Q2FY26 Result Update
11th November 2025

Equitas Small Finance Bank

Degrowth in MFI book puts NIM under pressure

CMP: INR 58

Rating: Accumulate

Target Price: INR 67

Stock Info	
BSE	543243
NSE	EQUITASBNK
Bloomberg	EQUITASB
Reuters	EQUI.BO
Sector	Financial Services
Face Value (INR)	10
Equity Capital (INR Cr)	1135
Mkt Cap (INR Cr)	6,654
52w H/L (INR)	75.5 / 50.1
Avg Yearly Vol (in 000')	4,101

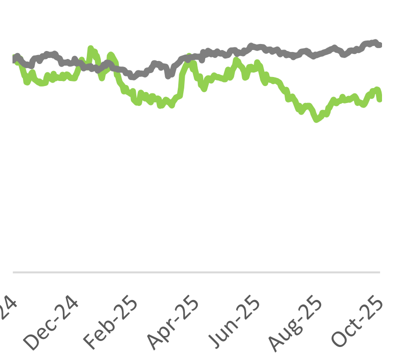
Shareholding Pattern %

(As on Sept, 2025)

Promoters	-
Public & Others	100

Stock Performance (%)	3m	6m	12m
Equitas SFB	-0.11	-7.7	-18.5
Nifty	4.4	6.0	7.2

Equitas SFB Vs Nifty



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The company reported a net profit of INR 241 Mn in Q2FY26, below our estimate of INR 363 Mn loss of INR 2,238 Mn in Q1FY26 and up 87.3% YoY from INR 129 Mn in Q2FY25. NII stood at INR 7,737 Mn, below our estimate of INR 8,337 Mn, declining 3.6% YoY and 1.5% QoQ. PPOP came in at INR 2,406 Mn, below than our estimates of INR 3,544 Mn, compared to INR 3,148 Mn in Q1FY26 and INR 3,497 Mn in Q2FY25. Provisions dropped sharply to INR 2,070 Mn, down 37.2% YoY and 66.2% QoQ. PBT stood at INR 335 Mn, below our estimate of INR 454 Mn, but up from a loss of INR 2,975 Mn in Q1FY26 and INR 201 Mn in Q2FY25. On the balance sheet front, gross advances grew 7% YoY and 5% QoQ, while total deposits increased 10.6% YoY but declined slightly by 0.6% QoQ.

Profit rebounds sharply as provisions normalize: Equitas SFB delivered a strong turnaround with PAT at INR 240 Mn in Q2FY26, a sharp improvement from INR 130 Mn YoY and a loss of INR 2,240 Mn in Q1FY26. The rebound was primarily driven by lower provisioning and tighter cost control, signaling early signs of margin and asset quality stability. Despite a H1FY26 loss of INR 1,990 Mn, owing to elevated credit costs in the earlier quarter, the improving profitability trajectory suggests normalization ahead.

Asset Quality Holds Steady; Slippages Ease: Asset quality remained resilient with Gross NPA at 2.92%, largely stable QoQ and marginally better than 2.95% in Q2FY25. Net NPA stood at 0.98%, broadly flat YoY. Net slippages moderated to 3.78% from 4.77% QoQ, reflecting better recoveries and improved collection efficiency. Management's continued focus on secured lending and granular portfolio mix is helping maintain asset quality despite a volatile operating backdrop.

Healthy growth momentum in loans and deposits: Business growth remained healthy with gross advances up 9% YoY to INR 3,63,520 Mn and deposits rising 11% YoY to INR 4,40,940 Mn. Growth was led by secured segments, used vehicle finance (+43% YoY) and MSE loans (+36% YoY) indicating strong traction in collateral-backed retail and MSME portfolios. The bank continues to benefit from its expanding distribution network and focus on higher-yielding segments.

Secured Loans Lead Growth; Bank Aims for 15–20% Loan Rise: Secured asset segments remain the key growth driver for Equitas SFB, with non-MFI advances up 17% YoY, led by small business loans, used vehicle finance, and affordable housing. Used car advances grew 43% YoY, MSE finance rose 36% YoY, and affordable housing expanded its branch reach, supporting broad-based growth with stable yields above 15%. New branches, stronger distribution, and a selective entry into gold loans support the bank's plan for 15–20% advance growth in FY26 and beyond, building a solid base for sustainable expansion.

Valuation & View:

The management has guided for 15-16% AUM growth in FY26 and over 20% in FY27 driven by vehicle, MSME, and housing finance portfolio expansion while gold loans are also gaining traction. NIMs are likely to improve to over 6.5% by Q4FY26 as the funding mix stabilizes and microfinance stress reduces while credit costs normalize at 1.5-1.7%. The bank will pursue a sustainable RoA of ~1.5% and RoE above 12% over the medium term supported by B/S, diversification, strong retail deposit mobilization, and enhanced operating leverage. **We have a Accumulate rating on the stock with a target price of INR 67 based on 1x P/ABV to its FY28E.**

Exhibit 1: Financial Performance

in Bn	NII	PPOP	PAT	NIM (%)	RoA (%)	RoE (%)	P/BV(x)
FY23	25.45	11.76	5.74	8.5%	1.4%	11.1%	1.5
FY24	30.80	13.77	7.99	8.0%	1.8%	13.4%	1.3
FY25	32.52	13.34	1.47	7.9%	1.5%	12.1%	1.2
FY26	34.17	12.38	0.88	8.3%	1.5%	12.3%	1.0
FY27E	42.43	7.79	7.38	8.7%	1.7%	13.8%	0.9
FY28E	51.64	8.57	10.94	8.7%	1.7%	13.8%	1.9

Source: Arihant Research, Company Filings

Q2FY26 - Quarterly Performance (Standalone) (INR Mn)

Quarterly Result Update (INR mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Interest Income	16,173	16,489	15,549	-1.9%	4.0%
Interest Expended	8,437	8,631	7,526	-2.3%	12.1%
Net Interest Income	**7,737**	**7,857**	**8,023**	**-1.5%**	**-3.6%**
Other Income	2,289	2,917	2,389	-21.5%	-4.2%
Operating Income	10,026	10,774	10,412	-6.9%	-3.7%
Operating Expenses	7,621	7,627	6,915	-0.1%	10.2%
Employee Expenses	4,737	4,600	4,024	3.0%	17.7%
Other Operating Expenses	2,884	3,027	2,891	-4.7%	-0.3%
PPOP	**2,406**	**3,148**	**3,497**	**-23.6%**	**-31.2%**
Provisions	2,070	6,122	3,297	-66.2%	-37.2%
PBT	335	-2,975	201	-111.3%	67.2%
Tax Expenses	94	-737	72	-112.8%	31.0%
Net Income	**241**	**-2,238**	**129**	**-110.8%**	**87.3%**
Balance Sheet Analysis					
Advances	3,63,523	3,47,410	3,39,630	4.6%	7.0%
Deposits	4,40,935	4,43,790	3,98,590	-0.6%	10.6%
Total Assets	5,54,313	5,39,340	4,86,340	2.8%	14.0%
CASA Deposits	1,36,220	1,30,530	1,21,840	4.4%	11.8%
CASA (%)	31.00%	29.00%	31.00%	200bps	0bps
CAR (%)	20.74%	20.48%	19.36%	26bps	138bps
Spreads					
NIMs (%)	**6.29%**	**7.13%**	**7.69%**	**-84bps**	**-140bps**
Cost of Funds	7.35%	7.49%	7.50%	-14bps	-15bps
Yield on Average Advances	15.73%	16.17%	16.59%	-44bps	-86bps
Asset Quality					
GNPA	10,819	10,360	10,260	4.4%	5.4%
NNPA	3,578	3,416	3,303	4.7%	8.3%
GNPA (%)	**2.92%**	**2.92%**	**2.95%**	**0bps**	**-3bps**
NNPA (%)	**0.98%**	**0.98%**	**0.97%**	**0bps**	**1bps**
Returns & Expenses					
RoA	**0.17%**	**-1.66%**	**0.11%**	**183bps**	**7bps**
RoE	1.65%	-15.30%	0.87%	1695bps	78bps
Cost / Income Ratio	76.01%	70.79%	66.41%	522bps	959bps

Source: Arihant Research, Company Filings

Business and Segment Performance

- Gross advances went up by 9% YoY to INR 39,123 cr.
- Disbursements were up 45% QoQ to INR 5,380 cr.
- The non-MFI book grew 17% YoY and currently contributing 90% of all loans. Segment-wise small business loans were up by17% YoY, vehicle finance up by 10% YoY (used car segment +43%), housing finance up by 15% YoY, and MSME up by 36% YoY.
- The MFI book remained stable at INR 3,392 cr.
- Disbursements were up 156% QoQ. Management intends to cap MFI exposure at ~10% of the loan book over the long run

Asset Quality

- Asset quality is improved as fresh overdue sharply declined from INR 97 cr in April to INR 24 cr in October.
- Stress in the Karnataka MFI portfolio has eased considerably.
- The MLAP segment reported its best-ever collection efficiency.
- The bank sold INR 216 cr of NPAs to an ARC. This has resulted in a write-back of INR 40 cr to the P&L.
- Credit cost is expected to remain contained at 1.5-1.7% due to a well diversified and secured portfolio.

Expansion Plans

- The bank is expanding its secured retail presence through calibrated network expansion and asset diversification.
- The gold loan portfolio of ~INR 400 cr will be scaled up with 50 new branches in H2FY26 and an additional 150 in FY27.
- The affordable housing business will be expanded from 70 to 100 branches in FY26 and another 120 in FY27 targeted at Tier 2–5 towns.

Other Highlights

- Strengthened sales, underwriting, and collection infrastructure are expected to drive 20%+ AUM growth from FY27.
- Liabilities and Deposit Franchise Deposits grew by 11% YoY to INR 44,094 cr. Retail deposits contributed 75% of total deposits.
- Cost of funds is expected to fall by 100–110 bps through repricing as well as deeper customer engagement.
- The “Elite”, “Elite Lite” and “Elite Plus” programs have onboarded ~25,000 families with a combined relationship value of INR 4,000 cr.

Key Financials

Profit & Loss Statement INR bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	41.6	54.9	63.1	68.6	83.2	101.8
Interest Expended	16.2	24.1	30.6	34.5	40.8	50.2
Net Interest Income	**25.4**	**30.8**	**32.5**	**34.2**	**42.4**	**51.6**
Other Income	6.7	8.0	9.1	10.3	11.9	14.5
Operating Income	32.1	38.8	41.6	44.4	54.3	66.1
Operating Expenses	20.4	25.0	28.3	32.0	36.0	41.9
Employee Expenses	11.0	13.7	16.2	18.2	20.3	24.4
Other Operating Expenses	9.4	11.3	12.1	13.9	15.6	17.5
PPOP	**11.8**	**13.8**	**13.3**	**12.4**	**18.3**	**24.2**
Provisions	4.1	3.1	11.4	11.1	7.8	8.6
PBT	7.7	10.6	2.0	1.3	10.5	15.6
Tax Expenses	2.0	2.6	0.5	0.4	3.2	4.7
Net Income	**5.7**	**8.0**	**1.5**	**0.9**	**7.4**	**10.9**

Balance Sheet (in INR Bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Equity & Liabilities						
Share Capital	11.1	11.3	11.4	11.3	11.3	11.3
Reserves & Surplus	40.5	48.3	49.3	50.7	58.1	69.0
Net Worth	51.6	59.7	60.7	62.0	69.4	80.4
Deposits	253.8	361.3	431.1	503.1	593.6	700.5
Borrowings	29.7	17.9	21.4	28.1	36.8	69.2
Other Liabilities and Provisions	14.5	14.2	15.2	21.8	25.4	31.5
Total Capital & Liabilities	**349.6**	**453.0**	**528.4**	**615.0**	**725.2**	**881.4**
Assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Balances with RBI	11.7	35.0	49.5	11.2	12.4	13.6
Balances with Other Banks & Call Money	0.7	0.8	5.8	4.8	5.8	7.0
Investments	66.6	90.7	92.9	99.9	104.9	110.2
Advances	258.0	309.6	362.1	428.7	508.2	604.2
Fixed Assets	3.8	6.0	7.0	9.4	11.8	26.6
Other Assets	8.7	11.0	11.1	60.9	82.1	119.9
Total Assets	**349.6**	**453.0**	**528.4**	**615.0**	**725.2**	**881.4**

Source: Arihant Research, Company Filings

Ratios	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Growth rates						
Advances (%)	33.2%	20.0%	17.0%	18.4%	18.5%	18.9%
Deposits (%)	33.9%	42.3%	19.3%	16.7%	18.0%	18.0%
Total assets (%)	29.7%	29.6%	16.6%	16.4%	17.9%	21.5%
NII (%)	24.8%	21.0%	5.6%	5.1%	24.2%	21.7%
Pre-provisioning profit (%)	34.9%	17.1%	-3.1%	-7.2%	48.0%	32.0%
PAT (%)	104.3%	39.3%	-81.6%	-40.3%	739.9%	48.3%
Balance sheet ratios						
Credit/Deposit (%)	101.6%	85.7%	84.0%	85.2%	85.6%	86.3%
CASA (%)	52.5%	53.0%	53.0%	53.0%	53.0%	53.0%
Advances/Total assets (%)	73.8%	68.3%	68.5%	69.7%	70.1%	68.6%
Leverage (x) (Asset/Shareholder's Fund)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
CAR (%)	24.9%	24.4%	21.8%	18.8%	17.7%	17.2%
CAR - Tier I (%)	24.4%	24.0%	21.4%	18.5%	17.5%	17.0%
Operating efficiency						
Cost/income (%)	63.4%	64.5%	68.0%	72.1%	66.2%	63.4%
Opex/total assets (%)	5.8%	5.5%	5.4%	5.2%	5.0%	4.8%
Opex/total interest earning assets	2.6%	2.5%	2.3%	2.3%	2.4%	2.4%
Profitability						
NIM (%)	8.5%	8.0%	6.9%	6.5%	7.2%	7.6%
RoA (%)	1.6%	1.8%	0.3%	0.1%	1.0%	1.2%
RoE (%)	11.1%	13.4%	2.4%	1.4%	10.6%	13.6%
Asset quality						
Gross NPA (%)	2.9%	2.9%	2.9%	3.0%	3.0%	3.0%
Net NPA (%)	1.4%	1.1%	1.0%	0.8%	0.7%	0.6%
PCR (%)	56.8%	63.7%	69.4%	74.3%	78.3%	81.7%
Credit cost (%)	1.6%	1.0%	3.1%	2.6%	1.5%	1.4%
Per share data / Valuation						
EPS (INR)	5.2	7.0	1.3	0.8	6.5	9.6
BVPS (INR)	46	53	54	55	61	71
ABVPS (INR)	43	50	50	52	58	68
P/E (x)	11.0	8.1	44.0	73.6	8.8	5.9
P/BV (x)	1.2	1.1	1.1	1.0	0.9	0.8
P/ABV (x)	1.3	1.2	1.1	1.1	1.0	0.8

Source: Arihant Research, Company Filings

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BUY	>20%
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NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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