

Aadhar Housing Finance | BUY

Steady quarter

Aadhar Housing Finance (Aadhar) reported a stable quarter with PAT at INR 2.5bn (+21%/2% YoY/QoQ, -3% JMFe), driving RoA/RoE of 4%/16%. Key metrics include: i) AUM growth of +21%/6% YoY/QoQ, led by disbursements growth of +18%/23% YoY/QoQ; ii) NII stood at INR 4.1bn (+22% YoY, flat QoQ), impacted by a contraction in calc. NIMs of 38bps QoQ; and iii) Credit costs of 10bps of AUM, supporting profitability. For FY26, management guided for i) AUM and disbursement growth of 20–21% and 18–19%, respectively, ii) PAT growth of 20–21%, iii) 30–50bps improvement in the cost-to-income ratio, and iv) GNPA to remain between 1.1–1.15%. Given the near-term pressure on NIMs, we cut our FY26/27E earnings estimates by ~3% - 4%. Supported by strong growth visibility and stable asset quality, we expect AUM CAGR of 20% during FY25-27E and avg RoAs/RoE of ~4.2%/16% over FY26–27E. We maintain BUY with a target price of INR 525, valuing the company at 2.6x FY27E BV.

- **Steady AUM growth driven by strong disbursements:** Aadhar's Q4 disbursements stood at INR 25.7bn (+23% QoQ, +18% YoY), driving AUM to INR 255bn (+6% QoQ, +21% YoY). The HL and LAP segments grew +19% and +26% YoY, respectively, with a stable HL:LAP mix of 74:26. Management guides for FY26E AUM growth of 20–21% and disbursement growth of 18–19%, supported by deeper penetration in emerging markets, improving branch vintage, and government-led housing initiatives. Currently, emerging locations contribute 45% of AUM with higher yields (13–16%), and the company aims to raise this to 55% over two years. We forecast AUM to grow at a 20% CAGR over FY25–27E.
- **Lower margins and high opex drive down profitability:** Aadhar reported NII of INR 4.1bn (+22% YoY, flat QoQ), missing estimates by 5%, primarily due to a 38bps QoQ contraction in NIMs. While reported yields remained steady at 13.9%, cost of funds rose 10bps QoQ to 8.2%. Operating expenses were elevated at INR 2.0bn (+13% QoQ, +12% YoY), 14% above JMFe, resulting in a PPop miss at INR 3.2bn (+27% YoY, flat QoQ, -5% JMFe). Credit costs declined meaningfully to INR 64mn (10bps of AUM vs 32bps QoQ), supporting a PAT of INR 2.5bn (+21% YoY, +2% QoQ, -3% JMFe). Management guided for PAT growth of 20–21% in FY26, with a 30–50bps reduction in the cost-to-income ratio, while maintaining stable yields. We project an 18% earnings CAGR over FY25–27E, with average RoA/RoE of 4.2%/15.5% over FY26–27E.
- **Stable asset quality; credit costs expected to remain benign:** Asset quality remained stable with gross Stage-3 assets at 1.1% (-35bps QoQ) and net Stage-3 at 0.7% (-22bps QoQ), supported by a provision coverage ratio (PCR) of 34.5%. The company maintains a healthy 13% provision on Stage-2 assets, with overall ECL coverage at a comfortable 1.2% of AUM. Management has guided for GNPA levels of 1.1–1.15% in FY26. We factor in average credit costs of 29bps over FY26–27E.
- **Valuation and view:** We remain confident in Aadhar's strong growth outlook, supported by its pan-India presence, deepening penetration across urban and emerging markets,



Ajit Kumar

ajit.k@jmfl.com | Tel: (91 22) 66303489

Mayank Mistry

mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Raghvesh

raghvesh@jmfl.com | Tel: (91 22) 66303099

Shreyas Pimple

shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

Gayathri Shivaram

gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

Shubham Karvande

Shubham.karvande@jmfl.com | Tel: (01 22) 6630 3696

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	525
Upside/(Downside)	13.0%
Previous Price Target	525
Change	0.0%

Key Data – AADHARHF IN

Current Market Price	INR465
Market cap (bn)	INR200.4/US\$2.4
Free Float	24%
Shares in issue (mn)	394.8
Diluted share (mn)	
3-mon avg daily val (mn)	INR366.7/US\$4.3
52-week range	517/292
Sensex/Nifty	80,641/24,380
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	3.3	1.6	0.0
Relative*	-6.3	0.2	0.0

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	7,485	9,118	10,583	12,712	15,550
Net Profit (YoY) (%)	68.3%	53.3%	41.4%	39.4%	46.9%
Assets (YoY) (%)	32.8%	39.8%	43.0%	39.1%	38.3%
ROA (%)	4.5%	4.6%	4.6%	4.6%	4.8%
ROE (%)	19.7%	18.1%	17.8%	16.9%	17.6%
EPS	19.0	21.4	24.8	29.8	36.5
EPS (YoY) (%)	67.8%	41.9%	30.9%	39.4%	46.9%
P/E (x)	24.5	21.8	18.7	15.6	12.8
BV	113	149	174	204	240
BV (YoY) (%)	40.9%	59.6%	54.6%	36.6%	38.0%
P/BV (x)	4.13	3.11	2.67	2.28	1.93

Source: Company data, JM Financial. Note: Valuations as of 06/May/2025

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and scalable technology infrastructure. We expect AUM CAGR of 20% during FY25-27E and avg RoAs/RoE of ~4.2%/16% over FY26–27E. We maintain BUY with a target price of INR 525, valuing the company at 2.6x FY27E BV.

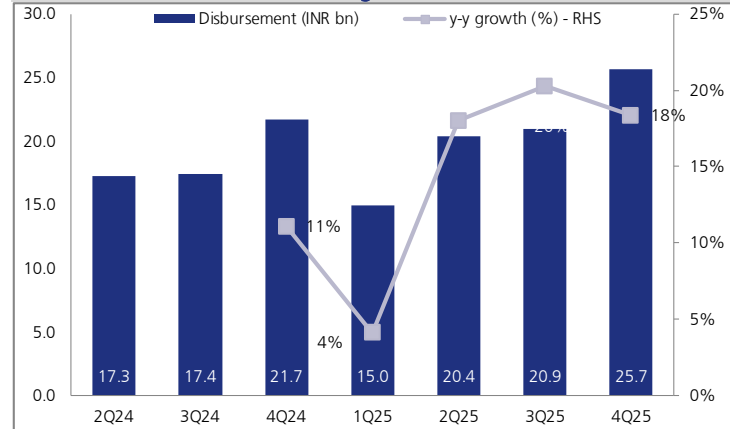
Aadhar Housing Finance – 4QFY25 Quarterly Performance

Exhibit 1. 4QFY25 Key Performance Highlights

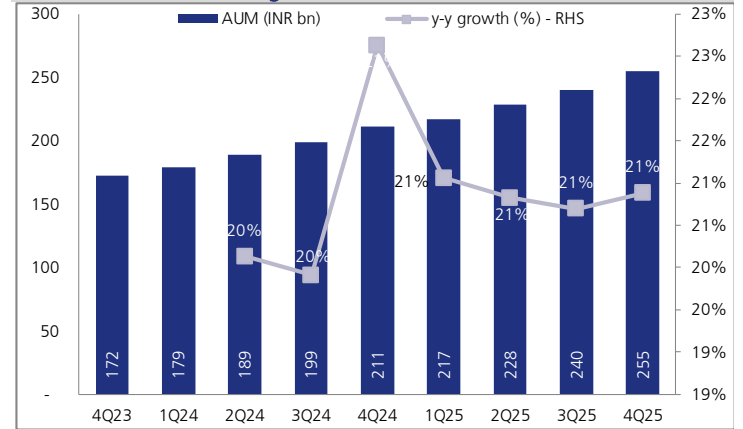
Earnings Table (INR mn)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Interest Income	3,346	4,073	4,077	22%	0%
Total Non-Interest income	953	934	1,114	17%	19%
Total Income	4,299	5,008	5,191	21%	4%
Total Operating Expenses	1,755	1,744	1,968	12%	13%
Operating Profit (PPP)	2,545	3,264	3,223	27%	-1%
Total Provisions	(41)	187	64	-254%	-66%
PBT	2,586	3,077	3,159	22%	3%
Tax	569	683	711	25%	4%
Reported Profit	2,018	2,393	2,448	21%	2%
Loan Book (INR bn)					
Disbursements	22	21	26	18%	23%
AUM	211	240	255	21%	6%
Key ratios (%)					
Yield on loans (%)	14.5%	15.0%	14.6%	2 bps	(48) bps
Cost of funds (%)	7.7%	8.0%	8.0%	27 bps	0 bps
Spread (%)	6.8%	7.0%	6.6%	(25) bps	(48) bps
NIM (%)	6.5%	7.0%	6.6%	6 bps	(38) bps
Credit Quality					
Gross NPAs (Rs mn)	1,869.0	2,770.0	2,229.0	19.3%	-19.5%
Net NPAs (Rs mn)	1,098.0	1,785.0	1,461.0	33.1%	-18.2%
Gross NPA (%)	1.1%	1.4%	1.1%	(2) bps	(35) bps
Net NPA (%)	0.6%	0.9%	0.7%	6 bps	(22) bps
Credit costs (%)	-0.1%	0.32%	0.10%	18 bps	(22) bps
ECL/ EAD (%)	1.2%	1.2%	1.2%	(4) bps	(7) bps

Source: Company, JM Financial

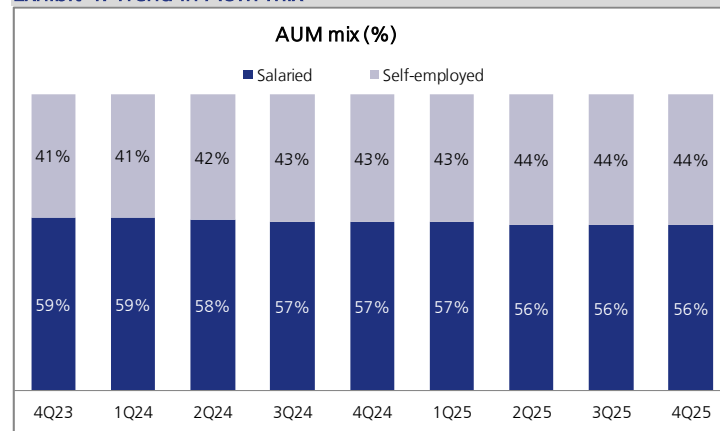
Quarterly Trends

Exhibit 2. Trend in Disbursements growth


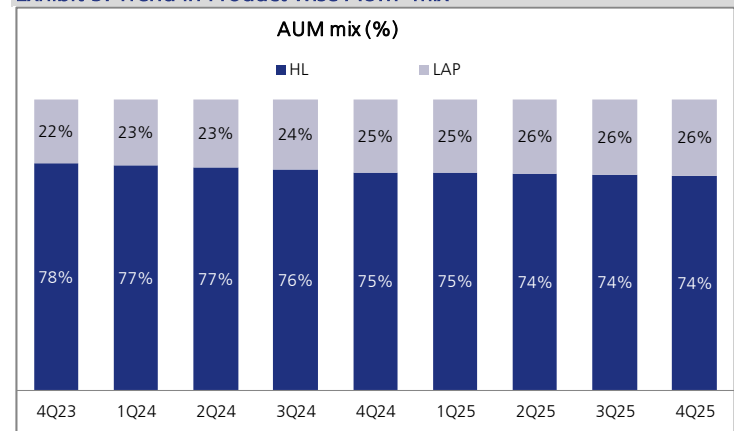
Source: Company, JM Financial

Exhibit 3. Trend in AUM growth


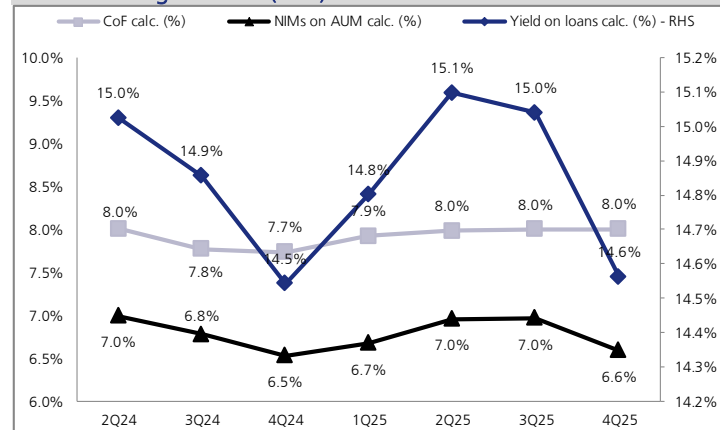
Source: Company, JM Financial

Exhibit 4. Trend in AUM Mix


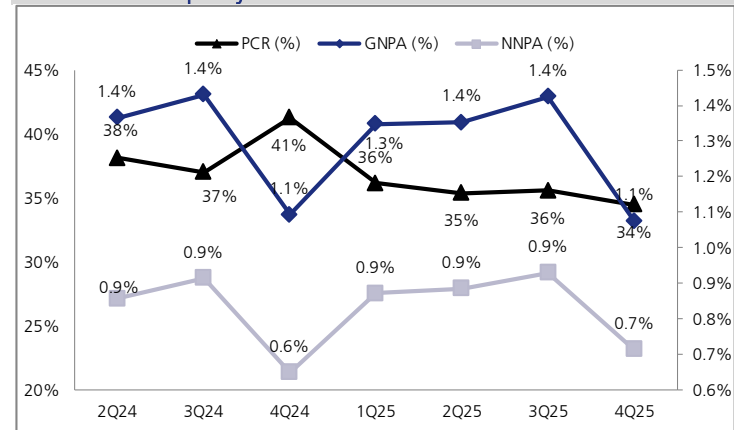
Source: Company, JM Financial

Exhibit 5. Trend in Product wise AUM mix


Source: Company, JM Financial

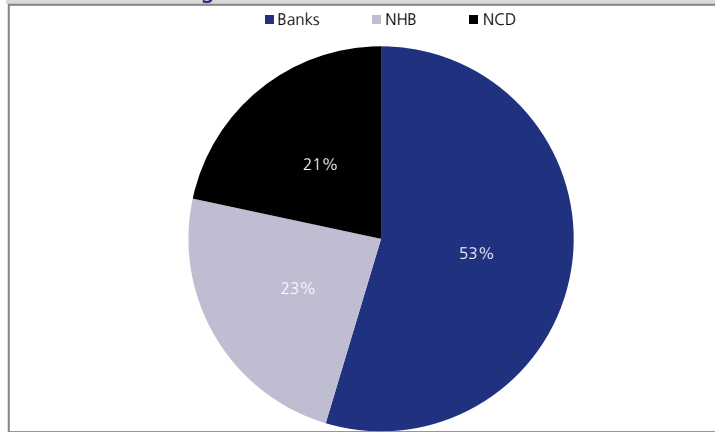
Exhibit 6. Margins Trend (Calc)


Source: Company, JM Financial

Exhibit 7. Asset quality trend


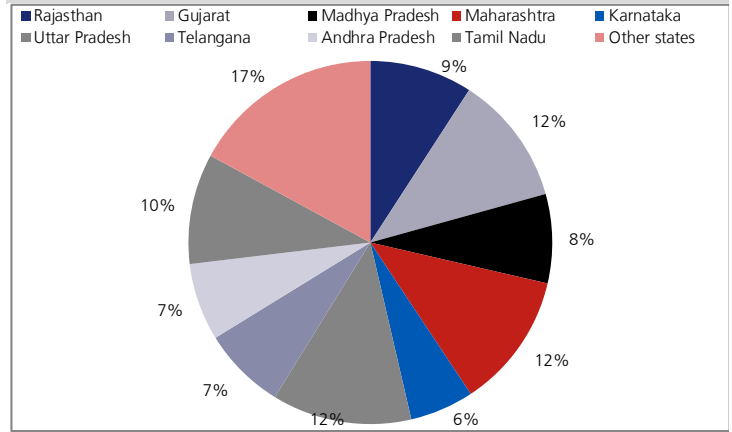
Source: Company, JM Financial

Exhibit 8. Borrowings mix



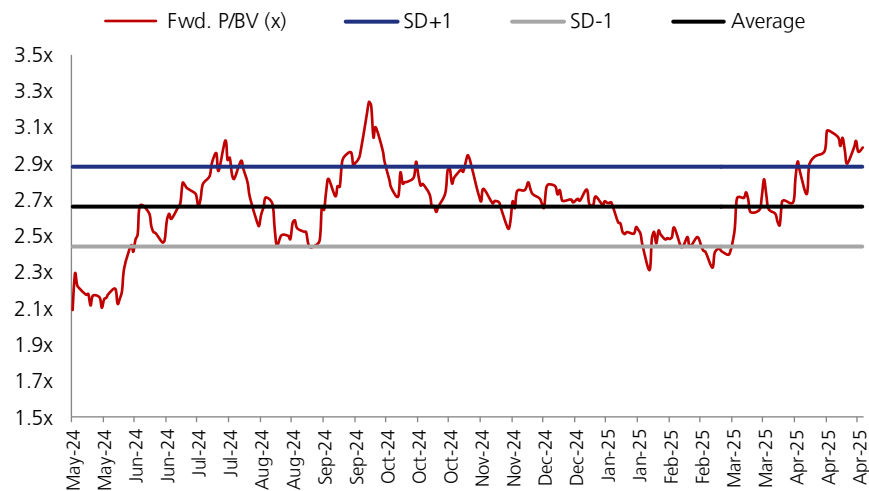
Source: Company, JM Financial

Exhibit 9. State-wise branch mix



Source: Company, JM Financial

Exhibit 10. 1 year forward P/BV chart



Source: Company, JM Financial

Exhibit 11. Aadhar: Change in our estimates

Particulars.	New estimates			Old estimates		Change in estimates	
	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F
Recommendation	BUY			BUY			
Target price (INR)	525			525			
Assumptions							
AUM (Rs bn)	306.3	365.8	436.1	305.0	364.4	0%	0%
YoY AUM growth (%)	20%	19%	19%	20%	19%	29 bps	(4) bps
Net interest margins (calc.)	6.5%	6.3%	6.4%	6.8%	6.8%	(35) bps	(53) bps
Opex/AUM (%)	2.9%	2.7%	2.6%	2.7%	2.6%	17 bps	8 bps
Credit cost (%)	0.31%	0.26%	0.30%	0.27%	0.26%	4 bps	0 bps
Outputs (INR bn)							
Net interest income (Rs bn)	18.1	21.2	25.7	19	23	-5%	-7%
Total income (Rs bn)	22.7	26.5	31.9	22.5	26.9	1%	-2%
PPOP (Rs bn)	14.6	17.4	21.4	15.0	18.1	-2%	-4%
PAT (Rs bn)	10.6	12.7	15.5	10.9	13.3	-3%	-4%
EPS (Rs)	25	30	36	26	31	-3.3%	-4.38%
BVPS (Rs)	174	204	240	175	206	0%	-1%
RoA	4.2%	4.3%	4.4%	4.3%	4.5%	(15) bps	(20) bps
RoE	15.3%	15.8%	16.4%	15.8%	16.4%	(50) bps	(60) bps

Source: Company, JM Financial

Exhibit 12. Our estimates vs. consensus

	JMF estimates			Consensus			JMF vs consensus		
INR bn	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Total net income	22,682	26,496	31,919	23,568	28,036	NA	-3%	-4%	NA
Operating profit	14,616	17,399	21,393	14,993	18,046	NA	-7%	-3%	NA
PAT	10,583	12,712	15,550	11,232	13,440	NA	-4%	-6%	NA
EPS (Rs)	25	30	36	26	32	NA	-4%	-6%	NA
BVPS (Rs)	174	204	240	176	205	NA	-1%	-1%	NA

Source: Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Interest Income (NII)	12,826	15,452	18,135	21,176	25,698	
Non Interest Income	2,543	3,899	4,547	5,320	6,221	
Total Income	15,369	19,351	22,682	26,496	31,919	
Operating Expenses	5,364	7,048	8,066	9,098	10,526	
Pre-provisioning Profits	10,005	12,303	14,616	17,399	21,393	
Loan-Loss Provisions	412	571	872	889	1,199	
Others Provisions	0	0	0	0	0	
Total Provisions	412	571	872	889	1,199	
PBT	9,592	11,733	13,745	16,509	20,194	
Tax	2,107	2,614	3,161	3,797	4,645	
PAT (Pre-Extra ordinaries)	7,485	9,118	10,583	12,712	15,550	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	7,485	9,118	10,583	12,712	15,550	
Dividend	0	0	0	0	0	
Retained Profits	7,485	9,118	10,583	12,712	15,550	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Equity Capital	3,948	4,314	4,314	4,314	4,314	
Reserves & Surplus	40,513	59,409	69,992	82,704	98,254	
Stock option outstanding	0	0	0	0	0	
Borrowed Funds	139,000	163,224	192,973	229,722	268,204	
Deferred tax liabilities	0	0	0	0	0	
Preference Shares	7,397	5,293	5,822	6,404	7,044	
Current Liabilities & Provisions	0	0	0	0	0	
Total Liabilities	190,857	232,240	273,101	323,145	377,816	
Net Advances	169,029	204,841	245,045	292,640	348,883	
Investments	4,578	5,132	6,126	7,316	6,542	
Cash & Bank Balances	12,714	17,234	18,378	20,119	19,625	
Loans and Advances	0	0	0	0	0	
Other Current Assets	0	0	0	0	0	
Fixed Assets	798	919	965	1,013	1,064	
Miscellaneous Expenditure	0	0	0	0	0	
Deferred Tax Assets	0	0	0	0	0	
Total Assets	190,857	232,240	273,101	323,145	377,816	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	31.2%	35.0%	38.2%	40.7%	39.0%
Advances	41.3%	47.9%	45.0%	42.9%	42.4%
Total Assets	32.8%	39.8%	43.0%	39.1%	38.3%
NII	65.1%	58.1%	41.4%	37.0%	41.7%
Non-interest Income	64.7%	78.8%	78.8%	36.4%	36.8%
Operating Expenses	69.9%	65.7%	50.4%	29.1%	30.5%
Operating Profits	62.5%	59.8%	46.1%	41.4%	46.4%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	-15.4%	16.0%	111.4%	55.9%	37.6%
Reported PAT	68.3%	53.3%	41.4%	39.4%	46.9%
Yields / Margins (%)					
Interest Spread	7.12%	6.79%	6.50%	6.32%	6.40%
NIM	6.69%	6.62%	6.46%	6.30%	6.41%
Profitability (%)					
ROA	4.48%	4.64%	4.56%	4.60%	4.79%
ROE	19.7%	18.1%	17.8%	16.9%	17.6%
Cost to Income	34.9%	36.4%	35.6%	34.3%	33.0%
Asset quality (%)					
Gross NPA	1.09%	1.08%	1.20%	1.10%	1.10%
LLP	0.22%	0.24%	0.31%	0.26%	0.30%
Capital Adequacy (%)					
Tier I	37.70%	44.10%	0.00%	0.00%	0.00%
CAR	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	7.68%	7.87%	7.81%	7.67%	7.91%
Other Income / Assets	0.00%	0.00%	0.00%	0.00%	0.00%
Total Income / Assets	7.68%	7.87%	7.81%	7.67%	7.91%
Cost / Assets	3.21%	3.59%	3.48%	3.29%	3.24%
PPP / Assets	4.47%	4.28%	4.34%	4.37%	4.67%
Provisions / Assets	0.25%	0.29%	0.38%	0.32%	0.37%
PBT / Assets	4.22%	3.99%	3.96%	4.05%	4.30%
Tax rate	22.0%	22.3%	23.0%	23.0%	23.0%
ROA	3.30%	3.10%	3.05%	3.12%	3.31%
Leverage	6.0	5.8	5.8	5.4	5.3
ROE	19.7%	18.1%	17.8%	16.9%	17.6%

Source: Company, JM Financial

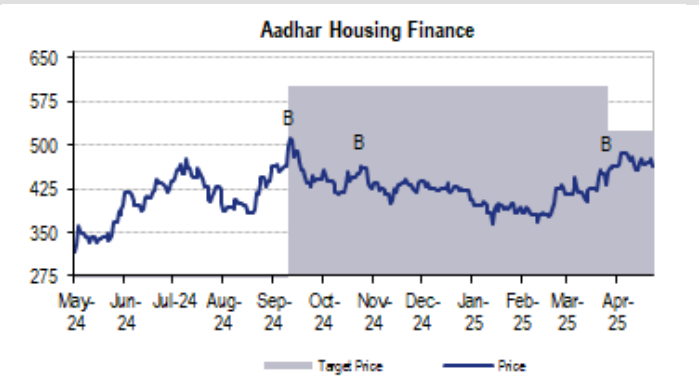
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	394.8	426.5	426.5	426.5	426.5
EPS (INR)	19.0	21.4	24.8	29.8	36.5
EPS (YoY) (%)	67.8%	41.9%	30.9%	39.4%	46.9%
P/E (x)	24.5	21.8	18.7	15.6	12.8
BV (INR)	113	149	174	204	240
BV (YoY) (%)	40.9%	59.6%	54.6%	36.6%	38.0%
P/BV (x)	4.13	3.11	2.67	2.28	1.93
DPS (INR)	0.0	0.0	0.0	0.0	0.0
Div. yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
23-Sep-24	Buy	600	
6-Nov-24	Buy	600	0.0
8-Apr-25	Buy	525	-12.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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