

May 07, 2024

RESULT REPORT Q4 FY24 | Sector: Financials

Aptus Value Housing Finance

Sturdy all-round delivery

Performance was strong on all aspects

Aptus' performance on NII/PPOP/PAT was strong in Q4 FY24, underpinned by better-than-expected delivery of disbursements, portfolio spread and asset quality. AUM growth remained brisk at 8% qoq/29.5% yoy and RoE further improved to 17.3%.

Disbursement volume witnessed significant increase (up 26% qoq/47% yoy) driven by 1) improved business momentum in TN (disbursements grew 9% qoq - AUM share of 37%) after stabilization of manpower issues, 2) sustained robust growth in other Southern markets aided by branch addition and improving productivity of existing branches, and 3) some increase in origination ATS for both HL and SBL. With no change in competitive landscape in the operating markets and Aptus offering similar or better rates than peers, the BT Out continues to be low at ~2.5% annualized.

Portfolio Spread improved by 5 bps qoq to 8.71%, after having declined in each of the preceding five quarters (cumulative reduction ~50 bps). Portfolio Yield improved by 14 bps qoq on the back of rates hikes taken in Q3 FY24. The rate of CoF increase slowed in Q4 FY24 to 9 bps (avg 16-17 bps in preceding five quarters).

Asset quality improved materially depicted by 60 bps qoq reduction in 30+ dpd portfolio to 5.4%, and 12 bps qoq reduction in Stage-3 assets/GNPLs to 1.07%. There were negligible write-offs in the quarter, and the improvement in portfolio construct was essentially driven by stronger collection efficiency of 100%+. Credit cost was stable at 45 bps with ECL coverage on Stage-2 loans enhanced to 9.5% from 8% as of Q3 FY24.

Confident of 30% AUM growth and stable spreads for FY25

With business velocity resurrected in TN, improving productivity in younger branches (30% branches <3-year old), and plan to add 32-35 new branches (mainly in MH, OR, KTK & TL), Management expects to deliver disbursements of over Rs40bn in FY25 (v/s Rs31.3bn in FY24) translating into 30% AUM growth. The branch count in the newer markets of MH & OR would be taken up to 10 in Q1 FY25 from 3 as of FY24. Aptus has strengthened its middle management (business and support functions) and IT systems to handle higher business volumes.

The incremental funding cost in the HFC has been stable at 8.5-8.6% and in the NBFC could marginally inch-up from current 9-9.25%. The co. does not plan to increase the product yields further. In a falling rate scenario, Aptus' portfolio spread could benefit from much higher quantum of fixed-rate loans versus fixed-rate borrowings. High focus on branch and resource productivity can likely optimize the opex metrics. The management aspires to further improve the 30+ dpd delinquency level.

Reiterate BUY, preferred pick in Affordable Housing

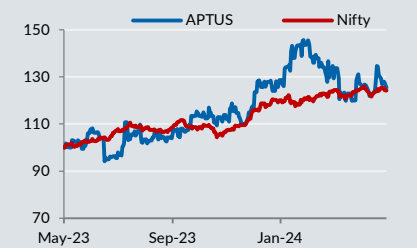
We maintain our structural liking for Aptus as it has stronger moats than peers (Home First and Aavas), which is reflected in much lower BT pressure, resilient Spread performance, restrained opex and higher profitability. At potentially 4-5x leverage in very long run, Aptus can deliver 22-24% RoE. Expect stock to outperform in Affordable Housing space, as Aptus' FY26 PE multiple is in-line with peers. Stock trades at 17x PE and 3.2x P/ABV on FY26 estimates. Maintain BUY with unchanged 12m PT of Rs430.

Reco	: BUY
CMP	: Rs 324
Target Price	: Rs 430
Potential Return	: +33.0%

Stock data (as on May 06, 2024)

Nifty	22,443
52 Week h/l (Rs)	392 / 240
Market cap (Rs/USD mn)	163996 / 1964
Outstanding Shares (mn)	499
6m Avg t/o (Rs mn):	219
Div. yield (%):	1.4
Bloomberg code:	APTUS IN
NSE code:	APTUS

Stock performance



	1M	3M	1Y
Absolute return	-1.6%	-13.9%	25.4%

Shareholding pattern

Promoter	61.1%
FII+DII	24.7%
Others	14.2%

Δ in stance

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

Δ in earnings estimates

	FY24	FY25e	FY26e
EPS (New)	12.3	14.9	18.6
EPS (Old)	12.3	15.1	18.6
% Change	-0.3%	-1.4%	0.1%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Op. income	10,290	12,623	15,922
PPOP	8,223	10,034	12,689
Net profit	6,119	7,432	9,291
Growth (%)	21.6	21.5	25.0
EPS (Rs)	12.3	14.9	18.6
ABVPS (Rs)	74.1	85.8	101.1
P/E (x)	26.3	21.7	17.3
P/ABV (x)	4.4	3.8	3.2
ROAE (%)	17.2	18.3	19.5
ROAA (%)	7.6	7.2	7.0

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Exhibit 1: Result table

(Rs mn)	Q4 FY24	Q3 FY24	% qoq	Q4 FY23	% yoy
Operating Income	3,745	3,514	6.6	2,985	25.5
Interest expended	(1,085)	(985)	10.2	(777)	39.7
Net Interest Income	2,660	2,530	5.2	2,208	20.5
Other Income	166	132	25.6	99	68.3
Total Income	2,826	2,662	6.2	2,307	22.5
Operating expenses	(582)	(511)	14.0	(466)	24.9
PPOP	2,244	2,151	4.3	1,841	21.9
Provisions	(94)	(100)	(6.0)	(78)	21.3
PBT	2,150	2,051	4.8	1,764	21.9
Tax	(510)	(476)	7.2	(411)	24.1
Reported PAT	1,640	1,576	4.1	1,353	21.2

Source: Company, YES Sec

Exhibit 2: Business data and Key ratios

(%)	Q4 FY24	Q3 FY24	chg qoq	Q4 FY23	chg yoy
AUM (Rs mn)	87,220	80,720	8.05	67,380	29.44
Disbursements (Rs mn)	9,680	7,680	26.04	6,680	44.91
Yields (%)	17.4	17.2	0.14	17.0	0.35
CoB (%)	8.6	8.6	0.09	8.1	0.54
NIM (%)	8.7	8.7	0.05	8.9	(0.19)
Opex (%)	2.7	2.7	0.03	2.8	(0.05)
RoA (%)	8.0	8.1	(0.06)	8.4	(0.44)

Source: Company, YES Sec

Exhibit 3: AUM Concentration in Southern States

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Tamil Nadu	43.0	42.0	40.0	39.0	37.0
Andhra Pradesh	35.0	36.0	38.0	39.0	40.0
Telangana	14.0	14.0	14.0	14.0	15.0
Karnataka	8.0	8.0	8.0	8.0	8.0

Source: Company, YES Sec

Exhibit 4: Asset Quality trend

(%)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
CE (%)	102.9	99.5	99.7	99.7	100.2
30+ DPD (%)	5.9	6.3	6.0	6.0	5.4
GNPA (%)	1.2	1.3	1.2	1.2	1.1
NNPA (%)	0.9	1.0	0.9	0.9	0.8

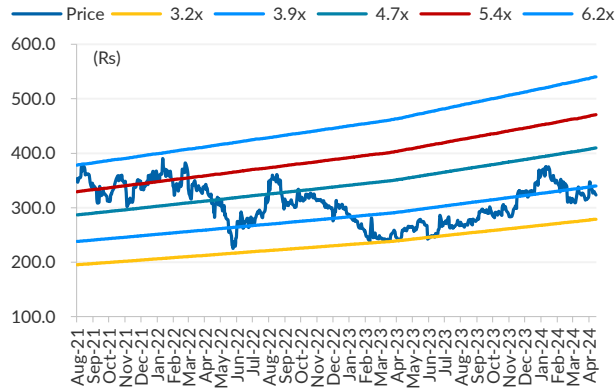
Source: Company, YES Sec

Exhibit 5: ECL Summary

Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Gross Stage 3 GNPA	777	922	906	957	933
Gross Stage 3 GNPA (%)	1.2	1.3	1.2	1.2	1.1
ECL Provision Stage 3	194	231	227	239	233
Net Stage 3	583	692	680	718	700
Provision Coverage ratio (%)	25.0	25.0	25.0	25.0	25.0
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Gross Stage 1 & 2	66,606	70,311	75,131	79,760	86,286
Gross Stage 1 & 2 (%)	98.9	98.7	98.8	98.8	98.9
ECL Provision Stage 1 & 2	518	525	579.4	616	691
Net Stage 1 & 2	66,089	69,786	74,551.3	79,144	85,594
Provision Coverage ratio (%)	0.8	0.7	0.8	0.8	0.8
ECL Provisions	712	755	805.9	855	925
PCR (%)	1.1	1.1	1.1	1.1	1.1

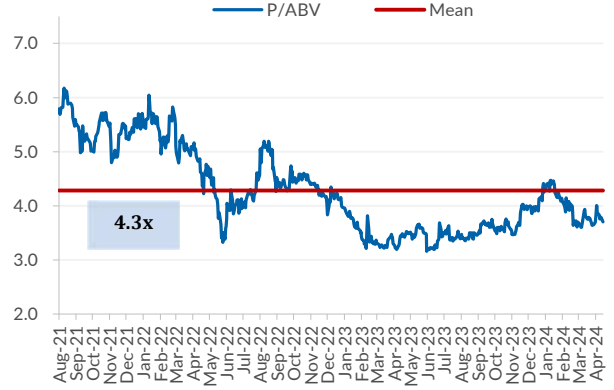
Source: Company, YES Sec

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	FY24	FY25E	FY26E
Equity Capital	994	996	998	998	998
Reserves	28,168	32,397	36,681	42,654	50,485
Shareholder's funds	29,162	33,393	37,679	43,652	51,483
Provisions	41	45	73	80	88
Deferred Tax Liabilities	31	0	0	0	0
Total Non-Financial liabilities	111	104	126	139	153
Debt Securities	4,102	3,900	2,895	4,052	5,430
Borrowings (Other than Debt Securities)	23,104	33,961	48,955	68,538	91,840
Other Financial Liabilities	283	229	354	495	664
Total Financial liabilities	27,568	38,264	52,239	73,121	97,970
Total Equities and Liabilities	56,840	71,761	90,044	1,16,912	1,49,606
Assets					
Cash and Cash Equivalents	4,052	3,718	3,361	4,740	5,882
Bank balances	407	882	141	169	203
Loans	50,787	65,921	85,282	1,10,698	1,42,165
Investments in Associates	1,017	515	515	515	515
Other Financial Assets	205	284	161	193	232
Total Financial assets	56,469	71,320	89,459	1,16,315	1,48,996
Property, Plant and Equipment	34	37	50	56	61
Other Intangible Assets	80	107	156	156	156
Other Non-Financial Assets	26	41	71	78	86
Total Non-Financial assets	372	441	585	597	610
Total Assets	56,840	71,761	90,044	1,16,912	1,49,606

Source: Company, YES Sec

Exhibit 9: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Income from Operations	8,147	10,934	13,652	17,435	22,485
Interest expense	(2,086)	(2,759)	(3,879)	(5,380)	(7,216)
Net interest income	6,061	8,174	9,773	12,055	15,269
Non-interest income	255	403	517	568	654
Total op income	6,316	8,577	10,290	12,623	15,922
Total op expenses	(1,171)	(1,652)	(2,067)	(2,589)	(3,233)
PPoP	5,145	6,925	8,223	10,034	12,689
Provisions	(345)	(388)	(292)	(401)	(647)
Profit before tax	4,800	6,537	7,932	9,634	12,043
Taxes	(1,099)	(1,507)	(1,813)	(2,202)	(2,752)
Net profit	3,701	5,030	6,119	7,432	9,291

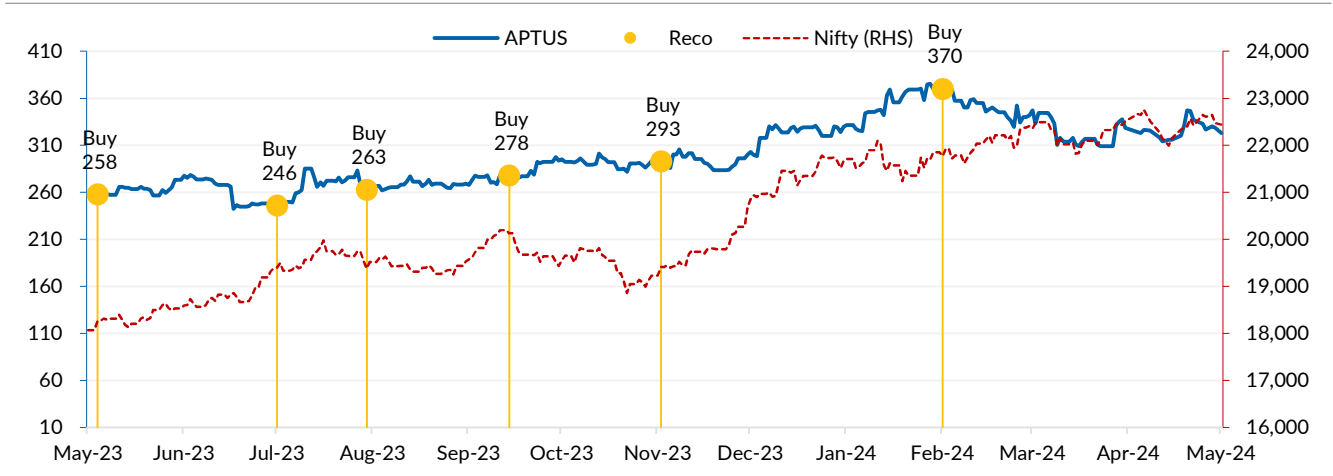
Source: Company, YES Sec

Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Net interest income	40.0	34.9	19.6	23.3	26.7
Total op income	39.8	35.8	20.0	22.7	26.1
Op profit (pre-provision)	46.6	34.6	18.8	22.0	26.5
Net profit	38.7	35.9	21.6	21.5	25.0
Loans	27.3	29.8	29.4	29.8	28.4
Borrowings + Debt	8.5	39.2	36.9	40.0	34.0
Total assets	25.7	26.3	25.5	29.8	28.0
Profitability Ratios (%)					
NIM	13.1	13.7	12.6	12.0	11.8
Non-interest income/Total income	4.0	4.7	5.0	4.5	4.1
Return on Average Equity	15.1	16.1	17.2	18.3	19.5
Return on Average Assets	7.3	7.8	7.6	7.2	7.0
Per share ratios (Rs)					
EPS	7.4	10.1	12.3	14.9	18.6
ABVPS	57.8	65.9	74.1	85.8	101.1
Other key ratios (%)					
Loans/Borrowings	186.7	174.1	164.5	152.5	146.2
Cost/Income	18.5	19.3	20.1	20.5	20.3
Gross Stage 3 (%)	1.2	1.2	1.1	1.0	1.0
Credit Cost	0.7	0.7	0.4	0.4	0.5
Tax rate	22.9	23.1	22.9	22.9	22.9

Source: Company, YES Sec

Recommendation Tracker



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