

AAVAS Financiers (AAVAS IN)

Q4FY26 Result Update

May 05, 2026

Estimate Change | Target | Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		BUY	
Target Price	1,585		1,500	
NII (INR. mn)	15,553	18,391	15,724	18,350
% Chng.	(1.1)	0.2		
PPoP (INR mn)	10,011	11,970	10,137	12,004
% Chng.	(1.2)	(0.3)		
EPS (INR)	94.3	113.1	95.6	112.2
% Chng.	(1.4)	0.8		

Key Data

AVAS.BO | AAVAS IN

BSE Code	541988
NSE Code	AAVAS
52-W High / Low	INR 2,152 / INR 1,050
Face Value	10
Sensex / Nifty	77,018 / 24,033
Market Cap	INR 115 bn / \$ 1,203 mn
Shares Outstanding	79.28 mn
3M Avg. Daily Value	INR 289.62 mn

Shareholding Pattern (%)

Promoters	48.88
FIs	16.74
Mutual Funds	17.24
Domestic Institutions	4.9
Public & Others	12.24
Promoters Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	27.0	4.8	(11.9)	(20.2)
Relative	20.9	13.4	(4.5)	(16.3)

Key Financials - Standalone

Y/e Mar	FY25	FY26	FY27E	FY28E
NII (INR mn)	10,099	11,850	15,553	18,391
NIM (%)	6.7	6.8	7.8	7.8
PPoP (INR mn)	7,594	8,742	10,011	11,970
PAT (INR mn)	5,738	6,549	7,481	8,969
EPS (INR)	72.6	82.7	94.4	113.1
Gr. (%)	0.2	0.1	0.1	0.2
DPS (INR)	-	-	-	-
Yield (%)	-	-	-	-
RoAE (%)	14.1	13.9	13.8	14.4
RoAA (%)	3.3	3.3	3.2	3.3
P/BV (x)	2.6	2.3	2.0	1.7
P/ABV (x)	2.7	2.3	2.0	1.8
PE (x)	19.9	17.5	15.3	12.8
CAR (%)	45.0	44.6	40.2	36.9

Execution in terms of growth is a key monitorable

Quick Pointers

- We build AUM growth at 18/19% for FY27/28E
- Spreads to moderate due to PLR cut and higher CoF
- Credit costs outlook benign

4Q disbursements/ AUM grew 16%/ 15% YoY. Commentary indicated an aspiration for 20%+ growth; we remain conservative considering high competitive intensity and build an AUM growth of 18%/19% in FY27/ FY28E. Expect FY27/28E spreads to moderate as the book reprices with PLR cut and cost of borrowing inches up due to hardening of bond yields. Expect an improvement in opex as productivity benefits flow through and company does not anticipate further material spend on tech. Credit cost is likely to be benign. We slightly tweak our FY27/ FY28E estimates factoring pick-up in growth and improved opex. We tweak our multiple slightly to 1.9x (earlier 1.8x) with a TP of Rs 1,585. Downgrade to ACCUMULATE as the stock has run up by 29% in the past month.

Expect AUM growth of 18% in FY27E: Q4 disbursements saw a growth of 16% YoY/ 36.4% QoQ to Rs23.5bn while AUM grew 15% YoY/ 5.6% QoQ to Rs234.5bn. Housing Loans/ MSME/ LAP contributed 65%/ 22%/ 13% of the portfolio. The AUM mix for <1.5mn, 1.5-2.5mn, 2.5-5mn and >5mn ticket sizes stood at 83%/11%/5%/1% while the AUM mix in terms of salaried/non-salaried borrowers stood stable at 61:39. Commentary indicated an aspiration for a 20%+ growth led by sharper execution. Company continues to add new branches in GJ, MH, TN and UP. Management highlighted greater focus on branch-led sourcing while maintaining channel partner relationships, indicating a calibrated shift in mix, rather than channel substitution. Management has guided for 20%+ growth and appointment of the new CEO & MD (Mr. Manu Singh) backed by extensive industry experience (ex-Kotak Mahindra Bank) strengthens execution confidence to improve growth momentum over the medium term. However, we model an AUM growth of 18%/19% for FY27/28E, considering high competitive intensity in the sector.

Quarter Summary

Y/e Mar	Q4'26E	Q4'26A	% Var.	Q4'25A	YoY gr. (%)
NII (INR mn)	3,590	3,199	-10.9	2,705	18.0
PPoP (INR mn)	2,401	2,374	-1.1	2,009	18.0
Margin (%)	8.0	8.5	50 bps	7.6	90 bps
PAT (INR mn)	1,754	1,817	3.6	1,537	18.0

Source: Company, PL

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Guiding for spread at 5%+ over the medium-term: 4Q reported yield saw a 20bps moderation QoQ to 12.82% as company took a PLR cut of 15bps w.e.f. 1st March 2026, while CoF improved to 7.62% (vs. 7.68% in Q3FY26). Consequently, reported spreads declined by 14bps sequentially to 5.20% Company reiterated its guidance to maintain spread at 5%+ for FY27; however, we expect a slight moderation in FY27/28E as the book reprices with the PLR cut and cost of borrowing inches up due to hardening of bond yields. Opex/AUM ratio stood at 3.6% in Q4FY26 led by manpower additions, branch expansion and ESOP-related costs. Company expects to see a gradual improvement over the medium-term (sub-3% steady-state) as no material tech /digital investment is anticipated in the near-future. We expect an improvement of 25/8bps in FY27/FY28E.

Asset quality improves; credit cost benign: Asset quality saw an improvement in Q4FY26 with GNPA/NNPA at 1.05%/0.68% vs. 1.19%/0.79% in Q3FY26. Asset quality across geographies (vintage + emerging) remained healthy with 1+dpd below 4%. The company reiterated its guidance of maintaining credit cost below 25bps over the medium-term; we build a similar range. Management does not see any stress indicators in bounce-rate or collection efficiency due to the West-Asia war and is keeping track of customer profiles likely to get impacted.

Exhibit 1 : Q4FY26 results view

Y/e March	Q4FY26	Q4FY25	YoY gr. (%)	Q4FY26E	% Var	Q3FY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
NII	3,199	2,705	18.3	3,590	(10.9)	2,993	6.9	11,850	10,099	17.3
<i>NIM (%) (calc)</i>	8.5	7.6	81bps	8.0	43bps	8.0	44bps	6.8	6.7	17bps
Other Income	1,214	1,022	18.8	606	100.4	1,008	20.5	4,050	3,407	18.9
Net Revenue	4,414	3,727	18.4	4,196	5.2	4,001	10.3	15,900	13,506	17.7
Opex	2,040	1,719	18.7	1,794	13.7	1,730	17.9	7,158	5,912	21.1
PPOP	2,374	2,009	18.2	2,401	(1.1)	2,272	4.5	8,742	7,594	15.1
Provisions	67	76	(13.0)	128	(48.0)	79	(15.3)	337	271	24.3
PBT	2,308	1,932	19.4	2,273	1.5	2,193	5.2	8,405	7,323	14.8
Tax	491	395	24.2	514	(4.5)	493	(0.4)	1,856	1,585	17.1
<i>ETR (%)</i>	21.3	20.5		22.5		22.5		22.1	21.6	
PAT	1,817	1,537	18.2	1,754	3.6	1,700	6.8	6,549	5,738	14.1
Business Metrics										
AUM	2,34,517	2,04,202	14.8	2,36,001	(0.6)	2,22,035	5.6	2,34,517	2,04,202	14.8
Borrowings	1,56,856	1,39,185	12.7	1,51,534	3.5	1,50,033	4.5	1,56,856	1,39,185	12.7
Asset Quality Metrics										
GNPA (%)	1.05	1.08	3bps	1.07	2bps	1.19	14bps	1.05	1.08	3bps
NNPA (%)	0.68	0.73	5bps	0.96	28bps	0.79	11bps	0.68	0.73	5bps
PCR (%)	35.6	31.4	423bps	15.0	2061bps	33.4	225bps	35.6	31.4	423bps

Source: Company, PL

Exhibit 2 : Change in Estimates

(INR mn)	Revised Estimate		Earlier Estimate		% Revision	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net interest income	15,553	18,391	15,724	18,350	-1.1	0.2
Operating profit	10,011	11,970	10,137	12,004	-1.2	-0.3
Profit after tax	7,481	8,969	7,561	8,875	-1.1	1.1
ABVPS (INR)	708.1	815.4	711.3	820.9	-0.5	-0.7

Source: PL

Q4FY26 Concall Highlights

Growth

- Distribution expansion continued, with 31 branches added in Q4FY26 across Tamil Nadu, Uttar Pradesh and Gujarat, aimed at deepening direct sourcing capabilities.
- Management highlighted greater focus on branch-led sourcing, while maintaining channel partner relationships, indicating a calibrated mix shift rather than channel substitution.
- Management aspires for 20%+ growth, supported by sharper execution, branch ramp-up benefits in FY27, and healthy traction in emerging/vintage markets.
- Benefits of recent branch expansion are expected to accrue meaningfully in FY27.
- Management reiterated no foray into riskier customer segments and no change in ticket sizes, implying growth will remain within the existing underwriting framework.

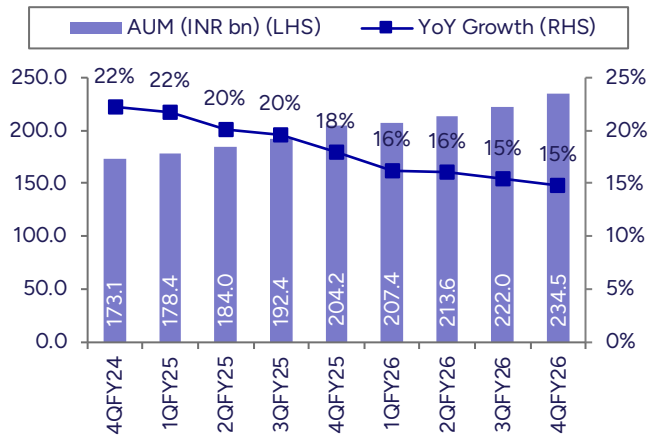
Operating profitability

- Sequential NIM expansion was driven by risk-adjusted pricing, while management provided for 5%+ spread guidance.
- Cost of borrowing improved due to faster liability repricing, with ~72% of borrowings linked to floating rates, though management expects CoB to settle around current levels.
- Company reduced PLR by 15bps effective 1 March, leading to yields compression.
- Opex/AUM remained elevated in FY26, led by manpower additions, branch expansion and ESOP-related costs; however, guidance targets sub-3% steady-state operating cost ratio over the medium-term.
- With major tech/digital investments largely complete, incremental capex intensity should moderate, supporting operating leverage going forward.
- Management is targeting high-teen ROE, supported by scale benefits, margin discipline and operating leverage from branch additions.

Asset quality

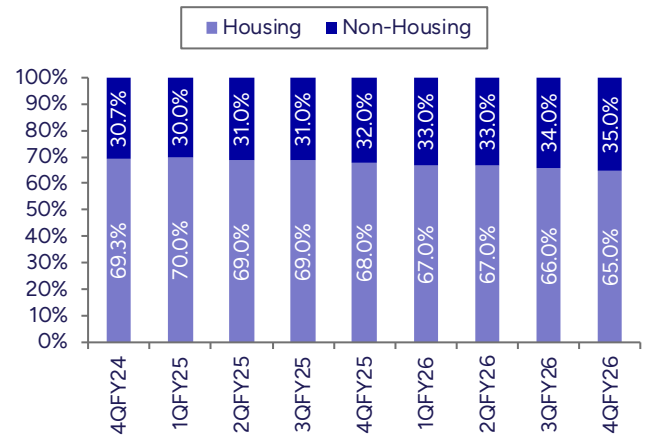
- Credit cost guidance remains below 25bps on a sustainable basis, indicating confidence in portfolio quality and underwriting resilience.
- Management noted healthy asset quality trends in emerging markets and vintage regions, alleviating concerns around seasoning risk from newer geographies.
- Higher yields have not translated into elevated portfolio risk, suggesting pricing actions have remained within prudent underwriting limits.
- No stress indicators visible in bounce rates or collections.
- Balance transfer (BT) outflows stood at 5.5% for FY26 and remain manageable.

Exhibit 3 : AUM growth was at 15% YoY to Rs234.5bn



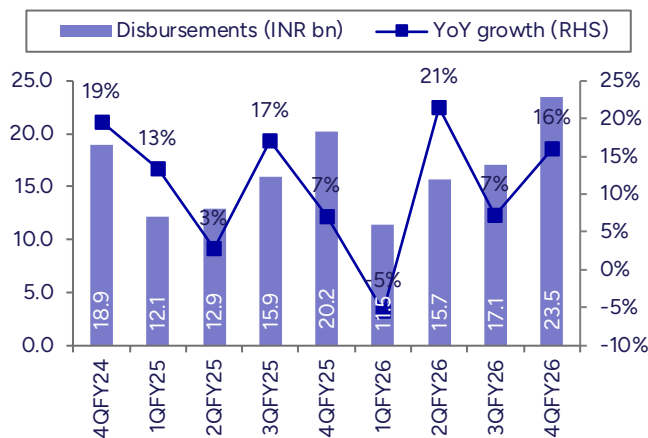
Source: Company, PL

Exhibit 4 : Segment wise AUM mix stable QoQ



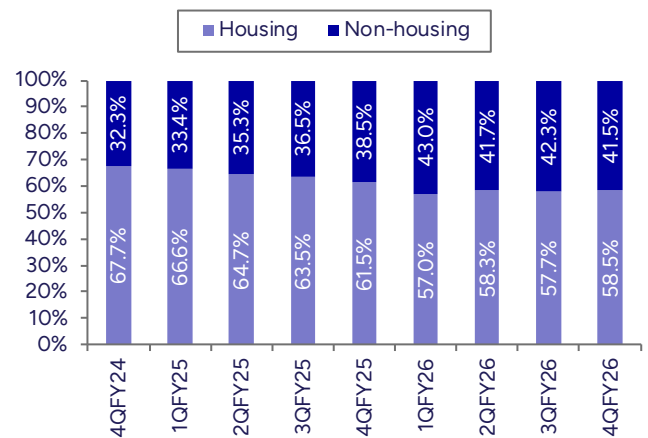
Source: Company, PL

Exhibit 5 : Disbursement growth picked up at 16% YoY



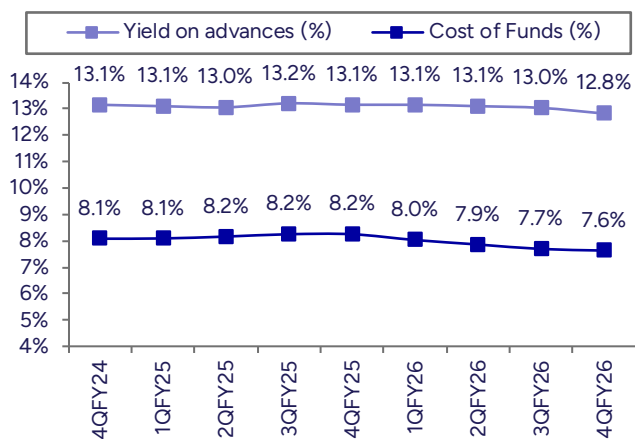
Source: Company, PL

Exhibit 6 : Segment wise disbursement mix steady QoQ



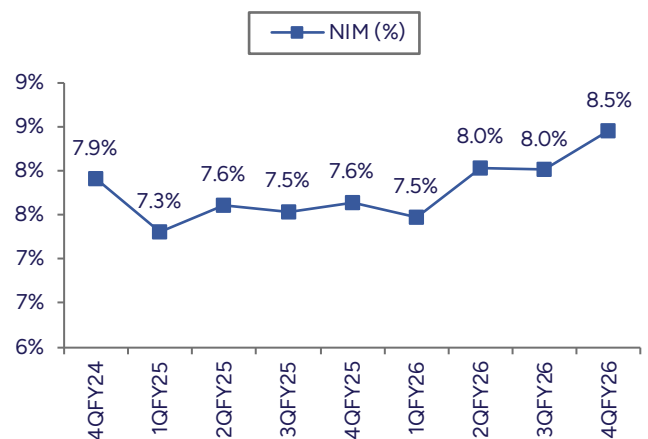
Source: Company, PL

Exhibit 7 : Reported yield moderated by 20bps QoQ



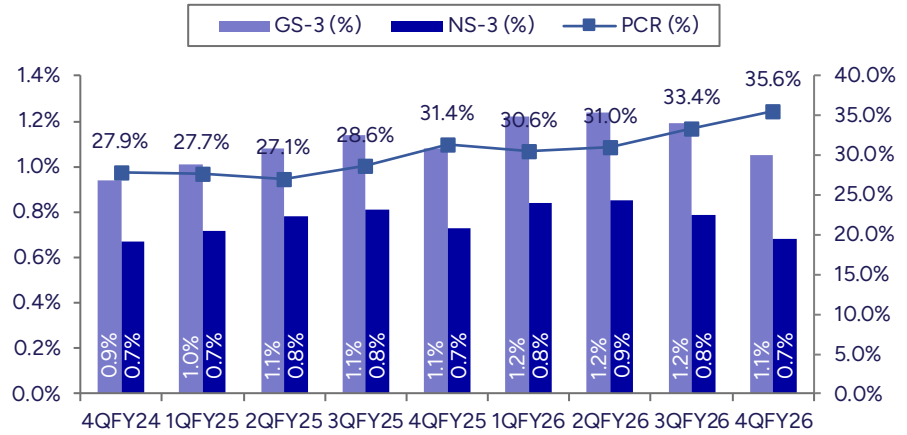
Source: Company, PL

Exhibit 8 : Reported NIM pick up in Q4FY26 due to risk adjusted pricing



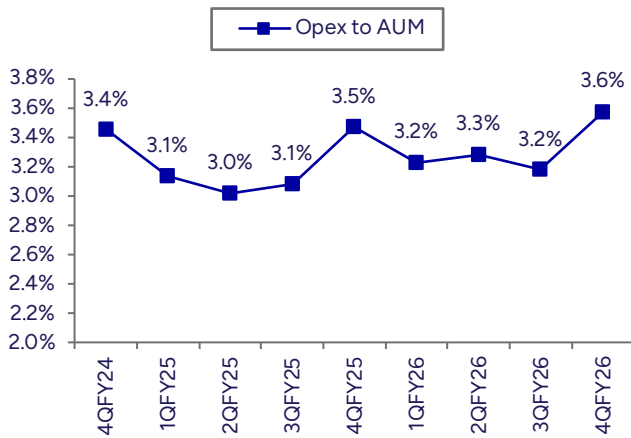
Source: Company, PL

Exhibit 9 : Headline asset quality improves in Q4FY26 with GNPA/NNPA at 1.05%/0.68%



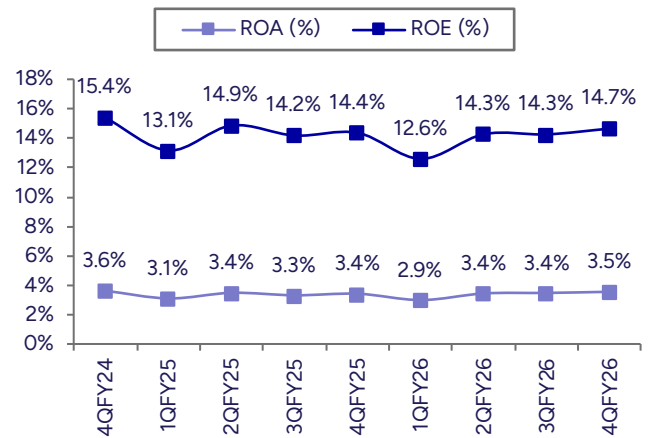
Source: Company, PL

Exhibit 10 : Calc. opex/AUM ratio improves ~40bps QoQ



Source: Company, PL

Exhibit 11 : RoA/RoE stood at 3.5% and 14.7% in Q4FY26



Source: Company, PL

Exhibit 12 : One-year forward P/ABV of AAVAS trades at 2.0x



Source: Company, PL

Quarterly Financials

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Income statement (INR mn)								
Interest earned	4,798	4,906	5,118	5,353	5,490	5,636	5,738	5,934
Interest expended	2,352	2,489	2,587	2,647	2,714	2,755	2,745	2,735
Net interest income	2,446	2,418	2,530	2,705	2,776	2,881	2,993	3,199
Other income	628	898	859	1,022	790	1,038	1,008	1,214
Total income	5,426	5,805	5,976	6,375	6,280	6,675	6,746	7,148
Operating expenses	1,379	1,368	1,447	1,719	1,662	1,727	1,730	2,040
Employees	916	836	906	1,120	1,107	1,130	1,142	1,325
Others	463	531	541	599	555	598	588	715
Operating profit	1,695	1,948	1,942	2,009	1,904	2,192	2,272	2,374
Provisions	86	48	61	76	113	80	79	67
Profit before tax	1,610	1,900	1,881	1,932	1,792	2,113	2,193	2,308
Tax	348	421	420	395	399	473	493	491
Profit after tax	1,261	1,479	1,461	1,537	1,393	1,640	1,700	1,817
Balance sheet (INR mn)								
AUM	178,415	183,956	192,380	204,202	207,397	213,566	222,035	234,517
<i>AUM growth (%)</i>	<i>21.8</i>	<i>20.1</i>	<i>19.6</i>	<i>17.9</i>	<i>16.2</i>	<i>16.1</i>	<i>15.4</i>	<i>14.8</i>
Disbursements	12,109	12,937	15,946	20,238	11,454	15,599	17,219	23,481
<i>Disbursal growth (%)</i>	<i>13.4</i>	<i>2.8</i>	<i>17.0</i>	<i>7.1</i>	<i>(5.4)</i>	<i>20.6</i>	<i>8.0</i>	<i>16.0</i>
Borrowings	126,027	124,794	133,803	139,185	143,899	144,126	150,033	156,856
<i>Borrowings growth (%)</i>	<i>18.0</i>	<i>11.4</i>	<i>16.6</i>	<i>12.3</i>	<i>14.2</i>	<i>15.5</i>	<i>12.1</i>	<i>12.7</i>
Debt / Equity (x)	3.2	3.1	3.2	3.2	3.2	3.1	3.1	3.1
Assets / Equity (x)	4.2	4.4	4.3	4.3	4.3	4.2	4.2	4.2
Capital ratios (%)								
Total CAR	44.5	46.5	45.6	45.0	44.0	47.0	46.4	44.6
Tier-1	44.2	46.2	45.5	44.4	44.0	47.0	46.4	44.6
Tier-2	0.2	0.2	0.1	0.1	-	-	-	-
Profitability ratios (%)								
Yield on AUM	13.6	13.6	13.8	13.7	13.8	14.0	13.9	13.7
Cost of funds	7.5	7.9	8.0	7.8	7.7	7.7	7.5	7.1
NIM	7.3	7.6	7.5	7.6	7.5	8.0	8.0	8.5
Spread	6.1	5.7	5.8	6.0	6.1	6.4	6.5	6.6
Cost / Income	44.8	41.2	42.7	46.1	46.6	44.1	43.2	46.2
Opex / AUM	3.1	3.0	3.1	3.5	3.2	3.3	3.2	3.6
RoA	3.1	3.4	3.3	3.4	2.9	3.4	3.4	3.5
RoE	13.1	14.9	14.2	14.4	12.6	14.3	14.3	14.7
Asset quality ratios (%)								
GNPA	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.1
NNPA	0.7	0.8	0.8	0.7	0.8	0.9	0.8	0.7
Provision coverage	27.7	27.1	28.6	31.4	30.6	31.0	33.4	35.6
Credit costs	0.2	0.1	0.2	0.2	0.3	0.2	0.2	0.1

Source: Company, PL

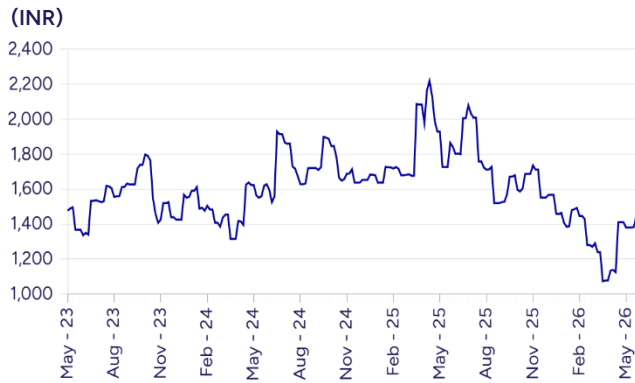
Financials

Y/e Mar	FY25	FY26	FY27E	FY28E
Profit & Loss (INR mn)				
Interest income	20,174	22,798	28,001	32,544
Interest expense	10,075	10,948	12,448	14,153
NII	10,099	11,850	15,553	18,391
Other income	3,407	4,050	2,223	2,511
Total income	23,581	26,848	30,224	35,055
Operating expenses	5,912	7,158	7,765	8,932
Employee	3,778	4,704	5,047	5,806
Others	1,770	2,024	2,222	2,556
PPOP	7,594	8,742	10,011	11,970
Provisions	271	337	359	396
PBT	7,323	8,405	9,652	11,573
Tax	1,585	1,856	2,172	2,604
PAT	5,738	6,549	7,481	8,969
Growth ratios (%)				
AUM	17.9	14.8	17.9	18.6
Borrowings	12.3	12.7	12.0	14.2
NII	11.4	17.3	31.3	18.2
Opex	8.9	21.1	8.5	15.0
PPoP	17.0	15.1	14.5	19.6
Provisions	10.8	24.3	6.5	10.4
PAT	17.0	14.1	14.2	19.9
Profitability ratios (%)				
Yield on AUM	13.5	13.5	13.4	13.3
Cost of funds	7.7	7.4	7.5	7.5
NIM	6.7	6.8	7.8	7.8
Spread	5.8	6.1	5.9	5.8
Other Income/Assets	1.8	1.9	0.9	0.9
Cost/Income	58.5	60.4	49.9	48.6
Opex/Assets	3.2	3.4	3.1	3.1
Tax Rate	21.6	22.1	23.0	23.0
RoA	3.3	3.3	3.2	3.3
RoE	14.1	13.9	13.8	14.4
DuPont analysis (%)				
Interest income	11.5	11.4	12.2	12.0
Interest expense	5.7	5.5	5.4	5.2
NII	5.7	6.0	6.8	6.8
Other income	1.9	2.0	1.0	0.9
Total income	13.4	13.5	13.1	13.0
Operating expenses	3.4	3.6	3.4	3.3
Employee	2.2	2.4	2.2	2.1
Others	1.0	1.0	1.0	0.9
PPOP	4.3	4.4	4.3	4.4
Provisions	0.2	0.2	0.2	0.1
PBT	3.9	4.0	3.9	4.0
Tax	0.9	0.9	0.9	1.0
PAT	3.1	3.1	3.0	3.1

Source: Company, PL

Y/e Mar	FY25	FY26	FY27E	FY28E
Balance sheet (INR mn)				
Cash & Bank	15,596	18,433	24,595	29,089
Loans	162,297	183,727	214,548	254,187
Investments	2,300	2,708	2,708	2,708
Fixed Assets	824	921	1,120	1,361
Other Assets	5,167	6,336	5,500	5,500
Total Assets	186,184	212,125	248,471	292,846
Borrowings	139,185	156,856	175,677	200,615
Other Liabilities & Provisions	3,391	4,761	14,804	25,273
Total Liabilities	142,576	161,617	190,482	225,888
Share capital	791	793	793	793
Other equity	42,817	49,716	57,196	66,166
Total equity	43,608	50,508	57,989	66,958
Total Liabilities & Equity	186,184	212,125	248,471	292,846
Balance Sheet ratios (%)				
Debt/Equity	3.4	3.3	3.2	3.2
Assets/Equity	4.6	4.5	4.6	4.7
Cash/Borrowings	0.1	0.1	0.1	0.2
CRAR	45.0	44.6	40.2	36.9
Asset quality (%)				
GNPA (INR mn)	1,823	1,958	2,353	2,956
NNPA (INR mn)	1,251	1,261	1,852	2,315
GNPA	1.1	1.1	1.1	1.2
NNPA	0.8	0.7	0.9	0.9
PCR	31.4	35.6	21.3	21.7
Credit Cost	0.2	0.2	0.2	0.2
Per share (Rs)				
EPS	72.6	82.7	94.4	113.1
BVPS	551.6	638.0	731.4	844.6
ABVPS	535.8	622.1	708.1	815.4
Valuation (x)				
P/E	19.9	17.5	15.3	12.8
P/ABV	2.7	2.3	2.0	1.8
P/BV	2.6	2.3	2.0	1.7

Source: Company, PL

Price Chart

Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Apr-26	BUY	1500	1209
2	27-Mar-26	BUY	1500	1136
3	06-Feb-26	BUY	1700	1380
4	08-Jan-26	BUY	1700	1470
5	12-Nov-25	Accumulate	1900	1619
6	08-Oct-25	Accumulate	1925	1672
7	13-Aug-25	Accumulate	1925	1728
8	09-Jul-25	Accumulate	2072	1974
9	25-Apr-25	Accumulate	2072	2038
10	08-Apr-25	Accumulate	1900	2083

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	AAVAS Financiers	BUY	1500	1209
2	Bajaj Finance	BUY	1100	930
3	Can Fin Homes	BUY	1075	915
4	Cholamandalam Investment and Finance Company	BUY	1800	1554
5	HDFC Life Insurance Company	Buy	835	632
6	Home First Finance Company India	BUY	1250	1060
7	ICICI Prudential Life Insurance Company	Buy	700	547
8	LIC Housing Finance	HOLD	550	530
9	Mahindra & Mahindra Financial Services	Accumulate	325	294
10	Max Financial Services	BUY	2040	1491
11	SBI Life Insurance Company	Buy	2200	1885
12	Shriram Finance	BUY	1200	1011
13	Sundaram Finance	ACCUMULATE	5500	4887

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

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