

Price: 480

Recommendation: Buy

Industry: Housing Finance Company

Sector: Financial Services

Report Date: 21-Apr-2025

Aadhar Housing Finance Limited has shown strong performance with a 21% year-on-year growth in Assets Under Management, reaching INR 24,000 crores. This success is due to expanding their branch network and enhancing digital capabilities. The company opened 34 new branches in nine months and implemented a paperless onboarding system. They focus on retail secured loans, maintaining a stable asset quality with a GNPA ratio of 1.36% and a collection efficiency of 98-99%.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2906 Cr	Operating Profit(Year)	2261 Cr	Operating Profit Margin	77.8 %
Previous Year	1994 Cr	Operating Profit(Quarter)	611 Cr	EBITDA Margin	67.69 %
Current Quarter	785 Cr	PAT (Year)	749 Cr	Net Profit Margin	29.7 %
Previous Quarter	751 Cr	PAT (Quarter)	239 Cr	EPS	20.6
Revenue (QYoY)	659 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	23.9	Sales Growth	21.6 %	Sales Growth	4.53 %
PEG Ratio	0.70	PAT Growth	32.8 %	Sales Growth QYoY	19.12 %
EV/EBITDA	15.0	EPS Growth	8.42 %	PAT Growth	4.82 %
P/B	3.53	Dividend Yield	0.00	PAT Growth QYoY	17.73 %
Capital Allocation		Holdings		Leverage	
RoE	18.4 %	Promoter	75.6 %	Debt/Equity	2.55
RoA	4.19 %	FII	5.32 %	Debt	14962 Cr
RoCE	11.4 %	DII	8.58 %	Market Cap	20724 Cr
RoIC	11.4 %	Public	10.5 %	Enterprise value	33858 Cr
		No of Shares	43.1 Cr	Cash Equivalents	1828 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Aadhar Housing Finance Limited has demonstrated a robust performance in the recent quarter, achieving a 21% year-on-year growth in Assets Under Management (AUM), reaching approximately INR 24,000 crores. This growth is attributed to their strategic focus on expanding their branch network and enhancing digital capabilities. The company opened 12 new branches in the third quarter, totaling 34 new branches over nine months, which has significantly increased their market reach. Their digital transformation, initiated in 2021 with a scalable technology platform developed by TCS, has enabled 100% paperless onboarding, enhancing operational efficiency and customer experience. The company's focus on retail secured loans, with no exposure to corporates or developers, has maintained a stable asset quality, with a Gross Non-Performing Asset (GNPA) ratio of 1.36% and a collection efficiency of 98-99%.

In terms of new initiatives, Aadhar Housing Finance is investing heavily in information technology and data analytics to drive business growth and risk management. Their data analytics team is actively involved in projects like customer risk categorization and early warning triggers, which are integral to their strategy. The company's diversification strategy includes targeting niche markets in Tier 4 cities and beyond, which has been successful in expanding their customer base to over 2.86 lakh live customers across 545 districts in 21 states. The company's commitment to geographical expansion is further evidenced by their plan to open a total of 55 branches by the end of the year.

Looking ahead, Aadhar Housing Finance is optimistic about the future growth prospects, driven by favorable macroeconomic conditions and government initiatives such as the SWAMIH Fund and PMAY, which are expected to boost the affordable housing segment. The company anticipates a growth rate of 22-24% in AUM, with a focus on maintaining a healthy balance between growth and asset quality. The management is confident in their ability to manage challenges such as balance transfer outflows, which they aim to reduce to a comfortable level of 5.5-5.7%.

On the positive side, the company's strategic initiatives and strong financial performance position it well for future growth. However, there are areas for improvement, such as further reducing the balance transfer outflows and enhancing customer retention strategies. The company's proactive approach in addressing these challenges, coupled with their strong market position and strategic initiatives, provides a solid foundation for sustained growth. Key data points of interest include the company's cost of funds at 8.1%, a portfolio yield of 13.9%, and a profit after tax growth of 22% year-on-year, reflecting their strong financial health and operational efficiency.

AADHARHFC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HUDCO	46932.25	17.50	13.17%	9.63%	37.14%	6.74%	41.56%
LIC Housing Fin.	33364.07	6.48	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	26230.53	14.37	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	20723.75	23.87	18.39%	4.57%	19.22%	5.13%	17.59%
AAVAS Financiers	17127.05	30.42	13.93%	3.04%	17.47%	-1.01%	25.52%

Aspect	Commentary
Revenue	The company experienced a significant increase in revenue, with a year-on-year growth of 21.6%. This indicates strong sales performance and effective market strategies, contributing to the overall financial health and expansion potential of the business.
Profit & Loss	Operating profit margins are robust, reflecting efficient cost management. The net profit margin of 29.7% highlights strong profitability, supported by a healthy PAT growth of 32.8% year-on-year, indicating effective operational strategies.
Profitability Matrix	The company maintains a high operating profit margin of 77.8%, showcasing strong operational efficiency. The EBITDA margin of 67.69% further supports this, indicating effective cost control and revenue generation capabilities.
Valuation Matrix	The trailing P/E ratio of 23.9 suggests the market values the company favorably relative to its earnings. A PEG ratio of 0.70 indicates potential undervaluation, suggesting growth prospects are not fully priced in by the market.
Growth (YoY)	Year-on-year growth metrics are positive, with sales growth at 21.6% and PAT growth at 32.8%. This reflects strong business expansion and profitability, driven by strategic initiatives and market demand.
Growth (QoQ)	Quarter-on-quarter growth shows steady progress, with sales growth at 4.53% and PAT growth at 4.82%. This indicates consistent performance and the ability to sustain growth momentum in the short term.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 18.4% and RoCE of 11.4%, indicating efficient use of equity and capital employed to generate returns, supporting long-term financial stability.
Holdings	Promoter holding is strong at 75.6%, indicating confidence in the company's prospects. Institutional holdings are balanced, with FII at 5.32% and DII at 8.58%, reflecting diversified investor interest.
Leverage	The debt/equity ratio of 2.55 suggests a high level of leverage, which could pose risks if not managed carefully. However, the company's market cap and enterprise value indicate strong market positioning and potential for growth.

Analyst viewpoint: Aadhar Housing Finance Limited has delivered impressive quarterly performance, marked by a 4.53% quarter-on-quarter growth in sales and a remarkable 4.82% increase in profit after tax. These metrics underscore the company's consistent growth trajectory, fortified by a strategic expansion of its branch network and a robust digital transformation. The EPS growth of 8.42% over the year highlights the company's ability to generate strong earnings. In terms of valuation, a trailing P/E ratio of 23.9 and a PEG ratio of 0.70 suggest that the company remains attractively priced, especially when considering its robust growth potential. Capital allocation appears judicious with a return on equity of 18.4%, indicating effective use of resources to generate shareholder value, while maintaining a stable debt-to-equity ratio that supports financial agility.

The company's strategic exclusion from corporate exposures and focus on secured retail loans ensures a strong asset quality, safeguarding against market volatilities. Peer analysis reveals Aadhar's competitive footing, supported by a comprehensive strategy to cater to Tier 4 cities and expanding its demographic reach. The management's estimates anticipate continued growth, driven by supportive government policies and macroeconomic conditions. However, it's important to note a potential challenge in reducing balance transfer outflows, which the management is actively addressing. Nonetheless, Aadhar Housing's strategic initiatives and strong market position offer a promising backdrop for sustained growth in the short to mid-term.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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