

# MANAGEMENT DISCUSSION & ANALYSIS

## MACROECONOMIC OUTLOOK

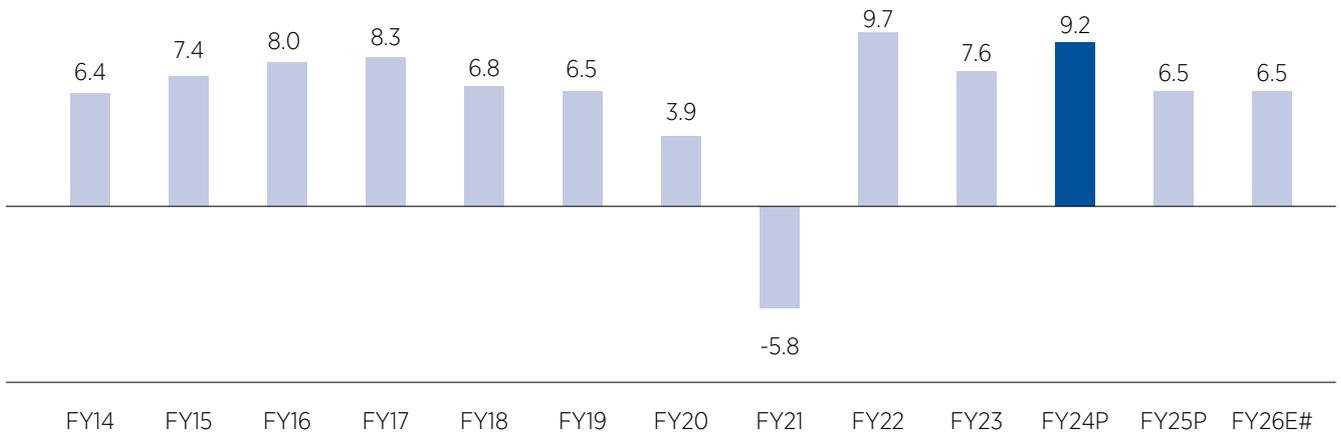
India remains one of the fastest-growing major economies globally, anchored by favourable demographics, resilient domestic demand and a steady pace of structural reforms. The nation continues to strengthen its position as a key player in the global economy, supported by robust GST collections and sustained momentum across manufacturing, infrastructure and technology sectors.

However, amid heightened global uncertainties and domestic pressures, India's real GDP growth moderated to 6.5% in FY 2024-25, down from 9.2% in FY 2023-24, according to the Ministry of Statistics and Programme Implementation (MOSPI). This deceleration was primarily driven by weaker manufacturing output, elevated food inflation, muted urban consumption, constrained formal job creation, a widening trade deficit and subdued private investment. Despite these challenges, the

economy remains on a stable growth path, reflected by strong services sector performance, increasing public infrastructure spending and government-led efforts in digitalisation, financial inclusion and ease of doing business.

Gross Fixed Capital Formation (GFCF) which measures investments in fixed assets like infrastructure, machinery and equipment has remained broadly stable as a percentage of GDP over the past three years. The GFCF-to-GDP ratio stood at 33.6% in FY 2022-23, slightly easing to 33.5% in FY 2023-24 and is projected at 33.4% for FY 2024-25. This consistent level of capital formation underscores the economy's sustained focus on long-term investment and capacity expansion, even amid global uncertainties. The stability in this ratio also points to ongoing infrastructure development and steady private sector investment both essential for enhancing productivity and supporting future economic growth.

## Indian Real GDP Growth (%)



Source: \*MOSPI Report dated 28th February 2025#Reserve Bank of India (RBI) Monetary Policy Committee (MPC) report dated 9th April 2025

Real GDP growth for FY 2024-25 is estimated at 6.5%. Inflation remained a key concern during the year FY 2024-25, fuelled by global supply disruptions and commodity price volatility. In response, the RBI's Monetary Policy Committee (MPC) reduced the repo rate by 25 basis points each during its meetings on February 6 and April 6, 2025, followed by a 50 basis point cut on June 6, 2025, bringing the rate down to 5.5% as of June 2025, while shifting to a neutral policy stance. These changes support the RBI's aim to maintain Consumer Price Index (CPI) inflation around 4%, within a plus or minus 2% band, while promoting economic growth. CPI inflation is projected to average 4.6%

in FY 2024-25, down from 5.4% in FY 2023-24, with further moderation to 4.0% expected in FY 2025-26.

India has seen a sharp rise in digital transactions in recent years, highlighting its shift toward a cashless economy. Unified Payments Interface (UPI) led this growth with a record 16.73 billion transactions in December 2024, supported by platforms like Immediate Payment Service (IMPS) and National Electronic Toll Collection (NETC) FASTag, which have enhanced transaction speed, accessibility and security. On the fiscal side, the new tax regime offers full income tax exemption for individuals earning up to ₹ 1 lakh per month and for salaried

taxpayers with annual incomes up to ₹ 12.75 lakh, boosting middle-class savings and consumption.

The agricultural sector remained resilient, registering a growth rate of 4.6% in FY 2024-25, supported by targeted policy interventions to boost productivity, encourage crop diversification and enhance rural incomes. Agriculture and allied activities continue to play a vital role in employment and income generation, contributing nearly 20% to Gross Value Added (GVA). Foodgrain output rose significantly and average farm incomes have seen consistent improvement over the past decade. Additionally, the 'Prime Minister Dhan-Dhaanya Krishi Yojana' will benefit ₹ 1.7 crore farmers by targeting 100 low-productivity districts, promoting rural development and agricultural growth.

The financial sector remained stable, with steady credit growth in line with deposit mobilisation, reflecting a sound lending environment. Asset quality improved sharply, with Scheduled Commercial Banks' Gross Non-Performing Assets (GNPAs) falling to a 12-year low of 2.6% by September 2024. Regulatory frameworks and resolution mechanisms like the Insolvency and Bankruptcy Code (IBC) contributed to this turnaround, with recoveries under the IBC exceeding ₹ 3.6 lakh crore by September 2024.

The industrial sector is forecasted to grow by 6.2% in FY 2025-26, driven by robust expansion in construction and electricity. Government initiatives promoting Smart Manufacturing and Industry 4.0 continue to gain traction. Key industries such as automobiles and electronics saw healthy growth, while pharmaceutical exports and domestic production remained strong, reinforcing India's manufacturing capabilities.

Private Final Consumption Expenditure (PFCE) is reported to have grown by 7.2% in FY 2024-25, up from 5.6% in FY 2023-24, signalling strong consumer demand. Real Gross Value Added (GVA) is estimated to reach ₹ 171.87 lakh crore in FY 2024-25, compared to the FY 2023-24 Revised Estimate of ₹ 161.51 lakh crore, representing a growth of 6.4% a moderation from the 8.6% growth recorded in the previous year.

Total exports registered a growth of 6% in FY 2024-25, while services exports rose by a strong 13.6%, reinforcing India's position as a leading player in the global services market. The current account deficit was contained at a manageable 1.2% of GDP, reflecting stable external balances. Foreign direct investment (FDI) inflows showed healthy momentum, increasing by 17.9% year-on-year to reach USD 55.6 billion. Meanwhile, foreign exchange reserves rose to USD 640.3 billion, providing import coverage for nearly 11 months.

## Outlook

India's remarkable economic progress reflects its commitment to inclusive growth and innovation-led development, driven by forward-looking policies, robust infrastructure investment and rapid digital adoption. With a projected GDP growth rate of 6.5% over the next two fiscal years, India continues to

outpace global peers, reinforcing its position as the world's fastest-growing major economy. Key reforms such as the Goods and Services Tax and transformative initiatives like Startup India and the Production Linked Incentive Scheme are supporting entrepreneurship and strengthening manufacturing. In line with this momentum, the FY 2025-26 Union Budget maintains a strong focus on capital investment, with a budget estimate of ₹ 11.21 lakh crore for capital expenditure, nearly unchanged from ₹ 11.11 lakh crore in FY 2024-25. Additionally, a provision of ₹ 1.5 lakh crore has been proposed as 50-year interest-free loans to states, aimed at boosting capital spending and encouraging reform-oriented development. These strategic measures underscore India's determination to build a resilient, future-ready economy and reinforce its role as a key driver of global growth.

Source:

1. <https://pib.gov.in/PressReleasePage.aspx?PRID=2090875>
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3. <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=2120509#:~:text=The%20Monetary%20Policy%20Committee%20>
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6. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2097886>- agricultural
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8. <https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2097906#:~:text=The%20Industrial%20sector%20expected%20to,Nirmala%20Sitharaman%20today.-industrial%20sector>
9. [https://www.mospi.gov.in/sites/default/files/press\\_release/PRESS-NOTE-ON-SAF-2024-25-Q3-2024-25-FRE-2023-24-and-FE-2022-23-M1.pdf](https://www.mospi.gov.in/sites/default/files/press_release/PRESS-NOTE-ON-SAF-2024-25-Q3-2024-25-FRE-2023-24-and-FE-2022-23-M1.pdf)
10. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2097919#:~:text=India's%20real%20GDP%20growth%20is,by%206.4%20per%20cent%20FY25>
11. <https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2120509>
12. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/may/doc2025530560501.pdf>

## INDUSTRY OUTLOOK

### REAL ESTATE AND HOUSING SECTOR

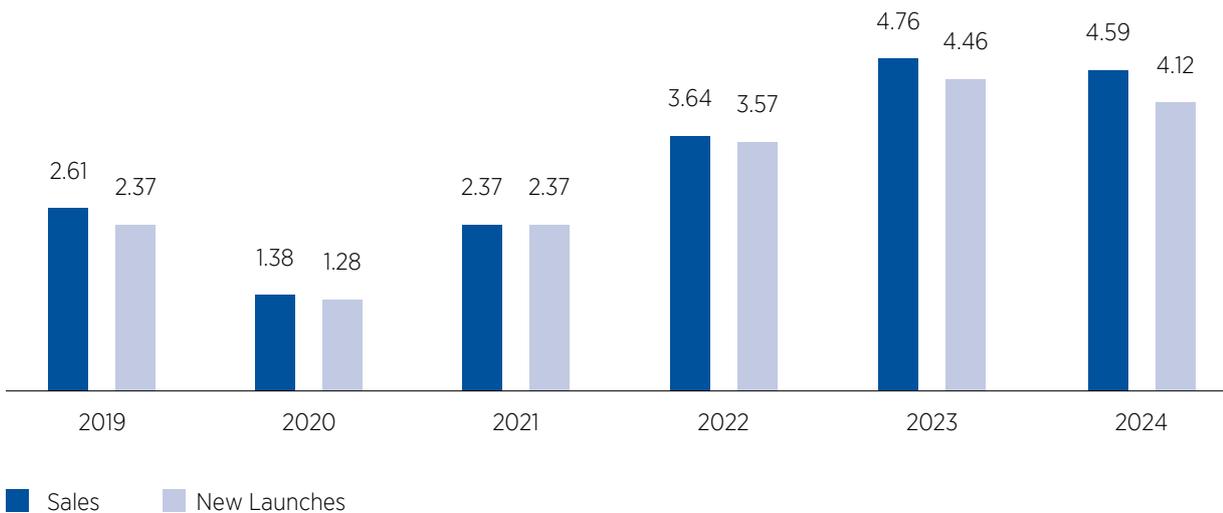
India's real estate and housing sector in 2024 demonstrated resilience and consolidation amid evolving market conditions. The top seven cities collectively witnessed approximately ₹ 4.12 lakh new housing unit launches, representing a 7% decline from ₹ 4.46 lakh units in 2023. However, this still marks a significant 74% increase compared to 2019's ₹ 2.36 lakh units, highlighting sustained long-term growth. The Mumbai Metropolitan Region (MMR), Hyderabad, Pune and Bengaluru were the primary contributors, accounting for nearly 79% of all new launches. This moderate reduction in launches compared to the previous year reflects a cautious approach by developers to maintain supply-demand balance and prevent market oversupply.

Housing sales remained robust in 2024, with around ₹ 4.59 lakh units sold across these key cities, indicating a strong 76% growth compared to 2019, despite a marginal 4% dip from 2023. Sales were largely concentrated in MMR, Pune, Bengaluru,

Hyderabad and the National Capital Region (NCR), which together accounted for 92% of total sales. This sustained sales performance underscores continued buyer confidence and market strength, despite challenges such as higher interest rates and increased property prices. The figures demonstrate that real estate remains a preferred investment choice, supported by steady demand fundamentals across urban India.

While the overall sector displayed growth, performance varied notably across cities. NCR saw a 44% increase in new launches, contrasting with a 15% decline in MMR. Bengaluru experienced a healthy 30% rise in launches, whereas Pune, Hyderabad and Chennai witnessed declines ranging from 15% to 28%. Sales trends mirrored this unevenness, with some cities like MMR and Bengaluru posting modest gains, while others such as Pune, Hyderabad, Chennai and Kolkata faced declines. These variations reflect the diverse market dynamics and regional factors influencing buyer behaviour and developer strategies. Moving forward, the sector is expected to sustain growth through measured supply management and continued demand for quality housing.

### Total Sales and New launches in India (in lakh units)



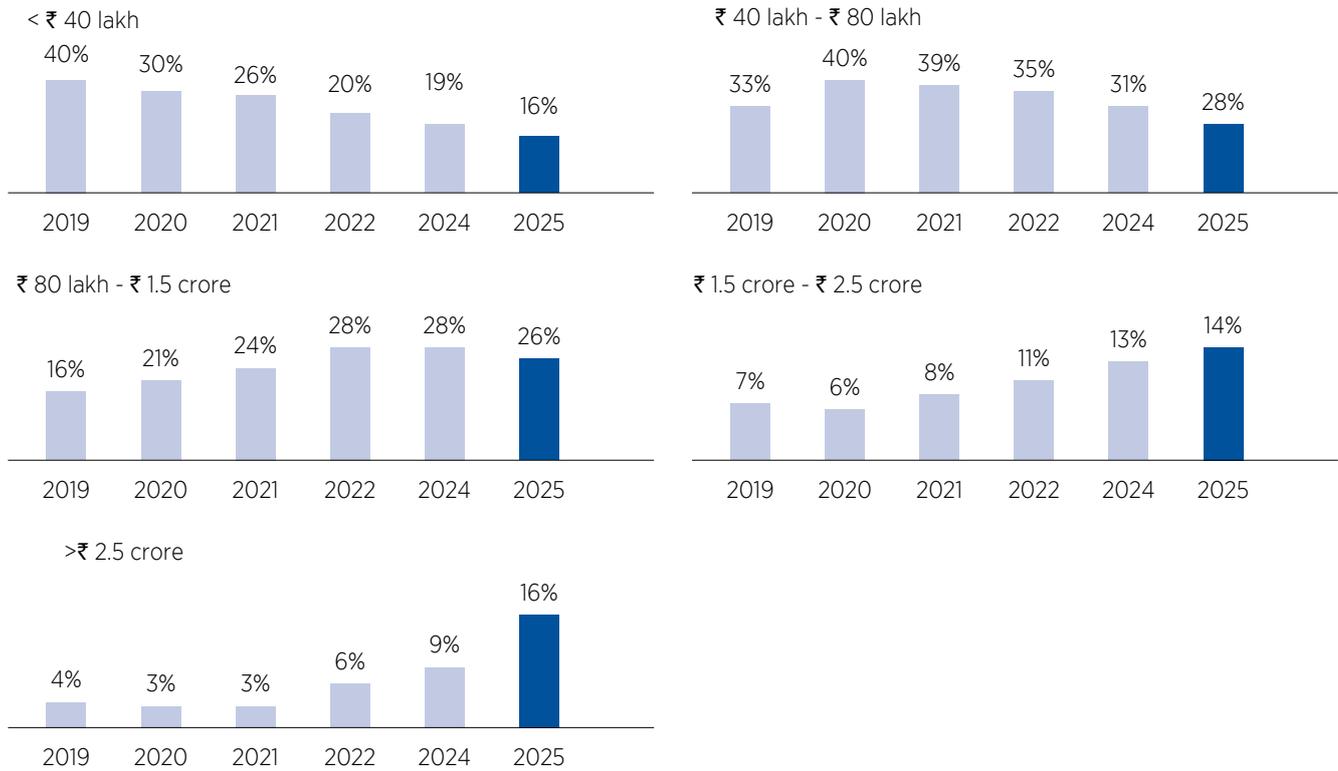
Source: Anarock Indian Residential Real Estate Annual Report 2024

Data represents for top 7 Cities in India

The residential market in 2024 reflected a notable shift in new launch patterns compared to previous years, highlighting changing buyer preferences and developer strategies. The mid-segment, priced between ₹ 40 lakh and ₹ 80 lakh, continued to be a significant contributor to new launches, although its share has gradually declined to 28% from 31% in 2023. Meanwhile, the high-end segment, ranging from ₹ 80 lakh to ₹ 1.5 crore, has maintained steady momentum, accounting for

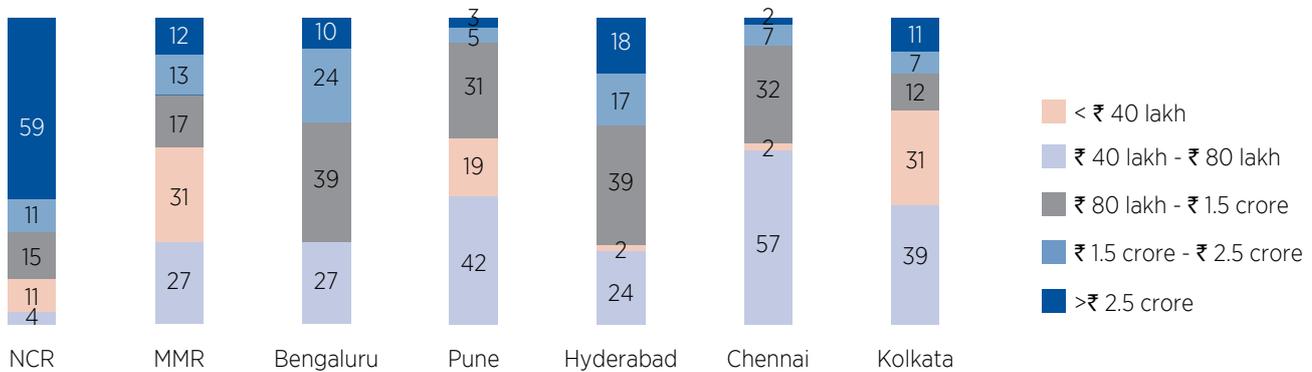
26% of total launches, signalling sustained developer confidence in this category. A striking trend is the increasing focus on premium offerings, with the luxury segment (₹ 1.5 crore to ₹ 2.5 crore) and ultra-luxury segment (above ₹ 2.5 crore) collectively accounting for 30% of launches, up from 22% in the previous year. Conversely, the affordable segment, priced below ₹ 40 lakh, has experienced a significant reduction, comprising just 16% of total launches, underscoring a market shift towards higher ticket sizes and more premium housing options.

**Pan India Launches – Budget Segmentation (in %)**



Source: Anarock Indian Residential Real Estate Annual Report 2024

**City Wise Launches – Budget Segmentation (in %)**



Source: Anarock Indian Residential Real Estate Annual Report 2024

City-wise analysis reveals distinctive preferences in launch configurations across India’s top seven cities, driven by local economic conditions and buyer demographics. The Mumbai Metropolitan Region (MMR) maintains a significant focus on affordable and mid-segment housing, with 48% of launches falling under the sub ₹ 80 lakh category. Similarly, Chennai, Pune and Kolkata show strong inclination towards mid-segment developments, where 57%, 42% and 39% of respective city launches, respectively, are concentrated in the ₹ 40 lakh to ₹ 80 lakh range. In contrast, the high-end segment dominates in Hyderabad and Bengaluru, each with 39% of launches in the ₹ 80 lakh to ₹ 1.5 crore category. The luxury segment also shows

notable presence in these technology-driven markets, with Bengaluru accounting for 24% and Hyderabad 17% of launches in the ₹ 1.5 crore to ₹ 2.5 crore bracket.

The National Capital Region (NCR) stands out as a premium market leader with a remarkable 59% of new launches in the ultra-luxury segment, priced above ₹ 2.5 crore. This reflects the region’s strong demand for upscale residential properties and a preference for luxury living. Overall, these varied trends across different cities underscore a market that is increasingly polarized, with growing emphasis on premium and luxury housing driven by affluent buyers, even as mid-segment housing

retains a significant role. The reduction in affordable housing launches suggests a strategic recalibration by developers to meet evolving market demand and optimize returns, marking 2024 as a year of both opportunity and transition in India's residential real estate landscape.

### KEY EMERGING GROWTH DRIVERS

India's residential real estate market is undergoing rapid transformation, mirroring the nation's broader developments. The following are the key trends driving this evolution:

- 1. Tier II Cities on the Rise:** Tier II cities are anticipated to become significant growth drivers in FY 2025-26, propelled by enhanced infrastructure, rising employment opportunities and greater affordability. Cities such as Ahmedabad, Indore, Jaipur and Coimbatore are increasingly attracting both developers and homebuyers, thanks to lower land costs, growing disposable incomes and supportive government programs like the Smart Cities Mission and industrial corridor initiatives. The expanding supply of quality housing, along with strong demand from start-ups, IT hubs and manufacturing sectors, is accelerating urbanization in these regions. Furthermore, the trend of reverse migration following the COVID-19 pandemic has encouraged many families to seek affordable yet modern housing in these emerging markets.
- 2. Luxury Housing Central to Market Growth:** Luxury homes are set to remain the dominant segment in 2025, supported by the growing population of High-Net-Worth individuals (HNIs) and ultra-high-net-worth individuals (UHNIs). India currently has over 850,000 HNIs, a number projected to rise to 1.65 million by 2027. Notably, 20% of these millionaires are under 40, with young wealth creators increasingly driving demand for premium living spaces.
- 3. Resurgence in Supply:** New residential supply is expected to increase significantly in 2025, driven by a robust pipeline of launches that were postponed during the election-related slowdown in 2024. With just 23% of the planned 253.16 million square feet of residential projects launched in the first half of 2025, a considerable surge in new supply is anticipated in the second half of the year. Tier II cities are likely to capture a large portion of these launches as developers respond to rising demand in these markets.
- 4. Sustainability:** The increased adoption of PropTech and emphasis on Environmental, Social and Governance (ESG)-compliant projects are set to reshape the sector, aligning with buyers' growing preferences for sustainability and innovation. Tier II cities are also poised to gain from the expansion of co-living spaces and shared housing models, catering to the rising student and working populations. There is a growing preference among buyers for premium, integrated communities that offer comprehensive amenities and seamless lifestyle experiences. Additionally, an increasing emphasis on environmentally sustainable

housing options highlights the shift toward eco-friendly living, driven by heightened awareness of climate impact and long-term cost savings.

- 5. Urbanisation:** Urbanisation is accelerating as more people migrate from rural areas to cities in search of better employment, education and lifestyle opportunities. This demographic shift is significantly increasing the demand for residential housing, commercial spaces and essential urban infrastructure to accommodate the growing urban population. Between 2013 and 2023, India's urban population grew by 14%, outpacing the global growth rate of 8.4% (Source: World Bank). As one of the world's fastest-growing economies, India is witnessing momentum across various sectors fuelling the expansion of cities and accelerate urbanization. At present, 36% of India's population lives in urban areas, a figure projected to rise to 40% by 2030. This urban growth is likely to drive substantial migration from rural and semi-rural regions to cities in search of better economic opportunities.
- 6. Technological Innovation:** Advancements in property technology (PropTech), including the integration of smart home systems, virtual property tours and sustainable construction practices, are significantly transforming the real estate landscape. These innovations are enhancing the home buying experience by offering greater convenience, efficiency and transparency, while also promoting environmentally responsible development and energy-efficient living spaces.
- 7. Financial Sector Support:** The expansion of home loan availability increased foreign direct investment (FDI) and growth of Real Estate Investment Trusts (REITs) are enhancing access to capital and investment options.

Source: [https://websitesmedia.anarock.com/media/ANAROCK\\_Research\\_Indian\\_Residential\\_Market\\_Annual\\_Update\\_2024\\_3b5aa5b04d.pdf](https://websitesmedia.anarock.com/media/ANAROCK_Research_Indian_Residential_Market_Annual_Update_2024_3b5aa5b04d.pdf).

### HOUSING FINANCE INDUSTRY - STRUCTURE & DEVELOPMENT

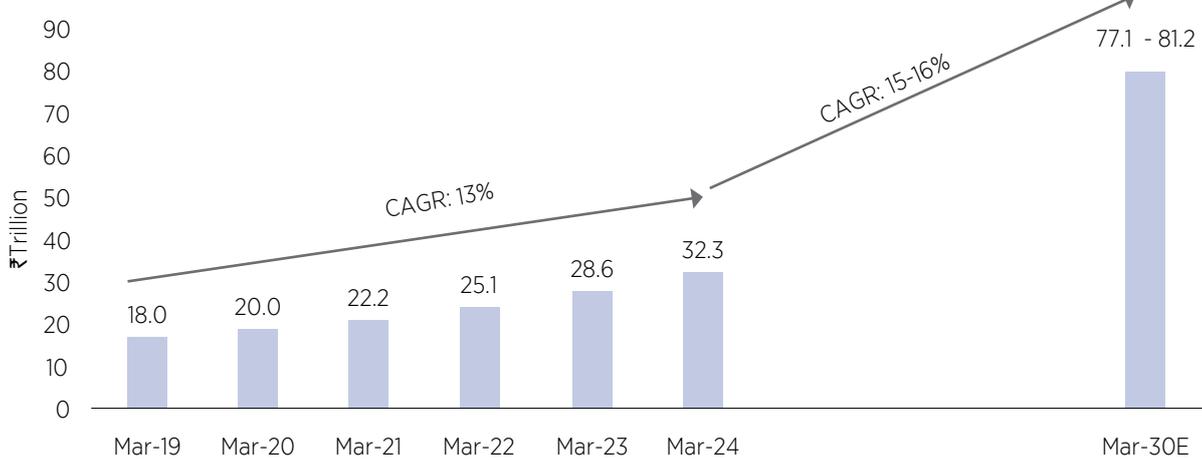
The housing finance industry in India serves as a critical pillar of the country's financial system, facilitating home ownership and supporting real estate development through structured credit delivery. As of March 2024, the industry has exhibited strong and consistent growth. The individual housing loan portfolio, covering both banks and Housing Finance Companies (HFCs), reached ₹ 33 trillion, reflecting a compound annual growth rate (CAGR) of 13% over the past six years and accounting for 14% of total systemic credit. This expansion has been underpinned by a 74% increase in residential property sales since FY 2019-20, which has significantly boosted the demand for housing loans.

HFCs have maintained a steady market share of 18% to 19%, supported by their specialised product offerings and extensive market reach. Their loan portfolios grew by 13.2% year-on-year to ₹ 9.6 trillion as of March 2024. While retail lending continues to be the principal driver of growth, wholesale segments such

as project finance and lease rental discounting also recorded healthy momentum in FY 2024-25. The sector's asset quality has improved considerably, with Gross Non-Performing Assets (GNPAs) declining to 2.0% in September 2024 from a peak of 4.3% in March 2022. Profitability has returned to pre-pandemic levels, supported by improved net interest margins and a

decline in credit costs. Despite these positive developments, the industry faces challenges including tightening liquidity conditions, intensifying competitive pressures and prudent lending approaches in higher-risk segments, which may moderate growth prospects in the near to medium term.

### Outstanding Housing Loans (HL) Market Size



Source: Care Edge Ratings

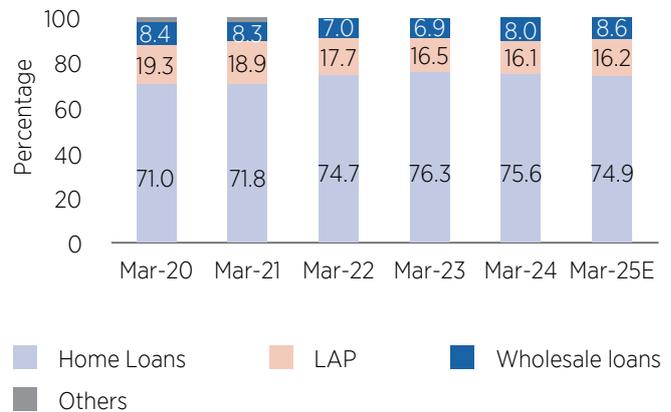
According to CareEdge Ratings, the housing finance market is projected to expand at a CAGR of 15%-16% between FY 2025 and FY 2030. This growth will be driven by long-term structural factors, including improved affordability, increasing urbanisation, a rise in nuclear families, growing demand for premium housing and supportive government initiatives like 'Housing for All.'

### Outstanding Individual Housing Loan Outstanding of Primary Lending Institutions

Outstanding Individual Housing Loan by PLIs	Outstanding (In ₹ crore)		Growth As on (%)
	As on 31 <sup>st</sup> March 2023	As on 31 <sup>st</sup> March 2024	
Housing Finance Companies	5,15,998	5,96,247	15.55
Public Sector Banks	11,96,416	13,80,617	15.40
Private Sector Banks	10,80,028	12,10,871	12.11
Regional Rural Banks	33,648	40,200	19.47
<b>Total</b>	<b>28,26,090</b>	<b>32,27,935</b>	<b>14.22</b>

Source: NHB Annual Report 2023-34

### Portfolio Mix OF HFCs (%)



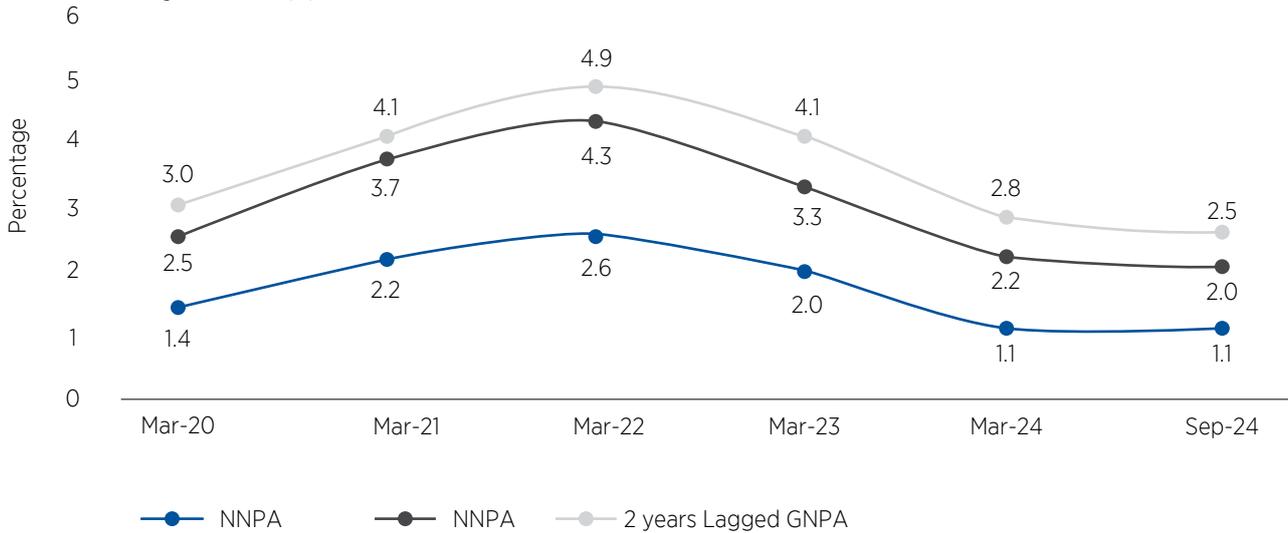
Source: CareEdge Ratings

As of March 31, 2024, the outstanding individual housing loan portfolio across primary lending institutions (PLIs) reached ₹ 32.28 lakh crore, reflecting a 14.22% growth over the previous year. Among the PLIs, Regional Rural Banks recorded the highest growth at 19.47%, followed closely by Housing Finance Companies and Public Sector Banks, which grew by 15.55% and 15.40%, respectively. Private Sector Banks saw a comparatively moderate increase of 12.11%. This broad-based growth highlights sustained demand for housing credit across diverse segments of the lending ecosystem.

The composition of the loan portfolio among primary lenders has seen a notable shift over the years, with home loans steadily increasing their share. As of March 2020, home loans accounted for 71.0% of the total loan portfolio. This figure has gradually risen to 76.3% in March 2023. Though there was a slight dip to 75.6% in March 2024, the share is expected to remain strong at 74.9% by March 2025. This sustained dominance underscores the growing preference for individual home financing, driven by

rising housing demand, favourable interest rates and supportive government policies. In contrast, the share of Loans Against Property (LAP) has been on a gradual decline—from 19.3% in March 2020 to 16.1% in both March 2023 and March 2024. Overall, this shift in portfolio composition highlights a strategic realignment towards more stable and retail-focused lending, particularly in the housing finance segment.

### Asset Quality of HFCs (%)



Source: Care Edge Ratings Report dated March 2025

### Government Initiatives

The following are key government initiatives that support Indian housing finance companies and drive growth in the overall housing sector:

#### Pradhan Mantri Awas Yojana:

The Pradhan Mantri Awas Yojana (PMAY), covering both Gramin and Urban segments, aims to provide affordable housing for all. As of 19<sup>th</sup> May 2025, over 1.17 crore houses have been sanctioned under PMAY-U and PMAY-U 2.0, with 92.72 lakh completed and 89.90 lakh occupied. Around 10 lakh homes are being constructed using new technologies. The total committed investment stands at ₹ 7.99 lakh crore, with ₹ 1.69 lakh crore released as of the same date. The scheme has significantly supported affordable urban housing and strengthened the housing finance ecosystem.

#### Credit Linked Subsidy Scheme (CLSS):

The CLSS component under PMAY-U 2.0 is applicable for home loans sanctioned and disbursed on or after September 1, 2024. The scheme is set to be implemented over a period of five years, aiming to provide affordable housing solutions to urban residents across various income groups. The CLSS component offers interest subsidies to eligible beneficiaries from the Economically Weaker Section (EWS), Low Income Group (LIG) and Middle-Income Group (MIG) categories. The subsidies

are applied to home loans for the purchase, construction, or enhancement of houses in urban areas.

The scheme is implemented through various Primary Lending Institutions (PLIs), including Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks, Co-operative Banks, Small Finance Banks and Non-Banking Financial Company-Micro Finance Institutions. The National Housing Bank (NHB) serves as the Central Nodal Agency (CNA), overseeing the scheme's implementation for the Government of India's Ministry of Housing and Urban Affairs (MoHUA).

- **CLSS for EWS / LIG**

The scheme provides interest subsidies on home loans with a maximum tenure of 20 years, or the actual tenure if shorter. Households in the EWS, with annual incomes up to ₹ 3 lakh and those in the LIG, earning between ₹ 3 lakh and ₹ 6 lakh, are eligible for a 6.5% interest subsidy.

- **CLSS for MIG**

The CLSS for MIG is divided into two categories: MIG-I, for households with annual incomes between ₹ 6 lakh and ₹ 12 lakh and MIG-II, for those earning between ₹ 12 lakh and ₹ 18 lakh. Under this scheme, MIG-I beneficiaries are eligible for a 4% interest subsidy on home loans up to ₹ 9 lakh, while MIG-II beneficiaries receive a 3% subsidy on loans up to ₹ 12 lakh.

As on September 30, 2024, EWS & LIG accounted for 39%, MIG accounted for 44% and HIG accounted for 17% of outstanding individual housing loans. Individual housing loan disbursements during half year ended FY 2024-25 were ₹4.10 lakh crore while disbursements during the year ended 31-03-2024 were ₹9.07 lakh crore.

#### **SWAMIH Fund (Special Window for Affordable and Mid-Income Housing):**

The Union Budget 2025-26 introduced a ₹ 1 lakh crore Urban Challenge Fund to support 'Cities as Growth Hubs' and urban redevelopment, with 25% project cost financed by the fund and the rest through bonds, loans, or PPPs. A National Geospatial Mission will modernise land records and urban planning. Nearly 1 crore gig workers will be provided e-Shram registration and healthcare under PM-JAY. PM SVANidhi will be expanded with UPI-linked credit cards and a ₹ 15,000 crore SWAMIH Fund 2 will help complete another 1 lakh housing units in stressed projects.

#### **Rural Housing Interest Subsidy Scheme (RHSS):**

The Rural Housing Interest Subsidy Scheme (RHSS) for FY 2024-25 is a government initiative designed to promote affordable housing in rural India. It is implemented by the Ministry of Rural Development through the National Housing Bank (NHB) and provides an annual interest subsidy of 3% on home loans up to ₹ 2 lakh for eligible beneficiaries. This subsidy applies to loans with a tenure of up to 20 years and is credited upfront directly to the borrower's loan account. To be eligible, applicants must be permanent residents of rural areas, must not own a pucca house and should not be beneficiaries under the Pradhan Mantri Awas Yojana (PMAY). The scheme is carried out in partnership with Primary Lending Institutions (PLIs), including banks and housing finance companies.

#### **Urban Infrastructure Development Fund (UIDF):**

The RBI established the (UIDF) with a ₹ 10,000 crore corpus, contributed by banks falling short on priority sector lending targets. The fund aims to support public agencies in developing infrastructure in Tier 2 and Tier 3 cities, with ₹ 49.59 crore received under UIDF as of June 30, 2024.

Rural Housing Fund (RHF): RHF established in FY 2008-09, helps Primary Lending Institutions provide affordable housing finance in rural areas using funds contributed by Scheduled Commercial Banks falling short of priority sector lending targets. As of June 30, 2024, ₹ 31,278 crore has been received under RHF, with ₹ 1,617.55 crore outstanding.

Source: <https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=2098385>

[https://pmay-urban.gov.in/uploads/progress-pdfs/682b1cd5a7887-WEB\\_C.pdf](https://pmay-urban.gov.in/uploads/progress-pdfs/682b1cd5a7887-WEB_C.pdf)

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2110726>

NHB Annual Report FY 2023-24

#### **Tax Incentives on Home Loans**

An individual can claim a home loan tax exemption for the following principal repayments and interest payments made on a home loan:

- Upto ₹ 1.5 lakh u/s 80C for principal repayments.
- ₹ 2 lakh worth of housing loan tax benefit u/s 24(b) of the Income Tax Act

To facilitate the efficient flow of credit, promote financial inclusion and promote financial stability, the National Financial Information Registry is to be set up to serve as the central repository of financial and ancillary information. A new legislative framework is to govern this credit for public infrastructure and will be designed in consultation with the RBI. The deduction from capital gains on investment in residential houses under sections 54 and 54F to be capped at ₹ 10 crore for better targeting of tax concessions and exemptions.

#### **Private Equity ('PE') investments**

Private equity (PE) investment remains a critical driver of growth in India's real estate sector, contributing to the enhancement of asset quality and supporting large-scale developments across key asset classes. In 2024, PE inflows into the sector rose significantly to USD 4,153 million, up from USD 3,137 million in 2023. The number of transactions also increased from 25 to 40, representing a 32% year-on-year growth. This robust performance was achieved despite persistent global challenges, including elevated interest rates, geopolitical uncertainties and inflationary pressures. Capital was allocated across commercial, residential and logistics segments, underscoring both the sector's depth and growing investor confidence. A notable trend was the increasing preference for multi-city transactions, which facilitated wider geographic diversification and more effective risk management. Market activity was led by large-ticket transactions, with the top ten deals accounting for 75% of total inflows, reflecting a clear shift towards institutionally backed, high-value investments. This resurgence highlights India's growing position as a mature and attractive destination for diversified private equity capital.

### Indian Private Equity Investments: Amount invested in USD million and Number of deals in Units



Source: Knight Frank Research

Foreign investors maintained a strong presence in India's real estate private equity (PE) market in 2024, contributing 68% of total investments. However, increased domestic participation has been reshaping the landscape, particularly since the COVID-19 pandemic. Between 2011 and 2020, foreign investors accounted for 89% of PE inflows, which moderated to an average of 79% during 2021 to 2024 due to global economic challenges such as rising interest rates and inflation. Meanwhile, domestic investors expanded their share from 11% pre-pandemic to 22% post-2020, reflecting enhanced capital availability and growing confidence in the sector's long-term potential.

The Indian PE investment landscape has evolved significantly since 2011, driven by government reforms encouraging foreign capital. Initially dominated by Western investors, mainly from the United States and Canada, which together accounted for 45% of foreign investments between 2011 and 2020, this share declined sharply to 5% by 2024 amid global economic headwinds. In contrast, Asian and Middle Eastern investors increased their footprint, with Middle Eastern capital reaching a record 42% share in 2024. Indian investors also grew their stake significantly to 32%, up from 10% in the pre-pandemic years. This shift marks a structural diversification of capital sources, positioning the Indian real estate sector for sustained growth driven by a balanced mix of domestic and international investments.

Source: <https://content.knightfrank.com/research/2948/documents/en/trends-in-private-equity-investments-in-india-2024-11783.pdf>

### Competition

In FY 2023-24, individual housing loan disbursements by Primary Lending Institutions (PLIs) reached ₹ 9,17,239 crore, reflecting a growth of 12.28% over ₹ 8,16,942 crore recorded in FY 2022-23. Public Sector Banks led the segment with disbursements rising from ₹ 3,22,306 crore to ₹ 3,84,493 crore, marking a 19.29% increase. Housing Finance Companies saw a 13.82% growth, with disbursements increasing from ₹ 1,60,995 crore to ₹ 1,83,239 crore. Regional Rural Banks also reported a notable rise of 17.68%, from ₹ 8,388 crore to ₹ 9,871 crore. Private Sector Banks experienced a modest growth of 4.42%, with disbursements moving from ₹ 3,25,254 crore to ₹ 3,39,635 crore.

Individual Housing Loan Disbursement by PLIs	FY 2022-23	FY 2023-24	Growth (%)
Housing Finance Companies	1,60,995	1,83,239	13.82
Public Sector Banks	3,22,306	3,84,493	19.29
Private Sector Banks	3,25,254	3,39,635	4.42
Regional Rural Banks	8,388	9,871	17.68
<b>Total</b>	<b>8,16,942</b>	<b>9,17,239</b>	<b>12.28</b>

Source: NHB Annual Report 2023-34

### OPPORTUNITIES

The residential real estate sector is poised for significant growth driven by several key opportunities. Rising housing demand is primarily fuelled by millennials and young professionals, whose increasing disposable incomes and evolving lifestyle preferences are shaping the market trends. Integrated townships that promote walk-to-work concepts are gaining popularity, reflecting a shift towards more convenient and community-centric living environments. The adoption of smart home technologies,

including automation and IoT-enabled features, is becoming standard in high-end and luxury residences, enhancing the appeal of these properties. Concurrently, new infrastructure developments are accelerating residential growth in peripheral city areas and along key development corridors, expanding the geographic scope of demand. Institutional interest is also rising in rental housing and co-living spaces, reflecting changing preferences for flexible and community-oriented living solutions. Additionally, innovative real estate investment platforms and fractional ownership models are democratizing access to property investments, attracting a broader base of investors. Collaborations between luxury developers and international hospitality brands are driving growth in branded residences, offering premium lifestyle experiences. Wellness-themed projects, incorporating elements such as meditation zones, air purification and biophilic design, are emerging to cater to health-conscious buyers. Lastly, niche segments like student housing and senior living are gaining importance, reflecting demographic shifts and the diversification of residential real estate offerings. Together, these trends present a dynamic landscape rich with opportunities for growth and innovation.

## BENEFITS OF BUYING PROPERTY

- Property Price Appreciation:**

Housing finance companies emphasized that real estate typically gains value over time, enabling homeowners to accumulate equity. This growth in property worth can be leveraged to fund future investments or major expenses such as education or retirement, positioning it as a strong long-term financial asset.
- Security and Stability:**

Owning a home offers a sense of stability and greater control over living conditions. Unlike renters, homeowners are not vulnerable to sudden rent hikes or lease terminations, creating a more secure and predictable environment for families and individuals planning to stay long-term.
- Tax Benefits:**

Homeownership provides valuable tax benefits, including deductions on mortgage interest, property taxes and select home-related expenses. These advantages can reduce the overall tax burden, enhancing financial well-being and creating opportunities for additional savings.
- Income Generating Potential:**

Owning property can create opportunities for generating passive income through renting it out. This steady stream of revenue enhances financial stability and can support other investments, appealing to those looking to diversify their sources of income.
- Modification:**

Homeownership allows individuals the freedom to tailor their living spaces to suit their personal tastes and needs. This opportunity to personalize a home not only increases comfort and satisfaction but also enhances overall quality of life.

## THREATS (BOTTLENECKS)

The real estate sector is grappling with significant cost pressures, particularly as property prices, especially in the luxury segment, continue to rise. This trend is making homeownership increasingly unattainable for middle and lower income groups, widening the affordability gap. As a result, there is growing demand for rental housing, with more individuals and families opting for flexible, financially accessible living arrangements over ownership.

At the same time, developers face persistent challenges related to regulatory compliance and land procurement. Lengthy and complex land acquisition processes, coupled with delays in obtaining necessary approvals, are slowing down project timelines and increasing development costs. These hurdles not only affect project viability but also contribute to the limited supply of housing, especially in the affordable segment.

Moreover, geopolitical tensions and macroeconomic uncertainties are impacting investor confidence, particularly in commercial real estate. High interest rates and inflation are prompting more cautious investment decisions. The issue is further compounded by supply and demand mismatch: while demand for luxury housing remains strong, the availability of affordable housing continues to lag, worsening the housing shortage and intensifying pressure on the rental market.

## OUTLOOK

India's real estate sector is poised to sustain strong growth, fuelled by rapid urbanisation, economic expansion and rising demand across residential, commercial and industrial segments. According to IMARC Group, the sector is projected to grow at a CAGR of 10.5%, reaching USD 1,184 billion by 2033 from USD 482 billion in 2024. Western and Central India are leading regional growth, accounting for over 32% of the market in 2024. This momentum is being reinforced by infrastructure development, government incentives, affordable housing demand and steady foreign direct investment. Residential supply is set to surge in 2025, driven by a robust pipeline of projects that were delayed due to the 2024 election-related slowdown. By H1 2025, only 23% of the planned 253.16 million square feet had been launched, indicating a significant supply wave in the latter half of the year. Tier II cities are expected to see a major share of these launches, as developers respond to increasing demand in these regions.

Technology and sustainability are reshaping the landscape, with greater adoption of PropTech and a focus on ESG-compliant developments catering to evolving buyer preferences. Tier II cities are also witnessing the rise of co-living and shared housing models, targeting the growing student and working population. With strong demand, stable pricing, renewed supply and Tier II market expansion, 2025 is anticipated to be a year of balanced growth. However, continued progress will hinge on effectively addressing affordability challenges and expanding the affordable housing segment.

Looking ahead to FY 2025-26, favourable macroeconomic conditions, stable interest rates and robust leasing activity are expected to further support sectoral expansion. Developers are exploring innovative financing options, especially in the premium residential segment, while office space absorption is likely to reach record highs in key urban centres. The retail segment is also set for growth, supported by rising consumption despite the presence of e-commerce competition. Overall, improving occupancy, increasing net operating income and resilient demand paint a stable and positive outlook for India's real estate sector. This positive momentum is expected to drive greater opportunities for the housing finance industry, particularly in supporting affordable and mid-income homebuyers.

### Affordable Housing and Affordable Housing Finance

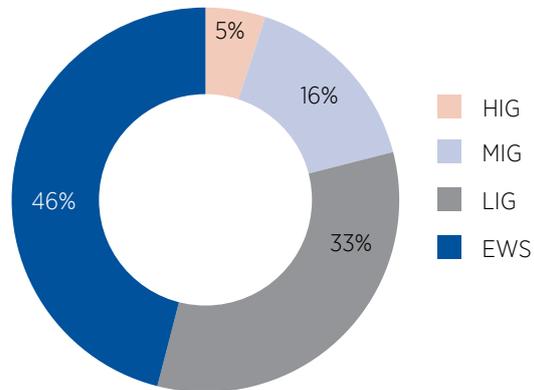
India's affordable housing finance sector is witnessing strong growth, supported by steady demand and government initiatives aimed at expanding access to housing. As per ICRA estimates, the on-book portfolio of Affordable Housing Finance Companies (AHFCs) rose by 14% during the first nine months of FY 2024-25, crossing ₹ 1,27,000 crore by December 31, 2024. Although slightly below earlier projections, this growth highlights the potential of an underpenetrated market. ICRA anticipates a portfolio expansion of 20-22% in FY 2024-25 and FY 2025-26, reflecting sustained momentum backed by policy support and rising demand.

The share of AHFCs in the overall housing finance landscape has grown significantly. As of December 2024, they accounted for 16% of the total loan book (excluding entities like HDFC Limited, Piramal and Sammaan), up from the earlier 6-7% share before recent industry consolidations. While asset quality showed a minor dip due to maturing portfolios and stress from unsecured lending, the situation remains largely stable. However, short-term volatility in delinquencies may persist.

On the funding front, AHFCs remain primarily dependent on bank borrowings and NHB refinance, which together made up 76% of their funding mix. Capital market access has been limited, with only a few well-rated firms tapping into it. Despite a reduction in systemic interest rates, borrowing costs are expected to remain elevated due to delayed transmission. Profitability is being maintained through lower operating expenses, even as net interest margins narrow and credit costs inch up. ICRA projects returns on managed assets at 2.5-2.7% for FY 2024-25 and FY 2025-26, slightly below previous levels. As these companies continue to grow their footprint, operational efficiency may remain slightly constrained but is expected to stay within a stable range. Driven by factors such as urbanisation and rising employment opportunities, India is projected to require 22.2 million housing units in urban centres by 2030. Of this, a significant 95.2%—equivalent to 21.1 million units—will be in the affordable housing segment. A major portion of this demand, around 45.8%, is expected to come from Economically Weaker Section (EWS) households. Currently, there is already a shortfall of 10.1 million housing units. Taking into account both the existing shortage and the anticipated demand, the total requirement for affordable housing in India is estimated to

reach 31.2 million units by 2030. This growing demand presents a substantial opportunity for affordable housing finance institutions to play a pivotal role in enabling home ownership for underserved segments.

### Housing Demand in India by 2030



Source: Knight Frank

The supply gap is also evident at the macro level, reflected in the disparity between the completion rates of houses under the Pradhan Mantri Awas Yojana (PMAY) in urban and rural areas. According to data from the Ministry of Housing and Urban Affairs (MoHUA) since 2017, approximately 83% of the houses sanctioned under PMAY-Gramin (rural) have been completed, compared to only 73% under PMAY-Urban. This difference highlights the slower pace of affordable housing delivery in urban regions.

Source: Affordable Housing Finance Companies Report by ICRA Research dated March 2025

### Growth Factors

One of the primary drivers of the real estate sector's robust growth is the increasing demand for residential properties, fuelled by rapid urbanisation and rising disposable incomes. This surge is not limited to housing alone; there is also growing demand for modern office spaces, hospitality and retail infrastructure, reflecting the evolving consumption patterns across urban India. The expansion of e-commerce has further contributed to this growth, creating a strong need for warehousing and storage facilities to support logistics and last mile delivery.

The sector is also benefiting from the rise of digital infrastructure. The growing reliance on telecommunications and digital services has accelerated demand for data centres and storage facilities. At the same time, government-led initiatives such as affordable housing schemes, smart city developments and tax incentives on home loans are playing a significant role in boosting investor confidence and attracting capital into the sector. Collectively, these factors are contributing to the rapid expansion of real estate in India, offering considerable employment opportunities and supporting economic development.

India's affordable housing loan market currently stands at an estimated ₹ 13 trillion, with Housing Finance Companies (HFCs) accounting for ₹ 6.9 trillion and Scheduled Commercial Banks (SCBs) holding ₹ 6.2 trillion. Looking ahead, the growing demand for affordable housing is expected to drive substantial growth in the consumer loan segment within this category. Among the three housing segments—affordable, mid and premium—the affordable segment demonstrates the highest dependence on financing through loans. However, the share of affordable housing launches has declined significantly from 52.4% in 2020 to 23% in 2024, primarily due to persistent bottlenecks such as high land costs, regulatory hurdles, limited access to low-cost financing and challenges in securing timely project approvals, which have constrained private sector participation.

Furthermore, there is a noticeable shift in corporate focus toward the rural economy. Companies are increasingly investing in areas such as agribusiness, rural infrastructure and microfinance, broadening the real estate and infrastructure investment landscape. This shift is drawing interest from private equity players looking to capitalise on India's expanding market potential and deliver strong returns.

### HFCs' Core Strengths

Housing Finance Companies (HFCs) hold a distinct position within the financial sector, particularly in the housing finance, due to their specialised expertise and customer-focused approach. Their deep understanding of the nuances of homeownership allows them to cater effectively to a diverse range of borrower needs. HFCs are known for building strong, long-term relationships with clients by offering personalised support throughout the loan process. This emphasis on customer service promotes loyalty and encourages repeat business, as borrowers value the hands-on assistance and tailored guidance they receive.

A key advantage of HFCs lies in their flexibility when it comes to structuring loans. They are adept at serving a broad spectrum of customers, including salaried individuals, self-employed professionals and those in the informal sector, by accommodating different income profiles, employment types and property categories. HFCs are also recognised for their swift loan processing capabilities, which often outperform traditional banks in terms of speed and efficiency. This agility is particularly valuable in a fast-moving housing market, giving them a competitive edge.

Moreover, HFCs benefit from their strong regional presence and deep understanding of local market dynamics. Their familiarity with area-specific trends enables them to assess property-related risks more accurately and design products that align with regional demands. Their established networks with developers, agents and other stakeholders further enhance their market intelligence. Importantly, HFCs are committed to promoting financial inclusion by extending housing finance to underserved segments, including low- and middle-income families. This inclusive approach not only supports the goal of affordable housing but also contributes to broader community

development. Through their adaptability, market insight and inclusive strategies, HFCs continue to play a vital role in strengthening the housing finance ecosystem and supporting the overall growth of the real estate sector.

## COMPANY OVERVIEW

### SEGMENT-WISE REPORTING

The segments have been identified in accordance with the Accounting Standard for segment reporting, taking into account the Company's organisational structure as well as the distinct risks and returns associated with each segment. LIC Housing Finance Ltd. (hereafter referred to as "the Company" or "LICHFL") operates primarily within the Housing Finance industry, which constitutes its principal source of revenue.

### RISKS AND CONCERNS

Risk Management is integral to the Company's operations, which include key elements such as risk assessment, a comprehensive risk catalogue, a defined risk appetite framework, risk planning, risk culture, internal controls and strong governance practices. The Company has clearly articulated its risk appetite, established functional policies and identified key risk indicators (KRIs) to delineate the types and levels of risk it is prepared to accept. The Company's Board of Directors has entrusted the Risk Management Committee (RMC) with the responsibility of overseeing the risk management function, ensuring that the framework remains effective and aligned with the Company's defined risk tolerance levels.

LICHFL follows a structured risk management approach that proactively identifies risks, implements effective mitigation strategies and continuously monitors them for ongoing enhancement. The Company's position as a leading housing finance company (HFC) is strongly underpinned by its robust risk management framework.

The HFC business is subject to several critical risks, including credit risk, market and interest rate risk, liquidity risk and operational risk. To effectively manage these exposures, LICHFL has implemented a suite of risk management tools such as time-bucketed liquidity statements, duration gap reports and foreign exchange exposure reports. These tools enable the Company to monitor and mitigate risks associated with liquidity, interest rate volatility and currency fluctuations.

The Company continuously enhances its asset-liability management (ALM) function to strengthen its ability to mitigate key risks. This approach is designed to safeguard against adverse fluctuations in liquidity, interest rates and foreign exchange rates. LICHFL aims to minimise the impact of these risks on its Net Interest Income (NII) by adhering to prudent risk management practices. The following sections provide an overview of the most significant risks and the Company's principal mitigation strategies:

#### Credit Risk

Credit risk is the potential for financial loss arising from a borrower's failure to meet their repayment obligations,

including principal or interest. Almost all lending activities carry an inherent degree of default risk. In accordance with regulatory norms, if a borrower fails to make payments within 90 days of the due date, the loan is classified as a Non-Performing Asset (NPA) on the Company's balance sheet.

LICHFL adheres to a standardised credit approval process that includes a comprehensive assessment of credit risk. This evaluation considers both quantitative and qualitative factors to determine the borrower's creditworthiness. Loans are disbursed in lump sums and are repaid through Equated Monthly Instalments (EMIs), which are aligned with the progress of construction or other relevant milestones.

The Company undertakes both dynamic and static analysis of its data and loan portfolio to identify emerging trends and potential risk indicators. This data-driven approach enables LICHFL to take timely corrective actions when needed. Additionally, the Company follows a comprehensive Standard Operating Procedure (SOP) that details the due diligence process, including credit evaluation, legal and technical appraisals, verification, valuation and documentation. The SOP is periodically reviewed and updated to reflect lessons learned and evolving industry practices.

### Market Risk

Market risk refers to the potential for financial loss arising from changes in interest rates, credit spreads, market prices, or other external factors that affect a Company's trading assets and liabilities. Key balance sheet items exposed to market risk include floating-rate home loans, floating-rate developer loans, Non-Convertible Debentures (NCDs) with embedded options, bank loans with options, foreign currency bank borrowings and coupon swaps, among others.

Market risk can generally be classified into two main categories:

- **Interest Rate Risk:** Interest rate risk refers to the possibility that a Company's net interest income and the value of its assets and liabilities may fluctuate due to unfavourable changes in interest rates, driven either by market forces or regulatory actions. Such fluctuations can create risk when rising interest rates increase the cost of liabilities or when declining yields reduce asset values. The lending sector is especially vulnerable to this risk because of frequent mismatches in maturities and the need to periodically re-price assets and liabilities. To manage this risk, the Company consistently monitors the composition and pricing of its assets and liabilities. Furthermore, the Asset Liability Committee (ALCO) actively assesses the prevailing interest rate environment and continuously evaluates the Company's ALM position to implement timely corrective measures.
- **Liquidity Risk:** Liquidity risk is the risk that the Company may not have sufficient liquid assets or adequate access to financing to meet its obligations, comply with regulatory requirements, or support its investment activities. For a finance company like LICHFL, maintaining adequate

liquidity is essential to manage redemptions, unexpected disbursements and operational expenses. External factors such as an increase in the Cash Reserve Ratio (CRR), heightened government borrowing, or advance tax payments can also impact the Company's liquidity position. Conversely, holding excessive liquidity can negatively affect business efficiency. Drawing on years of market experience, LICHFL carefully manages its cash flow, assets and liabilities. The management establishes policies to ensure adequate liquidity for immediate requirements. The Company's borrowing strategy is structured to remain flexible amid shifting liquidity conditions and business requirements, leveraging a diversified funding base to balance short- and long-term debt while effectively managing liquidity risks.

### Operational Risk

Operational risk refers to the possibility of loss resulting from inadequate or ineffective internal processes, personnel, systems, or external events. Failures in any of these areas can cause capital loss, financial damage, or reputational harm. If LICHFL's operational controls are not effectively enforced, its operational and financial growth may be adversely impacted.

LICHFL relies on strong internal control systems and continuous monitoring processes to ensure operational efficiency and effective risk management. Operational risks can be classified into the following categories:

- **Compliance Risk / Regulatory Risk:** LICHFL operates within a complex and evolving regulatory environment, governed by a broad spectrum of regulations issued by various regulatory authorities, government bodies, and industry associations. Non-compliance with these regulations could have an adverse impact on the Company's operational continuity and financial performance.

While the Reserve Bank of India (RBI) serves as the principal regulator for the Company, supervisory oversight continues to rest with the National Housing Bank (NHB). As a listed entity and capital market participant, LICHFL is also subject to the regulatory framework of the Securities and Exchange Board of India (SEBI). Additionally, the Company is registered with the Registrar of Companies (RoC) and its equity shares are listed on both the Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE).

Recognising the critical importance of regulatory compliance, LICHFL has instituted a robust compliance framework. The Chief Compliance Officer (CCO) oversees the Company's overall compliance universe, with a specific focus on regulations issued by the RBI, NHB, and the Financial Intelligence Unit – India (FIU-IND). The Company Secretary & Compliance Officer is responsible for compliance under the Companies Act, SEBI regulations, and other capital market-related legislations. Both officers are supported by dedicated teams that actively monitor and manage statutory and regulatory obligations, ensuring

adherence to applicable laws through systematic reviews and continuous monitoring.

To further strengthen its compliance infrastructure and minimise the risk of oversight, the Company implemented an automated compliance management tool on 29<sup>th</sup> April 2025. This system facilitates timely tracking, reporting, and escalation of compliance requirements, thereby reinforcing LICHFL’s commitment to maintaining the highest standards of regulatory governance.

- Legal Risk:** LICHFL faces legal risks primarily arising from potential litigation costs due to inadequate legal diligence, which is particularly significant given the Company’s core business of lending against residential properties. These risks may stem from omissions, negligence, fraud, or misconduct during legal processes. To mitigate such risks, LICHFL has established a dedicated team of experienced legal and technical professionals who ensure strict adherence to legal protocols, including comprehensive title verification and thorough scrutiny of all loan-related documentation. Additionally, the Company has instituted robust operational procedures and high customer service standards to ensure compliance, reduce legal exposure and minimise customer complaints.

**Strategic Risk**

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The housing finance market, characterised by its attractive growth potential and high fragmentation, poses significant competitive risks that could impact LICHFL’s revenue and market share. The entry of new players is driven by factors such as sustained economic growth, rapid urbanisation, government incentives, increasing societal acceptance of credit and the rise of nuclear families. In this dynamic environment, LICHFL has built a strong industry reputation, supported by a robust track record in Asset-Liability Management (ALM) and declining non-performing assets (NPA). To mitigate competitive pressures, LICHFL emphasizes customer-centricity, leverages advanced infrastructure including robust Information Technology (IT) systems and implements effective marketing strategies. The Company also capitalises on its established market position and agile cross-functional teams to maintain a leadership edge by offering high-quality products, competitive pricing and exceptional customer service.

**ASSET LIABILITY MANAGEMENT**

LICHFL adheres to the guidelines set forth in “The Asset-Liability Management System for Housing Finance Companies” issued by the National Housing Bank (NHB). The Company’s ALM policy, approved by the Board, establishes prudential gap limits, tolerance thresholds and a comprehensive reporting framework. This policy is reviewed periodically to incorporate regulatory updates and respond to shifts in the economic environment. The Asset Liability Committee (ALCO) regularly reviews ALM reports and keeps the Board informed through consistent updates on all ALM-related developments.

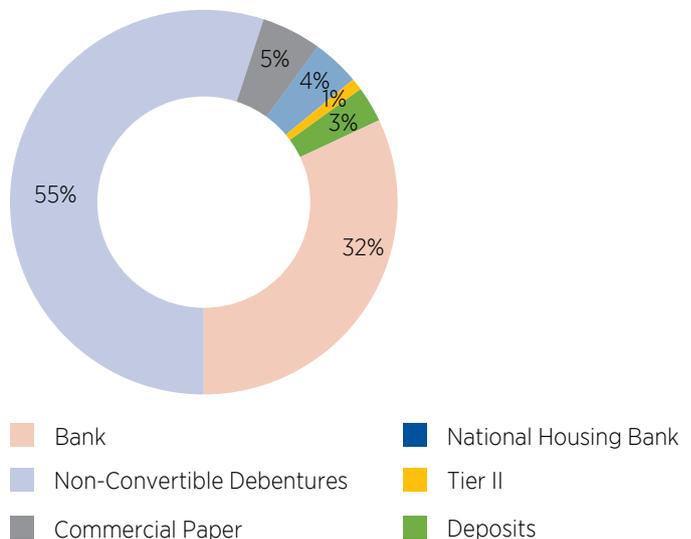
**INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY**

Internal controls play a vital role in promptly detecting and addressing operational irregularities while ensuring a consistent and accurate representation of the organisation’s overall status. Effective internal controls help ensure that transactions are properly authorised, accurately recorded and appropriately reported, while safeguarding assets against unauthorised use or disposal. LICHFL has established an internal control framework tailored to its scale and operational complexity. The Company adheres to well-defined procedures, systems, policies and processes to ensure the accurate recording of financial data, protection of assets, prevention of fraud and errors, completeness of accounting records, timely preparation of financial information and compliance with all applicable laws and regulations. Regular internal audits and inspections are conducted to verify that responsibilities are effectively fulfilled. Management reviews audit findings and implements corrective actions to enhance internal controls and strengthen existing systems. The Audit Committee of the Board is provided with summaries of these reports and takes necessary action based on the observations.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE FINANCIAL / FUND MANAGEMENT**

LICHFL carefully considers ALM gaps, interest rate fluctuations and prevailing market conditions when formulating its borrowing strategy. The Company has earned top credit ratings from CRISIL, CARE and ICRA for its bank borrowings, non-convertible debentures, commercial paper (CP) and public deposit schemes, allowing it to access funding at competitive rates. LICHFL regularly reviews and adjusts its prime lending rate to establish a benchmark for asset pricing. Additionally, the Company monitors its cash position daily and invests surplus funds in fixed deposits or overnight and liquid mutual fund schemes, in line with Board-approved policies, to minimize the cost of holding idle cash.

**Outstanding Borrowing – ₹ 2,70,597 crore**



For FY 2024-25, Incremental Cost of funds was 7.73% .

## STATEMENT OF COMPLIANCE

These Standalone Financial Statements have been prepared by the Company using the historical cost basis, except for certain financial instruments that are measured differently. The financial statements comprise the Balance Sheet as of 31<sup>st</sup> March 2025, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended 31<sup>st</sup> March 2025, along with the accompanying accounting policies and other explanatory notes (collectively referred to as the "Standalone Financial Statements" or "Financial Statements").

Fair value, as of the measurement date, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This price may not always be directly observable and can be determined using alternative valuation techniques. When estimating fair value, the Company considers the specific characteristics of the asset or liability that market participants would take into account when pricing it at the measurement date.

Additionally, for financial reporting, fair value measurements are categorised into Level 1, Level 2, or Level 3 based on the degree of observability and the overall significance of the inputs used. The categories are defined as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date.
- Level 2 inputs include observable inputs other than the Level 1 quoted prices, which may be either directly or indirectly related to the asset or liability.
- Level 3 inputs are unobservable inputs used for the asset or liability.
- The financial statements are presented exclusively in Indian Rupees (₹) and unless otherwise noted, all amounts are rounded to the nearest crore.

## PERFORMANCE / OPERATION HIGHLIGHTS

Total disbursements for the period comprised four key segments: Individual Housing Loans (IHL), Non-Housing Individual loans (NHI), Non-Housing Commercial loans (NHC) and Project Finance (PF). In FY 2024-25, total disbursements grew by 9% to ₹64,022 crore from ₹58,937 crore in the previous year, driven by a 5% rise in Individual Housing Loans to ₹51,614 crore and a

21% increase in Non-Housing Individual loans to ₹8,060 crore. Project Finance disbursements surged by 48% to ₹3,776 crore, while Non-Housing Commercial loans declined by 5% to ₹572 crore. The total outstanding portfolio registered a growth of 7%, rising from ₹2.87 lakh crore to ₹3.08 lakh crore. Within this, the Retail loan portfolio increased by 7% to ₹2,98,519 crore from ₹2,78,808 crore, reflecting consistent growth in housing and non-housing individual segments. The Project Finance portfolio expanded by 15%, reaching ₹9,213 crore compared to ₹8,036 crore in the previous year, indicating improved traction in large-ticket infrastructure and real estate financing.

Revenue from operations for FY 2024-25 stood at ₹ 28,050.14 crore, reflecting a 3% increase from ₹27,228.22 crore in FY 2023-24. Net profit after tax also witnessed significant growth, rising from ₹ 4,765.41 crore in the previous year to ₹ 5,429.02 crore. The Net Interest Margin (NIM) declined to 2.73% in FY 2024-25, compared to 3.08% in the previous year. Tax expenses increased to ₹ 1,426.79 crore, up from ₹1,288.51 crore in FY 2023-24. Net Interest Income (NII) decline by 6%, reaching ₹ 8,129.51 crore, compared to ₹8,650.89 crore in the previous fiscal. A dividend of 500%, amounting to about ₹10 per share, was proposed for FY 2024-25, compared to 450% amounting to ₹ 9.00 per share during the previous year.

During the year, both the outstanding loan portfolio and disbursement volumes grew steadily. Asset quality also showed signs of stability and improvement. Several initiatives were introduced and planned, including optimisation of the existing Marketing Offices, and various system integrations for improved process efficiency.

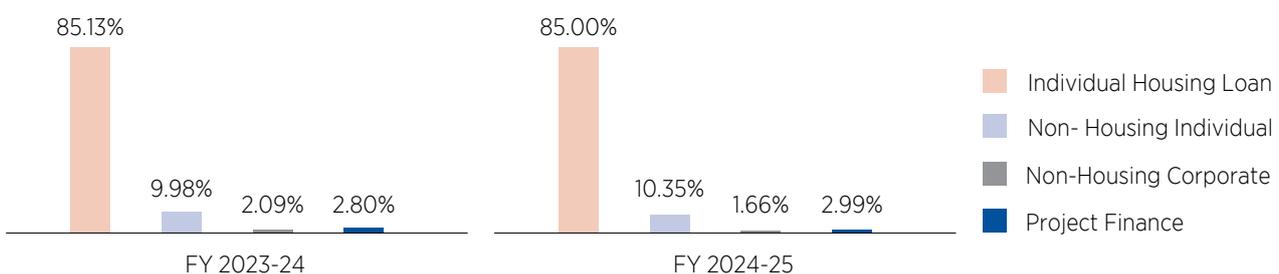
## IMPAIRMENT ASSESSMENT

The Company follows the general approach outlined under Ind AS109 to account for credit losses. Under this method, a 12-month expected credit loss is recognised for financial instruments where the credit risk has not increased significantly since initial recognition. In cases where there has been a significant increase in credit risk since initial recognition, lifetime expected credit losses are recognised. This assessment takes into account all reasonable, current and forward-looking information.

## DEFINITION OF DEFAULT

The Company classifies a financial instrument as defaulted when the borrower is 90 days or more past due on contractual payments. These instruments are categorised as Stage 3

### Percentage Share of Outstanding loans during the last two years



(credit-impaired) for the purpose of Expected Credit Loss (ECL) calculations.

The three-stage model represents the typical progression of credit deterioration in a financial instrument. The key distinctions between the stages lie in how expected credit losses are recognised and how interest income is calculated and presented.

### Stage-wise Categorisation of Loan Assets

The Company classifies loan assets based on the number of Days Past Due (DPD), aligning with the credit risk stages defined in accounting standards: Stage 1 (0-30 Days Past Due): This category includes exposures that have not experienced a significant increase in credit risk since initial recognition and were not credit-impaired at the time of origination. The Company follows the criteria outlined in the standard, considering a significant increase in credit risk to have occurred once a loan exceeds 30 days past due. For loans under 30 DPD, a 12-month probability of default is applied.

Stage 2 (31-90 Days Past Due): Loans in this category are those where credit risk has significantly increased since initial recognition, but the loans are not yet credit-impaired. The Company evaluates these exposures collectively and recognises a lifetime expected credit loss (ECL), which considers the remaining duration of the financial asset.

Stage 3 (More than 90 Days Past Due): Loans are classified as credit-impaired if they are more than 90 days past due, based on evidence of one or more events that adversely affect expected future cash flows. These are assessed for ECL both individually and collectively. The Company considers loans defaulted once they cross the 90-day threshold, in accordance with the standards and recovery mechanisms under legislations such as the SARFAESI Act.

Legislation such as the SARFAESI Act provides the Company with access to one of the most effective mechanisms for the recovery of non-performing assets (NPAs) within its category. While identifying significant increases in credit risk prior to a loan becoming overdue can be challenging for certain financial instruments, individual housing loans benefit from a substantial security margin, which helps mitigate associated risks. The Company undertakes a collective assessment of credit risk for these loans by analysing data that signals significant credit deterioration across similar categories of financial instruments.

LICHFL classifies financial instruments based on shared credit risk characteristics to collectively assess increases in credit risk and determine appropriate loss allowances. This approach facilitates the timely identification of significant credit deterioration. Due to the absence of a sufficiently long historical record of loan rating transitions, the Company does not maintain an internal transition matrix. Instead, to estimate default rates, LICHFL relies on a transition matrix developed and published by a leading Indian credit rating agency.

### ECL MODEL AND ASSUMPTIONS CONSIDERED IN THE ECL MODEL

The Company has through its previous experience estimated the probability of default on loans. Thus, it is seen that receivable for

an account moves through different delinquency stages every month. For example, an account in the "Regular" state this month will continue to be in the "Regular" state next month if a payment is made by the due date and will be in the "30 days past due" state if no payment is received during that month.

Further, focus is on maintaining the progression and timing of events in the path from "Regular" to "Defaulted". For example, an account in the "Regular" state doesn't suddenly become "Defaulted". Instead, an account must progress monthly from the "Regular" state to the "30 days past due" state to the "60 days past due" state and so on until foreclosure activities are completed and the collateral assets are sold to pay the outstanding debt.

The transition represents the period-by-period movement of receivables between delinquency classifications or states. The transition evaluates loan quality and loan collection practice. The loan portfolio for the past years is analysed to arrive at the transition matrix. Each loan is traced to find out how the loan has performed over such a period. The occurrences of every loan over the past years are considered to arrive at the total transitions happening from different buckets in the previous month to different buckets in the current month.

### Probability of Default

Stage 1 - [No significant increase in credit risk]: the monthly transition matrix is converted into a 12-month transition matrix for determining the probability of default for those loan accounts on which the risk has not increased significantly from the time the loan is originated. The Company uses the same criteria mentioned in the standard and assume that when the days past due exceeds '30 days', the risk of default has increased significantly. Therefore, for those loans for which the days past due is less than 30 days, one-year default probability is considered.

Stage 2 - [Significant increase in credit risk]: The credit risk is presumed to have increased significantly for loans that are more than 30 days past due and less than 90 days past due. For such loans, lifetime default probability is considered. Based on the maturity date of the loan, the probability of default is arrived at to determine the quantum of the loan that is likely to move into the buckets '90 days past due' and greater. The monthly transition matrix is used to find out the transition matrix applicable for the loan considering the maturity date of such loan.

Stage 3 - [Defaulted loans]: As per the standard there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company assumed that the default has occurred when a loan moves into '90 days past due' bucket.

When the loan moves from stage 3 to stage 2 / stage 1 or from stage 2 to stage 1, from an ECL computation perspective there is a curing period of one quarter on such loans.

### Exposure at default

The borrower's ability to raise its exposure as it nears default as well as potential early repayments are both considered in the Exposure at Default (EAD), which represents the gross carrying value of the financial instruments subject to impairment calculation.

Probability of default (PD) of the loan that is likely to move into buckets 90 days past due and above over next 12 months. The PD is used to measure quantum of loan that is likely to move buckets 90 days past due and above over the remaining life of the loan.

### Loss given default

The loans are secured by adequate collateral. The present value of such collateral property is considered while calculating the Expected Credit Loss. The Company initiates the recovery process of non-performing accounts within the statutory time limit as per SARFAESI and other applicable laws and accordingly the realisable period has been considered for computing the Present Value of Collateral. The difference between present value of collateral and EAD is loss given default.

### Credit Quality Analysis – Classification on the basis of risk pattern (Collective and Individual Basis)

(In ₹ crore)

Parameter	Stage 1		Stage 2		Stage 3		Total	
	Outstanding Balance	Impairment Loss						
As at March 31, 2025	289597.11	583.33	10536.19	421.74	7598.35	3893.93	307731.65	4899.00
As at March 31, 2024	2,65,401.77	625.46	11,959.22	768.35	9,483.39	4,876.26	2,86,844.39	6,270.06
As at March 31, 2023	2,48,839.34	677.73	14,083.07	1,171.32	12,124.74	5,381.22	2,75,047.15	7,230.27

Lending Vertical	PD			EAD	LGD
	Stage 1	Stage 2	Stage 3		
Home Loans	Historical data is		100%	Exposure at Default (EAD) represents the net present value of the contractual cash flows, discounted using the effective interest rate and corresponds to the principal outstanding at the time of exposure. Undrawn loan commitments are also included as part of the EAD calculation.	Loss Given Default (LGD) is calculated as (1 minus the Recovery Rate). The Recovery Rate is determined by dividing the present value of the collateral by the Exposure at Default (EAD). The collateral value for each loan is assessed individually.
Loan Against Property	utilised to calculate the probability of default (PD), while forecasted				
Lease Rental Discounting	PD is derived using a multivariate regression				
Developer Loans	methodology.				
Other Loans					

### INDIVIDUAL HOUSING LOANS

During the year the main thrust continued on individual housing loans. The Company has sanctioned 1,75,055 Individual Housing Loans (IHL) amounting to ₹ 53,983 crore and disbursed 1,74,347 loans aggregating to ₹ 51,614 crore during FY 2024-25, showing a an increase from ₹ 49,103 crore in the same period of the previous year. IHL constitute 80.62 percent of the total disbursements for the FY 2024-25.

The gross IHL portfolio grew by 7.11 percent from ₹2,44,205 crore as on 31<sup>st</sup> March 2024 to ₹2,61,562 crore as on 31<sup>st</sup> March 2025.

### NON- HOUSING INDIVIDUAL LOANS

The company has sanctioned 29,250 Non-Housing Individual Loan (NHI) amounting to ₹8,277 crore and disbursed 29,195 loans amounting to ₹8,060 crore during the FY 2024-25, an increase from ₹6,671 crore in the same period of the previous year. NHI constitute 12.59 percent of the total disbursement for the FY 2024-25.

The gross NHI portfolio grew by 11.28 percent from ₹ 28,624 crore as on 31<sup>st</sup> March 2024 to ₹31,854 crore as on 31<sup>st</sup> March 2025.

### NON- HOUSING COMMERCIAL LOANS

The company has sanctioned 69 Non-Housing Corporate Loan (NHC) amounting to ₹ 572 crore and disbursed 75 loans amounting to ₹572 crore during the FY 2024-25, a slight decline from ₹603 crore in FY 2023-24. NHC constitute 0.90 percent of the total disbursement for the FY 2024-25.

The gross NHC portfolio decreased by 14.66 percent from ₹5,980 crore as on 31<sup>st</sup> March 2024 to ₹5,103 crore as on 31<sup>st</sup> March 2025.

### PROJECT LOANS

In FY 2024-25, Project Finance loans constituted 5.9 percent of the total loan disbursements. The total disbursements for Project Finance loans during FY 2024-25 amounted to ₹3,776 crore, compared to ₹2,560 crore in the preceding fiscal year.

## MARKETING

LICHFL has reinforced its position as a market leader with one of the largest marketing networks in India. In FY 2024-25, the Company implemented key transformational initiatives, including the adoption of new technology platforms, SAP integration. As of 31<sup>st</sup> March 2025, LICHFL's network comprises 9 Regional Offices, 307 Marketing Offices, 23 Back Offices, 44 Cluster Offices and a Customer Service Point, collectively operating across more than 385 centres nationwide. The Company also maintains an international presence through its representative office in Dubai. Focused on expanding its reach and improving service delivery, LICHFL continues to strengthen its distribution network through a dedicated team of Marketing Intermediaries. Additionally, the Company actively promoted its products across India through various media platforms, enhancing its visibility and customer engagement.

## RECOVERY MANAGEMENT

As of 31<sup>st</sup> March 2025, LICHFL's Gross Non-Performing Assets (NPAs) stood at ₹ 7,598.35 crore, representing 2.47% of the total loan portfolio — an improvement from ₹9,483.39 crore or 3.31% as on 31<sup>st</sup> March 2024. Net NPAs declined to ₹3,704.42 crore, or 1.22% of the loan portfolio, compared to ₹4,607.13 crore (1.63%) a year earlier. Asset classification and provisioning are governed by Ind AS 109, under which the Expected Credit Loss (ECL) provision was ₹4,899.00 crore as of 31<sup>st</sup> March 2025, down from ₹6,270.06 crore in the previous year. The Stage 3 Exposure at Default also reduced to 2.47% from 3.31% year-on-year, indicating a marked improvement in asset quality.

During the financial year 2024-25, the Company continued its focus on strengthening its recovery processes through conventional channels such as legal proceedings, settlements, and restructuring. In addition to these, the Company also initiated the exploration of alternate recovery mechanisms, including sale of stressed assets to Asset Reconstruction Companies (ARCs), in line with the regulatory framework prescribed by the Reserve Bank of India (RBI). As part of this initiative, the Company successfully completed the sale of one loan asset to an ARC during the year, marking a significant step towards diversifying its recovery strategies and optimizing resolution timelines for stressed exposures.

## HUMAN CAPITAL AND RESOURCE MANAGEMENT

LIC Housing Finance Limited (LICHFL) recognises its human capital as a critical driver of sustained growth and long-term success. The Human Resources (HR) department plays a vital role in aligning employee objectives with the organisation's goals, ensuring seamless operations and efficient resource utilisation.

The Company is deeply committed to fostering a **safe, inclusive, and productive work environment** across all levels. LICHFL supports employee well-being, career growth and professional development through a comprehensive suite of initiatives, including:

- **Structured performance appraisal systems**
- **Learning and talent management programs**
- **Internal and external training sessions**

These initiatives cultivate a workplace culture focused on **employee satisfaction, sustained motivation, and strong retention.**

To maintain high standards of operational efficiency and engagement, LICHFL continually evaluates and enhances its business and HR policies.

As of 31<sup>st</sup> March 2025, the Company employed 2,542 individuals. Key productivity metrics include:

- **Loan assets per employee: ₹121.06 crore**
- **Net profit per employee: ₹2.14 crore**

These figures reflect LICHFL's strong emphasis on human resource effectiveness and productivity.

## DISCLAIMER

This report contains "forward-looking statements" within the meaning of relevant laws, rules and regulations. These statements describe the Company's goals, plans, estimates and expectations. The Company disclaims all liability if actual results differ considerably from those projected due to changes in internal or external causes. These statements are based on various assumptions about anticipated future events.