Aadhar Housing Finance Limited

July 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	13,451.07	CARE AA; Stable	Reaffirmed
Subordinate debt	126.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	822.70	CARE AA; Stable	Reaffirmed
Non-convertible debentures	556.23	CARE AA; Stable	Reaffirmed
Fixed deposit	3.12	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the debt of Aadhar Housing Finance Limited (AHFL) continue to derive strength from its leading market position in the affordable housing segment, geographically well-diversified loan portfolio, comfortable asset quality, largely supported by exposure to retail housing loan portfolio, diversified resource base post-acquisition by Blackstone with access to a wider base of banks and financial institutions, and increased market borrowings. The ratings take into account AHFL's comfortable capitalization levels, further supported by fresh equity infusion of ₹1000 crore through initial public offering (IPO) proceeds during May 2024. Although the asset quality has remained comfortable in the past, the rating is constrained on account of the target customer segment comprising of low-income group rendering the asset quality vulnerable to economic downturns. The seasoning of the portfolio remains moderate considering the long tenure of housing loan portfolio although it has been on an improving trend with growth stabilizing over the past three years.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing operational scale depicting improved competitive positioning in the segment.
- Maintaining profitability with return on total assets (ROTA) more than 3% on sustained basis and stable asset quality.

Negative factors

- Weakening AHFL's leading market position in the affordable housing finance business.
- Increasing gearing levels beyond 4.5x on a net basis.
- Weakening asset quality on a continuous basis with GNPA more than 3%.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that AHFL shall sustain its business and financial risk profiles with stable asset quality and comfortable capitalization in the medium term.

Detailed description of key rating drivers:

Key strengths

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Comfortable Capitalization levels supported by regular equity infusion by investors

As on March 31, 2024, capital levels remained comfortable with a tangible net worth (TNW) of ₹4445 crore (March 31, 2023: ₹3,695 crore) resulting in a capital adequacy ratio (CAR) of 38.46% (March 31, 2023: 42.73%) and Tier-1 ratio of 37.74% (March 31, 2023: 41.66%). In Q1FY25, the company has raised ₹1000 crore fresh capital by the way of IPO and Blackstone's (promoter) stake in the company is 76.5%. This will provide AHFL with ample headroom to fund its growth for the next 2-3 years. CARE Ratings expects the company's capitalization (as measured by CAR) to be comfortable above 35% in the near term.

Leading market share in affordable housing segment with geographically diversified operations

AHFL is a leading, low-ticket, affordable housing finance company. Asset under management (AUM) outstanding stood at ₹21,121 crore as on March 31, 2024, registering a y-o-y growth of 23% in FY24. The proportion of home loan and loan against property (LAP) stood at 75% and 25% as on March 31, 2024, respectively. The geographic concentration risk is relatively low with presence across India and has improved over time. AHFL has presence across 20 states in India with penetration into the Tier-2 and Tier-3 cities. Top five states per AUM are Maharashtra (13.9%), Uttar Pradesh (13.3%), Rajasthan (13.1%), Gujarat (11.0%), Madhya Pradesh (9.6%), as on March 31, 2024. Going forward, AHFL's growth is likely to be supported by the overall impetus provided to the affordable housing sector through government schemes and initiatives. CARE Ratings expects AHFL to further widen its reach in the existing states in newer cities, especially outskirts of urban cities and semi-urban areas through its deeper impact strategy.

Healthy profitability parameters

The company's profitability has been on a rising trend with improving net interest margins (NIMs) and stable credit costs. The company's NIM[2] stood at 7.19% in FY24 as against 6.31% in FY23. Improvement in NIM is attributed to higher increase in yield on advances as compared to increase in costs of funds in FY24, accompanied by passing on rising cost of funds to customers through revision in lending rate by 75 basis points effective from April 01, 2023. This led to improvement in pre-provisioning operating profits (PPOP) by 30% to ₹1000 crore in FY24(FY23: ₹770 crore). In FY24, the company's operating expense to average total assets stood at 3.01% (FY23: 2.75%), which witnessed increase considering branch additions and increase in employee count. The credit cost remained low at 0.23% in FY24 (FY23: 0.32%) due to improving asset quality, considering which, ROTA improved to 4.19% in FY24 as against 3.52% in FY23. CARE Ratings notes that the company's ability to source funds at competitive rates and keep operational expenses under control and stable credit costs would be critical for sustenance of healthy profitability.

Diversified resource profile with wider access to lenders and increased market borrowings post-acquisition by Blackstone

Funding mix as on March 31, 2024, consists of bank borrowings (55%), non-convertible debentures (NCD) including subordinate debt (20%), NHB re-finance (25%) and public deposits (0.01%). The company has been able to diversify its resource base over the years, borrow at competitive rates and build relationships, especially with public/private banks. The company has established lender base network of 23 lenders (banks+ NHB) as on March 31, 2024.

Asset quality supported by a retail housing finance portfolio

The company's asset quality continues to remain healthy with Gross Stage 3 and Net Stage 3 at 1.10% and 0.65%, respectively, as on March 31, 2024 (March 31, 2023: 1.17% and 0.77%). Provision coverage ratio stood at 41.3% as on March 31, 2024 (34.2% as on March 31, 2023). One-time restructured assets stood at 1.87% of total loans outstanding as on March 31, 2024 (March 31, 2023: 2.44%). CARE Ratings notes that AHFL has nil exposure towards developer finance segment and gradually increasing its exposure to non-housing, LAP segment, which is expected to stabilise. Average ticket size of LAP book stood in the range of ₹7-8 lakh in FY24. Borrowers are largely from the retail salaried class, which has helped AHFL to maintain asset quality metrics in a moderate range. However, asset quality remains vulnerable due to exposure to low-income borrowers, who have a high likelihood of revenues being affected adversely, especially in economic downturns. While the company has been able to maintain the asset quality till now, however, its sustenance remains a key monitorable amidst higher growth in LAP book in the last two years ended March 31, 2024.

Experienced management

The company's operations are led by Rishi Anand (MD & CEO), who has a vast experience of more than 25 years in the financial services sector. Prior to his current appointment as MD and CEO on January 03, 2023, he held the position of the COO of AHFL. Rajesh Viswanathan is the CFO of AHFL. He is a chartered accountant and has an overall experience of over 25 years working for companies such as Capital Float, Bajaj Allianz Life Insurance & Bajaj Finance Limited. Anmol Gupta is the Chief Treasury Officer, having a vast experience of 20+ years as Former Head – Corp. Planning and Control. As on May 31, 2024, private equity firm, Blackstone Group L.P., held 76.48% of AHFL's shareholding through its private equity fund, BCP Topco VII Pte. Limited. Following

[2] NIM is based on CARE Ratings calculation (does not include fee income and DA income).

the acquisition by Blackstone, AHFL strengthened its corporate governance framework, with the induction of three independent directors. Operational oversight has been reflected through undertaking measures such as overhaul of the IT systems and technology to bring in operational efficiencies.

Key weaknesses

Moderate seasoning of the portfolio

AUM increased to 23% y-o-y (FY23: 17%) in FY24. The portfolio's seasoning is moderate mainly due to higher tenure of loans provided by the company. However, it is expected to improve as growth stabilises going forward.

Exposure to economically weaker borrower segment

AHFL's customers are from the economically weaker, low-to-middle income segment, who have lower possibility to access to credit from traditional banks and housing finance companies. They are vulnerable to economic downturns, which increases the risk for maintaining asset quality especially in times of stress. This is partly offset by higher share of salaried borrowers in AHFL's portfolio at 57%; of which, formal salaried customers accounted for 47% and informal customers account for 10%. Self-employed borrowers constituted 43% of AUM as on March 31, 2024.

Liquidity: Strong

Per the asset liability management (ALM) statement dated March 31, 2024, the company's liquidity profile is strong with positive mismatches in all timeframe buckets individually. The company's debt obligation outflows including interest are around ₹2803 crore in the next one year, against which, the company has inflow from loans and advances (including interest) of ₹4516 crore, which strengthens its liquidity. Liquidity is also supported by undrawn credit lines of ₹1691 crore and unencumbered cash & bank balances are around ₹1271 crore as on March 31, 2024. The company plans to maintain minimum of 6-8% of loan book in the form of on-balance sheet liquidity and undrawn bank lines.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks – Not applicable

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Housing Finance Companies

About the company and industry

AHFL is a housing finance company engaged in providing housing finance to the society's lower income segment. AHFL was set up in May 2010 and commenced operations in February 2011. As on June 2024, Blackstone Private Equity through its fund BCP Topco VII Pte. Ltd holds 76.48% stake in AHFL and the remaining is held by FIIs (4.47%), DIIs (7.17%) and public (11.88%). AHFL's operations now spans across 20 states with around 523 branches with an AUM of ₹21,121 crore as on March 31, 2024, spanning across home loans and LAP. The company has a total employee base of 3931 and it sources its business through a network of Direct Selling Teams (DSTs), Direct Selling Agents (DSAs) and Aadhar Mitras. In May 2024, the company got listed on NSE and BSE, post which, Blackstone holds 76.48% stake in the company.

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,692.66	1,994.27	2,523.59
PAT	444.65	544.58	748.51
Total Assets*	14,371.56	16,587.27	19,084.44
Net NPA (%)	1.07	0.77	0.65
ROTA (%)**	3.18	3.52	4.19

A: Audited UA: Unaudited; Note: these are latest available financial results; *Tangible total assets; **calculated on average tangible total assets
All the ratios are based on CARE Ratings calculation.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan-Proposed	-	-	-	-	90.72	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	94.65	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	11.99	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	134.45	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	3.75	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	218.73	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	225	CARE AA; Stable
Fund-based - LT-Term loan-Proposed	-	-	-	-	157.34	CARE AA; Stable

Fund-based - LT-Term loan-Proposed	-	-	-	-	336.36	CARE AA; Stable
Fund-based - LT-Term loan	-	-	-	December 2033	3401.65	CARE AA; Stable
Fund-based-Long term	-	-	-	December 2033	8776.43	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07056	23-Mar-15	9.80%	23-Mar-25	25	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07163	06-Jan-16	9.60%	06-Jan-26	30	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07189	19-Jan-16	9.60%	19-Jan-26	10	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07197	19-Jan-16	9.60%	19-Jan-26	2.7	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07205	25-Jan-16	9.60%	25-Jan-26	20	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07213	29-Jan-16	9.55%	29-Jan-26	12	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07221	01-Mar-16	9.55%	01-Mar-26	10	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07254	22-Mar-16	9.55%	22-Mar-26	20	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07270	31-Mar-16	9.55%	31-Mar-26	12.5	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07379	16-Nov-16	9.00%	16-Nov-26	5	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07025	05-May-16	9.40%	05-May-26	20	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07041	08-Jul-16	9.35%	08-Jul-26	2	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07058	13-Jul-16	9.40%	13-Jul-26	1.2	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07066	19-Jul-16	9.28%	18-Jul-26	2	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07074	05-Aug-16	9.15%	05-Aug-26	1.2	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07231	29-Oct-21	6.90%	29-Oct-24	60	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07249	09-Dec-21	7.15%	09-Dec-26	100	CARE AA; Stable

Debentures-Non-convertible debentures	INE883F07256	24-Feb-22	Repo+3.50%	24-Feb-26	62.50	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07223	27-Sep-21	7.10%	07-Oct-24	99	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07528	29-Sep-18	9.35%	29-Sep-28	9.55	CARE AA; Stable
Debentures-Non-convertible debentures	INE538L07536	29-Sep-18	9.75%	29-Sep-28	11.68	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07215	19-Oct-20	8.10%	20-Oct-25	50	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07264	15-Jul-22	8.62%	15-Jul-29	351	CARE AA; Stable
Debentures-Non-convertible debentures	INE883F07272	17-Oct-22	8.57%	15-Jul-29	351	CARE AA; Stable
Proposed debentures-Non-convertible debentures		-	-	-	110.6	CARE AA; Stable
Debt-Subordinate debt	INE538L08054	19-Sep-16	10.00%	19-Sep-26	10	CARE AA; Stable
Debt-Subordinate debt	INE538L08062	10-Oct-16	9.75%	10-Oct-26	3	CARE AA; Stable
Debt-Subordinate debt	INE538L08070	10-Oct-16	10.00%	10-Oct-26	15	CARE AA; Stable
Debt-Subordinate debt	INE538L08088	10-Oct-16	9.75%	10-Oct-26	25	CARE AA; Stable
Debt-Subordinate debt	INE538L08096	17-Oct-16	9.75%	17-Oct-26	7	CARE AA; Stable
Proposed debt-Subordinate debt	-	-	-	-	66	CARE AA; Stable
Fixed deposit-Proposed	-	-	-	-	3.12	CARE AA; Stable

CareEdge RATINGS

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	90.72	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
2	Fund-based - LT-Term Loan	LT	94.65	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
3	Fund-based - LT-Term Loan	LT	11.99	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
4	Fund-based - LT-Term Loan	LT	134.45	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
5	Fund-based - LT-Term Loan	LT	3.75	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24)	1)CARE AA; Stable	1)CARE AA; Stable

						2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	(05-Jul-22)	(02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
6	Fund-based - LT-Term Loan	LT	218.73	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
7	Fund-based - LT-Term Loan	LT	225.00	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
8	Fund-based - LT-Term Loan	LT	157.34	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
9	Fund-based - LT-Term Loan	LT	336.36	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
10	Debentures-Non Convertible Debentures	LT	822.70	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)

						2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)		
11	Debt-Subordinate Debt	LT	126.00	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA-; Stable (06-Jul-21)
12	Fund-based - LT-Term Loan	LT	3401.65	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
13	Fund-based-Long Term	LT	8776.43	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (02-Dec-21) 2)CARE AA; Stable (06-Jul-21)
14	Debentures-Non Convertible Debentures	LT	556.23	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
15	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (07-Dec-23) 2)CARE AA; Stable	1)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)

						(04-Jul-23)		
16	Fixed Deposit	LT	3.12	CARE AA; Stable	-	1)CARE AA; Stable (30-Jan-24) 2)CARE AA; Stable (07-Dec-23) 3)CARE AA; Stable (04-Jul-23)	1)CARE AA; Stable (05-Jul-22) 2)CARE AA; Stable (22-Jun-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple
2	Debt-Subordinate Debt	Complex
3	Fixed Deposit	Simple
4	Fund-based - LT-Term Loan	Simple
5	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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