



RATING RATIONALE

26 Sep 2023

Aadhar Housing Finance Limited

Brickwork Ratings reaffirms the NCDs ratings for Rs. 71.23 Crs of the Non-Convertible Debentures (NCDs) of Aadhar Housing Finance Limited and withdraws the NCDs ratings of Rs. 3978.77 Crs.

Particulars:

Facility #	Amount (Rs. Crs)		Tenure	Rating	
	Previous	Present		Previous (25 Jul 2022)	Present**
Secured NCDs (Public Issue)					
O/s NCDs	3000	21.23 [^]	Long Term	BWR AA/ Stable (Reaffirmed)	BWR AA/ Stable (Reaffirmed)
O/s NCDs (withdrawn)		49.47			BWR AA/Stable/ Reaffirmed and withdrawn
Fully redeemed NCDs		605.70			Withdrawal on full redemption
Unutilised NCDs		2323.60			Withdrawal on non-utilisation
Secured NCDs					
O/s NCDs	900	50.00 [^]	Long Term	BWR AA/ Stable (Reaffirmed)	BWR AA/ Stable (Reaffirmed)
O/s NCDs (withdrawn)		181.60			BWR AA/Stable/ Reaffirmed and withdrawn
Fully redeemed NCDs		428.30			Withdrawn on full redemption
Unutilised NCDs		240.10			Withdrawn on non-utilisation
Unsecured NCDs (Subordinated Debt)					
O/s NCDs (withdrawn)	150	60.00	Long Term	BWR AA/ Stable (Reaffirmed)	BWR AA/Stable/ Reaffirmed and withdrawn
Fully redeemed NCDs		24.00			Withdrawn on full redemption
Unutilised NCDs		66.00			Withdrawn on non-utilisation
Total	4050	71.23 [^]	Rupees Seventy One Crores and Twenty Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

[^] Details of NCDs rated is provided in Annexure-II

** Summary of rating action is given after Annexure -II



RATING ACTION / OUTLOOK

Brickwork Ratings reaffirms the ratings at 'BWR AA/ Stable' for the NCDs of **Rs 71.23 Crs** of Aadhar Housing Finance Limited (AHFL or the Company) and withdraws the NCD ratings of **Rs. 3978.77 Crs**. The rating has been withdrawn in accordance with BWR's withdrawal policy on the withdrawal of credit ratings.

The rating reaffirmation continues to factor AHFL's experienced promoters and management team, consistent growth in its revenue and year-on-year increase in its AUM for the last three years, adequate capitalization and adequate liquidity.

The Stable outlook on the BWR AA rating reflects that AHFL will maintain a steady growth in revenue, manage its credit profile effectively and improve its profitability.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financial profile of Aadhar Housing Finance Limited (AHFL) and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

KEY RATING DRIVERS

Credit Strengths:-

▪ Experienced Directors and Senior Management:

Mr. Rishi Anand is the MD & CEO of the company. He has a total work experience of over 25 years across a diverse spectrum of functions and businesses in the financial services space and is well supported by an experienced board and management team.

▪ Established Track Record and Geographically Diversified Business Operations :

Aadhar Housing Finance Ltd (Aadhar) is one of the largest affordable housing finance companies in India servicing the home financing needs of the low income sections of the society. The AUM has increased to Rs. 17223 Crs in FY23 (Rs. 14778 Crs in FY22). The Company has presence in 20 states & UT and has 478 branches/offices as on 30 June 2023 with a number of live accounts approx 2,39,000.

▪ Increase in Scale of Operation, Assets Under Management (AUM) and Exposures in Secured Lending:

Revenue from Operations of the company increased by 23 % from Rs. 1624 Crs in FY22 to Rs. 1994 Crs in FY23. The Company has generated Revenue from Operations of Rs. 578 Crs in Q1 FY24. The company's AUM increased by 17% from Rs. 14778 Crs as on 31 March 2022. to Rs. 17223 Crs as on March 31, 2023. The asset quality of the company improved with Net NPA of the company improved from 1.07% in FY22 to 0.77% in FY23. Loan Disbursements of the company increased from Rs. 3992 Crs in FY22 to Rs. 5903 Crs in FY23.



Credit Risks:-

▪ **Risk Associated with Borrower Profiles :**

Company's portfolio vulnerability given its target borrower profile which consists of low and medium income groups from tier 2, tier 3 cities who are relatively vulnerable to economic cycles and have limited income buffers to absorb income shocks. Nevertheless, losses on default are expected to be limited, considering the secured nature of the portfolio of the company. The company has a robust credit appraisal and monitoring system, backed by in-house legal and technical teams for collections and recovery.

▪ **Increasing competition in the Housing Finance Segment :**

With the ongoing urbanization, the demand for housing in India is ever-increasing alongside the growing population. The urbanization process is characterized by a dramatic increase in the size of cities. Banks have been the most significant players in the housing finance market, holding the bulk of India's total home loan portfolio.

RATING SENSITIVITIES

Aadhar Housing Finance Limited's ability of further geographic expansion, along with substantially improving asset quality, operating income and overall earnings profile while maintaining sustainable growth in AUM, will be key rating sensitivities.

Positive:

The rating may be revised upwards if the company shows steady and substantial growth, while also improving asset quality, profitability & diversifying its resource profile.

Negative:

The rating may be downgraded if the company's performance is lower than expected in terms of business growth, profitability, further material deterioration in asset quality, capital adequacy or in the case of a significant increase in related party exposures.

LIQUIDITY INDICATORS : Adequate

The company's liquidity profile is adequate. The company had Rs. 2326 Crs of free cash, bank balances and liquid investments as on March 31, 2023, which is sufficient to meet at least 6 months' principal debt repayments. The presence of sanctioned but unutilised funding lines supports its liquidity profile further.

The liquidity coverage ratio was 152.9% for the quarter ended March 31, 2023 (161.8% for the quarter ended September 30, 2022), which was well above the regulatory requirement of 100%.

COMPANY PROFILE

Aadhar Housing Finance Ltd (AHFL) is one of the largest affordable housing finance companies in India servicing the home financing needs of the low income sections of the society to own their first homes. Under the Home loan segment, the Company provides various products like finance for purchase of house, plot loan, plot purchase+construction, home extension etc. Under the non home loan segment, the Company provides Loan against residential & Commercial properties (LAP) etc.



The Company has presence in 20 states & UT and has 478 branches/offices as on 30 June 2023 with a number of live accounts approx 2,39,000+. Despite the challenging operating environment AHFL has demonstrated healthy portfolio growth while retaining the key operational and financial metrics, albeit moderate portfolio seasoning.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY21	FY22	FY23
Result Type		Audited	Audited	Audited
Asset Under Management (AUM)	Rs in Crs	13327	14778	17223
Total Operating Income	Rs in Crs	1428.51	1623.71	1994.03
Profit After Tax (PAT)	Rs in Crs	339.97	444.66	544.58
Tangible Net Worth (TNW)	Rs in Crs	2692.54	3145.39	3695.57
Gearing (Debt/TNW)	Times	3.85	3.39	3.29
GNPA	%	1.21	1.52	1.17
NNPA	%	0.81	1.07	0.77
CRAR	%	44.08	45.41	42.73
ROTA	%	2.62	3.18	3.52

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N/A, as the NCDs are rated earlier and the rating of a majority of the NCDs is withdrawn.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (Year 20223)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable		
		Type (Long Term/ Short Term)	Amount Outstanding (Rs. Crs)	Rating	Date(s)& Rating(S) assigned in year 2022	Date(s)& Rating(S) assigned in year 2021	Date(s) & Rating(s) assigned in Year 2020
				Sep 2023	25 July 2022	30 June 2021	30 June 2020
1	NCDs	Long term	71.23	BWR AA/ Stable (Reaffirmed) (Rs. 71.23 Crs)	BWR AA/ Stable (Reaffirmed) (Rs. 4050 Crs)	BWR AA/ Stable (Reaffirmed) (Rs. 4050 Crs)	BWR AA/ Stable (Reaffirmed) (Rs. 4050 Crs)
2	NCDs	Long Term	0.00 #	BWR AA/Stable/ Reaffirmed and withdrawn (Rs. 291.07 Crs)			
3	NCDs	Long Term	0.00 #	Withdrawal on full redemption (Rs. 1058 Crs)			
4	NCDs	Long Term	0.00 #	Withdrawn on non-utilisation (Rs. 2629.70 Crs)			
Total			71.23	Rupees Seventy One Crores and Twenty Three Lakhs Only			

Note: Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

The rating for the NCDs of Rs. 3978.77 Crs from the aforesaid table stands withdrawn.

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Banks and Financial Institutions](#)

[Policy on Rating Withdrawal](#)