



FINSERV



Issue Opens - September 9, 2024 to September 11, 2024

Price Band
₹66 to ₹70

Face Value

₹10 per share

Lot Size

214 Shares

Issue Size

₹6,560.00 Cr

Issue Type

Book Built

research@ganeshstock.com



Important Events



Issue Size

937,142,858 shares / ₹6,560.00 Cr

Fresh Issue

508,571,429 shares / ₹3,560.00 Cr

Offer for Sale

428,571,429 shares of ₹10 / ₹3,000.00 Cr

Basis of Allotment

Thursday, September 12, 2024

Initiation of Refunds

Friday, September 13, 2024

Credit of Shares to Demat

Friday, September 13, 2024

Bajaj HFL IPO Listing Day

Monday, September 16, 2024

Objects of The Offer

The company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Augment capital base to meet future business requirements of the company towards onward lending.



Brief profile of the Directors

Sanjivnayan Bajaj is the Chairman and Non-Executive Director of the company, with degrees in mechanical engineering, manufacturing systems, and business administration from prestigious institutions. He holds leadership roles in multiple Bajaj companies, including Bajaj Finserv and Bajaj Finance, and has over 27 years of experience in business strategy and finance.

Rajeev Jain, the Vice Chairman and Non-Executive Director, has 30+ years of experience in consumer lending and serves as the Managing Director of Bajaj Finance.

Anami Narayan Roy, a former Director General of Police, is an Independent Director, with board positions in several companies like Bajaj Finserv and Bajaj Finance.

Dr. Arindam Kumar Bhattacharya, also an Independent Director, has a background in engineering, management, and global business models. He previously served as Senior Partner at Boston Consulting Group and is a published author.

Jasmine Arish Chaney, another Independent Director, has a management background and over 30 years of experience in credit ratings with CRISIL.

Sriram Madakasira Narasimha Swamy, an Independent Director, has over three decades of experience with the RBI in banking supervision and currency management.

Atul Jain, the Managing Director, has 24 years of experience in finance and investment banking, having joined the Bajaj Group in 2002 and the company in 2018.

About The Company.



Bajaj Housing Finance Limited is a rapidly growing housing finance company in India. Established in 2015, they offer a variety of mortgage products including home loans, loans against property, and developer financing. They focus on low-risk salaried borrowers and have a strong track record of profitability. Bajaj Housing Finance boasts the highest credit ratings in India for borrowing and the lowest delinquency rates among large housing finance companies. They are part of the Bajaj Group, a diversified conglomerate founded in 1926.

Key operation of their Business

Bajaj Housing Finance focuses on providing tailored financial solutions for individuals and corporate clients for the purchase and renovation of residential and commercial properties. Its product offerings include: Home Loans: Primarily targeted at individual customers, representing 81.7% of its active customer base.

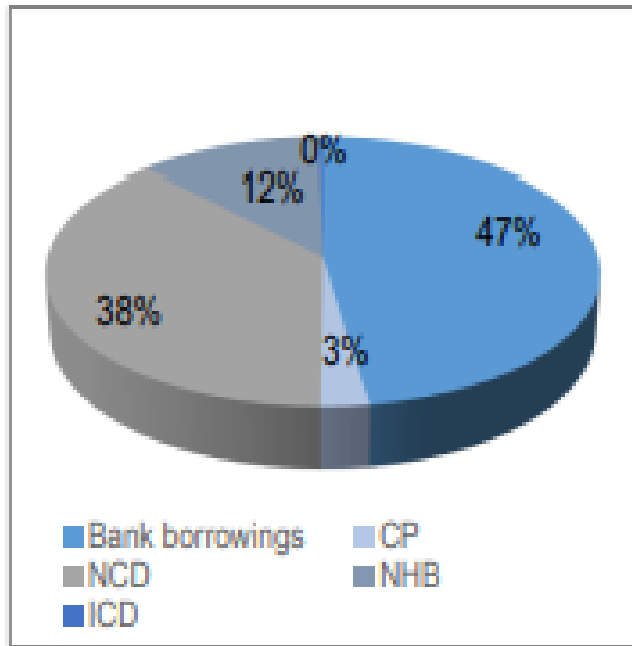
- Loans Against Property (LAP): Secured loans that allow customers to leverage their property.
- Lease Rental Discounting: Financing based on future rental income from properties.
- Developer Financing: Loans provided to property developers for construction projects.

The company operates a robust distribution network with 215 branches across 20 states and three Union Territories in India, supported by centralized loan processing and review centers.

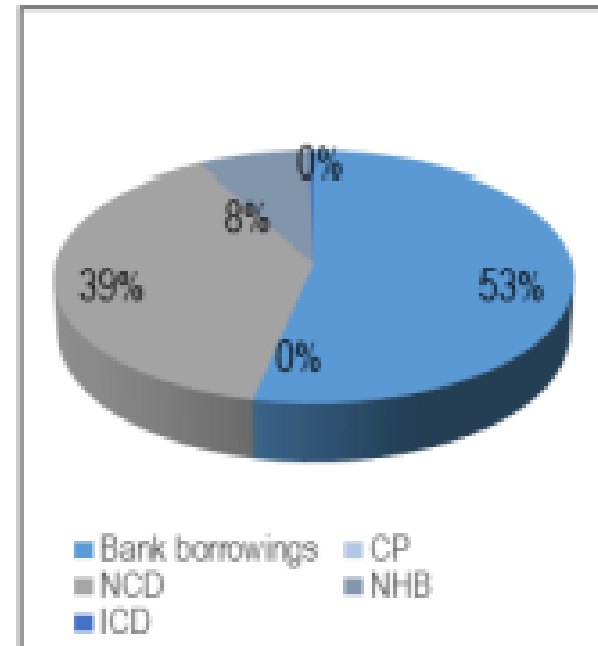
Product Portfolios



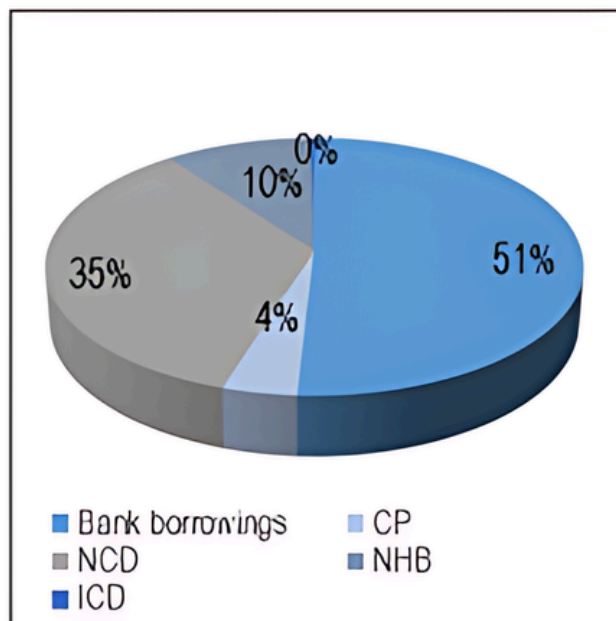
The details of their borrowing mix for the three months ended June 30, 2024 and June 30, 2023 and last three fiscal years are presented below:



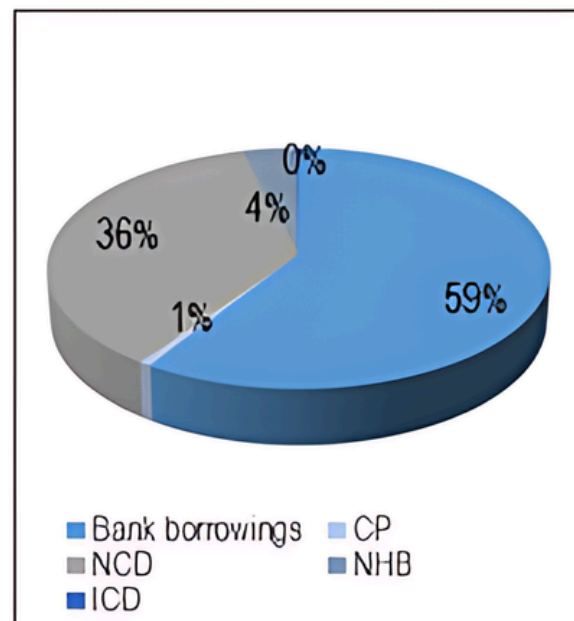
As at June 30, 2024



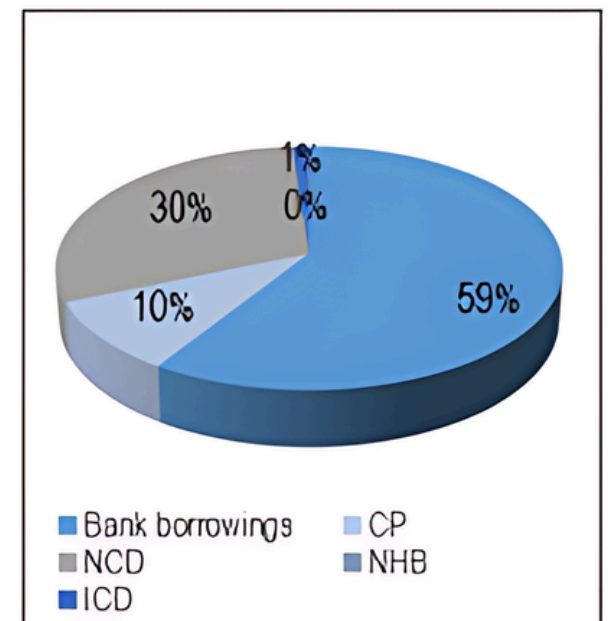
As at June 30, 2023



As at March 31, 2024



As at March 31, 2023



As at March 31, 2022

The following tables sets forth certain key financial and operational information of their Company, as at and for the periods indicated:

S. No.	Metrics	As at and for the three months ended June 30, 2024	As at and for the three months ended June 30, 2023
1.	Assets under Management ¹ (in ₹ million):		
	• Home Loans	558,108.2	446,870.8
	• LAP	96,818.4	80,200.8
	• Lease Rental Discounting	189,698.2	134,530.3
	• Developer Financing	108,459.6	61,918.0
	• Others	17,628.9	17,722.7
	Total Assets under Management	970,713.3	741,242.6
2.	Disbursements ² (in ₹ million)	120,035.1	103,825.2
3.	Net Worth ³ (in ₹ million)	147,199.1	109,649.9
4.	Average Ticket Size ⁴ (in ₹ million)		
	• Home Loans	4.6	4.7
	• LAP	5.9	5.2
5.	Interest Income ⁵ (in ₹ million)	20,635.4	16,669.5
6.	Net Total Income ⁶ (in ₹ million)	8,099.7	7,012.3
7.	Profit after Tax ⁷ (in ₹ million)	4,826.1	4,618.0
8.	Yield on Loans ⁸ (in %)	10.0%	10.4%
9.	Finance cost as a percentage of Average Borrowings ⁹ (in %)	7.9%	7.6%
10.	Net Interest Margin ¹⁰ (in %)	3.9%	4.4%
11.	Operating Expense to Net Total Income Ratio ¹¹	21.0%	24.0%
12.	Profit before Tax Margin ¹² (in %)	28.5%	29.8%
13.	Credit Cost ¹³ (in %)	0.0%	0.0%
14.	Return on Average Assets ¹⁴ (in %)	2.3%	2.9%
15.	Return on Average Equity ¹⁵ (in %)	14.3%	17.2%
16.	Leverage ¹⁶	6.0	6.4
17.	GNPA Ratio ¹⁷ (in %)	0.28%	0.23%
18.	NNPA Ratio ¹⁸ (in %)	0.11%	0.08%
19.	Provision Coverage Ratio ¹⁹ (in %)	59.4%	65.9%
20.	Capital Adequacy Ratio ²⁰ (in %)	23.82%	22.52%
21.	Number of Branches ²¹	215	207
22.	Number of Employees ²²	2,239	2,773

Statement of Profit and Loss



(₹ in millions except otherwise stated)

Particulars	For the three months period ended June 30, 2024	For the three months period ended June 30, 2023	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from Operations					
Interest income	20,635.4	16,669.5	72,023.6	52,692.4	34,817.5
Fees and commission income	567.9	330.8	1,382.3	862.2	818.5
Net gain on fair value changes	507.0	356.2	1,332.0	1,120.4	589.7
Sale of services	229.5	164.7	524.8	502.9	1,420.2
Income on derecognised (assigned) loans	27.1	74.4	530.8	1,348.0	-
Other operating income	119.6	36.9	379.6	121.4	21.2
Total revenue from operations	22,086.5	17,632.5	76,173.1	56,647.3	37,667.1
Other income	0.8	1.3	4.0	7.1	4.2
Total income	22,087.3	17,633.8	76,177.1	56,654.4	37,671.3
Expenses					
Finance costs	13,987.6	10,621.5	46,926.1	32,113.2	21,553.1
Fees and commission expense	29.7	29.1	117.1	140.3	46.8
Impairment on financial instruments	100.4	67.4	608.8	1,235.0	1,810.7
Employee benefits expense	1,134.2	1,142.4	4,656.3	4,351.4	3,489.4
Depreciation and amortisation	99.1	96.9	396.0	334.0	257.6
Other expenses	437.5	414.1	1,859.6	1,479.9	915.1
Total expenses	15,788.5	12,371.4	54,563.9	39,653.8	28,072.7
Profit before tax	6,298.8	5,262.4	21,613.2	17,000.6	9,598.6
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement gains / (losses) on defined benefit plans	-	-	(19.3)	55.4	(6.4)
Income tax impact on above	-	-	4.9	(13.9)	1.6
Items that will be reclassified to profit or loss					
Re-measurement gains / (losses) on investment measured at FVOCI	8.4	-	7.1	-	-
Income tax impact on above	(2.1)	-	(1.8)	-	-
Other comprehensive income for the period/year (net of tax)	6.3	-	(9.1)	41.5	(4.8)
Total comprehensive income for the period/year	4,832.4	4,618.0	17,303.1	12,619.5	7,091.4
Earnings per equity share (face value of ₹ 10 each)					
Basic (₹)	0.6	0.7	2.6	1.9	1.5
Diluted (₹)	0.6	0.7	2.6	1.9	1.5

Strengths



- **Strong Brand Recognition:** Being a subsidiary of Bajaj Finance, one of India's largest non-banking financial companies (NBFCs), Bajaj Housing Finance benefits from the established "Bajaj" brand, which is well-recognized in the retail sector.
- **Impressive Growth Metrics:** The company has shown a robust growth trajectory, with assets under management (AUM) growing at a compound annual growth rate (CAGR) of 30.9% from fiscal 2022 to fiscal 2024, reaching approximately ₹97,071 crores by June 30, 2024. This positions it as the second-largest housing finance company in India by AUM.
- **Diverse Product Offerings:** Bajaj Housing Finance offers a wide range of mortgage products, including home loans, loans against property, and developer financing, catering to both individual and corporate clients.
- **Strategic Distribution Network:** The company has a well-established distribution network with 215 branches, six centralized hubs for retail underwriting, and 1,780 active channel partners, enhancing its market reach and customer service capabilities.
- **Positive Market Sentiment:** The grey market premium (GMP) for the IPO is currently around ₹55, indicating a potential listing gain of approximately 80% over the issue price, which reflects strong demand among investors.
- **Regulatory Compliance and Future Growth:** The IPO is partly driven by regulatory requirements from the Reserve Bank of India (RBI) for certain upper-layer NBFCs to list by September 2025. The proceeds from the IPO are intended to strengthen the company's capital base for future lending activities.

Threats



- **Liquidity and Funding Risks:** The company relies on the availability of short-term and long-term financing sources to fund its operations and meet its capital requirements. Any disruption in these funding sources could adversely impact its liquidity and financial condition.
- **Interest Rate Risk:** Fluctuations in interest rates could affect the company's net interest margins and the value of its fixed income portfolio. Higher interest rates may also lead to a rise in non-performing assets.
- **Credit Risk:** As a housing finance company, Bajaj Housing Finance is exposed to the risk of default by its borrowers. A rise in delinquencies or defaults could increase provisions and write-offs, impacting profitability.
- **Technology and Operational Risks:** The company relies heavily on technology for its operations. Any disruption, breach or failure of its IT systems could lead to operational issues, data loss and reputational damage.
- **Regulatory Changes:** The housing finance sector is subject to extensive regulations by the National Housing Bank and the Reserve Bank of India. Any adverse regulatory changes could impact the company's business and financial performance.
- **Competition Risk:** Bajaj Housing Finance faces intense competition from other housing finance companies, NBFCs and banks. Its inability to compete effectively could lead to a loss of market share and lower profitability.
- **Concentration Risk:** A significant portion of the company's loan portfolio is concentrated in certain geographies and customer segments. Any adverse developments in these areas could disproportionately impact its asset quality and earnings.

Valuation and Outlook



Bajaj Housing Finance Limited IPO is expected to be priced between ₹66 to ₹70 per share. At this price, the company shows a Price-to-Earnings (P/E) ratio of 26.92x with an FY24 EPS of Rs 2.6 and whereas the Industry P/E of 30.74x.

Name of the company	Total income (₹ in million)	Face Value (₹ per share)	P/E	P/B	Basic EPS (₹)	Diluted EPS (₹)	RoNW (%)	NAV (₹ in million)	NAV per Equity Share (₹)
Bajaj Housing Finance Limited#	76,177.1	10	NA	NA	2.6	2.6	15.2%	122,335.0	18.2
Listed Peers									
LIC Housing Finance Limited	272,778.0	2	7.7	1.2	86.5	86.5	16.2%	314,800.6	572.3
PNB Housing Finance Limited	70,570.9	10	14.1	1.4	58.4	58.2	11.6%	149,744.4	576.6
Can Fin Homes Limited	35,246.9	2	15.0	2.6	56.4	56.4	18.8%	43,438.5	326.2
Aadhar Housing Finance	25,869.8	10	21.4	3.8	19.0	18.4	18.4%	44,497.5	104.3
Aavas Financiers	20,206.9	10	26.8	3.5	62.0	61.9	13.9%	37,733.2	476.8
Aptus Value Housing Finance	14,168.4	2	25.0	4.0	12.3	12.2	17.2%	37,679.2	75.5
Home First Finance	11,565.5	2	30.3	4.3	34.7	33.7	15.5%	21,214.9	239.7

In FY 2023-24, Bajaj Housing Finance posted a net profit of ₹1,731 crore, up 38% from last year, with total income rising 34% to ₹7,618 crore. Its AUM reached ₹970.7 billion by June 2024, with 57.8% in individual housing loans. Analysts value the company between ₹560 billion and ₹590 billion, supported by strong growth and Bajaj Group backing. As one of India's largest non-deposit-taking housing finance firms, Bajaj Housing Finance has a 30.9% CAGR in AUM from 2022 to 2024. It's well-positioned to benefit from India's growing housing finance market.

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