



# EQUITAS SMALL FINANCE BANK LIMITED

*FOR IMMEDIATE PUBLICATION*

**PRESS RELEASE**

**November 08, 2024**

Chennai, November 08, 2024: The Board of Directors of Equitas Small Finance Bank Limited at its meeting held today, approved the unaudited financial results for quarter and half year ended September 30, 2024

## **Q2 FY2024-25 Business Performance Highlights**

The Bank experienced healthy growth in deposits at 29% YoY, particularly in the retail sector. During the half-year period, we implemented strategic adjustments by reducing interest rate tiers in savings accounts and slightly lowering rates in our 444-day term deposit. These are expected to help reduce our cost of funds over the next few quarters. Despite these changes, we are able to generate a strong deposit growth.

Loan growth gained momentum across most products, with our flagship product, Small Business Loans, demonstrating consistent performance. While the Non-micro finance portfolio has grown by 20% YoY, we consciously reduced our lending in micro finance, leading to 15% growth at the overall bank level.

Micro finance sector has been witnessing stress in the recent past. To address this, we have proactively implemented various customer-centric measures during the quarter to enhance discipline and improve collections in this segment. Nevertheless, we anticipate that these challenges will persist in the current financial year.

**Over the years, our management has taken prudent steps to mitigate risk by prioritizing secured products and reducing our reliance on microfinance. Currently, microfinance accounts for only 16% of our loan portfolio.**

**In this quarter, we proactively increased our provisions in microfinance by Rs. 146 Crores. This strategic decision aims to adequately cover potential risks associated with the current industry stress. As a result, we had a one-time impact on our Profit After Tax (PAT) for this quarter.**

<b>H1FY25 Credit Cost</b>	<b>%</b>	<b>Rs Crores</b>
Microfinance & Micro Loans including one time provision buffer	10.18%	303.23
<b>Rest of the portfolio</b>	<b>1.04%</b>	<b>151.07</b>
Total credit cost for the bank excluding one-time floating provision	2.59%	454.30
One time Floating provision created in Q1FY25	1.03%	180
Total Credit for H1FY25 annualized	3.62%	634.30

As can be seen from above, the credit cost for the Bank other than Micro Finance, at 1.04% for H1 FY '25 is at a comfortable level. Due to the on-going stress in the micro finance sector, the credit cost for this portfolio has moved up significantly to 10.18%. However, since micro finance constitutes only about 16% of the total portfolio, the overall credit cost for the bank (excluding the one-time floating provision), comes to 2.59%.

On an analysis, we find that the pool of micro finance where customers have borrowed more than Rs. 1.5 lacs from various lenders, causes the highest stress. The data on this for Equitas is given below:

<b>Equitas SFB</b>	<b>Dec 2023</b>	<b>March 2024</b>	<b>June 2024</b>	<b>Sep 2024</b>
<b>Percentage of customers with &gt; Rs.1.5 Lacs overall Indebtedness</b>	19%	20%	21%	16%

With higher level of customer awareness and improved lending discipline amongst lenders, we hope to see this percentage going down further over time.

### **1. Key Highlights for Q2FY25:**

- Yield on Gross Advances improved by 4 bps to 16.49% in Q2FY25 over previous quarter.
- Gross Advances growth at 15% YoY and 3% QoQ. Non Microfinance book grew 20% YoY, led by 23% growth in Housing Finance and 28% growth in SBL over previous year.
- Overall deposits registered a robust growth of 29% YoY & 6% QoQ

### **2. Business Highlights:**

- UCV and Used Cars witnessed robust growth with highest ever quarterly disbursements of Rs. 887 crs and Rs. 323 crs respectively.
- Used Cars advances crossed Rs. 1500 Crs in Q2FY25
- Disbursement growth of 156% YoY in Micro-LAP (part of SBL)
- CASA ratio stable at 31%; CA balances grew 72% YoY
- Strong Retail Term Deposits growth of 39% YoY to Rs. 17,340 Crs

### **Key Ratios:**

- NIM stood at 7.69%
- Cost to Income stood at 66.09% in Q2FY25 as compared to 65.75% in Q1FY25 and 64.37% in Q2FY24
- RoA and RoE for Q2FY25 at 0.11% and 0.86% respectively

### **Capital:**

- Networth of the Bank stands at Rs. 5,947 Crs
- As of September 30, 2024, Total CRAR at 19.36% | Tier I at 18.11% and Tier II at 1.25%

### **Treasury & Liquidity:**

- The Bank's Certificate of Deposit (CD) programme has highest rating at A1+ from India Ratings, CareEdge Ratings & CRISIL
- Liquidity Coverage Ratio (LCR) as on 30.09.2024 is 158.79%
- Profit on sale of Investments for the quarter is Rs. 47.87 Crs

### **3. Profit & Loss:**

- Net Income, Total Opex and PPOP grew by 11%, 14% and 6% YoY, for Q2FY25 respectively
- PAT stood at Rs. 13 Crs for Q2FY25, as Bank made extra provisions of ~ Rs. 146 Crs towards Microfinance portfolio.

### **4. Asset Quality & Provisions:**

- GNPA increased by 28 bps QoQ to 2.95% in Q2FY25 as compared to 2.67% in Q1FY25
- NNPA increased by 16 bps QoQ to 0.97% in Q2FY25 as compared to 0.81% in Q1FY25

### **About Equitas Small Finance Bank Limited [ESFB]**

Equitas Small Finance Bank is one of the largest small finance banks in India. As a new-age bank, we offer a bouquet of products and services tailored to meet the needs of our customers – individuals with limited access to formal financing channels, as well as affluent and mass affluent, Small & Medium Enterprises (SMEs) and corporates. Our firmly entrenched strategy focuses on providing credit to the unbanked and underbanked micro and small entrepreneurs, developing products to address the growing aspirations at the 'bottom of the pyramid', fuelled by granular deposits and 'value for money' banking relationships.

For further details, contact:

#### **Investor Relations Team**

Website – <https://ir.equitasbank.com/>

Email – [ir@equitasbank.com](mailto:ir@equitasbank.com)

4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu