

CMP: ₹ 508

Target: ₹ 600 (18%)

Target Period: 12 months

BUY

May 6, 2026

**Continued business resilience to aid valuation...**

**About the stock:** Established in 2010, Aadhar is the largest player in affordable housing space with AUM of ₹30,866 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 segment of AUM.
- As of March, 2026, Aadhar operates 626 branches across 22 states and union territories.

**Q4FY26 performance:** Aadhar Housing Finance reported a healthy Q4FY26 performance, with AUM rising ~20% YoY (3.7% QoQ) to ₹30,571 crore, supported by steady demand in the affordable housing segment. Disbursement stood at ₹3,087 crore (up ~20% YoY/ ~30% QoQ), marking the highest-ever quarterly disbursement, driven by improved execution across branch network. Despite sequential decline in spread to 5.8%, NII was up ~20% YoY to ₹508 crore (up ~5% QoQ). PAT for Q4 stood at ₹311 crore (up ~27% YoY/ ~11% QoQ). Operating efficiency improved with cost-to-income declining to ~35.9%, while asset quality remained comfortable with GNPA at ~1.08% and strong collection efficiency.

**Investment Rationale**

- Sustained growth supported by granular sourcing and improving portfolio stickiness:** Growth visibility remains strong, with AUM rising ~20% YoY, driven by PMAY-led demand and deeper penetration across emerging markets. Management has guided to scale AUM to ₹50,000 crore by FY29, supported by 17–18% disbursement growth and branch expansion from 626 to 750 by FY28, with additions skewed towards emerging markets. The borrower profile remains largely first-time homebuyers, supporting stable end-user demand and limiting cyclicality. Portfolio behaviour also improved, with lower balance transfer outflows (~5.6%, -60 bps YoY) and moderation in runoff trends, supported by analytics-led retention and customer engagement, indicating improving customer stickiness and franchise depth.
- Operating leverage and calibrated portfolio mix to aid earnings:** Portfolio yields moderated following 15 bps PLR reduction, while incremental yields continued to remain lower than the existing book, implying gradual spread normalisation by ~8–10 bps. However, the impact is expected to remain contained, with cost of funds likely to stay stable near ~7.7%, aided by largely floating-rate ALM structure. Operating leverage remains key support, with cost-to-income expected to improve by ~50 bps (vs ~35.9%), driven by branch maturity and productivity gains. Management also retains flexibility to optimise portfolio mix through calibrated expansion in higher-yielding LAP and increasing self-employed mix, is expected to aid RoA trajectory towards 4.4%.

**Rating and Target Price**

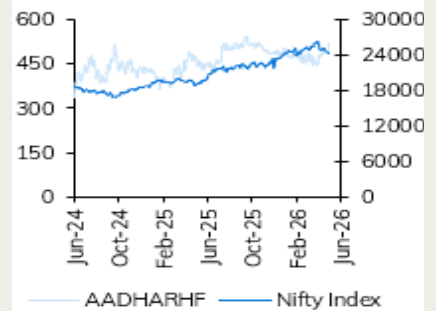
- Resilient business model with steady growth, diversification, prudent underwriting discipline is seen to aid valuation. Expect growth to sustain at ~20% CAGR and RoA at 4%+. We maintain Buy rating on the stock, and maintain our target at ₹600, valuing the stock at ~2.5x FY28E BV.

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 22,545 crore
52 week H/L	548 / 411
Net worth	₹ 7541 Crore
Face Value	10.0
FII Holding (%)	6.1

**Shareholding pattern**

Holding (%)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	75.5	75.3	75.2	64.9
FII	5.6	6.1	6.2	6.1
DII	8.4	8.3	8.5	9.2
Public	10.5	10.3	10.2	19.8

**Price Chart****Key risks**

- Moderation in growth could impact earnings momentum
- Sharper than expected spread compression could impact RoA

**Research Analyst**

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

Nivedita Choudhary  
nivedita.choudhary@icicisecurities.com

**Key Financial Summary**

₹ crore	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	1545	1880	24.4%	2278	2722	20.3%
PPP	1230	1473	25.5%	1751	2090	19.1%
PAT	912	1096	26.3%	1303	1556	19.2%
ABV (₹)	144	169	22.9%	198	233	17.6%
P/E	24.1	20.1		17.0	14.2	
P/ABV	3.5	3.0		2.6	2.2	
RoA	4.3	4.4		4.4	4.4	
RoE	16.8	15.8		15.9	16.2	

## Concall highlights and outlook

### Business Segment Performance

- AUM reached ₹30,571 crore (+20% YoY). Full-year FY26 disbursement stood at ₹9,556 crore (+17% YoY), while Q4FY26 recorded disbursement of ₹3,087 crore (+20% YoY), driven by strong branch-level execution.
- Portfolio mix stood at 73% home loans and 27% non-home loans (LAP), with salaried borrowers stable at ~55% of AUM. Average ticket size on book stood at ~₹10.8 lakh, while incremental ATS has ranged between ₹12.5–13.5 lakh over the past few quarters, trending towards ~₹12.5 lakh currently. LTV maintained at ~60%. AUM below the ₹5 lakh ticket size bucket constitutes ~3% of the book.
- Home loan disbursement grew ~26% YoY in Q4FY26, led by strong traction in emerging markets and PMAY-linked demand. LAP disbursements were deliberately moderated (~23–24% of disbursements vs. ~28–29% run-rate), reflecting management's calibrated stance amid geopolitical/tariff-related uncertainties rather than demand weakness. Management is targeting LAP share to inch back towards ~25% of disbursements in Q1FY27 as visibility improves.
- LAP share in AUM stands at ~27%, with ~3–4% headroom available as a yield lever, though management intends to scale this only once macro visibility improves.
- Demand continues to remain end-user driven (first-time homebuyers), limiting speculative exposure and supporting stability across cycles.
- Balance Transfer (BT) outflows improved to ~5.6% of opening AUM (–60 bps YoY), aided by analytics-led retention strategies.
- Branch network expanded to 626 branches across 22 states (46 additions in FY26; 5 in Q4), in line with guidance of 40–50 additions annually. Network mix includes 153 urban and 473 emerging branches, with emerging markets driving incremental growth.
- Key states contributing to disbursement momentum include UP, Maharashtra, Madhya Pradesh, Tamil Nadu, Delhi NCR, Uttarakhand, and Rajasthan (top 8–10 states; no particular order, no single state contributes >15% of AUM/disbursement/distribution).
- PMAY traction strengthened, with ~15,000–16,000 beneficiaries and ~₹50 crore subsidy disbursed; Aadhar remains the largest player in this segment.
- Direct Assignment (DA) stood at ~₹1,725 crore for FY26 (flat YoY), with Q4FY26 skew due to timing shift. Other income included an IT refund of ₹25 crore taken back to P&L, along with other write-backs.
- FY26 PAT (ex-impact of new labour code) stood at ₹1,108 crore (+22% YoY); Q4FY26 PAT at ₹311 crore (+27% YoY). RoA improved to 4.8% and RoE to 17.1% in Q4FY26. CRAR stood at 42%.
- Employee base stood at 5,430 (on-roll) and 3,965 (off-roll). Q4FY26 included ₹13.5 crore ESOP cost (one-time), while ₹16 crore labour code impact was already absorbed in Q3.
- Management highlighted ~18% market share in the low-income housing segment (ticket size <₹15 lakh), within a ~₹37 lakh crore housing market, indicating significant headroom for growth.

### Margins

- Exit portfolio yield stood at ~13.5% (post 15 bps PLR transmission in Feb'26), while exit cost of funds stood at 7.71%, resulting in spreads of ~5.82%.
- Incremental borrowing cost rose ~10 bps QoQ to 7.6% in Q4FY26 (vs. 7.45% in Q3); FY26 full-year incremental COF moderated to 7.8% (vs. 8.4% in FY25). Incremental NHB borrowing in Q4 stood at ₹705 crore at 6.9%, of which the affordable housing finance fund tranche was ₹141 crore at 4.3%.
- Total borrowings stood at ₹18,744 crore (+15% YoY). Borrowing mix remains diversified: Banks 51%, NHB 22%, NCDs 19%, ECB 5%, others 4%, with 42 lending relationships. Q4 included ₹500 crore NABFID borrowing (~7.5%), further diversifying funding.

- Liquidity stood at ₹1,425 crore with undrawn sanctions of ~₹1,687 crore; ALM remains positive across buckets, with ~74% assets and ~73% liabilities on floating rates.
- Floating-rate structure enables effective transmission of rate changes, supporting spread protection in a volatile rate environment.
- Cost-to-income improved to 35.9% in FY26 (-55 bps YoY), supported by operating leverage and branch maturity; Q4 ratio (at 37.1%) was seasonally elevated due to incentive payouts.
- Urban branches typically achieve breakeven in 12–15 months, while small/emerging branches do so in 9–12 months, supporting continued operating leverage as the network matures.
- Management guided for structural spread compression of ~8–10 bps annually, driven by incremental yields being lower than book yields (assuming ~25% LAP mix).
- Key yield levers include higher LAP mix (~+400 bps yield vs HL), increasing self-employed mix (+1–1.5% annually), and expansion into emerging B/C markets. Ratings upgraded to AA+/Stable (CARE), with Positive outlook from ICRA/India Ratings

### Asset Quality

- GNPA improved to 1.08% (-30 bps QoQ; partly aided by Q4 seasonality); NNPA remained ~0.7–0.8%.
- Stage 2 assets declined ~30 bps QoQ, reflecting improving early-bucket trends.
- 1+ DPD improved by ~78 bps QoQ, driven by analytics-led collections and strong field execution; collection efficiency remained >99.8%.
- LAP continues to carry ~70–75 bps higher GNPA vs HL, but is offset by ~300–350 bps higher risk-adjusted yields.
- Bounce rates have remained stable over the last six quarters despite geopolitical concerns, indicating no emerging stress.
- Customer base is largely linked to essential consumption sectors with minimal NRI exposure, limiting vulnerability to external shocks (management noted NRI community would be the first to be impacted by any West Asia crisis; Aadhar's exposure here is minimal).

### Guidance

- AUM growth: ~20%+ sustained in FY27 and medium term; medium-term milestone of ₹50,000 crore AUM over ~3 years
- PAT growth: ~20% trajectory maintained
- Disbursement growth: ~17–18%
- Spread: ~5.7–5.8% sustainable despite rate transmission; structural compression of ~8–10 bps annually
- Credit cost guidance maintained at ~25–26 bps; GNPA expected to trend towards ~1.1–1.15%
- Branch additions: ~40–50 annually, with continued focus on emerging markets
- Cost-to-income expected to improve by ~50 bps annually
- RoA sustained at elevated levels (~4.4–4.6%); medium-term guidance ~4.2–4.3%
- Interest rates expected to remain broadly stable (status quo) over next 2–3 quarters; COF likely to sustain near ~7.7%

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Net Interest Inc	508	408	24.6	485	4.7	Healthy AUM growth aided NII
Calculated NIM (%)	7.2%	7.0%	25 bps	7.4%	-11 bps	
Other Income	141	111	26.5	111	27.2	
Net Total Income	649	519	25.0	596	8.9	
Employees benefits expense	141	109	29.6	135	4.7	includes ₹13.5 crore ESOP charge, branch expansion also impacted employee cost
Other operating expense	99	87	14.3	84	18.7	5 new branches added in the quarter
PPP	408	323	26.4	377	8.2	
Provision costs	10	6	59.2	18	-42.0	Marginal moderation in credit cost at ~15 bps
PBT	398	316	25.8	360	10.6	
Tax Outgo	87	71	22.6	79	11.1	
PAT	311	245	26.7	281	10.5	Strong business growth aided earnings
<b>Key Metrics</b>						
GNPA	330	268	23.2	397	-16.9	Asset quality well contained. Improvement seen in Stage 2 assets
NNPA	245	179	36.8	288	-15.1	
AUM	30,571	25,531	19.7	28,790	6.2	Continued focus on emerging segment
Borrowings	18,744	16,322	14.8	17,507	7.1	
Disbursements	3,087	2,566	20.3	2,380	29.7	
Cost / Income	37.1%	37.8%	-68 bps	34.0%	307 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	3,901	4,662
Interest Expended	1,174	1,364	1,623	1,940
Net Interest Income	1,545	1,880	2,278	2,722
Growth (%)	19.9	21.6	21.2	19.5
Non Interest Income	390	443	466	533
Net Income	1,935	2,322	2,745	3,254
Employee cost	464	569	656	755
Other operating exp.	240	280	338	409
Operating Income	1,230	1,473	1,751	2,090
Provisions	57	68	81	96
PBT	1,173	1,406	1,670	1,995
Taxes	261	310	367	439
Net Profit	912	1,096	1,303	1,556
Growth (%)	21.7	20.2	18.9	19.4
EPS (₹)	21.0	25.3	29.9	35.7
	0.28%	0.27%	0.28%	0.28%

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Valuation</u>				
No. of Shares (crore)	215.7	217.9	217.9	217.9
EPS (₹)	21.0	25.3	29.9	35.7
BV (₹)	147.7	173.1	203.0	238.7
ABV (₹)	144.3	168.7	198.1	233.1
P/E	24.1	20.1	17.0	14.2
P/BV	3.4	2.9	2.5	2.1
P/adj.BV	3.5	3.0	2.6	2.2
<u>Yields &amp; Margins (%)</u>				
Yield on avg advances	13.8	13.7	13.8	13.9
Avg. cost on funds	7.9	7.9	7.9	7.9
NIM	6.3	6.4	6.5	6.5
Spreads	5.9	5.8	5.9	6.0
<u>Quality and Efficiency (%)</u>				
Cost / Total net income	39.9	39.9	39.2	38.8
GNPA	1.1	1.2	1.1	1.1
NNPA	0.7	0.8	0.7	0.7
RoE	16.8	15.8	15.9	16.2
RoA	4.3	4.4	4.4	4.4

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Sources of Funds</u>				
Capital	431	436	436	436
Reserves and Surplus	5,941	7,105	8,408	9,964
Networth	6,372	7,541	8,844	10,399
Borrowings	16,322	18,744	22,528	26,922
Other Liabilities & Provision:	529	1,114	963	1,127
Total	23,224	27,399	32,335	38,448
<u>Applications of Funds</u>				
Investments	513	637	730	864
Advances	20,484	24,840	29,135	34,464
Other Assets	2,227	1,922	2,470	3,120
Total	23,224	27,399	32,335	38,448

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios				
(% growth)	FY25	FY26	FY27E	FY28E
Total assets	21.6	18.0	18.0	18.9
Advances	21.2	21.3	17.3	18.3
Borrowings	13.9	18.0	19.7	19.5
Total Income	20.7	20.6	17.9	18.6
Net interest income	19.9	21.6	21.2	19.5
Operating expenses	17.6	20.5	17.1	17.1
Operating profit	22.5	20.6	18.3	19.4
Net profit	21.7	20.2	18.9	19.4
Book value	31.0	17.2	17.3	17.6
EPS	10.8	20.2	18.2	19.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto: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](mailto:research@icicidirect.com)

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

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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