

### Higher slippages dent otherwise good quarter

AUBANK reported a mixed set of results, with strong control over Opex being offset by elevated credit costs. NII for the quarter stood at Rs19.8bn, broadly in line with our estimate of Rs20.1bn. Non-interest income surpassed expectations at Rs6.4bn (vs. our projection of Rs6.2bn). Additionally, lower operating expenses resulted in a CTI of 57% compared to our estimate of 60%, driving PPOP higher to Rs11.3bn (vs. Rs10.6bn CentrumE). However, credit costs surged to Rs3.73bn, accompanied by an increase in slippages to 3.25% from 2.94% in Q1FY25. Consequently, the Gross/Net NPA ratios rose to 2.0% and 0.75%, respectively, compared to 1.78% and 0.63% in the previous quarter resulting in a QoQ decline in PCR by 200bps to 61%. A decline in CE across both secured and unsecured portfolios contributed to the higher slippages. The CRAR stood at 19.8%, down from 20.8% in Q1FY25. Historically, the stock has enjoyed premium valuations, supported by robust growth and superior asset quality. However, it may encounter near-term pressure due to sector-wide de-rating and a deterioration in asset quality. Management remains optimistic about a recovery in the secured loan book during the second half of the year. Given these dynamics, we retain our ADD rating and roll forward our valuation to 1HFY27. Applying a 3.5x P/ABV multiple, we arrive at a revised target price of Rs780, factoring in the impact of higher slippages.

#### Mixed set of performance

AU reported decline in yield during the quarter primarily due to AUM mix change. However, CoF was stable in line with the guidance that full year CoF to be in 7.10 -7.15% range (vs initial guidance of 7.20 – 7.25%). Advances and Deposits posted very healthy growth of 5.8%/12.7% for the quarter. Further, bank is on track to deliver 25% growth on both fronts for the year as LDR stands comfortable at 86%. Pertinently, CASA also witnessed a healthy growth of 10.9% maintaining the CASA at 32.4%.

#### CTI at 57% came as a pleasant surprise

CTI for the quarter was sequentially lower at 56.7% vs. 59.9% in 1QFY25. This was primarily due to flattish other expenses in spite of growth in business. As per the management, this performance can be attributed to various factors including improvement in productivity. Further, for FY25 they revised their CTI guidance to 60% vs. 62% earlier.

#### Rising slippages and higher credit cost impact performance

Bank witnessed increase in slippages across secured and unsecured portfolio. Credit costs surged to Rs3.73bn, accompanied by an increase in slippages to 3.25% from 2.94% in Q1FY25. In terms of composition, the secured-to-unsecured slippage mix shifted to 67:33 compared to 75:25 in the previous quarter. We have updated our estimates to reflect these developments.

#### Expensive valuations doesn't provide room for disappointment

AUBANK has historically commanded premium valuation multiples, attributed to its sustained loan growth, impeccable asset quality, and appealing return ratios. Nevertheless, the current environment presents challenges for the bank, and execution is more important than ever. **We maintain ADD rating.**

#### Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
NII	19,744	12,490	58.1	19,206	2.8	79,971	99,485	1,25,791
PPOP	11,318	6,477	74.7	9,881	14.5	43,853	52,310	66,821
Provisions	3,730	1,143	226.3	3,192	16.8	13,448	14,147	17,375
Net profit	5,712	4,018	42.2	5,026	13.7	22,785	28,559	37,004
Loan growth (%)	47.8	24.0		42.6		46.3	25.3	23.0
NIM (%)	6.2	5.5		6.8		6.4	6.1	6.2
Cost/income (%)	56.7	61.3		59.9		58.7	60.5	59.9
GNPA (%)	2.0	1.9		1.8		2.2	2.5	2.9
RoA (%)	1.9	1.8		1.8		1.7	1.6	1.7
RoE (%)	16.4	14.7		14.9		15.4	16.6	21.0
P/ABV (x)						3.0	2.9	2.9

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

#### Market Data

Bloomberg:	AUBANK IN
52 week H/L:	813/554
Market cap:	Rs484.8bn
Shares Outstanding:	743.5mn
Free float:	69.8%
Avg. daily vol. 3mth:	29,90,379

Source: Bloomberg

#### Changes in the report

Rating:	ADD; Unchanged
Target price:	Rs780; Changed by -12.3%
ABV:	FY25E; Changed by 1.1%
	FY26E; Changed by -12.9%

Source: Centrum Broking

#### Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	22.9	22.9	25.5	25.5
FIIs	40.7	39.6	39.4	41.1
DIIIs	20.1	18.4	22.8	20.8
Public/other	16.3	19.1	12.4	12.6

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
NII	20,146	19,744	(2.0%)
PPOP	10,555	11,318	7.2%
Provision	3,793	3,730	(1.6%)
PAT	5,055	5,712	13.0%

Source: Bloomberg, Centrum Broking



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# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
NII	79,971	82,719	-3.3	99,485	1,05,140	-5.4
PPoP	43,853	40,239	9.0	52,310	56,776	-7.9
PAT	22,785	19,324	17.9	28,559	28,579	-0.1

Source: Centrum Broking

## AU Small Finance Bank versus NIFTY Midcap 100

	1m	6m	1 year
AUBANK IN	(11.4)	7.0	(6.2)
NIFTY Midcap 100	(6.9)	13.9	45.6

Source: Bloomberg, NSE

## Key assumptions

Y/E Mar	FY25E	FY26E
AUM Growth	46.5	25.3
NII growth	55.1	24.4
Other Inc./Assets	2.0	1.9
Opex/Assets	4.7	4.5
Provision Cost	1.5	1.2

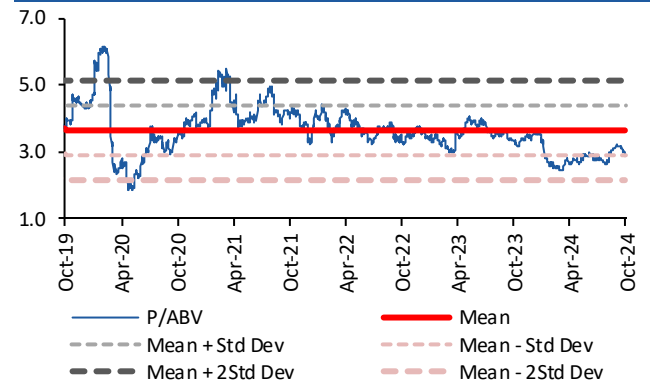
Source: Centrum Broking

## Valuations

We retain our ADD rating and roll forward our valuation to 1HFY27. Applying a 3.5x P/ABV multiple, we arrive at a revised target price of Rs780.

Valuations	Rs/share
1HFY27E ABV (Rs)	223
Ascribed P/BV (x)	3.5
<b>Target Price (Rs)</b>	<b>780</b>
Upside to CMP	20%

### P/ABV mean and standard deviation



Source: Bloomberg, Centrum Broking

## Peer comparison

Company	EPS (Rs)				ABVPS (Rs)				RoAA (%)				RoAE (%)			
	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E
EQSFB	5.2	7.0	5.6	9.7	43.6	49.4	54.5	62.0	1.9	2.0	1.3	1.8	12.2	14.4	10.2	15.7
UJJIVANS	5.6	6.6	4.2	7.3	21.5	28.4	30.9	37.6	3.9	3.5	1.8	2.6	31.4	26.1	13.6	20.7
SURYODAY	7.3	20.3	20.5	41.9	142.7	165.0	186.7	229.1	0.9	1.9	1.6	2.5	5.0	12.7	11.3	19.7
Average	6.0	11.3	10.1	19.6	69.3	80.9	90.7	109.6	2.2	2.5	1.6	2.3	16.2	17.7	11.7	18.7
<b>AUBANK</b>	<b>21.4</b>	<b>22.9</b>	<b>30.6</b>	<b>38.4</b>	<b>160.8</b>	<b>181.8</b>	<b>217.6</b>	<b>221.7</b>	<b>1.8</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>15.9</b>	<b>12.4</b>	<b>15.4</b>	<b>16.6</b>

Company	CMP (Rs)	Rating	TP (Rs)	Mcap (Rs bn)	CAGR (FY24-26E)				P/E (x)				P/BV (x)			
					AUM	NII	Opex	PPoP	FY23A	FY24A	FY25E	FY26E	FY23E	FY24A	FY25E	FY26E
EQSFB	70	Buy	107	79.6	21.4	17.5	16.4	21.6	13.6	9.9	12.5	7.2	1.5	1.3	1.2	1.1
UJJIVANS	38	Buy	68	7.3	21.3	16.9	19.8	11.8	6.8	5.7	9.1	5.2	1.8	1.3	1.2	1.0
SURYODAY	156	Buy	279	1.7	29.6	24.3	24.8	27.3	21.3	7.7	7.6	3.8	1.0	0.9	0.8	0.7
Average					24.1	19.6	20.3	20.2	13.9	7.8	9.7	5.4	1.4	1.2	1.1	0.9
<b>AUBANK</b>	<b>652</b>	<b>Add</b>	<b>780</b>	<b>485.0</b>	<b>35.5</b>	<b>38.9</b>	<b>33.9</b>	<b>46.5</b>	<b>29.5</b>	<b>28.4</b>	<b>21.3</b>	<b>17.0</b>	<b>4.0</b>	<b>3.5</b>	<b>2.8</b>	<b>2.8</b>

Source: Company, Centrum Broking

**Exhibit 1: Key conference call takeaways and metrics**

Centrum Quarterly Monitor	Q1FY25	Q2FY25	Our Comments
<b>Margins and Profitability</b>	<ul style="list-style-type: none"> <li>Margin expansion during the quarter was driven by higher yields and savings in the cost of funds (CoF).</li> <li>Margins for FY25 are expected to exceed 6%.</li> <li>CTI to increase from current 60% to +62%.</li> </ul>	<ul style="list-style-type: none"> <li>Margin contraction during the quarter was driven by change in AUM mix as MFI/CC business growth took a backseat.</li> <li>Endeavour is to protect margins in the range of ~6.0% for full year.</li> <li>CTI to ~60% for the year on back of improvement in productivity.</li> </ul>	<ul style="list-style-type: none"> <li>We expect margin compression as unsecured book growth takes a back seat which typically enjoys higher margins.</li> <li>Bank has done well to control opex inspite of pick up in business volumes and we expect further upgrade in its guidance.</li> </ul>
<b>Asset quality</b>	<ul style="list-style-type: none"> <li>Credit cost for FY25 expected to remain ~1-1.15% of advances</li> <li>MFI/CC business credit cost – 3%/6.5%, respectively.</li> <li>MFI book to have contingency buffer (Rs17cr)</li> </ul>	<ul style="list-style-type: none"> <li>Credit cost for FY25 is expected to be higher ~1.3% of advances.</li> <li>MFI/CC business credit cost – 3.1%/+8%, respectively.</li> <li>MFI contingency buffer to be created when CC is lower than 3%.</li> </ul>	<ul style="list-style-type: none"> <li>We believe 3Q would also face enhanced asset quality issues especially in unsecured portfolio in line with macro trends.</li> </ul>
<b>Outlook and guidance</b>	<ul style="list-style-type: none"> <li>The bank aims to maintain RoA at ~1.6% for FY25, in line with FY24 levels.</li> <li>Advances/Deposit growth 25%.</li> <li>Targeting a CD ratio of ~90%, with a net CD ratio (excluding refinance) of ~85%.</li> </ul>	<ul style="list-style-type: none"> <li>The bank aims to maintain RoA at ~1.6% for FY25, in line with FY24 levels.</li> <li>Advances/Deposit growth 25%.</li> <li>Targeting a CD ratio of ~90%, with a net CD ratio (excluding refinance) of ~85%.</li> </ul>	<ul style="list-style-type: none"> <li>We believe Bank can deliver its growth numbers for the year and have accordingly baked in the same.</li> </ul>

Source: Centrum Broking

## Earnings concall KTAs

### Opening remarks

- Operating environment has been challenging during the last 6 months with persistent inflation and tight liquidity, prolonged elections (both national and state), along with intense heat wave in Q1, and unusually heavy rains in Q2.
- Since mid-September, there are early signs of pickup in economic activity in core markets / customer segments, and bank is optimistic of an improved operating environment in H2,
- Higher credit cost has been primarily due to ongoing stress in unsecured MFI and Credit Card.

### Guidance

- Remain on track to achieve ~25% growth in both deposits and loans (with YTD growth of 12.3% and 8.9% respectively).
- Full year CoF now expected to be lower in 7.10 -7.15% range (vs initial guidance of 7.20 – 7.25%), margins to remain ~6.0%.
- Credit costs to remain elevated and expect to finish full year around the same levels as in H1 based on current outlook. There could be a variance of 5-10 bps depending on economic conditions.
- RoA guidance maintained 1.6%..

### Advances and Deposits

- Total deposits registered a QoQ growth of 12.7% and YTD growth of 12.3%.
- CA deposits grew 26% QoQ and SA grew 8% QoQ.
- CASA deposit growth of 11% sequentially to RS35,521cr with CASA ratio at 32%.
- CASA growth was led by sustainable efforts.

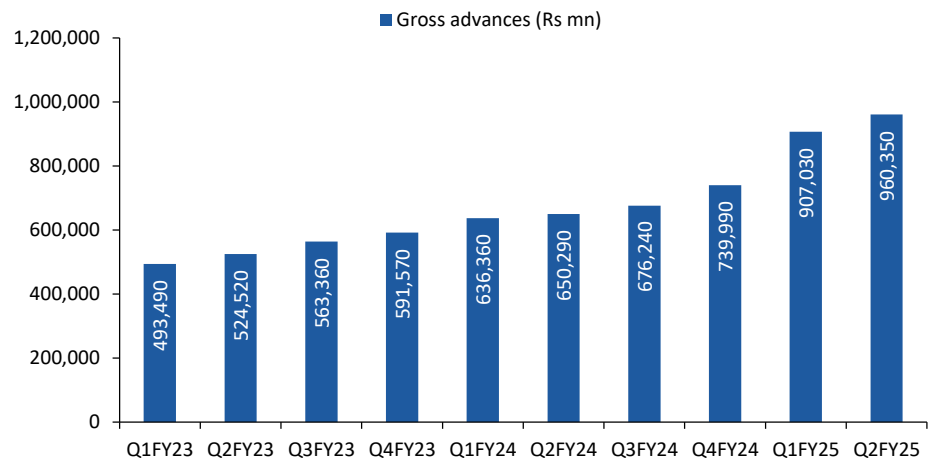
### Margins and Asset quality

- Secured businesses – bank remains well collateralized and expect some pullback in the second half driven both by seasonality and pickup in economic activity.
- MFI impacted by customer overleveraging; full year credit cost likely to exceed initial guidance of 3%.
- In credit cards, credit cost likely to remain elevated for the full year.
- Disbursement yield for 2Q was at 15.2% (vs. 15.8% in Q1), decrease in yield driven primarily by mix change with lower MFI; disbursement yields in secured retail assets were broadly stable.
- \*Secured: Unsecured contribution to credit costs was 67%:33% vs. 75%:35% in 1QFY25.\*
- \*CTI for the year is expected to be ~60% lower than earlier guidance of 61-62%.\*

### Other key points

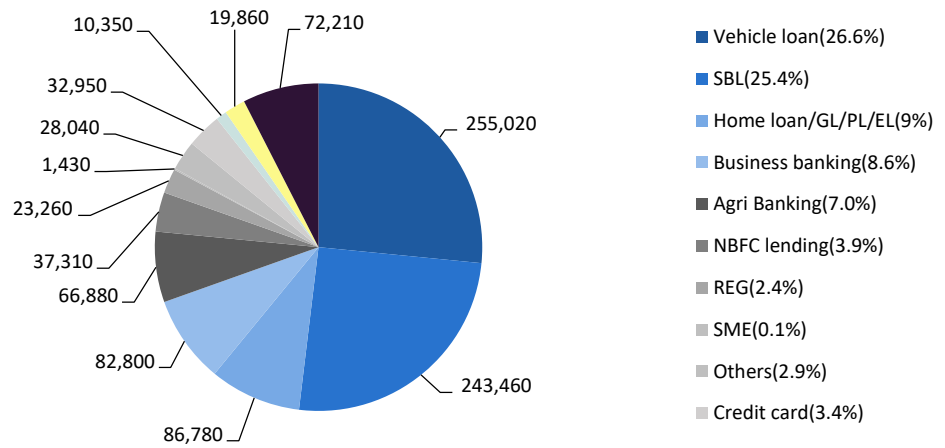
- CD ratio as on 2QFY25 stood at 86% as compared to 92% as on 1QFY25.
- Opex / Total Assets was at 4.5% in Q2 (vs 4.6% in Q1) and C/I was at 57% in Q2 vs 61% in Q1 (~59% for H1'FY25) - lower acquisition in credit cards and strong other income aided C/I ratio.
- ~8% portfolio with customers having >=5 lender relationship.
- CE for MFI – 98.44% vs. 99.07% in 1QFY25.
- Productivity of people and consistent efforts has led to improvement in opex ratio.

**Exhibit 2: Advances trend**



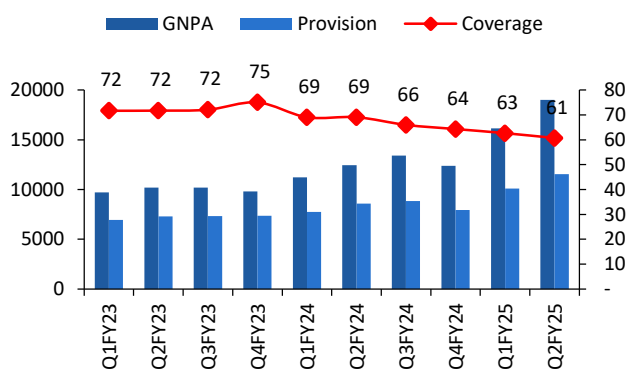
Source: Company, Centrum Broking

**Exhibit 3: Segment wise AUM breakup (Rs mn)**



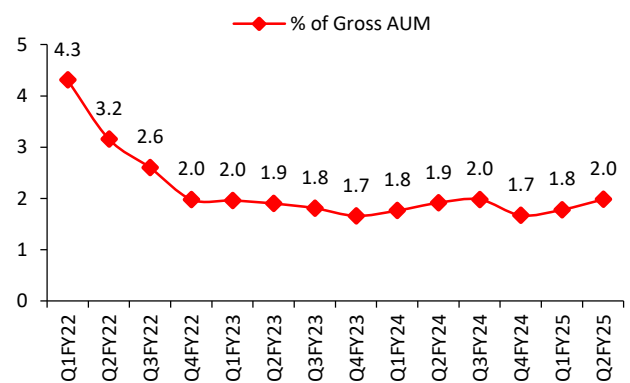
Source: Company, Centrum Broking

**Exhibit 4: Marginal uptick in GNPA due to seasonality**



Source: Company, Centrum Broking

**Exhibit 5: Impressive downward trend of GNPA**



Source: Company, Centrum Broking

**Exhibit 6: Quarterly Financials Snapshot**

Rs mn	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Income statement</b>											
Interest earned	16,670	18,202	19,923	21,181	22,749	24,583	25,311	27,358	28,295	37,690	39,106
Interest expended	7,305	8,442	9,089	9,653	10,616	12,121	12,821	14,109	14,925	18,485	19,363
Net Interest Income	9,366	9,760	10,833	11,527	12,132	12,462	12,490	13,249	13,370	19,206	19,744
Other income	3,114	1,592	2,474	2,949	3,331	3,151	4,255	4,497	5,556	5,457	6,380
<b>Total Income</b>	<b>12,479</b>	<b>11,352</b>	<b>13,307</b>	<b>14,476</b>	<b>15,463</b>	<b>15,613</b>	<b>16,744</b>	<b>17,746</b>	<b>18,926</b>	<b>24,662</b>	<b>26,123</b>
<b>Operating Expenses</b>											
Employees	4,137	3,940	4,513	4,652	4,825	5,070	5,120	5,287	5,559	7,901	7,855
Others	3,519	3,471	3,806	4,267	4,928	5,082	5,147	5,887	6,726	6,880	6,951
Operating profit	4,823	3,941	4,988	5,557	5,709	5,460	6,477	6,571	6,642	9,881	11,318
Provisions	932	384	430	326	409	330	1,143	1,589	1,325	3,192	3,730
Profit before tax	3,891	3,557	4,558	5,231	5,300	5,131	5,334	4,981	5,316	6,689	7,588
Taxes	430	878	1,132	1,302	1,054	1,262	1,315	1,229	841	1,663	1,876
<b>Net Profit</b>	<b>3,461</b>	<b>2,679</b>	<b>3,426</b>	<b>3,928</b>	<b>4,246</b>	<b>3,869</b>	<b>4,018</b>	<b>3,752</b>	<b>4,475</b>	<b>5,026</b>	<b>5,712</b>
<b>Balance sheet</b>											
Shareholders funds	74,727	77,889	1,00,759	1,05,400	1,09,773	1,13,790	1,17,627	1,21,670	1,25,595	1,55,160	1,60,412
Borrowings	59,908	61,166	66,951	61,910	62,987	76,370	53,441	54,140	54,794	89,310	87,771
Deposits	5,25,846	5,46,310	5,83,354	6,11,010	6,93,650	6,93,150	7,57,429	8,01,200	8,71,821	9,72,900	10,96,931
Other liabilities	29,884	25,041	27,332	28,710	35,751	32,520	31,277	34,750	42,046	42,050	43,177
<b>Total liabilities</b>	<b>6,90,365</b>	<b>7,10,406</b>	<b>7,78,397</b>	<b>8,07,030</b>	<b>9,02,161</b>	<b>9,15,830</b>	<b>9,59,774</b>	<b>10,11,760</b>	<b>10,94,257</b>	<b>12,59,420</b>	<b>13,88,291</b>
Cash & bank	59,285	33,260	39,485	38,250	94,252	49,360	62,573	51,550	63,763	56,080	85,058
Advances	4,60,953	4,86,540	5,17,431	5,56,010	5,84,215	6,28,610	6,41,685	6,67,400	7,31,627	8,96,520	9,48,382
Investments	1,53,065	1,72,270	2,02,202	1,92,700	2,00,720	2,16,270	2,32,199	2,67,140	2,71,334	2,73,150	3,18,608
Fixed assets	6,226	6,510	6,814	7,110	7,401	7,260	7,574	8,070	8,516	9,110	9,199
Other assets	11,250	11,820	12,847	12,960	15,573	14,330	15,743	17,600	19,017	24,560	27,044
<b>Total assets</b>	<b>6,90,778</b>	<b>7,10,400</b>	<b>7,78,779</b>	<b>8,07,030</b>	<b>9,02,161</b>	<b>9,15,830</b>	<b>9,59,774</b>	<b>10,11,760</b>	<b>10,94,257</b>	<b>12,59,420</b>	<b>13,88,292</b>
<b>Balance sheet (%)</b>											
Loan growth	26.8	36.9	38.0	34.1	23.7	26.9	24.0	20.0	25.1	42.5	47.7
Deposit growth	46.2	47.6	49.4	38.0	31.9	26.9	29.8	31.1	25.7	40.4	44.8
Loans / Deposits	87.7	89.1	88.7	91.0	84.2	90.7	84.7	83.3	84.9	93.2	87.5
Investment / Deposits	29.1	31.5	34.7	31.5	28.9	31.2	30.7	33.3	31.1	28.1	29.0
<b>Capital Adequacy</b>											
Tier-1	19.7	18.4	21.3	20.0	21.8	19.9	21.0	19.4	18.8	19.5	18.7
Tier-2	1.3	1.0	2.1	2.0	1.8	1.6	1.4	2.1	1.3	1.3	1.1
CRAR	21.0	19.4	23.4	22.0	23.6	21.5	22.4	21.5	20.1	20.8	19.8
<b>Profitability (%)</b>											
Yield on assets	11.8	12.2	13.1	12.5	12.6	12.4	12.5	12.4	12.5	14.3	12.2
Cost of funds	5.3	6.5	6.4	6.2	5.6	7.0	6.8	6.8	6.4	8.1	6.7
NIM	6.6	6.6	7.1	6.8	6.7	6.3	6.2	6.0	5.9	7.3	6.2
Other income / Assets	0.5	0.2	0.3	0.4	0.4	0.3	0.5	0.5	0.5	0.5	0.5
Cost / Income	61.3	65.3	62.5	61.6	63.1	65.0	61.3	63.0	64.9	59.9	56.7
Employees	33.1	34.7	33.9	32.1	31.2	32.5	30.6	29.8	29.4	32.0	30.1
Others	28.2	30.6	28.6	29.5	31.9	32.6	30.7	33.2	35.5	27.9	26.6
Cost / Assets	5.1	4.8	5.1	5.1	4.9	5.0	4.7	4.9	4.9	5.4	4.5
RoA	2.3	1.8	2.1	2.3	2.1	1.9	1.8	1.7	1.5	1.8	1.7
RoE	20.3	15.0	16.3	17.8	18.4	16.1	14.7	13.2	12.6	14.9	16.4
<b>Asset quality (%)</b>											
GNPA	2.0	2.0	1.9	1.8	1.7	1.8	1.9	2.0	1.7	1.8	2.0
NNPA	0.5	0.6	0.6	0.5	0.4	0.5	0.6	0.7	0.6	0.63	0.75
PCR	75.0	71.7	71.7	72.1	75.0	69.0	69.1	66.0	67.6	65.1	60.7
Credit Cost	0.9	0.4	0.4	0.3	0.3	0.2	0.8	1.0	0.8	1.7	1.6

Source: Company, Centrum Broking

**Exhibit 7: ROAE Tree of AUBank**

ROAE Tree	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Assets	1,88,328	3,26,228	4,21,431	5,15,913	6,90,778	9,02,161	10,94,257	15,68,106	19,61,982	24,68,491
Average total assets	1,43,070	2,57,278	3,73,829	4,68,672	6,03,345	7,96,470	9,98,209	13,31,181	17,65,044	22,15,237
Equity	22,812	31,629	43,768	62,752	75,140	1,09,773	1,25,595	1,70,559	1,74,176	1,78,639
Average Equity	21,344	27,220	37,699	53,260	68,946	92,457	1,17,684	1,48,077	1,72,367	1,76,408
Interest Income on term loans/ Average total assets	8.7%	9.2%	9.1%	8.4%	8.1%	8.6%	8.5%	10.2%	9.9%	9.8%
Income on investments/money with RBI/other banks / Average total assets	1.2%	1.4%	1.7%	1.8%	1.4%	1.6%	1.7%	1.6%	1.5%	1.7%
Non-Interest Income/ Average total assets	2.7%	1.8%	1.9%	3.0%	1.6%	1.3%	1.7%	2.0%	1.9%	1.9%
<b>Total Income/ Average total assets</b>	<b>12.6%</b>	<b>12.4%</b>	<b>12.7%</b>	<b>13.3%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>11.9%</b>	<b>13.8%</b>	<b>13.3%</b>	<b>13.3%</b>
Interest on Deposits, borrowings and debt securities / Average total assets	5.8%	6.2%	6.4%	5.5%	4.5%	4.7%	5.4%	5.7%	5.6%	5.6%
<b>Net Interest Income / Average total assets</b>	<b>6.6%</b>	<b>5.2%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>4.7%</b>	<b>6.0%</b>	<b>5.6%</b>	<b>5.7%</b>
<b>Net Total Income/ Average total assets</b>	<b>9.3%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>8.1%</b>	<b>7.0%</b>	<b>6.9%</b>	<b>6.5%</b>	<b>8.0%</b>	<b>7.5%</b>	<b>7.5%</b>
Operating Expenses / Average total assets	5.3%	4.2%	3.8%	3.5%	4.0%	4.3%	4.4%	4.7%	4.5%	4.5%
<b>PPOP/Average total assets</b>	<b>4.0%</b>	<b>2.8%</b>	<b>3.2%</b>	<b>4.6%</b>	<b>3.0%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>3.0%</b>	<b>3.0%</b>
Provision Cost / Average total assets	0.9%	0.6%	0.8%	1.4%	0.6%	0.19%	0.44%	1.0%	0.8%	0.8%
<b>Profit before tax / Average total assets</b>	<b>3.1%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.2%</b>
Tax expense/ Average total assets	1.1%	0.8%	0.3%	0.6%	0.5%	0.5%	0.5%	0.6%	0.5%	0.6%
One-time tax adjustment/Average Total Assets	0.0%	0.0%	0.2%	1.2%	0.0%	-0.1%	0.1%	0.0%	0.0%	0.0%
<b>RoAA</b>	<b>2.0%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.3%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.7%</b>
Leverage (Average total assets/average Equity or average Net-worth)	6.70	9.45	9.92	8.80	8.75	8.61	8.48	8.99	10.24	12.56
<b>RoAE</b>	<b>13.7%</b>	<b>14.0%</b>	<b>19.1%</b>	<b>11.6%</b>	<b>16.4%</b>	<b>15.9%</b>	<b>13.0%</b>	<b>15.4%</b>	<b>16.6%</b>	<b>21.0%</b>

Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest earned	59,217	1,05,547	1,63,166	2,08,327	2,61,843
Interest expended	82,054	53,976	83,195	1,08,842	1,36,052
<b>Net Interest Income</b>	<b>26,876</b>	<b>51,571</b>	<b>79,971</b>	<b>99,485</b>	<b>1,25,791</b>
Other income	37,801	17,459	26,133	32,834	41,043
<b>Total Income</b>	<b>32,341</b>	<b>69,030</b>	<b>1,06,105</b>	<b>1,32,319</b>	<b>1,66,833</b>
<b>Operating Expenses</b>	<b>44,253</b>	<b>44,648</b>	<b>62,252</b>	<b>80,010</b>	<b>1,00,012</b>
Employees	9,937	21,037	33,087	42,448	53,060
Others	10,345	23,611	29,166	37,561	46,952
<b>PPoP</b>	<b>42,278</b>	<b>24,382</b>	<b>43,853</b>	<b>52,310</b>	<b>66,821</b>
Provisions	54,597	4,388	13,448	14,147	17,375
<b>Profit before tax</b>	<b>24,128</b>	<b>19,994</b>	<b>30,404</b>	<b>38,163</b>	<b>49,446</b>
Taxes	34,403	4,647	7,619	9,603	12,443
<b>Net Profit</b>	<b>13,789</b>	<b>15,346</b>	<b>22,785</b>	<b>28,559</b>	<b>37,004</b>

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Loans	26.7	25.2	46.3	25.3	23.0
Deposits	31.9	25.7	42.8	23.8	25.9
RWA growth	33.2	31.3	42.2	27.3	28.0
NII	36.8	16.5	55.1	24.4	26.4
Other income	4.1	68.8	49.7	25.6	25.0
Opex	42.6	29.8	39.4	28.5	25.0
PPoP	11.3	20.7	79.9	19.3	27.7
Provisions	(57.1)	183.3	206.5	5.2	22.8
Net profit	26.4	7.5	48.5	25.3	29.6
<b>Profitability (%)</b>					
Yield on assets	11.2	11.6	13.1	12.8	12.9
Cost of funds	5.6	6.4	7.3	7.1	7.0
NIM	6.0	5.6	6.4	6.1	6.2
Other income / Total inc.	18.9	25.3	24.6	24.8	24.6
Other inc. / avg assets	1.3	1.7	2.0	1.9	1.9
Cost/Income	63.0	64.7	58.7	60.5	59.9
Employee	32.8	30.5	31.2	32.1	31.8
Other	30.2	34.2	27.5	28.4	28.1
Opex/ Avg assets	4.3	4.5	4.7	4.5	4.5
Provisioning cost	0.3	0.7	1.5	1.2	1.1
Tax rate	23.4	23.2	25.1	25.2	25.2
RoE	15.4	13.0	15.4	16.6	21.0
RoA	1.8	1.5	1.7	1.6	1.7
RoRWA	3.4	2.7	3.0	2.8	2.8
<b>Du-pont (%)</b>					
Interest income	10.3	10.6	12.3	11.8	11.8
Interest expenses	4.7	5.4	6.2	6.2	6.1
<b>NII</b>	<b>5.6</b>	<b>5.2</b>	<b>6.0</b>	<b>5.6</b>	<b>5.7</b>
Other income	1.3	1.7	2.0	1.9	1.9
<b>Total income</b>	<b>11.4</b>	<b>11.8</b>	<b>13.8</b>	<b>13.3</b>	<b>13.3</b>
Operating expenses	4.3	4.5	4.7	4.5	4.5
Employee	2.3	2.1	2.5	2.4	2.4
Other	2.1	2.4	2.2	2.1	2.1
<b>PPOP</b>	<b>2.5</b>	<b>2.4</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>
Provisions	0.2	0.4	1.0	0.8	0.8
<b>PBT</b>	<b>2.3</b>	<b>1.9</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>
Tax	0.5	0.5	0.6	0.5	0.6
<b>RoA</b>	<b>1.8</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>1.7</b>

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Share capital	7,108	7,319	8,367	8,367	8,367
Reserves & surplus	102,666	118,276	1,62,191	1,65,809	1,70,272
Deposits	693,650	871,821	12,44,950	15,41,591	19,40,772
Borrowings	62,987	54,794	1,02,283	1,74,065	2,40,744
Other Liabilities	35,571	42,046	50,315	72,150	1,08,335
<b>Total liabilities</b>	<b>9,02,161</b>	<b>10,94,257</b>	<b>15,68,106</b>	<b>19,61,982</b>	<b>24,68,491</b>
Cash balances with RBI	89,161	46,380	82,960	1,21,508	1,55,262
Balances with banks	5,091	17,383	13,115	22,399	38,815
Investments	200,720	271,334	3,59,875	4,26,204	5,62,824
Advances	584,215	731,627	10,70,657	13,41,184	16,49,656
Fixed Assets	7,401	8,516	10,152	11,669	13,414
Other Assets	15,573	19,017	31,348	39,018	48,519
<b>Total assets</b>	<b>9,02,161</b>	<b>10,94,257</b>	<b>15,68,106</b>	<b>19,61,982</b>	<b>24,68,491</b>

Ratios					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Balance Sheet (%)</b>					
Loans / Deposits	84.2	83.9	86.0	87.0	85.0
Investments / Deposits	28.9	31.1	28.9	27.6	29.0
CASA	38.4	33.4	30.7	33.1	32.8
Assets/equity (x)	8.2	8.7	9.2	11.3	13.8
RWA / Total assets	53.8	58.2	57.8	58.8	59.8
<b>Capital ratios (%)</b>					
CET-1	21.8	18.8	17.9	14.4	11.5
Tier-1	21.8	18.8	17.9	14.4	11.5
Tier-2	1.8	1.3	1.2	0.9	0.7
CRAR	23.6	20.1	19.1	15.3	12.3
<b>Asset quality ratios (%)</b>					
GNPA (Rs mn)	9,813	12,374	23,661	33,288	49,038
NNPA (Rs mn)	2,862	4,420	10,471	11,228	15,103
GNPA	1.7	1.8	2.2	2.5	2.9
NNPA	0.4	0.5	1.0	0.8	0.9
PCR	0.7	0.7	55.7	66.3	69.2
Slippage	2.3	2.6	2.8	2.3	2.3
NNPA / Equity	2.6	3.5	6.1	6.4	8.5
<b>Per share</b>					
EPS	21.4	22.9	30.6	38.4	49.8
BVPS	164.6	187.7	229.4	234.3	240.3
ABVPS	160.8	181.8	217.6	221.7	223.8
<b>Valuation (x)</b>					
P/E	30.4	28.4	21.3	17.0	13.1
P/BV	4.0	3.5	2.8	2.8	2.7
P/ABV	4.1	3.6	3.0	2.9	2.9

Source: Company, Centrum Broking



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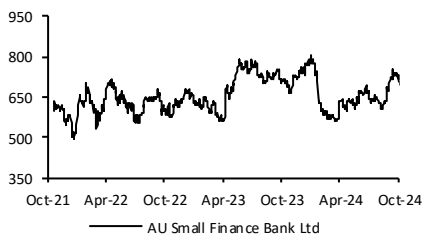
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**AU Small Finance Bank**



Source: Bloomberg

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