

HDFC m-cap crosses Rs 3 trn for first time on Rs 130-bn fundraising plan

Shares of HDFC gained 6% to an all-time high of Rs 1,870

Samie Modak | Mumbai January 16, 2018 Last Updated at 02:58 IST



Shares of Housing Development Finance Corp (HDFC) jumped more than six per cent on Monday after the country's largest housing finance company approved raising Rs 130 billion in equity capital.

The stock gained 6.2 per cent to reach an all-time high of Rs 1,870. The market capitalisation of the mortgage finance touched Rs 3 trillion, surpassing FMCG major Hindustan Unilever and top car manufacturer Maruti Suzuki to become India's fifth most-valued firm.

On Saturday, HDFC said its board had approved preferential allotment worth Rs 111 billion to a clutch of marquee investors, which included Canadian pension fund OMERS Administration, Singapore's sovereign wealth fund GIC, private equity major KKR-affiliate Silverview Investments, Europe's Carmignac Group, and billionaire Azim Premji's investment firm Premji Invest. The company said it would raise another Rs 19 billion through qualified institutional placement (QIP).

Most analysts are bullish on the prospects of HDFC amid a push by the government to increase home ownership in the country, particularly among low-income groups.

Most brokerages expect the company to maintain high-teen growth in loan book, return on equity and profitability. Last week, Morgan Stanley and Nomura expected the stock to cross Rs 2,000 over the next 12 months. Meanwhile, CLSA has upped its price target on the stock to Rs 2,200.

BULL RUN	
Share price (in ₹)*	1,870
Market cap (₹ trillion)	3.0
1-day (chg %)	6.2
1-year (chg %)	50.3
* As of Jan 15, '18	

HDFC's leadership position, low operating costs and strong asset quality has ensured the stock remains a hot favourite on Dalal Street. In the past one year, the stock has gained 50 per cent, outperforming the Sensex which has gained 28 per cent.

On Monday, HDFC contributed 176 points to Sensex's 251-point gain, helping the benchmark index close at a new record high of 34,843.5. Other HDFC group stocks also rallied in Monday's trade. HDFC Bank, country's most valued bank, saw its shares climb 1.5 per cent, while recently listed life insurance arm HDFC Standard Life Insurance gained 4.3 per cent.

Besides the core lending business, HDFC is also the holding company for the group. HDFC currently holds 21 per cent in HDFC Bank.

Part of the Rs 130 billion that the mortgage lender will raise will be used to maintain its stake in HDFC Bank.

HDFC also owns 58 per cent in another mortgage lender, Gruh Finance, valued at around Rs 68 billion. It holds 51.7 per cent in HDFC Standard Life, valued at nearly Rs 486 billion. HDFC also holds 57.4 per cent in HDFC Asset Management Company, country's leading mutual fund house, which is in the process of going public and 50.4 per cent in HDFC Ergo General Insurance.

Analysts expect the subsidiaries also to add value to the stock.