

# Pick of the week

## Equitas Small Finance Bank (EQUITASB)

|                 |                                   |
|-----------------|-----------------------------------|
| Recommendation: | <b>BUY</b>                        |
| Target Price:   | <b>₹85</b>                        |
| Current Price:  | <b>₹65</b>                        |
| Time Period:    | <b>12 Months</b>                  |
| Date:           | <b>21<sup>st</sup> April 2025</b> |



- Equitas reported a 67% yoy earnings decline in 3QFY25, driven by ~2X provisions yoy.
- Microfinance (MFI) slippages were up sharply qoq; leading to higher provisions.
- CRIF's data shows at industry level MFI net forward flow has declined or stabilized in Q3FY25.
- Further at Industry level Portfolio at risk (PAR) 1-30 declined qoq from 2.1% to 1.8%.
- Even for Equitas SFB there was sequential decline in SMA-0 and SMA-1 MFI buckets.
- These early signs of improvement are encouraging indicating potential peaking of MFI stress.
- A swift and steady improvement in the next few months will support a more constructive stance on the bank.
- We maintain BUY with an FV of Rs85.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 03 Apr, 2025 & Feb 01, 2025 which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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