

June 05, 2025

Aadhar Housing Finance Limited: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures (NCDs)	2,325.23	2,325.23	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Long-term bank facilities	1,250.00	1,250.00	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Subordinated debt	60.00	60.00	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Commercial paper programme	600.00	600.00	[ICRA]A1+; reaffirmed
Total	4,235.23	4,235.23	

*Instrument details are provided in Annexure I

Rationale

The revision in the outlook factors in Aadhar Housing Finance Limited's (AHFL) demonstrated track record in the affordable housing space while maintaining comfortable asset quality and earnings. Further, the company is well capitalised in relation to its long-term growth plans. Operating since FY2011, AHFL's assets under management (AUM) stood at Rs. 25,531 crore, increasing at a 5-year CAGR¹ of 17% during FY2020-FY2025. Further, the comfortable asset quality is represented by gross and net non-performing assets (NPAs) of 1.1% and 0.7%, respectively, as on March 31, 2025 (1.1% and 0.7%, respectively, as on March 31, 2024), notwithstanding the intermittent pressure witnessed during the Covid-19 pandemic. The revision in the outlook also factors in the track record of maintaining a comfortable earnings profile, supported by healthy net interest margins (NIMs) and controlled credit costs. It reported a net profit of Rs. 912 crore in FY2025, translating into a return of 3.5% on average managed assets² (AMA) and 16.9% on average net worth (Rs. 749 crore, 3.4% and 18.4%, respectively, in FY2024). While AHFL remains exposed to increasing competition in the segment, its geographically diversified presence and established track record shall help it maintain a comfortable earnings profile.

The company raised gross proceeds of Rs. 1,000 crore of primary equity capital through an initial public offering in May 2024, which has bolstered its capitalisation profile and provided it with sufficient headroom to support its growth plans over the medium to long term. The on-book gearing declined to 2.6 times as on March 31, 2025 (managed gearing³ of 3.3 times) from 3.2 times as on March 31, 2024 (managed gearing of 4.1 times). AHFL has a diversified lender base comprising funding from banks (41%), followed by National Housing Bank (NHB; 18%), non-convertible debentures (NCDs; 16%), external commercial borrowings (ECBs; 2%) and direct assignment (DA; 23%) as on March 31, 2025.

Key rating drivers and their description

Credit strengths

Established track record and geographically diversified operations – Operating since FY2011, AHFL is the largest affordable housing finance company in India with AUM of Rs. 25,531 crore as on March 31, 2025, reporting a 5-year CAGR of 17% during FY2020-FY2025. The AUM grew by 21% in FY2025 (23% growth in FY2024). With ~76% of the AUM comprising ticket sizes of

¹ Compound annual growth rate

² Managed assets = Total assets + Off-book portfolio + Impairment loss allowance

³ Gearing (managed) = (Total on-book borrowings + Interest accrued on borrowings + Assigned portfolio)/Net worth

up to Rs. 20 lakh as on March 31, 2025, the company is well placed to tap the increasing demand in the low-income housing segment. Further, AHFL's operations are geographically diversified, spread across 21 states/Union Territories (UTs) through 580 branches as on March 31, 2025. The share of the top 3 states remained stable at 40% of the AUM as on March 31, 2025. ICRA expects AHFL to continue growing its portfolio at a steady pace of 18-20% over the medium term.

Strong capitalisation profile in relation to long-term growth plans – The company had raised gross proceeds of Rs. 1,000 crore of primary equity capital through an initial public offering in May 2024, which has bolstered its capitalisation profile and provided it with sufficient headroom to support its growth plans over the long term. AHFL's on-book gearing declined to 2.6 times as on March 31, 2025 (managed gearing of 3.3 times) from 3.2 times as on March 31, 2024 (managed gearing of 4.1 times). Its capital-to-risk weighted assets ratio improved to 44.6% as on March 31, 2025 from 38.5% as on March 31, 2024. In ICRA's opinion, AHFL is well capitalised to support its stated growth plans over the medium term while keeping its managed gearing well below 5 times.

Comfortable asset quality and earnings – The asset quality indicators remained comfortable with gross NPAs of 1.1% and net NPAs of 0.7% as on March 31, 2025 (1.1% and 0.7%, 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 1.0% on its balance sheet as on March 31, 2025, it is performing well with stable collections. Credit costs remained low at 0.2% of the AMA in 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. NIMs (including income from assignment), as a proportion of AMA, improved to 6.8% in FY2025 from 6.5% in FY2024. While credit costs remained low, operating expenses increased to 2.7% of AMA in FY2025 from 2.5% in FY2024 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. It reported a net profit of Rs. 912 crore in FY2025, translating into a return of 3.5% on AMA and 16.9% on average net worth. 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 control fresh slippages as the portfolio seasons remains 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. ICRA also takes note of the gradually increasing share of the non-housing loans (26% as on March 31, 2025 vis-à-vis 15% as on March 31, 2021) and self-employed borrowers (44% as on March 31, 2025 vis-à-vis 36% as on March 31, 2021), who are prone to higher volatility in their cash flows and highly sensitive to minor business disruptions and external shocks. However, the average loan-to-value (LTV) remained moderate at 59% as on March 31, 2025 and the ultimate losses on default are expected to be limited, considering the secured nature of the portfolio.

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. ICRA notes that the underlying properties are insured for the majority of the portfolio. If the borrowers, to whom such HFCs have an exposure, face livelihood disruption because of physical climate adversities, the same could translate into credit risks for 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 resilience 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. 2,155 crore as on March 31, 2025. This, along with scheduled collections (including interest) of ~Rs. 5,525 crore, is sufficient to meet the scheduled debt repayments (including interest) of Rs. 3,227 crore over the next 12 months, i.e. till March 31, 2026. The presence of sanctioned but unutilised funding lines supports its liquidity profile further. The liquidity coverage ratio was 339.4% for the quarter ended March 31, 2025.

Rating sensitivities

Positive factors – A significant increase in the scale and market position, while maintaining a healthy financial profile and comfortable asset quality, over the medium to long term would be a credit positive.

Negative factors – Pressure on the ratings could arise on a deterioration in the asset quality, affecting the profitability with the return on average managed assets (RoMA) falling below 2.5% on a sustained basis. A sustained deterioration in the capitalisation profile (managed gearing exceeding 5 times) 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
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 March 31, 2025, the Blackstone Group, through its fund (BCP Topco VII Pte Ltd.), had a 75.6% stake in the company. At present, AHFL focusses on the affordable housing segment and provides home loans and loan against property. As on March 31, 2025, the company had a presence in 21 states/UTs through a network of 580 branches while managing a portfolio of Rs. 25,531 crore. AHFL's subsidiary, Aadhar Sales and Services Limited, provides manpower services, recruitment, training and staff assignment.

Key financial indicators (audited; standalone)

Aadhar Housing Finance Limited	FY2023	FY2024	FY2025*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	1,994	2,524	3,109
Profit after tax	545	749	912
Total managed assets	20,081	23,471	28,413
Return on average managed assets	2.9%	3.4%	3.5%
Gearing (managed; times)	4.2	4.1	3.3
Gross NPA	1.2%	1.1%	1.1%
CRAR	42.7%	38.5%	44.6%

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jun 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Non-convertible debentures	Long term	500.00	[ICRA]AA (Positive)	Dec 24, 2024	[ICRA]AA (Stable)	-	-	-	-
Non-convertible debentures	Long term	350.00	[ICRA]AA (Positive)	Aug-13-24	[ICRA]AA (Stable)	-	-	-	-
				Sep-13-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-6-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Non-convertible debentures	Long term	200.00	[ICRA]AA (Positive)	Dec-6-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Non-convertible debentures	Long term	775.23	[ICRA]AA (Positive)	Aug-13-24	[ICRA]AA (Stable)	Jun-21-23	[ICRA]AA (Stable)	Aug-16-22	[ICRA]AA (Stable)
				Sep-13-24	[ICRA]AA (Stable)	Jul-26-23	[ICRA]AA (Stable)	Jan-10-23	[ICRA]AA (Stable)
				Dec-6-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Non-convertible debentures	Long term	500.00	[ICRA]AA (Positive)	Aug-13-24	[ICRA]AA (Stable)	Sep-21-23	[ICRA]AA (Stable)	-	-
				Sep-13-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-6-24	[ICRA]AA (Stable)	-	-	-	-
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Long-term bank facilities	Long term	1,250.00	[ICRA]AA (Positive)	Aug-13-24	[ICRA]AA (Stable)	Jun-21-23	[ICRA]AA (Stable)	Aug-16-22	[ICRA]AA (Stable)
				Sep-13-24	[ICRA]AA (Stable)	Jul-26-23	[ICRA]AA (Stable)	Jan-10-23	[ICRA]AA (Stable)
				Dec-6-24	[ICRA]AA (Stable)	Sep-21-23	[ICRA]AA (Stable)	-	-

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jun 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Subordinated debt	Long term	60.00	[ICRA]AA (Positive)	Aug-13-24	[ICRA]AA (Stable)	Jun-21-23	[ICRA]AA (Stable)	Aug-16-22	[ICRA]AA (Stable)
				Sep-13-24	[ICRA]AA (Stable)	Jul-26-23	[ICRA]AA (Stable)	Jan-10-23	[ICRA]AA (Stable)
				Dec-6-24	[ICRA]AA (Stable)	Sep-21-23	[ICRA]AA (Stable)	-	-
				Dec-24-24	[ICRA]AA (Stable)	-	-	-	-
Commercial paper programme	Short term	600.00	[ICRA]A1+	Aug-13-24	[ICRA]A1+	Jun-21-23	[ICRA]A1+	Jul-26-22	[ICRA]A1+
				Sep-13-24	[ICRA]A1+	Jul-26-23	[ICRA]A1+	Aug-16-22	[ICRA]A1+
				Dec-6-24	[ICRA]A1+	Sep-21-23	[ICRA]A1+	Jan-10-23	[ICRA]A1+
				Dec-24-24	[ICRA]A1+	-	-	-	-

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 (Positive)
INE538L07163	NCD	Jan-06-2016	9.60%	Jan-06-2026	30.00	[ICRA]AA (Positive)
INE538L07189	NCD	Jan-19-2016	9.60%	Jan-19-2026	10.00	[ICRA]AA (Positive)
INE538L07197	NCD	Jan-19-2016	9.60%	Jan-19-2026	2.70	[ICRA]AA (Positive)
INE538L07205	NCD	Jan-25-2016	9.60%	Jan-25-2026	20.00	[ICRA]AA (Positive)
INE538L07213	NCD	Jan-29-2016	9.55%	Jan-29-2026	12.00	[ICRA]AA (Positive)
INE538L07221	NCD	Mar-01-2016	9.55%	Mar-01-2026	10.00	[ICRA]AA (Positive)
INE538L07254	NCD	Mar-22-2016	9.55%	Mar-22-2026	20.00	[ICRA]AA (Positive)
INE538L07270	NCD	Mar-31-2016	9.55%	Mar-31-2026	12.50	[ICRA]AA (Positive)
INE883F07025	NCD	May-05-2016	9.40%	May-05-2026	20.00	[ICRA]AA (Positive)
INE883F07041	NCD	Jul-08-2016	9.35%	Jul-08-2026	2.00	[ICRA]AA (Positive)
INE883F07058	NCD	Jul-13-2016	9.40%	Jul-13-2026	1.20	[ICRA]AA (Positive)
INE883F07066	NCD	Jul-19-2016	9.28%	Jul-18-2026	2.00	[ICRA]AA (Positive)
INE883F07074	NCD	Aug-05-2016	9.15%	Aug-05-2026	1.20	[ICRA]AA (Positive)
INE538L07379	NCD	Nov-16-2016	9.00%	Nov-16-2026	5.00	[ICRA]AA (Positive)
INE883F07215	NCD	Oct-19-2020	8.10%	Oct-20-2025	50.00	[ICRA]AA (Positive)
INE883F07314	NCD	Aug-17-2023	8.50%	Aug-17-2026	500.00	[ICRA]AA (Positive)
INE538L07528	NCD*	Sep-29-2018	9.35%	Sep-29-2028	9.55	[ICRA]AA (Positive)
INE538L07536	NCD*	Sep-29-2018	9.75%	Sep-29-2028	11.68	[ICRA]AA (Positive)
INE883F07322	NCD	Oct-31-2023	8.35%	Oct-31-2028	100.00	[ICRA]AA (Positive)
INE883F07330	NCD	Feb-22-2024	8.65%	Aug-21-2027	300.00	[ICRA]AA (Positive)
INE883F07348	NCD	Mar-28-2024	8.25%	Mar-28-2029	145.00	[ICRA]AA (Positive)
INE883F07363	NCD	Aug-27-2024	8.50%	Dec-02-2027	350.00	[ICRA]AA (Positive)
INE883F07389	NCD	Dec-12-2024	8.37%	May-29-2028	200.00	[ICRA]AA (Positive)
NA	NCD – Yet to be issued	NA	NA	NA	10.40	[ICRA]AA (Positive)
NA	NCD – Yet to be issued	NA	NA	NA	500.00	[ICRA]AA (Positive)
INE538L08054	Subordinated debt	Sep-19-2016	10.00%	Sep-19-2026	10.00	[ICRA]AA (Positive)
INE538L08062	Subordinated debt	Oct-10-2016	9.75%	Oct-10-2026	3.00	[ICRA]AA (Positive)
INE538L08070	Subordinated debt	Oct-10-2016	10.00%	Oct-10-2026	15.00	[ICRA]AA (Positive)
INE538L08088	Subordinated debt	Oct-10-2016	9.75%	Oct-10-2026	25.00	[ICRA]AA (Positive)
INE538L08096	Subordinated debt	Oct-17-2016	9.75%	Oct-17-2026	7.00	[ICRA]AA (Positive)
INE883F14104	CP programme	Apr-29-2025	7.38%	304 days	100.00	[ICRA]A1+
INE883F14112	CP programme	May-22-2025	7.40%	364 days	200.00	[ICRA]A1+
NA	CP programme – Yet to be issued	NA	NA	7-365 days	300.00	[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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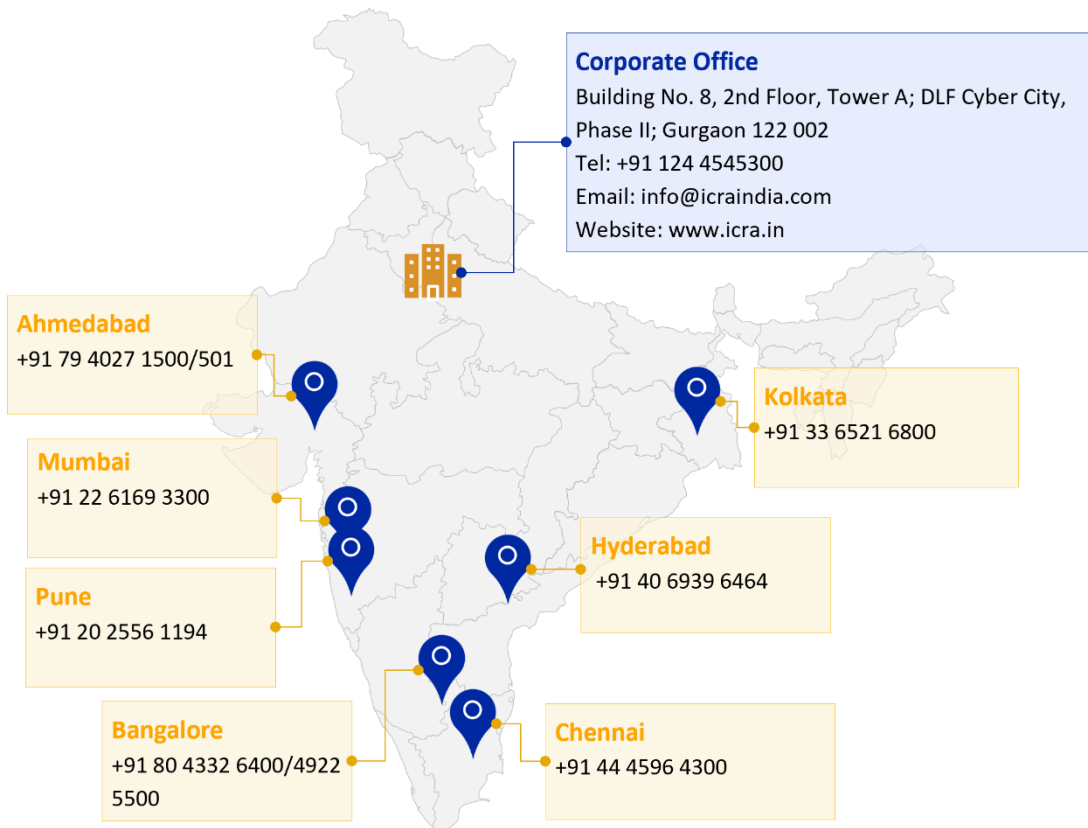
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