

Industry
Bloomberg
BSE CODE

Financial
EQUITAS IN
539844

RATING	NEUTRAL
CMP	51
Price Target	53
Potential Upside	5%

Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	120.5/32.75
Mkt Capital (Rs Cr)	1731.17
Free float (%)	84%
Avg. Vol 1M (,000)	1544
No. of Shares (Crs)	34
Promoters Pledged %	

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	1236	1584	1748
PPP	373	567	561
PAT	176	206	211
NIM %	9.5	10.0	9.3
EPS (Rs)	5	6	6
EPS growth (%)	460	17	2
ROE (%)	4	4	7
ROA (%)	0.6	0.5	1.0
BV	72	82	88
P/B (X)	0.7	0.6	0.6
P/E (x)	10	8	8

RESEARCH ANALYST

DEEPAK KUMAR

Deepak.kumar@narnolia.com
+91-22-62701205

KETAN MEHROTRA

ketan.mehrotra@narnolia.com

NII growth moderates with AUM and disbursement growth Tapering Off

1QFY21 Result Update

- NII grew by 22% YoY mainly driven by 37% YoY growth in AUM. PAT stood at Rs 79 Cr growing by 48% YoY with C/I ratio reducing from 71% to 68% YoY
- AUM grew by 37%/11% on YoY/QoQ driven by small business loan which grew by 45% YoY. MSE finance segment grew by 448%/29% on YoY/QoQ basis
- GNPA stood at 2.86% v/s 3.14% YoY and 2.88% QoQ while the NNPA stood at 1.73% v/s 1.75% YoY and 1.63% QoQ.

NIM growth moderates

NII grew moderately by 17% YoY mainly on account of moderation of loan growth to 25/1% on YoY/QoQ basis and Lower NIM. The yield on advance stood at 18.81% v/s 18.40% YoY and 18.90% QoQ while the cost of fund stood at 7.63%. PAT during the quarter was down by 25% YoY on account of higher provisions and lower other income. The provisions during the quarter was Rs 68 Cr v/s Rs 13 Cr in Q1FY20 while the other income was Rs 26 Cr v/s the 35 Cr in Q1FY20. The cost to income ratio during the quarter was 70% v/s the 63% QoQ.

Asset quality improves

GNPA stood at 2.68% v/s 2.73% YoY and 2.72% QoQ while the NNPA stood at 1.39% v/s 1.54% YoY and 1.50% QoQ. The slippages during the quarter were Rs 16 Cr while the upgrades were Rs 3 Cr, recovery were Rs 5 Cr while the write off were Rs 3 Cr. The moratorium at the end of the quarter was 51% of the gross advance which has now been reduced to 43% of the gross advance by the end of the July. Bank will only look for Rescheduling if customer is unable to pay its Normal Monthly EMI from September onwards.

Moderation in AUM and disbursement growth

AUM grew by 25/1% on YoY/QoQ driven by Microfinance book which grew by 16 YoY. MSE finance segment grew by 154%/6% on YoY/QoQ basis and small and mid-corporate loan which grew by 468/-6% on YoY/QoQ basis. The disbursement during the quarter fell by 72%/77% on YoY/QoQ basis. The disbursements during the June were 40% of the normal level and in July the disbursements were 75% of the normal level. There is lot of demand in the sector but the company has tightened its credit filter and will decide on which sectors to lend.

View and Valuation

NII growth during the quarter moderated mainly on account of the low advance growth. The AUM growth moderated mostly on account of the lockdown and credit filters put in by the bank. Asset quality improved also the moratorium levels came down by 90% in March to about 50% in July. The profitability of the bank although down was above our expectation on account of the lower credit cost than expectation. AUM growth going forward is expected to be moderated on the back of the lower disbursements and asset quality is expected to be impacted on the back of moratorium. The rescheduling is expected to be used only when the customer is not able to pay normal monthly EMI after the Moratorium and given the stress in CV segment rescheduling might be required which might require excess provisioning. We maintain NEUTRAL with TP of 53 at 0.60X FY21E.

Key Risks to our rating and target

- Lower Loan book growth
- Asset quality pressure.

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1QFY21 Results

Pat Above Expectation

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	630	671	714	760	761	20.8%	0.1%	2,195	2,775	26.5%
Interest Exp.	267	293	303	322	337	26.0%	4.5%	959	1,191	24.2%
NII	363	378	411	438	424	17.0%	-3.1%	1,236	1,584	28.2%
Other Income	26	25	24	28	17	-33.2%	-38.1%	75	51	-31.8%
Total Income	398	411	458	483	451	13.2%	-6.7%	1,400	1,745	24.7%
Ope Exp.	277	289	313	305	315	13.9%	3.6%	1,027	1,178	14.7%
PPP	121	122	145	179	135	11.6%	-24.3%	373	567	52.1%
Provisions	13	35	47	156	68	413.6%	-56.2%	101	251	147.3%
PBT	108	87	98	23	67	-37.9%	195.9%	271	316	16.5%
Tax	38	46	19	7	14	-62%	108.6%	95	110	16.0%
Net Profit	70	41	79	16	52	-25.3%	234.4%	176	206	17%

Concall Highlights

- On Moratorium front management said it has moved to banks comfort zone and has come down from 90% in March to 43% in July. Bank is confident with lockdown opening it should further improve.
- Management feels additional provisions buffer created during the last 2 quarter for COVID 19 should be sufficient but have to see going forward how things plan out.
- On the back of excess provisions buffer created during the last 2 quarter management feels it should be sufficient.
- The Disbursement are expected to be slow during the year but the growth is expected in advance due to lower rundown.
- Bank has not disbursed any loans under the MSME scheme.
- NIM is expected to be in 9% range going forward.
- Most of the asset classes have been performing well barring the heavy commercial vehicle and management have put cap on the segment and credit filters have improved.
- Bank has increased its focus in gold loans in last few months and have launched it across 100 branches.
- Equitas small finance bank is expected as soon as the conditions in the economy improves.
- Rescheduling will only be used when the customer is not able to pay the Normal Monthly EMI after august but management believes most of the client are expected to pay the EMI.
- LGD in used commercial vehicle is around 40% and small business loans LGD is less than 30%.
- Only in microfinance business bank is not collecting part EMI and but in other business they are paying.
- Bank is not looking at any cut in the employee cost going forward but it is not expected to go up substantially high.
- During the quarter the microfinance disbursement 15% is for new customer and 85% for old customer and in July disbursement for new customer is 9% and old customers is 91%.

Profitability Matrix

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
C/I Ratio %	68.2	71.6	69.6	70.3	68.0	63.0	70.0	0.44	6.96
Empl. Cost/ Tot. Exp. %	50.9	54.5	61.4	60.6	61.8	63.1	62.6	1.21	-0.57
Other Exp/Tot. Exp. %	40.3	36.7	26.1	26.7	26.5	24.7	27.3	1.20	2.54
Provision/PPP %	19.8	42.8	11.0	28.5	25.2	87.3	50.5	39.52	-36.85
Tax Rate %	36.3	32.0	34.8	52.8	25.5	30.6	21.6	-13.27	-9.03
Int Exp./Int Inc. (%)	42.5	41.6	42.4	43.7	44.3	42.4	44.2	1.82	1.86
Other Inc./NII %	0.6	0.4	0.3	0.3	0.3	0.3	0.2	-0.12	-0.13
PPP/ Net Income %	31.8	28.4	30.4	29.7	32.0	37.0	30.0	-0.44	-6.96
PAT/ Net Income %	16.2	11.0	17.7	10.0	17.8	3.2	11.7	-6.01	8.40
NII Growth % (YoY)	36.1	36.5	38.0	36.4	21.4	29.6	17.0	-21.00	-12.58
PPP Growth YoY %	192.2	59.7	104.7	13.6	10.8	65.5	11.6	-93.17	-53.96
PAT Growth %	310.4	20.1	139.3	-17	20.9	(62.6)	(25.3)	-164.60	37.25

Margin Performance

MARGIN %	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
Yield on Advances	16.9	16.9	18.0	18.3	18.7	18.7	17.8	-0.18	-0.88
Cost Of Funds	8.4	8.1	8.6	8.9	8.5	8.4	8.2	-0.45	-0.21
Spreads	8.6	8.8	9.4	9.5	10.2	10.3	9.6	0.27	-0.67
NIM	9.0	8.9	8.6	8.8	9.2	9.1	8.6	0.01	-0.48

Exhibit: Yield and Cost

Yield and cost of fund decreases

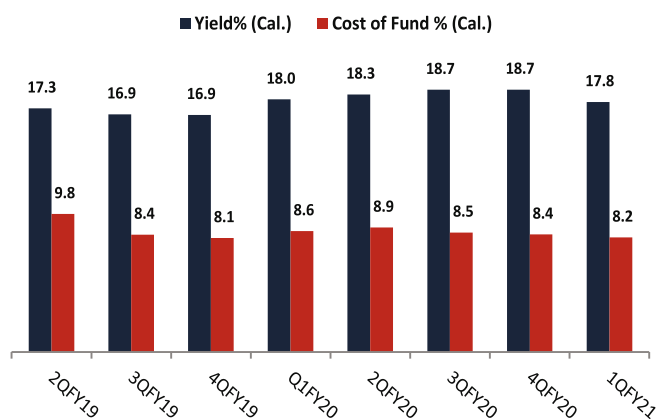
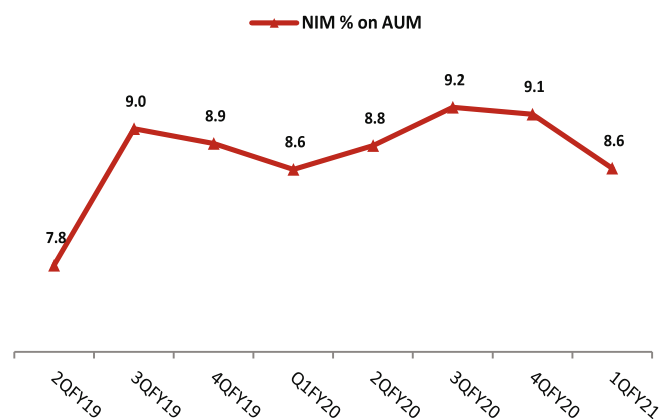


Exhibit: Net Interest Margin

NIM falls



Asset & Borrowings Growth Trend

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Disbursements	1914	2171	2265	2215	2093	2407	3080	2331	564
Growth YoY %	81	56	43	32	9	11	36	5	-73
AUM	8965	9981	10689	11836	12355	13269	14615	15367	15573
Growth YoY %	27	36	38	46	38	33	37	31	25
Borrowings	11635	11212	11898	12801	13697	14399	15906	17373	18313
Growth YoY %	78	52	44	21	18	28	30	36	32

Exhibit: AUM Growth %

AUM Growth moderates

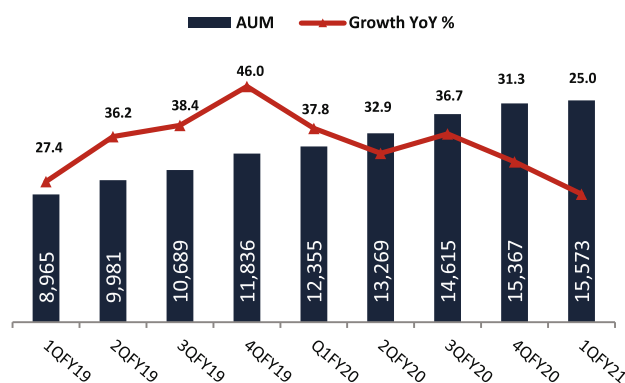
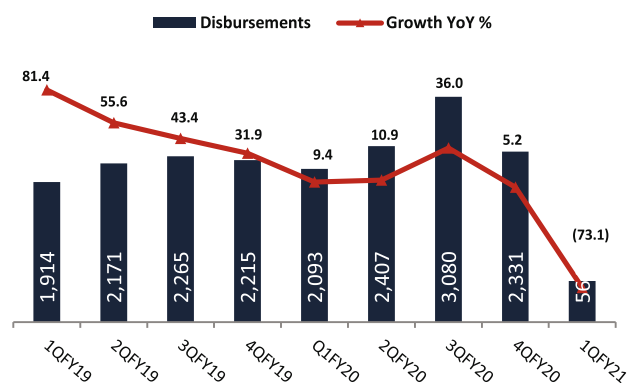


Exhibit: Disbursement Growth %

Disbursement growth fell



Asset Mix

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Micro Finance	27	27	27	26	25	24	25	24	23
Vehicle Finance	27	25	25	25	25	24	25	24	24
Micro LAP/Property finance	27	27	32	40	33	33	33	33	33
Other	19	21	16	10	17	19	17	19	19

Asset Quality

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
GNPA	335	296	334	378	418	417	417	82	(1)
GNPA %	3.1	2.5	2.8	2.9	2.9	2.7	2.7	(0.1)	(0.0)
NNPA	187	167	187	212	236	229	213	26	(15)
NNPA %	1.8	1.6	1.5	1.6	1.7	1.5	1.4	(0.2)	(0.1)
Total Specific PCR %	47	38	50	44	44	45	48	(2)	3

Exhibit: Asset Quality

Asset Quality improves

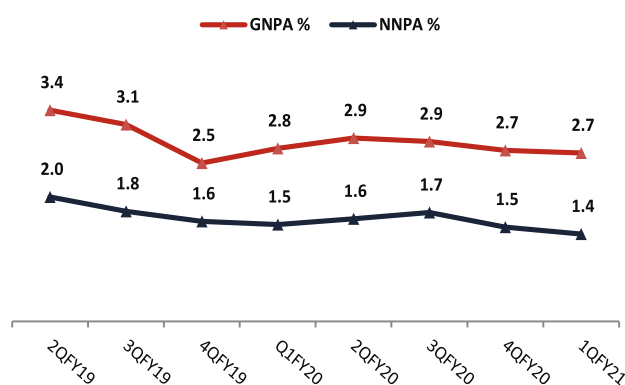


Exhibit: Provisions

PCR improved

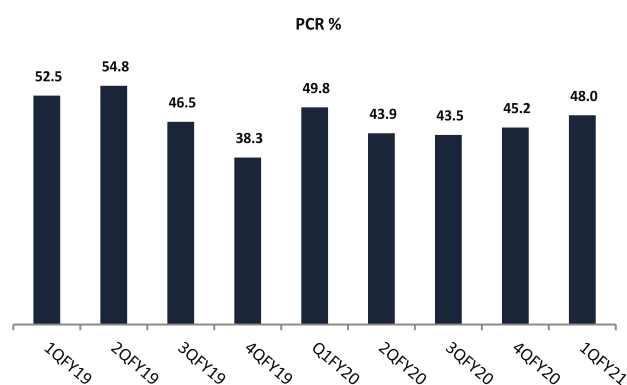


Exhibit: Liability Break Up

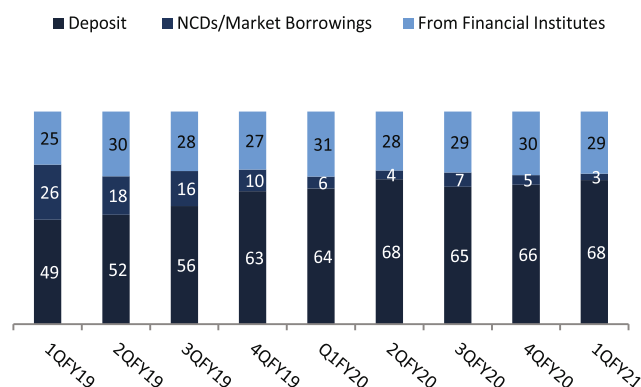
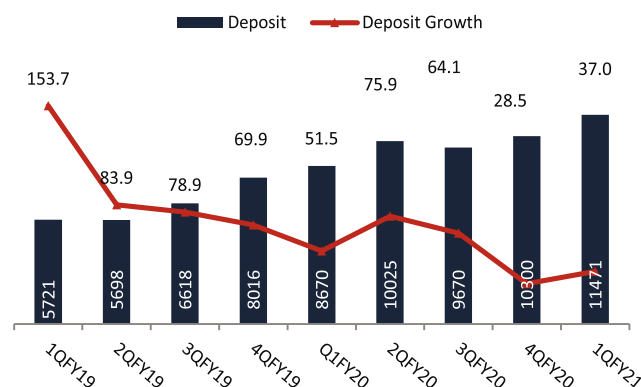


Exhibit: Deposit Growth

Healthy deposit Growth



Borrowing Mix

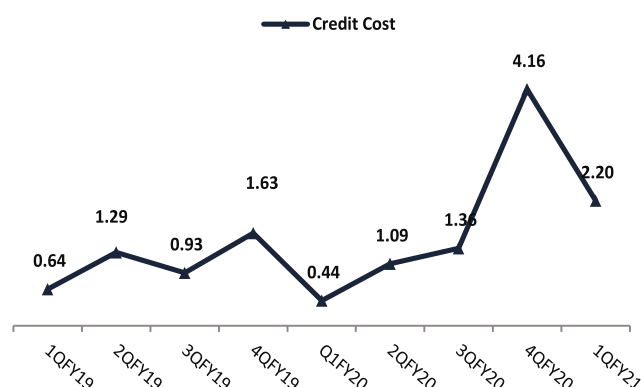
	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Deposits	5,698	6,618	8,016	8,851	10,025	10,026	10,300	11,471
NCDs/Market Borrowings	2,003	1,955	1,292	766	605	1,044	708	536
From Financial Institutes	3,361	3,325	3,493	4,161	4,054	4,443	4,682	5,073

Deposit

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
CASA	1972	2016	2272	2237	2249	2196	2208.2	2354
CA	329	460.0	480	472	384	394	350	330
SA	1643	1556	1792	1763	1865	1802	1858.6	2024
TD	3726	4602	5744	6614	7776	7474	8091.8	9117

Exhibit: Asset Quality

Cedit cost fell



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	73	269	270	338	340	341	342	341
Equity Capital	73	269	270	338	340	341	342	341
Preference Capital	-	-	-	-	-	-	-	-
Reserves & Surplus	669	902	1,071	1,893	1,936	2,102	2,442	2,653
Networth	742	1,171	1,341	2,231	2,276	2,444	2,784	2,995
Deposit	-	-	-	1,885	4,719	8,016	10,300	13,003
Change (%)	N/A	N/A	N/A	N/A	150	70	28	26
CASA Deposits	-	-	-	327	1,634	2,272	2,208	2,354
Change (%)	N/A	N/A	N/A	327	1,634	2,272	2,208	2,354
Borrowings	1,849	3,032	4,683	6,543	10,607	12,801	17,373	19,887
Other Liabilities & Provisions	127	209	393	493	489	406	226	108
Total Liabilities	2,751	4,465	6,507	9,444	13,495	15,715	20,835	23,154
Cash Balances	415	557	947	1,065	1,192	1,261	2,532	3,197
Investments	4	176	12	1,896	3,857	2,344	2,343	3,121
Change (%)	(52)	4,779	(93)	15,610	103	(39)	(0)	33
Advances	2,123	3,465	5,070	5,829	7,800	11,595	13,747	16,397
Change (%)	75	63	46	15	34	49	19	19
Fixed Assets	27	47	62	329	330	292	292	321
Other Assets	182	220	415	325	315	221	1,921	118
Total Assets	2,751	4,465	6,507	9,444	13,495	15,714	20,835	23,154

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	482	687	1,037	1,442	1,598	2,195	2,775	3,191
Interest expended	190	295	436	587	674	959	1,191	1,443
Net Interest Income	293	392	601	855	925	1,236	1,584	1,748
Change (%)	68	34	53	42	8	34	28	10
Other Income	1	69	78	114	189	75	51	123
Change (%)	6	6,233	13	46	66	(60)	(32)	139
Total Net Income	294	461	679	969	1,114	1,400	1,745	1,871
Operating Expenses	162	247	360	615	891	1,027	1,178	1,310
Change (%)	28	53	45	71	45	15	15	11
Employee Expenses	100	155	234	396	520	568	726	808
Pre-provisioning Profit	132	214	319	354	223	373	567	561
Change (%)	167	62	49	11	(37)	67	52	(1)
Provisions	18	50	59	103	172	101	251	283
Change (%)	106	174	17	74	67	(41)	147	13
PBT	114	163	260	251	51	271	316	279
Tax	40	57	93	92	20	95	110	68
Profit After Tax	74	107	167	159	31	176	206	211
Change (%)	127	44	56	(5)	(80)	462	17	2

Financial Details

Key Ratios

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Balance Sheet Metrics								
AUM	2,485	4,010	6,126	7,176	8,107	11,705	15,367	16,904
AUM Growth (%)	67.5	61.4	52.8	17.1	13.0	44.4	31.3	10.0
Borrowing Growth (%)	45.1	64.0	54.5	39.7	62.1	20.7	35.7	14.5
Loan/Borrowing (%)	114.8	114.3	108.3	89.1	73.5	90.6	79.1	82.5
CASA (%)	-	-	-	17.5	34.6	28.3	21.4	17.8
CRAR (%)	22.9	21.2	29.6	35.5	29.6	22.4	23.6	20.9
Tier 1 (%)	-	-	-	32.3	27.1	20.9	22.4	19.0
Tier 2 (%)	-	-	-	3.2	2.5	1.5	1.2	1.9

Assets Quality Metrics

Gross NPA (Rs)	-	37	68	206	356	296	417	604
Gross NPA (%)	0.7	1.1	1.3	3.5	2.7	2.5	2.7	3.7
Net NPA (Rs)	-	28	48	105	112	167	229	314
Net NPA (%)	0.6	0.8	0.9	1.5	1.4	1.6	1.5	1.9
Specific Provision Coverage (%)	-	25.6	29.9	49.0	47.3	43.5	45.0	45.0
Provision/Average Advances (%)	0.9	1.6	1.2	1.5	2.2	1.0	1.0	1.1

Margin Metrics

Yield On Advances (%)	24.3	21.1	24.3	25.4	20.5	22.6	21.9	19.6
Yield On Investment (%)	-	-	-	6.1	6.9	-	-	8.8
Yield On Earning Assets (%)	-	-	-	19.0	15.2	16.9	17.5	16.9
Cost Of Funds (%)	12.1	12.1	11.3	10.5	7.9	8.2	7.9	7.7
Spread (%)	12.2	9.1	13.0	8.5	7.3	8.7	9.6	9.2
NIM on AUM (%)	14.8	12.1	11.9	12.9	12.1	12.5	11.7	10.8
NIM on Earning Assets (%)	-	-	-	11.3	8.8	9.5	10.0	9.3

Profitability & Efficiency Metrics

Int. Expense/Int.Income (%)	39.3	42.9	42.0	42.4	48.2	43.7	42.9	48.9
Cost to Income (%)	55.0	53.6	53.0	63.4	80.0	73.4	67.5	70.0
Cost on Average Assets (%)	7.0	6.9	6.6	7.7	7.8	7.0	6.4	6.0
Tax Rate (%)	34.9	34.6	35.8	36.7	38.7	35.0	34.8	24.3

Valuation Ratio Metrics

EPS (Rs)	10.2	4.0	6.2	4.7	0.9	5.2	6.0	6.7
Change (%)	80.4	(61.1)	55.8	(23.9)	(80.4)	460	16.8	10.9
ROAE (%)	12.2	11.2	13.3	8.9	1.4	3.7	3.7	7.9
ROAA (%)	3.2	3.0	3.0	2.0	0.3	0.6	0.5	1.0
Dividend Payout (%)	-	-	-	-	-	-	-	17.9
Dividend yield (%)	-	-	-	-	-	-	-	-
Book Value(Rs)	51.1	43.5	49.7	66.0	66.9	71.6	81.5	88.2
Change (%)	25	(15)	14	33	1	7	14	8
ABVPS (Rs)	51	43	48	63	64	67	75	79
P/B (X)	-	-	-	2.6	2.1	0.7	0.6	0.6
P/E (X)	-	-	-	36.1	155.2	9.7	8.3	7.5

Financial Details

Exhibit: DuPont Analysis

Fig in Rs Cr

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest Income	21.0	19.0	18.9	18.1	13.9	15.0	15.2	14.5
Interest expended	8.2	8.2	7.9	7.4	5.9	6.6	6.5	6.6
Net Interest Income	12.7	10.9	11.0	10.7	8.1	8.5	8.7	7.9
Non-Fund Based Income	0.0	1.9	1.4	1.4	1.7	0.5	0.3	0.7
Total Income	12.8	12.8	12.4	12.2	9.7	9.0	9.0	8.6
Total Operating Expenses	7.0	6.9	6.6	7.7	7.8	7.0	6.4	6.0
Employee Expenses	4.4	4.3	4.3	5.0	4.5	3.9	4.0	3.7
Other Expenses	2.7	2.6	2.3	2.7	3.2	3.1	2.5	2.3
Operating Profit	5.7	5.9	5.8	4.4	1.9	1.9	2.5	2.6
Provisions	0.8	1.4	1.1	1.3	1.5	0.7	1.4	1.2
Others	-	-	-	-	-	-	-	-
PBT	4.9	4.5	4.7	3.2	0.4	1.3	1.1	1.4
Tax	1.7	1.6	1.7	1.2	0.2	0.7	0.6	0.3
PAT/RoAA	3.2	3.0	3.0	2.0	0.3	0.6	0.5	1.0
Equity Multiplier (x)	3.8	3.8	4.4	4.5	5.1	6.2	7.0	7.6
ROAE	12.2	11.2	13.3	8.9	1.4	3.7	3.7	7.9

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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