



India NBFC Sector Roundup - FY26

JUNE 2026

Glossary: Classification of 30 NBFCs used in this document

HFCs (9 NBFCs)



Diversified (15 NBFCs)



Microfinance (3 NBFCs)



Gold (2 NBFCs)



Cards (1 NBFC)



Note: Sammaan Capital was formerly known as Indiabulls Housing Finance Limited. Aditya Birla Capital figures include Aditya Birla Finance, which was merged into it. Sundaram Finance and Indostar Capital excluded due to delayed FY26 results

Seven themes shaping NBFCs in FY26



Regulatory | RBI Upper Layer (UL) simplification

Single ₹1 lakh crore asset threshold replaces complex scoring; UL coverage widens from 30% to ~70% of sector assets



Macro Economy | Hormuz war impact on FIs

Funding, asset quality, and provisioning channels are all transmitting; 6 of 30 NBFCs flagged West Asia risk in their FY26 investor calls



Diversified NBFCs | The segment is bifurcating sharply

Capital access, AI adoption, and secured-book discipline are the new competitive moats



HFCs | Strategy now beats scale

NIM pressure is nudging HFCs to compete on product mix and underwriting quality, not just pricing



MFIs | The pure-play model is being phased out

Recovery is the headline; diversification, digital, and discipline are reshaping the segment



Gold NBFCs | Growth without margin expansion

Gold NBFCs are in a strong window; how they reinvest now will define their position when prices correct



Cards | Strong PAT masks a structural reset

Spend-receivable decoupling and falling new accounts; customer behavior is rewriting card economics



Regulatory | RBI plans to move from parametric scoring to asset size

Proposes ₹1 lakh crore asset threshold for NBFC Upper Layer, simplifying classification and widening oversight



Single asset threshold: NBFCs with asset size of ₹1 lakh crore and above will qualify as Upper Layer



Five-year criteria: Once classified, an entity remains under enhanced regulatory requirements for at least 5 years



Ownership-neutral framework: Eligible government-owned NBFCs also included; previously placed in Base or Middle Layer regardless of size



State guarantee carve-out: Allow all NBFC-UL to use State Government guarantees as credit risk transfer instrument without any limit



NBFC shifts and implications



Coverage expansion: UL count rises from 15 to ~19; asset share jumps from 30% to ~70% of sector



Compliance step-up: Newly classified entities face CET-1 of 9%, LEF caps, and mandatory listing within 3 years



PSU NBFCs into scope: Large public-sector NBFCs now under the same regime as private peers



Clear signal to those reaching ₹1 lakh crore threshold to **start preparing for an enhanced regulatory framework**

RBI has invited feedback/ comments from all relevant stakeholders post which, the amended directions will be issued



Macro Economy | NBFCs are already responding to the macro economic stress in provisioning and guidance



Funding costs and balance sheets are under direct pressure

- The rupee at all-time lows is raising offshore borrowing costs for ECB-funded NBFCs
- FII equity outflows of \$20+ Bn in the first four months of 2026 already exceed the 2025 full-year record - pressuring listed NBFC valuations and capital-raise plans



Asset quality risk is concentrated in inflation- and remittance-sensitive pockets

- Retail inflation reached 3.9% in May 2026 (highest in 16 months) from 2.7% in Jan '26 with explicit "external geopolitical" attribution in RBI commentary - directly hitting MFI and affordable HFC borrower cash flows
- Gulf remittance slowdown is an established transmission channel into gold loan and affordable HFC books concentrated in Kerala, Tamil Nadu, and Andhra Pradesh

NBFCs have moved to pre-emptive provisioning and tighter guidance

- A leading cards player built a ₹220 Cr management overlay for "present uncertain geopolitical situation"
- A major MFI guided its FY27 credit cost at 3-4% vs FY26 actual of 6.74%, a deliberately conservative number due to "volatile macroeconomic factors and ongoing West Asia crisis"







Diversified NBFCs | Capital access, AI adoption, and secured-book discipline are the new competitive moats in diversified NBFCs

1 AI is no longer experimental; it is the operating-leverage story

- Four diversified NBFCs have moved AI from pilots to embedded production - measurable credit cost and cost-to-income gains, e.g.:


 L&T Finance: 30+ DPD rate at 2.8% vs Industry average of 7.1% in 2-wheeler book (60% improvement)

 Tata Capital: 14 bps credit cost reduction from AI

2 Foreign strategic capital is reshaping competitive dynamics

- ~₹52K Cr of foreign strategic capital committed to the segment in FY26 alone
- These are not financial PE plays - they bring cost-of-funds compression and governance upgrades
- NBFCs without strategic capital face a structural funding disadvantage versus recipients

3 The wholesale-to-secured pivot is proven at scale

-  Piramal Finance took its wholesale book from 66% to <3% of AUM in four years; PAT tripled in FY26
- Off-book AUM has reached 35% of total at leading peers - capital-light growth at scale
- Co-lending partner counts have crossed 12 at the most active off-book players



HFCs | NIM pressure is nudging HFCs to compete on product mix and underwriting quality, not just pricing



Overall category saw NIM compression

Rate cuts are repricing assets faster than liabilities. Prime, lower-yielding books losing first on competitive repricing



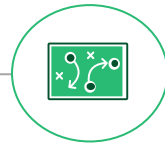
Vanilla home loans are no longer the growth product

LAP¹ and LRD¹ have grown 2x faster than plain home loans



Quarterly reset adoption is now near-universal

~80-85% of HFC books are on quarterly resets, to defend against balance transfers



Digital onboarding is table stakes

Leading HFCs are running end-to-end digital onboarding plays



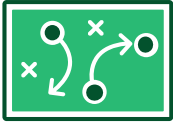
Regulatory scrutiny on loan classification is rising

NHB is penalizing HFCs that misclassify LAP as housing loans to avail low-cost refinancing from NHB (benefit of at least 200 bps from refinancing facility)

1. LAP - Loan Against Property and LRD - Lease Rental Discounting
Source: Analyst reports, NBFC earnings calls, BCG analysis



MFIs | MFIs are emerging from the stress cycle leaner, more digital, and more diversified than before



Diversification is the default

- Every MFI has set a non-MFI growth target this quarter.
- Targets for retail and secured share range 25-30% by FY27-30.
- The push is into MSME, housing, and retail finance - using existing rural reach.



Digital adoption is now at meaningful scale

- Mobile app adoption now reaches ~25% of borrower base at scale players.
- Digital collections share has moved into the low-20's%, up ~800 bps in 12 months.
- The shift is measurable in cost and credit outcomes, not pilot-stage.



Sourcing has tightened sharply

- Sourcing-to-sanction ratios tightened ~900 bps across the segment.
- New lending is restricted to nil-PAR centres and prompt re-payers.



Cost of funds is easing

- The 125-bps repo cut since Feb 2025 are now visible in MFI cost stacks.
- Sector cost of borrowing down ~60 bps; NIMs up 30-40 bps QoQ.
- Funding mix is widening - social bonds and alternative investment funds.



Gold NBFCs | Gold NBFCs are in a strong window; how they reinvest now will define their position when prices correct

1

The macro tailwind

- Gold prices rallied sharply through FY26
- Collateral value uplift lifted loan eligibility on existing books

Gold loan AUM YoY growth:

- Manappuram: 67%
- Muthoot: 49%
- IIFL Finance: 150%
- L&T Finance: 64% (200 gold finance branches added)

2

AUM rose, yields fell

- Growth was driven by collateral value, not new customer acquisition
- Banks and diversified NBFCs are also re-entering gold loans aggressively, squeezing yields
- Yields compressed ~400 bps over four quarters; stabilizing at 17.5-18%

3

Two operating models emerged

- Branch-led expansion is the capital-heavy bet - full upside, full fixed-cost drag
- Co-lending and off-book is the capital-light alternative, capped upside, resilient to a price correction
- Leading co-lending player added 3 new bank partners

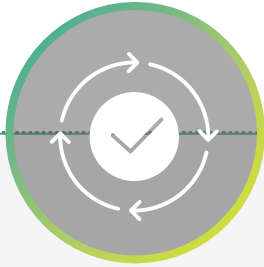
4

Time to extract maximum value from the window

- 👍 Muthoot is reinvesting via branch expansion (177 new branches FY26) and dividend (₹30/share - highest ever)
- 👍 Manappuram is reinvesting via planned branch expansion (500-550 in FY27)



Cards | The card model is recalibrating - shrinking revolvers, slowing new accounts, and fee-led economics are the new reality



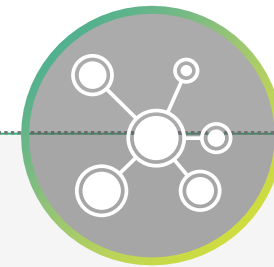
The revolver base is shrinking faster than expected

- Spends grew 31% YoY in Q4; receivables grew only 2%
- Customers are using cards heavily as a payment tool but paying off in full each cycle
- Interest income is compressing, fee and interchange are now the primary earnings drivers



New account growth has reversed for the first time in years

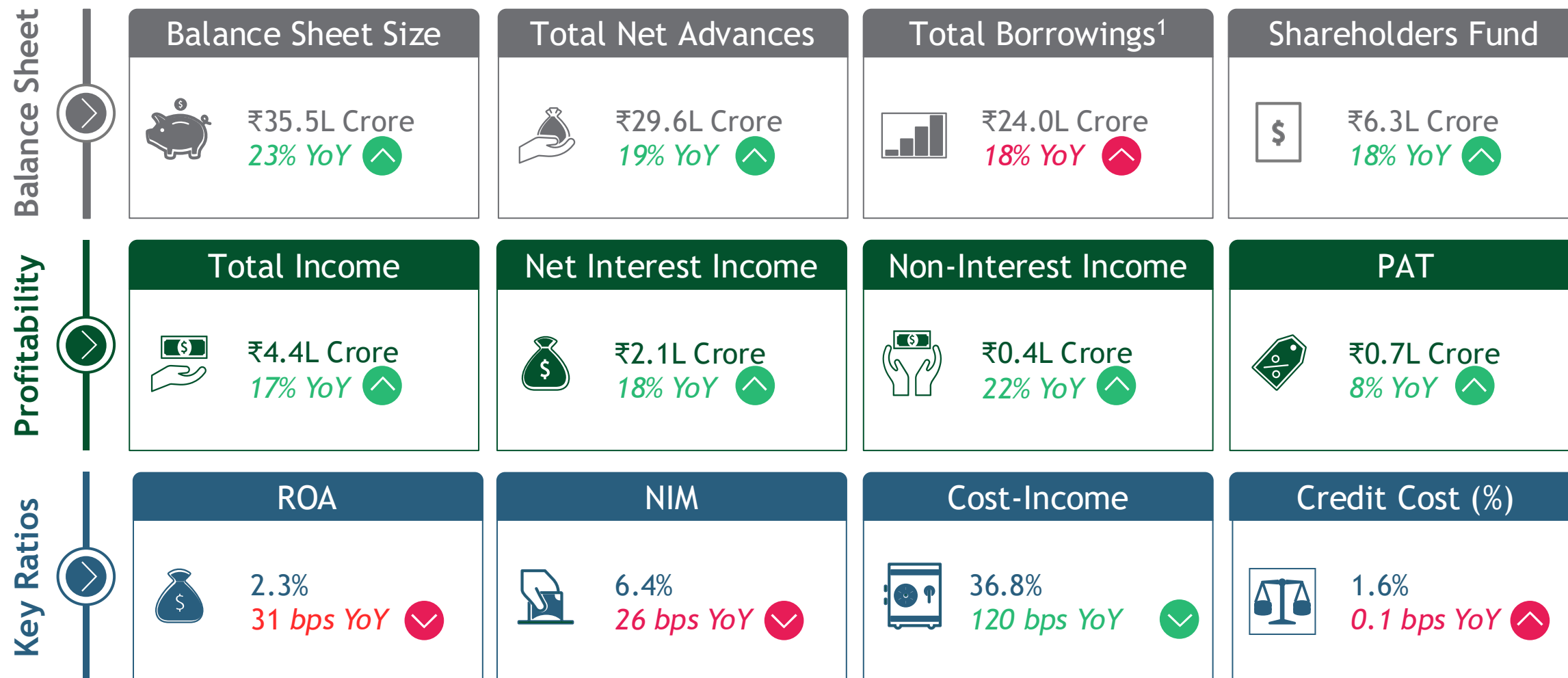
- Q4 new accounts fell 17% YoY – from 1,109K to 917K
- Card-in-force growth has slowed to 6%, down from prior double-digit levels
- This reversal of the multi-year growth trajectory is the strongest signal that the model is recalibrating



Asset quality improvement is genuine but partly composition-driven

- GNPA improved sharply from 3.08% to 2.41% YoY
- But higher-risk revolvers exiting the base naturally improves the remaining book
- The leading player has built a ₹220 Cr management overlay for "present uncertain geo-political situation"

FY26 Results: NBFC Industry Snapshot



1. Total Borrowings include Debt Securities

Note: Growth is calculated for FY26 over FY25. Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs)

Summary Snapshot (I/II)



Macro Trends


- **Economic growth:** GDP growth for FY26 at ~7.5% YoY vs. projected growth rate of 6.4-6.5%; RBI and other agencies project FY27 GDP growth at 6.0-7.1%
- **Economic landscape exhibits mixed trends**
 - Industrial and auto activity stayed resilient, led by strong steel, cement, PV, 2W and EV growth
 - Services exports remained broadly stable while service imports declined year-on-year, with both showing marginal month-on-month improvement



Banks vs NBFCs

- **Lending Boost in NBFCs:** NBFCs credit growth (19%) outpaces that of Banks (15%) in FY26 led by Diversified and Gold NBFCs
- **Margin:** NIM declined for both Banks (2.9% in FY26 vs 3.1% in FY25) and NBFCs (6.4% in FY26 vs 6.7% in FY25)
- **Provisioning:** Credit costs stabilized at 1.6% for NBFCs in FY26, with a negligible increase of 0.1 bps, whereas HFCs experienced a significant deterioration, with credit costs rising by 51 bps
- **Profitability:** ROA for NBFCs remained on a declining trajectory, falling by 31 bps from 2.6% in FY25 to 2.3% in FY26. Meanwhile, banks' ROA remained largely stable at 1.3% in FY26, down marginally by 4 bps YoY
- **Valuation:** Large NBFCs continue to command premium valuation outpacing Banks on 3-year returns (NBFCs delivering 23% vs. 19.9% for Banks), and the gap opening-up in FY26

Summary Snapshot (II/II)



Key Performance Indicators for NBFCs

- **Advances expansion:** NBFC loan growth remained robust at 19% YoY, driven by strong growth in Gold (53%) and Diversified (20%) segments, while HFCs and MFIs were stable (9%)
- **Profitability:** MFI and Gold NBFCs witnessed robust ROA expansion in FY26 (+77 bps and +72 bps YoY, respectively), while HFC ROA declined sharply by 116 bps to 0.9%, largely driven by a one-off business-model change at a single large HFC for an identified pool of non-core exposures
- **Operational efficiency:** Notable improvement in overall sector's CIR from 38% in FY25 to 36.8% in FY26; Diversified, HFCs & Gold NBFCs drive efficiency metrics for the sector, while MFI NBFCs saw a deterioration



NPA and Risk Management

- **Improved asset quality:** NBFC sector witnessed improved GNPA for last 3 years driven by improved collections; GNPA's have improved 120 bps since FY23
- **Capital Adequacy:** Most NBFCs have shown a YoY de-growth from FY25, yet players continue to be well capitalised with CRAR above the minimum requirement of 15%



Valuation

- **Market Valuation Growth:**
 - Large NBFCs in diversified category continue to command premium; some HFCs still trading at discount



Recent trends

- Bank lending to NBFCs has revived in FY26, supported by easing regulatory pressure and renewed lending momentum
- Borrowing patterns continue to diversify, with bank borrowings and debentures remaining key funding channels, while NBFCs also tap market borrowings, loan sales and securitization
- NBFC credit deployment continues to expand, with industry and retail remaining the key deployment segments, while vehicle finance and gold loans remain strong retail pockets.

India NBFC Sector Update - FY26



Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

NPA & Risk Management

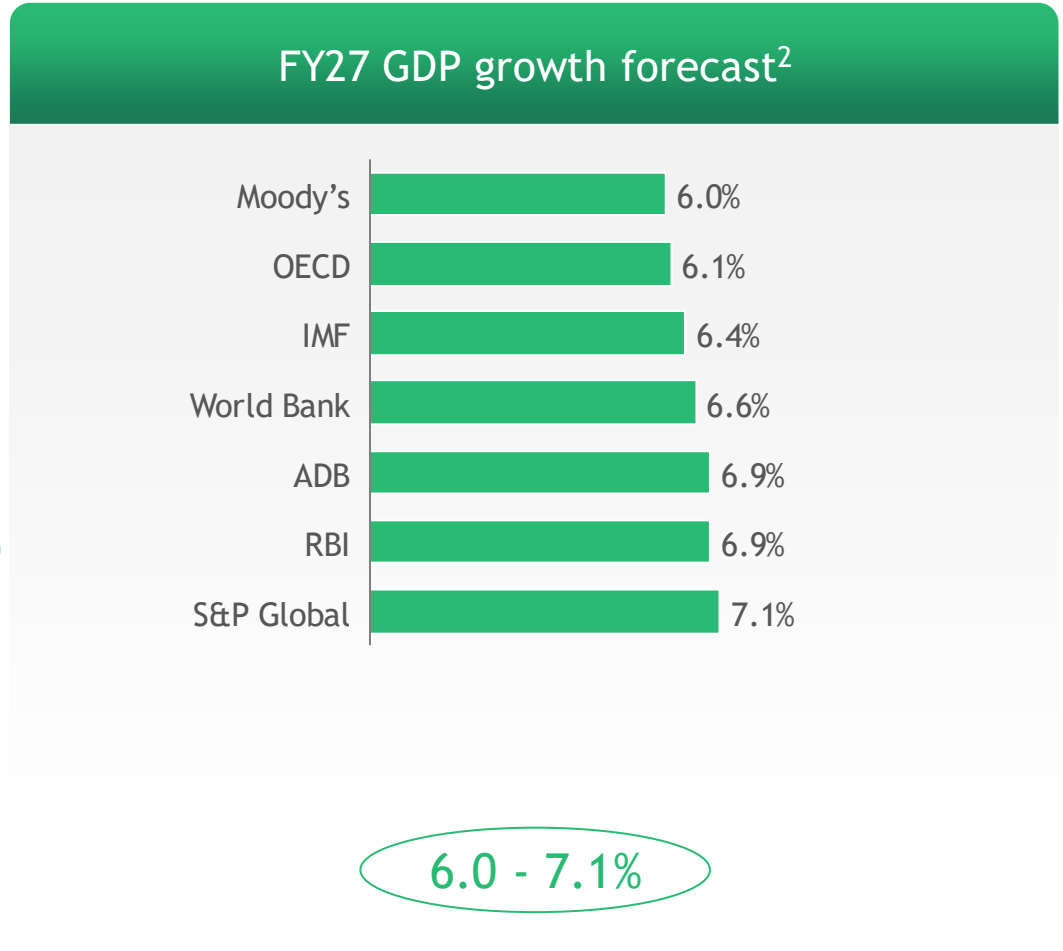
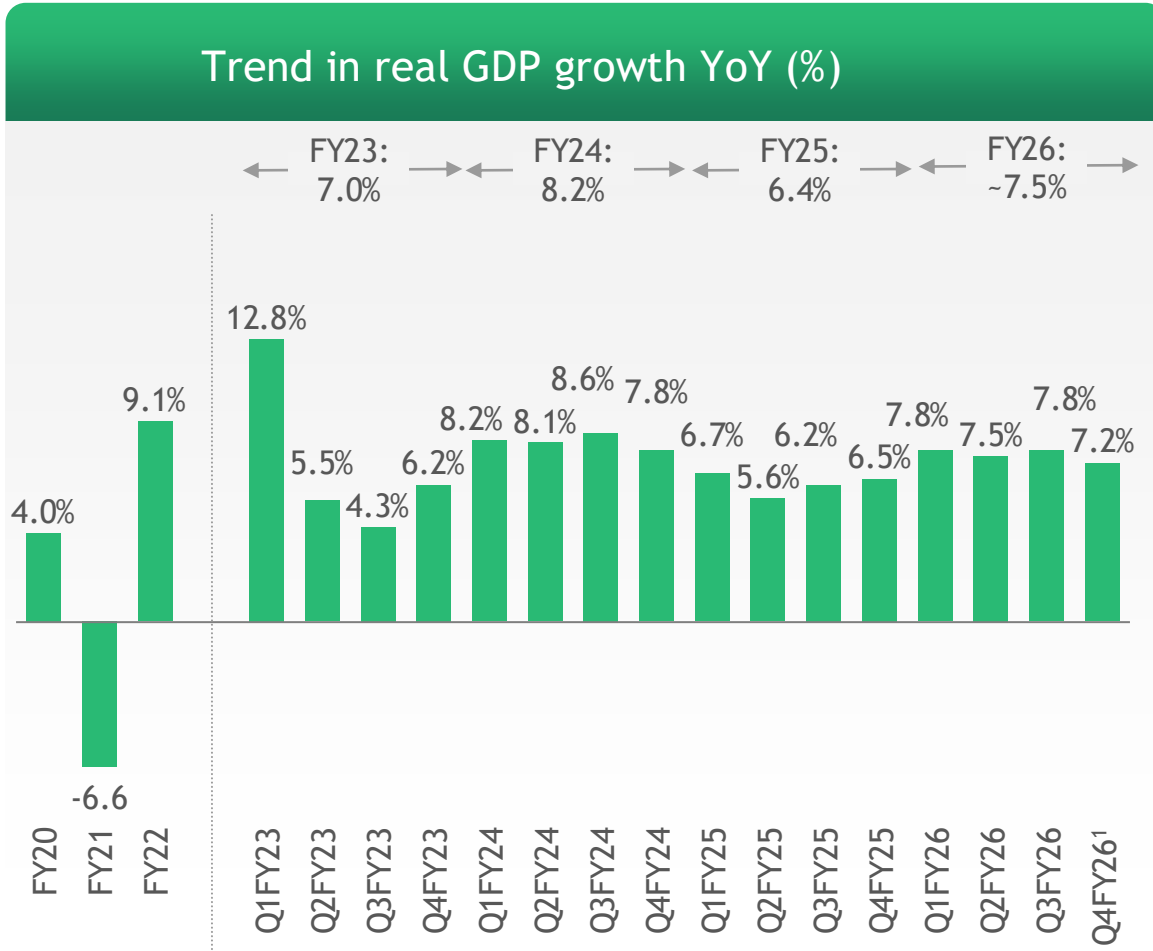
Valuation

Recent Trends

Player Performance



FY27 GDP projected to grow between 6.0 - 7.1%; IMF and World Bank revised their forecasts upward in Mar-Apr'26



1. GDP growth stands at 7.2% in Q4FY26 as projected by SBI in its recent report; 2. Forecast are likely to be revised further
 Note: Upper-limit has been included where agencies reported forecast range. Latest forecasts considered in case of revision by agency within same month;
 Source: Analyst reports, BCG analysis



High-frequency indicators reflected resilient demand and activity in Mar'26, while select sectors softened amid external uncertainties

■ >20%
 ■ 10-20%
 ■ 0-10%
 ■ 0%
 ■ <0%

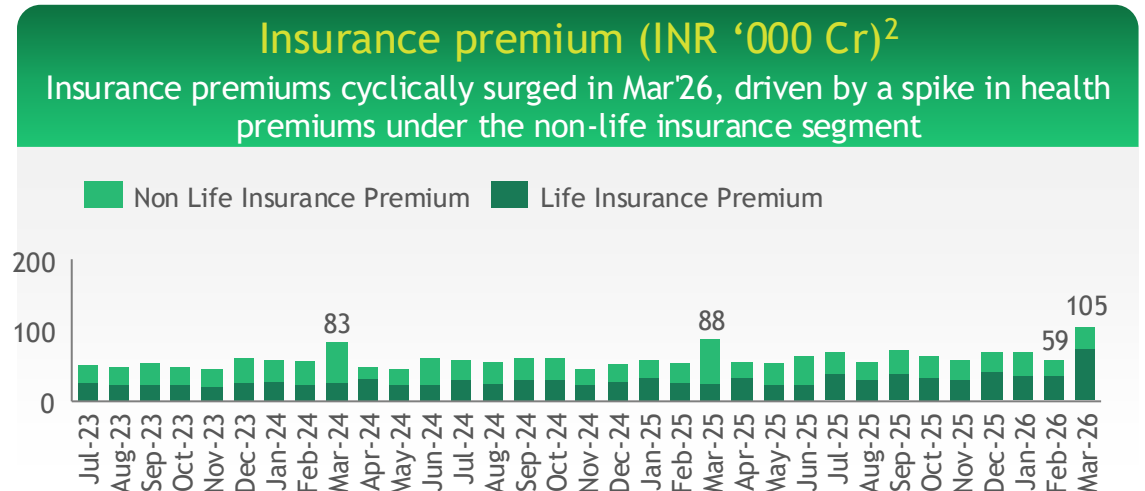
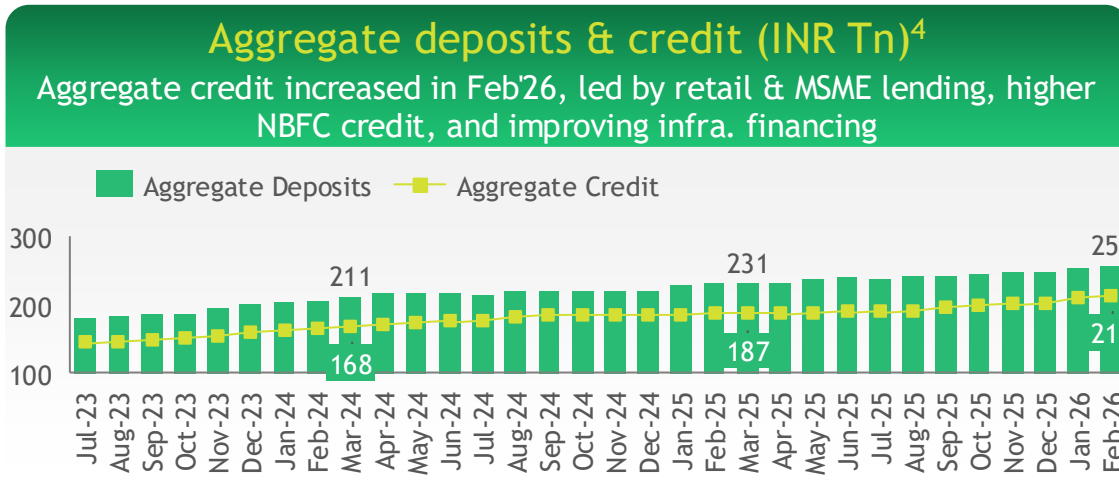
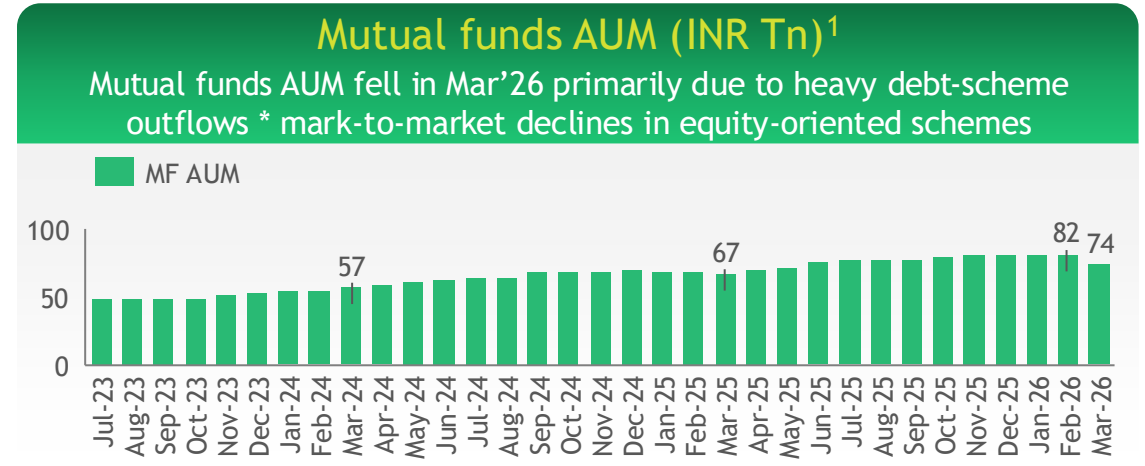
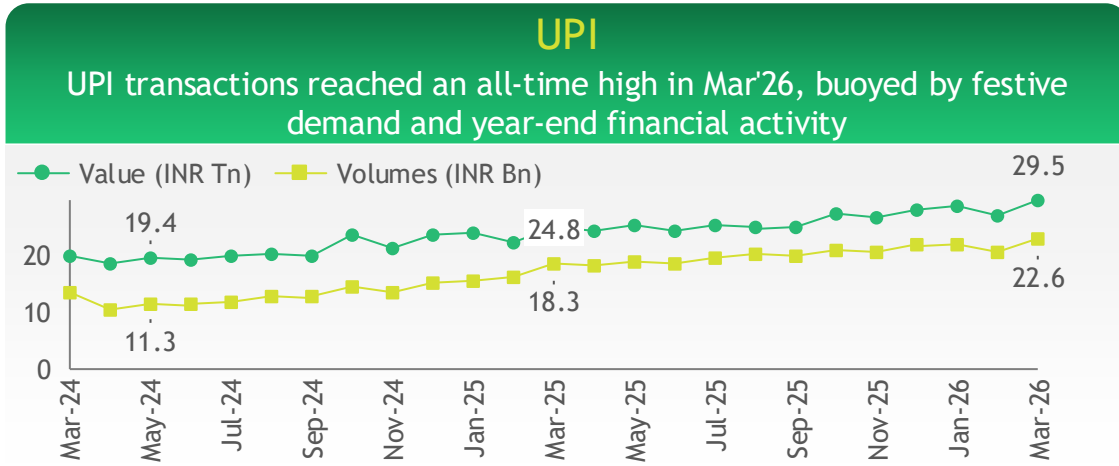
Industry	Growth			
	Latest Month	Vs. Last year	Vs. Last month	YTD Growth#
Industry				
IIP (Index) *	159	5%	-6%	-
Daily Avg Power Consumption(000 MUs)	4.8	1%	1%	2%
Petroleum Consumption (MMT)	21.4	3%	6%	3%
Steel Consumption (MMT)	15.7	10%	17%	9%
Cement Production (MT) *	43.5	9%	-4%	11%
Trade & Investment				
Merchandise Exports (\$ Bn)	38.9	-7%	6%	-3%
Merchandise Imports (\$ Bn)	59.6	-7%	-6%	12%
Services Exports (\$ Bn)	35.2	-1%	1%	6%
Services Imports (\$ Bn)	17.0	-3%	1%	4%
Logistics				
E-way Bills (Mn)	140.6	13%	6%	16%
JNPA Traffic ('000 TEUs)	747.1	11%	12%	12%
Air Passenger Bookings (Mn)	34.5	-4%	-2%	0%
Air Freight (K Tons) ¹	343.4	0%	5%	8%

Auto	Growth			
	Latest Month	Vs. Last year	Vs. Last month	YTD Growth#
Auto				
PV Sales ('000 Units)	442.5	16%	6%	13%
2W Sales ('0000 Units)	1,976.1	19%	6%	26%
3W Registrations ('000 Units)	72.6	29%	-3%	28%
EV Registrations ('000 Units)	242.7	52%	61%	45%
BFSI				
UPI Value (INR Tn)	29.5	19%	10%	21%
NSE & BSE Txns. (INR K C r)	2,556.3	29%	-1%	23%
Insurance Premium (INR K Cr)	104.8	19%	77%	18%
Sentiment				
Manufacturing PMI (Index)	53.9	-7%	-5%	-
Services PMI (Index)	57.5	-2%	-1%	-
Current Situation Index (Urban)	95.7	-2%	0%	-
Future Expectations Index (Urban)	120.2	-2%	-3%	-

* Data available only up to Feb'26 as on 24th Apr'26 - hence growth comparisons are for February and not March. Feb'26 data has been compared against Feb'25 & Jan'26 data for the YoY & MoM growth comparisons.; # YTD Growth compares the year-to-date performance of the mentioned indicator in the current year vs. the same time period of the previous year (i.e. Jan-Mar and Jan-Feb for the * marked indicators).



UPI transactions scaled record highs in Mar'26, while mutual fund AUMs declined; Aggregate deposits & credit increased in Feb'26



1. Mutual funds Assets Under Management (AUM) represented as recorded at end of every month shown. Mutual Funds AUM include investments from individuals (50.5%) & institutions (49.5%); institutions include domestic and foreign institutions and banks; Provisional figures used for life & non-life insurance as on 23 Jan'26; 2. Non-Life Insurance includes Fire, Marine, Motor, Engineering, Health, Crop Insurance, Credit Guarantee, Aviation, Personal accident and Miscellaneous Source: DBIE, NPCI, IRDAI, AMFI, GIC, Life Insurance Council of India, BCG analysis

India NBFC Sector Update - FY26

Macro Indicators

➤ Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

NPA & Risk Management

Valuation

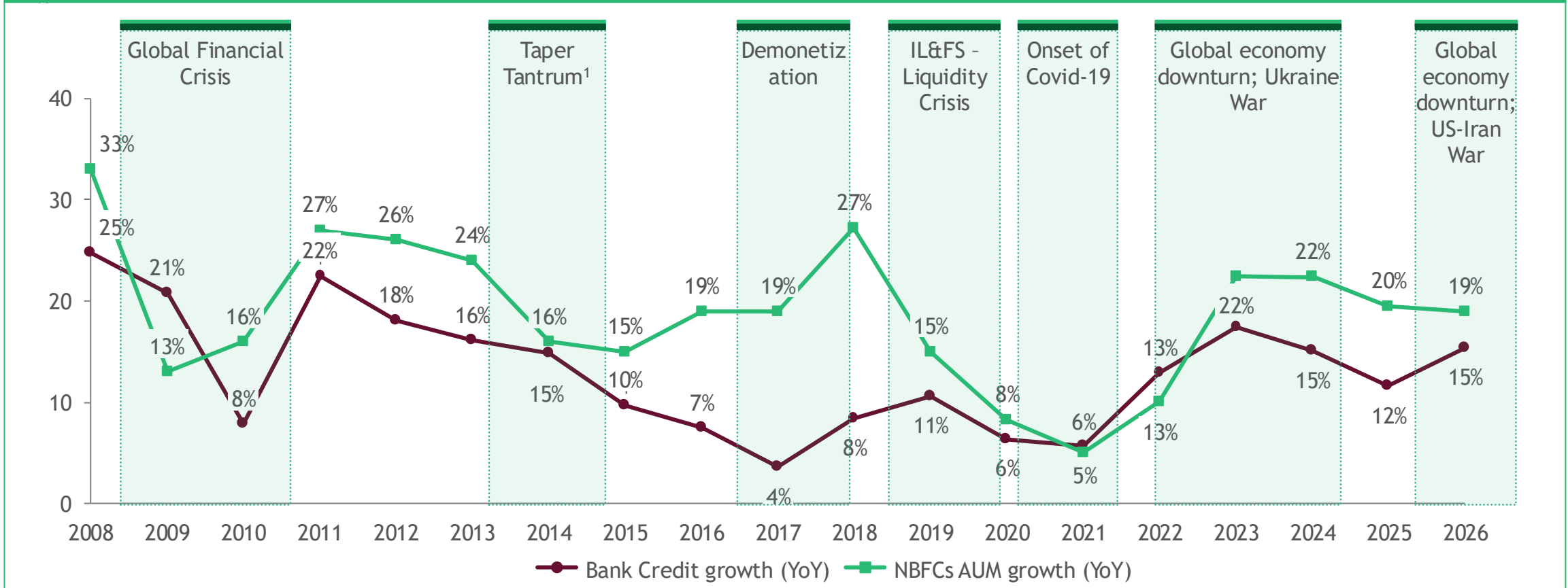
Recent Trends

Player Performance



NBFCs credit growth outpaced Banks credit growth in FY26, with Banks narrowing the gap

Banks vs NBFCs: Y-o-Y growth in advances



1. Taper Tantrum crisis of 2013 refers to foreign investors pulling out money from equities and bonds in emerging markets as a reaction to US Fed announcement of reducing/ceasing its bond purchase program; this led to a tightening of liquidity available in the market, impacting both banks & NBFCs

Note: Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs) and 37 Banks (12 PSBs, 10 Private-New, 10 Private-Old Banks and 5 Small Finance Banks)

Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis

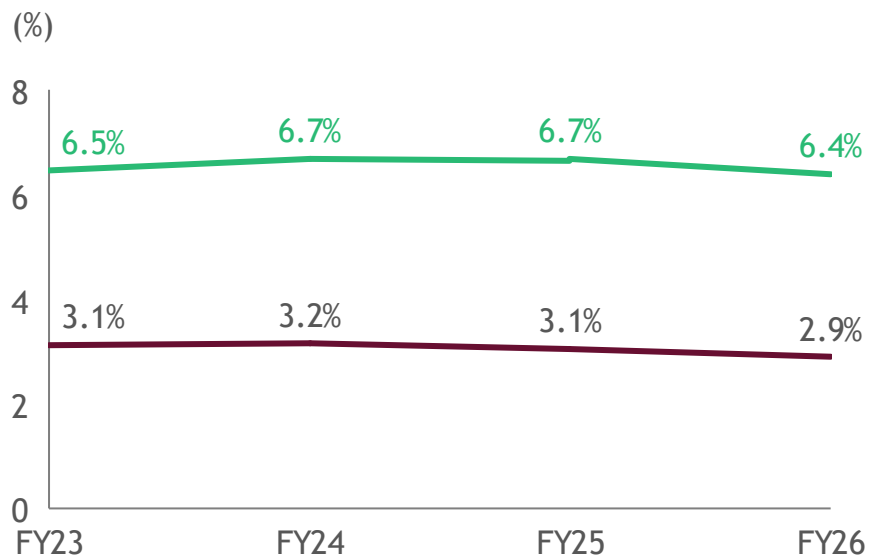


NIM declined and CIR improved marginally for both Banks and NBFCs

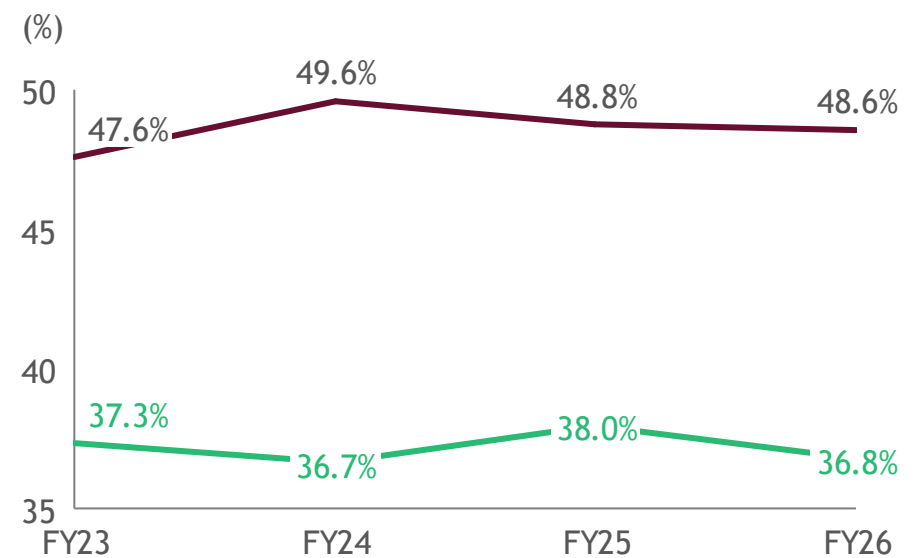
NIM faced pressure as loan rates adjusted faster than deposit rates in a falling interest rate environment



Net Interest Margin¹ (%)



Cost to Income Ratio² (%)



— Banks — NBFCs

1. NIM is calculated as (Interest Income - Interest Expense)/Average Assets 2. Cost to Income is calculated as Operation expense / (net interest income + other income)
Operation Expense excludes "Net loss on fair value changes", "Net loss on derecognition of financial instruments under amortized cost category", "Net Transaction Exchange Loss" and/or "Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt" ; NIM has been annualized

Note: Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs) and 37 Banks (12 PSBs, 10 Private-New, 10 Private-Old Banks and 5 Small Finance Banks)

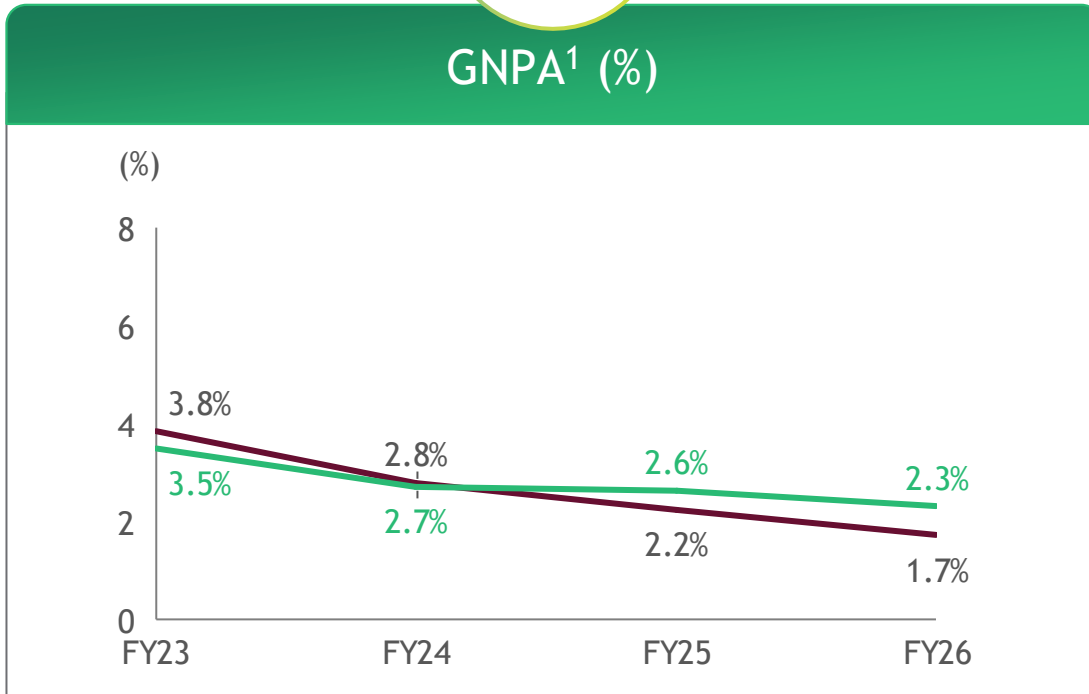
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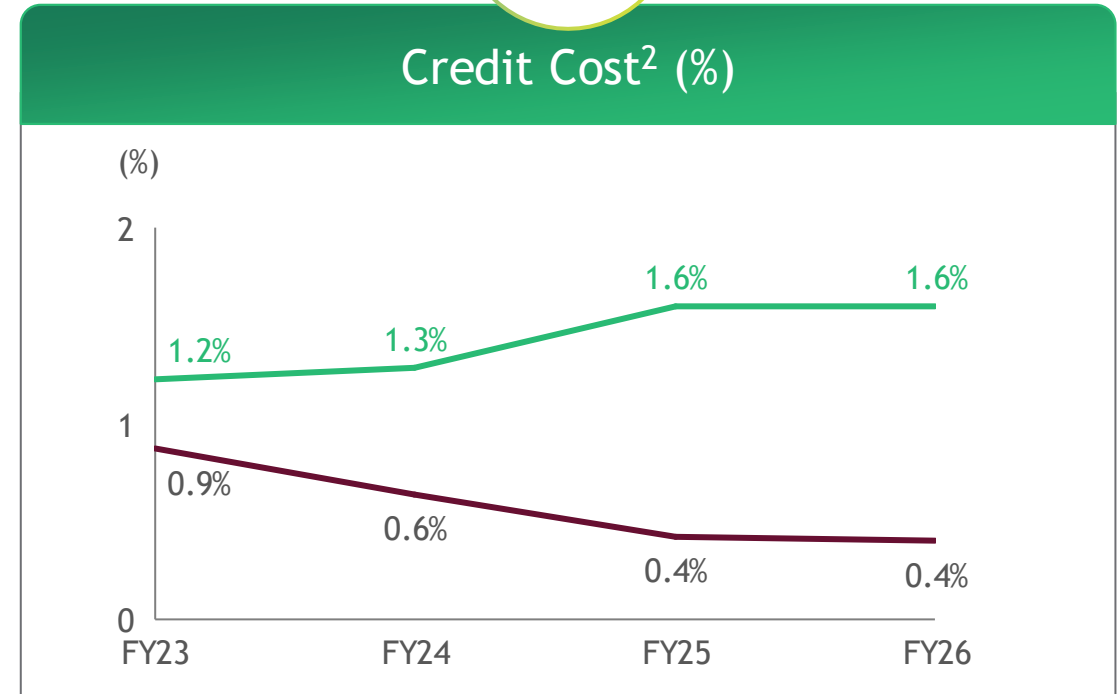
GNPA improving for both Banks and NBFCs; Credit cost continue to remain elevated for NBFCs



GNPA¹ (%)



Credit Cost² (%)



— Banks — NBFCs

1. GNPA for NBFC has been calculated based on weighted average on total advances 2. Credit Cost is calculated as provision and contingencies/average assets & have been annualized
Note: Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MF1, 1 Cards and 15 Diversified NBFCs) and 37 Banks (12 PSBs, 10 Private-New, 10 Private-Old Banks and 5 Small Finance Banks)

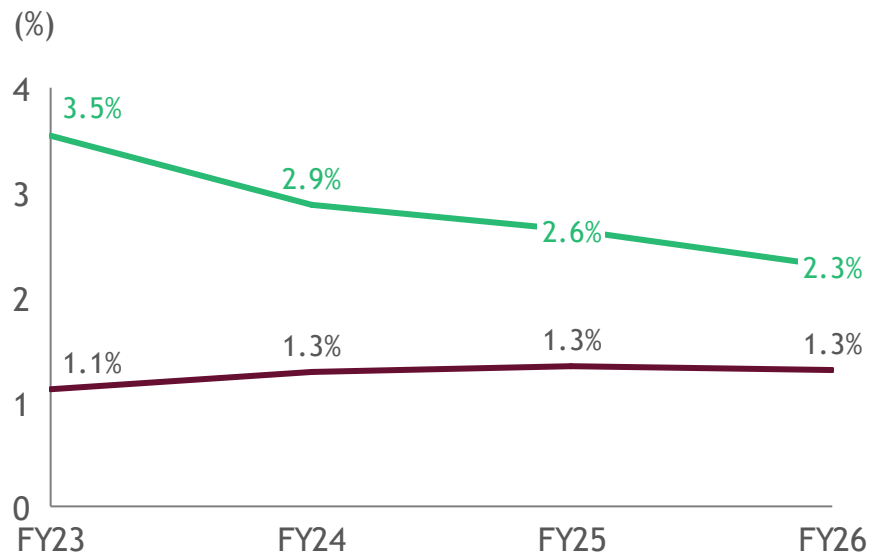
Source: Quarterly Results, Investor Presentation, Annual Report, RBI, BCG Analysis



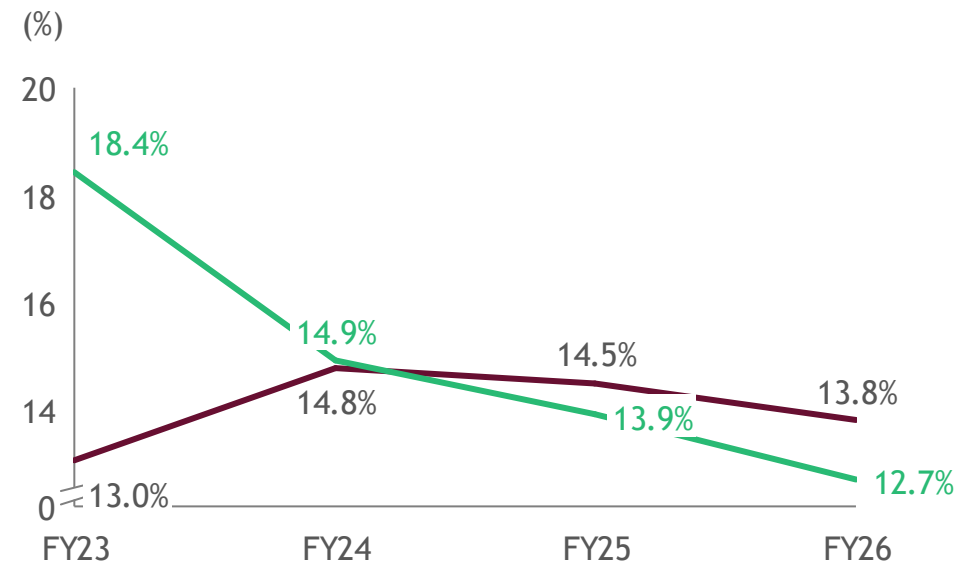
NBFCs continue tapering across RoA & RoE; Banks' RoA remained stable while RoE moderated in FY26



Return on Assets¹ (%)



Return on Equity² (%)



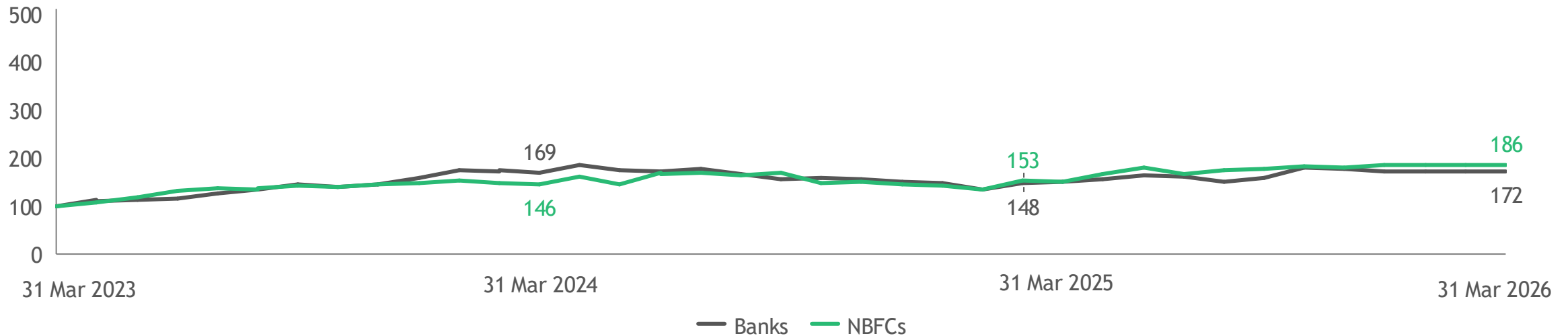
— Banks — NBFCs

1. Return on Assets is calculated as net profit/average assets 2. Return on Equity is calculated as net profit/average shareholders' fund
 Note: Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs) and 37 Banks (12 PSBs, 10 Private-New, 10 Private-Old Banks and 5 Small Finance Banks)
 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



NBFCs deliver stronger 3-year returns than Banks, with the gap opening up in FY26

Index (weighted by market cap.) for Banks & NBFCs



Total Return (%)

	Banks	NBFCs
3-Yr Return	19.9%	23.0%

Note: Banks index includes 7 PSU banks-Large, 5 PSU banks-Medium, 10 Private-New, 10 Private-Old Banks and 5 SFBs.

Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs) and 37 Banks (12 PSBs, 10 Private-New, 10 Private-Old Banks and 5 Small Finance Banks)

Index weighted as per market capitalization of banks Index period from March 2023 to March 2026

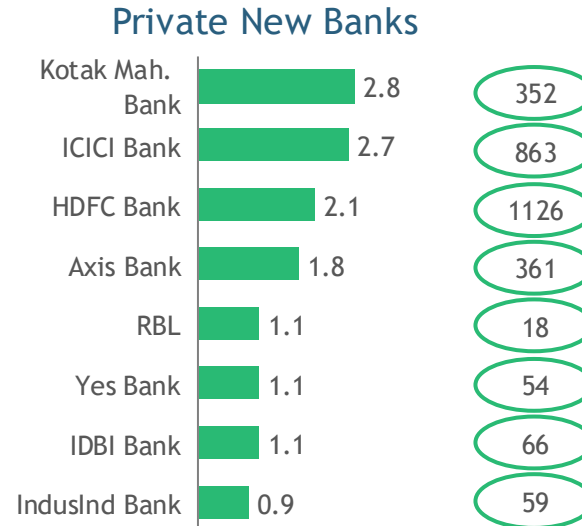
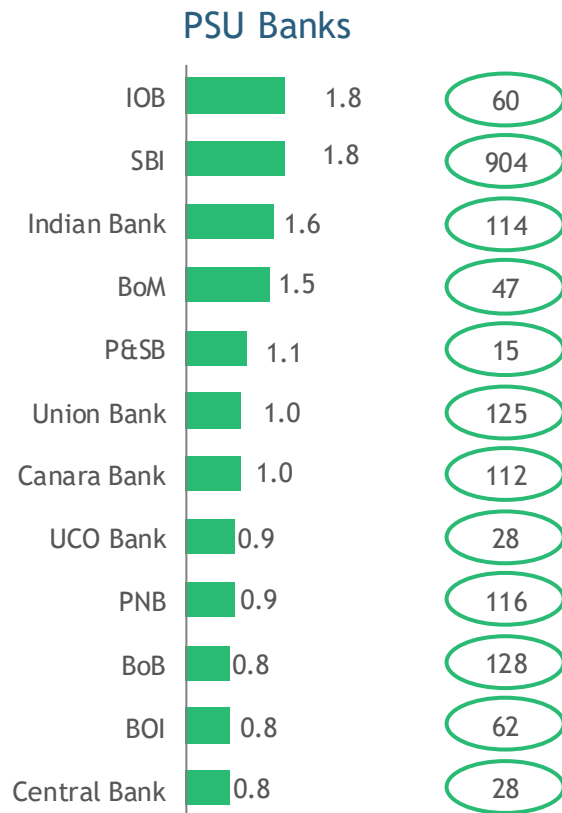
Source: Capital IQ; BCG ValueScience Center



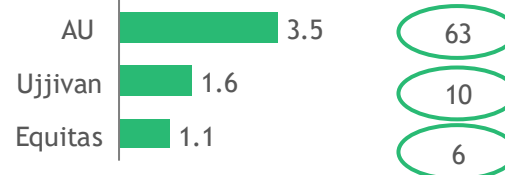
NBFCs continue to command premium valuation vs. banks

Select Banks & NBFCs

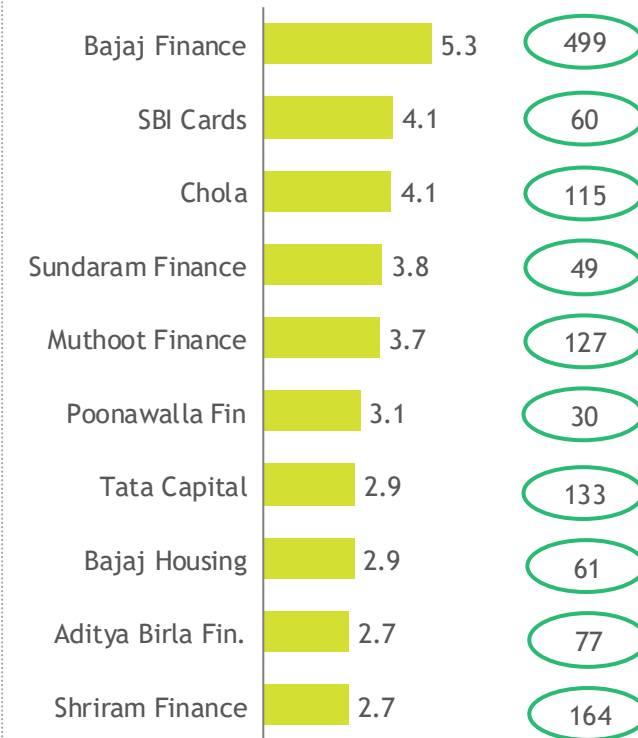
Price to book ratio (As on 30th Mar 2026)



Small Finance Banks



Top 10 NBFCs by P/B ratio



○ Market Cap (INR in '000 crore) (as on 30th March 2026)

India NBFC Sector Update - FY26

Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

> Key Performance Indicators - NBFC Sector

NPA & Risk Management

Valuation

Recent Trends

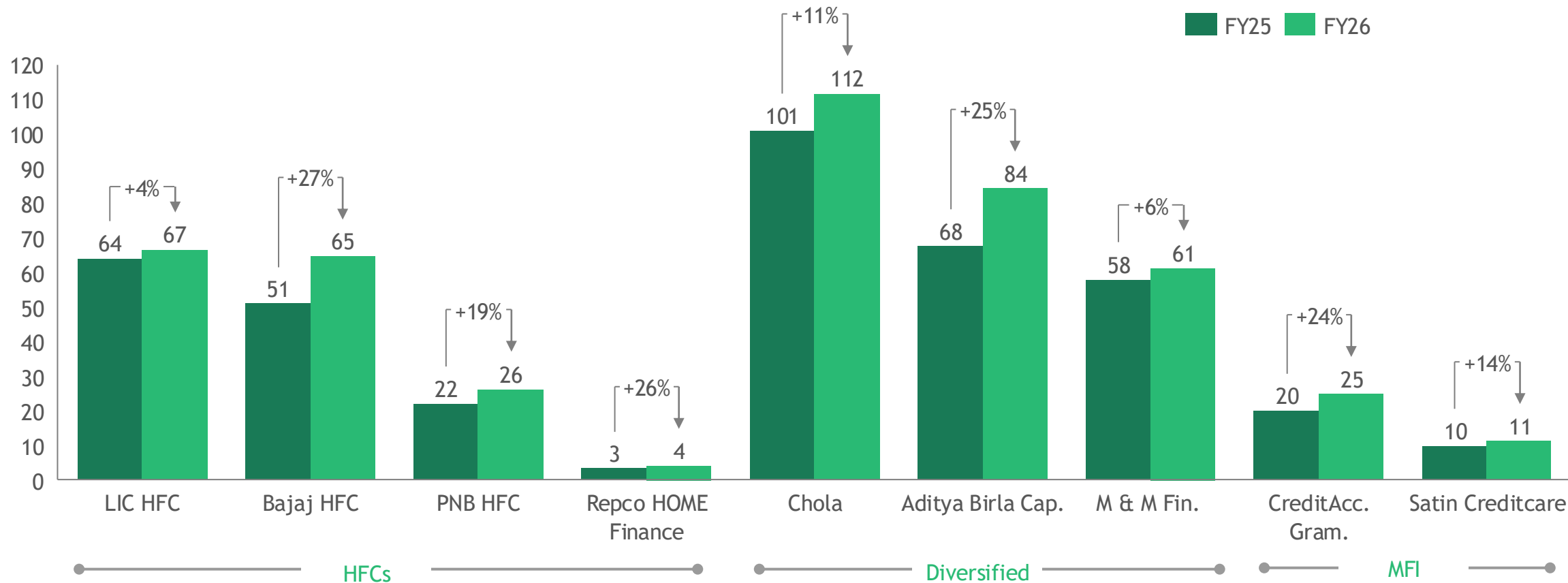
Player Performance



Most NBFCs post double-digit disbursement growth

Select NBFCs

Disbursement trend (INR '000 Cr)





NBFC sector profitability declined driven by underperformance of HFCs

RoA Tree		HFCs		Diversified		Gold Loan		MFIs		Industry	
Particulars ¹	UoM	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	FY25
Net interest Margin	(%)	↓ 2.9	3.3	↓ 7.1	7.6	↓ 10.6	10.7	↓ 11.5	12.6	↓ 6.5	6.7
Fee + Other Income	(%)	↑ 0.7	0.5	↓ 1.4	1.5	↑ 0.3	0.2	↑ 2.2	1.6	↔ 1.5	1.5
Operating expenses	(%)	↓ 0.8	0.9	↓ 3.3	3.6	↓ 2.7	3.4	↑ 6.1	5.4	↓ 2.9	3.1
Pre-Provision Profit ²	(%)	↓ 2.8	2.9	↓ 5.3	5.5	↑ 8.2	7.5	↓ 7.6	8.8	↓ 5.0	5.1
Credit costs	(%)	↑ 0.7	0.2	↓ 1.8	1.9	↓ 0.5	0.7	↓ 6.5	8.5	↔ 1.6	1.6
Tax & Exceptional Item	(%)	↑ 1.1	0.6	↓ 1.0	0.9	↔ 2.0	1.8	↑ 0.2	0.0	↑ 0.9	0.8
Return on Assets	(%)	↓ 0.9	2.1	↓ 2.5	2.7	↑ 5.7	5.0	↑ 1.0	0.2	↓ 2.3	2.6

1. All the above #s are as a % of Average Assets and have been annualized, 2. Pre-provision profit may not tally due to rounding off error 3. Other Expenses include “Net loss on fair value changes”, “Net loss on derecognition of financial instruments under amortized cost category”, “Net Transaction Exchange Loss” and/or “Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt”

Note: Analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs)

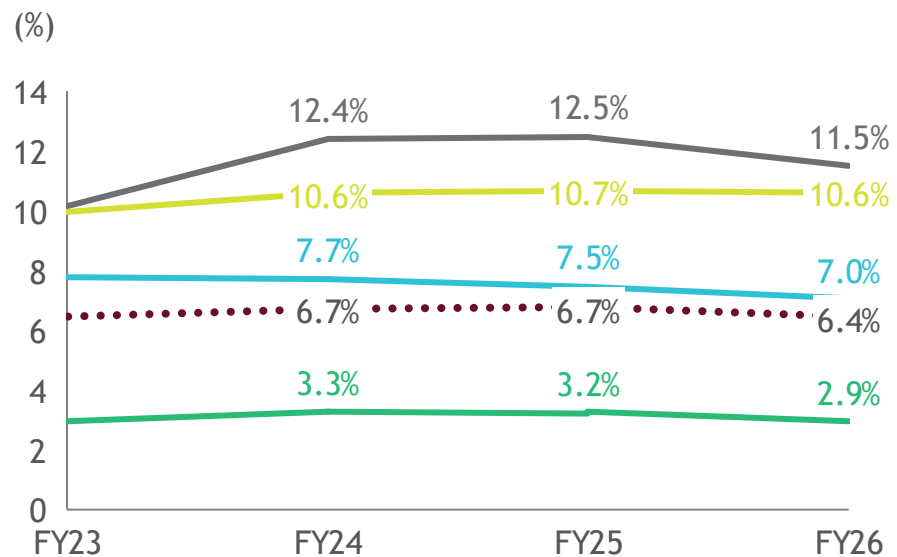
Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



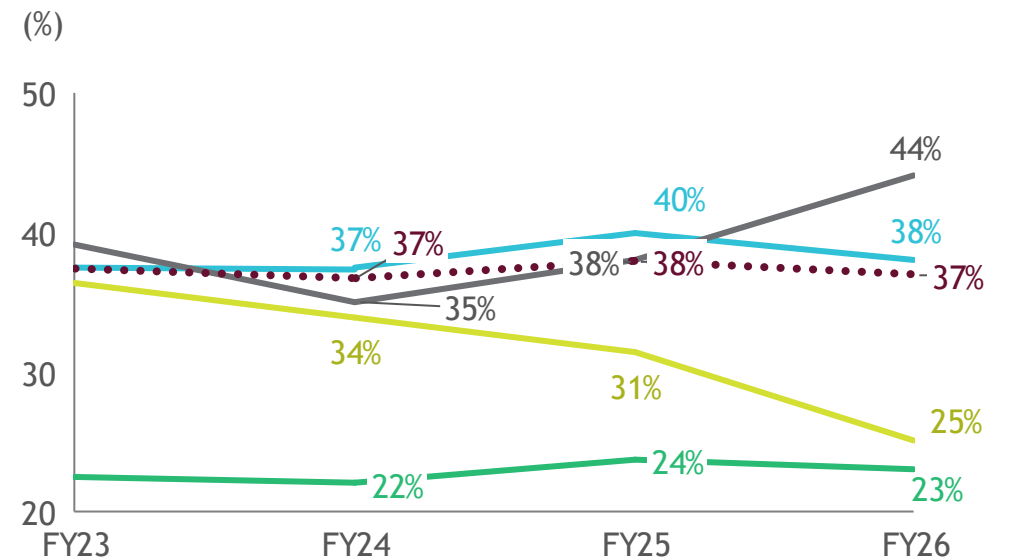
NIM declines across NBFC categories YoY; CIR improvement across the board except MFI



Net Interest Margin¹ by NBFC category (%)



Cost to Income Ratio² by NBFC category (%)



— HFCs — Diversified — MFI — Gold Loan •• NBFC Industry

1 NIM is calculated as (Interest Income-Interest Expense)/Average Assets 2 Cost to Income is calculated as Operation expense/(net interest income + other income)
 Operation Expense excludes “Net loss on fair value changes”, “Net loss on derecognition of financial instruments under amortized cost category”, “Net Transaction Exchange Loss” and/or “Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt”, NIM has been annualized

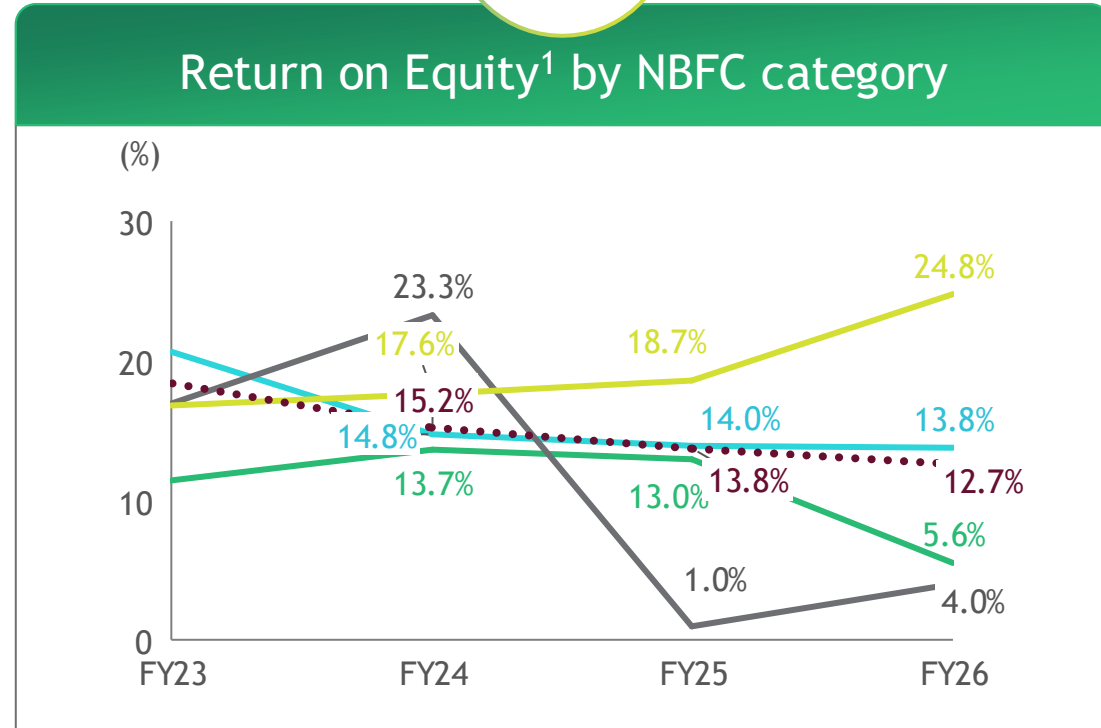
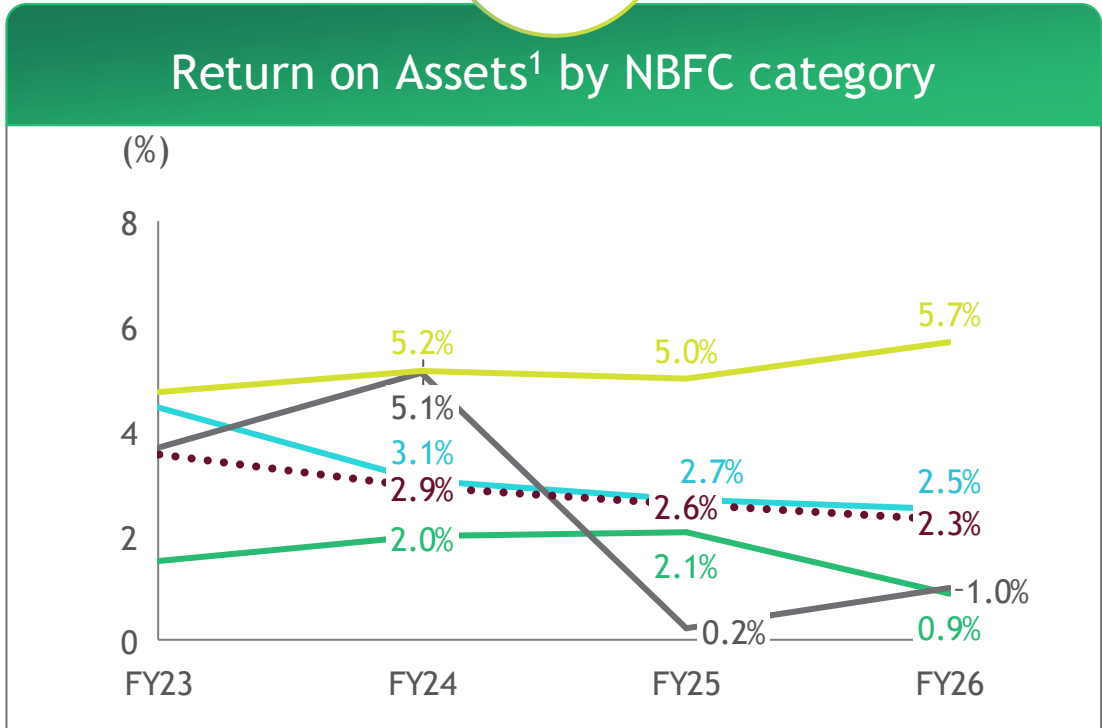
Note: For FY26 & FY25 analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs)

Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



NBFC sector's profitability dipped marginally in FY26

HFCs declined sharply while Gold Loan NBFCs and MFIs improve



— HFCs — Diversified — MFI — Gold Loan •• Industry

1. Return on Assets is calculated as net profit/average assets 2. Return on Equity is calculated as net profit/average shareholders' fund; Both have been annualized
Note: For FY26 & FY25 analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs)
Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis

India NBFC Sector Update - FY26

Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

> NPA & Risk Management

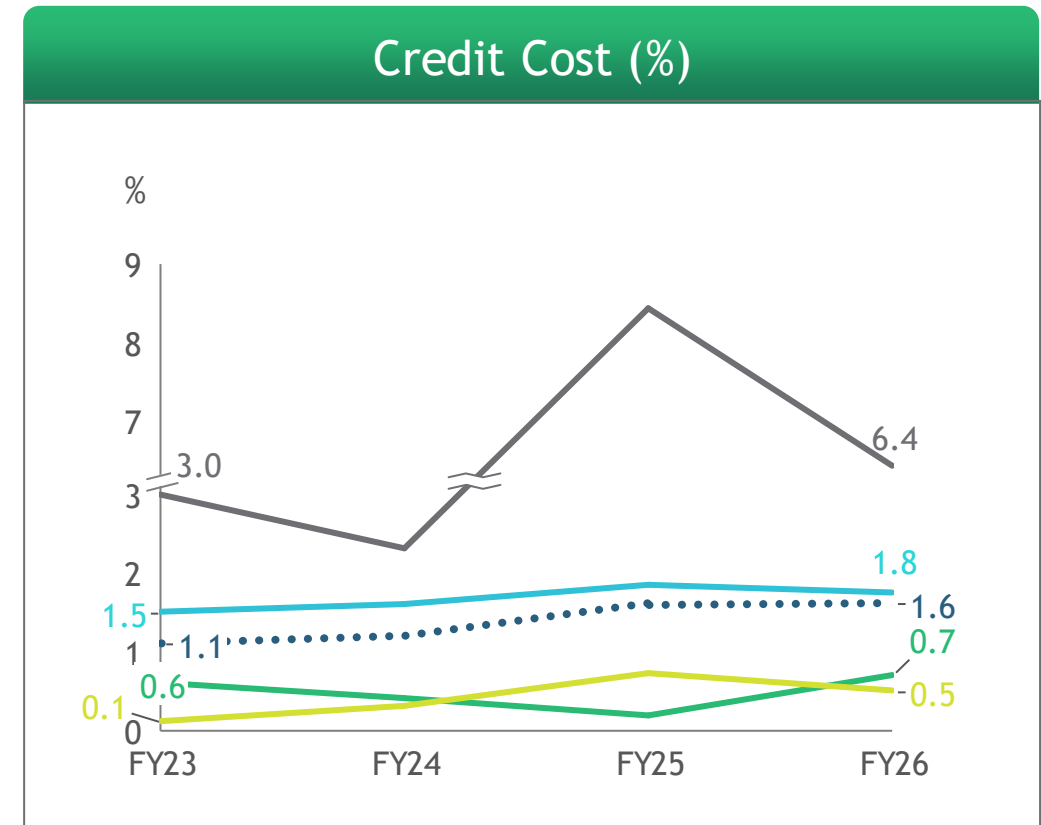
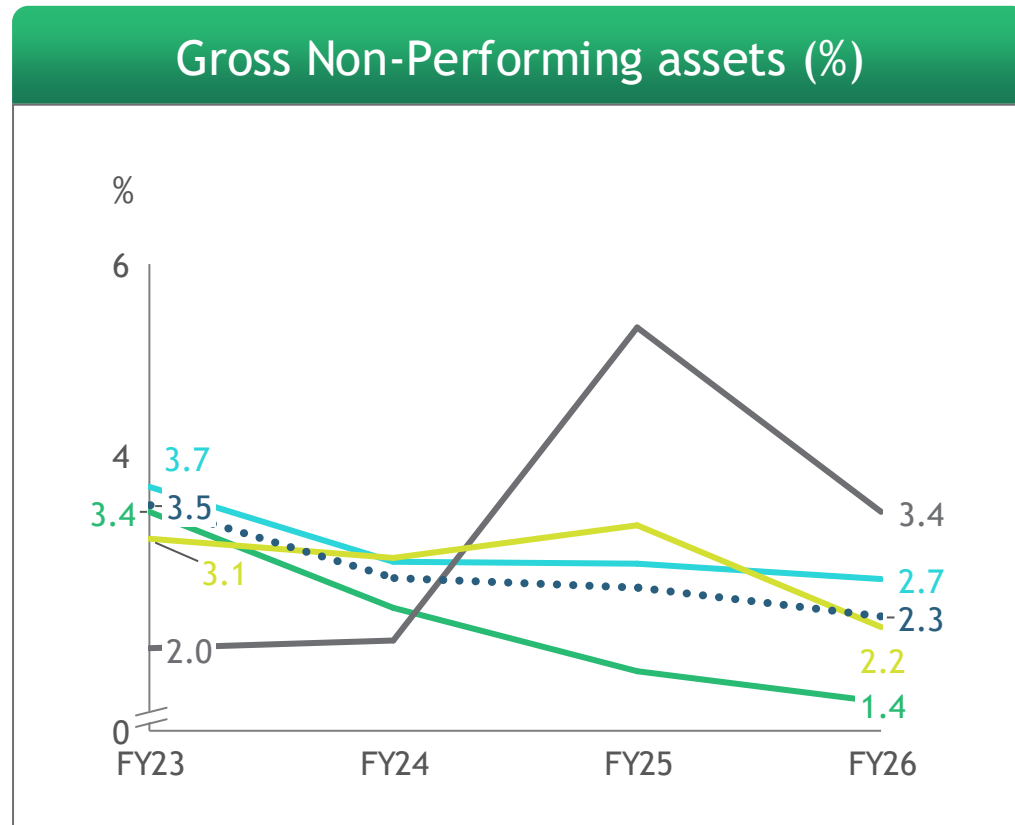
Valuation

Recent Trends

Player Performance



GNPAs have improved steadily, but credit costs are gradually inching up



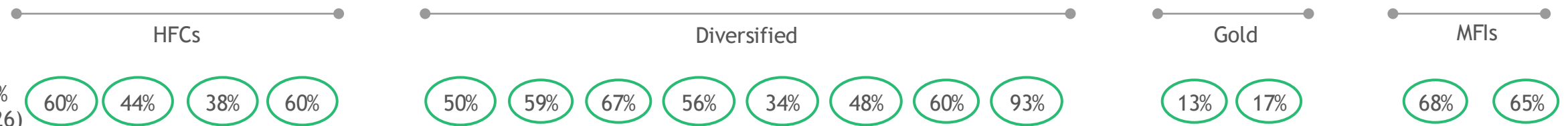
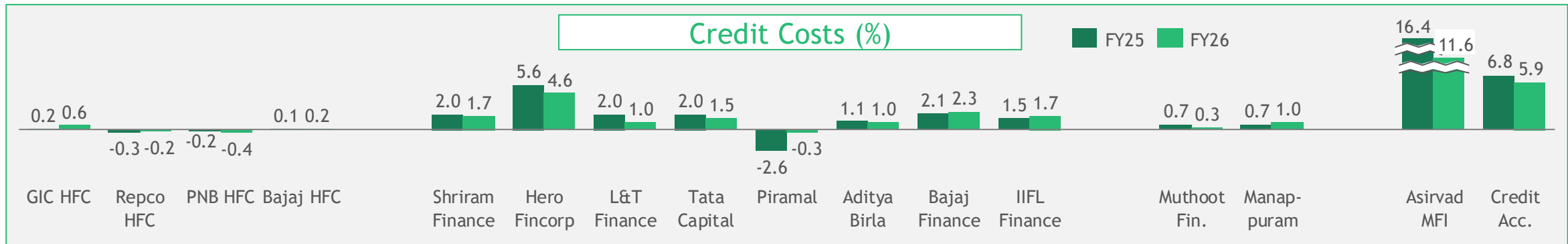
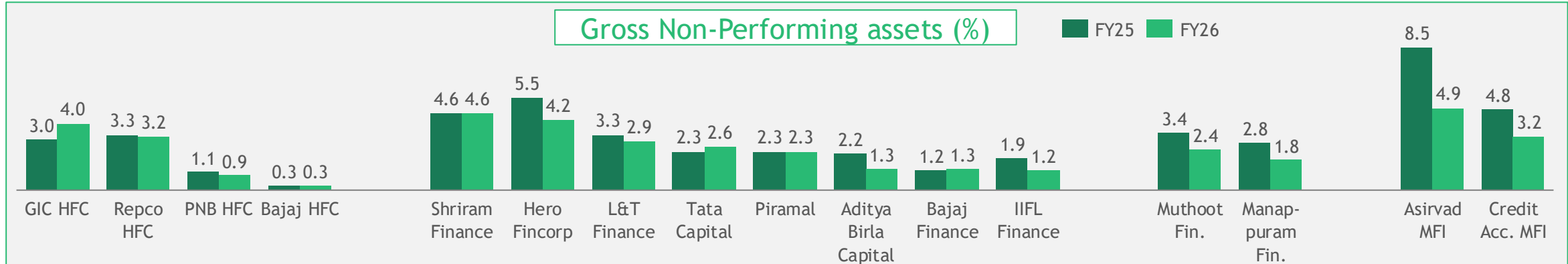
— HFCs — Diversified — MFI — Gold •• Industry

1. Credit costs calculated as Impairment on financial instruments as % of Average Assets
 GNPA and Credit costs for NBFC categories has been calculated based on weighted average
 Note: For FY26 & FY25 analysis has been made based on 30 NBFCs (9 HFCs, 2 Gold, 3 MFI, 1 Cards and 15 Diversified NBFCs)
 Source: Financial Results, BCG analysis



Improved asset quality for most NBFCs

Select NBFCs



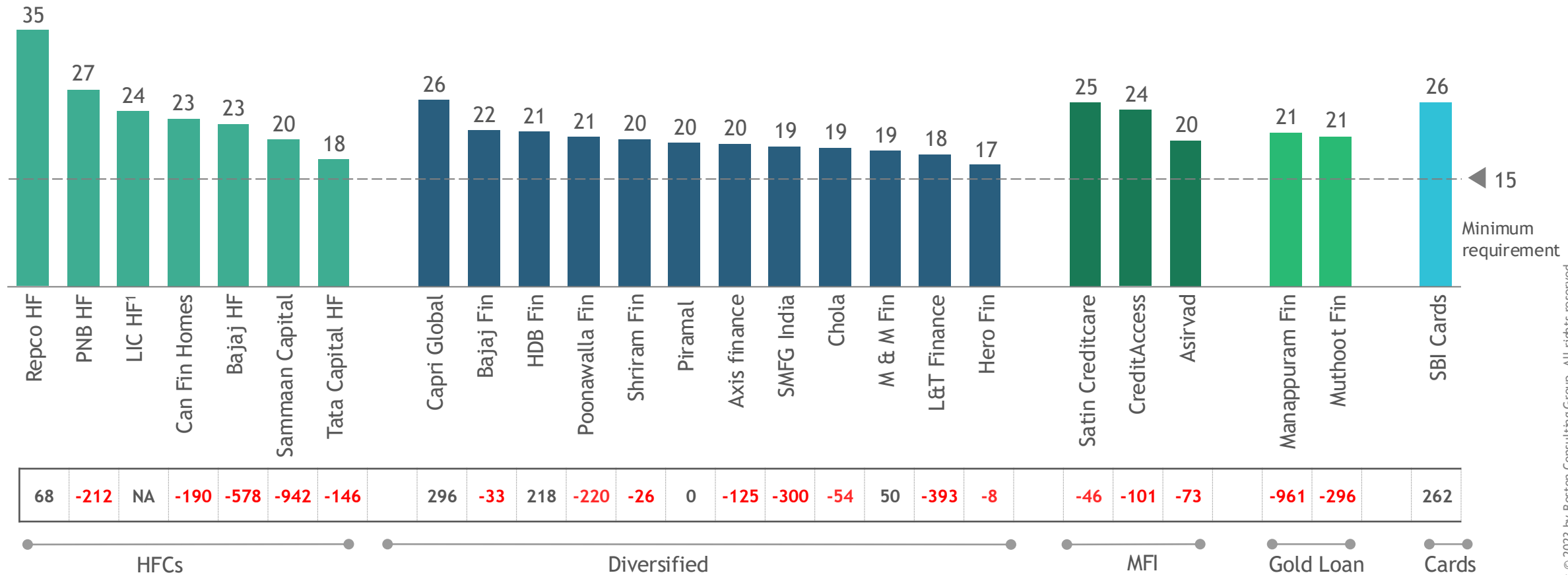
Source: Investor Presentation, Analyst Reports, BCG Analysis



NBFCs maintain comfortable capitalization in FY26 despite de-growth in capital ratios for most players

Capital to Risk-weighted assets ratio of NBFC players (%)

Select NBFCs



1. As of Sept 2025

Source: Capitaline, Investor presentation, Press release, RBI, CARE Ratings, BCG Analysis

India NBFC Sector Update - FY26

Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

NPA & Risk Management

> Valuation

Recent Trends

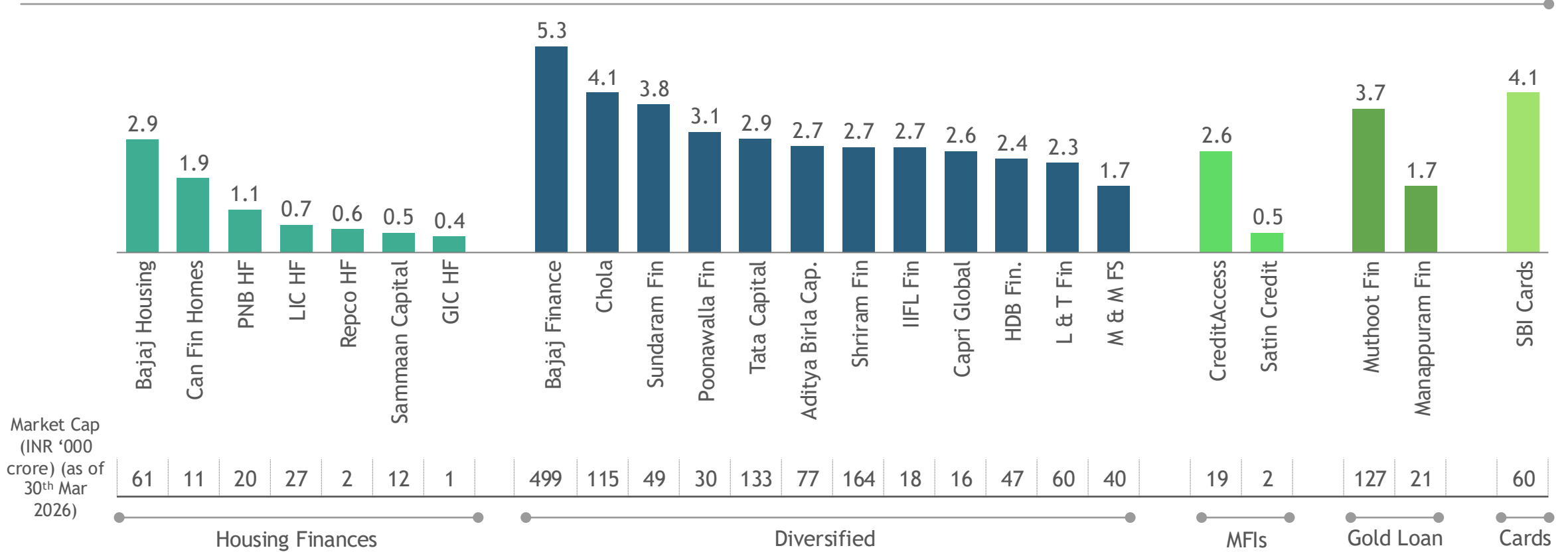
Player Performance



Diversified, Gold loan and Card NBFCs command premium valuation; several HFCs still trading at discount

Price to book ratio (as of 30th Mar 2026)

Listed NBFCs



India NBFC Sector Update - FY26

Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

NPA & Risk Management

Valuation

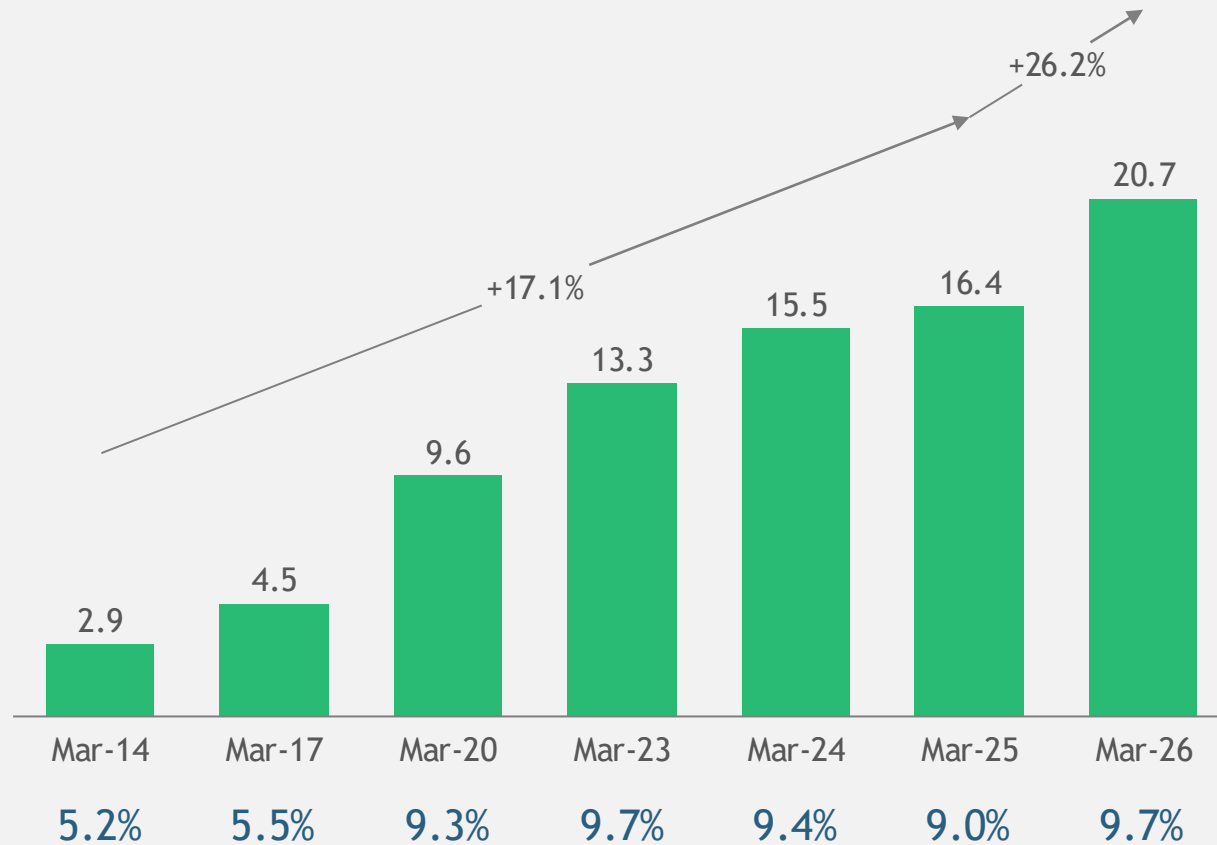
 Recent Trends

Player Performance

Bank lending to NBFCs: A decade of strong bank credit growth to NBFCs continued in FY26



Deployment of Bank Credit to NBFCs (INR lakh cr.)



- The share of bank advances to NBFCs rose from 5.2% in FY14 to a peak of 9.7% in FY23, declined to 9.0% by FY25, and rebounded to 9.7% in FY26, reflecting renewed momentum in bank lending to NBFCs.
- FY25 dip reflected higher risk weights on NBFC exposures; with RBI restoring earlier norms effective April 2025, bank credit to NBFCs revived through FY26.

Share of lending to NBFCs in overall bank exposure



Key regulatory measures (1 / 3)

	<p>Mar 25 RBI advises NBFCs to curb perpetual credit lines</p>	<p>The RBI has cautioned NBFCs on perpetual credit lines, citing risks of loan evergreening and financial instability, urging lenders to slow down issuance of such flexible credit products</p>
	<p>Mar 25 RBI issues SRO framework for Account Aggregators</p>	<p>The framework outlines criteria for recognising Self-Regulatory Organisations (SROs) in the AA ecosystem, defining rules on governance, eligibility, functions, and oversight to strengthen compliance, innovation, and grievance redressal</p>
	<p>Apr 25 Draft Non-Fund Based Credit Facilities Directions</p>	<p>NBFCs in middle and upper layers can issue performance guarantees, with total guarantees capped at 5% of assets, of which unsecured must be ≤25%, and a max tenor of 10 years</p>
	<p>Apr 25 Draft Lending Against Gold Collateral Directions</p>	<p>RBI mandates NBFCs to cap gold loan LTV at 75% (irrespective of end use), apply standardised valuation, ensure fair storage/audit practices, and comply with enhanced conduct norms</p>
	<p>May 25 IRDAI Bancassurance Commission Reform (Proposal)</p>	<p>The IRDAI has proposed replacing insurer-paid commissions with a transaction fee model, allowing banks & NBFCs to charge borrowers directly. It aims to curb mis-selling of insurance bundled with loans</p>
	<p>Aug 25 RBI (Non-Fund Based Credit Facilities) Directions, 2025</p>	<p>Final rules harmonizing NBFCs' issuance of guarantees, letters of credit, and other non-fund facilities under a single consolidated framework, replacing prior fragmented guidelines</p>



Key regulatory measures (2/3)

	<p>Oct 25 RBI Draft NBFC Lending to Related Parties Directions, 2025</p>	<p>Proposes stricter controls on loans by NBFCs to directors and other related parties, expanding the definition of “related party” and mandating enhanced governance, disclosures, and periodic reporting</p>
	<p>Oct 25 RBI Draft NBFC SBR Amendment (Infrastructure Risk Weights)</p>	<p>Proposes lower capital risk weights for NBFCs financing “high-quality” infrastructure projects, with risk weights reduced to 50-75% based on the project’s operational track record and initial loan repayments</p>
	<p>Nov 25 Consolidated NBFC Master Directions / SBR framework 2025</p>	<p>Consolidates directions for NBFCs under the Scale-Based Regulation framework covering classification into layers, capital requirements, governance, exposure limits, and disclosure norms</p>
	<p>Dec 25 RBI (KYC Directions) Updated framework 2025</p>	<p>RBI updates KYC directions applicable to NBFCs, requiring Board-approved KYC policies, customer identification procedures, risk categorization, and ongoing monitoring of transactions</p>
	<p>Jan 26 RBI (Credit Risk Management) Amendment Directions, 2026</p>	<p>Tightens governance on related-party exposures, mandating committee-based approvals, clearer definitions of related parties (directors, KMPs, entities), and enhanced disclosures</p>
	<p>Jan 26 RBI (NBFC- Internal Ombudsman) Directions, 2026</p>	<p>RBI mandates independent grievance redressal within NBFCs, requiring all rejected/partially accepted complaints to be reviewed by an Internal Ombudsman before final closure, strengthening customer protection</p>



Key regulatory measures (3/3)

	<p>Feb 26 RBI (Registration, Exemption, Framework for Scale based Regulation) Amendment Directions 2026</p>	<p>Proposes regulatory relaxation for low-risk NBFCs, exempting entities with no public funds, no customer interface, and assets < INR 1,000 crore from registration to reduce compliance burden</p>
	<p>Mar 26 NBFC- Prudential Norms for Capital Adequacy, Directions 2026</p>	<p>Computation of Owned Funds, allowing inclusion of interim/quarterly profits (subject to audit safeguards) while ensuring deduction of losses and dividend adjustments,</p>
	<p>Mar 26 Concentrated Risk Norms, Amendment Directions 2026</p>	<p>RBI aligns definitions of Owned Fund and Tier 1 capital with capital adequacy directions and required auditor certification for recognition of capital for exposure limits</p>

India NBFC Sector Update - FY26

Macro Indicators

Key Performance Indicators - (Banks + NBFCs)

Key Performance Indicators - NBFC Sector

NPA & Risk Management

Valuation

Recent Trends

 Player Performance



Player performance (I/IV) - Standalone

	Period	Advances ¹ Rs LCr		NIM ² (%)		CIR ³ (%)		GNPA (%)		ROA ² (%)		ROE ⁴ (%)	
LIC HFL LIC HOUSING FINANCE LTD	FY26	3.2	▲ 4%	2.6	▼ 5 bps	15.1	▼ 124 bps	2.2	▼ 32 bps	1.8	▼ 4 bps	14.4	▼ 163 bps
	FY25	3.0		2.7		16.4		2.5		1.8		16.0	
SAMMAAN CAPITAL	FY26	0.3	▼ 21%	0.0	▼ 320 bps	47.0	▲ 1436 bps	0	▼ 183 bps	-10.9	▼ 1233 bps	-35.6	▼ 4019 bps
	FY25	0.4		3.2		32.6		1.8		1.4		4.6	
pnb Housing Ghar Ki Baat	FY26	0.9	▲ 16%	3.4	▼ 3 bps	14.5	▼ 1031 bps	0.9	▼ 15 bps	2.6	▲ 13 bps	12.9	▲ 64 bps
	FY25	0.7		3.5		24.8		1.1		2.5		12.3	
HOUSING FINANCE	FY26	1.2	▲ 24%	3.3	▲ 1 bps	19.7	▼ 114 bps	0.3	▼ 2 bps	2.2	▼ 12 bps	12.1	▼ 139 bps
	FY25	1.0		3.3		20.9		0.3		2.3		13.4	
TATA CAPITAL Housing Finance	FY26	0.8	▲ 26%	3.8	▼ 1 bps	31.1	▼ 319 bps	0.7	▼ 4 bps	2.3	▼ 7 bps	18.2	▼ 108 bps
	FY25	0.7		3.8		34.3		0.8		2.4		19.3	
CanFinHomes Ltd Sponsor CANARA BANK EXCELLENCE IN SERVICES Transforming Dreams into Reality	FY26	0.4	▲ 10%	3.8	▲ 30 bps	18.8	▲ 174 bps	0.9	▼ 2 bps	2.6	▲ 35 bps	19.7	▲ 144 bps
	FY25	0.4		3.5		17.1		0.9		2.2		18.2	
IIFL HOME LOAN	FY26	0.3	▼ 1%	5.5	▼ 107 bps	31.1	▲ 167 bps	1.2	▼ 61 bps	2.5	▼ 121 bps	9.6	▼ 469 bps
	FY25	0.3		6.6		29.4		1.8		3.7		14.3	
GIC HOUSING FINANCE LTD. YOUR ROAD TO A DREAM HOME	FY26	0.1	▲ 6%	3.4	▲ 15 bps	42.3	▲ 353 bps	4.0	▲ 93 bps	1.4	▼ 11 bps	7.6	▼ 85 bps
	FY25	0.1		3.3		38.8		3.0		1.5		8.4	
Repco Home Finance We value your Dream	FY26	0.2	▲ 11%	4.9	▼ 1 bps	31.8	▲ 391 bps	3.2	▼ 7 bps	2.9	▼ 24 bps	12.2	▼ 182 bps
	FY25	0.1		4.9		27.9		3.3		3.2		14.0	

Note: Calculated ratios may not match with reported figures due to differences in formula

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Source: RBI; Capitaline; Press releases; BCG analysis

xxx Change vs. last year



Player performance (II/IV) - Standalone

	Period	Advances ¹ Rs LCr		NIM ² (%)		CIR ³ (%)		GNPA (%)		ROA ² (%)		ROE ⁴ (%)	
AXIS FINANCE	FY26	0.5	▲ 23%	4.4	▲ 24 bps	30.5	▲ 244 bps	0.9	▲ 7 bps	1.8	▲ 4 bps	14.2	▲ 25 bps
	FY25	0.4		4.1		28.0		0.9		1.8		13.9	
BAJAJ FINANCE	FY26	3.7	▲ 21%	10.0	▲ 2 bps	34.4	▼ 45 bps	1.3	▲ 9 bps	4.5	▼ 56 bps	18.6	▼ 219 bps
	FY25	3.0		10.0		34.8		1.2		5.0		20.8	
SHRIRAM Finance	FY26	2.8	▲ 15%	8.2	▼ 6 bps	30.1	▼ 41 bps	4.6	▲ 3 bps	3.3	▼ 42 bps	16.4	▼ 223 bps
	FY25	2.5		8.2		30.5		4.6		3.7		18.6	
L&T Finance	FY26	1.2	▲ 26%	4.5	▼ 331 bps	44.8	▲ 170 bps	2.9	▼ 41 bps	1.4	▼ 95 bps	11.6	▲ 84 bps
	FY25	0.9		7.8		43.1		3.3		2.4		10.7	
Chola <i>Enter a better life</i>	FY26	2.2	▲ 20%	6.3	▼ 1 bps	38.5	▼ 83 bps	4.4	▲ 39 bps	2.3	▼ 4 bps	19.3	▼ 40 bps
	FY25	1.8		6.3		39.3		4.0		2.4		19.7	
Mahindra FINANCE	FY26	1.3	▲ 12%	6.3	▲ 34 bps	38.4	▼ 336 bps	3.4	▼ 30 bps	2.0	▲ 11 bps	12.5	▲ 13 bps
	FY25	1.2		5.9		41.7		3.7		1.9		12.4	
HDB FINANCIAL SERVICES <small>From the trusted family of HDFC Bank Ltd.</small>	FY26	1.1	▲ 11%	7.7	▲ 32 bps	46.6	▼ 255 bps	2.4	▲ 18 bps	2.2	▲ 3 bps	13.9	▼ 78 bps
	FY25	1.0		7.4		49.1		2.3		2.2		14.7	
ADITYA BIRLA CAPITAL	FY26	1.5	▲ 23%	4.5	▼ 16 bps	32.2	▲ 313 bps	1.3	▼ 91 bps	2.0	▼ 29 bps	11.5	▼ 98 bps
	FY25	1.2		4.7		29.0		2.2		2.3		12.5	
TATA CAPITAL <i>Count on us</i>	FY26	1.8	▲ 19%	5.0	▼ 47 bps	40.0	▼ 170 bps	2.6	▲ 28 bps	1.7	▼ 5 bps	9.6	▼ 138 bps
	FY25	1.6		5.5		41.7		2.3		1.7		10.9	

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Source: RBI; Capitaline; Press releases; BCG analysis

xxx Change vs. last year



Player performance (III/IV) - Standalone

	Period	Standalone financials											Select NBFCs	
		Advances ¹ Rs LCr	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	ROE ⁴ (%)							
 HeroFinCorp. <small>Finance Made Easy</small>	FY26	0.5	▼ 9 bps	7.8	▼ 105 bps	47.7	▲ 639 bps	4.2	▼ 122 bps	-0.6	▼ 68 bps	-5.3	▼ 634 bps	
	FY25	0.5		8.8		41.3		5.5		0.1		1.0		
 SMFG <small>IndiaCredit</small> <small>Progress Ke Saath Panchamam</small>	FY26	0.5	▲ 16%	12.2	▲ 66 bps	24.6	▼ 474 bps	2.3	▲ 40 bps	0.6	▼ 11 bps	3.3	▼ 90 bps	
	FY25	0.4		11.6		29.4		1.9		0.7		4.2		
 IIFL FINANCE	FY26	0.4	▲ 67%	7.7	▲ 128 bps	47.3	▼ 1369 bps	1.2	▼ 73 bps	2.8	▲ 419 bps	16.4	▲ 2317 bps	
	FY25	0.2		6.5		61.0		1.9		-1.4		-6.8		
 Piramal <small>Piramal Enterprises Limited</small>	FY26	0.8	▲ 29%	4.3	▼ 126 bps	67.2	▼ 2765 bps	2.3	-	1.5	▲ 59 bps	5.6	▲ 319 bps	
	FY25	0.7		5.6		94.9		2.3		0.9		2.4		
 POONAWALLA <small>FINCORP</small>	FY26	0.6	▲ 71%	7.1	▼ 91 bps	52.0	▲ 434 bps	1.4	▼ 40 bps	1.1	▲ 147 bps	5.9	▲ 709 bps	
	FY25	0.3		8.0		47.7		1.8		-0.3		-1.2		
 CAPRI GLOBAL <small>CAPITAL LIMITED</small>	FY26	0.2	▲ 58%	8.8	▲ 67 bps	50.3	▼ 624 bps	0.9	▼ 66 bps	3.8	▲ 83 bps	15.4	▲ 439 bps	
	FY25	0.1		8.2		56.6		1.6		3.0		11.0		

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Source: RBI; Capitaline; Press releases; BCG analysis

xxx

Change vs. last year



Player performance (IV/IV) - Standalone

		Standalone financials						Select NBFCs	
		Period	Advances ¹ Rs LCr	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	ROE ⁴ (%)	
MFI		FY26	0.3 ▲ 15%	12.9 ▲ 23 bps	32.5 ▲ 182 bps	3.2 ▼ 159 bps	2.6 ▲ 73 bps	10.5 ▲ 265 bps	
		FY25	0.2	12.7	30.7	4.8	1.9	7.9	
MFI		FY26	0.1 ▼ 14%	8.0 ▼ 528 bps	80.3 ▲ 3509 bps	4.9 ▼ 369 bps	-6.7 ▼ 65 bps	-29.1 ▲ 581 bps	
		FY25	0.1	13.3	45.2	8.5	-6.0	-34.9	
MFI		FY26	0.1 ▲ 11%	10.4 ▼ 70 bps	53.9 ▲ 535 bps	3.1 ▼ 58 bps	2.5 ▲ 44 bps	10.1 ▲ 226 bps	
		FY25	0.1	11.1	48.6	3.7	2.1	7.9	
Gold		FY26	1.6 ▲ 49%	11.4 ▲ 124 bps	20.1 ▼ 692 bps	2.4 ▼ 106 bps	6.7 ▲ 169 bps	30.6 ▲ 1090 bps	
		FY25	1.1	10.1	27.0	3.4	5.0	19.7	
Cards		FY26	0.5 ▲ 67%	8.6 ▼ 363 bps	44.3 ▲ 249 bps	1.8 ▼ 96 bps	2.8 ▼ 199 bps	11.0 ▼ 511 bps	
		FY25	0.3	12.2	41.8	2.8	4.8	16.1	
Cards		FY26	0.5 ▲ 2%	10.4 ▲ 38 bps	55.3 ▲ 356 bps	2.4 ▼ 67 bps	3.3 ▲ 19 bps	14.7 ▼ 13 bps	
		FY25	0.5	10.0	51.8	3.1	3.1	14.8	

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Source: RBI; Capitaline; Press releases; BCG analysis

xxx Change vs. last year

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