

**HOLD**

TP: Rs 1,035 | ▲ 3%

**AU SMALL FINANCE  
BANK**

| Banking

| 21 January 2026

## Return profile improving with strong business momentum

- PAT higher than estimates, mainly due to lower provisions. Business momentum stays strong
- Asset quality improved, driven by lower slippages across most of the segments
- Maintain HOLD with revised TP of Rs 1,035 (from Rs 829) and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs 3Y avg of 3.0x

**Niraj Jalan**  
Research Analyst  
**Vijiya Rao**  
Research Analyst  
research@bobcaps.in

**PAT higher than estimates, mainly due to lower provisions:** PAT at Rs 6.7bn (+26% YoY) was 4% higher than our estimates. This was mainly on the back of lower provisions at Rs 3.3bn (-34% YoY), which were -26% lower vs estimates. Hence, credit cost improved to 0.76% (-44bps QoQ) of ATA in Q3FY26, given the normalisation in unsecured businesses and seasonal recovery in secured assets. With the stress easing in MFI, management guided credit costs to be 100bps of ATA for FY26. However, PPOP missed our estimates by -5.9% to Rs 12.2bn (+1% YoY) towing to the rise in C/I ratio to 60.3% in Q3FY26 (57.7% in Q2FY26), which was partially offset by rise in NIMs to 5.7% (+25bps QoQ). Return ratios improved with RoA/RoE of 1.6%/14.3% (Q3FY26) vs 1.5%/13% (Q3FY25).

**Business momentum stays strong:** AUBANK witnessed net advance growth of 24% YoY, which was ~1.7x the system growth. Secured retail assets (wheels, MBL, HL and GL) accounted for 67.5% of total loans, followed by Commercial Banking (CB) (21.3%), unsecured (7.3%) and others (3.9%). Retail secured segment is positioned as the primary beneficiary of the bank's expanded distribution and universal banking transition. Deposit growth stays strong at 23.3% YoY (Dec'25).

**Asset quality improved:** GNPA ratio improved sequentially to 2.3% (-11bps QoQ), largely driven by lower slippage across most segments of Rs 7.9bn (-12.9% QoQ) or slippage ratio of 3.1% (-67 bps QoQ). Further, CE in non-overdue MFI loans improved to 99.3% (Q3FY26) vs 98.9% (Q2FY26). Also, SMA book in MFI improved to 1.9% (Dec'25) vs 2.9% (Sep'25), indicating improving early bucket delinquency with a high CGFMU cover of 83% (Dec'25) vs 69% (Sep'25).

**Maintain HOLD:** We expect the bank to deliver RoA of 1.8% by FY28E. Maintain HOLD, as the current valuations appear stretched relative to the underlying fundamentals with revised TP of Rs 1,035 (from Rs 829); and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs 3Y avg P/ABV of 3.0x. The increase in valuation multiple is due to rise in our PAT estimate by ~3%/5% (FY27E/FY28E) driven by consistent high loan growth, improvement in return profile and visible recovery in unsecured book.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AUBANK IN/Rs 1,001
Market cap	US\$ 8.2bn
Free float	77%
3M ADV	US\$ 23.3mn
52wk high/low	Rs 1,030/Rs 478
Promoter/FPI/DII	23%/36%/31%

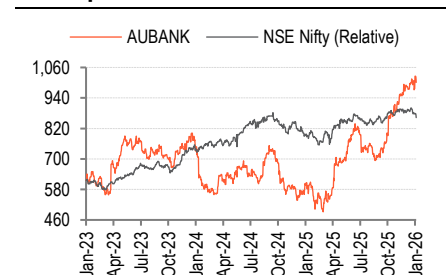
Source: NSE | Price as of 20 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	80,116	92,154	1,18,415
NII growth (%)	55.4	15.0	28.5
Adj. net profit (Rs mn)	21,059	25,758	36,495
EPS (Rs)	29.8	34.6	48.9
Consensus EPS (Rs)	28.2	34.5	46.1
P/E (x)	33.6	29.0	20.5
P/BV (x)	4.3	3.8	3.2
ROA (%)	1.6	1.5	1.7
ROE (%)	14.2	14.0	17.0

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

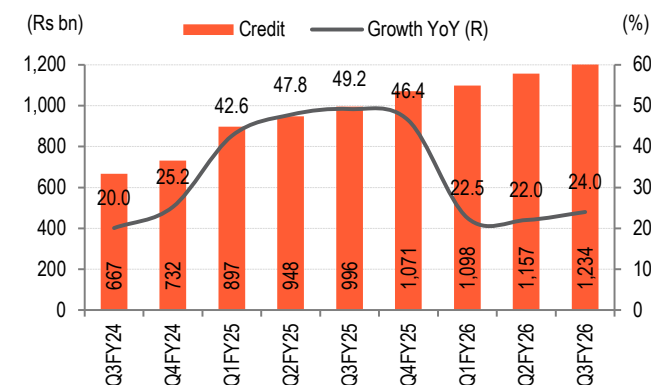
(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	34,412	35,555	36,649	37,862	40,164	16.7	6.1
Income on investments	5,685	6,184	6,450	6,444	6,500	14.3	0.9
Int. on bal. with RBI & inter-bank funds & Others	1,037	967	686	807	611	(41.1)	(24.3)
<b>Interest income</b>	<b>41,135</b>	<b>42,706</b>	<b>43,784</b>	<b>45,113</b>	<b>47,275</b>	<b>14.9</b>	<b>4.8</b>
Interest expense	20,908	21,767	23,338	23,669	23,862	14.1	0.8
<b>Net interest income</b>	<b>20,227</b>	<b>20,939</b>	<b>20,447</b>	<b>21,444</b>	<b>23,413</b>	<b>15.7</b>	<b>9.2</b>
Growth YoY (%)	62.0	58.0	52.9	11.7	15.7		
Fee Income	5,720	6,580	5,110	6,340	6,960	21.7	9.8
Trading gains/(losses)	460	1,020	3,000	790	270	(41.3)	(65.8)
Others	4	7	(4)	(4)	8	94.6	(291.1)
<b>Non-interest income</b>	<b>6,184</b>	<b>7,607</b>	<b>8,106</b>	<b>7,126</b>	<b>7,238</b>	<b>17.0</b>	<b>1.6</b>
Growth YoY (%)	52.2	72.0	45.9	30.6	17.0		
<b>Total income</b>	<b>26,411</b>	<b>28,546</b>	<b>28,553</b>	<b>28,570</b>	<b>30,651</b>	<b>16.1</b>	<b>7.3</b>
Growth YoY (%)	59.5	61.5	50.9	15.8	16.1		
Staff expenses	7,547	8,175	8,655	9,187	10,190	35.0	10.9
Other operating expenses	6,815	7,449	6,775	7,286	8,307	21.9	14.0
Operating expenses	14,362	15,623	15,431	16,473	18,498	28.8	12.3
<b>Pre-Provisioning Profit (PPoP)</b>	<b>12,049</b>	<b>12,923</b>	<b>13,122</b>	<b>12,097</b>	<b>12,153</b>	<b>0.9</b>	<b>0.5</b>
Growth YoY (%)	91.7	98.9	97.6	22.4	0.9		
Provisions	5,017	6,351	5,333	4,808	3,311	(34.0)	(31.1)
Growth YoY (%)	426.6	319.3	302.5	50.6	(34.0)		
Exceptional Item	-	-	-	-	-	-	-
<b>PBT</b>	<b>7,032</b>	<b>6,571</b>	<b>7,789</b>	<b>7,289</b>	<b>8,842</b>	<b>25.7</b>	<b>21.3</b>
Tax	1,748	1,535	1,980	1,680	2,165	23.9	28.9
<b>PAT</b>	<b>5,284</b>	<b>5,037</b>	<b>5,809</b>	<b>5,609</b>	<b>6,677</b>	<b>26.3</b>	<b>19.0</b>
Growth YoY (%)	31.5	34.2	29.8	11.6	26.3		
<b>Per Share</b>							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	7.1	6.8	7.8	7.5	8.9	25.9	18.9
Book Value (Rs)	223.1	230.6	239.1	245.5	255.8	14.7	4.2

Source: Company, BOBCAPS Research

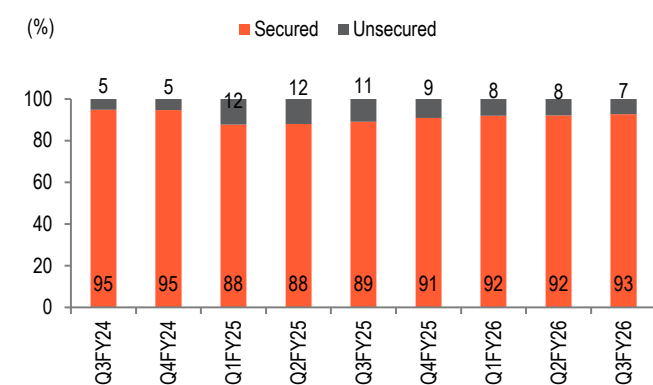
**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
<b>Deposits</b>	<b>11,22,600</b>	<b>12,42,685</b>	<b>12,76,960</b>	<b>13,25,092</b>	<b>13,84,150</b>	<b>23.3</b>	<b>4.5</b>
Growth YoY (%)	48.2	55.1	46.5	36.2	23.3		
<b>Advances</b>	<b>9,95,590</b>	<b>10,70,925</b>	<b>10,98,340</b>	<b>11,57,050</b>	<b>12,34,200</b>	<b>24.0</b>	<b>6.7</b>
Growth YoY (%)	55.2	60.5	50.1	29.1	24.0		
Investment	3,36,130	3,78,475	3,83,440	3,83,822	3,97,930	18.4	3.7
Equity	1,66,020	1,71,663	1,78,000	1,83,162	1,90,850	15.0	4.2
Assets	14,30,440	15,78,457	16,08,140	16,55,419	17,40,520	21.7	5.1
Growth YoY (%)	49.0	56.0	47.0	31.4	21.7		
<b>Yield</b>							
Yield on Funds	11.98	11.63	11.26	11.35	11.42	(56bps)	7bps
Cost of Funds	6.95	6.74	6.81	6.73	6.51	(44bps)	(22bps)
Spread	5.04	4.88	4.45	4.61	4.91	(12bps)	30bps
<b>Net Interest Margin</b>	<b>5.90</b>	<b>5.80</b>	<b>5.40</b>	<b>5.50</b>	<b>5.70</b>	<b>(20bps)</b>	<b>20bps</b>
<b>Ratios</b>							
Other Income / Net Income	23.4	26.6	28.4	24.9	23.6	20bps	(133bps)
Cost to Income ratio	54.4	54.7	54.0	57.7	60.3	597bps	269bps
CASA ratio	30.6	29.2	29.1	29.4	28.9	(179bps)	(58bps)
C/D ratio	88.7	86.2	86.0	87.3	89.2	48bps	185bps
Investment to Assets	23.5	24.0	23.8	23.2	22.9	(64bps)	(32bps)
<b>Assets Quality</b>							
GNPA	23,355	24,770	27,513	28,353	28,805	23.3	1.6
NNPA	9,056	7,910	9,713	10,157	10,915	20.5	7.5
Provision	14,299	16,860	17,800	18,197	17,891	25.1	(1.7)
GNPA (%)	2.31	2.28	2.47	2.41	2.30	(1bps)	(11bps)
NNPA (%)	0.91	0.74	0.88	0.88	0.88	(3bps)	0bps
Provision (%)	61.22	68.05	64.70	64.18	62.11	89bps	(207bps)
<b>Others</b>							
Branches	2,400	2,456	2,505	2,626	2,726	326	100
ATMs	674	677	678	707	742	68	35
Employees	49,100	50,946	53,235	57,786	59,872	10,772	2,086

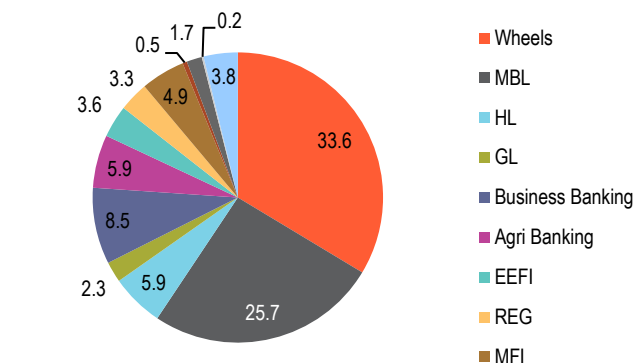
Source: Company, BOBCAPS Research

**Fig 3 – Credit growth higher vs system growth...**


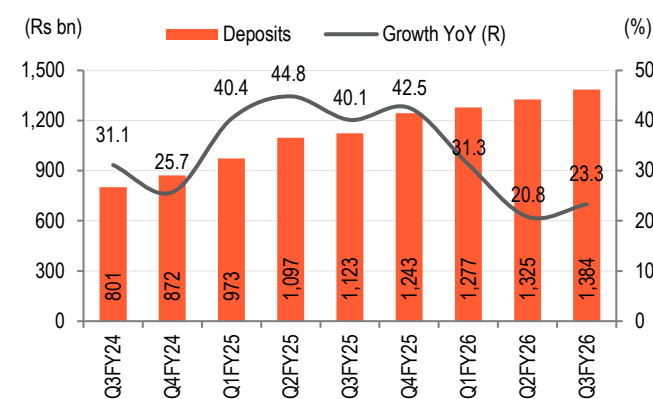
Source: Company, BOBCAPS Research

**Fig 4 – .... led by secured book growth of 21% YoY**


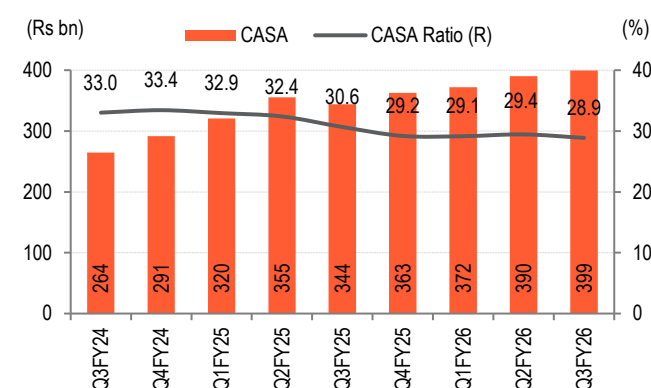
Source: Company, BOBCAPS Research

**Fig 5 – Advances mix with ~93% of secured – Q3FY26**


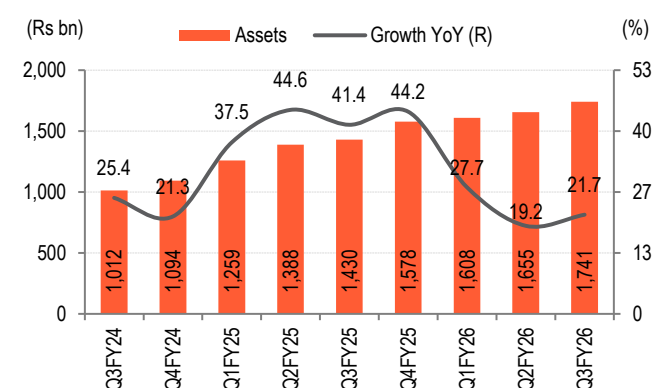
Source: Company, BOBCAPS Research

**Fig 6 – Deposits growth higher than system growth**


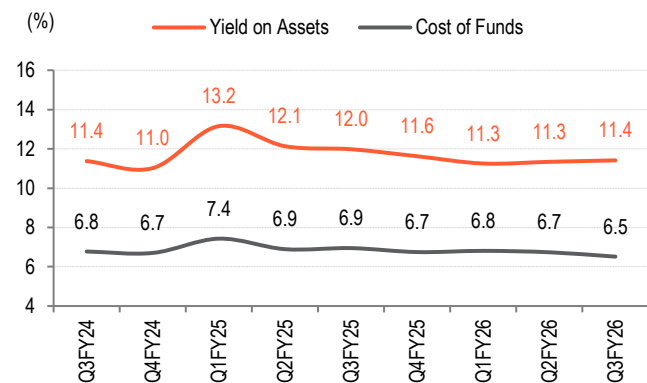
Source: Company, BOBCAPS Research

**Fig 7 – CASA ratio remains steady**


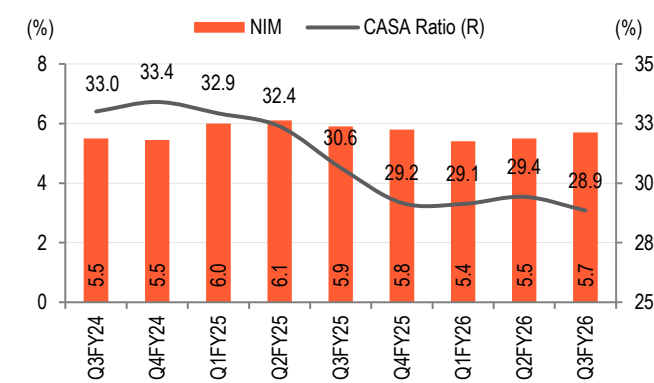
Source: Company, BOBCAPS Research

**Fig 8 – Asset growth improving**


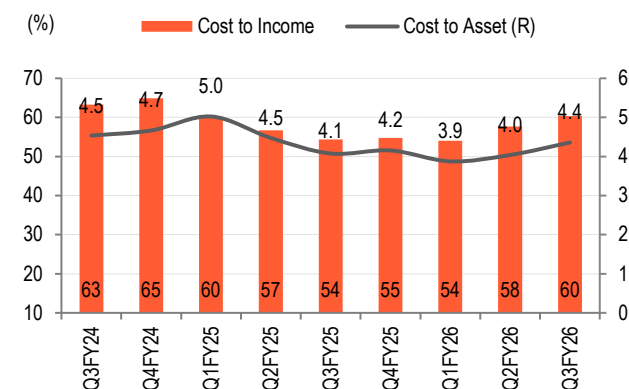
Source: Company, BOBCAPS Research

**Fig 9 – Spreads improve as asset yields stable & cost of funds decline...**


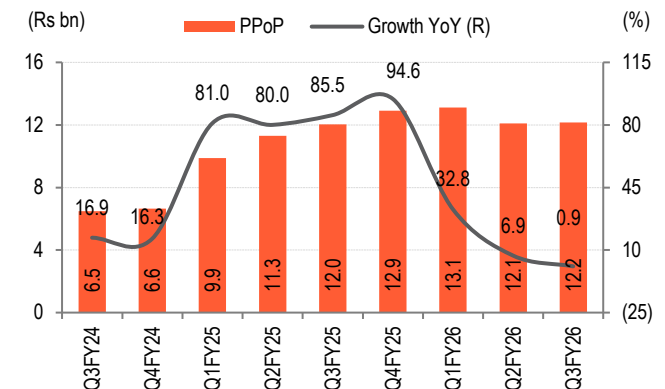
Source: Company, BOBCAPS Research

**Fig 10 – ...leading to improvement in NIMs by 25bps QoQ**


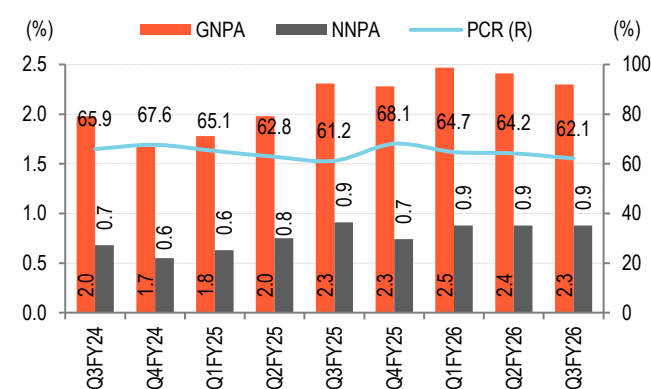
Source: Company, BOBCAPS Research

**Fig 11 – C/I ratio to remain below 60% in FY26**


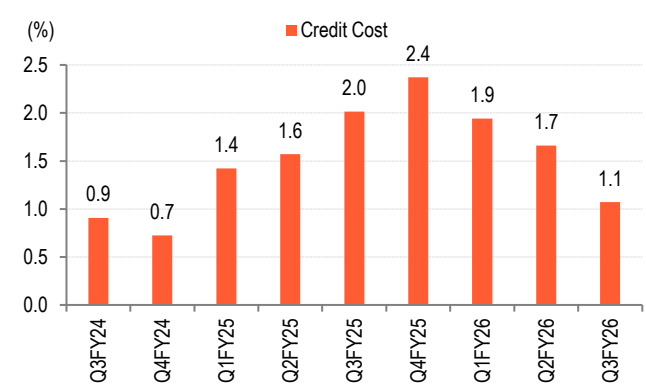
Source: Company, BOBCAPS Research

**Fig 12 – PPOP growth moderated in Q3FY26**


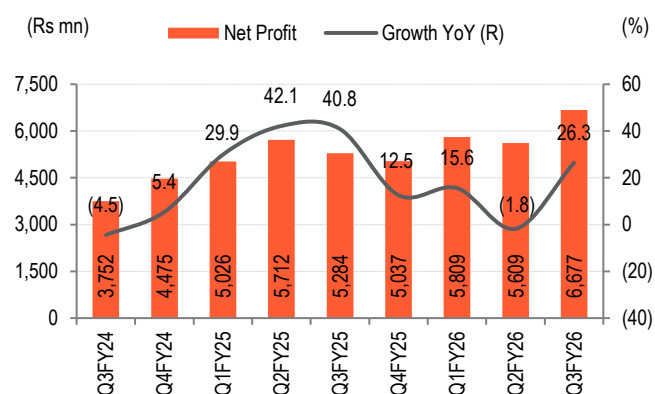
Source: Company, BOBCAPS Research

**Fig 13 – Asset quality improved**


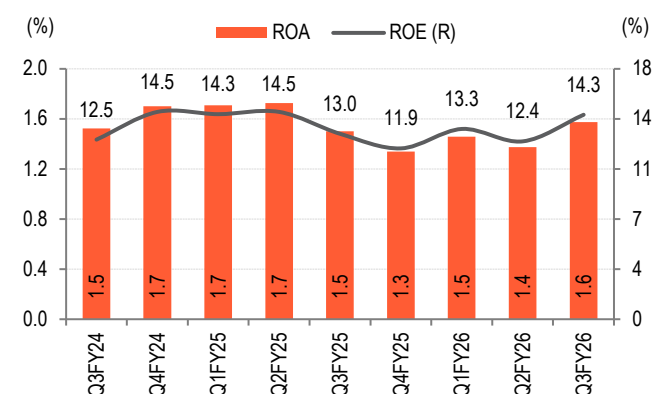
Source: Company, BOBCAPS Research

**Fig 14 – Credit cost improved QoQ, on account of lower fresh slippages**


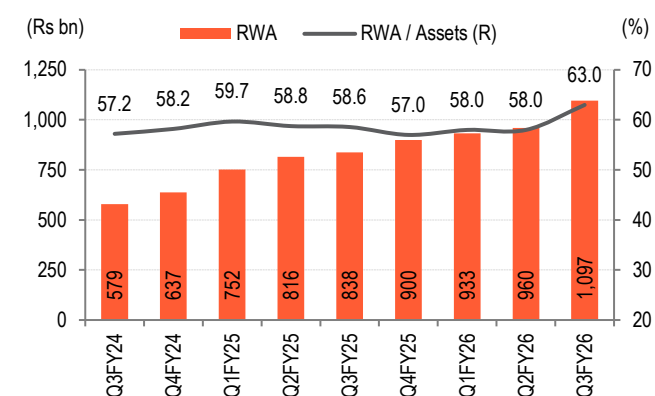
Source: Company, BOBCAPS Research

**Fig 15 – PAT up 26% YoY on lower CC**


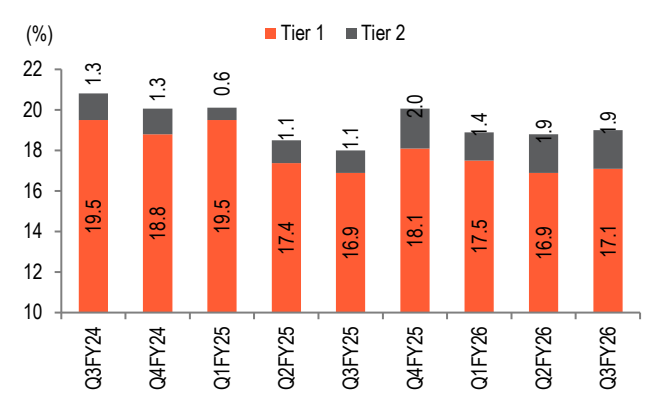
Source: Company, BOBCAPS Research

**Fig 16 – Return ratios improve**


Source: Company, BOBCAPS Research

**Fig 17 – Risk-weighted to assets increases**


Source: Company, BOBCAPS Research | RWA: Risk-Weighted Asset

**Fig 18 – Adequate capital position**


Source: Company, BOBCAPS Research

## Concall Highlights

### Advances and Deposits

- **Loan growth guidance-** The bank targets an overall loan growth rate of **~2.25-2.5x the nominal GDP**. Based on an expected nominal GDP of 8% to 8.5%, the bank is targeting an overall growth range of **20%-22%** for FY26.
- The bank intends to continue its current business model for the next 3-5 years, focusing on the same segments and geographies while scaling them up.
- Total loan portfolio increased by 5.7% QoQ to Rs 1,299bn, up from Rs 1,228.8bn in Q2FY26. The growth was primarily driven by wheels (+27% YoY), MBL (+25% YoY), gold (+52% YoY) and commercial banking (+24% YoY) segments.
- **Commercial banking book (21% of loans)-** grew 24% YoY to Rs 277bn, driven by diversified exposure across business banking, renewables, emerging enterprises, NBFCs, real estate, and transaction banking. The segment remains largely self-funded, contributing 8% of deposits and 7% of CASA, supporting margins and balance sheet strength.
- Management noted that **unsecured business, specifically MFI, is witnessing improvement** with ~1% sequential growth for the first time in six quarters.
- **Deposits:** Total deposits stood at Rs 1,384bn, marking 4.5% QoQ and 23.3% YoY growth. The surge was fueled by continued traction in both the current (+31% YoY) and wholesale term deposits (+39.5% YoY).
- **CASA Ratio:** CASA ratio remained largely stable at 28.9% in Q3FY26 vs 29.4% in Q2FY26. The share of CASA + Retail TD remained stable at 60.4% in Q3FY26.
- During the quarter, the bank **added 27 new liability branches**, mostly in urban markets, as part of a plan to add 80 such branches within the current year.

### Profitability

- **Net Interest Income (NII):** NII grew by 9.2% QoQ and 15.7% YoY to Rs 23.4bn.
- **Net Interest Margins (NIMs):** NIMs were better than expected, **expanding 25 bps QoQ to 5.7%** in Q3 FY26, largely **driven by a sharp 22bps decline in cost of funds**, supported by term deposit repricing, SA rate cuts, CRR reduction, and lower surplus liquidity, with these tailwinds likely to persist over the next 2–3 quarters.
- **Yield trends:** This benefit was partially offset by a **10bps QoQ decline** in advance yields to 13.8%, reflecting an asset mix shift toward retail secured and commercial banking, while repo-linked loans (~30% of the book) may face additional yield pressure in Q4.
- A largely fixed-rate loan book (~67%) provides yield stability, while a focus on stable deposits (~80% of deposits) anchors funding costs.
- **Other Income:** Other income stood at Rs 7.2bn (17% YoY), primarily driven by higher fee income.

- **Opex-** Total opex stood at Rs 18.5bn (+12.3% YoY) in which a **one-time provision of Rs 200mn** was recorded to account for the impact of the **New Labour Code**, which weighed on reported profitability.
- **Provisions:** Provisions stood at Rs 3.3bn, (-31% QoQ), translating to a credit cost of 1.1% from 1.7% in Q2FY26.
- Provisions fell due to normalisation in unsecured books (MFI and credit cards), higher CGFMU coverage reducing MFI provisioning, and seasonal improvement in secured asset collections, leading to lower slippages.
- **Return Ratios:** RoA was healthy at 1.6% and RoE at 14.2%, driven by higher profits. Management expects to report RoA of 1.8% by FY27.

### Asset quality

- GNPA improved 11bps to 2.3% in Q2FY26, while NNPA remained the same as the last quarter at 0.88%. PCR (ex-TWO) stood at 62.1% vs 64.1% in Q2, PCR (Incl-TWO) stood at 83% vs 84% in Q2.
- Slippages declined 13% QoQ to Rs 7.9bn, while credit costs eased, aided by unsecured normalisation and seasonal recovery in secured assets.
- MFI collections improved sharply (99.5% in Dec), and 83% CGFMU coverage (guided to be 90–95% by March) materially lowers the downside risk and provisioning needs, while credit card stress has largely normalised post the Q2 peak.
- GNPA ratio in Inclusive Banking (MFI, FPO financing and SMF) and Digital Unsecured (CC and PL) segments improved to 4% (-60bps QoQ) and 4.6% (-1.1% QoQ), respectively in Q3FY26.
- Management reiterated full-year FY26 credit cost guidance at ~100 bps.

### Management

- AU Small Finance Bank announced leadership and Board changes in Q3FY26 as part of a long-term succession planning initiative.
- Mr. Uttam Tibrewal will continue as Deputy CEO after completion of his WTD tenure on April 18, 2026, with continued responsibility for retail assets and liabilities and increased on-ground engagement to drive growth, strengthen customer relationships, and expand the bank's presence across new locations.
- Mr. Vivek Tripathi, currently CCO, has been appointed as Executive Director (WTD), subject to regulatory approval, to oversee and unify the bank's credit architecture.
- The bank appointed 3 new Non-executive Independent Directors (Mr. N.S. Venkatesh, Mr. Satyajit Dwivedi, and Mr. Phani Shankar).

### Others

- AUBANK received Govt's approval to increase foreign investment limit in the paid-up capital to the maximum permissible limit of 74% from 49%.



## Valuation Methodology

AUBANK received in-principle approval from the RBI for its conversion into a universal bank in Aug'25. We expect the bank to deliver RoA of 1.8% by FY28E. We maintain HOLD as the current valuations appear stretched relative to the underlying fundamentals with revised TP of Rs 1,035 (from Rs 829) and roll over the valuation to 3.0x Dec'27E ABV (2.5x earlier) vs. 3Y avg P/ABV of 3.0x. The increase in valuation multiple is due to rise in our PAT estimate by ~3%/5% (FY27E/FY28E), driven by consistent high loan growth, improvement in return profile and visible recovery in unsecured book.

**Fig 19 – Actual vs Estimates**

Key Parameters (Rs mn)	Q3FY26A	Q3FY26E	Change (%)
Loan	12,34,200	12,21,060	1.1
Deposits	13,84,150	13,84,200	(0.0)
Assets	17,40,520	17,54,649	(0.8)
NII	23,413	22,866	2.4
PPOP	12,153	12,909	(5.9)
Provision	3,311	4,459	(25.7)
PAT	6,677	6,422	4.0

Source: Company, BOBCAPS Research

**Fig 20 – Key operational assumptions**

(%)	FY25	FY26E	FY27E	FY28E
Advances growth	46.4	23.5	22.0	23.0
NII growth	55.4	15.0	28.5	25.0
PPoP growth	91.7	13.3	28.5	25.2
PAT growth	37.2	22.3	41.7	31.3
NIM	5.9	5.8	6.1	6.2
GNPA	2.3	2.2	2.0	1.8
CAR	20.1	19.0	18.7	18.6

Source: Company, BOBCAPS Research

**Fig 21 – Revised estimates**

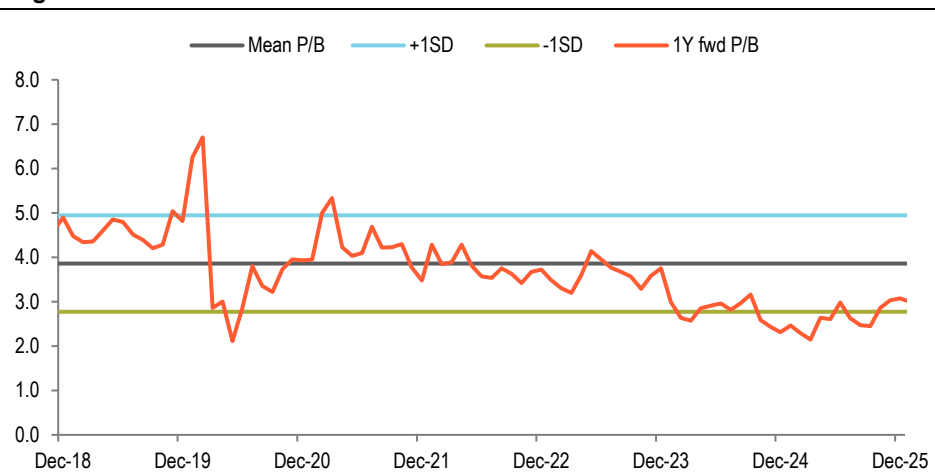
Key Parameters (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Loan	13,22,592	16,13,562	19,84,682	12,85,110	15,67,834	19,20,597	2.9	2.9	3.3
Deposits	15,22,290	18,49,582	22,73,136	15,40,930	19,26,162	23,88,441	(1.2)	(4.0)	(4.8)
Assets	19,18,569	23,35,501	28,54,056	18,83,391	23,01,700	28,21,244	1.9	1.5	1.2
NII	92,154	1,18,415	1,47,996	93,729	1,16,336	1,44,748	(1.7)	1.8	2.2
PPOP	51,908	66,700	83,494	52,466	65,871	82,132	(1.1)	1.3	1.7
Provision	17,473	17,911	19,431	18,259	18,544	20,931	(4.3)	(3.4)	(7.2)
PAT	25,758	36,495	47,919	25,587	35,401	45,778	0.7	3.1	4.7
ABV (Rs)	249	296	358	250	296	355	(0.7)	0.0	0.9

BOBCAPS Research

**Fig 22 – Valuation assumptions**

Gordon growth model	Assumptions
Risk-free rate (%)	6.5
Equity risk premium (%)	5.5
Beta	0.7
Cost of equity (%)	10.4
Blended ROE (%)	14.4
Initial high growth period (yrs)	15.0
Payout ratio of high-growth phase (%)	18.0
Long-term growth (%)	6.5
Long term dividend payout ratio (%)	55.0
Justified P/BV Multiple (x)	3.0

Source: Company, BOBCAPS Research

**Fig 23 – PB band chart**

Source: Company, BOBCAPS Research

## Key Risks

Key downside risks to our estimates:

- Unexpected asset quality shocks leading to higher credit cost
- Slowdown in credit growth

Key upside risks to our estimates:

- Quicker-than-expected improvement in asset quality metrics, particularly unsecured segments

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	51,571	80,116	92,154	1,18,415	1,47,996
NII growth (%)	16.5	55.4	15.0	28.5	25.0
Non-interest income	16,971	25,263	30,774	35,734	42,814
Total income	68,542	1,05,379	1,22,928	1,54,149	1,90,810
Operating expenses	44,648	59,572	71,020	87,449	1,07,316
PPOP	23,894	45,807	51,908	66,700	83,494
PPOP growth (%)	18.3	91.7	13.3	28.5	25.2
Provisions	3,900	17,926	17,473	17,911	19,431
PBT	19,994	27,881	34,435	48,790	64,063
Tax	4,647	6,821	8,678	12,295	16,144
Reported net profit	15,347	21,059	25,758	36,495	47,919
Adjustments	0	0	0	0	0
Adjusted net profit	15,347	21,059	25,758	36,495	47,919

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	6,692	7,445	7,461	7,461	7,461
Reserves & surplus	1,18,904	1,64,218	1,89,073	2,24,473	2,71,051
Net worth	1,25,595	1,71,663	1,96,535	2,31,934	2,78,512
Deposits	8,71,821	12,42,685	15,22,290	18,49,582	22,73,136
Borrowings	54,794	1,16,599	1,34,089	1,50,180	1,69,703
Other liab. & provisions	42,046	47,509	65,656	1,03,805	1,32,705
Total liab. & equities	10,94,257	15,78,457	19,18,569	23,35,501	28,54,056
Cash & bank balance	63,763	94,664	1,17,511	1,36,561	1,62,847
Investments	2,71,334	3,78,475	4,34,255	5,30,140	6,44,177
Advances	7,31,627	10,70,925	13,22,592	16,13,562	19,84,682
Fixed & Other assets	27,533	34,393	44,210	55,237	62,350
Total assets	10,94,257	15,78,457	19,18,569	23,35,501	28,54,056
Deposit growth (%)	25.7	42.5	22.5	21.5	22.9
Advances growth (%)	25.2	46.4	23.5	22.0	23.0

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	23.0	29.8	34.6	48.9	64.2
Dividend per share	1.0	1.0	1.2	1.5	1.8
Book value per share	187.7	230.6	263.4	310.9	373.3

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	43.6	33.6	29.0	20.5	15.6
P/BV	5.3	4.3	3.8	3.2	2.7
Dividend yield (%)	0.1	0.1	0.1	0.1	0.2

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	5.2	6.0	5.3	5.6	5.7
Non-interest income	1.7	1.9	1.8	1.7	1.7
Operating expenses	4.5	4.5	4.1	4.1	4.1
Pre-provisioning profit	2.4	3.4	3.0	3.1	3.2
Provisions	0.4	1.3	1.0	0.8	0.7
PBT	2.0	2.1	2.0	2.3	2.5
Tax	0.5	0.5	0.5	0.6	0.6
ROA	1.5	1.6	1.5	1.7	1.8
Leverage (x)	8.5	9.0	9.5	9.9	10.2
ROE	13.0	14.2	14.0	17.0	18.8

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Net interest income	16.5	55.4	15.0	28.5	25.0
Pre-provisioning profit	18.3	91.7	13.3	28.5	25.2
EPS	4.3	29.7	16.0	41.5	31.3
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	5.5	5.9	5.8	6.1	6.2
Fees / Avg. assets	42.5	47.3	44.0	42.0	41.3
Cost-Income	65.1	56.5	57.8	56.7	56.2
ROE	13.0	14.2	14.0	17.0	18.8
ROA	1.5	1.6	1.5	1.7	1.8
<b>Asset quality (%)</b>					
GNPA	1.7	2.3	2.2	2.0	1.8
NNPA	0.6	0.8	0.8	0.7	0.6
Slippage ratio	2.9	5.2	3.2	2.6	2.4
Credit cost	0.6	2.0	1.5	1.2	1.1
Provision coverage	63.9	65.9	62.5	65.6	67.6
<b>Ratios (%)</b>					
Credit-Deposit	83.9	86.2	86.9	87.2	87.3
Investment-Deposit	31.1	30.5	28.5	28.7	28.3
CAR	20.1	20.1	19.0	18.7	18.6
Tier-1	18.8	18.1	17.3	17.1	17.1

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**  
TRUST | INNOVATION | EXCELLENCE

Investments 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.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

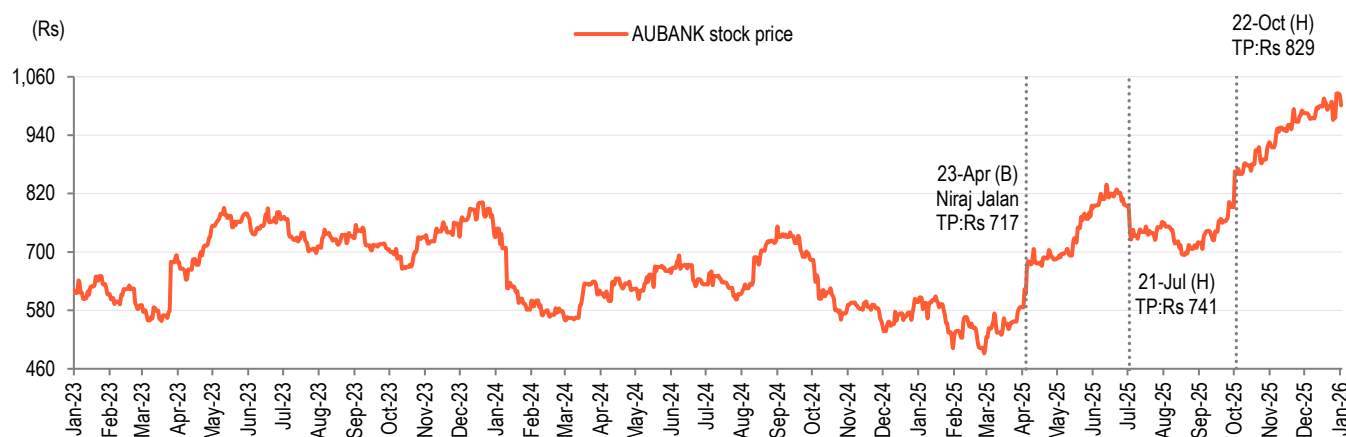
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): AU SMALL FINANCE BANK (AUBANK IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

## Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

## General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.