



Equitas Holdings Ltd

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
139	180	29.5%	169 / 78	47476

Key Highlights:

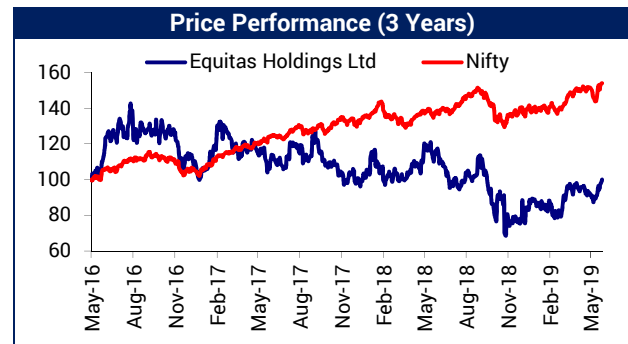
- Equitas reported ~100% earnings growth in 4QFY19 led by solid NII growth (34% YoY) and slower cost growth of 23% YoY. Improvement in NII was on the back of strong AUM growth at ~45% YoY, a 10-quarter high primarily driven by non-MFI businesses at ~60% YoY while MFI revived to 35% YoY
- NIM was flat QoQ at 9%. Deposits grew ~70% YoY led by a high growth in term deposits at ~90% YoY. CASA and retail TD was flat QoQ at 60%. Non-interest income grew 60% YoY. Asset quality showed improvement with slippages at 2.4% of loans and gross NPLs declining 60 bps QoQ to 2.5% and net NPLs declining 30 bps QoQ to 1.4% of loans
- AUM growth increased to ~45% YoY in 4QFY19 from 11% in FY18 while disbursements in the quarter were lower sequentially (down 2% QoQ, up ~32% YoY) in 4QFY19 due to QoQ lower disbursements in the MFI and small business loan segments
- RoEs have improved to an 11-quarter high at 11%. The bank is comfortable to grow its balance sheet at closer to current levels, suggesting near-term performance could be better than our current estimates of ~30% CAGR
- The bank expects cost growth at ~15% for FY20, which appears to be a bit higher but we understand this is primarily on assets (sales and collection) and less for liabilities. We believe that the risk to our return ratio framework has not changed materially as these were expected outcomes
- We forecast 30% CAGR in AUM over FY19-22E driven by recovery in the microfinance business, stable growth in vehicle business, rapid ramp-up in small business loans and newer segments. A diverse business line also opens up the opportunity for cross-sell of products
- We maintain BUY rating with fair value unchanged at Rs. 180. At our fair value, we value Equitas at 2x book and ~15x EPS March'21E book for RoEs moving closer to industry average by FY20-21E

Financials (Rs mn)*	FY19	FY20E	FY21E
Net Interest Income	11,848	16,809	20,619
Non interest income	2,596	2,580	4,079
Total Income	14,444	19,389	24,698
Growth (%)	29.2%	34.2%	27.4%
PBT	3,319	5,407	7,042
Net profit	2,164	3,406	4,437
EPS (Rs.)	6	10	13
Book value (Rs.)	70	78	91
P/B (x)	2.0	1.8	1.5
NIM (%)	8.2	9.3	8.7
Gross NPL (%)	2.5	2.8	2.8
RoE (%)	9.1	12.8	14.5
RoA (%)	1.4	1.8	1.8

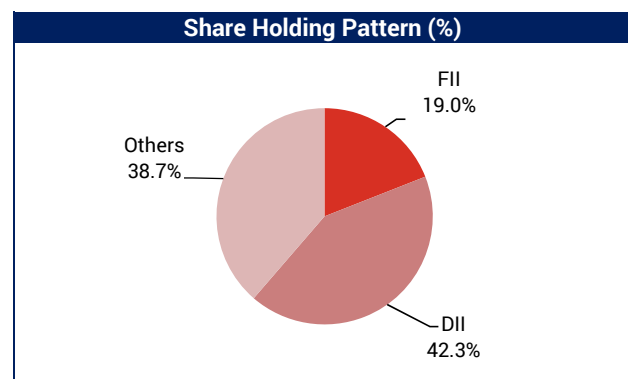
Source: Kotak Institutional Equities *Standalone

Financials (Rs mn)*	Q4-FY18	Q4-FY19	% Chg
Net interest income	2,485	3,331	34%
PBT	537	1,024	91%
PAT	350	687	96%
NIM (%)	8.1	8.9	78 bps
GNPL (%)	2.7%	2.5%	-20 bps
Cost-income ratio (%)	77.0%	69.0%	-832 bps
PCR (%)	47.4%	43.4%	-403 bps

Source: Kotak Institutional Equities *Standalone



Source: Bloomberg



Source: Bloomberg

This one pager on the company is extracted from last KIE update dated May 13, 2019 and it does not contain events beyond that date. We take no obligation to update the KIE recommendations. While source of all other information is taken from Kotak Institutional Equities, the price performance and shareholding pattern chart is inputted by Kotak PCG research team (with source as Bloomberg). It is advisable to read the full KIE report before taking any investment decision on the above company recommendation.

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- 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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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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