MOTILAL OSWAL
FINANCIAL SERVICES

29 May 2023

Company Update | Sector: Financials

AU Small Finance Bank

BSE SENSEX	S&P CNX
62,846	18,599

CMP: INR790 **TP: INR830 (+5%)** **Downgrade to Neutral**

Business momentum steady; remain watchful of margins

Earnings to clock 28% CAGR over FY23-25E v/s 37% CAGR over FY18-23

- **AUBANK's stock has delivered healthy returns of >40% over the past two months, particularly after the RBI approved the re-appointment of Mr. Sanjay Agarwal as MD and CEO of the bank.**
- **Although we see a robust growth opportunity for the bank in the long term and believe the stock can be a compounder if the bank continues to execute well, near-term growth opportunities are fairly priced in after the recent outperformance.**
- **Loan growth is likely to remain steady at a 28% CAGR, aided by sustained traction in key business verticals (Vehicle & MSME), along with a scale-up in new lending segments such as Housing Loans, Credit Cards, etc.**
- **However, given the thrust on physical expansion, continued tech investments and potential NIM compression, we estimate AUBANK to deliver RoA of 1.8-1.9% in FY24/25. We expect a 28% earnings CAGR over FY23-25E v/s 37% over FY18-23.**
- **While the management has shown strong execution prowess and we believe the long-term growth story remains intact, we find the current risk-reward unattractive after the recent stock performance. We, thus, downgrade the rating to Neutral with a TP of INR830 (premised on 3.7x FY25E BV; 24x FY25E EPS).**

FY23 loan growth moderated; estimate 28% CAGR over FY23-25

After reporting healthy loan growth in the past many years, AUBANK has witnessed a gradual moderation. The bank reported 27% loan growth in FY23 v/s a CAGR of 48% over FY17-22. The management focuses on strengthening the key business lines of Vehicle Loans and MSME Loans, along with scaling up the new segments such as Housing Loans, Gold Loans, Consumer Durable Financing, and Credit Cards. Further, the credit deposit ratio is healthy at ~84%, and with a high competitive intensity on raising incremental deposits, we expect loan growth to be in sync with deposit growth. We thus estimate loan growth to remain steady at a ~28% CAGR over FY23-25.

Rising cost of funds to weigh on margins

AUBANK is focusing on diversifying the loan book, with robust momentum in segments such as Home Loans. The wholesale book has also grown at a faster pace. Moreover, a higher mix of fixed-rate book has kept the yields under pressure. We note that the yield on AUM has been stagnant at ~13.3-13.4% over the past 4-5 quarters. Further, the cost of funds has witnessed a constant increase, up ~60bp in the past one year. We note that of the total increase in the funding cost over past one year, more than half of it happened in 4QFY23. We believe that liabilities will continue to re-price at a faster pace and outpace the lending yields; hence, we remain watchful of margins.

AU SMALL FINANCE BANK

Stock Info

Bloomberg	AUBANK IN
Equity Shares (m)	667
M.Cap.(INRb)/(USDb)	527.1 / 6.4
52-Week Range (INR)	795 / 539
1, 6, 12 Rel. Per (%)	16/26/7
12M Avg Val (INR M)	1301

Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	44.3	52.3	66.7
PPoP	20.2	25.3	34.5
PAT	14.3	17.7	23.5
NIM (%)	5.6	5.2	5.3
EPS (INR)	22.0	26.6	35.3
EPS Gr. (%)	22.3	20.9	32.5
BV/Sh. (INR)	164	191	226
ABV/Sh. (INR)	162	188	223
Ratios			
RoE (%)	15.5	15.0	16.9
RoA (%)	1.8	1.8	1.9
Valuations			
P/E(X)	36.0	29.8	22.5
P/BV (X)	4.8	4.2	3.5
P/ABV (X)	4.9	4.2	3.6

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	25.5	25.6	28.2
DII	20.6	20.6	18.8
FII	39.7	39.6	34.3
Others	14.1	14.2	18.7

FII Includes depository receipts

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Estimate ~30bp NIM decline in FY24

Margins moderated to 6.1% in FY23 v/s 6.3% in FY22. The bank has indicated that an uptick in the funding cost and a marginal increase in disbursement yields have hurt margins. Since the bank largely has a fixed-rate book, which forms ~66% of total loans (74% in 4QFY22), it expects yields to witness a gradual recovery. Given rising competition in the key lending segments from banks and NBFCs, it has been difficult to pass on the entire rate hike to borrowers, resulting in almost a static yield on advances. We thus estimate NIM to moderate by ~30bp to 5.8% in FY24 resulting in a moderate 23% CAGR in NII over FY23-25E v/s 32% CAGR over the prior three years.

Cost ratios to remain elevated due to continued business investments

The bank has been constantly investing in the business by adding branches, hiring employees and building digital infrastructure and capabilities, which has kept operating expenses elevated. As a result, the bank's C/I ratio increased to 63% in FY23 (v/s 62-65% over the past four quarters). The bank added 58 new branches in FY23 and invested INR1.6b in technological advancements in 4QFY23. The bank has indicated that it will continue to invest in business and plans to add more branches in FY24. We thus expect the C/I ratio to remain elevated at ~62% in FY24 before moderating to 59% in FY25.

Asset quality remains steady; PCR improves to 75%

AUBANK's slippage run rate has been fairly under control at ~1.8% of total loans, along with healthy recoveries and upgrades. As a result, the GNPA/NNPA ratios moderated to 1.7%/0.4% as of FY23. Interestingly, the bank has increased its PCR significantly to 75% from 49% in 2QFY22. The total restructured book has moderated to INR7.0b (~1.2% of total loans), on which the bank carries provisions of INR1.2b. Going forward, we estimate the credit cost to remain stable at ~0.3% over FY24-25.

FY24-25E RoA to sustain at 1.8-1.9%; Downgrade to NEUTRAL after recent outperformance

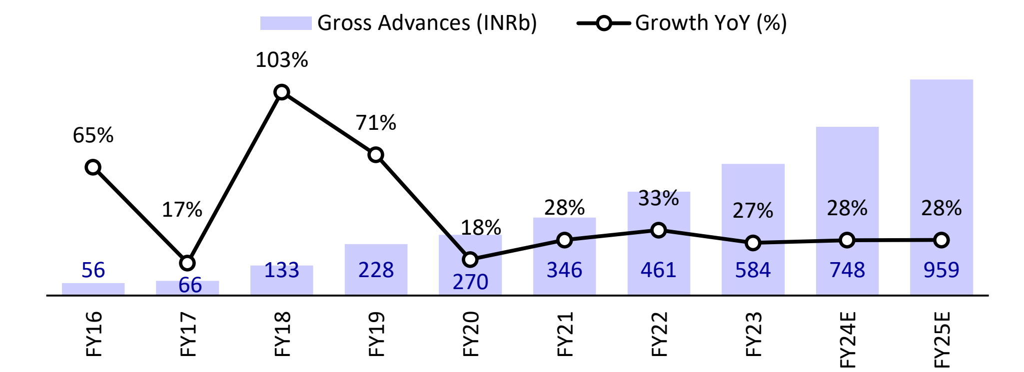
AUBANK's stock has delivered healthy returns of >40% over the past two months, particularly after RBI approved the re-appointment of Mr. Sanjay Agarwal as MD and CEO of the bank. Although we see a robust growth opportunity for the bank in the long term and believe the stock can be a compounder if the bank continues to execute well, near-term growth opportunities are fairly priced in after the recent outperformance. Loan growth is likely to remain steady at a 28% CAGR, driven by sustained traction in key business verticals (Vehicle & MSME) and a scale-up in new lending segments such as Housing Loans, Credit Cards, etc. However, given the thrust on physical expansion, continued tech investments and potential NIM compression, we estimate AUBANK to deliver RoA of 1.8-1.9% in FY24/25. We expect a 28% earnings CAGR over FY23-25 v/s a 37% CAGR over FY18-23. While the management has shown strong execution prowess and we believe the long-term growth story is intact, we find the current risk-reward unattractive after the recent stock performance. We, thus, downgrade the rating to Neutral with a TP of INR830 (premised on 3.7x FY25E BV).

Estimate ~28% loan CAGR over FY23-25 v/s 36% over FY18-22

- After reporting healthy loan growth for the past many years, AUBANK has witnessed a gradual moderation in loan growth. Loan growth in FY23 moderated to 27% v/s a 5-year/4-year CAGR of 48%/36%. The management focuses on scaling up the key business lines of Vehicle Loans and MSME Loans and expanding the new segments of Housing Loans, Gold Loans, Consumer Durable Financing, and Credit Cards. The CD ratio is healthy at ~84%, and with a high competitive intensity on raising incremental deposits, we expect loan growth to be in sync with deposit growth. Thus, we estimate loan growth to remain steady at a ~28% CAGR over FY23-25.

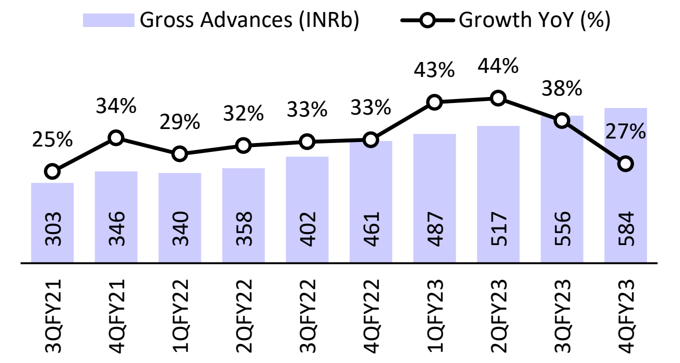
We expect loan growth to remain steady at a ~28% CAGR over FY23-25

Exhibit 1: Growth in advances moderates to 27% v/s 36% CAGR over the past four years



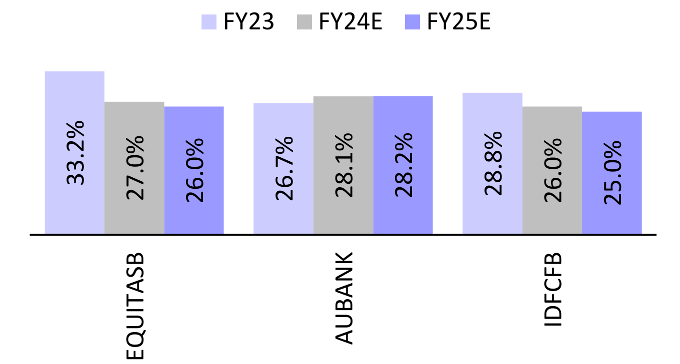
Source: Company, MOFSL

Exhibit 2: Loan growth has been witnessing moderation over the past few quarters



E: MOFSL Estimate Source: MOFSL, Company

Exhibit 3: Loan growth for AUBANK to be broadly similar to other high-growth peers



Source: MOFSL, Company

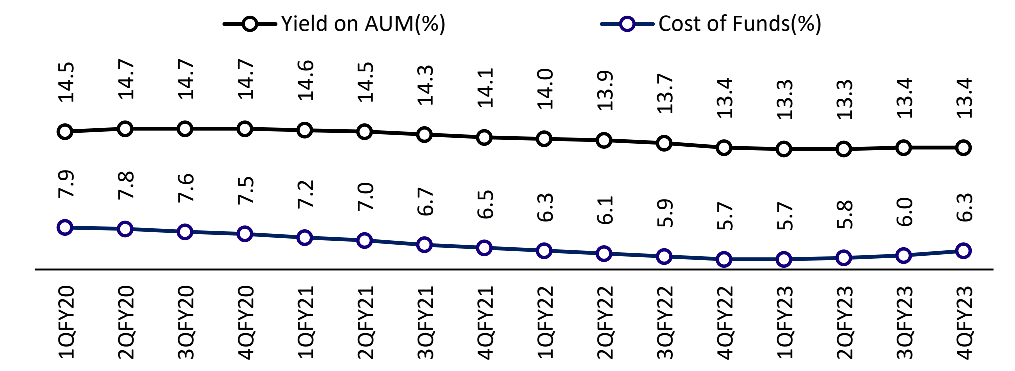
Rising cost of funds and near static yield to weigh on margins

Estimate ~30bp NIM compression over FY24

- AUBANK is focusing on diversifying the loan book amid robust momentum in segments such as Home Loans. The wholesale book has also grown at a faster pace. Moreover, a higher mix of fixed-rate book has kept the yields under pressure. We note that the yield on AUM has been stagnant at ~13.3-13.4% over the past 4-5 quarters. Further, the cost of funds has witnessed a constant increase, up ~60bp in the past one year. We note that of the total increase in the funding cost over past one year, more than half of it happened in 4QFY23. We believe that liabilities will continue to re-price at a faster pace and outpace the lending yields; hence, we remain watchful of margins.

There is a constant increase in COF QoQ due to re-pricing of liabilities, while yields have been near static, thereby putting pressure on margins; we expect the same trend to continue for the near term

Exhibit 4: CoF increased to 6.3% in 4QFY23 from 5.7% in 4QFY22

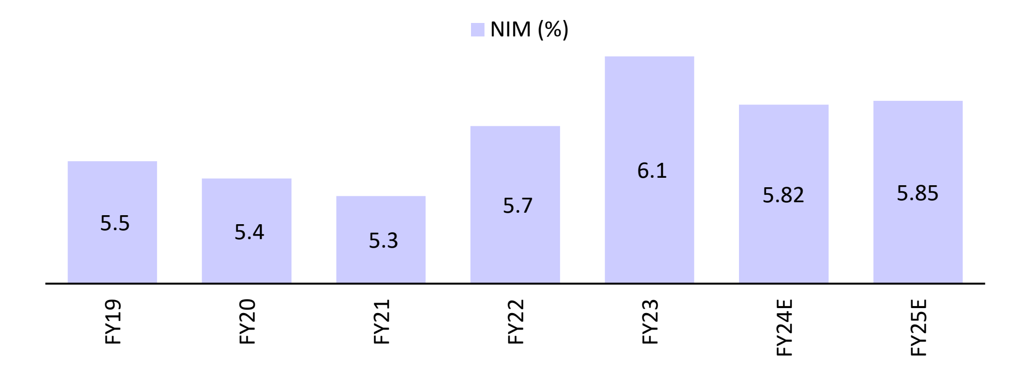


Source: Company, MOFSL

- Margins moderated to 6.1% in FY23 from 6.3% in FY22, due to a consistent rise in CoF. Since the bank has a fixed-rate book at ~66% of total loans (74% in 4QFY22), it expects yields to witness a gradual recovery. We estimate that NIM will contract by ~30bp as it started FY24 with a cost of money at ~6.4% and it is difficult to pass on higher interest rates to borrowers due to intense competition.

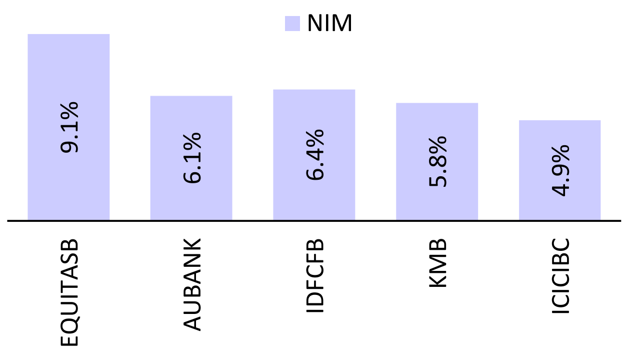
Due to a rising cost of funds and a moderation in loan growth, we expect margins to remain under pressure.

Exhibit 5: Estimate margins to moderate by 30bp to ~5.8% in FY24



Source: Company, MOFSL

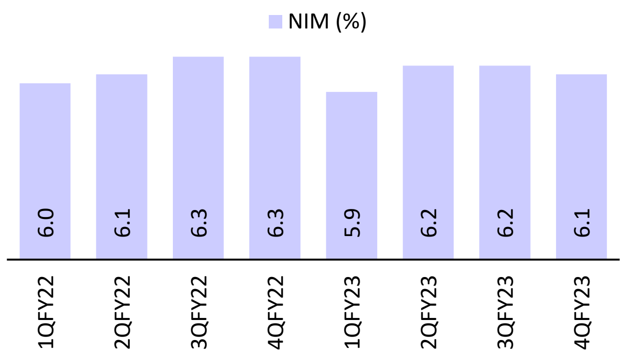
Exhibit 6: Margins profile of peers in 4QFY23



E: MOFSL Estimate

Source: MOFSL, Company

Exhibit 7: NIM moderated to 6.1 in 4QFY23

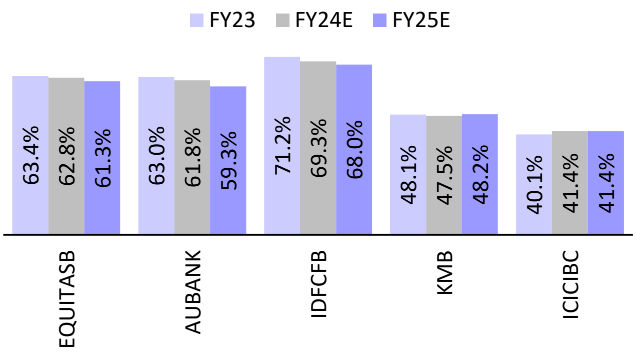


Source: MOFSL, Company

Continued investment in business to keep cost ratios elevated

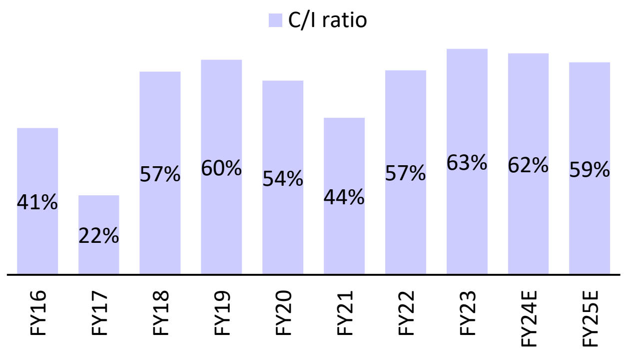
- AUBANK has been constantly investing in the business by adding branches, hiring employees and building digital infrastructure and capabilities, which has kept operating expenses elevated. As a result, the C/I ratio increased to 63% in FY23 (v/s 62-65% over the past four quarters). The bank added 58 new branches in FY23 and invested INR1.6b in technological advancements in 4QFY23.
- The bank has indicated that it will continue to invest in business and technological capabilities, and plans to add more branches in FY24. We thus expect the C/I ratio to remain elevated at ~62% in FY24 before moderating to ~59% in FY25.

Exhibit 8: C/I ratio of AUBANK v/s peers



Source: MOFSL, Company

Exhibit 9: Est. AUBANK's C/I ratio to stay elevated in FY24



Source: MOFSL, Company

Asset quality remains steady

Estimate credit cost to sustain at ~30bp while PCR remains stable

- AUBANK's slippage has been fairly under control at ~1.8% of total loans, along with healthy recoveries and upgrades. As a result, the GNPA/NNPA ratios moderated to 1.7%/0.4% as of FY23. Notably, the bank has increased its PCR significantly to 75% (similar to most peers) v/s 49% in 2QFY22. The total restructured book has also moderated to INR7.0b (~1.2% of total loans), on which the management made provisions of INR1.2b. Going forward, with the coverage ratio improving to 75%, we estimate the credit cost to remain stable at ~0.3% over FY24-25.

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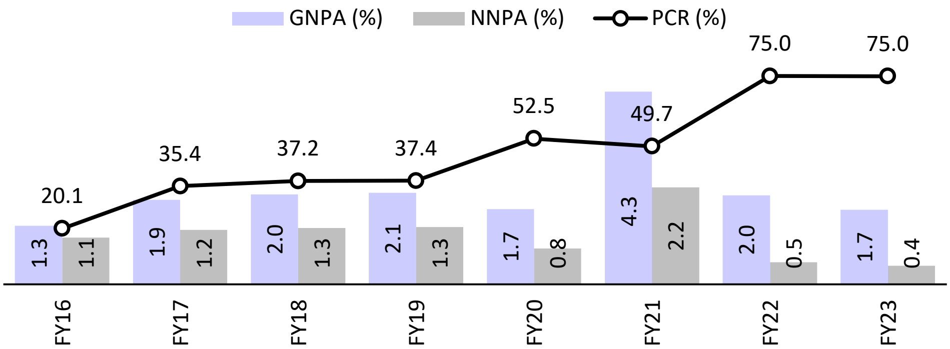
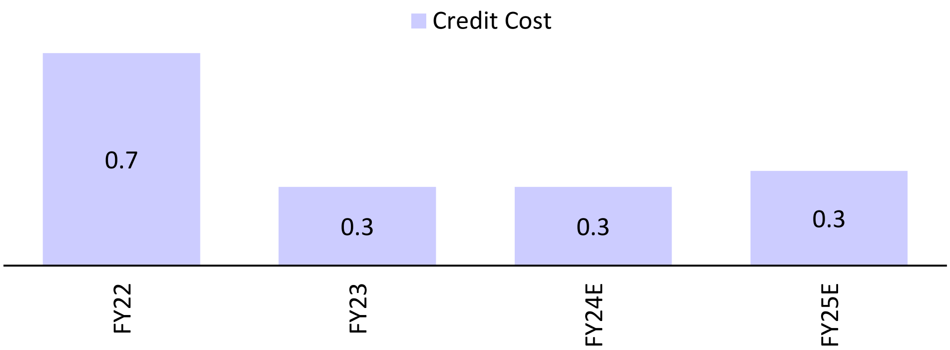
Exhibit 10: PCR stable at ~75%; GNPA/NNPA ratio improved to 1.7%/ 0.4% in FY23



Source: Company, MOFSL

Exhibit 11: Credit cost to remain stable over FY23-25E



Source: Company, MOFSL

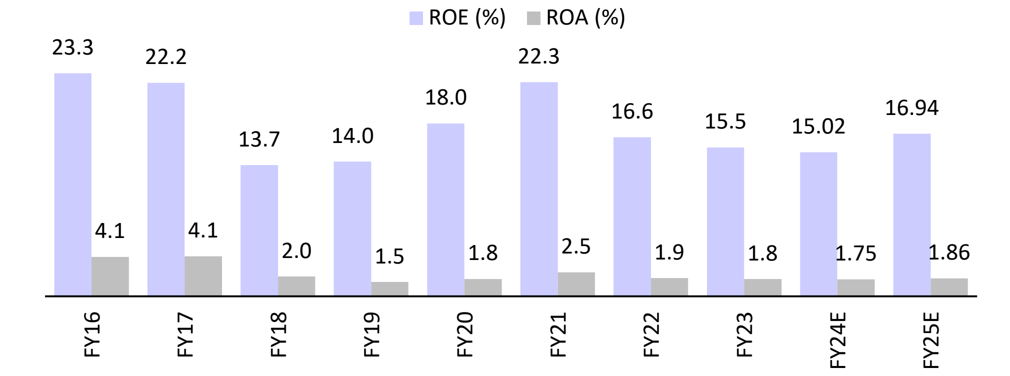
Estimate RoA/RoE at 1.9%/~17% in FY25

Downgrade to NEUTRAL after recent outperformance

- AUBANK's stock has delivered healthy returns of >40% over past 1.5 months, particularly after the RBI approved the re-appointment of Mr. Sanjay Agarwal as MD and CEO of the bank.
- While we believe the long-term growth potential of the bank remains intact, we find the current risk-reward unattractive after the stock's recent performance. The bank is witnessing pressure on margins, while loan growth has moderated and is likely to trail the historic growth trends.
- Given the thrust on physical expansion and technology-related investments, the C/I ratio is also likely to remain elevated, which will limit the expansion in RoA.

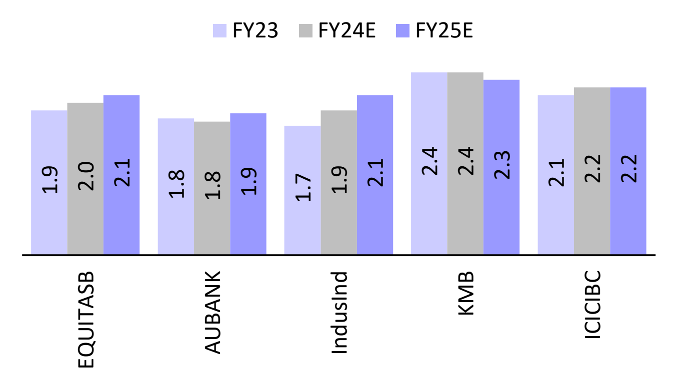
The elevated C/I ratio will limit the expansion in RoA over FY24-25E

Exhibit 12: Estimate AUBANK to deliver RoA/RoE of 1.9%/~17% in FY25



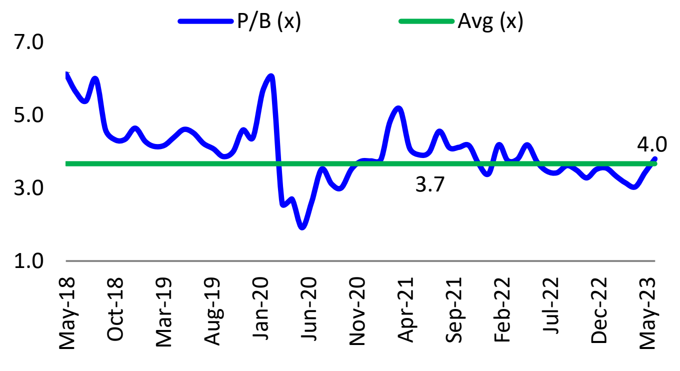
Source: Company, MOFSL

Exhibit 13: RoA of AUBANK v/s peers



Source: MOFSL, Company

Exhibit 14: AUBANK is trading at 4.0x P/B v/s 3yr average of 3.7x



Source: MOFSL, Company

Valuation and view: Downgrade to Neutral with TP of INR830

- The management focuses on scaling up the key business lines of Vehicle Loans and MSME Loans. It aims to expand the new segments of Housing Loans, Gold Loans, Consumer Durable Financing, and Credit Cards, among others. Growth has picked up over the last few quarters, with demand increasing across segments. We expect a 28% CAGR in loans over FY23-25.
- AUBANK has shown strong progress in building a granular liability franchise, with the share of deposits to overall funding constantly improving. CASA deposits witnessed healthy traction. The proportion of retail TDs moderated to 50% v/s 53% in 3QFY23, while CASA plus retail TDs moderated to 69% v/s 70% QoQ. However, the CASA plus retail TDs is expected to grow further as customer vintage increases. The cost of funds could further go up and we remain watchful of margins going forward.
- The GNPA/NNPA ratios improved by 15bp/9bp to 1.7%/0.4%. PCR improved to 75% in 4QFY23. The total restructuring book declined to INR7b (~1.2% of total loans v/s 1.4% in Dec'22); the management has made provisions of INR1.2b. The bank carries additional contingent provisions of INR0.9b (0.15% of loans). Thus, we estimate credit costs at 0.3% over FY23-25.
- **Downgrade to NEUTRAL with a TP of INR830:** AUBANK's stock has delivered healthy returns of >40% over the past two months, particularly after RBI approved the re-appointment of Mr. Sanjay Agarwal as MD and CEO of the bank. Although we see a robust growth opportunity for the bank in the long term and believe the stock can be a compounder if the bank continues to execute well, near-term growth opportunities are fairly priced in after the recent outperformance. Loan growth is likely to remain steady at a 28% CAGR, driven by sustained traction in key business verticals (Vehicle & MSME) and a scale-up in new lending segments such as Housing Loans, Credit Cards, etc. However, given the thrust on physical expansion, continued tech investments and potential NIM compression, we estimate AUBANK to deliver RoA of 1.8-1.9% in FY24/25. We expect a 28% earnings CAGR over FY23-25 v/s a 37% CAGR over FY18-23. While the management has shown strong execution prowess and we believe the long-term growth story is intact, we find the current risk-reward unattractive after the recent stock performance. We, thus, downgrade the rating to Neutral with a TP of INR830 (premised on 3.7x FY25E BV).

Exhibit 15: DuPont Analysis: Estimate RoA to sustain at 1.8%-1.9%

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	12.35	11.46	11.46	10.56	9.81	10.30	10.43	10.66
Interest Expense	5.78	6.24	6.36	5.51	4.45	4.75	5.27	5.37
Net Interest Income	**6.57**	**5.22**	**5.11**	**5.05**	**5.36**	**5.56**	**5.16**	**5.29**
Core Fee Income	2.45	1.71	1.43	1.21	1.41	1.16	1.16	1.20
Non-Interest income	**2.71**	**1.80**	**1.89**	**3.03**	**1.65**	**1.30**	**1.38**	**1.42**
Total Income	**9.29**	**7.01**	**7.00**	**8.08**	**7.01**	**6.85**	**6.54**	**6.70**
Operating Expenses	**5.26**	**4.21**	**3.79**	**3.54**	**4.00**	**4.32**	**4.04**	**3.97**
Employee cost	2.97	2.34	2.03	2.09	2.29	2.25	2.09	2.04
Others	2.29	1.87	1.76	1.45	1.71	2.07	1.95	1.93
Operating Profits	**4.03**	**2.81**	**3.20**	**4.54**	**3.01**	**2.54**	**2.50**	**2.73**
Core operating Profits	**3.76**	**2.72**	**2.74**	**2.72**	**2.77**	**2.39**	**2.29**	**2.51**
Provisions	**0.93**	**0.55**	**0.76**	**1.43**	**0.60**	**0.19**	**0.20**	**0.24**
NPA	0.39	0.29	0.17	1.36	0.19	0.16	0.16	0.20
Others	0.53	0.26	0.58	0.07	0.40	0.03	0.03	0.04
PBT	**3.10**	**2.25**	**2.44**	**3.11**	**2.41**	**2.34**	**2.30**	**2.48**
Tax	1.06	0.77	0.64	0.61	0.54	0.55	0.55	0.62
RoA	**2.04**	**1.48**	**1.81**	**2.50**	**1.87**	**1.79**	**1.75**	**1.86**
Leverage (x)	6.7	9.5	10.0	8.9	8.8	8.7	8.6	9.1
RoE	**13.7**	**14.0**	**18.0**	**22.3**	**16.6**	**15.5**	**15.0**	**16.9**

Financials and valuations

Income Statement								(INR m)
Y/E MARCH	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Interest Income	17,672	29,488	42,859	49,501	59,217	82,054	1,05,728	1,34,529
Interest Expense	8,267	16,064	23,769	25,846	26,876	37,801	53,390	67,796
Net Interest income	**9,405**	**13,425**	**19,089**	**23,654**	**32,341**	**44,253**	**52,338**	**66,733**
Growth (%)	20.0	42.7	42.2	23.9	36.7	36.8	18.3	27.5
Other Income	3,881	4,620	7,061	14,209	9,937	10,345	13,965	17,876
Total Income	**13,285**	**18,045**	**26,150**	**37,864**	**42,278**	**54,597**	**66,303**	**84,608**
Growth (%)	-16.6	35.8	44.9	44.8	11.7	29.1	21.4	27.6
Operating Expenses	**7,526**	**10,826**	**14,179**	**16,584**	**24,128**	**34,403**	**40,955**	**50,157**
Growth (%)	113.3	43.8	31.0	17.0	45.5	42.6	19.0	22.5
Operating Profits	**5,759**	**7,219**	**11,972**	**21,279**	**18,150**	**20,195**	**25,348**	**34,451**
Growth (%)	-53.6	25.3	65.8	77.7	-14.7	11.3	25.5	35.9
Core Operating Profits	**5,377**	**6,998**	**10,246**	**12,737**	**16,721**	**19,062**	**23,173**	**31,689**
Growth (%)	-4.8	30.1	46.4	24.3	31.3	14.0	21.6	36.7
Total Provisions	1,326	1,418	2,832	6,694	3,610	1,548	1,994	3,089
% to operating income	23.0	19.6	23.7	31.5	19.9	7.7	7.9	9.0
PBT	**4,433**	**5,801**	**9,140**	**14,585**	**14,541**	**18,646**	**23,354**	**31,363**
Tax	1,513	1,984	2,392	2,878	3,242	4,367	5,605	7,841
Tax Rate (%)	34.1	34.2	26.2	19.7	22.3	23.4	24.0	25.0
PAT	**2,920**	**3,818**	**6,748**	**11,707**	**11,298**	**14,279**	**17,749**	**23,522**
Growth (%)	-64.5	30.7	76.8	73.5	-3.5	26.4	24.3	32.5
Adj. PAT	**2,920**	**3,818**	**5,962**	**6,002**	**11,298**	**14,279**	**17,749**	**23,522**
Growth (%)	-12.4	30.7	56.2	0.7	88.2	26.4	24.3	32.5

Balance Sheet								
Y/E MARCH	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	5,714	5,847	6,082	6,244	6,298	6,667	6,667	6,667
Reserves & Surplus	17,098	25,782	37,164	55,477	68,429	1,02,666	1,20,415	1,43,937
Equity Networth	**22,812**	**31,629**	**43,247**	**61,721**	**74,727**	**1,09,333**	**1,27,082**	**1,50,604**
Deposits	**79,233**	**1,94,224**	**2,61,639**	**3,59,793**	**5,25,846**	**6,93,650**	**8,73,999**	**11,01,239**
Growth (%)	NA	145%	35%	38%	46%	32%	26.0%	26.0%
Borrowings	76,389	86,134	1,03,353	70,297	59,908	62,987	81,790	96,512
Other liabilities	9,894	14,241	12,670	23,071	29,884	35,751	42,187	50,202
Total Liabilities	**1,88,328**	**3,26,228**	**4,21,431**	**5,15,913**	**6,90,778**	**9,02,161**	**11,25,498**	**13,98,997**
Current Assets	17,612	17,402	33,697	47,813	59,285	94,252	98,277	1,01,199
Investments	**30,506**	**71,617**	**1,06,682**	**1,08,154**	**1,53,065**	**2,00,720**	**2,53,710**	**3,11,302**
Growth (%)	41.9	134.8	49.0	1.4	41.5	31.1	26.4	22.7
Loans	**1,33,121**	**2,28,187**	**2,69,924**	**3,46,089**	**4,60,953**	**5,84,215**	**7,48,463**	**9,59,298**
Growth (%)	103.2	71.4	18.3	28.2	33.2	26.7	28.1	28.2
Net Fixed Assets	3,861	4,470	4,480	4,824	6,226	7,401	8,142	8,956
Other assets	3,227	4,552	6,648	9,033	11,250	15,573	16,906	18,242
Total Assets	**1,88,328**	**3,26,228**	**4,21,431**	**5,15,913**	**6,90,778**	**9,02,161**	**11,25,498**	**13,98,997**
Total Assets (incl. off BS)	**2,15,586**	**3,40,501**	**4,60,437**	**5,46,944**	**7,08,135**	**9,09,526**	**11,46,267**	**14,28,666**

Asset Quality	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
GNPA (INR m)	2,697	4,701	4,578	15,028	9,244	9,813	11,503	14,220
NNPA (INR m)	1,693	2,945	2,173	7,555	2,308	2,452	2,844	3,432
GNPA Ratio	2.0	2.1	1.7	4.3	2.0	1.7	1.5	1.5
NNPA Ratio	1.3	1.3	0.8	2.2	0.5	0.4	0.4	0.4
Slippage Ratio	2.1	2.5	2.5	4.2	3.6	1.8	1.8	1.8
Credit Cost	1.0	0.6	1.0	2.0	0.7	0.3	0.3	0.3
PCR (Excl Tech. write off)	37.2	37.4	52.5	49.7	75.0	75.0	75.3	75.9

Financials and valuations

Ratios

Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Yield and Cost Ratios (%)								
Avg. Yield - on IEA	**13.1**	**12.1**	**12.1**	**11.2**	**10.4**	**11.4**	11.8	11.8
Avg. Yield on loans	9.4	11.7	12.4	11.5	11.4	12.8	13.0	12.8
Avg. Cost of funds	7.3	7.4	7.4	6.5	5.3	5.6	6.2	6.3
Spreads	**2.1**	**4.3**	**5.0**	**5.0**	**6.1**	**7.2**	6.7	6.5
NIM (On total assets)	**6.6**	**5.2**	**5.1**	**5.0**	**5.4**	**5.6**	5.2	5.3
NIM (On IEA)	**7.0**	**5.5**	**5.4**	**5.3**	**5.7**	**6.2**	**5.8**	**5.8**
Capitalization Ratios (%)								
CAR	19.3	19.3	22.0	23.4	21.0	23.6	21.1	19.7
Tier I	18.4	16.0	18.4	21.5	19.7	21.8	20.4	19.2
Tier II	0.9	3.4	3.6	1.8	1.3	1.8	0.6	0.4
Business and Efficiency Ratios (%)								
Loan/Deposit Ratio	168.0	117.5	103.2	96.2	87.7	84.2	85.6	87.1
CASA Ratio	26.9	18.5	14.5	23.0	37.3	38.4	36.9	38.0
Cost/Assets	5.3	4.2	3.8	3.5	4.0	4.3	4.0	4.0
Cost/Total Income	56.7	60.0	54.2	43.8	57.1	63.0	61.8	59.3
Cost/Core Income	58.3	60.7	58.1	56.6	59.1	64.3	63.9	61.3
Int. Expense/Int. Income	46.8	54.5	55.5	52.2	45.4	46.1	50.5	50.4
Fee Income/Total Income	26.3	24.4	20.4	15.0	20.1	16.9	17.8	17.9
Non Int. Income/Total Income	29.2	25.6	27.0	37.5	23.5	18.9	21.1	21.1
Investment/Deposit Ratio	38.5	36.9	40.8	30.1	29.1	28.9	29.0	28.3
Empl. Cost/Total Expense	56.5	55.5	53.6	59.1	57.2	52.1	51.7	51.5

Profitability and Valuations	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
RoE	13.7	14.0	18.0	22.3	16.6	15.5	15.0	16.9
RoA (On bal Sheet)	2.0	1.5	1.8	2.5	1.9	1.8	1.8	1.9
RoRWA	2.5	2.0	3.0	4.2	3.1	3.0	2.9	3.1
Book Value (INR)	39.9	54.1	71.1	98.8	118.7	164.0	190.6	225.9
Growth (%)	14.2	35.5	31.4	39.0	20.0	38.2	16.2	18.5
Price-BV (x)	**19.9**	**14.7**	**11.2**	**8.0**	**6.7**	**4.8**	**4.2**	**3.5**
Adjusted BV (INR)	38.2	51.3	69.5	92.0	116.7	162.1	188.3	222.9
Growth (%)	12.0	34.5	35.4	32.5	26.9	38.8	16.2	18.4
Price-ABV (x)	**20.8**	**15.5**	**11.4**	**8.6**	**6.8**	**4.9**	**4.2**	**3.6**
EPS (INR)	5.1	6.6	11.3	19.0	18.0	22.0	26.6	35.3
Adjusted EPS (INR)	5.1	6.6	11.3	19.0	18.0	22.0	26.6	35.3
Growth (%)	-79.5	28.9	71.3	67.9	-5.1	22.3	20.9	32.5
Price-Earnings (x)	**155.0**	**120.2**	**70.2**	**41.8**	**44.1**	**36.0**	**29.8**	**22.5**

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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