

August 13, 2024

Aadhar Housing Finance Limited: [ICRA]AA (Stable) assigned to Rs. 350-crore NCDs; rating withdrawn for Rs. 82.47-crore NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	-	350.00	[ICRA]AA (Stable); assigned
Non-convertible debentures	82.47	-	[ICRA]AA (Stable); withdrawn
Non-convertible debentures	1,275.23	1,275.23	[ICRA]AA (Stable); outstanding
Long-term bank facilities	1,250.00	1,250.00	[ICRA]AA (Stable); outstanding
Subordinated debt	60.00	60.00	[ICRA]AA (Stable); outstanding
Commercial paper programme	600.00	600.00	[ICRA]A1+; outstanding
Total	3,267.70	3,535.23	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Aadhar Housing Finance Limited's (AHFL) track record and geographically diversified operations. As on March 31, 2024, the company's assets under management (AUM) stood at Rs. 21,121 crore, spread across 523 branches in 20 states/Union Territories (UTs). Further, its operations are focused on the low-income housing segment with home loans comprising 75% of the AUM as on March 31, 2024 (78% as on March 31, 2023). Given the low penetration level and the Government of India's (GoI) thrust on this segment, small ticket size home loans have good growth opportunity.

The ratings also consider AHFL's strong capitalisation profile. The gearing (reported)¹ remained low at 3.2 times as on March 31, 2024 (managed gearing² of 4.1 times). The company raised ~Rs. 1,000 crore of primary equity capital through an initial public offering (IPO) in May 2024, which has bolstered its capitalisation profile and provides sufficient buffer to support its AUM growth plans over the near-to-medium term.

AHFL's profitability has been improving gradually, aided by higher margins and low credit costs. It reported a net profit of Rs. 749 crore in FY2024, translating into a return of 3.4% on average managed assets (AMA) and 18.4% on average net worth (Rs. 545 crore³, 2.9% and 15.9%, respectively, in FY2023). The asset quality indicators remained comfortable with gross non-performing assets (NPAs) of 1.1% and net NPAs of 0.6% as on March 31, 2024 (1.2% and 0.8%, respectively, as on March 31, 2023). However, it remains exposed to volatility in the asset quality, given the risk associated with the target borrower segment.

The Stable outlook reflects ICRA's opinion that AHFL will be able to maintain a steady credit profile while expanding its scale of operations with a comfortable earnings profile and a prudent capitalisation profile.

ICRA has withdrawn the [ICRA]AA (Stable) rating outstanding on the Rs. 82.47-crore non-convertible debentures (NCDs) as the said instruments have been redeemed/matured with no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

¹ Gearing (reported) = (Total on-book borrowings + Interest accrued on borrowings) / Net worth

² Gearing (managed) = (Total borrowings + Off-balance sheet portfolio) / Net worth

³ Profit after tax before exceptional items for FY2023 was Rs. 564 crore

Key rating drivers and their description

Credit strengths

Established track record and geographically diversified operations – AHFL is the largest low-income housing finance company in India with AUM of Rs. 21,121 crore as on March 31, 2024, reporting a 5-year CAGR⁴ of 16%. The company continues to scale up its operations and its AUM increased by 23% in FY2024. Around 81% of the AUM comprised ticket sizes of up to Rs. 20 lakh as on March 31, 2024.

AHFL's operations are geographically diversified and spread across 20 states/UTs through 523 branches and offices as on March 31, 2024 and is well placed to tap the increasing demand in the low-income housing segment. The share of the top 3 states remained stable at 40% of the portfolio as on March 31, 2024. ICRA expects the company to continue growing its portfolio at a steady pace of 20-23% over the medium term while further improving the geographical diversification of its operations.

Strong capitalisation profile – AHFL's capitalisation profile remains strong with the gearing (reported) remaining low at 3.2 times as on March 31, 2024 (managed gearing⁵ of 4.1 times). Further, its capital-to-risk weighted assets ratio of 38.5% as on March 31, 2024 was well above the regulatory requirement of 15%. The company raised Rs. 1,000 crore of primary equity capital through an initial public offering in May 2024, which has bolstered its capitalisation profile and provided sufficient headroom to support its growth plans over the near-to-medium term. ICRA expects AHFL to maintain a prudent capitalisation profile as it continues to further scale up its operations.

Comfortable asset quality and earnings – The asset quality indicators remained comfortable with gross NPAs of 1.1% and net NPAs of 0.6% as on March 31, 2024 (1.2% and 0.8%, respectively, as on March 31, 2023). While AHFL had restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress and had a standard restructured portfolio of 1.5% on its balance sheet as on March 31, 2024, it is performing well with stable collections. As a result, credit costs remained low at 0.2% of the AMA in FY2024 (0.3% in FY2023) and helped support the overall earnings profile.

With the increase in the share of the relatively higher-yielding non-home loan portfolio and the rise in its lending rates, the company has been able to improve its lending yields and consequently its net interest margins. The net interest margin (including income from assignment) improved to 6.5% of AMA in FY2024 from 6.1% in FY2023. While credit costs remained low, operating expenses increased to 2.5% of AMA in FY2024 from 2.3% in FY2023 due to higher employee and administrative expenses on account of branch expansion. AHFL continues to open new branches and hire personnel to support its envisaged growth plans.

AHFL reported a net profit of Rs. 749 crore in FY2024, translating into a return of 3.4% on AMA and 18.4% on average net worth (Rs. 545 crore, 2.9% and 15.9%, respectively, in FY2023). With the higher margins and low credit costs, the profitability profile has been improving. Nevertheless, its ability to sustain its margins, given the increasing competition and cost of funds, and control fresh slippages as the portfolio seasons, remains a monitorable.

Credit challenges

Exposure to relatively vulnerable borrower profile – AHFL mainly lends to borrowers in the low-income segment, which is more vulnerable to income shocks. ICRA notes that good underwriting norms and portfolio management mechanisms have kept the asset quality comfortable over the years. However, given the pace of growth and the relatively riskier borrower profile of the low-and-assessed-income segments, it remains exposed to volatility in the asset quality.

⁴ Compound annual growth rate

⁵ Gearing (managed) = (Total on-book borrowings + Interest accrued on borrowings + Assigned portfolio) / Net worth

Liquidity position: Strong

The company's liquidity profile is strong, given the on-book liquidity maintained by it and its demonstrated ability to raise funds from diverse sources. It had a free cash and bank balance and liquid investments of Rs. 1,691 crore as on March 31, 2024. This, along with scheduled collections (including interest) of ~Rs. 4,516 crore, is sufficient to meet the scheduled debt repayments (including interest) of Rs. 3,418 crore over the next 12 months, i.e. till March 31, 2025. The presence of sanctioned but unutilised funding lines supports its liquidity profile further. The liquidity coverage ratio of 134.6% for the quarter ended March 31, 2024 (145.3% for the quarter ended December 31, 2023) was well above the regulatory requirement.

Rating sensitivities

Positive factors – A significant increase in the scale, while maintaining a healthy financial profile and good asset quality, over the medium-to-long term would be a credit positive. Retaining the fairly diversified funding profile with minimal asset-liability mismatches in the near-term buckets, as the company expands its portfolio, would also be crucial for maintaining/improving the credit profile.

Negative factors – Pressure on the ratings could arise on a deterioration in the asset quality with the 90+ days past due (dpd) exceeding 2.0%, thereby affecting the profitability with the return on AMA falling below 2.5% on a sustained basis. A sustained deterioration in the capitalisation profile or a stretched liquidity position could also exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Aadhar Housing Finance Limited (AHFL) was set up in 1990 to provide housing loans in the lower ticket size segment. As on June 30, 2024, the Blackstone Group, through its fund (BCP Topco VII Pte Ltd.), had a 76.5% stake in the company. At present, AHFL focuses on the lower-and-middle-income segment and provides home loans and loan against property. As on March 31, 2024, the company was present in 20 states/UTs through a network of 523 branches and offices while managing a portfolio of Rs. 21,121 crore.

Key financial indicators (audited)

Aadhar Housing Finance Limited	FY2022	FY2023	FY2024
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,693	1,994	2,524
Profit after tax	445	545	749
Total managed assets	17,274	20,081	23,471
Return on average managed assets	2.6%	2.9%	3.4%
Gearing (managed; times)	4.3	4.2	4.1
Gross NPA	1.5%	1.2%	1.1%
CRAR	45.4%	42.7%	38.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Total managed assets = Total assets + Impairment allowance + Off-book portfolio; Gearing (managed) = (Total borrowings + Off-balance sheet portfolio)/ Net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years							
		Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024			Date & Rating in FY2023		Date & Rating in FY2022		
			Aug 13, 2024	Sep 21, 2023	Jul 26, 2023	Jun 21, 2023	Jan 10, 2023	Aug 16, 2022	Jul 26, 2022	Jul 29, 2021	
1 Long-term facilities	bank Long term	1,250.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
2 Non-convertible debentures	Long term	775.23	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
3 Non-convertible debentures	Long term	82.47	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
4 Non-convertible debentures	Long term	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
5 Non-convertible debentures	Long term	-	-	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	-	-
6 Subordinated debt	Long term	60.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
7 Subordinated debt	Long term	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
8 Commercial programme	paper Short term	600.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
9 Non-convertible debentures	Long term	500.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-	-	-
10 Non-convertible debentures	Long term	350.00	[ICRA]AA (Stable)	-	-	-	-	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very Simple
Long-term bank facilities	Simple
Non-convertible debentures	Simple
Subordinated debt	Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term bank facilities	Sep-30-2022 to Nov-30-2022	NA	Sep-30-2027 to Nov-30-2038	1,250.00	[ICRA]AA (Stable)
INE538L07163	Non-convertible debenture	Jan-06-2016	9.60%	Jan-06-2026	30.00	[ICRA]AA (Stable)
INE538L07189	Non-convertible debenture	Jan-19-2016	9.60%	Jan-19-2026	10.00	[ICRA]AA (Stable)
INE538L07197	Non-convertible debenture	Jan-19-2016	9.60%	Jan-19-2026	2.70	[ICRA]AA (Stable)
INE538L07205	Non-convertible debenture	Jan-25-2016	9.60%	Jan-25-2026	20.00	[ICRA]AA (Stable)
INE538L07213	Non-convertible debenture	Jan-29-2016	9.55%	Jan-29-2026	12.00	[ICRA]AA (Stable)
INE538L07221	Non-convertible debenture	Mar-01-2016	9.55%	Mar-01-2026	10.00	[ICRA]AA (Stable)
INE538L07254	Non-convertible debenture	Mar-22-2016	9.55%	Mar-22-2026	20.00	[ICRA]AA (Stable)
INE538L07270	Non-convertible debenture	Mar-31-2016	9.55%	Mar-31-2026	12.50	[ICRA]AA (Stable)
INE883F07025	Non-convertible debenture	May-05-2016	9.40%	May-05-2026	20.00	[ICRA]AA(Stable)
INE883F07041	Non-convertible debenture	Jul-08-2016	9.35%	Jul-08-2026	2.00	[ICRA]AA (Stable)
INE883F07058	Non-convertible debenture	Jul-13-2016	9.40%	Jul-13-2026	1.20	[ICRA]AA (Stable)
INE883F07066	Non-convertible debenture	Jul-19-2016	9.28%	Jul-18-2026	2.00	[ICRA]AA (Stable)
INE883F07074	Non-convertible debenture	Aug-05-2016	9.15%	Aug-05-2026	1.20	[ICRA]AA (Stable)
INE883F07124	Non-convertible debenture	Oct-27-2016	9.36%	Oct-27-2023	4.00	[ICRA]AA (Stable); withdrawn
INE883F07140	Non-convertible debenture	Nov-21-2016	9.40%	Nov-21-2023	20.00	[ICRA]AA (Stable); withdrawn
INE883F07157	Non-convertible debenture	Nov-22-2016	9.40%	Nov-22-2023	9.00	[ICRA]AA (Stable); withdrawn
INE538L07379	Non-convertible debenture	Nov-16-2016	9.00%	Nov-16-2026	5.00	[ICRA]AA (Stable)
INE883F07215	Non-convertible debenture	Oct-19-2020	8.10%	Oct-20-2025	50.00	[ICRA]AA (Stable)
INE883F07314	Non-convertible debenture	Aug-17-2023	8.50%	Aug-17-2026	500.00	[ICRA]AA (Stable)
INE538L07502	Non-convertible debenture*	Sep-29-2018	9.25%	Sep-29-2023	30.51	[ICRA]AA (Stable); withdrawn
INE538L07510	Non-convertible debenture*	Sep-29-2018	9.65%	Sep-29-2023	18.96	[ICRA]AA (Stable) ; withdrawn
INE538L07528	Non-convertible debenture*	Sep-29-2018	9.35%	Sep-29-2028	9.55	[ICRA]AA (Stable)
INE538L07536	Non-convertible debenture*	Sep-29-2018	9.75%	Sep-29-2028	11.68	[ICRA]AA (Stable)

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE883F07322	Non-convertible debenture	Oct-31-2023	8.35%	Oct-31-2028	100.00	[ICRA]AA (Stable)
INE883F07330	Non-convertible debenture	Feb-22-2024	8.65%	Aug-21-2027	300.00	[ICRA]AA (Stable)
INE883F07348	Non-convertible debenture	Mar-28-2024	8.25%	Mar-28-2029	145.00	[ICRA]AA (Stable)
NA	Non-convertible debenture – Yet to be issued	NA	NA	NA	360.40	[ICRA]AA (Stable)
INE538L08054	Subordinated debt	Sep-19-2016	10.00%	Sep-19-2026	10.00	[ICRA]AA (Stable)
INE538L08062	Subordinated debt	Oct-10-2016	9.75%	Oct-10-2026	3.00	[ICRA]AA (Stable)
INE538L08070	Subordinated debt	Oct-10-2016	10.00%	Oct-10-2026	15.00	[ICRA]AA (Stable)
INE538L08088	Subordinated debt	Oct-10-2016	9.75%	Oct-10-2026	25.00	[ICRA]AA (Stable)
INE538L08096	Subordinated debt	Oct-17-2016	9.75%	Oct-17-2026	7.00	[ICRA]AA (Stable)
NA	Commercial paper programme – Yet to be issued	NA	NA	7-365 days	600.00	[ICRA]A1+

Source: Company, ICRA Research; *Public issue

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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