

The Rate Hike Playbook for NBFC/HFCs



DIVERSIFIED



HOUSING



VEHICLE



MSME /
OTHERS



MFI

Potential rate hike/rising
yield a sector RoA dampener

HFC/Select diversified NBFCs
best placed; MFI/Vehicle worst
placed in rate sensitivity

Though, our stock selection
is not entirely on NIM
implications alone

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India NBFCs have fallen up to ~9% over the past month on account of increased anticipation of a policy rate hike and rising yields. In this note, we analyse changing funding mix and the implications of increasing yields/potential rate hike on the NIM/RoAs of the NBFC/HFCs' under our coverage. Bank loan growth to NBFC/HFCs has reaccelerated sharply in FY26/1Q27 helped by RBI's risk weight relaxation and 125bps rate cut which made bank borrowings relatively cheaper. Rising/falling share of bank/bond borrowings means yield/rate hike would now feed faster into cost of funds of NBFC/HFCs across a larger share of book than before. We expect the impact of a rate hike cycle on the NBFCs to be uneven, largely due to differences in their asset and liability structures. Rising yields (~20-90bps higher since Jun'26), increasing MCLR (up 30bps since Mar'26), potential rate hike (50bps higher gap between G-sec and repo spread compared to long term average) and ~10%-60% of o/s NCDs coming up for repricing in remaining FY27/FY28 means that cost of NCDs and bank borrowings both should go up in FY27/28; though recent rating upgrades for few can provide some respite. Impact on NIM/RoAs appears to be more a function of loan book with our sensitivity analysis showing -20bp to +10bp impact on RoA against 50bp rate hike. Among cohorts, housing financiers look best placed to gain from a hike, while MFI/vehicle/Gold financiers appear most exposed, and diversified/MSME financiers present a mixed, company-specific picture. While a policy rate hike is negative for NBFCs, we must juxtapose the NIM dynamics with growth/asset quality trends to take a holistic approach in terms of stock selection.

■ Bank funding to NBFCs – growth sharply reaccelerated in FY26/1QFY27; alternate funding sources moderated

Growth in bank loans to NBFC/HFCs accelerated sharply to ~27%/32% YoY in FY26/1QFY27 from just ~6% YoY in FY25, with incremental share of new bank credit going to NBFCs jumping from ~5% to 14-15% in FY26/Q1FY27. Private banks led both the FY25 pullback (-9% YoY) and the FY26 rebound (27% in FY26). PSU banks retain the largest market share at ~68%, while bank loans to NBFCs as a percentage of the banks' net worth are back near recent highs at ~58%. On the other hand, CP issuance growth slowed from 14% (FY25) to 7% (FY26) before recovering to 18% YoY in Q1FY27; NCD issuance fell more sharply, turning negative from Q2FY26 and staying negative through Q1FY27 (-37% YoY). Shift of NBFC liabilities to bank borrowings from other sources was driven by the RBI's Feb'25 risk-weight relaxation and 125bps of repo cuts till Dec'25, which made bank borrowing relatively cheaper.

■ At the company level, broad-based shift towards bank loans is largely universal except for few names

During FY25-1Q27, several names (PFL, LIC HF, HDB, L&T Finance, SBFC) raised their bank-loan share sharply, mostly at the expense of NCDs, while a smaller group (Poonawalla, ABCAP) pivoted into NCDs instead—a strategy that looks well-timed now that yields have turned up. MFI names show the highest bank-loan dependence of any cohort. CP mix fell for most while DA/co-lending/securitization mix stays broadly flat.

■ Yields up ~20-90bps since Jun'26 and 1 Year MCLR up ~30bps since Mar'26; increased share of bank borrowings to lead faster inch up in CoF

Yields across T-bill/G-sec/corporate/NBFC buckets have risen ~20-90bps since Jun'26. Furthermore, 1 Year MCLR has turned up since Q4FY26 by ~30bps even as repo rate remains flat in CY26. Spread of 10-year G-Sec over the repo rate is running well above their 10-year averages, signalling that the market is already pricing in ~50bps of rate hike ahead. With bank-loan share of NBFCs' liabilities rising again (bank loans repo/EBLR-linked typically reprice more quickly, versus CP/NCDs, which are fixed-rate until each rollover, usually within ~3-12 months for CP and ~3-5 years for NCDs), a rate hike would now feed faster into the overall cost of funds of NBFCs across a larger share of the book than before.

■ Cost of NCDs and cost of bank borrowings both to inch up in FY27/28; Recent rating upgrades should offset impact for few names

Cost of funds (calc.) declined ~80bps on average from Q3FY25 to Q4FY26 (~62% pass-through) but has risen again for most of our covered names in 1Q27. For our coverage universe, NCDs forms ~2%-48% of borrowings and maturing NCDs for the remainder of FY27/28 is ~10%-60% of NCDs. Most of the large names face a meaningful repricing gap (-22 to -31bps for BAF, LTF, ABCAP, HDB and Tata Cap), while rating-upgrade beneficiaries (Shriram, Piramal, PNBHF) remain positioned to refinance cheaper. Bank borrowings forms ~20%-75% of borrowings for most of our coverage NBFCs. Out of which, T-bill linked portion will start getting repriced immediately given rising yields. Impact of increasing MCLR should be visible with a lag sometime in 2HFY27/FY28 and repo linked bank borrowings would get repriced immediately after repo rate hike.

■ Rate hike/yield increase implications: Asset composition more important liability composition

Looking at the asset-side composition of NBFC/HFCs, HFCs (except Aptus) with ~70%-100% of its loan book being floating, should face a positive impact of repricing. On the opposite spectrum, VF/MFIs/MSME/Gold lenders with ~60%-100% of its loan book being fixed, would be immune from upward yield repricing in the near term. Among diversified names, ABCAP/Piramal/Tata Cap have ~70-72% of loan book being floating while L&T Finance/HDB/Poonawalla have ~73%-76% of book being fixed in nature. BAF has a balanced loan book with share of fixed book being ~53%.

Negative impact on FY28F cost of funds due to yield/rate increase would be ~25-45bp, against a repo rate hike of ~50bp for various NBFCs. The quantum would depend upon funding mix, composition of bank borrowings (Fixed vs MCLR vs Repo/T-bill mix), maturity profile of bond borrowings and repricing risk on those bond borrowings. Tata Cap/LTF/Poonawalla/Aavas/Fusion/HFFC seems to have higher sensitivity to rate/yield increase than others given higher share of NCDs/securitization/assignment in borrowings, higher share of T-bill/repo linked bank borrowing and/or higher share of maturing NCDs in FY27/28 with higher refinance risk.

■ Sensitivity analysis: Ceteris paribus, ~50bps rate hike to have -20bp to +10bp impact on RoA, -8% to +7% impact on EPS of NBFC/HFC's

Combining the impact on yield and cost of funds, All HFCs (more so for Prime HFCs like LIC HF/PNB HF/BHFL) appear to be the biggest beneficiaries in terms of a positive impact on FY28E NIM/RoAs. Aadhar/HFFCs seem to be better placed than Aavas/Aptus. All VFs see negative NIM/RoA impact, though SHFL can minimise the impact due to the recent rating upgrade and equity infusion. All MFIs especially CREDAG/Fusion, Gold and MSME lenders (except SBFC) should also see negative NIM/RoA impact due to higher share of fixed/floating loan/liability book. Within diversified NBFCs, AB Cap/Piramal should see positive impact while LTF/HDB should see negative impact on NIM/RoA. BAF/Tata Cap should also see minor negative impact on their NIM/RoA less due to loan mix but more due to higher negative impact on its CoF.

■ JMF view: Our stock selection is not only based on NIM dynamics. Loan growth forms a key component in our selection especially when asset quality is largely benign across the sector. Our preferred picks are ABCAP, Piramal, PNB HF, Aadhar, MMFS, CIFIC, CREDAG, Five star and Fedfina.

Exhibit 1: NBFCs under our coverage have declined up to 9% in the last month in anticipation of rate hikes and an unfavourable macro backdrop

NBFCs		Stock performance (Absolute)						Stock performance (Relative to Nifty 50)					
Diversified Players	2 years	1 year	6 month	3 month	1 month	15 days	2 years	1 year	6 month	3 month	1 month	15 days	
Bajaj Finance	36%	4%	18%	8%	-5%	-1%	44%	13%	20%	12%	-2%	1%	
Tata Capital	NA	NA	8%	2%	-3%	-6%	NA	NA	10%	5%	0%	-3%	
Aditya Birla Capital	81%	41%	25%	11%	2%	2%	89%	49%	27%	14%	5%	4%	
HDB Financial	NA	-12%	7%	0%	0%	1%	NA	-4%	8%	4%	3%	3%	
LTF	77%	26%	16%	9%	-4%	-1%	85%	35%	18%	12%	0%	1%	
Poonawalla	21%	-5%	16%	19%	-4%	3%	29%	4%	18%	22%	0%	5%	
Piramal Finance	NA	NA	27%	15%	12%	3%	NA	NA	29%	19%	15%	5%	
Vehicle Financiers													
CIFC	13%	13%	18%	7%	-4%	-3%	21%	22%	20%	10%	0%	0%	
Shriram Finance	41%	61%	-1%	1%	-9%	-3%	49%	69%	1%	4%	-6%	-1%	
Mahindra Finance	11%	24%	10%	19%	-9%	-6%	19%	32%	12%	23%	-5%	-4%	
Housing Financiers													
LIC Housing Finance	-19%	-8%	9%	0%	10%	-1%	-11%	1%	11%	3%	13%	1%	
PNB Housing Finance	5%	32%	40%	13%	-1%	-1%	13%	40%	42%	16%	2%	1%	
Bajaj Housing	-51%	-25%	3%	0%	1%	3%	-43%	-17%	5%	3%	5%	5%	
Aadhar Housing	1%	-14%	-4%	-5%	-5%	-4%	9%	-6%	-2%	-2%	-2%	-1%	
Aptus Value	-30%	-28%	8%	-13%	-8%	-8%	-22%	-20%	10%	-9%	-4%	-5%	
Aavas Financiers	-29%	-22%	14%	-12%	-7%	-1%	-21%	-14%	16%	-9%	-4%	1%	
HomeFirst Finance	1%	-3%	26%	8%	5%	3%	9%	5%	28%	12%	9%	6%	
NBFC-MFIs													
CreditAccess Grameen	12%	0%	17%	-2%	-9%	-3%	20%	8%	19%	1%	-6%	-1%	
Satin Creditcare	5%	50%	48%	-5%	-4%	0%	13%	58%	50%	-2%	-1%	2%	
Fusion Finance	-38%	-1%	11%	5%	-3%	-7%	-30%	8%	13%	8%	1%	-5%	
MSME/Other lenders													
Five Star Business	-30%	0%	43%	4%	1%	1%	-22%	8%	45%	7%	4%	3%	
SBFC	6%	-14%	4%	0%	-1%	-8%	14%	-6%	6%	4%	2%	-5%	
Fedbank Financial	30%	4%	13%	-3%	3%	-2%	38%	13%	15%	1%	6%	1%	

Source: Bloomberg L.P, Company, JM Financial

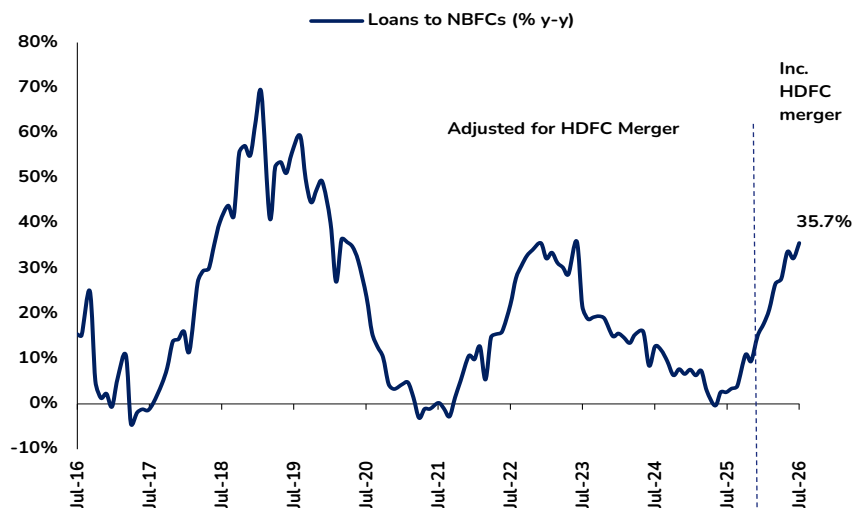
Note: Priced as of 18th Sep, 2026

Bank funding to NBFCs: Growth resumes

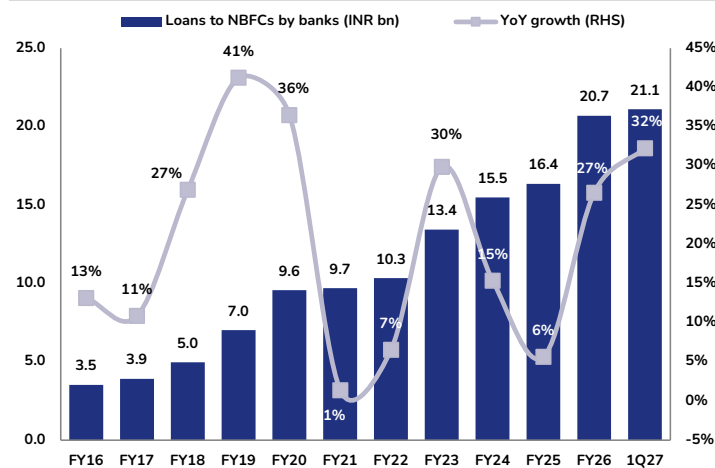
- **Loan growth to NBFCs sharply reaccelerated after a FY25 slowdown:** Bank loans to NBFCs/HFCs grew just ~6% YoY in FY25, a sharp deceleration from 15% YoY in FY24. However, growth has since snapped back strongly – **loans to NBFCs rose ~27% YoY in FY26**, and by Q1FY27 (Jun'26), growth had accelerated further to 32% YoY (~INR 21.1tn outstanding) (**Exhibit 3**). This is meaningfully faster than overall bank credit growth (~17%/18% YoY in FY26/Q1FY27).
- **NBFCs' share in overall bank credit, and in incremental credit, bounced back:** The share of NBFC/HFC loans in **total bank credit** fell from 9.4% in FY24 to 9% in FY25, then recovered to **~9.7% by Q1FY27**. More telling is the incremental share, the proportion of new bank credit going to NBFCs, which declined to just ~5% in FY25, but **jumped to 14% in FY26 and 15% in Q1FY27** (**Exhibit 4**).
- **Reliance on bank balance sheets relative to net worth back near recent highs:** Bank loans to NBFCs/HFCs as a percentage of the banks' net worth fell from 59% in FY24 to 54% in FY25 but has since climbed back to ~58% in Q1FY27, nearly erasing that dip (**Exhibit 6**).
- **The pullback and rebound sharpest at private banks relative to PSU banks:** PSU bank credit to NBFCs growth slowed from ~17% YoY in FY24 to 11% in FY25, then reaccelerated to ~25%/31% YoY in FY26/Q1FY27. Private bank growth actually turned negative in FY25 (-9% YoY), an outright contraction, before rebounding sharply to 27%/34% YoY in FY26/Q1FY27. SFB/FBs grew 9% in FY24, 7% in FY25, and 38%/45% in FY26/Q1FY27.

As a result, PSU banks' market share of NBFC credit rose from 66.7% (FY24) to a peak of 70.4% (FY25) as private banks retreated, then eased to 68% at end-Q1FY27, as private banks clawed back some share (~24% in FY25 to 26% at end-Q1FY27) (**Exhibit 5**). PSU banks' NBFC exposure as a percentage of net worth is **~97% at end-Q1FY27**; private banks' equivalent ratio recovered to ~32% from a low of ~27% in FY25.

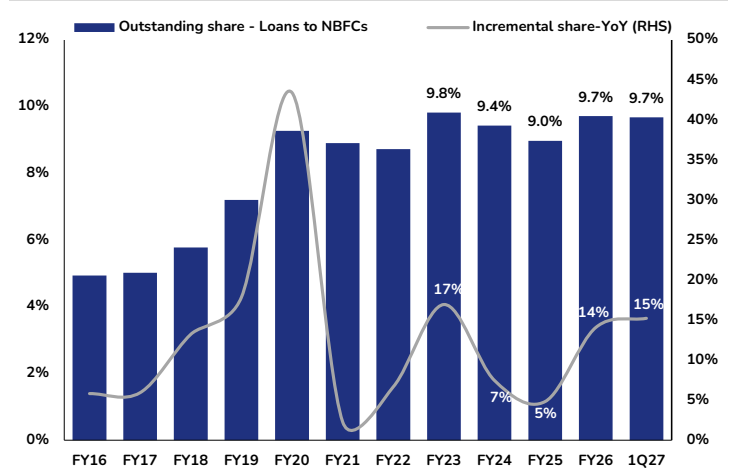
Exhibit 2: Bank loans to NBFCs saw a sharp pickup in FY26/1QFY27



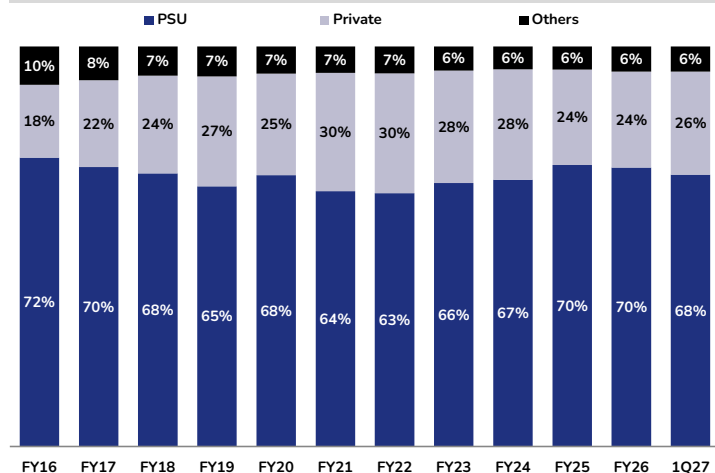
Source: RBI, JM Financial

Exhibit 3: Bank funding to NBFCs picks up pace again

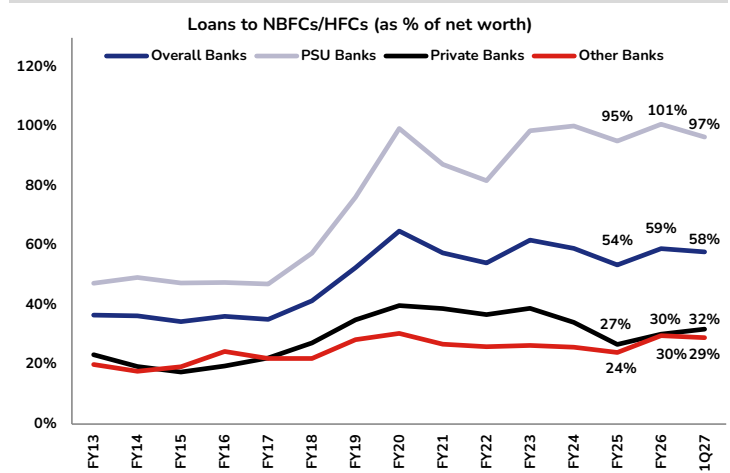
Source: RBI, JM Financial

Exhibit 4: Similarly, incremental share of funding to NBFCs rises

Source: RBI, JM Financial

Exhibit 5: PSBs have the highest share, though private gaining share

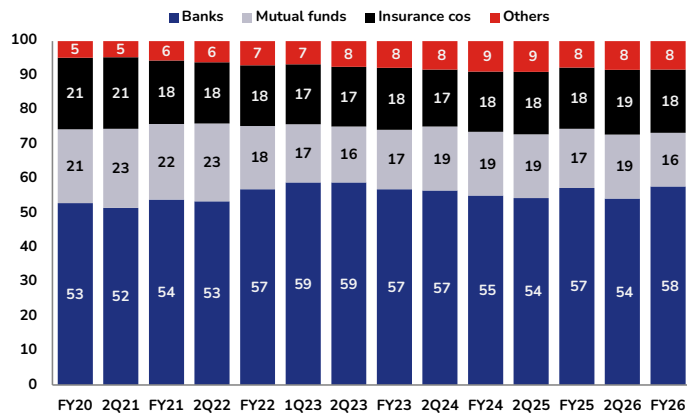
Source: RBI, JM Financial

Exhibit 6: Bank loans to NBFCs stood at 58% of its net worth in FY26

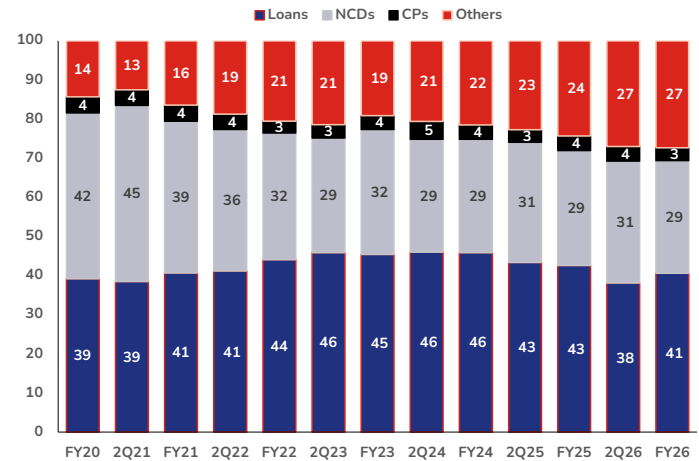
Source: RBI, JM Financial

Note: Networth numbers for FY26/Q127 are estimated based on our representative set of Banks

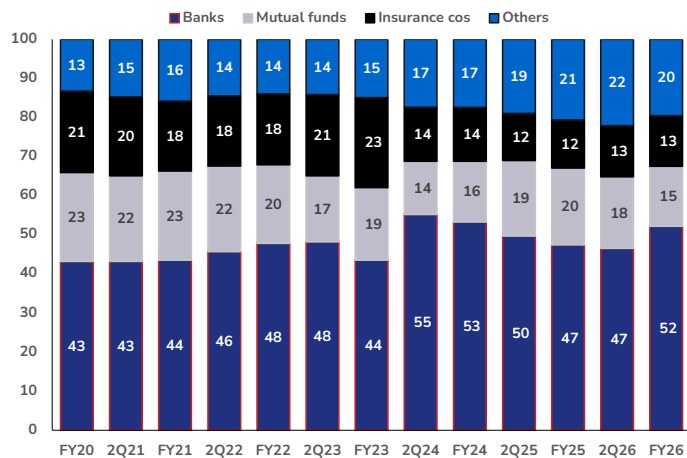
- **RBI FSR borrowing-mix data shows the same pickup**, concentrated after Q2FY26 (Sep'25). The banks' share of NBFC borrowings rose from ~54% in Q2FY26 to ~58% by FY26 (**Exhibit 7**), while for **HFCs**, the move was sharper still from ~47% to ~52% over the same period, a ~6pp jump in roughly two quarters (**Exhibit 9**).
- This came directly **at the expense of NCDs for both segments**. NBFC NCD share slipped from ~31% (Q2FY26) to ~29% (FY26) (**Exhibit 8**), and HFC NCD share fell from ~27% to ~24% over the same window, continuing a longer decline from levels above 40% back in FY19–20 (**Exhibit 10**).
- **CP funding moderated too**, more gradually, but in the same direction for both. NBFC CP share eased from ~4% to ~3% between Q2FY26 and FY26, while HFC CP share fell from ~5% to ~4%, extending its slide from ~6% back in FY25.

Exhibit 7: Banks' biggest source of funding for NBFCs, then insurers, MFs

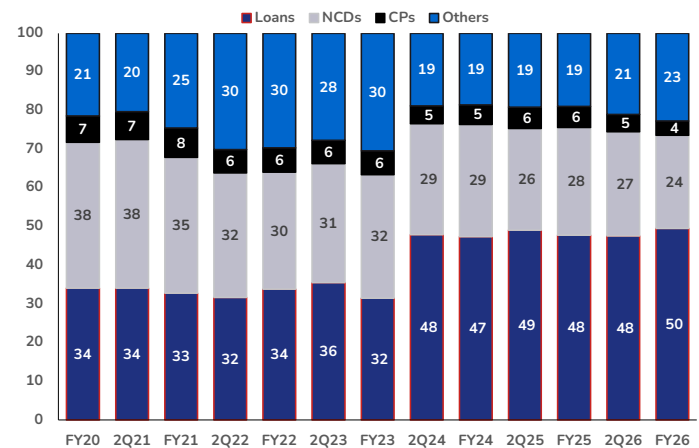
Source: RBI, JM Financial

Exhibit 8: By instrument, term loans biggest source of funding for NBFCs

Source: RBI, JM Financial

Exhibit 9: For HFCs too, banks remain biggest source of funding

Source: RBI, JM Financial

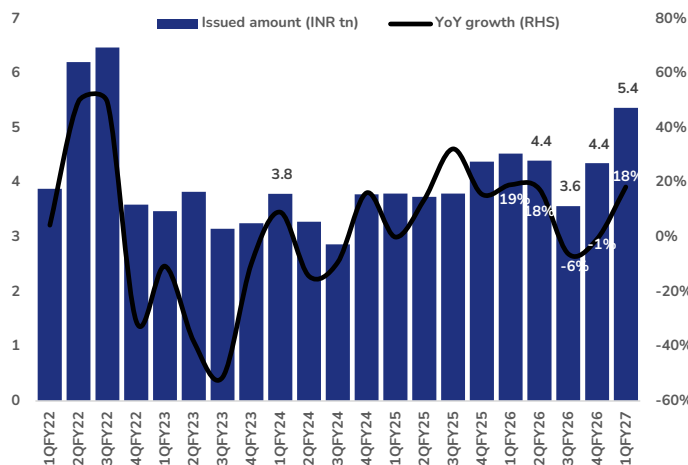
Exhibit 10: By instrument, term loans make up largest share for HFCs as well

Source: RBI, JM Financial

Alternate funding ebbs as bank loans pick up

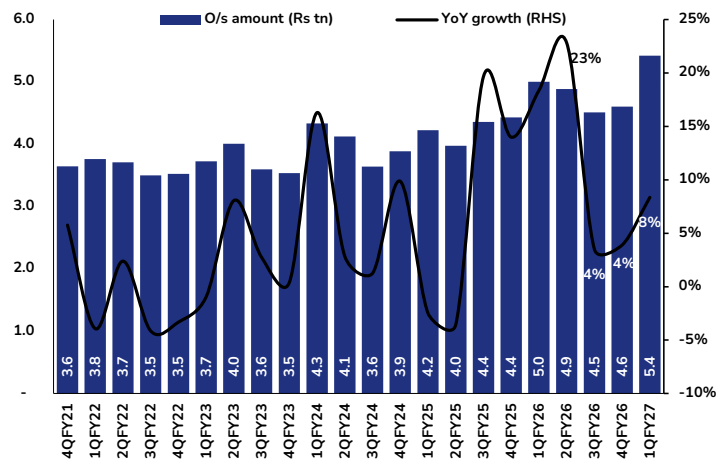
- **CP growth slowed sharply in FY26:** CP issuance growth eased to ~7% YoY in FY26 from ~14% in FY25, while outstanding growth slowed to ~4% YoY from 14% in FY25. The slowdown was concentrated in H2FY26, with issuance growth actually turning negative in Q3 (-6%) and Q4 (-1%), after a strong 18–19% YoY pace in H1FY26 (**Exhibit 11**).
- **NCDs sees an even sharper decline in issuance, a steadier moderation in outstanding:** NCD issuance growth flipped from ~83% YoY in Q1FY26 to -26% YoY in Q2FY26 and has stayed negative every quarter since (Q3FY26: -10%, Q4FY26: -24%, Q1FY27: -37%) (**Exhibit 13**). NCD outstanding growth has moderated in a steady slide each quarter since Q1FY26, from 15% YoY down to 14% (Q2FY26), 12% (Q3FY26), 10% (FY26), and 8% (Q1FY27) (**Exhibit 16**). **On a full-year basis, FY26 NCD issuance was roughly flat versus FY25** (marginally down about 1% YoY). **This lines up with bank loans to NBFCs reaccelerating.**
- **Since Q1FY27, CP growth picked, but NCD issuance has not turned:** CP issuance was up ~18% YoY and outstanding rose ~8% YoY (~INR 5.4tn) in Q1FY27. NCD issuance, by contrast, weakened further to -37% YoY in the same quarter, even as bank loans grew faster still (~32% YoY).
- **With bank-loan share of NBFCs rising again** (bank loans repo/EBLR-linked typically reprice more quickly, versus CP and NCDs, which are fixed-rate until each rollover, usually within 3–12 months for CP and around three to five years for NCDs), a rate hike would now feed faster into the overall cost of funds of NBFCs across a larger share of the book than before, since a bigger chunk of their liabilities sits in the immediately-repricing bank-loan bucket rather than the fixed-rate-until-maturity CP/NCD bucket.

Exhibit 11: CP issuances growth sees a moderation in FY26...



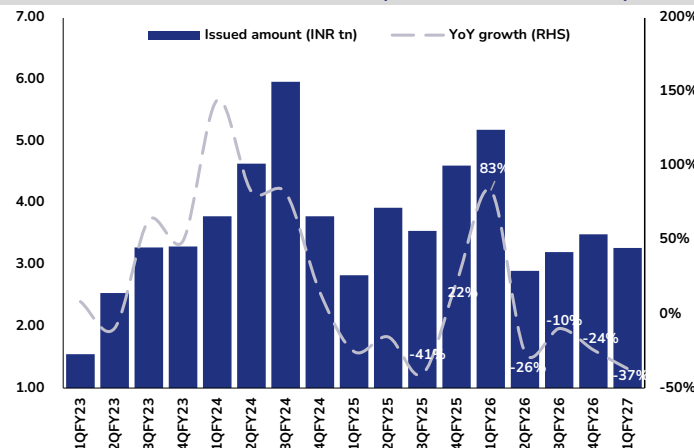
Source: RBI, JM Financial

Exhibit 12: ...similar trend visible for outstanding CP amount



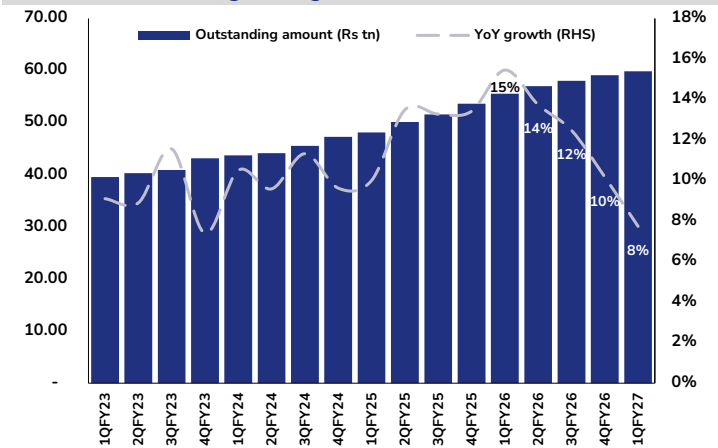
Source: RBI, JM Financial

Exhibit 13: NCDs issuances sees a sharper decline over recent quarters



Source: SEBI, JM Financial

Exhibit 14: Outstanding NCDs growth continues to moderate



Source: SEBI, JM Financial

What changed: Two drivers

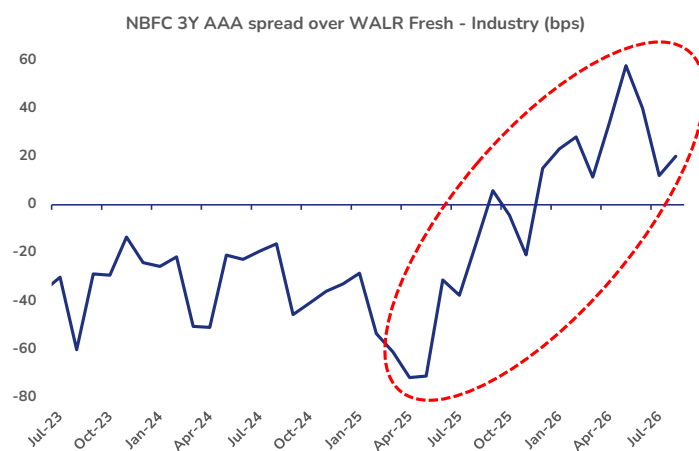
■ RBI's risk-weight relaxation, effective Apr'25

In Nov'23, the RBI raised the risk weight on bank loans to NBFCs from 100% to 125%, a key factor behind the FY25 slowdown, especially the contraction in private-bank lending. In **Feb'25**, **the RBI reversed this**, reducing risk weights on bank loans to NBFCs rated "A" and above by 25 percentage points where the applicable risk weight was below 100%, effectively restoring pre-November 2023 levels. The NBFC-related instructions took effect from 1st Apr'25. A parallel notification also cut the risk weight on microfinance loans from 125% to 100%, benefiting NBFC-MFIs specifically.

■ Repo rate cuts since Feb'25 making bank borrowings more lucrative than bond market

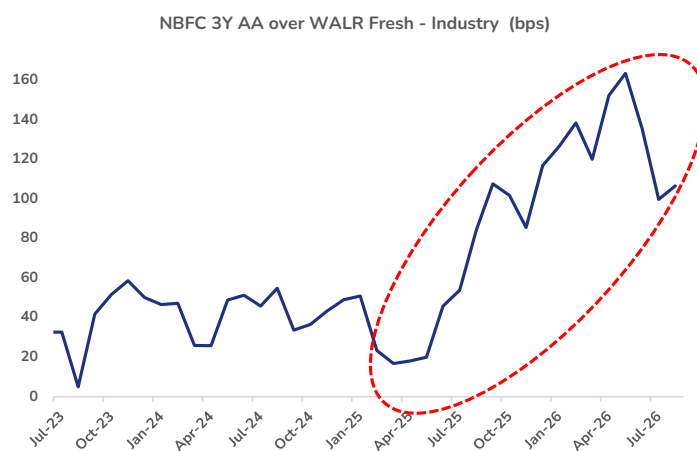
The RBI cut the repo rate **cumulatively by 125 bps** between Feb–Oct'25 and has held the rate steady at 5.25% till this point, including at the recent Aug'26 review meeting. The RBI also **cut CRR by 100 bps** around Jun'25 to ease liquidity.

Exhibit 15: Rising since rate cuts, indicating faster repricing of WALR



Source: Bloomberg L.P., RBI, JM Financial
Note: Data as of Jul'26

Exhibit 16: NBFC 3Y AA spread over fresh industry WALR followed suit



Source: Bloomberg L.P., RBI, JM Financial
Note: Data as of Jul'26

Rates across most buckets rise since Q1FY27

Since Jun'26, yields (T-bill/G-Sec/Corp/NBFCs) across buckets have spiked around ~20–90bps. Even 1Y MCLR has been going up from Q4FY26 onwards (**Exhibit 17**). Hence, we expect bank borrowings linked to T-bill/G-sec/MCLR to reprice upwards in the upcoming quarters.

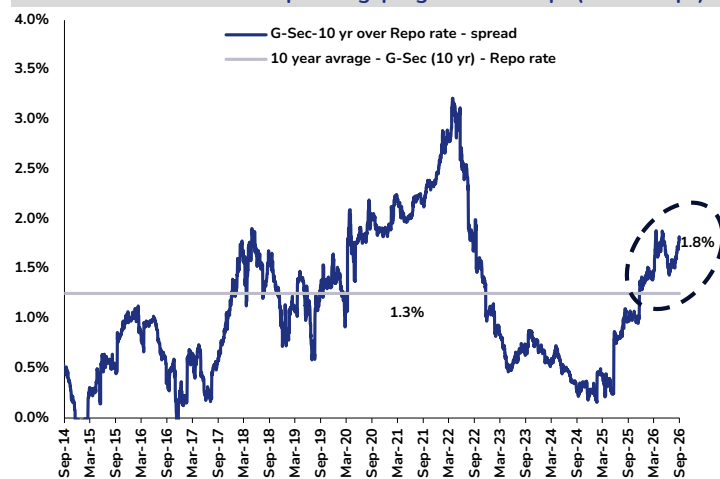
Exhibit 17: NBFC yields are 50–100bps higher in Sep'26 versus Q3FY20 despite the repo rate being only ~10bps higher

Benchmark rates at end of period	Q320	Q325	Q425	Q226	Q326	Q426	Q127	Sep'26	Q3FY20-Sep'26 (bps)	Q3FY25-Q4FY26 (bps)	Q3FY25-Sep'26 (bps)	Q1FY27-Sep'26 (bps)
Repo rate	5.15%	6.50%	6.25%	5.50%	5.25%	5.25%	5.25%	5.25%	10	(125)	(125)	0
1 Yr MCLR*	8.28%	9.00%	9.00%	8.60%	8.45%	8.40%	8.50%	8.70%	42	(60)	(30)	20
T-bill												
3M	5.0%	6.5%	6.3%	5.4%	5.3%	5.4%	5.2%	5.2%	29	(116)	(121)	10
6M	5.2%	6.7%	6.5%	5.5%	5.4%	5.5%	5.3%	5.6%	56	(115)	(95)	43
12M	5.2%	6.7%	6.4%	5.6%	5.5%	5.6%	5.5%	5.9%	83	(104)	(66)	52
G-Sec												
1 Yr	5.5%	6.7%	6.4%	5.6%	5.5%	5.6%	5.5%	5.9%	54	(104)	(66)	52
3 Yr	6.2%	6.7%	6.4%	5.9%	6.1%	6.5%	6.2%	6.4%	40	(19)	(7)	48
5 Yr	6.5%	6.7%	6.5%	6.2%	6.3%	6.7%	6.4%	6.5%	32	2	6	36
Corp AAA												
1 Yr	6.2%	7.8%	7.4%	7.0%	7.0%	7.5%	7.3%	7.4%	134	(31)	(24)	24
3 Yr	6.9%	7.6%	7.5%	7.1%	7.3%	7.5%	7.0%	7.7%	95	(8)	32	92
5 Yr	7.2%	7.5%	7.2%	7.3%	7.3%	7.6%	7.5%	7.8%	81	11	52	45
Corp AA												
1 Yr	6.8%	8.4%	8.3%	7.8%	7.9%	8.4%	8.0%	8.2%	141	(5)	(14)	26
3 Yr	7.6%	8.3%	8.3%	8.2%	8.3%	8.3%	7.8%	8.5%	106	5	40	93
5 Yr	7.8%	8.2%	8.0%	8.3%	8.3%	8.4%	8.3%	8.6%	93	19	49	39
NBFC AAA												
1 Yr	6.6%	7.9%	7.5%	6.9%	7.0%	7.6%	7.3%	7.4%	97	(27)	(32)	22
3 Yr	7.3%	7.8%	7.6%	7.1%	7.3%	7.7%	7.6%	7.9%	79	(12)	34	48
5 Yr	7.5%	7.8%	7.6%	7.3%	7.3%	7.8%	7.8%	7.9%	70	0	45	44
NBFC AA												
1 Yr	7.3%	8.6%	8.3%	7.7%	7.9%	8.6%	8.1%	8.1%	83	4	(41)	3
3 Yr	8.1%	8.6%	8.3%	8.1%	8.3%	8.9%	8.5%	8.6%	73	26	22	31
5 Yr	8.4%	8.5%	8.5%	8.2%	8.4%	8.8%	8.7%	8.6%	54	31	37	21

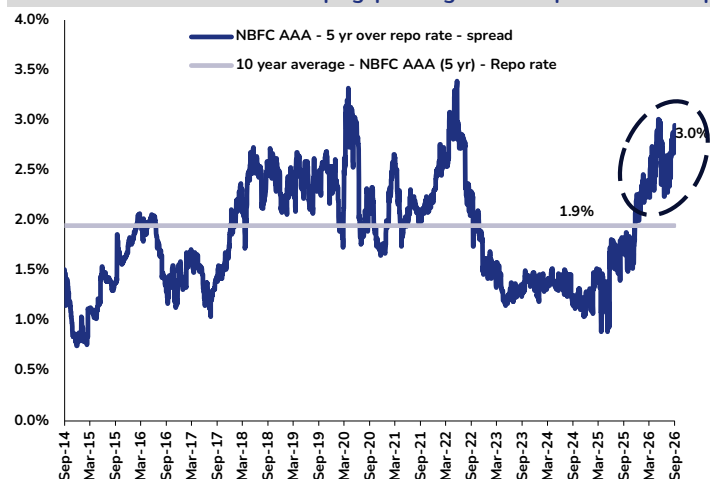
Source: RBI, Bloomberg Finance LP, JM Financial

Note*: Latest 1-Year MCLR has been taken as of Aug'26 instead of Sep'26. All the other data for Sep'26 as of 17th Sep,2026

Looking at the gap between 10Y G-Sec and the repo rate at ~180bps currently versus ~130bps of long-term average, **it could be deduced that bond market is already factoring in a repo rate increase of ~50bps in the near term**. Similarly, the gap between 5Y NBFC yield and repo rate has also been widening in the recent period and stands at ~300bps versus long-term average of 190bps (**Exhibit 18:19**).

Exhibit 18: 10Y G-Sec and repo rate gap higher at ~180bps (LT*: 130bps) ...

Source: Bloomberg Finance LP, JM Financial *average
 Note: Priced as of 17th Sep, 2026

Exhibit 19: ...5Y NBFC AAA and repo gap too higher: ~300bps vs LT* ~190bps

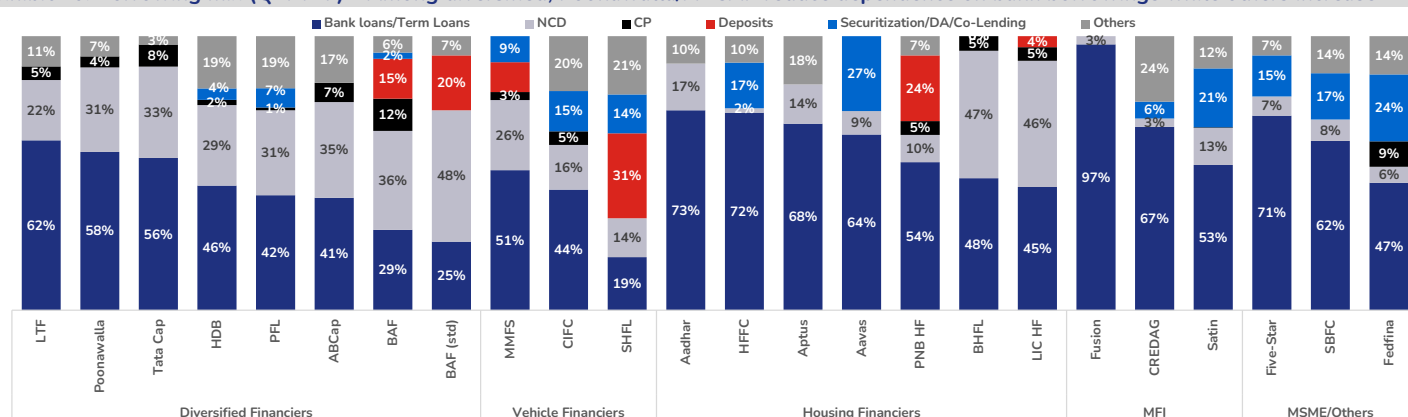
Source: Bloomberg Finance LP, JM Financial *average
 Note: Priced as of 17th Sep, 2026

Analysing liability mix

Shift to bank borrowings is largely universal except for few

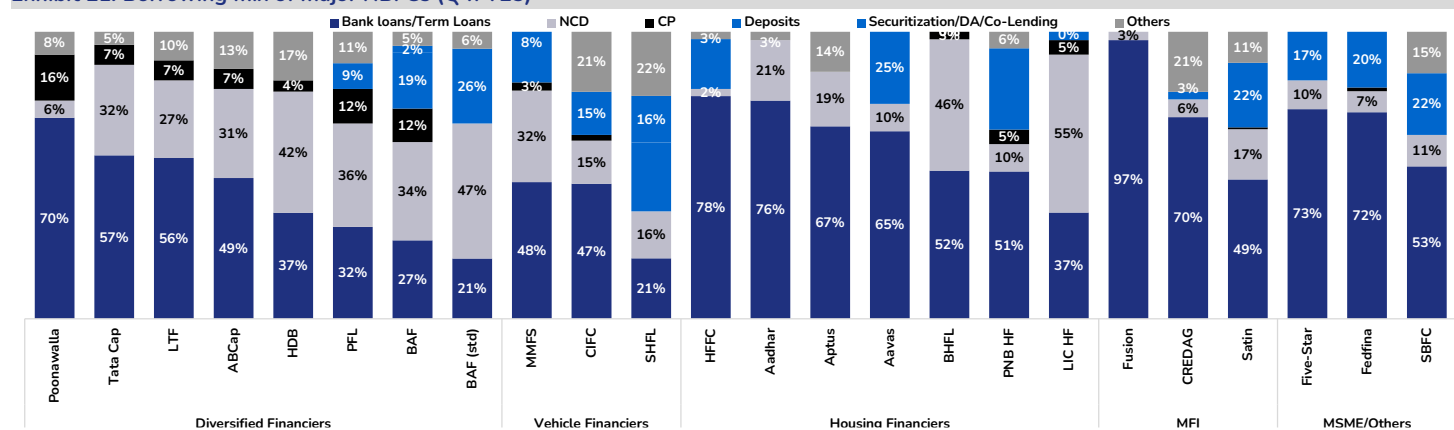
- **Similar to system level trends, several major players increased their bank-loan share sharply during FY25–Q1FY27:** SBFC (53% to 62%), PFL (32% to 42%), LIC HF (37% to 45%), HDB (37% to 46%) and L&T Finance (56% to 62%) (**Exhibit 20:21**). **These term loans are generally floating rate loans linked to MCLR or any other external benchmark like repo rate or T-bill.**
- **Wherever bank-loan share rose, it mostly came at the expense of NCDs, not other sources.** HDB's NCD share fell ~13pp during FY25–Q1FY27 as its bank-loan share rose 9pp; LIC HF's NCD fell 9pp as bank loans rose 9pp; similar offsetting moves show up at PFL, L&T Finance, MMFS, and Satin (**Exhibit 20:21**). This suggests these NBFCs actively substituted fixed-rate, long tenure NCDs for floating, faster-repricing bank loans, **likely to capture the repo-rate-cut benefit** more quickly rather than locking in a three–five year coupon just as rates were falling. **NCDs are primarily fixed rate borrowings with average tenor of three–five years.**
- **A smaller set of large NBFCs moved in the opposite direction, extending into NCDs instead:** Poonawalla cut its bank-loan share sharply (70% in FY25 to 58% in Q1FY27), while its NCD share jumped from 6% to 31%; Aditya Birla Capital similarly shifted (bank loans -8pp, NCD +4pp during FY25–Q1FY27). CIBC also marginally followed this strategy with loans declining 3pp while NCDs inched up by 1pp. This looks like the opposite strategy, locking in longer-duration, fixed-rate funding while rates were low, which would **now look like a well-timed move given yields have already started rising again since Q1FY27.**
- **MFI players show the clearest structural dependence on bank borrowings:** The MFI segment's average bank-loan share was broadly steady at ~72%, the **highest reliance among all sub-segments** (**Exhibit 20:21**).
- **All housing finance names except LIC HF/PNB HF largely reduced dependence on bank loans:** For LIC HF and PNB HF, share of bank borrowings moved up by 8/3pp during FY25/Q1FY27, while share of bank borrowings moved down for Aadhar (-3pp), BHFL (-4pp), and HFFC (-4pp).
- **CP's share of the liability mix fell for most of the NBFC/HFCs:** It is consistent with the system-wide CP moderation we saw earlier. This is the clearest liability-mix confirmation that bank loans crowded out CP specifically within this segment, even as CP itself has started recovering system-wide since Q1FY27. **Securitisation/DA/co-lending shares stayed broadly stable across all sub-segments.**
- **Read-through for cost of funds:** The NBFCs that leaned hardest into bank loans during the cut cycle (SBFC, PFL, LIC HF, HDB, L&T Finance) are now carrying the most floating-rate-linked liabilities just as yields have started climbing again since Q1FY27, making them more exposed to a faster repricing hit if the current rate-hike-pricing in the market plays out, while the NBFCs that extended into fixed-rate NCDs (Poonawalla, ABCAP) look better insulated for now.

Exhibit 20: Borrowing mix (Q1FY27) – Among diversified, Poonawalla/ABCAP reduce dependence on bank borrowings while others increase



Source: Company, JM Financial

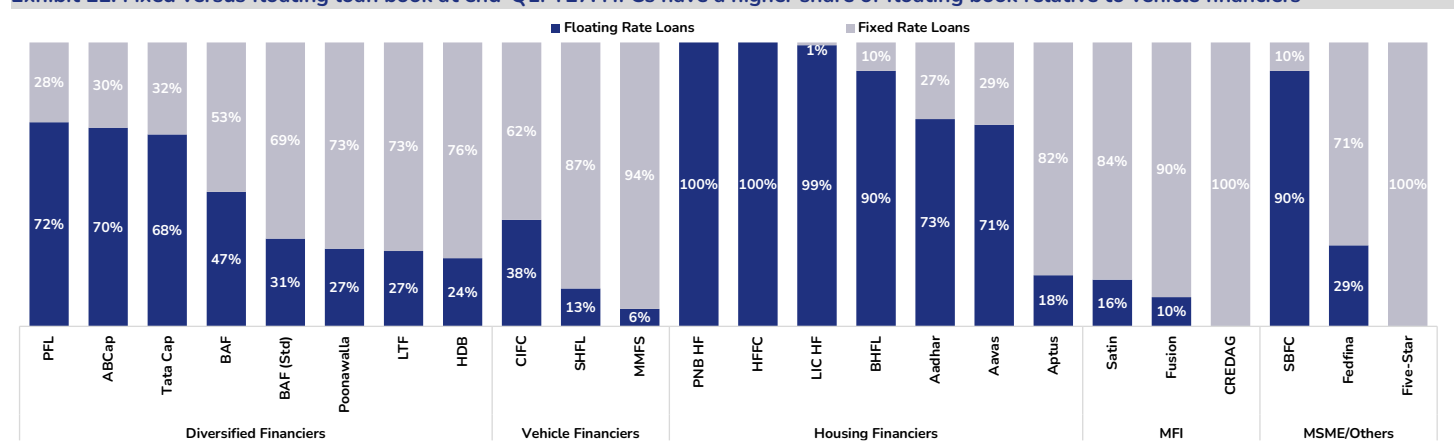
Exhibit 21: Borrowing mix of major NBFCs (Q4FY25)



Source: Company, JM Financial

- Housing financiers seems to be in sweet spot with large positive gaps (mostly 100% floating loans against a comparatively lower floating-borrowing share, since NCDs/deposits reprice slower), which is why that **cohort benefits most from a potential rate hike**. Vehicle and MFI/MSME names cluster with large negative gaps (larger fixed-rate lending book against a comparatively lower floating borrowing base), making **these most exposed cohorts** (Exhibit 22:23).

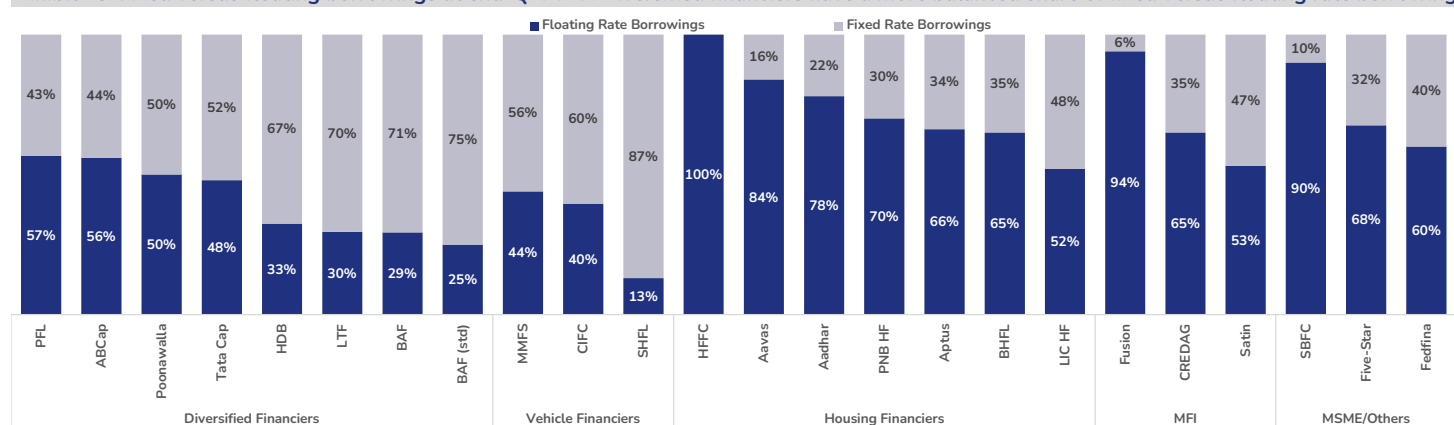
Exhibit 22: Fixed versus floating loan book at end-Q1FY27: HFCs have a higher share of floating book relative to vehicle financiers



Source: Company, JM Financial

Note: Fixed/Floating mix data on basis of available data as per latest investor presentations, earnings call transcripts or annual reports for ABCAP, LTF, HDB, Poonawalla, BHFL, LICHF, Aadhar, Aptus, Aavas, HFCC and SBFC. Our estimates are there in the other cases calculated on best effort basis.

Exhibit 23: Fixed versus floating borrowings at end-Q1FY27: Diversified financiers have a more balanced share of fixed versus floating rate borrowings



Source: Company, JM Financial

Note: Fixed/Floating mix data on basis of available data as per latest investor presentations, earnings call transcripts or annual reports for ABCAP, LTF, TataCap, Poonawalla, Piramal, SHFL, MMFS, LICHF, PNBHF, BHFL, Aadhar, Aptus, Aavas, HFCC, CREDAG, FiveStar, SBFC and Fedfina. Our estimates are there in the other cases calculated on best effort basis.

Rate cut benefit peaks; costs up for NBFCs

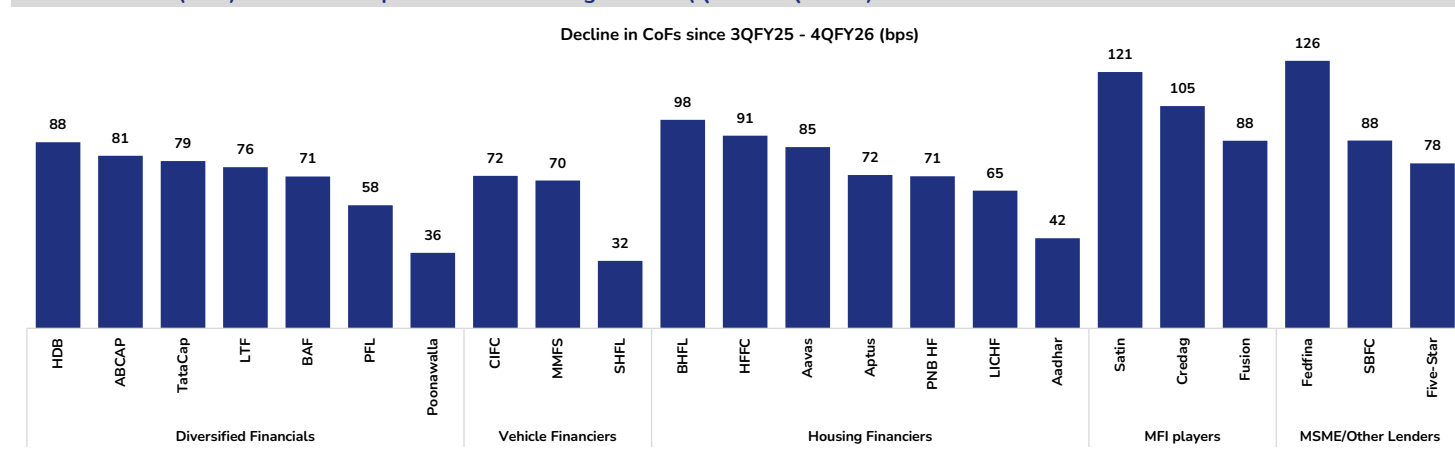
- **Cost of funds fell across the board from Q3FY25 to Q4FY26, capturing the bulk of the rate-cut benefit:** Against a 125bps repo cut (6.50% to 5.25%) over this window, **our calculated cost of funds for coverage declined by ~80bps on average**, roughly ~62% pass-through, ranging from just 32bps (SHFL) to as much as 125bps (Fedfina) (**Exhibit 25**).
- **Since Q4FY26, CoFs have turned higher again for most players, even though repo stayed flat:** 19 of the 23 companies in our coverage saw CoFs rise from Q4FY26 to Q1FY27, by ~10bps on average, led by Fusion (+67bps), L&T Finance (+42bps), CREDAG (+39bps), and ABCAP (+35bps) (**Exhibit 26**). This lines up with the rise seen in 1Y MCLR as well, which bottomed at 8.4% in Q4FY26 and has since risen to 8.7% (Aug'26). Corporate/NBFC bond yields have also turned up since Q1FY27, so both benchmark-linked and market-based funding costs are now rising together.
- **Even with costs rising again, cost of funds for almost every NBFC still comfortably below than where it stood in Q3FY20:** A period with a broadly comparable repo rate (5.15% then versus 5.25% now). The gap ranges from 29bps lower (Satin) to 126bps lower (Aavas), with most names 60–125bps lower (**Exhibit 27**).
- **Put together, this confirms that repricing-lag logic cuts both ways:** NBFCs only recently finished capturing the bulk of the FY25/26 rate-cut benefit, and the same lag that delayed that benefit on the way down would now delay the pass-through of any renewed rate pressure, but it would still arrive, and arrive faster for names carrying a larger, growing share of bank/ floating-rate liabilities, as flagged in our liability-mix analysis.

Exhibit 24: Credit rating movements since Q3FY25

Piramal Finance	Crisil upgrade to AA+ in Jan'26
Shriram Finance	Upgraded from AA+ to AAA stable in Q1FY27
Aadhar Housing	Upgraded from AA stable to AA+ stable by Care in Q1FY26
Home First	Upgraded from AA- stable to AA stable by Care in Q1FY26
Aptus Value	Upgraded from AA- stable to AA stable by Care in Q1FY26
Aavas Financiers	Upgraded from AA stable to AA positive by Care in Q2FY26
PNB Housing	Upgraded from AA+ to AAA by India Ratings (Fitch) in Q3FY26
Fusion Finance	Downgrade from A+ Stable to A negative in Q3FY25, downgrade from A negative to A- negative in Q4FY25, upgrade to A- stable in Q1FY26, all by ICRA
Satin Creditcare	Upgrade from A- stable to A stable in Q4F25

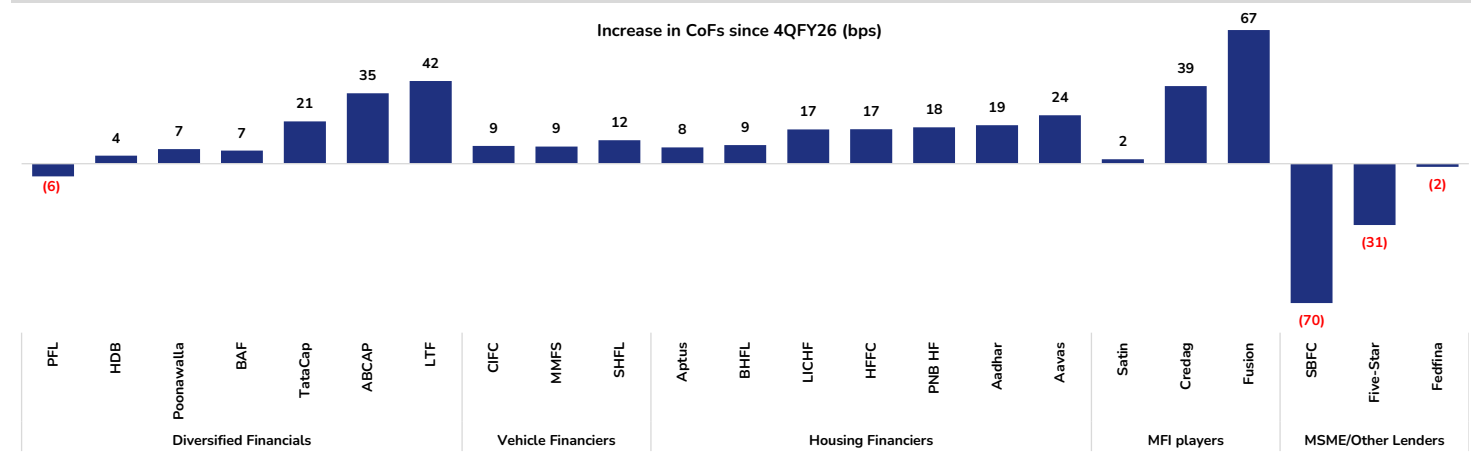
Source: Company, JM Financial

Exhibit 25: CoFs (calc.) fell ~30–130bps across our coverage NBFCs (Q3FY25–Q4FY26)



Source: Company, JM Financial *Cost of funds is calculated as interest expense as % of avg. borrowings.

Exhibit 26: CoFs (calc.) rise for majority of our coverage NBFCs over Q1FY27



Source: Company, JM Financial *Cost of funds is calculated as interest expense as % of avg. borrowings. For AB Cap, we have taken standalone numbers

Exhibit 27: Repo rate at similar levels to Q3FY20; however, CoFs for most NBFCs still lower than Q3FY20 levels

Cost of funds (%)	Q3FY20	Q3FY25	Q4FY25	Q2FY26	Q3FY26	Q4FY26	Q1FY27	CoFs relative to Q3FY20	Change since Q3FY25-Q4FY26	Change since Q4FY26-Q1FY27
Repo (%)	5.15%	6.50%	6.25%	5.50%	5.25%	5.25%	5.25%	0.10%	-1.25%	0.00%
BAF	7.97%	7.59%	7.35%	7.12%	7.14%	6.87%	6.94%	-1.04%	-0.71%	0.07%
TataCap	NA	7.84%	7.76%	7.49%	7.26%	7.05%	7.26%	NA	-0.79%	0.21%
ABCAP	7.07%	7.98%	7.72%	7.42%	7.34%	7.17%	7.53%	0.46%	-0.81%	0.35%
LTF	8.23%	7.34%	7.17%	6.83%	6.80%	6.58%	6.99%	-1.24%	-0.76%	0.42%
HDB	NA	7.80%	7.52%	7.27%	7.28%	6.93%	6.97%	NA	-0.88%	0.04%
Poonawalla	NA	7.81%	7.77%	7.70%	7.56%	7.45%	7.53%	NA	-0.36%	0.07%
PFL	NA	9.20%	8.88%	8.95%	8.97%	8.62%	8.56%	NA	-0.58%	-0.06%
CIFC	8.61%	8.06%	7.86%	7.63%	7.56%	7.34%	7.43%	-1.18%	-0.72%	0.09%
SHFL	9.01%	8.81%	9.13%	9.26%	8.66%	8.50%	8.61%	-0.40%	-0.32%	0.12%
MMFS	8.36%	7.85%	7.74%	7.45%	7.43%	7.16%	7.24%	-1.12%	-0.70%	0.09%
LICHF	8.17%	7.62%	7.43%	7.35%	7.26%	6.97%	7.14%	-1.03%	-0.65%	0.17%
PNB HF	8.23%	7.92%	7.71%	7.80%	7.58%	7.21%	7.39%	-0.84%	-0.71%	0.18%
BHFL	7.67%	7.94%	7.74%	7.28%	7.19%	6.96%	7.05%	-0.61%	-0.98%	0.09%
Aadhar	NA	8.00%	8.00%	7.93%	7.92%	7.58%	7.77%	NA	-0.42%	0.19%
Aptus	NA	9.07%	9.02%	9.18%	8.78%	8.34%	8.43%	NA	-0.72%	0.08%
Aavas	8.65%	8.00%	7.76%	7.65%	7.46%	7.15%	7.39%	-1.26%	-0.85%	0.24%
HFFC	NA	8.52%	8.11%	8.39%	7.93%	7.62%	7.79%	NA	-0.91%	0.17%
Credag	9.71%	9.67%	9.42%	9.55%	9.01%	8.63%	9.02%	-0.69%	-1.05%	0.39%
Satin	11.34%	12.24%	11.95%	11.46%	11.09%	11.03%	11.05%	-0.29%	-1.21%	0.02%
Fusion	NA	10.72%	10.47%	10.53%	9.77%	9.83%	10.50%	NA	-0.88%	0.67%
Five-Star	NA	9.63%	9.18%	8.86%	9.10%	8.85%	8.54%	NA	-0.78%	-0.31%
SBFC	NA	9.20%	9.37%	8.67%	8.24%	8.32%	7.62%	NA	-0.88%	-0.70%
Fedfina	NA	9.02%	8.61%	8.36%	7.76%	7.76%	7.74%	NA	-1.26%	-0.02%

Source: RBI, Company, JM Financial

Exhibit 28: Gap between NBFC's CoF over repo rate: Lower delta in Q1FY27 versus Q3FY20, implying further increase in CoF to be expected

Delta- CoF over repo	BAF	TataCap	ABCAP	LTF	HDB	Poonawalla	PFL	CIFC	SHFL	MMFS	Repo (%)
Q3FY20	2.8%	NA	1.9%	3.1%	NA	NA	NA	3.5%	3.9%	3.2%	5.2%
Q4FY20	3.4%	NA	2.7%	3.4%	NA	NA	NA	3.9%	4.9%	4.3%	4.4%
Q1FY21	3.6%	NA	2.8%	4.4%	NA	NA	NA	4.0%	5.6%	4.2%	4.0%
Q2FY21	3.3%	NA	2.5%	4.1%	NA	NA	NA	4.0%	5.5%	3.9%	4.0%
Q3FY21	3.3%	NA	2.2%	3.4%	NA	NA	NA	3.4%	5.3%	3.7%	4.0%
Q4FY21	2.6%	NA	1.9%	3.1%	NA	NA	NA	3.1%	5.0%	3.4%	4.0%
Q1FY22	2.5%	NA	1.7%	3.0%	NA	NA	NA	3.0%	5.4%	3.1%	4.0%
Q2FY22	2.6%	NA	1.5%	2.8%	NA	NA	3.6%	2.9%	5.1%	3.3%	4.0%
Q3FY22	2.5%	NA	1.4%	2.8%	NA	NA	5.7%	2.5%	4.7%	2.7%	4.0%
Q4FY22	2.2%	NA	1.1%	2.6%	NA	6.0%	4.6%	2.3%	4.5%	2.6%	4.0%
Q1FY23	1.2%	NA	0.5%	1.9%	NA	5.0%	2.9%	1.4%	4.0%	1.6%	4.9%
Q2FY23	0.6%	NA	-0.4%	1.0%	NA	4.7%	2.2%	1.1%	2.4%	0.8%	5.9%
Q3FY23	0.5%	NA	0.2%	0.7%	NA	1.3%	2.0%	1.1%	1.8%	0.9%	6.3%
Q4FY23	0.2%	NA	0.9%	0.3%	0.5%	0.6%	1.7%	0.9%	1.8%	0.8%	6.5%
Q1FY24	0.6%	0.8%	1.2%	0.4%	1.1%	1.4%	2.1%	1.3%	2.2%	1.0%	6.5%
Q2FY24	0.7%	1.1%	1.3%	0.5%	1.2%	0.7%	2.2%	1.3%	2.4%	1.1%	6.5%
Q3FY24	0.9%	1.2%	1.6%	0.6%	1.3%	1.1%	2.1%	1.5%	2.2%	1.3%	6.5%
Q4FY24	0.9%	1.1%	1.6%	0.5%	1.3%	1.7%	2.4%	1.5%	2.3%	1.2%	6.5%
Q1FY25	1.0%	2.0%	1.6%	0.4%	1.3%	1.5%	2.4%	1.4%	2.2%	1.2%	6.5%
Q2FY25	1.2%	1.4%	1.6%	0.6%	1.4%	1.5%	2.9%	1.4%	2.2%	1.3%	6.5%
Q3FY25	1.1%	1.3%	1.5%	0.8%	1.3%	1.3%	2.7%	1.6%	2.3%	1.4%	6.5%
Q4FY25	1.1%	1.5%	1.5%	0.9%	1.3%	1.5%	2.6%	1.6%	2.9%	1.5%	6.3%
Q1FY26	1.9%	2.2%	2.2%	1.5%	2.1%	2.2%	3.4%	2.3%	3.6%	2.3%	5.5%
Q2FY26	1.6%	2.0%	1.9%	1.3%	1.8%	2.2%	3.4%	2.1%	3.8%	1.9%	5.5%
Q3FY26	1.9%	2.0%	2.1%	1.6%	2.0%	2.3%	3.7%	2.3%	3.4%	2.2%	5.3%
Q4FY26	1.6%	1.8%	1.9%	1.3%	1.7%	2.2%	3.4%	2.1%	3.2%	1.9%	5.3%
Q1FY27	1.7%	2.0%	2.3%	1.7%	1.7%	2.3%	3.3%	2.2%	3.4%	2.0%	5.3%

Source: RBI, Company, JM Financial

Exhibit 29: Similar trend visible for HFCs, MFIs and MSME/other players in terms of CoFs delta with repo in Q1FY27 versus Q3FY20

Delta- CoF over repo	LICHF	PNB HF	BHFL	Aadhar	Aptus	Aavas	HFFC	Credag	Satin	Fusion	Five-Star	SBFC	Fedfina	Repo (%)
Q3FY20	3.0%	3.1%	2.5%	NA	NA	3.5%	NA	4.6%	6.2%	NA	NA	NA	NA	5.2%
Q4FY20	3.6%	3.6%	3.6%	NA	NA	3.5%	4.3%	4.4%	5.9%	NA	NA	NA	NA	4.4%
Q1FY21	3.9%	4.1%	4.0%	NA	NA	4.1%	4.8%	5.7%	7.5%	NA	NA	NA	NA	4.0%
Q2FY21	3.8%	4.0%	3.7%	NA	NA	3.8%	5.3%	5.8%	7.1%	NA	NA	NA	NA	4.0%
Q3FY21	3.5%	3.6%	3.3%	NA	NA	3.5%	4.3%	5.3%	7.1%	NA	NA	NA	NA	4.0%
Q4FY21	2.7%	3.4%	2.3%	NA	NA	3.2%	3.3%	5.2%	6.8%	NA	NA	NA	NA	4.0%
Q1FY22	2.9%	3.5%	1.9%	3.7%	NA	3.0%	2.9%	5.6%	6.7%	NA	NA	NA	NA	4.0%
Q2FY22	2.8%	3.3%	1.8%	3.8%	NA	2.9%	3.3%	5.2%	6.4%	NA	NA	NA	NA	4.0%
Q3FY22	2.7%	3.3%	1.9%	3.3%	4.6%	3.1%	3.2%	4.9%	6.6%	5.8%	6.4%	NA	NA	4.0%
Q4FY22	2.5%	3.0%	2.0%	3.2%	4.1%	2.5%	2.6%	4.8%	6.6%	5.7%	5.7%	NA	NA	4.0%
Q1FY23	1.6%	2.2%	1.0%	2.1%	2.8%	1.7%	1.8%	4.1%	6.3%	4.7%	5.3%	NA	2.6%	4.9%
Q2FY23	0.9%	1.5%	0.7%	NA	2.1%	0.8%	1.3%	3.1%	4.5%	4.0%	3.8%	NA	1.8%	5.9%
Q3FY23	0.9%	1.4%	1.0%	NA	2.1%	0.5%	0.9%	3.5%	4.8%	3.9%	2.6%	2.6%	1.6%	6.3%
Q4FY23	0.7%	1.1%	0.8%	0.7%	1.8%	0.4%	1.3%	2.8%	4.4%	4.0%	1.8%	2.3%	1.5%	6.5%
Q1FY24	0.9%	1.4%	1.1%	1.6%	2.1%	0.8%	1.7%	2.8%	5.4%	4.0%	2.5%	2.8%	2.4%	6.5%
Q2FY24	1.1%	1.5%	1.1%	NA	2.6%	0.9%	1.7%	3.4%	6.0%	3.9%	2.8%	2.9%	2.0%	6.5%
Q3FY24	1.1%	1.6%	1.0%	NA	2.3%	1.1%	1.8%	3.1%	6.8%	3.9%	3.2%	2.8%	2.2%	6.5%
Q4FY24	1.0%	1.4%	1.1%	1.2%	2.4%	0.9%	1.7%	2.9%	6.5%	3.8%	2.6%	2.7%	2.1%	6.5%
Q1FY25	1.0%	1.4%	1.4%	1.4%	2.5%	1.0%	1.8%	3.2%	6.0%	3.6%	3.2%	2.9%	2.8%	6.5%
Q2FY25	1.1%	1.4%	1.8%	1.5%	2.3%	1.4%	1.9%	3.3%	6.0%	3.7%	3.1%	3.0%	2.5%	6.5%
Q3FY25	1.1%	1.4%	1.4%	1.5%	2.6%	1.5%	2.0%	3.2%	5.7%	4.2%	3.1%	2.7%	2.5%	6.5%
Q4FY25	1.2%	1.5%	1.5%	1.8%	2.8%	1.5%	1.9%	3.2%	5.7%	4.2%	2.9%	3.1%	2.4%	6.3%
Q1FY26	2.0%	2.3%	2.1%	2.5%	3.7%	2.2%	2.8%	4.0%	6.4%	4.7%	4.0%	3.6%	3.0%	5.5%
Q2FY26	1.9%	2.3%	1.8%	2.4%	3.7%	2.2%	2.9%	4.0%	6.0%	5.0%	3.4%	3.2%	2.9%	5.5%
Q3FY26	2.0%	2.3%	1.9%	2.7%	3.5%	2.2%	2.7%	3.8%	5.8%	4.5%	3.8%	3.0%	2.5%	5.3%
Q4FY26	1.7%	2.0%	1.7%	2.3%	3.1%	1.9%	2.4%	3.4%	5.8%	4.6%	3.6%	3.1%	2.5%	5.3%
Q1FY27	1.9%	2.1%	1.8%	2.5%	3.2%	2.1%	2.5%	3.8%	5.8%	5.3%	3.3%	2.4%	2.5%	5.3%

Source: RBI, Company, JM Financial

Most large issuers face a NCD refinancing risk in FY27/28

- NCD forms ~2%-48% of the borrowing mix for NBFC/HFCs under our coverage (**Exhibit 20**). **Our analysis of maturity patten year wise of these NCDs suggest ~25% of NCDs (on weighted average basis) will come for repricing in remaining 9M27/FY28. For few players, it could be as high as ~60% (Exhibit 30).**
- **Company wise**, NCDs maturing as % of total NCDs varies from nil (Aptus, HFFC) to ~45–60% for some names (Tata Cap ~45%, HDB ~43%, SBFC 60%, Fusion ~51%), with most large diversified and housing names in a ~20–40% range.
- **Few names would refinance cheaper, mostly tied to rating upgrades:** Shriram Finance (+89bps, upgraded to AAA in Q1FY27), Piramal Finance (+7bps, upgraded to AA+ in Jan'26), and PNB Housing Finance (+10bps, upgraded to AAA in Q3FY26) – all benefit from recent rating actions that moved them onto a lower-yielding curve (**Exhibit 24, Exhibit 31**).

Exhibit 30: For various NBFCs, ~10–60% of Q1FY27 outstanding NCDs would mature in remaining FY27/FY28.

Company Name	Maturing NCDs (INR bn)		Maturing NCDs (as % of total o/s NCD - Q127)			Maturing NCD (as % of total o/s borrowings - Q127)			Coupon rate for maturing NCD		
	9MFY27	FY28	9MFY27	FY28	9MFY27+FY28	9MFY27	FY28	9MFY27+FY28	9MFY27	FY28	9MFY27+FY28
Bajaj Finance	68	209	3.4%	10.5%	13.9%	1.4%	4.5%	5.9%	7.9%	7.8%	7.8%
Bajaj Finance (Stand)	32	119	2.3%	8.5%	10.8%	0.7%	2.5%	3.2%	8.0%	7.8%	7.9%
L&T Finance	25	60	9.2%	21.8%	30.9%	2.2%	5.2%	7.4%	8.2%	7.7%	7.9%
Aditya Birla Capital	21	65	4.4%	13.4%	17.8%	1.5%	4.5%	6.0%	7.7%	7.9%	7.9%
HDB Financial	34	113	9.9%	33.1%	43.0%	3.3%	11.1%	14.4%	7.2%	8.0%	7.8%
Tata Cap	69	225	10.7%	34.5%	45.2%	2.9%	9.2%	12.1%	8.1%	7.8%	7.9%
Poonawalla	26	50	14.2%	27.5%	41.7%	5.2%	10.0%	15.2%	7.6%	7.6%	7.6%
Piramal Finance	18	68	5.6%	21.1%	26.6%	2.2%	8.3%	10.5%	8.6%	8.9%	8.9%
Shriram Finance	28	48	8.5%	14.3%	22.8%	1.2%	2.0%	3.3%	9.0%	9.0%	9.0%
M&M Finance	31	81	11.0%	29.0%	40.0%	2.4%	6.5%	8.9%	8.5%	8.0%	8.2%
Cholamandalam	55	92	11.5%	19.3%	30.9%	2.5%	4.2%	6.7%	7.9%	8.1%	8.1%
LIC Housing Finance	83	240	6.6%	19.3%	26.0%	3.0%	8.7%	11.6%	7.1%	7.7%	7.5%
PNB HF	4	10	4.4%	12.2%	16.6%	0.5%	1.3%	1.8%	8.3%	8.2%	8.2%
Bajaj HF	35	90	5.9%	15.2%	21.2%	3.2%	8.2%	11.3%	7.8%	7.7%	7.7%
Aadhar Housing	1	8	2.9%	35.1%	37.9%	0.3%	4.0%	4.3%	9.8%	8.4%	8.5%
Aptus Value	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	NM	NM
Aavas Financiers	1	4	4.4%	19.6%	24.0%	0.6%	2.8%	3.4%	7.8%	8.6%	8.5%
Home First Finance	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NM	NM	NM
CreditAccess Grameen	2	1	18.8%	4.8%	23.5%	1.0%	0.2%	1.2%	10.2%	9.9%	10.1%
Satin Creditcare	3	4	18.3%	29.6%	47.9%	1.6%	2.5%	4.1%	12.1%	10.9%	11.4%
Fusion Finance	1	2	14.0%	37.4%	51.4%	1.3%	3.4%	4.7%	11.5%	10.9%	11.1%
Five-Star	2	-	29.1%	0.0%	29.1%	2.5%	0.0%	2.5%	9.3%	NM	9.3%
SBFC	-	6	0.0%	60.0%	60.0%	0.0%	6.8%	6.8%	NM	8.6%	8.6%
Fedbank Financial	-	3	0.0%	31.5%	31.5%	0.0%	1.9%	1.9%	NM	9.5%	9.5%

Source: Bloomberg Finance LP, Company, JM Financial

Exhibit 31: Coupon rate for maturing NCD of most of the NBFCs lower than the current yield for respective NBFC AAA/AA yields

Company name	Credit Rating (CRISIL/CARE)	Coupon rate for maturing NCDs in remaining FY27 + FY28	Current 3Y NBFC yield for respective rating	Delta (coupon rate over current yield)
Bajaj Finance	AAA	7.86%	8.11%	(31)
Bajaj Finance (Stand)	AAA	7.89%	8.11%	(22)
L&T Finance	AAA	7.86%	8.11%	(25)
Aditya Birla Capital	AAA	7.86%	8.11%	(25)
HDB Financial	AAA	7.84%	8.11%	(27)
Tata Cap	AAA	7.88%	8.11%	(23)
Poonawalla	AAA	7.63%	8.11%	(48)
Piramal Finance	AA+	8.88%	8.81%	7
Shriram Finance	AAA	9.00%	8.11%	89
M&M Finance	AAA	8.17%	8.11%	6
Cholamandalam	AA+	8.06%	8.81%	(75)
LIC Housing Finance	AAA	7.54%	8.11%	(57)
PNB HF	AAA	8.21%	8.11%	10
Bajaj HF	AAA	7.69%	8.11%	(42)
Aadhar Housing	AA+	8.50%	8.81%	(31)
Aptus Value	AA	NM	8.81%	NM
Aavas Financiers	AA	8.48%	8.81%	(33)
Home First Finance	AA	NM	8.81%	NM
CreditAccess Grameen	AA-	10.11%	8.81%	130
Satin Creditcare	A	11.35%	10.49%	86
Fusion Finance	A	11.10%	10.49%	61
Five-Star	AA-	9.30%	8.81%	49
SBFC	AA-	8.61%	8.81%	(20)
Fedbank Financial	AA+	9.47%	8.81%	66

Source: Bloomberg Finance L.P., Company, JM Financial; Priced as of 17th Sep 2026

- **NCD Issuance rates have been inching up in recent months:** NCD and CP issuance yields have been moving in opposite directions over the past few months. NCD issuance yields have been inching up across certain issuers while CP yields over the past few months have eased instead (Exhibit 32:33).

Exhibit 32: CP yields moderated in recent months

Company	Issuance Date	Maturity Date	Issue Size (INR bn)	Tenor (days)	Yield (%)
BAF	21-Aug-26	19-Nov-26	7.0	90	7.10
	31-Aug-26	04-Dec-26	20.0	95	7.00
	07-Sep-26	07-Dec-26	4.0	91	6.60
	05-Jun-26	04-Jun-27	5.3	364	8.05
	24-Aug-26	24-Aug-27	0.5	365	7.42
MMFS	10-Jun-26	07-Dec-26	4.0	180	7.60
	24-Jul-26	25-Jan-27	1.4	185	7.40
	05-Aug-26	25-Feb-27	10.0	204	7.27
PNB HF	17-Jul-26	14-Oct-26	2.0	89	7.10
	06-Aug-26	05-Nov-26	9.0	91	6.87
	04-Sep-26	04-Dec-26	7.5	91	6.54
	08-Sep-26	08-Dec-26	8.0	91	6.35
BHFL	22-Jul-26	21-Oct-26	5.0	91	6.95
	28-Aug-26	26-Nov-26	3.0	90	6.54
	04-Sep-26	02-Dec-26	2.5	89	5.83
LTF	29-Jul-26	28-Oct-26	12.8	91	7.22
	06-Aug-26	05-Nov-26	16.0	91	6.99
	03-Sep-26	02-Dec-26	5.0	90	6.87
	18-Jun-26	17-Jun-27	2.3	364	7.65
	14-Aug-26	12-Aug-27	0.5	363	7.51
ABCAP	30-Jun-26	25-Sep-26	4.0	87	7.02
	11-Aug-26	09-Nov-26	7.5	90	6.94
	02-Sep-26	01-Dec-26	3.0	90	6.88

Source: Company, JM Financial, CCIL

Exhibit 33: NBFCs raise NCDs at higher rates over past few months

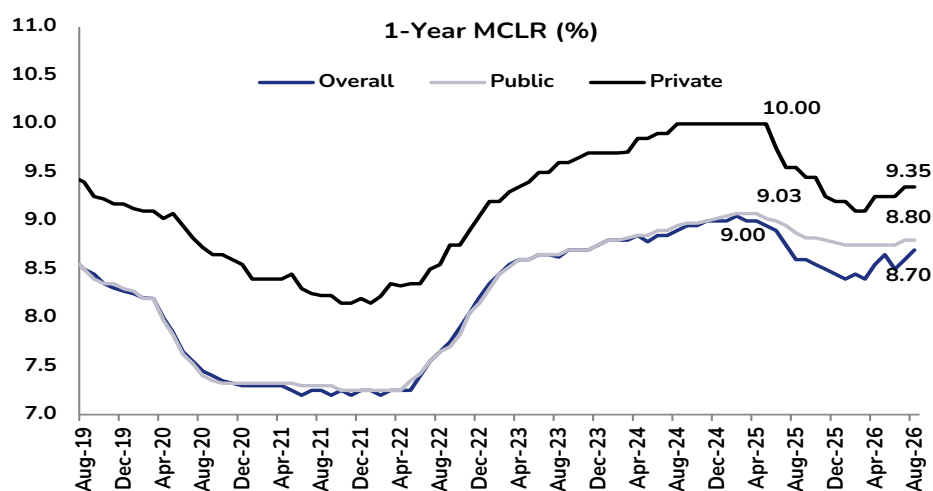
Company	Date	Issue Size (INR bn)	Tenor (years)	Yield (%)
BAF	20-Feb-26	5.0	3	7.40
	17-Apr-26	40.7	3	7.77
	20-May-26	30.0	10	8.08
	06-Jul-26	18.1	10	7.79
	27-Aug-26	50.0	10	8.15
ABCAP	30-Mar-26	9.8	5	7.72
	13-Aug-26	3.5	5	7.98
HDB	22-Apr-26	7.6	3	7.75
	02-Jul-26	10.0	3	7.90
MMFS	19-May-26	22.0	3	7.34
	18-Jun-26	9.4	3	7.90
Tata Cap	21-May-26	29.5	3	7.34
	11-Jun-26	30.3	3	8.15
PNB HF	30-Mar-26	3.0	3	7.10
	09-Jul-26	5.0	3	7.83

Source: Bloomberg L.P., Company, JM Financial

MCLR: transmission over, reversal underway with a lag

- **MCLR clearly bottomed but is now rising again.** Overall, 1Y MCLR peaked at ~9.1% in Q4FY25 (Jan–Mar'25, just after repo cuts began), then declined steadily through 2025 to a trough of 8.4% in Jan–Mar'26. Since then, it has moved up in five of the last six months to 8.7% by Aug'26, a ~30bps rise from the trough. Private banks' MCLR shows a similar pattern (9.1% trough to 9.35%, +25bps), while public banks have moved up more slowly and by a smaller amount (8.75% to 8.8%, +5bps), consistent with public banks' MCLR typically being stickier in both directions (**Exhibit 34**).
- **This turn in MCLR would show up in NBFCs' actual borrowing costs only with a lag,** since MCLR-linked loans reprice on their reset anniversary, not immediately. A 1Y MCLR-linked loan taken by an NBFC anytime through the trough window (roughly Oct'25 to Mar'26, when MCLR sat at its lowest) would keep paying that locked-in low rate until its next annual reset, only then picking up the 25–30bps rise already visible in the benchmark. That means a meaningful part of the MCLR increase already in the system is still working its way into NBFCs' cost of bank borrowings and has not fully shown up yet.

Exhibit 34: MCLR has been inching up for banks in recent months



Source: RBI, JM Financial

Diversified NBFCs

Rate hike RoA impact broadly negative

- **The RoA impact splits this cohort with only two clear yet marginal winners.** Under a 50bps repo hike, ABCAP (+3bps RoA) and Piramal (+2bps) benefit, while BAF (-4bps), Tata Cap (-5bps), Poonawalla (-13bps), HDBF (-13bps), and LTF (-16bps, the sharpest hit) all see negative RoA impact (**Exhibit 36, 38**).
- **The two winners have loan books skewed heavily floating.** ABCAP (70% floating) and Piramal (72% floating) (**Exhibit 35**) both see lending yields reprice up quickly enough on a hike to outpace the rise in their borrowing costs, delivering a net positive spread.
- **Names having adverse impact can be split into two distinct patterns.** LTF, HDBF and Poonawalla show the classic mismatch as only ~24–27% of their loan books are floating rate, so a hike barely lifts yields while a more floating-heavy borrowing base (bank loans, EBLR/MCLR-linked) pushes costs up faster. **Tata Cap** carries a meaningfully floating loan book (68%), yet its borrowing-cost sensitivity (42bps) still outweighs the yield benefit (34bps), driven by a sizeable floating-rate borrowing base combined with a large share of its NCDs coming up for repricing in FY28, adding further pressure on the funding side. Though, the net RoA hit for Tata Cap is one of the smallest amongst the peers. **BAF sees a modestly negative outcome (-4bps on RoA)**, as its borrowing-cost impact (31bps) runs slightly ahead of its yield benefit (24bps) on a ~47% floating loan book, though it carries the smallest impact in the cohort.
- **NCD refinancing risk for FY28 looks like a meaningful and broadly unfavourable factor for this cohort.** Maturing NCDs range from ~4% of total borrowings for BAF to ~11% for HDBF. Most of the group would refinance at higher rates—Poonawalla (+49bps, the steepest step-up), LTF (+39bps), BAF (+34bps), Tata Cap (+29bps), ABCAP (+20bps), and HDBF (+7bps) would all see a cost increase, while Piramal (-13bps) is the sole name that would refinance cheaper, also aided by its recent ratings upgrade to AA+ (**Exhibit 24**).
- **Put together, this cohort's dispersion means broad generalisations do not hold well here.** A name with a favourable loan mix (Tata Cap) could still land in negative territory once borrowing costs and NCD repricing are layered in, while the two marginal winners (ABCAP, Piramal) owe their position to loan mix alone rather than any funding-side advantage, underscoring that company-specific balance sheet structure, **not a shared "diversified financier" trait**, is what ultimately drives the outcome here.

Exhibit 35: The winners (ABCAP and Piramal) have loan books that are much more floating than their borrowings

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	BAF	BAF (std)	LTF	ABCAP	HDBF	Tata Cap	Poonawalla	Piramal
Fixed rate book	53%	69%	73%	30%	76%	32%	73%	28%
Floating rate book	47%	31%	27%	70%	24%	68%	27%	72%

Factoring 50bps hike in repo

Fixed rate book	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Floating rate book	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Positive impact on yield (A)	0.24%	0.15%	0.13%	0.35%	0.12%	0.34%	0.14%	0.36%
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Source: Company, JM Financial

Note: Fixed/Floating mix data on basis of available data as per latest presentations, transcripts and annual reports for ABCAP, LTF, HDB and Poonawalla. Assumptions made in case of BAF, BAF (std), TataCap and Piramal on best effort basis

Exhibit 36: Negative impact on FY28 CoFs would be in the range of 28–39bps, against a repo rate hike of ~50bps

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	BAF	BAF (std)	LTF	ABCAP	HDBF	Tata Cap	Poonawalla	Piramal
Term loans	29%	25%	62%	41%	46%	55%	58%	42%
NCD	36%	48%	22%	35%	29%	33%	31%	31%
<i>Out of which maturing in FY28</i>	11%	9%	22%	13%	33%	35%	27%	21%
CPs	12%	0%	5%	7%	2%	8%	4%	1%
Deposits	15%	20%	0%	0%	0%	0%	0%	0%
Securitization/Assignments	2%	0%	0%	0%	4%	0%	0%	7%
Others	6%	7%	11%	17%	19%	4%	7%	19%

Coupon rate on maturing NCDs in FY28	7.8%	7.8%	7.7%	7.9%	8.0%	7.8%	7.6%	8.9%
Difference between current yield and coupon rate	0.3%	0.3%	0.4%	0.2%	0.1%	0.3%	0.5%	-0.1%

Factoring 50bps hike in repo

Term loans	0.5%	0.5%	0.4%	0.3%	0.4%	0.5%	0.4%	0.4%
<i>Fixed</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>MCLR</i>	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
<i>Repo</i>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
<i>Other EBLR (T-bill/G Sec)</i>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
NCD	0.8%	0.8%	0.9%	0.7%	0.6%	0.8%	1.0%	0.4%
CPs	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Deposits	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Securitization/Assignments	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Others	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Negative impact on cost of borrowings (B)	0.31%	0.25%	0.39%	0.28%	0.33%	0.42%	0.36%	0.33%
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Net impact on loan spreads (C = A - B)	-0.07%	-0.09%	-0.26%	0.05%	-0.21%	-0.09%	-0.22%	0.03%
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Leverage	4.8	4.3	5.2	5.6	6.0	6.2	5.4	3.9
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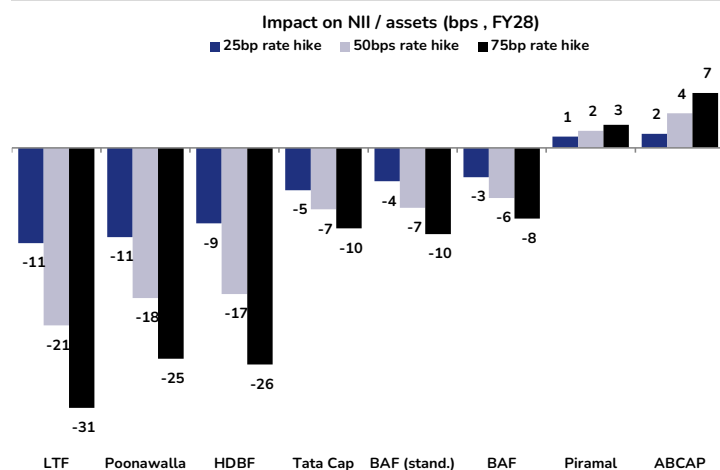
Net impact on NII / assets (D)	-0.06%	-0.07%	-0.21%	0.04%	-0.17%	-0.07%	-0.18%	0.02%
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Net RoA impact (E = D * (1-tax))	-0.04%	-0.05%	-0.16%	0.03%	-0.13%	-0.05%	-0.13%	0.02%
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Source: Bloomberg L.P., Company, JM Financial

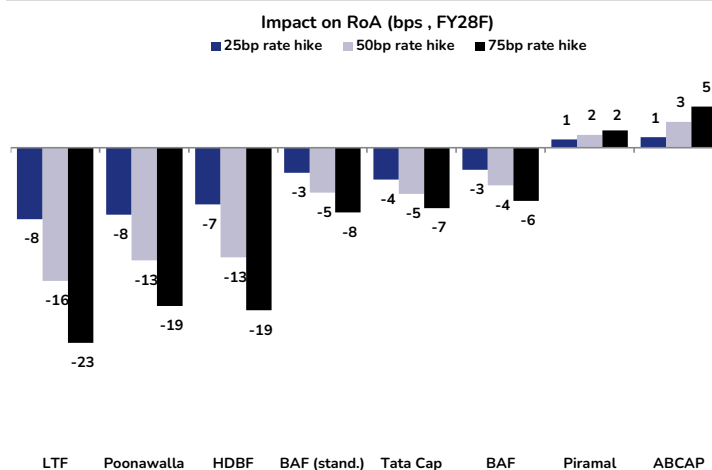
Note: Priced as of 17th Sep 2026 *for LTF and Piramal, for TLs we have its breakup into fixed, MCLR, T-bill/repo etc. similar as for overall banking system. For others the mix of TLs have been considered based on disclosures wherever available.

Exhibit 37: ABCAP and PFL are the only beneficiaries...



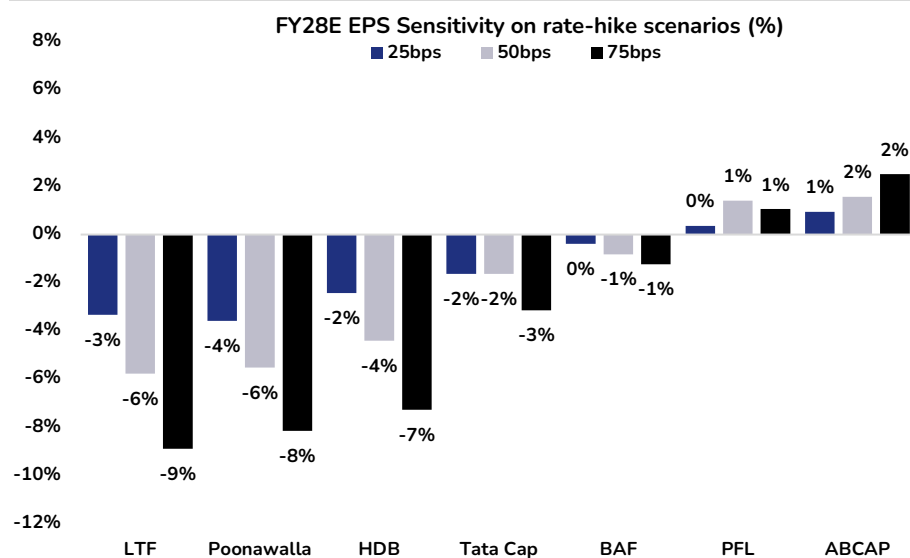
Source: Company, JM Financial

Exhibit 38: ... in terms of NII and RoA among diversified players



Source: Company, JM Financial

Exhibit 39: FY28E EPS sensitivity to different rate hike scenarios



Source: Company, JM Financial

Why rising rates hit vehicle financiers hard?

- **All three vehicle NBFCs show a net negative RoA impact from a potential 50bps rate hike, with MMFS taking the largest hit.** MMFS is hit hardest (-19bps RoA), followed by SHFL (-12bps), with CIFC seeing the smallest hit (-11bps) (**Exhibit 41, 43**).
- **The reason is structural – vehicle loans are largely fixed-rate, so a hike barely moves lending yields.** SHFL and MMFS carry ~87–94% fixed-rate loan books, so a 50bps hike lifts their yields by just 3–7bps (**Exhibit 40**). Meanwhile, their borrowings carry a meaningful floating/faster-repricing component, pushing up borrowing costs by ~27–33bps (**Exhibit 41**), a clear mismatch that opens a 20–30bps negative spread for both.
- **MMFS stands out as the most exposed name in the cohort, for two compounding reasons.** Its loan book is now having just 6% floating rate, among the lowest of any name we've assessed, leaving it with almost no yield offset from a hike. At the same time, MMFS carries the second-highest leverage in this group (6x), which amplifies its already-wide spread compression (-30bps) into the sharpest RoA impact in the cohort (**Exhibit 41, 43**).
- **CIFC is the least hurt because more of its loan book is floating.** CIFC carries ~38% floating-rate loans versus just 6–13% for SHFL/MMFS (**Exhibit 40**), reflecting a broader book beyond pure vehicle finance. That gives it an ~19bps yield uplift from a hike, partly offsetting a 35bps rise in cost of borrowings. Even with the highest leverage in the cohort (8x), CIFC's smaller underlying spread compression (-16bps) keeps its RoA hit the smallest of the three.
- **NCD refinancing for FY28 is a real, and in one case sizeable, factor.** NCDs maturing over FY28 amount to ~14% (Shriram), ~29% (MMFS), and ~19% (CIFC) of each company's outstanding NCD book, translating to ~2%, ~6%, and ~4% of total borrowings, respectively—a more meaningful slice for MMFS in particular vis-à-vis the others.
- **The direction on refinancing splits this cohort further.** Shriram would refinance its maturing NCDs meaningfully cheaper, with coupons running about ~90bps above current 3Y AAA NBFC yields driven by the recent rating upgrade in Q1FY27 (**Exhibit 24**). CIFC faces the opposite and steepest impact, its maturing NCDs carry coupons roughly ~70bps below the current 3Y yield for its AA+ rating, a sizeable step-up in refinancing cost.
- **Overall, vehicle financiers remain a broadly negative cohort under a rate-hike scenario, but the drivers differ by name.** MMFS is exposed on both counts, a near-zero yield offset and the largest NCD refinancing cost step-up in relative terms; CIFC's RoA hit is comparatively smaller, but its NCD book carries the steepest single refinancing cost increase in the group; SHFL sits in between on RoA, but is the one name that would actually benefit from refinancing its maturing NCDs.

Exhibit 40: Vehicle financiers are one of the worst placed among NBFCs due to the higher share of fixed rate assets

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	SHFL	MMFS	CIFC
Fixed rate book	87%	94%	62%
Floating rate book	13%	6%	38%
Factoring 50bps hike in repo			
Fixed rate book	0.0%	0.0%	0.0%
Floating rate book	0.5%	0.5%	0.5%
Positive impact on yield (A)	0.07%	0.03%	0.19%

Source: Company, JM Financial

Note: Fixed/Floating mix data based on assumptions made in case of vehicle financiers based on fixed/floating classification of individual product segments

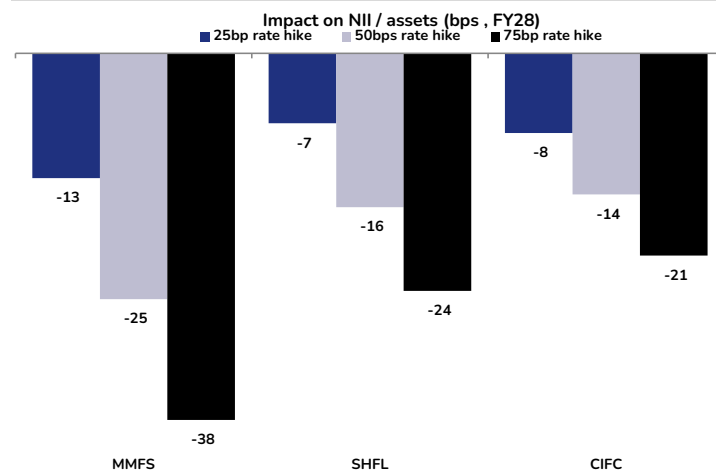
Exhibit 41: Negative impact on FY28 CoFs would be in the range of 27–35bps, against a repo rate hike of ~50bps

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	SHFL	MMFS	CIFC
Term loans	19%	51%	44%
NCD	14%	22%	16%
<i>Out of which maturing in FY28</i>	14%	29%	19%
CPs	0%	3%	5%
Deposits	31%	11%	0%
Securitization/Assignments	14%	9%	15%
Others	21%	4%	20%
Coupon rate on maturing NCDs in FY28	9.0%	8.0%	8.1%
Difference between current yield and coupon rate	-0.9%	0.1%	0.7%
Factoring 50bps hike in repo			
Term loans	0.3%	0.4%	0.4%
<i>Fixed</i>	0.0%	0.0%	0.0%
<i>MCLR</i>	0.3%	0.3%	0.3%
<i>Repo</i>	0.5%	0.5%	0.5%
<i>Other EBLR (T-bill/G Sec)</i>	0.5%	0.5%	0.5%
NCD	-0.4%	0.6%	1.2%
CPs	0.5%	0.5%	0.5%
Deposits	0.5%	0.5%	0.5%
Securitization/Assignments	0.5%	0.5%	0.5%
Others	0.5%	0.5%	0.5%
Negative impact on cost of borrowings (B)	0.27%	0.33%	0.35%
Net impact on loan spreads (C = A - B)	-0.21%	-0.30%	-0.16%
Leverage	4.3	6.0	8.0
Net impact on NII / assets (D)	-0.16%	-0.25%	-0.14%
Net RoA impact (E = D * (1-tax))	-0.12%	-0.19%	-0.11%

Source: Bloomberg L.P., Company, JM Financial

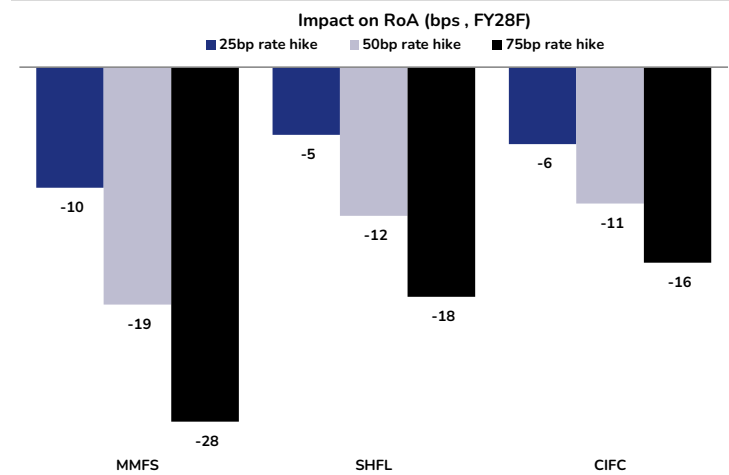
Note: Priced as of 17th Sep 2026 *for MMFS, we have its breakup into fixed, MCLR, T-bill/repo etc. similar as for overall banking system. For others the mix of TLs have been considered based on disclosures wherever available.

Exhibit 42: MMFS is the most impacted vehicle financier...



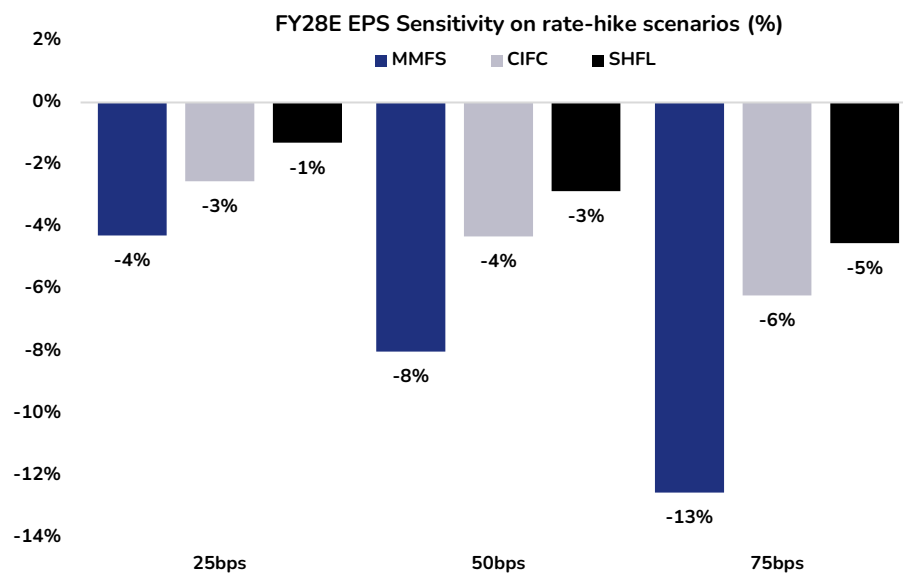
Source: Company, JM Financial

Exhibit 43: ...driven by the high share of fixed rate book



Source: Company, JM Financial

Exhibit 44: FY28E EPS sensitivity to different rate hike scenarios



Source: Company, JM Financial

Rate hike sensitivity: Housing financiers to gain

- **Housing financiers stand out as the one cohort where a hike would be a net RoA positive for most names.** Five of seven screen positive under a 50bps hike – LIC HF (+10bps), PNB HF (+9bps), BHFL (+8bps), HFFC (+3bps), and Aadhar (+2bps) on their FY28 RoA (**Exhibit 46, 48**).
- **This flows directly from the asset side, housing loans are overwhelmingly floating rate.** PNB HF and HFFC carry 100% floating-rate loan books, LIC HF 99%, BHFL 90%, and Aadhar 73%, so a 50bps hike lifts their yields by ~37–50bps, the strongest yield tailwind of any NBFC cohort assessed (**Exhibit 45**).
- Hence, even though borrowing costs also rise (~30–44bps across the cohort, largely MCLR/repo/EBLR-linked bank loans and NCDs), the faster-repricing loan book lets the yield benefit outrun it for most names (**Exhibit 46**).
- **Aptus looks the clear exception**, and for exactly the reason flagged, its loan book is only 18% floating (82% fixed), among the most fixed-rate-heavy in the entire coverage. A hike lifts its yield by just 9bps (**Exhibit 45**), swamped by a 29bps rise in borrowing costs, leaving a -20bps spread and a -9bps RoA hit, the only clearly negative name in this cohort (**Exhibit 46**).
- **NCD refinancing for FY28 is a real factor for a few names, though it does not overturn the broader picture.** Maturing NCDs range from nil (Aptus, HFFC) to about 35% of the NCD book for Aadhar, translating to as much as ~9% of total borrowings for LIC HF, the largest maturity wall in the cohort. Within that, LIC HF (+42bps), BHFL (+44bps), Aadhar (+42bps), and Aavas (+17bps) would all refinance at somewhat higher cost, while PNB HF (-8bps) is the one name that would refinance cheaper.
- Put together, **housing financiers remain structurally best-placed for a rising-rate scenario** among the cohorts assessed, the mirror image of fixed-rate-heavy segments like vehicle financing. The exceptions within the sector stay company-specific rather than structural: Aptus's fixed-rate book, and Aavas's combination of SME tilt and heavy securitisation reliance, not the housing-finance model itself.

Exhibit 45: Housing financiers are best placed among NBFCs due to the higher share of floating rate assets

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	LIC HF	PNB HF	BHFL	Aadhar	Aptus	Aavas	HFFC
Fixed rate book	1%	0%	10%	27%	82%	29%	0%
Floating rate book	99%	100%	90%	73%	18%	71%	100%
Factoring 50bps hike in repo							
Fixed rate book	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Floating rate book	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Positive impact on yield (A)	0.50%	0.50%	0.45%	0.37%	0.09%	0.36%	0.50%

Source: Company, JM Financial

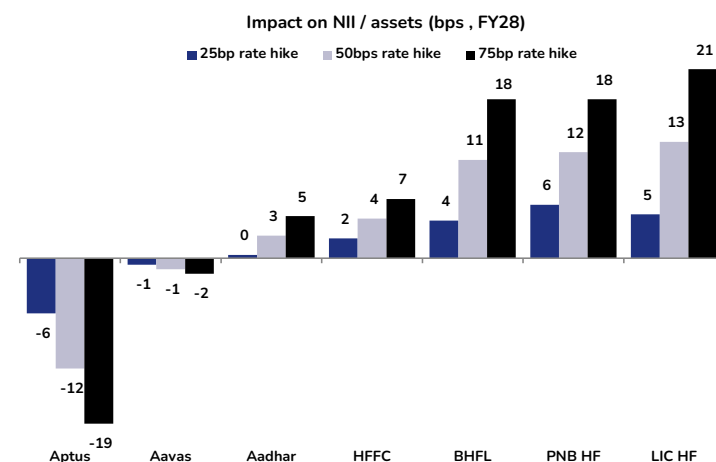
Note: Fixed/Floating mix data on basis of available data as per latest presentations, transcripts and annual reports for LIC HF, BHFL, Aadhar, Aptus and Aavas. Assumptions made in case of PNB HF, HFFC based on classification of individual products as fixed/floating

Exhibit 46: Negative impact on FY28 CoFs would be in the range of 29–44bps, against a repo rate hike of ~50bps

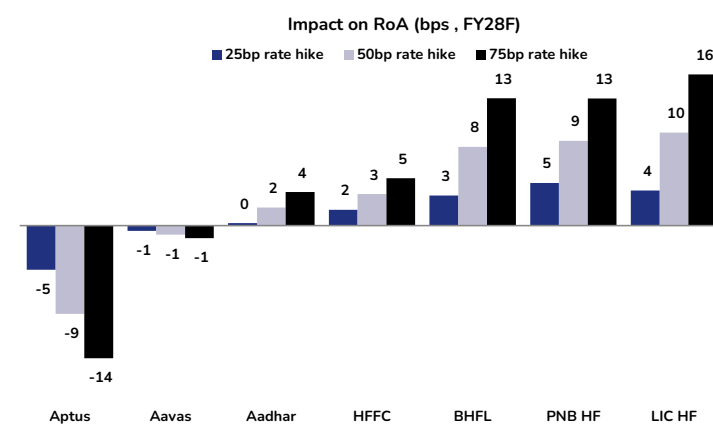
Impact on FY28F RoA from rate hike of 50bps at end of FY27F	LIC HF	PNB HF	BHFL	Aadhar	Aptus	Aavas	HFFC
Term loans	45%	54%	48%	73%	68%	64%	72%
NCD	46%	10%	47%	17%	14%	9%	2%
<i>Out of which maturing in FY28</i>	19%	12%	15%	35%	0%	20%	0%
CPs	5%	5%	5%	0%	0%	0%	0%
Deposits	4%	24%	0%	0%	0%	0%	0%
Securitization/Assignments	0%	0%	0%	0%	18%	27%	17%
Others	0%	7%	0%	10%	0%	0%	10%
Coupon rate on maturing NCDs in FY28	7.7%	8.2%	7.7%	8.4%	NM	8.6%	NM
Difference between current yield and coupon rate	0.4%	-0.1%	0.4%	0.4%	NM	0.2%	NM
Factoring 50bps hike in repo							
Term loans	0.5%	0.4%	0.5%	0.3%	0.4%	0.4%	0.4%
<i>Fixed</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>MCLR</i>	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
<i>Repo</i>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
<i>Other EBLR (T-bill/G Sec)</i>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
NCD	0.9%	0.4%	0.9%	0.9%	0.0%	0.7%	0.0%
CPs	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Deposits	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Securitization/Assignments	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Others	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Negative impact on cost of borrowings (B)	0.34%	0.35%	0.32%	0.33%	0.29%	0.37%	0.44%
Net impact on loan spreads (C = A - B)	0.15%	0.15%	0.13%	0.04%	-0.20%	-0.02%	0.06%
Leverage	7.7	4.8	5.7	3.6	2.6	4.2	3.5
Net impact on NII / assets (D)	0.13%	0.12%	0.11%	0.03%	-0.12%	-0.01%	0.04%
Net RoA impact (E = D * (1-tax))	0.10%	0.09%	0.08%	0.02%	-0.09%	-0.01%	0.03%

Source: Bloomberg L.P., Company, JM Financial

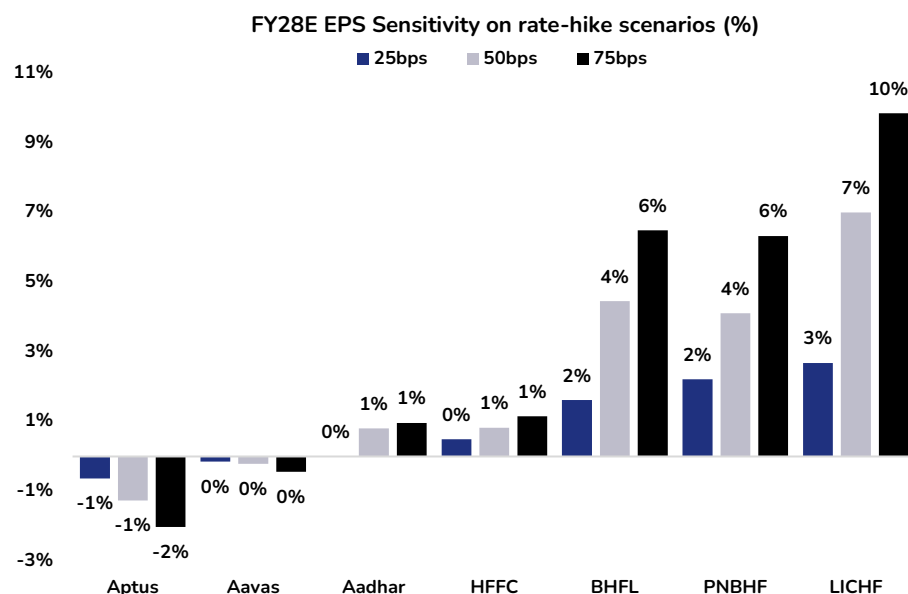
Note: Priced as of 17th Sep 2026 *For HFCs the mix of TLs have been considered based on transcript disclosures

Exhibit 47: Most HFCs (ex- Aavas/Aptus) are expected to see positive...

Source: Company, JM Financial

Exhibit 48: ...near-term benefits in a potential rate hike cycle

Source: Company, JM Financial

Exhibit 49: FY28E EPS sensitivity to different rate hike scenarios

Source: Company, JM Financial

MFIs' RoA sensitivity to rate hike: Highest

- **All three MFI names show a negative RoA impact from a 50bps hike, confirming sector-wide vulnerability.** Fusion is hit hardest (-20bps), followed closely by CREDAG (-18bps), with Satin the least negative of the three (-14bps) (**Exhibit 51, 53**).
- **The root cause is a structural mismatch – fixed-rate lending funded by fast-repricing, bank-loan-heavy borrowings.** CREDAG's loan book is entirely fixed rate (100%), while Satin and Fusion carry 84–90% fixed-rate books, so a hike lifts yields by just 0–8bps across the cohort, the **smallest tailwind of any group (Exhibit 50)**. Their borrowings, though, lean heavily on floating-linked term loans (53–97% of borrowings), pushing borrowing costs up 30–40bps, far outpacing any yield offset (**Exhibit 51**).
- **CREDAG is the standout on the loan side, and it works against them here.** With zero floating-rate loans, CREDAG gets no yield uplift at all from a hike, so its full 31bps rise in borrowing costs flows straight through as a negative spread, landing a -18bps RoA hit despite carrying the lowest leverage (4.3x) among the three.
- **Fusion remains the most exposed single name in the group.** 97% of its borrowings sit in term loans, so its cost of borrowings alone rises ~42bps on a 50bps hike, the widest borrowing-cost increase of the three (**Exhibit 51**). Combined with a thin 5bps yield cushion, its net spread compresses by 37bps, translating into the sharpest RoA impact in the cohort.
- **All three MFI names are actually well placed on NCD refinancing, though the amounts involved are too small to matter.** CREDAG's maturing NCDs carry a coupon roughly 114bps above its current AA- yield, Satin's about 43bps above, and Fusion's about 46bps above, all pointing to cheaper refinancing. But maturing NCDs are just 0.2% (CREDAG), 2.5% (Satin), and 3.4% (Fusion) of total borrowings, far too small a slice to offset the much larger drag coming from the floating, bank-loan-heavy portion of their borrowing books.
- **The heavy reliance on term loans (53–97% of borrowings, well above other NBFCs) reflects MFIs' relatively limited access to capital markets given their smaller scale next to frontline NBFCs (Exhibit 20), and it cuts both ways:** this same bank-loan dependence would have helped the cohort capture more of a rate-cut benefit on the way down, but leaves it correspondingly exposed on the way up.
- **Overall, MFI financiers look like the most exposed cohort to a rising-rate scenario.** Fixed-rate lending paired with fast-repricing, bank-loan-heavy borrowing produces the widest negative spread and RoA impact of any NBFC group, with Fusion the most vulnerable individual name, CREDAG a close second largely because its loan book carries zero floating-rate cushion, and Satin comparatively the least exposed of the three, though still clearly negative.

Exhibit 50: MFI players are worst placed among NBFCs due to the higher share of fixed rate assets

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	CREDAG	Satin	Fusion
Fixed rate book	100%	84%	90%
Floating rate book	0%	16%	10%
Factoring 50bps hike in repo			
Fixed rate book	0.0%	0.0%	0.0%
Floating rate book	0.5%	0.5%	0.5%
Positive impact on yield (A)	0.00%	0.08%	0.05%

Source: Company, JM Financial

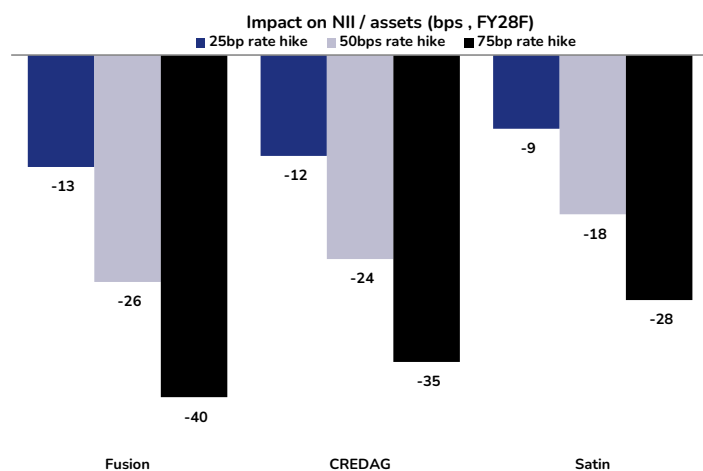
Note: Fixed/Floating mix data on basis of assumptions made in case of MFI players based on classification of individual products as fixed/floating

Exhibit 51: Negative impact on FY28 CoFs would be in the range of 30–40bps, against a repo hike of ~50bps driven by higher share of term loans

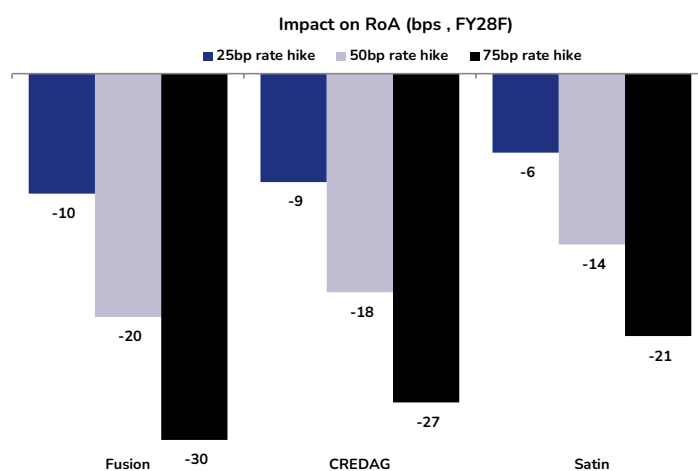
Impact on FY28F RoA from rate hike of 50bps at end of FY27F	CREDAG	Satin	Fusion
Term loans	67%	53%	97%
NCD	5%	13%	3%
<i>Out of which maturing in FY28</i>	5%	30%	37%
CPs	0%	0%	0%
Deposits	0%	0%	0%
Securitization/Assignments	6%	21%	0%
Others	22%	12%	0%
Coupon rate on maturing NCDs in FY28	9.9%	10.9%	10.9%
Difference between current yield and coupon rate	-1.1%	-0.4%	-0.5%
Factoring 50bps hike in repo			
Term loans	0.3%	0.4%	0.4%
<i>Fixed</i>	0.0%	0.0%	0.0%
<i>MCLR</i>	0.3%	0.3%	0.3%
<i>Repo</i>	0.5%	0.5%	0.5%
<i>Other EBLR (T-bill/G Sec)</i>	0.5%	0.5%	0.5%
NCD	-0.6%	0.1%	0.0%
CPs	0.5%	0.5%	0.5%
Deposits	0.5%	0.5%	0.5%
Securitization/Assignments	0.5%	0.5%	0.5%
Others	0.5%	0.5%	0.5%
Negative impact on cost of borrowings (B)	0.31%	0.31%	0.42%
Net impact on loan spreads (C = A - B)	-0.31%	-0.23%	-0.37%
Leverage	4.3	5.1	3.4
Net impact on NII / assets (D)	-0.24%	-0.18%	-0.26%
Net RoA impact (E = D * (1-tax))	-0.18%	-0.14%	-0.20%

Source: Bloomberg L.P., Company, JM Financial

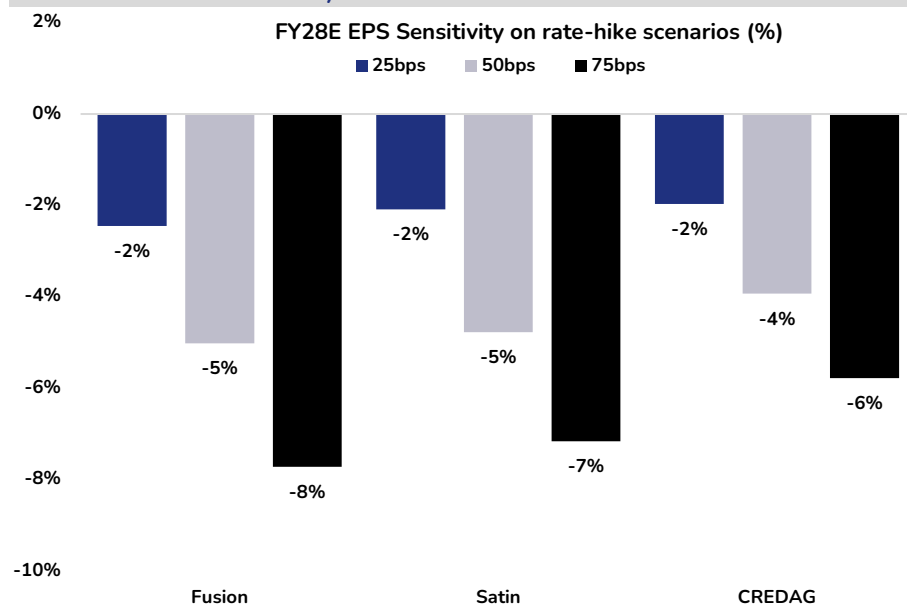
Note: Priced as of 17th Sep 2026, *for Satin and Fusion, we have its breakup into fixed, MCLR, T-bill/repo etc. similar as for overall banking system. For others the mix of TLs have been considered based on disclosures wherever available.

Exhibit 52: MFI players are most exposed in terms of hit to margins...

Source: Company, JM Financial

Exhibit 53: ...and returns in the event of a rate hike cycle

Source: Company, JM Financial

Exhibit 54: FY28E EPS sensitivity to different rate hike scenarios

Source: Company, JM Financial

MSMEs/others sensitivity to rate hike: Mixed

- **This cohort shows a genuinely mixed picture, unlike the uniformly negative or uniformly positive segments.** Against 50bps potential rate hike, SBFC gains from a hike (+5bps RoA), while Five-Star (-13bps) and Fedfina (-10bps) both see negative impact (**Exhibit 56, 58**).
- **Five-Star is the extreme case on the loan side, with a fully fixed-rate loan book.** A hike gives it no yield uplift at all, so the rise in its cost of borrowings (32bps, driven by EBLR/MCLR-linked term loans that make up 71% of its borrowings) drops straight through as a fully negative spread and the sharpest RoA hit in the cohort (**Exhibit 57**).
- **SBFC sits at the opposite end, with a 90% floating-rate loan book.** That gives it a 45bps yield uplift (**Exhibit 55**), comfortably outpacing the 36bps rise in its term-loan-heavy borrowings, turning its net spread solidly positive (+9bps) and making it the one clear beneficiary in this cohort.
- **Fedfina now looks more exposed than a balanced book might suggest, with just 29% of its loans on floating rates.** That gives it only a 14bps yield offset against a 31bps rise in borrowing costs, a meaningful negative spread (-16bps) that drives its -10bps RoA impact (**Exhibit 55:58**).
- **NCD refinancing plays only a small role here overall, though SBFC's maturing book is worth flagging.** Five-Star has no NCDs maturing at all in FY28, and Fedfina's maturing NCDs are a modest ~2% of total borrowings, priced favourably (coupons running ~66bps above current yields for its rating). SBFC's maturing NCDs are a larger ~7% of total borrowings and would step up to a slightly higher cost (~20bps), but this remains a secondary factor next to the much larger swing coming from its favourable loan-vs-borrowing floating mix.
- **Overall, this cohort's outcome is driven by company-specific loan-book composition rather than a shared segment trait.** SBFC's highly floating, secured loan book leaves it clearly best placed even in a hike scenario, while Five-Star's fully fixed-rate model and Fedfina's now more fixed-rate-skewed book leave both structurally exposed.

Exhibit 55: MSME/other lenders are in a mixed situation in terms of a potential rate hike scenario

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	Five Star	SBFC	Fedfina
Fixed rate book	100%	10%	71%
Floating rate book	0%	90%	29%
Factoring 50bps hike in repo			
Fixed rate book	0.0%	0.0%	0.0%
Floating rate book	0.5%	0.5%	0.5%
Positive impact on yield (A)	0.00%	0.45%	0.14%

Source: Company, JM Financial

Note: Fixed/Floating mix for SBFC based on transcript disclosure, while for others the mix is on basis of assumptions made based on classification of individual products as fixed/floating

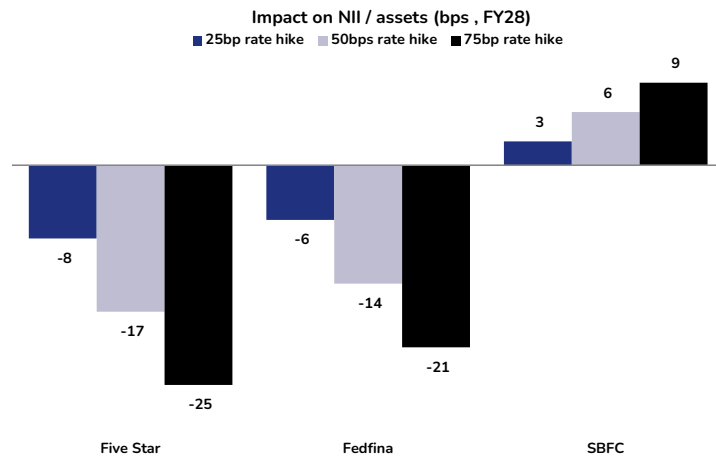
Exhibit 56: Negative impact on FY28 CoFs would be in the range of 30–35bps, against a repo rate hike of ~50bps

Impact on FY28F RoA from rate hike of 50bps at end of FY27F	Five Star	SBFC	Fedfina
Term loans	71%	62%	47%
NCD	7%	8%	6%
<i>Out of which maturing in FY28</i>	<i>0%</i>	<i>60%</i>	<i>32%</i>
CPs	0%	0%	9%
Deposits	0%	0%	0%
Securitization/Assignments	15%	17%	24%
Others	7%	14%	14%
Coupon rate on maturing NCDs in FY28	NM	8.6%	9.5%
Difference between current yield and coupon rate	NM	0.2%	-0.7%
Factoring 50bps hike in repo			
Term loans	0.4%	0.3%	0.3%
<i>Fixed</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>MCLR</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.3%</i>
<i>Repo</i>	<i>0.5%</i>	<i>0.5%</i>	<i>0.5%</i>
<i>Other EBLR (T-bill/G Sec)</i>	<i>0.5%</i>	<i>0.5%</i>	<i>0.5%</i>
NCD	0.0%	0.7%	-0.2%
CPs	0.5%	0.5%	0.5%
Deposits	0.5%	0.5%	0.5%
Securitization/Assignments	0.5%	0.5%	0.5%
Others	0.5%	0.5%	0.5%
Negative impact on cost of borrowings (B)	0.32%	0.36%	0.31%
Net impact on loan spreads (C = A - B)	-0.32%	0.09%	-0.16%
Leverage	2.1	3.2	5.9
Net impact on NII / assets (D)	-0.17%	0.06%	-0.14%
Net RoA impact (E = D * (1-tax))	-0.13%	0.05%	-0.10%

Source: Bloomberg L.P., Company, JM Financial

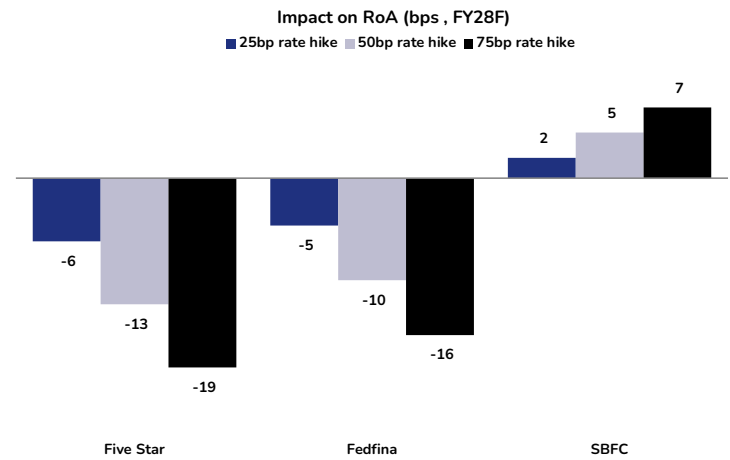
Note: Priced as of 17th Sep 2026. The mix of TLs have been considered based on transcript disclosures.

Exhibit 57: Five-Star and Fedfina would see a negative impact...



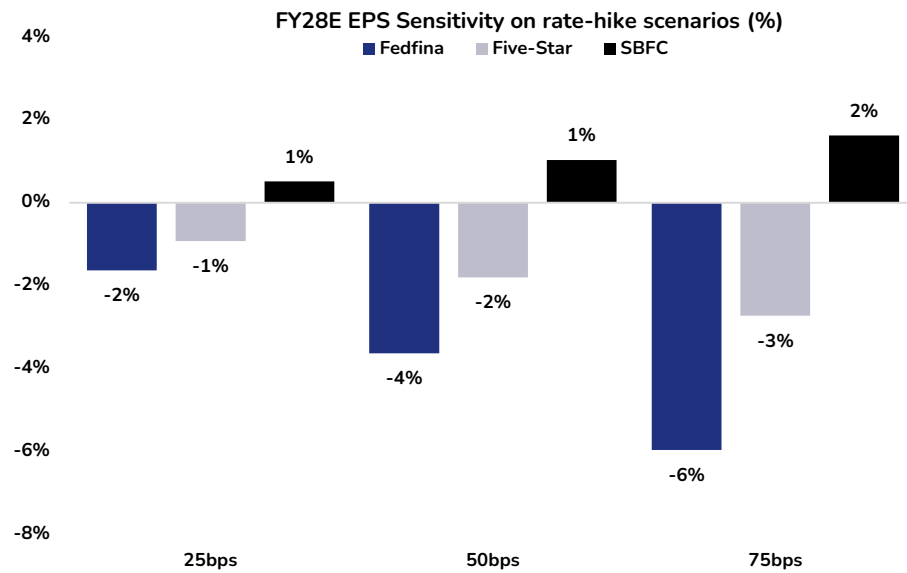
Source: Company, JM Financial

Exhibit 58: ...while SBFC would see a positive impact



Source: Company, JM Financial

Exhibit 59: FY28E EPS sensitivity to different rate hike scenarios



Source: Company, JM Financial

Valuation summary of coverage companies

Exhibit 60: Valuation summary – Coverage companies

Name	MCap	EPS CAGR	AUM CAGR	P/B (x)		P/E (x)		RoA(%)			RoE(%)		
	(USD mn)	FY26-28E	FY26-28E	FY27E	FY28E	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Diversified Players													
BAF	67,557	28%	23%	4.9	4.1	24.4	20.4	3.7%	4.1%	4.0%	18.4%	21.3%	21.5%
Tata Capital	15,556	36%	23%	2.9	2.4	21.6	16.4	1.8%	2.1%	2.3%	13.0%	14.2%	16.1%
ABCAP	11,709	27%	24%	2.2	1.8	14.3	11.2	2.0%	2.1%	2.1%	11.5%	12.9%	14.3%
HDB Financial	6,052	28%	16%	2.4	2.1	17.3	14.0	2.2%	2.5%	2.7%	13.9%	15.1%	16.2%
LTF	8,178	28%	23%	2.5	2.3	19.9	16.1	2.3%	2.5%	2.6%	11.2%	13.4%	14.9%
Poonawalla	4,403	103%	42%	2.9	2.5	25.4	17.3	1.1%	2.3%	2.4%	5.9%	13.4%	15.7%
PFL	5,677	45%	23%	1.7	1.6	22.2	16.4	1.5%	1.9%	2.2%	5.4%	8.0%	10.1%
Vehicle Financiers													
CIFC	16,041	23%	20%	4.1	3.3	24.0	19.2	2.3%	2.5%	2.5%	19.3%	19.6%	19.6%
SHFL	24,789	18%	18%	2.1	1.8	17.2	13.8	3.3%	4.1%	4.1%	16.4%	15.9%	14.0%
MMFS	5,123	15%	14%	1.8	1.7	13.6	13.2	2.0%	2.5%	2.3%	12.5%	14.9%	14.2%
Housing Financiers (HFCs)													
LIC HF	3,145	4%	8%	0.7	0.6	5.5	5.0	1.8%	1.6%	1.7%	14.4%	12.6%	12.4%
PNB HF	3,082	11%	19%	1.4	1.2	12.2	10.5	2.6%	2.4%	2.3%	12.7%	11.8%	12.2%
BHFL	7,438	20%	24%	2.8	2.4	23.8	19.3	2.2%	2.1%	2.1%	12.1%	12.5%	13.5%
Aadhar	2,111	19%	20%	2.3	1.9	15.5	13.0	4.4%	4.3%	4.3%	16.0%	15.8%	16.2%
Aptus	1,242	18%	22%	2.0	1.7	10.7	9.0	7.8%	7.9%	7.8%	20.1%	20.1%	20.0%
Aavas	1,062	18%	17%	1.8	1.5	13.5	11.1	3.3%	3.3%	3.4%	13.9%	13.9%	14.6%
HomeFirst	1,354	26%	26%	2.6	2.2	18.2	15.2	3.9%	4.3%	4.3%	15.7%	15.2%	15.9%
NBFC-MFIs													
Credag	2,323	61%	21%	2.3	1.9	12.7	11.0	2.6%	4.9%	4.8%	10.5%	20.0%	19.1%
Satin Creditcare	253	33%	23%	0.7	0.6	5.3	4.1	2.6%	2.8%	3.1%	12.3%	14.6%	16.2%
Fusion Finance	313	443%	27%	1.1	0.9	10.4	7.3	0.2%	3.3%	4.1%	0.7%	11.1%	13.9%
MSME/Other lenders													
Five Star	1,658	17%	21%	1.9	1.6	13.2	10.6	7.3%	7.0%	7.3%	16.1%	15.1%	16.2%
SBFC	1,068	24%	25%	2.4	2.1	18.2	14.7	4.6%	4.5%	4.5%	13.0%	14.0%	15.0%
Fedfina	607	34%	24%	1.7	1.4	11.6	9.4	2.3%	2.7%	2.8%	12.6%	15.8%	16.5%

Source: Bloomberg, Company, JM Financial
Note: Priced as of 18th Sep 2026

APPENDIX I

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

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Rating	Meaning
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