29 October 2026
2QFY27 Results Update | Sector: Financials

# Equitas Small Finance Bank

| | |
|---|---|
| Estimate change | ↑ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | EQUITASB IN |
| Equity Shares (m) | 1144 |
| M.Cap.(INRb)/(USDb) | 65.4 / 0.7 |
| 52-Week Range (INR) | 84 / 51 |
| 1, 6, 12 Rel. Per (%) | -16/-9/7 |
| 12M Avg Val (INR M) | 260 |

**Financials & Valuations (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) | 63.2 | 7.8 | 6.2 |
| P/BV (X) | 1.1 | 1.0 | 0.9 |
| P/ABV (X) | 1.1 | 1.0 | 0.9 |

**Shareholding Pattern (%)**

| As On | Sep-26 | Jun-26 | Sep-25 |
|---|---|---|---|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 52.2 | 51.3 | 48.2 |
| FII | 15.8 | 15.7 | 15.7 |
| Others | 32.0 | 33.0 | 36.1 |

FII includes depository receipts

**CMP: INR57** **TP: INR75 (+31%)** **Buy**

## Sudden leadership exit casts shadow over healthy earnings

### Raises RoA guidance to ~1.35% for FY27

- Equitas SFB reported 2QFY27 PAT of INR2.2b (up 19% QoQ, 14% beat), supported by healthy other income and lower-than-expected provisions.
- NII grew 33% YoY/flat QoQ to INR10.3b (marginally below estimates). NIM contracted 55bp QoQ to 6.69%, primarily due to excess liquidity and higher funding costs. CoF increased 7bp QoQ.
- Net advances grew 29% YoY/5% QoQ to INR468b. Deposits grew 19% YoY/7% QoQ to INR525b. CASA ratio improved to 26% (vs. 25.1% in 1Q), while the CD ratio moderated to 89% from 91.3% in 1QFY27.
- Asset quality improved, with GNPA/NNPA ratios declining 13bp/1bp QoQ to 2.29%/0.70%. PCR moderated to 70.1%. Credit cost declined to 0.94% from 1.37% in 1QFY27 (1.12% adjusted for ARC sale).
- FY27 RoA guidance is raised to 1.35% from 1.2%, supported by expected NIM recovery and moderating credit costs. Management expects an 18-20bp improvement in NIM by 4QFY27.
- Slippages increased to INR4.6b from INR4.0b in 1QFY27 (up 16.2% QoQ).
- **We increase our earnings estimates by 8.0%/2.5% in FY27/FY28 and estimate RoA/RoE of 1.3%/14.8% by FY28E. Reiterate BUY with a revised TP of INR75 (1.2x FY28E ABV).**

### NIM contracted 55bp QoQ; guides for medium-term NIM of ~7%

- EQUITASB reported 2QFY27 PAT of INR2.2b (up 19% QoQ, 14% beat), aided by healthy other income and lower provisions. RoA improved to 1.3% from 1.2% in 1QFY27.
- NII was up 33% YoY/flat QoQ at INR10.3b (below est.). NIM contracted 55bp QoQ to 6.69%, due to excess liquidity and higher funding costs.
- CoF increased 7bp QoQ to 7.12% as banks raised SA and TD rates before the repo rate hike. Equitas expects a further increase of 8-10bp in 3QFY27 due to repricing of existing deposits.
- Other income grew 27% YoY/14% QoQ to INR2.9b (9% beat), including INR225m from an ARC transaction.
- Opex grew 20% YoY/4% QoQ to INR9.1b (in line). PPoP stood at INR4.0b (up 67% YoY/down 1% QoQ, 5% miss). Provisions declined 44% YoY/28% QoQ to INR1.1b (33% below estimates).
- Advances grew 29% YoY/5% QoQ to INR468b. Disbursements stood at INR74.5b, with non-MFI disbursements growing 31% YoY. SBL/VF grew 16% YoY each, while HF/business loans grew 27%/38% YoY.
- Deposits grew 19% YoY/7% QoQ to INR525b. CASA ratio improved to 25.7%, while CD ratio moderated to 89%. The bank mobilized USD110m under the FCNR(B) window.
- Asset quality improved, with GNPA/NNPA declining 13bp/1bp QoQ to 2.29%/0.70%. PCR moderated to 70.1%, while credit cost declined to 0.94% (1.12% adjusted for ARC sale) from 1.37% in 1QFY27.
- Revises FY27 RoA guidance to 1.35% from 1.2% and expects ~18-20bp NIM recovery by 4QFY27. The MD & CEO succession process is expected to conclude within 3-4 months.

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## Highlights from the management commentary

- MD & CEO Mr. P.N. Vasudevan has expressed his intention to step down, citing investor concerns regarding the perceived conflict of interest arising from his family's investments in an NBFC.
- The bank expects the entire succession process, including regulatory approval and takeover, to be completed in 3-4 months, with candidate shortlisting expected within a month.
- FY27 RoA guidance is revised to ~1.35% from ~1.2%, supported by improving NIMs, moderating credit costs and operating leverage.
- NIM is expected to improve by ~18-20bp by 4QFY27 from the 2QFY27 level of 6.69%, supported by liquidity deployment.
- CoF is expected to increase by another ~8-10bp in 3QFY27 due to deposit repricing, with no immediate plans for further deposit rate hikes.

## Valuation and view: Reiterate BUY with a revised TP of INR75

EQUITASB reported a steady quarter, with healthy earnings supported by higher other income and lower provisions, despite a PPoP miss. NIM contracted 55bp QoQ to 6.69%, primarily due to excess liquidity and higher funding costs. The bank expects an 18-20bp recovery in NIM by 4QFY27 as surplus liquidity gets deployed, though further CoF repricing may exert near-term pressure. Advances growth was healthy, led by traction across SBL, VF, HF and other secured segments, while deposit growth improved with a moderation in the CD ratio. Asset quality trends were encouraging, with improving GNPA/NNPA ratios and moderation in credit costs. Management raised its FY27 RoA guidance to 1.35% from 1.2%, supported by margin recovery, benign credit costs and operating leverage. The impending MD & CEO transition remains a key monitorable, although management expects no disruption to business continuity. **We increase our earnings estimates by 8.0%/2.5% in FY27/FY28 and estimate RoA/RoE of 1.3%/14.8% by FY28E. Reiterate BUY with a revised TP of INR75 (1.2x FY28E ABV).**

**Quarterly Performance** — **INRb**

| Y/E March (INR b) | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | v/s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Est |
| **Net Interest Income** | **7.9** | **7.7** | **8.5** | **9.8** | **10.3** | **10.3** | **10.6** | **11.1** | **33.9** | **42.2** | **10.6** | **-3%** |
| % Change (YoY) | -2.0 | -3.6 | 4.1 | 18.2 | 31.0 | 32.6 | 24.2 | 13.1 | 4.3 | 24.5 | 37.0 | |
| Other Income | 2.9 | 2.3 | 2.9 | 2.6 | 2.6 | 2.9 | 3.0 | 3.2 | 10.7 | 11.7 | 2.7 | 9% |
| **Total Income** | **10.8** | **10.0** | **11.4** | **12.4** | **12.8** | **13.2** | **13.6** | **14.3** | **44.6** | **53.9** | **13.3** | **-1%** |
| Operating Expenses | 7.6 | 7.6 | 8.3 | 8.4 | 8.8 | 9.1 | 9.3 | 9.5 | 32.0 | 36.8 | 9.0 | 1% |
| **Operating Profit** | **3.1** | **2.4** | **3.1** | **4.0** | **4.0** | **4.0** | **4.2** | **4.8** | **12.6** | **17.1** | **4.3** | **-5%** |
| % Change (YoY) | -7.5 | -31.2 | -7.7 | 29.3 | 28.6 | 67.3 | 37.6 | 19.8 | -5.2 | 35.3 | 76.9 | |
| Provisions | 6.1 | 2.1 | 1.9 | 1.2 | 1.6 | 1.1 | 1.5 | 1.8 | 11.4 | 6.1 | 1.7 | -33% |
| **Profit before Tax** | **-3.0** | **0.3** | **1.1** | **2.8** | **2.4** | **2.9** | **2.7** | **3.0** | **1.3** | **11.0** | **2.5** | **13%** |
| Tax | -0.7 | 0.1 | 0.2 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.3 | 2.7 | 0.6 | 8% |
| **Net Profit** | **-2.2** | **0.2** | **0.9** | **2.1** | **1.8** | **2.2** | **2.0** | **2.3** | **1.0** | **8.3** | **1.9** | **14%** |
| % Change (YoY) | -968.7 | 87.4 | 35.8 | 405.2 | -182.0 | 803.6 | 126.2 | 7.9 | -29.9 | 709.6 | 689.7 | |
| **Operating Parameters** | | | | | | | | | | | | |
| Deposits | 444 | 441 | 437 | 465 | 490 | 525 | 540 | 564 | 465 | 564 | 525 | 0% |
| Loans | 347 | 364 | 398 | 428 | 447 | 468 | 486 | 509 | 428 | 509 | 474 | -1% |
| Deposit Growth (%) | 18.3 | 10.6 | 7.2 | 7.9 | 10.4 | 19.0 | 23.6 | 21.3 | 7.9 | 21.3 | 19.0 | |
| Loan Growth (%) | 8.8 | 7.0 | 12.6 | 18.1 | 28.8 | 28.6 | 22.0 | 19.0 | 18.1 | 19.0 | 30.5 | |
| **Asset Quality** | | | | | | | | | | | | |
| Gross NPA (%) | 2.9 | 2.9 | 2.8 | 2.6 | 2.4 | 2.3 | 2.2 | 2.1 | 2.6 | 2.1 | 2.29 | |
| Net NPA (%) | 1.0 | 1.0 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 1.1 | 0.6 | 0.67 | |
| PCR (%) | 67.0 | 66.9 | 67.1 | 73.0 | 71.0 | 70.1 | 70.6 | 71.0 | 57.2 | 71.0 | 71.2 | |

E: MOSL Estimates

## Quarterly Snapshot

| Profit and Loss, INRb | FY26 | | | | FY27 | | Change (%) | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | YoY | QoQ |
| **Net Interest Income** | **7.9** | **7.7** | **8.5** | **9.8** | **10.3** | **10.3** | **32.6** | **-0.4** |
| Other Income | 2.9 | 2.3 | 2.9 | 2.6 | 2.6 | 2.9 | 27.3 | 14.3 |
| Trading profits | 1.2 | 0.3 | 0.3 | 0.0 | 0.3 | 0.3 | -12.1 | -6.5 |
| **Total Income** | **10.8** | **10.0** | **11.4** | **12.4** | **12.8** | **13.2** | **31.4** | **2.5** |
| Operating Expenses | 7.6 | 7.6 | 8.3 | 8.4 | 8.8 | 9.1 | 20.0 | 4.0 |
| Employee | 4.6 | 4.7 | 5.2 | 5.1 | 5.5 | 5.5 | 15.3 | -0.5 |
| Others | 3.0 | 2.9 | 3.2 | 3.3 | 3.3 | 3.7 | 27.9 | 11.3 |
| **Operating Profits** | **3.1** | **2.4** | **3.1** | **4.0** | **4.0** | **4.0** | **67.3** | **-0.6** |
| **Core Operating Profits** | **1.9** | **2.1** | **2.7** | **4.1** | **3.7** | **3.7** | **79.9** | **-0.1** |
| Provisions | 6.1 | 2.1 | 1.9 | 1.2 | 1.6 | 1.1 | -44.5 | -28.4 |
| **PBT** | **-3.0** | **0.3** | **1.1** | **2.8** | **2.4** | **2.9** | **757.0** | **17.8** |
| Taxes | -0.7 | 0.1 | 0.2 | 0.7 | 0.6 | 0.7 | 637.5 | 14.7 |
| **PAT** | **-2.2** | **0.2** | **0.9** | **2.1** | **1.8** | **2.2** | **803.6** | **18.8** |
| **Balance Sheet** | | | | | | | | |
| Loans | 347 | 364 | 398 | 428 | 447 | 468 | 28.6 | 4.5 |
| AUM's | 376 | 391 | 433 | 462 | 476 | 507 | 29.5 | 6.4 |
| Deposits | 444 | 441 | 437 | 465 | 490 | 525 | 19.0 | 7.2 |
| CASA Deposits | 131 | 136 | 129 | 122 | 123 | 135 | -1.0 | 9.5 |
| -Savings | 108 | 119 | 116 | 107 | 110 | 114 | -3.4 | 4.1 |
| -Demand | 23 | 18 | 13 | 15 | 13 | 20 | 15.0 | 55.8 |
| **Loan mix (%)** | | | | | | | | |
| MFI | 9.4 | 8.7 | 11.9 | 12.5 | 12.6 | 12.5 | 382 | (14) |
| Vehicles | 25.3 | 25.1 | 23.4 | 23.0 | 23.0 | 22.4 | (269) | (62) |
| Small Business loans (incl HF) | 57.5 | 56.9 | 53.4 | 52.7 | 53.1 | 52.1 | (480) | (101) |
| MSE Finance | 4.5 | 4.7 | 4.7 | 4.5 | 4.6 | 5.1 | 33 | 49 |
| Corporate loans | 1.5 | 2.8 | 4.4 | 4.2 | 3.7 | 4.4 | 159 | 64 |
| Others | 0.8 | 0.9 | 0.8 | 1.1 | 0.9 | 1.3 | 44 | 35 |
| **Asset Quality (INRb)** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | 2Q | **YoY** | **QoQ** |
| GNPA | 10.4 | 10.8 | 11.2 | 11.3 | 11.0 | 10.9 | 0.4 | -1.3 |
| NNPA | 3.4 | 3.6 | 3.7 | 3.1 | 3.2 | 3.2 | -9.2 | 1.9 |
| Slippages | 6.6 | 6.0 | 5.2 | 3.4 | 4.0 | 4.6 | -22.4 | 16.2 |
| **Asset Quality Ratios (%)** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | 2Q | **YoY (bp)** | **QoQ (bp)** |
| GNPA (%) | 2.92 | 2.92 | 2.75 | 2.60 | 2.42 | 2.29 | (63) | (13) |
| NNPA (%) | 0.98 | 0.98 | 0.92 | 0.72 | 0.71 | 0.70 | (28) | (1) |
| PCR (Calc, %) | 67.0 | 66.9 | 67.1 | 73.0 | 71.0 | 70.1 | 316 | (93) |
| Slippage ratio | 8.0 | 6.8 | 5.5 | 3.3 | 4.0 | 4.5 | (234) | 45 |
| **Business Ratios (%)** | | | | | | | | |
| Loan/Deposit | 78.3 | 82.4 | 91.2 | 91.9 | 91.3 | 89.1 | 664 | (226) |
| CASA | 29.4 | 30.9 | 29.5 | 26.2 | 25.1 | 25.7 | (521) | 56 |
| Cost to Income | 70.8 | 76.0 | 73.1 | 67.6 | 68.5 | 69.5 | (655) | 95 |
| Cost to Assets | 6.1 | 5.9 | 6.3 | 5.8 | 6.0 | 5.9 | 5 | (5) |
| Tax Rate | 24.8 | 28.0 | 20.8 | 23.6 | 24.8 | 24.1 | (391) | (65) |
| **Capitalisation Ratios (%)** | | | | | | | | |
| Tier-1 (incl profit) | 17.2 | 16.4 | 16.6 | 16.7 | 16.0 | 16.4 | (9) | 34 |
| - CET 1 (incl profit) | 17.2 | 16.4 | 16.6 | 16.7 | 16.0 | 16.4 | (9) | 34 |
| CAR (incl profit) | 20.5 | 20.7 | 20.5 | 20.3 | 19.4 | 20.9 | 18 | 148 |
| LCR | 179.6 | 170.9 | 137.0 | 138.5 | 143.0 | 173.3 | 244 | 3,033 |
| **Profitability Ratios (%)** | | | | | | | | |
| Yield on gross advances | 16.0 | 15.7 | 15.4 | 15.5 | 15.7 | 15.8 | 7 | 6 |
| Cost of Funds | 7.5 | 7.4 | 7.1 | 6.9 | 7.1 | 7.1 | (23) | 7 |
| Margins | 6.4 | 6.3 | 6.8 | 7.4 | 7.2 | 6.7 | 35 | (55) |
| **Other Details** | | | | | | | | |
| Branches | 1,035 | 1,042 | 1,053 | 1,060 | 1,063 | 1,064 | 22 | 1 |
| Employees (K) | 25.9 | 27.1 | 28.5 | 28.1 | 27.7 | 28.5 | 1,382 | 807 |

## Highlights from the management commentary

### Opening Remarks:

- The bank reported PAT of INR2.08b, with RoA/RoE improving to 1.3%/13.5%.
- FY27 RoA guidance is raised to 1.35% from 1.2%, driven by expected NIM recovery, lower credit costs and improving operating leverage.
- Deposits grew 19% YoY/7% QoQ to INR524.8b, while CASA ratio stood at 26% and retail deposits contributed ~68% of total deposits.
- NIM declined 55bp QoQ to 6.69%, due to temporary excess liquidity and higher funding costs. They expect margins to recover as surplus liquidity is deployed.
- Credit cost moderated 43bp QoQ to 0.94% (1.12% excluding the ARC sale), remaining comfortably below the earlier FY27 guidance of 1.5%.
- MFI collection efficiency remained healthy at ~99.6%, with limited exposure to drought-affected regions of Maharashtra and Karnataka (~2.9% of total advances).
- The bank raised INR5b through Tier-2 bonds during Sep'26, improving overall CAR to 20.92%, providing sufficient capital headroom for near-term growth.

### Management transition:

- MD & CEO Mr. P.N. Vasudevan has expressed his intention to step down, citing investor concerns regarding the perceived conflict of interest arising from his family's investments in an NBFC.
- He clarified that there are no regulatory or legal impediments, and the decision was voluntary, with no regulatory intervention or specific recent trigger.
- The board has initiated a formal succession process through the Nomination and Remuneration Committee (NRC), evaluating both internal and external candidates.
- They expect the entire succession process, including regulatory approval and takeover, to be completed within 3-4 months, with candidate shortlisting expected within a month.
- Mr. Vasudevan will continue in his current role until his successor takes over, with no predetermined exit date or immediate requirement for an overlap.
- The board reiterated that the transition is unlikely to affect the bank's long-term strategy or business continuity.

### Advances and Deposits:

- The bank recorded its quarterly disbursements of INR74.5b, while non-MFI disbursements grew 31% YoY to INR61.6b, reflecting healthy demand across secured segments.
- Small business loans and vehicle finance portfolios grew 16% YoY each, while housing finance and MSC finance expanded 27% and 38% YoY, respectively.
- CD ratio moderated to 90.53% from 92.93% in 1QFY27, reflecting stronger deposit mobilization.
- Bulk deposits stood at ~INR125b, with ~92% comprising non-callable deposits, providing stability to the funding profile.
- The bank mobilized USD110m under the FCNR(B) window across ~4,000 customers from 150 countries, without leveraging; total FCNR(B) book stood at ~USD138m.
- The relationship-managed liability book grew 11% QoQ, supported by focused HNI offerings and enhanced relationship management.
- The Artha HNI proposition crossed ~2,000 customers, with relationship value reaching ~INR20b.

- Cross-selling of asset products through liability branches has been initiated across 20 branches, with plans to expand to 50 branches during 3QFY27.

### Yields, cost of funds, margins and opex

- Bank expects the majority of surplus liquidity to be deployed during 3QFY27, with the full benefit on margins expected by 4QFY27.
- NIM is expected to improve by ~18-20bp by 4QFY27 from the 2QFY27 level of 6.69%, supported by liquidity deployment.
- Cost of funds increased 7bp QoQ, reflecting earlier upgrade in SA and TD pricing.
- Management expects a further 8-10bp increase in CoF during 3QFY27, largely due to repricing of existing deposits upon maturity.
- The bank does not plan for any immediate increase in deposit rates following the recent repo rate hike, having proactively revised pricing earlier.

### Asset quality

- Credit cost declined to 0.94% from 1.37% in 1QFY27, aided by an ARC transaction. Adjusted for the ARC sale, credit cost stood at 1.12%.
- MFI gross slippage ratio improved to 2.57% from 3.09% QoQ, while the net slippage ratio moderated to 2.10% from 2.49%.
- The increase in reported MFI early delinquency ratios was largely attributable to the reduction in the DA book, rather than any meaningful deterioration in underlying customer behavior.
- MFI customers in the 1-90 DPD bucket remained broadly stable at ~25.8k in Sep'26 vs. ~25.2k in Jun'26.
- Indicated that early delinquency trends remained broadly stable in Oct'26, with no material deterioration observed.
- The vehicle finance portfolio witnessed a marginal sequential increase in GNPA, although asset quality remained better than the corresponding period last year.
- Limited stress was observed among certain vehicle finance customers linked to the cement segment in Rajasthan, while other key geographies remained largely stable.
- Highlighted limited MFI exposure (~2.9% of advances) to drought-affected Maharashtra and Karnataka, with no material impact on collection efficiency observed so far.
- The bank recorded net income of ~INR225m from the ARC transaction during the quarter.

### Capital and Other Updates:

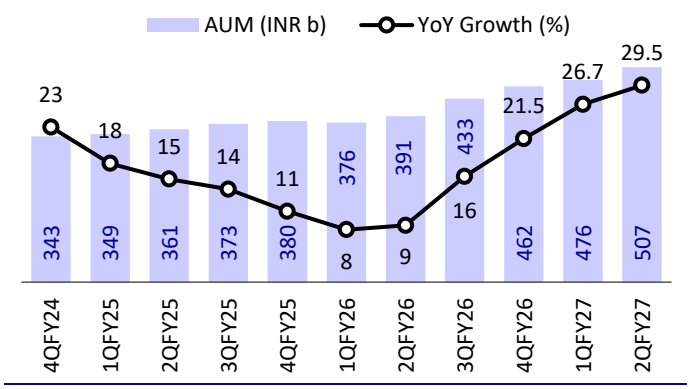
- The bank raised INR5b through Tier-2 bonds in Sep'26, with a 10-year tenure and a put option after five years.
- Tier-2 capital ratio improved to 4.57% from 3.43%, taking overall CAR to 20.92% as of Sep'26.
- The AD-I license has boosted FCNR(B) deposit mobilization and NRI remittance volumes, strengthening the international banking proposition.

### Guidance and outlook:

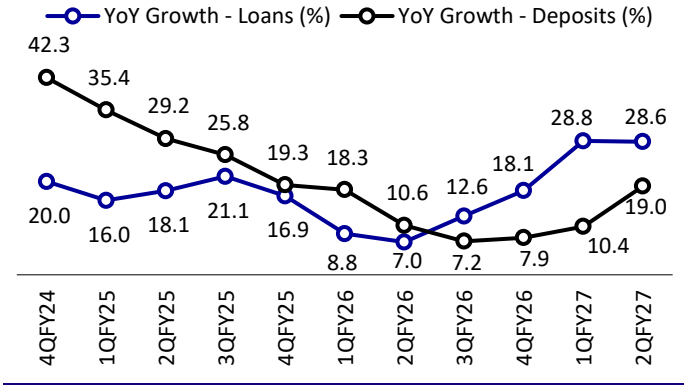
- FY27 RoA guidance is revised to ~1.35% from ~1.2%, supported by improving NIMs, moderating credit costs and operating leverage.
- Management expects to achieve ~1.5% RoA in FY28 while targeting an average RoA of ~1.5% over the longer-term strategic planning period.
- NIM is expected to recover by ~18-20bp by 4QFY27, with excess liquidity expected to be largely deployed in 3QFY27.
- CoF is expected to increase by another ~8-10bp in 3QFY27 due to deposit repricing, with no immediate plans for further deposit rate hikes.

# Story in Charts

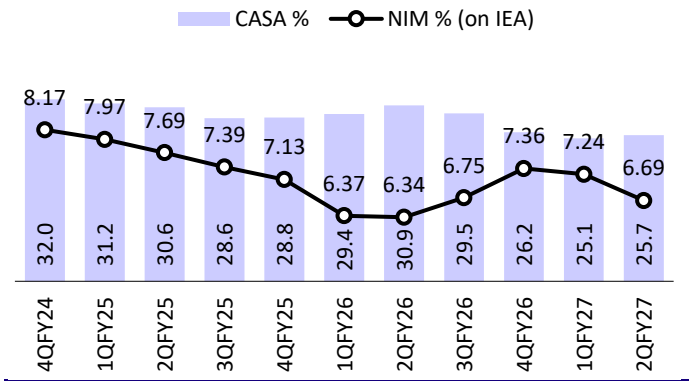
### Exhibit 1: AUM grew 29.5% YoY (up 6.4% QoQ) to IN506b



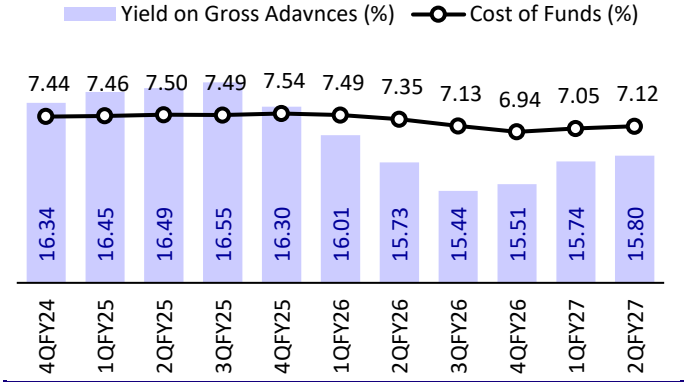

### Exhibit 2: Loans/deposits grew 28.6%/19% YoY



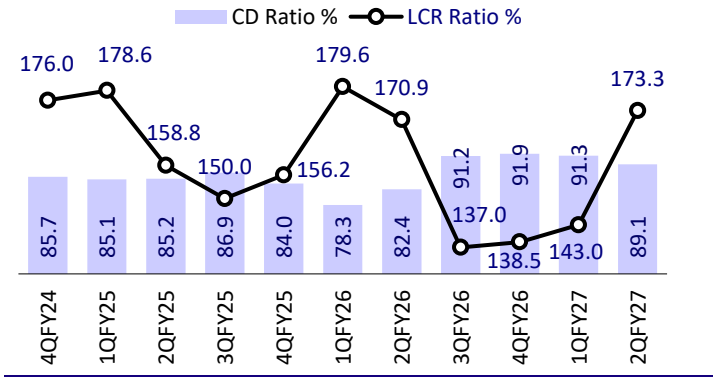

### Exhibit 3: NIM contracted 55bp QoQ to 6.69%



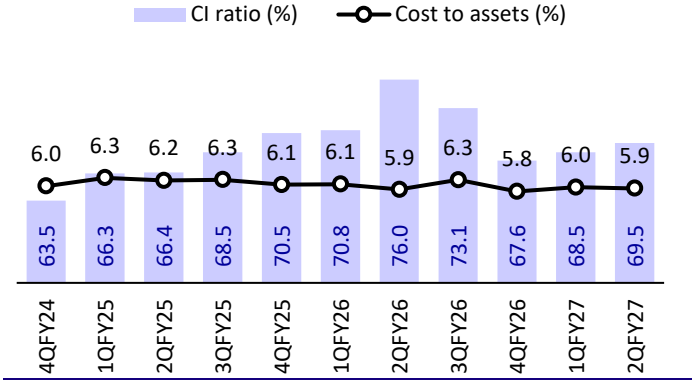

### Exhibit 4: YoA increased to 15.8% and COF rose to 7.12%



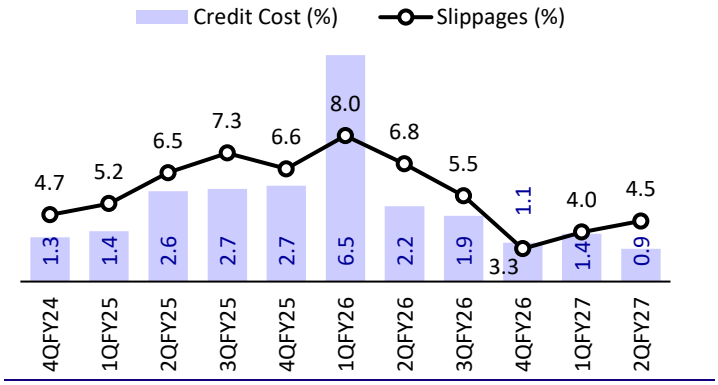

### Exhibit 5: CD ratio declined to 89.1%; Avg. LCR ratio at 173%




### Exhibit 6: C/I ratio increased to 69.5% in 2QFY27

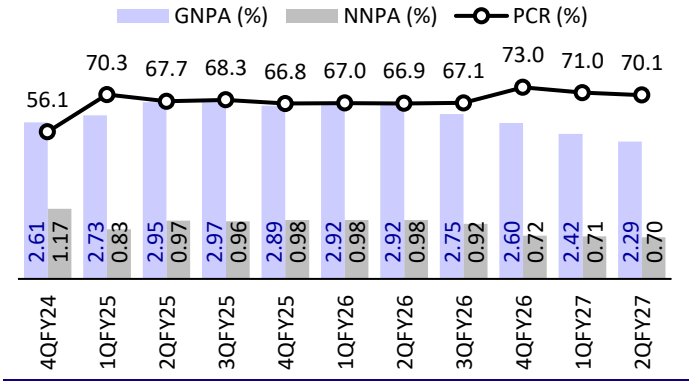



### Exhibit 7: Credit cost moderated to 0.94% vs. 1.37% in 1QFY27




Source: MOFSL, Company

### Exhibit 8: GNPA/NNPA ratios improved 13bp/1bp QoQ




Source: MOFSL, Company

## Valuation and view: Reiterate BUY with a revised TP of INR75

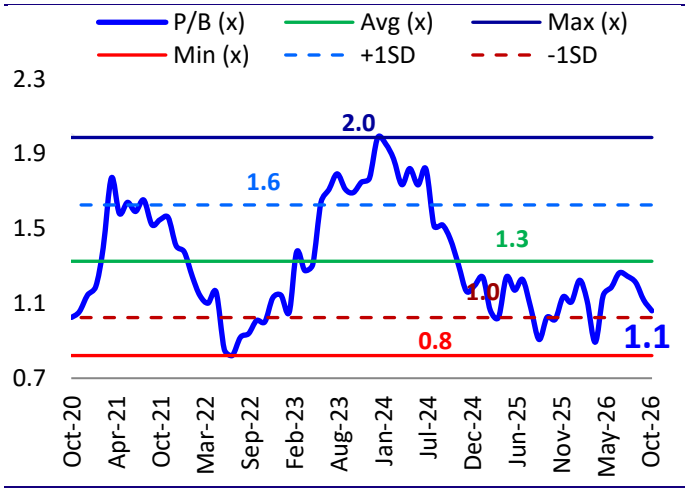
- EQUITASB reported a steady quarter, with healthy earnings supported by higher other income and lower provisions, despite a PPoP miss. NIM contracted 55bp QoQ to 6.69%, primarily due to excess liquidity and higher funding costs.
- The bank expects an 18-20bp recovery in NIM by 4QFY27 as surplus liquidity gets deployed, though further CoF repricing may exert near-term pressure.
- Advances growth remained healthy, led by traction across SBL, VF, HF and other secured segments, while deposit growth improved with a moderation in the CD ratio.
- Asset quality trends were encouraging, with improving GNPA/NNPA ratios and moderation in credit costs. Management revised FY27 RoA guidance upward to 1.35% from 1.2%, supported by margin recovery, benign credit costs and operating leverage.
- The impending MD & CEO transition remains a key monitorable, although management expects no disruption to business continuity.
- **We have increased our earnings estimates by 8.0%/2.5% in FY27/FY28 and estimate RoA/RoE of 1.3%/14.8% by FY28E. Reiterate BUY with a revised TP of INR75 (1.2x FY28E ABV).**

**Exhibit 9: We increased our earnings estimates by 8.0% /2.5% in FY27/FY28**

| (INR b) | Old Est. | | Rev. Est. | | Chg. (%)/bps | |
|---|---|---|---|---|---|---|
| | FY27 | FY28 | FY27 | FY28 | FY27 | FY28 |
| **Net Interest Income** | **43.2** | **50.9** | **42.2** | **50.9** | **-2.2** | **0.0** |
| Other Income | 11.0 | 12.2 | 11.7 | 13.0 | 6.9 | 6.9 |
| **Total Income** | **54.1** | **63.1** | **53.9** | **63.9** | **-0.3** | **1.3** |
| Operating Expenses | 36.7 | 41.8 | 36.8 | 42.5 | 0.4 | 1.6 |
| **Operating Profit** | **17.4** | **21.3** | **17.1** | **21.4** | **-1.9** | **0.8** |
| Provisions | 7.1 | 7.6 | 6.1 | 7.6 | -14.3 | -0.6 |
| **PBT** | **10.3** | **13.7** | **11.0** | **13.9** | **6.7** | **1.6** |
| Tax | 2.6 | 3.4 | 2.7 | 3.4 | 3.0 | -1.1 |
| **PAT** | **7.7** | **10.2** | **8.3** | **10.5** | **8.0** | **2.5** |
| Loans | 509 | 607 | 509 | 607 | 0.0 | 0.0 |
| Deposits | 564 | 672 | 564 | 672 | 0.0 | 0.0 |
| Credit Cost (%) | 1.5 | 1.3 | 1.3 | 1.3 | -20 | 0 |
| **RoA (%)** | **1.2** | **1.3** | **1.3** | **1.3** | **9** | **3** |
| **RoE (%)** | **12.1** | **14.5** | **13.0** | **14.8** | **90** | **20** |
| EPS | 6.8 | 9.0 | 7.3 | 9.2 | 8.0 | 2.5 |
| BV | 57.9 | 65.4 | 58.4 | 66.1 | 0.9 | 1.2 |
| ABV | 56.0 | 63.5 | 56.5 | 64.3 | 0.9 | 1.2 |

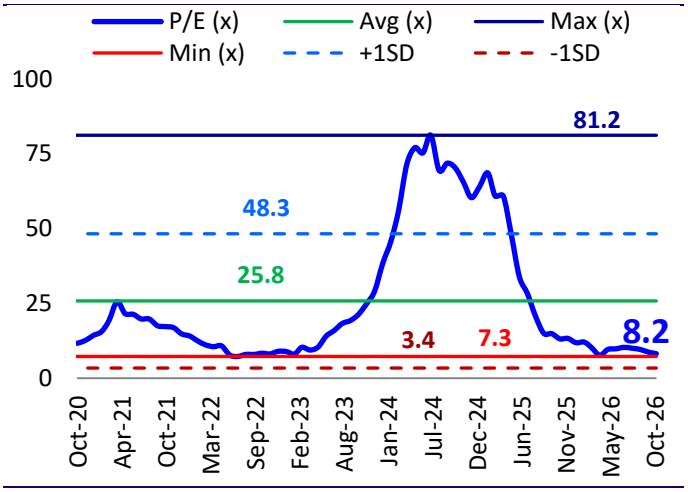
Source: Company, MOFSL

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




Source: MOFSL, Company

**Exhibit 11: One-year forward P/E ratio**




Source: MOFSL, Company

**Exhibit 12: Du Pont analysis**

| | 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** | **12.20** | **14.36** | **2.44** | **1.69** | **13.05** | **14.75** |

Source: Company, MOFSL

# Financials and valuations

**Income Statement** (INRb)

| 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: MOSL Estimates

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