



Issue Opens - May 8, 2024 to May 10, 2024

Price Band
₹300 to ₹315

Face Value
₹10

Lot Size
47 Shares

Issue Size
₹3,000.00 C

Issue Type
Book Built

research@ganeshstock.com



Important Events

Issue Size

95,238,095 shares/ ₹3,000.00 Cr

Fresh Issue

31,746,032 shares / ₹1,000.00 Cr

Offer for Sale

63,492,063 shares of ₹10 / ₹2,000.00 Cr

Basis of Allotment

Monday, May 13, 2024

Initiation of Refunds

Tuesday, May 14, 2024

Credit of Shares to Demat

Tuesday, May 14, 2024

Aadhar Housing Listing Day

Wednesday, May 15, 2024

Promoters

- Rishi Anand (Managing Director and Chief Executive Officer)
- Om Prakash Bhatt (Non-Executive Chairman and Independent Director)
- Sharmila A. Karve (Independent Director)
- Nivedita Haran (Independent Director)
- Deo Shankar Tripathi (Whole – Time Director and Executive Vice Chairman)

Promoters collectively hold 98.72% (Pre Issue) of the Equity Share.

About The Company.



Aadhar Housing Finance is a leading housing finance company in India, focused on low-income housing loans. They target economically weaker and low-to-middle-income customers, with an average loan size of ₹1 million. Established in 2019, Aadhar Housing Finance have grown to have the highest AUM and net worth among their peers. They operate in 20 states and territories and have a strong social focus, aiming to improve the standard of living for their customers.

Description of Their Business

They are a housing finance company (HFC) that specializes in the low-income housing segment (with ticket sizes less than ₹1.5 million) in India. According to CRISIL, they had the highest Assets Under Management (AUM) and net worth among their analyzed peers in the six months ending September 30, 2023. Additionally, they had the highest number of live accounts in FY2023, as per CRISIL's peer analysis.

As of March 31, 2023, they have a presence in 20 states and union territories, which is the highest among the peers analyzed by CRISIL. They focus on retail, serving economically weaker and low-to-middle income customers who require small ticket mortgage loans.

Their average loan size was ₹0.9 million, with average loan-to-value ratios of 57.6% and 58.1% as of September 30, 2022, and September 30, 2023, respectively.



As of September 30, 2023, they operate an extensive network of 471 branches, including 91 sales offices, spread across 20 states and union territories in India. Their branches and sales offices cover approximately 10,926 pin codes across the country.

Their branch and sales office network is widely dispersed, with no single state accounting for more than 14.0% of their Gross AUM as of September 30, 2023. This diversified reach enables them to effectively cater to the specific needs of their target customers across urban and semi-urban areas.

Their top five states and union territories, in terms of AUM contribution, collectively accounted for 62.0% of their AUM as of March 2023. According to CRISIL, their cumulative share of the top 5 states in terms of AUM is much lower compared to other players in the peer set as of March 2023

Objects of The Offer

The company intends to use the net proceeds from the issue to finance the following objects:

1. To meet future capital requirements towards onward lending; and
2. General corporate purposes.

Track Record Of Financial Performance

Statement of Profit and Loss

(All amounts are in millions of Indian Rupee; except per share data)

Particulars		For the six months ended September 30, 2022	For the six months ended September 30, 2023	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2023
1	Income					
	Revenue from operations					
	a) Interest income	8,335.6	10,940.6	14,269.4	15,382.9	17,762.8
	b) Net gain on fair value changes	158.9	83.1	87.8	234.6	317.9
	c) Net gain on derecognition of financial instruments under amortised cost category	523.0	474.0	638.1	929.6	1,304.3
	d) Fees and commission Income	481.0	722.0	758.0	735.6	1,047.3
	Total revenue from operations	9,498.5	12,219.7	15,753.3	17,282.7	20,432.3
	Other income	0.2	1.2	2.2	2.9	2.9
	Total income	9,498.7	12,220.9	15,755.5	17,285.6	20,435.2
2	Expenses					
	Finance costs	3,790.9	4,739.7	8,159.7	7,612.0	7,991.9
	Impairment on financial instruments	475.5	333.0	549.4	487.1	492.1
	Employees benefits expense	1,436.3	1,876.0	1,888.1	2,481.9	3,220.1
	Depreciation and amortisation expense	78.8	97.7	111.9	132.5	164.9
	Other expenses	582.4	770.3	721.3	898.5	1,358.0
	Total expenses	6,363.9	7,816.7	11,430.4	11,612.0	13,227.0
3	Profit before tax and exceptional items	3,134.8	4,404.2	4,325.1	5,673.6	7,208.2
4	Exceptional item	-	-	-	-	250.0
5	Profit before tax	3,134.8	4,404.2	4,325.1	5,673.6	6,958.2
6	Tax expense					
	Current tax	683.6	990.5	934.6	1,254.5	1,571.1
	Deferred tax charge / (credit)	(3.2)	(22.4)	(10.8)	(29.4)	(60.5)
		680.4	968.1	923.8	1,225.1	1,510.6
7	Profit for the period	2,454.4	3,436.1	3,401.3	4,448.5	5,447.6
8	Other comprehensive income (OCI)					
	Items that will not be reclassified to profit or loss					
10	Earnings per equity share					
	Basic earnings per equity share (₹)	6.2	8.7	8.6	11.3	13.8
	Diluted earnings per equity share (₹)	6.0	8.5	8.4	10.9	13.4

The following table sets forth certain key financial ratios for their Company as at/for the periods indicated:

(₹ in million, except percentages and numbers)

Sr. No.	Metrics	Financial Year ended March 31, 2021	Financial Year ended March 31, 2022	Financial Year ended March 31, 2023	Six Months ended September 30, 2022	Six Months ended September 30, 2023
1	Live Accounts (including assigned and co-lent loans) ⁽¹⁾	182,471	204,135	233,228	213,607	246,983
2	Number of branches and sales offices ⁽²⁾	310	332	469	349	471
3	Average ticket size ⁽³⁾	0.9	0.9	0.9	0.9	0.9
4	Retail AUM ⁽⁴⁾	133,252.2	147,766.9	172,228.3	157,203.8	188,849.1
5	Gross Retail NPA (%) ⁽⁵⁾	1.1%	1.5%**	1.2%	1.9%	1.4%
6	Net Retail NPA to Retail AUM (%) ⁽⁶⁾	0.7%	1.1%	0.8%	1.5%	0.9%
7	Net Worth ⁽⁷⁾	26,927.6	31,466.3	36,976.0	33,950.4	40,428.9
8	Profit after tax before exceptional item ⁽⁸⁾	3,401.3	4,448.5	5,643.3	2,454.4	3,436.1
9	Profit after tax	3,401.3	4,448.5	5,447.6	2,454.4	3,436.1
10	Return before exceptional item on Average Total Assets (%) ⁽⁹⁾	2.6%	3.2%	3.5%	3.3%*	4.0%*
11	Return before exceptional item on Equity (%) ⁽¹⁰⁾	13.5%	15.2%	16.5%	15.0%*	17.8%*
12	Debt to Total Equity ratio ⁽¹¹⁾	3.9	3.4	3.3	3.2	3.2
13	CRAR (%) ⁽¹²⁾	44.1%	45.4%	42.7%	44.7%	42.3%
14	Average yield on Gross Loan Book (%) ⁽¹³⁾	13.2%	12.8%	12.8%	12.6%*	13.9%*
15	Average cost of Borrowing (%) ⁽¹⁴⁾	8.2%	7.2%	7.0%	7.0%*	7.6%*
16	Net Interest Margin (%) ⁽¹⁵⁾	5.8%	6.9%	8.0%	7.8%*	8.8%*
17	Cost to Income Ratio (%) ⁽¹⁶⁾	35.8%	36.3%	38.1%	36.7%	36.7%

The following table sets forth breakdown of their Gross AUM, disbursements and average ticket sizes for their home loans and non-home loans, as of and for the years indicated:

Metric	As of/for the				
	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Six months ended September 30, 2022	Six months ended September 30, 2023
Gross AUM:					
Home Loans	112,959.6	120,918.0	134,593.1	125,889.4	144,485.8
Non-Home Loans	20,292.6	26,848.9	37,635.2	31,314.4	44,363.3
Project Finance.	18.8	11.0	-	-	-
Disbursements:					
Home Loans	30,409.0	31,168.1	42,054.8	17,730.0	23,104.7
Non-Home Loans	5,038.1	8,751.2	16,971.3	6,815.0	8,527.4
Project Finance	-	-	-	-	-
Total	35,447.1	39,919.3	59,026.1	24,545.0	31,632.1
Average Ticket Size on Retail AUM:					
Home Loans	0.9	0.9	1.0	0.9	1.0
Non-Home Loans	0.7	0.7	0.8	0.7	0.8
Total	0.9	0.9	0.9	0.9	0.9



Strengths

1. As an HFC focusing on the low-income housing segment in India (with ticket sizes less than ₹1.5 million), they achieved the highest AUM and net worth among their analyzed peers in the six months ending September 30, 2023.
2. Their seasoned business model has demonstrated strong resilience through various business cycles.
3. They have built an extensive branch and sales office network, ensuring wide geographical penetration and multiple sales channels, which significantly contribute to our loan sourcing and servicing capabilities.
4. They have established robust and comprehensive systems and processes for underwriting, collections, and monitoring asset quality.
5. Additionally, they have access to diversified and cost-effective long-term financing, and they maintain a disciplined approach to asset liability and liquidity management.
6. Furthermore, social objectives are one of the core components of their business model, reflecting their commitment to serving the community.

Threats

1. They have had negative net cash flows in the past and may continue to have negative cash flows in the future.
2. Any increase in the levels of non-performing assets in their AUM would adversely affect their business, results of operations, cash flows and financial condition.
3. They are vulnerable to the volatility in interest rates and they may face interest rate and maturity mismatches between their assets and liabilities in the future which may cause liquidity issues.
4. Their indebtedness and conditions and restrictions imposed by their financing arrangements could adversely affect their ability to conduct their business and operations.

Valuation and Outlook

The cost of the shares is expected to be between ₹300 to ₹315 per share, If we look at the valuation. Aadhar Housing Finance Ltd has a P/E ratio of 22.8x which is calculated using a price above ₹315 and an FY23 EPS of Rs Rs 13.08, whereas the industry average P/E is 31.9x

Given Aadhar Housing Finance Ltd's leadership in the low-income housing segment, steady growth in both top and bottom lines, Pan India presence, and leading position among HFCs, Aadhar Housing Finance Ltd focuses on the low-income housing sector in India, catering to both salaried and self-employed individuals with ticket sizes below ₹1.5 million.

The company has consistently demonstrated the highest Asset Under Management (AUM) and net worth compared to its peer group across fiscal years 2021, 2022, and 2023. It maintains a superior cost-to-income ratio, attributed to strategic initiatives that bolster its net interest margin. Additionally, Aadhar Housing Finance Ltd has maintained strong asset quality since 2021.

Under the management of BCP Topco VII PTE Ltd backed by BlackRock Group following the transfer of 80% of DHFL's shares in 2019, the company's loan book comprises only 0.1% of the DHFL pool loan accounts. Although the IPO is fairly priced with a P/B ratio of 3.36x, investors should note that there are legal proceedings against the company aggregating up to 269 crores, which may impact the company's financials.

we Suggest for [subscribing to the issue.](#)

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