



**Choice**  
Nurturing Financial Excellence

# IPO REPORT

**“Subscribe with Caution” to  
Aptus Value Housing Finance**

*‘Aggressively Priced’*

## Salient features of the IPO:

- **Aptus Value Housing Finance India Limited (AVHF)** 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.
- IPO comprises fresh issue of Rs500 cr and offer for sale (OFS) of 6.5 cr shares
- At the higher price band of Rs353, fresh number of shares are stood at 1.42 cr. While OFS size comes at Rs2,280 cr.
- The objects of the Offer are to augment company's capital base to meet future capital requirements.

## Competitive Strengths

- Presence in large, underpenetrated markets with strong growth potential
- Robust risk management architecture from origination to collections leading to superior asset quality
- In-house operations leading to desired business outcome
- Domain expertise built over time resulting in a business model difficult to replicate by other in geographies
- Established track record of financial performance with industry leading profitability

**Valuation:** At the higher price band of Rs353, the AVHF is valued at P/BV of 7.1x to its post issue BVPS of Rs50.1

## Below are few key observations of the issue: (continued in next page)

- India's mortgage-to-GDP ratio is stood well below the developed nations (India at 9.4% in 2018 v/s USA at 60%, UK at 64% and Malaysia at 35.4%, as per RHP). Housing shortage in India is estimated to increase to 10 cr units by 2022, of which 95% will be from the lower income group and economic weaker section. If this entire shortage is to be addressed, incremental housing loans demand is estimated to Rs50-60 trillion compared to overall housing loan outstanding at Rs20.4 trillion as of Mar 2020. This indicates the immense latent potential of the India housing market.
- AVHF is an entirely a retail focused housing finance company primarily serving to low- and middle-income self-employed customers in rural/semi urban markets of India who have limited access to formal banking.
- As per business strategy, the company primary focus on self-employed customers who are new to credit and does not possess formal income proofs. As per mgmt, it has developed credit assessment models specific to over 60 types of customers profiles customized to regions and specific types of employment and business. AVHF uses these models for forecasting the future income of potential customers and determine their ability to repay the loan.
- The company has business operation in the southern region with branch network of 190 majorly located in home state Tamil Nadu at 79 with share at 52.3% in AUM in FY21. Besides, AVHF has business presence in Andhra Pradesh, Karnataka, Telangana and UT Puducherry.

## Recommendation Subscribe with Caution

Price Band	Rs346-353 per share
Face Value	Rs2 per share
Fresh Issue Size	Rs500 cr
Share for Fresh Issue (at higher price band)	1.4 cr
OFS Issue Size (at higher price band)	Rs2,280 cr
Total Issue Size	Rs2,780 cr
Bidding Date	Aug 10 ' 2021 - Aug 12' 2021
MCAP at Higher Price Band	Rs17,494 cr

Book Running Lead Manager	ICICI Securities Limited, Citigroup Global Markets India, Edelweiss Financial Services Limited, Kotak Mahindra Capital Company Limited Private Limited
---------------------------	--

Registrar	KFin Technologies Private Limited
Industry	HFCs

## Retail application money at higher cut-off price per lot

Number of shares per lot	42
Application Money	Rs14,826 per lot

## Allocation Detail

Qualified Institutional Buyers (QIBs)	50%
Non-Institutional Investors (NIIs)	15%
Retail Individual Investors (RIIs)	35%

## Shareholding Pattern

	Pre-Issue	Post Issue
Promoters & promoters group	74.9%	62.5%
Public	25.1%	37.5%
Total	100.0%	100.0%

Source: Choice Broking Research, RHP

## Analyst

Satish Kumar	
Deskphone	(022-67079999; Ext:913, Mob:9167120440)
Email	<a href="mailto:satish.kumar@choiceindia.com">satish.kumar@choiceindia.com</a>

## Continued.....

- AUM size stood at Rs4,068 cr as of FY21. Loans to self-employed customers accounted for 72% of AUM while salaried customers comprised 28% of AUM as of Mar 31'2021 (FY21).
- AVHF provides home loans, loan against property and business loans. AUM mix includes home loans at 52% of AUM, LAP at 22% and business loan at 26.4% of AUM as of FY21.
- Average ticket loan size is Rs7.2 lakh with avg. tenure of ~10 years and avg. loan to value ratio of ~38%. As per the mgmt, the company adopt the cautious disbursement approach under which it does not disburse loan with a ticket size of over Rs25 lakh. Further, it does not credit to builders or commercial real estate given their weak repayment record. As of FY21, credit portfolio is 100% secured with self-occupied residential property or customers' assets.
- The company adopts centralized model under which final decision on credit disbursement is taken at central office. We view this lengthy disbursement process has increased the turn-around-time to 14 days (overall) compared to peer like Home First Finance at 48 hours. However, it helps company to keep assets quality under check at comforting level.
- AUM grew by a CAGR of 34.5% to Rs4,068 cr in FY21. Slow pace of disbursements at CAGR of 9.2% over FY19-FY21 (avg. disbursement at Rs1,220 cr) shows cautious credit underwriting.
- **Despite a home finance company, NIM has been maintained at ~10% (10.1% in FY21). AVHF generates ~17% YoA which is significantly higher than industry trend of ~9-10%. Mgmt attributes high yield to its lending to self-employed customers and its ability of credit risk assessment for disbursement to poor people having no access of formal banking. AVHL is assigned with A+ credit rating and its CoB stood at 9.1% in FY21. We view sustaining margin at this level would be difficult with the increase in business and increasing competitions.**
- **Assets quality remained stable of GNPA/NPNA at 0.7%/0.5%. The company has not restructured any loans or written-off any loans receivable which indicates that the company has well maintained its assets quality even during challenging situation.**
- **At the higher price band of Rs353, the AVHF is valued at P/BV of 7.1x to its post issue BVPS of Rs50.1 which indicates the issue is aggressively priced. Its peer Home First finance is currently trading at trailing P/BV of 3.6x. Aavas financier is currently trading at trailing P/BV of 8.1x, however its AUM size is more than double to AVHF. Further, company is well capitalized for future growth (CAR stood at 73.6% in FY21) despite this it comes with fresh issue of Rs500 cr. With contained credit cost, strong disbursements mgmt, and focus on underpenetrated low- and mid-income segment, business growth & profitability is expected to remain robust going forward. However, demanded market cap at Rs17,494 cr at P/BV of 7.1x for a company having AUM of Rs4,068 cr seems overpriced.**

Considering all these parameters, we assign 'Subscribe with Caution' rating to issue.

Companies	CMP (Rs/sh)	6M R%	12M R%	M Cap (Rs cr)	P/BV (x)	NIM (%)	GNPA (%)	NNPA (%)	RoE (%)	RoA (%)
Aptus Value Housing	353	-	-	17,494.0	7.1	10.1%	0.7%	0.5%	10.8%	5.9%
Aavas Financiers	2,540	24%	89.0%	19,939.0	8.1	7.7%	1.1%	0.9%	11.0%	2.9%
Home First Finance	590	10.3%	-	5,162.5	3.6	4.7%	1.9%	1.4%	6.4%	0.7%

Companies (Rs cr)	P/BV (x)	P/E (x)	BVPS (Rs/sh)	EPS (Rs/sh)	CAR (%)	C/I (%)	TTM PAT	AUM	Net Worth	Total Assets
Aptus Value Housing	7.1	65.4	50.1	5.4	73.6%	21.8%	267	4,067.8	2,481	5,020
Aavas Financiers	8.1	66.9	314.408	38.0	53.8%	39.9%	298	9,615	2,468	9,182
Home First Finance	3.6	53.2	161.943	11.1	56.4%	38.9%	97	4,294	1,417	4,578

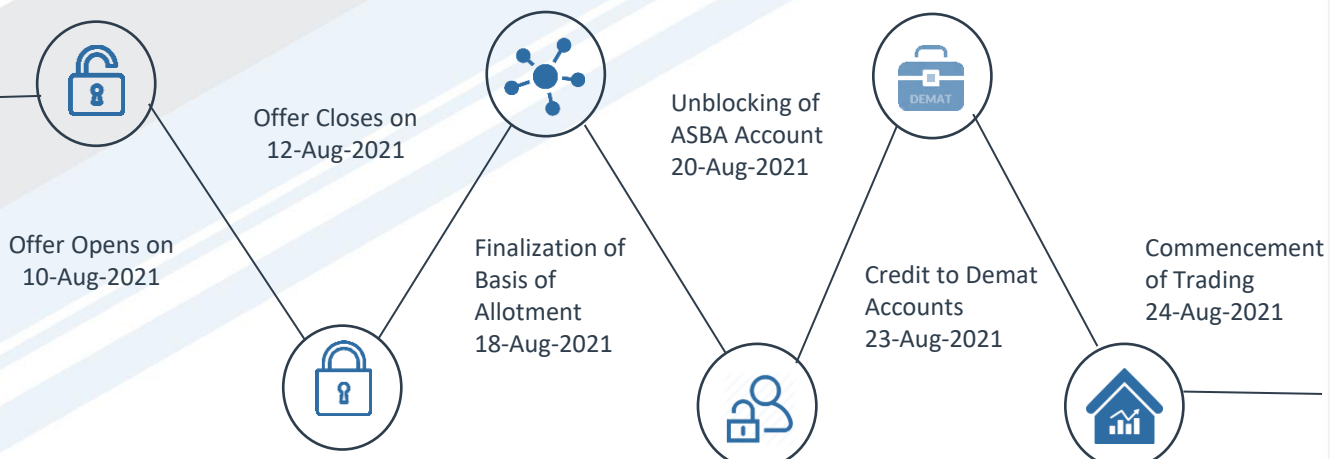
\*- Aptus Value Housing - mentioned PAT in FY21, Net worth, RoE and RoA on post issue diluted basis

Source: Choice Broking Research, RHP

## About the issue:

- Aptus Value Housing Finance Limited (AVHF) is coming out with initial public offering of Rs2,780 cr.
- IPO comprises fresh issue of Rs500 cr and offer for sale (OFS) of 6.5 cr shares
- At the higher price band of Rs353, fresh number of shares are stood at 1.42 cr. While OFS size comes at Rs2,280 cr.
- The objects of the Offer are to augment company's capital base to meet future capital requirements.
- Promoter Padma Anandan is selling 0.25 cr shares which is calculated at Rs88 cr at higher price band.
- Investors selling shareholders participating in OFS are Aravali Investment Holdings (1.98 cr shares included in promoter group), JIH II (2.8 cr included in promoter group), GIHOF Mauritius (1 cr) and Madison India opportunities (0.37 cr). Other selling shareholders (retail) are off loading 0.023 cr shares in the OFS.
- Private equity players like Aravali Investment Holdings and GHIOF Mauritius is completing exiting through the OFS.
- Post issue, promoters stake will reduced to 72.2% from 74.9% pre issue.
- Issue will open for subscription on Aug 10' 2021 and close on Aug 12' 2021
- Not more than 50% of the net offer shall be available for allocation on a proportional basis to a qualified institutional investors (QIIs).
- Further not less than 15% shall be available for allocation on a proportional to non-institutional investors (NIIs) and not less than 35% of net offer shall be available for allocation to Retail Institutional Investors (RIIs).
- Average cost of acquisition for promoter M Anandan is Rs44. Average cost of acquisition for Madison India opportunities is Rs352, Aravali Investment at Rs352 and JIH II of Rs528.

## Indicative IPO process time line:



## Company Introduction and Business Overview:

AVHF 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. AVHF has a strong capital sponsorship by marquee investors like WestBridge Crossover, Malabar Investments, Sequoia Capital, Steadview Capital and Madison India.

AVHF is one of the largest housing finance companies in south India in terms of AUM as of FY21. The company witnessed a CAGR of 34.5% in AUM to Rs4,068 cr in FY21 from Rs2,247 cr in FY20. AVHF provides loans for purchase and self-construction of residential property, home improvement and extension loans, LAP and business loans. As of FY21, home loans accounted at 52%, LAP at 22% and business loan at 26.4% of loan book.

AVHF provides loans to retail customers and do not provide any loans to builders or commercial real estate. The company has network of 190 branches in four states namely Tamil Nadu, Andhra Pradesh, Karnataka, Telangana and UT Puducherry. As per business model, the company targets first time home buyers where the collateral is a self-occupied residential property. Loans to self-employed customers accounted for Rs2,931 cr, or 72.1% of AUM, while loans to salaried customer accounted for Rs1,136.9 cr or 27.95% as of Mar 31, 2021 (FY21). Furthermore, 99.5% of total customers belonged to low and middle income groups earning less than Rs50,000/per month and 40% of customers were new to credit as of Mar 31' 2021. Rural region shares stood at 62% of loans as of FY21. As per the mgmt, AVHF does provide loan above Rs25 lakh. Loan to value ratio for home loans, LAP and business loans stood at 38.9%/38.3% and 39.2% respectively at the time of sanctioning of loans.

AVHF reported strong performance over the last three reported years. NII grew by a CAGR of 46.4% to Rs417 cr in FY21 from Rs311 cr in FY19. NIM remained healthy at 10.1% mainly supported by higher yield on loans. The company maintained one of the lowest C/I among close peers at 22% by FY21. PPOP grew by a CAGR of 51% during FY19-FY21, while provisioning for NPAs remained contained due to lower credit cost. Net profit grew by a CAGR of 54.7% to Rs267 cr in FY21 as compared to Rs111.5 cr in FY19. AUM growth also remained strong growing by a CAGR of 34.5% to Rs4,068 cr in FY21 from Rs2,247 cr in FY19. GNPA/NNPA stood at 0.7%/0.5% in FY21. The company has not restructured any loans or written-off any loans receivable since the inception.

### Key Financials

Particulars (Rs cr)	FY19	FY20	FY21
Net Interest Income	194.7	300.7	417.4
Net Interest Margin	10.3%	9.9%	10.1%
Total Income	220.9	339.2	448.7
Growth (%)		53.5%	32.3%
Pre-Prov. Operating Profit	153.9	250.7	350.9
Adjusted PAT	111.5	211.0	266.9
Growth (%)		89.3%	26.5%
AUM	2,247	3,179	4,068
RoA	4.8%	6.9%	6.5%
RoE	16.0%	17.5%	14.5%

Source: Choice Broking Research, RHP



### Competitive strengths:

- Presence in large, underpenetrated markets with strong growth potential
- Robust risk management architecture from origination to collections leading to superior asset quality
- In-house operations leading to desired business outcome
- Domain expertise built over time resulting in a business model difficult to replicate by other in geographies
- Established track record of financial performance with industry leading profitability

### Business strategy:

- Continue to focus on low & middle income self-employed customers in rural and semi-urban markets
- Increase penetration in existing markets and expand branch network in large housing markets
- Continue to be an assets quality focused financier
- Reduce cost of borrowings by diversifying sources of borrowings and improving credit rating



### Risk and concerns:

- Increasing competition in affordable housing market
- Ongoing pandemic can impact earning of low-mid income self-employed people
- Large business share in particular region namely Tamil Nadu

## Financial statements:

Rs Crore

### Profit And Loss Statement

Particulars	FY19	FY20	FY21
Interest Income	310.9	485.2	623.9
Growth (%)		56.1%	28.6%
Interest Expended	116.2	184.5	206.5
Growth (%)		58.8%	11.9%
Net Interest Income	194.7	300.7	417.4
Net Interest Margin	10.3%	9.9%	10.1%
Other Income	26.2	38.5	31.4
% of Interest Income	8.4%	7.9%	5.0%
Total Income	220.9	339.2	448.7
Growth (%)	0.0%	53.5%	32.3%
Operating & Other expenses	67.0	88.4	97.8
Pre-Prov. Operating Profit	153.9	250.7	350.9
Provisions and contingencies	1.2	3.4	5.8
Operating Profit before Tax	152.7	247.3	345.1
Growth (%)	0.0%	61.9%	39.5%
Pre-tax Margin %	69.1%	72.9%	76.9%
Tax	41.2	36.3	78.1
% of PBT	27.0%	14.7%	22.6%
Reported PAT	111.5	211.0	266.9
Net Profit Margin %	50.5%	62.2%	59.5%
Extraordinary Income	0	0	0
Adjusted PAT	111.5	211.0	266.9
Growth (%)		89.3%	26.5%

### Balance Sheet

Particulars	FY19	FY20	FY21
Cash and bank balance	110.9	602.7	437.8
Loans	2,200.2	3,117.1	3,989.8
Investment	0.0	0.0	52.8
Fixed assets	10.1	10.1	9.6
Other assets	6.4	16.8	30.3
<b>TOTAL ASSETS</b>	<b>2,327.7</b>	<b>3,746.7</b>	<b>4,520.2</b>
Capital	78.8	94.5	94.9
Reserves and Surplus	619.6	1,614.5	1,884.5
Provisions	1.8	2.5	3.3
Borrowings	1,599.7	2,015.0	2,508.0
Other financial liabilities	27.8	20.2	29.4
<b>TOTAL CAPITAL AND LIABILITIES.....</b>	<b>2,327.7</b>	<b>3,746.7</b>	<b>4,520.2</b>

### Financial Ratios

Particulars	FY19	FY20	FY21
<b>Return / Profitability Ratios (%)</b>			
Net interest margin (NIM)	10.3%	9.9%	10.1%
Cost of borrowings	9.5%	10.2%	9.1%
EPS (Diluted) (Rs)	2.25	4.26	5.39
RoA	4.8%	6.9%	6.5%
RoE	16.0%	17.5%	14.5%
<b>Business Ratios (%)</b>			
AUM (Rs cr)	2,247.2	3,178.7	4,067.8
Disbursements (Rs cr)	1,089.0	1,271.0	1,298.2
CAR (Basel III)	43.6%	82.5%	73.6%
Equity / Assets	30.0%	45.6%	43.8%
AUM / Assets	96.5%	84.8%	90.0%
Cost/Income	30.3%	26.1%	21.8%
<b>Asset Quality ratios (%)</b>			
GNPA	0.4%	0.7%	0.7%
NNPA	0.3%	0.5%	0.5%
<b>Per Share Data (Rs)</b>			
EPS (Diluted)	2.2	4.3	5.4
BVPS	14.1	34.5	39.9
<b>Valuation ratios (x)</b>			
P/E (x)	156.9	82.9	42.7
P/BV (x)	25.0	10.2	3.6
<b>Growth ratios (%)</b>			
AUM		41.4%	28.0%
NII		54.5%	38.8%
PAT		89.3%	26.5%

Source: Choice Broking Research, RHP

## Equity Research Team

<u>Name</u>	<u>Designation</u>	<u>Email id</u>
Sundar Sanmukhanis	Head of Research - Fundamental	sanmukhanis@choiceindia.com
Satish Kumar	Research Analyst	satish.kumar@choiceindia.com
Rajnath Yadav	Research Analyst	rajnath.yadav@choiceindia.com
Ankit Pareek	Research Associate	ankit.pareek@choiceindia.com
Siddhi Acharya	Research Intern	siddhi.acharya@choiceindia.com
Yug Tibrewal	Research Intern	yug.tibrewal@choiceindia.com

### Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

### CONNECT US

**Any kind of queries on RESEARCH,**

You can contact us on: 022 - 6707 9999



### Choice Equity Broking Pvt. Ltd.

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158,  
J.B. Nagar, Andheri (East), Mumbai - 400 099.

+91-022-6707 9999

+91-022-6707 9959

www.choiceindia.com

**Consolidated Scrip Overview**

trade with  
**JIFFY**

GET IT ON  
Google play

Download on the  
App Store