

Rating: Subscribe for long term

Issue Offer

Total issue size of INR 65.60 bn including Fresh Issue of 508,571,429 shares aggregating upto INR 35.60 bn and OFS aggregating upto INR 30 bn.

Issue Summary

Price Band (INR)	66-70
Face Value (INR)	10
Implied Market Cap (INR Bn)	582.97
Market Lot	214
Issue Opens on	Sept 09, 2024
Issue Close on	Sept 11, 2024
No. of share pre-issue	7,819,575,273
No. of share post issue	8,328,146,702
Listing	NSE , BSE

Issue Break-up (%)

QIB Portion	≤50
NII Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

Kotak Mahindra Capital Company Limited,
Bofa Securities India Limited,
Axis Capital Limited,
Goldman Sachs (India) Securities Private Limited, SBI
Capital Markets Limited,
Jm Financial Limited
Iifl Securities Ltd

Registrar

KFin Technologies Limited

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	100%	88.75%
Public & Others	0%	11.25%

Objects of the issue

The company proposes to utilize the Net Proceeds from the Issue towards augmenting the capital base of the company to fulfil its future capital requirements, which are anticipated to arise as a result of the expansion of the business and assets. Further, a portion of the proceeds from the Issue will be used towards meeting Issue-related expenses.

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Bajaj Housing Finance Ltd. (BHFL) is a leading non-deposit-taking housing finance company under the umbrella of Bajaj Finance Limited, which has been operational in mortgage lending since FY18. As of 1QFY25, BHFL reported an AUM of INR 971 bn. The company's portfolio is diversified across several product categories: (i) home loans represent 57% of AUM, (ii) loans against property constitute 10% of AUM, (iii) lease rental discounting accounts for 20% of AUM, and (iv) developer financing comprises 11% of AUM. BHFL operates through a network of 215 branches, focusing its individual segment efforts on the top 20-30 cities, while concentrating its commercial segment activities in the top 8 metro cities. This strategic geographic focus aligns with broader industry trends.

INVESTMENT RATIONALE:

Strong asset quality:

Company maintains a comprehensive risk management framework supported by digitized processes tailored to each product offering, ensuring early warning systems that track key indicators, such as bounce rates and overdue positions. Further, company as a strong in-house four-tier collections infrastructure comprising touch-free collection (tele - calling), field collection, legal recovery and settlement to help them with loan collections. As at March 31, 2024, their collections team comprised 356 personnel. They have also set up a specialized collections team to manage cases where collections are overdue for a certain period as well as a separate team to focus on the resolution of cases through SARFAESI and as a result collection efficiency improved from 98.4% in FY22 to 99.5% in FY24. These credit and risk management policies have helped them maintain the lowest GNPA and NNPA among our Peers.

Strong growth driven by a diversified portfolio:

Company's AUM has grown at a CAGR of 30.9% from FY22 to FY24 and was at INR 913,704 mn as at 31st March, 2024. This growth trajectory positions the company as the fourth fastest-growing Non-Banking Financial Company (NBFC) within the "Upper Layer" category in India. The company has demonstrated robust performance through a strategic emphasis on enhancing direct home loan origination and increasing Average Ticket Size (ATS) across its product suite. These measures have contributed to an improved Opex/Asset ratio in recent years. Additionally, the strategic shift in AUM and product mix has mitigated the adverse effects of rising funding costs on the portfolio spread.

Leveraging the parent entity's lineage:

As a wholly-owned subsidiary of Bajaj Finance Limited, company is positioned to tap into their extensive experience in scaling financial services. Bajaj Finance Limited's proven track record in effectively growing its lending business serves as a strong foundation for them to expand their mortgage lending operations. On April 7, 2022 and April 3, 2024, company successfully secured an additional capital infusion of INR 25 bn and INR 20 bn, respectively via a rights issue to Bajaj Finance Limited. This infusion reflects parent company's support and commitment and also provides them with a dependable credit line from them, ensuring ready access to funds.

OUTLOOK:

The Bajaj group, founded in 1926, is a prominent Indian conglomerate known for its diverse business interests across various sectors. BHFL is a wholly-owned subsidiary of Bajaj Finance Limited, which is among India's largest NBFCs. We recommend to subscribe for long term on the back of a strong credit underwriting process and risk management framework, which keeps their asset quality strong, along with a proven track record of strong growth.

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Stock Rating Scale

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