

September 9, 2024

A well positioned play on Indian housing finance market

About the stock: Established in 2015, Bajaj Housing Finance Limited (BHFL) is a leading housing finance company in India, providing financial solutions to individuals and corporate through comprehensive range of financial products, including home loans, loans against property, lease rental discounting, and developer finance.

- Extensive distribution reach with 215 branches across 174 locations in 20 states and union territories

Key triggers/Highlights:

- Bajaj Housing Finance remains a well-positioned housing financier in prime segment with AUM of ₹ 97,071 crore, as of 30th June 2024.
- Diversified AUM across segment and geographies with individual home loans forming 57% of portfolio, LAP (Loan against property) contributing ~10%, while lease rental discounting and developer finance comprising of ~20% and ~11% of portfolio mix (as of 30th June 2024).
- Strong credit rating and diversified borrowing remains core strength with borrowing from banks forming 48%, while NHB and money markets contributing ~12% and ~40% of funding mix.
- Consistent focussed approach on asset quality with relatively lowest NPA numbers. As of 30th June 2024, GNPA stood at 0.28% and NNPA at 0.11%, while provision coverage remained at ~59.4%.
- Continued improvement in return ratio with RoA up from 1.8% in FY22 to 2.3% in Q1FY25. Earnings increased at 56.2% CAGR in FY22-24 to ₹1731 crore. RoE increased from 11.1% in FY22 to 14.3% in Q1FY25.

Our view & rating

- Bajaj Housing Finance Ltd. IPO is of ₹ 6,560 crore, comprises of a combination of a fresh issue of ~50.86 crore shares amounting to ₹ 3,560 crore and an Offer for Sale (OFS) of ~42.86 crore shares amounting to ₹ 3,000 crore, out of which 35% is allocated to retail investors, 50% to institutional investors and 15% to non-institutional investors.
- At upper end of the price band (₹66-70), the stock is trading at 3.2x post-money book value. Given strong track record delivering sustained superior business growth along with healthy return ratios and prudent asset quality, valuation, though at a premium, remains attractive.
- Recommend Subscribe

Key risk & concerns

- Margin pressure amid elevated competition and rising cost of funding
- Asset quality deterioration could impact earnings
- Any regulatory changes could impact business growth or profitability



Particulars

Issue details

Issue opens	9th September 2024
Issue Closes	11th September 2024
Issue Size	₹ 6,560.00
Fresh Issue	₹ 3,560.00
OFS	₹ 3,000.00
Price Band	66-70
No. of Shares on offer (in cr)	93.7
QIB (%)	50
NII (%)	15
Retail (%)	35
Min Lot Size	214

Shareholding pattern

Shareholding pattern	Pre-issue	Post issue
Promoter group	100.0	88.8
Public	0.0	11.3

Object of Issue

Augment capital base for business growth and achieve benefits of listing the equity shares on the stock exchanges.

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Key Financial Summary

₹ crore	FY22	FY23	FY24	Q1FY25	CAGR FY22-24
Net Total Income	1,612	2,454	2,925	810	35%
PAT	710	1,258	1,731	483	56%
EPS	1.5	1.9	2.6	0.6	32%
BVPS	14	16	18	19	15%
RoA %	1.8	2.3	2.4	2.3	
RoE %	11.1	14.6	15.2	14.3	
P/E	47	37	27	29	
P/BV	5.1	4.5	3.8	3.7	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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