

CMP: ₹ 491

Target: ₹ 600 (22%)

Target Period: 12 months

November 28, 2025

BUY

Steady quarter; execution on track...

**About the stock:** Established in 2010, Aadhar is the largest player in affordable housing space with AUM of ₹27,554 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 611 branches across 22 states and union territories.

**Q2FY26 performance:** Aadhar Housing Finance delivered strong Q2FY26 results, with AUM rising to ~₹27,553 crore, up 21% YoY. Non-housing loans grew faster, forming 27% of AUM. Disbursements stood at ₹2110 crore, a growth of 3.6% YoY. PAT rose 17% YoY (up 12% QoQ) to ₹266 crore, supported by 16% YoY growth in NII at ₹557 crore. Credit cost remained contained at ₹13.2 crore, reflecting disciplined underwriting. The company reported GNPA at 1.47% and NNPA steady near 0.97%. RoE improved to 15.7% while RoA stayed healthy at 4.3%.

Investment Rationale

- Strong AUM growth with steady asset quality and profitability:** Aadhar achieved healthy momentum in Q2FY26 with 21% YoY AUM growth to ₹27,554 crore, driven by a disciplined retail-focused lending model. LAP, a key focus area, grew 28% YoY with stable asset quality. Overall asset quality remained well-contained with GNPA at 1.42% and collection efficiency at 98.96%. Management reiterated its FY26 AUM growth guidance of 20–22% and PAT growth of 18–20%. Technology and strategic expansion in underpenetrated markets continue to support sustainable growth and strong metrics.
- Margin stability, operational efficiency, and emerging market focus underpin outlook:** Aadhar's spread improved 10 bps QoQ to 5.9%, aided by stable yields and matched assets/liabilities, minimizing interest rate risk. Management expects the exit cost of funds to moderate further to 7.75–7.8% by FY26-end, supported by an AA+ rating upgrade. The cost-to-income ratio improved to 36.1%, on track for a 40–50 bps FY26 reduction through efficiency gains and disciplined branch expansion. 20 new branches were added in Q2 (total 611), primarily in emerging markets. Confidence in achieving FY26 guidance remains high, supported by favorable reforms, strong housing demand, and prudent risk management.

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 despite industry headwinds.
- Anticipating sustained growth momentum of ~20% CAGR with RoA of 4%+, we continue to value the stock at ~2.9x FY27E BV, maintaining our target at ₹600. Maintain Buy rating.

Key Financial Summary

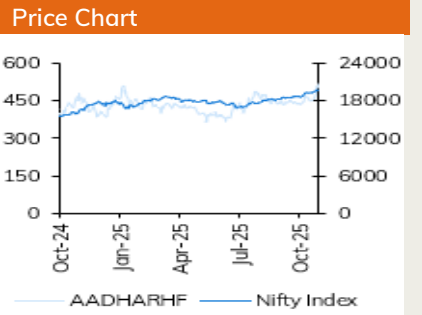
₹ crore	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	977	1288	1545	25.8%	1884	2295	21.9%
PPP	745	1001	1230	28.5%	1494	1817	21.5%
PAT	544	749	912	29.4%	1105	1345	21.4%
ABV (₹)	91	110	144	26.0%	169	199	17.5%
P/E	35.5	25.8	23.3		19.2	15.8	
P/ABV	5.4	4.5	3.4		2.9	2.5	
RoA	3.3	4.2	4.3		4.4	4.5	
RoE	14.7	18.4	16.8		16.0	16.5	

Source: Company, ICICI Direct Research



Particulars	
Particulars	Amount
Market Capitalisation	₹ 21,364 crore
52 week H/L	548 / 340
Net worth	₹ 6,894 Crore
Face Value	10.0
DII Holding (%)	8.3
FII Holding (%)	6.1

Shareholding pattern				
Holding (%)	Dec-24	Mar-25	Jun-24	Sep-24
Promoter	75.7	75.6	75.5	75.3
FII	4.3	5.3	5.6	6.1
DII	9.3	8.6	8.4	8.3
Public	10.7	10.5	10.5	10.3



- Key risks**
- (i) Moderation in growth could impact earnings momentum
  - (ii) Shift towards self-employed and interior geographies pose higher risk of delinquencies

**Research Analyst**

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

Nivedita Choudhary  
nivedita.choudhary@icicisecurities.com

## Concall highlights and outlook

### Business Segment Performance

- AUM growth: ₹27,554 crore (+21% YoY), driven by disbursements of ₹2,110 crore (+3.6% YoY).
- Portfolio mix: Home loans - 73% of AUM; mortgage loans - 27%. Salaried borrowers now account for 55%. Average ticket size stood at ₹10.5 lakh with an average LTV of ~60%.
- Distribution network: 611 branches across 22 states/549 districts; 20 branches added in Q2FY26. Yearly target of adding 50-60 branches maintained. 137 branches classified as urban (top 15 cities) and the rest as emerging, which contribute ~45% of disbursements, with the management targeting a 50:50 urban-emerging mix over the medium term.
- Portfolio remains geographically diversified, with no single state contributing over 15% of AUM
- GST 2.0 rationalization and government push under PMAY 2.0 and Angikaar 2025 expected to boost affordable housing demand, particularly in EWS/LIG categories.

### Margins

- Portfolio yield at 13.8% (flat QoQ); spreads improved to 5.9% (vs. 5.8% in Q1FY26). Sequential expansion of 10 bps aided by stable cost of funds and higher mix of non-home loans. Home loan yields stood at 12.15%, while non-home loan yields were higher at 15.75%.
- ~73% of liabilities and 75% of assets are floating in nature, ensuring well matched balance sheet.
- Cost of funds declined 10 bps QoQ to 7.9%, supported by rating upgrade benefits and MCLR transmission from banks. Incremental borrowings of ₹1,800 crore during Q2FY26 came at ~8%.
- Borrowing mix: Banks 50%, NHB 21%, NCDs 22%, others 7%. The company has ~44 active borrowing relationships and undrawn sanctions of ₹2,381 crore (including ₹1,250 crore from NHB).
- Liquidity stood at ₹2,270 crore (~10% of loan book). Leverage at ~2.6x, providing ample headroom to reach 3-3.5x over the next few years without straining credit rating.
- Balance transfer out for H1FY26 stood at 5.4%, which is an improvement of 50 bps as compared to H1FY25.
- Cost-to-income ratio improved to 36.1% (-30 bps YoY). Management reiterated full-year improvement target of 40-50 bps through tech efficiencies and controlled branch expansion.
- Recent credit rating upgrade to AA+ (Stable/Positive Outlook) to lower incremental cost of funds by 20-25 bps in FY27E and enable access to long-tenor insurance and pension fund borrowings.

### Asset Quality

- GNPA/NNPA stable at 1.4%/1.0% vs 1.3%/0.9% YoY. Stage 3 provision coverage at 34.3%. Stage 2 assets improved by 20 bps YoY, reflecting better early-bucket resolution and disciplined collections.
- Collection Efficiency robust at 98.96%, while 30+ DPD stood at ~4.6% (broadly stable QoQ).

### Guidance

- AUM growth maintained at ~21-22% and disbursement growth at 18-20% for FY26E, maintaining a 40:60 H1-H2 disbursement split. Profit

growth maintained at 18-20%. Emerging branches to drive a larger share of growth.

- Spread expected to sustain at ~5.7–5.8% through FY26E despite MCLR pass-through.
- RoA targeted at 4.2-4.3% for FY26E.
- Credit cost guidance of ~25–27 bps for FY26E.

#### Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	Comments
NII	458	387	18.2	428	6.9	Healthy AUM growth with continued shift towards non-home loans aided NII
Calculated NIM (%)	7.3%	7.4%	-16 bps	7.1%	17 bps	CoF improved owing to rating upgrade
Other Income	100	78	27.5	91	9.5	
Net Total Income	558	466	19.7	519	7.4	
Staff cost	122	101	21.3	117	4.6	
Other Operating Expenses	79	59	34.8	70	12.9	20 new branches added in the quarter
PPP	356	306	16.3	332	7.2	
Provision	13	13	-1.2	27	-50.7	Credit cost under control at ~18-19 bps
PBT	343	293	17.1	305	12.2	
Tax Outgo	76	65	17.5	68	12.2	
PAT	266	228	17.1	237	12.2	Overall performance remained broadly steady
Key Metrics						
GNPA	405	310	30.5	355	14.0	Marginal uptick in GNPA, improvement seen in Stage 2 assets
NNPA	267	201	33.1	265	0.8	
AUM	27554	22818	20.8	26524	3.9	Continued focus on emerging segment
Borrowings	16107	18992	-15.2	15448	4.3	
Disbursements	2110	2036	3.7	1979	6.7	
CI ratio	36.2%	34.3%	186 bps	36.1%	11 bps	CI ratio stable QoQ

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	3,267	3,952
Interest Expended	987	1,174	1,384	1,657
Net Interest Income	1,288	1,545	1,884	2,295
Growth (%)	31.9	19.9	21.9	21.8
Non Interest Income	312	390	425	487
Net Income	1,600	1,935	2,309	2,782
Employee cost	403	464	507	593
Other operating exp.	196	240	308	372
Operating Income	1,001	1,230	1,494	1,817
Provisions	41	57	77	93
PBT	959	1,173	1,417	1,724
Taxes	210	261	312	379
Net Profit	749	912	1,105	1,345
Growth (%)	37.7	21.7	21.2	21.7
EPS (₹)	19.0	21.0	25.6	31.2

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	25.6	31.2
BV (₹)	112.7	147.7	173.4	204.6
ABV (₹)	109.9	144.3	169.0	199.3
P/E	25.8	23.3	19.2	15.8
P/BV	4.4	3.3	2.8	2.4
P/adj.BV	4.5	3.4	2.9	2.5
<u>Yields &amp; 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	38.4	37.9
GNPA	1.1	1.1	1.2	1.2
NNPA	0.6	0.7	0.8	0.8
RoE	18.4	16.8	16.0	16.5
RoA	4.2	4.3	4.4	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	7,050	8,394
Networth	4,450	6,372	7,481	8,826
Borrowings	13,960	16,322	19,145	22,878
Other Liabilities & Provision:	684	529	892	993
Total	19,093	23,224	27,518	32,697
<u>Applications of Funds</u>				
Investments	462	513	616	739
Advances	16,903	20,484	24,511	29,417
Other Assets	1,728	2,227	2,391	2,541
Total	19,093	23,224	27,518	32,697

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(% growth)	FY24	FY25	FY26E	FY27E
Total assets	14.9	21.6	18.5	18.8
Advances	22.0	21.2	19.7	20.0
Borrowings	14.9	13.9	20.0	19.5
Total Income	31.2	20.7	19.5	20.5
Net interest income	31.9	19.9	21.9	21.8
Operating expenses	26.4	17.6	15.6	18.5
Operating profit	34.3	22.5	21.8	21.6
Net profit	37.7	21.7	21.2	21.7
Book value	20.3	31.0	17.4	18.0
EPS	37.6	10.8	21.7	21.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Jeetu Jawrani Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

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