



TM

## Aptus Value Housing Finance

06 November 2024

## Result ahead of estimates; outlook remains positive

## RESULT UPDATE

Sector: NBFCs Rating: BUY

CMP: Rs 341 Target Price: Rs 425

## Stock Info

Sensex/Nifty	80,378/24,484
Bloomberg	APTUS IN
Equity shares	500 mn
52-wk High/Low	401/279
Face value	Rs 2
M-Cap	Rs 170bn/USD2.0bn
3-m Avg volume	USD 5.9mn

## Financial Snapshot (Rs mn)

Y/E March	FY24	FY25E	FY26E
NII	9,320	11,767	14,768
PPP	8,223	10,335	12,926
PAT	6,119	7,741	9,674
EPS (Rs)	12.3	15.5	19.4
EPS Gr. (%)	21.6	26.5	25.0
BV/Sh (Rs)	76	86	101

## Ratios

NIM (%)	12.1	11.7	11.5
C/I ratio (%)	20.1	20.6	21.1
RoA (%)	7.6	7.4	7.2
RoE (%)	17.2	19.2	20.7
Payout (%)	37.0	30.0	25.0

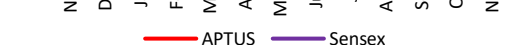
## Valuations

P/E (x)	27.9	22.0	17.6
P/BV (x)	4.5	4.0	3.4
Div. Yield (%)	1.3	1.4	1.4

## Shareholding pattern (%)

	Mar-24	Jun-24	Sep-24
Promoter	61.1	54.1	53.9
FII	19.6	22.8	22.5
DII	5.1	9.1	9.5
Others	14.2	13.9	14.2

## Stock Performance (1-year)



APTUS Q2FY25 earnings came in ahead of our estimates aided by higher-than-expected other income and lower Opex, even as credit cost was higher. NII came in-line with our estimates at Rs 2.8bn registering a growth of 21% YoY (6% QoQ). Strong growth in other income (53% YoY / 29% QoQ) was led by fee income (~48% of other income), which grew 83% YoY and 21% QoQ. Thus, OP/PAT came in higher at Rs 2.5bn/ 1.8bn (vs estimates of Rs 2.3bn / 1.7bn) registered a growth of 26% YoY (9% QoQ)/23% YoY (6% QoQ). Credit cost was higher at 41bps (+24bps QoQ) due to higher provisions made as a conservative measure. Yields as well as the cost of borrowing were steady QoQ at 17.4% and 8.7% respectively. NIMs inched up by 9bps QoQ to 11.8%. AUM growth was healthy at 27% YoY / 7% QoQ led by pick up in disbursements (26% YoY / 39% QoQ). Asset quality was steady with GS3/NS3 at 1.3%/0.9%. Management have reiterated their growth guidance and steady trend in asset quality. We estimate a 29% CAGR in AUM to deliver 26% CAGR in earnings over FY24-26E resulting in RoA / RoE of 7% / 21% in FY26E.

## Key result highlights

- APTUS Q2FY25 operating performance was healthy as NII came in-line with our estimates at Rs 2.8bn registering a growth of 21% YoY (6% QoQ). However, aided by higher-than-expected other income and lower Opex, OP/PAT came in ahead of estimates at Rs 2.5bn/ 1.8bn (vs estimates of Rs 2.3bn / 1.7bn), registered a growth of 26% YoY (9% QoQ)/23% YoY (6% QoQ).
- Other income grew by 53% YoY (29% QoQ) led by fee income, which grew 83% YoY and 21% QoQ. Moreover, lower than expected opex at Rs 614mn resulted in improvement in CI ratio and opex/AUM ratio at 19.9% and 2.6% respectively.
- Yields as well as the cost of borrowing were steady QoQ at 17.4% and 8.7% respectively. NIMs inched up by 9bps QoQ to 11.8%. Management indicated that yields and spreads to remain at current levels.
- AUM growth healthy at 27% YoY / 7% QoQ led by pickup in disbursements. In terms of segmental performance, HL segment (61% of AUM) registered strong growth of 32% YoY (9% QoQ) followed by small business loans (20% AUM) which grew 27% YoY (7% QoQ). Quasi Home loans (LAP) grew by 12% YoY (flat QoQ) while Insurance and top up loan grew 27% (7% QoQ) YoY.
- Disbursements picked up in Q2, registering a growth of 26% YoY / 39% QoQ after being adversely impacted in the previous quarter due to seasonality and tech upgradation. Management is confident of maintaining 30% growth.
- Asset quality was steady QoQ with GS3/NS3 at 1.3%/0.9%. Total stress pool (GS3 + GS2 asset ratio) also stable QoQ at 6.2%, while 30+ dpd moderated by 8bps QoQ at 6.2%. Collection efficiency stood steady at 99.3. However, credit cost jumped to 41bps vs 16bps in Q1FY25.

## Valuation &amp; recommendation

APTUS reported a healthy quarter led by pick up in disbursements, steady spreads and asset quality. Management remained confident of maintaining strong AUM growth and stable asset quality in FY25. APTUS's core strengths and prudent underwriting practice provide comfort. At CMP the stock is trading at 3.4x FY26 BV with RoA/ RoE of 7%/ 21%. We maintain our BUY rating on the stock with an unchanged target price of Rs. 425, valuing the company at 4.2x FY26E book value.

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## Management commentary

### Business:

- Significant housing shortage across regions and especially in tier II, III & IV cities and with government initiatives company has significant headroom for growth.
- Currently regulator is more concerned in terms of unsecured loans and APTUS have 100% secured book.
- The new mobile first lead management software launched in April'24 has settled well and showing improvement in streamlining process, collections and overall efficiencies.
- 20% of disbursements came from leads vs 18% in Q1FY25.
- Liquidity stood at Rs 12.3bn including undrawn sanction line of Rs 5.6bn from banks. Plan is to maintain three months plus disbursement as liquidity.
- Comfortable leverage at 4-5x.
- Pre-closure rate not more than 2-3%. Most of the pre closure is done via self-fundings.

### OPEX:

- Aim to add 40 branches in H2FY25.
- Attrition rate – top level: nil, cluster manager level: 5-10% and ground level managers: 15-20%, sales officer level: 25-30%

### Margins:

- Current interest rates which are charged across products are competitive and not under pressure to reduce the rates to retain customers.
- 80% loans are fixed which will benefit in case of rate cut.
- Borrowings linked to EBLR are 20%, MCLR – 32% and fixed rate – 48% respectively.
- Product wise interest rates – HL: 15-15.5%, LAP – 17.5%, SME loans – 21-22%.
- Yields and spreads will be maintained at current levels.

### Asset Quality:

- Carrying total provisions of Rs 1,000mn (1.03% of AUM) including management overlay provisions of Rs 450mn.
- Q3 and Q4 expected to be better in terms of collections and 30+dpd will come down.

### Guidance:

- AUM growth guidance of 30% YoY maintained (at least for next 3 years).

## Exhibit 1: Quarterly performance

(Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Net Interest Income</b>	<b>2,285</b>	<b>2,400</b>	<b>2,514</b>	<b>2,611</b>	<b>2,772</b>	<b>21.3</b>	<b>6.2</b>
Other Income	198	242	312	236	304	53.2	28.5
-Fee Income	80.2	116.3	134.2	121.4	146.3	82.6	20.5
<b>Net Income</b>	<b>2,483</b>	<b>2,642</b>	<b>2,826</b>	<b>2,847</b>	<b>3,076</b>	<b>23.9</b>	<b>8.0</b>
Total Operating Expenses	532	511	582	595	614	15.4	3.2
-As % Of Net Income	21.4	19.3	20.6	20.9	19.9	(147bps)	(94bps)
-As % Of Avg AUM	2.9	2.6	2.8	2.7	2.6	(27bps)	(6bps)
Employee Expenses	393	382	433	434	435	10.6	0.4
As % Of Net Income	15.8	14.5	15.3	15.2	14.2	(170bps)	(108bps)
Other Expenses	138	128	149	161	178	28.8	10.7
As % Of Net Income	5.6	4.9	5.3	5.7	5.8	22bps	14bps
<b>Operating Profit</b>	<b>1,951</b>	<b>2,131</b>	<b>2,244</b>	<b>2,253</b>	<b>2,462</b>	<b>26.2</b>	<b>9.3</b>
As % Of Net Income	78.6	80.7	79.4	79.1	80.1	147bps	94bps
Provisions	56	80	94	36	95	71.0	161.3
-Credit Cost (%)	0.3	0.4	0.4	0.2	0.4	10bps	24bps
PBT	1,896	2,051	2,150	2,216	2,367	24.9	6.8
Total Tax	415	476	510	499	548	31.8	9.8
<b>Reported PAT</b>	<b>1,480</b>	<b>1,576</b>	<b>1,640</b>	<b>1,718</b>	<b>1,820</b>	<b>22.9</b>	<b>5.9</b>
Adjusted PAT	1,480	1,576	1,640	1,718	1,820	22.9	5.9
-RoA (%)	7.7	7.7	7.5	7.5	7.4	(26bps)	(6bps)

Yield Analysis (%)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Yield on AUM (calc)	17.6	17.3	17.1	17.1	17.3	(35bps)	16bps
Cost of funds (calc)	5.2	5.0	5.2	5.4	5.5	24bps	7bps
Cost of borrowing (calc)	9.1	8.7	8.7	9.0	8.8	(37bps)	(21bps)
NIMs (calc)	12.4	12.2	12.0	11.7	11.8	(58bps)	9bps
Yields (reported)	17.2	17.2	17.4	17.4	17.4	18bps	2bps
Cost of borrowing (reported)	8.4	8.6	8.6	8.6	8.7	27bps	4bps
Spreads (reported)	8.8	8.7	8.7	8.7	8.7	(9bps)	(2bps)

Asset quality (IndAs)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Gross assets</b>	<b>76,037</b>	<b>80,717</b>	<b>87,219</b>	<b>90,716</b>	<b>96,785</b>	27.3	6.7
Stage 1	71,482	75,843	82,502	84,990	90,755	27.0	6.8
Stage 2	3,649	3,917	3,784	4,542	4,822	32.1	6.2
Stage 3	906	957	933	1,184	1,208	33.3	2.1

ECL provision	806	855	925	948	996	23.6	5.0
Stage 1	284	303	330	298	318	11.9	6.8
Stage 2	296	313	361	355	376	27.3	6.1
Stage 3	227	239	233	296	302	33.3	2.1

Net assets	75,810	80,478	86,985	90,420	96,483	27.3	6.7
Stage 1	71,198	75,539	82,172	84,693	90,438	27.0	6.8
Stage 2	3,354	3,605	3,423	4,187	4,446	32.6	6.2
Stage 3	680	718	700	888	906	33.3	2.1

(Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
<b>Gross Assets (%)</b>							
Gross stage 1 %	94.0	94.0	94.6	93.7	93.8	(24bps)	8bps
Gross stage 2 %	4.8	4.9	4.3	5.0	5.0	18bps	(3bps)
Gross Stage 3 %	1.2	1.2	1.1	1.3	1.2	6bps	(6bps)

<b>ECL provision (Overall) (%)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	(3bps)	(2bps)
Stage 1 %	0.4	0.4	0.4	0.4	0.3	(5bps)	(bps)
Stage 2 %	8.1	8.0	9.5	7.8	7.8	(30bps)	(1bps)
Stage 3 %	25.0	25.0	25.0	25.0	25.0	0bps	0bps

<b>Net assets (%)</b>							
Stage 1 %	93.9	93.9	94.5	93.7	93.7	(18bps)	7bps
Stage 2 %	4.4	4.5	3.9	4.6	4.6	18bps	(2bps)
Stage 3 %	0.9	0.9	0.8	1.0	0.9	4bps	(4bps)
30+ dpd (%)	6.0	6.0	5.4	6.3	6.2	24bps	(8bps)

AUM (Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25		
Home loans	44,864	47,625	52,332	54,432	59,039		
Quasi home (LAP)	12,927	12,915	13,955	14,515	14,518		
Insurance loan	1,521	1,614	1,744	1,814	1,936		
Top up loan	1,521	1,614	1,744	1,814	1,936		
Small business loan	15,208	16,951	17,444	18,144	19,357		
<b>Total</b>	<b>76,040</b>	<b>80,720</b>	<b>87,220</b>	<b>90,720</b>	<b>96,785</b>		

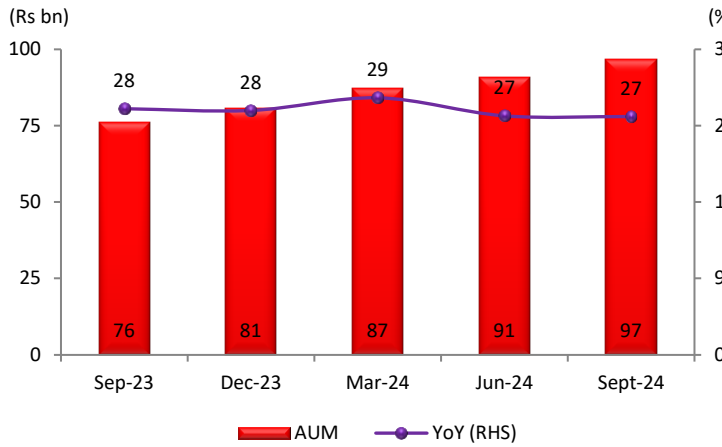
<b>AUM mix (%)</b>							
Home loans	59	59	60	60	61		
Quasi home (LAP)	17	16	16	16	15		
Insurance loan	2	2	2	2	2		
Top up loan	2	2	2	2	2		
Small business loan	20	21	20	20	20		
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

<b>Growth (YoY %)</b>							
Home loans	30.4	28.0	33.9	29.5	31.6		
Quasi home (LAP)	45.3	36.5	38.1	27.4	12.3		
Insurance loan	(14.5)	(14.7)	(13.7)	27.4	27.3		
Top up loan	(35.9)	(36.0)	(13.7)	27.4	27.3		
Small business loan	28.2	34.4	23.3	21.3	27.3		
<b>Total</b>	<b>28.2</b>	<b>28.0</b>	<b>29.4</b>	<b>27.4</b>	<b>27.3</b>		

<b>Growth (QoQ %)</b>							
Home loans	6.8	6.2	9.9	4.0	8.5		
Quasi home (LAP)	13.4	(0.1)	8.1	4.0	0.0		
Insurance loan	6.8	6.2	8.1	4.0	6.7		
Top up loan	6.8	6.2	8.1	4.0	6.7		
Small business loan	1.7	11.5	2.9	4.0	6.7		
<b>Total</b>	<b>6.8</b>	<b>6.2</b>	<b>8.1</b>	<b>4.0</b>	<b>6.7</b>		

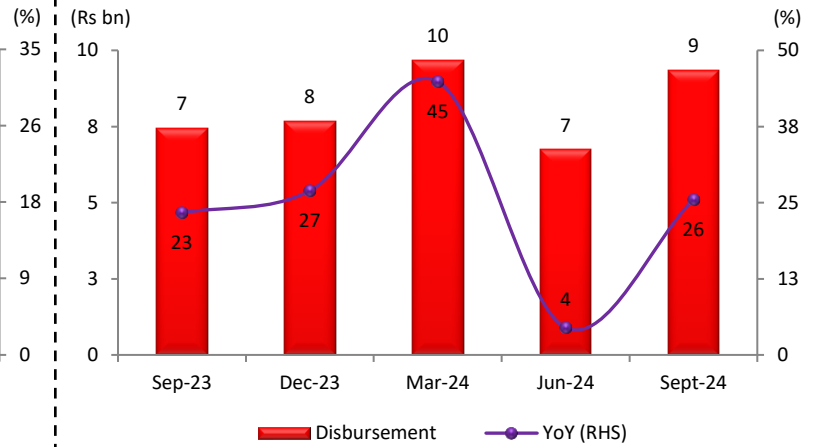
Source: Company, Systematix Institutional Research

**Exhibit 2: AUM growth largely steady and healthy**



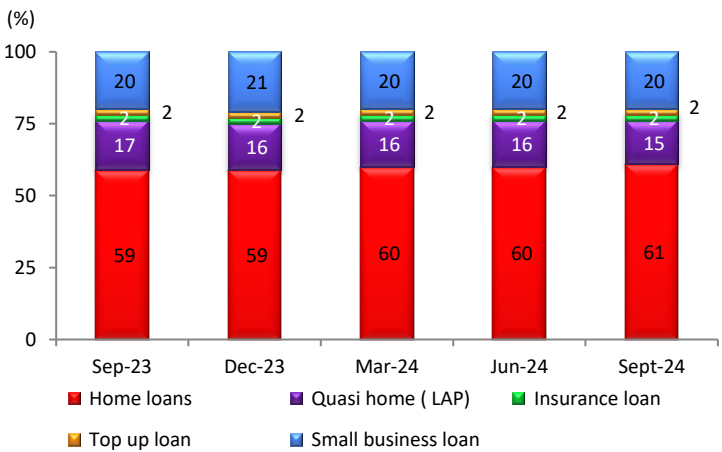
Source: Company, Systematix Institutional Research

**Exhibit 3: ...led by pick up in disbursements**



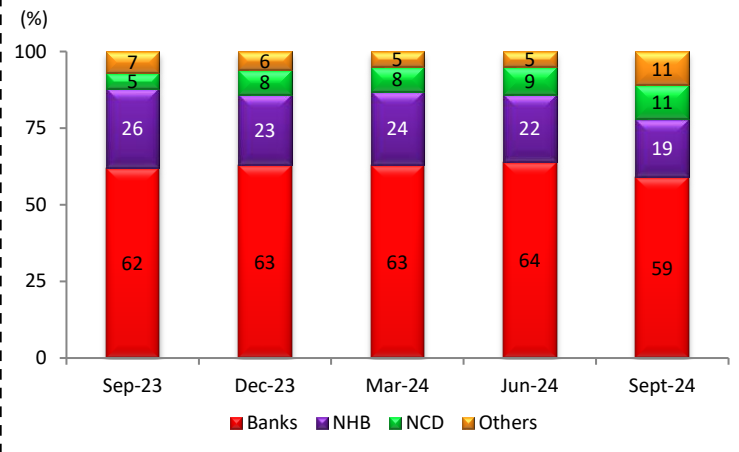
Source: Company, Systematix Institutional Research

**Exhibit 4: Share of housing loans inched up a bit**



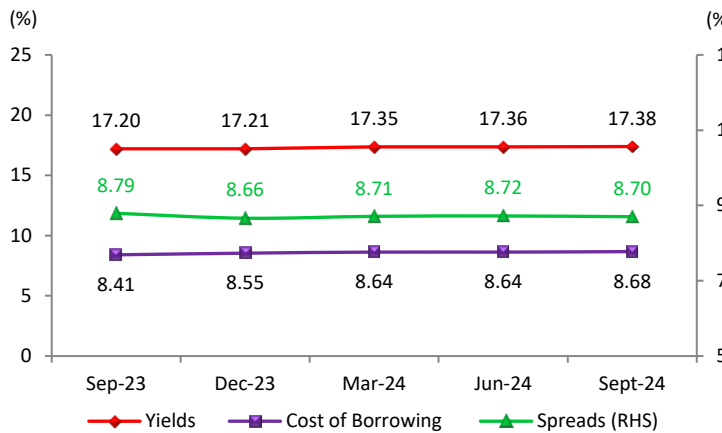
Source: Company, Systematix Institutional Research

**Exhibit 5: Well diversified borrowing mix**



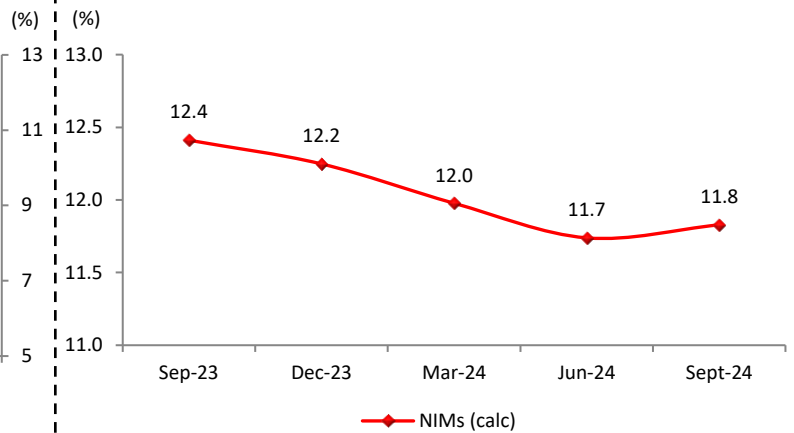
Source: Company, Systematix Institutional Research

**Exhibit 6: Spreads maintained steady QoQ...**



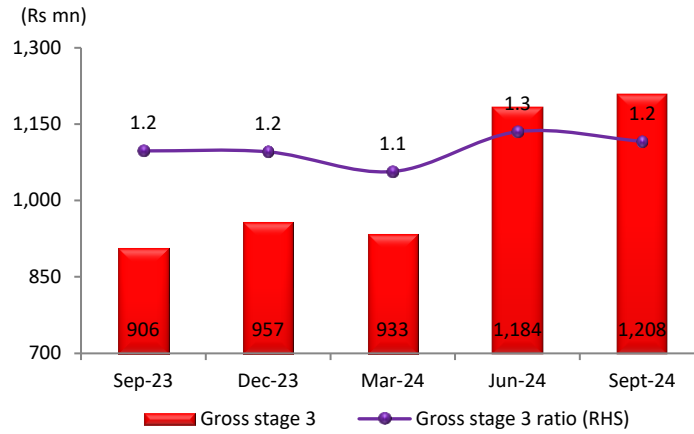
Source: Company, Systematix Institutional Research

**Exhibit 7: NIMs (calc) increased by 9bps QoQ**



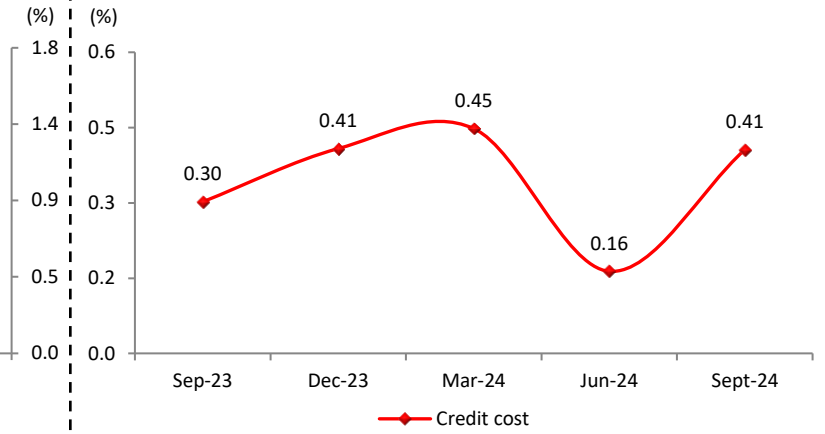
Source: Company, Systematix Institutional Research

**Exhibit 8: GS3 asset ratio steady sequentially**



Source: Company, Systematix Institutional Research

**Exhibit 9: Credit cost jumped 24bps QoQ**



Source: Company, Systematix Institutional Research

**Exhibit 10: Change in estimates**

(Rs bn)	Old Estimates		New Estimates		% Change	
	FY25	FY26	FY25	FY26	FY25	FY26
NII	11.8	14.8	11.8	14.8	0.0	0.0
Operating Profit	10.3	12.9	10.3	12.9	0.0	0.0
PAT	7.7	9.7	7.7	9.7	0.0	0.0
EPS	16	19	16	19	0.0	0.0

Source: Company, Systematix Institutional Research

## FINANCIALS

### Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net interest income	5,831	7,825	9,320	11,767	14,768
Other income	485	706	970	1,251	1,610
Net Income	6,316	8,531	10,290	13,018	16,379
Operating expenses	1,171	1,652	2,067	2,683	3,453
Preprovision profit	5,145	6,878	8,223	10,335	12,926
Provisions	345	341	292	300	387
Profit before tax	4,800	6,537	7,932	10,034	12,539
Tax	1,099	1,507	1,813	2,293	2,866
Tax rate	22.9	23.1	22.9	22.9	22.9
Reported Profit after tax	3,701	5,030	6,119	7,741	9,674

Source: Company, Systematix Institutional Research

### Dupont (as % of Average Assets)

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Interest Income	15.5	16.5	16.3	16.5	16.2
Interest Expense	4.1	4.3	4.8	5.2	5.2
Net Interest Income	11.4	12.2	11.5	11.3	11.0
Other income total	1.0	1.1	1.2	1.2	1.2
Net Income total	12.4	13.3	12.7	12.5	12.2
Operating expenses total	2.3	2.6	2.6	2.6	2.6
Preprovision profit	10.1	10.7	10.2	9.9	9.6
Provisions	0.7	0.5	0.4	0.3	0.3
Profit before tax and exce. items	9.4	10.2	9.8	9.6	9.3
Profit before tax	9.4	10.2	9.8	9.6	9.3
Tax total	2.2	2.3	2.2	2.2	2.1
Profit after tax	7.3	7.8	7.6	7.4	7.2

Source: Company, Systematix Institutional Research

### Growth

YE: Mar (%)	FY22	FY23	FY24	FY25E	FY26E
Net interest income	38.7	34.2	19.1	26.3	25.5
Net Income total	39.8	35.1	20.6	26.5	25.8
Preprovision profit	46.6	33.7	19.6	25.7	25.1
Profit before tax	39.1	36.2	21.3	26.5	25.0
Profit after tax	38.7	35.9	21.6	26.5	25.0
Loan	27.3	29.8	29.4	31.2	28.0
Disbursement	26.4	45.9	30.6	30.0	25.0
AUM	27.4	30.1	29.4	29.6	28.0

Source: Company, Systematix Institutional Research

### Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity	994	996	998	998	998
Reserves	28,168	32,397	36,681	42,100	49,355
Net worth	29,162	33,393	37,679	43,098	50,353
Borrowings	27,206	37,860	51,850	73,627	100,133
Others	473	509	515	1,310	569
<b>Total liabilities</b>	<b>56,840</b>	<b>71,762</b>	<b>90,044</b>	<b>118,035</b>	<b>151,055</b>
Cash	4,459	4,600	3,502	4,523	5,788
Investments	1,017	515	515	678	868
Loans	50,787	65,923	85,282	111,871	143,167
Others	457	572	527	678	868
<b>Total assets</b>	<b>56,840</b>	<b>71,763</b>	<b>90,044</b>	<b>118,035</b>	<b>151,055</b>

Source: Company, Systematix Institutional Research

### Key Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Yield on portfolio	17.5	18.1	17.5	17.4	17.1
cost of borrowings	8.0	8.5	8.6	8.6	8.1
Interest Spread	9.5	9.7	8.8	8.8	9.0
NIM (on AUM)	12.6	13.1	12.1	11.7	11.5
Cost/ Income (%)	18.5	19.4	20.1	20.6	21.1
Credit cost (%)	0.7	0.5	0.4	0.3	0.3
RoA(%)	7.3	7.8	7.6	7.4	7.2
RoE(%)	15.1	16.1	17.2	19.2	20.7
Leverage (x)	2.1	2.1	2.3	2.6	2.9
Tier I (%)	85.4	76.6	65.8	58.7	54.8
CAR (%)	85.6	77.4	66.8	59.5	55.4
Gross NPA (%)	1.2	1.2	1.1	1.1	1.1
Net NPA (%)	0.9	0.9	0.8	0.8	0.8
Provision coverage (%)	25.3	25.0	25.0	25.0	25.0

Source: Company, Systematix Institutional Research

### Valuation ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
FDEPS (Rs)	7.4	10.1	12.3	15.5	19.4
PER (x)	46.1	33.9	27.9	22.0	17.6
Book value (Rs)	58.4	66.9	75.5	86.4	100.9
P/BV (Rs)	5.9	5.1	4.5	4.0	3.4
Adjusted book value (Rs)	57.5	65.8	74.1	84.5	98.5
P/ABV (Rs)	5.9	5.2	4.6	4.0	3.5
P/PPP (x)	33.2	24.8	20.7	16.5	13.2
Dividend yield (%)	0.0	0.6	1.3	1.4	1.4

Source: Company, Systematix Institutional Research



## Institutional Equities Team

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