

# Equitas Small Finance Bank

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR67**

**TP: INR80 (+19%)**

**Buy**

## Healthy performance; targets RoA of 1.5% by 4QFY27

### Asset quality improves; credit cost declines to 1.1%

Bloomberg	EQUITASB IN
Equity Shares (m)	1141
M.Cap.(INRb)/(USDb)	76.3 / 0.8
52-Week Range (INR)	73 / 50
1, 6, 12 Rel. Per (%)	22/20/1
12M Avg Val (INR M)	246

### Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
NII	33.9	41.3	48.1
OP	12.6	16.9	21.0
NP	1.0	6.7	9.7
NIM (%)	6.8	7.1	7.0
EPS (INR)	0.9	5.9	8.5
BV/Sh. (INR)	54	57	64
ABV/Sh. (INR)	52	55	62

### Ratios

RoA (%)	0.2	1.0	1.3
RoE (%)	1.7	10.6	14.0

### Valuations

P/E(X)	74.1	11.4	7.9
P/BV (X)	1.2	1.2	1.0
P/ABV (X)	1.3	1.2	1.1

### Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	0.0	0.0	0.0
DII	50.9	50.0	42.7
FII	14.7	14.6	16.5
Others	34.4	35.4	40.8

FII includes depository receipts

- Equitas SFB (EQUITASB) reported 4QFY26 PAT of ~INR2.1b (up 405% YoY/136% QoQ, 35% beat), aided by healthy NII and lower-than-expected provisions.
- NII grew 18.2% YoY/15.1% QoQ to INR9.8b (3% beat) as NIMs expanded 57bp QoQ to 7.29%. NIM improvement was aided by lower interest reversal, yield expansion (up 7bp QoQ to 15.51%), and lower CoF (6.94% vs. 7.13% in 3Q). Yield expansion was led by healthy growth in high-yielding assets.
- Advances grew 18.1% YoY/7.3% QoQ. MFI portfolio (inc DA) grew 27% YoY/12% QoQ, which stood at ~12.5% of the portfolio. VF book grew by 12% YoY/5% QoQ, aided by used CVs. Meanwhile, deposits grew 7.9% YoY/6.6% QoQ. CASA ratio moderated 330bp QoQ to 26.2%.
- Slippages declined to INR3.5b from INR5.2b in 3QFY26 (down 38% YoY/33% QoQ). GNPA/NNPA ratios improved 15bp/20bp QoQ to 2.6%/0.72%. PCR increased to 73.0%.
- We largely maintain our earnings estimates and expect RoA/RoE of 1.0%/10.6% by FY27E. **Reiterate BUY with a TP of INR80 (1.4x Sep'27E ABV).**

### Growth guidance at 20% YoY; NIMs expand 57bp QoQ

- The bank reported 4Q PAT of ~INR2.1b (up 405% YoY/136% QoQ, 35% beat), aided by healthy NII and lower than expected provisions.
- NII grew 18.2% YoY/15.1% QoQ to INR9.8b (3% beat). NIM expanded 57bp QoQ to 7.29% in 4QFY26. NIM improvement was aided by lower interest reversal (amid low slippage), yield expansion (up 7bp QoQ to 15.51%), and a decline in CoF from 7.13% in 3QFY26 to 6.94%.
- Other income grew 17% YoY/fell 9% QoQ to INR 2.6b (5% miss), as treasury loss stood at INR30m in 4Q. Total revenue thus grew 17.9% YoY/9.0% QoQ to INR12.4b (in line).
- Opex grew 13.1% YoY/0.9% QoQ to INR8.4b (in line). Provisions declined 52% YoY/36% QoQ to INR1.24b (20% lower than MOFSLe). PPop thus stood at INR4b (up 29% YoY and 31% QoQ, 10% beat).
- Advances grew by a healthy 18.1% YoY/7.3% QoQ to INR427b. MFI (inc DA) grew 27% YoY/12% QoQ. HF posted healthy growth, rising 7.9% QoQ. VF loan grew by 12.4% YoY/5% QoQ, led by 6.8% QoQ growth in used CV. New CV declined by 1% QoQ/20% YoY.
- Deposits grew 7.9% YoY/6.6% QoQ. CASA ratio moderated 330bp QoQ to 26.2%. Aa result, CD ratio increased to 91.9%. Disbursements grew to INR73.5b (up 72% YoY and 12% QoQ).
- On the asset quality front, slippages declined to INR3.5b from INR5.2b in 3QFY26. GNPA/NNPA ratios improved 15bp/20bp QoQ to 2.6%/0.7%. PCR improved to 73.0% from 67.1% in 3Q. Credit costs significantly improved to 1.11% from 1.88% in 3Q.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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### Highlights from the management commentary

- NIMs may see some pressure, though stable credit costs and declining operating expenses should support the targeted RoA of ~1.5%.
- Increase in TD and SA rates is expected to drive up CoF.
- Loan growth is expected to remain strong at ~20% YoY.
- No immediate impact from the West Asia conflict; the situation will be reassessed again next month.
- Net slippages were at their lowest in 4Q, leading to lower income reversals (INR270m); reversals may increase in 1Q-2QFY27.

### Valuation and view: Reiterate BUY with TP of INR80

EQUITASB reported a strong quarter, driven by NIM expansion and controlled credit costs. Margins improved by 57bp QoQ, supported by lower interest reversals and a decline in funding costs. The bank expects to sustain NIMs in the 7.0-7.5% range, with CoF likely having peaked following SA and TD rate hikes. Credit costs may see a modest uptick in 1Q/2Q due to seasonality but are broadly expected to remain contained. Advances growth was healthy, led by traction in MFI, VF, SBL, and HL segments. The bank also expects the CD ratio to moderate from the current levels, which could exert some pressure on NIMs. On asset quality, GNPA and NNPA ratios improved, with credit costs expected to remain broadly stable. There has been no immediate impact from the West Asia conflict, although the bank remains cautious about rising fuel costs, given their potential impact on the CV segment. We largely maintain our earnings estimates and expect RoA/RoE of 1.0%/10.6% by FY27E.

**Reiterate BUY with a TP of INR80 (1.4x Sep'27E ABV).**

### Quarterly Performance

Y/E March (INR b)	(INR b)											
	FY25				FY26				FY26	FY27E	FY26E	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QA			4QE	Est
<b>Net Interest Income</b>	8.0	8.0	8.2	8.3	7.9	7.7	8.5	9.8	33.9	41.3	9.5	3%
% Change (YoY)	7.9	4.8	4.2	5.5	-2.0	-3.6	4.1	18.2	4.3	21.9	14.4	
Other Income	2.1	2.4	2.4	2.3	2.9	2.3	2.9	2.6	10.7	12.2	2.8	-5%
<b>Total Income</b>	<b>10.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.5</b>	<b>10.8</b>	<b>10.0</b>	<b>11.4</b>	<b>12.4</b>	<b>44.6</b>	<b>53.6</b>	<b>12.3</b>	<b>1%</b>
Operating Expenses	6.7	6.9	7.2	7.4	7.6	7.6	8.3	8.4	32.0	36.7	8.6	-2%
<b>Operating Profit</b>	<b>3.4</b>	<b>3.5</b>	<b>3.3</b>	<b>3.1</b>	<b>3.1</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>	<b>12.6</b>	<b>16.9</b>	<b>3.6</b>	<b>10%</b>
% Change (YoY)	9.1	5.9	-7.6	-16.9	-7.5	-31.2	-7.7	29.3	-5.2	33.3	17.0	
Provisions	3.0	3.3	2.4	2.6	6.1	2.1	1.9	1.2	11.4	7.9	1.5	-20%
<b>Profit before Tax</b>	<b>0.4</b>	<b>0.2</b>	<b>0.9</b>	<b>0.5</b>	<b>-3.0</b>	<b>0.3</b>	<b>1.1</b>	<b>2.8</b>	<b>1.3</b>	<b>9.0</b>	<b>2.1</b>	<b>33%</b>
Tax	0.1	0.1	0.2	0.1	-0.7	0.1	0.2	0.7	0.3	2.3	0.5	25%
<b>Net Profit</b>	<b>0.3</b>	<b>0.1</b>	<b>0.7</b>	<b>0.4</b>	<b>-2.2</b>	<b>0.2</b>	<b>0.9</b>	<b>2.1</b>	<b>1.0</b>	<b>6.7</b>	<b>1.6</b>	<b>35%</b>
% Change (YoY)	-86.5	-93.5	-67.2	-79.7	-968.7	87.4	35.8	405.2	-29.9	550.3	273.7	
<b>Operating Parameters</b>												
Deposits	375	399	407	431	444	441	437	465	465	554	467	0%
Loans	319	340	354	362	347	364	398	428	428	504	423	1%
Deposit Growth (%)	35.4	29.2	25.8	19.3	18.3	10.6	7.2	7.9	7.9	19.0	8.4	
Loan Growth (%)	16.0	18.1	21.1	16.9	8.8	7.0	12.6	18.1	18.1	18.0	16.9	
<b>Asset Quality</b>												
Gross NPA (%)	2.73	2.95	2.97	2.89	2.92	2.92	2.75	2.60	2.60	1.99	2.65	
Net NPA (%)	0.83	0.97	0.96	0.98	0.98	0.98	0.92	0.72	0.72	0.56	0.86	
PCR (%)	70.3	67.7	68.3	66.8	67.0	66.9	67.1	73.0	73.0	72.2	68.2	

E: MOFSL Estimates

**Quarterly Snapshot**

Profit and Loss, INRb	FY25				FY26				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Net Interest Income</b>	<b>8.0</b>	<b>8.0</b>	<b>8.2</b>	<b>8.3</b>	<b>7.9</b>	<b>7.7</b>	<b>8.5</b>	<b>9.8</b>	<b>18</b>	<b>15</b>
Other Income	2.1	2.4	2.4	2.3	2.9	2.3	2.9	2.6	17	-9
Trading profits	0.3	0.5	0.4	0.3	1.2	0.3	0.3	0.0	-111	-109
<b>Total Income</b>	<b>10.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.5</b>	<b>10.8</b>	<b>10.0</b>	<b>11.4</b>	<b>12.4</b>	<b>18</b>	<b>9</b>
Operating Expenses	6.7	6.9	7.2	7.4	7.6	7.6	8.3	8.4	13	1
Employee	3.7	4.0	4.3	4.2	4.6	4.7	5.2	5.1	23	0
Others	3.0	2.9	3.0	3.3	3.0	2.9	3.2	3.3	1	3
<b>Operating Profits</b>	<b>3.4</b>	<b>3.5</b>	<b>3.3</b>	<b>3.1</b>	<b>3.1</b>	<b>2.4</b>	<b>3.1</b>	<b>4.0</b>	<b>29</b>	<b>31</b>
<b>Core Operating Profits</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>1.9</b>	<b>2.1</b>	<b>2.7</b>	<b>4.1</b>	<b>43</b>	<b>48</b>
Provisions	3.0	3.3	2.4	2.6	6.1	2.1	1.9	1.2	-52	-36
<b>PBT</b>	<b>0.4</b>	<b>0.2</b>	<b>0.9</b>	<b>0.5</b>	<b>-3.0</b>	<b>0.3</b>	<b>1.1</b>	<b>2.8</b>	<b>422</b>	<b>145</b>
Taxes	0.1	0.1	0.2	0.1	-0.7	0.1	0.2	0.7	487	177
<b>PAT</b>	<b>0.3</b>	<b>0.1</b>	<b>0.7</b>	<b>0.4</b>	<b>-2.2</b>	<b>0.2</b>	<b>0.9</b>	<b>2.1</b>	<b>405</b>	<b>136</b>
<b>Balance Sheet</b>										
Loans	319	340	354	362	347	364	398	428	18	7
AUM's	349	361	373	377	376	391	433	462	23	7
Deposits	375	399	407	431	444	441	437	465	8	7
CASA Deposits	117	122	117	124	131	136	129	122	-2	-5
-Savings	106	107	102	108	108	119	116	107	-1	-8
-Demand	12	15	15	16	23	18	13	15	-7	20
<b>Loan mix (%)</b>										
MFI	17.1	15.6	14.4	12.0	9.4	8.7	11.9	12.5	45	54
Vehicles	24.3	24.6	24.8	25.1	25.3	25.1	23.4	23.0	-208	-36
Small Business loans (incl HF)	51.9	52.9	53.9	56.2	57.5	56.9	53.4	52.7	-343	-70
MSE Finance	3.5	3.8	4.0	4.5	4.5	4.7	4.7	4.5	4	-14
Corporate loans	1.8	1.7	1.5	1.4	1.5	2.8	4.4	4.2	280	-18
Others	1.3	1.4	1.4	0.8	0.8	0.9	0.8	1.1	28	28
<b>Asset Quality (INRb)</b>										
GNPA	8.9	10.2	10.7	10.7	10.4	10.8	11.2	11.3	6	2
NNPA	2.6	3.3	3.4	3.5	3.4	3.6	3.7	3.1	-14	-17
Slippages	3.9	5.1	5.9	5.5	6.6	6.0	5.2	3.4	-38	-33
<b>Asset Quality Ratios (%)</b>										
GNPA (%)	2.73	2.95	2.97	2.89	2.92	2.92	2.75	2.60	-29	-15
NNPA (%)	0.83	0.97	0.96	0.98	0.98	0.98	0.92	0.72	-26	-20
PCR (Calc, %)	70.3	67.7	68.3	66.8	67.0	66.9	67.1	73.0	620	593
Slippage ratio	5.2	6.5	7.3	6.6	8.0	6.8	5.5	3.2	-338	-228
<b>Business Ratios (%)</b>										
Loan/Deposit	85.1	85.2	86.9	84.0	78.3	82.4	91.2	91.9	787	63
CASA	31.2	30.6	28.6	28.8	29.4	30.9	29.5	26.2	-258	-330
Cost to Income	66.3	66.4	68.5	70.5	70.8	76.0	73.1	67.6	-285	-544
Cost to Assets	6.3	6.2	6.3	6.1	6.1	5.9	6.3	5.8	-28	-48
Tax Rate	28.0	35.8	26.1	21.0	24.8	28.0	20.8	23.6	261	275
<b>Capitalisation Ratios (%)</b>										
Tier-1 (incl profit)	19.6	18.1	17.5	17.8	17.2	16.4	16.6	16.7	-116	5
- CET 1 (incl profit)	19.6	18.1	17.5	17.8	17.2	16.4	16.6	16.7	-116	5
CAR (incl profit)	20.6	19.4	20.3	20.6	20.5	20.7	20.5	20.3	-29	-16
LCR	178.6	158.8	150.0	58.4	179.6	170.9	137.0	54.4	-398	-8,259
<b>Profitability Ratios (%)</b>										
Yield on gross advances	16.5	16.5	16.6	0.0	16.0	15.7	15.6	0.0	0	-1,563
Cost of Funds	7.5	7.5	7.5	7.5	7.5	7.4	7.1	6.9	-60	-19
Margins	8.0	7.7	7.4	7.1	6.6	6.3	6.7	7.3	16	57
<b>Other Details</b>										
Branches	969	987	994	994	1,035	1,042	1,053	1,060	66	7
Employees (K)	22.6	23.2	24.2	25.4	25.9	27.1	28.5	28.1	3	0



## Highlights from the management commentary

### Opening remarks

- 4Q was a strong quarter, supported by healthy business growth, improved asset quality, and robust PAT.
- NIMs expanded, driven by a decline in CoF and lower slippages, marking the second consecutive quarter of improvement.
- The MFI portfolio is expected to be maintained at ~10% of the overall book.
- Income levels are likely to remain at the higher end.
- Increase in TD and SA rates across banks is expected to push up CoF.
- Credit cost is guided at ~1.1%.
- The bank targets RoA of ~1.5% by 4QFY27.
- West Asia War -
  - The immediate impact of the West Asia conflict on customers remains limited.
  - In CVs, freight rate adjustments may lag, potentially impacting borrowers.
  - The bank may adopt a tighter stance on credit costs, with a continued focus on asset quality over growth.
- The bank continues to focus on building a granular deposit franchise and remains well-positioned to do so.
- Capital strategy (CRAR) includes a greater focus on lower RWA assets.
- MFI collection efficiency is normalizing, supporting a positive outlook.
- The bank reported its highest-ever quarterly performance, with RoA at 1.46%.
- GNPA declined 13bp QoQ to 2.49% (vs. 2.62% in 3Q).
- Credit cost moderated to 1.1%, with a healthy PCR of 73%.
- Gross advances grew 22% YoY/7% QoQ, led by strong disbursements (highest-ever quarterly disbursement).
- SBL grew 13% YoY; secured BL grew 26% YoY; VF remained focused on used CVs (up 25% YoY), while new CV declined 20% YoY.
- The SA proposition has been strengthened through new launches - Artha (HNIs), Elite Lite (mass affluent), and EPIC (non-resident HNIs).
- CA has been segmented into three categories, with a renewed asset-led approach and focus on Elite and HNI segments to drive inward and outward remittances.

### Advances and deposits

- SA balances declined, particularly in the INR0.5-1.0m and INR1.0-1.5m segments; rates have been increased to address this.
- Bulk deposits have been ramped up, presenting an opportunity in both bulk and non-callable segments, with further growth expected.
- SBL growth stands at 13% and has the potential to scale up to ~20% YoY.
- ATS in SBL has increased, with recalibration toward business loans based on opportunity.
- The gold loan portfolio is witnessing strong traction. The bank has leveraged data mining to target customers borrowing gold loans externally, supported by campaigns and branch-led sourcing. Gold loan OD remains <5% and can aid CA acquisition. Current yields are ~14% and are expected to improve with branch expansion.

### **Yields, cost of funds, margins and operating expenses**

- Net slippages were at their lowest in 4Q, leading to lower income reversals; reversals may increase in 1Q-2Q.
- Higher SA and TD rates are likely to push up CoF; RoA guidance remains ~1.5%.
- Earlier NIM pressure due to declining MFI mix has stabilized, with MFI now at ~10% of the book—suggesting NIMs have bottomed out.
- NIMs are expected to remain stable at ~7-7.5%, despite a reduction in CD ratio and rising CoF.
- The INR0.5-1m SA segment forms ~13% of the book; the bank is targeting this segment to drive HNI and elite customer acquisition.
- Deposit rates will remain linked to market dynamics and RBI policy changes; some banks have already repriced deposits in recent months amid stronger deposit growth vs. credit growth.
- A one-off impact of ~INR270m supported NIMs this quarter due to interest reversal.
- While NIMs may see some pressure, stable credit costs and declining operating expenses should support the targeted RoA of ~1.5%.

### **Asset quality**

- Diesel price hike by up to 10% is manageable, beyond which it becomes a key risk.
- No visible stress has emerged in the micro-LAP or microfinance portfolios due to global developments so far.
- Provisioning of 4Q includes: MFI - INR5.88b; Micro LAP - INR0.42b.
- The bank utilized ~INR300m of provisions in 4Q and retains ~INR400m as buffer.
- Credit cost is expected to normalize to ~1.5% (vs. 1.1% in 4Q).
- PCR target remains ~70%.
- CGTMSE coverage applies to MSE loans (non-collateralized), with a large portion of the CV portfolio also covered.
- No immediate impact from the West Asia conflict; the situation will be reassessed next month.

### **Others:**

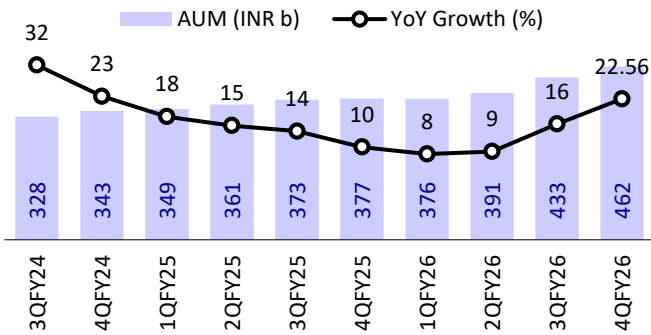
- The bank has rationalized employee costs by reducing support roles and merging functions across two business segments.
- A provision reversal of ~INR400m was recorded in 4Q.
- The bank is considering raising Tier-2 capital; depending on requirements, Tier-1 capital may also be raised by 4QFY27 or 1QFY28.
- Focus on LCR-friendly deposits has helped to maintain a healthy LCR.

### **Guidance and outlook:**

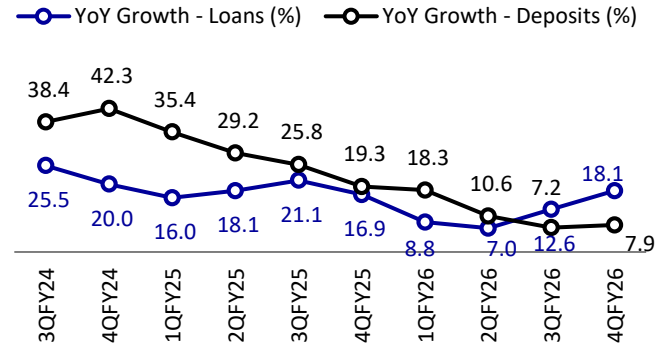
- Increase in TD and SA rates is expected to drive up CoF.
- Credit cost guidance remains ~1.1%.
- Target RoA of ~1.5% by 4QFY27.
- MFI mix to be maintained at ~10% of the loan book.
- Loan growth is expected to remain strong at ~20% YoY.

## Story in Charts

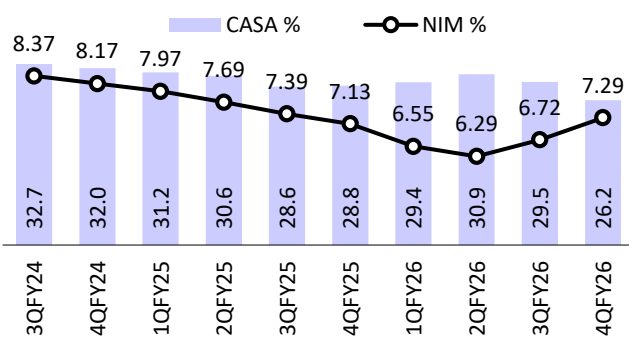
**Exhibit 1: AUM grew 22.6% YoY (up 6.7% QoQ) to IN462b**



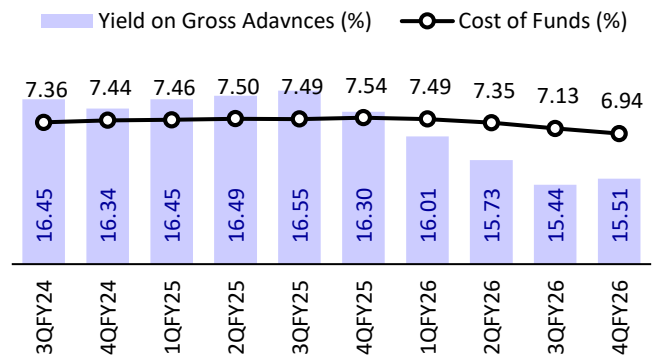
**Exhibit 2: Loans/deposits grew 18.1%/7.9% YoY in 4QFY26**



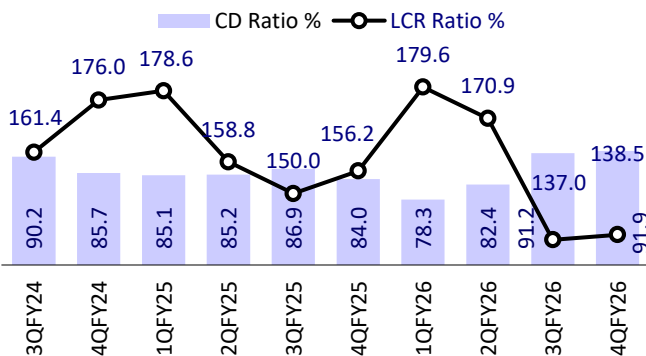
**Exhibit 3: NIM expanded 57bp QoQ to 7.29%**



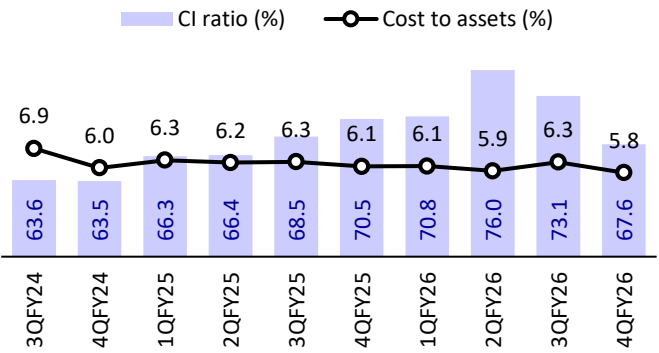
**Exhibit 4: YoA increased to 15.51% and COF declined to 6.94%**



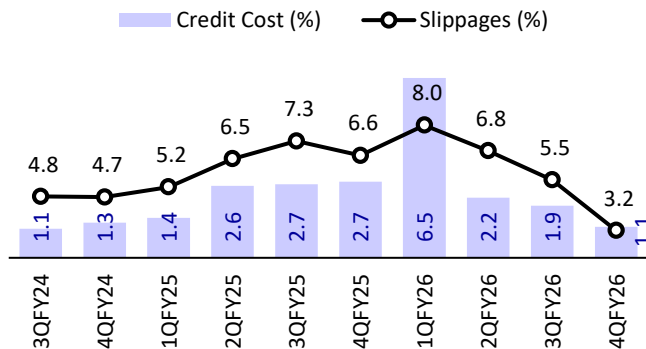
**Exhibit 5: CD ratio increased to 91.9%; Avg. LCR ratio at 138.5%**



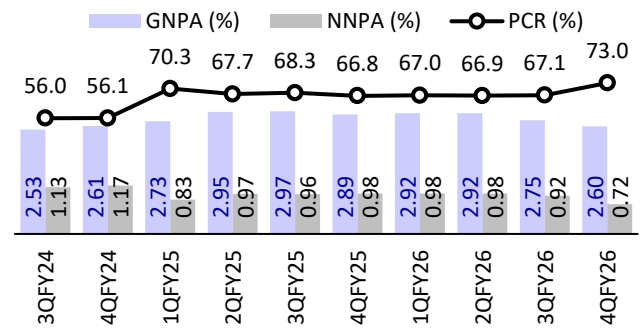
**Exhibit 6: C/I ratio moderated to 67.6% in 4QFY26**



**Exhibit 7: Credit cost declined to 1.11% vs. 1.88% in 3QFY26**



**Exhibit 8: GNPA/NNPA ratios improved 15bp/20bp QoQ**



Source: MOFSL, Company

Source: MOFSL, Company

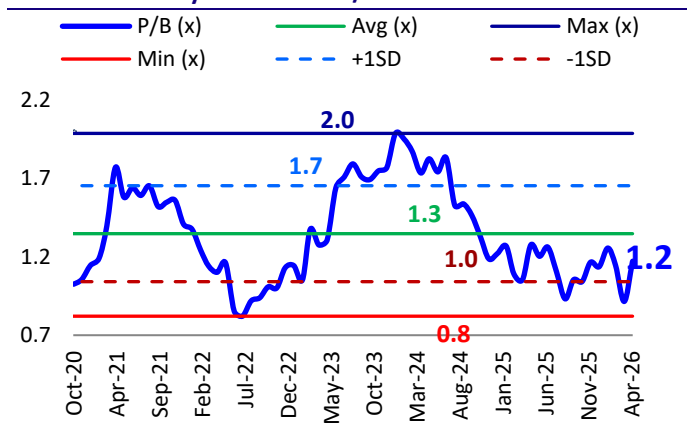
### Valuation and view: Reiterate BUY with a TP of INR80

- EQUITASB reported a strong quarter, driven by NIM expansion and controlled credit costs.
- Margins improved by 57bp QoQ, supported by lower interest reversals and a decline in funding costs. The bank expects NIMs to sustain in the 7.0-7.5% range, with CoF likely having peaked following SA and TD rate hikes.
- Credit costs may see a modest uptick in 1Q/2Q due to seasonality but are broadly expected to remain contained.
- Advances growth was healthy, led by traction in MFI, VF, SBL, and HL segments. The bank also expects the CD ratio to moderate from the current levels, which could exert some pressure on NIMs.
- On asset quality, GNPA and NNPA ratios improved, with credit costs expected to remain broadly stable. There has been no immediate impact from the West Asia conflict, although the bank remains cautious about rising fuel costs, given their potential impact on the CV segment.
- We largely maintain our earnings estimates and expect RoA/RoE of 1.0%/10.6% by FY27E. **Reiterate BUY with a TP of INR80 (1.4x Sep'27E ABV).**

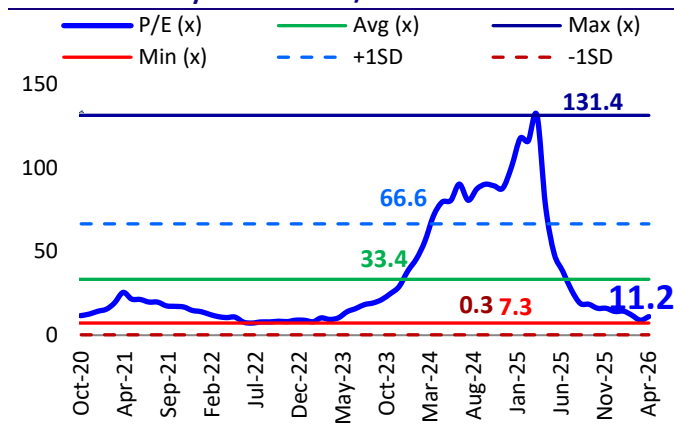
Exhibit 9: We largely maintain our earnings estimate

(INR b)	Old Est.			Rev. Est.			Chg. (%)/bps		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
<b>Net Interest Income</b>	<b>33.6</b>	<b>41.1</b>	<b>48.3</b>	<b>33.9</b>	<b>41.3</b>	<b>48.1</b>	<b>0.9</b>	<b>0.5</b>	<b>-0.5</b>
Other Income	10.9	12.7	15.0	10.7	12.2	14.2	-1.4	-3.9	-5.5
<b>Total Income</b>	<b>44.5</b>	<b>53.9</b>	<b>63.4</b>	<b>44.6</b>	<b>53.6</b>	<b>62.3</b>	<b>0.4</b>	<b>-0.5</b>	<b>-1.7</b>
Operating Expenses	32.2	36.9	42.3	32.0	36.7	41.3	-0.7	-0.5	-2.2
<b>Operating Profit</b>	<b>12.3</b>	<b>17.0</b>	<b>21.1</b>	<b>12.6</b>	<b>16.9</b>	<b>21.0</b>	<b>3.1</b>	<b>-0.6</b>	<b>-0.5</b>
Provisions	11.7	8.2	8.3	11.4	7.9	8.1	-2.6	-3.3	-2.5
<b>PBT</b>	<b>0.6</b>	<b>8.8</b>	<b>12.8</b>	<b>1.3</b>	<b>9.0</b>	<b>12.9</b>	<b>114.9</b>	<b>1.9</b>	<b>0.8</b>
Tax	0.1	2.2	3.2	0.3	2.3	3.2	110.1	1.9	0.8
<b>PAT</b>	<b>0.5</b>	<b>6.6</b>	<b>9.6</b>	<b>1.0</b>	<b>6.7</b>	<b>9.7</b>	<b>116.1</b>	<b>1.9</b>	<b>0.8</b>
Loans	423	502	595	428	504	600	1.0	0.6	0.9
Deposits	467	556	662	465	554	664	-0.4	-0.4	0.4
Credit Cost (%)	2.9	1.7	1.5	2.9	1.6	1.4	0	-7	-5
<b>RoA (%)</b>	<b>0.1</b>	<b>1.0</b>	<b>1.3</b>	<b>0.2</b>	<b>1.0</b>	<b>1.3</b>	<b>10</b>	<b>0</b>	<b>0</b>
<b>RoE (%)</b>	<b>0.8</b>	<b>10.6</b>	<b>14.0</b>	<b>1.7</b>	<b>10.6</b>	<b>14.0</b>	<b>90</b>	<b>-1</b>	<b>-3</b>
EPS	0.4	5.8	8.4	0.9	5.9	8.5	116.0	1.8	0.7
BV	52.2	56.5	63.4	53.7	57.0	64.0	2.8	1.0	1.0
ABV	50.0	54.7	61.0	51.8	55.3	62.2	3.7	1.0	1.9

Source: Company, MOFSL

**Exhibit 10: One-year forward P/B ratio**


Source: MOFSL, Company

**Exhibit 11: One-year forward P/E ratio**


Source: MOFSL, Company

**Exhibit 12: Du Pont analysis**

	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	13.4	13.7	12.9	12.0	12.4	12.2
Interest Expense	5.2	6.0	6.2	6.0	6.1	5.9
<b>Net Interest Income</b>	<b>8.22</b>	<b>7.67</b>	<b>6.63</b>	<b>5.98</b>	<b>6.33</b>	<b>6.27</b>
Fee income	2.09	1.73	1.56	1.79	1.79	1.78
Trading and others	0.07	0.26	0.29	0.10	0.09	0.07
<b>Other Income</b>	<b>2.16</b>	<b>1.99</b>	<b>1.86</b>	<b>1.89</b>	<b>1.87</b>	<b>1.85</b>
<b>Total Income</b>	<b>10.38</b>	<b>9.66</b>	<b>8.48</b>	<b>7.87</b>	<b>8.21</b>	<b>8.12</b>
<b>Operating Expenses</b>	<b>6.58</b>	<b>6.23</b>	<b>5.76</b>	<b>5.64</b>	<b>5.62</b>	<b>5.39</b>
Employees	3.54	3.41	3.30	3.32	3.28	3.16
Others	3.04	2.82	2.46	2.33	2.34	2.23
<b>Operating Profits</b>	<b>3.80</b>	<b>3.43</b>	<b>2.72</b>	<b>2.23</b>	<b>2.58</b>	<b>2.73</b>
<b>Core operating Profits</b>	<b>3.73</b>	<b>3.17</b>	<b>2.42</b>	<b>2.13</b>	<b>2.50</b>	<b>2.66</b>
<b>Provisions</b>	<b>1.32</b>	<b>0.75</b>	<b>2.31</b>	<b>2.00</b>	<b>1.21</b>	<b>1.05</b>
<b>PBT</b>	<b>2.48</b>	<b>2.68</b>	<b>0.41</b>	<b>0.23</b>	<b>1.37</b>	<b>1.68</b>
Tax	0.63	0.69	0.11	0.04	0.35	0.42
<b>RoA</b>	<b>1.85</b>	<b>1.99</b>	<b>0.30</b>	<b>0.18</b>	<b>1.03</b>	<b>1.26</b>
Leverage (x)	6.58	7.21	8.15	9.30	10.34	11.12
<b>RoE</b>	<b>12.20</b>	<b>14.36</b>	<b>2.44</b>	<b>1.69</b>	<b>10.62</b>	<b>13.99</b>

Source: Company, MOFSL

## Financials and valuations

Income Statement						(INRb)
Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Interest Income	41.6	54.9	63.1	67.9	81.2	93.4
Interest Expense	16.2	24.1	30.6	34.0	39.8	45.3
<b>Net Interest Income</b>	<b>25.4</b>	<b>30.8</b>	<b>32.5</b>	<b>33.9</b>	<b>41.3</b>	<b>48.1</b>
-growth (%)	24.8	21.0	5.6	4.3	21.9	16.4
Non Interest Income	6.7	8.0	9.1	10.7	12.2	14.2
<b>Total Income</b>	<b>32.1</b>	<b>38.8</b>	<b>41.6</b>	<b>44.6</b>	<b>53.6</b>	<b>62.3</b>
-growth (%)	24.8	20.7	7.3	7.2	20.0	16.3
Operating Expenses	20.4	25.0	28.3	32.0	36.7	41.3
<b>Pre Provision Profits</b>	<b>11.8</b>	<b>13.8</b>	<b>13.3</b>	<b>12.6</b>	<b>16.9</b>	<b>21.0</b>
-growth (%)	34.9	17.1	-3.1	-5.2	33.3	24.4
<b>Core PPOp</b>	<b>11.5</b>	<b>12.7</b>	<b>11.9</b>	<b>12.1</b>	<b>16.3</b>	<b>20.4</b>
-growth (%)	39.2	10.3	-6.6	1.6	34.9	25.2
Provisions	4.1	3.0	11.4	11.4	7.9	8.1
<b>PBT</b>	<b>7.7</b>	<b>10.8</b>	<b>2.0</b>	<b>1.3</b>	<b>9.0</b>	<b>12.9</b>
Tax	2.0	2.8	0.5	0.3	2.3	3.2
Tax Rate (%)	25.4	25.7	26.0	19.6	25.2	25.2
<b>PAT</b>	<b>5.7</b>	<b>8.0</b>	<b>1.5</b>	<b>1.0</b>	<b>6.7</b>	<b>9.7</b>
-growth (%)	104.3	39.3	-81.6	-29.9	550.3	44.0

### Balance Sheet

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	11.1	11.3	11.4	11.4	11.4	11.4
Reserves & Surplus	40.5	48.3	49.3	49.8	53.6	61.6
<b>Net Worth</b>	<b>51.6</b>	<b>59.7</b>	<b>60.7</b>	<b>61.2</b>	<b>65.0</b>	<b>73.0</b>
<b>Deposits</b>	<b>253.8</b>	<b>361.3</b>	<b>431.1</b>	<b>465.3</b>	<b>553.7</b>	<b>664.5</b>
-growth (%)	33.9	42.3	19.3	7.9	19.0	20.0
<b>-CASA Dep</b>	<b>107.3</b>	<b>115.5</b>	<b>124.1</b>	<b>121.0</b>	<b>156.7</b>	<b>206.7</b>
-growth (%)	8.9	7.6	7.4	-2.5	29.5	31.9
Borrowings	29.7	17.9	21.4	57.7	55.6	67.9
Other Liabilities & Prov.	14.5	14.2	15.2	21.8	25.5	29.8
<b>Total Liabilities</b>	<b>349.6</b>	<b>453.0</b>	<b>528.4</b>	<b>606.1</b>	<b>699.9</b>	<b>835.2</b>
Current Assets	12.4	35.8	55.4	56.7	45.1	47.6
<b>Investments</b>	<b>66.6</b>	<b>90.7</b>	<b>92.9</b>	<b>101.5</b>	<b>118.1</b>	<b>137.0</b>
-growth (%)	49.8	36.0	2.5	9.3	16.4	16.0
<b>Loans</b>	<b>258.0</b>	<b>309.6</b>	<b>362.1</b>	<b>427.5</b>	<b>504.5</b>	<b>600.3</b>
-growth (%)	33.2	20.0	16.9	18.1	18.0	19.0
Fixed Assets	3.8	6.0	7.0	7.2	8.3	9.3
Other Assets	8.7	10.9	11.1	13.3	23.9	40.9
<b>Total Assets</b>	<b>349.6</b>	<b>453.0</b>	<b>528.4</b>	<b>606.1</b>	<b>699.9</b>	<b>835.2</b>
<b>Total AUM</b>	<b>278.6</b>	<b>343.4</b>	<b>376.7</b>	<b>440.3</b>	<b>519.6</b>	<b>618.3</b>
-growth (%)	<b>35.3</b>	<b>23.2</b>	<b>9.7</b>	<b>16.9</b>	<b>18.0</b>	<b>19.0</b>

Asset Quality	FY23	FY24	FY25	FY26	FY27E	FY28E
GNPA (INR m)	7.2	8.2	10.7	11.3	10.2	11.0
NNPA (INR m)	3.1	3.6	5.3	3.1	2.8	2.9
Slippage (INR m)	10.9	11.4	20.3	21.3	15.8	16.6
GNPA Ratio	2.76	2.61	2.91	2.60	1.99	1.80
NNPA Ratio	1.21	1.17	1.48	0.72	0.56	0.49
Slippage Ratio	4.81	4.01	6.05	5.00	3.40	3.00
Credit Cost	1.43	0.90	2.88	2.91	1.63	1.40
PCR (Excl Tech. write off)	56.9	56.1	50.0	73.0	72.2	73.2

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Yield and Cost Ratio (%)</b>						
<b>Avg. Yield- on Earning Assets</b>	<b>14.8</b>	<b>15.1</b>	<b>14.6</b>	<b>13.7</b>	<b>14.0</b>	<b>13.6</b>
Avg. Yield on loans	16.7	17.3	16.6	15.1	15.3	15.0
Avg. Yield on Investments	5.7	6.9	7.1	6.8	6.7	6.7
<b>Avg. Cost of Int. Bear. Liab.</b>	<b>6.5</b>	<b>7.3</b>	<b>7.4</b>	<b>7.0</b>	<b>7.0</b>	<b>6.8</b>
Avg. Cost of Deposits	6.1	7.0	7.3	6.9	6.8	6.5
<b>Interest Spread</b>	<b>8.3</b>	<b>7.8</b>	<b>7.3</b>	<b>6.7</b>	<b>6.9</b>	<b>6.8</b>
<b>NIM (on IEA)</b>	<b>9.0</b>	<b>8.5</b>	<b>7.5</b>	<b>6.8</b>	<b>7.1</b>	<b>7.0</b>

### Capitalisation Ratios (%)

CAR	23.8	21.7	20.6	19.6	18.3	17.6
Tier I	23.1	20.7	17.8	15.7	14.7	14.4
CET 1	23.1	20.7	17.8	16.0	15.6	15.6
Tier II	0.7	1.0	2.8	3.9	3.5	3.2

### Business Ratios (%)

Loans/Deposit Ratio	101.6	85.7	84.0	91.9	91.1	90.3
CASA Ratio	42.3	32.0	28.8	26.0	28.3	31.1
Cost/Assets	5.8	5.5	5.4	5.3	5.2	4.9
Cost/Total Income	63.4	64.5	68.0	71.7	68.5	66.3
Cost/Core income	-11.2	-2.5	-2.0	-6.1	-7.2	-8.2
Int. Expense/Int.Income	38.9	43.9	48.5	50.1	49.1	48.5
Fee Income/Total Income	20.2	17.9	18.4	22.8	21.8	21.9
Other Inc./Total Income	20.8	20.6	21.9	24.0	22.8	22.8
Empl. Cost/Total Expense	53.8	54.7	57.3	58.8	58.4	58.6

### Efficiency Ratios (INRm)

Employee per branch (in nos)	22.3	23.7	25.6	27.5	29.6	31.9
Staff cost per employee	0.5	0.6	0.6	0.7	0.7	0.7
CASA per branch	116.4	119.8	124.9	115.9	143.0	179.6
Deposits per branch	275.3	374.8	433.7	445.8	505.3	577.5
Business per Employee (INR m)	24.9	29.4	31.2	31.1	32.6	34.5
Profit per Employee (INR m)	0.3	0.3	0.1	0.0	0.2	0.3

### Profitability Ratios and Valuation

RoA	1.9	2.0	0.3	0.2	1.0	1.3
RoE	12.2	14.4	2.4	1.7	10.6	14.0
Book Value (INR)	46	53	53	54	57	64
-growth (%)	36.9	13.2	1.3	0.8	6.2	12.2
<b>Price-BV (x)</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.0</b>
Adjusted BV (INR)	44	50	50	52	55	62
<b>Price-ABV (x)</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>
EPS (INR)	4.9	7.1	1.3	0.9	5.9	8.5
-growth (%)	106.8	46.6	-81.8	-30.1	550.0	44.0
<b>Price-Earnings (x)</b>	<b>13.8</b>	<b>9.4</b>	<b>51.8</b>	<b>74.1</b>	<b>11.4</b>	<b>7.9</b>

E: MOSL Estimates

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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