

RETAIL EQUITY RESEARCH

Aptus Value Housing Finance India Ltd.

NBFC- Housing Finance

SENSEX: 54,278

NIFTY: 16,238

SUBSCRIBE

Price Range Rs. 346- Rs. 353

South India based rural focused HFC...

Aptus Value Housing Finance India Limited (AVHFIL) is an entirely rural focused housing finance company primarily serving low and middle income self-employed customers in the rural and semi-urban markets of India. Incorporated in 2009, they are one of the largest housing finance companies in south India in terms of AUM, as of Q4FY21. The Gross Loan Assets have grown at a CAGR of 34.54% from Rs.2247.2cr, in FY19 to Rs.4067.8cr, in FY21. As of FY21, they conduct the operations in the states of Tamil Nadu (including the union territory of Puducherry), Andhra Pradesh, Karnataka and Telangana through 190 branches.

- Overall housing finance market to log a CAGR of 11-12% and the low income housing segment to grow at ~9% CAGR between FY21 and FY25 on account of a rise in disposable income, healthy demand, attractive interest rates and government impetus on housing.
- AVHFIL has a diversified loan portfolio of home loans, loans against property and business loans, which accounted for 51.7%, 21.9% and 26.4% of the AUM, respectively , as of Q4FY21.
- Focus on rural lending especially in mid and lower income group has helped AVHFIL to enjoy premium margins. For FY21, FY20 and FY19, the calculated net interest margin was 11.7%, 11.3% and 8.8%, respectively.
- All of the loans are secured and the average ticket size is in the range of Rs.5lakhs to Rs.15lakhs with a safe average loan-to-value of 38.5%.
- During FY21, FY20 and FY19, AVHFIL was able to maintain a superior collection efficiency of 99.7%, 99.3% and 99.5% respectively.
- As of FY21, the calculated average yield on disbursements was 17.2.%, where the business loan segment has the highest yield followed by property loans and home loans.
- According to the CRISIL Report, AVHFIL had the highest RoA of 6.5% among the peers in FY21 and has an average RoE of 11.1%, 11.4% and 9.3% in FY21, FY20 and FY19 respectively.
- They only offer loans to retail customers and do not provide any loans to builders or for commercial real estate.
- Despite its focus on low and mid income group, AVHFIL was able to keep slippages under control resulting in lower NPA levels. As on FY21, the Gross NPAs were 0.68%, while the Net NPAs were 0.49%.
- They intend to expand the branch networks to Maharashtra, Odisha and Chhattisgarh along with deeper penetration in the existing markets with an average addition of 30 branches per year.
- At the upper price band of Rs.353, AVHFIL is available at P/BV of 8.8x (FY21) which appears to be fully priced. We assign a “Subscribe” rating for the issue on a long-term basis considering its strong return ratios, impressive growth and attractive margins.

Purpose of IPO

The offer comprises of the fresh issue and the offer for sale. The proceeds from the offer for sale will go to the selling shareholders, while the amount received from the sale of fresh issue will be utilized for fully augmenting the tier I capital requirements of the Company.

Key Risks

- COVID-19 has had adverse effects on the business, operations, cash flows and financial condition and may continue to do so in the near future.
- The operations are primarily focused in the states of Tamil Nadu(52.3% of AUM) and Andhra Pradesh(27.3%).

Peer Valuation

Company	MCap (₹ cr)	NII (₹ cr)	PAT (₹ cr)	RoA(%)	RoE (%)	BV (₹)	P/E(x)	P/BV(x)
APTUS Value Housing	17,494	417	266.9	6.5	11.1	39.9	66	8.8
Aavas Financiers Ltd	20,076	514	315.5	3.5	12.8	306.6	68	8.3

Source: Geojit Research, Bloomberg; Valuations of AVHFIL are based on upper end of the price band (post Issue), Financials as per FY21 Consolidated.

Issue Details				
Date of opening		Aug 10, 2021		
Date of closing		Aug 12, 2021		
Total No. of shares offered (Cr.)		7.9		
Post Issue No. of shares (cr)		49.56		
Price Band		₹346- ₹353		
Face Value		₹ 2		
Bid Lot		42 Shares		
Minimum application for retail (upper price band for 1 lot)		₹ 14,826		
Maximum application for retail (upper price band for 13 lot)		₹ 1,92,738		
Listing		BSE,NSE		
Lead Manager		ICICI Securities , Citigroup Global Mar- kets India, Edelweiss Financial Services, Kotak Mahindra Capi- tal Company		
Registrars		KFintech Pvt. Ltd.		
Issue size (upper price)		₹.Cr		
Fresh Issue		500.0		
OFS		2,280.1		
Total Issue		2,780.1		
Shareholding (%)		Pre-Issue	Post Issue	
Promoter & Promoter group		74.9	72.2	
Public		25.1	27.8	
Total		100	100	
Issue structure		Allocation %	Size ₹.cr	
Retail		35	973.0	
Non-Institutional		15	417.0	
QIB		50	1,390	
Emp. Reservation		-	-	
Total		100	2,780.1	
Y.E March (₹ cr) Consol.		FY19	FY20	FY21
NII		195	301	417
% Change		-	54	39
NIM (%)		8.8	11.3	11.7
PAT Adj.		111.5	211.0	266.9
% Change		-	89	27
EPS		2.2	4.3	5.4
P/E (x)		157	83	66
P/BV (x)		25.1	10.2	8.8
RoE (%)		9.3	11.4	11.1
RoA (%)		4.8	6.9	6.5

## Business Operations...

As of March 31, 2021, AVHFIL serviced 58,069 active loan accounts. Loans to self-employed customers accounted for Rs.29,30.9cr or 72.05% of the AUM, while loans to salaried customer accounted for Rs.1,136.9cr. 27.95%, as of March 31, 2021. As of March 31, 2021, Rs.4,045.9cr or 99.46% of the AUM were from customers who belonged to the low and middle income group, earning less than Rs.50,000 per month, and Rs.1,494.8cr of the AUM, or 39.88% of the customers were new to credit. AVHFIL targets first time home buyers where the collateral is a self-occupied residential property. All the loans are to retail customers and they do not provide any loans to builders or for commercial real estate.

Aptus offers customers home loans for the purchase and self-construction of residential property, home improvement and extension loans; loans against property; and business loans, which accounted for Rs.2,103.2cr, or 51.70%, Rs.890.3cr or 21.89% and Rs.1,074.2cr or 26.41% of the AUM, as of March 31, 2021, respectively.

## Competitive Strengths

- Presence in large, underpenetrated markets with strong growth potential
- Robust risk management architecture from origination to collections leading to superior asset quality
- In-house operations leading to desired business outcomes
- Domain expertise resulting in a business model difficult to replicate by others in the geographies
- Experienced and stable management team with marquee shareholders
- Established track record of financial performance with industry leading profitability
- Focus on the social impact of the business.

## Key Strategies

- ◆ Continue to focus on low and middle income self-employed customers in rural and semi-urban markets.
- ◆ Increase penetration in the existing markets and expand the branch network in large housing markets.
- ◆ Continue to be an asset quality focused financier.
- ◆ Reduce cost of borrowings by diversifying sources of borrowing and improving credit rating.

## Industry Outlook

The Indian housing finance market clocked a healthy CAGR of approximately 12% (growth in loan outstanding) over FY18 to FY21 on account of a rise in disposable income, healthy demand emanating from smaller cities and markets, attractive interest rates and government impetus on housing. In the past also, the housing finance market has shown secular growth with outstanding loans increasing from Rs. 9.9 billion as of FY15 to Rs 16 trillion as of FY18, translating into a CAGR of 17.4%.

With low disbursements and low repayments in the first half of FY21, growth of housing loans outstanding of HFCs and NBFCs was low at 1% to 3% on-year as on September 2020 as compared to March 2020. Sharp revival of the economy subsequently propelled an increase in disbursements to all-time highs in the third and fourth quarters of FY21, with disbursements even crossing the quarterly averages of FY20. CRISIL Research expects the home loan market to bounce back more strongly in the long term and grow at 11-12% CAGR in between FY21 and FY25.

The housing finance market focused on low income housing segment logged a growth of ~5.9% CAGR between FY16 and FY21 after growing at a higher cliff in the years before that. CRISIL Research expects the industry to pick up steam gradually and the loans outstanding in housing finance focused on low income housing segment to touch Rs. 4,100 billion by March 2025, translating into a ~9% CAGR between Fiscals 2021 and 2025 after a strong growth of ~10% in Fiscal 2021.

## Promoter and promoter group

The Promoters of the company are M. Anandan, Padma Anandan, and WestBridge Crossover Fund, LLC. Currently Promoters hold 292,893,920 Equity Shares equivalent to 60.84% of the issued, subscribed and paid-up Equity Share capital of the company.

## Brief Biographies of directors

- **M Anandan** is the Chairman and Managing Director of the company. He has served as the Chairman and Managing Director on the Board of the company from December 11, 2009.
- **Kandheri Munuswamy Mohandass** is the Non-Executive Independent Director of the company.
- **Sankaran Krishnamurthy** is the Non-Executive Independent Director of the company.
- **Krishnamurthy Vijayan** is the Non-Executive Independent Director of the company.
- **VG Kannan** is the Non-Executive Independent Director of the company. He is also on the boards of AU Small Finance Bank Ltd, Ageas Federal Life Insurance Co Ltd and OCM India Opportunities Arc Management Pvt Ltd.
- **Mona Kachhwaha** is the Non – Executive Independent Director on the Board of the company.
- **Shailesh Jayantilal Mehta** is the Non – Executive Director on the Board of the company.
- **Kanarath Payattiyath Balaraj** is the Non-Executive Nominee Director on the Board of the company. He is also a partner at Waimea Bay Advisors LLP.
- **Sumir Chadha** is the Non – Executive Nominee Director on the Board of the company. He is the co-founder of WestBridge Capital.
- **Suman Bollina** is the Non – Executive Director on the Board of the company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY19	FY20	FY21
Interest Income	311	485	624
Interest Expense	116	185	207
Net Interest Income	195	301	417
% Change	-	54	39
Non-Interest Income	26	38	31
Operating income	221	339	449
Pre-Prov.Profit	154	251	351
Provisions	1	3	6
PBT	152.7	247.3	345.1
Tax	41	36	78
Tax Rate %	27	15	23
Reported PAT	111.5	211.0	266.9
Adj.	-	-	-
Adj. PAT	111.5	211.0	266.9
% Change	-	89	27
Post Issue No.of Shares (Cr.)	49.6	49.6	49.6
Adj. EPS (Rs)	2.2	4.3	5.4
% Change	-	89	27

BALANCE SHEET

Y.E March (Rs cr)	FY19	FY20	FY21
Liabilities			
Capital	79	95	95
Reserve & Surplus	620	1,615	1,885
Deposit	-	-	-
Borrowings	1,600	2,015	2,508
Provision & Other Liabilities	30	23	33
Total Liabilities	2,328	3,747	4,520
Assets			
Fixed Assets	9	10	9
Investments	-	-	52.8
Advances	2,200	3,117	3,990
Other Assets	5	4	14
Cash & Bank Balances	111	603	438
Def. Tax Assets	2	13	17
Total Assets	2,328	3,747	4,520
BVPS (Rs)	14.1	34.5	39.9

RATIOS

Y.E March	FY19	FY20	FY21
Per Share Data (Rs.)			
EPS	2	4	5
BV	14.1	34.5	39.9
ABV	14.0	34.1	39.5
Spread %			
NIM	8.8	11.3	11.7
Yield on Funds	13.8	17.9	17.2
Cost of Borrowing	6.4	8.2	8.2
Interest Spread	7.4	9.7	9.0
Capital %			
CAR	44	82	74
Tier I	43	82	74
Tier II	0.4	0.3	-0.2
Asset Quality %			
GNPA	0.4	0.7	0.7
NNPA	0.3	0.5	0.5
Return Ratios (%)			
RoE	9.3	11.4	11.1
RoA	4.8	6.9	6.5
Valuations			
P/E (x)	157	83	66
P/BV (x)	25.1	10.2	8.8
P/ABV (x)	25.3	10.3	8.9

## General Disclosures and Disclaimers

### CERTIFICATION

I, Rajeev.T, author(s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

### COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

### DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

### GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

### RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

### FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

### JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

### REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership\*:

*Geojit confirms that:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership greater than 1% in relation to the subject company (ies) covered herein.

*Further, the Analyst confirms that:*

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not \* received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev.T, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com), For grievances: [grievances@geojit.com](mailto:grievances@geojit.com), For compliance officer: [compliance@geojit.com](mailto:compliance@geojit.com).

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

