Arihant Capital
Generating Wealth

Sales Note
4th September, 2026

Sammaan Capital Ltd

The Reset Is Done - Now Comes the Rebuild

CMP: INR 154

View: Positive

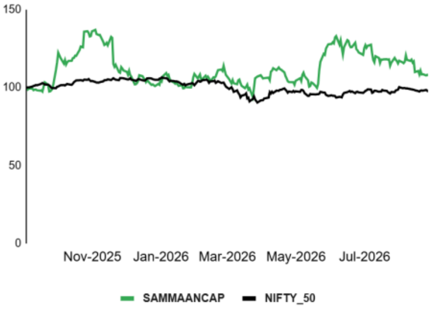
Stock Info	
BSE	535789
NSE	SAMMAANCAP
Sector	BFSI
Face Value (INR)	2.00
Equity Capital (INR Mn)	2290
Mkt Cap (INR Mn)	180,800
52w H/L (INR)	193 / 129
Avg Daily Vol (in 000')	17,320.43

Shareholding Pattern %
(As on March, 2026)

Promoters	28.41%
Public & Others	71.59%

Stock Performance (%)	1m	6m	12m
Sammaan Capital Ltd	(4.74)	7.87	6.41
Nifty 50	(3.46)	(2.31)	(8.53)

Sammaan Capital Ltd Vs Nifty 50



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Sammaan Capital Ltd (SCL, formerly Indiabulls Housing Finance) is a listed, AA+ rated mortgage-led NBFC with an AUM of INR 562,390 mn as at Q1FY27, spread across residential housing and affordable mortgages, secured business, home-equity and micro-LAP lending, and a balancing book of CRE, project, plot and lease-rental-discounting loans. FY26 was a deliberate amputation year: the board reclassified an identified pool of legacy exposures from Hold-to-Collect to Hold-to-Sell under Ind AS 109, sold assets to an ARC and absorbed INR 64,992 mn of exceptional charges, closing the year with zero gross and net NPA on an opening AUM of INR 531,600 mn. In the same quarter Abu Dhabi's IHC, through Avenir Investment, became promoter with a USD 1 bn (INR 88,500 mn) commitment at INR 139 per share. The pain and the capital arrived together, by design. At ~0.94x basic and ~1.0x fully diluted book, the market is still pricing a cleaned, over-capitalised (CAR 20.1%), AA+ rated, sovereign-wealth-backed mortgage lender as an average NBFC - while the company has published a specific, dated walk to 1.8% ROA in FY27, 3.7% in FY28 and 4.4% in FY29. Even partial delivery re-rates the stock.

Investment Rationale

Promoter Transformation Is the Core Event, Not the Quarter: IHC (market capitalisation ~USD 233 bn, 1,300+ subsidiaries) holds 28.41% after the preferential allotment and open offer, rising to 41.24% on full dilution. Of the INR 88,500 mn commitment, INR 56,520 mn was received by 31-Mar-26 and the balance INR 31,980 mn falls due on warrant conversion within 18 months. The Letter of Offer states an intent to build a full-service financial company for middle-income households and small businesses, and four months of function-to-function integration across finance, IT/AI, risk, HR, data and marketing were underway at the Q1FY27 call.

Rating Flywheel Is Spinning Faster Than Expected: All three domestic agencies moved to AA+/Stable within 50 days of funding - CRISIL on 09-Apr-26 (+1), CARE on 12/13-May-26 (+2, off watch) and ICRA on 20-May-26 (+1) - while S&P raised the international rating to BB–/Stable on 02-Jun-26. Brickwork Ratings has since upgraded the long-term debt programme to BWR AAA/Stable. Bond yields tightened ~100 bps post-upgrade. The company targets AAA from the three principal agencies through H2FY27-FY28; we do not build that into base numbers.

Cost-of-Funds Walk Is the P&L Engine: Stock cost of funds was 10.0% in Q1FY27, down from 10.5% at the start of the quarter and ~85 bps below Q2FY26. Guidance is for ~9.6% by Sep-26, ~9.3% by Mar-27 and 7-8% within two to three years, with incremental cost of funds at ~9.0% today targeted at 8.5% by year-end. Every basis point flows through to a book being rebuilt at yields of 8.5-17%.

Snapshot

AUM (Q1FY27)	INR 562,390 mn
Net worth (Q1FY27)	INR 191,415 mn
CAR / Net NPA (Q1FY27)	20.1% / 0.15%
P/B - basic / fully diluted	~0.94x / ~1.0x
Promoter (IHC)	28.41% (31-Mar-26)
FII / DII / Public (Jun-26)	19.6% / 8.0% / 42.7%
Ratings - domestic / international	AA+/Stable / BB–/Stable

Note: Detailed financial estimates are currently under preparation.

Investment Rationale

Growth Is Guided, Dated and Front-Loaded With Proof: FY27 disbursals are guided at INR 300,000–301,000 mn, split H1 INR 100,000 mn and H2 INR 200,000 mn. Q1FY27 landed on plan at INR 38,750 mn and the company confirmed mid-Q2 tracking; FY28 disbursals are guided at INR 400,000–500,000 mn. AUM is guided to INR 707,000 mn by FY27-end against INR 562,390 mn in Q1FY27. The distribution build is equally dated: 240 branches by H1FY27, 270 by FY27-end, ~800 by FY28 and ~1,600 by FY30, alongside ~8,000 employees and roughly a ten-fold larger borrower base by FY27-end. Loan turnaround time is guided down to ~2–3 days from 5–7, and the product count is targeted at 15-plus by FY30 with a mix of 60% secured, 20% unsecured or semi-secured and 20% commercial and wholesale originated through private credit funds. Guidance at this level of specificity is unusual for an NBFC in transition, which makes it testable - and the first two checkpoints have been met.

Asset-Light Model De-Risks Balance-Sheet Growth: INR 1,050,000 mn (USD 11 bn) has been disbursed and sold down across 24 bank and non-bank partnerships to date, with Q1FY27 including an 80:20 arrangement with a large Asia-based credit fund. The stated strategy is to securitise ~30% of flow and retain ~30% securitisable headroom, earning origination and management fees on low-yield products while keeping balance-sheet spread on higher-yield ones. Published guardrails - gearing capped at 3.5–4.0x, CRAR above 20% and a dividend payout of at least 25% of PAT with a 40% target - make the growth plan self-limiting rather than open-ended. The cumulative sell-down record is the evidence that the model works at scale: INR 1,050,000 mn of disbursals have already passed through 24 partner balance sheets, which is roughly twice the size of the on-book AUM the company carries today.

What You Are Not Buying - A Clean Earnings Print: Q1FY27 PAT of INR 2,430 mn leaned on INR 4,910 mn of net fair-value gains, which are recoveries on the written-down FVTPL pool. Recovery income is real cash but terminal, and the equity story requires the operating engine - net interest income plus fees - to take over by FY28. We therefore treat FY27 as a bridge year and underwrite PAT of INR 12,000–13,000 mn against company guidance of INR 14,000 mn.

Outlook: The reset has changed the shape of the risk. Downside is no longer an asset-quality cliff - there is nothing left in Stage 3 to surprise on - but an execution and credibility discount on a company that has published an aggressive multi-year walk. FY27 is a bridge in which recoveries fund the branch and headcount build while the cost-of-funds step-down and AUM compounding hand the P&L over to net interest income from H2FY27. We haircut the company's ROA path by roughly 30–40% in the outer years for execution risk, unsecured-mix seasoning and recovery-income taper, and build in no AAA benefit. The re-rating checkpoints are the Q2FY27 print (H1 disbursals of INR 100,000 mn confirmed and stock cost of funds at or below 9.6%), a domestic AAA action, and visible net interest income handover by Q3FY27. **We carry a Positive view on the stock. A formal rating and target price are not published in this note: detailed financial estimates are still under preparation and will be released once the full model is signed off. On our working numbers the stock trades at ~1.0x fully diluted book against a guided 2%-plus ROA path, and the setup is unusual in that the two things most equity stories wait for - the balance-sheet clean-up and the capital to fund the next cycle - have already happened, in the same quarter and by design.**

Valuation Summary

Year-end March	FY26A	Q1FY27	FY27E	FY28E	FY29E
AUM (INR Mn)	531,600	562,390	660,000–680,000	820,000–880,000	1,000,000–1,100,000
PAT (INR Mn)	(71,520)	2,430	12,000–13,000	19,000–23,000	28,000–33,000
ROA (%)	n.m.	n.m.	1.6–1.7	2.3–2.7	2.9–3.3
Fully diluted BVPS (INR)	–	~151	–	170–175	–
P/B on fully diluted BVPS (x)	–	~1.0	–	–	–
CAR (%)	20.2	20.1	>20	>20	>20
Gross NPA / Net NPA (%)	Nil / Nil	– / 0.15	–	–	–

Source: Arihant Capital Research, Company Reports

The FY26 Balance-Sheet Reset - Mechanics and Why It Matters

The March-2026 clean-up was not an incremental provision cycle; it was a business-model reclassification under Ind AS 109. In two board actions dated 30-Mar-26 and 15-May-26 the company identified a pool of legacy loan exposures and investments, moved them from Hold-to-Collect (amortised cost) to Hold-to-Sell (FVTPL), fair-valued them, and sold assets to an ARC on 30-Mar-26. Statutory auditors Nangia & Co LLP and M Verma & Associates flagged the transaction through an Emphasis-of-Matter paragraph - not a qualification - referencing Note 7 of the standalone results.

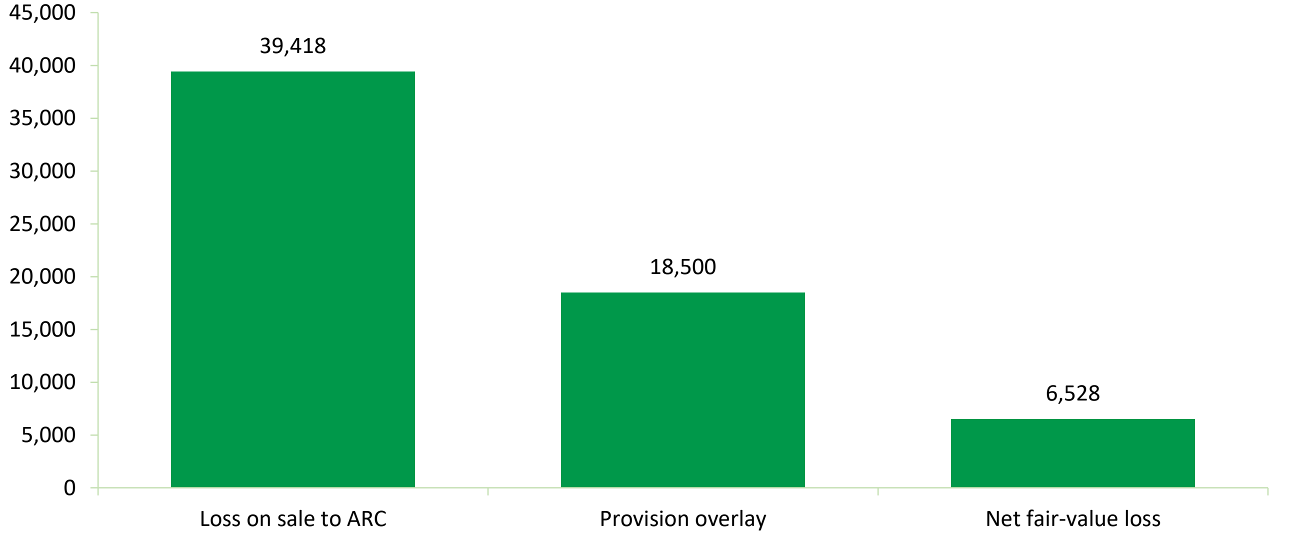
FY26 exceptional stack (consolidated)	INR Mn	Note
Exceptional items - total	64,992	Includes ARC-sale loss below
of which: loss on sale to ARC (30-Mar-26)	39,418	Identified legacy pool
Net fair-value loss (FVTPL reclassification)	6,528	Ind AS 109 HtC → HtS
Provision overlay (above model ECL)	18,500	Buffer for terminal credit costs
Reported FY26 net loss	**(71,520)**	**Zero gross and net NPA achieved**

Source: Arihant Capital Research, Company Reports

The post-reset position is one unified opening AUM of INR 531,600 mn carrying nil gross and net NPA, provision buffers stated to capture terminal credit costs of ~1.9% annualised on ~INR 3,600,000 mn of cumulative disbursals, net worth of INR 189,910 mn and CAR of 20.2%. The historical proof-point the company leans on is that this book serviced ~INR 1,300,000 mn of net borrowings since Sep-18, with gross debt repayment of INR 1,670,000 mn by Dec-23 - the largest deleveraging in Indian NBFC history - without a default. That track record is the reason the reset reads as a deliberate accounting decision rather than a distress event: the company was servicing its obligations throughout, and chose to crystallise the legacy pool once capital and a new promoter were secured.

Why the accounting choice matters for the thesis: by crystallising legacy losses through FVTPL and the ARC sale, future recoveries on that pool now come back through 'net gain on fair value changes' rather than provision write-backs. This converts a decade of legacy drag into a two-to-three year stream of recovery income - Q1FY27 gross recovery was INR 4,240 mn and net recovery INR 2,400 mn, and the company asserts internal recovery projections will be exceeded. It also means the reported net NPA of 0.15% is definitionally clean: there is nothing left to hide in Stage 3, and equally nothing left to release from it. The corollary is that FY27 earnings must be judged on the operating line rather than the headline, because the clean-up has converted a legacy problem into a recovery-income asset with a finite life.

Exhibit: Components of the FY26 Clean-Up (INR Mn)



Source: Arihant Capital Research, Company Reports

The IHC Transaction - Structure, Economics, Intent

Term	Detail
Investor	IHC group (Abu Dhabi) via Avenir Investment; PAC structure 99.99% IHC Companies Management LLC
Total commitment	USD 1 bn / INR 88,500 mn
Instruments	330,000,111 fully paid equity shares at INR 139 plus subscription warrants (25% upfront)
Received (31-Mar-26)	INR 56,520 mn (USD 592 mn) - equity plus 25% warrant money
Balance	INR 31,980 mn on warrant conversion within 18 months (by ~Sep-27)
Holding	28.41% post preferential allotment and open offer → 41.24% fully diluted on full conversion
Stated intent (Letter of Offer)	Improved credit rating, long-term stability, technology leverage; evolve into a full-service financial company for middle-income households and small businesses

Source: Arihant Capital Research, Company Reports

The read-through for minority shareholders is mixed but net positive. The entry price of INR 139 sits below CMP of ~INR 154 and well below basic book of ~INR 163, so it is dilutive to book value per share - that is the price of certainty after the Indiabulls-era discount. The warrant leg is effectively a pre-committed FY28 capital raise at a known price; combined with the CRAR guardrail above 20%, equity is not a constraint on the INR 2,000,000 mn AUM aspiration for years. The governance signal - a promoter with a USD 233 bn market capitalisation, function-level integration across six corporate functions and succession planning discussed openly on the Q4FY26 call - is what unlocked three rating upgrades in 50 days. Capital alone would not have. The Letter of Offer is also explicit about direction rather than merely support: the stated ambition is to evolve SCL into a full-service financial company serving middle-income households and small businesses, which is a materially wider mandate than the mortgage-led book the company runs today and explains why the product count is guided to 15-plus by FY30.

Ratings and Funding Flywheel - The Re-Rating Transmission

Agency	New	Old	Date / notches
CRISIL (S&P Global)	AA+/Stable	AA/Stable	09-Apr-26, +1
CARE Ratings	AA+/Stable	AA–/Watch	12/13-May-26, +2
ICRA (Moody's affiliate)	AA+/Stable	AA/Stable	20-May-26, +1
Brickwork Ratings (BWR)	AAA/Stable	AA+	+2 (long-term debt programme)
S&P Global (international)	BB–/Stable	B+	02-Jun-26, +1

Source: Arihant Capital Research, Company Reports

Cost-of-funds walk	Q1FY27	Sep-26	Mar-27	2-3 years
Stock cost of funds (%)	10.0	~9.6	~9.3	7.0-8.0
Incremental cost of funds (%)	~9.0	–	8.5	–

Source: Arihant Capital Research, Company Reports

Transmission evidence to date is concrete: SCL bond yields are ~100 bps tighter post-upgrade, the USD bonds trade at a premium to comparably rated peers following the USD 63 mn buyback, and stock cost of funds has already fallen to 10.0% in Q1FY27 from 10.5% at the start of the quarter. The walk is the highest-conviction lever in the model because it is contractual repricing plus mix, not demand-dependent. Brickwork has already assigned BWR AAA/Stable on the long-term debt programme; the remaining optionality is an AAA from the three principal agencies through H2FY27-FY28, a move that has historically compressed NBFC spreads a further 40-80 bps and opens the deepest insurance and pension pools. We do not build that into base numbers.

Growth Engine - The Portfolio Today (Q1FY27)

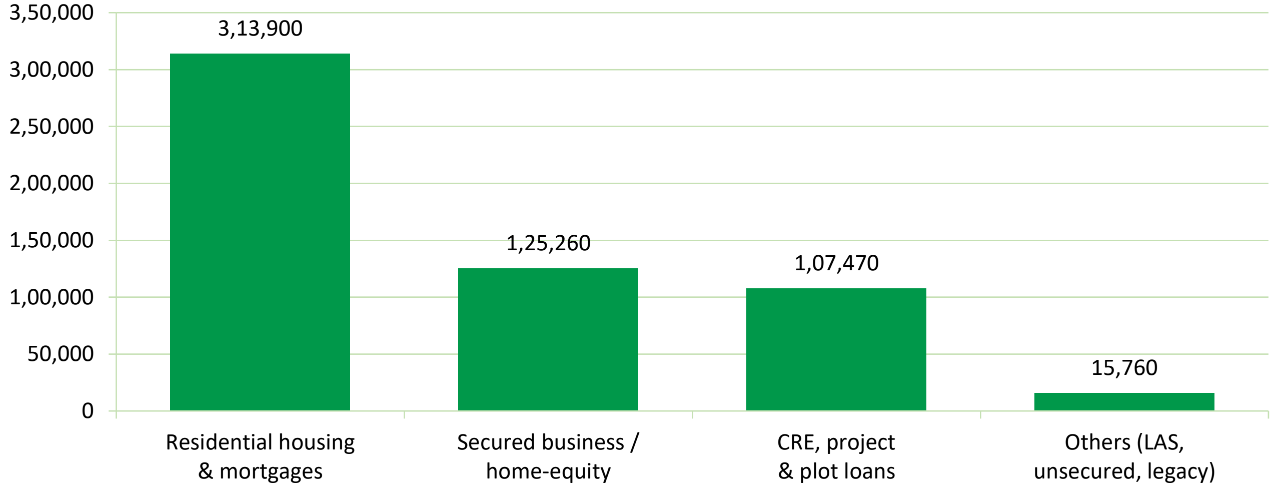
Product	AUM (INR Mn)	Q1 disbursal (INR Mn)	Yield (%)	Collection efficiency (%)
Residential housing incl. affordable and mortgages	313,900	6,640	8.5–13.0	99.4
Secured business and home-equity loans	125,260	20,000	9.5–13.5	99.9
CRE, project loans and plot loans	107,470	8,400	12.0–17.0	–
Others (loans against securities, unsecured and legacy)	~15,760	3,620	~10.0	–
Total	**562,390**	**38,750**	**Blended rising**	**99.6**

Note: product-wise AUM, yields and collection efficiency are as disclosed in the Q1FY27 earnings update; the others line is derived as a balancing figure against the disclosed total. Disbursals were made across five products and 97% were secured, 3% unsecured; INR 8,400 mn of CRE was originated in partnership with a leading Asia-based alternate credit fund. Components do not sum exactly to the total because of rounding in the disclosure.

Source: Arihant Capital Research, Company Reports

The shape of the book matters as much as its size. Roughly 56% sits in residential housing at 8.5–13.0% yields, where balance-sheet spread is thin but the asset is granular and securitisable; 22% sits in secured business and home-equity loans at 9.5–13.5%, 19% in CRE, project and plot loans at 12.0–17.0%, and the residual ~3% in loans against securities, unsecured and legacy exposures at around 10%. The Q1FY27 disbursal mix was tilted decisively toward the higher-yield end - only INR 6,640 mn of INR 38,750 mn went into residential housing against INR 20,000 mn of secured business and home-equity lending - which is why blended yield is rising even before the cost-of-funds walk lands. Collection efficiency of 99.6% blended, and 99.9% on the secured business book, is the evidence that the rebuilt book is not being bought with underwriting laxity.

Exhibit: AUM Mix by Product, Q1FY27 (INR Mn)



Source: Arihant Capital Research, Company Reports

Asset-light distribution is the differentiator. INR 1,050,000 mn disbursed and sold down across 24 partner institutions gives Sammaan a distribution-company option sitting on top of the lender: origination and servicing fees on prime home loans where balance-sheet spreads are thin, and on-book spread on the 12-13% affordable and LAP product. The AIF platform, earlier guided at INR 150,000 mn of AUM and ~10% of profits, adds wholesale economics funded with partner capital - the INR 8,400 mn of CRE originated with an Asia-based credit fund in Q1FY27 is the model in action. This is also why the guided NIM prints look odd side by side: 3.5% for FY27 on an on-balance-sheet basis versus ~8% in three years on a business-NIM basis that includes asset-light economics.

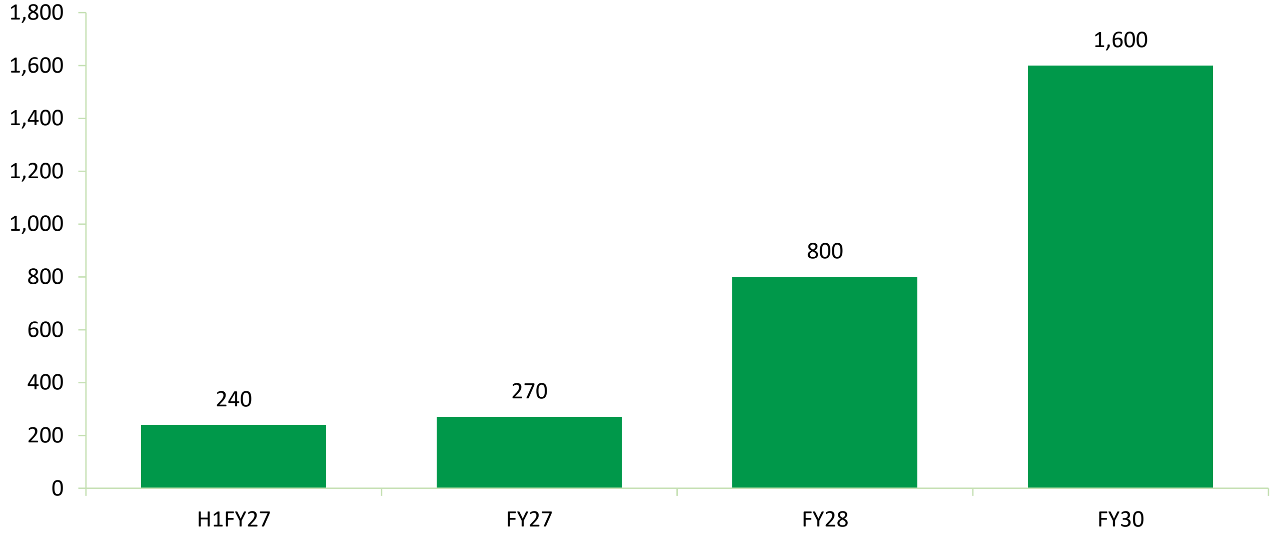
Growth Engine - The Dated Expansion Map (Company Guidance)

Metric	FY27	FY28	FY29–30
Disbursals (INR Mn)	300,000–301,000 (H1 100,000 / H2 200,000)	400,000–500,000	Scaling
AUM (INR Mn)	707,000	–	2,000,000 aspiration
Branches	270 (240 by H1)	~800	~1,600 (FY30)
Employees	~8,000	–	~20,000 (FY30)
Products	Mortgage-led	Diversifying	15+ (FY30); mix 60% secured / 20% unsecured-semi-secured / 20% commercial and wholesale via private credit funds
Loan turnaround time	~2–3 days (from 5–7)	AI-led operations	Cost/income ~26% by FY30

Source: Arihant Capital Research, Company Reports

Three features of this map matter for underwriting. First, it is dated rather than directional: every line carries a year, which converts guidance into a testable series. Second, it is front-loaded with proof - Q1FY27 disbursals of INR 38,750 mn landed on the H1 INR 100,000 mn run-rate and the company confirmed mid-Q2 tracking on the call. Third, the cost of the build lands before the revenue: 30 branches a quarter, a headcount move toward ~8,000 and a roughly ten-fold borrower-base expansion all hit the cost line in FY27, which is why cost/income is guided at ~50% for the year and why recovery income, not operating profit, funds the expansion in the bridge period.

Exhibit: Guided Branch Network Build-Out (number of branches)



Source: Arihant Capital Research, Company Reports

The step from ~270 branches in FY27 to ~800 in FY28 is the single largest execution risk in the plan. It implies roughly 530 net additions in twelve months against 30 per quarter today, and it is the point at which the unsecured and semi-secured mix target of 20% begins to season. Neither the distribution scale-up nor a 20% unsecured mix is something this franchise has run at scale before; both sit ahead of the FY28–29 ROA walk in sequence, which is why we haircut those outer-year numbers rather than the FY27 bridge. The offsetting evidence is that the AI-led operating model - turnaround time down to ~2–3 days and a cost/income target of ~26% by FY30 - is designed to make the branch build cheaper per unit of origination than a conventional distribution expansion would be. The employee ramp toward ~8,000 in FY27 and ~20,000 by FY30 is the cost counterpart of that build, and it is the line item most likely to move cost/income away from the guided ~50% if branch productivity lags the plan.

Q1FY27 Review - First Clean Quarter of the New Book

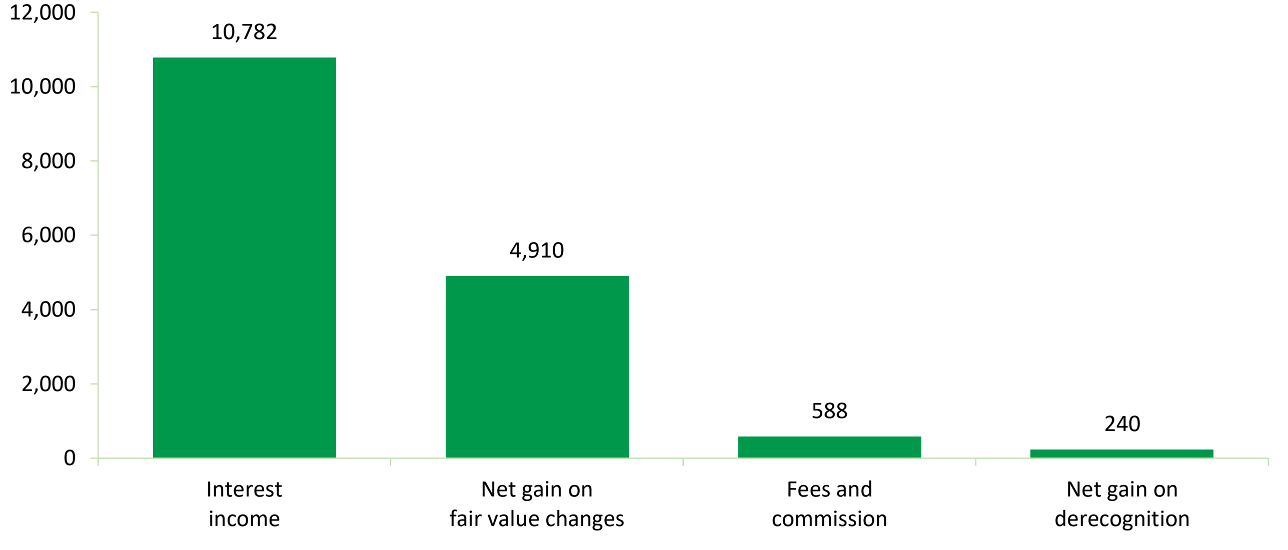
INR Mn (consolidated)	Q1FY27	Q4FY26	Q1FY26	FY26
Interest income	10,782	11,049	15,636	55,869
Fees and commission	588	305	622	1,933
Net gain on fair value changes	4,910	1,169	421	9,693
Net gain on derecognition (amortised cost)	240	1,054	7,324	14,167
Total revenue from operations	**16,519**	**13,577**	**24,003**	**81,662**
Total income	16,828	13,613	24,094	81,902
PAT	**2,430**	**Reset quarter**	**Not comparable**	**(71,520)**

Source: Arihant Capital Research, Company Reports

Key performance indicators: AUM of INR 562,390 mn, up 5.8% QoQ off the INR 531,600 mn opening base; disbursals of INR 38,750 mn; CAR of 20.1%; net NPA of 0.15%; gross recovery of INR 4,240 mn and net recovery of INR 2,400 mn after incremental provisions and credit costs. Year-on-year lines are not comparable because Q1FY26 still carried the legacy construct - note the INR 7,324 mn derecognition gain then against INR 240 mn now. The old sell-down-gain engine has been replaced by recovery-driven fair-value gains during the transition, which is why interest income of INR 10,782 mn is lower than Q1FY26 even as the book grows.

Earnings-quality read (house lens): strip the INR 4,910 mn fair-value gain and Q1 operating pre-tax sits at or below breakeven. That is expected rather than alarming: cost/income is guided at ~50% for FY27 while 30 branches are being added every quarter and cost of funds has only begun repricing. The bridge design is explicit - recoveries fund the build-out, and net interest income takes over from H2FY27 as cost of funds steps down and AUM compounds. The stock works if that handover is visible by Q3FY27; it stalls if fair-value-gain dependence persists into FY28. Fees and commission of INR 588 mn, close to double the Q4FY26 level, is the earliest evidence that the asset-light fee engine is beginning to contribute. On a full-year view, FY26 total income of INR 81,902 mn included INR 14,167 mn of derecognition gains and INR 9,693 mn of fair-value gains, so roughly 29% of the FY26 revenue line was non-interest and largely transitional - the same dependence the FY27 bridge is designed to retire.

Exhibit: Q1FY27 Revenue Composition (INR Mn)



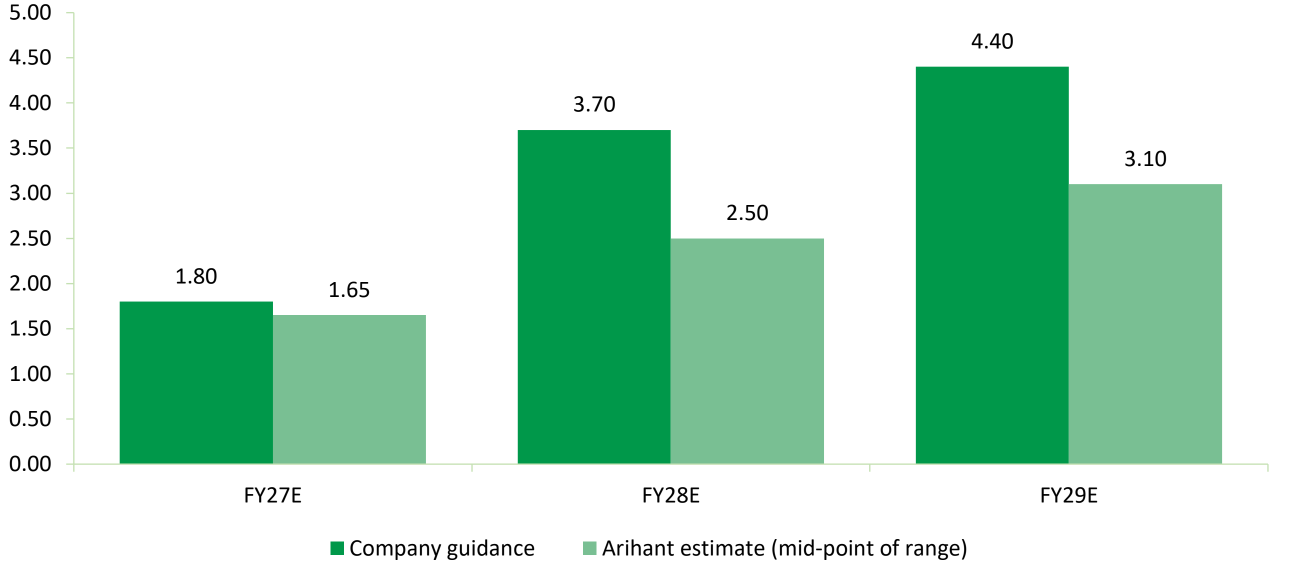
Source: Arihant Capital Research, Company Reports

Guidance Grid versus Arihant Working Estimates (FY27–29E)

Metric	FY26A	FY27E	FY28E	FY29E
AUM (INR Mn) - company	531,600	707,000	~900,000	Toward 2,000,000 path
AUM (INR Mn) - Arihant	531,600	660,000–680,000	820,000–880,000	1,000,000–1,100,000
PAT (INR Mn) - company	(71,520)	14,000	~28,000–30,000 (ROA 3.7% implied)	ROA 4.4% implied
PAT (INR Mn) - Arihant	(71,520)	12,000–13,000	19,000–23,000	28,000–33,000
ROA (%) - company	n.m.	1.8	3.7	4.4
ROA (%) - Arihant	n.m.	1.6–1.7	2.3–2.7	2.9–3.3
NIM, on balance sheet (%) - company	n.m.	3.5	Rising	~8 'business NIM' by ~FY29
Cost / income (%)	n.m.	~50	Declining in H2	30–35 (26 by FY30)
Dividend payout	–	≥25% policy	≥25%, targeting 40%	Same

Source: Arihant Capital Research, Company Reports

Exhibit: ROA Walk - Company Guidance versus Arihant (%)



Source: Arihant Capital Research, Company Reports

The gap between the two paths is the whole debate. The company's FY28–29 ROA walk of 3.7% and 4.4% is Bajaj-Finance-class economics on a mortgage-heavy book, and it is only reachable if fee and asset-light economics scale exactly as promised while the branch and headcount build lands on time and on budget. Our haircut is not a judgement on intent - near-term milestones are being hit - but on the number of sequential things that must go right. The NIM line is the clearest example of why the two paths diverge: 3.5% on balance sheet in FY27 is a mortgage-lender number, while the ~8% 'business NIM' the company points to by ~FY29 depends entirely on fee and asset-light economics scaling alongside the book. We model the former and treat the latter as upside.

Earnings Quality and Governance Forensics - What We Are Watching

- **Fair-value-gain dependence (high, known):** INR 4,910 mn of the INR 16,828 mn of Q1FY27 income is recovery-linked fair-value gain. It is cash-backed but terminal. We track the ratio quarterly; it must fall below ~20% of income by FY28 for the operating engine to be credibly in charge.
- **Auditor Emphasis of Matter:** an Emphasis of Matter, not a qualification, on the Note-7 reclassification and ARC sale - standard for a transaction of this size. The ARC sale consideration structure (cash versus security receipts) and subsequent security-receipt marks need disclosure tracking through the FY27 annual report.
- **Provision overlay of INR 18,500 mn:** a genuine buffer, but also a future lever for smoothing earnings. Watch whether releases are flagged transparently or leak silently into low-credit-cost quarters.
- **Guidance credibility history:** the FY25-era targets - consolidated growth AUM of INR 1,000,000 mn by FY27, cost/income below 20%, 15% ROE by FY26/27 - were superseded by the reset. The company has strong incentive alignment with IHC and near-term milestones (Q1 disbursals, H1 INR 100,000 mn, rating upgrades, the cost-of-funds walk) are being hit. The FY28–29 ROA walk, however, is aggressive against any listed HFC or NBFC comparable.
- **Legacy overhangs:** Indiabulls-era litigation and reputational residue, together with public-shareholding breadth of 42.7%, keep headline risk alive. Promoter-transition integration risk is live: this is a people business, and Banga continuity and succession were explicitly discussed on the Q4FY26 call.
- **Warrant funding:** the INR 31,980 mn inflow is contractual intent, not received cash. Non-exercise, in an IHC walk-away scenario, would forfeit the 25% paid upfront but would cap CRAR headroom - low probability, high signalling damage.

Key Risks

- Execution on a ten-fold borrower base and ~8,000 headcount inside twelve months - cost overruns before revenue; cost/income could overshoot 50%.
- The 20% unsecured and semi-secured mix target introduces a credit-cost cycle this franchise has not run at scale.
- A shortfall in recovery income against internal projections would expose the FY27 bridge; PAT guidance of INR 14,000 mn has thin operating cover.
- A rate-cycle reversal or India–Gulf geopolitical stress could stall the cost-of-funds walk - the company itself fielded the 270 bps question against a hardening-yield backdrop.
- Supply overhang: the entire IHC stake has locked-in economics at INR 139, and any secondary action by legacy large holders can cap the re-rating.
- Regulatory: RBI scrutiny of ARC sales used to clean books, and of NBFC expansion into full-service models, remains a live variable.

Data-Conflict and Verification Register

Item	Position A	Position B / treatment
IHC holding	28.41% (Letter of Offer and 31-Mar-26 pattern)	28.3% (Jun-26 pattern); we use 28.41%
FY26 net loss	INR 71,519.5 mn (audited results)	INR 71,446 mn (aggregator); we use audited
FY27 disbursal guidance	INR 300,000 mn (Q4 earnings call)	INR 301,000 mn (Q4 deck); immaterial
NIM guidance	3.5% for FY27 (on balance sheet)	~8% in three years (business NIM incl. asset-light); different bases, not reconciled
Market capitalisation	INR 180,800 mn (at CMP of INR 154, 04-Sep-26)	INR 177,080–178,100 mn (Aug-26 marks); we use the current mark
52-week low	INR 114.1	INR 116.7; range shown
Share count / fully diluted maths	Arihant-derived (not disclosed)	Verify vs Jun-26 shareholding pattern

Source: Arihant Capital Research, Company Reports

Valuation Framework

Basic share count is ~1,174 mn on a market-capitalisation and price cross-check (844 mn pre-deal plus 330 mn preferential). Fully diluted share count is ~1,481 mn including ~307 mn warrant shares at INR 139. Q1FY27 net worth of ~INR 191,415 mn gives a basic book value per share of ~INR 163 and a pro-forma fully diluted book value per share of ~INR 151 after adding the INR 31,980 mn of warrant money. FY28E fully diluted BVPS of ~INR 170–175 reflects the Arihant PAT path plus the warrant tranche at a 25% payout. All of these are computed by Arihant and are not company-published.

Scenario	Trigger set
Bear	Fair-value-gain taper before net interest income handover; disbursal miss; AAA delayed past FY28; ROA stuck below 1.5%
Base	**Cost-of-funds walk delivers; FY27 PAT tracks the guided range; H2 disbursal ramp visible; FY28 ROA above 2.3%**
Bull	Domestic AAA in FY28; ROA walk tracks the company's guided path; asset-light fees scale; payout at 40%

Source: Arihant Capital Research, Company Reports

Anchor logic: a cleaned book, 20% CRAR, an AA+ domestic rating and a guided 2%-plus ROA path justify at least book value, while peers with delivered ROA of 2.5-3.0% on mortgage-plus franchises trade at 1.8-3.0x. We are not willing to pay today for FY29 guidance, and we are not publishing a target price on working numbers. Our view is Positive: the stock trades at ~0.94x basic and ~1.0x fully diluted book, which prices little of what is already contractually or mechanically in motion - capital received, ratings done, cost of funds repricing. A formal rating, target price and the full valuation build will follow once detailed financial estimates are complete.

Re-rating checkpoints: the Q2FY27 print (confirmation of H1 disbursals of INR 100,000 mn and a stock cost of funds at or below 9.6%), a domestic AAA rating action, and visible net interest income handover in the Q3FY27 print. A slip on any two of the three would move the risk balance toward the bear case.

What the detailed estimates will add: a full three-statement build with quarterly phasing for FY27-FY29; an explicit split of net interest income, fee income and recovery income so that the handover from recoveries to the operating engine is visible line by line; a credit-cost path for the seasoning unsecured and semi-secured book; and a capital walk incorporating the warrant tranche. The formal valuation framework, rating and target price will be published alongside that work.

Key Monitorables - FY27

Monitorable	Checkpoint	Threshold
H1FY27 disbursals	Q2FY27 print	INR 100,000 mn confirmed
Stock cost of funds	Q2FY27 print	≤9.6% by Sep-26; ≤9.3% by Mar-27
Domestic rating	H2FY27-FY28	AAA action (not assumed)
Net interest income handover	Q3FY27 print	Operating profit positive ex fair-value gains
Fair-value-gain dependence	Quarterly	Below ~20% of total income by FY28
Warrant conversion	By ~Sep-27	INR 31,980 mn received
Cost / income ratio	FY27 exit	~50%, declining through H2

Source: Arihant Capital Research, Company Reports

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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