

Name of the Company



KEY IPO Highlights

Subscription Period:
10th Aug., 2021 to 12th Aug., 2021

Issue Size: 78.75 Mn Shares
(Aggregating up to INR 2,780.05 Cr)
(OFS- 2,280.05 Cr)

Price Band: INR 346 to 353

Lot Size: 42 Shares

Listing Date:
24/08/2021

About the Company:

- A retail-focused housing finance company that primarily serves low and middle-income self-employed customers in the rural and semi-urban markets of India.
- As per the CRISIL report, it is one of the largest housing finance companies in South India in terms of AUM of 37,909.31 million as of December 31, 2020.
- The company offers home loans to retail customers to purchase homes, construct residential property, house improvement and extension, loans against property, and business loans.
- Undertakes all types of lending activities such as sourcing, underwriting, valuation, and legal assessment of collateral, the credit assessment, and collection. As of December 31, 2020, the total home loans accounted for 51.76% of AUM. As of December 31, 2020, 99.42% of the AUM was from customers belong to the low and middle-income group with a monthly income of less than Rs. 50,000.

Objects of the Issue:

- To augment company's capital base to meet future capital requirements.
- To meet issue related expenditures.
- To achieve share listing benefits on the stock exchanges.

Financial Overview (INR Million)

Particulars	Mar-21	Mar-20	Mar-19
Total Assets	45,202	37,467	23,277
Total Revenue	6,552	5,237	3,371
Profit After Tax	2,669	2,110	1,115

P/E MULTIPLE

APTUS VALUE HF	—	64
Aavas Financiers	—	68
Sector P/E	—	29

Recommendation from major brokerage houses

SUBSCRIBE

Neutral



Highlights:

- One of the largest housing finance companies in South India in terms of AUM.
- A strong network of 181 branches across 75 districts and union territory of Puducherry.
- Presence in large, underpenetrated market with strong growth potential.
- Robust credit risk management from origination to collections leading to assure strong asset quality.
- Established financial performance track record.

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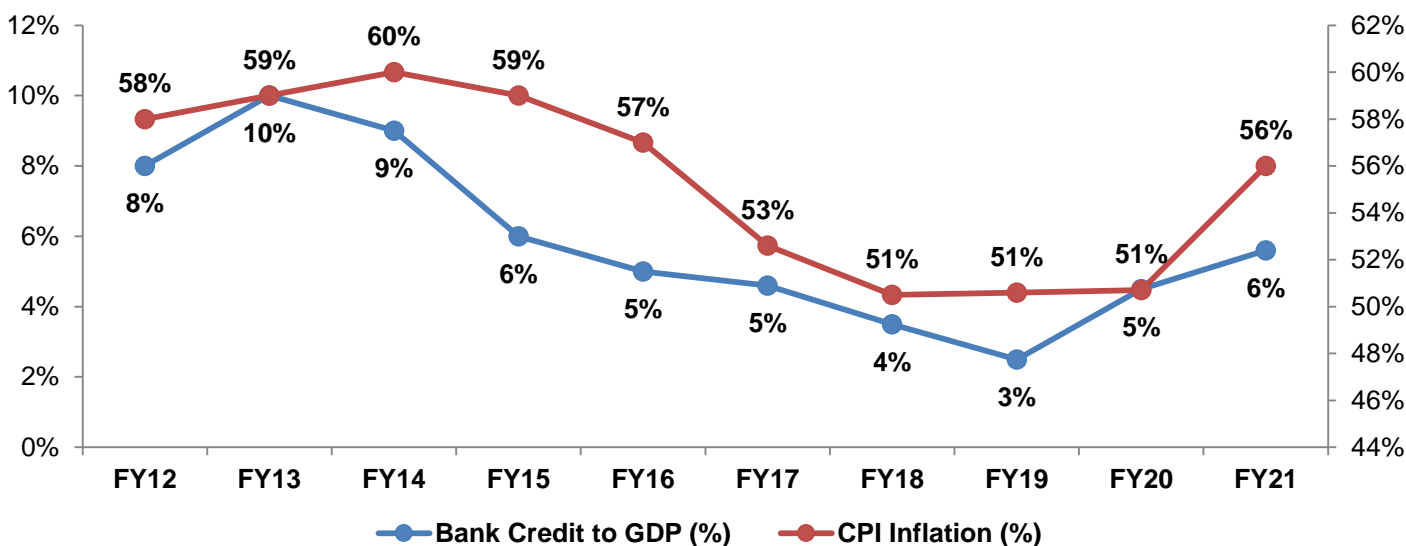
PMAY-U was launched with a target of building 11 million houses in urban areas across the country over seven years from 2016 to 2022. As of June 25, 2021, the progress under PMAY-U was as follows:

Houses sanctioned	11.24 million
Houses grounded for construction	8.27 million
Houses completed	4.95 million
Total investment	Rs. 7,140 billion
Central assistance released	Rs. 955.87 billion

The PMAY was launched in 2015 with a target of constructing 50 million new housing units by 2022, of which 30 million units are proposed to be constructed in rural areas (through PMAY-Rural or PMAY-G) and 20 million in urban areas (through PMAY-Urban or PMAY-U).

Credit penetration in India

Trend in banking credit to GDP and CPI inflation



Source: RBI, CRISIL Research

Gross Fixed Capital Formation by asset

Parameter (Rs Cr.)	FY15	FY16	FY17	FY18	FY19	FY20
GFCF	32,78,096	34,92,183	37,87,568	40,83,079	44,86,205	47,30,416
Dwellings, Other buildings & Structures	18,71,193	18,45,551	19,24,840	20,21,471	22,21,975	22,65,212
Machinery & equipment	11,00,577	12,51,045	13,89,157	16,15,278	17,79,284	18,66,816
Cultivated biological resources	7,118	8,447	9,474	5,910	5,223	5,355
Intellectual property products	2,99,208	3,87,139	4,64,097	4,40,421	4,79,723	5,93,035

Source: National Account Statistics 2021, MOSPI, CRISIL Research

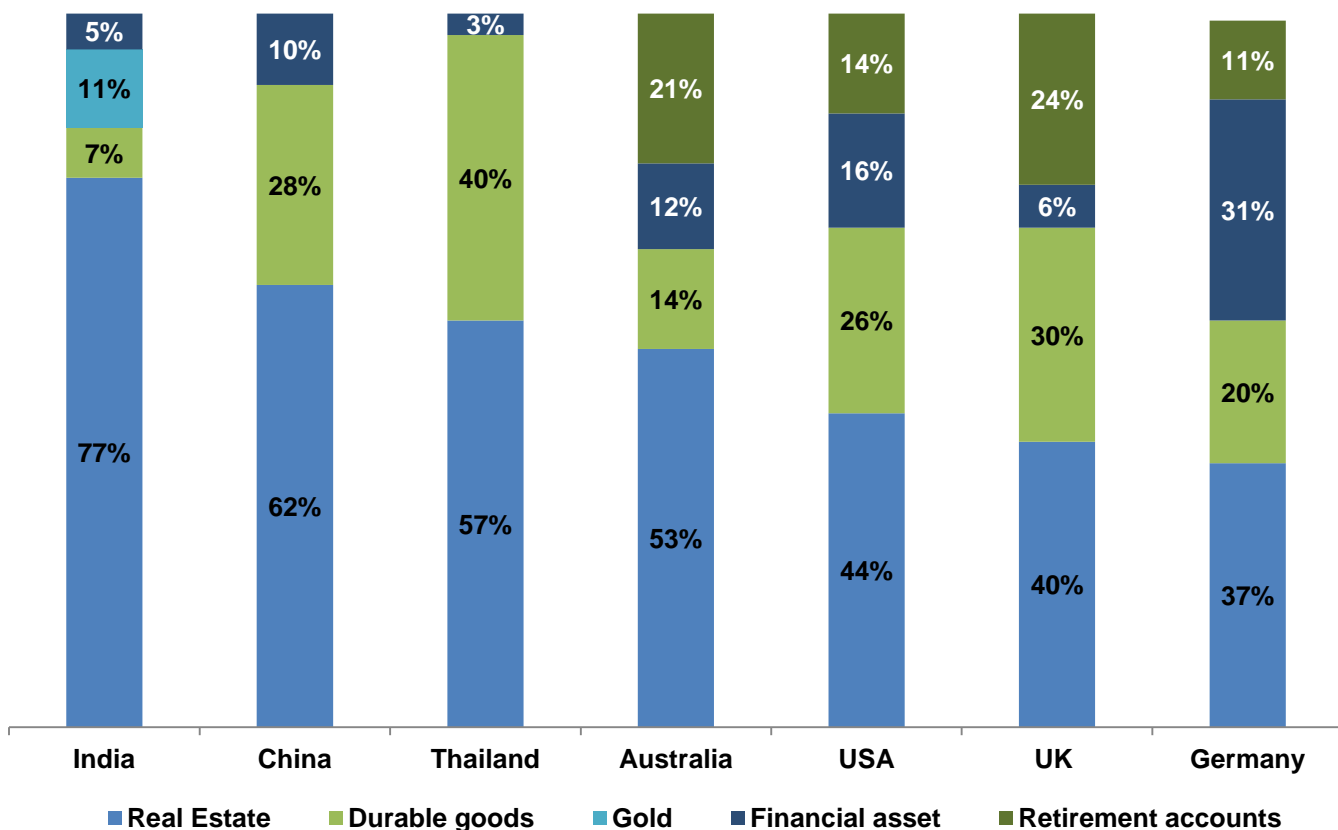
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Gross Fixed Capital Formation in dwellings, buildings and other structures by various institutional sectors

Institutional Sector (Rs Cr.)	FY15	FY16	FY17	FY18	FY19	FY20
Public Non-Financial Corporations	1,55,775	2,03,120	1,89,414	2,29,150	2,76,178	2,44,909
Private Non-Financial Corporations	3,19,320	3,96,341	3,77,062	3,72,103	3,75,871	3,97,173
Public Financial Corporations	1,614	3,399	4,008	3,853	5,599	5,728
Private Financial Corporations	10,660	13,727	11,237	4,843	10,917	17,760
General Government	2,97,419	3,56,739	4,00,515	4,02,071	4,16,513	4,86,931
Household Sector	10,86,405	8,72,225	9,42,604	10,09,451	11,36,897	11,12,711
Total	18,71,193	18,45,551	19,24,840	20,21,471	22,21,975	22,65,212

Housing scenario in India

Composition of Household investment in different asset class

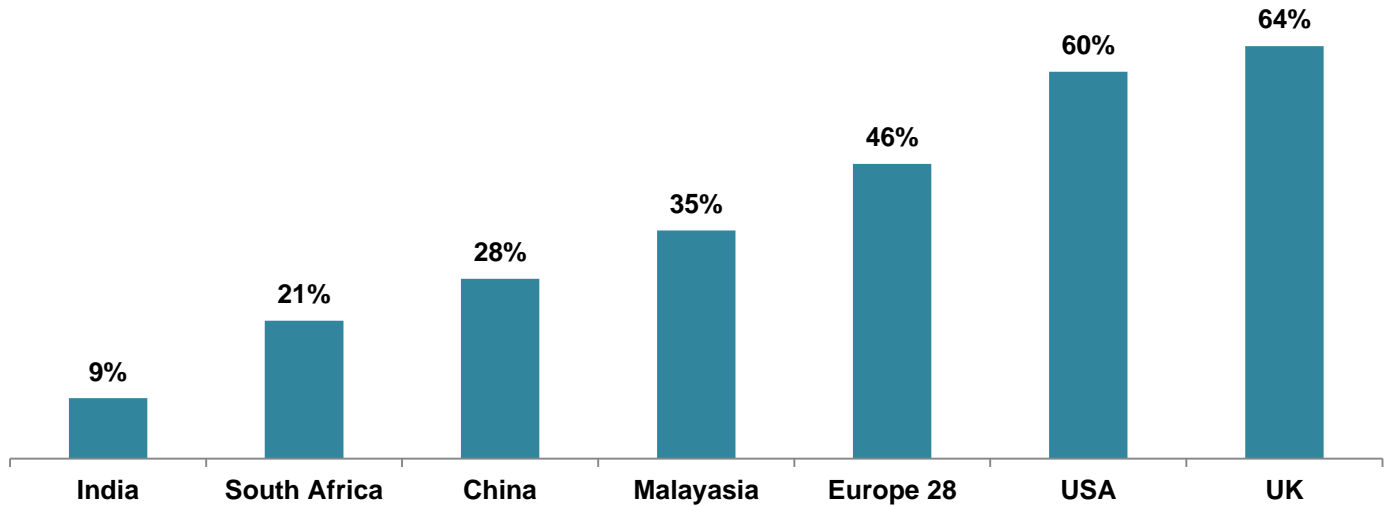


Source: Housing finance committee Report 2017 (RBI), CRISIL Research

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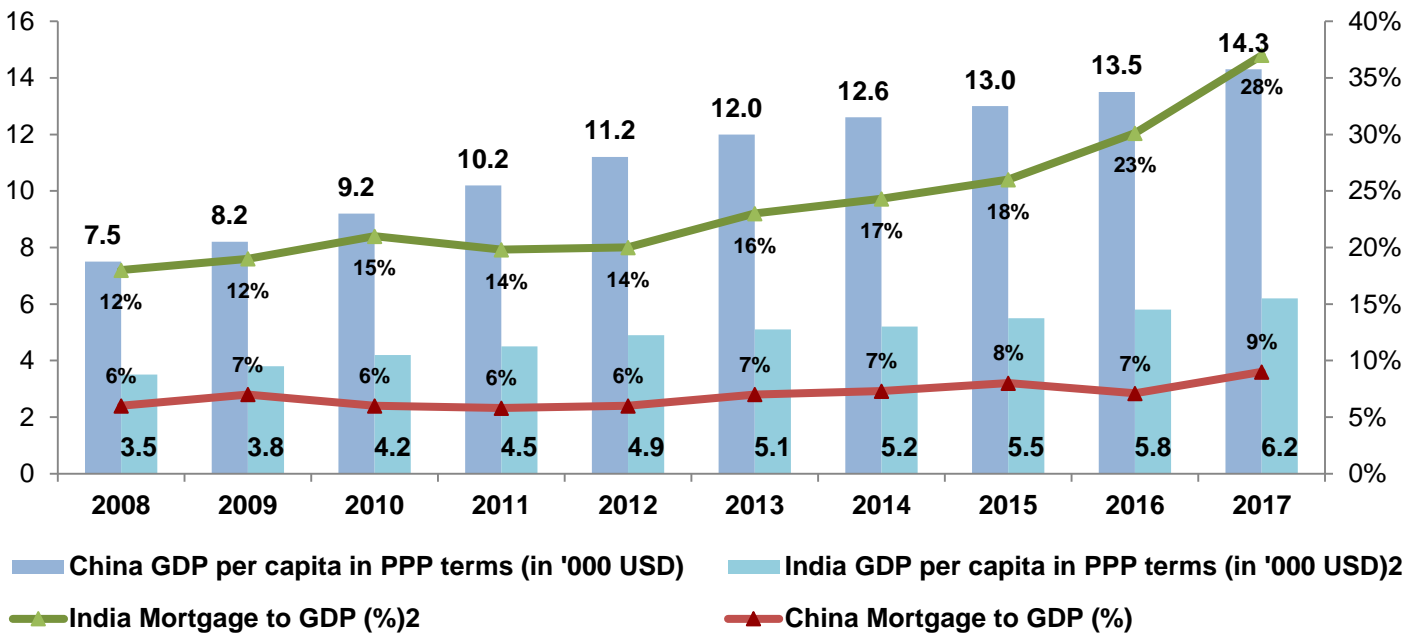
Mortgage-to-GDP ratio in India lower than other countries

Mortgage-to-GDP ratio in India compared with other countries (CY18)



Note: (*) – As of CY17, Europe 28 includes the 28 European Union Member states as on December 2018
 Source: HOFINET, European Mortgage Federation, NHB, CRISIL Research

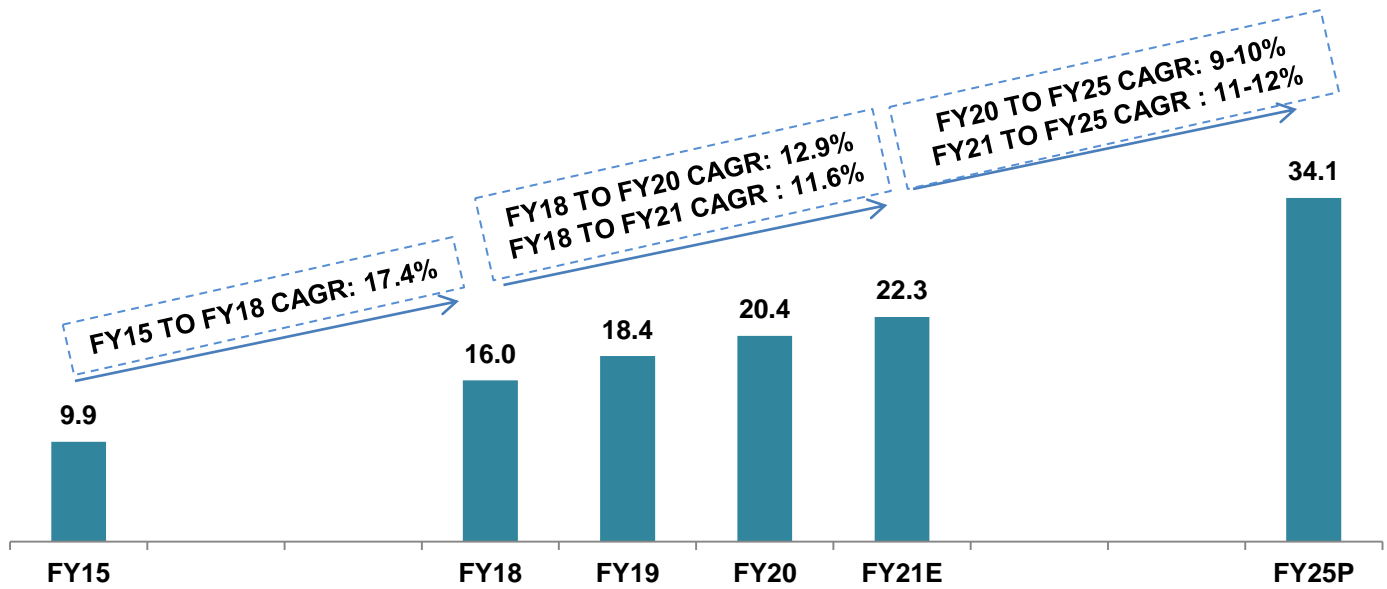
Rise in per capita income to drive the growth of mortgage penetration in India



Source – HOFINET, Peoples Bank of China, World Bank, CRISIL Research

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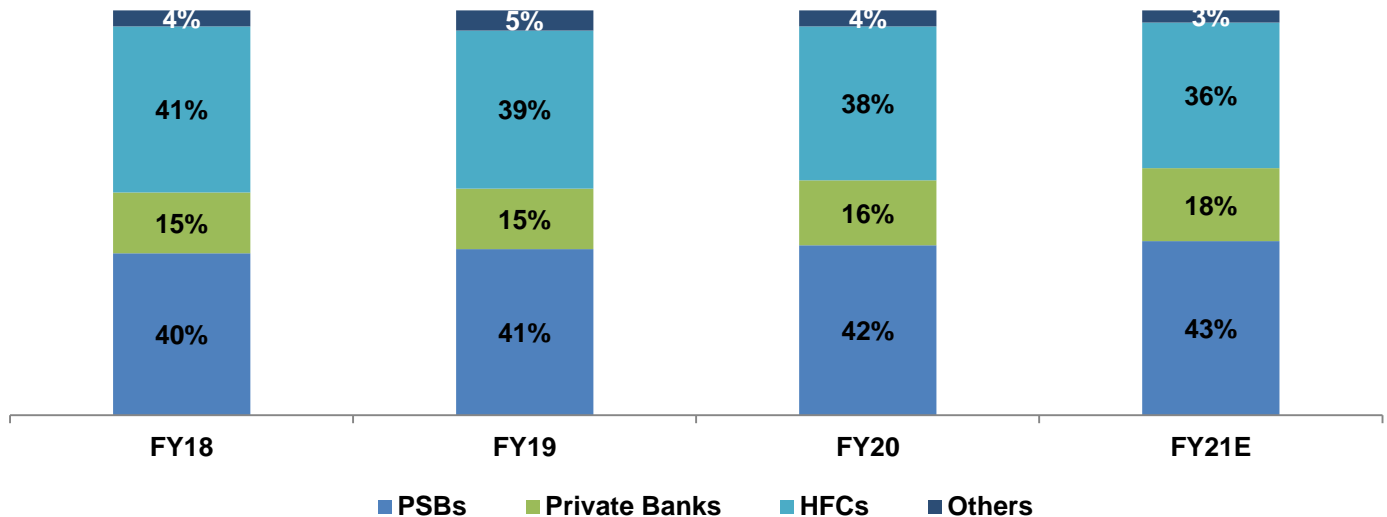
Growth in housing loans outstanding (Rs. trillion)



Estimated; P- Projected

Source: Company reports, RBI, CRISIL Research

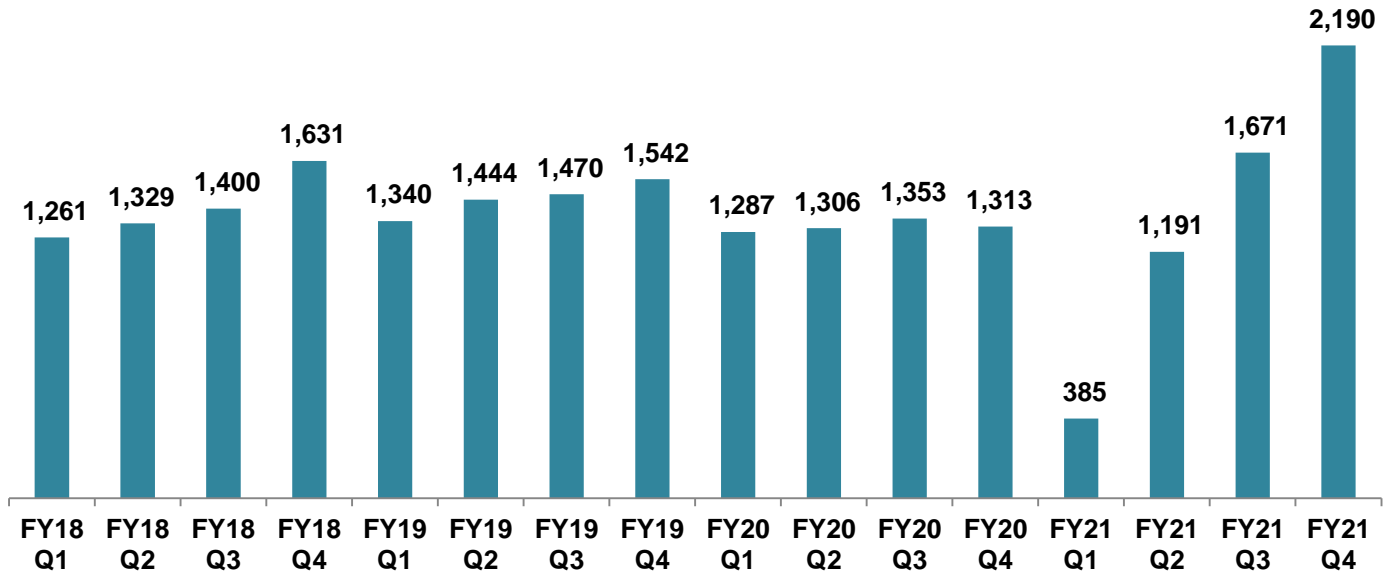
Player group wise share in home loans outstanding



Note: E = Estimated; The above classification of player groups is done as per RBI. Others primarily include foreign banks, NBFCs (excluding HFCs), Regional Rural Banks (RRBs), Small Finance Banks (SFBs) and cooperative banks.
Source: Experian, CRISIL Research

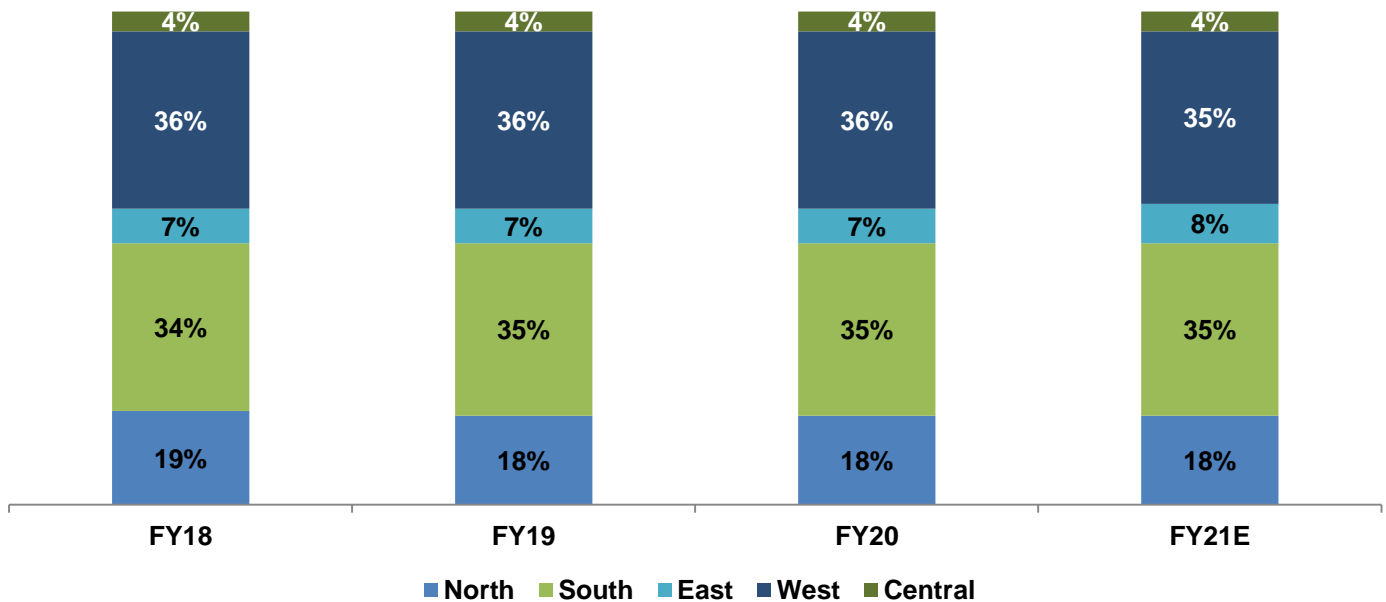
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Home loans disbursements have grown post the first quarter into the pandemic (INR billion)



Note: E = Estimated

South and West India contributes to ~70% of total home loan outstanding as of 9MFY21



Source: Experian, CRISIL Research

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Financial ratios for FY21 & FY20

FY21	YOA	COBs	NIM	Opex	Employee exp.	ROA	Leverage (In Times)	ROE
Aadhar Housing Finance	13.4%	8.3%	5.7%	2.3%	1.2%	2.6%	3.8%	13.5%
Aavas Financiers*	14.3%	8.0%	7.8%	3.5%	1.9%	3.5%	2.6%	12.9%
Aptus Value Housing Finance*	17.0%	9.1%	9.7%	2.4%	1.6%	5.7%	1.1%	12.2%
Home First Finance Company*	13.4%	7.9%	6.7%	3.4%	1.5%	2.5%	2.2%	8.6%
India Shelter Finance*	15.9%	8.7%	10.2%	4.9%	2.5%	4.1%	1.6%	9.8%
Motilal Oswal Home Finance	14.9%	10.0%	6.6%	4.3%	1.5%	1.0%	3.1%	4.6%
Repcos Home Finance*	11.5%	8.0%	4.8%	1.6%	0.6%	0.2%	5.0%	15.0%
Shriram Housing Finance	12.3%	8.2%	7.0%	4.3%	1.7%	2.0%	5.5%	11.5%
Shubham Housing	16.3%	9.7%	9.3%	5.7%	3.6%	2.8%	3.1%	12.3%
Vastu Housing Finance	14.7%	9.1%	8.9%	3.7%	2.2%	4.0%	1.5%	10.7%

Note: (*) – Total interest income is considered while calculating yield on advances Financial Ratios for all the peers are calculated based on standalone number. YOA- Yield on advances, COB- cost of borrowings,

FY20	YOA	COBs	NIM	Opex	Employee exp.	Credit cost	CAP (% of AUM)	ROA	Leverage (In Times)	ROE
Aadhar Housing Finance*	13.5%	8.6%	5.3%	2.2%	1.4%	1.0%^	0.4%	1.7%	4.1%	11.8%
Aavas Financiers	13.5%	7.6%	8.2%	3.5%	2.2%	0.2%	0.1%	3.8%	2.6%	12.7%
Aptus Value Housing Finance	15.7%	10.0%	9.9%	2.6%	1.9%	0.1%	0.1%	6.3%	1.1%	15.4%
Home First Finance Company	13.2%	8.7%	7.6%	3.4%	2.0%	0.6%	0.2%	2.6%	2.7%	10.9%
India Shelter Finance	15.4%	8.9%	9.9%	5.0%	3.2%	0.7%	NA	3.0%	1.1%	5.7%
Motilal Oswal Home Finance	14.0%	10.1%	5.5%	2.3%	1.5%	1.8%	NA	0.9%	3.4%	4.6%
Repcos Home Finance	11.7%	7.7%	4.6%	0.9%	0.6%	0.5%	0.3%	2.4%	5.9%	16.9%
Shriram Housing Finance	14.3%	8.0%	8.7%	4.8%	2.7%	1.1%	0.4%	2.0%	3.8%	9.5%
Shubham Housing	17.6%	10.6%	9.7%	6.5%	4.7%	0.5%	0.3%^	2.0%	2.8%	7.8%
Vastu Housing Finance	15.1%	8.9%	8.8%	2.8%	2.2%	0.2%	NA	4.5%	1.5%	11.3%

Note: (^) - As % of loan outstanding; (*) - Includes accelerated provisioning of Rs. ~400 million towards project finance book. Financial Ratios for all the peers are calculated based on standalone number; NA- Not available Source:

Credit Cost Includes COVID-19 additional provisioning, YOA- Yield on advances, COB- cost of borrowings, Company reports, CRISIL Research

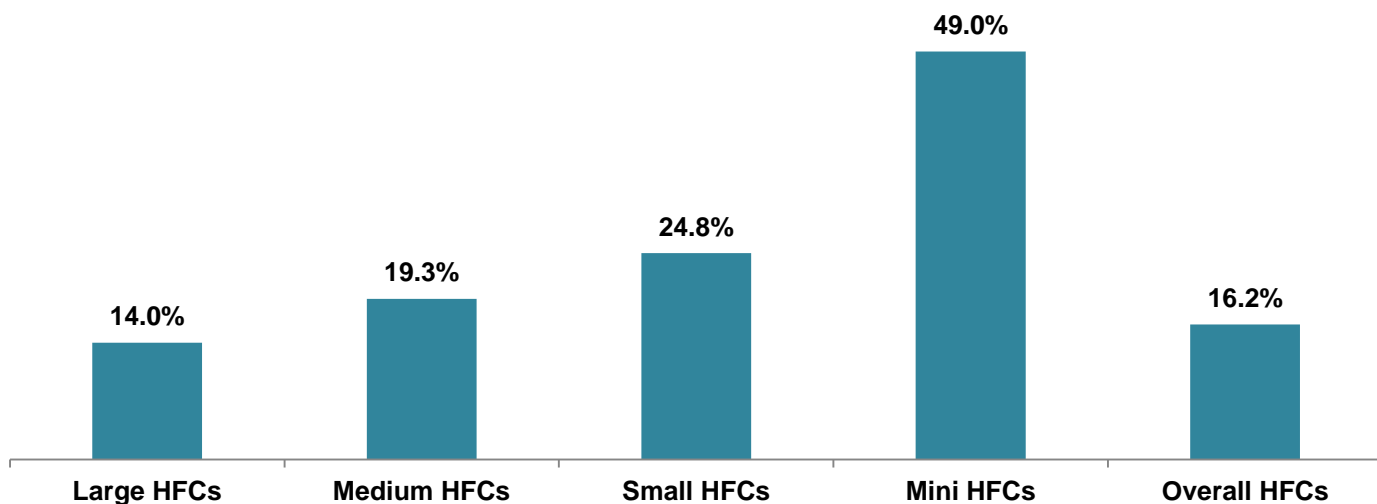
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Aptus Value Housing registered the third-highest AUM growth in Fiscal 2021

Name Of the Company	INR Bn			FY21		FY21			CAGR FY17-21	
	AUM FY21	AUM FY20	YoY AUM growth (FY21)	Disbursements	Disbursement growth (YoY)	Total income	Profit after tax	Total Net Worth	AUM growth	Disbursement growth
Aadhar HF	133.3	114.3	17%	35.5	11%	15.5	3.4	26.9	43%	20%
Aavas Financiers	94.5	78	21%	26.6	-9%	11.1	2.9	24	37%	18%
Aptus Value HF	40.7	31.8	28%	13	1%	5.5	2.2	18.9	48%	33%
HFFC	41.4	36.2	14%	11	-32%	4.9	1	13.8	51%	27%
India Shelter Finance	19.3	15.2	29%	5.6	-2%	3.2	0.9	9.4	44%	25%
Motilal Oswal HF	35.1	36.7	-4%	2.7	44%	5.5	0.4	9.1	-4%	-42%
Repc HF	121.2	118.3	2%	18.4	-30%	13.9	2.9	20.6	8%	-9%
Shriram HF	39.3	23.1	70%	22	95%	4.3	0.6	3.6	22%	23%
Shubham Housing	19.4	16.8	15%	NA	NA	3.4	0.6	5.2	24%	NA
Vastu HF	24.1	17.7	36%	33	NA	3.5	1	9.9	86%	NA

Source: Company reports, CRISIL Research

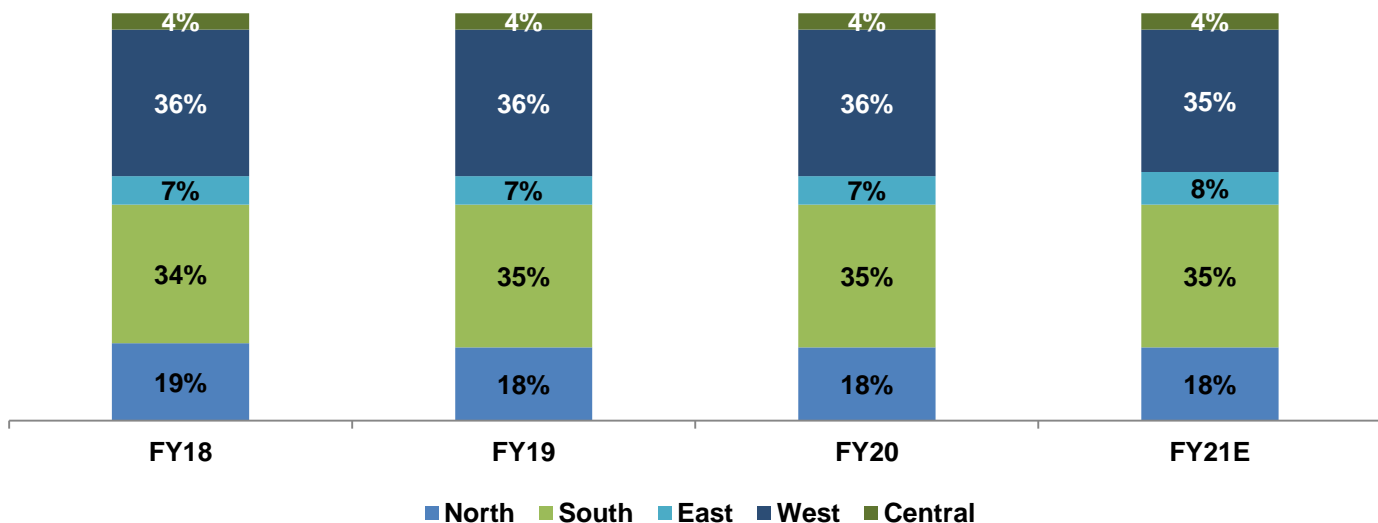
March 2016 to March 2020 CAGR in home loans outstanding of HFC groups in overall housing finance industry



Source: Experian, CRISIL Research

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South and West India contributes to ~70% of total home loan disbursement during 9MFY21



Source: Experian, CRISIL Research



OPINION



The company has performed over the three years with **AUM growing 35%** annually and the customer base has increased to 37 % during the same period. The company has one the highest return ratio amongst its peers with **ROA is around 5.7% (FY21) and ROE is around 12.2% (FY21)**. Being the niche player in the segment, the company has a very strong fundamentals.

The valuation of the IPO is expensive. However, with contained credit cost, strong disbursements management and focus on underpenetrated low and mid-income segment, business growth, and profitability is expected to remain robust going forward. So we propose to subscribe with long term subscription toward this IPO.

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