

# AU Small Finance Bank

|                 |   |
|-----------------|---|
| Estimate change | ↓ |
| TP change       | ↓ |
| Rating change   | ↔ |

|                       |             |
|-----------------------|-------------|
| Bloomberg             | AUBANK IN   |
| Equity Shares (m)     | 304         |
| M.Cap.(INRb)/(USD\$)  | 157.1 / 2.2 |
| 52-Week Range (INR)   | 1218 / 444  |
| 1, 6, 12 Rel. Per (%) | -4/-3/1     |
| 12M Avg Val (INR M)   | 477         |

## Financials & Valuations (INR b)

| Y/E March     | FY20  | FY21E | FY22E |
|---------------|-------|-------|-------|
| NII           | 19.1  | 22.8  | 28.4  |
| PPoP          | 12.0  | 13.7  | 17.5  |
| PAT           | 6.7   | 6.6   | 9.2   |
| NIM (%)       | 5.1   | 5.0   | 5.1   |
| EPS (INR)     | 22.6  | 21.7  | 30.3  |
| EPS Gr. (%)   | 71.3  | -4.3  | 40.1  |
| BV/Sh. (INR)  | 142.2 | 163.9 | 194.2 |
| ABV/Sh. (INR) | 138.9 | 155.7 | 185.5 |

## Ratios

|         |      |      |      |
|---------|------|------|------|
| RoE (%) | 18.0 | 14.2 | 16.9 |
| RoA (%) | 1.8  | 1.4  | 1.7  |

## Valuations

|           |      |      |      |
|-----------|------|------|------|
| P/E(X)    | 22.8 | 23.8 | 17.0 |
| P/BV (X)  | 3.6  | 3.2  | 2.7  |
| P/ABV (X) | 3.7  | 3.3  | 2.8  |

## Shareholding pattern (%)

| As On    | Mar-20 | Dec-19 | Mar-19 |
|----------|--------|--------|--------|
| Promoter | 31.0   | 31.0   | 32.2   |
| DII      | 15.4   | 15.5   | 14.4   |
| FII      | 28.7   | 26.8   | 23.8   |
| Others   | 24.9   | 26.7   | 29.6   |

FII Includes depository receipts

**CMP: INR517 TP: INR675 (+31%) Buy**

## COVID-19 provision dents earnings; asset quality outlook under watch

### Deposit traction strong; Robust capitalization/liquidity provides comfort

- AU Small Finance Bank (AUBANK) reported subdued earnings, impacted by higher provisions (INR1.4b) toward SMA accounts. Overdue loans stood at INR23b (8.5% of loans) as of April'20 v/s INR36b as of 1<sup>st</sup> Mar'20. 29% of customers (25% of the loan book) availed moratorium, which would be the key monitorable in the near term. On the business front, loan growth moderated, while deposits stood healthy. Margins were stable on a sequential basis despite excess liquidity buildup, with management suggesting spreads would improve further.
- We cut our earnings estimate for FY21/22 by 18%/10% as we factor in high credit cost and moderation in business growth. **Maintain Buy.**

### COVID-19 provision drags earnings; Deposit traction remains strong

- AUBANK reported 3.5% YoY growth in PAT to INR1.2b, affected by higher provisions of INR1.5b, as it made ~5% provisions (INR1.4b) toward SMA accounts, as per an RBI circular. NII grew 43% YoY (+10% QoQ) to INR5.5b (our estimate: INR5.1b), while margins were stable at 5.5%. **For FY20**, NII/PPoP/PAT grew 42%/66%/77% respectively while core PPoP/adjusted PAT (adjusted for stale sale in Aavas) grew 57%/56% respectively.
- Gross AUM increased 27% YoY to INR309b. This was led by a 38% YoY rise (6.5% QoQ) in retail AUM, the share of which increased to 84% v/s 78% in FY19. Small and mid-corporate assets de-grew 2.6% YoY. Disbursements in wheels/MSME declined 17%/6% QoQ. For FY20, disbursements increased 16% YoY, led by 27% YoY growth in retail, while small and mid-corporate assets de-grew 16% YoY.
- Deposits advanced 35% YoY to INR261.6b. The CASA ratio (excluding Certificate of Deposits) stood at 16%. Retail SA formed ~86% of overall SA deposits, whereas retail TDs formed 39% of the total term deposits.
- Absolute GNPL/NNPL declined 9.2%/19.0% QOQ. Thus, the GNPA and NNPA ratios declined by 20bps each to 1.7% and 0.8%, respectively. PCR thus increased ~570bp to 52.5% (~1,500bp improvement in FY20). The bank disclosed moratorium had been availed for 25% of loans (refer to the concall highlights for details).
- Other highlights:** The Tier 1 ratio improved to 18.4% (CAR at 22.0%); COF further reduced to 7.45% v/s 7.6% in 3QFY20; the board approved a capital raise of INR25b.

### Highlights of management commentary

- COVID-19 impact:** ~71% of customers paid their EMIs, 47% of which paid in full, 23% paid partially, while the remaining 29% availed moratorium. In terms of value, moratorium was availed for 25% of loans.

- The total portfolio in the SMA category stood at INR36b (as of 1<sup>st</sup> Mar'20), which reduced to INR27b (31<sup>st</sup> March). The portfolio currently stands at INR23b (April end).
- ~94% of NBFC customers have paid their EMIs for April'20.

### Valuation and view

AUBANK has reported a steady operating performance, but COVID-19 provisions have dented earnings. The bank has reported robust asset quality ratios; however, collection efficiency has declined due to the lockdown. AUBANK disclosed that moratorium has been availed for 25% of the loan book, and the SMA book stands at INR23b (8.5% of the loan book) as of Apr'20, which would keep asset quality under watch. Deposit growth, however, has held strong, enabling the bank to maintain strong surplus liquidity and LCR of 133%, among other measures. We estimate loan growth trends to remain soft at 15% in FY21 (20% AUM growth), while credit cost would increase to 1.7% in FY21E, as we build in higher slippages, driving an 18%/10% cut in our FY21/FY22 earnings. We thus revise our TP to INR675 (3.5x FY22E BV). **Maintain Buy.**

### Quarterly performance

|                             | FY19         |              |              |              | FY20         |              |              |              | (INR m)       |               |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|
|                             | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           | FY19          | FY20          | 4Q FY20E     | v/s Est      |
| <b>Net Interest Income</b>  | <b>2,865</b> | <b>3,210</b> | <b>3,480</b> | <b>3,869</b> | <b>3,956</b> | <b>4,516</b> | <b>5,068</b> | <b>5,549</b> | <b>13,425</b> | <b>19,089</b> | <b>5,061</b> | <b>9.6</b>   |
| % Change (Y-o-Y)            | 56.2         | 46.1         | 39.0         | 34.9         | 38.1         | 40.7         | 45.7         | 43.4         | 42.7          | 42.2          | 30.8         |              |
| Other Income                | 1,031        | 1,225        | 1,059        | 1,306        | 2,109        | 1,508        | 1,612        | 1,831        | 4,620         | 7,061         | 1,455        | 25.8         |
| <b>Total Income</b>         | <b>3,896</b> | <b>4,435</b> | <b>4,539</b> | <b>5,174</b> | <b>6,065</b> | <b>6,024</b> | <b>6,681</b> | <b>7,381</b> | <b>18,045</b> | <b>26,150</b> | <b>6,517</b> | <b>13.3</b>  |
| Operating Expenses          | 2,370        | 2,683        | 2,752        | 3,018        | 3,157        | 3,247        | 3,552        | 4,223        | 10,826        | 14,179        | 3,761        | 12.3         |
| <b>Operating Profit</b>     | <b>1,525</b> | <b>1,752</b> | <b>1,787</b> | <b>2,157</b> | <b>2,908</b> | <b>2,777</b> | <b>3,128</b> | <b>3,158</b> | <b>7,219</b>  | <b>11,972</b> | <b>2,755</b> | <b>14.6</b>  |
| % Change (Y-o-Y)            | 22.5         | 22.2         | 16.8         | 39.6         | 90.7         | 58.5         | 75.1         | 46.4         | 25.3          | 65.8          | 27.7         |              |
| Provisions                  | 351          | 350          | 325          | 392          | 315          | 610          | 401          | 1,506        | 1,418         | 2,832         | 567          | 165.4        |
| <b>Profit before Tax</b>    | <b>1,174</b> | <b>1,402</b> | <b>1,462</b> | <b>1,764</b> | <b>2,593</b> | <b>2,167</b> | <b>2,727</b> | <b>1,652</b> | <b>5,801</b>  | <b>9,140</b>  | <b>2,188</b> | <b>-24.5</b> |
| Tax Provisions              | 404          | 488          | 509          | 582          | 690          | 447          | 825          | 429          | 1,983         | 2,392         | 374          | 14.7         |
| <b>Net Profit</b>           | <b>770</b>   | <b>914</b>   | <b>953</b>   | <b>1,182</b> | <b>1,903</b> | <b>1,719</b> | <b>1,902</b> | <b>1,223</b> | <b>3,818</b>  | <b>6,748</b>  | <b>1,814</b> | <b>-32.6</b> |
| % Change (Y-o-Y)            | 24.5         | 34.0         | 20.8         | 42.4         | 147.3        | 88.1         | 99.5         | 3.5          | 30.7          | 76.7          | 53.4         |              |
| <b>Operating Parameters</b> |              |              |              |              |              |              |              |              |               |               |              |              |
| Deposit (INR b)             | 100.0        | 128.7        | 146.9        | 194.2        | 198.5        | 221.5        | 238.7        | 261.6        | 194.2         | 261.6         | 262          | 0            |
| Loan (INR b)                | 152.7        | 181.2        | 200.0        | 228.2        | 231.0        | 248.1        | 265.7        | 269.9        | 228.2         | 269.9         | 278          | -3           |
| Deposit Growth (%)          | 1,126.9      | 550.5        | 295.2        | 145.1        | 98.5         | 72.1         | 62.5         | 34.7         | 145.1         | 34.7          | 34.7         | 1            |
| Loan Growth (%)             | 112.1        | 112.3        | 99.4         | 71.4         | 51.3         | 36.9         | 32.9         | 18.3         | 71.4          | 18.3          | 21.6         | -335         |
| <b>Asset Quality</b>        |              |              |              |              |              |              |              |              |               |               |              |              |
| GNPA (%)                    | 2.2          | 2.0          | 2.1          | 2.0          | 2.1          | 2.0          | 1.9          | 1.7          | 2.1           | 1.7           | 1.9          | -19          |
| NNPA (%)                    | 1.4          | 1.3          | 1.3          | 1.3          | 1.3          | 1.1          | 1.0          | 0.8          | 1.3           | 0.8           | 1.0          | -17          |
| PCR (%)                     | 36.8         | 37.6         | 37.6         | 37.4         | 40.5         | 43.9         | 46.8         | 52.5         | 37.4          | 52.5          | 48.1         | 439          |

E:MOFSL Estimates

## Quarterly snapshot

(INR m)

|                              | FY18  |       |       |       | FY19  |       |       |       | FY20  |       |       |       | Change (%)   |     |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|-----|
|                              | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | YoY          | QoQ |
| <b>Profit and Loss</b>       |       |       |       |       |       |       |       |       |       |       |       |       |              |     |
| Net Interest Income          | 1,835 | 2,197 | 2,504 | 2,869 | 2,865 | 3,210 | 3,480 | 3,869 | 3,956 | 4,516 | 5,068 | 5,549 | 43           | 9   |
| Other Income                 | 579   | 926   | 1,060 | 1,345 | 1,031 | 1,225 | 1,059 | 1,306 | 2,109 | 1,508 | 1,612 | 1,831 | 40           | 14  |
| Total Income                 | 2,413 | 3,122 | 3,565 | 4,213 | 3,896 | 4,435 | 4,539 | 5,174 | 6,065 | 6,024 | 6,681 | 7,381 | 43           | 10  |
| Operating Expenses           | 1,169 | 1,689 | 2,035 | 2,668 | 2,370 | 2,683 | 2,752 | 3,018 | 3,157 | 3,247 | 3,552 | 4,223 | 40           | 19  |
| Employee                     | 711   | 1,000 | 1,183 | 1,355 | 1,405 | 1,498 | 1,512 | 1,596 | 1,859 | 1,821 | 1,871 | 2,045 | 28           | 9   |
| Others                       | 458   | 689   | 853   | 1,313 | 965   | 1,186 | 1,240 | 1,422 | 1,298 | 1,425 | 1,681 | 2,178 | 53           | 30  |
| Operating Profits            | 1,245 | 1,433 | 1,529 | 1,545 | 1,525 | 1,752 | 1,787 | 2,157 | 2,908 | 2,777 | 3,128 | 3,158 | 46           | 1   |
| Provisions                   | 291   | 403   | 329   | 296   | 351   | 350   | 325   | 392   | 315   | 610   | 401   | 1,506 | 284          | 275 |
| PBT                          | 954   | 1,030 | 1,200 | 1,249 | 1,174 | 1,402 | 1,462 | 1,764 | 2,593 | 2,167 | 2,727 | 1,652 | -6           | -39 |
| Taxes                        | 335   | 348   | 411   | 419   | 404   | 488   | 509   | 582   | 690   | 447   | 825   | 429   | -26          | -48 |
| Adj. PAT                     | 618   | 682   | 789   | 830   | 770   | 914   | 953   | 1,182 | 1,903 | 1,719 | 1,902 | 1,223 | 3            | -36 |
| PAT                          | 618   | 682   | 789   | 830   | 770   | 914   | 953   | 1,182 | 1,194 | 1,719 | 1,902 | 1,147 | -3           | -40 |
| <b>Balance Sheet (INR b)</b> |       |       |       |       |       |       |       |       |       |       |       |       |              |     |
| Loans                        | 72    | 85    | 100   | 133   | 153   | 181   | 200   | 228   | 231   | 248   | 266   | 270   | 18           | 2   |
| Deposits                     | 8     | 20    | 37    | 79    | 100   | 129   | 147   | 194   | 198   | 221   | 239   | 262   | 35           | 10  |
| <b>Asset Quality</b>         |       |       |       |       |       |       |       |       |       |       |       |       |              |     |
| GNPA                         | 2,166 | 2,658 | 2,862 | 2,697 | 3,335 | 3,710 | 4,207 | 4,701 | 4,857 | 5,038 | 5,040 | 4,578 | -3           | -9  |
| NNPA                         | 1,547 | 1,787 | 1,877 | 1,693 | 2,106 | 2,316 | 2,626 | 2,945 | 2,890 | 2,829 | 2,681 | 2,173 | -26          | -19 |
| <b>AUM Mix (%)</b>           |       |       |       |       |       |       |       |       |       |       |       |       | Change (bps) |     |
| Retail                       | 88.7  | 83.4  | 82.0  | 82.7  | 76.2  | 75.9  | 76.6  | 77.6  | 78.6  | 79.1  | 81.4  | 83.8  | 622          | 245 |
| Wheels                       | 50.8  | 47.4  | 46.7  | 44.5  | 43.5  | 42.3  | 43.0  | 42.2  | 42.2  | 41.0  | 41.6  | 42.0  | -14          | 48  |
| Secured MSME                 | 31.4  | 29.6  | 29.2  | 31.0  | 31.9  | 30.8  | 31.8  | 32.4  | 33.2  | 34.2  | 35.1  | 36.5  | 410          | 147 |
| Wholesale                    | 11.3  | 16.0  | 18.0  | 17.3  | 21.4  | 23.0  | 21.3  | 21.1  | 20.3  | 19.0  | 16.7  | 16.1  | -496         | -60 |
| NBFC                         | 5.8   | 5.0   | 9.9   | 9.5   | 10.2  | 12.9  | 10.8  | 10.4  | 10.1  | 9.0   | 7.0   | 6.0   | -435         | -97 |
| RE Group                     | 5.4   | 5.5   | 5.5   | 4.9   | 4.2   | 3.6   | 3.5   | 3.3   | 3.1   | 2.9   | 2.7   | 2.7   | -63          | -7  |
| Business Banking             | 0.0   | 1.6   | 2.5   | 2.9   | 2.6   | 2.7   | 3.0   | 3.3   | 3.2   | 3.2   | 3.2   | 3.5   | 15           | 28  |

## Quarterly snapshot contd.

| Ratios (%)                  | FY18  |       |       |       | FY19  |       |       |       | FY20  |       |       |       | Change (bps) |      |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|------|
|                             | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    | YoY          | QoQ  |
| <b>Asset Quality Ratios</b> |       |       |       |       |       |       |       |       |       |       |       |       |              |      |
| GNPA (%)                    | 3.0   | 3.1   | 2.8   | 2.0   | 2.2   | 2.0   | 2.1   | 2.0   | 2.1   | 2.0   | 1.9   | 1.7   | -36          | -20  |
| NNPA (%)                    | 2.1   | 2.1   | 1.9   | 1.3   | 1.4   | 1.3   | 1.3   | 1.3   | 1.3   | 1.1   | 1.0   | 0.8   | -48          | -20  |
| PCR (Reported, %)           | 29    | 33    | 35    | 37    | 37    | 38    | 38    | 37    | 15    | 44    | 47    | 53    | 1,510        | 570  |
| <b>Business Ratios</b>      |       |       |       |       |       |       |       |       |       |       |       |       |              |      |
| Non Int. to Total Inc.      | 24.0  | 29.6  | 29.7  | 31.9  | 26.5  | 27.6  | 23.3  | 25.2  | 34.8  | 25.0  | 24.1  | 24.8  | -42          | 68   |
| Cost to Income              | 48.4  | 54.1  | 57.1  | 63.3  | 60.9  | 60.5  | 60.6  | 58.3  | 52.0  | 53.9  | 53.2  | 57.2  | -110         | 405  |
| CASA (Reported)             | 61.0  | 33.0  | 37.0  | 32.0  | 28.0  | 26.0  | 24.0  | 21.0  | 19.0  | 16.0  | 17.0  | 16.0  | -500         | -100 |
| CASA (incl. CD's)           | 61.3  | 32.6  | 37.2  | 26.9  | 22.3  | 21.8  | 20.2  | 18.5  | 17.1  | 15.0  | 15.7  | 14.5  | -401         | -121 |
| Loan/Deposit                | 883.2 | 431.4 | 269.9 | 168.0 | 152.7 | 140.8 | 136.2 | 117.5 | 116.4 | 112.0 | 111.3 | 103.2 | -1,432       | -818 |
| <b>Profitability Ratios</b> |       |       |       |       |       |       |       |       |       |       |       |       |              |      |
| Margins                     | 7.1   | 7.5   | 7.6   | 7.0   | 6.2   | 5.6   | 5.3   | 5.1   | 5.0   | 5.2   | 5.5   | 5.5   | 40           | 0    |
| Yield on AUM                | 16.3  | 15.7  | 15.3  | 14.7  | 14.5  | 14.3  | 14.3  | 14.3  | 14.5  | 14.7  | 14.7  | 14.7  | 40           | 0    |
| Cost of funds               | 9.0   | 8.8   | 8.6   | 8.4   | 7.9   | 7.8   | 7.9   | 8.0   | 7.9   | 7.8   | 7.6   | 7.5   | -55          | -15  |
| RoA                         | 2.4   | 1.8   | 1.9   | 2.0   | 1.6   | 1.6   | 1.5   | 1.6   | 1.4   | 2.0   | 2.1   | 1.2   | -40          | -90  |
| RoE                         | 12.3  | 13.1  | 14.7  | 14.8  | 13.2  | 12.7  | 13.2  | 15.3  | 14.7  | 20.0  | 19.6  | 11.4  | -390         | -820 |

## Highlights of management commentary

## COVID-19 impact

- ~58% of the touchpoints are in the Green/Orange zones.
- ~63% of the business comes from the rural and semi-urban regions, while just 11% from the metro cities.
- In April'20, the bank received collections from ~75% of its customers.
- The bank has made provisions of INR1.38b toward SMA accounts (0, 1, and 2).



- As of 31<sup>st</sup> March'20, the total portfolio in the 0–89 dpd category was INR27b, on which the bank made a provision of 5%.
- As of 1<sup>st</sup> March, the total portfolio in the 0–89 dpd category was INR36b, which reduced to INR27b by 31<sup>st</sup> March. This further reduced to INR23b by April end.
- ~71% of customers paid their EMIs, of which ~23% paid partially, while 47% paid in full. Moreover, ~29% of customers availed moratorium. In terms of portfolio value, moratorium was availed for 25% of the loan book.
- On working capital loans, 93% of customers serviced their interest in April'20.
- **MSME segment:** 56% of customers made full EMI payments, while 23% of customers made partial payments.

### P&L and balance sheet related

- March usually contributes 10–15% to annual business.
- Retail deposits increased INR0.8b (CASA + Retail TD) in April and term deposits INR4.96b. Furthermore, the bank opened 13k new accounts in April.
- Expenses were generally higher in 4Q (than 3Q) on account of employee hires and CSR expenses during the quarter. In FY20, 65% of the total expenses were fixed, while the rest were variable costs.
- The bank has surplus liquidity of INR5k parked in govt. bonds and with the RBI. Overall, the cost impact is up to 2bp on the margins.
- The RBI's recent measures to maintain high liquidity levels in the bank are noteworthy. The deposit profile was impacted post the Yes Bank and PMC Bank events. However, the situation has now improved. The bank continues to concentrate on building a stable retail deposit franchise, with a high focus on senior customer deposits.
- ~94% of NBFC customers paid their EMIs in April'20. The bank has 140 NBFC customers (enough liquidity over the next six to nine months). NBFC customers' high deposits are parked with the bank, providing further comfort.
- Expect cost of funds to improve over the next six to nine months.
- The bank has no expansion plans in the near term.

### Asset quality

- **Passenger Wheels:** ~18% of this segment comprises taxi businesses. The majority of the portfolio is concentrated in rural and semi-urban areas, with 50–60% of the portfolio currently operational even during the lockdown.
- **Cash on Wheels (refinance):** ~60% of the refinance is for existing customers only.
- **Used Wheels:** There has been a higher focus on this segment in the last 18 months. The bank expects 50bp higher delinquency trends than in the New Wheels segment.
- Large operators are putting pressure on the CV portfolio.
- Expect normalcy to return over the next six to nine months.
- Provisions stood at INR5b, of which standard asset provisions came in at INR1.2b; COVID-19 provisions amounted to INR1.38b, with the rest being NPA provisions.

### Others

- The bank has significant headroom to raise Tier-II capital.
- The capital raise is an enabling resolution; the bank is expected to decide on this at an appropriate stage. Furthermore, the stake in Aavas is an additional buffer and could be monetized when required.

**Key exhibits**

AUM yield in Retail segment at 15.2% for 4QFY20 v/s 15.1% in 3QFY20; for the Wholesale segment, it was at 12.4% v/s 12.5% in 3QFY20

**Diversification and deepening of retail assets continue**

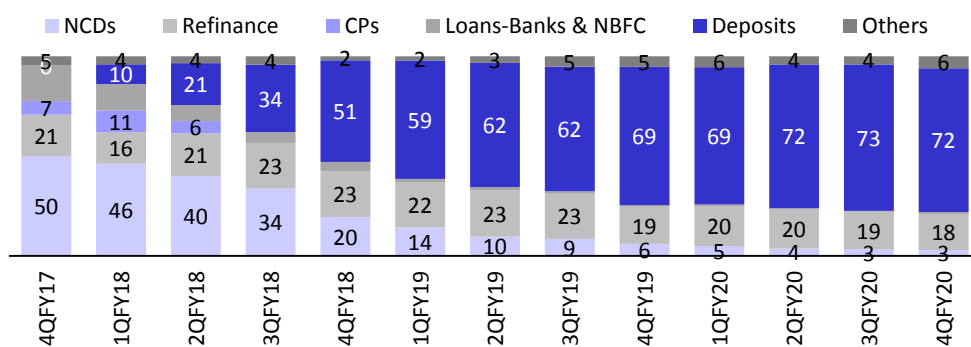
- **Total AUM** at INR309b grew ~27% YoY and 3.4% QoQ, affected by lockdown due to the COVID-19 outbreak. Retail AUM grew ~38% YoY (+~7% QoQ), while wholesale AUM de-grew ~3% YoY (flattish QoQ).
- The retail/wholesale mix stood at 84%/16%, whereas the money markets formed a mere 0.1% of AUM.
- **Retail AUM growth** was driven by a 43.5% YoY increase in the SBL-MSME segment; the Wheels segment reported healthy 27% YoY growth, led by 60% YoY growth in the Used Wheels and Cash on Wheels segments. Thus, the Wheels/MSME segment stood at ~42%/37% of the overall book.
- The newly launched products (Gold loan, Consumer Durables, Personal loans, Housing loan, and OD against FD) collectively reported 14% QoQ growth.
- **Wheels** – The Wheels portfolio can be categorized into New Wheels (62%) and Used Wheels (23%). The Cash on Wheels segment came in at 14%.
- **Within wholesale AUM**, the Business Banking group increased 33%/13% YoY/QoQ and Agri SME 23%/8% YoY/QoQ, while the NBFC portfolio de-grew 26% YoY (-11% QoQ).

**Focus on building granular deposit base; Retail TDs form 39% of total term deposits**

- Deposits grew 35%/~10% YoY/QoQ to INR261.6b, led by term deposits of INR223.8b (+41%/11% YoY/QoQ). Garnering deposits has been challenging for the bank post the Yes Bank and PMC Bank events; however, things are stabilizing now.
- Sequentially, CA deposits grew 20% QoQ to INR11.1b, while SA deposits declined 5% QoQ to INR26.7b. The reported CASA ratio moderated to 16% (17% in 3QFY20). The bank does not factor CDs in calculating the CASA ratio. If CDs were included in the total deposits, the CASA ratio would be 14.5%.
- Retail SA formed ~86% of overall SA deposits and retail TDs formed 39% of the total term deposits.
- Avg. cost of funds for the bank declined 18bp to 7.45% (while incremental cost of funds rose at 7.2% v/s 7.3% in 3QFY20), and is expected to decline further over the next six to nine months.
- The proportion of NCDs in the liability mix has further declined to 3% (v/s 6% in 4QFY19), indicating the bank’s improving liability profile in favor of deposits.

Avg. cost of funds declined 18bp QoQ to 7.45%, while incremental cost of funds declined to 7.2%

**Exhibit 1: Increasing proportion of deposits in total funding profile**



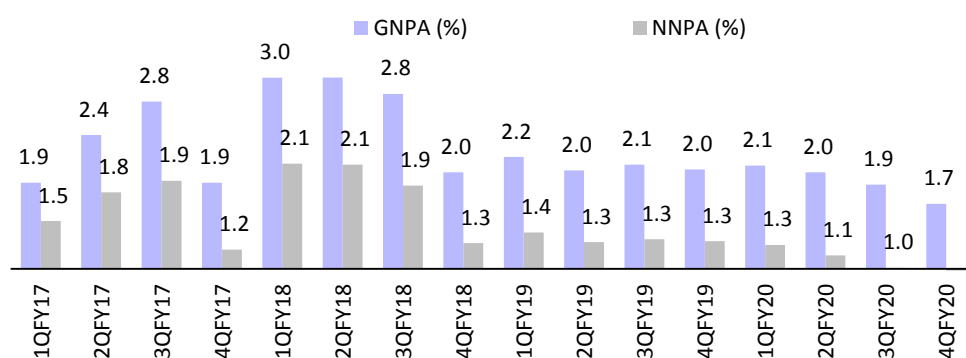
Source: Company, MOFSL

### Asset quality ratio improves; PCR increases 570bp QoQ to ~53%

- Absolute GNPA/NNPA declined ~9%/19% QoQ to INR4.6b/INR2.2b. Fresh slippages came in at INR810m during the quarter; thus, the annualized slippage ratio for the quarter stood at 1.4% (v/s 2.6% in 3QFY20).
- Provisions increased ~275% QoQ to INR1.5b as the bank created COVID-19-related provisions of INR1.4b. Annualized credit cost stood at 2.2% (v/s 0.6% in 3QFY20).
- As of 31<sup>st</sup> March'20, the total portfolio was INR27b in the 0–89 dpd category, on which the bank made a provision of 5%. This reduced to INR23b by April.
- ~71% of customers paid their EMIs, of which ~23% paid partially, while 47% paid in full. ~29% of customers availed moratorium. In terms of portfolio value, moratorium was availed for 25% of the loan book.
- The GNPA and NNPA ratios improved 20bps each to 1.68% and 0.81%, respectively. The provisions coverage ratio, thus, increased ~570bp to 52.5%. The GNPA ratio for the retail/wholesale book stood at 1.7%/1.8% (v/s 2.0%/1.7% QoQ).
- Within the Retail segment, the GNPA for Wheels improved 30bp QoQ to 1.8% and the GNPA for SBL-MSME 40bp QoQ to 1.7%. In the Wholesale segment, GNPA in the NBFC segment stood at 0.5%, while GNPA declined in the Real Estate group to 2.5% v/s 3.0% in 3QFY20.

### Exhibit 2: GNPA/NNPA ratio declines 20bp each to ~1.7%/~0.8%

GNPA in retail assets declined 30bp QoQ to 1.7%, while in small and mid, corporate assets increased 10bp QoQ to 1.8%



Source: Company, MOFSL

### Valuation view

- AUBANK is focused on scaling up its key business lines of Vehicle/MSME Loans. It further aims to expand the new segments of Housing Loan, Gold Loan, Consumer Durable Financing, and so on. However, we expect loan growth to be impacted by the COVID-19 crisis, potentially driving a slowdown in consumption-linked loans; thus, loan growth trends are expected to remain softer, growing just 15% in FY21.
- AUBANK has reflected strong progress in building a granular liability franchise, with the proportion of deposits to overall funding improving to 72%. The proportion of retail SA/TD rose to 86%/39% and is expected to grow further as customer vintage increases.
- The impact of COVID-19 would have a severe impact across multiple segments due to the contagion effect. We expect a potential increase in delinquencies in the Wheels/MSME portfolio. AUBANK disclosed moratorium has been availed



for 25% of the loan book, and the SMA book stands at INR23b (8.5% of the loan book) as of Apr'20, which would keep asset quality under watch.

- **Buy, with a target price of INR675:** AUBANK has reported a steady operating performance, but COVID-19 provisions have dented earnings. The bank has reported robust asset quality ratios; however, collection efficiency has declined due to the lockdown. AUBANK disclosed that moratorium has been availed for 25% of the loan book, and the SMA book stands at INR23b (8.5% of the loan book) as of Apr'20, which would keep asset quality under watch. Deposit growth, however, has held strong, enabling the bank to maintain strong surplus liquidity and LCR of 133%, among other measures. We estimate loan growth trends to remain soft at 15% in FY21 (20% AUM growth), while credit cost would increase to 1.7% in FY21E, as we build in higher slippages, driving an 18%/10% cut in our FY21/FY22 earnings. We thus revise our TP to INR675 (3.5x FY22E BV). **Maintain Buy.**

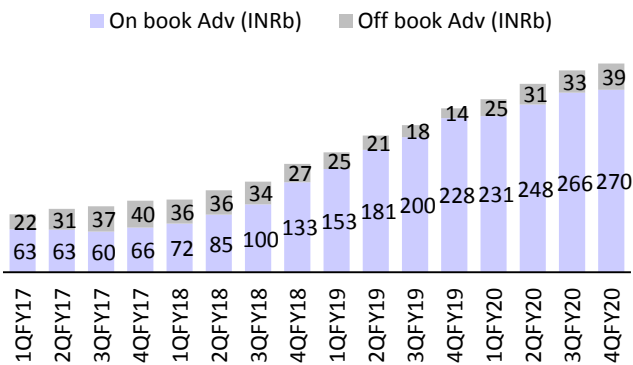
**Exhibit 3: We cut our PAT estimates for FY21/FY22 as we factor lower growth, resulting in moderation in NIM and higher credit cost**

| INRb                | Old Est.    |              | New Est.    |             | %/bps Change |              |
|---------------------|-------------|--------------|-------------|-------------|--------------|--------------|
|                     | FY21E       | FY22E        | FY21E       | FY22E       | FY21E        | FY22E        |
| NII                 | 24.0        | 30.0         | 22.8        | 28.4        | -5.0         | -5.4         |
| Other Income        | 8.2         | 10.4         | 8.1         | 10.0        | -1.2         | -3.6         |
| <b>Total Income</b> | <b>32.2</b> | <b>40.3</b>  | <b>30.9</b> | <b>38.3</b> | <b>-4.1</b>  | <b>-4.9</b>  |
| Opex                | 17.2        | 21.6         | 17.2        | 20.9        | -0.3         | -3.4         |
| <b>PPoP</b>         | <b>15.0</b> | <b>18.7</b>  | <b>13.7</b> | <b>17.5</b> | <b>-8.4</b>  | <b>-6.7</b>  |
| Provisions          | 4.2         | 5.0          | 4.9         | 5.1         | 16.3         | 2.6          |
| <b>PBT</b>          | <b>10.8</b> | <b>13.7</b>  | <b>8.8</b>  | <b>12.3</b> | <b>-18.1</b> | <b>-10.1</b> |
| Tax                 | 2.7         | 3.5          | 2.2         | 3.1         | -18.1        | -10.1        |
| <b>PAT</b>          | <b>8.04</b> | <b>10.26</b> | <b>6.59</b> | <b>9.23</b> | <b>-18.1</b> | <b>-10.1</b> |
| Loans               | 331         | 423          | 310         | 387         | -6.2         | -8.3         |
| Deposits            | 317         | 393          | 319         | 399         | 0.8          | 1.6          |
| Margins (%)         | 5.3         | 5.4          | 5.0         | 5.1         | -31          | -27          |
| Credit Cost (%)     | 1.3         | 1.3          | 1.7         | 1.4         | 32           | 15           |
| <b>RoA (%)</b>      | <b>1.77</b> | <b>1.85</b>  | <b>1.43</b> | <b>1.67</b> | <b>-19</b>   | <b>-10</b>   |
| <b>RoE (%)</b>      | <b>16.7</b> | <b>17.9</b>  | <b>14.2</b> | <b>16.9</b> | <b>-15</b>   | <b>-5</b>    |
| EPS                 | 27          | 34           | 22          | 30          | -18.6        | -10.6        |
| BV                  | 173         | 207          | 164         | 194         | -5.2         | -6.0         |

Source: MOSL, Company

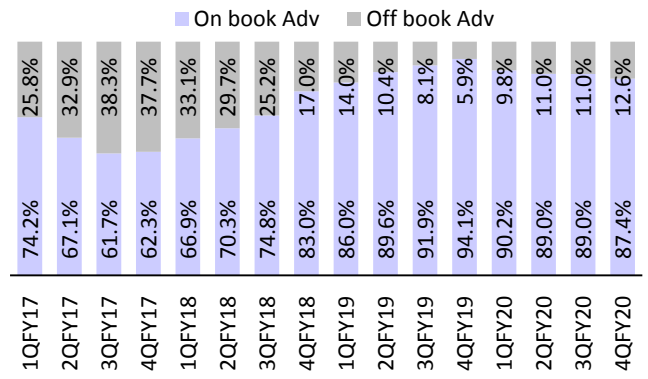
## Story in Charts

**Exhibit 4: Overall AUM grew ~3% QoQ/27% YoY**



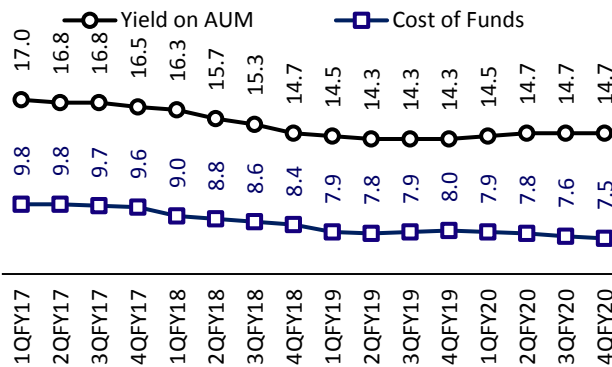
Source: Company, MOFSL

**Exhibit 5: Mix of on-book advances at ~87%**



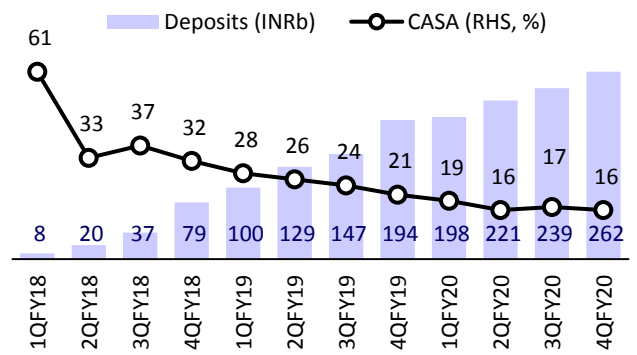
Source: Company, MOFSL

**Exhibit 6: Yields on AUM stable QoQ, while cost of funds improved 18bp QoQ to 7.45%**



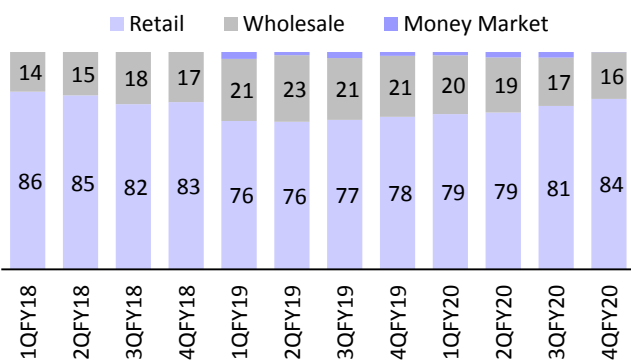
Source: Company, MOFSL

**Exhibit 7: Strong traction in deposit mobilization (~35% YoY); CASA ratio (ex-certificate of deposits) stands at ~16%**



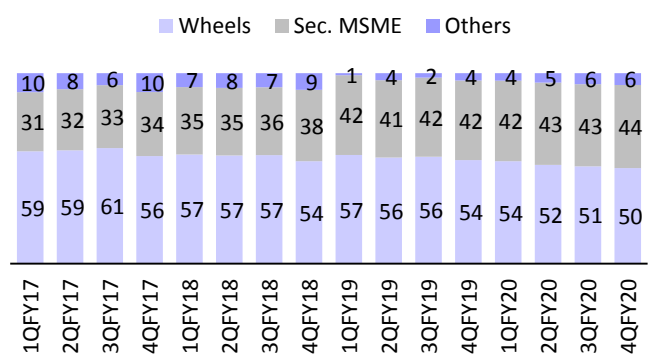
Source: Company, MOFSL

**Exhibit 8: Retail mix dominates with share of ~84%**



Source: Company, MOFSL

**Exhibit 9: Vehicles and MSME form ~94% of total retail loans**



Source: Company, MOFSL



**Exhibit 10: DuPont Analysis: We estimate the return ratio to remain under pressure in the near term**

| Y/E March                     | FY15         | FY16         | FY17         | FY18        | FY19        | FY20        | FY21E       | FY22E       |
|-------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income               | 20.13        | 19.56        | 15.92        | 12.35       | 11.46       | 11.46       | 11.33       | 11.32       |
| Interest Expense              | 8.06         | 7.65         | 6.17         | 5.78        | 6.24        | 6.36        | 6.38        | 6.18        |
| <b>Net Interest Income</b>    | <b>12.07</b> | <b>11.91</b> | <b>9.75</b>  | <b>6.57</b> | <b>5.22</b> | <b>5.11</b> | <b>4.96</b> | <b>5.13</b> |
| Core Fee and Sec. Income      | 0.06         | 0.07         | 1.67         | 2.45        | 1.71        | 1.63        | 1.51        | 1.49        |
| <b>Non-Interest income</b>    | <b>0.07</b>  | <b>0.10</b>  | <b>1.67</b>  | <b>2.71</b> | <b>1.80</b> | <b>1.89</b> | <b>1.77</b> | <b>1.81</b> |
| <b>Total Income</b>           | <b>12.13</b> | <b>12.01</b> | <b>11.42</b> | <b>9.29</b> | <b>7.01</b> | <b>7.00</b> | <b>6.72</b> | <b>6.94</b> |
| <b>Operating Expenses</b>     | <b>4.44</b>  | <b>4.91</b>  | <b>4.39</b>  | <b>5.26</b> | <b>4.21</b> | <b>3.79</b> | <b>3.74</b> | <b>3.78</b> |
| Employee cost                 | 2.70         | 3.05         | 2.40         | 2.97        | 2.34        | 2.03        | 2.07        | 2.06        |
| Others                        | 1.74         | 1.86         | 1.99         | 2.29        | 1.87        | 1.76        | 1.67        | 1.72        |
| <b>Operating Profits</b>      | <b>7.69</b>  | <b>7.10</b>  | <b>7.03</b>  | <b>4.03</b> | <b>2.81</b> | <b>3.20</b> | <b>2.98</b> | <b>3.16</b> |
| <b>Core operating Profits</b> | <b>7.68</b>  | <b>7.07</b>  | <b>7.03</b>  | <b>3.76</b> | <b>2.72</b> | <b>2.95</b> | <b>2.73</b> | <b>2.84</b> |
| <b>Provisions</b>             | <b>1.73</b>  | <b>0.85</b>  | <b>1.29</b>  | <b>0.93</b> | <b>0.55</b> | <b>0.76</b> | <b>1.07</b> | <b>0.93</b> |
| NPA                           | 0.26         | -0.04        | 0.21         | 0.39        | 0.29        | 0.76        | 1.04        | 0.88        |
| Others                        | 1.47         | 0.89         | 1.09         | 0.53        | 0.26        | 0.00        | 0.03        | 0.04        |
| <b>PBT</b>                    | <b>5.96</b>  | <b>6.25</b>  | <b>5.74</b>  | <b>3.10</b> | <b>2.25</b> | <b>2.44</b> | <b>1.92</b> | <b>2.23</b> |
| Tax                           | 1.95         | 2.15         | 3.92         | 1.06        | 0.77        | 0.64        | 0.48        | 0.56        |
| <b>RoA</b>                    | <b>4.01</b>  | <b>4.10</b>  | <b>4.15</b>  | <b>2.04</b> | <b>1.48</b> | <b>1.81</b> | <b>1.43</b> | <b>1.67</b> |
| Leverage (x)                  | 4.97         | 5.7          | 5.4          | 6.7         | 9.5         | 10.0        | 9.9         | 10.1        |
| <b>RoE</b>                    | <b>19.91</b> | <b>23.3</b>  | <b>22.2</b>  | <b>13.7</b> | <b>14.0</b> | <b>18.0</b> | <b>14.2</b> | <b>16.9</b> |

Source: MOSL, Company

## Financials and valuations

| Income statement              |              |              |               |               |               |               | (INR m)       |               |
|-------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E MARCH                     | FY15         | FY16         | FY17          | FY18          | FY19          | FY20          | FY21E         | FY22E         |
| Interest Income               | 7,039        | 10,105       | 12,800        | 17,672        | 29,488        | 42,859        | 52,094        | 62,501        |
| Interest Expense              | 2,820        | 3,953        | 4,963         | 8,267         | 16,064        | 23,769        | 29,309        | 34,147        |
| <b>Net Interest income</b>    | <b>4,219</b> | <b>6,152</b> | <b>7,837</b>  | <b>9,405</b>  | <b>13,425</b> | <b>19,089</b> | <b>22,785</b> | <b>28,354</b> |
| Growth (%)                    | 52.7         | 45.8         | 27.4          | 20.0          | 42.7          | 42.2          | 19.4          | 24.4          |
| Other Income                  | 24           | 50           | 8,100         | 3,881         | 4,620         | 7,061         | 8,120         | 9,988         |
| <b>Total Income</b>           | <b>4,243</b> | <b>6,202</b> | <b>15,937</b> | <b>13,285</b> | <b>18,045</b> | <b>26,150</b> | <b>30,905</b> | <b>38,342</b> |
| Growth (%)                    | 50.4         | 46.2         | 156.9         | -16.6         | 35.8          | 44.9          | 18.2          | 24.1          |
| <b>Operating Expenses</b>     | <b>1,554</b> | <b>2,538</b> | <b>3,528</b>  | <b>7,526</b>  | <b>10,826</b> | <b>14,179</b> | <b>17,189</b> | <b>20,889</b> |
| Growth (%)                    | 37.0         | 63.3         | 39.0          | 113.3         | 43.8          | 31.0          | 21.2          | 21.5          |
| <b>Operating Profits</b>      | <b>2,690</b> | <b>3,665</b> | <b>12,408</b> | <b>5,759</b>  | <b>7,219</b>  | <b>11,972</b> | <b>13,716</b> | <b>17,453</b> |
| Growth (%)                    | 59.4         | 36.2         | 238.6         | -53.6         | 25.3          | 65.8          | 14.6          | 27.2          |
| <b>Core Operating Profits</b> | <b>2,687</b> | <b>3,650</b> | <b>5,650</b>  | <b>5,377</b>  | <b>6,998</b>  | <b>11,018</b> | <b>3,473</b>  | <b>3,436</b>  |
| Growth (%)                    | 62.7         | 35.8         | 54.8          | -4.8          | 30.1          | 57.4          | -68.5         | -1.1          |
| Total Provisions              | 606          | 438          | 1,039         | 1,326         | 1,418         | 2,832         | 4,909         | 5,115         |
| <b>PBT</b>                    | <b>2,084</b> | <b>3,226</b> | <b>11,369</b> | <b>4,433</b>  | <b>5,801</b>  | <b>9,140</b>  | <b>8,808</b>  | <b>12,338</b> |
| Tax                           | 681          | 1,110        | 3,149         | 1,513         | 1,983         | 2,392         | 2,220         | 3,109         |
| Tax Rate (%)                  | 32.7         | 34.4         | 27.7          | 34.1          | 34.2          | 23.9          | 25.2          | 25.2          |
| <b>PAT</b>                    | <b>1,402</b> | <b>2,116</b> | <b>8,220</b>  | <b>2,920</b>  | <b>3,818</b>  | <b>6,748</b>  | <b>6,588</b>  | <b>9,229</b>  |
| Growth (%)                    | 97.7         | 50.9         | 288.4         | -64.5         | 30.7          | 76.7          | -2.4          | 40.1          |
| <b>Adj. PAT</b>               |              | <b>2,116</b> | <b>3,334</b>  | <b>2,920</b>  | <b>3,818</b>  | <b>5,962</b>  | <b>6,588</b>  | <b>9,229</b>  |
| Growth (%)                    |              | 50.9         | 57.5          | -12.4         | 30.7          | 56.2          | 10.5          | 40.1          |

| Balance Sheet                      |               |               |                |                |                |                |                |                |
|------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E MARCH                          | FY15          | FY16          | FY17           | FY18           | FY19           | FY20           | FY21E          | FY22E          |
| Equity Share Capital               | 441           | 441           | 2,843          | 2,857          | 2,924          | 3,041          | 3,041          | 3,041          |
| Reserves & Surplus                 | 7,667         | 9,654         | 17,033         | 19,955         | 28,705         | 40,206         | 46,794         | 56,022         |
| <b>Equity Net-worth</b>            | <b>8,108</b>  | <b>10,094</b> | <b>19,876</b>  | <b>22,812</b>  | <b>31,629</b>  | <b>43,247</b>  | <b>49,835</b>  | <b>59,064</b>  |
| <b>Deposits</b>                    | -             | -             | -              | <b>79,233</b>  | <b>194,224</b> | <b>261,639</b> | <b>319,200</b> | <b>399,000</b> |
| Growth (%)                         | NA            | NA            | NA             | NA             | 145%           | 35%            | 22.0%          | 25.0%          |
| Borrowings                         | 28,783        | 47,826        | 71,199         | 76,389         | 86,134         | 103,353        | 113,050        | 130,008        |
| Other liabilities                  | 3,462         | 5,022         | 6,737          | 9,894          | 14,241         | 12,670         | 15,204         | 18,245         |
| <b>Total Liabilities</b>           | <b>40,353</b> | <b>62,942</b> | <b>97,812</b>  | <b>188,328</b> | <b>326,228</b> | <b>421,431</b> | <b>497,811</b> | <b>606,838</b> |
| Current Assets                     | 2,029         | 1,234         | 6,250          | 17,612         | 17,402         | 33,697         | 39,447         | 46,613         |
| <b>Investments</b>                 | <b>1,398</b>  | <b>2,316</b>  | <b>21,503</b>  | <b>30,506</b>  | <b>71,617</b>  | <b>106,682</b> | <b>131,219</b> | <b>157,463</b> |
| Growth (%)                         | 23.1          | 65.6          | 828.6          | 41.9           | 134.8          | 49.0           | 23.0           | 20.0           |
| <b>Loans</b>                       | <b>34,040</b> | <b>56,208</b> | <b>65,509</b>  | <b>133,121</b> | <b>228,187</b> | <b>269,924</b> | <b>310,359</b> | <b>387,392</b> |
| Growth (%)                         | 38.6          | 65.1          | 16.5           | 103.2          | 71.4           | 18.3           | 15.0           | 24.8           |
| Net Fixed Assets                   | 194           | 246           | 2,758          | 3,861          | 4,470          | 4,480          | 4,928          | 5,421          |
| Other assets                       | 2,691         | 2,938         | 1,792          | 3,227          | 4,552          | 6,648          | 11,857         | 9,949          |
| <b>Total Assets</b>                | <b>40,353</b> | <b>62,942</b> | <b>97,812</b>  | <b>188,328</b> | <b>326,228</b> | <b>421,431</b> | <b>497,811</b> | <b>606,838</b> |
| <b>Total Assets (incl. off BS)</b> | <b>61,990</b> | <b>88,947</b> | <b>137,692</b> | <b>215,586</b> | <b>340,501</b> | <b>460,437</b> | <b>556,927</b> | <b>680,626</b> |

| Asset Quality               | FY15 | FY16 | FY17  | FY18  | FY19  | FY20  | FY21E | FY22E  |
|-----------------------------|------|------|-------|-------|-------|-------|-------|--------|
| GNPA                        | 327  | 741  | 1,245 | 2,697 | 4,701 | 4,578 | 9,697 | 12,058 |
| NNPA                        | 155  | 592  | 805   | 1,693 | 2,945 | 2,173 | 4,304 | 4,509  |
| GNPA Ratio                  | 1.0  | 1.3  | 1.9   | 2.0   | 2.1   | 1.7   | 3.1   | 3.1    |
| NNPA Ratio                  | 0.5  | 1.1  | 1.2   | 1.3   | 1.3   | 0.8   | 1.4   | 1.2    |
| Slippage Ratio              | 1.1  | 0.8  | 1.7   | 2.1   | 2.5   | 2.0   | 3.5   | 2.4    |
| Credit Cost                 | 2.0  | 0.8  | 1.5   | 1.0   | 0.6   | 1.1   | 1.7   | 1.4    |
| PCR (Excl. Tech. write off) | 52.5 | 20.1 | 35.4  | 37.2  | 37.4  | 52.5  | 55.6  | 62.6   |

## Financials and valuations

### Ratios

| Y/E MARCH                        | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|----------------------------------|------|------|------|------|------|------|-------|-------|
| <b>Yield and Cost Ratios (%)</b> |      |      |      |      |      |      |       |       |
| Avg. Yield - on IEA              | 23.0 | 21.5 | 16.9 | 13.1 | 12.1 | 12.1 | 12.0  | 11.9  |
| Avg. Yield on loans              | 13.7 | 14.5 | 10.5 | 9.4  | 11.7 | 12.4 | 12.1  | 11.9  |
| Avg. Cost of funds               | 11.3 | 10.3 | 8.3  | 7.3  | 7.4  | 7.4  | 7.4   | 7.1   |
| NIM (On total assets)            | 12.1 | 11.9 | 9.8  | 6.6  | 5.2  | 5.1  | 5.0   | 5.1   |
| NIM (On IEA)                     | 13.8 | 13.1 | 10.3 | 7.0  | 5.5  | 5.4  | 5.2   | 5.4   |

### Capitalization Ratios (%)

|         |      |      |      |      |      |      |      |      |
|---------|------|------|------|------|------|------|------|------|
| CAR     | 17.3 | 16.9 | 23.1 | 19.3 | 19.3 | 22.0 | 20.8 | 19.3 |
| Tier I  | 15.8 | 13.5 | 21.5 | 18.4 | 16.0 | 18.4 | 17.7 | 17.1 |
| Tier II | 1.5  | 3.4  | 1.6  | 0.9  | 3.4  | 3.6  | 3.1  | 2.2  |

### Business and Efficiency Ratios (%)

|                              |      |      |      |       |       |       |      |      |
|------------------------------|------|------|------|-------|-------|-------|------|------|
| Loan/Deposit Ratio           | NA   | NA   | NA   | 168.0 | 117.5 | 103.2 | 97.2 | 97.1 |
| CASA Ratio                   | NA   | NA   | NA   | 26.9  | 18.5  | 14.5  | 16.6 | 18.4 |
| Cost/Assets                  | 4.4  | 4.9  | 4.4  | 5.3   | 4.2   | 3.8   | 3.7  | 3.8  |
| Cost/Total Income            | 36.6 | 40.9 | 22.1 | 56.7  | 60.0  | 54.2  | 55.6 | 54.5 |
| Cost/Core Income             | 36.6 | 41.0 | 38.4 | 58.3  | 60.7  | 56.3  | 57.8 | 57.1 |
| Int. Expense/Int. Income     | 40.1 | 39.1 | 38.8 | 46.8  | 54.5  | 55.5  | 56.3 | 54.6 |
| Fee Income/Total Income      | 0.3  | 0.3  | 8.4  | 26.3  | 24.4  | 23.4  | 22.5 | 21.4 |
| Non Int. Income/Total Income | 0.6  | 0.8  | 50.8 | 29.2  | 25.6  | 27.0  | 26.3 | 26.0 |
| Investment/Deposit Ratio     | NA   | NA   | NA   | 38.5  | 36.9  | 40.8  | 41.1 | 39.5 |
| Emp. Cost/Total Expense      | 60.8 | 62.2 | 54.6 | 56.5  | 55.5  | 53.6  | 55.2 | 54.5 |

### Profitability and Valuations

|                           | FY15  | FY16      | FY17      | FY18        | FY19        | FY20        | FY21E       | FY22E       |
|---------------------------|-------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|
| RoE                       | 19.9  | 23.3      | 22.2      | 13.7        | 14.0        | 18.0        | 14.2        | 16.9        |
| RoA (On bal. Sheet)       | 4.0   | 4.1       | 4.1       | 2.04        | 1.48        | 1.81        | 1.4         | 1.7         |
| RoRWA                     | 3.4   | 3.2       | 9.7       | 2.5         | 2.0         | 3.0         | 2.4         | 2.8         |
| Book Value (INR)          | 183.9 | 229.0     | 69.9      | 79.8        | 108.2       | 142.2       | 163.9       | 194.2       |
| Growth (%)                | 32.2  | 24.5      | -69.5     | 14.2        | 35.5        | 31.4        | 15.2        | 18.5        |
| <b>Price-BV (x)</b>       |       | <b>NA</b> | <b>NA</b> | <b>6.5</b>  | <b>4.8</b>  | <b>3.6</b>  | <b>3.2</b>  | <b>2.7</b>  |
| Adjusted BV (INR)         | 162.2 | 184.4     | 68.2      | 76.3        | 102.6       | 138.9       | 155.7       | 185.5       |
| Growth (%)                | 31.0  | 13.7      | -63.0     | 12.0        | 34.5        | 35.4        | 12.1        | 19.2        |
| <b>Price-ABV (x)</b>      |       | <b>NA</b> | <b>NA</b> | <b>6.8</b>  | <b>5.0</b>  | <b>3.7</b>  | <b>3.3</b>  | <b>2.8</b>  |
| EPS (INR)                 | 32.2  | 48.0      | 50.1      | 10.2        | 13.2        | 22.6        | 21.7        | 30.3        |
| Growth (%)                | 89.5  | 49.0      | 4.3       | -79.5       | 28.9        | 71.3        | -4.3        | 40.1        |
| <b>Price-Earnings (x)</b> |       | <b>NA</b> | <b>NA</b> | <b>50.4</b> | <b>39.1</b> | <b>22.8</b> | <b>23.8</b> | <b>17.0</b> |

NOTES

| Explanation of Investment Rating |                                                                                              |
|----------------------------------|----------------------------------------------------------------------------------------------|
| Investment Rating                | Expected return (over 12-month)                                                              |
| BUY                              | >=15%                                                                                        |
| 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 |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives have financial interest in the subject company, as they have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com).CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.