



### Inline Quarter; Growth Visibility Remains Strong!

Est. Vs. Actual for Q4FY24: NII –**INLINE**; PPOP – **INLINE**; PAT – **INLINE**  
 Changes in Estimates post Q4FY24

FY25E/FY26E: NII: +1.5%/+4.2%; PPOP: +2.2%/+4.5%; PAT: +2.0%/+4.0%

#### Recommendation Rationale

- **Eyeing to grow AUM at ~30%**– Aptus' disbursements in the key state of Tamil Nadu (TN) have bounced back to normal. Q1FY25 onwards, the management expects the AUM growth in TN to normalise and register a strong growth of 20-25%. Aptus aspires to grow its AUM at 30% over the foreseeable future, supported by strong growth in the affordable housing segment, especially in Tier III/IV cities, where Aptus has a dominant presence and government initiatives. This growth will be driven by (a) Branch network expansion, (b) Improving branch productivity (increasing the file/credit officer/month) and (c) Increasing ticket size of home and small business loans, with the AUM mix largely remaining unchanged. We expect Aptus to deliver a ~28% CAGR AUM growth over FY24-26E.
- **Growing geographic footprint** – Aptus intends to add 35-40 branches in FY25, with judiciously expanding its presence in Odisha (OD, ~3 branches) and Maharashtra (MH, ~4 branches). The management believes that both the growth potential and credit culture in Southern India are favourable and will look to further deepen its presence in Telangana (TL) and Karnataka (KA). While TN and AP will continue to contribute healthily to growth, TL and KA will remain key growth contributors.
- **Spreads likely to be maintained at current levels** – The management remains confident of maintaining spreads at current levels. While lending yields are unlikely to expand, the management believes that CoF is likely to have peaked out. The company has also been re-negotiating rates with lenders and has not seen any increase in the incremental CoF. However, NIMs will continue to contract with leverage continuing to increase. Aptus would look at maintaining 1-1.5 months of disbursements as liquidity to avoid any drag on NIMs. In a rate-cut scenario, Aptus will benefit given the higher share of fixed-rate loans in the portfolio.

#### Sector Outlook: Positive

**Company Outlook:** Sharp business focus, gradually improving distribution network and geographic footprint, and a customer-centric approach along with appropriate tech support have enabled Aptus to deliver healthy performance. With tailwinds supporting growth, we expect the company to continue delivering a robust AUM growth of ~28% CAGR over FY24-26E, driven by home loans and small business loans. While margins will continue to contract, a controlled cost structure and stable credit costs will continue to enable Aptus to deliver best-in-class RoA/RoE of 7.2-7.4%/18-20%.

**Current Valuation:** 4.2x Sep'25E ABV; **Earlier Valuation:** 4.5x Sep'25E ABV

**Current TP:** Rs 400/share; **Earlier TP:** Rs 425/share

**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Alternate BUY Ideas from our Sector Coverage**

Can Fin Homes (TP – Rs 840)

#### Financial Performance:

- **Operational Performance:** Disbursements picked up momentum and registered a strong growth of 45/26% YoY/QoQ. AUM growth of 29/4% YoY/QoQ was driven by Home loans (+25/6% YoY/QoQ) and Small Business Loans (+101/14% YoY/QoQ).
- **Financial Performance:** NII grew by 18/5% YoY/QoQ. Yields improved by 14bps QoQ, while CoF inched up by 9bps. Spreads expanded by 5bps QoQ. NIMs stood at 13.45% vs 13.4% QoQ. The company did not add any new branches in Q4FY24. Opex grew by 25/14% YoY/QoQ, led by higher employee expenses. Thus, C-I Ratio inched up to 20.6% vs. 20.2/19.2% YoY/QoQ. PPOP grew by 22/4% YoY/QoQ. Credit costs stood at 49bps vs. 50bps QoQ. PAT grew by 21/4% YoY/QoQ. RoA/RoE continues to remain best-in-class at 8.0/17.3%.
- **Asset quality** improved with GNPA/NNPA at 1.1/0.8% vs. 1.2/0.9% QoQ. Collection Efficiency (CE) also improved to 100.2% vs. 99.7% QoQ. 30+dpd book tapered to 5.4% vs. 6% QoQ, at a multi-quarter low.

#### Outlook:

With immense growth opportunities in the core markets and ramp-up of business in new geographies, Aptus remains well-placed to deliver strong growth. With expectations of healthy growth and stable spreads, we revise our NII/Earnings estimates marginally upwards by 1-4%/2-4% over FY24-26E.

#### Valuation & Recommendation:

**We reiterate our BUY recommendation on the stock.** The stock currently trades at 3.4x Sep'25E ABV and we value Aptus at 4.2x FY25E ABV to arrive at a target price of Rs 400/share, implying an upside of 24% from the CMP.

#### Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	251	+4.8	+18.1	255	-1.3
PPOP	224	+4.3	+21.9	223	+0.6
Net Profit	164	+4.1	+21.2	165	-0.8
NNPA (%)	0.8	-9 bps	-6 bps	0.8	-4 bps
RoA (%)	8.0	-6 bps	+44 bps	8.0	-

Source: Company, Axis Research

(CMP as of 06 May, 2024)

CMP (Rs)	324
Upside /Downside (%)	24%
High/Low (Rs)	388/239
Market cap (Cr)	16,140
Avg. daily vol. (6m) Shrs.	8,38,528
No. of shares (Cr)	49.9

#### Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	62.1	62.1	61.1
FIIIs	14.8	15.4	19.6
MFs / UTI	1.4	4.1	4.1
Others	21.7	18.4	15.2

#### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
NII	932	1,177	1,499
PPOP	822	1,035	1,302
Net Profit	612	765	967
EPS (Rs)	12.3	15.3	19.4
ABV (Rs)	74.1	86.8	102.9
P/ABV (x)	4.4	3.7	3.1
RoA (%)	7.6	7.4	7.2
NNPA (%)	0.8	0.8	0.8

#### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
NII	+1.5	+4.2
PPOP	+2.2	+4.5
PAT	+2.0	+4.0

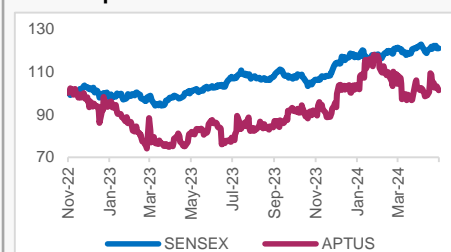
#### ESG disclosure Score\*\*

Environmental Disclosure	N.A
Social Disclosure Score	N.A
Governance Disclosure	N.A
<b>Total ESG Disclosure</b>	<b>N.A</b>
Sector Average	<b>38.9</b>

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

#### Relative performance



Source: AceEquity, Axis Securities

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## Key Risks to our Estimates and TP

- The key risk to our estimates remains a slowdown in overall disbursement and AUM growth which could potentially derail our earnings estimates.
- Increase in BT-Out rates, which are currently at manageable levels of 2.5%.

## Change in Estimates

	Revised		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	1,177	1,499	1,160	1,438	1.5	4.2
PBP	1,035	1,302	1,012	1,246	2.2	4.5
PAT	765	967	750	930	2.0	4.0

Source: Company, Axis Securities

## Results Review (Consolidated)

	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Net Interest Income	251	213	18.1	240	4.8	932	782	19.1
Non-Interest Income	31	18	75.6	26	19.1	95	71	35.0
Operating expenses	58	47	24.9	51	14.0	207	165	25.1
Staff Cost	43	35	22.4	37	18.1	152	121	25.1
Pre provision profits	224	184	21.9	215	4.3	821	688	19.3
Provisions and contingencies	9	8	21.3	10	-6.0	27	34	-19.5
PBT	215	176	21.9	205	4.8	793	654	21.3
Provision for Tax	51	41	24.1	48	7.2	181	151	20.3
PAT	164	135	21.2	158	4.1	612	503	21.6
<b>Business Update</b>								
Disbursements	968	668	44.9	768	26.0	3,127	2,402	30.2
AUM	8,722	6,738	29.4	8,072	8.1	8,722	6,738	29.4
Cost-Income ratio (%)	20.6%	20.2%	40bps	19.2%	141bps	20.1%	19.3%	80bps
Yield on Advances	17.4%	17.0%	35bps	17.2%	14bps	17.2%	16.9%	33bps
Cost of Funds (%)	8.6%	8.1%	54bps	8.6%	9bps	8.5%	7.8%	63bps
NIMs (%)	8.7%	8.9%	-19bps	8.7%	5bps	8.8%	9.1%	-30bps
<b>Asset Quality</b>								
Gross NPA (%)								
Net NPA (%)	1.1%	1.2%	-8bps	1.2%	-12bps	1.1%	1.2%	-8bps
PCR (%)	0.8%	0.9%	-6bps	0.9%	-9bps	0.8%	0.9%	-6bps

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net Interest Income	782	932	1,177	1,499
Non-Interest Income	71	97	123	144
<b>Total Income</b>	<b>853</b>	<b>1,029</b>	<b>1,300</b>	<b>1,644</b>
Operating Expenses	165	207	266	342
<b>Pre-Provision Profits</b>	<b>688</b>	<b>822</b>	<b>1,035</b>	<b>1,302</b>
Provisions	34	29	43	55
<b>PBT</b>	<b>654</b>	<b>793</b>	<b>992</b>	<b>1,247</b>
Tax	151	181	227	280
<b>Profit After Tax</b>	<b>503</b>	<b>612</b>	<b>765</b>	<b>967</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Equity Share Capital	100	100	100	100
Reserves & Surplus	3,240	3,668	4,319	5,141
<b>Net Worth</b>	<b>3,339</b>	<b>3,768</b>	<b>4,418</b>	<b>5,241</b>
Borrowings	<b>3,796</b>	<b>5,200</b>	<b>7,206</b>	<b>9,688</b>
Other Liabilities	41	37	48	61
<b>Total Liabilities</b>	<b>7,176</b>	<b>9,004</b>	<b>11,672</b>	<b>14,990</b>
Cash & Bank balances	460	350	453	581
Investments	51	51	100	128
Loans	6,592	8,528	11,023	14,156
Fixed Assets & Others	72	75	97	124
<b>Total Assets</b>	<b>7,176</b>	<b>9,004</b>	<b>11,672</b>	<b>14,990</b>

Source: Company, Axis Securities

**Ratio Analysis**
**(%)**

Y/E March	FY23	FY24E	FY25E	FY26E
<b>Asset Quality</b>				
GNPA	60.6	93.3	114.8	142.5
NNPA	44.9	70.0	86.1	106.9
GNPA Ratio	1.2	1.1	1.0	1.0
NNPA Ratio	0.8	0.8	0.8	0.8
PCR	25.8	25.0	25.0	25.0
<b>Profitability &amp; Efficiency Ratios</b>				
Net Interest Margin (%) – (on. Avg on-book AUMs)	13.4	12.3	12.0	11.9
RoA	7.8	7.6	7.4	7.2
RoE	15.4	16.5	17.9	20.0
Cost to Income	19.4	20.1	20.4	20.8
CRAR (%)	77.4	67.5	59.5	53.9
<b>Valuation</b>				
BVPS	67.1	75.5	88.6	105.0
Price-BV (x)	4.8	4.3	3.7	3.1
Adj. BVPS	66.1	74.1	86.8	102.9
Price-ABV (x)	4.9	4.4	3.7	3.1
EPS	10.1	12.3	15.3	19.4
<i>Change</i>	35.6	21.4	25.1	26.4
Price-Earnings (x)	32.0	26.4	21.1	16.7
<b>DuPont Analysis – RoE Tree (%)</b>				
NII	12.2	11.5	11.4	11.2
Non-Interest Income	1.1	1.2	1.2	1.2
Opex	2.6	2.6	2.6	2.6
Provisions	0.5	0.4	0.4	0.4
Tax	2.3	2.2	2.2	2.1
RoA	7.8	7.6	7.4	7.2
Leverage	2.1	2.3	2.5	2.8
RoE	16.1	17.2	18.7	19.9

Source: Company, Axis Securities

## Aptus Value Housing Finance Price Chart and Recommendation History



Date	Reco	TP	Research
28-Mar-22	BUY	400	Initiating Coverage
10-May-22	BUY	410	Result Update
10-Aug-22	BUY	350	Result Update
12-Oct-22	BUY	350	Diwali Picks
10-Nov-22	BUY	370	Result Update
06-Feb-23	BUY	360	Result Update
08-May-23	BUY	320	Result Update
03-Aug-23	BUY	330	Result Update
06-Nov-23	BUY	350	Result Update
05-Feb-24	BUY	450	Result Update
07-May-24	BUY	400	Result Update

Source: Axis Securities

**About the Analyst**

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**Sector:** BFSI

**Analyst Bio:** Dnyanada Vaidya is MMS (Finance) with over 6 years of research experience in the Banking/NBFC sector.

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**Sector:** BFSI

**Analyst Bio:** Prathamesh Sawant is MBA (Finance) and CFA Charter holder with over 7 years of experience in Equity Research & Valuation.

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<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
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