



Aptus Value Housing Finance India Ltd

NOT RATED

Issue Details

Listing	BSE & NSE
Open Date	10th Aug, 2021
Close Date	12th Aug, 2021
Price Band	Rs.346-353
Market Lot	42 shares
Minimum Lot	1 Lot

Issue Structure

Offer for sale	82.0%
Fresh Issue	18.0%
Issue Size	Rs.2,780 cr
Total shares in cr	7.88
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

Shareholding Pattern

	Pre (%)	Post(%)
Promoters	74.9	72.2
Public	25.1	27.8

Aptus Value Housing Finance India Ltd (Aptus) is primarily a retail focused housing finance company serving low and middle income self-employed rural and semi-urban customers. As per CRISIL, Aptus is one of the largest housing finance companies in south India in terms of AUM, as of FY21. The company's AUM has increased at a CAGR of 34.5% from ₹2,247.2 cr in FY19 to ₹4,067.8 cr in FY21.

Aptus offers customers home loans for the purchase and self-construction of residential property, home improvement and extension loans. The company does not provide any loans to builders or for commercial real estate. It normally targets first time home buyers where the collateral is a self-occupied residential property. The company does not provide any loans with a ticket size above ₹25 lakhs and the average ticket size of home loans, loans against property and business loans on the basis of disbursement amounts was ₹7.2 lakhs, ₹7.1 lakhs and ₹6.2 lakhs as of FY21, respectively.

Over FY19-21, Aptus's NII/operating profit/PAT grew at a CAGR of 43.9%/ 51.0% / 54.7% to Rs.430.1 cr / Rs.350.9 cr / Rs.266.9 cr, respectively. Its FY21 calculated NIM stood at 10.5% with average yield at 15.5%. The FY21 GNPA stood at 0.69% (+29bps over FY19) while NNPA stood at 0.49% (+19 bps over FY19). Going forward, we expect Aptus' AUM to grow at a 29.7% CAGR over FY21-24E while NII/operating profit/PAT is expected to grow at a CAGR of 22.5%/ 24.1% / 23.5% to Rs. 790.9 cr / Rs.671.5 cr / Rs.502.3 cr, respectively. We expect asset quality to be more or less stable with FY24 GNPA and NNPA at 0.9% & 0.7% of loan book respectively.

Valuation

At the upper band of Rs 353, the company is valued at 8.6x FY21 P/BV.

Key Financials (in ₹ crores)

	NII	PPOP	Net Profit	Avg Yield (%)	NIM (%)	Ad EPS ₹	BV ₹	RoAE (%)	RoAA (%)	P/E (x)	P/BV (x)
FY20	315.8	250.7	211.0	16.6	10.4	4.4	35.7	17.5	6.9	80.2	9.9
FY21	430.1	350.9	266.9	15.5	10.5	5.5	41.1	14.5	6.5	63.7	8.6
FY22E	540.8	449.4	341.2	15.0	10.4	6.9	56.9	14.2	6.4	51.3	6.2
FY23E	666.1	561.9	426.1	14.8	9.9	8.6	65.5	14.0	6.2	41.1	5.4
FY24E	790.9	671.5	502.3	14.5	9.2	10.1	75.7	14.4	5.7	34.8	4.7

PE, P/BV are calculated at upper price band

❖ Key highlights

Strong market share in Southern India offers high growth potential

As per Crisil, Aptus is one of the largest housing finance companies in south India in terms of AUM as of FY21. The company's AUM has grown at a CAGR of 34.5% from ₹2,247.2 cr as of FY19 to ₹4,067.7 cr as of FY21. The AUM is purely from 4 southern states of India- Tamil Nadu, Andhra Pradesh, Karnataka and Telangana with CY20 market share of 21.3%/11.7%/7.7% /6.5% respectively. As on FY21, Aptus has a network of 190 branches covering 75 districts and the company has the largest branch network in South India.

The four Southern states have better per-capita income, financial literacy and GDP growth rates as compared to the national average.

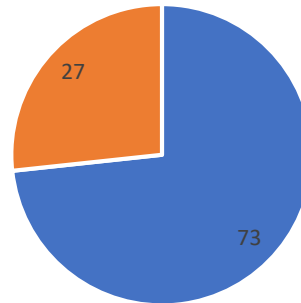
Robust risk management helped achieve superior asset quality

Aptus has implemented a robust risk management architecture to identify, monitor and mitigate risks inherent in lending operations. The company has maintained asset quality across economic cycles including events such as demonetization, the implementation of GST, the liquidity crisis triggered by defaults by large financial services companies and the COVID-19 pandemic.

A large part of the success is due to the fact that Aptus finances only retail customers for the purchase and self-construction of residential property, home improvement and extension loans, loans against property and business loans, where almost all the collateral for loans are self-occupied homes. Aptus does not provide any loans to builders or for commercial real estate.

As on FY21, Aptus' gross NPAs stood at 0.7% as compared to 1.0% for Aavas, 1.1% for Aadhar and 1.8% for Home First while Net NPAs were 0.5%. Also, the company has not restructured any loans or written-off any loans receivable since the inception.

FY21 AUM %



■ Self-employed customers ■ Salaried customers

Source: RHP, Ventura Research

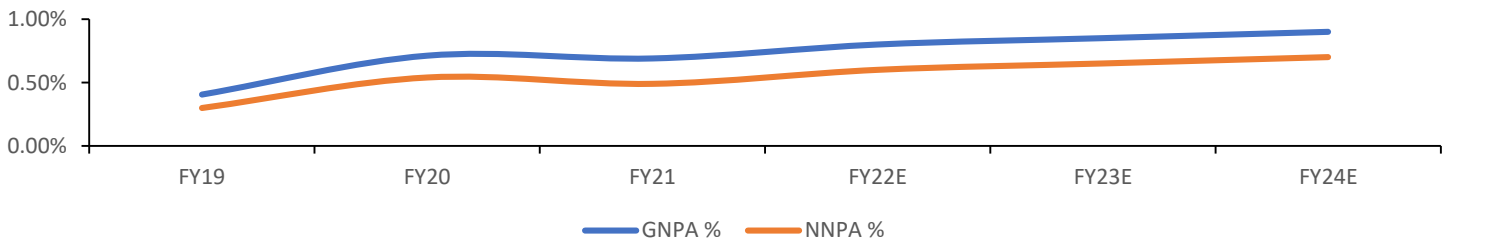
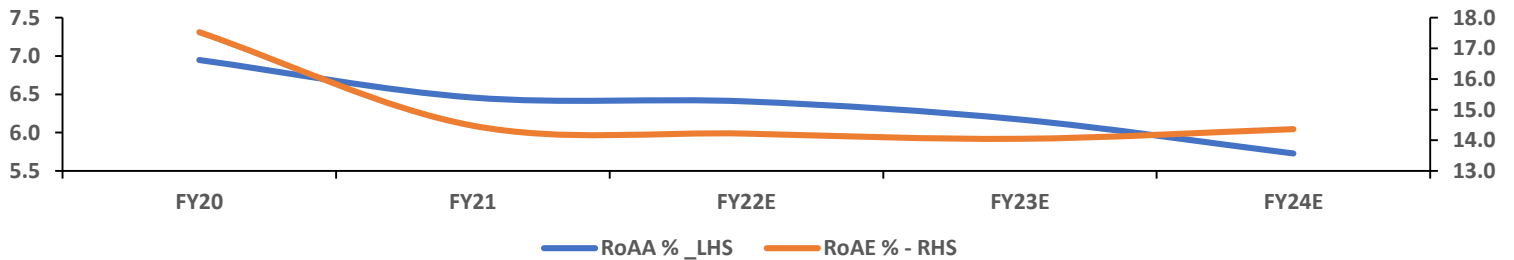
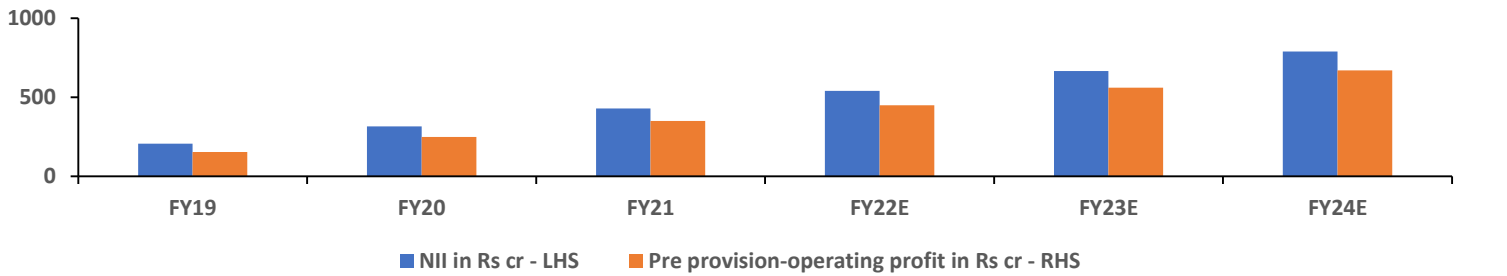
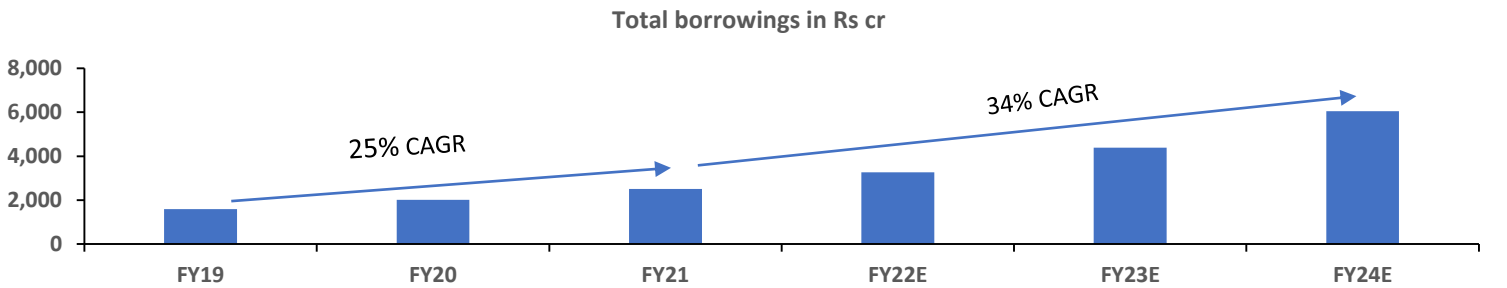
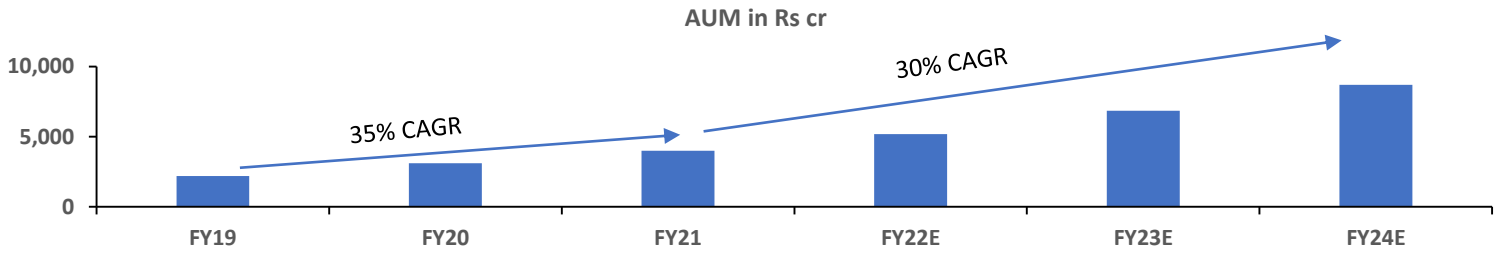
In-house operations leading to desired business outcomes

Aptus conducts all aspects of lending operations in-house including sourcing, underwriting, valuation and legal assessment of collateral and collections, which enables the company to maintain direct contact with customers, reduce turn-around-times and risk of fraud.

Aptus sources customers directly through its captive sales team comprising of 1,085 personnel as of FY21. A direct sourcing model has helped the company to maintain contact with its customers and establish strong relationships with them which leads to high customer referrals & loyalty. It also helps mitigate underwriting and default risks by enabling Aptus to have a customer base with a better credit profile.

Aptus' in-house sourcing model helps it to make a better credit evaluation of customers on a wide range of parameters after collating all customer information in its database. The credit team then spends considerable time understanding the formal and informal income sources of customers as well as that of their family members, savings capacity and repayment track record by visiting customers' residences and places of business and gathering detailed information about customers from their neighbourhoods to enable it to make informed decisions while approving loans. As of FY21, Aptus' legal and technical team comprised over 206 personnel.

Aptus story in charts



Source: RHP and Ventura Research

❖ Key risk and concern areas

Intense competition in the industry

The housing finance industry in India is highly competitive. Aptus has competition from other HFCs, NBFCs, small finance banks, as well as scheduled commercial banks. Aptus generally competes on the basis of the range of product offerings, reach of branches, turnaround time, etc.

The company's primary competitors include Aadhar Housing Finance Limited, Home First Finance Company India Limited, Cholamandalam Investment and Finance Company Limited, Shriram City Union Finance Limited, Shriram Housing Finance Limited, Repco Home Finance Limited, HDB Financial Services Limited, Vistaar Financial Services Private Limited and several small finance banks.

Loan book quality can get affected again in case the 3rd COVID wave comes

While the company has been able to ride the 1st and 2nd COVID waves successfully, the 3rd wave still remains a concern and can have an effect on the quality of the book.

❖ Issue Structure and Offer Details

The proposed issue size of Aptus is ~Rs.2,780 cr consisting of Rs 500 cr as fresh issue while the rest is offer for sale. The price band for the issue is in the range of Rs.346-353 and the bid lot is 42 shares and multiples thereof.

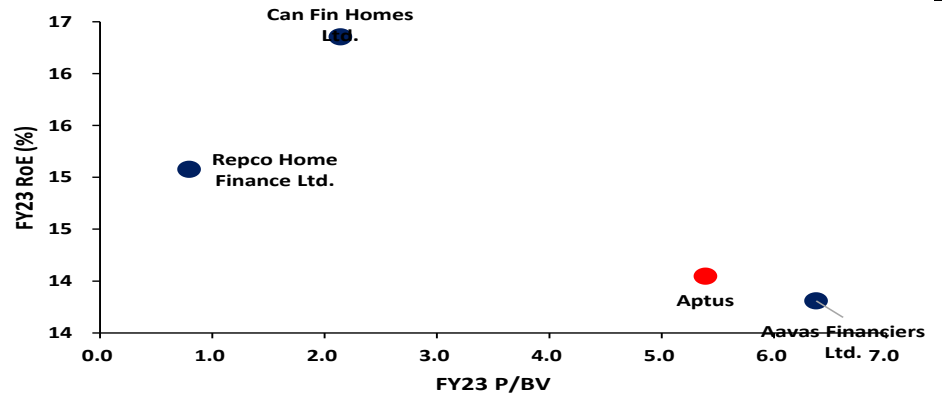
Issue Structure at upper price band		
Category	No. of shares offered	No of shares Offered
QIB	Not more than 3,93,77,500	Not more than 50% of public issue
Non-Institutional Bidders	Atleast 1,18,13,250	Atleast 15% of public issue
Retail	Atleast 2,75,64,250	Atleast 35% of public issue

* No of shares based on higher price band of Rs.353

Source: Company Reports & SEBI

Shareholding Pattern		
Category	Pre-issue	Post-issue
Promoters	74.9%	72.2%
Public	25.1%	27.8%

Source: Company Reports and SEBI

Aptus valuation as compared to peers


Source: RHP, Ventura Research

Peer Comparison

Particulars	Revenue	Net Profit	EPS ₹	BVPS ₹	RoE (%)	P/E	P/B
Aptus (CMP: Rs.353 Mkt Cap: Rs.17494 cr)							
FY20	500	211	4	36	18	80.2	9.9
FY21	637	267	6	41	14	63.7	8.6
FY22	792	341	7	57	14	51.3	6.2
FY23	1,010	426	9	66	14	41.1	5.4
FY24	1,260	502	10	76	14	34.8	4.7
Can Fin Homes Ltd. (CMP: Rs.569 Mkt Cap: Rs.7576 cr)							
FY20	686	376	28.3	161.5	18.8	20.1	3.5
FY21	816	454	34.1	195.3	17.5	16.7	2.9
FY22	816	483	36.3	228.0	15.9	15.7	2.5
FY23	960	579	43.5	266.0	16.4	13.1	2.1
FY24	1,025	605	45.4	309.4	14.7	12.5	1.8
Repco Home Finance Ltd. (CMP: Rs.331.6 Mkt Cap: Rs.2074 cr)							
FY20	1,345	298	47.7	292.5	16.3	7.0	1.1
FY21	578	311	49.7	310.2	16.0	6.7	1.1
FY22	651	339	54.2	364.6	14.9	6.1	0.9
FY23	722	394	63.0	417.9	15.1	5.3	0.8
FY24	701	392	62.6	475.1	13.2	5.3	0.7
Aavas Financiers Ltd. (CMP: Rs.2556.1 Mkt Cap: Rs.20069 cr)							
FY20	903	250	31.9	267.9	11.9	80.2	9.5
FY21	636	290	37.0	297.0	12.4	69.2	8.6
FY22	772	363	46.2	346.8	13.3	55.3	7.4
FY23	926	435	55.4	401.0	13.8	46.2	6.4
FY24	1,113	535	68.1	463.9	14.7	37.5	5.5

Source: Company Reports, Bloomberg, Ventura Research

Financial Projections

Y/E March (Rs crore)	FY20	FY21	FY22E	FY23E	FY24E	Y/E March (Rs crore)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Ratio Analysis					
Interest Income	500.3	636.6	792.1	1,010.3	1,260.0	Efficiency Ratio (%)					
Interest Expense	184.5	206.5	251.2	344.2	469.1	Int Expended / Int Earned	36.9	32.4	31.7	34.1	37.2
Net Interest Income	315.8	430.1	540.8	666.1	790.9	Int Income / Total Funds	13.4	14.1	12.9	13.2	12.8
YoY change (%)	52.1	36.2	25.8	23.2	18.7	NII / Total Income	60.3	65.6	66.3	64.0	60.9
Other income	23.4	18.6	23.8	30.3	37.8	Other Inc. / Total Income	4.5	2.8	2.9	2.9	2.9
Total Net Income	339.2	448.7	564.6	696.4	828.7	Ope. Exp. / Total Income	16.9	14.9	14.1	12.9	12.1
Total Operating Expenses	88.4	97.8	115.2	134.5	157.2	Net Profit / Total Funds	5.6	5.9	5.6	5.5	5.1
Pre Provision profit	250.7	350.9	449.4	561.9	671.5	Credit / Deposit	1.5	1.6	1.6	1.6	1.4
YoY change (%)	62.9	40.0	28.1	25.0	19.5	Investment / Deposit	0.0	0.0	0.0	0.0	0.0
Provisions	3.4	5.8	9.2	12.0	23.3	NIM	10.4	10.5	10.4	9.9	9.2
Profit Before Tax	247.3	345.1	440.2	549.9	648.2	Solvency					
YoY change (%)	61.9	39.5	27.6	24.9	17.9	Gross NPA (Rs. Cr)	22.2	27.6	41.6	58.4	78.5
Taxes	36.3	78.1	99.0	123.7	145.8	Net NPA (Rs. Cr)	16.9	19.6	31.2	44.7	61.1
Net profit	211.0	266.9	341.2	426.1	502.3	Gross NPA (%)	0.7	0.7	0.8	0.9	0.9
YoY change (%)	89.3	26.5	27.8	24.9	17.9	Net NPA (%)	0.5	0.5	0.6	0.7	0.7
Balance Sheet						Per Share Data (₹)					
Cash & Balances with bank	602.7	437.8	793.8	646.4	940.3	Adj EPS	4.4	5.5	6.9	8.6	10.1
Loans	3,117.1	3,989.8	5,186.7	6,846.5	8,695.1	Adj BVPS	35.7	41.1	56.9	65.5	75.7
Investments	0.0	52.8	100.3	125.4	125.4	Adj BVPS (net of NPA)	35.5	40.8	56.5	65.0	75.0
Other financial assets	2.7	11.6	13.3	24.4	54.7	Valuation Ratio					
Other Assets	14.2	18.6	22.2	23.8	25.7	P/E (x)	80.2	63.7	51.3	41.1	34.8
Net block	10.1	9.6	12.0	14.0	15.0	P/BV (x)	9.9	8.6	6.2	5.39	4.67
Total Assets	3,746.7	4,520.2	6,128.3	7,680.5	9,856.1	P/Ad BV (x)	9.9	8.6	6.2	5.4	4.7
Debt securities- NCDs	644.6	430.2	414.9	410.8	391.3	Return Ratio					
Other Borrowings	1,370.4	2,077.8	2,852.7	3,971.0	5,651.8	RoAA (%)	6.9	6.5	6.4	6.2	5.7
Lease liabilities	6.7	7.1	8.0	10.0	12.0	Growth Ratio (%)					
Payables	0.7	1.9	2.0	3.0	4.0	Interest Income	54.5	27.2	24.4	27.5	24.7
Other liabilities	7.0	16.0	20.0	23.0	28.0	Interest Expenses	58.8	11.9	21.6	37.0	36.3
Tax liabilities	5.8	4.4	5.0	8.0	10.0	Other Income	76.4	-20.4	27.6	27.5	24.7
Provisions	2.5	3.3	5.0	8.0	10.0	Total Income	55.4	25.1	24.5	27.5	24.7
Networth	1,709.0	1,979.5	2,820.6	3,246.7	3,749.1	Net profit	89.3	26.5	27.8	24.9	17.9
Total liabilities	3,746.7	4,520.2	6,128.3	7,680.5	9,856.1	Borrowings	26.0	24.5	30.3	34.1	37.9
Dupont Analysis						Advances					
% of Average Assets						Advances	41.7	28.0	30.0	32.0	27.0
Net Interest Income	10.4	10.4	10.2	9.6	9.0						
Other Income	0.8	0.5	0.4	0.4	0.4						
Net Income	11.2	10.9	10.6	10.1	9.5						
Operating Expenses	2.9	2.4	2.2	1.9	1.8						
Operating Profit	8.3	8.5	8.4	8.1	7.7						
Provisions & Contingencies	0.1	0.1	0.2	0.2	0.3						
Taxes	1.2	1.9	1.9	1.8	1.7						
ROAA	6.9	6.5	6.4	6.2	5.7						

Source: Company Reports & Ventura Research

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