

IPO Note: Aptus Value Housing Finance India Ltd.

Industry: NBFC

Reco: Subscribe

Date: August 10, 2021

Issue Snapshot		Issue Break up		
Company Name	Aptus Value Housing Finance India Ltd.	Issue Size	Allocation	Equity Shares*
Issue Opens	August 10, 2021 to August 12, 2021	QIB ex Anchor	20%	15,751,000
Price Band	Rs. 346 to Rs. 353	Anchor Investor	30%	23,626,500
Bid Lot	42 Equity Shares and in multiples thereof	HNI	15%	11,813,250
The Offer	Public issue of 78,755,001 Equity shares of Face value Rs. 2 each, (Comprising of fresh issue of 14,164,306 Equity Shares* (Rs. 500 cr.) and Offer for Sale of 64,590,695 Equity Shares* (Rs. 2280.1 cr.) by Selling Shareholder	RII	35%	27,564,250
		Total Public	100%	78,755,001
Issue Size	Rs. 2734.84 – 2780.05 Crore			
IPO Process	100% Book Building	Equity Share Pre Issue (Nos. Cr.)	48.1	
Face Value	Rs. 2.00	Fresh Share (Nos. Cr.)	1.4	
Exchanges	NSE & BSE	OFS Share (Nos. Cr.)	6.5	
BRLM	ICICI Securities Limited, Citigroup Global Markets India Private Limited, Edelweiss Financial Services Limited and Kotak Mahindra Capital Company Limited	Equity Share Post Issue (Nos. Cr.)	49.6	
Registrar	KFin Technologies Private Limited	Market Cap (Rs. Cr.)	17,494.0	
		Equity Dilution	2.9%	
		Stake Sale by OFS	13.0%	

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 2,500,000 equity shares by Padma Anandan, up to 19,762,495 equity shares by Aravali Investment Holdings, up to 28,379,135 equity shares by JIH II, LLC, up to 9,997,855 equity shares by Ghiof Mauritius, up to 3,723,710 equity shares by Madison India Opportunities IV, and up to 227,500 equity shares Other Selling Shareholders)

Fresh Issue

- Augmenting the Tier I capital requirements of the Company; and
- General corporate purposes

Company Highlights

- Aptus Value Housing Finance India Ltd (Aptus) is an entirely retail focussed housing finance company primarily serving low and middle income self-employed customers in the rural and semi-urban markets of India. The company is one of the largest housing finance companies in south India in terms of AUM, as of March 31, 2021. Their AUM have increased from Rs. 2,247.23 crore, as of March 31, 2019 to Rs. 4,067.76 crore, as of March 31, 2021, at a CAGR of 34.54%. Further, the company had the lowest cost to income ratio among the Peer Set during FY21. The Operating Expenses to Net Income Ratio for FY21 was 21.80%. Since the inception of the company, the company has not restructured any loans or written-off any loans receivable and as of March 31, 2021, March 31, 2020 and March 31, 2019, the Gross NPAs expressed as a percentage of the Gross Loan Assets was 0.68%, 0.70% and 0.40%, respectively. During the financial years 2021, 2020 and 2019, the Credit Costs to Average Total Assets was 0.14%, 0.11% and 0.06%, respectively.
- Aptus offers customers home loans for the purchase and self-construction of residential property, home improvement and extension loans; loans against property; and business loans, which accounted for Rs. 2,103.21 crore, or 51.70%, Rs. 890.34 crore, or 21.89% and Rs. 1074.21 crore, or 26.41% of their AUM, as of March 31, 2021, respectively. They offer loans only to retail customers and do not provide any loans to builders or for commercial real estate. The company targets first time home buyers where the collateral is a self-occupied residential property. Loans to self-employed customers accounted for Rs. 2,930.88 crore, or 72.05% of their AUM, while loans to salaried customer accounted for Rs. 1,136.88 crore, or 27.95%, as of March 31, 2021. As of March 31, 2021, Rs. 4,045.99 crore, or 99.46% of their AUM were from customers who belonged to the low and middle income groups, earning less than Rs. 50,000 per month, and Rs. 1,494.80 crore of their AUM, or 39.88% of their customers were new to credit. Further, as of March 31, 2021, Rs. 2,518.70 crore, or 61.92% of their AUM were from customers located in rural regions.

- The company do not provides any loans with a ticket size above Rs. 2.50 million and the average ticket size of the home loans, loans against property and business loans on the basis of disbursement amounts was Rs. 0.72 million, Rs. 0.71 million and Rs. 0.62 million, as of March 31, 2021, respectively. As of the same date, the home loans, loans against property and business loans had an average loan-to-value of 38.89%, 38.27% and 39.21%, respectively, at the time of sanctioning of the loans.
- The company has diversified the geographical presence by adopting a strategy of contiguous expansion across regions and are focused on achieving deeper penetration in the existing markets. As of March 31, 2021, the states of Tamil Nadu (including the union territory of Puducherry), Andhra Pradesh, Karnataka and Telangana accounted for Rs. 2,126.37 crore, or 52.27%, Rs. 1,111.61 crore, or 27.33%, Rs. 403.81 crore, or 9.93% and Rs. 425.97 crore, or 10.47% of their AUM, respectively, and had a network of 190 branches covering 75 districts in such states and the union territory of Puducherry. Aptus had the largest branch network in south India among the Peer Set, as of March 31, 2021.

View

- Aptus Value Housing Finance is a mini sized HFC with strong presence in South India with focus on rural and semi-urban markets and serving low- and middle-income self-employed customers.
- The fact that loan to self-employed customers account for 72% of HFC's AUM and still maintains pristine asset quality speaks volumes of the risk management and underwriting practices of the company where the company does its own credit assessment since 39.88% of customers are new to credit (as of FY21). Moreover, the company has never restructured any loans since inception although provided loan moratorium to customers during first wave and moratorium average period is 2-3 months.
- As % of AUM, home loans accounts for 51.7% followed by business loans at 26.41% and loans against property at 21.89% as of FY21 end and almost all the collateral for Aptus' loans are self-occupied homes. The HFC doesn't provide any loans to builders or for commercial real estate nor does it aim to provide in future
- The average ticket size is very low for the company at Rs 0.72 million for home loans since it targets retail low-income customers while at the same time loan to value ratio stands at a low level of below 39% for all kinds of loans
- Aptus Value Housing Finance is highly focused on Tamil Nadu, Andhra Pradesh, and Telangana with these 3 states together accounting for around 90% of its portfolio. Incidentally, these 3 states have better asset quality compared to others.
- Asset quality has remained pristine with average GNPA ratio for past 3 years (ending FY21) at 0.6% while credit costs stood at 0.1% and collection efficiency at 95% to 96%. After loan disbursal, Aptus monitor loan accounts for the first 15 to 24 months to check for early signals of potential defaults and conduct post disbursement audits and also conduct site visits if necessary. Company also has robust collection mechanism.
- HFC is one of the fastest growing and registered the highest CAGR in disbursements (33% CAGR over FY17-21)
- Amongst the peers, Aptus is the largest HFC in South India in terms of branch network as of March, 2021. However, market share in Tamil Nadu, Andhra Pradesh, Karnataka and Telangana, amongst all the HFCs in terms of gross home loan assets was 1.6%, 1.0%, 0.4% and 0.4% respectively as of December 31, 2020. Thus, there's ample scope for higher growth ahead.
- Aptus earns average yields of 17% on gross loan book and the average cost of borrowing (including securitization) has declined over the years thus net interest margin stood firm at north of 10%. HFC expects effective cost of funds to come down to 8% from~ 9.1% thus supporting margins. The HFC has the lowest cost to income ratio (24.5%) amongst peers and thus earned the highest RoA of 5.7% in Fiscal 2021 and aims to bring down the costs further.
- Covid 2.0 has had a significant impact on asset quality though as collection efforts for the industry was hampered. GNPA ratio jumped to 2% as of July 2021 as against 0.68% in March 2021 besides collection efficiency lowered at 93.94% vs 99.76% as of Mar'21. Besides, the stage 2 assets (31 up to 90 days due) increased from Rs 28 cr in FY19 to Rs 826 cr in FY20 and came down to Rs 400 cr in FY21. This is expected to have increased in Covid 2.0 too.
- In absolute terms GNPA increased by ~Rs 58 cr between March and July 2021 and is expected to ease unless there's a severe Covid 3rd wave. In FY20, HFC made Rs 1.5 cr additional provision and made further Rs 2.5 cr additional provision in FY21 for COVID.
- At the higher price band, Aptus demands a price-book (P/B) multiple of 7.06 (at post issue BV) and is fully priced thus leaving less on the table for listing gains. However, given the growth and past financials, long term investors can 'SUBSCRIBE' the issue.

Revenue Mix

	FY19		FY20		FY201	
	Rs. in Cr	% to Total	Rs. in Cr	% to Total	Rs. in Cr	% to Total
Interest Income	310.89	96.00%	485.23	96.98%	623.89	98.00%
Net gain on fair value changes	4.25	1.31%	3.14	0.63%	0.76	1.12%
Fees and commission income	8.72	2.69%	11.96	2.39%	11.97	1.88%
Total	323.85	100.00%	500.33	100.00%	636.61	100.00%

Key Financial and Operational Metrics

Particulars (Rs. in Cr, except % and ratios)	FY19	FY20	FY21
Financial Ratios			
AUM/Gross Loan Assets	2,247.23	3,178.69	4,067.76
AUM Growth (%)	58.62%	41.45%	27.97%
Average AUM	1,831.99	2,712.96	3,623.23
Securitized assets	13.1	6.68	2.89
Leverage (AUM / Networth)	2.86	2.25	1.96
Gross Loan Book	2,234.13	3,172.02	4,064.88
Average Gross Loan Book	1,815.15	2,703.08	3,618.45
Total Assets	2,327.69	3,746.72	4,520.17
Disbursements	1,089.04	1,270.98	1,298.18
Live Accounts (including securitized loans)	30,749	43,987	58,069
Total Revenue from Operations	323.85	500.33	636.62
Other Income	13.26	23.39	18.63
Total Income	337.12	523.72	655.24
Finance Costs	116.22	184.55	206.53
Operating Expenses	67.02	88.45	97.8
Operating Expenses to Average Total Assets (%)	3.55%	2.91%	2.37%
Credit Cost	1.17	3.43	5.82
Credit Cost to Average Total Assets (%)	0.06%	0.11%	0.14%
Total Expenses	184.41	276.43	310.15
Gross NPA	8.93	22.25	27.62
Gross NPA to AUM (%)	0.40%	0.70%	0.68%
NPA Provision	2.20%	5.21	7.59
Net NPA	6.73	17.04	20.03
Net NPA to AUM (%)	0.30%	0.54%	0.49%
Provision Coverage Ratio –AUM (%)	24.64%	23.41%	27.48%
Operating Expenses to Net Income (%)	30.34%	26.08%	21.80%
Gross Loan Book/ Net Worth	3.22	1.86	2.05
Average Gross Loan Book/ Average Net Worth	2.83	2.25	1.96
Net Loan Assets	2,245.03	3,173.49	4,060.17
Net NPAs to Net Loan Assets (%)	0.30%	0.54%	0.49%

Key Financial and Operational Metrics

Particulars (Rs. in Cr, except % and ratios)	FY19	FY20	FY21
Return on Equity and Assets			
Profit After Tax	111.48	211.01	266.94
Total Assets	2,327.69	3,746.72	4,520.17
Average Total Assets	1,886.51	3,037.21	4,133.45
AUM	2,247.23	3,178.69	4,067.76
Average AUM	1,831.99	2,712.96	3,623.23
Net Worth	698.38	1,709.01	1,979.45
Average Net Worth	641.58	1,203.69	1,844.23
Total Borrowing	1,606.06	2,021.65	2,515.07
Average Total Borrowings	1,226.18	1,813.85	2,268.36
Return on Total Assets (%)	5.91%	6.95%	6.46%
Return on Equity (%)	17.38%	17.53%	14.47%
Basic Earnings Per Equity Share	2.83	4.77	5.56
Diluted Earnings Per Equity Share	2.82	4.74	5.55
Net Asset Value Per Share	17.73	35.66	41.12
Return Ratios			
Revenue from Operations to Average Gross Loan Book	17.84%	18.51%	17.59%
Other Income to Average Gross Loan Book	0.73%	0.87%	0.51%
Total Revenue to Average Gross Loan Book	18.57%	19.37%	18.11%
Finance cost to Average Gross Loan Book	6.40%	6.83%	5.71%
Spread to Average Gross Loan Book	10.72%	11.12%	11.53%
Operating Expenses to Average Gross Loan Book	3.69%	3.27%	2.70%
Credit cost to Average Gross Loan Book	0.06%	0.13%	0.16%
PBT to Average Gross Loan Book	8.41%	9.15%	9.54%
PAT to Average Gross Loan Book	6.14%	7.81%	7.38%
PAT to Average Net Worth	17.38%	17.53%	14.47%
Yields, Spreads and Margins			
Interest Income	310.89	485.23	623.89
Finance Costs	116.22	184.55	206.53
Total Interest-earning Assets	2,309.14	3,718.70	4,425.79
Average Interest-earning Assets	1,847.87	3,013.92	4,072.24
Average Total Assets	1,886.51	3,037.21	4,133.45
Average Interest-bearing liabilities	1,226.18	1,813.85	2,268.36
Total Income	337.12	523.72	655.24
Net Interest Income	194.67	300.68	417.36
Average yield on Loan Book	17.13%	17.95%	17.24%
Average Cost of Borrowings, including securitisation	9.48%	10.17%	9.11%
Spread	7.65%	7.78%	8.14%
Net Interest Margin (%)	10.32%	9.90%	10.10%
Average Yield on Disbursements	17.23%	17.18%	16.88%
Incremental Cost of Borrowings (%)	10.11%	9.45%	7.70%
Incremental Borrowings	781	785	967.13

Key Financial and Operational Metrics

Particulars (Rs. in Cr, except % and ratios)	FY19	FY20	FY21
Productivity Ratios			
Number of branches	142	174	190
Number of on-roll employees	1322	1702	1913
Live Accounts (including securitised accounts)	30,749	43,987	58,069
AUM per branch (₹ Cr)	15.83	18.27	21.41
AUM per employee (₹ Cr)	1.7	1.87	2.13
Disbursement per branch (₹ Cr)	7.67	7.3	6.83
Disbursement per employee (₹ Cr)	0.82	0.75	0.68
Live Accounts/branch	216.54	252.8	305.63
Live Accounts/employee	23.26	25.84	30.35
Capital Adequacy			
Tier I Capital	595.19	1,619.77	1,861.38
Tier II Capital	5.97	4.84	-3.76
Total Capital	601.16	1,624.61	1,857.62
Risk Weighted Assets	1,377.50	1,969.37	2,522.81
Capital Adequacy Ratio (%)	43.64%	82.49%	73.63%
Tier I Capital (%)	43.21%	82.25%	73.78%
Tier II Capital (%)	0.43%	0.25%	-0.15%
Total Borrowings to Equity ratio	2.3	1.18	1.27
AUM/ Gross Loan Assets			
Home loans	1,219.44	1661.59	2,103.21
Loans against property	302.91	580.99	890.34
Business loans	724.88	936.11	1,074.21
Total	2,247.23	3,178.69	4,067.76
Disbursements			
Home loans	564.07	627.47	665.25
Loans against property	218.5	314.23	369.8
Business loans	306.47	329.28	263.13
Total	1,089.04	1,270.98	1,298.18
Average Ticket Size on Disbursements			
Home loans	0.78	0.76	0.72
Loans against property	0.74	0.72	0.71
Business loans	0.67	0.64	0.62
Total	0.74	0.72	0.7

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21
Share Capital	78.8	94.5	94.9
Net Worth	698.4	1709.0	1979.5
Borrowings	898.3	1370.4	2077.8
Other financial liabilities	713.8	657.1	452.5
Total Non-Financial Liabilities	17.2	10.1	10.4
Loans	2200.2	3117.1	3989.8
Other Financial Assets	114.0	605.4	502.2
Total Non-Financial Assets	13.4	24.3	28.2
Total Assets	2327.7	3746.7	4520.2
Interest income	310.9	485.2	623.9
Growth (%)		56.1	28.6
Total revenue from operations	323.9	500.3	636.6
Growth (%)		54.5	27.2
Finance costs	116.2	184.5	206.5
Net Interest Income	194.7	300.7	417.4
Growth (%)		54.5	38.8
Net Profit	111.5	211.0	266.9
Net Profit Margin (%)	34.4	42.2	41.9
Earnings Per Share (Rs.)	2.8	4.7	5.6

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21
Cash flow from Operations Activities	(713.2)	(734.8)	(621.0)
Cash flow from Investing Activities	45.0	(96.9)	64.8
Cash flow from Financing Activities	763.0	1208.9	494.9
Net increase/(decrease) in cash and cash equivalents	94.9	377.2	(61.3)
Cash and cash equivalents at the beginning of the year	12.0	106.9	484.0
Cash and cash equivalents at the end of the year	106.9	484.0	422.7

Source: RHP

Comparison with listed industry peers

Co Name	AUM (Rs. Cr.)	CAGR FY18-20	ROA (%)	RONW (%)	NIM (%)	CAR (%)	P/E (x)	P/BV (x)	Market Cap (Rs. Cr.)
Aptus Value Housing Finance	4070.0	48.0	5.7	12.2	9.7	73.6	65.5	7.1	17494.0
Aavas Financiers	9450.0	37.0	3.5	12.9	7.8	53.3	61.6	8.3	20144.4

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