

Aditya Birla Money Ltd.

IPO Note- Aadhar Housing Fin Ltd



STOCKS & SECURITIES

Serving the Underserved

Aadhar Housing Finance Ltd (AHFL) is focused on the low-income housing segment (ticket size less than ₹1.5mn) in India and it had the highest AUM and net worth among analysed peers in last three years. In addition, it has a presence in 20 states and union territories, which is the highest amongst its peers. AHFL is a retail-focused HFC focused on serving economically weaker and low-to-middle income customers. It enjoys a pan India presence with 498 branches as of 31st Dec, 2023. The company posted steady growth in its top and bottom lines for the past five years with net revenue and PAT growth of 29% and 38%, respectively, while AUM grew at around 17% over FY18-23. AHFL's asset quality in terms of GNPA was stable for the last five years except for in FY22 where GNPA increased to 1.5% in line with its peers.

Competitive Strength: - 1) The company has robust and comprehensive systems and processes for underwriting, collections, and monitoring asset quality. It also has an internally developed credit assessment model and have digitized monthly collections from customers to the extent possible to reduce processing and improve collection efficiency. 2) AHFL benefits from the resources, relationships, and expertise of Blackstone, one of the world's leading investment firms. 3) It has an extensive branch and sales office network across India with 498 branches as of 31st Dec, 2023.

Key Risks: - 1) Any increase in the levels on NPA in the AUM can adversely affect the company's performance. 2) It operates in a highly competitive market which can slowdown the growth. 3) The business must comply with the regulations and guidelines issued by the authorities i.e NHB & RBI, failing which can impact the operation.

Financials & valuation – SUBSCRIBE.

At the upper price band, AHFL is available at a P/BV of ~2.9x its FY24 annualised BV which is reasonable when compared to peers. We believe that Blackstone's resources, relationships, and expertise and market leader in the low-income housing segment (ticket size less than ₹1.5mn) in India can create a huge opportunity going forward. We have a **SUBSCRIBE** recommendation to this issue.

Key Financials (₹ cr)	FY21	FY22	FY23	9MFY24
Net Revenue	734	967	1,244	1,170
PPoP	487	616	770	746
PAT	340	445	595	548
AUM	13,327	14,778	17,223	19,865
Networth	2,693	3,147	3,698	4,249
RoA (%)	2.7	3.3	3.8	4.2
RoE (%)	13.5	15.2	15.9	18.4

Source: ABML Research, RHP, company presentation

06 May 2024

Rating	SUBSCRIBE	
Issue Details		
Issue Opens	08-May-24	
Issue Closes	10-May-24	
Face Value (₹)	10	
Price Band (₹)	300-315	
Bid Lot	47	
Issue Size at higher price band (₹ Cr)	3,000	
Market cap @ upper price band (₹ cr)	13,434	
Listing	NSE/BSE	
BRLMs	ICICI sec, Citi group, Kotak Mahindra cap, Nomura financial, SBI cap market.	
Registrar	Kfin Tech Ltd	
Shareholding Pattern (%)		
	Pre Issue	Post Issue
Promoter	98.72	76.39
Public	1.28	23.61
Issue Structure (In cr no. of shares)		
Issue size	9.52	
OFS	6.35	
Break-up of net issue to public (%):		
QIB's portion	50.0	
Non-Institutional portion	15.0	
Retail Portion	35.0	

Source: ABML Research, RHP

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