

Good affordable housing play !!!

The stock has under-performed in the last one year over the concerns of Founder & Chairman Mr. Anandan term ending in Dec'23. Most likely he might continue as non-executive chairman and also internal ED & CFO Balaji has been elevated to MD. Aptus is a good franchise to own in the affordable housing space (having avg. ATS of ~INR 10 lacs) which enjoys one highest ROAs of >7.8%. Currently, the risk-reward ratio is favourable – it is available at attractive valuations at 2.9x FY25e on the ROE/ROA of 16-18%/7.8%. Its peers like Home First is trading at 3x FY25e ABV (ROA of 3.5%/ ROE 16%), Can Fin Homes at 2.1x FY25e ABV (ROA of ~2%/ROE 18%). We are positive on the stock from long term prespective; give BUY rating with TP of INR 325, upside of 21% from the current levels.

Brief about the company - Incorporated in 2010 & headquartered in Chennai, Tamil Nadu, Aptus provides affordable housing loans to low & middle class income groups having branch network of 231, AUMs of ~INR 71.2 bn and customer base of ~1 lac. It has presence in Tamil Nadu, Andhra Pradesh, Telangana, Karnataka & Odisha.

Financial Summary

(Rs.Cr)	FY22	FY23	FY24	FY25
AUMs (Rs)	5,183	6,738	8,759	11,387
PAT (Rs)	370	503	629	786
yoy growth (%)	38.6	35.9	25.0	25.0
EPS	7.5	10.1	12.6	15.7
ABV	58.0	65.6	77.7	93.0
ROE	15.1	16.1	17.2	18.0
ROA	7.3	7.8	7.8	7.8
P/BV	4.6	4.0	3.4	2.8
P/ABV	4.6	4.1	3.5	2.9

Source: Dalal & Broacha Research

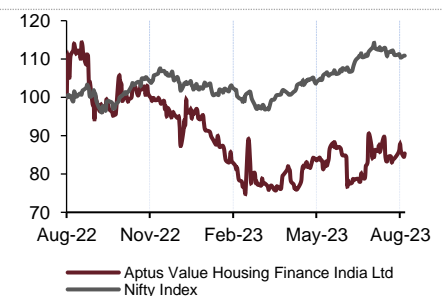
Rating	TP (Rs)	Up/Dn (%)
BUY	325	21

Market data

Current price	Rs	269
Market Cap (Rs.Bn)	(Rs Bn)	134
Market Cap (US\$ Mn)	(US\$ Mn)	1,616
Face Value	Rs	2
52 Weeks High/Low	Rs	368 / 234
Average Daily Volume	('000)	579
BSE Code		543335
Bloomberg		APTUS.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	62.2	62.2
Public	37.8	37.8
Total	100	100

Source: Bloomberg

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Investment Rationale

- **Management issues overdone** - The stock has under-performed in the last one year over the concerns of Founder & Chairman Mr. Anandan term ending in Dec'23. However, most likely, he will continue as Non-Executive Chairman. And, Mr. Balaji who was the CFO earlier has been elevated to MD from earlier ED & CFO will ensure the continuance of the strategy from growth/quality standpoint
- **Operates in lucrative low-ticket size affordable housing loans pace** - Loan book comprise of affordable housing loans with average ticket size of the <10 lakh with more focus Low Income Group (LIG) customers. Largely the customers are self-employed ones and with more rural focus. Housing loans comprise of 75% of total loans, small business loans 21% and top-up & insurance loans 4%.
- **AUM trajectory to grow at strong pace of 30% CAGR over the next 2 years time** - During FY21-23, AUMs have grown at the CAGR of 29%. We expect the similar run-rate of growth of 29-30% CAGR is likely over the next 2 years time FY23-25e. In Q1FY24 results, AUM growth was at 29% yoy to INR 71.2 bn while disbursements growth was at 23% yoy INR 6.5 bn.
- **Asset quality saw marginal dip in Q4, however, outlook stable** - Over the last one year, GNPL has reduced from 1.75% in Q1FY23 to 1.3% in Q1FY24. However, in Q1FY24, GNPA surged marginally on qoq basis to 1.3% (14 bps rise). Collection efficiency also dropped from 102.9% to 99.5% qoq. While net NPAs stood at 1% and PCR at 82% levels. Management expects credit cost to remain below 25 bps in FY24. Aptus has stringent cash flow based underwriting process which has played a considerable role in maintaining its asset quality.
- **Superior margins to continue** - It enjoys the superior margins of ~8.9% largely due to higher yields to the tune of 17.2%. Going forward, we expect similar trend of margins to continue as management expects interest rate revision likely on the assets side.

Outlook & Valuations

Risk-reward ratio favourable - Aptus is currently available at favourable risk-reward ratio available at attractive valuations (2.9x FY25e) on the ROE/ROA of >18%/8.2%. It is one of the best. **We are positive on the stock from long term perspective; give BUY rating with TP of INR 325, upside of 21% from the current levels.**

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