

September 13, 2024

## Aadhar Housing Finance Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	1,625.23	1,625.23	[ICRA]AA (Stable); reaffirmed
Long-term bank facilities	1,250.00	1,250.00	[ICRA]AA (Stable); reaffirmed
Subordinated debt	60.00	60.00	[ICRA]AA (Stable); reaffirmed
Commercial paper programme	600.00	600.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>3,535.23</b>	<b>3,535.23</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings factor in Aadhar Housing Finance Limited's (AHFL) track record in the affordable housing space and its geographically diversified operations. As on June 30, 2024, the company's assets under management (AUM) stood at Rs. 21,726 crore, spread across 536 branches and offices in 21 states/Union Territories (UTs). AHFL's operations are focused on the low-income housing segment with home loans comprising 75% of the AUM as on June 30, 2024 (75% 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 home loans have good growth opportunity.

The ratings also consider AHFL's strong capitalisation profile and low gearing. The gearing (reported) declined to 2.5 times as on June 30, 2024 (managed gearing<sup>1</sup> of 3.3 times) from 3.2 times as on March 31, 2024 (managed gearing of 4.1 times). 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.

The ratings factor in AHFL's comfortable earnings profile, supported by healthy net interest margins (NIMs) and controlled credit costs. It reported a net profit of Rs. 200 crore in Q1 FY2025, translating into a return of 3.3% on average managed assets<sup>2</sup> (AMA) and 15.9% on average net worth (Rs. 749 crore, 3.4% and 18.4%, respectively, in FY2024). The asset quality indicators remained comfortable with gross non-performing assets (NPAs) of 1.4% and net NPAs of 0.9% as on June 30, 2024 (1.1% and 0.6%, respectively, as on March 31, 2024). 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 prudent capitalisation.

### Key rating drivers and their description

#### Credit strengths

**Established track record and geographically diversified operations** – AHFL is the largest affordable housing finance company in India with AUM of Rs. 21,726 crore as on June 30, 2024, reporting a 5-year CAGR<sup>3</sup> of 16% during FY2019-FY2024. The company continues to scale up its operations and its AUM grew by 12% (annualised from March 31, 2024) in Q1 FY2025 (23% growth in FY2024). Around 80% of the AUM comprised ticket sizes of up to Rs. 20 lakh as on June 30, 2024.

<sup>1</sup> Gearing (managed) = (Total on-book borrowings + Interest accrued on borrowings + Assigned portfolio) / Net worth

<sup>2</sup> Managed assets = Total Assets + Off-book portfolio + Impairment loss allowance

<sup>3</sup> Compound annual growth rate

AHFL's operations are geographically diversified, spread across 21 states/UTs through 536 branches and offices as on June 30, 2024. The company 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 AUM as on June 30, 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** – 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. AHFL's gearing (reported) declined to 2.5 times as on June 30, 2024 (managed gearing of 3.3 times) from 3.2 times as on March 31, 2024 (managed gearing of 4.1 times). Further, its capital-to-risk weighted assets ratio improved to 48.9% as on June 30, 2024 from 38.5% as on March 31, 2024 and was well above the regulatory requirement of 15%. 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 1.4% and net NPAs of 0.9% as on June 30, 2024 (1.1% and 0.6%, respectively, as on March 31, 2024). While AHFL had restructured loans under Resolution Framework 1.0 & 2.0 for Covid-19-related stress and had a standard restructured portfolio of 1.3% on its balance sheet as on June 30, 2024, it is performing well with stable collections. The credit costs remained low at 0.3% of the AMA in Q1 FY2025 (0.2% in FY2024) 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 NIMs. NIM (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 (2.4% in Q1 FY2025) 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). The company reported a net profit of Rs. 200 crore in Q1 FY2025 (Rs. 146 crore in Q1 FY2024). With healthy margins and low credit costs, the profitability profile remains comfortable. Nevertheless, AHFL's 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.

## Environmental and social risks

**Environmental**– While housing finance companies (HFCs) like AHFL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to which such HFCs have an exposure, face livelihood disruption because of physical climate adversities, it could translate into credit risks for the HFCs. However, such risk is not material for AHFL as it benefits from portfolio diversification.

**Social**–With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as any material lapse could be detrimental to their reputation and invite regulatory censure. AHFL has not faced any material lapse over the years, which highlights its sensitivity to such risks. While it contributes to promoting financial inclusion by lending to underserved segments, the company's lending practices remain prudent as reflected in the healthy asset quality numbers in this segment.

## 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. 2,316 crore as on June 30, 2024. This, along with scheduled collections (including interest) of ~Rs. 4,769 crore, is sufficient to meet the scheduled debt repayments (including interest) of Rs. 2,847 crore over the next 12 months, i.e. till June 30, 2025. The presence of sanctioned but unutilised funding lines supports its liquidity profile further. The liquidity coverage ratio of 122.2% for the quarter ended June 30, 2024 (134.6% for the quarter ended March 31, 2024) 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	<a href="#">Rating Methodology for Non-banking Finance Companies</a>
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 affordable housing segment and provides home loans and loan against property. As on June 30, 2024, the company was present in 21 states/UTs through a network of 536 branches and offices while managing a portfolio of Rs. 21,726 crore.

## Key financial indicators (audited; standalone)

Aadhar Housing Finance Limited	FY2023	FY2024	Q1 FY2025*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,994	2,524	697
Profit after tax	545	749	200
Total managed assets	20,081	23,471	24,539
Return on average managed assets	2.9%	3.4%	3.3%
Gearing (managed; times)	4.2	4.1	3.3
Gross NPA	1.2%	1.1%	1.4%
CRAR	42.7%	38.5%	48.9%

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

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	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years										
	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024			Date & Rating in FY2023			Date & Rating in FY2022		
			Sep 13, 2024	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)	[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)	[ICRA]AA (Stable)	-	-
3 Non-convertible debentures		Long term	-	-	[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)	[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)	[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+	[ICRA]A1+
9 Non-convertible debentures		Long term	500.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-	-	-
10 Non-convertible debentures		Long term	350.00	[ICRA]AA (Stable)	[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)
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)
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)
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)
INE883F07363	Non-convertible debenture	Aug-27-2024	8.50%	Dec-02-2027	350.00	[ICRA]AA (Stable)
NA	Non-convertible debenture – Yet to be issued	NA	NA	NA	10.40	[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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