AU Small Finance Bank

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	AUBANK IN
Equity Shares (m)	744
M.Cap.(INRb)/(USDb)	484.8 / 5.8
52-Week Range (INR)	813 / 554
1, 6, 12 Rel. Per (%)	-6/-2/-33
12M Avg Val (INR M)	2202

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	51.6	81.2	101.1
PPoP	24.4	43.2	54.1
PAT	15.3	22.4	29.2
NIM (%)	5.2	6.2	6.0
EPS (INR)	23.0	31.8	39.3
EPS Gr. (%)	4.3	38.3	23.7
BV/Sh. (INR)	187	223	261
ABV/Sh. (INR)	183	216	253
Ratios			
RoA (%)	1.5	1.7	1.7
RoE (%)	13.1	15.4	16.2
Valuations			
P/E(X)	28.4	20.6	16.6
P/BV (X)	3.5	2.9	2.5
P/ABV (X)	3.6	3.0	2.6

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	22.9	22.9	25.5
DII	20.1	18.4	19.6
FII	40.7	39.6	41.7
Others	16.2	19.1	13.3

FII Includes depository receipts

CMP: INR652 TP: INR830 (+27%) Buy

Robust earnings beat despite asset quality challenges

Resilient NIM performance; guides to defend FY25 RoA at ~1.6%

- AU Small Finance Bank (AUBANK) reported a 2QFY25 PAT of INR5.71b (16% beat) fueled by healthy other income and controlled opex, which offset higher provisions.
- NII grew 2.8% QoQ to INR19.7b (in line). NIM improved 5bp QoQ to 6.1%.
- PPoP stood at INR11.3b (13% beat) as opex came in 6% lower than our estimate and other income stood at INR6.4b (5% beat). C/I ratio thus declined sharply to 56.7% vs. 60.8% in 1QFY25.
- Business growth was healthy, with advances growing at 5.8% QoQ to INR948.4b while deposits grew at a robust 12.7% QoQ to INR1.09t. As a result, the overall CD ratio eased sharply to 86.5% (92.1% in 1QFY25).
- Slippages were elevated at INR7.4b vs. INR5.4b in 1QFY25. GNPA/NNPA ratio increased 20bp/12bp QoQ to 1.98%/0.75%. PCR declined 229bp QoQ to 62.8%. Credit costs as % of total assets were elevated at 0.28% (1.1% annualized).
- We tweak our estimates slightly and estimate the bank to deliver an RoA/ RoE of 1.7%/16.2% by FY26. **Reiterate BUY with a TP of INR830 (based on 3.2x FY26E BV).**

Deposit growth robust; asset quality deteriorates

- AUBANK reported a 2QFY25 PAT of INR5.71b (16% beat to MOFSLe) led by healthy other income and controlled opex. In 1HFY25, earnings grew 36% YoY to INR10.7b, and we estimate 2HFY25 earnings to grow 57% YoY to INR11.7b.
- NII grew 2.8% QoQ to INR19.7b (in line). Margin improved 5bp QoQ to 6.1%. Management guided margin to remain at ~6%. Provisions stood at INR3.73b (7% higher than MOFSLe, +17% QoQ).
- Other income stood at INR6.4b (5% beat), with treasury gains at INR680m vs. INR190m in 1QFY25. Opex stood at INR14.8b (6% lower than MOFSLe). C/I ratio thus dropped sharply to 56.7% vs. 60.8% in 1QFY25.
- Advances jumped 5.8% QoQ, with commercial assets growing 10.2% QoQ and retail at 4.5% QoQ. Deposit growth was robust at 12.7% QoQ to INR1.09t. CD ratio thus moderated sharply to 86.5%. However, CASA mix moderated to 32%. The cost of funds was in control at 7.04%.
- Slippages were elevated at INR7.4b vs. INR5.4b in 1QFY25. GNPA/NNPA ratio increased 20bp/12bp QoQ to 1.98%/0.75%. PCR declined 229bp QoQ to 62.8%.
- Credit costs as % of total assets stood elevated at 0.28% (1.1% annualized), driven mainly by the ongoing stress in the unsecured (MFI and Credit Cards) segment. The bank expects credit costs to remain elevated for the full year, and it conservatively guided for 2H credit costs to be at similar levels as 1HFY25.