as PMAY are likely to support demand. Further, structural drivers including urbanization, nuclearization of families, rising disposable incomes, and increasing formalization of borrower cash flows will remain intact and continue to underpin growth prospects in the segment.

Affordable-housing finance logs a CAGR of 8.34% between fiscals 2021 and 2025



Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

Structural evolution in ticket size in affordable housing finance

Over the past few years, the affordable housing segment has witnessed a gradual shift in ticket-size distribution. While loans below Rs. 1.5 million recorded relatively low growth, loans in the Rs. 1.5–3.5 million range have demonstrated comparatively stronger growth and increasing share in overall disbursements. Between Fiscal 2021 and H1 Fiscal 2026:

- Share of loans in the Rs.1.5–3.5 million range increased in both value and volumes in the affordable housing finance
- Loans in the Rs. 1.5–3.5 million range continue to maintain a meaningful share of total affordable housing disbursements.

Value growth in affordable housing and its sub-segment (in Rs. trillion)

Ticket Size	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Less than Rs. 1.5 mn	5.11	5.26	5.63	5.81	5.92	5.92	**3.73%**
Between Rs. 1.5 -3.5 mn	8.82	9.93	11.36	12.35	13.29	13.56	**10.77%**
Overall	**13.94**	**15.19**	**16.99**	**18.16**	**19.20**	**19.48**	**8.34%**

Source: CRIF Highmark, Crisil Intelligence

Volume growth in affordable housing and its sub-segment (in 000's)

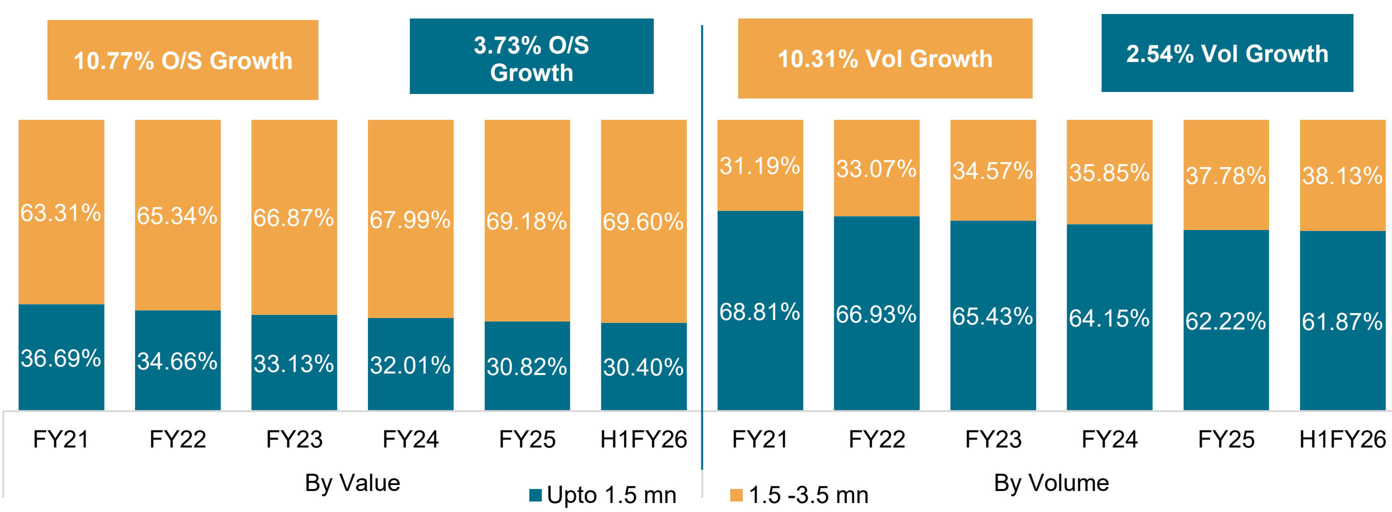
Ticket Size	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Less than Rs. 1.5 mn	10,754.18	11,107.04	11,798.95	12,020.68	11,890.12	11,959.48	**2.54%**
Between Rs. 1.5 -3.5 mn	4,875.00	5,487.83	6,233.76	6,716.51	7,218.39	7,369.18	**10.31%**
Overall	**15,629.18**	**16,594.87**	**18,032.72**	**18,737.19**	**19,108.50**	**19,328.66**	**5.15%**

Source: CRIF Highmark, Crisil Intelligence

The share of loans up to Rs. 1.5 million moderated over the period. In terms of value, the share declined from 36.69% in fiscal 2021 to 30.40% in first half of fiscal 2026. In volume terms, the share adjusted from 68.81% to 61.87%. This movement reflects recalibration of loan sizes amid property price increases and gradual income progression, rather than structural demand erosion. The segment continues to remain relevant, especially in semi-urban and Tier II/III markets.

In contrast, the Rs. 1.5–3.5 million segment has strengthened its relative position. In terms of value, its share increased from 63.31% in fiscal 2021 to 69.60% in first half of fiscal 2026. In volume terms, the share rose from 31.19% to 38.13% over the same period. This indicates consolidation of demand within mid-affordable ticket sizes, which remain within the affordable housing construct while offering improved borrower income stability and repayment visibility.

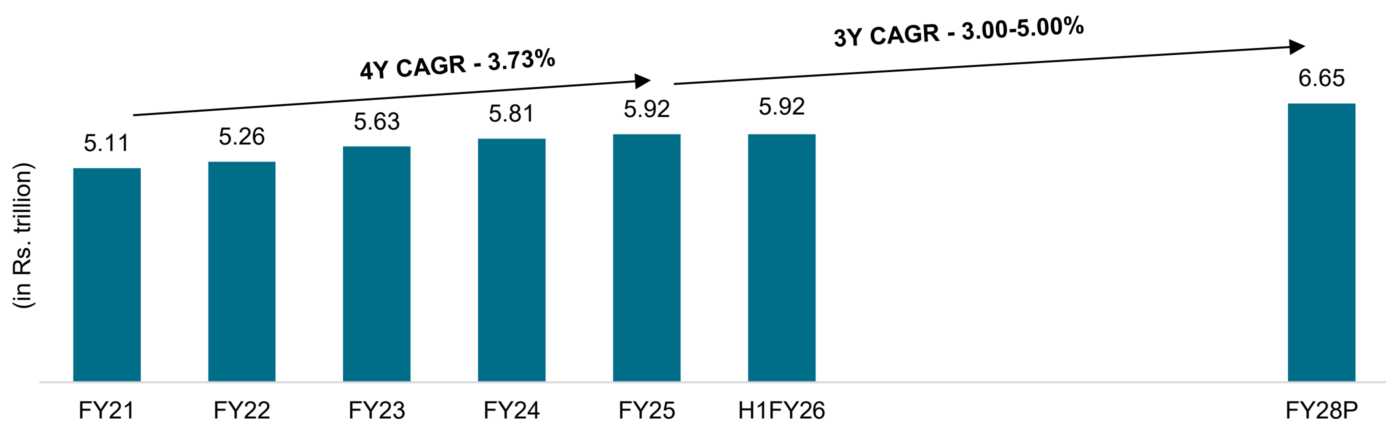
Share of loans (by value and volume) between Rs 1.5 million to Rs. 3.5 million grew over the years



Source: CRIF Highmark, Crisil Intelligence

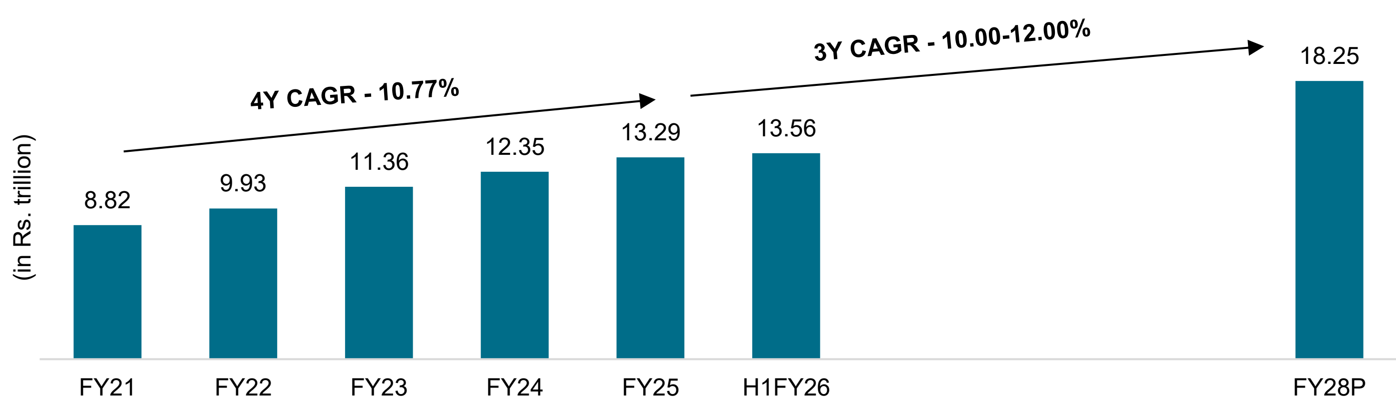
Going forward, Crisil expects that the loans between Rs. 1.5-3.5 million ticket size to grow at 10.00-12.00% CAGR between fiscal 2025 and fiscal 2028, outpacing the overall affordable housing finance market growth of 8.00-10.00% during the same period.

Portfolio outstanding for loans with ticket size (sub Rs. 1.5 mn) to grow at a relatively slower pace



Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

Portfolio for loans with ticket size (Rs. 1.5 - Rs. 3.5 mn) to outpace the overall affordable housing finance growth



Note: P: Projected; Source: CRIF Highmark, Crisil Intelligence

The affordable housing finance (AHFC) segment remains a structurally relevant and resilient component of India's housing finance market, driven by first-time homebuyers, self-employed households, and demand from Tier II, Tier III, and semi-urban markets. While growth has moderated in recent periods due to macroeconomic and affordability-related factors, demand within the segment has increasingly consolidated around mid-affordable ticket sizes (Rs.1.5–3.5 million), which demonstrate stronger borrower profiles, relatively stable asset quality, and sustainable repayment behaviour.

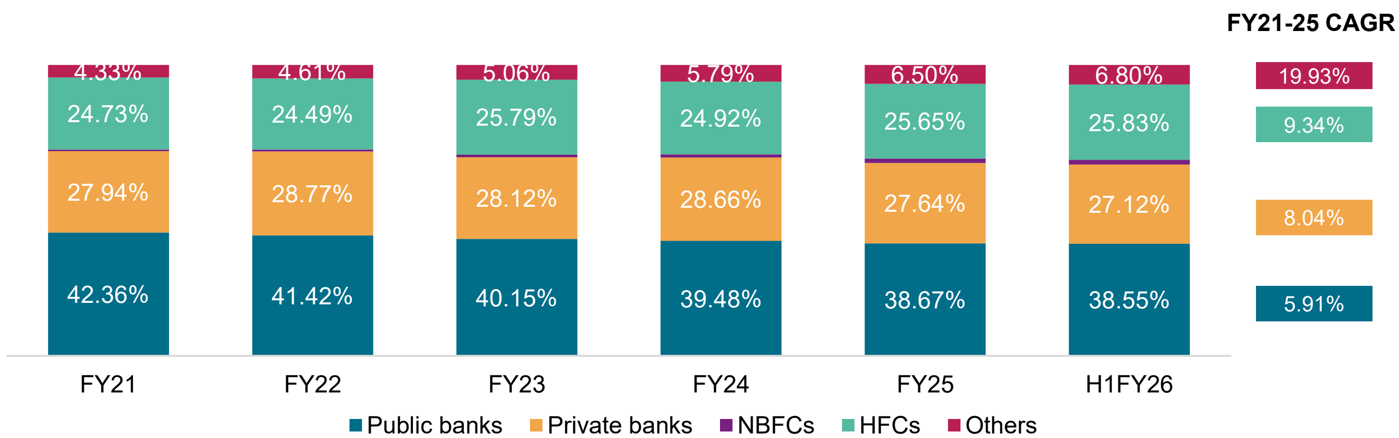
This shift reflects a natural evolution of the segment, wherein lenders and borrowers have gravitated toward ticket sizes that balance affordability with income stability. As a result, specialized affordable housing finance companies (AHFCs) operating in this band continue to benefit from structural demand visibility, even amid near-term cyclical pressures.

Amongst the housing players, it is noted that affordable housing players like Aadhar Housing finance, Aavas Financiers, Home First Finance, Aptus Housing, Truhome Finance and India Shelter Finance have been able to clock CAGR of average 25-30% between fiscals 2021 to 2025. Since the non AHFC players are moving to higher ticket size as suggested by the lender wise trends, AHFCs have been able to exploit the opportunity in mid ticket size segment of Rs. 1.5-3.5 million. AHFCs can maintain profitability with favorable risk reward ratio by charging slightly higher yields and containing delinquencies, thereby capitalizing on the opportunity in this segment.

Lender-wise analysis on portfolio outstanding for affordable housing segment

The affordable housing finance segment continues to witness balanced participation across lender categories, with HFCs strengthening their relative positioning over the past five years. The share of HFCs in affordable housing loan outstanding increased to 25.83% in H1FY26 from 24.73% in FY21, supported by a healthy 4-year CAGR of 9.34% between fiscal 2021 and fiscal 2025. In comparison, public sector banks moderated from 42.36% to 38.55% over the same period, while private sector banks maintained a broadly stable share at ~27.00-29.00%.

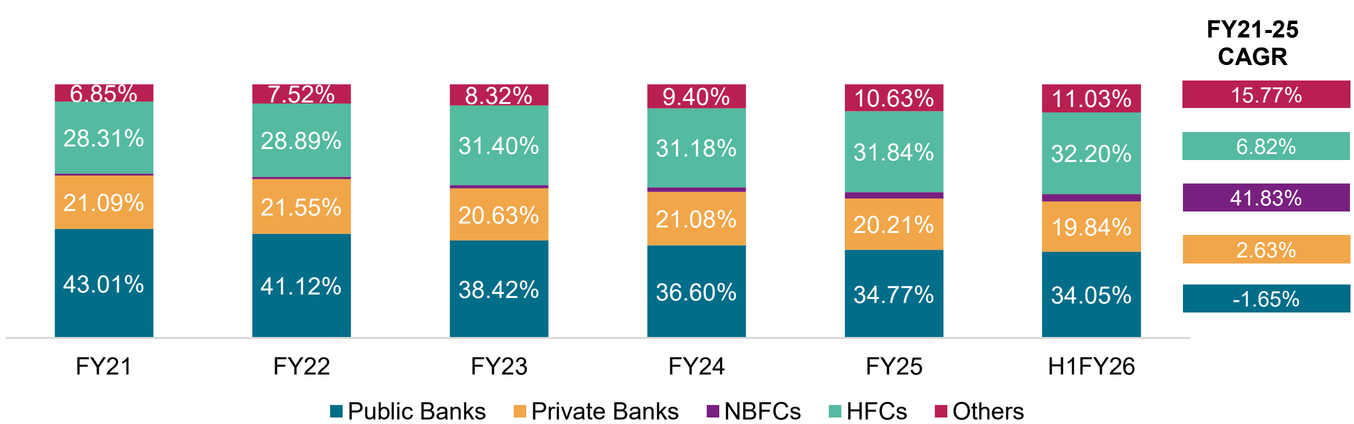
HFCs log second-highest 4-year CAGR of 9.34% in affordable-housing loan outstanding



Note: Others include small finance banks, foreign banks and other financial institutions; Source: CRIF Highmark, Crisil Intelligence

The moderation within the affordable housing segment is primarily concentrated in loans below Rs.1.5 million. Further, within the player groups for loans below Rs. 1.5 million, public sector banks' share in this segment declined from 43.01% in fiscal 2021 to 34.05% in first half of fiscal 2026. Private banks remained broadly stable at ~20.00–22.00%, while HFCs increased share to 32.20%, growing at a 4-year CAGR of 6.82% in this segment, outpacing the overall industry growth of 3.73% CAGR for sub Rs. 1.5 million loans during the same period.

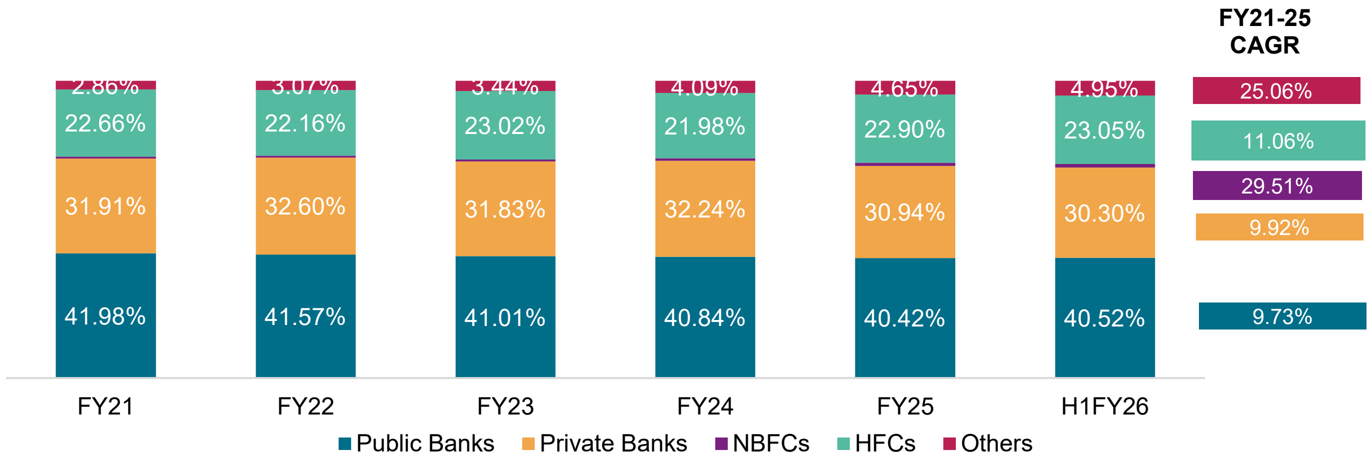
HFCs logged third-highest 4-year CAGR of 6.82% in loans below Rs. 1.5 million



Note: Others include small finance banks, foreign banks and other financial institutions; Source: CRIF Highmark, Crisil Intelligence

In contrast, the Rs.1.5–3.5 million segment has demonstrated stronger growth dynamics. HFCs grew at a 4-year CAGR of 11.06% in this ticket size band, outpacing growth of 10.77% of the loan segment (Rs. 1.5-3.5 mn) in affordable housing finance. HFCs maintained a stable share of ~22.00–23.00% in this segment over FY21–H1FY26, reflecting consistent participation, while share of public sector and private sector banks declined.

HFCs grew by 11.06% in Rs. 1.5 – 3.5 mn ticket size, outpacing its growth in overall affordable housing industry

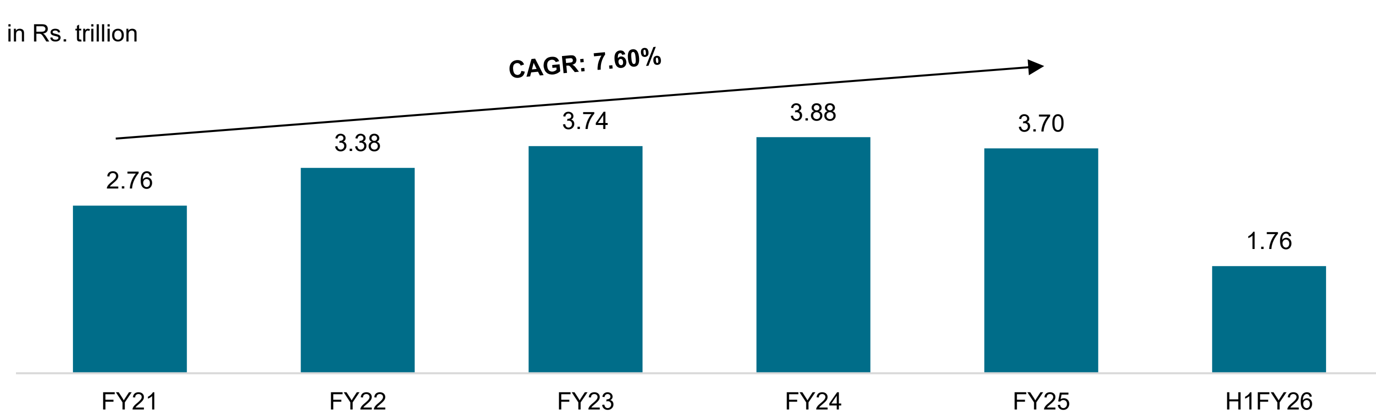


Note: Others include small finance banks, foreign banks and other financial institutions; Source: CRIF Highmark, Crisil Intelligence

Disbursement growth for the Rs. 1.5-3.5 mn segment outpaced the overall affordable housing disbursement growth

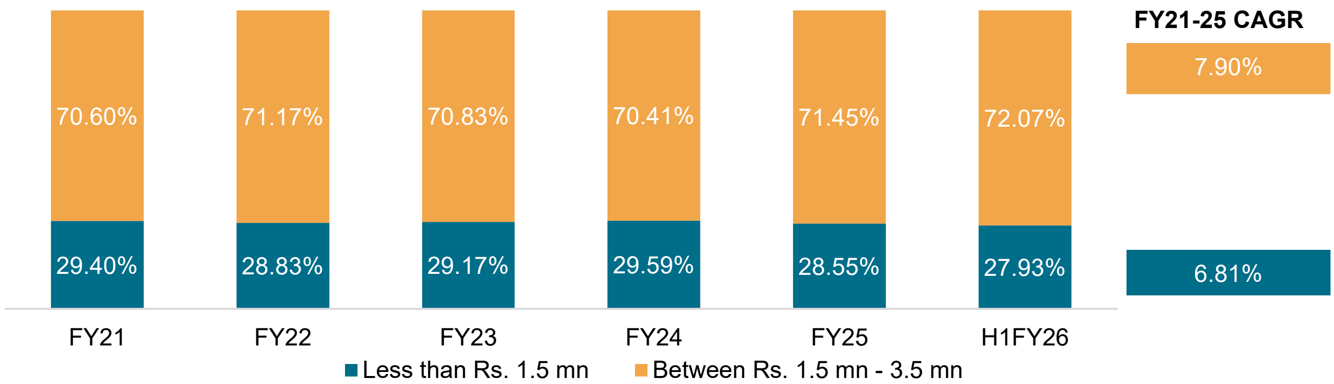
The disbursements for affordable housing segment have grown at a CAGR of 7.60% between fiscal 2021 to 2025. Within the segment, loans between Rs. 1.5-3.5 million have grown at 7.90% between fiscal 2021 and 2025, outpacing the industry, while the segment below Rs. 1.5 mn has witnessed slower growth of 6.81% during the same period.

Disbursement trend for overall affordable-housing loans in India



Source: CRIF Highmark, Crisil Intelligence

Disbursement growth higher in Rs. 1.5-3.5 mn ticket size segment



Source: CRIF Highmark, Crisil Intelligence

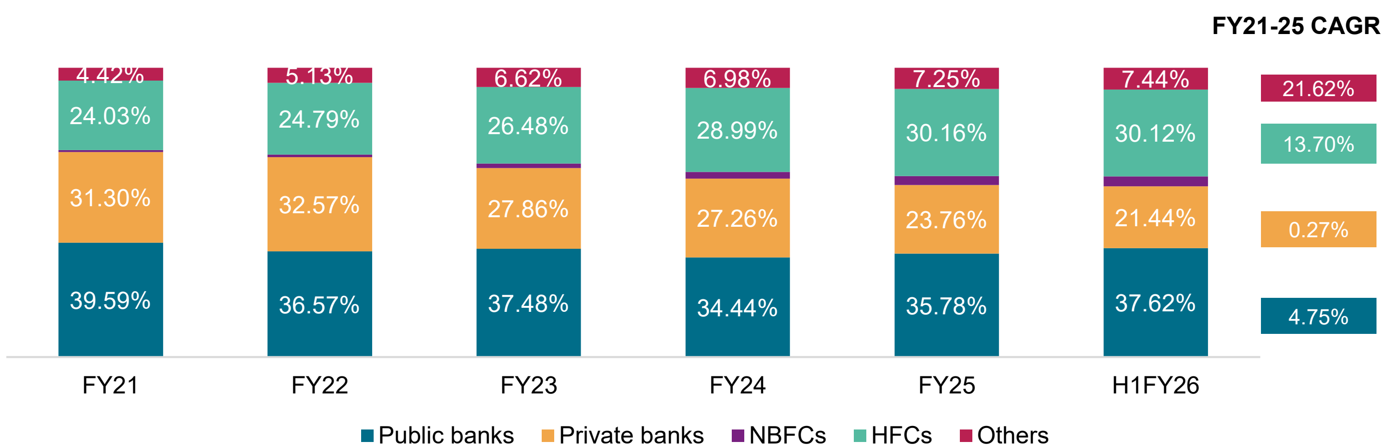
HFCs have the highest growth amongst the large player group in affordable-housing loan disbursement

In terms of disbursements, HFCs have demonstrated stronger momentum. Their share increased to 30.12% in the first half of fiscal 2026 from 24.03% in fiscal 2021, reflecting a CAGR of 13.70% over the period — higher than most other lender categories. This indicates increasing relevance of HFCs in serving first-time homebuyers and emerging borrower segments, particularly in Tier II, Tier III and semi-urban markets. The data underscores the continued structural role of HFCs in affordable housing finance, supported by:

- Strong origination and local sourcing networks
- Expertise in assessing informal salaried and self-employed income profiles
- Presence in underpenetrated geographies
- Focused underwriting tailored to small and mid ticket sizes

Given the calibrated approach of banks towards prime loans and formal salaried profile in ticket size beyond Rs. 3.5 million and Rs. 5 million, AHFCs remain well positioned to maintain and gradually expand their share in the affordable housing ecosystem.

Lender-wise share in disbursements

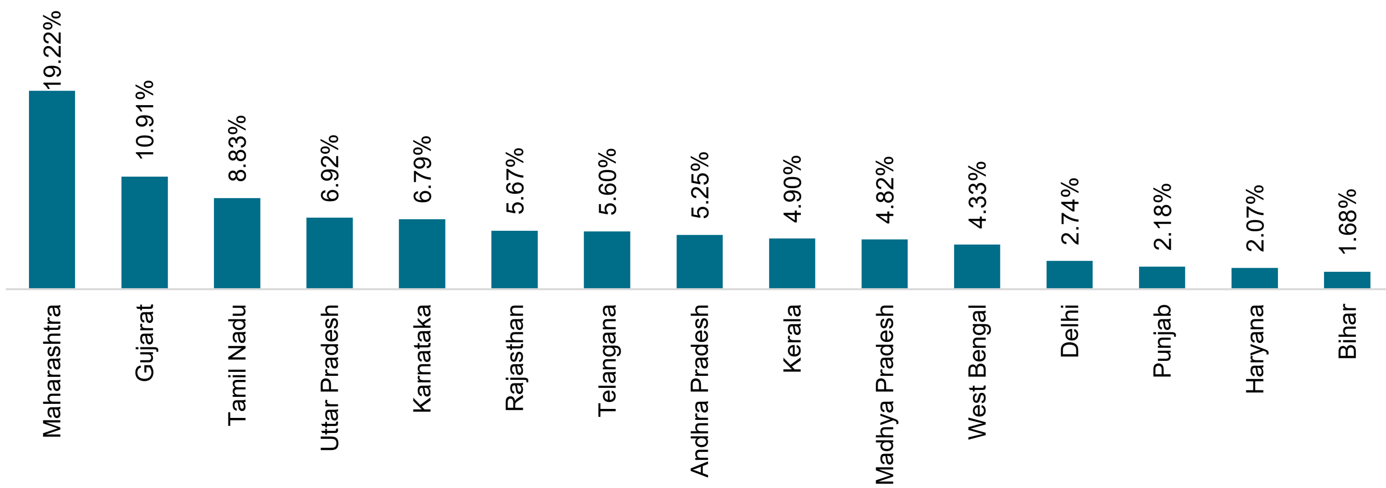


Source: CRIF Highmark, Crisil Intelligence

State-wise share in affordable-housing segment (based on loan outstanding)

The affordable-housing finance market exhibits significant variations in size and growth across states as well as among districts in the same state, indicating latent opportunities to offer loans to unserved or underserved customers. As of September 2025, the top 15 states/union territories in terms of affordable-housing loan outstanding accounted for 91.91% of the total. Maharashtra held the highest share of 19.22%, followed by Gujarat (10.91%), Tamil Nadu (8.83%), Uttar Pradesh (6.92%), Karnataka (6.79%) and Rajasthan (5.67%).

Top 15 states account for 91.91% of affordable-housing loan outstanding (H1FY26)



Source: CRIF Highmark, Crisil Intelligence

Maharashtra government has introduced Housing Policy 2025 that aims at delivering 3.5 million houses for Economically Weaker Sections (EWS), Low-income group (LIG) and Middle-income group (MIG) till 2030 with long term target of 5 million homes in 10 years. This will aid the financiers to provide credit to this segment in Maharashtra which is the largest state by AUM.

Rajasthan clocks the fastest growth in affordable-housing finance

In the affordable-housing finance market, Rajasthan logged the highest CAGR of 13.34% between fiscals 2021 and 2025, followed by Madhya Pradesh (11.74%) Gujarat (9.90%), Uttar Pradesh (8.98%) and Andhra Pradesh (8.89%).

Share of the top 10 states in the affordable-housing finance market

	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	Market Share
Maharashtra	19.45%	19.37%	19.52%	19.27%	19.28%	19.22%	**8.11%**	**Top 5 states 52.67%**
Gujarat	10.24%	10.58%	10.60%	10.75%	10.84%	10.91%	**9.90%**	
Tamil Nadu	9.64%	9.43%	9.18%	8.94%	8.83%	8.83%	**6.01%**	
Uttar Pradesh	6.75%	6.78%	6.88%	6.84%	6.91%	6.92%	**8.98%**	
Karnataka	7.51%	7.26%	7.16%	7.07%	6.89%	6.79%	**6.03%**	
Rajasthan	4.69%	4.93%	5.13%	5.47%	5.61%	5.67%	**13.34%**	**Top 10 states 78.91%**
Telangana	6.08%	6.02%	5.89%	5.76%	5.52%	5.60%	**5.74%**	
Andhra Pradesh	5.16%	5.16%	5.15%	5.22%	5.26%	5.25%	**8.89%**	

	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	Market Share
Kerala	5.34%	5.29%	5.11%	5.04%	4.97%	4.90%	**6.38%**	
Madhya Pradesh	4.20%	4.23%	4.34%	4.56%	4.75%	4.82%	**11.74%**	
Other States	20.94%	20.95%	21.04%	21.08%	21.14%	21.09%	**8.60%**	
Overall	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**8.34%**	**100.0%**

Note: Highlighted in the table are the states with highest growth rate among top 10 states; Source: CRIF Highmark, Crisil Intelligence

State-wise analysis for top five districts in terms of affordable-housing loan accounts and portfolios

Among the top 15 states in terms of affordable-housing loan outstanding, Delhi had the highest concentration of credit outstanding in the top five districts. Even within the largest states, penetration is limited to top 5 districts creating opportunities for further penetration into untapped markets for financiers

State-wise analysis as of the first half of fiscal 2026

States	No of districts	Top 5 districts based on loan outstanding	Concentration of the top 5 districts (loan accounts)	Concentration of the top 5 districts (portfolio)
Maharashtra	36	Pune, Thane, Mumbai, Nashik, Mumbai suburban	51.62%	57.26%
Gujarat	33	Ahmedabad, Surat, Vadodara, Rajkot, Gandhinagar	59.03%	63.30%
Tamil Nadu	37	Coimbatore, Tiruvallur, Chengalpattu, Chennai, Kancheepuram	34.74%	39.92%
Uttar Pradesh	75	Ghaziabad, Lucknow, Gautam Buddha Nagar, Agra, Kanpur Nagar	36.81%	39.83%
Karnataka	31	Bengaluru, Mysuru, Dakshina Kannada, Belgaum, Udupi	61.67%	66.05%
Rajasthan	33	Jaipur, Jodhpur, Bhilwara, Ajmer, Alwar	47.36%	49.74%
Telangana	33	Medchal Malkajgiri, Hyderabad, Rangareddy, Sangareddy, Karimnagar	58.37%	62.51%
Andhra Pradesh	13	Visakhapatnam, Krishna, East Godavari, Guntur, West Godavari	61.47%	60.85%
Kerala	14	Ernakulam, Thiruvananthapuram, Thrissur, Kannur, Kollam	53.09%	54.37%
Madhya Pradesh	52	Indore, Bhopal, Jabalpur, Gwalior, Ujjain	35.78%	52.87%
West Bengal	24	Kolkata, North 24 Parganas, Hugli, South 24 Parganas, Haora	55.09%	58.51%
Delhi	10	West, south, north-west, south-west, east	80.86%	81.02%
Punjab	22	Ludhiana, Sahibzada Ajit Singh Nagar, Jalandhar, Patiala, Amritsar	59.86%	64.17%
Haryana	22	Gurgaon, Faridabad, Panchkula, Sonipat, Karnal	43.49%	52.05%
Bihar	38	Patna, Muzaffarpur, Gaya, Vaishali, Purba Champaran	43.93%	44.63%
Chhattisgarh	28	Raipur, Durg, Bilaspur, Janjgir - Champa, Rajnandgaon	70.22%	70.08%
Uttarakhand	13	Dehradun, Haridwar, Udham Singh Nagar, Nainital, Garhwal	85.89%	85.12%

States	No of districts	Top 5 districts based on loan outstanding	Concentration of the top 5 districts (loan accounts)	Concentration of the top 5 districts (portfolio)
Odisha	30	Khordha, Cuttack, Ganjam, Baleshwar, Sundargarh	51.03%	52.05%
Assam	33	Kamrup Metropolitan, Kamrup, Jorhat, Nagaon, Cachar	43.78%	46.24%
Jharkhand	24	Ranchi, Purbi Singhbhum, Dhanbad, Bokaro, Hazaribagh	73.78%	74.20%
Himachal Pradesh	12	Kangra, Shimla, Solan, Mandi, Sirmaur	68.58%	70.07%
Jammu and Kashmir	22	Jammu, Srinagar, Baramulla, Budgam, Anantnag	52.63%	49.91%
Goa	2	North Goa, south Goa	99.91%	99.98%
Chandigarh	1	Chandigarh	99.33%	99.21%
Tripura	8	West Tripura, Gomati, Sepahijala, south Tripura, north Tripura	88.63%	90.89%
Puducherry	4	Puducherry, Karaikal, Yanam, Mahe	99.98%	99.98%
Sikkim	4	East district, south district, west district, north district	99.73%	99.74%
Mizoram	11	Aizawl, Lunglei, Lawngtlai, Saiha, Kolasib	82.78%	83.65%
Manipur	16	Imphal west, Imphal east, Thoubal, Pherzawl, Kangpokpi	76.85%	76.86%
Dadra and Nagar Haveli	1	Dadra and Nagar Haveli	99.99%	99.99%
Meghalaya	11	East Khasi Hills, West Garo Hills, West Jaintia Hills, Ri Bhoi, South West Garo Hills	92.86%	93.82%
Andaman and Nicobar Islands	3	South Andaman, North and Middle Andaman, Nicobar	99.98%	99.98%
Daman and Diu	2	Daman, Diu	99.91%	99.95%
Arunachal Pradesh	17	Lower Subansiri, Kurung Kumey, West Siang, West Kameng, East Siang	77.21%	75.81%
Nagaland	11	Dimapur, Kohima, Mokokchung, Wokha, Zunheboto	94.86%	94.73%
Lakshadweep	1	Lakshadweep	99.28%	99.28%

Source: CRIF Highmark, Crisil Intelligence

District-wise loan outstanding mix

As of the first half of fiscal 2026, the top 10 districts accounted for 21.50% of loan outstanding, compared with 23.99% in fiscal 2021. Beyond 200 districts logged a CAGR of 12.11% in loan outstanding between fiscals 2021 and fiscal 2025, reflecting the untapped potential in smaller districts (beyond the top 200) for housing loans.

District	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Top 10	23.99%	23.54%	22.98%	22.30%	21.72%	21.50%	5.68%
11-25 districts	14.74%	14.58%	14.32%	13.99%	13.83%	13.66%	6.64%
26-50 districts	14.15%	13.89%	13.65%	13.45%	13.22%	13.15%	6.53%
51-100 districts	15.33%	15.48%	15.59%	15.84%	15.96%	16.00%	9.43%
101-200 districts	15.39%	15.65%	15.97%	16.24%	16.47%	16.62%	10.19%
Beyond 200	16.39%	16.87%	17.50%	18.18%	18.80%	19.07%	12.11%

District	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Overall	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**8.34%**

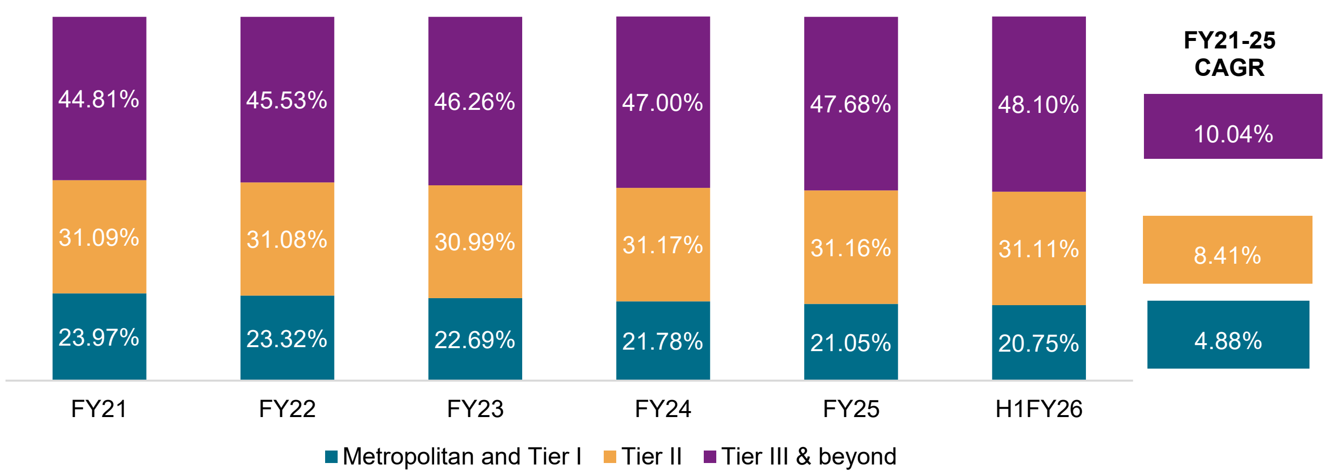
Source: CRIF Highmark, Crisil Intelligence

Tier-wise analysis

The affordable housing finance market continues to exhibit a structural shift toward Tier II, Tier III and beyond cities, which together account for the largest share of affordable housing loan originations. As of H1FY26, Tier III and beyond cities consistently contributed the highest share 48.10% of affordable housing loans, followed by Tier II cities (around 31.11%), while Metropolitan and Tier I cities accounted for a comparatively smaller and declining share. This distribution underscores the demand-led nature of affordable housing outside Metropolitan and Tier I cities, where property prices, income profiles, and housing supply remain better aligned with Rs. 1.5 - Rs. 3.5 million ticket sizes.

From a growth perspective, Tier III and beyond markets have recorded the highest growth rates within affordable housing finance, with a 10.04% CAGR over FY21–FY25, compared to 8.41% in Tier II cities and lower growth in Metropolitan and Tier I markets. This trend reflects improving infrastructure, increased urbanization of smaller towns, and gradual formalization of incomes, all of which support sustained demand for affordable housing credit. For AHFCs, this reinforces the strategic importance of Tier II and Tier III & beyond cities expansion, where underwriting capabilities, local understanding of the micro-market and adjacent markets and presence (i.e. feet on street) remain key differentiators.

Cities classified as Tier III and beyond witnessed highest CAGR growth in affordable housing finance at 10.04% from fiscal 2021 and 2025



Note: Numbers in the table don't add up to 100% as there is portion of portfolio which is not tagged to any district
Source: CRIF Highmark, Crisil Intelligence

Portfolio outstanding for loans in affordable housing segment across tiers

City tier	FY21	FY25	H1FY26	FY21-25 CAGR
	< 3.5 mn	< 3.5 mn	< 3.5 mn	< 3.5 mn
Metropolitan and Tier I	3.34	4.04	5.70	4.87%
Tier II	4.33	5.98	6.35	8.41%
Tier III & beyond	6.25	9.16	6.38	10.03%
NA	0.02	0.02	1.06	0.00%

City tier	FY21	FY25	H1FY26	FY21-25 CAGR
	< 3.5 mn	< 3.5 mn	< 3.5 mn	< 3.5 mn
Total	**13.94**	**19.20**	**19.49**	**8.34%**

Portfolio outstanding for loans between Rs. 1.5-3.5 million ticket size have witnessed growth across tiers

City tier	FY21		FY25		H1FY26		FY21-25 CAGR	
	< 1.5 mn	1.5-3.5 mn	<1.5 mn	1.5-3.5 mn	<1.5 mn	1.5-3.5 mn	<1.5 mn	1.5-3.5 mn
Metropolitan and Tier I	0.81	2.53	0.81	3.23	1.22	4.48	-0.14%	6.35%
Tier II	1.68	2.65	1.96	4.02	2.09	4.26	3.88%	11.01%
Tier III & beyond	2.61	3.64	3.14	6.02	2.36	4.02	4.78%	13.39%
NA	0.01	0.01	0.01	0.01	0.26	0.80	-4.15%	12.05%
Total	**5.11**	**8.82**	**5.92**	**13.29**	**5.92**	**13.56**	**3.73%**	**10.77%**

Note: NA represents the portfolio which is untagged as per the bureau data and represents less than 5% of total portfolio; Source: CRIF Highmark, Crisil Intelligence

Outstanding portfolio in Rs. 1.5-3.5 million ticket size segment within the affordable housing finance market has expanded meaningfully across city-tiers between fiscal 2021 and fiscal 2025. The segment has recorded a growth rate of 10.77% with Tier II and Tier III & Beyond outpacing the overall segment by growing at 11.01% and 13.39% respectively.

Rural and semi-urban markets are key growth engines

Across all the regions, loans with ticket size between Rs. 1.5 million to Rs. 3.5 million have higher 4-year CAGR compared to loans up to Rs. 1.5 million. For ticket size Rs. 1.5-3.5 million rural and semi urban regions have higher growth rate of 15.81% and 13.97% respectively compared to 8.58% in urban regions. Hence, it can be stated that rural and semi urban regions are driving growth. Loans less than Rs. 1.5 million have muted growth across all regions.

This shift reflects both demand-side affordability dynamics and supply-side focus of lenders. Affordable housing demand in rural and semi-urban areas is driven by first-time homebuyers, self-employed households, and borrowers with informal income profiles—segments that align closely with the core customer base of AHFCs. As a result, geographic diversification toward rural and semi-urban regions continues to support growth visibility for AHFCs, albeit with higher operational intensity.

Loans between ticket size Rs.1.5-3.5 million have higher growth rate than loans up to Rs. 1.5 million across regions

	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Urban							
Less than Rs. 1.5 mn	2.75	2.80	2.94	2.98	2.97	2.94	1.96%
Between Rs. 1.5-3.5 mn	5.53	6.10	6.82	7.27	7.69	7.76	8.58%
Rural							
Less than Rs. 1.5 mn	1.50	1.58	1.73	1.85	1.93	1.97	6.60%
Between Rs. 1.5-3.5 mn	1.85	2.17	2.62	2.97	3.32	3.46	15.81%
Semi-urban							
Less than Rs. 1.5 mn	0.64	0.66	0.71	0.74	0.75	0.75	4.32%
Between Rs. 1.5-3.5 mn	0.87	1.02	1.21	1.35	1.48	1.52	13.97%
NA							

	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Less than Rs. 1.5 mn	0.23	0.23	0.25	0.25	0.26	0.26	3.29%
Between Rs. 1.5-3.5 mn	0.57	0.63	0.71	0.75	0.80	0.81	8.74%
Overall	**13.94**	**15.19**	**16.99**	**18.16**	**19.20**	**19.48**	8.34%

Note: Numbers are in Rs. Trillion; NA represents the portfolio which is untagged as per the bureau data and represents less than 5% of total portfolio.
Source: CRIF Highmark and Crisil Intelligence

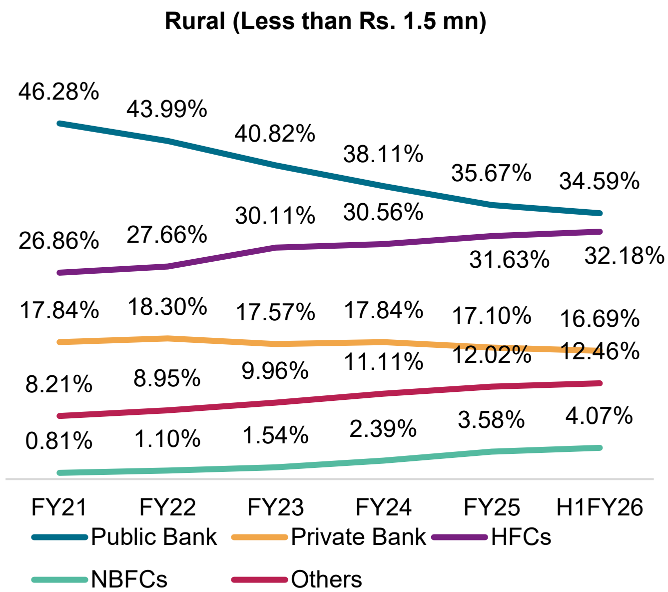
Competitive positioning of AHFCs across geographies in Rs. 1.5-3.5 mn segment

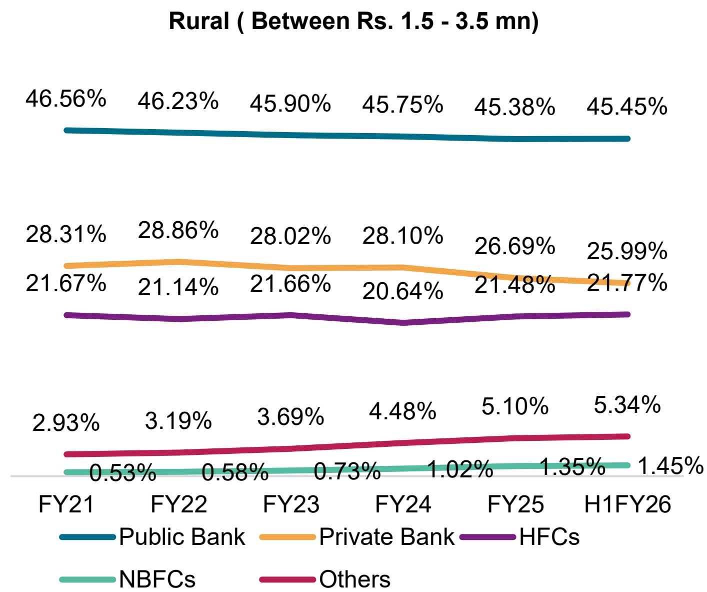
The lender-wise market share indicates that HFCs have maintained a meaningful presence in loans between Rs. 1.5-3.5 million across urban, semi-urban, and rural affordable housing markets. Across markets, HFCs account for roughly 20.00%–24.00% of outstanding affordable housing loans between fiscal 2021 and first half of fiscal 2026, a share that has remained broadly stable over time, despite increasing participation from private banks. This reflects the ability of AHFCs to operate effectively through decentralized branch networks and field-led underwriting models.

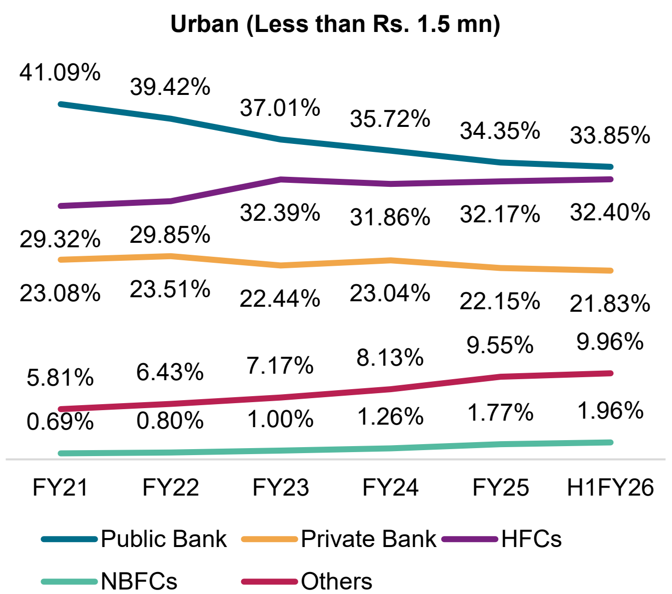
Over the years, public sector banks have been losing market share across urban, semi-urban and rural markets, which is likely to favour Private Banks and HFCs, helping expand their footprint in the affordable housing segment. AHFCs retain a competitive advantage, where standardized underwriting frameworks are less effective. Crisil assessment indicates that continued expansion of affordable housing credit in these regions is likely to favour lenders with localized sourcing, cash-flow based income assessment, and smaller ticket-size focus—capabilities that are central to the AHFC operating model.

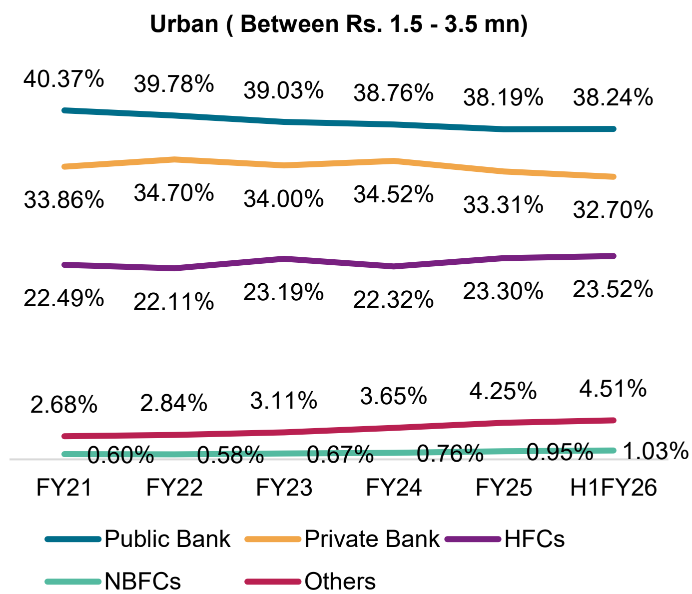
In rural markets, HFC share stood at 21.67% in fiscal 2021 and improved marginally to 21.77% in H1 fiscal 2026, after witnessing moderate fluctuations over the period. This indicates steady positioning and deepening of penetration in emerging geographies, despite competitive intensity from public and private banks. A similar trend is visible in urban markets, where share expanded from 22.49% in fiscal 2021 to 23.52% in H1 fiscal 2026, indicating their ability to scale within mid-ticket affordable housing while competing effectively with banks despite them charging lower interest rates. The consistent increase across geographies underscores the structural demand for mid-ticket housing loans and highlights HFCs' strong distribution reach, localized underwriting capabilities and focus on granular credit assessment in this segment. In semi-urban market, the share of HFCs has remained steady at ~21% across fiscal 2021 and H1 fiscal 2026.

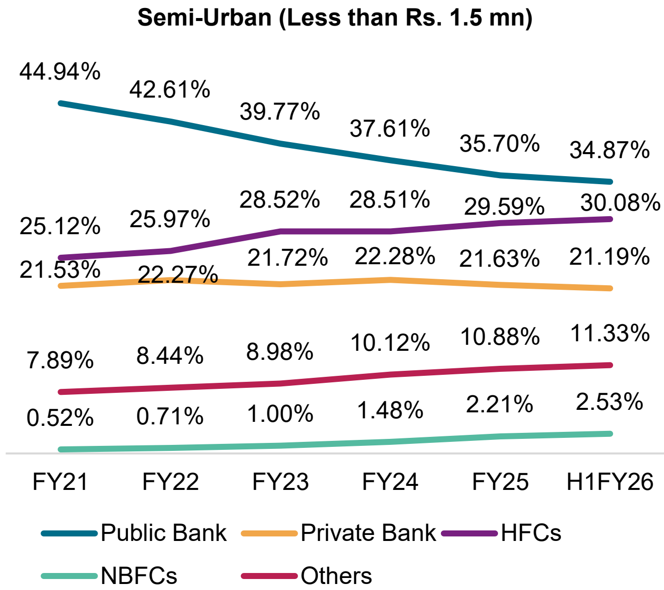
Player group wise share in respective markets across ticket size

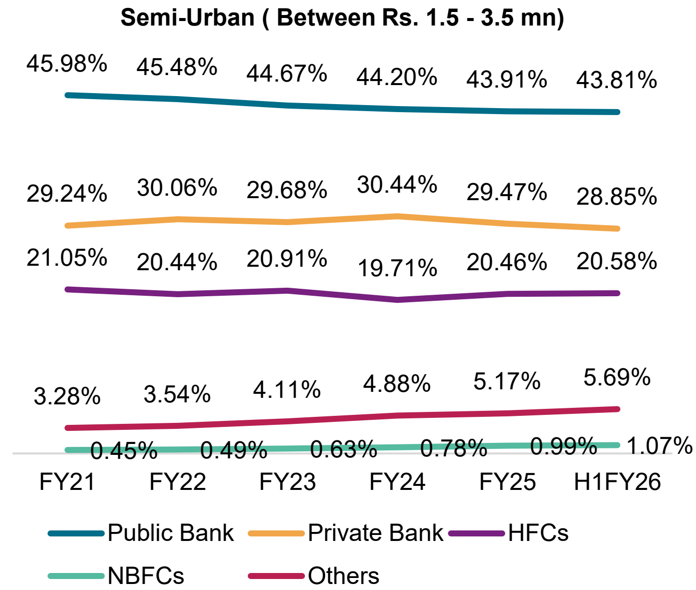










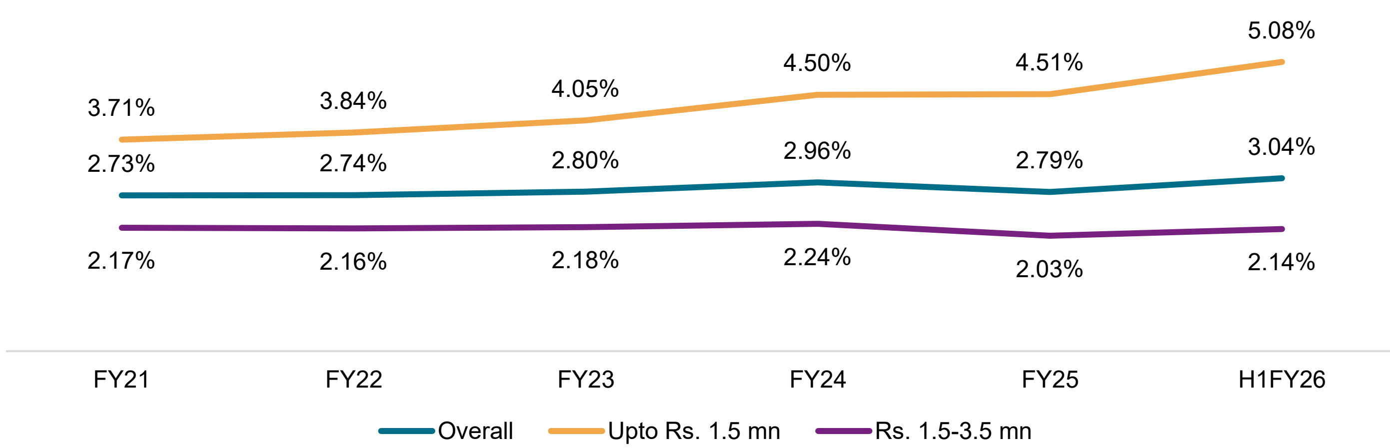


Source: CRIF Highmark, Crisil Intelligence

Asset quality analysis of affordable housing loans

Asset quality in the affordable housing segment remained broadly range-bound between 2.73%-3.04% between fiscal 2021 and first half of fiscal 2026, reflecting stability across credit cycles. Despite periods of macroeconomic volatility, GNPA levels have remained within a narrow band, indicating calibrated underwriting and effective portfolio monitoring across lenders.

Overall asset quality remained range bound between 2.73-3.04% between fiscal 2021 and first half of fiscal 2026; Asset quality for higher ticket size has remained rangebound between fiscal 2021 to H1 fiscal 2026



Note: GNPA considered as portfolio greater than 90 days, excluding write-offs. Others in the above data set include foreign banks and other lenders in the affordable-housing loans segment; Source: CRIF Highmark, Crisil Intelligence

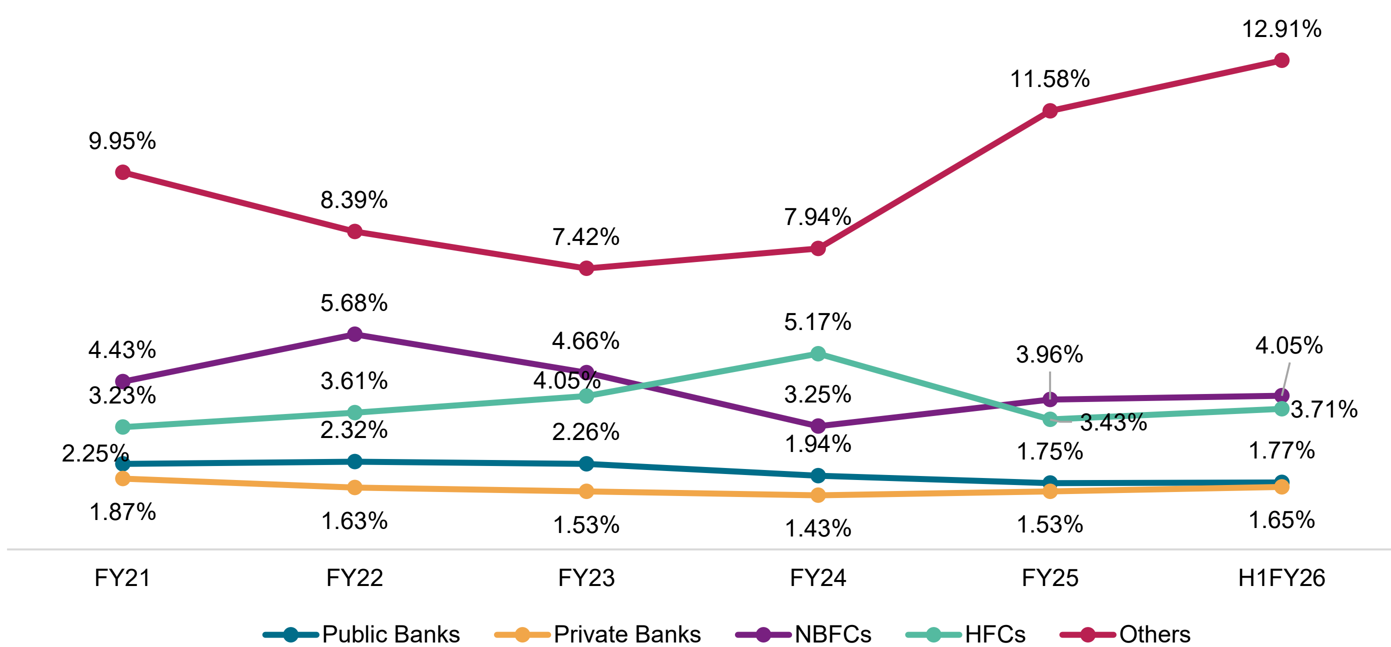
GNPA trends by ticket size in the affordable housing segment

A ticket-size level analysis indicates divergence within the affordable housing construct. For instance, loans up to Rs. 1.5 million witnessed GNPA increasing from 3.71% in fiscal 2021 to 5.08% in first half of fiscal 2026, reflecting relatively higher sensitivity of lower-income borrowers to inflationary pressures and income volatility. However, loans in the Rs. 1.5–3.5 million band remained stable, with GNPA moving marginally from 2.17% in fiscal 2021 to 2.14% in first half of fiscal 2026. This stability in the Rs. 1.5–3.5 million segment underscores improved borrower income visibility, stronger repayment capacity, and better risk-adjusted underwriting in the mid-affordable category. The segment continues to demonstrate a balanced risk-return profile within the affordable housing ecosystem. Overall, asset quality in affordable housing remains range-bound at the aggregate level, with the Rs. 1.5–3.5 million segment exhibiting relatively stronger and more consistent credit performance compared to the sub-Rs. 1.5 million segment.

Lender wise GNPA in the affordable housing segment

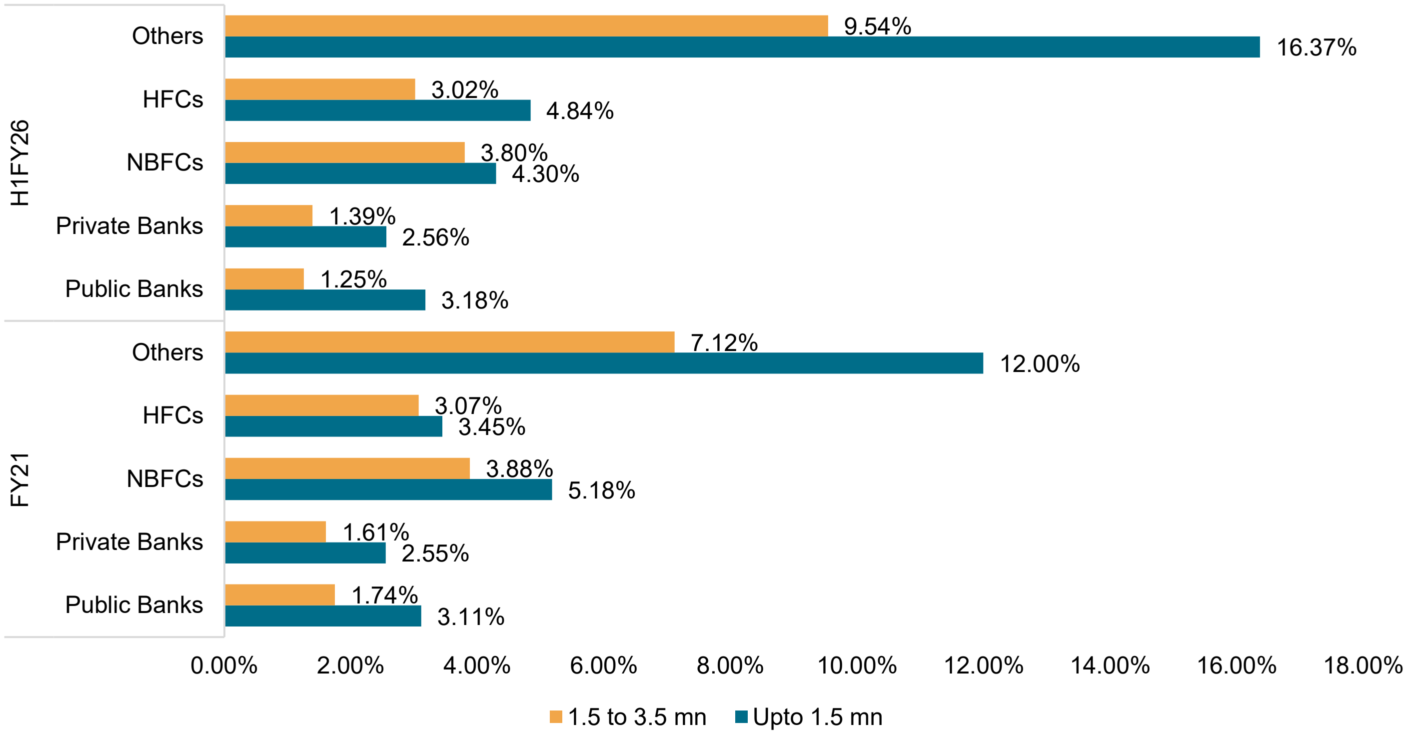
As of H1FY26, GNPA levels across lender categories reflect differentiated customer focus rather than structural stress. Private banks reported GNPA of 1.65%, public sector bank 1.77%, NBFCs 4.05%, and HFCs 3.71%. HFC GNPA levels have moderated from 5.17% in FY24 to 3.71% in H1FY26, demonstrating improved portfolio performance. While HFC's GNPA remains higher than banks due to their greater exposure to self-employed and semi-formal borrower segments, asset quality has remained manageable and within expected operating thresholds for the segment. HFCs also charge higher yields to their customers to compensate for this risk as compared to banks (private and public) who have the lowest yields in the market.

Player group-wise GNPA ratio in the affordable housing segment



Note: GNPA considered as portfolio greater than 90 days, excluding write-offs. Others in the above data set include foreign banks and other lenders in the affordable-housing loans segment; Source: CRIF Highmark, Crisil Intelligence

Asset quality for HFCs in ticket size of Rs. 1.5-3.5 million have remained rangebound



Note: GNPA considered as portfolio greater than 90 days, excluding write-offs. Others in the above data set include foreign banks and other lenders in the affordable-housing loans segment; Source: CRIF Highmark, Crisil Intelligence

Across lender categories, GNPA levels in the sub Rs. 1.5 million segment are relatively higher compared to Rs. 1.5-3.5 million ticket size segment. The Rs. 1.5 – 3.5 million band demonstrates comparatively stable credit performance, supporting a balanced risk-return profile within the affordable housing finance market.

Asset quality for the top 10 states (accounting for 78.91% of the overall affordable housing loan segment)

State	FY21	FY22	FY23	FY24	FY25	H1FY26
Maharashtra	3.42%	3.47%	3.41%	3.49%	3.49%	3.79%
Gujarat	2.30%	2.19%	2.20%	2.34%	2.29%	2.46%
Tamil Nadu	2.26%	2.36%	2.59%	4.68%	2.45%	2.61%
Uttar Pradesh	2.28%	2.32%	2.16%	2.61%	2.88%	2.94%
Karnataka	2.99%	3.26%	3.36%	2.78%	2.07%	2.43%
Rajasthan	1.04%	1.00%	1.09%	1.48%	1.69%	1.90%
Telangana	3.26%	2.79%	1.67%	1.53%	1.21%	1.54%
Andhra Pradesh	1.31%	1.34%	1.66%	2.31%	2.88%	3.45%
Kerala	1.62%	1.63%	2.87%	3.39%	3.27%	3.73%
Madhya Pradesh	4.92%	4.84%	4.62%	4.13%	4.11%	4.42%
Overall	**2.73%**	**2.74%**	**2.80%**	**2.96%**	**2.79%**	**3.04%**

Source: CRIF Highmark, Crisil Intelligence

The GNPA of Madhya Pradesh stood at 4.42% and Maharashtra at 3.79% each as of the first half of fiscal 2026, followed by Kerala (3.73%), Andhra Pradesh (3.45%) and Uttar Pradesh (2.94%). The asset quality in Telangana improved to

1.54% from 3.26% in fiscal 2021, having best asset quality amongst all states. Rajasthan maintained the asset quality over fiscals 2021 and the first half of fiscal 2026 between 1.04% and 1.90%.

Tier Wise Asset Quality

Up to Rs. 1.5 mn	FY21	FY22	FY23	FY24	FY25	H1FY26
Metropolitan and Tier I	3.98%	4.55%	4.55%	5.54%	5.99%	6.35%
Tier II	3.36%	3.46%	3.66%	4.30%	4.13%	4.72%
Tier III & beyond	3.83%	3.84%	4.12%	4.32%	4.33%	4.94%
NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	**3.71%**	**3.84%**	**4.05%**	**4.50%**	**4.51%**	**5.08%**
Rs. 1.5-3.5 mn	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**H1FY26**
Metropolitan and Tier I	2.47%	2.58%	2.61%	2.69%	2.64%	2.78%
Tier II	2.36%	2.33%	2.33%	2.42%	2.14%	2.25%
Tier III & beyond	1.80%	1.75%	1.80%	1.85%	1.61%	1.74%
NA	12.87%	10.53%	10.86%	5.72%	5.23%	8.21%
Total	**2.17%**	**2.16%**	**2.18%**	**2.24%**	**2.03%**	**2.14%**

Note: NA represents the portfolio which is untagged as per the bureau data and represents less than 5% of total portfolio

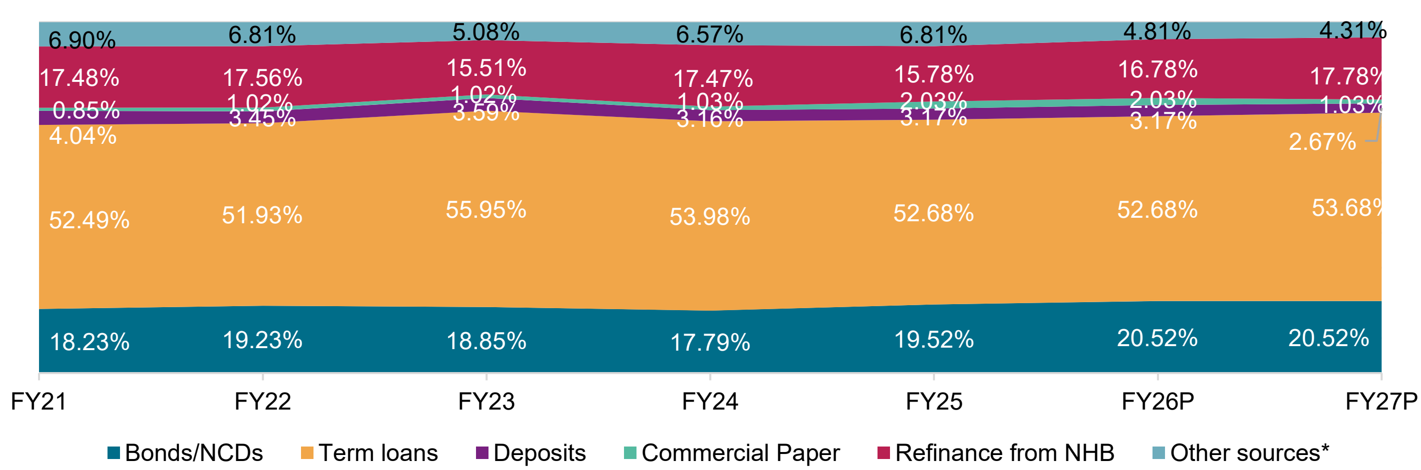
Source: CRIF Highmark, Crisil Intelligence

The asset quality of loans within the range of Rs. 1.5-3.5 million has consistently demonstrated stability, maintaining a narrow band of 2.03%-2.24% gross non-performing assets, thereby showcasing the efficacy of robust credit underwriting processes across various economic cycles. Within this bracket, Tier II and Tier III & beyond have performed better than Metropolitan and Tier I cities. However, loans up to Rs. 1.5 million have witnessed deterioration of the asset quality across the fiscals especially in the Metropolitan and Tier I cities. The customer segment under this band is extremely vulnerable to the macro-economic risks and income is highly sensitive, affecting repayment capacity.

Borrowing mix

Term loans from financial institutions, capital markets and National Housing Bank (NHB) refinancing comprise a bulk of AHFCs' borrowings

Term loans and capital markets to increase on anticipated repo rate cuts



Note: P-projected

**Other sources include external commercial borrowings, securitisation, working capital loans, cash credit and inter corporate deposits Source: Company reports, Crisil Intelligence*

In fiscal 2025, borrowings from financial institutions and refinance from NHB collectively accounted for 68.46% of AHFCs' total borrowing. NHB refinancing remains a critical source of funding for smaller HFCs as it provides access to lower cost of funds and helps entities diversify the overall funding mix. We expect the share of NHB refinance in the borrowing mix to increase by 100 bps due to higher reliance by smaller HFCs'. The proportion of term loans is expected to remain stable, driven by the upgraded ratings of a few AHFCs in the past few quarters, which are likely to tap capital markets for competitive rates. Crisil Intelligence expects the share of term loans to rise marginally in fiscal 2026 and fiscal 2027, as banks and financial institutions remain comfortable lending to larger housing finance companies (HFCs). However, smaller HFCs continue to face challenges in securing term loans, due to lenders' caution over asset quality. In contrast, the share of non-convertible debentures (NCDs) is likely to increase relatively more, as HFCs tap capital markets for competitive rates.

Profitability metrics for affordable housing players

Parameter	FY21	FY22	FY23	FY24	FY25	FY26P	FY27E
Total Income	12.02%	11.88%	12.58%	13.40%	13.52%	13.60-13.70%	13.70-13.80%
Interest on Loans	10.80%	10.54%	10.90%	11.42%	11.46%	11.30-11.40%	11.20-11.30%
Interest Expense	6.48%	5.58%	5.59%	6.08%	6.20%	6.10-6.20%	6.00-6.10%
NIMs	4.32%	4.95%	5.31%	5.34%	5.25%	5.20-5.30%	5.10-5.20%
Other Income	1.22%	1.34%	1.68%	1.98%	2.06%	2.30-2.50%	2.30-2.50%
OPEX	2.00%	2.33%	2.78%	3.00%	3.06%	2.70-2.80%	2.70-2.80%
Credit Cost	1.15%	0.99%	0.52%	0.34%	0.53%	0.70-0.80%	0.60-0.70%
Post Tax RoA	**1.83%**	**2.31%**	**2.84%**	**3.08%**	**2.89%**	**2.80-2.90%**	**2.70-2.80%**

Note: Ratios are calculated on average total assets

Source: Company Reports, Crisil Intelligences

In fiscal 2025, AHFCs' net interest margin (NIM) declined ~9 bps to 5.25%, mainly on account of higher funding costs. Amid restricted term loan funding from banks, AHFCs turned to relatively high-cost funding sources such as non-convertible debentures (NCDs) and commercial papers to fund loan growth. As a result, their interest expense-to-average assets ratio increased ~12 bps to 6.20%. On the contrary, interest income-to-average assets ratio increased only 4 bps to 11.46% due to intensified competition in the affordable housing space, though multiple AHFCs also raised their prime lending rate in the second half of fiscal 2025 amid higher borrowing costs. Credit cost for AHFCs increased 19 bps in fiscal 2025 to 0.53% due to write-offs. As a result, RoA declined ~19bps to 2.89%.

We expect the interest income to average assets ratio to decline 10-15 bps to 11.30-11.40% in fiscal 2026, driven by the transmission of rate benefits to end-customers. Borrowing costs are expected to decline 5-10 bps to 6.10-6.20% as the average cost of fixed-rate funding sources such as NCDs and commercial papers is slow to be repriced. As a result, the net interest income to average assets ratio is expected to remain range bound to 5.20-5.30%.

Credit costs are expected to increase ~25 bps to 0.70-0.80%. Operating costs are expected to normalize after peaking in fiscal 2025. Moreover, other income related to loan processing, prepayment, etc., is expected to increase in fiscal 2026, leading to a marginal decline in RoA of only ~9 bps to 2.80-2.90%.

Potential for risk-adjusted returns across customer profiles

Within the affordable housing segment, salaried borrowers generate stable but moderate returns for HFCs, driven by relatively lower yields and competitive pricing, offset by contained operating and credit costs. Standardized documentation, smaller ticket sizes, and conservative loan-to-value ratios support portfolio stability; however, limited pricing flexibility constrains margin expansion. As a result, salaried affordable housing loans primarily contribute to balance sheet scale and earnings stability rather than elevated profitability.

In contrast, self-employed affordable housing borrowers constitute the primary profitability driver for HFCs. Higher yields and ancillary income compensate for elevated operating costs arising from decentralized sourcing, cash-flow based underwriting, and field-level verification. While credit costs remain higher relative to salaried customers, these risks are mitigated through conservative collateral coverage, granular portfolio diversification, and shorter effective loan tenors. Consequently, despite higher cost intensity, self-employed affordable housing loans deliver superior risk-adjusted returns on an average asset basis, reinforcing the strategic importance of this segment for specialized HFCs focused on affordable housing finance.

Business model of housing financiers focused on the self-employed segment

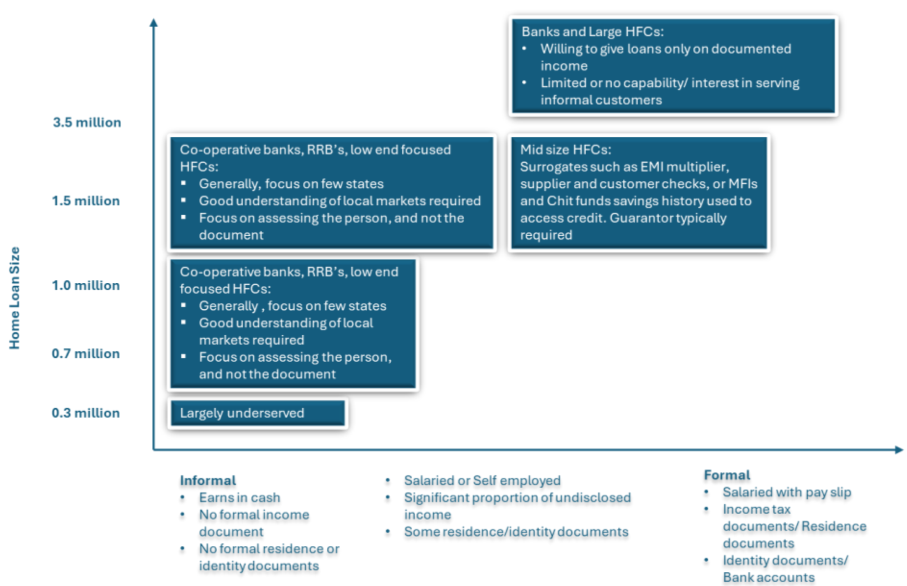
A select few housing financiers focused on low ticket size housing segment typically serve the underserved category of low-income or mid-income customers who may be small business owners, traders, service professionals and small-scale entrepreneurs. These borrowers may be economically active, generate stable cash flows and often maintain banking relationships, but lack formal income documentation that is typically required by banks or larger HFCs. As a result, these customers do not have adequate documentation that can serve as proof of their income and are out of the bank's purview of income levels and documentation criteria. Hence, they face challenges in accessing organized institutional lending, and largely rely on loans from informal sources, including moneylenders and local businessmen at higher rates of interest.

The high cost of serving this category of customers has prompted financiers to adopt innovative models to source business. Sourcing can be done in 2 ways, namely, direct sourcing and sourcing through Direct Sales agent (DSA).

Direct sourcing: HFC usually has a hub and spoke model where retail branches of the HFC operate as 'hubs' in urban areas, while small kiosks are set up near areas where construction activity is taking place to source customers. Financiers also spread awareness about their products in rural areas by setting up kiosks at 'Gram Sabha's' and arranging 'loan melas' for potential customers. However, some players also rely on customers, indulging in self-construction of their houses in tier-2 and 3 cities in need of credit. These players have sourcing strategies focused on attracting customers with touch points in nearby locations.

Direct Sales: agents are engaged in sourcing informal segments. DSAs have the local expertise. Benefits of DSA sourcing are:

- They provide guidance throughout the loan process to the customers
- They have expertise in the local knowledge and customer behaviour
- They establish long term relationships with clients which can help in client retention and exploring the low-income housing (<Rs 3.5 Millon) segment



Source: Crisil Intelligence

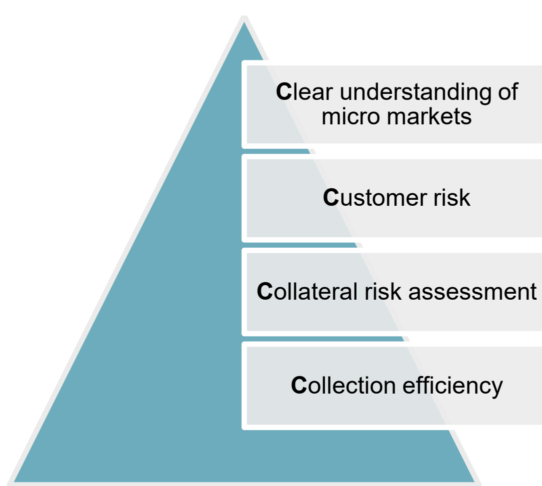
HFCs focused on self-employed segments vs traditional HFCs

Housing players focused on the low-income segment charge higher yields compared with conventional HFCs because borrowers in this segment have relatively risky profiles and the lenders serving them have a higher risk-taking ability.

S no	Parameters	HFCs focused on the self-employed segment	Traditional HFCs
1	Borrower profile	Mostly self-employed customers and customers having weaker income documents; some HFCs focus on salaried but low-income customers	Mainly customers with formal income documents
2	Surrogate usage	High surrogate usage to derive the income of borrowers	Minimal
3	Geographical focus	Mainly focus on smaller towns, semi-urbans areas and outskirts of larger cities	Mainly present in major locations and Tier I cities
4	Credit appraisal	Multiple alternate data source, particularly in estimating income and cash-flow patterns	Credit appraisal process is based on pre-defined income and eligibility policies
5	Collection	High share of repayment through ECS / NACH	Higher proportion of ECS and NACH in EMI payments, leading to higher collection efficiency
6	Cost and source of funds	Higher reliance on bank borrowings, leading to relatively high cost of funds, NHB refinanced funds mitigate the cost to some extent	Higher reliance on capital markets, leading to cheaper funds
7	Average ticket size	Relatively lower due to lower property prices and no credit history	Relatively higher as customer is high income and has good repayment track record
8	**Collection efficiency**	Average collection efficiency of 100%, on par with traditional HFCs	Average collection efficiency of 100%

Source: Crisil Intelligence

4Cs for housing finance catering to the informal income segment



Source: Crisil Intelligence

Clear understanding of micro markets

Given the target borrower profile, players need to have a clear and deeper understanding of micro markets and develop a strong local network. The strong network helps generate referrals, allowing players to tap into niche customer segments. Successful players in the segment generally focus on the geographies where they have a good understanding and can scale up gradually to manage costs and asset quality better.

Customer risk

Customers in the affordable housing finance segment generally work in informal sector jobs with low incomes, or are self-employed (carpenters, plumbers, vegetable vendors, drivers, etc.), and may lack formal income proof. Given the lack of income proof, the underwriting process typically requires detailed personal discussions with borrowers, as well as acquaintances and neighbours, in order to assess the source of income and pattern of cash inflows and outflows, as well as the stability and habits of the customer. Given the nature of the process, operating costs are typically very high; therefore, players that can gradually standardise the process by building models focused on specific customer profiles and/or geographies will be able to manage these costs better.

Customer credit risk assessment procedure

Understanding customer stability

- Visit the borrower's home to understand current situtaion, stability and duration of stay
- Interview neighbours to verify duration of stay and understand the borrower's habits
- Check credit and banking history (if applicable)

Understanding customer's source of income

- Visit the applicant's business to observe business flows, estimate revenue and costs, etc.
- Understand the business model and its key strength and weakness, fluctations in cash flows, etc.
- Interview business acquaintances, competitors, etc., to benchmark estimates

Standardisation

- Build a database of informal sector customers' income by profession in different localities to enhance assessment reliability

Source: Crisil Intelligence

Collateral risk assessment

Properties in the informal-income segment, especially those on the outskirts of large cities, and in semi-urban and rural areas, sometimes lack formal property titles. With better availability of information and due diligence by the technical team, players can mitigate the associated risk. While lenders do take appropriate due-diligence measures to safeguard against this risk while sanctioning the loan, there have been instances of borrowers mortgaging the same property with multiple lenders.

A CERSAI search is conducted to enumerate the details of a property and determine if it has been mortgaged against a loan. The field investigation team regularly visits the property to inspect the land and check the construction status. The financier also conducts a title search, which provides details such as size, location, boundaries and ownership. Currently, lenders register a charge on the underlying property only selectively (high-ticket loans/ corporate borrowers).

Collection efficiency

Given that players in this segment typically cater to lower-income customers, many of whom may not be financially literate, a strong focus on collections and close monitoring of customer-level default risk are vital to manage asset quality. Events that impact the economy as a whole (such as demonetisation) and local factors (natural calamities or other events in the place of employment/work of the borrower) have a disproportionate impact on asset quality in the segment. Therefore, players are increasingly using analytical and monitoring tools enabled by technology to better predict default risk. In addition, there is an increasing focus on pushing customers to make EMI payments through ECS.

Key trends emerging in the segment

Shift towards an execution-driven, scalable operating model

The affordable housing finance segment is increasingly adopting a “manufacturing-style” operating framework, characterised by standardised processes, defined underwriting rules and workflow-driven execution. Competitive differentiation is progressively shifting from balance-sheet size alone to execution capability, encompassing branch productivity, turnaround time from application to disbursal, collection efficiency and portfolio monitoring for early warning in case of stress. Players are investing in systems that allow replication of processes across geographies, enabling expansion without a proportionate increase in operating risk. This evolution is improving cost efficiency and customer experience, while also enhancing auditability and governance.

Continued focus on self-employed and informal income borrowers, with calibrated risk selection

Self-employed and informal income customers remain the primary growth drivers for the segment, given relatively low penetration by banks. However, lenders are increasingly pursuing calibrated growth strategies, focusing on selective ticket-size bands, tighter geographic expansion sequencing, and refined customer segmentation. There is a visible shift from broad-based expansion towards portfolio mix management, with increased emphasis on early delinquency indicators and first-bucket performance. This approach reflects a more risk-aware growth strategy aimed at sustaining asset quality through economic cycles.

Technology adoption focused on decisioning and control, rather than front-end digitisation alone

Digital investments in the sector are increasingly shifting to core credit and operations infrastructure, rather than only customer-facing applications. Some of the key areas of focus include analytics-driven underwriting and scorecard development for informal income profiles, workflow automation across origination, credit approval and disbursal, digitisation of field verification and document management, and technology-enabled collection and recovery processes. This shift is enabling lenders to reduce processing time, improve consistency of credit decisions and strengthen portfolio monitoring, while retaining the physical presence required for customer acquisition and verification.

Overview of Loan against Property (LAP) financing

Loan Against Property (LAP) represents a structurally expanding segment within secured retail and MSME lending, enabling borrowers to monetize residential or commercial property assets for business expansion, working capital, and consumption needs. Unlike unsecured business loans, LAP provides lenders with tangible collateral, resulting in improved recovery visibility and better risk-adjusted returns. The following reasons can be attributed to the growing popularity of LAP:

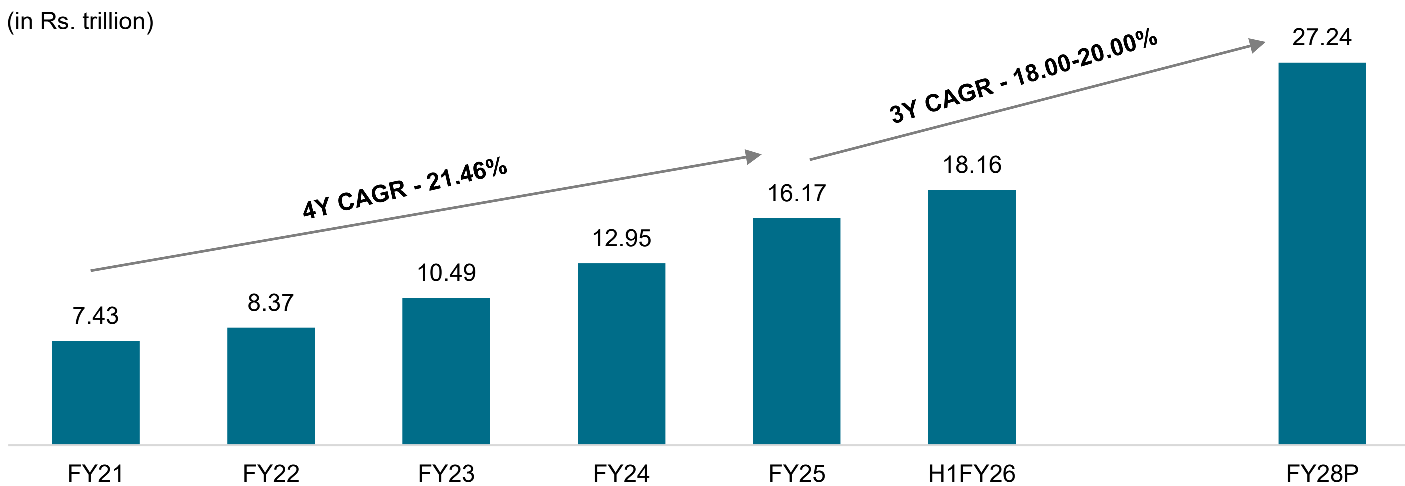
- The interest rate charged to customers is lower than for unsecured personal or business loans
- Secured nature of loan which provides comfort to the lender and portfolio diversification
- The funds can be availed by either salaried or self-employed individuals for personal or business purposes

Financiers offering housing loans also provide LAP, primarily due to synergies between the two products and the higher yields offered by LAP loans compared to the housing loans, while continuing to cater to a similar customer profile, collateral requirement and ticket size.

Key factors contributing to high LAP growth

1. **Rising property ownership and increase in prices:** India's economy is expanding, leading to increased property ownership and a growing demand for residential and commercial real estate. This expansion provides borrowers an opportunity to leverage the asset and avail loans against them.
2. **Increasing demand for credit:** Rising living costs and educational and healthcare expenses have created a demand for financing options. Further, the rising number of micro, small and medium enterprises (MSMEs) in India is driving growth in demand for credit for business needs. LAP offers larger loan amounts, lower interest rates than unsecured loans, competitive loan-to-value ratios and flexible repayment terms, making it an attractive option.
3. **Attractive interest rates and repayment flexibility:** LAP loans are charged a lower interest rate than business and personal loans and provide a longer tenure with a flexible repayment option. The ease of documentation due to the digitisation of land records and underwriting and disbursement process coupled with reduced costs and greater transparency are attractive options for borrowers.
4. **Higher comfort for lenders:** Lenders are comfortable disbursing LAP loans since they have a favourable risk-return profile when compared with MSME and unsecured loans. They also offer higher recovery in case of default (supported by the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002) and better asset quality, which is partly offset by lower yields.
5. **Quick turnaround time and rising penetration:** The digital underwriting process and lesser documentation enable LAP loans to be processed and disbursed within a significantly shorter turnaround time compared to secured MSME loans. Furthermore, increasing penetration by rising number of lenders in Tier II and Tier III regions and beyond, has led to accessibility for borrowers with a wider range of viable options to choose from.

LAP portfolio to grow at 18.00-20.00% CAGR between fiscals 2025 and 2028



Note: P: Projected

Source: CRIF Highmark, Crisil Intelligence

The overall loan against property segment has grown at 21.46% compound annual growth rate (CAGR) from fiscal 2021 to fiscal 2025. The market size has expanded from Rs 7.43 trillion to Rs 16.17 trillion over the period, and to Rs 18.16 trillion as of the first half of fiscal 2026.

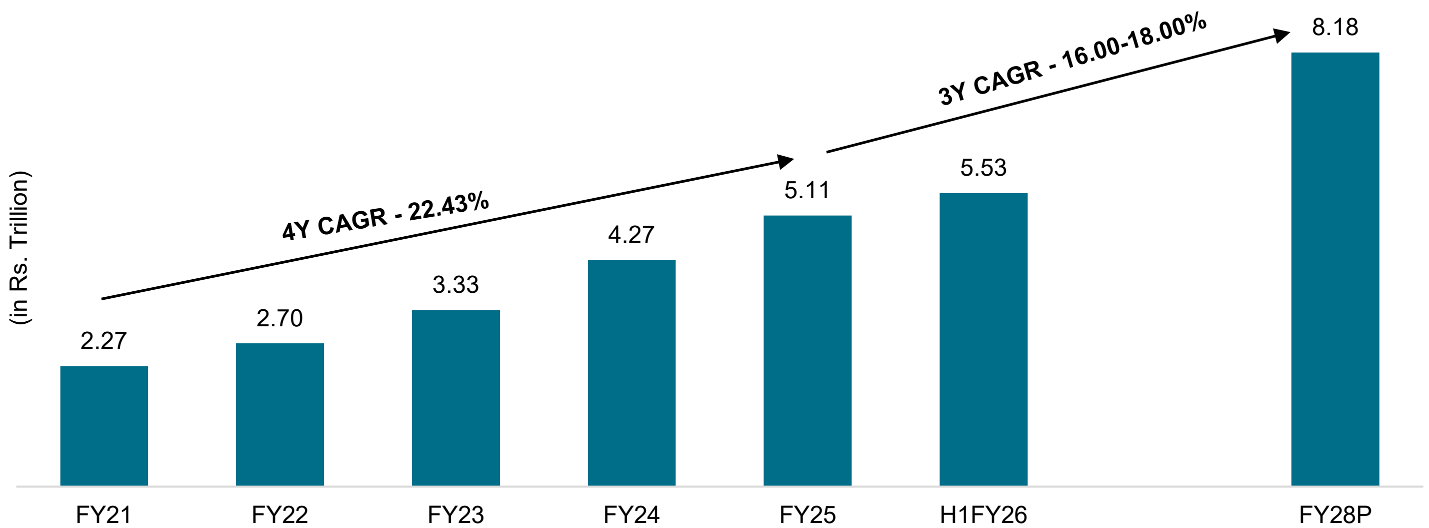
The growth is attributed to greater financial penetration across tiers, digitalisation of land records, and an increased market maturity to use real estate as a collateral for business needs, thereby improving borrower capacity to avail loans. Overall, the LAP portfolio grew ~25.00% on an average year-on-year from fiscal 2023 to fiscal 2025 as compared to 12.65% yearly growth between FY21-FY22 on the back of the strong credit demand emanating from the MSMEs. Going forward, we expect the overall LAP portfolio to grow at 18.00-20.00% CAGR between fiscals 2025 and 2028, aided by an increasing lender focus and penetration of this loan product, enhanced availability of data thus enhancing lender comfort while underwriting such loans, greater use of technology, maturing markets due to higher supply and continued government support.

LAP portfolio with ticket size less than Rs 3.5 million to grow 16.00-18.00% over fiscals 2025-2028

The LAP portfolio (< Rs. 3.5 million) grew at a slightly higher CAGR of 22.43% between fiscals 2021 and 2025 against the overall LAP portfolio, which grew 21.46%, driven by the rising penetration of formal channels and higher comfort among lenders. The growth momentum in LAP loans for ticket size < Rs. 3.5 million showed signs of easing, with year-on-year growth moderating to 19.67% in fiscal 2025, down from 28.23% in fiscal 2024 and 23.33% in fiscal 2023.

In the LAP segment, growth in H1FY26 has been relatively stronger at the overall portfolio level compared to the sub-Rs. 3.5 million ticket-size category. The moderation in growth within the < Rs. 3.5 million segment was already visible in FY25 and has continued into the current fiscal year. This trend reflects a more calibrated lending approach by market participants in the lower ticket-size LAP segment. Following a mild uptick in asset quality indicators, particularly in borrower cohorts with informal or semi-formal income profiles, lenders have adopted tighter underwriting standards and enhanced portfolio monitoring. While growth in this segment has moderated compared to earlier periods, demand fundamentals remain intact. The outlook is expected to remain stable, albeit at a measured pace, as lenders prioritise risk-adjusted growth and portfolio quality discipline within the LAP segment. Crisil Intelligence anticipates this slowing trend to continue, with projected growth rates at 16.00-18.00% CAGR through fiscal 2028.

LAP portfolio of less than Rs 3.5 million grew at 22.43% CAGR between fiscals 2021 and 2025



Note: P: Projected
Source: CRIF Highmark, Crisil Intelligence

With the increase in data availability, enhanced use of technology and experience gained across several cycles while lending to the same customer segment, lenders have intensified their focus on the underserved MSME segment, especially in the self-employed category with no formal or documented source of income. This has led to a continued increase in the share of relatively smaller-ticket-size secured loans in the overall lending pie.

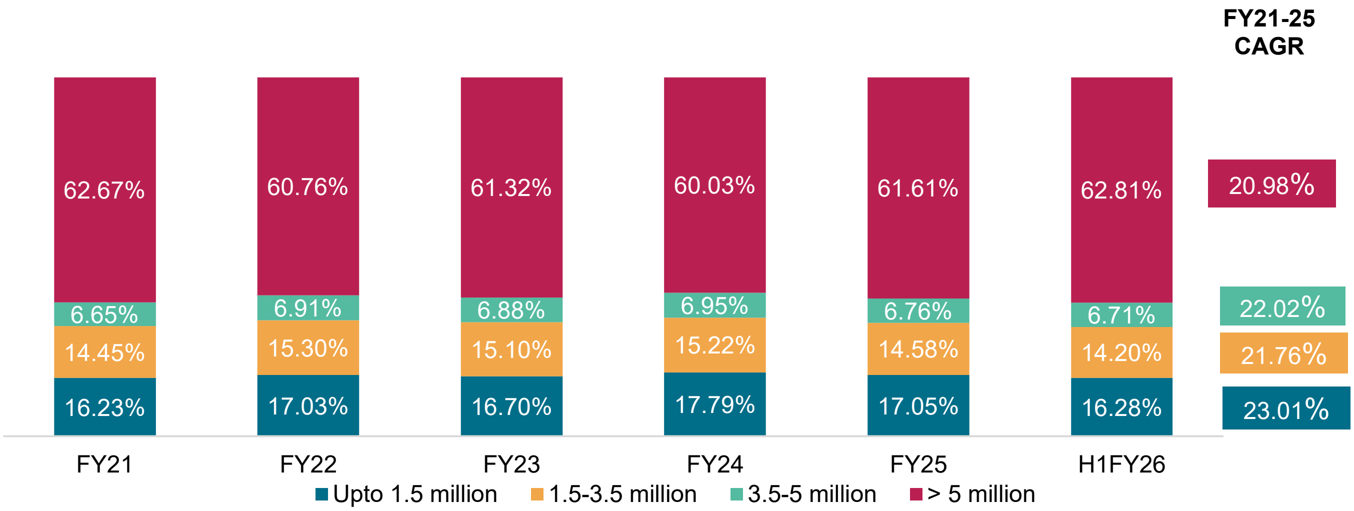
The government has unveiled several initiatives aimed at addressing some of the structural issues plaguing the small business lending segment. These include granting licenses to account aggregators, the Pradhan Mantri Mudra Yojana (PMMY), unveiling Trades Receivables Discounting System (TReDS) platforms and the implementation and rationalisation of the goods and services tax. The anticipated boost to the MSME sector will likely lead to an uptick in loan demand from this segment, presenting opportunities for lenders. This will boost the MSME sector, which will create demand for loans from this segment.

Ticket-size analysis of loan against property portfolio

As of September 2026, loans with ticket sizes over Rs 5 million dominate the LAP market, constituting 62.81% of the market share as of the first half of fiscal 2026. Loans with ticket sizes up to Rs 1.5 million have secured a 16.28% share followed by a 14.20% market share of loans with ticket size between Rs. 1.5 million to Rs. 3.5 million for the same period. Financial institutions are launching specialised schemes, known as Micro LAP products, that have ticket size up to Rs. 1.5 million. The growth rate across all ticket sizes is in the range of ~21.00-23.00% between fiscal 2021 to 2025

The ticket size range between Rs. 1.5 million to Rs. 3.5 million also known as Small LAP ticket size loans or S-LAP, largely driven by surging demand from MSMEs and small business owners looking for affordable capital. This segment serves as a vital bridge for borrowers who require larger loan amounts but do not meet the eligibility criteria for unsecured loans. From a lender's perspective, the S-LAP segment offers an attractive proposition, providing higher yields compared to larger LAP loans (above Rs. 5 million) and lower delinquency rates relative to Micro LAP loans thus improving profitability.

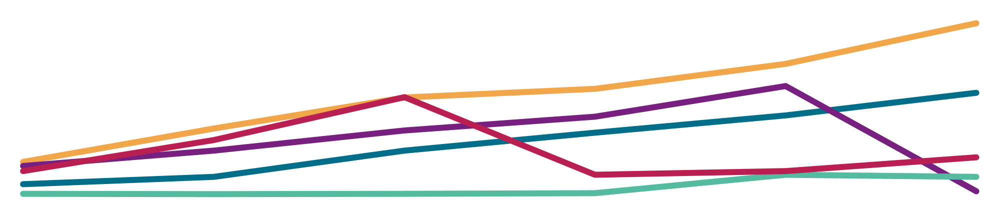
Trend of various ticket sizes in the overall LAP portfolio



Source: CRIF Highmark, Crisil Intelligence

HFCs have catered to borrowers with lower ticket size as compared to banks

In Rs. million



	FY21	FY22	FY23	FY24	FY25	H1FY26
Public banks	1.71	1.81	2.16	2.40	2.63	2.93
Private banks	2.01	2.45	2.87	2.98	3.31	3.85
NBFCs	1.95	2.16	2.43	2.61	3.02	1.62
HFCs	1.58	1.58	1.58	1.59	1.84	1.81
Others	1.89	2.30	2.87	1.84	1.89	2.07

Public banks Private banks NBFCs HFCs Others

Source: CRIF Highmark, Crisil Intelligence

For the overall LAP portfolio, private banks had the highest average ticket size throughout the historical period, which almost doubled from Rs. 2.01 million in fiscal 2021 to Rs. 3.85 million in the first half of fiscal 2026. On the other hand, HFCs have had the lowest ticket size and have marginally increased from Rs. 1.58 million Rs. 1.81 million during the same period. This highlights that HFCs are an integral point for borrowers in lower ticket sizes, driving inclusion.

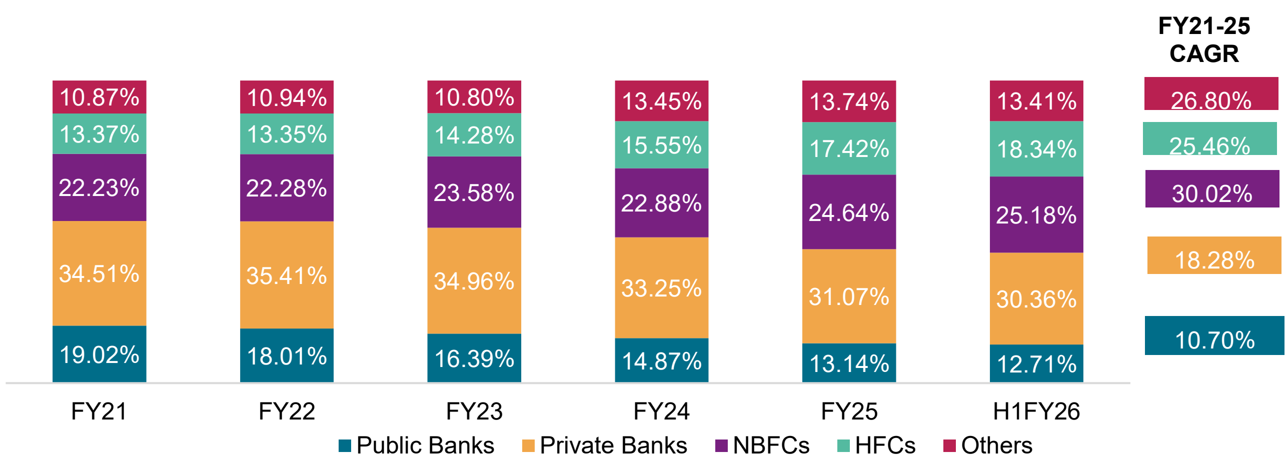
Factors driving HFC competitiveness in the LAP portfolio (< Rs. 3.5 million)

HFCs have strengthened their presence in the retail LAP segment (< Rs. 3.5 million) over the review period. Their market share remained broadly stable at ~13% during FY21–FY22, followed by a steady increase from 14.28% in FY23 to 18.34% in H1FY26. This expansion reflects gradual share gains in a competitive environment, supported by differentiated underwriting capabilities and operational efficiencies. The increase in market share from FY23 onward indicates improving competitive positioning despite the presence of private banks and large NBFCs in the segment, owing to being better than others on various metrics:

- Faster processing time, lower turnaround times in loans as compared with peers
- Flexible repayment terms on LAP as compared with other players
- More granular on-the-ground data and a better understanding of the real estate market compared to other players, giving them a competitive edge
- Greater expertise in underwriting the informal segment for borrowers with limited credit information by following a focused underwriting process such as using surrogates in place of formal documentation, AI based underwriting, etc.
- Completely digitised processes

The above-mentioned factors, among others, played a vital role in helping HFCs increase share in the LAP segment.

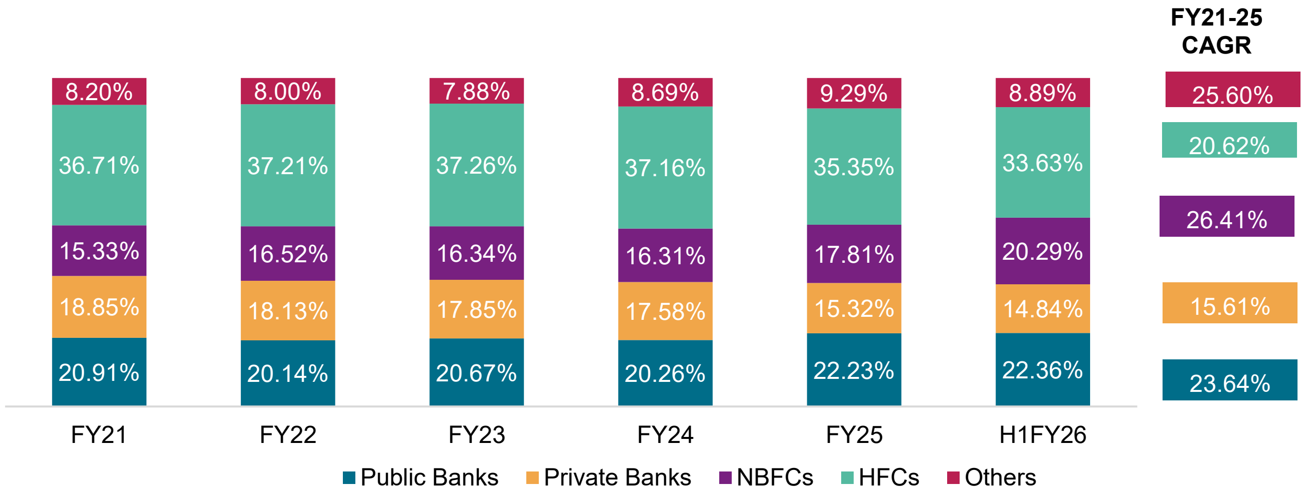
HFCs maintaining market share despite facing competition from large NBFCs on the back of strong growth (<Rs 3.5 million)



Note: The chart includes only the retail portion, which constitutes ~75% of the overall LAP portfolio
Source: CRIF Highmark, Crisil Intelligence

The LAP market (< Rs. 3.5 million) has attracted larger non-banking financial companies (NBFCs), drawn by its growth potential and higher yields. With asset quality concerns in unsecured lending, NBFCs have turned to LAP as a diversification strategy, achieving a 30.02% 4-year CAGR and increasing their market share to 25.18% in the first half of this fiscal. HFCs (including AHFCs) have navigated the competitive landscape effectively, posting a 25.46% 4-year CAGR from fiscal 2021 to fiscal 2026 and expanding their market share, driven by their strong performance and strategic positioning.

HFCs have the highest share in loans with ticket sizes between Rs. 1.5 million Rs. 3.5 million



Source: CRIF Highmark, Crisil Intelligence

In the case of LAP loans between ticket size Rs. 1.5 million to Rs. 3.5 million, HFCs have the highest market share across all fiscals. The lower ticket size approach followed by HFCs, especially AHFCs with on-ground customer experience and nuanced credit writing approach, are able to tap the market potential in this ticket size range.

NBFCs are gaining traction in this segment, as seen from increase in market share from 15.33% in fiscal 2021 to 20.29% in H1 fiscal 2026 with highest growth rate of 26.41%. As NBFCs are facing liquidity issues, asset quality issues especially in unsecured loans, the LAP product provides a diversification strategy with the lowest risk amongst all products offered by them.

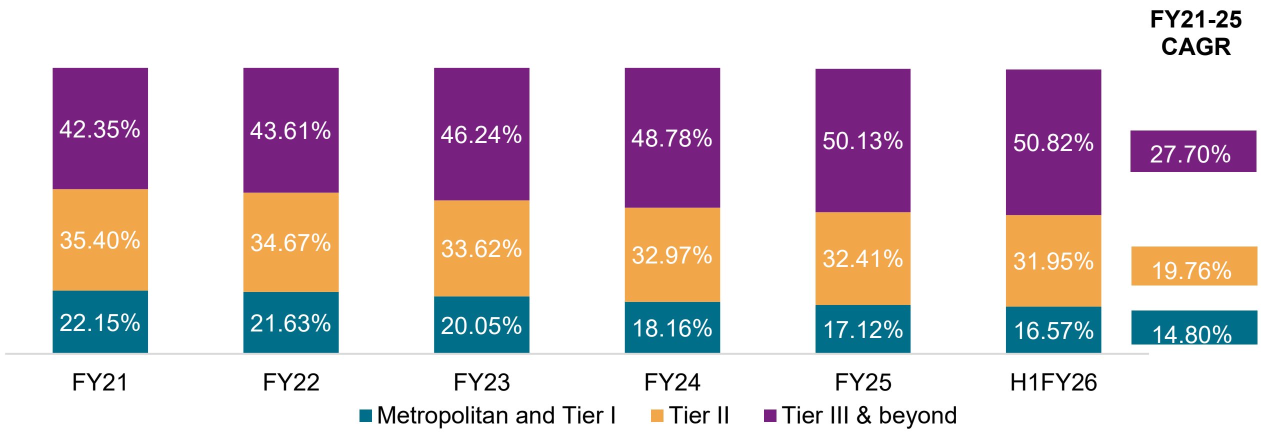
For AHFCs, underwriting LAP to informal and semi-formal borrowers requires a highly nuanced, cash-flow based assessment framework. Income streams are often seasonal, fragmented, or partially undocumented, necessitating reliance on surrogate indicators such as business vintage, household cash flows, stability of occupation, and local market references. This is complemented by detailed property assessment, conservative loan-to-value ratios, and granular ticket sizes to mitigate risk. The ability to combine on-ground underwriting, collateral-led risk mitigation, and local market knowledge enables AHFCs to extend credit responsibly to micro-entrepreneurs while maintaining portfolio discipline. As a result, LAP plays a dual role within AHFC portfolios—supporting financial inclusion and livelihood creation in underpenetrated markets, while also contributing to portfolio diversification and profitability.

Tier-wise analysis (<Rs. 3.5 million)

In Tier II and 3 markets, Loan Against Property (LAP) plays a vital role in providing credit to micro-entrepreneurs and self-employed individuals who face challenges in accessing formal business credit. These borrowers typically run small businesses, such as trading, manufacturing, or service enterprises, and often lack the necessary documentation to qualify for unsecured or traditional MSME loans. LAP offers an alternative solution, allowing borrowers to use their residential or self-occupied property as collateral to secure medium-term credit for business growth, working capital, and asset creation. This credit product provides lenders with a secure lending option, backed by tangible collateral, while enabling borrowers to access the funds they need to grow their businesses

As of the first half of fiscal 2026, Tier III and beyond cities accounted for 50.82% of the LAP portfolio, followed by Tier II (31.95%) and Metropolitan and Tier I cities (16.57%). Between fiscals 2021 and the first half of fiscal 2026, Tier III cities and beyond clocked a CAGR of 27.70%, highest amongst the tiers. The LAP market in Tier III cities and beyond presents a substantial growth opportunity, particularly in the below Rs 3.5 million category. This segment primarily comprises self-employed individuals, who are unable to produce sufficient documented proof of income even when stable earnings persist. To effectively cater to this segment, it is essential to develop niche capabilities that leverage alternative data sources for credit underwriting. By creating a robust underwriting model that can accurately capture surrogate data, financial institutions can unlock a significant opportunity in Tier II and beyond regions. Proactively targeting this category, lenders are capitalizing on the collateral-backed nature of LAP to mitigate potential delinquencies, while addressing the high credit demand and promoting financial inclusion in underserved markets.

Growth driven by Tier II, and Tier III & Beyond cities (<Rs. 3.5 million)



Note: Numbers in the table don't add up to 100% as there is portion of portfolio which is not tagged to any district
Source: CRIF Highmark, Crisil Intelligence

Within the player groups, growth in the segment is expected to be strong among housing finance companies (HFCs) due to their higher market share, deeper penetration in Tier II and 3 cities and adequate liquidity support.

Tier wise Portfolio mix (Ticket size up to Rs. 1.5 mn)	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Metropolitan and Tier I	17.48%	17.13%	15.74%	13.93%	13.08%	12.78%	14.42%
Tier II	35.19%	34.56%	33.38%	32.57%	31.79%	31.35%	19.92%
Tier III and beyond	47.22%	48.21%	50.78%	53.42%	54.87%	55.56%	27.71%
NA	0.11%	0.10%	0.09%	0.08%	0.25%	0.32%	50.64%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**23.01%**

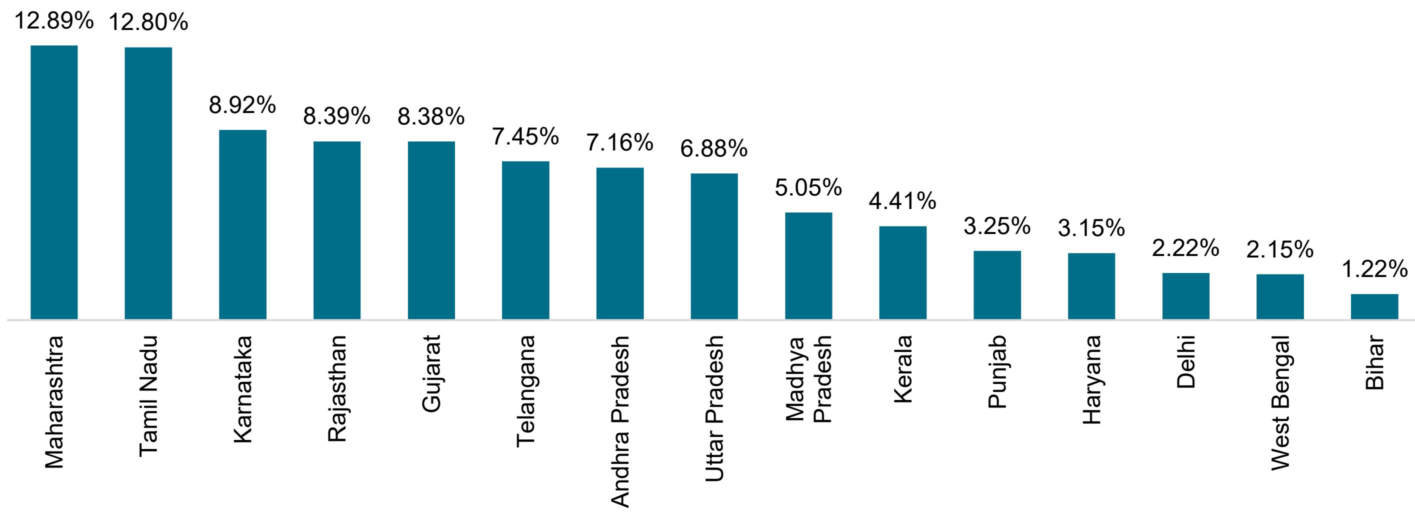
Tier wise Portfolio mix (Ticket size between Rs. 1.5-3.5 mn)	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Metropolitan and Tier I	27.39%	26.65%	24.82%	23.11%	21.85%	20.91%	15.07%
Tier II	35.62%	34.78%	33.88%	33.44%	33.13%	32.64%	19.57%
Tier III and beyond	36.88%	38.50%	41.22%	43.36%	44.57%	45.38%	27.67%
NA	0.10%	0.07%	0.08%	0.09%	0.45%	1.07%	74.84%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**21.76%**

Note: NA represents the portfolio which is untagged as per the bureau data and represents less than 5% of total portfolio; Source: CRIF Highmark, Crisil Intelligence

State-wise analysis of loan against property below Rs 3.5 million

As of the first half of fiscal 2026, the top 15 states (displayed below) accounted for 94.32% of LAP below Rs 3.5 million. Maharashtra and Tamil Nadu accounted for 12.89% and 12.80% respectively, followed by Karnataka (8.92%), Rajasthan (8.39%) and Gujarat (8.38%).

Maharashtra and Tamil Nadu hold the highest share in LAP below Rs 3.5 million (H1FY26)



Source: *CRIF Highmark*, Crisil Intelligence

State-wise outstanding of loan against property below Rs 3.5 million

Among the top 10 states, Madhya Pradesh logged the fastest growth rate of 31.00% between fiscals 2021 and the first half of fiscal 2026, followed by Telangana (30.07%), Andhra Pradesh (28.57%) Uttar Pradesh (26.80%) and Rajasthan (26.32%).

States	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR	Market Share
Maharashtra	14.97%	14.78%	14.26%	13.59%	13.40%	12.89%	19.08%	**Top 5 states 51.38%**
Tamil Nadu	12.63%	12.32%	12.16%	12.51%	12.74%	12.80%	22.69%	
Karnataka	9.64%	9.42%	9.26%	9.17%	9.01%	8.92%	20.37%	
Rajasthan	7.26%	7.50%	7.81%	8.03%	8.23%	8.39%	26.32%	
Gujarat	10.27%	10.04%	9.71%	9.23%	8.59%	8.38%	17.08%	
Telangana	5.68%	6.28%	6.68%	7.05%	7.23%	7.45%	30.07%	**Top 10 states 82.33%**
Andhra Pradesh	5.74%	5.94%	6.30%	6.63%	6.98%	7.16%	28.57%	
Uttar Pradesh	5.89%	6.02%	6.26%	6.32%	6.78%	6.88%	26.80%	
Madhya Pradesh	3.80%	4.09%	4.50%	4.74%	4.98%	5.05%	31.00%	
Kerala	5.92%	5.47%	4.87%	5.14%	4.68%	4.41%	15.44%	
Others	18.20%	18.14%	18.19%	17.59%	17.38%	17.67%	19.70%	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**22.4%**	**100.00%**

Note: Highlighted in green are the top five fastest growing states among top 10 states

Source: CRIF Highmark, Crisil Intelligence

State-wise disbursements of loan against property below Rs 3.5 million

In the first half of fiscal 2026, Tamil Nadu accounted for 13.85% of disbursements, followed by Maharashtra (10.98%), Rajasthan (9.23%) and Karnataka (8.51%) and Uttar Pradesh (8.01%). The top 10 states accounted for 81.59% of the total disbursements in H1 fiscal 2026, with the top five contributing to 50.58% share. Between fiscal 2021 and fiscal 2025, Uttar Pradesh's disbursements clocked a CAGR of 39.78%, Andhra Pradesh (37.79%), Madhya Pradesh (37.48%), Tamil Nadu (35.07%) and Rajasthan (34.89%).

Tamil Nadu surpassed Maharashtra since fiscal 2024

States	FY21	FY22	FY23	FY24	FY25	H1FY26	FY21-25 CAGR
Tamil Nadu	11.84%	11.84%	12.45%	12.86%	14.01%	13.85%	35.07%
Maharashtra	14.78%	14.37%	12.71%	11.99%	11.44%	10.98%	21.48%
Rajasthan	7.67%	7.83%	8.38%	8.73%	9.03%	9.23%	34.89%
Karnataka	9.65%	8.91%	9.16%	9.36%	8.97%	8.51%	27.13%
Uttar Pradesh	5.70%	6.06%	6.64%	6.81%	7.74%	8.01%	39.78%
Telangana	6.47%	7.82%	7.37%	7.60%	7.38%	7.66%	33.86%
Andhra Pradesh	5.76%	6.34%	6.98%	7.34%	7.38%	7.52%	37.79%
Gujarat	10.32%	9.74%	8.70%	8.34%	7.25%	6.95%	18.55%
Madhya Pradesh	4.36%	4.80%	5.43%	5.39%	5.53%	5.39%	37.48%
Haryana	3.48%	3.39%	3.56%	3.56%	3.44%	3.49%	29.17%
Others	19.97%	18.90%	18.62%	18.02%	17.83%	18.41%	30.19%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**29.50%**

Note: Highlighted are the top 5 fastest growing state among top 10 states; Source: CRIF Highmark, Crisil Intelligence

State-wise analysis for the top five districts in portfolio and loan accounts

States	No of districts	Top 5 districts based on outstanding	Share of loan accounts below Rs 3.5 million	Share of loan outstanding below Rs 3.5 million
Maharashtra	36	Pune, Thane, Mumbai, Mumbai Suburban, Nashik	55.31%	56.67%
Karnataka	31	Bengaluru, Mysuru, Belgaum, Tumkur, Hassan	55.58%	58.26%
Telangana	33	Medchal Malkajgiri, Hyderabad, Rangareddy, Sangareddy, Nalgonda	51.47%	54.59%
Tamil Nadu	37	Coimbatore, Tiruvallur, Salem, Madurai, Chennai	28.41%	32.01%
Gujarat	33	Ahmedabad, Surat, Rajkot, Vadodara, Gandhinagar	59.92%	64.64%
Uttar Pradesh	75	Ghaziabad, Lucknow, Gautam Buddha Nagar, Meerut, Agra	38.51%	37.61%
Andhra Pradesh	13	East Godavari, Visakhapatnam, Krishna, Guntur, West Godavari	56.97%	57.46%
Delhi	10	North-west, west, south, south-west, east	78.39%	75.83%
Rajasthan	33	Jaipur, Jodhpur, Ajmer, Bhilwara, Udaipur	42.80%	45.67%
Kerala	14	Ernakulam, Thiruvananthapuram, Malappuram, Thrissur, Kollam	52.52%	55.70%

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States	No of districts	Top 5 districts based on outstanding	Share of loan accounts below Rs 3.5 million	Share of loan outstanding below Rs 3.5 million
West Bengal	23	Kolkata, North 24 Parganas, South 24 Parganas, Hugli, Howrah	61.64%	59.15%
Madhya Pradesh	52	Indore, Bhopal, Ujjain, Dhar, Dewas	45.26%	47.69%
Haryana	22	Gurgaon, Faridabad, Panipat, Karnal, Yamunanagar	49.51%	48.32%
Punjab	22	Ludhiana, Amritsar, Jalandhar, Patiala, Sahibzada Ajit Singh Nagar	62.23%	63.30%
Bihar	38	Patna, Muzaffarpur, Vaishali, Purba Champaran, Gaya	46.44%	46.11%
Odisha	30	Khordha, Cuttack, Ganjam, Baleshwar, Puri	53.90%	54.59%
Chhattisgarh	28	Raipur, Durg, Bilaspur, Janjgir - Champa, Rajnandgaon	73.49%	70.49%
Uttarakhand	13	Dehradun, Haridwar, Udham Singh Nagar, Nainital, Garhwal	91.50%	93.79%
Jharkhand	24	Ranchi, Dhanbad, Purbi Singhbhum, Hazaribagh, Bokaro	67.54%	70.34%
Assam	33	Kamrup Metropolitan, Cachar, Kamrup, Nalbari, Sonitpur	52.34%	49.54%
Himachal Pradesh	12	Solan, Kangra, Shimla, Una, Sirmaur	73.58%	73.64%
Jammu and Kashmir	22	Jammu, Srinagar, Kathua, Reasi, Badgam	73.58%	71.17%
Goa	2	North Goa, South Goa	99.94%	99.97%
Chandigarh	1	Chandigarh	100.00%	100.00%
Puducherry	4	Puducherry, Karaikal, Yanam, Mahe	100.00%	100.00%
Tripura	8	West Tripura, Gomati, Sepahijala, North Tripura, Unakoti	91.61%	91.12%
Sikkim	4	East District, South District, West District, North District	99.46%	99.45%
Mizoram	11	Aizawl, Lunglei, Saiha, Lawngtlai, Champhai	88.70%	92.87%
Manipur	16	Imphal West, Imphal East, Thoubal, Kamjong, Kangpokpi	82.33%	84.12%
Meghalaya	11	East Khasi Hills, West Garo Hills, Ribhoi, West Jaintia Hills, South West Khasi Hills	95.96%	95.75%
Dadra and Nagar Haveli	1	Dadra and Nagar Haveli	100.00%	100.00%
Arunachal Pradesh	17	Lower Subansiri, Kurung Kumey, East Siang, Papum Pare, West Kameng	77.84%	82.37%
Andaman and Nicobar Islands	3	South Andaman, North and Middle Andaman, Nicobar	100.00%	100.00%
Nagaland	11	Dimapur, Kohima, Mokokchung, Wokha, Zunheboto	94.58%	96.62%
Daman and Diu	2	Daman, Diu	100.00%	100.00%

States	No of districts	Top 5 districts based on outstanding	Share of loan accounts below Rs 3.5 million	Share of loan outstanding below Rs 3.5 million
Lakshadweep	1	Lakshadweep	98.39%	98.29%

Note: Number of districts as reported by CRIF
Source: CRIF Highmark, Crisil Intelligence

As can be seen from the table above, the average penetration by top 5 districts for each of the top 15 states is ~53% as of H1FY26 in terms of outstanding loan amount. This suggests that several districts remain underpenetrated, even within the top 10 states, which together account for approximately 82.33% of the total LAP portfolio for ticket sizes below Rs. 3.5 million. This provides a meaningful opportunity for lenders to look beyond the Tier I cities and deepen their penetration across emerging districts to scale up their loan book.

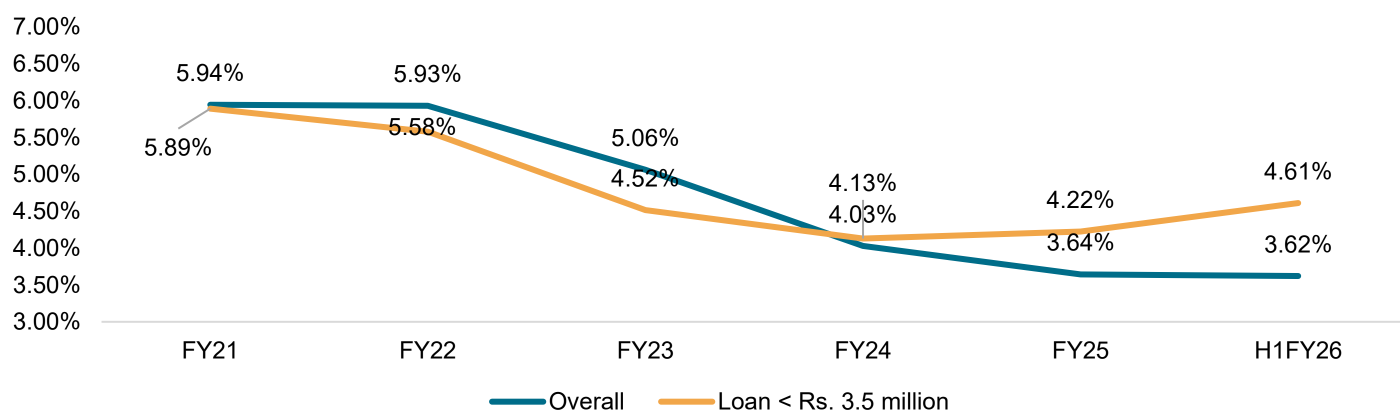
Asset quality

The gross non-performing asset (GNPA) ratio is higher in the LAP portfolio (below Rs 3.5 million) than housing finance, given that customers work in the informal sector and have inadequate documentation. In addition, funds from LAP borrowings are used for business expansion plans that have a more complex credit profile and different repayment structures compared to the goal of asset creation in case of housing loans. However, higher yields than housing loans compensate the lender for higher delinquencies.

The overall asset quality in the LAP portfolio improved to 3.62% in the first half of fiscal 2026 from 5.94% in fiscal 2021. The high GNPA ratio over fiscals 2021-2023 was caused by the pandemic, affecting the middle-to-low-income segment the most. To improve the asset quality, disbursements in LAP were driven by stricter underwriting and better digital verification, property valuation and borrower capacity.

However, asset quality for the ticket size below Rs 3.5 million deteriorated to 4.61% in the first half of fiscal 2026 from 4.13% in fiscal 2024. The deterioration in asset quality can be majorly attributed to loans less than Rs. 1.5 million (in the next table) The borrowers of Micro LAP loans are facing industry-wide concerns such overleveraging in lower ticket size where borrowers took on multiple small ticket size unsecured loans and defaulted on the same. These borrowers are often new to credit or operate in informal sectors where repayment capacity is highly sensitive to rising inflation, rural distress or supply chain disruptions. The LAP loan segment exhibits a higher degree of resilience to industry disruptions, primarily due to the presence of collateral security, which serves as a risk mitigant and distinguishes it from other unsecured loan segments

Asset quality of LAP Loans – Overall and Loans < Rs. 3.5 million



Note: GNPAs are loans/advances overdue for over 90 days, excluding write-offs
Source: CRIF Highmark, Crisil Intelligence

Asset quality by ticket size

The delinquency in ticket size of Rs 1.5-3.5 million has witnessed an improvement from 5.10% to 3.44% between fiscal 2021 and the first half of fiscal 2026. Similar trends in GNPA ratio have been observed in the ticket size band of > Rs. 5 million where asset quality has improved from 6.06% in fiscal 2021 to 3.18% in first half of fiscal 2026

While the asset quality in the ticket size of up to Rs 1.5 million improved to 4.55% in fiscal 2024 from 6.35% in fiscal 2021, it deteriorated to 5.53% in the first half of fiscal 2026, potentially caused by the heightened sensitivity of borrowers to rising inflation and unstable income. Under this ticket size, the industry faces risks such as overleveraging, defaults in multiple unsecured loans and non-payment in secured loans. However, the ticket size between Rs. 1.5 million to Rs. 3.5 million have performed better than the loans in ticket size less than Rs. 1.5 million as GNPA has reduced from 5.10% in fiscal 2021 to 3.44% in first half of fiscal 2026. This ticket size focuses on MSME business owners with limited reported income. Credit assessment is done on the basis of surrogate sources like bank statements, etc.

Asset quality has improved across all ticket sizes, while loans below Rs. 1.5 million still having higher NPAs

Ticket size	FY21	FY22	FY23	FY24	FY25	H1FY26
Up to 1.5 million	6.35%	6.16%	4.99%	4.55%	4.90%	5.53%
1.5-3.5 million	5.10%	4.74%	3.83%	3.52%	3.33%	3.44%
3.5-5 million	5.27%	5.05%	4.08%	3.56%	3.30%	3.34%
> 5 million	6.06%	6.23%	5.47%	4.03%	3.39%	3.18%
Overall	**5.94%**	**5.93%**	**5.06%**	**4.03%**	**3.64%**	**3.62%**

Note: GNPAs are loans/advances overdue for over 90 days, excluding write-offs
Source: CRIF Highmark, Crisil Intelligence

State-wise analysis of asset quality

As of the first half of fiscal 2026, Haryana witnessed the best asset quality among the top 10 states in overall LAP at 1.60%, while Telangana's has the best asset quality at 2.34% for LAP below Rs 3.5 million. Maharashtra had the highest GNPA ratio for overall LAP at 4.86% and Karnataka for loans below Rs 3.5 million at 6.87%.

State	Overall LAP			LAP below Rs 3.5 million		
	H1FY26 loan outstanding (in Rs bn)	FY21-25 CAGR	H1FY26 GNPA	H1FY26 loan outstanding (in Rs. Bn)	FY21-25 CAGR	H1FY26 GNPA
Maharashtra	3,112.66	17.57%	4.86%	713.19	19.08%	5.03%
Tamil Nadu	1,914.09	20.93%	3.45%	708.29	22.69%	3.73%
Karnataka	1,695.07	19.90%	4.55%	493.49	20.37%	6.87%
Gujarat	1,607.34	20.09%	2.28%	463.63	17.08%	3.12%
Telangana	1,323.71	32.30%	1.80%	412.16	30.07%	2.34%
Rajasthan	1,125.31	24.68%	2.48%	464.22	26.32%	3.15%
Delhi	1,236.59	16.20%	2.81%	122.55	15.92%	2.94%
Uttar Pradesh	1,054.90	26.46%	2.95%	380.78	26.80%	3.63%
Andhra Pradesh	767.19	27.67%	3.89%	396.11	28.57%	4.09%
Haryana	848.83	26.26%	1.60%	174.26	20.24%	2.78%
Overall	**18,162.14**	**21.46%**	**3.62%**	**5,531.98**	**22.43%**	**4.61%**

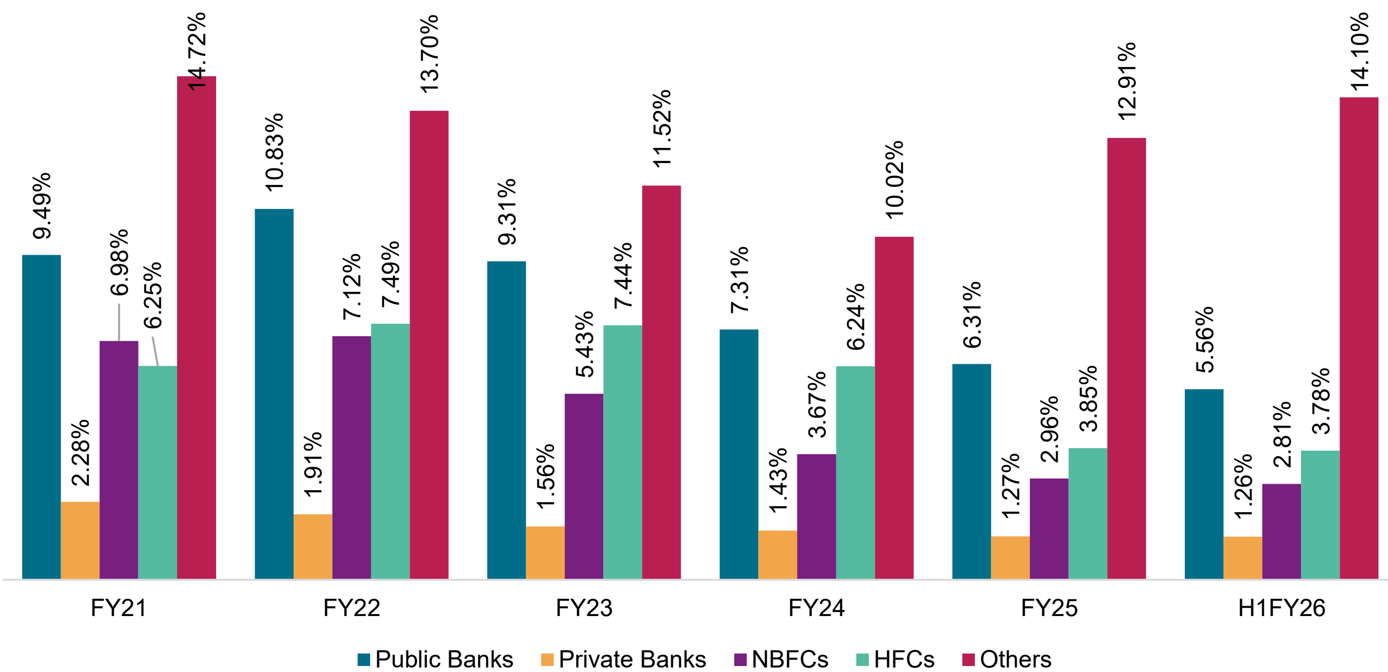
Note: GNPAs are loans/advances overdue for over 90 days, excluding write-offs.
Source: CRIF Highmark, Crisil Intelligence

Asset quality by lender in the overall LAP segment

Historically, private banks have maintained the best-in-class asset quality, owing to their prime customer profile, comprising salaried individuals with a strong repayment track record and higher ticket size. As a result, private sector banks have lower yields and better asset quality when compared to other lenders. Notably, HFCs serve a distinct clientele of borrowers with smaller loan sizes, who, despite being stable earners, are often excluded from bank financing due to limited documentation. To compensate for the relatively higher credit risk associated with this asset class, HFCs command higher yields.

As a result, the GNPA ratio for HFCs stood at 3.78% as of the first half of fiscal 2026, compared to 1.26% for private banks. This represents a significant improvement of HFCs from the GNPA ratio of 6.25% reported in fiscal 2021. Importantly, the asset quality of HFCs remains superior to that of public sector banks, which reported a GNPA ratio of 5.56% during the same period.

Asset quality of HFCs is better than public banks

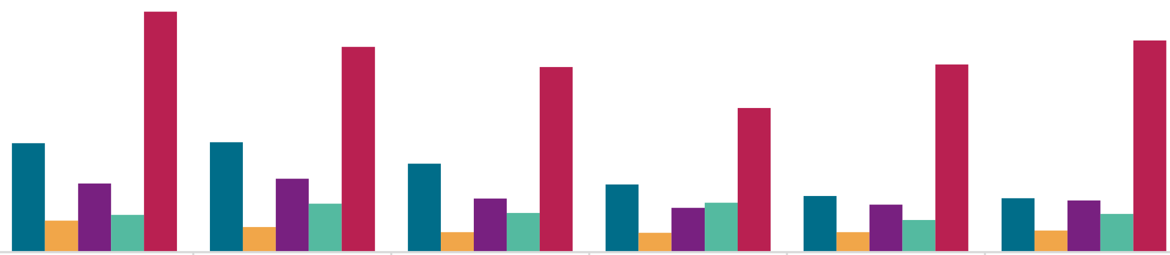


Note: GNPAs are loans/advances overdue for over 90 days, excluding write-offs. Others include foreign banks and other players; Source: CRIF Highmark, Crisil Intelligence

Asset quality of HFCs rank second – best within the LAP market (Rs. <3.5 million)

Asset quality of HFCs deteriorated to 3.77% in fiscal 2024 from 2.85% in fiscal 2021 but improved to 2.92% in the first half of fiscal 2026. Given the nature of the customer segment (below Rs 3.5 million), HFCs have navigated the asset quality diligently, maintaining the second-best position among lenders after private banks (1.65% in the first half of fiscal 2026).

Asset quality in LAP below Rs 3.5 million



	FY21	FY22	FY23	FY24	FY25	H1FY26
Public Banks	8.34%	8.40%	6.75%	5.17%	4.29%	4.13%
Private Banks	2.41%	1.92%	1.52%	1.47%	1.52%	1.65%
NBFCs	5.25%	5.60%	4.10%	3.40%	3.63%	3.95%
HFCs	2.85%	3.71%	2.99%	3.77%	2.47%	2.92%
Others	18.38%	15.68%	14.15%	11.01%	14.34%	16.16%

Public Banks Private Banks NBFCs HFCs Others

Note: GNPA are loans/advances overdue for over 90 days, excluding write-offs. Others include foreign banks and other players
Source: CRIF Highmark, Crisil Intelligence

Loans between Rs. 1.5-3.5 million has the best asset quality for HFCs

GNPA (%) for HFCs	FY21	FY22	FY23	FY24	FY25	H1FY26
Up to 1.5 million	2.22%	3.02%	2.46%	3.50%	2.56%	3.29%
1.5-3.5 million	3.60%	4.56%	3.68%	4.14%	2.34%	2.43%
3.5-5 million	5.12%	6.56%	5.31%	5.80%	2.94%	2.94%
> 5 million	8.98%	11.20%	12.44%	9.63%	5.92%	5.08%
Overall	**6.25%**	**7.49%**	**7.44%**	**6.24%**	**3.85%**	**3.78%**

Note: GNPA are loans/advances overdue for over 90 days, excluding write-offs. Others include foreign banks and other players
Source: CRIF Highmark, Crisil Intelligence

Loans between ticket size of Rs. 1.5-3.5 million have the best asset quality as of H1FY26 of 2.43% which has reduced from 3.60% in fiscal 2021. Historically, as well, this ticket size has remained resilient through economic cycles. Loans with Rs. 3.5-5 million have the second-best asset quality at 2.94%, which has improved from 5.12% over the same period, followed by Micro LAP (up to 1.5 million) at 3.29%. The asset quality in this bracket has deteriorated from 2.22% in fiscal 2021. Loans above Rs. 5 million have the worst asset quality at 5.08% as of H1 fiscal 2026.

Potential threats and challenges faced in LAP financing

The LAP loans have been growing at a magnificent 4Y CAGR of 21.46% between fiscal 2021-2025. However, the high growth rate can be limited by potential threats and challenges like:

1. **Valuation mismatch and liquidity concerns:** A significant challenge in LAP lending is the disparity between borrowers' expected property valuations and lenders' conservative assessments of "distress value". For lenders who proceed with recovery, this mismatch can lead to difficulties in liquidating properties in a slow market, rendering the loan's secured nature less effective than anticipated. Further, collateral frauds like collusion, double mortgage on single property or duplicate documents can cause significant losses and legal challenges for lenders
2. **Growing non-performing assets and delinquencies:** The LAP sector, particularly in the micro-LAP (< Rs. 1.5 million) segment, has experienced increased stress, with delinquency rates (90+ days past due) on the rise. Although

the pandemic-driven peak in delinquencies has shown signs of recovery, the risk of default remains elevated, posing a challenge to lenders.

3. **Complex recovery processes:** Lenders face significant operational and legal hurdles when recovering assets, including protracted legal proceedings, unclear property titles, disputed ownership, and fraudulent documentation. These complexities can hinder the efficiency of the recovery process. Although, with the digitization of land records and amendments in SARFAESI Act, process has become transparent and faster.
4. **Increased competition can create pressure on net interest margins:** The strategic expansion by financial institutions in LAP, can lead to intense competition which can create pressure on the net interest margins. The low risk - better yield nature of the LAP portfolio and industry wide concerns faced in unsecured lending will encourage the lenders to explore this product. With niche underwriting capabilities, on ground experience locally with customers and low borrowing cost, lenders can ensure healthy margins.
5. **Insufficiency of documented income:** Underwriting in the semi-formal or informal segment demands a tailored approach, as traditional income verification methods may not be applicable. Lenders must adapt by leveraging alternative data sources and surrogate measures to estimate income and manage risk, ultimately ensuring informed credit decisions.

Builder Finance (Construction Finance)

Builder finance, also known as construction loans, provides short-to-medium-term funding for real estate developers to cover building project costs. Funds are disbursed in stages as construction milestones are met with phased disbursement, and higher interest rates. Borrowers make interest-only payments during construction with principal repayment starting after project completion or conversion to a permanent mortgage. The loan is secured by project assets including land and projected cash flows. There are various types of financing, including construction-to-permanent loans, construction-only loans, land acquisition finance and inventory funding which help builders manage cash flow, avoid project delays and ensure timely completion.

Over the past few fiscals, non-banking financial companies' (NBFCs) lending to the real-estate sector has undergone considerable change in terms of size, complexity and interconnectedness with the financial sector. Majority of housing finance companies (HFCs) are downsizing their real-estate portfolios due to asset quality concerns, but few are actively expanding and have been able to do well owing to prudent credit quality and monitoring, diversified portfolio books, and quality customer sourcing strategy.

The pandemic has brought about significant changes in residential housing demand. Some of the key factors affecting demand include:

- **Supply rationalization post-pandemic:** This imbalance between high demand and limited supply contributed to upward pressure on prices, as buyers competed for a limited number of available properties. As a result, the real estate sector experienced a period of rapid price growth driven by the combination of restrained demand and constrained supply.
- **Pent-up demand and tax incentives:** The pandemic led to a significant buildup of pent-up demand which was released into the market once lockdowns were lifted. This surge in demand was further fuelled by government tax incentives, such as income tax relief for developers and homebuyers and historically low mortgage interest rates. The combination of these factors stimulated a strong recovery in demand, driving growth and investment in the real estate sector.
- **Concessions in stamp duty:** Governments in various regions introduced concessions in stamp duty and other tax incentives to support the real estate sector and encourage buyers. These incentives helped boost sales and investor confidence, providing a much-needed stimulus to the industry. By reducing the financial burden on homebuyers, governments were able to stimulate demand and drive growth in the sector.
- **Sustained economic growth and hybrid working model:** The pandemic accelerated the adoption of remote and hybrid working models, transforming the way people live and work. As a result, there was a surge in demand for larger homes and dedicated office spaces, particularly in suburban and peripheral areas. This shift in work culture drove up house prices, as people sought more spacious and comfortable living arrangements.

These factors are expected to drive growth in the residential housing market.

Top residential markets have witnessed strong momentum in the past few fiscals, supported by sustained economic growth and continuation of hybrid working models. Growth is expected in FY27, primarily due to the necessity for larger living spaces and an enhanced lifestyle, catalysed by the pandemic. The Real Estate Regulatory Authority (RERA) has also played a crucial role in increasing demand for RERA-compliant houses, which provides social security to home buyers so that the house possession will be delivered on time.

As of H1FY26, the overall housing demand volume in the top 10 cities witnessed a moderate dip of ~1% year-on-year (y-o-y), compared to the previous year's high base. This trend can be attributed to transitory regulatory challenges in major cities like Bengaluru and the strong capital value growth witnessed in the last few fiscals, leading to subdued performance in the mid-affordable segments.

The growth is further estimated to decline by ~1-3% y-o-y in fiscal 2026 before recovering in fiscal 2027 with a 3-5% y-o-y growth. The demand and supply outlook for the near term remains positive, driven by:

- Moderation in home loan interests improving affordability
- Revision in GST rates is likely to improve household disposable incomes

These factors are likely to improve the outlook for housing demand across segments, with the already robust high-end segment expected to continue its strong performance.

On the supply front, the volume growth also remained muted with a ~1% y-o-y dip for fiscal 2025, due to limited overall supply from mid-affordable segments and a y-o-y decline in supply in cities like Mumbai, Pune, and Hyderabad. However, the supply volumes are expected to remain steady, with a ~2-4% y-o-y growth expected in fiscal 2026 and fiscal 2027, primarily driven by consistent supply from reputed developers in steady priced micro markets. Uptick in Inventory seen in fiscal 2025 after multi-year low in fiscal 2024, it is expected to remain flat in fiscal 2026.

Consumer preferences have shifted towards larger and bigger configurations in premium housing projects, driven by the need for enhanced lifestyle and larger living spaces. This trend is expected to continue with reputed developers focusing on premium projects in steady priced micro markets.

Residential real estate market expected to remain stable in near term

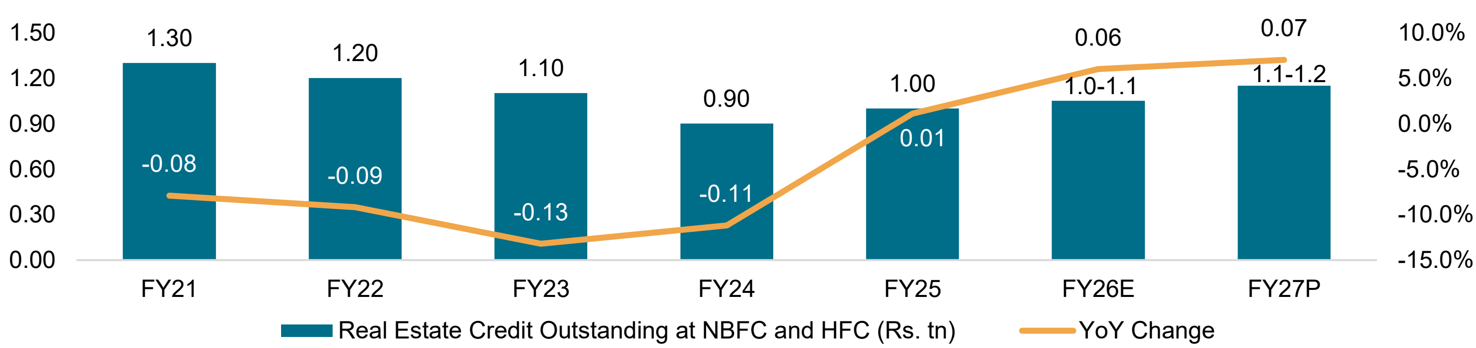
	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27P	Growth FY25-26E	Growth FY26E-27E
Annual Demand (msf)	244	160	259	322	392	388	380	394	(3)-(1) %	3-5%
Annual Supply (msf)	232	168	299	393	472	462	471	483	1-3%	2-4%
Inventory at Fiscal end (msf)	908	916	956	1027	1107	1181	1272	1361		

Note: ^Demand refers to booking or absorption in the primary market (developer sales) in newly launched as well as under-construction projects; top 10 cities – MMR, NCR, Pune, Hyderabad, Chennai, Kolkata, Bengaluru, Kochi, Ahmedabad, and Chandigarh; opening inventory for FY2020 is 920 msf

MSF: million square feet; E-Estimated; P-Projected

Source: Crisil Intelligence

NBFCs' and HFCs' real estate lending expected to pick up in fiscal 2026



Notes:

1. P: Projected, E: Estimated

2. The merger of HDFC Ltd and HDFC Bank became effective from July 1, 2023. Past numbers have been adjusted for HDFC Limited's wholesale loan book for normalized credit growth

3. Historical numbers are restated basis change in reporting by companies

Source: Company reports, RBI, Crisil Intelligence

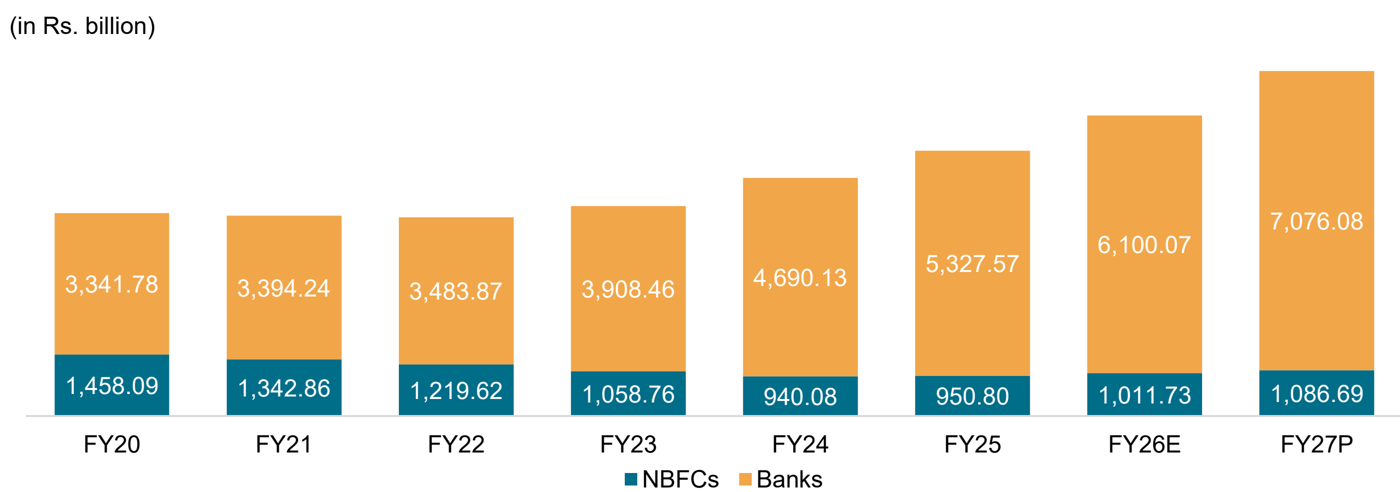
The pandemic led to a decline in real estate lending by NBFCs (including HFCs) due to asset quality stress, halted construction and financing challenges. The subsequent repo rate hikes by RBI further slowed down new real estate projects.

However, in fiscal 2025, the real estate lending book of NBFCs pivoted to growth, rising by 1.1% on-year to Rs 1.0 trillion. This growth was driven by the expansion of construction and developer loans by HFCs, with some players cautiously resuming lending after cleaning up their loan book.

In the first quarter of fiscal 2026, the real estate book of NBFCs continued to grow driven by strong demand from developers. Some HFCs have built a good project finance pipeline which is expected to be disbursed in the upcoming quarters.

Crisil Intelligence projects the real estate book of NBFCs to grow 5-7% in FY26 and 6-8% in FY27. This growth is supported by a pickup in new real estate project launches driven by lower repo rates. Additionally, the bulk of real estate reduction by NBFCs is likely to have been completed paving the way for sustained growth.

Banks' exposure to real estate accounts for a lion's share



Notes:

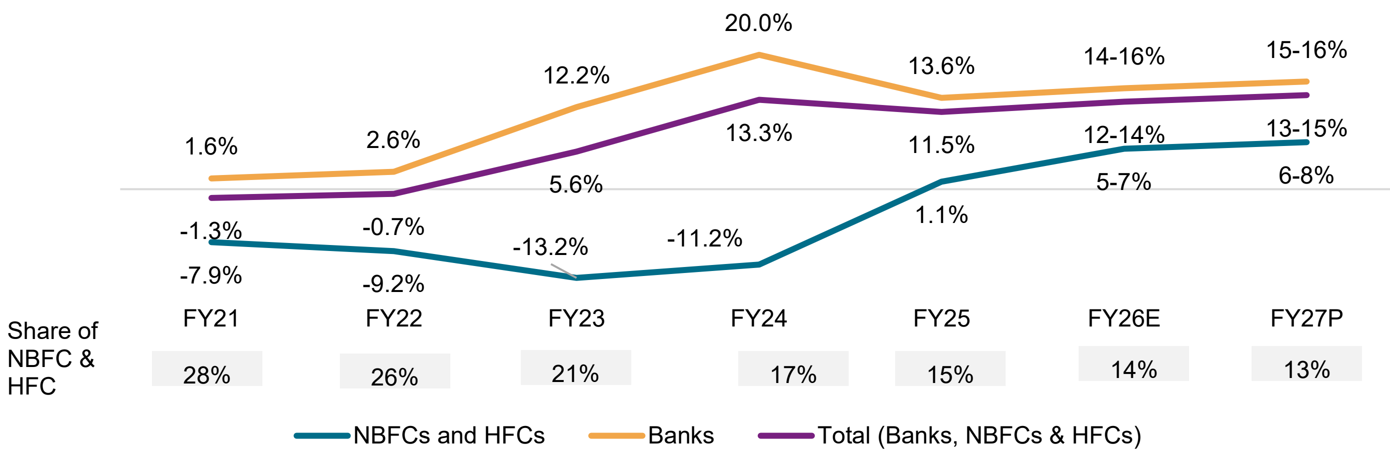
1. P: Projected, E: Estimated

2. The merger of HDFC Ltd and HDFC Bank became effective from July 1, 2023. Past numbers have been adjusted for HDFC Limited's real estate book for normalized credit growth

3. Historical numbers are restated basis change in reporting by companies

Source: Company reports, RBI, Crisil Intelligence

Growth rate of real estate loans



Notes:

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3. Historical numbers are restated basis change in reporting by companies

Source: Company reports, RBI, Crisil Intelligence

Following the slowdown witnessed during fiscals 2021–2022, real estate credit growth recovered meaningfully across lender categories. While banks have grown at a faster rate, NBFCs and HFCs continue to play a critical and complementary role in the sector. Banks have strengthened their presence, particularly in lending to larger, well-established developers and prime housing projects, supported by stronger liability franchises and competitive pricing. At the same time, NBFCs and HFCs extended credit to mid-sized developers.

Although the relative share of NBFCs and HFCs in overall real estate credit has moderated over the review period, growth in their loan books has stabilized and is expected to have improved in fiscal 2026, supported by improving liquidity conditions, calibrated underwriting practices, and sustained demand in retail housing. Credit growth for the sector is projected to remain healthy, with participation from both banks and non-bank lenders contributing to balanced and diversified funding for the real estate industry. Crisil Intelligence projects funding to real estate to grow 14-16% in fiscal 2026, supported by:

- Lower repo rates
- Increased real estate project launches
- Yield advantage for NBFC / HFCs over retail prime assets
- Portfolio diversification

Asset quality in real estate lending

The stress in the real estate segment is particularly high in commercial real estate which has shown a deterioration in asset quality. According to Crisil Intelligence, the overall stress in the real estate book is estimated to be high. However, the GNPAs for non-banks, including HFCs, have moderated marginally, indicating a gradual improvement in asset quality. Nevertheless, for a few players, the GNPAs remain high, in double digits, due to the continued decline in real estate books and no new disbursements.

As the real estate sector continues to evolve, lenders are likely to remain cautious and adopt prudent strategies to manage their exposure to this segment. Crisil Intelligence expects overall GNPA of real estate financing to improve moderately as many players who had classified their exposure as legacy assets have significantly run down their book. Furthermore, few NBFCs are cautiously growing their real estate financing book by catering only to well established developers to reduce asset quality risk.

Key growth drivers

Rise in urbanization to create demand for residential real estate in urban India

Urbanisation provides an impetus to housing demand in urban areas as migrants from rural areas require dwelling units. In 2020, about 40% of Indian population lived in urban areas of the country and this share of urban population is expected to increase to about 41% in by 2030. This trend in urbanization has pushed the demand for houses in urban areas.

Infrastructure development across India is driving growth in the real estate sector

The development of infrastructure plays a key role in enhancing the demand for residential estate. Infrastructure development leads to an increase in connectivity through railways, air, and road, reducing commute time. Well planned transportation infrastructure attracts investments and business which further creates demand for commercial and residential real estate. Also, other infrastructure development such medical facilities, educational institutions, entertainment hubs, retail market, business centres, schools, retail outlets etc. promote real estate prices as these infrastructure projects are the most preferred aspect for residential real estate buyers.

Focus on integrated lifestyle especially by millennial buyers

Nowadays, residential real estate buyers, especially millennials, have key preferences for their homes. These residential real estate buyers look for work-life balance and seek residences which offer modern amenities, vibrant communities, and access to leisure and entertainment options. They prefer integrated townships with gated communities which offer a variety of amenities such as fitness centres, swimming pools, and recreational spaces. Due to this, developers today are focusing on offerings to cater these lifestyle-based preferences, resulting in real estate development projects for aspirations and dreams of millennial generation.

Digital transformation is revolutionizing real estate financing

The real estate sector is being transformed by technology which offers online portals for expanded market reach, streamlined financing through fintech innovations and enhanced transparency and trust via RERA portals and online title verification. Additionally, big data and AI provide data-driven insights for predicting market trends and optimizing pricing strategies while automation through IoT and smart building systems increases operational efficiency. Overall, technology is making the sector more efficient, transparent and accessible, enabling informed decision-making, reducing paperwork, processing time, and minimizing fraud and project delays.

Proactive government policies have created a stable, attractive, and structured environment for the real estate sector

The government has implemented various initiatives to boost the real estate sector, including RERA for transparency, PMAY for affordable housing, and infrastructure development to increase connectivity. Additionally, FDI liberalization, REITs, and the SWAMIH fund have infused capital and supported project delivery. Tax reforms, such as GST and home loan deductions, have also streamlined the tax structure and incentivized property purchases, collectively driving growth and confidence in the sector.

Threats and Challenges

Operational risk in project approvals and construction

Operational risks in real estate financing include project delays due to legal issues, funding shortfalls, or logistical challenges, and construction risks such as poor construction quality, labour shortages, and unreliable contractors. Effective project management, regular monitoring, and contingency planning are essential to mitigate these risks and ensure timely project completion.

Increasing preference towards renting rather than buying

The millennial generation is expected to drive a significant shift in the housing market, with a growing preference for renting over buying homes. The rise of the sharing economy, co-living spaces, and online rental platforms is also contributing to this trend, making it easier and more appealing for millennials to rent rather than buy.

Market and regulatory risks

In the real estate financing industry, market risks such as property price volatility and demand-supply mismatches, combined with regulatory and compliance risks like frequent policy changes and legal non-compliance, pose significant challenges. Effective risk management requires market analysis, adaptive strategies, and strict adherence to evolving regulations to ensure project stability and profitability.

Peer benchmarking

In this section, Crisil Intelligence has compared the financial and operating performance of Housing Finance Companies (HFC) in India based on the latest available data for financial year 2023, 2024, 2025 and 9MFY26. For peer benchmarking with Truhome Finance, the following HFCs were considered: Aadhar Housing Finance (Consolidated financials), Aavas Financiers, Home First Finance, Aptus Value Housing Finance (Consolidated financials), India Shelter Finance (Consolidated financials), Grihum Housing Finance (formerly Poonawalla Housing Finance), and Vastu Housing Finance.

Truhome Finance had the highest CAGR in AUM between fiscal 2023-25

Truhome is the 3rd largest affordable housing finance company by AUM among peers with AUM of Rs. 211.24 billion as of December 2025. Between fiscal 2023 to fiscal 2025, Truhome 's AUM recorded highest CAGR of 48.58% among peers, followed by India Shelter Finance with CAGR of 37.06% during the same period.

Trend in AUM movement (in billion)

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Aadhar Housing Finance	172.23	211.21	255.31	287.90	21.75%
Aavas Financiers	141.67	173.13	204.20	222.04	20.06%
Truhome Finance	**80.47**	**137.62**	**177.64**	**211.24**	**48.58%**
Home First Finance	71.98	96.98	127.13	149.25	32.90%
Aptus Value Housing Finance India	67.38	87.22	108.65	123.30	26.98%
Grihum Housing Finance	62.89	82.77	93.74	NA	22.09%
Vastu Housing Finance	52.93	74.19	91.02	NA	31.13%
India Shelter Finance	43.59	60.84	81.89	98.19	37.06%

Note: Players are arranged on the basis of descending order of the AUM for the Fiscal 2025
Source: Company reports, Crisil Intelligence

Loan disbursals for Truhome Finance grew at a CAGR of 31.14% between fiscal 2023 and fiscal 2025, highest among the peers

In terms of disbursement, Truhome is one of the leading affordable housing finance players among the peer group. In fiscal 2025 and 9MFY26, Truhome had the 2nd highest disbursement of Rs. 71.30 billion and Rs. 63.82 billion respectively, after Aadhar Housing Finance with disbursement of Rs. 81.92 billion and Rs. 64.69 billion respectively. Truhome's disbursement grew at a CAGR of 31.14% between fiscal 2023-25, highest amongst its peers followed by India Shelter Finance (30.69%) and Home First Finance (26.29%).

Loan disbursement trends (in billion)

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Aadhar Housing Finance	59.03	70.72	81.92	64.69	17.81%
Aavas Financiers	50.25	55.82	61.23	44.27	10.39%
Truhome Finance	**41.46**	**75.91**	**71.30**	**63.82**	**31.14%**
Home First Finance	30.13	39.63	48.05	38.51	26.29%
Aptus Value Housing Finance India	23.95	31.27	36.04	27.68	22.67%
Grihum Housing Finance	25.85	29.14	23.97	NA	-3.70%

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Vastu Housing Finance	29.09	35.48	36.04	NA	11.31%
India Shelter Finance	19.64	26.46	33.55	27.94	30.69%

Source: Company reports, Crisil Intelligence

AUM split (Housing and non-housing)

Players	Loan type	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	Housing	78.15%	75.00%	73.71%	72.61%
	Non-Housing	21.85%	25.00%	26.29%	27.39%
Aavas Financiers	Housing	69.90%	69.30%	68.00%	66.00%
	Non-Housing	30.10%	30.70%	32.00%	34.00%
Truhome Finance	**Housing**	**64.09%**	**59.20%**	**57.73%**	**57.37%**
	Non-Housing	**35.91%**	**40.80%**	**42.27%**	**42.63%**
Home First Finance	Housing	88.00%	86.00%	83.70%	83.00%
	Non-Housing	12.00%	14.00%	16.30%	17.00%
Aptus Value Housing Finance India	Housing	73.00%	76.00%	74.00%	65.91%
	Non-Housing	27.00%	24.00%	26.00%	34.09%
Grihum Housing Finance	Housing	71.72%	75.26%	78.00%	NA
	Non-Housing	28.28%	24.74%	22.00%	NA
Vastu Housing Finance	Housing	70.00%	77.00%	77.00%	NA
	Non-Housing	30.00%	23.00%	23.00%	NA
India Shelter Finance	Housing	56.54%	58.00%	56.65%	57.00%
	Non-Housing	43.46%	42.00%	43.35%	43.00%

Source: Company reports, Crisil Intelligence

AUM split (Top 5 States) (9MFY26)

Truhome is the third most geographically diversified player after Aadhar Housing Finance in terms of AUM distribution with no single state accounting for more than 18% of AUM concentration in 9MFY26.

Players	Presence in # number of states/UTs	AUM concentration for top states	AUM concentration for top state	AUM concentration for top 3 states	AUM concentration for top 5 states (%)
Aadhar Housing Finance	22	Maharashtra (14%), Rajasthan (13%), Uttar Pradesh (13%), Gujarat (11%), and Madhya Pradesh (9%)	14.00%	40.00%	60.00%
Aavas Financiers	14	Rajasthan (33%), Maharashtra (20%), Gujarat (12%), Madhya Pradesh (12%), and Delhi (5%)	33.00%	64.40%	82.00%
Truhome Finance	**19**	**Maharashtra (17.85%), Gujarat (16.39%), Tamil Nadu (15.46%),Delhi (9.01%), and Karnataka (8.70%)**	**17.85%**	**49.70%**	**67.41%**

Players	Presence in # number of states/UTs	AUM concentration for top states	AUM concentration for top state	AUM concentration for top 3 states	AUM concentration for top 5 states (%)
Home First Finance	13	Gujarat (28.5%), Maharashtra (14.8%), Tamil Nadu (11.6%), Madhya Pradesh (9.7%) and Telangana (8.1%)	28.50%	54.90%	72.70%
Aptus Value Housing Finance India	7	Andhra Pradesh (43.46%), Tamil Nadu (30.95%), Telangana (17.02%), Karnataka (7.67%), and Maharashtra (inc. Odisha) (0.88%)	43.46%	91.43%	100.00%
Grihum Housing Finance	18	No single region > 20% share of the overall loan book	NA	NA	NA
Vastu Housing Finance	15	No states above >15% share of the AUM	NA	NA	NA
India Shelter Finance	15	Rajasthan (31%), Maharashtra (16%), Madhya Pradesh (10%), Uttar Pradesh (7%) and Tamil Nadu (7%)	31.00%	57.00%	71.00%

Note: NA – Not available; Source: Company reports, Crisil Intelligence

Regional AUM mix (9MFY26)

Players	Region wise AUM concentration (%)				
	North	South	West	East	Others
Aadhar Housing Finance	35.00%	24.00%	25.00%	-	16.00%
Aavas Financiers	61.00%	3.00%	32.00%	-	4.00%
TruHome Housing Finance	**30.11%**	**34.21%**	**34.24%**	**1.44%**	**-**
Home First Finance	23.20%	31.30%	43.30%	2.20%	-
Aptus Value Housing Finance India	-	99.12%	0.88%	-	-
Grihum Housing Finance	NA	NA	NA	NA	NA
Vastu Housing Finance	NA	NA	NA	NA	NA
India Shelter Finance	48.00%	13.00%	22.00%	-	18.00%

Note: NA: Not Available, # on gross loan, ^ for share of portfolio for which regional details are not in the public disclosures.

Aadhar Housing Finance: North: - Rajasthan, Uttar Pradesh (UP) and Madhya Pradesh MP) || West: - Maharashtra and Gujarat | South: - Tamil Nadu, Telangana, Andhra Pradesh (AP), and Karnataka

Aavas Financiers: West: - Maharashtra and Gujarat | North: - Rajasthan, MP, Delhi, UP, and Haryana | South:- Karnataka

Truhome Finance: East: West Bengal, Odisha and Chhattisgarh | West:- Gujarat and Maharashtra | North:- Chandigarh, Delhi, Rajasthan, Punjab and Haryana, MP, UP and Uttarakhand | South:- Tamil Nadu, AP, Telangana, Karnataka, Pondicherry and Kerala

Home First Finance: East:- Chhattisgarh (CG) | West:- Maharashtra and Gujarat | North:- MP, UP, Uttarakhand, Haryana, NCR and Rajasthan | South:- Karnataka, Tamil Nadu, Telangana and AP

Aptus Value Housing Finance: West:- Maharashtra (including Orissa) | South:- AP, Tamil Nadu, Karnataka and Telangana

India Shelter Finance: East:- CG and Orissa | West:- Maharashtra and Gujarat | North:- Punjab, Rajasthan, MP, UP, Uttarakhand, Delhi and Haryana | South:- Karnataka, Telangana, AP and Tamil Nadu

^- The total may not add up to 100% due to rounding off of numbers
Source: Company reports, Crisil Intelligence

Off-Book AUM as a % of AUM

Players	FY23	FY24	FY25
Aadhar Housing Finance	18.49%	18.98%	18.81%
Aavas Financiers	18.49%	18.62%	19.99%
Truhome Finance	**16.32%**	**21.22%**	**24.10%**
Home First Finance	15.92%	15.32%	15.59%
Aptus Value Housing Finance India	1.12%	1.24%	1.24%
Grihum Housing Finance	12.03%	12.93%	15.55%
Vastu Housing Finance	15.89%	17.28%	16.55%
India Shelter Finance	16.40%	16.07%	15.45%

Note: Off-book AUM as % of AUM calculated as (AUM- Gross advances) / AUM for the fiscal year

Source: Company reports, Crisil Intelligence

Truhome Finance has a granular book with highest proportion of self-employed borrowers

Truhome's average loan ticket size stood at approximately Rs. 2.12 million as of fiscal 2025 and Rs. 2.13 million for 9M fiscal 2026, highest among the peers whereas Aptus Value had the lowest average loan ticket size of Rs. 0.92 million for fiscal 2025 and Rs. 0.96 million for 9MFY26. Truhome Finance is predominantly focused on self-employed borrowers which accounted for ~77% of the borrowers, highest amongst the peers considered.

Player wise average ticket size and borrower profile

Players	Average Ticket Size (Rs. Million) (FY25)	Average Ticket Size (Rs. Million) (9MFY26)	Number of Customers/ Live accounts (FY25)	Number of Customers/ Live accounts (9MFY26)	Borrower Profile (FY25)		Borrower Profile (9MFY26)	
					Salaried	Self-employed	Salaried	Self-employed
Aadhar Housing Finance	1.03	1.10	299,000+	324,000	56.00%	44.00%	55.00%	45.00%
Aavas Financiers	0.97	1.00	246,895	262,443	39.80%	60.20%	39.10%	60.90%
Truhome Finance	**2.12**	**2.13**	**91,076**	**110,257**	**22.92%**	**77.08%**	**23.04%**	**76.96%**
Home First Finance	1.17	1.19	118,567	133,702	67.90%	32.10%	68.21%	31.79%
Aptus Value Housing Finance India	0.92^	0.96	161,597	178,844	22.00%	78.00%	24.00%	76.00%
Grihum Housing Finance	1.00	NA	85,000+	NA	34.00%	66.00%	NA	NA-
Vastu Housing Finance	1.32	NA	79,294	NA	19.00%	81.00%	NA	NA
India Shelter Finance	1.00**	1.00**	109,277	131,100	25.00%	75.00%	24.00%	76.00%

*Note: NA: Data Not Available; ^ for home loans only** calculated on disbursement*

Source: Company reports, Crisil Intelligence

Trends in Credit cost (as a % of average total assets)

Players	FY23	FY24	FY25	9MFY26 (Annualized)
Aadhar Housing Finance	0.32%	0.23%	0.27%	0.32%
Aavas Financiers	0.10%	0.16%	0.15%	0.18%
Truhome Finance	**0.25%**	**0.32%**	**0.55%**	**0.52%**
Home First Finance	0.36%	0.31%	0.26%	0.41%
Aptus Value Housing Finance India	0.60%	0.27%	0.28%	0.51%
Grihum Housing Finance	0.70%	0.53%	0.96%	1.67%
Vastu Housing Finance	0.26%	0.29%	0.35%	0.43%
India Shelter Finance	0.37%	0.38%	0.39%	0.52%

*Note: Credit cost calculated as provisions /average total assets, * also includes Net loss on derecognition of financial instruments; 9MFY26 (Annualized) data is annualized by multiplying with (365/275); Source: Company reports, Crisil Intelligence*

Trends in Credit cost (as % of average total AUM)

Players	FY23	FY24	FY25	9MFY26 (Annualized)
Aadhar Housing Finance	0.31%	0.22%	0.24%	0.28%
Aavas Financiers	0.10%	0.16%	0.14%	0.17%
Truhome Finance	**0.24%**	**0.29%**	**0.47%**	**0.44%**
Home First Finance	0.34%	0.30%	0.26%	0.39%
Aptus Value Housing Finance India	0.65%	0.28%	0.29%	0.52%
Grihum Housing Finance	0.64%	0.52%	0.96%	NA
Vastu Housing Finance	0.29%	0.29%	0.35%	NA
India Shelter Finance	0.38%	0.37%	0.37%	0.48%

*Note: Credit cost calculated as provisions /average total AUM, * also includes Net loss on derecognition of financial instruments; 9MFY26 (Annualized) data is annualized by multiplying with (365/275); Source: Company reports, Crisil Intelligence*

Trends in Gross NPA ratio (%)

Players	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	1.17%	1.10%	1.08%	1.42%
Aavas Financiers	0.92%	0.94%	1.08%	1.19%
Truhome Finance	**0.93%**	**1.03%**	**1.51%**	**1.60%**
Home First Finance	1.60%	1.70%	1.70%	2.00%
Aptus Value Housing Finance India	1.15%	1.07%	1.19%	1.56%
Grihum Housing Finance	0.81%	0.95%	1.63%	2.39%
Vastu Housing Finance	0.88%	0.89%	1.31%	1.97%
India Shelter Finance	1.13%	0.97%	0.99%	1.54%

Source: Company reports, Crisil Intelligence

Trends in Net NPA ratio (%)

Players	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	0.77%	0.65%	0.71%	0.97%
Aavas Financiers	0.68%	0.67%	0.73%	0.79%
Truhome Finance	**0.70%**	**0.80%**	**1.03%**	**1.09%**
Home First Finance	1.10%	1.20%	1.30%	1.60%
Aptus Value Housing Finance India	0.86%	0.80%	0.89%	1.18%
Grihum Housing Finance	0.40%	0.56%	1.00%	1.48%
Vastu Housing Finance	0.68%	0.70%	1.06%	1.51%
India Shelter Finance	0.85%	0.73%	0.75%	1.16%

Source: Company reports, Crisil Intelligence

Trends in DPD+ ratio (%) (9MFY26)

Truhome has the second lowest 30+ DPD of 3.16% as of Dec-2025.

Players (% of AUM)	DPD Bucket (FY25)		DPD Bucket (9MFY26)	
	1+DPD	30+ DPD	1+DPD	30+ DPD
Aadhar Housing Finance	NA	5.06%	NA	4.73%
Aavas Financiers	3.39%	2.55%	3.80%	2.71%*
Truhome Finance	**4.44%**	**2.80%**	**4.98%**	**3.16%**
Home First Finance	4.50%	3.00%	5.30%	3.70%
Aptus Value Housing Finance India	NA	7.72%	NA	6.48%
Grihum Housing Finance	6.92%	4.56%	NA	NA
Vastu Housing Finance	NA	4.70%	NA	NA
India Shelter Finance	NA	3.10%	NA	5.00%

*Note: *30+ DPD calculated as a % of gross advances; NA Not available*

Source: Company reports, Crisil Intelligence

Truhome Finance had the highest CAGR in total income, net interest income & fee and commission income between fiscal 2023 and fiscal 2025

Truhome Finance's total income more than doubled between fiscal 2023 and fiscal 2025 from Rs 7.80 billion to Rs 19.05 billion respectively.

Player wise total income (Rs. Billion)

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Aadhar Housing Finance	20.44	25.87	31.09	26.94	23.34%
Aavas Financiers	16.10	20.20	23.58	19.70	21.01%
Truhome Finance	**7.80**	**14.25**	**19.05**	**18.07**	**56.25%**
Home First Finance	7.96	11.57	15.39	14.18	39.09%
Aptus Value Housing Finance India	11.34	14.09	17.98	16.52	25.95%
Grihum Housing Finance	7.16	10.45	12.75	9.52	33.44%

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Vastu Housing Finance	6.92	10.20	11.74	10.72	30.23%
India Shelter Finance	6.06	8.61	11.76	11.20	39.27%

Source: Company reports, Crisil Intelligence

Player wise income break-up (Rs. million)

Players (Rs. Million)	Net Interest Income					Fees and Commission Income				
	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Aadhar Housing Finance	9,770.90	12,884.70	15,452.20	13,713.90	25.76%	1,047.30	1,683.90	1,993.50	1,516.40	37.97%
Aavas Financiers	7,976.00	9,062.90	10,102.08	8,650.07	12.54%	586.76	867.17	1,075.37	793.56	35.38%
Truhome Finance	**2,749.10**	**3,928.45**	**5,794.02**	**5,800.14**	**45.18%**	**239.14**	**745.78**	**1,596.86**	**1,593.64**	**158.41%**
Home First Finance	4,179.35	5,278.28	6,387.60	6,352.86	23.63%	104.08	99.33	452.99	606.94	108.62%
Aptus Value Housing Finance India	7,824.89	9,320.02	11,290.69	9,427.96	20.12%	264.65	411.45	568.54	435.01	46.57%
Grihum Housing Finance	3,555.30	4,872.50	6,285.00	5,383.40	32.96%	201.90	245.20	682.50	385.00	83.86%
Vastu Housing Finance	4,034.61	5,191.62	6,398.08	5,474.55	25.93%	223.23	335.76	428.60	277.30	38.56%
India Shelter Finance	2,930.76	4,140.73	5,885.53	5,645.50	41.71%	315.84	377.89	1,145.42	1,092.08	90.44%

Note: Net Interest Income = Interest Income – Interest Expense; Source: Company reports, Crisil Intelligence

Yield on advances rose higher than most of the peers between fiscal 2023 and fiscal 2025

Truhome's yield on advances rose from 11.80% in fiscal 2023 to nearly 12.57% in fiscal 2025 and further to 12.70% on an annualized basis in 9MFY26, registering third highest addition in yield ratio after Grihum Housing Finance and Aadhar Housing Finance.

Profitability ratio – Yield on advances (%)

Yield on advances	FY23	FY24	FY25	9MFY26 (Annualized)	Change from FY23 to FY25
Aadhar Housing Finance	13.76%	14.80%	14.55%	14.50%	0.79%

Yield on advances	FY23	FY24	FY25	9MFY26 (Annualized)	Change from FY23 to FY25
Aavas Financiers	13.53%	13.62%	13.35%	13.35%	-0.18%
Truhome Finance	**11.80%**	**12.76%**	**12.57%**	**12.70%**	**0.77%**
Home First Finance	14.02%	14.54%	14.41%	14.22%	0.39%
Aptus Value Housing Finance India	18.14%	17.46%	17.43%	17.08%	-0.71%
Grihum Housing Finance	13.21%	14.86%	15.27%	15.79%	2.06%
Vastu Housing Finance	15.14%	15.96%	15.21%	15.58%	0.07%
India Shelter Finance	16.14%	16.20%	15.83%	15.94%	-0.31%

Note: Yield on Advances calculated as interest income /average total advances; 9MFY26 (Annualized) data is annualized by multiplying with (365/275); Source: Company reports, Crisil Intelligence

Profitability ratio – Yield on average assets (%)

Yield on average assets	FY23	FY24	FY25	9MFY26 (Annualized)	Change from FY23 to FY25
Aadhar Housing Finance	11.46%	12.74%	12.85%	13.07%	1.39%
Aavas Financiers	11.37%	11.59%	11.48%	11.51%	0.11%
Truhome Finance	**10.34%**	**11.47%**	**11.34%**	**11.23%**	**1.00%**
Home First Finance	12.18%	12.63%	12.45%	12.35%	0.27%
Aptus Value Housing Finance India	16.46%	16.31%	16.49%	16.07%	0.03%
Grihum Housing Finance	12.27%	13.01%	12.84%	13.31%	0.57%
Vastu Housing Finance	11.48%	12.23%	12.03%	12.39%	0.55%
India Shelter Finance	13.38%	13.93%	13.93%	14.25%	0.55%

Note: Yield on average assets calculated as interest income/average total assets; 9MFY26 (Annualized) data is annualized by multiplying with (365/275); NA – Not available; Source: Company reports, Crisil Intelligence

Profitability ratio – Cost of funds (%)

Players	FY23	FY24	FY25	9MFY26 (Annualized)	Change from FY23 to FY25
Aadhar Housing Finance	7.00%	7.56%	7.75%	8.01%	0.75%
Aavas Financiers	6.64%	7.47%	7.69%	7.56%	1.05%
Truhome Finance	**7.70%**	**9.16%**	**9.07%**	**8.85%**	**1.37%**
Home First Finance	7.35%	8.25%	8.49%	8.14%	1.14%
Aptus Value Housing Finance India	8.48%	8.65%	8.98%	9.02%	0.50%
Grihum Housing Finance	7.17%	8.56%	8.24%	NA	1.07%
Vastu Housing Finance	7.03%	9.59%	8.58%	8.48%	1.55%
India Shelter Finance	8.30%	9.01%	8.47%	8.24%	0.17%

Note: Cost of funds calculated as Finance cost / average of deposits and borrowings; 9MFY26 (Annualized) data is annualized by multiplying with (365/275); Source: Company reports, Crisil Intelligence

Profitability ratio – Net interest income on average assets (%)

Players	FY23	FY24	FY25	9MFY26 Annualized
Aadhar Housing Finance	6.31%	7.22%	7.30%	7.49%
Aavas Financiers	6.53%	6.06%	5.75%	5.90%
Truhome Finance	**4.26%**	**4.02%**	**4.30%**	**4.63%**
Home First Finance	7.05%	6.49%	5.87%	6.37%
Aptus Value Housing Finance India	12.17%	11.52%	11.15%	10.59%
Grihum Housing Finance	6.86%	6.81%	7.12%	NA
Vastu Housing Finance	8.46%	7.58%	7.44%	7.51%
India Shelter Finance	7.80%	8.21%	8.69%	9.00%

Note: Net Interest income on average assets calculated as (Interest income-interest expense) /average of total assets; 9MFY26 (Annualized) data is annualized by multiplying with (365/275)

Source: Company reports, Crisil Intelligence

In 9M FY2026, Truhome Finance had second lowest opex to disbursement ratio among peers, while overall cost to income saw a decline between fiscal 2023 and 9MFY26

Truhome's cost to income ratio reduced from 52.05% in fiscal 2023 to 49.02% in 9MFY26, while registering the second lowest opex to disbursement ratio in 9M fiscal 2026 at 7.53%.

Efficiency ratio – Operating expense to Disbursement ratio (%)

Players	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	8.04%	8.48%	8.60%	9.16%
Aavas Financiers	9.13%	9.73%	9.66%	11.56%
Truhome Finance	**4.87%**	**4.94%**	**7.17%**	**7.53%**
Home First Finance	5.79%	5.84%	6.11%	6.94%
Aptus Value Housing Finance India	6.90%	6.61%	7.07%	8.50%
Grihum Housing Finance	9.48%	13.01%	16.76%	NA
Vastu Housing Finance	6.34%	7.23%	9.24%	NA
India Shelter Finance	9.18%	8.86%	9.10%	10.20%

*Note: Operating expenses to disbursement ratio calculated as operating expenses (excluding finance cost and loans impairment charges) divided by Disbursement, * also excludes Net loss on derecognition of financial instruments*

Source: Company reports, Crisil Intelligence

Efficiency ratio – Cost to income ratio (%)

Players	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	38.12%	37.46%	36.42%	35.40%
Aavas Financiers	44.99%	45.56%	43.76%	44.56%
Truhome Finance	**52.05%**	**53.81%**	**53.45%**	**49.02%**
Home First Finance	35.53%	35.22%	35.63%	32.56%
Aptus Value Housing Finance India	19.27%	20.23%	20.25%	20.20%
Grihum Housing Finance	56.20%	63.05%	52.18%	55.81%
Vastu Housing Finance	33.61%	36.55%	42.72%	40.69%

Players	FY23	FY24	FY25	9MFY26
India Shelter Finance	45.50%	40.93%	37.20%	36.04%

Note: Cost-to-income ratio calculated as operating expenses / (Total income – Interest expense);

Source: Company reports, Crisil Intelligence

Truhome Finance has second highest CAGR in profit after tax for the period between fiscal 2023 and 2025.

Truhome' s profit after tax increased from Rs. 1.38 billion in fiscal 2023 to Rs. 2.86 billion in fiscal 2025 clocking the second highest CAGR of 44.15% between same periods. The profit further increased to Rs. 3.34 billion in 9MFY26.

Profitability trends – Profit after tax (Rs. billion)

Players	FY23	FY24	FY25	9MFY26	CAGR FY23-FY25
Aadhar Housing Finance	5.45	7.50	9.12	7.85	29.38%
Aavas Financiers	4.30	4.91	5.74	4.73	15.60%
Truhome Finance	**1.38**	**2.17**	**2.86**	**3.34**	**44.15%**
Home First Finance	2.28	3.06	3.82	3.91	29.37%
Aptus Value Housing Finance India	5.03	6.12	7.51	6.82	22.21%
Grihum Housing Finance	1.15	1.40	2.11	1.10	35.23%
Vastu Housing Finance	2.74	3.32	3.28	3.09	9.36%
India Shelter Finance	1.55	2.48	3.78	3.66	55.97%

Source: Company reports, Crisil Intelligence

Profitability ratio – Return on average total equity (%)

Players	FY23	FY24	FY25	9MFY26 (Annualized)
Aadhar Housing Finance	15.92%	18.40%	16.85%	15.37%
Aavas Financiers	14.14%	13.93%	14.12%	13.63%
Truhome Finance	**11.21%**	**13.49%**	**10.68%**	**11.62%**
Home First Finance	13.46%	15.52%	16.46%	15.49%
Aptus Value Housing Finance India	16.08%	17.22%	18.58%	19.86%
Grihum Housing Finance	10.06%	7.78%	8.44%	5.49%
Vastu Housing Finance	12.17%	11.54%	9.26%	10.57%
India Shelter Finance	13.41%	13.99%	15.09%	16.86%

Note: Return on Average Equity calculated as Profit after tax / average total equity; 9MFY26 (Annualized) data is annualized by multiplying with (365/275)

Source: Company reports, Crisil Intelligence

Profitability ratio – Return on average assets (%)

Players	FY23	FY24	FY25	9MFY26 (Annualized)
Aadhar Housing Finance	3.52%	4.20%	4.31%	4.29%
Aavas Financiers	3.52%	3.28%	3.27%	3.23%
Truhome Finance	**2.14%**	**2.22%**	**2.12%**	**2.66%**
Home First Finance	3.85%	3.76%	3.51%	3.92%
Aptus Value Housing Finance India	7.82%	7.56%	7.42%	7.66%

Players	FY23	FY24	FY25	9MFY26 (Annualized)
Grihum Housing Finance	2.22%	1.96%	2.39%	1.61%
Vastu Housing Finance	5.75%	4.85%	3.81%	4.24%
India Shelter Finance	4.13%	4.91%	5.58%	5.83%

Note: Return on Average Assets calculated as Profit after tax / average of total assets; 9MFY26 (Annualized) data is annualized by multiplying with (365/275)

Source: Company reports, Crisil Intelligence

Aptus Value housing finance has the highest CRAR amongst the peer set

Among the peers, Aptus Value Housing Finance had the highest CRAR ratio at 70.50% followed by India Shelter Finance at 56.87% as of 9MFY26.

Capital adequacy ratio (%)

Players	Net Worth (Rs Billion) FY25	Net Worth (Rs Billion) 9MFY26	CRAR			
			FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	63.72	71.85	42.73%	38.46%	44.61%	44.06%
Aavas Financiers	43.61	48.58	46.96%	43.99%	44.50%	46.39%
Truhome Finance	**34.37**	**41.83**	**26.14%**	**24.38%**	**36.28%**	**37.76%**
Home First Finance	25.21	41.80	49.38%	39.48%	32.84%	48.97%
Aptus Value Housing Finance India	43.17	47.97	77.38%	73.03%	71.31%	70.50%
Grihum Housing Finance	26.01	27.23	34.83%	47.31%	48.83%	52.49%
Vastu Housing Finance	37.19	40.38	67.62%	63.76%	59.35%	NA
India Shelter Finance	27.09	30.48	52.66%	70.91%	60.55%	56.87%

Note: CRAR is on standalone basis

Source: Company reports, Crisil Intelligence

Debt to Equity (in times)

Players	FY23	FY24	FY25	9MFY26
Aadhar Housing Finance	3.29	3.14	2.56	2.44
Aavas Financiers	3.01	3.27	3.18	3.09
Truhome Finance	**4.84**	**5.00**	**3.30**	**3.22**
Home First Finance	2.65	3.44	3.79	2.37
Aptus Value Housing Finance India	1.13	1.38	1.59	1.57
Grihum Housing Finance	3.81	2.41	2.49	2.09
Vastu Housing Finance	1.15	1.16	1.43	1.45
India Shelter Finance	2.41	1.49	1.83	1.85

Note: Debt to equity calculated as total borrowing divided by shareholders equity

Source: Company reports, Crisil Intelligence

Diversified borrowing-mix and funding relationships

Truhome' s borrowing mix is well diversified and comprised of Term Loans, accounting for 37.75% of borrowings, followed by NHB Refinance (17.26%), ECB (15.03%), Securitisation (13.88%), and Non-Convertible Debenture (15.99%).

Borrowing mix (%) (Fiscal 2025)

Players	NHB	Term Loans from Banks and FIs	NCDs	Securitization	ECBs	Others
Aadhar Housing Finance	23.00%	53.00%	21.00%	-	3.00%	-
Aavas Financiers	14.40%	50.90%	9.50%	25.20%*	-	-
Truhome Finance	**17.26%**	**37.75%**	**15.99%**	**13.88%**	**15.03%**	**0.09%**
Home First Finance	16.00%	62.00%	2.00%	17.00%	3.00%	-
Aptus Value Housing Finance India	15%	52%	19%	-	-	14%
Grihum Housing Finance	29.05%	60.17%	2.00%	0.76%	-	8.01%#
Vastu Housing Finance	31.00%	60.00%	1.00%	-	8.00%	-
India Shelter Finance	15.00%	54.00%	1.00%	26.00%	4.00%	-

*Note: NHB: Refinance from National Housing Bank, NCD: Non-Convertible Debenture, ECB: External Commercial Borrowings, *includes assignments and co-lending, includes subordinate debt. # includes subordinate debt and working capital demand loans, @- borrowings outside India (ECBs)*

Source: Company reports, Crisil Intelligence

Truhome's disbursement and AUM generated per branch is highest among peers

As of December 2025, Truhome had 216 branches and 5,095 employees. Further, they have a strong branch productivity, which is reflected in higher AUM per average branch. In 9MFY26, Truhome Finance has the highest AUM /average branch (Rs. 1,072.30 million) and highest Disbursement/ average branch (Rs. 323.98 million) respectively.

Reach of various entities

Players	Branch Count					Employee Count				
	FY23	FY24	FY25	9MFY26	Change FY23 to FY25	FY23	FY24	FY25	9MFY26	Change FY23 to FY25
Aadhar Housing Finance	479	534	580	621	101	3,663	3,931	4,583	5,200	920
Aavas Financiers	346	367	397	404	51	6,034	6,075	7,233	7,111	1,199
Truhome Finance	**131**	**155**	**178**	**216**	**47**	**1,753**	**3,232**	**4,188**	**5,095**	**2,435**
Home First Finance	111	133	155	165	44	933	1,249	1,634	1,706	701
Aptus Value Housing Finance India	231	262	300	335	69	2,405	2,918	3,351	3,857	946
Grihum Housing Finance	182	210	208	NA	26	2,637	3,292	4,131	NA	1,494

Vastu Housing Finance	149	172	191	NA	42	NA	NA	NA	NA	NA
India Shelter Finance	183	223	266	301	83	2,709	3,323	3,818	4,699	1,109

Note: NA: Data Not Available

Source: Company reports, Crisil Intelligence

Operational productivity per branch

All figures in Rs. Millions	AUM / Average Branch				Disbursement / Average Branch			
Players	**FY23**	**FY24**	**FY25**	**9MFY26**	**FY23**	**FY24**	**FY25**	**9MFY26**
Aadhar Housing Finance	420.07	417.00	458.36	479.43	143.97	139.63	147.08	107.73
Aavas Financiers	429.29	485.64	534.55	554.39	152.26	156.58	160.29	110.54
Truhome Finance	**687.74**	**962.36**	**1,066.90**	**1,072.30**	**354.36**	**530.81**	**428.21**	**323.98**
Home First Finance	753.72	794.92	882.85	932.81	315.49	324.84	333.68	240.71
Aptus Value Housing Finance India	306.98	353.83	386.65	388.35	109.11	126.86	128.26	87.18
Grihum Housing Finance	405.74	422.30	448.52	NA	166.77	148.67	114.69	NA
Vastu Housing Finance	425.14	462.24	501.49	NA	233.65	221.06	198.57	NA
India Shelter Finance	278.56	299.70	334.93	346.35	125.52	130.34	137.22	98.55

Note: Average branch is calculated as average of opening and closing branch count; NA: Not available

Source: Company reports, Crisil Intelligence

Operational productivity per employee (Rs. Million)

All figures in Rs. Millions	AUM / Average employee				Disbursement / Average employee			
Players	**FY23**	**FY24**	**FY25**	**9MFY26**	**FY23**	**FY24**	**FY25**	**9MFY26**
Aadhar Housing Finance	53.55	55.63	59.97	59.67	18.35	18.63	19.24	13.23
Aavas Financiers	25.17	28.60	30.69	30.96	9.22	9.20	8.84	6.17
Truhome Finance	**63.36**	**55.21**	**47.88**	**45.51**	**32.65**	**30.45**	**19.22**	**13.75**
Home First Finance	78.07	86.51	88.19	89.37	32.68	35.35	33.33	23.06
Aptus Value Housing Finance India	28.82	32.77	34.66	34.21	10.24	11.75	11.50	7.68
Grihum Housing Finance	28.68	27.92	25.26	NA	11.79	9.83	6.46	NA
Vastu Housing Finance	NA	NA	NA	NA	NA	NA	NA	NA
India Shelter Finance	17.76	20.17	22.94	23.14	8.00	8.77	9.40	6.58

Note: NA: Not available, Average employee is calculated as average of opening and closing employee count

Source: Company reports, Crisil Intelligence

Credit rating of peers for Fiscal 2025

Players/Rating	Crisil	CARE	ICRA	IND
Aadhar Housing Finance		AA	AA	AA
Aavas Financiers		AA	AA	
Truhome Finance	**AA**	**AA**		**AA**
Home First Finance		AA-	AA-	AA-

Aptus Value Housing Finance India		AA-	AA-	
Grihum Housing Finance	AA	AA-		
Vastu Housing Finance		AA-	AA-	
India Shelter Finance		AA-	AA-	AA-

Note: The above table represents long term ratings assigned by credit rating agencies

Source: Company reports, rating rationale, Crisil Intelligence

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