

# AU Small Finance Bank

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR1,001 TP: INR1,250 (+25%) Buy**

## An all-round performance

### Earnings outlook robust; NIMs expand 25bp QoQ

- **AUBANK delivered a solid performance in 3QFY26, beating our estimates on many parameters even as the bank continued to invest well in the business to sustain superior growth over the long term.**
- 3Q PAT stood at INR6.7b, up 26% YoY (4% beat), led by robust NII and a sharp decline in provisions. NII came in at INR23.4b, up 16% YoY (3% beat). NIMs expanded 25bp QoQ to 5.7%.
- The bank delivered industry-leading business growth at 24% YoY and has guided for healthy growth of 22-25% over the coming years, aided by favorable macro and strong execution.
- Slippages declined 13% QoQ to INR7.9b in 3Q, aided by improved asset quality in MFI and unsecured. GNPA/NNPA ratios declined to 2.3%/0.88%. PCR declined marginally to 62% from 64% in 2QFY26.
- Provisions were lower at INR3.3b (20% below our est., down 31% QoQ). The bank reported a significantly lower credit cost of 19bp (9M credit cost at 83bp) and has reiterated full-year credit cost guidance of 1%.
- **We slightly raise our earnings estimates and expect a PAT CAGR of 35% over FY27-28E. AUBANK remains our top pick among mid-size private banks. Reiterate BUY with a TP of INR1,250 (3.7x Sep'27E BV).**

### Strong growth outlook; asset quality stress firmly behind

- 3Q PAT rose 19% QoQ to INR6.7b (4% beat), aided sharp NIM expansion and contained credit cost.
- NII grew 15.7% YoY/9.2% QoQ to INR23.4b (3% beat), as NIMs expanded 25bp QoQ to 5.7%, led by CoF reduction, improved portfolio mix and surplus liquidity utilization.
- Provisions were lower at INR3.3b (20% lower than MOFSLe), while credit cost ratio declined to 19bp. PCR stood at 62.1% vs. 64.2% in 2QFY26.
- Other income came in at INR7.2b (in line, down 1.6% QoQ), aided by healthy fee income. Opex grew 28.8% YoY/12.3% QoQ to INR18.5b.
- Advances grew 24% YoY/6.7% QoQ, led by growth in commercial banking (9% QoQ) and retail secured (6% QoQ). MFI book grew by 2% QoQ aided by improving macro conditions, whereas digital unsecured book declined by 2.5% QoQ, as bank still remain cautious and strategies to grow in a year. Bank guides for 2.2-2.5x nominal GDP growth, translating to 22-25% growth in FY27E aided by favorable macro and strong execution.
- Deposit growth was strong at 23.3% YoY/4.5% QoQ. CD ratio expanded to 89% vs. 87% in 2Q. CASA mix was broadly stable at ~29%.
- Slippages declined 13% QoQ to INR7.9b in 3Q, aided by improved asset quality in MFI and unsecured. GNPA/NNPA ratios declined to 2.3%/0.88%. Credit cost stood lower at 19bp for 3Q (guidance at 1% for FY27E). PCR declined marginally to 62% from 64% in 2QFY26.

Bloomberg	AUBANK IN
Equity Shares (m)	746
M.Cap.(INRb)/(USD\$)	748.1 / 8.2
52-Week Range (INR)	1030 / 478
1, 6, 12 Rel. Per (%)	4/25/57
12M Avg Val (INR M)	2361

#### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	80.1	90.5	116.5
PPoP	45.8	51.8	64.7
PAT	21.1	26.3	36.5
NIM (%)	6.0	5.2	5.6
EPS (INR)	29.8	35.3	48.9
EPS Gr. (%)	33.9	18.3	38.6
BV/Sh. (INR)	229	262	309
ABV/Sh. (INR)	223	253	300

#### Ratios

RoA (%)	1.6	1.5	1.7
RoE (%)	14.3	14.4	17.1

#### Valuations

P/E(X)	33.6	28.4	20.5
P/BV (X)	4.4	3.8	3.2
P/ABV (X)	4.5	4.0	3.3

#### Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	22.8	22.8	22.9
DII	31.3	31.9	21.8
FII	36.5	34.5	39.4
Others	9.5	10.8	16.0

FII Includes depository receipts