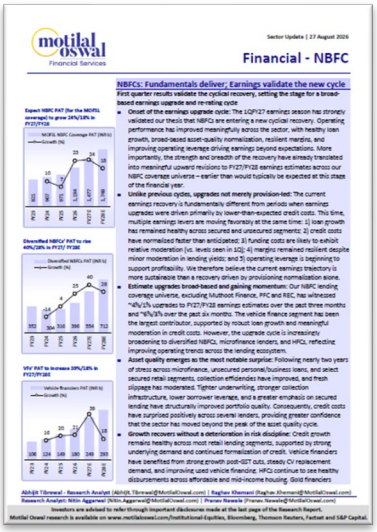
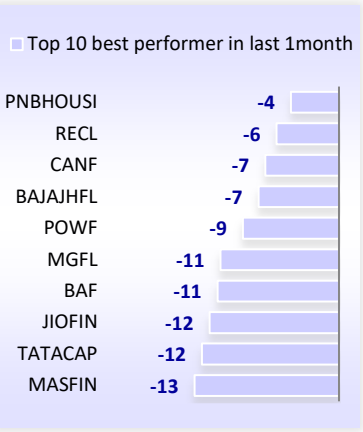
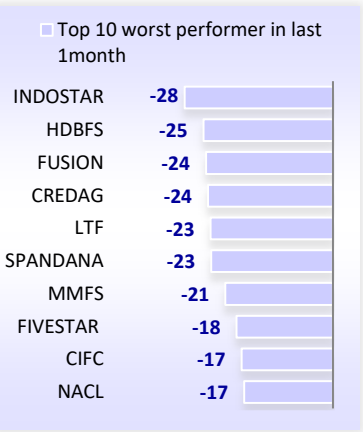
Financials - NBFCs



Performance in terms of stock returns over the last one month



Worst performers in terms of stock returns over the last one month



Note: Returns calculated from 24st Sep'26 to 24h Oct'26; Source: Bloomberg; MOFSLe

NBFCs: Near-term headwinds mount; awaiting a macro and regulatory reprieve

Weak monsoons, higher crude prices and regulatory uncertainty cloud the earnings outlook; de-escalation in geopolitical tensions could revive the investment case

- We had turned constructive on the NBFC sector following the de-escalation of the US-Iran conflict and the strong set of 1QFY27 results (Refer Report- NBFCs: Fundamentals deliver; Earnings validate the new cycle). NBFCs delivered a robust performance despite the seasonally weak 1Q, reinforcing our conviction that investors should maintain exposure to the sector. The results suggested that the calibration phase experienced by several retail lending segments was giving way to a more favorable credit cycle, supported by healthy loan growth, improving asset quality and easing funding-cost pressures. Additionally, the high inflow of FCNR deposits into Indian banks meant that NBFCs would benefit in an environment where the incremental CoB was already inching up for companies.
- However, the balance of risks has turned less favorable over the past month. Higher crude prices have increased inflationary concerns and raised the possibility of a deeper interest-rate hiking cycle. The Southwest monsoon has ended significantly below normal, with substantial regional disparities and drought conditions across several states. In parallel, two regulatory proposals – the RBI's proposed restrictions on revolving credit facilities and IRDAI's proposed changes to insurance distribution economics – have introduced uncertainty around the growth and profitability of several large NBFCs.
- We believe these developments warrant a reassessment of the sector's near-term risk-reward. Importantly, the concerns are not limited to a single variable: they span funding costs, credit demand, asset quality, lending-product economics and fee income. Their simultaneous occurrence could challenge the sustainability of the earnings momentum witnessed in 1QFY27 and the ongoing 2QFY27 earnings season.
- **Our stance is, therefore, more cautious in the near term, while the medium-term recovery thesis remains conditional on a moderation in crude prices, limited spillover from the weak monsoon into credit costs and a more calibrated regulatory outcome.**

Four headwinds cloud the near-term outlook

- **Higher crude prices could trigger a deeper rate-hiking cycle:** The US-Iran conflict and elevated crude prices have increased inflationary risks, shifting market expectations towards a potentially deeper rate-hiking cycle. Higher funding costs, delayed lending-yield repricing and pressure on borrower cash flows could weigh on NBFC margins and asset quality, with the impact varying by funding mix and pricing power.
- **Weak monsoons raise the risk of lagged rural asset-quality deterioration:** Deficient and uneven rainfall could weigh on agricultural incomes, rural consumption and repayment capacity, particularly across tractor, two-wheeler, MFI and rural MSME portfolios. The impact may emerge with a lag over the next

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few quarters; collection efficiency, early-stage delinquencies and geographic stress will be key monitorables.

- **Proposed RBI restrictions on revolving credit could disrupt product economics:** The draft framework on revolving credit facilities could constrain flexi-loan offerings, affecting customer acquisition, loan growth and product profitability for lenders with meaningful exposure. The extent of disruption will depend on the final rules and whether alternative term-loan structures can preserve customer utility and risk-adjusted returns.
- **IRDAI's proposed insurance reforms could structurally compress fee income:** Proposed changes to insurance distribution commissions and related practices could weigh on fee income and returns for NBFCs with meaningful credit-linked insurance distribution. The impact will depend on the final framework and implementation timeline, with a phased transition potentially limiting near-term earnings disruption while leaving longer-term pressure on distribution economics.

Why could the risks compound?

The four headwinds operate through different channels but could reinforce one another.

- Higher crude prices may raise inflation and increase the likelihood of monetary tightening. Weak monsoons could subsequently affect borrower cash flows and asset quality. Meanwhile, regulatory changes could constrain lending-product economics and reduce fee income, limiting lenders' ability to offset higher funding costs or credit costs through other revenue streams.
- This combination creates uncertainty around both the pace and quality of earnings growth. Strong reported results may therefore be insufficient to sustain a favorable sector view if forward-looking commentary points to higher funding costs, delayed credit stress or a structural reduction in non-interest income.

What could change our view?

- **Geopolitical de-escalation and lower crude prices:** A sustained decline in crude prices, supported by US-Iran de-escalation, could ease inflationary pressures, moderate expectations of monetary tightening and support NBFC funding costs and borrower repayment capacity.
- **A less aggressive rate cycle:** Softer-than-expected inflation and a more measured RBI response could limit funding-cost pressure, reducing the risk of simultaneous margin compression and weakening borrower cash flows.
- **Calibrated regulatory outcomes:** A pragmatic RBI framework for revolving credit and a phased adjustment in insurance distribution commissions could limit disruption to loan growth, fee income and profitability, while providing greater regulatory clarity.
- **Resilient rural collections:** Stable collections in drought-affected geographies despite weak monsoons would indicate resilience in borrower cash flows, underwriting and collection infrastructure, easing concerns around asset quality and credit costs.

Stance in NBFC sector: Near-term caution, with crude prices as the key swing factor

- The NBFC sector entered FY27 with strong earnings momentum, and 1QFY27 results reinforced the view that the earlier phase of credit calibration was giving way to a more favorable operating environment. However, the subsequent rise in crude prices, the severity of the monsoon shortfall and two potentially significant regulatory changes have altered the near-term risk-reward.
- The key concern is that these headwinds could affect earnings through multiple channels at the same time: funding costs and margins, rural asset quality, lending-product economics and insurance-related fee income. Their effects will vary by lender, but the combination warrants greater selectivity and a closer focus on forward-looking management commentary.
- **We would look for three developments before becoming more constructive again: a sustained decline in crude prices and moderation in rate-hiking expectations; evidence that rural collections remain resilient despite the weak monsoon; and greater clarity on the final RBI (revolving credit) and IRDAI frameworks.**
- **A favorable shift in the geopolitical outlook could be the quickest catalyst for a reassessment. Until then, we believe the near-term balance of risks remains less favorable than it was until a month back, even as the medium-term earnings recovery thesis remains intact, subject to the evolution of these risks. Some of the names, which we believe are less vulnerable to the headwinds and/or can give relative outperformance vs. their NBFC peers, are PNB Housing, Piramal Finance, Poonawalla Fincorp and Aditya Birla Capital.**

Four headwinds cloud the near-term outlook

Higher crude prices could trigger a deeper rate-hiking cycle

- The ongoing US-Iran conflict and the associated uncertainty around energy supplies have emerged as key macroeconomic risks for India. Higher crude prices can feed into domestic inflation through fuel, transportation and input costs. If sustained, this could complicate the inflation outlook and require a more aggressive monetary policy response.
- Before the RBI's first MPC meeting, market expectations broadly pointed toward a relatively shallow rate-hiking cycle, with cumulative repo-rate increases of ~50-75bp. Following the subsequent MPC meeting, expectations have shifted toward a potentially deeper cycle, with cumulative increases of 100-125bp.
- For NBFCs, the implications extend beyond the headline policy rate. Higher policy rates can increase incremental borrowing costs, while the speed of transmission depends on liability structures, borrowing mix, repricing schedules and access to alternative funding sources. Lending yields may also adjust with a lag, creating temporary pressure on net interest margins.
- The impact could be more pronounced if higher inflation simultaneously weakens household purchasing power and borrower cash flows. This would create a combination of funding-cost pressure and a potentially less supportive credit environment.
- The extent of the impact will vary by lender. NBFCs with diversified funding sources, longer liability tenures and stronger pricing power may be better positioned to absorb the pressure than lenders with greater dependence on market borrowings or more competitive lending franchises.

The impact is likely to vary materially across lending segments:

- **Vehicle financiers:** Vehicle financiers are relatively more exposed to rising rates, given the prevalence of fixed-rate loans and floating-rate borrowings, which could result in near-term NIM compression. Higher fuel and freight costs may also pressure transporter cash flows, while a high base could moderate vehicle demand in 2HFY27. MMFSL, CIFC and HDB Financial could face greater sensitivity if growth slows, with MMFSL also more exposed to margin pressure. SHFL's surplus capital adequacy (following the MUFG investment) and recent credit rating upgrade will keep its NIM less vulnerable to a rising rate cycle.
- **Housing finance companies:** HFCs could benefit from faster repricing of floating-rate loan books, allowing asset yields to adjust upward and partly offset higher funding costs. However, aggressive pricing (on new originations) by PSU banks could limit pass-through, particularly in prime mortgages. Improving affordability, formalization and stable asset quality should support growth, although the extent of margin benefit will depend on repricing speed and competitive intensity. Another interesting trend that we have seen is that of HFCs like Bajaj Housing and HomeFirst are entering interest rate swaps to convert their fixed-rate borrowings into floating-rate loans. This is to ensure better asset-liability matching in both declining and rising interest rate cycles.
- **Gold, Micro-LAP and MFI:** Gold financiers and MFIs are relatively better positioned to absorb moderate funding-cost increases, given their structurally higher lending yields and wider spreads. Shorter-tenor gold loans also allow more frequent repricing, while MFI lenders benefit from higher portfolio yields. However, borrower affordability, competitive pressures and regulatory constraints could limit pricing flexibility

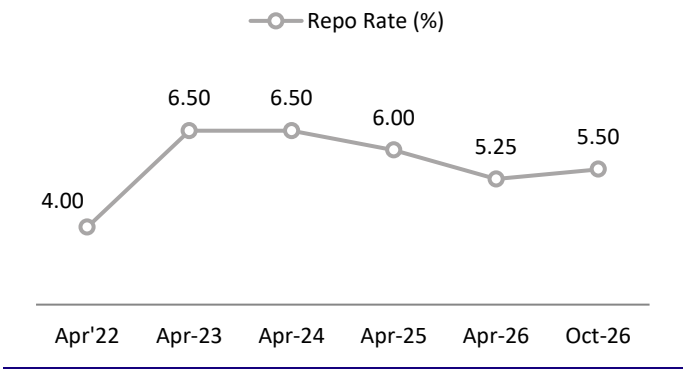
- **Power financiers:** Power financiers could benefit from rising rates, given their predominantly floating-rate loan books and relatively higher share of fixed-rate borrowings. Faster asset-yield repricing alongside slower liability-cost transmission could support spread expansion, reversing some of the margin pressure experienced during the easing cycle.
- **Diversified lenders:** Diversified NBFCs could face initial margin pressure from higher funding costs, partly offset by their ability to optimize portfolio mix. A gradual recovery in unsecured lending could support yields, while floating-rate housing portfolios may provide an additional hedge through asset repricing.

Exhibit 1: Breakdown of fixed and floating rate assets and liabilities for MOFSL NBFC coverage

Name	Assets (%)		Liabilities (%)	
	Floating	Fixed	Floating	Fixed
BAF	54	46	41	59
Piramal Finance	50	50	60	40
Poonawalla	52	48	64	36
ABCL (NBFC)	70	30	56	44
LTF	32	68	70	30
HDB	33	67	53	47
MAS	78	22	80	20
IIFL	37	63	61	39
Tata capital	72	28	52	47
Cholamandalam	38	62	70	30
Shriram Finance	14	86	50	54
MMFS	7	93	48	52
PNBHF	100	-	66	34
LICHF	100	-	50	50
CANF	100	-	65	35
AAVAS	72	28	85	15
Home First	99	1	100	-
Repco	100	-	99	1
Bajaj Housing	88	12	70	30
Five-Star Business Finance	-	100	86	14
Credit Access Grameen	1	99	75	26
Spandana Spoorthy	-	100	79	21
Fusion Finance	-	100	92	8
PFC	100	-	19	81
REC	100	-	18	82
Muthoot	-	100	48	52
Manappuram	3	97	70	30

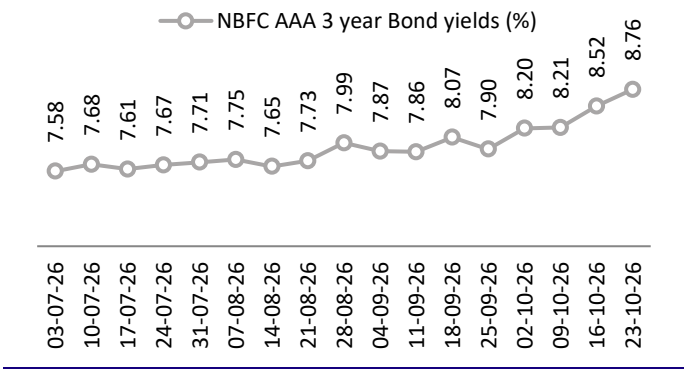
Note: For companies which have not reported their 2QFY27 results, we have taken their assets and liability mix as of Jun'26; Source: MOFSL; Company

Exhibit 2: RBI increases repo rate to 5.5%



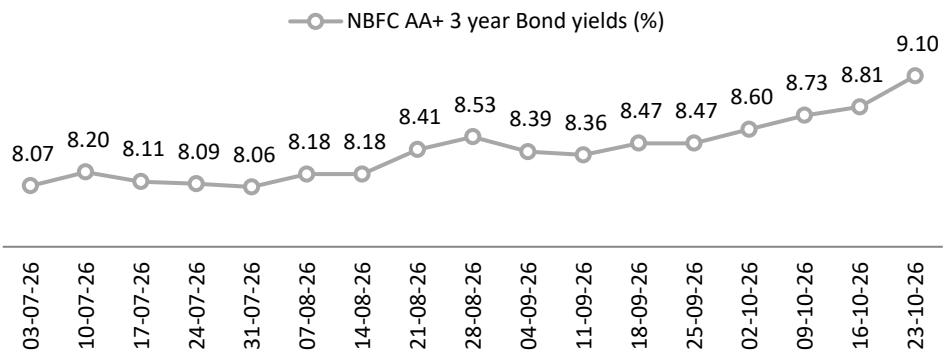
Source: MOFSL

Exhibit 3: NBFC AAA 3-year bond continues to inch up



Source: MOFSL

Exhibit 4: NBFC AA+ 3-year bond continues to inch up

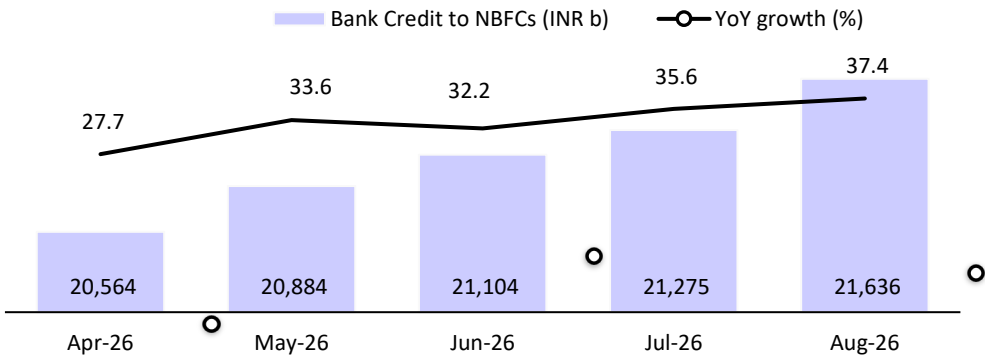


Source: MOFSL

Liquidity support could delay the margin impact of rate hikes

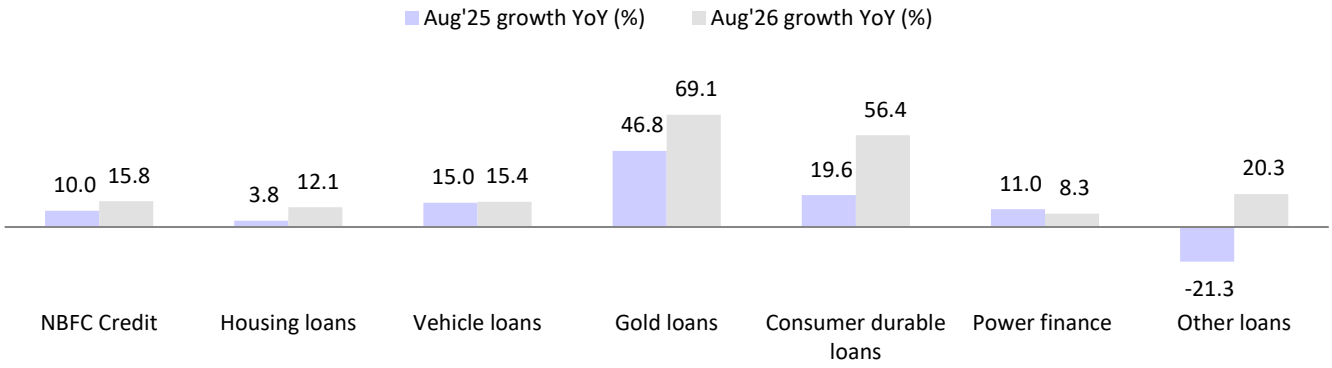
- Unlike previous tightening cycles, the potential rate-hike cycle is coinciding with strong FCNR mobilization, which has supported systemic liquidity and could moderate the increase in incremental funding costs for NBFCs. While higher policy rates and elevated bond yields would ordinarily exert upward pressure on borrowing costs, surplus liquidity could temper near-term funding repricing by improving the availability of funds and limiting competitive pressure on lenders to raise deposit and market borrowing rates immediately.
- This could provide NBFCs with a temporary buffer against the impact of monetary tightening, particularly as existing liabilities mature and are refinanced progressively rather than repricing in one go. Consequently, the initial increase in policy rates may not translate into an equivalent or immediate rise in NBFCs' cost of funds, delaying the onset of margin pressure and allowing lenders more time to recalibrate lending rates, product mix and funding strategies.
- We therefore expect the transmission to be more gradual and staggered, rather than immediate, with the eventual impact depending on the persistence of surplus liquidity, the pace of liability repricing and the extent to which lenders can pass on higher funding costs to borrowers. However, this cushion may prove temporary if liquidity conditions tighten or the rate-hike cycle extends, making funding mix and asset-liability repricing critical differentiators across NBFCs.

Exhibit 5: Strong growth in bank credit to NBFCs due to high bond yields



Source: MOFSL

Exhibit 6: AUM growth remains healthy across the majority of the segments (except power finance) (%)



Source: MOFSL, RBI NBFC Industry Data

Exhibit 7: Liability Mix for MOFSL NBFC Coverage Universe

Vehicle Financiers: Liability Mix (%)	SHFL	Chola	MMFSL
Banks/ Term Loans	21.0	43	51
Assignment/Securitization	13.9	15	10
NCDs	15.7	16	20
Cash credit		1	-
Deposits	31.2	-	10
ECB bonds	3.3	7	-
ECB term loans	13.2	6	-
NHBs		-	-
CP	-	5	4
Sub Debt & PDI	1.0	7	-
Others	0.6	-	4
Total	**100**	**100**	**100**

Note: For companies that have not reported their 2QFY27 results, we have taken their assets and liability mix as of Jun'26; Source: MOFSL; Company

Exhibit 8: HFCs: Liability Mix (%)

	Aavas	Canfin homes	Homefirst	PNBHF	LICHF	Repco	Bajaj Housing
Banks/ Term Loans	54	65	58	38	37	92	36
Assignment/Securitization	28	-	21	-	-	-	-
NCDs	9	14	7	10	46	1	51
Cash credit	-	-	-	-	-	-	-
Deposits	-	1	-	24	4	-	-
ECB bonds	-	-	-	-	-	-	-
ECB term loans	-	-	-	7	-	-	-
NHBs	9	14	14	16	8	6	9
CP	-	6	-	5	5	1	4
Sub Debt & PDI	-	-	-	-	-	-	-
Others	-	-	-	-	-	1	-
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Exhibit 9: Diversified NBFCs: Liability Mix (%)

	Bajaj Finance	LTF	MAS	Poonawalla	IIFL Finance	Piramal	AB capital (NBFC)	HDB Financial	Tata Capital
Banks/ Term Loans	30	58	45	53	35	42	41	43	40
Assignment/Securitization	-	-	21	-	19	6	-	6	-
NCDs	40	23	18	30	39	31	35	29	33
Cash credit	-	-	14	7	-	-	7	-	-
Deposits	14	-	-	-	-	-	-	-	-
ECB bonds	5	7	-	5	-	20	10	12	11
ECB term loans	-	-	-	-	-	-	-	-	-
NHBs	-	-	-	-	-	-	-	-	4
CP	11	8	-	4	-	1	7	4	8
Sub Debt & PDI	-	-	2	1	-	-	-	7	3
Others	-	4	-	-	7	1	-	-	-
Total	**100**	**100**	**100**	**100**	**100**	**101**	**100**	**100**	**99**

Exhibit 10: Liability Mix (%)

	CREDAG	Spandana	Fusion	Five Star	Manappuram	Muthoot
Banks/ Term Loans	69	79	71	75	46	43
Assignment/Securitization	6	-	-	12	-	-
NCDs	4	21	8	7	9	34
Cash credit	-	-	-	-	17	-
Deposits	-	-	-	-	-	-
ECB bonds	21	-	-	6	21	17
ECB term loans	-	-	21	-	-	-
NHBs	-	-	-	-	-	-
CP	-	-	-	-	7	4
Sub Debt & PDI	-	-	-	-	-	-
Others	-	-	-	-	0	1
Total	**100**	**100**	**100**	**100**	**100**	**100**

Exhibit 11: Power Financiers - Liability Mix (%)

	PFC	REC
Banks/ Term Loans	19	16
Assignment/Securitization	-	-
NCDs	59	55
Cash credit	-	-
Deposits	-	-
ECB bonds	21	27
ECB term loans	-	-
NHBs	-	-
CP	-	2
Sub Debt & PDI	-	-
Others	-	-
Total	**100**	**100**

Weak monsoons raise the risk of lagged rural asset-quality deterioration

- The second major headwind is the deterioration in the monsoon outlook. While El Niño-related risks were known, rainfall shortages and uneven geographical distribution have been more pronounced than initially anticipated.
- **According to the PIB's Aug'26 update, cumulative rainfall was 12% below the long-period average (LPA) as of early August, with 47% of districts experiencing deficient or large-deficient rainfall. The southwest monsoon subsequently ended at around 87% of the LPA, representing a shortfall of**

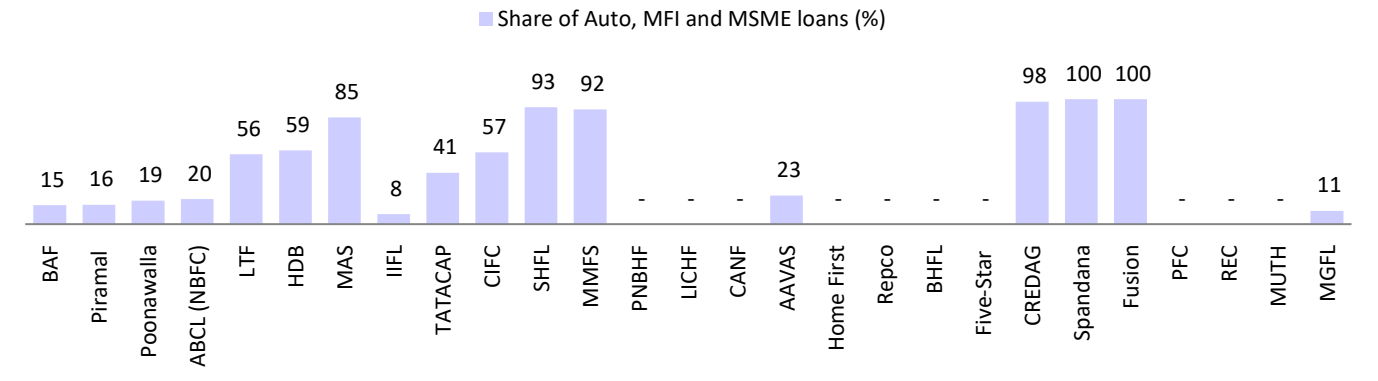
~12.6% for the June–September season. This was the lowest seasonal rainfall since 2015, according to IMD data.

- Aggregate rainfall figures, however, do not fully capture the underlying risk. Regional disparities have been substantial, and drought declarations across several states, including Maharashtra and Karnataka, raise concerns about agricultural incomes, water availability, and rural economic activity. The extent of stress will depend on local rainfall distribution, irrigation coverage, crop patterns, and the dependence of borrowers on agriculture and allied activities.
- We do not expect the full impact to be immediately visible in reported asset quality. In previous weak-monsoon episodes, the transmission to borrower cash flows and repayment behavior has often been delayed. A period of six to nine months is a reasonable monitoring window for the current episode, although the actual lag could differ across geographies and lending products.

The most exposed segments include:

- **Tractor financing:** Lower farm incomes and reduced agricultural activity could affect repayment capacity and new-vehicle demand.
- **Two-wheeler financing:** Pressure on rural and semi-urban incomes could weaken collections and demand for discretionary purchases.
- **Microfinance:** Borrowers dependent on agricultural wages, livestock, and other rural livelihoods could face cash-flow pressure even when the loans themselves are not directly linked to agriculture.
- **MSME:** Cash flow mismatches often result in delays in EMI repayments.
- Commentary accompanying 2QFY27 and subsequent results will therefore be particularly important. Beyond reported gross NPAs and credit costs, we will monitor collection efficiency, early-stage delinquencies, bounce rates, and geographic trends in repayment behavior.
- The key risk is that reported numbers remain resilient in the near term, while the impact of weak rainfall manifests over subsequent quarters.

Exhibit 12: Share of MFI, Auto, and MSME loans for MOFSL NBFC coverage (%)



Source: MOFSL

Exhibit 13: Exposure of NBFCs in drought affected states

Name	Metric	Exposure of NBFCs in drought affected states					
		Rajasthan	Maharashtra	Andhra Pradesh	Telangana	Karnataka	Total
Aavas	% of AUM	33	19	NA	NA	4	56
CANF	% of AUM	NA	NA	NA	18	27	45
Homefirst	% of AUM	7	15	5	8	6	41
PNBHF	% of branches	10	13	5	7	8	43
CIFC	% of AUM	7	10	5	4	7	33
SHFL	% of branches	5	9	9	7	7	38
MMFS	% of branches	8	8	4	4	5	29
CREDAG	% of AUM	NA	22	NA	NA	29	51
FUSION	% of AUM	5	2	4	NA	1	12
SPANDANA	% of AUM	4	7	10	2	6	29
Five star	% of AUM	NA	NA	36	19	4	59
HDB Financial	% of AUM	7	9	5	4	5	30
IIF Finance- gold	% of AUM	7	10	11	8	9	45
LTF	% of branches	5	5	4	3	10	26
MGFL	% of branches	3	6	9	7	16	41
Muthoot	% of branches	3	7	9	6	11	36
Piramal	% of branches	9	15	6	6	10	46
Tata capital	% of branches	6	6	11	8	9	42
MASFIN	% of branches	22	14	-	2	4	43
LTF	% of branches	5	5	4	3	9	27

RBI's proposed restrictions on revolving credit could disrupt product economics

Regulatory uncertainty persists, with lenders beginning to prepare for a potential shift in the lending framework

- The third headwind is regulatory uncertainty around revolving credit facilities, including flexi loans. In Aug'26, RBI issued a draft amendment proposing restrictions on NBFCs' ability to offer credit facilities where repaid amounts can be redrawn. The proposal sought stakeholder feedback, and the final framework remains a key monitorable.
- In Oct'26, Governor Sanjay Malhotra reiterated that the proposal was intended to clarify existing restrictions and that the final directions would follow an assessment of the feedback received. The eventual treatment of existing facilities, transition timelines, and the scope for product-level flexibility therefore remain key uncertainties.
- The potential impact is particularly relevant for lenders with meaningful exposure to revolving credit within their personal-loan and other lending portfolios. Bajaj Finance, Tata Capital, and Aditya Birla Capital are among the names that warrant close monitoring, given the importance of flexi-credit products to their customer proposition and loan mix.

The implications could extend across three areas:

Loan growth and customer acquisition

- Restrictions could constrain the ability to offer repeatable credit lines and affect the acquisition and retention of customers who value flexible drawdown and repayment options.
- The proposed restrictions could moderate loan growth by disrupting the repeat-borrowing mechanism that has supported the expansion of flexi-loan products. Under the proposed framework, repayment of principal would no longer replenish the sanctioned limit, requiring borrowers to obtain a fresh loan for subsequent funding requirements. This could increase friction in repeat borrowing, weaken customer retention, and moderate incremental

disbursements, particularly among self-employed borrowers, professionals, and MSMEs that value access to flexible credit.

- The impact on overall NBFC credit growth could extend beyond a redistribution of market share toward banks. NBFCs have developed differentiated flexi-loan products to address customer requirements that may not be fully met by conventional bank overdraft facilities. If suitable alternatives are unavailable, some demand could remain temporarily underserved, particularly in MSME and working-capital lending.

Profitability

- In addition to loan growth, the proposed changes could affect the economics of flexi-loan portfolios. Migration toward standard term loans could therefore result in some NIM contraction and lower fee income, particularly for lenders with a higher concentration of such products.
- The near-term impact could be compounded by the costs associated with redesigning products, modifying underwriting processes, and transitioning existing customers. However, the extent of earnings pressure will depend on the pricing and utilization of replacement products, the proportion of customers retained, and the speed at which lenders can scale alternative offerings.

Product substitution

- Several lenders are exploring alternative term-loan structures. The key question is whether these products can preserve the customer proposition while maintaining acceptable risk-adjusted returns.
- BAF, which has meaningful exposure to revolving credit, announced plans to introduce new term-loan variants from 1st Nov'26. A complete restriction could temporarily affect AUM, margins, and profitability, although product redesign and business adjustments could partly mitigate the impact over time.
- Accordingly, while the proposed restrictions present a near-term growth headwind for exposed NBFCs, the extent of the eventual impact will depend on their ability to transition customers to regulatory-compliant alternatives and sustain incremental disbursements.

Final directions remain the key variable

- There remains a possibility of a more calibrated regulatory outcome. Industry discussions suggest that lenders are hopeful RBI may consider additional safeguards, risk-based restrictions, or other conditions instead of an outright prohibition. RBI Deputy Governor S. C. Murmu stated in September that the issue remained open and that the central bank was assessing risks at both the individual-entity and systemic levels.
- We believe the treatment of outstanding facilities is likely to be particularly important in determining the near-term impact. Grandfathering existing loans or providing an appropriate transition period could reduce disruption to outstanding portfolios, whereas a more restrictive implementation could accelerate customer migration and product restructuring.
- Overall, the proposal represents a meaningful regulatory headwind for NBFCs with significant flexi-loan exposure, with the most immediate risks centered on slower incremental loan growth, potential customer attrition, and modest pressure on margins and fee income. However, the eventual impact on AUM and profitability is likely to depend less on the headline size of the affected

portfolio and more on the proportion of customer demand that lenders can successfully migrate to compliant alternatives.

- We expect product recalibration, streamlined underwriting, and portfolio diversification to mitigate part of the disruption over time. Nevertheless, the transition could remain challenging for lenders whose product differentiation relies heavily on reusable credit limits. **Until the RBI clarifies the treatment of existing facilities and the permissible scope for term-loan innovation, the regulatory outcome will remain a key variable in assessing the relative growth and earnings outlook for NBFCs with material exposure to revolving credit.**

Exhibit 14: Proportion of revolving credit loans for diversified NBFCs under our coverage

NBFC	Share of flexi loans	Impact	Remarks
Bajaj Finance	❖ Has INR700b-750b of flexi loans on its balance sheet, which is **~14% of consol. AUM**	High	❖ If these flexi loans were replaced with term loans, lower NIMs and no AMC fees would result in ~2% cut in BAF earnings. This can partly be mitigated by higher other fees and greater retention of loans on the balance sheet. ❖ However, any impact on AUM growth is still difficult to quantify.
Tata Capital	❖ Has reasonably high exposure to flexi loans (in its PL, LAS and LAP portfolio) but overall proportion is lower than BAF	Medium	❖ NA
Aditya Birla Capital	❖ Flexi loans offered in its PL, BL, LAS and LAP portfolio	Medium	❖ NA
HDB Financial	❖ Miniscule	No impact	❖ NA
Chola Finance	❖ Negligible impact as only ~0.5-0.6% is under revolving credit	Insignificant	❖ NA
L&T Finance	❖ Zero exposure to revolving credit lines	No impact	❖ NA
Poonawalla Fincorp	❖ Negligible impact as less than 0.25% of the book is under revolving credit	Insignificant	❖ NA
Piramal Finance	❖ Revolving products will be <2% of the overall book and comprise only LAS and LAMF	Insignificant	❖ A very small proportion of business loans are flexi loans, with no flexi personal loans
Shriram Finance	❖ Offers only plain-vanilla unsecured loans	No impact	❖ NA
Northern Arc	❖ Has zero exposure to flexi loans: Had moved to plain-vanilla term loans about two years ago	No impact	❖ NA

IRDAI's proposed insurance distribution reforms could structurally compress fee income

The proposed IRDAI commission framework could materially alter the economics of insurance distribution for NBFCs, with the extent of the impact depending on the final commission limits and the industry's ability to adapt.

- The fourth headwind—and potentially the more consequential of the two regulatory risks—is IRDAI's consultation paper on recalibrating insurance distribution economics, issued on 23rd Sep'26. The IRDAI proposals seek to address rising distribution costs and improve policyholder outcomes through changes to insurers' expense-of-management limits, product-level commission structures, and distribution practices. The potential impact on NBFCs arises from insurance distribution, particularly credit-linked life and motor insurance, having become an important source of fee income for several lenders.
- The proposed framework could reduce commissions and other payouts on products such as group credit-life insurance, motor own-damage insurance, and third-party motor insurance. Restrictions on compulsory bundling and changes to distribution incentives would add to the impact.
- The vulnerability varies materially across NBFCs. **L&T Finance appears particularly exposed, while Bajaj Finance and Mahindra Finance will also have a significant impact on their fee income.**

- The potential impact is not merely a reduction in reported fee income. For lenders that have incorporated insurance distribution into their customer acquisition and cross-selling models, the reforms could affect profitability, return ratios, and the economics of the broader lending relationship. However, the final impact will depend on the rules eventually notified, the permitted commission structure, the treatment of additional payouts, and the implementation timeline.
- A phased transition would materially improve the industry's ability to adapt. A three-to-five-year glide path for reducing commissions would allow lenders to redesign distribution arrangements, reassess operating costs, and develop alternative revenue streams. It would not eliminate the structural pressure on fee income, but it could reduce the immediate earnings disruption. The industry has sought a more gradual transition, and the Finance Industry Development Council (FIDC) has been aggregating feedback from NBFCs on the proposals. The final regulatory decisions remain important monitorables.

Exhibit 15: Existing payout economies

Parameter	Current situation cited by IRDAI
NBFC corporate agency channel growth	~3x since FY23
Effective payout	~42% of new business premium
Share of NBFC business comprising single-premium Group Credit Life	~93%
Effective Group Credit Life payout	~45%

Source: MOFSL, Company

- A key element of the consultation paper is the proposed ceiling on commissions for life insurance distributed alongside loans, with direct implications for the economics of credit-linked insurance.

Exhibit 16: Proposed maximum commission for life insurance packaged with loans/credit

Product	Proposed first-year commission	Renewal
Individual Pure Term – multi-year	**2.5%**	**1.0%**
Group Pure Term – single premium	**2.0%**	NA
Group Pure Term – multi-year	**2.5%**	**1.0%**

Source: MOFSL, Company

- The proposed restrictions are not limited to life insurance. The consultation paper also prescribes maximum commissions for general, motor, and health insurance packaged with lending products, extending the potential impact across insurance categories distributed by NBFCs.

Exhibit 17: Maximum commission for General/Motor/Health Insurance packaged with loans

Product	Proposed maximum
Motor TP	Nil
Motor OD/PA/LL	5%
Health – first time	5%
Health – renewal	2.5%
Property – single premium	2.5%
Property – multi-year	5%

Source: MOFSL, Company

- The proposals also restrict volume-linked or reward-linked incentives for employees involved in insurance distribution and envisage a more differentiated commission framework based on product complexity, distribution channel, and other factors.

- IRDAI has further clarified that lending institutions seeking to protect their own loan portfolios can purchase group insurance and bear the premium as an institutional expense. This is distinct from distributing insurance to borrowers and earning commissions. In parallel, the development of digital/direct distribution infrastructure through Bima Sugam and the Public Insurance Registry could reduce reliance on traditional intermediated distribution over time.

Industry response: NBFCs assess earnings sensitivity and prepare regulatory representation

- Given the potential implications for revenue and distribution economics, NBFCs and other industry participants are evaluating the proposals and their impact on existing business models. The consultation process provides an opportunity to present product-level economics, highlight implementation challenges, and seek clarifications or modifications to provisions that could have unintended consequences.
- For NBFCs, the impact is likely to vary depending on their dependence on insurance-led fee income, the proportion of credit-linked products in their distribution mix, existing commission rates, and the role of branch-level incentives in driving insurance penetration.

Exhibit 18: Breakup of fee, commission, and insurance distribution income of MOFSL NBFC coverage

Contribution of Insurance distribution commission	% of PBT		% of PPoP		% of Average Assets	
	FY25	FY26	FY25	FY26	FY25	FY26
SHFL	3.2	2.6	2.1	1.8	0.1	0.1
BAF	**5.2**	**6.9**	**3.9**	**5.0**	**0.3**	**0.3**
CIFC	**15.6**	**15.5**	**10.9**	**10.3**	**0.5**	**0.5**
MMFSL	**6.7**	**12.7**	**4.4**	**7.7**	**0.2**	**0.3**
IIFLF	**15.2**	**9.8**	**7.1**	**5.7**	**0.3**	**0.3**
LTF	**24.8**	**25.8**	**14.5**	**15.3**	**0.8**	**0.8**
Poonawalla		17.8	2.7	6.7	0.1	0.3
Piramal	**38.4**	**16.0**	**12.3**	**8.9**	**0.2**	**0.2**
MASF	0.0	0.3	0.0	0.2	0.0	0.0
CREDAG	4.0	5.0	1.1	1.8	0.1	0.2
BHFL	4.3	6.4	4.2	6.1	0.1	0.2
MGFL (Fee and commission)	4.3	3.4	2.0	1.5	0.1	0.1
CANF	0.8	0.9	0.7	0.9	0.0	0.0
Five-Star (Fee and commission)	2.2	3.2	2.1	2.8	0.2	0.3
LICHFL (Fees and commission)	0.5	1.1	0.5	1.0	0.0	0.0
AAVAS	5.1	4.2	5.0	4.1	0.2	0.2
Fusion (Fees and commission income)			2.1	4.4	0.2	0.2
PNBHF	9.3	8.5	10.0	9.8	0.3	0.3
HomeFirst	2.4	1.8	2.3	1.6	0.1	0.1
Repco	0.9	1.7	1.0	1.8	0.0	0.1
NACL (Fees and commission income)	24.0	18.2	11.7	10.2	0.7	0.6
ABCAP	2.3	4.1	2.3	4.1	0.1	0.1
HDBFS	9.5	13.4	5.6	7.4	0.3	0.4
Muthoot (Service Charges)	1.6	1.5	1.4	1.5	0.1	0.1
Tata Cap	5.6	5.2	3.6	3.6	0.1	0.1

Source: MOFSL, Company

- Quantifying the potential impact on fee income, PBT, and RoA will be important in supporting evidence-based submissions to the regulator. Key areas of assessment include product-level commission economics, distribution costs, policy attachment rates, the contribution of insurance income to overall profitability, and the implications of changing sales processes and employee incentives.

Mitigation: Fee income diversification and product redesign could partly cushion the impact

- NBFCs may explore alternative revenue streams and changes to their insurance distribution models to mitigate the potential pressure on earnings. One avenue is to diversify fee income through the distribution of other financial and non-financial products. However, the extent of the offset will depend on the commercial viability of these products and their ability to scale.
- Insurers and NBFCs may also reassess Group Credit Life product structures, pricing, and distribution arrangements to improve commercial viability under the proposed commission ceilings. However, any alternative remuneration structure would need to comply with the proposed all-inclusive definition of commission, limiting the scope to circumvent the prescribed caps. The proposed 2% ceiling for relevant single-premium Group Pure Term products could further constrain the scope for product-level adjustments to offset lower commissions.
- Separately, restrictions on compulsory bundling and volume-linked employee incentives could require lenders to shift towards a more customer-led distribution model, with greater emphasis on voluntary purchase, transparent disclosures, and product suitability. While this could improve the quality of insurance distribution, lower attachment rates may limit the extent to which these changes can offset the impact of reduced commissions.

Exhibit 19: Management commentary of the companies expected to face the impact

Company	Expected impact	Management commentary
LTF	a) Reduced viability of the insurance cross-sell business model. b) Increased need to diversify revenue streams to achieve Lakshya 2031 goals. c) Final financial impact remains uncertain until regulations are finalized.	a) Seeking a phased implementation of commission cuts to soften the impact b) Accelerating the direct retail insurance distribution channel c) Avoiding premature estimates and aiming to minimize disruption through revenue optimization.
PEL	Potential gross reduction in insurance commissions, impacting FY28 ROA by 18-24 bp	a) Improved economics of Pramerica Life Insurance to partially offset the impact through consolidation b) Rationalizing sales incentives and leveraging other product clawbacks c) Management remains confident of achieving 2.5% ROA by 4Q
MMFSL	Lower motor insurance commissions across third-party and own-damage policies Limited near-term ability to offset income losses, given the early stage of corporate agency operations.	Leveraging the growing distribution network and broader insurance offerings to offset the impact.
BAF	Potential impact of regulatory changes on fee income and margins	a) Developing multiple scenarios and strategic plans to protect fees and margins b) Management remains confident of achieving ~15-18% long-term fee income growth.
CanFin	No impact as the insurance commission accounts for ~0.9% of the PBT	NA
BHFL	Potential decline in cross-sell income and profitability if final IRDAI guidelines align with the draft.	NA
HDBFS	Potential reduction in insurance fee income due to proposed IRDAI regulations.	Leveraging the company's extensive distribution network
IIFLF	a) Insurance income (~INR2.5b-3b; of which ~INR1.5b is contributed by HFCs) could decline due to lower commission payouts b) Pressure on cross-sell income	a) Exploring alternative cross-sell products and diversifying fee income b) Improving cost efficiency and adapting the distribution model
SHFL	Potential ~50% reduction in insurance commission income, with an estimated impact of ~INR 1b against FY26 commissions of ~INR 3.5b.	Management views the impact as manageable, given the low contribution of distribution income to total income and the company's overall balance sheet.

Source: MOFSL, Company

Outlook and investment implications: Earnings impact will depend on the final framework and lender-level exposure

- The proposals remain at the consultation stage, and the final commission ceilings, implementation requirements, and transition provisions will determine the extent of the eventual impact. Industry feedback could influence the final framework, although the extent of any modifications remains uncertain. **NBFCs will need to prepare for the possibility of structurally lower insurance commission income while assessing the scope to mitigate the impact through revenue diversification, product redesign, and changes to distribution arrangements.**
- From an investment perspective, the impact is likely to be more pronounced for NBFCs with a higher dependence on insurance distribution income, including LTF, CIFC, BAF, and MMFS, as highlighted in the above table. Lenders for which insurance distribution contributes a relatively smaller share of earnings should be better positioned to absorb the changes. While diversification and operating adjustments could partially cushion the impact, they may not fully offset the combined effect of lower commission rates and potentially weaker insurance attachment.
- The key variable for investors will be the extent to which the final regulatory framework alters the economics of loan-linked insurance distribution and how effectively individual NBFCs adapt. **If the proposals are implemented substantially as drafted, insurance distribution could become a less meaningful contributor to earnings for lenders that have historically relied on high-margin insurance commissions.**

Why the risks could compound?

The four headwinds operate through different channels but could reinforce one another.

- Higher crude prices may raise inflation and increase the likelihood of monetary tightening. Weak monsoons could subsequently affect borrower cash flows and asset quality. Meanwhile, regulatory changes could constrain lending-product economics and reduce fee income, limiting lenders' ability to offset higher funding costs or credit costs through other revenue streams.
- This combination creates uncertainty around both the pace and quality of earnings growth. Strong reported results may therefore be insufficient to sustain a favorable sector view if forward-looking commentary points to higher funding costs, delayed credit stress, or a structural reduction in non-interest income.

Headwinds	Primary earnings channel	Key monitorables
Higher crude prices	❖ Funding costs, margins, and credit demand	❖ Crude trajectory, inflation, and RBI policy expectations
Weak monsoons	❖ Collections and credit costs	❖ Early-stage delinquencies and rural portfolio performance
RBI revolving-credit proposal	❖ Loan growth and product profitability	❖ Final directions and replacement-product economics
IRDAI insurance reforms	❖ Fee income and return ratios	❖ Final commission framework and implementation glide path

What could change our view?

Geopolitical de-escalation and a sustained decline in crude prices

- The most important near-term positive catalyst would be meaningful de-escalation of the US-Iran conflict. A sustained decline in crude prices – particularly a move below USD100 per barrel over the next few months - could improve the macroeconomic outlook and reduce inflationary pressure.
- A lower crude price would not automatically translate into lower domestic inflation or a shallower rate-hiking cycle. However, if the decline is sustained and accompanied by an improvement in energy-supply expectations, it could prompt markets to reassess the expected extent of monetary tightening in India and globally.
- For NBFCs, a less aggressive rate cycle could moderate incremental funding-cost pressures and reduce uncertainty around margins. Lower fuel and transportation costs could also support household disposable incomes and borrower cash flows, providing some relief to asset-quality concerns.
- The distinction between a temporary correction in crude and a sustained decline driven by genuine geopolitical de-escalation is important. The latter would provide a stronger basis for reassessing the sector outlook.

A more measured monetary policy trajectory

- Even without a sharp decline in crude, the sector's outlook could improve if inflation proves more manageable than currently anticipated and the eventual policy response is less aggressive than feared.
- Investors should monitor the evolution of inflation expectations, domestic fuel-price pass-through, government policy responses, and the RBI commentary. A moderation in expected cumulative rate hikes could reduce the risk of a simultaneous squeeze on margins and borrower repayment capacity.

A more calibrated regulatory outcome

- The final RBI framework on revolving credit could limit disruption if it permits viable product structures subject to appropriate safeguards. Similarly, a phased reduction in insurance distribution commissions could provide lenders with time to adjust their business models.
- These outcomes would not necessarily remove the longer-term challenges. However, greater regulatory clarity would help investors estimate the impact on loan growth, fee income, and profitability with greater confidence.

Resilient rural collections despite the weak monsoon

- A further positive trigger would be evidence that the weak monsoon is not translating into material deterioration in repayment behavior. Stable collections through the next few quarters, particularly in drought-affected geographies, would help establish whether diversified livelihoods, stronger underwriting, and improved collection infrastructure are cushioning the impact.
- This would be an important test of the resilience of current NBFC franchises relative to earlier credit cycles.

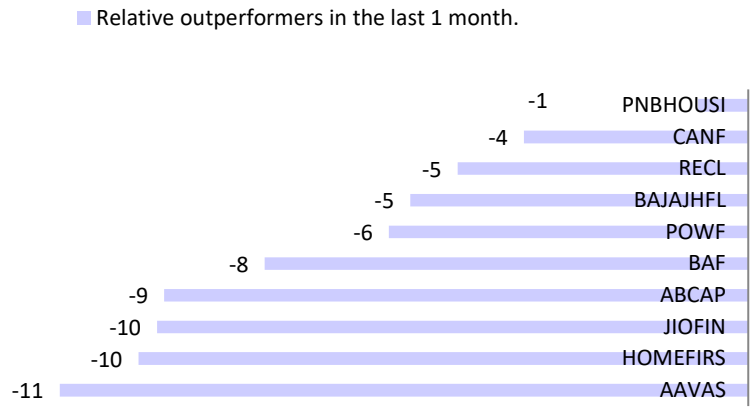
Stock price performance and valuations in the NBFC sector

Exhibit 20: Stock price returns of our NBFC coverage companies over the respective period

Particulars (%)	7D	15D	1M	3M	6M	CYTD	1Yr
SENSEX	-0.3	1.6	-0.4	-3.2	-4.0	-13.6	-12.6
NIFTY	-0.6	1.0	-1.7	-4.3	-4.8	-12.9	-11.8
NSEbank	-2.0	-1.6	-2.2	-4.1	-3.1	-8.8	-5.8
NSEFIN	-2.1	-2.1	-2.6	-5.6	-6.5	-11.4	-10.7
BANKEX	-2.1	-1.6	-2.7	-4.9	-3.2	-8.4	-6.1
FIVESTAR	**-17.3**	**-17.4**	**-20.4**	-22.5	-15.9	-23.9	-22.7
LICHF	**-2.8**	**-9.8**	**-12.1**	-7.7	-8.0	-7.8	-14.2
PNBHOUSI	**-5.4**	**-6.2**	**-0.8**	2.6	5.1	14.1	19.7
AAVAS	**-3.5**	**-5.6**	**-11.2**	-18.3	-20.2	-23.1	-33.3
HOMEFIRS	**-4.1**	**-6.0**	**-9.9**	-13.8	-10.9	-8.2	-16.7
CANF	**-0.9**	**1.1**	**-3.6**	-10.8	-20.2	-22.0	-14.4
BAJAJHFL	**-5.0**	**-3.6**	**-5.5**	-6.7	-12.1	-16.7	-28.7
REPCO	**-8.1**	**-7.1**	**-12.0**	-21.2	-25.2	-26.2	-26.8
CIFC	**-6.8**	**-8.8**	**-12.9**	-16.0	-7.7	-14.9	-16.5
MMFS	**-8.4**	**-12.6**	**-16.2**	-21.7	-5.1	-30.7	-6.3
SHFL	**-11.0**	**-12.3**	**-17.0**	-17.9	-18.4	-17.2	15.3
INDOSTAR	**-5.5**	**-3.1**	**-16.2**	-29.7	-6.4	-20.2	-21.7
MUTH	**-6.6**	**-8.7**	**-15.5**	-19.8	-31.4	-37.1	-24.3
MGFL	**-10.0**	**-8.7**	**-13.9**	-18.5	-0.7	-6.8	2.7
BAF	**-4.0**	**-4.3**	**-7.8**	-9.3	-0.3	-6.9	-15.7
POONAWAL	**-8.3**	**-8.7**	**-11.5**	-11.1	-1.9	-15.4	-15.7
ABCAP	**-5.4**	**-7.3**	**-9.5**	-10.4	3.7	-1.3	15.3
LTF	**-4.7**	**-7.7**	**-15.1**	-20.3	-16.9	-23.7	-9.7
PIRAMALF	**-2.6**	**-3.7**	**-11.4**	-9.0	1.9	15.5	
MASFIN	**-7.1**	**-8.1**	**-13.3**	-21.8	-23.5	-24.2	-20.5
HDBFS	**-1.7**	**-15.0**	**-22.8**	-27.7	-25.9	-34.7	-31.9
IIFL	**-13.6**	**-11.5**	**-14.2**	-4.9	26.2	-13.3	8.0
CREDAG	**-18.7**	**-21.3**	**-23.2**	-34.3	-19.3	-21.7	-29.9
FUSION	**-9.0**	**-16.4**	**-22.6**	-36.7	-22.5	-12.4	-24.8
SPANDANA	**-10.2**	**-13.5**	**-19.0**	-30.1	-16.3	-32.2	-26.1
POWF	**-4.2**	**-2.9**	**-5.8**	-22.7	-32.2	-10.4	-19.1
RECL	**-1.4**	**-0.6**	**-4.7**	-17.5	-20.3	-16.4	-20.0
TATACAP	**-4.7**	**-6.0**	**-11.7**	-12.4	-11.2	-12.4	-7.6
JIOFIN	**-4.1**	**-4.4**	**-9.6**	-12.6	-16.5	-30.4	-32.9
NACL	**-1.8**	**-1.1**	**-12.9**	-9.2	-28.5	-0.6	32.3

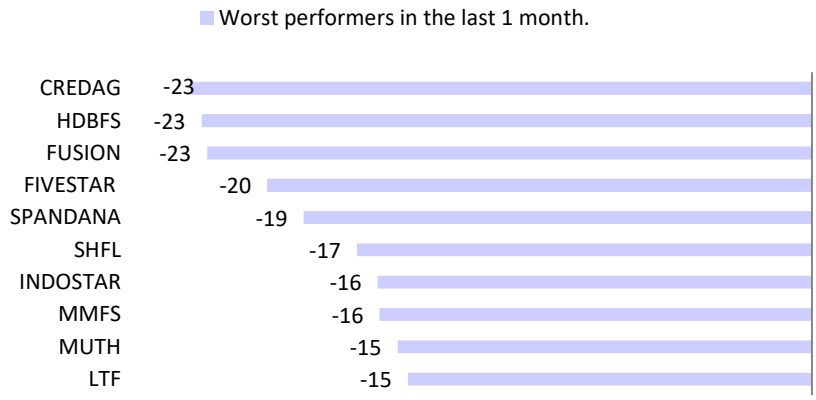
Note: Returns calculated as on 26th Oct'26; **Source:** MOFSL, Bloomberg

Exhibit 21: Relative outperformers within the NBFC sector in last 1 month.



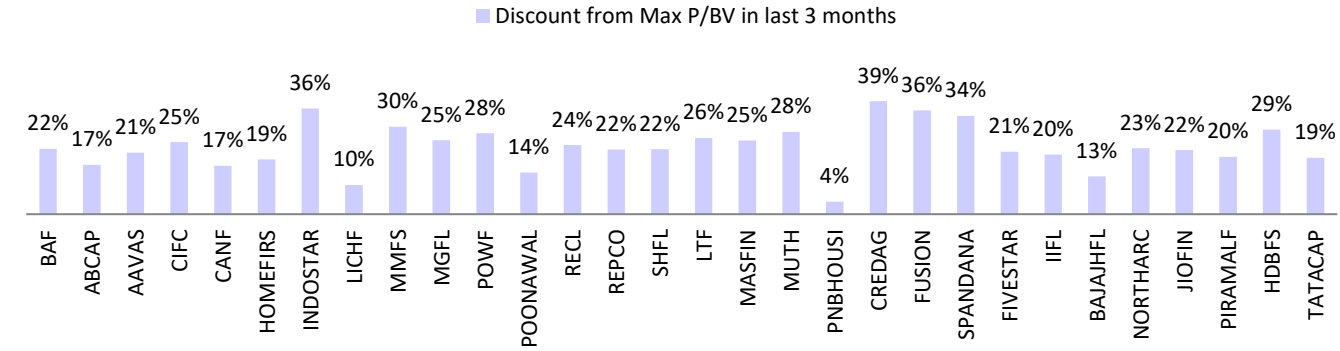
Note: Returns calculated from 26stSep'26 to 26thOct'26; Source: Bloomberg; MOFSL

Exhibit 22: Worst performers within the NBFC sector in last 1 month.



Note: Returns calculated from 26st Sep'26 to 26h Oct'26; Source: Bloomberg; MOFSLe

Exhibit 23: Percentage decline in current P/BV multiple from the peak P/BV multiple in the last 3 months



Source: MOFSL

Exhibit 24: Valuation matrix of the MOFSL NBFC Coverage

Val summary	Rating	CMP (INR)	Mkt. Cap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
MSME															
Five-Star	Buy	415	132	40.9	49.2	289	336	6.8	6.6	15.2	15.7	10.2	8.4	1.4	1.2
Housing Finance															
LIC HF	Neutral	495	271	104.8	111.0	835	924	1.7	1.7	13.2	12.6	4.7	4.5	0.6	0.5
PNB HF	Buy	1,085	289	95.9	108.8	826	925	2.4	2.3	12.3	12.4	11.3	10.0	1.3	1.2
Bajaj Housing	Neutral	79	645	3.7	4.5	31	35	2.2	2.1	12.8	13.5	21.3	17.6	2.6	2.2
Aavas	Neutral	1,128	88	96.6	114.2	734	848	3.3	3.3	14.1	14.4	11.7	9.9	1.5	1.3
HomeFirst	Buy	1,014	105	67.6	78.3	481	554	4.2	4.0	15.0	15.1	15.0	12.9	2.1	1.8
CanFin	Neutral	726	94	84.2	92.1	519	596	2.4	2.3	17.4	16.5	8.6	7.9	1.4	1.2
Repco	Neutral	307	19	74.2	80.3	694	769	2.7	2.6	11.3	11.0	4.1	3.8	0.4	0.4
Vehicle Finance															
Cholamandalam	Buy	1,455	1,248	80.8	96.1	441	534	2.6	2.6	20.3	19.7	18.0	15.1	3.3	2.7
MMFS	Buy	279	385	26.3	27.9	197	216	2.3	2.2	14.0	13.5	10.6	10.0	1.4	1.3
Shriram Finance	Buy	824	2,040	62.9	72.6	500	558	4.2	4.1	16.1	13.7	13.1	11.3	1.6	1.5
Indostar	Buy	183	26	12.4	20.7	246	267	1.9	2.7	5.2	8.1	14.8	8.9	0.7	0.7
Gold Finance															
Muthoot	Neutral	2,395	950	260.4	319.7	1,164	1,438	5.2	5.4	24.8	24.6	9.2	7.5	2.1	1.7
Manappuram	Neutral	287	269	25.1	29.9	191	215	3.1	3.1	14.5	14.7	11.5	9.6	1.5	1.3
Diversified															
BAF	Buy	920	5,764	42.0	51.3	240	287	4.2	4.1	19.8	19.6	21.9	17.9	3.8	3.2
Poonawalla	Buy	409	361	18.6	30.4	165	193	2.2	2.4	13.2	17.0	22.0	13.5	2.5	2.1
ABCL	Buy	351	948	18.5	23.6	156	176	-	-	13.1	14.2	19.0	14.9	2.2	2.0
LTFH	Buy	241	593	16.4	19.4	125	141	2.6	2.6	13.8	14.6	14.7	12.4	1.9	1.7
Piramal Finance	Buy	1,900	424	99.8	149.7	1,378	1,523	2.0	2.5	7.8	10.4	19.0	12.7	1.4	1.2
MAS Financial	Buy	245	45	25.4	29.2	183	209	3.2	3.1	14.8	14.9	9.7	8.4	1.3	1.2
IIFL Finance	Buy	529	226	75.9	90.0	399	483	3.3	3.2	20.9	20.4	7.0	5.9	1.3	1.1
HDB Financial	Neutral	501	419	39.4	44.8	288	333	2.5	2.5	14.7	14.4	12.7	11.2	1.7	1.5
Jio Financial	Buy	205	1,302	3.1	5.3	232	255	1.3	2.3	3.3	6.7	65.5	38.8	0.9	0.8
Northern Arc	Buy	244	40	34.3	44.8	276	321	2.9	3.2	13.3	15.0	7.1	5.4	0.9	0.8
Tata Capital	Neutral	299	1,293	16.0	21.0	125	147	2.1	2.2	13.7	15.5	18.7	14.2	2.4	2.0
Microfinance															
CreditAccess	Buy	998	165	128.1	144.8	618	762	5.8	5.5	23.1	21.0	7.8	6.9	1.6	1.3
Fusion Finance	Buy	137	23	20.6	28.2	173	201	3.7	4.3	12.7	15.1	6.6	4.9	0.8	0.7
Spandana Sphoorty	Neutral	183	14	15.9	33.8	279	312	1.9	3.2	6.1	11.4	11.5	5.4	0.7	0.6
Power Financiers															
PFC	Buy	319	1,043	58.7	62.2	351	395	3.1	3.1	17.7	16.7	5.4	5.1	0.9	0.8
REC	Buy	298	773	62.4	66.7	364	409	2.5	2.4	18.2	17.3	4.8	4.5	0.8	0.7

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NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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