

Apr-Jun'25 Earnings Preview

July 9, 2025

Top Pick

LIC Housing Finance

Competition from banks to determine growth

Our coverage HFCs could see a soft quarter; AuM could see a flattish growth of 1.1% QoQ and 8.2% YoY to Rs3.7trn in Q1FY26 (vs 3% QoQ in Q4FY25) with a downtick in disbursements by 26.5% sequentially as Q1 is generally a weak quarter for HFCs. Housing segment for banks (incl. HDFC) may grow by ~1.9% QoQ/10.0% 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 3bps QoQ to 3.13%. NII may remain flat QoQ and grow by 9.0% YoY to Rs27.8bn due to faster repricing of loans. Other income could reduce by 44.3% QoQ to Rs1.6bn owing to seasonality which would be partly offset by 20.2% moderation in opex to Rs5.56bn mainly led by fall in other opex (-28.2% QoQ). Hence, PPoP could be flat QoQ at Rs23.9bn. We see provisions inching up QoQ to 19bps from 15bps as Q1 sees slower recoveries. PAT might also remain flat QoQ at Rs17.5bn.

- **Slowing housing credit for banks could slightly uptick:** Bank credit to HFCs has been slowing down due to weaker demand; it decelerated from ~13.0% YoY in Jul'24 to 9.0% in May'25. Banks' housing credit growth was soft at 0.9% QTD in May'25. However, with increased liquidity in the system, we expect housing segment for banks to see a slight pick-up and grow by 1.0% MoM in Jun'25 which translates to 1.9% QoQ growth in Jun'25. Hence competitive intensity for HFCs could increase. For coverage HFCs, disbursements could decline by 26.5% sequentially to Rs174bn and we expect AuM to grow by 1.1% QoQ and 8.2% YoY to Rs3.7trn.
- **Margin to decline QoQ:** NIM may fall by 3bps QoQ to 3.13% due to repo rate cut over Feb'25 to Jun'25. NIM could decline in FY26 considering 1) increased competitive intensity from banks and 2) rate cut impact would be higher for HFCs compared to banks since housing loans are floating in nature.
- **Other income and opex to fall QoQ:** Other income could decline by 44.3% QoQ to Rs1.6bn owing to seasonality which would be partially offset by moderation in opex by 20.2% QoQ to Rs5.56bn mainly led by LICHF.
- **PAT to remain flattish QoQ:** Provision cost for coverage HFCs may increase to 19bps (vs 15bps in Q4FY25) owing to slower recoveries. PAT may remain flat QoQ at Rs17.5bn (+7.9% YoY).

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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	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
AAVAS Financiers	1,974	156	Acc	Acc	2,072	2,072	5.0%	4.2	3.7	3.2	2.8	13.9	14.1	14.0	15.0
Can Fin Homes	816	109	BUY	BUY	860	860	5.4%	2.6	2.2	1.9	1.7	18.8	18.2	15.8	15.0
LIC Housing Finance	605	333	BUY	BUY	725	725	19.8%	1.2	1.0	0.9	0.8	16.3	16.0	13.6	12.7

Source: Company, PL ACC=Accumulate

Exhibit 2: Q1FY26 HFCs Results Preview

Rs Million	NII	QoQ	YoY	PPOP	QoQ	YoY	PAT	QoQ	YoY
LIC Housing	21,503	-0.7%	8.1%	18,954	0.9%	7.0%	13,867	1.4%	6.7%
AAVAS	2,837	4.9%	16.0%	1,932	-3.8%	14.0%	1,466	-4.6%	16.3%
CANFIN Homes	3,499	0.4%	8.9%	2,985	1.3%	6.8%	2,216	-5.3%	11.0%
Total HFCs	27,839	-0.1%	9.0%	23,871	0.5%	7.5%	17,550	0.0%	7.9%
Rs Billion	Loans	QoQ	YoY	Margins	QoQ	YoY	Credit Cost	QoQ	YoY
LIC Housing	3,104	0.9%	7.5%	2.74%	-8.2bps	0.3bps	0.18%	3.8bps	-1.8bps
AAVAS	210	2.8%	17.7%	6.38%	1.8bps	-4.4bps	0.15%	-0.4bps	-4.7bps
CANFIN Homes	388	1.6%	9.2%	3.76%	-4.5bps	-1.5bps	0.19%	2.4bps	-9.0bps
Total HFCs	3,702	1.1%	8.2%	4.30%	-3.6bps	-1.9bps	0.17%	1.9bps	-5.2bps

Source: Company, PL

Exhibit 3: Asset quality is expected to worsen due to seasonality

	Q4FY25			Q1FY26E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
LIC HF	2.47%	1.20%	51.23%	2.50%	1.20%	52.00%
CANFIN	0.87%	0.46%	47.75%	0.95%	0.51%	46.00%
AAVAS	1.08%	0.73%	32.41%	1.15%	0.78%	32.00%

Source: Company, PL

Exhibit 4: Q1FY26 Result Preview

Company Name		Q1FY26E	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)	Remark
LIC Housing Finance	NII (Rs mn)	21,503	19,891	8.1	21,664	(0.7)	NII is expected to decline marginally by 0.7% QoQ. Loan growth is expected at 0.9% QoQ.
	PPOP (Rs mn)	18,954	17,715	7.0	18,790	0.9	
	Provisions (Rs mn)	1,400	1,431	(2.2)	1,094	28.0	
	PAT (Rs mn)	13,867	13,002	6.7	13,680	1.4	Margins may decline by 8bps QoQ to 2.74%.
	Loans (Rs bn)	3,104	2,887	7.5	3,077	0.9	
	Margin (%)	2.74	2.74	0bps	2.82	-8bps	PAT is likely to fall increase by 1.4%.
	GNPA (%)	2.50	3.30	-80bps	2.47	3bps	GNPA could worsen QoQ by 3bps at 2.5%.
	Credit Cost (%)	0.18	0.20	-2bps	0.14	4bps	
AAVAS Financiers	NII (Rs mn)	2,837	2,446	16.0	2,705	4.9	AuM growth momentum may continue (+2.8% QoQ). NII growth to be at 4.9% QoQ.
	PPOP (Rs mn)	1,932	1,695	14.0	2,009	(3.8)	
	Provisions (Rs mn)	76	86	(11.0)	76	-	
	PAT (Rs mn)	1,466	1,261	16.3	1,537	(4.6)	NIM could increase by 2bps QoQ.
	Loans (Rs bn)	210	178	17.7	204	2.8	PAT to decrease by 4.6% QoQ
	Margin (%)	6.38	6.43	-4bps	6.36	2bps	
	GNPA (%)	1.15	1.01	14bps	1.08	7bps	Asset quality could worsen by 7bps QoQ with credit costs remaining flat.
	Credit Cost (%)	0.15	0.19	-5bps	0.15	0bps	
Can Fin Homes	NII (Rs mn)	3,499	3,214	8.9	3,485	0.4	Loan growth could be 1.6% QoQ while NII increase would be 0.4%; margins to fall by 4bps.
	PPOP (Rs mn)	2,985	2,796	6.8	2,946	1.3	
	Provisions (Rs mn)	180	245	(26.5)	154	16.7	
	PAT (Rs mn)	2,216	1,996	11.0	2,339	(5.3)	PPoP would increase by 1.3% QoQ while GNPA's to improve by 8bps.
	Loans (Rs bn)	388	356	9.2	382	1.6	
	Margin (%)	3.76	3.78	-1bps	3.81	-4bps	
	GNPA (%)	0.95	0.91	4bps	0.87	8bps	Provisions are likely to increase by QoQ along with credit costs
	Credit Cost (%)	0.19	0.28	-9bps	0.16	2bps	

Source: Company, PL

Exhibit 5: Change in Estimates

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
						FY26E			FY27E			FY26E			FY27E			FY26E			FY27E		
	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	2,072	2,072	0.0%	11.8	11.8	0.0%	14.0	14.0	0.0%	8.7	8.7	0.0%	10.7	10.7	0.0%	6.5	6.5	0.0%	8.0	8.0	0.0%
Can Fin Homes	BUY	BUY	860	860	0.0%	14.2	14.2	0.0%	15.7	15.7	0.0%	11.9	11.9	0.0%	13.0	13.0	0.0%	8.7	8.7	0.0%	9.5	9.5	0.0%
LIC Housing Finance	BUY	BUY	725	725	0.0%	82.8	82.8	0.0%	88.0	88.0	0.0%	71.7	71.7	0.0%	76.1	76.1	0.0%	52.0	52.0	0.0%	54.5	54.5	0.0%

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

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	2,038
2	Axis Bank	BUY	1,500	1,175
3	Bank of Baroda	BUY	275	241
4	Can Fin Homes	BUY	860	723
5	City Union Bank	BUY	210	219
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	215
8	HDFC Asset Management Company	BUY	4,600	5,102
9	HDFC Bank	BUY	2,125	1,987
10	ICICI Bank	BUY	1,700	1,436
11	IndusInd Bank	Hold	780	854
12	Kotak Mahindra Bank	BUY	2,400	2,150
13	LIC Housing Finance	BUY	725	621
14	Nippon Life India Asset Management	BUY	700	775
15	State Bank of India	BUY	960	807
16	Union Bank of India	BUY	160	152
17	UTI Asset Management Company	BUY	1,300	1,329

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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