

# IPO Note: Aadhar Housing Finance Ltd.

Industry: Finance

Date: May 06, 2024

Issue Snapshot		Issue Break up	
Company Name	Aadhar Housing Finance Ltd.	QIB ex Anchor	20% 1,90,03,175
Issue Opens	May 08, 2024 to May 10, 2024	Anchor Investor	30% 2,85,04,762
Price Band	Rs. 300 to Rs. 315	HNI<Rs. 10 Lakhs	5% 47,50,794
Bid Lot	47 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 95,01,587
The Offer	Public issue of 9,52,38,095 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 3,17,46,032 Equity Shares* (Rs. 1000 cr.) and Offer for Sale of 6,34,92,063 Equity Shares* (Rs. 2000 cr.) by Selling Shareholder).	RII	35% 3,32,55,556
		<b>Total Public</b>	<b>100% 9,50,15,873</b>
Issue Size	Rs. 3000 Crore	Employee Reservation	2,22,222
IPO Process	100% Book Building	<b>Total</b>	<b>9,52,38,095</b>
Face Value	Rs. 10.00	Equity Share Pre Issue (Nos. Cr.)	39.5
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	3.2
BRLM	ICICI Securities Ltd, Citigroup Global Markets India Pvt. Ltd, Kotak Mahindra Capital Company Ltd, Nomura Financial Advisory and Securities (India) Pvt. Ltd, SBI Capital Markets Ltd	OFS Share (Nos. Cr.)	6.3
		Equity Share Post Issue (Nos. Cr.)	42.7
Registrar	Kfin Technologies Ltd.	Market Cap (Rs. Cr.)	13,434.8
		Equity Dilution	7.4%
		Stake Sale by OFS	14.9%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (By BCP Topco VII Pte. Ltd.)

### Fresh Issue

- To meet future capital requirements towards onward lending (Rs. 750 Crore); and
- General corporate purposes.

## Company Highlights

- Aadhar Housing Finance Ltd. (AHFL) is a HFC focused on the low income housing segment (ticket size less than Rs. 1.5 million) in India and it had the highest AUM and net worth among analyzed peers. In addition, according to the peer set analyzed by CRISIL, AHFL had the highest number of live accounts in FY23 (Source: CRISIL Report). In addition, it has a presence in 20 states and union territories, which is the highest among the peers analyzed by CRISIL as of March 31, 2023.
- AHFL 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 loans was Rs. 0.9 million and Rs. 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.
- AHFL 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. Company's financial performance has remained consistent and resilient through various external events in the Indian economy.
- AHFL has made social objectives one of the core objectives of its business model. The company operates a financially inclusive, customer centric lending business and believe that the business model contributes significantly to the economic uplift of the target customers by contributing to an improvement in their standard of living. In addition to customer-facing social objectives, the company has also implemented social objectives in aspects of the business. AHFL's presence in urban and semi-urban locations across India provides a source of employment in these locations.

- The company has robust and comprehensive systems and processes for underwriting, collections and monitoring asset quality. These systems and processes are also technology enabled across its front office and back office with a view to ultimately digitize the entire life cycle of a loan from origination to closure. Loan applications from salaried-customers go through its regional processing unit ("RPUs"), increasing efficiency while those from self-employed customers, which require close understanding of the customer and their cash flows, are managed regionally. 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.
- AHFL has modelled its branches to meet the local requirements of the location they are set up in. On a regional level, it has categorized branches as main and small branches which are hubs and it further penetrate deeper through micro or ultra-micro branches under the ambit of main or small branches. Usually the company establish its presence in a new location with an ultra-micro branch based on the geography, potential and low delinquency trends, and once the ultra-micro branch becomes profitable, it upgrades it to a small or main branch to cater to a larger pool of customers. AHFL has 498 branches and 3,885 employees in nine months ended December 31,2023.

## View

- AHFL is a HFC focused on the low income housing segment in India and the company had the highest AUM and net worth among analyzed peers. Gross AUM increased from Rs. 133,271.0 million in FY21 to Rs. 198,651.6 million as of December 31, 2023, and grew at a CAGR of 17.3% between FY21 to December 31, 2023.
- Through various business cycles, the company has been able to leverage the (i) inherent strength of the customer centric business model, (ii) extensive branch and sales office network, and (iii) the expertise of the professional management team, to maintain the status as the HFC focused on the low income housing segment in India. Financial performance has remained consistent and resilient through various external events in the Indian economy.
- AHFL have an extensive network of 487 branches including 109 sales offices, as of December 31, 2023. Branches and sales offices spread across 20 states and union territories, operating in approximately 10,926 pin codes across India, as of December 31, 2023. Branch and sales office network is widely dispersed with no state accounting for more than 14.0% in terms of Gross AUM as of December 31, 2023. The company expect that diversified reach is well positioned to meet the specific needs of target customers across geographies, in urban and semi-urban areas.
- AHFL have adopted and implemented a social objective across all aspects of the business. The company expect these social objectives are a key strength and differentiator for the business. The company operate a financially inclusive customer centric lending business and believe that business model contributes significantly to the economic uplift of the target customers by contributing to an improvement in their standard of living.
- In October 2021, the company implemented an enterprise-wide technology upgrade of the systems and processes. These investments are aimed at modernizing the technology backbone and digitizing operating processes. The company expect that these initiatives will assist in streamlining of existing processes and the introduction of enhanced features. Further, the company aim to make the process of buying a house for the customers seamless by building a digitally-driven and enabled HFC focused on the low income housing segment.
- As of March 31, 2023 and December 31, 2023, salaried customers accounted for 58.6% and 57.2% of Gross AUM and self-employed customers account for 41.4% and 42.8% of Gross AUM, respectively. As of December 31, 2023, the company has 255,683 live accounts (including assigned and co-lent loans). Apart from home loans, the company also offer loans against property, loans for renovation and property extension and loans for purchase of commercial property. As of March 31, 2023, home loans and non-home loans (including respective insurance portion) accounted for 78.1% and 21.9% of Gross AUM, respectively.
- In terms of the valuations, on the higher price band, AHFL demands a P/B multiple of 2.56x based on FY24 post issue fully diluted BV.

## Revenue from Operations

	FY21		FY22		FY23		9MFY23		9MFY24	
	Amount (Rs. Cr.)	% to Total								
Salaried	8509.3	63.8%	9089.1	61.5%	10093.3	58.6%	9849.1	59.5%	11368.6	57.2%
Self Employed	4817.8	36.2%	5688.7	38.5%	7129.5	41.4%	6717.4	40.5%	8496.6	42.8%
<b>Total</b>	<b>13327.1</b>	<b>100.0%</b>	<b>14777.8</b>	<b>100.0%</b>	<b>17222.8</b>	<b>100.0%</b>	<b>16566.5</b>	<b>100.0%</b>	<b>19865.2</b>	<b>100.0%</b>

## Key Operational and Financial Performance

Rs. In Cr. Unless Stated	FY21	FY22	FY23	9MFY23	9MFY24
AUM	13327.1	14777.8	17222.8	16566.5	19865.2
AUM Growth (%)	16.6%	10.9%	16.5%	16.1%	20.5%
Average AUM	12379.4	14052.5	16000.3	15672.1	18544.0
Assigned assets	2546.9	2729.7	3281.8	3062.2	3861.5
Loan Book	10780.2	12048.1	13941.0	13504.3	16003.7
Total Assets	13630.3	14375.8	16617.9	15891.7	18035.6
Retail AUM	13325.2	14776.7	17222.8	16566.5	19865.2
Disbursements	3544.7	3991.9	5902.6	3945.4	4904.1
Average yield on Gross Loan Book (%)	13.2%	12.8%	12.8%	12.8%	14.0%
Average cost of borrowings (%)	8.2%	7.2%	7.0%	7.0%	7.6%
Spread (%)	5.0%	5.6%	5.8%	5.8%	6.4%
Live Accounts (including assigned loans) (No.)	1,82,471	2,04,135	2,33,228	2,22,346	2,55,683
Profit After Tax	340.1	444.9	544.8	404.1	547.9
Total Equity	2692.8	3146.7	3697.7	3555.7	4249.2
Total Borrowings	10374.5	10674.6	12153.5	11715.5	13127.6
Revenue From Operations	1575.3	1728.3	2043.2	1487.8	1895.0
Finance Cost	816.0	761.2	799.2	585.7	724.8
Net Interest Margin (%)	5.8%	6.9%	8.0%	8.0%	9.0%
Operating Expenses (including depreciation)	272.1	351.3	474.3	330.9	424.0
Operating Expenses / Average Total Assets (%)	2.1%	2.5%	3.1%	2.9%	3.3%
Credit Cost	54.9	48.7	49.2	55.3	45.4
Credit Cost to Average Total Assets (%)	0.4%	0.3%	0.3%	0.5%	0.3%
Debt to Total Equity ratio (x)	3.9	3.4	3.3	3.3	3.1
Gross NPA	1430.3	2143.5	1997.7	2920.8	2778.5
Gross NPA to Retail AUM (%)	1.1%	1.5%	1.2%	1.8%	1.4%
Net NPA	996.7	1608.2	1440.9	2181.3	1925.2
Net NPA to Retail AUM (%)	0.7%	1.1%	0.8%	1.3%	1.0%
CRWAR (%)	44.1%	45.4%	42.7%	44.9%	39.7%
Provision Coverage Ratio (%)	30.3%	25.0%	27.9%	25.3%	30.7%
Cost to Income Ratio (%)	35.8%	36.3%	38.1%	36.7%	36.2%
Return on Total Assets (%)	2.6%	3.2%	3.6%	3.6%	4.2%
Return on Equity (%)	13.5%	15.2%	16.5%	16.1%	18.4%
Diluted Earnings Per Equity Share (Rs.)	8.4	10.9	13.4	9.9	13.5
Net Asset Value Per Share (Rs.)	68.2	79.7	93.7	90.1	107.6
Number of branches	310	332	469	415	487
Number of States	20	20	20	20	20
Average ticket size	0.9	0.9	0.9	0.9	1.0

## Financial Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Share Capital	394.8	394.8	394.8	394.8	394.8
Net Worth	2692.8	3146.7	3697.7	3555.7	4249.2
Borrowings	8110.4	8819.0	9542.7	9287.0	10724.6
Other Financial Liabilities	2780.2	2361.8	3329.7	2997.9	3011.7
Non-Financial Liabilities	46.9	48.3	47.8	51.0	50.1
Advances	10613.3	11960.3	13851.5	13409.2	15909.5
Other Financial Assets	2886.4	2298.7	2644.2	2350.0	1979.0
Non-Financial Assets	130.7	116.8	122.2	132.4	147.1
Total Assets	13630.3	14375.8	16617.9	15891.7	18035.6
Net Interest Income	611.0	777.1	977.1	713.8	948.5
Non Interest Income	148.4	190.0	267.0	188.3	221.7
Net Profit	340.1	444.9	544.8	404.1	547.9
Earnings Per Share (Rs.)	8.4	10.9	13.4	9.9	13.5
Return on Networth (%)	13.5	15.2	16.5	16.1	18.4
Net Asset Value per Share (Rs.)	68.2	79.7	93.7	90.1	107.6

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY21	FY22	FY23	9MFY23	9MFY24
Cash flow from Operations Activities	(1202.3)	(906.8)	(1155.7)	(1006.6)	(1658.2)
Cash flow from Investing Activities	(480.5)	822.6	(476.5)	(22.8)	480.6
Cash flow from Financing Activities	701.4	274.9	1463.2	1029.9	961.0
Net increase/(decrease) in cash and cash equivalents	(981.4)	190.7	(169.0)	0.5	(216.7)
Cash and cash equivalents at the beginning of the year	1364.9	383.5	574.2	574.2	405.1
Cash and cash equivalents at the end of the year	383.5	574.2	405.1	574.7	188.5

Source: RHP

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