Interim MD CEO Assures Smooth Transition

EQSFB's stock has remained under pressure, declining ~11% since the announcement of the sudden resignation of its erstwhile MD & CEO, Mr PN Vasudevan, citing investor concerns over a perceived conflict of interest linked to his daughter's NBFC. **Subsequently, with regulatory approval, the bank appointed Mr Balaji Nuthalapadi (Executive Director at EQSFB since Mar'25), as interim MD & CEO for a period of 3 months. He has been overseeing technology, digital services, and regulatory compliance.**

Key Takeaways

- ✓ **Priorities on Interim MD CEO**: Management highlighted that business operations remain stable, supported by an experienced leadership team, robust operational controls and governance processes. Business heads and collections teams have 5-10 years of experience with EQSFB, ensuring continuity in day-to-day operations. There has been no material change in the business environment or operating momentum following the leadership transition. **Mr Balaji Nuthalapadi outlined his immediate priorities as (1) ensuring management continuity and sustaining business momentum, (2) delivering Q3/Q4 performance in line with earlier guidance, (3) progressing towards FY30 milestones, (4) laying the groundwork for FY28 expansion through calibrated investments and (5) maintaining a continued focus on cost optimisation.**
- ✓ **Strong Banking Credentials and Strategic Vision Remain Key Attributes for New MD CEO:** The Board is seeking a permanent MD CEO with strong banking credentials, strategic vision and execution capabilities. Key selection criteria include a proven track record, quality and depth of experience, growth leadership, alignment with EQSFB's existing strategy and the ability to build a robust leadership pipeline. The candidate is expected to have extensive financial services experience and the capability to scale the bank's operations. The new MD & CEO is expected to continue executing EQSFB's 5-year plan, with only modest adjustments based on their expertise. **Subject to timely RBI approval, management expects the selection process to be completed within approximately 4 months.**
- ✓ **Business Continuity Ensured**: Management reiterated that lending and deposit growth, including CASA and disbursement momentum, remain on track, with any potential deviations largely attributable to macroeconomic factors. During the interim CEO's tenure, the focus will remain on achieving the existing annual plan rather than undertaking any major strategic shifts. Management has also identified cost-saving initiatives to improve operational efficiency. Over the longer term, EQSFB is digitising loan origination and servicing processes, which is expected to drive cascading efficiency gains across functions. **However, management indicated that these benefits will take 6-9 quarters to fully materialise.**
- ✓ **No Risk of Erstwhile MD CEO Resignation on Employee Attrition**: Management downplayed any staff-related attrition risk from Mr Vasudevan's departure. EQSFB's established franchise, strong vintage of senior management team and employee culture are seen as strengths against any isolated poaching.
- ✓ **Guidance Maintained Across Parameters**: EQSFB continued to guide for a sustained 18-20 bps improvement in NIM over H2, supported by the deployment of excess liquidity. The impact of rising deposit costs on funding remains under review, with management closely monitoring funding rates. The bank continues to offer among the highest deposit rates in the industry. To remain competitive, EQSFB plans to increase FD rates on its Maxima product by 10 bps, from 8.0% to 8.1%, starting next week, in line with peer actions. Management reiterated that deposit pricing remains finely calibrated to prevailing market conditions.
- ✓ **Strategizing Universal Banking License Application**: While EQSFB remains compliant with RBI's requirements for applying for a universal bank license, management indicated that the bank will continue to cautiously execute its planned strategy before proceeding with the application.

Outlook and Valuation

The interim MD & CEO's focus on maintaining business continuity and delivering on the existing business plan should help mitigate near-term execution risks. Further, the bank's commitment to its existing strategic roadmap, coupled with its focus on improving the cost ratio through digital-led efficiencies, provides visibility into its medium-term RoA improvement trajectory. **However, the appointment of a permanent MD CEO remains a key monitorable, particularly given the need for continuity in execution**. Any meaningful deviation from the existing roadmap, changes in growth priorities or delays in key strategic initiatives could impact the bank's medium-term outlook. We believe EQSFB is gradually returning to a growth trajectory, supported by sustained traction in core secured retail segments and gradual normalisation in the MFI portfolio. While the improving operational performance is encouraging, stability in business operations and clarity on the permanent leadership appointment and its strategic priorities remain critical catalysts for a stock re-rating. **We continue to maintain our BUY recommendation on the stock with a target price of Rs 74/share, implying an upside of 28% from the CMP. We value EQSFB at 1.0x Sep'28E ABV vs its current valuation of 0.8x Sep'28E ABV**.

(CMP as of 12th November, 2026)	
CMP (Rs)	58
Upside /Downside (%)	28%
High/Low (Rs)	83.9/50.0
Market cap (Cr)	6,612
Avg. daily vol. (6m) Shrs.	66,36,316
No. of shares (Cr)	114.4

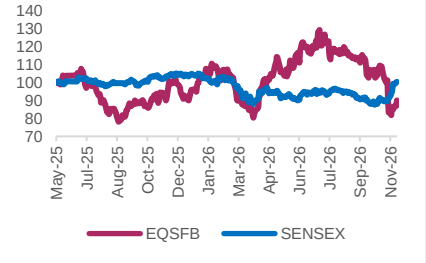
Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	0.0	0.0	0.0
FIIs	14.7	15.7	15.4
MFs / UTI	45.2	45.6	45.6
Others	40.1	38.7	39.0

Financial & Valuations

Y/E Mar (Rs Cr)	FY27E	FY28E	FY29E
NII	4,334	5,193	6,284
PPOP	1,817	2,287	2,943
Net Profit	896	1,096	1,455
EPS (Rs)	7.9	9.6	12.8
ABV (Rs)	58.7	67.7	79.6
P/ABV (x)	1.0	0.8	0.7
RoA (%)	1.3	1.3	1.5
NNPA (%)	0.6	0.6	0.6

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

Q2FY27
Q1FY27
Q4FY26
Q3FY26

Dnyanada Vaidya
Research Analyst
Email: dnyanada.vaidya@axissecurities.in

Abhishek Pandya
Research Associate
Email: abhishek.pandya@axissecurities.in

Financials (Standalone)

Profit & Loss (Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
Net Interest Income	**3,391**	**4,334**	**5,193**	**6,284**
Non-Interest Income	1,074	1,261	1,483	1,763
Total Income	**4,465**	**5,595**	**6,676**	**8,047**
Operating Expenses	3,200	3,778	4,389	5,105
Pre-Provision Profits	**1,265**	**1,817**	**2,287**	**2,943**
Provisions	1,137	623	826	1,003
PBT	**128**	**1,194**	**1,461**	**1,940**
Tax	25	299	365	485
Profit After Tax	**103**	**896**	**1,096**	**1,455**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS				
Equity Share Capital	1,141	1,141	1,141	1,141
Reserves & Surplus	4,984	5,880	6,975	8,430
Net Worth	**6,125**	**7,021**	**8,116**	**9,571**
Deposits	46,533	57,947	70,093	84,649
Borrowings	5,773	7,107	8,855	11,049
Other Liabilities	2,180	2,689	3,248	3,927
Total Liabilities	**60,610**	**74,764**	**90,312**	**1,09,197**
APPLICATION OF FUNDS				
Cash & Bank balances	5,666	5,781	6,292	7,599
Investments	10,149	13,334	16,128	19,478
Loans	42,751	53,128	64,846	78,438
Fixed Assets & Others	2,044	2,521	3,046	3,682
Total Assets	**60,610**	**74,764**	**90,312**	**1,09,197**

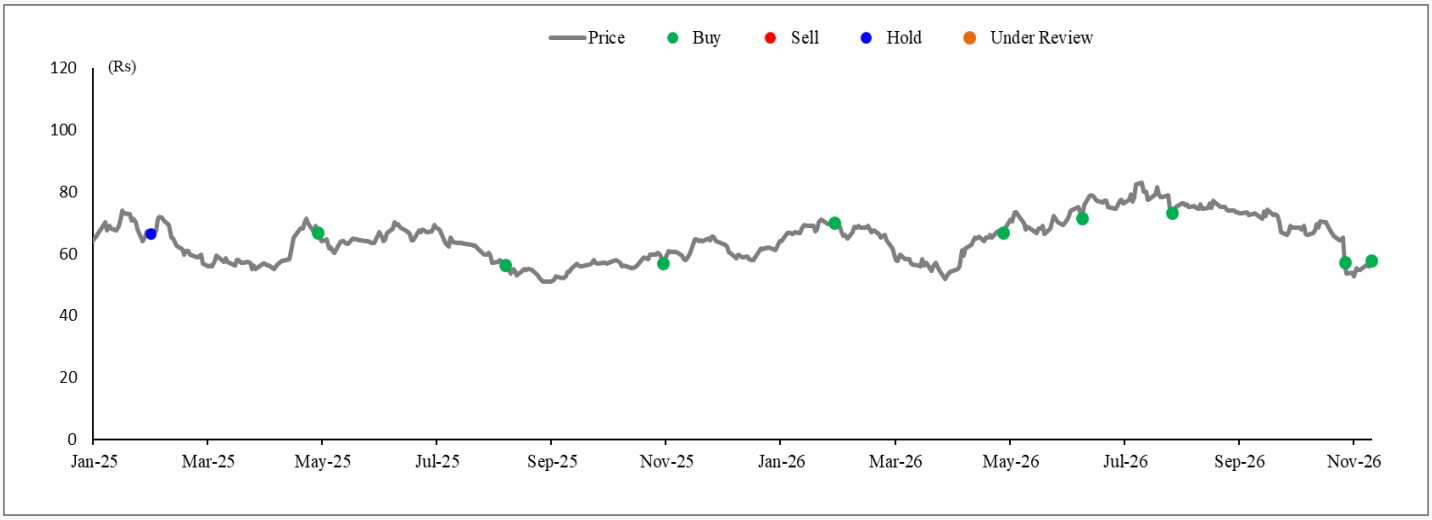
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E March	FY26	FY27E	FY28E	FY29E
VALUATION RATIOS				
EPS	0.9	7.9	9.6	12.8
Earnings Growth (%)	*-30.0*	*769.0*	*22.3*	*32.8*
BVPS	53.7	61.5	71.1	83.9
Adj. BVPS	51.0	58.7	67.7	79.6
RoA (%)	0.2	1.3	1.3	1.5
ROAE (%)	1.7	13.6	14.5	16.5
P/E (x)	64.2	7.4	6.0	4.5
P/ABV (x)	1.1	1.0	0.9	0.7
OPERATING EFFICIENCY				
NIM (%)	6.7	6.9	6.8	6.8
Cost/Avg. Asset Ratio (%)	5.6	5.6	5.3	5.1
Cost-Income Ratio (%)	71.7	67.5	65.7	63.4
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	21.5	23.7	22.1	21.0
Deposits Growth (%)	7.9	24.5	21.0	20.8
C-D Ratio (%)	91.9	91.7	92.5	92.7
Equity/Assets (%)	10.1	9.4	9.0	8.8
Equity/Loans (%)	14.3	13.2	12.5	12.2
Total Capital Adequacy Ratio (CAR)	20.3	18.5	17.2	16.7
Tier I (%)	16.7	15.0	13.9	13.5
ASSET QUALITY				
Gross NPLs (%)	2.6	2.1	2.0	2.1
Net NPLs (%)	0.7	0.6	0.6	0.6
Coverage Ratio (%)	73.0	71.0	71.1	71.2
Provision/Avg. AUM (%)	2.9	1.3	1.4	1.4
ROAA TREE (on Total Assets)				
Net Interest Income	6.0	6.4	6.3	6.3
Non-Interest Income	1.9	1.9	1.8	1.8
Operating Cost	5.6	5.6	5.3	5.1
Provisions	2.0	0.9	1.0	1.0
Tax	0.0	0.4	0.4	0.5
ROAA	0.2	1.3	1.3	1.5
Leverage (x)	9.3	10.3	10.9	11.3
ROAE	1.7	13.6	14.5	16.5

Source: Company, Axis Securities Research

Equitas Small Finance Bank Price Chart and Recommendation History



Date	Reco	TP	Research
01-Feb-25	HOLD	72	Result Update
02-May-25	BUY	76	Result Update
11-Aug-25	BUY	69	Result Update
03-Nov-25	BUY	69	Result Update
01-Feb-26	BUY	85	Result Update
04-May-26	BUY	86	Result Update
30-Jul-26	BUY	93	Result Update
30-Oct-26	BUY	74	Result Update
13-Nov-26	BUY	74	Company Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Ltd., Unit 002(A), Amiti Building, Piramal Corporate Park, Kamani Junction, LBS Marg, Kurla (West), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
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NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.

Neil Jha

Digitally signed by Neil Jha
Date: 2026.11.13 01:08:38 +05'30'