18 September 2024

Update | Sector: Financials

AU Small Finance Bank

BSE SENSEX	S&P CNX
82,948	25,378

Stock Info

Bloomberg	AUBANK IN
Equity Shares (m)	743
M.Cap.(INRb)/(USDb)	538.4 / 6.4
52-Week Range (INR)	813 / 554
1, 6, 12 Rel. Per (%)	15/12/-27
12M Avg Val (INR M)	2167
Free float (%)	77.1

Financials & Valuations (INR b)

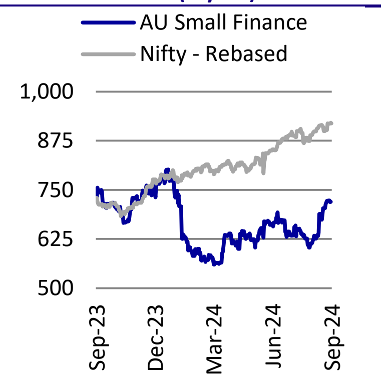
Y/E March	FY24	FY25E	FY26E
NII	51.6	80.5	101.2
PPoP	24.4	40.2	51.3
PAT	15.3	21.4	28.1
NIM (%)	5.2	6.2	6.0
EPS (INR)	23.0	30.3	37.7
EPS Gr. (%)	4.3	31.8	24.6
BV/Sh. (INR)	187	223	260
ABV/Sh. (INR)	183	217	253
Ratios			
RoE (%)	13.1	14.7	15.6
RoA (%)	1.5	1.6	1.7
Valuations			
P/E (X)	31.2	23.7	19.0
P/BV (X)	3.8	3.2	2.8
P/ABV (X)	3.9	3.3	2.8

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	22.9	25.5	25.5
DII	18.4	22.8	19.3
FII	39.6	39.4	41.6
Others	19.1	12.4	13.6

FII includes depository receipts

Stock Performance (1-year)



CMP: INR724 TP: INR830 (+15%) Buy

On a long growth runway!

Earnings to clock ~32% CAGR over FY25-FY27

- **AU Small Finance Bank (AUBANK) is well-positioned for strong growth, demonstrating a steady improvement in operating profitability as it capitalizes on the synergies resulting from the merger. A high-yielding loan book following the merger and broader product offerings, especially in the South, will facilitate profitable growth in the coming years.**
- **The bank's recent application for a Universal Bank license is expected to streamline regulatory requirements, improve brand positioning, and foster growth by enhancing customer acquisition and deposit productivity.**
- **Although NIM may contract to 5.5-5.7% due to rising costs, improvements in disbursement yields and potential rate cuts are expected to enhance margins. We estimate the operating leverage to improve gradually with a C/I projection of 62% for FY25 and further recovery to 60% by FY27.**
- **The bank maintains robust asset quality with stable credit costs. It expects GNPA/ NNPA ratios to remain around 1.9%/0.6% by FY27 and PCR to improve to 70%.**
- **We estimate RoA to improve to 1.8% by FY27, aided by ~24% loan growth, resulting in a ~32% CAGR in earnings over FY25-FY27. We reiterate our BUY rating with a revised TP of INR830 (premised on 3.2x FY26E BV).**

Estimate loan CAGR of ~24%; business mix to diversify further

AUBANK posted a robust CAGR of ~25% in its standalone advances over FY22-FY24, with a 3.4% QoQ growth in the loan portfolio during 1QFY25, adjusted for its merger with Fincare SFB. The merger will accelerate the company's growth, enabling it to expand its geographic reach and meet the Priority Sector Lending (PSL) requirements through its stronger presence in high-yield segments such as MFI, while also strengthening its Small Business Loans (SBL) and gold loan portfolios. The complementary asset compositions of AUBANK's and Fincare SFB's portfolios bridge the gap in product offerings, creating a diversified suite that supports growth and solidifies the merged entity's leadership in the SFB sector.

Focus on deposit mobilization and strategic CD ratio management

AUBANK is strategically focusing on deposit mobilization while managing its cost of funds, having retired INR10b in high-cost bulk deposits during 1QFY25. AUBANK 's CD ratio was 92%, but when adjusted for refinance-backed loans, it stood at 84%. We estimate deposit mobilization to gain traction, enabling a moderation in the CD ratio to ~90% by FY25E (in line with the bank guidance). The bank targets 25% deposit growth in FY25, emphasizing granular retail deposits while it aims to maintain a CD ratio of ~90% (85% ex refinance). With a stable funding mix of 70% CASA and Retail TDs and 15% non-callable bulk TDs, we clock ~24% CAGR in AUBANK's loan book, reaching INR1.64t by FY27E, and a similar growth rate for deposits at INR1.84t.

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Funding cost pressures to keep near-term margin under check

AUBANK's NIM increased ~90bp QoQ to around 6.0% in 1QFY25, primarily due to a 120 bp rise in loan yields from its merger with Fincare SFB. Despite a 7 bp QoQ reduction in funding costs to 7.03%, aided by the retirement of high-cost bulk deposits, the elevated deposit rates and competition are expected to maintain high funding costs in the near term. The bank anticipates NIM to remain ~5.5-5.7% over FY25 as deposit mobilization accelerates. However, a potential turn in the repo rate cycle, with 62% of the loan book being fixed in nature, will support margins. We estimate NIM to gradually improve over FY25-FY27, aided by improved operating leverage and a possible capital raise in FY26 to support loan growth.

Near-term C/I ratio sticky; operating leverage to improve gradually

AUBANK is investing in sustainable growth through technology, streamlined processes, and geographic expansion with cost ratios projected to stay high at 62% in FY25 (slightly better than the management's conservative estimate of ~63% for FY25; 60% cost-income ratio in 1QFY25). The bank's merger with Fincare SFB is expected to drive revenue growth through cross-selling, enhanced distribution income, and benefits from the AD-1 license, with cost ratios expected to improve from FY26 as the merger synergies are realized. Additionally, AUBANK's recent application for a Universal Bank license is set to ease regulatory requirements and enhance brand positioning, supporting growth through increased customer acquisition and improved deposit productivity from the expanded branch network.

Estimate GNPA/NNPA ratio at ~1.9%/0.6% by FY27

AUBANK has maintained robust underwriting, characterized by in-house origination, strong asset monitoring, and efficient collections. The bank expects credit cost of 6.5-7.0% for its credit card business and around 3% for microfinance over the long term, having set aside an additional INR170m for the MFI segment in 1QFY25. During 1QFY25 the bank reported a credit cost of 33 bp (29 bp adjusting for recoveries), despite deteriorations in the retail unsecured segment. Although the MFI segment continues to report stress, AUBANK expects the credit cost to remain stable at ~1.2% for FY25. Asset quality ratios are, thus, expected to remain in control with GNPA/NNPA ratios at ~1.9%/0.6% by FY27E, while PCR improves to 70% from ~65% currently.

Valuation and view: Reiterate BUY with a revised TP of INR830

- AUBANK is well-positioned to deliver superior growth with a steady improvement in operating profitability as it benefits from the synergies following its merger with Fincare SFB. This merger enables the bank to benefit from a higher-yielding loan book and a broader product suite, thereby driving growth, particularly in the South.
- The bank's recent application for a Universal Bank license is expected to ease regulatory requirements and enhance brand positioning, thus supporting growth while improving deposit productivity. While NIM may moderate slightly due to the rising cost of funds, improved disbursement yields and potential rate cuts are likely to improve margins over FY26E.
- AUBANK aims for a 1.6% RoA in FY25 with a potential for 1.8% by FY27E. We estimate AUBANK to deliver ~24% loan growth CAGR and ~32% PAT CAGR over FY25-FY27. With strong execution capabilities and a proven management track record, we remain optimistic about AUBANK's growth and reiterate a BUY rating with a revised TP of **INR830 (premised on 3.2x FY26E BV).**

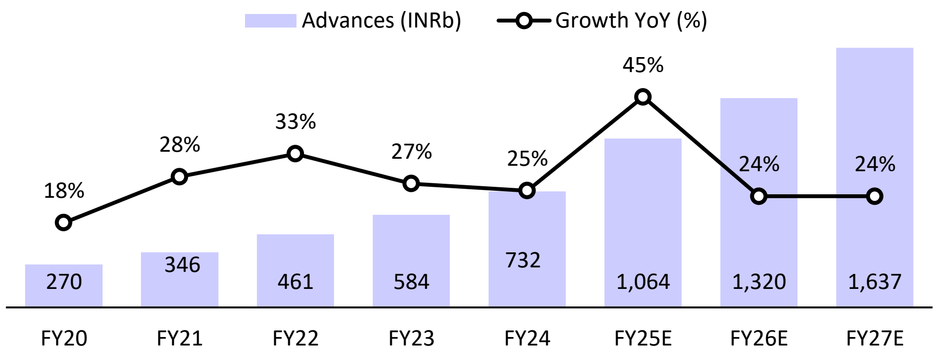
Estimate loan and deposit CAGR of ~24%

Business and geographical mix to diversify further

- AUBANK reported a strong CAGR of ~25% in standalone advances over FY22-FY24. During 1QFY25, the bank reported 3.4% QoQ loan portfolio growth, adjusted for its merger with Fincare SFB. We expect growth momentum to gain traction going forward as the bank benefits from both product and geographical diversification and a wider customer base.
- The merger will enhance AUBANK's ability to expand geographically and meet Priority Sector Lending (PSL) requirements as it establishes presence in high-yielding segments such as MFI while strengthening its Small Business Loans (SBL) and gold loan portfolios.
- The distinct asset compositions of AUBANK (Wheels, SBL, Housing, and Commercial) and Fincare SFB (MFI, SBL, and Gold) complement each other and bridge the gap in the bank's product offerings. A broader product suite not only presents avenues for growth but also augments the merged entity's leadership position in the SFB sector.
- The bank is focused on deposit mobilization while effectively managing its cost of funds. It has deployed excess liquidity on the balance sheet during 1QFY25. Consequently, the bank has retired high-cost bulk deposits amounting to INR10b during 1QFY25. As of 1QFY25, AUBANK's CD ratio was 92%, but when adjusted for refinance-backed loans, it stood at 84%. We estimate deposit mobilization to gain traction, leading to a moderation in the CD ratio to ~90% by FY25 (in line with the bank guidance).
- The bank aims for a 25% deposit growth in FY25, focusing on granular retail deposits while it aims to maintain a CD ratio of ~90% (85% ex of refinance). AUBANK has a healthy mix of CASA + Retail TDs at 70%, while the non-callable bulk TDs account for another 15% of the total deposits, ensuring stability to the overall funding franchise. We estimate loan book to grow at ~24% CAGR over FY25-FY27, reaching INR1.64t by FY27. Further, the deposits are expected to grow at a broadly similar rate, reaching INR1.84t during the same period.

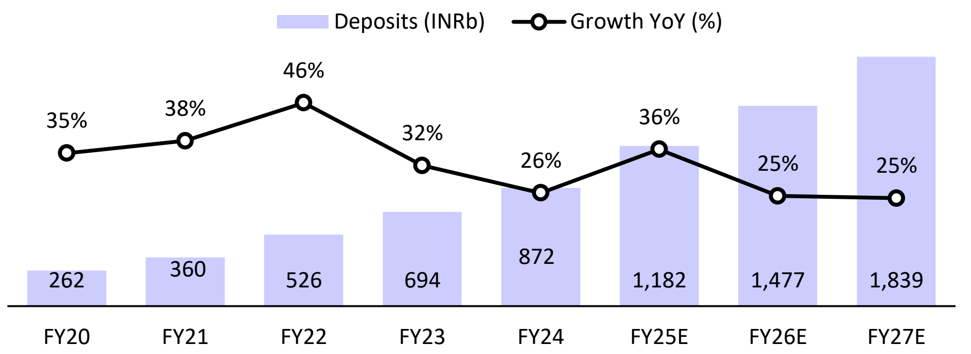
We estimate the loan/deposit portfolio to clock a healthy 24-25% CAGR over FY24-FY27, adjusting for the merger.

Exhibit 1: Merged entity loan book to surpass ~INR1.6t by FY27E



Source: Company, MOFSL

Exhibit 2: Deposits to reach ~INR1.84t by FY27E



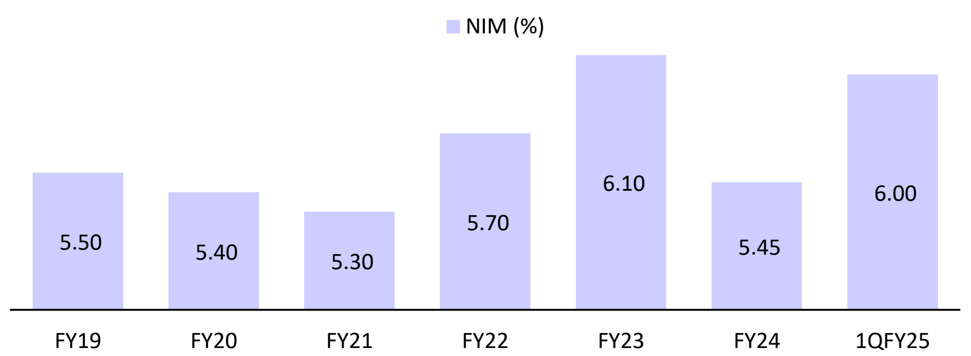
Source: Company, MOFSL

Elevated funding costs to keep near-term margins under check

Potential turn in the rate cycle to aid in NIM recovery FY26E onwards

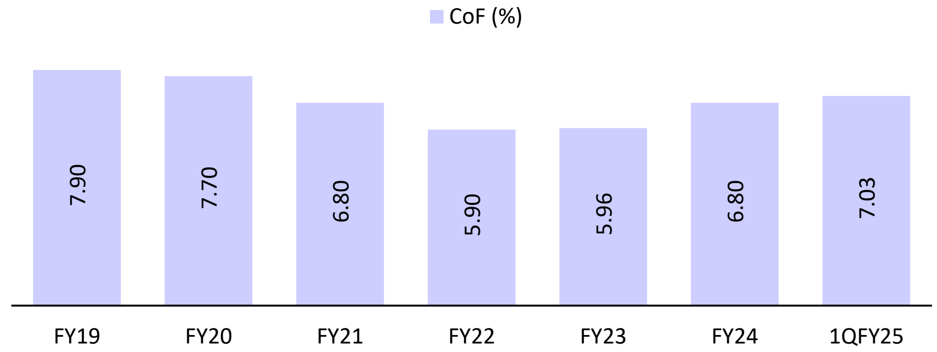
- AUBANK's NIM increased ~90 bp QoQ to ~6.0% in 1QFY25, driven by an ~120 bp increase in loan yields as the bank benefitted from its merger with Fincare SFB's high-yielding loan portfolio.
- The sharp rise in the rate environment and intense competition in garnering deposits will keep funding costs elevated in the near term, particularly as the bank accelerates deposit mobilization from 2QFY25 onwards. AUBANK's cost of funds moderated 7 bp QoQ to 7.03% during 1QFY25 (on a pro-forma basis) as the bank benefitted from its decision to retire high-cost bulk deposits. We estimate the funding cost to increase further as the deposit rates stay elevated, while most of the deposit accretion continues to take place via TDs at a higher cost. The management has, thus, guided for NIM to conservatively sustain at ~5.5-5.7% over FY25E.
- The potential turn in the repo rate cycle will gradually translate into a reduction in funding costs, while the fixed-rate nature of the lending portfolio (62% book is fixed) will enable healthy loan yields. Therefore, we estimate NIM to improve over FY25-FY27. This, coupled with improvements in operating leverage and a potential capital raise in FY26E to support loan growth, will enable healthy revenue growth and earnings trajectory.

Exhibit 3: AUBANK's NIM expanded to 6% in 1QFY25 post-merger



Source: Company, MOFSL

Exhibit 4: The cost of fund stood at 7.03% in 1QFY25 post-merger

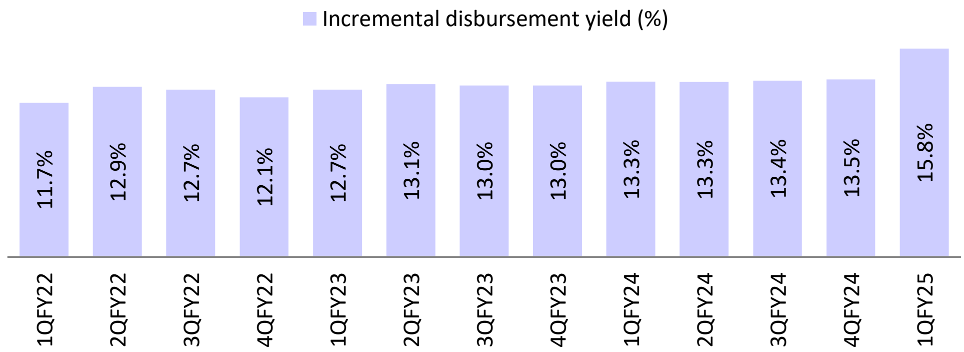


Source: Company, MOFSL

Disbursement yield experienced a sharp increase post-merger.

Disbursement yield on AUBANK's standalone business increased 33 bp in Wheels, 41 bp in MBL, and 113 bp in the Housing business on a sequential basis, which bodes well for medium-term margins.

Exhibit 5: AUBANK's disbursement yield increased sharply to 15.8% post-merger



Source: Company, MOFSL

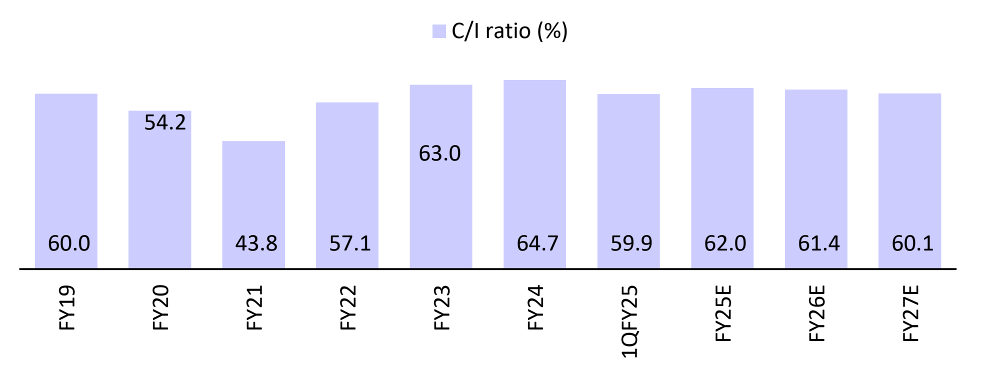
Operating leverage to improve gradually

C/I ratio to remain sticky in the near term; estimate ~200 bp reduction over FY25-FY27

- AUBANK is strategically investing in sustainable growth by leveraging technology, streamlining processes, and expanding its geographical footprint. Thus, cost ratios are expected to remain elevated at 62% in FY25 against the management's conservative guidance of ~63% (cost-income of ~60% in 1QFY25).
- The bank's merger with Fincare is anticipated to drive revenue growth through cross-selling, robust distribution income, and benefits from the AD-1 license. A recovery in margins and improvement in operating leverage, driven by the merger synergies, are expected to lead to a gradual moderation in cost ratios from FY26 onwards.
- On 3rd Sep'24, AUBANK applied for a Universal bank license to RBI, which will ease regulatory requirements and improve the bank's brand positioning. The conversion to Universal Bank will support growth as the customer acquisition run-rate picks up. The improved deposit productivity of Fincare branches and merger synergies will further boost the operating performance.

C/I ratio is likely to remain elevated over FY25; it is estimated to improve 60% by FY27.

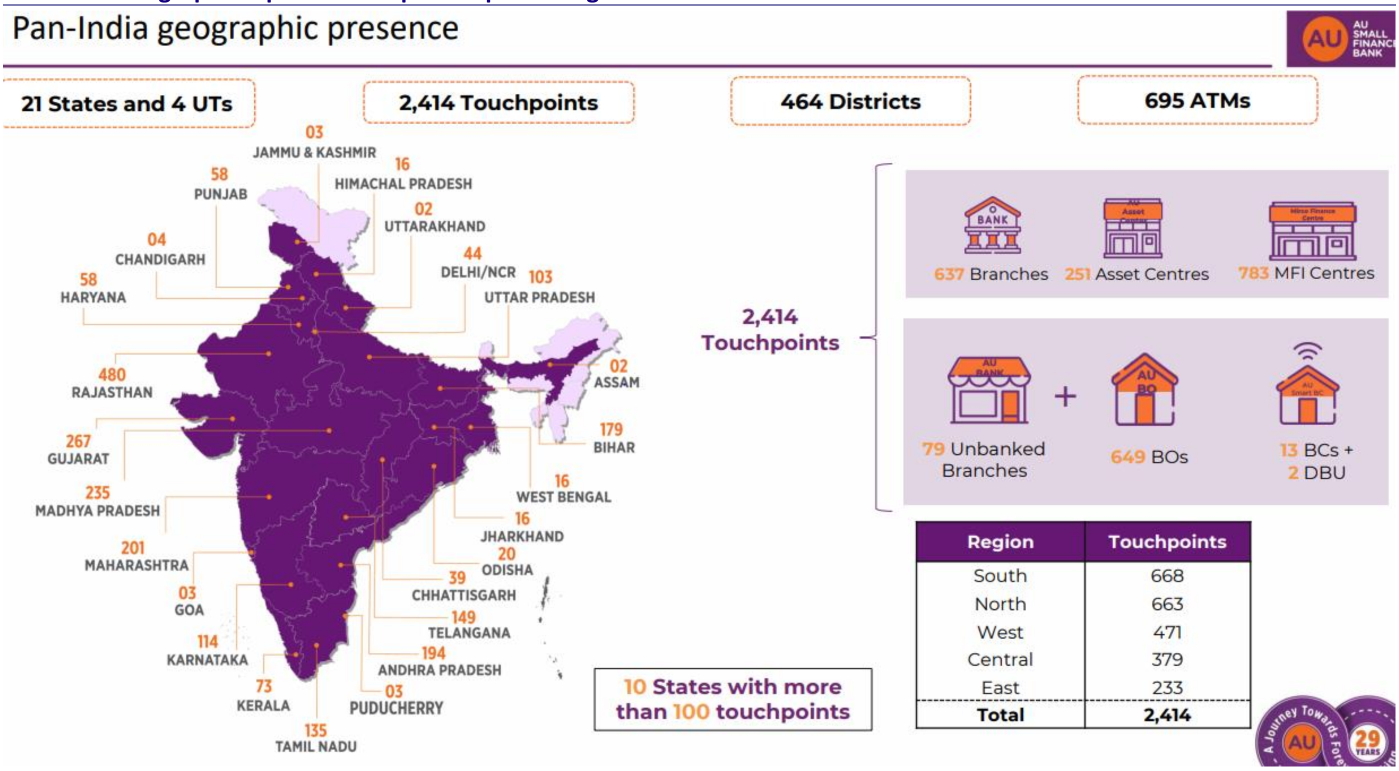
Exhibit 6: Estimate C/I ratio to improve to 60% by FY27E



Source: Company, MOFSL

- **Geographic presence expanded significantly; touchpoints doubled post-merger:** The merger has enabled AUBANK to significantly strengthen its geographical diversification by leveraging Fincare's strong presence in the southern region. The bank has extended its reach from 4 states to 10 states, each having over 100 touchpoints, while AUBANK's total touchpoints doubled to 2,414.

Exhibit 7: Geographical presence improved post-merger



Source: AUBANK presentation

Exhibit 8: Geographical presence of AUBANK improved post-merger with the bank covering 25 states and UTs

Geographic presence	Branches	Touchpoints	States and UTs	Districts
Mid-sized banks				
RBK	545	1,806		598
KVB	840		22	
DCB	445			
CUBK	800		16	
Federal	1,518			
IDFC	955			
BANDHAN	1,700		35	641
Small finance banks				
AUBANK	637	2,414	25	464
EQUITASB	969		18	
JANASFB	780		24	
UJJIVAN	752		26	326

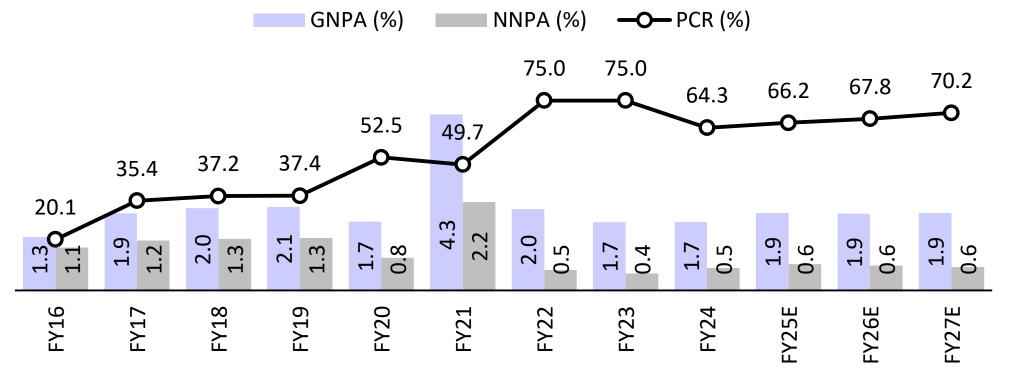
Source: Company, MOFSL

Estimate GNPA/NNPA ratio at ~1.9%/0.6% by FY27

Estimate credit cost to sustain at avg. 1.2% over FY25-FY27

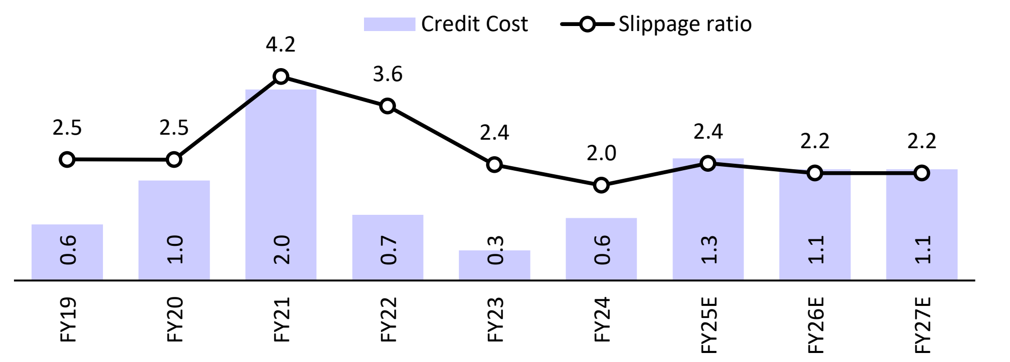
- AUBANK has maintained tight control on asset quality, led by its robust underwriting, in-house origination, strong asset monitoring, and collection abilities.
- The bank expects credit costs of 6.5-7% for its credit card business and ~3% for microfinance over the long term as it aims to build a contingency buffer for the MFI business (provided additional INR170m during 1QFY25).
- Despite deteriorations in the retail unsecured segment, the bank has implemented portfolio actions, including the tightening of credit card issuance with a focus on better quality customers. The credit cost for 1QFY25 stood at 33 bp (29 bp adjusting for recoveries), including a contingency provision of INR170m for the microfinance portfolio, and we estimate the full-year credit cost to sustain at 1.3%.
- MFI collections faced challenges in 1QFY25 with the overall industry witnessing asset quality headwinds. However, the bank remains confident in its ability to navigate through the credit cycle and guides for a broadly unchanged credit cost for FY25E at ~1.2%.
- We, thus, estimate asset quality ratios to remain broadly stable with GNPA/NNPA ratio sustaining at ~1.9%/0.6% by FY27, while PCR improves to 70% vs. ~65% currently.

Exhibit 9: AUBANK's GNPA/NNPA ratio to remain stable at 1.9%/0.6% in FY27



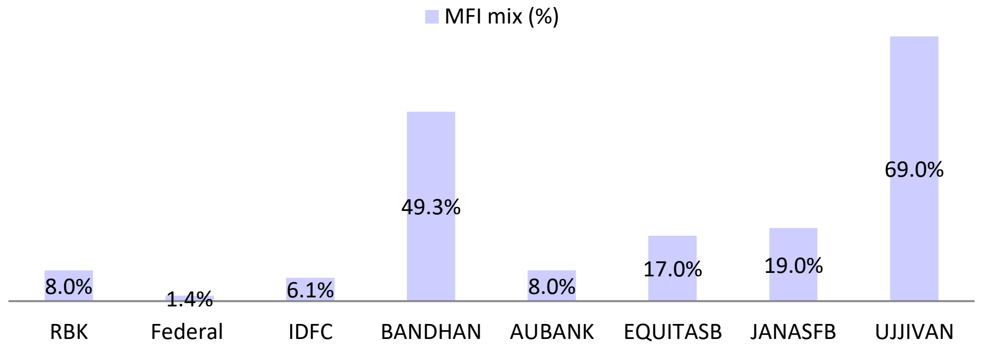
Source: Company, MOFSL

Exhibit 10: Credit cost to sustain at an avg. of 1.2% over FY25-FY27



Source: Company, MOFSL

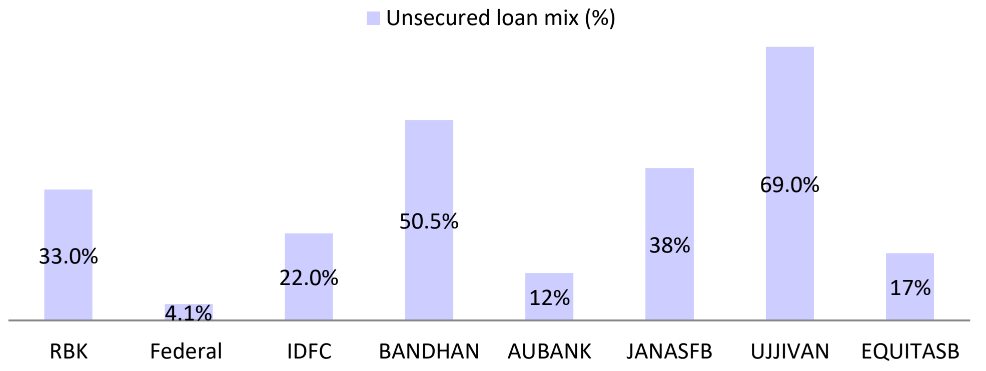
Exhibit 11: MFI loan mix across banks as of 1QFY25; AUBANK has an MFI mix of 8%



Source: Company, MOFSL

Unsecured loan mix of AUBANK stands at 12%, which is lower than most of its peers. The bank has forayed into MFI post-merger and its mix currently stands at 8%.

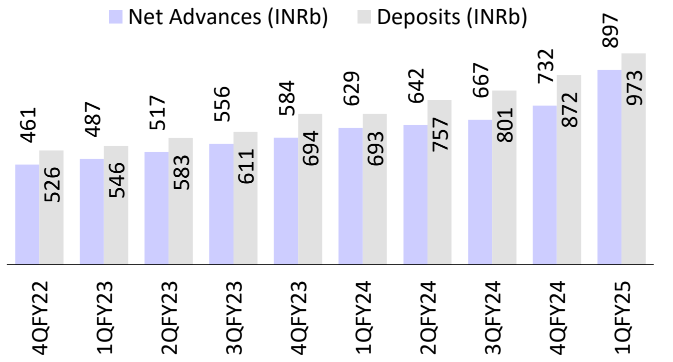
Exhibit 12: Unsecured loan mix of AUBANK stood at 12%, lower than its peers



Source: Company, MOFSL

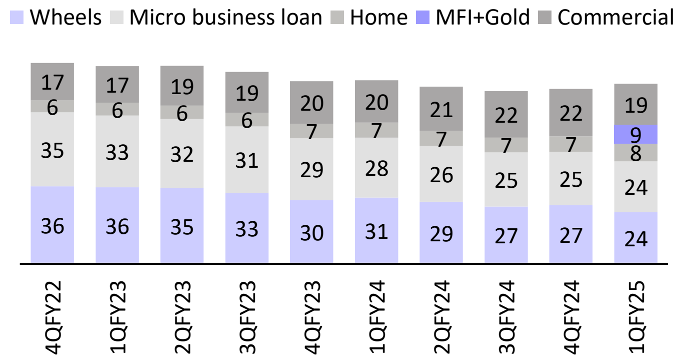
Story in charts

Exhibit 13: Net advances increased to INR897b post-merger



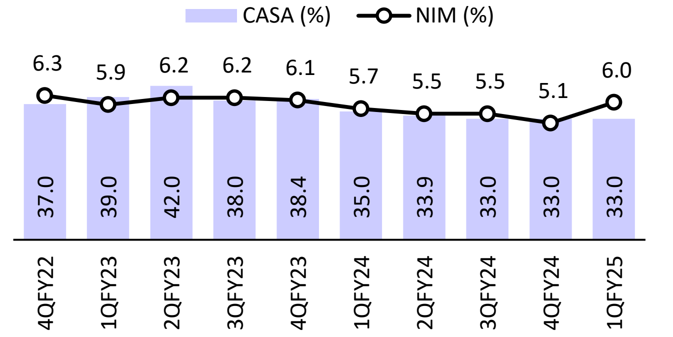
Source: Company, MOFSL

Exhibit 14: AUM mix: AUBANK has a diversified business mix



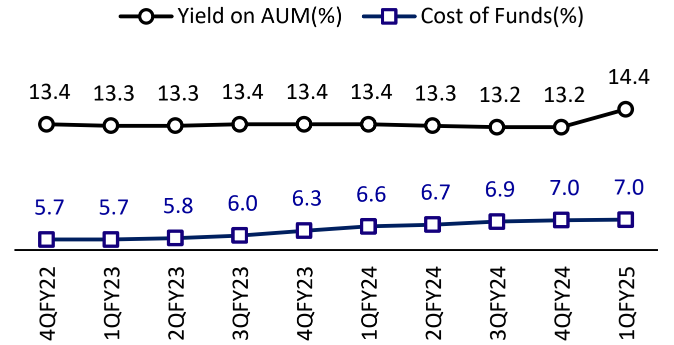
1QFY25 Numbers post-merger; Source: Company, MOFSL

Exhibit 15: Margins increased to 6.0% in 1QFY25



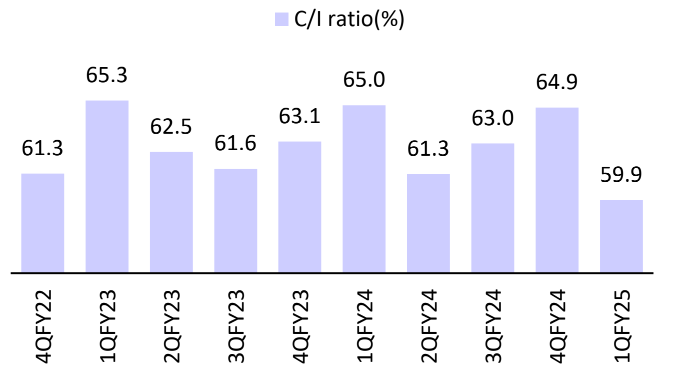
Source: Company, MOFSL

Exhibit 16: Yields on gross advances improved to 14.4%



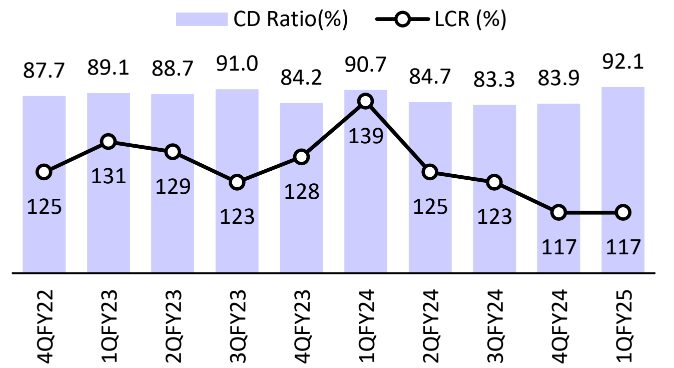
Source: Company, MOFSL

Exhibit 17: C/I ratio moderated to 60% in 1QFY25



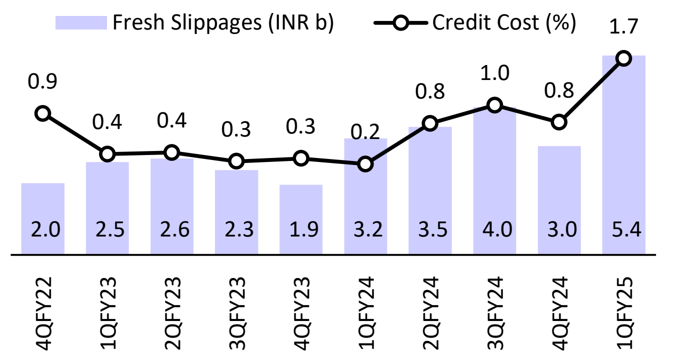
Source: Company, MOFSL

Exhibit 18: CD ratio stood at 92% in 1QFY25



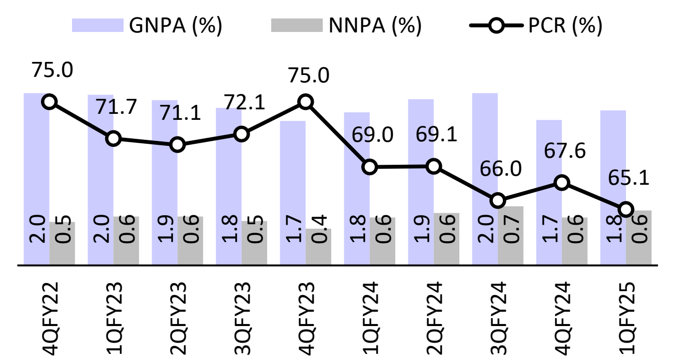
Source: Company, MOFSL

Exhibit 19: Fresh slippages increased to INR5.4b in 1QFY25



Source: Company, MOFSL

Exhibit 20: Asset quality deteriorated slightly; PCR at 65.1%

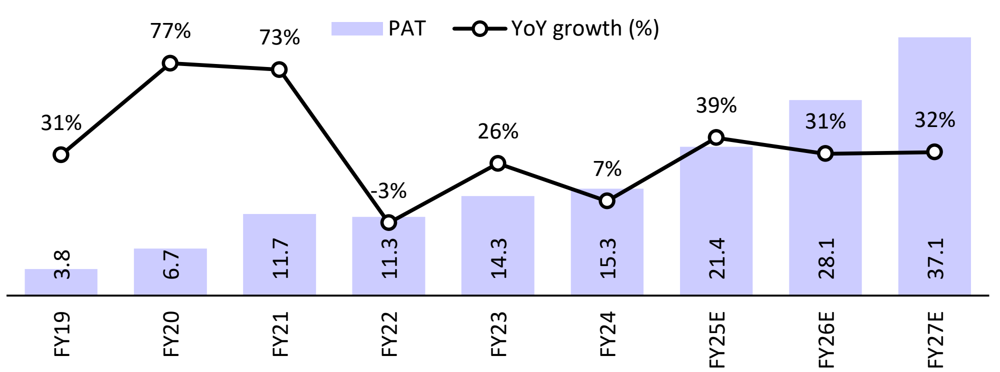


Source: Company, MOFSL

Valuation & view: Reiterate BUY with a revised TP of INR830

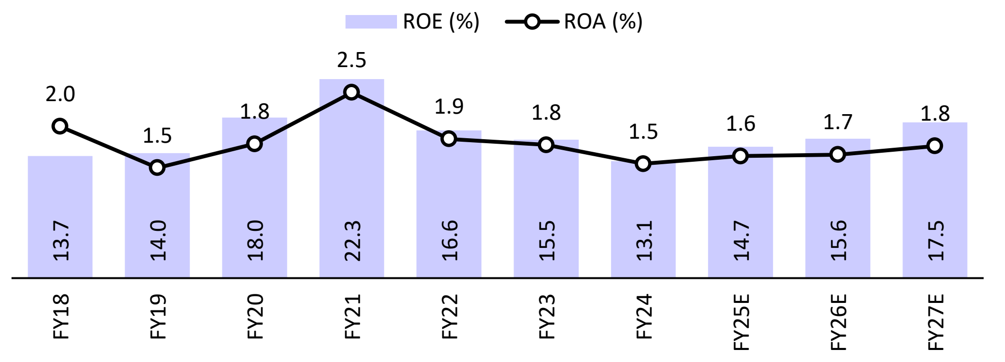
- AUBANK's first quarter of merged financials underscores the steady progress the bank is making post-merger amidst a challenging period for the MFI industry. The merger with Fincare supports operating profitability through a higher-yielding loan book, while a broader product suite and expanded geographic footprint (particularly in the South) will enable healthy business growth.
- The AUBANK management has applied for a Universal Bank license to RBI on 3rd Sep'24, which will ease regulatory requirements and improve brand positioning for the bank. The conversion to Universal Bank will support growth as the customer acquisition run-rate picks up. Further, the improved deposit productivity of Fincare branches and merger synergies will boost the operating performance.
- While NIM may contract from ~6.0% to 5.5-5.7% due to the rising CoF, the improvement in disbursement yields and moderation in funding costs alongside potential rate cuts will enable an improvement in margins. The bank is aiming for a 1.6% RoA in FY25 with a potential upside. It has guided for an RoA of 1.8% by FY27E.
- We view AUBANK as a solid combination of robust balance sheet growth and healthy operating profitability as we estimate the bank to deliver ~24% loan growth CAGR while the net earnings grow at ~30% CAGR over FY24-FY27.
- The bank's ability to execute effectively will be crucial for maintaining growth and asset quality and achieving a healthy RoA. Given the management's proven track record, we are optimistic about the smooth execution of its strategic plans. **We reiterate our BUY rating on the stock with a revised TP of INR830 (premised on 3.2x FY26E BV).**

Exhibit 21: Earnings to post >30% CAGR over FY25-FY27



Source: Company, MOFSL

Exhibit 22: RoA/RoE to recover to 1.8%/17.5% by FY27



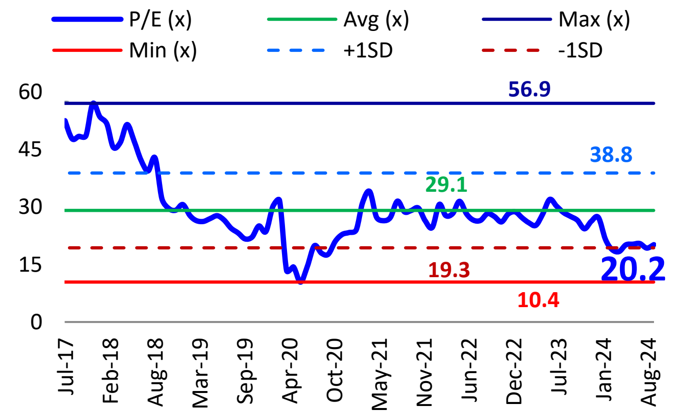
Source: Company, MOFSL

Exhibit 23: AUBANK: DuPont Analysis – Estimate RoA to improve to ~1.8% by FY27

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	11.46	10.56	9.81	10.30	10.57	12.47	12.21	12.10
Interest Expense	6.36	5.51	4.45	4.75	5.41	6.28	6.21	6.00
Net Interest Income	**5.11**	**5.05**	**5.36**	**5.56**	**5.17**	**6.18**	**5.99**	**6.11**
Core Fee and Secu. Inc	1.43	1.21	1.41	1.35	1.70	1.72	1.65	1.67
Trading and Others	0.46	1.82	0.24	-0.06	0.05	0.22	0.22	0.23
Non-interest Income	**1.89**	**3.03**	**1.65**	**1.30**	**1.75**	**1.94**	**1.87**	**1.90**
Total Income	**7.00**	**8.08**	**7.01**	**6.85**	**6.92**	**8.13**	**7.87**	**8.00**
Operating Expenses	**3.79**	**3.54**	**4.00**	**4.32**	**4.47**	**5.04**	**4.83**	**4.81**
- Employee Cost	2.03	2.09	2.29	2.25	2.11	2.55	2.40	2.33
- Others	1.76	1.45	1.71	2.07	2.37	2.49	2.43	2.48
Operating Profits	**3.20**	**4.54**	**3.01**	**2.54**	**2.44**	**3.09**	**3.04**	**3.19**
Core Operating Profits	**2.74**	**2.72**	**2.77**	**2.59**	**2.39**	**2.87**	**2.81**	**2.97**
Provisions	0.76	1.43	0.60	0.19	0.44	0.91	0.84	0.84
PBT	2.44	3.11	2.41	2.34	2.00	2.17	2.20	2.35
Tax	0.64	0.61	0.54	0.55	0.47	0.53	0.54	0.58
RoA	**1.81**	**2.50**	**1.87**	**1.79**	**1.54**	**1.64**	**1.66**	**1.78**
Leverage (x)	10.0	8.9	8.8	8.7	8.5	9.0	9.4	9.8
RoE	**18.0**	**22.3**	**16.6**	**15.5**	**13.1**	**14.7**	**15.6**	**17.5**

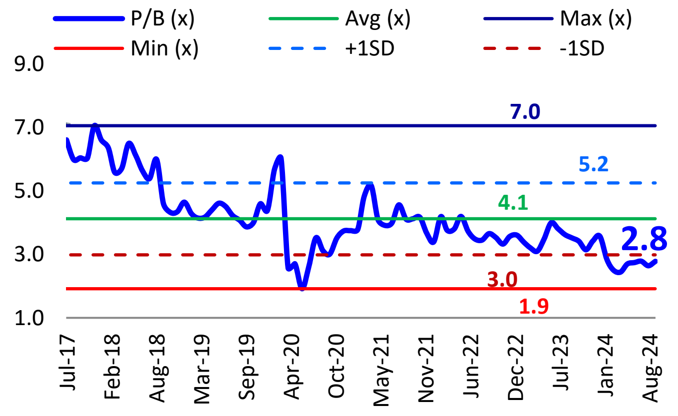
Source: MOFSL, Company

Exhibit 24: AUBANK: One-year forward P/E



Source: Company, MOFSL

Exhibit 25: AUBANK: One-year forward P/B



Source: Company, MOFSL

AUBANK: Financials and valuations

Income Statement								(INRb)
Y/E MARCH	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	42.9	49.5	59.2	82.1	105.5	162.4	206.1	252.4
Interest Expense	23.8	25.8	26.9	37.8	54.0	81.8	104.9	125.1
Net Interest income	**19.1**	**23.7**	**32.3**	**44.3**	**51.6**	**80.5**	**101.2**	**127.3**
- growth (%)	42.2	23.9	36.7	36.8	16.5	56.2	25.7	25.8
Other Income	7.1	14.2	9.9	10.3	17.5	25.3	31.6	39.6
Total Income	**26.2**	**37.9**	**42.3**	**54.6**	**69.0**	**105.9**	**132.9**	**166.9**
- growth (%)	44.9	44.8	11.7	29.1	26.4	53.3	25.5	25.6
Operating Expenses	**14.2**	**16.6**	**24.1**	**34.4**	**44.6**	**65.6**	**81.6**	**100.3**
- growth (%)	31.0	17.0	45.5	42.6	29.8	47.0	24.3	23.0
Operating Profits	**12.0**	**21.3**	**18.2**	**20.2**	**24.4**	**40.2**	**51.3**	**66.6**
- growth (%)	65.8	77.7	-14.7	11.3	20.7	64.9	27.5	29.8
Core Operating Profits	**10.2**	**12.7**	**16.7**	**20.6**	**23.9**	**37.3**	**47.5**	**61.9**
- growth (%)	46.4	24.3	31.3	23.4	15.6	56.4	27.3	30.3
Total Provisions	2.8	6.7	3.6	1.5	4.4	11.9	14.1	17.5
% to operating income	*23.7*	*31.5*	*19.9*	*7.7*	*18.0*	*29.6*	*27.5*	*26.3*
PBT	**9.1**	**14.6**	**14.5**	**18.6**	**20.0**	**28.3**	**37.2**	**49.1**
Tax	2.4	2.9	3.2	4.4	4.6	6.9	9.1	12.0
Tax Rate (%)	*26.2*	*19.7*	*22.3*	*23.4*	*23.2*	*24.5*	*24.5*	*24.5*
PAT	**6.7**	**11.7**	**11.3**	**14.3**	**15.3**	**21.4**	**28.1**	**37.1**
- growth (%)	76.8	73.5	-3.5	26.4	7.5	39.3	31.3	32.1

Balance Sheet								
Y/E MARCH	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	6.1	6.2	6.3	6.7	6.7	7.4	7.4	7.5
Reserves & Surplus	37.2	55.5	68.4	102.7	118.3	158.2	186.3	223.3
Equity Net Worth	**43.2**	**61.7**	**74.7**	**109.3**	**125.0**	**165.6**	**193.7**	**230.8**
Deposits	**261.6**	**359.8**	**525.8**	**693.6**	**871.8**	**1,181.9**	**1,477.4**	**1,839.4**
- growth (%)	34.7	37.5	46.2	31.9	25.7	35.6	25.0	24.5
of which CASA Dep								
- growth (%)								
Borrowings	103.4	70.3	59.9	63.0	54.8	107.9	131.7	158.0
Other liabilities	12.7	23.1	29.9	35.8	42.0	54.0	63.7	75.2
- growth (%)	-11.0	82.1	29.5	19.6	17.6	28.5	18.0	18.0
Total Liabilities	**421.4**	**515.9**	**690.8**	**902.2**	**1,094.3**	**1,510.1**	**1,867.2**	**2,304.0**
Current Assets	33.7	47.8	59.3	94.3	63.8	77.4	89.3	105.1
Investments	**106.7**	**108.2**	**153.1**	**200.7**	**271.3**	**330.3**	**410.9**	**509.5**
- growth (%)	49.0	1.4	41.5	31.1	35.2	21.7	24.4	24.0
Loans	**269.9**	**346.1**	**461.0**	**584.2**	**731.6**	**1,064.3**	**1,319.8**	**1,636.5**
- growth (%)	18.3	28.2	33.2	26.7	25.2	45.5	24.0	24.0
Net Fixed Assets	4.5	4.8	6.2	7.4	8.5	10.8	13.0	15.6
Other assets	6.6	9.0	11.2	15.6	19.0	27.2	34.2	37.3
Total Assets	**421.4**	**515.9**	**690.8**	**902.2**	**1,094.3**	**1,510.1**	**1,867.2**	**2,304.0**
Total Assets (incl. off BS)	**460.4**	**546.9**	**708.1**	**909.5**	**1,192.1**	**1,611.3**	**1,993.0**	**2,460.6**

Asset Quality	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
GNPA (INR b)	4.6	15.0	9.2	9.8	12.4	20.3	25.0	31.3
NNPA (INR b)	2.2	7.6	2.3	2.9	4.0	6.9	8.1	9.3
Slippages (INR b)	6.2	12.9	14.4	12.4	17.0	21.6	26.2	32.5
GNPA Ratio (%)	1.7	4.3	2.0	1.7	1.7	1.91	1.89	1.91
NNPA Ratio (%)	0.8	2.2	0.5	0.5	0.5	0.64	0.61	0.57
Slippage Ratio (%)	2.5	4.2	3.6	2.4	2.0	2.4	2.2	2.2
Credit Cost (%)	1.0	2.0	0.7	0.3	0.6	1.3	1.1	1.1
PCR (Excl Tech. write off)	52.5	49.7	75.0	70.8	64.3	66.2	67.8	70.2

E: MOFSL Estimates

AUBANK: Financials and valuations

Ratios								
Y/E MARCH	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Yield and Cost Ratios (%)								
Avg. Yield - on IEA	**12.1**	**11.2**	**10.7**	**11.7**	**11.7**	13.3	13.0	12.8
Avg. Yield on Loans	12.4	11.5	11.4	12.8	11.9	13.7	13.4	13.2
Avg. Cost of Funds	7.4	6.5	5.3	5.6	6.4	7.4	7.2	6.9
Spreads	**5.0**	**5.0**	**6.1**	**7.2**	**5.5**	6.3	6.1	6.3
NIM (on Total Assets)	**5.1**	**5.0**	**5.4**	**5.6**	**5.2**	6.2	6.0	6.1
NIM (on IEA)	**5.4**	**5.3**	**5.9**	**6.3**	**5.7**	**6.6**	**6.4**	**6.5**
Capitalization Ratios (%)								
CAR	22.0	23.4	21.0	23.6	20.1	19.0	17.3	16.0
Tier I	18.4	21.5	19.7	21.8	18.8	18.0	16.6	15.5
Tier II	3.6	1.8	1.3	1.8	1.3	1.0	0.7	0.5
Business Ratios (%)								
Loan/Deposit Ratio	103.2	96.2	87.7	84.2	83.9	90.1	89.3	89.0
CASA Ratio	14.5	23.0	37.3	38.4	33.4	30.5	31.3	31.8
Cost/Assets	3.8	3.5	4.0	4.3	4.5	5.0	4.8	4.8
Cost/Total Income	54.2	43.8	57.1	63.0	64.7	62.0	61.4	60.1
Cost/Core Income	58.1	56.6	59.1	62.5	65.2	63.7	63.2	61.8
Int. Expense/Int. Income	55.5	52.2	45.4	46.1	51.1	50.4	50.9	49.6
Fee Income/Total Income	20.4	15.0	20.1	19.8	24.5	21.2	21.0	20.9
Other Inc./Total Income	27.0	37.5	23.5	18.9	25.3	23.9	23.8	23.7
Efficiency Ratios (%)								
Employee Per Branch (in nos)	42.1	40.7	40.2	51.5	47.3	36.0	32.8	29.8
Staff Cost Per Employee (INR m)	0.4	0.4	0.5	0.6	0.7	0.8	1.0	1.1
CASA Per Branch (INR m)	93	150	283	485	463	318	361	405
Deposits Per Branch (INR m)	644	652	760	1,261	1,386	1,044	1,155	1,272
Bus. Per Employee (INR m)	31	31	35	45	54	55	67	81
Profit Per Employee (INR m)	0.4	0.5	0.4	0.5	0.5	0.5	0.7	0.9
Profitability and Valuations	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
RoE	18.0	22.3	16.6	15.5	13.1	14.7	15.6	17.5
RoA (on Balance Sheet)	1.8	2.5	1.9	1.8	1.5	1.6	1.7	1.8
RoRWA	3.0	4.2	3.1	2.9	2.4	2.3	2.4	2.5
Book Value (INR)	71.1	98.8	118.7	164.0	186.8	222.9	260.0	309.0
- growth (%)	31.4	39.0	20.0	38.2	13.9	19.4	16.6	18.8
Price-BV (x)	**10.1**	**7.3**	**6.0**	**4.4**	**3.8**	**3.2**	**2.8**	**2.3**
Adjusted BV (INR)	69.5	92.0	116.7	161.6	183.5	217.3	253.3	301.1
- growth (%)	35.4	32.5	26.9	38.5	13.5	18.4	16.6	18.9
Price-ABV (x)	**10.3**	**7.8**	**6.1**	**4.4**	**3.9**	**3.3**	**2.8**	**2.4**
EPS (INR)	11.3	19.0	18.0	22.0	23.0	30.3	37.7	49.7
- growth (%)	71.3	67.9	-5.1	22.3	4.3	31.8	24.6	31.7
Price-Earnings (x)	**63.4**	**37.7**	**39.8**	**32.6**	**31.2**	**23.7**	**19.0**	**14.4**

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.