

# AU Small Finance Bank

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	AUBANK IN
Equity Shares (m)	666
M.Cap.(INRb)/(USD\$)	414.2 / 5.1
52-Week Range (INR)	733 / 525
1, 6, 12 Rel. Per (%)	-6/-1/-3
12M Avg Val (INR M)	1431

## Financials & Valuations (INR b)

Y/E March	FY23E	FY24E	FY25E
NII	44.5	56.2	70.1
PPoP	20.8	27.1	35.0
PAT	14.4	17.6	22.0
NIM (%)	5.7	5.7	5.7
EPS (INR)	22.2	26.5	33.2
EPS Gr. (%)	23.3	19.1	25.4
BV/Sh. (INR)	164	191	224
ABV/Sh. (INR)	162	187	219

## Ratios

RoE (%)	15.6	14.9	16.0
RoA (%)	1.8	1.8	1.8

## Valuations

P/E(X)	28.0	23.5	18.7
P/BV (X)	3.8	3.3	2.8
P/ABV (X)	3.8	3.3	2.8

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	25.6	28.2	28.4
DII	21.3	18.4	20.9
FII	38.5	35.1	32.5
Others	14.6	18.3	18.3

FII Includes depository receipts

**CMP: INR621**

**TP: INR740 (+19%)**

**Buy**

## Steady operating performance; loan growth accelerates

### Asset quality remains pristine

- AUBANK reported 30% YoY growth in net earnings (8% beat), driven by lower provisions. However, operating profit came in line with growth in NII, aided by stable margins and healthy loan growth.
- Gross advances/deposits grew strongly at 38% YoY each, however, CASA deposits witnessed pressure, resulting in CASA ratio moderating to 38%.
- The absolute amount of GNPA increased 2% QoQ. However, headline GNPA/NNPA ratio improved 9bp/5bp QoQ to 1.81%/0.51%, respectively. PCR ratio improved to 72.1%.
- We slightly raise our estimate, factoring in for higher loan growth and estimate AUBANK to deliver 25% earnings CAGR over FY22–25 with a RoA/RoE at 1.8%/16.1%, respectively, in FY25E. We reiterate our **Buy** rating on the stock.

### Margins held stable; restructured book moderates to 1.4% of loans

- AUBANK reported a 30% YoY growth in PAT to INR3.9b (8% beat), driven by lower provisions, which came in at INR326m vs estimate of INR659m. For 9MFY22, NII/PPoP/PAT grew 40%/9%/28% to INR32.1b/INR14.5b/INR10.0b, respectively.
- NII grew 41% YoY to INR11.5b (in line), supported by 38% YoY growth in advances and margins stable at 6.2%. Core fee income grew 35% YoY (15% QoQ).
- Opex grew 40% YoY as the bank continues to invest in building the franchise. However, C/I ratio moderated 90bp QoQ to 61.6%. PPoP grew 21% YoY to INR5.5b (in line).
- Gross advances grew 38% YoY to INR563b (up 7% QoQ), led by healthy traction in wholesale book, which grew 14% QoQ vs 6% in retail loans. On a sequential basis, disbursements grew 16% to INR100b.
- Total deposits grew 38% YoY to ~INR611b. However, CA/SA deposits declined 2%/5% QoQ, while TD grew 12% QoQ. CASA ratio thus moderated to 38% v/s 42% in 2QFY23.
- GNPA increased 2% QoQ while NNPA declined 1%. GNPA/NNPA ratio improved 9bp/5bp QoQ to 1.8%/0.5%, respectively. PCR ratio improved to ~72.1%.
- O/s restructured portfolio declined to INR7.79b corresponding to 1.4% of advances (v/s 1.7% in 1QY23). The bank is carrying provisions of INR1.5b (16%) on the restructured book.

### Highlights from the management commentary

- Control on cost of funds remains a key priority for the bank and the management expects it for FY23 to be similar to that in FY22.
- GNPA in the wheels segment stood at 2.32%, SBL segment at 2.68%, Home loan at 0.42%, and Commercial banking at 0.3%.
- The bank expects the asset quality trends and collection efficiency to continue to report healthy trends over FY24 as well.
- 81% of the total book is originated post pandemic with a GNPA of 0.6%.

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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.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

AUBANK reported a healthy performance with earnings supported by lower provisions and stable margins. On the business front, business growth was strong; however, CASA deposits witnessed pressure, especially savings account deposits. The bank carries contingent reserves of ~INR1b (18bp of loans), which coupled with 16% coverage on restructured assets provides comfort. We slightly raise our estimates to factor in for higher loan growth and estimate AUBANK to deliver 25% earnings CAGR over FY22–25 with an RoA/RoE of 1.8%/16.1%, respectively, in FY25E. **We reiterate our Buy rating with a TP of INR740 (3.6x Sep'24E BV).**

**Quarterly performance table (INR m)**

	FY22				FY23				FY22	FY23E	FY23E 3QE	v/s Est.
	1Q*	2Q*	3Q*	4Q	1Q	2Q	3Q	4QE				
<b>Net Interest Income</b>	<b>7,240</b>	<b>7,531</b>	<b>8,204</b>	<b>9,366</b>	<b>9,760</b>	<b>10,833</b>	<b>11,527</b>	<b>12,363</b>	<b>32,341</b>	<b>44,484</b>	<b>11,231</b>	<b>2.6</b>
% Change (Y-o-Y)	40.4	34.3	29.6	42.8	34.8	43.8	40.5	32.0	36.7	37.5	36.9	
Other Income	2,148	1,919	2,756	3,114	1,592	2,474	2,949	3,420	9,937	10,434	3,026	-2.5
<b>Total Income</b>	<b>9,388</b>	<b>9,451</b>	<b>10,961</b>	<b>12,479</b>	<b>11,352</b>	<b>13,307</b>	<b>14,476</b>	<b>15,783</b>	<b>42,278</b>	<b>54,918</b>	<b>14,257</b>	<b>1.5</b>
Operating Expenses	4,570	5,526	6,376	7,656	7,411	8,319	8,919	9,510	24,128	34,160	8,738	2.1
<b>Operating Profit</b>	<b>4,818</b>	<b>3,925</b>	<b>4,584</b>	<b>4,823</b>	<b>3,941</b>	<b>4,988</b>	<b>5,557</b>	<b>6,272</b>	<b>18,150</b>	<b>20,758</b>	<b>5,519</b>	<b>0.7</b>
% Change (Y-o-Y)	8.1	-11.1	-48.8	40.1	-18.2	27.1	21.2	30.0	-14.7	14.4	20.4	
Provisions	2,072	46	560	932	384	430	326	564	3,610	1,704	659	-50.5
<b>Profit before Tax</b>	<b>2,747</b>	<b>3,878</b>	<b>4,025</b>	<b>3,891</b>	<b>3,557</b>	<b>4,558</b>	<b>5,231</b>	<b>5,708</b>	<b>14,541</b>	<b>19,054</b>	<b>4,860</b>	<b>7.6</b>
Tax Provisions	715	1,093	1,004	430	878	1,132	1,302	1,368	3,242	4,681	1,225	6.3
<b>Net Profit</b>	<b>2,032</b>	<b>2,785</b>	<b>3,020</b>	<b>3,461</b>	<b>2,679</b>	<b>3,426</b>	<b>3,928</b>	<b>4,340</b>	<b>11,298</b>	<b>14,373</b>	<b>3,636</b>	<b>8.1</b>
% Change (Y-o-Y)	1.2	-13.5	-36.9	104.8	31.8	23.0	30.1	25.4	-3.5	27.2	20.4	
<b>Operating Parameters</b>												
Deposit (INR b)	370.1	390.3	442.8	525.8	546.3	583.4	611.0	659.9	525.8	659.9	611.0	0
Loan (INR b)	339.6	358.5	401.8	461.0	486.5	517.4	556.0	598.1	461.0	598.1	555.3	0
Deposit Growth (%)	38.5	44.7	49.0	46.2	47.6	49.4	38.0	25.5	46.2	25.5	38.0	0
Loan Growth (%)	29.4	31.6	32.6	33.2	43.3	44.4	38.4	29.8	33.2	29.8	38.2	19
<b>Asset Quality</b>												
GNPA (%)	4.3	3.2	2.6	2.0	2.0	1.9	1.8	1.8	2.0	1.8	1.8	-2
NNPA (%)	2.3	1.7	1.3	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	-3
PCR (%)	48.8	48.6	50.8	75.0	71.7	71.1	72.1	73.0	75.0	73.0	71.0	107

\*YoY growth is not comparable due to gain from the Aavas stake sale

Source: MOFSL

## Quarterly snapshot

(INR m)

Profit and Loss (INR m)	FY21				FY22				FY23			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	5,159	5,606	6,331	6,558	7,240	7,531	8,204	9,366	9,760	10,833	11,527	41	6
Other Income	2,258	2,610	6,856	2,472	2,148	1,919	2,756	3,114	1,592	2,474	2,949	7	19
Total Income	7,416	8,216	13,187	9,030	9,388	9,451	10,961	12,479	11,352	13,307	14,476	32	9
Operating Expenses	2,961	3,800	4,237	5,587	4,570	5,526	6,376	7,656	7,411	8,319	8,919	40	7
Employee	1,793	2,242	2,398	3,368	2,826	3,268	3,559	4,137	3,940	4,513	4,652	31	3
Others	1,167	1,558	1,839	2,218	1,743	2,258	2,818	3,519	3,471	3,806	4,267	51	12
Operating Profits	4,456	4,416	8,950	3,443	4,818	3,925	4,584	4,823	3,941	4,988	5,557	21	11
Provisions	1,813	327	3,058	1,483	2,072	46	560	932	384	430	326	-42	-24
PBT	2,643	4,089	5,892	1,960	2,747	3,878	4,025	3,891	3,557	4,558	5,231	30	15
Taxes	635	870	1,102	271	715	1,093	1,004	430	878	1,132	1,302	30	15
Adj. PAT	2,008	3,219	4,790	1,690	2,032	2,785	3,020	3,461	2,679	3,426	3,928	30	15
PAT	1,771	1,963	578	1,690	2,032	2,785	3,020	3,461	2,679	3,426	3,928	30	15
<b>Balance Sheet (INRb)</b>													
Loans	263	272	303	346	340	358	402	461	487	517	556	38	7
Deposits	267	270	297	360	370	390	443	526	546	583	611	38	5
Total Assets	443	440	466	516	514	532	586	691	710	779	807	38	4
<b>Asset Quality</b>													
GNPA	4,471	4,232	3,027	15,028	14,959	11,514	10,576	9,244	9,696	9,967	10,189	-4	2
NNPA	1,632	1,228	727	7,555	7,660	5,915	5,202	2,308	2,748	2,882	2,846	-45	-1
<b>AUM Mix (%)</b>													
Retail	83.8	84.4	85.2	84.6	85.2	89.3	86.6	84.4	83.6	80.9	79.7	-697	-124
Wheels	41.4	40.3	40.8	36.8	35.9	39.2	38.1	37.0	37.7	36.2	34.6	-355	-165
Secured MSME	37.5	38.9	38.7	39.3	39.4	39.5	37.5	35.3	34.3	33.0	32.1	-541	-91
Wholesale	15.2	15.6	14.5	15.4	14.8	15.1	16.6	17.8	18.0	19.1	20.3	376	125
NBFC	5.0	4.8	4.2	4.0	3.5	3.2	4.0	4.3	3.6	3.6	4.1	12	52
RE Group	2.6	2.4	1.9	1.8	1.6	1.7	1.7	1.7	1.7	1.8	1.9	14	5
Business Banking	3.6	4.1	4.2	5.2	5.0	5.2	5.6	6.2	6.6	7.4	7.8	212	40
<b>Ratios (%)</b>													
<b>Asset Quality Ratios (%)</b>	FY21				FY22				FY23			Change (bp)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
GNPA (%)	1.7	1.5	1.0	4.3	4.3	3.2	2.6	2.0	2.0	1.9	1.8	-79	-9
NNPA (%)	0.6	0.5	0.2	2.2	2.3	1.7	1.3	0.5	0.6	0.6	0.5	-78	-5
PCR (Reported, %)	64	71	76	50	49	49	51	75	72	71	72	2,130	100
<b>Business Ratios (%)</b>													
Non Int. to Total Income	30.4	31.8	52.0	27.4	22.9	20.3	25.1	25.0	14.0	18.6	20.4	-478	178
Cost to Income	39.9	46.3	32.1	61.9	48.7	58.5	58.2	61.3	65.3	62.5	61.6	344	-91
CASA (Reported)	14.0	21.0	22.0	23.0	26.0	30.3	39.0	37.0	39.0	42.0	38.0	-100	-400
CASA (incl CD's)	14.5	19.8	21.7	23.0	25.6	30.3	39.2	37.3	38.8	42.3	38.4	-84	-388
Loan/Deposit	98.2	100.9	102.0	96.2	91.7	91.8	90.7	87.7	89.1	88.7	91.0	25	230
<b>Profitability Ratios</b>													
Margins	4.8	5.1	5.6	5.3	6.0	6.1	6.3	6.3	5.9	6.2	6.2	-10	0
Yield on AUM	14.6	14.5	14.3	14.1	14.0	13.9	13.7	13.4	13.3	13.3	13.4	-30	10
Cost of funds	7.2	7.0	6.7	6.5	6.3	6.1	5.9	5.7	5.7	5.8	6.0	10	20
RoA	1.9	2.9	4.2	1.4	1.6	2.1	2.2	2.2	1.5	1.8	2.0	-20	20
RoE	17.9	27.1	37.1	12.2	12.7	16.8	17.4	18.9	14.0	15.3	15.2	-220	-10



## Highlights from the management commentary

### Balance sheet and P&L related

- The bank is on course to build a sustainable and scalable business
- Competition for deposits have intensified, driving up deposit costs across the industry
- The bank continues to focus on garnering granular and premium deposits
- The bank has increased its TD rates and SA rates across certain buckets
- The bank has witnessed some churning of deposits from savings account to term deposits for locking higher rate of interests
- Control on cost of funds remains a key priority for the bank
- Margin for FY23 is expected to be similar to that in FY22, while margin trajectory for FY24 would be a key monitorable. Further, cost of funds for FY23 should also be similar to that in FY22
- The bank is issuing ~35k credit cards on a monthly basis with a total card base of 0.39m
- In Oct'22, a platinum account for merchants with various features were launched, thereby adding a total of ~1,195 merchants
- Further, another savings product is likely to be launched soon
- The bank has sold ~15k health and insurance policies, ~15k SIPs and 6.5k 3 in 1 trading accounts
- The bank has cross sold ~INR5.59b worth of loans to branch banking customers in 3Q
- Average products per customer stands at 1.62 for SA customers and 1.99 for CA customers
- ~0.12m new customers were acquired digitally, forming 36% of total new customers in 3QFY23
- The bank has ~1.6m customers registered on its app with 61% of them actively using the account
- **Wheels mix:** Personal (44%), Wholesale (46%), and Tractor (10%)
- GNPA in the wheels segment stands at 2.32%, with CE in north of 100%
- GNPA in the SBL segment stands at 2.68% with CE in north of 100%
- Home loan book has a GNPA of 0.42%
- Bulk of the Commercial banking book is floating in nature, which gets re-priced at a faster pace. The book has a GNPA of 0.3%
- Wheels book has witnessed a 9bp increase in yields
- Blended cost of deposits on term deposits stands at 6.4%. Bulk TD rates are mostly similar or lower than the retail TD rates

### Asset quality related

- 81% of the book is generated post Covid and has a GNPA of 0.6%
- The bank expects the asset quality trends and collection efficiency to continue to report healthy trends over FY24
- Implementation of the ECL method is likely to have a neutral to positive impact on the bank.

Yield on gross advances improved 10bp QoQ to 13.4%, while the same on disbursements moderated by 10bp QoQ to 13.0% in 3QFY23; Incremental cost of funds up 20bp QoQ to 6.3%

### Retail dominated portfolio; disbursements grew 16% QoQ

- **Gross advances** grew 38% YoY (up 7.4% QoQ) to INR563b, as disbursements grew 16% QoQ to INR100.1b, led by healthy traction across most business segments. Within total advances, Retail advances grew ~27% YoY (up 5.8% QoQ) and Wholesale advances grew 69.8% YoY (up 14.4% QoQ).
- The Retail/Wholesale mix stood at 80%/20%.
- **Within Retail AUM**, the Wheels segment grew 2.5% QoQ (up 25% YoY) and the SBL-MSME segment grew 4.4% QoQ (up 18% YoY). The Wheels and MSME segments constitute ~84% of the total Retail AUM.
- Newly launched products (gold loans, consumer durable loans, personal loans, housing loans, and OD against FD) collectively saw healthy growth.
- **Within wholesale AUM**, the Agri and SME book grew 12% QoQ (up 75% YoY). Business Banking/RE Group grew 13%/10% QoQ while the NBFC portfolio saw a robust growth of 23% QoQ.

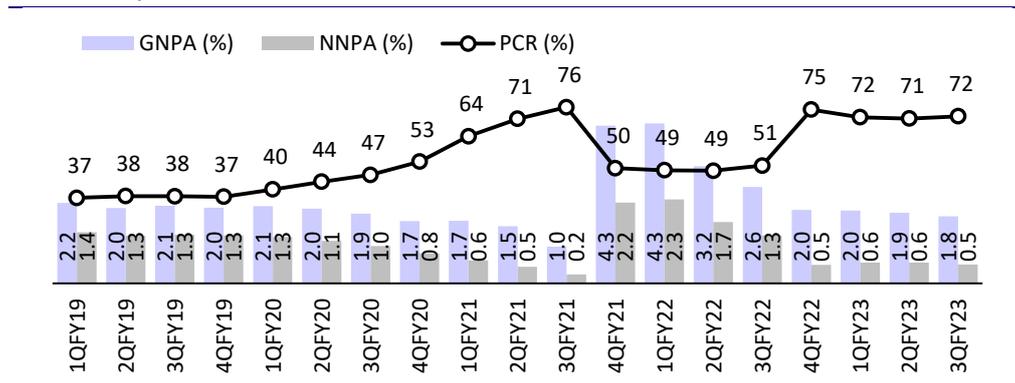
### CASA witnessed moderation; Retail TDs form 53% of total term deposits

- Deposits grew 38% YoY/4.7% QoQ to INR611b, led by strong growth in term deposits (up 12% QoQ), while CASA deposits witnessed a decline of 5% QoQ.
- SA deposits declined 5% QoQ to INR206b. The reported CASA ratio thus moderated to 38%. The management does not factor in CDs when calculating the CASA ratio.
- Retail TDs constitute 53% of the total term deposits, while CASA plus retail TD forms 70% of the total deposits.

### Asset quality steady; CE healthy; PCR improves to ~72%

- Absolute GNPA increased 2% QoQ to INR10.2b, while NNPA declined 1% QoQ to INR2.8b. Total slippage came in at INR2.3b, while reductions were healthy at INR2.0b.
- The GNPA/NNPA ratio declined 9bp/5bp QoQ to 1.8%/0.51%, respectively. PCR improved to ~72%.
- **GNPA breakup:** The GNPA book is secured, granular, and skewed toward Retail. The Wheels segment constitutes 42% of GNPA, while SBL constitutes 48% of GNPA.
- AUBANK carries additional contingent provisions of INR0.98b (0.18% of loans).
- Collection efficiency remains strong across most segments. Collection efficiency stood healthy at ~107% in 3QFY23.
- The total restructuring book declined to INR7.79b (1.4% of gross advances) v/s ~1.7% in 2QFY23, on which the bank made provisions of INR1.3b (16% coverage).

**Exhibit 1: PCR improved to ~72%; GNPA/NNPA ratio declines 9bp/5bp QoQ to 1.81%/0.51% in 3QFY23**



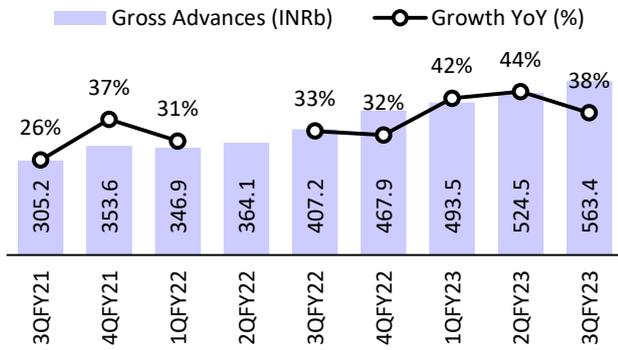
Source: Company, MOFSL

## Valuation and view

- The management's focus is on scaling up its key business lines of Vehicle Loans / MSME Loans. It aims to expand the new segments of Housing Loans, Gold Loans, Consumer Durable Financing, and Credit Cards, among others. Growth has picked up over the last few quarters, with demand accruing across segments. We expect a 29% CAGR in loan growth over FY22–25.
- AUBANK has shown strong progress in building a granular liability franchise, with the proportion of deposits to overall funding constantly improving. However, CASA deposits witnessed a sequential moderation. The proportion of retail TD moderated to 53% vs 54% in 2QFY23, while CASA plus retail TD moderated to 70% vs 73% QoQ. However, the same is expected to grow further as customer vintage increases. Cost of funds could further go up and we remain watchful of margin going forward.
- The bank witnessed an improvement in GNPA/NNPA ratio by 9bp/5bp to 1.8%/0.5%, respectively. Collection efficiency remained healthy at 107% in 3QFY23. PCR improved to 72% in 3QFY23. The total restructuring book declined to INR7.79b (~1.4% of total loans v/s 1.7% in Sep'22), on which, the management made provisions of INR1.3b. The bank carries additional contingent provisions of INR0.98b (0.18% of loans). Thus, we estimate credit costs at 0.3%/0.5%/0.6% over FY23/24/25, respectively.
- **Buy, with a TP of INR740:** AUBANK reported a healthy performance with earnings supported by lower provisions and stable margins. On the business front, business growth was strong; however, CASA deposits witnessed pressure especially savings account deposits. The bank carries contingent reserves of ~INR1b (18bp of loans), which coupled with 16% coverage on restructured assets provides comfort. We slightly raise our estimates, factoring in higher loan growth and estimate AUBANK to deliver 25% earnings CAGR over FY22–25 with an RoA/RoE of 1.8%/16.1%, respectively, in FY25. **We reiterate our Buy rating with a TP of INR740 (3.6x Sep'24E BV).**

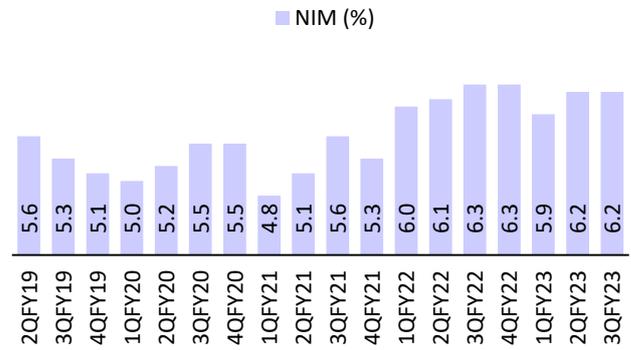
## Story in charts

**Exhibit 2: Gross advances grew 38% YoY (up 7.4% QoQ)**



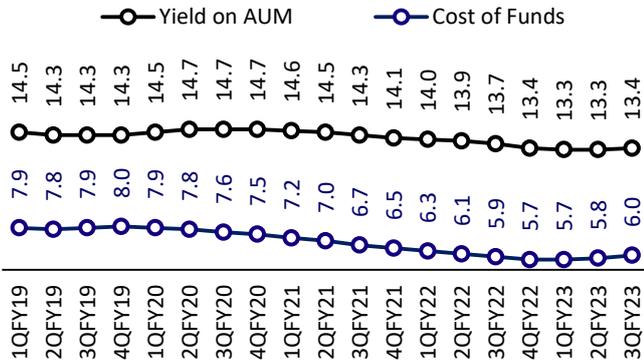
Source: Company, MOFSL

**Exhibit 3: Margins remain stable QoQ at 6.2%**



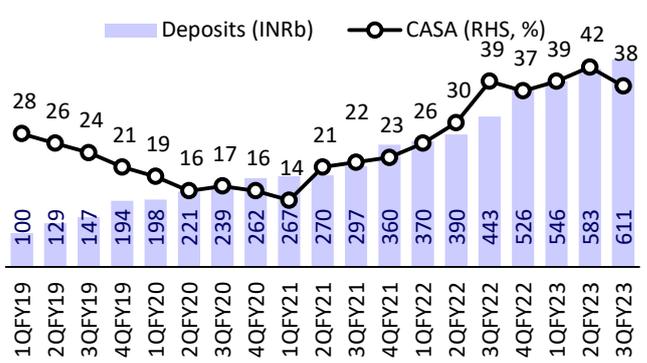
Source: Company, MOFSL

**Exhibit 4: Yields on gross advances improved 10bp QoQ, while cost of funds increased 20bp QoQ**



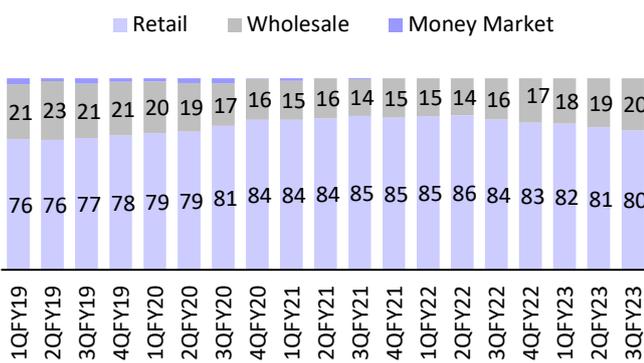
Source: Company, MOFSL

**Exhibit 5: Healthy traction in deposit mobilization (~38% YoY); CASA ratio though moderated to ~38%**



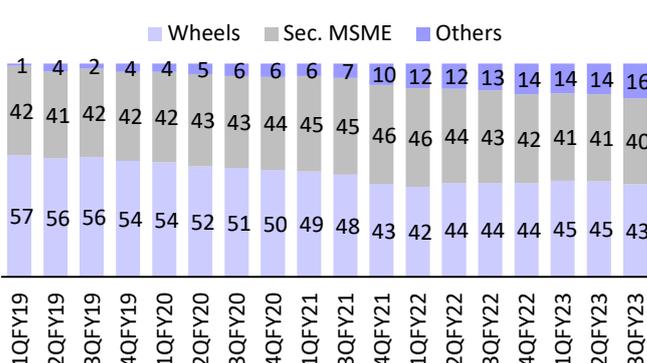
Source: Company, MOFSL

**Exhibit 6: Retail mix dominates with share of ~80%**



Source: Company, MOFSL

**Exhibit 7: Vehicles and MSME form ~84% of retail loans**



Source: Company, MOFSL

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

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	12.35	11.46	11.46	10.56	9.81	10.37	11.01	11.06
Interest Expense	5.78	6.24	6.36	5.51	4.45	4.68	5.31	5.41
<b>Net Interest Income</b>	<b>6.57</b>	<b>5.22</b>	<b>5.11</b>	<b>5.05</b>	<b>5.36</b>	<b>5.69</b>	<b>5.70</b>	<b>5.65</b>
Core Fee and Secu. Inc	2.45	1.71	1.43	1.21	1.41	1.19	1.16	1.18
<b>Non-Interest income</b>	<b>2.71</b>	<b>1.80</b>	<b>1.89</b>	<b>3.03</b>	<b>1.65</b>	<b>1.33</b>	<b>1.38</b>	<b>1.40</b>
<b>Total Income</b>	<b>9.29</b>	<b>7.01</b>	<b>7.00</b>	<b>8.08</b>	<b>7.01</b>	<b>7.03</b>	<b>7.08</b>	<b>7.05</b>
<b>Operating Expenses</b>	<b>5.26</b>	<b>4.21</b>	<b>3.79</b>	<b>3.54</b>	<b>4.00</b>	<b>4.37</b>	<b>4.33</b>	<b>4.23</b>
Employee cost	2.97	2.34	2.03	2.09	2.29	2.49	2.47	2.43
Others	2.29	1.87	1.76	1.45	1.71	1.88	1.86	1.80
<b>Operating Profits</b>	<b>4.03</b>	<b>2.81</b>	<b>3.20</b>	<b>4.54</b>	<b>3.01</b>	<b>2.66</b>	<b>2.75</b>	<b>2.82</b>
<b>Core operating Profits</b>	<b>3.76</b>	<b>2.72</b>	<b>2.74</b>	<b>2.72</b>	<b>2.77</b>	<b>2.51</b>	<b>2.53</b>	<b>2.60</b>
<b>Provisions</b>	<b>0.93</b>	<b>0.55</b>	<b>0.76</b>	<b>1.43</b>	<b>0.60</b>	<b>0.22</b>	<b>0.37</b>	<b>0.44</b>
NPA	0.39	0.29	0.17	1.36	0.19	0.18	0.31	0.39
Others	0.53	0.26	0.58	0.07	0.40	0.04	0.05	0.05
<b>PBT</b>	<b>3.10</b>	<b>2.25</b>	<b>2.44</b>	<b>3.11</b>	<b>2.41</b>	<b>2.44</b>	<b>2.39</b>	<b>2.38</b>
Tax	1.06	0.77	0.64	0.61	0.54	0.60	0.60	0.60
<b>RoA</b>	<b>2.04</b>	<b>1.48</b>	<b>1.81</b>	<b>2.50</b>	<b>1.87</b>	<b>1.84</b>	<b>1.78</b>	<b>1.78</b>
Leverage (x)	6.7	9.5	10.0	8.9	8.8	8.5	8.4	9.0
<b>RoE</b>	<b>13.7</b>	<b>14.0</b>	<b>18.0</b>	<b>22.3</b>	<b>16.6</b>	<b>15.6</b>	<b>14.9</b>	<b>16.0</b>

Source: MOFSL, Company

## Financials and valuations

Income Statement								(INRm)
Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	17,672	29,488	42,859	49,501	59,217	81,066	108,502	137,157
Interest Expense	8,267	16,064	23,769	25,846	26,876	36,582	52,333	67,052
<b>Net Interest income</b>	<b>9,405</b>	<b>13,425</b>	<b>19,089</b>	<b>23,654</b>	<b>32,341</b>	<b>44,484</b>	<b>56,170</b>	<b>70,105</b>
Growth (%)	20.0	42.7	42.2	23.9	36.7	37.5	26.3	24.8
Other Income	3,881	4,620	7,061	14,209	9,937	10,434	13,564	17,362
<b>Total Income</b>	<b>13,285</b>	<b>18,045</b>	<b>26,150</b>	<b>37,864</b>	<b>42,278</b>	<b>54,918</b>	<b>69,733</b>	<b>87,467</b>
Growth (%)	-16.6	35.8	44.9	44.8	11.7	29.9	27.0	25.4
<b>Operating Expenses</b>	<b>7,526</b>	<b>10,826</b>	<b>14,179</b>	<b>16,584</b>	<b>24,128</b>	<b>34,160</b>	<b>42,633</b>	<b>52,496</b>
Growth (%)	113.3	43.8	31.0	17.0	45.5	41.6	24.8	23.1
<b>Operating Profits</b>	<b>5,759</b>	<b>7,219</b>	<b>11,972</b>	<b>21,279</b>	<b>18,150</b>	<b>20,758</b>	<b>27,100</b>	<b>34,971</b>
Growth (%)	-53.6	25.3	65.8	77.7	-14.7	14.4	30.6	29.0
<b>Core Operating Profits</b>	<b>5,377</b>	<b>6,998</b>	<b>10,246</b>	<b>12,737</b>	<b>16,721</b>	<b>19,635</b>	<b>24,945</b>	<b>32,204</b>
Growth (%)	-4.8	30.1	46.4	24.3	31.3	17.4	27.0	29.1
Total Provisions	1,326	1,418	2,832	6,694	3,610	1,704	3,600	5,509
% to operating income	23.0	19.6	23.7	31.5	19.9	8.2	13.3	15.8
<b>PBT</b>	<b>4,433</b>	<b>5,801</b>	<b>9,140</b>	<b>14,585</b>	<b>14,541</b>	<b>19,054</b>	<b>23,500</b>	<b>29,462</b>
Tax	1,513	1,984	2,392	2,878	3,242	4,681	5,922	7,424
Tax Rate (%)	34.1	34.2	26.2	19.7	22.3	24.6	25.2	25.2
<b>PAT</b>	<b>2,920</b>	<b>3,818</b>	<b>6,748</b>	<b>11,707</b>	<b>11,298</b>	<b>14,373</b>	<b>17,578</b>	<b>22,037</b>
Growth (%)	-64.5	30.7	76.8	73.5	-3.5	27.2	22.3	25.4
<b>Adj. PAT</b>	<b>2,920</b>	<b>3,818</b>	<b>5,962</b>	<b>6,002</b>	<b>11,298</b>	<b>14,373</b>	<b>17,578</b>	<b>22,037</b>
Growth (%)	-12.4	30.7	56.2	0.7	88.2	27.2	22.3	25.4
<b>Balance Sheet</b>								
Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	5,714	5,847	6,082	6,244	6,298	6,643	6,643	6,643
Reserves & Surplus	17,098	25,782	37,164	55,477	68,429	102,457	120,035	142,072
<b>Equity Networkh</b>	<b>22,812</b>	<b>31,629</b>	<b>43,247</b>	<b>61,721</b>	<b>74,727</b>	<b>109,100</b>	<b>126,678</b>	<b>148,715</b>
<b>Deposits</b>	<b>79,233</b>	<b>194,224</b>	<b>261,639</b>	<b>359,793</b>	<b>525,846</b>	<b>659,937</b>	<b>844,719</b>	<b>1,081,241</b>
Growth (%)	NA	145%	35%	38%	46%	25.5%	28.0%	28.0%
Borrowings	76,389	86,134	103,353	70,297	59,908	69,313	85,949	104,857
Other liabilities	9,894	14,241	12,670	23,071	29,884	33,769	39,847	47,418
<b>Total Liabilities</b>	<b>188,328</b>	<b>326,228</b>	<b>421,431</b>	<b>515,913</b>	<b>690,778</b>	<b>872,532</b>	<b>1,097,606</b>	<b>1,382,645</b>
Current Assets	17,612	17,402	33,697	47,813	59,285	63,336	65,402	68,764
<b>Investments</b>	<b>30,506</b>	<b>71,617</b>	<b>106,682</b>	<b>108,154</b>	<b>153,065</b>	<b>192,862</b>	<b>239,149</b>	<b>295,588</b>
Growth (%)	41.9	134.8	49.0	1.4	41.5	26.0	24.0	23.6
<b>Loans</b>	<b>133,121</b>	<b>228,187</b>	<b>269,924</b>	<b>346,089</b>	<b>460,953</b>	<b>598,119</b>	<b>771,171</b>	<b>991,674</b>
Growth (%)	103.2	71.4	18.3	28.2	33.2	29.8	28.9	28.6
Net Fixed Assets	3,861	4,470	4,480	4,824	6,226	6,911	7,740	8,359
Other assets	3,227	4,552	6,648	9,033	11,250	11,305	14,145	18,260
<b>Total Assets</b>	<b>188,328</b>	<b>326,228</b>	<b>421,431</b>	<b>515,913</b>	<b>690,778</b>	<b>872,532</b>	<b>1,097,606</b>	<b>1,382,645</b>
<b>Total Assets (incl. off BS)</b>	<b>215,586</b>	<b>340,501</b>	<b>460,437</b>	<b>546,944</b>	<b>708,135</b>	<b>892,944</b>	<b>1,113,345</b>	<b>1,402,883</b>
<b>Asset Quality</b>								
Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
GNPA (INR m)	2,697	4,701	4,578	15,028	9,244	10,498	13,533	16,983
NNPA (INR m)	1,693	2,945	2,173	7,555	2,308	2,831	3,630	4,994
GNPA Ratio	2.0	2.1	1.7	4.3	2.0	1.8	1.8	1.7
NNPA Ratio	1.3	1.3	0.8	2.2	0.5	0.5	0.5	0.5
Slippage Ratio	2.1	2.5	2.5	4.2	3.6	2.0	1.9	1.9
Credit Cost	1.0	0.6	1.0	2.0	0.7	0.3	0.5	0.6
PCR (Excl. Tech. write off)	37.2	37.4	52.5	49.7	75.0	73.0	73.2	70.6

## Financials and valuations

### Ratios

Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield - on IEA</b>	<b>13.1</b>	<b>12.1</b>	<b>12.1</b>	<b>11.2</b>	<b>10.4</b>	11.0	11.6	11.6
Avg. Yield on loans	9.4	11.7	12.4	11.5	11.4	12.2	12.8	12.7
Avg. Cost of funds	7.3	7.4	7.4	6.5	5.3	5.6	6.3	6.3
<b>Spreads</b>	<b>2.1</b>	<b>4.3</b>	<b>5.0</b>	<b>5.0</b>	<b>6.1</b>	6.6	6.5	6.4
<b>NIM (On total assets)</b>	<b>6.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>	<b>5.4</b>	5.7	5.7	5.7
<b>NIM (On IEA)</b>	<b>7.0</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.7</b>	<b>6.0</b>	<b>6.0</b>	<b>5.9</b>

### Capitalization Ratios (%)

CAR	19.3	19.3	22.0	23.4	21.0	24.0	21.4	19.3
Tier I	18.4	16.0	18.4	21.5	19.7	23.1	20.7	18.8
Tier II	0.9	3.4	3.6	1.8	1.3	0.9	0.6	0.4

### Business and Efficiency Ratios (%)

Loan/Deposit Ratio	168.0	117.5	103.2	96.2	87.7	90.6	91.3	91.7
CASA Ratio	26.9	18.5	14.5	23.0	37.3	36.0	36.9	38.0
Cost/Assets	5.3	4.2	3.8	3.5	4.0	4.4	4.3	4.2
Cost/Total Income	56.7	60.0	54.2	43.8	57.1	62.2	61.1	60.0
Cost/Core Income	58.3	60.7	58.1	56.6	59.1	63.5	63.1	62.0
Int. Expense/Int. Income	46.8	54.5	55.5	52.2	45.4	45.1	48.2	48.9
Fee Income/Total Income	26.3	24.4	20.4	15.0	20.1	17.0	16.4	16.7
Non Int. Income/Total Income	29.2	25.6	27.0	37.5	23.5	19.0	19.5	19.8
Investment/Deposit Ratio	38.5	36.9	40.8	30.1	29.1	29.2	28.3	27.3
Emp. Cost/Total Expense	56.5	55.5	53.6	59.1	57.2	56.9	57.0	57.4

### Profitability and Valuations

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
RoE	13.7	14.0	18.0	22.3	16.6	15.6	14.9	16.0
RoA (On bal. Sheet)	2.0	1.5	1.8	2.5	1.9	1.8	1.8	1.8
RoRWA	2.5	2.0	3.0	4.2	3.1	3.1	2.9	2.8
Book Value (INR)	39.9	54.1	71.1	98.8	118.7	164.2	190.7	223.9
Growth (%)	14.2	35.5	31.4	39.0	20.0	38.4	16.1	17.4
<b>Price-BV (x)</b>	<b>15.6</b>	<b>11.5</b>	<b>8.7</b>	<b>6.3</b>	<b>5.2</b>	<b>3.8</b>	<b>3.3</b>	<b>2.8</b>
Adjusted BV (INR)	38.2	51.3	69.5	92.0	116.7	161.9	187.5	219.2
Growth (%)	12.0	34.5	35.4	32.5	26.9	38.7	15.8	16.9
<b>Price-ABV (x)</b>	<b>16.3</b>	<b>12.1</b>	<b>8.9</b>	<b>6.8</b>	<b>5.3</b>	<b>3.8</b>	<b>3.3</b>	<b>2.8</b>
EPS (INR)	5.1	6.6	11.3	19.0	18.0	22.2	26.5	33.2
Adjusted EPS (INR)	5.1	6.6	11.3	19.0	18.0	22.2	26.5	33.2
Growth (%)	-79.5	28.9	71.3	67.9	-5.1	23.3	19.1	25.4
<b>Price-Earnings (x)</b>	<b>121.3</b>	<b>94.1</b>	<b>54.9</b>	<b>32.7</b>	<b>34.5</b>	<b>28.0</b>	<b>23.5</b>	<b>18.7</b>

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