



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

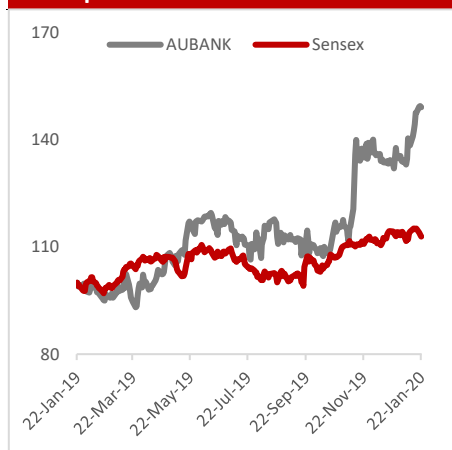
HOLD

Current Price (Rs)	975
52 Week Range	1007/543
Target Price (Rs)	1001
Upside (%)	3%

Key Share Data

Market Cap (Rs.bn)	296
Market Cap (US\$ mn)	4154
No of o/s shares (mn)	304
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	609
BSE Code	540611
NSE Code	AUBANK
Bloomberg	AUBANK:IN

Price performance



% Shareholding

	Dec-19	Sep-19
Promoter	31.0	32.1
FII	26.8	25.5
DII	15.5	16.3
Others	26.7	26.1
Total	100	100

AU small finance bank (AUSFB) reported its Q3FY20 performance which beat our estimates across all fronts

- NII came in at INR 51 Bn, +12% QoQ / +46% YoY and 8% above our est.
- Other Income came in at INR 16 Bn, +7% QoQ/+52% YoY and 3% above our est.
- PPOP came in at INR 31 Bn, +13% QoQ / +75% YoY and 11% above our est.
- PAT came in at INR 19 Bn, +11% QoQ / +99% YoY and 12% above our est.
- C/I Ratio came in at 53.2%, -73 bps QoQ / -746 bps YoY and 55% below our est.

Financial Highlights

Notwithstanding the macro headwinds, Bank's AUMs grew by 37% YoY/7% QoQ to Rs 298660 Mn, which includes Retail Assets (+39% YoY/10% QoQ) at 243010 Cr, SME (+32% YoY/-6% QoQ) at Rs 49900 Cr and Money Market Lending by Treasury (up 26% YoY/10% QoQ) at 5750 Mn. Disbursements stood at 48800 Mn (up by 21% YoY/ 2% QoQ). With the slowdown in the auto industry, bank is focusing more on used vehicles. The share of used vehicles in Wheels segment has increased from 27% in Q3FY19 to around 34.2% in Q3FY20.

On the liabilities side, Bank's deposit book grew by 63% YoY/8% QoQ in Q3FY20, with CASA growth of 26% YoY (12% QoQ) taking CASA ratio at 17%. Management is focusing on retail deposits, which reflect in strong traction retail TDs. The share of Incremental retail TDs increasing ~200bps QoQ to ~37% (of total TDs). Deposits now form 73% of total borrowings and cover 90% of balance sheet advances.

Bank's operational efficiency has improved during the quarter, with cost to income ratio (C/I) falling by 746 bps YoY to 53.2%, backed by higher net income (NII + other income) growth of 47% vs opex growth of 29% in Q3FY20. According to management, Bank's C/I ratio will remain in the range of 52-55% in FY21. Bank is looking to add 200 new branches by 2022, mainly in semi-urban & rural areas.

Bank's asset quality remained stable, with gross NPAs stood at 1.88% (down by 13 bps QoQ), while net NPAs improved by 13 bps QoQ at 1.01%. In absolute terms, GNPA remains flat at Rs 5040 mn, while NNPA declined by 5% QoQ to Rs 2680 Mn in Q3FY20. We believe the bank's stable asset quality is an outcome of its strong underwriting and diversified product mix. We don't expect substantial deterioration in asset quality in the near term, as the bank cautiously focusing on granular and secured retail loans. Positively, the bank has increased the PCR to 43.9% from 46.8%.

Valuation and outlook

We like AUSFB's ability to deliver strong operating performance across parameters, particularly in challenging environs. With sufficient capital, lower competition from smaller NBFCs, increasing focus towards high-yielding used vehicle segment and improving operating efficiency; we believe AUSFB will continue its growth momentum for the next few years. Thus, we maintain our Hold rating on the stock with a revised TP of Rs 1001 (5.2x FY22E ABVPS). We have increased our multiple given the visibility on superior return ratios and improving performance across metrics, which warrant premium multiples.

Key Financials (Rs in Mn)

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	P/B (X)
FY19	13425	43	7219	25	3818	31	98	9.9
FY20	19084	42	11887	65	7135	87	130	7.5
FY21	25752	35	15833	33	9973	40	157	6.2
FY22	33347	29	20698	31	12736	28	192	5.1



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Financials (Rs Bn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	YoY	QoQ	Q3FY20
Interest Earned	5.3	6.0	6.8	7.9	8.8	9.6	10.3	41%	8%	11.1
Interest Expended	2.4	3.1	3.6	4.4	4.9	5.6	5.8	37%	4%	6.0
NII	2.9	2.9	3.2	3.5	3.9	4.0	4.5	46%	12%	5.1
Other Income	1.3	1.0	1.2	1.1	1.3	2.1	1.5	52%	7%	1.6
Total Income	6.7	7.0	8.1	8.9	10.1	11.7	11.8	42%	7%	12.7
Operating expenses	2.6	2.4	2.7	2.8	3.0	3.2	3.2	29%	9%	3.6
PPoP	1.6	1.5	1.8	1.8	2.2	2.9	2.8	75%	13%	3.1
Provisions	0.3	0.4	0.3	0.3	0.4	0.3	0.6	24%	-34%	0.4
Profit Before Tax	1.2	1.2	1.4	1.5	1.8	2.6	2.2	87%	26%	2.7
Tax	0.4	0.4	0.5	0.5	0.6	0.7	0.4	62%	84%	0.8
Net Profit	0.8	0.8	0.9	1.0	1.2	1.9	1.7	99%	11%	1.9
Balance sheet										
Net-worth	23	28	29	30	32	34	35	40%	21%	42
Deposits	79	100	129	147	194	198	221	63%	8%	239
Advances	1331	1527	1812	2000	2282	2310	2481	33%	7%	2657
Total assets	188	209	248	278	326	338	358	38%	7%	384
Asset Quality										
GNPA (%)	2.01	2.17	2.03	2.09	2.04	2.08	2.01	(21 bps)	(13 bps)	1.88
NNPA (%)	1.27	1.38	1.28	1.31	1.29	1.25	1.14	(30 bps)	(13 bps)	1.01
PCR (%)	37	37	38	38	37	40	44	925 bps	296 bps	47
Ratios										
C/I Ratio	62.7	60.9	60.5	60.6	58.3	52.0	53.9	(7 bps)	(73 bps)	53.2
CASA	31.6	27.6	25.9	23.6	21.0	18.8	16.2	(7 bps)	80 bps	17.0
Tier I	18.4	20.1	17.2	15.5	16.0	15.5	14.9	1 bps	157 bps	16.5
RWA/Total Assets	62.8	63.1	62.4	61.7	58.7	57.8	56.7	(5 bps)	(53 bps)	56.2



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P&L (Rs mn)	FY19	FY20E	FY21E	FY22E
Interest Earned	29488	42172	56183	73399
Interest Expended	16064	23087	30431	40052
NII	13425	19084	25752	33347
Other Income	4620	6709	7943	10036
Net Income	18045	25794	33695	43383
Opex	10826	13907	17862	22685
PPOP	7219	11887	15833	20698
Provisions	1418	1838	2500	3671
PBT	5801	10049	13333	17027
Tax	1983	2914	3360	4291
PAT	3818	7135	9973	12736

BS (Rs mn)	FY19	FY20E	FY21E	FY22E
Capital	2924	3037	3037	3037
Reserves	28705	40133	48909	60117
Deposits	194224	264552	358333	476215
Borrowings	86134	92252	99683	107533
Other Liabilities	14241	16079	18579	22250
Total	326228	416053	528540	669151
Cash & Bank	17402	20849	23478	24788
Investments	71617	76864	86195	105046
Advances	228187	305771	403618	520667
Fixed Assets	4470	5170	5970	6820
Other Assets	4552	7399	9279	11830
Total	326228	416053	528540	669151

Ratios (%)	FY19	FY20E	FY21E	FY22E
Growth				
NII	43	42	35	29
Operating profit	25	65	33	31
Net profit	31	87	40	28
Advances	71	34	32	29
Deposits	145	36	35	33
Returns				
ROA	1.5	1.9	2.1	2.1
ROE	14.0	19.1	21.0	22.1

Ratios (%)	FY19	FY20E	FY21E	FY22E
Asset quality				
GNPA	2.0	2.0	1.9	1.7
NNPA	1.3	1.2	1.1	0.9
PCR	37	42	44	46
Per share (Rs)				
EPS	13	23	33	42
ABVPS	98	130	157	192
P/E	75	41	30	23
P/ABVPS	9.9	7.5	6.2	5.1



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