

# AU Small Finance Bank

Estimate change



TP change



Rating change



Bloomberg	AUBANK IN
Equity Shares (m)	307
M.Cap.(INRb)/(USD\$)	267.8 / 3.7
52-Week Range (INR)	1218 / 366
1, 6, 12 Rel. Per (%)	6/-5/-29
12M Avg Val (INR M)	703

## Financials & Valuations (INR b)

Y/E March	FY21E	FY22E	FY23E
NII	23.6	29.5	37.6
PPoP	22.6	21.3	27.2
PAT	12.9	12.2	16.2
NIM (%)	5.1	5.2	5.2
EPS (INR)	42.5	40.0	53.3
EPS Gr. (%)	87.8	-5.9	33.3
BV/Sh. (INR)	184.7	224.7	278.0
ABV/Sh. (INR)	177.1	216.2	270.1

## Ratios

RoE (%)	26.0	19.5	21.2
RoA (%)	2.8	2.1	2.2

## Valuations

P/E(X)	20.5	21.8	16.4
P/BV (X)	4.7	3.9	3.1
P/ABV (X)	4.9	4.0	3.2

## Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	29.0	29.0	31.0
DII	18.9	15.6	15.5
FII	32.8	30.6	26.8
Others	19.3	24.9	26.7

FII Includes depository receipts

**CMP: INR873**
**TP: INR1,050 (+20%)**
**Buy**

## CE reaches normalcy; growth momentum sees strong revival

### Controlled restructuring and adequate provisions provides comfort

- AUBANK reported strong earnings, led by an improvement in core operating performance and prudent utilization of AAVAS stake sale proceeds towards provisions on elevated slippages.
- Disbursements picked up in retail, while healthy retail deposit traction enabled improvements in incremental cost of funds (30bp QoQ).
- On the asset quality front, pro forma GNPA/NNPA ratio increased to ~3.3%/1.3% as slippages increased to INR7.1b (largely from Wheels and SME). However, adequate provisions (55%) towards elevated slippages and controlled restructuring gives us comfort on asset quality. Going forward, the management indicated normalization in slippage trends. We increase our FY22E/FY23E earnings estimate by 10%/8%, factoring in stronger growth and improvement in core operating performance. **Maintain Buy.**

### AAVAS stake sale drove 3QFY21 earnings; business growth bounces back sharply

- AUBANK reported a 3QFY21 PAT of ~INR4.8b (+49% QoQ; MOSLe: INR5.7b), aided by ~INR4.8b gains from stake sale in AAVAS. It prudently used these gains to create higher provisions. The latter grew 5x QoQ to INR2.8b.
- NII grew 25% YoY to INR6.3b (11% beat) as margin expanded 50bp QoQ to 5.6%, excluding the impact of interest reversal on pro forma slippages. Other income grew ~311% YoY to INR6.6b boosted by AAVAS stake sale. Core other income grew 54% QoQ, led by improving fee income trends.
- Operating expenses increased ~19% YoY to ~INR4.2b. PPOP grew 179% YoY to INR8.7b, while core PPOP growth stood ~20%. **For 9MFY21**, NII/PPOP grew 26%/102%, while PAT grew 81% YoY to INR10b.
- Total AUM grew 9% QoQ to INR332b, with retail AUM constituting 91%. Disbursements grew 34% YoY led by growth across most segments.
- Total deposits grew ~10% QoQ to INR297b. Retail deposits (CASA + Retail TD) mix increased to 55% of deposits (v/s 43% in 3QFY20). CASA ratio (excluding CDs) rose to 22% v/s 21% in 2QFY21.
- On the asset quality front, GNPA/NNPA ratio improved 55bp/21bp QoQ to 1%/0.2%. However, pro-forma GNPA/NNPA stood at INR10.2b/3.9b (3.29%/1.29%), with a PCR of 61%. AUBANK made additional provisions of INR1.1b on pro forma slippages and carries additional contingent provision of INR1.41b in 3QFY21. The management hinted at normalized trends ahead.
- It indicated that collection efficiency and customer activation rates have normalized across most segments. It guided for a total restructuring book of ~1.5% of total loans.

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

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**Highlights from the management commentary**

- The total stress pool is ~INR10b-15b and is reflecting in existing pro forma GNPA's and restructured book.
- The customer activation rate is improving MoM. In Jan'21, collection efficiency has crossed the 100% level.

**Valuation and view**

AUBANK reported strong earnings, led by higher NII and improvement in fee income trends. It prudently utilized proceeds from the AAVAS stake sale gains to create higher provisions. On the business front, retail-deposit mix continues to improve, while AUM growth has shown a healthy recovery. Collection efficiency has normalized and restructuring is likely to remain under control. Adequate provision buffer towards elevated slippages provides comfort over asset quality. We increase our FY22/FY23E earnings by 10%/8% each, factoring in stronger growth and better operating performance. We estimate AUBANK to deliver FY23E RoA/RoE of 2.2%/21.2%. We value the stock at INR1,050 per share (4.2x Sep'22E BV) and **maintain Buy**.

**Quarterly performance**

(INR m)

	FY20				FY21				FY20	FY21E	3QFY21E	v/s est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Interest Income</b>	3,956	4,516	5,068	5,549	5,159	5,606	6,331	6,526	19,089	23,622	5,720	10.7
% Change (YoY)	38.1	40.7	45.7	43.4	30.4	24.1	24.9	17.6	42.2	23.7	12.9	
Other Income	2,109	1,508	1,612	1,831	2,258	2,857	6,634	2,775	7,061	14,524	7,427	-10.7
<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>8,463</b>	<b>12,965</b>	<b>9,300</b>	<b>26,150</b>	<b>38,146</b>	<b>13,146</b>	<b>-1.4</b>
Operating Expenses	3,157	3,247	3,552	4,223	2,961	3,800	4,237	4,540	14,179	15,538	4,196	1.0
<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>4,663</b>	<b>8,728</b>	<b>4,760</b>	<b>11,972</b>	<b>22,608</b>	<b>8,951</b>	<b>-2.5</b>
% Change (YoY)	90.7	58.5	75.1	46.4	53.2	67.9	179.0	50.8	65.8	88.8	186.1	
Provisions	315	610	401	1,506	1,813	574	2,836	1,433	2,832	6,656	2,294	23.6
<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>4,089</b>	<b>5,892</b>	<b>3,328</b>	<b>9,140</b>	<b>15,952</b>	<b>6,656</b>	<b>-11.5</b>
Tax Provisions	690	447	825	429	635	870	1,102	421	2,392	3,028	998	10.4
<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>3,219</b>	<b>4,790</b>	<b>2,907</b>	<b>6,748</b>	<b>12,924</b>	<b>5,658</b>	<b>-15.3</b>
% Change (YoY)	147.3	88.1	99.5	3.5	5.5	87.2	151.9	137.6	76.7	91.5	197.5	
<b>Operating Parameters</b>												
Deposit (INR b)	198.5	221.5	238.7	261.6	267.3	269.8	297.1	327.0	261.6	327.0	280	6
Loan (INR b)	231.0	248.1	265.7	269.9	262.5	272.3	302.9	334.1	269.9	334.1	289	5
Deposit Growth (%)	98.5	72.1	62.5	34.7	34.7	21.8	24.5	25.0	34.7	25.0	17.4	712
Loan Growth (%)	51.3	36.9	32.9	18.3	13.6	9.8	14.0	23.8	18.3	23.8	8.6	538
<b>Asset Quality</b>												
GNPA (%)	2.1	2.0	1.9	1.7	1.7	1.5	1.0	3.2	1.7	3.2	2.2	-123
NNPA (%)	1.3	1.1	1.0	0.8	0.6	0.5	0.2	1.2	0.8	1.2	0.7	-48
PCR (%)	40.5	43.9	46.8	52.5	63.5	71.0	76.0	62.7	52.5	62.7	68.0	799

E: MOFSL estimates

## Quarterly snapshot

(INR m)

Profit & Loss (INR m)	FY19				FY20				FY21			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	2,865	3,210	3,480	3,869	3,956	4,516	5,068	5,549	5,159	5,606	6,331	25	13
Other Income	1,031	1,225	1,059	1,306	2,109	1,508	1,612	1,831	2,258	2,857	6,634	312	132
Total Income	3,896	4,435	4,539	5,174	6,065	6,024	6,681	7,381	7,416	8,463	12,965	94	53
Operating Expenses	2,370	2,683	2,752	3,018	3,157	3,247	3,552	4,223	2,961	3,800	4,237	19	11
Employee	1,405	1,498	1,512	1,596	1,859	1,821	1,871	2,045	1,793	2,242	2,398	28	7
Others	965	1,186	1,240	1,422	1,298	1,425	1,681	2,178	1,167	1,558	1,839	9	18
Operating Profit	1,525	1,752	1,787	2,157	2,908	2,777	3,128	3,158	4,456	4,663	8,728	179	87
Provisions	351	350	325	392	315	610	401	1,506	1,813	574	2,836	607	394
PBT	1,174	1,402	1,462	1,764	2,593	2,167	2,727	1,652	2,643	4,089	5,892	116	44
Taxes	404	488	509	582	690	447	825	429	635	870	1,102	34	27
Adj. PAT	770	914	953	1,182	1,903	1,719	1,902	1,223	2,008	3,219	4,790	152	49
PAT	770	914	953	1,182	1,194	1,719	1,902	1,147	1,771	1,963	578	-70	-71
Balance Sheet (INR b)													
Loans	153	181	200	228	231	248	266	270	263	272	303	14	11
Deposits	100	129	147	194	198	221	239	262	267	270	297	24	10
Total Assets	209	248	278	326	338	358	384	421	443	440	466	21	6
Asset Quality													
GNPA	3,335	3,710	4,207	4,701	4,857	5,038	5,040	4,578	4,471	4,232	3,027	-40	-28
NNPA	2,106	2,316	2,626	2,945	2,890	2,829	2,681	2,173	1,632	1,228	727	-73	-41
AUM Mix (%)												Change (bps)	
Retail	76.2	75.9	76.6	77.6	78.6	79.1	81.4	83.8	83.8	84.4	85.2	387	82
Wheels	43.5	42.3	43.0	42.2	42.2	41.0	41.6	42.0	41.4	40.3	40.8	-77	49
Secured MSME	31.9	30.8	31.8	32.4	33.2	34.2	35.1	36.5	37.5	38.9	38.7	367	-13
Wholesale	21.4	23.0	21.3	21.1	20.3	19.0	16.7	16.1	15.2	15.6	14.5	-225	-113
NBFC	10.2	12.9	10.8	10.4	10.1	9.0	7.0	6.0	5.0	4.8	4.2	-281	-66
RE Group	4.2	3.6	3.5	3.3	3.1	2.9	2.7	2.7	2.6	2.4	1.9	-81	-47
Business Banking	2.6	2.7	3.0	3.3	3.2	3.2	3.2	3.5	3.6	4.1	4.2	98	9
Ratios (%)												Change (bps)	
Asset Quality Ratios (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
GNPA	2.2	2.0	2.1	2.0	2.1	2.0	1.9	1.7	1.7	1.5	1.0	-89	-55
NNPA	1.4	1.3	1.3	1.3	1.3	1.1	1.0	0.8	0.6	0.5	0.2	-77	-21
PCR (reported)	37	38	38	37	15	44	47	53	64	71	76	2,920	500
Business Ratios (%)													
Non Int. to Total Income	26.5	27.6	23.3	25.2	34.8	25.0	24.1	24.8	30.4	33.8	51.2	2,704	1,741
Cost-to-Income	60.9	60.5	60.6	58.3	52.0	53.9	53.2	57.2	39.9	44.9	32.7	-2,049	-1,222
CASA (reported)	28.0	26.0	24.0	21.0	19.0	16.0	17.0	16.0	16.0	21.0	22.0	500	100
CASA (incl. CDs)	22.3	21.8	20.2	18.5	17.1	15.0	15.7	14.5	14.5	19.8	21.7	601	191
Loan/Deposit	152.7	140.8	136.2	117.5	116.4	112.0	111.3	103.2	98.2	100.9	102.0	-937	103
Profitability Ratios													
Margin	6.2	5.6	5.3	5.1	5.0	5.2	5.5	5.5	4.8	5.1	5.6	10	50
Yield on AUM	14.5	14.3	14.3	14.3	14.5	14.7	14.7	14.7	14.6	14.4	14.3	-40	-10
Cost of funds	7.9	7.8	7.9	8.0	7.9	7.8	7.6	7.5	7.2	7.0	7.0	-60	0
RoA	1.6	1.6	1.5	1.6	1.4	2.0	2.1	1.2	1.9	2.9	4.2	210	130
RoE	13.2	12.7	13.2	15.3	14.7	20.0	19.6	11.4	17.9	27.1	37.1	1,750	1,000



## Highlights from the management commentary

### Asset quality

- Some segments – Bus and Taxi, Retail Garments etc. – are still impacted due to the COVID-19 outbreak.
- The impact of COVID-19 on asset quality was clear in Dec'20 only. The management expects peak GNPA ratio to be ~3.5%-4%. During 3QFY21, the bank provided sufficient provisions for existing stress as on Dec'20.
- The total stress pool is ~INR10b-15b and is reflecting in existing pro forma GNPA's and restructured book. Going forward, slippages would be close to normalized levels (with INR0.5b on an elevated front).
- It believes that current PCR (pro forma) is sufficient to cover any LGD in its existing stress pool.
- Customer activation/collection efficiency levels are improving MoM. In Jan'21, collection efficiency has crossed the 100% level.
- Normal customer activation rate is in the 90% range (including full and part payments) and has now touched normalized levels.

### Balance Sheet related

- The bank has launched its credit card. The same has been issued to existing employees. It plans to roll out the same to customers in the next few months.
- Demand has normalized across most segments and 4QFY21 is expected to be significantly better.
- On the retail side, Wheels, Housing, and SME would continue to drive growth. Green shoots are also visible in the Commercial Banking portfolio.
- Disbursements under ECLGS stood ~INR5.5b, with INR1.5b in 3QFY21.
- Uttar Pradesh is one of the expansion states for AUBANK. We expect a substantial reduction in exposure to Rajasthan over the next 2-3 years.

### Operating metrics

- Opex ratio to remain ~55% as the management would continue to invest in building the franchise.
- In the next three years, new branches are expected to turn profitable.
- Total interest reversal during 3QFY21 was INR380m. The bank has made provisions towards the same.
- The average SA cost was 5.8% during 3QFY21.

## Key exhibits

Yield on AUM declined 10b to 14.3%, while the disbursement yield for 3QFY21 stood at 13.9% v/s 13.1% in 2QFY21

### Retail mix increases further; yields on disbursements improved to 13.9%

- **Total AUM** grew 11.2% YoY (+8.6% QoQ) to INR332b, showing healthy recovery. Within total AUM, retail AUM grew ~17% YoY (+9.7% QoQ), while wholesale AUM declined ~4% YoY (flat QoQ growth).
- The retail/wholesale mix stood at 85%/15%. As per the latest RBI definition, the retail mix stood ~91%.
- **Retail AUM growth** was led by 22.9% YoY increase in SBL-MSME segment, while growth in Wheels segment improved to 9% YoY. The Wheels/MSME segment stood ~41%/39% of overall book.

- The newly launched products (Gold Loans, Consumer Durable Loans, Personal Loans, Housing Loan, and OD against FD) collectively reported 18% QoQ growth.
- **Within wholesale AUM**, the Business Banking group/Agri SME increased 45%/23% YoY, while the NBFC portfolio declined 34% YoY (-6% QoQ).

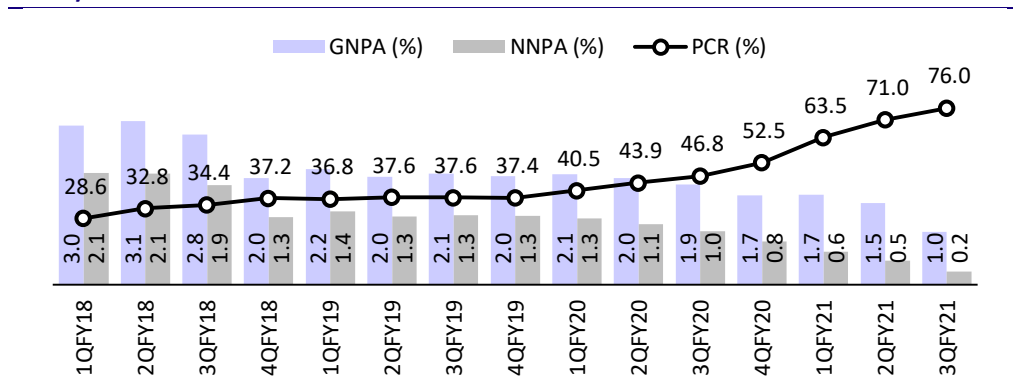
**Focus remains on building granular deposits; retail TDs form 48% of total term deposits**

- Deposits grew 24%/~10% YoY/QoQ to INR297.1b led by strong growth in CASA deposits (+21% QoQ), while term deposits stood at INR232.6b (+16% YoY).
- Sequentially, CA deposits grew 21% to INR12.5b, while SA deposits grew 21% to INR51.9b. Reported CASA ratio increased to 22%. The management does not factor in CDs while calculating the CASA ratio. If CDs were included in total deposits, the CASA ratio would be 21.7%.
- Retail SA formed ~90% of overall SA deposits. Retail TDs constituted 48% of total term deposits.

**Pro forma asset quality rises sharply; PCR improves ~76% (pro-forma PCR at 62%)**

- Absolute GNPA/NNPA declined ~29%/41% QoQ to INR3b/INR0.7b. Fresh slippages were negligible while pro forma slippages increased to INR7.14b.
- GNPA/NNPA ratio declined 55bp/21bp QoQ to 0.99%/0.24%. PCR increased ~500bp QoQ to 76%. Pro forma GNPA/NNPA ratio increased to 3.29%/1.29% as slippages would have been higher by INR7.14b. AUBANK made additional provisions of INR1.12b on these slippages, thus taking total provisions on pro forma slippages to INR3.95b. The bank has further provided for the interest reversal on pro forma slippages of INR370m.
- AUBANK carries total additional provisions of INR5.38b (~1.8% of gross advances), including provisions on pro forma slippages and carries additional standard asset provision of INR1.46b.
- Collection efficiency (97%) and customer activation rate (84%) have reached the normal run-rate across most segments. The management guided at a total restructuring book of ~1.5% of total loans, having so far restructured INR2.51b worth of loans (0.8% of loans).

**Exhibit 1: GNPA/NNPA ratio improves to ~1%/~0.2%; pro-forma GNPA/NNPA stood at ~3.3%/1.3%**



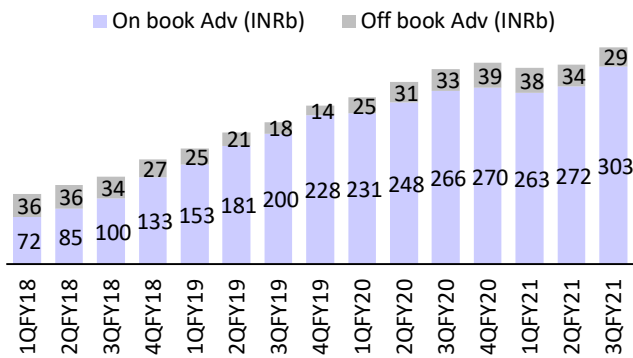
Source: Company, MOFSL

### Valuation view

- The management's focus is on scaling up its key business lines of Vehicle/MSME Loans. It aims to expand the new segments of Housing Loans, Gold Loans, Consumer Durable Financing, etc. Growth picked up during 3QFY21, with demand accruing across segments. It guided at better trends going forward. We expect loan growth to pick up and grow at 27% CAGR over FY20-23E.
- 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 90%/48% and is expected to grow further as customer vintage increases. Yields are improving. This, along with moderation in cost of funds, is likely to support margin going forward.
- The bank has seen a rise in its pro forma GNPA/NNPA ratios to 3.3%/1.3%. It carries additional provisions of ~1.8% of loans, which should keep credit cost under control. The management guided for credit cost to normalize from 4QFY21. Collection efficiency has normalized across most segments, while controlled restructuring (~1.5% of loans) and provisions buffer provides comfort on asset quality.
- **Buy with a target price of INR1,050/share:** AUBANK reported strong earnings, led by higher NII and improvement in fee income trends. It prudently utilized proceeds from the AAVAS stake sale gains to create higher provisions. On the business front, retail-deposit mix continues to improve, while AUM growth has shown a healthy recovery. Collection efficiency has normalized and restructuring is likely to remain under control. Adequate provision buffer towards elevated slippages provides comfort over asset quality. We increase our FY22/FY23E earnings by 10%/8% each, factoring in stronger growth and better operating performance. We estimate AUBANK to deliver FY23E RoA/RoE of 2.2%/21.2%. We value the stock at INR1,050/share (4.2x Sep'22E BV) and **maintain Buy**.

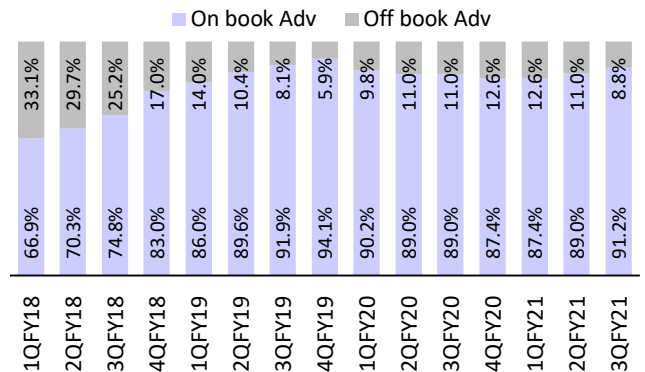
## Story in charts

**Exhibit 2: Overall AUM grew 11% YoY (+9% QoQ)**



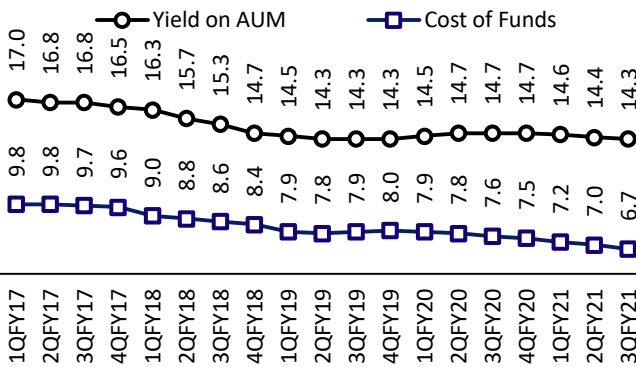
Source: Company, MOFSL

**Exhibit 3: Mix of on-book advances ~91%**



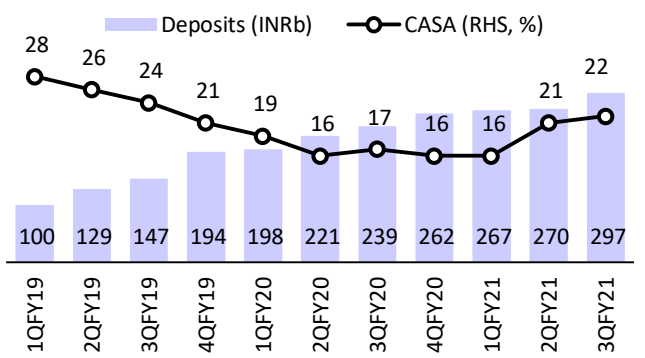
Source: Company, MOFSL

**Exhibit 4: Yields on AUM declines 10bp QoQ, while cost of funds improves 30bp QoQ to 6.7%**



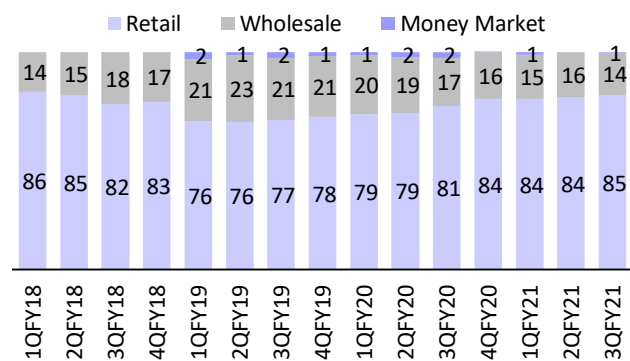
Source: Company, MOFSL

**Exhibit 5: Healthy traction in deposit mobilization (~24% YoY); CASA ratio (excluding certificate of deposits) ~22%**



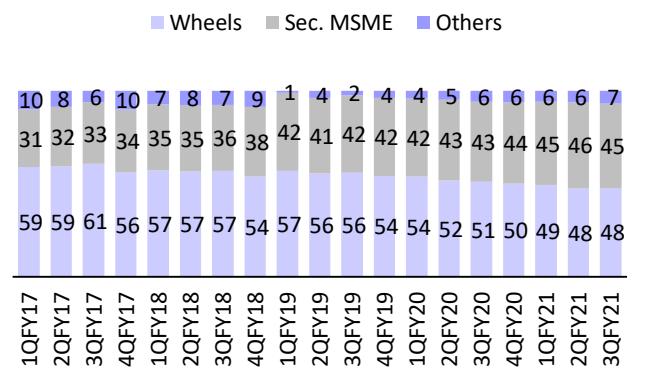
Source: Company, MOFSL

**Exhibit 6: Retail mix dominates with a share of ~85%**



Source: Company, MOFSL

**Exhibit 7: Vehicles and MSME form ~93% of total retail loans**



Source: Company, MOFSL



**Exhibit 8: DuPont Analysis | Expect return ratios to remain strong**

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	19.56	15.92	12.35	11.46	11.46	11.08	11.01	10.91
Interest Expense	7.65	6.17	5.78	6.24	6.36	6.00	5.84	5.70
<b>Net Interest Income</b>	<b>11.91</b>	<b>9.75</b>	<b>6.57</b>	<b>5.22</b>	<b>5.11</b>	<b>5.09</b>	<b>5.17</b>	<b>5.20</b>
Core Fee Income	0.07	1.67	2.45	1.71	1.43	2.87	1.70	1.71
<b>Non-Interest income</b>	<b>0.10</b>	<b>1.67</b>	<b>2.71</b>	<b>1.80</b>	<b>1.89</b>	<b>3.13</b>	<b>2.04</b>	<b>2.06</b>
<b>Total Income</b>	<b>12.01</b>	<b>11.42</b>	<b>9.29</b>	<b>7.01</b>	<b>7.00</b>	<b>8.22</b>	<b>7.20</b>	<b>7.26</b>
<b>Operating Expenses</b>	<b>4.91</b>	<b>4.39</b>	<b>5.26</b>	<b>4.21</b>	<b>3.79</b>	<b>3.35</b>	<b>3.48</b>	<b>3.50</b>
Employee cost	3.05	2.40	2.97	2.34	2.03	1.83	1.91	1.93
Others	1.86	1.99	2.29	1.87	1.76	1.51	1.57	1.58
<b>Operating Profit</b>	<b>7.10</b>	<b>7.03</b>	<b>4.03</b>	<b>2.81</b>	<b>3.20</b>	<b>4.87</b>	<b>3.73</b>	<b>3.75</b>
<b>Core operating Profit</b>	<b>7.07</b>	<b>7.03</b>	<b>3.76</b>	<b>2.72</b>	<b>2.74</b>	<b>4.61</b>	<b>3.39</b>	<b>3.41</b>
<b>Provisions</b>	<b>0.85</b>	<b>1.29</b>	<b>0.93</b>	<b>0.55</b>	<b>0.76</b>	<b>1.43</b>	<b>0.88</b>	<b>0.76</b>
NPA	-0.04	0.21	0.39	0.29	0.17	1.39	0.83	0.70
Others	0.89	1.09	0.53	0.26	0.58	0.04	0.05	0.05
<b>PBT</b>	<b>6.25</b>	<b>5.74</b>	<b>3.10</b>	<b>2.25</b>	<b>2.44</b>	<b>3.44</b>	<b>2.85</b>	<b>3.00</b>
Tax	2.15	3.92	1.06	0.77	0.64	0.65	0.72	0.75
<b>RoA</b>	<b>4.10</b>	<b>4.15</b>	<b>2.04</b>	<b>1.48</b>	<b>1.81</b>	<b>2.78</b>	<b>2.13</b>	<b>2.24</b>
Leverage (x)	5.7	5.4	6.7	9.5	10.0	9.3	9.2	9.5
<b>RoE</b>	<b>23.3</b>	<b>22.2</b>	<b>13.7</b>	<b>14.0</b>	<b>18.0</b>	<b>26.0</b>	<b>19.5</b>	<b>21.2</b>

Source: MOSL, Company

**Exhibit 9: Raise our FY22E/FY23E estimate by 10%/8% each factoring in a pick-up in business growth, fee income, and moderation in credit cost**

INR b	Old estimate			New estimate			Change (%/bp)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
NII	23.0	27.5	34.2	23.6	29.5	37.6	2.9	7.4	10.1
Other Income	14.9	11.3	14.1	14.5	11.6	14.9	-2.4	2.8	5.2
<b>Total Income</b>	<b>37.8</b>	<b>38.8</b>	<b>48.3</b>	<b>38.1</b>	<b>41.1</b>	<b>52.5</b>	<b>0.8</b>	<b>6.0</b>	<b>8.7</b>
Opex	15.5	18.9	22.8	15.5	19.8	25.4	0.0	5.1	11.4
<b>PPOP</b>	<b>22.3</b>	<b>19.9</b>	<b>25.6</b>	<b>22.6</b>	<b>21.3</b>	<b>27.2</b>	<b>1.4</b>	<b>6.9</b>	<b>6.2</b>
Provisions	5.6	5.1	5.6	6.7	5.0	5.5	18.9	-2.0	-1.6
<b>PBT</b>	<b>16.7</b>	<b>14.8</b>	<b>20.0</b>	<b>16.0</b>	<b>16.3</b>	<b>21.7</b>	<b>-4.5</b>	<b>9.9</b>	<b>8.4</b>
Tax	3.2	3.7	5.0	3.0	4.1	5.5	-5.1	9.9	8.4
<b>PAT</b>	<b>13.5</b>	<b>11.1</b>	<b>14.9</b>	<b>12.9</b>	<b>12.2</b>	<b>16.2</b>	<b>-4.3</b>	<b>9.9</b>	<b>8.4</b>
Loans	307	376	475	334	425	554	8.7	13.2	16.8
Deposits	301	370	474	327	435	587	8.7	17.5	24.0
Margin (%)	5.1	5.2	5.2	5.1	5.2	5.2	0	-2	-4
Credit Cost (%)	1.9	1.4	1.2	2.1	1.3	1.0	24	-19	-20
<b>RoA (%)</b>	<b>3.00</b>	<b>2.09</b>	<b>2.29</b>	<b>2.78</b>	<b>2.13</b>	<b>2.24</b>	<b>-21</b>	<b>4</b>	<b>-5</b>
<b>RoE (%)</b>	<b>27.0</b>	<b>17.8</b>	<b>19.9</b>	<b>26.0</b>	<b>19.5</b>	<b>21.2</b>	<b>-101</b>	<b>177</b>	<b>135</b>
EPS	44	36	49	42	40	53	-4.3	9.9	8.4
BV	187	223	272	185	225	278	-1.0	0.8	2.1

Source: MOSL, Company



## Financials and valuations

Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	10,105	12,800	17,672	29,488	42,859	51,463	62,836	78,896
Interest Expense	3,953	4,963	8,267	16,064	23,769	27,841	33,349	41,266
<b>Net Interest income</b>	<b>6,152</b>	<b>7,837</b>	<b>9,405</b>	<b>13,425</b>	<b>19,089</b>	<b>23,622</b>	<b>29,488</b>	<b>37,630</b>
Growth (%)	45.8	27.4	20.0	42.7	42.2	23.7	24.8	27.6
Other Income	50	8,100	3,881	4,620	7,061	14,524	11,619	14,872
<b>Total Income</b>	<b>6,202</b>	<b>15,937</b>	<b>13,285</b>	<b>18,045</b>	<b>26,150</b>	<b>38,146</b>	<b>41,107</b>	<b>52,503</b>
Growth (%)	46.2	156.9	-16.6	35.8	44.9	45.9	7.8	27.7
<b>Operating Expenses</b>	<b>2,538</b>	<b>3,528</b>	<b>7,526</b>	<b>10,826</b>	<b>14,179</b>	<b>15,538</b>	<b>19,834</b>	<b>25,352</b>
Growth (%)	63.3	39.0	113.3	43.8	31.0	9.6	27.7	27.8
<b>Operating Profit</b>	<b>3,665</b>	<b>12,408</b>	<b>5,759</b>	<b>7,219</b>	<b>11,972</b>	<b>22,608</b>	<b>21,273</b>	<b>27,151</b>
Growth (%)	36.2	238.6	-53.6	25.3	65.8	88.8	-5.9	27.6
<b>Core Operating Profit</b>	<b>3,650</b>	<b>5,650</b>	<b>5,377</b>	<b>6,998</b>	<b>10,246</b>	<b>-7,070</b>	<b>-1,439</b>	<b>-1,799</b>
Growth (%)	35.8	54.8	-4.8	30.1	46.4	-169.0	-79.6	25.0
Total Provisions	438	1,039	1,326	1,418	2,832	6,656	5,018	5,481
<b>PBT</b>	<b>3,226</b>	<b>11,369</b>	<b>4,433</b>	<b>5,801</b>	<b>9,140</b>	<b>15,952</b>	<b>16,255</b>	<b>21,670</b>
Tax	1,110	3,149	1,513	1,983	2,392	3,028	4,096	5,461
Tax Rate (%)	34.4	27.7	34.1	34.2	26.2	19.0	25.2	25.2
<b>PAT</b>	<b>2,116</b>	<b>8,220</b>	<b>2,920</b>	<b>3,818</b>	<b>6,748</b>	<b>12,924</b>	<b>12,159</b>	<b>16,209</b>
Growth (%)	50.9	288.4	-64.5	30.7	76.7	91.5	-5.9	33.3
<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>7,219</b>	<b>12,159</b>	<b>16,209</b>
Growth (%)	50.9	57.5	-12.4	30.7	56.2	21.1	68.4	33.3
<b>Balance Sheet</b>								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	441	2,843	2,857	2,924	3,041	3,041	3,041	3,041
Reserves and Surplus	9,654	17,033	19,955	28,705	40,206	53,129	65,289	81,498
<b>Equity Net Worth</b>	<b>10,094</b>	<b>19,876</b>	<b>22,812</b>	<b>31,629</b>	<b>43,247</b>	<b>56,171</b>	<b>68,330</b>	<b>84,539</b>
<b>Deposits</b>	-	-	<b>79,233</b>	<b>194,224</b>	<b>261,639</b>	<b>327,049</b>	<b>434,975</b>	<b>587,217</b>
Growth (%)	NA	NA	NA	145%	35%	25.0%	33.0%	35.0%
Borrowings	47,826	71,199	76,389	86,134	103,353	104,387	109,606	116,182
Other liabilities	5,022	6,737	9,894	14,241	12,670	19,005	20,906	24,041
<b>Total Liabilities</b>	<b>62,942</b>	<b>97,812</b>	<b>188,328</b>	<b>326,228</b>	<b>421,431</b>	<b>507,133</b>	<b>634,338</b>	<b>812,501</b>
Current Assets	1,234	6,250	17,612	17,402	33,697	37,254	41,978	47,417
<b>Investments</b>	<b>2,316</b>	<b>21,503</b>	<b>30,506</b>	<b>71,617</b>	<b>106,682</b>	<b>120,551</b>	<b>148,278</b>	<b>191,278</b>
Growth (%)	65.6	828.6	41.9	134.8	49.0	13.0	23.0	29.0
<b>Loans</b>	<b>56,208</b>	<b>65,509</b>	<b>133,121</b>	<b>228,187</b>	<b>269,924</b>	<b>334,105</b>	<b>425,047</b>	<b>554,418</b>
Growth (%)	65.1	16.5	103.2	71.4	18.3	23.8	27.2	30.4
Net Fixed Assets	246	2,758	3,861	4,470	4,480	4,928	5,519	6,237
Other assets	2,938	1,792	3,227	4,552	6,648	10,295	13,517	13,151
<b>Total Assets</b>	<b>62,942</b>	<b>97,812</b>	<b>188,328</b>	<b>326,228</b>	<b>421,431</b>	<b>507,133</b>	<b>634,338</b>	<b>812,501</b>
<b>Total Assets (incl. off BS)</b>	<b>88,947</b>	<b>137,692</b>	<b>215,586</b>	<b>340,501</b>	<b>460,437</b>	<b>544,256</b>	<b>671,299</b>	<b>854,231</b>
<b>Asset Quality</b>								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
GNPA (INR m)	741	1,245	2,697	4,701	4,578	10,809	13,594	15,612
NNPA (INR m)	592	805	1,693	2,945	2,173	4,030	4,443	4,165
GNPA Ratio	1.3	1.9	2.0	2.1	1.7	3.2	3.2	2.8
NNPA Ratio	1.1	1.2	1.3	1.3	0.8	1.2	1.0	0.8
Slippage Ratio	0.8	1.7	2.1	2.5	2.5	3.2	2.3	1.8
Credit Cost	0.8	1.5	1.0	0.6	1.0	2.1	1.3	1.0
PCR (Excl. Tech. write off)	20.1	35.4	37.2	37.4	52.5	62.7	67.3	73.3

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield on IEA</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>	11.6	11.4
Avg. Yield on loans	14.5	10.5	9.4	11.7	12.4	12.1	12.2	12.2
Avg. Cost of funds	10.3	8.3	7.3	7.4	7.4	7.0	6.8	6.6
<b>NIM (On total assets)</b>	<b>11.9</b>	<b>9.8</b>	<b>6.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	5.2	5.2
<b>NIM (On IEA)</b>	<b>13.1</b>	<b>10.3</b>	<b>7.0</b>	<b>5.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>	<b>5.5</b>

### Capitalization Ratios (%)

CAR	16.9	23.1	19.3	19.3	22.0	22.9	21.4	20.0
Tier I	13.5	21.5	18.4	16.0	18.4	19.9	19.2	18.5
Tier II	3.4	1.6	0.9	3.4	3.6	3.0	2.2	1.5

### Business and Efficiency Ratios (%)

Loan/Deposit Ratio	NA	NA	168.0	117.5	103.2	102.2	97.7	94.4
CASA Ratio	NA	NA	26.9	18.5	14.5	21.5	24.8	26.3
Cost/Assets	4.9	4.4	5.3	4.2	3.8	3.3	3.5	3.5
Cost/Total Income	40.9	22.1	56.7	60.0	54.2	40.7	48.2	48.3
Cost/Core Income	41.0	38.4	58.3	60.7	58.1	42.0	50.6	50.7
Int. Expense/Int. Income	39.1	38.8	46.8	54.5	55.5	54.1	53.1	52.3
Fee Income/Total Income	0.3	8.4	26.3	24.4	20.4	34.9	23.6	23.6
Non Int. Income/Total Income	0.8	50.8	29.2	25.6	27.0	38.1	28.3	28.3
Investment/Deposit Ratio	NA	NA	38.5	36.9	40.8	36.9	34.1	32.6
Emp. Cost/Total Expense	62.2	54.6	56.5	55.5	53.6	54.8	54.9	55.0

### Profitability and Valuations

RoE	23.3	22.2	13.7	14.0	18.0	26.0	19.5	21.2
RoA (On Bal. Sheet)	4.1	4.1	2.0	1.5	1.8	2.8	2.1	2.2
RoRWA	3.2	9.7	2.5	2.0	3.0	4.7	3.5	3.6
Book Value (INR)	229.0	69.9	79.8	108.2	142.2	184.7	224.7	278.0
Growth (%)	24.5	-69.5	14.2	35.5	31.4	29.9	21.6	23.7
<b>Price-to-BV (x)</b>	<b>NA</b>	<b>NA</b>	<b>11.0</b>	<b>8.1</b>	<b>6.2</b>	<b>4.7</b>	<b>3.9</b>	<b>3.1</b>
Adjusted BV (INR)	184.4	68.2	76.3	102.6	138.9	177.1	216.2	270.1
Growth (%)	13.7	-63.0	12.0	34.5	35.4	27.5	22.0	25.0
<b>Price-to-ABV (x)</b>	<b>NA</b>	<b>NA</b>	<b>11.5</b>	<b>8.5</b>	<b>6.3</b>	<b>4.9</b>	<b>4.0</b>	<b>3.2</b>
EPS (INR)	48.0	50.1	10.2	13.2	22.6	42.5	40.0	53.3
Growth (%)	49.0	4.3	-79.5	28.9	71.3	87.8	-5.9	33.3
<b>Price-to-Earnings (x)</b>	<b>NA</b>	<b>NA</b>	<b>85.6</b>	<b>66.4</b>	<b>38.8</b>	<b>20.5</b>	<b>21.8</b>	<b>16.4</b>

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

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