

# AU Small Finance Bank

Estimate change	↔
TP change	↑
Rating change	↔

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Bloomberg	AUBANK IN
Equity Shares (m)	306
M.Cap.(INRb)/(USD\$)	242.1 / 3.1
52-Week Range (INR)	1218 / 366
1, 6, 12 Rel. Per (%)	31/-18/23
12M Avg Val (INR M)	547

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	19.1	21.6	26.0
PPoP	12.0	14.9	18.0
PAT	6.7	6.3	8.8
NIM (%)	5.1	4.8	4.8
EPS (INR)	22.6	20.7	28.9
EPS Gr. (%)	71.3	-8.7	39.9
BV/Sh. (INR)	142.2	162.9	191.7
ABV/Sh. (INR)	138.9	153.2	180.8

## Ratios

RoE (%)	18.0	13.5	16.3
RoA (%)	1.8	1.4	1.6

## Valuations

P/E(X)	35.1	38.5	27.5
P/BV (X)	5.6	4.9	4.1
P/ABV (X)	5.7	5.2	4.4

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	29.0	31.0	32.2
DII	13.5	15.4	13.7
FII	30.0	28.7	24.7
Others	27.5	24.9	29.4

FII Includes depository receipts

**CMP: INR790**

**TP: INR850 (+8%)**

**Buy**

## Moratorium book dips; Treasury gains, opex support earnings

### Deposit traction healthy; Liquidity/Capitalization remain comfortable

- AU Small Finance Bank's (AUBANK) 1QFY21 earnings were strong, led by higher treasury gains (including the Aavas stake sale) and sharp decline in opex. The bank prudently utilized gains to create higher provisions (INR1.4b), thus, taking the total COVID-19 related provisions to INR2.8b. Overdue loans declined to INR11.3b (4.3% of loans) while complete moratorium book decreased to 11% (v/s 25% as at Apr'20). On the business front, while loan growth moderated, margins saw steep decline of ~50bp, impacted by excess liquidity.
- While we remain watchful of the trends ahead as customer activation rate is still at 67% (v/s 80% under normal circumstances), we expect collection trends to improve gradually as guided by the management. Also, higher provision buffer (1%/10% of total loans/moratorium book) should provide comfort given the secure nature of the book. Maintain **Buy**.

### C/I ratio improves on the back of controlled opex; PCR surges to ~64%

- AUBANK reported PAT of INR2b (+5.5%/+64% YoY/QoQ), led by higher treasury gains (~INR1.6b) and the Aavas stake sale (INR272.5m). NII grew 30% YoY (-7% QoQ) to INR5.2b (8% miss), affected by muted loan growth and 50bp QoQ margin decline to 5.0%.
- Opex declined 6% YoY (-30% QoQ) to ~INR3b, aided by tepid disbursement and ~1k reduction in headcount. C/I ratio, thus, improved to 39.9% (v/s 57.2% in 4QFY20). Overall, PPoP grew 53% YoY to INR4.5b.
- Gross AUM grew 17% YoY (3% QoQ decline) to INR300b, within which, retail AUM grew 25% YoY (-3% QoQ). Small and mid-corporate assets declined 12% YoY (8% QoQ decline). The share of retail AUM was stable at 84%. The bank disbursed ~INR11.8b (including TLTRO, 70% YoY decline) at lower yield of 11.2% (v/s 15.6% in 1QFY20).
- Deposits grew ~35% YoY/2% QoQ to INR267.3b. CASA ratio stood stable at 16%. Furthermore, retail term deposits grew 69% YoY. Overall, retail deposits formed 45% of the total deposits (v/s 43% in FY20).
- Absolute GNPA/NNPA declined 2.3%/25% QoQ; thus, GNPA ratio stood stable at 1.7%, while NNPA improved 19bp to 0.6%. PCR improved sharply to 64% (v/s 53% in FY20). Further, the bank created additional provisions of INR1.4b, resulting in total COVID-19 related provisions of INR2.8b.
- **Moratorium update:** In terms of value, the complete moratorium book stood at 11% (INR28-29b) while the SMA pool declined to INR11.3b (~4.3% of loans) v/s INR27.7b as at 29<sup>th</sup> Feb'20.
- **Collection trends:** Overall, collection efficiency improved to 90% in Jun'20 (v/s 54% in Apr'20). Furthermore, in terms of EMI paid by borrowers, full EMI recovery rate improved to 67% in Jun'20 (v/s 53% in Apr'20). Under normal trends, ~80% customers paid full EMIs, while 5% paid partial dues.
- **Other highlights:** (1) Tier 1 ratio stood at 18.5% (CAR at 21.7%). (2) Cost of funds declined to 7.2% (v/s 7.5% in 4QFY20); incremental cost of funds stood at 6.0% (v/s 7.2% in 4QFY20 and 7.3% in FY20).

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**Highlights from management commentary**

- Improvement in collection efficiency to ~90% in Jun'20 indicates that some borrowers have paid more than one EMI. Overall, 67% of customers (in value terms) have paid 90% of the total billed amount in Jun'20.
- Overall, ~11% of the portfolio have not paid any installments (moratorium book), 67% of the portfolio paid full EMI in Jun'20 while the rest have paid at least some installments.
- The bank disbursed ~INR3b in retail while similar disbursements were made in the MSME portfolio.

**Valuation and view**

AUBANK reported healthy earnings led by robust treasury performance and controlled opex. The bank prudently made additional COVID-19 provisions and improved its PCR to 64%. Steady decline in moratorium book, reduction in SMA numbers and improving collection trend has eased pressure on asset quality. While we remain watchful of the trends ahead as customer activation rate is still at 67% (v/s 80% under normal circumstances), we expect collection trends to improve gradually as guided by the management. Also, higher provision buffer (1%/10% of total loans /moratorium book) should provide comfort against higher slippages given the secured nature of the book. On the business front, deposit growth held strong. This, along with other measures, has enabled the bank to maintain strong surplus liquidity and LCR of 150%. We estimate loan growth to remain soft at 14% in FY21 (18% AUM growth), while credit cost should stay elevated at 2.2% in FY21E, as we build in higher slippages. We value the stock at INR850 (4.4x FY22E BV) and **maintain Buy**.

**Quarterly performance**

(INR m)

	FY20				FY21E				FY20	FY21E	1QE FY21E	v/s Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Interest Income</b>	<b>3,956</b>	<b>4,516</b>	<b>5,068</b>	<b>5,549</b>	<b>5,159</b>	<b>5,343</b>	<b>5,495</b>	<b>5,637</b>	<b>19,089</b>	<b>21,633</b>	<b>5,616</b>	<b>-8.1</b>
% Change (Y-o-Y)	38.1	40.7	45.7	43.4	30.4	18.3	8.4	1.6	42.2	13.3	42.0	
Other Income	2,109	1,508	1,612	1,831	2,258	1,908	2,127	1,826	7,061	8,120	1,676	34.8
<b>Total Income</b>	<b>6,065</b>	<b>6,024</b>	<b>6,681</b>	<b>7,381</b>	<b>7,416</b>	<b>7,251</b>	<b>7,622</b>	<b>7,463</b>	<b>26,150</b>	<b>29,753</b>	<b>7,291</b>	<b>1.7</b>
Operating Expenses	3,157	3,247	3,552	4,223	2,961	3,649	3,723	4,561	14,179	14,894	4,099	-27.8
<b>Operating Profit</b>	<b>2,908</b>	<b>2,777</b>	<b>3,128</b>	<b>3,158</b>	<b>4,456</b>	<b>3,602</b>	<b>3,899</b>	<b>2,903</b>	<b>11,972</b>	<b>14,859</b>	<b>3,193</b>	<b>39.6</b>
% Change (Y-o-Y)	90.7	58.5	75.1	46.4	53.2	29.7	24.6	-8.1	65.8	24.1	9.8	
Provisions	315	610	401	1,506	1,813	1,712	2,003	934	2,832	6,462	1,281	41.5
<b>Profit before Tax</b>	<b>2,593</b>	<b>2,167</b>	<b>2,727</b>	<b>1,652</b>	<b>2,643</b>	<b>1,890</b>	<b>1,896</b>	<b>1,969</b>	<b>9,140</b>	<b>8,397</b>	<b>1,911</b>	<b>38.3</b>
Tax Provisions	690	447	825	429	635	476	478	527	2,392	2,116	482	31.9
<b>Net Profit</b>	<b>1,903</b>	<b>1,719</b>	<b>1,902</b>	<b>1,223</b>	<b>2,008</b>	<b>1,413</b>	<b>1,418</b>	<b>1,442</b>	<b>6,748</b>	<b>6,281</b>	<b>1,430</b>	<b>40.4</b>
% Change (Y-o-Y)	147.3	88.1	99.5	3.5	5.5	-17.8	-25.5	17.9	76.7	-6.9	-24.9	
<b>Operating Parameters</b>												
Deposit (INR b)	198.5	221.5	238.7	261.6	267.3	269.1	289.0	311.4	261.6	311.4	264	1
Loan (INR b)	231.0	248.1	265.7	269.9	262.5	281.1	290.5	307.3	269.9	307.3	273	-4
Deposit Growth (%)	98.5	72.1	62.5	34.7	34.7	21.5	21.1	19.0	34.7	19.0	32.9	175
Loan Growth (%)	51.3	36.9	32.9	18.3	13.6	13.3	9.3	13.9	18.3	13.9	18.4	-474
<b>Asset Quality</b>												
GNPA (%)	2.1	2.0	1.9	1.7	1.7	1.9	2.7	4.0	1.7	4.0	1.7	-3
NNPA (%)	1.3	1.1	1.0	0.8	0.6	0.8	1.2	1.6	0.8	1.6	0.8	-16
PCR (%)	40.5	43.9	46.8	52.5	63.5	57.6	55.4	59.3	52.5	59.3	55.0	850

E:MOFSL Estimates

## Quarterly snapshot

(INR m)

	FY19				FY20				FY20	Change (%)	
Profit and Loss (INR m)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Interest Income	2,865	3,210	3,480	3,869	3,956	4,516	5,068	5,549	5,159	30	-7
Other Income	1,031	1,225	1,059	1,306	2,109	1,508	1,612	1,831	2,258	7	23
Total Income	3,896	4,435	4,539	5,174	6,065	6,024	6,681	7,381	7,416	22	0
Operating Expenses	2,370	2,683	2,752	3,018	3,157	3,247	3,552	4,223	2,961	-6	-30
Employee	1,405	1,498	1,512	1,596	1,859	1,821	1,871	2,045	1,793	-4	-12
Others	965	1,186	1,240	1,422	1,298	1,425	1,681	2,178	1,167	-10	-46
Operating Profits	1,525	1,752	1,787	2,157	2,908	2,777	3,128	3,158	4,456	53	41
Provisions	351	350	325	392	315	610	401	1,506	1,813	475	20
PBT	1,174	1,402	1,462	1,764	2,593	2,167	2,727	1,652	2,643	2	60
Taxes	404	488	509	582	690	447	825	429	635	-8	48
Adj. PAT	770	914	953	1,182	1,903	1,719	1,902	1,223	2,008	6	64
PAT	770	914	953	1,182	1,194	1,719	1,902	1,147	1,736	45	51
<b>Balance Sheet (INRb)</b>											
Loans	153	181	200	228	231	248	266	270	263	14	-3
Deposits	100	129	147	194	198	221	239	262	267	35	2
Total Assets	209	248	278	326	338	358	384	421	443	31	5
<b>Asset Quality</b>											
GNPA	3,335	3,710	4,207	4,701	4,857	5,038	5,040	4,578	4,471	-8	-2
NNPA	2,106	2,316	2,626	2,945	2,890	2,829	2,681	2,173	1,632	-44	-25
<b>AUM Mix (%)</b>										<b>Change (bps)</b>	
Retail	76.2	75.9	76.6	77.6	78.6	79.1	81.4	83.8	83.8	523	-2
Wheels	43.5	42.3	43.0	42.2	42.2	41.0	41.6	42.0	41.4	-83	-65
Secured MSME	31.9	30.8	31.8	32.4	33.2	34.2	35.1	36.5	37.5	426	95
Wholesale	21.4	23.0	21.3	21.1	20.3	19.0	16.7	16.1	15.2	-506	-90
NBFC	10.2	12.9	10.8	10.4	10.1	9.0	7.0	6.0	5.0	-505	-98
RE Group	4.2	3.6	3.5	3.3	3.1	2.9	2.7	2.7	2.6	-48	-3
Business Banking	2.6	2.7	3.0	3.3	3.2	3.2	3.2	3.5	3.6	41	7
<b>Ratios (%)</b>											
<b>Asset Quality Ratios (%)</b>											
GNPA (%)	2.2	2.0	2.1	2.0	2.1	2.0	1.9	1.7	1.7	-39	1
NNPA (%)	1.4	1.3	1.3	1.3	1.3	1.1	1.0	0.8	0.6	-63	-19
PCR (Reported, %)	37	38	38	37	15	44	47	53	64	4,907	1,120
<b>Business Ratios (%)</b>											
Non Int. to Total Income	26.5	27.6	23.3	25.2	34.8	25.0	24.1	24.8	30.4	-433	563
Cost to Income	60.9	60.5	60.6	58.3	52.0	53.9	53.2	57.2	39.9	-1,213	-1,730
CASA (Reported)	28.0	26.0	24.0	21.0	19.0	16.0	17.0	16.0	16.0	-300	0
CASA (incl CD's)	22.3	21.8	20.2	18.5	17.1	15.0	15.7	14.5	14.5	-268	0
Loan/Deposit	152.7	140.8	136.2	117.5	116.4	112.0	111.3	103.2	98.2	-1,820	-498
<b>Profitability Ratios</b>											
Margins	6.2	5.6	5.3	5.1	5.0	5.2	5.5	5.5	5.0	0	-50
Yield on AUM	14.5	14.3	14.3	14.3	14.5	14.7	14.7	14.7	14.6	10	-10
Cost of funds	7.9	7.8	7.9	8.0	7.9	7.8	7.6	7.5	7.2	-70	-25
RoA	1.6	1.6	1.5	1.6	1.4	2.0	2.1	1.2	1.9	50	70
RoE	13.2	12.7	13.2	15.3	14.7	20.0	19.6	11.4	17.9	320	650



## Highlights of management commentary

### Moratorium and Collections related

- Improvement in collection efficiency to ~90% in Jun'20 indicates that some borrowers have paid more than one EMI. Overall, 67% of customers (in value terms) have paid 90% of the total billed amount in Jun'20
- Overall, ~11% of the portfolio have not paid any installments (moratorium book), 67% of the portfolio paid full EMI in Jun'20 while the rest have paid at least some installments.
- Total collections during the quarter stood at INR22b.
- On the commercial taxi segment, collection trends are a bit low at the moment.

### Deposit franchise

- The bank's emphasis is on high quality retail deposits led by (a) a separate team being set up recently to focus on NRE/NRI and government accounts, and (b) the entire bank staff coming together to focus on building the deposits franchise.
- Retail term deposits of INR7b were garnered during the quarter.
- Non-branch banking employees have garnered close to INR4b deposits during 1QFY21.
- As at 31<sup>st</sup> Mar'20, 26 branches (excluding unbanked areas) had above 5% market share of the total banking system's deposits in the respective centers.
- The bank remains focused on maintaining high liquidity buffers.

### Asset side

- At the moment, it is difficult to give guidance on asset growth. However, customer confidence is reviving and new opportunities are expected to emerge once the situation stabilizes.
- The bank is facing some challenges in geographies like Mumbai, Pune and Surat.
- The bank has adopted a cautious stance in lending to the NBFC segment. The decline in portfolio is also due to borrowers making full repayments.
- The bank disbursed ~INR3b in retail while similar disbursements were made in the MSME portfolio.
- There were nil disbursements made for the 'Cash-on-Wheels' segment during the quarter. Furthermore, disbursements in the 'Cash-on-Wheels' segment are primarily to the existing customers only.

### Operating metrics

- Focus was high on collections during 1QFY21 while disbursement trends were muted, resulting in a sharp drop in fee income. Core focus remains on lending and building deposits franchise rather than creating new fee lines.

### Retail mix remains stable; Yields on disbursements declined to 11.2%

- **Total AUM** grew 17.3% YoY (2.8% QoQ decline) to INR300b, led by muted business activity. Within total AUM, retail AUM grew ~25% YoY (~3% QoQ decline) while wholesale AUM declined ~12% YoY (8% QoQ decline).
- The retail/wholesale mix stood at 84%/15%, whereas money markets formed 1% of the AUM.
- **Retail AUM growth** was led by 32.3% YoY increase in the SBL-MSME segment while growth in the 'Wheels' segment moderated to 15% YoY, led by 36% YoY

Yield on AUM declined 10b to 14.6% while disbursement yield for 1QFY21 stood at 11.2% (v/s 15.2% in 4QFY20).

growth in the 'Used Wheels' and 'Cash-on-Wheels' segments. Thus, the 'Wheels'/MSME segment stood at ~41%/38% of the overall book.

- The newly launched products (Gold loan, Consumer Durables, Personal loans, Housing loan, and OD against FD) collectively reported 9% sequential decline.
- **Within wholesale AUM**, the Business Banking group increased 33% YoY and Agri SME grew 19% YoY. The NBFC portfolio declined 42% YoY (-19% QoQ).

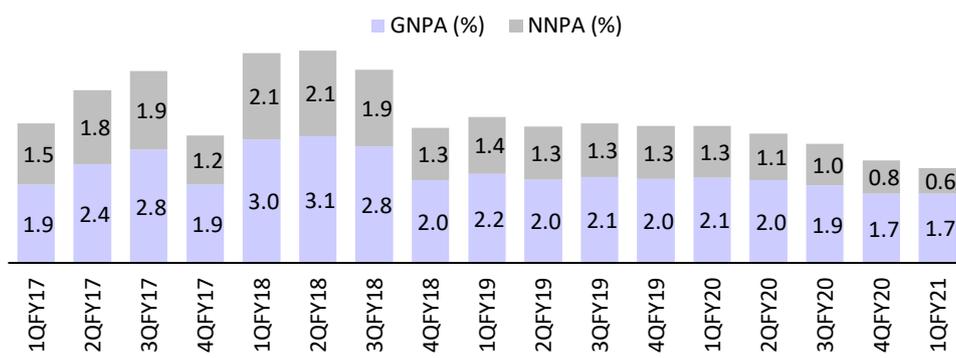
### Focus remains on building granular deposits; Retail TDs form 40% of total term deposits

- Deposits grew 35%/~2% YoY/QoQ to INR267.3b, led by term deposits of INR228.6b (+39%/2% YoY/QoQ).
- Sequentially, CA deposits declined 26% to INR8.2b while SA deposits grew 14% to INR30.5b. The reported CASA ratio stood stable at 16%. The bank does not factor in CDs in calculating the CASA ratio. If CDs were included in the total deposits, the CASA ratio would be 14.5%.
- Retail SA formed ~89% of the overall SA deposits and retail TDs formed 40% of the total term deposits.
- Average cost of funds for the bank declined 25bp to 7.2% while incremental cost of funds declined to 6.0% (v/s 7.2% in 4QFY20).

### Asset quality ratio improves; PCR surges ~1,100bp QoQ to ~64%

- Absolute GNPA/NNPA declined ~2%/25% QoQ to INR4.5b/INR1.6b. Fresh slippages came in at INR50m during the quarter; thus, the annualized slippage ratio for the quarter was not meaningful.
- Provisions increased ~20% QoQ to INR1.8b as the bank created additional COVID-19 related provisions of INR1.4b. Annualized credit cost stood at 2.7% (v/s 2.2% in 4QFY20).
- As of Jun'20, the total portfolio under SMA category stood at INR11.3b (v/s INR27.7b as at Feb'20).
- In terms of value, **complete moratorium book stood at 11%** (INR28-29b).
- Overall, collection efficiency improved to 90% in Jun'20 (v/s 54% in Apr'20). Furthermore, in terms of EMI paid by borrowers, full EMI recovery rate improved to 67% in Jun'20 (v/s 53% in Apr'20). Under normal trends, ~80% customers paid full EMIs, while 5% paid partial dues.
- GNPA stood largely flat at 1.69% while NNPA ratio improved 19bp to 0.62%. The PCR, thus, increased ~1,100bp to 63.6%.

### Exhibit 1: GNPA stable at ~1.7% while NNPA improved 19bp to ~0.6%



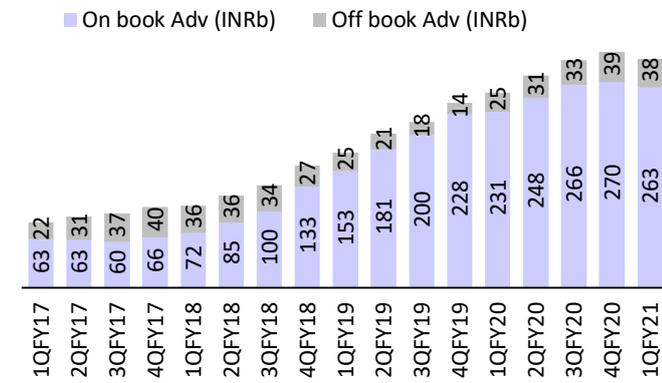
Source: Company, MOFSL

## 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 soft, growing just 14% in FY21.
- AUBANK has shown strong progress in building a granular liability franchise, with the proportion of deposits to overall funding constantly improving. The proportion of retail SA/TD rose to 89%/40% 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. The moratorium book has declined to 11% of the loan book, and the SMA book declined to INR11.3b (4.3% of the loan book) as of Jun'20, which would keep asset quality under watch.
- **Buy, with a target price of INR850:** AUBANK reported healthy earnings led by robust treasury performance and controlled opex. The bank prudently made additional COVID-19 provisions and improved its PCR to 64%. Steady decline in moratorium book, reduction in SMA numbers and improving collection trend pressure on asset quality. While we remain watchful of trends ahead as customer activation rate is still at 67% (v/s 80% under normal circumstances), we expect collection trends to improve gradually as guided by the management. Also, higher provision buffer (1%/10% of total loans / moratorium book) should provide comfort against higher slippages given the secured nature of the book. On the business front, deposit growth held strong. This, along with other measures, has enabled the bank to maintain strong surplus liquidity and LCR of 150%. We estimate loan growth to remain soft at 14% in FY21 (18% AUM growth), while credit cost should stay elevated at 2.2% in FY21E, as we build in higher slippages. We value the stock at INR850 (4.4x FY22E BV) and **maintain Buy.**

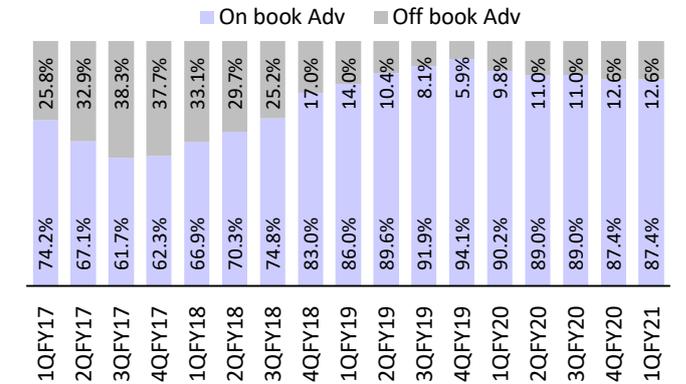
## Story in Charts

**Exhibit 2: Overall AUM grew 14% YoY (-3% QoQ)**



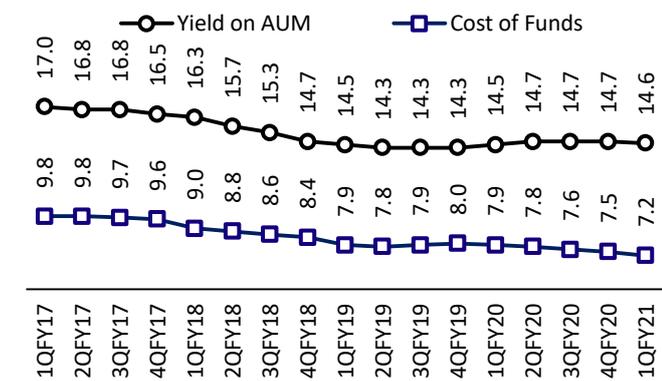
Source: Company, MOFSL

**Exhibit 3: Mix of on-book advances at ~87%**



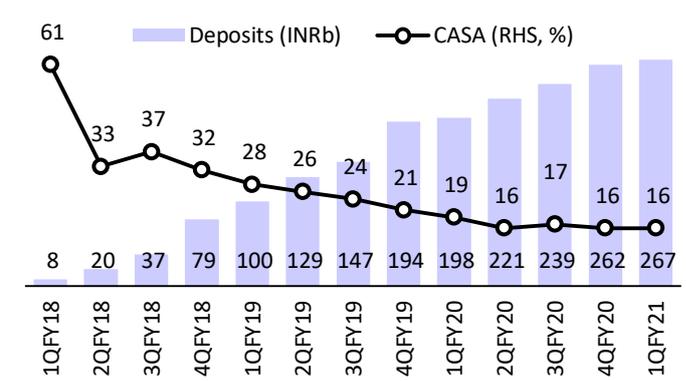
Source: Company, MOFSL

**Exhibit 4: Yields on AUM declined 10bp QoQ, while cost of funds improved 25bp QoQ to 7.2%**



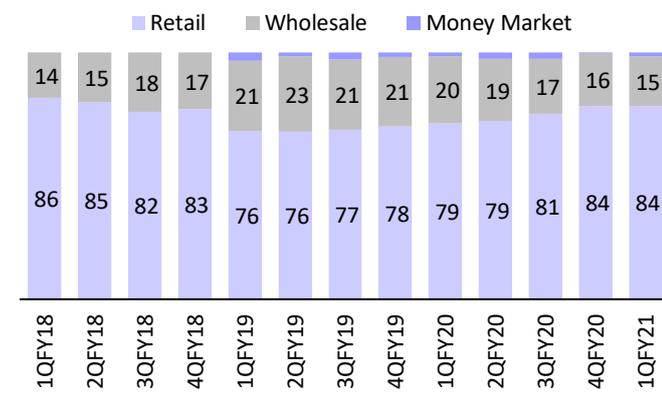
Source: Company, MOFSL

**Exhibit 5: Strong traction in deposit mobilization (~35% YoY); CASA ratio (ex-certificate of deposits) stands at ~16%**



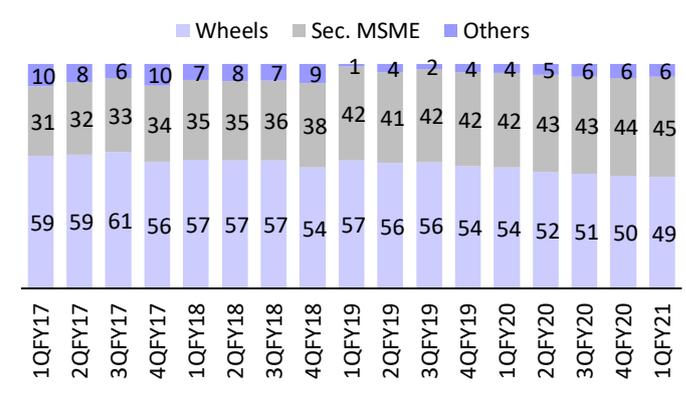
Source: Company, MOFSL

**Exhibit 6: Retail mix dominates with share of ~84%**



Source: Company, MOFSL

**Exhibit 7: Vehicles and MSME form ~94% of total retail loans**



Source: Company, MOFSL

**Exhibit 8: DuPont Analysis: We estimate 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	11.06	11.14
Interest Expense	8.06	7.65	6.17	5.78	6.24	6.36	6.30	6.32
<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>4.76</b>	<b>4.82</b>
Core Fee and Sec. Income	0.06	0.07	1.67	2.45	1.71	1.43	1.53	1.39
<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>1.79</b>	<b>1.71</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>6.55</b>	<b>6.53</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>3.28</b>	<b>3.19</b>
Employee cost	2.70	3.05	2.40	2.97	2.34	2.03	1.72	1.66
Others	1.74	1.86	1.99	2.29	1.87	1.76	1.56	1.53
<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>3.27</b>	<b>3.34</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>2.74</b>	<b>3.02</b>	<b>3.02</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>1.42</b>	<b>1.17</b>
NPA	0.26	-0.04	0.21	0.39	0.29	0.17	1.40	1.13
Others	1.47	0.89	1.09	0.53	0.26	0.58	0.02	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>1.85</b>	<b>2.17</b>
Tax	1.95	2.15	3.92	1.06	0.77	0.64	0.47	0.55
<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>1.38</b>	<b>1.63</b>
Leverage (x)	4.97	5.7	5.4	6.7	9.5	10.0	9.8	10.0
<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>13.5</b>	<b>16.3</b>

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INRm)	
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	50,286	60,231
Interest Expense	2,820	3,953	4,963	8,267	16,064	23,769	28,653	34,184
<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>21,633</b>	<b>26,047</b>
Growth (%)	52.7	45.8	27.4	20.0	42.7	42.2	13.3	20.4
Other Income	24	50	8,100	3,881	4,620	7,061	8,120	9,257
<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>29,753</b>	<b>35,304</b>
Growth (%)	50.4	46.2	156.9	-16.6	35.8	44.9	13.8	18.7
<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>14,894</b>	<b>17,262</b>
Growth (%)	37.0	63.3	39.0	113.3	43.8	31.0	5.0	15.9
<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>14,859</b>	<b>18,042</b>
Growth (%)	59.4	36.2	238.6	-53.6	25.3	65.8	24.1	21.4
<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>10,246</b>	<b>34</b>	<b>-780</b>
Growth (%)	62.7	35.8	54.8	-4.8	30.1	46.4	-99.7	-2,362.0
Total Provisions	606	438	1,039	1,326	1,418	2,832	6,462	6,298
<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>8,397</b>	<b>11,744</b>
Tax	681	1,110	3,149	1,513	1,983	2,392	2,116	2,959
Tax Rate (%)	32.7	34.4	27.7	34.1	34.2	26.2	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>6,281</b>	<b>8,784</b>
Growth (%)	97.7	50.9	288.4	-64.5	30.7	76.7	-6.9	39.9
<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>6,281</b>	<b>8,784</b>
Growth (%)		50.9	57.5	-12.4	30.7	56.2	5.3	39.9

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	46,487	55,271
<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>49,528</b>	<b>58,312</b>
<b>Deposits</b>	-	-	-	<b>79,233</b>	<b>194,224</b>	<b>261,639</b>	<b>311,351</b>	<b>386,075</b>
Growth (%)	NA	NA	NA	NA	145%	35%	19.0%	24.0%
Borrowings	28,783	47,826	71,199	76,389	86,134	103,353	111,621	131,713
Other liabilities	3,462	5,022	6,737	9,894	14,241	12,670	14,571	16,902
<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>487,592</b>	<b>593,524</b>
Current Assets	2,029	1,234	6,250	17,612	17,402	33,697	38,646	44,443
<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>128,019</b>	<b>160,023</b>
Growth (%)	23.1	65.6	828.6	41.9	134.8	49.0	20.0	25.0
<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>307,330</b>	<b>371,172</b>
Growth (%)	38.6	65.1	16.5	103.2	71.4	18.3	13.9	20.8
Net Fixed Assets	194	246	2,758	3,861	4,470	4,480	4,794	5,417
Other assets	2,691	2,938	1,792	3,227	4,552	6,648	8,804	12,469
<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>487,592</b>	<b>593,524</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>546,131</b>	<b>659,025</b>

Asset Quality								
	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
GNPA	327	741	1,245	2,697	4,701	4,578	12,192	16,517
NNPA	155	592	805	1,693	2,945	2,173	4,957	5,507
GNPA Ratio	1.0	1.3	1.9	2.0	2.1	1.7	4.0	4.5
NNPA Ratio	0.5	1.1	1.2	1.3	1.3	0.8	1.6	1.5
Slippage Ratio	1.1	0.8	1.7	2.1	2.5	2.5	4.7	3.0
Credit Cost	2.0	0.8	1.5	1.0	0.6	1.0	2.2	1.8
PCR (Excl. Tech. write off)	52.5	20.1	35.4	37.2	37.4	52.5	59.3	66.7

## Financials and valuations

### Ratios

Y/E MARCH	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield - on IEA</b>	<b>23.0</b>	<b>21.5</b>	<b>16.9</b>	<b>13.1</b>	<b>12.1</b>	<b>12.1</b>	<b>11.7</b>	11.8
Avg. Yield on loans	13.7	14.5	10.5	9.4	11.7	12.4	11.8	11.9
Avg. Cost of funds	11.3	10.3	8.3	7.3	7.4	7.4	7.3	7.3
<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>4.8</b>	4.8
<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>5.0</b>	<b>5.1</b>

### Capitalization Ratios (%)

CAR	17.3	16.9	23.1	19.3	19.3	22.0	21.2	19.5
Tier I	15.8	13.5	21.5	18.4	16.0	18.4	18.0	17.2
Tier II	1.5	3.4	1.6	0.9	3.4	3.6	3.2	2.3

### Business and Efficiency Ratios (%)

Loan/Deposit Ratio	NA	NA	NA	168.0	117.5	103.2	98.7	96.1
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	3.3	3.2
Cost/Total Income	36.6	40.9	22.1	56.7	60.0	54.2	50.1	48.9
Cost/Core Income	36.6	41.0	38.4	58.3	60.7	58.1	52.1	51.4
Int. Expense/Int. Income	40.1	39.1	38.8	46.8	54.5	55.5	57.0	56.8
Fee Income/Total Income	0.3	0.3	8.4	26.3	24.4	20.4	23.4	21.3
Non Int. Income/Total Income	0.6	0.8	50.8	29.2	25.6	27.0	27.3	26.2
Investment/Deposit Ratio	NA	NA	NA	38.5	36.9	40.8	41.1	41.4
Emp. Cost/Total Expense	60.8	62.2	54.6	56.5	55.5	53.6	52.5	52.1

### Profitability and Valuations

RoE	19.9	23.3	22.2	13.7	14.0	18.0	13.5	16.3
RoA (On bal Sheet)	4.0	4.1	4.1	2.04	1.48	1.81	1.4	1.6
RoRWA	3.4	3.2	9.7	2.5	2.0	3.0	2.4	2.7
Book Value (INR)	183.9	229.0	69.9	79.8	108.2	142.2	162.9	191.7
Growth (%)	32.2	24.5	-69.5	14.2	35.5	31.4	14.5	17.7
<b>Price-BV (x)</b>		<b>NA</b>	<b>NA</b>	<b>10.0</b>	<b>7.3</b>	<b>5.6</b>	<b>4.9</b>	<b>4.1</b>
Adjusted BV (INR)	162.2	184.4	68.2	76.3	102.6	138.9	153.2	180.8
Growth (%)	31.0	13.7	-63.0	12.0	34.5	35.4	10.3	18.0
<b>Price-ABV (x)</b>		<b>NA</b>	<b>NA</b>	<b>10.4</b>	<b>7.7</b>	<b>5.7</b>	<b>5.2</b>	<b>4.4</b>
EPS (INR)	32.2	48.0	50.1	10.2	13.2	22.6	20.7	28.9
Growth (%)	89.5	49.0	4.3	-79.5	28.9	71.3	-8.7	39.9
<b>Price-Earnings (x)</b>		<b>NA</b>	<b>NA</b>	<b>77.5</b>	<b>60.1</b>	<b>35.1</b>	<b>38.5</b>	<b>27.5</b>

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