Dated: 03rd Nov 2025

Equitas Small Finance Bank (EQUITASB) - BUY

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.57	**Rs.90**

Rationale:

- Equitas SFB reported a marginal profit during Q2FY26, as PPOP declined ~30% yoy, while provisions fell ~35% yoy (high base).
- Asset quality is improving—gross slippage ratio fell 60 bps qoq to 6.4%.
- We expect operating profitability to improve, led by NIM recovery and business growth.
- Retain BUY with an FV of Rs90 (Rs85 earlier), led by inexpensive valuations.

Positives:

- Gross and net NPL ratios were flat qoq at 2.9% and 1.0%, respectively.
- Gross slippages declined qoq to Rs600 cr from Rs660 cr.
- The Portfolio at risk (PAR) 1-90 book in the overall loan book for the bank declined qoq to 9.1% from 9.5%.
- Credit costs declined sharply qoq to 2.3% in Q2FY26 from 6.9% in Q1FY26 and 2.7% in Q2FY25.
- Management indicated that it expects overall loan growth of >20% yoy in FY27E.

Negatives:

- Net interest margin (reported) declined ~25 bps qoq.
- The cost-income ratio has increased substantially now to 76%.
- Net Interest Income (NII) fell 4% yoy (sharper than 7% yoy growth in earning advances), while non-interest income declined 4% yoy.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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