

AU Small Finance Bank

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR588

TP: INR730 (+23%)

Buy

Cost control drives earnings beat; asset quality deteriorates slightly

RoA outlook steady

- AU Small Finance Bank (AUBANK) reported 3QFY25 PAT of INR5.3b (8% beat), led by controlled opex, though provisioning expenses were high.
- NII grew 2.4% QoQ to INR20.2b (in line), while NIMs declined by 23bp QoQ on higher proportion of investments book, adverse loan mix and higher CoF.
- PPop grew 6.5% QoQ to INR12.1b (8% beat) as opex was 8% lower vs. our estimate. The C/I ratio declined to 54.4% (56.7% in 2Q), though it is expected to increase in 4Q amid healthy business growth.
- Business growth was healthy as advances grew 5% QoQ to INR995.6b and deposits growth was slightly lower at 2.3% QoQ to INR1.12t. The CD ratio jumped to 88.7% from 86.7% in 2QFY25.
- Slippages were elevated at INR9.6b vs. INR7.4 in 2Q and INR5.4b in 1Q. GNPA/NNPA ratios inched up 33bp/16bp QoQ to 2.21%/ 0.91%. PCR declined to 61.2%. Credit cost as % of total assets rose to 0.36% (1.4% annualized).
- We tweak our estimates slightly and expect the bank to deliver RoA/RoE of 1.74%/17.3% by FY27E. **Reiterate BUY with a TP of INR730 (based on 2.6x Sep'26E BV).**

Healthy growth in advances; secured loan business performing well

- AUBANK reported 3QFY25 PAT of INR5.3b (8% beat), led by strong cost control, while provisions were higher. In 9MFY25, earnings grew 38% YoY to INR16b. We estimate 4QFY25 earnings to grow 34% YoY to INR4.96b.
- NII grew 2.4% QoQ to INR20.2b (in line). Margins declined 23bp QoQ to 5.9%. Management has guided for steady margin, as it expects controlled CoF. Provisions were high at INR5b (8% higher than MOFSLe, +34.5% QoQ).
- Other income declined 3% QoQ to INR6.2b (5% miss), due to a decline in fee income and treasury income. Opex fell 3% QoQ to INR14.4b (8% below est.). The C/I ratio thus declined to 54.4% from 56.7% in 2QFY25.
- Advances grew 5% QoQ, with commercial assets up 6.4% QoQ and retail up 4.8% QoQ. Deposits increased by 2.3% QoQ to INR1.12t. The CD ratio thus jumped to 88.7%. However, the CASA mix moderated to 31%. The cost of funds was under control at 7.04%.
- Slippages were high at INR9.6b. GNPA/NNPA ratios thus increased 33bp/16bp QoQ to 2.21%/0.91%. PCR declined to 61.2%.
- Credit cost as % of total assets increased to 0.36% (1.4% annualized), driven mainly by the ongoing stress in the unsecured (MFI and Credit Cards). The bank expects credit costs to remain elevated in 4QFY25; however, stress has started easing in Dec'24.

Bloomberg	AUBANK IN
Equity Shares (m)	744
M.Cap.(INRb)/(USDb)	442.6 / 5.1
52-Week Range (INR)	755 / 534
1, 6, 12 Rel. Per (%)	10/-4/-27
12M Avg Val (INR M)	2154

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	51.6	80.2	100.1
PPoP	24.4	44.7	56.1
PAT	15.3	21.0	27.9
NIM (%)	5.2	6.2	6.0
EPS (INR)	23.0	29.7	37.4
EPS Gr. (%)	4.3	29.3	26.0
BV/Sh. (INR)	187	221	257
ABV/Sh. (INR)	183	213	248

Ratios

RoA (%)	1.5	1.6	1.7
RoE (%)	13.1	14.5	15.7

Valuations

P/E(X)	25.9	20.0	15.9
P/BV (X)	3.2	2.7	2.3
P/ABV (X)	3.2	2.8	2.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	22.9	22.9	25.5
DII	21.8	20.1	20.8
FII	39.4	40.7	41.1
Others	16.0	16.2	12.6

FII Includes depository receipts

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 S&P Capital.

Highlights from the management commentary

- The bank increased its rate by 10bp in peak TDs. Despite this, the CoF guidance is maintained at 7.10-7.15%.
- C/I for the entire year would be ~58% as 4Q will have more opex on seasonally strong business growth. The bank aims to maintain C/I of 55% for the next two years.
- Although credit cost will be high, RoA would be maintained at ~1.6% in FY25. GLP growth is expected at 20% (25% guidance earlier), affected by a decline in unsecured business, while the secured portfolio will grow faster at 23-24%.
- December was better than November in terms of disbursements and collection efficiency in standard advances.

Valuation and view

AUBANK reported a decent quarter. Although the credit cost was high, the bank has well utilized its opex lever to deliver decent earnings. Margins for the merged entity declined by 23bp QoQ. Management expects margin to remain healthy amid controlled CoF, stable asset yields and healthy traction across business segments. On the business front, loans grew at a faster rate vs. deposits. As a result, the C/D ratio increased to 88.7%. Asset quality deteriorated, resulting in higher-than-estimated provisions. Management expects the credit cost to remain elevated and guides for a full-year credit cost of around 1.5-1.6%. The conversion to a universal bank will further enable healthy growth and strengthen the bank's market positioning. We tweak our estimates slightly and expect the bank to deliver RoA/RoE of 1.74%/17.3% by FY27E. **Reiterate BUY with a TP of INR730 (based on 2.6x Sep'26E BV).**

Quarterly performance

									(INR b)			
	FY24				FY25E				FY24	FY25E	FY25E	v/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Net Interest Income	12.5	12.5	13.2	13.4	19.2	19.7	20.2	21.1	51.6	80.2	20	-0.1
% Change (Y-o-Y)	27.7	15.3	14.9	10.2	54.1	58.1	52.7	57.6	16.5	55.6	52.9	
Other Income	3.2	4.1	4.5	5.6	5.1	6.4	6.2	7.0	17.5	24.6	7	-4.9
Total Income	15.6	16.6	17.7	18.9	24.3	26.1	26.4	28.0	69.0	104.9	27	-1.3
Operating Expenses	10.2	10.3	11.2	12.3	14.8	14.8	14.4	16.2	44.6	60.1	16	-8.2
Operating Profit	5.5	6.3	6.6	6.6	9.5	11.3	12.0	11.8	24.4	44.7	11	8.5
% Change (Y-o-Y)	38.6	26.0	18.2	16.3	74.3	80.0	83.4	78.4	20.7	83.5	69.1	
Provisions	0.3	1.0	1.6	1.3	2.8	3.7	5.0	5.3	4.4	16.8	5	8.0
Exceptional item	-	-	-	0.8	-	-	-	-	-	-	0	
Profit before Tax	5.1	5.3	5.0	4.5	6.7	7.6	7.0	6.6	20.0	27.9	6	8.8
Tax	1.3	1.3	1.2	0.8	1.7	1.9	1.7	1.6	4.6	6.9	2	10.8
Net Profit	3.9	4.0	3.8	3.7	5.0	5.7	5.3	5.0	15.3	21.0	5	8.1
% Change (Y-o-Y)	44.4	17.3	(4.5)	(12.7)	29.9	42.1	40.8	33.8	7.5	36.7	30.2	
Operating Parameters												
Deposit (INR b)	693.2	757.4	801.2	871.8	972.9	1,096.9	1,122.6	1,180.2	871.8	1,180.2	1,122.6	
Loan (INR b)	628.6	641.7	667.4	731.6	896.5	948.4	995.6	1,064.5	731.6	1,064.5	996.1	
Deposit Growth (%)	26.9	29.8	31.1	25.7	40.4	44.8	40.1	35.4	25.7	35.4	40.1	
Loan Growth (%)	29.2	24.0	20.0	25.2	42.6	47.8	49.2	45.5	25.2	45.5	49.2	
Asset Quality												
GNPA (%)	1.8	1.9	2.0	1.7	1.8	2.0	2.3	2.5	1.7	2.5	2.2	
NNPA (%)	0.6	0.6	0.7	0.6	0.6	0.8	0.9	0.9	0.5	0.9	0.8	
PCR (%)	69.0	69.1	66.0	67.6	65.1	62.8	61.2	61.4	64.3	61.4	63.1	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss (INR b)	FY24				FY25			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	12.5	12.5	13.2	13.4	19.2	19.7	20.2	53	2
Other Income	3.2	4.1	4.5	5.6	5.1	6.4	6.2	38	-3
Total Income	15.6	16.6	17.7	18.9	24.3	26.1	26.4	49	1
Operating Expenses	10.2	10.3	11.2	12.3	14.8	14.8	14.4	29	-3
Employee	5.1	5.1	5.3	5.6	7.9	7.9	7.5	43	-4
Others	5.1	5.1	5.9	6.7	6.9	7.0	6.8	16	-2
Operating Profits	5.5	6.3	6.6	6.6	9.5	11.3	12.0	83	6
Provisions	0.3	1.0	1.6	1.3	2.8	3.7	5.0	216	35
PBT	5.1	5.3	5.0	6.1	6.7	7.6	7.0	41	-7
Taxes	1.3	1.3	1.2	0.8	1.7	1.9	1.7	42	-7
PAT	3.9	4.0	3.8	3.7	5.0	5.7	5.3	41	-7
Balance Sheet (INRb)									
Loans	629	642	667	732	897	948	996	49	5
Deposits	693	757	801	872	973	1,097	1,123	40	2
CASA Deposits	243	257	264	291	320	355	344	30	-3
- Savings	210	210	226	238	273	295	288	27	-3
- Current	32	46	38	53	47	60	56	47	-6
Loan Mix (%)									
Retail	78.9	77.2	75.8	75.5	79.0	78.1	77.9	209	-25
Wheels	33.1	31.9	30.1	30.4	26.7	26.6	28.0	-211	146
Secured MSME	29.9	28.6	28.4	27.8	26.0	25.4	25.1	-337	-28
Housing	7.4	7.8	7.8	8.0	9.0	9.0	9.0	117	-2
Gold + Agri	7.4	7.8	7.8	8.0	9.0	9.0	9.0	117	-2
Credit Cards	3.0	3.5	4.1	4.1	3.5	3.4	3.0	-110	-48
MFI	0.0	0.0	0.0	0.0	7.7	7.5	7.0	702	-50
Others	4.0	4.0	3.9	3.8	2.8	2.9	2.8	-108	-14
Wholesale	21.1	22.8	24.2	24.5	21.0	21.9	22.1	-209	25
NBFC	3.7	3.9	4.1	4.1	3.5	3.4	3.0	-110	-48
RE Group	2.0	2.1	2.3	2.6	2.3	2.4	2.6	33	20
Business Banking	8.7	9.4	10.1	9.9	8.3	8.6	8.9	-121	23
Asset Quality (INR m)									
GNPA	11.2	12.4	13.4	12.4	16.1	19.0	23.4	74	23
NNPA	3.5	3.8	4.6	4.0	5.6	7.1	9.1	99	28
Slippages	3.2	3.5	4.0	3.0	5.4	7.4	9.6	137	30
Asset Quality Ratios (%)									
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY(bp)	QoQ(bp)
GNPA (%)	1.76	1.91	1.98	1.67	1.78	1.98	2.31	33	33
NNPA (%)	0.55	0.60	0.68	0.55	0.63	0.75	0.91	23	16
PCR (calc, %)	69.0	69.1	66.0	67.6	65.1	62.8	61.2	-473	-161
PCR (inc TWO, %)	69.0	73.0	72.0	76.0	76.0	82.0	80.0	800	-200
Slippage Ratio (annualised)	2.3	2.4	2.6	2.0	3.5	4.6	5.7	309	114
Business Ratios (%)									
CASA (Reported)	35.0	33.9	33.0	33.0	33.0	32.0	31.0	-200	-100
Loan/Deposit	90.7	84.7	83.3	83.9	92.1	86.5	88.7	539	223
Othr Inc to Total Inc	20.2	24.6	25.3	29.4	21.0	24.4	23.4	-193	-101
Cost to Income	65.0	62.0	63.0	64.9	60.8	56.7	54.4	-859	-230
Cost to Avg Assets	5.0	4.7	4.9	4.9	5.4	5.0	4.7	-21	-34
Tax Rate	24.6	24.7	24.7	13.8	24.9	24.7	24.9	18	13
Capitalisation ratios (%)									
Tier-1	19.9	21.0	19.5	18.8	19.5	17.4	16.9	-260	-50
- CET 1	19.9	21.0	19.5	18.8	19.5	17.4	16.9	-260	-50
CAR	21.5	22.4	20.8	20.1	20.8	18.5	18.0	-280	-50
LCR	139.0	125.0	123.0	117.0	117.0	112.0	115.0	-800	300
Profitability Ratios									
Yield on AUM	13.4	13.3	13.2	13.2	14.4	14.4	14.4	120	0
Cost of funds	6.6	6.7	6.9	7.0	7.0	7.0	7.1	16	2
Margins	5.7	5.5	5.5	5.1	6.0	6.1	5.9	40	-15
RoA	1.7	1.7	1.5	1.6	1.6	1.7	1.5	0	-20
Branches	476	476	0	629	637	630	617	617	-13
ATM	495	495	495	682	695	688	674	179	-14

Source: MOSFL, Company



Highlights from the management commentary

Opening Remarks

- The Indian economy saw an uptick at the end of 2Q before slowing down in 3Q. However, the rural economy and government spending have increased.
- Deposits are analyzed based on growth, CASA ratio, LCR, CD ratio and COF, and the bank aims to maintain these ratios at an optimal level. This year the bank has grown 16% YoY on deposits side. Bank grew 2.3% QoQ on deposits on account of withdrawal of some government accounts.
- CASA ratio stands at 31% and LCR is at 115%, up 3% QoQ. About 80% of deposits are stable.
- The bank focuses on the right mix of deposits with optimal pricing. Incremental CoF improved to 7.4%, though the current market environment is challenging.
- The bank increased its rate by 10bp in peak TDs. Despite this, the CoF guidance is maintained at 7.10-7.15%.
- Branch banking is in focus in the top 20 cities, of which Delhi, Jaipur and Bangalore are performing well. The bank plans to open 70-80 new branches in these cities.
- The bank has made a lot of efforts to improve branch profitability.
- Its loan portfolio has grown 13% YTD, faster than the system and that of other peers.
- Retail business book forms 67% of the total business portfolio and is a flagship franchise, which has been built over the years. This segment is performing well with 14% growth YTD and will benefit from an increase in the number of touchpoints.
- December is strong in terms of asset quality.
- Wheels book makes up 32% of the GLP and is expected to grow 25% YoY. Yields have improved by 25bp YoY and asset quality is broadly well. It will be present in 530 touchpoints by FY26 end and will be expanded to bigger geographies.
- Mortgage book forms 33% of the GLP and has ATS of INR1.2-1.3m; there are no close peers operating in a similar yield. MBL is expected to grow in low teens. Credit cost is 0.6% YTD. It is present in 900 touchpoints in this segment.
- Gold forms 2% of the portfolio and expertise comes from Fincare. Gold grew 29% YTD with yields of 16%. The latest guidelines of the RBI provide the level playing field for the bank.
- Commercial banking is 21% of the portfolio. Competition is mainly with other private sector banks. Growth and asset quality remain largely on track. Commercial banking generated INR110b of deposits for the bank.
- AD1 business is gaining traction and is important for current account.
- An inclusive finance bank is key to fulfilling financial inclusive charter. The total book is INR78b and the MFI is the biggest in this portfolio with a strong MFI franchise. It has the lowest exposure in the industry and the book is well diversified.
- MFI industry is under stress due to high customer indebtedness; however, the long-term prospects remain strong. The bank has tightened its MFI norms and has improved collection efforts.
- MFI GLP declined 6% QoQ and credit cost was 9.4% annualized. SMA pool was 4.4%. Collection efficiency has bottomed out. December was better in terms of collections in the MFI. The bank is keeping a close watch on the MFI segment.

- PPOP increased 6%, driven by strong control in opex. PAT was down 7% QoQ due to higher credit cost in MFI.
- Achieved 1.5% of RoA in 3Q.
- NIM decline by 23bp due to a higher proportion of investment book (~10bp), adverse loan mix and higher CoF (~9bp), and NII reversal on NPAs (~4bp).
- Insurance fee was impacted by the changes in regulatory norms of IRDA.
- C/I is expected to be at 57-58% in FY25.
- Although the credit cost will be high, RoA will be maintained at 1.6%. GLP growth is expected at 20% and secured portfolio will grow faster at 23-24%.
- The bank has applied for the universal banking license and is in touch with the RBI.

Liabilities

- Fincare has 1,200 touchpoints to operate in MFI, with 70% of them being quasi-headquarters. About 80-90 branches will be added in this experiment this year.
- 23-25% deposit growth is expected in Mar'25.

Advances

- AUBANK wants to build MFI with the help of other secured businesses. The bank had expected RoA of 4% in MFI, but it has given only 1% this year.
- MFI exposure is expected to be capped at 10% and the bank will be looking at this book differently.
- The bank has reduced the guidance as it does not want to face a hiccup in the future.
- The bank has SMF lending. It does not expect the SMF deficit despite a slowing MFI book. The bank is working on the digital lever and should be lesser in C/I in next few years.
- MFI book – CE inched up to 98.7% and is a stable outcome.
- Gold loan circular – The BC model has to be revamped (business has to be done from the branches). Renewal has been stopped in the industry. LTV of gold loans has been standardized and cannot give above 75% throughout the tenure.
- The guidelines have been stringent and the bank only lacks in the delivery time of the loan. There is a level playing field for all. Many banks might be doing this and Fincare is already practicing this. It has been working on this and a lot of work has to be done to come out in the final print.
- CGFMU cover is for agri and non-agri both. The industry is facing higher rates and will be addressed by a guarantee offered by the government.
- MFI – The bank has started with the three-lender norm and is ahead from the MFIN industry norms.

Yields, cost and margins

- The bank targets 2% RoA, which will be aided by a rate cut will be helpful as the bank will be utilizing the funds in a better way.
- CoF was 7.05% in 2QFY25.

Asset quality and provisions

- On MFI – the bank is 4.4% of SMA and 17% of borrowers have more than three lenders. But lot of it has been arrested in the past few quarters. The bank will

take one more quarter to have more color on it. The overall credit cost will be 1.5-1.6% for the entire bank in FY26. There are green shoots available, such as the upcoming MFIN guidelines.

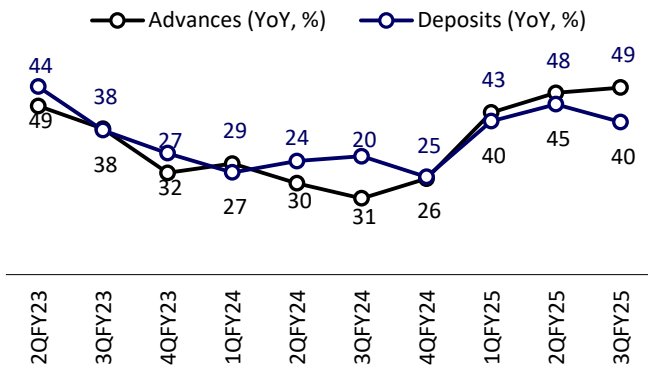
- MFI credit cost will be 6-7% in FY26 and it will remain high in 4Q. Other secured assets will continue to improve in 4Q.
- Credit card's credit cost, a lot more have been arrested on this too and doing underwriting in physical basis. This quarter will see the peak credit cost, which will ease next year.
- 3Q has been stronger than 1H, with 90% of the assets in a better shape.
- The bank has worked on underwriting in new acquisition. The bank shifted to physical operations where digital capacities were not enough.
- SMA – the bank has standard provisions and created INR170m of provision on MFI.
- The bank has been doing secured retail assets in the past two decades. The pain is there in segments, in which the bank operates. The secured book is built on productive aspects and will remain strong.
- 1H is not better for secured retail assets. Early in 2H, asset quality declines before improving in Dec'24.
- The typical credit cost comes at a lag of six to eight months. But January, February and March will be much better.
- December was better than November in terms of collection efficiency in standard advances and disbursements.
- PCR is coming down as new fresh loans are becoming NPAs. The bank has a prudent write-off policy. PCR is 60% for secured assets and 80% for unsecured assets. The bank aims to achieve PCR of 70%.

Opex

- By CY26, the bank will integrate tech with Fincare. The leadership is aligned with Fincare and saving a lot of cost here. By 4Q, the cost will be aligned with the bigger umbrella.
- C/I for the entire year will be 58% as 4Q will have more opex seasonally. The bank aims to maintain 55% of C/I in the next two years.
- The focus is on operational efficiency and the whole business expansion is meant for a purpose. The bank will keep moving around and C/I will have to move around 55% and a lot more sincerity has come in.
- Last year, C/I was 63-64%; despite headwinds and continuous investments, the bank has seen a decline in the C/I ratio.
- The bank wants the C/I ratio to touch 55% in next year and wants to build more secured class and commercial banking. There is a lot much on the table and want to focus there. Idea is to be lower than this current year for the next year.

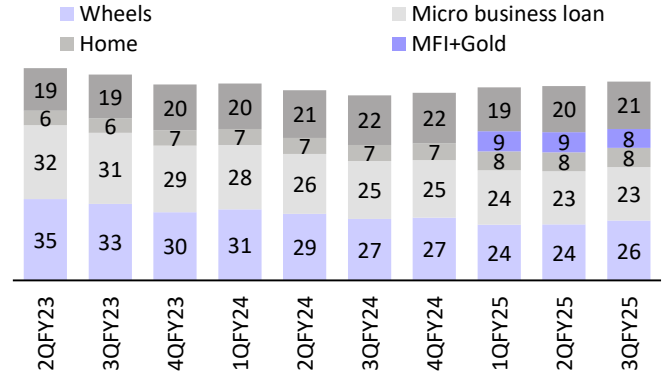
Story in charts

Exhibit 1: Advances/deposits grew 5%/2.3% QoQ



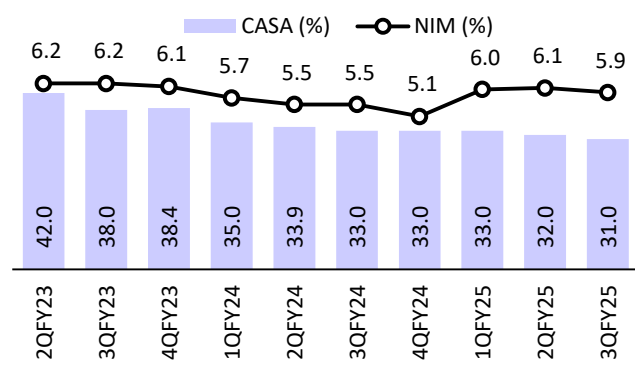
Source: Company, MOFSL

Exhibit 2: Trend in mix of % of total advances



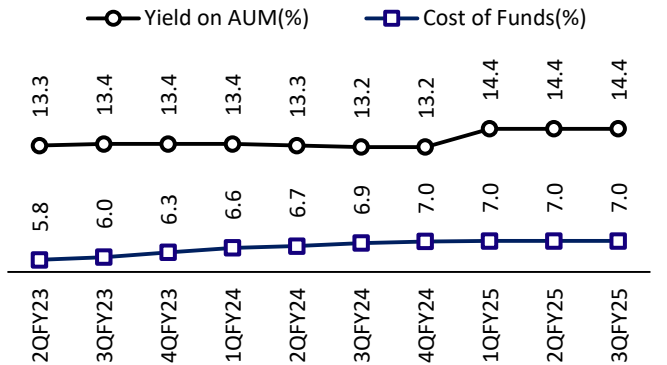
1QFY25 Numbers post-merger, Source: Company, MOFSL

Exhibit 3: Margin declined 23bp QoQ to 5.9% in 3QFY25



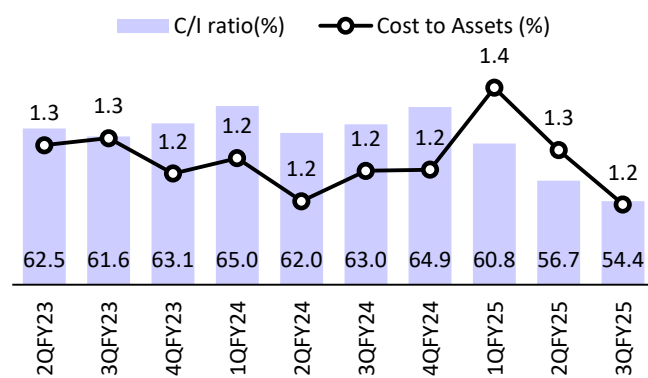
Source: Company, MOFSL

Exhibit 4: Yield on gross advances remained stable at 14.4%



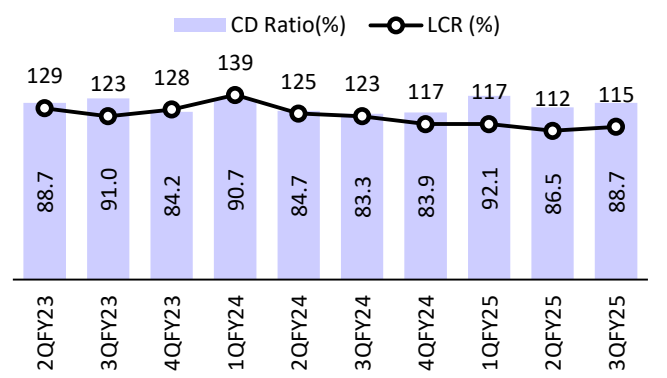
Source: Company, MOFSL

Exhibit 5: C/I ratio moderated to 54.4% vs. 56.7% in 3QFY25



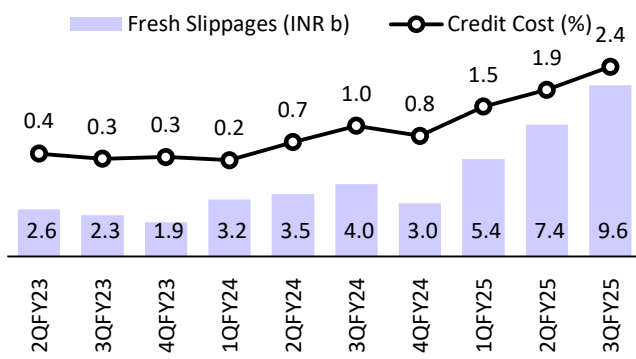
Source: Company, MOFSL

Exhibit 6: CD ratio moderated to 88.7% in 3QFY25



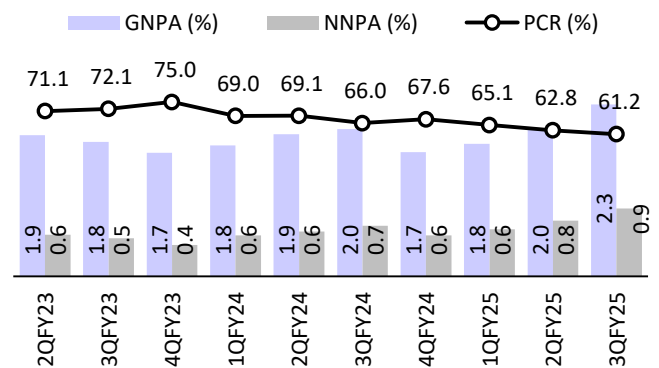
Source: Company, MOFSL

Exhibit 7: Fresh slippages inched up to INR9.6b in 3QFY25



Source: Company, MOFSL

Exhibit 8: Asset quality ratios deteriorated; PCR at 61.2%



Source: Company, MOFSL

Valuation and view: Reiterate BUY with a TP of INR730

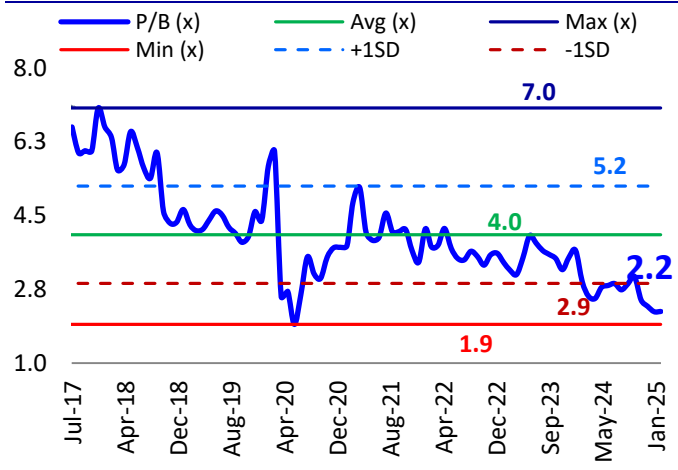
- AUBANK reported a decent quarter. Although the credit cost has remained high, the bank has well utilized its opex lever to deliver decent earnings. Margins for the merged entity declined by 23bp QoQ. Management expects margin to remain healthy amid steady CoF, better yields from assets and healthy traction across business segments. On the business front, loans grew at a faster rate than deposits. As a result, the C/D ratio increased to 88.7%.
- Asset quality deteriorated, resulting in higher-than-estimated provisions. Management expects the credit cost to remain elevated and guides for a full-year credit cost of around 1.5-1.6%. The conversion to a universal bank will further enable healthy growth and strengthen its market position.
- We tweak our estimates slightly and expect the bank to deliver RoA/ RoE of 1.74%/17.3% by FY27. **Reiterate BUY with a TP of INR730 (based on 2.6x Sep'26E BV).**

Exhibit 9: Changes to our earnings estimates

INR b	Old Est.			New Est.			% / bp Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	80.1	98.7	121.8	80.2	100.1	122.6	0.2	1.4	0.7
Other Income	25.3	31.1	38.0	24.6	30.3	36.9	-2.8	-2.8	-2.8
Total Income	105.4	129.8	159.8	104.9	130.4	159.6	-0.5	0.4	-0.1
Opex	62.2	76.4	94.0	60.1	74.2	90.6	-3.4	-2.9	-3.6
PPoP	43.1	53.4	65.8	44.7	56.1	69.0	3.7	5.2	4.9
Provisions	15.0	16.4	17.7	16.8	19.1	20.7	12.3	16.3	17.1
PBT	28.1	37.0	48.1	27.9	37.0	48.2	-0.9	0.2	0.4
Tax	7.0	9.2	12.0	6.9	9.2	12.1	-1.7	-0.6	0.4
PAT	21.1	27.7	36.0	21.0	27.9	36.2	-0.6	0.5	0.4
Loans	1,059	1,314	1,629	1,064	1,316	1,634	0.5	0.1	0.3
Deposits	1,193	1,482	1,844	1,180	1,466	1,826	-1.1	-1.1	-0.9
Margins (%)	6.1	5.8	5.8	6.2	6.0	5.9	5	14	9
Credit Cost (%)	1.6	1.3	1.2	1.7	1.5	1.3	15	20	18
RoA (%)	1.61	1.63	1.72	1.61	1.66	1.74	0	2	2
RoE (%)	14.6	15.6	17.2	14.5	15.7	17.3	-8	8	6
EPS	30	37	48	30	37	48	-0.6	0.5	0.4
BV	222	257	304	221	257	304	-0.1	0.0	0.1

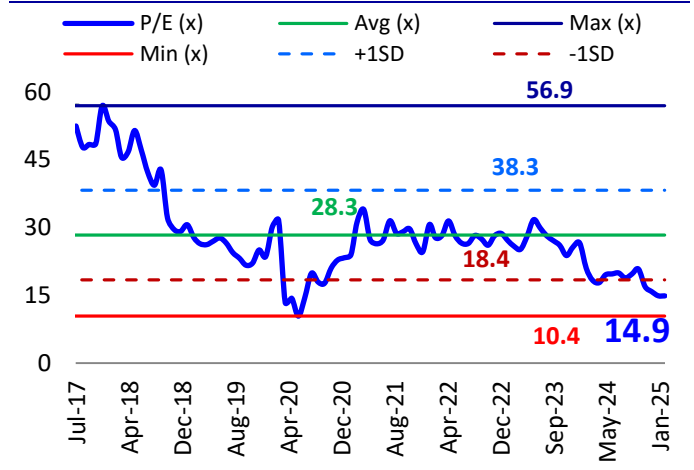
Source: MOFSL, Company

Exhibit 10: One-year forward P/B ratio



Source: Company, MOFSL

Exhibit 11: One-year forward P/E ratio



Source: Company, MOFSL

Exhibit 12: DuPont Analysis - Expect return ratios to improve gradually

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	10.30	10.57	12.42	12.11	11.87
Interest Expense	4.75	5.41	6.25	6.15	5.96
Net Interest Income	5.56	5.17	6.17	5.96	5.91
Core Fee and Secu. Inc	1.35	1.70	1.67	1.58	1.56
Trading and others	-0.06	0.05	0.22	0.22	0.23
Non-Interest income	1.30	1.75	1.89	1.80	1.78
Total Income	6.85	6.92	8.07	7.76	7.69
Operating Expenses	4.32	4.47	4.63	4.42	4.37
- Employee cost	2.25	2.11	2.35	2.25	2.23
- Others	2.07	2.37	2.28	2.17	2.14
Operating Profits	2.54	2.44	3.44	3.34	3.33
Core operating Profits	2.59	2.39	3.22	3.12	3.10
Provisions	0.19	0.44	1.29	1.14	1.00
PBT	2.34	2.00	2.15	2.21	2.33
Tax	0.55	0.47	0.53	0.55	0.58
RoA	1.79	1.54	1.61	1.66	1.74
Leverage (x)	8.7	8.5	9.0	9.4	9.9
RoE	15.5	13.1	14.5	15.7	17.3

Source: MOFSL, Company

Financials and valuations

Income Statement					(INRb)
Y/E MARCH	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	82.1	105.5	161.5	203.4	246.2
Interest Expense	37.8	54.0	81.2	103.4	123.6
Net Interest income	44.3	51.6	80.2	100.1	122.6
- growth (%)	36.8	16.5	55.6	24.7	22.5
Other Income	10.3	17.5	24.6	30.3	36.9
Total Income	54.6	69.0	104.9	130.4	159.6
- growth (%)	29.1	26.4	51.9	24.3	22.4
Operating Expenses	34.4	44.6	60.1	74.2	90.6
- growth (%)	42.6	29.8	34.7	23.5	22.0
Operating Profits	20.2	24.4	44.7	56.1	69.0
- growth (%)	11.3	20.7	83.5	25.5	22.9
Core Operating Profits	20.6	23.9	41.8	52.3	64.3
- growth (%)	23.4	15.6	75.3	25.1	22.8
Total Provisions	1.5	4.4	16.8	19.1	20.7
% to operating income	7.7	18.0	37.6	34.0	30.0
PBT	18.6	20.0	27.9	37.0	48.2
Tax	4.4	4.6	6.9	9.2	12.1
Tax Rate (%)	23.4	23.2	24.8	24.8	25.0
PAT	14.3	15.3	21.0	27.9	36.2
- growth (%)	26.4	7.5	36.7	32.7	29.9

Balance Sheet					
Y/E MARCH	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	6.7	6.7	7.4	7.4	7.5
Reserves & Surplus	102.7	118.3	157.0	184.0	219.4
Equity Networth	109.3	125.0	164.4	191.5	226.9
Deposits	693.6	871.8	1,180.2	1,465.8	1,826.4
- growth (%)	31.9	25.7	35.4	24.2	24.6
of which CASA Dep					
- growth (%)					
Borrowings	63.0	54.8	107.9	131.7	164.6
Other liabilities	35.8	42.0	52.8	63.8	75.3
- growth (%)	19.6	17.6	25.5	21.0	18.0
Total Liabilities	902.2	1,094.3	1,506.0	1,853.4	2,293.8
Current Assets	94.3	63.8	65.4	74.5	86.8
Investments	200.7	271.3	338.5	418.0	520.0
- growth (%)	31.1	35.2	24.7	23.5	24.4
Loans	584.2	731.6	1,064.5	1,315.7	1,634.1
- growth (%)	26.7	25.2	45.5	23.6	24.2
Net Fixed Assets	7.4	8.5	9.8	11.4	13.0
Other assets	15.6	19.0	27.8	33.9	39.9
Total Assets	902.2	1,094.3	1,506.0	1,853.4	2,293.8
Total Assets (incl. off BS)	909.5	1,192.1	1,597.0	1,954.1	2,403.4

Asset Quality	FY23	FY24	FY25E	FY26E	FY27E
GNPA (INR b)	9.8	12.4	26.2	29.6	33.3
NNPA (INR b)	2.9	4.0	10.1	10.5	10.7
Slippages (INR b)	12.4	17.0	30.5	30.9	35.4
GNPA Ratio (%)	1.7	1.7	2.46	2.25	2.04
NNPA Ratio (%)	0.5	0.5	0.95	0.80	0.65
Slippage Ratio (%)	2.4	2.6	3.4	2.6	2.4
Credit Cost (%)	0.3	0.6	1.7	1.5	1.3
PCR (Excl Tech. write off)	70.8	64.3	61.4	64.6	67.9

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E MARCH	FY23	FY24	FY25E	FY26E	FY27E
Yield and Cost Ratios (%)					
Avg. Yield - on IEA	11.7	11.7	13.2	12.8	12.5
Avg. Yield on loans	12.8	11.9	13.6	13.3	13.1
Avg. Cost of funds	5.6	6.4	7.3	7.2	6.9
Spreads	7.2	5.5	6.3	6.2	6.2
NIM (On total assets)	5.6	5.2	6.2	6.0	5.9
NIM (On IEA)	6.3	5.7	6.6	6.3	6.2

Capitalization Ratios (%)

CAR	23.6	20.1	18.5	17.2	16.2
Tier I	21.8	18.8	17.5	16.4	15.7
CET 1	21.8	18.8	17.5	16.4	15.7
Tier II	1.8	1.3	1.0	0.7	0.5

Business Ratios (%)

Loan/Deposit Ratio	84.2	83.9	90.2	89.8	89.5
CASA Ratio	38.4	33.4	29.9	31.5	33.0
Cost/Assets	4.3	4.5	4.6	4.4	4.4
Cost/Total Income	63.0	64.7	57.3	56.9	56.8
Cost/Core Income	62.5	65.2	59.0	58.6	58.5
Int. Expense/Int. Income	46.1	51.1	50.3	50.8	50.2
Fee Income/Total Income	19.8	24.5	20.7	20.3	20.2
Other Inc./Total Income	18.9	25.3	23.5	23.2	23.2

Efficiency Ratios (%)

Employee per branch (in nos)	51.5	47.3	36.0	32.8	29.8
Staff cost per employee (INR m)	0.6	0.7	0.7	0.9	1.1
CASA per branch (INR m)	485	463	312	361	417
Deposits per branch (INR m)	1,261	1,386	1,042	1,146	1,263
Bus. Per Employee (INR m)	45	54	55	66	80
Profit per Employee (INR m)	0.5	0.5	0.5	0.7	0.8

Profitability and Valuations

	FY23	FY24	FY25E	FY26E	FY27E
RoE	15.5	13.1	14.5	15.7	17.3
RoA (On bal Sheet)	1.8	1.5	1.6	1.7	1.7
RoRWA	2.9	2.4	2.2	2.4	2.5
Book Value (INR)	164.0	186.8	221.3	257.1	303.7
- growth (%)	38.2	13.9	18.5	16.1	18.2
Price-BV (x)	3.6	3.2	2.7	2.3	2.0
Adjusted BV (INR)	161.6	183.5	212.7	248.0	294.5
- growth (%)	38.5	13.5	15.9	16.6	18.8
Price-ABV (x)	3.7	3.2	2.8	2.4	2.0
EPS (INR)	22.0	23.0	29.7	37.4	48.5
- growth (%)	22.3	4.3	29.3	26.0	29.5
Price-Earnings (x)	27.0	25.9	20.0	15.9	12.3

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.motilalosal.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://online.reports.motilalosal.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.motilalosal.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") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilalosal.com.

Nainesh Rajani

Email: nainesh.rajani@motilalosal.com

Contact: (+65) 8328 0276

Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.

8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or 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. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not 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, not 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 dpgrievances@motilaloswal.com.