

IPO NOTE

Issue Details

Price Band: ₹ 300 to ₹ 315
Employee Discount: ₹ 23/Share
Issue Opens on: May 8, 2024
Issue Closes on: May 10, 2024
Lot Size: 47 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 3,000 Cr.
No. of Shares: -
Face Value: ₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	1,000.00
Offer for Sale	2,000.00
Total	3,000.00

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	1,496.50
HNI	15	448.95
Retail	35	1,047.55
Employee	-	7.00
Total	100	3,000.00

Listing

BSE & NSE

Lead Managers

- ICICI Securities Limited
 - Citigroup Global Markets India Private Limited
 - Kotak Mahindra Capital Co. Ltd.
 - Nomura Financial Advisory and Securities (India) Pvt. Ltd.
 - SBI Capital Markets Ltd.

Registrar

KFin Technologies Limited

ANALYST

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COMPANY OVERVIEW

Aadhar Housing Finance is a retail-focused HFC focused on the low income housing segment, serving economically weaker and low-to-middle income customers, who require small ticket mortgage loans. The average ticket size of their loans was ₹0.9 million and ₹1.0 million with an average loan-to-value of 57.7% and 58.3%, as of December 31, 2022 and December 31, 2023, respectively. BCP Topco, which is an affiliate of funds managed by Blackstone, is the company's Promoter and currently holds 98.72% of the pre-Offer issued, subscribed and paid-up Equity Share capital. They have a presence in 20 states and union territories, which is the highest among the peers analyzed by CRISIL as of March 31, 2023 and an extensive network of 487 branches* including 109 sales offices, as of December 31, 2023.

The company offers a range of mortgage-related loan products, including loans for residential property purchase and construction; home improvement and extension loans; and loans for commercial property construction and acquisition. They have made social objectives one of the core objectives of their business model. For FY2023, the company had reached 233,000 accounts and had more than 255,000 Live Accounts as of December 31, 2023.

They hold a certificate of registration to act as corporate agent from the IRDAI. They are permitted to enter into arrangements with insurers for the distribution of life, general and health insurance products.

HIGHLIGHTS

- HFC focused on the low income housing segment (ticket size less than ₹1.5 million) in India
- Seasoned business model with strong resilience through business cycles
- Extensive branch and sales office network, geographical penetration and sales channels which contribute significantly to loan sourcing and servicing
- Robust, comprehensive systems and processes for underwriting, collections and monitoring asset quality
- Access to diversified and cost-effective long-term financing with a disciplined approach to asset liability and liquidity management

OBJECTS OF THE ISSUE

- To meet future capital requirements towards onward lending (₹ 750 Cr.)
- General corporate purposes

Offer for sale of equity shares aggregating to ₹ 2,000 Cr.

The company will not receive any proceeds from the Offer for sale.

OUR VIEW

Aadhar Housing Finance Company ('Aadhar HFC') is retail focused HFC concentrated on the low-income housing segment (ticket size less than ₹1.5 million) in India and serving economically weaker and low-to-middle income customers. The company had the highest AUM and net worth among the analyzed peers in FY2021, FY2022, FY2023 and nine months ended December 31, 2022 and December 31, 2023.

The company plans to expand their distribution network to achieve deeper penetration in key states, with a continual focus on its target customers and grow the customer base. They shall continue to invest in and roll out digital and technology enabled solutions. There is a well-established process and a strong four-tier collections infrastructure to help with loan collections. However, any increase in the levels of NPA in AUM would adversely affect the business. Also the company is vulnerable to the volatility in interest rates and may face interest rate and maturity mismatches between assets and liabilities.

The Total income grew at a CAGR of 13.9% over FY21-23. The net profit margin stood at 26.7% as at FY23 and 28.9% and 28.9% at 9MFY24. The gross NPA and net NPA stood at 1.2% and 0.8% respectively as at FY23 and it was 1.4% and 1% respectively for 9MFY24. The company generated ROE and ROA of 16.5% and 3.6% as at FY23 and the number was 18.4% and 4.2% as at 9MFY24.

The issue is priced at a P/BV of 2.93 based on its NAV of Rs. 107.60 as of December 31, 2023. If we annualize FY24 earnings, the company is asking for a PE multiple of 17.5x. thus the issue appears reasonably priced. Looking at all the factors, risks, opportunities and valuation, investors may apply for the issue with a medium term horizon.

Brief Financials

PARTICULARS	As at December 31, 2023			₹ in Million
		FY '23	FY '22	FY '21
Total Income	18,951.7	20,435.2	17,285.6	15,755.5
Total Expenditure	11,941.9	13,227.0	11,612.0	11,430.4
EBITDA	14,410.1	15,365.0	13,418.1	12,596.7
Profit before Tax	7,009.8	6,958.2	5,673.6	4,325.1
Profit after Tax	5,478.8	5,447.6	4,448.5	3,401.3
E.P.S. (Diluted)	13.5*	13.4	10.9	8.4
P/E (x) (Diluted)	-	23.5	-	-
RONW (%)	12.9	14.7	14.1	12.6
Net NPA to AUM (%)	1.0	0.8	1.1	0.7

* Not Annualised

PRICE CHART (@ ₹ 315) (Retail Category)

LOT SIZE	Amount
47	14,805
94	29,610
141	44,415
188	59,220
235	74,025
282	88,830
329	103,635
376	118,440
423	133,245
470	148,050
517	162,855
564	177,660
611	192,465

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	658	207,270
Big HNI	3,196	1,006,740

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	13/05/2024
Initiation of refunds/unblocking ASBA Fund	14/05/2024
Credit of Equity Shares to demat accounts of Allottees	14/05/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	15/05/2024

For more details, Please refer RHP,

https://www.sebi.gov.in/filings/public-issues/apr-2024/aadhar-housing-finance-limited-rhp_83134.html

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