

# Aptus Value Housing Finance

## Strong performance, as expected

### Sturdy all-round delivery

Aptus delivered a strong performance which was characterized by further increase in disbursements, sustained strong AUM growth, slight compression in portfolio spread, restrained management of opex and stable asset quality. Disbursements were marginally below expectations (grew 3% qoq/27% yoy) on account of business being slowed in Dec due to floods in few important districts of TN. Nevertheless, AUM growth was brisk at 6% qoq/28% yoy aided by traction across products (HL, SBL and Quasi HL). Portfolio Spread came-off by 13 bps qoq to 8.7%, as CoF increased by 14 bps and portfolio yield was stable (not much manifestation of 50bps rate hike taken across products and contracts from Sept 1st).

Aptus added 12 branches in Q3 FY24 after adding 19 in the preceding quarter. Bulk of the branch addition was in AP and TL, and an additional branch was opened in the recently entered state of Orissa. Opex growth was restrained at 23% yoy owing to better productivity from existing branches/resources, well-managed attrition and increasing sourcing from non-branch channels (share improved from 14% to 17% in past 2Q) which include leads from Customer App, Construction Ecosystem Partners and social media. Asset quality was stable during the quarter reflected in firm collection efficiency of 99.65%, steady 1+ dpd/30+ dpd/Stage-3 loan assets at 8%/6%/1.2% and moderate credit cost of 40 bps. ECL coverage was maintained across loan stages. Annualized RoE for Q3 FY24 was 17.1%, having secularly improved by 70 bps through the year.

### Upbeat commentary on growth and profitability stays

With demand across products remaining strong, significant distribution being added, operational/execution issues being promptly addressed and credit metric remaining stable, Aptus is confident about delivering 25-30% AUM growth for the next 3-4 years. The December disbursement shortfall due to TN floods has already been covered in January and hence AUM growth is likely to be robust in Q4 FY24. The co. would be adding seven branches in the current quarter, of which three would be in OR and four will be in MH. While AP and TL would remain high-growth markets, resolution of the manpower issues in TN would accelerate growth in the home state. The 50bps rate hike of Sept 1st is expected to manifest in portfolio yield of the current quarter. The incremental lending rate across products stands at 15.5% for HL, 17.5-18% for Quasi HL and 21.5% for SBL. Borrowing mix is being shifted towards floating-rate loans and majority of bank loans are linked to Repo/EBLR, both of which will benefit portfolio spread when interest rates decline. The borrowing cost in HFC co. continues to be stable after RBI RW changes, but it has increased by 50 bps in the NBFC.

### Reiterate BUY with enhanced 12m PT of Rs430

We maintain our structural liking for Aptus as it has stronger moats than peers (Home First and Aavas), which is reflected in much lower BT pressure, resilient Spread performance, restrained opex and higher profitability. At potentially 4-5x leverage in very long run, Aptus can deliver 22-24% RoE. Aptus' outperformance in Affordable Housing is expected to continue with its valuation premium sustaining. The stock trades at 20x PE and 3.8x P/ABV on FY26 estimates. We reiterate BUY with enhanced 12m PT of Rs430 pegging target multiple on FY26.

Reco : **BUY**

CMP : Rs 370

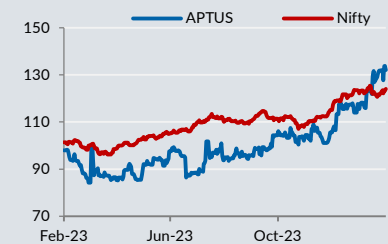
Target Price : Rs 430

Potential Return : 16.3%

#### Stock data (as on Feb 02, 2024)

Nifty	21,854
52 Week h/l (Rs)	384 / 234
Market cap (Rs/USD mn)	187296 / 2257
Outstanding Shares (mn)	499
6m Avg t/o (Rs mn):	222
Div. yield (%):	0.6
Bloomberg code:	APTUS IN
NSE code:	APTUS

#### Stock performance



	1M	3M	1Y
Absolute return	14.2%	26.2%	34.6%

#### Shareholding pattern

Promoter	62.1%
FII+DII	20.6%
Others	17.3%

#### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	430	350

#### Δ in earnings estimates

	FY24e	FY25e	FY26e
EPS (New)	12.3	15.1	18.6
EPS (Old)	12.1	15.3	19.1
% Change	1.8%	-1.4%	-2.5%

#### Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Op. income	10,250	12,751	15,909
PPOP	8,207	10,157	12,613
Net profit	6,138	7,513	9,271
Growth (%)	22.0	22.4	23.4
EPS (Rs)	12.3	15.1	18.6
ABVPS (Rs)	73.4	83.5	97.0
P/E (x)	30.0	24.5	19.9
P/ABV (x)	5.0	4.4	3.8
ROAE (%)	17.4	18.9	20.2
ROAA (%)	7.6	7.3	7.1

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MANUJ OBEROI, Associate

## Exhibit 1: Result table

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Operating Income	3,514	3,336	5.3	2,863	22.8
Interest expended	(985)	(961)	2.4	(772)	27.6
Net Interest Income	2,530	2,374	6.5	2,091	21.0
Other Income	112	109	3.2	85	31.5
Total Income	2,642	2,483	6.4	2,176	21.4
Operating expenses	(511)	(532)	(4.0)	(414)	23.3
PPOP	2,131	1,951	9.2	1,762	20.9
Provisions	(80)	(56)	43.8	(78)	2.9
PBT	2,051	1,896	8.2	1,684	21.8
Tax	(476)	(415)	14.5	(429)	10.9
Reported PAT	1,576	1,480	6.5	1,256	25.5

Source: Company, YES Sec

## Exhibit 2: Business data and Key ratios

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
AUM (Rs mn)	80,720	76,040	6.2	63,070	28.0
Disbursements (Rs mn)	7,680	7,450	3.1	6,050	26.9
Yields (%)	17.2	17.2	0.0	16.9	0.3
CoB (%)	8.6	8.4	0.1	7.9	0.7
NIM (%)	8.7	8.8	(0.1)	9.0	(0.3)
Opex (%)	2.7	2.7	(0.0)	2.8	(0.1)
RoA (%)	8.1	8.1	(0.0)	8.5	(0.5)

Source: Company, YES Sec

## Exhibit 3: AUM Concentration in Southern States

(%)	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
Tamil Nadu	44.0	43.0	42.0	40.0	39.0
Andhra Pradesh	34.0	35.0	36.0	38.0	39.0
Telangana	13.0	14.0	14.0	14.0	14.0
Karnataka	8.0	8.0	8.0	8.0	8.0

Source: Company, YES Sec

## Exhibit 4: Asset Quality trend

(%)	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
CE (%)	100.3	102.9	99.5	99.7	99.7
30+ DPD (%)	6.3	5.9	6.3	6.0	6.0
GNPA (%)	1.4	1.2	1.3	1.2	1.2
NNPA (%)	1.1	0.9	1.0	0.9	0.9

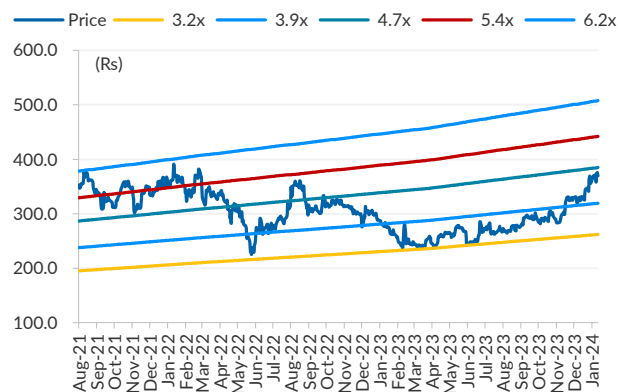
Source: Company, YES Sec

**Exhibit 5: ECL Summary**

Particulars	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
Gross Stage 3 GNPA	911	777	922	906	957
Gross Stage 3 GNPA (%)	1.4	1.2	1.3	1.2	1.2
ECL Provision Stage 3	228	194	231	227	239
Net Stage 3	683	583	692	680	718
Provision Coverage ratio (%)	25.0	25.0	25.0	25.0	25.0
Gross Stage 1 & 2	62,156	66,606	70,311	75,131	79,760
Gross Stage 1 & 2 (%)	98.6	98.9	98.7	98.8	98.8
ECL Provision Stage 1 & 2	439	518	525	579.4	616
Net Stage 1 & 2	61,717	66,089	69,786	74,551.3	79,144
Provision Coverage ratio (%)	0.7	0.8	0.7	0.8	0.8
<b>ECL Provisions</b>	<b>667</b>	<b>712</b>	<b>755</b>	<b>805.9</b>	<b>855</b>
<b>PCR (%)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>

Source: Company, YES Sec

**Exhibit 6: 1-yr rolling P/ABV band**



Source: Company, YES Sec

**Exhibit 7: 1-year rolling P/ABV vis-a-vis the mean**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 8: Balance Sheet

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
Equity Capital	994	996	996	996	996
Reserves	28,168	32,397	36,204	41,386	48,327
<b>Shareholder's funds</b>	<b>29,162</b>	<b>33,393</b>	<b>37,200</b>	<b>42,382</b>	<b>49,323</b>
Provisions	41	45	49	54	59
Deferred Tax Liabilities	31	0	0	0	0
<b>Total Non-Financial liabilities</b>	<b>111</b>	<b>104</b>	<b>114</b>	<b>125</b>	<b>138</b>
Debt Securities	4,102	3,900	5,460	7,480	9,949
Borrowings (Other than Debt Securities)	23,104	33,961	47,545	65,136	86,631
Other Financial Liabilities	283	229	320	438	583
<b>Total Financial liabilities</b>	<b>27,568</b>	<b>38,264</b>	<b>53,500</b>	<b>73,230</b>	<b>97,338</b>
<b>Total Equities and Liabilities</b>	<b>56,840</b>	<b>71,761</b>	<b>90,814</b>	<b>1,15,738</b>	<b>1,46,799</b>
<b>Assets</b>					
Cash and Cash Equivalents	4,052	3,718	4,154	5,086	6,396
Bank balances	407	882	1,058	1,270	1,524
Loans	50,787	65,921	84,292	1,07,990	1,37,390
Investments in Associates	1,017	515	515	515	515
Other Financial Assets	205	284	340	408	490
<b>Total Financial assets</b>	<b>56,469</b>	<b>71,320</b>	<b>90,360</b>	<b>1,15,269</b>	<b>1,46,315</b>
Property, Plant and Equipment	34	37	41	45	49
Other Intangible Assets	80	107	107	107	107
Other Non-Financial Assets	26	92	101	111	122
<b>Total Non-Financial assets</b>	<b>372</b>	<b>441</b>	<b>454</b>	<b>468</b>	<b>484</b>
<b>Total Assets</b>	<b>56,840</b>	<b>71,761</b>	<b>90,814</b>	<b>1,15,738</b>	<b>1,46,799</b>

Source: Company, YES Sec

### Exhibit 9: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
Income from Operations	8,147	10,934	13,683	17,501	22,317
Interest expense	(2,086)	(2,759)	(3,853)	(5,233)	(6,963)
<b>Net interest income</b>	<b>6,061</b>	<b>8,174</b>	<b>9,830</b>	<b>12,268</b>	<b>15,353</b>
Non-interest income	255	356	420	483	555
Total op income	6,316	8,531	10,250	12,751	15,909
Total op expenses	(1,171)	(1,652)	(2,044)	(2,594)	(3,295)
<b>PPoP</b>	<b>5,145</b>	<b>6,878</b>	<b>8,207</b>	<b>10,157</b>	<b>12,613</b>
Provisions	(345)	(341)	(230)	(393)	(564)
Profit before tax	4,800	6,537	7,976	9,764	12,049
Taxes	(1,099)	(1,507)	(1,839)	(2,251)	(2,778)
<b>Net profit</b>	<b>3,701</b>	<b>5,030</b>	<b>6,138</b>	<b>7,513</b>	<b>9,271</b>

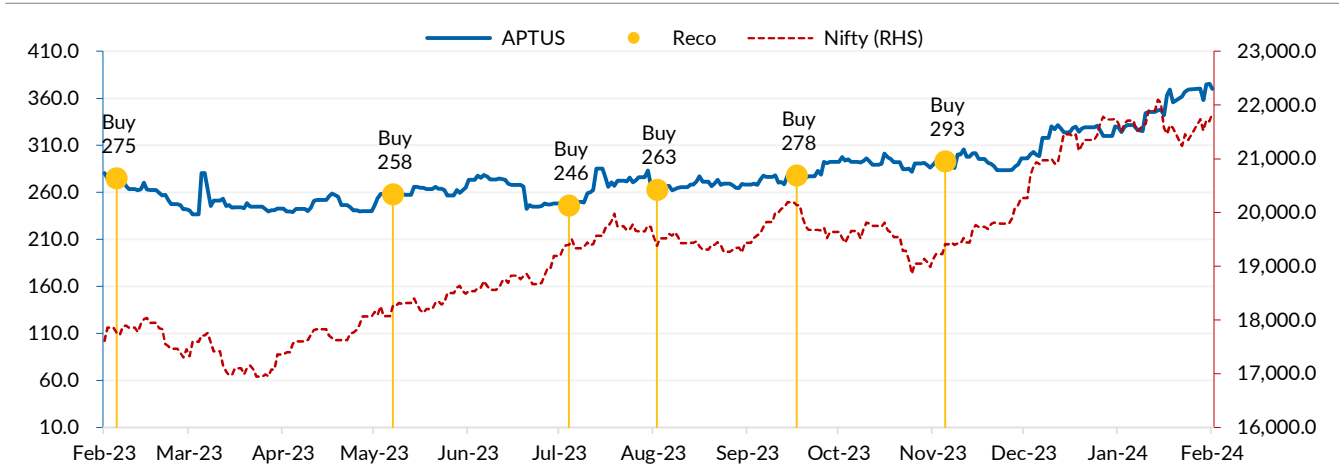
Source: Company, YES Sec

## Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>					
Net interest income	40.0	34.9	20.3	24.8	25.2
Total op income	39.8	35.1	20.2	24.4	24.8
Op profit (pre-provision)	46.6	33.7	19.3	23.8	24.2
Net profit	38.7	35.9	22.0	22.4	23.4
Loans	27.3	29.8	27.9	28.1	27.2
Borrowings + Debt	8.5	39.2	40.0	37.0	33.0
Total assets	25.7	26.3	26.6	27.4	26.8
<b>Profitability Ratios (%)</b>					
NIM	13.1	13.7	12.8	12.5	12.2
Non-interest income/Total income	4.0	4.2	4.1	3.8	3.5
Return on Average Equity	15.1	16.1	17.4	18.9	20.2
Return on Average Assets	7.3	7.8	7.6	7.3	7.1
<b>Per share ratios (Rs)</b>					
EPS	7.4	10.1	12.3	15.1	18.6
ABVPS	57.8	65.9	73.4	83.5	97.0
<b>Other key ratios (%)</b>					
Loans/Borrowings	186.7	174.1	159.0	148.7	142.3
Cost/Income	18.5	19.4	19.9	20.3	20.7
Gross Stage 3 (%)	1.2	1.2	1.0	1.0	1.0
Credit Cost	0.7	0.6	0.3	0.4	0.5
Tax rate	22.9	23.1	23.1	23.1	23.1

Source: Company, YES Sec

## Recommendation Tracker



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**SELL:** Downside greater than -10% over 12 months

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