Equitas Small Finance Bank

PESB Your trust is our capital
Pune E-Stock Broking Limited

Investment Rationale:

- **Strong Credit Growth with Diversified Lending Portfolio:** Equitas Small Finance Bank reported 30% YoY growth in gross advances to ₹50,669 crore in Q2FY27, supported by record quarterly disbursements of ₹7,450 crore, up 38% YoY. The non-microfinance portfolio expanded 24%, led by MSE finance (+38%), housing finance (+27%) and vehicle finance (+16%). Gold loans grew 193% YoY, albeit from a smaller base. Management expects FY27 advances growth of over 25%, providing a strong foundation for sustained business expansion and improved operating leverage.

- **Improving Profitability with Scope for Margin Recovery:** The bank reported its highest-ever quarterly PAT of ₹218 crore in Q2FY27, compared with ₹24 crore in Q2FY26, while RoA improved to 1.31% and RoE to 13.50%. Although NIM declined 55 bps QoQ to 6.69% due to surplus liquidity and higher funding costs, management expects an improvement of 18–20 bps by Q4FY27 as excess liquidity is deployed. FY27 RoA guidance has been raised to 1.35% from 1.20%, supporting the earnings growth outlook.

- **Improving Asset Quality and Moderating Credit Costs:** Asset quality continued to improve, with GNPA declining to 2.29% in Q2FY27 from 2.42% in Q1FY27, while NNPA moderated to 0.70% from 0.71%. Net slippages improved to 1.39%, and credit costs declined to 0.94%, although the figure was 1.12% excluding the benefit of the ARC transaction. Microfinance collection efficiency remained strong at 99.6%. Sustained underwriting discipline and portfolio diversification could support earnings stability, though regional weather risks warrant monitoring.

- **Strengthening Deposit Franchise and Capital Position:** Deposits grew 19% YoY and 7% QoQ to ₹52,483 crore, while retail deposits, including CASA, accounted for 68% of the total deposit base. The bank mobilised US$110 million in FCNR(B) deposits, taking the overall book to US$138 million, and raised ₹500 crore through Tier-II bonds. Capital adequacy stood at 20.92%, providing headroom for expansion. However, the CASA ratio of 26%, rising funding costs and the pending CEO transition remain key monitorables for sustainable profitability.

Outlook: Equitas Small Finance Bank's outlook remains positive, supported by strong credit growth, increasing portfolio diversification and steady improvement in asset quality. Gross advances grew 30% YoY to ₹50,669 crore in Q2FY27, registering 6.4% QoQ growth over ₹47,641 crore in Q1FY27. Management has raised its FY27 credit growth guidance to over 25%, driven by healthy traction across MSME, Housing, Vehicle Finance and Gold Loans. Asset quality continued to improve, with GNPA declining to 2.29% from 2.42% in Q1FY27 and NNPA moderating to 0.70% from 0.71%, while credit cost declined to 0.94% from 1.37% QoQ. Profitability also strengthened, with PAT increasing to ₹218 crore from ₹184 crore in the previous quarter and RoA reaching 1.31%. Management has upgraded its FY27 RoA guidance to 1.35%, with an exit target of 1.5% by Q4FY27. On the liabilities front, deposits grew 19% YoY and 7% QoQ to ₹52,483 crore, with retail deposits, including CASA, contributing 68% of the overall deposit base. Overall, sustained credit growth, improving asset quality and a gradual recovery in margins provide a favourable earnings outlook. However, the upcoming leadership transition remains a key monitorable. Factoring in the uncertainty and execution risks associated with the new CEO, we assign Equitas a PO of ₹80/share.

CMP: ₹53.8
View: Positive
Price Objective: ₹80

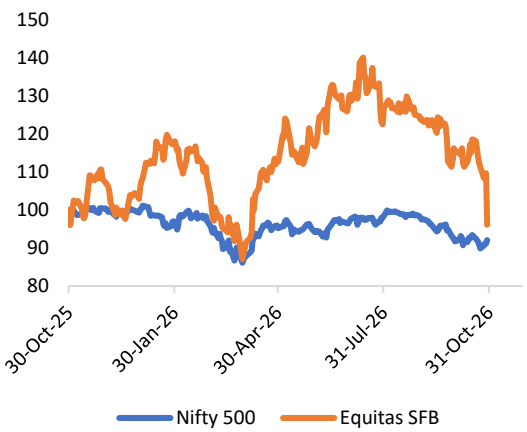
Stock Info	
BSE	543243
NSE	EQUITASBNK
Sector	Bank
Face Value (₹)	₹10.00
Equity Capital (₹ Cr)	₹1,144
Mkt Cap (₹ Cr)	₹6,064
Avg volume (1 year)	40,56,352
Dividend yield (%)	0.00%
52w H/L (₹)	83.9/47.5

Source: Company filings, PESB research

Shareholding Pattern (Sep 2026)	
FII	15.80%
DII	52.25%
Public	31.95%

Source: Company filings, PESB research

Nifty 500 Vs Equitas SFB



Source: Company filings, PESB research

Anupama Bhootra
Analyst
Siyaa Deshmukh
Associate

Equitas Small Finance Bank

Q2FY27 Financials

Particulars (In ₹ Crore)	Q2 FY27	Q1 FY27	Q2 FY26	QoQ (%)	YoY (%)
Interest Income	**2,086**	**1,960**	**1,617**	*6%*	*29%*
Non-Interest income	292	255	229	14%	27%
Total Income	**2,378**	**2,216**	**1,846**	*7%*	*29%*
Expenses					
Interest Expesnes	**1,040**	**931**	**814**	*12%*	*28%*
Operating Expenses	915	880	782	4%	17%
Operating Profit	**422**	**405**	**251**	*4%*	*69%*
Operating Profit Margin	***20%***	***21%***	***15%***	***-40bps***	***476bps***
Provisions for Contingency	135	160	217	-16%	-38%
EBT	**287**	**245**	**34**	17%	757%
EBT Margin	***14%***	***12%***	***2%***	***129bps***	***1170bps***
Tax Expense	69	61	9	14%	638%
PAT	**218**	**184**	**24**	*19%*	*803%*
PAT Margin	***10%***	***9%***	***1%***	***107bps***	***896bps***
EPS	***1.91***	***1.61***	***0.21***	*19%*	*803%*

Source: Company filings, PESB research

➢ Concall Highlights

- **Broad-based Advance Growth:** Gross advances crossed the ₹50,000 crore milestone, reaching ₹50,669 crore, registering 30% YoY / 6% QoQ growth. Q2FY27 disbursements stood at ₹7,450 crore, up 38% YoY / 10% QoQ, reflecting healthy traction across lending segments.

- **Continued Diversification Beyond Microfinance:** The non-MFI portfolio grew 24% YoY, led by MSE finance (+38%), Housing Finance (+27%), Gold Loans (+193%) and Small Business Loans (+16%). Management highlighted that MFI now accounts for just 2.9% of overall advances, reducing concentration risk and supporting a more diversified loan mix.

- **Vehicle Finance Portfolio Mix:** The bank is consciously shifting its vehicle finance portfolio towards used vehicles. Used-car advances grew 29% YoY, while used commercial vehicle advances increased 21% YoY. Management also highlighted expanded sourcing coverage across nearly 90 additional branches through a hub-and-spoke model, improving reach without significant branch expansion.

- **FY27 Growth Guidance Upgraded:** Management raised its FY27 advances growth outlook to over 25%, compared with its earlier guidance of 20%+. MFI is expected to contribute around 10% of overall advances. The bank expects growth to be driven by diversified products, supported by improving disbursement momentum across business verticals.

- **Deposit Mobilisation Gaining Momentum:** Total deposits increased 19% YoY / 7% QoQ to ₹52,483 crore, while CASA stood at 26%. Retail deposits, including CASA, contributed 68% of the overall deposit base. The credit-deposit ratio moderated to 90.53% from 92.93% in Q1FY27, indicating improved liquidity headroom.

- **Strengthening Retail Liability Franchise:** The bank mobilised US$110 million in FCNR deposits from around 4,000 customers across 150 countries. Its ARTHA HNI programme crossed 2,000 customers, with relationship value approaching ₹2,000 crore. The RM-managed deposit book grew 11% QoQ, while 92% of bulk deposits were non-callable.

- **Funding Cost and NIM Pressure:** Cost of funds increased by 7 bps QoQ, while NIM declined 55 bps QoQ to 6.69%, primarily due to surplus liquidity and higher interest expenses. Management expects excess liquidity to be largely deployed during Q3FY27, with NIM improving by approximately 18–20 bps by Q4FY27.

Concall Highlights

- **Improving Asset Quality:** GNPA declined 13 bps QoQ to 2.29%, while NNPA moderated 1 bps QoQ to 0.70%. Net slippages improved to 1.39% from 1.43% in Q1FY27. Provision coverage stood at 70.08% / 86.73% including technical write-offs, reflecting continued improvement in portfolio quality.

- **Microfinance Collection Trends Remain Stable:** Management highlighted stable collection efficiency despite weather-related concerns in Maharashtra and Karnataka. MFI contributes only 2.9% of advances, while Tamil Nadu accounts for nearly 42% of the overall book. The 1–90 DPD MFI customer base increased marginally to 25,776 from 25,200 in June.

- **Record Profitability and Improved Returns:** The bank reported its highest-ever quarterly PAT of ₹218 crore, compared with ₹24 crore in Q2FY26 / ₹184 crore in Q1FY27. RoA improved to 1.31% / RoE to 13.50%. Performance was supported by higher other income, lower credit costs and improving operating efficiency.

- **Improving Operating Leverage:** Operating expenses increased 20% YoY / 4% QoQ to ₹911 crore, reflecting business expansion. However, cost of assets improved to 5.49% from 5.61% in Q1FY27. Management expects further moderation in the cost-to-income ratio during H2FY27, supported by scale benefits and growth in advances.

- **Capital Adequacy:** The bank raised ₹500 crore through 10-year Tier-II bonds during September, taking Tier-II capital to 4.57% from 3.43%. Overall capital adequacy stood at 20.92%, with Tier-I at 16.35%. Management indicated that the capital raise provides sufficient headroom to support business expansion over the coming quarters.

- **MD & CEO Resignation:** MD & CEO P.N. Vasudevan has submitted his resignation, with the board initiating the process to identify his successor through the Nomination and Remuneration Committee. Management clarified that the announcement was necessary before approaching potential candidates, as formally communicating the vacancy would help attract the best available talent rather than limiting the search to second-tier candidates. The board expects the selection, regulatory approval and transition to be completed within 3–4 months. Vasudevan will continue until his successor takes charge, ensuring continuity during the transition.

- **Cost of Funds:** Cost of funds increased by 7 bps QoQ to 7.12%, primarily due to deposit rate revisions in savings accounts and term deposits undertaken at the beginning of the previous quarter. Management does not expect further deposit rate hikes following the recent repo rate increase.

- **FCNR(B) Deposits:** The bank mobilised US$110 million through the RBI's FCNR(B) scheme window, taking its total FCNR(B) book to US$138 million (~₹1,100 Cr). Management highlighted that the mobilisation was achieved without any specific leveraging opportunity. Around 50% of the FCNR book is in the 5-year bucket, 30% in 4-year and 20% in 3-year deposits.

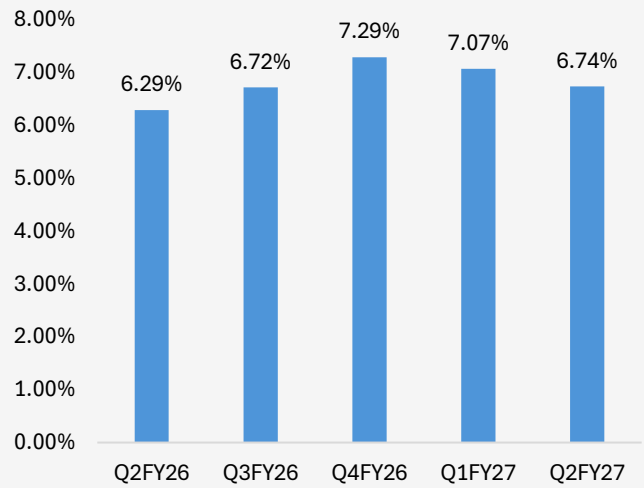
- **Liquidity Deployment:** Strong deposit mobilisation, refinance borrowings, securitisation, direct assignment transactions and Tier-II capital raising resulted in temporary excess liquidity. Management indicated that the surplus liquidity will be largely deployed in Q3FY27, with the full benefit of deployment expected to reflect in margins by Q4FY27.

- **NIM Outlook:** NIM declined 55 bps QoQ to 6.69% from 7.24%, impacted by excess liquidity and higher funding costs. Management expects NIM to improve by approximately 18–20 bps by Q4FY27 as surplus liquidity gets deployed, supporting the gradual recovery in margins.

- **Drought-related Stress:** The bank's MFI exposure to drought-affected districts in Maharashtra and Karnataka is limited to ~2.9% of overall advances. Management reported no meaningful impact on collection efficiency between September and October, despite some localised political interventions in Maharashtra. Karnataka collections remained stable to better, while Tamil Nadu's Northeast Monsoon trends were more favourable than earlier anticipated. The portfolio remains under close monitoring.

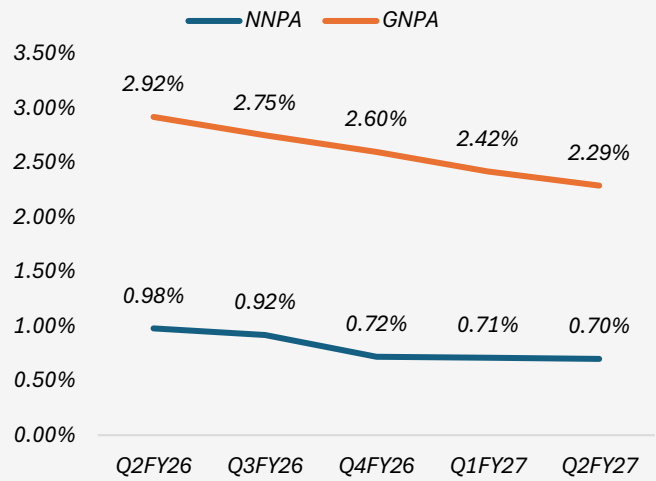
Charts

Net Interest Margin



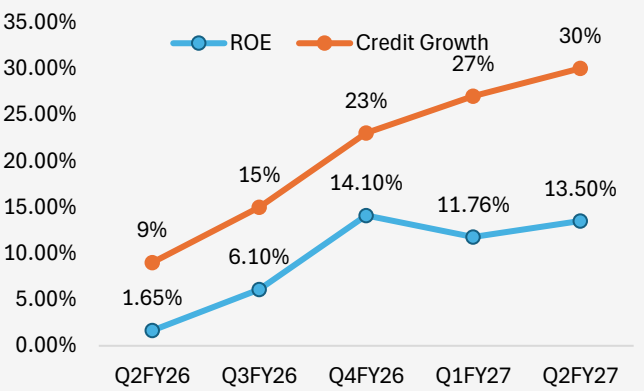
Source: Company filings, PESB research

GNPA/NNPA



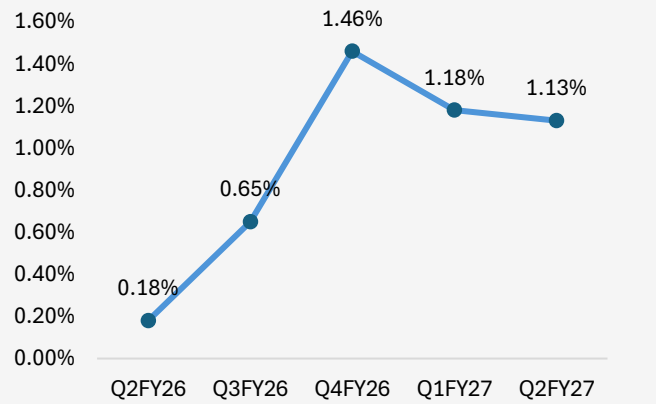
Source: Company filings, PESB research

Credit Growth & ROE



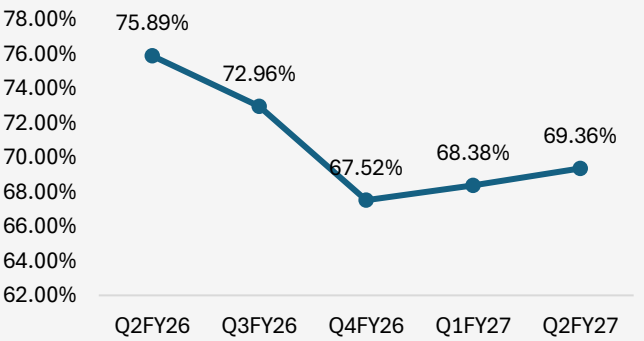
Source: Company filings, PESB research

ROA



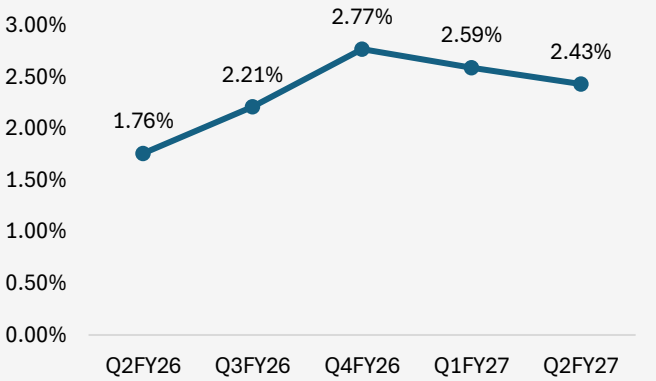
Source: Company filings, PESB research

Cost – to – Income Ratio



Source: Company filings, PESB research

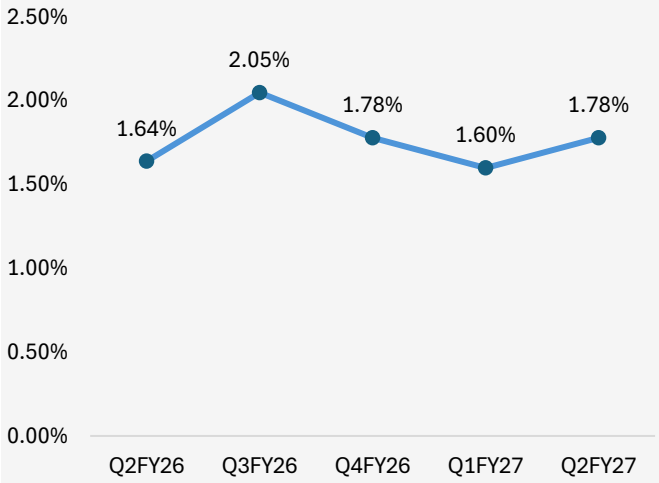
PPoP / Assets



Source: Company filings, PESB research

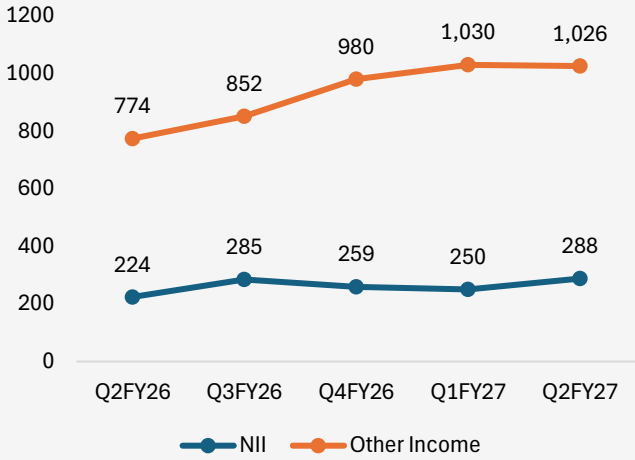
Charts

Other Income[Net] Contribution



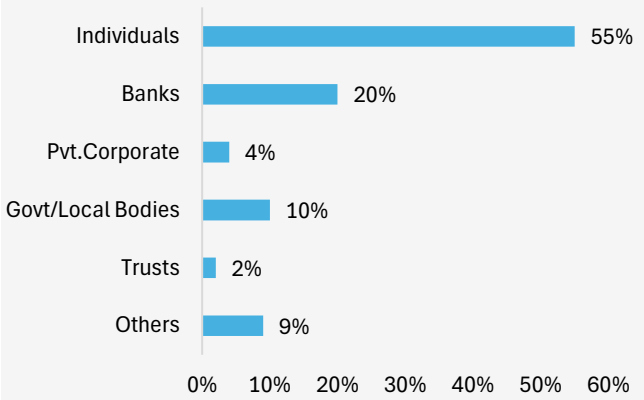
Source: Company filings, PESB research

Net Income Evolution(Cr)



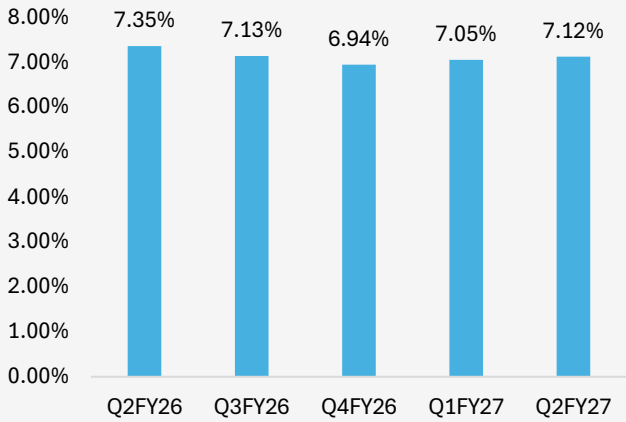
Source: Company filings, PESB research

Deposit Category



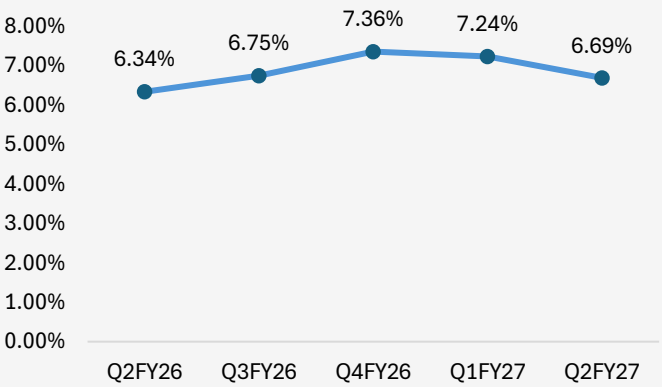
Source: Company filings, PESB research

Daily Average Cost of Fund



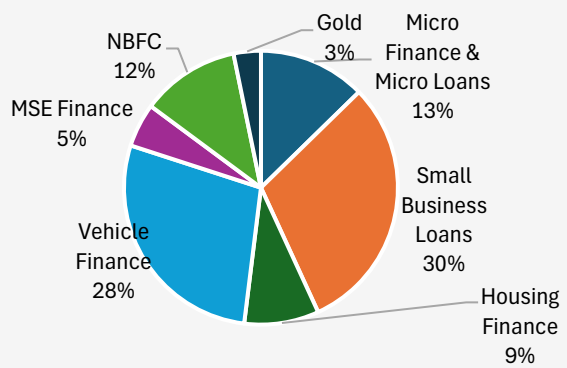
Source: Company filings, PESB research

Daily Average Cost of NIM



Source: Company filings, PESB research

Loan Disbursement Segment



Source: Company filings, PESB research

Key Operational and Financial Metrics

➢ Key Financial Metrics

Key Financial Ratios	FY23	FY24	FY25	FY26
Yield on Advances (%)	16.99%	17.29%	16.25%	17.21%
Cost of Deposits (%)	7.30%	7.83%	7.72%	7.59%
Cost of Funds (%)	6.38%	7.26%	7.50%	7.22%
Net Interest Margin (NIM) (%)	9.00%	8.36%	7.51%	6.69%
Cost to Income Ratio (%)	62.31%	63.74%	67.64%	71.75%
Credit Deposit Ratio	102%	86%	84%	92%
Return on Assets (%)	1.89%	2.00%	0.30%	0.19%
Return on Equity (%)	12.55%	14.43%	2.45%	1.73%
Book Value Per Share (Rs)	45.26	52.36	53.27	53.73
Credit cost	1.56%	1.01%	3.14%	2.78%

Source: Company filings, PESB research

Financials

Income Statement

Particulars (in ₹ cr)	FY24	FY25	FY26
Interest Income	5,486	6,312	6,794
Interest Income Growth	-	15%	8%
Non-Interest Income	799	911	1,074
Total Income	6,285	7,223	7,868
Expenses			
Interest Expenses	2,407	3,060	3,403
Operating Expenses	2,501	2,829	3,200
Operating Profit	1,377	1,334	1,265
Provision & Contingencies other than taxes	578	1,187	1,137
PBT	799	147	128
PBT Margin	*15%*	*2%*	*2%*
Tax Expense			25
PAT	799	147	103
PAT Margin	*15%*	*2%*	*2%*
PAT Growth	*-*	*-82%*	*-30%*

Source: Company filings, PESB research

Balance Sheet

Particulars (in ₹ cr)	FY24	FY25	FY26
Capital & Liabilities			
Capital	1,135	1,140	1,141
Reserve & surplus	4,834	4,933	4,984
Deposits	36,129	43,107	46,533
Borrowings	1,788	2,137	5,773
Other Liabilities & Provisions	1,418	1,519	2,179
Total Capital & Liabilities	**45,304**	**52,836**	**60,610**
Assets			
Cash Balance with RBI	3,500	4,954	5,563
Balance with banks, call money & short notice	79	582	103
Investments	9,065	9,289	10,149
Advances	30,964	36,209	42,751
Fixed Assets	605	696	715
Other Assets	1,091	1,106	1,329
Total Assets	**45,304**	**52,836**	**60,610**

Source: Company filings, PESB research

Cash Flow Statement

Particulars (in ₹ Cr)	FY24	FY25	FY26
Cash flow from Operating Activities	3,834	1,937	-3,316
Cash flow from Investing Activities	-360	-239	-185
Cash flow from Financing Activities	-1,210	259	3,641
Net Change In Cash	**2,264**	**1,957**	**140**
Opening Balance	1,244	3,508	5,465
Closing Balance	**3,508**	**5,465**	**5,605**

Source: Company filings, PESB research

Disclosures and Disclaimers:

Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

This report has been prepared by Pune E- Stock Broking Limited (here in after referred to as PESB) in the capacity of a Research Analyst registered with SEBI and distributed as per SEBI (Research Analysts) Regulations 2014. This report is prepared and distributed by Research Analysts employed by PESB for information purposes only, and neither the information contained herein, nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment, or derivatives. The information and opinions contained in the report were considered by PESB to be valid when published. The report also contains information provided to PESB by third parties. Whilst PESB has taken all reasonable steps to ensure that all the information in the report is correct, PESB does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report does so entirely at his or her own risk and PESB does not accept any liability as a result. Securities markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance. Investors must undertake independent analysis with their own legal, tax, and financial advisors and reach their own conclusions regarding investment in securities market and should understand that. Under no circumstances can it be used or considered as an offer to sell or as a solicitation of any offer to buy or sell the securities mentioned within it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which PESB believe is reliable. PESB or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any information provided in the report reflects analysis at this date and are subject to change without notice. PESB submits that no material disciplinary action has been taken on PESB by any regulatory authority impacting Research Analysis activities. PESB is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.: INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 173556, SEBI Research Analyst Reg. No.: INH000018197, CIN - L67120PN2007PLC130374.

Certifications: The Research Analyst(s), Shubham Mundada, who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst(s) have no known conflict of interest and no part of the research analyst's compensationwas, is, or will be, directly or indirectly,related to the Specific views or recommendations contained in this research report.

AdditionalDisclosures of Interest:
The ResearchAnalyst, PESB, or its associates or relatives of the research analyst does not have any Financial interest in the company (ies) covered in this report. The ResearchAnalyst, PESB or its associates or relatives of the research analyst affiliates do not hold more than 1% of the securities of the company (ies) covered in this report as of the end of the month immediately preceding the distribution of the research report. The Research Analyst, his/her associate, his/her relative, and PESB, do not have any othermaterial conflict of interest at the time of publication of this research report. The Research Analyst,PESB, and its associates have not received compensation for brokerage Services, investment banking,merchant banking or for any other products or services fromthe Company (ies) covered in this report, in the past twelve months. The Research Analyst,PESB or as associates have not managed or co-managed,in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report. The Research Analyst, PESB or its associates have not received compensation or other benefits fromthe company (ies) covered in this report or fromany third party, in connectionwith the research report. The Research Analyst has not served as an Officer,Director, or employee of the company (ies) covered in the Research report. The Research Analyst and PESB has not been engaged in marketmaking activity for the company (ies) covered in the Research report.
This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual Recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investo₹Each investor must make its own determination as to the appropriateness of any Securities referred to in this research report based upon the legal, tax and accounting considerations Applicable to such investor and its own investment objectives or strategy, its financial situation and its Investing experience. The value of any securitymay be positively or adversely affected by changes in Foreign exchange or interestrates, as well as by other financial, economic, or political facto₹ Sources, Completeness and Accuracy: The material herein is based upon information obtained from sources that PESB and the research analyst believe to be reliable, but neither PESB nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, PESB is under no obligation to update or keep the information current. Without limiting any of the foregoing, in no event shall PESB, any of its affiliates/employees or any third party involved in or related to computing or compiling the information have any liability for any damages of any kind including but not limited to any direct or consequential loss or damage, however arising, fromthe use of this report.

Copyright: The copyright in this research report belongs exclusively to PSB. All rights are reserved. Any unauthorised use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PESB prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety. Caution: Risk of loss in trading/investment can be substantial and even more than the amount / margin given by you. Investment in securities market are subject to market risks, you are requested to read all the related documents carefully before investing. You should carefully consider whether trading investment is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. PESB and any of its employees, directors, associates, group entities, or affiliates shall not be liable for losses, if any, incurred by you. You are further cautioned that trading/investments in financial markets are subject to market risks and are advised to seek independent third-party trading/investment advice outside PESB/group/associates/affiliates/directors/employees before and during your trading/investment. There is no guarantee/assurance as to returns or profits or capital protection or appreciation. PESB and any of its employees, directors, associates, and/ or employees, directors, associates of PESB's group entities or affiliates is not inducing you for trading investing in the financial market(s). Trading/Investment decision is your sole responsibility.You must also read the Risk Disclosure Document and Do's and Don'ts before investing. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject PESB and affiliates to any registration or licensing requirement within such jurisdiction. The Profits or capital protection or appreciation. PESB and any of its employees, directors, associates, and/or employees, directors, associates of PESB's group entities or affiliates is not inducing you for Trading/investing in the financial market(s). Trading/Investment decision is your sole responsibility. You must also read the Risk Disclosure Document and Do's and Don'ts before investing. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject PESB and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investo₹Persons in whose possession this document may come are required to informthemselves off and to observe such restriction. For Detailed Disclaimer, please visit our website www.pesb.co.in/