

## Aavas Financiers Ltd : Good Issue

**IPO Note: Lowest GNPA in FY18, Second highest growth of AUM (Rs 2500cr to 20000cr) in last three financial years in Affordable housing finance, Aggressively Priced :Ranking\*\*\***



### Issue details

Price band (Rs)	Rs. 109-110
IPO Opening Date	25-09-2018
IPO Closing Date	27-09-2018
Issue Size	Rs. 1734 Cr.

### Recommendation

Total revenue grew at a CAGR of 70.33% from Rs.54.32 Cr for the FY 2014 to Rs.457.24 Cr for FY 2018 and Net Profit grew at a CAGR of 95.74% in the same period. For first quarter ended on 30.06.18 of the current fiscal, it has earned net profits of Rs. 29.99 crore on total revenues of Rs. 143.87 crore. If we annualize latest working and attribute it on post issue equity then asking price is at a P/E of around 53.80 and at a P/BV of 5.22. **Among the listed peer in the segment are HDFC Ltd, Gruh Finance, Repco Home Finance, Canfin Hime Finance and PNB Housing Finance Ltd trades at their TTM P/E of 24.21, 59.70, 14.38, 13.31 and 23.46 respectively. The issue seems aggressively priced but its top-line and bottom line growth of 70% and 95% in last four years and low gross NPA and net NPA of 0.50% and 0.38%. Considering all these aspects, investment for long term may be considered.**

### Highlights

- Aavas Financiers Ltd is a retail, affordable housing finance company, primarily serving low and middle income self-employed customer in semi-urban and rural areas in India.
- Company outperformed the industry with many new technique to its credit.
- According to ICRA report, company had the lowest Gross NPAs as of March 31, 2018 and second highest growth rate of assets under management for the last three financial years.
- It conducted operations through 166 branched covering 95 districts in eight states.
- GNPA for the last three years are 0.79%, 0.34% and 0.50% and NNPA at 0.60%, 0.26% and 0.38%

### Company Introduction

#### Company Profile

It is a retail, affordable housing finance company, primarily serving low and middle income self employed customers in semi-urban and rural areas in India. A majority of customers have limited access to formal banking credit. According to ICRA Report, Company had the lowest Gross NPAs as of March 31, 2018 and the second highest growth rate of assets under management for the last three financial years, among affordable housing finance companies that had assets under management between Rs. 25 billion and Rs. 200 billion. It offer customers home loans for the purchase or construction of residential properties, and for the extension and repair of



[www.aavas.in](http://www.aavas.in)

## Financial Summary (Rs. In Crore)

Particulars	For three month ended 30 June. 2018	FY2018	FY2017	FY2016
Total Income	143.87	457.24	305.49	190.89
Net Profit	29.99	92.93	57.14	32.78
EPS (Rs)	15.26*	11.82	7.26	4.17

\*EPS Annualize, Source:DRHP and ACE Equity

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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existing housing units. As of June 30, 2018, a majority of the home loans that it disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. In addition to home loans, it offer our customers other mortgage loans including loans against property, which accounted for 24.18% of Gross Loan Assets as of June 30, 2018. As of June 30, 2018, 61.22% of Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than Rs.50,000 per month and 36.27% of Gross Loan Assets were from customers who were new to credit. As of June 30, 2018, 64.21% of Gross Loan Assets were from self-employed customers. Since the commencement of operations in March 2012, it have served more than 62,500 customers.

## Objects of the issue

The Offer comprises a Fresh Issue by our Company and an Offer for Sale by the Selling Shareholders.

- The proceeds of the offer for sale will go to selling shareholders. The company will not receive anything from the proceeds of the offer for sale.
- The net proceeds of the fresh issue will be utilized towards augmenting the company's capital base to meet the future capital requirements arising out of the growth in the business.

## IPO Issue Proceed

To part finance its plans to increase Tier-1 capital base and for general corporate purpose fund needs, the company is coming out with a maiden IPO of combo offer with fresh equity issue worth Rs. 400 crore (approx 48.72 lakh shares at the upper price band) and offer for sale by existing stakeholders of 1.62 equity shares (worth approx. Rs.1330 crore at the upper price band). Thus the aggregate size of the issue is around Rs. 1734 crore. Minimum application is to be made for 18 shares and in multiples thereon, thereafter. Issue opens for subscription on 25.09.18 and will close on 27.09.18. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 73.72 cr. will stand enhanced to Rs.78.60 cr.