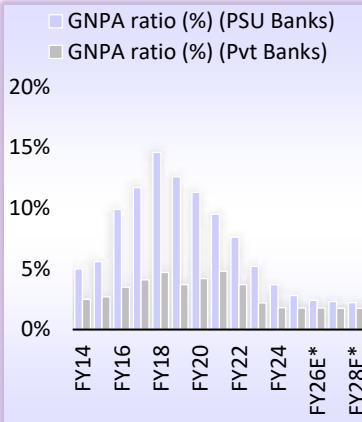


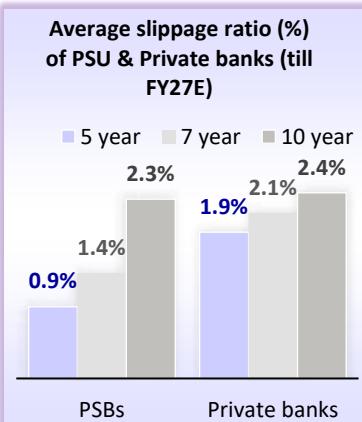
# Financials - Banks

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  $\geq 60$  DPD as the Stage-2 backstop). It has also introduced model-based provisioning ( $PD \times LGD \times EAD$ ) 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  $> 60$  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  $>60$ -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

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 over 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	<ul style="list-style-type: none"> <li>❖ Loans classified as Standard or NPA (&gt;90 DPD). NPAs subdivided into Substandard, Doubtful (D1-D3), Loss. SMAs (0/1/2) tracked but not provisioned.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Three-stage model: Stage 1 (performing), Stage 2 (SICR <math>\geq</math> 60 DPD or downgrade), Stage 3 (default/NPA <math>\geq</math> 90 DPD). Introduces an “under-performing” layer (Stage 2).</li> </ul>
Provisioning Methodology	<ul style="list-style-type: none"> <li>❖ Rule-based % applied to loan value. Standard assets 0.25-1%; Substandard 15-25%; Doubtful 25-100%; Loss 100%. No PD/LGD concept.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Model-based ECL = PD <math>\times</math> LGD <math>\times</math> EAD. Stage 1 <math>\rightarrow</math> 12-month ECL; Stage 2/3 <math>\rightarrow</math> lifetime ECL. Regulatory floors: Stage 1 <math>\geq</math> 0.25-1.25%; Stage 2 <math>\geq</math> 1.5-5%; Stage 3 25-100%. More forward-looking.</li> </ul>
Interest Income on Impaired Loans	<ul style="list-style-type: none"> <li>❖ Interest on NPAs (<math>\geq</math> 90 DPD) booked only on cash basis; accrued interest reversed.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Same principle retained – Stage 3 on cash basis, Stage 1/2 on accrual. Conservative vs IFRS 9 (net accrual allowed there).</li> </ul>
Movement / Upgradation	<ul style="list-style-type: none"> <li>❖ NPA <math>\rightarrow</math> Standard immediately once dues cleared. Restructured loans monitored for <math>\sim</math>1 yr.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Stage 3 <math>\rightarrow</math> Stage 2 once cured, must remain <math>\geq</math> 6 months before Stage 1. Adds “cooling-off” for sustained recovery. Restructured loans post-monitoring can directly enter Stage 1.</li> </ul>
Collateral Treatment	<ul style="list-style-type: none"> <li>❖ Secured vs unsecured split drives provision % (15-40% secured; 100% unsecured). Tangible security valued periodically; intangible often accepted.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Collateral embedded via LGD in ECL models. RBI clarifies only tangible realizable security counts; intangible rights excluded.</li> </ul>
Scope	<ul style="list-style-type: none"> <li>❖ On-balance-sheet loans only. Off-balance-sheet exposures (LGs/LCs) not provisioned until invoked.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Includes off-balance-sheet commitments using credit-conversion factors (CCFs); broadens provision coverage.</li> </ul>
Disclosures & Governance	<ul style="list-style-type: none"> <li>❖ Limited standard asset and NPA data in notes to accounts.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Extensive stage-wise disclosures, movement tables, ECL methodology, model validation framework &amp; Board oversight mandated.</li> </ul>

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

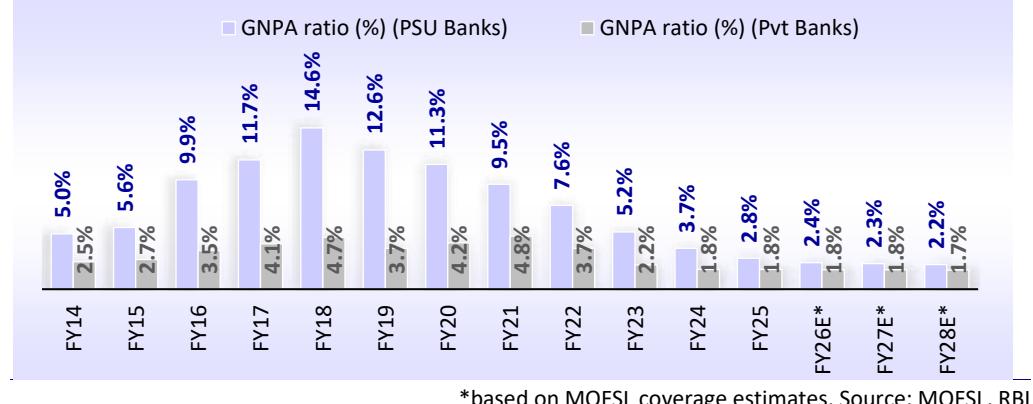
**Exhibit 3: Comparison of old vs. new proposed risk weights**

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

Source: MOFSL, RBI

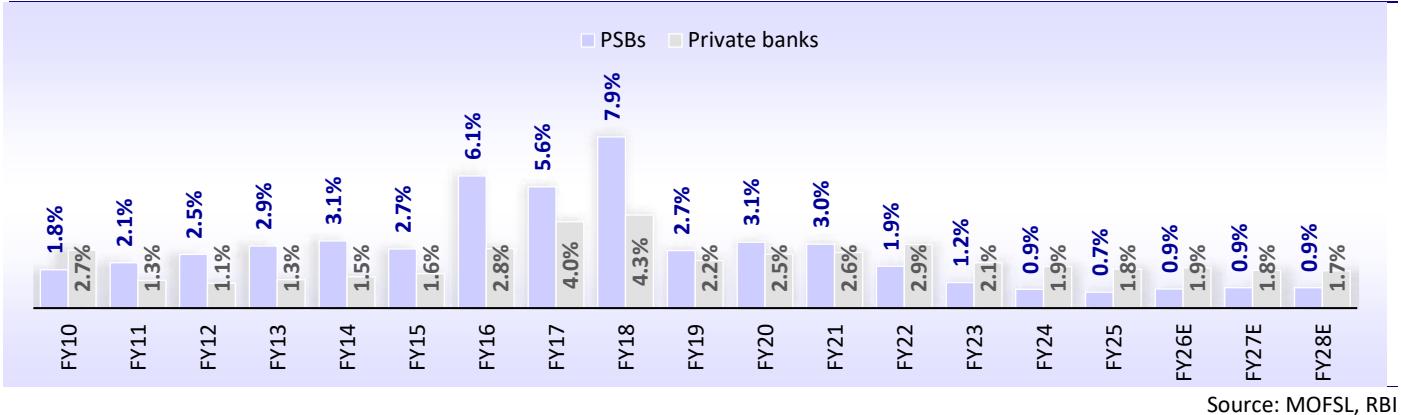
## Story in charts

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



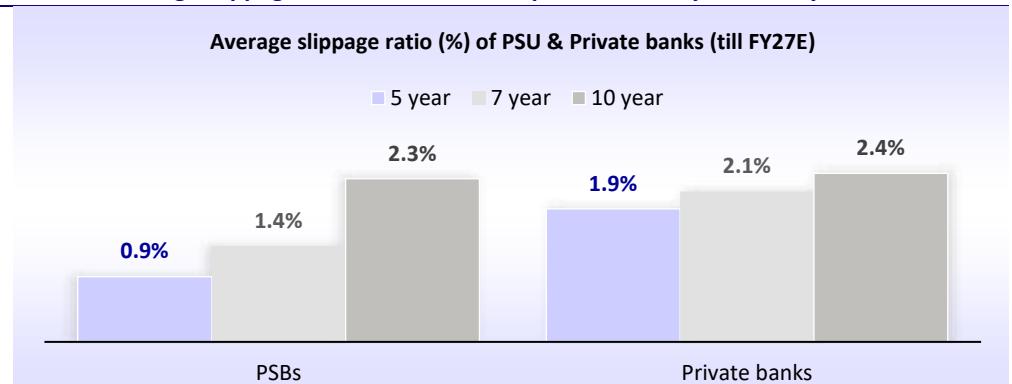
\*based on MOFSL coverage estimates, Source: MOFSL, RBI

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



Source: MOFSL, RBI

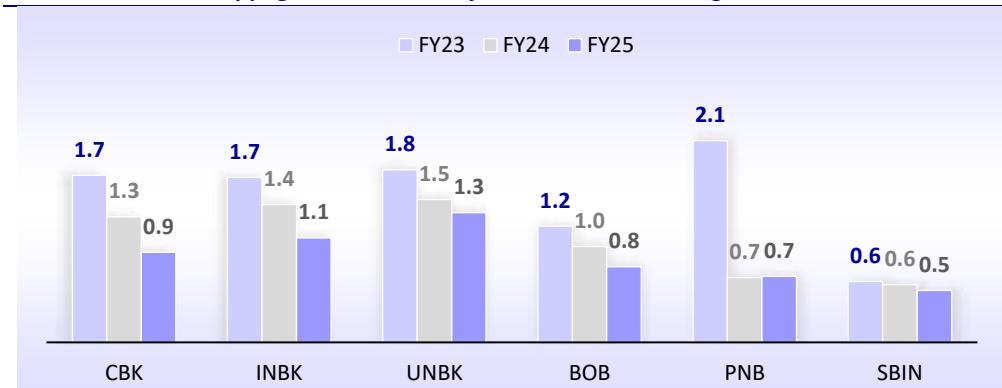
### Exhibit 6: Average slippage ratio for PSBs has improved steadily over the years



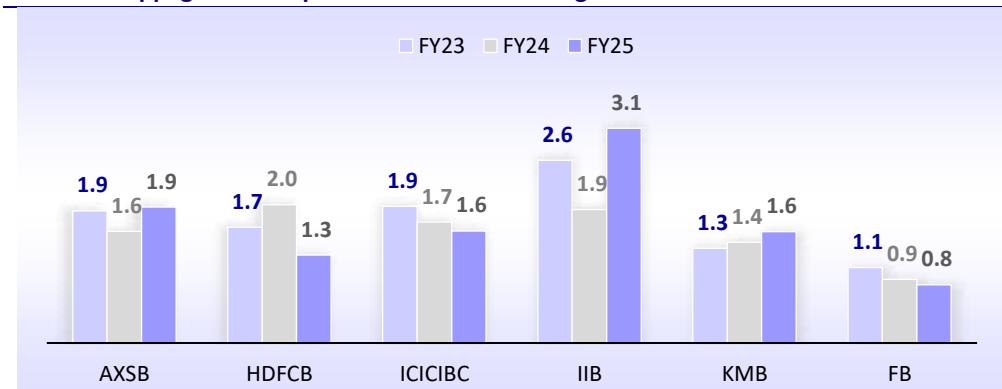
based on our coverage banks, Source: MOFSL, RBI

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

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

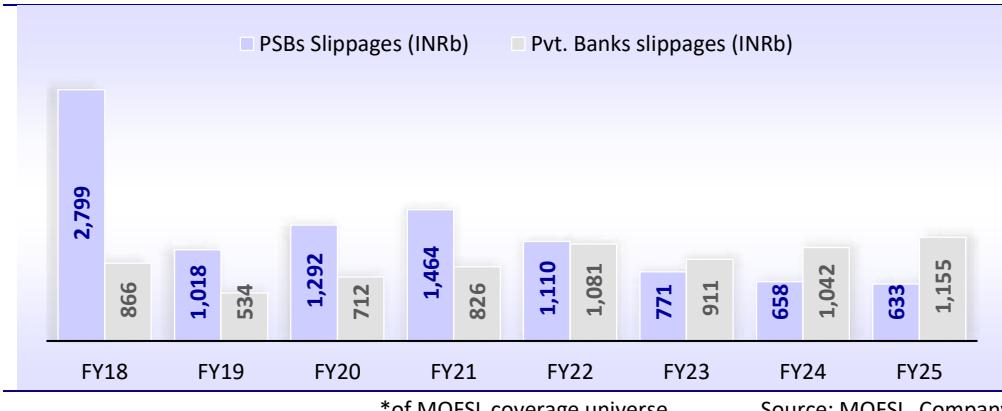


**Exhibit 8: Slippage rate for private banks remains higher than that of PSBs**



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

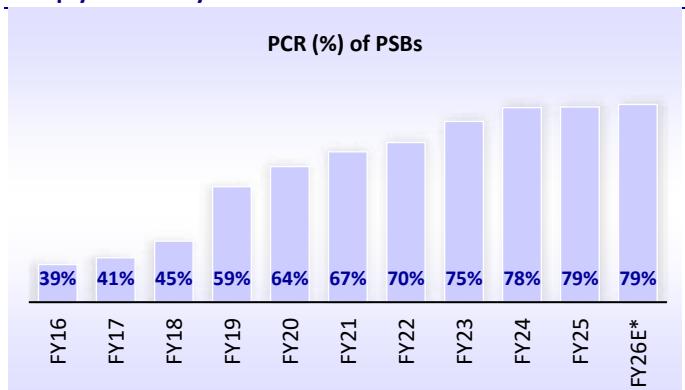
Slippages for PSBs have improved notably, whereas private banks' slippages have increased over FY18-25



\*of MOFSL coverage universe

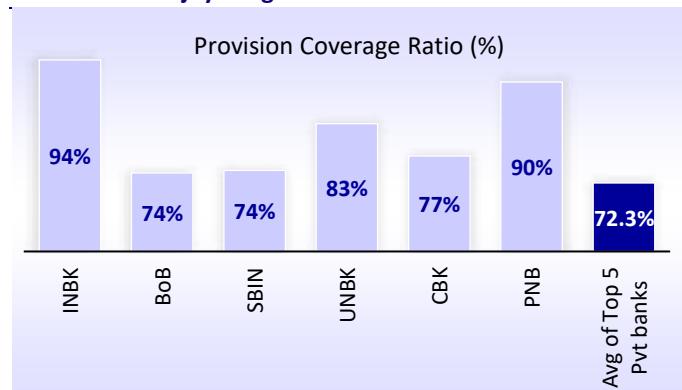
Source: MOFSL, Company

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



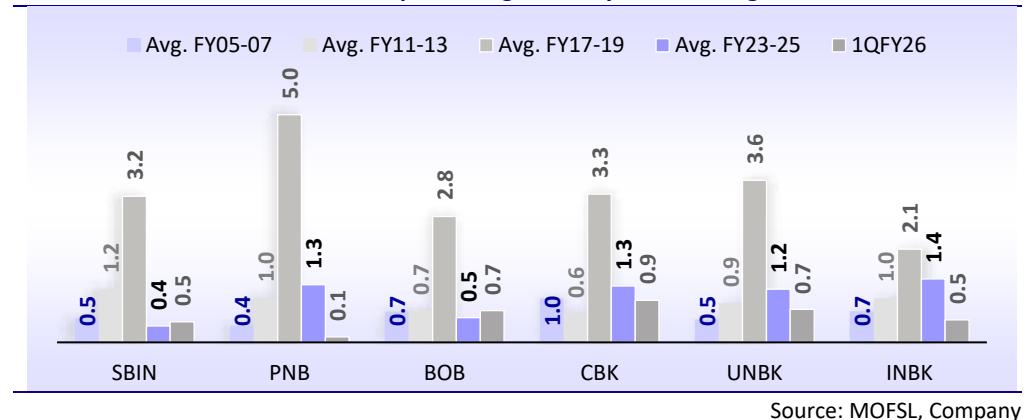
\*of MOFSL coverage universe, Source: MOFSL, Company

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



Source: MOFSL, Company

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



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

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

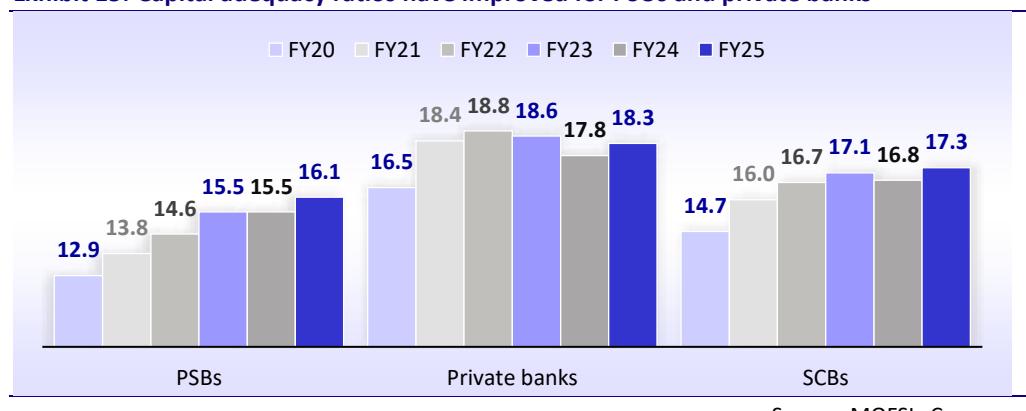
**Exhibit 14: Capital positions of PSBs have also improved; PSBs are well positioned to absorb any ECL transition cost**

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**



**Exhibit 16: BFSI valuation summary**

Val summary	Rating	CMP (INR)	TP (INR)	Upside (%)	EPS (INR)	FY26E	FY27E	RoA (%)	FY26E	FY27E	RoE (%)	FY26E	FY27E	P/E (x)	P/BV (x)	P/ABV (x)
<b>Private Banks</b>																
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
<b>PSU Banks</b>																
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
<b>Payments &amp; Fintech</b>																
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
<b>NBFC (lending)</b>																
					Upside	EPS (INR)		Credit cost (%)	RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
<b>Housing Finance</b>																
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
<b>Vehicle Finance</b>																
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
<b>Gold Finance</b>																
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
<b>Microfinance</b>																
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
<b>NBFC-lending</b>	<b>Rating</b>	<b>CMP (INR)</b>	<b>TP (INR)</b>	<b>Upside (%)</b>	<b>EPS (INR)</b>			<b>Credit cost (%)</b>		<b>RoA (%)</b>	<b>RoE (%)</b>		<b>P/E (x)</b>	<b>P/BV (x)</b>		
					<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Diversified</b>																
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
<b>Power Financiers</b>																
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
<b>MSME</b>																
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
<b>Non-lending</b>																
				<b>Upside (%)</b>	<b>EPS (INR)</b>	<b>VNB Margins (%)</b>			<b>RoEV (%)</b>	<b>P/E (x)</b>		<b>P/EVOP</b>		<b>P/EV (x)</b>		
						<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY26E</b>	<b>FY27E</b>	
<b>Life Insurance</b>																
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
<b>General Insurance</b>																
				<b>Upside</b>	<b>EPS (INR)</b>	<b>Claims Ratio (%)</b>			<b>Combined Ratio (%)</b>	<b>RoE (%)</b>		<b>P/E (x)</b>		<b>P/BV (x)</b>		
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
<b>Broking and Exchanges</b>																
					<b>EPS (INR)</b>	<b>EBITDA margins (%)</b>			<b>PAT (INR b)</b>	<b>RoE (%)</b>		<b>P/E (x)</b>		<b>P/BV (x)</b>		
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
<b>Wealth Management</b>																
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
<b>Intermediaries</b>																
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	Buy	Upside			EPS (INR)		MF Yields (Bps)		PAT (INRb)		RoE (%)		P/E (x)		P/AUM	
		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
Aditya Birla 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

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/list%20of%20Associate%20Companies.pdf> MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may: (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

**Analyst Certification**

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Terms & Conditions:**

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no warranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

**Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; [www.motilaloswal.com](http://www.motilaloswal.com).

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	<a href="mailto:query@motilaloswal.com">query@motilaloswal.com</a>
Ms. Kumud Upadhyay	022 40548082	<a href="mailto:servicehead@motilaloswal.com">servicehead@motilaloswal.com</a>
Mr. Ajay Menon	022 40548083	<a href="mailto:am@motilaloswal.com">am@motilaloswal.com</a>

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).