

AU SMALL FINANCE BANK LIMITED

Driving Growth with Resilient Asset Quality and Expanding Reach

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Investment rationale

AU Small Finance Bank (AU) well-diversified loan portfolio, with a focus on high-yield segments like vehicle finance and MSME loans, is likely to drive advances and interest income growth going forward. The growing deposit bases in the high-interest rate environment have increased the funding costs; however, CASA improvements and possibility of rate cut might help in offsetting the impact. As a result, margins are expected to remain range bound further aided by cost efficient measures. In addition, despite ongoing stress in the unsecured portfolio, the bank's prudent underwriting practices and secured lending model ensured healthy asset quality, with stable GNPA and NNPA. Moreover, the bank's strategic acquisition and application for universal bank license would likely help in expanding its reach and gaining market share, thus maintaining the growth momentum. Hence, with the recent stock price correction we initiate our coverage with a BUY rating on the stock, based on 2.4x FY27E BVPS with a target price of ₹730.

Asset quality continues to remain stable

GNPA and NNPA stood at 1.98% and 0.75% respectively, as on Q2FY25 as compared to 1.91% and 0.60% respectively, as on Q2FY24. While there has been increase in the slippages due to seasonality in secured portfolio and ongoing stress in unsecured portfolio, the bank has continued to maintain robustness in asset quality mainly due to 1) the secured and small ticket nature of asset book & 2) consistent asset quality of vintage businesses- vehicle finance and MBL. Additionally, the ongoing stress in the unsecured portfolio due to overleveraging of customers is likely to affect asset quality in the short term. As a result, the bank's credit costs are expected to remain elevated in the short term. Nevertheless, in the long term we expect the bank's asset quality to remain strong owing to tightening underwriting, strengthening collection teams, and economic recovery.

Strong operational performance to boost profitability

AU has maintained strong profitability record with profit after tax (PAT) growing at CAGR of 22.8% for FY20-24. In Q2FY25, PAT increased 42.1% YoY to ₹5.7 bn (+13.7% QoQ). This growth was mainly due to 58.1% YoY increase in net interest income (NII) to ₹19.7 bn (+3.8% QoQ), driven by increase in high yielding loans and acquisition of Fincare's asset base. In effect, net interest margin (NIM) expanded 50 bps YoY to 6.1%.

Key Financials (₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Loans & Advances	5,84,215	7,31,627	10,41,105	13,59,683	16,86,006
Net Interest Income	44,253	51,571	76,107	1,01,902	1,27,997
PPP ex Except. Items	20,195	24,382	39,458	52,152	64,379
Reported Profits	14,279	15,347	21,058	28,517	36,561
Earnings Per Share(₹)	21.4	22.9	28.3	38.4	49.2
P/E (x)	27.6	25.8	20.9	15.4	12.0
Adj. BV (₹)	162.1	183.8	220.1	258.5	307.7
P/ABV (x)	3.6	3.2	2.7	2.3	1.9
Gross NPAs Ratio (%)	1.7	1.7	2.0	1.9	1.7
Adj. RoA (%)	1.8	1.4	1.6	1.7	1.7
Adj. RoE (%)	15.5	11.8	14.5	15.8	17.2

BUY

Current Market Price (₹)	591
12M Price Target (₹)	730
Potential upside (%)	24

Stock Data

Sector :	Banking
Face Value (₹) :	10
Total Market Cap (₹ bn) :	440
Free Float Market Cap (₹ bn) :	331
52-Week High / Low (₹) :	813 / 554
BSE Code / NSE Symbol :	540611 / AUBANK
Bloomberg :	AUBANK IN

Shareholding Pattern

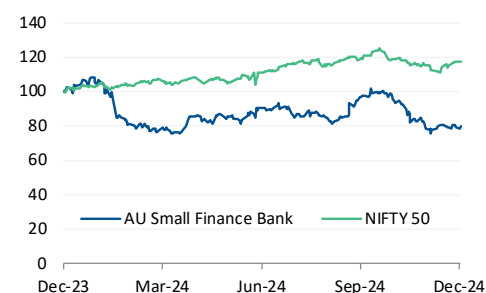
(%)	Sep-24	Jun-24	Mar-24	Dec-23
FPIs	40.72	39.58	35.47	41.12
Promoter	22.90	22.92	22.93	25.46
MFs	15.54	12.45	13.09	11.71
Insurance	3.26	2.79	2.55	3.52
AIFs	1.33	3.20	5.48	5.58
Others	16.25	19.06	20.48	12.61

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
AUBANK	1.8%	-17.7%	-11.7%	-20.1%
Nifty 50	1.9%	-1.7%	5.8%	17.2%

* To date / current date : December 10, 2024

AU Small Finance Bank vs Nifty 50

Also, the bank's non-interest income grew 49.9% YoY to ₹6.4 bn (+16.9% QoQ), aided by higher fee income and treasury gains. Moreover, the bank has been able to control costs with cost to income (C/I) ratio at 57% (vs. 61% in Q2FY24), supported by higher operating efficiency, moderation in overhead costs and lower acquisition in credit cards. Therefore, we expect this momentum to continue, and the bank to maintain PAT CAGR growth of 24.2% for FY24-27E.

Exhibit 1: Result Table

(₹ mn)	Q2FY25	Q2FY24	% yoy / bps	Q1FY25	% qoq / bps	H1FY25	H1FY24	% yoy / bps
Interest Inc.	39,106	25,311	54.5	37,690	3.8	76,797	49,894	53.9
Interest Expenses	19,363	12,821	51.0	18,485	4.7	37,847	24,942	51.7
Net Interest Income	19,744	12,490	58.1	19,206	2.8	38,949	24,952	56.1
<i>NIM (%)</i>	6.1	5.5	60	6.0	10	6.1	5.6	50
Other Income - Total	6,380	4,255	49.9	5,457	16.9	11,836	7,406	59.8
Net Operating Revenue	26,123	16,744	56.0	24,662	5.9	50,786	32,358	57.0
Employee Expenses	7,855	5,120	53.4	7,901	(0.6)	15,756	10,191	54.6
Other Opex	6,951	5,147	35.0	6,880	1.0	13,830	10,230	35.2
Total Opex	14,806	10,267	44.2	14,781	0.2	29,587	20,420	44.9
<i>Cost to Income Ratio (%)</i>	56.7	61.3	(464)	59.9	(326)	58.3	63.1	(485)
Pre Provision Profits	11,318	6,477	74.7	9,881	14.5	21,199	11,937	77.6
Exceptional Profit (Loss)	-	-	-	-	-	-	-	-
PPP ex Except. Items	11,318	6,477	74.7	9,881	14.5	21,199	11,937	77.6
Provisions & Contingencies - Total	3,730	1,143	226.3	3,192	16.8	6,922	1,473	370.0
NPA Provisions as % Operating Income	33.0	17.6	1,531	32.3	65	32.7	12.3	2,031
Profit Before Tax	7,588	5,334	42.3	6,689	13.4	14,277	10,464	36.4
Tax	1,876	1,315.5	42.6	1,663	12.8	3,539	2,577	37.3
<i>Effective Tax Rate (%)</i>	24.7	24.7	6	24.9	(15)	24.8	24.6	16
Reported Profits	5,712	4,018	42.2	5,026	13.7	10,738	7,887	36.1
Basic EPS	7.7	6.0	27.6	6.8	13.4	14.5	11.8	22.3

Source: Company, LKP Research

Exhibit 2: Asset Quality Analysis

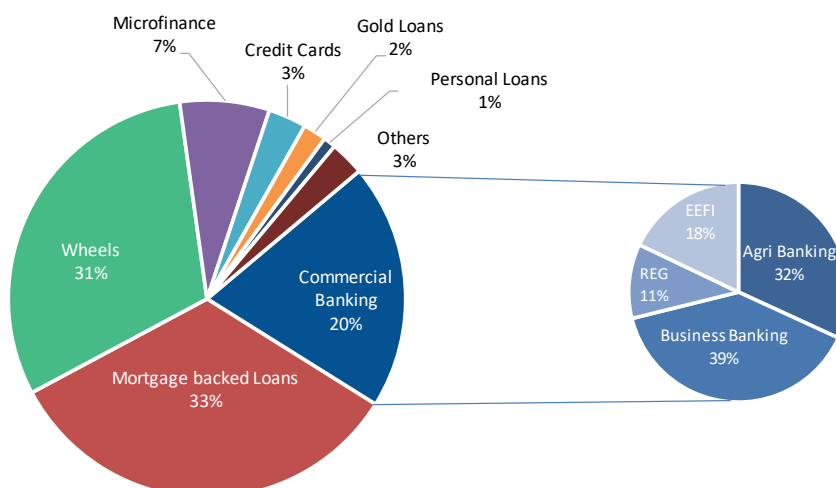
(₹ mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Total Slippages	2,310	1,910	3,170	3,490	4,030	2,960	7,428	7,360
Slippages Ratio (%)	0.50	0.41	0.54	0.60	0.69	0.51	1.02	1.01
Gross NPA	10,189	9,813	11,212	12,448	13,397	12,374	16,132	19,017
Gross NPAs Ratio (%)	1.81	1.66	1.76	1.91	1.98	1.67	1.78	1.98
PCR - Calculated (%)	72.1	75.0	69.0	69.1	66.0	67.6	65.1	62.8
PCR - Inc. Tech w/o (%)	72.0	75.0	73.0	73.0	72.0	76.0	84.0	82.0
Net NPA	2,846	2,452	3,471	3,847	4,562	4,010	5,626	7,067
Net NPAs Ratio (%)	0.51	0.42	0.55	0.60	0.68	0.55	0.63	0.75

Source: Company, LKP Research

Well-diversified portfolio to drive robust loan growth

AU witnessed 47.7% YoY growth in advances to ₹969.3 bn in Q2FY25, mainly driven by strong performance in secured portfolio including vehicle loans, micro business loans (MBL), home loans (HL) and commercial banking. We remain positive on the management's guidance on achieving ~25% annual growth rate for next three years, supported by focus on growing its high ROA assets and leveraging the expanded distribution network.

Exhibit 3: Well diversified, predominantly retail asset book



Source: Company, LKP Research

- **Vehicle loans (~31% of loan book) – Driving growth across India**

AU's vehicle financing segment (Wheels) is a cornerstone of its operations, with a strong focus on used vehicle loans—a high-margin niche where it enjoys a competitive advantage. In FY24, the wheels gross advances grew by 18.1% YoY to ₹224.6 bn. The average ticket size (ATS) on the loan portfolio is ₹0.3 mn. As of Q2FY25, the gross advances stood at ₹255 bn. Its loan offerings span over used and new cars, multi-utility vehicle (MUV), sports utility vehicle (SUV), light commercial vehicle (LCV), medium and heavy commercial vehicle (MHCV), construction equipment (CE), tractors, two and three-wheelers, and refinancing, emphasizing secured lending with vehicles as collateral to mitigate risks. With its strong foothold in underpenetrated markets and focus on evolving opportunities, AU is well-positioned for sustained growth in Wheels on the back of rising rural incomes, increasing vehicle ownership, and expanding infrastructure that boosts demand for logistics and transport vehicles. Additionally, the bank is actively targeting expansion in the South Indian market for vehicle loans, leveraging Fincare's established presence and higher prevailing yields in the region.

- **Micro business loans (~25% of loan book) – Fueling India's micro businesses**

The bank's micro business loan (MBL) segment focuses on catering to micro, small, and medium enterprises (MSME) in semi-urban and rural areas—businesses that are often underserved by traditional financial institutions (for example grocery/kirana stores, dairy/cattle rearing and hotel/restaurants). In FY24, the MBL gross advances grew by 10.9% YoY to ₹205.5 bn. The ATS on the loan portfolio is ₹1.5 mn. As of Q2FY25, gross advances stood at ₹243.4 bn.

The bank's deep penetration into tier 2 and tier 3 cities enables it to identify and address the unique needs of informal and first-time borrowers, many of whom have irregular income streams and lack documented credit histories. AU compensates for this through its strong relationship-based lending model, relying on localized teams that conduct field visits and assess borrower's cash flows and business potential. The sector presents significant growth opportunities, driven by increasing entrepreneurship in smaller towns, rising disposable incomes, and greater formalization of the economy. Further, the huge credit gap and reluctance of private banks to extend loans without proper documentation for low ATS bodes well for AU, given its robust underwriting practices, geographic specialization, and tailored offerings.

- **Home loan (~9% of loan book) – On a way for calibrated approach**

Home loan (HL) is a relatively new business unit, operating since 2017 mainly provides affordable housing solutions to retail customers. AU provides a full suite of HL products, including home/flat purchase, take-over, self-construction, extension/renovation, and top-up with ATS of ₹1.1mn and an average EMI being ₹12,729 in tier2, tier 3 and tier 4 cities. In FY24, gross advances rose 37.8% YoY to ₹59 bn, with high manpower productivity and improved operational leverage. Within the category, 58% loans are provided to self-employed customers demonstrating expertise in informal income group, coupled with robust underwriting and secured lending practices, ensuring low credit risk and healthy asset quality. Nevertheless, the bank has adopted calibrated approach towards HL business by shifting its focus to MBL due to competitive intensity in the market. This shift is based on the bank's observation that MBLs offer a higher ROA potential while operating in similar market conditions and requiring similar operational capabilities as HL.

- **Commercial business (~20% of loan book)**

AU's business banking division focuses on small and medium enterprises (SMEs) and mid-sized corporate clients. It provides working capital facilities (Overdraft, Cash Credit, Letter of Guarantee, Bank Guarantee) and long-term facilities (Term Loans) to wholesalers, retailers, traders, manufacturers, service providers, contractors, distributors, educational institutes, and healthcare enterprises in the market. The business contributes ~8% of loan book and recorded 47% YoY growth to ₹73 bn in FY24 with GNPA ratio at 0.5%, driven by improved operational efficiencies.

The agri-banking division caters to farmers, agri-entrepreneurs, and businesses operating in the agricultural value chain. Products include crop loans, farm equipment financing, dairy loans, and working capital for agri-input dealers and traders. The bank also finances allied activities such as poultry, fisheries, and food processing. The business with ~6% of loan book reached ₹59.5 bn (+48.9% YoY) portfolio mark, with GNPA ratio at 0.3%.

The Real Estate Group (REG) (~2% of loan book) caters to the credit needs of the developers who specifically operate in either small-scale projects (up to two towers) or affordable and mid-housing segments. In FY24, the business's loan portfolio stood at ₹19.3 bn (vs. ₹12.4 bn in FY23) with 0.1% GNPA ratio.

Over the past 10 years, AU has established a strong presence in the NBFC lending industry through a customer-centric approach and robust underwriting capabilities. NBFC business has been expanded to include emerging enterprises which has been renamed as Emerging Enterprises & Financial Institutions Group (EEFI). The business includes 194 NBFCs across more than 15 States and Union Territories contributing ~4% of loan book. In FY24, the business's loan portfolio stood at ₹29.7 bn (vs. ₹25.5 bn in FY23) with 0.3% GNPA ratio.

- **Other loans – Microfinance, Credit cards, Personal loans**

Loan products such as credit cards, gold loans, personal loans constitute for small portion of total loan portfolio 3.1%, 1.9%, 1%, respectively. However, the recent merger with Fincare SFB has diversified the bank's product portfolio by adding microfinance lending which constitutes ~7% of loan book. As of Q2FY25, the business's gross advances stood at ₹72.2 bn with 2.3% GNPA ratio.

Building strong liability franchise

The key strategy to build strong liability franchise is to attract and sustain a stable, cost-efficient deposit base, which is essential for funding lending activities. AU has delivered differentiation in liability products through simplified processes, monthly interest payments, video KYC and account opening, Whatsapp account opening, etc. This has aided improvement in the share of retail deposits to 68%, further supported by higher deposit rate scenario, with total deposits at ₹1,096.9 bn. The share of CASA has been volatile as a percentage of total deposits, but it has increased at 10% CAGR over the last 3 years. This CASA growth contributed to a healthy CASA ratio of 32%, further aiding the bank's stable and low-cost funding base. The growth in deposits and a favorable CASA mix enabled the bank to improve its cost of funds guidance for FY25. The expected cost of funds was revised downward from the initial range of 7.20%-7.25% to 7.10%-7.15%.

Exhibit 4: Loan Book/ AUM Analysis

(₹ mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Wheels	1,94,810	1,90,230	2,10,530	2,07,380	2,03,750	2,24,610	2,42,150	2,55,020
SBL-MSME	1,80,980	1,85,350	1,90,210	1,86,020	1,92,310	2,05,520	2,35,540	2,43,460
Home loans	36,950	42,830	46,980	50,690	53,060	59,020	81,880	86,780
Business Banking	43,700	49,690	55,100	61,340	68,060	73,040	75,260	82,800
Agriculture-SME	34,460	39,980	43,350	47,570	53,370	59,530	63,040	66,880
SME (Small & Medium Entp)	2,760	2,480	2,290	2,100	1,850	1,650	1,540	1,430
NBFCs	23,130	25,510	23,610	25,470	26,970	29,720	31,670	37,310
REG	10,500	12,400	12,520	13,620	15,460	19,340	20,870	23,260
Others	36,070	22,000	25,630	26,010	26,080	28,320	26,570	28,040
Credit card	-	14,680	19,280	22,650	27,400	30,580	32,090	32,950
Personal loan	-	6,420	6,860	7,440	7,940	8,660	9,110	10,350
Microfinance	-	-	-	-	-	-	69,400	72,210
Gold loans	-	-	-	-	-	-	17,900	19,840
Gross Advances	5,63,360	5,91,570	6,36,360	6,50,290	6,76,250	7,39,990	9,07,020	9,60,330
RoA (%)	2.0	2.0	1.7	1.8	2.0	1.4	1.7	1.8

Source: Company, LKP Research

Exhibit 5: Funding Profile Analysis

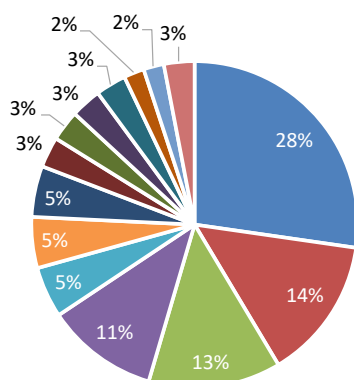
(₹ mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest Bearing Liabilities - Total	6,72,920	7,56,636	7,69,520	8,10,870	8,55,340	9,26,615	10,62,210	11,84,703
Deposits	6,11,010	6,93,650	6,93,150	7,57,429	8,01,200	8,71,821	9,72,900	10,96,931
CASA Deposits	2,34,710	2,66,600	2,42,860	2,56,660	2,64,460	2,91,260	3,20,350	3,55,210
Saving Deposit	2,06,520	2,29,800	2,10,460	2,10,300	2,26,150	2,37,880	2,72,990	2,95,400
Current Deposit	28,190	36,800	32,400	46,360	38,310	53,380	47,360	59,810
Term Deposits	3,76,300	4,27,050	4,50,290	5,00,769	5,36,740	5,80,561	6,52,550	7,41,721
Borrowings	61,910	62,987	76,370	53,441	54,140	54,794	89,310	87,771
Interest Bearing Liabilities - Total	6,72,920	7,56,636	7,69,520	8,10,870	8,55,340	9,26,615	10,62,210	11,84,703

Source: Company, LKP Research

Exhibit 6: Geographical break up of Assets & Liabilities

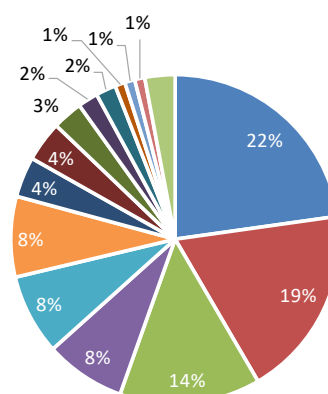
Gross Advances

- Rajasthan
- Madhya Pradesh
- Maharashtra
- Gujarat
- Haryana
- Punjab
- Delhi
- Andhra Pradesh
- Uttar Pradesh
- Telangana
- Karnataka
- Tamil Nadu
- Chhattisgarh
- Other



Deposits

- Rajasthan
- Maharashtra
- Delhi
- Gujarat
- Punjab
- Haryana
- Madhya Pradesh
- Karnataka
- Uttar Pradesh
- Himachal Pradesh
- Telangana
- Tamil Nadu
- Kerala
- West Bengal
- Other



Source: Company, LKP Research

Leveraging Fincare's Distribution Network

The merger with Fincare SFB significantly expands AU Small SFB's geographic reach, particularly in South India, where Fincare has a strong presence. This expansion provides access to a wider customer base and strengthens the bank's pan-India presence. The combined entity now serves ~1.1 crore customers across 2,408 touchpoints in 21 states and 4 union territories. The bank plans to introduce vehicle loans at ~250 Fincare touchpoints and micro-business loans at 100 touchpoints by the end of FY25. This expansion strategy is expected to contribute to future growth in advances and support yield stability.

Ready for next stage as the bank applies for universal bank license

A universal banking license is often seen as a symbol of greater stability and trustworthiness, potentially attracting a wider customer base and enhancing the bank's brand image. This could enable AU to expand into new business segments currently restricted for SFBs. This could include offering a broader range of corporate banking products and services, venturing into investment banking activities, and expanding its international presence. Moreover, the license could provide AU access to a wider range of funding sources and capital market instruments.

Outlook and Valuation

AU's well-diversified loan portfolio, with a focus on high-yield segments like vehicle finance and MSME loans, is likely to drive advances and interest income growth going forward. The growing deposit bases in the high-interest rate environment have increased the funding costs; however, CASA improvements and possibility of rate cut might help in offsetting the impact. As a result, margins are expected to remain range bound further aided by cost efficient measures. In addition, despite ongoing stress in the unsecured portfolio, the bank's prudent underwriting practices and secured lending model ensured healthy asset quality, with stable GNPA and NNPA. Moreover, the bank's strategic acquisition and application for universal bank license would likely help in expanding its reach and gaining market share, thus maintaining the growth momentum. Hence, with the recent stock price correction we initiate our coverage with a BUY rating on the stock, based on 2.4x FY27E BVPS with a target price of ₹730.

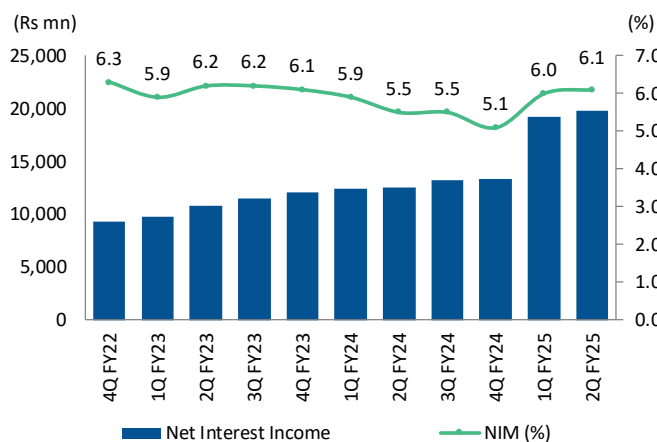
Key risks

Prolonged High Inflation: Continued high inflation could further erode the purchasing power of consumers and dampen economic activity. This could lead to increased stress on borrowers, especially in the informal and self-employed segments, and potentially result in higher loan delinquencies and credit losses for the bank.

Competition from Larger Banks and Fintechs: The banking sector is becoming increasingly competitive, with larger banks and Fintech companies contending for market share. AU faces the challenge of differentiating itself and attracting customers in this competitive landscape. Its ability to innovate, offer competitive products and services, and leverage its understanding of the informal and self-employed segments will be crucial for its long-term success.

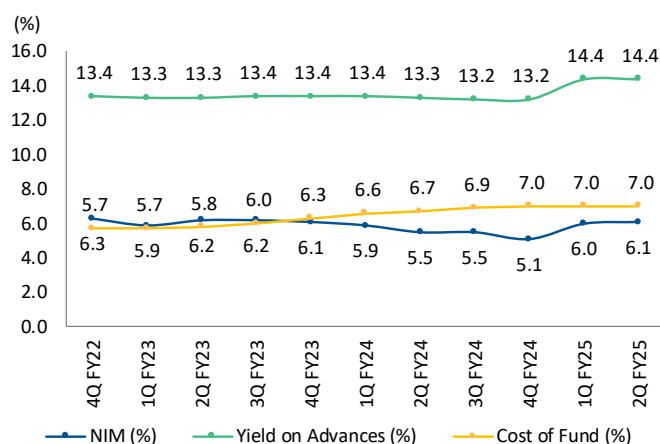
Quarterly story in charts

NII Trend



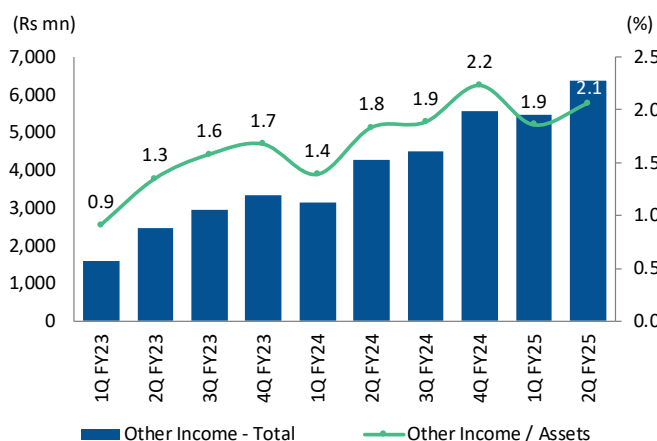
Source: Company, LKP Research

Yields and Margin Trend



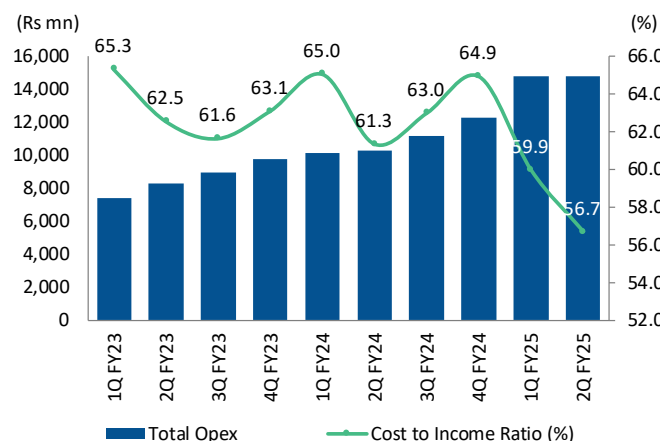
Source: Company, LKP Research

Other Income Trend



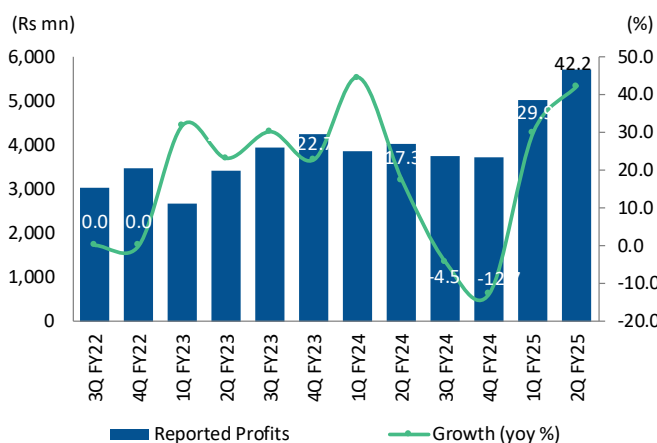
Source: Company, LKP Research

Total OPEX Trend



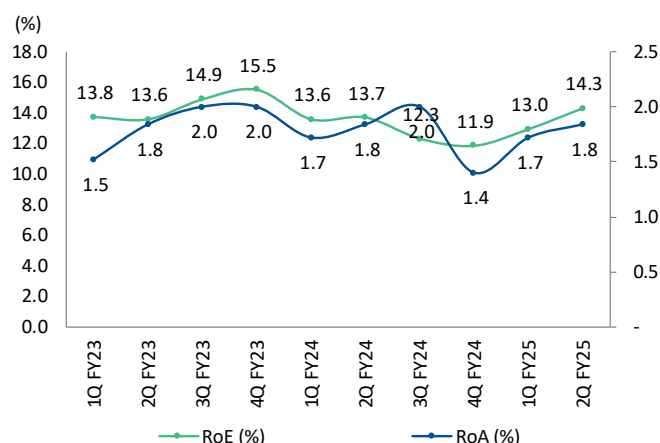
Source: Company, LKP Research

Reported Profit Trend



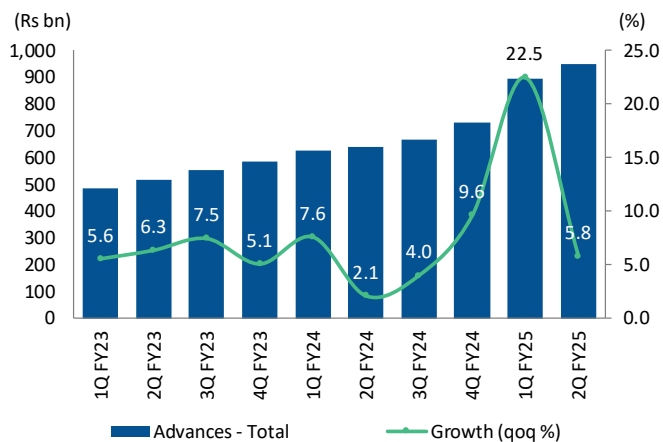
Source: Company, LKP Research

Return Ratio Trend



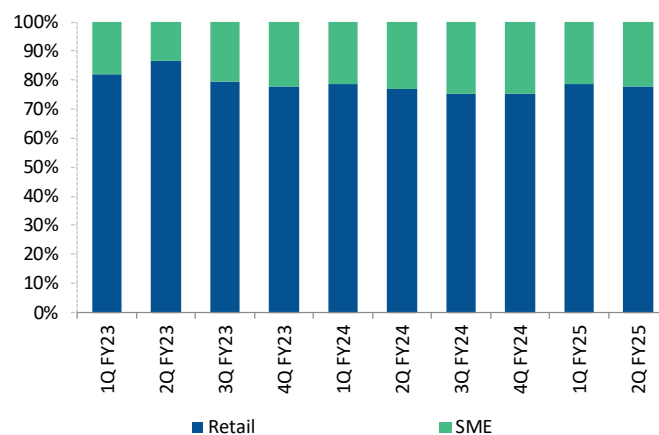
Source: Company, LKP Research

Loan Book Trend



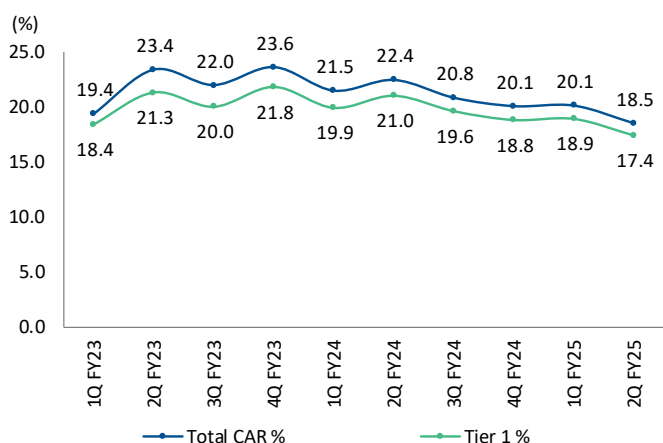
Source: Company, LKP Research

Loan Book Mix



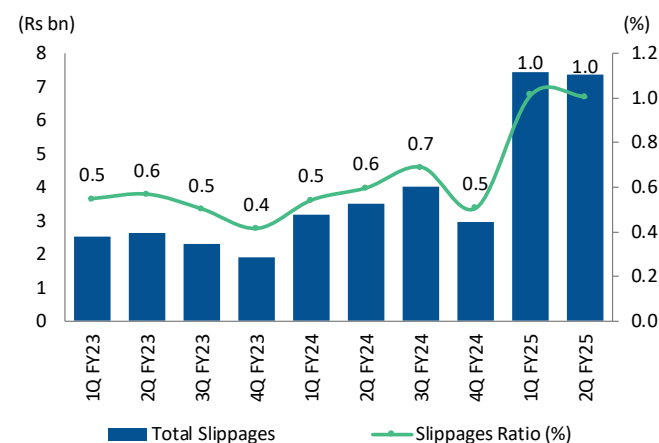
Source: Company, LKP Research

CAR & Tier 1 Ratio Trend



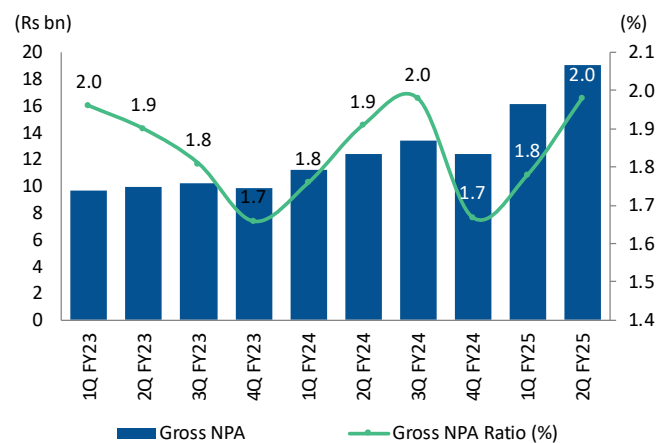
Source: Company, LKP Research

Slippages



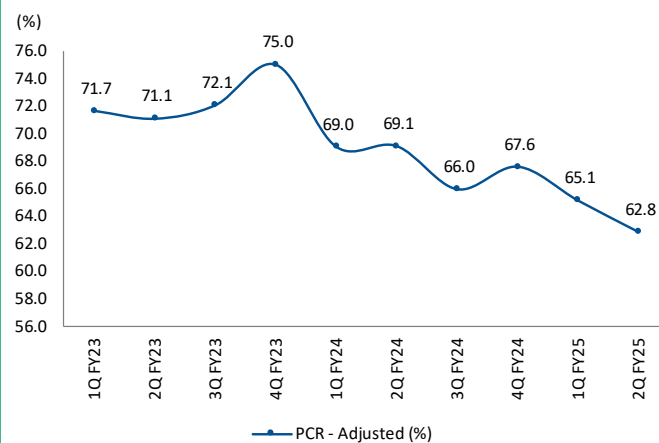
Source: Company, LKP Research

Gross NPA Trend



Source: Company, LKP Research

PCR Trend



Source: Company, LKP Research

Annual Projections

Exhibit 7: Profit and Loss Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Int. Income	82,054	1,05,547	1,55,372	2,04,667	2,52,700
Interest Expenses	37,801	53,976	79,265	1,02,765	1,24,703
Net Interest Income	44,253	51,571	76,107	1,01,902	1,27,997
<i>NIM (%)</i>	5.7	5.3	6.0	6.1	6.1
Other Income - Total	10,345	17,459	23,162	29,320	37,196
Net Operating Revenue	54,597	69,030	99,269	1,31,222	1,65,193
Employee Exp.	17,930	21,037	30,503	43,315	58,908
Other Opex	16,472	22,843	29,308	35,756	41,906
Total Opex	34,403	43,880	59,811	79,070	1,00,814
C/I Ratio	63.01	63.57	60.25	60.26	61.03
Pre Provision Profits	20,195	25,150	39,458	52,152	64,379
<i>PPP Growth (yoy %)</i>	11.3	24.5	56.9	32.2	23.4
Provisions & Contingencies - Total	1,548	4,387	11,687	14,544	16,165
Credit Cost (As % of Op. AUM)	0.28	0.62	1.40	1.23	1.05
Profit Before Tax	18,646	19,994	27,770	37,607	48,214
Tax	4,367	4,647	6,712	9,090	11,654
Effective Tax Rate	23.4	24.2	24.2	24.2	24.2
Reported Profits	14,279	15,347	21,058	28,517	36,561
<i>PAT Growth (yoy %)</i>	26.4	7.5	37.2	35.4	28.2

Source: Company, LKP Research

Exhibit 8: Balance Sheet

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	6,667	6,692	7,435	7,435	7,435
Reserves (ex Revel. Reserve)	1,02,666	1,18,276	1,58,256	1,86,774	2,23,334
Net Worth - Ex Revaluation	1,09,333	1,24,968	1,65,691	1,94,209	2,30,770
Equity Warrant & Other	440	627	932	932	932
Deposits	6,93,650	8,71,821	12,19,970	15,87,784	19,69,208
Borrowings	62,987	54,794	82,026	88,862	1,01,463
Interest Bearing Liabilities	7,56,636	9,26,615	13,01,995	16,76,646	20,70,671
Other Lia. & Prov.	35,751	42,046	48,353	54,156	54,181
Total Liabilities	9,02,161	10,94,257	15,16,972	19,25,943	23,56,553
Assets					
Cash & Cash Equivalent	94,252	63,763	89,239	1,02,101	1,22,994
Investments	2,00,720	2,71,334	3,47,981	4,20,260	4,90,441
Credit Equivalent	41,454	56,038	57,719	59,451	61,234
Loan & Advances	5,84,215	7,31,627	10,41,105	13,59,683	16,86,006
Fixed Assets	7,401	8,516	11,453	13,441	22,998
Other Assets	15,573	19,017	27,195	30,458	34,113
Total Assets	9,02,161	10,94,257	15,16,972	19,25,943	23,56,553

Source: Company, LKP Research

Exhibit 9: Detailed ROA Tree

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
<u>Yields / Margins</u>					
Yield on Advance	13.1	12.8	14.2	14.1	14.1
Yield on Funds	10.6	10.8	12.2	12.2	12.1
Cost of Funds (CoF)	5.6	6.4	7.1	6.9	6.7
Interest Spread	4.9	4.4	5.1	5.3	5.4
NIM's	5.7	5.3	6.0	6.1	6.1
Interest Income / Assets	10.3	10.6	11.9	11.9	11.8
Interest Exp. / Assets	4.7	5.4	6.1	6.0	5.8
NII / Assets	5.6	5.2	5.8	5.9	6.0
Fee Income / Assets	1.2	1.6	1.7	1.6	1.7
Other Non Core Income / Assets	(0.1)	0.1	0.0	0.0	0.0
Other Income / Assets	1.3	1.7	1.8	1.7	1.7
Net Operating Income / Assets	6.9	6.9	7.6	7.6	7.7
<u>Operating Ratios</u>					
NII to Net Operative Income	81.1	74.7	76.7	77.7	77.5
Other Income to Net Operative Income	18.9	25.3	23.3	22.3	22.5
Empl. Cost/Oper. Exps.	52.1	47.9	51.0	54.8	58.4
Other Op. Exps./Oper. Exps.	47.9	52.1	49.0	45.2	41.6
C/I Ratio	63.0	63.6	60.3	60.3	61.0
Provisions as % PPP	2.8	6.4	11.8	11.1	9.8
Credit Cost (As % of Op. AUM)	0.3	0.6	1.4	1.2	1.1
Effective Tax Rate	23.4	24.2	24.2	24.2	24.2
Employee Exp. / Assets	2.3	2.1	2.3	2.5	2.8
Other Opex/ Assets	2.1	2.3	2.2	2.1	2.0
Total Opex / Assets	4.3	4.4	4.6	4.6	4.7
Operating Profits / Assets	2.5	2.5	3.0	3.0	3.0
Exceptional Items / Assets	-	(0.1)	-	-	-
Op Profit ex Except Items / Assets	2.5	2.4	3.0	3.0	3.0
Provisions / Assets	0.2	0.4	0.9	0.8	0.8
Profit Before Tax / Assets	2.3	2.0	2.1	2.2	2.3
Tax Expenses / Assets	0.5	0.5	0.5	0.5	0.5
RoA	1.8	1.5	1.6	1.7	1.7
Leverage (x)	8.3	8.8	9.2	9.9	10.2
RoE	15.5	13.1	14.5	15.8	17.2
Adj. RoA	1.8	1.4	1.6	1.7	1.7
Adj. RoE	15.5	11.8	14.5	15.8	17.2

Source: Company, LKP Research

Exhibit 10: Per share data

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Face Value (₹)	10	10	10	10	10
Adjusted Share O/S - For Calculation	667	669	744	744	744
EPS (₹)	21.4	22.9	28.3	38.4	49.2
EPS (% YoY)	(40.3)	7.1	23.5	35.4	28.2
P/E (x)	27.6	25.8	20.9	15.4	12.0
Adj. EPS (₹)	21.4	21.8	28.3	38.4	49.2
Adj. EPS (% YoY)	(40.3)	1.7	30.0	35.4	28.2
Adj. Price-Earnings (x)	27.6	27.1	20.9	15.4	12.0
Book Value (₹)	164.0	186.8	222.8	261.2	310.4
BVPS (% YoY)	(30.9)	13.9	19.3	17.2	18.8
P/BV (x)	3.6	3.2	2.7	2.3	1.9
Adj. BV (₹)	162.1	183.8	220.1	258.5	307.7
Adj. BV (% YoY)	(30.6)	13.3	19.8	17.4	19.0
P/ABV (x)	3.6	3.2	2.7	2.3	1.9

Source: Company, LKP Research

Exhibit 11: Credit Quality

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Slippage Ratio (%)	2.0	2.3	2.6	2.0	1.4
Gross NPA (Cl Bal) (₹ mn)	9,813	12,374	20,325	25,296	28,678
Gross NPAs Ratio (%)	1.7	1.7	2.0	1.9	1.7
PCR Adjusted (%)	75.0	67.6	59.4	65.4	67.9
Net NPA (Cl. Bal.) (₹ mn)	2,452	4,010	8,245	8,755	9,217
Net NPAs Ratio (%)	0.4	0.4	0.8	0.6	0.5
Total Impaired Loans (₹ mn)	9,813	12,374	20,325	25,296	28,678
Impaired Loan as % of Loan / AUM	1.6	1.6	1.8	1.8	1.6
Total Risk Reserves (₹ mn)	7,362	8,364	12,080	16,541	19,460
Total Risk As % of Loan Book	1.2	1.1	1.1	1.2	1.1

Source: Company, LKP Research

Exhibit 12: Capital and Asset-Liability Profile (%)

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
Risk Weighted Assets (₹ mn)	4,89,852	5,94,341	8,23,670	10,48,608	12,81,168
RWA as % of Total Assets	54.3	54.3	54.3	54.4	54.4
Total Shareholders' Equity to Assets	12.1	11.4	10.9	10.1	9.8
CET 1 Ratio (%)	21.8	20.5	19.6	18.2	17.6
Tier 1 Ratio (%)	21.8	20.5	19.6	18.2	17.6
Total CAR Ratio (%)	21.8	20.5	19.6	18.2	17.6

Source: Company, LKP Research

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