Aadhar Housing Finance (AADHOS)

CMP: ₹497 | Target ₹ 600 (21%) | Target Period: 12 months | BUY

August 2, 2026

Steady execution reinforces confidence in sustained performance

About the stock: Established in 2010, Aadhar is the largest player in affordable housing space with AUM of ₹31,364 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%. Borrowers mix comprised 55% salaried & 45% self-employed segment.

Q1FY27 performance: Aadhar Housing Finance reported a healthy Q1FY27 performance, with AUM rising 18% YoY (2.6% QoQ) to ₹31,364 crore, supported by steady demand in the affordable housing segment. Disbursement stood at ₹2,036 crore on the newly adopted check-realisation basis, while on a like-to-like check-handover basis, disbursement stood at ₹2,359 crore (+19% YoY). Spread remained stable at 5.8% despite a 15 bps PLR reduction. PAT for Q1 stood at ₹282 crore (up ~19% YoY). Operating efficiency remained healthy with cost-to-income at ~36.3% (including a ₹14 crore ESOP charge), while asset quality remained comfortable with GNPA at ~1.31%.

Investment Rationale:

- **Sustained growth supported by emerging market expansion and improving franchise quality:** AUM growth remained healthy at 18% YoY despite the transition to check-realisation based disbursement recognition, while like-to-like disbursements (check-handover basis) grew 19% YoY, reflecting resilient underlying demand. Management reiterated its medium-term guidance of 20% AUM growth and 17–18% disbursement growth in FY27, with over 20% growth expected during the remaining three quarters. Growth continues to be supported by deeper penetration across emerging markets, disciplined branch expansion with focus on productivity, and a predominantly first-time homebuyer franchise. Portfolio stickiness also improved, with balance transfer out declining to 5%, supported by analytics-led customer retention, strengthening franchise quality and long-term growth visibility.
- **Stable spreads and operating leverage to support profitability:** Despite a 15 bps PLR reduction in Feb-26, spreads remained stable at 5.8%, with management reiterating its commitment to maintain spreads above 5.5%, supported by a favourable urban-emerging portfolio mix and higher-yielding emerging markets. With 78% of borrowings on floating rate along with incremental borrowings garnered at competitive rates, management expects limited cost-of-funds pressure over next one to two quarters. Continued branch maturation and productivity gains are expected to improve operating efficiency, supporting management's steady-state RoA target of 4.3–4.4% and RoE of ~17% over the medium term.

Rating and Target Price

- Resilient business model with healthy growth, emerging market expansion, disciplined pricing and prudent underwriting is expected to support valuations. We expect AUM growth to sustain at ~20% CAGR with steady-state RoA of ~4%+. We maintain our target at ₹600, valuing the stock at ~2.5x FY28E BV. Thus, maintain our Buy rating on the stock.

Key Financial Summary

₹ crore	FY25	FY26	3-year CAGR (FY23-FY26)	FY27E	FY28E	2-year CAGR (FY26-28E)
NII	1545	1880	24.4%	2250	2665	19.1%
PPP	1230	1474	25.5%	1736	2064	18.3%
PAT	912	1096	26.3%	1290	1534	18.3%
ABV (₹)	144	169	22.9%	197	231	17.0%
P/E	23.6	19.8		16.8	14.2	
P/ABV	3.4	2.9		2.5	2.1	
RoA	4.3	4.3		4.3	4.3	
RoE	16.8	15.8		15.8	16.0	

Source: Company, ICICI Direct Research

GHAR BANEGA, TOH DESH BANEGA.

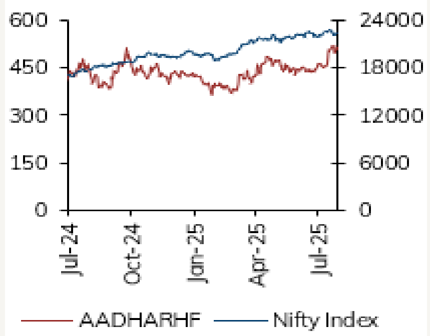
Particulars

Particulars	Amount
Market Capitalisation	₹ 21,723 crore
Net worth	₹ 7,846 crore
52-week H/L	₹ 563 /425
Face Value	₹ 10
DII Holding (%)	9.9
FII Holding (%)	5.8

Shareholding pattern

(in %)	Sept 25	Dec 25	Mar 26	Jun 26
Promoter	75.3	75.2	64.9	64.7
FII	6.1	6.2	6.1	5.8
DII	8.3	8.5	9.2	9.9
Public	10.3	10.2	19.8	19.6

Price Chart



Key risks

(i) Continued elevated competition in affordable housing finance segment

(ii) Volatility in spreads

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Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Business Segment Performance

- AUM stood at ₹31,364 crore (~18% YoY); Q1FY27 disbursement reported at ₹2,036 crore on the newly adopted check-realisation basis, or ₹2,359 crore (~19% YoY) on a like-to-like check-handover basis.
- Company transitioned disbursement recognition to check-realisation basis effective Q1FY27, eliminating the 5–7-day lag between handover and realisation; interest income impact is limited to 2–3 days and not material.
- Portfolio mix stood at 73% home loans and 27% non-home loans (LAP); salaried borrowers stable at 55% of AUM.
- Average ticket size stood at ₹11 lakh (up from ₹10.4 lakh), with LTV maintained at 60%.
- Share of non-home loan moderated to ~24% of incremental disbursement (vs. ~30% run-rate), a "conscious decision" given the geopolitical uncertainty in West Asia. Management expects normalisation to the historical 70:30 home: non-home asset mix.
- BT-out improved to 5% of AUM, the lowest in 8–10 quarters (~20 bps YoY), supported by a ~20-member central retention team using red/amber/green customer segmentation.
- Branch network expanded to 628 branches across 22 states and 550+ districts; only 2 branches added in Q1, with full-year guidance of 45–50 additions maintained, while new branches continue to reach targeted productivity within 9–15 months.
- Management continued to scale its AI capabilities through a six-layer architecture across origination, underwriting, surveillance, collections and retention, while developing five proprietary AI platforms to enhance operating efficiency and customer experience.

Margins

- Exit portfolio yield stood at 13.5%, exit cost of borrowings at 7.7% (vs. 8% a year ago), resulting in an exit spread of 5.8%.
- Spreads held at 5.8% despite a 15 bps PLR reduction, aided by the urban-emerging mix. Urban yields of ~11.5–12% are offset by emerging-market yields of ~14–14.8%. Around 300–350 branches are now in emerging markets, supporting yields and future growth.
- Total borrowings stood at ₹20,009 crore (+19% YoY); mix comprised Banks 49%, NHB 24%, NCDs 17%, ECB 7%, Others 3%.
- Incremental borrowings stood at ₹2,238 crore at 7.3%, including ₹746 crore of fresh NHB borrowing at 6.9% (of which ₹149 crore was the Affordable Housing Fund tranche at 4.3%). Excluding NHB, incremental cost of funds stood at ~7.4–7.45%.
- 78% of borrowings and 73% of assets are on floating rates. Management does not expect cost-of-funds pressure over the next one to two quarters.
- Liquidity stood at ₹2,371 crore at quarter-end (elevated on end-of-quarter drawdowns); undrawn sanctions stood at ₹991 crore, against a steady-state buffer target of 7–8% of borrowings.
- Cost-to-income ratio stood at 36.3%, including a ₹14 crore ESOP charge (granted in Jan-26) not present in Q1FY26; excluding ESOP cost, cost-to-income stood at 33–34%.

Asset Quality

- GNPA improved to 1.31% (vs. 1.34% in Q1FY26, –3 bps YoY). Stage 2 stood at 3.3% (–40 bps YoY).
- Collection efficiency remained strong at 99%; 1+ DPD stood at 7%.
- Stage 3 provision coverage stood at 34%.
- Management remains watchful of geopolitical uncertainty in West Asia on fuel-dependent trade/travel segments and the monsoon outlook's bearing on rural/semi-urban cash flows. NRI-linked customer exposure remains minimal,

aided by a well-diversified portfolio with no single state contributing disproportionately to AUM.
- Bounce rates remained stable and continue to serve as management's primary early-warning indicator for asset quality.

Guidance

- Management reiterated medium-term guidance of 20% AUM growth, 20% PAT growth, and 17–18% disbursement growth for FY27.
- Disbursement growth for the next three quarters guided upward of 20% (check-handover basis); July disbursement already trending close to ₹900 crore, with Q2FY27 growth expected at 23–25%.
- Spread guidance maintained upward of 5.5%, with confidence of holding this even amid new entrants in the affordable segment (estimated 5–7% customer overlap).
- GNPA expected to be held at ~1.1% and full-year credit cost at 23–25 bps.
- Cost-to-income guided to improve 30–40 bps annually, translating to 6–7 bps annual improvement in cost-to-AUM.
- Capital adequacy stood at 42.9% (Tier I) / 0.5% (Tier II); no immediate capital raise planned given the strong capital position, with steady-state RoA of 4.3–4.4% and RoE of ~17% targeted over a two-to-three-year horizon.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Interest Inc	510	428	19.2	508	0.4	Healthy AUM growth aided NII
Calculated NIM (%)	7.1%	7.1%	-5 bps	7.2%	-19 bps	Adoption of cheque realization has marginally impacted NII and margins
Other Income	110	91	21.1	141	-21.6	
Net Total Income	621	519	19.5	649	-4.4	
Employees benefits expense	150	117	28.1	157	-4.8	Includes ₹14 crore ESOP charges
Other operating expense	76	70	7.5	99	-23.9	2 new branches added in the quarter
PPP	395	332	19.0	392	0.8	
Provision costs	32	27	18.5	10	211.4	Credit cost in-line with guidance at ~25 bps
PBT	364	305	19.1	382	-4.8	
Tax Outgo	81	68	19.5	87	-7.0	
PAT	282	237	19.0	295	-4.2	Strong business growth aided earnings
Key Metrics						
GNPA	411	355	15.6	330	24.4	Asset quality well contained. Improvement seen in Stage 2 assets
NNPA	282	265	6.4	245	15.4	
AUM	31,364	26,524	18.2	30,571	2.6	Continued traction in affordable housing and emerging segment supported growth
Borrowings	20,009	16,876	18.6	18,744	6.8	
Disbursements	2,036	1,979	2.9	3,087	-34.0	
Cost / Income	36.3%	36.1%	25 bps	37.1%	-79 bps	CI ratio in line with guidance

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	2,719	3,244	3,872	4,605
Interest Expended	1,174	1,364	1,623	1,940
Net Interest Income	1,545	1,880	2,250	2,665
Growth (%)	19.9	21.6	19.7	18.4
Non-Interest Income	390	443	476	547
Net Income	1,935	2,322	2,725	3,211
Employee cost	464	569	654	746
Other operating exp.	240	280	335	402
Operating Income	1,230	1,474	1,736	2,064
Provisions	57	68	81	96
PBT	1,173	1,406	1,655	1,967
Taxes	261	310	365	434
Net Profit	912	1,096	1,290	1,534
Growth (%)	21.7	20.2	17.7	18.9
EPS (₹)	21.0	25.2	29.5	35.1

Source: Company, ICICI Research

Exhibit 3: Key Ratios (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Shares (crore)	215.7	217.9	218.7	218.7
EPS (₹)	21.0	25.2	29.5	35.1
BV (₹)	147.7	173.1	202.0	237.0
ABV (₹)	144.3	169.0	197.1	231.4
P/E	23.6	19.8	16.8	14.2
P/BV	3.4	2.9	2.5	2.1
P/adj.BV	3.4	2.9	2.5	2.1
Yields & Margins (%)				
Yield on avg advances	13.8	13.7	13.6	13.5
Avg. cost of funds	7.9	7.9	7.9	7.9
NIM	6.3	6.4	6.4	6.3
Spreads	5.9	5.8	5.7	5.6
Quality and Efficiency (%)				
Cost / Total net income	39.9	39.1	39.2	38.7
GNPA	1.1	1.1	1.1	1.1
NNPA	0.7	0.7	0.7	0.7
RoE	16.8	15.8	15.8	16.0
RoA	4.3	4.3	4.3	4.3

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	431	436	437	437
Reserves and Surplus	5,941	7,105	8,395	9,929
Networth	6,372	7,541	8,833	10,366
Borrowings	16,322	18,744	22,530	26,923
Other Liabilities & Provisions	529	1,114	1,053	1,234
Total	23,224	27,399	32,415	38,523
Applications of Funds				
Investments	513	637	733	872
Advances	20,484	24,840	29,618	35,226
Other Assets	2,227	1,922	2,064	2,425
Total	23,224	27,399	32,415	38,523

Source: Company, ICICI Research

Exhibit 5: Growth ratios

(% growth)	FY25	FY26	FY27E	FY28E
Total assets	21.6	18.0	18.3	18.8
Advances	21.2	21.3	19.2	18.9
Borrowings	16.9	14.8	20.2	19.5
Total Income	20.7	20.6	17.0	17.8
Net interest income	19.9	21.6	19.7	18.4
Operating expenses	17.6	18.2	18.8	16.0
Operating profit	22.5	21.9	16.1	18.9
Net profit	21.7	20.2	17.7	18.9
Book value	31.0	17.2	16.7	17.4
EPS	10.8	19.5	17.3	18.9

Source: Company, ICICI Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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