

**Rating: Neutral**

**Issue Offer**

OFS of 64,590,695 shares by promoter and promoter group and fresh issue of INR 500 cr taking the total issue size at INR 2,780 cr

**Issue Summary**

Price Band (INR)	346-353
Face Value (INR)	2
Implied Market Cap (INR Cr)	17,494
Market Lot	42
Issue Opens on	Aug 10, 2021
Issue Close on	Aug 12, 2021
No. of share pre-issue	48,14,16,290
No. of share post issue	49,55,80,596
Listing	NSE & BSE

**Issue Break-up (%)**

QIB Portion	50
NIB Portion	15
Retail Portion	35

**Book Running Lead Managers**

ICICI Securities Ltd  
Citigroup Global Markets  
Edelweiss Financial Services  
Kotak Mahindra Capital

**Registrar**

Kfin Technologies Pvt Ltd

**Shareholding Pattern (Pre issue)**

Promoters & promoter group	74.9%
Public & Others	25.1%

**Objects of the offer**

Augmenting the tier I capital requirements  
General Corporate purpose

*Aptus Value Housing Finance Ltd (Aptus), incorporated in 2009, is a South India based affordable housing finance company that targets first time home buyers in low and middle income groups, self-employed customers. The company is promoted by M. Anandan, Padma Anandan, and West Bridge Crossover Fund, LLC. Company serves self-employed and salaried customers, which accounted for 72% and 28% of gross loan assets as on FY21. Company does not offer any loans to builders or for commercial real estate. It has a strong branch network of 190 branches across 75 districts in 4 different states with key presence in markets such as Tamil Nadu, Andhra Pradesh, Telangana, and Karnataka. Aptus serviced 58,069 active loan accounts as on FY21 with gross loan book of INR 4,068 cr.*

**AUM of the company grew by 35% CAGR over FY19-21:** Company has registered strong loan book growth of 35% CAGR over FY19-21. Three key business segments are i) Home Loans (~52% of AUM/ ATS at INR 0.72 mn/ LTV at ~38.9%), ii) LAP (~22% of AUM/ ATS at INR 0.71 mn/ LTV at ~38.3%) and iii) Business loans (~26% of AUM/ ATS at 0.62 mn/ LTV at 39.2%) as on FY21. In terms of geography, Tamil Nadu has highest share in AUM at 52.3% followed by Andhra Pradesh at 27.3%, Telangana at 10.5% and Karnataka at 9.9%. Company is looking to expand its operations to Maharashtra, Orrisa and Chhattisgarh. New-to-credit customers account for ~37% of loan book as on FY21.

**Portfolio quality – resilient and comfortably best-in-class:** Aptus had one of the lowest GNPA as compared to peers at 0.68% as on FY21. However, it has increased to 2% as on Jul'21 due to covid 2.0. As of Mar'21, its collection efficiency was 99.8% and as on July (cumulative) it was 93.9% (Apr'21: 95%, May'21: 88%, Jun'21: 98% and Jul'21: 99%). Credit cost of the company was mere at 14bps as on FY21. Company has not restructured or written-off any loans, receivables since its inception. After the disbursement of a loan, company closely monitors the loan accounts for the first 15 to 24 months to check for early signals of potential defaults and conduct post disbursement audits. ~75% of collections were non-cash in nature as on FY21.

**Robust capital adequacy to ensure consistency in growth without need for near-term dilution:** With a CAR of ~73.6% and leverage of 1.96x, Aptus has adequate capital to grow its business at 30% CAGR for the next 5 years while maintaining its asset quality. Management is looking to increase its leverage to 4-5x from 2x currently.

**Valuation and View:** The company has performed well over the last 3 years and has shown a AUM growth of 35% CAGR with customer base growth of 37% CAGR over FY19-21. It has one of the highest return ratios amongst peers with RoA/RoE at 6.5%/14.5% as on FY21. The key advantages of the company are its continues focus on the niche play i.e targeting salaried and self- employed customers which sets it up for growth, its ability of better service delivery, funding availability with competitive cost of funds and high capital level. With the high demand in housing landscape in the wake of low interest rates, thrust on affordable housing, favorable demographics and support from the government, housing finance sector is expected to grow at 11-12% CAGR over FY21-25 as per CRISIL. While the fundamentals of the company are strong but the pricing of IPO is a tad expensive at 7x FY21 P/BV (post issue). We have Neutral view on the issue.

**Key Risks:** 1. Geographical risk as top 2 states contributes ~80% to the AUM. 2. Credit and liquidity risks 3. Sharp contraction in economic activities and 4. Sharp increase in interest rates

**Exhibit 1: Key Financials of Aptus Value Housing Finance**

Particulars (in Cr.)	FY19	FY20	FY21
<b>Income Statement</b>			
NII	208	316	430
PBT	154	251	351
PAT	111	211	267
<b>Balance Sheet</b>			
Net Worth	698	1,709	1,979
AUM	2,247	3,179	4,068
Borrowings	1,606	2,022	2,515
<b>Key ratios</b>			
OPEX/Assets (%)	3.6	2.9	2.4
Yield on advances (%)	17.1	18.0	17.2
COB (%)	9.5	10.2	9.1
NIM (%)	10.3	9.9	10.1
<b>Asset Quality</b>			
GNPA (%)	0.4	0.7	0.7
NNPA (%)	0.3	0.5	0.5
Credit cost (%)	0.1	0.1	0.1
<b>Return Ratios</b>			
RoA (%)	5.9	7.0	6.5
RoE (%)	17.4	17.5	14.5
<b>Per Share ratio (in INR)</b>			
EPS	2.8	4.7	5.6
BV	17.7	35.7	41.1

**Exhibit 2: Portfolio break up and segment wise NPA trend of the company**

Particulars (in Cr.)	FY19	FY20	FY21
<b>AUM Break-up</b>			
Home loans	1219	1662	2103
Loans against propert	303	581	890
Business loans	725	936	1074
<b>Disbursements</b>			
Home loans	564	627	665
Loans against propert	219	314	370
Business loans	306	329	263
<b>Product Wise % Gross NPA</b>			
Home loans	0.4	0.7	0.7
Loans against propert	0.3	0.6	0.6
Business loans	0.1	0.2	0.2
Business loans	0.6	1.1	1.3

**Exhibit 3: Peer group comparison**

Particulars (in Cr, unless stated)	Aptus Value Finance	Aavas Financiers	Home First Finance
<b>As on FY21</b>			
Total AUM	4,068	9,454	4,141
Total Income	655	1105	489
PAT	267	290	100
<b>Key Ratios</b>			
Yield on advances	17.2	13.2	13.0
Cost/AUM	2.7	3.0	2.7
Borrowing cost	9.1	7.4	8.0
NIM	10.1	7.7	5.0
CAR (%)	73.6	54.5	56.2
<b>Asset Quality (%)</b>			
GNPA	0.7	1.0	1.8
NNPA	0.5	0.7	1.2
<b>Return Ratios</b>			
ROA (%)	6.45	3.49	2.50
ROE (%)	14.47	12.91	9.90
<b>Valuation</b>			
CMP (Rs.)	353	2592	580
EPS (Rs.)	5.6	36.6	12.2
BV (Rs.)	41.1	305.9	157.8
P/E (x)	63.6	70.8	47.5
P/BV (x)	8.6	8.5	3.7

**Exhibit 4: Management Team Details**

Board of Directors	Description
M Anandan	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 MD of Cholamandalam Investment and Finance Co Ltd, 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	Kandheri Munuswamy Mohandass is the Non-Executive Independent Director of the company.
Sankaran Krishnamurthy	Sankaran Krishnamurthy is the Non-Executive Independent Director of the company.
Krishnamurthy Vijayan	Krishnamurthy Vijayan is the Non-Executive Independent Director of the company.
VG Kannan	VG Kannan is the Non-Executive Independent Director of the company
Mona Kachhwaha	Mona Kachhwaha is the Non – Executive Independent Director on the Board of the company
Shailesh Jayantilal Mehta	Shailesh Jayantilal Mehta is the Non – Executive Director on the Board of the company
Kanarath Payattiyath Balaraj	Kanarath Payattiyath Balaraj is the Non–Executive Nominee Director on the Board of the company.
Sumir Chadha	Sumir Chadha is the Non – Executive Nominee Director on the Board of the company
Suman Bollina	Suman Bollina is the Non – Executive Director on the Board of the company.
Balaji P	Balaji P is the Chief Financial Officer of the company. He has various years of experience in the textiles, telecom and finance sectors. He was previously associated with the Bombay Dyeing and Manufacturing Co Ltd, Hutchison Max Telecom Ltd and Cholamandalam MS General Insurance Co Ltd. He joined the company as the CFO on June 21, 2010.

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880