Q1FY27 - Result Update
30th July 2026

Equitas Small Finance Bank Ltd

Sharp PAT recovery driven by NIM expansion and normalising credit costs.

CMP: INR 72

Rating: Accumulate

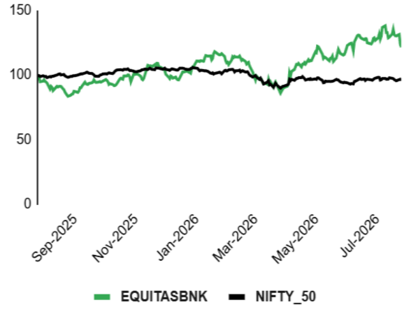
Target Price: INR 87

Stock Info	
BSE	543243
NSE	EQUITASBNK
Bloomberg	EQUITASB IN
Reuters	EQUI.M3
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Mn)	11,440
Mkt Cap (INR Bn)	83.63
52w H/L (INR)	83.9 / 50.0
Avg Yearly Vol (in 000')	3800.68

Shareholding Pattern % *(As on June 2026)*	
Promoters	0.00
Public & Others	100

Stock Performance (%)	1m	6m	12m
Equitas Small Finance Bank Ltd	(2.60)	4.76	14.73
Nifty 50	1..61	(4.23)	(7.25)

AU Small Finance Bank Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114871

Juhi Manwani
Juhi.manwani@arihantcapital.com
022 67114870

Equitas Small Finance Bank reported a strong Q1FY27, returning to profitability with PAT of INR 1,836 Mn against a loss of INR 2,238 Mn in Q1FY26, aided by record first quarter disbursements and a sharp normalisation in credit costs. NII stood at INR 10,296 Mn, up 5.0% QoQ and 31.0% YoY, while other income moderated to INR 2,551 Mn, down 3.2% QoQ and 12.5% YoY. Operating income rose 3.3% QoQ and 19.2% YoY to INR 12,847 Mn, and opex grew 4.6% QoQ to INR 8,800 Mn on annual increments, leaving PPOP broadly flat QoQ at INR 4,047 Mn, up 28.6% YoY. Provisions rose 29.5% QoQ to INR 1,607 Mn but were 73.8% lower YoY as the MFI stress cycle unwound, with PAT down 13.7% QoQ. Gross advances grew to INR 476,410 Mn, up 3.2% QoQ and 26.7% YoY, and deposits to INR 489,760 Mn, up 5.2% QoQ and 10.4% YoY. GNPA improved to 2.36% vs 2.49% in Q4FY26 while NNPA was broadly stable at 0.70%. NIM moderated to 7.24% as an 11 bps QoQ rise in cost of funds to 7.05% offset a higher yield on gross advances of 15.74%.

Record first quarter disbursements drove broad-based loan growth while asset quality improved further: Disbursements touched an all-time first quarter high of INR 67,840 Mn, up 93% YoY though 8% lower QoQ, with non-MFI disbursements at INR 54,410 Mn, up 68% YoY. Gross advances grew 26.7% YoY and 3.2% QoQ (24% YoY and 4% QoQ excluding the INR 8,370 Mn DA book), with the non-MFI book up 22% YoY on strength across SBL (+15% YoY), Housing Finance (+24% YoY), Vehicle Finance (+15% YoY), MSE (+28% YoY), Gold Loans (+179% YoY) and NBFC lending (+216% YoY). Within Vehicle Finance the shift towards used assets continued, with Used CV up 25% YoY and Used Car up 30% YoY against New CV down 28% YoY. PCR stood at 71.02% (86.96% including technical write-offs), while MFI 1-90 DPD eased to 1.10% from 1.34% in Q4FY26 and 8.05% in Q1FY26, indicating the MFI cycle has largely normalised. Net slippages rose seasonally to 1.43% from 0.79%, the second lowest Q1 print in five years, and credit cost declined to 1.37% from 6.48% in Q1FY26.

Rising funding costs weighed on margins even as credit cost normalisation drove the earnings turnaround: NIM moderated to 7.24% from 7.29% in Q4FY26; on the daily average basis adopted this quarter the sequential decline is ~12 bps (Q4FY26 restated at 7.36%). Cost of funds rose 11 bps QoQ to 7.05% on upward revisions in SA and TD rates, partly offset by yield on gross advances of 15.74% and yield excluding DA up ~20 bps QoQ to 15.86%. CASA moderated to 25% from 26% in Q4FY26 and 29% in Q1FY26 as the mix shifted towards term deposits, though retail deposits form 66% of the total and 91% of bulk TD remains non-callable, while the CD ratio eased to 92.93% from 93.65%. Opex growth on annual increments took cost-to-income to 68.5% from 67.6%, even as cost-to-assets improved to 5.61% from 5.75%. RoA and RoE stood at 1.18% and 11.76%, with CRAR at 19.44% and Tier I at 16.01%.

Valuation & View: The bank reiterated 20%+ advances growth for FY27 with MFI held at ~10% of the overall book, a Q4FY27 exit RoA of ~1.5% and full year FY27 RoA of ~1.2%, on which it expects to outperform. NIM is guided to settle around 7.10% over the next two to three quarters and full year credit cost below the 1.37% reported in Q1FY27, while deposit accretion remains the near term priority, supported by ~500 additional branch sales staff. With the MFI cycle normalising, credit costs converging towards steady state and operating leverage improving through H2FY27, **we assign an Accumulate rating on the stock with a target price of INR 87, based on 1.2x FY29E ABVPS, implying 19.5% upside from the CMP of INR 73.**

Y/E Mar (Rs Bn)	FY24	FY25	FY26A	FY27E	FY28E	FY29E
NII	30.80	32.52	33.91	38.77	45.19	53.91
PAT	7.99	1.47	1.03	6.57	8.29	11.11
Networth	59.69	60.73	61.25	68.81	77.10	88.21
Adj BVPS (Rs)	52.59	53.51	53.97	60.64	67.94	77.73
EPS (Rs)	7.04	1.30	0.91	5.78	7.30	9.79
P/E (x)	9.23	50.17	71.56	11.24	8.90	6.64
P/Adj BV (x)	1.24	1.21	1.20	1.07	0.96	0.84

Source: Arihant Research, Company Filings

Q1FY27 - Quarterly Performance (Standalone)

Amt in Mn	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	19,604	18,363	16,489	6.8%	18.9%
Interest Expended	9,308	8,562	8,631	8.7%	7.8%
Net Interest Income	**10,296**	**9,801**	**7,857**	**5.0%**	**31.0%**
Other Income	2,551	2,635	2,917	-3.2%	-12.5%
Operating Income	12,847	12,436	10,774	3.3%	19.2%
Operating Expenses	8,800	8,411	7,627	4.6%	15.4%
Employee Expenses	5,487	5,141	4,600	6.7%	19.3%
Other Operating Expenses	3,313	3,270	3,027	1.3%	9.4%
PPOP	**4,047**	**4,025**	**3,148**	**0.6%**	**28.6%**
Provisions	1,607	1,241	6,122	29.5%	-73.8%
PBT	2,441	2,783	-2,975	-12.3%	-182.0%
Tax Expenses	605	657	-737	-7.9%	-182.0%
Net Income	**1,836**	**2,127**	**-2,238**	**-13.7%**	**-182.0%**
Balance Sheet Analysis					
Advances	4,76,140	4,27,513	3,47,410	11.4%	37.1%
Deposits	4,89,760	4,65,331	4,43,790	5.2%	10.4%
CASA Deposits	1,23,070	1,21,980	1,30,530	0.9%	-5.7%
CASA (%)	25.13%	26.00%	29.00%	-87bps	-387bps
CAR (%)	19.44%	20.31%	20.48%	-87bps	-104bps
Spreads					
NIMs (%)	**7.24%**	**7.29%**	**7.13%**	**-5bps**	**11bps**
Cost of Funds	7.05%	6.94%	7.49%	11bps	-44bps
Asset Quality					
GNPA	11,000	11,350	10,360	-3.1%	6.2%
NNPA	3,190	3,060	3,400	4.2%	-6.2%
GNPA (%)	**2.36%**	**2.49%**	**2.92%**	**-13bps**	**-56bps**
NNPA (%)	**0.70%**	**0.68%**	**0.98%**	**2bps**	**-28bps**
Provision Coverage Ratio	71.02%	73.03%	67.03%	**-201bps**	**399bps**
Returns & Expenses					
RoA	**1.18%**	**1.40%**	**-1.66%**	**-22bps**	**284bps**
RoE	11.76%	13.89%	-15.30%	-213bps	2706bps
Cost / Income Ratio	68.50%	67.64%	70.79%	86bps	-229bps

Source: Arihant Research, Company Filings

Concall KTA

Equitas Small Finance Bank demonstrated a robust turnaround in Q1FY27, pivoting back to profitability with a net profit of INR 1,836.06 mn after a weak corresponding quarter last year. The operational momentum was marked by its highest-ever first-quarter disbursements and strong advances growth. However, rising funding costs and a moderation in the CASA ratio underscore near-term margin pressures. The bank remains focused on sequentially accelerating deposit accretion to support its robust credit expansion.

Strong Disbursement Momentum & Asset Quality Turnaround

- **Highest Q1 Disbursements:** Disbursements for the quarter reached an all-time high for a first quarter at INR 67,840.00 mn, reflecting a massive 93% YoY surge.
- **Advances Growth:** Gross advances grew by a solid 26.70% YoY to reach INR 476,530.00 mn, driven by broad-based growth across Small Business Loans (SBL), Housing Finance, and Vehicle Finance.
- **Asset Quality Improvement:** Asset quality showed marked improvement, with Gross NPA improving to 2.42% and Net NPA at 0.71%, down from the higher levels seen in previous quarters.
- **Credit Cost Normalization:** The bank saw credit costs plummet to 1.37% from 6.48% in Q1FY26, aided by improved asset quality and normalized provisioning.

Liability Franchise & Margin Compression

- **Deposit Growth:** Total deposits grew by 10.44% YoY to INR 489,760.00 mn, with a sequential growth of 5%.
- **CASA Moderation:** The CASA ratio moderated to 25%, down from 29% in the year-ago period, indicating a shift towards term deposits.
- **Cost of Funds:** The daily average cost of funds increased by 11 bps sequentially to 7.05%, reflecting the rising deposit rates.
- **NIM Trajectory:** Net Interest Margins (NIM) compressed to 7.24% due to the higher cost of funds, despite yields on gross advances rising to 15.74%.

Profitability & Operating Metrics

- **Bottom-line Turnaround:** The bank reported a net profit of INR 1,836.06 mn, a significant recovery from the net loss of INR 2,237.63 mn in Q1FY26.
- **Income Growth:** Total income stood at INR 22,154.99 mn. Net Interest Income (NII) was solid, supported by other income of INR 2,551.02 mn.
- **Operating Expenses:** Operating expenses were INR 8,799.61 mn. However, the cost-to-assets ratio improved slightly sequentially to 5.61%.
- **Return Ratios:** Return on Assets (ROA) moderated to 1.18%, while Return on Equity (ROE) stood at 11.67%.

Strategic Initiatives & Capital Adequacy

- **Capital Position:** The bank maintained a strong Capital Adequacy Ratio (CRAR) of 19.44%, with Tier 1 capital at 16.01%.
- **No Immediate Capital Raise:** There are no plans for a Tier 1 capital raise this calendar year, though an enabling resolution for INR 12,500 mn is being kept as a contingency.
- **Universal Banking:** While the bank technically qualifies for a universal banking license, it is taking a measured approach and has not set a timeline for filing the application.
- **Guidance & Forward-Looking Outlook**
- **ROA Target:** The bank remains confident in outperforming its initial full-year ROA guidance of 1.2%, targeting a Q4 exit ROA of 1.5%. Further ROA improvement is projected for FY28.
- **NIM Outlook:** Margins are expected to normalize and settle around 7.10% over the next 2-3 quarters.
- **Advances Growth:** The bank reconfirmed its guidance for 20%+ growth in advances, with current momentum suggesting a potential outperformance.
- **Credit Costs:** Full-year credit costs are expected to remain controlled and below the 1.37% reported in Q1.
- **Deposit Strategy:** A strong focus will be placed on sequential deposit growth in Q2 to optimize the credit-deposit structure, supported by the planned addition of ~500 branch sales staff.

Key Financials

Profit & Loss Statement INR bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Interest Income	54.9	63.1	67.9	78.0	90.9	107.2
Interest Expended	24.1	30.6	34.0	39.2	45.7	53.3
Net Interest Income	**30.8**	**32.5**	**33.9**	**38.8**	**45.2**	**53.9**
Other Income	8.0	9.1	10.7	12.0	14.5	17.8
Operating Income	38.8	41.6	44.6	50.8	59.6	71.7
Operating Expenses	25.0	28.3	32.0	35.2	40.7	47.8
Employee Expenses	13.7	16.2	19.6	21.0	24.6	29.5
Other Operating Expenses	11.3	12.1	12.4	14.2	16.2	18.3
PPOP	**13.8**	**13.3**	**12.6**	**15.6**	**18.9**	**23.9**
Provisions	3.1	11.4	11.4	7.3	8.0	9.1
PBT	10.6	2.0	1.3	8.3	10.9	14.8
Tax Expenses	2.6	0.5	0.3	1.7	2.6	3.7
Net Income	**8.0**	**1.5**	**1.0**	**6.6**	**8.3**	**11.1**

Balance Sheet (in INR Bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Equity & Liabilities						
Share Capital	11.3	11.4	11.4	11.4	11.4	11.4
Reserves & Surplus	48.3	49.3	49.8	57.4	65.7	76.8
Net Worth	59.7	60.7	61.2	68.8	77.1	88.2
Deposits	361.3	431.1	465.3	549.1	647.9	764.6
Borrowings	17.9	21.4	57.7	63.5	68.6	74.1
Other Liabilities and Provisions	14.2	15.2	21.8	22.4	27.7	33.6
Total Capital & Liabilities	**453.0**	**528.4**	**606.1**	**703.8**	**821.4**	**960.5**
Assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Balances with RBI	35.0	49.5	55.6	61.2	67.3	74.0
Balances with Other Banks & Call Money	0.8	5.8	1.0	1.2	1.5	1.8
Investments	90.7	92.9	101.5	106.6	111.9	117.5
Advances	309.6	362.1	427.5	493.2	583.6	699.6
Fixed Assets	6.0	7.0	7.2	8.2	9.3	10.4
Other Assets	11.0	11.1	13.3	33.4	47.7	57.2
Total Assets	**453.0**	**528.4**	**606.1**	**703.8**	**821.4**	**960.5**

Source: Arihant Research, Company Filings

Ratios	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Growth rates						
Advances (%)	20.0%	17.0%	18.1%	15.4%	18.3%	19.9%
Deposits (%)	42.3%	19.3%	7.9%	18.0%	18.0%	18.0%
Total assets (%)	29.6%	16.6%	14.7%	16.1%	16.7%	16.9%
NII (%)	21.0%	5.6%	4.3%	14.3%	16.6%	19.3%
Pre-provisioning profit (%)	17.1%	-3.1%	-5.2%	23.2%	21.3%	26.6%
PAT (%)	39.3%	-81.6%	-29.9%	536.9%	26.2%	34.1%
Balance sheet ratios						
Credit/Deposit (%)	85.7%	84.0%	91.9%	89.8%	90.1%	91.5%
CASA (%)	32.0%	29.0%	26.0%	28.0%	29.0%	30.0%
Advances/Total assets (%)	68.3%	68.5%	70.5%	70.1%	71.1%	72.8%
Leverage (x) (Asset/Shareholder's Fund)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
CAR (%)	24.4%	21.8%	18.6%	18.1%	17.1%	16.3%
CAR - Tier I (%)	24.0%	21.4%	18.3%	17.8%	16.9%	16.1%
Operating efficiency						
Cost/income (%)	64.5%	68.0%	71.7%	69.3%	68.3%	66.6%
Opex/total assets (%)	5.5%	5.4%	5.3%	5.0%	5.0%	5.0%
Opex/total interest earning assets	2.5%	2.3%	2.4%	2.3%	2.4%	2.4%
Profitability						
NIM (%)	8.0%	6.9%	6.2%	6.2%	6.3%	6.5%
RoA (%)	1.8%	0.3%	0.2%	0.9%	1.0%	1.2%
RoE (%)	13.4%	2.4%	1.7%	9.5%	10.7%	12.6%
Asset quality						
Gross NPA (%)	2.9%	2.9%	2.6%	2.4%	2.2%	1.9%
Net NPA (%)	1.1%	1.0%	0.7%	0.7%	0.6%	0.6%
PCR (%)	63.7%	69.4%	68.1%	65.5%	63.0%	60.8%
Credit cost (%)	1.0%	3.1%	2.7%	1.5%	1.4%	1.3%
Per share data / Valuation						
EPS (INR)	7.0	1.3	0.9	5.8	7.3	9.8
BVPS (INR)	53	54	54	61	68	78
ABVPS (INR)	50	50	51	57	64	73
P/E (x)	9.2	50.2	71.6	11.2	8.9	6.6
P/BV (x)	1.2	1.2	1.2	1.1	1.0	0.8
P/ABV (x)	1.3	1.3	1.3	1.1	1.0	0.9

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

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

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: ‘Arihant’ to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Abhishek Jain
Head of Research
Abhishek.jain@arihantcapital.com

Abhishek Chhajed Jain

Digitally signed by Abhishek Chhajed Jain
Date: 2026.07.30 09:15:28 +05'30'