

Jan-Mar'25 Earnings Preview

April 8, 2025

Top Pick

LIC Housing Finance

Blip in NIM would be offset by better credit flow

For our coverage HFCs, AuM could see 3.2% QoQ growth to Rs3.7trn in Q4FY25 (vs 1.7% in Q3FY25) with an uptick in disbursals by 28.6% sequentially as Q4 is generally the strongest quarter for HFCs. Housing segment for banks (incl. HDFC) may grow by ~3.0% QoQ/11.0% YoY. Disbursal run-rate of LICHF/CANF is a key monitorable, given weak credit flow in the last few quarters.

NIM for coverage HFCs could fall by 6bps QoQ to 2.96%. NII may inch up by 0.7% QoQ to Rs26.2bn. Opex could rise by 6.1% QoQ to Rs5.95bn due to other opex (+14.2% QoQ) partially offset by a 2.1% decline in employee cost. Hence, PPop could be flat QoQ at Rs22.4bn. We see provisions normalizing to 19bps (vs -0.02bps in Q3FY25) as LICHF had seen a write-back last quarter. PAT might fall by 7.8% QoQ to Rs16.5bn.

- **Housing credit growth slowing down:** Banking system housing credit demand saw soft growth of 1.6% QTD in Feb'25. However, with MoM credit flow seeing a seasonal uptick, we expect housing segment for banks to grow between 3.0% QoQ in Mar'25. Bank credit to HFCs is slowing down owing to weaker demand. It is crucial that inflation is stable so that there are no delays in rate cuts which may spur housing growth. For coverage HFCs, disbursals are expected to increase by 28.6% sequentially to Rs243bn. Hence, we expect AuM to grow 3.2% QoQ and 8.2% YoY to Rs3.7trn.
- **Margin to decline QoQ:** We expect NIM to decline by 6bps QoQ to 2.96% following repo rate cut in Feb'25. NIM for HFCs improved in FY24 following repo rate hikes in FY23. However, NIM could decrease in FY26 considering 1) increased competitive intensity from banks and 2) repo rate cuts.
- **Opex to see uptick QoQ, other income to fall:** Opex is expected to rise by 6.1% QoQ to Rs5.95bn mainly led by LICHF & CANF. Other income could increase by 11.7% QoQ to Rs2.2bn.
- **PAT to fall QoQ as provisions normalise:** LICHF had seen a provision write-back in Q3FY25 which may normalize. Hence, provision cost for coverage HFCs may increase to 19bps (vs -0.02bps in Q3FY25). PAT may come in at Rs16.5bn (-7.8% QoQ).

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	MCap (Rs B)	New Rating	Old Rating	New PT (Rs)	Old PT (Rs)	Upside (%)	P/ABV (x)				RoE (%)			
								FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
AAVAS Financiers	2,083	165	Acc	Acc	1,900	1,900	-4.0%	4.5	3.9	3.4	3.0	4.5	14.2	14.6	15.2
Can Fin Homes	660	88	BUY	BUY	860	860	35.0%	2.1	1.8	1.5	1.3	2.1	17.7	15.7	14.8
LIC Housing Finance	566	311	BUY	BUY	650	650	19.5%	1.2	1.0	0.9	0.8	1.2	15.9	13.4	12.7

Source: Company, PL ACC=Accumulate

Exhibit 2: Q4FY25 HFCs Results Preview

Rs Million	NII	QoQ	YoY	PPOP	QoQ	YoY	PAT	QoQ	YoY
LIC Housing	19,971	-0.2%	-10.7%	17,447	-0.3%	-8.4%	12,757	-10.9%	17.0%
AAVAS	2,666	5.2%	12.5%	2,076	6.7%	14.2%	1,564	6.8%	9.7%
CANFIN Homes	3,527	2.3%	7.6%	2,902	-0.4%	6.8%	2,182	2.9%	4.4%
Total HFCs	26,164	0.7%	-6.6%	22,424	0.3%	-4.9%	16,504	-7.8%	14.4%
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
LIC Housing	3,083	3.1%	7.5%	2.68%	-7.3bps	-50.1bps	0.19%	25.3bps	-40.2bps
AAVAS	204	6.1%	17.9%	6.21%	-7.5bps	-34.1bps	0.14%	1.1bps	3.7bps
CANFIN Homes	381	2.7%	9.0%	3.86%	-1.5bps	-8.2bps	0.10%	-13.3bps	8.4bps
Total HFCs	3,668	3.2%	8.2%	4.25%	-5.4bps	-30.8bps	0.15%	4.4bps	-9.3bps

Source: Company, PL

Exhibit 3: Asset quality is expected to improve

	Q3FY25			Q4FY25E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
LIC HF	2.75%	1.44%	47.47%	2.60%	1.43%	45.00%
CANFIN	0.92%	0.50%	45.16%	0.80%	0.40%	50.00%
AAVAS	1.14%	0.81%	28.95%	1.09%	0.71%	34.86%

Source: Company, PL

Exhibit 4: Q4FY25 Result Preview

Company Name	Q4FY25E	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)	Remark	
LIC Housing Finance	NII (Rs mn)	19,971	22,376	(10.7)	20,001	(0.2)	NII is expected to remain flat QoQ. Loan growth is expected at 3.1% QoQ.
	PPOP (Rs mn)	17,447	19,041	(8.4)	17,495	(0.3)	
	Provisions (Rs mn)	1,500	4,279	(64.9)	(440)	(441.1)	Margins may decline by 7bps QoQ to 2.68%.
	PAT (Rs mn)	12,757	10,908	17.0	14,320	(10.9)	
	Loans (Rs bn)	3,083	2,868	7.5	2,991	3.1	PAT is likely to fall by 13.3% due to increase in opex and provisions.
	Margin (%)	2.68	3.19	-50bps	2.76	-7bps	
	GNPA (%)	2.60	3.31	-71bps	2.75	-15bps	GNPA could improve QoQ by 15bps at 2.6%.
	Credit Cost (%)	0.19	0.60	-40bps	(0.06)	25bps	
AAVAS Financiers	NII (Rs mn)	2,666	2,371	12.5	2,533	5.2	AuM growth momentum may continue (+6.1% QoQ). NII growth to be at 5.2% QoQ. NIM could decrease by 7bps QoQ.
	PPOP (Rs mn)	2,076	1,818	14.2	1,945	6.7	
	Provisions (Rs mn)	70	43	62.2	61	15.3	PAT to increase by 6.8% QoQ due to increase in NII & other income.
	PAT (Rs mn)	1,564	1,426	9.7	1,464	6.8	
	Loans (Rs bn)	204	173	17.9	192	6.1	Asset quality could improve by 5bps QoQ with slight rise in credit costs.
	Margin (%)	6.21	6.55	-34bps	6.28	-7bps	
	GNPA (%)	1.09	0.94	15bps	1.14	-5bps	
	Credit Cost (%)	0.14	0.10	4bps	0.13	1bps	
Can Fin Homes	NII (Rs mn)	3,527	3,278	7.6	3,447	2.3	Loan growth could be 2.7% QoQ while NII increase would be 2.3%; margins to fall by 2bps.
	PPOP (Rs mn)	2,902	2,717	6.8	2,913	(0.4)	
	Provisions (Rs mn)	100	18	460.3	221	(54.8)	PPoP would be flat QoQ while GNPA's to improve by 12bps.
	PAT (Rs mn)	2,182	2,090	4.4	2,121	2.9	
	Loans (Rs bn)	381	350	9.0	372	2.7	Provisions are likely to decrease by QoQ along with credit costs
	Margin (%)	3.86	3.94	-8bps	3.87	-2bps	
	GNPA (%)	0.80	0.82	-2bps	0.92	-12bps	
	Credit Cost (%)	0.10	0.02	8bps	0.24	-13bps	

Source: Company, PL

Exhibit 5: Change in Estimates

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
						FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
AAVAS Financiers	Acc	Acc	1,900	1,900	0.0%	10.1	10.1	-0.5%	11.7	11.9	-1.3%	7.7	7.7	-0.6%	9.1	9.3	-2.1%	5.8	5.8	-0.6%	6.8	6.9	-2.2%
Can Fin Homes	BUY	BUY	860	860	0.0%	13.6	13.6	0.0%	14.4	14.4	0.0%	11.5	11.5	0.0%	12.0	12.0	0.0%	8.4	8.4	0.0%	8.7	8.7	0.0%
LIC Housing Finance	BUY	BUY	650	650	0.0%	79.2	79.8	-0.7%	81.4	83.1	-2.0%	69.6	70.1	-0.8%	70.8	72.4	-2.3%	53.0	53.1	-0.1%	50.2	52.2	-3.8%

Source: Company, PL C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,900	1,705
2	Axis Bank	BUY	1,350	1,038
3	Bank of Baroda	BUY	285	222
4	Can Fin Homes	BUY	860	708
5	City Union Bank	BUY	200	171
6	DCB Bank	BUY	155	117
7	Federal Bank	BUY	210	180
8	HDFC Asset Management Company	BUY	4,450	3,763
9	HDFC Bank	BUY	1,950	1,666
10	ICICI Bank	BUY	1,550	1,209
11	IndusInd Bank	Hold	1,000	901
12	Kotak Mahindra Bank	BUY	2,230	1,759
13	LIC Housing Finance	BUY	650	558
14	Nippon Life India Asset Management	BUY	725	653
15	State Bank of India	BUY	900	754
16	Union Bank of India	BUY	140	120
17	UTI Asset Management Company	BUY	1,320	1,296

PL's Recommendation Nomenclature

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

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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