

Housing and Urban Development Corporation Ltd(HUDCO)

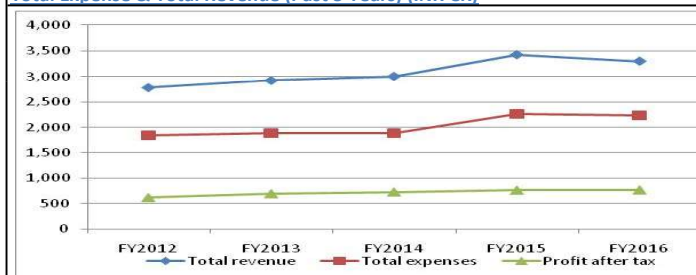
Issue Size	Rs.1224.35 Cr	IPO Objectives: 1. Carry out the disinvestment of 204,058,747 Equity Shares by the Selling Shareholder constituting 10.2% of the Company's pre-Offer paid up Equity Share capital. 2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.
Price Band	Rs.56-60	
Face Value	Rs.10	
IPO Date	8/May/17-11/May/17	
Issue Shares	20,40,58,747	
Lot Size	200	
Listing At	BSE, NSE	

Background & Operations:

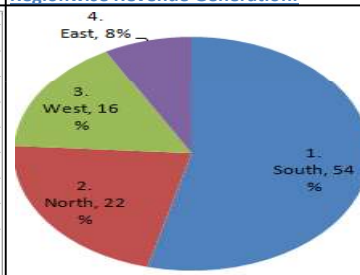
- Wholly owned government company with more than 46 years(Incorporated in 1970) of experience in providing loans for housing and urban infrastructure related projects in India.
- Offers consultancy services, promotes research and studies and helps propagate use of local building materials, innovative and cost effective construction technologies etc apart from its core financing operations.
- Services in finance for housing and infrastructure projects to state government, public agencies and private corporate sector. Infrastructure projects for state government includes sectors such as water supply, sewerage, drainage, solid waste management, roads and transport and electricity in the urban areas.
- It's vision is "to be among the world's leading knowledge hubs and Techno-Financial organisations for clean,green and sustainable habitat development."
- Mission is "to promote sustainable habitat development to enhance the quality of Life".

Valuation based on latest F.Y:		Companies Loan Portfolio:		Company Promoters:
EPS	RS. 3.87	Housing Finance	31.28%	Company's Promoter is the President of India, acting through the Ministries.
P/E	14x	Infrastructure Finance (Urban)	68.72%	
RONW	9.18%	Total	100%	
NAV	RS. 42.14			

Total Expense & Total Revenue (Past 5 Years) (INR CR)



Regionwise Revenue Generation:



Company's Financials:

1. The company generated revenues of Rs.2778 Cr for the year ended Mar 2012 and Rs 3302 Cr for the year ended Mar 2016 which grew at an average of 4.4% CAGR in the last 5 years.
2. The company posted a profit of Rs.621 Cr for the year ended Mar 2012 & Rs.775 Cr for the year ended Mar 2016.
3. Its restated basic EPS for MAR 2016 was Rs.3.87 and last 3 years the EPS was Rs.3.83.

Key Strengths:

1. Key role in various Government's schemes to develop the indian housing and urban infrastructure sectors and a very high proportion of its loan portfolio is to State Governments and their agencies.
2. Highest credit ratings, access to diversified and lower cost funding and ability to significantly increase its borrowings in compliance with the Housing Finance Companies directions.
3. Established track record, profitable since inception and a strong financial position in the Industry.
4. Pan India presence from "Kashmir to Kanyakumari" and from "Kohima to Kutch" with 21 regional offices and 11 development offices and strong relationships with State Governments agencies.
5. Experienced senior management team and a large pool of skilled and professional employees.

Key Risk Factors:

1. Revenue grew at 4.4% CAGR in the last 5 years.
2. If the level of Non performing assets in company outstanding loan, advances and investments keep on increasing it would adversely affect its operations and financials.
3. One of its Independent Directors, Anand Kamalnayan Pandit has been restrained from buying, selling or dealing in the securities market by SEBI.
4. Borrowers default on their obligation and Volatility in Interest rates may effect the operation and financial condition of HUDCO.

Future Prospects in India:

1. According to ICRA the average future growth of the industry will be around 18% -20%.
2. Banks are expected to grow their home loan books at 17-20% whereas NBFCS are expected to grow their home loan books at 18-21 percent.
3. The long-term growth outlook for the sector remains positive given the Government's focus on "Housing for All" by 2022, and the favourable regulatory environment.
4. Demonitisation had opened up a huge market in this sector due to reduced pricing & increased demand.
5. BUDGET 2017 has some key developments for this sector which can help contribute to the future growth of HUDCO and the entire industry.

Take Away:

1. It could be a darling of dividend investors with minimal annual dividend of 30% of its profit after tax (PAT) or 5% of its net worth.
2. Revenue growth at 4.4% CAGR is low in the last 5 years, however it earns good profits over 22% in the last 5 years and even the industry is expected to grow according to ICRA.
3. Increase in Urbanisation & shortage of household could be a huge plus point.
4. High risk investors can invest in this IPO for a 2-3 year time frame.

Conclusion:

Considering the company being a PSU and it has big role to play in the Housing for All (HFA) by 2022 scheme along with its Pan India presence and bright potential for this segment in the upcoming years, we suggest our investors to

SUBSCRIBE HUDCO IPO for medium to long term.

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