

BUY
TP: Rs 81 | ▲ 16%
EQUITAS SMALL FINANCE BANK

| Banking

| 31 January 2026

Profitability turnaround; loan growth picks up, stress moderates

- Earnings improved on ARC sales and loan growth; Meaningful improvement in return ratios likely in the next 2 years
- Asset quality improved, largely supported by low net slippages. MFI X bucket CE improved to 98.99% (Q3FY26) vs 98.56% (Q2FY26)
- Maintain BUY. Revise TP of Rs 81 (earlier Rs 67); set at 1.3x Dec'27E ABV (from 1.1x) vs the last 3Y average P/ABV of 1.5x

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Profitability improved on income from ARC sales and pickup in advances:

EQUITASB reported PAT of Rs 900mn (+3.7x QoQ) in Q3FY26 that was above our estimates of Rs 646 mn, primarily driven by the income from NPA assets sold to ARC of ~Rs 315mn. Further, the NII increased to Rs 8.5bn (+10% QoQ), driven by rise in gross advances to 10.6% QoQ vs low single digit growth in the last few quarters. This was largely led by strong pick-up in MFI loans (+52% QoQ) vs sequential degrowth witnessed in the last six quarters. Management expects MFI share to be 10% vs ~8.5% (excluding DA book), as of Q3FY26. With rising share of high-yielding MFI disbursement and 22bps QoQ decline in CoF, NIMs improved to 6.72% (+43bps QoQ). C/I ratio improved but stayed elevated to 73.1% (Q3FY26) from 76% (Q2FY26). Management guided C/I to improve to ~65% by Q3/Q4FY27, largely on the back of a likely high growth in advances (20%+ YoY in FY27), as expenses largely fixed. With stable NIMs, operating leverage and lower credit cost, we expect return ratios to improve meaningfully in the next couple of years.

AQ improved, largely supported by low net slippages: Asset quality (AQ) improved, driven by stress metrics moderating with GNPA down to 2.62% (-20bps QoQ). This was mainly due to six-quarter low net slippages of 2.52% (-1.26% QoQ), led by MFI net slippages of 12.08% (-8.06% QoQ) and SBL (41% of gross loans) to 1.53% (-95bps QoQ). Also, the X bucket collection efficiency for the overall MFI portfolio improved to 98.99% (Q3FY26) vs 98.56% (Q2FY26). Further, Tamil Nadu accounts for >50% of total MFI book, wherein CE improved to 99.09% (Q3FY26) from 98.63% (Q2FY26). As a result, the bank's early delinquency buckets improved with 1-90DPD at 7.6% (-1.46% QoQ) in Q3FY26. PCR remains healthy at 67.1% (83.9% including technical write-offs) with additional buffers through stress provisions and guarantee cover under CGFMU and CGTMSE schemes.

Maintain BUY: We expect advances to grow at ~19% CAGR during FY25-28E. We raised our PAT estimates by 3.4%/5.4% and expect improvement in RoA/RoE to 1.1%/1.4% and 11.2%/14.9% in FY27/FY28E. Hence, we maintain BUY and increase valuation multiple to 1.3x Dec'27E ABV (from 1.1x) vs the last 3Y average of 1.5x to arrive at a revised TP of 81 (from Rs 67).

Key changes

| | Target | Rating |
|------------------|-------------------|--------|
| Ticker/Price | EQUITASB IN/Rs 70 | |
| Market cap | US\$ 869.2mn | |
| Free float | 100% | |
| 3M ADV | US\$ 2.9mn | |
| 52wk high/low | Rs 73/Rs 50 | |
| Promoter/FPI/DII | 0%/15%/50% | |

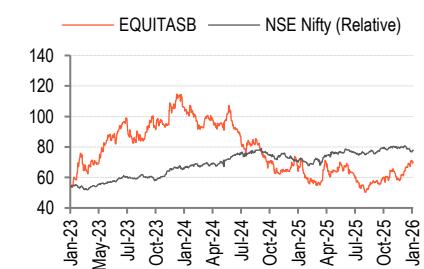
Source: NSE | Price as of 30 Jan 2026

Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|-------------------------|--------|--------|--------|
| NII (Rs mn) | 32,516 | 33,124 | 39,431 |
| NII growth (%) | 5.6 | 1.9 | 19.0 |
| Adj. net profit (Rs mn) | 1,470 | 400 | 7,189 |
| EPS (Rs) | 1.3 | 0.4 | 6.3 |
| Consensus EPS (Rs) | 1.3 | 0.3 | 5.7 |
| P/E (x) | 54.2 | 199.7 | 11.1 |
| P/BV (x) | 1.3 | 1.3 | 1.2 |
| ROA (%) | 0.3 | 0.1 | 1.1 |
| ROE (%) | 2.4 | 0.7 | 11.2 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

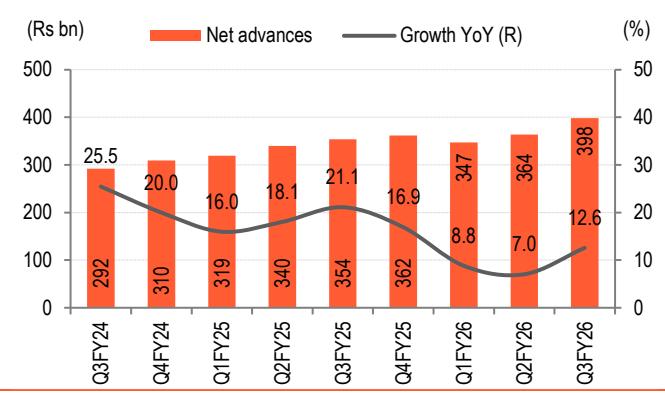
| (Rs mn) | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | QoQ (%) | YoY (%) |
|---|---------------|---------------|----------------|---------------|---------------|--------------|--------------|
| Income Statement | | | | | | | |
| Interest Income | 14,250 | 14,477 | 14,340 | 14,104 | 14,949 | 4.9 | 6.0 |
| Income on investments | 1,637 | 1,594 | 1,612 | 1,629 | 1,693 | 3.4 | 3.9 |
| Int. on bal. with RBI & inter-bank funds & Others | 232 | 369 | 537 | 441 | 276 | 18.8 | (37.5) |
| Interest income | 16,119 | 16,440 | 16,489 | 16,173 | 16,917 | 4.9 | 4.6 |
| Interest expense | 7,935 | 8,145 | 8,631 | 8,437 | 8,401 | 5.9 | (0.4) |
| Net interest income | 8,184 | 8,294 | 7,857 | 7,737 | 8,516 | 4.1 | 10.1 |
| Growth YoY (%) | 4.2 | 5.5 | (2.0) | (3.6) | 4.1 | | |
| Others | 2,384 | 2,254 | 2,917 | 2,289 | 2,895 | 21.4 | 26.4 |
| Non-interest income | 2,384 | 2,254 | 2,917 | 2,289 | 2,895 | 21.4 | 26.4 |
| Growth YoY (%) | 16.0 | (6.2) | 39.8 | (4.2) | 21.4 | | |
| Total income | 10,568 | 10,549 | 10,774 | 10,026 | 11,411 | 8.0 | 13.8 |
| Growth YoY (%) | 6.7 | 2.8 | 6.7 | (3.7) | 8.0 | | |
| Staff expenses | 4,255 | 4,184 | 4,600 | 4,737 | 5,163 | 21.3 | 9.0 |
| Other operating expenses | 2,985 | 3,251 | 3,027 | 2,884 | 3,176 | 6.4 | 10.1 |
| Operating expenses | 7,239 | 7,436 | 7,627 | 7,621 | 8,339 | 15.2 | 9.4 |
| Pre-Provisioning Profit (PPoP) | 3,329 | 3,113 | 3,148 | 2,406 | 3,072 | (7.7) | 27.7 |
| Growth YoY (%) | (7.6) | (16.9) | (7.5) | (31.2) | (7.7) | | |
| Provisions | 2,431 | 2,580 | 6,122 | 2,070 | 1,935 | (20.4) | (6.6) |
| Growth YoY (%) | 188.1 | 142.0 | 101.0 | (37.2) | (20.4) | | |
| Exceptional Item | - | - | - | - | - | - | - |
| PBT | 897 | 533 | (2,975) | 335 | 1,137 | 26.7 | 239.1 |
| Tax | 234 | 112 | (737) | 94 | 237 | 1.1 | 152.0 |
| PAT | 663 | 421 | (2,238) | 241 | 900 | 35.8 | 273.0 |
| Growth YoY (%) | (67.2) | (79.7) | (968.7) | 87.4 | 35.8 | | |
| Per Share | | | | | | | |
| FV (Rs) | 10 | 10 | 10 | 10 | 10 | 0.0 | 0.0 |
| EPS (Rs) | 0.6 | 0.4 | (2.0) | 0.2 | 0.8 | 36.2 | 276.2 |
| Book Value (Rs) | 63 | 63 | 61 | 61 | 62 | (1.0) | 1.2 |

Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other key metrics

| (Rs mn) | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | QoQ (%) | YoY (%) |
|----------------------------|-------------|-------------|-------------|-------------|-------------|----------------|--------------|
| Deposits | 4,07,380 | 4,31,067 | 4,43,790 | 4,40,935 | 4,36,680 | 7.2 | (1.0) |
| Growth YoY (%) | 25.8 | 19.3 | 18.3 | 10.6 | 7.2 | | |
| Advances | 3,53,860 | 3,62,089 | 3,47,410 | 3,63,523 | 3,98,460 | 12.6 | 9.6 |
| Growth YoY (%) | 21.1 | 16.9 | 8.8 | 7.0 | 12.6 | | |
| Investment | 94,150 | 92,887 | 90,630 | 1,05,980 | 1,04,180 | 10.7 | (1.7) |
| Equity | 71,460 | 72,124 | 69,890 | 69,985 | 70,870 | (0.8) | 1.3 |
| Assets | 5,08,230 | 5,28,356 | 5,39,340 | 5,54,313 | 5,57,860 | 9.8 | 0.6 |
| Growth YoY (%) | 22.2 | 16.6 | 16.1 | 14.0 | 9.8 | | |
| Yield (%) | | | | | | | |
| Yield on Funds | 13.52 | 13.16 | 12.84 | 12.32 | 12.65 | (87bps) | 33bps |
| Cost of Funds | 7.55 | 7.37 | 7.53 | 7.18 | 7.04 | (51bps) | (15bps) |
| Spread | 5.97 | 5.79 | 5.30 | 5.14 | 5.61 | (35bps) | 48bps |
| Net Interest Margin | 6.86 | 6.64 | 6.12 | 5.89 | 6.37 | (49bps) | 47bps |
| Ratios (%) | | | | | | | |
| Other Income / Net Income | 22.6 | 21.4 | 27.1 | 22.8 | 25.4 | 281bps | 253bps |
| Cost to Income ratio | 68.5 | 70.5 | 70.8 | 76.0 | 73.1 | 458bps | (293bps) |
| CASA ratio | 28.6 | 28.8 | 29.4 | 30.9 | 29.5 | 87bps | (138bps) |
| C/D ratio | 86.9 | 84.0 | 78.3 | 82.4 | 91.2 | 439bps | 880bps |
| Investment to Assets | 18.5 | 17.6 | 16.8 | 19.1 | 18.7 | 15bps | (44bps) |
| Assets Quality | | | | | | | |
| GNPA | 10,719 | 10,677 | 10,360 | 10,819 | 11,161 | 4.1 | 3.2 |
| NNPA | 3,400 | 3,540 | 3,416 | 3,578 | 3,672 | 8.0 | 2.6 |
| Provision | 7,318 | 7,137 | 6,944 | 7,241 | 7,489 | 2.3 | 3.4 |
| GNPA (%) | 2.97 | 2.89 | 2.82 | 2.82 | 2.62 | (35bps) | (20bps) |
| NNPA (%) | 0.96 | 0.98 | 0.95 | 0.95 | 0.88 | (8bps) | (7bps) |
| Provision (%) | 68.28 | 66.85 | 67.03 | 66.93 | 67.10 | (117bps) | 18bps |
| Others | | | | | | | |
| Branches | 994 | 994 | 1,035 | 1,042 | 1,053 | 59 | 11 |
| ATMs | 375 | 375 | 376 | 382 | 390 | 15 | 8 |
| Employees | 24,238 | 25,409 | 25,865 | 27,145 | 28,451 | 4,213 | 1,306 |

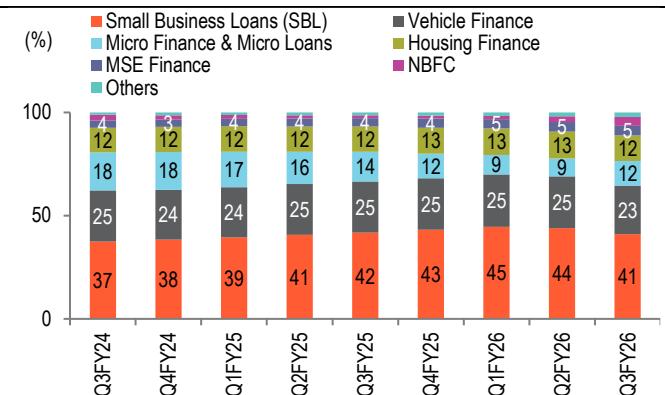
Source: Company, BOBCAPS Research

Fig 3 – Advances grew 12.6% YoY

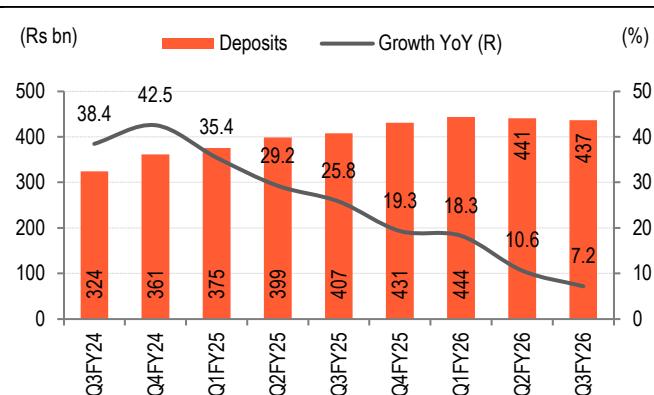
Source: Company, BOBCAPS Research

Fig 4 – Unsecured mix (including DA) rises to 12% in Q3

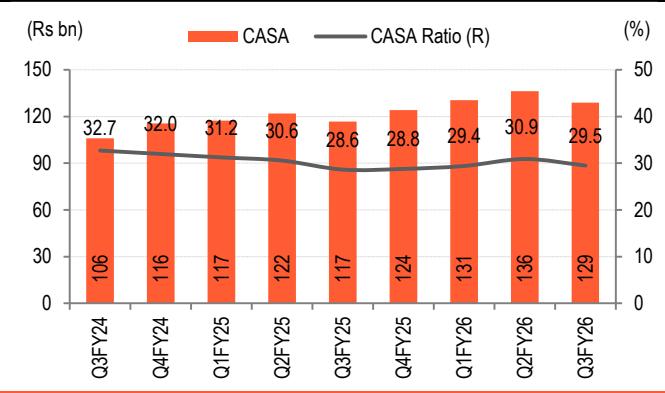
Source: Company, BOBCAPS Research

Fig 5 – Rising granularity of loan mix

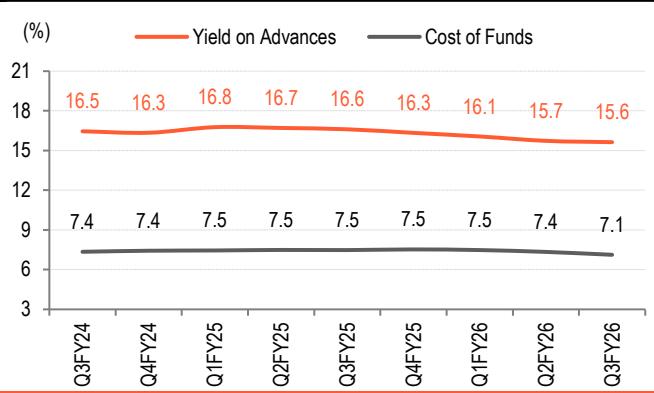
Source: Company, BOBCAPS Research

Fig 6 – Deposits growth moderated

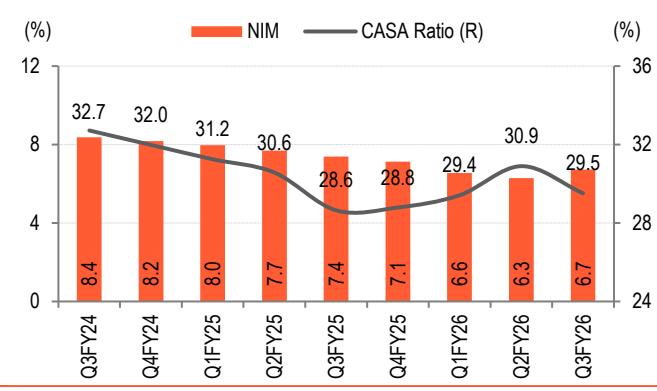
Source: Company, BOBCAPS Research

Fig 7 – CASA ratio stood at 29.5%

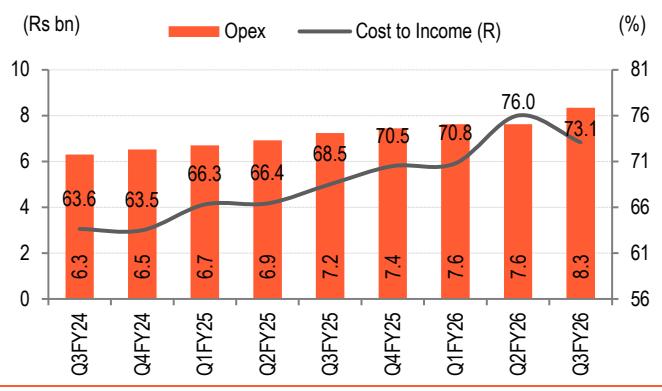
Source: Company, BOBCAPS Research

Fig 8 – Yield compression lower than CoF reduction...

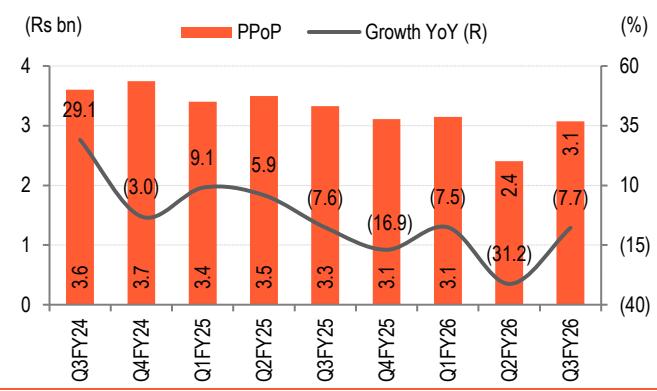
Source: Company, BOBCAPS Research

Fig 9 – ...aided NIMs that improved 43bps QoQ

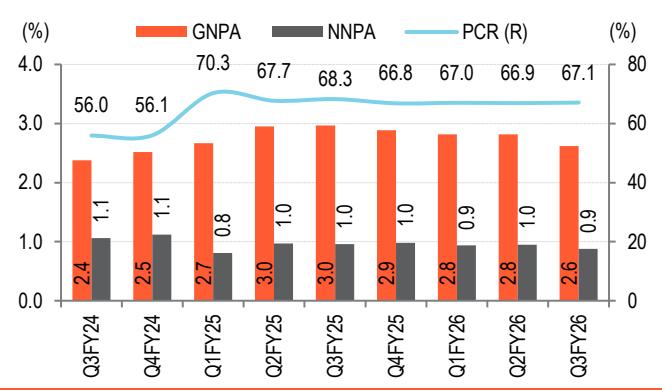
Source: Company, BOBCAPS Research

Fig 10 – C/I ratio improved ...

Source: Company, BOBCAPS Research

Fig 11 – ...resulting in a QoQ increase in PPoP

Source: Company, BOBCAPS Research

Fig 12 – Asset quality improved

Source: Company, BOBCAPS Research

Fig 13 – Credit cost normalised

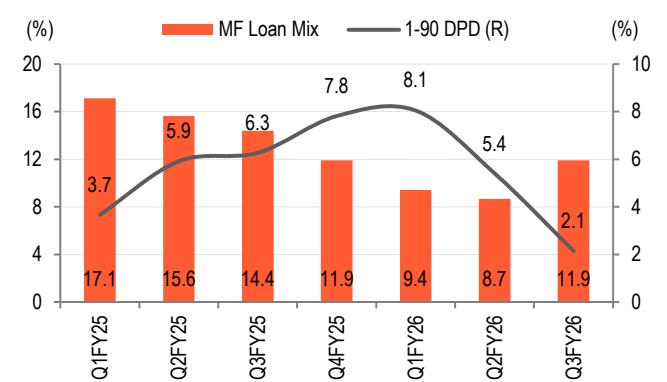
Source: Company, BOBCAPS Research

Fig 14 – Provisioning remains more stringent than IRAC norms

| Asset Classification | Nature | As per IRAC (%) | As per Equitas - Mar'25 (%) | As per Equitas - Dec'25 (%) |
|----------------------|-----------|-----------------|-----------------------------|-----------------------------|
| Sub-standard | Secured | 15 | 25 | 27 |
| | Unsecured | 25 | 87 | 100 |
| Doubtful-1 | Secured | 25 | 57 | 77 |
| | Unsecured | 100 | 100 | 100 |
| Doubtful-2 | Secured | 40 | 61 | 100 |
| | Unsecured | 100 | 100 | 100 |
| Doubtful-3 | Secured | 100 | 100 | 100 |
| | Unsecured | 100 | 100 | 100 |

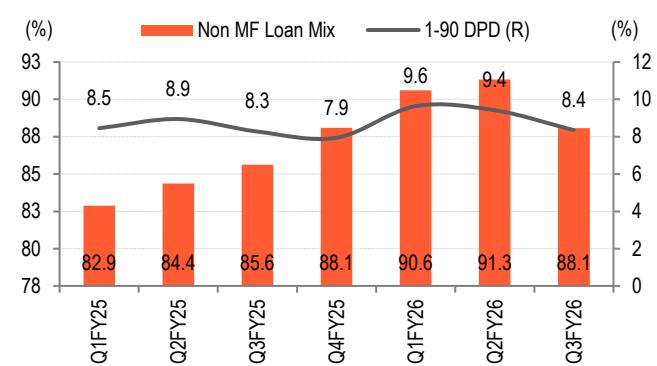
Source: Company, BOBCAPS Research

Fig 15 – DPD trends – MFI book improving



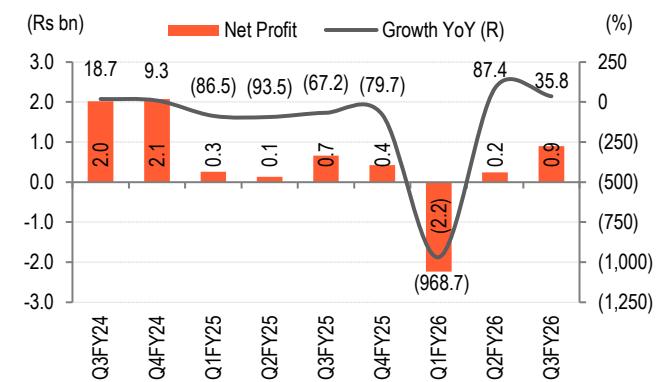
Source: Company, BOBCAPS Research

Fig 16 – DPD trends – non-MFI book improving



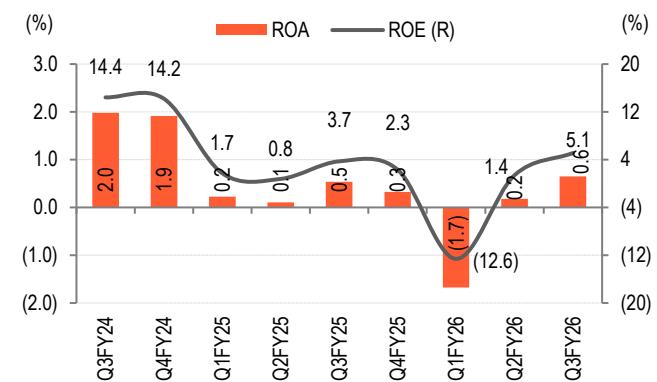
Source: Company, BOBCAPS Research

Fig 17 – PAT grew 36% YoY



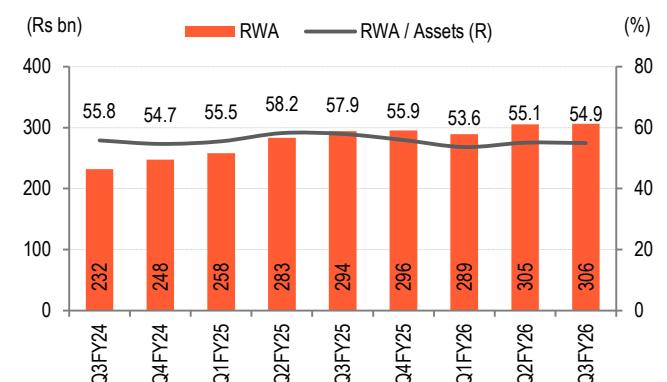
Source: Company, BOBCAPS Research

Fig 18 – Return ratios set to improve



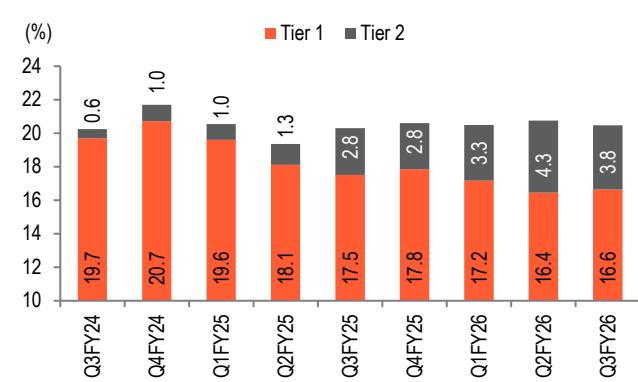
Source: Company, BOBCAPS Research

Fig 19 – RWA/Assets stable



Source: Company, BOBCAPS Research | RWA: Risk-Weighted Asset

Fig 20 – Well capitalised with 20.47% CAR



Source: Company, BOBCAPS Research

Earnings Call Highlights

Guidance

Management guided for:

- Advances growth of ~15% YoY in FY26, and a sustainable ~20%+ YoY growth beyond FY26. MFI mix to be 10% of total loans.
- Deposit growth to be in line with loan growth or ~2-3% higher than loan growth.
- Credit costs to fall below 1.5% in Q4FY26 and 1.5-1.7% in FY27E.
- C/I ratio likely to improve to ~65% level by Q3/Q4FY27E, largely supported by high loan growth.
- RoA to be 1% by Q4FY26 and 1.5% by Q4FY27.

Advances overview

- **Gross Advances:** Up 16% YoY to Rs 432.7bn in Q3FY26.
- Growth was driven by strong disbursement momentum, particularly in MFI and NBFC segments.

Segment-wise advances

- **Small Business Loans (41% of mix):**
 - Grew 14% YoY & 3% QoQ and stood at Rs 178bn.
 - SBL remains the core franchise, with improving AQ and conscious efforts to reduce geographic concentration.
- **Vehicle Finance (23% of mix):**
 - Grew 9% YoY, driven by the used vehicle segment- Used Cars (+36% YoY) and Used CVs (+23% YoY).
 - The bank is intentionally shifting away from New CVs (which grew 26% YoY) to focus on small operators (owners of 1-2 vehicles) in the used category, where they have 15 years of experience and better asset quality.
- **Microfinance (12% of mix):**
 - MFI book stood at Rs 51.6bn (-4% YoY; +52% QoQ), due to pickup in disbursements from the last quarter.
 - Disbursements rose 72% QoQ to Rs 11.7bn, signaling early stabilisation, which can be seen in strong collection efficiency and superior performance of the new book.
 - A one-time Direct Assignment purchase was undertaken only for PSL compliance, with strict asset selection and no change in long-term MFI strategy.

- While this purchase temporarily inflated MFI mix to 12%, the bank views it as a one-time transaction and intends to return the core MFI mix to the 10% level.
- **Affordable Housing Finance (12% of mix)**
 - Portfolio grew 17% YoY to Rs 53.6bn, with disbursements up 52% YoY to Rs 5.6bn.
 - While loss-making last year, it has now turned profitable and will likely report ROI contribution by the next year.
 - Focused on affordable housing and self-construction. The bank expanded AHF operations to 19 additional asset branches in Q3 and plans more by Q4FY26.

Deposits

- The bank maintains a granular deposit profile, with retail deposits (**CASA and Retail TD**) constituting **73%** of the total deposit base.
- Deposits grew 7% YoY, led by Retail TD (+5% YoY); CASA (+10% YoY). CA decline by 15% YoY; SA grew by 14% YoY.
- **Term deposit costs are trending down**, with ~60% of the TD book already repriced, ~20% due in Q4FY27 and rest by Q1FY27, thereby improving CoF.

Profitability

- The bank delivered PAT of Rs 900bn, up 36% YoY and 273% QoQ, **despite** absorbing a **one-time Rs295mn new labour code provision**.
- **NII- NII** stood at Rs 8.5bn, up 4% YoY and 10% QoQ. Yield on advances declined merely 10bps QoQ to 15.63%, while CoF eased 22bps QoQ to 7.13%.
 - **NIMs- NIM improved** to 6.72% (vs. 6.29% in Q2FY26), **driven by higher lending yields (16.22% on new disbursements)** and a **lower CoF (7.13%)**.
 - Management expects **NIMs to remain stable or improve marginally**, as portfolio mix pressure has eased and funding costs continue to trend lower.
- **Operating Profit-** PPoP came in at Rs 3.1bn, up 29% QoQ primarily due to higher NII. Operating expenses increased to Rs 8.4bn (+15% YoY; +9% QoQ)
- **Cost-to-Income** ratio decreased to 72.3% (or ~70% ex one-offs) in Q3FY26 from 75.9% in Q2.
- **Credit costs-** CC improved to 1.88% (2.16% QoQ, 2.65% YoY).
- Transition to ECL norms is expected to be neutral-to-positive, given the bank's largely secured loan book.
- Net slippages hit a **six-quarter low at 2.52%**, driven by a sharp reversal in Microfinance (MFI) stress and normalized delinquency in the Small Business Loan (SBL) segment.
- **Return Ratios-** RoA and RoE stood at 0.65% and 6.1%.

- Management noted that excluding the one-time labour code impact, the ROA would have been approximately 0.8%.

Asset quality

- Asset quality stabilised in Q3FY26, led by ARC sales, improvement in MFI book and continued resilience in the secured portfolio (SBL, MLAP, VF).
 - **Key Metrics:**
 - GNPA: improved by 20bps QoQ and stood at 2.62%. NNPA: improved by 7 bps QoQ and stood at 0.88%. PCR: Healthy at 67.1%.
 - Net slippages: Significantly dropped to 2.52% from 3.78% in the previous quarter.
 - **Segment level improvement:**
 - **Microfinance (MFI):** Early delinquency (1–90 DPD) improved sharply to **2.14%** from **5.40% QoQ**, driven by monthly repayments and tighter guardrails.
 - **Small Business Loans (SBL):** Delinquencies have returned to **near-normal levels**, with **material recovery in Karnataka**, supported by a **100% secured book** and tenor of **7–8 years**.
 - **Vehicle Finance:** Asset quality remains stable with lower DPDs, aided by a focus on **used CVs and used cars (~17% yields)** and **small operators**.

Other information

- The bank maintained a strong capital position with CRAR at 20.47% (Tier I: 16.63%, Tier II: 3.8%) as of Dec'25.

Valuation Methodology

We expect advances to grow at ~19% CAGR during FY25-28E. We raised our PAT estimates by 3.4%/5.4% and expect improvement in RoA/RoE to 1.1%/1.4% and 11.2%/14.9% in FY27/FY28E. This should be driven by a rise in loan growth, expected normalisation of credit costs and lower C/I ratio, leading to an improvement in return ratios all of which are likely to support the stock performance. Hence, we maintain BUY and increase valuation multiple to 1.3x Dec'27E ABV (from 1.1x) vs the last 3Y average of 1.5x to arrive at a revised TP of 81 (from Rs 67).

Fig 21 – Actual vs Estimates

| Key Parameters (Rs mn) | Q3FY26A | Q3FY26E | Actual vs. Estimates |
|------------------------|----------|----------|----------------------|
| Loan | 3,98,460 | 4,01,631 | (0.8) |
| Deposits | 4,36,680 | 4,36,680 | (0.0) |
| Assets | 5,57,860 | 5,89,195 | (5.3) |
| NII | 8,516 | 8,223 | 3.6 |
| PPOP | 3,072 | 2,613 | 17.6 |
| Provision | 1,935 | 1,752 | 10.4 |
| PAT | 900 | 646 | 39.4 |

Source: Company, BOBCAPS Research

Fig 22 – Key operational assumptions

| (%) | FY25A | FY26E | FY27E | FY28E |
|-----------------|--------|--------|--------|-------|
| Advances growth | 16.9 | 14.5 | 20.0 | 22.0 |
| NII growth | 5.6 | 1.9 | 19.0 | 21.5 |
| PPoP growth | (3.1) | (9.3) | 36.1 | 34.0 |
| PAT growth | (81.6) | (72.8) | 1695.8 | 49.3 |
| NIM | 7.5 | 6.6 | 6.8 | 6.9 |
| GNPA | 2.9 | 2.6 | 2.4 | 2.2 |
| CAR | 20.6 | 20.2 | 19.6 | 19.0 |

Source: Company, BOBCAPS Research

Fig 23 – Revised estimates

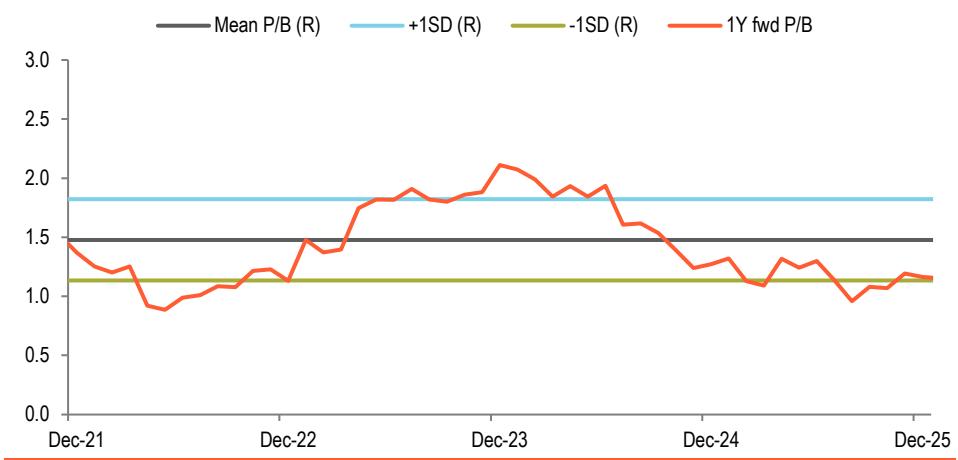
| Key Parameters (Rs mn) | New | | | Old | | | Change (%) | | |
|------------------------|----------|----------|----------|----------|----------|----------|------------|-------|-------|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Loan | 4,14,592 | 4,97,510 | 6,06,962 | 4,18,213 | 4,97,673 | 6,02,184 | (0.9) | (0.0) | 0.8 |
| Deposits | 4,82,795 | 5,74,526 | 6,89,432 | 5,08,659 | 6,10,391 | 7,32,469 | (5.1) | (5.9) | (5.9) |
| Assets | 5,85,569 | 6,96,040 | 8,36,210 | 6,22,996 | 7,32,758 | 8,70,066 | (6.0) | (5.0) | (3.9) |
| NII | 33,124 | 39,431 | 47,895 | 34,053 | 40,548 | 48,271 | (2.7) | (2.8) | (0.8) |
| PPOP | 12,108 | 16,479 | 22,077 | 13,777 | 16,622 | 21,859 | (12.1) | (0.9) | 1.0 |
| Provision | 11,573 | 6,868 | 7,731 | 11,705 | 7,327 | 8,249 | (1.1) | (6.3) | (6.3) |
| PAT | 400 | 7,189 | 10,730 | 1,550 | 6,953 | 10,181 | (74.2) | 3.4 | 5.4 |
| ABV (Rs) | 51 | 55 | 63 | 51 | 56 | 64 | (1.7) | (1.8) | (1.2) |

Source: Company, BOBCAPS Research

Fig 24 – Valuation assumptions

| Gordon growth model | Assumptions |
|---------------------------------------|-------------|
| Risk-free rate (%) | 6.6 |
| Equity risk premium (%) | 5.5 |
| Beta | 0.8 |
| Cost of equity (%) | 11.1 |
| Blended ROE (%) | 12.0 |
| Initial high growth period (yrs) | 15.0 |
| Payout ratio of high-growth phase (%) | 20.0 |
| Long-term growth (%) | 6.0 |
| Long term dividend payout ratio (%) | 50.0 |
| Justified P/BV Multiple (x) | 1.3 |

Source: Company, BOBCAPS Research

Fig 25 – PB band chart

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- **High geographic concentration risk** – The bank has presence across 18 states and UTs in India as of Dec'25. However, Tamil Nadu & Pondicherry accounted for 44.2% of total advances (Dec'25), indicating concentration risk.
- The unexpected asset quality shocks leading to higher credit cost.
- Slowdown in credit growth.

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 30,798 | 32,516 | 33,124 | 39,431 | 47,895 |
| NII growth (%) | 21.0 | 5.6 | 1.9 | 19.0 | 21.5 |
| Non-interest income | 7,987 | 9,115 | 10,861 | 11,214 | 13,349 |
| Total income | 38,784 | 41,631 | 43,985 | 50,645 | 61,243 |
| Operating expenses | 25,011 | 28,288 | 31,877 | 34,166 | 39,167 |
| PPOP | 13,774 | 13,343 | 12,108 | 16,479 | 22,077 |
| PPOP growth (%) | 17.1 | (3.1) | (9.3) | 36.1 | 34.0 |
| Provisions | 3,142 | 11,354 | 11,573 | 6,868 | 7,731 |
| PBT | 10,631 | 1,988 | 535 | 9,611 | 14,345 |
| Tax | 2,642 | 518 | 135 | 2,422 | 3,615 |
| Reported net profit | 7,990 | 1,470 | 400 | 7,189 | 10,730 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 7,990 | 1,470 | 400 | 7,189 | 10,730 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity capital | 11,349 | 11,399 | 11,410 | 11,410 | 11,410 |
| Reserves & surplus | 48,338 | 49,327 | 49,727 | 55,838 | 65,276 |
| Net worth | 59,687 | 60,725 | 61,137 | 67,248 | 76,686 |
| Deposits | 3,61,292 | 4,31,067 | 4,82,795 | 5,74,526 | 6,89,432 |
| Borrowings | 17,875 | 21,370 | 38,276 | 43,612 | 48,409 |
| Other liab. & provisions | 14,184 | 15,194 | 3,361 | 10,654 | 21,684 |
| Total liab. & equities | 4,53,039 | 5,28,356 | 5,85,569 | 6,96,040 | 8,36,210 |
| Cash & bank balance | 35,790 | 55,363 | 40,750 | 51,809 | 66,358 |
| Investments | 90,653 | 92,887 | 1,07,086 | 1,19,617 | 1,30,852 |
| Advances | 3,09,643 | 3,62,089 | 4,14,592 | 4,97,510 | 6,06,962 |
| Fixed & Other assets | 16,953 | 18,018 | 23,141 | 27,104 | 32,038 |
| Total assets | 4,53,039 | 5,28,356 | 5,85,569 | 6,96,040 | 8,36,210 |
| Deposit growth (%) | 42.5 | 19.3 | 12.0 | 19.0 | 20.0 |
| Advances growth (%) | 20.0 | 16.9 | 14.5 | 20.0 | 22.0 |

Per Share

| Y/E 31 Mar (Rs) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------|-------|-------|-------|-------|-------|
| EPS | 7.1 | 1.3 | 0.4 | 6.3 | 9.4 |
| Dividend per share | 1.0 | 0.0 | 0.0 | 0.9 | 1.1 |
| Book value per share | 52.6 | 53.3 | 53.6 | 58.9 | 67.2 |

Valuations Ratios

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|--------------------|-------|-------|-------|-------|-------|
| P/E | 9.9 | 54.2 | 199.7 | 11.1 | 7.5 |
| P/BV | 1.3 | 1.3 | 1.3 | 1.2 | 1.0 |
| Dividend yield (%) | 1.4 | 0.0 | 0.0 | 1.3 | 1.6 |

DuPont Analysis

| Y/E 31 Mar (%) | FY24A | FY25A | FY26E | FY27E | FY28E |
|-------------------------|-------|-------|-------|-------|-------|
| Net interest income | 7.7 | 6.6 | 5.9 | 6.2 | 6.3 |
| Non-interest income | 2.0 | 1.9 | 2.0 | 1.8 | 1.7 |
| Operating expenses | 6.2 | 5.8 | 5.7 | 5.3 | 5.1 |
| Pre-provisioning profit | 3.4 | 2.7 | 2.2 | 2.6 | 2.9 |
| Provisions | 0.8 | 2.3 | 2.1 | 1.1 | 1.0 |
| PBT | 2.6 | 0.4 | 0.1 | 1.5 | 1.9 |
| Tax | 0.7 | 0.1 | 0.0 | 0.4 | 0.5 |
| ROA | 2.0 | 0.3 | 0.1 | 1.1 | 1.4 |
| Leverage (x) | 7.2 | 8.2 | 9.1 | 10.0 | 10.6 |
| ROE | 14.4 | 2.4 | 0.7 | 11.2 | 14.9 |

Ratio Analysis

| Y/E 31 Mar | FY24A | FY25A | FY26E | FY27E | FY28E |
|--|-------|--------|--------|--------|-------|
| YoY growth (%) | | | | | |
| Net interest income | 21.0 | 5.6 | 1.9 | 19.0 | 21.5 |
| Pre-provisioning profit | 17.1 | (3.1) | (9.3) | 36.1 | 34.0 |
| EPS | 46.6 | (81.8) | (72.8) | 1694.9 | 49.3 |
| Profitability & Return ratios (%) | | | | | |
| Net interest margin | 8.4 | 7.5 | 6.6 | 6.8 | 6.9 |
| Fees / Avg. assets | 49.8 | 46.4 | 48.8 | 43.8 | 43.6 |
| Cost-Income | 64.5 | 68.0 | 72.5 | 67.5 | 64.0 |
| ROE | 14.4 | 2.4 | 0.7 | 11.2 | 14.9 |
| ROA | 2.0 | 0.3 | 0.1 | 1.1 | 1.4 |
| Asset quality (%) | | | | | |
| GNPA | 2.6 | 2.9 | 2.6 | 2.4 | 2.2 |
| NNPA | 1.2 | 1.0 | 0.8 | 0.8 | 0.7 |
| Slippage ratio | 4.4 | 6.6 | 6.1 | 4.1 | 3.4 |
| Credit cost | 1.1 | 3.4 | 3.0 | 1.5 | 1.4 |
| Provision coverage | 55.4 | 66.2 | 66.9 | 67.2 | 67.4 |
| Ratios (%) | | | | | |
| Credit-Deposit | 85.7 | 84.0 | 85.9 | 86.6 | 88.0 |
| Investment-Deposit | 25.1 | 21.5 | 22.2 | 20.8 | 19.0 |
| CAR | 21.7 | 20.6 | 20.2 | 19.6 | 19.0 |
| Tier-1 | 20.7 | 17.8 | 16.7 | 15.7 | 14.8 |

Source: Company, BOBCAPS Research

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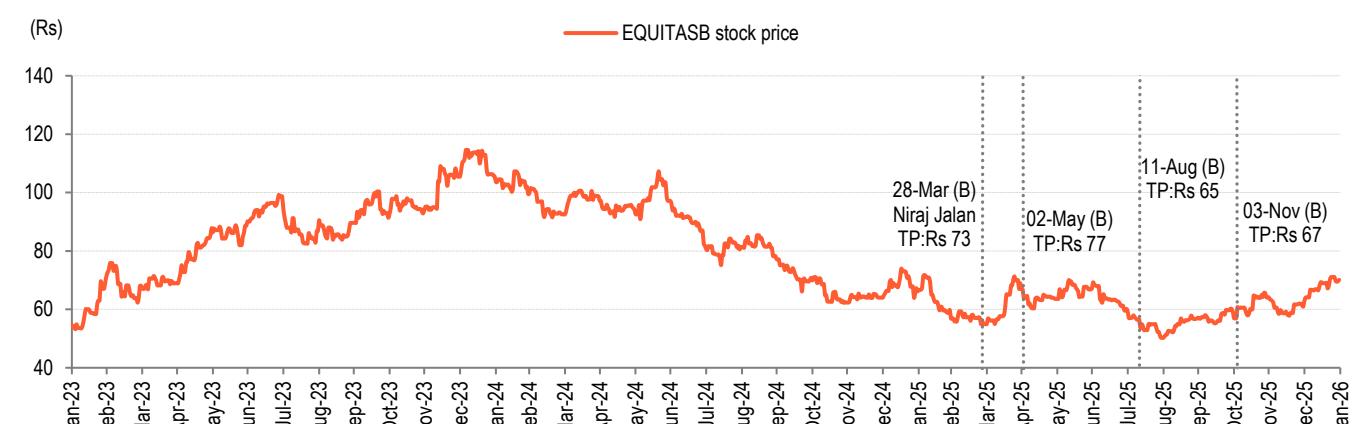
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Note: Recommendation structure changed with effect from 21 June 2021

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