Aptus Value Housing Finance India Ltd.

BFSI - NBFCs

BUY
Target Price
250

Growth Outlook Intact; Asset Quality Recovery Remains Key

Est. Vs. Actual for Q2FY27: NII – BEAT; PPOP – INLINE; PAT – INLINE

Changes in Estimates post Q2FY27

FY27E/FY28E/FY29E (in %): NII: 0.0/-0.6/-0.2; **PPOP:** -0.4/-1.0/-0.7; **PAT:** -1.8/-2.2/-1.4

Recommendation Rationale

- **NBFC Witnesses Asset Quality Stress; Corrective Measures Underway:** Asset quality in the NBFC business remains the key monitorable, with continued stress in the portfolio weighing on collection efficiency and credit costs. Aptus' NBFC's GNPA stood at 2.17% in Sep'26 vs 1.59% YoY, while Stage 2 assets inched up sharply to ~6.9%, indicating continued slippages. Management attributed the deterioration in asset quality mainly to the legacy portfolio, originated before Apr'24, where resolution and recoveries have taken longer than initially anticipated. Moreover, the stress is more pronounced in the smaller ticket size loans (ATS <Rs 7 Lc) and mainly concentrated in Karnataka (KA). Resultantly, credit costs were higher at ~1.7%, though broadly aligned with industry peers. Aptus has tightened its credit underwriting filters and strengthened its collection and legal recovery team to ensure better asset quality outcomes. **Management expects the NBFC asset quality metrics to take another 1-2 quarters to normalise, with gradual improvement expected by the end of FY27. Considering elevated stress levels in the NBFC business, management has revised consolidated FY27 credit cost guidance upwards by 5-10bps.**
- **Home Loans Asset Quality Remains Resilient:** In contrast to the NBFC business, the housing finance franchise continues to demonstrate healthy asset quality, with no meaningful deterioration in underlying portfolio trends. HFC's GNPA improved marginally by 5bps YoY to 1.48% in Q2, with Stage 2 largely stable. Management reiterated that the HFC portfolio remains structurally sound, with its underwriting philosophy primarily driven by the customer's income-to-instalment ratio rather than collateral value alone.
- **Growth Momentum Healthy; 22% AUM Growth Guidance Retained:** Aptus' business growth momentum is supported by sustained demand across existing markets, deeper geographical penetration and expansion into newer states such as Maharashtra (MH) and Odisha (OD). **Management remains confident of achieving its FY27 AUM growth guidance of 22%, though growth is likely to witness a temporary moderation in Q3 as the company has tightened NBFC underwriting standards and addresses elevated delinquencies**. This confidence is backed by a seasonally stronger H2, incremental contribution from branches opened during H1 and improving traction across alternate sourcing channels. While BT-outs and preclosures have been slightly higher due to increased competition from SFBs, Aptus is addressing the competitive challenge through alternate sourcing channels, improved customer acquisition and calibrated pricing.

Sector Outlook: Positive

Company Outlook: Aptus has retained its FY27 AUM growth guidance of 22%, supported by branch expansion, improving traction in alternate sourcing channels and a seasonally stronger H2. More importantly, the pace of improvement in the NBFC portfolio warrants closer monitoring, with asset quality stress and credit costs likely to take another 1-2 quarters to normalise, while the HFC franchise continues to demonstrate resilience. Aptus remains confident of protecting its margins despite pressure on CoF in a rate hike cycle, which is likely to be partially offset by repricing of the floating rate book. Opex ratios should remain range-bound between 2.6-2.8%, with increased focus on improved productivity. The sharp correction in stock has resulted in valuations appearing reasonable given Aptus' ability to deliver best-in-class RoA of 7.4-7.5% over FY27-FY29E; however, a decisive and sustained recovery in asset quality and consistent execution on growth remain key for stock performance.

Current Valuation: 1.7x Sep'28E ABV; Earlier Valuation: 2.4x FY28E ABV

Current TP: Rs 250/share; Earlier TP: Rs 325/share

Recommendation: We **maintain** our **BUY** recommendation on the stock.

Alternate BUY Ideas from our Sector Coverage: Can Fin Homes (TP: Rs 915/share)

Financial Performance

- **Operational Performance:** Aptus' disbursement momentum was healthy and grew by 20/9% YoY/QoQ. AUM growth was in line with our expectations at 21/4% YoY/QoQ, with growth primarily driven by Small Business Loans (+22/5% YoY/QoQ) while Home loans also remained healthy (+15/4% YoY/QoQ). Within the core geographies, AP (+21/4% YoY/QoQ) and Telangana (+29/10% YoY/QoQ) continued to drive growth.
- **Financial Performance:** NII growth was healthy and grew by 23/6% YoY/QoQ. NIMs (calc.) contracted 15bps QoQ to stand at 13.1%. The company added 25 new branches in Q2, taking the total branch count to 397. Opex was elevated at 30/10% YoY/QoQ, primarily led by employee expense, up 34/11% YoY/QoQ. C-I Ratio inched up to 21.4% vs 19.6/20.5% YoY/QoQ. PPOP grew by 17/4% YoY/QoQ. Credit costs inched up marginally to 69bps vs 64bps QoQ. PAT grew by 18/2% YoY/QoQ. RoA/RoE remained strong at 7.7/20.1%.
- **Asset quality** remained stable, with GNPA/NNPA at 1.68/1.27% vs 1.70/1.29% QoQ. Collection efficiency stood at 98.4% vs 98.5% QoQ. 30+dpd book inched up to 7.1% vs 6.9% QoQ.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income (NII)	379	5.5	23.3	369	2.9
PPOP	364	3.9	16.6	364	0.1
Net Profit	267	2.5	18.0	269	-0.6
NNPA (%)	1.3	-2 bps	10 bps	1.3	-6 bps
RoA (%)	7.8	-8 bps	9 bps	7.8	0 bps

Source: Company, Axis Securities Research

CMP as of 04th November, 2026)	
CMP (Rs)	206
Upside /Downside (%)	21%
High/Low (Rs)	323/190
Market cap (Cr)	10,331
Avg. daily vol. (6m) Shrs.	16,96,482
No. of shares (Cr)	50.1

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	23.9	23.9	23.9
FIIs	30.3	29.7	30.3
MFs / UTI	24.2	24.3	22.2
Others	21.6	22.1	23.6

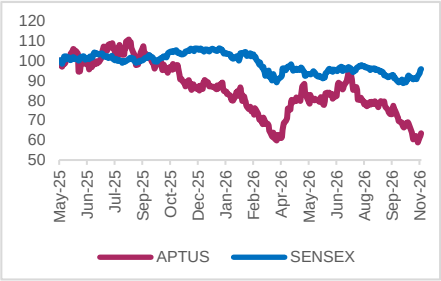
Financial & Valuations

Y/E Mar (Rs Cr)	FY27E	FY28E	FY29E
NII	1,528	1,820	2,221
PPOP	1,494	1,783	2,180
Net Profit	1,100	1,319	1,620
EPS (Rs)	22.0	26.3	32.4
ABV (Rs)	115.6	135.1	159.0
P/ABV (x)	1.8	1.5	1.3
RoA (%)	7.5	7.4	7.4
NNPA (%)	0.8	0.8	0.7

Change in Estimates (%)

Y/E Mar	FY27E	FY28E	FY29E
NII	0.0	-0.6	-0.2
PPOP	-0.4	-1.0	-0.7
PAT	-1.8	-2.2	-1.4

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

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Key Highlights

- **Diversified Sourcing and Expanding Distribution Network to Support Growth:** Aptus added around 58 branches in H1, taking the network to 397 branches and remains on track to add ~70 branches during FY27. Alongside branch expansion, the company is scaling up alternate sourcing channels to support strong AUM growth. The connector channel contributed ~12% of incremental business in Q2, vs 8% QoQ. Management also clarified that the change in the contribution of the Bandhu App (down to 6.4% vs 12.6% QoQ) is partly attributable to the conversion of Bandhu partners into connectors, rather than any underlying weakness in the sourcing channel. **The gradual expansion of these channels should complement the direct sourcing through Aptus' branch network and support incremental business generation.**
- **Some Near-term NIM Pressures Possible:** In Q2, spreads moderated by 10bps QoQ, owing to lower yields reflecting calibrated reductions in lending rates on select new NBFC originations to support customer acquisition and improve the quality of the incremental portfolio. On the liability side, the borrowing mix structure comprises ~31% fixed-rate borrowings, 34-35% repo-linked borrowings and 34% MCLR-linked borrowings. Thus, the repricing of the repo-linked borrowings could add ~8bps to the borrowing cost and another 4-5bps impact from the MCLR-linked borrowings. However, at present ~20% of Aptus' portfolio is floating rate, and the company will pass on the rate hike, thereby partially cushioning NIMs. **Management has guided for a 7-8bps NIM compression going ahead, and remains focused on protecting margins through higher volumes and a calibrated lending mix**. Aptus has also reapplied for additional NHB refinancing (lower rate benefit) and is currently responding to documentation-related queries.
- **Regulatory Uncertainty Around Insurance Commissions Remains a Monitorable:** Potential changes in insurance distribution regulations remain a key monitorable, given the contribution of insurance-related income, which stands at ~0.4% of total assets. Management clarified that the loan component extended to customers for financing insurance premiums, which is ~4% of the loan amount, is not expected to be impacted by the proposed regulatory changes. The uncertainty is largely around the commission component, where the financial impact of any reduction will become clearer only after the final IRDAI guidelines are issued.
- **Product Diversification to Remain Focused on Secured Lending**: Management continues to evaluate introducing new lending products, though it remains in the planning stage. Importantly, management clarified that Aptus does not intend to enter unsecured lending and will remain focused on asset-backed lending opportunities.

Outlook

The asset quality stress in the NBFC portfolio remains elevated and is likely to settle as Aptus exits FY27. Growth outlook remains encouraging, supported by improved business from the newly added branches, tailwinds from the H2 seasonality and improved contribution from the alternate sourcing channel, along with sustained growth from the direct channel. Opex ratios are expected to remain range-bound between 2.6-2.8% over the medium term following Aptus' focus on improving productivity. We broadly maintain our NII estimates over FY27-FY29E with minor tweaks, while higher credit costs from the NBFC portfolio result in a 2-3% cut in our earnings estimates. We pencil in AUM/NII/PAT growth of 22/20/20% CAGR over FY26-FY29E.

Valuation & Recommendation

We maintain our BUY recommendation on the stock backed by reasonable valuations. The stock currently trades at 1.4x Sep'28E ABV, and we value Aptus at 1.7x Sep'28E ABV to arrive at a **target price of Rs 250/share**, implying an upside of 21% from the CMP. **We believe current valuations are reasonable and re-rating would be contingent on a sustainable pick-up in growth and consistent delivery on asset quality.**

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall disbursement and AUM growth, which could potentially derail our earnings estimates.
- Increase in BT-Out rates, which are currently at manageable levels.

Change in Estimates

	Revised			Old			% Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
NII	1,528	1,820	2,221	1,528	1,832	2,225	0.0	-0.6	-0.2
PBP	1,494	1,783	2,180	1,500	1,801	2,194	-0.4	-1.0	-0.7
Provisions	95	105	118	82	93	115	15.5	12.4	2.9
PAT	1,100	1,319	1,620	1,120	1,349	1,643	-1.8	-2.2	-1.4

Source: Company, Axis Securities Research

Results Review (Consolidated)

Rs Cr	Q2FY27	Q2FY26	% YoY	Q1FY27	% QoQ	H1FY27	H1FY26	% YoY
Net Interest Income	379	308	23.3	359	5.5	739	617	19.8
Non-Interest Income	84	81	3.6	81	3.0	165	142	16.8
Operating expenses	99	76	29.8	90	9.6	189	150	26.4
Staff Cost	*71*	*53*	*33.5*	*64*	*10.7*	*135*	*103*	*30.3*
Pre-provision profits	364	312	16.6	351	3.9	715	608	17.5
Provisions and contingencies	24	18	32.0	21	11.1	45	29	58.2
PBT	340	294	15.6	329	3.4	669	580	15.5
Provision for Tax	73	68	7.7	68	7.0	141	134	5.3
PAT	267	227	18.0	261	2.5	528	446	18.5
Business Update								
Disbursements	1,153	963	19.7	1,053	9.5	2,206	1,738	26.9
AUM	14,177	11,767	20.5	13,648	3.9	14,177	11,767	20.5
Cost-Income ratio (%)	21.4	19.6	174bps	20.5	88bps	20.9	19.8	117bps
Yield on Advances	17.0	17.3	-30bps	17.1	-10bps	17.1	17.4	-30bps
Cost of Funds (%)	8.1	8.4	-30bps	8.0	10bps	8.1	8.5	-45bps
NIMs (%)	8.9	8.9	0bps	9.0	-10bps	9.0	8.8	15bps
Asset Quality								
Gross NPA (%)	1.7	1.6	13bps	1.7	-2bps	1.7	1.6	13bps
Net NPA (%)	1.3	1.2	10bps	1.3	-2bps	1.3	1.2	10bps
PCR (%)	24.4	24.5	-11bps	24.1	29bps	24.4	24.5	-11bps

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
Net Interest Income	**1,295**	**1,528**	**1,820**	**2,221**
Non-Interest Income	302	362	434	520
Total Income	**1,597**	**1,890**	**2,254**	**2,741**
Operating Expenses	324	396	471	562
Pre-Provision Profits	**1,273**	**1,494**	**1,783**	**2,180**
Provisions	62	95	105	118
PBT	**1,211**	**1,399**	**1,678**	**2,061**
Tax	268	299	359	441
Profit After Tax	**943**	**1,100**	**1,319**	**1,620**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
Equity Share Capital	100	100	100	100
Reserves & Surplus	4,960	5,785	6,775	7,990
Net Worth	**5,060**	**5,885**	**6,875**	**8,090**
Borrowings	7,904	10,204	12,643	15,722
Other Liabilities	84	104	126	154
Total Liabilities	**13,048**	**16,193**	**19,644**	**23,967**
Cash & Bank balances	591	428	524	639
Investments	240	784	794	968
Loans	11,930	14,495	17,737	21,640
Fixed Assets & Others	287	486	590	719
Total Assets	**13,048**	**16,193**	**19,644**	**23,967**

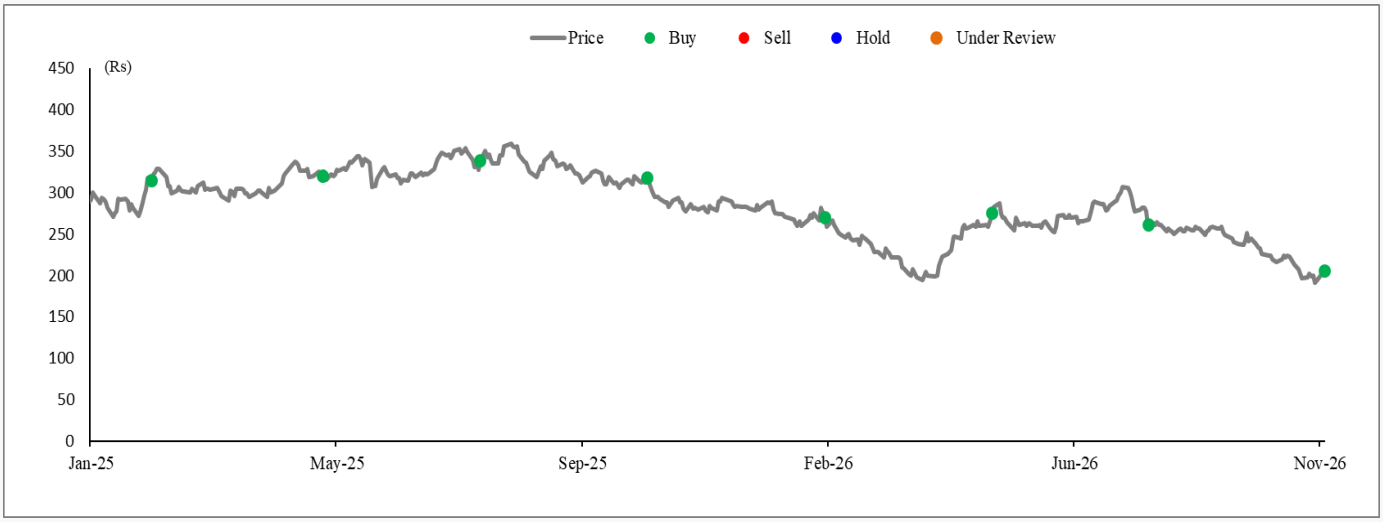
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E March	FY26	FY27E	FY28E	FY29E
Asset Quality				
GNPA Ratio	1.5	1.4	1.3	1.3
NNPA Ratio	1.2	0.8	0.8	0.7
PCR	25.6	25.5	25.3	25.1
Profitability & Efficiency Ratios				
NIMs % - Calc. (on IEA)	10.9	10.7	10.5	10.5
RoA	7.8	7.5	7.4	7.4
RoE	20.1	20.1	20.7	21.7
Cost to Assets	2.7	2.7	2.6	2.6
Cost to Income	20.3	20.9	20.9	20.5
CRAR (%)	71.0	68.3	63.8	61.2
Valuation				
EPS	18.8	22.0	26.3	32.4
Change (%)	*25.3*	*16.6*	*20.0*	*22.8*
BVPS (Rs)	101.1	117.5	137.3	161.6
Adj. BVPS (Rs)	99.4	115.6	135.1	159.0
P/E (x)	11.0	9.4	7.8	6.4
P/ABV (x)	2.1	1.8	1.5	1.3
P/BV (x)	2.0	1.8	1.5	1.3
Dividend Per Share (Rs)	4.5	5.5	6.6	8.1
Dividend Yield (%)	2.2	2.7	3.2	3.9
DuPont Analysis – RoE Tree (%)				
NII	10.7	10.5	10.2	10.2
Non-Interest Income	2.5	2.5	2.4	2.4
Opex	2.7	2.7	2.6	2.6
PPOP	10.5	10.2	10.0	10.0
Provisions	0.5	0.7	0.6	0.5
PBT	10.0	9.6	9.4	9.5
Tax	2.2	2.0	2.0	2.0
RoA	7.8	7.5	7.4	7.4
Leverage (x)	2.6	2.7	2.8	2.9
RoE	20.1	20.1	20.7	21.7

Source: Company, Axis Securities Research

Aptus Value Housing Finance Price Chart and Recommendation History



Date	Reco	TP	Research
04-Feb-25	BUY	400	Result Update
08-May-25	BUY	400	Result Update
04-Aug-25	BUY	425	Result Update
03-Nov-25	BUY	405	Result Update
05-Feb-26	BUY	350	Result Update
08-May-26	BUY	350	Result Update
03-Aug-26	BUY	325	Result Update
05-Nov-26	BUY	250	Result Update

Source: Axis Securities Research

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.