

NBFCs likely to report strong Q4 profit despite margin pressure

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Non-banking financial companies (NBFCs) are likely to report healthy operational performance for the March quarter (Q4FY26), supported by steady credit demand and resilient disbursements across segments, even as elevated funding costs may weigh on margins.

Net profit for NBFCs is expected to have risen 14-15 per cent year-on-year in Q4, making the segment a key contributor to over-

all BFSI profitability. Developments in West Asia remain a key monitorable, particularly for lenders with exposure to micro, small and medium enterprises (MSMEs).

System-level credit growth may have stayed strong at 12-13 per cent year-on-year in Q4FY26, underpinned by continued traction in retail, housing and NBFC-led lending, according to IDBI Capital. Within this, NBFCs are expected to report robust momentum,

Gaining momentum

IDBI Capital

- Continued traction in retail, housing and NBFC-led lending supported system-level credit growth

- Overall asset quality remains broadly stable, though, some early signs of stress may emerge in SME segment

especially in affordable housing finance, where loan growth may have reached 20 per cent Y-o-Y. Gold financiers are set to post another quarter of strong loan growth, while vehicle financiers may report robust disbursements.

Equirus Securities similarly expects NBFCs to have outperformed within the broader financials space, with profit after tax projected growing 14-15 per cent sequentially, reinforcing the segment's role as a key earnings driver for BFSI in the quarter.

"Disbursements in unsecured segments, including personal and business loans, regained traction during the quarter. Microfinance

Equirus Securities

- Stress in the microfinance segment appears largely behind

- No material impact from the Bihar MFI legislation

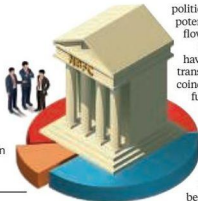
institutions (MFIs) saw a pickup in disbursements, resulting in AUM growth after four to six quarters of contraction, although growth is expected to remain risk-calibrated," said Motilal Oswal Financial Services. NBFC-MFIs are likely to post AUM growth of around 10 per cent sequentially, reflecting improving disbursement momentum after a prolonged portfolio rundown. Asset quality and collection efficiency remain stable, with no further signs of deterioration, said Motilal Oswal. "We expect a sequential decline in credit costs for MFIs."

Asset quality trends, according to Equirus, are improving across

Motilal Oswal Financial Services

- Growth reflects improving disbursement momentum after a prolonged portfolio rundown

- Asset quality and collection efficiency remain stable, with no further signs of deterioration



political developments and their potential impact on MSME cash flows.

Net interest margins may have been under pressure as the transmission of earlier rate cuts coincided with still-elevated funding costs and tight liquidity conditions. Borrowing costs have stayed broadly stable, with higher bond yields offsetting the benefits of policy easing.

"In terms of growth and AUM, numbers should be fairly healthy. There could be some compression in margins as yields remain elevated in Q4, but beyond that, we do not see any major negatives for the quarter," said Karthik Srinivasan, group head, financial sector ratings at Icria. "Q1FY27 will be more interesting, as it will be four months since the Iran conflict. How things evolve over the next one to two months will be critical," he added.

Looking ahead, credit growth momentum is expected to sustain into FY27, driven by retail, housing and NBFC lending. While NBFCs are seen as a key pillar of earnings growth, the durability of collections will be tested from April-May 2026 onwards.

segments. Stress in the microfinance segment appears largely behind, with no material impact from the Bihar MFI legislation, while metrics in affordable housing, including 30+ days past due and bounce rates, have improved. Vehicle finance has also seen better utilisation, supporting repayments and moderating delinquencies, alongside lower forward flow into higher delinquency buckets.

Overall asset quality remains broadly stable, though, according to IDBI Capital, some early signs of stress may emerge in the SME segment. Lenders, Motilal Oswal noted, continue to monitor geo-



Q4
RESULTS
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