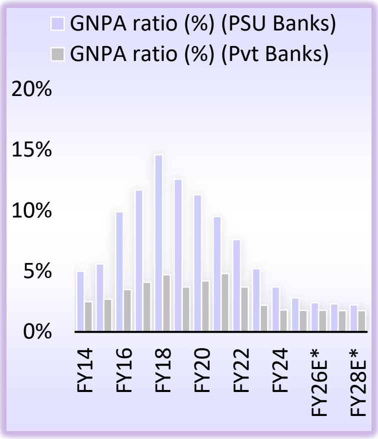
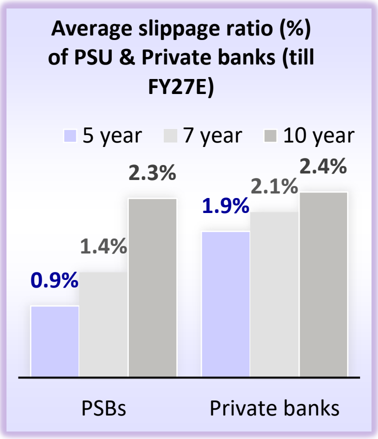
Financials - Banks

Asset quality has improved considerably across both PSU and Pvt banks



*based on MOFSL coverage estimates, Source: MOFSL, RBI

Average slippage ratio for PSBs has improved steadily over the years



based on our coverage banks, Source: MOFSL, RBI

RBI releases draft guidelines for ECL transition and revised risk weight for MSME and Retail segments

Focus remains on operational resilience while ensuring prudent risk management

The RBI has issued draft guidelines for two important measures that it announced in the recent monetary policy:

- **Transition to the expected credit loss (ECL) framework for all scheduled commercial banks (excluding SFBs, PBs, and RRBs) and AIFIs from 1st Apr'27, with a glide path till FY32 to absorb the one-time impact of higher provisions. The RBI has proposed retaining the existing 90+ DPD NPA definition and introduced Stage 1/2/3 classification based on credit risk (with ≥30 DPD as the Stage-2 backstop). It has also introduced model-based provisioning (PD×LGD×EAD) anchored by regulatory floors to ensure adequate provisioning.**
- **Additionally, the RBI has also announced the draft guidelines for the credit risk capital framework to enhance the risk sensitivity of the banking system and align it with the revised Basel III standards. The new guidelines, effective 1st Apr'27, aim to bring greater granularity and consistency in computing risk-weighted assets (RWA) by refining sectoral risk weights and linking them to borrower ratings, project stages, and loan-to-value (LTV) ratios, ensuring a more accurate reflection of underlying credit risk across asset classes.**

ECL framework

The draft framework introduces a forward-looking ECL model with a three-stage classification: Stage 1 (performing), Stage 2 (SICR > 30 DPD or other risk triggers) and Stage 3 (credit-impaired/NPA). Banks must develop internal PD-LGD-EAD models incorporating macro-economic forecasts and maintaining rigorous model governance with independent validation and board oversight. To prevent under-provisioning, the RBI has proposed regulatory floors, e.g., Stage 1 (0.25-1.25%), Stage 2 (1.5-5%), and Stage 3 (25-100% based on aging and collateral). The norms extend to off-balance-sheet exposures, reinforce cash-basis interest recognition on NPAs, and mandate granular stage-wise disclosures and reconciliations.

Overall, the draft aligns India's banking regulations with IFRS 9, enhancing early loss recognition, transparency, and resilience, though near-term provisioning and CET-1 ratios may face pressure, particularly for PSBs and lenders with high exposure to unsecured/MSME segments.

Key components of RBI draft ECL guidelines

- **Stage classification:** All financial assets will be classified into three stages based on credit risk—Stage 1 (performing), Stage 2 (significant increase in credit risk or SICR), and Stage 3 (credit-impaired/NPA). The RBI has set a >30-day past-due threshold as the backstop for Stage 2, along with other triggers like rating downgrades or restructuring, requiring banks to apply lifetime expected-loss provisioning while retaining the 90-day NPA norm for Stage 3.
- **ECL computation:** Banks are required to build ECL models using a minimum of five years of historical data (ideally covering a full credit cycle) to estimate Probability of Default (PD) and Loss Given Default (LGD). These models must

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also include forward-looking macroeconomic variables, stress scenarios, and borrower-level risk indicators.

- **Provisioning floors:** To prevent under-provisioning under ECL models, **1) Stage 1 (12-month ECL):** Minimum 0.40% for most standard loans; 0.25% for farm/MSME loans; 1.0-1.25% for unsecured retail and project finance (construction phase). **2) Stage 2 (Lifetime ECL):** Minimum 5% for most deteriorated loans, but lower 1.5% for secured retail (home/gold loans) and 0.75-1.0% for operational project loans. **3) Stage 3 (Credit-impaired):** Aging-based floors – 25-40% in the first year (secured/unsecured), up to 75-100% beyond 3-4 years; unsecured retail must be fully provided (100%) after 1 year.
- **Income recognition and interest reversals:** Interest income on Stage 3 loans will be recognized only on a cash basis, mirroring current NPA norms. Stage 1 and 2 loans will continue on an accrual basis.
- **Disclosure requirements**: Banks must report exposures across Stages 1-3, movement between stages, and corresponding ECL allowances. They must also disclose key modeling assumptions, including SICR criteria, macro variables, and methodology changes.

Direction on risk weights of MSME and retail

- **Real estate exposure:** The revised framework introduces LTV-based risk weights for housing loans, with a sharp reduction to 20-40% for individual borrowers, while tightening capital on commercial real estate to 150%. This targeted approach will free up capital for retail housing, particularly for the affordable segments, while restraining excessive credit flow to leveraged developers.
- **MSME exposure:** Risk weights for unrated MSMEs (non-retail) have been reduced from 100% to 85%, while that of the rated NBFCs too have seen reduction in the range of 10-50%, depending on the credit-rating, thus offering meaningful capital relief to banks and encouraging fresh lending to small enterprises. The move recognizes MSMEs' improving credit profiles and the growing use of credit guarantee mechanisms. It should aid credit expansion without materially increasing risk intensity.
- **Corporate and NBFC:** New norms lower risk weights for BBB and BB-rated corporates to 75% and 100%, respectively, from 100% and 150% earlier, while keeping higher capital for large unrated exposures (>INR2b). This rating-sensitive calibration will enhance capital efficiency for well-rated corporates and large NBFCs.
- **Personal loans and credit cards:** Unsecured personal loans and credit card revolvers continue with a 125% risk weight, while lower risk weight will apply to the transactor category of credit cards. **This measure would be a big positive for card players, as most of them have a higher base of transactors at ~55-65% of the overall receivables.** The stance underscores the RBI's caution amid fast-growing unsecured retail books. Banks with a higher unsecured mix may face marginally higher capital intensity, prompting tighter underwriting and pricing discipline.
- **Specialized lending:** Project finance exposures will now ower risk weight (80-100%) after commissioning, depending on operational quality. This creates a clear incentive to complete projects and maintain stable cash flows. It aims to strengthens system stability over the credit cycle.

Large private banks well positioned; PSBs to witness limited impact

Under the new ECL regime, the top private banks, such as HDFCB, ICICIBC and AXSB, are well positioned as their strong underwriting, secured retail-heavy portfolios, and high contingent provisions position them for a smooth transition with minimal capital or P&L impact. We estimate a limited impact for PSBs owing to their strong asset quality performance in the last few years, robust PCR, and low restructured exposure. Banks with elevated unsecured or MFI exposure and those having higher SMA accounts could see higher provisioning requirements.

View

- The transition to the ECL framework will increase provisioning requirements, as potential losses on standard and off-balance-sheet exposures get recognized earlier, creating near-term pressure on capital and profitability. Banks may see a temporary RoA drag due to higher credit costs, though the phased rollout by FY32 will cushion the initial hit. Private banks, supported by stronger capital buffers, advanced data systems, and mature risk models, are better positioned to manage the shift, whereas PSBs with negligible contingency buffers and higher MSME exposure could face some additional provisioning requirements. Over time, the ECL framework will enhance earnings stability, transparency, and comparability, strengthening the system's resilience.
- In parallel, the revised credit risk capital norms, linking risk weights to borrower ratings, project stages, and LTV ratios, will promote prudent lending and efficient capital use. While recalibrations may cause temporary differences in capital ratios, lower risk weights on housing, MSMEs, and rated corporates will support credit growth and boost capitalization ratios, making the overall impact neutral to positive for well-capitalized banks. **We maintain our positive view on the sector, with ICICIBC, HDFCB, SBIN and AUBANK as our preferred picks.**

Exhibit 1: Comparison of the current IRACP framework vs. the new ECL-based framework on key parameters

Aspect	Current IRACP (Incurred-Loss Model)	Proposed ECL Framework (Expected-Loss Model)
Classification	❖ Loans classified as Standard or NPA (>90 DPD). NPAs subdivided into Substandard, Doubtful (D1-D3), Loss. SMAs (0/1/2) tracked but not provisioned.	❖ Three-stage model: Stage 1 (performing), Stage 2 (SICR ≥30 DPD or downgrade), Stage 3 (default/NPA ≥ 90 DPD). Introduces an "under-performing" layer (Stage 2).
Provisioning Methodology	❖ Rule-based % applied to loan value. Standard assets 0.25-1%; Substandard 15-25%; Doubtful 25-100%; Loss 100%. No PD/LGD concept.	❖ Model-based ECL = PD × LGD × EAD. Stage 1 → 12-month ECL; Stage 2/3 → lifetime ECL. Regulatory floors: Stage 1 ≥ 0.25-1.25%; Stage 2 ≥ 1.5-5%; Stage 3 25-100%. More forward-looking.
Interest Income on Impaired Loans	❖ Interest on NPAs (≥ 90 DPD) booked only on cash basis; accrued interest reversed.	❖ Same principle retained – Stage 3 on cash basis, Stage 1/2 on accrual. Conservative vs IFRS 9 (net accrual allowed there).
Movement / Upgradation	❖ NPA → Standard immediately once dues cleared. Restructured loans monitored for ~1 yr.	❖ Stage 3 → Stage 2 once cured, must remain ≥ 6 months before Stage 1. Adds "cooling-off" for sustained recovery. Restructured loans post-monitoring can directly enter Stage 1.
Collateral Treatment	❖ Secured vs unsecured split drives provision % (15-40% secured; 100% unsecured). Tangible security valued periodically; intangible often accepted.	❖ Collateral embedded via LGD in ECL models. RBI clarifies only tangible realizable security counts; intangible rights excluded.
Scope	❖ On-balance-sheet loans only. Off-balance-sheet exposures (LGs/LCs) not provisioned until invoked.	❖ Includes off-balance-sheet commitments using credit-conversion factors (CCFs); broadens provision coverage.
Disclosures & Governance	❖ Limited standard asset and NPA data in notes to accounts.	❖ Extensive stage-wise disclosures, movement tables, ECL methodology, model validation framework & Board oversight mandated.

Source: MOFSL, RBI

Exhibit 2: Comparison of provisioning floors under proposed ECL vs. current IRACP norms

Loan Category	Current IRACP Norms (%)	Stage 1 Floor (12 month ECL%)	Stage 2 Floor (Lifetime ECL %)
Agricultural Loans (Farm Credit)	0.25	0.25	5.00
Micro & Small Enterprises (MSE)	0.25	0.25	5.00
Medium Enterprises	0.40	0.40	5.00
Housing Loans (Individual)	0.40	0.40	1.50
Teaser Rate Home Loans	2.00	0.40	1.50
Commercial Real Estate (CRE)	1.00	1.25	1.00
CRE – Residential Housing (CRE-RH)	0.75	1.00	0.75
Project Finance – Construction Phase	0.40	1.25	1.00
Project Finance – Operational Phase	0.40	1.00	0.75
Unsecured Retail (Personal Loans, etc.)	0.40	1.00	5.00
Loans against Fixed Deposits	0.40	0.40	0.40
Gold Loans	0.40	0.40	1.50
Credit Card Receivables	0.40	1.00	5.00
Off-Balance Sheet Exposures	0.40	0.40	5.00
Other Advances (General)	0.40	0.40	5.00

Source: MOFSL, RBI

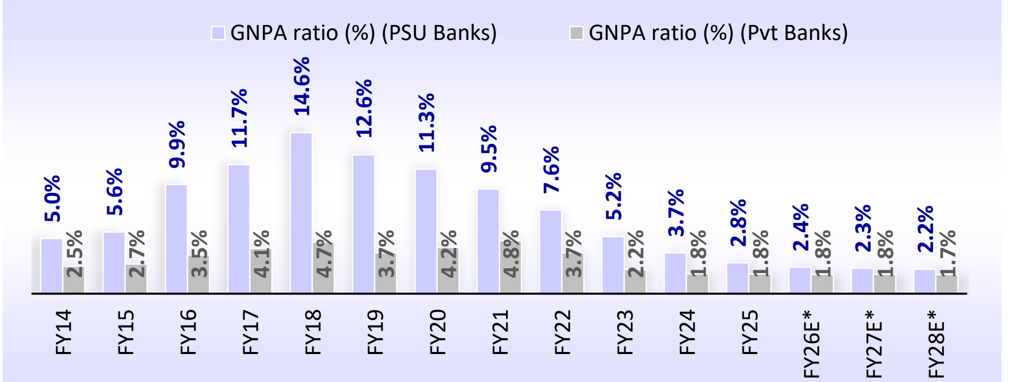
Exhibit 3: Comparison of old vs. new proposed risk weights

(I) Real Estate exposure - LTV (%)	Old	New	Change
a. Housing Loans to individuals			
=<50%	35%	20%	Reduced by 15%
>50-60%	35%	25%	Reduced by 10%
>60-80%	35%	30%	Reduced by 5%
>80-90%	50%	40%	Reduced by 10%
b. Third home owned	100%	30-60%	(LTV=<50% : 30%, >50-60% : 35%, >60-80% : 45%, >80-90% : 60%)
c. CRE-RH (Residential Housing Project)	75%	100%	Increased by 25%
d. Other CRE (ADC / Commercial)	100%	150%	Increased by 25%
(II) MSME exposure	**Old**	**New**	**Change**
Rated MSMEs	As per corporate	As per corporate	Read the section (III) for the new changes in corporate
Retail-qualifying MSMEs	75%	75%	Same
Unrated MSMEs (non-retail)	100%	85%	Reduced by 15%
(III) Corporates and NBFCs (Rating)	**Old**	**New**	**Change**
AAA / AA	20%/30%	20%	Marginally eased (AA merged with AAA at 20%)
A	50%	50%	No change
BBB	100%	75%	Reduced by 25%
BB	150%	100%	Reduced by 50%
Below BB	150%	150%	No change
Unrated	100%	100%	No change (new 150% threshold for >INR2b exposure)
(IV) Specialised Lending (Project/ Object/ Commodity Finance)	**Old**	**New**	**Change**
Project Finance (High Quality Operational)	100%	80%	Lowered for strong projects meetings post-COD & covenant conditions
(V) Other Categories	**Old**	**New**	**Change**
Personal Loans	125%	125%	No change
Credit cards (transactor)	125%	100%	Reduced by 25%, acknowledging lower credit risk for transactors who clear dues in full during the previous 12 months

Source: MOFSL, RBI

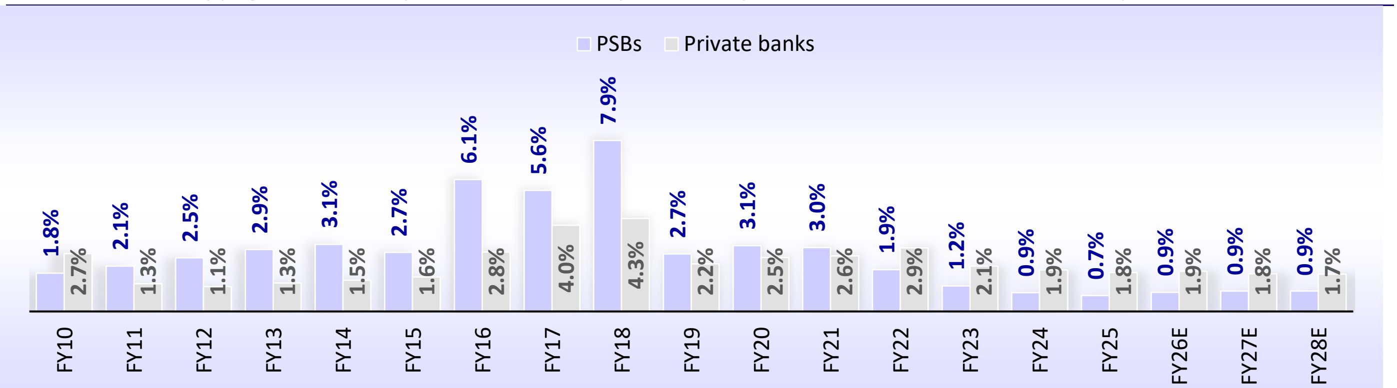
Story in charts

Exhibit 4: Asset quality has improved considerably across both PSU and Pvt banks



*based on MOFSL coverage estimates, Source: MOFSL, RBI

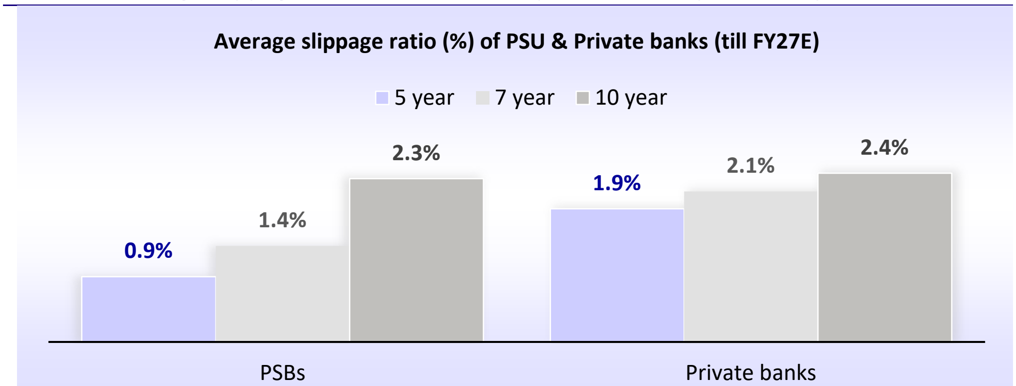
Exhibit 5: PSBs' slippage rate has improved considerably in recent years; remains better than that of private banks



Source: MOFSL, RBI

Exhibit 6: Average slippage ratio for PSBs has improved steadily over the years

Slippage rate for PSU banks has improved consistently, which will help them limit the provisioning drag arising from the migration to the ECL framework.



based on our coverage banks, Source: MOFSL, RBI

Exhibit 7: Trend in slippage rate across major PSBs in our coverage

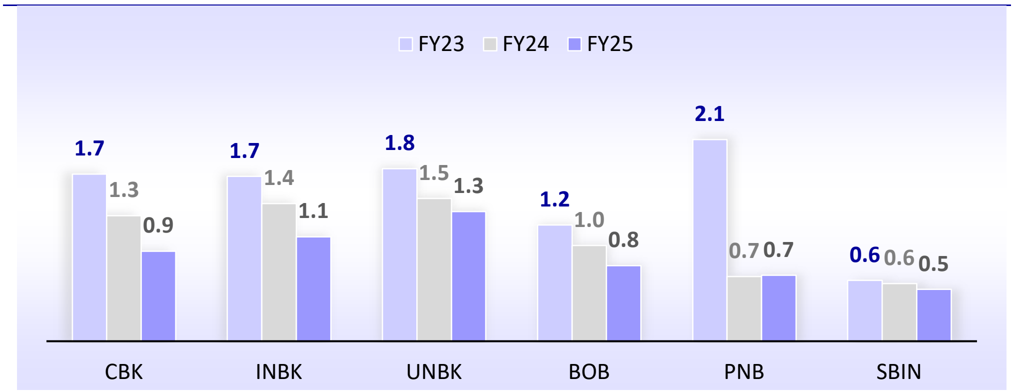


Exhibit 8: Slippage rate for private banks remains higher than that of PSBs

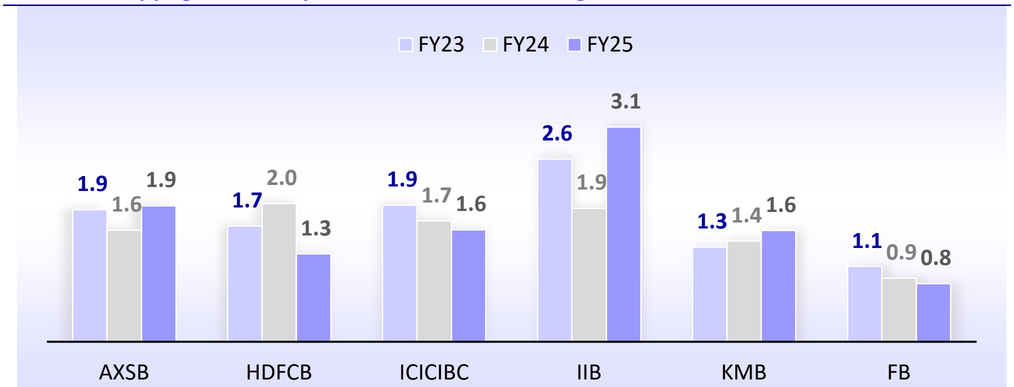
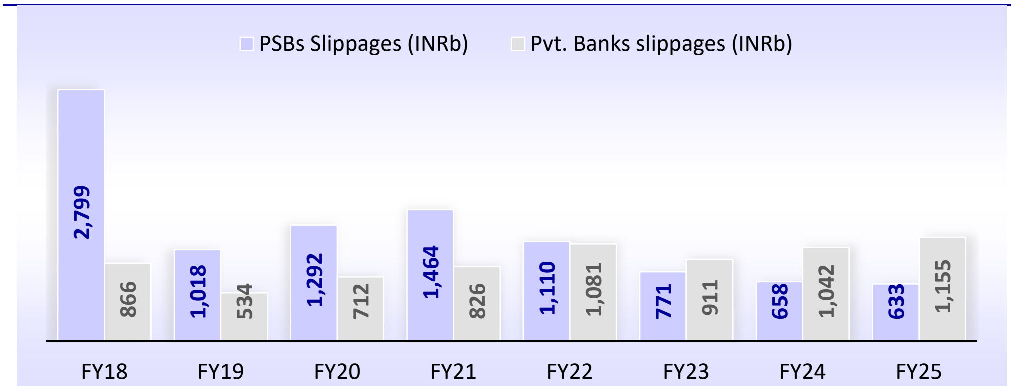


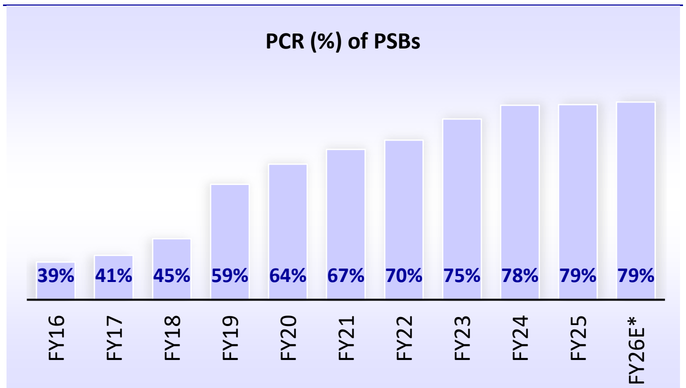
Exhibit 9: Trend in absolute slippages for PSBs and Private Banks

Slippages for PSBs have improved notably, whereas private banks' slippages have increased over FY18-25



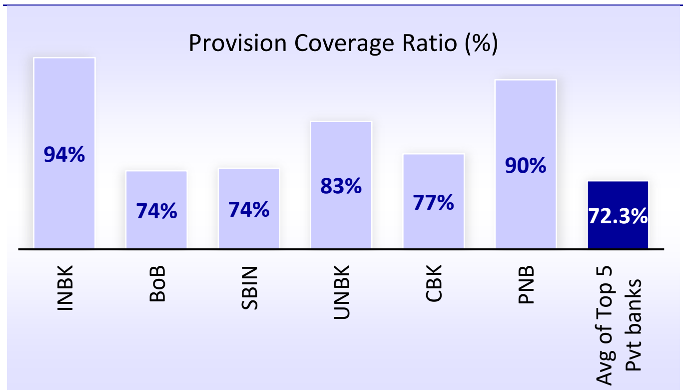
*of MOFSL coverage universe Source: MOFSL, Company

Exhibit 10: Provision coverage ratio for PSBs has improved sharply over the years to ~79% in FY25



*of MOFSL coverage universe, Source: MOFSL, Company

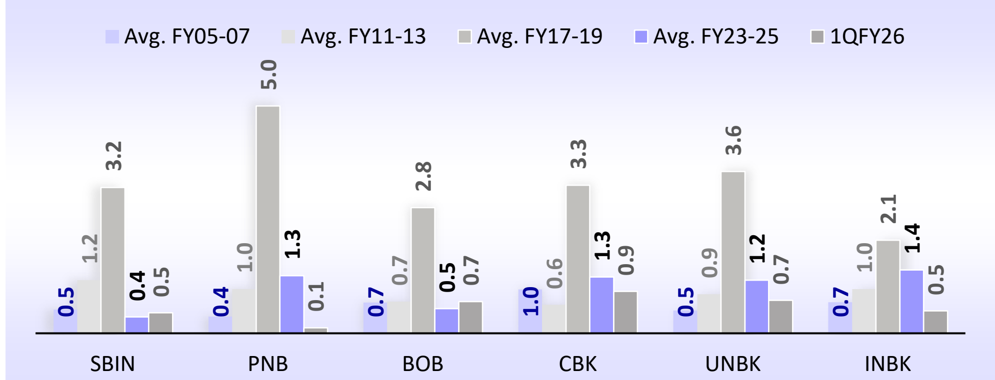
Exhibit 11: Top 6 PSBs' PCR vs. average of top 5 private banks – Most PSBs enjoy a higher PCR



Source: MOFSL, Company

Average credit cost for PSBs was ~3% during FY17-19, which has now improved significantly to 40-50bp

Exhibit 12: PSBs: Credit cost has improved significantly from the highs of FY17-19



Source: MOFSL, Company

SMA book remains benign for most PSBs at ~15-50bp, signaling limited incremental stress and providing visibility on stable asset quality going forward

Exhibit 13: SMA mix across banks as of 1QFY26

SMA (bp of loans)	SMA 0	SMA 1	SMA 2
BOB	NA	40bp	
CBK	13bp	4bp	63bp
INBK	NA	20bp	78bp
PNB	NA	NA	15bp
SBIN	NA	7bp	5bp
UNBK	17bp	8bp	29bp

Source: MOFSL, Company

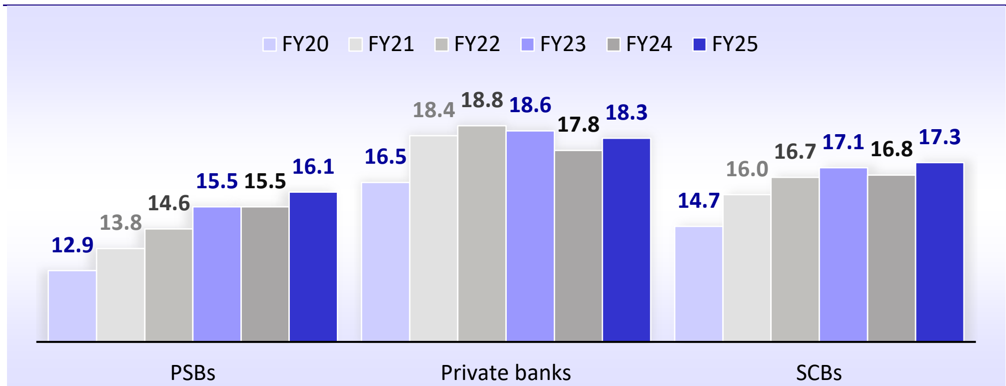
Exhibit 14: Capital positions of PSBs have also improved; PSBs are well positioned to absorb any ECL transition cost

PSBs	CET-I (%)				Tier-1 (%)				CRAR (%)			
	FY20	FY23	FY25	1QFY26	FY20	FY23	FY25	1QFY26	FY20	FY23	FY25	1QFY26
SBIN	9.8	10.3	10.8	11.1	11.0	12.1	12.1	12.5	13.1	14.7	14.3	14.6
BoB	9.4	12.2	13.8	14.1	10.7	14.0	14.8	15.2	13.3	16.2	17.2	17.6
CBK	9.4	11.6	12.0	12.3	10.1	13.8	14.4	14.6	13.7	16.7	16.3	16.5
INBK	11.8	12.9	15.4	15.3	12.1	13.5	15.9	15.7	14.1	16.5	17.9	17.8
PNB	11.0	11.2	12.4	13.0	12.2	12.7	14.1	14.6	14.5	15.5	17.1	17.5
UNBK	9.4	12.4	15.0	15.3	10.8	13.9	16.2	16.6	12.8	16.0	18.0	18.3

Source: Company, MOFSL

Healthy capital ratios for the banks make them resilient to absorb any ECL-related provisions

Exhibit 15: Capital adequacy ratios have improved for PSUs and private banks



Source: MOFSL, Company

Exhibit 16: BFSI valuation summary

Val summary	Rating	CMP (INR)	TP (INR)	Upside (%)	EPS (INR) FY26E	EPS (INR) FY27E	RoA (%) FY26E	RoA (%) FY27E	RoE (%) FY26E	RoE (%) FY27E	P/E (x) FY26E	P/E (x) FY27E	P/BV (x) FY26E	P/BV (x) FY27E	P/ABV (x) FY26E	P/ABV (x) FY27E
Private Banks																
ICICIBC*	Buy	1,376	1,670	21	73.1	82.1	2.3	2.3	16.8	16.4	15.1	13.5	2.9	2.5	2.5	2.1
HDFCB*	Buy	982	1,150	17	47.1	54.3	1.8	1.8	13.7	14.3	17.8	15.5	2.7	2.4	2.5	2.2
AXSB*	Neutral	1,187	1,250	5	79.2	99.6	1.4	1.6	12.9	14.4	13.3	10.5	1.8	1.6	1.7	1.5
BANDHAN	Neutral	165	185	12	14.9	21.9	1.2	1.5	9.6	13.0	11.0	7.5	1.0	0.9	1.1	1.0
KMB*	Buy	2,126	2,400	13	70.9	83.9	1.9	2.0	11.7	12.6	19.2	16.2	3.4	3.0	2.3	2.0
IIB	Neutral	749	830	11	36.5	62.2	0.5	0.8	4.3	7.1	20.6	12.0	0.9	0.8	0.9	0.9
FB	Buy	199	235	18	15.6	19.5	1.0	1.1	10.9	12.2	12.8	10.2	1.3	1.2	1.4	1.3
DCBB	Buy	132	160	21	22.9	32.2	0.9	1.0	12.7	15.7	5.8	4.1	0.7	0.6	0.7	0.6
IDFCFB	Neutral	72	80	11	2.8	5.3	0.6	1.0	5.2	9.3	25.7	13.6	1.3	1.2	1.4	1.3
EQUITASB	Buy	58	70	22	0.2	5.5	0.0	1.0	0.4	10.3	278.4	10.4	1.1	1.0	1.2	1.1
AUBANK	Buy	764	875	15	34.9	48.7	1.5	1.7	14.2	17.1	21.9	15.7	2.9	2.5	3.0	2.5
RBK	Buy	274	290	6	17.3	31.3	0.7	1.1	6.6	11.4	15.8	8.7	1.0	1.0	1.1	1.0
PSU Banks																
SBIN*	Buy	865	1,000	16	77.1	87.0	1.0	1.0	15.4	15.3	8.1	7.2	1.6	1.4	1.2	1.1
PNB	Buy	114	130	14	14.1	18.4	0.8	1.0	12.9	15.0	8.1	6.2	1.0	0.9	1.0	0.9
BOB	Neutral	262	275	5	35.4	41.0	1.0	1.0	13.9	14.7	7.4	6.4	1.0	0.9	1.0	0.9
CBK	Buy	128	140	9	20.4	22.2	1.1	1.1	18.7	18.3	6.3	5.8	1.1	1.0	1.1	1.0
UNBK	Neutral	139	155	12	21.2	23.4	1.0	1.1	14.3	14.1	6.5	5.9	0.9	0.8	0.9	0.8
INBK	Buy	758	800	6	91.1	95.5	1.3	1.3	18.3	16.9	8.3	7.9	1.4	1.2	1.4	1.2
Payments & Fintech																
SBI Cards	Neutral	905	950	5	28.1	39.6	3.8	4.6	17.8	21.0	32.2	22.9	5.3	4.4	5.5	4.5
					EPS (INR)		**PAT (INRb)**		**RoA (%)**		**RoE (%)**		**P/E (x)**		**P/Sales (x)**	
One 97 Comm.	Neutral	1,237	1,025	-17	9.8	19.0	6.4	12.7	2.8	5.0	4.2	8.1	126.2	65.0	9.7	8.2
NBFC (lending)				**Upside**	**EPS (INR)**		**Credit cost (%)**		**RoA (%)**		**RoE (%)**		**P/E (x)**		**P/BV (x)**	
Housing Finance																
LIC Housing Fin	Neutral	567	640	13	97.4	105.6	0.2	0.2	1.6	1.7	14.0	13.6	5.8	5.4	0.8	0.7
PNB Housing	Buy	890	1,050	18	87.5	98.3	-0.2	0.2	2.5	2.4	12.7	12.7	10.2	9.1	1.2	1.1
Bajaj Housing	Neutral	111	120	8	3.1	3.8	0.2	0.2	2.2	2.2	12.1	13.1	36.0	29.3	4.1	3.6
AAVAS Financiers	Neutral	1,673	1,800	8	80.3	97.6	0.2	0.1	3.2	3.3	13.6	14.4	20.9	17.1	2.7	2.3
Home First Fin.	Buy	1,209	1,530	27	51.7	64.2	0.3	0.3	3.9	4.0	15.7	14.5	23.4	18.8	2.9	2.6
Can Fin Homes	Neutral	804	870	8	72.2	79.0	0.2	0.1	2.2	2.2	17.6	16.7	11.1	10.2	1.8	1.6
Repco Home Fin	Neutral	379	400	6	69.9	73.6	0.0	0.2	2.9	2.7	12.4	11.7	5.4	5.2	0.6	0.6
Vehicle Finance																
Chola. Inv & Fin.	Buy	1,631	1,840	13	61.3	79.0	1.5	1.4	2.4	2.6	19.4	19.9	26.6	20.7	4.6	3.8
M & M Financial	Buy	282	315	12	18.4	23.3	1.7	1.6	1.8	2.0	11.5	12.6	15.3	12.1	1.6	1.5
Shriram Finance	Buy	667	770	15	49.4	59.9	2.0	2.0	3.0	3.2	15.4	16.4	13.5	11.1	2.0	1.7
IndoStar Capital	Buy	245	330	35	46.6	18.0	5.1	1.1	6.6	2.3	19.3	6.4	5.2	13.6	0.9	0.8
Gold Finance																
Muthoot Finance	Neutral	3,245	3,100	-4	195.5	221.5	0.4	0.3	5.6	5.2	24.7	23.0	16.6	14.6	3.7	3.1
Manappuram Finance	Neutral	291	320	10	10.4	18.8	2.8	1.3	1.9	3.3	6.9	11.1	27.9	15.5	1.7	1.6
Microfinance																
CreditAccess	Buy	1,391	1,650	19	52.9	106.0	5.7	2.9	2.9	4.9	11.4	19.6	26.3	13.1	2.8	2.3
Fusion Finance	Buy	193	240	24	0.6	19.9	5.4	3.0	0.1	4.1	0.4	13.4	-	9.7	1.5	1.1

Spandana Sphoorty	Neutral	259	280	8	-83.1	30.1	10.2	2.5	-8.3	3.2	-27.7	11.1	-3.1	8.6	1.1	0.9

NBFC-lending	Rating	CMP (INR)	TP (INR)	Upside (%)	EPS (INR)		Credit cost (%)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Diversified																
Bajaj Finance	Neutral	1,018	1,090	7	32.9	42.6	1.7	1.6	3.9	4.1	19.4	21.1	30.9	23.9	5.6	4.6
Poonawalla Fincorp	Buy	537	575	7	8.7	22.4	2.0	1.7	1.6	2.8	7.6	16.2	61.8	24.0	4.2	3.6
Aditya Birla Cap	Buy	304	340	12	15.0	19.1			0.0	0.0	12.2	13.9	20.2	15.9	2.4	2.1
L&T Finance	Buy	259	300	16	12.0	16.1	2.2	2.1	2.3	2.6	11.2	13.6	21.6	16.1	2.3	2.1
Piramal Enterp.	Neutral	1,125	1,250	11	63.7	105.4	1.7	1.4	1.4	1.9	5.2	8.1	17.7	10.7	0.9	0.8
MAS Financial	Buy	310	400	29	19.4	25.5	1.3	1.3	2.7	2.9	13.1	15.1	15.9	12.1	2.0	1.7
IIFL Finance	Buy	476	550	16	35.6	54.9	2.2	1.8	2.2	2.8	11.5	15.7	13.4	8.7	1.5	1.3
HDB Financial	Neutral	741	850	15	31.3	41.2	2.3	2.0	2.2	2.5	14.1	15.1	23.7	18.0	2.9	2.5
Power Financiers																
PFC	Buy	409	490	20	59.4	61.1	-0.1	0.2	3.3	3.0	20.0	18.1	6.9	6.7	1.3	1.1
REC	Buy	378	440	17	68.4	72.9	-0.1	0.2	2.8	2.6	21.4	19.6	5.5	5.2	1.1	0.9
MSME																
Five-Star Business	Buy	532	650	22	39.1	43.9	1.2	0.9	7.3	6.8	16.8	16.1	13.6	12.1	2.1	1.8

Non-lending				Upside (%)	EPS (INR)		VNB Margins (%)		RoEV (%)		P/E (x)		P/EVOP		P/EV (x)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Life Insurance																
HDFC Life Insur.	Buy	756	910	20	7.3	8.4	26.3	25.6	20.1	16.7	103.6	90.2	18.0	15.2	3.4	2.9
ICICI Pru Life	Buy	603	700	16	9.9	11.5	24.2	24.5	12.8	13.0	61.1	52.4	32.2	28.0	1.6	1.4
SBI Life Insurance	Buy	1,785	2,120	19	24.8	26.6	27.8	28.5	13.7	13.1	71.9	67.1	13.5	11.6	2.1	1.8
Max Financial	Buy	1,587	2,000	26	11.9	14.1	24.5	25.5	19.2	19.4	133.1	112.9	15.0	12.3	2.3	1.9
Life Insurance Corp.	Buy	913	1,080	18	64.1	76.1	16.8	17.6	24.9	6.8	14.2	12.0	8.5	6.9	0.8	0.7
General Insurance				Upside	EPS (INR)		Claims Ratio (%)		Combined Ratio (%)		RoE (%)		P/E (x)		P/BV (x)	
Star Health	Buy	476	530	11	12.8	17.8	69.5	69.0	100	99	10.2	12.6	37.2	26.8	3.6	3.2
Niva Bupa Health	Buy	80	100	25	0.7	1.7	65.8	64.4	103	98	3.8	7.7	108.7	46.7	3.7	3.4
ICICI Lombard	Buy	1,907	2,400	26	61.9	71.4	70.0	69.8	102	101	19.8	19.6	30.8	26.7	5.7	4.9
Broking and Exchanges					EPS (INR)		EBITDA margins (%)		PAT (INR b)		RoE (%)		P/E (x)		P/BV (x)	
Angel One	Buy	2,250	2,600	16	91.0	130.7	32.4	38.4	8	12	14.0	18.0	24.7	17.2	3.0	2.7
BSE	Neutral	2,231	2,250	1	50.8	56.3	62.3	61.3	21	23	34.4	29.5	43.9	39.6	15.1	11.7
MCX	Neutral	8,204	8,500	4	169.9	203.4	64.7	65.8	9	10	43.8	47.9	48.3	40.3	20.3	18.4
Wealth Management																
Anand Rathi Wealth	Neutral	2,916	2,600	-11	49.0	60.7	47.1	48.2	4	5	48.7	41.9	59.5	48.0	24.3	17.2
Nuvama Wealth	Buy	6,960	7,900	14	292.9	351.2	59.8	60.7	10	12	28.1	29.7	23.8	19.8	6.2	5.5
360 ONE WAM	Buy	1,070	1,450	36	30.8	36.4	46.8	48.6	12	16	16.3	16.8	34.8	29.4	5.3	4.4
Prudent Corp.	Neutral	2,620	2,600	-1	53.4	67.3	22.6	23.1	2	3	28.9	28.3	49.1	38.9	62.8	49.1
Intermediaries																
Cams Services	Buy	3,801	4,900	29	98.5	115.6	45.5	46.6	5	6	39.7	39.8	38.6	32.9	14.2	12.1
KFin Tech.	Neutral	1,050	1,130	8	21.1	25.2	42.3	42.3	4	4	26.7	28.3	49.7	41.7	12.6	11.1
CDSL	Neutral	1,563	1,520	-3	21.8	28.5	52.9	54.4	5	6	24.5	28.6	71.7	54.8	16.7	14.7

AMCs				Upside	EPS (INR)		MF Yields (Bps)		PAT (INRb)		RoE (%)		P/E (x)		P/AUM	
Aditya Birla AMC	Buy	821	1,090	33	37.0	41.4	42.0	41.0	10.7	11.9	26.9	26.8	22.2	19.8	197.1	170.9
HDFC AMC	Buy	5,555	6,500	17	131.8	150.8	46.1	45.1	28.1	32.2	33.2	34.9	42.2	36.8	630.2	541.2
Nippon Life AMC	Buy	875	1,030	18	23.7	27.4	38.0	36.7	14.9	17.3	35.1	39.8	37.0	31.9	133.0	110.9
UTI AMC	Buy	1,329	1,650	24	68.3	79.2	33.4	32.6	8.7	10.1	16.4	18.1	19.4	16.8	349.0	296.3

*Adjusted for subsidiaries

N O T ES

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NEUTRAL	< - 10 % to 15%
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