



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

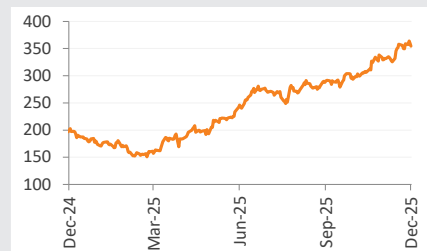
Company details

Market cap:	Rs. 92,675 cr
52-week high/low:	Rs. 369/149
NSE volume: (No of shares)	55.0 lakh
BSE code:	540691
NSE code:	ABCAPITAL
Free float: (No of shares)	77.0 cr

Shareholding (%)

Promoters	68.7
FII	6.1
DII	12.82
Others	12.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	7.6	22.1	43.9	75.2
Relative to Sensex	6.5	18.1	41.1	71.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Aditya Birla Capital Ltd

Outlook strong, lending biz returns to pick up

NBFC	Sharekhan code: ABCAPITAL		
Reco/View: Positive	↔	CMP: Rs. 354	PT: Rs. 407 ↑

Summary

- NBFC business' returns to improve to 2.4% in Q4FY26, and that of HFC business to 2-2.2% in 7-8 quarters. AUMs of both business to steadily grow over 20% in 2-3 years.
- Management eyes stable VNB margins of 18% despite GST cuts. Health insurance to clock better profitability led by lower combined ratio. AMC business to benefit from industry tailwinds over the medium to long term.
- Consolidated PAT CAGR is expected at 24% over FY25-28E, driving RoE >16% in FY28.
- Strong outlook across business segments drives our continued positive view on company with a revised SoTP-based PT of Rs. 407, indicating a potential upside of ~15%.

Q2FY26 numbers were robust and here's a quick business-wise view

- NBFCs** – Q2 AUMs grew 22 y-o-y% as asset quality improved. Management eyes >20% growth in three years driven by retail, corporate and SME books, on strong demand and lower GST rates on auto and consumer durables, besides the thrust on high-margin unsecured loan segment in FY27E.
 - Business' asset quality improved, with GNPA falling to 1.68% as of September 2025, down 82/59 bps (y-o-y/q-o-q), and is expected to be steady in H2FY26.
 - NIMs stood at 6.02% in H1FY26, down from 6.22% in FY25 and 6.42% in H1FY25, on lower contribution of unsecured segment to AUMs in FY25. NIMs to improve on lower borrowing costs and a planned increase in unsecured portfolio mix, which will in turn drive up RoA from 2.2% in Q2FY26 to 2.4-2.5% in Q4FY26.
- HFCs** - AUMs rose 65% y-o-y and 11% q-o-q and are likely to continue strongly, in turn driving operating leverage and RoA from 1.82% in Q2FY26 to 2-2.2% in 7-8 quarters, supported by stable asset quality, as reflected in the low GS-3 asset ratio of 0.61%.
- Life insurance** - Growth was robust as company gained market share among private players in terms of Individual FYP. VNB margins of above 18% eyed by year-end, despite GST rate cuts, which in turn also bodes well for embedded value. Health insurance business' profitability would pick up on a lower combined ratio.
- AMC** - The business would benefit from industry tailwinds.

Our Call

Valuation – Stay positive; revise PT to Rs. 407: AB Capital has been performing well over the last couple of quarters despite macroeconomic challenges. Now, as the business environment becomes favourable on policy tailwinds financials would improve further as detailed above. We therefore stay positive on company with a revised SoTP-based PT to Rs. 407 or a potential upside of ~15%. Cross-selling, investments in digital, and leveraging 'One ABC' will lead to Consolidated PAT CAGR at ~24% over FY25-28E and RoE is to expand to >16% in FY28 from 11.8% in FY25.

Key Risks

Slower growth, asset quality risk, lower margins.

Valuation (Consolidated)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
PBT	4,614	5,475	6,790	8,610	10,905
PAT	3,439	3,410	3,946	5,036	6,510
EPS (Rs.)	12.8	12.6	15.2	19.4	25.0
P/E (x)	27.5	28.1	23.3	18.2	14.2
P/BV (x)	3.4	3.1	2.7	2.4	2.1
RoE (%)	11.2	11.8	12.5	14.1	16.2

Source: Company; Mirae Asset Sharekhan estimates

SoPT based valuation

Entity	Ownership	Value Per share (Rs.)
NBFC	100%	217
HFC	100%	57
AMC	45%	66
Life Insurance	51%	50
Health Insurance	46%	15
AB Money	74%	3
Target Price		407

Source: Company; Mirae Asset Sharekhan Research;

Note: Value per share post holding company discount given on HFC, AMC, Life Insurance, Health Insurance and AB Money

Outlook and Valuation

■ Sector Outlook – Prospects getting brighter

NBFCs have become important constituents of India's financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) in the past few years. They continue to leverage their superior understanding of regional dynamics and customised products and services to expedite financial inclusion. Lower transaction costs, innovative products, quick decision-making, customer orientation and prompt service standards have typically differentiated NBFCs from banks. Considering NBFCs' reach, these are well-suited to bridge the financing gap in a large country like India. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians. Policy initiatives taken by the regulator like reducing repo rate, increasing liquidity into the system and among others are expected to create healthy demand and benefits to the sector.

■ Company Outlook – Better times ahead

The company's businesses are well-diversified and spread across the financial landscape. We expect a consolidated PAT CAGR of ~24% over FY25-28E. Its RoE is expected to rise to 16.2% in FY28 from 11.2% in FY2024 driven by an uptick in growth, operating leverage, benign credit costs, and better return ratios across lending business. Life insurance business is expected to do well with 18% VNB margin. With a focus on profitability, the management plans to aggressively expand the Health Insurance franchise while improving the combined ratio. The AMC business is delivering steady operating performance amid volatile equity market.

■ Valuation – Stay positive; revise PT to Rs. 407

AB Capital has been performing well over the last couple of quarters despite macroeconomic challenges. Now, as the business environment becomes favourable on policy tailwinds financials would improve further as detailed above. We therefore stay positive on company with a revised SoTP-based PT to Rs. 407 or a potential upside of ~15%. Cross-selling, investments in digital, and leveraging 'One ABC' will lead to Consolidated PAT CAGR at ~24% over FY25-28E and RoE is to expand to >16% in FY28 from 11.8% in FY25.

About company

Aditya Birla Capital Limited ("ABCL") is a listed systemically important non-deposit taking NBFC and the holding company of the financial services businesses. Through its subsidiaries/JVs, ABCL provides a comprehensive suite of financial solutions across Loans, Investments, Insurance, and Payments to serve the diverse needs of customers across their lifecycles. As of September 30, 2025, Aditya Birla Capital Limited manages aggregate assets under management of over Rs. 5.5 Lakh Crore with a consolidated lending book of over Rs 1.78 Lakh Crore through its subsidiaries/JVs.

Investment theme

The company's businesses are well-diversified spread across the financial landscape. We expect a consolidated PAT CAGR of ~24% over FY25-28E. RoE is expected to grow at 16.2% in FY28 from 11.8% in FY2025 driven by uptick in growth, operating leverage, benign credit costs, and better return ratios across lending business. The policy tailwinds like reduction in the repo rate (third time in a row from 6.5% to 5.25%) will help to expand NIM and increase volume growth also it will increase liquidity in to the system due to reduction in the CRR will lead for easy accessibility of the capital. In the life insurance business, the management target ~17-18% VNB margin, which is likely to be driven by repricing-led impact, increased attachment of rider benefits, and productivity improvements. With a focus on profitability, the management plans to aggressively expand the Health Insurance franchise while improving the combined ratio. AMC business is delivering steady operating performance amid volatile equity market.

Additional Data

Key management personnel

Name	Designation
Visakha Mulye	CEO & MD
Pinky Mehta	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Grasim Industries Ltd	52.38
2	Birla Group Holdings Pvt Ltd	8.49
3	PI OPPORTUNITIES FUND I	3.03
4	Essel Mining & Industries Ltd	2.05
5	JOMEI INV LTD	2.03
6	Motilal Oswal Asset Management Co	2.00
7	Life Insurance Corp of India	1.73
8	Hindalco Industries Ltd	1.51
9	Surya Kiran Investments Pte Ltd	1.44
10	Pilani Investment & Industries Cor	1.28

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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