

Aptus Value Housing Finance | BUY

Steady quarter; Growth acceleration ahead

Aptus Value Housing Finance (Aptus) reported a steady quarter with PAT at INR 1.5bn (+20% YoY, +4.1% QoQ) driven by a) robust growth in NII (+20% YoY, +8% QoQ) with NIMs (cal.) at 12.41% (+17bps QoQ) and b) strong AUM growth at INR 76bn (+28.2% YoY, +7% QoQ) led by healthy disbursements (+23.3% YoY, +15.3% QoQ). Yields inched up to 17.2% (+5bps QoQ), with cost of funds at 8.41% (+11bps QoQ) leading to largely steady spreads at 8.79% (-6bps QoQ). Management indicated that effective Sept'23, all live accounts in non-HL products saw an upward re-pricing by 50bps, and guided for NIMs to remain stable over the next few quarters. Asset quality showed improvement with GS3/NS3 at 1.19%/0.89% (-10bps QoQ, -8bps QoQ). PCR on stage 3 continues to remain steady at 25%. On the back of strong on-ground demand for homes and small businesses, the management remains confident of achieving a growth of 30%+ for FY24E. We expect growth momentum to continue with NIMs performance to sustain going ahead, and therefore build in average RoA/RoE of 7.26%/17.7% over FY24E/25E. We continue to maintain BUY with a TP of INR 315 (3.5x FY25E BVPS).

- Healthy growth momentum continues:** Aptus reported a strong growth in AUM at INR 76bn (+28.2% YoY, +7% QoQ) driven by robust growth in disbursements (+23.3% YoY, +15.3% QoQ). LAP segment saw the highest growth (+13.4% QoQ, +45% YoY) followed by home loans at (+7% QoQ, +30.4% YoY) and small business loans at (+2% QoQ, +28% YoY). On the back of strong on-ground demand for homes and small businesses, the management remains confident and guided for achieving 30%+ growth in FY24E. We build in an AUM CAGR of 31% over FY23-25E.
- Steady operating performance:** Operating profit stood at INR 2bn (+18% YoY, +5% QoQ) led by strong growth in NII (+20% YoY, +8% QoQ) with NIMs (cal.) at 12.41% (+17bps QoQ) and healthy AUM growth. Spreads were steady at 8.79% (-6bps QoQ) with yields inching up to 17.2% (+5bps QoQ) and cost of funds at 8.41% (+11bps QoQ). Management indicated that effective Sept'23, all live customer accounts in the non-HL segment saw an upward re-pricing by 50bps and guided for NIMs to remain stable over the next few quarters.
- Improvement in asset quality:** Asset quality improved with GS3/NS3 at 1.19%/0.89% (-10bps QoQ, -8bps QoQ). PCR on stage 3 continues to remain steady at 25%. 30+ DPD moderated to 5.99% (-28bps QoQ) with collection efficiency at 99.72% (vs 99.52% in 1QFY24). On the back of Aptus's strong collection and underwriting team, we expect asset quality to continue to improve going ahead and build in an average credit cost of 0.26% over FY24E/25E.
- Valuation and view:** We believe that Aptus will continue to deliver healthy return ratios with avg RoA/RoE of 7.26%/17.7% over FY24E/25E on the back of a) robust growth of 30%+ over FY23-35E led by branch expansion, b) high-yielding portfolio and c) lower credit costs. We continue to maintain BUY with a TP of INR 315 (3.5x FY25E BVPS).



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Recommendation and Price Target

| | |
|----------------------------|------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 315 |
| Upside/(Downside) | 7.4% |
| Previous Price Target | 315 |
| Change | 0.0% |

Key Data – APTUS IN

| | |
|--------------------------|------------------|
| Current Market Price | INR293 |
| Market cap (bn) | INR146.3/US\$1.8 |
| Free Float | 32% |
| Shares in issue (mn) | 498.0 |
| Diluted share (mn) | |
| 3-mon avg daily val (mn) | INR184.5/US\$2.2 |
| 52-week range | 339/234 |
| Sensex/Nifty | 64,364/19,231 |
| INR/US\$ | 83.3 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|------|-------|
| Absolute | -1.4 | 15.6 | -9.5 |
| Relative* | 1.1 | 9.7 | -14.3 |

* To the BSE Sensex

Financial Summary

| | (INR mn) | | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Y/E March | FY21A | FY22A | FY23A | FY24E | FY25E |
| Net Profit | 2,669 | 3,701 | 5,030 | 6,234 | 7,573 |
| Net Profit (YoY) (%) | 26.5% | 38.7% | 35.9% | 23.9% | 21.5% |
| Assets (YoY) (%) | 20.6% | 25.7% | 26.3% | 30.8% | 30.8% |
| ROA (%) | 6.5% | 7.3% | 7.8% | 7.5% | 7.0% |
| ROE (%) | 14.5% | 15.1% | 16.1% | 17.3% | 18.2% |
| EPS | 5.6 | 7.4 | 10.1 | 12.5 | 15.2 |
| EPS (YoY) (%) | 25.9% | 32.4% | 35.6% | 23.9% | 21.5% |
| P/E (x) | 52.1 | 39.3 | 29.0 | 23.4 | 19.3 |
| BV | 42 | 59 | 67 | 77 | 90 |
| BV (YoY) (%) | 15.3% | 40.7% | 14.3% | 15.5% | 16.3% |
| P/BV (x) | 7.03 | 4.99 | 4.37 | 3.78 | 3.25 |

Source: Company data, JM Financial. Note: Valuations as of 03/Nov/2023

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.

Aptus – 2QFY24 Quarterly Performance

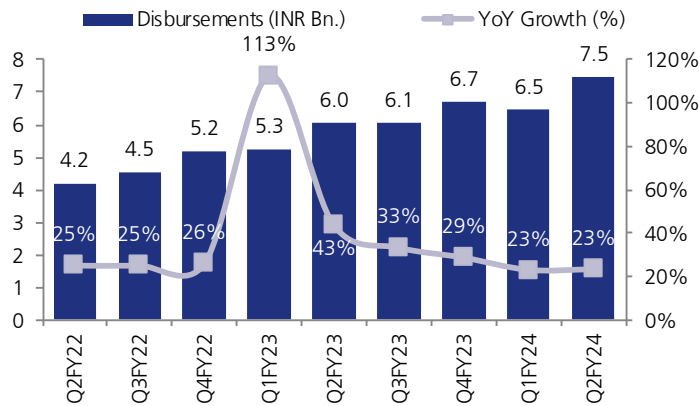
Exhibit 1. 2Q24 Key Financial Highlights

| Earnings Table (INR mn) | Q2FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Interest Income | 1,906 | 2,121 | 2,285 | 19.9% | 7.7% |
| Total Non-Interest income | 196 | 181 | 198 | 1.2% | 9.8% |
| Total Income | 2,102 | 2,301 | 2,483 | 18.1% | 7.9% |
| Employee Cost | 330 | 324 | 393 | 19.4% | 21.4% |
| Other expenses & Depreciation | 116 | 118 | 138 | 19.4% | 17.5% |
| Total Operating Expenses | 446 | 442 | 532 | 19.4% | 20.3% |
| Operating Profit (PPP) | 1,657 | 1,859 | 1,951 | 17.8% | 5.0% |
| Total Provisions | 91 | 25 | 56 | -38.7% | 123.3% |
| PBT | 1,566 | 1,834 | 1,896 | 21.1% | 3.3% |
| Tax | 333 | 412 | 415 | 24.8% | 0.9% |
| Reported Profit | 1,233 | 1,423 | 1,480 | 20.0% | 4.1% |
| Balance Sheet Data (INR bn) | | | | | |
| AUM | 59,320 | 71,230 | 76,040 | 28.2% | 6.8% |
| Disbursements | 6,040 | 6,460 | 7,450 | 23.3% | 15.3% |
| Ratios Analysis (%) | | | | | |
| Cost to Income (%) | 21.2% | 19.2% | 21.4% | 0.23% | 2.21% |
| Effective Tax Rate (%) | 21.3% | 22.4% | 21.9% | 0.66% | -0.53% |
| Credit Quality | | | | | |
| Gross S3 (INR Mn.) | 872 | 922 | 905 | 3.8% | -1.9% |
| Net S3 (INR Mn.) | 1,563 | 1,791 | 1,994 | 27.6% | 11.3% |
| Gross S3 (%) | 1.5% | 1.3% | 1.2% | -0.28% | -0.10% |
| Net S3 (%) | 1.1% | 0.9% | 0.9% | -0.21% | -0.02% |
| Coverage | 24.9% | 25.0% | 25.0% | 0.11% | 0.03% |
| Capital Adequacy (%) | | | | | |
| CAR (%) | 80.3% | 75.4% | 71.0% | -9.23% | -4.35% |
| Return ratios (%) | | | | | |
| ROE (%) | 15.9% | 16.9% | 17.1% | 1.22% | 0.18% |
| ROA (%) | 7.6% | 7.7% | 7.7% | 0.07% | -0.06% |
| AUM Mix (%) | | | | | |
| Home Loans | 58.0% | 59.0% | 59.0% | | |
| LAP/ Quasi Home Loans | 15.0% | 16.0% | 17.0% | | |
| Insurance loans | 3.0% | 2.0% | 2.0% | | |
| Top up loans | 4.0% | 2.0% | 2.0% | | |
| Small business loans | 20.0% | 21.0% | 20.0% | | |

Source: Company, JM Financial

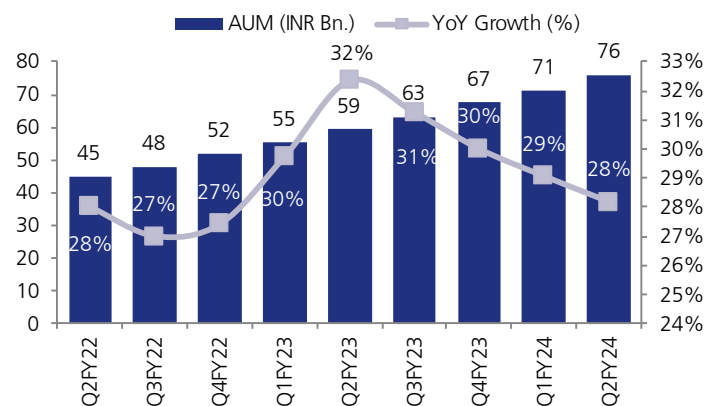
Quarterly Trends

Exhibit 2. Trend in Disbursements growth



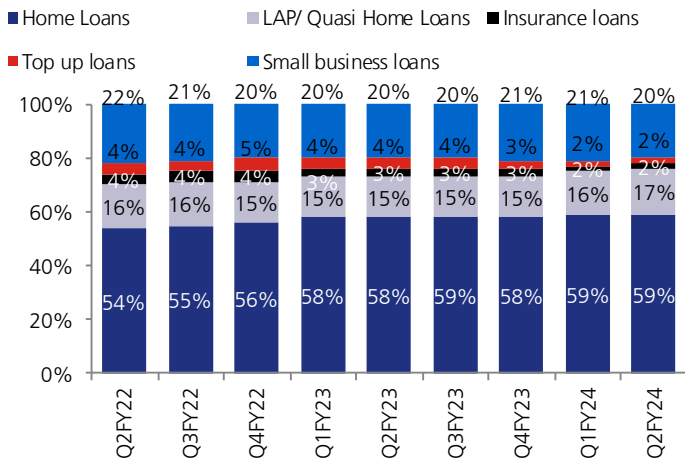
Source: Company, JM Financial

Exhibit 3. Trend in AUM growth



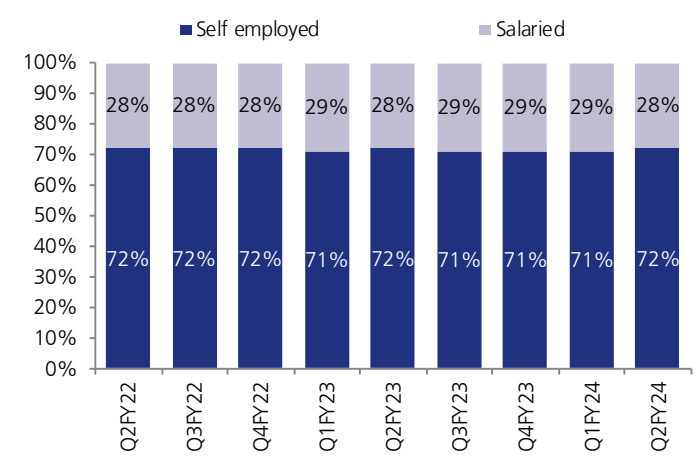
Source: Company, JM Financial

Exhibit 4. Trend in Product wise AUM Mix



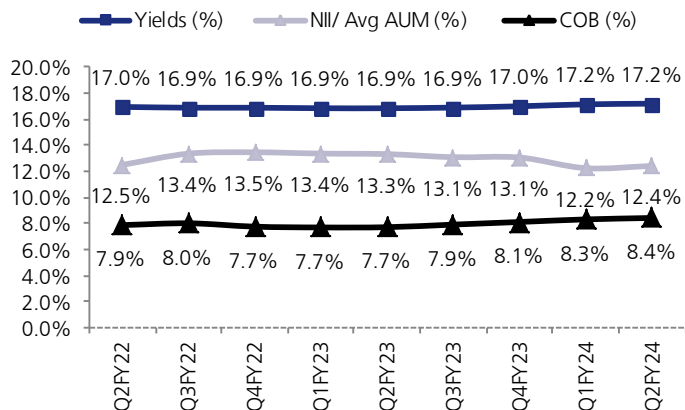
Source: Company, JM Financial

Exhibit 5. Trend in Product wise Customer mix



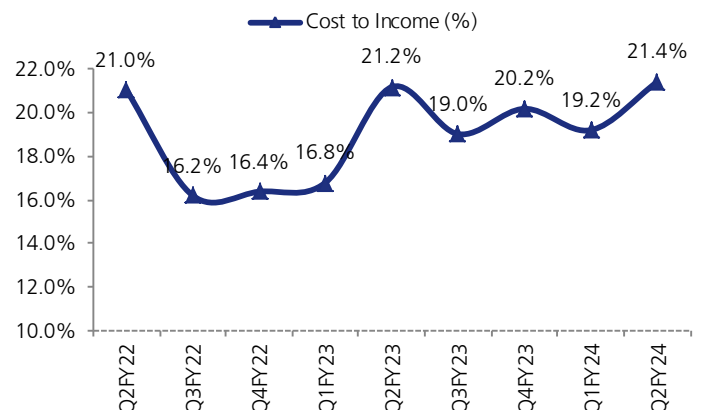
Source: Company, JM Financial

Exhibit 6. Margins Trend



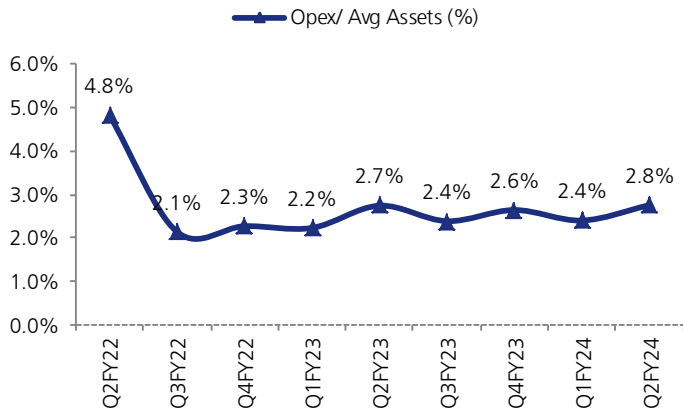
Source: Company, JM Financial

Exhibit 7. Cost-to-income trend



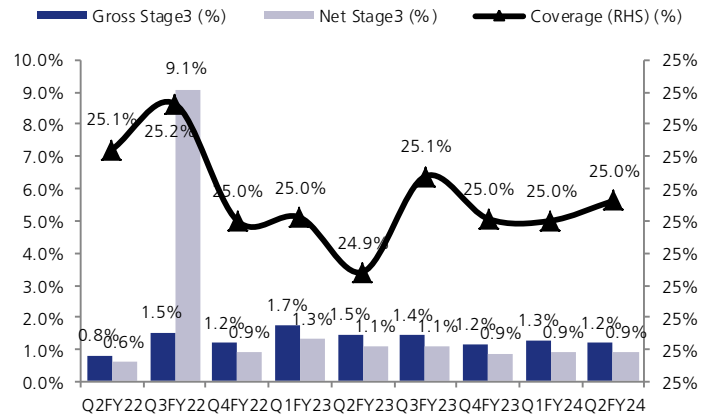
Source: Company, JM Financial

Exhibit 8. Opex-to-Avg Assets trend



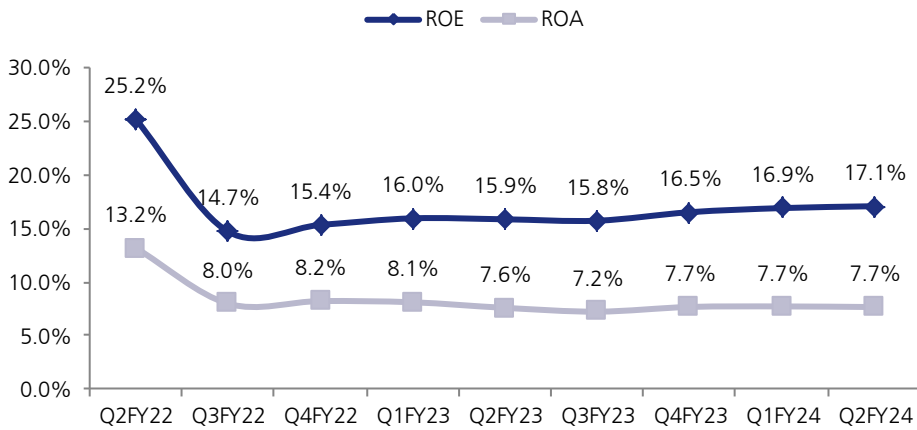
Source: Company, JM Financial

Exhibit 9. Trend in Asset Quality



Source: Company, JM Financial

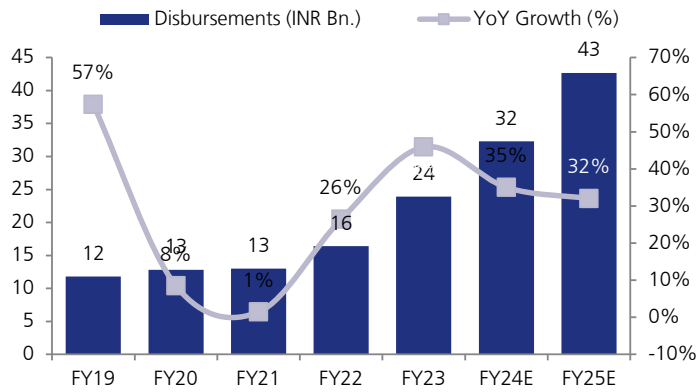
Exhibit 10. Robust return ratios (Calculated)



Source: Company, JM Financial

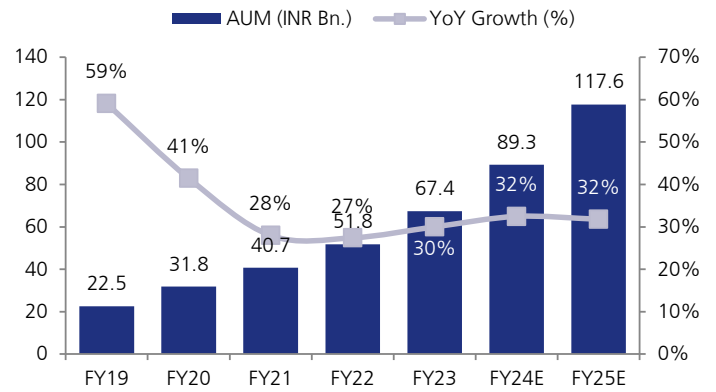
Annual Trends

Exhibit 11. Trend in disbursements growth



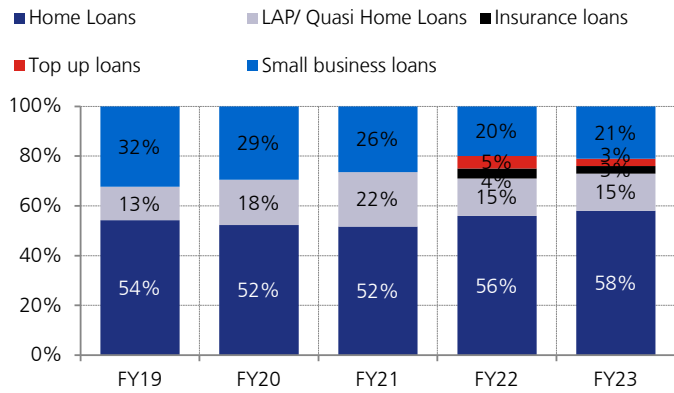
Source: Company, JM Financial

Exhibit 12. Trend in AUM growth



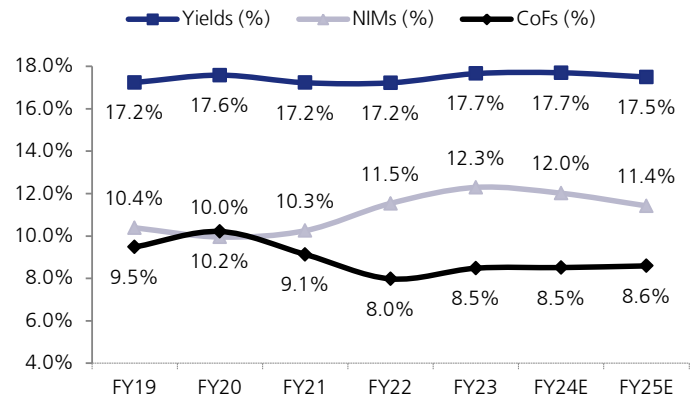
Source: Company, JM Financial

Exhibit 13. Trend in AUM Mix



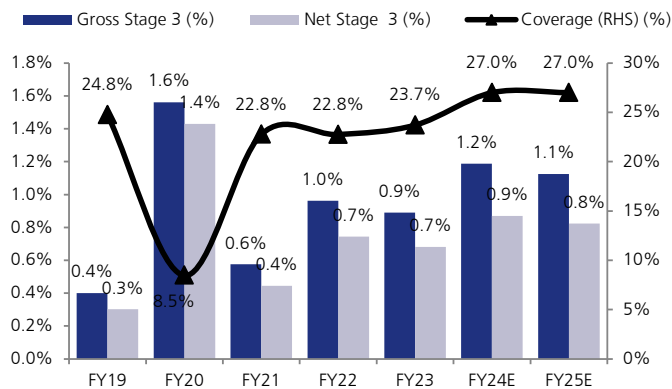
Source: Company, JM Financial

Exhibit 14. Margins Trend



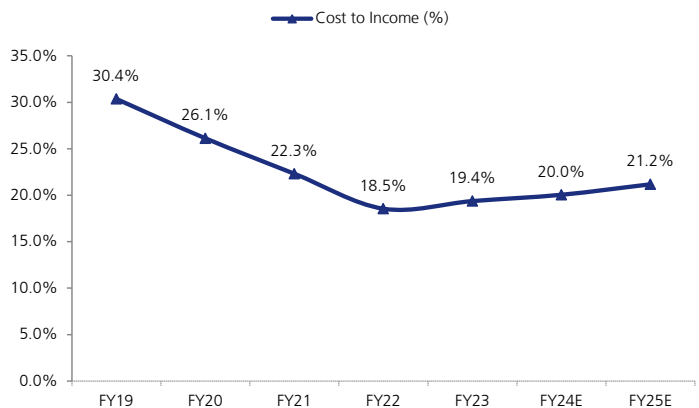
Source: Company, JM Financial

Exhibit 15. Trend in Asset Quality



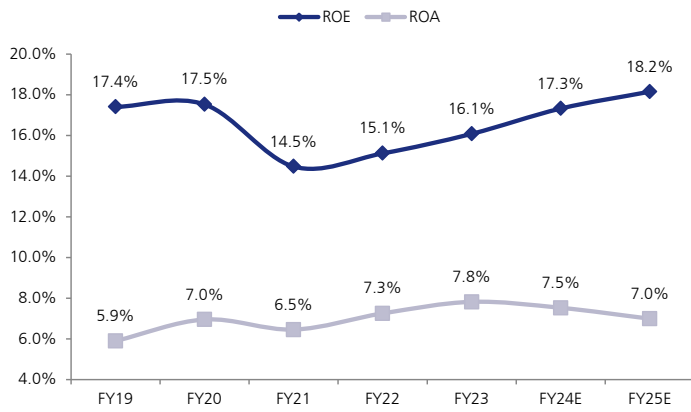
Source: Company, JM Financial

Exhibit 16. Cost-to-Income Trend



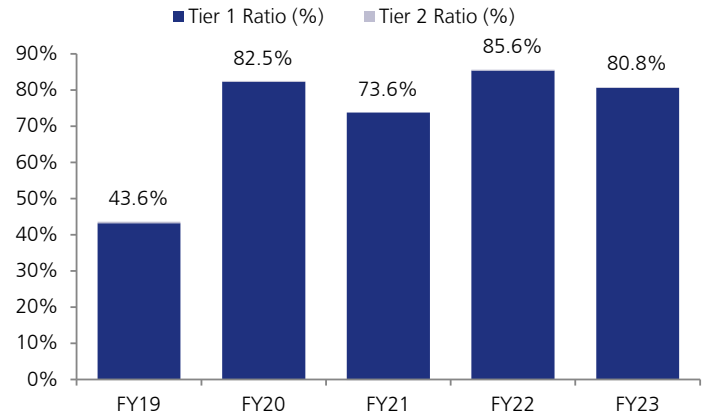
Source: Company, JM Financial

Exhibit 17. Return Ratios Trend



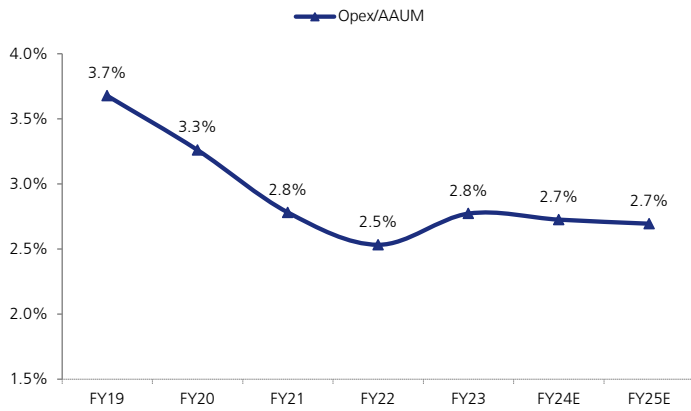
Source: Company, JM Financial

Exhibit 18. Comfortable liquidity



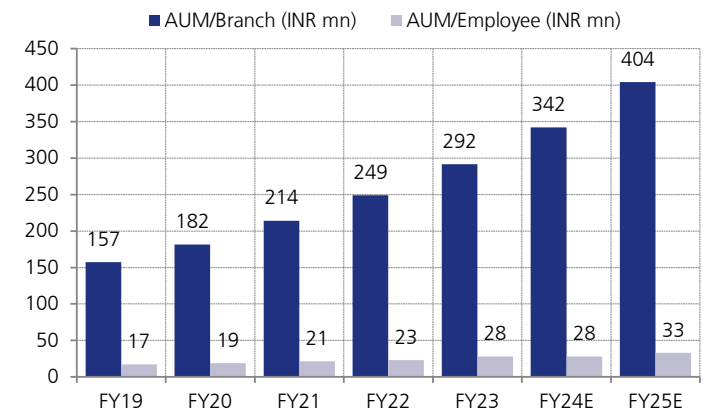
Source: Company, JM Financial

Exhibit 19. Opex/AAUM Trend



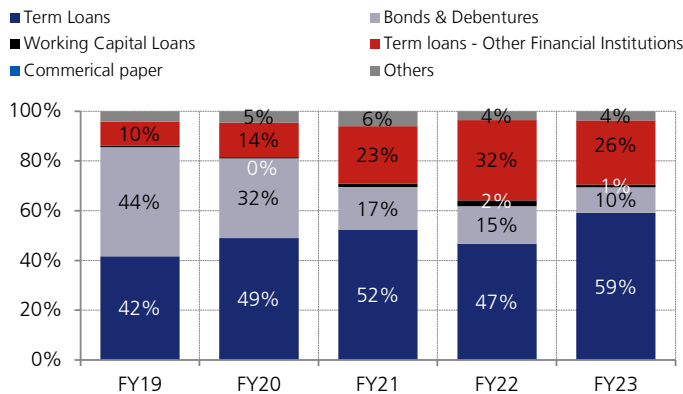
Source: Company, JM Financial

Exhibit 20. AUM/Branch and AUM/Employee Trend



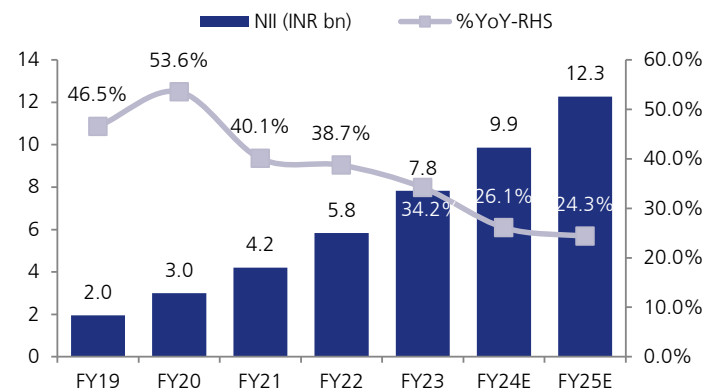
Source: Company, JM Financial

Exhibit 21. Trend in borrowings mix



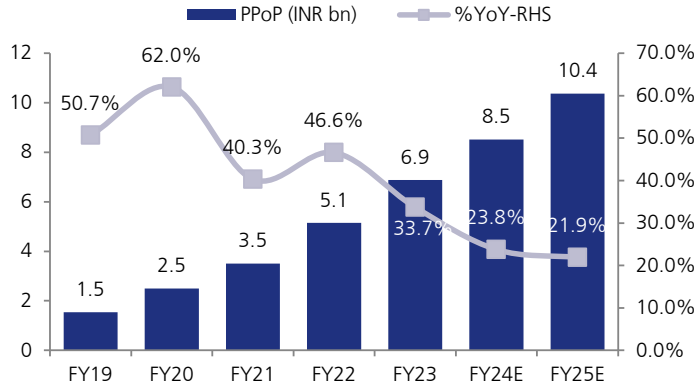
Source: Company, JM Financial

Exhibit 22. Trend in NII



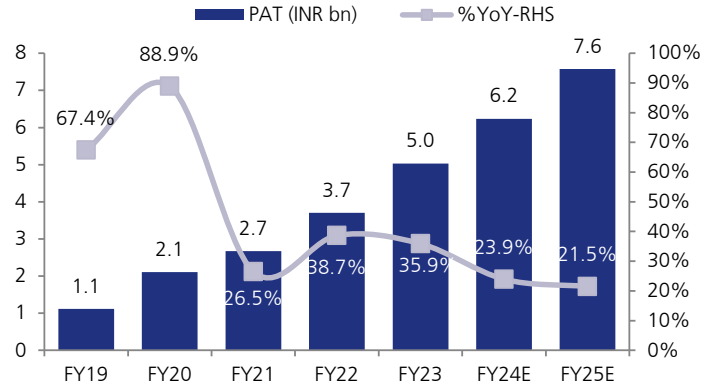
Source: Company, JM Financial

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 | FY21A | FY22A | FY23A | FY24E | FY25E |
| Net Interest Income (NII) | 4,203 | 5,831 | 7,825 | 9,867 | 12,268 |
| Non Interest Income | 314 | 485 | 706 | 781 | 894 |
| Total Income | 4,517 | 6,316 | 8,531 | 10,647 | 13,162 |
| Operating Expenses | 1,008 | 1,171 | 1,652 | 2,135 | 2,787 |
| Pre-provisioning Profits | 3,509 | 5,145 | 6,878 | 8,513 | 10,375 |
| Loan-Loss Provisions | 58 | 294 | 368 | 200 | 278 |
| Others Provisions | 0 | 50 | -27 | 0 | 0 |
| Total Provisions | 58 | 345 | 341 | 200 | 278 |
| PBT | 3,451 | 4,800 | 6,537 | 8,312 | 10,097 |
| Tax | 781 | 1,099 | 1,507 | 2,078 | 2,524 |
| PAT (Pre-Extra ordinaries) | 2,669 | 3,701 | 5,030 | 6,234 | 7,573 |
| Extra ordinaries (Net of Tax) | 0 | 0 | 0 | 0 | 0 |
| Reported Profits | 2,669 | 3,701 | 5,030 | 6,234 | 7,573 |
| Dividend | 0 | 0 | 996 | 1,060 | 1,287 |
| Retained Profits | 2,669 | 3,701 | 4,034 | 5,174 | 6,286 |

Source: Company, JM Financial

| Balance Sheet | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|-----------------|
| | (INR mn) | | | | |
| Y/E March | FY21A | FY22A | FY23A | FY24E | FY25E |
| Equity Capital | 949 | 994 | 996 | 996 | 996 |
| Reserves & Surplus | 18,845 | 28,168 | 32,397 | 37,572 | 43,857 |
| Stock option outstanding | 0 | 0 | 0 | 0 | 0 |
| Borrowed Funds | 25,080 | 27,206 | 37,861 | 54,519 | 76,872 |
| Deferred tax liabilities | 0 | 0 | 0 | 0 | 0 |
| Preference Shares | 0 | 0 | 0 | 0 | 0 |
| Current Liabilities & Provisions | 327 | 473 | 509 | 751 | 982 |
| Total Liabilities | 45,202 | 56,840 | 71,763 | 93,838 | 1,22,707 |
| Net Advances | 39,898 | 50,787 | 65,923 | 87,325 | 1,15,092 |
| Investments | 528 | 1,017 | 515 | 1,048 | 1,381 |
| Cash & Bank Balances | 4,378 | 4,459 | 4,600 | 4,803 | 5,179 |
| Loans and Advances | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 133 | 231 | 375 | 368 | 671 |
| Fixed Assets | 96 | 120 | 153 | 200 | 261 |
| Miscellaneous Expenditure | 0 | 0 | 0 | 0 | 0 |
| Deferred Tax Assets | 170 | 226 | 197 | 94 | 123 |
| Total Assets | 45,202 | 56,840 | 71,763 | 93,838 | 1,22,707 |

Source: Company, JM Financial

| Key Ratios | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|
| Y/E March | FY21A | FY22A | FY23A | FY24E | FY25E |
| Growth (YoY) (%) | | | | | |
| Borrowed funds | 24.5% | 8.5% | 39.2% | 44.0% | 41.0% |
| Advances | 28.0% | 27.3% | 29.8% | 32.5% | 31.8% |
| Total Assets | 20.6% | 25.7% | 26.3% | 30.8% | 30.8% |
| NII | 40.1% | 38.7% | 34.2% | 26.1% | 24.3% |
| Non-interest Income | -18.5% | 54.8% | 45.4% | 10.6% | 14.5% |
| Operating Expenses | 13.9% | 16.3% | 41.1% | 29.2% | 30.6% |
| Operating Profits | 40.3% | 46.6% | 33.7% | 23.8% | 21.9% |
| Core Operating profit | 41.8% | 45.4% | 33.4% | 25.3% | 21.9% |
| Provisions | 104.9% | 492.5% | -1.0% | -41.3% | 38.6% |
| Reported PAT | 26.5% | 38.7% | 35.9% | 23.9% | 21.5% |
| Yields / Margins (%) | | | | | |
| Interest Spread | 6.16% | 7.69% | 8.15% | 8.29% | 8.08% |
| NIM | 10.25% | 11.54% | 12.29% | 12.02% | 11.42% |
| Profitability (%) | | | | | |
| ROA | 6.46% | 7.25% | 7.82% | 7.53% | 6.99% |
| ROE | 14.5% | 15.1% | 16.1% | 17.3% | 18.2% |
| Cost to Income | 22.3% | 18.5% | 19.4% | 20.0% | 21.2% |
| Asset quality (%) | | | | | |
| Gross NPA | 0.58% | 0.96% | 0.89% | 1.19% | 1.12% |
| LLP | 0.16% | 0.76% | 0.58% | 0.26% | 0.27% |
| Capital Adequacy (%) | | | | | |
| Tier I | 73.78% | 85.39% | 80.59% | 67.58% | 59.94% |
| CAR | 73.63% | 85.61% | 80.79% | 68.36% | 60.67% |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|-----------------------|--------|--------|--------|--------|--------|
| Y/E March | FY21A | FY22A | FY23A | FY24E | FY25E |
| NII / Assets | 10.17% | 11.43% | 12.17% | 11.92% | 11.33% |
| Other Income / Assets | 0.76% | 0.95% | 1.10% | 0.94% | 0.83% |
| Total Income / Assets | 10.93% | 12.38% | 13.27% | 12.86% | 12.16% |
| Cost / Assets | 2.44% | 2.30% | 2.57% | 2.58% | 2.57% |
| PPP / Assets | 8.49% | 10.08% | 10.70% | 10.28% | 9.58% |
| Provisions / Assets | 0.14% | 0.68% | 0.53% | 0.24% | 0.26% |
| PBT / Assets | 8.35% | 9.41% | 10.17% | 10.04% | 9.33% |
| Tax rate | 22.6% | 22.9% | 23.1% | 25.0% | 25.0% |
| ROA | 6.46% | 7.25% | 7.82% | 7.53% | 6.99% |
| Leverage | 2.3 | 1.9 | 2.1 | 2.4 | 2.7 |
| ROE | 14.5% | 15.1% | 16.1% | 17.3% | 18.2% |

Source: Company, JM Financial

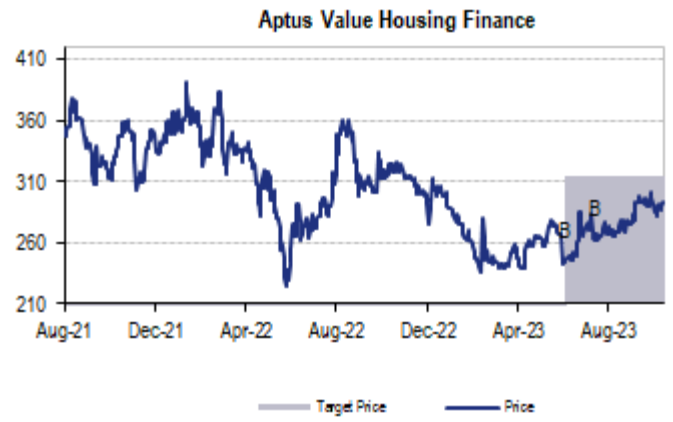
| Valuations | | | | | |
|-----------------|-------|-------|-------|-------|-------|
| Y/E March | FY21A | FY22A | FY23A | FY24E | FY25E |
| Shares in Issue | 474.7 | 496.9 | 498.0 | 498.0 | 498.0 |
| EPS (INR) | 5.6 | 7.4 | 10.1 | 12.5 | 15.2 |
| EPS (YoY) (%) | 25.9% | 32.4% | 35.6% | 23.9% | 21.5% |
| P/E (x) | 52.1 | 39.3 | 29.0 | 23.4 | 19.3 |
| BV (INR) | 42 | 59 | 67 | 77 | 90 |
| BV (YoY) (%) | 15.3% | 40.7% | 14.3% | 15.5% | 16.3% |
| P/BV (x) | 7.03 | 4.99 | 4.37 | 3.78 | 3.25 |
| DPS (INR) | 0.0 | 0.0 | 2.0 | 2.1 | 2.6 |
| Div. yield (%) | 0.0% | 0.0% | 0.7% | 0.7% | 0.9% |

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 |

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

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|-----------------------|---|
| 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. |
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* REITs refers to Real Estate Investment Trusts.

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