



Oct-Dec'25 Earnings Preview

January 8, 2026

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Finance	BUY	969	1,125
Cholamandalam Inv. and Fin. Co.	Acc	1,787	1,850
Mahindra & Mahindra Financial Services	Acc	360	375
Shriram Finance	BUY	996	1,150
Sundaram Finance	HOLD	5,288	5,000
AAVAS Financiers	BUY	1,470	1,700
Can Fin Homes	Acc	927	1,015
LIC Housing Finance	BUY	538	645

Source: PL

NIM to improve; credit cost to moderate

Auto Financiers: With the festive season in Q3, we expect an uptick in growth for auto financiers due to the relief from GST cuts. Cost of borrowing has started to taper off in Q2 and we expect the movement to continue in Q3 with MCLR repricing (CIFC) and credit rating upgrade (SHFL). Remain wary of asset quality trends for MMFS. Prefer diversified players- SHFL and CIFC.

HFCs: Large HFCs to see tepid growth due to intense competition from banks (LICHF, CANF); expect higher growth for affordable housing players (Aavas). Lower CoF due to repricing/ NHB sanctions to help NIM. Expect low credit cost for HFCs in Q3 with recoveries in key accounts (LICHF). Assume coverage for housing financiers.

Diversified: BAF has reported an AUM growth of 22% YoY- commentary around growth and asset quality are key. Stock has seen a significant correction, upgrade to BUY.

- **Auto financiers- Growth to pick up; NIM to improve:** We expect Q3 disbursement growth to pick up with festive season spending and GST rate cuts. Expect a strong boost in PV and tractor disbursements with a recovery in Small CV/ LCV volumes (CIFC). With access to long-term growth capital (recent infusion of Rs396.2bn by MUFG Bank), we build a growth of 17% for SHFL. Disbursement/ AUM growth for MMFS remains weak- at 7%/ 12% YoY respectively. Expect NIM to improve by 20-30bps with (1) MCLR pass-through (CIFC) and (ii) credit rating upgrade (SHFL). While credit cost has been elevated in H1, expect it to start moderating in Q3. Lower delinquencies in VF, run-down of the CSEL portfolio and reversals from SARFAESI likely to reduce credit cost for CIFC. MMFS has already reported no sequential improvement in Stage 3 (at 3.9%- 4.0%) and we build a credit cost of 1.5% for the quarter.
- **Housing Financiers- muted loan growth; lower CoF to help NIM:** Expect weak loan growth for large HFCs (LICHF, CANF) due to high BT-out pressure and intense competition from PSBs. Disruption in Karnataka and Telangana disbursements due to E-Khata issues likely to stabilise in Q3 (CANF). Expect 16% AUM growth for Aavas with a pick-up in disbursements- Rs6bn per month (vs. ~Rs5bn in H1). Moderation in incremental yields in individual housing due to increased competition to be partly offset by a decline in CoF from repricing (LICHF). CANF has received NHB sanction of Rs1.5bn in Q3 and maintains NIM/ spread guidance of 3.75%/ 2.75% for FY26. Aavas has raised NCDs at competitive rates and ~60% of its borrowings are linked to T-Bill, repo and sub-3 month MCLR which are likely to reprice faster. Expect low credit cost in Q3 (CANF) with an improvement in Stage 3 (Aavas). LICHF expects recoveries in three big accounts (SARFAESI/ NCLT or DRT resolution) in H2 and is guiding for a credit cost of ~15bps for FY26.
- **BAF- Stable NIM; credit cost to be elevated:** BAF reported AUM growth of 22% YoY to Rs4,859bn (in-line with guidance of 22%- 24%). New loans booked grew 15% YoY to 13.9mn and company added 4.8mn new customers in the quarter, taking the total number of customers to 115.4mn. For BAF, given a lower interest rate environment, we expect NIM to remain stable in FY26. Expect credit cost to be elevated at 1.9% for FY26 as stress persists in the MSME portfolio.

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Exhibit 2: Q3FY26 Result Preview (Rs mn)

Company Name	Q3FY26E	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)	Remark	
Bajaj Finance	NII	1,11,710	93,826	19.1	1,07,847	3.6	Reported 22% YoY growth in AUM to Rs4,859bn due to slower growth in MSME and mortgage businesses
	PPOP	92,474	78,088	18.4	88,769	4.2	
	PAT	52,466	43,082	21.8	49,478	6.0	New loans booked grew 15% YoY to 13.9mn and BAF added 4.8mn new customers in the quarter, taking the total number of customers to 115.4mn
	NIM (%)	9.4	9.7	-30 bps	9.5	-12 bps	
	Cost-to-income ratio (%)	32.3	33.1	-82 bps	32.6	-31 bps	
	Credit cost (%)	1.9	2.1	-22 bps	2.0	-11 bps	Expect NIM to remain stable in Q3; will pass on the benefit of a lower CoF to customers
	AUM	48,59,000	39,80,430	22.1	46,22,500	5.1	Expect credit cost to be elevated as MSME is seeing stress
Borrowings	36,27,908	25,57,550	41.9	39,74,009	(8.7)		
Cholamandam Investment and Finance Company	NII	36,703	28,869	27.1	33,787	8.6	Expect disbursement growth to pick up with GST cut transmission. Capacity utilisation in VF has improved with a pick-up in Small CV/LCV. LAP and HL also saw higher registrations in Oct-25 due to spillage.
	PPOP	27,080	21,276	27.3	24,578	10.2	
	PAT	14,737	10,865	35.6	11,553	27.6	Expect NIM to improve by 10-15bps in H2; full MCLR pass-through from banks to come in; CCD conversion also to have a little positive impact which will be spread out over the next 3 quarters
	NIM (%)	7.4	6.9	49 bps	7.1	28 bps	
	Cost-to-income ratio (%)	39.5	39.9	-41 bps	39.7	-18 bps	
	Credit cost (%)	1.5	1.6	-13 bps	1.9	-43 bps	
	AUM	20,91,781	17,45,670	19.8	19,91,590	5.0	CIFC has tightened disbursements in the CSEL portfolio; credit cost has peaked here and expect moderation now
Borrowings	19,52,329	16,70,760	16.9	18,75,148	4.1		
Mahindra & Mahindra Financial Services	NII	22,277	19,113	16.6	21,116	5.5	Saw 12% growth in AUM led by tailwinds for tractor and PV
	PPOP	15,109	12,217	23.7	14,989	0.8	
	PAT	7,789	8,995	-13.4	5,693	36.8	Medium-term guidance of mid-teens disbursement growth
	NIM (%)	7.1	6.9	13 bps	7.0	8 bps	Expect some improvement in incremental CoF which should help NIMs
	Cost-to-income ratio (%)	40.6	41.8	-114 bps	38.1	251 bps	
	Credit cost (%)	1.5	0.0	147 bps	2.5	-99 bps	
	AUM	12,90,000	11,51,260	12.1	12,72,460	1.4	While we expect credit cost to start normalising from this quarter, Stage 3 % (reported already) have not improved sequentially
Borrowings	11,99,520	10,45,830	14.7	11,47,866	4.5		
Shriram Finance	NII	67,641	55,896	21.0	60,258	12.3	With access to long-term growth capital (recent infusion of Rs396.2bn by MUFGBank), SHFL is guiding for a higher growth
	PPOP	48,924	40,850	19.8	44,434	10.1	
	PAT	26,436	35,698	-25.9	23,072	14.6	Seeing strong growth in PV due to GST cuts; expect 17% growth in AUM in Q3
	NIM (%)	9.4	9.0	37 bps	8.7	65 bps	
	Cost-to-income ratio (%)	29.3	31.4	-211 bps	30.5	-120 bps	
	Credit cost (%)	2.0	2.3	-31 bps	2.1	-7 bps	Expect NIM to improve with the recent credit rating upgrade and the repo-rate cut of 25bps
	AUM	29,67,815	25,44,697	16.6	28,13,095	5.5	Expect credit cost to start tapering off
Borrowings	25,63,472	22,34,597	14.7	23,43,094	9.4		

Company Name		Q3FY26E	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)	Remark
Sundaram Finance	NII	7,429	6,427	15.6	7,142	4.0	
	PPOP	6,599	5,586	18.1	6,318	4.5	Expect a pick-up in demand in led by higher PV volumes; expect 15% growth in AUM
	PAT	4,187	3,491	20.0	3,942	6.2	
	NIM (%)	5.5	5.5	3 bps	5.5	5 bps	
	Cost-to-income ratio (%)	30.5	32.6	-209 bps	31.1	-59 bps	NIM to be largely stable supported by a lower CoF
	Credit cost (%)	0.8	0.8	4 bps	0.9	-9 bps	
	AUM	5,78,347	5,01,990	15.2	5,54,190	4.4	Remain wary of asset quality trends
Borrowings	5,21,958	4,54,539	14.8	5,15,927	1.2		
AAVAS Financiers	NII	3,301	2,530	30.4	2,881	14.6	Expect ~Rs6bn monthly run-rate (vs ~Rs5bn previously), disruption from festive season/GST cut, realisation-based disbursements; Q3 AUM growth expected at 16%
	PPOP	1,991	1,942	2.5	2,192	(9.2)	
	PAT	1,447	1,461	-1.0	1,640	(11.8)	Expect spread to improve; raised NCD at competitive rates; ~60% of borrowings linked to T-Bill and repo and sub-3 month MCLR which reprice faster
	NIM (%)	7.7	7.5	19 bps	8.0	-31 bps	
	Cost-to-income ratio (%)	48.1	42.7	538 bps	44.1	403 bps	
	Credit cost (%)	0.3	0.2	13 bps	0.2	10 bps	Likely to see a higher ESOP charge in P&L; expect operating leverage to kick in from H2
	AUM	2,23,920	1,92,380	16.4	2,13,566	4.8	Company expects improvement in asset quality coming from Karnataka, eastern MP
Borrowings	1,51,333	1,33,803	13.1	1,44,126	5.0		
Can Fin Homes	NII	3,910	3,447	13.4	4,046	(3.4)	Expect loan growth of ~10% in Q3 due to impact in Karnataka/Telangana; expect Q4 growth to be stronger to meet FY26 guidance of Rs105bn in disbursements
	PPOP	3,310	2,913	13.7	3,347	(1.1)	
	PAT	2,394	2,121	12.9	2,514	(4.8)	Received an NHB sanction of Rs1.5 bn in Q3, supporting CoF. Moreover, NHB cut the PLR by 30bps on Rs30 bn of refinance which is likely to be offset by 59% of loans shifting from annual to quarterly reset
	NIM (%)	3.7	3.5	15 bps	3.9	-24 bps	
	Cost-to-income ratio (%)	16.8	16.9	-15 bps	18.6	-178 bps	
	Credit cost (%)	0.1	0.2	-13 bps	0.0	8 bps	NIM/ spread guidance of 3.75%/2.75% as it gives company leeway to offer competitive rates in H2
	AUM	4,10,189	3,71,550	10.4	3,96,570	3.4	Seeing improvement in stress in the self-employed portfolio; expect credit cost to be benign
Borrowings	3,67,994	3,34,540	10.0	3,61,066	1.9		
LIC Housing Finance	NII	22,508	20,001	12.5	20,385	10.4	Muted loan growth expected due to higher BT-outs and PSB competition; strong construction finance pipeline likely to materialize in H2FY26
	PPOP	20,552	17,494	17.5	18,729	9.7	
	PAT	15,102	14,319	5.5	13,539	11.5	Incremental yields in individual housing may compress due to competition, partly offset by ~10bps lower CoF from repricing benefit
	NIM (%)	2.8	2.6	20 bps	2.6	24 bps	
	Cost-to-income ratio (%)	14.0	16.9	-292 bps	13.9	12 bps	NIM has bottomed out and is guided between 2.6%-2.8% for FY26
	Credit cost (%)	0.2	-0.1	21 bps	0.2	-7 bps	
	AUM	31,74,890	29,91,440	6.1	30,67,526	3.5	Driving recoveries in legacy loans through SARFAESI/NCLT/DRT, with three major settlements expected in H2 and a FY26 credit cost of 15bps
Borrowings	28,34,723	26,25,660	8.0	26,14,635	8.4		

Source: Company, PL

Exhibit 3: Valuation Summary

Company Name	S/C	Rating	CMP (Rs)	TP (Rs)	Mcap (Rs bn)	P/ABV (x)				RoE (%)				RoA (%)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Bajaj Finance	C	BUY	969	1,125	6,015	6.2	5.2	4.3	3.6	19.0	19.3	20.6	21.2	4.0	4.1	4.3	4.3
Cholamandalam Inv. and Fin. Co.	S	Acc	1,787	1,850	1,503	8.0	6.1	5.0	4.0	19.7	20.4	21.0	21.5	2.4	2.4	2.5	2.6
Mahindra & Mahindra Financial Services	C	Acc	360	375	500	2.4	2.2	1.9	1.7	12.4	12.0	12.5	13.0	1.9	1.8	2.0	2.1
Shriram Finance	S	BUY	996	1,150	2,342	3.8	2.1	2.1	1.9	15.5	12.5	11.4	12.3	3.1	3.0	3.1	3.2
Sundaram Finance	C	HOLD	5,288	5,000	587	5.5	4.5	3.9	3.4	15.2	15.3	14.0	14.1	2.8	3.0	2.8	3.0
AAVAS Financiers	S	BUY	1,470	1,700	116	2.7	2.4	2.1	1.8	14.1	13.1	13.1	12.8	3.3	3.0	2.9	2.7
Can Fin Homes	S	Acc	927	1,015	123	2.5	2.1	1.8	1.6	18.2	17.6	17.0	17.3	2.2	2.2	2.2	2.3
LIC Housing Finance	S	BUY	538	645	296	0.9	0.8	0.7	0.6	16.0	15.1	14.4	13.7	1.8	1.8	1.8	1.7

Source: Company, PL S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates

	Rating		Target Price			NII (Rs mn)						PPOP (Rs mn)						PAT (Rs mn)					
						FY27E			FY28E			FY27E			FY28E			FY27E			FY28E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Bajaj Finance	BUY	Acc	1,125	1,125	0.0%	544.1	660.2	-17.6%	669.1	811.4	-17.5%	458.7	463.1	-0.9%	563.9	572.6	-1.5%	267.9	271.2	-1.2%	333.0	339.5	-1.9%
Cholamandalam Inv. and Fin. Co.	Acc	Acc	1,850	1,850	0.0%	171.5	171.5	0.0%	206.4	206.4	0.0%	125.2	125.2	0.0%	151.5	151.5	0.0%	66.7	66.7	0.0%	83.4	83.4	0.0%
Mahindra & Mahindra Financial Services	Acc	Acc	375	375	0.0%	101.4	101.4	0.0%	115.1	115.1	0.0%	68.7	68.7	0.0%	77.3	77.3	0.0%	32.8	32.8	0.0%	38.7	38.7	0.0%
Shriram Finance	BUY	BUY	1,150	1,150	0.0%	309.1	309.1	0.0%	364.2	364.2	0.0%	231.6	231.6	0.0%	275.2	275.2	0.0%	127.2	127.2	0.0%	154.7	154.7	0.0%
Sundaram Finance	HOLD	HOLD	5,000	5,000	0.0%	33.9	33.9	0.0%	39.2	39.2	0.0%	31.0	31.0	0.0%	36.2	36.2	0.0%	20.6	20.6	0.0%	24.0	24.0	0.0%
AAVAS Financiers	BUY	Acc	1,700	1,900	-10.5%	15.2	NA	NA	17.1	NA	NA	9.5	NA	NA	10.7	NA	NA	7.0	NA	NA	7.8	NA	NA
Can Fin Homes	Acc	BUY	1,015	950	6.8%	17.8	NA	NA	20.9	NA	NA	15.2	NA	NA	17.9	NA	NA	10.9	NA	NA	12.9	NA	NA
LIC Housing Finance	BUY	HOLD	645	690	-6.5%	97.3	NA	NA	106.3	NA	NA	88.7	NA	NA	97.0	NA	NA	63.2	NA	NA	67.5	NA	NA

Source: Company, PL

C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	1,125	1,048
2	Cholamandalam Investment and Finance Company	Accumulate	1,850	1,724
3	HDFC Life Insurance Company	BUY	900	755
4	ICICI Prudential Life Insurance Company	Hold	710	679
5	Mahindra & Mahindra Financial Services	Accumulate	375	353
6	Max Financial Services	BUY	1,925	1,672
7	SBI Life Insurance Company	Hold	1,950	2,067
8	Shriram Finance	BUY	1,150	956
9	Sundaram Finance	Hold	5,000	4,691

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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