

Firing on all the cylinders !!!

For Aditya Birla Capital Standalone entity (NBFC), PAT reported strong growth of 35.6% qoq to INR 916 cr led by healthy asset growth, margin expansion & improved asset quality. AUM recorded strong growth of 21.7% yoy & 6.4% qoq to INR 1.39 trillion which was led by all the segments. Personal & consumer loans which had negative growth since last 5-6 quarters, recorded strong growth of 15.4% qoq (13% share). – Reported margins expanded by 9 bps on qoq basis to 6.06% as decline funding cost was higher than the decline in average yields. GS2 / GS3 improved to 1.3% / 1.7% in Q2FY26 from 1.4% / 2.3% in Q1FY26. During the quarter, NBFC sold INR 750 cr of assets to ARC (which included INR 500 cr of unsecured business loans covered under CGTSME scheme + INR 250 cr secured business loans) which resulted in improved asset quality. Management highlighted that credit cost will be at 1.2-1.3% levels for FY26 period. HFC is growing in leaps & bounds - PAT came in at INR 151 cr, up 89% yoy 27% qoq led by strong asset growth & stable asset quality. Total AUM grew by 65% yoy & 11% qoq to INR 38270 cr. While disbursements grew by 44% yoy & 7% qoq to 5786 cr. It is seeing large benefits of operating leverage – C/I ratio improved from 51.5% to 47% qoq & opex / avg. AUM from 2.6% to 2.4% qoq for the same period respectively.

We are valuing the company at INR 412 with BUY rating, giving us upside potential of 23% from current levels.

Financial Summary (NBFC Standalone)

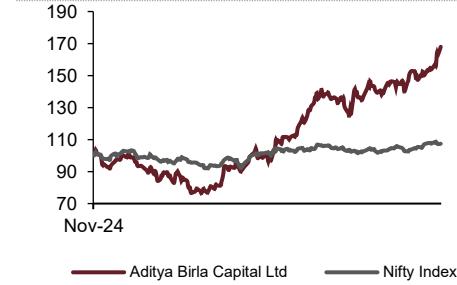
Y/E Mar (Rs cr)	FY24e	FY25e	FY26e	FY27e	FY28e
Consol PAT	2921	2903	3528	4431	5462
growth (yoY %)	87.1	-0.6	21.5	25.6	23.3
Adj BVPS	80	91	104	128	152
EPS (Rs)	11	11	14	16	20
RoE (%)	17.5	12.3	13.1	13.6	13.6
RoA (%)	2.9	2.3	2.3	2.4	2.5
Cost/Income (%)	28.2	29.0	29.0	27.9	27.3
Spreads	4.9	4.3	4.3	4.5	4.5
Gross NPAs (%)	2.5	2.3	2.0	1.9	1.8
Net NPAs (%)	1.3	1.2	1.0	1.0	0.9
PCR (%)	49.9	44.9	47.8	48.4	48.1
Slippages (%)	1.4	1.1	1.0	1.0	1.0
Credit Cost (%)	1.5	1.3	1.2	1.3	1.3
AUM	105639	126350	153971	186757	225575
AUM growth (%)	31.1	19.6	21.9	21.3	20.8

Source: Dalal & Broacha Research, Company

Rating	TP (Rs)	Up/Dn %
BUY	412	23
Market data		
Current price	Rs	334
Market Cap (Rs.Bn)	(Rs Bn)	874
Market Cap (US \$ Mn)	(US \$ Mn)	9,842
Face Value	Rs	10
52 Weeks High/Low	Rs	335.7 / 148.75
Average Daily Volume	(000)	14,689
BSE Code		540691
Bloomberg		ABCAP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	69	69
Public	31	31
Others		
Total	100	100

Source: BSE

Management Outlook for FY26

NBFC

- Credit cost is expected to be ~1.2-1.3% levels
- It doesn't need capital over the next 6 months time; it is likely to take a call for capital raising after 6 months time
- Margins are likely to improve as high-yielding personal & consumer loans is expected to continue growth momentum
- It expects ROA of current 2.2% to improve to 2.5% in the medium term and to 3% levels over the longer run

HFC

- It is likely to continue the growth momentum & expand market share; achieve ROA of 2-2.2% in next 6-8 quarters vs. 1.7% currently.

Others

- For life insurance segment, it is aiming to achieve net VNB margin of >18% levels

Valuations

Aditya Birla Capital Limited (ABCL), a part of the Aditya Birla Group, is a diversified financial services powerhouse with a strong presence across lending (MSME and housing finance), asset management, life and non-life insurance, securities, and asset reconstruction (ARC). Backed by a highly experienced management team and a solid AAA credit rating, ABCL has achieved significant scale and reach, catering to diverse financial needs of individuals and businesses.

Based on our SOTP valuations, we assign a revised target price of INR 412 per share with BUY rating (valuing NBFC at INR 274 at 1.8x FY28e ABV for ROA of 2.4-2.5%, HFC INR 43 i.e. valuing it 1.5x FY28e ABV for 1.5-1.6%, AMC at INR 31 i.e. valuing at current market cap, life insurance at INR 50 per share i.e. valuing at 1.5x FY28e P/EV) giving us upside of 23% from current levels.

SOTP Valuations

Subsidiaries Details	Holding (%)	Valuation Methodology	Holdco Discount	Value Per		Value Per share	
				Enterprise Value	Share of AB Capital	post holdco discount	Contribution to TP (%)
Aditya Birla Finance (NBFC)	100%	1.8x FY27 ABV		71,370	274	274	67
Aditya Birla Housing Finance (HFC)	100%	1.5x FY27e ABV	20%	14,047	54	43	10
Aditya Birla Sun Life AMC	45%	Current Mkt Price	20%	22,168	38	31	7
Aditya Birla Sun Life Insurance	51%	1.5x FY26e P/EV	20%	31,873	63	50	12
Aditya Birla Money	74%	At CMP	20%	904	3	2	0
ARC	100%		20%	3,884	15	12	3
Target Price						412	
CMP						334	
Upside (%)						23%	

Source: Dalal & Broacha Research, Company

Results Highlights Q2FY26

- Consol PAT came in at INR 843 cr, up vs. INR 899 cr in Q1FY26 and INR 1062 cr in Q2FY25. For standalone NBFC, PAT reported strong growth of 35.6% qoq to INR 916 cr led by healthy asset growth, margin expansion & improved asset quality.

NBFC

- PAT reported strong growth of 35.6% qoq to INR 916 cr led by healthy asset growth, margin expansion & improved asset quality.
- AUM recorded strong growth of 21.7% yoy & 6.4% qoq to INR 1.39 trillion which was led by all the segments. Personal & consumer loans which has negative growth since last 5-6 quarters, recorded strong growth of 15.4% qoq (13% share). While business loans (55.5% share) & corporate & mid-market loans (31.4% share) grew by 22%+ each. While disbursements grew by 38.7% qoq to INR 21990 cr.

AUM details of NBFC and its growth

AUM (Rs.cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	10546	11020	11196	12066	12344	13663
-Secured Loans	47557	52207	54402	57992	60227	63869
Total Business Loans	58103	63227	65598	70058	72571	77532
Personal & Consumer Loans	16130	15793	15520	15532	16446	18218
Corporate / Mid-market Loans	33071	35690	38319	40760	42211	43834
Total AUM	107304	114710	119437	126350	131228	139584
Growth (yoY %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	23.0	16.5	12.1	9.9	17.0	24.0
-Secured Loans	43.3	44.5	37.0	28.1	26.6	22.3
Total Business Loans	39.1	38.7	32.0	24.6	24.9	22.6
Personal & Consumer Loans	-8.8	-18.3	-20.8	-10.9	2.0	15.4
Corporate / Mid-market Loans	25.1	24.8	30.8	27.5	27.6	22.8
Total AUM	24.9	22.7	21.1	19.6	22.3	21.7
Growth (qoq %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	-3.9	4.5	1.6	7.8	2.3	10.7
-Secured Loans	5.1	9.8	4.2	6.6	3.9	6.0
Total Business Loans	3.3	8.8	3.7	6.8	3.6	6.8
Personal & Consumer Loans	-7.5	-2.1	-1.7	0.1	5.9	10.8
Corporate / Mid-market Loans	3.4	7.9	7.4	6.4	3.6	3.8
Total AUM	1.6	6.9	4.1	5.8	3.9	6.4
Share (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	9.8	9.6	9.4	9.5	9.4	9.8
-Secured Loans	44.3	45.5	45.5	45.9	45.9	45.8
Total Business Loans	54.1	55.1	54.9	55.4	55.3	55.5
Personal & Consumer Loans	15.0	13.8	13.0	12.3	12.5	13.1
Corporate / Mid-market Loans	30.8	31.1	32.1	32.3	32.2	31.4
Total AUM	100.0	100.0	100.0	100.0	100.0	100.0

Source: Dalal & Broacha Research, Company

NBFC – Details on disbursements growth

Disbursements (Rs.cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	1078	1132	1267	1184	1090	1498
-Secured Loans	5462	7381	5501	8287	6002	7968
Total Business Loans	6540	8513	6768	9471	7092	9466
Personal & Consumer Loans	2395	3262	2967	3071	3947	4970
Corporate / Mid-market Loans	4508	7547	5499	6980	4811	7554
Total Disbursements	13443	19322	15234	19522	15850	21990
Growth (yoY %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	-6.8	-22.1	-12.1	-14.4	1.1	32.3
-Secured Loans	32.2	40.4	-8.2	-2.0	9.9	8.0
Total Business Loans	23.7	26.9	-9.0	-3.8	8.4	11.2
Personal & Consumer Loans	-49.9	-37.5	-47.4	25.6	64.8	52.4
Corporate / Mid-market Loans	42.3	66.0	58.6	19.6	6.7	0.1
Total Disbursements	1.6	17.3	-8.0	7.7	17.9	13.8
Growth (qoq %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	-22.1	5.0	11.9	-6.6	-7.9	37.4
-Secured Loans	-35.4	35.1	-25.5	50.6	-27.6	32.8
Total Business Loans	-33.6	30.2	-20.5	39.9	-25.1	33.5
Personal & Consumer Loans	-2.0	36.2	-9.0	3.5	28.5	25.9
Corporate / Mid-market Loans	-22.7	67.4	-27.1	26.9	-31.1	57.0
Total Disbursements	-25.8	43.7	-21.2	28.1	-18.8	38.7
Share (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
-Unsecured Loans	8.0	5.9	8.3	6.1	6.9	6.8
-Secured Loans	40.6	38.2	36.1	42.4	37.9	36.2
Total Business Loans	48.6	44.1	44.4	48.5	44.7	43.0
Personal & Consumer Loans	17.8	16.9	19.5	15.7	24.9	22.6
Corporate / Mid-market Loans	33.5	39.1	36.1	35.8	30.4	34.4
Total Disbursements	100.0	100.0	100.0	100.0	100.0	100.0

Source: Dalal & Broacha Research, Company

- **Margins improved on qoq basis** – Reported margins expanded by 9 bps on qoq basis to 6.06% as decline in funding cost was higher than the decline in average yields. Avg. yield came off by 3 bps qoq to 12.68% while cost of funds came down by 12 bps qoq to 6.62%. Management highlighted that margins is likely to improve going forward given high-yielding personal & consumer loan segment will continue to grow.

Margin Trends

Key Ratios (Reported)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Average Yield	13.51	13.14	12.90	12.90	12.71	12.68
Interest Cost/ Avg Lending Book	6.95	6.85	6.91	6.80	6.74	6.62
Net Interest Margin	6.56	6.28	6.00	6.07	5.97	6.06

- **Asset quality too improved during the quarter** – GS2 / GS3 improved to 1.3% / 1.7% in Q2FY26 from 1.4% / 2.3% in Q1FY26. During the quarter, NBFC sold INR 750 cr of assets to ARC (which included INR 500 cr of unsecured business loans covered under CGTSME scheme + INR 250 cr secured business loans) which resulted in improved asset quality.
- While across the segments, there was improvement in the asset quality; in personal & consumer segment GS3 declined from 2.5% in Q1FY26 to 2.1% in Q2FY26, unsecured business, from 5.4% to 1.9%, secured business from 1.6% to 1.2% and corporate & mid-market segment from 2.2% to 2.1% for the same period respectively.
- Management highlighted that credit cost will be at 1.2-1.3% levels for FY26 period

Quarterly asset quality performance of NBFC

Asset Quality (Rs cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Stage 1	102517	109365	112697	119426	123209	130336
Stage 2	2051	1989	2329	1914	1834	1812
Stage 3	2725	2851	2674	2777	2905	2261

Asset Quality (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Stage 1	95.6	95.8	95.8	96.2	96.3	97.0
Stage 2	1.9	1.7	2.0	1.5	1.4	1.4
Stage 3	2.5	2.5	2.3	2.2	2.3	1.7
Stage 2 + 3	4.5	4.2	4.3	3.8	3.7	3.0
PCR (%)	46.0	45.6	45.0	41.2	41.2	44.2

Segment-wise asset quality	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
GS 2 (%)						
Personal & Consumer Loans	2.8	2.6	2.6	2.4	2.2	1.6
Unsecured Business	1.8	1.9	2.1	1.9	1.8	1.5
Secured Business	2.7	2.5	2.8	2.2	2.1	2.1
Corporate / Mid-Market	0.3	0.3	0.5	0.1	0	0
Total	1.9	1.7	2	1.5	1.4	1.3

GS 3 (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Personal & Consumer Loans	3.2	2.9	2.7	2.8	2.5	2.1
Unsecured Business	3.4	3.8	4.1	4.7	5.4	1.9
Secured Business	1.7	2	1.7	1.5	1.6	1.2
Corporate / Mid-Market	3.1	2.6	2.4	2.3	2.2	2.1
Total	2.5	2.5	2.3	2.2	2.3	1.7

GS3 PCR (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Personal & Consumer Loans	85.8	83.4	81.3	78.9	66.5	66.4
Unsecured Business	35.5	36.1	37.7	37.9	35.7	44.2
Secured Business	37.9	31.1	32.2	30.9	30.3	30.1
Corporate / Mid-Market	45.3	49.1	46.5	46.5	45.1	46
Total	49.5	46	45.6	45	41.2	44.2

Source: Dalal & Broacha Research, Company

- ROA/ROE of the NBFC stands at 2.2%/14.3%
- Also, NBFC received the dividend income of INR 312 cr from ABSL AMC in Q2

Housing Finance Subsidiary

- HFC is growing in leaps & bounds - PAT came in at INR 151 cr, up 89% yoy 27% qoq led by strong asset growth & stable asset quality
- Total AUM grew by 65% yoy & 11% qoq to INR 38270 cr. While disbursements grew by 44% yoy & 7% qoq to 5786 cr.
- Reported NIM (including fee income) was largely stable at 5.07% vs. 5.03% on qoq basis
- It is receiving large benefits of operating leverage – C/I ratio improved from 51.5% to 47% qoq & opex / avg. AUM from 2.6% to 2.4% qoq respectively.
- Asset quality remained stable at 0.61% levels with PCR at 57.6%. Stage 2+3 loans declined by 112 bps y-o-y from 2.22% in Q2FY25 to 1.10% in Q2FY26
- During the quarter, NBFC infused INR 250 cr of capital in the HFC; total INR 500 cr in H1FY26. Further capital infusion is also likely to happen in H2. While we have baked in INR 1000 cr for the full year FY26. Debt / Equity is at 6.9x and total CAR 16.9%.
- HFC aims to continue to growth momentum & expand market share; achieve ROA of 2-2.2% in next 6-8 quarters vs. 1.7% (H1FY26)

Quarterly Profit & Loss Statement of HFC

(Rs.cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NII (incl. fee income)	211	227	273	290	335	377	420
Operating Expenses	123	136	157	169	190	194	197
Operating Profit	88	91	116	121	145	183	223
Credit Provisioning	-7	6	12	11	24	29	28
PBT	95	85	104	110	121	154	195
Tax	23	19	24	26	27	35	44
PAT	72	66	80	84	94	119	151
<i>growth (yoy %)</i>	<i>12.5</i>	<i>0.0</i>	<i>6.7</i>	<i>7.7</i>	<i>30.6</i>	<i>80.3</i>	<i>88.8</i>
<i>growth (qoq %)</i>	<i>-7.7</i>	<i>-8.3</i>	<i>21.2</i>	<i>5.0</i>	<i>11.9</i>	<i>26.6</i>	<i>26.9</i>

Source: Dalal & Broacha Research, Company

AUM details of HFC

AUM Details (Rs.cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total AUMs	18,420	20,399	23,236	26,714	31,053	34,605	38,270
Prime - Housing Loans	5,710	6,160	6,738	7,480	8,322	8,997	9,950
Prime - LAP	3,316	3,753	4,461	5,209	6,366	7,267	8,037
Affordable - Housing Loans	5,894	6,324	6,948	7,800	8,943	10,035	10,716
Affordable - LAP	1,474	1,836	2,161	2,618	3,012	3,461	3,827
Construction Finance	2,026	2,325	2,928	3,606	4,410	5,191	5,741
Growth (yoY %)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total AUMs	33.4	40.6	50.5	61.5	68.6	69.6	64.7
Prime - Housing Loans	21.6	28.7	33.5	41.3	45.7	46.0	47.7
Prime - LAP	41.2	52.2	72.0	85.3	92.0	93.6	80.1
Affordable - Housing Loans	25.6	24.5	31.6	38.7	51.7	58.7	54.2
Affordable - LAP	52.5	80.8	91.7	126.1	104.4	88.5	77.1
Construction Finance	83.4	100.3	110.7	118.1	117.6	123.2	96.1
Growth (qoq %)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total AUMs	11.4	10.7	13.9	15.0	16.2	11.4	10.6
Prime - Housing Loans	7.9	7.9	9.4	11.0	11.3	8.1	10.6
Prime - LAP	17.9	13.2	18.9	16.8	22.2	14.2	10.6
Affordable - Housing Loans	4.8	7.3	9.9	12.3	14.7	12.2	6.8
Affordable - LAP	27.3	24.6	17.7	21.1	15.1	14.9	10.6
Construction Finance	22.5	14.8	25.9	23.2	22.3	17.7	10.6
Share (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total AUMs	100.0						
Prime - Housing Loans	31.0	30.2	29.0	28.0	26.8	26.0	26.0
Prime - LAP	18.0	18.4	19.2	19.5	20.5	21.0	21.0
Affordable - Housing Loans	32.0	31.0	29.9	29.2	28.8	29.0	28.0
Affordable - LAP	8.0	9.0	9.3	9.8	9.7	10.0	10.0
Construction Finance	11.0	11.4	12.6	13.5	14.2	15.0	15.0

Source: Dalal & Broacha Research, Company

Other Ratios

Key Ratios (Reported)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Effective Interest Rate (EIR)	11	10.91	10.84	10.77	10.76	10.77	10.62
Net Interest Cost / Avg. Loan Book	6.6	6.7	6.6	6.7	6.70	6.60	6.6
Other Income / Avg. Loan Book	0.8	0.7	1.0	0.9	1.06	0.87	1.1
NII (Incl. Fee Income)	5.2	5.0	5.2	4.9	5.13	5.03	5.07
Opex / Avg. Loan Book	3.0	3.0	3.0	2.9	2.91	2.59	2.4
Cost / Income Ratio	58.4	60.0	57.4	58.3	56.76	51.47	47.1
Credit Prov. / Avg. Loan Book	-0.2	0.1	0.2	0.2	0.36	0.39	0.3
RoA	1.8	1.4	1.5	1.4	1.44	1.59	1.8
RoE	13.2	11.1	11.5	10.7	10.95	12.27	14.0
Debt to Equity	7.1	6.6	6.5	6.7	6.90	6.97	6.9
Total CAR	16.8	16.5	17.3	16.9	16.54	17.31	16.9
-Tier I	14.7	14.9	15.1	15.0	14.30	14.19	14.1
-Tier II	2.1	1.6	2.2	1.9	2.2	3.1	2.8

Source: Dalal & Broacha Research, Company

Other Subsidiaries' Performance Highlights (Q2 FY26 / H1 FY26)

Asset Management (AMC)

- The Quarterly Average Assets Under Management (QAAUM) was INR 4,60,817 cr, up by 15% yoy. On closing AUM basis, AUM stood at 4,07,337 cr up by 9% on yoy basis.
- Equity QAAUM: Equity QAAUM stood at INR 1,92,401 cr, up by 6.5% on yoy basis (41.7% share in the overall AUM)
- Profitability: Operating PBT grew 9% y-o-y to INR 270 cr. PAT was INR 241 cr, largely stable on yoy basis

Life Insurance (Aditya Birla Sun Life Insurance)

- Individual FYP Growth: Life insurance first year individual premium (FYP) for H1 FY26 was INR 1,880 crore, achieving 19% y-o-y growth. Group premium stood at INR 2223 cr, up by 22% on yoy basis.
- Total premium grew by 3% yoy to INR 8941 cr.
- Total AUM stood at INR 104,492 cr growing by 9% yoy
- Net VNB Margin: The Net Value of New Business (VNB) margin declined by 420 bps yoy to 11.6%.
- PAT: Profit after tax for Q2 FY26 was INR 50 cr vs. INR 24 cr in Q1FY26 & INR 20 cr in Q2FY25.
- Management expects individual first year premiums to grow by 20-25% over the next 3 years time and keep expanding VNB margins above 18% levels

Health Insurance (Aditya Birla Health Insurance)

- GWP Growth: Gross Written Premium (GWP) for H1 FY26 was INR 3070 cr, representing a 39% y-o-y increase. Its market share in the standalone health insurance (SAHI) segment is at 13.6% vs. 13.9% same period last year
- PBT: The business reported a PBT of loss of INR 76 cr in H1FY26 vs. INR 115 cr in H1FY25 period
- Combined Ratio: The combined ratio improved to 108% in H1 FY26 improving from 113% in H1 FY25.

Concall Highlights – Q2FY26

NBFC

- Credit cost is expected to be ~1.2-1.3% levels
- NBFC doesn't need capital over the next 6 months time; it is likely to take a call for capital raising after 6 months time
- Current run-rate of credit growth is likely to continue
- During the quarter, it received INR 312 cr of dividend income from ABSL AMC
- Opex/AUM is expected to be ~1.9% range
- Margins are likely to improve as high-yielding personal & consumer loans is expected to continue growth momentum
- It expects ROA of current 2.2% to improve to 2.5% in the medium term and to 3% levels over the longer run

HFC

- HFC has market share of 3.8-3.9%
- It is receiving large benefits of operating leverage – C/I ratio improved from 51.5% to 47% qoq & opex / avg. AUM from 2.6% to 2.4% qoq respectively.
- It received capital to the tune of INR 250 cr each in Q1 & Q2 of FY26 (totalling to INR 500 cr). More capital infusion is likely to come in H2FY26 period
- Currently, it has 167 branches as on Q2FY26 covering ~85% of the total addressable market
- Sourcing is driven by micro-market penetration strategy
- It is likely to continue the growth momentum & expand market share; achieve ROA of 2-2.2% in next 6-8 quarters vs. 1.7% currently.

Others

- For life insurance segment, it is aiming to achieve net VNB margin of >18% levels

Valuations

Aditya Birla Capital Limited (ABCL), a part of the Aditya Birla Group, is a diversified financial services powerhouse with a strong presence across lending (MSME and housing finance), asset management, life and non-life insurance, securities, and asset reconstruction (ARC). Backed by a highly experienced management team and a solid AAA credit rating, ABCL has achieved significant scale and reach, catering to diverse financial needs of individuals and businesses.

Based on our SOTP valuations, we assign a revised target price of INR 412 per share with BUY rating (valuing NBFC at INR 274 at 1.8x FY28e ABV for ROA of 2.4-2.5%, HFC INR 43 i.e. valuing it 1.5x FY28e ABV for 1.5-1.6%, AMC at INR 31 i.e. valuing at current market cap, life insurance at INR 50 per share i.e. valuing at 1.5x FY28e P/EV) giving us upside of 23% from current levels.

SOTP Valuations

Subsidiaries Details	Holding (%)	Valuation Methodology	Discount	Value Per Share of AB Capital		Value Per share post holdco discount	Contribution to TP (%)
				Holdco	Enterprise Value		
Aditya Birla Finance (NBFC)	100%	1.8x FY27 ABV		71,370	274	274	67
Aditya Birla Housing Finance (HFC)	100%	1.5x FY27e ABV	20%	14,047	54	43	10
Aditya Birla Sun Life AMC	45%	Current Mkt Price	20%	22,168	38	31	7
Aditya Birla Sun Life Insurance	51%	1.5x FY26e P/EV	20%	31,873	63	50	12
Aditya Birla Money	74%	At CMP	20%	904	3	2	0
ARC	100%		20%	3,884	15	12	3
Target Price						412	
CMP						334	
Upside (%)						23%	

Source: Dalal & Broacha Research, Company

Quarterly Comparison

Aditya Birla Capital (Standalone)

(Rs.cr)	Q2FY25	Q1FY26	Q2FY26	yoY (%)	qoq (%)
Interest Income	3431.0	3792.2	3941.7	14.9	3.9
Interest Cost	1965.7	2172.7	2208.2	12.3	1.6
NII (incl. fee income)	1465.3	1619.4	1733.5	18.3	7.0
Other Income	769.85	249.37	582.4	-24.3	133.5
Total Income	2235.2	1868.8	2315.9	3.6	23.9
Operating Expenses	552.6	561.9	710.3	28.5	26.4
Operating Profit	1682.5	1306.9	1605.6	-4.6	22.9
Credit Provisioning	339.3	399.2	378.6	11.6	-5.2
PBT	1343.3	907.7	1227.1	-8.7	35.2
Tax	311.5	232.0	310.8	-0.2	33.9
PAT	1031.8	675.7	916.3	-11.2	35.6

Source: Dalal & Broacha Research, Company

Financials – Aditya Birla Capital (Standalone) NBFC

Profit & Loss Statement

P&L (Rs cr)	FY24	FY25	FY26e	FY27e	FY28e
Interest income	12,134	14,029	16,981	20,561	24,793
Interest expense	6,469	7,981	9,473	11,163	13,282
NII	5,665	6,048	7,508	9,398	11,511
Non-interest income	1,491	1,524	1,572	1,829	2,131
Operating expenses	2,018	2,197	2,635	3,133	3,728
PPOP	5,138	5,374	6,446	8,094	9,915
Provisions	1,356	1,448	1,630	2,066	2,500
PBT	3,782	3,927	4,816	6,029	7,415
Tax	847	970	1,233	1,543	1,898
PAT	2935	2957	3583	4485	5517
<i>growth(%)</i>	<i>88.9</i>	<i>0.8</i>	<i>21.2</i>	<i>25.2</i>	<i>23.0</i>
Consol PAT (post NCI & C)	2921	2903	3528	4431	5462
<i>growth(%)</i>	<i>87.1</i>	<i>-0.6</i>	<i>21.5</i>	<i>25.6</i>	<i>23.3</i>

Balance sheet (Rs. Cr)	FY24	FY25	FY26e	FY27e	FY28e
Share capital	2,600	2,607	2,607	2,697	2,771
Reserves & surplus	19,434	22,587	26,169	33,565	41,507
Net worth	22,034	25,194	28,776	36,262	44,278
Borrowings	92,595	1,11,402	1,36,084	1,61,817	1,92,836
Other Financial Liabilities	2,958	2,306	2,537	2,791	3,070
Non Financial Liabilities	483	398	477	568	676
Total liabilities	1,18,069	1,39,300	1,67,875	2,01,437	2,40,860

Cash & Bank Bal.	1,243	2,377	2,852	3,136	3,166
Investments	11,635	12,829	13,633	14,765	16,099
Loans	1,03,916	1,22,345	1,49,352	1,81,154	2,18,807
Fixed assets	437	439	483	536	595
Receivables	44	44	49	53	59
Other assets	794	1,266	1,506	1,793	2,133
Total assets	1,18,069	1,39,300	1,67,875	2,01,437	2,40,860

Ratios	FY24	FY25e	FY26e	FY27e	FY28e
Growth (%)					
NII	43.5	6.8	24.1	79.8	-93.6
PPOP	71.6	4.6	19.9	31.1	19.6
Consol PAT (post OCI)	87.1	-0.6	21.5	11.6	-5.9
Loans growth (%)	31.8	17.7	22.1	21.3	20.8
AUMs (Rs.cr)	105639	126350	153971	186757	225575
AUM growth (%)	31.1	19.6	21.9	21.3	20.8
Other Ratios (%)					
Cost/Income ratio (%)	28.2	29.0	29.0	27.9	27.3
Branches	412	449	499	549	599
Spread (%)					
Yield on funds	12.2	11.0	11.2	11.3	11.3
Cost of funds	7.9	7.8	7.7	7.5	7.5
Spreads	4.9	4.3	4.3	4.5	4.5
Margins	5.7	4.8	4.9	5.2	5.3
Asset quality (%)					
Gross NPAs (Rs.cr)	2649	2777	3000	3370	3887
Net NPAs (Rs.cr)	1327	1529	1567	1738	2018
Gross NPAs (%)	2.5	2.3	2.0	1.9	1.8
Net NPAs (%)	1.3	1.2	1.0	1.0	0.9
PCR (%)	49.9	44.9	47.8	48.4	48.1
Slippages (%)	1.4	1.1	1.0	1.0	1.0
Credit Cost (%)	1.5	1.3	1.2	1.3	1.3
Return ratios (%)					
RoE	17.5	12.3	13.1	13.6	13.6
RoA	2.9	2.3	2.3	2.4	2.5
Per share (Rs)					
FV	10	10	10	10	10
No. of shares	260.0	260.7	260.7	269.7	277.1
EPS	11.2	11.1	13.5	16.4	19.7
BV	84.7	96.6	110.4	134.5	159.8
ABV	79.6	90.8	104.4	128.0	152.5
Other Ratios					
C/I Ratio	28.2	29.0	29.0	27.9	27.3
Opex to AuM	1.9	1.7	1.7	1.7	1.7
Opex to Avg. AUM (%)	2.2	1.9	1.9	1.8	1.8
ROA Tree (%)					
Interest income	12.0	10.9	11.1	11.1	11.2
Interest expense	6.4	6.2	6.2	6.0	6.0
NII	5.6	4.7	4.9	5.1	5.2
Non-interest income	1.5	1.2	1.0	1.0	1.0
Total Income	7.1	5.9	5.9	6.1	6.2
Operating expenses	2.0	1.7	1.7	1.7	1.7
PPOP	5.1	4.2	4.2	4.4	4.5
Provisions	1.3	1.1	1.1	1.1	1.1
PBT	3.7	3.1	3.1	3.3	3.4
Tax	0.8	0.8	0.8	0.8	0.9
PAT	2.9	2.3	2.3	2.4	2.5

Source: Dalal & Broacha Research, Company

Housing Finance Subsidiary

Quarterly Financials

(Rs.cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NII (incl. fee income)	211	227	273	290	335	377	420
Operating Expenses	123	136	157	169	190	194	197
Operating Profit	88	91	116	121	145	183	223
Credit Provisioning	-7	6	12	11	24	29	28
PBT	95	85	104	110	121	154	195
Tax	23	19	24	26	27	35	44
PAT	72	66	80	84	94	119	151
<i>growth (yoY %)</i>	<i>12.5</i>	<i>0.0</i>	<i>6.7</i>	<i>7.7</i>	<i>30.6</i>	<i>80.3</i>	<i>88.8</i>
<i>growth (qoq %)</i>	<i>-7.7</i>	<i>-8.3</i>	<i>21.2</i>	<i>5.0</i>	<i>11.9</i>	<i>26.6</i>	<i>26.9</i>

Profit & Loss Statement

Profit & Loss (Rs Cr)	FY24	FY25	FY26e	FY27e	FY28e
Interest income	1,718	2,492	3,716	5,128	7,026
Interest expense	1,014	1,594	2,392	3,217	4,411
NII	704	898	1,324	1,911	2,615
Non-interest income	165	220	323	436	582
Total Income	869	1,118	1,647	2,347	3,197
Operating expenses	443	653	842	1,106	1,455
PPOP	427	465	805	1,241	1,743
Provisions	50	54	111	158	216
PBT	377	411	694	1,083	1,527
Tax	86	96	158	247	348
PAT	291	315	536	836	1,179
<i>growth (%)</i>	<i>20.7</i>	<i>8.4</i>	<i>70.0</i>	<i>56.0</i>	<i>41.0</i>
Total Comprehensive Income of the year	291	315	536	836	1179
<i>growth (%)</i>	<i>18.1</i>	<i>8.4</i>	<i>70.0</i>	<i>56.0</i>	<i>41.0</i>

Balance Sheet

(Rs.Cr)	FY24	FY25	FY26e	FY27e	FY28e
Share capital	501	635	709	777	844
Reserves & surplus	1,759	3,149	4,610	6,579	8,890
Net worth	2,260	3,783	5,319	7,355	9,734
Borrowings	15,947	26,857	39,600	55,028	74,716
Other Financial Liabilities	226	317	412	535	696
Non-financial liabilities	29	40	56	78	110
Total liabilities	18,461	30,997	45,387	62,997	85,255

Cash	280	508	587	869	1,017
Investments	266	399	518	674	876
Loans	17,678	29,811	43,956	61,081	82,935
Fixed assets	88	104	120	133	146
Other assets	150	175	205	240	281
Total assets	18,461	30,997	45,387	62,997	85,255

Source: Dalal & Broacha Research, Company

Ratios

Ratios	FY24	FY25	FY26e	FY27e	FY28e
Growth (%)					
NII	14	28	47	44	37
PPOP	2	9	73	54	40
PAT	18	8	70	56	41
Advances	30	69	47	39	36
AUM	33.4	46.9	47.5	39.8	33.2
Spread (%)					
Advances yields (%)	10.89	10.40	10.00	9.70	9.70
Investment yields (%)	4.3	4.0	3.8	3.7	3.7
Interest earnings yields (%)	10.7	10.2	9.8	9.5	9.5
Cost of funds (%)	7.3	7.5	7.2	6.8	6.8
Margins (%)	4.4	3.7	3.5	3.5	3.5
Asset quality (%)					
Gross NPAs (Rs)	325	193	320	480	685
Net NPAs (Rs)	216	106	175	261	369
<i>Gross NPAs (%)</i>	<i>1.8</i>	<i>0.6</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>
Net NPAs (%)	1.2	0.4	0.4	0.4	0.4
PCR (%)	34	45	45	46	46
Credit Cost (%)	0.32	0.23	0.30	0.30	0.30
Return ratios (%)					
RoE	13.8	10.4	11.8	13.2	13.8
RoA	1.8	1.3	1.4	1.5	1.6
Per share (Rs)					
FV	10	10	10	10	10
No. of shares	50.1	63.5	70.9	77.7	84.4
EPS	5.8	5.0	7.6	10.8	14.0
BV	45	60	75	95	115
ABV	41	58	73	91	111
Other Ratios					
C/I Ratio	50.9	58.4	51.1	47.1	45.5
C/I ratio (incl. other income)	50.9	58.4	51.1	47.1	45.5
Opex / AUM (%)	2.4	2.1	1.8	1.7	1.7
ROA Tree (%)					
Interest income	10.6	10.1	9.7	9.5	9.5
Interest expense	6.2	6.4	6.3	5.9	6.0
NII	4.3	3.6	3.5	3.5	3.5
Non-interest income	1.0	0.9	0.8	0.8	0.8
Total Income	5.3	4.5	4.3	4.3	4.3
Operating expenses	2.7	2.6	2.2	2.0	2.0
PPOP	2.6	1.9	2.1	2.3	2.4
Provisions	0.3	0.2	0.3	0.3	0.3
PBT	2.3	1.7	1.8	2.0	2.1
Tax	0.5	0.4	0.4	0.5	0.5
PAT	1.8	1.3	1.4	1.5	1.6

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com