

March 13, 2026

Aavas Financiers Limited: Ratings reaffirmed and outlook revised to Positive from Stable; rating withdrawn for matured instruments

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Bank lines	0.00	3,398.00	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Non-convertible debenture programme	800.00	800.00	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Commercial paper	250.00	250.00	[ICRA]A1+; reaffirmed
Long-term bank lines – NHB refinance [^]	3,385.52	0.00	-
Long-term bank lines – Term loan [^]	7.48	0.00	-
Long-term bank lines – Cash credit [^]	5.00	0.00	-
Non-convertible debenture programme	100.00	0.00	[ICRA]AA (Positive); reaffirmed, outlook revised to Positive from Stable and withdrawn
Total	4,548.00	4,448.00	

*Instrument details are provided in Annexure I; [^] These facilities are clubbed under Long term fund based – Bank lines under current rated amount.

Rationale

The revision in the outlook factors in Aavas Financiers Limited's (Aavas) track record in the affordable housing finance space, healthy capitalisation profile and comfortable earnings profile. The company's assets under management (AUM) increased at a compound annual growth rate (CAGR) of 21% during FY2020-FY2025 and at 12% (annualised basis) and 15% YoY, standing at Rs. 22,204 crore as on December 31, 2025. Although the managed gearing¹ is expected to increase from 4.0x as on December 31, 2025 with incremental business being funded by fresh borrowings, ICRA expects the company to maintain a prudent capitalisation profile over the medium term. Aavas' comfortable earnings profile is characterised by a return on managed assets (RoMA)² of 2.6% in 9M FY2026, supported by range-bound net interest margins (NIMs), stable operating expenses and controlled credit costs.

The ratings also consider the company's portfolio vulnerability, given its target borrower profile. Aavas' operations remain focussed on low-and-middle-income self-employed borrowers (61% of the AUM as on December 31, 2025), who are relatively more vulnerable to economic cycles and have limited income buffers to absorb income shocks. Thus, delinquencies in the softer buckets could remain volatile. Nevertheless, Aavas has demonstrated the ability to control the asset quality with 1+ days past due (dpd) at 3.8% as on December 31, 2025. Additionally, losses on default are expected to be limited, considering the secured nature of the portfolio with moderate loan-to-value (LTV) ratios and the low ticket size. Moreover, the assets are largely self-occupied residential properties, thereby supporting the asset quality. ICRA notes the relatively high geographical concentration of the portfolio although the same has declined over the past few years.

ICRA has reaffirmed the rating, revised the outlook to Positive from Stable and withdrawn the rating assigned to the Rs. 100.0-crore non-convertible debenture (NCD) programme as no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

¹ Managed gearing = (Total borrowings + Off-book portfolio)/Net worth

² Return on average assets (RoA) stood at 3.2% in 9M FY2026 as well as FY2025

Key rating drivers and their description

Credit strengths

Demonstrated ability to grow retail business volumes; track record of good asset quality – Aavas has a demonstrated track record of business expansion with the AUM increasing at a CAGR of 21% during FY2020-FY2025. Its AUM grew at 12% (annualised basis) and 15% YoY to Rs. 22,204 crore as on December 31, 2025. As far as the portfolio mix is concerned, the share of individual home loans remained stable at about 66% as on December 31, 2025 followed by micro, small and medium enterprises (MSMEs; secured by mortgage – 21%) and loan against property (LAP)/other mortgage loans (13%). The share of the salaried customer segment stood at 39%.

The gross and net stage 3 stood at 1.2% and 0.8%, respectively, as on December 31, 2025 (1.1% and 0.7%, respectively, as on March 31, 2025). ICRA notes that the company's portfolio remains vulnerable, given its target borrower profile. Hence, delinquencies in the softer buckets could remain volatile. Nevertheless, Aavas has demonstrated the ability to control the asset quality with 1+ dpd at 3.8% as on December 31, 2025. ICRA notes that the overall provision cover against the loan book was stable at 0.7% as on December 31, 2025.

Healthy capitalisation – Aavas is well capitalised with a managed gearing of 4.0x and a capital-to-risk weighted assets ratio (CRAR) of 46.4% as on December 31, 2025 (4.2x and 44.5%, respectively, as on March 31, 2025). While the leverage is expected to increase from the current level with fresh borrowings funding the incremental business, ICRA expects the company to maintain a prudent capitalisation profile with a steady-state managed gearing below 5x over the medium term. In ICRA's opinion, external capital requirement remains low, considering the calibrated growth plans and healthy internal capital generation. However, external capital would be required if the planned growth is significantly higher than internal capital generation.

Comfortable earnings profile – Aavas' earnings profile remained comfortable in 9M FY2026 supported by range-bound NIMs, stable operating expenses and controlled credit costs. The NIM remained range-bound at 5.8% in 9M FY2026 (5.7% in FY2025). While operating expenses stayed stable at 2.8% in 9M FY2026, credit costs remained under control at 0.2% in 9M FY2026. Profitability remained comfortable with RoMA³ of 2.6% in 9M FY2026 compared to 2.7% in FY2025. ICRA notes that an improvement in incremental profitability shall depend on the improvement in NIMs and optimisation of operating expenses with economies of scale while keep the asset quality under control.

Credit challenges

Exposure to relatively vulnerable borrower profile – Aavas' operations remain focussed on low-and-middle-income self-employed borrowers (61% of the AUM as on December 31, 2025), who are relatively more vulnerable to economic cycles and have limited income buffers to absorb income shocks. Nevertheless, the losses on default are expected to be limited considering the secured nature of the portfolio, the moderate LTV (~60% of the portfolio had an LTV of less than 60% as on December 31, 2025) and the low ticket size. Moreover, the assets are largely self-occupied residential properties. Also, ICRA draws comfort from Aavas' demonstrated ability to control the asset quality and credit costs, which positively reflects its underwriting norms and collection infrastructure.

Relatively high, albeit improving, geographical concentration – Aavas commenced lending operations in March 2012 with primary focus on the home state of Rajasthan. While it subsequently expanded its geographical footprint to 15 states/Union Territories (UTs), its dependence on Rajasthan remains relatively high at 33% as on December 31, 2025, but lower than 46% as on March 31, 2018. Although the share of Rajasthan is not expected to reduce significantly in the medium term, the overall geographical diversity is likely to improve with the company gradually expanding and opening new branches in other states. Aavas had 404 branches as on December 31, 2025 spread across Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Delhi,

³ RoA stood at 3.2% in 9M FY2026 as well as FY2025

Uttar Pradesh, Uttarakhand, Chhattisgarh, Punjab, Haryana, Himachal Pradesh, Odisha, Karnataka, Tamil Nadu and Chandigarh.

Environmental and social risks

While housing finance companies (HFCs) like Aavas do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the borrowers, to which such HFCs have an exposure, face livelihood disruption because of physical climate adversities, the same could translate into credit risks for the HFCs. However, such risk is not material for Aavas given its granular portfolio.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as any material lapse could be detrimental to their reputation and invite regulatory censure. Aavas has not faced such material lapses over the years, which highlights its resilience to such risks. While it contributes to promoting financial inclusion by lending to underserved segments, the company’s lending practices remain prudent as reflected in the healthy asset quality profile over the years in this segment.

Liquidity position: Strong

Aavas’ liquidity profile is strong with sizeable on-balance sheet liquidity in the form of cash and liquid investments of about Rs. 2,310 crore (15% of its on-balance sheet borrowings) as on December 31, 2025. It is also maintaining off-balance sheet liquidity in the form of undrawn cash credit limits of Rs. 126 crore, documented but unavailed sanctions of Rs. 2,454 crore from National Housing Bank (NHB) other banks as on December 31, 2025. As on December 31, 2025, Aavas’ asset-liability management (ALM) profile reflected scheduled inflows (principal and interest) of Rs. 4,681 crore from performing advances during the next 12 months. This is sufficient compared to the total debt servicing burden (principal and interest) of about Rs. 3,915 crore over the one-year period till December 31, 2026.

Aavas’ financial flexibility is good, given its relationships with all the leading banks of the country and All India Financial Institutions (AIFIs). It also has funding support from various multilateral agencies like International Finance Corporation (IFC), British International Investment (BII; formerly known as Commonwealth Development Corporation) and Asian Development Bank (ADB). Its funding profile remains diversified with sources including borrowings from banks and other financial institutions (FIs; 52% of total borrowings as on December 31, 2025), securitisation and assignment (25%; significant proportion of the portfolio qualifies for priority sector lending), NHB refinance (12%), NCDs (10%) and commercial paper/cash credit (1%).

Rating sensitivities

Positive factors – A sustained improvement in the company’s scale while maintaining healthy asset quality and earnings could positively impact the rating.

Negative factors – Pressure on the ratings could arise in case of a weakening in the asset quality and/or significant deterioration in the earnings profile (RoMA of less than 2.5% on a sustained basis). Also, a sustained deterioration in the capitalisation profile (managed gearing exceeding 5x) or an adverse change in the asset-liability maturity profile could exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	-
Consolidation/Standalone	Standalone

About the company

Aavas is a Jaipur (Rajasthan) headquartered housing finance company, which primarily provides housing loans in rural and semi-urban areas. It is present in 14 states and 1 UT, with a network of 404 branches and AUM of Rs. 22,204 crore on December 31, 2025.

Aavas was incorporated as a subsidiary of Au Financiers (India) Limited {now Au Small Finance Bank Limited (AuSFB)} in February 2011, and it formally began its operations in March 2012. In June 2016, AuSFB sold its stake in Aavas to private equity (PE) investors – Kedaara Capital and Partners Group – to meet the Reserve Bank of India’s (RBI) criteria for conversion to a small finance bank. Aavas launched an initial public offering (IPO) in FY2019 and its equity shares got listed on the stock exchanges on October 8, 2018. The total issue size was Rs. 1,734 crore, of which ~Rs. 360 crore was raised for business operations while the rest was utilised to pay off the existing shareholders. In August 2024, the erstwhile promoter group, i.e. Kedaara Capital and Partners Group, entered into share sale agreements (SSAs) to sell their entire stake to Aquilo House Pte. Ltd., which belongs to CVC Capital Partners Group (acquirer). Subsequently, through a public announcement dated August 10, 2024, the acquirer made an open offer for the acquisition of an additional stake of up to 26.00% from the public shareholders of Aavas. After the consummation of the SSAs and completion of the open offer, Aquilo House Pte. Ltd. gained control and was categorised as the new promoter of Aavas. As on December 31, 2025, Aavas’ shareholding was: CVC Capital Partners (48.95%), foreign institutional investors (FIIs; 24.72%), domestic institutional investors (DIIs; 13.30%), the management team/employees/board members and relatives (1.00%) and others (12.04%).

Aavas reported a profit after tax (PAT) of Rs. 473 crore in 9M FY2026 on a managed asset base⁴ of Rs. 25,049 crore as on December 31, 2025 compared with Rs. 574 crore in FY2025 on a managed asset base of Rs. 22,926 crore as on March 31, 2025. It had a net worth of Rs. 4,858 crore and CRAR of 46.4% as on December 31, 2025 (Rs. 4,361 crore and 44.5%, respectively, as on March 31, 2025). The gross and net stage 3 stood at 1.2% and 0.8%, respectively, as on December 31, 2025 (1.1% and 0.7%, respectively, as on March 31, 2025).

Key financial indicators

Aavas	FY2024	FY2025	9M FY2026
	Audited	Audited	Unaudited
Total income	2,020	2,358	1,970
PAT	491	574	473
Total managed assets	19,933	22,926	25,049
Return on average managed assets	2.7%	2.7%	2.6%
Managed gearing (times)	4.2	4.2	4.0
Gross stage 3	0.9%	1.1%	1.2%
CRAR	44.0%	44.5%	46.4%

Source: Aavas’ financial results, ICRA Research; Note: Amount in Rs. crore; All figures and ratios are as per ICRA’s calculations/adjustments

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

⁴ Managed assets = Gross assets (including credit provisions on loans) + Off-book portfolio

Rating history for past three years

Instrument	Current rating (FY2026)				Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	Mar 13, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	0.00	-	Apr 07, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	Jan 08, 2024	[ICRA]AA (Stable)	Jun 29, 2022	[ICRA]AA (Stable)
				Jun 11, 2025	[ICRA]AA (Stable)	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Sep 06, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)
Fund based – Cash credit	Long term	0.00	-	Apr 07, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	Jan 08, 2024	[ICRA]AA (Stable)	Jun 29, 2022	[ICRA]AA (Stable)
				Jun 11, 2025	[ICRA]AA (Stable)	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Sep 06, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)
				-	-	-	-	-	-	-	-
Fund based – NHB refinance	Long term	0.00	-	Apr 07, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	Jan 08, 2024	[ICRA]AA (Stable)	Sep 06, 2022	[ICRA]AA (Stable)
				Jun 11, 2025	[ICRA]AA (Stable)	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)
Fund based – Others	Long term	3,398.00	[ICRA]AA (Positive)	-	-	-	-	-	-	-	-
Commercial paper	Short term	250.00	[ICRA]A1+	Apr 07, 2025	[ICRA]A1+	Jun 25, 2024	[ICRA]A1+	Jan 08, 2024	[ICRA]A1+	Jun 29, 2022	[ICRA]A1+
				Jun 11, 2025	[ICRA]A1+	-	-	-	-	Aug 22, 2022	[ICRA]A1+
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]A1+
				-	-	-	-	-	-	Sep 06, 2022	[ICRA]A1+
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]A1+
				-	-	-	-	-	-	-	-
NCD	Long term	800.00	[ICRA]AA (Positive)	Apr 07, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	Jan 08, 2024	[ICRA]AA (Stable)	Jun 29, 2022	[ICRA]AA (Stable)
				Jun 11, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Sep 06, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)

Instrument	Current rating (FY2026)				Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	Mar 13, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long term	0.00	[ICRA]AA (Positive)	Apr 07, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	Jan 08, 2024	[ICRA]AA (Stable)	Jun 29, 2022	[ICRA]AA (Stable)
				Jun 11, 2025	[ICRA]AA (Stable)	Jun 25, 2024	[ICRA]AA (Stable)	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Aug 22, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Sep 06, 2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)
				-	-	-	-	-	-	Feb 24, 2023	[ICRA]AA (Stable)

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Simple
NCD programme	Simple
Long-term fund-based bank lines	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details[^]

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE216P07233	NCD	Jul-20-2023	Repo rate linked	Jul-20-2028	150.00	[ICRA]AA (Positive)
INE216P07241	NCD	Oct-29-2024	6 months MIBOR OIS	Oct-29-2029	630.00	[ICRA]AA (Positive)
NA	NCD*	NA	NA	NA	20.00	[ICRA]AA (Positive)
NA	Cash credit	NA	NA	NA	5.00	[ICRA]AA (Positive)
NA	NHB refinance	2015-2025	NA	NA	2,344	[ICRA]AA (Positive)
NA	Long term fund based – Bank lines*	NA	NA	NA	1,049	[ICRA]AA (Positive)
INE216P14098	Commercial paper	Jun-17-2025	NA	Jun-17-2026	200.00	[ICRA]A1+
NA	Commercial paper*	NA	NA	NA	50.00	[ICRA]A1+
INE216P07209	NCD	Dec-31-2020	Repo rate linked	Dec-31-2025	100.00	[ICRA]AA (Positive); withdrawn

Source: Aavas, ICRA Research; [^] As on February 28, 2026; * Proposed/yet to be placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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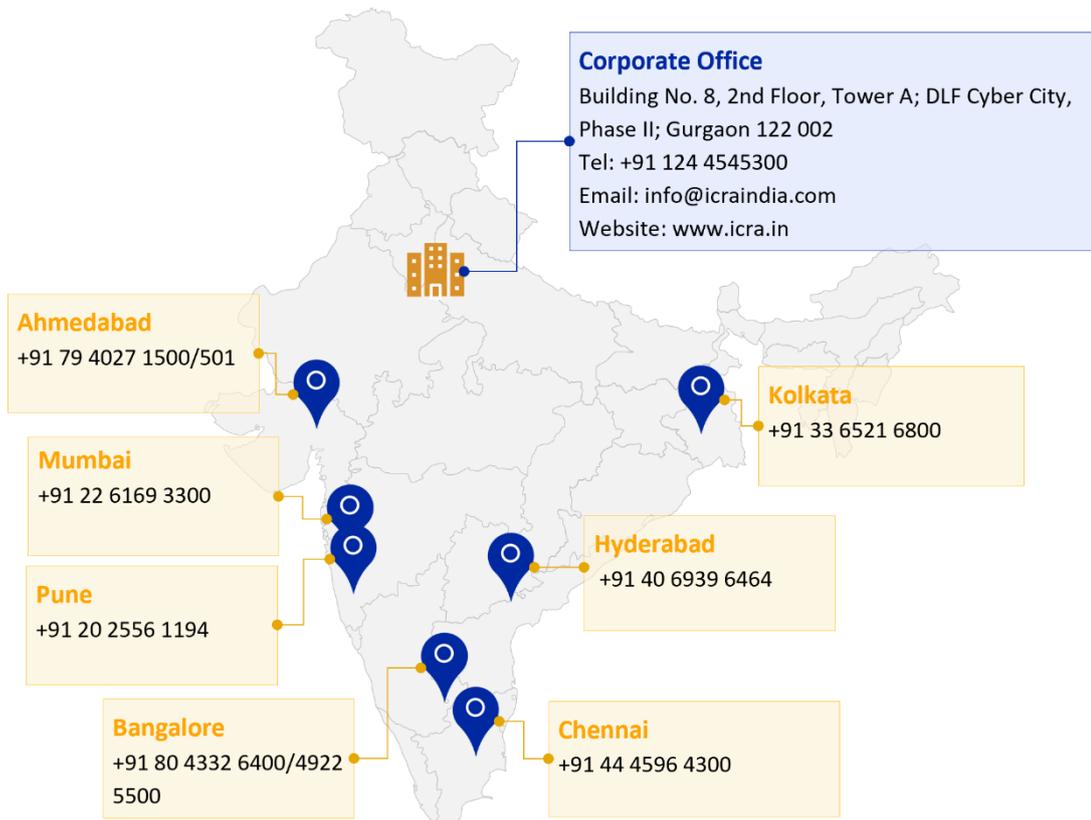
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