

## Aptus Housing Finance Ltd

Aptus Value Housing Finance India Ltd is an entirely retail-focused housing finance company primarily serving low and middle-income self-employed customers in the rural and semi-urban markets of India. Company had the highest RoA of 5.7% among the Peer Set during the financial year 2021. It is the largest housing finance companies in south India in terms of AUM, as of March 31, 2021. Its AUM has increased from March 31, 2019, to Rs.4067.76Cr as of March 31, 2021, at a CAGR of 34.54%. Additionally, Company has not restructured nor written off any loan since inception as on Mar'21. Its total branch tally was 192 as on July 10, 2021.

**Positives:** (a) Presence in large, underpenetrated markets with strong growth potential. (b) Robust risk management architecture from origination to collections leading to superior asset quality (c) In-house operations leading to desired business outcomes (d) Domain expertise resulting in a business model difficult to replicate by others in our geographies (e) Experienced and stable management team with marquee shareholders (f) Established track record of financial performance with industry leading profitability.

**Investment concerns:** (a) Pandemic like Covid-19 could affect company's business, operations and financial conditions. (b) Any disruption in sources of capital could have an adverse effect on the business, results of operations and financial condition (c) Inability to meet our obligations, including financial and other covenants under debt financing arrangement. (d) NHB's consent to undertake the Offer is subject to certain conditions.

**Outlook & Valuation:** Aptus has posted strong growth in both NII and net profits of 46.2% and 54.7% between FY19-FY21. Despite the Covid-19 crisis the company's asset quality has remained largely stable with GNPA and NNPA largely stable at 0.6% and 0.5% respectively at the end of FY2021. At the higher end of the price band the stock would be trading at P/BV of 8.5x FY21 BVPS of Rs. 41.7 which is in line with Aavas Financiers which is a comparable company. Given strong growth prospects, and industry leading return ratios we recommend a **SUBSCRIBE** rating on the issue.

### Key Financials

| Y/E March (₹ cr) | FY19  | FY20  | FY21  |
|------------------|-------|-------|-------|
| NII              | 195   | 301   | 417   |
| % chg            | -     | 54%   | 39%   |
| Net profit       | 111   | 211   | 267   |
| % chg            | 0%    | 89%   | 27%   |
| NIM (%)          | 10.3% | 9.9%  | 10.1% |
| EPS (₹)          | 2.8   | 4.5   | 5.6   |
| P/E (x)          | 124.7 | 79.1  | 62.8  |
| P/ABV (x)        | 20.1  | 9.9   | 8.6   |
| RoA (%)          | 4.8%  | 5.6%  | 5.9%  |
| RoE (%)          | 16.0% | 12.3% | 13.5% |

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

## SUBSCRIBE

Issue Open: Aug 10, 2021

Issue Close: Aug 12, 2021

### Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹96.3 cr

Offer for Sale: ₹2,280 cr

Fresh issue: ₹500 cr

Post Eq. Paid up Capital: ₹99.1cr

Issue size (amount): ₹2,735 - ₹2,780 cr

Price Band: ₹346-353

Lot Size: 42 shares and in multiple thereafter

Post-issue mkt. cap: \* ₹17,147 cr - \*\* ₹17,494 cr

Promoters holding Pre-Issue: 74.8%

Promoters holding Post-Issue: 72.2%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

|                   |              |
|-------------------|--------------|
| QIBs              | 50% of issue |
| Non-Institutional | 15% of issue |
| Retail            | 35% of issue |

### Post Issue Shareholding Pattern

|           |       |
|-----------|-------|
| Promoters | 72.2% |
| Others    | 27.8% |

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## Company background

The company was incorporated as 'Aptus Value Housing Finance India Limited' at Chennai on December 11, 2009. The Promoters of the company are M. Anandan, Padma Anandan, and WestBridge Crossover Fund, LLC. It is entirely retail focussed housing finance company primarily serving low- and middle-income self-employed customers in the rural and semi-urban markets of India. They are one of the largest housing finance companies in south India in terms of AUM, as of March 31, 2021. The company has not restructured any loans or written-off any loans receivable as on Mar,31 2021.

## Issue details

The issue comprises of OFS of upto ₹2,280 crore and Fresh issue of ₹500 Cr.

### Pre and post IPO shareholding pattern

| No of shares            | (Pre-issue)        | %           | (Post-issue)       | %             |
|-------------------------|--------------------|-------------|--------------------|---------------|
| Promoter & Promoter Gp. | 360,436,376        | 74.9%       | 357,957,864        | 72.2%         |
| Public                  | 120,979,914        | 25.1%       | 137,622,731        | 27.8%         |
| <b>Total</b>            | <b>481,416,290</b> | <b>100%</b> | <b>495,580,596</b> | <b>100.0%</b> |

Source: Company, Angel Research & RHP.

## Objectives of the Offer

- To augment company's capital base to meet future capital requirements.
- To meet issue related expenditures.
- To achieve share listing benefits on the stock exchanges.

## Key Management Personnel

**M Anandan** is the Chairman and Managing Director of the company. He has over 40 years of experience in the financial services sector and has previously served as the managing director of Cholamandalam Investment and Finance Co Ltd, part of the Murugappa Group and was also managing director of Cholamandalam MS General Insurance Co Ltd. He has served as the Chairman and Managing Director on the Board of the company from December 11, 2009.

**Kandheri Munuswamy Mohandass** is the Non-Executive Independent Director of the company. He has over three decades of experience in the financial services sector. He is also on the board of the Subsidiary, Aptus Finance India Pvt Ltd.

**Sankaran Krishnamurthy** is the Non-Executive Independent Director of the company. He was the former deputy managing director of State Bank of India, where he served for more than 38 years. He was also the managing director and chief executive officer of SBI Life Insurance Co Ltd. He is also on the board of the Subsidiary, Aptus Finance India Pvt Ltd.

**VG Kannan** is the Non-Executive Independent Director of the company. He has previously served as the deputy managing director of State Bank of India. He has various years of experience in the banking industry. He is also on the boards of AU Small Finance Bank Ltd, Ageas Federal Life Insurance Co Ltd and OCM India Opportunities Arc Management Pvt Ltd. manufacturing, and academics.

**Exhibit 1: Consolidated Income Statement**

| Y/E March (₹ Cr)              | FY19 | FY20   | FY21   |
|-------------------------------|------|--------|--------|
| <b>Net Interest Income</b>    | 195  | 301    | 417    |
| - YoY Growth (%)              | -    | 54.5%  | 38.8%  |
| <b>Other Income</b>           | 26   | 38     | 31     |
| - YoY Growth (%)              | -    | 46.8%  | -18.5% |
| <b>Operating Income</b>       | 221  | 339    | 449    |
| - YoY Growth (%)              | -    | 53.5%  | 32.3%  |
| <b>Operating Expenses</b>     | 67   | 88     | 98     |
| - YoY Growth (%)              | -    | 32.0%  | 10.6%  |
| <b>Pre - Provision Profit</b> | 154  | 251    | 351    |
| - YoY Growth (%)              | -    | 62.9%  | 40.0%  |
| <b>Prov. &amp; Cont.</b>      | 1    | 3      | 6      |
| - YoY Growth (%)              | -    | 192.6% | 69.5%  |
| <b>Profit Before Tax</b>      | 153  | 247    | 345    |
| - YoY Growth (%)              | -    | 61.9%  | 39.5%  |
| <b>Prov. for Taxation</b>     | 41   | 36     | 78     |
| - as a % of PBT               | -    | -12.0% | 115.4% |
| <b>PAT</b>                    | 111  | 211    | 267    |
| - YoY Growth (%)              | -    | 89.3%  | 26.5%  |

Source: Company, Angel Research

**Exhibit 2: Consolidated Balance Sheet**

| Y/E March (₹ Cr)         | FY19         | FY20         | FY21         |
|--------------------------|--------------|--------------|--------------|
| Equity                   | 79           | 95           | 95           |
| Reserve & Surplus        | 620          | 1,615        | 1,885        |
| Networth                 | 698          | 1,709        | 1,979        |
| Borrowings               | 1,601        | 2,016        | 2,510        |
| - Growth (%)             | -            | 26%          | 25%          |
| Other Liab. & Prov.      | 29           | 22           | 31           |
| <b>Total Liabilities</b> | <b>2,328</b> | <b>3,747</b> | <b>4,520</b> |
| Cash Balances            | 107          | 484          | 423          |
| Bank Balances            | 4            | 119          | 15           |
| Investments              | -            | -            | 53           |
| Advances                 | 2,200        | 3,117        | 3,990        |
| - Growth (%)             | -            | 42%          | 28%          |
| Fixed Assets             | 10           | 10           | 10           |
| Other Assets             | 6            | 17           | 30           |
| <b>Total Assets</b>      | <b>2,328</b> | <b>3,747</b> | <b>4,520</b> |
| - Growth (%)             | -            | 61%          | 21%          |

Source: Company, Angel Research

**Key Ratios**

| Y/E March                       | FY19   | FY20   | FY21   |
|---------------------------------|--------|--------|--------|
| <b>Profitability ratios (%)</b> |        |        |        |
| NIMs                            | 10.3%  | 9.9%   | 10.1%  |
| Cost to Income Ratio            | 30.3%  | 26.1%  | 21.8%  |
| RoA                             | 3.0%   | 4.7%   | 5.9%   |
| RoE                             | 16.0%  | 12.3%  | 13.5%  |
| <b>B/S ratios (%)</b>           |        |        |        |
| CASA Ratio                      | -      | -      | -      |
| Credit/Borrowings Ratio         | 137.5% | 154.6% | 159.0% |
| CAR                             | 43.6%  | 82.5%  | 73.6%  |
| Tier I                          | 43.2%  | 82.3%  | 73.8%  |
| <b>Asset Quality (%)</b>        |        |        |        |
| Gross NPAs                      | 0.9%   | 0.7%   | 0.6%   |
| Net NPAs                        | 0.7%   | 0.5%   | 0.5%   |
| Loan Loss Prov. /Avg. Assets    | 0.1%   | 0.1%   | 0.1%   |
| Provision Coverage              | 25%    | 24%    | 22%    |
| <b>Per Share Data (₹)</b>       |        |        |        |
| EPS                             | 2.8    | 4.5    | 5.6    |
| BVPS                            | 17.7   | 36.2   | 41.7   |
| ABVPS                           | 17.7   | 36.1   | 41.7   |
| DPS                             | -      | -      | -      |
| <b>Valuation Ratios</b>         |        |        |        |
| PER (x)                         | 124.7  | 79.1   | 62.8   |
| P/ABVPS (x)                     | 19.9   | 9.8    | 8.5    |

Source: Company, Angel Research

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