

Equitas Small Finance Bank Ltd.

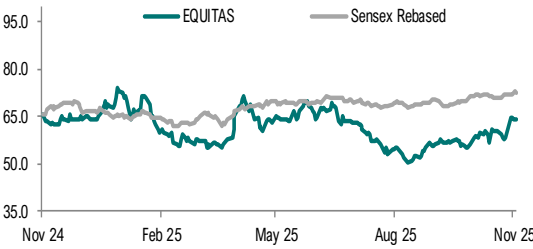
Accumulate

Sector: Banking

24th November, 2025

Key Changes:						Target	Rs.71
						Rating	
						Earnings	
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.64
Small Cap	EQUITASB:IN	85,232	EQUITASBNK	543243	12 Months	Return	+11%

Data as of: 21-11-2025, 18:00hrs

Company Data			
Market Cap (Rs. cr)	7,479		
52 Week High — Low (Rs.)	76-50		
Outstanding Shares (Rs cr)	114.1		
Free Float (%)	96.8		
Dividend Yield (%)	0.0		
6m average volume (million)	4.5		
Beta	1.0		
Face value (Rs.)	10.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	-	-	-
FII's	16.5	16.3	15.67
MFs/Institutions	42.7	47.1	48.2
Public	40.8	36.6	36.1
Total	100.0	100.0	100.0
Promoter Pledge	-	-	-
Price Performance	3 Month	6 Month	1 Year
Absolute Return	16.4%	-0.9%	0.4%
Absolute Sensex	3.9%	4.5%	10.5%
Relative Return	12.5%	-5.4%	-10.1%
*over or under performance to benchmark index			
			
Y.E March (Rs. cr)	FY25A	FY26E	FY27E
NII	3,252	3,429	4,054
Growth(%)	5.6	5.4	18.2
NIM(%)	6.9	6.2	6.3
Provisions	1,135	1,107	397
Adj. PAT	147	85	661
Growth(%)	-81.6	-42.2	677.3
Adj. EPS	1.3	0.7	5.8
Growth(%)	-81.9	-42.2	677.3
BVPS	53.3	54.0	57.5
Adj BVPS	50.2	50.4	53.2
P/E	50.8	88.0	11.3
P/B	1.2	1.2	1.1
Adj. P/B	1.3	1.3	1.2
ROE(%)	2.4	1.4	10.4

Accelerating Recovery and Reducing Stress ...

Equitas Small Finance Bank (ESFBL) is a leading small finance bank that offers new-age banking solutions to the financially unserved and underserved segments. Located across 18 states and UTs, it serves through 1,042 banking outlets.

- Gross Advances stood at Rs.39,123cr in Q2FY26, reflecting a 9%YoY growth. The loan portfolio comprised 44% Small Business Loans (SBL), 25% Vehicle Finance, 13% Housing Finance, 9% Microfinance, 5% Micro and Small Enterprises (MSE), and 2% NBFC funding.
- Deposits registered an 11% YoY increase, supported by a 10% growth in CASA accounts. The CASA ratio remained stable at 30%.
- Net Interest Income (NII) stood at Rs.774cr in Q2FY26, declining 4% YoY due to a lower share of high-yield microfinance loans. However, the bank effectively managed its cost of funds, reducing it to 7.35% from 7.5% in Q2FY25, supported by reductions in savings and term deposit rates.
- GNPA and NNPA remained stable at 2.82% and 0.95%, respectively, supported by improved asset quality trends and proactive NPA asset sales. Provision Coverage Ratio (PCR) remains stable at 67%.
- PAT increased to Rs.24cr in Q2FY26, up 87% YoY, reflecting a strong turnaround from the previous quarter's loss. The improvement was led by a 66% decline in credit costs to 2.16% and stable operating expenses.

Outlook & Valuation

The bank's asset quality stabilized in Q2FY26, with net slippages improving to 3.78% from 4.77% in Q1, aided by better collections in microfinance and resilience in secured segments like small business loans, MLAP, and vehicle finance. The bank proactively sold Rs. 216cr of stressed secured assets to an Asset Reconstruction Company, optimizing provisions and improving profit buffers. The bank targets an exit ROA of over 1% by Q4 FY26. Therefore, **we maintain an Accumulate rating on Equitas with a revised target price of Rs.71, valuing the stock at 1.3x FY27E BVPS.**

Quarterly Financials (Standalone)

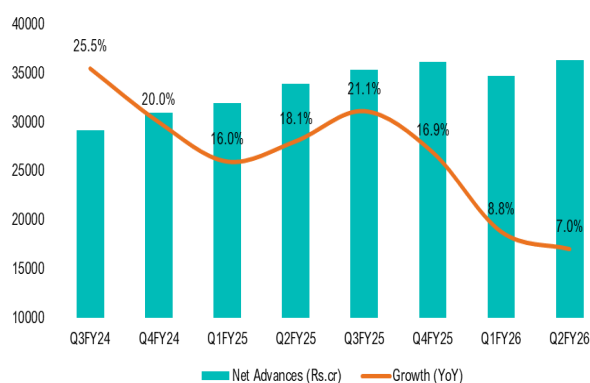
Rs cr	Q2FY26	Q1FY26	QoQ(%)	Q2FY25	YoY(%)	H1FY26	H1FY25	YoY (%)
Net Interest Income (NII)	774	786	-1.5	802	-3.6	1,559	1,604	-2.8
Total Income	1,003	1,077	-6.9	1,041	-3.7	2080	2051	1.4
Expenditure	762	763	-0.1	692	10.2	1,525	1,361	12.0
Pre-Provision Profit	241	315	-23.6	350	-31.2	555	690	-19.5
Provision	207	612	-66.2	330	-37.2	819	634	29.2
PBT	34	-297	111.3	20	67.2	-264	56	-572.8
Reported PAT	24	-224	110.8	13	87.3	-200	39	-572.8
Adj. PAT	24	-224	110.8	13	87.3	-200	39	-616.6
Diluted EPS (Rs)	0.2	-2.0	110.7	0.1	90.9	-1.8	7.0	-125.0



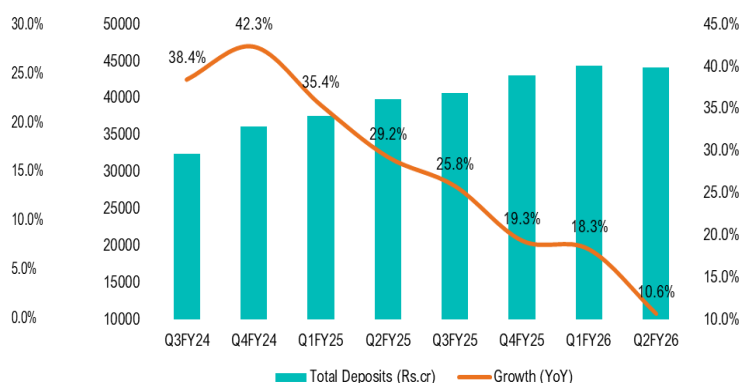
Key Highlights

- In Q2 FY26, the bank reported a Pre-Provisioning Operating Profit (PPOP) of Rs. 241cr in Q2FY26, down 24% QoQ due to moderated income and stable operating expenses; however, a significant reduction in provisions, down 66% sequentially to Rs. 207cr, enabled the bank to return to profitability with a PAT of Rs. 24cr. The Provision Coverage Ratio (PCR) remained healthy at approximately 67%, reflecting robust provisioning buffers that support asset quality resilience amidst ongoing normalization of credit costs and slippages.
- The bank is expanding product penetration by leveraging existing branches rather than opening standalone new branches, with affordable housing finance to be extended to 30 more existing branches in Q3FY26 and further to 120 branches in FY27, along with plans to deploy gold loan products at around 50 asset branches in H2FY26.
- The bank has shown a strong recovery in its microfinance portfolio, especially in previously stressed regions like Karnataka. Fresh overdue flows have reduced significantly from Rs. 97cr in April to Rs. 24cr in October, indicating improved borrower behaviour. The collection efficiency rate has reached 99.52% for recent disbursements. The bank continues to follow conservative underwriting norms, including tighter limits on lender exposure and borrower indebtedness, ensuring sustainable growth and reduced risk.
- The bank targets loan growth of close to 15-16% in FY26 and aims for ~20% growth from FY27, driven by strong momentum in non-microfinance (non-MFI) secured segments such as small business loans, vehicle finance (especially used cars), and affordable housing finance. and aims for a steady-state ROA of around 1.5% in the medium term, supported by improved credit costs, operational leverage from growth, and NIM stabilization between 6.5% to 7%.

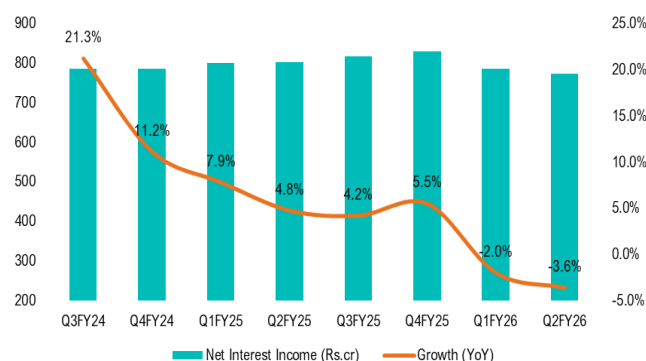
Net Advances



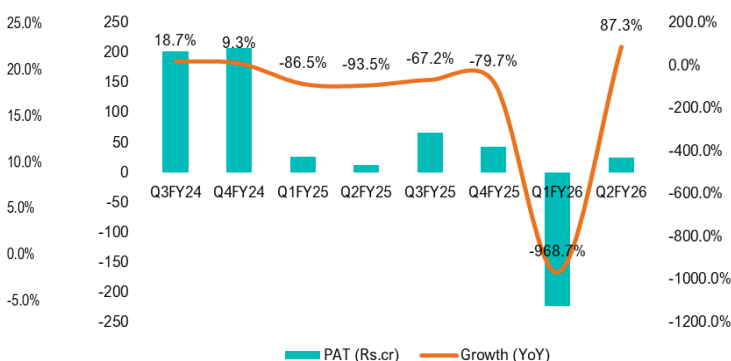
Total Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (NII)	3,578	4,146	3,429	4,054	-4.2	-2.2
Net Interest Margin (%)	6.52	6.46	6.25	6.32	-27bps	-14bps
Pre-Provision Profit	1,344	1,390	1,222	1,276	-9.1	-8.2
Adj. PAT	228	747	85	661	-62.7	-11.5
Diluted EPS (Rs)	2	6.6	0.7	5.8	-62.7	-12.2



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	4,162	5,486	6,312	6,976	8,110
Interest Expense	1,617	2,407	3,060	3,547	4,056
Net Int. Income	2,545	3,080	3,252	3,429	4,054
% Change	24.8%	21.0%	5.6%	5.4%	18.2%
Non Int. Income	670	799	911	1,049	1,135
Operating Income	3,214	3,878	4,163	4,478	5,190
% Change	24.8%	20.7%	7.3%	7.6%	15.9%
Operating Exp.	2,038	2,501	2,829	3,256	3,914
Pre Prov. Profit	1,176	1,377	1,334	1,222	1,276
Prov. & Conting.	407	314	1135	1107	397
PBT	769	1,063	199	115	879
% Change	103.3%	38.3%	-81.3%	-42.4%	667.0%
Tax	195	264	52	30	218
Tax Rate	25%	25%	26%	26%	25%
Reported PAT	574	799	147	85	661
Adj*	-	-	-	-	-
Adj. PAT	574	799	147	85	661
% Change	104.3%	39.3%	-81.6%	-42.2%	677.3%
No. of shares (cr)	111	113	114	114	114
EPS (Rs)	4.7	7.1	1.3	0.7	5.8
% Change	110.0%	51.2%	-81.9%	-42.2%	677.3%

Balance Sheet

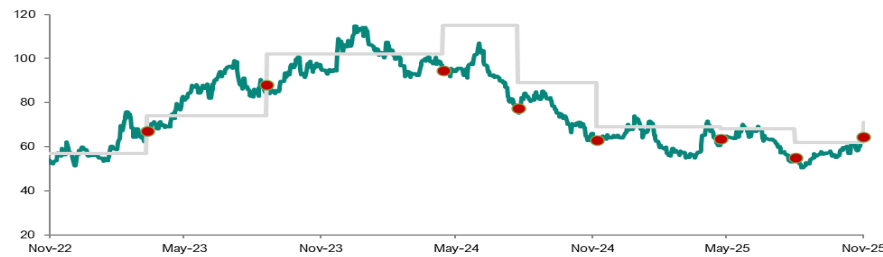
Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	1,244	3,579	5,536	6,485	6,235
Loans & Advances	25,799	30,964	36,209	41,351	49,673
Investments	6,665	9,065	9,289	10,863	13,592
Gross Fixed Assets	707	1,280	1,601	2,001	2,501
Net Fixed Assets	379	605	696	859	1,017
Other Assets	872	1,091	1,106	1,762	2,172
Total Assets	34,958	45,304	52,836	61,320	72,690
Deposits	25,381	36,129	43,107	51,405	61,734
Borrowings	2,974	1,788	2,137	2,041	2,061
Other Liabilities	1,446	1,418	1,519	1,716	2,340
Equity Capital	1,111	1,135	1,140	1,141	1,141
Reserves & Surplus	4,047	4,834	4,933	5,018	5,415
Shareholder's Funds	5,158	5,969	6,073	6,158	6,556
Total Liabilities	34,958	45,304	52,836	61,320	72,690
BVPS (Rs)	46.4	52.6	53.3	54.0	57.5
% Change	36.9%	13.2%	1.3%	1.4%	6.5%
Adj. BVPS (Rs)	43.6	49.4	50.2	50.4	53.2
% Change	45.0%	13.2%	1.5%	0.5%	5.5%

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitability & Return					
Interest yield (%)	14.0	14.2	13.3	12.7	12.7
Cost of funds (%)	6.5	7.3	7.4	7.2	6.9
Spread(%)	7.5	6.9	6.0	5.5	5.7
NIM (%)	8.5	8.0	6.9	6.2	6.3
ROE (%)	12.2	14.4	2.4	1.4	10.4
ROA(%)	1.9	2.0	0.3	0.1	1.0
Business Growth					
Loans & Advances (%)	33.2	20.0	16.9	14.2	20.1
Deposits (%)	33.9	42.3	19.3	19.3	20.1
Operating Ratios					
Cost to Income (%)	63.4	64.5	68.0	72.7	75.4
CASA (%)	42.3	32.0	28.8	31.5	26.2
Asset Quality					
GNPA (%)	2.8	2.7	2.9	2.6	2.2
NNPA (%)	1.2	1.2	1.0	1.0	1.0
Capital Adequacy					
CAR (%)	23.8	21.7	21.7	17.9	15.8
Valuation					
P/E (x)	12.5	8.3	45.6	78.8	10.1
P/B (x)	1.3	1.1	1.1	1.1	1.0
Adj. P/B (x)	1.3	1.2	1.2	1.2	1.1



Recommendation Summary (last 3 years)



Dates	Rating	Target
31.Mar.23	Hold	74
08.Sep.23	Buy	102
03.May.24	Accumulate	115
12.Aug.24	Accumulate	89
26.Nov.24	Hold	69
12.May.25	Accumulate	68
20.Aug.25	Accumulate	62
24.Nov.25	Accumulate	71

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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