BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

02 May 2025

RESEARCH

AJANTA PHARMA | TARGET: Rs 2,795 | +3% | HOLD

A New Dawn of Culture

BAJAJ FINANCE | TARGET: Rs 11,025 | +21% | BUY

Levers for steady growth

AMBUJA CEMENTS | TARGET: Rs 587 | +10% | HOLD

On a strong growth path

ADANI PORTS | TARGET: Rs 1,490 | +22% | BUY

Broadly in line; diversification to drive growth

JSW INFRA | TARGET: Rs 330 | +12% | HOLD

Estimate miss, capacity expansion on track

FEDERAL BANK | TARGET: Rs 249 | +27% | BUY

Improving advances mix; PAT beats estimate on recoveries

EQUITAS SMALL FINANCE BANK | TARGET: Rs 77 | +15% | BUY

EQUITASB bets on secured book for stability

SUMMARY

AJANTA PHARMA

- Mix set of earnings where sales/EBITDA/PAT reported 5%/3%/10% above estimates; EBITDA margin reported 60 bps below estimates
- Entering new therapies and acquiring 3 brands to require higher MR & SG&A cost. Expect 27.5% EBITDA margin in FY26E & 28.5% in F27E
- Factoring in higher US sales growth, EPS upgrades by 3.6% and 7.3% in FY26E & FY27E. Upgrade to HOLD, ascribing PE of 30x on FY27E

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

BAJAJ FINANCE

- AUM growth healthy at 26% YoY, guided for 24-25% in FY26, aided by new lines of business, gold, and secured business segments
- RoA and RoE to be between 4.4-4.6% and 19-20% respectively in FY26. NIMs to remain stable
- Assume coverage with BUY on BAF with TP of Rs 11,025, assigning FY27E P/BV of 5.5x on standalone entity

Click here for the full report.

AMBUJA CEMENTS

- Strong volume-driven revenue growth, as realisation stays soft 3% YoY due to aggressive push in key markets
- Operating cost softened by ~5%/9%YoY/QoQ to Rs 4,003/tn, effectively helps EBITDA margin recovery to 18.3% vs 16.7% YoY.
- We value ACEM's consolidated business at 13x 1YF and revise our TP to Rs 587 (earlier Rs 579). Retain HOLD

Click here for the full report.

ADANI PORTS

- Q4 revenue/EBITDA was broadly in line; revenue grew 23% YoY, led by significant growth non-ports business (logistics and marine services)
- Domestics ports revenue grew 14% YoY, led by 5%/ 8% YoY growth in volume/ realisation. Adj. EBITDA margin expands 30bps YoY
- Revise EBITDA estimates upwards 1-2%, ascribe 14x FY27E EBITDA multiple to arrive at Mar'26 TP of Rs 1,490 (unchanged)

Click here for the full report.

JSW INFRA

- Revenue grew 17% YoY, led by Navkar acquisition; ex-Navkar revenue grew 5% YoY/ 8% QoQ.
- Q4 volume grew 4%, led by higher coal handling offsetting decline in iron ore volume; 3rd party cargo mix at 50% vs 47% in Q4FY24.
- Revise estimates downward by 3-5%, ascribe 25x (unchanged) to FY27E EBITDA to arrive at Mar'26 TP of Rs 330 (vs earlier TP of Rs 360).

Click here for the full report.

FEDERAL BANK

- Focus on medium and high-yielding segments to drive loan growth. CASA profile stable; aided by rise in CA deposits
- In-line PPoP while PAT beat estimates by 12%, due to lower credit costs. Asset quality improved
- Maintain BUY. Raise SOTP-based TP to Rs 249 (from Rs 236); implying 1.4x FY27E ABV

Click here for the full report.

EQUITAS SMALL FINANCE BANK

- Focus on diversified & secured portfolio; MFI mix likely to dip to mid-single-digit by FY26, thereby impacting NIMs
- Higher credit cost impacted profitability; asset quality improving, though MFI exposure in Tamil Nadu (TN) remains monitorable
- Maintain BUY. Revised TP of Rs 77 (from Rs 73); implying 1.2x FY27E ABV vs the last 3-year average P/ABV of 1.5x

Click here for the full report.

HOLD

TP: Rs 2,795 | 3%

AJANTA PHARMA | Pharmaceuticals | 01 May 2025

A New Dawn of Culture

- **Mix set of earnings where sales/EBITDA/PAT reported 5%/3%/10% above estimates; EBITDA margin reported 60 bps below estimates**
- **Entering new therapies and acquiring 3 brands to require higher MR & SG&A cost. Expect 27.5% EBITDA margin in FY26E & 28.5% in F27E**
- **Factoring in higher US sales growth, EPS upgrades by 3.6% and 7.3% in FY26E & FY27E. Upgrade to HOLD, ascribing PE of 30x on FY27E**

Foram Parekh
research@bobcaps.in

Mixed 4Q - AJP reported a mixed set of earnings where sales grew by 11% YoY, EBITDA by 6.8% YoY and PAT by 11.1% YoY. However, EBITDA margin was reported lower. Sales was driven by 13% growth in the India business, 17% in the Africa branded business, 8% in the Asia region and 24% in the US region, offset by 54% decline in the Africa Institution segment on lower purchases by global funds. Overall, 12% growth in the Branded Generics business and higher RM cost led to 75.8% gross margin. Employee cost increased by 20% due to MR hiring and 14% rise in Other expenses attributed to 26% YoY growth in R&D cost to Rs 630mn resulting in 25.4% EBITDA margin. Higher depreciation, interest cost and lower Other income offset by lower tax rate of 16.4%, led to 11% YoY increase in PAT.

Domestic sales continue to surpass IPM growth – AJP reported 13.2% YoY growth in domestic region, surpassing IPM growth by 300 bps. This was driven by growth across therapies where Opthal grew by 6% vs IPM growth of 5%, Derma by 14% vs IPM growth of 10%, Pain Management growth 11% vs IPM growth of 8%, Cardiac growth of 11% vs IPM growth of 12%. During the quarter, AJP launched 6 products in 4QFY25 and 32 launches in FY25. AJP's trade generics segment also grew by 20% YoY to Rs 490 mn, contributing 13% of domestic sales. Going forward, AJP's domestic region will continue surpassing IPM growth by 200 bps, driven by strong growth across therapies. Hence, we expect domestic region to grow at 11% CAGR from FY25-27 to Rs 17.8bn in FY27.

US growth to be driven by new product launches – During the quarter, US grew by 24% YoY to Rs 3.2bn, driven primarily by new product launches. The growth was driven by 5 new products launched in H2FY25. Overall, US region has 52 ANDAs active and 47 products on the shelf. Going forward, AJP to file 10-12 ANDAs and expects ~7 new launches in FY26E and full year impact of 5 new products launched in FY25, Hence, we expect the US region to grow by 12% CAGR from FY25-27 to Rs 13.1bn in FY27E.

Key changes

Target	Rating
▲	▲

Ticker/Price	AJP IN/Rs 2,706
Market cap	US$ 4.0bn
Free float	31%
3M ADV	US$ 5.5mn
52wk high/low	Rs 3,485/Rs 2,111
Promoter/FPI/DII	66%/10%/15%

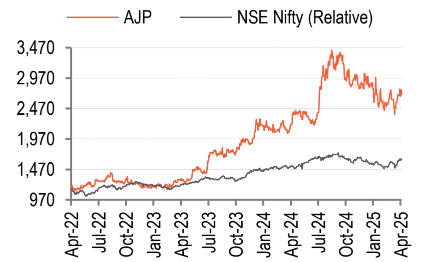
Source: NSE | Price as of 30 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,481	51,892	57,744
EBITDA (Rs mn)	12,595	14,267	16,477
Adj. net profit (Rs mn)	9,204	10,135	11,707
Adj. EPS (Rs)	72.8	80.2	92.7
Consensus EPS (Rs)	74.7	85.5	105.1
Adj. ROAE (%)	25.4	24.6	23.4
Adj. P/E (x)	37.1	33.7	29.2
EV/EBITDA (x)	27.0	23.9	20.6
Adj. EPS growth (%)	12.8	10.1	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 11,025 | ⮝ 21%

BAJAJ FINANCE | NBFC | 30 April 2025

Levers for steady growth

- **AUM growth healthy at 26% YoY, guided for 24-25% in FY26, aided by new lines of business, gold, and secured business segments**
- **RoA and RoE to be between 4.4-4.6% and 19-20% respectively in FY26. NIMs to remain stable**
- **Assume coverage with BUY on BAF with TP of Rs 11,025, assigning FY27E P/BV of 5.5x on standalone entity**

Vijiya Rao | Niraj Jalan
research@bobcaps.in

Steady quarter: Bajaj Finance clocked a decent quarter with inline operating performance and steady AUM growth (up 26% YoY). However, credit cost inched up to 2.26% in Q4FY25 vs 2.08% in Q3FY25 vs management guidance of ~2% in Q4FY25. This was primarily due to changes/ redevelopment in the ECL model, which considered additional provisions on stage 1 assets due to elevated credit cost in the past 3 quarters. Further, there was a one-time impact of tax reversal given favourable court decision leading to tax reduction in Q4FY25 and FY25.

Credit cost management a priority: For FY26, the company expects credit cost to be in the 1.85-1.95% range vs credit cost guidance of 1.75- 1.85% in FY25 vs the actual credit cost of 2.33% in FY25. Management expects credit cost to be lower than the pre-Covid levels, given stable macro-economic conditions. Further, management guided for an AUM growth of 24-25% in FY26 vs the actual 26% YoY AUM growth in FY25 vs earlier guidance of 25-27% in FY26E. This was aided by the new lines of business launched in the past 2-3 years, coupled with growth in the gold and secured business segments. The company had reduced pricing on certain select unsecured business segments and the cost of funds is expected to decline by 10-15bps in FY26, aided by potential policy rate cuts. This is likely to aid stable NIMs going forward. With respect to return ratios, RoA is expected to be in the 4.4-4.6% range and RoE is likely to be between 19-20% in FY26 from earlier guidance of 21-23%.

Stable asset quality: Asset quality improved with GNPA and NNPA improving by 17bps QoQ and 4bps QoQ to 0.96% and 0.44% in Q4FY25. The company had earlier expected GNPA and NNPA at <1.2% and <0.4% respectively.

Assume coverage with a BUY: The company delivered stable performance in FY25, indicating healthy AUM growth with strong customer accretion going forward. Tailwinds from potential rate cuts to aid cost of funds coupled with a tight control on opex, will likely aid earnings growth. We expect its AUM to grow at a CAGR of 25% over FY25-FY27. Hence, we assume coverage with BUY on BAF with Target Price of Rs 11,025, assigning FY27E P/BV of 5.5x on standalone entity.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BAF IN/Rs 9,093
Market cap	US$ 65.1bn
Free float	44%
3M ADV	US$ 138.8mn
52wk high/low	Rs 9,660/Rs 6,376
Promoter/FPI/DII	56%/20%/13%

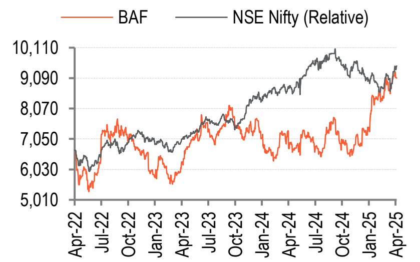
Source: NSE | Price as of 29 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	3,63,928	4,66,745	5,93,417
NII growth (%)	23.0	28.3	27.1
Adj. net profit (Rs mn)	1,67,633	2,21,994	2,93,166
EPS (Rs)	273.0	351.5	461.4
Consensus EPS (Rs)	NA	NA	NA
P/E (x)	33.3	25.9	19.7
P/BV (x)	5.8	4.9	4.1
ROA (%)	4.0	4.7	5.4
ROE (%)	19.4	20.7	22.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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HOLD
TP: Rs 587 | ⮝ 10%

AMBUJA CEMENTS | Cement | 30 April 2025

On a strong growth path

- **Strong volume-driven revenue growth, as realisation stays soft 3% YoY due to aggressive push in key markets**
- **Operating cost softened by ~5%/9%YoY/QoQ to Rs 4,003/tn, effectively helps EBITDA margin recovery to 18.3% vs 16.7% YoY.**
- **We value ACEM's consolidated business at 13x 1YF and revise our TP to Rs 587 (earlier Rs 579). Retain HOLD**

Milind Raginwar
research@bobcaps.in

Vol. gains contributed by inorganic growth; realisations listless: ACEM reported Q4FY25 (standalone) revenue growth of a robust 19%/17% YoY/QoQ to Rs 56.8bn, due to muted realisations on volumes growing a healthy 22%/15% YoY/QoQ to 11.6mn tonnes. Realisation weakened by 3% YoY (+2% QoQ) to Rs 4,806/t. Consolidated revenue grew 11%/6% YoY/QoQ at Rs 98.9bn, as volumes increased 13%/flat YoY/QoQ to 18.7mnt. Blended cement formed 82% of the total trade volumes and premium product share was 29% of trade sales (5.3% YoY).

EBITDA margin on recovery mode: Operating cost softened by ~5/9%YoY/QoQ to Rs 4,003/t. Power and fuel costs (adjusted to raw material cost) increased by 4% YoY but fell 7%QoQ to Rs 2,492/t in Q4FY25 from Rs 2,402/t in Q3FY24, due to adverse raw material movement. Kiln Fuel cost reduced by 14% to Rs 1.58 per kcal, given a better fuel mix and higher pet-coke usage. Freight cost fell by 2% to Rs. 1,238/t with the primary lead distance falling by 15 km to 265 km. EBITDA margin recovered to 18.3% from 16.7% YoY. EBITDA/t was at Rs 895 vs Rs840 YoY.

Capacity expansion on track: With the acquisition of Penna Cement and Orient Cement, ACEM's cement capacity reached ~104mn tonnes (mnt) (FY25-end). The company is on track to reach 118 mnt by FY26 and 140 mnt by FY28, The Bhatapara clinker unit (4 mnt) and Sankrail/Sindri grinding units are expected to be commissioned by Q1FY26. Nine additional grinding units have been identified to achieve the 140 mnt target by FY28.

Maintain HOLD: We maintain EBITDA estimates for FY26/FY27 factoring health volume growth, though realisation growth may be challenging given the heightened competitive pressure in FY26/FY27. Full impact of inorganic growth (ORCMNT + Penna) transition is steady and will continue in near/medium term, pinching cost. We estimate revenue/EBITDA/PAT CAGR of 17%/14%/13% over FY24-FY27. We value ACEM's consolidated business by assigning EV/EBITDA of 13x 1YF earnings and revise our TP to Rs 587 (from Rs 579). Our TP implies a replacement cost of Rs 10bn/mnt – ~33% premium to the industry. We retain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	ACEM IN/Rs 534
Market cap	US$ 12.4bn
Free float	37%
3M ADV	US$ 17.3mn
52wk high/low	Rs 707/Rs 453
Promoter/FPI/DII	63%/11%/17%

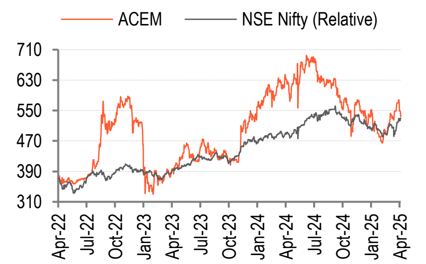
Source: NSE | Price as of 29 Apr 2025

Key financials

Y/E 31 Mar	FY25P	FY26E	FY27E
Total revenue (Rs mn)	3,50,448	4,58,726	5,25,628
EBITDA (Rs mn)	77,190	76,552	95,901
Adj. net profit (Rs mn)	41,889	34,571	46,997
Adj. EPS (Rs)	18.0	14.0	19.1
Consensus EPS (Rs)	18.0	13.1	17.2
Adj. ROAE (%)	9.0	7.2	8.5
Adj. P/E (x)	29.7	38.0	28.0
EV/EBITDA (x)	13.0	14.9	12.5
Adj. EPS growth (%)	11.7	(21.9)	35.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

RESULT REVIEW

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BUY
TP: Rs 1,490 | ⮝ 22%

ADANI PORTS | Logistics | 02 May 2025

Broadly in line; diversification to drive growth

- **Q4 revenue/EBITDA was broadly in line; revenue grew 23% YoY, led by significant growth non-ports business (logistics and marine services)**
- **Domestics ports revenue grew 14% YoY, led by 5%/ 8% YoY growth in volume/ realisation. Adj. EBITDA margin expands 30bps YoY**
- **Revise EBITDA estimates upwards 1-2%, ascribe 14x FY27E EBITDA multiple to arrive at Mar'26 TP of Rs 1,490 (unchanged)**

Vineet Shanker
research@bobcaps.in

Robust performance; meets FY25 EBITDA guidance: ADSEZ delivered a strong Q4FY25 performance with revenue up 23% YoY, led by 14%/30% growth in domestic/international ports. Logistics revenue grew 84% YoY (49% QoQ), while that of marine services jumped to Rs 3.6 bn vs Rs 1.6 bn YoY, led by the Astro offshore acquisition. Operating expenses grew 28% YoY/8% QoQ, but gains from operating leverage led to a 30bps YoY expansion in the adjusted EBITDA margin. Adjusted for Rs 931 mn forex loss, EBITDA stood at Rs 50 bn. For FY25, adjusted EBITDA reached Rs 190 bn, exceeding the company's guidance of Rs 185 bn.

Domestic ports revenue grew 14% YoY, led by ~5%/8% YoY growth in volumes/realisations: Domestic ports revenue grew 14% YoY in Q4 driven by 8% higher realisations and 5% volume growth, on the back of strong container volumes (+9.1 MMT) partly offset by a decline in EXIM coal (–3.5 MMT). Mundra Port remained the key growth driver with 11% YoY volume growth, while non-Mundra Ports grew 1%. For FY25, ADSEZ handled 450 MMT of cargo (+7% YoY), led by a 20% surge in container volumes. Mundra became the first Indian port to handle over 200 MMT in a year, reaffirming leadership in both total and container cargo. ADSEZ's market share rose to 27% in the overall cargo and 45.5% in container traffic (vs 44% in FY24).

Logistics revenue growth led by capacity addition and new service offering (freight forwarding): Logistics revenue grew 84% YoY in Q4, driven by capacity additions (trucks, rakes, warehouses) and the launch of a new freight forwarding business, which contributed Rs 2.6 bn. For FY25, the segment revenue grew 39% YoY. However, margins contracted by 100 bps in Q4 and 400 bps for the full year. Going ahead, management guides to achieve 3x-4x revenue growth in the trucking business from the base of FY25 revenue of Rs 4.3bn.

Marine services, another growth driver (targets 3x revenue by FY27E): The company has started reporting marine services separately. During Q4 and FY25, the company reported marine revenue of Rs 3.6 and Rs 11bn respectively. The company expects to 3x its marine revenue by FY27.

Key changes

Target	Rating
◄ ►	◄ ►

Ticker/Price	ADSEZ IN/Rs 1,217
Market cap	US$ 31.1bn
Free float	34%
3M ADV	US$ 36.8mn
52wk high/low	Rs 1,621/Rs 996
Promoter/FPI/DII	66%/14%/14%

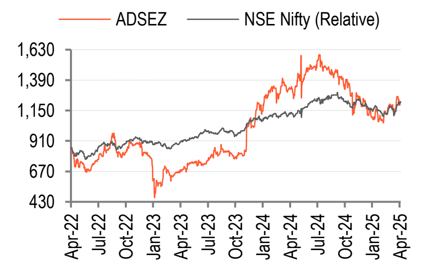
Source: NSE | Price as of 30 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	3,10,786	3,70,523	4,24,580
EBITDA (Rs mn)	1,87,438	2,16,474	2,51,025
Adj. net profit (Rs mn)	1,19,437	1,29,177	1,52,175
Adj. EPS (Rs)	55.3	59.8	70.4
Consensus EPS (Rs)	0.0	0.0	0.0
Adj. ROAE (%)	20.7	19.1	19.3
Adj. P/E (x)	22.0	20.3	17.3
EV/EBITDA (x)	16.5	14.2	12.0
Adj. EPS growth (%)	34.7	8.2	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD
TP: Rs 330 | 12%

JSW INFRA | Logistics | 01 May 2025

Estimate miss, capacity expansion on track

- **Revenue grew 17% YoY, led by Navkar acquisition; ex-Navkar revenue grew 5% YoY/ 8% QoQ.**
- **Q4 volume grew 4%, led by higher coal handling offsetting decline in iron ore volume; 3rd party cargo mix at 50% vs 47% in Q4FY24.**
- **Revise estimates downward by 3-5%, ascribe 25x (unchanged) to FY27E EBITDA to arrive at Mar'26 TP of Rs 330 (vs earlier TP of Rs 360).**

Vineet Shanker
research@bobcaps.in

Ex-Navkar modest revenue growth (+5% YoY): JSWINFRA's Q4FY25 performance was muted, with revenue/EBITDA coming in 2%/4% below our estimates. Revenue grew 17% YoY to Rs 12.8bn, driven by the Navkar acquisition. Ex-Navkar, revenue grew 5% YoY / 8% QoQ supported by volume growth of 4% YoY / 6% QoQ and realisation growth of 1% YoY / 2% QoQ. EBITDA grew 10% YoY to Rs 6.4bn; however, margins declined 300bps YoY to 49.9% given the lower-margin Navkar acquisition. Reported PAT came in at Rs 5.2bn (+58% YoY). Adjusted for a Rs 862mn forex gain that reduced finance costs, PAT grew 19% YoY to Rs 4.5bn. During FY25, the company reported revenue/EBITDA/adj PAT growth of 19%/15%/32% YoY respectively.

Q4 volume grew 4% YoY/6% QoQ, excluding interim operations at Tuticorin & JNPT liquid volume grew 1% YoY/3% QoQ: Q4FY25 volumes grew 5% YoY to 31.2mnt, driven by higher coal handling at Mangalore, Paradip, and Ennore, along with incremental contribution from Tuticorin and JNPA liquid terminals (~1mn tons). This offset the volume decline at Paradip iron ore terminal. Third-party cargo volumes grew 34% YoY to 17.3mn tons, with share rising to 49% from 40% last year, reflecting continued diversification. Management has guided for ~10% volume growth in FY26, led by ramp-up at Paradip, capacity enhancement at Southwest Port, Goa (from 8.5mnt to 11mnt in Q4), and interim operations at Tuticorin and JNPA liquid terminals.

Capacity expansion target (~400mnt by FY30) on track: Plan to expand capacity from 177mnt (FY25) to 400mnt (FY30E) is on track. FY26 capex is pegged at Rs 55bn (Rs 40bn/15bn for ports/logistics). Key projects include Tuticorin (Q4FY26, interim ops ongoing), JNPA liquid (Q2FY26), Jaigarh LPG (Q1FY27), and Dharamtar/Jaigarh expansions (Q4FY27).

Maintain HOLD: We have cut our estimates by 3-5% for FY26-FY27E to factor in lower volume from group cargoes in FY26-FY27; ramp-up in Navkar to incur additional costs denting the overall margins. We continue to ascribe 25x FY27E EBITDA to arrive at Mar'26 TP of Rs 330 vs earlier TP of Rs 360. We maintain HOLD rating.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	JSWINFRA IN/Rs 294
Market cap	US$ 7.1bn
Free float	13%
3M ADV	US$ 8.0mn
52wk high/low	Rs 361/Rs 218
Promoter/FPI/DII	86%/4%/3%

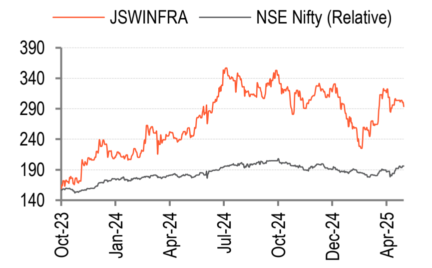
Source: NSE | Price as of 30 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	44,761	51,088	58,461
EBITDA (Rs mn)	22,622	25,897	29,920
Adj. net profit (Rs mn)	15,215	15,011	16,569
Adj. EPS (Rs)	7.3	7.2	7.9
Consensus EPS (Rs)	0.0	0.0	0.0
Adj. ROAE (%)	17.2	14.5	14.1
Adj. P/E (x)	40.4	40.9	37.1
EV/EBITDA (x)	28.2	24.8	21.7
Adj. EPS growth (%)	21.0	(1.3)	10.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY
TP: Rs 249 | ⮝ 27%

FEDERAL BANK | Banking | 01 May 2025

Improving advances mix; PAT beats estimate on recoveries

- **Focus on medium and high-yielding segments to drive loan growth. CASA profile stable; aided by rise in CA deposits**
- **In-line PPoP while PAT beat estimates by 12%, due to lower credit costs. Asset quality improved**
- **Maintain BUY. Raise SOTP-based TP to Rs 249 (from Rs 236); implying 1.4x FY27E ABV**

Niraj Jalan | Vijiya Rao
research@bobcaps.in

Focus on medium/high-yielding segments to drive loan growth: FB reported loan growth of 12% YoY (+2% QoQ) in Q4FY25. Loan growth was in line with its strategy to focus on medium-yielding segments (CV/CE, LAP, auto, gold) that saw a rise in its gross advances share to 47% (45% in Q4FY24). Share of low-yielding segments (housing, CIB) witnessed a decline in gross loans to 48% (50% in Q4FY24). Within the high-yielding segments, credit cards increased by 19% YoY while PL declined by 2% YoY. PL book growth is expected to improve in FY26 with the management planning to relax its tightened underwriting norms. Loan growth was supported by deposit growth (+12% YoY; +6% QoQ), resulting in the CD ratio improving to 83% (-3.7% QoQ). CASA ratio remained stable sequentially at 30%, however, CA deposits grew at a high pace of 27% QoQ, which was in line with its strategy. Management expects CASA to improve to 36% in the next three years.

PPoP in-line while PAT beat estimates by 12%, due to lower credit costs: At Rs 14.7bn (-7% QoQ), PPoP was in line with our estimates; while PAT at Rs 10.3bn was 12% high vs our estimates. This was largely on account of lower credit costs (-53% QoQ; -38% from our estimates) driven by corporate recovery from a few accounts. NIMs were stable at 3.1% and management expects to maintain similar levels. C/I ratio increased to 56.7% (+3.6% QoQ), owing to 39 branches being opened in Q4FY25. Further, C/I ratio is expected to stay elevated in the 53-54% range in the next three years. With lower credit costs, RoA/RoE improved to 1.2%/12.3% in Q4FY25.

Asset quality improved: Asset quality improved with GNPA falling to 1.84% (-11bps QoQ). Improvement in GNPA was led by higher upgrades (+30% QoQ) and marginally lower slippages (-1% QoQ). PCR improved to 76% (+1.1% QoQ).

Maintain BUY: FB's strategy to position itself closer to the top private sector banks driven by changes in its assets and liabilities profile, is expected to result in steady business growth and improved return profile. We expect these strategic initiatives to take time to bear fruit and would be watchful. We model advances growth CAGR of 16% over FY25-27E with RoA/RoE of 1.2%/13.6% in FY27E. We value the bank at 1.4x FY27E ABV and maintain a BUY rating with revised TP of Rs 249 (from Rs 236).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	FB IN/Rs 197
Market cap	US$ 5.7bn
Free float	100%
3M ADV	US$ 16.7mn
52wk high/low	Rs 217/Rs 148
Promoter/FPI/DII	0%/26%/49%

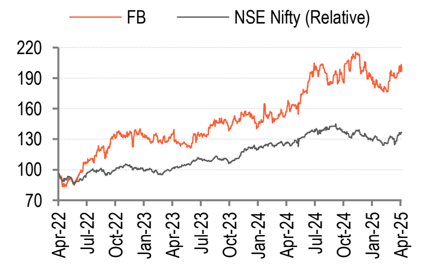
Source: NSE | Price as of 30 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	94,680	1,06,675	1,27,572
NII growth (%)	14.2	12.7	19.6
Adj. net profit (Rs mn)	40,519	44,912	54,421
EPS (Rs)	16.6	18.3	22.2
Consensus EPS (Rs)	16.5	19.0	22.3
P/E (x)	11.9	10.8	8.9
P/BV (x)	1.4	1.3	1.1
ROA (%)	1.2	1.2	1.2
ROE (%)	13.0	12.7	13.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 77 | ⮝ 15%

EQUITAS SMALL FINANCE BANK | Banking | 02 May 2025

EQUITASB bets on secured book for stability

- **Focus on diversified & secured portfolio; MFI mix likely to dip to mid-single-digit by FY26, thereby impacting NIMs**
- **Higher credit cost impacted profitability; asset quality improving, though MFI exposure in Tamil Nadu (TN) remains monitorable**
- **Maintain BUY. Revised TP of Rs 77 (from Rs 73); implying 1.2x FY27E ABV vs the last 3-year average P/ABV of 1.5x**

Niraj Jalan | Vijiya Rao
research@bobcaps.in

Focus on diversified & secured portfolio; MFI mix likely to dip to mid-single-digit: EQUITASB shifted focus to secured portfolio as evident by its rising share of secured loan mix to 88.1% (Mar'25) vs 85.6% (Dec'24). The bank has consciously run-down its MFI disbursement to Rs 3.6 bn (-69% QoQ) in Q4FY25. It plans to reduce its MFI mix to mid-single digits (12% as of Mar'25) by FY26. The decline in MFI disbursement was largely met by high-yielding segments - SBL and vehicle finance which accounted for 70% of the total disbursements in Q4FY25. Overall, net advances grew by 17% YoY and 2% QoQ, supported by higher growth in deposits (+19% YoY; +6 QoQ). As a result, CD ratio improved to 84% (-3% QoQ). We expect advances to grow at a ~21% CAGR during FY25-27E.

NIMs impacted with fall in high-yielding MFI book; higher credit cost impacted profitability: A consistent fall in the share of the high-yielding MFI portfolio resulted in NIMs declining to 7.13% (-26bps QoQ). This, along with the onset of RBI's rate cut cycle, will impact margins. However, it will be cushioned by bank's higher share of fixed rate portfolio (89% of total loans). At 70.5% (+2% QoQ), C/I ratio remained elevated. Credit cost was marginally higher at 2.74% (+9bps QoQ). However, non-MFI credit cost improved to 0.89% (-40bps QoQ) in Q4FY25. Higher credit cost mainly resulted in a decline in PAT to Rs 421mn (-36% QoQ) in Q4FY25. Management expects RoA to be>1% in FY26 and 1.5-1.7% in FY27.

Asset quality improved; MFI exposure in TN remains monitorable: GNPA ratio improved marginally to 2.89% (-8bps QoQ) in Q4FY25, largely driven by lower gross slippage of 5.9% (-56bps QoQ). Despite issues in Karnataka region, net slippages in MFI book improved to 12.9% (-1.3% QoQ). However, net slippages in non-MFI book increased marginally to 1.5% (+43bps QoQ), mainly due to one account of Rs 330mn slipping, which had recovered in Q3FY25 after initially slipping in Q2FY25. Impact of Tamil Nadu debt collection bill on MFI remains monitorable.

Maintain BUY: We expect its advances to grow at ~21% CAGR in FY25-27E and deliver improvement in RoA/RoE to 1%-1.4% / 9.7%-14.3% in FY26-FY27E. We maintain BUY rating with revised TP of Rs 77 (from Rs 73), set at 1.2x FY27E ABV.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EQUITASB IN/Rs 67
Market cap	US$ 903.3mn
Free float	100%
3M ADV	US$ 3.7mn
52wk high/low	Rs 108/Rs 53
Promoter/FPI/DII	0%/16%/43%

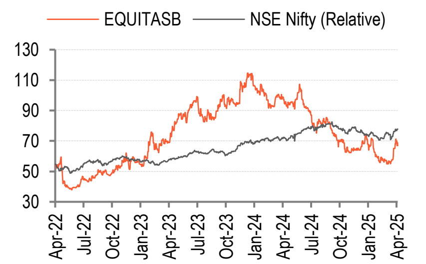
Source: NSE | Price as of 30 Apr 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	32,516	36,548	43,689
NII growth (%)	5.6	12.4	19.5
Adj. net profit (Rs mn)	1,470	6,176	10,339
EPS (Rs)	1.3	5.4	9.1
Consensus EPS (Rs)	2.1	6.1	8.8
P/E (x)	51.8	12.4	7.4
P/BV (x)	1.3	1.1	1.0
ROA (%)	0.3	1.0	1.4
ROE (%)	2.4	9.7	14.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
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Note: Recommendation structure changed with effect from 21 June 2021

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