

AADHAR HOUSING FINANCE LIMITED

08-05-2024 - 10-05-2024

Industry: Housing Finance Company
Recommendation: Subscribe for long term

Price Band: ₹300-315
Post Implied Market Cap: – ₹12,843 - ₹13,435 Cr

Key Data

| | |
|-----------------------|-------------------------------|
| Issue Size (₹ Cr) | 3000 |
| Fresh (₹) | 1000 |
| OFS (₹) | 2000 |
| No. of shares offered | 10,00,19,372 - 9,52,55,597 |
| Face Value (₹ /share) | 10 |
| Bid Lot | 47 |

About the Company

Aadhar Housing Finance Company (HFC) is a prominent retail-focused housing finance company in India, specializing in providing small mortgage loans to economically weaker and low-to-middle income individuals, particularly in the low-income housing segment. Their offerings include loans for residential and commercial property purchase, construction, home improvement, and extension. The company operates a network of 487 branches across 20 states and union territories. With a customer-centric approach, Aadhar HFC aims to contribute to the economic upliftment of its target customers and provide employment opportunities in urban and semi-urban areas across India.

Investment Rationales

- HFC focused on the low-income housing segment:** Aadhar Housing Finance focuses on the low-income housing segment in India and has consistently had the highest Assets Under Management (AUM) and Net Worth among its peers from FY2021 to December 31, 2023. Its Gross AUM increased from ₹13,327.1 Cr in FY2021 to ₹17,222.8 Cr in FY2023, with a CAGR of 17.3%. As of December 31, 2023, no state accounted for more than 14.0% of its Gross AUM, with the top two states contributing to 27.6% of the total.
- Seasoned business model with strong resilience through business cycles:** The company's strength lies in its consistent growth, portfolio performance, asset quality, and profitability, driven by its customer-centric approach in the low-income housing segment. With a diversified product offering, it caters to both salaried and self-employed customers in formal and informal sectors. The average loan size has remained stable, and loan products are designed to meet the capital needs of its target customers. As of December 31, 2023, the average loan-to-value ratio stood at 58.3%, which the company considers attractive for the low-income housing segment.
- Extensive branch and sales office network, geographical penetration and sales channels:** Aadhar HFC boasts a wide network of branches and sales offices across India, totalling 487 branches and 109 sales offices as of December 31, 2023. Its expansion has been notable, with branches increasing from 310 in March 2021. While a significant portion of its operations is concentrated in five states, the company is steadily spreading its presence across 20 states and UTs. To reach customers in tier 4 and tier 5 towns, it has established sales offices in remote areas and collaborates with local partners for further outreach. The company's Aadhar Gram Unnati initiative addresses the specific needs of semi-urban markets. Additionally, it engages individuals through programs like Aadhar Mitra and Mahila Aadhar Mitra, offering referral fees for directing customers to its services. Digital platforms play a crucial role in its business strategy, with initiatives like the 'Digital Aadhar Mitra' program and social media presence driving customer engagement and lead generation.
- Social objectives are one of the core components of business model:** Aadhar HFC prioritizes social impact, with a significant portion of its business focused on economically weaker and low-income groups. Around 72.9% of its Gross AUM and 85.5% of live accounts are from customers earning less than ₹50,000 per month. It actively participates in government-sponsored affordable housing schemes like Pradhan Mantri Awas Yojana, benefiting urban and semi-urban citizens. These loans make up 19.7% of its Gross AUM and 23.7% of live accounts as of December 31, 2023.

Indicative Timetable

| | |
|------------------------------------|-------------|
| Activity | On or about |
| Finalisation of Basis of Allotment | 13-05-2024 |
| Refunds/Unblocking ASBA Fund | 14-05-2024 |
| Credit of equity shares to DP A/c | 14-05-2024 |
| Trading commences | 15-05-2024 |

Shareholding (No. of shares)

| | |
|--------------------------------|--------------|
| Pre-Issue | 39,47,54,970 |
| Post Issue (Lower price band) | 42,80,88,303 |
| Post Issue (Higher price band) | 42,65,01,001 |

Shareholding Pattern

Promoter & promoter group:

| | |
|------------|--------|
| Pre Issue | 98.70% |
| Post Issue | 76.50% |

Public - Others:

| | |
|------------|--------|
| Pre Issue | 1.30% |
| Post Issue | 23.50% |

Issue Breakup

| | |
|--------|-----|
| QIB | 50% |
| NIB | 15% |
| Retail | 35% |

Other Details

BRLMs: ICICI Securities, Citigroup Global Markets India, Kotak Mahindra Capital Co., Nomura Financial Advisory & Securities (India), SBI Capital Markets.

Registrar: KFin Technologies

Listing: BSE & NSE

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Risk

- 1) Slowdown of or disruption to the macroeconomic environment could increase the level of NPA in their AUM.
- 2) Vulnerable to volatility in interest rates.

MView

We believe Aadhar HFC Ltd IPO brings investors an opportunity to invest in a leading player within India's low-income housing segment. We think the company's exclusive focus on the low-income housing segment, which includes economically weaker and low-income groups, aligns with social objectives and government schemes, presenting a stable and potentially lucrative market niche. We also believe Aadhar HFC's prudent lending practices, stringent credit standards, and diverse product offerings cater to a wide range of customers, including both salaried and self-employed individuals across formal and informal sectors. This diversified approach not only helps mitigate risks but also ensures resilience across various economic cycles. We also think the company's extensive network of branches and sales offices, combined with innovative initiatives such as the Aadhar Mitra Program and digital platforms, significantly enhances its outreach and customer engagement, especially in remote and semi-urban areas, its establishment of Aadhar Gram Unnati further underscores its commitment to addressing the specific needs of local markets. By looking at the financials has shown a good growth in revenue from operations and net profit in FY 2023 by 18.2% & 22.5%. On valuation parse at the upper band of ₹315/-, the issue is asking for a Market Cap of ₹13435/- Cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a P/B of 2.47x which seems the valuations are reasonable when compared to its industry peers which are trading nearly ~4x on average. Given Aadhar HFC's growing Gross AUM and Net Worth, coupled with a stable average ticket size of loans, indicate sound financial health and potential for further expansion. Additionally, its increasing penetration into tier 4 and tier 5 towns suggests promising growth prospects. Hence, considering all the parameters, we are recommending investors to "Subscribe" the issue for the long term perspective.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

| Particulars ₹ (in Cr) | As at Dec' 31 | | As at March' 31 | | |
|-----------------------|---------------|----------|-----------------|----------|----------|
| | 2023 (09) | 2022(09) | 2023 | 2022 | 2021 |
| Equity Share Capital | 394.8 | 394.8 | 394.8 | 394.8 | 394.8 |
| Net worth | 4,249.10 | 3,555.70 | 3,697.60 | 3,146.60 | 2,692.80 |
| Total income | 1,895.20 | 1,488.20 | 2,043.50 | 1,728.60 | 1,575.60 |
| Profit after tax | 547.90 | 404.10 | 544.80 | 444.90 | 340.10 |
| Basic EPS | 13.9 | 10.2 | 13.8 | 11.30 | 8.60 |
| Basic NAV per Share | 107.60 | 90.10 | 93.70 | 79.70 | 68.20 |
| Total borrowings | 13127.60 | 11715.50 | 12153.50 | 10674.60 | 10374.50 |

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

| Companies | Mcap (in Cr) | FV | Revenue from operation FY 2023 (in Cr) | EPS | NAV | P/E | P/B | RoNW |
|-----------------------------------|--------------|----|--|-------|-------|------|------|------|
| Aadhar Housing Finance | 13435 | 10 | 2,043.23 | 13.80 | 127.4 | 18.4 | 2.5 | 16.5 |
| Aptus Value Housing Finance India | 16,120 | 2 | 1,093.36 | 10.1 | 67.1 | 26.4 | 4.29 | 16.1 |
| Aavas Financiers | 12,519 | 10 | 1,608.76 | 54.4 | 413.6 | 25.5 | 3.33 | 14.1 |
| Home First Finance Company India | 8,036 | 2 | 7,909.90 | 26 | 206.5 | 28.1 | 4.13 | 13.5 |
| India Shelter Finance Corporation | 6,263 | 5 | 5,845.30 | 17.8 | 141.4 | 40.4 | - | 13.4 |

Date as on 31st March 2023, Cline Mcap, PE calculated as on 06-05-2024

Aadhar Housing Finance, Revenue EPS/PE,PB, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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