

Aptus Value Housing Finance

A steady quarter

Stable disbursements, spread and asset quality

Aptus delivered an in-line performance on growth, NII and PAT in Q3 FY25. Disbursements were similar to the preceding quarter at Rs9.3bn, translating into AUM growth of 5.7% qoq/27% yoy. While the growth in HL remained in sync with AUM, SBL witnessed a growth acceleration. Portfolio spread was sequentially stable at 8.7% with largely unchanged portfolio yield and funding cost. There was a slight improvement in Opex/Asset ratio with controlled manpower cost (productivity-led growth). Asset quality was steady with stable 1+/30+/90+ dpd buckets, underpinned by marginal uptick in collection efficiency notwithstanding higher holidays/festivals and floods in certain parts of TN (33% AUM) in Nov. Technical write-off were slightly higher in the quarter at ~Rs70mn, and the recoveries from written-off loans were higher too at ~Rs50mn. Owing to higher write-offs (no change in policy of technically writing off NPLs older than 24 months), the annualized credit cost was elevated at 50 bps. The sustenance of brisk portfolio growth and steady operating metrics continues to drive persistent RoE improvement for Aptus.

Management continues to expect strong growth and pull-back in asset quality

Aptus expects disbursements momentum to increase with significant scaling-up of new branches (67 branches added in past 18 months), addition of 35-40 new branches every year, improvement in growth of TN portfolio (plaguing issues resolved and resumption of branch addition), sourcing augmentation from non-branch channels and fulfilment efficiencies from the new LOS. Management estimates disbursements/AUM to grow by 25-27%/30% p.a. in the coming three years. Managing portfolio spread around the current levels should be less of an issue for Aptus with fixed-rate loans much larger than fixed-rate borrowings and no pressure of reducing product rates ahead of the decline in funding cost (BT Out has been consistently at 2.5%). A significant portion (35-40%) of the bank borrowings is linked to Repo/EBLR. The co. doesn't envisage any regulatory pressure on its lending rates across products, as its pricing is either in-line or lower than competition. A pull-back in 30+ dpd/NPL levels is expected in Q4 FY25, and hence the credit cost for the whole year is estimated between 30-40 bps.

Remains a preferred pick in Affordable Housing; Retain BUY with 12m PT of Rs436

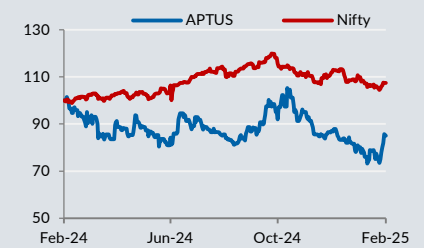
We expect 26%/21% AUM/Earnings CAGR over FY25-27 with RoE reaching 19.5% in FY27. Key monitorables would be 1) acceleration in disbursements momentum, 2) further recovery in TN portfolio growth, 3) scale-up in non-South markets, 4) opex efficiencies from new LOS and 5) stability in asset quality. Structurally we remain bullish on 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. Aptus also differentiates with its high founder promoter holding at ~25%. Valuation stands at 14.5x P/E and 2.7x P/ABV on FY27 estimates, which we believe is attractive in the context of envisaged strong portfolio growth and RoE delivery.

| | |
|------------------|----------|
| Reco | : BUY |
| CMP | : Rs 315 |
| Target Price | : Rs 436 |
| Potential Return | : +38.2% |

Stock data (as on Feb 03, 2025)

| | |
|-------------------------|---------------|
| Nifty | 23,377 |
| 52 Week h/l (Rs) | 402 / 268 |
| Market cap (Rs/USD mn) | 151444 / 1737 |
| Outstanding Shares (mn) | 500 |
| 6m Avg t/o (Rs mn): | 394 |
| Div. yield (%): | 1.7 |
| Bloomberg code: | APTUS IN |
| NSE code: | APTUS |

Stock performance



| | 1M | 3M | 1Y |
|-----------------|------|--------|--------|
| Absolute return | 6.2% | -10.3% | -14.8% |

Shareholding pattern

| | |
|----------|-------|
| Promoter | 53.9% |
| FII+DII | 31.9% |
| Others | 14.2% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-----|-----|
| Rating | BUY | BUY |
| Target Price | 436 | 430 |

Δ in earnings estimates

| | FY25e | FY26e | FY27e |
|-----------|-------|-------|-------|
| EPS (New) | 14.9 | 18.0 | 21.8 |
| EPS (Old) | 14.6 | 17.6 | 21.4 |
| % Change | 2.2% | 2.1% | 1.8% |

Financial Summary

| (Rs mn) | FY25E | FY26E | FY27E |
|------------|--------|--------|--------|
| Op. income | 12,542 | 15,306 | 18,688 |
| PPOP | 9,993 | 12,111 | 14,711 |
| Net profit | 7,444 | 8,962 | 10,868 |
| Growth (%) | 21.7 | 20.4 | 21.3 |
| EPS (Rs) | 14.9 | 18.0 | 21.8 |
| ABVPS (Rs) | 85.9 | 100.5 | 118.9 |
| P/E (x) | 21.1 | 17.6 | 14.5 |
| P/ABV (x) | 3.7 | 3.1 | 2.7 |
| ROAE (%) | 18.3 | 18.9 | 19.5 |
| ROAA (%) | 7.3 | 6.9 | 6.6 |

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MANUJ OBEROI, Associate

Exhibit 1: Result table

| (Rs mn) | Q3 FY25 | Q2 FY25 | % qoq | Q3 FY24 | % yoy |
|----------------------------|--------------|--------------|------------|--------------|-------------|
| Operating Income | 4,500 | 4,214 | 6.8 | 3,514 | 28.1 |
| Interest expended | (1,429) | (1,279) | 11.7 | (985) | 45.2 |
| Net Interest Income | 3,071 | 2,934 | 4.7 | 2,530 | 21.4 |
| Other Income | 146 | 142 | 3.4 | 132 | 10.6 |
| Total Income | 3,218 | 3,076 | 4.6 | 2,662 | 20.9 |
| Operating expenses | (633) | (614) | 3.2 | (511) | 24.0 |
| PPOP | 2,584 | 2,462 | 5.0 | 2,151 | 20.1 |
| Provisions | (129) | (95) | 35.7 | (100) | 29.1 |
| PBT | 2,455 | 2,367 | 3.7 | 2,051 | 19.7 |
| Tax | (550) | (548) | 0.5 | (476) | 15.7 |
| Reported PAT | 1,905 | 1,820 | 4.7 | 1,576 | 20.9 |

Source: Company, YES Sec

Exhibit 2: Business data and Key ratios

| (%) | Q3 FY25 | Q2 FY25 | chg qoq | Q3 FY24 | chg yoy |
|-----------------------|----------|---------|---------|---------|---------|
| AUM (Rs mn) | 1,02,260 | 96,790 | 5.65 | 80,720 | 26.68 |
| Disbursements (Rs mn) | 9,300 | 9,350 | (0.53) | 7,680 | 21.09 |
| Yields (%) | 17.4 | 17.4 | 0.00 | 17.2 | 0.17 |
| CoB (%) | 8.7 | 8.7 | 0.02 | 8.6 | 0.15 |
| Spreads (%) | 8.7 | 8.7 | (0.02) | 8.7 | 0.02 |
| Opex (%) | 2.6 | 2.7 | (0.04) | 2.7 | (0.06) |
| RoA (%) | 7.7 | 7.8 | (0.07) | 8.1 | (0.36) |

Source: Company, YES Sec

Exhibit 3: AUM Concentration in Southern States

| (%) | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|----------------|---------|---------|---------|---------|---------|
| Tamil Nadu | 39.0 | 37.0 | 35.0 | 34.0 | 33.0 |
| Andhra Pradesh | 39.0 | 40.0 | 41.0 | 42.0 | 43.0 |
| Telangana | 14.0 | 15.0 | 16.0 | 16.0 | 16.0 |
| Karnataka | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |

Source: Company, YES Sec

Exhibit 4: Asset Quality trend

| (%) | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|-------------|---------|---------|---------|---------|---------|
| CE (%) | 99.7 | 100.2 | 99.2 | 99.3 | 99.4 |
| 30+ DPD (%) | 6.0 | 5.4 | 6.3 | 6.2 | 6.2 |
| GNPA (%) | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 |
| NNPA (%) | 0.9 | 0.8 | 1.0 | 0.9 | 1.0 |

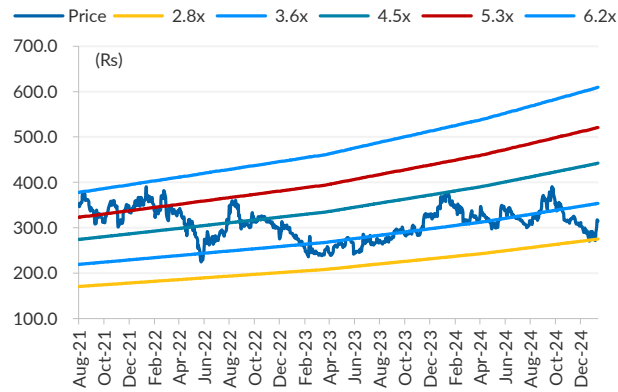
Source: Company, YES Sec

Exhibit 5: ECL Summary

| Particulars | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|
| Gross Stage 3 GNPA | 957 | 933 | 1,184 | 1,208 | 1,308 |
| Gross Stage 3 GNPA (%) | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 |
| ECL Provision Stage 3 | 239 | 233 | 296 | 302 | 327 |
| Net Stage 3 | 718 | 700 | 888 | 906 | 981 |
| Provision Coverage ratio (%) | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| <hr/> | | | | | |
| Gross Stage 1 & 2 | 79,760 | 86,286 | 89,533 | 95,577 | 1,00,954 |
| Gross Stage 1 & 2 (%) | 98.8 | 98.9 | 98.7 | 98.8 | 98.7 |
| ECL Provision Stage 1 & 2 | 616 | 691 | 652 | 694 | 726 |
| Net Stage 1 & 2 | 79,144 | 85,594 | 88,880 | 94,883 | 1,00,227 |
| Provision Coverage ratio (%) | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| ECL Provisions | 855 | 925 | 948 | 996 | 1,053 |
| PCR (%) | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 |

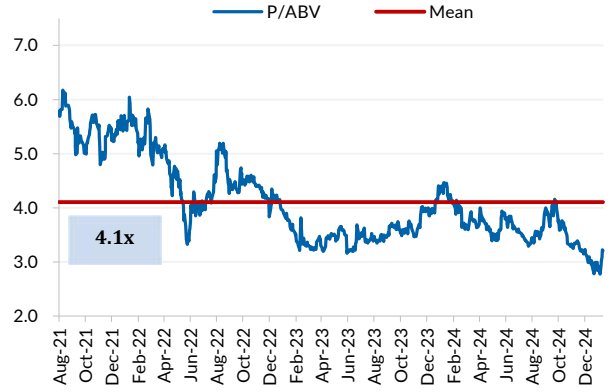
Source: Company, YES Sec

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) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---------------|---------------|-----------------|-----------------|-----------------|
| Equity Capital | 996 | 998 | 998 | 998 | 998 |
| Reserves | 32,397 | 36,681 | 42,666 | 50,168 | 59,578 |
| Shareholder's funds | 33,393 | 37,679 | 43,664 | 51,166 | 60,575 |
| Provisions | 45 | 73 | 80 | 88 | 97 |
| Deferred Tax Liabilities | - | - | - | - | - |
| Total Non-Financial liabilities | 104 | 126 | 139 | 153 | 168 |
| Debt Securities | 3,900 | 2,895 | 3,937 | 5,196 | 6,755 |
| Borrowings (Other than Debt Securities) | 33,961 | 48,955 | 66,579 | 87,885 | 1,14,250 |
| Other Financial Liabilities | 229 | 354 | 481 | 635 | 825 |
| Total Financial liabilities | 38,264 | 52,239 | 71,032 | 93,752 | 1,21,868 |
| Total Equities and Liabilities | 71,761 | 90,044 | 1,14,836 | 1,45,072 | 1,82,612 |
| Assets | | | | | |
| Cash and Cash Equivalents | 3,718 | 3,361 | 6,433 | 8,684 | 11,442 |
| Bank balances | 882 | 141 | 169 | 203 | 243 |
| Loans | 65,921 | 85,282 | 1,06,929 | 1,34,828 | 1,69,509 |
| Investments in Associates | 515 | 515 | 515 | 515 | 515 |
| Other Financial Assets | 284 | 161 | 193 | 232 | 278 |
| Total Financial assets | 71,320 | 89,459 | 1,14,239 | 1,44,461 | 1,81,987 |
| Property, Plant and Equipment | 37 | 50 | 56 | 61 | 67 |
| Other Intangible Assets | 107 | 156 | 156 | 156 | 156 |
| Other Non-Financial Assets | 41 | 71 | 78 | 86 | 95 |
| Total Non-Financial assets | 441 | 585 | 597 | 610 | 625 |
| Total Assets | 71,761 | 90,044 | 1,14,836 | 1,45,072 | 1,82,612 |

Source: Company, YES Sec

Exhibit 9: Income statement

| Y/e 31 Mar (Rs m) | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------------|--------------|--------------|---------------|---------------|---------------|
| Income from Operations | 10,934 | 13,652 | 17,474 | 21,755 | 26,530 |
| Interest expense | (2,759) | (3,879) | (5,474) | (7,073) | (8,560) |
| Net interest income | 8,174 | 9,773 | 12,000 | 14,682 | 17,970 |
| Non-interest income | 403 | 517 | 542 | 624 | 717 |
| Total op income | 8,577 | 10,290 | 12,542 | 15,306 | 18,688 |
| Total op expenses | (1,652) | (2,067) | (2,549) | (3,195) | (3,977) |
| PPoP | 6,925 | 8,223 | 9,993 | 12,111 | 14,711 |
| Provisions | (388) | (292) | (344) | (495) | (623) |
| Profit before tax | 6,537 | 7,932 | 9,649 | 11,616 | 14,088 |
| Taxes | (1,507) | (1,813) | (2,205) | (2,655) | (3,220) |
| Net profit | 5,030 | 6,119 | 7,444 | 8,962 | 10,868 |

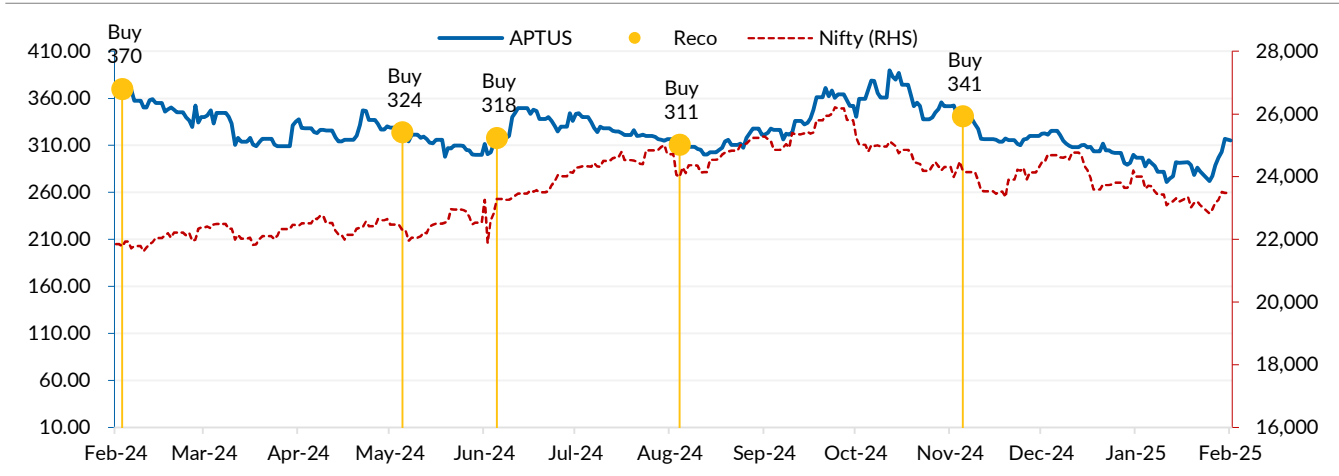
Source: Company, YES Sec

Exhibit 10: Growth and Ratio matrix

| Y/e 31 Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------------------|-------|-------|-------|-------|-------|
| Growth matrix (%) | | | | | |
| Net interest income | 34.9 | 19.6 | 22.8 | 22.4 | 22.4 |
| Total op income | 35.8 | 20.0 | 21.9 | 22.0 | 22.1 |
| Op profit (pre-provision) | 34.6 | 18.8 | 21.5 | 21.2 | 21.5 |
| Net profit | 35.9 | 21.6 | 21.7 | 20.4 | 21.3 |
| Loans | 29.8 | 29.4 | 25.4 | 26.1 | 25.7 |
| Borrowings + Debt | 39.2 | 36.9 | 36.0 | 32.0 | 30.0 |
| Total assets | 26.3 | 25.5 | 27.5 | 26.3 | 25.9 |
| Profitability Ratios (%) | | | | | |
| NIM | 13.7 | 12.6 | 12.2 | 11.9 | 11.5 |
| Non-interest income/Total income | 4.7 | 5.0 | 4.3 | 4.1 | 3.8 |
| Return on Average Equity | 16.1 | 17.2 | 18.3 | 18.9 | 19.5 |
| Return on Average Assets | 7.8 | 7.6 | 7.3 | 6.9 | 6.6 |
| Per share ratios (Rs) | | | | | |
| EPS | 10.1 | 12.3 | 14.9 | 18.0 | 21.8 |
| ABVPS | 65.9 | 74.1 | 85.9 | 100.5 | 118.9 |
| Other key ratios (%) | | | | | |
| Loans/Borrowings | 174.1 | 164.5 | 151.6 | 144.8 | 140.1 |
| Cost/Income | 19.3 | 20.1 | 20.3 | 20.9 | 21.3 |
| Gross Stage 3 (%) | 1.2 | 1.1 | 1.0 | 1.0 | 1.0 |
| Credit Cost | 0.7 | 0.4 | 0.4 | 0.4 | 0.4 |
| Tax rate | 23.1 | 22.9 | 22.9 | 22.9 | 22.9 |

Source: Company, YES Sec

Recommendation Tracker



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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.