

Aptus Value Housing Finance | BUY

Strong Quarter

Aptus Value Housing Finance (Aptus) reported a strong quarter with PAT of INR 1.6bn (+26% YoY, +6.5% QoQ, +4% JMFe) driven by a) robust growth in NII (+20% YoY, +5% QoQ) with NIMs (cal.) at 12.25% (-16bps QoQ) and b) strong AUM growth of INR 81bn (+28% YoY, +6.2% QoQ) led by healthy disbursements of INR 7.7bn (+27% YoY, +3.1% QoQ). CoFs moved up +14bps QoQ at 8.55% while yields remained steady (+1bps QoQ) leading spreads to decline by -13bps QoQ. Mgmt highlighted that the increase in CoFs was due to upward revision of interest rates from banks by +25bps which was impacted due to new RWA regulation from RBI. Asset quality remained steady with GS3/NS3 at 1.19%/0.9%. PCR on stage 3 continues to remain steady at 25%. As the demand for homes and small businesses continues to remain strong, management remains confident of achieving a growth of 25-30% going ahead. We expect growth momentum to continue with steady NIMs performance from here on and expect it to expand with rate cuts and thus further drive earnings going forward. We build in average RoA/RoE of 7.2%/18.2% over FY24-26E and continue to maintain BUY with a revised TP of INR 400 valuing it at 3.8x on FY26E BVPS.

- Healthy growth momentum continues:** Aptus reported a strong growth in AUM of +20% YoY, +5% QoQ at INR 81bn driven by robust growth in disbursements (+27% YoY, +3.1% QoQ). Small business loans saw the highest growth of +11.5% QoQ, +34% YoY. Home loans grew +28% QoQ, +6.2% YoY while LAP remained steady QoQ. Out of total disbursements during the quarter, 7.4% was sourced through customer referral, 6.2% from construction ecosystem, 3.2% through social media and balance through in-house sourcing. We believe that Aptus has a strong in-house lead generation team and with Tamil Nadu employee attrition now back to normal (which has been an issue since Q1), we expect healthy disbursements momentum going ahead. Mgmt continues to guide for 25-30% normalized AUM growth and we build in AUM growth of 30% CAGR over FY23-26E.
- Steady operating performance:** Operating profit stood at INR 2.1bn (+21% YoY, +9.2% QoQ) led by strong growth in NII (+20% YoY, +5% QoQ) with NIMs (cal.) at 12.25% (-16bps QoQ). Spreads declined -13bps QoQ at 8.66% as cost of funds moved up +14bps QoQ at 8.55%. Yields remained steady at 17.21% (+1bps QoQ) as major part of the book is housing loans which are low-yielding and there was no major shift in the product mix during the quarter. Mgmt guides for cost of funds to further move up by ~10bps in Q4 due to upward revision of interest rates by banks guided by RBI circular on RWA regulations. Mgmt. targets 40% fixed rate and 60% floating rate borrowings to benefit from interest rate cuts going ahead.
- Steady asset quality:** Asset quality remained steady with GS3/NS3 at 1.19%/0.9% (flat QoQ). PCR on stage 3 continues to remain steady at 25%. 30+ DPD moved up +5bps QoQ at 6.04% with collection efficiency at 99.65% (vs 99.72% in 2QFY24) affected by Tamil Nadu floods. Given 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



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	400
Upside/(Downside)	8.1%
Previous Price Target	370
Change	8.1%

Key Data – APTUS IN

Current Market Price	INR370
Market cap (bn)	INR184.6/US\$2.2
Free Float	32%
Shares in issue (mn)	498.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR309.8/US\$3.7
52-week range	384/234
Sensex/Nifty	72,086/21,854
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	12.2	38.9	34.6
Relative*	12.1	26.6	13.6

* To the BSE Sensex

Financial Summary					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit	3,701	5,030	6,080	7,601	9,495
Net Profit (YoY) (%)	38.7%	35.9%	20.9%	25.0%	24.9%
Assets (YoY) (%)	25.7%	26.3%	28.5%	28.9%	30.3%
ROA (%)	7.3%	7.8%	7.4%	7.2%	6.9%
ROE (%)	15.1%	16.1%	16.9%	18.3%	19.5%
EPS	7.4	10.1	12.2	15.3	19.1
EPS (YoY) (%)	32.4%	35.6%	20.9%	25.0%	24.9%
P/E (x)	49.7	36.6	30.3	24.2	19.4
BV	59	67	77	90	106
BV (YoY) (%)	40.7%	14.3%	15.1%	16.4%	17.6%
P/BV (x)	6.30	5.52	4.79	4.12	3.50

Source: Company data, JM Financial. Note: Valuations as of 02/Feb/2024

JM Financial Institutional Securities Limited

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0.29% over FY24-26E.

- **Valuation and view:** We believe that Aptus will continue to deliver healthy return ratios with avg RoA/RoE of 7.2%/18.2% over FY24-26E on the back of a) robust growth of 30% over FY23-26E led by branch expansion, b) high-yielding portfolio and c) lower credit costs. We continue to maintain BUY and revise our TP to INR 400 valuing it at 3.8x on FY26E BVPS.

Aptus – 3QFY24 Quarterly Performance

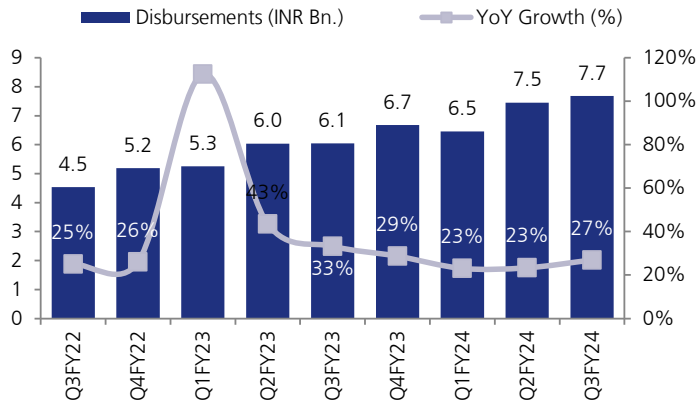
Exhibit 1. 3QFY24 key financial highlights

Earnings Table (INR mn)	Q3FY23	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Net Interest Income	2,002	2,285	2,400	19.9%	5.0%
Total Non-Interest income	175	198	242	38.3%	22.0%
Total Income	2,176	2,483	2,642	21.4%	6.4%
Employee Cost	309	393	382	23.8%	-2.8%
Other expenses & Depreciation	105	138	128	21.8%	-7.4%
Total Operating Expenses	414	532	511	23.3%	-4.0%
Operating Profit (PPP)	1,762	1,951	2,131	20.9%	9.2%
Total Provisions	78	56	80	2.8%	43.8%
PBT	1,684	1,896	2,051	21.8%	8.2%
Tax	429	415	476	10.9%	14.5%
PAT (Pre-Extraordinaries)	1,256	1,480	1,576	25.5%	6.5%
Extraordinaries / Prior Period Adjustments	0	0	0	#DIV/0!	#DIV/0!
Reported Profit	1,256	1,480	1,576	25.5%	6.5%
Balance Sheet Data (INR bn)					
AUM	63,070	76,040	80,720	28.0%	6.2%
Disbursements	6,050	7,450	7,680	26.9%	3.1%
Ratios Analysis (%)					
Cost to Income (%)	19.0%	21.4%	19.3%	0.29%	-2.10%
Effective Tax Rate (%)	25.5%	21.9%	23.2%	-2.27%	1.27%
Credit Quality					
Gross S3 (INR Mn.)	908	905	957	5.4%	5.8%
Net S3 (INR Mn.)	1,697	1,994	2,160	27.3%	8.4%
Gross S3 (%)	1.4%	1.2%	1.2%	-0.25%	0.00%
Net S3 (%)	1.1%	0.9%	0.9%	-0.19%	0.00%
Coverage	25.1%	25.0%	25.0%	-0.07%	-0.03%
Capital Adequacy (%)					
CAR (%)	79.3%	71.0%	70.5%	-8.87%	-0.58%
Return ratios (%)					
ROE (%)	15.8%	17.1%	17.4%	1.66%	0.30%
ROA (%)	7.2%	7.7%	7.8%	0.52%	0.09%

Source: Company, JM Financial

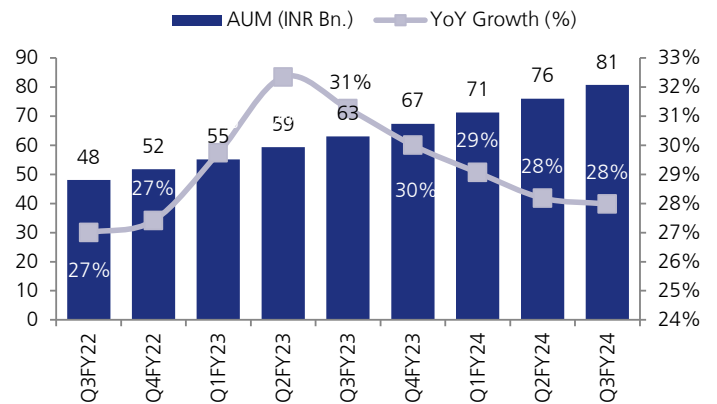
Quarterly Trends

Exhibit 2. Trend in Disbursements growth



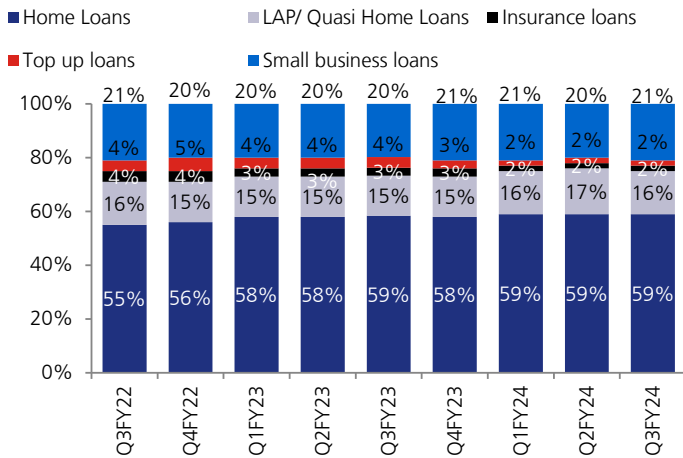
Source: Company, JM Financial

Exhibit 3. Trend in AUM growth



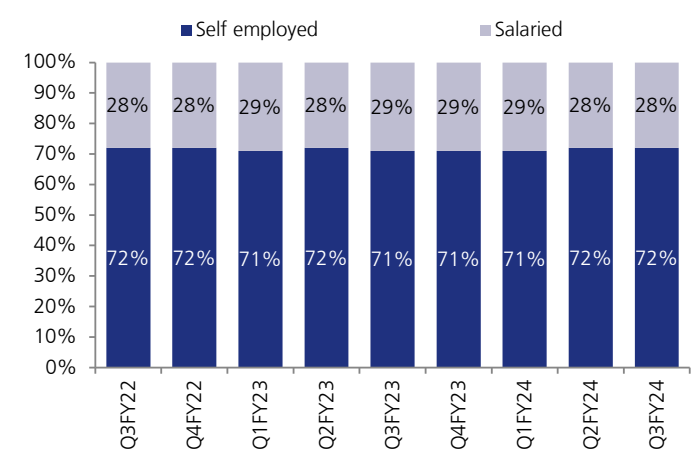
Source: Company, JM Financial

Exhibit 4. Trend in Product wise AUM Mix



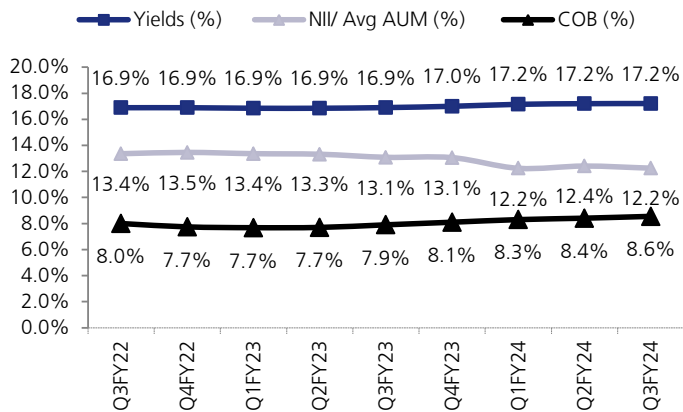
Source: Company, JM Financial

Exhibit 5. Trend in Product wise Customer mix



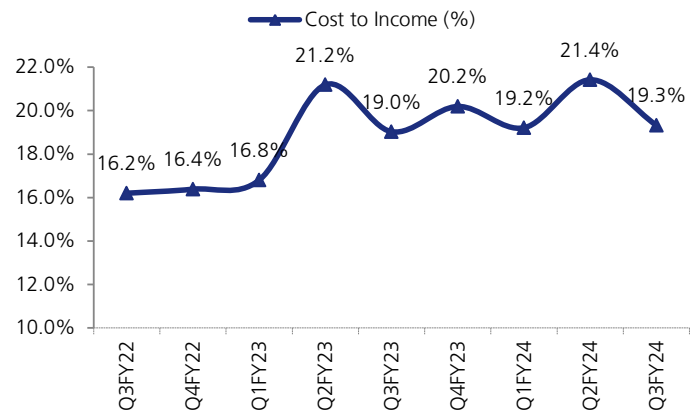
Source: Company, JM Financial

Exhibit 6. Margins Trend



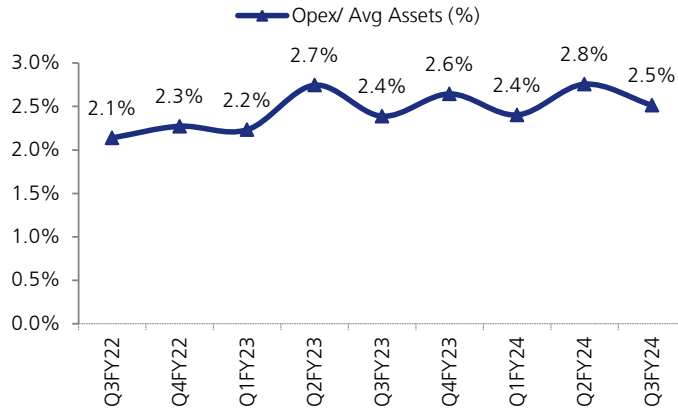
Source: Company, JM Financial

Exhibit 7. Cost-to-income trend



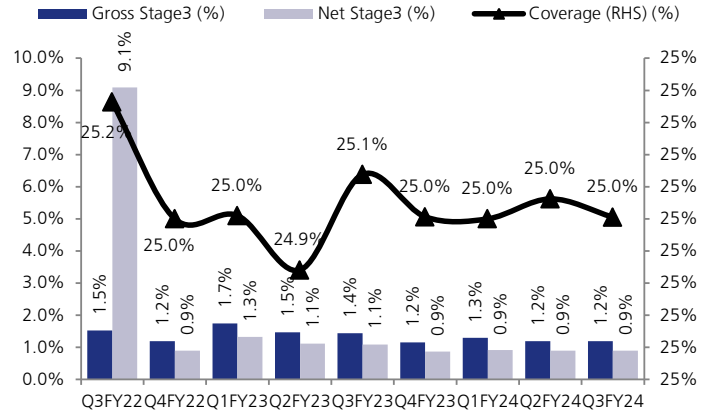
Source: Company, JM Financial

Exhibit 8. Opex-to-Avg Assets trend



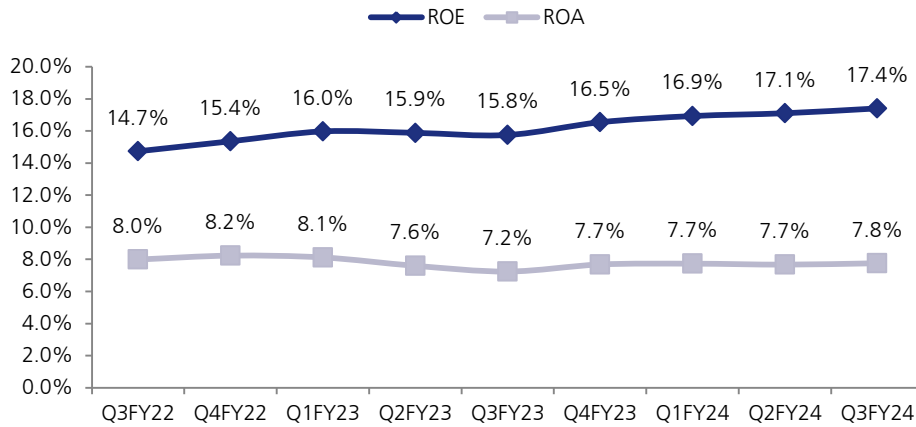
Source: Company, JM Financial

Exhibit 9. Trend in Asset Quality



Source: Company, JM Financial

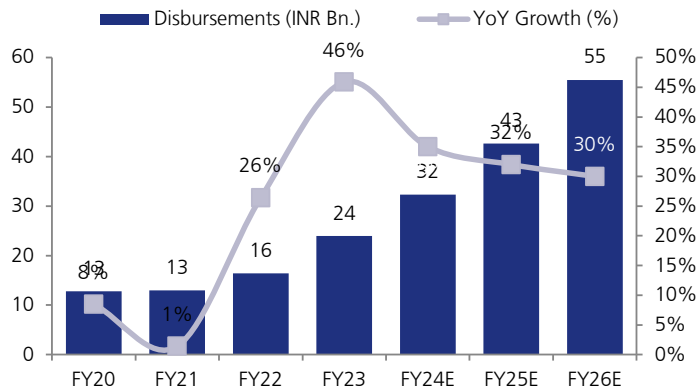
Exhibit 10. Robust return ratios (Calculated)



Source: Company, JM Financial

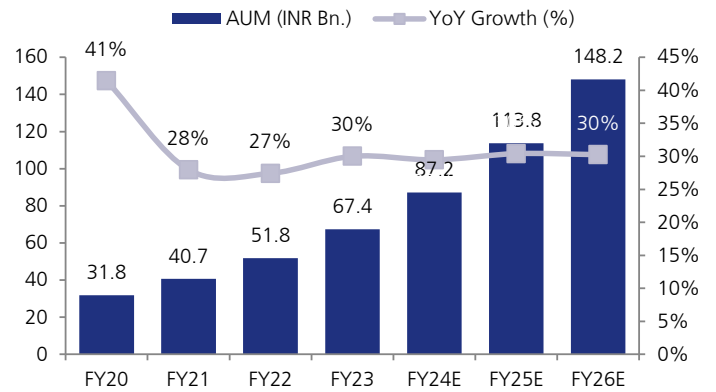
Annual Trends

Exhibit 11. Trend in disbursements growth



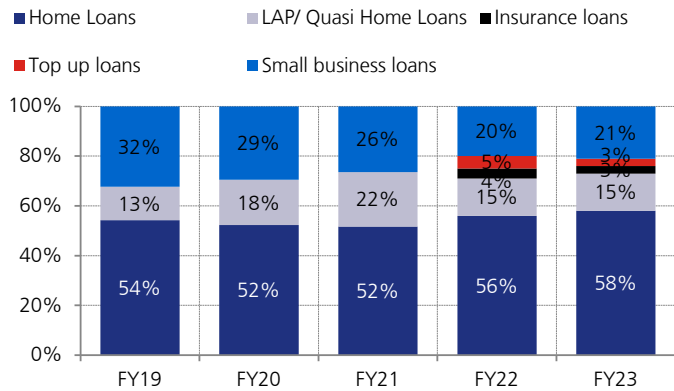
Source: Company, JM Financial

Exhibit 12. Trend in AUM growth



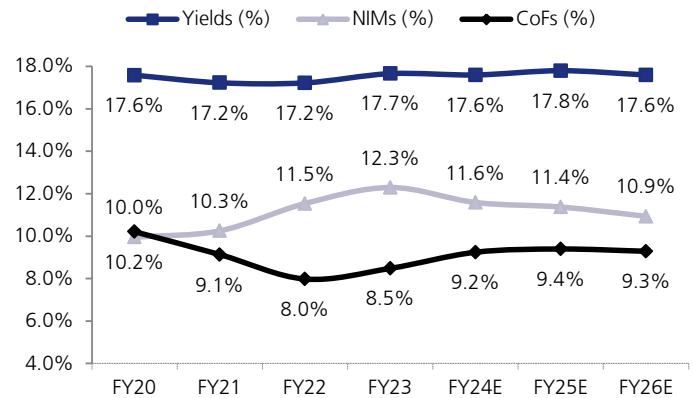
Source: Company, JM Financial

Exhibit 13. Trend in AUM Mix



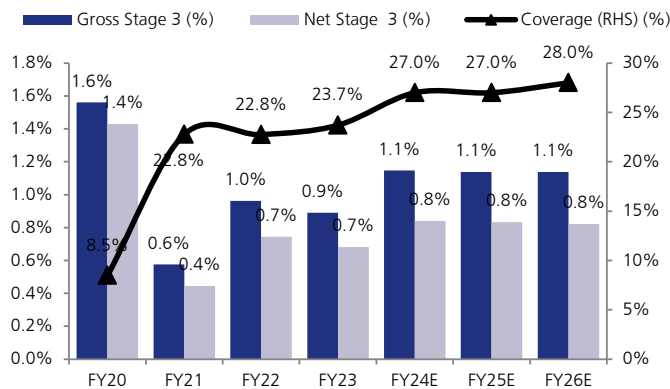
Source: Company, JM Financial

Exhibit 14. Margins Trend



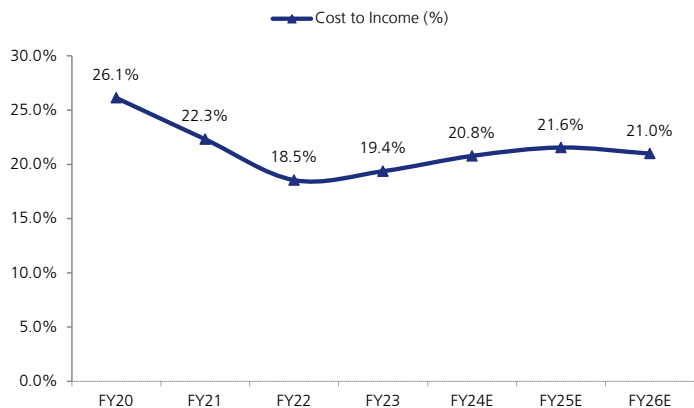
Source: Company, JM Financial

Exhibit 15. Trend in Asset Quality



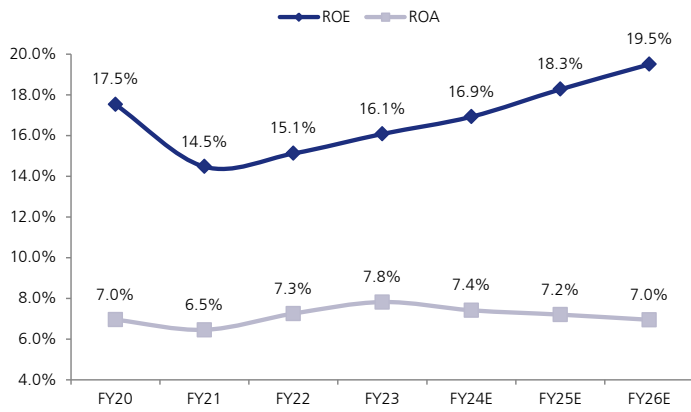
Source: Company, JM Financial

Exhibit 16. Cost-to-Income Trend



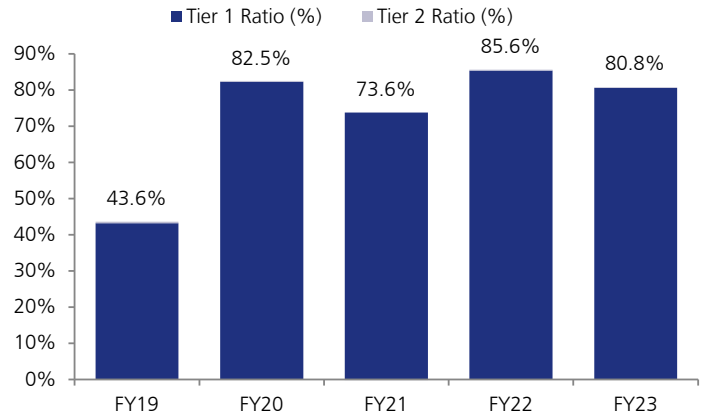
Source: Company, JM Financial

Exhibit 17. Return Ratios Trend



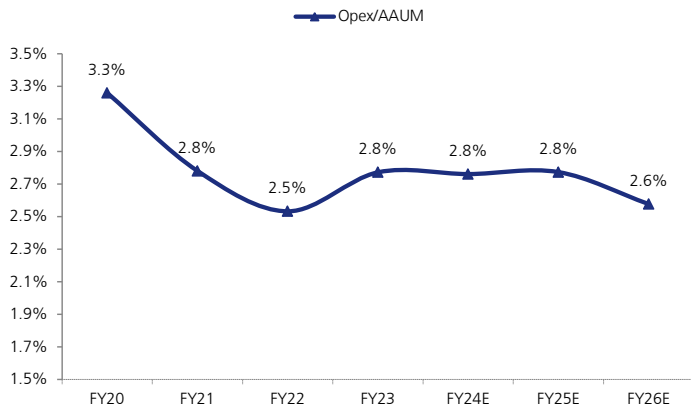
Source: Company, JM Financial

Exhibit 18. Comfortable liquidity



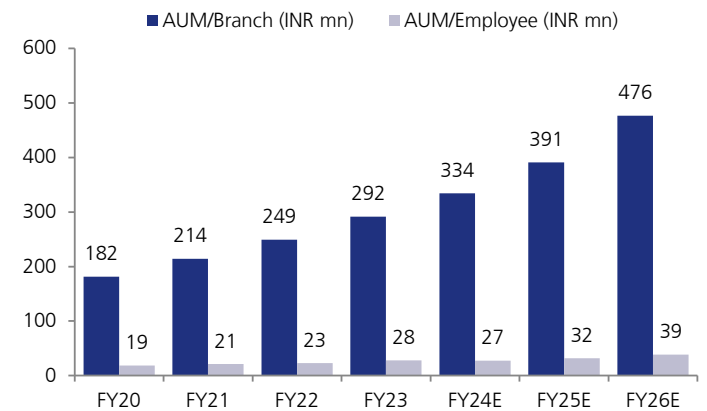
Source: Company, JM Financial

Exhibit 19. Opex/AAUM Trend



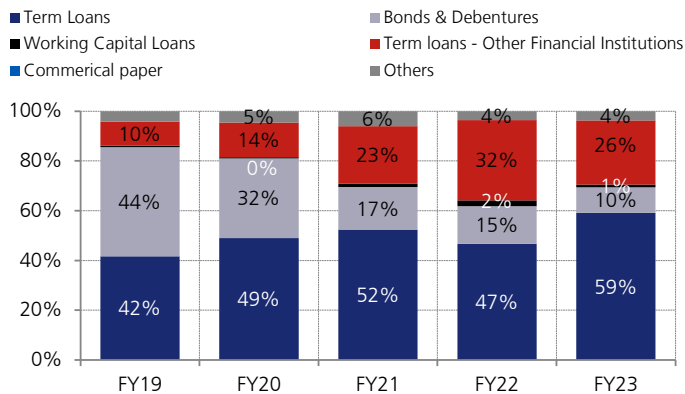
Source: Company, JM Financial

Exhibit 20. AUM/Branch and AUM/Employee Trend



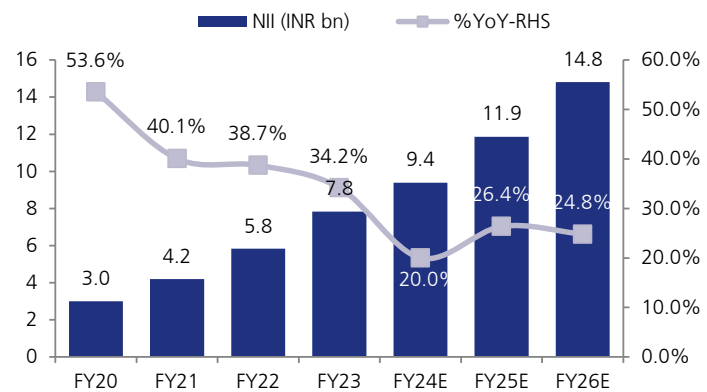
Source: Company, JM Financial

Exhibit 21. Trend in borrowings mix



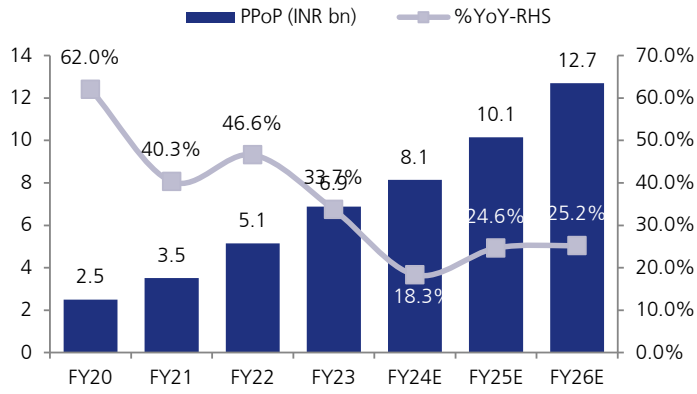
Source: Company, JM Financial

Exhibit 22. Trend in NII



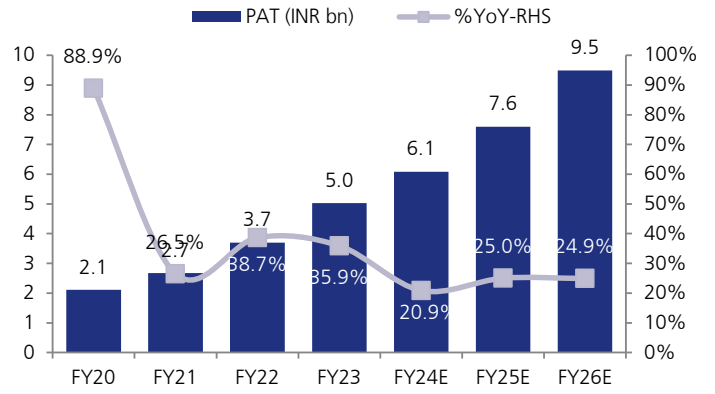
Source: Company, JM Financial

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	FY24E	FY25E	FY26E
Net Interest Income (NII)	5,831	7,825	9,392	11,867	14,813
Non Interest Income	485	706	882	1,065	1,269
Total Income	6,316	8,531	10,274	12,933	16,081
Operating Expenses	1,171	1,652	2,135	2,787	3,375
Pre-provisioning Profits	5,145	6,878	8,139	10,145	12,706
Loan-Loss Provisions	294	368	243	274	375
Others Provisions	50	-27	0	0	0
Total Provisions	345	341	243	274	375
PBT	4,800	6,537	7,896	9,871	12,331
Tax	1,099	1,507	1,816	2,270	2,836
PAT (Pre-Extra ordinaries)	3,701	5,030	6,080	7,601	9,495
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	3,701	5,030	6,080	7,601	9,495
Dividend	0	996	1,034	1,292	1,614
Retained Profits	3,701	4,034	5,046	6,309	7,881

Source: Company, JM Financial

Balance Sheet					
	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Equity Capital	994	996	996	996	996
Reserves & Surplus	28,168	32,397	37,443	43,752	51,633
Stock option outstanding	0	0	0	0	0
Borrowed Funds	27,206	37,861	53,005	73,147	1,00,942
Deferred tax liabilities	0	0	0	0	0
Preference Shares	0	0	0	0	0
Current Liabilities & Provisions	473	509	737	951	1,238
Total Liabilities	56,840	71,763	92,182	1,18,846	1,54,810
Net Advances	50,787	65,923	85,348	1,11,297	1,44,967
Investments	1,017	515	1,024	1,336	1,740
Cash & Bank Balances	4,459	4,600	4,694	5,008	6,524
Loans and Advances	0	0	0	0	0
Other Current Assets	231	375	667	626	825
Fixed Assets	120	153	196	253	330
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	226	197	253	326	425
Total Assets	56,840	71,763	92,182	1,18,846	1,54,810

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Borrowed funds	8.5%	39.2%	40.0%	38.0%	38.0%
Advances	27.3%	29.8%	29.5%	30.4%	30.3%
Total Assets	25.7%	26.3%	28.5%	28.9%	30.3%
NII	38.7%	34.2%	20.0%	26.4%	24.8%
Non-interest Income	54.8%	45.4%	25.0%	20.7%	19.1%
Operating Expenses	16.3%	41.1%	29.2%	30.6%	21.1%
Operating Profits	46.6%	33.7%	18.3%	24.6%	25.2%
Core Operating profit	45.4%	33.4%	18.2%	24.3%	25.1%
Provisions	492.5%	-1.0%	-28.7%	12.6%	36.7%
Reported PAT	38.7%	35.9%	20.9%	25.0%	24.9%
Interest Spread	7.69%	8.15%	7.53%	7.66%	7.62%
NIM	11.54%	12.29%	11.59%	11.37%	10.94%
Profitability (%)					
ROA	7.25%	7.82%	7.42%	7.20%	6.94%
ROE	15.1%	16.1%	16.9%	18.3%	19.5%
Cost to Income	18.5%	19.4%	20.8%	21.6%	21.0%
Asset quality (%)					
Gross NPA	0.96%	0.89%	1.15%	1.14%	1.14%
LLP	0.76%	0.58%	0.32%	0.28%	0.29%
Capital Adequacy (%)					
Tier I	85.39%	80.59%	68.54%	61.72%	55.52%
CAR	85.61%	80.79%	69.33%	62.48%	61.77%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	11.43%	12.17%	11.46%	11.25%	10.83%
Other Income / Assets	0.95%	1.10%	1.08%	1.01%	0.93%
Total Income / Assets	12.38%	13.27%	12.53%	12.26%	11.75%
Cost / Assets	2.30%	2.57%	2.60%	2.64%	2.47%
PPP / Assets	10.08%	10.70%	9.93%	9.62%	9.29%
Provisions / Assets	0.68%	0.53%	0.30%	0.26%	0.27%
PBT / Assets	9.41%	10.17%	9.63%	9.36%	9.01%
Tax rate	22.9%	23.1%	23.0%	23.0%	23.0%
ROA	7.25%	7.82%	7.42%	7.20%	6.94%
Leverage	1.9	2.1	2.4	2.7	2.9
ROE	15.1%	16.1%	16.9%	18.3%	19.5%

Source: Company, JM Financial

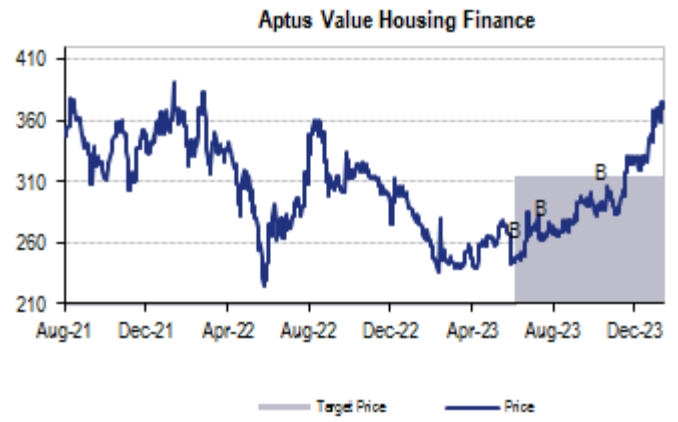
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	496.9	498.0	498.0	498.0	498.0
EPS (INR)	7.4	10.1	12.2	15.3	19.1
EPS (YoY) (%)	32.4%	35.6%	20.9%	25.0%	24.9%
P/E (x)	49.7	36.6	30.3	24.2	19.4
BV (INR)	59	67	77	90	106
BV (YoY) (%)	40.7%	14.3%	15.1%	16.4%	17.6%
P/BV (x)	6.30	5.52	4.79	4.12	3.50
DPS (INR)	0.0	2.0	2.1	2.6	3.2
Div. yield (%)	0.0%	0.5%	0.6%	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
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

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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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