



802, Natraj by Rustomjee, Western Express Highway,
Sir MV Road Junction, Andheri East, Mumbai - 400069.
Tel: 41689900 / 61213400 Fax : 4168 9934

Date: 24th February 2024

The General Manager,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai- 400001

Kind Attn.: Listing Corporate Relationship Department

Sub: – Intimation of new credit rating assigned by India Ratings and Research Pvt. Ltd. for various Non- convertible Debentures of Aadhar Housing Finance Limited.

Ref.: Company Code- 10844 /11302

Dear Sir/ Madam,

The Company has existing rating for its borrowing programs from CARE Ratings Limited, Brickwork Ratings India Pvt. Ltd. and ICRA Ltd. which continues to be active.

In accordance with regulation 51(2) & 55 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per format prescribed under the SEBI Operational Circular dated 29th July, 2022, as amended from time to time, we further wish to inform you that India Ratings and Research Pvt. Ltd. has assigned new rating / reaffirmed previous rating as shown below for the various instruments of the Company.

Details of credit rating by India Ratings and Research Pvt. Ltd.									
Current rating details									
Sr. No.	ISIN #	Amount rated (Rs. in Cr.)	Credit rating assigned	Outlook (Stable/ Positive/ Negative/ No Outlook)	Rating Action (New/ Upgrade/ Downgrade/ Re-Affirm/ Other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating Agencies	Date of verification
1	2	3	4	5	6	7	8	9	10
1	Non-convertible debentures#	500.00	IND AA/Stable	Stable	New	NA	23.02.2024	Yes	23.02.2024
2	Non-convertible debentures#	500.00	IND AA/Stable	Stable	Affirmed	NA	23.02.2024	Yes	23.02.2024
3	Bank Loans	500.00	IND AA/Stable	Stable	Affirmed	NA	23.02.2024	Yes	23.02.2024

under various series

Aadhar Housing Finance Ltd.

CIN: U66010KA1990PLC011409
Regd. Office: 2nd Floor, No. 3, JVT Towers, 8th 'A' Main Road,
S.R Nagar, Bengaluru – 560 027, Karnataka.
Toll Free No: 1800 3004 2020 www.aadharhousing.com
Email id: customercare@aadharhousing.com



802, Natraj by Rustomjee, Western Express Highway,
Sir MV Road Junction, Andheri East, Mumbai - 400069.
Tel: 41689900 / 61213400 Fax : 4168 9934

A copy of the rating letter received from **India Ratings and Research Pvt. Ltd.** is enclosed along with this letter. Kindly take this on your record & acknowledge the receipt.

For Aadhar Housing Finance Limited



Harshada Pathak
Company Secretary and Compliance Officer

Encl.: As above

CC: Debenture Trustees

Aadhar Housing Finance Ltd.

CIN: U66010KA1990PLC011409
Regd. Office: 2nd Floor, No. 3, JVT Towers, 8th 'A' Main Road,
S.R Nagar, Bengaluru – 560 027, Karnataka.
Toll Free No: 1800 3004 2020 www.aadharhousing.com
Email id: customercare@aadharhousing.com

India Ratings Rates Aadhar Housing Finance's Additional NCDs 'IND AA'/Stable; Affirms Existing Ratings

Feb 23, 2024 | Housing Finance Company

India Ratings and Research (Ind-Ra) has taken the following rating actions on Aadhar Housing Finance Limited's (Aadhar) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Non-convertible debentures (NCDs)^	-	-	-	INR5,000	IND AA/Stable	Assigned
NCDs^	-	-	-	INR5,000	IND AA/Stable	Affirmed
Bank loans	-	-	-	INR5,000	IND AA/Stable	Affirmed

^Details in annexure

Key Rating Drivers

Significant Player within Affordable Housing Finance Space: Aadhar is a significant player in the affordable housing finance space with assets under management (AUM) of INR188 billion at 2QFYE24 (FY23: INR172 billion, FY22: INR148 billion). The company has developed a well-entrenched franchisee on a pan-India level. According to Ind-Ra, Aadhar has a relatively large diversified geographical presence than other players in the affordable housing finance segment. At end-September 2023, the company had a network of 479 branches and offices spread across 20 states and union territories. It has a presence in larger states such as Maharashtra, Uttar Pradesh, Rajasthan, Gujarat and Madhya Pradesh, which accounted for 61.46% of the AUM at end-September 2023.

Further, it has a well-developed network of Aadhar mitras, who help the company in sourcing potential customers in its focus geographies. The company focusses on borrowers from low-income groups and economically weaker sections with an average loan book ticket size of INR0.8 million-1 million. A larger proportion of Aadhar's borrowers were from the formal salaried segment than informal salaried and self-employed segments at end-September 2023.

Adequate Capitalisation: Ind-Ra believes Aadhar is adequately capitalised to grow its loan book at a healthy rate over the medium term. At 3QFYE24, the company had a total capital adequacy ratio of 39.73% (FYE23: 42.72%, FYE22: 45.4%) and leverage of 2.9x (3.3x, 3.4x). Aadhar is backed by a global investment firm Blackstone Group through BCP Topco VII Pte. Ltd. (holds 98.7% stake), which infused around INR13 billion in Aadhar in FY20 while acquiring it from the erstwhile promoters. Ind-Ra expects Aadhar's leverage to remain moderate over the medium

term. The company has refiled a draft red herring prospectus with the Securities and Exchange Board of India for an initial public offering with an issue size of INR50 billion, of which the primary infusion would be INR10 billion.

Diversified Funding Lines: Aadhar has the ability to raise funds from multiple lenders; it has borrowed funds from about 21 public and private sector banks (including National Housing Bank (NHB; 'IND AAA/Stable')). The company's capital markets instruments have seen interest from mutual funds and insurance companies. Aadhar raised INR39 billion in the form of external funding (excluding direct assignment) during FY23 and INR28 billion in 1HFY24. Its borrowings are predominantly in the form of bank loans (1HFY24: 54%), NHB refinancing facility (26%), capital market instruments including subordinated debt (18%). The funding cost benefits from NHB as the lender, which offers funds at significantly lower rates than the market. In FY23, Aadhar raised INR11.95 billion from NHB at a competitive cost for a tenor of seven to 10 years. The company also has the flexibility to raise funds through the direct assignment route and raised INR11.46 billion through the same in FY23.

Liquidity Indicator - Adequate: Aadhar maintains adequate liquidity to cover its repayment obligations in the form of liquid investments and cash bank balances. At end-September 2023, it had cash and bank balances, and liquid investments of INR14.38 billion. It had debt obligations (including interest) of INR4.17 billion maturing during October 2023 to December 2023. Based on Aadhar's asset-liability statement (behavioural; factoring in prepayments,) at end-September 2023, on a cumulative level, there was a positive cumulative mismatch in the one-year bucket, excluding inflow from the line of credit. According to Ind-Ra, funds can be mobilised by securitising assets to support liquidity. As per the company's asset-liability management policy, it maintains an on-balance sheet liquidity at 8%-10% of the loan book, which is adequate to meet six months of debt obligations.

Stable Profitability: Aadhar increased its lending rate by 125bp from 3QFY23, which resulted to increase in yields in 3QFY24 (1HFY24 : 13.9%). This has resulted into an increase in the company's net interest margins in 9MFY24 (1HFY24: 8.3%, FY23: 7.3%, FY22: 6.6%, FY21: 6.1%). With a rise in interest rates, Aadhar has the ability to pass on the rate increase to its customers due to the floating rate nature of loans; although, the margins could be slightly compressed. Aadhar's weighted average cost of funds was around 7.61% at 2QFYE24, which has slightly increased in 9MFY24. The company's cost to income ratio has slightly dropped in 9MFY24 (1HFY24: 34.04%) and could further improve with the expansion in Aadhar's franchise. Furthermore, the newly rolled-out information technology systems have the potential to drive cost efficiency in the medium-to-long term. The company's resilience to the COVID-19 pandemic is reflected in its low credit cost as indicated by impairments/average loan book of 0.4% in 1HFY24, which has remained stable in 9MFY24 (FY23: 0.4%, FY22: 0.4%, FY21: 0.5%), which, along with other factors, has improved Aadhar's return on average assets (profit after tax to average assets) to 5.2% for 1HFY24 (FY23: 3.52%, FY22: 3.18%) but remained stable in 9MFY24. Aadhar's ability to control credit costs as it expands its operations will remain key for maintaining profitability.

Stable Asset Quality but Vulnerable Borrower Class: Aadhar has an established presence in the affordable housing finance segment and achieved a 14.85% YTD loan book growth in 9MFY24. However, the company's borrowers belong to the low-income groups and economically-backward sections, and have limited buffers to absorb volatility in income levels. Therefore, these borrowers are susceptible to see an impairment in their repayment behaviour due to any shock they witness in their income generating potential. However, despite the pandemic, Aadhar's asset quality has shown resilience, supported by its prudent underwriting practices and robust collection infrastructure. The collection efficiency for FY23 as well as 1HFY24 was strong, which includes overdue collection. The company's gross non-performing assets on the loan book remained almost steady at 1.44% at 9MFY24 (FYE23: 1.17%, FYE22: 1.52%, FYE21: 1.21%, post accounting for the Reserve Bank of India's non-performing assets circular of November 2021). The company's restructured book has initiated with normal repayments.

Note: Ratios are as per Ind-Ra's calculations

Rating Sensitivities

Positive: Future developments that could, collectively, lead to a positive rating action include:

- a significant increase in the franchisee, along with asset quality control and a strong presence across states,

- adequate capital buffers in line with book granularity and scale,
- adequate liquidity buffers.

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- deterioration in the asset quality with the gross non-performing assets increasing above 5% on a sustained basis,
- a continuous high leverage,
- challenges in fund raising and erosion in liquidity buffers.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Aadhar, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

Aadhar is a housing finance company with affordable housing finance and loan against property as its key product offerings. The company began operations in 1990. At end-September 2023, Blackstone Group held the majority ownership in Aadhar through BCP Topco VII Pte. Limited.

FINANCIAL SUMMARY

Particulars	9MFY24	FY23	FY22
Total assets (INR billion)	167	166	144
Total equity (INR billion)	42.45	36	31
Profit after tax (INR billion)	5.4	5.4	4.4
Return on average assets (%)*	4.38	3.5	3.2
Capital adequacy ratio (%)*	39.73	41.6	44.2
Source: Ind-Ra, Aadhar			
*Ind-Ra calculated			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA

Non-Bank Finance Companies Criteria

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating/Outlook	6 September 2023	22 December 2022	7 December 2021	14 October 2020
Issuer rating	Short-term	-	-	-	WD	IND A1+	IND A1+
NCDs	Long-term	INR10,000	IND AA/Stable	IND AA/Stable	IND AA/Stable	-	-
Bank loans	Long-term	INR5,000	IND AA/Stable	IND AA/Stable		-	-

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (million)
NCD	INE883F07298	6 February 2023	8.55	6 February 2028	IND AA/Stable	INR1,000
NCD	INE883F07280	3 February 2023	8.55	3 February 2028	IND AA/Stable	INR1,150
NCD	INE883F07306	23 May 2023	8.50	26 May 2026	IND AA/Stable	INR2,750
NCD (Unutilised)						INR5,100
Total rated limits						INR10,000

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCD	Low
Bank loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Pankaj Naik

Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001723

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Shivangi Manjarekar

Analyst

+91 22 40356162

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.