

AU Small Finance Bank

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR708

TP: INR800 (+13%)

Buy

High provisions dent earnings; asset quality deteriorates

Earnings to gain traction in FY25

Bloomberg	AUBANK IN
Equity Shares (m)	667
M.Cap.(INRb)/(USD\$)	473.4 / 5.7
52-Week Range (INR)	813 / 548
1, 6, 12 Rel. Per (%)	-8/-12/-4
12M Avg Val (INR M)	1395

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	44.3	52.1	67.4
PPoP	20.2	25.2	32.9
PAT	14.3	15.8	20.8
NIM (%)	5.6	5.3	5.6
EPS (INR)	22.0	23.7	31.2
EPS Gr. (%)	22.3	7.7	31.5
BV/Sh. (INR)	164	183	214
ABV/Sh. (INR)	162	178	209

Ratios

RoE (%)	15.5	13.7	15.7
RoA (%)	1.8	1.6	1.7

Valuations

P/E(X)	32.1	29.8	22.7
P/BV (X)	4.3	3.9	3.3
P/ABV (X)	4.4	4.0	3.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	25.5	25.5	25.6
DII	20.8	19.6	20.6
FII	41.1	41.7	39.6
Others	12.6	13.6	14.2

FII Includes depository receipts

- AUBANK reported PAT of INR3.75b in 3QFY24 (down 4% YoY, 10% miss), due to higher provisions (up ~4x YoY, 44% beat). NII grew 15% YoY to INR13.25b (in line), while NIMs contracted 6bp QoQ to 5.5%.
- PPoP grew 18% YoY to INR6.6b even as opex grew 25% YoY (5% higher than our estimate). The cost-income ratio, thus, increased to 63% from 61.3% in 2QFY24.
- Advances grew 20% YoY (4% QoQ), led by growth in the wholesale book. However, the card business threw a negative surprise, with a surge in delinquencies and provisioning expenses. Deposits grew strongly by 31% YoY (5.8% QoQ), led by term deposits.
- GNPAs/NNPAs increased 7.6%/18.6% QoQ. Thus, headline GNPA/NNPA ratios deteriorated 7bp/8bp QoQ to 1.98%/0.68%. Credit cost increased to 0.62%. Excluding credit cards, the net credit cost normalized at 0.44%.
- We cut our FY24E/FY25E EPS by 6-7% and estimate FY25 RoA/RoE of 1.7%/15.7%. We retain our **BUY rating with a TP of INR800 (3.4x Sep'25E BV)**.

NIMs compress 6bp QoQ; Provisioning expenses surge

- AUBANK reported 3QFY24 PAT of INR3.75b (4% YoY decline, 10% miss), led by higher provisions of INR1.6b (~4x rise YoY, 44% higher than our estimate).
- Other income grew 52% YoY to INR4.5b (10% beat). PPoP thus grew 18% YoY to INR6.6b (in line). Margins contracted 6bp QoQ to 5.5% and the management expects FY24 margins to be at the lower end of the guided range of 5.5%-5.7%.
- Opex grew 25% YoY (up 8.8% QoQ) as the bank continued to invest in building the franchise. Total income grew 23% YoY (up 6% QoQ), leading to 165bp QoQ increase in the cost-income ratio to 63%.
- Advances grew 20% YoY to INR667b (up 4% QoQ), led by healthy 10.7% QoQ growth in the commercial asset book. The yield on advances, thus, moderated to 13.2%, owing to a change in the business mix; however, the incremental disbursement yield improved 38bp YTD.
- Deposits grew strongly at 31% YoY (5.8% QoQ), led by growth in term deposits. The CASA mix, thus, moderated 90bp QoQ to 33%. The cost of funds rose 20bp QoQ to 6.9%.
- GNPAs/NNPAs increased 7.6%/18.6% QoQ as fresh slippages increased to INR4b (2.9% of loans). GNPA/NNPA ratios thus deteriorated 7bp/8bp QoQ to 1.98%/0.68%. PCR ratio stood at 72% (66% excluding technical w/offes).
- Outstanding restructured loans declined to INR4.7b (0.7% of loans vs. 0.8% in 2QFY24). The bank carries provisions of INR0.83b on its restructured book.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.Sankharva@MotilalOswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

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, Bloomberg, Thomson Reuters, Factset and

Highlights from the management commentary

- The C/I ratio for FY24 is expected to stay flat YoY vs. FY23
- Excluding credit cards, the net credit cost normalized at 0.44% in 3QFY24. As the credit card book attains a size and gets seasoned, its credit cost will normalize and it is currently in line with the industry average.
- Normalized credit cost is expected to be ~0.5%-0.6% going forward.
- The bank has taken cautious steps in unsecured lending, even though this remains a high-yielding and scalable segment. After the merger, the bank wants its MFI book to be ~10% of overall loan book.

Valuation and view

AUBANK reported a mixed quarter as higher provisions dragged down net earnings even as fee/deposit growth stood healthy. Asset quality deteriorated in 3Q, while margins continued to compress and stood at the lower end of the guided range. On the business front, disbursement growth was healthy; however, high securitization affected the growth rate of on-balance sheet advances. Card business threw a negative surprise as delinquencies spiked, leading to an increase in credit costs. The provision coverage improved, while the bank carries tiny contingent reserves of ~INR50m and floating provisions of INR410m. We estimate operating performance to improve after the merger but we remain watchful in the near term. We cut our FY24E/FY25E EPS by 6%/6.5% and estimate FY25 RoA/RoE of 1.7%/15.7%. **Retain BUY with a TP of INR800 (3.4x Sep'25E BV).**

Quarterly performance table (INR m)

	FY23				FY24E				FY23	FY24E	FY24E 3QE	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Interest Income	9,760	10,833	11,527	12,132	12,462	12,490	13,249	13,919	44,253	52,119	13,211	0.3
% Change (Y-o-Y)	34.8	43.8	40.5	29.5	27.7	15.3	14.9	14.7	36.8	17.8	14.6	
Other Income	1,592	2,474	2,949	3,331	3,151	4,255	4,497	4,649	10,345	16,551	4,083	10.1
Total Income	11,352	13,307	14,476	15,463	15,613	16,744	17,746	18,567	54,597	68,671	17,294	2.6
Operating Expenses	7,411	8,319	8,919	9,753	10,153	10,267	11,175	11,922	34,403	43,517	10,646	5.0
Operating Profit	3,941	4,988	5,557	5,709	5,461	6,477	6,571	6,646	20,195	25,154	6,648	-1.2
% Change (Y-o-Y)	-18.2	27.1	21.2	18.4	38.6	29.9	18.2	16.4	11.3	24.6	19.6	
Provisions	384	430	326	409	330	1,143	1,589	1,138	1,548	4,201	1,101	44.4
Profit before Tax	3,557	4,558	5,231	5,300	5,131	5,334	4,981	5,507	18,646	20,953	5,548	-10.2
Tax	878	1,132	1,302	1,054	1,262	1,315	1,229	1,327	4,367	5,134	1,359	-9.6
Net Profit	2,679	3,426	3,928	4,246	3,869	4,018	3,752	4,180	14,279	15,820	4,189	-10.4
% Change (Y-o-Y)	31.8	23.0	30.1	22.7	44.4	17.3	-4.5	-1.6	26.4	10.8	6.6	
Operating Parameters												
Deposit (INR b)	546.3	583.4	611.0	693.6	693.2	757.4	801.2	860.1	693.6	860.1	798.7	
Loan (INR b)	486.5	517.4	556.0	584.2	628.6	641.7	667.4	711.1	584.2	711.1	667.4	
Deposit Growth (%)	47.6	49.4	38.0	31.9	26.9	29.8	31.1	24.0	31.9	24.0	30.7	
Loan Growth (%)	43.3	44.4	38.4	26.7	29.2	24.0	20.0	21.7	26.7	21.7	20.0	
Asset Quality												
GNPA (%)	2.0	1.9	1.8	1.7	1.8	1.9	2.0	2.0	1.7	2.0	2.0	
NNPA (%)	0.6	0.6	0.5	0.4	0.6	0.6	0.7	0.7	0.5	0.7	0.6	
PCR (%)	71.7	71.1	72.1	75.0	69.0	69.1	66.0	66.1	70.8	66.1	70.6	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss (INR m)	FY23				FY24			(INR m)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ	
Net Interest Income	9,760	10,833	11,527	12,132	12,462	12,490	13,249	15	6	
Other Income	1,592	2,474	2,949	3,331	3,151	4,255	4,497	52	6	
Total Income	11,352	13,307	14,476	15,463	15,613	16,744	17,746	23	6	
Operating Expenses	7,411	8,319	8,919	9,753	10,153	10,267	11,175	25	9	
Employee	3,940	4,513	4,652	4,825	5,070	5,120	5,287	14	3	
Others	3,471	3,806	4,267	4,928	5,082	5,147	5,887	38	14	
Operating Profits	3,941	4,988	5,557	5,709	5,461	6,477	6,571	18	1	
Provisions	384	430	326	409	330	1,143	1,589	387	39	
PBT	3,557	4,558	5,231	5,300	5,131	5,334	4,981	-5	-7	
Taxes	878	1,132	1,302	1,054	1,262	1,315	1,229	-6	-7	
Adj. PAT	2,679	3,426	3,928	4,246	3,869	4,018	3,752	-4	-7	
PAT	2,679	3,426	3,928	4,246	3,869	4,018	3,752	-4	-7	
Balance Sheet (INRb)										
Loans	487	517	556	584	629	642	667	20	4	
Deposits	546	583	611	694	693	757	801	31	6	
Total Assets	710	779	807	902	916	960	1,012	25	5	
Asset Quality										
GNPA	9,696	9,967	10,189	9,813	11,212	12,448	13,397	31	8	
NNPA	2,748	2,882	2,846	2,452	3,471	3,847	4,562	60	19	
AUM Mix (%)										
Retail	118.6	121.2	120.8	124.0	124.2	122.8	128.3	746	553	
Wheels	36.4	36.2	34.6	32.2	33.1	31.9	30.1	-445	-176	
Secured MSME	33.9	33.0	32.1	31.3	29.9	28.6	28.4	-369	-17	
Wholesale	18.6	20.6	20.3	24.0	24.2	22.8	28.3	795	552	
NBFC	3.6	3.6	4.1	4.3	3.7	3.9	4.1	-5	14	
RE Group	1.7	1.8	1.9	2.1	2.0	2.1	2.3	42	19	
Business Banking	6.6	7.4	7.8	8.4	8.7	9.4	10.1	231	63	
Ratios (%)										
				FY23				FY24	Change (bp)	
Asset Quality Ratios (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ	
GNPA (%)	2.0	1.9	1.8	1.7	1.8	1.9	2.0	17	7	
NNPA (%)	0.6	0.6	0.5	0.4	0.6	0.6	0.7	17	8	
PCR (Reported, %)	72	71	72	75	69	69	72	-10	300	
Business Ratios (%)										
Non Int. to Total Income	14.0	18.6	20.4	21.5	20.2	25.4	25.3	497	-7	
Cost to Income	65.3	62.5	61.6	63.1	65.0	61.3	63.0	136	165	
CASA (Reported)	39.0	42.0	38.0	38.4	35.0	33.9	33.0	-500	-90	
CASA (incl CD's)	38.8	42.3	38.4	38.4	35.0	33.9	33.0	-541	-88	
Loan/Deposit	89.1	88.7	91.0	84.2	90.7	84.7	83.3	-770	-142	
Profitability Ratios										
Margins	5.9	6.2	6.2	6.1	5.7	5.5	5.5	-70	0	
Yield on AUM	13.3	13.3	13.4	13.4	13.4	13.3	13.2	-20	-10	
Cost of funds	5.7	5.8	6.0	6.3	6.6	6.7	6.9	93	20	
RoA	1.5	1.8	2.0	2.0	1.7	1.7	1.5	-50	-20	
RoE	14.0	15.3	15.2	15.8	13.8	13.9	12.5	-270	-140	



Highlights from the management commentary

Balance sheet and P&L

- Deposit repricing continued, and the cost of funds rose by 20bp QoQ to 6.90% with average CoF of 6.74% as of 9MFY24.
- The bank has maintained LCR in the range of 120%+, with additional liquidity in high-quality non-LCR instruments.
- The bank has brought down the CD ratio to 83%. CASA+RTD stood at 64% of total deposits.
- Gross advances grew 20% YoY and were marginally lower due to a high base effect as there was no major securitization in 3QFY23. However, securitization picked up in Mar'23 and thus the base effect for gross advance growth will normalize from the next quarter.
- The bank has created a new banking unit, Swadesh, to focus on rural areas.
- The bank securitized INR27.4b of loans in 3Q across Wheels and Home loans. The total securitized book stood at INR85.5b as on 3QFY24. Last year's securitization was recognized in the current year.
- The bank has seen a sustainable growth, with deposits crossing INR800b; loan portfolio, gross of securitized assets, crossing INR750b, and the balance sheet crossing INR1t.
- The cost of funds increased by 77bp in 9MFY24 and 20bp in 3Q. Disbursement yield increased by 38bp YTD.
- Differential between home loan yield and credit card yield stands at 40bp.
- It has diversified away from the fixed-rate loan book to achieve a 62:38 ratio of the fixed rate and floating rate loans, which will help the bank manage the cycles better and reduce earnings volatility.
- Apart from investments in digital initiatives and wealth and transaction banking, 3Q saw an increased spending on brand and marketing in the festive season.
- The bank has taken cautious steps on Unsecured lending (4–5%), even though it is a high-yielding and scalable segment. After the merger, the bank wants its MFI book to be ~10% of overall loan book.
- A higher percentage of the fixed-rate book will help the bank increase its margins once the interest rate cycle reverses.
- Interest rates remain elevated amid persistent competition for deposits.
- The bank remains confident about its liquidity, with highly liquid non-SLR book and LCR ratio at 123%.
- The entire portfolio of two-wheeler and personal car is now migrated to the SFDC + FICO platform.
- Excluding securitized book, NIM moderated 30bp in the current quarter. However, including the securitized book, NIM stood at 5.5% in 3Q.
- Overall issuance to NTB customers stands at ~75%. It added more than 16k wealth customers during the quarter.
- Yield are down on credit card book as there is a regulation that the bank cannot charge interest on interest.
- 45% of new customers in Q3FY24 were acquired via digital products. Credit card business will support the bank's liability business.
- Merger with Fincare SFB is on track and has received CCI approval earlier this week. The bank is awaiting approval from the RBI.

- Operating expenses on new investments are largely related to credit cards, which account for ~50-60% of overall growth in expenses. The bank expects these expenses to remain similar going forward.
- The bank avoided partnerships with fintech firms for digital lending and piloted its own digital products and services.

Asset quality

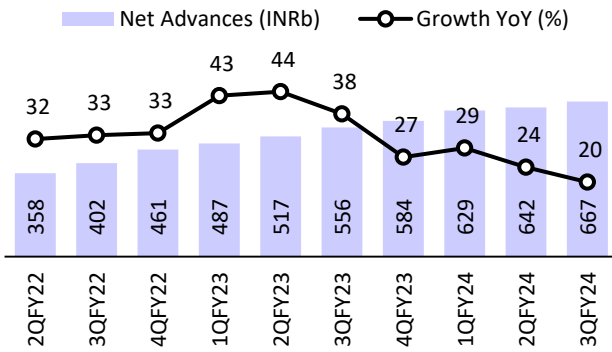
- Credit costs, net of recovery, for the quarter normalized at 61bp as the bank wrote off INR1.2b of its portfolio in 3QFY24.
- Asset quality remained range-bound with no specific pockets of stress or any EWS.
- SMA book declined by ~250bp over the last 18 months, reflecting de-risking of the portfolio – from 14.49% in Jun'22 to 11.95% as of Dec'23.
- Excluding credit cards, the net credit cost normalized to 0.44% in 3Q. As the credit card book attains a size and gets seasoned, the credit cost will normalize and it is currently in line with the industry average.
- The GNPA ratio increased by 7bp in 3Q to 1.98%. Adjusting for the securitized book, it was at 1.83%.
- Standard restructured assets declined to 0.7% of gross advances. Provision + write-offs on credit cards stood at INR450m.
- The bank has INR830m of provisions against contingency and standard restructured assets, and INR410m of floating provisions.
- The bank has INR0.83b of contingency and standard restructured assets.

Guidance

- NIM is expected to be at the lower end of the guided range of 5.5%- 5.7% for FY24.
- The C/I ratio for FY24 is expected to stay flat YoY vs. FY23
- AUSFB expects loan growth to be ~26-27% YoY by the end of FY24.
- Normalized credit cost is expected to be ~0.5%-0.6% going forward. Once the merger happens, the bank expects a credit cost of 3% in the MFI book.

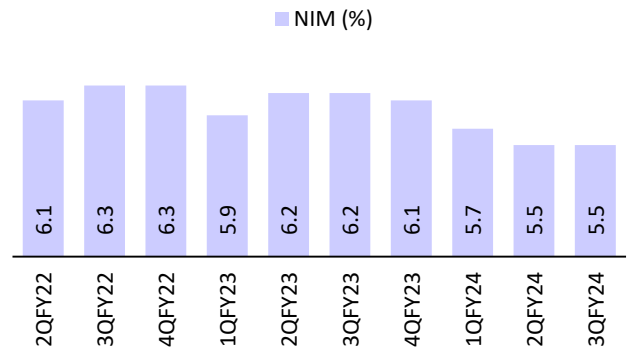
Story in charts

Exhibit 1: Net advances grew 20% YoY to INR667b



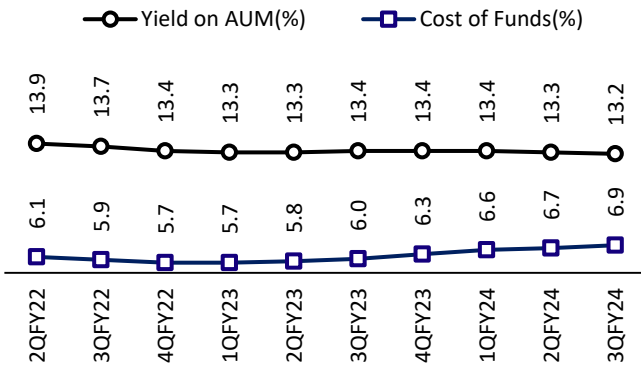
Source: Company, MOFSL

Exhibit 2: Margins stood at 5.5% in 3QFY24



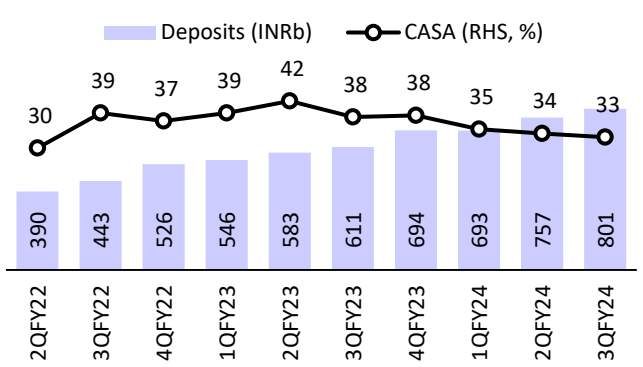
Source: Company, MOFSL

Exhibit 3: Yields on gross advances moderated 10bp QoQ, while cost of funds increased 20bp QoQ



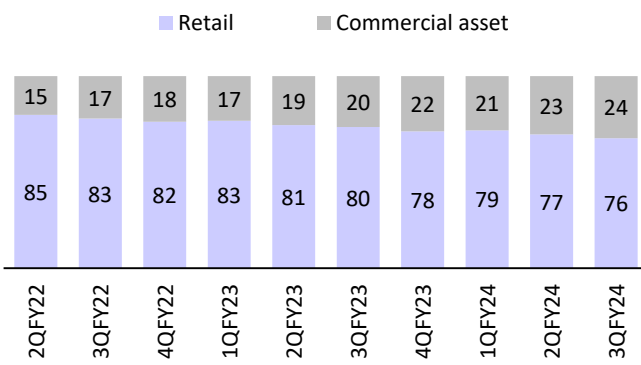
Source: Company, MOFSL

Exhibit 4: Healthy traction in deposit mobilization (~31% YoY); CASA ratio moderates to 33%



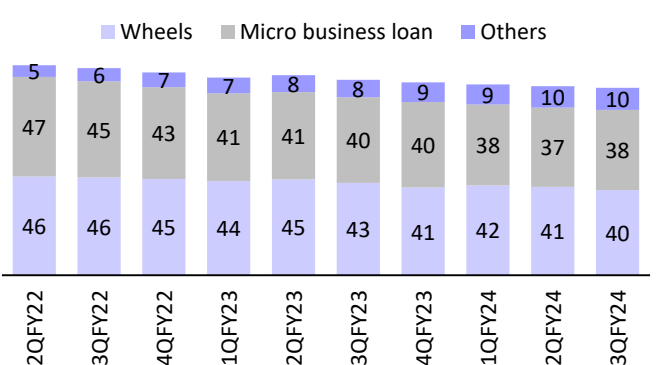
Source: Company, MOFSL

Exhibit 5: Retail mix share moderated to ~76%



Source: Company, MOFSL

Exhibit 6: Vehicles and Micro loans form ~78% of retail loans



Source: Company, MOFSL

Exhibit 7: DuPont Analysis | Expect return ratios to remain healthy

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	11.46	11.46	10.56	9.81	10.30	11.00	11.67	11.55
Interest Expense	6.24	6.36	5.51	4.45	4.75	5.74	6.11	5.95
Net Interest Income	5.22	5.11	5.05	5.36	5.56	5.26	5.57	5.61
Core Fee and Secu. Inc	1.71	1.43	1.21	1.41	1.35	1.45	1.46	1.45
Non-Interest income	1.80	1.89	3.03	1.65	1.30	1.67	1.68	1.68
Total Income	7.01	7.00	8.08	7.01	6.85	6.93	7.25	7.28
Operating Expenses	4.21	3.79	3.54	4.00	4.32	4.39	4.53	4.50
Employee cost	2.34	2.03	2.09	2.29	2.25	2.13	2.12	2.04
Others	1.87	1.76	1.45	1.71	2.07	2.26	2.42	2.46
Operating Profits	2.81	3.20	4.54	3.01	2.54	2.54	2.72	2.78
Core operating Profits	2.72	2.74	2.72	2.77	2.59	2.32	2.50	2.56
Provisions	0.55	0.76	1.43	0.60	0.19	0.42	0.43	0.44
NPA	0.29	0.17	1.36	0.19	0.31	0.38	0.40	0.41
Others	0.26	0.58	0.07	0.40	-0.12	0.04	0.03	0.03
PBT	2.25	2.44	3.11	2.41	2.34	2.11	2.29	2.34
Tax	0.77	0.64	0.61	0.54	0.55	0.52	0.57	0.58
RoA	1.48	1.81	2.50	1.87	1.79	1.60	1.72	1.76
Leverage (x)	9.5	10.0	8.9	8.8	8.7	8.6	9.2	9.7
RoE	14.0	18.0	22.3	16.6	15.5	13.7	15.7	17.0

Source: MOFSL, Company

Financials and valuations

Income Statement								(INRm)
Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	29,488	42,859	49,501	59,217	82,054	1,08,982	1,41,294	1,73,954
Interest Expense	16,064	23,769	25,846	26,876	37,801	56,863	73,918	89,537
Net Interest income	13,425	19,089	23,654	32,341	44,253	52,119	67,376	84,417
Growth (%)	42.7	42.2	23.9	36.7	36.8	17.8	29.3	25.3
Other Income	4,620	7,061	14,209	9,937	10,345	16,551	20,358	25,244
Total Income	18,045	26,150	37,864	42,278	54,597	68,671	87,734	1,09,661
Growth (%)	35.8	44.9	44.8	11.7	29.1	25.8	27.8	25.0
Operating Expenses	10,826	14,179	16,584	24,128	34,403	43,517	54,869	67,781
Growth (%)	43.8	31.0	17.0	45.5	42.6	26.5	26.1	23.5
Operating Profits	7,219	11,972	21,279	18,150	20,195	25,154	32,865	41,881
Growth (%)	25.3	65.8	77.7	-14.7	11.3	24.6	30.7	27.4
Core Operating Profits	6,998	10,246	12,737	16,721	20,638	23,017	30,201	38,518
Growth (%)	30.1	46.4	24.3	31.3	23.4	11.5	31.2	27.5
Total Provisions	1,418	2,832	6,694	3,610	1,548	4,201	5,192	6,588
% to operating income	19.6	23.7	31.5	19.9	7.7	16.7	15.8	15.7
PBT	5,801	9,140	14,585	14,541	18,646	20,953	27,672	35,293
Tax	1,984	2,392	2,878	3,242	4,367	5,134	6,863	8,753
Tax Rate (%)	34.2	26.2	19.7	22.3	23.4	24.5	24.8	24.8
PAT	3,818	6,748	11,707	11,298	14,279	15,820	20,810	26,540
Growth (%)	30.7	76.8	73.5	-3.5	26.4	10.8	31.5	27.5
Adj. PAT	3,818	5,962	6,002	11,298	14,279	15,820	20,810	26,540
Growth (%)	30.7	56.2	0.7	88.2	26.4	10.8	31.5	27.5
Balance Sheet								
Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	5,847	6,082	6,244	6,298	6,667	6,667	6,667	6,667
Reserves & Surplus	25,782	37,164	55,477	68,429	1,02,666	1,15,152	1,35,961	1,62,502
Equity Networkh	31,629	43,247	61,721	74,727	1,09,333	1,21,819	1,42,629	1,69,169
Deposits	1,94,224	2,61,639	3,59,793	5,25,846	6,93,650	8,60,126	10,83,759	13,65,536
Growth (%)	145%	35%	38%	46%	32%	24.0%	26.0%	26.0%
Borrowings	86,134	1,03,353	70,297	59,908	62,987	56,688	65,191	76,925
Other liabilities	14,241	12,670	23,071	29,884	35,751	40,757	48,908	58,689
Total Liabilities	3,26,228	4,21,431	5,15,913	6,90,778	9,02,161	10,79,830	13,40,926	16,70,760
Current Assets	17,402	33,697	47,813	59,285	94,252	56,014	61,512	67,663
Investments	71,617	1,06,682	1,08,154	1,53,065	2,00,720	2,87,030	3,58,787	4,43,461
Growth (%)	134.8	49.0	1.4	41.5	31.1	43.0	25.0	23.6
Loans	2,28,187	2,69,924	3,46,089	4,60,953	5,84,215	7,11,133	8,96,245	11,38,277
Growth (%)	71.4	18.3	28.2	33.2	26.7	21.7	26.0	27.0
Net Fixed Assets	4,470	4,480	4,824	6,226	7,401	8,512	9,533	10,677
Other assets	4,552	6,648	9,033	11,250	15,573	17,141	14,850	10,682
Total Assets	3,26,228	4,21,431	5,15,913	6,90,778	9,02,161	10,79,830	13,40,926	16,70,760
Total Assets (incl. off BS)	3,40,501	4,60,437	5,46,944	7,08,135	9,09,526	11,76,802	14,51,698	17,97,235
Asset Quality								
FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	
GNPA (INR m)	4,701	4,578	15,028	9,244	9,813	14,092	15,792	19,071
NNPA (INR m)	2,945	2,173	7,555	2,308	2,862	4,774	4,913	5,353
GNPA Ratio	2.1	1.7	4.3	2.0	1.7	2.0	1.8	1.7
NNPA Ratio	1.3	0.8	2.2	0.5	0.5	0.7	0.5	0.5
Slippage Ratio	2.5	2.5	4.2	3.6	2.4	2.1	2.0	2.0
Credit Cost	0.6	1.0	2.0	0.7	0.3	0.6	0.6	0.6
PCR (Excl Tech. write off)	37.4	52.5	49.7	75.0	70.8	66.1	68.9	71.9

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Yield and Cost Ratios (%)								
Avg. Yield - on IEA	12.1	12.1	11.2	10.7	11.7	12.2	12.5	12.2
Avg. Yield on loans	11.7	12.4	11.5	11.4	12.8	13.0	12.9	12.7
Avg. Cost of funds	7.4	7.4	6.5	5.3	5.6	6.8	7.2	6.9
Spreads	4.3	5.0	5.0	6.1	7.2	6.2	5.7	5.8
NIM (On total assets)	5.2	5.1	5.0	5.4	5.6	5.3	5.6	5.6
NIM (On IEA)	5.5	5.4	5.3	5.9	6.3	5.8	6.0	5.9

Capitalization Ratios (%)

CAR	19.3	22.0	23.4	21.0	23.6	21.9	20.0	18.5
Tier I	16.0	18.4	21.5	19.7	21.8	20.6	19.0	17.8
Tier II	3.4	3.6	1.8	1.3	1.8	1.3	1.0	0.7

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	117.5	103.2	96.2	87.7	84.2	82.7	82.7	83.4
CASA Ratio	18.5	14.5	23.0	37.3	38.4	32.3	31.6	33.5
Cost/Assets	4.2	3.8	3.5	4.0	4.3	4.4	4.5	4.5
Cost/Total Income	60.0	54.2	43.8	57.1	63.0	63.4	62.5	61.8
Cost/Core Income	60.7	58.1	56.6	59.1	62.5	65.4	64.5	63.8
Int. Expense/Int. Income	54.5	55.5	52.2	45.4	46.1	52.2	52.3	51.5
Fee Income/Total Income	24.4	20.4	15.0	20.1	19.8	21.0	20.2	20.0
Non Int. Income/Total Income	25.6	27.0	37.5	23.5	18.9	24.1	23.2	23.0
Investment/Deposit Ratio	36.9	40.8	30.1	29.1	28.9	33.4	33.1	32.5
Empl. Cost/Total Expense	55.5	53.6	59.1	57.2	52.1	48.6	46.7	45.3

Profitability and Valuations

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
RoE	14.0	18.0	22.3	16.6	15.5	13.7	15.7	17.0
RoA (On bal Sheet)	1.5	1.8	2.5	1.9	1.8	1.6	1.7	1.8
RoRWA	2.0	3.0	4.2	3.1	2.9	2.7	2.8	2.8
Book Value (INR)	54.1	71.1	98.8	118.7	164.0	182.7	213.9	253.7
Growth (%)	35.5	31.4	39.0	20.0	38.2	11.4	17.1	18.6
Price-BV (x)	13.1	9.9	7.2	6.0	4.3	3.9	3.3	2.8
Adjusted BV (INR)	51.3	69.5	92.0	116.7	161.6	178.4	209.4	248.8
Growth (%)	34.5	35.4	32.5	26.9	38.5	10.3	17.4	18.8
Price-ABV (x)	13.8	10.2	7.7	6.1	4.4	4.0	3.4	2.8
EPS (INR)	6.6	11.3	19.0	18.0	22.0	23.7	31.2	39.8
Adjusted EPS (INR)	6.6	11.3	19.0	18.0	22.0	23.7	31.2	39.8
Growth (%)	28.9	71.3	67.9	-5.1	22.3	7.7	31.5	27.5
Price-Earnings (x)	107.1	62.5	37.2	39.2	32.1	29.8	22.7	17.8

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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

Disclosures

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

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

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

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

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

Regional Disclosures (outside India)

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

For Hong Kong:

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

For U.S.

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

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

For Singapore

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

Specific Disclosures

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

The associates of MOFSL may have:

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

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

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

Analyst Certification

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

Terms & Conditions:

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

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dp grievances@motilaloswal.com.