Aptus Value Housing

BUY

BFSI | Q4FY24 Result Update

Result Update

CMP	Rs 329
Target / Upside	Rs 450 / 37%
NIFTY	22,476

Scrip Details

Equity / FV	Rs 998mn / Rs 2
Market Cap	Rs 164bn
	USD 2.0bn
52-week High/Low	Rs 392/ 240
Avg. Volume (no)	624,646
Bloom Code	APTUS IN

Price Performance	1M	3M	12M
Absolute (%)	(3)	(11)	30
Rel to NIFTY (%)	(3)	(14)	0

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	62.2	62.1	62.1
MF/Banks/FIs	3.1	3.1	3.1
FIIs	25.0	22.1	22.8
Public / Others	9.7	12.7	12.0

Valuation (x)

	FY24A	FY25E	FY26E
P/E	26.8	21.9	17.5
P/ABV	4.4	3.9	3.4
ROAA	7.6	7.3	7.0
ROAE	17.2	18.5	20.0

Estimates (Rs bn)

	FY24A	FY25E	FY26E
NII	9.3	11.6	14.6
PPOP	8.2	10.1	12.7
PAT	6.1	7.5	9.4
Adj BV (Rs)	74.1	84.7	98.0

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Robust quarter; Well positioned on spreads

- **Aptus reported a good quarter with 1) NII growth of 18% YoY/5% QoQ, 2) stable spreads at +5ps QoQ, 3) strong loan growth at 8% QoQ, and 4) improved AQ metrics, aiding RoA/RoE of 7.6%/17.6%. Yields we up 15 bps QoQ and have fared better than peers.**
- **Asset quality metrics improved with Stage-3 at 1.07% (-12 bps QoQ), and 30+ dpd at 5.4% (-63 bps QoQ). Loan growth was driven by HL (+10% QoQ) and LAP (+8%). Yields benefited from gradual re-pricing of fixed rate advances, with 50 bps rate hike across HL/non-HL loans a few months back.**
- **We expect premium valuations (vs peers) to sustain, given superior return ratios and limited spread pressures. We build in PAT CAGR of 24% over FY25/26E vs 22% YoY in FY24. The stock trades at 3.3x FY26E against RoA/RoE at 7%/20%. Tweaking estimates, maintain 'BUY' rating with unrevised TP of Rs450 (4.4x FY26E P/BV).**

Spreads benefited from rise in yields.

Reported spreads were stable at 8.7% (+5 bps QoQ), with 15 bps rise in yields vs 9 bps rise in CoF. Yields increased despite higher share of incremental growth from HL book and have likely benefitted from gradual re-pricing of fixed rate advances book, with 50 bps rate hike across HL/non-HL loans. Aptus raised lending rates by 50 bps against incremental HL/non-HL book in the last few months. Unlike peers, the HFC has not witnessed any yield pressures in its HL book, implying lower competitive pressures. This along with likely peaking of CoF should favor incremental spreads. We build in slightly higher spreads for FY25-26E vs FY24.

Asset quality strengthens.

AQ trends improved with GS3% at 1.07% (-12 bps QoQ) and 30+ dpd at 5.4% (-63 bps). Credit costs continued to be at 40 bps, as the HFC raised stage 2 PCR to 9.5% from 8% in Q3. Overall ECL provisions and stage-3 PCR were stable QoQ at 1.06% and 25% respectively. We build in credit cost of 40 bps over FY25-26E vs 35 bps in FY24.

Strong pick-up in disbursals drive growth.

Quarterly disbursements growth was strong at 26% QoQ and 45% YoY, driving loan growth at 8% QoQ and 29% YoY. Growth from TN is yet to pick up (+3% QoQ), with higher share of growth coming from AP and Telangana. We build in loan growth of 29-30% YoY over FY25-26E.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net interest income	2,514	2,130	18.1	2,400	4.8
Other income	312	178	75.6	242	29.1
Total Net Income	2,826	2,307	22.5	2,642	7.0
Operating expenses	582	466	24.9	510	14.0
Pre-provision profit	2,244	1,841	21.9	2,131	5.3
Provisions	94	78	21.3	80	17.6
Tax expense	510	411	24.1	476	7.2
Reported Net Profit	1,640	1,353	21.2	1,576	4.1
			bps		bps
Advances Growth YoY (%)	29.4	29.8	(43)	28.4	101
NIM (%)	11.7	12.2	(52)	11.9	(24)
RoA (%)	7.6	7.7	(12)	7.8	(20)
RoE (%)	17.6	16.5	102	17.4	13
Gross Stage 3 (%)	1.1	1.2	(8)	1.2	(12)

Exhibit 1: Actual v/s estimates

Particulars (Rs mn)	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)	Q4FY24E	Dev. (%)
Net interest income	2,514	2,130	2,400	18.1	4.8	2,540	(1.0)
Pre-Provisioning Operating Profit	2,244	1,841	2,131	21.9	5.3	2,219	1.2
PBT	2,152	1,764	2,051	22.0	4.9	2,144	0.4
PAT	1,642	1,353	1,576	21.4	4.2	1,662	(1.2)

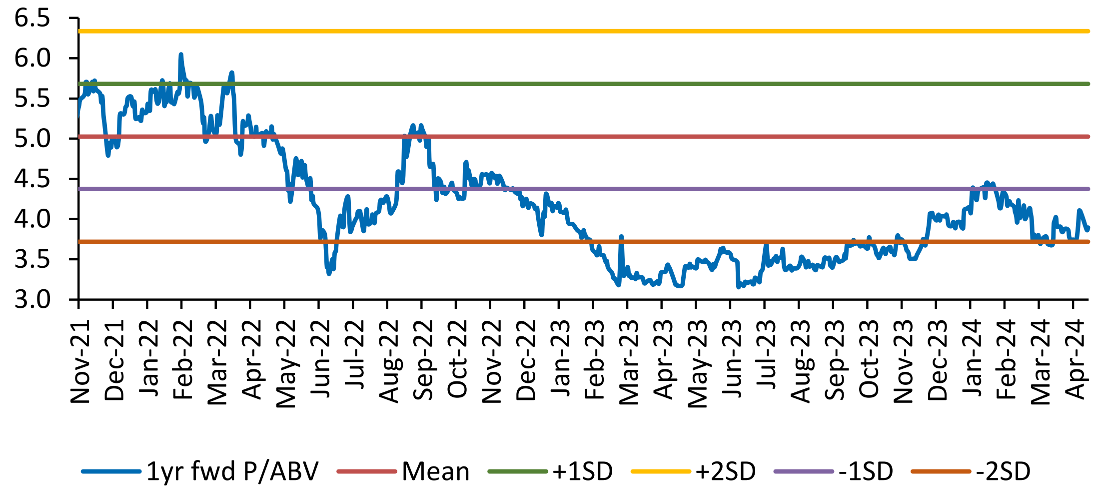
Source: Company, DART

Exhibit 2: Changes in estimates

Particulars (Rs mn)	Previous		Revised		Change %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income	11,788	14,875	11,616	14,644	(1.5)	(1.6)
NIMs (%)	11.1	10.8	11.3	11.1	24 bps	29 bps
Operating Profit	10,246	12,815	10,106	12,678	(1.4)	(1.1)
Provision	349	477	379	511	8.5	7.2
Profit after tax	7,720	9,624	7,490	9,368	(3.0)	(2.7)
Loan Book	112,268	146,065	110,773	142,434	(1.3)	(2.5)
ABVPS	86	100	85	98	(1.5)	(2.0)

Source: Company, DART

Exhibit 3: The stock currently trades at 3.9x 1-year forward P/BV



Source: DART, Company

Quarterly Financials

Profit and Loss (Rs mn)	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Interest Income	3,600	2,906	3,385	23.9	6.4	13,199	10,584	24.7
Interest Expense	1,085	777	985	39.7	10.2	3,879	2,759	40.6
Net Interest Income	**2,514**	**2,130**	**2,400**	**18.1**	**4.8**	**9,320**	**7,825**	**19.1**
NIM (%)	**11.7**	**12.2**	**11.9**	**-52 bps**	**-24 bps**	**11.6**	**12.3**	**-67 bps**
Non-Interest Income	312	178	242	75.6	29.1	932	706	32.1
Total Income	**2,826**	**2,307**	**2,642**	**22.5**	**7.0**	**10,252**	**8,531**	**20.2**
Employee expenses	433	354	382	22.4	13.3	1,745	1,213	43.8
Other Op Exp	149	112	128	33.0	16.4	589	439	34.0
Total Operating Expenses	582	466	510	24.9	14.0	2,333	1,652	41.2
Cost to Income (%)	20.6	20.2	19.3	40 bps	127 bps	22.8	19.4	339 bps
Pre-Provisioning Operating Profit	**2,244**	**1,841**	**2,131**	**21.9**	**5.3**	**7,919**	**6,878**	**15.1**
Provisions	92	78	80	18.6	15.0	232	341	-31.9
PBT	**2,152**	**1,764**	**2,051**	**22.0**	**4.9**	**7,687**	**6,537**	**17.6**
Tax expense	510	411	476	24.1	7.2	1,813	1,507	20.3
-effective tax rate	23.7	23.3	23.2	40 bps	51 bps	23.6	23.1	53 bps
PAT	**1,642**	**1,353**	**1,576**	**21.4**	**4.2**	**5,874**	**5,030**	**16.8**
EPS (Rs)	3.3	2.7	3.2	21.0	4.1	11.8	10.1	16.8
BV (Rs)	75.5	67.1	74.2	12.6	1.8	75.7	67.1	12.8
AUM	87,220	67,380	80,720	29.4	8.1	87,490	67,383	29.8
RoA	7.6	7.7	7.8	-12 bps	-20 bps	7.3	7.8	-7.2
RoE	17.6	16.5	17.4	102 bps	13 bps	16.5	16.1	2.8

Balance Sheet Analysis (Rs mn)	Q4FY24	Q4FY23	Q3FY24	YoY % / bps	QoQ % / bps
LIABILITIES AND EQUITY					
Share capital	998	996	998	0.2	0.0
Reserves & surplus	36,681	32,397	36,016	13.2	1.8
Shareholders' funds	37,679	33,393	37,014	12.8	1.8
Borrowings	51,850	37,861	46,194	36.9	12.2
Other liabilities and provisions	515	507	361	1.5	42.5
TOTAL	**90,044**	**71,761**	**83,569**	**25.5**	**7.7**
ASSETS					
Cash & balance balances	3,502	4,600	3,508	(23.9)	(0.2)
Investments	515	515	-	-	NA
Loans	85,282	65,921	79,292	29.4	7.6
Fixed and other assets	746	725	769	2.9	(3.0)
TOTAL	**90,044**	**71,761**	**83,569**	**25.5**	**7.7**
AUM	**87,220**	**67,380**	**80,720**	**29.4**	**8.1**
Cash as a proportion of total assets (%)	3.9	6.4	4.2	-252 bps	-31 bps
Loans to borrowings (%)	164.5	174.1	171.7	-964 bps	-717 bps
Leverage	2.4	2.1	2.3	24 bps	13 bps

Asset Quality	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ % / bps	YoY % / bps
Gross stage 3	911	777	922	906	957	933	(2.5)	20.1
Gross stage 3 (%)	1.4	1.2	1.29	1.19	1.19	1.07	(12bps)	(8bps)
Net Stage 3	683	583	692	680	718	700	(2.5)	20.1
Net Stage 3 (%)	1.1	0.9	1.0	0.9	0.9	0.8	(9bps)	(6bps)
ECL Provision - Stage 3	228	194	231	227	239	233	(2.5)	20.1
ECL Provision - Stage 3 (%)	25.0	25.0	25.0	25.0	25.0	25.01	0bps	0bps
Overall ECL PCR (%)	1.1	1.1	1.1	1.1	1.06	1.06	0bps	0bps

Loan Book Analysis (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ % / bps	YoY % / bps
HL	37,022	39,080	42,026	44,864	47,625	52,332	9.9	33.9
Quasi HL	9,271	10,107	11,397	12,927	12,915	13,955	8.1	38.1
Insurance loans	1,892	2,021	1,425	1,521	1,614	1,744	8.1	(13.7)
Top-up loans	2,523	2,021	1,425	1,521	1,614	1,744	8.1	(13.7)
Small Business Loans	12,362	14,150	14,958	15,208	16,951	17,444	2.9	23.3
Total Advances	**63,070**	**67,380**	**71,230**	**76,040**	**80,720**	**87,220**	**8.1**	**29.4**

Financial Performance

Profit and Loss Account (Rs Mn)

Particulars	FY23A	FY24A	FY25E	FY26E
Interest Income	10,584	13,199	16,883	21,873
Interest expense	2,759	3,879	5,267	7,229
Net interest income	**7,825**	**9,320**	**11,616**	**14,644**
Other income	706	932	1,176	1,519
Total income	**8,531**	**10,252**	**12,792**	**16,163**
Total expenses	1,652	2,066	2,686	3,485
- Employee cost	1,213	1,533	1,993	2,591
- Other	439	533	693	894
Pre provisioning profit	**6,878**	**8,186**	**10,106**	**12,678**
Provisions	341	255	379	511
Profit before taxes	6,537	7,932	9,727	12,167
Tax provision	1,507	1,813	2,237	2,798
Profit after tax	5,030	6,119	7,490	9,368
Adjusted profit	**5,030**	**6,119**	**7,490**	**9,368**

Balance Sheet (Rs Mn)

Particulars	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	996	998	998	998
Reserves & Surplus	32,397	36,681	42,299	49,325
Net worth	33,393	37,679	43,297	50,323
Borrowings	37,861	51,850	72,071	98,017
Other liabilities & provisions	509	515	1,056	1,363
Total Liabilities	**71,763**	**90,044**	**116,424**	**149,703**
Application of Funds				
Cash and equivalents	4,600	3,502	3,829	4,946
Investments	515	515	882	1,139
Advances	65,923	85,281	110,773	142,434
Fixed assets	153	157	198	249
Other assets	572	589	742	934
Total Assets	**71,763**	**90,044**	**116,424**	**149,703**

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Yield on advances	18.1	17.0	17.0	17.0
Yield on interest earning assets	16.6	16.5	16.5	16.6
Cost of funds	8.5	8.6	8.5	8.5
Spread	9.7	8.4	8.5	8.5
NIM	12.3	11.6	11.3	11.1
(B) Asset quality and capital ratios (%)				
Gross stage 3	1.2	1.1	1.3	1.3
Net stage 3	0.9	0.8	0.9	1.0
CAR	79.4	69.2	55.4	55.4
Tier 1	79.4	69.2	55.4	55.4
RoA	7.8	7.6	7.3	7.0
RoE	16.1	17.2	18.5	20.0
(D) Measures of Investments				
EPS - adjusted	10.1	12.3	15.0	18.8
BV	67.1	75.5	86.8	100.9
DPS	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0
(E) Growth Ratios (%)				
Net interest income	34.2	19.1	24.6	26.1
PPoP	33.7	19.0	23.5	25.4
Adj PAT	35.9	21.6	22.4	25.1
Advances	29.8	29.4	29.9	28.6
Total borrowings	39.2	36.9	39.0	36.0
Total assets	26.3	25.5	29.3	28.6
(F) Valuation Ratios				
Market Cap (Rs. mn)	163,996	163,996	163,996	163,996
CMP (Rs.)	329	329	329	329
P/E (x)	32.5	26.8	21.9	17.5
P/BV (x)	4.9	4.4	3.8	3.3
Div Yield (%)	0.0	0.0	0.0	0.0

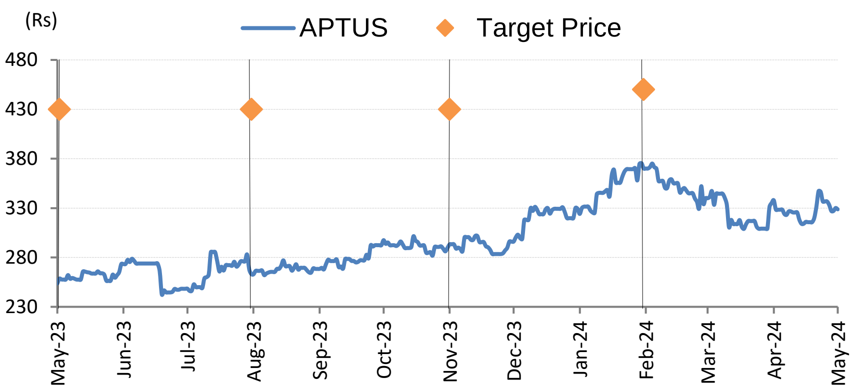
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-23	BUY	430	259
Aug-23	BUY	430	263
Nov-23	BUY	430	293
Feb-24	BUY	450	370

**Price as on recommendation date*

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