Aham Housing Finance Private Limited

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50.0	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating of bank facilities of Aham Housing Finance Private Limited (AHFPL) derives strength from its experienced management team, comfortable capital structure and moderately diversified lender base for its scale of operations. The rating also derives strength from the company's adequate credit origination, underwriting, collection, and risk management practices, which has helped it maintain a healthy asset quality. However, the rating is constrained by the company's relatively small scale of operations with moderate portfolio seasoning, modest profitability, and geographical concentration. The rating factors in the company's exposure to the self-employed borrower segment, though this risk is partially mitigated by the secured lending portfolio.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Sustained increase in operational scale with geographical diversification of the loan portfolio and maintaining healthy asset quality.
- Steady improvement in earnings with return on total assets (ROTA) above 2%.
- Significant mobilisation of equity capital for further growth in business.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in asset quality with gross non-performing assets (GNPA) ratio above 4%.
- Deterioration in profitability on a sustained basis.
- Overall gearing exceeding 4x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes the entity shall sustain its moderate financial risk profile with credit cost under control over the medium term.

Detailed description of key rating drivers:

Key strengths

Management with adequate experience and proven record

The company's operations are headed by Venkatesh Kannappan – Founder, MD and CEO, who has extensive experience of over 25 years in the banking and financial services industry. Venkatesh has experience in starting and scaling retail finance divisions across multiple organisations. He is supported by experienced board members, which include Raja Vaidyanathan S V, founder and ex-chairman and MD of Asirvad Microfinance Limited and Satish Mehta. The senior management team also has significant experience of over a decade in the banking and financial services industry. The company is in the process of strengthening its management team with the introduction of key leadership roles, including head of HR and head of IT. Head of business and collections and a head of operations have been appointed and are expected to join soon.

Healthy asset quality led by established risk management practices

AHFPL has a solid risk management mechanism framework, including thorough due diligence. With an interview-based assessment, the company further follows a proprietary scoring methodology to ensure consistency in decision making across all categories of people. The scorecard uses over 40 parameters, making it very robust and holistic. Although AHFPL addresses a wider ticket size of loans ranging from 5 -50 lakhs, it follows conservative underwriting standards, largely lending with a low LTV of ~40% and average ticket size of ₹13 lakhs. The company was able to maintain a healthy asset quality with a GNPA of 0.94% as on December 31, 2024.

The company has completed the implementation of end-to-end IT infrastructure software provided by TCS with loan origination system (LOS), loan management system (LMS), and enterprise resource planning (ERP) implemented on a single platform, facilitating better risk management and governance. The company has an operational track record of five years, which results in moderate seasoning considering the long-term housing loans and significant loan book growth since FY23. The company's ability and the management to implement and monitor these underwriting practices with an increase in scale is a key rating monitorable.

Adequate capitalisation levels

The company has been able to raise equity of ₹48.69 crore since inception and tangible net worth stood at ₹53.40 crore as on December 31, 2024. Overall gearing levels stood at 0.70x as on December 31, 2024, against 1.60x as on March 31, 2023. Aided by regular equity infusion, capital adequacy ratio (CAR) remains comfortable above regulatory requirements with CAR and Tier-I CAR of 86.04% and 85.17%, respectively, as on December 31, 2024. CARE Ratings expects the company will maintain overall gearing below 4x on a steady state basis.

Moderately diversified resource profile for its scale of operations

The company's borrowing profile is moderately diversified for its size, and it has been able to attract loans from banks and refinance lines from NHB, despite small scale of operations. Borrowing profile comprises term loans from banks (69.8%), NBFCs/HFCs (29.1%) and NHB refinance lines (1.1%). The company has an established lender relationship with 11 lenders, as on December 31, 2024. Top five lenders constituted 84.62% of the total borrowings outstanding, as on December 31, 2024. The company is also in co-lending with one HFC and has done direct assignment transactions with an NBFC.

Key weaknesses

Small size and geographically concentrated operations

As on December 31, 2024, AHFPL operates from Tamil Nadu, Andhra Pradesh, and Karnataka with 21 branches and currently employs 122 people. The loan portfolio stood at ₹108.08 crore with top geographic exposure being Tamil Nadu, which forms 57.7% portfolio followed by Andhra Pradesh (30.3%) and Karnataka (12.0%), as on December 31, 2024. The company plans for deeper expansion in existing geographies in the medium term.

Moderate profitability considering high operational cost with the company being in growth phase

The company's net income margin (NIM) stood at 9.54% in FY24 against 8.26% in FY23, as the company was operating at a lower leverage compared to FY23. Considering branch expansions and higher employee expenses, the company's opex/average total assets continues to remain high at 11.50% (FY23: 12.18%). Cost to income ratio stood at 97.62% in FY24. Credit cost remained stable at 0.18% in FY24 (FY23:0.26%). Consequently, ROTA stood stable at 0.07% in FY24 against 0.04% in FY23. ROTA improved and stood at 0.80% in 9MFY25 with operational expenses/average total assets declining to 10.38% and cost to income ratio improved to 89.63% in 9MFY25. NIM also improved to 9.95%. The company's ability to source funds at competitive rates and keep operational expenses under control with it being in the growth phase would be critical to attaining healthy profitability. However, earnings are expected to remain moderate, considering the company's branch expansion plans in the pipeline over the near-to-medium term.

Inherent risk associated with the borrower segment partly offset by secured lending

AHFPL primarily focuses on the self-employed and informal income borrower segment in semi-urban areas, majority who have undocumented incomes, leading to limited access to credit from banking channels. Loans to self-employed segment formed 74.3% of overall asset under management (AUM) as on December 31, 2024. The customer segment is exposed to volatility in cash flows and economic disruptions. While the company's borrower segment may not have adequate documents to assess the financial viability, a large part of its borrowers has credit history as loans taken earlier for gold, two-wheelers, and consumer durables. The secured loan book with an average loan-to-value (LTV) of ~40% reduces risk to some extent.

Liquidity: Adequate

Per the asset liability management (ALM) statement as on December 31, 2024, the company has negative cumulative mismatch in its less than-one-year tenor bucket. This is a characteristic of housing finance companies (HFCs), where loans extended to clients have a longer tenure against its shorter tenure of liabilities. The company had maintained cash and bank balance and liquid investments of ₹5.9 crore as on December 31, 2024. The company has unavailed bank limits of ₹22.0 crore, as on December 31, 2024. The company also has ₹5.0 crore working capital limit available of which outstanding stood at ₹3.5 crore as on December 31, 2024.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Housing Finance Companies

About the company and industry

Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Housing finance company

AHFL is a housing finance company (HFC) incorporated on November 21, 2017, promoted by Venkatesh Kannappan. The company started operations from January 2020 on receiving certificate of registration from NHB to operate as a non-deposit accepting HFC. AHFL is engaged in providing housing loans to individuals for construction, purchase, renovation, upgrading houses to underserved segments in the lower-to-middle income categories and secured loan against property (LAP) to micro and small enterprises in Tier-II and Tier-III cities. As on December 31, 2024, AHFL is operating in Tamil Nadu, Andhra Pradesh, Karnataka with 21 branches, and has an AUM of ₹108 crore.

Brief Financials (₹ crore)-Standalone	31-03-2023	31-03-2024	31-12-2024
	A	A	(UA)
Total income	7.79	12.69	13.19
PAT	0.02	0.05	0.60
Interest coverage (times)	1.01	1.02	1.17
Total assets	57.88	84.55	117.28
Net NPA (%)	0.44	0.44	0.73
ROTA (%)	0.04	0.07	0.80

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2032	50.00	CARE BBB-; Stable

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	50.00	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-24)	-	-	-

*LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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