

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**

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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) owing 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 |
|--|--------|--------|
| | ▲ | ◀ ▶ |

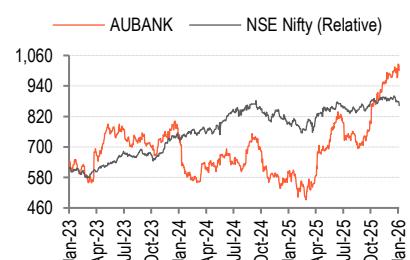
| | |
|------------------|--------------------|
| Ticker/Price | AUBANK IN/Rs 1,001 |
| Market cap | US\$ 8.2bn |
| Free float | 77% |
| 3M ADV | US\$ 23.3mn |
| 52wk high/low | Rs 1,030/Rs 478 |
| Promoter/FPI/DII | 23%/36%/31% |

Source: NSE | Price as of 20 Jan 2026

Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|-------------------------|--------|--------|---------|
| NII (Rs mn) | 80,116 | 92,154 | 118,415 |
| 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

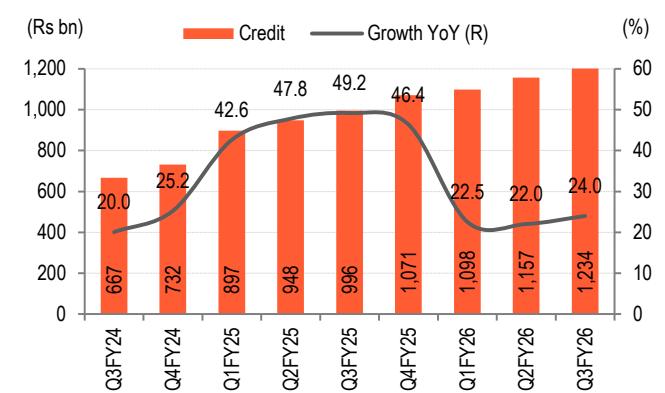
| (Rs mn) | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | YoY (%) | QoQ (%) |
|---|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| Income Statement | | | | | | | |
| Interest Income | 34,412 | 35,555 | 36,649 | 37,862 | 40,164 | 16.7 | 6.1 |
| 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) |
| Interest income | 41,135 | 42,706 | 43,784 | 45,113 | 47,275 | 14.9 | 4.8 |
| Interest expense | 20,908 | 21,767 | 23,338 | 23,669 | 23,862 | 14.1 | 0.8 |
| Net interest income | 20,227 | 20,939 | 20,447 | 21,444 | 23,413 | 15.7 | 9.2 |
| 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) |
| Non-interest income | 6,184 | 7,607 | 8,106 | 7,126 | 7,238 | 17.0 | 1.6 |
| Growth YoY (%) | 52.2 | 72.0 | 45.9 | 30.6 | 17.0 | | |
| Total income | 26,411 | 28,546 | 28,553 | 28,570 | 30,651 | 16.1 | 7.3 |
| 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 |
| Pre-Provisioning Profit (PPoP) | 12,049 | 12,923 | 13,122 | 12,097 | 12,153 | 0.9 | 0.5 |
| 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 | - | - | - | - | - | - | - |
| PBT | 7,032 | 6,571 | 7,789 | 7,289 | 8,842 | 25.7 | 21.3 |
| Tax | 1,748 | 1,535 | 1,980 | 1,680 | 2,165 | 23.9 | 28.9 |
| PAT | 5,284 | 5,037 | 5,809 | 5,609 | 6,677 | 26.3 | 19.0 |
| Growth YoY (%) | 31.5 | 34.2 | 29.8 | 11.6 | 26.3 | | |
| Per Share | | | | | | | |
| 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 (%) |
|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------|--------------|
| Deposits | 11,22,600 | 12,42,685 | 12,76,960 | 13,25,092 | 13,84,150 | 23.3 | 4.5 |
| Growth YoY (%) | 48.2 | 55.1 | 46.5 | 36.2 | 23.3 | | |
| Advances | 9,95,590 | 10,70,925 | 10,98,340 | 11,57,050 | 12,34,200 | 24.0 | 6.7 |
| 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 | | |
| Yield | | | | | | | |
| 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 |
| Net Interest Margin | 5.90 | 5.80 | 5.40 | 5.50 | 5.70 | (20bps) | 20bps |
| Ratios | | | | | | | |
| 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) |
| Assets Quality | | | | | | | |
| 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) |
| Others | | | | | | | |
| 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 |

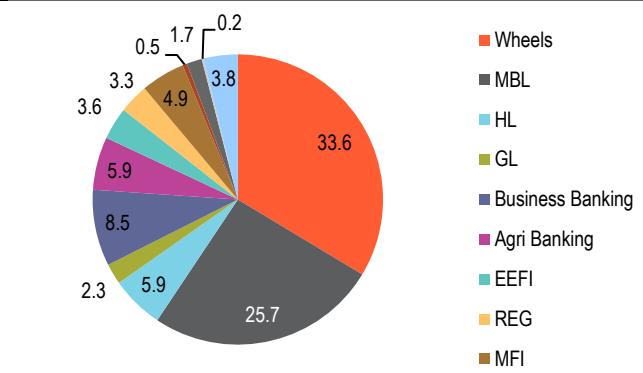
Source: Company, BOBCAPS Research

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

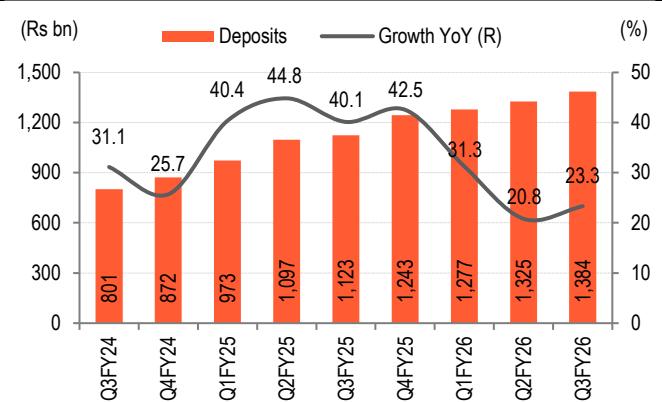
Source: Company, BOBCAPS Research

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

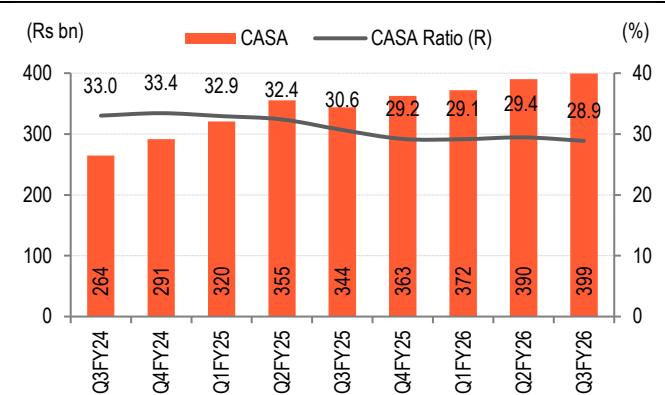
Source: Company, BOBCAPS Research

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

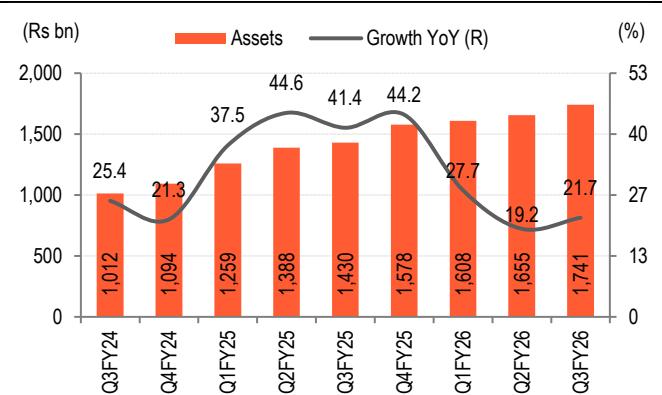
Source: Company, BOBCAPS Research

Fig 6 – Deposits growth higher than system growth

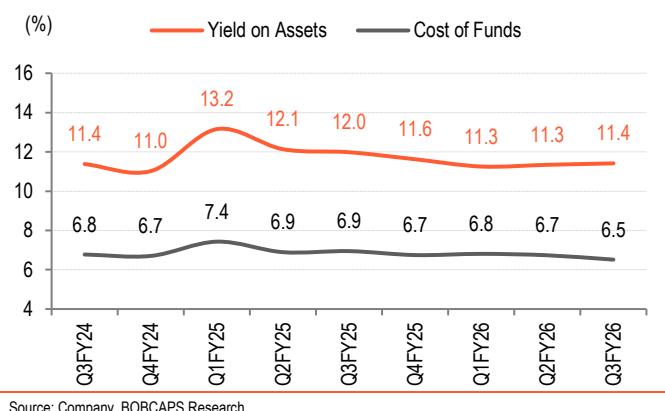
Source: Company, BOBCAPS Research

Fig 7 – CASA ratio remains steady

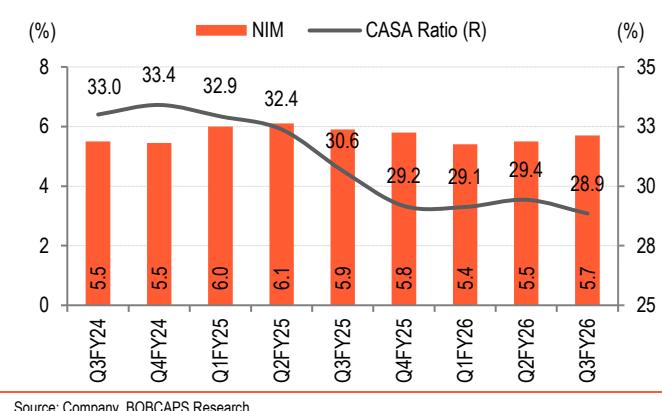
Source: Company, BOBCAPS Research

Fig 8 – Asset growth improving

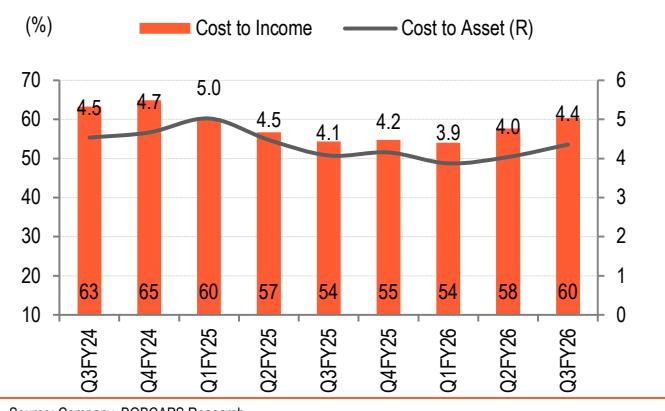
Source: Company, BOBCAPS Research

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


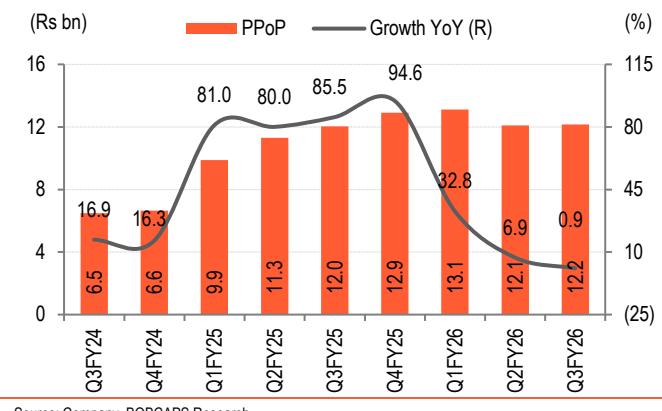
Source: Company, BOBCAPS Research

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


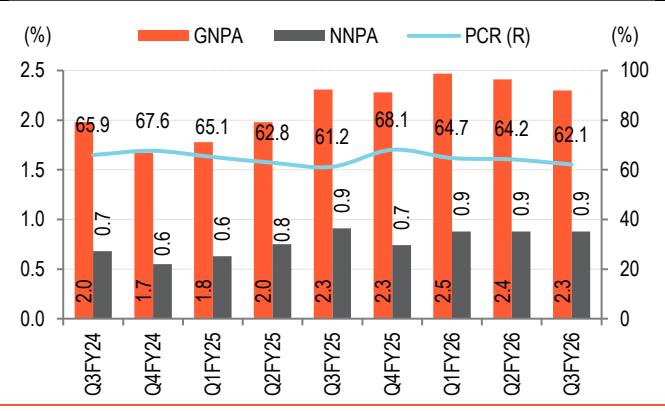
Source: Company, BOBCAPS Research

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


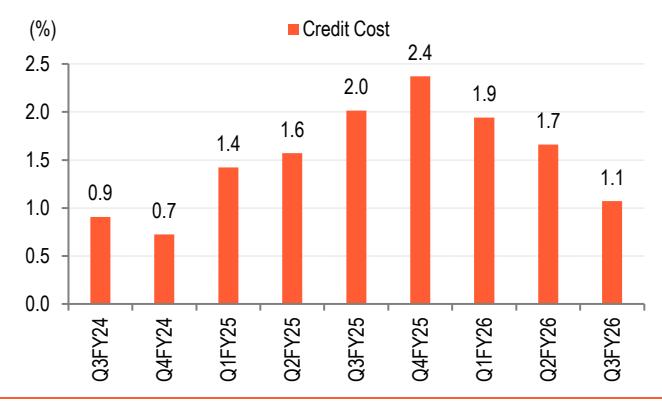
Source: Company, BOBCAPS Research

Fig 12 – PPOP growth moderated in Q3FY26


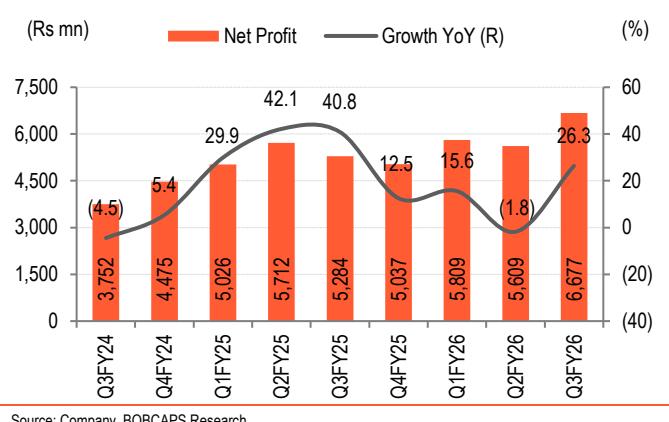
Source: Company, BOBCAPS Research

Fig 13 – Asset quality improved


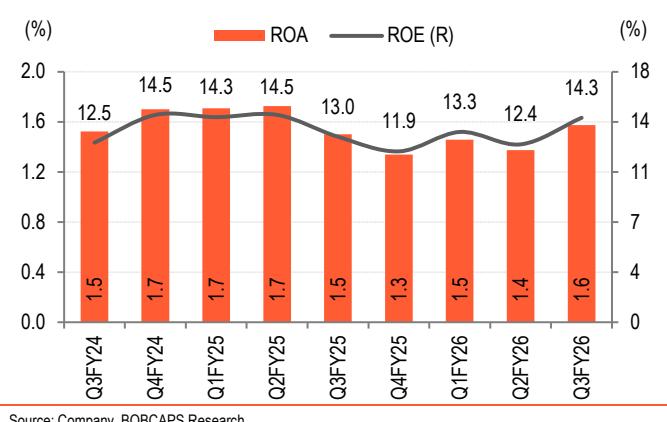
Source: Company, BOBCAPS Research

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


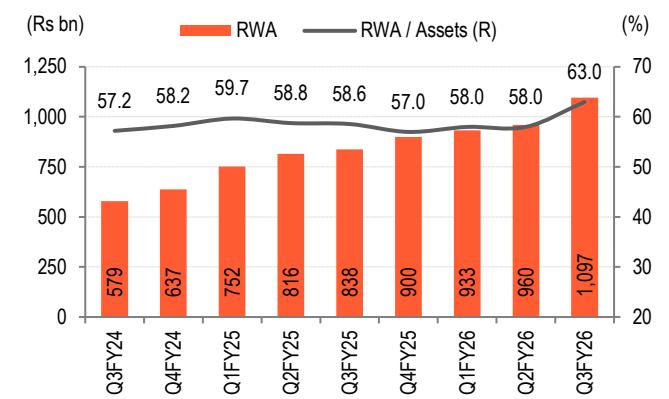
Source: Company, BOBCAPS Research

Fig 15 – PAT up 26% YoY on lower CC

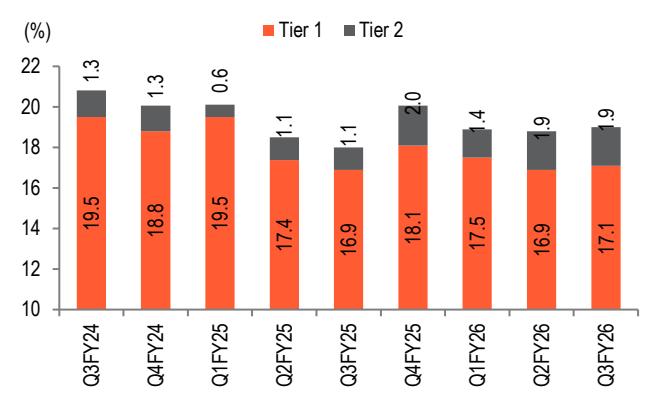
Source: Company, BOBCAPS Research

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 GoI'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

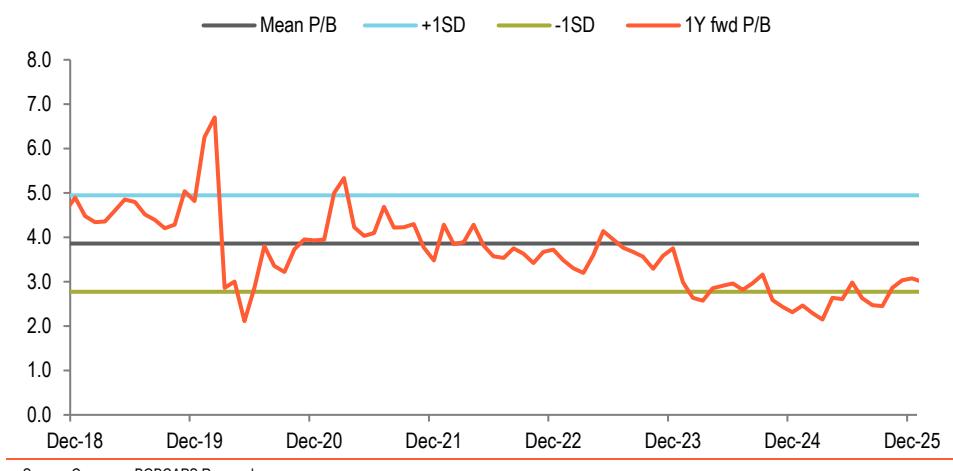
| Key Parameters (Rs mn) | New | | | Old | | | Change (%) | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------|-------|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Loan | 13,22,592 | 16,13,562 | 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 |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| 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 |
| Profitability & Return ratios (%) | | | | | |
| 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 |
| Asset quality (%) | | | | | |
| 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 |
| Ratios (%) | | | | | |
| 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

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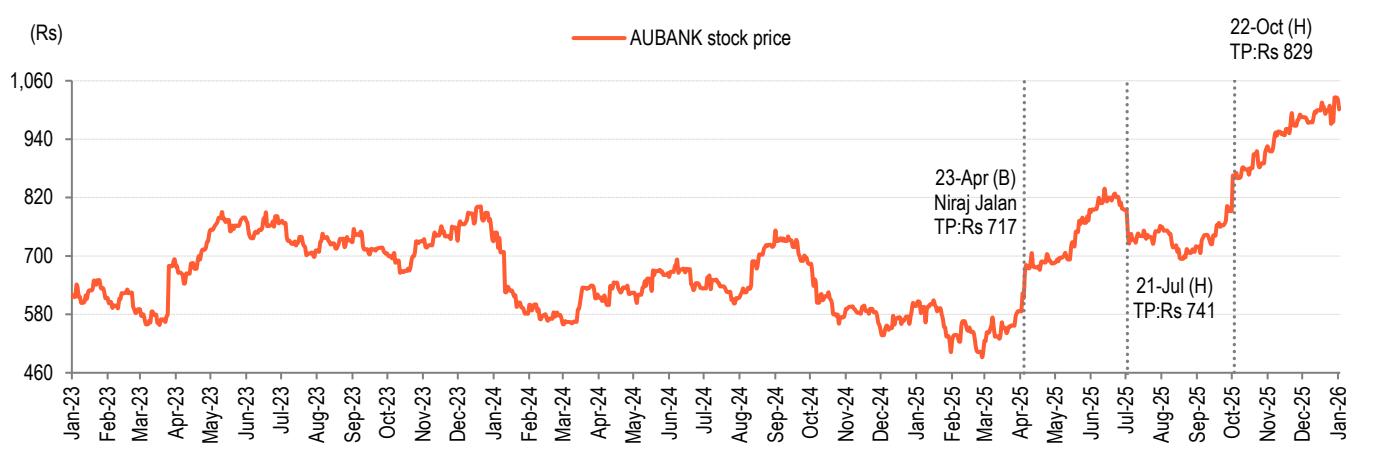
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Note: Recommendation structure changed with effect from 21 June 2021

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



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