

Strong Growth Delivery to Continue; Margins to Benefit in Rate-Cut Cycle
Est. Vs. Actual for Q4FY25: NII – MISS; PPOP – BEAT; PAT – BEAT
Changes in Estimates post Q4FY25
FY26E/FY27E (in %): NII: -1.1/-2.2; PPOP: -0.3/-1.4; PAT: 0.2/-0.9
Recommendation Rationale

- **NIMs to benefit in the rate cut cycle:** Aptus remains a key beneficiary in the rate cut cycle, with ~80% of the loan portfolio being fixed rate. The impact of the repricing of ~20% floating rate book on NIMs is expected to be marginal. In its borrowing mix, ~56% of the loans are floating rate borrowings, of which ~30% are linked to the repo rate and would reprice downwards, and the management expects the benefit on CoF to be visible in Q1FY26. Moreover, the ~26% MCLR-linked borrowings should see the benefit of a lower rate accrue from Jul'25 onwards. Furthermore, the bank is negotiating with its lenders (banks) for better spreads. **The management has indicated that it does not intend to pass on the benefit of the rate cuts to the borrowers. This should be margin accretive, with spreads improving. We expect NIMs (calc.) to range between 11.9% (+5bps) over FY26-27E.**
- **Geographic diversification to continue:** As Aptus intends to diversify its geographical reach into geographies other than its core geographies of TN, AP, KA, and Telangana (TL), the company plans to further expand its footprint in Maharashtra (MH) and Odisha (OD). Thus, the company plans to add 10 new branches in MH and OD, along with 40 new branches, to further deepen its presence in the existing states. The credit behaviour and portfolio quality in the newer geographies have held up well, instilling confidence in the management to pursue growth beyond its core geographies.
- **Growth to remain buoyant:** The management has guided for a 24-25% disbursement growth for FY26, translating into an AUM growth of ~28-30% during the year. This growth should be driven by (i) new branches in both the new and existing geographies contributing to overall business, (ii) improving ATS from Rs 8-8.5 Lc to Rs 9-9.5 Lc, (iii) improving productivity of loan officers, and (iv) improving contribution from digital marketing. Additionally, the e-Khata issue in KA has been resolved, and Aptus has seen growth momentum improve in the state. Similarly, growth in TN has also seen a bounce-back. We expect Aptus to deliver a healthy 27% CAGR growth over FY25-27E.

Sector Outlook: Positive

Company Outlook: Aptus' management intends to maintain a strong pace of growth given the large headroom for growth in the core states and the target customer segment. Foray into newer states will further help the company accelerate the pace of growth, while enabling the company to reduce the concentration of its business in the southern states, though gradually. With a bulk of Aptus' loan book being fixed rate, the company remains a key beneficiary in the rate cut cycle as it does not intend to pass on the benefit of the rate cuts on the borrowings to its customers. The cost structure is lean and has little scope for improvement. With continuous investment in people, tech, and branch network expansion, the management expects the C-A ratio to remain stable at 2.63-2.7% over the medium term. We expect Aptus's RoA/RoE to remain best-in-class, ranging between 7.2-7.3%/20-23% over FY25-27E. Aptus also remains well-capitalised to fuel strong growth over the medium term.

Current Valuation: 3.8x FY27E ABV; Earlier Valuation: 3.6x Sep'26E ABV
Current TP: Rs 400/share; Earlier TP: Rs 400/share
Recommendation: We maintain our **BUY** recommendation on the stock.

Alternate BUY Ideas from our Sector Coverage
Can Fin Homes (TP – Rs 830)
Financial Performance

- **Operational Performance:** Disbursements grew by 10/14% YoY/QoQ. AUM growth was marginally below our expectations at 25/6% YoY/QoQ was driven by Home loans (+20/4% YoY/QoQ) and Small Business Loans (+50/10% YoY/QoQ). In the housing finance book, the share of housing loans declined marginally to 71% vs. 72% QoQ.
- **Financial Performance:** NII grew by 19/3% YoY/QoQ. Yields remain steady QoQ at 17.4%, while CoF declined marginally by 2bps. The company added two new branches in Q4FY25, taking the total branch count to 300, with 38 new branches added in FY25 (10 in Maharashtra and Odisha, 28 in TN, Telangana, Karnataka and AP). Opex grew by 21/11% YoY/QoQ led by higher other expenses (60/20% YoY/QoQ). Thus, the C-I Ratio increased to 20.2% vs 20.6/19.7% YoY/QoQ. PPOP grew by 24/8% YoY/QoQ. Credit costs stood at 30bps vs. 52bps QoQ. PAT grew by 26/9% YoY/QoQ.
- **Asset quality** remained stable with GNPA/NNPA at 1.19/0.89% vs. 1.2/0.89% QoQ. Collection Efficiency improved to 101.2% vs 99.4% QoQ. 30+dpd book witnessed a decline at 5.9% vs. 6.2% QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income (NII)	300	+3.3	+19.4	309	-2.8
PPOP	279	+7.9	+24.3	272	+2.6
Net Profit	207	+8.7	+26.2	200	+3.7
NNPA (%)	0.8	-6 bps	+3 bps	0.8	0 bps
RoA (%)	7.6	+28 bps	+2 bps	7.1	+46 bps

Source: Company, Axis Securities Research

CMP as of 07th May, 2025)

CMP (Rs)	320
Upside /Downside (%)	25%
High/Low (Rs)	402/268
Market cap (Cr)	16,012
Avg. daily vol. (6m) Shrs.	7,29,173
No. of shares (Cr)	50.0

Shareholding (%)

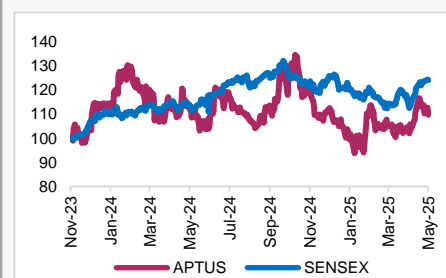
	Sep-24	Dec-24	Mar-25
Promoter	53.9	53.0	53.0
FIIIs	22.5	21.9	27.7
MFs / UTI	8.4	8.4	9.1
Others	15.2	16.7	10.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
NII	1,129	1,436	1,832
PPOP	1,003	1,260	1,596
Net Profit	751	940	1,190
EPS (Rs)	15.0	18.8	23.8
ABV (Rs)	85.0	93.8	105.2
P/ABV (x)	3.8	3.4	3.0
RoA (%)	7.4	7.3	7.3
NNPA (%)	0.8	0.9	0.9

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
NII	-1.1	-2.2
PPOP	-0.3	-1.4
PAT	0.2	-0.9

Relative Performance


Source: Ace Equity, Axis Securities Research

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Key Takeaways

- **Asset quality trends not worrisome:** The management has indicated that no worrisome signs of stress are visible across any of its product segments. Additionally, the Tamil Nadu ordinance does not directly impact the company, and so far, there has been no impact either on collections or disbursements. The 1+/30+ dpd stood at 7.5/5.9% in Q4FY25. Going ahead, the management has guided for 40-45 bps credit costs in FY26.
- **Efforts to control employee attrition:** At Aptus, the senior level management attrition has been 0%, while at the middle level management (cluster manager, area manager, etc), it is at 4-5%, while at the branch manager level, it is ~10%. However, the company's attrition level at ground level is fairly high, at 40-45%, and the company has introduced multiple measures to control the attrition by introducing an incentive-based scheme.

Outlook

We continue to remain positive about Aptus' growth prospects and strong underwriting capabilities that drive healthy asset quality outcomes. We largely retain our estimates for FY26-27E, based on expectations of sustained healthy AUM growth, a positive trajectory on margins, and under-control Opex growth and credit costs. We expect Aptus to deliver healthy AUM/NII/Earnings growth of 27/27/26% CAGR over FY25-27E.

Valuation & Recommendation

We reiterate our BUY recommendation on the stock. The stock currently trades at 3.0x FY27E ABV, and we value Aptus at 3.8x FY27E ABV to arrive at a target price of Rs 400/share, implying an upside of 25% from the CMP. We believe current valuations are attractive because of their strong growth potential and the industry's best RoA/RoE delivery.

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall disbursement and AUM growth, which could potentially derail our earnings estimates.
- Increase in BT-Out rates, which are currently at manageable levels

Change in Estimates

Rs Cr	Revised		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NII	1,436	1,832	1,452	1,873	-1.1	-2.2
PBP	1,260	1,596	1,264	1,619	-0.3	-1.4
PAT	940	1,190	938	1,202	0.2	-0.9

Source: Company, Axis Securities Research

Results Review (Consolidated)

(Rs Cr)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	FY25	FY24	% YoY
Net Interest Income	300	251	19.4	291	3.3	1129	932	21.1
Non-Interest Income	49	31	57.9	31	57.9	135	95	41.2
Operating expenses	71	58	21.2	63	11.4	255	207	23.3
Staff Cost	47	43	7.9	43	7.5	177	152	16.7
Pre-provision profits	279	224	24.3	258	7.9	1009	821	22.9
Provisions and contingencies	8	9	-15.6	13	-38.5	34	27	23.8
PBT	271	215	26.0	246	10.4	975	793	22.9
Provision for Tax	64	51	25.4	55	16.2	224	181	23.4
PAT	207	164	26.2	191	8.7	751	612	22.8
Business Update								
Disbursements	1,064	968	9.9	930	14.4	3,604	3,127	15.3
AUM	10,865	8,722	24.6	10,226	6.2	10,865	8,722	24.6
Cost-Income ratio (%)	20.2%	20.6%	-40bps	19.7%	51bps	20.2%	20.1%	8bps
Yield on Advances	17.4%	17.4%	4bps	17.4%	1bps	17.4%	17.2%	15bps
Cost of Funds (%)	8.7%	8.6%	4bps	8.7%	-2bps	8.7%	8.5%	20bps
NIMs (%)	8.7%	8.7%	0bps	8.7%	3bps	8.7%	8.8%	-5bps
Asset Quality								
Gross NPA (%)	1.1%	1.1%	5bps	1.2%	-8bps	1.1%	1.1%	5bps
Net NPA (%)	0.8%	0.8%	3bps	0.9%	-6bps	0.8%	0.8%	3bps
PCR (%)	26%	25%	90bps	26%	6bps	26%	25%	90bps

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net Interest Income	932	1,129	1,436	1,832
Non-Interest Income	89	129	150	176
Total Income	1,021	1,258	1,585	2,008
Operating Expenses	207	255	325	413
Pre-Provision Profits	815	1,003	1,260	1,596
Provisions	22	28	48	61
PBT	793	975	1,212	1,535
Tax	181	224	272	345
Profit After Tax	612	751	940	1,190

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Equity Share Capital	100	100	100	100
Reserves & Surplus	3,668	4,217	4,687	5,282
Net Worth	3,768	4,317	4,787	5,382
Borrowings	5,200	6,873	9,488	12,699
Other Liabilities	37	54	68	87
Total Liabilities	9,004	11,243	14,343	18,168
Cash & Bank balances	350	424	541	685
Investments	51	53	68	86
Loans	8,528	10,630	13,561	17,177
Fixed Assets & Others	75	136	174	221
Total Assets	9,004	11,243	14,343	18,168

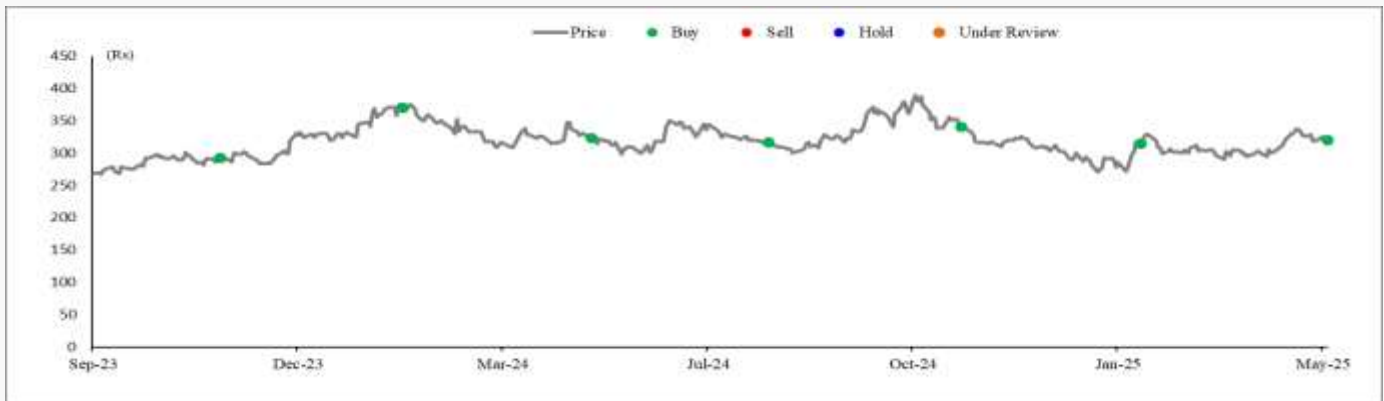
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26E	FY27E
Asset Quality				
GNPA Ratio	1.1	1.1	1.2	1.2
NNPA Ratio	0.8	0.8	0.9	0.9
PCR	25.8	24.8	25.0	25.0
Profitability & Efficiency Ratios				
Net Interest Margin (%) – (on. Avg on-book AUMs)	12.3	11.8	11.9	11.9
RoA	7.6	7.4	7.3	7.3
RoE	16.5	17.8	20.7	23.4
Cost to Income	20.2	20.3	20.5	20.6
CRAR (%)	73.0	70.0	61.6	53.2
Valuation				
EPS	12.3	15.0	18.8	23.8
Change (%)	21.4	22.6	25.2	26.6
BVPS (Rs)	75.5	86.4	95.8	107.7
Adj. BVPS (Rs)	74.4	85.0	93.8	105.2
P/E (x)	26.1	21.3	17.0	13.5
P/ABV (x)	4.3	3.8	3.4	3.0
P/BV (x)	4.2	3.7	3.3	3.0
Dividend Per Share (Rs)	4.0	4.5	4.7	6.0
Dividend Yield (%)	1.2	1.4	1.5	1.9
DuPont Analysis – RoE Tree (%)				
NII	11.5	11.2	11.2	11.3
Non-Interest Income	1.1	1.3	1.2	1.1
Total Income	12.6	12.4	12.4	12.4
Opex	2.6	2.5	2.5	2.5
PPOP	10.1	9.9	9.9	9.8
Provisions	0.3	0.3	0.4	0.4
PBT	9.8	9.6	9.5	9.4
Tax	2.2	2.2	2.2	2.2
RoA	7.6	7.4	7.3	7.3
Leverage (x)	2.3	2.5	2.8	3.2
RoE	17.2	18.6	20.5	23.3

Source: Company, Axis Securities Research

Aptus Value Housing Finance Price Chart and Recommendation History



Date	Reco	TP	Research
06-Nov-23	BUY	350	Result Update
05-Feb-24	BUY	450	Result Update
07-May-24	BUY	400	Result Update
05-Aug-24	BUY	385	Result Update
07-Nov-24	BUY	400	Result Update
04-Feb-25	BUY	400	Result Update
08-May-25	BUY	400	Result Update

Source: Axis Securities Research

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