BUY (Maintain)

CMP: **INR 1,446** Target Price: **INR 1,725** ▲ 19%

ICICI Securities

06 May 2026

India | Equity Research | Results Update

Aavas Financiers

NBFCs

Resetting the growth engine; rebuilds in FY26, strategic pivot fuels FY27 optimism

FY26 was a pivotal year for Aavas Financiers (Aavas) – marked by leadership transitions, including CVC Capital Partners' entry as a promoter and the appointments of Mr. Manu Singh as MD & CEO and Mr. Ripudaman Bandral as CBO. While internal restructuring and industry headwinds initially weighed on 9MFY26 performance, Q4FY26 signalled a robust turnaround characterised by record quarterly disbursements of INR 23.5bn (up 36% QoQ), a >40bps QoQ NIM expansion, and a sharp 63bps QoQ improvement in 1+ DPD, which moderated to 3.17%. With these transitory challenges largely behind, Aavas enters FY27 on a clean slate, well positioned to achieve its medium-term targets of 20%+ AUM growth and mid-teen RoE. Maintain **BUY** with an unchanged TP of INR 1,725, valuing the stock at 2.3x Mar'27E.

Leadership transition sets the stage: Aavas aspires for sustainable 20%+ growth trajectory

Management characterises FY26 as a foundational rebuilding phase; hence, strongly believes that Aavas could reclaim its leadership in the affordable housing space with a three-pronged strategy of: 1) consistently outpacing industry growth via deep-rooted micro-market expertise; 2) implementing risk-based pricing to optimise asset yields; and 3) maintaining superior asset quality. While credit underwriting remains its core strength—evidenced by a decade-long credit cost of >25bps—the company now focuses on pricing risk more effectively to boost risk-adjusted returns. We believe Aavas is well positioned to capitalise on sectoral tailwinds, including improved affordability, following the 125bps repo rate cut and the rollout of PMAY 2.0, while its ongoing franchise expansion into India's southern markets and deeper penetration in Gujarat, Maharashtra, and UP provide a clear runway for 20%+ medium-term AUM growth.

Incremental focus on cost optimisation

Aavas's cost-to-assets ratio rose by 20bps YoY in FY26, primarily driven by accelerated investments in franchise expansion—including 38 new branch openings and a comprehensive tech transformation—alongside subdued growth in H1FY26. To drive operating efficiency, management is reimagining the end-to-end loan lifecycle, restructuring process flows to enhance TAT and improve branch productivity. Overall, it expects operating leverage in the medium term, targeting a cost-to-assets ratio <3%, down from the current level of >3.5%.

Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Interest Income (NII)	10,102	11,849	13,641	16,081
PAT (INR mn)	5,741	6,549	7,668	9,451
EPS (INR)	72.2	82.6	96.7	119.2
% Chg YoY	17.0	14.3	17.1	23.3
P/E (x)	20.0	17.5	14.9	12.1
P/BV (x)	2.6	2.3	2.0	1.7
Gross Stage - 3 (%)	1.1	1.0	1.0	1.0
Dividend Yield (%)	-	-	-	-
RoAA (%)	3.3	3.3	3.3	3.5
RoAE (%)	14.1	13.9	14.1	15.0

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Market Data

Market Cap (INR)	115bn
Market Cap (USD)	1,204mn
Bloomberg Code	AAVAS IN
Reuters Code	AVAS BO
52-week Range (INR)	2,153 /1,050
Free Float (%)	50.0
ADTV-3M (mn) (USD)	3.0

Price Performance (%)	3m	6m	12m
Absolute	4.8	(11.9)	(20.2)
Relative to Sensex	12.4	(4.2)	(15.6)

ESG Score	2024	2025	Change
ESG score	**77.8**	**77.7**	**(0.1)**
Environment	65.0	67.1	2.1
Social	76.1	75.2	(0.9)
Governance	83.9	83.6	(0.3)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
PAT	(4)	(4)

Previous Reports

04-04-2026: NBFCs Q4FY26 preview

06-02-2026: Q3FY26 results review

Q4FY26 performance: Strong disbursement momentum; credit cost lowest at 13bps

Core NII (interest income-interest expense) grew by 7%QoQ/18% YoY to INR 3.2bn in Q4FY26, as interest income was up 3% QoQ and interest expense was flat QoQ due to benefit of reduced cost of borrowings. Non-interest income grew a strong 20% QoQ/19% YoY to INR 1.2bn supported by healthy fee income of INR 336mn vs. INR 286mn QoQ and a 24% QoQ increase in assignment income, which stood at INR 828mn vs. INR 669mn QoQ. Thus, total income was up 10% QoQ/18% YoY to INR 4.4bn

Operating expenses rose 18% QoQ/19% YoY to INR 2.04bn in Q4, with opex to AUM inching up to 3.88% vs. 3.44% QoQ driven by branch expansion costs (31 branches added in Q4FY26). Management has however guided that for improvement in opex to AUM as branch investments start bearing fruit in FY27. Higher total income was partially offset by increase in opex, resulting in PPOP growth of 5% QoQ/18% YoY to INR 2.4bn. Provisions declined 15% QoQ/13% YoY to INR 67mn (lowest provisions in absolute terms in past five quarters), resulting in credit cost falling to 13bps vs. 16bps QoQ, with full-year credit cost at 17bps, well within the guided sub-25bps range. Thus, PBT was up 5% QoQ/19% YoY to INR 2.3bn. PAT stood at INR 1.8bn in Q4FY26, up 7% QoQ/18% YoY, with RoA/RoE improving to 3.5%/14.7%.

Aavas reported strong disbursement of INR 23.5bn, up 36% QoQ and its strongest quarterly disbursements in FY26, signalling normalisation after accounting changes in Q1FY26 for recognising disbursements and calibrated credit tightening in H1FY26.

AUM growth at 15% YoY; new MD/CEO outlines >20% as long-term aspiration

Aavas closed FY26 with AUM of INR 234.5bn, reflecting 15% YoY growth, with disbursements for the year at INR 67.8bn, up 11% YoY. New MD/ CEO Mr. Manu Singh, in this first address, articulated a clear aspiration to consistently deliver >20% AUM growth to outperform the industry longer term.

In the near-to-medium term, the focus is on: 1) right product placement at risk-adjusted pricing across segments; 2) optimising channel composition with a deliberate rebuild of the direct sourcing muscle (CSC, digital, referral); 3) expansion into high-potential states like Maharashtra, Gujarat, Tamil Nadu, and UP, which are now adequately staffed; and 4) reducing gaps across login-to-sanction and sanction-to-disbursement conversion ratios. Aavas added 31 branches in Q4 alone, taking the total to 435 across 15 states, with expansion concentrated in high-potential markets.

Risk-adjusted pricing power backed by deep micro-market expertise

Aavas' deeply entrenched micro-market knowledge, built over a decade across 435 branches, provides it the underwriting confidence to price individual transactions more optimally. Management emphasised that higher yields do not mathematically imply higher risk, and there is sufficient headroom to place products at risk-adjusted prices given every transaction in the assessed income segment is unique. This initiative is already underway, with early results visible. Credit cost guidance of sub-25bps on a sustainable basis remains unchanged, and management explicitly reiterated that the company is not moving into riskier customer or geographical segments.

Spreads contract 14bps QoQ due to PLR reduction

Aavas saw three consecutive quarters of spread expansion from 4.89% in Q4FY25 to 5.34% in Q3FY26. Over the first three quarters of FY26, spread expansion of 45bps was largely on account of 56bps contraction in borrowing cost. Hence, with an intent to pass the borrowing cost to customers, Aavas has cut its PLR by 15bps, effective Mar'26. As a result, spreads broke its cycle of expansion and contracted 14bps QoQ to

5.20%. Therefore, reported yields fell 20bps QoQ to 12.82%. In order to better manage yields, it has already started risk adjusted pricing, which could aid improvement in disbursement yield in coming quarters.

Borrowing cost continues to be benign, declining for the fourth consecutive quarter and falling 6bps QoQ; thereby, restricting the partial impact of 20bps yields contraction on spread. Benefit on borrowing cost is largely flowing in from its higher share of floating borrowings wherein ~40% of borrowing is linked to EBLR such as repo, T-bills, while another 33% is linked to 3M MCLR enabling faster repricing for ~73% of total borrowings.

Pristine asset quality sustains; 1+dpd at 8-quarter low

Asset quality remained robust in Q4FY26, with 1+ DPD improving by 63bps QoQ to 3.17%, which is the lowest in the past 8 quarters and amongst the lowest in the industry. Apr'26 has progressed well than Apr'25 in terms of bounce rates and it hasn't seen any material impact of West Asia war on delinquencies so far.

GNPA improved 14bps QoQ to 1.05%, which is the lowest in past 7 quarters. From a geographical standpoint, asset quality in its vintage states continued to be healthy. The average 1+ DPD and GNPA stood was below 4% and 1.25% of AUM for vintage states and for its emerging markets, 1+ DPD and GNPA remains below 4% and 1%, respectively.

Management reiterated its disciplined, stress-tested underwriting framework and selective exposure to higher risk segments, which has helped maintain industry-leading asset quality. Consequently, credit cost remained anchored at 13bps, down 3bps QoQ and well within the long-term guidance of sub-25bps, aided by lower slippages and improvement in Stage-2 and Stage-3 flows. Going ahead, Aavas continues to maintain its guidance of sub-25bps credit cost on a sustainable basis.

Key risks: 1) Lower-than-expected AUM growth; and 2) competitive pressure on yields

Exhibit 1: Q4FY26 result review

	Q4FY25	Q3FY26	Q4FY26	% YoY	% QoQ
Income statement (INR mn)					
Interest income	5,353	5,738	5,934	10.9	3.4
Interest expenses	2,647	2,745	2,735	3.3	(0.4)
Net interest income	**2,705**	**2,993**	**3,199**	**18.3**	**6.9**
Non-interest Income	1,022	1,008	1,214	18.8	20.5
Total Income (net of interest expenses)	**3,728**	**4,001**	**4,414**	**18.4**	**10.3**
Employee expenses	1,120	1,142	1,325	18.4	16.0
Depreciation and amortization	98	111	119	22.0	7.5
Other operating expenses	501	476	595	18.7	24.9
Total Operating Expense	**1,719**	**1,730**	**2,040**	**18.7**	**17.9**
Pre-provisioning profit (PPoP)	**2,009**	**2,272**	**2,374**	**18.2**	**4.5**
Provisions and write offs	76	78	67	(12.9)	(15.2)
PBT	**1,932**	**2,193**	**2,308**	**19.4**	**5.2**
Tax expenses	395	493	491	24.1	(0.4)
PAT	**1,537**	**1,700**	**1,817**	**18.2**	**6.8**
EPS (INR)	**19.4**	**21.5**	**22.9**	**18.1**	**6.8**
Balance Sheet (INR mn)					
Share capital	792	792	793	0.2	0.1
Reserves & surplus	42,817	47,790	49,716	16.1	4.0
Shareholders' funds	**43,608**	**48,581**	**50,508**	**15.8**	**4.0**
Borrowings	**1,39,185**	**1,50,033**	**1,56,856**	**12.7**	**4.5**
Other Liabilities and provisions	3,392	4,283	4,761	40.4	11.2
Total Equity and Liabilities	**1,86,185**	**2,02,897**	**2,12,125**	**13.9**	**4.5**
Fixed assets	824	876	921	11.8	5.2
Loans	**1,62,297**	**1,73,023**	**1,83,727**	**13.2**	**6.2**
Liquid assets	15,596	20,770	18,433	18.2	(11.3)
Investments	2,300	2,334	2,708	17.7	16.0
Other Assets	5,167	5,894	6,335	22.6	7.5
Total Assets	**1,86,185**	**2,02,897**	**2,12,125**	**13.9**	**4.5**
AUM & Disbursements					
AUM (INR mn)	**2,04,202**	**2,22,035**	**2,34,517**	**14.8**	**5.6**
-Home Loans (INR mn)	1,38,796	1,46,942	1,52,456	9.8	3.8
-Other mortgage loans (INR mn)	65,406	75,093	82,062	25.5	9.3
Disbursements (INR mn)	**20,238**	**17,216**	**23,482**	**16.0**	**36.4**
-Home Loans (INR mn)	12,437	9,771	12,891	3.6	31.9
-Other mortgage loans (INR mn)	7,801	7,444	10,591	35.8	42.3
Key Ratios (%)					
Yield (Reported)	13.1	13.0	12.8	-31 bps	-20 bps
Cost of Borrowings (Reported)	8.2	7.7	7.6	-62 bps	-7 bps
Spreads (Reported)	4.9	5.3	5.2	31 bps	-14 bps
NIMs (Reported)	8.1	8.0	8.5	34 bps	44 bps
Op cost as % of avg assets (Cal)	**3.8**	**3.5**	**3.9**	**16 bps**	**44 bps**
Cost to income (%)	46.1	43.2	46.2	9 bps	298 bps
1+ DPD (%)	3.39	3.80	3.17	-22 bps	-64 bps
Gross NPA Ratio (%)	**1.08**	**1.19**	**1.05**	**-4 bps**	**-15 bps**
Net NPA Ratio(%)	0.73	0.79	0.68	-6 bps	-12 bps
Provision coverage ratio (%)	32.4	33.9	35.9	351 bps	205 bps
Credit cost as a % of avg AUM [annualized]	**0.15**	**0.14**	**0.12**	**-4 bps**	**-3 bps**
Reported RoA	**3.37**	**3.43**	**3.50**	**13 bps**	**7 bps**
Reported RoE	**14.37**	**14.29**	**14.67**	**30 bps**	**37 bps**

Source: Company data, I-Sec research

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Q4FY26 earnings conference call takeaways

Long term strategy under new MD for Aavas

- **Long-term strategy is >20% loan growth with RoE settling at high-teens**
- Would continue to add branches in Maharashtra, TN and Gujarat, where Aavas finds a healthy balance of potential and risk
- Branch productivity can be managed by increasing the efficiency levels of gaps between login to sanction and sanction to disbursement
- Would continue to rebuild its muscle through direct sourcing, where they have direct control but indirect sourcing will also likely contribute
- **Management highlighted that increase in yield does not lead to increase in risk, so it is confident to move in the right direction using its knowledge of micro-market and will likely not go into riskier segments**
- Credit cost guidance would be maintained <25bps

AUM and disbursements

- Lifetime disbursements of >INR 400bn; would not reduce channel partners
- Disbursements volume should increase as branch productivity kicks in
- BT-out rate is under control, with Q4 at 6.6%; but on a full-year basis, it is <6% at 5.5-5.6%
- Repayments rate has gone up to due to prepayments/extra EMIs paid by customers
- It does not perceive larger HFCs significantly impacting their specific ticket sizes or zip codes

Yields/margins/borrowings

- Risk-adjusted pricing has already started, which could help improve disbursement yields that are down due to PLR cut
- NIMs expanded 44bps QoQ to 8.45%
- **Successfully secured commitment for INR 9.75bn from a marquee multilateral financial Institution at a competitive cost – one of the largest NCD placement in the company's history**
- Credit rating outlook was upgraded to positive by ICRA and CARE in Q4FY26
- Spreads declined 14bps QoQ to 5.2% as there was impact of 15bps reduction in PLR with effect from Mar'26.
- **40% borrowing linked to EBLR such as repo, T-bills while 33% is linked to 3M MCLR enabling faster repricing ~73% of total borrowings**

Asset quality

- **Credit costs improved to 13 bps for Q4FY26, driven by lower 1+ DPD flow and improvement across buckets. Management continues to maintain its guidance to keep credit costs <25 bps on a sustainable basis**
- During the quarter there was absolute reduction of 1+DPD, leading to 3.17% 1+ DPD as of Mar'26
- Apr'26 was better than Apr'25 in terms of bounce rate; it does not see any material impact due to the Middle East war
- Keeping track of profiles that may be affected due to this war situation

Opex

- Added 31 branches in Q4FY26 taking total branch count to 435
- **Higher opex in FY26 was due**
  - Strong branch expansion entailed high manpower cost – these branches are expected to start giving results in FY27/FY28
  - New ESOP long-term retention plan has given some extra cost in FY26
- Opex to assets to go below 3%, say in a 2-3 years horizon
- Majority of opex would be in branch expansion and network expansion as compared to tech or digital side
- No major new investments are anticipated for technology and digital platforms, beyond small annual investments for AI/GenAI.

Others

- In line with its commitment to promoting sustainable housing, Aavas has added >300 certified Green Homes during FY26, bringing the cumulative total >650

Q3FY26 earnings conference call takeaways

Disbursements

- **Targeting 25% growth in disbursements in FY27**
- Only macroeconomic risks could lead to a miss on its disbursement guidance.
- INR 17.2 disbursements, up 10% QoQ.
- **Traditionally, Q4 is a strong quarter for Aavas, and hence, it expects this disbursement momentum to sustain.**
- Sanction to disbursement ratio now more than 80%.
- Digital channels like CSE, Mitras etc. have shown traction in FY26 so far and as it enters into FY27, it gives them the confidence to expand at a faster pace.
- 2,800 customers have already benefitted from PMAY scheme, receiving subsidies of more than INR 90mn.

AUM

- AUM growth to moderate to ~15% in FY26, due to muted growth in H1.
- **AUM growth guidance of 17-18% in FY27, which is ~300bps higher than FY26.**
- **FY27 should be a year of strong recovery due to transformation initiatives, expansion of branch network and various other initiatives.**
- 65-70% of customer base is self-employed.

Tamil Nadu

- It will not chase market share.
- Expect TN disbursements in the range of INR 750mn-INR 1bn.
- Added 10 branches in TN and is looking to add another 7 branches in the coming quarters
-

Branch excellence projects

- Project Sampoorn - faster decision TAT and improved quality of login.
- Project Neev - improved sales productivity.
- ProJet Setu - faster conversions and improved throughput.
- Project Rise - motivated and high-performing workforce.
- Project Nipun - better workflow transparency and deviation handling.
- **Above initiatives are creating a strong operating backbone for consistent and sustainable growth.**

Margins and borrowings

- 15bps PLR cut effective 1 Mar'26, which will impact yields to the extent of 10bps.
- 37-38% fixed rated book.
- 69% of borrowings are floating in nature (35% EBLR, 34% MCLR).
- **Expect 5.25% spreads (+-2bps) by year-end vs. 5.34% currently.**
- **Expect spreads to remain in the range of 520-525bps in coming quarters.**
- Sustained >5% of spreads since three quarters.

Asset quality

- **Confident of 20bps over the next couple of years.**
- **1+ dpd has shown sharp improvement across geographies, thereby, resulting in a decline in gross stage-3.**
- Total ECL provisions at INR 1.27bn.
- It continues to follow rigorous credit assessment process, which has helped it maintain healthy asset quality.
- Sequential improvement seen in credit environment and credit quality.

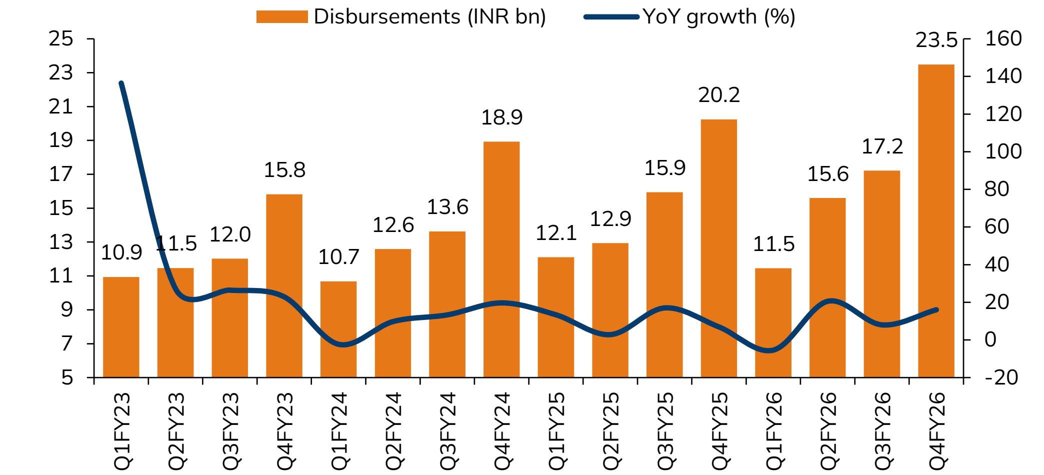
Opex

- It is looking to add 20-25 branches in Q4.
- Branch count is 410 as of 5th Feb'26 (404 as of Q3FY26-end).
- **It is looking to add 50 new branches in FY27.**
- Confident of inching up in productivity in coming quarters.
- ~18% AUM growth should lead to ~25bps of savings in opex to assets.

Return ratios

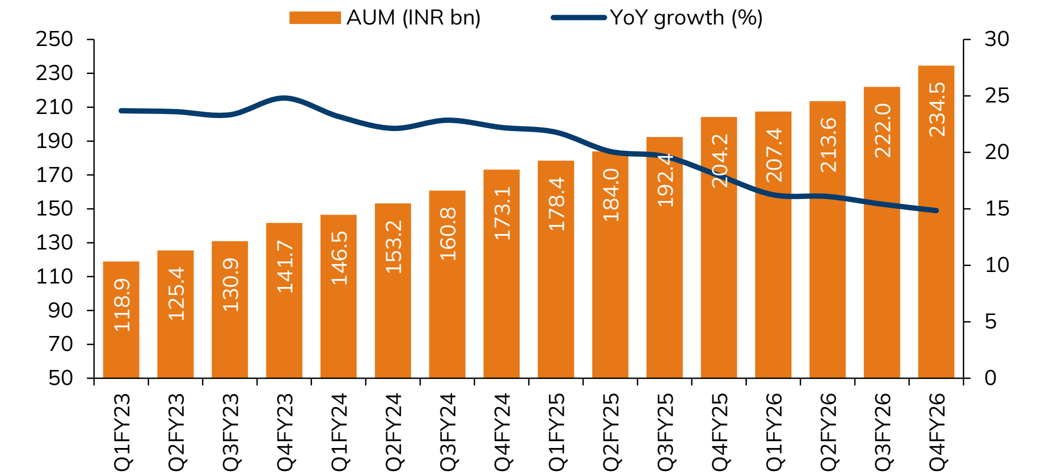
- **Expect RoE of 16-18% over the next couple of years.**

Exhibit 2: Disbursements back on track and stood at INR 23.5bn



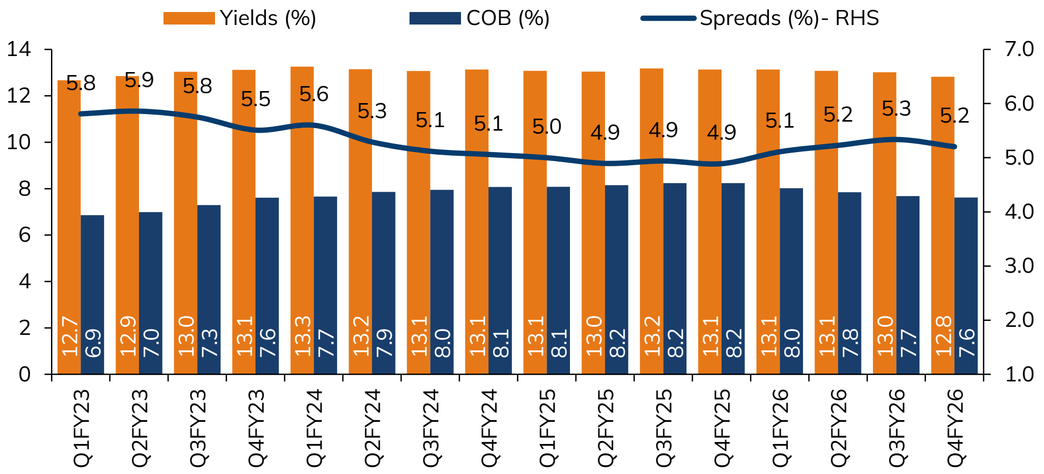
Source: Company data, I-Sec research

Exhibit 3: ...leading to AUM growth of ~15% YoY



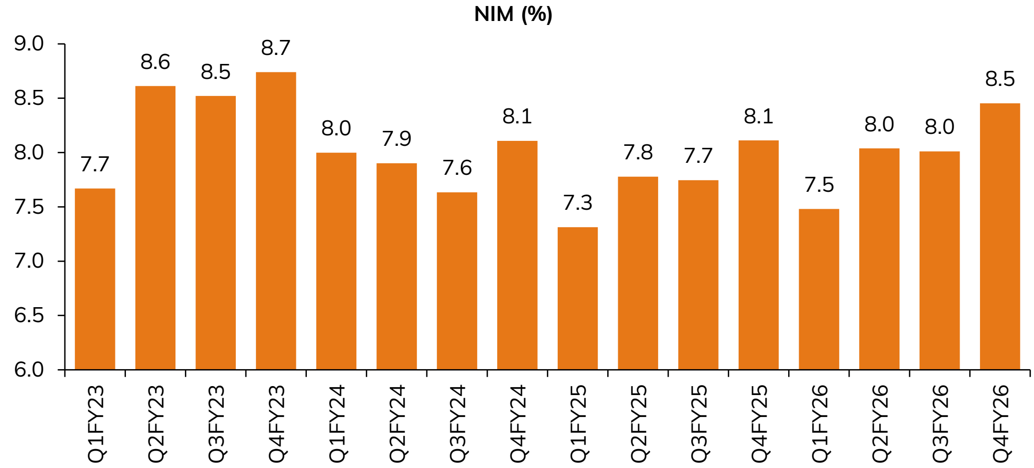
Source: Company data, I-Sec research

Exhibit 4: Spreads moderated QoQ as yields contracted due to PLR cut



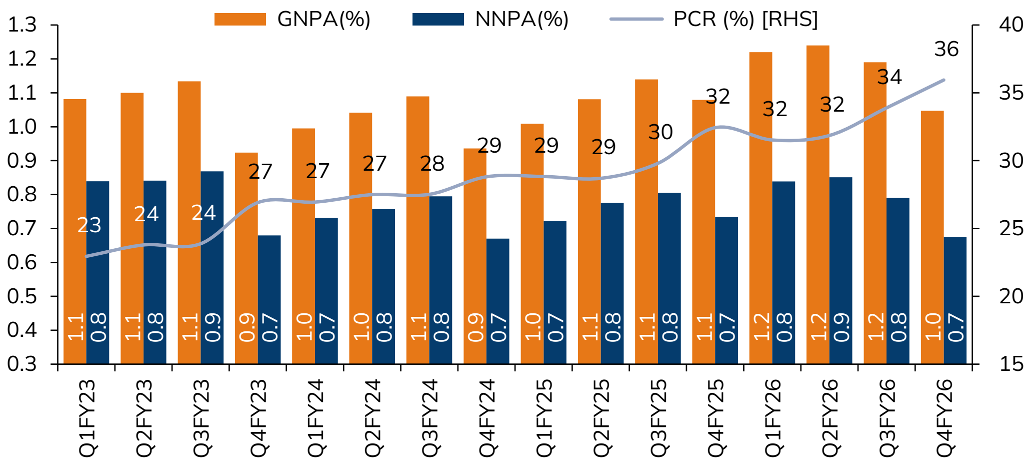
Source: Company data, I-Sec research

Exhibit 5: NIMs improved 44bps QoQ to 8.5%



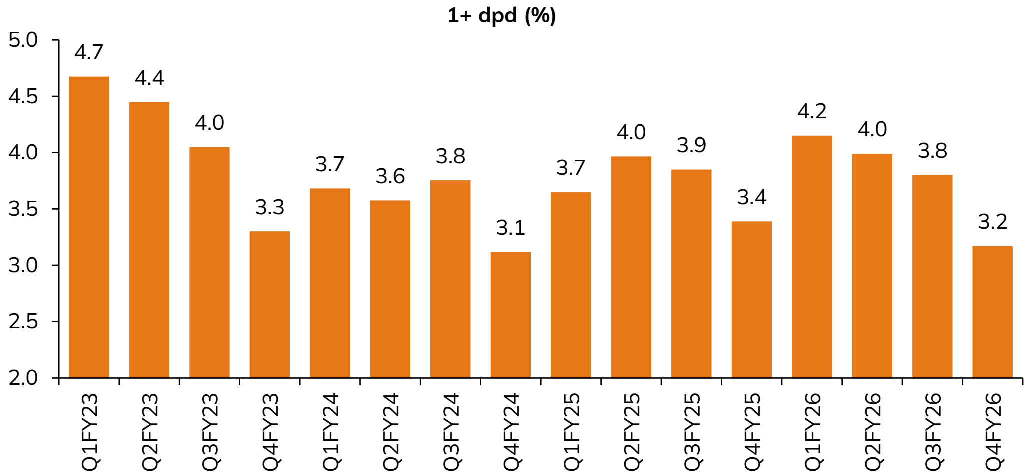
Source: Company data, I-Sec research

Exhibit 6: GNPA/NNPA improved 15bps/12bps QoQ and stood at 1.0%/0.7%



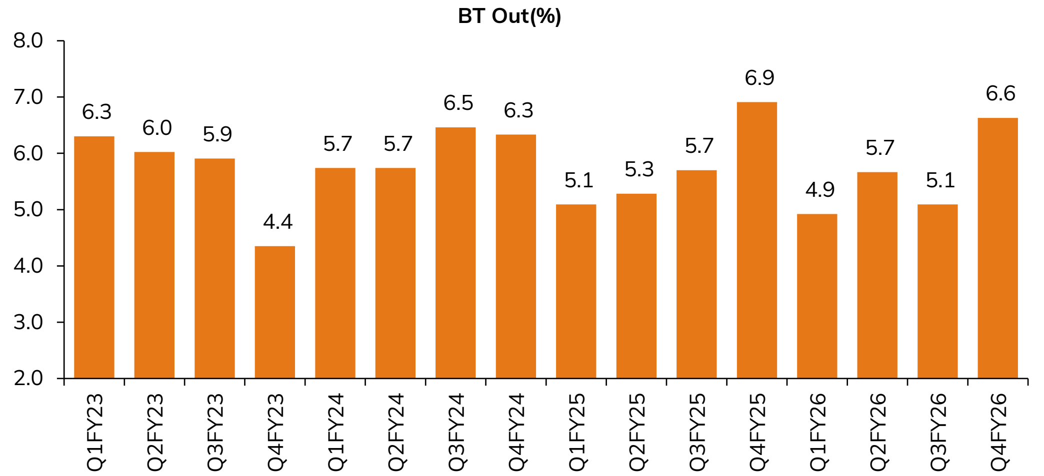
Source: Company data, I-Sec research

Exhibit 7: 1+ DPD declined ~63bps sequentially to 3.2%



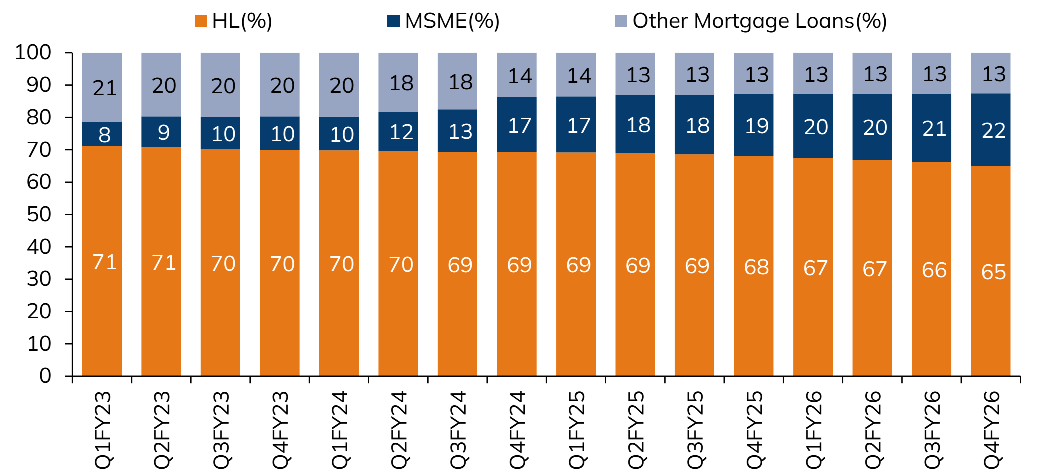
Source: Company data, I-Sec research

Exhibit 8: BT out higher but in line with seasonality



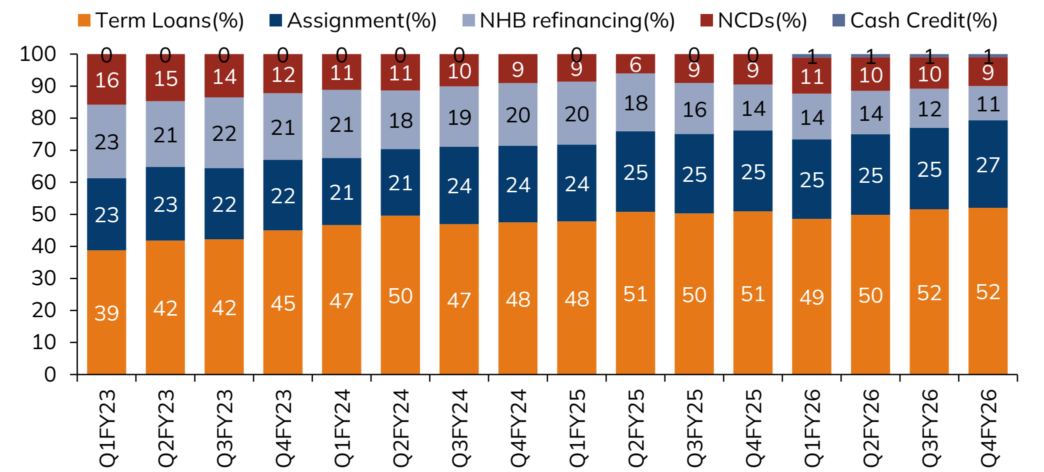
Source: Company data, I-Sec research

Exhibit 9: Non-HL book in overall mix increasing with MSME book now at >20%



Source: Company data, I-Sec research

Exhibit 10: Diversified borrowing mix with banks contributing >50%



Source: Company data, I-Sec research

Exhibit 11: Shareholding pattern

%	Sep'25	Dec'25	Mar'26
Promoters	49.0	49.0	48.9
Institutional investors	40.0	39.0	38.9
MFs and others	9.2	9.7	17.2
FIs/Banks	0.0	1.0	1.0
Insurance	4.0	3.6	3.9
FIIs	26.8	24.7	16.7
Others	11.0	12.0	12.2

Source: Bloomberg, I-Sec research

Exhibit 12: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest Income	20,177	22,798	26,378	31,245
Net gain on fair value changes	219	234	261	297
Interest Expenses	(10,075)	(10,948)	(12,737)	(15,164)
Net Interest Income (NII)	**10,102**	**11,849**	**13,641**	**16,081**
Total Income (net of interest expenses)	13,509	15,900	18,578	22,249
Employee benefit expenses	**(3,778)**	**(4,704)**	**(5,656)**	**(6,723)**
Depreciation and amortization	(365)	(431)	(501)	(601)
Other operating expenses	(1,770)	(2,024)	(2,213)	(2,327)
Total Operating Expense	(5,912)	(7,158)	(8,370)	(9,650)
Pre Provisioning Profits (PPoP)	7,597	8,742	10,208	12,599
Provisions and write offs	**(271)**	**(337)**	**(414)**	**(512)**
Profit before tax (PBT)	**7,326**	**8,404**	**9,794**	**12,087**
Total tax expenses	(1,585)	(1,856)	(2,126)	(2,636)
Profit after tax (PAT)	**5,741**	**6,549**	**7,668**	**9,451**

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Share capital	792	793	793	793
Reserves & surplus	42,817	49,716	57,390	66,848
Shareholders' funds	43,608	50,508	58,183	67,641
Borrowings	**139,185**	**156,856**	**182,795**	**221,587**
Provisions & Other Liabilities	2,544	3,660	4,026	4,429
Deferred tax liabilities (net)	756	1,004	1,104	1,215
Current Liabilities and short-term provisions	91	97	107	117
Total Liabilities and Stakeholder's Equity	**186,185**	**212,125**	**246,215**	**294,989**
Fixed assets	**824**	**921**	**1,106**	**1,327**
Loans	162,297	183,727	216,684	260,501
Investments	**2,300**	**2,708**	**2,175**	**2,615**
Other Assets	5,167	6,335	6,652	6,985
Total Assets	**186,185**	**212,125**	**246,215**	**294,989**

Source Company data, I-Sec research

Exhibit 15: Key Ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
AUM and Disbursements (INR mn)				
AUM	204,202	234,517	276,585	332,515
Disbursements	61,230	67,753	84,691	108,999
Repayments	30,154	37,438	42,623	53,069
Growth (%):				
Total AUM (%)	17.9	14.8	17.9	20.2
Disbursements (%)	9.7	10.7	25.0	28.7
Repayments (%)	**23.8**	**24.2**	**13.9**	**24.5**
Loan book (on balance sheet) (%)	15.9	13.2	17.9	20.2
Total Assets (%)	12.7	13.9	16.1	19.8
Net Interest Income (NII) (%)	11.5	17.3	15.1	17.9
Non-interest income (%)	19.3	18.9	21.9	24.9
Total Income (net of interest expenses) (%)	13.3	17.7	16.8	19.8
Operating Expenses (%)	8.9	21.1	16.9	15.3
Employee Cost (%)	6.1	24.5	20.2	18.9
Non-Employee Cost (%)	14.6	14.3	9.4	5.1
Pre provisioning operating profits (PPoP) (%)	17.1	15.1	16.8	23.4
Provisions (%)	10.8	24.3	22.8	23.7
PBT (%)	17.3	14.7	16.5	23.4
PAT (%)	17.0	14.1	17.1	23.3
EPS (%)	17.0	14.3	17.1	23.3
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	6.7	6.8	6.8	6.7
NIM on IEA (%)	4.9	5.0	5.0	4.9
NIM on AUM (%)	5.4	5.4	5.3	5.3
Yield on loan assets (%)	**13.3**	**13.2**	**13.2**	**13.1**
Yield on IEA (%)	9.8	9.6	9.6	9.6
Yield on AUM (%)	10.7	10.4	10.3	10.3
Cost of borrowings (%)	7.7	7.4	7.5	7.5
Interest Spreads (%)	5.7	5.8	5.7	5.6
Operating efficiencies				
Non interest income as % of total income	0.4	0.4	0.4	0.4
Cost to income ratio	43.8	45.0	45.1	43.4
Op.costs/avg assets (%)	3.4	3.6	3.7	3.6
Op.costs/avg AUM (%)	**3.1**	**3.3**	**3.3**	**3.2**
No of employees (estimate) (mn))	7,223	7,649	8,909	9,659
No of branches (x)	397	435	475	515
Salaries as % of non-interest costs (%)	63.9	65.7	67.6	69.7
NII /employee (INR mn)	1.4	1.5	1.5	1.7
AUM/employee(INR mn)	28.3	30.7	31.0	34.4
AUM/ branch (INR mn)	514.4	539.1	582.3	645.7
Capital Structure				
Average gearing ratio (x)	3.2	3.1	3.1	3.3
Leverage (x)	4.3	4.2	4.2	4.4
CAR (%)	41.7	42.4	41.4	40.1
Tier 1 CAR (%)	**41.6**	**42.3**	**41.3**	**39.9**
Tier 2 CAR (%)	0.1	0.1	0.1	0.1
RWA (estimate) - INR mn	104,785	119,423	140,844	169,326
Loan assets	87	87	88	88
RWA as a % of loan assets	64.6	65.0	65.0	65.0

Source Company data, I-Sec research

	FY25A	FY26A	FY27E	FY28E
Asset quality and provisioning				
GNPA (%)	1.1	1.0	1.0	1.0
NNPA (%)	0.7	0.7	0.7	0.6
GNPA (INR mn)	1,763	1,938	2,226	2,624
NNPA (INR mn)	1,191	1,241	1,425	1,679
Coverage ratio (%)	32.0	35.5	35.6	35.6
Credit Costs as a % of avg AUM (bps)	14	15	16	17
Credit Costs as a % of avg on book loans (bps)	18	19	21	21
Return ratios				
RoAA (%)	3.3	3.3	3.3	3.5
RoAE (%)	14.1	13.9	14.1	15.0
ROAAUM (%)	3.0	3.0	3.0	3.1
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	79	79	79	79
No of shares (fully diluted)	79	79	79	79
ESOP Outstanding	-	-	-	-
EPS (INR)	72.2	82.6	96.7	119.2
EPS fully diluted (INR)	72.2	82.6	96.7	119.2
Price to Earnings (x)	20.0	17.5	14.9	12.1
Price to Earnings (fully diluted) (x)	20.0	17.5	14.9	12.1
Book Value (fully diluted)	551	637	734	853
Adjusted book value	536	621	716	832
Price to Book	2.6	2.3	2.0	1.7
Price to Adjusted Book	2.7	2.3	2.0	1.7
DPS (Rs)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

Exhibit 16: Key Metrics

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
DuPont Analysis				
Average Assets (INR mn)	175,690	199,155	229,170	270,602
Average Loans (INR mn)	151,170	173,012	200,205	238,593
Average Equity (INR mn)	40,671	47,058	54,346	62,912
Interest earned (%)	11.5	11.4	11.5	11.5
Net gain on fair value changes (%)	12.4	11.7	11.4	11.0
Interest expended (%)	5.7	5.5	5.6	5.6
Gross Interest Spread (%)	**5.7**	**5.9**	**6.0**	**5.9**
Credit cost (%)	0.2	0.2	0.2	0.2
Net Interest Spread (%)	**5.6**	**5.8**	**5.8**	**5.8**
Operating cost (%)	3.4	3.6	3.7	3.6
Lending spread (%)	**2.2**	**2.2**	**2.1**	**2.2**
Non interest income (%)	1.8	1.9	2.0	2.2
Operating Spread (%)	**4.0**	**4.1**	**4.2**	**4.4**
Tax rate (%)	21.6	22.1	21.7	21.8
ROAA (%)	**3.3**	**3.3**	**3.3**	**3.5**
Effective leverage (AA/ AE)	4.3	4.2	4.2	4.3
RoAE (%)	**14.1**	**13.9**	**14.1**	**15.0**

Source Company data, I-Sec research

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