


Strong Growth Delivery to Continue; Maintain BUY!
Est. Vs. Actual for Q2FY25: NII – **INLINE**; PPOP – **BEAT**; PAT – **BEAT**
Changes in Estimates post Q2FY25
FY25E/FY26E/FY27E (in %): NII: -2.2/-0.9/+0.9; PPOP: -2.4/-0.7/+1.6; PAT: -2.4/-0.8/+1.6

Recommendation Rationale

- **Strong growth runway:** Aptus' strong presence in the under-penetrated Tier II/III/IV cities offers the company a strong growth runaway while maintaining strong asset quality and profitability. Thus, the management remains confident of delivering a strong AUM growth of 30% CAGR over at least the next 3 years. The company has addressed the staff-related issues in the key state of Tamil Nadu (TN) and expects the growth momentum to accelerate going into H2FY25. In the newer states of Maharashtra (MH) and Odisha (OD), Aptus continues to witness healthy demand trends and will continue to scale up its portfolio in these states. **We expect Aptus to deliver a robust ~29% CAGR AUM Growth driven by (i) deepening presence in existing geographies, (ii) foraying into newer geographies and (iii) branch expansion.** AUM growth will be largely driven by SBL and Home Loans.
- **NIMs to find support in a rate-cut cycle:** A bulk (~80%) of Aptus' portfolio is fixed rate and will stand to benefit in a rate-cut cycle. The company has been diversifying its borrowings mix which is currently dominated by bank borrowings (59% mix), NHB borrowings (19% mix), NCDs (9% mix), and the balance being securitized. Of the bank borrowings ~52% are either EBLR or MCLR linked and should see a gradual downward repricing as and when the rate cut cycle begins. The management remains confident of maintaining spreads at current levels (~8.7%). We believe NIMs could improve marginally over FY26-27E and range between (calc.) 11.6-11.8% over FY25-27E.
- **Asset quality improvement to continue:** Aptus' management remains confident of maintaining the pace of improvement in collection efficiency (CE), resulting in the 30+ dpd pool tapering. Asset quality continues to remain healthy in both the home and non-home segments. Additionally, the company's customers have no overlap with any MFI customers. The management has continued to hold on to its earlier guidance of maintaining ECL provision to AUM of ~1-1.05% alongside a management overlay of Rs 45 Cr, with no plans to increase the overlay. We expect credit costs to remain steady at ~30-35bps over FY25-27E.

Sector Outlook: Positive

Company Outlook: Aptus' management intends to accelerate the pace of disbursements in H2FY25 as it intends to clock an AUM growth of ~30% in FY25. The management has clearly outlined that the company remains well-placed on regulatory compliances across parameters in an environment wherein the regulator has been tightening the noose around lenders for non-compliance with regulations. We believe strong growth, improved outlook on NIMs in a rate-cut scenario, lean cost structure with minimal scope of improvement and steady credit costs should enable Aptus to sustain its best-in-class RoA/RoE delivery of 7.1-7.2%/18-22% over FY25-27E.

Current Valuation: 3.6x Sep'26E ABV; Earlier Valuation: 3.8x FY26E ABV
Current TP: Rs 400/share; Earlier TP: Rs 385/share
Recommendation: We maintain our **BUY** recommendation on the stock.

Alternate BUY Ideas from our Sector Coverage
Can Fin Homes (TP – Rs 1,000)
Financial Performance:

- **Operational Performance:** Disbursements growth improved sequentially growing at 26/39% YoY/QoQ. This translated into a healthy AUM growth of 27/7% YoY/QoQ. AUM growth (consol.) was driven by robust growth in the SBL segment (+57/13% YoY/QoQ) and Home Loans (24/5% YoY/QoQ). The share of home loans in the standalone book stood at ~70%, flat QoQ.
- **Financial Performance:** NII grew by 21/6% YoY/QoQ. NIMs (calc.) improved by 17bps QoQ and stood at 12.4% vs. 12.2% QoQ. Non-interest income grew by 1/10% YoY/QoQ. Opex grew by 19/20% YoY/QoQ. The C-I Ratio inched up to 21.4% vs. 21.2/19.2% YoY/QoQ. The company added 24 branches during the quarter (in Telangana and Andhra Pradesh) taking the branch count to 291. PPOP grew by 26/9% YoY/QoQ. Credit costs (calc.) inched up QoQ and stood at 41bps vs 30/16bps YoY/QoQ. PAT growth was healthy was 23/6% YoY/QoQ.
- **Asset quality:** Collection Efficiency (CE) improved to 99.3% vs 99.2% QoQ. 30+ dpd dropped marginally to 6.2% vs 6.3% QoQ. Asset Quality improved marginally with GNPA/NNPA at 1.25/0.94% 1.3/0.98% QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	277	+6.2	+21.3	275	+0.8
PPOP	246	+9.3	+26.2	230	+7.1
Net Profit	182	+6.0	+22.9	173	+5.0
NNPA (%)	0.9	-4 bps	+5 bps	0.9	+3 bps
RoA (%)	7.4	-6 bps	-26 bps	7.1	+27 bps

Source: Company, Axis Securities Research

 (CMP as of 06th November, 2024)

CMP (Rs)	341
Upside/Downside (%)	17%
High/Low (Rs)	402/279
Market cap (Cr)	17,041
Avg. daily vol. (6m) Shrs.	14,31,867
No. of shares (Cr)	50.0

Shareholding (%)

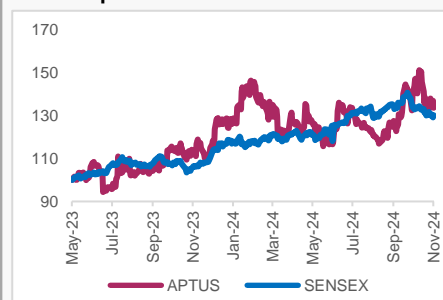
	Mar-24	Jun-24	Sep-24
Promoter	61.1	54.1	53.9
FIIs	19.6	22.8	22.5
MFs / UTI	4.1	8.1	8.4
Others	15.2	15.0	15.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
NII	1,138	1,474	1,924
PPOP	989	1,278	1,665
Net Profit	741	962	1,254
EPS (Rs)	14.9	19.3	25.1
ABV (Rs)	86.0	101.0	120.6
P/ABV (x)	4.0	3.4	2.8
RoA (%)	7.1	7.1	7.2
NNPA (%)	0.8	0.8	0.8

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
NII	-2.2	-0.9	+0.9
PPOP	-2.4	-0.7	+1.6
PAT	-2.4	-0.8	+1.6

Relative performance


Source: Ace Equity, Axis Securities Research

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Outlook

We continue to remain positive on Aptus' growth prospects and strong underwriting capabilities driving healthy asset quality outcomes. We tweak our estimates marginally to account for strong AUM growth and improved outlook on margins over FY26-27E. We expect Aptus to deliver a healthy AUM/NII/Earnings growth of 29/27/27% CAGR over FY24-27E.

Valuation & Recommendation:

We reiterate our **BUY recommendation on the stock**. The stock currently trades at 3.1x Sep'26E ABV and we value Aptus at 3.6x Sep'26E ABV to arrive at a target price of Rs 400/share, implying an upside of 17% from the CMP. We believe current valuations are attractive for the strong RoA/RoE delivery.

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

Change in Estimates

(Rs Cr)	Revised			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	1,138	1,474	1,924	1,163	1,487	1,907	-2.2	-0.9	0.9
PBP	989	1,278	1,665	1,013	1,287	1,639	-2.4	-0.7	1.6
Provisions	29	37	48	29	37	48	0.0	0.3	1.1
PAT	741	962	1,254	760	969	1,234	-2.4	-0.8	1.6

Source: Company, Axis Securities Research

Results Review (Consolidated)

	Q2FY25	Q2FY24	% YoY	Q1FY25	% QoQ	H1FY25	H1FY24	% YoY
Net Interest Income	277	228	21.3	261	6.2	538	441	22.2
Non-Interest Income	30	20	53.2	24	28.4	54	38	42.6
Operating expenses	61	53	15.4	59	3.1	121	97	24.1
Staff Cost	44	39	10.6	43	0.4	87	72	21.1
Pre provision profits	246	195	26.2	225	9.3	472	381	23.7
Provisions and contingencies	10	6	71.0	4	160.9	13	8	63.4
PBT	237	190	24.9	222	6.8	458	373	22.9
Provision for Tax	55	42	31.8	50	9.8	105	83	26.5
PAT	182	148	22.9	172	6.0	354	290	21.9
Business Update								
Disbursements	935	745	25.5	675	38.5	1,610	1,391	15.7
AUM	9,679	7,604	27.3	9,072	6.7	9,679	7,604	27.3
Cost-Income ratio (%)	19.9%	21.4%	-147bps	20.9%	-94bps	20.4%	20.3%	10bps
Yield on Advances	17.4%	17.2%	18bps	17.4%	2bps	17.4%	17.2%	20bps
Cost of Funds (%)	8.7%	8.4%	27bps	8.6%	4bps	8.7%	8.4%	31bps
NIMs (%)	0.0%	8.8%	-879bps	8.7%	-872bps	8.7%	8.8%	-10bps
Asset Quality								
Gross NPA (%)	1.3%	1.2%	6bps	1.3%	-5bps	1.3%	1.2%	6bps
Net NPA (%)	0.9%	0.9%	5bps	1.0%	-4bps	0.9%	0.9%	5bps
PCR (%)	25%	25%	-20bps	25%	-20bps	25%	25%	-20bps

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Interest Income	932	1,138	1,474	1,924
Non-Interest Income	97	113	138	169
Total Income	1,029	1,251	1,612	2,093
Operating Expenses	207	261	334	428
Pre-Provision Profits	822	989	1,278	1,665
Provisions	29	29	37	48
PBT	793	961	1,240	1,617
Tax	181	220	278	363
Profit After Tax	612	741	962	1,254

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25E	FY26E	FY27E
Equity Share Capital	100	100	100	100
Reserves & Surplus	3,668	4,261	5,030	6,034
Net Worth	3,768	4,361	5,130	6,133
Borrowings	5,200	7,319	9,901	13,216
Other Liabilities	37	48	62	80
Total Liabilities	9,004	11,728	15,093	19,429
Cash & Bank balances	350	497	605	735
Investments	51	111	143	184
Loans	8,528	11,023	14,220	18,349
Fixed Assets & Others	75	97	125	161
Total Assets	9,004	11,728	15,093	19,429

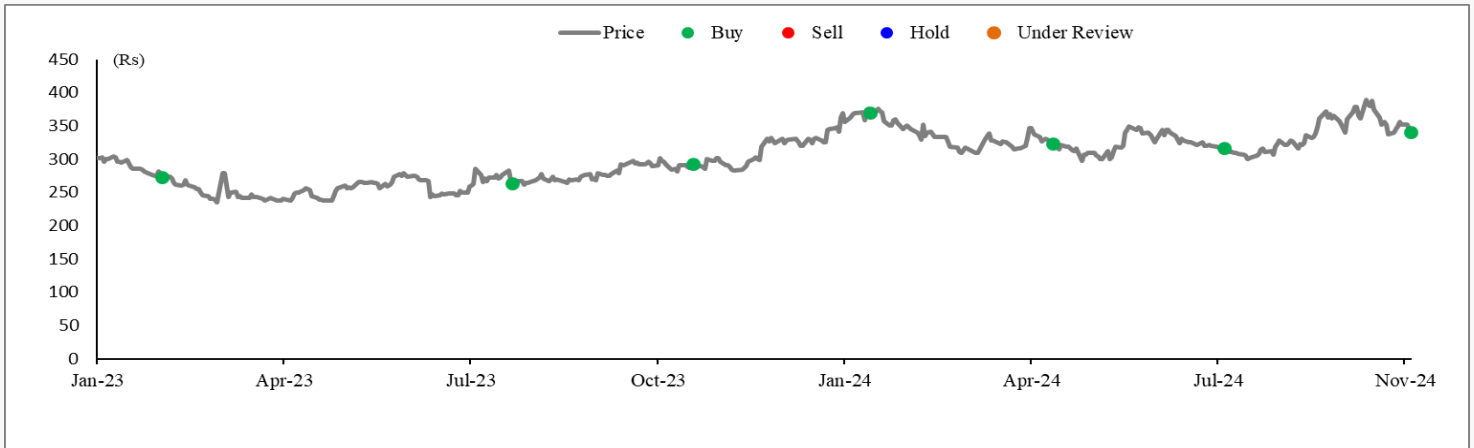
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25E	FY26E	FY27E
Asset Quality				
GNPA	72.1	93.6	121.4	157.1
NNPA	53.5	69.5	90.0	117.0
GNPA Ratio	1.1	1.1	1.1	1.1
NNPA Ratio	0.8	0.8	0.8	0.8
PCR	25.8	25.8	25.8	25.5
Profitability & Efficiency Ratios				
Net Interest Margin (%) – (on. Avg on-book AUMs)	12.3	11.6	11.7	11.8
RoA	7.6	7.1	7.1	7.2
RoE	16.5	17.4	20.3	22.3
Cost to Income	20.1	20.9	20.7	20.5
CRAR (%)	73.0	67.4	60.1	54.3
Valuation				
EPS	12.3	14.9	19.3	25.1
Change (%)	21.4	21.1	29.8	30.4
BVPS (Rs)	75.5	87.4	102.8	122.9
Adj. BVPS (Rs)	74.4	86.0	101.0	120.6
P/E (x)	27.8	23.0	17.7	13.6
P/ABV (x)	4.6	4.0	3.4	2.8
P/BV (x)	4.5	3.9	3.3	2.8
Dividend Per Share (Rs)	4.0	3.0	3.9	5.0
Dividend Yield (%)	1.2	0.9	1.1	1.5
DuPont Analysis – RoE Tree (%)				
NII	11.5	11.0	11.0	11.1
Non-Interest Income	1.2	1.1	1.0	1.0
Total Income	12.7	12.1	12.0	12.1
Opex	2.6	2.5	2.5	2.5
PPOP	10.2	9.5	9.5	9.6
Provisions	0.4	0.3	0.3	0.3
PBT	9.8	9.3	9.2	9.4
Tax	2.2	2.1	2.1	2.2
RoA	7.6	7.1	7.1	7.2
Leverage (x)	2.3	2.6	2.8	3.1
RoE	17.2	18.2	20.1	22.1

Source: Company, Axis Securities Research

Aptus Value Housing Finance Price Chart and Recommendation History



Date	Reco	TP	Research
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
05-Aug-24	BUY	385	Result Update
07-Nov-24	BUY	400	Result Update

Source: Axis Securities Research

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