

AU Small Finance Bank

BSE SENSEX
77,566

S&P CNX
24,028

CMP: INR932

TP: INR1,250 (+34%)

Buy



Stock Info

	AUBANK IN
Bloomberg	AUBANK IN
Equity Shares (m)	747
M.Cap.(INRb)/(USDb)	696.7 / 7.5
52-Week Range (INR)	1039 / 478
1, 6, 12 Rel. Per (%)	0/37/65
12M Avg Val (INR M)	2523
Free float (%)	77.2

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	80.1	90.2	115.5
PPoP	45.8	51.5	65.3
PAT	21.1	26.1	36.8
NIM (%)	6.0	5.2	5.5
EPS (INR)	29.8	35.0	49.3
EPS Gr. (%)	33.9	17.3	40.9
BV/Sh. (INR)	229	262	310
ABV/Sh. (INR)	223	253	300

Ratios

RoA (%)	1.6	1.5	1.7
RoE (%)	14.3	14.2	17.2

Valuations

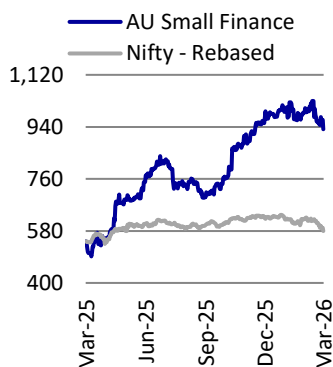
P/E(X)	31.2	26.6	18.9
P/BV (X)	4.1	3.5	3.0
P/ABV (X)	4.2	3.7	3.1

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

Stock Performance (1-year)



Dominant SFB to a credible universal bank!

Strategic clarity, superior execution, and three catalysts to sustain steady stock performance

- AU Small Finance Bank (AUBANK) has successfully transitioned from a niche vehicle-finance NBFC into a diversified, pan-India banking franchise, set to attain universal bank status. This marks a shift from asset-led growth to a scalable, diversified, and structurally stronger compounding franchise with enhanced credibility and funding access.
- The bank has established itself as the clear leader in the SFB space, with M-cap over 2x that of all SFB peers combined, supported by superior scale and consistent profitability.
- With a strong SFB platform already built, the transition to a universal bank unlocks larger growth opportunities while providing greater portfolio flexibility and the potential for stronger returns.
- We estimate AUBANK to deliver ~24% loan CAGR over FY26-28, which, combined with improving operating metrics, should translate into ~36% earnings CAGR over the same period, reinforcing the bank's trajectory toward stronger profitability. RoA/RoE for FY27 are likely to improve to 1.74%/17.2%, respectively.
- Reiterate BUY with a TP of INR1,250 (3.7x Sep'27E ABV). Key upside triggers include accelerating earnings momentum driven by lower CoF and credit costs, a potential capital raise in FY27, and the transition to universal banking, following RBI's relaxation of the earlier NOFHC stipulation for promoter shareholding, thereby simplifying the ownership structure and removing a key overhang.

AUBANK: Revisiting the asset journey – monoline to a diversified lender

AUBANK has steadily transformed from a secured, vehicle finance-led NBFC into a diversified banking franchise anchored by strong underwriting discipline and robust asset quality. While secured lending remains the core, calibrated expansion into MSME, housing, microbusiness, and selective unsecured products, backed by strong deposit mobilization, has enabled advances to compound at over 25% CAGR over FY20-24, improving scalability. The bank has also meaningfully reduced concentration risks, with the vehicle finance mix declining to ~34% and exposure to its home state, Rajasthan, reducing to ~25%, supported by multi-state expansion and a broader product suite. The Fincare merger in FY24 further accelerated scale and strengthened the bank's presence in southern India, resulting in a larger, more diversified, and more resilient loan book that is well-positioned for sustainable growth.

Transitioning from a dominant SFB to a credible universal bank

AUBANK has emerged as the dominant franchise in the SFB space, with its market capitalization exceeding ~2x the combined value of all SFB peers, reflecting investor confidence in its superior scale, diversified balance sheet, and consistent execution with better growth visibility. The bank has delivered steady NIMs, controlled credit costs, and superior profitability compared with the broader SFB

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universe. AUBANK's franchise, network, and product capabilities are already well established, enabling the bank to pursue scalable growth as it transitions into a universal bank. The removal of SFB constraints meaningfully expands the addressable opportunity across larger retail, MSME, and mid-corporate segments, while a lower PSL requirement offers flexibility to optimize the portfolio mix and improve return metrics. Additionally, a broader product suite and stronger brand are expected to drive cross-selling, fee income, and talent acquisition, supporting sustained growth and profitability.

Well-positioned to deliver superior loan growth at 24% CAGR over FY27-28E

The bank continues to significantly outperform system credit growth, with loans growing 24% YoY in 3QFY26 vs ~14.4% for the system. Growth has been led by expansion across secured segments despite deliberate moderation in unsecured portfolios, highlighting the sustainability of growth through distribution strength. Network scale remains the key growth engine, with 2,726 touchpoints across 21 states and 4 UTs. With most franchise investments already made, we estimate operating leverage to improve steadily as branch productivity improves. Secured advances grew ~23% YoY, while unsecured loans remained contained at ~7.3% of the book, supporting lower volatility and healthier asset quality. Looking ahead, the transition to a universal bank should further enhance branch-led sourcing and ticket-size flexibility. We estimate the loan book to expand at a 24% CAGR over FY26-28.

Universal bank transition and improving productivity to support liability growth

AUBANK has built a strong and increasingly granular deposit franchise, with deposits compounding at ~28% CAGR over the past three years (ex-merger) to >INR1t. This has been supported by rapid network expansion, improving branch productivity, digital onboarding, and a high CASA mix within the SFB universe. Looking ahead, deposit growth is expected to broadly track loan growth at ~23% CAGR over FY26–28, aided by productivity improvements and the transition to a universal bank, which should enhance brand credibility, expand the addressable depositor base, and improve frontline sourcing efficiency. The shift toward higher-quality retail and CASA deposits, along with scope to rationalize elevated SA premiums, is expected to drive a ~30-40bp reduction in CoD, enabling convergence toward mid-sized private bank funding metrics and supporting a more resilient liability profile.

Fee growth to remain steady and become more broad-based

AUBANK has built a diversified and scalable fee engine across retail, MSME, and commercial segments, with rising acceptance of payments, cards, wealth, distribution, co-lending, securitization, and third-party products. This, alongside emerging upside from trade and forex services following the operationalization of the recently granted AD-1 license, has supported fee growth, positioning the bank to become more annuity-like and less dependent on the balance sheet over time. While near-term growth may remain tempered due to calibrated unsecured expansion, multiple structural levers are expected to support a robust medium-term fee income CAGR, further improving earnings quality.

C/I ratio to decline gradually; estimate ~100-150bp reduction over FY26-28

AUBANK has made significant investments in building a strong banking platform, scaling to 2,726 touchpoints and 59,278 employees. The Fincare merger has further enhanced reach and revenue potential, although it temporarily elevated cost ratios. As integration synergies materialize and branch productivity normalizes, operating leverage is expected to gradually improve, driving a ~100-150bp reduction in cost-

to-income by FY28 and supporting steady profitability expansion as scale benefits accrue.

Estimate credit costs to sustain at an average of 1% of loans over FY26-28

The bank has historically maintained strong asset quality, led by a secured-heavy portfolio, conservative underwriting, and timely portfolio recalibration. Recent stress has been largely concentrated in unsecured segments, such as MFI and credit cards, which, although comprising only ~7–8% of the loan book, contributed a disproportionate share of credit costs in FY25. The core secured business, particularly vehicle finance (~32% of advances), has remained stable and continues to outperform peers. With incremental slippages increasingly confined to identified stress pools and early signs of stabilization emerging, overall credit costs are expected to moderate from ~1.4% in FY26 to ~1% by FY27–28. Consequently, asset quality metrics are likely to remain broadly stable, with GNPA/NNPA sustaining around ~2%/0.6% by FY28.

Two triggers played out; three yet to unfold

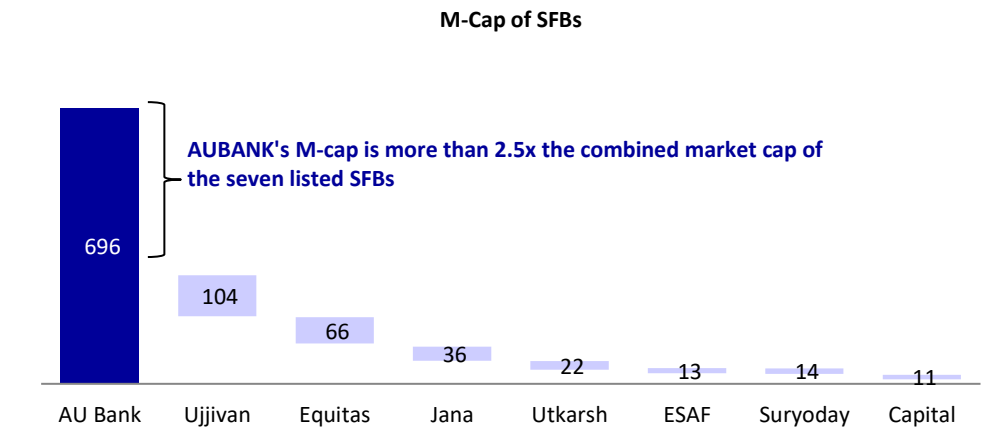
AUBANK's medium-term re-rating is led by a combination of operational and structural triggers. Earnings momentum is set to strengthen as funding costs peak and gradually moderate, while stable asset quality and controlled credit costs support a sharp recovery in profitability. Leadership continuity, reinforced by RBI approval of Mr. Sanjay Agarwal's term extension, provides strategic stability and execution confidence at a critical phase of the universal banking transition and growth recovery. MSCI weight increase is likely to attract higher investor interest via passive inflows and boost institutional participation. A proactive capital raise in FY27E should fund balance sheet expansion without stressing capital ratios, while the transition to a universal bank structure (post the RBI clearance on NOFHC structure) is expected to structurally lower the cost of funds and enhance operating flexibility, together setting the stage for an improved RoA/RoE trajectory.

Valuation and view: Reiterate BUY with a TP of INR1,250

- AUBANK's return profile is expected to strengthen meaningfully from 2HFY26 as key operating headwinds ease, with a gradual decline in funding costs and normalization of credit costs driving steady profitability improvement.
- RoA is projected to expand from ~1.6% in FY25 to ~1.7% by FY27 and ~1.9% by FY28, while a strong capitalization with CET-1 of ~18% provides ample growth headroom (which could be further bolstered by a potential capital raise in FY27).
- Improving operating leverage and margin recovery are expected to drive a material uplift in RoE by FY27–28, supported by better earnings quality.
- AUBANK remains well-positioned to sustain robust growth, aided by improving asset quality trends and structurally stronger deposit mobilization following the universal banking transition.
- **We estimate AUBANK to deliver ~24% loan CAGR over FY26-28, which, combined with improving operating metrics, should translate into ~36% earnings CAGR over the same period, reinforcing the bank's trajectory toward stronger profitability. RoA/RoE for FY27E are likely to improve to 1.74%/17.2%, respectively.**
- **Reiterate BUY with a TP of INR1,250 (3.7x Sep'27E ABV). Key upside triggers include accelerating earnings momentum driven by lower CoF and credit costs, a potential capital raise in FY27, and the transition to universal banking, following RBI's relaxation of the earlier NOFHC stipulation for promoter shareholding, thereby simplifying the ownership structure and removing a key overhang.**

STORY IN CHARTS

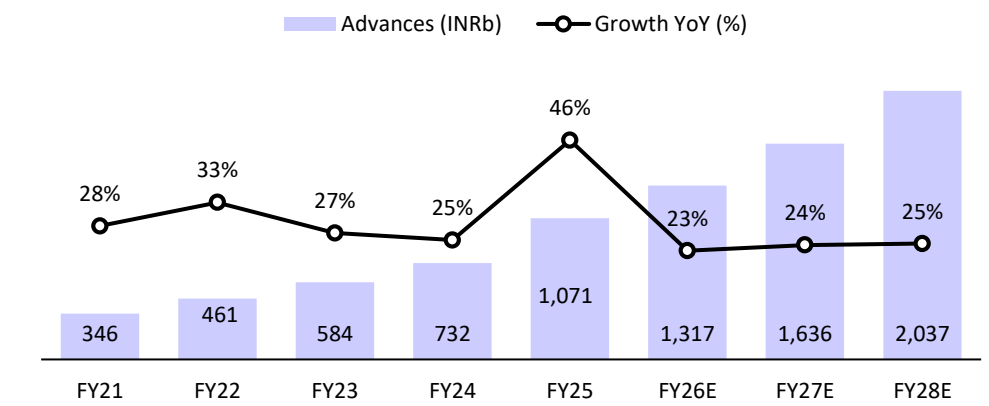
Exhibit 1: AUBANK's M-cap >2.5x the combined market cap of other listed SFBs



Source: Company, MOFSL

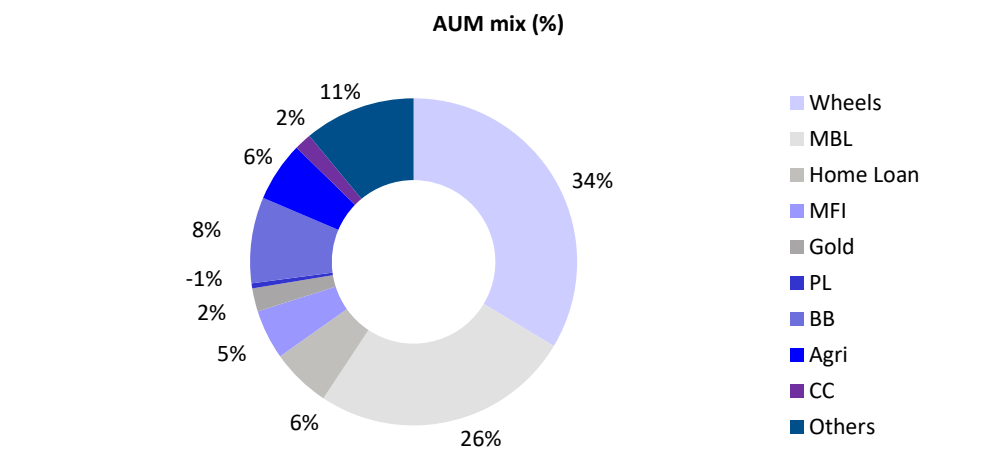
Exhibit 2: Estimate merged entity loan book to surpass ~INR2t by FY28

We estimate the loan portfolio to register a healthy 24-25% CAGR over FY25-28.



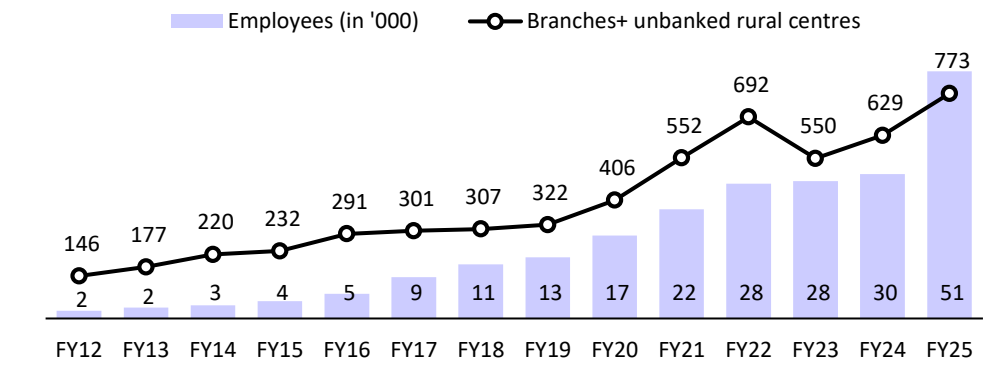
Source: Company, MOFSL

Exhibit 3: Retail secured assets form ~68% of total advances



Source: Company, MOFSL

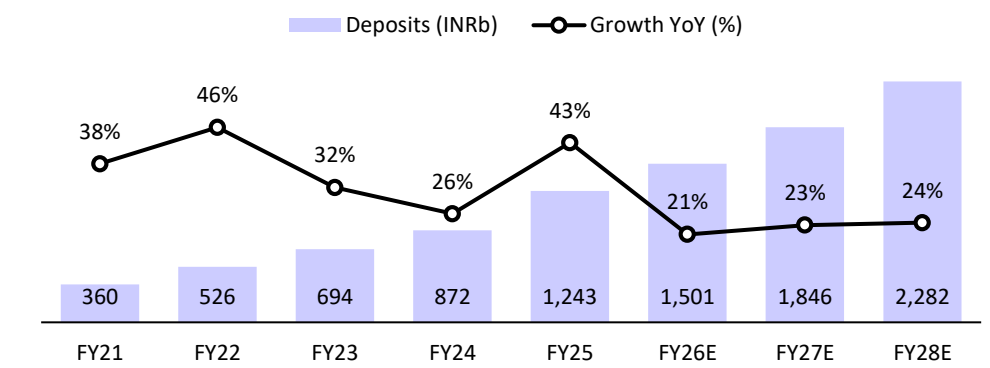
Exhibit 4: Steady network expansion and increasing strength of the employee base



Source: Company, MOFSL

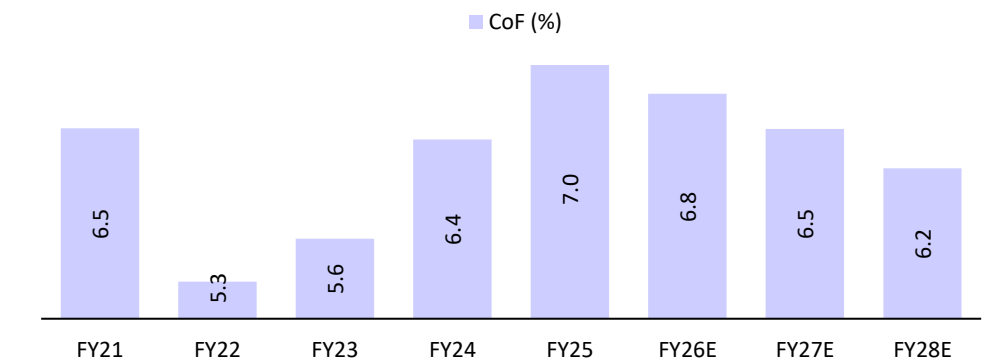
Exhibit 5: Estimate deposits to reach ~INR2.3t by FY28

Network expansion and universal banking license are expected to accelerate the deposit CAGR to 23% over FY26-28.



Source: Company, MOFSL

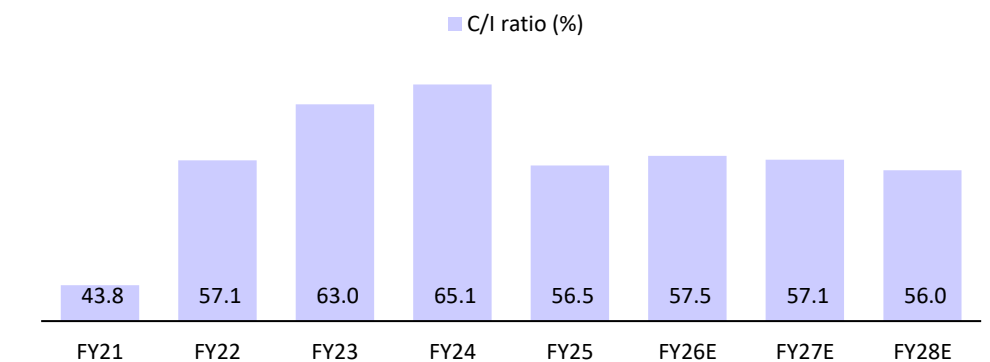
Exhibit 6: CoF is expected to reduce 50-60bp from FY26 over the next 2-3 years



Source: Company, MOFSL

Exhibit 7: Estimate C/I ratio to improve to 56% by FY28

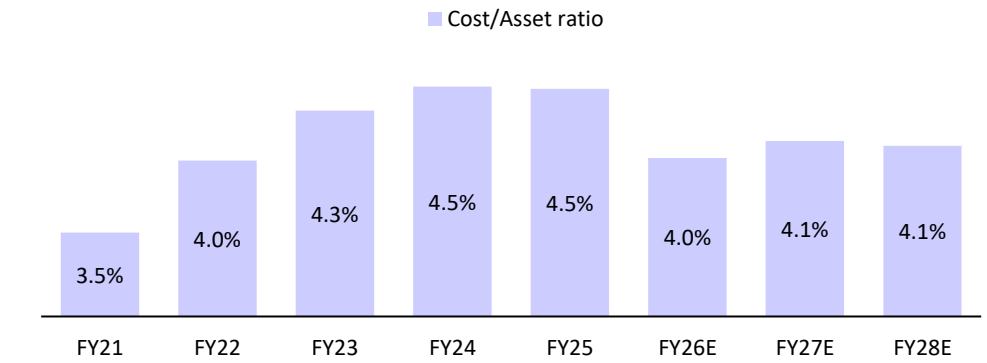
C/I ratio is likely to stay elevated at 57.5% in FY26; estimated to improve to 56% by FY28.



Source: Company, MOFSL

Exhibit 8: Likewise, the cost/asset ratio is likely to remain at 4.1% in FY28

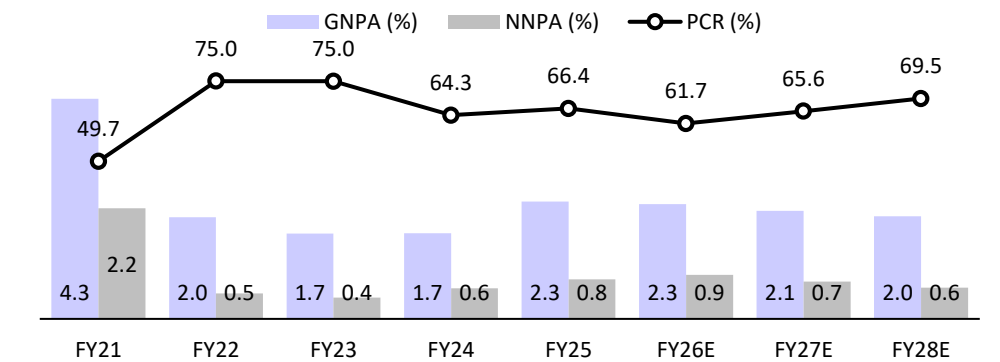
The cost/assets ratio is likely to decline gradually from FY27 onwards.



Source: Company, MOFSL

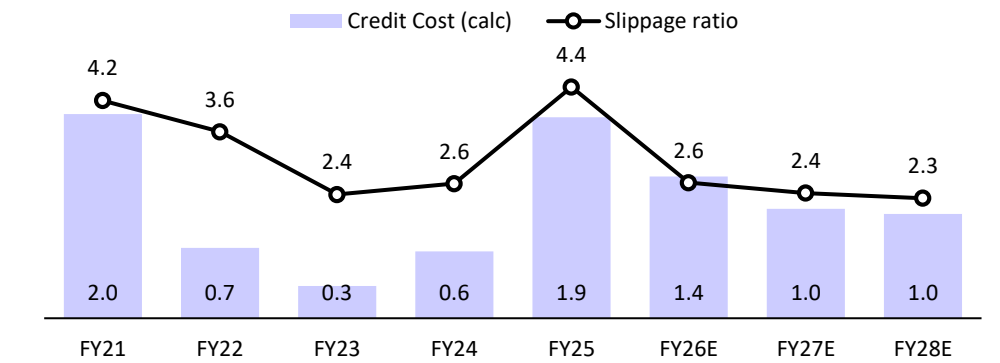
Exhibit 9: Estimate AUBANK's GNPA/NNPA ratio to improve to 2%/0.6% in FY28E

Credit cost is likely to ease to ~1% over FY27/28E, aided by a reduction in the unsecured slippage run rate.



Source: Company, MOFSL

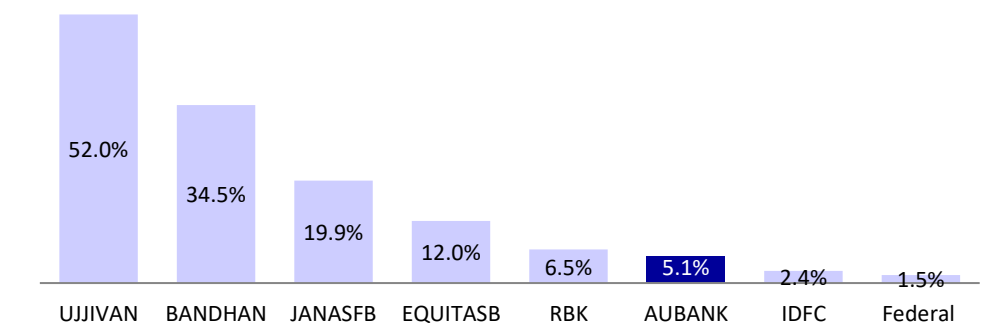
Exhibit 10: Estimate credit cost to decline to ~1% over FY27-28



Source: Company, MOFSL

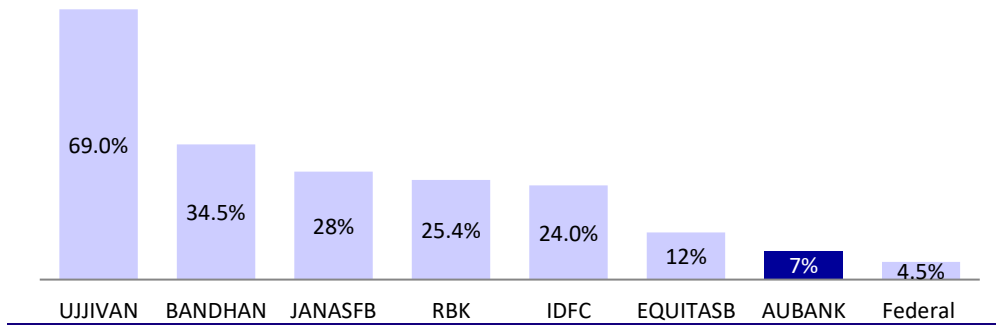
Exhibit 11: MFI loan mix across banks as of 3QFY26: AUBANK has an MFI mix of 5%

AUBANK's unsecured loan mix stands at 7%, which is lower than that of most peers. Following the merger, the bank has forayed into MFI, and the unsecured mix has since declined to 5%.



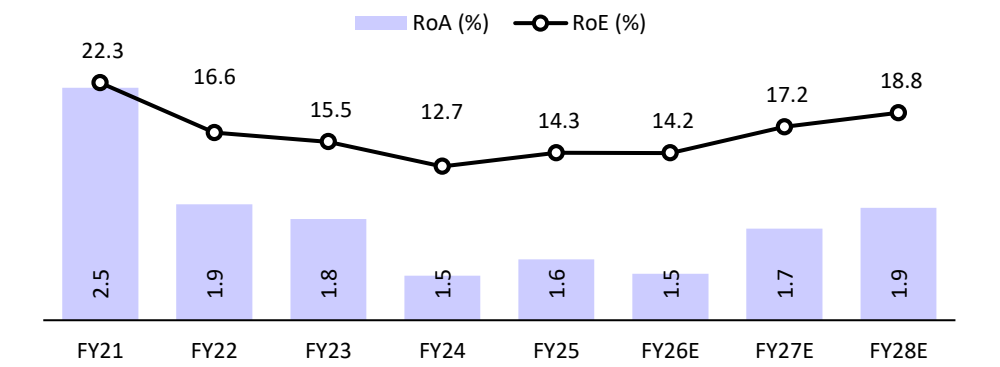
Source: Company, MOFSL

Exhibit 12: AUBANK's unsecured loan mix stood at 7%, which is lower than that of its peers



Source: Company, MOFSL

Exhibit 13: RoA/RoE expected to improve, driven by benefits from the universal bank transition



Source: Company, MOFSL

AUBANK: A journey of execution and upgrades!

NBFC – SFB – Universal Bank: Scalability in motion

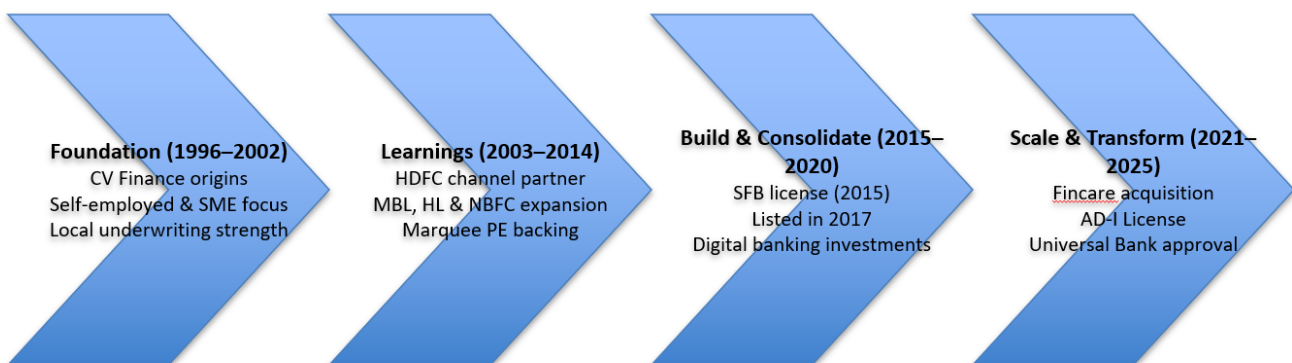
AUBANK’s journey reflects a rare, well-executed transition from a niche, asset-focused NBFC to a diversified, pan-India banking franchise on the cusp of becoming a universal bank. What began as a vehicle finance-led NBFC has steadily evolved into the strongest SFB through disciplined balance sheet expansion, risk calibration, and transforming scale without compromising asset quality or governance standards.

As AUBANK approaches the universal bank transition, the franchise is entering a new phase of growth. The removal of structural constraints under the SFB framework, improved brand credibility, and access to affluent customer segments are expected to support liability mobilization and unlock new growth avenues across larger-ticket lending and fee-based businesses. The bank is **shifting from asset-led, balance sheet-driven growth to a phase defined by diversification, scalability, and operating leverage**. With secured lending strength intact, an established deposit franchise, and a broad product suite, AUBANK’s evolution into a universal bank positions it as a structurally stronger, more resilient compounder in India’s banking landscape.

Exhibit 14: AUBANK: A journey of execution and upgrades

AU Bank Journey: From Entrepreneurial Roots to Universal Bank

Disciplined execution and tech-led scale over three decades



Outcome: Diversified franchise | Strong liability base | Full product suite | Universal bank readiness

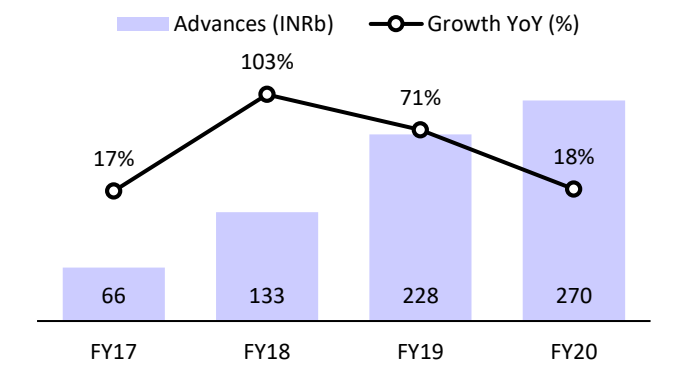
Source: Company, MOFSL

Revisiting AUBANK’s asset journey – From monoline to a big league

- AUBANK’s asset franchise has progressed from a secured, vehicle-finance-led NBFC to a diversified banking portfolio built with underwriting discipline. Secured assets remain the core, while calibrated expansion into MSME, housing, and selective unsecured products has improved balance and scalability.
- AUBANK’s advances growth over the past decade reflects a steady transformation from a niche NBFC into a scaled banking franchise. In its early years, growth was driven almost entirely by vehicle finance, where the bank consistently delivered 30%+ CAGR, building deep underwriting expertise and a granular, dealer-led sourcing model.

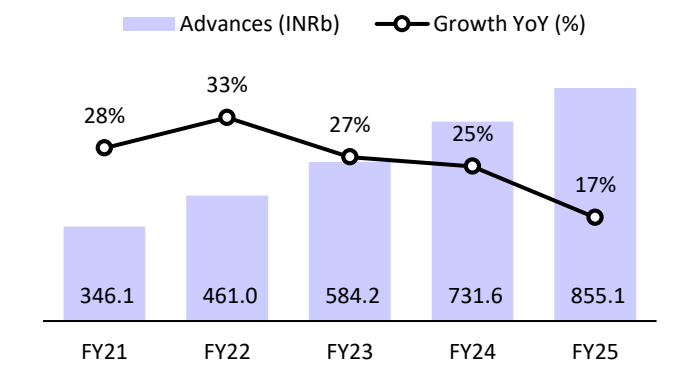
- AUBANK expanded its asset base materially by adding MSME, microbusiness loans, and affordable housing, while continuing to scale secured lending. Between FY20 and FY24, advances compounded at a >25% CAGR, supported by rapid branch expansion and increasing access to retail deposits, which enabled faster balance sheet growth.
- The Fincare merger in FY24 marked the next leg of scale, accelerating advances growth and significantly expanding the bank's geographic footprint, particularly in southern India.
- AUBANK's asset journey began with a strong concentration in Rajasthan (46% in FY18), where it built a deep franchise in VF and small-ticket lending through local knowledge and granular underwriting. Over time, the bank deliberately diversified beyond its home market (25% mix of Rajasthan) by expanding into multiple states and adding new asset classes, such as MSME, housing, gold loans, and microfinance. This geographic expansion was complemented by a broader product mix, reducing regional (no state having a share of more than 25%) + segmental concentration (VF mix down from ~50% in FY18 to ~34% in FY26).
- AUBANK has demonstrated an ability to recalibrate growth by prioritizing asset quality and sustainability. As a result, the loan book today is meaningfully larger, more diversified, and anchored in secured segments, positioning the bank to scale further from a stronger and more resilient base.

Exhibit 15: Advances growth was robust at >50% CAGR over FY17-20, albeit at a lower base



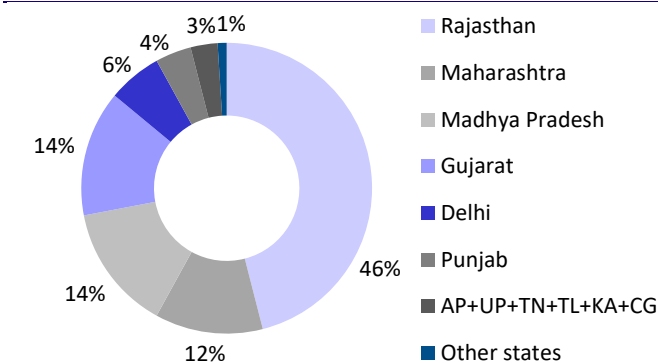
Source: Company, MOFSL

Exhibit 16: Growth continued at ~25% CAGR, even as the B/S continued to expand



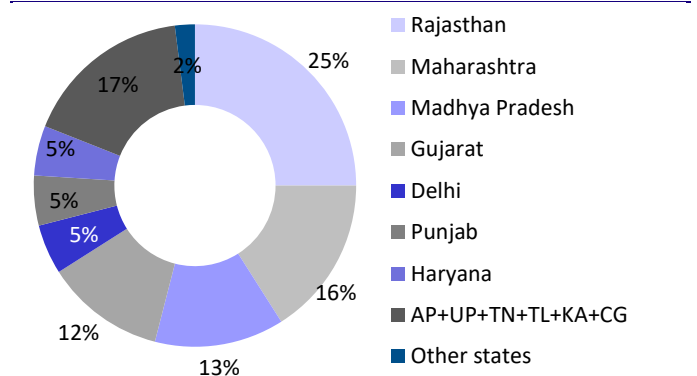
*FY25 no.s are ex-Fincare merger, Source: Company, MOFSL

Exhibit 17: Rajasthan was a key state for the bank in FY18



Source: Company, MOFSL

Exhibit 18: However, the mix declined as the book diversified



Source: Company, MOFSL

Stepping stone into the world of new opportunities

Universal banking to drive the next leg of growth

- The transition to a universal bank comes at an optimal stage, with the franchise, branch network, and product capabilities already in place, allowing AUBANK to focus on scalable growth rather than platform build-out.
- Removal of SFB-specific constraints expands the addressable market across larger retail, MSME, and mid-corporate segments, enabling growth without compromising underwriting discipline.
- A lower PSL requirement provides flexibility to optimize the portfolio mix, reduce reliance on low-yield assets or external PSL purchases, and improve overall return metrics.
- A broader product suite and stronger brand should further drive cross-selling, fee income, and talent acquisition, supporting sustained growth and profitability.
- **This increases our confidence in the bank's ability to sustain growth going forward, supporting an estimated loan CAGR of ~24% over FY26-28.**

Exhibit 19: Transition to universal bank to ease regulatory requirements for AUBANK

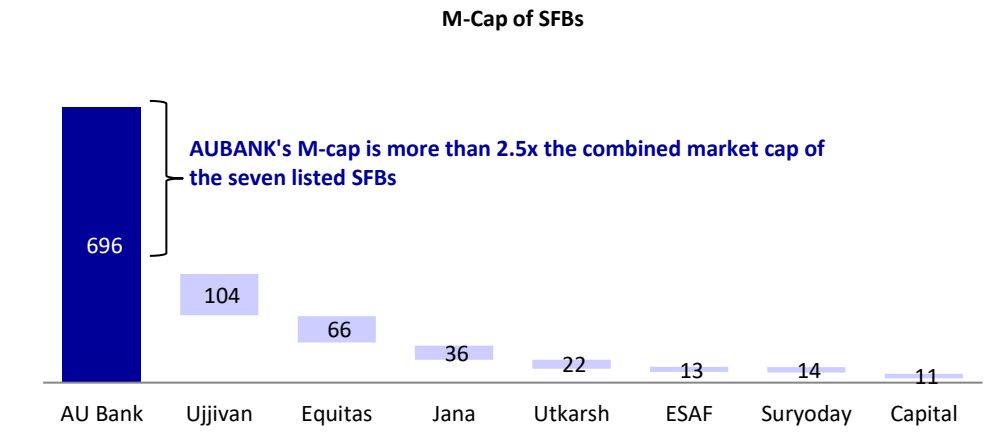
Parameter	Small Finance Banks (SFBs)	Universal Banks
CRR	3.0% of NDTL	3.0% of NDTL
SLR	18.0% of NDTL	18.0% of NDTL
PSL	60% of ANBC	40% of ANBC
- PSL: Agriculture sub-target	18% of ANBC	18% of ANBC
- PSL: Weaker Sections sub-target	10% of ANBC	10% of ANBC
Minimum CAR	15.0%	11.5%
Tier-1	10.0%	9.5%
CET-1	8.5%	8.0%
Single borrower exposure limit	10% of capital funds	15% of capital funds
Group borrower exposure limit	15% of capital funds	25% of capital funds
Loan ticket size	50% of loan up to ticket size of INR2.5m	No regulatory restriction
Trade finance / Forex (AD-1)	Permitted, limited scale	Fully permitted at scale
Corporate / mid-corporate lending	Limited	Fully permitted

Source: Company, MOFSL

AUBANK: Dominant SFB to a credible universal bank

- Over the years, AUBANK has strengthened its positioning as the dominant franchise in the SFB space, with its M-cap exceeding ~2x the combined market value of all SFB peers. This sharp divergence reflects investor confidence in AUBANK's superior scale, diversified asset-liability mix, consistent execution, and credible pathway toward universal banking.
- The valuation gap defines AUBANK's transition from an inclusion-led lender to a structurally stronger, mid-cap banking franchise offering superior growth visibility and return potential compared to the rest of the SFB universe combined.
- We expect this strength to be sustained as AUBANK continues to scale while growing higher-yielding assets, supporting stronger NIMs and profitability, and driving RoA expansion over the coming years.

Exhibit 20: AUBANK's M-Cap >2.5x the combined market cap of other listed SFBs



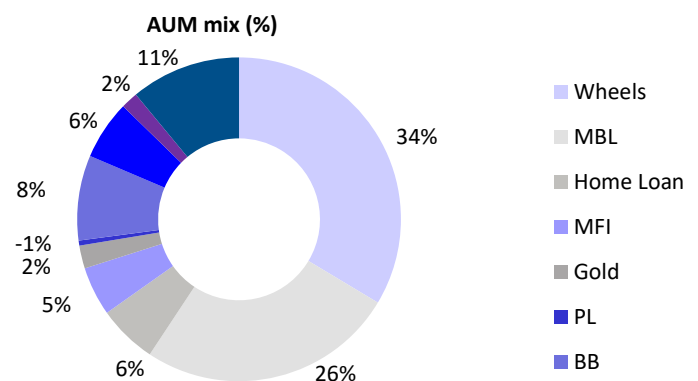
Source: Company, MOFSL

Well-positioned to deliver superior growth at 24% CAGR

Market share gains to continue

- AUBANK continues to deliver superior credit growth, with the loan book growing at 24% YoY in 3QFY26 (15% for 9MFY26YTD), materially ahead of system growth of ~14%. Importantly, growth remains broad-based and resilient despite intentional moderation in unsecured portfolios, highlighting the bank's ability to sustain high growth through distribution strength rather than balance sheet risk.
- Network expansion remains the central driver of loan growth, supported by a rapidly scaled physical presence. As of 3QFY26, AUBANK operates 2,726 touchpoints, including a steady addition of deposit-focused branches. With most franchise investments already made, incremental loan growth is increasingly driven by scale benefits rather than proportional cost increases.
- Branch productivity is improving as newly added and merged branches mature and product penetration deepens. **Improving operating metrics indicate higher sourcing of secured products per branch, supporting our loan growth estimate over FY26-28, among the highest growth profiles in the mid-sized banking space.**
- The composition of growth further enhances sustainability. Secured portfolios such as vehicle finance, MSME, mortgages, and gold loans continue to scale, with secured advances growing ~23% YoY in 3QFY26. Unsecured loans now constitute only ~7.3% of total advances and have stabilized sequentially, reducing volatility in growth and credit costs.
- Looking ahead, the transition to a universal bank is expected to structurally enhance branch-led growth by improving brand acceptance, borrower access, and ticket-size flexibility. **We estimate the loan book to expand at a 24% CAGR over FY26-28.**

Exhibit 21: Retail secured assets form ~68% of total advances



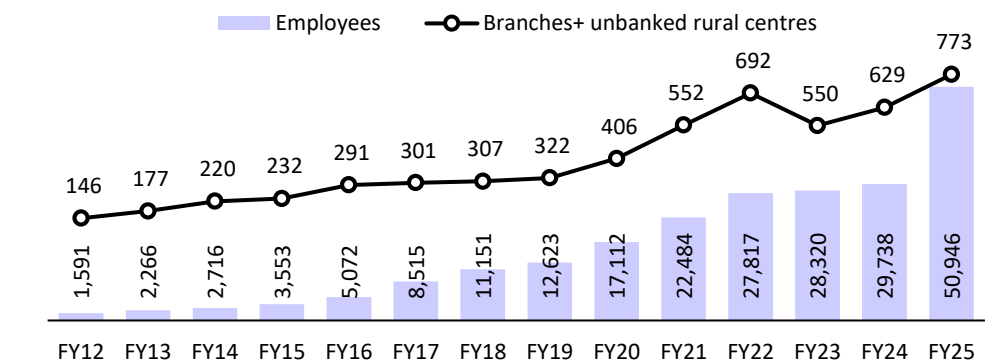
Source: Company, MOFSL

AUBANK has significantly scaled its physical network over the years, expanding from a regional footprint to a pan-India presence with 2,700+ touchpoints. This steady branch and distribution expansion has materially improved customer reach, deposit mobilization, and asset sourcing, enabling the bank to grow at scale while maintaining a granular operating model.

Exhibit 22: Product penetration across touchpoints is expanding
Product Penetration across Touchpoints

As on	Total unique touchpoints (excl. BO/BC/Unbanked Branches)	Deposits		Retail Assets				Commercial Banking	Inclusive Banking	
		Urban Banking	Swadesh Banking	Wheels	MBL	HL	Gold		Agri SMF	MFI
March 2024 (pre-merged)	727	315	176	546	532	287	353	483	79	-
March 2025	1,683	439	177	715	924	608	853	533	99	816
Expansion plan within existing touchpoints by FY 2026			70-80	200-250	200-250	40-50	10-20	30-40	-	-
New Branches (FY 2026)		60-70	10-15	10-20			10-20			100-120

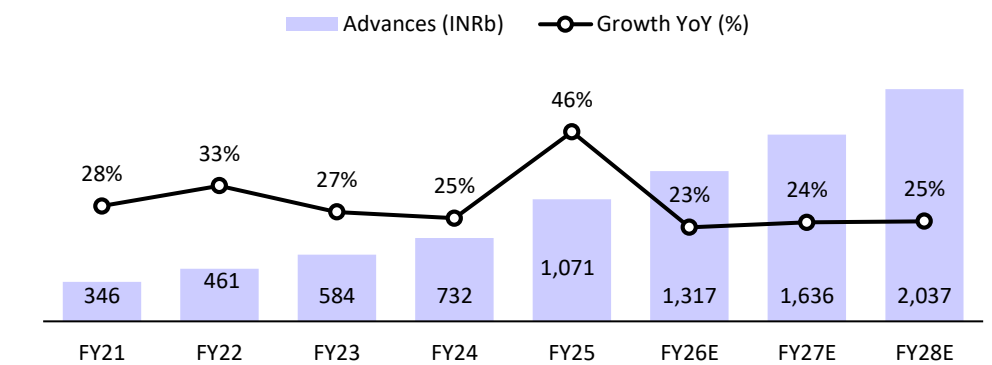
Source: Company, MOFSL

Exhibit 23: Steady network expansion as well as increasing strength of employee base


Source: Company, MOFSL

Exhibit 24: Estimate merged entity loan book to surpass ~INR2t by FY28

We estimate the loan portfolio to register a healthy 24-25% CAGR over FY25-28.



Source: Company, MOFSL

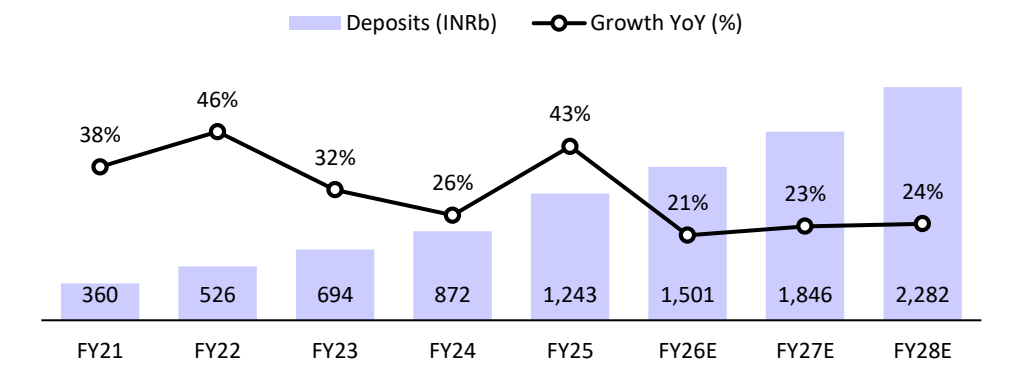
Universal bank transition and rising branch productivity to support liability growth

Estimate steady deposit growth at 23% CAGR over FY26-28

- AUBANK has demonstrated strong deposit mobilization, with deposits compounding at ~28% CAGR over the last three years (ex-merger). Looking ahead, deposit growth is expected to remain robust and broadly track loan growth, supported by improving branch productivity, wider product acceptance following the universal bank transition, and continued network expansion.
- The strategic focus is increasingly on granular retail and CASA deposits to optimize funding costs. A meaningful upside also exists from improving productivity at the erstwhile Fincare branches, where deposit throughput remains significantly below AUBANK's mature branch benchmarks, offering scope for convergence over time.
- With a universal banking license, the bank is well positioned to expand its deposits base at a 23% CAGR over FY26-28E, backed by improving branch productivity and stronger customer engagement as brand recognition strengthens post the universal bank transition.

Exhibit 25: Estimate deposits to reach ~INR2.3t by FY28

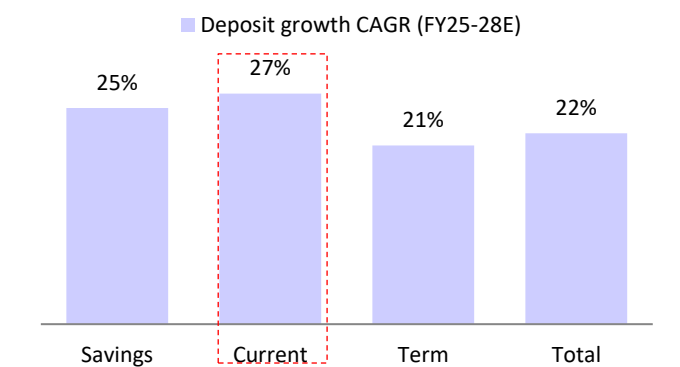
Network expansion and universal banking license to lead to faster deposit expansion at 23% CAGR over FY26-28.



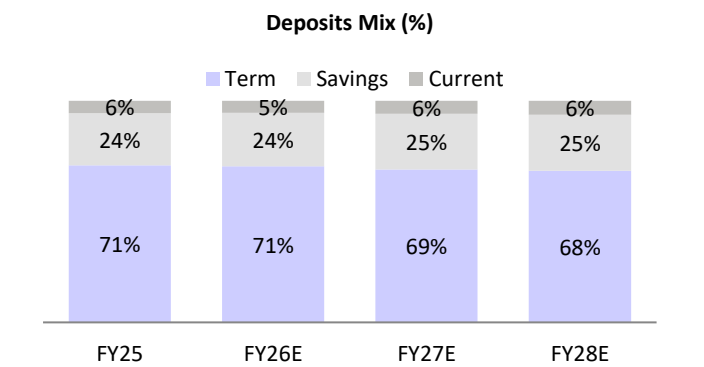
Source: Company, MOFSL

Exhibit 26: Current account expected to grow faster as the bank leverages AD-1 and universal banking license...

Exhibit 27: ...leading to a healthy CASA mix of 31% as of FY28E, despite healthy liability growth



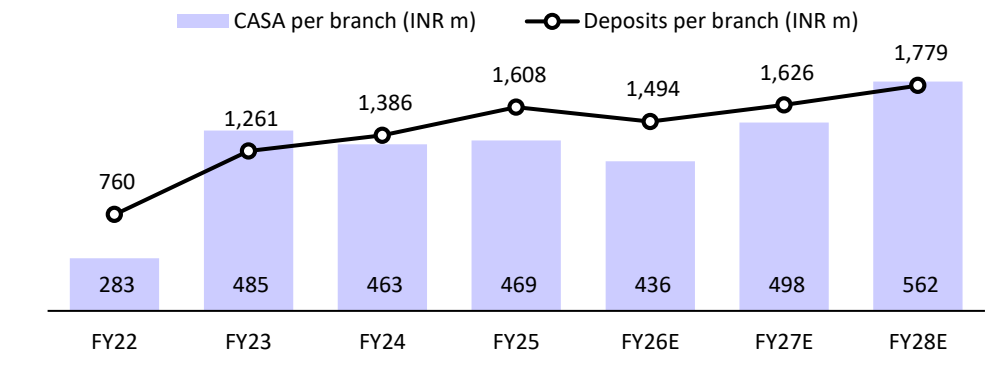
Source: Company, MOFSL



Source: Company, MOFSL

Exhibit 28: CASA/deposits branch to improve gradually as productivity improves

Universal banking improves the bank's ability to augment network productivity.



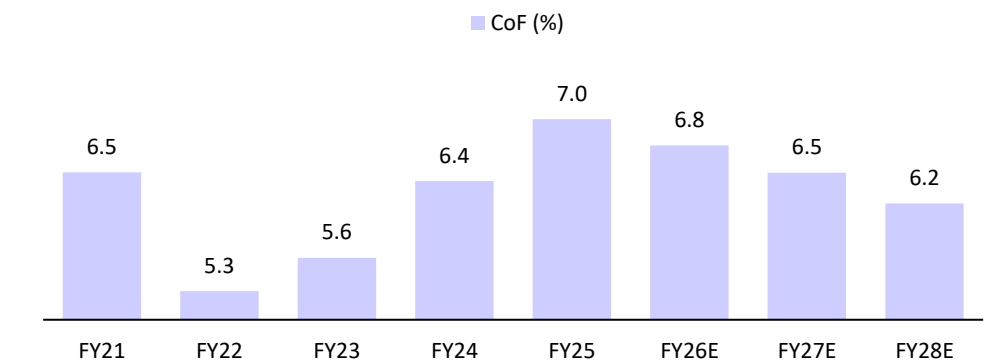
Source: Company, MOFSL

Unlocking structural improvements in funding costs, fees, and operating efficiency

Multiple levers to narrow gaps versus private bank peers

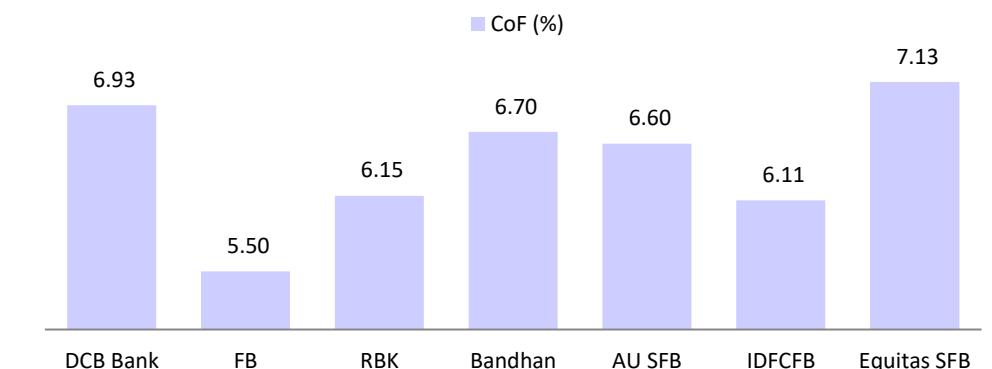
- The shift to a universal banking platform materially strengthens AUBANK’s competitive positioning against mid-sized private banks. Removal of the SFB tag improves brand credibility, enabling better access to quality deposits, stronger product cross-selling, and improved workforce stability, supporting medium-term operating normalization.
- The pricing opportunity is most pronounced in SA deposits, where AUBANK continues to carry elevated spreads compared with peers. As deposit mobilization in higher-ticket accounts becomes more brand-led than rate-led, excess premiums can be reduced without materially impacting balances or growth momentum.
- **Taken together, these structural levers are expected to drive a ~50-60bp reduction in the cost of deposits over the coming years, which, coupled with improved operating leverage, will drive a more resilient and better-quality earnings profile as the bank scales further.**

Exhibit 29: CoF is expected to reduce sharply over the next 2-3 years



Source: Company, MOFSL

Exhibit 30: CoF comparison of AUBANK vs peers - 3QFY26



Source: Company, MOFSL

Exhibit 31: TD rate comparison between AUBANK and peers

(%)	0-14 days	0-3 months	3-9 months	9-15 months	15-36 months
Large pvt banks					
HDFCB	2.75	4.25	5.50	6.25	6.45
AXSB	3.00	5.00	5.50	6.25	6.45
ICICIBC	2.75	4.00	5.50	6.25	6.45
KMB	2.75	3.50	5.50	6.50	6.70
IIB	3.25	4.75	6.25	6.75	7.00
Mid-size pvt banks					
RBK	3.50	4.50	6.05	7.00	7.20
IDFCFB	3.00	4.00	5.50	6.30	7.00
BANDHAN	2.95	4.20	4.20	7.00	7.20
Federal	3.00	4.25	6.00	6.50	6.70
Small Finance Banks					
AUBANK	3.50	4.75	6.35	6.90	7.10
EQUITASB	3.50	4.75	6.35	6.90	7.20
JANASFB	4.50	5.25	6.50	7.25	7.50
UJJIVAN	3.50	4.65	6.00	7.25	7.45

Source: Company, MOFSL

Peak TD rates of AUBANK are slightly higher than other mid-sized universal banks.

Exhibit 32: SA rate of AUBANK vs peers

(%)	SA Rate
Large pvt banks	
AXSB	2.50%
HDFCB	2.50%
ICICIBC	2.50%
KMB	2.50%
IIB	2.50%/5.00%(>INR50m)
Mid-size pvt banks	
RBK	3.00%/6.00% (max rate for deposits between INR1m to INR75m)
IDFCFB	3.00%/6.50% (max rate for deposits between INR1m to INR100m)
BANDHAN	2.70%/6.00% (>INR50m)
Federal	2.50%/5.75% (max rate for deposits between INR50m to INR1.5b)
Small Finance Banks	
AUBANK	2.50% to 6.50% (max rate for deposits between INR1m to 100m)
EQUITASB	2.50% to 7.00% (>INR250m)
JANASFB	2.50% to 7.00% (>INR5m)
UJJIVAN	2.50% to 7.25% (>INR5m)

Source: Company, MOFSL

Opportunity to expand CASA and granular retail deposits at lower funding costs:

- Over the past decade, AUBANK has built a sizeable deposit franchise, scaling deposits to >INR1t with ~0.5% system share. Growth has been driven by a deliberate focus on granular retail deposits, market share gains in urban areas, competitive pricing, digital onboarding, and differentiated liability products.
- AUBANK's CASA ratio remains among the highest in the SFB universe, reflecting strong execution at both branch and product levels. However, a visible gap persists compared with mid-sized private banks, which can narrow meaningfully as the universal bank transition improves brand perception and lowers perceived risk among depositors.
- Universal bank status is expected to expand the addressable depositor base and materially enhance branch-level deposit mobilization. Removal of structural constraints should improve frontline productivity, enabling relationship managers to source higher-quality balances more efficiently across savings, salary, and transaction-linked accounts.
- While the share of retail deposits moderated in FY25 following the Fincare merger, underlying productivity metrics remain superior to most small and mid-sized banks. As integration stabilizes, there is a clear scope to restore and improve the retail mix through cross-selling and deeper customer engagement.
- Improved access to affluent customer segments, including corporate salaried professionals, HNIs, senior citizens, and NRIs, provides an additional lever to enhance deposit quality. This enables AUBANK to increase the share of retail and CASA deposits while progressively reducing excess rate premiums, thereby supporting a structurally lower cost of funds.

Exhibit 33: AUBANK's CASA ratio has potential to scale further, narrowing the gap vs peers

CASA Ratio (%)	FY21	FY22	FY23	FY24	FY25	3QFY26
Axis Bank	45.5	45.0	47.2	43.0	40.8	39.0
DCB Bank	22.8	26.8	26.4	26.0	24.5	22.8
HDFC Bank	46.1	48.2	44.4	38.2	34.8	33.6
ICICI Bank	46.3	48.7	45.8	42.2	41.8	40.2
IndusInd Bank	41.7	42.7	40.1	37.9	32.8	30.2
Kotak Mahindra Bank	60.4	60.7	52.8	45.5	43.0	41.3
Federal Bank	34.0	37.1	32.9	29.6	30.5	32.1
RBL Bank	31.8	35.3	37.4	35.2	34.1	30.9
Bandhan Bank	43.4	41.6	39.3	37.1	31.4	27.3
AU SFB	23.0	37.3	38.4	33.4	29.2	29.0
IDFC First Bank	51.7	48.4	49.8	47.2	46.9	51.6
Equitas SFB	25.0	52.0	42.3	32.0	28.8	29.5

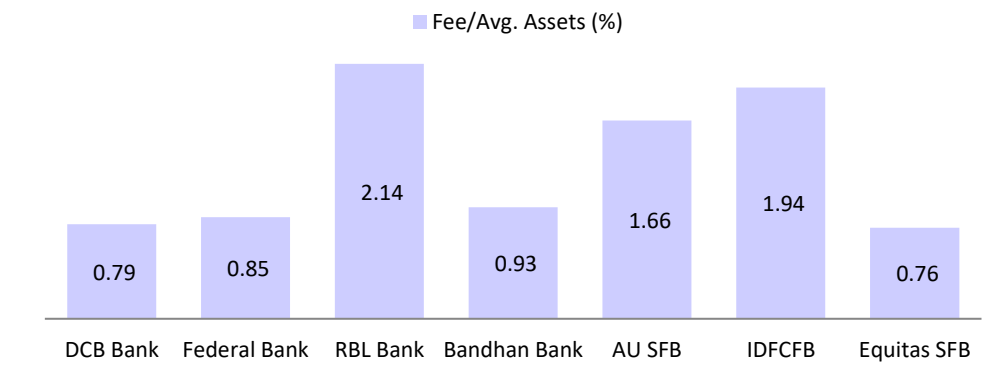
Source: Company, MOFSL

Fee income scalability driven by broader product acceptance and trade-forex ramp-up

Universal bank transition to further augment fee growth opportunities

- AUBANK has built a diversified fee engine across retail, MSME, and commercial segments. As the bank expands, higher acceptance of existing products—payments, cards, personal loans, wealth, and distribution—along with access to more affluent customer cohorts, should structurally lift fee intensity.
- The expansion of the addressable customer base across salaried, HNI, and NRI segments improves cross-sell potential and wallet share. Combined with opportunities in co-lending, securitization, and third-party distribution, this supports a more annuity-like and less balance sheet-dependent fee profile over the medium term.
- This, alongside emerging upside from trade and forex services following the operationalization of the recently granted AD-1 license, has supported fee growth.
- While near-term fee growth may remain tempered due to calibrated unsecured expansion, multiple structural levers remain intact. As these levers scale up, AUBANK is well positioned to deliver healthy fee income growth over the medium term, supporting earnings quality and return ratios.

Exhibit 34: AUBANK has a higher fee/assets ratio vs most peers



Source: Company, MOFSL

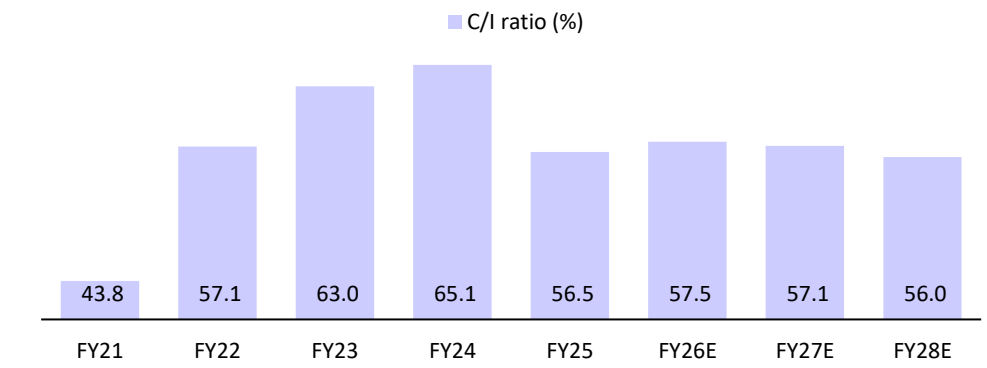
Operating leverage to play out gradually

Estimate ~100-150bp reduction over FY26-28

- AUBANK has made significant investments in building a strong banking platform, scaling capabilities across products, technology, people, and distribution.
- The bank has increased its geographic presence to 2,726 touchpoints and grown its employee strength to ~59,278, creating a platform capable of supporting growth with limited incremental fixed costs.
- The Fincare merger significantly enhanced scale, adding ~1,300 touchpoints and strengthening AUBANK’s presence in southern markets. While integration has temporarily kept cost ratios elevated, it has also expanded the revenue base and created meaningful scope to improve branch-level productivity as erstwhile Fincare branches align with AUBANK’s performance metrics.
- During FY26, operating leverage gains were limited due to margin pressure from changes in the loan mix, interest reversals linked to asset quality normalization, and softer revenue growth in select segments.
- As a result, cost-to-income is expected to remain elevated in FY26 at ~57% (59% - ex-treasury). However, we estimate it to decline to 56% by FY28 as scale benefits improve and merger synergies play out.

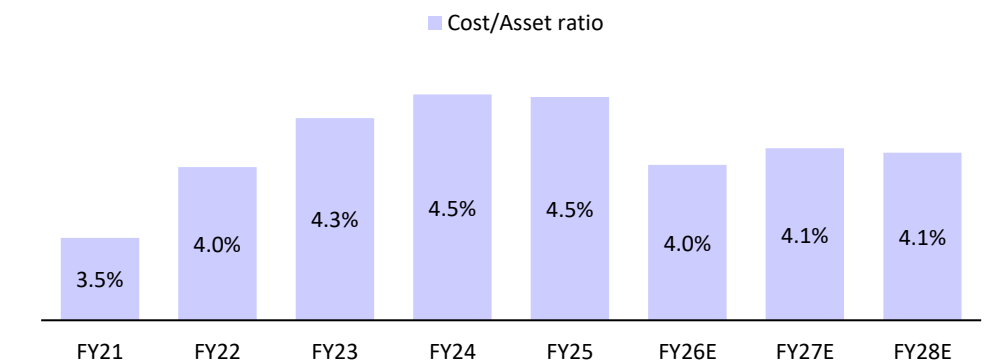
Exhibit 35: Estimate C/I ratio to improve to 56% by FY28

C/I ratio is likely to stay elevated at 57.5% in FY26; estimate it to improve to 56% by FY28.



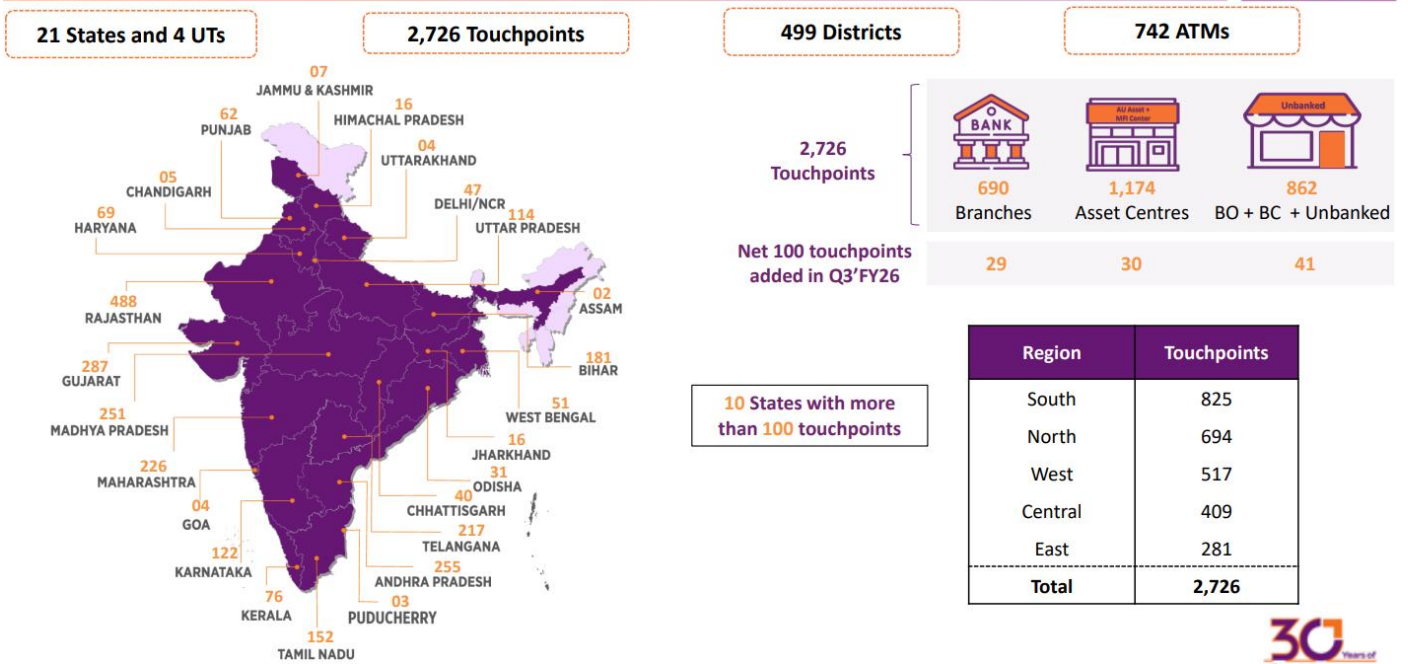
Source: Company, MOFSL

Exhibit 36: Likewise, the cost/asset ratio is likely to ease gradually to 4.1% by FY28



Source: Company, MOFSL

- **Geographic presence has expanded significantly; touchpoints have doubled post-merger:** The merger with Fincare SFB has enabled AUBANK to significantly strengthen its geographical diversification by leveraging Fincare's strong presence in the southern region. The bank has extended its reach from four states to ten, each with over 100 touchpoints, bringing AUBANK’s total touchpoints to 2,726.

Exhibit 37: Geographical presence has improved post-merger
Pan-India geographic presence


Source: Company

Exhibit 38: AUBANK's geographical presence has improved post-merger, covering 21 states and 4 UTs

Geographic presence	Branches	Touchpoints	States and UTs	Districts
Mid-sized banks				
RBK	580	1,920	16	600+
KVB	898		22	
DCB	469		18	
CUBK	901		17	
Federal	1,601		17	
IDFC	1,066		18	
BANDHAN	1,831		35	
Small Finance Banks				
AUBANK	690	2,726	25	499
EQUITASB	1071		17	260+
JANASFB	816		25	
UJJIVAN	777	777	26	399

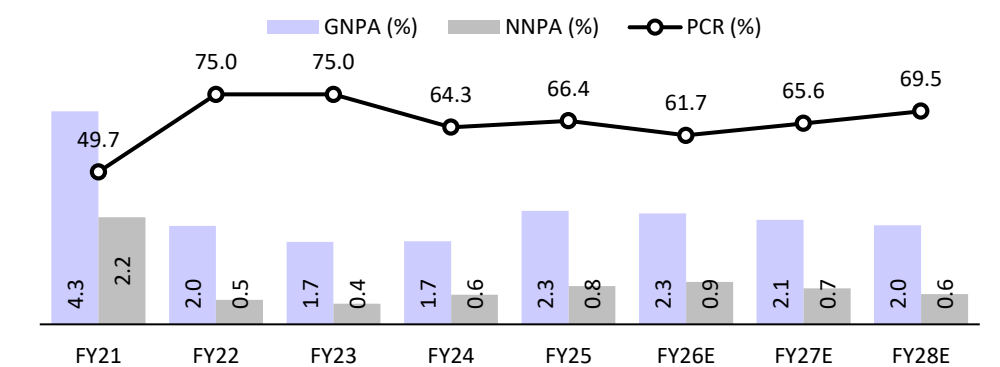
Source: Company, MOFSL

Credit cost to act as a key lever to drive earnings

Estimate credit cost to sustain at an average of 1% of loans over FY26-28

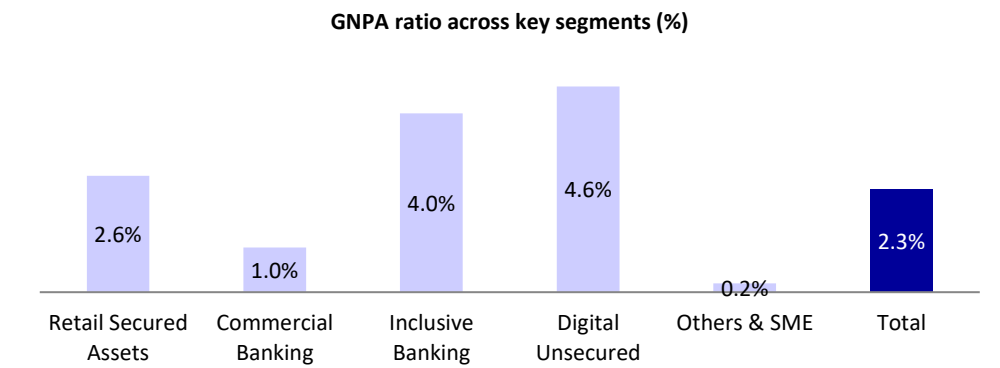
- AUBANK has historically demonstrated strong asset quality discipline, anchored in a secured-heavy book, conservative underwriting, and timely portfolio calibration.
- Recent stress over the last five quarters has been largely confined to unsecured segments, including microfinance and credit cards, while core secured portfolios, such as vehicle finance, have remained stable and continued to outperform peers.
- Unsecured loans constitute a relatively smaller share of the loan book at ~7-8% but accounted for a disproportionate ~55-60% of credit costs in FY25, reflecting the severity of stress in these portfolios. With incremental slippages increasingly concentrated within identified stress pools, forward flow trends are showing early signs of stabilization.
- Core secured businesses continue to provide balance sheet stability. Vehicle finance, accounting for ~32% of advances, has consistently delivered superior asset quality compared to peers and is expected to grow at ~25% in FY26. Similarly, MSME and affordable housing portfolios, which experienced temporary disruption post-merger, are expected to recover as staffing, legal, and collection frameworks stabilize.
- With stabilization in unsecured flows and resilience in secured portfolios, overall credit costs are expected to normalize from ~1.9% in FY25 to ~1.4% in FY26 and ~1% by FY27-28, while asset quality ratios are likely to remain broadly stable.
- **We, thus, estimate asset quality ratios to remain broadly stable, with the GNPA/NNPA ratio sustaining at ~2%/0.6% by FY28, while PCR improves to 69.5% vs ~62% currently.**

Exhibit 39: Estimate AUBANK's GNPA/NNPA ratio to improve to 2%/0.6% by FY28



Source: Company, MOFSL

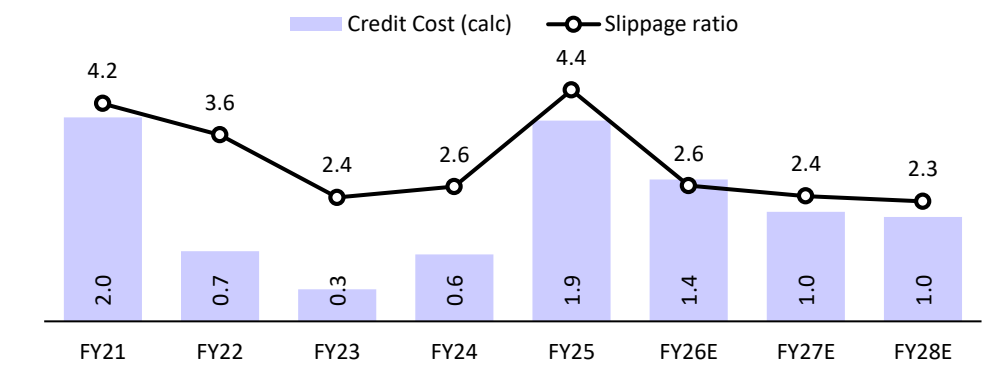
Exhibit 40: GNPA distribution across key segments



Source: Company, MOFSL

Exhibit 41: Estimate credit costs to decline to ~1% over FY27-28

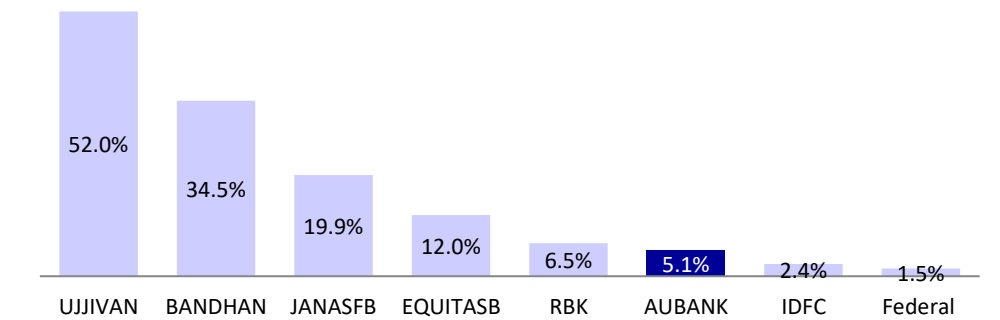
Credit costs are likely to moderate to ~1% in FY27/28, aided by a reduction in the unsecured slippage run rate.



Source: Company, MOFSL

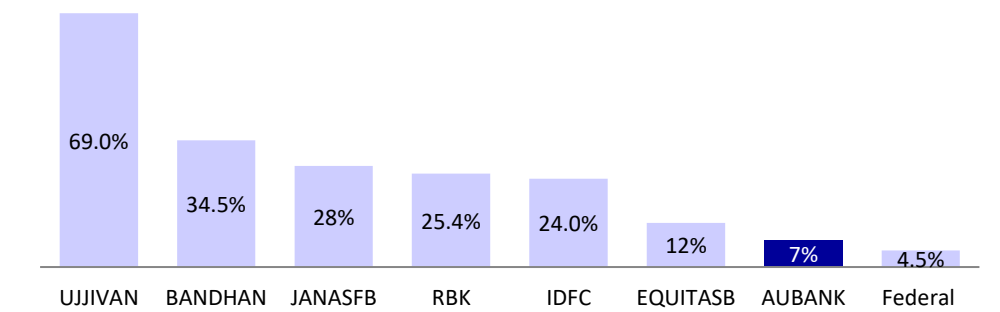
Exhibit 42: MFI loan mix across banks as of 3QFY26; AUBANK has an MFI mix of 5%

AUBANK's unsecured loan mix stands at 7%, which is lower than most peers. Post-merger, the bank has forayed into MFI, and the mix has since declined to ~5%.



Source: Company, MOFSL

Exhibit 43: AUBANK's unsecured loan mix stood at 7%, lower than that of peers



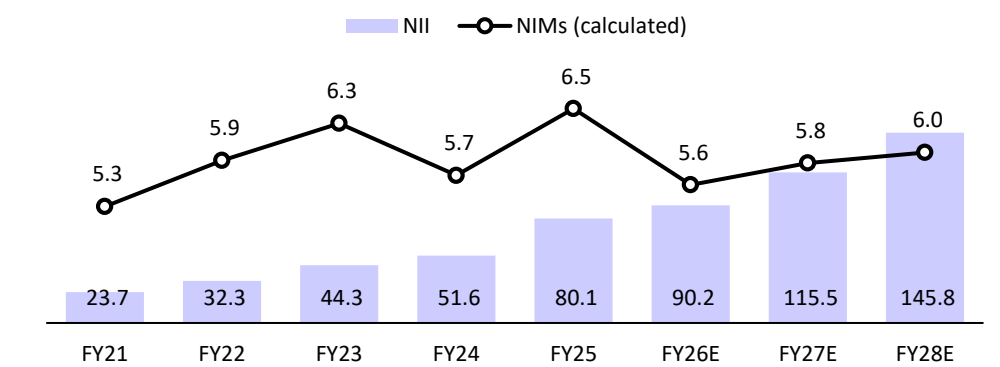
Source: Company, MOFSL

Profitability likely to improve over FY27-28E

Estimate RoA to improve to 1.9% by FY28

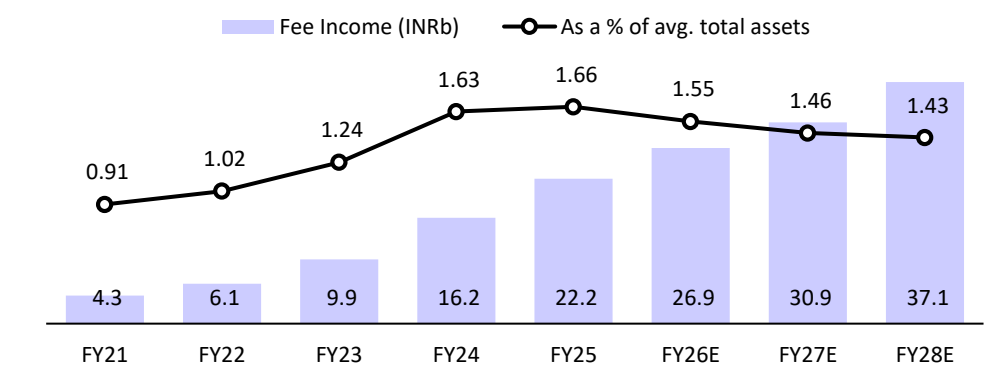
- AUBANK's return profile is expected to strengthen from late FY26 as operating headwinds begin to recede. A gradual decline in funding costs, combined with stabilization in credit costs, should drive a steady improvement in profitability metrics, with ROA expected to expand from ~1.6% in FY25 to ~1.7% by FY27 and ~1.9% by FY28.
- The balance sheet remains well capitalized, with CET-1 at ~18%, providing adequate headroom to support near-term growth. While regulatory capital requirements for universal banks are lower, the bank may consider proactively raising capital to sustain high growth.
- Operating leverage and improving profitability are expected to translate into a meaningful uplift in shareholder returns. As margins recover and credit costs normalize, RoE is projected to improve to ~17-19% over FY27-28

Exhibit 44: NIMs to bottom out in FY26; estimate gradual expansion over FY27-28



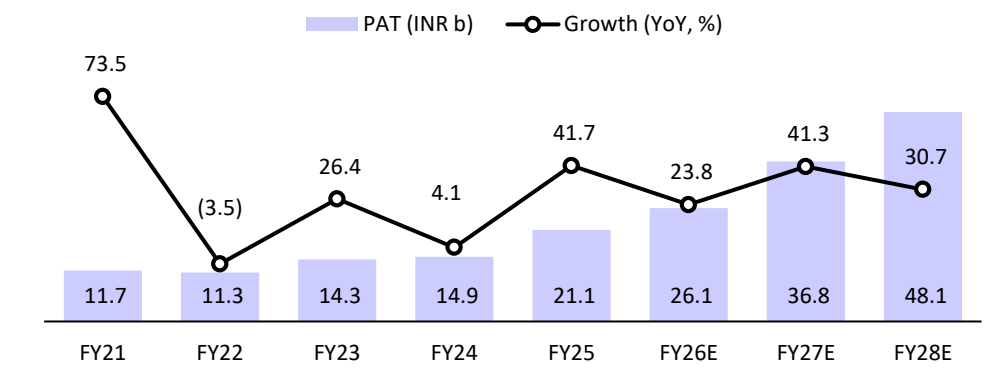
Source: Company, MOFSL

Exhibit 45: Fee income as a % of average assets to remain in healthy range of 1.4-1.5%



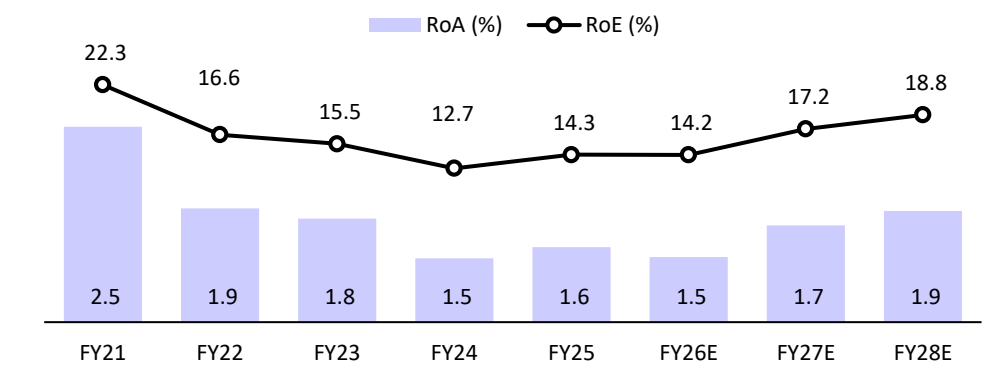
Source: Company, MOFSL

Exhibit 46: PAT growth expected to remain strong at 36% CAGR over FY26-28



Source: Company, MOFSL

Exhibit 47: RoA and RoE are expected to improve to 1.9%/19% by FY28



Source: Company, MOFSL

Two triggers played out; three yet to unfold

Superior execution and a set of catalysts to drive strong stock performance

Two triggers played out:

Trigger 1: RBI's approval for Mr. Sanjay Agarwal's term extension provides strategic continuity and investor confidence

While largely anticipated, RBI's recent approval for the extension of MD & CEO Mr. Sanjay Agarwal's tenure provides clarity on the bank's medium-term execution and delivery. This comes at a critical phase of the bank's transition to a universal bank, alongside ongoing profitability normalization.

Trigger 2: MSCI weight increase to broaden the shareholder base

The increase in AUBANK's MSCI weight is expected to meaningfully broaden its institutional shareholder base. A higher representation in global indices improves visibility among international investors and attracts incremental participation from passive and benchmark-tracking funds. Over time, this expanded investor mix can enhance ownership diversity, deepen trading liquidity, and strengthen long-term institutional participation in the stock. Over time, this can support more stable valuation multiples, particularly for high-growth financials like AUBANK, where return ratios are on an improving trajectory and balance sheet execution remains credible.

Three triggers yet to unfold:

Trigger 1: Earnings momentum to strengthen; estimate 36% CAGR over FY27-28

AUBANK's earnings trajectory is poised to improve meaningfully over the next few quarters, aided by normalization in credit cost and moderation in funding costs, thereby driving NIM expansion. We estimate AUBANK to deliver ~24% loan CAGR over FY26-28, while earnings compound at ~36% CAGR over the same period, reinforcing the bank's trajectory toward stronger profitability.

Trigger 2: Capital raise in FY27E to support growth momentum

AUBANK may consider proactively raising capital in FY27E to support the growth momentum despite currently comfortable capital adequacy levels. A timely capital raise would not only ensure uninterrupted balance sheet expansion but also de-risk future growth by preventing leverage-driven pressure on return metrics. The potential capital raise is expected to support book value growth, while enabling long-term earnings compounding and enhancing franchise scalability.

Trigger 3: Universal bank transition to strengthen the brand and business outlook

AUBANK's transition to a universal bank is expected to structurally lower its cost of funds over time through access to a wider pool of low-cost deposits, stronger brand trust, and broader product offerings. The bank has already received regulatory clearance with related to the NOFHC structure, the move simplifies the group structure and represents a positive regulatory development ahead of the bank's final universal banking licence application. Additionally, regulatory easing, including lower priority sector requirements and more flexible balance sheet management, should improve operational efficiency and capital optimization. Together, these factors are likely to support sustainable margin expansion, better liquidity management, and stronger competitiveness, thus enhancing AUBANK's medium-term return profile.

Scenario analysis: How will numbers shape up post the capital raise

Capital raise of INR35b could improve Tier-1 capital by 2.6%

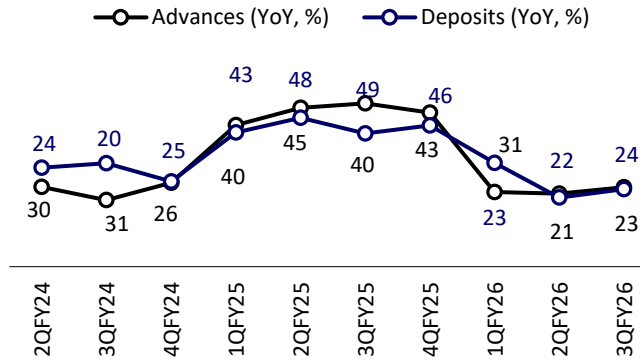
- A potential INR35b capital raise could meaningfully strengthen the bank's capital base and enhance its lending capacity, improving Tier-1 capital by ~2.6%.
- With this capital infusion, the bank would be well-positioned to sustain a healthy loan growth trajectory of ~24-25% CAGR over the next two years, without facing capital constraints.
- We estimate Tier-1 capital to improve to ~19.3% by FY27, broadly comparable to large private sector banks such as HDFC Bank and ICICI Bank, despite AUBANK operating at a structurally higher loan growth rate.
- The proposed capital raise is expected to increase BVPS by ~9–10%, while PAT could accrete by ~2-3% over FY27–28 as the incremental capital is deployed into growth.
- Although the equity issuance may modestly dilute valuation multiples, the P/B is expected to moderate to ~2.8x FY27 from ~3.1x currently, reflecting the higher equity base post capital raise.

Exhibit 48: Overview of capital raise of INR35b in FY27E and changes in key metrics

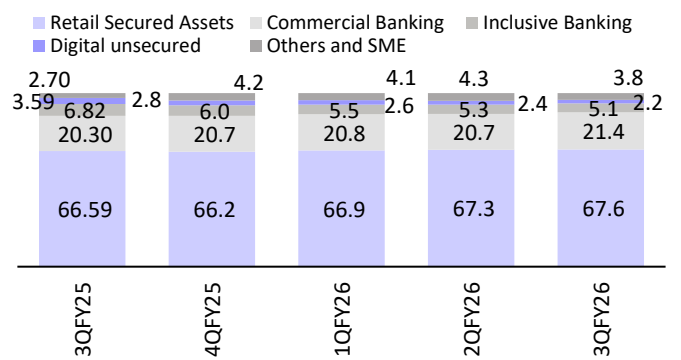
	Pre-Capital Raise		Post-Capital Raise		Difference (in bp & %)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
NIMs	5.84	5.96	5.89	6.05	4.8	8.4
LD ratio	88.6	89.2	90.1	90.7	146.5	147.5
Cost/Income	57.1	56.0	56.8	55.4	(35.1)	(60.1)
BVPS	309.5	371.8	341.9	403.3	10.4	8.5
PAT (INR b)	36.8	48.1	37.5	49.7	1.9	3.2
RoA	1.7	1.9	1.8	1.9	3.1	5.8
RoE	17.2	18.8	16.2	17.0	(102.1)	(182.4)
Tier-1	16.6	16.1	19.3	18.3	264.2	220.3
CRAR	17.7	16.9	20.3	19.1	264.2	220.3
P/BV	3.1	2.6	2.8	2.4	(9.9)	(8.3)
P/E	19.8	15.2	19.7	15.3	0.0	0.7

Source: MOFSL

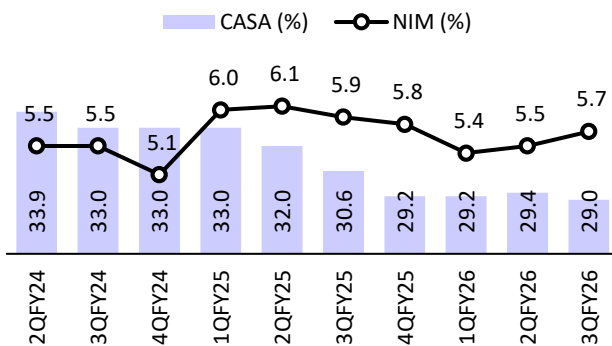
Story in charts

Exhibit 1: Advances/deposits grew 24%/23% YoY


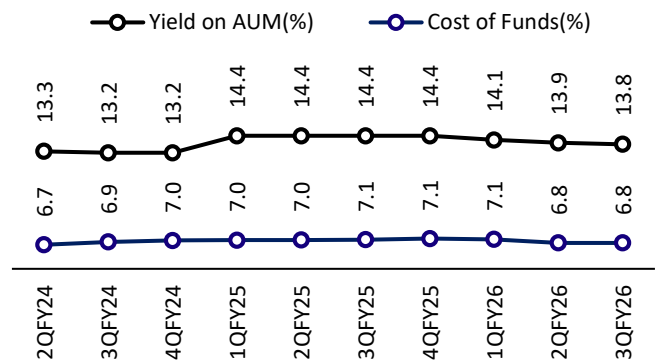
1Q-4QFY25 has a merger impact; Source: Company, MOFSL

Exhibit 2: Trend in advances mix (%)


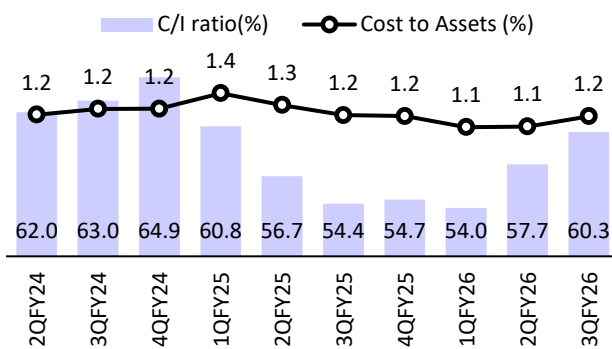
1QFY25 numbers post-merger; Source: Company, MOFSL

Exhibit 3: Margins expanded 25bp QoQ to 5.7% in 2QFY26


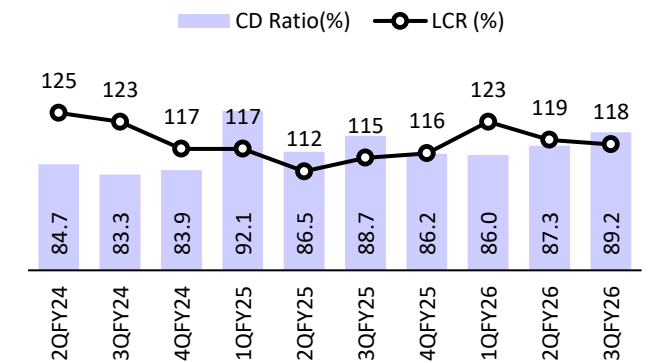
Source: Company, MOFSL

Exhibit 4: Yield on gross advances declined to 13.8%


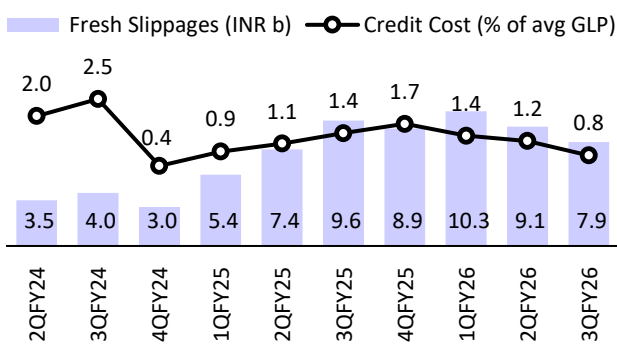
Source: Company, MOFSL

Exhibit 5: C/I ratio increased to 60.3% in 3QFY26


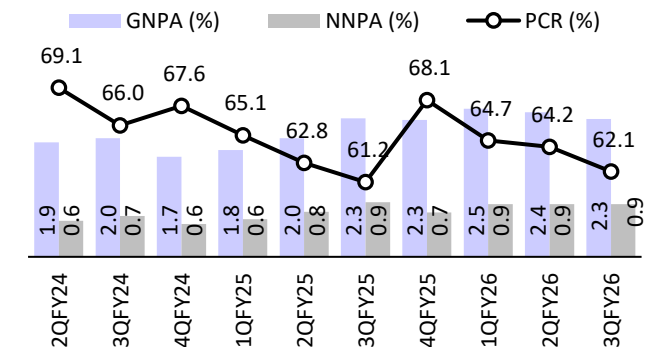
Source: Company, MOFSL

Exhibit 6: CD ratio increased to 89%; LCR at 118%


Source: Company, MOFSL

Exhibit 7: Credit cost declined to 0.8%; slippages declined 13% QoQ


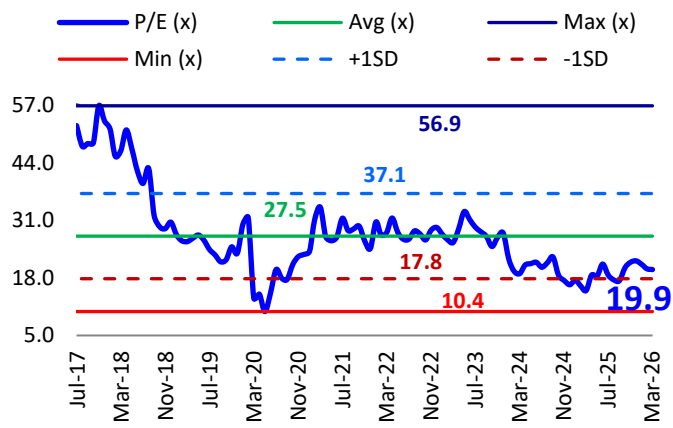
Source: Company, MOFSL

Exhibit 8: Asset quality ratios improved; PCR declined to 62.1%


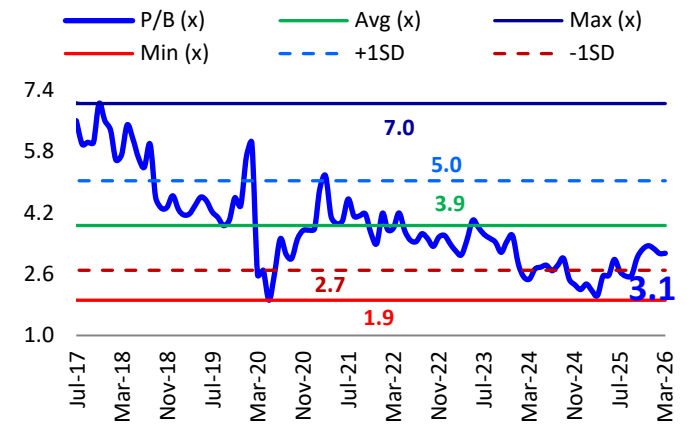
Source: Company, MOFSL

Valuation and view: Reiterate BUY with a TP of INR1,250

- AUBANK's return profile is expected to strengthen meaningfully from 2HFY26 as key operating headwinds ease, with a gradual decline in funding costs and normalization in credit costs driving steady profitability improvement.
- RoA is projected to expand from ~1.6% in FY25 to ~1.7% by FY27 and ~1.9% by FY28, while strong capitalization with CET-1 of ~18% provides ample growth headroom (which could be further bolstered by a potential capital raise in FY27).
- Improving operating leverage and margin recovery should translate into a material uplift in RoE by FY27–28, supported by better earnings quality.
- AUBANK remains well-positioned to sustain robust growth, aided by improving asset quality trends and structurally stronger deposit mobilization following the universal banking transition.
- **We estimate AUBANK to deliver ~24% loan CAGR over FY26-28E, which, combined with improving operating metrics, should translate into ~36% earnings CAGR over the same period, reinforcing the bank's trajectory toward stronger profitability. RoA/RoE for FY27E are likely to improve to 1.74%/17.2%, respectively. Reiterate BUY with a TP of INR1,250 (3.7x Sep'27E ABV).**
- **Key upside** triggers include accelerating earnings momentum driven by lower CoF and credit costs, a potential capital raise in FY27, and the transition to universal banking, following RBI's relaxation of the earlier NOFHC stipulation for promoter shareholding, thereby simplifying the ownership structure and removing a key overhang.

Exhibit 9: AUBANK: One-year forward P/E ratio


Source: Company, MOFSL

Exhibit 10: AUBANK: One-year forward P/B ratio


Source: Company, MOFSL

Exhibit 11: DuPont analysis - RoA to improve to 1.85% by FY28E

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	10.30	10.57	12.02	11.04	11.10	11.00
Interest Expense	4.75	5.41	6.03	5.85	5.64	5.38
Net Interest Income	5.56	5.17	6.00	5.19	5.47	5.61
Core Fee and Secu. Inc	1.35	1.65	1.71	1.57	1.53	1.47
Trading and others	-0.06	0.05	0.18	0.22	0.22	0.23
Non-Interest income	1.30	1.70	1.89	1.79	1.75	1.69
Total Income	6.85	6.87	7.89	6.98	7.22	7.31
Operating Expenses	4.32	4.47	4.46	4.01	4.12	4.09
- Employee cost	2.25	2.11	2.36	2.23	2.31	2.31
- Others	2.07	2.37	2.10	1.79	1.81	1.78
Operating Profits	2.54	2.39	3.43	2.96	3.09	3.21
Core operating Profits	2.59	2.34	3.25	2.74	2.87	2.99
Provisions	0.19	0.44	1.34	0.98	0.78	0.75
PBT	2.34	1.95	2.09	1.99	2.31	2.46
Tax	0.55	0.47	0.51	0.49	0.57	0.61
RoA	1.79	1.49	1.58	1.50	1.74	1.85
Leverage (x)	8.7	8.5	9.0	9.5	9.9	10.2
RoE	15.5	12.7	14.3	14.2	17.2	18.8

Source: MOFSL, Company

Financials and valuations

Income Statement						(INRb)
Y/E MARCH	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	82.1	105.5	160.6	192.0	234.6	285.7
Interest Expense	37.8	54.0	80.5	101.7	119.1	139.9
Net Interest income	44.3	51.6	80.1	90.2	115.5	145.8
- growth (%)	36.8	16.5	55.4	12.6	28.0	26.3
Other Income	10.3	17.0	25.3	31.1	37.0	44.0
Total Income	54.6	68.5	105.4	121.3	152.5	189.8
- growth (%)	29.1	25.5	53.7	15.1	25.7	24.5
Operating Expenses	34.4	44.6	59.6	69.8	87.1	106.4
- growth (%)	42.6	29.8	33.4	17.2	24.8	22.1
Operating Profits	20.2	23.9	45.8	51.5	65.3	83.5
- growth (%)	11.3	18.3	91.7	12.4	26.9	27.8
Core Operating Profits	20.6	23.4	43.5	47.6	60.6	77.6
- growth (%)	23.4	13.3	85.9	9.7	27.2	28.1
Total Provisions	1.5	4.4	17.9	17.0	16.4	19.6
% to operating income	7.7	18.4	39.1	33.0	25.2	23.4
PBT	18.6	19.5	27.9	34.5	48.9	63.9
Tax	4.4	4.6	6.8	8.5	12.1	15.8
<i>Tax Rate (%)</i>	<i>23.4</i>	<i>23.8</i>	<i>24.5</i>	<i>24.5</i>	<i>24.7</i>	<i>24.7</i>
PAT	14.3	14.9	21.1	26.1	36.8	48.1
- growth (%)	26.4	4.1	41.7	23.8	41.3	30.7

Balance Sheet

Y/E MARCH	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	6.7	6.7	7.4	7.5	7.5	7.5
Reserves & Surplus	102.7	118.3	163.0	188.2	224.2	271.5
Equity Network	109.3	125.0	170.4	195.7	231.7	279.0
Deposits	693.6	871.8	1,242.7	1,501.2	1,846.4	2,282.2
- growth (%)	31.9	25.7	42.5	20.8	23.0	23.6
of which CASA Dep	266.6	291.3	362.5	438.3	565.0	721.2
- growth (%)	36.0	9.3	24.5	20.9	28.9	27.6
Borrowings	63.0	54.8	116.6	142.3	176.4	217.0
Other liabilities	35.8	42.0	47.5	58.4	71.9	88.4
- growth (%)	19.6	17.6	13.0	23.0	23.0	23.0
Total Liabilities	902.2	1,094.3	1,578.5	1,898.8	2,327.6	2,867.8
Current Assets	94.3	63.8	94.7	92.5	100.3	108.7
Investments	200.7	271.3	378.5	444.7	538.1	660.2
- growth (%)	31.1	35.2	39.5	17.5	21.0	22.7
Loans	584.2	731.6	1,070.9	1,317.2	1,636.0	2,036.8
- growth (%)	26.7	25.2	46.4	23.0	24.2	24.5
Net Fixed Assets	7.4	8.5	9.1	14.6	16.1	17.3
Other assets	15.6	19.0	25.3	29.7	37.2	44.7
Total Assets	902.2	1,094.3	1,578.5	1,898.8	2,327.6	2,867.8
Total Assets (incl. off BS)	909.5	1,192.1	1,669.5	1,999.4	2,437.2	3,004.2

Asset Quality	FY23	FY24	FY25	FY26E	FY27E	FY28E
GNPA (INR b)	9.8	12.4	24.8	29.8	34.8	41.2
NNPA (INR b)	2.9	4.4	8.3	11.4	12.0	12.5
Slippages (INR b)	12.4	17.0	40.0	31.0	35.4	42.2
GNPA Ratio (%)	1.7	1.7	2.3	2.26	2.13	2.02
NNPA Ratio (%)	0.5	0.6	0.8	0.87	0.73	0.62
Slippage Ratio (%)	2.4	2.6	4.4	2.6	2.4	2.3
Credit Cost (%)	0.3	0.6	1.9	1.4	1.0	1.0
PCR (Excl Tech. write off)	70.8	64.3	66.4	61.7	65.6	69.5

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E MARCH	FY23	FY24	FY25	FY26E	FY27E	FY28E
Yield and Cost Ratios (%)						
Avg. Yield - on IEA	11.7	11.7	13.0	11.9	11.9	11.7
Avg. Yield on loans	12.8	11.9	13.4	12.3	12.3	12.2
Avg. Cost of funds	5.6	6.4	7.0	6.8	6.5	6.2
Spreads	7.2	5.5	6.4	5.5	5.8	6.0
NIM (On total assets)	5.6	5.2	6.0	5.2	5.5	5.6
NIM (On IEA)	6.3	5.7	6.5	5.6	5.8	6.0
Capitalization Ratios (%)						
CAR	23.6	20.1	20.1	18.9	17.7	16.9
<i>Tier I</i>	21.8	18.8	18.1	17.5	16.6	16.1
<i>CET 1</i>	21.8	18.8	18.1	17.5	16.6	16.1
<i>Tier II</i>	1.8	1.3	1.9	1.4	1.0	0.7
Business Ratios (%)						
Loan/Deposit Ratio	84.2	83.9	86.2	87.7	88.6	89.2
CASA Ratio	38.4	33.4	29.2	29.2	30.6	31.6
Cost/Assets	4.3	4.5	4.5	4.0	4.1	4.1
Cost/Total Income	63.0	65.1	56.5	57.5	57.1	56.0
Cost/Core Income	62.5	65.6	57.8	59.4	59.0	57.8
Int. Expense/Int. Income	46.1	51.1	50.1	53.0	50.8	49.0
Fee Income/Total Income	19.8	24.0	21.4	22.4	21.2	20.1
Other Inc./Total Income	18.9	24.8	24.0	25.6	24.3	23.2
Efficiency Ratios (%)						
Employee per branch (in nos)	51.5	47.3	65.9	51.9	47.0	42.5
Staff cost per employee (INR m)	0.6	0.7	0.6	0.7	0.9	1.1
CASA per branch (INR m)	485	463	469	436	498	562
Deposits per branch (INR m)	1,261	1,386	1,608	1,494	1,626	1,779
Bus. Per Employee (INR m)	45	54	45	54	65	79
Profit per Employee (INR m)	0.5	0.5	0.4	0.5	0.7	0.9
Profitability and Valuations						
RoE	15.5	12.7	14.3	14.2	17.2	18.8
RoA (On bal Sheet)	1.8	1.5	1.6	1.5	1.7	1.9
RoRWA	2.9	2.3	2.3	2.4	2.7	2.9
Book Value (INR)	164.0	186.8	228.9	262.1	309.5	371.8
- growth (%)	38.2	13.9	22.6	14.5	18.1	20.1
Price-BV (x)	5.7	5.0	4.1	3.5	3.0	2.5
Adjusted BV (INR)	161.6	183.1	222.7	253.1	300.0	361.7
- growth (%)	38.5	13.3	21.7	13.6	18.5	20.6
Price-ABV (x)	5.8	5.1	4.2	3.7	3.1	2.6
EPS (INR)	22.0	22.2	29.8	35.0	49.3	64.2
- growth (%)	22.3	1.0	33.9	17.3	40.9	30.4
Price-Earnings (x)	42.2	41.8	31.2	26.6	18.9	14.5

E: MOFSL Estimates

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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN : 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

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