

Aavas Financiers Limited

September 28, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term bank facilities	RBI	12,762.00 (Enhanced from 12,262.00)	CARE AA (RWD)	Continues to be on Rating Watch with Developing Implications
Non-convertible debentures	SEBI	500.00	CARE AA (RWD)	Continues to be on Rating Watch with Developing Implications
Non-convertible debentures	SEBI	470.00	CARE AA (RWD)	Continues to be on Rating Watch with Developing Implications
Non-convertible debentures	SEBI	170.92	CARE AA (RWD)	Continues to be on Rating Watch with Developing Implications
Non-convertible debentures	SEBI	119.00	CARE AA (RWD)	Continues to be on Rating Watch with Developing Implications
Non-convertible debentures	SEBI	100.00	CARE AA (RWD)	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The long-term ratings to the non-convertible debentures (NCDs) and bank facilities of Aavas Financiers Limited (Aavas) continue to remain on Rating Watch with Developing Implications. Ratings were placed on watch vide CARE Ratings Limited's (CareEdge Ratings) PR dated [July 01, 2026](#), following multiple changes in the senior leadership team and ongoing thematic refinance audit by the National Housing Bank (NHB). Subsequently, the company received RBI's approval for appointment of Manu Singh as MD and CEO, while positions of CFO and CRO remain interim. As informed by Aavas, vide its stock exchange notification dated September 18, 2026, NHB, in its capacity as a refinance provider has levied penal charges of ₹1.09 crore and has also directed it to repay refinance facilities aggregating to approximately ₹12.24 crore. CareEdge Ratings will continue to engage with the company management to monitor developments and corrective measures taken in this regard. Post the induction of new senior management personnel, stability and sustenance of business growth will be a key monitorable.

Current ratings of Aavas continue to factor in its healthy profitability, comfortable asset quality metrics, competitive pricing on debt mobilisation, while maintaining a strong liquidity profile. Ratings also consider an adequate capitalisation and gearing level, supported by healthy internal accruals. However, ratings are constrained by Aavas' geographically concentrated operations and target borrower profile, which is relatively vulnerable to economic downturns.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Significant improvement in scale of operations while maintaining healthy profitability and asset quality with GNPA below 1.5% on a sustained basis.
- Improvement in geographical diversification.

Negative factors:

- Weakening in its profitability with return on total assets (RoTA) declining below 2.5% on a sustained basis.
- Deterioration in its asset quality metrics or capitalisation profile.
- Weakening in capitalisation profile with managed gearing remaining above 7x on a sustained basis.

Analytical approach:

Standalone approach

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Healthy profitability supported by comfortable asset quality

Aavas' profitability metrics remained healthy as it reported a net profit of ₹655 crore in FY26, translating into return on average total assets (RoTA) of 3.3% and return on average tangible net worth (RoNW) of 14.1% compared to ₹574 crore, 3.3% and 14.3%, respectively, in FY25. Its profitability is supported by adequate margins, declining operating expenses and contained credit costs so far. In Q1FY27, the company reported a profit after taxation (PAT) of ₹171 crore, which translates into an annualised RoTA of 3.20% and RoNW of 13.55%. CareEdge Ratings expects profitability to remain healthy with RoTA of over 3% on a steady state basis supported by adequate margins, improving opex and contained credit cost.

Its asset quality metrics also remained comfortable with gross stage 3 (GS3) of 1.11% as on June 30, 2026 (1.05% as on March 31, 2026 and 1.22% as on June 2025) and net stage 3 (NS3) of 0.71% (0.68% in March 2026 and 0.84% in June 2025). Aavas' GS3 has remained below 2% steadily over past few years. Further, it carried adequate provision on its GS3 of 36.80% as on June 30, 2026. Even in terms of softer bucket delinquencies, it has been able to maintain the same at comfortable level; its 1+ days past due (dpd) stood at 3.76% in June 2026 (3.2% in March 2026 and 4.15% in June 2025). Nonetheless, the asset quality remains susceptible to stress due to the company's exposure to low-income borrowers, who are more vulnerable to income disruptions, particularly in economic downturns. Aavas' lifetime write offs of 12bps is around ₹51 crore (up till June 2026) against its life time disbursement of around Rs 42,500 crore also reflect entity's ability to make recoveries and keep overall asset quality under control. CareEdge Ratings expects its overall asset quality to remain comfortable going forward.

Diversified resource profile

Aavas' funding profile remains diversified with 35+ lending relations as on June 30, 2026 including public & private sector banks and domestic as well as foreign financial institutions. Its resource profile as on June 30, 2026 comprised funding from banks and financial institutions comprising ~54% of its borrowings, refinance from National Housing Bank (NHB; 10%), non-convertible debentures (NCDs; 9%), commercial paper and cash credit (CP and CC; Nil%) and rest via direct assignment and co-lending (~28%). CareEdge Ratings notes that the share of NHB funding in Aavas' funding mix has been steadily declining. The incremental borrowings done in Q1FY27 were ~₹1,470 crore at an incremental cost of borrowing of 7.74%. The ability of the company to mobilise the funds at competitive rates post management transition, shall be a key monitorable.

Adequate capitalisation

Aavas' capitalisation remained adequate with capital-to-risk weighted asset ratio (CRAR) of 44.7% and AUM/TNW of 4.7x as on March 31, 2026 as compared to 44.6% and 4.7x, respectively, as on March 31, 2025. Its capitalisation profile remained supported by healthy internal capital accretion with RoNW of 14.1% in FY2026 and 14.3% in FY25. As on June 30, 2026 the CRAR stands at 43.2% with AUM/TNW of 4.68x. With expected growth rate of ~18-20% over next couple of years and similar internal accretion, CareEdge Ratings expects its AUM/TNW to remain below 5.5x in near future.

Key weaknesses

High geographical concentration

As on June 30, 2026, Aavas operates in 15 states/ union territories (UTs) via a network of 435 branches, expanding into one more UT, Chandigarh. However, its state-level concentration remains high with top three states (Rajasthan, Maharashtra and Madhya Pradesh) accounting for ~64% of its AUM as on June 30, 2026. While the concentration improved from ~71% in March 2022, share of top three states remain high, making it susceptible to concentration risk. CareEdge Ratings takes note of the management's plan to gradually diversify into other states, which is expected to reduce concentration from top states.

Exposure to relatively vulnerable borrower segment

Catering to relatively weaker and low-to-middle income segment borrowers, who are more vulnerable to economic downturns, Aavas' asset quality remains susceptible to economic cycles and periods of financial stress. However, this risk is mitigated to some extent through adequate underwriting systems and low average loan to value (LTV) on portfolio of 55-60%.

Liquidity: Strong

Aavas' liquidity profile remains strong with on-book cash and cash equivalents of ₹1,782 crore and undrawn sanction lines of ₹586 crore, as on June 30, 2026. Per its asset liability management (ALM) for June 30, 2026, it had positive cumulative mismatches

across all time buckets. Average tenure of its borrowings is ~7 years, which matches behavioural maturity of its loan assets of ~7 years, helping it maintain a healthy ALM. Aavas has been able to raise debt funds from across lenders at competitive rates.

Environment, social, and governance (ESG) risks

Although Aavas' service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors. AFL intends to build a strategic approach, where environment, social and governance fundamentals are embedded into the business. For this, it has signed a partnership with IFC, a member of the World Bank Group, for promoting affordable green homes in India with the help of environmental friendly architecture of individual homes.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect AFL's regulatory compliance and reputation, and hence remain a key monitorable. Further, there is no instances encountered with AFL till date.

AFL's Board comprises nine Directors, with three Independent Directors and also includes two female Directors.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

Incorporated in February 2011 as subsidiary of AU Small Finance Bank (AUSFB), Aavas Financiers Limited (Aavas/AFL) is a housing finance company which acquired its housing finance company (HFC) License in August 2011 and commenced operations from March 2012. In June 2016, AUSFB divested majority shareholding in favour of two private equity players – Kedaara Group and Partners Group ('promoters').

Aavas operates in affordable financing segment offering housing loans (HL), micro, small and medium enterprise (MSME) loans backed by property and loans against property (LAP) to economically vulnerable segments in the middle and lower income salaried and self-employed borrowers in India's rural and semi urban populace. Loans are primarily advanced for purchase and construction of single unit houses. As on March 31, 2026, Aavas reported assets under management (AUM) of ₹ 23,452 crore managed via 435 branches spread across 15 states/UTs.

Standalone Financials of Aavas

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27(UA)
Total income	2,358	2,685	709
Profit after tax (PAT)	574	655	171
Assets under management (AUM)	20,420	23,452	23,931
On-book gearing (x)	3.21	3.12	3.14
AUM / tangible net-worth (TNW) (x)	4.74	4.69	4.68
Gross non-performing assets (NPA) / gross stage 3 (%)	1.08	1.05	1.11
Return on managed assets (ROMA) (%)	3.27	3.29	3.20
Capital adequacy ratio (CAR) (%)	44.50	44.60	44.70

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Simple	Proposed	-	-	-	524.50	CARE AA; RWD
Fund-based - LT-Cash Credit	RBI	Simple	-	-	-	-	105.50	CARE AA; RWD
Fund-based - LT-Term Loan	RBI	Simple	Proposed	-	-	-	394.15	CARE AA; RWD
Fund-based - LT-Term Loan	RBI	Simple	-	-	-	Sep-2031	11,737.85	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Complex	INE216P07175	30-Mar-20	8.49%	26-Nov-28	136.74	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Complex	INE216P07217	22-Nov-21	7.06%	26-Nov-26	99.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07258	15-Jan-25	8.11%	15-Jan-30	100.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07266	15-Jan-25	8.15%	15-Jan-30	100.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Complex	INE216P07225	26-Mar-22	7.21%	26-Mar-27	15.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07282	28-Apr-25	8.11%	28-Apr-30	100.00	CARE AA; RWD

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07274	28-Apr-25	8.15%	28-Apr-30	70.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07274	28-Apr-25	8.15%	28-Apr-30	30.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Complex	INE216P07290	26-Jun-25	7.40%	26-Jun-30	160.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	INE216P07308	30-Jul-26	7.80%	30-Jul-29	200.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Complex	INE216P07316	11-Sep-26	Floating Rate	11-Sep-31	100.00	CARE AA; RWD
Debentures-Non Convertible Debentures	SEBI	Simple	Proposed	-	-	-	249.18	CARE AA; RWD

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 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Commercial Paper- Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (16-Jun-25) 2)CARE A1+ (28-May-25)	1)CARE A1+ (21-Mar-25) 2)CARE A1+ (17-Dec-24) 3)CARE A1+ (10-Oct-24) 4)CARE A1+ (30-Apr-24)	1)CARE A1+ (27-Mar-24) 2)CARE A1+ (05-Jan-24) 3)CARE A1+ (06-Oct-23) 4)CARE A1+ (06-Jul-23)
2	Fund-based - LT-Term Loan	LT	12132.00	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26) 2)CARE AA; Positive (02-Apr-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25) 3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25)	1)CARE AA; Stable (21-Mar-25) 2)CARE AA; Stable (17-Dec-24) 3)CARE AA; Stable (10-Oct-24) 4)CARE AA; Stable (30-Apr-24)	1)CARE AA; Stable (27-Mar-24) 2)CARE AA; Stable (05-Jan-24) 3)CARE AA; Stable (06-Oct-23) 4)CARE AA; Stable (06-Jul-23)
3	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (05-Jan-24) 2)CARE AA; Stable (06-Oct-23) 3)CARE AA; Stable (06-Jul-23)
4	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (05-Jan-24) 2)CARE AA; Stable (06-Oct-23) 3)CARE AA; Stable (06-Jul-23)

5	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (21-Mar-25) 2)CARE AA; Stable (17-Dec-24) 3)CARE AA; Stable (10-Oct-24) 4)CARE AA; Stable (30-Apr-24)	1)CARE AA; Stable (27-Mar-24) 2)CARE AA; Stable (05-Jan-24) 3)CARE AA; Stable (06-Oct-23) 4)CARE AA; Stable (06-Jul-23)
6	Fund-based - LT-Cash Credit	LT	630.00	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26) 2)CARE AA; Positive (02-Apr-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25) 3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25)	1)CARE AA; Stable (21-Mar-25) 2)CARE AA; Stable (17-Dec-24) 3)CARE AA; Stable (10-Oct-24) 4)CARE AA; Stable (30-Apr-24)	1)CARE AA; Stable (27-Mar-24) 2)CARE AA; Stable (05-Jan-24) 3)CARE AA; Stable (06-Oct-23) 4)CARE AA; Stable (06-Jul-23)
7	Debentures-Non Convertible Debentures	LT	170.92	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26) 2)CARE AA; Positive (02-Apr-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25) 3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25) 5)CARE AA; Stable (28-May-25)	1)CARE AA; Stable (21-Mar-25) 2)CARE AA; Stable (17-Dec-24) 3)CARE AA; Stable (10-Oct-24) 4)CARE AA; Stable (30-Apr-24)	1)CARE AA; Stable (27-Mar-24) 2)CARE AA; Stable (05-Jan-24) 3)CARE AA; Stable (06-Oct-23) 4)CARE AA; Stable (06-Jul-23)
8	Debentures-Non Convertible Debentures	LT	119.00	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25)	1)CARE AA; Stable (21-Mar-25) 2)CARE AA; Stable (17-Dec-24)	1)CARE AA; Stable (27-Mar-24) 2)CARE AA; Stable (05-Jan-24)

					2)CARE AA; Positive (02-Apr-26)	3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25) 5)CARE AA; Stable (28-May-25)	3)CARE AA; Stable (10-Oct-24) 4)CARE AA; Stable (30-Apr-24)	3)CARE AA; Stable (06-Oct-23) 4)CARE AA; Stable (06-Jul-23)
9	Debentures-Non Convertible Debentures	LT	500.00	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26) 2)CARE AA; Positive (02-Apr-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25) 3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25)	1)CARE AA; Stable (21-Mar-25) 2)CARE AA; Stable (17-Dec-24)	-
10	Debentures-Non Convertible Debentures	LT	470.00	CARE AA (RWD)	1)CARE AA (RWD) (01-Jul-26) 2)CARE AA; Positive (02-Apr-26)	1)CARE AA; Positive (02-Jan-26) 2)CARE AA; Positive (07-Oct-25) 3)CARE AA; Stable (16-Jun-25) 4)CARE AA; Stable (28-May-25)	-	-
11	Debentures-Non Convertible Debentures	LT	100.00	CARE AA (RWD)				

LT: Long term ST: Short Term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Lender details**To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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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