

# Aptus Value Housing Finance | BUY

## Strong quarter

Aptus Value Housing Finance (Aptus) delivered a strong quarter with PAT at INR 1.64bn (+21.2% YoY, +4.1% QoQ) and robust AUM growth (+29.4% YoY, +8.1% QoQ) on the back of healthy disbursements (+44.9% YoY, +26% QoQ). While CoB saw a marginal uptick to 8.64% (vs 8.55% in 3QFY24), yields moved in tandem to 17.35% (vs 17.21% in 3QFY24) resulting in stable NIMs (calc.) at 11.98% (vs 12.25% in 3QFY24). Mgmt. indicated that they expect spreads to remain stable going ahead (currently 8.71%) as they do not anticipate further increase in CoB and thereby yields. Asset quality metrics improved with GS3/NS3 at 1.07%/0.8% (-12bps QoQ, -9bps QoQ) and a steady PCR of 25%. 30+ DPD improved to 5.41% (vs 6.04% in 3QFY24) with credit costs moderating to 45bps (vs 51 bps QoQ). On the back of strong on ground demand for both home loans and small business loans, mgmt. remains confident of being able to achieve an AUM growth of 30% going ahead. Given Aptus's sustained growth momentum and robust underwriting process, we expect it to continue to deliver on profitability and asset quality metrics going forward. We build an RoA/ROE of 7.03%/19.9% over FY25/26E. We maintain BUY with a TP of INR 400 (valuing it at 3.8x FY26E BVPS).

- Sustained growth momentum:** Aptus's AUM continues to grow at a robust pace (+29.4% YoY, +8.1% QoQ) on the back of strong growth in disbursements (+44.9% YoY, +26% QoQ). Growth was led by home loans (+9.9% QoQ, +33.9% YoY), followed by LAP (+8.1% QoQ, +38.1% YoY) and small business loans (+2.9% QoQ, +23.3% YoY). Company indicated that disbursements in Tamil Nadu had almost bounced back to normalcy (+9% QoQ) and they expect it to see good traction going forward. Management remains confident of achieving 30% AUM growth, on the back of strong on ground demand for both home loans and small business loans.
- Steady operating performance:** Operating profit stood at INR 2.2bn (+20.5% YoY, +4.3% QoQ) led by a) healthy growth in NII (+18.1% YoY, +4.8% QoQ) and b) robust other income (+56.3% YoY, +19.1% QoQ). Opex to assets for the company remained stable at 2.7% (vs 2.67% in 3QFY24). Aptus added 31 branches in FY24 (in line with their guidance) with mgmt. guiding for 35-40 branch additions in FY25. Additionally, mgmt. indicated that significant portion of the additions would be in Karnataka and Telangana. Though CoB witnessed a marginal uptick to 8.64% (vs 8.55% in 3QFY24), yields moved in tandem to 17.35% (vs 17.21% in 3QFY24) resulting in stable NIMs (calc.) at 11.98% (vs 12.25% in 3QFY24). Management indicated that spreads are expected to remain stable going ahead (currently 8.71%) as they do not anticipate further increase in CoB and thereby yields.
- Asset quality metrics remain steady:** Headline asset quality parameters improved with GS3/NS3 at 1.07%/0.8% (-12bps QoQ, -9bps QoQ). Credit costs (as % of AUM) moderated to 45bps (vs 51bps QoQ) with a steady PCR of 25%. 30+ DPD saw an improvement to 5.41% (vs 6.04% in 3QFY24) and collection efficiency stood at 100.15% (vs 99.65% in 3QFY24). We build in avg. credit cost of 0.28% over FY25/26E.



**Sameer Bhise**

sameer.bhise@jmfl.com | Tel: (91 22) 66303489

**Raghvesh**

Raghvesh@jmfl.com | Tel: (91 22) 66303099

**Mayank Mistry**

mayank.mistry@jmfl.com | Tel: (91 22) 62241877

**Apurva Deshmukh**

apurva.deshmukh@jmfl.com | Tel: (91 22) 66303263

**Gayathri Shivaram**

gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

**Shreyas Pimple**

shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	400
Upside/(Downside)	21.7%
Previous Price Target	400
Change	0.0%

### Key Data – APTUS IN

Current Market Price	INR329
Market cap (bn)	INR164.0/US\$2.0
Free Float	36%
Shares in issue (mn)	498.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR255.1/US\$3.1
52-week range	392/240
Sensex/Nifty	73,878/22,476
INR/US\$	83.4

### Price Performance

%	1M	6M	12M
Absolute	0.1	12.1	27.1
Relative*	0.6	-1.5	5.1

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Profit	3,701	5,030	6,119	7,670	9,576
Net Profit (YoY) (%)	38.7%	35.9%	21.6%	25.4%	24.8%
Assets (YoY) (%)	25.7%	26.3%	25.5%	30.6%	31.7%
ROA (%)	7.3%	7.8%	7.6%	7.4%	7.0%
ROE (%)	15.1%	16.1%	17.2%	18.8%	19.9%
EPS	7.4	10.1	12.3	15.4	19.2
EPS (YoY) (%)	32.4%	35.6%	21.4%	25.4%	24.8%
<b>P/E (x)</b>	<b>44.2</b>	<b>32.6</b>	<b>26.8</b>	<b>21.4</b>	<b>17.1</b>
BV	59	67	76	88	104
BV (YoY) (%)	40.7%	14.3%	12.6%	16.9%	18.0%
<b>P/BV (x)</b>	<b>5.61</b>	<b>4.91</b>	<b>4.36</b>	<b>3.73</b>	<b>3.16</b>

Source: Company data, JM Financial. Note: Valuations as of 03/May/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Valuation and view:** We believe Aptus will continue to deliver on profitability metrics, led by a) high yielding portfolio with niche customer focus, b) robust growth led by geographic expansion, and c) continuous improvement in asset quality metrics driven by robust underwriting and collection processes. We expect RoA/ROE to reach 7.03%/19.9% by FY26E. We maintain BUY with a TP of INR 400 (valuing it at 3.8x FY26E BVPS).

## Aptus – 4QFY24 Quarterly Performance

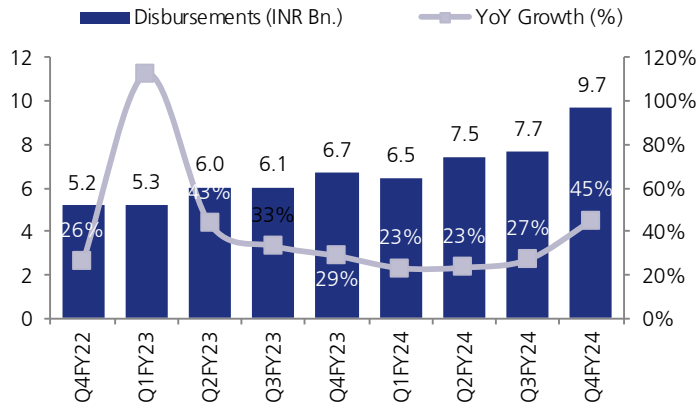
## Exhibit 1. 4QFY24 key financial highlights

Earnings Table (INR mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Net Interest Income</b>	<b>2,130</b>	<b>2,400</b>	<b>2,514</b>	<b>18.1%</b>	<b>4.8%</b>
Total Non-Interest income	200	262	312	56.3%	19.1%
<b>Total Income</b>	<b>2,329</b>	<b>2,662</b>	<b>2,826</b>	<b>21.3%</b>	<b>6.2%</b>
Employee Cost	354	367	433	22.4%	18.1%
Other expenses & Depreciation	112	144	149	33.0%	3.6%
<b>Total Operating Expenses</b>	<b>466</b>	<b>511</b>	<b>582</b>	<b>24.9%</b>	<b>14.0%</b>
<b>Operating Profit (PPP)</b>	<b>1,863</b>	<b>2,151</b>	<b>2,244</b>	<b>20.5%</b>	<b>4.3%</b>
Total Provisions	100	100	94	-5.5%	-6.0%
PBT	1,764	2,051	2,150	21.9%	4.8%
Tax	411	476	510	24.1%	7.2%
PAT (Pre-Extraordinaries)	1,353	1,576	1,640	21.2%	4.1%
Extraordinaries / Prior Period Adjustments	0	0	0	#DIV/0!	#DIV/0!
<b>Reported Profit</b>	<b>1,353</b>	<b>1,576</b>	<b>1,640</b>	<b>21.2%</b>	<b>4.1%</b>
<b>Balance Sheet Data (INR bn)</b>					
AUM	67,380	80,720	87,220	29.4%	8.1%
Disbursements	6,680	7,680	9,680	44.9%	26.0%
<b>Ratios Analysis (%)</b>					
Cost to Income (%)	20.0%	19.2%	20.6%	0.59%	1.41%
Effective Tax Rate (%)	23.3%	23.2%	23.7%	0.42%	0.53%
<b>Credit Quality</b>					
Gross S3 (INR Mn.)	777	957	933	20.1%	-2.5%
Net S3 (INR Mn.)	1,963	2,180	2,403	22.4%	10.2%
Gross S3 (%)	1.2%	1.2%	1.1%	-0.08%	-0.12%
Net S3 (%)	0.9%	0.9%	0.8%	-0.06%	-0.09%
Coverage	25.0%	25.0%	25.0%	0.00%	0.00%
<b>Capital Adequacy (%)</b>					
CAR (%)	80.8%	70.5%	66.8%	-14.03%	-3.69%
<b>Return ratios (%)</b>					
ROE (%)	16.5%	17.4%	17.6%	1.02%	0.16%
ROA (%)	7.7%	7.8%	7.6%	-0.12%	-0.20%

Source: Company, JM Financial

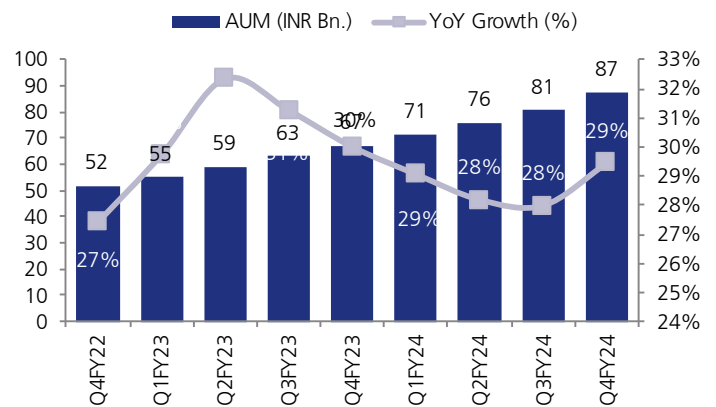
## Quarterly Trends

Exhibit 2. Trend in Disbursements growth



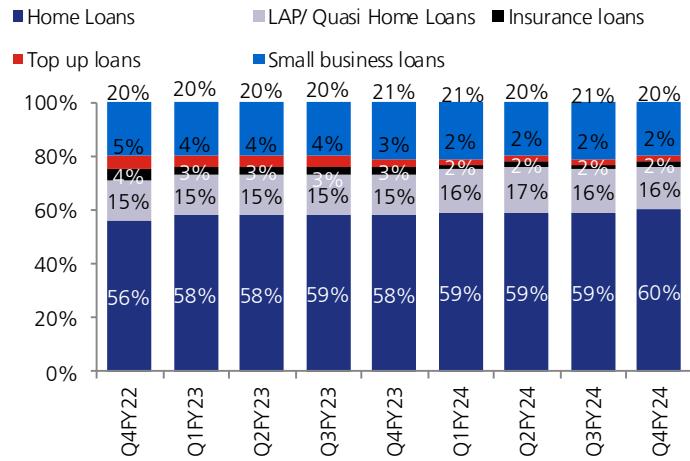
Source: Company, JM Financial

Exhibit 3. Trend in AUM growth



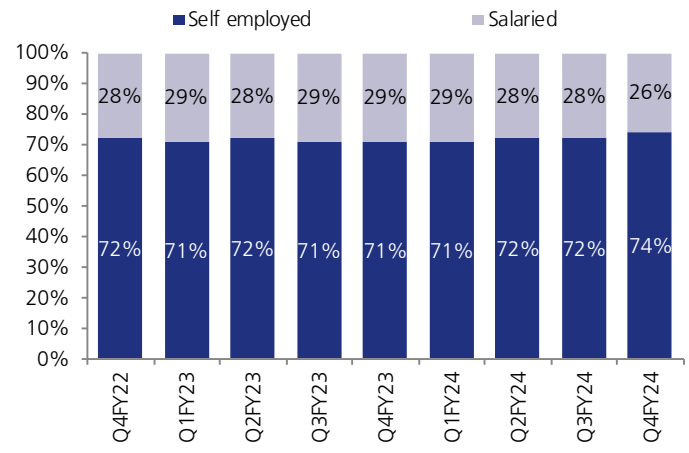
Source: Company, JM Financial

Exhibit 4. Trend in Product wise AUM Mix



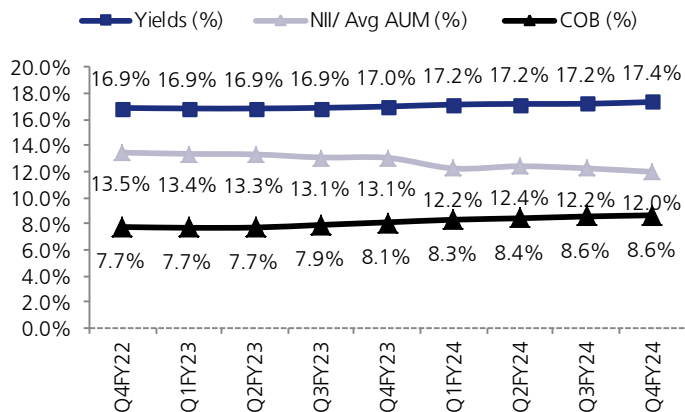
Source: Company, JM Financial

Exhibit 5. Trend in Product wise Customer mix



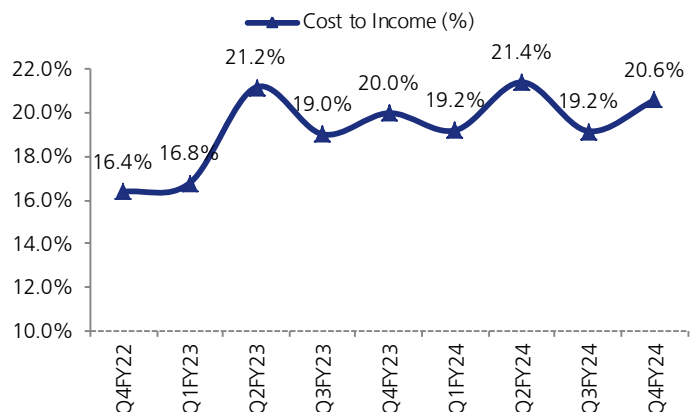
Source: Company, JM Financial

Exhibit 6. Margins Trend



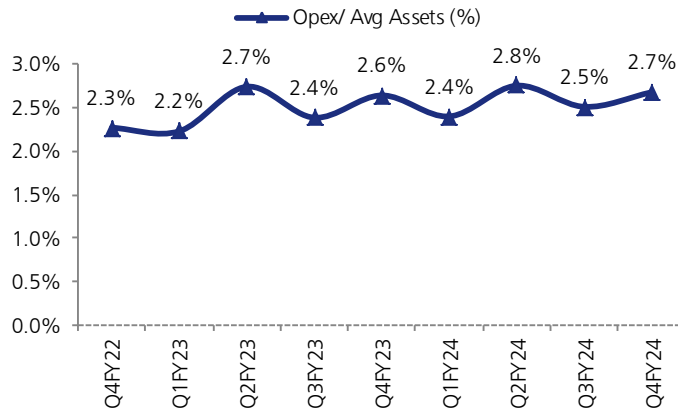
Source: Company, JM Financial

Exhibit 7. Cost-to-income trend



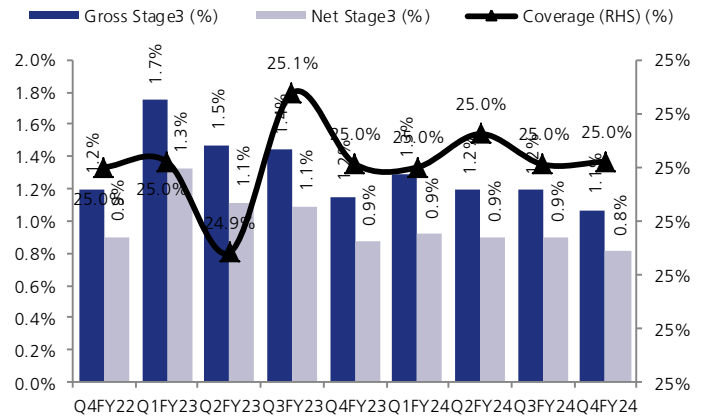
Source: Company, JM Financial

Exhibit 8. Opex-to-Avg Assets trend



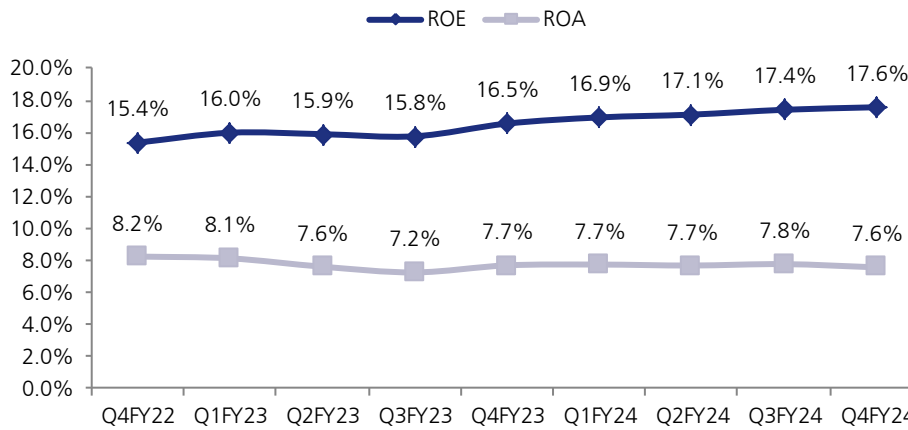
Source: Company, JM Financial

Exhibit 9. Trend in Asset Quality



Source: Company, JM Financial

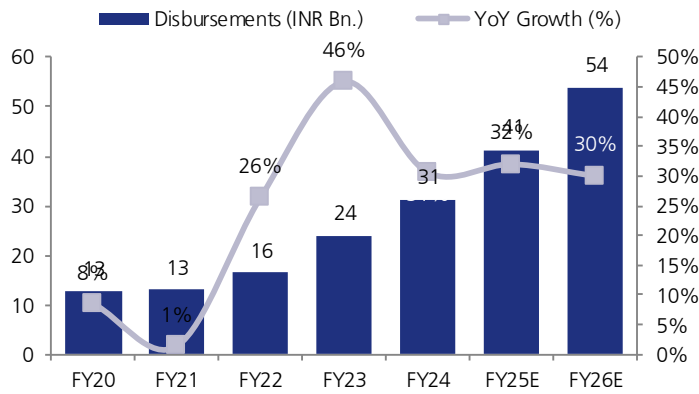
Exhibit 10. Robust return ratios (Calculated)



Source: Company, JM Financial

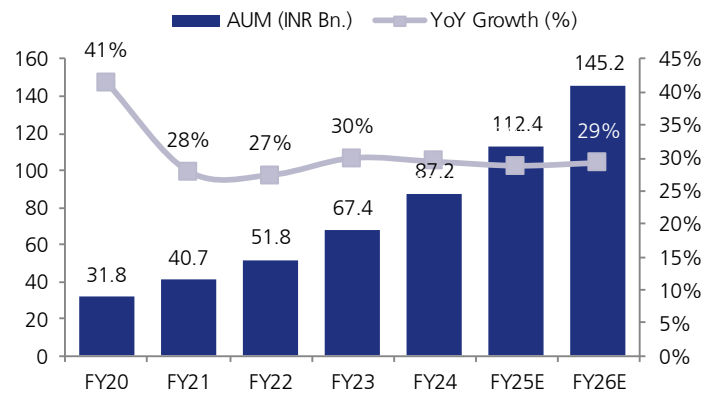
# Annual Trends

**Exhibit 11. Trend in disbursements growth**



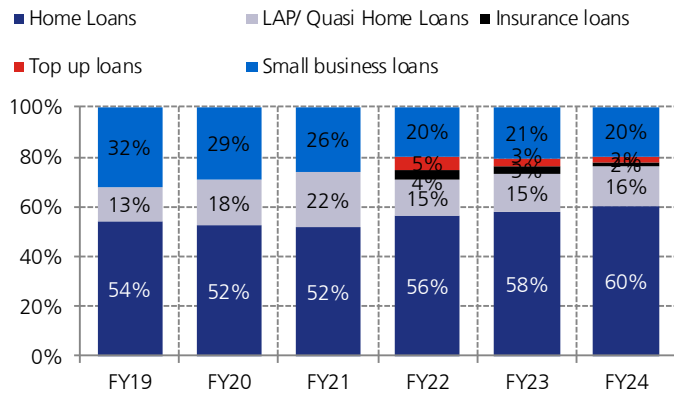
Source: Company, JM Financial

**Exhibit 12. Trend in AUM growth**



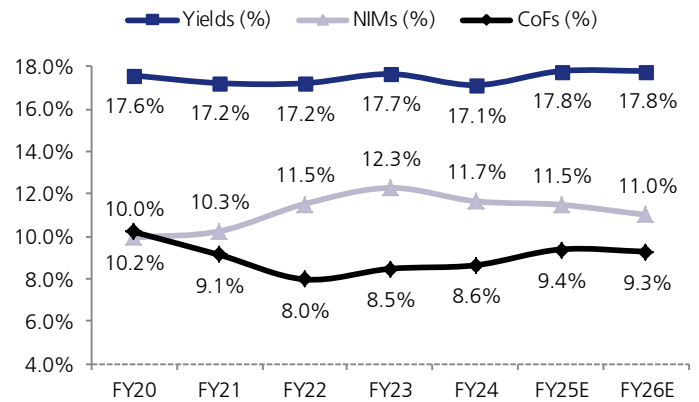
Source: Company, JM Financial

**Exhibit 13. Trend in AUM Mix**



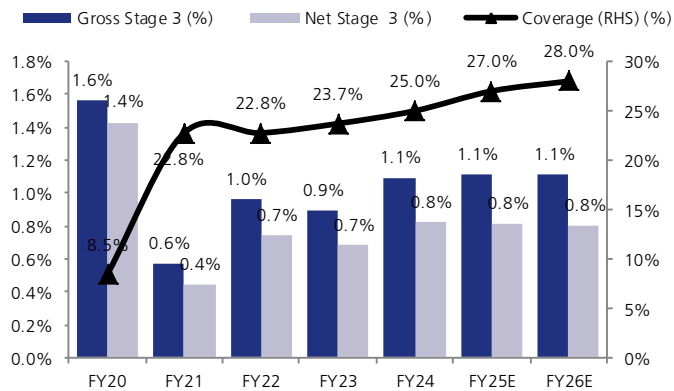
Source: Company, JM Financial

**Exhibit 14. Margins Trend**



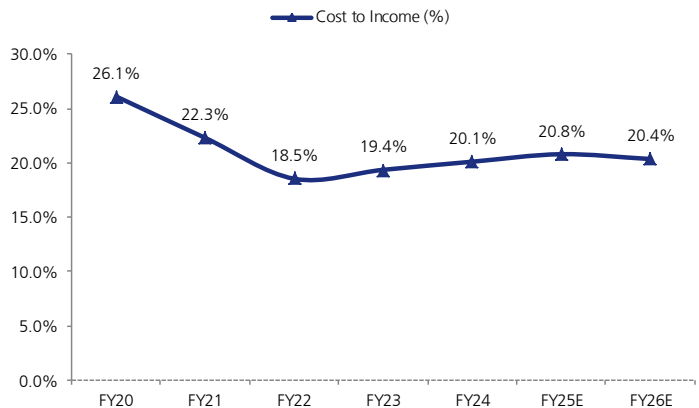
Source: Company, JM Financial

**Exhibit 15. Trend in Asset Quality**



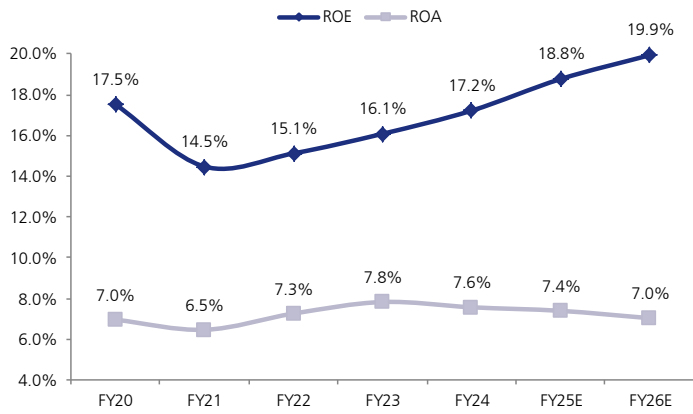
Source: Company, JM Financial

**Exhibit 16. Cost-to-Income Trend**



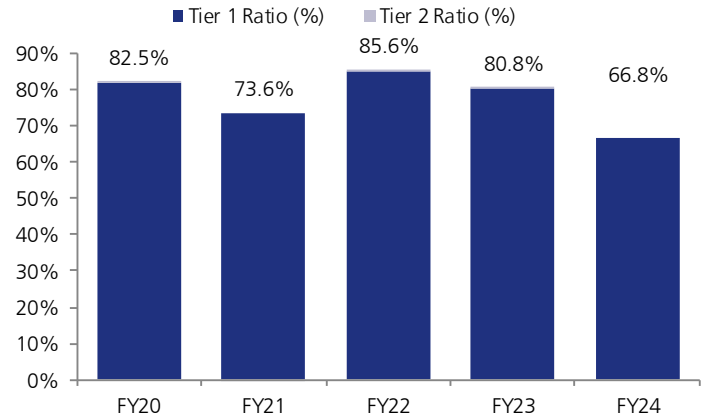
Source: Company, JM Financial

Exhibit 17. Return Ratios Trend



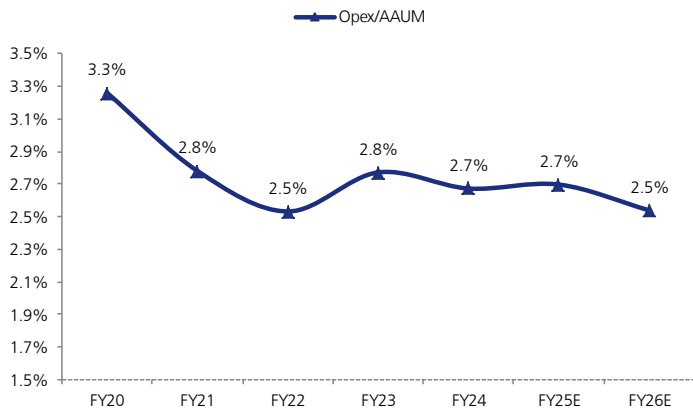
Source: Company, JM Financial

Exhibit 18. Comfortable liquidity



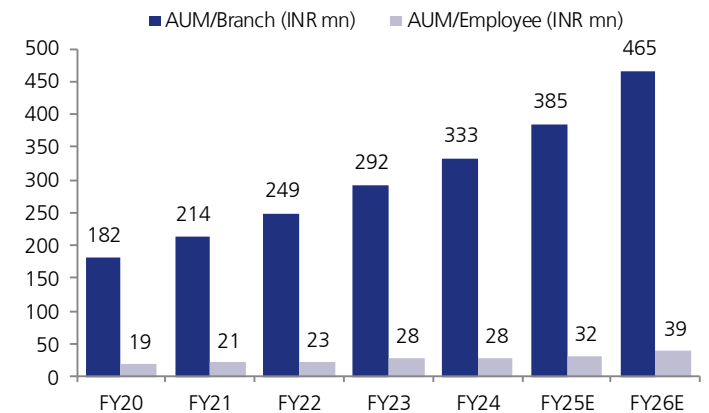
Source: Company, JM Financial

Exhibit 19. Opex/AAUM Trend



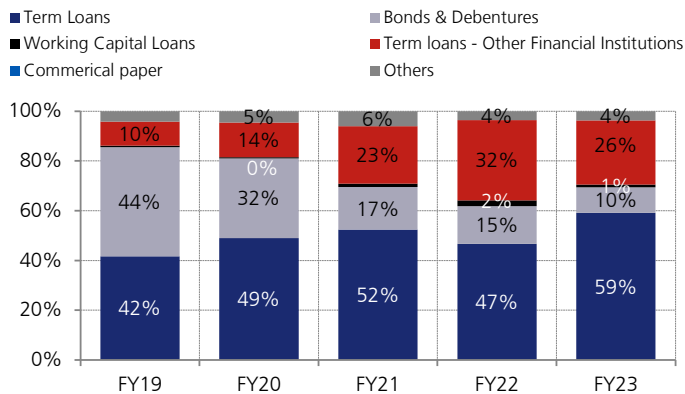
Source: Company, JM Financial

Exhibit 20. AUM/Branch and AUM/Employee Trend



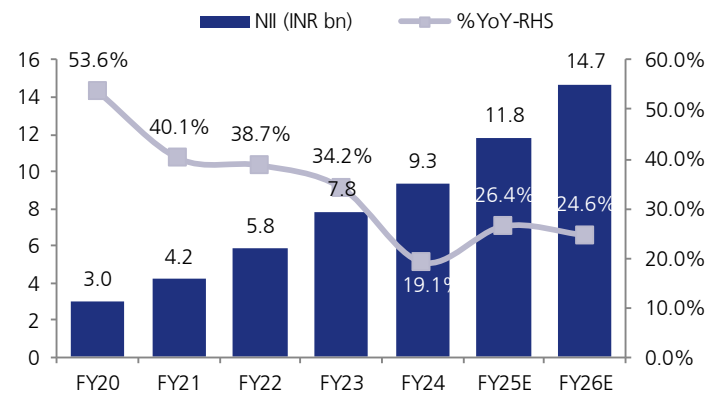
Source: Company, JM Financial

Exhibit 21. Trend in borrowings mix



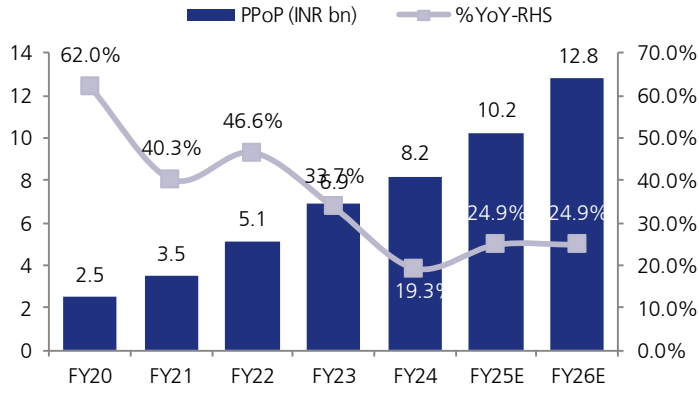
Source: Company, JM Financial

Exhibit 22. Trend in NII



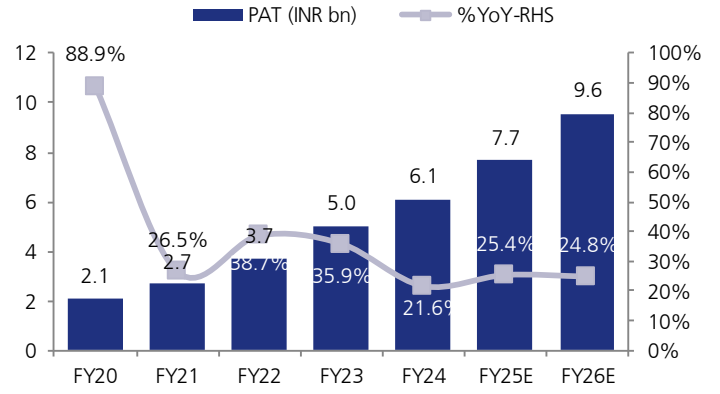
Source: Company, JM Financial

Exhibit 23. Trend in PPOP



Source: Company, JM Financial

Exhibit 24. Trend in PAT



Source: Company, JM Financial



## Financial Tables (Consolidated)

Income Statement					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Interest Income (NII)	5,831	7,825	9,320	11,783	14,680
Non Interest Income	485	706	953	1,156	1,384
<b>Total Income</b>	<b>6,316</b>	<b>8,531</b>	<b>10,273</b>	<b>12,938</b>	<b>16,064</b>
Operating Expenses	1,171	1,652	2,067	2,692	3,271
<b>Pre-provisioning Profits</b>	<b>5,145</b>	<b>6,878</b>	<b>8,206</b>	<b>10,246</b>	<b>12,793</b>
Loan-Loss Provisions	294	368	275	284	357
Others Provisions	50	-27	0	0	0
<b>Total Provisions</b>	<b>345</b>	<b>341</b>	<b>275</b>	<b>284</b>	<b>357</b>
<b>PBT</b>	<b>4,800</b>	<b>6,537</b>	<b>7,932</b>	<b>9,961</b>	<b>12,436</b>
Tax	1,099	1,507	1,813	2,291	2,860
<b>PAT (Pre-Extra ordinaries)</b>	<b>3,701</b>	<b>5,030</b>	<b>6,119</b>	<b>7,670</b>	<b>9,576</b>
Extra ordinaries (Net of Tax)	0	0	0	0	0
<b>Reported Profits</b>	<b>3,701</b>	<b>5,030</b>	<b>6,119</b>	<b>7,670</b>	<b>9,576</b>
Dividend	0	996	1,247	1,304	1,628
<b>Retained Profits</b>	<b>3,701</b>	<b>4,034</b>	<b>4,872</b>	<b>6,366</b>	<b>7,948</b>

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Equity Capital	994	996	998	998	998
Reserves & Surplus	28,168	32,397	36,681	43,048	50,995
Stock option outstanding	0	0	0	0	0
Borrowed Funds	27,206	37,861	51,850	72,590	1,01,626
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	473	509	515	941	1,239
<b>Total Liabilities</b>	<b>56,840</b>	<b>71,763</b>	<b>90,044</b>	<b>1,17,576</b>	<b>1,54,858</b>
Net Advances	50,787	65,923	85,282	1,09,931	1,42,093
Investments	1,017	515	0	1,319	1,705
Cash & Bank Balances	4,459	4,600	3,502	4,947	6,394
Loans and Advances	0	0	0	0	0
Other Current Assets	231	375	950	973	4,131
Fixed Assets	120	153	64	83	109
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	226	197	247	323	425
<b>Total Assets</b>	<b>56,840</b>	<b>71,763</b>	<b>90,044</b>	<b>1,17,576</b>	<b>1,54,858</b>

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Growth (YoY) (%)</b>					
Borrowed funds	8.5%	39.2%	36.9%	40.0%	40.0%
Advances	27.3%	29.8%	29.4%	28.9%	29.3%
Total Assets	25.7%	26.3%	25.5%	30.6%	31.7%
NII	38.7%	34.2%	19.1%	26.4%	24.6%
Non-interest Income	54.8%	45.4%	35.0%	21.3%	19.8%
Operating Expenses	16.3%	41.1%	25.1%	30.3%	21.5%
Operating Profits	46.6%	33.7%	19.3%	24.9%	24.9%
Core Operating profit	45.4%	33.4%	20.2%	24.4%	24.6%
Provisions	492.5%	-1.0%	-19.5%	3.6%	25.4%
Reported PAT	38.7%	35.9%	21.6%	25.4%	24.8%
<b>Yields / Margins (%)</b>					
Interest Spread	7.69%	8.15%	7.87%	7.81%	7.81%
NIM	11.54%	12.29%	11.66%	11.50%	11.02%
<b>Profitability (%)</b>					
ROA	7.25%	7.82%	7.56%	7.39%	7.03%
ROE	15.1%	16.1%	17.2%	18.8%	19.9%
Cost to Income	18.5%	19.4%	20.1%	20.8%	20.4%
<b>Asset quality (%)</b>					
Gross NPA	0.96%	0.89%	1.09%	1.11%	1.11%
LLP	0.76%	0.58%	0.36%	0.29%	0.28%
<b>Capital Adequacy (%)</b>					
Tier I	85.39%	80.59%	66.76%	59.30%	53.27%
CAR	85.61%	80.79%	66.76%	60.07%	59.53%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
NII / Assets	11.43%	12.17%	11.52%	11.35%	10.78%
Other Income / Assets	0.95%	1.10%	1.18%	1.11%	1.02%
Total Income / Assets	12.38%	13.27%	12.70%	12.46%	11.79%
Cost / Assets	2.30%	2.57%	2.55%	2.59%	2.40%
PPP / Assets	10.08%	10.70%	10.14%	9.87%	9.39%
Provisions / Assets	0.68%	0.53%	0.34%	0.27%	0.26%
PBT / Assets	9.41%	10.17%	9.80%	9.60%	9.13%
Tax rate	22.9%	23.1%	22.9%	23.0%	23.0%
ROA	7.25%	7.82%	7.56%	7.39%	7.03%
Leverage	1.9	2.1	2.4	2.7	3.0
ROE	15.1%	16.1%	17.2%	18.8%	19.9%

Source: Company, JM Financial

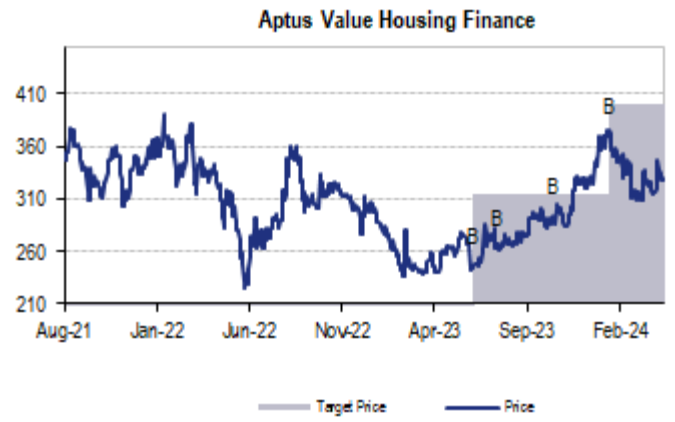
Valuations					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shares in Issue	496.9	498.0	498.9	498.9	498.9
EPS (INR)	7.4	10.1	12.3	15.4	19.2
EPS (YoY) (%)	32.4%	35.6%	21.4%	25.4%	24.8%
P/E (x)	44.2	32.6	26.8	21.4	17.1
BV (INR)	59	67	76	88	104
BV (YoY) (%)	40.7%	14.3%	12.6%	16.9%	18.0%
P/BV (x)	5.61	4.91	4.36	3.73	3.16
DPS (INR)	0.0	2.0	2.5	2.6	3.3
Div. yield (%)	0.0%	0.6%	0.8%	0.8%	1.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-Jun-23	Buy	315	
3-Aug-23	Buy	315	0.0
3-Nov-23	Buy	315	0.0
4-Feb-24	Buy	400	27.0

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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