9 November 2026

Company Update | Sector: Financials

Equitas Small Finance Bank

BSE SENSEX	S&P CNX
81,107	25,045

CMP: INR56 **TP: INR75 (+34%)** **Buy**

Leadership transition remains near-term monitorable

Growth momentum to sustain; NIMs to recover by 18-20bp by 4Q

We met with the management team of Equitas Small Finance Bank (EQUITASB) to understand the business momentum, growth outlook and leadership transition.

- **Management reiterated that business is as usual despite the ongoing leadership transition, with focus on achieving operating guidance. Mr. Balaji Nuthalapadi, current whole-time director, has been appointed interim CEO (subject to RBI approval), while the CEO appointment process is expected to take 2-3 months.**
- **EQUITASB is expected to deliver a loan CAGR of ~19% over FY26-28E, supported by stable traction in core VF, SBL and HF. Deposit growth is expected to outpace advances, helping moderate the CD ratio, which has declined to ~89% in 2QFY27 from ~92% in 4QFY26.**
- **Margins contracted sharply by 55bp QoQ to 6.69% in 2QFY27, primarily due to surplus liquidity and higher funding costs. Management guides for an 18-20bp NIM recovery by 4QFY27 as liquidity is deployed, although further deposit repricing could exert near-term pressure.**
- **Operating leverage is expected to improve gradually, supported by healthy business growth and improving productivity. We estimate the C/I ratio to moderate to 66.4% by FY28E from 71.7% in FY26.**
- **Asset quality continues to normalize, with GNPA/NNPA declining to 2.29%/0.70% in 2QFY27. We estimate credit cost of ~1.3% over FY27-28E.**
- **Management raised FY27 RoA guidance to ~1.35% from ~1.2% while targeting ~1.5% in FY28. We estimate RoA/RoE of 1.3%/14.8% by FY28E. Reiterate BUY with TP of INR75 (1.2x FY28E ABV).**

Management transition in focus; Both internal and external candidates to be considered

The unexpected resignation of MD & CEO Mr. P.N. Vasudevan has created an overhang and uncertainty in the stock. While the appointment of Mr. Balaji Nuthalapadi, currently WTD, as interim CEO (subject to RBI approval) does provide near-term stability, the appointment of the new MD remains the key driver for recovery in the stock. The bank has initiated the succession process and expects the transition to conclude within 3-4 months, with management reiterating continuity in business strategy. The bank board will be considering both internal and external candidates for the MD position.

Healthy growth momentum led by secured assets; MFI book stabilizing

EQUITASB continues to witness healthy growth across secured lending segments, with advances growing 29% YoY to INR468b in 2QFY27. Non-MFI disbursements grew 31% YoY, supported by steady demand in core lending businesses. SBL and VF portfolios grew 16% YoY each, while HF/MSE Finance expanded 27%/38% YoY. SBL (incl. HF) and VF together account for ~75% of the loan book, providing a diversified secured lending base. The unsecured mix (primarily MFI) remains broadly stable at ~12% of advances, with a guidance to maintain it under 15% in the medium term. We estimate a loan CAGR of ~19% over FY26-28E, led by continued traction in secured assets.

Stock Info

Bloomberg	EQUITASB IN
Equity Shares (m)	1144
M.Cap.(INRb)/(USDb)	64.2 / 0.7
52-Week Range (INR)	84 / 47
1, 6, 12 Rel. Per (%)	-26/-26/-6
12M Avg Val (INR M)	340
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY26	FY27E	FY28E
NII	33.9	42.2	50.9
OP	12.6	17.1	21.4
NP	1.0	8.3	10.5
NIM (%)	6.8	7.2	7.3
EPS (INR)	0.9	7.3	9.2
BV/Sh. (INR)	54	58	66
ABV/Sh. (INR)	51	56	64
Ratios			
RoA (%)	0.2	1.3	1.3
RoE (%)	1.7	13.0	14.8
Valuations			
P/E(X)	62.0	7.7	6.1
P/BV (X)	1.0	1.0	0.8
P/ABV (X)	1.1	1.0	0.9

Shareholding pattern (%)

As on	Sep-26	Jun-26	Sep-25
Promoter	53.4	54.0	54.6
DII	8.3	8.5	7.6
FII	20.0	19.0	16.3
Others	18.3	18.5	21.5

FII Includes depository receipts

Product wise yields as on 2QFY27

Product category	Yields (%)
SBL	15-16%
Affordable HF	~13%
New VF	~12%
Used VF	~16%
MFI	~25%

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Deposit growth to outpace advances; CD ratio remains in focus

EQUITASB's deposit mobilization improved by 19% YoY/7% QoQ to INR525b, outpacing sequential advances growth. Consequently, the CD ratio moderated to 89.1% from 91.3% in 1QFY27, while CASA ratio improved ~60bp QoQ to 25.7% with a guidance to maintain at 28-30%. The bank continues to strengthen its granular liability franchise, with retail deposits contributing ~60% of total deposits, supported by relationship-led initiatives such as Artha and enhanced HNI offerings. The bank also mobilized USD110m under the FCNR(B) window without leverage, providing surplus liquidity. We estimate deposit CAGR of ~20% over FY26-28E, ahead of loan growth, with CASA ratio improving gradually to ~26.5% by FY28E.

Liquidity deployment to support NIM recovery by 18-20bp; guides for medium-term NIM of ~7%

NIM contracted 55bp QoQ to 6.69% during 2QFY27, primarily due to temporary surplus liquidity and an increase in funding costs. CoF increased 7bp QoQ to 7.12%, reflecting earlier upward revisions in SA and TD rates. Management expects a further 8-10bp increase in CoF during 3QFY27 due to repricing of existing deposits, though no immediate additional rate hikes are planned. The bank expects surplus liquidity to be largely deployed during 3QFY27, translating into an 18-20bp NIM recovery by 4QFY27. We estimate NIM to recover by 2HFY27, supported by liquidity deployment and stable growth in higher-yielding lending segments.

Operating leverage to improve; estimate C/I ratio at 66.4% by FY28E

Operating expenses grew 20% YoY in 2QFY27, while the C/I ratio stood at 69.5%. The bank has undertaken initiatives to optimize support functions and improve productivity, with cross-selling of asset products through liability branches with plans to expand it to 50 branches in 3QFY27.

- With this, we expect operating leverage to improve gradually as most of the businesses are now RoA-accretive and scale benefits from the same is expected to play out in FY27-FY28. On the expansion front, the bank has opened four branches YTD (vs. 66 branches in FY26), keeping opex growth under control.
- **On fee income,** proposed changes in IRDAI regulations could affect ~50% of the bank's FY26 bancassurance of INR900m, while UPI MDR could contribute INR15-20m to incremental monthly income (subject to implementation). We factor in an opex CAGR of ~15% over FY26-28E against total asset CAGR of ~19%, resulting in the C/I ratio moderating to 66.4% by FY28E from 71.7% in FY26.

Asset quality normalizing to pre-MFI stress cycle levels

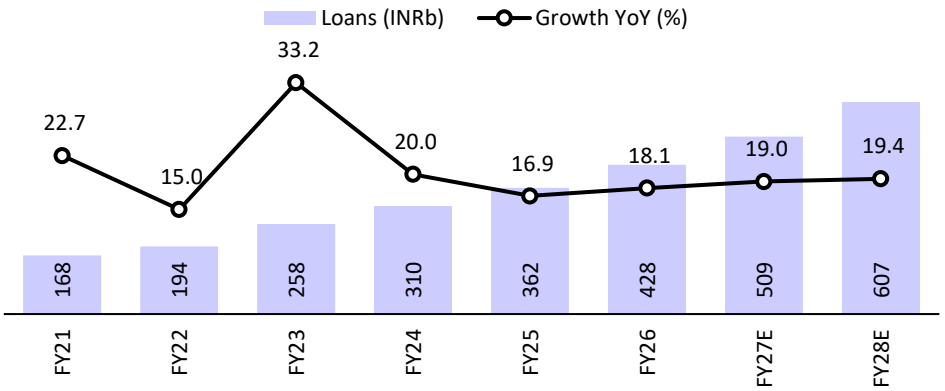
EQUITASB's headline asset quality continues to improve, with GNPA/NNPA declining to 2.29%/0.70% in 2QFY27 from 2.60%/0.72% in 4QFY26. PCR at 70.1% was broadly in line with management's target of ~70%. Credit cost moderated to 0.94% from 1.37% QoQ, although adjusted credit cost was 1.12% excluding the ARC transaction. MFI asset quality continues to stabilize, with the MFI net slippage ratio improving to 2.64% from 2.76% QoQ, while overall slippage ratio moderated to 1.39% from 1.43% in 1Q. Outstanding exposure in drought-affected areas of Maharashtra was INR7.5b, although no material deterioration in collections has been observed so far. We estimate credit costs of 1.25%/1.30% in FY27/FY28, aided by normalization in MFI delinquencies and broadly stable performance across secured lending portfolios.

Valuations and view: Reiterate BUY with TP of INR75 (1.2x FY28E ABV)

- EQUITASB is gradually getting back on the growth trajectory, led by growth in core secured retail segments alongside normalcy returning in the MFI portfolio.
- NIM contracted 55bp QoQ to 6.69%, primarily due to excess liquidity and higher CoF. The bank expects an 18-20bp recovery in NIM by 4QFY27 as surplus liquidity is deployed, though further CoF repricing may exert near-term pressure.
- Operating leverage is expected to play out in FY27-FY28 on the back of scale benefits, controlled branch expansion and merger of functions across business segments to aid internal synergies.
- With stability in asset quality across portfolios, we believe the credit costs and slippages shall continue to trend lower being the key driver for earnings recovery. While the impending MD & CEO transition remains a key monitorable, management expects no disruption to business continuity.
- At current valuations of 0.9xFY28E ABV, valuations appear reasonable. **We reiterate our BUY rating with a TP of INR75 (premised on ~1.2x FY28E ABV).**

STORY IN CHARTS: EQUITASB

Exhibit 1: Estimate a healthy 19% loan CAGR over FY26-28E

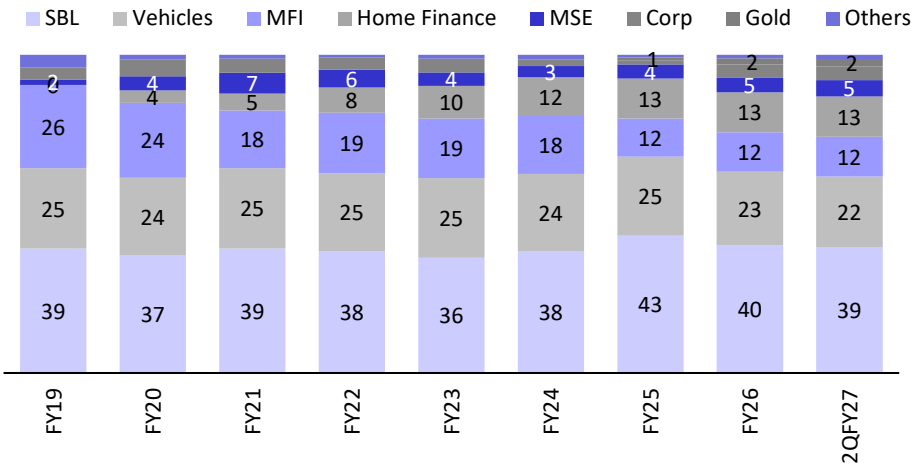


Source: MOFSL, Company

Exhibit 2: Share of loan mix over the years

The share of MFI has moderated to 12% from 26% in FY19, while Vehicle Finance and SBL have consistently accounted for over 60% of the portfolio.

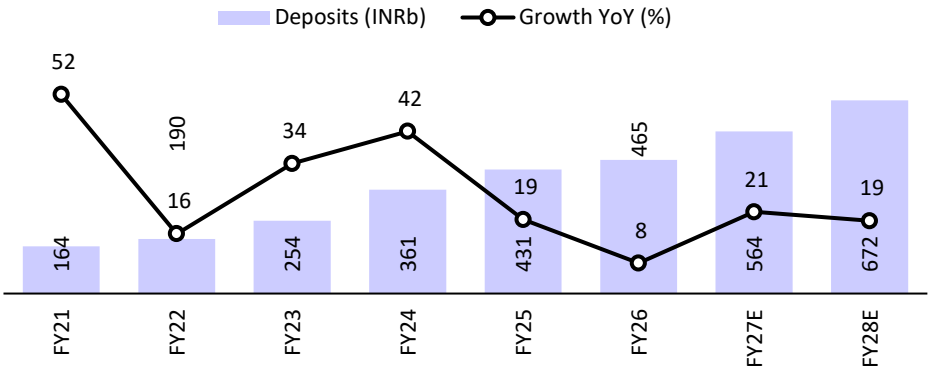
HF have gained traction with mix increasing to 13%



Source: MOFSL, Company

Exhibit 3: Deposit CAGR to pick up to ~20% over FY26-FY28E

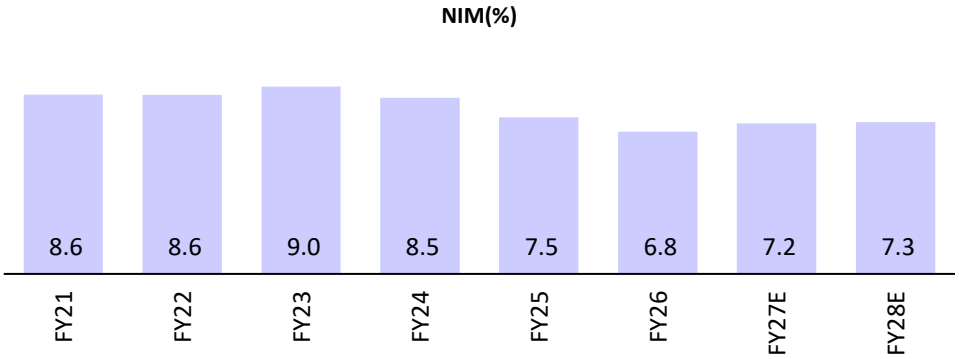
Estimate deposit growth to marginally outpace loan growth in the medium term



Source: MOFSL, Company

NIMs (cal.) are expected to settle at 7.3% by FY28E, aided by rate hikes in FY27

Exhibit 4: NIMs (cal.) expected to stabilize at 7.2-7.3% by FY27/FY28E

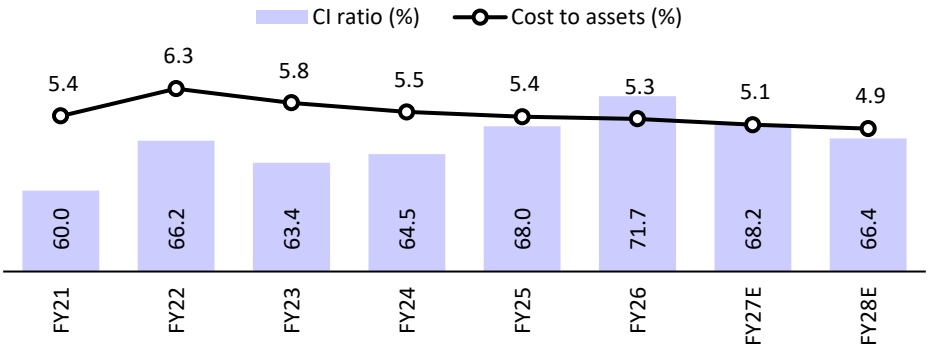


FY27, 28 are on a calculated basis

Source: MOFSL, Company

With some uptick in NIMs and operating leverage playing out, we expect the C/I ratio and opex-to-assets ratio to improve gradually to 68% and 5.1% respectively

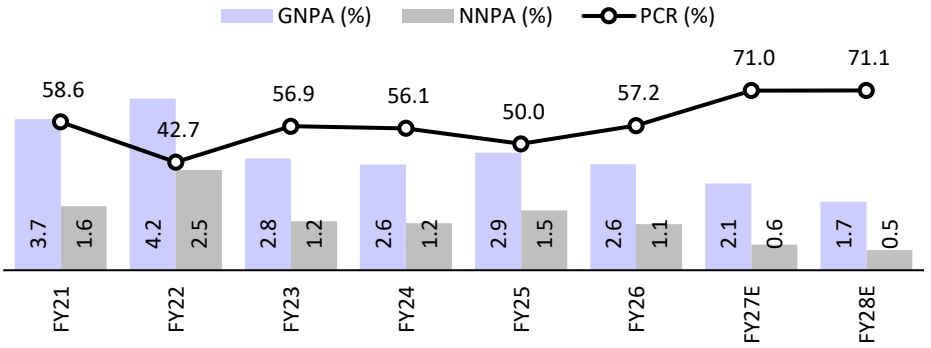
Exhibit 5: Estimate opex ratios to moderate at a calibrated pace



Source: MOFSL, Company

Expect asset quality ratios to improve with continued stability in the MFI segment

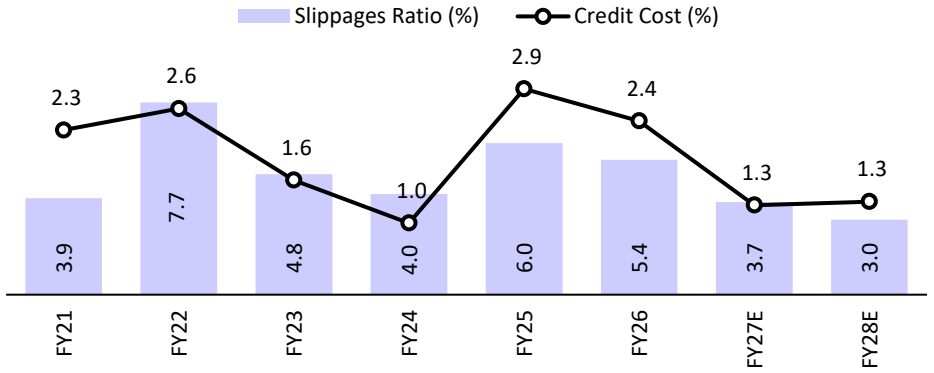
Exhibit 6: Estimate GNPA/NNPA ratios at 1.7%/0.5% and PCR to rise to 71% by FY28E



Source: MOFSL, Company

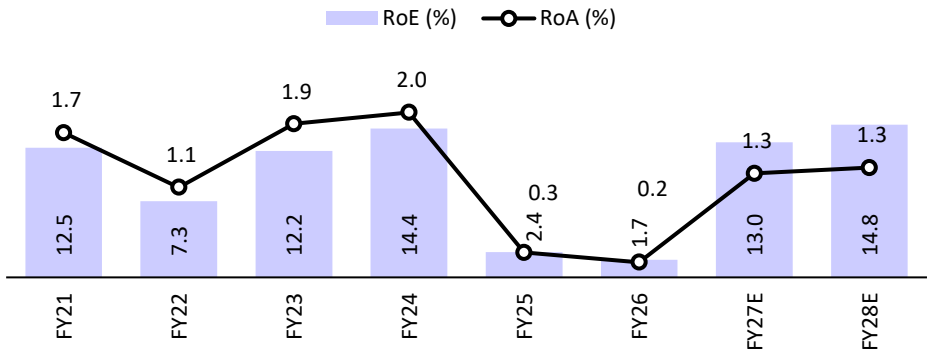
We estimate credit costs and slippages to lower to ~1.3% and ~3.0% by FY28E respectively vs 2.4% and 5.4% in FY26

Exhibit 7: Estimate credit costs and slippages to lower significantly in FY27-FY28E



Source: MOFSL, Company

Exhibit 8: Estimate RoA/RoE to pick up to 1.3%/14.8% by FY28E



Source: MOFSL, Company

Exhibit 9: AUM grew 29.5% YoY (up 6.4% QoQ) to IN506b

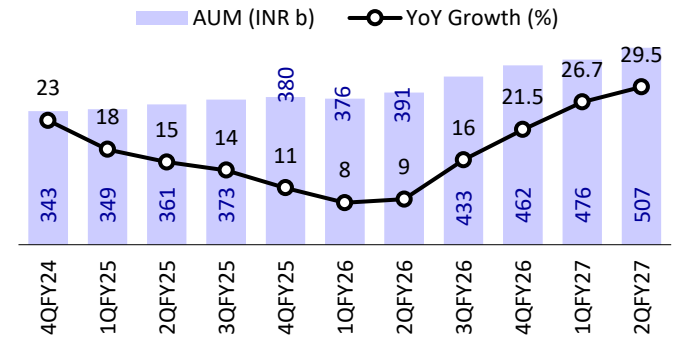


Exhibit 10: Loans/deposits grew 28.6%/19% YoY

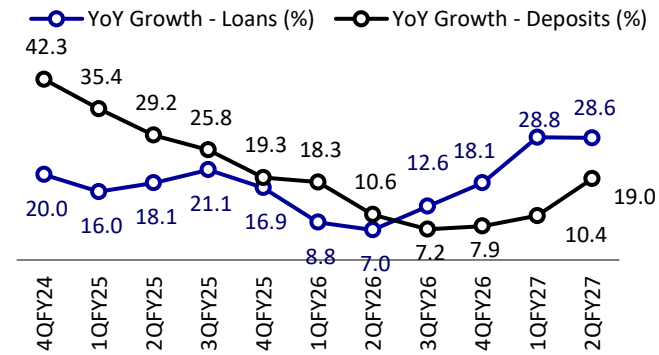


Exhibit 11: NIM contracted 55bp QoQ to 6.69%

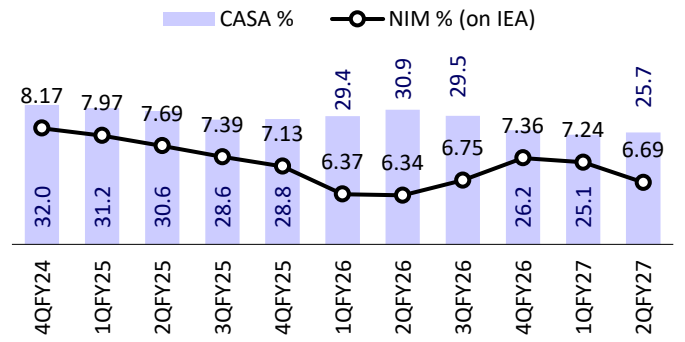


Exhibit 12: YoA increased to 15.8% and COF rose to 7.12%

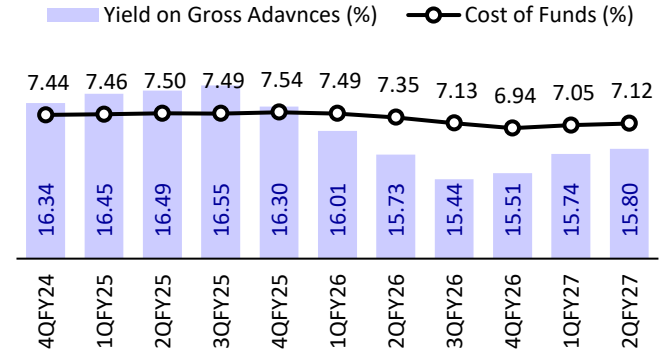


Exhibit 13: CD ratio declined to 89.1%; Avg. LCR ratio at 173%

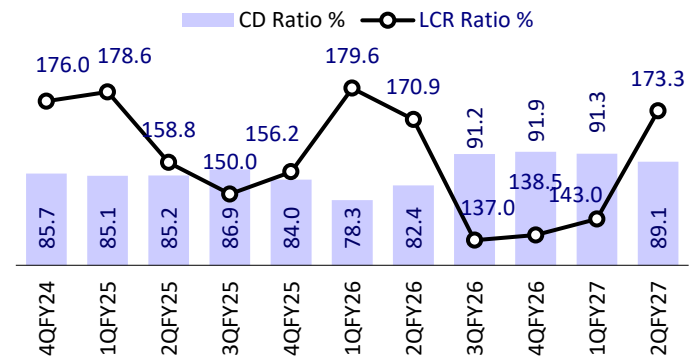


Exhibit 14: C/I ratio increased to 69.5% in 2QFY27

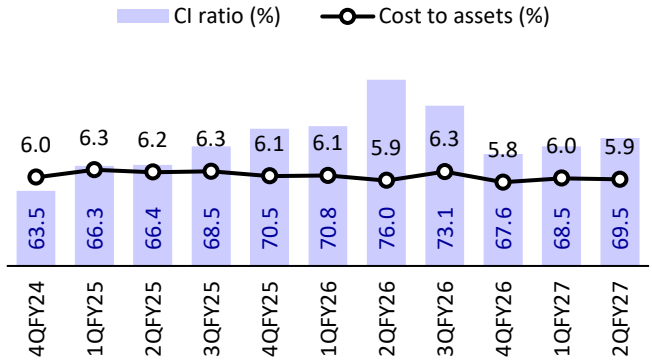
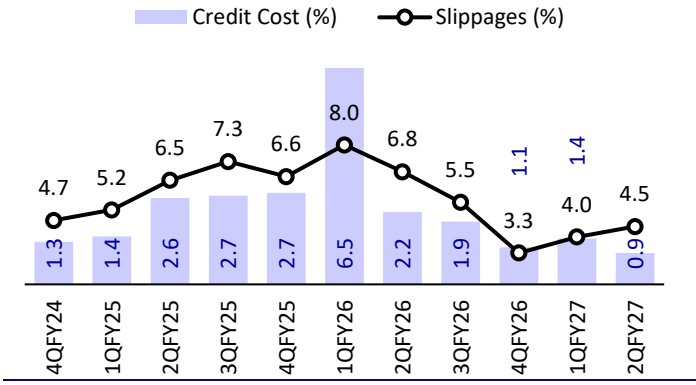
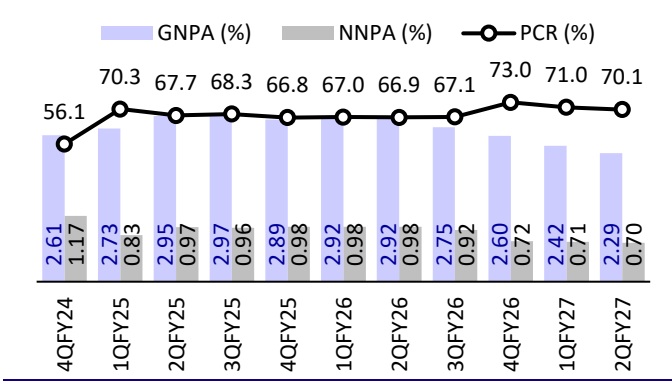


Exhibit 15: Credit cost fell to 0.94% vs. 1.37% in 1QFY27



Source: MOFSL, Company

Exhibit 16: GNPA/NNPA ratios improved 13bp/1bp QoQ



Source: MOFSL, Company

Valuations and view: Reiterate BUY with TP of INR75 (1.2x FY28E ABV)

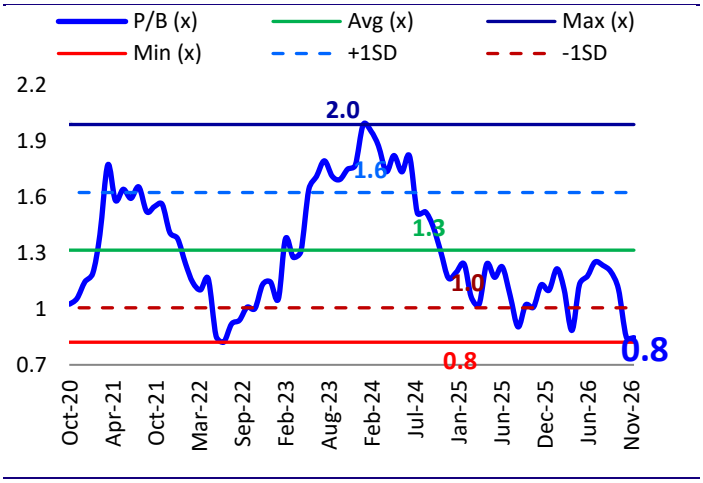
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- Operating leverage is expected to play out in FY27-FY28 on the back of scale benefits, controlled branch expansion and merger of functions across business segments to aid internal synergies.
- With stability in asset quality across portfolios, we believe the credit costs and slippages shall continue to trend lower being the key driver for earnings recovery. While the impending MD & CEO transition remains a key monitorable, although management expects no disruption to business continuity.
- EQUITASB trades at reasonable valuations of 0.9xFY28E ABV. **We reiterate our BUY rating with a TP of INR75 (premised on ~1.2x FY28E ABV).**

Exhibit 17: DuPont Analysis: Estimate return ratios to remain steady, with RoA at 1.32% by FY28

	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	13.4	13.7	12.9	12.0	12.4	12.5
Interest Expense	5.2	6.0	6.2	6.0	6.1	6.0
Net Interest Income	**8.22**	**7.67**	**6.63**	**5.98**	**6.34**	**6.43**
Fee income	2.09	1.73	1.56	1.55	1.67	1.57
Trading and others	0.07	0.26	0.29	0.35	0.09	0.07
Other Income	**2.16**	**1.99**	**1.86**	**1.89**	**1.76**	**1.64**
Total Income	**10.38**	**9.66**	**8.48**	**7.87**	**8.10**	**8.07**
Operating Expenses	**6.58**	**6.23**	**5.76**	**5.64**	**5.53**	**5.36**
Employees	3.54	3.41	3.30	3.46	3.39	3.28
Others	3.04	2.82	2.46	2.18	2.14	2.08
Operating Profits	**3.80**	**3.43**	**2.72**	**2.23**	**2.57**	**2.71**
Core operating Profits	**3.73**	**3.17**	**2.42**	**1.88**	**2.49**	**2.64**
Provisions	**1.32**	**0.75**	**2.31**	**2.00**	**0.92**	**0.95**
PBT	**2.48**	**2.68**	**0.41**	**0.23**	**1.66**	**1.75**
Tax	0.63	0.69	0.11	0.04	0.40	0.43
RoA	**1.85**	**1.99**	**0.30**	**0.18**	**1.25**	**1.32**
Leverage (x)	6.58	7.21	8.15	9.30	10.40	11.14
RoE	**12.2**	**14.4**	**2.4**	**1.7**	**13.0**	**14.8**

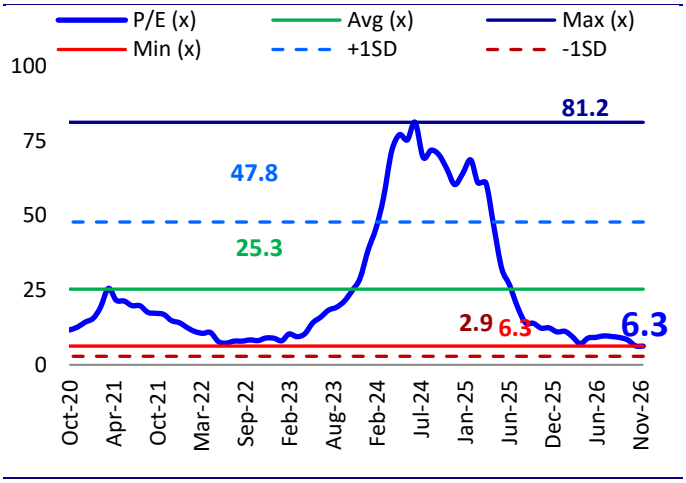
Source: Company, MOFSL

Exhibit 18: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 19: One-year forward P/E ratio



Source: MOFSL, Company

Financials and valuations

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	41.6	54.9	63.1	67.9	82.8	98.6
Interest Expense	16.2	24.1	30.6	34.0	40.6	47.7
Net Interest Income	**25.4**	**30.8**	**32.5**	**33.9**	**42.2**	**50.9**
-growth (%)	24.8	21.0	5.6	4.3	24.5	20.6
Non-Interest Income	6.7	8.0	9.1	10.7	11.7	13.0
Total Income	**32.1**	**38.8**	**41.6**	**44.6**	**53.9**	**63.9**
-growth (%)	24.8	20.7	7.3	7.2	20.8	18.5
Operating Expenses	20.4	25.0	28.3	32.0	36.8	42.5
Pre Provision Profits	**11.8**	**13.8**	**13.3**	**12.6**	**17.1**	**21.4**
-growth (%)	34.9	17.1	-3.1	-5.2	35.3	25.2
Core PPoP	**11.5**	**12.7**	**11.9**	**10.7**	**16.6**	**20.9**
-growth (%)	39.2	10.3	-6.6	-10.2	55.0	26.1
Provisions	4.1	3.0	11.4	11.4	6.1	7.6
PBT	**7.7**	**10.8**	**2.0**	**1.3**	**11.0**	**13.9**
Tax	2.0	2.8	0.5	0.3	2.7	3.4
Tax Rate (%)	25.4	25.7	26.0	19.6	24.3	24.5
PAT	**5.7**	**8.0**	**1.5**	**1.0**	**8.3**	**10.5**
-growth (%)	104.3	39.3	-81.6	-29.9	709.6	25.7

Balance Sheet

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	11.1	11.3	11.4	11.4	11.4	11.4
Reserves & Surplus	40.5	48.3	49.3	49.8	55.3	64.1
Net Worth	**51.6**	**59.7**	**60.7**	**61.2**	**66.7**	**75.5**
Deposits	**253.8**	**361.3**	**431.1**	**465.3**	**564.4**	**671.7**
-growth (%)	33.9	42.3	19.3	7.9	21.3	19.0
-CASA Dep	**107.3**	**115.5**	**124.1**	**122.0**	**145.1**	**178.0**
-growth (%)	8.9	7.6	7.4	-1.7	18.9	22.7
Borrowings	29.7	17.9	21.4	57.7	65.8	77.7
Other Liabilities & Prov.	14.5	14.2	15.2	21.8	27.9	34.3
Total Liabilities	**349.6**	**453.0**	**528.4**	**606.1**	**724.8**	**859.1**
Current Assets	12.4	35.8	55.4	56.7	71.2	82.4
Investments	66.6	90.7	92.9	101.5	120.8	142.5
-growth (%)	49.8	36.0	2.5	9.3	19.0	18.0
Loans	**258.0**	**309.6**	**362.1**	**427.5**	**508.7**	**607.4**
-growth (%)	33.2	20.0	16.9	18.1	19.0	19.4
Fixed Assets	3.8	6.0	7.0	7.2	8.3	9.3
Other Assets	8.7	10.9	11.1	13.3	15.8	17.4
Total Assets	**349.6**	**453.0**	**528.4**	**606.1**	**724.8**	**859.1**
Total AUM	**278.6**	**343.4**	**379.9**	**461.7**	**549.4**	**655.9**
-growth (%)	**35.3**	**23.2**	**10.6**	**21.5**	**19.0**	**19.4**

Asset Quality	FY23	FY24	FY25	FY26	FY27E	FY28E
GNPA (INR m)	7.2	8.2	10.7	11.3	11.1	10.4
NNPA (INR m)	3.1	3.6	5.3	4.9	3.2	3.0
Slippage (INR m)	10.9	11.4	20.3	21.3	17.3	16.7
GNPA Ratio	2.76	2.61	2.91	2.61	2.14	1.70
NNPA Ratio	1.21	1.17	1.48	1.14	0.63	0.50
Slippage Ratio	4.81	4.01	6.05	5.38	3.70	3.00
Credit Cost	1.43	0.90	2.88	2.43	1.25	1.30
PCR (Excl Tech. write off)	56.9	56.1	50.0	57.2	71.0	71.1

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Yield and Cost Ratio (%)						
Avg. Yield- on Earning Assets	**14.8**	**15.1**	**14.6**	**13.7**	**14.2**	**14.2**
Avg. Yield on loans	16.7	17.3	16.6	15.1	15.3	15.3
Avg. Yield on Investments	5.7	6.9	7.1	6.8	6.8	7.0
Avg. Cost of Int. Bear. Liab.	**6.5**	**7.3**	**7.4**	**7.0**	**7.0**	**6.9**
Avg. Cost of Deposits	6.1	7.0	7.3	6.9	6.7	6.6
Interest Spread	**8.3**	**7.8**	**7.3**	**6.7**	**7.2**	**7.2**
NIM (on IEA)	**9.0**	**8.5**	**7.5**	**6.8**	**7.2**	**7.3**
Capitalization Ratios (%)						
CAR	23.8	21.7	20.6	20.3	20.2	19.4
Tier I	23.1	20.7	17.8	16.7	16.1	15.8
CET 1	23.1	20.7	17.8	16.7	15.6	15.6
Tier II	0.7	1.0	2.8	3.6	4.1	3.6
Business Ratios (%)						
Loans/Deposit Ratio	101.6	85.7	84.0	91.9	90.1	90.4
CASA Ratio	42.3	32.0	28.8	26.2	25.7	26.5
Cost/Assets	5.8	5.5	5.4	5.3	5.1	4.9
Cost/Total Income	63.4	64.5	68.0	71.7	68.2	66.4
Cost/Core income	-11.2	-2.5	-2.0	-1.7	-7.2	-8.5
Int. Expense/Int.Income	38.9	43.9	48.5	50.1	49.0	48.4
Fee Income/Total Income	20.2	17.9	18.4	19.6	20.7	19.4
Other Inc./Total Income	20.8	20.6	21.9	24.0	21.7	20.3
Empl. Cost/Total Expense	53.8	54.7	57.3	61.4	61.4	61.2
Efficiency Ratios (INRm)						
Employee per branch (in nos)	22.3	23.7	25.6	26.5	28.5	30.7
Staff cost per employee	0.5	0.6	0.6	0.7	0.7	0.7
CASA per branch	116.4	119.8	124.9	115.1	130.3	152.3
Deposits per branch	275.3	374.8	433.7	439.0	507.1	574.8
Business per Employee (INR m)	24.9	29.4	31.2	31.8	33.8	35.7
Profit per Employee (INR m)	0.3	0.3	0.1	0.0	0.3	0.3
Profitability Ratios and Valuation						
RoA	1.9	2.0	0.3	0.2	1.3	1.3
RoE	12.2	14.4	2.4	1.7	13.0	14.8
Book Value (INR)	46	53	53	54	58	66
-growth (%)	36.9	13.2	1.3	0.8	8.9	13.2
Price-BV (x)	**1.2**	**1.1**	**1.1**	**1.1**	**1.0**	**0.9**
Adjusted BV (INR)	44	50	50	51	56	64
Price-ABV (x)	**1.3**	**1.1**	**1.1**	**1.1**	**1.0**	**0.9**
EPS (INR)	4.9	7.1	1.3	0.9	7.3	9.2
-growth (%)	106.8	46.6	-81.8	-30.1	709.2	25.7
Price-Earnings (x)	**11.8**	**8.0**	**44.2**	**63.2**	**7.8**	**6.2**

E: MOFSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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