

CMP: ₹ 506

Target: ₹ 600 (19%)

Target Period: 12 months

July 30, 2025

Steady quarter; execution on track...

About the stock: Established in 2010, Aadhar is the largest player in affordable housing space with AUM of ₹26,524 crore. Diversification in terms of business mix, customer base and distribution remain core strength.

- Business mix remains well balanced and granular with home loans comprising ~73% of AUM, while LAP constitutes remaining 27%. Salaried borrowers mix comprised 55% salaried and 45% self-employed segments of AUM.
- As of March, 2025, Aadhar operates 580 branches across 21 states and union territories.

Q1FY26 performance: Aadhar Housing Finance delivered strong Q1FY26 results, with AUM rising to ~₹26,524 crore, up 22% YoY. Non housing loans grew faster, forming 27% of AUM. Disbursements stood at ₹1,979 crore, a growth of 32% YoY. Spreads inched up 10 bps QoQ at 5.8%. PAT rose 19% YoY but dipped 3% QoQ to ₹237 crore, supported by 19% YoY growth in NII at ₹519.4 crore, though fee income remained modest. Credit cost remained contained at ₹26.7 crore, reflecting disciplined underwriting. GPA inched up 26 bps QoQ at 1.34%, largely attributable to seasonality rather than deterioration in asset quality.

Investment Rationale

- Strong AUM momentum with stable RoA and asset quality:** Aadhar delivered strong 22% YoY AUM growth in Q1FY26, despite seasonal disbursement softness (down 23% QoQ, up 32% YoY), and retained its FY26 guidance of 20–22% AUM and 18–20% disbursement growth. LAP, a key focus area, grew 29% YoY with stable asset quality and no visible stress. GNPA rose to 1.34% due to seasonality but is expected to normalize to 100–110bps by year-end. RoA remained healthy at 4%, with FY26 guidance of 4.2–4.3%, aided by low credit costs (25–27bps). Strategic branch-led expansion (40–50 every year) in underpenetrated markets (65–70% of branch expansion) continues to support sustainable AUM growth while maintaining asset quality and return metrics.
- Steady spreads, cost efficiency, growth rooted in emerging markets:** Aadhar's spreads are expected to remain stable at 5.7–5.8% in FY26, supported by increasing proportion of emerging markets with ~300–400 bps higher yields (to increase from 45% to 55%). With 75% of assets and liabilities on floating rates, the company remains largely insulated from repo rate movements, minimizing interest rate risk and supporting margin stability. Cost-to-income ratio improved to 36.1% in Q1FY26, with ~30–50bps YoY reduction guidance reiterated aided by calibrated branch expansion in low-cost emerging markets.

Rating and Target Price

- Aadhar remains an attractive play in affordable housing finance segment with a robust business model combining efficiency, stability and prudent underwriting practice, leading to healthy and sustainable performance across cycles. Shifting of promoter stake (Blackstone) to a new fund with longer tenure instils confidence in leadership and business model.
- Anticipating sustained growth momentum of ~20% CAGR with RoA of 4%+, we value the stock at ~29x FY27E BV and revise our target to ₹600 (earlier ₹550). Maintain Buy rating.

Key Financial Summary

₹ crore	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	977	1288	1545	25.8%	1882	2292	21.8%
PPP	745	1001	1230	28.5%	1489	1816	21.5%
PAT	544	749	912	29.4%	1097	1339	21.2%
ABV (₹)	91	110	144	26.0%	169	200	17.6%
P/E	36.6	26.6	24.0		19.9	16.3	
P/ABV	5.6	4.6	3.5		3.0	2.5	
RoA	3.3	4.2	4.3		4.3	4.5	
RoE	14.7	18.4	16.8		15.8	16.5	

Source: Company, ICICI Direct Research

BUY



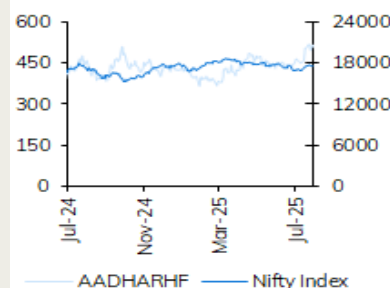
Particulars

Particulars	Amount
Market Capitalisation	₹ 21,908 crore
52 week H/L	538 / 340
Net worth	₹ 6,611 Crore
Face Value	10.0
FII Holding (%)	5.6

Shareholding pattern

Holding (%)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	75.9	75.7	75.6	75.5
FII	4.3	4.3	5.3	5.6
DII	9.5	9.3	8.6	8.4
Public	10.3	10.7	10.5	10.5

Price Chart



Key risks

- Moderation in growth could impact earnings momentum
- Shift towards self-employed and interior geographies pose higher risk of delinquencies

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Concall highlights and outlook

Business Segment Performance

- AUM Growth: ₹26,524 crore (+22% YoY), driven by disbursements of ₹1,979 crore (+32% YoY).
- Portfolio Mix: Home Loans 73% of AUM; Micro-LAP 27%. Salaried borrowers now account for 56%. Average ticket size – ₹15.7 lac (home loans), ₹9 lac (LAP) with AUM ticket size ₹10 lakhs.
- Distribution Network: 591 branches across 22 states/547 districts; 11 branches added in Q1; entry into Assam (22nd state). 130 branches classified as Urban (top 15 cities) and the rest as Emerging which are expected to drive higher incremental growth.
- Promoter Action: BCP TOPCO VII PTE LTD (promoter, 75.5% as of Jun'25) is undergoing internal Blackstone restructuring, triggering a technical open offer for up to ~11.35 crore shares (25.8% public holding) at ₹470/share. This reassures no supply overhang for >5 years, shows promoter's long-term confidence.

Margins

- ~75% of asset and liabilities are floating in nature. Incremental yield difference between urban and rural stands at ~400 bps.
- BT out at 5.3% in Q1FY26 vs 5.9% in Q1FY25. BT out is seasonally higher in Q4.
- Spreads at 5.8% currently, an improvement from 5.7% in Mar'25, indicating the company is maintaining and even slightly expanding its margin despite a competitive environment.
- Portfolio yield improved to 13.8% in Q1FY26, compared with around 13.6–13.7% in March'25, reflecting better pricing and portfolio mix.
- Cost of funds moderated to 8.0% as of June'25, down from roughly 8.1–8.2% at the end of March'25, supported by a diversified borrowing mix and recent rate cuts.
- NIM remained strong at ~8.8%, broadly stable with the previous quarter.
- Borrowing Mix: Banks 48%, NHB 24%, NCDs 23%, others 4%; incremental borrowing in Q1FY26 at ₹1,165 crore at ~8.1%.
- Cost-to-Income improved to 36.1% (from 36.7% YoY).

Asset Quality

- Asset quality steady, despite seasonal uptick; no stress in LAP book. GNPA at 1.34% (vs 1.31% YoY) – stable; seasonality impact only.
- Collection efficiency remains >98% consistently.
- Credit cost in Q1FY26 is elevated at ~40 bps (seasonal). FY25 credit cost ₹57–58 crore (~27 bps); FY26E guidance 25–27 bps. GNPA targeted to be at 1–1.1% range by Q4FY26.
- Asset quality remain stable GNPA at 1.34% and NNPA at 1%.

Guidance

- AUM growth maintained at ~21–22% and disbursement growth at 18–20% for FY26E. Emerging branches to drive a larger share of growth.
- Spread expected to sustain at ~5.7–5.8% through FY26E despite MCLR pass-through.
- Asset Quality: No visible stress in micro-LAP portfolio; bounce rates and GNPA steady.
- RoA: targets 4.2–4.3% for FY26E; to maintain RoA in medium term.
- Credit Cost guidance of ~25–27 bps for FY26E

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
NII	428	357	19.8	408	5.0	Healthy AUM growth with stable CoF sustained traction
Calculated NIM (%)	7.1%	7.2%	-11 bps	7.0%	11 bps	
Other Income	91	62	46.2	111	-18.1	
Net Total Income	519	420	23.7	519	0.1	Strong employee addition
Staff cost	117	95	23.5	109	7.2	
Other Operating Expenses	70	49	43.0	87	-19.1	
PPP	332	276	20.3	323	2.8	Fresh slippages kept provision elevated
Provision	27	19	43.0	6	318.2	
PBT	305	257	18.7	316	-3.5	
Tax Outgo	68	57	19.0	71	-4.6	Overall performance remained broadly steady
PAT	237	200	18.6	245	-3.2	
Key Metrics						
GNPA	355	285	24.9	273	30.1	Asset quality continued to deteriorate in both YoY and QoQ
NNPA	265	196	35.6	179	48.4	
AUM	26524	21726	22.1	25531	3.9	Continued to focus increasing on low tier geographies
Borrowings	15448	18335	-15.7	15141	2.0	
Disbursements	1979	1497	32.2	2566	-22.9	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	2,275	2,719	3,263	3,938
Interest Expended	987	1,174	1,380	1,646
Net Interest Income	1,288	1,545	1,882	2,292
Growth (%)	31.9	19.9	21.8	21.8
Non Interest Income	312	390	440	505
Net Income	1,600	1,935	2,322	2,797
Employee cost	403	464	543	635
Other operating exp.	196	240	291	345
Operating Income	1,001	1,230	1,489	1,816
Provisions	41	57	83	99
PBT	959	1,173	1,406	1,717
Taxes	210	261	309	378
Net Profit	749	912	1,097	1,339
Growth (%)	37.7	21.7	20.3	22.1
EPS (₹)	19.0	21.0	25.4	31.1

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<u>Valuation</u>				
No. of Shares (crore)	197.4	215.7	215.7	215.7
EPS (₹)	19.0	21.0	25.4	31.1
BV (₹)	112.7	147.7	173.2	204.3
ABV (₹)	109.9	144.3	169.2	199.6
P/E	27.3	24.7	20.4	16.7
P/BV	4.6	3.5	3.0	2.5
P/adj.BV	4.7	3.6	3.1	2.6
<u>Yields & Margins (%)</u>				
Yield on avg assets	10.9	11.0	9.9	9.9
Avg. cost on funds	7.6	7.9	7.9	7.9
NIM	6.2	6.3	6.3	6.4
Spreads	6.3	5.9	5.8	5.9
<u>Quality and Efficiency (%)</u>				
Cost / Total net income	42.5	39.9	39.2	38.3
GNPA	1.1	1.1	1.1	1.2
NNPA	0.6	0.7	0.7	0.7
RoE	18.4	16.8	15.8	16.5
RoA	4.2	4.3	4.3	4.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<u>Sources of Funds</u>				
Capital	395	431	431	431
Reserves and Surplus	4,055	5,941	7,041	8,381
Networth	4,450	6,372	7,473	8,812
Borrowings	13,960	16,322	19,065	22,688
Other Liabilities & Provision:	684	529	889	986
Total	19,093	23,224	27,427	32,485
<u>Applications of Funds</u>				
Investments	462	513	614	736
Advances	16,903	20,484	24,450	29,293
Other Assets	1,728	2,227	2,363	2,456
Total	19,093	23,224	27,427	32,485

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(% growth)	FY24	FY25	FY26E	FY27E
Total assets	14.9	21.6	18.1	18.4
Advances	22.0	21.2	19.4	19.8
Borrowings	14.9	13.9	19.5	19.0
Total Income	31.2	20.7	20.2	20.4
Net interest income	31.9	19.9	21.8	21.8
Operating expenses	26.4	17.6	18.3	17.6
Operating profit	34.3	22.5	21.4	22.0
Net profit	37.7	21.7	20.3	22.1
Book value	20.3	31.0	17.3	17.9
EPS	37.6	10.8	20.8	22.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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