

Banks/Diversified Financials

India

Sector View: **Attractive** NIFTY-50: **24,631**

August 17, 2025

Capital market players outshine lenders comfortably

A tough quarter for lenders: (1) Banks and NBFCs—revenue and earnings growth have been under pressure. Banks are facing pressure on NIM and loan growth, while provisions have a few one-offs. Asset quality is still less worrisome for banks, while NBFCs have had a mixed performance. (2) Capital market players continue to leverage the market momentum, leading to fewer concerns they have to deal with outside the valuation.

Banks: Several headwinds come into action

Banks under coverage posted 4% yoy earnings growth, as higher provisions (~90% yoy) offset the 20% yoy growth in operating profits. NII growth was weak at ~2% yoy. Public banks delivered ~6% yoy earnings growth, while it grew 2% yoy for private banks. From a headwind perspective, (1) NIM declined ~10-20 bps qoq across lenders, as the liability side re-pricing is slower than the asset side re-pricing; we expect 2QFY26 to be the most challenging quarter on this metric, considering the recent rate cycle, (2) loan growth is still muted, led by weaker demand rather than supply, (3) operating profit growth is likely to be weak in 2QFY26 due to negligible operating levers at play and (4) asset quality remains the only sweet spot as slippages are still at comfortable levels. There were a few one-offs in large banks (HDFC Bank's contingent provisions, Axis Bank's technical slippages), but overall trends are still not yet showing any signs of stress. Improvement in the MFI portfolio is largely tracking trends, with slippages likely to decline from 3QFY26 quite sharply.

NBFCs: Asset quality outlook dominated discussions

FY2026 has started off with mixed views on asset quality performance, carrying forward of FY2025 weakness and hopes of 2H recovery. This dominated investor discussions, with MSME loans at the center of it, especially after caution expressed by large players. Disbursements have been tepid across large NBFCs, with the risk of downgrades not ruled out. NIM faces tailwinds from funding cost reductions, more reflected for larger players in 1Q, but will benefit all NBFCs over the course of the year.

Capital markets: Market pull back and flows drive upbeat earnings

Capital market players delivered a steady performance in 1QFY26, aided by AUM growth and improving flows. HDFC AMC and Nippon AMC led earnings momentum on strong equity AUM and stable yields, while ABSL AMC showed early signs of recovery, whereas UTI AMC's performance was more muted. Kfin and CAMS saw yield compression in MF RTA, with limited upside from non-MF segments. Angel One beat revenue estimates, but saw sharp margin compression; recovery remains a key monitorable. 360 One posted stable earnings, but weak net flows; RM attrition and execution in new segments need tracking. Rating agencies retained core momentum, but non-ratings growth and valuation comfort remain limited.

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Earnings growth muted by subdued NII

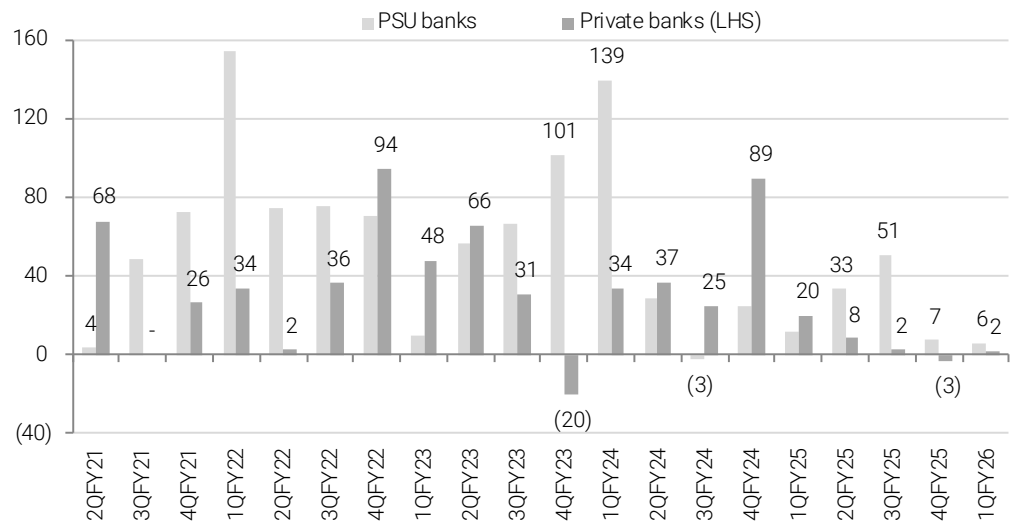
Exhibit 1: Consolidated earnings for banks under coverage, March fiscal year-ends (Rs bn)

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
NII	1,639	1,651	1,660	1,680	1,663	(1)	2
Non interest income	574	680	608	783	845	8	47
Total income	2,212	2,330	2,269	2,463	2,508	2	13
Opex	1,039	1,078	1,094	1,215	1,126	(7)	8
PPOP	1,173	1,252	1,175	1,248	1,382	11	18
Provisions	197	215	176	230	369	61	87
PAT	721	777	747	771	749	(3)	4

Source: Company, Kotak Institutional Equities

Private banks' earnings are down 2% yoy, while public banks' earnings are up 6% yoy

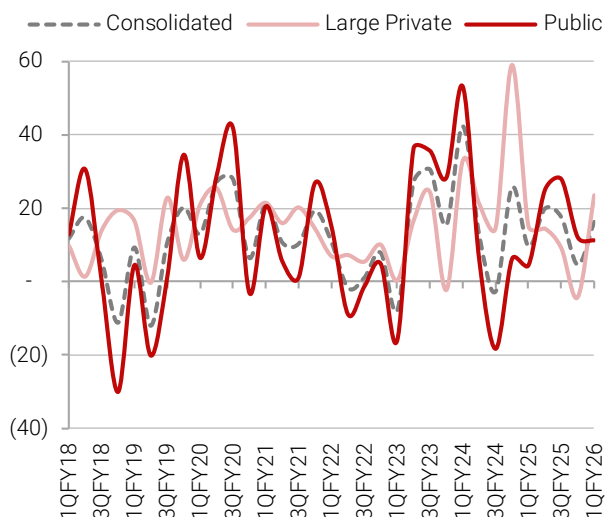
Exhibit 2: Growth in PAT, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

PPoP growth for public banks has seen a dip

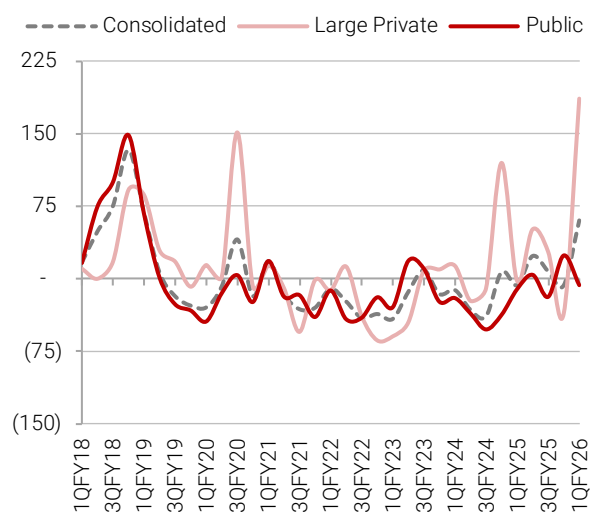
Exhibit 3: PPoP growth for banks (consolidated), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Provisions were stable in 1QFY26 adjusted for one-offs

Exhibit 4: Provisions growth for banks (consolidated), March fiscal year-ends, 1QFY17-3QFY25 (%)



Source: Company, Kotak Institutional Equities

Earnings growth for banking sector reduced by NII growth, while supported by treasury gains

Exhibit 5: Key earnings-related metrics for banks under coverage, March fiscal year-ends (Rs bn)

	Net interest income					Pre-provisioning profit					PAT				
	1QFY25	4QFY25	1QFY26	YoY	QoQ	1QFY25	4QFY25	1QFY26	YoY	QoQ	1QFY25	4QFY25	1QFY26	YoY	QoQ
	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)
Banks															
Public banks															
Bank of Baroda	116,001	114,943	114,348	(1)	(1)	71,613	81,320	82,365	15	1	44,582	50,476	45,414	2	(10)
Canara Bank	91,663	94,419	90,088	(2)	(5)	76,161	82,837	85,536	12	3	39,053	50,027	47,520	22	(5)
PNB	104,763	107,570	105,781	1	(2)	65,812	67,757	70,814	8	5	32,515	45,670	16,750	(48)	(63)
State Bank of India	411,255	427,746	410,725	(0)	(4)	264,486	312,860	305,445	15	(2)	170,352	186,426	191,612	12	3
Union Bank	94,121	95,140	91,126	(3)	(4)	77,853	77,001	69,087	(11)	(10)	36,789	49,849	41,155	12	(17)
Old private banks															
City Union Bank	5,452	6,003	6,253	15	4	3,735	4,410	4,509	21	2	2,645	2,880	3,059	16	6
Federal Bank	22,920	23,774	23,368	2	(2)	15,009	14,654	15,563	4	6	10,095	10,302	8,618	(15)	(16)
Karur Vysya Bank	10,244	10,893	10,794	5	(1)	7,459	8,350	8,055	8	(4)	4,587	5,134	5,215	14	2
New private banks															
Axis Bank	134,482	138,105	135,598	1	(2)	101,062	107,524	115,152	14	7	60,346	71,175	58,061	(4)	(18)
Bandhan Bank	29,867	27,559	27,572	(8)	0	19,409	15,713	16,684	(14)	6	10,635	3,179	3,720	(65)	17
DCB Bank	4,966	5,580	5,804	17	4	2,054	3,054	3,269	59	7	1,314	1,771	1,573	20	(11)
HDFC Bank	298,371	320,658	314,380	5	(2)	238,846	265,367	357,340	50	35	161,748	176,161	181,552	12	3
ICICI Bank	195,529	211,929	216,345	11	2	160,248	176,643	187,458	17	6	110,591	126,296	127,682	15	1
IndusInd Bank	54,076	30,483	46,398	(14)	52	39,267	(4,725)	26,522	(32)		21,522	(22,360)	6,843	(68)	
Yes Bank	22,440	22,764	23,715	6	4	8,853	13,144	13,580	53	3	5,024	7,381	8,011	59	9
Small finance banks															
AU	19,206	20,939	20,447	6	(2)	9,517	12,923	13,122	38	2	5,026	5,037	5,809	16	15
Equitas SFB	8,015	8,294	7,857	(2)	(5)	3,404	3,113	3,148	(8)	1	258	421	(2,238)	(969)	(631)
Ujjivan SFB	9,415	8,643	8,560	(9)	(1)	5,095	3,598	3,605	(29)	0	3,011	834	1,032	(66)	24
Utkarsh SFB	5,732	4,114	4,018	(30)	(2)	3,113	2,340	916	(71)	(61)	1,374	30	(2,395)	(274)	(8,171)
Total banks	1,638,515	1,679,558	1,663,175	2	(1)	1,172,996	1,247,881	1,382,168	18	11	721,463	770,689	748,993	4	(3)
Public banks	817,801	839,818	812,067	(1)	(3)	555,925	621,775	613,245	10	(1)	323,290	382,448	342,452	6	(10)
Private banks	820,714	839,739	851,108	4	1	617,071	626,106	768,923	25	23	398,174	388,241	406,541	2	5
Diversified financials															
Auto finance															
Cholamandlam	25,738	30,557	31,838	24	4	18,499	23,315	24,117	30	3	9,422	12,667	11,359	21	(10)
Mahindra Finance	17,836	19,276	20,122	13	4	11,345	12,128	13,530	19	12	5,197	5,631	5,295	2	(6)
Shriram Finance	52,339	55,655	57,725	10	4	38,541	43,353	41,924	9	(3)	19,806	21,394	21,557	9	1
Housing finance															
Aavas	2,446	2,705	2,776	14	3	1,695	2,009	1,904	12	(5)	1,261	1,537	1,392	10	(9)
Aadhar	3,574	4,077	4,282	20	5	1,602	1,968	1,875	17	(5)	2,001	2,448	2,373	19	(3)
Aptus	2,611	3,002	3,091	18	3	2,253	2,789	2,961	31	6	1,717	2,070	2,193	28	6
Bajaj Housing Finance	8,100	9,571	10,125	25	6	6,399	7,493	7,980	25	6	4,826	5,867	5,833	21	(1)
Home First	1,467	1,726	1,941	32	12	1,191	1,456	1,682	41	16	878	1,047	1,189	35	14
IndiaShelter	1,328	1,658	1,792	35	8	781	1,212	1,277	63	5	833	1,079	1,192	43	10
LIC Housing Finance	19,891	21,664	20,658	4	(5)	17,715	18,790	18,920	7	1	13,002	13,680	13,599	5	(1)
Gold loans															
Muthoot Finance	23,049	29,039	34,732	51	20	17,153	21,478	27,887	63	30	10,787	15,078	20,463	90	36
Multi-product NBFCs/others															
Bajaj Finance	83,653	98,072	102,270	22	4	69,475	79,675	84,871	22	7	39,120	45,456	47,653	22	5
Five Star	4,829	5,594	5,774	20	3	3,547	3,964	4,027	14	2	2,516	2,791	2,663	6	(5)
L&T Finance Holdings	20,200	19,350	20,540	2	6	14,370	14,080	14,980	4	6	6,860	6,360	7,010	2	10
SBFC	1,764	2,114	2,298	30	9	1,199	1,461	1,604	34	10	787	944	1,009	28	7
SBI Cards	14,765	16,199	16,803	14	4	18,998	19,637	20,999	11	7	5,945	5,342	5,560	(6)	4
Total NBFCs/HFCs	263,922	298,326	313,889	19	5	203,384	231,990	246,389	21	6	116,180	134,522	141,215	22	5
Wealth management/ AMCs/CRAAs															
360 One WAM	5,731	6,520	6,419	12	(2)	2,729	3,180	3,119	14	(2)	817	2,500	2,870	251	15
Aditya Birla AMC	3,656	4,288	4,474	22	4	1,931	2,331	2,544	32	9	2,084	2,281	2,791	34	22
AngelOne		10,488	11,344	NA	8		2,643	1,944	NA	(26)		1,745	1,145	NA	(34)
CAMS	3,105	3,562	3,542	14	(1)	1,367	1,500	1,466	7	(2)	1,035	1,140	1,080	4	(5)
CRISIL	7,377	8,132	8,430	14	4	1,751	2,022	2,071	18	2	1,377	1,598	1,716	25	7
HDFC AMC	6,954	9,014	9,682	39	7	5,230	7,110	7,527	44	6	5,408	6,385	7,476	38	17
ICRA	1,240	1,362	1,245	0	(9)	454	534	340	(25)	(36)	471	560	428	(9)	(24)
Kfintech	2,283	2,827	2,817	23	(0)	889	1,042	998	12	(4)	745	851	818	10	(4)
Nippon AMC	4,683	5,665	6,066	30	7	2,818	3,548	3,779	34	7	3,426	2,983	3,957	15	33
UTI AMC	3,177	3,602	3,793	19	5	1,153	1,480	1,567	36	6	1,814	1,158	2,539	40	119
Total wealth/asset managers/(38,205	55,459	57,811	51	4	18,322	28,446	25,388	39	(11)	17,177	21,201	24,818	44	17
Total diversified financials	302,127	353,785	371,700	23	5	221,705	260,436	271,777	23	4	133,357	155,723	166,033	25	7
Grand total	1,940,642	2,033,343	2,034,875	5	0	1,394,701	1,508,318	1,653,945	19	10	854,820	926,412	915,026	7	(1)

Source: Company, Kotak Institutional Equities

BANKS: Margins compress, asset quality holds steady

Asset quality: Unsecured recovery underway amid seasonal first quarter stress

In 1QFY26, overall asset quality at a systemic level remained stable, with coverage companies reporting stable numbers, even though credit costs and delinquencies showed some signs of seasonal stress in the first quarter after a strong 4QFY26. Most banks reported flat or 10 bps lower qoq headline NPA ratios and the system GNPA/NNPA ratios remained flat qoq for banks under coverage (Exhibit 9). Public banks have reported an improvement in asset quality, even as recoveries are tapering down and the pool of assets left for recovery also seems to be low, going forward.

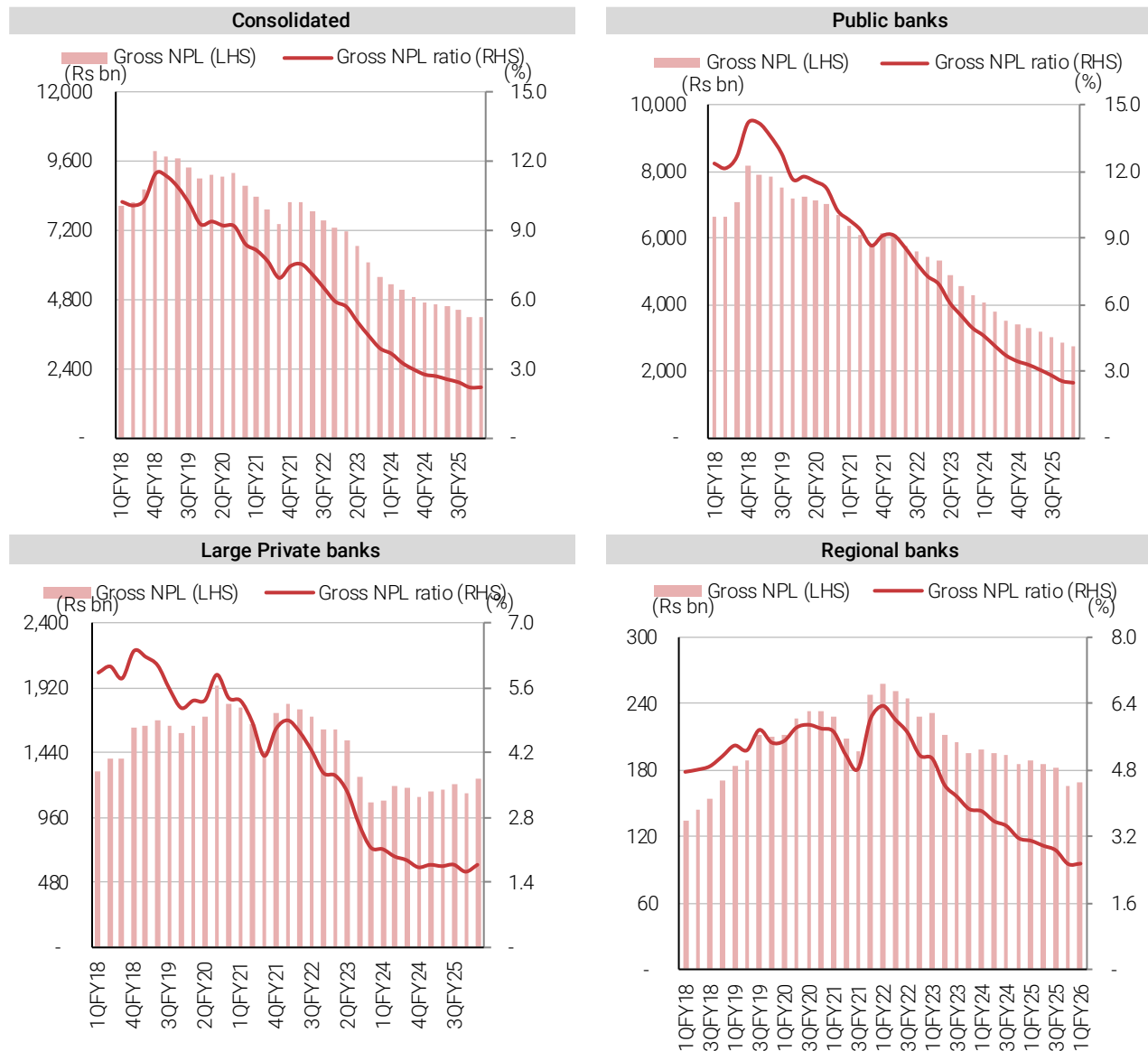
Segmentally, retail segments have been broadly stable for most lenders, with marginal deterioration observed in some of the mid-tier players (Exhibit 10). Slippages in the agri segment have been higher in the quarter, typical of the first quarter, and are expected to come down in 2QFY26. Conversations of stress in the MSME segment have started emerging, though headline trends do not show any deterioration. Corporate GNPA ratios have mostly stabilized for most banks at negligible ratios. Gross slippages at the systemic level still remain stable at a consolidated level and across each segment of public, private and regional banks.

Stress in unsecured segments has been a topic of concern over the past few quarters, with microfinance leading the incremental PAR formation for the sector. Recovery and collection trends on the ground, according to channel checks and bureau data, seem to be suggesting a recovery, despite the increase in headline ratios and credit costs in 1QFY26, which most likely can be attributed to a seasonally weak 1QFY26 over 4QFY25. Slippages in the MFI segment for most players showed sequential deterioration and the SMA book has also seen a slight uptick in this quarter.

Provisions in the quarter for the system also remained stable, if adjusted for the additional prudential provisions that HDFC Bank made from the HDB stake sale. Credit costs, remained stable sequentially, with the exception of SFBs. HDFC Bank made additional provisions from the gains out of the HDB sale and Axis Bank had higher provisions sequentially, owing to the technical changes to the provisioning policy. Credit costs (Exhibit 30) across lending segments did not show any worrying signs, except for a marginal blip due to a seasonally weak 1QFY26. NBFC-MFI and fintech lenders also showed improvement in credit costs. PCR has also remained stable for most banks under coverage.

Declining trend in gross NPL ratio for the banking sector still continues

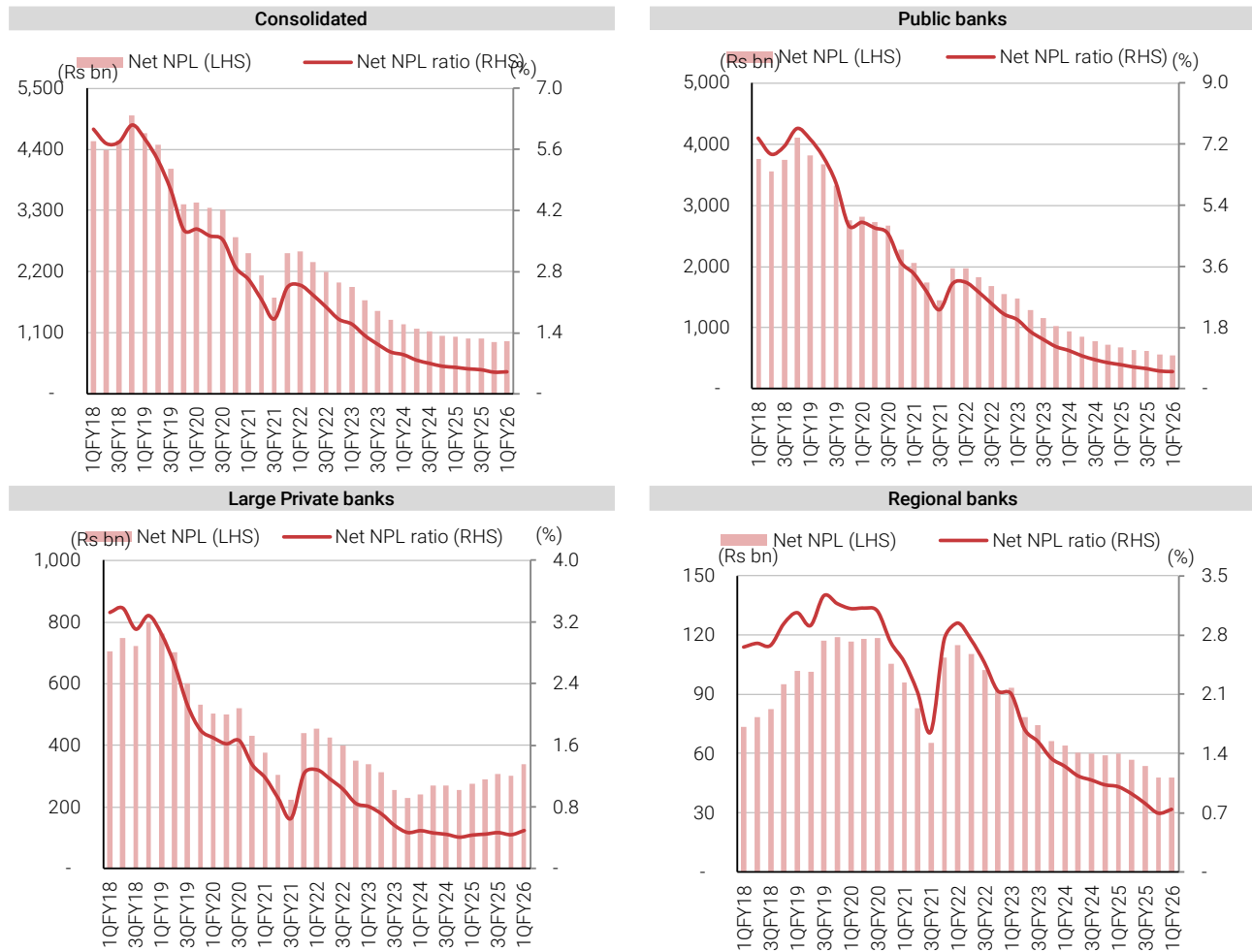
Exhibit 6: Gross NPL ratio across bank groups, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities

Similar trend in net NPL ratio, with declining trajectory sequentially

Exhibit 7: Net NPL ratio across bank groups, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities

Gross NPL and net NPL ratios remained broadly flat qoq for banks under coverage

Exhibit 8: Reported gross NPLs and net NPLs for banks under coverage, March fiscal year-ends

	Gross NPL (Rs bn)					Gross NPLs (%)					Net NPLs (Rs bn)					Net NPLs (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks																				
BoB	309	286	285	278	276	2.9	2.5	2.4	2.3	2.3	72	68	68	70	72	0.7	0.6	0.6	0.6	0.6
Canara	404	377	351	315	295	4.1	3.7	3.3	2.9	2.7	117	98	91	74	68	1.2	1.0	0.9	0.7	0.6
PNB	513	476	454	441	427	5.0	4.5	4.1	4.0	3.8	59	47	44	43	41	0.6	0.5	0.4	0.4	0.4
SBI	842	834	844	769	780	2.2	2.1	2.1	1.8	1.8	216	203	214	197	199	0.6	0.5	0.5	0.5	0.5
Union	414	405	366	354	343	4.5	4.4	3.9	3.6	3.5	79	88	76	60	59	0.9	1.0	0.8	0.6	0.6
Old private																				
CUBK	18	17	17	16	16	3.9	3.5	3.4	3.1	3.0	9	8	7	7	6	1.9	1.6	1.4	1.3	1.2
Federal	47	49	46	44	47	2.1	2.1	2.0	1.8	1.9	13	13	11	10	12	0.6	0.6	0.5	0.4	0.5
KVB	10	9	7	6	6	1.3	1.1	0.8	0.8	0.7	3	2	2	2	2	0.4	0.3	0.2	0.2	0.2
New private																				
Axis	162	155	159	145	178	1.5	1.4	1.5	1.3	1.6	36	36	38	37	51	0.3	0.3	0.4	0.3	0.5
Bandhan	53	61	62	64	66	4.2	4.7	4.7	4.7	5.0	14	16	16	17	17	1.2	1.3	1.3	1.3	1.4
DCB	14	15	15	16	16	3.3	3.3	3.1	3.0	3.0	5	5	6	6	6	1.2	1.2	1.2	1.1	1.2
HDFC Bank	330	343	360	352	370	1.3	1.4	1.4	1.3	1.4	95	103	116	113	123	0.4	0.4	0.5	0.4	0.5
ICICI	287	271	277	242	247	2.2	2.0	2.0	1.7	1.7	57	57	59	56	60	0.5	0.4	0.4	0.4	0.4
IndusInd	71	76	84	110	125	2.0	2.1	2.3	3.1	3.6	21	23	25	33	37	0.6	0.6	0.7	1.0	1.1
Yes	38	39	40	39	40	1.7	1.6	1.6	1.6	1.6	12	12	11	8	8	0.5	0.5	0.5	0.3	0.3
Small finance banks																				
AU SFB	16	19	23	25	28	1.8	2.0	2.3	2.3	2.5	6	7	9	8	10	0.6	0.8	0.9	0.7	0.9
Equitas SFB	9	10	11	11	10	2.7	3.0	3.0	2.9	2.9	3	3	3	4	3	0.8	1.0	1.0	1.0	1.0
Ujivan SFB	7	7	8	7	8	2.5	2.5	2.7	2.2	2.5	1	2	2	2	2	0.4	0.6	0.6	0.5	0.7
Utkarsh SFB	5	7	12	19	22	2.8	3.9	6.2	9.4	11.4	0	2	5	9	9	0.3	0.9	2.5	4.8	5.0
Total	3,551	3,456	3,419	3,253	3,300	2.5	2.4	2.3	2.1	2.2	818	791	803	753	784	0.6	0.6	0.6	0.5	0.5
Public banks	2,481	2,377	2,299	2,157	2,121	3.2	3.0	2.8	2.5	2.4	543	503	493	443	438	0.7	0.6	0.6	0.5	0.5
Private bank	1,069	1,079	1,120	1,096	1,179	1.7	1.7	1.8	1.7	1.8	274	289	310	310	346	0.5	0.5	0.5	0.5	0.5

Source: Company, Kotak Institutional Equities

GNPL ratios continue to decline for the overall banking system

Exhibit 9: Reported gross NPLs and net NPLs, March fiscal year-ends (%)

	GNPL (%)										NNPL(%)								
	2018	2019	2020	2021	2022	2023	2024	2025	1QFY26		2018	2019	2020	2021	2022	2023	2024	2025	1QFY26
PSU banks																			
Bank of Baroda	12.3	9.6	9.4	8.9	6.6	3.8	2.9	2.3	2.3		5.5	3.3	3.1	3.1	1.7	0.9	0.7	0.6	0.6
Bank of India	16.6	15.8	14.8	13.8	10.0	7.3	5.0	3.3	2.9		8.3	5.6	3.9	3.4	2.3	1.7	1.2	0.8	0.8
Bank of Maharashtra	19.5	16.4	12.8	7.2	3.9	2.5	1.9	1.7	1.7		11.2	5.5	4.8	2.5	1.0	0.3	0.2	0.2	0.2
Canara Bank	11.8	8.8	8.2	8.9	7.5	5.4	4.2	2.9	2.7		7.5	5.4	4.2	3.8	2.7	1.7	1.3	0.7	0.6
Central Bank of India	21.5	19.3	18.9	16.6	14.8	8.4	4.5	3.2	3.1		11.1	7.7	7.6	5.8	4.0	1.8	1.2	0.6	0.5
IDBI Bank	28.0	27.5	27.5	22.4	19.1	6.4	4.5	3.0	2.9		16.7	10.1	4.2	2.0	1.3	0.9	0.3	0.2	0.2
Indian Bank	7.4	7.1	6.9	9.9	8.5	6.0	4.0	3.1	3.0		3.8	3.8	3.1	3.4	2.3	0.9	0.4	0.2	0.2
Indian Overseas Bank	25.3	22.0	14.8	11.7	9.8	7.4	3.1	2.1	2.0		15.3	10.8	5.4	3.6	2.7	1.8	0.6	0.4	0.3
Punjab & Sind Bank	11.2	11.8	14.2	13.8	12.2	7.0	5.4	3.4	3.3		6.9	7.2	8.0	4.0	2.7	1.8	1.6	1.0	0.9
Punjab National Bank	18.4	15.5	14.2	14.1	11.8	8.7	5.7	4.0	3.8		11.2	6.6	5.8	5.7	4.8	2.7	0.7	0.4	0.4
State Bank of India	10.9	7.5	6.2	5.0	4.0	2.8	2.2	1.8	1.8		5.7	3.0	2.2	1.5	1.0	0.7	0.6	0.5	0.5
UCO Bank	24.6	25.0	16.8	9.6	7.9	4.8	3.5	2.7	2.6		13.1	9.7	5.5	3.9	2.7	1.3	0.9	0.5	0.5
Union Bank of India	15.7	15.0	14.2	13.7	11.1	7.5	4.8	3.6	3.5		8.4	6.9	5.5	4.6	3.7	1.7	1.0	0.6	0.6
PSU banks	14.6	12.0	10.7	9.4	7.6	5.0	3.5	2.6	2.5		8.0	5.0	3.8	3.1	2.2	1.2	0.8	0.5	0.5
Private banks																			
Axis Bank	6.8	5.3	4.9	3.7	2.8	2.0	1.4	1.3	1.6		3.4	2.1	1.6	1.1	0.7	0.4	0.3	0.3	0.5
Bandhan Bank	1.3	2.0	1.5	6.8	6.5	4.9	3.8	4.7	5.0		0.6	0.6	0.6	3.5	1.7	1.2	1.1	1.3	1.4
City Union Bank	3.0	3.0	4.1	5.1	4.7	4.4	4.0	3.1	3.0		1.7	1.8	2.3	3.0	3.0	2.4	2.0	1.3	1.2
DCB Bank	1.8	1.8	2.5	4.1	4.3	3.2	3.2	3.0	3.0		0.7	0.7	1.2	2.3	2.0	1.0	1.1	1.1	1.2
Dhanlaxmi Bank	7.4	7.5	5.9	9.2	6.3	5.2	4.1	3.0	3.0		3.2	2.4	1.6	4.8	2.9	1.2	1.3	1.0	1.0
Federal Bank	3.0	2.9	2.8	3.4	2.8	2.4	2.1	1.8	1.9		1.7	1.5	1.3	1.2	1.0	0.7	0.6	0.4	0.5
HDFC Bank	1.3	1.4	1.3	1.3	1.2	1.1	1.2	1.3	1.4		0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.5
ICICI Bank	9.5	7.4	6.0	5.3	3.8	2.9	2.3	1.7	1.8		5.4	2.3	1.5	1.2	0.8	0.5	0.5	0.4	0.4
IndusInd Bank	1.2	2.1	2.5	2.7	2.3	2.0	1.9	2.3	3.6		0.5	1.2	0.9	0.7	0.6	0.6	0.6	0.7	1.1
J&K Bank	10.0	9.0	11.0	9.7	8.7	6.0	4.1	3.4	3.5		4.9	4.9	3.5	3.0	2.5	1.6	0.8	0.8	0.8
Karnataka Bank	4.7	4.4	4.8	4.9	3.9	3.7	3.5	3.1	3.1		3.0	3.0	3.1	3.2	2.4	1.7	1.6	0.8	0.8
Karur Vysya Bank	6.6	8.8	8.7	7.9	6.0	2.3	1.4	0.8	0.7		4.2	5.0	3.9	3.4	2.3	0.7	0.4	0.2	0.2
Kotak Mahindra Bank	2.0	1.9	2.2	3.2	2.4	1.8	1.4	1.5	1.5		0.9	0.7	0.7	1.2	0.7	0.4	0.4	0.4	0.3
RBL Bank	1.4	1.4	3.6	4.3	4.4	3.4	2.7	2.6	2.8		0.8	0.7	2.1	2.1	1.3	1.1	0.7	0.3	0.5
South Indian Bank	3.6	4.9	5.0	7.0	5.9	5.1	4.5	3.2	3.2		2.6	3.5	3.3	4.7	3.0	1.9	1.5	0.9	0.7
Yes Bank	1.3	3.2	16.8	15.4	13.9	2.2	1.7	1.6	1.6		0.6	1.9	5.0	5.9	4.5	0.8	0.6	0.3	0.3
Private banks	4.5	4.0	4.4	4.1	3.3	2.2	1.8	1.7	1.8		2.3	1.6	1.4	1.4	0.9	0.5	0.5	0.5	0.5
Grand total	11.5	9.4	8.6	7.5	6.0	3.9	2.8	2.2	2.2		6.2	3.8	3.0	2.4	1.7	1.0	0.6	0.5	0.5

Source: Company, Kotak Institutional Equities

Retail asset quality held steady across most banks

Exhibit 10: Gross NPL ratio in retail segment across banks, March fiscal year-ends (%)

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Retail																					
Public Banks																					
Bank of Baroda	2.2	2.0	1.7	2.5	3.6	3.1	2.9	2.6	2.6	2.5	2.4	1.9	1.8	1.5	1.5	1.5	1.7	1.8	1.8	1.8	2.0
Bank of Maharashtra	3.1	2.6	2.4	2.4	2.3	1.6	1.3	1.0	0.9	0.9	0.7	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4
Canara Bank	2.2			1.6	1.5	1.4	1.3	1.3	1.4	1.4	1.5	1.4	1.5	1.4	1.5	1.4	1.3	1.1	1.0	1.0	0.8
Central Bank	4.3	3.9	3.6	5.1	5.4	4.7	4.6	4.3	4.3	2.6	2.5	2.4	2.0	1.3	1.2	1.2	1.3	1.2	1.1	1.2	1.1
Indian Bank	3.9	3.9	3.2	4.1	5.0	4.3	4.6	4.4	4.6	4.3	3.7	3.5	3.3	2.8	2.3	2.0	2.0	1.8	1.5	1.3	1.2
IOB	2.6	2.2	2.0	3.8	4.5	4.3	3.9	3.3	2.7	3.7	4.0	4.3	4.3	3.0	1.8	1.7	1.8	1.7	1.7	1.2	1.2
PNB	3.4	3.1	3.0	5.3	5.9	5.2	4.9	5.0	4.4	3.9	3.4	3.0	2.9	2.5	2.5	2.3	1.4	1.3	1.3	1.3	1.0
PSB				6.5	6.5	5.7	5.7	5.1	4.7	4.2	3.7	3.4	3.6	3.4	3.3	3.5	2.3	2.0	1.8	1.8	1.8
SBI	1.1	0.8	0.7	0.8	1.3	0.8	0.9	0.7	0.8	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.7	0.8
UCO Bank									2.6	2.2	2.1	1.7	1.6	1.4	1.2	1.1	1.0	0.7	0.7	0.7	0.7
Union Bank	3.9	3.7	3.0	4.5	5.0	4.2	3.8	3.7	3.5	3.2	3.2	2.9	3.0	2.8	2.3	2.4	2.4	2.0	1.6	1.5	1.2
Private Banks																					
Axis Bank	1.0	0.7	2.4	1.8	2.6	2.2	1.8	1.4	1.4	1.5	1.6	1.4	1.4	1.3	1.3	1.2	1.4	1.5	1.6	1.6	2.1
HDFC Bank	1.3	1.3	1.2	1.5	1.4	1.1	1.2	1.2	1.1	1.1	1.0	1.0	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
ICICI Bank	2.0	2.1	1.5	3.0	3.8	3.3	2.4	2.2	2.1	1.9	1.8	1.7	1.7	1.6	1.7	1.6	1.7	1.6	1.7	1.6	1.7
IDFC First	0.9	0.4	0.3	4.0	3.9	3.5	2.9	2.6	2.1	2.0	1.9	1.7	1.5	1.5	1.5	1.4	1.5	-	-	-	-
IndusInd Bank	1.6	1.5	1.3	2.7	2.9	3.3	3.1	2.6	2.7	2.5	2.8	2.6	2.5	2.5	2.4	2.4	2.5	2.8	3.6	5.0	5.8
Karur Vysya Bank	2.1	1.9	1.7	3.0	3.4	3.1	3.2	2.9	2.8	2.7	2.6	2.3	2.2	1.9	1.8	1.9	1.9	1.3	1.0	0.8	0.7
RBL Bank	1.2	1.3	5.7	5.4	6.8	7.7	7.3	6.4	5.4	4.5	4.3	4.0	3.8	3.6	3.1	1.6	1.4	1.3	1.1	1.0	1.2
South Indian Bank							4.1	3.5	3.3	3.5	3.4	3.0	3.3	3.2	3.1	3.2	2.5	2.9	2.8	2.6	2.5
Yes Bank	1.2	0.8	0.5	2.9	3.3	2.9	2.1	1.7	1.5	1.5	1.1	1.3	1.3	1.4	1.6	1.6	1.8	2.0	2.2	2.2	2.3

Source: Companies, Kotak Institutional Equities

Agri NPLs saw slight deterioration in 1QFY26 due to seasonality

Exhibit 11: Gross NPL ratio in agri segment across banks, March fiscal year-ends (%)

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Agriculture																					
Public Banks																					
Bank of Baroda	10.2	9.0	8.3	8.5	9.5	9.2	8.8	8.5	8.1	7.8	7.5	7.0	6.6	5.3	5.0	5.1	5.3	5.1	4.8	4.9	
Bank of Maharashtra	23.9	27.3	20.3	21.3	21.0	19.1	18.5	15.0	15.0	14.4	13.7	10.0	9.8	9.6	9.1	8.0	7.9	7.9	8.3	9.7	
Canara Bank	6.9			6.1	5.9	5.7	5.5	5.6	4.6	4.2	3.9	3.5	3.3	3.1	3.3	3.4	3.7	3.7	3.4	3.2	
Central Bank	14.6	12.8	12.2	14.8	15.8	15.2	15.3	15.7	15.8	12.3	12.0	12.0	8.9	7.3	7.0	7.2	7.0	6.6	6.4	7.0	6.3
Indian Bank	13.3	12.0	10.7	11.1	11.3	11.4	10.7	10.1	9.7	9.7	9.0	8.8	8.4	8.2	8.0	7.0	7.0	6.8	6.6	6.3	6.0
IOB	8.1	6.9	5.7	7.4	7.4	7.0	7.6	7.9	7.3	7.0	7.0	6.8	6.5	4.7	4.3	3.8	3.3	2.9	2.6	2.2	3.5
PNB	15.2	14.0	15.7	19.6	18.2	17.7	17.4	20.6	19.5	19.3	19.3	18.3	17.1	16.3	15.1	13.9	12.6	12.7	11.7	11.0	10.8
PSB				8.6	8.6	8.1	8.1	8.6	8.3	7.7	7.5	8.7	9.2	9.5	9.4	8.8	8.6	9.3	9.3	9.4	8.6
SBI	15.4	14.8	13.7	15.2	15.6	15.2	14.4	13.3	13.0	12.3	12.0	11.5	11.3	10.7	10.1	9.6	9.8	9.4	9.1	8.4	8.7
UCO Bank								19.8	17.8	17.0	15.3	15.3	15.0	14.4	13.3	12.4	12.3	11.7	11.1	10.8	
Union Bank	10.6	9.9	8.7	12.1	13.0	12.4	12.3	11.6	11.9	11.2	10.8	10.3	9.9	8.9	8.5	8.5	8.1	7.8	7.9	8.0	8.4
Private Banks																					
HDFC Bank		5.2	6.1	4.8	6.6	5.5	6.3	4.7	6.4	5.3	6.3	5.1	5.9	5.0	5.3	2.1	2.5	2.5	3.0	2.7	-
Karur Vysya Bank	2.4	2.1	2.0	2.2	2.2	2.1	2.0	1.8	0.9	0.9	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.3
South Indian Bank							2.9	1.8	3.2	1.8	3.1	3.9	3.6	3.3	3.3	3.0	3.2	3.4	3.2	2.8	3.0
Small finance banks																					
AU SFB				1.7	1.5	1.0	1.3	0.8	0.6	0.7	0.6	0.4	0.4	0.3	0.3	0.3	0.3	0.6	1.5	1.6	-

Source: Companies, Kotak Institutional Equities

Similar stable trend in MSME segment as well

Exhibit 12: Gross NPL ratio in MSME segment across banks, March fiscal year-ends (%)

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
MSME																					
Public Banks																					
Bank of Baroda	13.8	12.0	12.0	13.5	16.8	15.7	14.4	13.3	12.9	11.9	10.4	10.0	10.2	9.7	9.3	9.2	9.1	8.7	8.3	8.2	7.8
Bank of Maharashtra	11.9	10.6	10.1	9.8	9.5	8.2	6.6	5.3	5.3	4.8	3.9	3.8	3.4	3.2	2.7	2.5	2.4	2.4	2.4	1.9	1.6
Canara Bank	10.9			13.8	14.6	13.7	13.1	12.0	11.0	10.4	10.3	9.6	9.7	9.2	8.6	8.5	8.4	7.7	7.0	5.7	5.3
Central Bank	17.5	16.1	14.9	17.5	18.0	17.1	16.0	15.8	16.3	11.6	10.5	10.5	7.9	6.1	5.6	6.0	5.9	5.7	5.1	5.4	5.1
Indian Bank	10.4	9.3	8.5	12.3	15.7	14.6	13.9	14.4	15.2	14.3	13.5	13.5	13.6	12.1	10.8	10.2	10.2	8.8	8.1	7.9	7.7
IOB	11.0	8.2	9.7	12.2	13.8	12.3	11.5	11.6	11.3	10.4	9.8	9.2	8.0	6.1	5.6	5.4	4.9	4.2	4.1	1.8	2.6
PNB	14.8	15.9	14.9	21.3	23.2	21.7	21.2	21.3	21.0	19.4	20.0	18.9	17.8	16.3	15.4	14.2	13.7	12.6	11.9	11.7	11.3
PSB				18.2	18.8	16.6	15.3	14.0	14.3	11.0	10.6	9.7	10.0	9.7	9.4	9.1	9.5	9.6	8.7	7.0	7.2
SBI	9.1	8.2	6.9	7.7	9.2	7.7	7.0	6.6	6.6	6.0	5.2	4.8	4.4	4.1	3.8	3.8	3.6	3.5	3.3	3.3	
UCO Bank								9.9	9.7	9.1	7.7	8.0	7.4	7.5	7.5	7.3	6.5	5.8	5.6	5.5	
Union Bank	17.0	17.6	15.7	20.4	21.2	20.4	19.0	18.7	17.6	15.9	13.4	12.5	12.1	10.5	8.2	8.5	8.4	7.3	3.9	4.1	4.4
Private Banks																					
Axis Bank	6.4	6.0	5.7	5.0	4.0	3.3	2.6	2.2	2.1	1.7	1.3	1.1	1.1	1.1	1.1	0.9	0.9	0.8	0.8	0.8	0.8
Federal Bank	8.6	7.9	7.3	10.6	10.9	10.0	10.1	9.5	9.1	8.3	8.1	8.3	7.9	7.3	7.0	6.3	6.1	5.8	5.3	5.2	5.9
HDFC Bank		1.6	1.4	1.4	1.6	1.4	1.3	1.2	1.2	1.2	1.1	1.2	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	-
Karur Vysya Bank	6.9	6.5	6.0	8.4	9.3	8.3	7.7	7.1	6.7	6.1	5.3	4.0	3.2	2.9	2.4	2.2	1.7	1.4	1.1	1.0	0.9
South Indian Bank							14.4	13.6	13.8	13.2	13.0	12.0	13.4	12.8	12.3	12.0	11.9	9.9	9.3	6.5	5.9
Yes Bank	2.4	2.5	2.4	3.2	3.4	3.2	2.8	2.6	2.5	2.5	0.8	0.9	1.1	1.1	1.1	1.3	1.5	1.4	1.2	1.2	1.3
Small finance banks																					
AU SFB (SME)				19.7	18.0	15.1	10.1	7.1	6.9	6.5	8.4	8.5	10.5	9.6	9.9	9.5	13.9	15.6	15.6	16.2	-
Equitas SFB (MSE)		0.9	2.0	2.8	6.0	4.8	5.1	4.9	5.6	6.3	6.3	6.3	7.1	7.0	7.7	7.1	7.0	9.4	5.7	7.0	7.1
Ujjivan SFB									10.8	8.3	9.4	8.8	9.8	9.8	8.8	8.4	8.8	8.6	6.9	5.5	5.3

Source: Companies, Kotak Institutional Equities

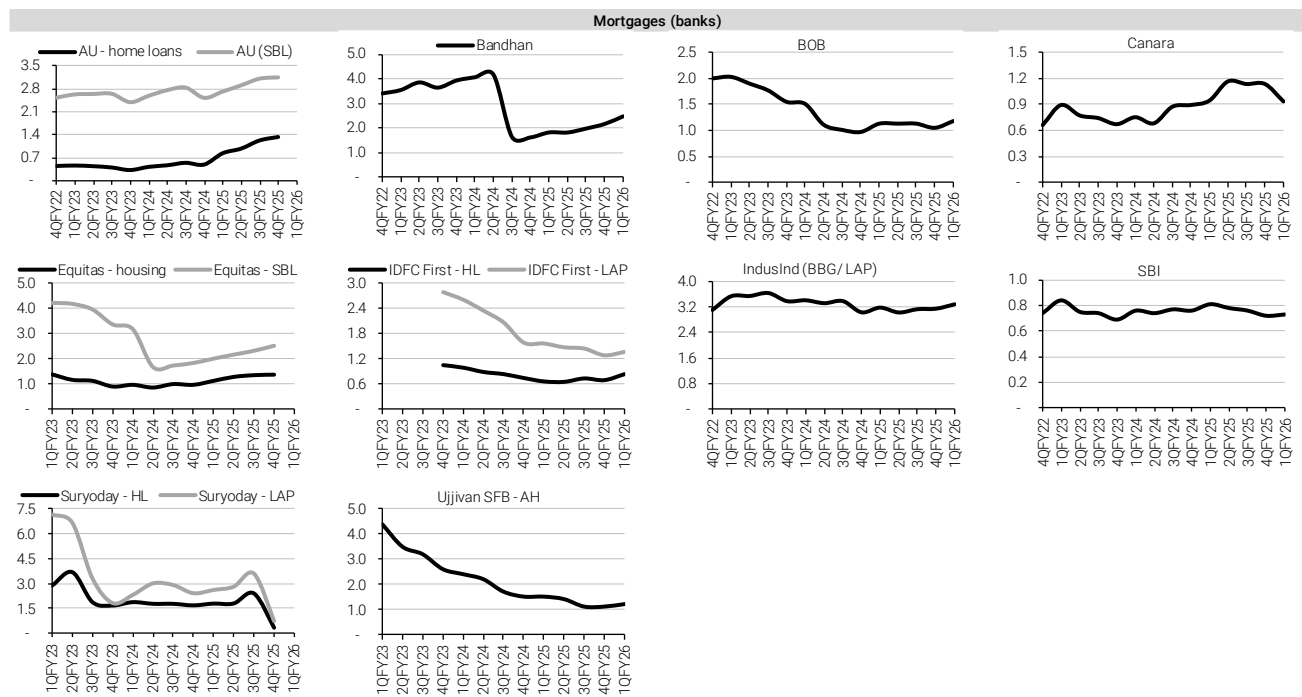
Similar stable trend in corporate segment as well

Exhibit 13: Gross NPL ratio in corporate segment across banks, March fiscal year-ends (%)

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Corporate and others																					
Public Banks																					
Bank of Baroda	10.4	10.4	8.3	8.4	7.0	6.1	5.0	4.3	3.9	2.7	2.0	0.9	0.4	0.6	0.5	0.6	0.5	0.1	0.2	0.0	0.0
Bank of Maharashtra	23.6	7.0	5.0	3.5	2.1	1.7	1.3	1.3	1.1	0.9	0.6	0.6	0.4	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Canara Bank	11.3			11.5	10.4	10.8	9.6	9.3	8.9	8.0	7.1	6.4	6.0	5.5	4.7	4.4	4.2	3.7	3.1	2.8	2.6
Central Bank	29.5	30.3	29.0	26.7	23.3	23.9	23.2	22.4	22.3	13.3	11.6	10.4	3.7	5.1	5.1	4.9	5.2	6.0	4.1	1.7	1.6
Indian Bank	12.5	11.4	10.8	10.6	8.5	8.8	8.3	7.0	6.1	4.5	3.7	2.7	1.8	1.5	1.1	0.9	0.9	0.4	0.3	0.2	0.2
IOB	25.1	33.4	33.9	21.0	18.8	17.0	16.6	14.9	13.8	11.9	11.0	9.0	8.9	5.1	4.0	2.2	2.2	2.4	2.3	2.3	2.2
PNB	17.8	16.6	15.4	13.4	13.1	12.6	11.3	8.5	8.2	7.3	6.4	5.0	3.8	3.0	1.9	1.9	1.3	0.9	0.5	0.4	0.3
PSB				15.9	14.8	18.4	19.1	15.0	13.4	11.7	9.4	6.7	6.7	5.1	4.1	3.4	2.4	1.5	1.2	0.8	0.8
SBI	7.7	7.9	7.5	7.7	7.8	7.7	7.1	6.0	6.0	5.3	4.4	3.6	3.4	3.1	2.9	2.5	2.2	2.1	2.0	1.5	1.4
UCO Bank								4.8	4.0	2.7	2.1	1.5	0.9	0.8	0.5	0.6	0.6	0.5	0.1	0.1	0.1
Union Bank	20.2	20.3	18.5	16.2	14.7	13.6	12.0	11.3	9.9	7.5	7.5	7.3	6.5	5.4	3.2	2.9	2.5	2.9	3.2	2.7	2.5
Private Banks																					
Axis Bank	8.6	7.7	7.0	5.7	5.3	5.3	5.1	4.9	5.0	4.2	3.7	3.2	3.0	2.5	2.2	2.0	2.0	1.6	1.4	0.9	0.9
Federal Bank	2.2	2.3	2.4	2.1	1.7	1.5	1.1	0.9	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.1	0.1
HDFC Bank		0.7	0.8	0.8	0.5	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.4	1.9	1.7	1.7	1.8	1.8	1.7	1.5	-
ICICI Bank	12.7	11.9	10.6	9.8	9.1	9.1	8.2	7.2	6.8	6.6	6.5	6.0	5.8	5.1	4.4	4.2	4.0	2.4	2.3	1.8	1.8
IDFC First				4.0	2.9	2.9	2.5	2.8	3.7	3.4	3.3	2.9	2.7	2.6	2.9	2.6	2.5	-	-	-	-
IndusInd Bank	2.9	2.6	1.9	2.4	2.3	2.1	1.9	2.1	1.9	1.7	1.4	1.4	1.3	1.3	1.3	1.3	1.2	1.2	1.5	1.6	1.5
Karur Vysya Bank	20.8	20.5	19.2	17.1	16.6	15.9	14.9	11.8	9.8	5.5	0.8	1.1	1.1	1.1	1.2	1.3	0.9	1.1	0.8	0.8	0.7
RBL Bank	7.3	8.1	6.2	5.9	5.6	5.4	4.8	4.7	4.7	5.1	4.8	4.7	4.8	4.7	4.5	3.8	4.1	4.0	3.6	1.8	1.9
South Indian Bank							4.2	3.6	3.5	3.4	3.1	3.2	1.8	1.8	1.7	1.5	1.2	1.3	1.4	0.9	0.9
Yes Bank	27.0	26.6	25.8	26.4	27.1	26.4	28.2	28.4	28.8	29.6	4.5	4.9	4.4	4.5	4.2	2.4	1.7	1.3	1.1	1.1	0.9

Gross NPL ratio in mortgages segment has been broadly stable for most banks

Exhibit 14: Gross NPL ratio in mortgages segment across select banks, March fiscal year-ends (%)

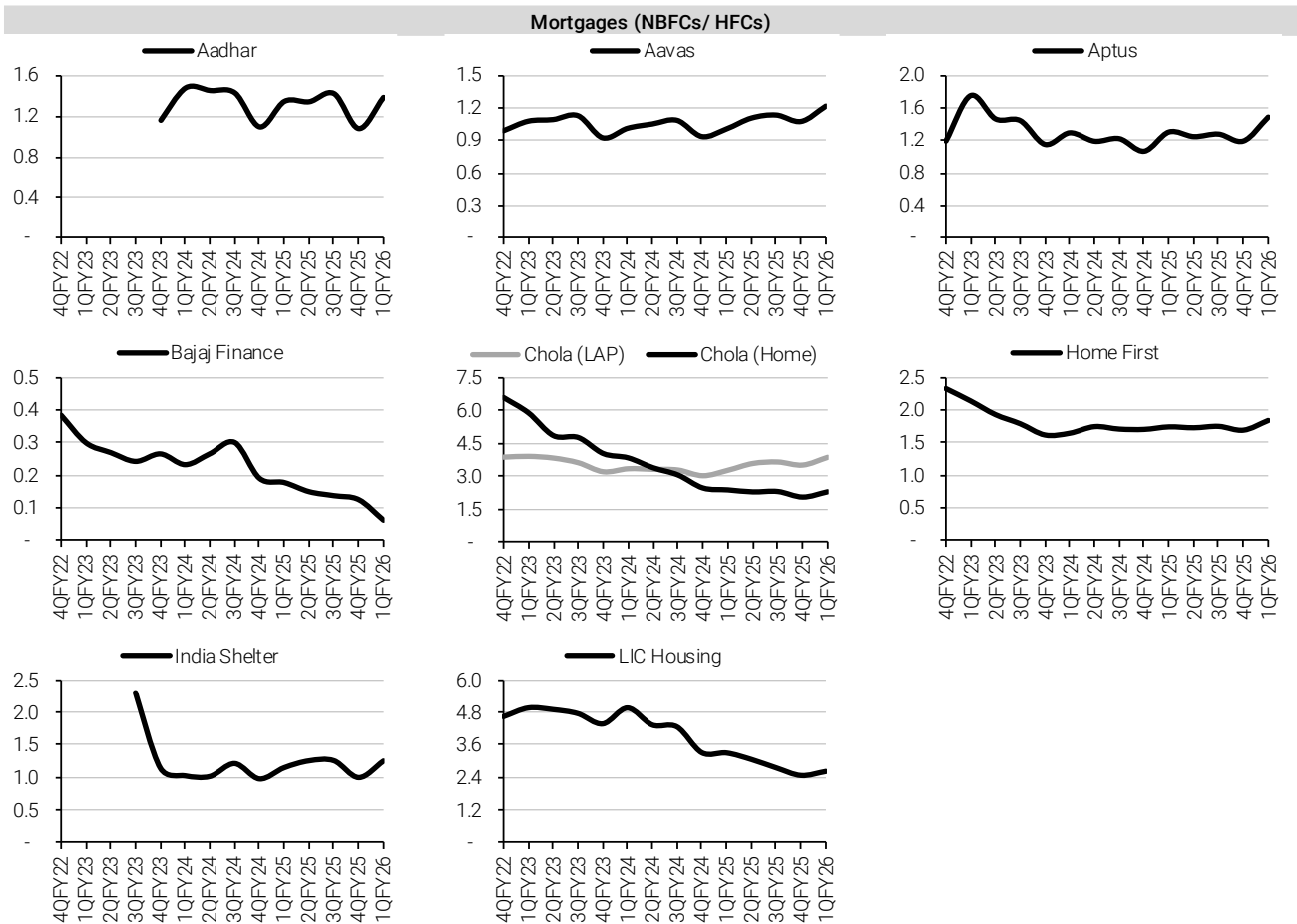


Note: Canara Bank reported an increase in the GNPA ratio in the housing segment during 2QFY25, primarily led by a change in NPA classification norms for linked accounts.

Source: Companies, Kotak Institutional Equities

Gross NPL ratio in mortgages segment has been broadly stable for most NBFCs

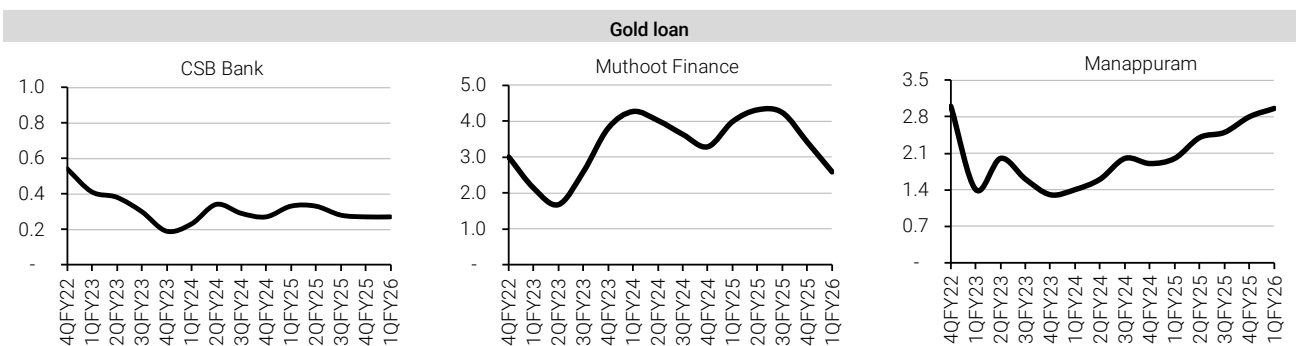
Exhibit 15: Gross NPL ratio in mortgages segment across select NBFCs/HFCs, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities

Gross NPL ratio in gold loan business has been broadly stable for most lenders

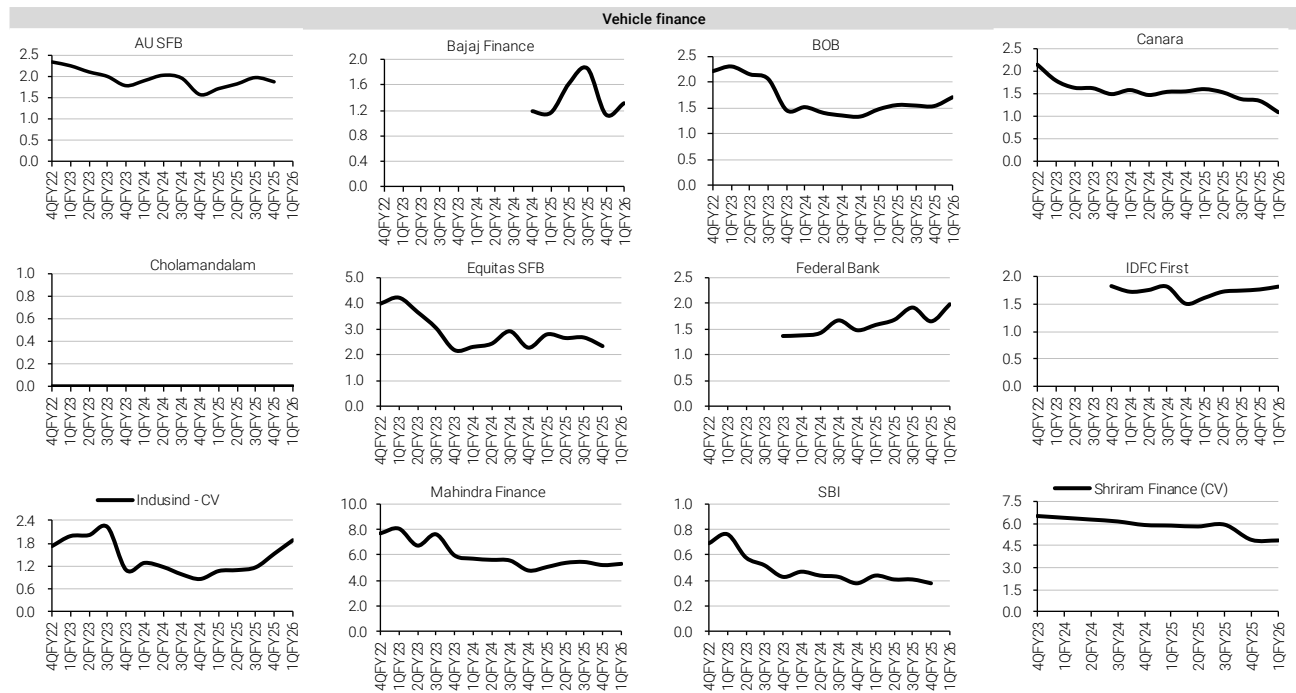
Exhibit 16: Gross NPL ratio in gold loan segment across lenders, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities

Gross NPL ratio in vehicle finance business has been broadly stable for most lenders

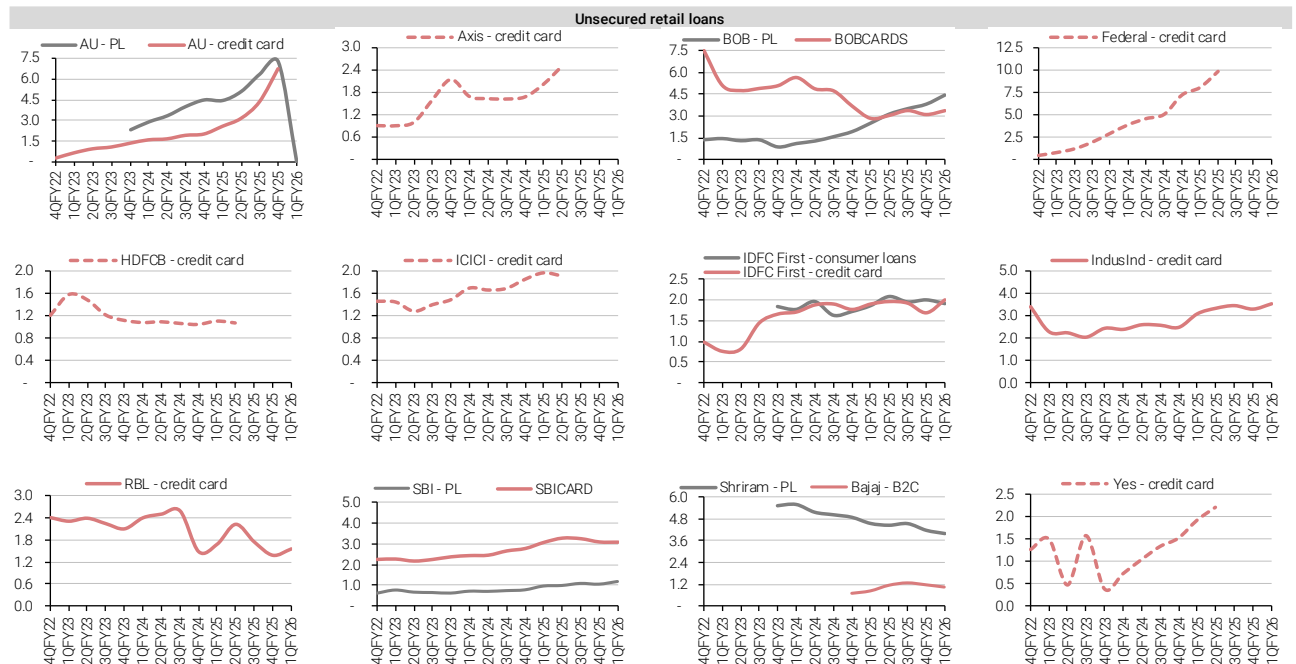
Exhibit 17: Gross NPL ratio in vehicle finance segment across lenders, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities

Gross NPL ratio in unsecured retail has inched up for several lenders, including AUBANK, BOB and IIB

Exhibit 18: Gross NPL ratio in unsecured retail across lenders, March fiscal year-ends (%)



Source: Companies

Gross NPL ratio has increased qoq for most microfinance lenders

Exhibit 19: Gross NPL ratio for select microfinance lenders, March fiscal year-ends (%)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Banks													
Bandhan (microfinance)	9.2	9.4	9.7	5.9	9.3	10.4	11.1	5.2	5.8	7.2	7.3	8.4	9.0
IDFC First (microfinance)										2.5	4.5	7.7	9.7
IndusInd Bank (microfinance)	3.5	3.0	3.9	4.5	4.5	4.7	4.6	4.7	5.4	6.9	7.5	14.7	18.6
RBL Bank (microfinance)		6.0	4.4	3.4	2.5	2.2	3.1	4.2	5.6	7.9	14.1	21.2	21.8
SFBs													
AU SFB (microfinance)									1.1	2.3	4.1	4.4	4.1
Equitas SFB (microfinance)	4.7	4.6	4.2	2.3	2.5	2.7	3.3	4.0	3.8	4.8	5.6	5.2	2.3
ESAF SFB (microfinance)								6.4	9.2	10.3	11.3	12.3	12.7
Jana SFB (microfinance)							3.8	4.0	4.7	4.2	4.2	4.0	5.7
Suryoday SFB (microfinance)					3.7	5.3	3.5	3.5	3.4	4.0	8.6	13.6	16.5
Ujjivan SFB (microfinance)	6.0	4.4	2.8	2.1	1.8	1.7	1.8	2.0	2.3	2.7	3.2	2.6	3.3
Utkarsh SFB (microfinance)				4.1	4.0	3.6	3.8	2.9	3.1	5.3	9.7	16.7	20.8
NBFC-MFIs													
Annapurna	9.8	8.0	6.9	3.8	3.0	3.2	3.2	2.7	2.5	3.0	4.0	2.7	3.5
Arohan (GS-3)	3.6	3.1	2.3	2.7	1.7	1.3	1.4	1.6	1.9	1.5	2.9	2.8	2.6
Asirvad (overall)	7.7	8.8	6.7	2.8	2.9	3.0	2.8	3.8	3.0	4.3	5.8	8.5	4.5
Belstar					1.6	1.5	1.9	1.8	2.4	3.5	2.9	5.0	4.4
Chaitanya	0.9	0.6	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.5	1.1	1.6	2.4
CreditAccess Grameen (PAR 90+)		1.7	1.3	1.0	0.7	0.6	0.8	0.9	1.1	1.7	2.6	3.3	3.3
Fusion (GS-3)	3.7	3.8	3.7	3.5	3.2	2.7	3.0	2.9	5.5	9.4	12.6	7.9	5.4
IIFL Samasta (GS-3)	2.8	3.5	2.7	2.1	2.1	2.1	2.1	1.9	2.3	3.4	5.0	4.7	4.6
Midland	2.8	3.0	4.7	0.1	1.7	2.2	3.1	3.0	2.9	4.2	3.0	1.5	2.8
Muthoot Microfin (overall)	6.7	3.3	3.5	3.0	2.8	2.4	2.3	2.3	2.1	2.7	3.0	4.8	4.9
Namra Finance (overall)		3.1	3.3	2.8	2.4	2.4	2.8	2.9	2.9	4.0	4.4	3.4	3.4
Satin (90+)	4.3	4.0	3.9	3.3	2.5	2.4	2.4	2.5	2.7	3.5	3.9	3.7	3.7
Satya	3.6	5.6	1.1	1.3	1.6	1.6	2.2	2.2	2.9	3.0	0.6	1.2	4.8
Spandana Sphoorty (overall)	6.7	7.4	5.3	2.1	1.6	1.4	1.6	1.5	2.6	4.9	4.9	4.9	4.9
Svatantra (GS-3)		5.1		5.0	3.5		3.6	3.1		1.6	2.2	3.0	2.3

Source: Company, Kotak Institutional Equities

SMA data does not show any worrying trend either

Exhibit 20: SMA data across select lenders, March fiscal year-ends (% of overall loan book)



Source: Companies, Kotak Institutional Equities

Restructured book has been on a declining trend

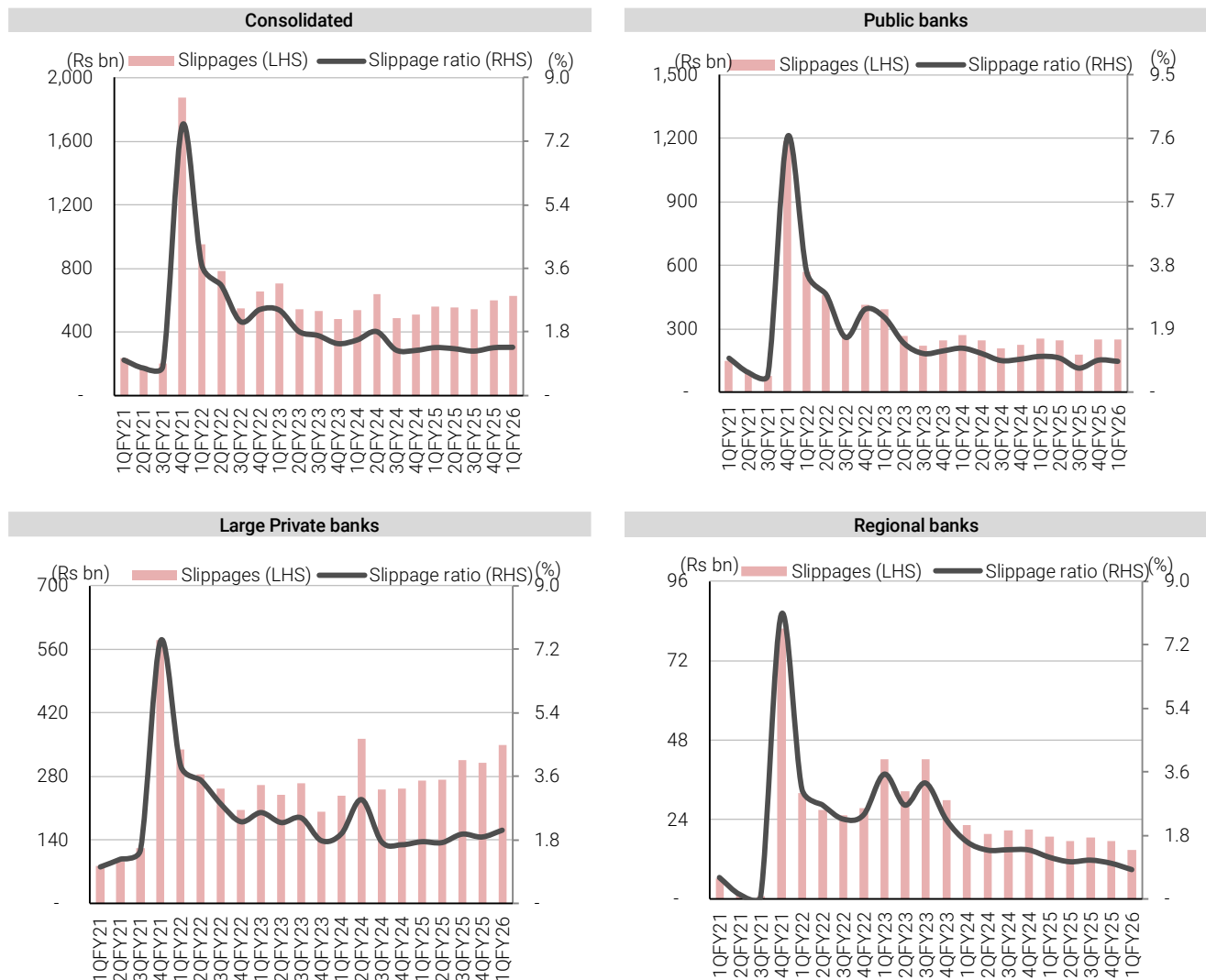
Exhibit 21: Restructured advances, March fiscal year-ends (Rs bn)

	Restructured advances outstanding (Rs bn)								Restructured (% of advances)								
	4QFY22	4QFY23	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	4QFY21	4QFY22	4QFY23	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Large private banks																	
Axis Bank	40	20	15	14	13	13	12	11	0.3	0.6	0.2	0.2	0.1	0.1	0.1	0.1	0.1
HDFC Bank	157	60	NA	NA	NA	NA	NA	NA	0.6	1.1	0.4	NA	NA	NA	NA	NA	NA
ICICI Bank	83	45	31	27	25	21	20	18	0.5	1.0	0.4	0.3	0.2	0.2	0.2	0.1	0.1
Mid and small private banks																	
Bandhan	54	NA	NA	NA	NA	NA	NA	NA	0.7	5.8	NA	NA	NA	NA	NA	NA	NA
City Union	22	13	9	8	9	8	7	6	5.1	5.4	2.9	2.0	1.8	1.8	1.6	1.3	1.1
DCB Bank	19	16	11	10	9	9	8	8	3.7	6.4	4.5	2.6	2.3	2.1	1.8	1.6	1.5
Federal	35	28	20	18	16	16	14	13	1.2	2.4	1.6	1.0	0.8	0.7	0.7	0.6	0.6
IndusInd	62	24	14	12	10	7	4	3	2.0	2.6	0.8	0.4	0.3	0.3	0.2	0.1	0.1
KVB	16	10	7	7	6	6	5	5	1.9	3.0	1.5	1.0	0.9	0.8	0.7	0.6	0.6
Yes Bank	68	47	38	36	21	19	4	4	0.7	3.7	2.3	1.7	1.6	0.9	0.8	0.2	0.2
Small Finance Banks																	
AU SFB	12	7	4	NA	NA	NA	NA	NA	1.9	2.6	1.2	0.6	NA	NA	NA	NA	NA
Equitas SFB	15	2	NA	NA	NA	NA	NA	NA	2.6	7.7	0.9	NA	NA	NA	NA	NA	NA
Ujjivan SFB	5	1	0	-	-	-	-	-	5.7	3.1	0.3	0.1	NA	NA	NA	NA	NA
Utkarsh SFB	1	0	NA	NA	NA	NA	NA	NA	3.1	1.3	0.2	NA	NA	NA	NA	NA	NA
PSU banks																	
Bank of Baroda	190	110	98	NA	NA	NA	NA	NA	2.4	2.3	1.1	0.9	NA	NA	NA	NA	NA
Canara Bank	223	NA	NA	NA	NA	NA	NA	NA	1.2	3.2	NA	NA	NA	NA	NA	NA	NA
SBI	310	243	173	160	148	137	129	-	0.7	1.1	0.8	0.5	0.4	0.4	0.3	0.3	NA
PNB	182	109	90	88	78	17	70	-	1.3	2.6	1.4	1.0	0.9	0.8	0.2	0.7	-
Union Bank	236	178	134	119	112	-	-	-	1.5	3.6	2.3	1.5	1.4	1.3	-	-	-
Overall	1,729	914	645	500	449	252	274	68	1.0	1.8	0.8	0.5	0.4	0.3	0.2	0.2	0.0

Source: Company, Kotak Institutional Equities

Gross slippages still remain quite low across bank groups

Exhibit 22: Gross slippages across bank groups, March fiscal year-ends, 4QFY20-3QFY25 (Rs mn)



Source: Companies, Kotak Institutional Equities

Slippages have not increased sequentially; several SFBs saw elevated slippages during 4QFY25

Exhibit 23: Slippages (% of opening advances, annualized), March fiscal year-ends

	Slippages (Rs mn)					Slippages (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
PSU banks										
Bank of Baroda	30,180	31,100	29,150	31,590	36,860	1.1	1.1	1.0	1.0	1.2
Canara Bank	33,370	23,450	24,640	27,020	21,660	1.4	0.9	0.9	1.0	0.8
Punjab National Bank	17,550	21,810	17,740	30,010	18,860	0.7	0.9	0.7	1.1	0.7
State Bank of India	87,070	49,510	41,460	43,190	83,980	0.9	0.5	0.4	0.4	0.8
Union Bank	23,180	52,190	19,690	25,670	23,450	1.1	2.3	0.9	1.1	1.0
Private banks										
Axis Bank	47,930	44,430	54,320	48,050	82,000	2.0	1.8	2.1	1.8	3.1
ICICI Bank	59,160	50,730	60,850	51,420	62,450	1.9	1.6	1.9	1.5	1.8
IndusInd Bank	15,360	17,980	22,000	50,140	25,670	1.8	2.0	2.4	5.8	3.1
Yes Bank	13,560	12,050	13,140	13,480	12,230	2.4	2.1	2.1	2.2	2.0
City Union Bank	1,783	1,760	2,011	2,595	1,963	1.5	1.4	1.6	2.0	1.5
DCB	3,730	3,890	3,960	3,660	5,810	3.5	3.5	3.3	2.9	4.5
Federal Bank	4,240	4,340	4,980	4,920	6,610	0.8	0.7	0.8	0.8	1.1
Karur Vysya Bank	1,740	1,810	1,390	1,790	1,880	0.9	0.9	0.7	0.8	0.8
HDFC Bank	79,000	78,000	88,000	75,000	90,000	1.3	1.3	1.4	1.1	1.4
Bandhan Bank	10,000	11,100	16,200	17,500	15,500	3.3	3.5	5.1	5.3	4.8
Small finance banks										
AU SFB	5,430	7,360	9,560	8,940	10,270	2.4	3.1	3.8	3.3	3.7
Equitas SFB	3,854	5,058	5,858	5,547	6,639	4.8	6.0	6.6	6.1	7.6
Ujjivan SFB	1,920	2,380	3,500	3,490	3,450	2.8	3.3	4.7	4.4	4.2
Utkarsh SFB	1,800	3,560	7,380	7,710	4,520	4.3	7.9	15.9	16.5	10.1
Total	440,857	422,508	425,829	451,722	513,802	1.3	1.2	1.2	1.2	1.4
Total - PSU banks	191,350	178,060	132,680	157,480	184,810	1.0	0.9	0.6	0.7	0.9
Total - private banks	249,507	244,448	293,149	294,242	328,992	1.7	1.6	1.9	1.9	2.1

Source: Company, Kotak Institutional Equities

Slippages have been high recently for most players in microfinance

Exhibit 24: Comparison of slippage ratio for select microfinance lenders, March fiscal year-ends (% of opening loans)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Banks														
Bandhan (microfinance)	8.2	5.8	24.9	21.1	5.5	10.6	7.8	7.4	4.4	3.5	4.9	8.1	9.6	7.7
IDFC First											8.9	14.0	20.8	21.5
IndusInd (microfinance)	11.9	7.3	5.9	5.5	8.1	4.6	4.3	4.2	3.7	3.4	4.3	8.5	43.1	11.5
RBL (microfinance)						2.8	3.7	5.9	9.5	7.6	13.2	30.8	28.9	22.1
SFBs														
Equitas SFB (microfinance)	12.7	7.0	6.3	4.1	2.7	2.7	2.5	3.9	5.0	5.4	8.7	14.8	14.4	20.8
ESAF SFB (overall)												17.4	15.9	17.2
Jana SFB (microfinance)											9.3	11.9	13.9	15.9
Suryoday SFB (microfinance)											11.4	18.4	23.5	18.9
Ujjivan SFB (microfinance)										2.9	3.8	6.2	6.5	6.5
Utkarsh SFB (microfinance)						3.1	3.3	4.2	2.6	4.4	10.5	23.9	27.5	14.1
NBFC-MFIs (net slippage ratio)														
Belstar		5.0	3.6	(4.1)	2.3	2.5	4.6	4.9	5.3	8.8	9.8	14.7	14.1	
CreditAccess Grameen				1.5	1.0	1.1	1.8	2.3	2.1	4.0	9.5	11.8	10.7	
Fusion	2.0	2.8	3.0	2.3	2.4	3.0	6.0	3.3	13.9	20.9	15.1	15.7	11.0	
Muthoot Microfin									2.5	6.0	7.5	20.3	11.5	
Namra						2.5	5.4	3.6	6.7	11.9	12.3	26.3	18.4	
Satin						2.0	3.7	2.7	5.9	9.6	6.6	5.0		
Spandana Sphoorty								0.6	4.4	6.6	23.0	30.8	34.7	

Source: Company, Kotak Institutional Equities

SMA book has been lower sequentially for all MFI lenders, except a select few with marginally higher numbers

Exhibit 25: SMA 1+2 (% of microfinance book) for delinquent borrowers, March fiscal year-ends (%)

SMA 1+2 (% of loan book)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Asirvad	11.2	5.4		3.0	1.9	0.8	2.2	2.0	1.8	1.7	2.4	5.9	6.4	5.2
AUBANK (microfinance)														
Bandhan (GL+IL)	3.5	8.0	8.2	4.7	3.7	2.9	2.4	1.9	1.4	1.4	1.8	2.4	1.8	1.9
CreditAccess Grameen			0.7	0.5	0.2	0.3	0.3	0.5	0.5	0.7	1.6	2.5	2.2	1.6
Equitas SFB (microfinance)	5.9	5.1	4.0	2.8	2.0	1.5	1.5	1.6	1.8	2.3	3.8	4.2	5.9	
Fusion (GS-2)	2.1	1.3	1.1	0.9	0.7	0.8	1.2	0.8	1.2	3.5	4.7	4.2	3.1	2.4
IDFC First (microfinance)									1.3	1.7	2.5	4.6	5.1	2.6
IIFL (microfinance)	5.5	7.2	7.2	5.0	2.9	1.3	0.9	1.0	0.8	1.3	2.8			
IndusInd Bank (microfinance)										2.0	4.1	4.1	2.3	2.2
L&T Finance (microfinance)							0.2	0.3	0.4	0.5	0.9	1.2	1.4	1.2
Muthoot Microfin (overall)	5.7		2.1		0.6		0.6		1.1	1.9	3.1	4.0	3.8	4.0
Namra (%)	4.7				1.1	1.1	1.3	2.1	2.3	2.5	4.4	7.1	6.8	6.1
RBL Bank (microfinance)							1.2	1.9	1.6	2.0	4.9	5.6	4.7	3.1
Satin							0.4	0.6	0.7	1.0	1.7	1.8	0.9	1.3
Spandana Sphoorty	6.0	3.5	2.9	1.4	1.0	0.8	1.2	1.3	1.6	3.2	6.2	7.7	9.8	13.1
Suryoday SFB (IF)						1.0		1.3	1.2	1.6	3.5	4.6	4.9	3.5
Svatantra	1.7				1.0				0.8					
Ujjivan SFB (GL+IL)										1.0	1.5	1.9	2.0	1.7
Utkarsh SFB (microfinance)					1.4	1.2	1.5	1.6	1.6	2.4	5.0	6.9	3.8	3.2

Source: Company, Kotak Institutional Equities

Write-offs have been volatile over the past few quarters, with some lenders doing aggressive write-offs

Exhibit 26: Write-off of loans, March fiscal year-ends

	Write-offs (Rs mn)					Write-offs (% of advances, annualized)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
PSU banks										
Bank of Baroda	23,140	35,920	11,670	18,400	21,160	0.9	1.3	0.4	0.6	0.7
Canara Bank	23,110	31,210	38,960	50,220	31,150	0.9	1.2	1.5	1.9	1.1
Punjab National Bank	11,960	15,080	13,330	15,010	10,680	0.5	0.6	0.5	0.6	0.4
State Bank of India	50,920	32,080	19,490	100,600	39,860	0.5	0.3	0.2	1.0	0.4
Union Bank	21,860	41,590	40,590	12,300	20,760	1.0	1.9	1.8	0.5	0.9
Private banks										
Axis Bank	22,060	31,190	31,330	33,750	27,780	0.9	1.2	1.2	1.3	1.0
HDFC Bank	26,000	29,000	31,000	33,000	30,000	0.4	0.5	0.5	0.5	0.5
ICICI Bank	17,530	33,360	20,110	21,180	23,590	0.6	1.0	0.6	0.6	0.7
Yes Bank	6,370	6,450	7,970	7,240	7,180	1.1	1.1	1.3	1.2	1.2
City Union Bank	340	559	305	763	744	0.3	0.5	0.2	0.6	0.6
DCB	40	50	840	26	1,750	0.0	0.0	0.7	0.0	1.4
Federal Bank	85	159	4,942	2,358	2,069	0.0	0.0	0.8	0.4	0.3
Karur Vysya Bank	1,010	2,200	2,420	1,340	1,670	0.5	1.1	1.2	0.6	0.7
Small finance banks										
AU SFB	1,800	2,360	2,530	3,880	4,350	0.8	1.0	1.0	1.4	1.6
Equitas SFB	1,370	1,156	2,348	2,995	4,845	1.7	1.4	2.7	3.3	5.6
Ujjivan SFB	593	1,403	2,487	4,173	1,595	0.9	1.9	3.4	5.3	2.0
Utkarsh SFB	1,040	790	2,530	340	540	2.5	1.7	5.5	0.7	1.2
Total	209,228	264,556	232,852	307,575	229,723	0.6	0.8	0.7	0.9	0.6

Source: Company, Kotak Institutional Equities

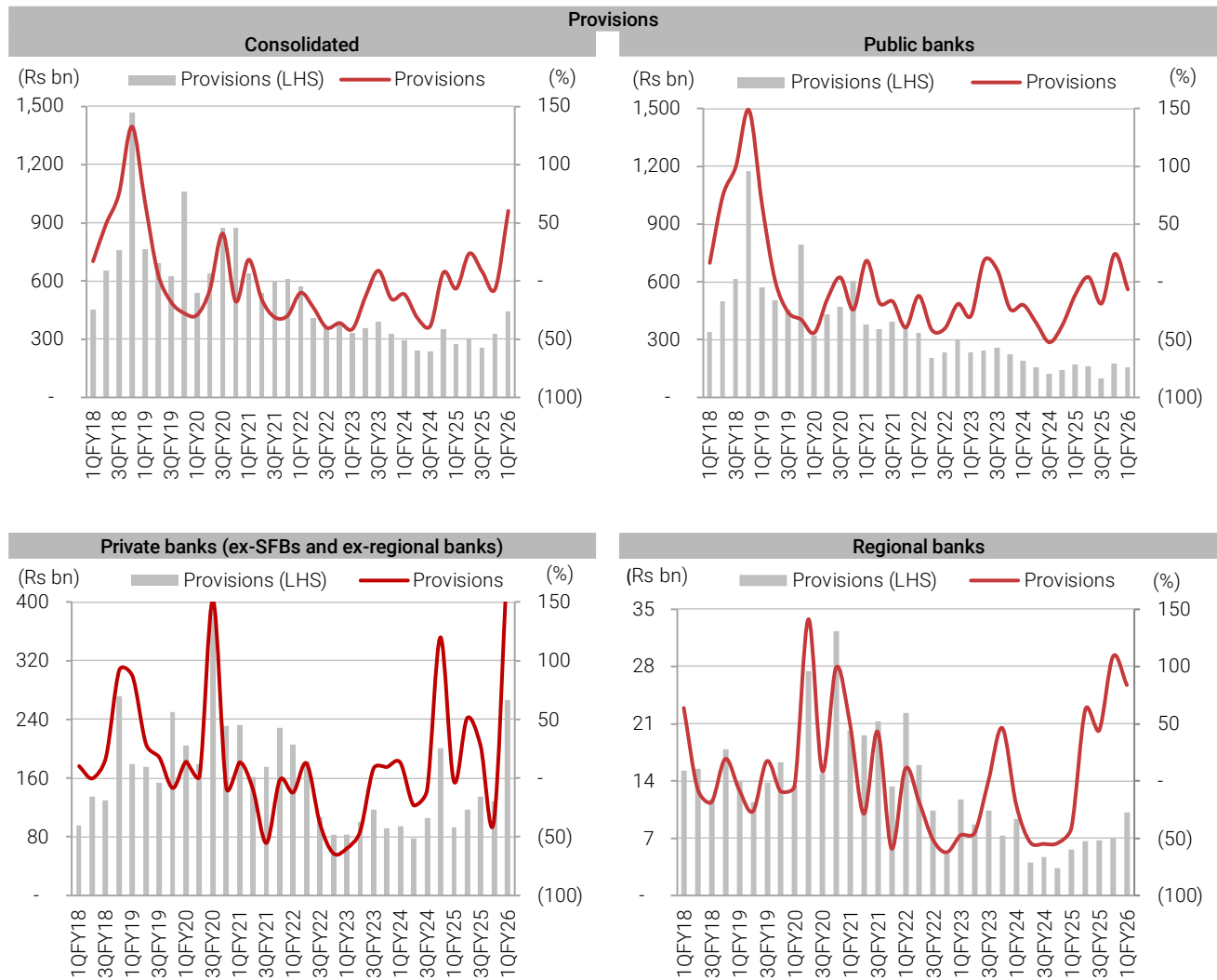
Slight reversal in the downward trend in NPA recoveries/upgradations over the previous quarters
Exhibit 27: NPA recoveries and up-gradations, March fiscal year-ends

	Recovery and upgradation (Rs mn)					Recovery/upgradation (% of advances)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	16,570	18,370	18,210	19,430	15,600	0.6	0.6	0.6	0.6	0.5
Canara Bank	12,750	18,470	12,400	12,110	10,630	0.5	0.7	0.5	0.5	0.4
Punjab National Bank	17,200	29,150	19,730	22,050	16,620	0.7	1.1	0.7	0.8	0.6
State Bank of India	36,660	26,000	12,060	17,390	32,530	0.4	0.3	0.1	0.2	0.3
Union Bank	18,070	19,840	18,550	25,410	13,090	0.8	0.9	0.8	1.1	0.6
Private banks										
Axis Bank	15,030	20,690	19,150	27,910	21,470	0.6	0.8	0.8	1.1	0.8
HDFC Bank	35,000	36,000	40,000	50,000	42,000	0.6	0.6	0.6	0.8	0.6
ICICI Bank	32,920	33,190	33,920	38,170	32,110	1.1	1.0	1.0	1.1	0.9
City Union Bank	1,922	2,011	2,031	2,380	1,431	1.7	1.7	1.6	1.8	1.1
DCB	2,870	3,220	2,920	3,030	4,060	2.7	2.9	2.4	2.4	3.2
Federal Bank	2,060	2,720	3,350	4,340	1,600	0.4	0.5	0.6	0.7	0.3
Karur Vysya Bank	901	999	917	941	702	0.5	0.5	0.4	0.4	0.3
Yes Bank	15,120	6,250	4,780	5,280	6,530	2.6	1.1	0.8	0.9	1.1
Small finance banks										
AU SFB	1,868	2,115	2,692	3,645	3,177	0.8	0.9	1.1	1.4	1.2
Equitas SFB	1,807	2,169	3,019	2,594	2,111	2.3	2.6	3.4	2.9	2.4
Ujjivan SFB	480	450	400	470	470	0.7	0.6	0.5	0.6	0.6
Utkarsh SFB	180	330	270	590	550	0.4	0.7	0.6	1.3	1.2
Total	211,408	221,974	194,399	235,740	204,681	0.6	0.7	0.6	0.7	0.6

Source: Company, Kotak Institutional Equities

Provisions have bottomed out, but we do not see a worrying trend reversal yet, if adjusted for HDFC's one-off

Exhibit 28: P&L provision and yoy growth across bank groups, March fiscal year-ends, 1QFY18-26 (%)



Source: Companies, Kotak Institutional Equities

Credit costs still remain elevated for most SFBs under coverage during 1QFY26
Exhibit 29: Credit costs for select banks, March fiscal year-ends (%)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks											
Bank of Baroda	1.0	0.6	0.8	0.8	0.3	0.5	0.4	0.8	0.4	0.5	0.7
Canara Bank	1.5	1.4	1.2	1.1	0.8	1.0	0.9	0.9	0.9	0.7	0.9
Punjab National Bank	2.4	1.8	1.8	1.5	1.2	0.7	0.5	0.1	(0.1)	0.1	0.1
State Bank of India	0.8	0.4	0.3	0.0	0.1	0.2	0.4	0.5	0.1	0.6	0.5
Union Bank	1.6	1.5	1.0	0.9	0.8	0.6	1.3	0.8	0.7	0.6	0.7
Old private banks											
City Union Bank	2.1	1.4	1.4	0.5	0.4	0.3	0.3	0.6	0.6	0.6	0.5
Federal Bank	0.5	0.3	0.3	0.1	0.2	(0.2)	0.3	0.3	0.5	0.2	0.7
Karur Vysya Bank	2.3	1.8	1.0	0.7	0.8	1.6	0.7	0.9	0.7	0.8	0.5
New private banks											
Axis Bank	0.8	0.3	0.5	0.4	0.4	0.5	0.8	0.9	0.8	0.5	1.5
Bandhan	6.7	2.8	2.5	2.5	2.5	5.9	1.7	1.9	4.3	3.8	3.6
DCB	0.5	0.6	0.4	0.4	0.4	0.2	0.3	0.4	0.6	0.5	0.9
HDFC Bank	0.7	0.7	0.7	0.5	0.7	2.2	0.4	0.4	0.5	0.5	2.2
ICICI Bank	0.9	0.6	0.5	0.2	0.4	0.2	0.4	0.4	0.4	0.3	0.5
IndusInd Bank	1.6	1.4	1.3	1.2	1.1	1.0	1.2	2.0	1.9	2.8	2.1
Yes Bank	1.7	1.2	0.7	1.0	1.0	0.8	0.4	0.5	0.4	0.5	0.5
Small finance banks											
AU	0.2	0.3	0.2	0.6	1.0	0.7	1.3	1.6	2.0	2.4	1.9
Equitas SFB	0.9	1.9	0.9	0.9	1.2	1.4	3.8	3.9	2.7	2.9	7.0
Ujjivan SFB	(0.0)	(0.0)	0.5	0.8	1.0	1.2	1.6	2.1	3.0	3.4	2.8
Utkarsh SFB	2.8	1.0	2.3	2.4	2.8	1.8	3.0	4.6	9.1	4.8	9.2

Source: Company, Kotak Institutional Equities

Credit costs have not increased sharply for any lender segment in 1QFY26, except the marginal rise in SFBs

Exhibit 30: Credit costs across select lending segments, March fiscal year-ends (% of average net loans)



Source: Company, Kotak Institutional Equities

Credit costs have not inched up in 1QFY26 for most lenders under coverage, except Utkarsh SFB

Exhibit 31: Credit costs for select microfinance lenders, March fiscal year-ends (% of average net loans)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Banks (overall)	1.9	2.3	2.3	1.6	1.5	1.7	1.6	2.0	1.6	2.5	2.8	3.0	2.5
Bandhan	2.8	5.7	6.8	3.0	2.4	2.5	2.6	6.1	1.7	2.0	4.3	3.9	3.5
IDFC First	1.0	1.3	1.3	1.3	1.2	1.2	1.5	1.5	2.0	3.3	2.4	2.5	2.8
IndusInd	2.1	1.8	1.6	1.5	1.3	1.3	1.2	1.1	1.2	2.1	1.9	2.7	2.0
RBL	1.7	1.5	1.5	1.1	1.5	3.3	2.8	1.4	2.2	3.0	5.3	3.6	1.9
SFBs (overall)	1.9	1.6	53.7	1.4	1.4	1.4	1.7	1.7	2.3	3.0	3.5	3.3	3.6
AU SFB	1.4	0.7	0.6	0.5	0.4	0.7	1.2	0.8	1.3	1.6	2.1	2.5	2.0
Equitas SFB	2.8	1.7	0.9	2.0	0.9	0.9	1.2	1.4	3.9	4.0	2.8	2.9	6.9
ESAF SFB	2.9	4.6	6.4	2.5	3.6	2.8	3.5	5.2	3.7	7.6	9.3	7.5	5.3
Jana SFB				4.4	4.0	3.2	3.0	3.1	3.3	3.4	2.7	2.6	2.9
Suryoday SFB	5.8	6.1	3.0	3.6	3.5	1.7	2.2	2.5	2.5	3.1	1.5	3.9	2.4
Ujjivan SFB	0.7	(0.2)	(0.0)	(0.0)	0.5	0.8	1.0	1.2	1.6	2.1	3.0	3.5	2.8
Utkarsh SFB	3.5	3.3	3.0	1.1	2.3	2.4	2.9	1.9	3.0	4.8	9.2	4.8	9.0
NBFC-MFIs	7.5	4.4	3.8	3.7	2.9	3.1	3.4	4.4	4.8	9.7	13.4	14.8	9.2
Annapurna	4.1	7.8	6.5	8.5	3.8	4.1	4.2	6.8	3.3	6.8	7.2	4.3	3.5
Arohan	2.9	6.7	2.4	7.6	7.4	0.4	3.2	2.5	2.4	5.9	6.8	10.7	7.2
Belstar	4.1	5.1	5.1	0.6	5.2	4.2	5.1	5.4	6.8	9.8	10.8	15.3	14.9
Chaitanya	1.2	1.6	0.9	1.1	0.8	0.6	1.6	3.8	1.8	2.1	4.2	6.6	6.2
CreditAccess Grameen	2.8	2.9	2.3	2.4	1.6	1.9	2.3	2.6	2.8	7.0	12.9	9.8	9.4
Fusion	1.3	3.6	2.7	3.5	3.7	3.6	4.2	4.9	13.8	28.6	26.8	13.4	9.6
IIFL Samasta	8.2	6.6	6.9	8.1	4.5	5.3	5.3	5.0	4.9	10.1	19.6	6.1	12.4
Midland	3.6	3.2	4.2	4.0	0.4	2.1	3.6	5.4	0.8	8.4	2.5	10.0	4.1
Muthoot Microfin	5.1	8.1	2.5	1.4	1.1	2.0	2.3	2.9	3.0	6.5	6.8	28.7	5.8
Namra	4.5	4.1	3.3	4.1	3.8	2.7	4.0	5.3	9.7	12.9	20.7	27.3	20.4
Satin	26.9	0.9	4.3	0.4	1.0	1.8	2.1	3.4	3.4	6.6	9.5	5.0	6.1
Satya	1.0	3.9	2.9	3.1	2.8	1.7	4.4	4.2	3.0	1.8	7.9	3.4	21.9
Spandana Sphoorty	25.9	1.8	2.7	5.1	1.2	4.1	2.8	3.3	7.9	21.1	31.2	38.0	35.2
Svatantra	6.3	6.4	9.0	4.2	2.8	5.6	3.3	9.9	1.0	5.5	5.1	7.9	5.6
NBFCs (overall)													
L&T Finance	3.6	2.6	2.7	2.3	2.4	2.6	2.6	2.4	2.4	2.6	2.5	2.5	2.2

Source: Company, Kotak Institutional Equities

PCR has remained stable for most banks

Exhibit 32: Provision coverage ratio, March fiscal year-ends (%)

	Ex technical write-off					Including technical write-off				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
BoB	76.6	76.3	76.0	74.9	74.0	93.3	93.6	93.5	93.3	93.2
Canara	71.0	74.1	74.1	76.7	77.1	89.2	90.9	91.3	92.7	93.2
PNB	88.4	90.2	90.2	90.3	90.3	95.9	96.7	96.7	96.8	96.9
SBI	74.4	75.7	74.7	74.4	74.5	91.8	92.2	91.7	92.1	91.7
Union	80.9	78.4	79.3	83.1	82.9	93.5	92.8	93.4	94.6	94.7
Old private banks										
City Union Bank	52.8	55.1	58.6	60.1	60.8	73.0	75.0	77.0	78.0	79.0
Karur Vysya Bank	71.3	75.2	75.9	74.1	71.3	94.9	96.1	96.9	96.8	96.8
Federal Bank	71.9	72.9	75.2	76.2	75.2					
New private banks										
Axis Bank	78.1	76.6	76.2	74.6	71.5					
Bandhan	73.7	73.5	73.5	73.7	73.7					
DCB	65.2	65.2	62.9	63.2	59.7					
HDFC Bank	71.2	69.9	67.8	67.9	66.9					
ICICI Bank	80.2	79.0	78.7	76.9	75.9					
Yes	67.6	70.0	71.2	79.7	80.2					
IndusInd Bank	70.6	70.1	70.2	70.2	70.2					
Small finance banks										
AU SFB	65.1	62.8	61.2	68.1	64.7					
Equitas SFB	70.3	67.7	68.3	66.8	67.0					
Ujjivan SFB	84.0	78.1	79.7	78.1	72.9					
Utkarsh SFB	91.0	77.7	61.1	51.2	59.2					

Source: Company, Kotak Institutional Equities

Loan growth stood at 10% yoy for banks under coverage

In 1QFY26, loan growth for coverage banks decelerated around 70 bps qoq to 9.9%. This is down 10 percentage points from 19.8% loan growth in 1QFY25. SFBs have slowed down growth due to the ongoing cycle in microfinance and private banks, except for regional banks, including DCBB, KVB and CUBK, have also shown deceleration in loan growth. According to the latest RBI data, overall credit growth for the banking system remained subdued at 10% yoy in June 2025.

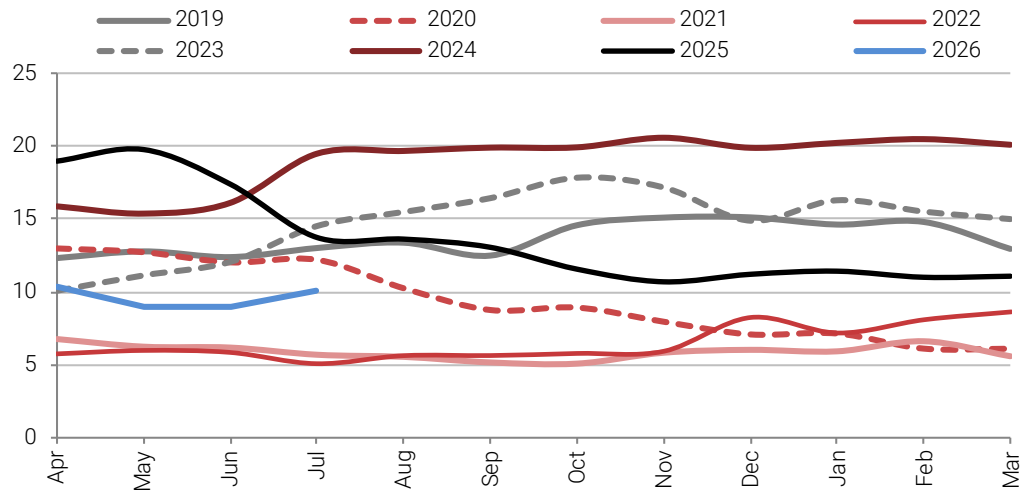
Retail loan growth for the industry has remained stable, as of June 2025. The unsecured segments, including consumer durable financing and credit cards, have slowed down, while the segment that is growing very strongly is loans against gold, growing at 124% yoy. Housing, education and vehicle loans continue to exhibit moderate levels of growth at 7-10% yoy.

Disbursements in the microfinance industry declined sharply in FY2025 and are now showing slight signs of picking up, with the larger players leading the way (Exhibit 40).

Credit growth remained modest during 1QFY25. Growth in banking lending to the services sector was primarily driven by trade, transport operators and professional services. Notably, growth in bank lending to NBFCs has slowed recently and is growing modestly at 3% yoy. Frontline public banks, led by SBI, maintained a growth trajectory above the industry, with major private banks also showing decent growth. Additionally, some regional private banks, including CUBK and KVB, reported strong credit growth. Segmental credit growth data from individual banks indicates that credit growth has been relatively broad-based across the retail, MSME and large corporate sectors, with retail leading. We expect retail and MSME to continue driving growth, going forward.

Industry loan growth stands at ~10% yoy

Exhibit 33: Growth in loans yoy, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Loan growth at ~10% yoy in 1QFY26 for banks under coverage, with most banks showing modest growth

Exhibit 34: Growth in loans for banks under coverage yoy, March fiscal year-ends (%)

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks															
Bank of Baroda	3.6	8.9	18.0	19.0	19.7	18.5	18.0	17.3	13.6	12.5	8.1	11.6	11.8	12.8	12.6
Canara Bank	9.3	9.8	14.5	20.0	16.7	16.4	13.3	12.1	11.7	11.3	9.9	9.5	10.4	11.7	12.4
PNB	4.9	8.0	12.3	14.9	15.5	14.1	16.3	15.1	14.5	12.5	13.9	14.6	16.8	15.3	11.0
SBI	8.9	11.6	15.8	20.8	18.6	17.0	14.9	13.3	15.1	15.8	15.9	15.3	13.8	12.4	11.9
Union Bank	5.8	11.8	15.7	25.2	22.6	15.3	13.9	10.5	14.0	14.3	14.0	11.6	6.7	9.5	7.7
Old private banks															
CUBK	5.2	11.2	12.5	12.3	12.0	6.8	3.6	2.3	2.3	5.7	9.8	11.5	14.5	14.2	16.1
Federal Bank	14.4	12.0	17.1	20.0	19.1	20.1	22.0	19.0	21.0	21.0	19.5	19.3	15.1	13.1	8.9
KVB	7.1	9.0	13.9	14.8	15.0	11.5	12.3	13.9	13.3	16.0	16.1	14.0	14.0	13.5	15.0
New private banks															
Axis Bank	16.7	15.2	14.0	17.6	14.7	19.4	22.4	22.7	22.3	14.2	14.2	11.4	8.8	7.8	8.1
Bandhan	4.6	15.1	21.6	21.1	14.7	11.5	8.0	13.1	19.6	15.6	23.8	23.6	15.6	9.0	5.7
DCB	9.3	12.1	16.9	16.5	19.2	18.2	19.0	19.1	18.2	19.0	18.9	19.3	22.7	24.7	21.4
HDFC Bank	16.5	20.8	21.6	23.4	19.5	16.9	15.8	57.5	62.3	55.2	52.5	7.0	3.0	5.4	6.7
ICICI Bank	16.4	17.1	21.3	22.7	19.7	18.7	18.1	18.3	18.5	16.2	15.7	15.0	13.9	13.3	11.5
Yes Bank	3.8	8.5	13.9	11.3	10.4	12.3	7.4	8.7	11.8	12.1	14.7	12.4	12.6	8.1	5.0
IndusInd Bank	10.4	12.4	17.7	17.8	19.3	21.3	21.5	21.3	19.9	18.4	15.5	13.2	12.2	0.5	(4.1)
Small finance banks															
AU	32.6	33.2	43.3	44.4	38.4	26.7	29.2	24.0	20.0	25.2	42.6	47.8	49.2	46.4	22.5
Equitas SFB	8.9	15.0	22.5	22.4	27.1	33.2	34.4	31.7	25.5	20.0	16.0	18.1	21.1	16.9	8.8
Ujjivan SFB	13.6	12.5	24.3	29.3	27.2	30.6	34.5	39.5	31.2	26.3	22.3	20.0	15.6	16.8	19.9
Utkarsh SFB	23.4	24.5	29.3	41.5	34.0	27.8	28.4	23.4	22.3	25.2	24.6	28.8	23.6	14.4	6.5
Public sector	7.3	10.5	15.4	20.2	18.6	16.6	15.2	13.6	14.2	14.1	13.5	13.5	12.6	12.4	11.5
Private sector	15.1	16.9	19.3	21.0	18.2	17.9	17.8	32.9	34.6	30.0	29.0	11.6	8.8	8.5	7.9
Total	10.3	13.0	16.9	20.5	18.4	17.1	16.2	21.3	22.3	20.5	19.8	12.6	11.0	10.7	9.9

Source: Company, Kotak Institutional Equities

Retail loan growth has been healthy at 12% yoy

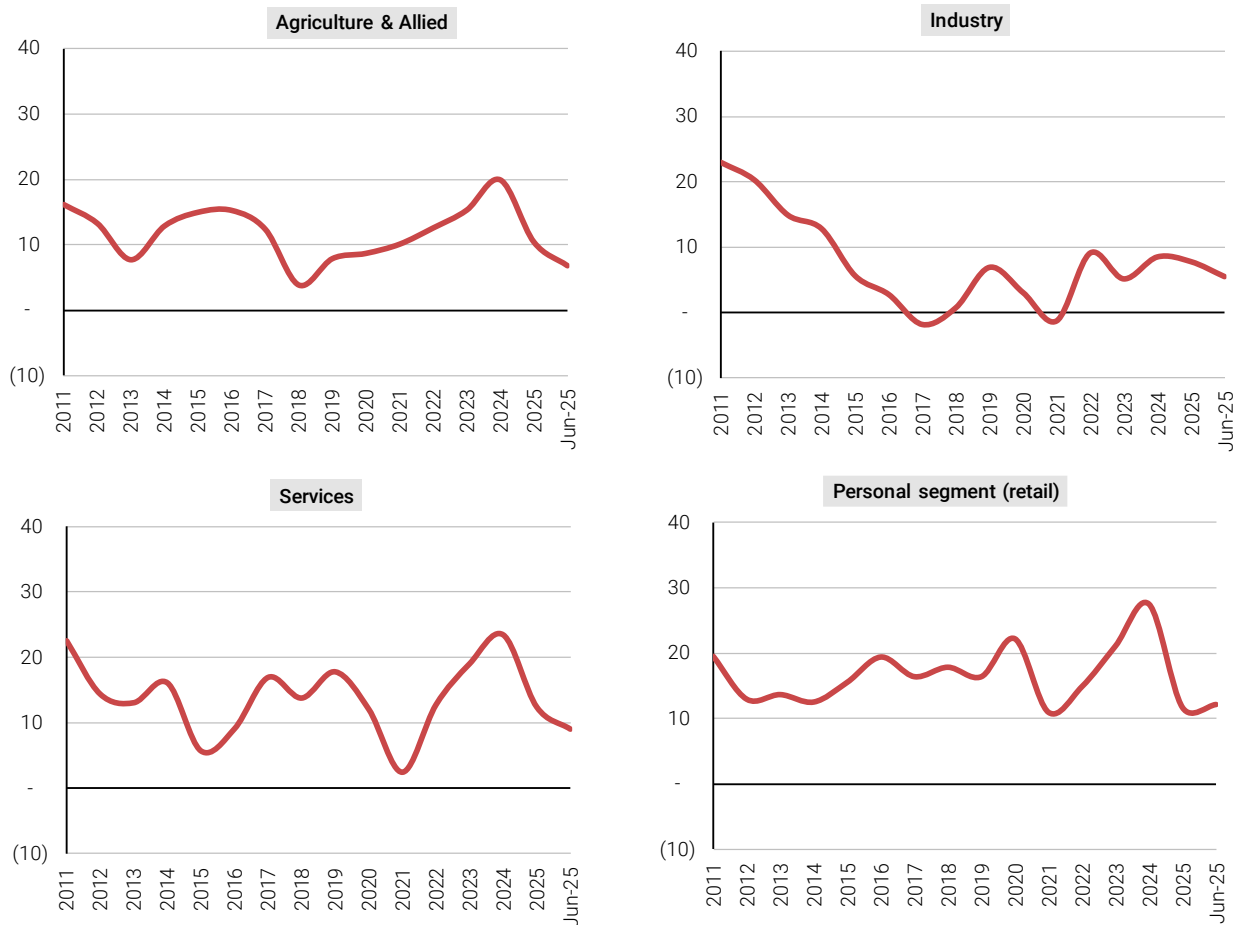
Exhibit 35: Segment-wise loan share and growth across banking system, March fiscal year-ends (%)

	Proportion of loans																	Growth yoy																
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Jun-25	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Jun-25	
Agriculture & Allied	14	13	13	12	12	13	13	14	13	13	13	13	13	13	13	13	13	13	16	13	8	13	15	15	12	4	8	9	10	13	15	20	10	7
Industry	43	44	45	46	46	44	42	38	35	33	31	29	28	26	23	23	22	23	20	15	13	6	3	(2)	1	7	3	(1)	9	5	9	8	5	
Micro, small and medium	11	9	9	8	9	8	7	7	6	6	5	5	7	7	6	6	7	(3)	12	11	16	7	(4)	(2)	—	1	3	15	40	13	14	12	17	
Large	32	35	37	37	37	36	34	31	29	28	26	24	21	19	17	16	15	32	22	16	12	5	4	(2)	1	8	3	(5)	2	3	6	6	1	
Sector-wise:																																		
Mining & Quarrying	1	1	1	1	1	1	1	—	1	—	—	—	—	—	—	—	—	41	28	7	3	—	9	(12)	20	1	8	(4)	16	20	(10)	5	2	
Food processing	2	2	2	2	3	3	2	2	2	2	2	2	2	1	1	1	1	18	22	24	25	17	(12)	(3)	7	1	(8)	8	11	4	15	5	8	
Textiles	4	4	4	4	4	3	3	3	3	3	2	2	2	2	2	2	2	20	9	15	10	(0)	2	(5)	7	(3)	(4)	5	11	1	11	8	9	
Paper & Paper Products	1	1	1	1	1	1	1	—	—	—	—	—	—	—	—	—	—	12	17	13	16	4	4	(8)	(6)	(1)	1	23	11	6	5	14	11	
Petroleum and others	3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	(35)	20	5	1	(13)	(9)	16	9	(3)	20	4	37	38	(11)	16	3	
Chemicals	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2	27	17	25	4	(7)	7	5	(5)	17	10	(13)	10	10	11	7	6	
Basic metals	5	6	6	6	7	6	6	6	5	4	4	4	3	3	3	2	3	32	22	20	15	7	8	1	(11)	(11)	(6)	(12)	(6)	19	12	13	11	
Engineering	2	3	3	3	3	3	2	2	2	2	2	2	2	2	1	1	1	26	21	13	14	5	—	(3)	4	9	(4)	(5)	13	3	10	22	22	
Vehicles, and others	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	18	13	13	13	3	1	7	1	6	1	12	5	11	5	7		
Gems & jewellery	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	26	29	19	14	3	1	(5)	5	(1)	(8)	12	12	(6)	8	1	6	
Construction	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	(2)	12	7	20	19	—	10	10	10	11	8	1	4	7	13	10	
Infrastructure	12	14	15	15	15	15	15	13	12	12	11	11	11	11	9	8	8	38	21	16	15	11	4	(6)	(2)	19	3	1	9	2	7	1	(1)	
Power	6	7	8	9	9	9	9	7	7	7	6	6	5	5	4	4	4	42	24	26	17	15	4	(9)	(1)	9	—	—	7	1	4	6	8	
Telecom	2	3	2	2	2	2	1	1	1	1	2	1	1	1	1	1	1	58	1	(7)	1	4	(1)	(7)	(1)	37	27	(22)	11	(15)	28	(14)	(21)	
Roads	2	2	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	24	22	18	20	7	5	1	(7)	5	4	25	20	11	6	(2)	(6)	
Other Infrastructure	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	21	32	—	9	3	9	(0)	4	63	(6)	(0)	1	5	5	3	(4)	
Other Industries	4	4	4	4	3	3	3	3	2	2	3	2	2	2	2	2	2	9	32	1	4	(2)	6	1	(4)	7	26	(10)	11	(14)	18	17	3	
Services	24	24	24	24	24	24	24	25	27	28	28	28	28	29	29	30	29	23	14	13	16	6	9	17	14	18	12	2	13	19	23	12	9	
Transport operators	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	33	9	4	16	(1)	9	11	10	6	3	8	17	14	20	12	6	
Computer Software	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11	3	18	10	(7)	11	(6)	4	(0)	3	4	23	3	4	27	36	
Tourism, Hotels & Restaurants	1	1	1	1	1	1	1	1	—	—	—	—	—	—	—	—	—	43	16	9	13	(7)	—	1	(3)	7	38	10	14	2	12	7	8	
Shipping	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13)	(0)	3	25	(1)	3	(20)	(25)	23	(19)	29	9	(20)	(0)	3	15	
Aviation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Professional Services	1	1	1	1	1	1	2	2	2	2	2	2	1	1	1	1	1	4	5	19	41	6	24	32	13	10	(1)	(36)	10	16	20	17	14	
Trade	5	5	5	6	6	6	6	6	6	6	6	6	7	7	7	7	7	13	21	22	18	12	4	12	9	13	5	13	18	18	18	16	11	
- Wholesale Trade (other than food procurement)	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	10	27	25	12	7	(6)	15	6	22	7	22	19	14	22	20	13	
- Retail Trade	3	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	17	15	20	26	17	14	10	12	6	4	4	17	22	13	11	8	
Real Estate	3	3	3	3	3	3	3	3	2	2	3	2	3	3	2	3	3	6	16	12	22	9	7	4	—	9	43	—	2.7	8.5	45	14	15	
NBFCs	4	5	5	5	5	5	5	6	6	8	10	9	9	10	10	9	9	62	24	14	13	6	13	11	27	41	36	(1)	9	30	15	6	3	
HFCs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other Services	7	7	6	6	6	5	5	7	7	7	7	5	5	6	6	6	7	17	6	7	11	2	9	35	16	5	(16)	8	19	12	38	18	13	
Personal Loans	19	19	18	18	18	19	21	23	25	26	28	30	31	32	34	34	35	19	13	14	12	16	19	16	18	16	22	11	15	21	27	12	12	
Consumer Durables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(24)	13	17	53	19	16	17	(5)	(68)	155	7	3	18	13	(1)	(3)	
Housing	10	10	9	9	10	10	11	12	13	13	14	15	15	15	17	17	18	19	12	13	18	17	19	15	13	19	18	10	16	15	37	11	10	
Credit card	1	—	—	1	—	1	1	1	1	1	1	1	1	2	2	2	2	(10)	13	22	(0)	23	24	38	32	29	36	10	17	32	26	11	7	
Education	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17	16	10	9	6	8	3	(1)	(2)	(4)	19	6	17	24	15	14	
Vehicle	2	2	2	2	2	2	2	2	2	2	2	3	4	4	4	4	4	14	22	24	(4)	17	23	12	11	7	38	32	9	21	18	9	8	
Loans against gold jewellery	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other Personal Loans	3	4	4	4	4	4	5	5	7	7	8	8	8	9	9	9	9	42	8	11	13	18	25	27	35	15	30	1	19	28	21	8	10	
Loans against FD	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	15	7	4	(2)	7	(1)	10	14	(13)	8	7	46	2	13	15	

Source: RBI, Kotak Institutional Equities

Retail loan growth has been healthy at ~12% yoy; credit to industries is much lower at 5% yoy

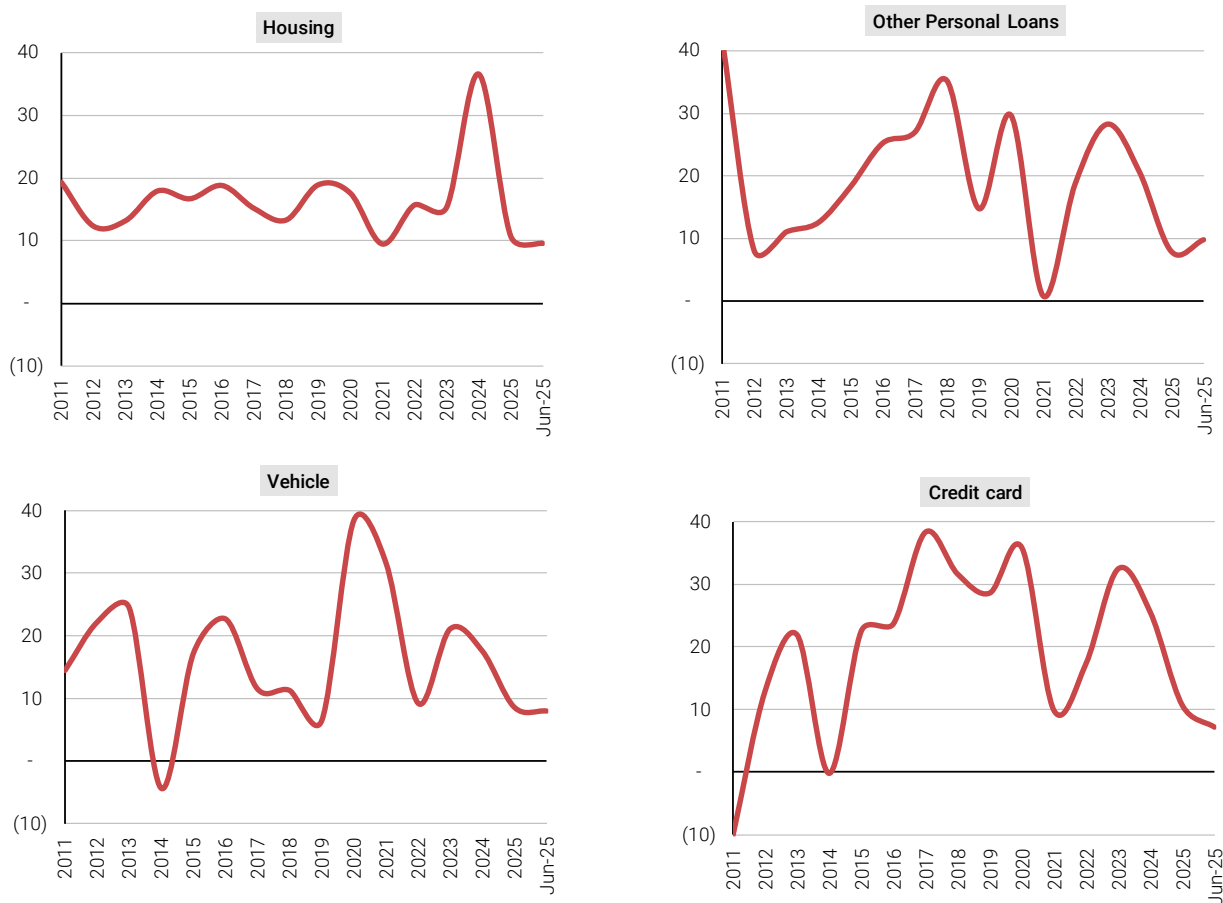
Exhibit 36: Credit growth across broad segments for the banking system, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Retail credit growth remains at modest levels

Exhibit 37: Credit growth across retail credit segments, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Credit to industry is currently being driven by segments such as basic metals, chemicals, food processing and engineering, while the growth in roads and infrastructure has slowed a bit

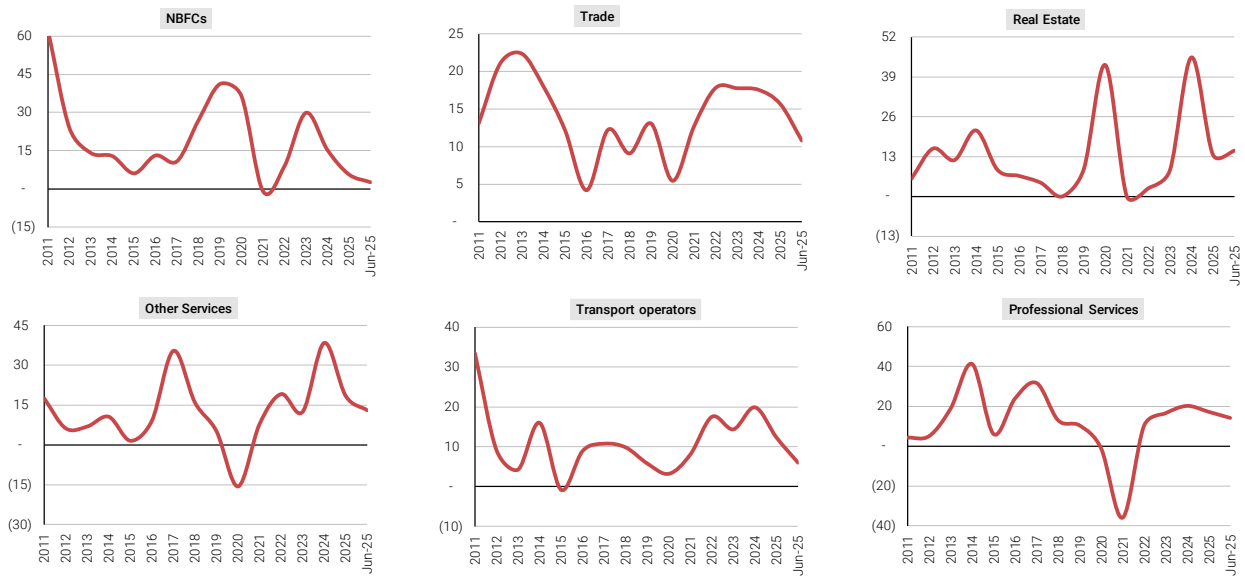
Exhibit 38: Credit growth across segments within industry, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Growth in banking lending to services sector is being led by trade, transport operators and professional services, while growth in bank lending to NBFCs has slowed down recently

Exhibit 39: Credit growth across segments within services, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Microfinance disbursements seem to be signaling signs of recovery, especially the larger players

Exhibit 40: Microfinance disbursements across select lenders, March fiscal year-ends (Rs bn)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Banks													
Bandhan (microfinance)	82	128	152	212	80	170	174	228	137	125	123	151	107
IDFC First (microfinance)						43	39	28	29	21	10	8	9
IndusInd (microfinance)	75	97	89	116	84	120		138	85	71	90		
RBL (microfinance)		19	15	25	22	20	20	23	15	11	9	8	12
SFBs													
Equitas SFB (microfinance)	9	10	13	17	15	14	14	15	10	9	11	4	3
ESAF SFB (microfinance)		13	24	40	30	20	23	31	16	13	13	10	7
Jana SFB							20		16	13	18	20	-
Suryoday SFB (microfinance)					8	11	12	12	11	9	7	8	11
Ujjivan SFB (microfinance)	35	38	38	49	40	42	43	49	39	32	29	40	39
Utkarsh SFB (microfinance)	19	24	23	26	19	24	30	37	24	17	15	16	12
NBFC-MFIs													
Annapurna	13	19	20	25	18	18	20	27	21	19	21	28	21
Arohan	12	10	12	16	15	16	15	21	14	14	2	15	14
Belstar	11	13	12	21	20	22	25	29					
Chaitanya	11	10	13	17	12	14	16	21	16	15	19	20	
CreditAccess Grameen (overall)	21	44	48	72	48	50	53	81	45	44	51	65	55
Fusion (overall)	20	21	22	24	23	23	27	30	30	17	12	12	30
IIFL Samasta (microfinance)	14	18	27	37	23	31	29	33	11	16	14	20	12
Midland	5	5	3	5	3	7	6	9	6	5	4	6	6
Muthoot Microfin (overall)			22	24	25	27	26	29	22	27	20	20	18
Namra (overall)	3	2	4	5	4	5	5	5	4	3	2	4	3
Satin (overall)	16	16	17	25	20	22	27	28	20	23	27	29	22
Satya	3	10	9	20	6	12	14	17	6	12			
Sonata													
Spandana Sphoorty (overall)	13	14	24	31	17	25	25	40	23	15	14	4	3
Svatantra	13	17	15	17	17	14	14	18	15	12	9	-	-
NBFCs													
L&T Finance (micro loans)	38	44	43	44	45	57	55	58	58	54	46	51	56

Source: RBI, Kotak Institutional Equities

NIM was lower qoq for all banks, with June rate cut only partially passed through

NIM for most banks were lower qoq due to the delayed repricing of deposits compared with loans, owing to the rate cuts. Public banks and frontline private banks had a 10-20 bps decline in NIM at a calculated level. NII growth was sluggish at 1% at a consolidated level, while public banks remained flat yoy, private banks were up 4% yoy and regional banks at 2% yoy.

Profitability for the banks was protected in 1QFY26 because of the large treasury gains made by the banks in the investment book. 2QFY26 will not have much cushioning from treasury gains, with the June rate cut of 50 bps completely passed through, resulting in a comparatively higher NIM compression for most banks.

The commentary from banks suggests that deposit repricing and the CRR cut will revive the NIMs by end-2HFY26. The degree of impact varied across lenders, depending on their loan portfolio composition and the timing of rate transmission. While loans linked to EBLR were repriced immediately, the repricing of term deposits is expected to take longer. Additionally, most banks have reduced savings account interest rates, as the repricing affects the existing balance stock rather than new deposits.

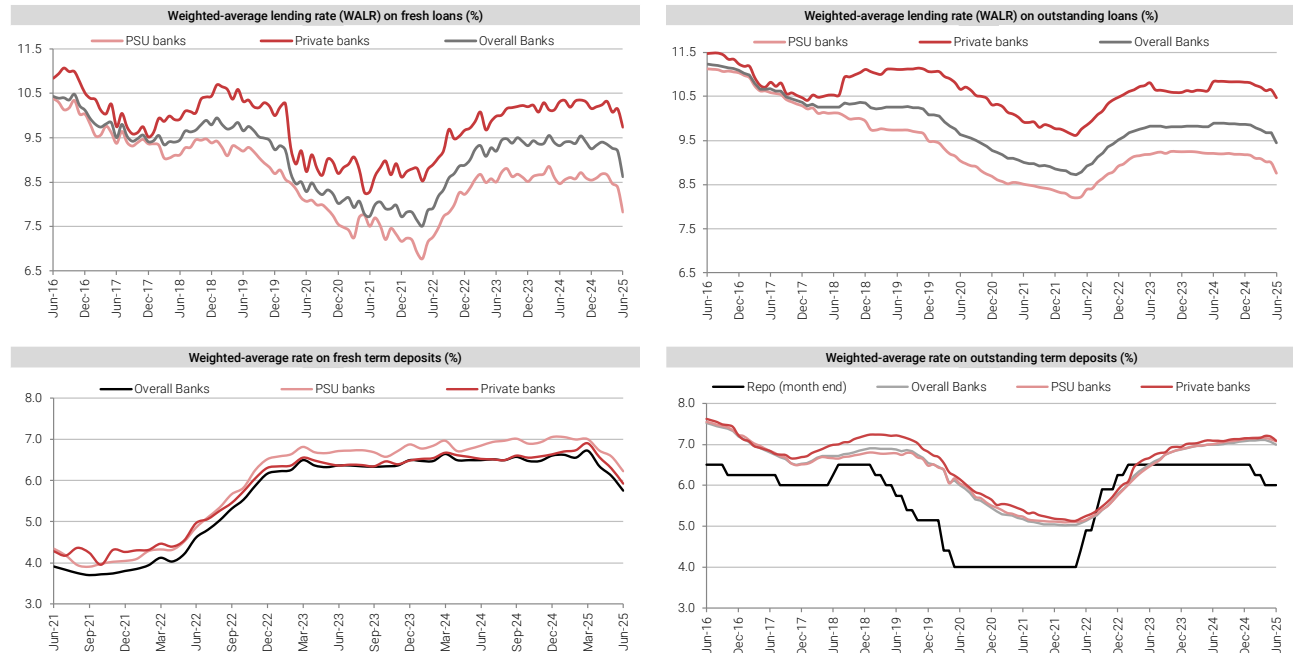
The sector continues to face pressure from elevated retail credit costs and a narrowing NIM. While asset quality is expected to remain stable, the key focus will be on mitigating the earnings impact of NIM compression through different measures. Lenders appear to be turning more constructive on their overall unsecured loan portfolios, although sustaining growth in this segment may remain a challenge.

Cost of funds remained flat or 10 bps lower qoq for most lenders as the rate cut cycle is yet to take effect in the entirely.

According to the latest RBI data, term deposit rates are approximately 2.0% higher than the low of around 5.0%. Both private and PSU banks have started lowering deposit rates over the past year, after the rate cut. The cost of wholesale deposits, as measured by CD rates, has now broadly stabilized.

Pricing of fresh loans is down ~75 bps and ~45 bps for PSU banks and private banks, respectively; pricing of fresh term deposits is down ~80 bps for both

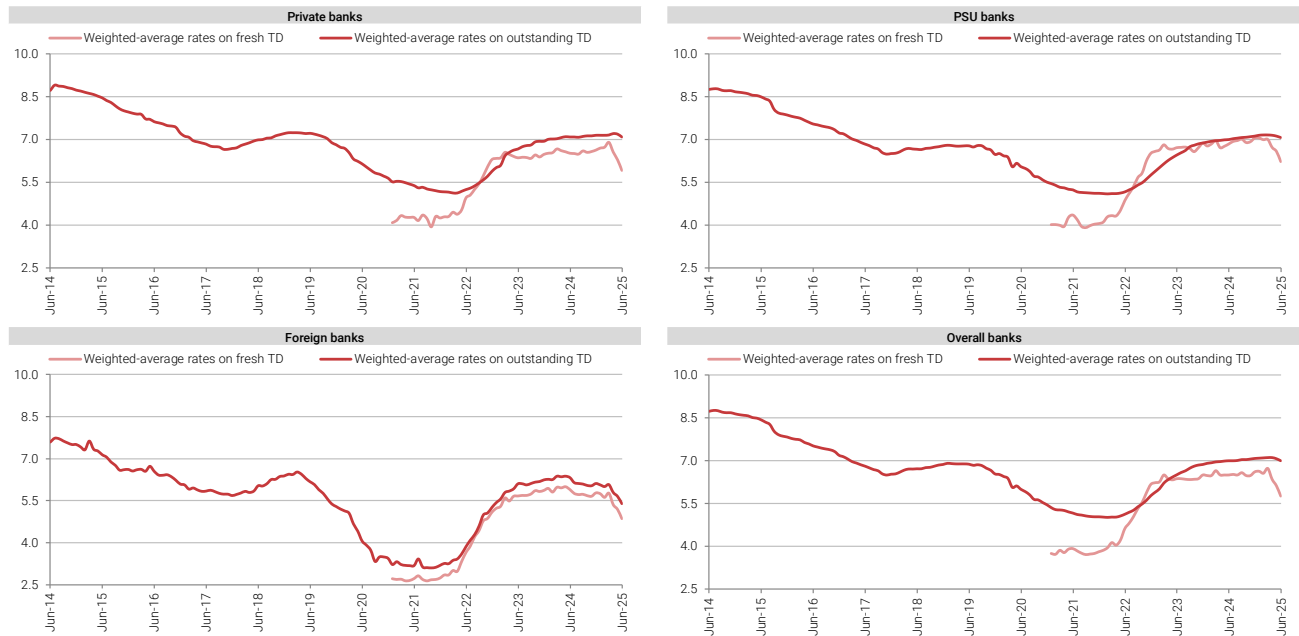
Exhibit 41: Weighted average term deposit rates and lending rates for banking system (%)



Source: RBI, Kotak Institutional Equities

Pricing of fresh term deposits has declined ~60 bps and ~40 bps for private and PSU banks since March 2025; pricing of fresh loans has declined ~15 bps and ~30 bps for private banks and PSU banks, respectively

Exhibit 42: Comparison of fresh and outstanding rates on term deposits across banks (%)



Source: RBI, Kotak Institutional Equities

NIM has declined 10-50 bps for banks under coverage

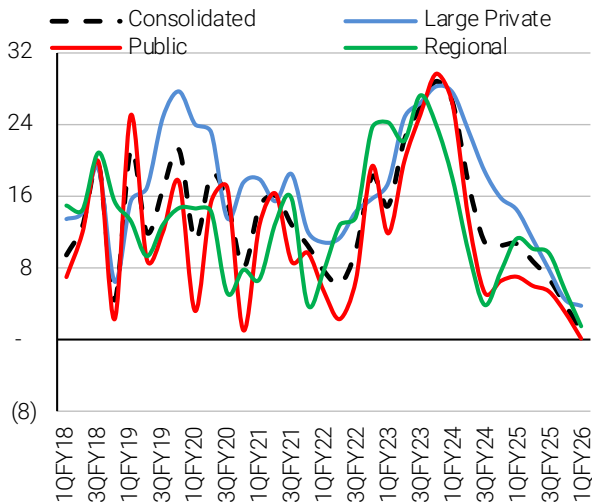
Exhibit 43: NIM and yoy growth in NII for banks, March fiscal year-ends (%)

	NIM (% ,calculated)					NII yoy growth (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	3.0	3.0	2.8	2.7	2.7	5.5	7.3	2.8	(2.5)	(1.4)
Canara Bank	2.5	2.5	2.4	2.4	2.2	5.8	4.6	(2.9)	(1.4)	(1.7)
Punjab National Bank	2.8	2.7	2.7	2.5	2.4	10.2	6.0	7.2	3.8	1.0
State Bank of India	2.9	2.9	2.8	2.8	2.6	5.7	5.4	4.1	2.7	(0.1)
Union Bank	2.9	2.8	2.8	2.8	2.6	6.5	(0.9)	0.8	0.8	(3.2)
Old private banks										
City Union Bank	3.2	3.3	3.2	3.2	3.2	4.3	8.2	13.9	9.8	14.7
Federal Bank	3.1	3.0	3.0	2.9	2.8	19.5	15.1	14.5	8.3	2.0
Karur Vysya Bank	3.8	3.8	3.7	3.7	3.5	14.2	15.8	7.7	9.4	5.4
New private banks										
Axis Bank	3.8	3.8	3.8	3.7	3.6	12.5	9.5	8.6	5.5	0.8
Bandhan	7.1	7.0	6.5	6.1	5.9	19.9	20.7	12.1	(3.6)	(7.7)
DCB	3.1	3.1	3.1	3.0	3.0	5.5	7.0	14.5	9.9	16.9
HDFC Bank	3.5	3.5	3.5	3.5	3.4	26.4	10.0	7.7	10.3	5.4
ICICI Bank	4.4	4.3	4.3	4.3	4.3	7.3	9.5	9.1	11.0	10.6
IndusInd Bank	4.1	4.0	3.8	2.2	3.4	11.1	5.3	(1.3)	(43.3)	(14.2)
Yes Bank	2.8	2.8	2.7	2.8	2.9	12.2	14.3	10.2	5.7	5.7
Small finance banks										
AU	6.3	6.2	5.9	5.7	5.3	54.1	58.1	52.7	56.6	6.5
Equitas SFB	7.3	7.1	6.9	6.7	6.2	7.9	4.8	4.2	5.5	(2.0)
Ujjivan SFB	9.6	9.3	8.4	7.8	7.4	18.8	14.6	3.1	(7.4)	(9.1)
Utkarsh SFB	9.8	9.1	7.7	6.4	6.2	35.8	26.4	(0.5)	(23.8)	(29.9)

Source: Company, Kotak Institutional Equities

NII growth was flat yoy

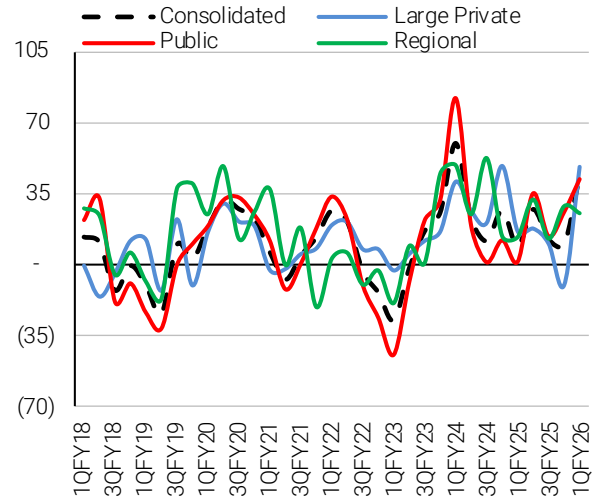
Exhibit 44: NII growth for banks (consolidated), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Non-interest income growth was strong this quarter

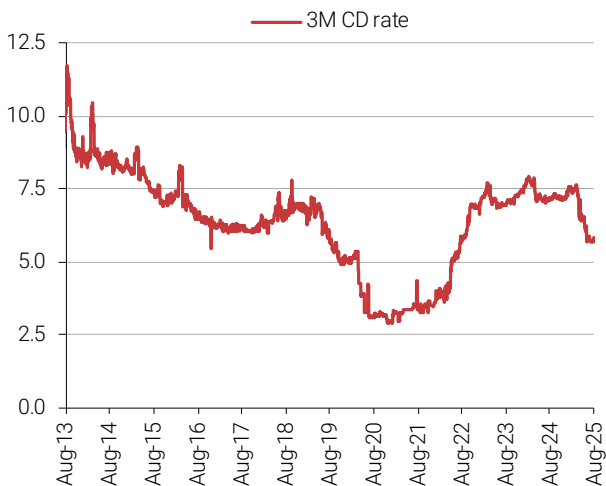
Exhibit 45: Non-interest income growth for banks (consolidated), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

CD rates are now cooling off a bit

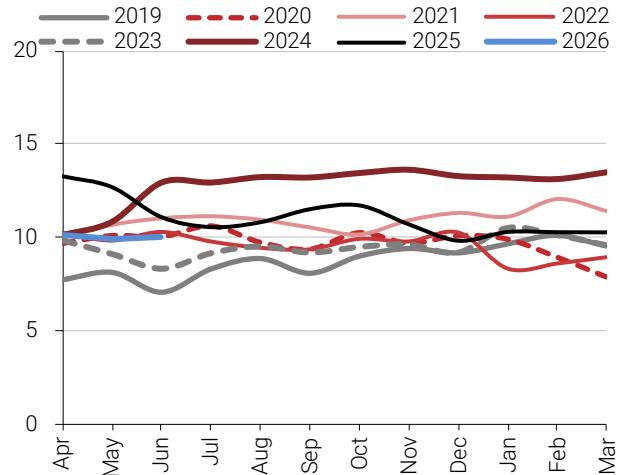
Exhibit 46: 3-month CD rate (%)



Source: Bloomberg, Kotak Institutional Equities

Deposit growth at ~10% yoy

Exhibit 47: Growth in deposits yoy, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Deposit growth has been relatively weaker for PSU banks as compared with private banks

Exhibit 48: CASA ratio and yoy growth in deposits, March fiscal year-ends (%)

	Deposit growth (%)					CASA ratio (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	8.9	9.1	12.7	10.3	9.8	40.6	39.8	39.3	40.0	39.3
Canara Bank	12.0	9.3	8.4	11.0	9.9	31.0	31.3	30.0	31.2	29.6
Punjab National Bank	8.5	11.3	15.6	14.4	12.9	40.1	39.3	38.1	38.0	37.0
State Bank of India	8.2	9.1	9.8	9.5	11.7	40.7	40.0	39.2	40.0	39.4
Union Bank	6.1	9.2	3.8	4.2	3.6	33.4	31.9	32.5	33.5	32.5
Old private banks										
City Union Bank	6.2	8.8	11.5	14.1	19.8	29.5	29.4	27.7	28.5	27.3
Federal Bank	19.6	15.6	11.2	12.3	8.0	29.3	30.1	30.2	30.2	30.3
Karur Vysya Bank	14.4	15.4	15.7	14.5	15.5	30.0	29.5	28.4	27.3	27.5
New private banks										
Axis Bank	12.8	13.7	9.1	9.8	9.3	41.8	40.6	39.5	40.8	40.3
Bandhan Bank	22.8	27.2	20.1	11.8	16.1	33.4	33.2	31.7	31.4	27.1
DCB Bank	20.2	19.9	20.3	21.6	20.0	25.4	25.6	25.1	24.5	23.3
HDFC Bank	24.4	15.1	15.8	14.1	16.2	36.3	35.3	34.0	34.8	33.9
ICICI Bank	15.1	15.7	14.1	14.0	12.8	40.9	40.6	40.5	41.8	41.2
IndusInd Bank	14.8	14.7	11.0	6.8	(0.3)	36.7	35.8	34.9	32.8	31.5
Yes Bank	20.8	18.3	14.6	6.8	4.1	30.8	32.0	33.1	34.3	-
Small finance banks										
AU Small Finance Bank	40.4	44.8	40.1	42.5	31.3	32.9	32.4	30.6	29.2	29.1
Equitas Small Finance Bank	35.4	29.2	25.8	19.3	18.3	31.2	30.6	28.6	28.8	29.4
Ujjivan Small Finance Bank	22.0	16.9	16.3	19.6	18.8	25.6	25.9	25.1	25.5	24.3
Utkarsh SFB	30.0	39.6	33.5	23.4	18.3	19.0	19.6	19.7	21.8	19.7

Source: Company, Kotak Institutional Equities

Yields have declined 10-30 bps for the frontline private banks and public banks

Exhibit 49: Yield on advances, March fiscal year-ends (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	8.5	8.4	8.4	8.5	8.8	8.6	8.5	8.4	8.2	8.1
Canara Bank	7.7	8.4	8.6	8.6	8.7	8.7	8.8	8.8	8.8	8.5
Punjab National Bank	7.9	8.1	8.2	8.5	8.4	8.3	8.3	8.4	8.4	8.1
State Bank of India	8.1	8.8	8.9	8.9	9.0	8.9	8.9	8.9	9.0	8.8
Union Bank	8.0	8.4	8.8	8.8	8.9	8.7	8.7	8.8	8.7	8.5
Old private banks										
City Union Bank	9.3	9.5	9.8	9.6	9.9	9.6	9.8	9.7	9.9	9.8
Federal Bank	8.7	8.8	9.1	9.1	9.0	9.1	9.1	9.3	8.8	8.7
Karur Vysya Bank	9.6	9.7	9.8	10.2	10.1	10.1	10.1	10.2	10.2	10.0
New private banks										
Axis Bank	9.1	9.5	9.7	9.8	9.8	9.8	9.8	9.8	9.6	9.3
Bandhan	6.9	6.7	6.6	6.7	7.1	7.1	7.0	6.5	6.1	5.9
DCB	11.7	11.6	11.6	11.4	11.7	11.5	11.4	11.4	11.5	11.2
HDFC Bank	9.2	9.5	11.0	9.5	9.4	9.5	9.6	9.6	9.4	9.2
ICICI Bank	9.7	10.0	10.0	10.1	10.1	10.0	10.1	9.9	9.9	9.6
IndusInd Bank	12.0	12.2	12.3	12.5	12.7	12.6	12.3	12.2	9.5	11.6
Yes Bank	10.2	10.1	10.1	10.1	10.3	10.2	10.2	10.1	10.1	9.9
Small finance banks										
AU	13.4	13.4	13.3	13.2	13.2	14.4	14.4	14.4	14.4	14.1
Equitas SFB	17.6	17.6	17.9	18.0	17.3	17.0	16.7	16.6	16.3	16.3
Ujjivan SFB	18.6	18.8	19.7	20.6	20.6	20.5	20.1	18.9	17.9	17.6
Utkarsh SFB	19.1	18.8	18.8	19.1	19.5	19.4	18.8	17.2	16.1	15.6

Source: Company, Kotak Institutional Equities

Cost of funds was flat or 10 bps lower qoq as rate cut began to take effect

Exhibit 50: Cost of funds/deposits, March fiscal year-ends (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda (calc.)	4.5	4.7	5.1	5.1	5.1	5.1	5.2	5.2	5.0	5.0
Canara Bank	4.0	4.8	4.9	4.9	5.0	5.3	5.3	5.3	5.3	5.3
PNB (calc.)	4.4	4.7	4.8	4.9	5.1	5.0	5.2	5.2	5.2	5.2
SBI (calc.)	4.3	4.6	4.9	5.1	5.1	5.1	5.2	5.2	5.2	5.1
Union Bank (calc.)	4.8	5.0	5.3	5.4	5.5	5.4	5.6	5.6	5.6	5.5
Old private banks										
City Union Bank	4.3	4.6	4.6	4.8	4.8	4.8	4.8	4.9	5.0	5.0
Federal Bank (calc.)	5.0	5.2	5.5	5.7	5.7	5.8	5.8	6.0	5.7	5.7
Karur Vysya Bank	4.6	5.0	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.8
New private banks										
Axis Bank	4.8	5.0	5.2	5.4	5.4	5.4	5.5	5.5	5.5	5.4
Bandhan	5.8	6.4	6.5	6.6	6.9	7.0	7.0	7.1	7.2	7.0
DCB	6.4	6.7	6.9	7.0	7.1	7.2	7.2	7.2	7.3	7.2
HDFC Bank (calc.)	4.3	4.7	6.4	5.8	5.7	5.7	5.8	5.8	5.7	5.6
ICICI Bank	4.3	4.6	4.8	5.0	5.1	5.1	5.1	5.1	5.2	5.0
IndusInd Bank	4.9	5.3	5.4	5.5	5.6	5.6	5.6	5.7	5.6	5.7
Yes Bank	5.9	6.2	6.3	6.4	6.4	6.5	6.4	6.5	6.4	6.3
Small finance banks										
AU SFB	6.3	6.6	6.7	6.9	7.0	7.0	7.0	7.1	7.1	7.1
Equitas SFB	6.6	6.8	7.3	7.6	7.3	7.3	7.5	7.5	7.4	7.5
Ujjivan SFB	6.9	7.2	7.4	7.5	7.2	7.5	7.5	7.6	7.6	7.6
Utkarsh SFB	7.4	7.6	7.8	7.9	8.0	8.0	8.2	8.3	8.3	8.1

Source: Company, Kotak Institutional Equities

Strong treasury gains drive non-interest revenue growth

Most banks, including public banks and large private banks, had sufficient cushioning of their profitability due to the large treasury gains booked from the AFS book in 1QFY26. Income from the treasury in 1QFY26 was up 25% for public banks and 29% for private banks under coverage.

Fee income was also healthy in 1QFY26 and remained stable qoq. Recoveries from TWO accounts have remained healthy and it has been a big boost to profitability for several PSU banks over the past few years and the pool of bad loans available for recovery is still fairly large, but has been declining (Exhibit 56).

Similarly, card spends have been on a steady growth path, which also supported fee income growth for card issuers.

Share of non-interest income in revenue increased in 1QFY26, supported by treasury gains

Exhibit 51: Non-interest income, March fiscal year-ends (Rs mn)

	Non-interest income (Rs mn)					Non-interest income to total income (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	24,873	51,814	37,689	47,351	46,745	18	31	25	29	29
Canara Bank	53,189	49,810	58,022	63,508	70,605	37	35	39	40	44
PNB	36,095	45,721	34,119	47,159	52,678	26	30	24	30	33
State Bank of India	111,619	152,706	110,408	242,099	173,457	21	27	21	36	30
Union Bank	45,092	53,280	44,166	55,591	44,858	32	37	32	37	33
Old private banks										
City Union	1,921	2,263	2,284	2,512	2,439	26	28	28	30	28
Federal Bank	9,152	9,640	9,162	10,060	11,130	29	29	27	30	32
KVB	3,884	4,720	4,674	5,093	4,473	27	31	30	32	29
New private banks										
Axis Bank	57,835	67,219	59,722	67,795	72,581	30	33	31	33	35
Bandhan	5,459	5,947	11,118	6,996	7,259	15	17	28	20	21
DCB	1,430	2,046	1,841	2,188	2,361	22	29	25	28	29
HDFC Bank	106,681	114,827	114,536	120,279	217,298	26	28	27	27	41
ICICI Bank	70,019	71,767	70,681	72,601	85,049	26	26	26	26	28
IndusInd Bank	24,413	21,839	23,502	7,088	21,562	31	29	31	19	32
Yes Bank	11,990	14,066	15,120	17,393	17,522	35	39	40	43	42
Small finance banks										
AU SFB	5,093	6,380	6,184	7,607	8,106	21	24	23	27	28
Equitas SFB	2,087	2,389	2,384	2,254	2,917	21	23	23	21	27
Ujjivan SFB	1,971	2,073	1,722	2,697	2,490	17	18	16	24	23
Utkarsh SFB	1,046	1,026	1,055	2,871	1,377	15	16	18	41	26
Public banks	270,868	353,331	284,402	455,707	388,343	25	30	26	35	32
Private banks	302,980	326,201	323,984	327,434	456,564	27	28	28	28	35
Total	573,848	679,532	608,386	783,141	844,907	26	29	27	32	34

Source: Company, Kotak Institutional Equities

Treasury gains in 1QFY26 cushioned the decline in profitability in 1QFY26

Exhibit 52: Treasury income and treasury-to-PBT of banks, March fiscal year-ends

	Income from treasury (Rs mn)					Income from treasury (% of PBT)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks										
Bank of Baroda	880	6,920	7,070	12,450	18,790	1	10	11	19	30
Canara Bank	3,490	6,610	9,450	7,110	16,170	7	12	17	11	26
PNB	5,820	14,930	9,330	9,150	16,080	11	23	14	14	24
State Bank of India	25,890	46,410	11,940	68,790	63,260	11	19	5	28	25
Union Bank	5,030	8,240	6,050	13,470	11,530	10	13	10	22	22
Old private banks										
City Union Bank	172	268	178	262	644	5	7	5	7	17
Federal Bank	350	840	1,000	460	1,270	3	6	8	3	11
New private banks										
Axis Bank	4,070	11,110	3,680	1,730	14,200	5	13	4	2	19
DCB Bank	170	520	380	430	1,010	10	25	19	18	48
HDFC Bank	2,200	2,900	700	3,900	101,000	1	1	0	2	47
ICICI Bank	6,130	6,800	3,710	2,390	12,410	4	4	2	1	7
IndusInd Bank	933	589	2,272	(15,962)	6,242	3	3	12	NM	68
Yes Bank	(320)	650	1,120	1,310	4,840	(5)	10	14	13	45
Total	49,785	98,547	50,830	92,020	255,916	6	10	6	10	27
Public banks	36,080	74,870	37,790	97,500	114,300	9	17	9	22	25
Private banks	13,705	23,677	13,040	(5,480)	141,616	3	5	3	(1)	29

Source: Company, Kotak Institutional Equities

Fee income was healthy in 1QFY26

Exhibit 53: Fee income, March fiscal year-ends (Rs mn)

	Fee income (Rs mn)					Fee income (% of other income)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
PSU banks										
BOB	7,190	7,650	7,420	11,390	7,380	28.9	14.8	19.7	24.1	15.8
Canara	3,530	3,820	4,990	4,650	3,780	6.6	7.7	8.6	7.3	5.4
PNB	20,770	15,810	15,680	17,980	22,500	57.5	34.6	46.0	38.1	42.7
SBI	69,220	68,340	72,670	98,960	76,770	62.0	44.8	65.8	40.9	44.3
Union	28,680	25,630	23,650	24,880	22,190	63.6	48.1	53.5	44.8	49.5
Old private banks										
CUBK	1,007	1,046	1,114	1,491	1,226	52.4	46.2	48.8	59.3	50.3
Federal	6,080	7,260	7,120	7,520	7,350	66.4	75.3	77.7	74.8	66.0
KVB	2,420	2,320	2,340	2,640	2,510	62.3	49.2	50.1	51.8	56.1
New private banks										
Axis	52,040	55,080	54,550	63,380	57,460	90.0	81.9	91.3	93.5	79.2
DCB	1,140	1,390	1,410	1,610	1,340	79.7	67.9	76.6	73.6	56.8
HDFC	70,500	81,400	81,800	85,300	75,900	66.1	70.9	71.4	70.9	34.9
ICICI	54,900	58,940	61,800	63,060	59,000	78.4	82.1	87.4	86.9	69.4
IndusInd	23,480	21,250	21,230	23,050	15,320	96.2	97.3	90.3	325.2	71.0
Yes	9,000	9,790	10,110	12,340	7,152	75.1	69.6	66.9	70.9	40.8
Total	349,957	359,726	365,884	418,251	359,878	61.4	53.3	60.5	53.7	42.9
Public banks	129,390	121,250	124,410	157,860	132,620	47.8	34.3	43.7	34.6	34.2
Private	220,567	238,476	241,474	260,391	227,258	72.8	73.1	74.5	79.5	49.8

Source: Company, Kotak Institutional Equities

Recoveries from technically written-off accounts remained flat yoy

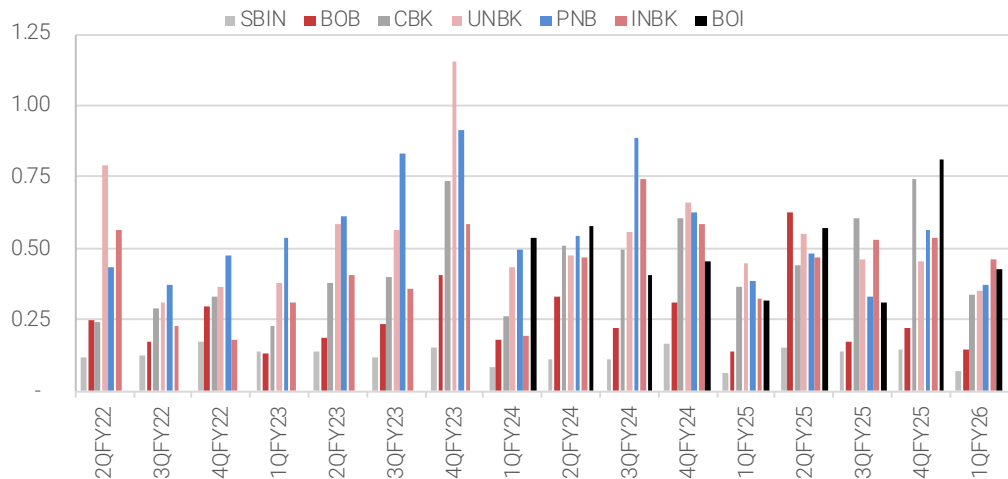
Exhibit 54: Recoveries from written-off accounts reported in non-interest income for select PSU banks, March fiscal year-ends (Rs bn)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Recoveries from written-off accounts (reported in non-interest income, Rs bn)																		
SBIN	63.1	28.1	13.4	14.8	21.5	17.0	18.0	15.4	20.5	11.3	15.7	16.3	25.0	10.1	23.4	22.8	23.8	12.3
BOB	20.4	3.6	7.2	5.2	9.2	4.2	6.0	8.1	14.5	6.6	12.3	8.5	12.0	5.5	25.3	7.2	9.7	6.3
CBK	17.2	6.0	5.8	7.7	7.9	6.4	11.2	11.9	21.7	8.0	16.1	16.6	19.0	11.6	11.9	20.1	24.7	11.6
UNBK	19.6	3.3	17.6	3.6	2.9	5.0	10.0	10.9	29.5	6.9	8.6	10.3	14.1	9.5	14.2	10.2	9.2	8.5
PNB	11.5	8.3	10.8	6.5	8.8	13.3	11.0	18.7	22.2	10.2	13.8	20.6	16.4	8.7	14.0	8.2	18.3	11.9
INBK	3.2	3.6	7.8	2.8	2.0	4.1	4.8	4.3	8.6	1.8	5.1	4.2	7.7	5.0	7.3	5.5	7.6	7.2
BOI	2.6	2.0	4.5	5.6	3.5	1.7	4.3	2.9	3.2	1.8	5.6	3.4	3.9	2.0	6.9	3.9	11.4	3.2
IDBI	2.7	3.3	1.4	3.1	0.7	0.4	0.3	0.8	5.7	0.9	2.1	0.9	1.2	1.5	0.8	1.2	11.0	-
BOMH				1.4	1.1	1.2	1.5	1.9	4.9	2.3	2.2	2.4	3.0	4.7	2.5	3.1	3.4	2.2
PJSB	0.6	1.0	0.5	0.2	0.8	0.7	0.2	0.2	4.0	0.1	1.3	3.0	2.5	0.3	0.3	1.2	-	-
UCO	7.1	3.0	5.5	3.2	3.7	2.3	4.1	4.6	5.3	2.6	2.9	6.1	3.2	4.3	5.2	7.1	9.6	-
IOB						3.1	3.3	3.7	7.0	4.1	4.3	6.3	9.1	3.1	9.4	6.4	4.8	5.7
Total	148	62	75	54	62	59	75	83	147	57	90	98	117	66	121	97	133	69

Source: Company, Kotak Institutional Equities

Revenue recovery from bad loans has been a big boost to profitability for several PSU banks

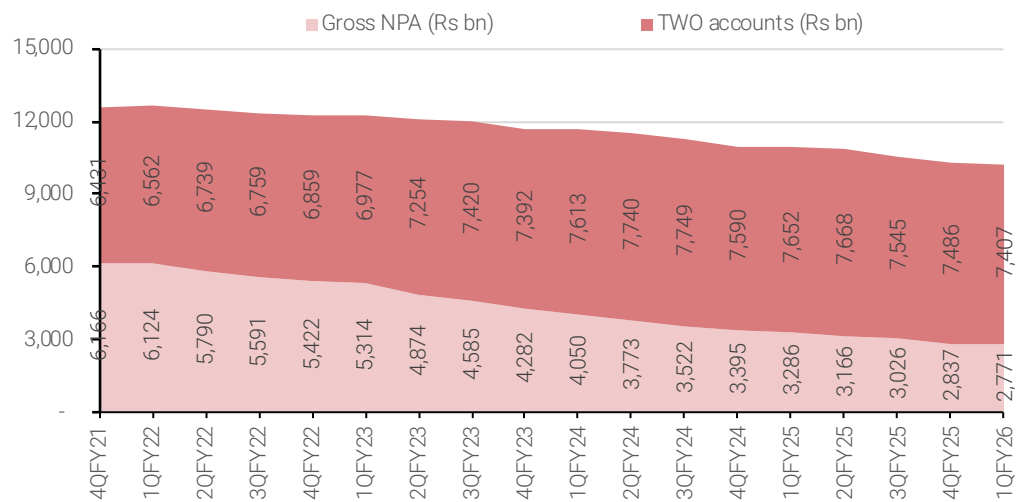
Exhibit 55: Total revenue recovery from bad loans for select PSU banks, March fiscal year-ends (% of average assets, annualized)



Source: Company, Kotak Institutional Equities

The pool of bad loans available for recovery is still fairly large, but declining

Exhibit 56: Pool of bad loans across all PSU banks (and IDBI Bank), March fiscal year-ends (Rs bn)



Source: Company, Kotak Institutional Equities

Operating expenses increased 8% yoy

Operating expenses increased 8% yoy, with public banks reporting operating expense growth of 10% yoy, in line with advances growth, while private banks were lower at 6% yoy. Most banks reported low to moderate growth in operating expenses during 1QFY26. Public sector banks, which have experienced elevated staff costs in recent quarters due to catch-up provisions for the 12th bipartite settlement, have stabilized now with all the expenses in the base.

Operating expenses increased 10% yoy for PSU banks and 6% yoy for private banks under coverage

Exhibit 57: Operating expenses, March fiscal year-ends (Rs mn)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)
Public banks												
Bank of Baroda	61,381	69,180	64,946	69,821	68,967	78,782	69,261	73,265	75,215	80,973	78,728	13.7
Canara Bank	56,343	61,397	58,806	59,219	69,067	74,106	68,690	66,424	71,141	75,090	75,157	9.4
PNB	68,014	70,527	69,701	67,348	66,359	81,950	75,046	82,355	78,236	86,972	87,646	16.8
State Bank of India	243,171	297,328	256,714	308,740	380,386	302,769	258,387	275,964	289,355	356,985	278,737	7.9
Union Bank	52,798	66,964	55,637	56,004	56,648	76,111	61,360	62,625	61,650	73,730	66,897	9.0
Old private banks												
City Union	2,827	2,922	2,998	3,339	3,448	3,700	3,638	3,806	3,801	4,106	4,182	15.0
Federal Bank	12,163	13,086	13,487	14,624	15,486	18,386	17,063	17,658	17,781	19,180	18,935	11.0
KVB	5,175	5,570	5,818	6,164	6,832	7,574	6,669	7,157	7,310	7,636	7,211	8.1
New private banks												
Axis Bank	68,473	197,276	82,317	87,168	89,457	93,191	91,255	94,926	90,442	98,377	93,027	1.9
Bandhan	11,916	13,053	13,134	14,002	14,152	17,219	15,917	16,879	19,048	18,842	18,147	14.0
DCB	3,473	3,643	3,690	3,725	3,862	4,100	4,342	4,587	4,558	4,714	4,897	12.8
HDFC Bank	124,636	134,621	140,569	153,992	159,611	179,688	166,206	168,909	171,064	175,570	174,338	4.9
ICICI Bank	82,174	89,282	95,226	98,553	100,520	97,028	105,300	105,015	105,521	107,888	113,935	8.2
IndusInd Bank	28,913	30,672	32,468	34,776	36,893	38,498	39,222	39,394	39,794	42,297	41,439	5.7
RBL	11,994	12,915	14,601	14,484	15,582	15,883	16,464	16,324	16,618	17,019	18,472	12.2
Yes Bank	22,002	22,987	23,223	23,337	23,474	28,192	25,577	26,318	26,565	27,012	27,657	8.1
Small finance banks												
AU SFB	8,919	9,753	10,153	10,267	11,175	13,053	14,781	14,806	14,362	15,623	15,431	4.4
Equitas SFB	5,210	5,593	6,024	6,168	6,303	6,516	6,698	6,915	7,239	7,436	7,627	13.9
Ujjivan SFB	4,470	5,065	5,120	5,286	5,874	6,511	6,290	6,902	6,997	7,742	7,445	18.4
Utkarsh SFB	2,550	2,704	2,927	3,090	3,088	3,784	3,665	3,843	4,004	4,645	4,479	22.2
Public banks	481,706	565,396	505,804	561,132	641,426	613,718	532,744	560,632	575,597	673,750	587,164	10.2
Private banks	382,902	536,227	437,154	464,491	480,174	517,440	506,623	517,115	518,486	541,067	538,749	6.3
Total	864,608	1,101,623	942,958	1,025,623	1,121,601	1,131,158	1,039,367	1,077,746	1,094,083	1,214,818	1,125,913	8.3

Source: Company, Kotak Institutional Equities

Cost-income ratio normalized for PSU banks after the elevated level seen in 3QFY24 (led by SBI)

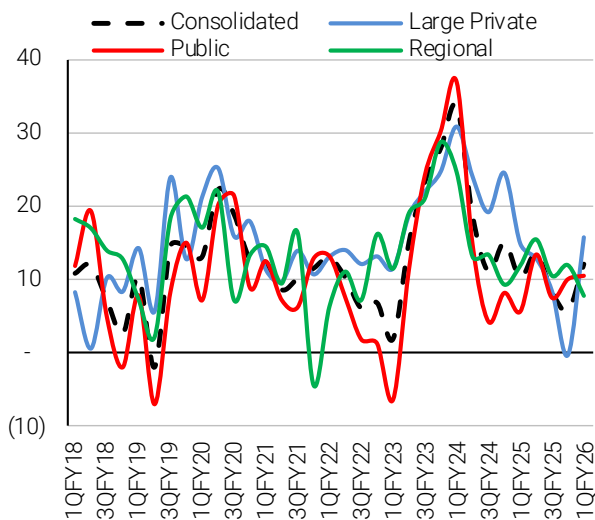
Exhibit 58: Operating expense-to-income ratio of banks, March fiscal year-ends (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public banks									
Bank of Baroda	45.4	46.5	49.6	49.3	49.2	43.6	49.5	49.9	48.9
Canara Bank	43.6	43.7	50.4	50.1	47.4	46.5	47.6	47.5	46.8
Punjab National Ban	53.9	52.0	51.2	56.1	53.3	54.6	54.2	56.2	55.3
State Bank of India	50.4	61.4	74.2	51.3	49.4	48.5	55.1	53.3	47.7
Union Bank	43.7	43.7	43.8	53.8	44.1	43.6	45.1	48.9	49.2
Old private banks									
City Union	42.0	46.3	48.6	51.2	49.3	47.1	46.6	48.2	48.1
Federal Bank	50.9	52.5	51.9	62.3	53.2	53.0	53.1	56.7	54.9
KVB	47.3	49.1	50.3	46.6	47.2	46.7	47.3	47.8	47.2
New private banks									
Axis Bank	48.3	50.2	49.5	46.9	47.5	47.0	46.2	47.8	44.7
Bandhan	45.7	46.9	46.1	48.4	45.1	47.6	48.3	54.5	52.1
DCB	63.9	63.9	64.6	63.7	67.9	64.3	62.7	60.7	60.0
HDFC Bank	42.8	40.4	40.3	38.0	41.0	40.6	40.6	39.8	32.8
ICICI Bank	40.2	40.9	40.6	39.2	39.7	38.6	38.5	37.9	37.8
IndusInd Bank	45.9	47.3	48.0	48.9	50.0	52.3	52.5	112.6	61.0
Yes Bank	73.9	74.4	73.1	75.8	74.3	73.0	71.1	67.3	67.1
Small finance banks									
AU	65.0	62.0	63.0	69.0	60.8	56.7	54.4	54.7	54.0
Equitas	65.9	65.1	63.6	63.5	66.3	66.4	68.5	70.5	70.8
Ujjivan SFB	52.8	52.2	56.2	55.7	55.2	60.0	66.1	68.3	67.4
Utkarsh SFB	57.0	56.5	54.7	57.3	54.1	58.2	68.4	66.5	83.0
Public banks	48.4	53.6	61.2	51.8	48.9	47.7	52.0	52.0	48.9
Private banks	45.2	44.9	44.7	43.6	44.6	44.3	44.2	45.9	40.9
Total	46.9	49.3	52.8	47.7	46.7	46.0	48.0	49.1	44.7

Source: Company, Kotak Institutional Equities

Revenue growth has declined for banks under coverage

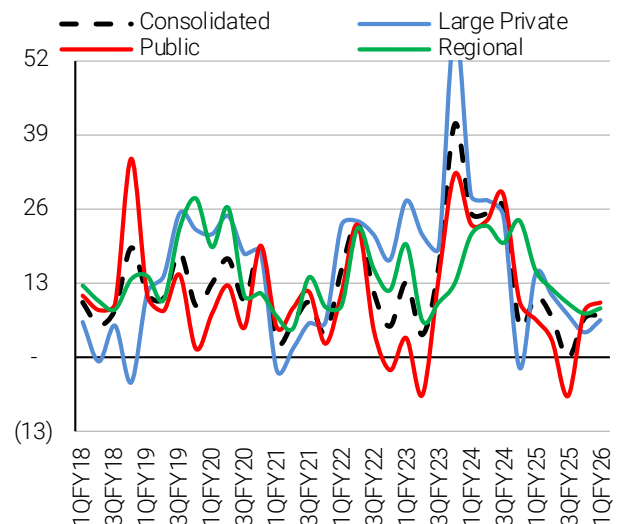
Exhibit 59: Revenue growth for banks (consolidated), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Operating expenses growth has declined sharply from peak

Exhibit 60: Operating expenses growth for banks (consolidated), March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Share of employee expenses in overall cost is at ~60% for most PSU banks

Exhibit 61: Employee expenses to total expenses, March fiscal year-ends (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
PSU banks									
BOB	58	53	55	58	58	55	56	54	55
Canara	62	64	66	60	62	66	63	64	64
PNB	64	62	63	69	61	70	67	67	59
SBI	65	61	70	54	60	54	56	50	61
Union	57	55	58	63	58	57	56	55	59
Old private banks									
CUBK	44	47	45	45	48	48	47	48	48
Federal	46	43	45	48	43	44	44	41	42
KVB	55	53	55	58	50	50	51	50	51
New private banks									
Axis	33	30	30	31	34	33	33	30	35
Bandhan	62	62	64	56	63	62	64	58	62
DCB	53	51	51	52	52	51	51	49	51
HDFC	34	34	34	39	35	35	35	35	35
ICICI	41	38	38	38	42	39	37	38	42
IndusInd	27	28	28	27	27	28	27	26	31
Yes	58	53	55	58	58	55	56	54	55
Small finance banks									
AU	50	50	47	43	53	53	53	52	56
Equitas SFB	54	54	55	56	56	58	59	56	60
Ujjivan SFB	52	52	53	50	54	53	53	54	55
Utkarsh SFB	58	57	58	56	56	55	56	44	51

Source: Company, Kotak Institutional Equities

All banks under coverage (except PNB) have moved to the lower tax regime

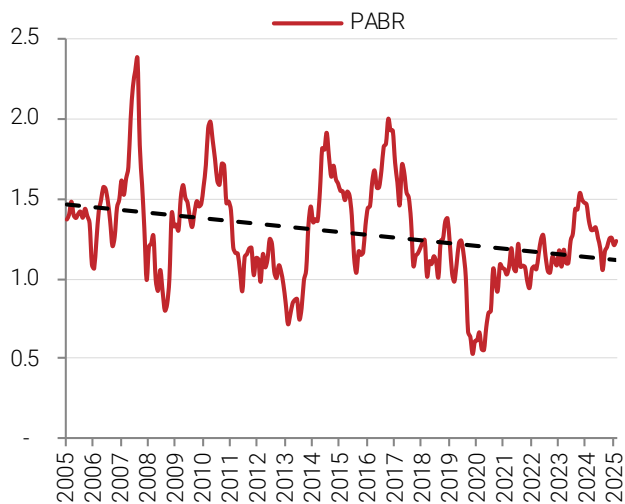
Exhibit 62: Tax rate for banks, March fiscal year-ends (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Public sector banks									
Bank of Baroda	31	27	28	28	28	27	27	23	28
Canara	28	28	25	23	27	26	25	22	23
PNB	37	37	38	38	38	34	35	29	75
SBI	26	26	27	24	26	26	25	25	26
Union	37	36	35	37	27	26	22	19	22
Old private banks									
CUBK	13	15	20	20	21	20	21	21	20
Federal bank	26	26	25	25	26	25	25	22	25
KVB	27	26	22	20	25	26	26	24	24
New private banks									
Axis	25	25	25	24	25	19	25	24	23
Bandhan	25	24	25	15	25	25	33	(2)	29
DCB	26	26	26	26	26	26	26	26	26
HDFC	25	19	16	(5)	24	24	23	25	15
ICICI	25	25	25	25	25	24	25	25	25
IndusInd	25	25	25	25	25	25	24	23	25
Yes	25	25	25	(5)	25	18	25	26	25
Small Finance banks									
AU	25	25	25	18	25	25	25	23	25
Equitas SFB	24	26	27	23	28	36	26	21	25
Ujjivan SFB	25	25	24	25	25	25	20	12	24
Utkarsh SFB	26	26	24	23	26	25	29	74	25

Source: Company, Kotak Institutional Equities

Public bank valuations are well below historical peaks

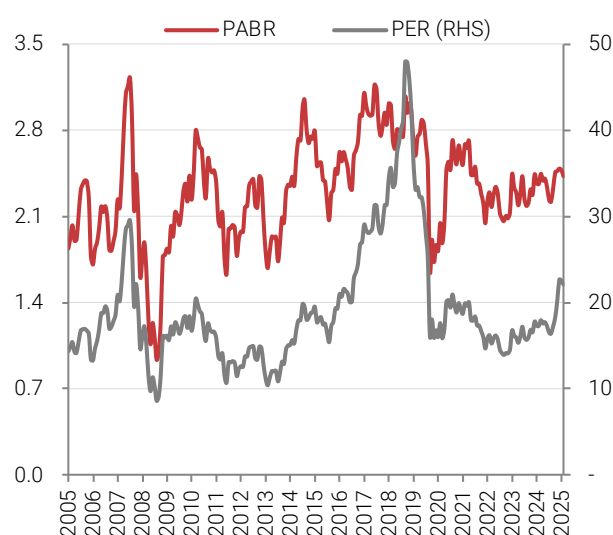
Exhibit 63: Rolling 12-month forward PBR (adjusted) for PSU banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities

Private bank valuations are also below peak levels as well

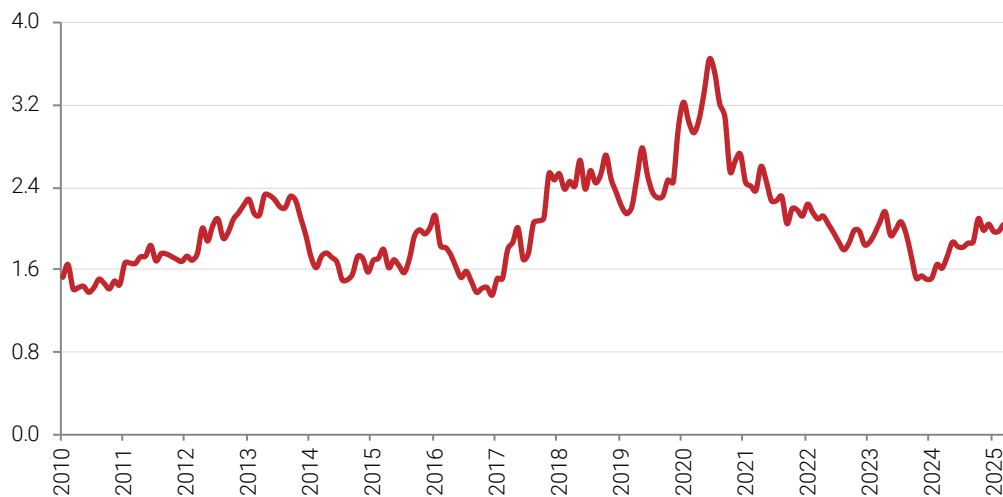
Exhibit 64: Rolling 12-month forward PBR (adjusted) and PER for private banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities

Trading discount of public banks has declined meaningfully

Exhibit 65: Adjusted PBR of private banks relative to public banks (X)



Source: Company, Bloomberg, Kotak Institutional Equities

Asset quality outlook dominated discussions

FY2026 has started off with mixed views on asset quality performance, carrying forward of FY2025 weakness and hopes of 2H recovery. This dominated investor discussions, with MSME loans at the center of it, especially after caution expressed by large players. Disbursements have been tepid across large NBFCs, with the risk of downgrades not ruled out. NIM receives tailwinds from funding cost reductions, more reflected for larger players in 1Q, but will benefit all NBFCs over the course of the year.

Asset quality reported weakness

Exhibits 1-6 reflect asset quality weakness of most players. Gross stage-3 loans were up 20-111% yoy and 3-45% qoq across players, excluding LICHF and Muthoot Finance, which have reported recoveries from NPA and written-off pools. Gross stage-2 ratios were also up 10-59% yoy and 3-34% qoq for most players; a part of the rise may be seasonal. Affordable HFCs/small players reported 0+ and other granular data, which also reflects weakness (Exhibit 5); in select cases, such as Aavas, Aptus and India Shelter, the rise was rangebound, but somewhat higher in others. Five Star and SBFC, focused on low-ticket secured business loans, called out higher-than-historic weakness (compared with recent quarters) and a further rise hereon. Segmental trends reported by select players (Exhibit 6) reflect continued weakness across segments.

1QFY25 was marred by elections across India and heatwave. In comparison, 1QFY26 did not see any major disruptions for domestic businesses. Increased/flat credit costs yoy in this backdrop reflect underlying weakness. Most companies have guided for a weak 2Q as well, with expected improvements in 2H, as the festive season kicks-in. Among large players, Bajaj Finance continues to guide for peaking of credit costs and yoy improvement in FY2026E; Chola/MMFS/LTF/Shriram may report flat/10 bps yoy reduction in credit costs for the year, despite a high base, most of them have upped their previous credit cost guidance. SBFC/Five Star have guided for material sequential and yoy rise in credit costs.

Loan growth moderating

Exhibits 9-10 show that loan growth across NBFCs has been moderating for the past few quarters. Disbursements for large players are in the high single digits to low double digits range, reflecting further moderation. Even smaller players and affordable HFCs have reported marked weakness in disbursements. We forecast 12-32% loan growth in FY2026E, as compared with 17-43% in FY2025 and 6-40% in FY2024 (ex-LICHF). We do not rule out growth downgrades, unless economic momentum picks up. In a challenging environment, NBFCs may be better off going slow. Retail home loan growth has been weak (single digits) across players; affordability has slowed down in 1Q as well. Weak vehicle sales are translating to sluggish momentum in the vehicle lending business.

NIM trends in positive

Cost of funds is showing clear signs of improvement after multiple quarters of weakness (Exhibit 18); a decline in higher-rated NBFCs that have a higher share of EBLR-linked borrowings and able to reprice NCDs higher. Smaller players have seen margin benefits, with expectations of improvement in 2H due to replacement of high-cost NCDs and MCLR cuts by banks; the share of repo/EBLR linked borrowing is low at 10-20% for smaller players versus 50%+ for high-rated large players.

On the yields side, we now expect moderate transmission in most segments versus expectation of swift transmission earlier. We believe that pressure on the asset quality front will lead to lower competitive intensity and prompt NBFCs to delay rate transmission, even as regulatory nudge builds up. Home loans in the non-affordable segment will likely see a faster transmission, though most HFCs are keen to maintain margins, with low single-digit growth for most. Affordable HFCs have seen intense yield pressure in the past two years, with incremental rates lower than weighted average rates; spreads are now just about coming into normalized levels and for now, there is no immediate plan to cut PLRs. We expect faster rate cuts in gold loans as competition heats up.

Change in estimates—mixed trends

After the quarterly results, we have revised up our NIM estimates, cut down loan growth in select cases, but raised credit cost estimates as well—the net outcome is mixed due to conservative NIM expansion assumed earlier in some cases, even though we expect higher credit costs in most cases. We do not rule out a further cut in loan growth; the delay in MCLR transmission may be a spoiled sport, though the NIM expansion may just be rolled over. Credit costs, for now, seem to be satisfactory, with higher risk to secured versus unsecured assets; a higher base of credit cost provides a buffer.

Stressed loans inched up for most players in 1QFY26

Exhibit 66: Stressed loans for select NBFCs, March fiscal year-ends, 1QFY25-26 (%)

	Gross stage-3 (%)					Gross stage-2 (%)					Write-offs during the quarter (%)					Overall stressed loans (%)					YoY (bps)	QoQ (bps)
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26		
Affordable housing																						
Aadhar	1.3	1.3	1.4	1.1	1.4	3.7	3.7	3.8	4.0	3.7	0.2	0.1	0.0	0.1	0.1	5.2	5.2	5.3	5.1	5.1	(2)	1
Aavas	1.0	1.1	1.1	1.1	1.2	1.6	1.7	1.5	1.5	1.6	0.1	0.0	0.0	0.0	0.1	2.6	2.8	2.7	2.6	2.9	28	35
Aptus	1.3	1.2	1.3	1.2	1.5	5.0	5.0	4.9	4.7	5.0	0.1	0.2	0.3	0.1	0.3	6.4	6.4	6.5	6.0	6.7	34	69
Home First	1.7	1.7	1.7	1.7	1.8	1.1	1.1	1.3	1.3	1.6	0.1	0.0	0.2	0.2	0.2	3.0	2.8	3.3	3.2	3.6	65	40
India Shelter	1.1	1.2	1.2	1.0	1.2	2.7	2.8	2.8	2.7	3.4	4.4	5.0	5.0	5.5	5.4	8.3	9.0	9.1	9.2	10.1	185	94
Other NBFCs and HFCs																						
Bajaj Finance	0.9	1.1	1.1	1.0	1.0	1.4	1.2	1.2	1.3	1.3	1.6	1.7	1.6	1.7	1.7	3.8	3.9	3.9	4.0	4.0	19	1
Bajaj Housing Finance	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.7	0.6	0.7	0.6	0.6	(1)	3
Cholamandalam	3.6	3.8	4.0	2.9	4.0	1.7	1.9	1.8	2.7	1.6	1.0	1.0	1.0	1.0	0.8	6.3	6.7	6.9	6.7	6.4	4	(27)
Five Star	1.4	1.5	1.6	1.8	2.5	6.7	7.0	7.5	7.9	8.8	0.3	0.4	0.7	0.6	(0.0)	8.4	8.9	9.8	10.3	11.3	289	103
LIC Housing Finance	3.3	3.1	2.8	2.5	2.6	4.1	3.9	4.0	3.4	3.6	1.0	0.4	0.6	0.2	0.1	8.4	7.3	7.5	6.2	6.5	(187)	39
Mahindra Finance	5.5	4.0	4.7	3.4	5.0	4.4	6.0	3.7	5.0	4.6	1.9	1.9	2.5	2.5	1.2	11.9	11.9	10.9	10.9	10.9	(100)	(2)
SBFC	2.6	2.7	2.7	2.7	2.8	3.7	3.2	2.8	3.1	3.8	0.1	0.2	0.2	0.1	0.2	6.5	6.1	5.7	6.0	6.7	23	73
Shriram Finance	5.4	5.3	5.4	5.5	4.5	6.7	6.6	6.7	6.9	7.3	0.2	0.2	0.2	1.2	0.2	12.3	12.1	12.3	13.6	12.0	(26)	(155)

Notes:

- (1) Stressed loans: Gross stage-2+gross stage-2+write-offs during the quarter.
- (2) Write-offs are annualized.

Source: Company, Kotak Institutional Equities

Sharp rise in gross stage-3 loans

Exhibit 67: Gross stage-3 loans, March fiscal year-ends, 1QFY24-26 (Rs bn)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Affordable housing											
Aadhar	2.2	2.2	2.3	1.9	2.4	2.5	2.8	2.2	3.0	26.8	34.9
Aavas Financiers	1.2	1.3	1.4	1.3	1.5	1.6	1.8	1.8	2.0	35.5	12.7
Aptus	0.9	0.9	1.0	0.9	1.2	1.2	1.3	1.3	1.6	39.2	28.4
Home First	1.1	1.2	1.3	1.4	1.5	1.6	1.8	1.8	2.1	35.1	15.1
India Shelter	0.4	0.4	0.6	0.5	0.6	0.7	0.8	0.7	0.9	45.5	32.3
Other NBFCs and HFCs											
Bajaj Finance	23.5	26.5	29.6	28.2	30.5	39.5	44.6	39.7	45.2	47.9	13.9
Bajaj Housing Finance	1.5	1.7	1.9	2.2	2.4	2.6	2.8	2.9	3.2	33.5	9.8
Cholamandalam	35.5	37.2	38.1	36.5	41.2	47.1	51.3	52.1	60.4	46.5	15.9
Five Star	1.1	1.1	1.3	1.3	1.5	1.6	1.8	2.1	3.1	111.1	44.6
LIC Housing Finance	137.1	120.4	119.8	94.9	95.3	90.1	82.3	76.0	81.1	(14.9)	6.7
L&T Finance (lending)	31.7	25.8	26.3	27.0	27.9	29.6	30.8	32.2	33.9	21.5	5.3
Mahindra Finance	49.1	52.2	53.5	48.5	53.3	60.0	62.2	61.8	64.1	20.3	3.9
Muthoot Finance	28.8	27.6	25.8	24.8	33.5	38.8	41.2	37.0	30.9	(7.7)	(16.4)
SBFC	1.2	1.2	1.3	1.4	1.6	1.8	1.9	2.1	2.3	40.7	9.1
Shriram Finance	115.1	115.6	119.5	120.8	124.1	127.6	135.2	118.4	122.0	(1.7)	3.0

Source: Company, Kotak Institutional Equities

Gross stage-2 loans were up yoy for most players

Exhibit 68: Gross stage-2 loans, March fiscal year-ends, 1QFY24-26 (Rs bn)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Affordable housing											
Aadhar	6.2	6.2	6.1	6.2	6.4	6.8	7.4	8.3	7.9	23.1	(4.2)
Aavas Financiers	2.2	2.1	2.2	2.1	2.3	2.4	2.4	2.4	2.6	15.8	9.9
Aptus	3.5	3.6	3.9	3.8	4.5	4.8	5.0	5.1	5.5	21.2	8.5
Home First	0.8	0.8	1.0	0.9	1.0	1.0	1.4	1.4	1.8	81.7	29.0
India Shelter	1.0	1.2	1.2	1.1	1.5	1.7	1.8	1.9	2.5	70.3	34.1
Other NBFCs and HFCs											
Bajaj Finance	32.9	31.0	34.1	40.1	48.8	45.2	46.2	54.0	57.3	17.5	6.0
Bajaj Housing Finance	3.5	3.1	3.2	2.9	3.2	2.9	3.6	3.2	3.6	13.0	13.4
Cholamandalam	1,157.3	1,255.8	1,352.4	1,469.5	1,571.0	1,666.5	1,760.1	1,853.4	1,914.2	21.9	3.3
Five Star	6.3	6.0	6.2	6.3	6.9	7.6	8.4	9.3	11.0	58.8	18.0
LIC Housing Finance	158.7	140.9	127.7	120.5	117.2	113.4	119.7	105.6	110.8	(5.4)	5.0
Mahindra Finance	43.8	41.9	43.1	38.0	49.4	55.3	55.4	47.5	54.2	9.7	14.1
SBFC	1.8	2.3	2.4	2.6	2.3	2.1	2.0	2.4	3.1	33.3	29.4
Shriram Finance	149.6	143.3	147.9	150.1	153.3	158.4	168.6	179.2	196.2	27.9	9.5

Source: Company, Kotak Institutional Equities

1-year lagged gross stage-3 ratio remains benign

Exhibit 69: 1-year lagged gross stage-3 ratio, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (bps)	QoQ (bps)
Affordable housing											
Aadhar	NA	NA	NA	1.3	1.6	1.6	1.7	1.3	1.7	NM	41
Aavas Financiers	1.2	1.3	1.3	1.1	1.2	1.3	1.3	1.3	1.4	12	12
Aptus	1.7	1.5	1.6	1.4	1.7	1.6	1.6	1.5	1.8	16	35
Home First	2.3	2.4	2.3	2.3	2.3	2.3	2.3	2.2	2.3	-	14
India Shelter	NA	NA	1.6	1.4	1.6	1.7	1.7	1.3	1.7	NM	32
Other NBFCs and HFCs											
Bajaj Finance	1.2	1.2	1.3	1.1	1.1	1.4	1.4	1.2	1.3	14	8
Bajaj Housing Finance	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	1	1
Cholamandalam	4.3	4.2	4.0	3.4	3.6	3.7	3.8	3.5	3.8	28	30
Five Star	2.0	2.0	2.0	1.9	1.9	1.9	2.0	2.2	3.0	105	77
LIC Housing Finance	5.4	4.6	4.5	3.5	3.4	3.2	2.9	2.6	2.8	(64)	16
L&T Finance	3.6	2.9	3.0	3.3	3.5	3.8	3.8	3.8	3.8	27	6
Mahindra Finance	7.3	7.1	6.9	5.9	6.1	6.4	6.4	6.0	6.0	(12)	1
Muthoot Finance	5.1	4.8	4.5	3.9	5.0	5.6	5.8	4.9	3.7	(129)	(121)
SBFC	3.5	3.2	3.2	3.2	3.4	3.5	3.5	3.5	3.7	29	15
Shriram Finance	7.1	6.9	6.8	6.6	6.5	6.4	6.4	5.3	5.3	(121)	(4)

Source: Company, Kotak Institutional Equities

Sharp rise in early delinquencies in 1QFY26

Exhibit 70: 30+ dpd and 1+ dpd ratios of select NBFCs, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (bps)	QoQ (bps)
30+ dpd											
Aavas	2.9	2.8	2.8	2.4	2.6	2.8	2.7	2.6	2.8	25	28
Aptus	6.3	6.0	6.0	5.4	6.3	6.2	6.2	5.9	6.5	14	54
Five Star	9.7	8.6	8.4	7.9	8.1	8.4	9.2	9.7	11.3	320	166
Home First	2.9	2.9	3.0	2.8	2.9	2.8	3.1	3.0	3.5	58	44
India Shelter	2.9	3.2	3.5	2.4	3.5	3.6	3.7	3.1	4.5	100	140
SBFC	6.3	6.7	6.8	6.8	6.3	5.9	5.5	5.8	6.5	22	68
1+ dpd											
Aavas	3.7	3.6	3.8	3.1	3.7	4.0	3.9	3.4	4.2	50	76
Five Star	15.2	13.5	13.3	12.6	13.3	14.0	15.1	15.7	17.6	427	184
Home First	4.3	4.5	4.5	4.2	4.5	4.5	4.8	4.5	5.4	90	90
SBFC	5.5	5.3	5.6	5.6	6.4	6.3	6.5	7.1	8.1	175	103

Source: Company, Kotak Institutional Equities

Gross stage-3 ratios elevated in vehicle finance and SME loans

Exhibit 71: Segmental gross stage-3 ratios for select NBFCs, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (bps)	QoQ (bps)
Bajaj Finance											
Consumer B2B	1.8	1.7	1.7	1.7	1.8	2.2	2.4	2.3	2.6	78	24
Consumer B2C	0.9	1.2	1.3	1.0	1.0	1.4	1.5	1.2	1.2	23	6
Rural B2B	0.4	0.6	0.7	0.5	0.4	0.8	0.9	0.6	0.6	25	4
Rural B2C	1.0	1.3	1.3	1.1	1.0	1.3	1.5	0.9	1.0	(4)	10
SME	1.2	1.3	1.3	1.3	1.3	1.6	1.6	1.4	1.6	28	20
Mortgage	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2	1
Securities lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0)	(0)
Commercial lending	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	(11)	(6)
Cholamandalam											
Vehicle finance	3.3	3.3	3.3	3.0	3.3	3.6	3.7	3.5	3.9	62	37
LAP	3.8	3.4	3.0	2.4	2.3	2.3	2.3	2.0	2.3	(9)	24
Home loans	1.6	1.4	1.4	0.9	1.0	1.1	1.2	1.3	1.7	64	36
Others	1.0	1.4	1.1	1.1	1.3	1.6	1.9	2.2	2.6	128	38
CSEL	-	-	-	1.2	1.3	1.6	1.8	2.1	2.3	104	24
SME	-	-	-	1.2	1.5	2.0	2.2	2.4	2.9	132	51
SBPL	-	-	-	0.4	0.6	1.1	1.8	2.6	3.3	273	78
LIC Housing Finance											
Individual	3.3	2.9	3.1	2.5	2.4	2.2	2.0	1.8	2.0	(45)	19
Home loans	2.2	1.8	1.7	1.5	1.4	1.3	1.2	1.1	1.2	(16)	13
LAP	7.8	7.1	6.5	5.5	5.4	5.0	4.6	3.9	4.3	(114)	40
Developer loans	43.0	43.0	40.8	30.7	33.1	30.1	27.0	24.5	24.2	(886)	(32)
Shriram Finance											
Commercial vehicles	6.4	6.3	6.1	5.9	5.9	5.8	5.9	4.9	4.8	(101)	(4)
Passenger vehicles	5.6	5.3	5.4	5.3	5.3	5.2	5.1	4.2	4.1	(114)	(8)
Construction equipment	7.1	7.1	6.6	6.3	6.2	6.3	6.6	5.6	5.9	(31)	30
Farm Equipment	9.6	10.2	9.7	8.8	8.9	8.9	8.7	7.9	7.6	(134)	(29)
MSME	5.9	5.4	5.2	5.0	4.9	4.6	4.8	4.1	4.1	(74)	4
2W	4.0	3.3	3.3	3.2	3.1	3.1	3.2	3.1	3.2	6	7
Gold	2.6	1.9	1.9	1.9	1.9	2.0	2.0	2.1	2.1	12	-
Personal loans	5.6	5.2	5.0	4.9	4.6	4.5	4.5	4.2	4.0	(56)	(18)

Source: Company, Kotak Institutional Equities

Credit costs remain elevated for most players in 1QFY26

Exhibit 72: Quarterly trends in credit costs, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	0.7	0.0	0.2	(0.1)	0.3	0.2	0.3	0.1	0.4
Aavas Financiers	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.2	0.2
Aptus	0.1	0.3	0.4	0.4	0.2	0.4	0.5	0.3	0.4
Home First	0.4	0.4	0.3	0.1	0.2	0.2	0.3	0.2	0.4
India Shelter	0.4	0.4	0.3	0.4	0.4	0.5	0.5	0.2	0.5
Other NBFCs and HFCs									
Bajaj Finance	1.5	1.5	1.7	1.6	2.0	2.1	2.1	2.3	2.0
Bajaj Housing Finance	0.0	0.1	0.0	0.2	0.0	0.0	0.1	0.1	0.1
Cholamandalam	1.3	1.3	1.1	0.5	1.5	1.6	1.6	1.4	1.9
Five Star	0.8	0.5	0.5	0.8	0.7	0.8	0.8	0.9	1.6
LICHF	0.5	0.6	0.6	0.6	0.2	0.1	(0.1)	0.1	0.2
L&T Finance Holdings	6.0	6.7	6.7	6.5	6.6	6.7	6.0	5.8	6.0
Mahindra Finance	2.5	2.8	1.4	1.4	1.7	2.6	0.0	1.6	2.2
Muthoot Finance	0.5	0.1	0.1	0.5	1.1	0.9	0.9	0.5	0.2
SBFC	0.8	0.8	0.8	0.8	0.8	1.0	1.0	1.0	1.1
Shriram Finance	1.9	2.3	2.4	2.3	2.1	2.1	2.1	2.4	1.9

Source: Company, Kotak Institutional Equities

AUM growth to moderate for most players

Exhibit 73: AUM, March fiscal year-ends, 2018-28E

	AUM (Rs bn)											AUM yoy (%)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	
Affordable HFCs																						
Aadhar	80	100	114	133	148	172	211	255	308	372	450	26	14	17	11	17	23	21	21	21	21	
Aavas	41	59	78	95	114	142	173	204	238	282	336	46	31	21	20	25	22	18	17	18	19	
Aptus	14	22	32	41	52	67	87	109	136	170	210	59	41	28	27	30	29	25	25	25	23	
Home First	14	24	36	41	54	72	97	127	162	201	249	80	48	14	30	34	35	31	27	25	23	
India Shelter					31	44	61	82	108	138	173					42	40	35	32	28	26	
Other NBFCs and HFCs																						
Bajaj Finance	824	1,159	1,472	1,529	1,975	2,474	3,306	4,167	5,181	6,481	8,132	41	27	4	29	25	34	26	24	25	25	
Bajaj Housing Finance	36	176	327	376	533	692	914	1,147	1,413	1,760	2,188	392	86	15	42	30	32	26	23	25	24	
Cholamandalam	429	543	605	700	769	1,065	1,456	1,847	2,219	2,705	3,288	26	12	16	10	38	37	27	20	22	22	
Five Star	10	21	39	44	51	69	96	119	144	181	225	110	84	14	14	36	39	23	21	25	25	
L&TFH	755	991	984	940	883	810	856	978	1,138	1,350	1,615	31	(1)	(4)	(6)	(8)	6	14	16	19	20	
LIC Housing Finance	1,675	1,946	2,106	2,322	2,511	2,750	2,868	3,077	3,312	3,594	3,928	16	8	10	8	10	4	7	8	9	9	
Mahindra Finance	516	631	681	646	650	828	1,026	1,197	1,335	1,531	1,765	22	8	(5)	1	27	24	17	12	15	15	
Muthoot Finance	291	342	416	526	581	632	758	1,086	1,298	1,495	1,697	18	22	26	10	9	20	43	19	15	14	
SBFC	8	12	16	22	32	49	68	87	111	138	171	50	37	35	44	55	38	28	27	24	24	
Shriram Finance	963	1,045	1,097	1,172	1,270	1,857	2,249	2,632	3,058	3,541	4,141	9	5	7	8	46	21	17	16	16	17	

Source: Company, Kotak Institutional Equities estimates

Loan growth has been moderated qoq

Exhibit 74: Quarterly trends in qoq loan growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	4.3	5.2	5.2	6.3	2.9	5.0	5.1	6.5	3.9
Aavas Financiers	3.4	4.6	5.0	7.7	3.1	3.1	4.6	6.1	1.6
Aptus	5.7	6.8	6.2	8.1	4.0	6.7	5.7	6.2	3.7
Home First	8.0	7.6	7.8	7.6	8.0	7.2	6.4	6.4	6.0
India Shelter	9.4	8.6	8.3	8.5	7.0	8.1	8.2	7.5	6.4
Other NBFCs and HFCs									
Bajaj Finance	9.2	7.5	7.1	6.3	7.1	5.6	6.5	4.7	5.9
Bajaj Housing Finance	7.1	9.6	5.8	6.3	6.2	5.7	5.6	5.9	5.0
Cholamandalam	7.8	8.2	7.7	8.8	6.8	5.9	6.0	5.8	4.0
Five Star	9.7	9.0	8.1	7.9	7.3	5.6	2.3	6.3	4.9
LICHF	0.5	0.6	1.2	2.0	0.6	2.1	1.5	2.9	0.6
L&T Finance	(2.9)	0.2	3.9	4.6	3.7	4.8	2.3	2.8	4.7
L&T Finance (retail)	5.3	8.0	7.7	7.1	5.5	5.4	3.7	3.2	5.1
Mahindra Finance	4.8	8.1	3.5	5.7	3.6	5.8	2.4	3.9	2.0
Muthoot Finance	7.0	2.0	3.2	6.5	11.2	7.0	8.1	11.4	10.5
SBFC	7.8	8.9	8.0	8.9	5.1	7.6	5.6	7.4	6.9
Shriram Finance	4.1	4.9	5.7	5.0	3.8	4.1	4.7	3.4	3.4

Source: Company, Kotak Institutional Equities

Loan growth has moderated for most players

Exhibit 75: Quarterly trends in yoy loan growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar				22.8	21.1	20.8	20.7	20.9	22.1
Aavas Financiers	23.2	22.1	22.9	22.2	21.8	20.1	19.6	17.9	16.2
Aptus	29.1	28.2	28.0	29.4	27.4	27.3	26.7	24.6	24.2
Home First	33.3	33.3	33.5	34.7	34.7	34.2	32.6	31.1	28.6
India Shelter			41.9	39.6	36.5	35.9	35.8	34.6	33.8
Other NBFCs and HFCs									
Bajaj Finance	32.4	32.9	34.7	33.6	31.1	28.8	28.0	26.0	24.6
Bajaj Housing Finance			31.0	32.0	31.0	26.3	26.1	25.5	24.1
Cholamandalam	40.1	41.7	40.1	36.7	35.4	32.5	30.5	26.9	23.6
Five Star	43.2	44.2	43.1	39.4	36.4	32.2	25.2	23.2	20.4
LICHF	8.1	6.0	4.8	4.3	4.4	6.0	6.4	7.3	7.2
L&T Finance	(10.8)	(12.6)	(7.5)	5.8	12.9	18.1	16.3	14.3	15.3
L&T Finance (retail)	34.5	33.4	31.2	31.1	31.4	28.2	23.4	18.9	18.4
Mahindra Finance	28.1	27.0	25.5	24.0	22.6	20.0	18.6	16.6	14.7
Muthoot Finance	19.3	20.6	23.3	20.0	24.7	30.7	37.0	43.3	42.3
SBFC	46.8	42.6	40.0	38.0	34.5	32.9	30.0	28.2	30.5
Shriram Finance	18.6	19.7	20.7	21.1	20.8	19.9	18.8	17.0	16.6

Source: Company, Kotak Institutional Equities

Growth has slowed down across most segments; gold loans fare better

Exhibit 76: Loan book of NBFC/HFC across segments, March fiscal year-ends, 2022-25, 1QFY23-26 (Rs bn)

	2022	2023	2024	2025	YoY (%)		1QFY23	1QFY24	1QFY25	1QFY26	YoY (%)
					2024	2025					
HFCs	7,861	8,644	9,703	11,454	12	18	8,037	8,774	10,177	11,548	13
Aavas	114	142	173	204	22	18	119	147	178	210	18
Aditya Birla Housing	120	138	184	311	33	69	122	145	204	346	70
Aptus	52	67	87	110	29	26	55	71	91	113	24
CanFin Homes	267	316	350	382	11	9	275	325	356	388	9
Home First	54	72	97	127	35	31	58	78	105	135	29
LIC Housing Finance	2,453	2,750	2,868	3,077	4	7	2,557	2,764	2,887	3,096	7
Shriram Housing	54	80	138	178	71	29	58	95	144	177	23
Diversified	4,651	5,653	7,295	8,619	29	18	4,760	6,026	7,419	9,066	22
Aditya Birla Capital	552	806	1,056	1,264	31	20	578	859	1,073	1,312	22
Bajaj Finance	1,975	2,474	3,306	4,167	34	26	2,040	2,701	3,542	4,415	25
Edelweiss	168	120	109	78	(9)	(28)	158	115	106	77	(27)
IIFL	512	646	790	783	22	(1)	528	682	696	839	21
L&TFH	883	809	856	978	6	14	881	786	887	1,023	15
Tata Capital	562	798	1,178	1,350	48	15	576	884	1,115	1,400	26
Vehicle Finance	3,316	4,095	5,170	6,201	26	20	3,431	4,320	5,409	6,397	18
Cholamandalam	769	1,065	1,456	1,847	37	27	819	1,148	1,554	1,921	24
Mahindra Finance	650	828	1,026	1,197	24	17	677	867	1,063	1,220	15
Shriram Finance	1,602	1,857	2,249	2,632	21	17	1,630	1,932	2,334	2,722	17
Sundaram Finance	295	346	440	525	27	19	306	373	457	533	17
Gold loans	782	830	973	1,342	17	38	772	882	1,079	1,418	31
Manappuram Finance	202	197	215	256	9	19	205	206	236	288	22
Muthoot Finance	581	632	758	1,086	20	43	567	676	843	1,130	34
MFI	966	1,371	1,700	1,476	24	(13)	1,012	1,382	1,681	1,450	(14)
SME Finance	83	119	165	206	39	25	89	129	175	218	25
Five Star	51	69	96	119	39	23	53	76	103	125	20
SBFC	32	49	68	87	38	28	36	53	72	94	30

Source: Company, Kotak Institutional Equities

Disbursement growth has moderated for most NBFCs

Exhibit 77: Quarterly trends in yoy disbursement growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	NA	NA	NA	8	4	18	20	18	32
Aavas Financiers	(2)	10	13	18	13	3	17	7	(5)
Aptus	23	23	27	47	4	26	21	10	15
Home First	35	37	29	27	30	23	18	16	7
India Shelter	NA	NA	36	24	23	30	29	25	24
Other NBFCs and HFCs									
Cholamandalam	50	47	27	18	22	13	15	7	(0)
Five Star	99	50	33	20	16	4	(22)	9	(2)
LICHF	(29)	(13)	(6)	14	19	12	2	5	2
LICHF (retail)	(29)	(13)	(6)	16	17	6	(2)	9	5
L&T Finance	18	24	13	25	21	11	2	(3)	17
L&T Finance (retail)	25	32	25	33	33	12	5	(1)	18
Mahindra Finance	28	13	7	11	5	(1)	7	2	1
SBFC	NA	NA	21	15	(18)	(4)	(2)	6	51
Shriram Finance					23	16	16	14	11

Source: Company, Kotak Institutional Equities

Earnings growth also moderated in 1QFY26

Exhibit 78: Quarterly trends in yoy PAT growth, March fiscal year-ends, 1QFY24-1QFY26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	NA	NA	NA	43	37	15	17	21	19
Aavas Financiers	23	14	9	13	15	21	26	8	10
Aptus	20	20	25	21	21	23	21	26	28
Home First	35	37	34	30	27	24	24	25	35
India Shelter	80	67	54	47	77	49	55	39	43
Other NBFCs and HFCs									
Bajaj Finance	32	28	22	21	14	13	18	19	22
Bajaj Housing Finance	NA	NA	31	26	5	21	25	54	21
Cholamandalam	28	35	28	24	30	26	24	20	21
Five Star	32	38	44	40	37	34	26	18	6
LICHF	43	290	142	(8)	(2)	12	23	25	5
L&T Finance	103	47	41	11	29	17	(2)	15	2
Mahindra Finance	58	(48)	(12)	(10)	47	57	63	(9)	2
Muthoot Finance	22	14	14	17	11	26	33	43	90
SBFC	47	48	63	72	68	60	38	29	28
Shriram Finance	25	13	2	49	18	18	96	10	9

Source: Company, Kotak Institutional Equities

Most players reported decline in core PBT growth

Exhibit 79: Quarterly trends in yoy core PBT growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	NA	NA	NA	67	24	14	21	26	22
Aavas Financiers	19	28	3	5	21	16	27	6	1
Aptus	16	20	21	19	21	26	21	18	16
Home First	34	31	14	24	18	24	38	22	50
India Shelter	20	51	41	80	112	89	94	58	63
Other NBFCs and HFCs									
Bajaj Finance	33	34	30	27	23	20	22	22	23
Bajaj Housing Finance	NA	NA	23	14	18	20	30	48	29
Cholamandalam	25	36	41	25	39	35	34	40	23
Five Star	35	33	40	43	35	37	33	19	16
LICHF	40	102	39	8	(12)	(8)	(7)	(1)	7
L&T Finance	3	11	15	11	21	17	6	3	4
Mahindra Finance	6	10	5	24	14	27	15	3	14
Muthoot Finance	35	15	10	19	23	44	49	42	61
SBFC	40	42	71	62	71	64	41	31	33
Shriram Finance	3	19	14	20	28	17	10	10	6

Source: Company, Kotak Institutional Equities

NIM likely bottoming out for most players

Exhibit 80: Quarterly trends in NIM, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (bps)	QoQ (bps)
Affordable housing											
Aadhar	8.3	8.6	8.3	8.0	8.2	8.6	8.8	8.1	8.1	(16)	(4)
Aavas	7.8	7.4	7.0	7.0	6.8	6.7	6.8	6.8	6.8	(2)	-
Aptus	12.2	12.4	12.2	12.0	11.7	11.8	11.7	11.5	11.3	(41)	(12)
Home First	8.0	7.8	7.4	7.0	6.9	6.9	6.7	6.7	7.1	16	42
India Shelter	8.6	9.2	9.0	10.5	9.9	9.7	9.5	9.8	9.9	3	15
Other NBFCs and HFCs											
Bajaj Finance	10.4	10.3	10.2	10.0	9.7	9.7	9.7	9.7	9.6	(18)	(10)
Bajaj Housing Finance	3.7	3.7	3.6	3.3	3.2	3.2	3.5	3.4	3.4	22	8
Cholamandalam	6.8	6.8	6.8	6.8	6.9	6.8	6.9	6.9	6.9	-	-
Five Star	20.3	20.1	19.6	19.9	19.3	19.4	19.5	19.4	19.0	(35)	(43)
L&T Finance	8.2	8.8	9.1	9.1	9.3	9.0	8.7	8.0	8.2	(106)	19
LIC Housing Finance	3.2	3.0	3.0	3.2	2.8	2.7	2.7	2.9	2.7	(9)	(18)
Mahindra Finance	7.5	7.0	7.1	7.3	6.8	6.6	6.7	6.6	6.7	(17)	9
Muthoot Finance	11.6	10.9	10.9	11.6	11.5	11.5	11.6	11.3	12.2	64	88
SBFC	8.7	9.5	10.7	10.9	10.8	10.9	11.1	10.9	11.1	30	21
Shriram Finance	10.2	10.7	10.8	10.7	10.5	10.7	10.6	10.2	10.2	(39)	(4)

Source: Company, Kotak Institutional Equities

MCLR rates are inching down

Exhibit 81: MCLR rates of select banks, March 2022-June 2025 (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Change (bps)		
															Sep-24	Dec-24	Mar-25
Axis	7.35	7.75	8.05	8.75	8.95	9.10	9.15	9.25	9.30	9.30	9.35	9.45	9.40	8.90	(45)	(55)	(50)
Bank of Baroda	7.30	7.40	7.80	8.30	8.55	8.65	8.70	8.75	8.80	8.85	8.95	9.00	9.00	8.90	(5)	(10)	(10)
Central Bank of India	7.25	7.40	7.55	7.90	8.45	8.60	8.60	8.70	8.70	NA	8.85	9.00	9.00	8.95	10	(5)	(5)
HDFC Bank	7.25	7.85	8.20	8.60	8.95	9.05	9.15	9.20	9.35	NA	9.45	9.45	9.40	9.05	(40)	(40)	(35)
ICICI Bank	7.25	7.55	8.00	8.40	8.75	8.85	8.95	9.00	9.10	9.10	9.10	9.10	9.10	8.50	(60)	(60)	(60)
State Bank of India	7.00	7.40	7.70	8.30	8.50	8.50	8.55	8.65	8.65	8.75	8.95	9.00	9.00	9.00	5	0	0

Source: Company, Kotak Institutional Equities

Yields have moderated for most players in 1QFY26

Exhibit 82: Quarterly trends in yields, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (bps)	QoQ (bps)
Affordable housing											
Aadhar	14.9	14.9	14.7	14.3	14.6	14.9	15.1	14.4	14.3	(28)	(5)
Aavas Financiers	14.2	14.2	13.8	13.5	13.4	13.6	13.7	13.5	13.5	8	-
Aptus	17.1	17.6	17.3	17.1	17.1	17.3	17.4	17.2	17.2	8	4
Home First	14.7	14.6	14.4	14.3	14.2	14.4	14.5	13.9	14.3	10	39
India Shelter	15.7	16.0	15.5	16.5	15.6	15.6	15.4	15.8	15.8	22	5
Other NBFCs and HFCs											
Bajaj Finance	16.8	16.8	16.7	16.5	16.4	16.5	16.4	16.1	16.0	(33)	(8)
Bajaj Housing Finance	10.3	10.3	10.2	9.9	10.0	10.1	10.0	9.7	9.6	(32)	(3)
Cholamandalam	14.1	14.3	14.4	14.3	14.4	14.5	14.6	14.5	14.4	2	(8)
Five Star	25.6	25.4	25.6	25.8	25.7	25.5	25.7	25.5	25.1	(52)	(35)
L&T Finance	15.1	15.5	15.9	15.5	15.5	15.5	15.4	14.7	14.8	(72)	9
LIC Housing Finance	9.7	9.7	9.6	9.7	9.4	9.4	9.4	9.4	9.2	(15)	(16)
Mahindra Finance	14.3	14.0	14.1	14.2	13.8	13.7	13.9	13.7	13.8	(5)	10
Muthoot Finance	18.1	17.7	17.8	18.3	18.3	18.6	18.6	18.6	19.6	130	100
SBFC	16.5	16.8	17.2	17.2	17.1	17.2	17.3	17.4	17.5	39	11
Shriram Finance	16.2	16.6	16.5	16.5	16.3	16.5	16.6	16.7	16.7	35	2

Source: Company, Kotak Institutional Equities

Cost of funds has moderated for most players in recent quarters

Exhibit 83: Quarterly trends in cost of funds, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	QoQ (bps)				
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable HFCs														
Aadhar	7.7	7.6	7.7	7.7	7.9	8.0	8.0	8.0	8.0	25	5	2	2	-
Aavas Financiers	7.3	7.5	7.7	7.4	7.5	8.0	8.0	7.8	7.7	10	42	7	(25)	(9)
Aptus	8.5	9.1	8.8	8.8	8.9	8.7	9.0	9.0	9.2	10	(21)	30	(5)	19
Home First	8.2	8.1	8.1	8.2	8.2	8.4	8.5	8.2	8.6	(2)	14	15	(28)	35
India Shelter	8.9	8.8	8.9	8.6	8.6	8.8	8.6	8.5	8.4	1	16	(19)	(6)	(18)
NBFCs/other HFCs														
Bajaj Finance	7.3	7.4	7.5	7.5	7.6	7.8	7.8	7.5	7.5	11	22	(7)	(22)	2
Bajaj Housing Finance	7.6	7.6	7.6	7.7	7.9	8.2	7.9	7.7	7.5	15	34	(30)	(20)	(16)
Cholamandalam	7.8	7.8	8.0	8.0	7.9	7.9	8.1	7.9	7.7	(15)	8	11	(19)	(12)
Five Star	9.0	9.3	9.7	9.1	9.7	9.6	9.6	9.2	9.5	60	(11)	3	(45)	31
L&T Finance	6.9	7.0	7.1	7.0	6.9	7.1	7.3	7.2	7.0	(11)	26	19	(16)	(14)
LIC Housing Finance	7.4	7.6	7.6	7.5	7.5	7.6	7.6	7.4	7.5	3	14	(2)	(19)	3
Mahindra Finance	7.5	7.6	7.8	7.7	7.8	7.8	7.9	7.7	7.8	3	-	9	(11)	8
Muthoot Finance	8.4	8.7	8.6	8.4	8.7	9.0	8.7	8.9	8.8	29	30	(24)	19	(15)
SBFC	9.3	9.4	9.3	9.2	9.4	9.5	9.2	9.4	9.1	17	7	(28)	17	(26)
Shriram Finance	8.7	8.9	8.7	8.8	8.7	8.7	8.8	9.1	9.1	(4)	(4)	10	32	(8)

Source: Company, Kotak Institutional Equities

Bank lending to NBFCs has moderated

Exhibit 84: Breakup of bank credit, March fiscal year-ends, 2019-25, 1QFY25-26 (Rs bn)

	2019	2020	2021	2022	2023	2024	2025	YoY (%)	1QFY24	1QFY25	1QFY26	YoY (%)
Overall bank credit (1)	86,749	103,709	109,495	118,913	136,752	164,322	182,439	11.0	143,837	168,808	184,831	9.5
Bank credit to NBFC/HFC (2)	7,011	9,570	9,486	10,335	13,425	15,480	16,361	5.7	14,343	15,555	15,965	2.6
Bank credit ex-NBFC/HFC (3:1-2)	79,737	94,139	100,009	108,578	123,327	148,841	166,078	11.6	129,494	153,253	168,866	10.2
PFC and REC (4)	843	1,101	1,132	1,269	1,458	1,588	1,454	(8.4)	1,530	1,479	1,527	3.2
Total Lending to NBFC/HFCs (5:4+2)	7,855	10,671	10,618	11,603	14,883	17,068	17,815	4.4	15,873	17,034	17,491	2.7
Share of bank credit to NBFC (6:5/1,%)	9.1	10.3	9.7	9.8	10.9	10.4	9.8	-62 bps	11.0	10.1	9.5	-63 bps

Source: RBI, Kotak Institutional Equities estimates

Margin expansion supported NII growth for most players

Exhibit 85: Quarterly trends in yoy NII growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	NA	NA	NA	27	20	20	27	22	20
Aavas Financiers	26	18	6	7	8	9	15	14	14
Aptus	19	20	20	18	23	21	21	19	18
Home First	34	32	24	18	18	19	21	26	32
India Shelter	25	42	35	58	59	45	45	27	35
Other NBFCs and HFCs									
Bajaj Finance	27	30	29	28	25	23	23	22	22
Bajaj Housing Finance	NA	NA	18	11	10	13	25	31	33
Cholamandalam	24	35	36	33	40	35	33	30	24
Five Star	36	34	32	33	31	30	28	21	20
LICHF	37	81	31	12	(10)	(6)	(5)	(3)	4
L&T Finance	15	11	8	14	23	19	11	1	2
Mahindra Finance	5	10	9	13	13	14	13	6	13
Muthoot Finance	23	18	12	15	22	35	43	36	51
SBFC	45	40	62	53	53	44	32	25	30
Shriram Finance	12	22	21	22	25	19	14	9	10

Source: Company, Kotak Institutional Equities estimates

We build in almost stable margins over FY2026-28E

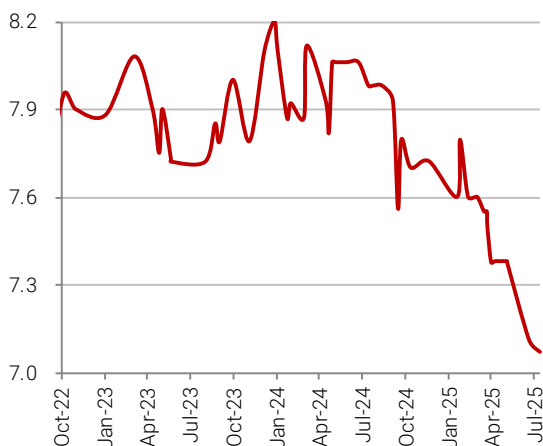
Exhibit 86: Yields, cost of funds and NIM, March fiscal year-ends, 2022-28E (%)

	Yield on loans (%)							Cost of funds (%)							NIM (%)						
	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E
Affordable housing																					
Aadhar	10.9	11.1	11.8	11.7	11.7	11.5	11.5	7.2	7.0	7.6	7.8	7.8	7.5	7.4	5.5	6.1	6.7	6.6	6.7	6.7	6.6
Aavas	13.5	13.4	13.5	13.3	13.1	12.8	12.7	6.7	6.6	7.5	7.7	7.5	7.2	7.1	7.8	7.7	7.1	6.6	6.7	6.7	6.7
Aptus	17.1	17.8	17.1	17.0	16.8	16.4	16.1	8.0	8.5	8.6	9.0	8.7	8.5	8.3	12.6	13.1	12.1	11.5	11.2	10.9	10.5
Home First	13.3	13.9	14.4	14.3	14.1	13.7	13.6	6.6	7.3	8.3	8.5	8.1	7.9	7.8	7.7	8.0	7.4	6.7	7.3	7.3	7.2
India Shelter	15.8	15.7	15.8	15.4	15.5	15.1	14.9	8.3	8.3	9.0	8.5	8.0	7.9	7.8	9.5	9.2	9.3	9.6	9.7	9.2	8.8
Other NBFCs and HFCs																					
Bajaj Finance	15.8	16.1	16.9	16.5	16.0	15.8	15.7	6.6	6.6	7.3	7.6	7.3	7.0	6.9	10.1	10.4	10.3	9.8	9.7	9.6	9.6
Bajaj Housing Finance	8.6	9.6	10.1	10.1	9.5	9.4	9.4	5.9	6.8	7.6	7.9	7.4	7.3	7.2	3.3	3.8	3.5	3.4	3.4	3.2	3.1
Cholamandalam	13.7	13.5	14.1	14.5	14.4	14.3	14.0	6.5	6.9	8.0	8.1	7.9	7.6	7.4	7.5	7.1	6.7	6.9	6.9	7.0	6.9
Five Star	25.3	25.0	25.6	25.7	24.9	24.2	23.4	10.0	7.8	8.9	9.4	9.1	8.7	8.6	19.0	20.6	19.9	19.5	18.7	18.2	17.2
L&TFH	12.5	14.4	15.0	15.3	14.9	14.7	14.6	7.0	7.3	6.7	7.1	6.8	6.6	6.4	6.3	7.5	8.6	8.8	8.5	8.5	8.5
LIC Housing Finance	8.1	8.6	9.6	9.3	9.0	8.8	8.8	6.6	6.9	7.4	7.5	7.2	7.0	7.0	2.3	2.4	3.1	2.7	2.7	2.7	2.7
Mahindra Finance	14.6	14.5	14.1	13.8	13.7	13.6	13.5	6.8	7.0	7.7	7.8	7.4	7.3	7.2	8.6	8.3	7.2	6.7	6.9	6.9	6.9
Muthoot Finance	19.8	17.1	17.9	18.3	18.9	17.3	17.2	8.0	7.4	8.6	8.6	8.9	8.3	8.2	12.9	11.0	11.2	11.3	11.5	10.4	10.5
SBFC	18.7	17.7	17.9	17.9	18.3	18.0	17.9	7.7	8.3	9.1	9.1	8.9	8.6	8.5	10.0	10.2	11.1	11.7	12.0	11.9	11.8
Shriram Finance	14.8	17.6	15.9	15.9	16.0	15.8	15.8	8.8	9.2	8.6	8.8	9.0	8.6	8.6	7.4	10.5	9.2	9.0	8.9	9.1	9.1

Source: Company, Kotak Institutional Equities estimates

Bond yields have moderated for Bajaj Finance...

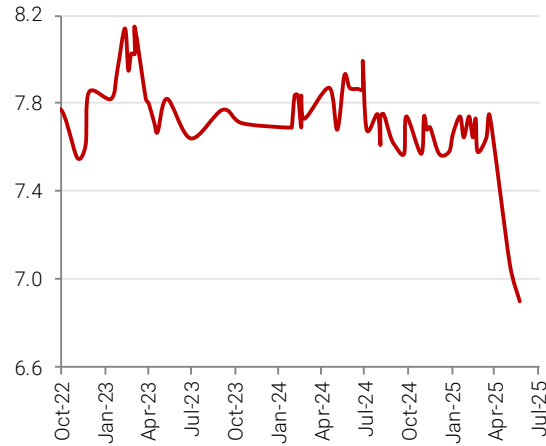
Exhibit 87: Bajaj Finance's bond yields, Oct 2022-July 2025 (%)



Source: Prime Database, Kotak Institutional Equities

LICHF's bond yields are rangebound

Exhibit 88: LICHF's bond yields, Oct 2022-July 2025 (%)



Source: Prime Database, Kotak Institutional Equities

Bank borrowings constitute 31-60% of overall borrowings for HFCs

Exhibit 89: Breakup of borrowings across select HFCs, March fiscal year-ends, 2019-25, 1QFY26 (%)

	2019	2020	2021	2022	2023	2024	2025	1QFY26
Aadhar								
Bank	NA	NA	62	60	54	55	53	49
NHB	NA	NA	16	22	25	25	23	24
NCD	NA	NA	21	17	21	20	21	23
Others	NA	NA	1	2	1	-	3	4
Aavas								
Term loans	42	43	34	38	45	48	51	49
Assignment	28	25	24	23	22	24	25	25
NHB	19	14	23	22	21	20	14	14
NCD	11	19	19	18	12	9	10	11
Aptus								
Bank	42	49	52	50	60	63	52	52
NHB	9	14	23	32	26	24	15	14
NCD	44	32	17	14	10	5	19	21
Others	6	5	8	4	4	8	14	14
Bajaj Housing Finance								
Term loans	NA	69	64	59	59	51	41	37
NCD	NA	25	27	30	36	35	46	51
NHB	NA	-	-	-	3	10	10	10
CP	NA	6	9	9	1	4	3	3
ICD	NA	-	-	1	0	0	-	0
Home First								
Bank	60	58	44	45	58	60	60	60
NBFC	-	2	1	2	2	2	2	1
NHB	26	21	29	27	15	18	16	16
NCD	-	-	6	4	6	3	2	2
DA	13	19	20	23	19	17	17	19
ECB	-	-	-	-	-	-	3	2
India Shelter								
Bank	NA	NA	56	72	69	56	54	54
NHB	NA	NA	36	17	19	15	15	14
NCD	NA	NA	6	9	6	1	1	1
DA	NA	NA	2	2	3	22	20	21
ECB	NA	NA	-	-	3	6	4	4
PTC	NA	NA	-	-	-	2	7	6
LIC Housing Finance								
Bank	15	22	25	30	34	34	32	31
NCDs	75	65	54	53	50	52	55	55
Deposit	4	7	9	8	5	4	3	4
NHB	1	1	5	4	5	4	4	5
CP and others	4	4	6	4	5	5	5	4

Source: Company, Kotak Institutional Equities

Bank borrowings constitute 22-58% of overall borrowings for NBFCs
Exhibit 90: Breakup of borrowings across NBFCs, March fiscal year-ends, 2019-25, 1QFY26 (%)

	2019	2020	2021	2022	2023	2024	2025	1QFY26
Bajaj Finance								
Bank	34	38	32	28	31	33	28	26
NCDs	38	41	44	50	47	44	48	51
Subordinate debt	5	4	4	3	1	1	4	4
Deposits	15	17	20	19	21	22	20	19
CPs	7	NA	NA	NA	NA	NA	NA	NA
CBLO	0	NA	NA	NA	NA	NA	NA	NA
Chola								
Bank	49	66	61	63	57	49	47	44
CP	11	8	10	10	8	6	10	10
NCDs	21	10	15	15	16	16	14	15
Subordinated debt	8	8	7	7	9	11	14	17
Securitisation	11	8	7	5	10	18	15	14
Five Star								
Bank	NA	NA	NA	32	56	65	56	58
Other term loans	NA	NA	NA	6	6	12	17	17
NCDs	NA	NA	NA	39	12	5	10	10
Securitisation	NA	NA	NA	19	23	17	17	15
ECB	NA	NA	NA	3	2	1	1	1
L&T Finance								
Term loan	39	44	38	41	50	53	56	53
NCDs and others	47	50	55	52	38	40	35	39
CP	14	6	7	7	12	7	9	8
Mahindra Finance								
Bank loans	28	30	25	28	40	48	48	48
NCDs	44	35	33	37	32	28	25	24
FDs	11	15	16	15	7	8	10	12
CP/ ICD	9	0	2	2	8	7	3	1
Securitisation	8	15	18	14	9	6	8	10
Offshore borrowings		5	7	5	4	3	6	6
Muthoot Finance								
Gold bonds	2	1	1	0	0	-	-	-
Listed NCDs	28	26	29	25	27	28	26	30
Bank loans	49	39	43	55	60	63	53	50
Subordinated debt	2	1	0	0	0	0	0	-
Others	2	24	18	17	10	1	14	13
SBFC								
Bank	NA	84	91	92	78	49	50	50
NCDs	NA	11	5	1	1	10	13	11
Securitisation	NA	5	2	2	10	7	4	3
FCNB	NA	-	-	-	-	21	18	24
FI	NA	-	1	4	10	13	15	13
Foreign bank	NA	-	-	-	1	0	-	-
Shriram Finance								
NCDs	29	22	20	19	19	17	18	18
Deposits	12	13	15	19	23	24	24	24
Securitization	20	23	22	17	14	16	17	17
Subordinated debts	7	6	4	4	3	2	1	1
Term loans	18	16	16	20	26	25	22	22
ECB	6	15	18	17	8	6	7	7
ECB loans	3	5	4	4	6	8	8	8
Others	2	2	1	0	0	3	2	2

Source: Company, Kotak Institutional Equities

Operating expenses growth lagged AUM growth for most players

Exhibit 91: Operating expenses yoy growth, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	NA	NA	NA	22.2	15.3	43.4	16.6	12.2	17.0
Aavas Financiers	30.4	14.1	12.3	19.3	3.0	4.6	7.3	19.8	20.6
Aptus	35.3	19.4	23.3	24.9	34.6	15.4	24.0	21.2	23.7
Home First	42.8	28.2	37.9	23.0	19.0	28.4	23.2	37.5	31.9
India Shelter	28.4	28.1	30.4	32.8	26.7	31.1	34.1	29.0	28.8
Other NBFCs and HFCs									
Bajaj Finance	19.9	19.7	22.2	24.5	21.6	20.9	22.5	19.6	18.8
Bajaj Housing Finance	NA	NA	11.0	15.4	1.1	10.0	6.4	7.2	26.1
Cholamandalam	35.7	43.1	41.5	63.3	50.4	39.0	32.8	11.0	22.8
Five Star	42.7	39.4	18.3	14.2	23.9	17.1	21.3	26.3	28.6
LICHF	19.6	(0.6)	(9.1)	38.8	8.1	19.7	36.3	18.5	12.1
L&T Finance	19.7	18.9	16.3	24.5	24.2	11.4	18.3	2.4	8.6
Mahindra Finance	8.7	8.0	15.6	2.5	18.1	8.7	16.4	18.1	17.0
Muthoot Finance	3.4	27.2	16.1	8.7	14.5	14.9	27.2	25.5	26.2
SBFC	39.8	28.3	47.9	19.4	21.1	11.9	11.3	19.8	24.3
Shriram Finance	27.4	21.8	27.7	10.9	16.0	20.4	22.1	18.6	20.7

Source: Company, Kotak Institutional Equities

Cost ratios declined yoy for most players in 1QFY26

Exhibit 92: Quarterly trends in cost-to-AAUM, March fiscal year-ends, 1QFY24-26 (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Affordable housing									
Aadhar	3.2	2.6	3.1	3.4	3.0	3.1	3.0	3.2	2.9
Aavas Financiers	3.7	3.5	3.4	3.4	3.1	3.0	3.1	3.5	3.2
Aptus	2.6	2.9	2.6	2.8	2.7	2.6	2.5	2.7	2.7
Home First	3.0	2.8	2.8	2.5	2.6	2.7	2.6	2.6	2.7
India Shelter	4.8	4.5	4.4	4.4	4.4	4.4	4.3	4.2	4.2
Other NBFCs and HFCs									
Bajaj Finance	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8
Bajaj Housing Finance	0.9	0.9	0.8	0.9	0.7	0.7	0.7	0.7	0.7
Cholamandalam	2.8	3.2	3.3	3.7	3.1	3.3	3.3	3.2	3.1
Five Star	7.0	7.0	6.6	6.4	6.3	6.1	6.2	6.5	6.6
LICHF	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.6	0.4
L&T Finance	3.9	4.4	4.5	4.7	4.4	4.2	4.5	4.2	4.2
Mahindra Finance	3.2	3.2	3.2	3.2	3.1	2.9	3.1	3.2	3.1
Muthoot Finance	3.4	3.4	3.3	3.7	3.2	3.0	3.1	3.3	2.8
SBFC	5.3	5.4	5.4	4.9	4.7	4.6	4.6	4.6	4.6
Shriram Finance	2.9	3.0	2.9	2.9	2.8	3.0	3.0	2.9	2.9

Source: Company, Kotak Institutional Equities

Credit costs to remain elevated in FY2026E moderating over FY2027-28E

Exhibit 93: GNPL and credit costs, March fiscal year-ends, 2022-28E (%)

	Gross stage-3 (%)							Credit cost (%)						
	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E
Affordable housing														
Aadhar	1.5	1.2	1.1	1.1	1.2	1.2	1.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3
Aavas Financiers	1.0	0.9	0.9	1.1	1.2	1.1	1.1	0.2	0.1	0.2	0.1	0.2	0.1	0.1
Aptus	1.2	1.2	1.1	1.2	1.5	1.4	1.5	0.7	0.6	0.3	0.3	0.5	0.6	0.6
Home First	2.3	1.6	1.7	1.7	1.7	1.7	1.7	0.5	0.3	0.3	0.3	0.3	0.3	0.3
India Shelter	2.1	1.1	1.0	1.0	1.2	1.3	1.5	0.5	0.4	0.4	0.4	0.5	0.6	0.7
Other NBFCs and HFCs														
Bajaj Finance	1.6	0.9	0.8	1.0	1.0	1.0	1.0	2.7	1.4	1.6	2.1	1.9	1.9	1.8
Bajaj Housing Finance	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.2	0.1	0.1	0.2	0.2	0.2
Cholamandalam	4.4	3.0	2.5	2.8	3.0	2.9	2.9	1.2	0.9	1.0	1.5	1.5	1.4	1.4
Five Star	1.0	1.4	1.4	1.8	2.7	2.0	2.0	1.0	0.3	0.7	0.8	1.5	1.1	1.0
L&T Finance	4.1	4.7	3.2	3.3	NA	NA	NA	3.1	2.8	2.4	2.5	2.5	2.3	2.2
LIC Housing Finance	4.6	4.4	3.3	2.5	2.3	2.2	2.1	0.8	0.7	0.6	0.1	0.3	0.4	0.4
Mahindra Finance	7.7	5.9	4.7	5.2	5.1	5.0	5.0	3.7	1.4	2.0	1.5	1.8	1.8	1.8
Muthoot Finance	3.0	3.8	3.3	3.4	2.7	2.5	2.2	0.2	0.1	0.3	0.8	0.3	0.2	0.2
SBFC	2.7	2.4	2.4	2.7	2.8	2.9	2.9	1.3	0.8	0.8	0.9	1.2	1.2	1.1
Shriram Finance	7.1	6.2	5.5	4.6	4.8	4.9	4.9	3.2	2.7	2.2	2.2	2.1	2.2	2.3

Source: Company, Kotak Institutional Equities estimates

Overall ECL coverage to inch up for most players

Exhibit 94: ECL coverage, March fiscal year-ends, 2022-28E (%)

	ECL coverage on gross stage-3 (%)							ECL coverage on gross stage-1 and 2 (%)							Overall ECL coverage (%)						
	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E
Affordable housing																					
Aadhar	30	34	41	34	35	35	35	1.0	0.9	0.8	0.8	0.8	0.8	0.8	1.4	1.3	1.2	1.2	1.2	1.2	1.2
Aavas Financiers	23	27	29	32	31	30	30	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.7	0.6	0.6	0.7	0.7	0.7	0.7
Aptus	25	25	25	25	25	25	25	0.5	0.8	0.8	0.7	0.8	1.0	1.1	0.8	1.1	1.1	1.0	1.1	1.3	1.5
Home First	25	34	30	25	25	25	26	0.5	0.4	0.3	0.3	0.3	0.3	0.3	1.1	0.9	0.8	0.8	0.7	0.7	0.7
India Shelter	25	26	25	25	25	27	30	0.8	0.7	0.6	0.7	0.7	0.7	0.7	1.3	1.0	0.9	0.9	1.0	1.1	1.2
Other NBFCs and HFCs																					
Bajaj Finance	58	64	57	54	62	62	62	1.3	1.2	1.0	1.2	1.6	1.6	1.6	2.2	1.8	1.5	1.7	2.2	2.2	2.2
Bajaj Housing Finance	54	64	64	60	55	55	55	0.8	0.7	0.5	0.4	0.4	0.4	0.4	1.0	0.8	0.7	0.6	0.6	0.6	0.6
Cholamandalam	40	46	46	45	45	45	45	1.4	0.8	0.6	0.6	0.6	0.6	0.6	3.0	2.2	1.7	1.8	2.0	1.9	1.9
Five Star	35	49	54	51	52	53	53	1.7	0.9	0.9	0.7	0.8	0.9	1.0	2.0	1.6	1.6	1.6	2.2	2.0	2.0
LIC Housing Finance	43	45	51	51	50	50	50	0.3	0.7	0.5	0.3	0.3	0.4	0.4	2.3	2.6	2.2	1.6	1.5	1.5	1.5
Mahindra Finance	58	45	45	37	40	42	42	2.7	1.4	1.2	1.1	1.0	1.0	1.0	6.9	4.0	3.3	2.9	3.0	3.1	3.1
Muthoot Finance	12	8	12	10	10	10	10	0.9	1.0	0.9	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.4	1.4	1.3
SBFC	40	42	44	46	46	46	46	1.1	0.9	0.8	0.6	0.6	0.7	0.7	2.2	1.9	1.8	1.8	1.9	2.0	2.0
Shriram Finance	50	50	52	43	43	43	43	3.9	3.3	3.6	3.8	3.7	3.7	3.7	7.2	6.2	6.2	5.6	5.6	5.6	5.6

Source: Company, Kotak Institutional Equities

Cost ratios to moderate over the medium term

Exhibit 95: Cost ratios, March fiscal year-ends, 2022-28E (%)

	Cost-to-income (%)							Cost-to-average AUM (%)						
	2022	2023	2024	2025	2026E	2027E	2028E	2022	2023	2024	2025	2026E	2027E	2028E
Affordable housing														
Aadhar	36.3	38.1	37.5	36.4	35.5	34.0	32.4	2.5	3.0	3.1	3.0	2.9	2.8	2.6
Aavas Financiers	42.6	44.9	45.6	43.8	43.5	42.9	42.3	3.4	3.6	3.4	3.1	3.1	3.1	3.0
Aptus	18.5	19.4	20.2	20.2	21.1	22.2	23.1	2.5	2.8	2.7	2.6	2.6	2.6	2.7
Home First	33.9	35.5	35.2	35.6	33.4	32.7	32.3	2.7	2.8	2.7	2.6	2.6	2.5	2.4
India Shelter	42.6	45.5	41.0	37.2	35.8	35.7	35.7	5.0	4.9	4.5	4.3	4.1	3.9	3.7
Other NBFCs and HFCs														
Bajaj Finance	34.7	35.1	34.0	33.2	32.7	32.1	31.3	4.3	4.6	4.3	4.0	3.8	3.7	3.6
Bajaj Housing Finance	29.2	25.7	24.0	20.8	20.6	19.4	18.1	1.0	1.0	0.9	0.7	0.7	0.6	0.6
Cholamandalam	35.4	38.5	40.9	39.3	39.6	40.2	40.1	2.8	3.0	3.2	3.2	3.2	3.2	3.2
Five Star	32.0	34.7	32.2	30.9	31.9	31.7	32.3	6.4	7.3	6.7	6.3	6.2	6.0	5.8
L&T Finance	33.5	37.0	40.3	40.7	41.6	41.2	40.3	2.4	3.3	4.2	4.3	4.4	4.3	4.2
LIC Housing Finance	16.9	15.2	13.0	16.2	16.2	16.5	16.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Mahindra Finance	35.8	42.1	41.4	41.7	39.7	39.5	38.8	3.2	3.7	3.2	3.1	3.0	3.0	2.9
Muthoot Finance	25.1	30.9	29.8	26.9	24.6	27.1	27.5	3.3	3.5	3.4	3.1	2.9	2.9	2.9
SBFC	60.4	49.7	45.7	40.0	36.6	34.7	33.0	6.9	5.7	5.2	4.6	4.1	3.6	3.3
Shriram Finance	22.3	28.5	29.7	30.5	31.2	30.4	29.9	1.7	3.1	2.9	2.9	3.0	3.0	2.9

Source: Company, Kotak Institutional Equities estimates

Earnings downgrade for most players

Exhibit 96: Change in estimates of Core PBT, March fiscal year-ends, 2026-28E (Rs mn)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	12,928	15,888	19,691	12,751	15,564	19,270	1	2	2
Aavas Financiers	6,215	7,460	8,908	6,486	7,880	9,577	(4)	(5)	(7)
Aptus	11,252	13,425	16,013	11,225	13,674	16,405	0	(2)	(2)
Home First	5,319	6,739	8,233	5,299	6,715	8,387	0	0	(2)
India Shelter	6,792	8,358	10,204	6,196	7,565	9,325	10	10	9
Other NBFCs and HFCs									
Bajaj Finance	361,180	451,801	570,281	366,994	462,782	584,275	(2)	(2)	(2)
Bajaj Housing Finance	31,200	38,469	48,125	31,754	39,920	50,409	(2)	(4)	(5)
Cholamandalam	95,271	114,010	137,423	96,372	119,175	146,918	(1)	(4)	(6)
Five Star	16,991	20,415	24,026	17,139	20,909	25,544	(1)	(2)	(6)
L&T Finance	64,668	76,243	92,141	66,484	81,199	98,349	(3)	(6)	(6)
LIC Housing Finance	74,703	79,704	89,367	74,450	79,640	89,440	0	0	(0)
Mahindra Finance	57,594	65,253	75,099	56,267	66,331	76,763	2	(2)	(2)
Muthoot Finance	99,969	107,114	122,178	97,937	106,924	120,787	2	0	1
SBFC	6,986	8,497	10,342	6,353	7,752	9,442	10	10	10
Shriram Finance	181,921	218,013	255,200	193,194	227,460	264,672	(6)	(4)	(4)

Source: Kotak Institutional Equities estimates

We moderate our AUM growth estimates

Exhibit 97: Change in estimates of AUM, March fiscal year-ends, 2026-28E (Rs bn)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	308	372	450	308	372	450	-	-	-
Aavas Financiers	238	282	336	243	290	350	(2)	(3)	(4)
Aptus	136	170	210	139	174	216	(2)	(2)	(2)
Home First	162	201	249	161	204	255	0	(1)	(2)
India Shelter	108	138	173	107	135	168	1	2	3
Other NBFCs and HFCs									
Bajaj Finance	5,181	6,481	8,132	5,217	6,524	8,183	(1)	(1)	(1)
Bajaj Housing Finance	1,413	1,760	2,188	1,429	1,778	2,208	(1)	(1)	(1)
Cholamandalam	2,219	2,705	3,288	2,295	2,825	3,505	(3)	(4)	(6)
Five Star	144	181	225	149	184	228	(3)	(2)	(1)
L&T Finance	1,138	1,350	1,615	1,165	1,407	1,706	(2)	(4)	(5)
LIC Housing Finance	3,312	3,594	3,928	3,335	3,641	3,998	(1)	(1)	(2)
Mahindra Finance	1,335	1,531	1,765	1,379	1,615	1,887	(3)	(5)	(6)
Muthoot Finance	1,298	1,495	1,697	1,245	1,434	1,629	4	4	4
SBFC	111	138	171	109	134	166	2	3	3
Shriram Finance	3,058	3,541	4,141	3,058	3,541	4,141	-	-	-

Source: Kotak Institutional Equities estimates

NIM upgrades for most NBFCs

Exhibit 98: Change in estimates of NIM, March fiscal year-ends, 2026-28E (%)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	6.7	6.7	6.6	6.7	6.6	6.6	-1 bps	1 bps	1 bps
Aavas Financiers	6.7	6.7	6.7	6.7	6.7	6.6	0 bps	4 bps	4 bps
Aptus	11.2	10.9	10.5	11.1	10.8	10.5	9 bps	3 bps	4 bps
Home First	7.3	7.3	7.2	7.4	7.4	7.3	-16 bps	-7 bps	-8 bps
India Shelter	9.7	9.2	8.9	9.2	8.8	8.7	52 bps	44 bps	23 bps
Other NBFCs and HFCs									
Bajaj Finance	9.6	9.6	9.5	9.7	9.6	9.6	-9 bps	-7 bps	-12 bps
Bajaj Housing Finance	3.4	3.2	3.1	3.4	3.3	3.2	0 bps	-4 bps	-7 bps
Cholamandalam	6.9	7.0	6.9	6.9	6.9	6.9	2 bps	2 bps	-2 bps
Five Star	18.7	18.2	17.2	18.6	18.1	17.8	12 bps	9 bps	-57 bps
L&T Finance	8.5	8.5	8.5	8.4	8.4	8.3	13 bps	12 bps	20 bps
LIC Housing Finance	2.6	2.6	2.7	2.6	2.6	2.6	0 bps	1 bps	2 bps
Mahindra Finance	6.9	6.9	6.9	6.8	6.8	6.7	16 bps	13 bps	17 bps
Muthoot Finance	11.5	10.4	10.5	11.2	10.8	10.8	35 bps	-40 bps	-32 bps
SBFC	11.2	11.0	10.9	10.3	10.1	10.0	91 bps	84 bps	87 bps
Shriram Finance	9.0	9.2	9.2	9.3	9.5	9.4	-30 bps	-21 bps	-17 bps

Source: Kotak Institutional Equities estimates

We revise up our credit costs estimates for most players

Exhibit 99: Change in estimates of credit costs, March fiscal year-ends, 2026-28E (%)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	0.28	0.26	0.27	0.28	0.26	0.27	0 bps	0 bps	0 bps
Aavas Financiers	0.20	0.13	0.14	0.13	0.16	0.16	7 bps	-3 bps	-2 bps
Aptus	0.51	0.59	0.57	0.59	0.64	0.64	-8 bps	-5 bps	-7 bps
Home First	0.44	0.40	0.39	0.28	0.27	0.26	16 bps	14 bps	13 bps
India Shelter	0.50	0.58	0.68	0.45	0.53	0.57	5 bps	5 bps	10 bps
Other NBFCs and HFCs									
Bajaj Finance	1.91	1.88	1.86	1.88	1.90	1.85	2 bps	-2 bps	1 bps
Bajaj Housing Finance	0.15	0.16	0.16	0.16	0.17	0.17	-1 bps	-1 bps	-1 bps
Cholamandalam	1.49	1.40	1.38	1.44	1.31	1.29	5 bps	9 bps	8 bps
Five Star	1.46	1.10	1.01	1.02	0.92	0.94	44 bps	19 bps	6 bps
L&T Finance	0.11	0.10	0.11	0.10	0.10	0.10	1 bps	0 bps	1 bps
LIC Housing Finance	0.26	0.38	0.42	0.22	0.39	0.41	4 bps	-1 bps	1 bps
Mahindra Finance	1.75	1.75	1.76	1.75	1.81	1.80	0 bps	-6 bps	-4 bps
Muthoot Finance	0.26	0.23	0.20	0.29	0.24	0.25	-3 bps	-1 bps	-5 bps
SBFC	1.20	1.16	1.06	0.95	0.94	0.88	25 bps	21 bps	18 bps
Shriram Finance	2.11	2.21	2.26	2.21	2.22	2.27	-11 bps	-1 bps	-2 bps

Source: Kotak Institutional Equities estimates

Mixed trends in expense ratios

Exhibit 100: Change in estimates of cost-to-AAUM, March fiscal year-ends, 2026-28E (%)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	2.9	2.8	2.6	3.0	2.8	2.7	-2 bps	-3 bps	-3 bps
Aavas Financiers	3.1	3.1	3.0	3.1	3.0	2.9	5 bps	10 bps	12 bps
Aptus	2.6	2.6	2.7	2.6	2.6	2.6	-3 bps	0 bps	0 bps
Home First	2.6	2.5	2.4	2.5	2.4	2.3	3 bps	7 bps	12 bps
India Shelter	4.1	3.9	3.7	4.1	3.9	3.8	-3 bps	-6 bps	-9 bps
Other NBFCs and HFCs									
Bajaj Finance	3.8	3.7	3.6	3.8	3.7	3.7	-2 bps	-3 bps	-6 bps
Bajaj Housing Finance	0.7	0.7	0.6	0.7	0.6	0.6	3 bps	3 bps	3 bps
Cholamandalam	3.2	3.2	3.2	3.2	3.2	3.2	-3 bps	2 bps	1 bps
Five Star	6.2	6.0	5.8	6.1	5.8	5.7	10 bps	17 bps	6 bps
L&T Finance	4.4	4.3	4.2	4.1	4.0	3.9	25 bps	30 bps	30 bps
LIC Housing Finance	0.5	0.5	0.5	0.4	0.4	0.5	2 bps	1 bps	1 bps
Mahindra Finance	3.0	3.0	2.9	3.0	2.9	2.8	0 bps	7 bps	9 bps
Muthoot Finance	0.3	0.2	0.2	0.3	0.2	0.2	-3 bps	-1 bps	-5 bps
SBFC	4.1	3.6	3.3	4.1	3.7	3.4	-5 bps	-10 bps	-12 bps
Shriram Finance	2.8	2.8	2.8	2.7	2.8	2.7	7 bps	7 bps	4 bps

Source: Kotak Institutional Equities estimates

Earnings downgrade for most players

Exhibit 101: Change in estimates of PAT, March fiscal year-ends, 2026-28E (Rs mn)

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2027E	2026E	2027E	2028E
Affordable housing									
Aadhar	11,112	13,654	16,656	10,998	13,379	16,259	1	2	2
Aavas Financiers	6,662	8,080	9,565	6,980	8,369	10,053	(5)	(3)	(5)
Aptus	8,719	10,233	12,145	8,609	10,351	12,323	1	(1)	(1)
Home First	6,999	8,867	10,833	6,972	8,835	11,035	0	0	(2)
India Shelter	4,982	6,024	7,214	4,563	5,469	6,691	9	10	8
Other NBFCs and HFCs									
Bajaj Finance	207,642	259,915	328,601	209,999	263,983	335,745	(1)	(2)	(2)
Bajaj Housing Finance	25,192	30,668	37,784	25,547	31,663	39,234	(1)	(3)	(4)
Cholamandalam	51,212	62,233	74,726	52,282	66,589	81,894	(2)	(7)	(9)
Five Star	11,683	14,336	16,854	12,208	14,904	18,066	(4)	(4)	(7)
L&T Finance	28,830	35,718	44,289	29,534	36,490	45,379	(2)	(2)	(2)
LIC Housing Finance	52,737	53,171	58,728	53,574	52,723	58,779	(2)	1	(0)
Mahindra Finance	26,764	30,354	34,849	25,151	29,184	33,684	6	4	3
Muthoot Finance	75,683	77,179	88,360	70,342	77,061	86,833	8	0	2
SBFC	4,293	5,239	6,451	4,164	5,058	6,189	3	4	4
Shriram Finance	94,517	112,506	130,478	99,717	118,029	135,822	(5)	(5)	(4)

Source: Kotak Institutional Equities estimates

Performance highlights of key diversified financial companies: 1QFY26

- ▶ **Aadhar.** PAT was up 19% yoy and NII was up 20% yoy, driven by 22% AUM growth in 1QFY26. NIM compressed 4 bps qoq and 16 bps yoy to 8.1%, driven by a moderation in yields to 14.3% (down 5 bps qoq and 28 bps yoy). Cost of borrowings was flat qoq at 8.0%. Operating expense growth, at 17% yoy, was lower than AUM growth. Credit costs were elevated at 0.4% in 1QFY26 (0.1% in 4QFY25 and 0.3% in 1QFY25), likely driven by a sharp rise in the gross stage-3 ratio (up 31 bps qoq to 1.4%).
- ▶ **Aavas.** Aavas reported moderate PAT growth of 10% yoy in 1QFY26 due to lower loan growth and higher expenses. NII was up 14% yoy, in line with AUM growth of 16%. The reported spread was up 20 bps qoq and 10 bps yoy to 5.1%, driven by a moderation in the cost of borrowings (down 22 bps qoq and 6 bps yoy). Operation expenses were elevated (up 21% yoy) due to an expansion of the footprint. Credit costs inched up to 22 bps due to higher delinquencies and write-offs.
- ▶ **Aptus.** Aptus reported PAT of Rs2.2 bn up 28% yoy, driven by strong 24% AUM growth. NII growth of 18% was lower than AUM growth due to a sharp 41 bps yoy NIM compression. The calculated cost of borrowings was up 24 bps yoy to 9.2%. Yields were stable yoy and qoq at 17.2%. Operating expenses were up 24% yoy, in line with AUM growth, leading to a stable cost-to-AAUM ratio of 2.7%. Credit costs were elevated at 0.4% (0.2% in 1QFY25) due to elevated write-offs of 0.3% in 1QFY26 (0.1% in 1QFY25).
- ▶ **Bajaj Finance.** Bajaj Finance's PAT was up 22% yoy and NII was up 22% yoy, driven by a 25% AUM growth, reflecting yoy margin compression. NIM compressed 10 bps qoq to 9.5%, driven by a rise in calculated cost of borrowings; yields were flat qoq at 17.6%. The reported cost of borrowings is down 20 bps qoq. Operating expense growth was moderate at 19% yoy, leading to 21 bps yoy moderation in the cost-to-AAUM ratio to 3.8%. Credit costs were stable at 2.0% (2.0% in 1QFY25; 2.3% in 4QFY25).
- ▶ **Bajaj Housing Finance.** Bajaj Housing Finance reported PAT of Rs5.8 mn, up 21% yoy. NII growth was strong at 33% yoy, driven by 24% AUM growth and 22 bps yoy NIM expansion. The reported spread was stable qoq, down 10 bps yoy. Disbursements were up 22% yoy. Operating expense growth was in line with AUM growth at 26% yoy. Credit costs were moderate at 14 bps (4 bps in 1QFY25 and 11 bps in 4QFY25).
- ▶ **Cholamandalam.** Chola reported PAT growth of 21% yoy and NII growth of 24% yoy, in line with AUM growth of 23% yoy. Calculated yield on loans was down 8 bps qoq to 14.4%, flat yoy. Calculated cost of funds moderated 10 bps qoq/12 bps yoy to 7.75%. Spreads expanded marginally/NIM almost flat qoq/yoy. Cost-to-AUM ratio improved 10 bps qoq/6 bps yoy to 3.08%. Credit costs shot up to 1.9% from 1.6% in 1QFY25, likely driven by a rise in delinquencies.
- ▶ **Five Star.** Five Star reported PAT of Rs2.7 bn in 1QFY26, up 6% yoy. NII growth was strong at 20% yoy, driven by 20% AUM growth. NIM compressed 35 bps yoy and 43 bps qoq to 19%, driven by 52 bps yoy and 35 bps qoq decline in yields to 25.1%. Reported cost of borrowings declined 11 bps yoy and 9 bps qoq to 9.5%. Operating expense growth was elevated at 29% yoy. Credit costs were elevated at 1.6% (0.9% in 4QFY25 and 0.7% in 1QFY25), driven by a sharp rise in delinquencies.
- ▶ **Home First.** Home First's reported PAT was up 35% yoy with 32%/29% NII/AUM growth and 7% disbursement growth. NIM expanded 42 bps qoq to 7.1% due to benefit of capital issuance. Operating expenses were up 32% yoy, in line with AUM growth. Credit costs were 0.4% of AUMs in 1QFY26, up 14 bps yoy and 11 bps qoq. The gross stage-2 ratio was up 29 bps qoq to 1.6% and the stage-3 ratio was up 15 bps to 1.8%. 1 + dpd was up to 5.4% from 4.5% qoq/yoy.
- ▶ **India Shelter.** India Shelter reported 43% earnings growth due to a 35% NII growth. AUM was up 34% yoy; NIM expanded 6 bps yoy and 15 bps qoq to 9.3%, driven by a moderation in the cost of borrowings (27 bps yoy and 18 bps qoq). Operating expenses were up 29% yoy. However, credit costs were elevated at 0.5% (0.2% in 4QFY25 and 0.4% in 1QFY25), driven by a rise in delinquencies. 30 + dpd loans were up to 4.5%, up 100 bps yoy and 140 bps qoq.
- ▶ **L&T Finance.** LTF reported muted PAT growth of 2% in 1QFY25 due to sharp 106 bps yoy NIM compression to 8.2%. Loan book was up 15% yoy (Rs1.02 tn), with an 18% growth in retail loans (Rs998 bn). Disbursements were up 18% yoy, with an 8% growth, excluding gold loan book purchased during the quarter. The cost-to-AAUM ratio was moderate at 4.2% (4.4% in 1QFY25 and 4.2% in 4QFY25). Credit costs were moderate at 2.2% as compared with 2.4-2.5% last year.
- ▶ **LICHF.** LIC Housing Finance reported 5% earnings and 7% core PBT growth in 1QFY26. Credit costs were 25 bps (up 5 bps yoy versus 15 bps expected), with some inching up in gross stage-3 loans in

retail loans. Disbursement growth was weak at 3% in individual home loans; NIM compressed 9 bps yoy and 18 bps qoq; the reported spread (reflecting weighted period-end rates) was stable qoq. Operating expenses were up 12% yoy.

- ▶ **Muthoot Finance.** Muthoot Finance reported 90% earnings growth. AUM growth was strong at 42% yoy (2% above estimates) and 10% qoq, driven by 32% yoy and 14% qoq average gold price rises during the quarter. NIM expanded 64 bps yoy and 88 bps qoq to 12.2%, supported by one-offs from the recovery of bad loans and ARC; core yields were stable. Operating expense growth was moderate at 26% and credit costs normalized to 0.2% (1.1% in 1QFY25 and 0.5% in 4QFY25).
- ▶ **Mahindra Finance.** Mahindra Finance reported PAT of Rs5.3 bn in 1QFY26, up 2% yoy. NII growth was moderate at 13%, driven by loan growth of 15% and moderate NIM compression of 17 bps yoy. NIM expanded 10 bps qoq to 6.7%, likely reflecting the benefit of capital issuance. Operating expenses were up 17% yoy in line with loan growth. Credit costs were elevated at 2.2% due to a rise in delinquencies and moderate write-offs of 1.4%.
- ▶ **SBFC.** SBFC reported PAT of Rs1 bn in 1QFY26, up 28% yoy. NII growth was in line with AUM growth at 30% yoy. Core spreads expanded 70 bps yoy and 37 bps qoq, led by a rise in core yields (up 39 bps yoy and 11 bps qoq) and moderation in cost of borrowings (down 31 bps yoy and 26 bps qoq). Operating expense growth was lower than AUM growth at 24%, leading to a 19 bps yoy moderation in the cost-to-AAUM ratio. Credit costs rose to 1.1%, driven by a rise in early delinquencies.
- ▶ **Shriram Finance.** Shriram Finance reported PAT growth of 9% yoy and NII growth of 10% yoy, driven by 17% AUM growth, which was offset by 59 bps yoy NIM compression. Operating expense growth was elevated at 21% yoy, leading to a 10 bps yoy rise in the cost-to-AAUM ratio to 2.9% in 1QFY26. Credit costs were moderate at 1.9%, driven by moderate write-offs of 0.2% (0.2% in 1QFY25) and stable delinquency ratios.

Capital Markets: Market pull back and flows drive upbeat earnings

Capital market players delivered a steady performance in 1QFY26, aided by AUM growth and improving flows. HDFC AMC and Nippon AMC led earnings momentum on strong equity AUM and stable yields, while ABSL AMC showed early signs of recovery, whereas UTI AMC's performance was more muted. Kfin and CAMS saw yield compression in MF RTA, with limited upside from non-MF segments. Angel One beat revenue estimates, but saw sharp margin compression; recovery remains a key monitorable. 360 One posted stable earnings, but weak net flows, RM attrition and execution in new segments need tracking. Rating agencies retained core momentum, but non-ratings growth and valuation comfort remain limited.

Wealth managers/brokers

360 One: Results ahead of estimates, RM attrition a key monitorable.

- ▶ 360 One reported ~18% yoy earnings growth in 1QFY26, driven by ~25% yoy recurring revenue growth, offset by a ~30% yoy decline in transactional income. Expense growth was ~33% yoy, while recurring AUM rose ~30% yoy (+15% qoq). The cost-income ratio improved ~200 bps qoq to ~48%, aided by higher other income. Active ARR flows stood at ~Rs30 bn, led by wealth (~Rs20 bn), while AMC flows were impacted by team exits (~Rs35–40 bn AUM loss). Retentions (ex-carry) were 70 bps (versus 74 bps qoq) and over 200 new families with Rs100 mn+ ARR AUM were added in 1Q.
- ▶ The company continues to diversify beyond UHNI through organic and inorganic initiatives (HNI, B&K, ET Money and UBS India). While these segments are scaling up, the core UHNI franchise remains critical to sustaining valuations. Transactional income was supported by B&K's broking revenues. We expect a period of consolidation and execution focus across segments. Retain ADD with FV of Rs1,250 (versus Rs1,150 earlier), valuing the stock at ~35X June 2027E EPS.

Angel One: Revenue beat among margin pressure, recovery trends in focus

- ▶ Angel One reported better-than-expected revenues in 1QFY26 (+8% qoq; (-)19% yoy), supported by higher net broking revenues (+9% qoq) and net interest income (+6% qoq). However, PAT declined ~60% yoy and ~35% qoq, impacted by a sharp ~47% qoq rise in staff costs and overall cost growth of ~20% qoq. EBITDA margin compressed to ~22%. Broking activity was aided by higher realizations per order, especially in derivatives, while cash segment benefited from larger order sizes and assisted business.
- ▶ Non-broking segments showed steady progress, with MF distribution AUM rising to Rs138 bn and wealth AUM at Rs51 bn across 1,000+ clients. Distribution income grew 2.6X yoy and 15% qoq, while cumulative loan disbursement reached Rs9 bn. Despite strong execution and market positioning, industry-wide challenges and regulatory uncertainties cloud near-term visibility. Downgrade to ADD with FV of Rs2,900 (versus Rs2,800 earlier).

AMCs

ABSL AMC: Valuation led thesis with flows showing early signs of recovery

- ▶ ABSL AMC reported ~21% yoy growth in core PBT (i.e., PBT–other income), driven by ~16% yoy revenue growth and ~9% yoy expense growth. The cost-income ratio declined ~500 bps qoq to ~34% (down ~200 bps yoy). Overall, AUM rose ~20% yoy (+9% qoq), with equity MF AUM up ~11% yoy (+7% qoq). Closing MF AUM stood at Rs4.1 tn (+13% qoq), and closing equity AUM was Rs1.9 tn (+13% qoq), ~5% above the quarterly average. Expense growth was led by a ~15% yoy increase in other costs and ~4% yoy growth in employee costs.
- ▶ Fund performance has improved in 6M and 1Y rolling periods, supporting better flows, though 3Y trends remain key to sustaining momentum. SIP AUM rose ~11% qoq, while blended revenue yield declined ~5% qoq to ~40 bps, with equity mix down ~100 bps qoq to 41%. Equity yields were ~67 bps, debt at ~24 bps, liquid at ~12–13 bps and alternatives at ~1%. Retain ADD with FV of Rs950 (versus Rs900 earlier), valuing the stock at ~23X June 2027E EPS.

HDFC AMC: Earnings momentum supported by strong fund flows and stable yields.

- ▶ HDFC AMC reported ~24% yoy earnings growth in 1QFY26, driven by ~25% yoy revenue growth, ~34% yoy rebound in other income and ~10% yoy expense growth. Core PBT (ex-other income) grew ~30% yoy, marginally ahead of expectations due to better yields. Quarterly AAUM rose ~23% yoy (+7% qoq), with equity AUM up ~23% yoy (+8% qoq) and debt AUM up ~19% yoy (+7% qoq). Staff and other costs grew ~8% yoy. The company guided for a non-cash charge of Rs2.05-Rs2.10 bn over FY2026-30E under the revised ESOP-PSU scheme.
- ▶ Blended revenue yield was stable qoq at 46.7 bps (versus 46.6 bps in 4QFY25), with product-wise yields at 58-59 bps for equity, 27-28 bps for debt, and 12-13 bps for liquid. SIP inflows reached an all-time high of Rs40.1 bn in 1QFY26 (versus Rs37 bn in 4QFY25), supported by improving fund performance and healthy July flows. We retain ADD with FV of Rs5,700, valuing the stock at ~35X June 2027E EPS.

Nippon AMC: Robust equity AUM growth; yields steady despite mix shift

- ▶ Nippon AMC reported ~23% yoy core PBT growth in 1QFY26, led by ~18% yoy revenue growth and ~16% yoy expense growth. Other income rose ~12% yoy, supported by strong MTM gains from its SMID-heavy portfolio, driving headline PAT growth of ~19% yoy. Overall AUM reached Rs7.4 tn (+23% yoy), with MF AUM at Rs6.4 tn (+27% yoy, +10% qoq). Equity AUM rose sharply by ~84% yoy (+25% qoq), while expense growth was led by non-staff costs (~24% yoy), reflecting investments in the tech and non-MF businesses.
- ▶ Blended revenue yields remained flat qoq at ~40 bps, with equity yields at 55 bps (versus 57 bps in 4QFY25), debt at 25 bps, liquid at 12 bps, and ETF at 17 bps. Systematic flows stood at Rs33 bn (+4% qoq), contributing ~13% annualized to equity AUM. Unique customers rose to 21 mn (+18% yoy, +20% qoq), with SIP market share over 10%. Early July flows remain robust despite market volatility. Retain ADD with FV of Rs850, valuing the stock at ~30X June 2027E EPS.

UTI AMC: Passive mix weighs on yields, equity AUM sees healthy uptick

- ▶ UTI AMC's core PBT rose ~9% yoy (+6% qoq), supported by ~13% yoy revenue growth and ~16% yoy expense growth. Headline PAT declined ~7% yoy due to a ~14% yoy drop in other income. Overall AUM grew ~13% yoy (+4% qoq), with MF AUM up ~16% yoy (+6% qoq) and equity AUM up ~16% yoy (+10% qoq). The core cost-income ratio remained elevated at ~59% (versus ~57% in 1QFY25), reflecting continued pressure on operating leverage.
- ▶ Blended MF revenue yield declined ~1% qoq to ~34 bps, impacted by a higher share of passive funds (~43% of AUM). Active equity yields remained stable at ~75 bps, while debt, liquid and passive fund yields were ~21-22 bps, ~10 bps and ~6-7 bps, respectively. SIP AUM stood at Rs422 bn, with gross inflows of Rs22.6 bn in 1QFY26. Retain BUY with FV of Rs1,560 (versus Rs1,500 earlier), valuing the stock at ~23X June 2027E EPS.

RTA: Kfin Technologies and CAMS

Kfin Technologies: Strong and diversified AUM growth, telescopic pricing impacting revenue

- ▶ Kfin reported ~15% yoy headline earnings growth in 1QFY26, supported by ~15% yoy revenue growth and stable EBIT margins at ~35%. MF RTA revenues grew ~17% yoy (+2% qoq), with overall AUM up ~23% yoy (+7% qoq) and equity AUM up ~22% yoy (+7% qoq), both with stable market share (~33%). MF RTA yield declined ~5% qoq to 3.43 bps, driven by telescopic pricing and selective discounts to fast-growing AMCs. Management expects yields to remain stable excluding telescopic declines, though industry-wide fee pressure and client concentration remain key challenges.
- ▶ Non-MF revenue grew ~10% yoy, led by strong growth in issuer solutions (~26% yoy) and international/alternatives (~30% yoy), offset by an ~80% decline in global business services. Kfin continues to win mandates across IPOs, transfer agency and fund administration, with a robust pipeline expected over 2Q-4Q. AUM and revenue growth for Ascent are tracking well, though EBITDA growth remains subdued due to ongoing investments. Retain SELL with FV of Rs1,100 (versus Rs1,150 earlier), valuing the stock at ~35X June 2027E EPS.

CAMS: Flat earnings amid pricing pressure and soft non-MF trends

- ▶ CAMS reported flat earnings growth in 1QFY26, with ~7% yoy revenue growth and ~10% yoy operating expense growth. AUM grew ~22% yoy (+7% qoq), with equity AUM up ~24% yoy (+8% qoq), and market share remained stable at 68% overall and 66% in equity. EBIT margin declined ~200 bps yoy to ~40%, reflecting slower growth in the high-margin MF RTA segment, which contributed ~87% to overall revenues. The impact of a large client price reset continues to weigh on revenue momentum.
- ▶ MF RTA revenue yield declined ~5% qoq to 2.16 bps, with ~90% of the repricing impact now absorbed. CAMS expects yields to follow a telescopic decline over the next few quarters. Non-MF revenues grew ~4% yoy (-6% qoq), with KRA contracting sharply (~40% yoy) due to muted retail activity. Other verticals showed 10–25% yoy growth, and management guided for ~25% revenue growth in non-MF for FY2026E. Retain ADD with FV of Rs4,200 (versus Rs4,400 earlier), valuing the stock at ~34X June 2027E EPS.

Rating agencies

CRISIL: Valuation discomfort persists, despite stable margins

- ▶ CRISIL reported ~14% yoy PAT growth in 2QCY25, led by a ~6% yoy revenue growth and ~2% yoy expense growth. EBIT grew ~9% yoy, with margins stable at ~25%. Other income rose ~30% yoy, while the tax rate declined to ~24% (versus 30% yoy). Ratings' revenue grew ~18% yoy, supported by domestic credit ratings and captive S&P support, though sequential revenue declined ~6% qoq. Bond and CP issuances rose ~71% and ~18% yoy, respectively, while bank credit growth moderated to ~9–10%.
- ▶ Non-ratings' revenue grew ~1% yoy, with segment margins marginally up at ~19%. Research & Risk continues to face pressure from discretionary spending cuts, while Benchmarking & Market Intelligence showed healthier trends. Blended ratings margins remained stable at ~41%, with calculated margins at ~58%. We revise FV to Rs4,400 (from Rs4,300), valuing the stock at ~33X June 2027E EPS. Downgrade to SELL due to limited valuation comfort and muted growth visibility in the international business.

ICRA: Ratings' momentum holds up; non-ratings' growth remains uncertain

- ▶ ICRA reported ~19% yoy PAT growth in 1QFY26, with EBIT up ~13% yoy, supported by an ~8% yoy revenue growth and a ~6% yoy expense growth. Staff costs rose ~7% yoy, while other expenses were up ~3% yoy, leading to a ~100 bps yoy improvement in the EBIT margin to ~29%. Ratings' revenue grew ~14% yoy, aided by strong bond and CP issuances and active securitization across vehicle finance, MFI and MSME segments. A sequential decline in ratings' revenue is likely seasonal.
- ▶ Non-ratings' revenue grew ~1% yoy, with mixed trends across sub-segments. The global business (~70–80% of non-ratings) continues to face headwinds, including mandated ESG revenue loss, partially offset by growth in analytical support services. Domestic risk and market data businesses fared better. We revise FV to Rs6,900 (from Rs6,500), valuing the stock via SoTP at ~33X June 2027E EPS. Retain REDUCE, as growth clarity in non-ratings remains limited, despite improving ratings momentum.

Stronger earnings growth for AMCs and RTAs

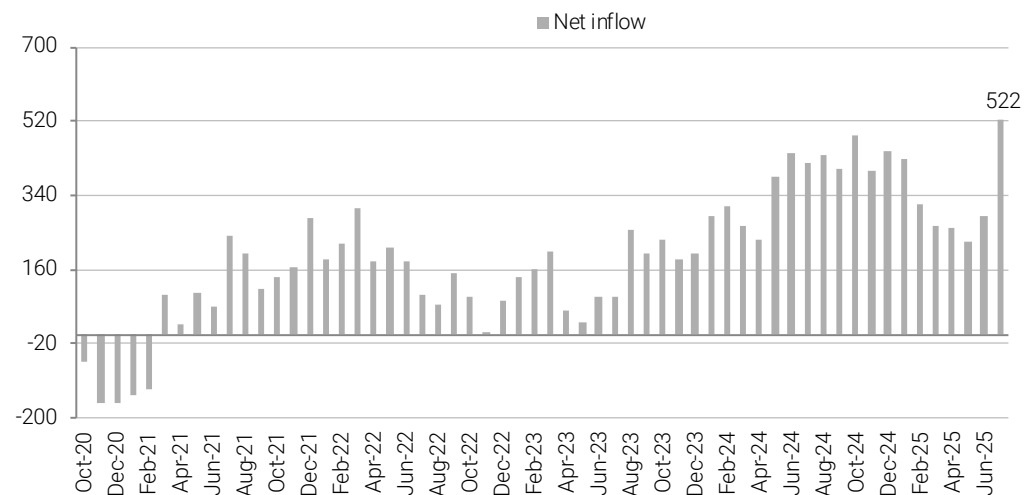
Exhibit 102: Growth in revenues and core PBT yoy, 2QFY23-4QFY25 (%)

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Revenue growth												
ABSL AMC	(6)	(6)	(8)	2	8	9	23	24	27	30	17	16
CAMS	6	2	2	10	13	19	25	27	33	28	15	7
HDFC AMC	0	2	5	10	18	20	29	35	38	39	30	25
IIFL Wealth	22	10	(7)	8	12	6	46	48	37	37	14	7
Kfin				8	16	16	25	31	34	33	24	15
Nippon AMC	1	5	3	12	20	20	34	43	44	39	21	20
UTI AMC	4	1	(9)	(2)	0	2	18	19	28	29	13	13
AngelOne					41	42	65	74	44	19	(23)	(19)
CRISIL	20	16	20	15	8	12	3	3	10	(1)	10	6
ICRA	19	19	16	11	6	11	14	12	20	5	10	8
Core PBT growth												
ABSL AMC	(9)	(19)	(20)	(5)	5	6	30	29	32	42	21	21
CAMS	(3)	(8)	(4)	11	15	20	36	43	46	39	9	1
HDFC AMC	(2)	(0)	4	11	20	24	32	40	48	51	36	30
IIFL Wealth	38	45	12	(5)	7	(11)	27	65	30	37	17	(7)
Kfin				(70)	36	28	27	52	40	36	17	14
Nippon AMC	0	(0)	(0)	13	25	23	41	60	57	50	26	23
UTI AMC	(7)	(10)	(24)	(18)	(7)	(8)	47	41	59	75	28	9
AngelOne					43	13	25	34	41	12	(47)	(57)
CRISIL	4	14	18	25	33	30	(1)	7	27	8	13	6
ICRA	60	3	(3)	9	(6)	(29)	10	(8)	19	57	39	16

Source: Kotak Institutional Equities

Net equity flows remain strong

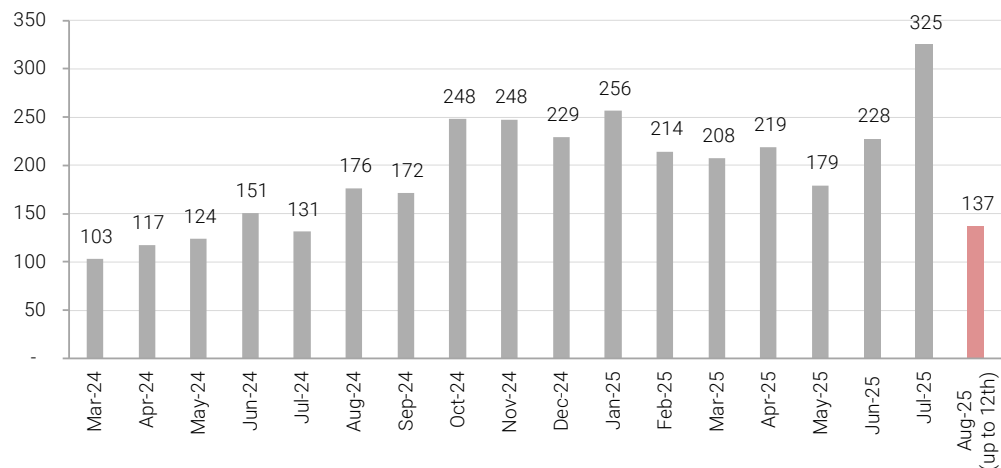
Exhibit 103: Net and gross inflows to actively-managed (equity-oriented) MF funds, 2020 onward (Rs bn)



Source: Company, Kotak Institutional Equities

Net equity flows remain strong

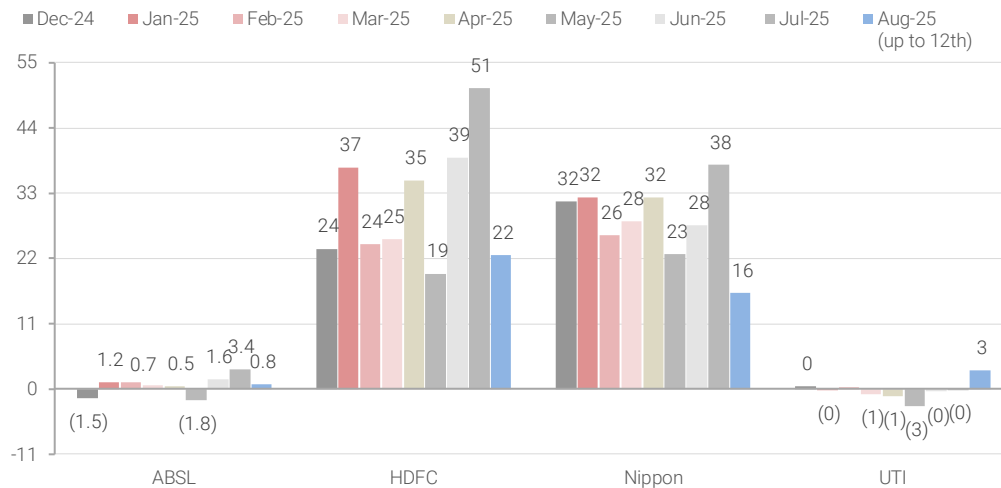
Exhibit 104: Net and gross inflows to actively-managed (equity-oriented) MF funds, 2020 onward (Rs bn)



Source: Company, Kotak Institutional Equities

HDFC AMC and Nippon AMC continue to garner larger share of incremental flows

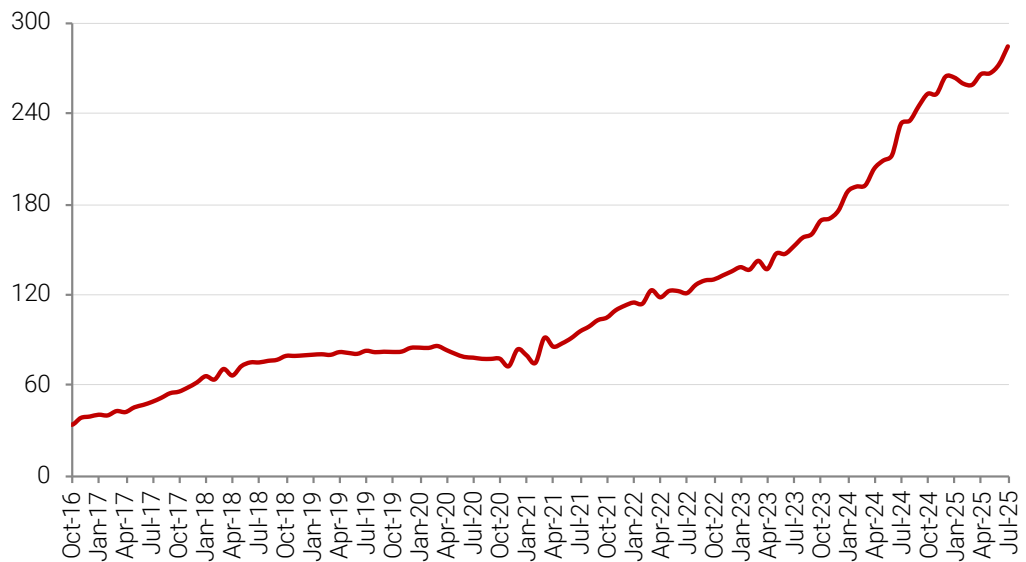
Exhibit 105: Monthly net flow trends for a sample of seven major categories (Rs bn)



Source: Company, Kotak Institutional Equities

Gross SIP flows at near ~Rs280 bn in July 2025

Exhibit 106: SIP inflows (monthly data), March fiscal year-ends, 2016 onward (Rs bn)



Source: Company, Kotak Institutional Equities

Market share broadly reflect fund performance trends

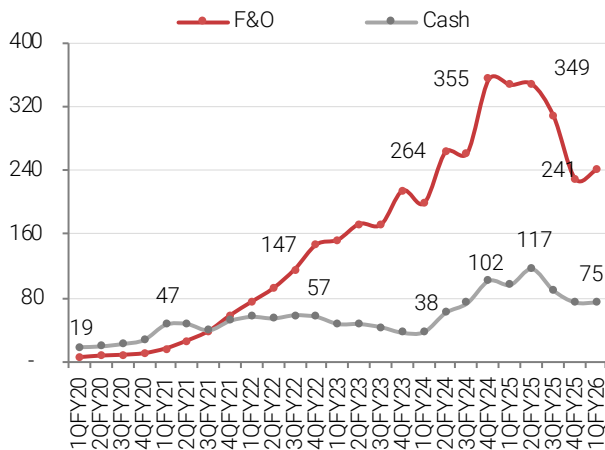
Exhibit 107: Actively-managed equity-oriented MAAUM market share, March fiscal year-ends, 2014-25 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	1QFY26
Market share in equity oriented MAAUM													
Aditya Birla Sun Life	6.0	7.2	7.7	8.7	9.2	8.8	7.7	7.2	6.4	5.5	4.8	4.2	4.2
Axis AMC	1.5	2.3	3.1	3.3	3.6	4.6	6.8	8.0	8.4	7.1	5.6	4.9	4.7
Bandhan AMC	4.0	3.8	2.9	2.2	2.1	2.2	2.6	2.0	1.6	1.5	1.6	1.7	1.8
Canara Robeco				0.8	0.7	0.9	1.1	1.6	2.3	2.7	2.6	2.4	2.4
DSP Mutual Fund	4.5	4.1	3.7	4.4	4.4	3.9	3.9	4.1	3.8	3.4	3.1	3.1	3.1
Franklin Templeton	7.1	6.8	7.5	7.5	5.6	5.2	4.3	3.7	2.8	2.6	2.5	2.3	2.3
HDFC AMC	19.9	18.5	15.1	15.8	16.2	15.6	14.4	13.0	11.4	12.2	12.9	12.8	12.8
Kotak AMC	1.8	2.5	3.2	3.7	4.7	5.1	6.4	6.7	7.0	7.0	7.2	7.3	7.4
Mirae AMC	0.3	0.5	0.7	1.2	1.5	2.2	3.5	4.7	4.9	4.9	4.4	3.8	3.7
Nippon Life India AMC	12.3	12.2	11.2	9.7	9.2	8.9	7.4	6.9	6.3	6.4	6.8	6.9	7.1
PPFAS				0.1	0.1	0.2	0.3	0.6	1.1	1.5	2.0	2.5	2.5
Quant				0.0	0.0	0.0	0.0	0.0	0.3	0.8	1.9	2.0	2.0
SBI AMC	7.3	6.1	7.0	8.0	7.9	8.9	9.7	10.2	12.0	12.6	12.8	12.7	12.4
Tata AMC	2.2	2.0	2.5	2.1	1.7	2.3	2.3	2.5	2.9	2.8	2.8	2.8	2.7
UTI AMC	10.6	8.7	7.4	6.3	4.8	4.7	4.4	4.8	4.8	4.5	3.9	3.7	3.6
Total of above players	88.8	88.1	86.4	89.1	86.9	87.5	88.3	88.5	88.5	88.6	88.1	86.7	86.3
Top 10	85.2	83.3	80.2	82.7	80.7	79.9	78.5	78.0	77.4	76.6	74.7	73.0	72.5
Others	11.2	11.9	13.6	10.9	13.1	12.5	11.7	11.5	11.5	11.4	11.9	13.3	13.7

Source: Company, Kotak Institutional Equities

Growth in orders: F&O orders are nearly 3X of cash

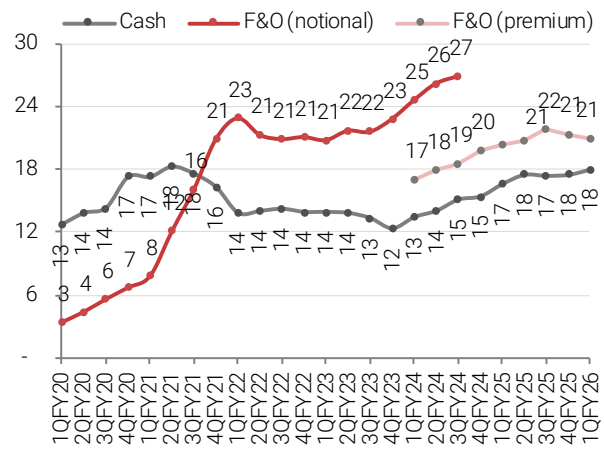
Exhibit 108: F&O and cash orders for Angel One, March fiscal year-ends, 2020-25 (# mn)



Source: Company, Kotak Institutional Equities

Market share: Angel's market share is steady in F&O and cash

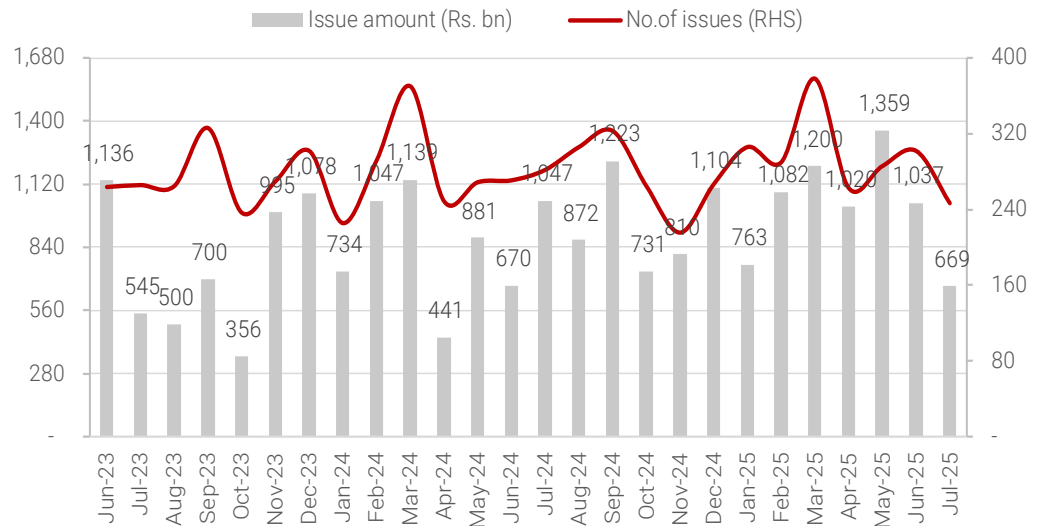
Exhibit 109: Market share of Angel One in cash and F&O (notional/premium), March fiscal year-ends, 2020-25 (Rs bn)



Source: Company, Kotak Institutional Equities

Monthly bond issuance trends

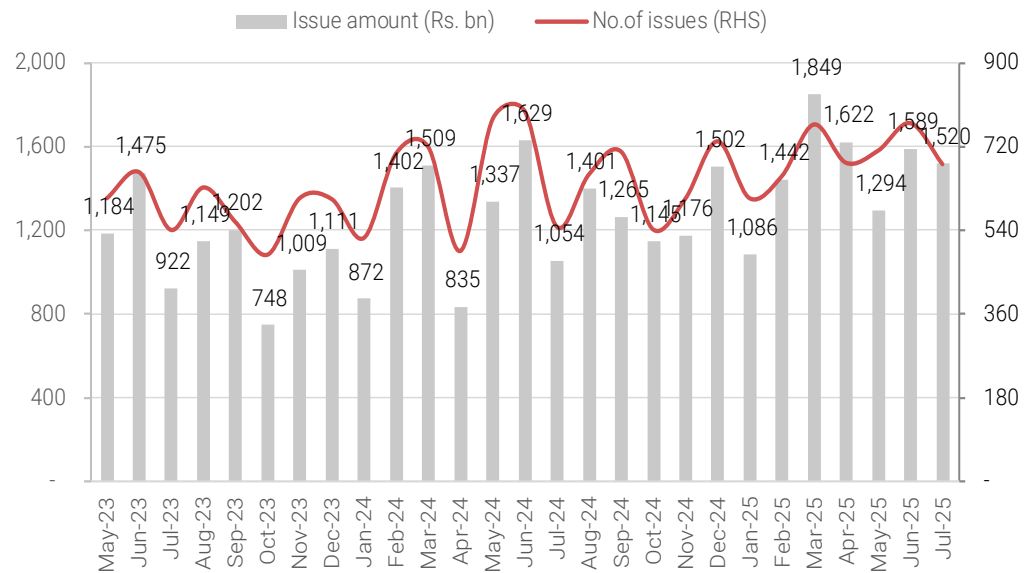
Exhibit 110: Bond private placements, number of issuances, June 2023 onward



Source: Prime Database, Kotak Institutional Equities

Monthly CP issuance trends

Exhibit 111: CP placements, number of issuances, May 2023 onward



Source: Prime Database, Kotak Institutional Equities

BFSI sector valuations

Exhibit 112: Key valuation parameters, March fiscal year-ends

	Reco.	Fair Value	Price	Market cap.	EPS (Rs)			PER (X)			ABVPS (Rs)			APBR (X)			RoE (%)		
		(Rs)	8/14/2025	US \$bn	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Public banks																			
Bank of Baroda	ADD	255	243	14.3	38	32	34	6.4	7.6	7.2	236	263	289	1.0	0.9	0.8	15.7	11.5	11.1
Canara Bank	ADD	125	109	11.3	19	18	18	5.8	6.2	6.0	98	112	126	1.1	1.0	0.9	18.2	15.0	13.9
PNB	ADD	115	106	13.9	14	15	15	7.3	7.0	7.2	102	112	124	1.0	0.9	0.9	14.2	13.0	11.4
SBI	BUY	975	827	87.1	66	73	92	7.5	9.3	7.4	447	500	570	1.4	1.2	1.1	17.3	13.0	14.4
Union Bank	BUY	170	135	11.8	24	21	22	5.7	6.3	6.3	135	152	169	1.0	0.9	0.8	17.1	13.7	12.4
Old private banks																			
City Union Bank	REDUCE	200	212	1.8	15	15	17	14.0	14.1	12.3	121	135	151	1.7	1.6	1.4	12.6	11.2	11.6
Federal Bank	BUY	235	196	5.5	17	16	20	11.9	12.5	9.7	133	146	162	1.5	1.3	1.2	13.0	10.9	12.8
Karur Vysya Bank	REDUCE	280	257	2.3	24	23	25	10.7	11.3	10.2	147	163	181	1.8	1.6	1.4	17.7	14.5	14.4
New private banks																			
Axis Bank	BUY	1,450	1,068	37.8	85	77	97	11.4	12.5	10.0	571	632	713	1.8	1.6	1.4	15.9	12.6	14.1
Bandhan Bank	BUY	225	163	3.0	17	17	24	9.5	9.8	6.9	161	158	179	1.0	1.0	0.9	11.9	10.5	13.4
DCB Bank	BUY	160	121	0.4	20	23	33	6.2	5.2	3.7	158	176	203	0.8	0.7	0.6	11.4	12.2	15.0
IndusInd Bank	REDUCE	800	770	6.8	34	49	90	22.7	15.8	8.5	796	824	900	1.0	0.9	0.9	4.2	5.8	9.9
HDFC Bank	ADD	2,200	1,991	174.5	88	96	119	21.3	19.4	15.7	644	718	806	2.9	2.6	2.3	14.3	13.9	15.4
ICICI Bank	BUY	1,700	1,427	116.4	67	67	75	19.1	19.2	17.2	404	454	509	3.1	2.8	2.5	18.1	15.4	15.2
Yes Bank	SELL	17	19	6.7	1	1	2	24.5	17.4	12.2	15	16	18	1.2	1.2	1.1	5.4	6.8	9.0
Small finance banks																			
AU SFB	SELL	700	751	6.4	28	35	47	26.5	21.7	15.8	222	254	297	3.4	3.0	2.5	13.2	14.0	16.5
Equitas SFB	BUY	85	53	0.7	1.3	3.8	7.3	41.0	13.8	7.3	51	54	60	1.0	1.0	0.9	2.4	7.0	12.2
Ujjivan SFB	BUY	55	42	0.9	3.8	2.8	4.9	11.1	14.8	8.5	31	33	36	1.3	1.3	1.2	12.4	8.7	13.9
Utkarsh SFB	BUY	32	20	0.3	0.2	(1.9)	4.0	108.9	(10.6)	5.2	25	24	28	0.8	0.8	0.7	0.7	(7.4)	14.7
NBFCs																			
Aadhar HFC	BUY	600	501	2.5	21	25	31	24.0	19.9	16.3	148	173	204	3.4	2.9	2.5	16.9	15.9	16.4
Aavas Financiers	REDUCE	2,050	1,658	1.5	73	88	106	22.9	18.8	15.7	551	639	745	3.0	2.6	2.2	14.1	14.8	15.3
Aptus Value Housing	BUY	410	356	2.0	15	17	21	23.7	20.7	17.2	86	99	113	4.1	3.6	3.1	18.6	18.6	19.5
Bajaj Finance	ADD	1,025	861	61.1	27	33	42	32.3	25.9	20.4	152	178	212	5.7	4.8	4.1	19.4	19.9	21.5
Bajaj Finserv	ADD	2,315	1,925	35.1	67	84	104	28.6	23.0	18.6	334	348	412	5.8	5.5	4.7	22.8	24.5	27.3
Cholamandalam	ADD	1,550	1,462	14.0	51	61	78	28.9	24.0	18.8	281	355	426	5.2	4.1	3.4	19.7	19.3	19.8
Five Star	BUY	775	586	2.0	37	42	51	15.9	14.0	11.4	216	258	309	2.7	2.3	1.9	18.7	17.7	18.0
Home First	BUY	1,560	1,251	1.5	42	51	65	29.5	24.3	19.2	280	412	471	4.5	3.0	2.7	16.5	15.7	14.8
India Shelter	ADD	950	918	1.1	34	41	49	27.1	22.4	18.7	243	284	333	3.8	3.2	2.8	15.1	15.5	15.9
LIC Hsg Fin	BUY	725	569	3.6	99	97	96	5.8	5.8	5.9	659	746	832	0.9	0.8	0.7	16.0	13.9	12.1
L&T Finance Holdings	SELL	170	202	5.8	11	12	15	19.0	17.0	13.7	103	111	122	2.0	1.8	1.7	10.8	11.1	12.6
Mahindra Finance	ADD	280	255	4.0	19	20	22	13.4	12.5	11.5	160	172	185	1.6	1.5	1.4	12.4	12.3	12.4
Muthoot Finance	REDUCE	2,550	2,757	12.6	130	161	192	21.3	17.1	14.4	708	829	962	3.9	3.3	2.9	19.7	20.9	19.6
SBFC	REDUCE	105	105	1.3	3	4	5	33.7	27.9	23.0	26	30	35	4.0	3.5	3.0	11.6	12.3	13.1
SBI Cards	ADD	950	789	8.6	20	24	30	39.2	32.6	26.4	145	166	191	5.4	4.8	4.1	14.8	15.6	16.7
Shriram Finance	BUY	760	616	13.2	52	53	63	11.9	11.6	9.8	272	329	380	2.3	1.9	1.6	18.6	16.5	16.9
Capital market entities																			
HDFC AMC	ADD	5,700	5,487	13.4	115	138	155	47.7	39.9	35.4	380	408	439	14.4	13.5	12.5	32.4	34.9	36.6
UTI AMC	BUY	1,560	1,331	1.9	57	54	58	23.3	24.8	23.1	359	370	382	3.7	3.6	3.5	16.3	14.7	15.3
Nippon AMC	ADD	850	805	5.8	20	22	25	39.7	36.2	32.6	66	69	71	12.1	11.7	11.3	31.4	32.9	35.4
Aditya Birla AMC	ADD	950	855	2.8	32	34	36	26.5	25.1	23.5	129	143	157	6.6	6.0	5.4	27.0	25.0	24.2
IIFL Wealth	ADD	1,250	1,039	4.8	26	31	34	39.5	33.9	31.0	180	207	272	5.8	5.0	3.8	19.7	16.1	14.3
CAMS	ADD	4,200	3,869	2.2	95	101	119	40.7	38.4	32.6	226	252	281	17.1	15.4	13.8	46.3	42.2	43.7
CRISIL	SELL	4,400	5,315	4.4	94	109	128	56.8	48.6	41.7	389	434	486	13.7	12.3	10.9	29.5	31.0	32.2
ICRA	REDUCE	6,900	6,100	0.7	177	207	235	34.4	29.5	25.9	1,074	1,147	1,229	5.7	5.3	5.0	17.1	18.6	19.8
Angelone	ADD	2,900	2,642	2.7	135	104	140	19.6	25.3	18.8	NA	NA	NA	NA	NA	NA	27.1	15.4	18.3

Source: Kotak Institutional Equities estimates

Exhibit 113: Absolute and relative performance of stocks (%)

	Change in price (%)					Relative performance to BSE-30 Index (%)					Change from	
	1 month	3 month	6 month	12 month	YTD	1 month	3 month	6 month	12 month	YTD	52 week high (%)	52 week low (%)
Public banks												
Bank of Baroda	1	4	18	1	1	3	5	11	(0)	(2)	(9)	27
Canara Bank	(4)	3	28	3	9	(2)	4	20	2	6	(8)	39
PNB	(4)	9	15	(6)	3	(2)	10	9	(8)	0	(10)	24
SBI	2	3	14	3	4	4	4	8	1	1	(6)	22
Union Bank	(8)	(0)	23	16	12	(6)	1	16	13	9	(15)	34
Old private banks												
City Union Bank	(1)	9	32	32	23	1	10	24	29	19	(9)	48
Federal Bank	(7)	(1)	8	(3)	(2)	(5)	(0)	2	(5)	(5)	(11)	13
Karur Vysya Bank	(5)	16	15	21	18	(3)	17	8	18	15	(7)	39
New private banks												
Axis Bank	(9)	(11)	7	(7)	0	(7)	(10)	1	(9)	(3)	(17)	14
Bandhan Bank	(7)	(2)	21	(14)	3	(5)	(1)	14	(16)	(0)	(24)	27
DCB	(15)	(14)	8	4	0	(14)	(13)	2	2	(3)	(20)	19
IndusInd Bank	(11)	(1)	(25)	(42)	(20)	(9)	(1)	(29)	(44)	(22)	(49)	27
HDFC Bank	1	4	18	24	13	3	5	11	22	9	(2)	25
ICICI Bank	0	0	13	23	11	2	1	7	21	8	(5)	24
Yes Bank	(6)	(10)	6	(22)	(4)	(4)	(10)	(0)	(23)	(7)	(25)	17
Small finance banks												
AU SFB	(7)	9	40	24	34	(5)	10	32	22	30	(11)	57
Equitas SFB	(17)	(17)	(15)	(33)	(17)	(15)	(17)	(20)	(34)	(20)	(39)	2
Ujjivan SFB	(15)	(7)	25	(1)	23	(14)	(6)	18	(2)	19	(20)	35
Utkarsh SFB	(13)	(15)	(27)	(57)	(40)	(12)	(14)	(31)	(58)	(42)	(60)	3
Non-banks												
Aavas Financiers	(17)	(9)	(2)	(1)	(1)	(15)	(8)	(7)	(3)	(4)	(26)	3
Aptus Value Housing	3	11	19	18	23	5	12	12	16	19	(11)	33
Bajaj Finance	(6)	(5)	3	34	26	(4)	(4)	(3)	31	23	(12)	34
Bajaj Finserv	(4)	(5)	5	26	23	(2)	(4)	(1)	24	19	(10)	26
Five Star	(25)	(14)	(16)	(15)	(24)	(23)	(13)	(21)	(17)	(27)	(38)	3
Home First	(10)	5	34	26	18	(8)	6	26	24	15	(18)	49
India Shelter	(3)	5	38	25	30	(1)	6	30	23	26	(9)	52
LIC Housing Finance	(6)	(8)	7	(12)	(5)	(4)	(7)	1	(13)	(8)	(23)	18
L&T Finance Holdings	(2)	15	48	26	49	0	16	39	24	44	(6)	56
MMFS	(5)	(2)	(3)	(9)	(1)	(3)	(1)	(9)	(11)	(4)	(24)	10
Muthoot Finance	3	22	22	52	29	6	23	15	49	25	(2)	57
SBI Cards	(13)	(12)	(8)	14	19	(11)	(12)	(13)	12	15	(23)	20
Shriram Finance	(8)	(5)	14	6	7	(6)	(5)	8	4	3	(16)	25
Capital market entities												
HDFC AMC	8	20	46	32	31	10	21	38	30	27	(4)	56
UTI AMC	(4)	25	42	30	1	(2)	26	34	27	(2)	(10)	49
Nippon AMC	(1)	15	56	26	11	1	16	47	24	7	(8)	76
Aditya Birla AMC	1	25	31	21	2	3	26	23	18	(1)	(6)	54
AngelOne	(1)	4	20	25	(10)	1	5	13	23	(13)	(25)	36
IIFL Wealth	(13)	5	15	1	(17)	(11)	6	8	(1)	(20)	(21)	36
CAMS	(6)	6	15	(7)	(24)	(4)	7	8	(9)	(26)	(28)	28
CRISIL	(11)	5	4	20	(20)	(9)	6	(2)	18	(23)	(24)	36
ICRA	(12)	1	5	6	(4)	(10)	2	(1)	4	(7)	(21)	22

Source: Kotak Institutional Equities

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

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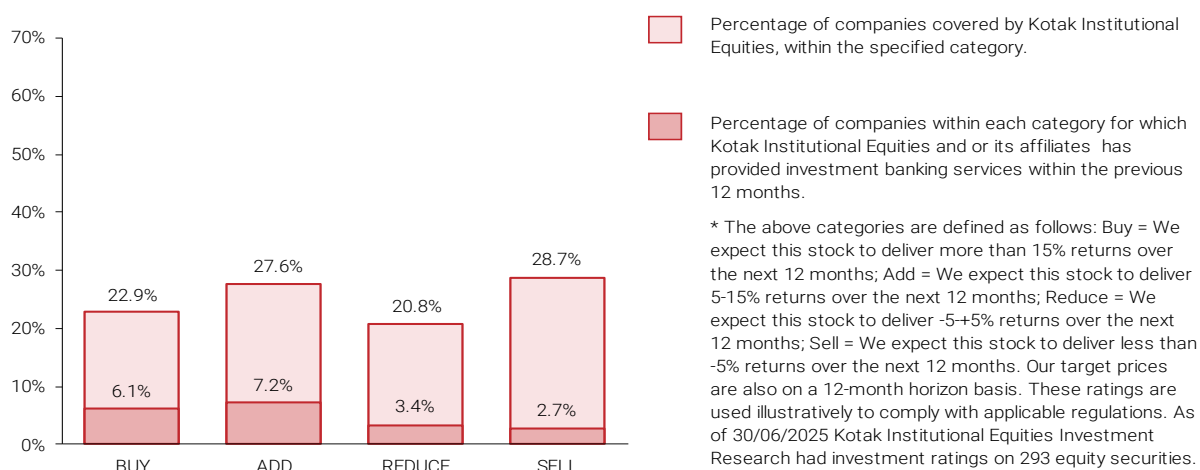
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