



TM

## Aptus Value Housing Finance

04 November 2023

## In-line operating performance; Guidance maintained

## RESULT UPDATE

Sector: NBFCs Rating: BUY  
CMP: 294 Target Price: Rs 350

## Stock Info

Sensex/Nifty	64,482/19,262
Bloomberg	APTUS IN
Equity shares	498 mn
52-wk High/Low	338/234
Face value	Rs 2
M-Cap	Rs 146bn/USD1.8bn
3-m Avg volume	USD 2.0mn

## Financial Snapshot (Rs mn)

Y/E March	FY23	FY24E	FY25E
NII	7,825	9,510	11,608
PPP	6,878	8,271	10,003
PAT	5,030	6,185	7,424
EPS (Rs)	10.1	12.4	14.9
EPS Gr. (%)	35.9	23.0	20.0
BV/Sh (Rs)	67	76	86

## Ratios

NIM (%)	13.1	12.2	11.5
C/I ratio (%)	19.4	20.4	21.7
RoA (%)	7.8	7.4	6.8
RoE (%)	16.1	17.4	18.4
Payout (%)	39.6	30.0	30.0

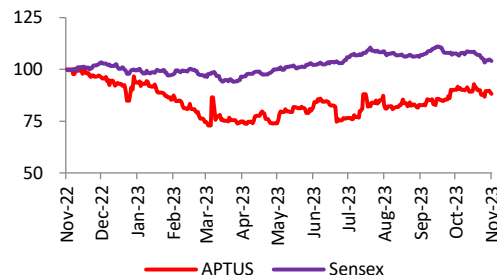
## Valuations

P/E (x)	29.1	23.7	19.7
P/BV (x)	4.4	3.9	3.4
Div. Yield (%)	1.4	1.3	1.5

## Shareholding pattern (%)

	Mar-22	Jun-23	Sep-23
Promoter	62.2	62.2	62.1
FII	14.1	14.2	14.8
DII	2.6	2.9	2.8
Others	21.2	20.7	20.3

## Stock Performance (1-year)



APTUS Q2FY24 operational performance was in line with our estimates. NII / OP at Rs 2.3bn / Rs 1.9bn registered a healthy growth of 20% YoY (7.7% QoQ) / 18% YoY (5.0% in QoQ). Operating expenses increased 20.3% QoQ due to the increase in employee count and branch additions. With credit cost at 0.3%, PAT was also in-line with our estimates at Rs 1.5bn. AUM and disbursement growth was strong at 28% YoY / 7% QoQ and 23% YoY / 15.3% QoQ driven by healthy demand and branch expansion. NIMs (calc) increased by 17bps QoQ driven by 50bps increase in yields (calc), even as cost of funds increased by 33bps QoQ. Asset quality saw an improvement, with GS3/NS3 marginally down by 10bps/8bps to 1.2%/0.9%. We estimate a 30% CAGR in APTUS AUM which will deliver 21% CAGR in earnings over FY23-25E resulting in RoA / RoE of 6.8% / 18.4% in FY25. Key risks: Inflation pressure might impact the demand for home loans.

## Key result highlights

- APTUS 2QFY24 operational performance was in line with our estimates. NII / OP at Rs 2.3bn / Rs 2.0bn registered a healthy growth of 20% YoY (7.7% QoQ) / 18% YoY (5.0% in QoQ) led by AUM growth of 28%yoy and 17bps qoq expansion in NIMs to 12.4%. With 0.3% credit cost (around guided range of 0.25%) PAT came in line with our estimates at Rs 1.5bn. Spreads were largely steady at 8.8%.
- AUM growth was strong at 28% YoY / 7% QoQ. HL segment (59% of AUM) grew by 30.4% YoY (6.8% QoQ), Quasi Home loans (LAP) (17% of AUM) AUM grew by 45.3% YoY (13.4% QoQ), Small business loans (20% of AUM) grew by 28.2% YoY (1.7% QoQ), while Insurance and top up loan (4% of AUM) de-grew 27% YoY (7% QoQ). Disbursements growth picked up with a growth of 15.3% QoQ (23% YoY).
- Reported Spreads contracted by 6bps QoQ to 8.8% mainly due to 11bps increase in cost of borrowings. NIMs (calc) increased by 17bps QoQ driven by 50bps increase in yields (calc). Provisions jumped 2x QoQ at Rs 56mn (on expected lines) resulting in credit cost of 0.3% vs 0.1% in 1Q.
- Operating expenses increased 20.3% QoQ (vs avg >40% YoY in past few quarters) led by 21.4% and 17.5% QoQ rise in employee cost and other expenses. Higher employee costs and other expenses was on account of increase in number of employees and branches. Opex to AUM ratio decreased to 2.9% in Q2FY24 from 3.1% in Q2FY23 (2.6% in Q1FY24).
- Asset quality saw an improvement, with GS3/NS3 marginally down by 10bps/8bps to 1.2%/0.9%. PCR on Stage 3 assets stood stable at ~25% in Q2. 30+dpd improved by 28bp QoQ to 5.9%. ECL coverage was steady QoQ at 1.06%, in line with management guidance.

## Valuation &amp; recommendation

APTUS reported in-line earnings aided by strong AUM growth, NIMs expansion and improvement in asset quality. We maintain our earnings estimates for FY24/25 as disbursement is expected to maintain a steady run rate of 15% QoQ in H2 and there are levers for margins expansion. Hence, we continue to remain positive on APTUS core strengths and underwriting practices, which has demonstrated healthy earnings growth and asset quality. AUM growth guidance maintained at 30%+ YoY for FY24. We have a buy rating on the stock with a target price of Rs. 350 valuing the company at ~4x FY25E book value.

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## Management commentary

### Business:

- Focus continues on low & mid-income segment in tier 3 & 4 cities.
- Disbursement growth will be driven by deeper penetration in existing markets & expansion in new markets.
- Strong on ground demand will aid in sustainable earnings growth.
- Disbursement break-up: HL - Rs ~5000mn, NBFC: Rs ~2500mn.
- There was some attrition in TN at branch manager level. Overall attrition rate lower at senior / mid-level management.
- BT out run rate to be maintained at 2.5%.

### OPEX:

- During H1 added 19 branches. First branch opened in Maharashtra (Nanded) in 3Q.
- Opex was higher during the quarter mainly due to 300-350 employee addition and addition in branch network. Management indicated that every year 30-35 branches will be added.

### Margins:

- Margin expansion will be aided by borrowings from NHB (sanction limit is Rs 3bn and available at 0.5% lesser than market rate) and rate hike of ~50bps taken in Sep'23.
- Incremental cost of borrowings - HL: + 10bps (8.25 to 8.35%), NBFC loans: +35-50bps. CoF likely to be 8.4-8.5% levels in FY24.

### Asset Quality:

- Portfolio in Stage 2 to come down led by healthy collections.
- Most of the loans are secured against SORP hence see the bounce rate at ~15% and likely to be maintained at current levels.

### Guidance:

- AUM growth guidance maintained at 30%+ YoY.
- Disbursements growth will be maintained at 15% QoQ in H2.

## Exhibit 1: Quarterly performance

(Rs mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
<b>Net Interest Income</b>	<b>1,906</b>	<b>2,002</b>	<b>2,130</b>	<b>2,121</b>	<b>2,285</b>	<b>19.9</b>	<b>7.7</b>
Other Income	196	175	178	181	198	1.2	9.8
<b>Net Income</b>	<b>2,102</b>	<b>2,176</b>	<b>2,307</b>	<b>2,301</b>	<b>2,483</b>	<b>18.1</b>	<b>7.9</b>
Total Operating Expenses	446	414	466	442	532	19.4	20.3
<i>As % Of Net Income</i>	<i>21.2</i>	<i>19.0</i>	<i>20.2</i>	<i>19.2</i>	<i>21.4</i>	<i>23bps</i>	<i>221bps</i>
Employee Expenses	330	309	354	324	393	19.4	21.4
<i>As % Of Net Income</i>	<i>15.7</i>	<i>14.2</i>	<i>15.3</i>	<i>14.1</i>	<i>15.8</i>	<i>17bps</i>	<i>176bps</i>
Other Expenses	116	105	112	118	138	19.4	17.5
<i>As % Of Net Income</i>	<i>5.5</i>	<i>4.8</i>	<i>4.9</i>	<i>5.1</i>	<i>5.6</i>	<i>6bps</i>	<i>45bps</i>
<b>Operating Profit</b>	<b>1,657</b>	<b>1,762</b>	<b>1,841</b>	<b>1,859</b>	<b>1,951</b>	<b>17.8</b>	<b>5.0</b>
<i>As % Of Net Income</i>	<i>78.8</i>	<i>81.0</i>	<i>79.8</i>	<i>80.8</i>	<i>78.6</i>	<i>(23bps)</i>	<i>(221bps)</i>
Provisions	91	78	78	25	56	-38.7	123.3
PBT	1,566	1,684	1,764	1,834	1,896	21.1	3.3
Total Tax	333	429	411	412	415	24.8	0.9
<b>Reported PAT</b>	<b>1,233</b>	<b>1,256</b>	<b>1,353</b>	<b>1,423</b>	<b>1,480</b>	<b>20.0</b>	<b>4.1</b>
Adjusted PAT	1,233	1,256	1,353	1,423	1,480	20.0	4.1

Yield Analysis (%)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
Yield on AUM (calc)	18.0	18.1	17.8	17.1	17.6	(35bps)	50bps
Cost of funds (calc)	4.7	5.0	4.8	4.9	5.2	55bps	33bps
Cost of borrowing (calc)	7.7	7.9	7.9	8.6	9.1	143bps	56bps
NIMs (calc)	13.3	13.1	13.1	12.2	12.4	(91bps)	17bps
Yields (reported)	16.9	16.9	17.0	17.2	17.2	35bps	5bps
Cost of borrowing (reported)	7.7	7.9	8.1	8.3	8.4	71bps	11bps
NIMs (reported)	9.2	9.0	8.9	8.9	8.8	(36bps)	(6bps)

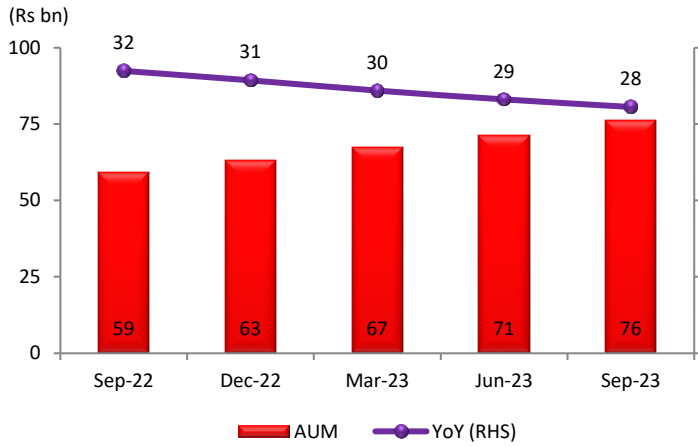
Asset quality (IndAs)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
Gross Stage 3	869	911	777	922	906	4.2	-1.8
Net Stage 3	652	683	583	692	680	4.2	-1.8
Gross Stage 3 (%)	1.5	1.4	1.2	1.3	1.2	(27bps)	(10bps)
Net Stage 3 (%)	1.1	1.1	0.9	1.0	0.9	(21bps)	(8bps)
Net NPAs/Net worth (%)	2.1	2.1	1.7	2.0	1.9	(13bps)	(13bps)
Provision cover (%)	25.0	25.0	25.0	25.0	25.0	(bps)	(bps)

AUM (Rs mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	% of total
Home loans	34,406	37,211	39,080	42,026	44,864	30.4	6.8	59
Quasi home (LAP)	8,898	9,461	10,107	11,397	12,927	45.3	13.4	17
Insurance loan	1,780	1,892	2,021	1,425	1,521	-14.5	6.8	2
Top up loan	2,373	2,523	2,021	1,425	1,521	-35.9	6.8	2
Small business loan	11,864	12,614	14,150	14,958	15,208	28.2	1.7	20
<b>Total AUM</b>	<b>59,320</b>	<b>63,070</b>	<b>67,380</b>	<b>71,230</b>	<b>76,040</b>	<b>28.2</b>	<b>6.8</b>	<b>100</b>

(Rs mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
<b>Borrowing</b>	<b>37,030</b>	<b>36,590</b>	<b>37,790</b>	<b>41,340</b>	<b>40,044</b>	<b>8.1</b>	<b>-3.1</b>
<b>Break up %</b>							
Banks	64	62	60	60	62	(200bps)	200bps
NHB	21	23	26	28	26	500bps	(200bps)
NCD	5	4	4	3	5	0	200bps
Others	10	11	10	9	7	(300bps)	(200bps)

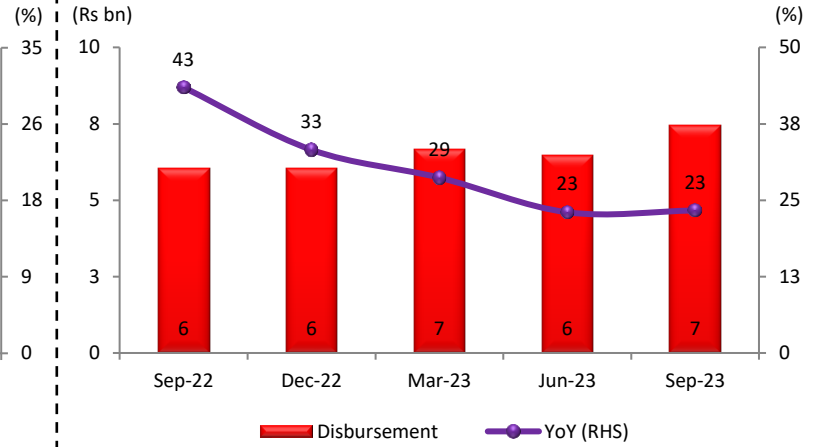
Source: Company, Systematix Institutional Research

**Exhibit 2: AUM growth continues to remain strong...**



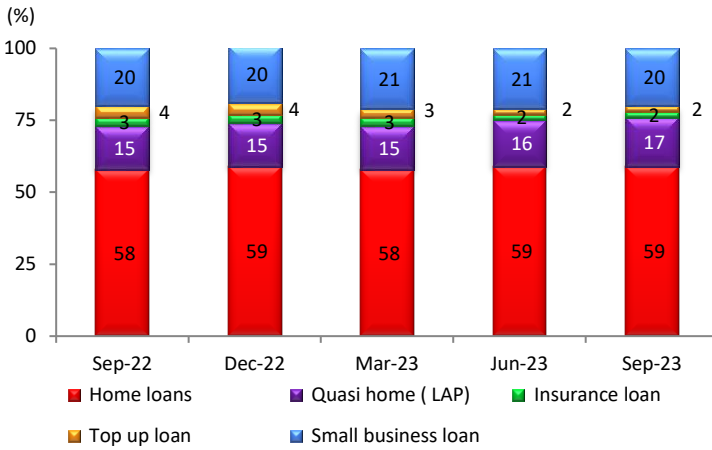
Source: Company, Systematix Institutional Research

**Exhibit 3: ...led by healthy disbursements**



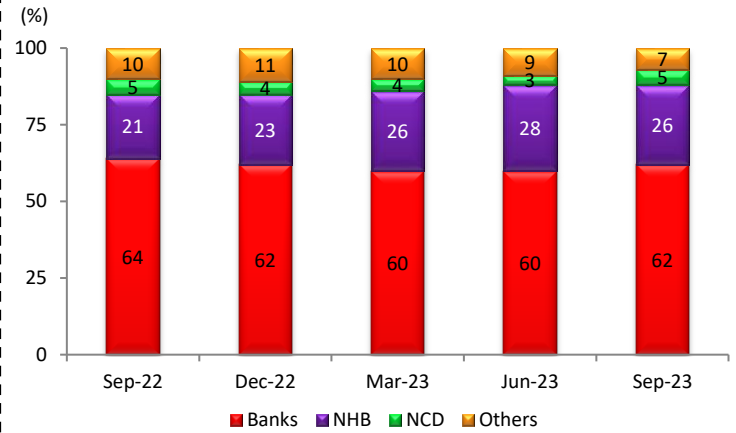
Source: Company, Systematix Institutional Research

**Exhibit 4: Share of housing loans steady at 59%**



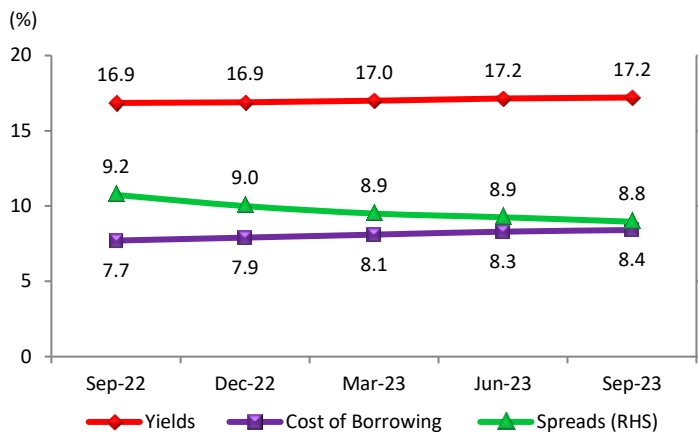
Source: Company, Systematix Institutional Research

**Exhibit 5: Well diversified borrowing mix**



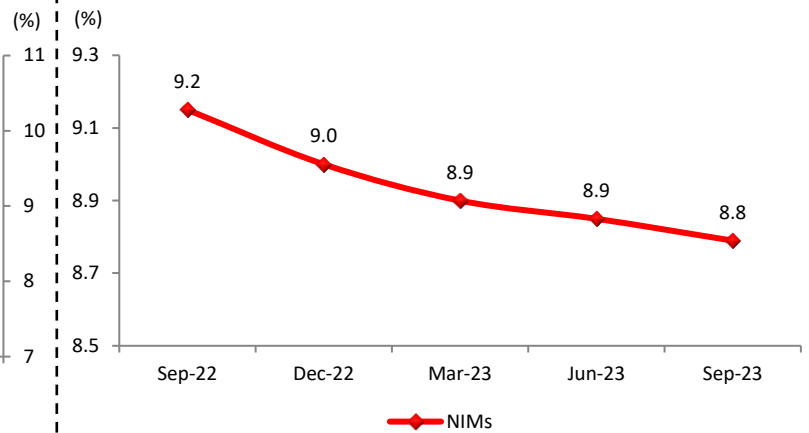
Source: Company, Systematix Institutional Research

**Exhibit 6: Spreads largely maintained on sequential basis**



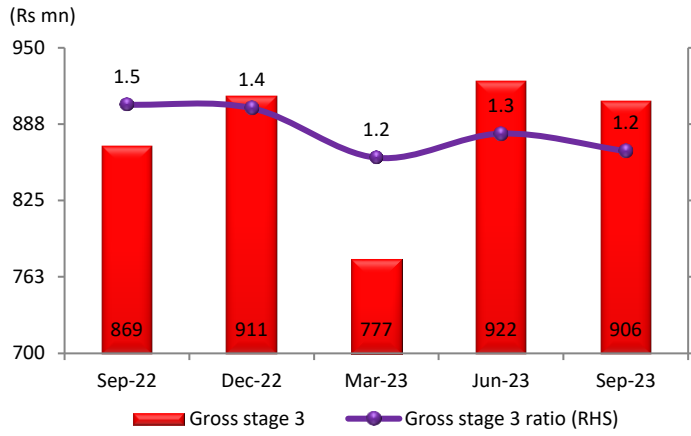
Source: Company, Systematix Institutional Research

**Exhibit 7: ...similarly NIMs stood largely steady**



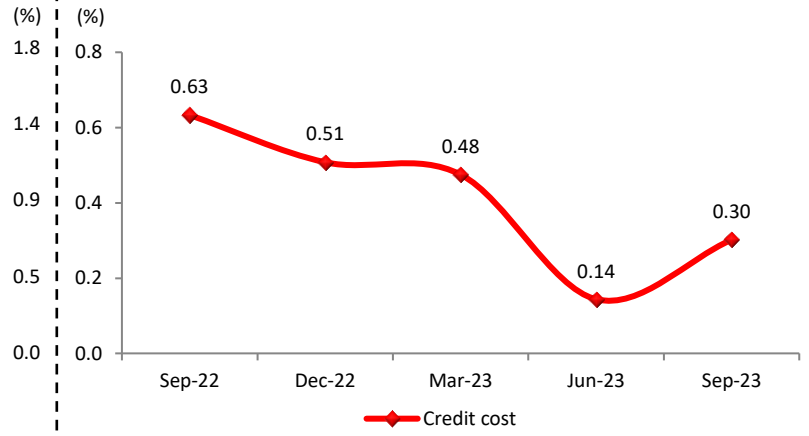
Source: Company, Systematix Institutional Research

**Exhibit 8: ~10bps QoQ improvement in GS3 ratio**



Source: Company, Systematix Institutional Research

**Exhibit 9: Credit cost was higher on expected lines**



Source: Company, Systematix Institutional Research

**Exhibit 10: Change in estimates**

(Rs bn)	Old Estimates		New Estimates		% Change	
	FY24	FY25	FY24	FY25	FY24	FY25
NII	9.5	11.6	9.5	11.6	0.0	0.0
Operating Profit	8.3	10.0	8.3	10.0	0.0	0.0
PAT	6.2	7.4	6.2	7.4	0.0	0.0
BV	76	86	76	86	0.0	0.0
EPS	12	15	12	15	0.0	0.0

Source: Company, Systematix Institutional Research

## FINANCIALS

### Profit & Loss Statement

YE: Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net interest income	4,203	5,831	7,825	9,510	11,608
Other income	314	485	706	887	1,169
Net Income	4,517	6,316	8,531	10,397	12,777
Operating expenses	1,008	1,171	1,652	2,126	2,774
Preprovision profit	3,509	5,145	6,878	8,271	10,003
Provisions	58	345	341	233	355
Profit before tax	3,451	4,800	6,537	8,038	9,649
Tax	781	1,099	1,507	1,853	2,224
Tax rate	22.6	22.9	23.1	23.1	23.1
Reported Profit after tax	2,669	3,701	5,030	6,185	7,424

Source: Company, Systematix Institutional Research

### Dupont (as % of Average Assets)

YE: Mar	FY21	FY22	FY23	FY24E	FY25E
Interest Income	15.2	15.5	16.5	16.2	16.0
Interest Expense	5.0	4.1	4.3	4.8	5.4
Net Interest Income	10.2	11.4	12.2	11.4	10.6
Other income total	0.8	1.0	1.1	1.1	1.1
Net Income total	10.9	12.4	13.3	12.5	11.7
Operating expenses total	2.4	2.3	2.6	2.55	2.53
Preprovision profit	8.5	10.1	10.7	9.9	9.1
Provisions	0.1	0.7	0.5	0.3	0.3
Profit before tax and exce. items	8.3	9.4	10.2	9.6	8.8
Profit before tax	8.3	9.4	10.2	9.6	8.8
Tax total	1.9	2.2	2.3	2.2	2.0
Profit after tax	6.5	7.3	7.8	7.4	6.8

Source: Company, Systematix Institutional Research

### Growth

YE: Mar (%)	FY21	FY22	FY23	FY24E	FY25E
Net interest income	40.1	38.7	34.2	21.5	22.1
Net Income total	33.4	39.8	35.1	21.9	22.9
Preprovision profit	40.3	46.6	33.7	20.2	20.9
Profit before tax	39.5	39.1	36.2	23.0	20.0
Profit after tax	26.5	38.7	35.9	23.0	20.0
Loan	28.0	27.3	29.8	32.1	30.4
Disbursement	1.4	26.4	45.9	34.0	30.0
AUM	27.8	27.4	30.1	30.6	30.4

Source: Company, Systematix Institutional Research

### Balance Sheet

YE: Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity	949	994	996	996	996
Reserves	18,845	28,168	32,397	36,727	41,924
Net worth	19,795	29,162	33,393	37,723	42,920
Borrowings	25,080	27,206	37,861	56,412	79,541
Others	327	473	507	923	1,519
Total liabilities	45,202	56,840	71,761	95,059	1,23,981
Cash	4,378	4,459	4,600	6,160	8,032
Investments	528	1,017	515	880	1,147
Loans	39,898	50,787	65,921	87,071	1,13,566
Others	303	457	572	747	974
Total assets	45,202	56,840	71,761	95,059	1,23,981

Source: Company, Systematix Institutional Research

### Key Ratios

YE: Mar	FY21	FY22	FY23	FY24E	FY25E
Yield on portfolio	17.6	17.5	18.1	17.7	17.5
cost of borrowings	9.1	8.0	8.5	8.6	8.8
Interest Spread	8.5	9.5	9.7	9.2	8.8
NIM (on AUM)	11.6	12.6	13.1	12.2	11.5
Cost/ Income (%)	22.3	18.5	19.4	20.4	21.7
Credit cost (%)	0.1	0.7	0.5	0.3	0.3
RoA(%)	6.5	7.3	7.8	7.4	6.8
RoE(%)	14.5	15.1	16.1	17.4	18.4
Leverage (x)	2.2	2.1	2.1	2.3	2.7
Tier I (%)	73.8	85.4	76.6	66.3	58.6
CAR (%)	73.6	85.6	77.4	66.9	59.1
Gross NPA (%)	0.7	1.2	1.2	1.2	1.1
Net NPA (%)	0.5	0.9	0.9	0.9	0.8
Provision coverage (%)	27.5	25.3	25.0	25.0	25.0

Source: Company, Systematix Institutional Research

### Valuation ratios

YE: Mar	FY21	FY22	FY23	FY24E	FY25E
FDEPS (Rs)	5.4	7.4	10.1	12.4	14.9
PER (x)	54.9	39.6	29.1	23.7	19.7
Book value (Rs)	39.7	58.6	67.1	75.7	86.2
P/BV (Rs)	7.4	5.0	4.4	3.9	3.4
Adjusted book value (Rs)	39.3	57.6	65.9	74.2	84.3
P/ABV (Rs)	7.5	5.1	4.5	4.0	3.5
P/PPP (x)	41.7	28.5	21.3	17.7	14.6
Dividend yield (%)	0.0	0.0	1.4	1.3	1.5

Source: Company, Systematix Institutional Research

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