



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

Aptus Value Housing Finance

02 February 2024

In-line performance; growth momentum continued

RESULT UPDATE

Sector: NBFCs

Rating: BUY

CMP: 370

Target Price: Rs 425

Stock Info

Sensex/Nifty	72,085/21,853
Bloomberg	APTUS IN
Equity shares	498 mn
52-wk High/Low	382/234
Face value	Rs 2
M-Cap	Rs 184bn/USD2.2bn
3-m Avg volume	USD 3.3mn

Financial Snapshot (Rs mn)

Y/E March	FY24E	FY25E	FY26E
NII	9,213	11,596	14,327
PPP	8,072	10,112	12,430
PAT	6,059	7,564	9,286
EPS (Rs)	12.2	15.2	18.6
EPS Gr. (%)	20.5	24.8	22.8
BV/Sh (Rs)	74	85	98

Ratios

NIM (%)	11.9	11.5	11.1
C/I ratio (%)	20.0	20.6	21.2
RoA (%)	7.4	7.2	7.0
RoE (%)	17.2	19.0	20.3
Payout (%)	39.0	30.0	30.0

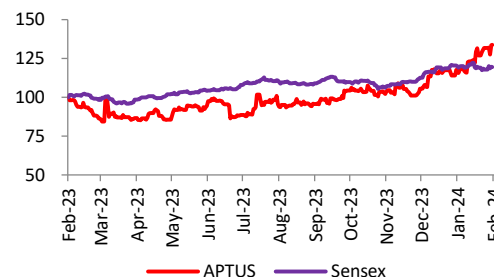
Valuations

P/E (x)	30.4	24.4	19.8
P/BV (x)	5.0	4.3	3.8
Div. Yield (%)	1.3	1.2	1.5

Shareholding pattern (%)

	Jun-23	Sep-23	Dec-23
Promoter	62.2	62.1	62.1
FII	14.2	14.8	15.4
DII	2.9	2.8	5.2
Others	20.7	20.3	17.3

Stock Performance (1-year)



APTUS Q3FY24 operational performance was in line with our estimates. NII / OP at Rs 2.4bn / Rs 2.1bn registered a healthy growth of 20% YoY (5% QoQ) / 21% YoY (9% QoQ). Operating expenses declined 4% QoQ led by lower employee and other expenses, resulting in opex to AUM ratio at 2.6% (vs 2.9% in Q2). Despite higher credit cost during Q3 at 41bps (vs 30bps in Q2), PAT was also broadly in-line with our estimates at Rs 1.6bn. AUM/ disbursement growth was strong at 28% YoY/ 27% YoY driven by healthy demand and branch expansion. NIMs (calc) declined by 16bps QoQ, due to fall in yields (36bps QoQ). Cost of borrowings (reported) increased by 14bps QoQ. Asset quality was steady, with GS3/NS3 at 1.2%/0.9%. We estimate a 29% CAGR in APTUS AUM which will deliver 21% CAGR in earnings over FY23-26E resulting in RoA / RoE of 6.5% / 19.6% in FY26. Key risks: Inflation pressure might impact the demand for home loans.

Key result highlights

- APTUS Q3FY24 operational performance was in line with our estimates. NII / OP at Rs 2.4bn / Rs 2.1bn registered a healthy growth of 20% YoY (5% QoQ) / 21% YoY (9% in QoQ) led by AUM growth of 28% YoY even as NIMs declined 16bps QoQ to 12.2%. Despite higher provisions (up 44% QoQ), PAT was broadly in-line with our estimates at Rs 1.6bn.
- AUM growth was strong at 28% YoY / 6% QoQ. HL segment (59% of AUM) grew by 28% YoY (6% QoQ), Quasi Home loans (LAP) (16% of AUM) grew by 37% YoY (flat QoQ), Small business loans (21% of AUM) grew by 34% YoY (12% QoQ), while Insurance and top up loan (4% of AUM) de-grew 27% YoY (up 6% QoQ). Disbursements growth stood healthy at 27% YoY (3% QoQ).
- Reported Spreads contracted by 13bps QoQ to 8.7% mainly due to 14bps increase in cost of borrowings. NIMs (calc) contracted by 16bps QoQ driven by 36bps fall in yields (calc). Provisions jumped 44% QoQ at Rs 80mn resulting in credit cost of 41 bps vs 30bps in Q2.
- Operating expenses declined 4% QoQ led by lower employee expenses other expenses, resulting in opex to AUM ratio at 2.6% (vs 2.9% in Q2).
- Asset quality was steady QoQ, with GS3/NS3 at 1.2%/0.9%. PCR on Stage 3 assets stood stable at ~25% in Q3. 30+dpd increased by 5bps QoQ to 6.04%. ECL coverage was steady QoQ at 1.06% and in line with management guidance.

Valuation & recommendation

APTUS reported in-line operating performance aided by strong AUM growth and steady asset quality. We tweak our estimates to factor in strong disbursement and loan growth coupled with steady asset quality. We continue to remain positive on APTUS core strengths and underwriting practices, which has demonstrated healthy earnings growth and asset quality. Management maintained AUM growth guidance at 30%+ YoY for FY24. We maintain our BUY rating on the stock with a revised target price of Rs. 425 valuing the company at 4.3x FY26E book value.

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Investors are advised to refer disclosures made at the end of the research report.

Management commentary

Business:

- Significant growth potential in Affordable housing space driven by several initiatives like interest subvention scheme, priority lending status coupled with housing shortage and low mortgage penetration.
- Loan book in TN state grew 13% YoY. Disbursement was impacted due to floods which has recovered in Jan'24. Management confident that in Q4, growth will be back to normal.
- Continue to focus on low & mid-income segment in tier 3 & 4 cities.
- Tech enabled platforms contributed ~27% business in Q3. Of total disbursements, 7.41% is contributed by customer referrals, 3.5% by social media and ~6-7% by sales ecosystem.
- As a part of strategy, management will continue to focus on small ticket size loans. Growth will be driven by branch expansion and focus on other channels like customer referrals/sales ecosystem/social media.
- Volumes / logins per employee per month is increasing.
- Liquidity – Rs 9610mn including undrawn sanction of Rs 3000mn from NHB.
- Number of customers increased 25% YoY at 125604.

OPEX:

- 3 more branches in Odisha and 4 more branches in Maharashtra planned to be opened in Q4.
- Opex to AUM will be in the range of 2.7-2.75%

Yields / CoB / NIMs:

- Yields were flat QoQ mainly due to higher mix of home loans which has low yields vs other products.
- Incremental Yields breakup – HL: 15.5%, LAP: 17.5-18%, small business loans: 21.5%
- Full benefit of 50bps rate hike taken in Q2 is yet to see.
- Increase in cost of borrowings was due to change in risk weights by RBI. CoB not expected to increase from current levels.
- Most of the bank borrowings are linked to repo and EBLR.
- Current borrowing mix is 40% fixed and 60% variable. Borrowings moving from variable to fixed rate.

Asset Quality:

- 1+dpd steady at ~8%.
- GNPA to be in the range of 1.05-1.1%.

Guidance:

- AUM growth guidance maintained at 25-30% YoY.

Exhibit 1: Quarterly performance

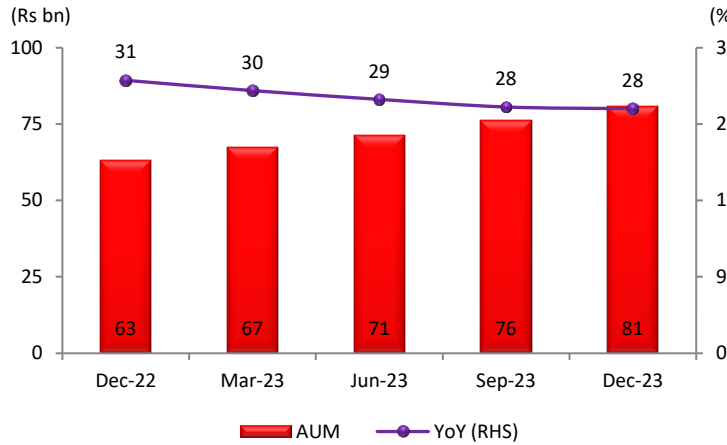
(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Net Interest Income	2,002	2,130	2,121	2,285	2,400	19.9	5.0
Other Income	175	178	181	198	242	38.3	22.0
Net Income	2,176	2,307	2,301	2,483	2,642	21.4	6.4
Total Operating Expenses	414	466	442	532	511	23.3	-4.0
<i>As % Of Net Income</i>	<i>19.0</i>	<i>20.2</i>	<i>19.2</i>	<i>21.4</i>	<i>19.3</i>	29bps	(210bps)
Employee Expenses	309	354	324	393	382	23.8	-2.8
<i>As % Of Net Income</i>	<i>14.2</i>	<i>15.3</i>	<i>14.1</i>	<i>15.8</i>	<i>14.5</i>	28bps	(137bps)
Other Expenses	105	112	118	138	128	21.8	-7.4
<i>As % Of Net Income</i>	<i>4.8</i>	<i>4.9</i>	<i>5.1</i>	<i>5.6</i>	<i>4.9</i>	2bps	(73bps)
Operating Profit	1,762	1,841	1,859	1,951	2,131	20.9	9.2
<i>As % Of Net Income</i>	<i>81.0</i>	<i>79.8</i>	<i>80.8</i>	<i>78.6</i>	<i>80.7</i>	(29bps)	210bps
Provisions	78	78	25	56	80	2.9	43.8
PBT	1,684	1,764	1,834	1,896	2,051	21.8	8.2
Total Tax	429	411	412	415	476	10.9	14.5
Reported PAT	1,256	1,353	1,423	1,480	1,576	25.5	6.5
Adjusted PAT	1,256	1,353	1,423	1,480	1,576	25.5	6.5

Yield Analysis (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Yield on AUM (calc)	18.1	17.8	17.1	17.6	17.3	(85bps)	(36bps)
Cost of funds (calc)	5.0	4.8	4.9	5.2	5.0	(2bps)	(20bps)
Cost of borrowing (calc)	7.9	7.9	8.6	9.1	9.2	120bps	4bps
NIMs (calc)	13.1	13.1	12.2	12.4	12.2	(83bps)	(16bps)
Yields (reported)	16.9	17.0	17.2	17.2	17.2	31bps	1bps
Cost of borrowing (reported)	7.9	8.1	8.3	8.4	8.6	65bps	14bps
NIMs (reported)	9.0	8.9	8.9	8.8	8.7	(34bps)	(13bps)

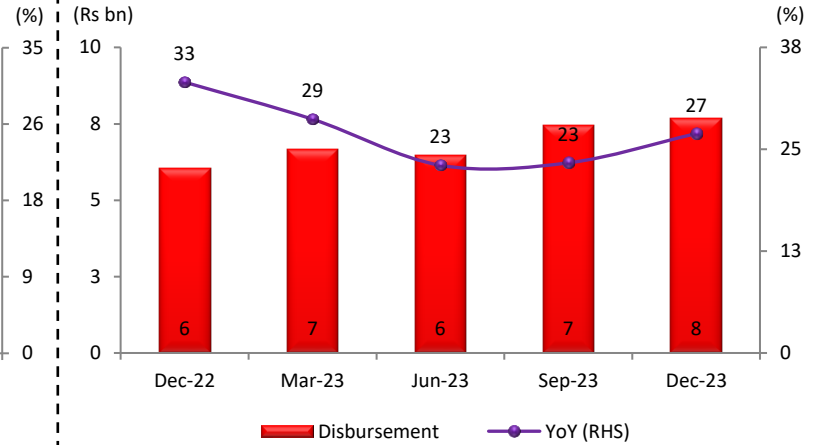
Asset quality (IndAs)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Gross Stage 3	911	777	922	906	957	5.1	5.6
Net Stage 3	683	583	692	680	718	5.1	5.6
Gross Stage 3 (%)	1.4	1.2	1.3	1.2	1.2	(26bps)	(1bps)
Net Stage 3 (%)	1.1	0.9	1.0	0.9	0.9	(20bps)	(bps)
Provision cover (%)	25.0	25.0	25.0	25.0	25.0	bps	1bps

AUM (Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)	% of total
Home loans	37,211	39,080	42,026	44,864	47,625	28.0	6.2	59
Quasi home (LAP)	9,461	10,107	11,397	12,927	12,915	36.5	-0.1	16
Insurance loan	1,892	2,021	1,425	1,521	1,614	-14.7	6.2	2
Top up loan	2,523	2,021	1,425	1,521	1,614	-36.0	6.2	2
Small business loan	12,614	14,150	14,958	15,208	16,951	34.4	11.5	21
Total AUM	63,070	67,380	71,230	76,040	80,720	28.0	6.2	100

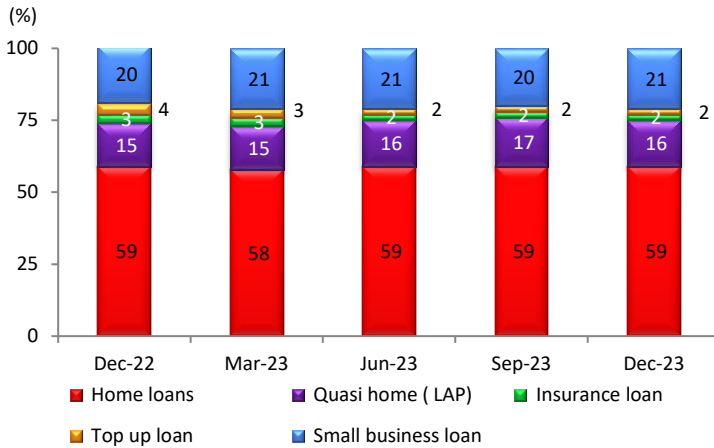
Source: Company, Systematix Institutional Research

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

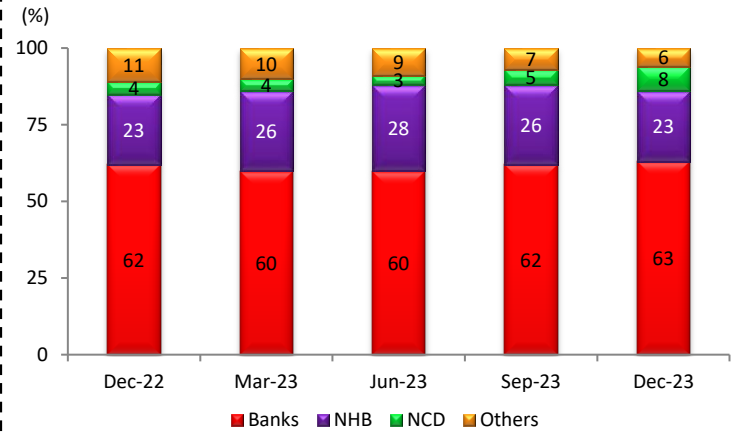
Source: Company, Systematic Institutional Research

Exhibit 3: ...led by healthy disbursements

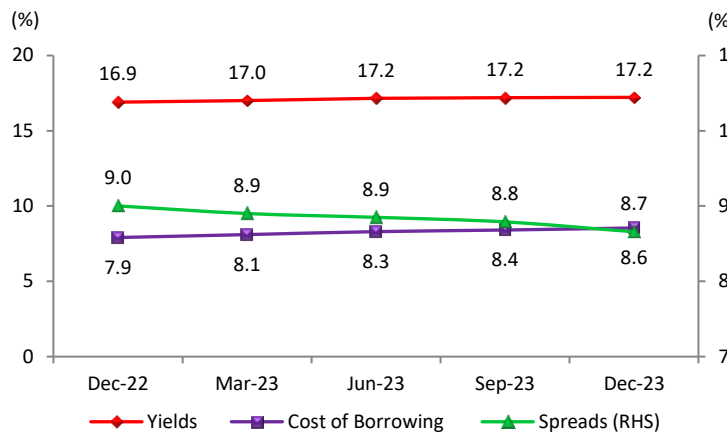
Source: Company, Systematic Institutional Research

Exhibit 4: Share of housing loans steady at 59%

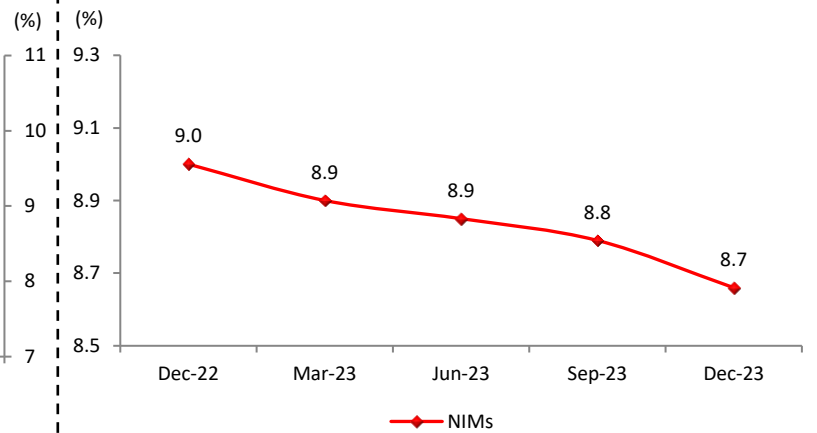
Source: Company, Systematic Institutional Research

Exhibit 5: Well diversified borrowing mix

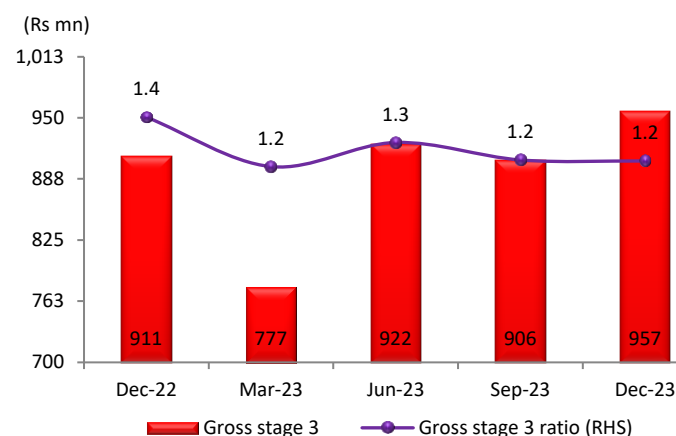
Source: Company, Systematic Institutional Research

Exhibit 6: CoB inched up by 14bps QoQ

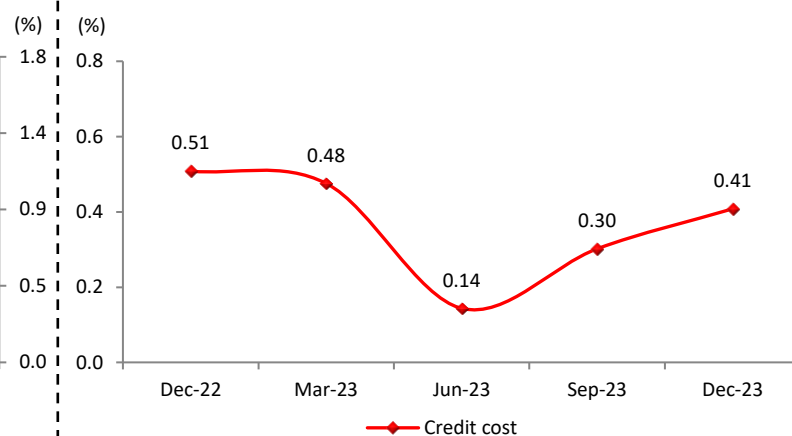
Source: Company, Systematic Institutional Research

Exhibit 7: ...resulting in 13bps QoQ decline in NIMs

Source: Company, Systematic Institutional Research

Exhibit 8: GS3 asset ratio steady QoQ

Source: Company, Systematix Institutional Research

Exhibit 9: Credit cost increased by 11bps QoQ

Source: Company, Systematix Institutional Research

Exhibit 10: Change in estimates (Introduced FY26 Estimates)

(Rs bn)	Old Estimates			New Estimates			% Change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	9.5	11.6		9.2	11.6	14.3	-3.1	-0.1	
Operating Profit	8.3	10.0		8.1	10.1	12.4	-2.4	1.1	
PAT	6.2	7.4		6.1	7.6	9.3	-2.0	1.9	
BV	76	86		74	85	98	-1.7	-1.2	
EPS	12	15		12	15	19	-2.0	1.9	

Source: Company, Systematix Institutional Research

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Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net interest income	5,831	7,825	9,213	11,596	14,327
Other income	485	706	881	1,135	1,451
Net Income	6,316	8,531	10,094	12,730	15,777
Operating expenses	1,171	1,652	2,022	2,618	3,347
Preprovision profit	5,145	6,878	8,072	10,112	12,430
Provisions	345	341	213	302	386
Profit before tax	4,800	6,537	7,859	9,811	12,045
Tax	1,099	1,507	1,800	2,247	2,758
Tax rate	22.9	23.1	22.9	22.9	22.9
Reported Profit after tax	3,701	5,030	6,059	7,564	9,286

Source: Company, Systematix Institutional Research

Dupont (as % of Average Assets)

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	15.5	16.5	16.0	16.3	16.1
Interest Expense	4.1	4.3	4.7	5.2	5.3
Net Interest Income	11.4	12.2	11.3	11.1	10.8
Other income total	1.0	1.1	1.1	1.1	1.1
Net Income total	12.4	13.3	12.3	12.2	11.9
Operating expenses total	2.3	2.6	2.47	2.51	2.52
Preprovision profit	10.1	10.7	9.9	9.7	9.4
Provisions	0.7	0.5	0.3	0.3	0.3
Profit before tax and exce. items	9.4	10.2	9.6	9.4	9.1
Profit before tax	9.4	10.2	9.6	9.4	9.1
Tax total	2.2	2.3	2.2	2.2	2.1
Profit after tax	7.3	7.8	7.4	7.2	7.0

Source: Company, Systematix Institutional Research

Growth

YE: Mar (%)	FY22	FY23	FY24E	FY25E	FY26E
Net interest income	38.7	34.2	17.7	25.9	23.6
Net Income total	39.8	35.1	18.3	26.1	23.9
Preprovision profit	46.6	33.7	17.3	25.3	22.9
Profit before tax	39.1	36.2	20.2	24.8	22.8
Profit after tax	38.7	35.9	20.5	24.8	22.8
Loan	27.3	29.8	32.1	28.6	27.3
Disbursement	26.4	45.9	34.0	25.0	25.0
AUM	27.4	30.1	30.6	28.6	27.3

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity	949	994	996	996	996
Equity	994	996	996	996	996
Reserves	28,168	32,397	36,093	41,388	47,889
Net worth	29,162	33,393	37,089	42,384	48,885
Borrowings	27,206	37,861	52,999	72,393	96,555
Others	473	507	1,759	2,211	2,767
Total liabilities	56,840	71,761	91,847	116,987	148,206
Cash	4,459	4,600	3,520	3,394	3,601
Investments	1,017	515	528	679	864
Loans	50,787	65,921	87,071	111,979	142,550
Others	457	572	528	679	864
Total assets	56,840	71,761	91,847	116,987	148,206

Source: Company, Systematix Institutional Research

Key Ratios

YE: Mar	FY22	FY23	FY24E	FY25E	FY26E
Yield on portfolio	17.5	18.1	17.1	17.1	16.8
cost of borrowings	8.0	8.5	8.5	8.7	8.4
Interest Spread	9.5	9.7	8.6	8.5	8.5
NIM (on AUM)	12.6	13.1	11.9	11.5	11.1
Cost/ Income (%)	18.5	19.4	20.0	20.6	21.2
Credit cost (%)	0.7	0.5	0.3	0.3	0.3
RoA(%)	7.3	7.8	7.4	7.2	7.0
RoE(%)	15.1	16.1	17.2	19.0	20.3
Leverage (x)	2.1	2.1	2.3	2.6	2.9
Tier I (%)	85.4	76.6	67.3	61.3	56.5
CAR (%)	85.6	77.4	67.9	61.8	56.9
Gross NPA (%)	1.2	1.2	1.2	1.1	1.1
Net NPA (%)	0.9	0.9	0.9	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	FY24E	FY25E	FY26E
FDEPS (Rs)	7.4	10.1	12.2	15.2	18.6
PER (x)	49.8	36.6	30.4	24.4	19.8
Book value (Rs)	58.6	67.1	74.5	85.1	98.2
P/BV (Rs)	6.3	5.5	5.0	4.3	3.8
Adjusted book value (Rs)	57.6	65.9	72.9	83.2	95.8
P/ABV (Rs)	6.4	5.6	5.1	4.4	3.9
P/PPP (x)	35.8	26.8	22.8	18.2	14.8
Dividend yield (%)	0.0	1.1	1.3	1.2	1.5

Source: Company, Systematix Institutional Research

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