

February 1, 2026

Continued steady performance to aid valuation...

About the stock: Established in 2010, Aadhar is the largest player in affordable housing space with AUM of ₹28,790 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 December, 2025, Aadhar operates 621 branches across 22 states and union territories.

Q3FY26 performance: Aadhar Housing Finance continued to deliver healthy performance, with AUM rising to ~₹28,790 crore, up 20% YoY. Disbursements stood at ₹2380 crore, a growth of 13.7% YoY. PAT rose 17.5% YoY (up 5.6% QoQ) to ₹281 crore, despite one-time impact of ₹16 crore incurred on account of new labour code. NII grew 19.2% YoY to ₹ 485 crore. Credit cost came marginally higher at 28 bps compared to guidance of ~25-26 bps. The company reported GNPA at 1.38% and NNPA steady near 1%. RoE improved to 16.5% while RoA stayed healthy at 4.6.

Investment Rationale

- Sustained growth with improving portfolio quality:** Aadhar Housing Finance reported steady business momentum in Q3FY26, with AUM rising 20% YoY. Asset quality trends improved, with GNPA moderating to 1.38% and 1+ DPD declining by 31 bps QoQ to 6.86%, supported by collection efficiency of over 99%. Portfolio runoff declined to 16.8% of opening AUM in 9MFY26 (vs. 17.5% YoY), driven by lower balance transfer outflows of 5.6% (-50 bps YoY) while repayment behaviour remained stable. Management reiterated confidence in achieving ~20%+ AUM growth in FY26 and indicated a similar growth trajectory for FY27, with disbursement growth in the mid-teens.
- Margin stability and operational efficiency underpin outlook:** Exit portfolio yield stood at 13.71% and exit cost of funds declined to 7.74% in Q3FY26, resulting in exit spread of 5.97% (vs. 5.93% in Q2FY26). Incremental borrowing cost moderated to 7.5%, supported by a diversified funding mix. Management guided that cost of funds may decline by a further ~2-3 bps before stabilizing, while ALCO-approved 15 bps customer rate cut effective Feb'26 implies ~12 bps transmission impact. Cost-to-income improved to 34.1% (vs 36.2%) in line with guidance. Management remains confident in sustaining growth and profitability, supported by prudent risk management, strong housing demand and improving branch productivity.

Rating and Target Price

- Sustained growth momentum of ~20% CAGR with RoA of 4%+ is seen to aid valuation. Rolling on FY28E estimates, we value the stock at ~2.5x FY28E BV, and maintain our target at ₹600. Maintain Buy rating.



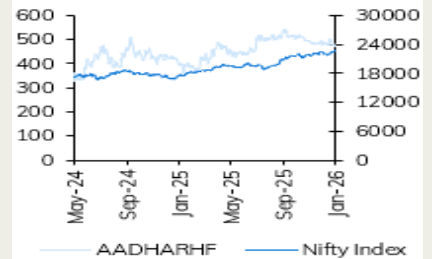
Particulars

Particulars	Amount
Market Capitalisation	₹ 21,312 crore
52 week H/L	548 / 340
Net worth	₹ 7,185 Crore
Face Value	10.0
DII Holding (%)	8.5
FII Holding (%)	6.2

Shareholding pattern

Holding (%)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	75.6	75.5	75.3	75.2
FII	5.3	5.6	6.1	6.2
DII	8.6	8.4	8.3	8.5
Public	10.5	10.5	10.3	10.2

Price Chart



Key risks

- Moderation in growth could impact earnings momentum
- Volatility in asset quality amid gradual shift in AUM mix

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Key Financial Summary

₹ crore	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII	977	1,288	1,545	25.8%	1,864	2,267	2,744	21.1%
PPP	745	1,001	1,230	28.5%	1,471	1,784	2,164	20.7%
PAT	544	749	912	29.4%	1,088	1,320	1,602	20.7%
ABV (₹)	91	110	144	26.0%	168	197	233	17.4%
P/E	35.5	25.8	23.3		19.6	16.1	13.3	
P/ABV	5.4	4.5	3.4		2.9	2.5	2.1	
RoA	3.3	4.2	4.3		4.3	4.4	4.5	
RoE	14.7	18.4	16.8		15.7	16.2	16.7	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Business Segment Performance

- AUM grew to ₹28,790 crore (+20% YoY). Disbursements for 9MFY26 stood at ₹2380, crore (~14% YoY), reflecting steady momentum across core segments.
- Portfolio mix remains balanced between home loans and LAP, with salaried borrowers stable at ~55% of AUM. Average ticket size increased to ~₹10.7 lakh with LTV maintained at ~60%.
- Disbursement in Home Loans (HL) grew 14-14.5% in Q3FY26, while Non-Home Loan (NHL) grew 9%. Management stated that the slowdown in NHL disbursements is precautionary, not due to stress or demand slowdown. NHL to be maintained within the 30% regulatory bracket.
- Branch network expanded to 621 branches across 22 states and 552 districts, with 10 branches added during the quarter. No single state contributes more than 15% of AUM, preserving geographic diversification.
- Active customer base expanded to 3.2 lakh across its branch network.
- Emerging and deeper impact branches continue to drive incremental growth, while urban branches remain stable contributors.
- PMAY 2.0 traction improved, with over 10,000 customers already receiving subsidy, aiding affordability in EWS/LIG segment and supporting disbursement momentum.
- Co-lending remained a small contributor in Q3FY26, with disbursement of ~₹26 crore (vs. ~₹97 crore in Q2FY26). Direct assignment of ~₹440 crore, was executed during the quarter. Management has consciously moderated the share of co-lending and assignment.
- Login-to-sanction ratio stood at ~65-66%, while login-to-disbursement was 39-40% by value.
- Runoff for 9MFY26 stood at 16.8% of the opening AUM (vs 17.5% YoY), driven by combination of BT out and repayment. Balance Transfer (BT) out for 9MFY26 moderated 50bps YoY to 5.6%, while repayment has remained consistent with previous year. BT requests are driven by mix of rate reduction and top up demand, with ~25-30% of request driven by rate requirements.
- PAT for Q3FY26 stood at ₹281 crore (+17% YoY), including the impact of new labour code. The quarter included an exceptional charge of ~₹16 crore, towards past service cost under the labour code. Profit growth was driven by steady AUM expansion, stable spreads and operating leverage, with RoA improving to 4.6% and RoE to 16.5%.

Margins

- Exit portfolio yield stood at 13.71%, while exit cost of funds declined to 7.74%, resulting in exit spread of 5.97% (vs. 5.93% in Q2FY26).
- Incremental borrowing cost moderated to 7.5% in Q3FY26, supported by NHB borrowings at ~6.6% and stable bank funding.
- Borrowing mix remained diversified: banks 50%, NHB 22%, NCDs 21%, and others 7%, with 41 active lending relationships.
- Liquidity stood at ₹1,435 crore with undrawn sanctions of ~₹2,400 crore, providing adequate funding headroom.
- Cost-to-income ratio for 9MFY26 improved to ~35.4% (35.9% in 9MFY25), in-line with management's operating leverage guidance.
- ALM profile remained well matched, with ~74% of assets and liabilities on floating rates. A 15bps rate cut to customers, effective Feb'26, is to be undertaken to transmit repo reduction.
- While there is NPA differential of 65-70 bps between NHL and HL, the risk adjusted yields for NHL are higher by more than 300 bps.

Asset Quality

- GNPA improved sequentially to 1.38%, while NNPA remained stable at ~1%.

- Stage 2 assets declined by ~20 bps QoQ, indicating improving early-bucket behavior.
- 1+ DPD improved to 6.86% (-31 bps QoQ), supported by better collection efficiency (>99%).
- Non-home loan portfolio performance improved 20 bps over last four-five quarters, with delinquencies showing better trends over the last few quarters following tighter underwriting.

Guidance

- Management reiterated confidence of crossing ₹30,000 crore AUM by FY26-end, supported by branch productivity and policy support for affordable housing.
- Management reiterated confidence in achieving ~20%+ AUM growth for FY26 and maintaining disbursement growth at ~16-17% and guided for similar trajectory in FY27.
- Management reiterated guidance to add ~40-50 branches annually, with ~30 branches in deeper impact areas and ~20 branches in urban and emerging markets.
- Credit cost guidance maintained at ~25–26 bps for FY26, with GNPA expected to trend towards ~1.1–1.15% by year-end.
- Cost of funds to decline ~2-3 bps in Q4FY26 and then stabilize.
- Spread expected to sustain at ~5.7–5.8%, despite rate transmission, aided by lower cost of funds and portfolio mix.
- RoA sustained at elevated levels (Q3FY26 RoA: ~4.6%), with medium-term target of ~4.2–4.3% being intact.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Net Interest Inc	485	407	19.2	458	6.1	Healthy AUM growth with continued shift towards non-home loans aided NII
Calculated NIM (%)	7.4%	7.4%	-7 bps	7.3%	9 bps	
Other Income	111	93	18.6	100	10.9	
Net Total Income	596	501	19.1	558	6.9	
Employees benefits expense	119	103	16.2	122	-2.5	includes ₹16 crore one-off related to labour code
Other operating expense	84	72	16.6	79	5.4	10 new branches added in the quarter
PPP	393	326	20.5	356	10.5	
Provision costs	18	19	-6.2	13	33.2	Marginal uptick in credit cost at ~28 bps
PBT	360	308	17.0	343	5.0	
Tax Outgo	79	68	15.0	76	3.0	
PAT	281	239	17.5	266	5.6	Overall performance remained broadly steady
Key Metrics						
GNPA	397	326	21.8	405	-1.9	Asset quality well contained. Improvement seen in Stage 2 assets
NNPA	288	221	30.5	267	7.7	
AUM	28,790	23,976	20.1	27,554	4.5	Continued focus on emerging segment
Borrowings	17,507	15,134	15.7	17,606	-0.6	
Disbursements	2,380	2,094	13.7	2,110	12.8	
Cost / Income	34.0%	34.8%	-80 bps	36.2%	-214 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	FY26E	FY27E	FY28E
Interest Earned	2,719	3,235	3,895	4,691
Interest Expended	1,174	1,371	1,629	1,947
Net Interest Income	1,545	1,864	2,267	2,744
Growth (%)	19.9%	20.6%	21.6%	21.1%
Non Interest Income	390	411	458	522
Net Income	1,935	2,275	2,724	3,266
Employee cost	464	505	579	665
Other operating exp.	240	298	361	437
Operating Income	1,230	1,471	1,784	2,164
Provisions	57	77	92	110
PBT	1,173	1,394	1,692	2,054
Taxes	261	307	372	452
Net Profit	912	1,088	1,320	1,602
Growth (%)	21.7%	19.3%	21.3%	21.4%
EPS (₹)	21.0	25.1	30.4	36.9

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Shares (crore)	215.7	216.9	216.9	216.9
EPS (₹)	21.0	25.1	30.4	36.9
BV (₹)	147.7	172.1	202.5	239.5
ABV (₹)	144.3	167.7	197.3	233.3
P/E	23.3	19.6	16.1	13.3
P/BV	3.3	2.9	2.4	2.1
P/adj.BV	3.4	2.9	2.5	2.1
Yields & Margins (%)				
Yield on avg assets	11.0	9.9	9.9	9.9
Avg. cost on funds	7.9	7.9	7.9	7.9
NIM	6.3	6.3	6.4	6.5
Spreads	5.9	5.7	5.8	5.9
Quality and Efficiency (%)				
Cost / Total net income	39.9	38.2	37.6	36.8
GNPA	1.1	1.2	1.2	1.2
NNPA	0.7	0.8	0.8	0.8
RoE	16.8	15.7	16.2	16.7
RoA	4.3	4.3	4.4	4.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	431	434	434	434
Reserves and Surplus	5941	7032	8352	9954
Networth	6372	7466	8786	10388
Borrowings	16322	18826	22497	26884
Other Liabilities & Provision	529	879	979	1142
Total	23224	27171	32261	38414
Applications of Funds				
Investments	513	613	733	877
Advances	20484	24379	29151	34897
Other Assets	2227	2179	2377	2640
Total	23224	27171	32261	38414

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(% growth)	FY25	FY26E	FY27E	FY28E
Total assets	21.6	17.0	18.7	19.1
Advances	21.2	19.0	19.6	19.7
Borrowings	13.9	18.0	19.5	19.5
Total Income	20.7	17.8	19.8	19.9
Net interest income	19.9	20.6	21.6	21.1
Operating expenses	17.6	14.0	17.1	17.2
Operating profit	22.5	20.0	21.2	21.3
Net profit	21.7	19.3	21.3	21.4
Book value	31.0	16.5	17.7	18.2
EPS	10.8	19.1	21.3	21.4

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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