ADD

Equitas Small Finance Bank

Entering a phase of sustained growth momentum

BFSI - Banks ▸ Analyst Meet Update ▸ **June 12, 2026**

CMP (Rs): 71 | TP (Rs): 75

Equitas SFB (EQUITASB) hosted its first analyst meet, outlining its business strategy and medium-term outlook. The bank expects credit growth momentum to sustain at >20%, with its asset mix largely tilted toward secured lending while maintaining MFI exposure at ~10%. Asset quality remains under control as MFI stress is largely behind, but the bank remains watchful of the West Asia conflict. The bank also expects margins to remain range-bound at 7% amid rising CoF, but believes steady improvement in operating leverage and credit costs (1.2-1.3%) should increase RoA to 1.2-1.25% in FY27, with an exit quarterly RoA of 1.5%. We believe the bank's diversified loan portfolio, along with the GNPA ratio being below 3%, should make it eligible to apply for a Universal Bank License, thereby supporting the stock's rerating. We maintain ADD and TP of Rs75 (valuing the bank at 1.2x FY28E ABV).

AUM growth to sustain at >20%

EQUITASB has diversified its business model by transitioning toward a secured lending portfolio, with secured assets now accounting for 88% (vs 75% in FY20) of advances. While stress in the MFI segment weighed on overall AUM growth in recent periods, the management prudently reduced MFI exposure to ~10% of advances and expects to maintain it at similar levels going forward. Having traditionally catered to informal and semi-formal customer segments, the bank is now looking to expand into the mass formal segment as its landed CoF continues to moderate. Further, AUM growth accelerated to 21% in FY26, which the management expects to sustain at >20% in FY27.

Deposit mobilization remains a challenge; landed CoF continues to moderate

The management highlighted that deposit mobilization remains a key challenge for SFBs, with deposit growth remaining modest at 8% YoY in FY26, resulting in a higher reliance on borrowings to support credit growth. However, EQUITASB has strengthened its liability franchise, with retail deposits constituting ~68% of total deposits and ~88% of bulk term deposits being non-callable. The recently launched FCNR deposit business has also gained traction, crossing USD29mn. Consequently, landed CoF declined sharply from 12.7% in FY25 to 8.2% in FY26, with the management targeting further improvement over the next 3–5 years. The bank also plans to add 10–15 branches annually, focusing on a resource-led expansion strategy.

Asset quality remains under control; watchful of West Asia conflict

With stress in the MFI portfolio easing, the bank's gross slippages reduced to 3.8% of loans from the highs of 7-8% a year ago, leading to a further reduction in the GNPA ratio to 2.6% (below 3% threshold for the Universal Bank License). The bank expects a sustained improvement in MFI stress formation, while it remains watchful of CV loans amid rising fuel prices due to the West Asia conflict. However, the management expects credit costs to moderate at 1.2-1.25% in FY27, driving up RoA.

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	5.6

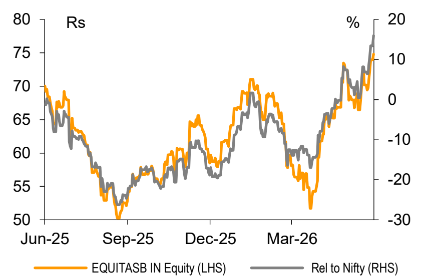
Stock Data	EQUITASB IN
52-week High (Rs)	77
52-week Low (Rs)	50
Shares outstanding (mn)	1,141.6
Market-cap (Rs bn)	81
Market-cap (USD mn)	851
Net-debt, FY27E (Rs mn)	NA
ADTV-3M (mn shares)	4.3
ADTV-3M (Rs mn)	313.2
ADTV-3M (USD mn)	3.3
Free float (%)	99.6
Nifty-50	23,161.6
INR/USD	95.8

Shareholding,Mar-26	
Promoters (%)	0.0
FPIs/MFs (%)	14.7/50.9

Price Performance

(%)	1M	3M	12M
Absolute	2.3	22.7	3.1
Rel. to Nifty	5.2	26.5	12.0

1-Year share price trend (Rs)



Equitas Small Finance Bank: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Net profit	1,470	1,030	7,405	10,649	14,839
Loan growth (%)	16.9	18.1	20.3	23.3	25.2
NII growth (%)	5.6	4.3	24.9	19.6	22.9
NIM (%)	6.9	6.2	6.7	6.7	6.6
PPOP growth (%)	(3.1)	(5.2)	32.8	26.9	32.7
Adj. EPS (Rs)	1.3	0.9	6.5	9.3	13.0
Adj. EPS growth (%)	(81.8)	(30.1)	618.3	43.8	39.4
Adj. BV (INR)	51.0	51.7	57.0	64.7	76.0
Adj. BVPS growth (%)	1.6	1.3	10.3	13.5	17.4
RoA (%)	0.3	0.2	1.1	1.4	1.5
RoE (%)	2.4	1.7	11.5	14.7	17.8
P/E (x)	55.2	79.0	11.0	7.6	5.5
P/ABV (x)	1.4	1.4	1.3	1.1	0.9

Source: Company, Emkay Research

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Key takeaways

MD commentary

- Financial inclusion poses a lot of challenges due to differential operations, collections, and credit appraisal mechanisms.
- Unmet credit demand in India is Rs84trn (MSME – Rs30trn; Affordable Housing – Rs54trn); of this, addressable market would be Rs42trn (calculated on adhoc basis). SFBs have a very long runway of growth possibility (due to the size and availability of the addressable market).
- Strength of SFBs lies only on the lending side. Liability continues to be a challenge (competition with larger banks, higher deposit rates). Though opportunities exist on the lending side due to higher serviceable market, these pose a threat due to asset-quality related issues.
- EQUITASB has minimized the threat, as over the years, it has shifted the book toward secured.
- EQUITASB would not be launching any new business segments; thus, investments to that extent would be eliminated.
- Going forward, the bank has tailwinds like diversified advance and deposit product base, with MFI book being capped at 10% and continued demand due to the higher serviceable market.
- The bank now covers most of the informal and semi-formal segments, with improvement in landed cost of funds; the bank will scale up toward a more formal segment.
- Over the next 2-3 years, the bank expects profitable and sustainable growth; the liability side challenge will continue. The bank will continue to gradually reduce the deposit rate of interest, with buffers to increase by 10/15bps as and when required.

Assets and liabilities

- The bank has a well-diversified portfolio, with 88% being secured book backed by a property/collateral/gold/vehicle finance.
- Overall yield excluding direct assignment book remains stable for Q4FY26.
- The bank delivered strong, productivity-led growth despite a limited branch network expansion, with number of branches increasing from 528 in FY17 to 630 in FY26, while gross advances and non-MFI advances saw 23% and 30% CAGR, respectively.
- Around 90% of the newly added branches in the past 5 years were outside Tamil Nadu. The bank's focus is to gradually reduce Tamil Nadu concentration to below 35% (vs 55% in FY17) over the long term.
- The bank is predominantly catering to customers from Tier 2 and below markets. Per branch average advances for small business loans (SBL) and vehicle finance (VF) currently stand at ~Rs360mn and ~Rs380mn, respectively.
- In VF, incremental focus will be more on scaling up Used CV & Used Car segments
- Incrementally, housing finance (HF) is being expanded through the existing SBL network. Currently, HF is offered at 90 branches, and the plan is to scale it through 60 additional SBL branches in FY27.
- Microfinance exposure reduced from 46% (FY17) to 10% (FY26) through a calibrated approach. Further, the bank recently launched Shubham loans – individual MFI loans backed by cash flow based credit underwriting. It is in the nascent stage, and it forms just 1% of the entire microfinance portfolio. As of Mar-26, 71% of MFI principal outstanding and 99% of FY26 disbursements are covered under the CGFMU guarantee scheme.

- In MFI, the bank continues to follow a conservative underwriting approach, in addition to MFIN guardrails, by avoiding lending to NTB/NTC customers with even 1+ DPD and restricting fresh lending to existing borrowers with 30+ DPD.

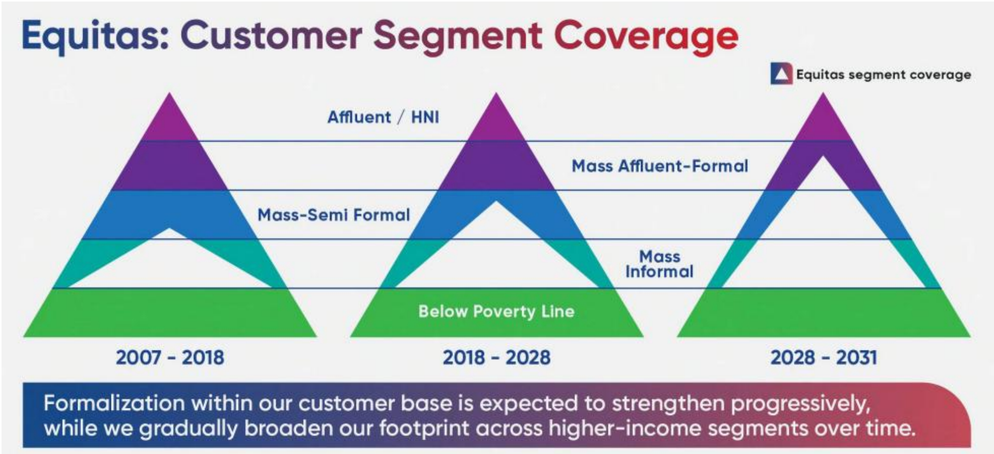
- Gold loans are currently available across ~200 liability branches and ~50 asset branches. The bank plans to expand to ~700 additional asset branches in a phased rollout.
- The bank's focus is on LCV and used CV finance; hence, there is minimal impact.
- Credit card investments are not very high that it will take long time to breakeven; it is a cross-sell product for liability customers. If the bank does nil credit card business this year, loss would be Rs70-80mn.
- The bank added ~57 branches over the past 5 years, while it plans to add 10-20 branches annually, focusing on high-potential and under-penetrated markets.
- Marginal investments in all products would continue; however, heavy investments would not be done for 3-5 years.
- The bank also remains committed to its in-house collections model, with no plans to outsource collections; currently, ~35% of collections are handled through tele-calling channels from 20% earlier, while the bank targets to take this to 60%.
- The bank saw reduction in bounce rates from ~33% to 29% for SBL product.
- The bank is currently in discussions with the RBI and various departments to assess the feasibility of the Universal Bank License application. If regulatory comfort is received, it plans to proceed with the application process, which is expected to take a couple of quarters.

Outlook

- The bank expects to achieve exit RoA of ~1.5% in Q4FY27. For full-year FY27, the bank expects RoA of ~1.2%.
- The bank expects steady-state RoA of ~1.5%, with a potential 1-1.8% across adverse and benign credit cycles. It does not expect RoA to be below 1%.
- By FY31, the bank expects advances to be Rs1.2trn and deposits at Rs1.3trn.
- C/I is expected to moderate to 50%
- Credit cost is expected to be maintained at 1.25-1.5%.

Story in charts

Exhibit 1: The bank traditionally catered to informal and semi-formal customer segments; it is now looking to expand into the mass formal segment

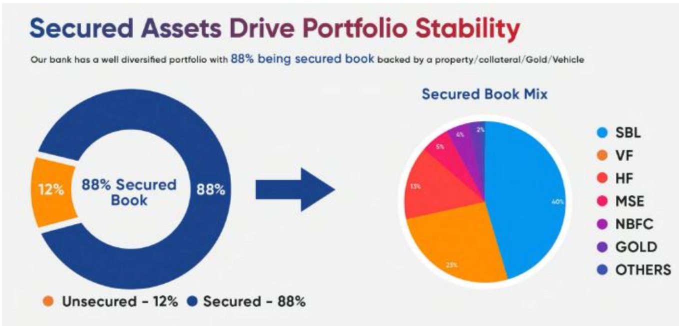


Source: Company, Emkay Research

Exhibit 2: Diversified lending products to enable sustained growth over the long term

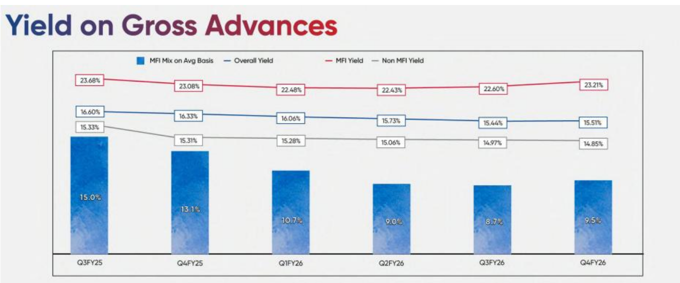
Source: Company, Emkay Research

Exhibit 3: The bank has diversified its asset mix, largely tilted toward secured assets while keeping MFI mix at 10%



Source: Company, Emkay Research

Exhibit 4: Yields remain stable despite portfolio recalibration



Particulars	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Overall Yield excl. D.A	16.06%	15.73%	15.63%	15.65%

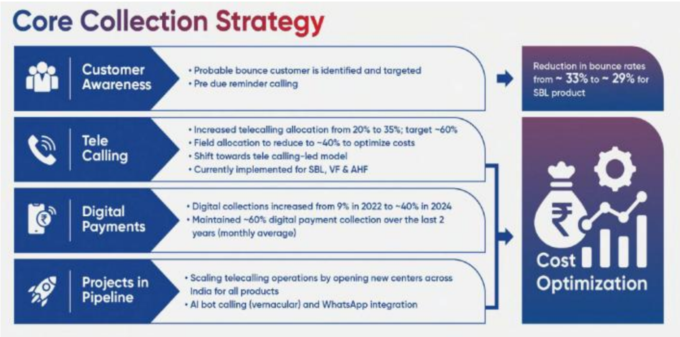
Source: Company, Emkay Research

Exhibit 5: The bank has seen limited branch expansion over the past decade and believes it has ample growth potential with minimal network additions over the next 2–3 years

States	Advances (%)	Branch (%)
Andhra Pradesh	3.90%	6.51%
Chhattisgarh	0.81%	2.38%
Delhi	1.06%	0.16%
Gujarat	4.30%	5.40%
Haryana	2.24%	2.54%
Himachal Pradesh	0.10%	0.48%
Karnataka	11.96%	14.60%
Kerala	1.16%	0.32%
Madhya Pradesh	2.89%	5.08%
Maharashtra	15.27%	14.92%
Punjab	1.34%	2.54%
Rajasthan	4.22%	7.46%
Tamil Nadu & Pondicherry	45.29%	32.38%
Telangana	4.22%	3.33%
Uttar Pradesh	1.12%	1.75%
Uttarakhand	0.12%	0.16%

Source: Company, Emkay Research

Exhibit 6: Core collection strategy

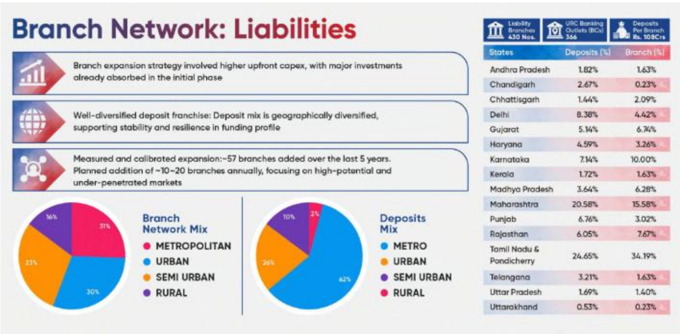


Source: Company, Emkay Research

Exhibit 7: Digital credit processes strengthen risk controls

Source: Company, Emkay Research

Exhibit 8: The bank's geographically diversified deposit franchise supports a stable and resilient funding profile

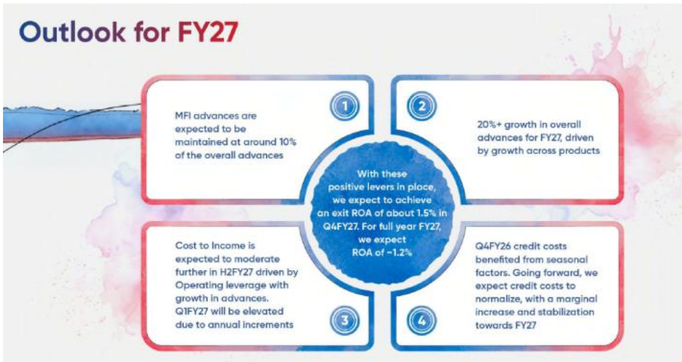


Source: Company, Emkay Research

Exhibit 9: Customer focus to drive liability growth

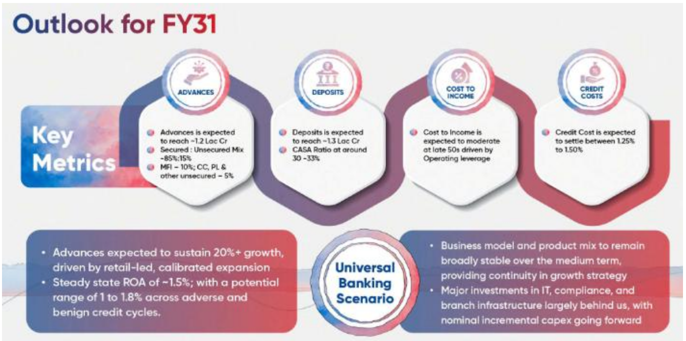
Source: Company, Emkay Research;

Exhibit 10: Bank outlook for FY27



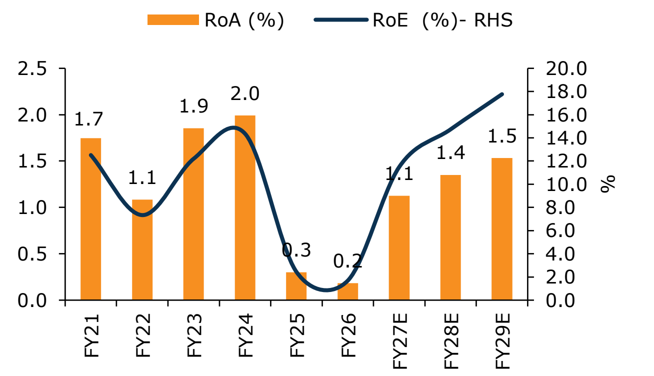
Source: Company, Emkay Research

Exhibit 11: Bank outlook for next 5 years



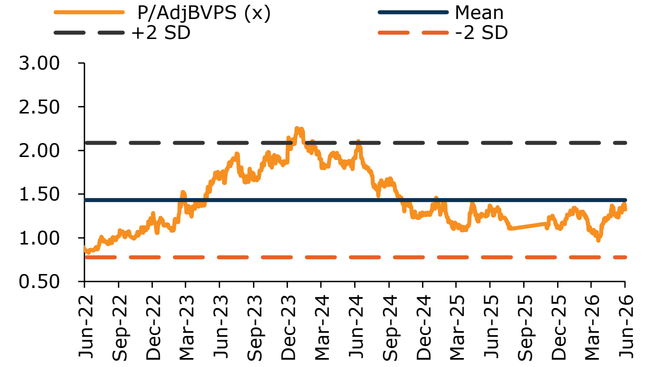
Source: Company, Emkay Research

Exhibit 12: We expect RoA to improve sharply, led by improving NII, other income, and lower LLP



Source: Company, Emkay Research

Exhibit 13: The stock currently trades at ~1.4x 1YF multiple, near its mean valuation



Source: Company, Emkay Research

Equitas Small Finance Bank: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	63,117	67,942	79,404	94,076	114,599
Interest Expense	30,601	34,031	37,036	43,402	52,296
Net interest income	**32,516**	**33,911**	**42,368**	**50,674**	**62,303**
NII growth (%)	5.6	4.3	24.9	19.6	22.9
Other income	9,115	10,735	10,955	12,220	13,750
Total Income	**41,631**	**44,647**	**53,323**	**62,893**	**76,053**
Operating expenses	28,288	31,997	36,526	41,577	47,769
PPOP	**13,343**	**12,649**	**16,797**	**21,316**	**28,283**
PPOP growth (%)	(3.1)	(5.2)	32.8	26.9	32.7
Core PPOP	**11,927**	**10,799**	**15,502**	**19,956**	**26,856**
Provisions & contingencies	11,354	11,368	6,902	7,086	8,453
PBT	**1,988**	**1,281**	**9,896**	**14,230**	**19,830**
Extraordinary items	0	0	0	0	0
Tax expense	518	251	2,491	3,582	4,991
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	**1,470**	**1,030**	**7,405**	**10,649**	**14,839**
PAT growth (%)	(81.6)	(29.9)	618.7	43.8	39.4
Adjusted PAT	**1,470**	**1,030**	**7,405**	**10,649**	**14,839**
Diluted EPS (Rs)	**1.3**	**0.9**	**6.5**	**9.3**	**13.0**
Diluted EPS growth (%)	(81.8)	(30.1)	618.3	43.8	39.4
DPS (Rs)	**1.0**	**0.5**	**0.9**	**1.2**	**1.4**
Dividend payout (%)	**77.5**	**55.3**	**13.9**	**12.9**	**10.8**
Effective tax rate (%)	26.0	19.6	25.2	25.2	25.2
Net interest margins (%)	6.9	6.2	6.7	6.7	6.6
Cost-income ratio (%)	68.0	71.7	68.5	66.1	62.8
Shares outstanding (mn)	1,139.9	1,141.0	1,141.0	1,141.0	1,141.0

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	11,399	11,410	11,410	11,410	11,410
Reserves & surplus	49,327	49,838	56,216	65,495	78,737
Net worth	**60,725**	**61,248**	**67,626**	**76,906**	**90,147**
Deposits	431,067	465,331	553,834	693,063	878,330
Borrowings	21,370	57,726	66,384	73,023	76,674
Interest bearing liab.	**452,437**	**523,056**	**620,218**	**766,086**	**955,004**
Other liabilities & prov.	**15,194**	**21,798**	**23,520**	**22,150**	**26,991**
Total liabilities & equity	**528,356**	**606,103**	**711,365**	**865,141**	**1,072,143**
Net advances	362,089	427,513	514,112	633,648	793,333
Investments	92,887	101,488	119,345	145,985	180,396
Cash, other balances	55,363	56,663	55,820	61,287	71,625
Interest earning assets	**510,339**	**585,664**	**689,277**	**840,920**	**1,045,354**
Fixed assets	6,957	7,153	7,498	7,867	8,262
Other assets	11,061	13,287	14,590	16,353	18,527
Total assets	**528,356**	**606,103**	**711,365**	**865,141**	**1,072,143**
BVPS (Rs)	53.3	53.7	59.3	67.4	79.0
Adj. BVPS (INR)	51.0	51.7	57.0	64.7	76.0
Gross advances	369,318	435,801	522,961	643,242	804,052
Credit to deposit (%)	84.0	91.9	92.8	91.4	90.3
CASA ratio (%)	28.8	26.2	25.6	26.9	27.9
Cost of deposits (%)	7.3	6.9	6.5	6.1	5.9
Loans-to-Assets (%)	68.5	70.5	72.3	73.2	74.0
Net advances growth (%)	16.9	18.1	20.3	23.3	25.2
Deposit growth (%)	19.3	7.9	19.0	25.1	26.7
Book value growth (%)	1.3	0.8	10.4	13.7	17.2

Source: Company, Emkay Research

Asset quality and other metrics

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Asset quality					
Gross NPLs	10,677	11,349	12,290	13,705	15,313
Net NPLs	3,448	3,061	3,441	4,112	4,594
GNPA ratio (%)	2.9	2.6	2.4	2.1	1.9
NNPA ratio (%)	1.0	0.7	0.7	0.6	0.6
Provision coverage (%)	67.7	73.0	72.0	70.0	70.0
Gross slippages	20,316	21,254	15,689	14,151	16,081
Gross slippage ratio (%)	5.5	4.9	3.0	2.2	2.0
LLP ratio (%)	2.8	2.9	1.4	1.2	1.2
NNPA to networth (%)	5.6	4.9	5.0	5.2	4.9
Capital adequacy					
Total CAR (%)	20.6	20.3	16.6	15.4	14.5
Tier-1 (%)	17.8	16.7	14.6	13.7	13.2
CET-1 (%)	17.8	16.7	14.6	13.7	13.2
RWA-to-Total Assets (%)	55.9	56.5	57.5	58.0	58.0
Miscellaneous					
Total income growth (%)	14.9	8.9	14.8	17.6	20.7
Opex growth (%)	13.1	13.1	14.2	13.8	14.9
Core PPOP growth (%)	(6.3)	(9.5)	43.5	28.7	34.6
PPOP margin (%)	18.5	16.1	18.6	20.1	22.0
PAT/PPOP (%)	11.0	8.1	44.1	50.0	52.5
LLP-to-Core PPOP (%)	95.2	105.3	44.5	35.5	31.5
Yield on advances (%)	16.7	15.2	15.1	14.8	14.6
Cost of funds (%)	7.4	7.0	6.5	6.3	6.1

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	55.2	79.0	11.0	7.6	5.5
P/B (x)	1.3	1.3	1.2	1.1	0.9
P/ABV (x)	1.4	1.4	1.3	1.1	0.9
P/PPOP (x)	6.1	6.4	4.9	3.8	2.9
Dividend yield (%)	1.4	0.7	1.3	1.7	2.0
DuPont-RoE split (%)					
NII/avg assets	6.6	6.0	6.4	6.4	6.4
Other income	1.9	1.9	1.7	1.6	1.4
Fee income	1.6	1.6	1.5	1.4	1.3
Opex	5.8	5.6	5.5	5.3	4.9
PPOP	**2.7**	**2.2**	**2.5**	**2.7**	**2.9**
Core PPOP	2.4	1.9	2.4	2.5	2.8
Provisions	2.3	2.0	1.0	0.9	0.9
Tax expense	0.1	0.0	0.4	0.5	0.5
RoA (%)	**0.3**	**0.2**	**1.1**	**1.4**	**1.5**
Leverage ratio (x)	8.2	9.3	10.2	10.9	11.6
RoE (%)	**2.4**	**1.7**	**11.5**	**14.7**	**17.8**

Quarterly data

Rs mn, Y/E Mar	Q4F25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
NII	8,294	7,857	7,737	8,516	9,801
NIM (%)	7.1	6.6	6.3	6.7	7.3
PPOP	3,113	3,148	2,406	3,072	4,025
PAT	421	-2238	241	900	2,127
EPS (Rs)	0.4	(2.0)	0.2	0.8	1.9

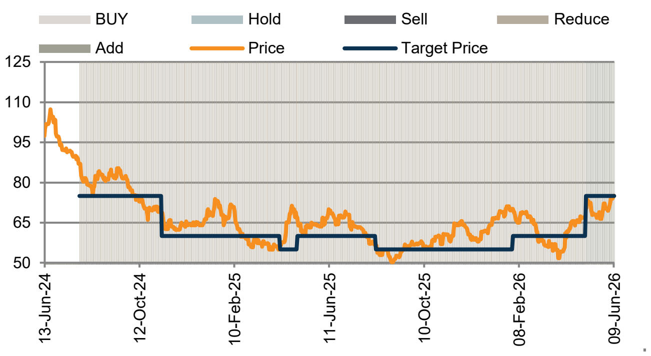
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
04-May-26	71	75	Add	Anand Dama
31-Jan-26	70	60	Reduce	Anand Dama
02-Nov-25	57	55	Reduce	Anand Dama
09-Aug-25	56	55	Reduce	Anand Dama
07-Jul-25	64	60	Reduce	Anand Dama
01-May-25	67	60	Reduce	Anand Dama
09-Apr-25	57	55	Reduce	Anand Dama
01-Feb-25	67	60	Reduce	Anand Dama
09-Nov-24	69	60	Reduce	Anand Dama
27-Jul-24	87	75	Reduce	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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