Home loan outstanding grows to 12.5 lakh crore in FY16; top 5 players grab 60% share: ICRA

The total housing loan outstanding in India grew by 19% to Rs 12.5 lakh crore in FY16, against a growth of 18% in FY15, with the top five players--SBI, HDFC, LIC Housing Finance, ICICI Group and Axis Bank--grabbing 60% of market share, according to rating agency ICRA.

Both banks and housing finance companies (HFCs) grew at a similar pace of 19% during FY16. The home loan growth for large HFCs, with assets under management greater than Rs 45,000 crore, was lower at 15%, against 19% in FY2015, while, the smaller ones saw a home loan growth of 36% in FY16, against 37% in FY15.

The portfolio growth of small HFCs was driven by several new entrants and their increased focus on faster growing and niche segments like affordable housing finance and the self-employed borrower segments, according to the report.

The affordable housing was the highlighting segment for HFCs, registering a growth of 28% during FY16, taking overall portfolio to Rs 95,700 crore as on March 31 this year.

Opportunities for growth are high for the segment given the current low penetration levels as well as the government thrust on the affordable housing segment, according to Karthik Srinivasan, co-head financial sector ratings, ICRA. However, he feels there could be increased competition in the segment with new HFCs and MFIs entering this business.

"There could also be additional competition from the newly licensed small finance banks as the small ticket home loans could also be a target segment for them," he added.

The larger HFCs continued to be more reliant on debt market instruments and fixed deposits for meeting their funding requirements in FY16, while the smaller ones continued to have a sizeable share of debt market instruments at 37% in the overall funding mix. However, they also accessed NHB funding.

ICRA estimates HFCs would need to mobilize around Rs 2.2-2.6 lakh crore as incremental fund during FY17 considering the estimated credit growth of HFCs at 20-22%, and the re-financing requirements.

Housing credit penetration levels increased to 9.2% as on March 31, 2016 supported by structural factors, favourable demographics, increasing urbanisation, nuclearisation, tax incentives on home loans, increase in supply especially affordable homes, governent initiatives such as Housing for All and increased number of lenders addressing the underpenetrated low-income segment.