

About the Company

Bajaj Housing Finance Limited (BHFL) is a non-banking financial company (NBFC) and a subsidiary of Bajaj Finserv Limited. It specializes in providing various housing finance solutions to individuals and businesses. Here are some key aspects about **Bajaj Housing Finance**:

Core Business: BHFL primarily offers home loans, loans against property, and other housing-related financing products. Its focus is on providing financial support for purchasing, constructing, or renovating residential properties.

Parent Company: It is part of Bajaj Finserv, a major player in the financial services sector in India, which also includes Bajaj Finance (for consumer and SME financing) and Bajaj Allianz (for insurance).

Market Presence: BHFL operates across India and has a wide network of branches and digital platforms to cater to its customers.

Issue Details

Bajaj Housing Finance Limited	
Issue Opens	09 September 2024
Issue Closes	11 September 2024
Issue Size	Rs. 6,560.00 Cr
Face Value	Rs 10 per share
Price Band	Rs 66 - 70 per share
Market Lot	214 shares
Listing	NSE & BSE

Financial Strength: As a subsidiary of Bajaj Finserv, BHFL benefits from the financial stability and expertise of its parent company, which is known for its strong financial performance and diversified business operations.

Regulatory Framework: As a housing finance company, BHFL is regulated by the National Housing Bank (NHB), which oversees housing finance institutions in India.

Products and Services: Apart from home loans, BHFL may offer loans for property improvement, balance transfer facilities, and possibly other related financial products.

Financial Highlights

Period Ended	30-Jun-24	31-Mar-24	31-Mar-23	31-Mar-22
Assets	88,538.83	81,827.09	64,654.14	48,527.08
Revenue	2,208.73	7,617.71	5,665.44	3,767.13
Profit After Tax	482.61	1,731.22	1,257.80	709.62
Net Worth	14,719.91	12,233.50	10,503.19	6,741.36
Reserves and Surplus	4,252.83	5,520.81	3,791.03	1,858.03
Total Borrowing	73,347.06	69,129.32	53,745.39	41,492.32

Peer Comparison

Housing Finance Companies	CMP (Rs/per sh)	Market cap (Rs cr)	FY24				P/BV		Earnings CAGR (FY24-FY26e)
			Gross Loan Portfolio (Rs cr)	Loan Growth (YoY)	ROA	ROE	FY24	FY26e	
Bajaj Housing Finance*	70	58,297	91,370	32%	2.4%	15.2%	3.8	2.6	47%
LICHSGFIN	695	38,202	2,86,844	4%	1.7%	16.0%	1.2	0.9	6%
PNBHOUSING	1026	26,640	71,243	7%	2.5%	11.8%	1.6	1.4	20%
CANFINHOME	871	11,602	34,999	11%	2.3%	18.8%	2.4	1.9	14%
INDIASHLTR	757	8,121	6,084	40%	4.9%	14.0%	3.5	2.6	32%
AADHARHFC	444	19,071	21,121	23%	4.2%	18.4%	3.9	2.7	13%
APTUS	327	16,302	8,722	29%	8.0%	17.3%	4.1	2.9	22%
AAVAS	1877	14,856	17,313	22%	3.3%	13.9%	3.9	2.7	20%
HOMEFIRST	1147	10,217	9,698	35%	3.8%	15.5%	4.8	3.3	27%
REPCOHOME	532	3,327	13,513	9%	3.0%	15.8%	1.1	0.8	17%

Business Growth

Particulars (Rs Cr.)	FY24	FY23	FY22
AUM	91370	69228	53322
Disbursement	44656	34334	26175

About the Issue

The public issue, which will open for subscription on September 9, comprises a fresh issue of shares worth Rs 3,560 crore, while its parent company, Bajaj Finance, will sell shares worth Rs 3,000 crore through an Offer for Sale (OFS) component. At the upper end of the price band, the company's post-issue market capitalisation is expected to be around Rs 58,300 crore.

The IPO will come with an offer that includes a special shareholders' quota, which is a special allocation for those who hold shares in Bajaj Finance or Bajaj Finserv. This reservation amounts to Rs 500 crore worth of shares, exclusively set aside for shareholders as a reward for their loyalty. The provision allows investors who held shares of Bajaj Finance or Bajaj Finserv as of the RHP (Red Herring Prospectus) filing date on August 30 to apply under this category.

Investment Rationale

BHFL is a subsidiary of Bajaj Finserv, a well-established financial services conglomerate in India. The strength and reputation of the parent company could be a positive indicator of BHFL's stability and growth potential.

An exemplary business growth has propelled BHF to the spot of the second-largest housing finance company (HFC) in India. The company offers mortgage products for retail and commercial customers with customised offerings and services for cross-sell and up-sell. The tech-enabled operations are in line with the evolving customer needs.

BHF has been growing faster than the market by leveraging the group ecosystem. It has a market share of 34 percent in the prime home loan (HL) segment, which accounts for more than 57 percent of the product portfolio.

Salaried customers and high-ticket home loans dominate the loan book. A secured asset book (salaried class accounted for 91 percent of total HL book) keeps the overall asset quality in check, while lease rental discounting (LRD) and developer finance (DF) support margins.

India's housing sector has been growing, driven by urbanization, increasing disposable incomes, and government initiatives like affordable housing schemes. This growth could benefit BHFL if it captures a significant share of the market.

Assess BHFL's historical financial performance, including revenue, profit margins, and growth trends. Positive trends and a strong financial track record can be reassuring.

BHFL's range of housing finance products, including home loans and loans against property, can diversify its revenue streams. A well-diversified product portfolio might reduce risk and enhance growth prospects.

BHFL plans to use the funds raised from the IPO. Investments in growth initiatives, technology, or debt reduction can be positive signs. The experience and track record of BHFL's management team can impact the company's ability to execute its business strategy effectively.

Risks

BHFL operates in the housing finance sector, which is influenced by fluctuations in the real estate market. A downturn in property prices or reduced demand for housing can impact the company's performance.

Loan Defaults: The risk that borrowers may default on their home loans or other financing products. High levels of non-performing assets (NPAs) can adversely affect BHFL's financial health.

Interest Rate Fluctuations: Changes in interest rates can affect the cost of borrowing and the demand for loans. Rising rates can increase borrowing costs and potentially slow down loan growth.

Regulatory Changes: BHFL is regulated by the National Housing Bank (NHB) and other regulatory bodies. Changes in regulations or policies affecting the housing finance sector could impact the company's operations and profitability.

Macroeconomic Factors: Broader economic conditions, such as inflation, unemployment, and economic slowdowns, can impact the housing market and BHFL's financial performance.

Internal Processes: Risks related to internal processes, systems, or human resources can affect the company's operational efficiency and financial stability.

Market Competition: BHFL faces competition from other housing finance companies and financial institutions. Intense competition can impact pricing, market share, and profitability.

Financial Flexibility: The company might face challenges in meeting its short-term financial obligations if there are liquidity issues. This can impact its ability to operate smoothly.

Growth Strategy: Risks related to the execution of BHFL's growth strategy, including expanding its product offerings or entering new markets, could impact its financial performance.

Outlook

Bajaj Housing Finance has demonstrated strong financial performance. The company's AUM has grown at a compound annual growth rate (CAGR) of 33% over the past three years. The company's sturdy asset quality with NPAs less than 1% and superior technology platform enabling it to remain relevant in a stiff competitive environment. Investors can apply both for listing gain as well for long term investment horizon.

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