

August 13, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,925		2,072	
NII (Rs.)	11,672	13,646	11,769	13,982
% Chng.	(0.8)	(2.4)		
PPoP (Rs.)	8,623	10,334	8,739	10,730
% Chng.	(1.3)	(3.7)		
EPS (Rs.)	81.4	97.5	82.5	101.4
% Chng.	(1.4)	(3.8)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	9,063	10,102	11,672	13,646
Growth (%)	13.7	11.5	15.5	16.9
Op. Profit (Rs m)	6,489	7,597	8,623	10,334
PAT (Rs m)	4,907	5,741	6,440	7,719
EPS (Rs.)	62.0	72.5	81.4	97.5
Gr. (%)	14.0	17.0	12.2	19.9
DPS (Rs.)	3.7	4.4	4.9	5.9
Yield (%)	0.2	0.3	0.3	0.3
Margin (%)	6.3	5.9	5.9	5.8
RoAE (%)	13.9	14.1	13.8	14.5
RoAA (%)	3.3	3.3	3.1	3.2
PE (x)	27.9	23.8	21.2	17.7
P/BV (x)	3.6	3.1	2.8	2.4
P/ABV (x)	3.7	3.2	2.8	2.5

Key Data AVAS.BO | AAVAS IN

52-W High / Low	Rs.2,238 / Rs.1,614
Sensex / Nifty	80,236 / 24,487
Market Cap	Rs.137bn/ \$ 1,559m
Shares Outstanding	79m
3M Avg. Daily Value	Rs.330.61m

Shareholding Pattern (%)

Promoter's	48.96
Foreign	29.77
Domestic Institution	11.51
Public & Others	9.76
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.0)	1.5	0.7
Relative	(11.6)	(3.6)	(0.1)

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Upgrade in AuM growth a key for re-rating

Quick Pointers:

- Weak quarter due to miss on AuM growth, NIM and asset quality.
- AuM/disbursals guided to grow between 18-20% in FY26.

AAVAS saw a weak quarter as disbursal growth fell by 43% QoQ (usually Q1 sees a 25-30% QoQ dip) and overall stress increased. Disbursals were ~17% lower to PLe since the company transitioned to a realization-based model for disbursal recognition to adopt a more conservative approach, also aligning with regulatory expectations. Credit flow for Jul'25 has normalized to Rs5.5-6.0bn vs avg. Rs3.8bn in Q1'26. While AAVAS has guided for an AuM growth for FY26E of 18-20%, we have factored an AuM CAGR of 17% due to the Q1'26 impact. Stage-3 and 1+DPD saw a blip of 14/76bps QoQ to 1.2%/4.15% due to seasonality; company expects to roll it back in upcoming quarter. We trim multiple on FY27ABV to 2.8x from 2.9x due to lower growth; TP declines to Rs1,925 from Rs2072. Retain 'ACCUMULATE'.

Weak quarter with miss on all core parameters: NII was lower at Rs2.78bn (PLe Rs2.83bn). NIM (calc.) was a miss at 6.3% (PLe 6.4%) due to blip on calc. loan yields which were 12.5% (PLe12.6%). AuM growth was a miss at 16.2% YoY (PLe 17.7%) as disbursals were lower at Rs11.5bn (PLe Rs13.8bn) while repayments were higher at Rs8.3bn (PLe Rs8bn). Non-HL share rose to 33% from 32% in Q4'25 while salaried to self-employed mix was stable QoQ at 60:40. Other income was more at Rs790mn (PLe Rs725mn) due to assignment. Opex at Rs1.7bn was 2% above PLe led by higher staff cost. Thus, PPOP came in at Rs1.9bn which was 1.5% lower to PLe due to higher opex. On asset quality, gross stage-3 worsened by 14bps QoQ to 1.22% (PLe 1.15%); PCR was stable at 31.2%. Provisions were a drag at Rs112.6mn (PLe Rs76.4mn). PAT at Rs1.4bn missed PLe by 5%.

Disbursals impacted due to accounting change: Disbursals fell by 43% QoQ since accounting method was changed to realization based, whereby disbursals are recognized after being actually credited to customer accounts against earlier practice of recognizing post cheque issuance. The company usually witnesses a 15-45 days gap between cheque issuance and actual credit. The change offers a more accurate view of business performance and strengthens transparency. However, this was a one-time impact; Jul'25 disbursals have rebounded to Rs5.5-6.0bn (avg. Rs3.8bn in Q1'26). While AUM growth guidance for FY26 has been maintained at 18-20% we trim AuM growth by 100bps to 17% each for FY26/27.

Asset quality was a drag; guided to normalize: Stress increased QoQ with blip in stage-3 while 1+DPD also rose by 76bps QoQ to 4.15%. Management attributed this to seasonality and is confident of rolling it back. Maharashtra, MP and Karnataka saw some stress. 1+DPD levels have already started normalizing from July'25, retracing back to <4% levels. Owing to stress in certain sectors of salaried class, company is focusing more on self-employed due to better risk reward profile. Focus is more on loans >Rs0.5mn as it exhibits stronger asset quality and portfolio behavior. Credit costs guided at <25bps for FY26.

Exhibit 1: PAT was lower sequentially at Rs1.4bn due to higher opex/provisions

Financial Statement (Rs mn)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Interest Income	5,489	4,797	14.4	5,598	(1.9)	5,353	2.6	22,975	20,177	13.9
Interest Expense	2,713	2,352	15.4	2,761	(1.7)	2,647	2.5	11,303	10,075	12.2
Net interest income (NII)	2,776	2,446	13.5	2,837	(2.2)	2,705	2.6	11,672	10,102	15.5
Other income	790	628	25.8	725	9.0	1,022	(22.7)	3,691	3,407	8.3
Total income	3,566	3,074	16.0	3,562	0.1	3,728	(4.3)	15,363	13,509	13.7
Operating expenses	1,662	1,378	20.6	1,629	2.0	1,719	(3.3)	6,739	5,912	14.0
Operating profit	1,904	1,695	12.3	1,932	(1.5)	2,009	(5.2)	8,623	7,597	13.5
Total provisions	113	86	31.2	76	47.4	76	47.4	368	271	35.5
Profit before tax	1,791	1,609	11.3	1,856	(3.5)	1,932	(7.3)	8,256	7,326	12.7
Tax	399	348	14.5	390	2.4	395	0.9	1,816	1,585	14.6
Profit after tax	1,392	1,261	10.4	1,466	(5.0)	1,537	(9.4)	6,440	5,741	12.2
AUM (Rs mn)	2,07,397	1,78,415	16.2	2,09,949	(1.2)	2,04,202	1.6	1,92,956	1,62,297	18.9
Disbursements (Rs mn)	11,454	12,109	(5.4)	13,762	(16.8)	20,238	(43.4)	69,588	61,230	13.7
Profitability ratios			Change in bps			Change in bps				
NIM	6.3	6.4	(11)	6.4	(6)	6.4	(5)	5.9	5.9	(7)
RoAA	2.5	2.7	(17)	2.9	(36)	2.9	(36)	2.6	2.7	(11)
RoAE	13.2	13.8	(59)	13.9	(71)	15.1	(187)	13.8	14.1	(31)
Asset Quality ratios										
Gross NPL (Rs m)	1,980	1,459	35.7	1,976	0.2	1,753	12.9	1,893	1,624	16.6
Net NPL (Rs m)	1,363	1,040	31.1	1,344	1.4	1,185	15.1	1,287	1,151	11.8
Gross NPL ratio	1.2	1.0	21	1.2	7	1.1	14	1.0	1.0	(2)
Net NPL ratio	0.8	0.7	12	0.8	6	0.7	11	0.7	0.7	(4)
Coverage ratio	31.1	28.7	243	32.0	(85)	32.4	(126)	32	29.1	287
Business & Other Ratios			Change in bps			Change in bps				
Yield on Loans (%)	13.1	13.1	5	-	-	13.1	-	12.0	12.3	(27)
Cost of Borrowings (%)	8.0	8.1	(6)	-	1,313	8.2	(22)	7.1	7.5	(41)
Spread (%)	5.1	5.0	11	-	802	4.9	22	4.7	4.6	10
Cost/Income Ratio	46.6	44.8	176	-	511	46.1	49	43.9	43.8	10

Source: Company, PL

Q1FY26 Concall Highlights

Assets/Liabilities

- AUM growth for FY26 guided at 18-20% and is expected to be 20-25% in FY27. Monthly disbursement run-rate at Rs.5.5-6bn.
- Owing to stress in certain sectors of salaried class, management is focused more on disbursals to self-employed segment due to better risk reward profile. Focus is more on loans exceeding Rs0.5mn as it exhibits stronger asset quality and portfolio behavior.
- Management has adopted change in accounting of disbursements to realization model whereby disbursals would be accounted when they credit to the account of customers as against earlier practice of accounting it as and when cheques are issued. This has resulted in drop in sanction to disbursement ratio by 10bps to 75%.
- Company usually witness 15-45 days gap in cheque issuance and credit to the account of customer, observed mainly under builder purchase and resale purchase category which forms 5-10% of total book. Disbursements in MSME and LAP category happen under RTGS route.
- Borrowing mix: EBLR – 38%, MCLR – 40%, Fixed – 22%. Company has witnessed a 22bps reduction in EBLR linked borrowing. No PLR changes made during Q1FY26.
- NCDs worth Rs4bn raised during Q1FY26.

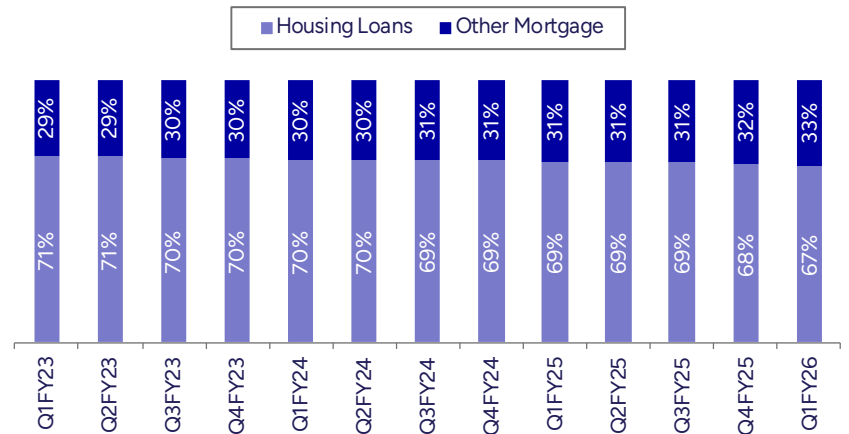
Profit & Loss

- Company has received fresh sanctions from NHB and has completed a drawdown of Rs2bn in Q1FY26 which is expected to cushion its cost of borrowing going forward.
- 10 new branches to be opened in Tamil Nadu in Sept'25. Tech-transformation has led to reduction in TAT from 13 days to 6 days and is also expected to optimize costs further.
- Employee per branch were higher compared to peers as company follows a direct distribution model which typically employs a higher no of employees on role.

Asset Quality

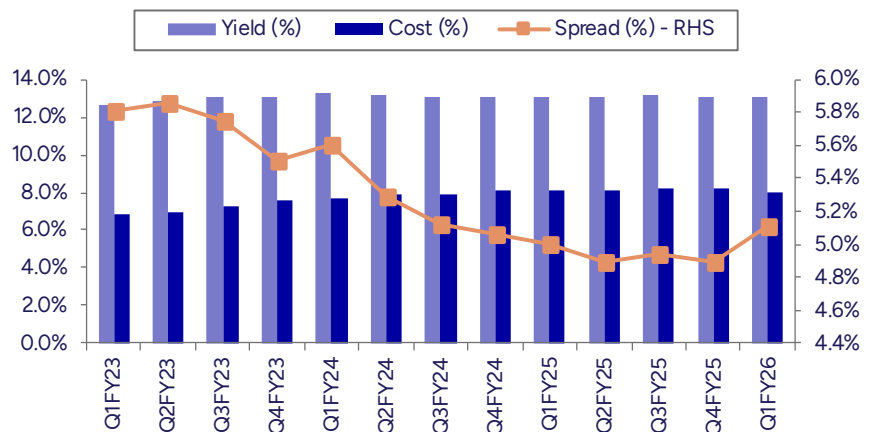
- Credit costs guided at less than 25bps for FY26.
- Uptick in delinquency largely remains seasonal, 1+DPD levels started showing normalization from July'25 retracing back to below 4% levels.
- Maharashtra, MP and Karnataka have observed some stress.
- One day DPD is guided to be below 5%.
- Management is confident about a rating upgrade from ICRA and CARE.

Exhibit 2: Loan Book mix largely steady at 67:33



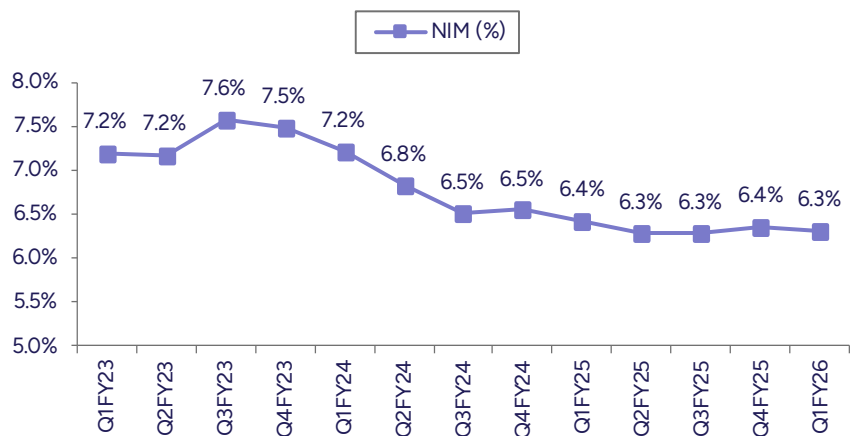
Source: Company, PL

Exhibit 3: Spreads increased by 22bps sequentially due to fall in CoB



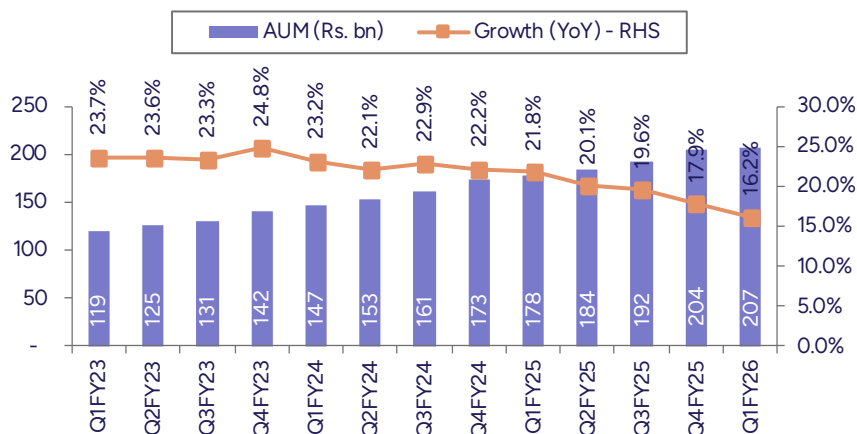
Source: Company, PL

Exhibit 4: NIM (calc) fell sequentially by 5bps at 6.3%



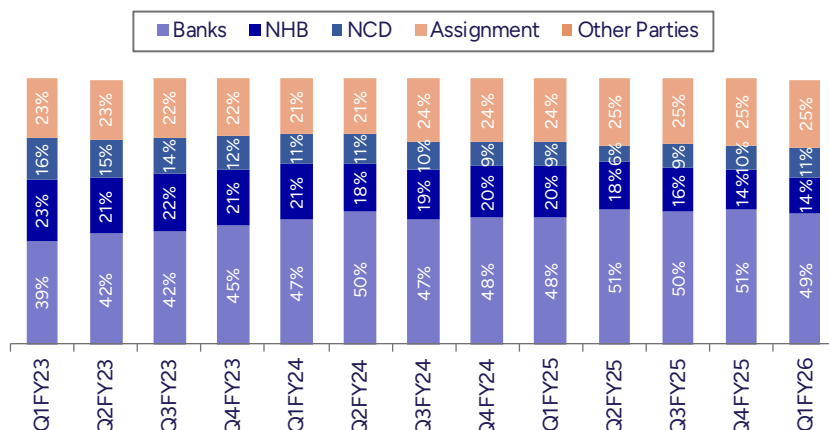
Source: Company, PL

Exhibit 5: AuM growth was at 16.2% YoY



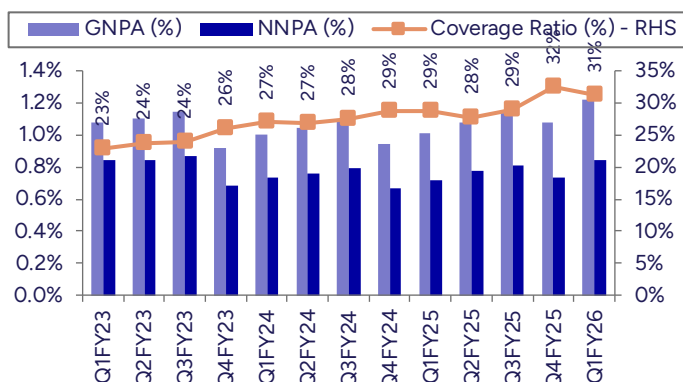
Source: Company, PL

Exhibit 6: Borrowing mix mainly from Banks (49%) and Assignment (25%)



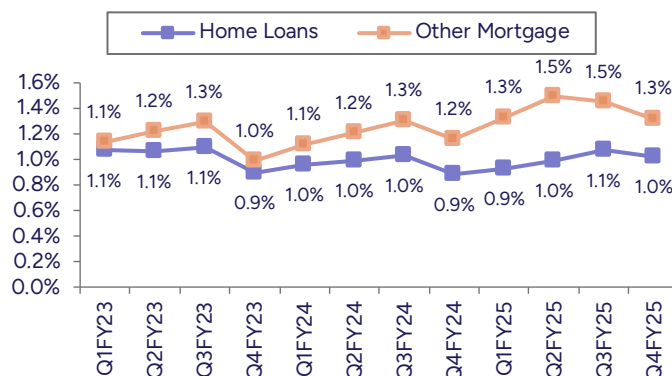
Source: Company, PL

Exhibit 7: GNPA declined by 14 bps QoQ ;PCR at 31%



Source: Company, PL

Exhibit 8: GNPA improved in both HL and NHL segment



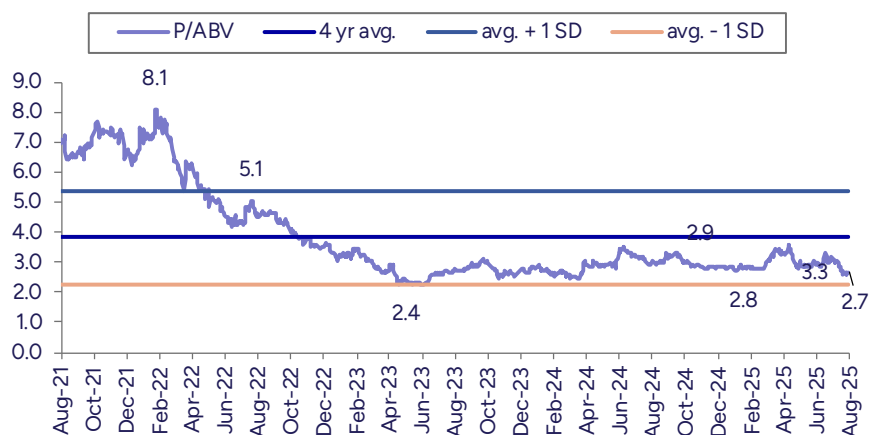
Source: Company, PL

Exhibit 9: ROEs to remain ~14-14.5% levels

RoE decomposition (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.8	9.7	9.3	9.4	9.7	9.5	9.2	9.2
Interest expenses	4.4	4.5	3.9	4.0	4.6	4.7	4.5	4.5
Net interest income	5.3	5.1	5.4	5.4	5.0	4.7	4.7	4.7
Other Inc. from operations	1.4	1.3	1.5	1.5	1.6	1.6	1.5	1.5
Total income	6.8	6.4	6.8	6.9	6.6	6.3	6.2	6.2
Employee expenses	1.8	1.7	1.9	2.0	2.0	1.8	1.7	1.6
Other operating expenses	1.0	0.8	0.9	1.0	1.0	1.0	1.0	1.0
Operating profit	3.9	3.9	3.9	3.8	3.6	3.6	3.5	3.5
Tax	0.7	0.6	0.8	0.8	0.7	0.7	0.7	0.7
Loan loss provisions	0.2	0.4	0.2	0.1	0.1	0.1	0.1	0.1
RoAA (incl AuM)	3.1	2.9	2.9	2.9	2.7	2.7	2.6	2.6
RoAE	12.7	12.9	13.7	14.2	13.9	14.1	13.8	14.5

Source: Company, PL

Exhibit 10: One-year forward P/ABV of Aavas trades at 2.7x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	17,347	20,177	22,975	26,939
Interest Expenses	8,284	10,075	11,303	13,292
Net interest income	9,063	10,102	11,672	13,646
Growth(%)	13.7	11.5	15.5	16.9
Non-interest income	2,856	3,407	3,691	4,373
Growth(%)	28.7	19.3	8.3	18.5
Net operating income	11,919	13,509	15,363	18,019
Expenditures				
Employees	3,559	3,778	4,245	4,792
Other Expenses	1,544	1,770	2,094	2,432
Depreciation	327	365	401	461
Operating Expenses	5,430	5,912	6,739	7,684
PPP	6,489	7,597	8,623	10,334
Growth(%)	15.6	17.1	13.5	19.8
Provisions	245	271	368	438
Profit Before Tax	6,244	7,326	8,256	9,897
Tax	1,338	1,585	1,816	2,177
Effective Tax rate(%)	21.4	21.6	22.0	22.0
PAT	4,907	5,741	6,440	7,719
Growth(%)	14.1	17.0	12.2	19.9

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	791	792	792	792
Reserves and Surplus	36,942	42,817	48,870	56,126
Networth	37,733	43,608	49,661	56,918
Growth (%)	15.4	15.6	13.9	14.6
Loan funds	1,23,365	1,38,499	1,69,925	2,00,090
Growth (%)	25.4	12.3	22.7	17.8
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	4,012	3,986	4,219	4,838
Other Liabilities	84	91	84	99
Total Liabilities	1,65,195	1,86,185	2,23,890	2,61,944
Application of funds				
Net fixed assets	1,272	1,441	1,652	1,933
Advances	1,40,044	1,62,297	1,92,956	2,25,753
Growth (%)	22.0	15.9	18.9	17.0
Investments	1,822	2,300	2,747	3,214
Current Assets	18,096	15,604	21,507	25,162
Net current assets	14,083	11,617	17,287	20,324
Other Assets	3,961	4,543	5,028	5,883
Total Assets	1,65,195	1,86,185	2,23,890	2,61,944
Growth (%)	23.2	12.7	20.3	17.0
Business Mix				
AUM	1,73,127	2,04,203	2,38,872	2,79,473
Growth (%)	22.2	17.9	17.0	17.0
On Balance Sheet	1,73,127	2,04,203	2,38,872	2,79,473
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	6.3	5.9	5.9	5.8
ROAA	3.3	3.3	3.1	3.2
ROAE	13.9	14.1	13.8	14.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	4,906	5,121	5,353	5,489
Income from securitization	-	-	-	-
Interest Expenses	2,489	2,587	2,647	2,713
Net Interest Income	2,418	2,533	2,705	2,776
Growth (%)	8.8	14.8	14.1	13.5
Non-Interest Income	898	859	1,022	790
Net Operating Income	3,316	3,392	3,728	3,566
Growth (%)	12.8	15.9	14.6	16.0
Operating expenditure	1,368	1,447	1,719	1,662
PPP	1,948	1,945	2,009	1,904
Growth (%)	-	-	-	-
Provision	48	61	76	113
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	1,900	1,884	1,932	1,791
Tax	421	420	395	399
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	22.2	22.3	20.5	22.3
PAT	1,479	1,464	1,537	1,392
Growth	22	26	8	10
AUM	1,83,956	1,92,380	2,04,202	2,07,397
YoY growth (%)	20.1	19.6	17.9	16.2
Borrowing	-	-	-	-
YoY growth (%)	-	-	-	-

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	1,728	1,728	1,728	1,728
EPS (Rs)	62.0	72.5	81.4	97.5
Book value (Rs)	476.8	550.9	627.4	719.1
Adj. BV(Rs)	464.9	536.4	611.1	700.0
P/E(x)	27.9	23.8	21.2	17.7
P/BV(x)	3.6	3.1	2.8	2.4
P/ABV(x)	3.7	3.2	2.8	2.5
DPS (Rs)	3.7	4.4	4.9	5.9
Dividend Payout Ratio(%)	6.0	6.0	6.0	6.0
Dividend Yield(%)	0.2	0.3	0.3	0.3

Asset Quality

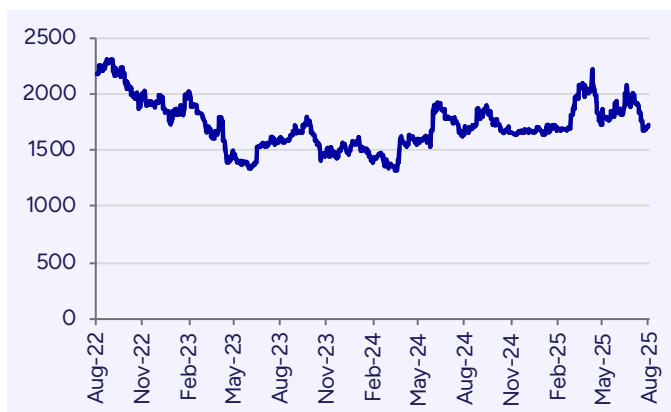
Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	1,319	1,624	1,893	2,215
Net NPA(Rs m)	939	1,151	1,287	1,506
Gross NPAs to Gross Adv.(%)	0.9	1.0	1.0	1.0
Net NPAs to net Adv.(%)	0.7	0.7	0.7	0.7
NPA coverage(%)	28.8	29.1	32.0	32.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	5.0	4.7	4.7	4.7
NII INCI. Securitization	5.0	4.7	4.7	4.7
Total income	6.6	6.3	6.2	6.2
Operating Expenses	3.0	2.8	2.7	2.6
PPOP	3.6	3.6	3.5	3.5
Total Provisions	0.1	0.1	0.1	0.1
RoAA	2.7	2.7	2.6	2.6
Avg. Assets/Avg. net worth	5.1	5.2	5.3	5.5
RoAE	13.9	14.1	13.8	14.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Accumulate	2,072	1,974
2	25-Apr-25	Accumulate	2,072	2,038
3	08-Apr-25	Accumulate	1,900	2,083
4	31-Jan-25	Accumulate	1,900	1,705
5	09-Jan-25	Accumulate	1,900	1,681
6	08-Nov-24	Accumulate	1,900	1,715
7	08-Oct-24	Accumulate	1,875	1,745

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	1,974
2	Axis Bank	BUY	1,375	1,161
3	Bank of Baroda	BUY	270	243
4	Can Fin Homes	BUY	875	813
5	City Union Bank	BUY	245	214
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	196
8	HDFC Asset Management Company	BUY	5,700	5,357
9	HDFC Bank	BUY	2,150	1,957
10	ICICI Bank	BUY	1,730	1,426
11	IndusInd Bank	Hold	780	808
12	Kotak Mahindra Bank	BUY	2,350	2,121
13	LIC Housing Finance	BUY	725	591
14	Nippon Life India Asset Management	BUY	860	794
15	State Bank of India	BUY	960	804
16	Union Bank of India	BUY	150	146
17	UTI Asset Management Company	BUY	1,300	1,329

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Gaurav Jani- CA, Passed CFA Level II, Ms. Harshada Gite- CA, Mr. Kush Mehta- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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