

Issue Details	
Issue Opens	25-Sept-18
Issue Closes	27-Sept-18
Issue Size (Rs. Crore)	1734.07
Face value (per-equity share)	10
Price Band (Rs.)	818-821
Lot Size (No of Share)	18
No of Shares on Offer (crore)	2.11
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	08-Oct-18

Issue Date: 25<sup>th</sup> Sept – 27<sup>th</sup> Sept 2018

Price Band (Rs.): 818-821

Lot Size (No. of Share): 18

### Company Background

Incorporated in 2011, Jaipur based Aavas Financiers Ltd is engaged in providing retail, affordable housing finance of low and middle income self employed customers in semi-urban and rural areas in India. The company is registered with the NHB as an HFC. According to ICRA Report, company had the lowest gross NPAs as of March 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 2,500 crore and Rs 20,000 crore.

### Financials

Particulars	For the year/period ended (in Rs. Million)				
	Mar'18	Mar'17	Mar'16	Mar'15	Mar'14
<b>Total Assets</b>	38,174	24,506	17,108	8,524	4,179
<b>Total Revenue</b>	4,572	3,055	1,909	1,037	543
<b>Profit After Tax</b>	929	571	328	191	63

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	81.26	57.17
Public (incl institutions and employees)	18.74	42.83
Total	100.0	100.0

### Concerns

- Higher exposure to self-employed customers in low income group.
- Volatility in borrowing and lending rates.
- Deteriorating credit quality of loans and higher provisioning.

### Strengths

- Strong distribution network with deep penetration serving under served customers in rural and semi-urban markets.
- In-house sourcing model leading to superior business outcomes.
- Robust and comprehensive credit assessment, risk management and collections framework of this company.

### Our View

On upper price band of Rs 821 and EPS of Rs 15.87, P/E works out to be 51.7x. On last 3 years average consolidated EPS of Rs 13, P/E works out to be 63.1x. Means company is having P/E in between 51.7x to 63.1x for the upper price band of Rs 821. Its listed peers like Gruh Finance is trading at P/E of 32x (Highest) and Canfin Homes at P/E of 13.6x (Lowest) and Industry average is 21x. Considering this, Aavas Financiers IPO is highly priced.

Aavas Financiers has strong revenue growth and its margins are on improvement mode. However, the issue price is highly priced, thereby leaving little scope for listing gains. Considering the future business potential, high growth, strong NIM and reasonable asset quality. High risk investors can invest in this IPO from a long term perspective. Investors may or may not get listing gains.

### Objects of the Issue

The object of the issue are to:

1. The proceeds of the offer for sale will go to selling shareholders after deducting their portion of the offer related expenses and relevant taxes thereon. The company will not receive anything from the proceeds of the offer for sale.
2. 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 growth in the business.