This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions

BUY AB Capital

Strong quarter; return profile improving

Emkay Your success is our success

BFSI - NBFCs ▸ Result Update ▸ **November 01, 2026** **CMP (Rs): 366 | TP (Rs): 440**

ABCAP reported a strong 2QFY27, with healthy growth and improving profitability across lending businesses. NBFC AUM reached Rs1.77trn (+26.5% yoy) led by retail/MSME, while asset quality improved with GS2+GS3 at 2.31% and credit cost moderating to 0.92%; ROA improved to 2.45%, with the management looking to sustain ~2.5%. NIM+fees remained at ~6%, given expectations of a gradual margin expansion as the retail/unsecured mix scales-up; a 25bps lending-rate hike should largely offset higher CoF, though another 5-10bps rise in incremental CoF is expected in 3Q. Management remains watchful of inflation/monsoon-related macro risks, though the NBFC has no direct agri exposure and continues to calibrate underwriting. HFC maintained strong momentum, with AUM at Rs574bn (+50% yoy), Stage 2+3/GS3 at 0.65%/0.37%, and ROA at 2.12%; Management targets >Rs1trn AUM and ~15% ROE over coming 8-10 quarters, while a 20bps PLR hike is likely to cushion rate pressure. Life Insurance retained its target of >20% individual APE and >20% VNB-margin over 3Y, while Health Insurance continued to gain share; AMC remains focused on improving fund performance and scaling its assets. Overall, continued AI/digital adoption is likely to buoy productivity and operating leverage. Factoring in the performance and outlook, we maintain BUY and Sep-27E TP of Rs440, implying 2.3x FY28E PBV for the standalone NBFC.

Broad-based growth with improving asset quality

ABCAP reported a strong 2QFY27, with broad-based growth and improved profitability. NBFC AUM grew 26.5% yoy/5.4% qoq to Rs1.77trn, with disbursements rising 12% yoy/17% qoq to Rs247bn, led by strong retail/MSME traction. Asset quality improved further, with GS2+GS3 at 2.31% and credit cost moderating to 0.92%, while ROA rose to 2.45%. HFC maintained strong momentum, with AUM up 50% yoy at Rs574bn, and disbursements up 55% yoy at Rs89.6bn; Stage 2+3 improved to 0.65% and ROA remained healthy at 2.12%. AMC MF QAAUM grew 4% yoy to Rs4.42trn, with equity QAAUM up 9% yoy at Rs2.09trn. Life Insurance individual APE grew 25% yoy, with VNB margin expanding by 447bps yoy to 16.1% during 1HFY27, aided by higher annuity mix and productivity. Health Insurance GWP grew 46% yoy, gaining ~70bps market share, at 14.2%, though combined ratio increased to 104.4% under Ind AS during 2QFY27.

Margins supported by mix and repricing

Management remains focused on calibrated, risk-adjusted growth, with the increasing retail/unsecured mix expected to gradually support margins. The 25bps NBFC lending-rate hike should aid transmission of higher funding costs, though incremental CoF could rise another 5-10bps in 3QFY27, in our view; opex/AUM is expected to remain at ~1.85-1.90% despite investments in the gold-loan franchise. Credit trends remain comfortable, though inflation/monsoon-related risks warrant monitoring, with no direct agri exposure. Also, HFC has raised PLR by 20bps, providing a cushion against rate pressure while maintaining a focus on top-decile asset quality. AMC remains focused on improving fund performance, while Health Insurance is likely to sustain healthy growth momentum. Factoring in the 2Q performance and outlook, we maintain BUY with unchanged Sep-27E TP of Rs440, implying 2.3x FY28E PBV for the standalone NBFC.

AB Capital: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Net profits	29,572	31,093	40,301	49,226	61,741
AUM growth (%)	20.4	24.5	24.9	24.4	23.1
NII growth (%)	5.9	17.9	34.2	22.3	21.5
NIMs (%)	6.3	6.1	6.1	6.0	6.0
PPOP growth (%)	23.8	6.8	25.9	24.3	23.1
Adj. EPS (Rs)	11.4	11.9	15.1	18.0	22.6
Adj. EPS growth (%)	(1.1)	4.8	26.6	19.6	25.4
Adj. BV (INR)	96.6	109.6	134.5	152.5	175.1
Adj. BVPS growth (%)	14.0	13.4	22.7	13.4	14.8
RoA (%)	2.1	1.9	2.1	2.1	2.2
RoE (%)	12.5	11.5	12.3	12.6	13.8
P/E (x)	32.2	30.8	24.3	20.3	16.2
P/ABV (x)	3.8	3.3	2.7	2.4	2.1

Source: Company, Emkay Research

Target Price – 12M	Sep-27
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	20.2

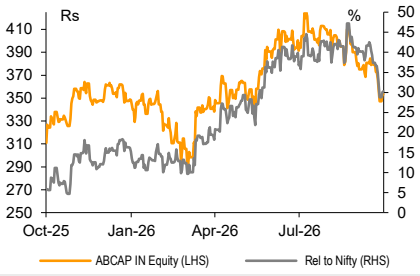
Stock Data	ABCAP IN
52-week High (Rs)	431
52-week Low (Rs)	288
Shares outstanding (mn)	2,738.0
Market-cap (Rs bn)	1,003
Market-cap (USD mn)	10,562
Net-debt, FY27E (Rs mn)	NA
ADTV-3M (mn shares)	4.1
ADTV-3M (Rs mn)	1,360.2
ADTV-3M (USD mn)	14.3
Free float (%)	27.2
Nifty-50	23,053.1
INR/USD	95.0

Shareholding,Sep-26	
Promoters (%)	68.8
FPIs/MFs (%)	8.3/14.0

Price Performance

(%)	1M	3M	12M
Absolute	(3.8)	(7.0)	12.1
Rel. to Nifty	(5.6)	(1.9)	25.8

1-Year share price trend (Rs)



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Exhibit 1: Quarterly financial performance

	2QFY27	2QFY26	yoy chg	1QFY27	qoq chg
Aditya Birla Capital (Consolidated)					
Consolidated Revenue (Rs mn)	165,450	125,980	31%	147,310	12%
Consolidated PAT (Rs mn)	12,870	9,350	38%	11,750	10%
Lending Book (Rs bn)	2,339	1,779	32%	2,193	7%
Gross Premium (Rs mn)	102,590	68,300	50%	69,390	48%
Total AUM (Rs bn)	12,339	5,502	124%	7,527	64%
Aditya Birla Finance					
Lending Book (Rs bn)	1,766	1,396	26%	1,675	5%
Net Interest Margin (%)	6.00	6.06	-0.1ppts	6.07	-0.1ppts
Net Interest Income (Rs mn)	24,880	19,940	25%	23,770	5%
Credit Provisioning (%)	0.92	1.16	-0.2ppts	1.03	-0.1ppts
Profit After Tax (Rs mn)	10,080	7,140	41%	9,270	9%
Return On Asset (%)	2.45	2.20	0.3ppts	2.39	0.1ppts
Aditya Housing Finance					
Lending Book (Rs bn)	574	383	50%	518	11%
Net Interest Margin (%)	5.21	5.07	0.1ppts	5.20	0.0ppts
Credit Provisioning (%)	0.26	0.34	-0.1ppts	0.27	0.0ppts
Profit After Tax (Rs mn)	2,600	1,500	73%	2,330	12%
Return On Asset (%)	2.12	1.82	0.3ppts	2.12	0.0ppts
Return On Equity (%)	11.47	13.95	-2.5ppts	11.29	0.2ppts
Aditya Birla Sun Life AMC					
MFQAAUM (Rs bn)	4,418	4,252	4%	4,277	3%
Revenue (Rs mn)	4,840	5,070	-5%	4,630	5%
Cost to Income Ratio	48%	38%	10% ppt	47%	0% ppt
PAT (Rs mn)	2,210	2,410	-8%	3,090	-28%
Aditya Birla Sun Life Insurance	**2QFY27**	**2QFY26**	**%YoY**		
Individual APE (Rs mn)	13,900	10,850	28%		
Ind. New Business Premium (Rs mn)	17,290	11,740	47%		
Net VNB (%)	16.1	11.6	4.5ppts		
Opex Ratio (incl Commision; %)	18.8	22.6	-3.8ppts		
PAT (Rs mn)	520	500	4%		
Aditya Birla Health Insurance					
GWP (Rs mn)	23,460	16,100	46%		
Insurance Revenue (Rs mn)	19,370	14,270	36%		
Insurance Service Result (Rs mn)	-640	340	NA		
Combined Insurance Service Ratio (%)	107	99	8.0ppts		
Profit/ (Loss) as per Ind AS	270	1,050	-74%		

Source: Company, Emkay Research

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Exhibit 2: SOTP-based valuation

Entity	Metric	Sep-28 estimate (Rs mn)	Multiple (x)	Valuation (Rs mn)	Ownership	Value (Rs mn)	Rs per share
NBFC	Net worth (Rs mn)	375,409	2.10	788,359	100%	788,359	289
HFC	Net worth (Rs mn)	121,949	2.00	243,897	86%	208,947	76
AMC	PAT	12,174	25.4	308,700	45%	139,347	51
Life Insurance	EV (Rs mn)	231,661	1.10	254,827	51%	129,962	48
Health Insurance	Deal value	106,520	1.00	106,520	46%	48,893	18
AB Money	MCAP	7,610	1.00	7,610	74%	5,631	2
Total						**1,321,139**	**484**
Holding company discount on owned subs			**20%**			**106,556**	**39**
Fair value (Sep-27E)						**1,214,583**	**445**
No of shares (mn)						2,732	
Target price - Sep-27E (Rs)						**440**	

Source: Company, Emkay Research

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Earnings call highlights

Consolidated

- Consolidated PAT grew 38% yoy and 10% qoq to Rs12.88bn, and revenue grew 31% yoy. The management sounded confident on growth, though it flagged that a weak monsoon and higher energy prices are adding to inflation.

NBFC

- AUM grew 26.5% yoy and 5.4% qoq to Rs1.77trn. New business sourcing was Rs247.08bn, close to the record level of 4QFY26.
- Retail and MSME drove growth, making up 85% of the AUM added in the quarter and 71% of 1H disbursements, up from 67% a year ago.
- Personal and consumer loan AUM grew 37% yoy and 7% qoq to ~Rs250bn, now 14% of the book. Corporate AUM grew 15% yoy and forms 29% of the book.
- Asset quality improved further. GS2 + GS3 fell by 72bps yoy to 2.31%, PCR stood at 48.4%, and >71% of the book is secured. Credit cost fell by 24bps yoy and 11bps qoq to 0.92%, the lowest in seven years. Government guarantee schemes cover 46% of the GS3 in unsecured business loans.
- NIM including fees are retained at ~6% as margins did not expand and as the 1% rise in unsecured mix was offset by higher cost of funds. For now, the lower opex and credit cost are reasons for the ROA gains.
- After the RBI's repo hike, the company raised lending rates by 25bps from 26-Oct on its floating-rate book which is ~70% of total loans. Borrowing costs rose by 11bps qoq and may rise by another 5-10bps in 3Q. As only 57% of the borrowings are floating, the company can pass on the higher costs to borrowers.
- The ROA target of ~2.5% by 4QFY27 has almost already been met, and the management aims to uphold this level.
- Opex-to-AUM improved by 19bps yoy to 1.84%, and employee costs fell qoq as 1Q saw a one-off cost. Opex guidance is maintained at 1.85–1.90% even with the gold loan investments.
- The gold loan business opened 70 branches in its first 70 days and has reached Rs2bn AUM. It plans 200–300 branches by Mar-27 and >1,000 branches over three years.
- The management sounded watchful on the macro environment. It has no agri exposure, and a management overlay created after the Iran–US war is already part of the reported credit cost.

HFC

- AUM rose 50% yoy (+11% qoq) to Rs573.73bn and disbursements rose 55% yoy (+19% qoq) to Rs89.57bn. PBT rose 73% yoy to Rs3.35bn and PAT to Rs2.61bn, with ROA at 2.12% and ROE at 11.47%.
- Asset quality is among the best in the industry, with GS2+GS3 at 0.65% and GS3 at 0.37%. Cost of funds rose by only 11bps qoq to 6.11%, mainly due to higher leverage after the April capital infusion.
- PLR was raised by 20bps from 1-Nov. Peers like Bajaj and Tata have also raised rates, so the management is not worried about balance transfer-outs. BT-outs are 5–5.5%, and BT-ins are about double.
- The management retained its target of >Rs1trn AUM in 8–10 quarters, with ROE rising toward 15%.

AMC

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- Total AUM (including alternates) crossed Rs11trn, up 140% yoy, driven by the EPFO and ESIC mandates. MF average AUM grew ~4% yoy to Rs4.4trn. Equity AUM grew ~9% yoy to ~Rs2.09trn.

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- Monthly SIP flows were Rs10.94bn in Sep-26, and folios grew 6% yoy to 11.4mn. ETF average AUM grew 43% yoy vs ~27% for the industry.
- A stronger investment team is improving the fund performance. About 85% of the funds are doing well over 1, 3, and 5 years; this is helping sales.
- The PMS and AIF book rose to ~Rs6trn, helped by the EPFO and ESIC mandates. A retail fund platform was launched at GIFT City.

Life Insurance

- Individual APE grew 25% yoy in 1HFY27, about double the industry's 13%. Group business grew 90% vs 25% for the industry. Total 1H premium rose 42% yoy to Rs126.56bn, and AUM rose 16% to Rs1.21trn.
- The partnership channel (11 banks) grew 31% and the proprietary channel grew 10%. New partner IndusInd Bank will go live by Dec-26.
- VNB margin rose by 447bps yoy to 16.1% in 1H, driven by more annuity sales, more riders, and better productivity. The 13M persistency was 83.4% and solvency was 190%.
- Guidance is unchanged. The company targets >20% CAGR in individual APE over three years, VNB margin above 20%, and doubling of absolute net VNB in three years.

Health Insurance

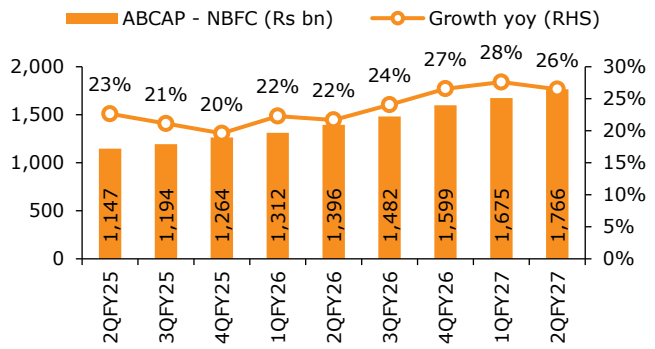
- Gross premium grew 48% yoy to Rs45.43bn in 1HFY27. Market share among standalone health insurers rose from 13.6% to 14.2%.
- Retail premium grew 43% and the corporate business grew 55%.
- The 'Health First' model is doing well. Customers who engage with the wellness program show a 6% lower loss ratio and 12% better persistency. Overall, the health-first model is delivering lower loss ratios and higher persistency among engaged customers.

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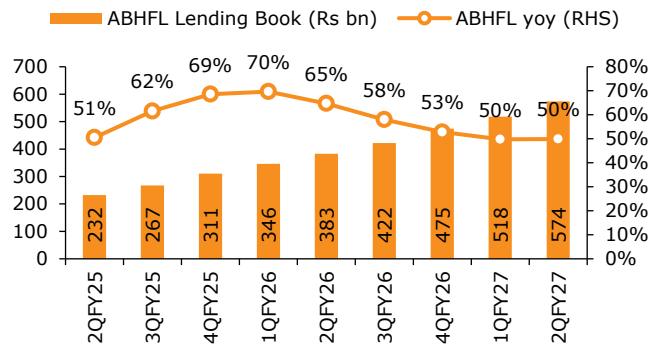
Story in charts

Exhibit 3: ABCAP posted loan book growth of 26% yoy



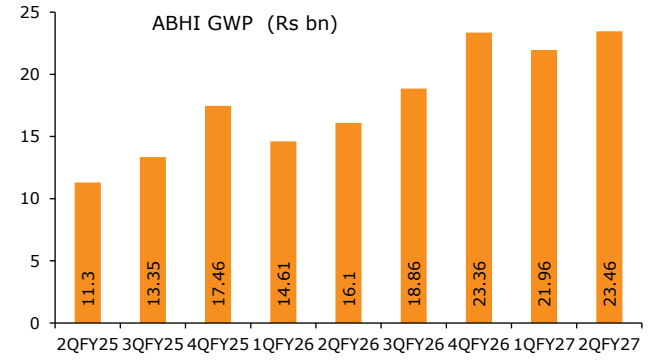
Source: Company, Emkay Research

Exhibit 4: ABHFL reported strong loan book growth



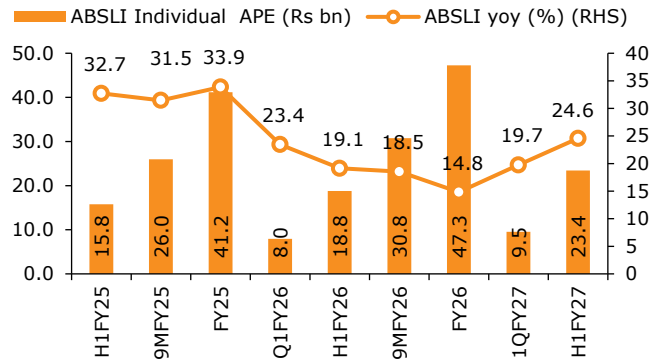
Source: Company, Emkay Research

Exhibit 5: ABHI's revenue grew ~46% yoy



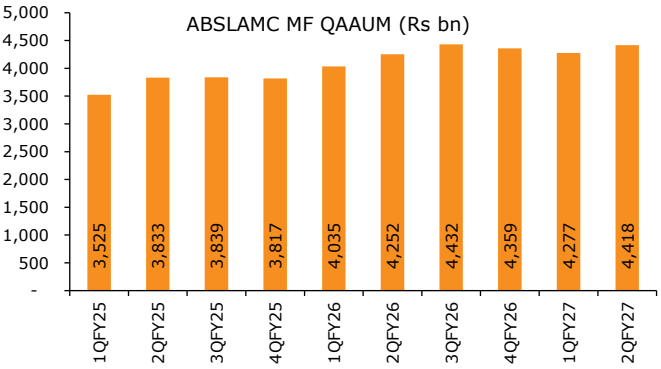
Source: Company, Emkay Research

Exhibit 6: ABSLI's Individual APE grew 25% yoy in 1HFY27



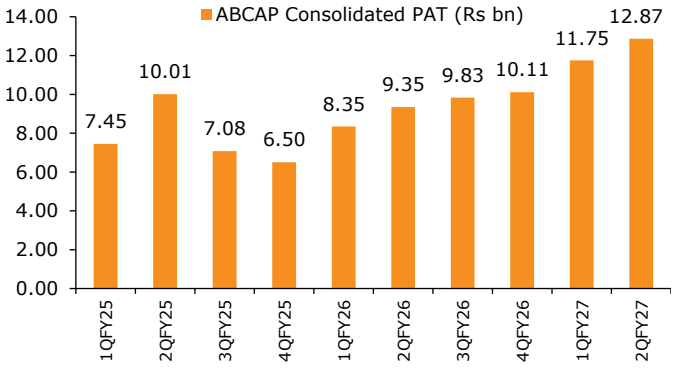
Source: Company, Emkay Research

Exhibit 7: ABSLAMC's MF QAAUM inclined 3% qoq



Source: Company, Emkay Research

Exhibit 8: ABCAP's consolidated PAT grew 10% qoq

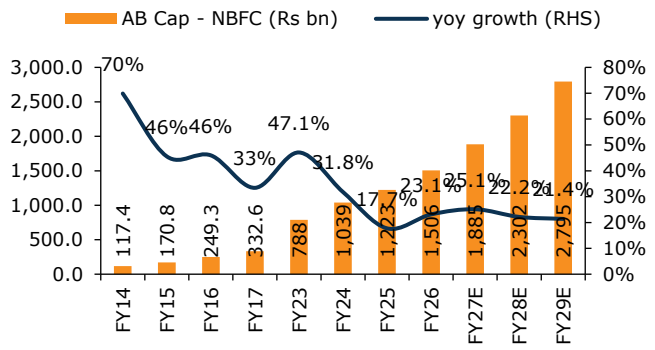


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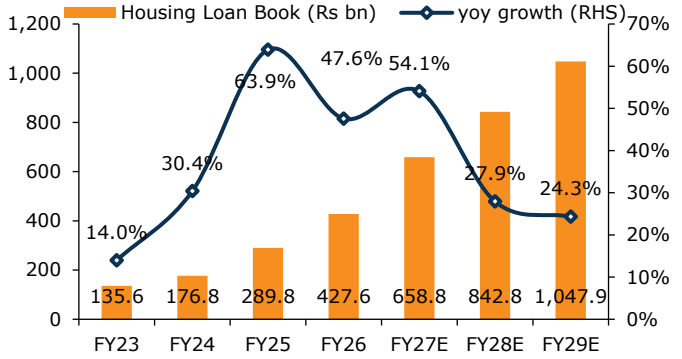
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Exhibit 9: We expect ABFL's loan book to grow ~25% in FY27E



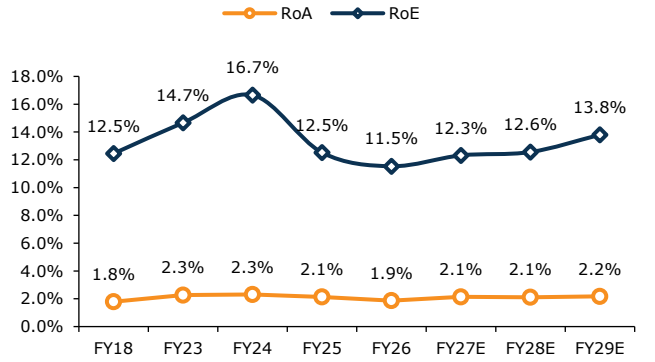
Source: Company, Emkay Research

Exhibit 10: We expect ABHFL's loan book to see 31% CAGR over FY26-29E



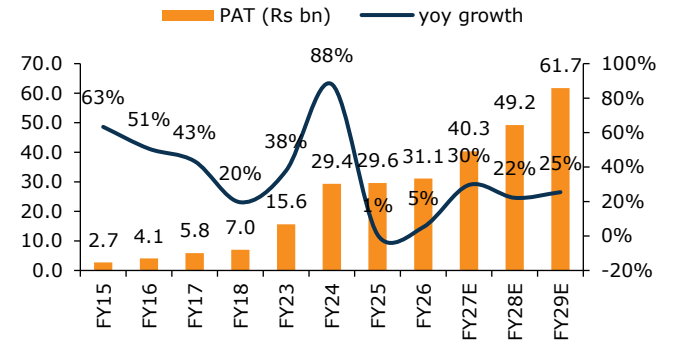
Source: Company, Emkay Research

Exhibit 11: We expect ABCAP (standalone) to deliver ROA of ~2% in FY27E



Source: Company, Emkay Research

Exhibit 12: We expect ABCAP's (standalone) PAT to grow ~24% over FY27-29E



Source: Company, Emkay Research

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AB Capital: Standalone Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	145,247	168,285	219,572	273,207	336,406
Interest Expense	79,814	91,120	116,010	146,554	182,493
Net interest income	**65,433**	**77,166**	**103,561**	**126,653**	**153,913**
NII growth (%)	5.9	17.9	34.2	22.3	21.5
Non interest income	4,176	1,120	1,232	1,356	1,491
Total income	**75,717**	**84,731**	**104,794**	**128,009**	**155,404**
Operating expenses	21,973	27,357	32,568	38,246	44,899
PPOP	**53,744**	**57,374**	**72,225**	**89,763**	**110,505**
PPOP growth (%)	23.8	6.8	25.9	24.3	23.1
Provisions & contingencies	14,476	15,694	17,984	23,510	27,408
PBT	**39,268**	**41,680**	**54,241**	**66,253**	**83,097**
Extraordinary items	-	-	-	-	-
Tax expense	9,696	10,587	13,940	17,027	21,356
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**29,572**	**31,093**	**40,301**	**49,226**	**61,741**
PAT growth (%)	38.4	5.1	29.6	22.1	25.4
Adjusted PAT	**29,572**	**31,093**	**40,301**	**49,226**	**61,741**
Diluted EPS (Rs)	**11.4**	**11.9**	**15.1**	**18.0**	**22.6**
Diluted EPS growth (%)	(1.1)	4.8	26.6	19.6	25.4
DPS (Rs)	**-**	**-**	**-**	**-**	**-**
Dividend payout (%)	**-**	**-**	**-**	**-**	**-**
Effective tax rate (%)	24.7	25.4	25.7	25.7	25.7
Net interest margins (%)	6.3	6.1	6.1	6.0	6.0
Cost-income ratio (%)	29.0	32.3	31.1	29.9	28.9
PAT/PPOP (%)	55.0	54.2	55.8	54.8	55.9
Shares outstanding (mn)	2,607.0	2,619.6	2,732.0	2,732.0	2,732.0

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	26,070	26,196	27,320	27,320	27,320
Reserves & surplus	225,866	260,815	339,993	389,219	450,960
Net worth	**251,936**	**287,011**	**367,313**	**416,539**	**478,280**
Borrowings	**1,111,357**	**1,384,147**	**1,729,098**	**2,151,744**	**2,648,995**
Other liabilities & prov.	**29,706**	**34,701**	**44,881**	**51,890**	**58,489**
Total liabilities & equity	**1,392,999**	**1,705,859**	**2,141,292**	**2,620,173**	**3,185,763**
Net loans	1,223,445	1,506,351	1,884,716	2,302,366	2,794,689
Investments	128,294	166,914	212,609	264,327	326,438
Cash, other balances	-	-	-	-	-
Interest earning assets	**1,375,507**	**1,678,100**	**2,106,748**	**2,578,205**	**3,135,101**
Fixed assets	3,698	3,331	3,979	4,630	5,341
Other assets	13,794	24,429	30,564	37,337	45,321
Total assets	**1,392,999**	**1,705,859**	**2,141,292**	**2,620,173**	**3,185,763**
BVPS (Rs)	96.6	109.6	134.5	152.5	175.1
Adj. BVPS (INR)	96.6	109.6	134.5	152.5	175.1
Gross loans	1,263,510	1,599,160	2,003,814	2,455,953	2,988,375
Total AUM	**1,263,510**	**1,599,160**	**2,003,814**	**2,455,953**	**2,988,375**
On balance sheet	1,263,510	1,599,160	2,003,814	2,455,953	2,988,375
Off balance sheet	0	0	0	0	0
Disbursements	-	-	-	-	-
Disbursements growth (%)	0	0	0	0	0
Loan growth (%)	17.7	23.1	25.1	22.2	21.4
AUM growth (%)	20.4	24.5	24.9	24.4	23.1
Borrowings growth (%)	20.4	24.5	24.9	24.4	23.1
Book value growth (%)	14.0	13.4	22.7	13.4	14.8

Source: Company, Emkay Research

Asset quality and other metrics

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Asset quality					
GNPL - Stage 3	27,770	20,240	23,183	27,828	33,724
NNPL - Stage 3	15,274	10,565	12,055	14,471	16,862
GNPL ratio - Stage 3 (%)	2.3	1.3	1.2	1.2	1.2
NNPL ratio - Stage 3 (%)	1.2	0.7	0.6	0.6	0.6
ECL coverage - Stage 3 (%)	45.0	47.8	48.0	48.0	50.0
ECL coverage - 1 & 2 (%)	-	-	-	-	-
Gross slippage - Stage 3	-	-	-	-	-
Gross slippage ratio (%)	-	-	-	-	-
Write-off ratio (%)	-	-	-	-	-
Total credit costs (%)	1.3	1.1	1.1	1.1	1.1
NNPA to networth (%)	6.1	3.7	3.3	3.5	3.5
Capital adequacy					
Total CAR (%)	18.2	16.8	17.7	16.4	15.6
Tier-1 (%)	15.9	13.8	15.7	14.4	13.6
Miscellaneous					
Total income growth (%)	10.1	11.9	23.7	22.2	21.4
Opex growth (%)	8.9	24.5	19.1	17.4	17.4
PPOP margin (%)	4.8	4.2	4.3	4.3	4.3
Credit costs-to-PPOP (%)	26.9	27.4	24.9	26.2	24.8
Loan-to-Assets (%)	87.8	88.3	88.0	87.9	87.7
Yield on loans (%)	13.4	12.8	13.0	13.1	13.2
Cost of funds (%)	7.8	7.3	7.5	7.6	7.6
Spread (%)	5.5	5.5	5.5	5.5	5.6

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	32.2	30.8	24.3	20.3	16.2
P/B (x)	3.8	3.3	2.7	2.4	2.1
P/ABV (x)	3.8	3.3	2.7	2.4	2.1
P/PPOP (x)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0	0	0	0	0
Dupont-RoE split (%)					
NII/avg AUM	6.3	6.1	6.1	6.0	6.0
Other income	-	-	-	-	-
Securitization income	-	-	-	-	-
Opex	1.9	2.0	1.9	1.8	1.8
Employee expense	1.0	1.0	1.0	0.9	0.8
PPOP	**4.8**	**4.2**	**4.3**	**4.3**	**4.3**
Provisions	1.3	1.1	1.1	1.1	1.1
Tax expense	0.9	0.8	0.8	0.8	0.8
RoAUM (%)	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**
Leverage ratio (x)	5.5	5.9	5.8	6.3	6.7
RoE (%)	**12.5**	**11.5**	**12.3**	**12.6**	**13.8**

Quarterly data

Rs mn, Y/E Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27
NII	19,940	21,270	21,900	23,770	24,880
NIM (%)	6.1	6.1	6.1	6.1	6.0
PPOP	13,350	14,580	14,780	16,210	17,310
PAT	7,140	7,720	8,250	9,270	10,080
EPS (Rs)	2.95	3.19	3.41	3.83	4.17

Source: Company, Emkay Research

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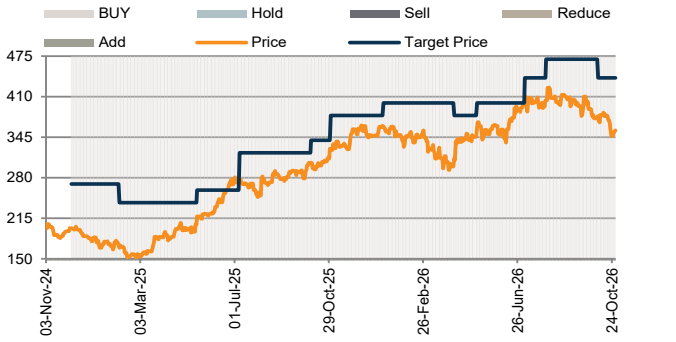
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Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
06-Oct-26	379	440	Buy	Avinash Singh
01-Aug-26	404	470	Buy	Avinash Singh
05-Jul-26	401	440	Buy	Avinash Singh
05-May-26	361	400	Buy	Avinash Singh
06-Apr-26	311	380	Buy	Avinash Singh
17-Mar-26	319	400	Buy	Avinash Singh
04-Feb-26	347	400	Buy	Avinash Singh
06-Jan-26	361	400	Buy	Avinash Singh
31-Oct-25	324	380	Buy	Avinash Singh
06-Oct-25	304	340	Buy	Avinash Singh
11-Sep-25	290	320	Buy	Avinash Singh
05-Aug-25	282	320	Buy	Avinash Singh
07-Jul-25	276	320	Buy	Avinash Singh
20-Jun-25	260	260	Buy	Avinash Singh
05-Jun-25	225	260	Buy	Avinash Singh
14-May-25	218	260	Buy	Avinash Singh
10-Apr-25	182	240	Buy	Avinash Singh
03-Apr-25	193	240	Buy	Avinash Singh
27-Feb-25	158	240	Buy	Avinash Singh
04-Feb-25	168	240	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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