

# AU Small Finance Bank

BSE SENSEX

36,021

S&P CNX

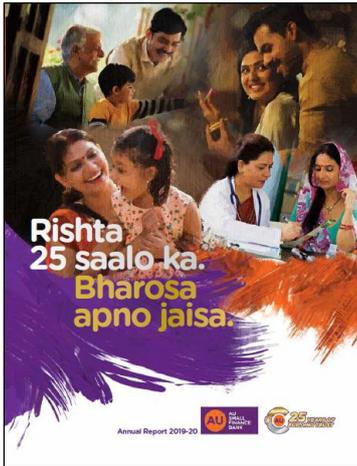
10,607

CMP: INR567

TP: INR675 (+19%)

Buy

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## Stock Info

	AUBANK IN
Bloomberg	AUBANK IN
Equity Shares (m)	304
M.Cap.(INRb)/(USD\$b)	173.6 / 2.4
52-Week Range (INR)	1218 / 366
1, 6, 12 Rel. Per (%)	20/-16/-9
12M Avg Val (INR M)	525
Free float (%)	69.1

## Financials Snapshot (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)	25.0	26.2	18.7
P/BV (X)	4.0	3.5	2.9
P/ABV (X)	4.1	3.6	3.1

## Focus remains on building a sustainable retail franchise

### Digitalization to improve cost ratios; PCR improves sharply

- AUBANK's Annual Report emphasizes the bank's core focus on building a strong retail franchise, with retail AUM comprising ~84% of the loan book (98% secured loans). On the liability side, CASA plus retail TD comprises ~43% of deposits, with the concentration of the top 20 deposits declining to 23.4% v/s 25% in FY20.
- For FY20, NII/PPoP grew by 42%/66% while PAT grew by 77% YoY to INR6.7b aided by Aavas stake sale with bank reporting strong RoA/RoE of 1.8%/18%. Capital level remains strong with a Tier 1 ratio of 18.4% (CAR at 22%).
- Focused lending toward income generation activities and a lower average ticket size of ~INR0.5m has helped the bank maintain control over credit cost despite facing various headwinds. Retail GNPA improved to 1.7% v/s 2.2% in FY19, and overall GNPA increased to 1.7% v/s 2.0% in FY19. AUBANK follows an accelerated provisioning policy, which has enabled the bank to substantially increase its PCR by ~1,520bp to 53%.
- The bank continues to invest in digital capabilities and offers multiple new-age products that are gaining strong traction. Continuous scale-up in the digital channel would enable the bank to achieve higher productivity, thereby improving cost ratios.
- AUBANK reported a stable operating performance in FY20, with deposit growth holding strong despite an increasing focus on retail deposits. Collection efficiency remains the key to assessing the overall impact of moratorium, which would keep asset quality under watch. We estimate growth to remain modest, while credit cost would likely remain elevated (estimate of 1.7% for FY21E, in addition to 52bp of COVID-19 provisions made in 4QFY20). Maintain Buy, with unchanged TP of INR675.

### Retail franchise growing well; Used Vehicle segment to drive growth

- AUBANK continues to strengthen its asset book, with retail comprising ~84% of total AUM (98% secured). Focused lending toward income generation activities and a lower average ticket size of ~INR0.5m have enabled the bank to build a granular loan book. New product offerings and geographical expansions would continue to aid expansion in retail assets, while the bank's mantra – **Retail is all about detail** – would help maintain strong control on credit cost.
- As the New Vehicle segment continues to face headwinds, the bank has ramped-up the **mix of used vehicle financing (including cash-on-wheels) to ~37% v/s 28% in FY19. AUBANK financed ~6% of the total used vehicles sold in FY20, driving overall improvement in IRR.** At the system level, the Used Car market has crossed the 4m unit mark, 1.2x that of the New Car market. Furthermore, the Used Car segment is expected to grow faster and shift more toward organized players (share increased to 18% v/s 10% in FY11). We thus expect the bank to continue to show strong traction in this business.

### Geographical mix improving; disbursement outside Rajasthan forms ~60%

AUBANK continues to witness strong traction in **retail disbursements outside Rajasthan, which grew ~26% YoY and formed ~60% of the total disbursements in FY20.** This resulted in an improved geographical mix, with the **share of the top four states declining to 82% v/s 87% in FY19.** The share of Rajasthan declined to 43% v/s 46% in FY18, while the deposit mix also remains well-diversified. 61% of AU's branches are in rural/semi-urban areas and remain a key focus area.

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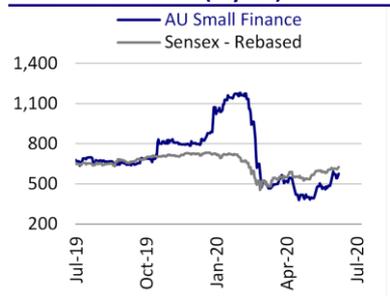
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**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

**Stock Performance (1-year)****Building strong/granular liability franchise; TD customers grow by ~93%**

AUBANK has stepped up efforts in building a strong liability franchise, with an enhanced focus on growing its retail term deposits and CASA, which form 43% of the total deposits v/s 38% in FY19. AUBANK was relatively less impacted in the recent withdrawal of deposits witnessed by certain small and mid-sized banks, indicating higher stickiness. **The bank launched AU Royale – a premium savings account targeting high-value customers**, and acquired ~4.7k new-to-bank customers and upgraded ~11k customers with an ATS of INR1m. **Overall, the bank saw an increase of 48% in its deposit customers with the addition of ~493k accounts.** On the other hand, TD customers grew 93% YoY to ~209k accounts v/s ~108k accounts in FY19.

**Strong asset quality | Aggressive provisioning policy | PCR improves sharply**

A higher proportion of the secured book, coupled with strong underwriting and efficient collection management, has enabled the bank to report stable asset quality despite various headwinds. The GNPA ratio declined to 1.7% (2.0% in FY19), led by improvement in retail GNPA to 1.7% v/s 2.2% in FY19. Overall, ~25% of the book is under moratorium, while SMA a/c where moratorium was extended stood at INR24.7b (excluding INR3b on the securitized portfolio). **The bank follows an accelerated provisioning policy and sharply increased its PCR by ~1,520bp to 52.4% from 37.4% in FY19.** AUBANK has only one NPA (INR64m) in the NBFC book; along with a lower proportion of non-investment grade (~4%) book, this provides further comfort. The bank further carries a standard assets provision of INR1.2b and a COVID-19 related provision of INR1.4b.

**Increased focus on cross-selling; Digitalization to help control cost**

AUBANK has reached a customer base of 1.7m and is trying to gain on customer wallet share via higher cross-selling. **AUBANK's average product per customer stands at 1.3x v/s an average 4x for large private banks, which provides substantial room for growth via cross-selling.** The bank is investing in building digital capabilities and providing a superior experience to customers. AUBANK has ~0.2m Internet and mobile banking users transacting ~6.3k transactions per day (+167% YoY). The bank has opened a total of ~0.3m SA a/c through tablet devices comprising ~93% of the total SA accounts opened in FY20, taking the total SA accounts to ~1.2m.

**RWA density best among peers; concentration ratios improve further**

AUBANK has reported an improvement in concentration ratios, with the concentration of the top 20 advances/exposures improving by 193bp/28bp to 3.8%/8.1%. On the liability side, the concentration of the top 20 depositors improved by 160bp to 23.4%. Furthermore, the bank is focused on improving the quality of its loan book; this is reflected in its RWA density, which has improved ~940bp over the past two years to 53% currently. The bank has built a granular book with ~60% of loans <INR0.25m.

**Valuation and view**

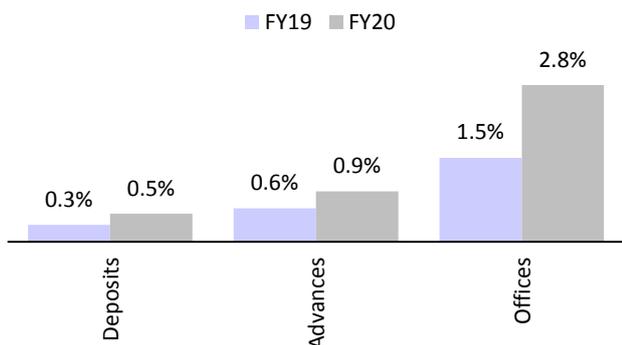
AUBANK reported a steady operating performance for FY20, even as COVID-19 provisions dented earnings. Although asset quality remains stable, trends in collection efficiency remain key to assessing the overall impact of moratorium, which would keep asset quality under watch. Deposit growth, however, has held strong, enabling the bank to maintain strong surplus liquidity. We estimate loan growth trends to remain soft at 15% in FY21, while credit cost could increase to 1.7% in FY21E (in addition to 52bp of COVID-19 provisions made in 4QFY20) as we build-in higher slippages. Maintain Buy, with TP of INR675 (3.5x FY22E BV).

## Other takeaways from the Annual Report

Parameters	Key highlights
ESOP	❖ ~2,300 employees have been granted ESOPs as of FY20, representing ~13% of the total employees.
	❖ The number of employees with ESOPs formed ~27%/21% of o/s employees as of FY17/FY18.
	❖ The bank granted ~2.7m ESOPs in FY20, the highest in the past three years. Options exercised stood at 1.7m.
Management change	❖ With effect from 1 <sup>st</sup> Apr'20: Mr Vimal Jain was appointed Chief Financial Officer (CFO). Mr Deepak Jain was appointed Chief Operating Officer (COO).
Penalty	❖ In FY20, the RBI imposed a penalty of INR10k for not exchanging soiled notes at a branch.
Remuneration for FY20	❖ The ratio of remuneration of the MD & CEO to median employees' remuneration stood at 92x, while that for WTDs stood at 83x.
	❖ The MD & CEO received a total remuneration of INR23.1m and the WTDs received INR34.3m in FY20.
	❖ Non-managerial staff witnessed an average percentile decrease of ~1.3% for FY20 while managerial staff saw an average percentile decrease of ~5.8%.
	❖ The percentage increase in median remuneration was almost negligible at 0.001%.
	❖ A total of 33 employees earned salaries in excess of INR10m in FY20.
PSLC	❖ The bank achieved an average PSL target of 85% for FY20 v/s the requirement of 75%.
	❖ The bank saw a sharp increase in PSLC sales in FY20; it sold PSLCs worth INR155b v/s INR53b in FY19.
	❖ The bank did not purchase any PSLC in FY20 v/s INR75b in FY19.
Fraud	❖ The total number of fraud accounts reported during the year increased to 95, with an amount of INR11m, v/s 33 in FY19.
	❖ Of this, ~INR8m remained post net of recoveries/write-offs, for which the bank has created 100% provisions.
Reward points	❖ The bank does not provide any reward points on its cards at the moment.
Change in discount rate	❖ The discount rate considered for employee benefits declined sharply to 6% in FY20 from 8% in FY19
Return on plan assets	❖ The expected return on plan assets has been considered at 8%, much higher than the discount rate.
Contingent liability	❖ Contingent liabilities grew ~2.7x in FY20, led by an increase in guarantees given by the bank.
	❖ This, as a proportion of total assets, almost doubled to ~3.5% v/s 2% in FY19.
Bancassurance fees	❖ Bancassurance fee grew ~17% YoY to INR310m for FY20 v/s INR266m in FY19.
	❖ Fees were primarily driven by the sale of non-life insurance policies, which grew 32% YoY to INR130m.
	❖ Bancassurance fee comprises ~7% of the total fee income.
Sensitive sector exposure	❖ AUBANK's exposure toward real estate grew 66% YoY to INR23.8b.
	❖ Capital markets exposure grew to INR2.25b v/s INR1.13b in FY19.
	❖ Commercial real estate exposure stood at INR9b v/s INR7.9b in FY19, forming 3.3% of the total loans.
Financial inclusion	❖ Banks disbursements for FY20 under various schemes: MUDRA loans stand at INR28.6b. PMEGP stands at INR190m. CTGMSE stands at INR640m. PMAY-CLSS stands at INR230m.
	❖ ~INR41b of deposits were collected from the rural and semi-urban areas.
	❖ ~60% of the loans are of a ticket size less than INR2.5m.

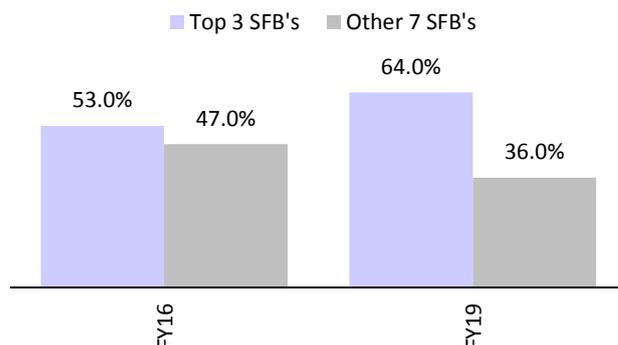
Source: MOSL, Company

**Exhibit 1: SFBs are gaining market share with a loan/deposit market share of 0.9%/0.5% as of FY20...**



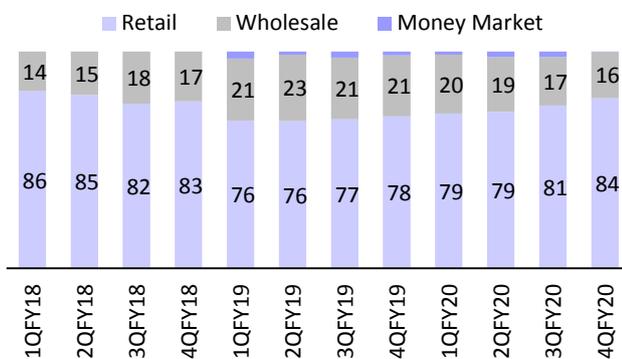
Source: MOFSL, Company

**Exhibit 2: ...within which the share of the top 3 SFBs increased to 64% in FY19 v/s 53% in FY16**



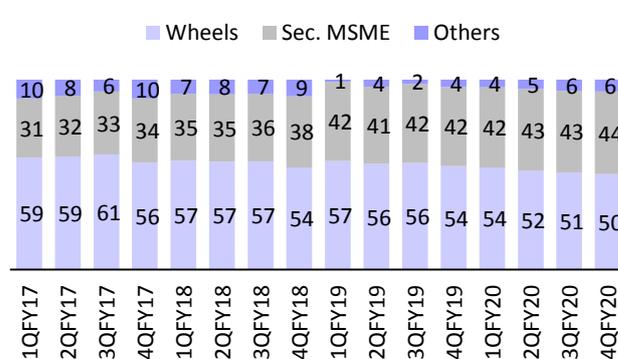
Source: MOFSL, Company

**Exhibit 3: Retail comprises 84% of the total book v/s 78% in FY19...**



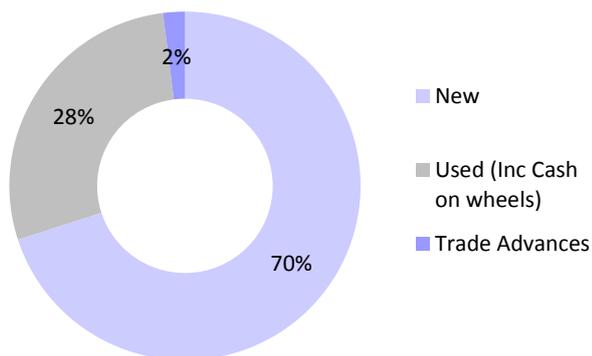
Source: MOFSL, Company

**Exhibit 4: ...within which Wheels forms ~50%, while SBL-MSME forms ~44%**



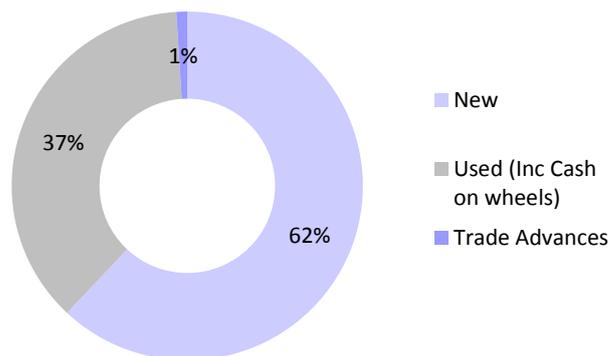
Source: MOFSL, Company

**Exhibit 5: Wheels book split as of FY19: Focus remains on the Used Vehicle segment**



Source: MOFSL, Company

**Exhibit 6: Wheels book split as of FY20: Company expanding share to 37% v/s 28% in FY19**



Source: MOFSL, Company

**Exhibit 7: New vehicle sales have witnessed sharp moderation in FY20**

New Vehicles Market (Units in m)	FY15	FY16	FY17	FY18	FY19	FY20
All vehicles	19.7	20.5	21.9	25.0	26.3	21.5
All vehicles (Ex 2W)	3.7	4.0	4.3	4.8	5.1	4.1
PV	2.6	2.8	3.0	3.3	3.4	2.8
CV	0.6	0.7	0.7	0.9	1.0	0.7
3W	0.5	0.5	0.5	0.6	0.7	0.6

Source: Company, MOFSL

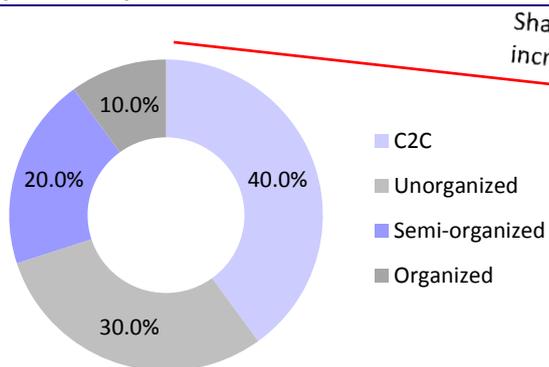
Used Car market is estimated at ~4mn units (1.2x of New Car market)

**Exhibit 8: AUBANK financed ~6% of the total used vehicles sold at the system level**

FY20 (Units in m)	For System	For AUBANK	% share of AUBANK
New vehicles sold	21.5	0.29	1.3%
Used vehicles sold	4	0.25	6.3%
2W sales	17.4	0.04	0.2%

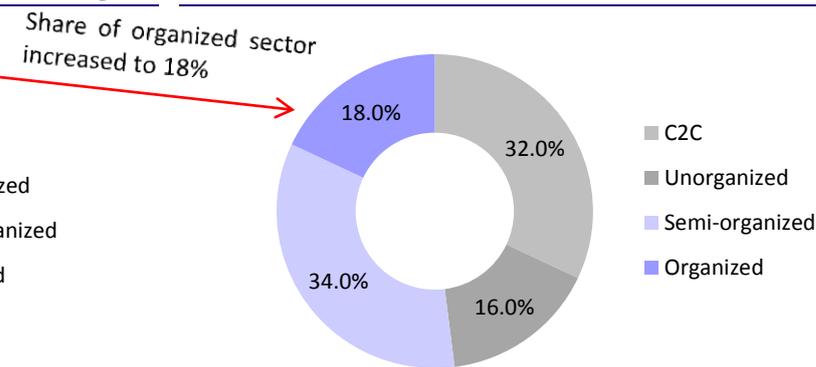
Source: Company, MOFSL

**Exhibit 9: Pre-owned car market in FY11: Share of organized players in the pre-owned car market has been increasing**



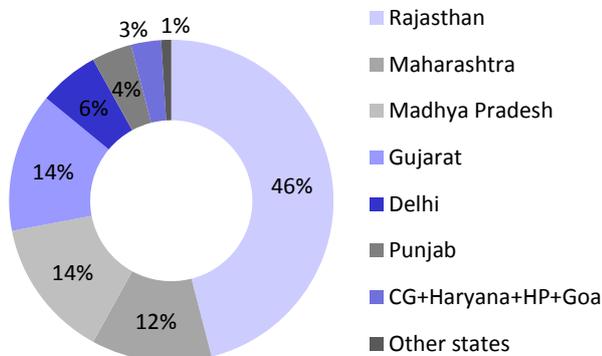
Source: MOFSL, Company

**Exhibit 10: Pre-owned car market in FY19: Increased share implies greater opportunities for banks to continue showing traction**



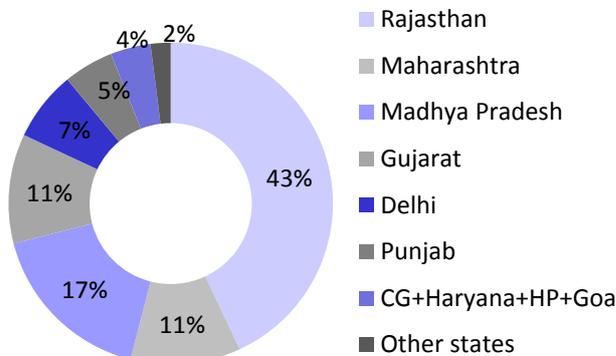
Source: MOFSL, Company

**Exhibit 11: Retail AUM split FY18: The share of Rajasthan has been declining**



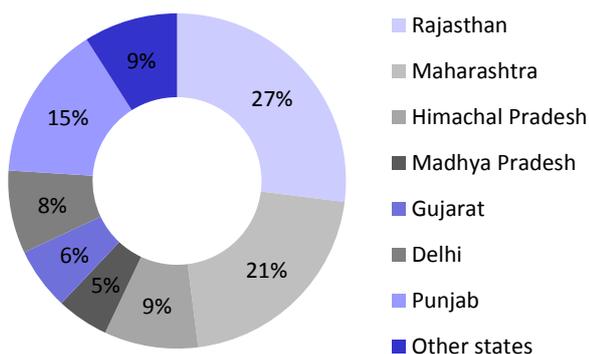
Source: MOFSL, Company

**Exhibit 12: Retail AUM split FY20: While, the share of other states is gaining market share, signifying diversification**



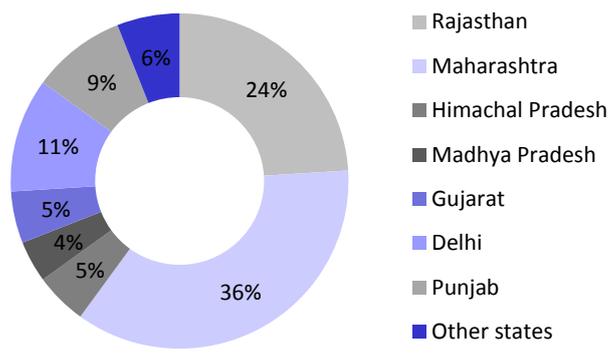
Source: MOFSL, Company

**Exhibit 13: Deposit split 2QFY19: The share of Rajasthan has been declining**



Source: MOFSL, Company

**Exhibit 14: Deposit split FY20: While, other states are gaining share, signifying geographical expansion**



Source: MOFSL, Company

Proportion of disbursement has been higher outside Rajasthan at 60%, implying growth from diversified states

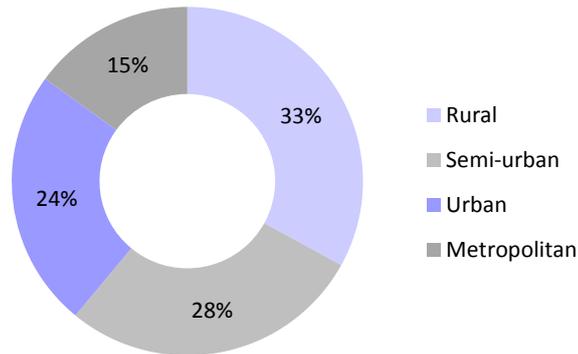
**Exhibit 15: Disbursements outside Rajasthan stand strong, aiding geographical diversification**

INR b	FY19	FY20	YoY (%)	% Share
Rajasthan Disbursements	46.95	60.63	29.1%	40%
Outside Rajasthan Disbursements	71.05	89.76	26.3%	60%
<b>Total retail disbursements</b>	<b>118.0</b>	<b>150.4</b>	<b>27.4%</b>	<b>100%</b>

Source: Company, MOFSL

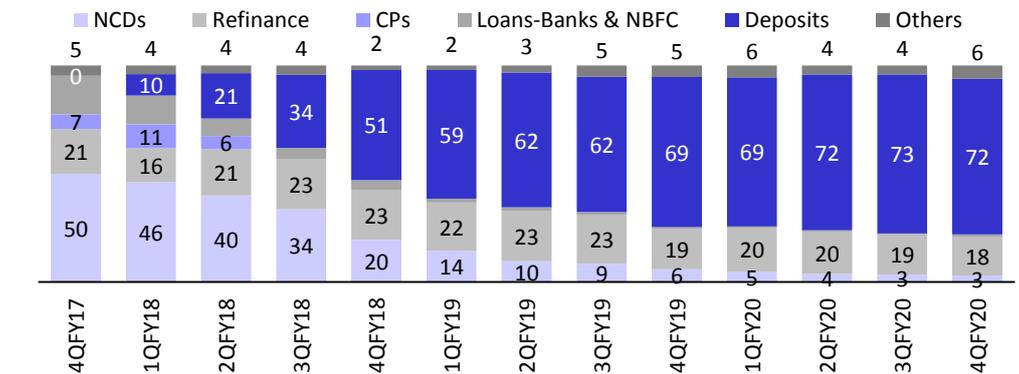
~33% of the branches are in the rural areas, while another ~28% in semi-urban, which highlights the bank's focus on financial inclusion

**Exhibit 16: Geographical distribution of branches**



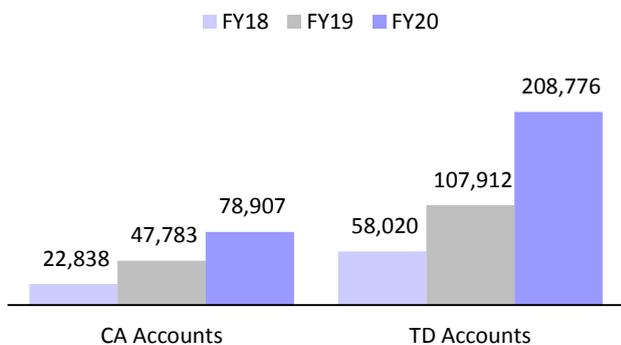
Source: Company, MOFSL

**Exhibit 17: Liability profile: Proportion of deposits is increasing**



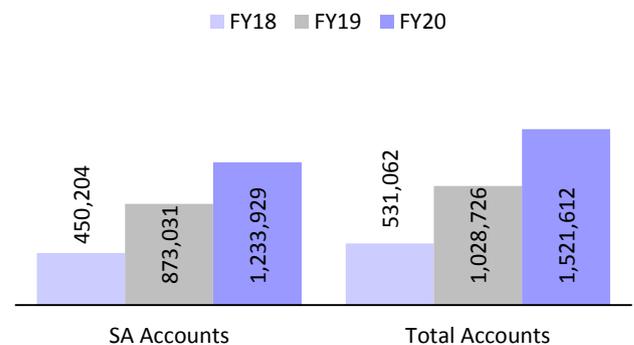
Source: Company, MOFSL

**Exhibit 18: Total number of CA / term deposit customers grew by 65%/93% in FY20...**



Source: MOFSL, Company

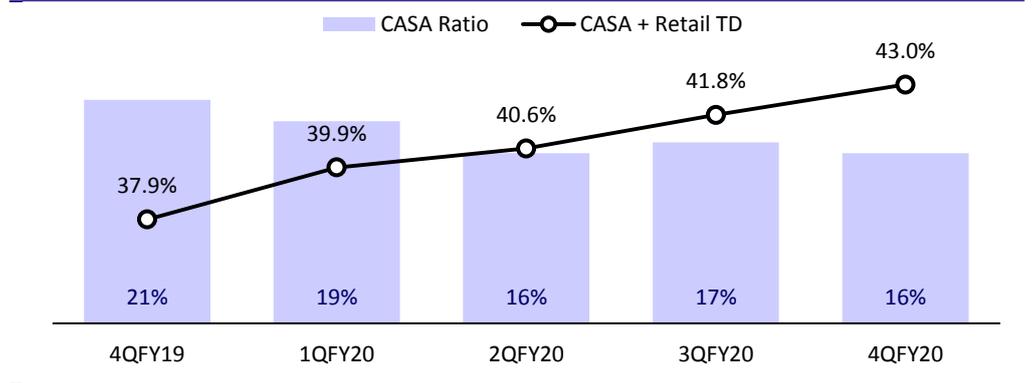
**Exhibit 19: ...while the total number of SA / total deposit customers have grown by 43%/48% in FY20**



Source: MOFSL, Company

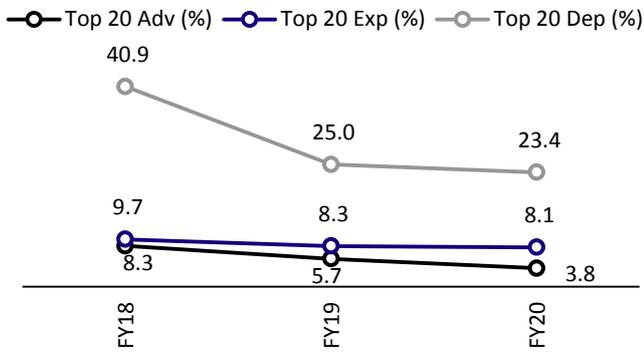
Increasing granularization, with CASA+ Retail TD forming 43% of the total deposits

**Exhibit 20: Increasing proportion of retail deposits at a time when garnering deposits has been a challenge**



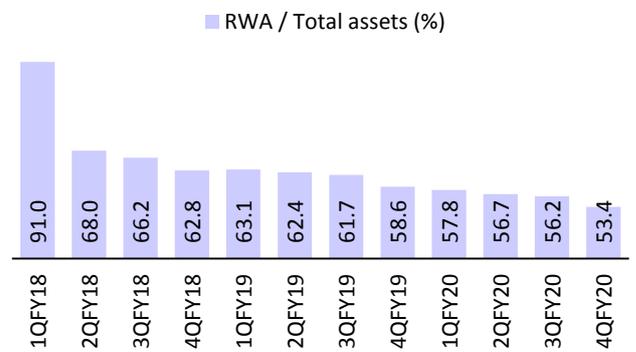
Source: Company, MOFSL

**Exhibit 21: Concentration ratios are improving, with the top 20 advances/deposits declining 190bp/160bp**



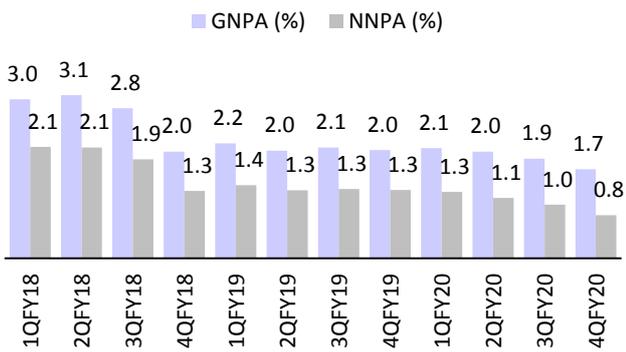
Source: MOFSL, Company

**Exhibit 22: RWA density is showing continuous improvement; improved by ~940bp over past two years**



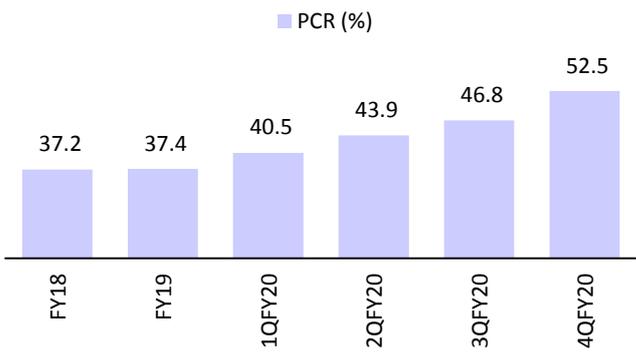
Source: MOFSL, Company

**Exhibit 23: Asset quality is showing stable/improving trends despite various headwinds...**



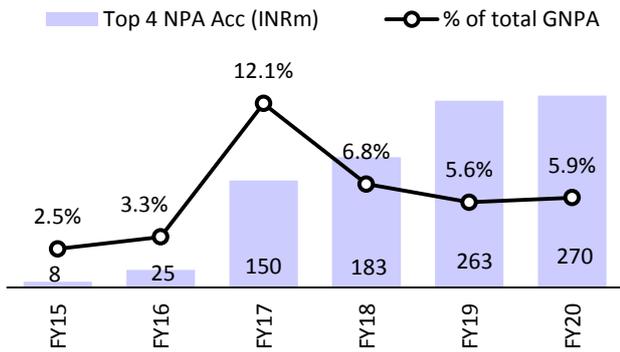
Source: MOFSL, Company

**Exhibit 24: ...while PCR increased sharply by ~1520bp to ~53% in FY20 as the bank follows an accelerated provisioning policy**



Source: MOFSL, Company

**Exhibit 25: Concentration of top 4 NPA accounts increased marginally to 5.9% in FY20**



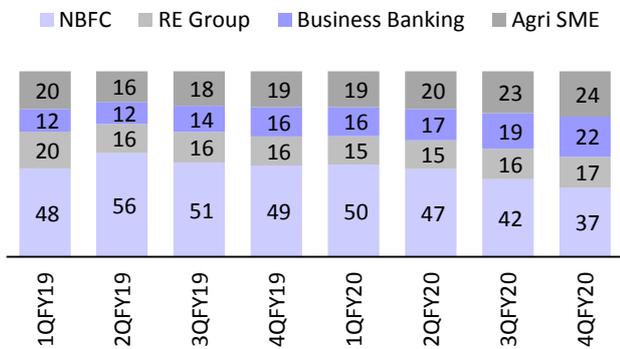
Source: MOFSL, Company

**Exhibit 26: Follows aggressive provisioning policy over regulatory requirements across buckets**

Overdue buckets	% of provision as per bank policy	
	Secured	Unsecured
0-90	SME & Agri: 0.25%, CRE: 1% and others at 0.40%	
91-180	15%	25%
181-364	30%	30%
365-455	60%	60%
456-729	60%	100%
>729	100%	100%
Loss asset	100%	100%

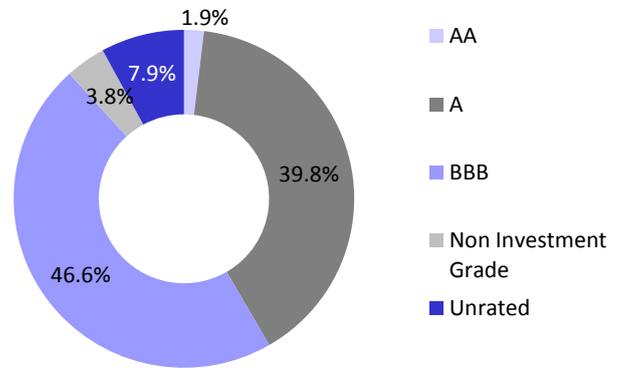
Source: MOFSL, Company

**Exhibit 27: Split of wholesale AUM book**



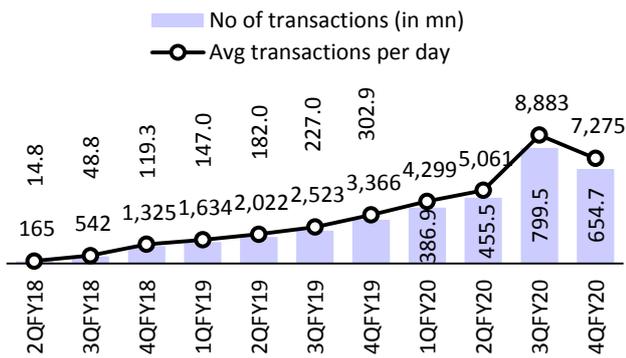
Source: MOFSL, Company

**Exhibit 28: Rating profile of NBFC book**



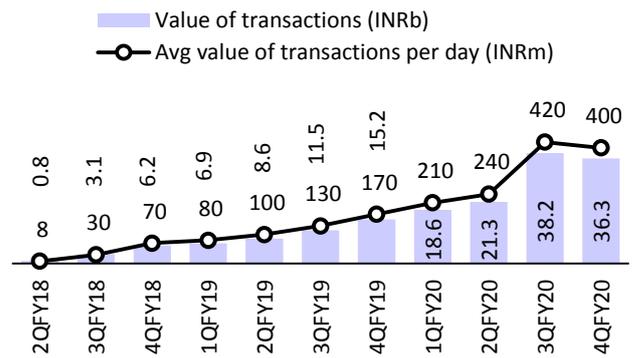
Source: MOFSL, Company

**Exhibit 29: Increasing no of digital transactions (Internet and mobile banking); grew 167% YoY, with ~6.3k transactions per day...**

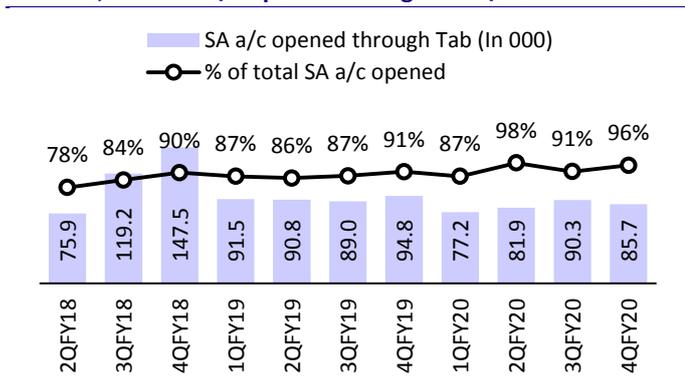


Source: MOFSL, Company

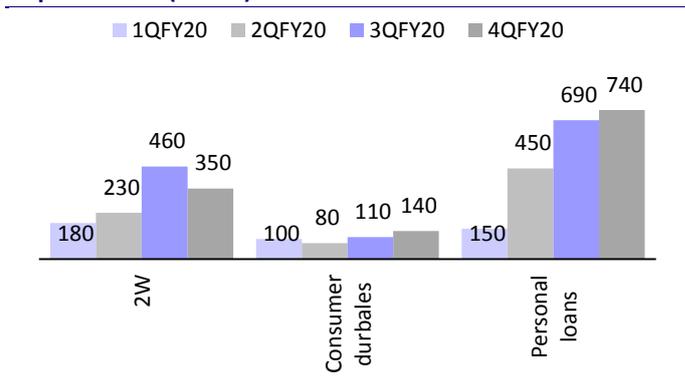
**Exhibit 30: ...while the value of digital transactions is also showing strong traction; slightly impacted in 4QFY20 due to lockdown**



Source: MOFSL, Company

**Exhibit 31: Tab-based a/c openings continue to see strong traction; ~93% of a/c opened through tab v/s 80% in FY19**

Source: MOFSL, Company

**Exhibit 32: Paperless disbursements are showing significant improvement (INR m)**

Source: MOFSL, Company

## Valuation and 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 shown 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 TP of INR675:** AUBANK reported a steady operating performance for FY20, even as COVID-19 provisions dented earnings. Although asset quality remains stable, trends in collection efficiency remain key to assessing the overall impact of moratorium, which would keep asset quality under watch. Deposit growth, however, has held strong, enabling the bank to maintain strong surplus liquidity. We estimate loan growth trends to remain soft at 15% in FY21; credit cost could increase to 1.7% in FY21E (in addition to 52bp of COVID-19 provisions made in 4QFY20) as we build in higher slippages. **Maintain Buy**, with TP of INR675 (3.5x FY22E BV).

**Exhibit 33: DuPont Analysis: We estimate return ratios to remain modest 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>

## 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
<b>Balance Sheet</b>								
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>
<b>Asset Quality</b>								
Y/E MARCH	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 (Exc. 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
<b>NIM (On total assets)</b>	<b>12.1</b>	<b>11.9</b>	<b>9.8</b>	<b>6.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>	<b>5.1</b>
<b>NIM (On IEA)</b>	<b>13.8</b>	<b>13.1</b>	<b>10.3</b>	<b>7.0</b>	<b>5.5</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>

<b>Capitalization Ratios (%)</b>	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
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

<b>Business and Efficiency Ratios (%)</b>	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
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

<b>Profitability and Valuations</b>	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>7.1</b>	<b>5.2</b>	<b>4.0</b>	<b>3.5</b>	<b>2.9</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>7.4</b>	<b>5.5</b>	<b>4.1</b>	<b>3.6</b>	<b>3.1</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>55.3</b>	<b>42.9</b>	<b>25.0</b>	<b>26.2</b>	<b>18.7</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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