

BAJAJ HOUSING FINANCE LTD

09-09-2024 - 11-09-2024

Industry: Housing Finance

Price Band: ₹66 - 70

Recommendation: Subscribe for long term

Post Implied Market Cap: - ₹55,169 - ₹58,297Cr

Key Data

Issue Size (₹ Cr)	6,560
Fresh (₹)	3,560
OFS (₹)	3,000
No. of shares offered	508,571,429
Face Value (₹ /share)	10
Bid Lot	214

About the Company

Bajaj Housing Finance Ltd (BHFL) is India's largest non-deposit taking Housing Finance Company (HFC) by AUM, achieving this status within seven years of starting its mortgage operations. Between Fiscal 2020 and 2024, it recorded the highest total income CAGR growth of 30.3%. As of June 30, 2024, BHFL is the second-largest HFC with an AUM of ₹ 97,071.33 crs and the fastest-growing HFC with a CAGR of 29.3% in the same period. The company focuses on low-risk, fast-growing home loan customers, with home loans making up 57.8% of their AUM as of March 31, 2024, mostly from salaried customers. BHFL operates 215 branches across 174 locations in 20 states and 3 union territories, supported by centralized hubs for underwriting and loan processing.

Investment Rationales

- Distinguished heritage of the "Bajaj" brand, having recognition as a reliable retail brand with strong brand equity:** BHFL is a wholly owned subsidiary of Bajaj Finance Ltd, one of India's largest NBFCs by AUM as of March 31, 2024. The Bajaj group, known for its retail-focused businesses, has built strong consumer recognition through Bajaj Auto, Bajaj Finance's lending products, Bajaj Allianz insurance, and other financial services under the "Bajaj Finserv" brand. The financial services arm of the group primarily operates through Bajaj Finserv Ltd and its subsidiaries, including Bajaj Finance Ltd, leveraging the established "Bajaj" brand to drive growth and recognition in the market.
- 2nd largest HFC in India (in terms of AUM) with a track record of strong growth driven by a diversified portfolio:** The company's robust business model and strong risk management policies have driven its sustained growth over its 7-year operational history, making it the 2nd largest HFC and the 8th largest NBFC-UL in India by AUM as of March 31, 2024. With an AUM CAGR of 30.9% from Fiscal 2022 to 2024, it is the 4th fastest-growing HFC/NBFC among "Upper Layer" NBFCs. The company's strategic diversification, extensive financial solutions, and focus on cross-selling to a broad customer base further strengthen its market position.
- Strategic presence with omni-channel sourcing strategy, driven by customer-focused digitization initiatives and technology:** BHFL has a strategic presence in key mortgage markets, supported by branches, centralized hubs, and active channel partners. Maharashtra is a significant market, contributing 32% of AUM and 35.8% of disbursements as of June 30, 2024. The company's omni-channel sourcing strategy combines physical branches with digital onboarding options, and it employs a two-pronged approach for retail products—direct channels and intermediaries for home loans and LAP. This strategy, along with a strong geographic presence and distribution reach, allows BHFL to acquire a large customer base annually.
- Well defined credit evaluation and risk management practices resulting in lowest GNPA and NNPA among the Peers:** The company has a robust credit evaluation and underwriting framework to keep risk performance within set thresholds. As of June 30, 2024, they have 6,349 APF projects, supported by digitized credit processes and account aggregator integration for efficient retail underwriting. Their lease rental discounting services focus on prime developers, HNI clients, and private equity players, with a portfolio centered on Grade A commercial properties. A strong 4-tier collections infrastructure—comprising tele-calling, field collection, legal recovery, and settlements—ensures effective loan collections.
- Access to diversified and cost-effective borrowing sources facilitated by the highest possible credit ratings from rating agencies:** The company prioritizes longer tenor floating rate borrowings and is actively rebalancing towards increased money market borrowings to optimize risk and enhance financial agility. As of June 30, 2024, they have established relationships with 23 banks, ensuring a diversified borrowing portfolio and access to varied funding sources. They have also received approval under the NHB's refinance scheme. The company's diversified borrowing strategy includes a mix of bank loans, non-convertible debentures, commercial papers, and NHB refinance, reducing reliance on bank loans and strengthening their financial position.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12-09-2024
Refunds/Unblocking ASBA Fund	13-09-2024
Credit of equity shares to DP A/c	13-09-2024
Trading commences	16-09-2024

Shareholding (No. of shares)

Pre-Issue	7,819,575,273
Post Issue (Lower price band)	8,358,969,211
Post Issue (Higher price band)	8,328,146,701

Shareholding Pattern

Promoter:	
Pre Issue	100.00%
Post Issue	88.75%

Public - Others:

Pre Issue	0.00%
Post Issue	11.25%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Axis Capital, Kotak Mahindra Capital, BofA Securities, Goldman Sach, SBI Capital Markets, JM Financial, IIFL Securities

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

Rajan Shinde
rajan.shinde@mehtagroup.in
 022-61507142

Risk

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

MView

We believe Bajaj Housing Finance Ltd IPO gives investors an opportunity to invest in one of India's leading players in the housing finance sector. As the 2nd largest Housing Finance Company (HFC) and the 8th largest NBFC-UL by AUM as of March 31, 2024, BHFL's strategic diversification and robust risk management policies have driven an impressive AUM CAGR of 30.9% from Fiscal 2022 to 2024, making it the 4th fastest-growing HFC/NBFC in the country. We think the company's omni-channel sourcing strategy, vast geographic reach, and focus on cross-selling have enabled it to capture significant market share, particularly in key regions like Maharashtra, which accounted for 32% of AUM and 35.8% of disbursements as of June 30, 2024. We also believe BHFL's diversified borrowing strategy, robust underwriting processes, and established relationships with 23 banks further enhance its financial agility, reducing risk exposure and securing reliable access to varied funding sources. By looking at the financials, the company has shown a substantial growth in revenue from operations 50.4%/34.5% in FY 2023/2024 and net profit of 77.2%/37.6% in FY 2023/2024. On valuation parse at the upper price band of ₹ 70/-, the issue is asking for a market cap of ₹ 58297 cr. Based on FY 2025 annualized earnings and fully-diluted post-IPO paid-up capital, the company is asking for a price-to-book value (PBV) of 2.96x, which is in line with its listed peers trading at an average PBV of 3x. BHFL's well-defined credit evaluation framework, robust in-house collections infrastructure and focus on low-risk, high-growth mortgage-centric markets position it well for sustained long-term growth. The backing of the reputable "Bajaj" brand, coupled with ongoing strategic investments in technology and diversified funding avenues, further enhance BHFL's appeal and may justify a premium valuation compared to its peers. Hence, considering all attributes, we recommend investors to "SUBSCRIBE" the Bajaj Housing Finance Ltd IPO for a long term perspective.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at June 30		As at March' 31		
	2023 (03)	2024 (03)	2024	2023	2022
Equity Share Capital	7,819.58	6,712.16	6,712.16	6,712.16	4,883.33
Net worth	14,719.91	10,964.99	12,233.50	10,503.19	6,741.36
AUM	97,071.33	74,124.26	91,370.40	69,227.90	53,321.72
AUM Growth (%)	30.96	-	32.0%	29.8%	-
Disbursements	12,003.51	10,382.52	44,656.24	34,333.63	26,175.24
Total Borrowings	73,347.06	58,560.15	69,129.32	53,745.39	41,492.32
Revenue from Operations	2,208.65	1,763.25	7,617.31	5,664.73	3,766.71
Revenue Growth	25.3%	-	34.5%	50.4%	-
EBITDA	2,038.55	1,598.08	6,893.53	4,944.78	3,140.93
Net Profit for the Year	482.61	461.80	1,731.22	1,257.80	709.62
Net Profit Margin	21.85%	26.19%	22.73%	22.20%	18.84%
EPS	0.60	0.70	2.60	1.90	1.50
Net Asset Value (₹) as stated	18.80	16.30	18.20	15.60	13.80
Return on Average Equity (%)	14.3%	17.2	15.2%	14.6%	11.1%
NIM (%)	3.9%	4.4%	4.1%	4.5%	4.0%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Consolidated / Standalone	Total Income (₹ in Cr)	Mcap (in Cr)	FV	EPS	NAV (₹ Per Share)	P/B	P/E	RoNW
Bajaj Housing Finance	Restated	7,617.71	58,297	10	2.32	23.69	2.96	30.2	15.20
LIC Housing Finance	Consolidated	27,777.80	38,889	2	86.50	572.30	1.2	8.2	16.20
PNB Housing Finance	Consolidated	7,057.09	26,606	10	58.40	576.60	1.8	16.5	11.60
Can Fin Homes	Consolidated	3,524.69	11,571	2	56.40	326.20	2.7	15.1	18.80
Aadhar Housing Finance	Consolidated	2,586.98	19,083	10	19.00	104.30	3.2	25.5	18.40
Aavas Financiers	Consolidated	2,020.69	14,760	10	62.00	476.80	3.9	29.1	13.90
Aptus Value Housing Finance	Consolidated	1,416.84	16,411	2	12.30	75.50	4.4	25.6	17.50
Home First Finance	Consolidated	1,156.55	10,572	2	34.7	239.7	4.95	32.6	15.50

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 06-09-2024

Bajaj Housing Finance Ltd, 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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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154