INSTITUTIONAL RESEARCH

NBFCs

Growth uptick; diminishing growth arbitrage vs Banks

NBFC credit growth has sustained the growth momentum in Aug-26 (16% YoY), driven largely by retail and services segment. Not withstanding the global headwinds, the credit revival has remained strong across Banks and NBFCs in FY27, with industry segment driving the growth surge for Banks. Retail segment across vehicle, housing, unsecured credit and gold continue to witness uptick in loan growth. However, global headwinds continue to remain an overhang with inflationary risks and supply chain disruptions. RBI's 25bps repo rate hike, along with change in stance to "calibrated tightening" indicates more rate hikes going ahead (~50bps assumed in our base case estimates) driving cost of funds higher for NBFCs. We expect our NBFC coverage universe to clock ~19% AUM CAGR during FY27-FY29E along with steady profitability. Our top picks in NBFCs are BAF (BUY) among diversifed NBFCs, CIFC (ADD) among vehicle financiers and AAVAS (BUY) and CANF (BUY) among HFCs.

- **Sustained growth momentum:** NBFCs credit (INR 61trn o/s) continued the growth momentum (Aug-26: 16% YoY) driven by retail (44% of NBFC credit) and services (13% of NBFC credit). Retail segment growth remained strong (+22% YoY), with uptick in housing (12% YoY), vehicle (+15% YoY) and gold loans (+69% YoY). Gold loans growth remained astronomical at industry level (Jun-26: +62% YoY), with strong growth from both Banks and NBFCs. At an aggregate level, Banks credit growth has surpassed that of NBFCs (Aug-26: ~19% YoY) largely driven by strong uptick in industry segment.
- **Strong vehicle sales likely to moderate; revival in housing demand:** Auto retail sales volumes have remained strong in Q2FY27, partly aided by a favorable base. High base of H2FY26 (post GST rate cut) is likely to drive moderation in volume growth on YoY basis. However, overall demand trends remain healthy for both PVs and CVs, despite concerns on fuel price hikes, which so far have been limited. Housing demand has witnessed good revival in FY27, while valuations have become attractive for HFCs.
- **Unsecured credit on uptick; gold loans remain most sought after**: Unsecured credit (PL, CC, MFI) growth is on an uptick and is likely to witness improving demand during FY27. NBFCs have become aggressive in PL/BL segment with policy tweaks, as per our channel checks and contributed to ~46% of incremental PL sanctions (by value) in Q1FY27. Credit card issuances have picked up pace (CIF up by 10% YoY) and are likely to gradually reflect in loan growth. MFI segment is likely to report strong performance during FY27, although current cycle is likely to exhibit differential trends with deteriorating group behavior and a pivot towards individual lending. Competitive intensity in gold loans remains astronomical with aggressive pricing, weighing on margins for incumbents.
- **Beginning of rate hike cycle; likely to be moderate**: RBI's recent rate hike of ~25bps along change in stance to "calibrated tightening" indicates room for further rate hikes. However, the pace of rate hikes is likely to remain gradual with sub-100bps in the current cycle, although global headwinds continue to pose inflationary risks. Prime-focused HFCs are likely to witness margin reflation in the initial phase, along with affordable-focused HFCs, while vehicle financiers are likely to witness marginal compression in the near-term.
- **BAF remains top pick; prefer HFCs**: Growth differential between Banks and NBFCs has been narrowing during FY27. AUM for our NBFC coverage universe is expected to grow at ~19.4% CAGR during FY27-FY29E, while Banks' loan book is growing at ~19% and is likely to narrow the growth premium. Our top picks in NBFCs are BAF, CIFC, AAVAS and CANF.

NBFCs

Company	CMP (INR)	RECO	New TP (INR)	Old TP (INR)
BAF	964	BUY	1,200	1,100
LTF	260	ADD	320	315
PFL	438	REDUCE	390	365
PIRAMALF	1,956	ADD	2,000	1,960
ABCAP	374	ADD	416	390
TATACAP	315	ADD	360	335
SBICARD	548	REDUCE	595	595
CIFC	1,544	ADD	1,950	1,810
MMFS	311	ADD	400	385
SHTF	948	ADD	1,200	1,100
SUF	4,291	ADD	5,000	4,835
CREDAG	1,240	ADD	1,570	1,590
AAVAS	1,191	BUY	1,540	1,540
APTUS	219	ADD	315	305
CANF	727	BUY	1,060	1,040
HOMEFIRST	1,070	ADD	1,250	1,250
LICHF	515	ADD	676	655
PNBHOUSING	1,131	ADD	1,200	1,100
REPCO	340	ADD	557	580
MUTHOOT	2,560	ADD	3,070	3,020
MGFL	304	REDUCE	315	310

Source: Company, HSIE research

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Growth uptick; however, wedge narrowing with Banks

- **Gradual uptick in NBFC credit**: NBFCs credit (INR 61trn o/s) continued the growth momentum (Aug-26: 16% YoY) driven by Retail (44% of NBFC credit) and services (13% of NBFC credit). Retail segment growth remained strong (+22% YoY), with uptick in housing (12% YoY), vehicle (+15% YoY) and gold loans (+69% YoY). Gold loans growth remained astronomical at industry level (Jun-26: +62% YoY), with strong growth from both Banks and NBFCs.

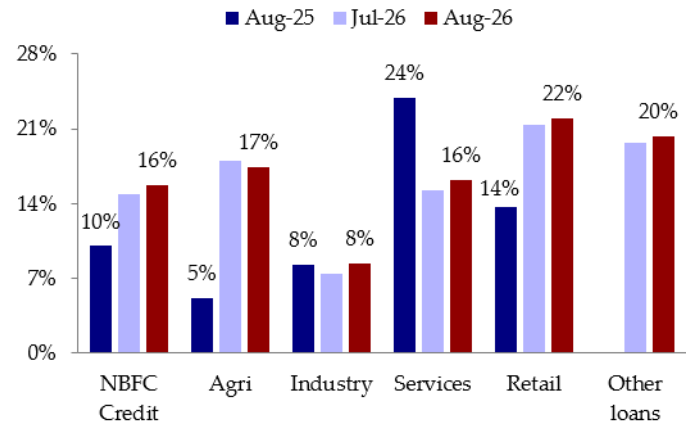
  However, at an aggregate level, Banks credit growth has surpassed NBFCs (Aug-26: ~19% YoY) largely driven by strong uptick in industry segment (18% YoY).

Exhibit 1: NBFC credit growing at a healthy pace

% YoY	May-25	Jun-25	Jul-25	Aug-25	Mar-26	May-26	Jun-26	Jul-26	Aug-26
NBFC Credit	**11.4%**	**11.1%**	**10.6%**	**10.0%**	**14.1%**	**14.2%**	**14.4%**	**14.9%**	**15.8%**
Agriculture & Allied Activities	**5.0%**	**5.1%**	**5.4%**	**5.1%**	**15.8%**	**17.9%**	**17.9%**	**18.0%**	**17.4%**
Industry	**10.0%**	**10.3%**	**9.3%**	**8.3%**	**8.6%**	**7.3%**	**6.7%**	**7.4%**	**8.4%**
Infrastructure	9.3%	9.7%	8.1%	7.2%	6.9%	5.8%	5.1%	6.2%	7.2%
Power	13.0%	13.7%	12.3%	11.0%	7.3%	5.8%	4.9%	6.9%	8.3%
Others					29.7%	25.6%	26.6%	20.7%	22.0%
Services	**23.9%**	**22.4%**	**24.5%**	**24.0%**	**16.4%**	**16.7%**	**17.6%**	**15.2%**	**16.2%**
Transport operators	11.7%	11.0%	11.2%	10.8%	11.0%	9.0%	9.8%	10.7%	10.7%
Trade	27.8%	25.1%	24.3%	21.4%	17.5%	16.7%	17.1%	14.7%	15.6%
Commercial Real	10.2%	8.2%	10.0%	11.3%	33.5%	40.2%	33.8%	22.3%	21.8%
Others					14.3%	14.2%	17.5%	15.8%	17.7%
Retail	**14.9%**	**14.3%**	**13.7%**	**13.6%**	**20.2%**	**19.5%**	**20.3%**	**21.4%**	**22.0%**
Housing loans	5.1%	4.2%	4.0%	3.8%	10.2%	10.9%	11.4%	11.9%	12.1%
Vehicle loans	16.3%	15.6%	15.3%	15.0%	15.2%	14.8%	15.2%	15.1%	15.4%
Loans against gold jewellery	38.9%	40.6%	43.9%	46.8%	73.8%	69.9%	69.3%	68.5%	69.1%
Consumer durables	20.6%	18.9%	18.8%	19.6%	34.9%	42.0%	46.8%	51.5%	56.4%
Others					20.0%	16.2%	17.6%	20.4%	21.0%
Other loans					**5.1%**	**17.9%**	**17.5%**	**19.7%**	**20.3%**

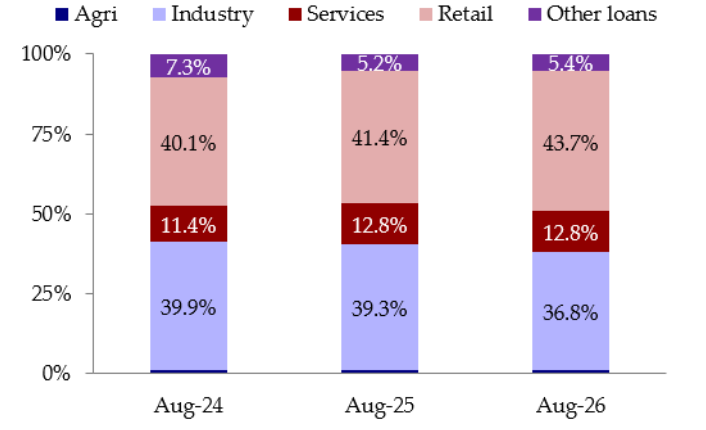
Source: RBI, NHB, HSIE Research

Exhibit 2: Marginal uptick in NBFC credit growth during Aug-26 (% YoY)



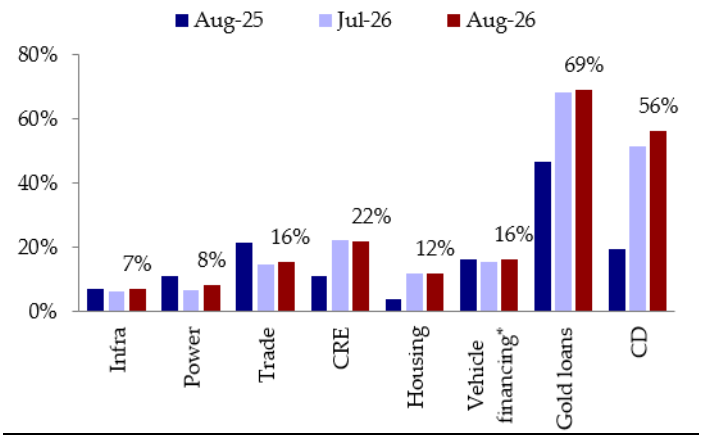
Source: RBI, HSIE Research

Exhibit 3: NBFC credit mix remains skewed towards retail (% of total credit)



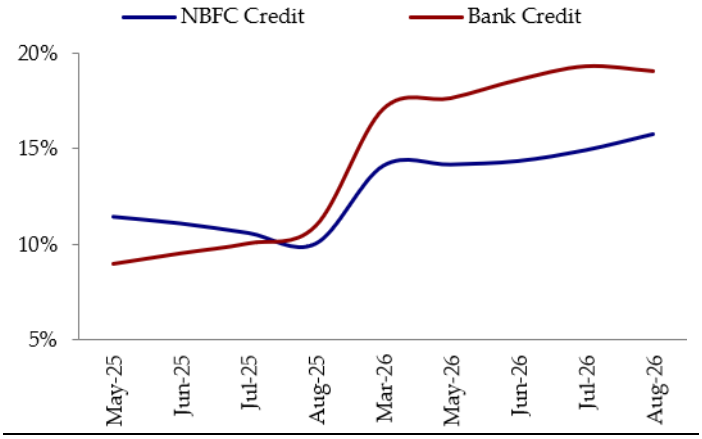
Source: RBI, HSIE Research

Exhibit 4: CRE and Gold loans continue to report strong growth in Aug-26 (% YoY)



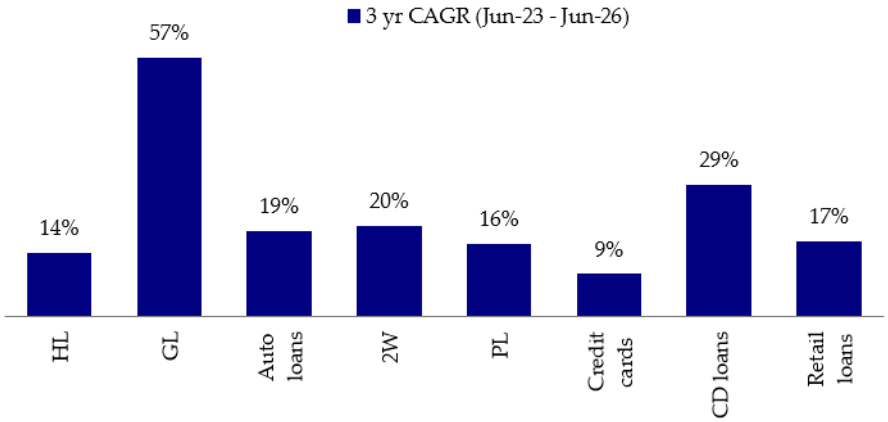
Source: RBI, HSIE Research

Exhibit 5: Credit growth of NBFCs lagging behind Banks (% YoY)



Source: RBI, HSIE Research

Exhibit 6: Strong growth in gold loans with muted growth in credit cards for the industry



Source: CRIF Highmark, HSIE Research

- **Strong vehicle sales; moderation ahead**: Vehicle Financiers are likely to report strong uptick in disbursements growth with strong auto retail sales volumes in Q2FY27, partly aided by a favorable base. Tractors witnessed some slowdown after strong momentum during FY26-FY27 probably due to increasing monsoon deficit, while construction equipment continued to exhibit good recovery during the quarter, along with strong growth in CV segment. While the current sales momentum indicates healthy growth during FY27 (H1FY27 growth for PVs/CVs/Tractors at 23%/19%/19% YoY) with expectations of a healthy festive season, a high base of H2FY26 (due to GST rate cuts), is likely to drive optically lower volume growth going ahead.

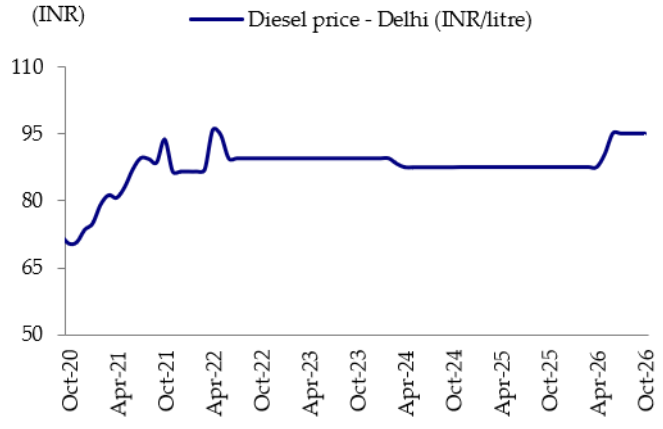
  Fuel prices have witnessed some uptick due to global headwinds. Sustained global headwinds could pose risk to fuel prices and subsequently inflation. However, upcoming festive season, along with marginal increase in fuel prices is unlikely to impact freight operators' profitability considerably.

Exhibit 7: Strong growth in auto retail sales volumes of Sep-26 and Q2FY27

% YoY	FY25	FY26	FY27YTD	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	Sep-25	Jun-26	Jul-26	Aug-26	Sep-26
CV	2%	10%	19%	6%	7%	17%	16%	12%	26%	6%	16%	25%	15%	38%
- LCV	1%	13%	22%	5%	10%	24%	17%	19%	26%	11%	26%	28%	15%	34%
- MCV	-3%	23%	22%	17%	21%	38%	28%	21%	23%	17%	27%	25%	10%	34%
- HCV	-5%	8%	16%	-1%	3%	10%	22%	8%	25%	-3%	11%	17%	14%	46%
- CE	NA	-12%	1%	82%	-22%	-22%	-14%	-21%	38%	-15%	-40%	46%	31%	38%
PVs	5%	13%	23%	7%	9%	18%	17%	24%	22%	14%	33%	19%	16%	32%
2Ws	8%	13%	21%	8%	5%	19%	25%	15%	27%	11%	22%	28%	20%	33%
3Ws	5%	12%	14%	14%	4%	20%	18%	11%	16%	2%	20%	16%	9%	22%
Tractors	-1%	19%	19%	9%	19%	29%	23%	23%	15%	8%	30%	28%	1%	14%

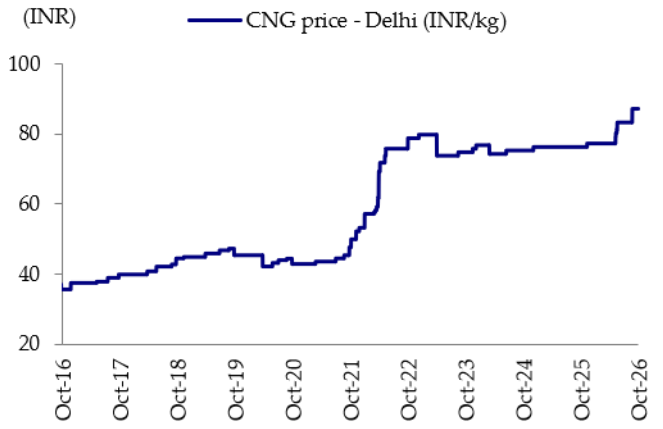
Source: FADA, HSIE Research

Exhibit 8: Increase in diesel prices by ~9% in May-26



Source: Bloomberg, HSIE Research

Exhibit 9: Uptick in CNG prices

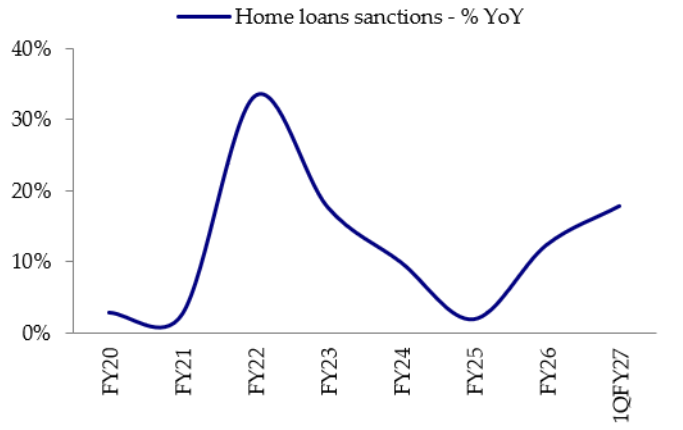


Source: IGL, HSIE Research

- **Housing – gradual demand revival**: HFCs' disbursements witnessed an uptick in Q1FY27 post moderation during FY25-FY26. Improving demand along with low base is likely to drive the uptick during FY27. RBI's recent rate hike provides breather for prime-focused HFCs from margin perspective, although EBLR loans (Bank credit to NBFCs) are likely to partly offset the margin reflation in the current cycle.

  Affordable-focused HFCs have witnessed significant de-rating over the last year due to sharp deceleration in disbursements growth. However, current uptick in disbursements growth, along with current valuations provide favorable risk reward.

Exhibit 10: Home loans sanctions for the industry have witnessed an uptick in Q1FY27



Source: CRIF Highmark, HSIE Research

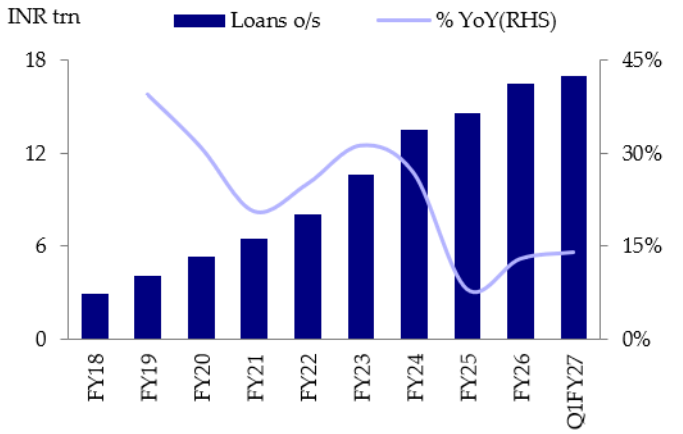
Exhibit 11: Disbursements growth of listed affordable-focused HFCs



Source: Company, HSIE Research | Affordable-focused HFCs: AAVAS, APTUS, HOMEFIRST, ISFC and AADHAR

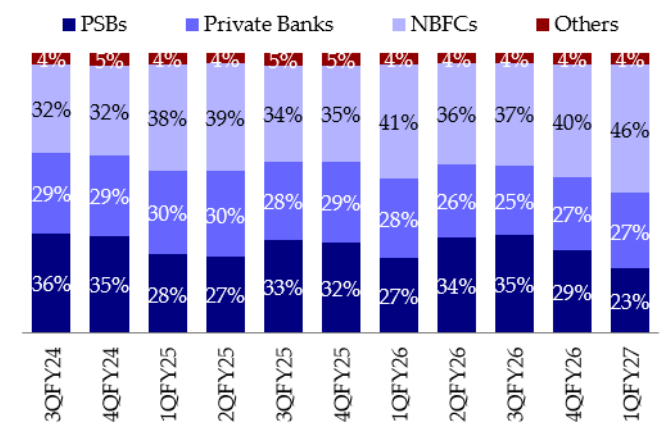
- **Personal loans – growth on improving trend**: Unsecured personal loans have witnessed improving traction in the last couple of quarters. NBFCs have been gaining market share, while Banks such as SBIN have been following a calibrated approach.
  Our channel checks indicate easing of underwriting policies by NBFCs to drive higher growth.

Exhibit 12: PL loan growth has marginally improved in Q1FY27 for the industry



Source: CRIF Highmark, HSIE Research

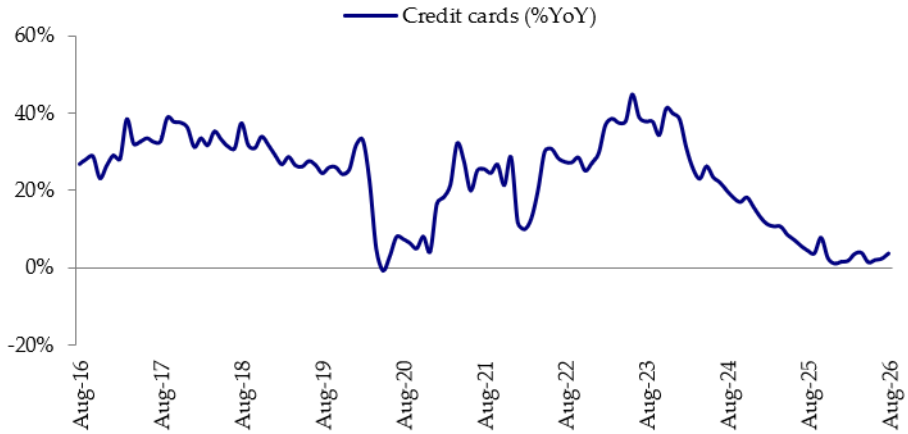
Exhibit 13: NBFCs have improved their market share in PL sanctions (by value)



Source: CRIF Highmark, HSIE Research

- **Credit cards – uptick in card acquisitions to drive loan growth**: New credit card additions for the industry have picked up pace during FY27 post subdued growth in FY25-FY26, driving uptick in CIF growth. Receivables growth remained muted for Banks (+3.6% YoY in Aug-26), with a marginal uptick. Improvement in CIF growth is likely to gradually translate into receivables growth for credit card issuers, although the multiplier effect has come off substantially due to shrinking revolver loans portfolio.

Exhibit 14: Muted growth in Banks' credit card receivables portfolio



Source: RBI, HSIE Research

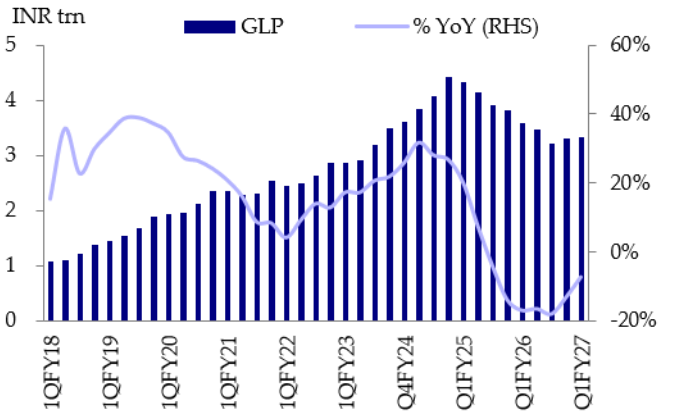
Exhibit 15: Improving CIF growth post moderation during FY25-FY26

(% YoY)	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Jun-26	Jul-26	Aug-26
HDFCB	16.8%	16.1%	3.4%	10.3%	6.0%	17.4%	15.8%	10.4%	9.2%	8.8%	8.3%
ICICIBC	33.0%	37.1%	16.2%	22.6%	11.4%	17.3%	7.4%	4.6%	8.6%	9.1%	9.1%
SBICARD	32.2%	27.5%	12.1%	16.5%	21.8%	12.7%	10.2%	6.1%	6.6%	7.1%	7.6%
AXSB	32.8%	17.2%	2.3%	26.4%	34.2%	17.2%	4.8%	7.6%	7.5%	7.1%	6.4%
KMB	36.9%	16.1%	3.7%	32.6%	53.8%	21.1%	-18.7%	-3.6%	4.4%	5.8%	6.5%
RBK	114.4%	56.3%	10.5%	24.3%	19.8%	17.7%	-7.0%	-4.2%	-0.8%	0.6%	3.3%
IIB	35.9%	27.5%	12.8%	23.1%	18.3%	30.1%	9.3%	-4.4%	-6.5%	-6.9%	-6.6%
INDUSTRY	**25.6%**	**22.6%**	**7.5%**	**18.7%**	**15.9%**	**19.3%**	**7.9%**	**8.0%**	**9.3%**	**10.1%**	**10.5%**

Source: RBI, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

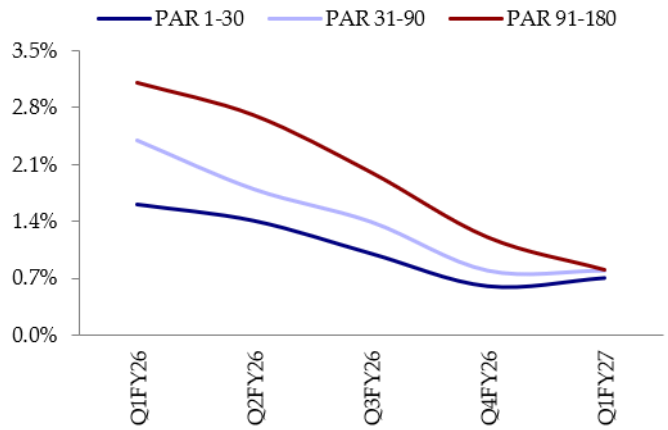
- **MFI – growth uptick but shifting underlying trends**: MFI segment is likely to report strong performance during FY27 with bulk of the impairment recognition and provisioning behind. Most MFI lenders are pivoting towards diversifying beyond JLG with individual unsecured loans, micro-LAP, 2-wheeler loans etc. However, the customer cohort for these loans remains largely same leading to limited customer diversification.

Exhibit 16: MFI industry grew by 1% QoQ during Q1FY27



Source: CRIF Highmark, HSIE Research

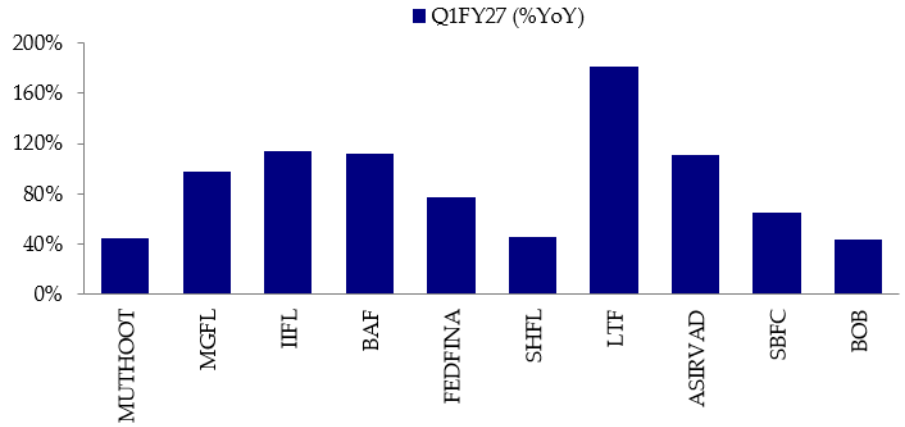
Exhibit 17: Improving trends in early delinquencies



Source: CRIF Highmark, HSIE Research

- **Gold loans – no letting up on competitive intensity:** Gold loans continued to grow at an astronomical pace (Aug-26: 69% YoY) for NBFCs. Competitive intensity remains elevated with incumbent as well as new players aggressively pricing their loans through campaign offers etc. (0.8% p.m. etc.). This is likely to exert pressure on margins for the incumbents, while loan growth is likely to moderate by Q4FY27. Lenders are adopting different approaches post RBI's new norms, with limited impact on business growth due to operational changes.

Exhibit 18: Gold loans – strong growth in Q1FY27 across lenders

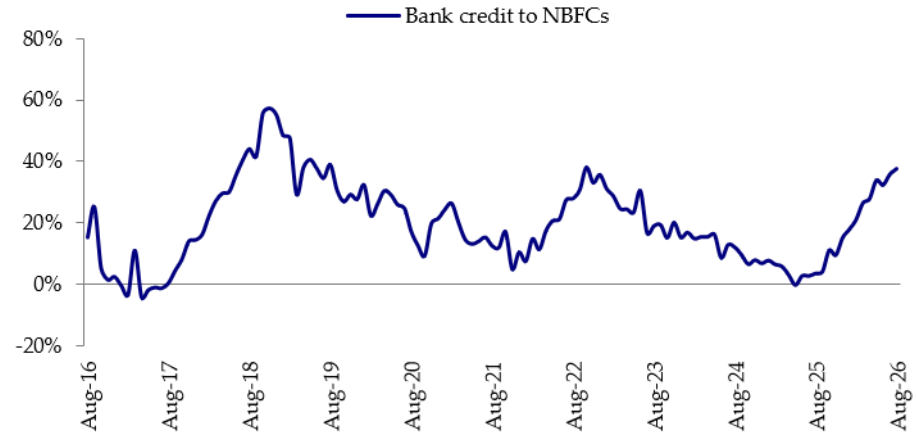


Source: Company, HSIE Research

Liabilities – Tightening liquidity environment ahead; Bank credit to the rescue

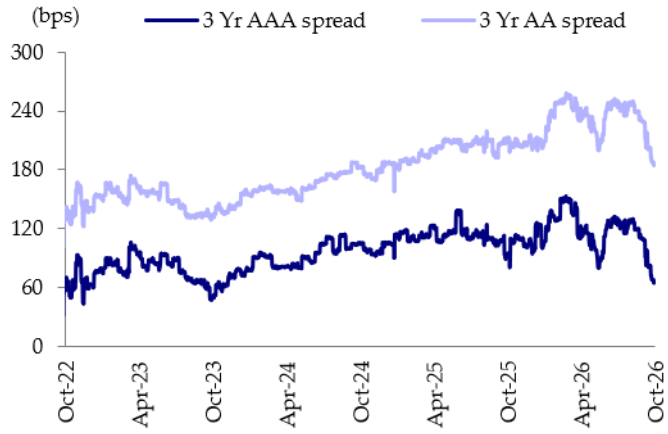
- **Bank credit to the rescue:** NBFCs have pivoted towards Bank credit significantly to fund their loan growth, with rising bond yields. Surplus systemic liquidity post FCNR (B) deposits is likely to sustain the growth momentum of Bank credit to NBFCs in the near-term. However, relatively easing bond yields in the recent weeks, along with regulatory measures to keep liquidity in check is likely to pivot select NBFCs towards debt markets.
  With Banks increasing the share of EBLR-linked loans to NBFC, along with RBI's recent draft circular on interest rate on loans and advances, recommending faster interest rate transmission on MCLR-linked loans, impact of rate hikes on loans to NBFCs are likely to be quicker than previous years.

Exhibit 19: NBFCs pivoted towards Bank credit



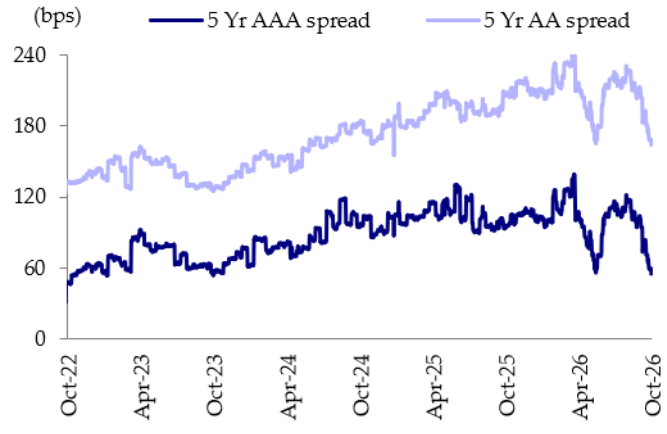
Source: RBI, HSIE Research

Exhibit 20: NBFCs – sharp drop in 3 year spreads…



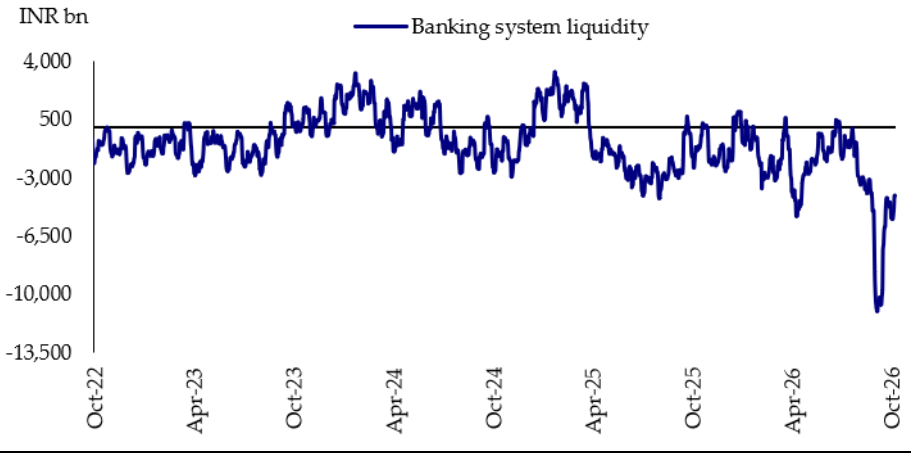
Source: Bloomberg, HSIE Research

Exhibit 21: … and 5 year spreads as well



Source: Bloomberg, HSIE Research

Exhibit 22: System liquidity remains in surplus



Source: Bloomberg, HSIE Research

- **Loan growth estimates:** We increase our AUM estimates for NBFC coverage universe for FY27E/FY28E by 0.6%/0.9% with higher increase for diversified NBFCs and marginal increase for HFCs.

Exhibit 23: Loan growth estimates

	AUM growth (% YoY)			Change in estimates	
	FY27E	FY28E	FY29E	Δ FY27E	Δ FY28E
NBFCs					
BAF	24.5%	24.1%	23.5%	1.3%	1.6%
LTF	26.2%	21.3%	20.7%	2.3%	3.2%
PFL	39.6%	33.0%	28.2%	1.9%	1.9%
PIRAMALF	23.7%	22.1%	22.1%	0.7%	1.3%
ABCAP	23.9%	23.0%	23.1%	0.0%	0.8%
TATACAP	20.9%	21.2%	20.7%	1.2%	1.9%
SBICARD	11.5%	14.1%	13.4%	0.1%	-0.3%
CIFC	22.1%	22.5%	22.8%	0.2%	0.2%
MMFS	16.1%	16.2%	16.3%	0.5%	0.7%
SHTF	17.2%	18.6%	18.2%	0.4%	0.5%
SUF	15.7%	15.9%	16.0%	0.0%	0.0%
CREDAG	22.7%	21.1%	16.2%	0.0%	0.0%
AAVAS	17.0%	17.2%	17.2%	0.2%	0.9%
APTUS	21.3%	21.7%	21.3%	1.3%	2.8%
CANF	13.6%	14.2%	14.6%	0.0%	0.0%
HOMEFIRST	24.9%	24.8%	24.1%	1.2%	2.5%
LICHF	7.4%	9.2%	9.9%	-0.4%	-0.8%
PNBHOUSING	16.0%	16.7%	16.0%	0.4%	1.7%
REPCO	12.1%	13.3%	13.8%	-0.8%	-1.2%
MUTHOOT	21.5%	11.7%	11.6%	0.1%	0.1%
MGFL	21.3%	11.9%	12.1%	0.0%	0.0%
TOTAL	**19.8%**	**19.3%**	**19.1%**	**0.6%**	**0.9%**

Source: Company, HSIE Research

- **Headwinds on insurance distribution income:** IRDAI's latest consultation paper on insurance distribution commissions is likely to impact the fee income for NBFCs. Most NBFCs had witnessed significant surge in insurance distribution income post IRDAI's EoM regulations for insurers, driving higher cross-sell of insurance (life, health, personal accident etc.). While cross-sell of select insurance products is likely to stay (property, life insurance for home loans etc.), sharp decline in distributor commissions is likely to impact the earnings for NBFCs.

Exhibit 24: Other income estimates

	Other income as a % of total assets			Change in estimates	
	FY27E	FY28E	FY29E	Δ FY27E	Δ FY28E
NBFCs					
BAF	1.7%	1.5%	1.5%	0%	-7%
LTF	1.1%	1.0%	0.9%	2%	-9%
PFL	1.3%	1.2%	1.1%	1%	-1%
PIRAMALF	1.6%	1.4%	1.4%	-2%	1%
ABCAP	1.1%	1.0%	1.0%	0%	0%
TATACAP	1.2%	1.1%	1.1%	0%	-4%
SBICARD	16.8%	16.7%	16.5%	0%	-1%
CIFC	1.4%	1.2%	1.1%	8%	-5%
MMFS	0.9%	0.9%	0.8%	-8%	-14%
SHTF	0.5%	0.5%	0.5%	0%	-3%
SUF	1.8%	1.7%	1.6%	0%	-2%
CREDAG	1.0%	0.8%	0.8%	0%	-7%
AAVAS	2.0%	2.0%	2.0%	-1%	-4%
APTUS	2.3%	1.8%	1.8%	17%	5%
CANF	0.1%	0.1%	0.1%	0%	0%
HOMEFIRST	1.9%	1.8%	1.8%	1%	-2%
LICHF*	0.1%	0.1%	0.1%	-58%	-56%
PNBHOUSING	0.5%	0.4%	0.4%	-3%	-14%
REPCO	0.3%	0.3%	0.3%	-17%	-25%
MUTHOOT	0.3%	0.3%	0.3%	-8%	-3%
MGFL	0.1%	0.1%	0.1%	0%	0%

Source: Company, HSIE Research | Note: *Sharp decline in other income is due to change in accounting methodology of income from recovery from written-off accounts

Exhibit 25: Change in estimates

	FY27E			FY28E		
	Δ NII (%)	Δ PPOP (%)	Δ PAT(%)	Δ NII (%)	Δ PPOP (%)	Δ PAT(%)
NBFCs						
BAF	1.5%	1.8%	3.0%	3.0%	1.9%	2.5%
LTF	2.3%	3.2%	4.3%	3.1%	0.6%	-2.8%
PFL	0.6%	0.1%	-2.0%	1.1%	-0.6%	-0.9%
PIEL	1.0%	-1.4%	-2.5%	2.9%	-2.1%	-2.0%
ABCAP	0.4%	0.0%	1.2%	1.1%	-0.3%	1.5%
TCL	0.2%	0.3%	0.3%	2.4%	2.2%	2.7%
SBICARD	-1.4%	-2.3%	1.8%	-1.4%	-2.7%	-2.4%
CIFC	0.1%	2.2%	5.8%	0.4%	-0.8%	0.5%
MMFS	0.5%	-1.1%	-1.6%	1.0%	-1.8%	-2.7%
SHTF	0.4%	0.3%	4.4%	0.1%	-0.4%	1.6%
SUF	0.6%	0.6%	1.0%	0.3%	-0.7%	-0.9%
CREDAG	0.0%	0.3%	5.1%	-0.2%	-0.7%	5.7%
AAVAS	0.4%	0.0%	0.0%	0.7%	-1.4%	-1.5%
APTUS	0.8%	4.2%	4.4%	2.8%	3.9%	4.0%
CANF	2.6%	3.1%	3.2%	1.8%	2.2%	2.3%
HOMEFIRST	-0.5%	0.0%	0.4%	0.4%	0.4%	0.4%
LICHF	-0.3%	-4.1%	2.5%	0.4%	-3.2%	0.4%
PNBHOUSING	-4.6%	-5.0%	-4.8%	0.7%	-0.2%	-0.4%
REPCO	1.5%	-0.5%	-2.3%	1.9%	-2.2%	-3.6%
MUTHOOT	-2.5%	-3.4%	-3.6%	-2.0%	-2.7%	-2.9%
MGFL	0.8%	3.2%	3.7%	-0.4%	3.0%	3.1%

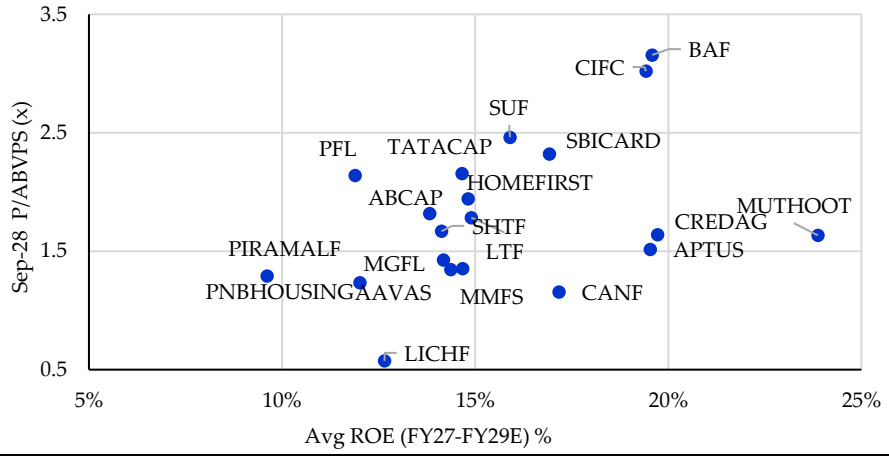
Source: Company, HSIE Research

Premium over Banks to narrow; significant upside ahead

NBFCs have enjoyed significant valuation premium over Banks over the last few years due to higher loan growth and RoE. However, Banks' loan growth has improved significantly during FY27E with improving growth outlook. On the other hand, NBFCs have gained significant scale post pandemic with multiple NBFCs having AUM above INR 2trn. We expect the valuation premium to gradually narrow going ahead.

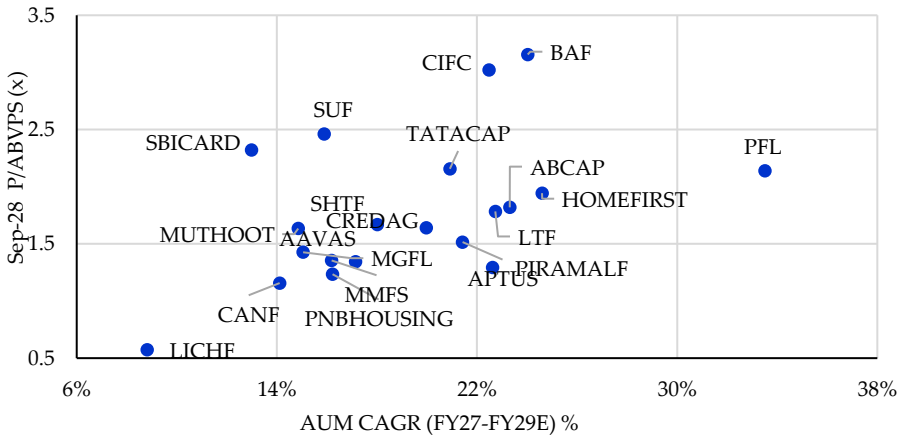
However, recent correction provides improving risk-reward, although global headwinds continue to persist posing downside risk to our earnings estimates.

Exhibit 26: Sep-28 P/ABVPS vs Avg RoE (FY27-29E)



Source: Company, HSIE Research

Exhibit 27: Sep-28 P/ABVPS vs AUM CAGR (FY27-29E)



Source: Company, HSIE Research

Exhibit 28: NBFC coverage universe - Valuation summary

	CMP (INR)	Rating	Old TP (INR)	New TP (INR)	P/E (x)			P/ABV (x)			Target multiple Sep-28 (x)
					FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	
NBFCs											
BAF	964	BUY	1,100	1,200	23.5	19.1	15.5	4.1	3.4	2.9	4.0
LTF	260	ADD	315	320	15.8	13.1	10.5	2.2	1.9	1.7	2.2
PFL	438	REDUCE	365	390	27.8	20.8	16.5	2.8	2.3	2.0	1.9
PIRAMALF	1,956	ADD	1,960	2,000	18.5	14.8	10.8	1.5	1.4	1.2	1.3
ABCAP #	374	ADD	390	416	14.0	11.3	9.6	2.3	2.0	1.7	2.3
TATACAP	315	ADD	335	360	20.1	15.9	13.0	2.7	2.3	2.0	2.5
SBICARD	548	REDUCE	595	595	17.8	15.3	13.6	2.9	2.5	2.2	2.5
CIFC	1,544	ADD	1,810	1,950	19.7	16.8	13.6	4.0	3.3	2.8	3.8
MMFS #	311	ADD	385	400	9.8	8.8	7.7	1.6	1.4	1.3	1.8
SHFL	948	ADD	1,100	1,200	16.2	13.4	11.6	2.0	1.8	1.6	2.2
SUF#	4,291	ADD	4,835	5,000	17.9	15.6	13.4	3.2	2.8	2.4	3.1
CREDAG	1,240	ADD	1,590	1,570	11.3	9.3	8.1	2.2	1.8	1.5	2.0
AAVAS	1,191	BUY	1,540	1,540	12.5	10.5	8.8	1.7	1.5	1.3	1.7
APTUS	219	ADD	305	315	10.3	9.0	7.5	1.9	1.7	1.4	2.2
CANF	727	BUY	1,040	1,060	8.7	7.6	6.6	1.4	1.3	1.1	1.7
HOMEFIRST	1,070	ADD	1,250	1,250	16.8	14.3	11.8	2.4	2.1	1.8	2.3
LICHF	515	ADD	655	676	4.8	4.6	4.3	0.7	0.6	0.5	0.7
PNBHOUSING	1,131	ADD	1,100	1,200	12.3	11.1	9.3	1.4	1.3	1.1	1.3
REPCO	340	ADD	580	557	4.8	4.4	3.9	0.5	0.5	0.4	0.7
MUTHOOT#	2,560	ADD	3,020	3,070	8.4	7.3	6.4	2.4	1.8	1.5	2.0
MGFL#	304	REDUCE	310	315	10.4	9.5	8.7	1.9	1.5	1.3	1.5

Source: Company, HSIE Research | Note: # Valuation multiple adjusted for subsidiaries

Exhibit 29: Return ratios

	RoAE (%)			RoAA (%)			Loan CAGR (%) FY27E-FY29E	EPS CAGR (%) FY27E-FY29E
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E		
BAF	19.5%	19.3%	19.9%	4.1%	4.1%	4.1%	24.0%	26.2%
LTF	13.8%	14.8%	16.1%	2.6%	2.5%	2.6%	22.7%	27.1%
PFL	11.3%	12.0%	12.4%	1.9%	2.1%	2.0%	33.5%	58.2%
PIRAMALF	8.2%	9.2%	11.4%	2.0%	2.1%	2.3%	22.6%	39.9%
ABCAP	13.1%	14.0%	14.4%	2.1%	2.1%	2.0%	23.3%	22.8%
TATACAP	13.5%	14.8%	15.7%	2.1%	2.1%	2.2%	20.9%	28.2%
SBICARD	17.1%	17.1%	16.6%	4.2%	4.4%	4.4%	13.0%	20.9%
CIFC	19.7%	19.0%	19.5%	2.5%	2.4%	2.5%	22.5%	22.8%
MMFS	14.5%	14.5%	15.0%	2.4%	2.3%	2.3%	16.2%	20.2%
SHFL	15.0%	13.5%	13.9%	3.9%	4.0%	3.9%	18.0%	16.4%
SUF	15.6%	15.9%	16.2%	2.9%	2.9%	2.9%	15.9%	14.8%
CREDAG	20.1%	20.1%	18.9%	4.9%	4.8%	4.7%	20.0%	46.7%
AAVAS	13.9%	14.4%	14.8%	3.3%	3.4%	3.4%	17.1%	17.9%
APTUS	19.5%	19.2%	19.8%	7.5%	7.2%	7.1%	21.4%	15.9%
CANF	17.3%	17.2%	17.0%	2.3%	2.4%	2.4%	14.1%	10.6%
HOMEFIRST	14.3%	14.6%	15.5%	4.0%	3.8%	3.8%	24.6%	20.6%
LICHF	13.3%	12.5%	12.1%	1.7%	1.7%	1.6%	8.8%	6.0%
PNBHOUSING	11.8%	11.8%	12.5%	2.4%	2.2%	2.3%	16.2%	11.3%
REPCO	10.7%	10.7%	10.9%	2.5%	2.5%	2.5%	13.1%	6.6%
MUTHOOT	26.1%	23.7%	21.8%	5.7%	5.6%	5.7%	14.9%	13.3%
MGFL	14.1%	14.5%	13.9%	3.2%	3.3%	3.5%	15.0%	22.4%

Source: Company, HSIE Research

Exhibit 30: Affordable-focused HFCs

FY26	Units	AAVAS	HOMEFIRST	APTUS	ISFC	AADHAR
AUM	INR bn	235	159	131	110	306
Disbursements	INR bn	68	54	40	38	96
Growth (% YoY)						
AUM	%	14.8%	24.9%	20.6%	34.9%	19.7%
Disbursements	%	10.7%	12.9%	11.2%	14.3%	16.6%
Margins %						
Yield on advances	%	12.4%	13.4%	17.0%	14.8%	13.7%
Cost of funds	%	7.4%	7.9%	8.8%	7.9%	7.8%
Spread	%	5.0%	5.5%	8.2%	6.9%	5.9%
NIM	%	6.1%	6.1%	10.8%	9.3%	7.5%
% Borrowings						
Banks	%	67%	73%	62%	54%	54%
NCD + CPs	%	13%	2%	17%	3%	19%
NHB	%	14%	18%	9%	20%	22%
Off balance sheet	%	21%	17%	8%	22%	18%
Cost efficiency						
Cost-to-income ratio	%	45%	32%	20%	36%	37%
Opex-to-AUM ratio	%	3.3%	2.6%	2.7%	4.1%	3.0%
Other opex/branch	INR mn	5.9	7.2	2.9	3.2	4.6
Portfolio mix						
Home loans	%	65%	83%	48%	56%	73%
ATS - Home loans	INR mn	1.3	1.2	1.0	1.0	1.1
Self-employed mix - HL	%	61%	32%	80%	76%	45%
Productivity						
AUM/branch	INR mn	564	974	410	385	507
Disbursals/branch (p.m.)	INR mn	13.6	27.7	10.5	11.2	13.2
Disbursals/employee (/month)	INR mn	0.8	2.6	0.9	0.7	1.6
Repayment rate	%	18.3%	17.8%	16.3%	12.0%	17.7%
Asset Quality						
GS III	%	1.0%	1.8%	1.6%	1.3%	1.1%
NS III	%	0.7%	1.4%	1.2%	1.0%	0.7%
GS II	%	1.3%	1.5%	5.1%	3.3%	3.0%
PCR - Stage III	%	36%	24%	25%	25%	36%
Credit costs	%	0.2%	0.5%	0.5%	0.5%	0.3%
(% of avg. assets)						
Interest earned	%	11.4%	12.2%	16.0%	14.2%	12.8%
Interest expended	%	5.5%	5.8%	5.3%	5.1%	5.4%
Net interest income	%	5.9%	6.4%	10.7%	9.0%	7.4%
Non-interest income	%	2.0%	1.9%	2.5%	3.5%	1.8%
Operating expenses	%	3.6%	2.7%	2.7%	4.5%	3.4%
Pre-provisioning profit	%	4.4%	5.6%	10.5%	8.0%	5.8%
Provisions	%	0.2%	0.4%	0.5%	0.5%	0.3%
PBT	%	4.2%	5.2%	10.0%	7.5%	5.6%
ROAA	%	**3.3%**	**3.9%**	**7.8%**	**5.8%**	**4.3%**
Assets/Equity	x	4.2	4.0	2.6	2.9	3.6
RoAE	%	**13.9%**	**15.7%**	**20.1%**	**17.0%**	**15.8%**

Source: Company, HSIE Research

Exhibit 31: Prime-focused HFCs

FY26	Units	LICHF	BHFL	PNBHOUSING	CANF
AUM	INR bn	3,231	1,407	909	422
Disbursements	INR bn	658	646	265	105
Growth (% YoY)					
AUM	%	5.0%	22.7%	13.1%	10.4%
Disbursements	%	2.8%	27.1%	20.8%	22.9%
Margins %					
Yield on advances	%	8.8%	9.2%	9.4%	9.9%
Cost of funds	%	7.2%	7.3%	7.5%	7.0%
Spread	%	1.6%	1.9%	2.0%	3.0%
NIM	%	2.6%	3.3%	3.5%	3.8%
% Borrowings					
Banks	%	37%	41%	41%	63%
NCD + CPs	%	49%	49%	13%	20%
NHB	%	7%	10%	14%	16%
Off balance sheet	%	1%	12%	4%	0%
Cost efficiency					
Cost-to-income ratio	%	15%	20%	26%	19%
Opex-to-AUM ratio	%	0.4%	0.7%	1.1%	0.8%
Other opex/branch	INR mn	22.4	13.9	11.6	5.6
Portfolio mix					
Home loans	%	85%	54%	67%	86%
ATS - Home loans	INR mn	3.1	4.8	2.9	2.7
Self-employed mix - HL	%	14%	16%	41%	32%
Productivity					
AUM/branch	INR mn	10,523	6,367	2,428	1,748
Disbursals/branch (p.m.)	INR mn	179	244	59	36
Disbursals/employee (/month)	INR mn	21.6	26.7	9.4	6.9
Repayment rate	%	16%	34%	20%	17%
Asset Quality					
GS III	%	2.2%	0.3%	0.9%	0.8%
NS III	%	1.1%	0.1%	0.6%	0.4%
GS II	%	2.8%	0.4%	1.8%	4.5%
PCR - Stage III	%	50%	60%	38%	56%
Credit costs	%	0.2%	0.2%	-0.5%	0.1%
(% of avg. assets)					
Interest earned	%	8.7%	9.1%	9.2%	9.8%
Interest expended	%	6.1%	5.9%	5.7%	6.0%
Net interest income	%	2.6%	3.3%	3.5%	3.8%
Non-interest income	%	0.2%	0.6%	0.5%	0.1%
Operating expenses	%	0.4%	0.8%	1.0%	0.7%
Pre-provisioning profit	%	2.4%	3.1%	2.9%	3.1%
Provisions	%	0.2%	0.2%	-0.4%	0.1%
PBT	%	2.2%	2.9%	3.4%	3.1%
ROAA	%	**1.7%**	**2.2%**	**2.6%**	**2.5%**
Assets/Equity	x	8.3	5.4	4.9	7.7
RoAE	%	**14.3%**	**12.1%**	**12.7%**	**19.7%**

Source: Company, HSIE Research

Exhibit 32: Diversified NBFCs

FY26	Units	BAF	CIFC	TATACAP	ABCAP	LTF	PIRAMALF	PFL
AUM	INR bn	5,100	2,243	2,773	1,599	1,217	1,012	603
Disbursements	INR bn	NA	1,116	1,697	842	832	526	487
Growth (% YoY)								
AUM	%	22%	21%	20%	27%	25%	25%	69%
Disbursements	%	NA	11%	19%	25%	38%	31%	61%
Margins								
Yield on advances	%	15.1%	13.5%	11.3%	11.3%	14.6%	13.0%	13.4%
Cost of funds	%	7.2%	7.5%	7.2%	7.3%	6.6%	8.8%	7.5%
Spread	%	7.9%	6.1%	4.1%	4.0%	8.0%	4.2%	5.9%
NIM	%	8.7%	6.3%	4.8%	4.6%	7.6%	4.5%	7.1%
% Borrowings								
Banks	%	25%	45%	36%	50%	54%	34%	46%
NCD + CPs	%	44%	19%	38%	37%	29%	39%	31%
Off balance sheet (%)	%	0%	1%	1%	5%	0%	11%	6%
Cost efficiency								
Cost-to-income	%	34%	39%	38%	32%	40%	71%	52%
Opex-to-AUM	%	3.9%	3.2%	2.3%	1.9%	4.1%	4.4%	4.4%
Repayment rate	%	NA	39%	53%	40%	61%	40%	67%
Asset Quality								
GS III	%	1.0%	3.0%	1.8%	1.3%	2.9%	2.5%	1.4%
NS III	%	0.4%	1.6%	0.7%	0.7%	1.0%	1.8%	0.7%
GS II	%	0.9%	2.5%	1.9%	1.1%	2.5%	1.7%	1.0%
PCR - Stage III	%	60%	47%	62%	48%	67%	27%	49%
Credit costs	%	2.1%	1.7%	1.2%	1.1%	2.5%	2.2%	2.7%
(% of avg. assets)								
Interest earned	%	14.2%	12.7%	10.6%	11.5%	12.7%	10.3%	12.9%
Interest expended	%	5.6%	6.4%	5.9%	6.5%	5.1%	6.2%	5.8%
Net interest income	%	8.6%	6.3%	4.7%	5.0%	7.5%	4.1%	7.1%
Non interest income	%	1.8%	1.4%	1.0%	0.8%	1.0%	1.4%	1.4%
Operating expenses	%	3.5%	2.9%	2.2%	1.8%	3.4%	3.9%	4.4%
PPoP	%	6.9%	4.7%	3.5%	4.0%	5.1%	1.6%	4.1%
Provisions	%	1.8%	1.6%	1.1%	1.2%	2.1%	1.7%	2.5%
PBT	%	5.0%	3.1%	2.4%	2.8%	3.0%	1.3%	1.5%
ROAA	**%**	**3.7%**	**2.3%**	**1.8%**	**2.1%**	**2.3%**	**1.5%**	**1.1%**
Assets/Equity	x	4.9	8.3	6.8	7.3	4.9	3.7	5.2
RoAE	**%**	**18.1%**	**19.3%**	**12.1%**	**15.3%**	**11.1%**	**5.4%**	**5.9%**

Source: Company, HSIE Research

Exhibit 33: Vehicle financiers

FY26	Units	CIFC	SHTF	MMFS	SUF
AUM	INR bn	2,243	3,023	1,341	599
Disbursements	INR bn	1,116	1,844	611	323
Growth (% YoY)					
AUM	%	21%	15%	12%	16%
Disbursements	%	11%	13%	6%	14%
Margins					
Yield on funds	%	13.5%	16.0%	12.6%	11.5%
Cost of funds	%	7.5%	8.9%	7.2%	7.2%
Spread	%	6.1%	7.1%	5.4%	4.3%
NIM	%	6.3%	8.1%	6.2%	4.6%
% Borrowings					
Banks	%	45%	17%	46%	46%
NCD + CPs	%	19%	21%	22%	38%
Off balance sheet (% of AUM)	%	3%	1%	0%	5%
Cost efficiency					
Cost-to-income ratio	%	39%	30%	40%	30%
Opex-to-AUM ratio	%	3.2%	2.8%	3.1%	2.2%
Opex/branch (annualised)	INR mn	39.0	24.9	29.4	16.8
Portfolio mix (% of AUM)					
CV + CE*	%	14%	51%	20%	63%
PV*	%	11%	21%	NA	25%
Used vehicles	%	14%	NA	13%	18%
Non-vehicles	%	47%	22%	11%	14%
Productivity					
AUM/branch	INR mn	1,330	938	989	813
Disbursals/branch (p.m.)	INR mn	55.1	47.7	37.5	36.6
Disbursals/employee (p.m.)	INR mn	1.3	2.0	2.1	5.1
Employees/branch	x	41.8	23.6	16.8	7.0
Repayment rate	%	39%	55%	39%	46%
Asset Quality					
GS III	%	3.0%	4.6%	3.4%	1.5%
NS III	%	1.6%	2.4%	1.5%	0.7%
GS II	%	2.5%	6.9%	4.8%	NA
PCR - Stage III	%	47%	50%	59%	53%
Credit costs	%	1.7%	1.9%	1.9%	0.9%
(% of avg. assets)					
Interest earned	%	12.7%	15.2%	12.1%	10.4%
Interest expended	%	6.4%	7.0%	5.9%	5.8%
Net interest income	%	6.3%	8.2%	6.2%	4.6%
Non-interest income	%	1.4%	0.5%	0.9%	1.2%
Operating expenses	%	2.9%	2.6%	2.8%	1.9%
Pre-provisioning profit	%	4.7%	6.1%	4.3%	4.4%
Provisions	%	1.6%	1.7%	1.7%	0.7%
PBT	%	3.1%	4.3%	2.6%	3.7%
ROAA	**%**	**2.3%**	**3.3%**	**2.0%**	**2.9%**
Assets/Equity	x	8.3	5.0	6.4	5.3
RoAE	**%**	**19.3%**	**16.4%**	**12.5%**	**15.4%**

Source: Company, HSIE Research

Exhibit 34: NBFC-MFIs

FY26	Units	CREDAG	MMFIN	SATIN	FUSION	SPANDANA
AUM	INR bn	296	140	129	74	44
Disbursements	INR bn	249	94	112	60	39
Growth (% YoY)						
AUM	%	14%	13%	14%	-18%	-35%
Disbursements	%	24%	6%	14%	-14%	-30%
Borrowers	%	-6%	-5%	-1%	-32%	-54%
GLP/Borrower	%	21%	19%	15%	22%	40%
Margins						
Yield on advances	%	20.9%	20.9%	22.9%	21.0%	17.6%
Yield on advances	%	0.0%	20.9%	22.9%	0.0%	0.0%
Cost of funds	%	8.9%	12.2%	13.6%	9.2%	10.6%
Spread	%	12.0%	8.8%	9.3%	11.8%	7.0%
NIM	%	13.0%	10.9%	8.6%	11.5%	6.7%
Cost efficiency						
C/I	%	33%	56%	48%	70%	137%
Opex-to-AUM	%	4.9%	6.5%	6.5%	10.1%	13.6%
Opex/branch	INR mn	6.3	5.0	4.6	5.4	4.7
Expense/employee (p.m.)	INR' 000	34.1	31.7	31.2	37.7	30.4
Productivity						
AUM/branch	INR mn	138	83	75	48	27
AUM/employee	INR mn	13.8	8.8	8.2	5.4	3.0
# Borrowers/branch	'000	2.1	1.9	1.9	1.4	0.7
Disbursals/branch (p.m.)	INR mn	9.6	4.7	5.5	3.2	2.0
Asset Quality						
GS III	%	3.2%	3.9%	3.0%	3.2%	4.2%
NS III	%	1.1%	1.2%	0.9%	0.5%	0.9%
GS II	%	0.3%	2.7%	0.5%	1.0%	1.0%
PCR (Stage III)	%	66%	72%	73%	84%	81%
Credit costs	%	6.5%	4.4%	5.0%	5.9%	13.9%
(% of average assets)						
Interest earned	%	18.0%	18.2%	18.4%	18.5%	13.1%
Interest expended	%	5.9%	7.4%	9.8%	6.5%	6.9%
Net interest income	%	12.1%	10.7%	8.6%	12.0%	6.2%
Non interest income	%	0.9%	2.1%	5.1%	2.4%	1.4%
Operating expenses	%	4.2%	7.2%	6.6%	10.0%	10.3%
PPoP	%	8.8%	5.6%	7.1%	4.4%	-2.8%
Provisions	%	5.6%	3.8%	3.8%	5.1%	9.8%
PBT	%	3.2%	1.8%	3.3%	-0.8%	-12.6%
ROAA	%	**2.4%**	**1.4%**	**2.5%**	**0.2%**	**-9.5%**
Assets/Equity	x	4.0	4.3	4.0	4.0	3.1
RoAE	%	**9.8%**	**6.2%**	**10.1%**	**0.7%**	**-29.4%**

Source: Company, HSIE Research

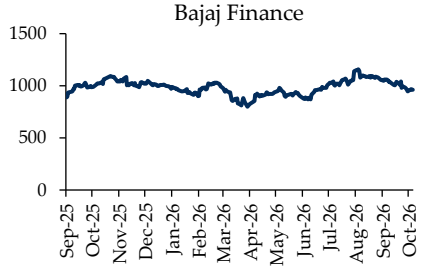
Exhibit 35: Gold loan NBFCs

(FY26)	Units	MUTHOOT	MGFL	IIFL
AUM	INR bn	1,628	560	576
GL AUM	INR bn	1,541	488	526
PAT	INR bn	101	15	12
Growth (% YoY)				
AUM	%	50%	69%	109%
GL AUM	%	50%	98%	150%
Borrowers	%	1%	3%	54%
Tonnage	%	-6%	11%	49%
GL AUM/borrower	%	49%	92%	63%
Margins				
Yield on advances	%	19.5%	16.7%	20.4%
Cost of funds	%	8.7%	7.8%	10.3%
Spread	%	10.8%	8.9%	10.1%
NIM	%	11.4%	8.9%	8.3%
Cost efficiency				
Cost-to-income	%	20%	44%	47%
Opex-to-AUM	%	2.6%	4.6%	4.6%
Employee opex-to-AUM	%	1.4%	2.9%	2.5%
Other opex/branch (annualized)	INR mn	3.2	2.2	3.1
Monthly expense/employee	INR' 000	54	34	57
Employees per branch	x	6.4	8.5	5.7
Portfolio				
% non-gold loans (Standalone)	%	5%	13%	9%
% non-gold loans (Consolidated)	%	9%	100%	51%
Productivity (Gold loans)				
AUM/branch	INR mn	310	139	182
AUM/employee*	INR mn	49	16	32
AUM/borrower**	INR' 000	240	194	257
# Borrowers/branch	x	1,290	715	709
# Borrowers/employee	x	203	84	125
Tonnage per branch	Kg	39.5	17.1	21.4
Tonnage per employee	Kg	6.2	2.0	3.8
Tonnage per borrower	gm	30.6	24.0	30.1
Implied gold price***	INR/gm	7,861	8,088	8,525
Asset Quality				
GS III	%	2.3%	1.8%	1.3%
NS III	%	2.1%	1.6%	0.6%
GS II	%	0.7%	2.0%	2.0%
PCR - Stage III	%	13%	14%	57%
Credit costs	%	0.3%	1.2%	2.3%
LTV - Gold loans****	%	58%	60%	63%
Recovery rate (auctions)	%	116%	118%	149%
Frauds as % of PBT	%	0.1%	1.9%	0.6%
(% of average assets)				
Interest earned	%	18.0%	14.2%	15.8%
Interest expended	%	6.6%	5.6%	8.0%
Net interest income	%	11.4%	8.6%	7.7%
Non interest income	%	0.4%	0.1%	2.5%
Operating expenses	%	2.4%	3.8%	4.8%
Pre-provisioning profit	%	9.4%	4.8%	5.5%
Provisions	%	0.3%	1.0%	1.8%
PBT	%	9.1%	3.8%	3.7%
ROAA	%	**6.7%**	**2.8%**	**2.8%**
Assets/Equity	x	4.6	3.9	5.8
RoAE	%	**30.6%**	**11.0%**	**16.4%**

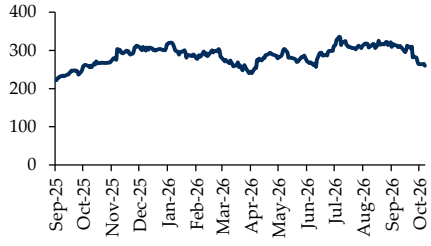
Source: Company, HSIE Research | Note: Standalone performance; * Total standalone employees; **IIFL: GL borrowers assumed as ~95% of total borrowers; *** Implied gold price = AUM divided by tonnage; **** Based on year-end 22 carat gold closing price

Price history

Bajaj Finance



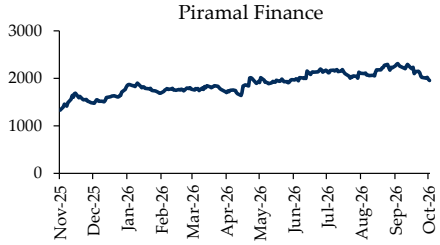
L&T Finance



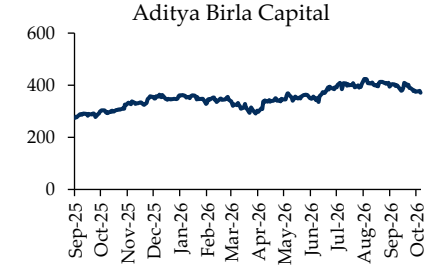
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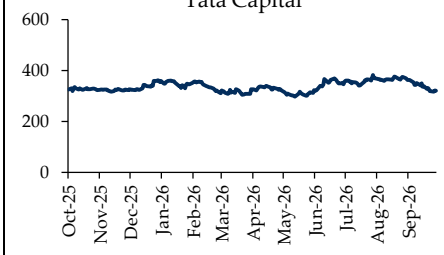
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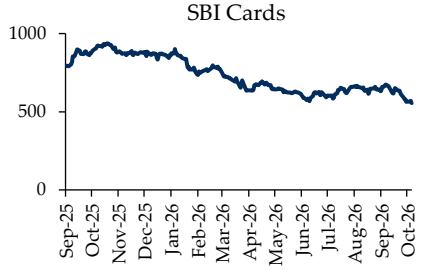
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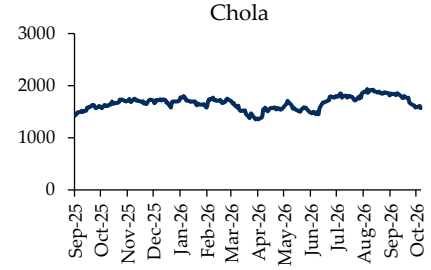
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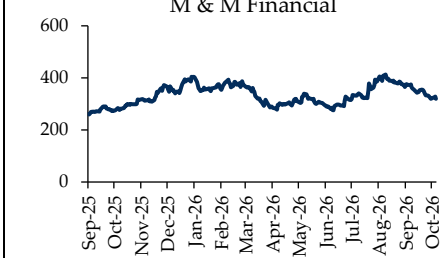
SBI Cards



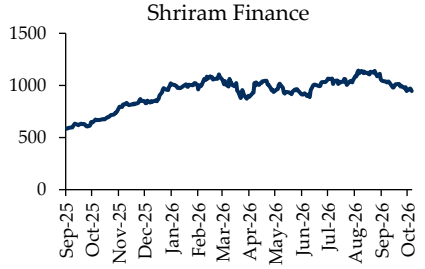
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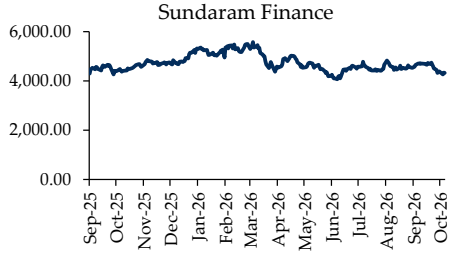
M & M Financial



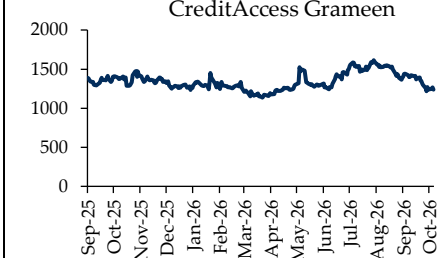
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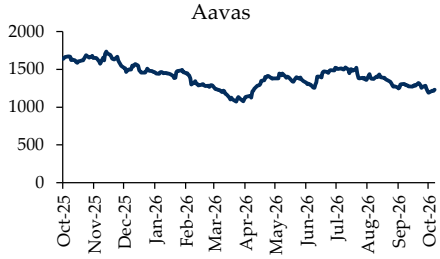
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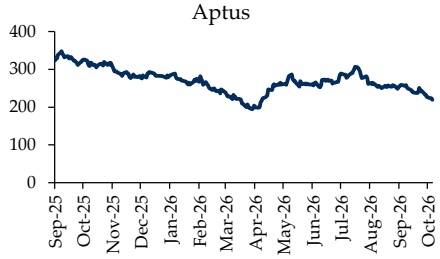
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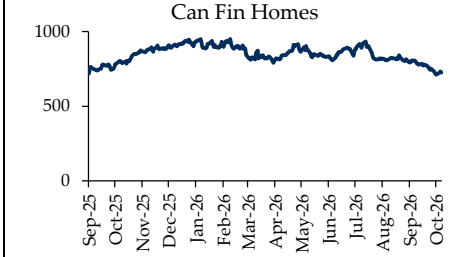
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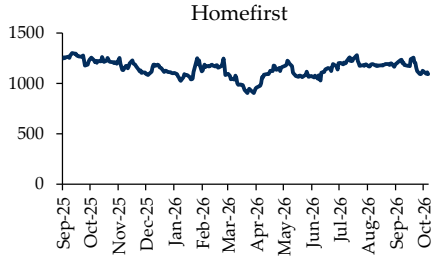
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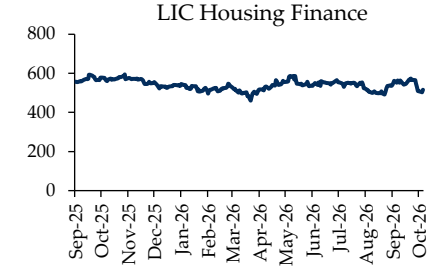
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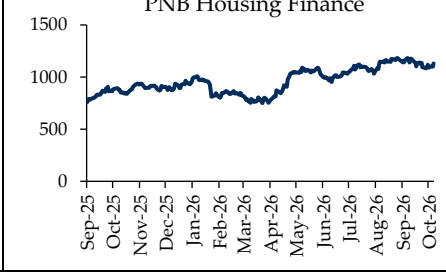
Homefirst

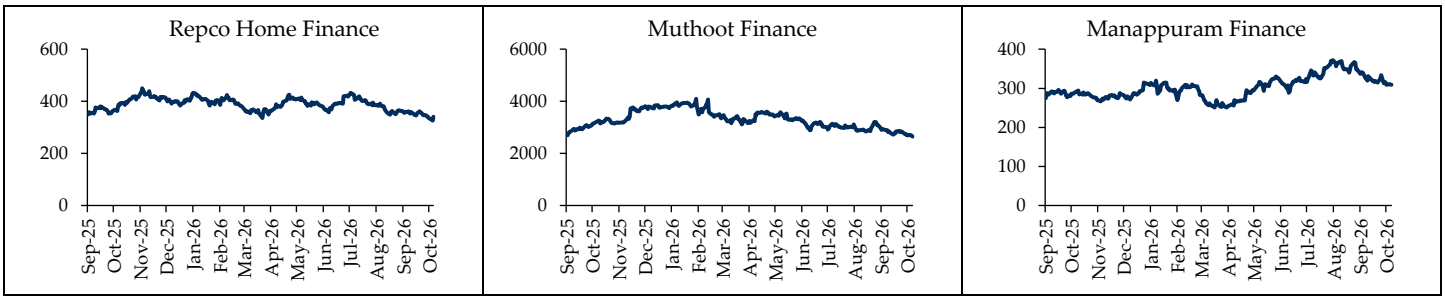


LIC Housing Finance



PNB Housing Finance





Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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