

JINANAND
Research Analyst

Stock Conviction

Aptus Value Housing Finance

Home Loan for all



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SEBI Registration No.: INH000008215

August 19, 2023

Key Data

Rating	Buy - Initiating New Buy
Sector	Housing Finance Company
Current Market Price	Rs. 271
Target Price	Rs. 345
Time Horizon	3 to 4 Quarters

Stock Data

Shares Outstanding	49.81 crores
Market Capitalisation	Rs.13514 crores
52 Week High / Low	High Rs. 368 / Low Rs. 234
Face Value	Rs. 2
Exchange Code	NSE: APTUS / BSE: 543335

Investment Highlights

- ❖ Aptus Value Housing Finance (Aptus) is a housing finance company which is mainly into under-penetrated affordable housing loan & small business loan to Lower Income Group. 78% of its customer is from LIG and 93% of its loan book consists of an average ticket size of less than Rs. 10 lakhs.
- ❖ Aptus operates in five states namely: Tamil Nadu, Andhra Pradesh, Karnataka, Telangana and Odisha through its 238 branches. It is planning to have 260 + branches and enter Maharashtra by March 2024.
- ❖ It is focused on Tier II / III / IV centers with an aim to achieve deep rural penetration in existing operational districts which provides a large market with lower competition (75% rural focus).
- ❖ It primarily serves Economically Weaker Sections (EWS) and Lower Income self-employed customers in rural & semi-urban market where there are shortages of housing loan. It has 71% self-employed customers and 38% are new to credit customers.
- ❖ The company has consistently delivered industry-leading Return on Assets (RoA) of more than 8%+ in last 6 quarters. The RoA for Jun 2023 was at 8.21%. This could be achieved only by having high Net Interest Margin (NIM) along with controlled operating expenses.
- ❖ The company has seen a structural rise in Return on Equity (RoE). It has improved from 14.45% in Mar 2022 to 16.93% in Jun 2023. This was achieved despite being low on Leverage (2x) and high equity laden capital structure.

- ❖ It has a superior Yield at 17%+ which is one of the highest within the housing finance industry. It earns Yields of 13.5% -15% from Home Loans (which is 58% of AUM) and 18% - 21% from Small Business Loans / Quasi Home Loans.
- ❖ The company has maintained its Capital Adequacy Ratio (CAR) at 75.38 % and also has a comfortable surplus liquidity of Rs. 1188 crores for business upto Dec 2023.
- ❖ The 30+ days past due (DPD) rate decreased to 5.90% in Mar 2023 compared to 9.91% in Mar 2022. The same was 12.98% in Dec 2021. DPD is the strong indicator of customer credit worthiness.
- ❖ Aptus conduct all aspects of lending operations in-house, including sourcing, underwriting, valuation & legal as well as collection. Due to this they are able to establish personal relationship with their customers. By using latest technology the company has also fully digitized the entire process of loan cycle. This has helped them in approving more than 90% of loans within 72 hours and has also increased their collection efficiency to 100%+.
- ❖ Aptus has tremendous opportunity to grow in this under penetrated affordable housing finance space. The mortgage to GDP ratio at 11.7% in 2022 is significantly lower than its peers. It has the potential to grow upto 18%+ in next five years.
- ❖ Appointment of Mr. P. Balaji as managing director and willingness of Mr. M. Anandan to continue on the board has given lot of clarity over apprehensions with the succession plan.

Catalyst

- ❖ The housing finance market is expected to grow at a CAGR of 19% plus for the next 5 years. The initiative taken by GOI to ensure Housing for All, setting up of RERA, GST relaxation and affordable mortgage rates (interest subsidy) are the key factors propelling the growth of the housing finance market.

What we don't like

- ❖ 77% of its loan book is fixed in nature while on borrowing side only 58% is fixed rate. This mismatch would impact margin when rate cycle turns unfavourable.
- ❖ Company paying 200% dividend for the FY 2023.

Believe it or not!

- ❖ As on 2022 the housing shortages in EWS and LIS segment stands at 9.50 crores units (95% of the shortage).

Quarterly Updates

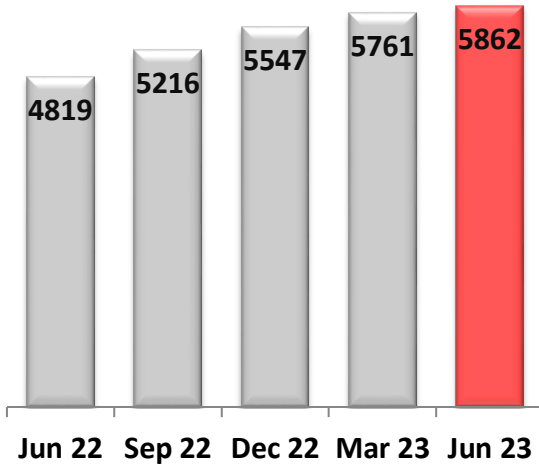
Quarterly P&L (crores)	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23
Interest Income	217.26	233.00	257.47	277.32	290.61	296.81
Interest Expenses	49.22	54.26	66.83	77.16	77.66	84.74
Net Interest Income	168.04	178.74	190.64	200.16	212.95	212.07
Non - Interest Income	17.09	15.76	19.58	17.48	17.77	18.06
Net Operating Revenue	185.13	194.50	210.22	217.64	230.72	230.13
Employees Expenses	18.94	22.07	32.96	30.89	35.39	32.43
Depreciation	2.15	1.66	2.31	1.74	1.51	1.95
Operating Expenses	9.24	8.96	9.28	8.78	9.69	9.84
Total Opex	30.33	32.68	44.56	41.42	46.59	44.21
Pre Provision Profit	154.79	161.82	165.67	176.23	184.13	185.92
Provisions & Write-offs	10.47	9.52	9.07	7.78	7.75	2.49
Profit Before Tax	144.32	152.30	156.59	168.45	176.38	183.42
Tax Expenses	34.46	33.46	33.28	42.88	41.08	41.17
Profit After Tax	109.87	118.84	123.31	125.57	135.30	142.26
Earnings Per Share (Rs.)	2.24	2.38	2.47	2.52	2.71	2.85

Quarterly Highlights (%)	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23
Cost of Borrowings	7.74	7.68	7.70	7.90	8.10	8.30
Yields	16.89	16.85	16.85	16.90	17.00	17.15
Net NPA	0.87	1.32	1.10	1.08	0.86	0.97
Presence in Locations	208	211	213	215	231	231
Disbursements (crores)	519	525	604	605	668	646
AUM (crores)	5180	5519	5932	6307	6738	7123

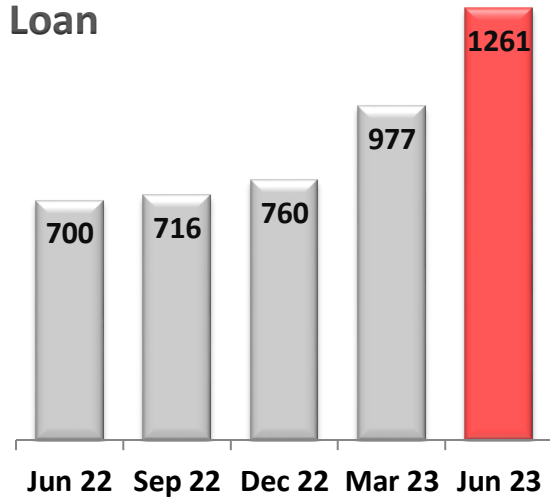
- ❖ The Net Interest Margin stood at 8.85% v/s 8.90% QoQ. Spread was at 13.29%.
- ❖ The asset quality deteriorated marginally with Gross NPA up by 14 bps (QoQ) and Net NPA up by 11 bps (QoQ).
- ❖ The total AUM grew by 29% (YoY). The AUM of Small Business Loan grew at 29.07% (QoQ) and 80.14% (YoY).
- ❖ Cost – Income Ratio improved by 98 bps (QoQ). Provision coverage has been maintained at 1.06%.
- ❖ Company enjoys a rating of AA- both from ICRA & CARE.
- ❖ Total live customers have crossed 112000 representing a growth of 27% (YoY).

Quarterly Charts

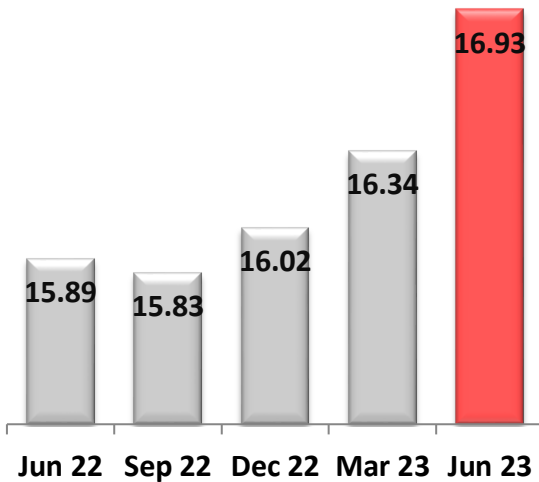
AUM - Housing Finance



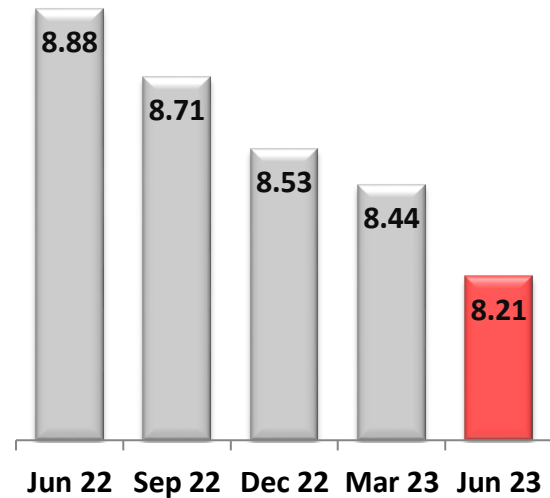
AUM - Small Business Loan



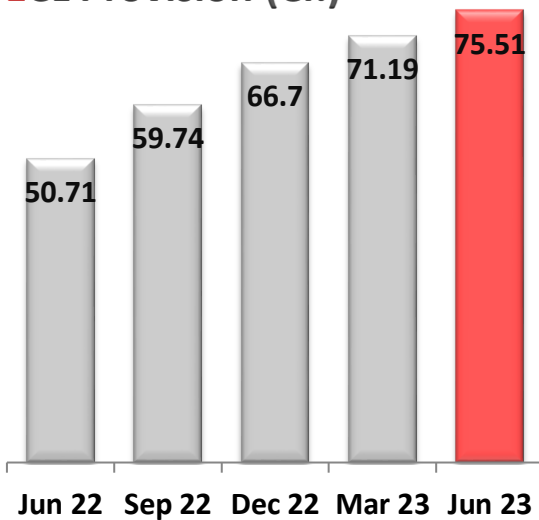
Return on Equity



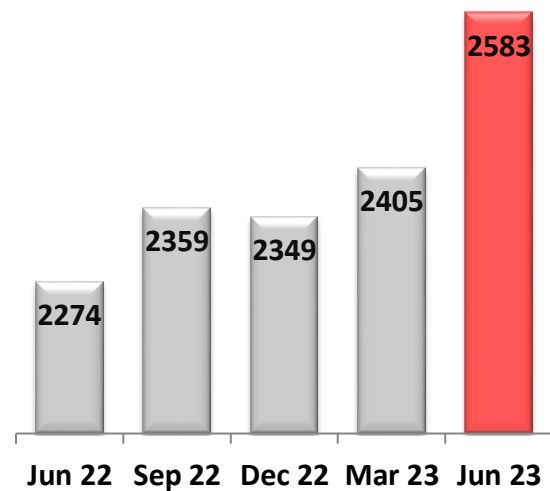
Return on Assets



ECL Provision (Cr.)



Total Employees



Financials (Consolidated)

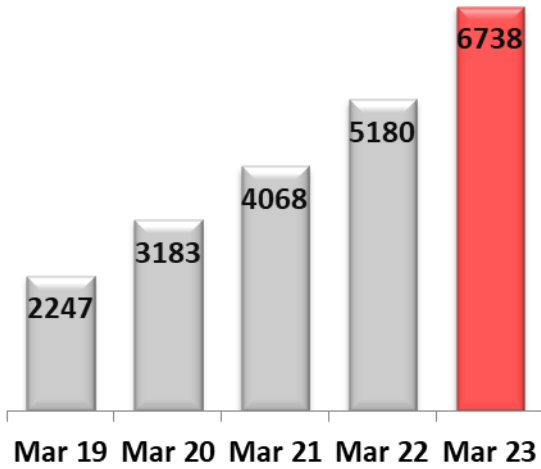
Balance Sheet (crores)	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23
Equity Share Capital	78.78	94.51	94.93	99.38	99.61
Other Equity	619.81	1614.50	1884.52	2816.78	3239.73
Networth	698.59	1709.01	1979.45	2916.16	3339.33
Borrowings	1599.69	2014.98	2507.97	2720.63	3786.06
Lease Liability	0.00	6.66	7.09	7.80	9.76
Provisions	1.80	2.52	3.30	4.10	4.62
Other Liabilities	8.59	13.54	22.35	35.35	36.51
Equity & Liabilities - Total	2308.67	3746.72	4520.17	5684.04	7176.28
Cash & Cash Equivalent	110.92	602.68	437.80	445.94	460.01
Loans & Advances	2200.25	3117.09	3989.80	5078.75	6592.31
Investments	0.00	0.00	52.75	101.65	51.47
Fixed Assets & Others	4.01	10.11	9.56	13.53	17.59
Other Assets	-6.51	16.85	30.26	44.17	54.90
Assets - Total	2308.67	3746.72	4520.17	5684.04	7176.28
P&L Account (crores)	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23
Interest Income	311.07	484.64	626.86	791.67	1058.40
Interest Expenses	115.65	184.55	206.53	208.59	275.91
Net Interest Income	195.42	300.09	420.32	583.08	782.49
Non - Interest Income	26.23	38.49	31.35	48.55	70.60
Net Operating Income	221.65	338.58	451.68	631.63	853.09
Employees Expenses	48.12	64.80	71.38	84.36	121.31
Depreciation	2.93	5.81	5.68	6.61	7.21
Operating Expenses	16.24	17.84	23.70	26.17	36.72
Total Opex	67.29	88.45	100.77	117.14	165.24
Pre Provision Profit	154.36	250.13	350.91	514.49	687.84
Provisions & Write-offs	1.36	2.84	5.82	34.47	34.12
Profit Before Tax	153.00	247.29	345.09	480.02	653.72
Tax Expenses	41.30	36.28	78.15	109.88	150.71
Profit After Tax	111.70	211.01	266.94	370.14	503.01
Earning Per Share (Rs.)	2.83	4.77	5.56	7.58	10.11

Financials (Consolidated)

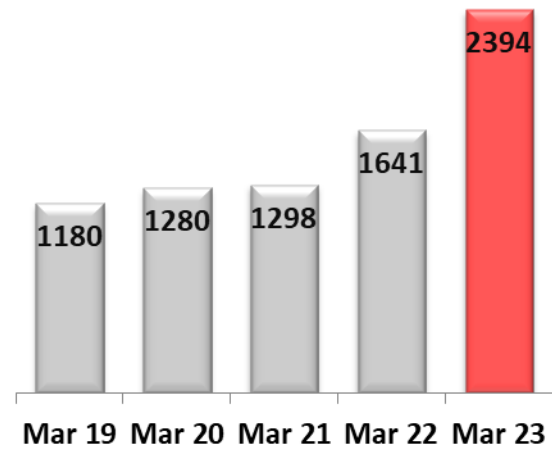
Key Ratios	Mar 20	Mar 21	Mar 22	Mar 23
AUM & Disbursements (crores)				
AUM / Loan Book	3183	4068	5180	6738
Disbursements	1280	1298	1641	2394
AUM - Statewise (%)				
Tamil Nadu	56	52	48	43
Andhra Pradesh	25	27	31	35
Telangana	9	11	12	14
Karnataka	10	10	9	8
Asset Quality (%)				
Gross NPA	0.70	0.67	1.19	1.15
Net NPA	0.56	0.49	0.88	0.86
Capital Structure (x)				
Debt Equity Ratio	1.18	1.27	0.93	1.13
Assets/Networth	2.19	2.28	1.95	2.15
AUM/Networth	1.86	2.06	1.78	2.02
Growth (%)				
AUM	41.40	28.00	27.30	30.10
Disbursements	16.70	2.10	26.40	45.90
Total Assets	61.00	20.60	25.70	26.30
Net Interest Income	52.80	37.50	40.70	34.40
ROA Tree (%)				
Revenue / Average Loan Book	18.51	17.63	17.51	18.34
Other Income / Average Loan Book	0.87	0.54	0.67	0.60
Total Revenue / Average Loan Book	19.37	18.17	18.17	18.94
Finance Cost / Average Loan Book	6.83	5.70	4.51	4.63
Spread / Average Loan Book	11.12	12.47	13.66	14.31
Operating Expenses / Average Loan Book	3.27	2.78	2.53	2.75
ECL Provsions / Average Loan Book	0.13	0.16	0.75	0.57
PBT / Average Loan Book	9.15	9.50	10.38	10.97
PAT / Average Loan Book	7.81	7.37	8.00	8.44
PAT / Networth	17.53	14.48	14.45	16.34

Yearly Charts

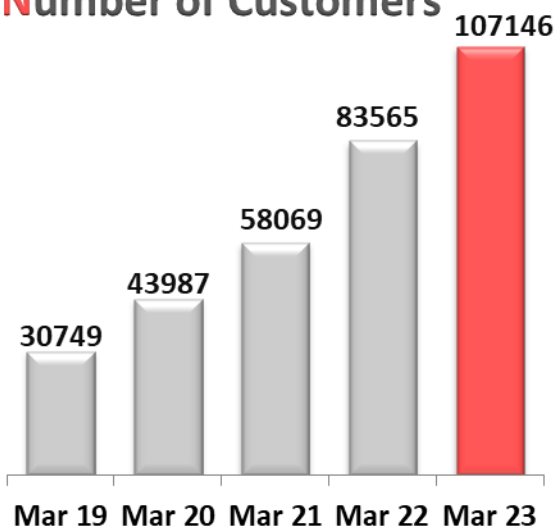
Total AUM (Cr.)



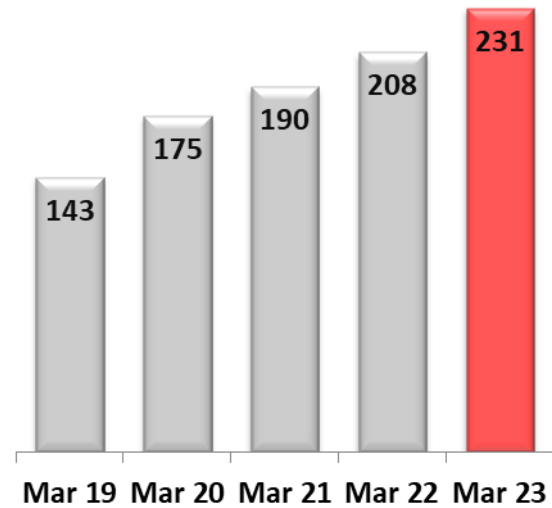
Disbursement (Cr.)



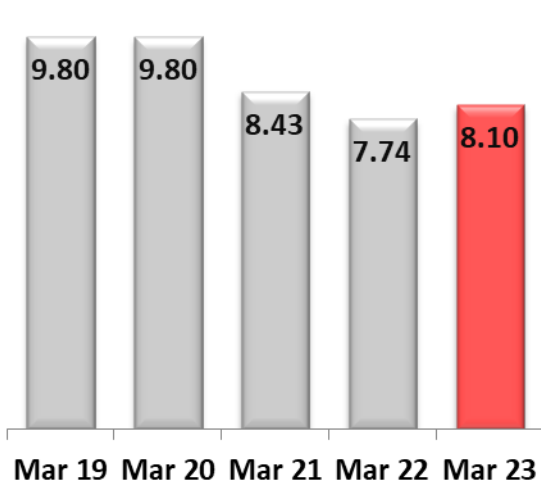
Number of Customers



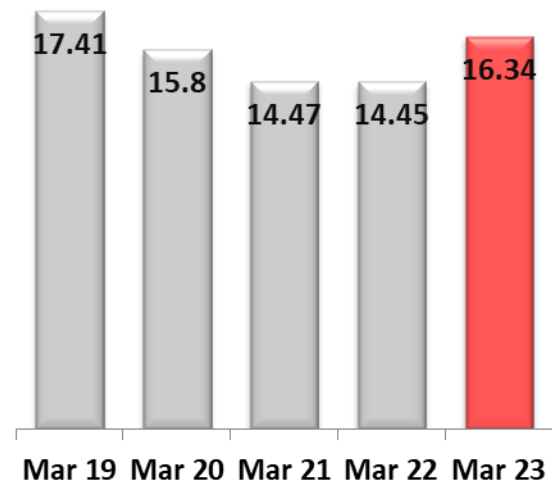
Presence in Locations



Cost of Borrowings

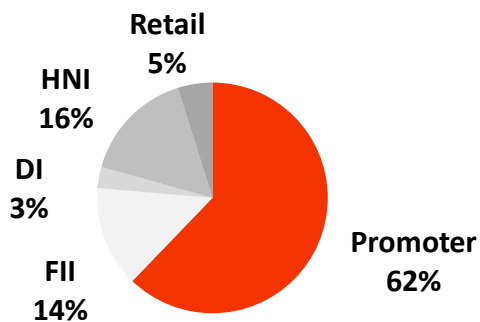


Return on Networth



Shareholding Pattern

Shareholding (%)	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23
Promoters	62.35	62.35	62.21	62.21	62.20	62.20
FII's	12.15	12.24	12.42	14.05	14.06	14.15
DII's	2.73	2.83	2.63	2.58	2.58	2.97
Public	22.77	22.59	22.74	21.16	21.15	20.68
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00



Shareholding Pattern

Main Investors (%)	
WF Asian Reconnaissance Fund	3.08
Smallcap World Fund	3.00
M. A. Alagappan	1.18
Steadview Capital Opportunities	3.19
SCI Investments	2.61
Malabar Select Fund	3.70
Malabar India Fund Ltd	3.93
A. R. Chadha & Co India Pvt Ltd.	1.22

Source: BSE

- ❖ Aptus came out with an IPO to issue 5.51 crores shares in August 2021 at a price of Rs. 353 per share.
- ❖ The issue was subscribed 1.35 times in retail category.
- ❖ Anchor investors were allotted 2.36 crores share at a price of Rs. 353 per share.
- ❖ 27% of the public shares are held by Foreign Portfolio Investors and Foreign companies.
- ❖ HNI investors like Malabar Group, Steadview Capital, SCI Investments, M.A. Alagappan and A.R. Chadha & co. are still holding the shares from pre IPO days.
- ❖ Total number of public shareholders after the IPO was 588540 which have been reduced to 138484 by June 2023.

Board of Directors**M. Anandan**

Executive Chairman

M. Anandan is a Member of the ICAI. He has an illustrious career of over 4 decades in the financial services industry during which he has held positions as ED and MD of Cholamandalam Investments and Finance, MD of Cholamandalam MS General Insurance Co. and CEO/Director of the Financial Services Businesses in Murugappa Group. Between 2008 – 2015 he was Non-whole time Director in Equitas Micro Finance Ltd, Independent Director in Manappuram Finance Ltd and Chairman of Five Star Business Credits Ltd. He is the founder promoter of the Company and has served as the Chairman and Managing Director on the Board since inception.

P. Balaji

Managing Director

P Balaji is the Managing Director of our Company. He joined Aptus as the CFO in August, 2010. Prior to joining Aptus, he was associated with the Bombay Dyeing and Manufacturing Company Limited, Hutchison Max Telecom Limited, Cholamandalam MS General Insurance Company Limited and SKS Microfinance Limited. He holds a bachelor's degree in commerce from the University of Madras. He is also a member of the Institute of Chartered Accountants of India. He has various years of experience in the textiles, telecom and finance sectors.

S. Krishnamurthy, Independent Director

K. M. Mohandass, Independent Director

Krishnamurthy Vijayan, Independent Director

Mona Kachhwaha, Independent Director

V. G. Kannan, Independent Director

Shailesh Mehta, Non-Executive Director

Sumir Chadha, Nominee Director

K. P. Balaraj, Nominee Director

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