

Financial Services

April 09, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
AAVAS Financiers	BUY	1,209	1,500
Bajaj Finance	ACCUMULATE	915	1,025
Can Fin Homes	BUY	836	1,000
Cholamandalam Investment and Finance Company	BUY	1,554	1,800
Home First Finance Company India	BUY	1,060	1,250
LIC Housing Finance	HOLD	530	550
Mahindra & Mahindra Financial Services	ACCUMULATE	297	325
Shriram Finance	BUY	1,023	1,200
Sundaram Finance	ACCUMULATE	4,887	5,500

Stable NIM; credit cost to moderate
Quick Pointers

- Disbursement growth to pick up for auto financiers
- Hardening of bond yields might offset benefits of lower CoF
- MSME stress continues, recovery likely to be delayed

We expect an uptick in growth for auto financiers due to the relief from GST cuts, replacement demand and pick-up in infrastructure spending. However, commentary around the impact of the Gulf War on economic activity is critical for sustained momentum. Cost of borrowing has moderated in Q3 for most NBFCs; however, the recent hardening of bond yields might offset some of the benefit. Expect credit cost to moderate with lower delinquencies in VF and run-down of stressed portfolio (CIFC). However, stress persists in the MSME segment and recovery is likely to be delayed due to the Gulf War. Large HFCs to see some pick-up in growth (LICHF, CANF). Upgrade CANF to 'BUY' from 'ACCUMULATE'. While covered HFCs have taken PLR cuts, they are looking to raise NCDs/ funds at a subsidised rate to maintain NIM. Expect recoveries in key accounts (LICHF). BAF has reported an AUM growth of 22% YoY- commentary around pick-up in growth and asset quality in MSME are key. We downgrade BAF to 'ACCUMULATE' from earlier 'BUY'.

Auto financiers- Growth picking up; asset quality improving: We expect healthy disbursement growth in Q4 led by increase in infrastructure spending, GST cuts and replacement demand. Disbursement/ AUM growth for MMFS has picked up in the quarter at 11%/ 12% YoY respectively. However, commentary around the impact of the Gulf War on economic activity is critical for the trend to sustain. Expect slight improvement in NIM with a (i) reduction in incremental CoF and (ii) credit rating upgrades (SHFL). However, the recent hardening of bond yields might offset some of the benefit. While credit cost was elevated in H1, it is now moderating with lower delinquencies in VF and run-down of the CSEL portfolio (CIFC). MMFS has already reported a sequential improvement in Stage 3 (at 3.4%- 3.5% vs. 3.8% in Dec-25). However, we maintain a cautionary stance in the MSME and Construction Equipment portfolio.

Housing Financiers- recovery in key markets; rate cuts across players: Expect some pick-up in disbursement growth for large HFCs (LICHF, CANF) led by recovery in key markets (E-khata issues in Karnataka/ Telangana). However, high BT-out pressure and intense competition from PSBs remains a key overhang. LICHF has taken a PLR rate cut in Dec-25 and expects to maintain reported NIM in the range of 2.6%-2.8% in FY26E with a slight reduction in CoF in Q4. CANF has taken 15 bps of rate cut (from 1st Jan 2026) and plans to raise NHB funding in Q4. Aavas has taken a PLR cut of 15 bps from Mar-26 and will raise NCDs at a competitive rate in Q4. HFFC has cut PLR by 10 bps from Jan-26 and has NHB approval to raise funds. Expect low/ benign credit cost in Q4 across the board; LICHF is awaiting ARC sales from some accounts.

BAF- NIM to remain stable; credit cost elevated: BAF reported AUM growth of 22% YoY to Rs 5,100bn (in-line with guidance). New loans booked grew 20.5% YoY to 12.9mn and company added 3.9mn new customers in the quarter, taking the total number of customers to 119.3mn. We expect NIM to remain largely stable in Q4, with BAF passing on the benefit of a lower CoF to customers. Expect credit cost to be elevated at 2.0% for Q4 as stress persists in the MSME portfolio and recovery might be delayed due to the Gulf War.

Exhibit 1 : Q4FY26 Result Preview (INR mn)

Company Name		Q4FY26	Q4FY25	YoY gr. (%)	Q3FY26	QoQ gr. (%)	Remark
Bajaj Finance	NII	1,20,432	98,072	22.8	1,13,178	6.4	Reported 22% YoY growth in AUM to Rs 5,100 bn
	PPOP	98,123	79,763	23.0	93,218	5.3	New loans booked grew 20.5% YoY to 12.9 mn and BAF added 3.9 mn new customers in the quarter, taking the total number of customers to 119.3 mn.
	PAT	55,412	45,456	21.9	43,312	27.9	
	NIM (%)	9.7	9.6	6 bps	9.6	12 bps	Expect NIM to remain largely stable; will pass on the benefit of a lower CoF to customers.
	Cost-to-income ratio (%)	33.0	33.1	-8 bps	32.8	21 bps	
	Credit cost (%)	2.0	2.3	-34 bps	3.1	-111 bps	
	AUM	51,00,000	41,66,610	22.4	48,44,770	5.3	Expect credit cost to be elevated as MSME is seeing stress; recovery might be delayed due to the Gulf War
Borrowings	28,89,469	27,52,180	5.0	30,69,150	(5.9)		
Cholamandam Investment and Finance Company	NII	38,303	30,557	25.3	35,808	7.0	Expect healthy growth in VF driven by improvement in capacity utilization, infrastructure spending and replacement demand. Build 22% growth in AUM for FY26.
	PPOP	28,261	23,315	21.2	26,432	6.9	
	PAT	14,585	12,667	15.1	12,877	13.3	Expect 5-10 bps improvement in CoF in Q4; high opex spend in new businesses is likely to be offset by an improvement in productivity.
	NIM (%)	7.2	6.9	32 bps	7.2	3 bps	
	Cost-to-income ratio (%)	39.5	38.0	153 bps	39.1	37 bps	
	Credit cost (%)	1.6	1.4	19 bps	1.8	-23 bps	CIFC has tightened disbursements in the CSEL portfolio; expect credit cost to moderate, however impact of Gulf War is a concern over the near-term
	AUM	22,48,425	18,47,460	21.7	21,07,220	6.7	
Borrowings	20,98,530	17,49,461	20.0	19,78,100	6.1		
Mahindra & Mahindra Financial Services	NII	24,358	19,276	26.4	23,045	5.7	Saw 12% growth in AUM led by tailwinds for tractor and PV.
	PPOP	17,150	12,128	41.4	16,576	3.5	
	PAT	9,230	5,631	63.9	9,278	(0.5)	Expect some improvement in incremental CoF which should help NIMs.
	NIM (%)	7.5	6.8	78 bps	7.4	12 bps	
	Cost-to-income ratio (%)	38.7	43.7	-501 bps	37.7	103 bps	
	Credit cost (%)	1.5	1.6	-10 bps	1.5	-1 bps	Stage 3 % (reported already) has improved sequentially; expect credit cost to start normalising
	AUM	13,38,000	11,96,730	11.8	12,89,650	3.7	
Borrowings	12,11,079	11,28,735	7.3	11,60,390	4.4		
Shriram Finance	NII	68,007	55,655	22.2	65,740	3.4	Expect 16% YoY growth in AUM led by replacement demand. With access to long-term growth capital (recent infusion of Rs 396.2 bn by MUFG Bank), SHFL is guiding for a higher growth in FY27.
	PPOP	50,627	43,353	16.8	46,705	8.4	
	PAT	27,820	21,394	30.0	25,217	10.3	Expect NIM to improve with the recent credit rating upgrade from multiple agencies; hardening bond yields might offset some of the gains.
	NIM (%)	9.7	9.3	48 bps	9.8	-9 bps	
	Cost-to-income ratio (%)	29.8	30.5	-69 bps	32.6	-283 bps	
	Credit cost (%)	1.9	2.6	-70 bps	2.0	-6 bps	Stable credit cost; maintain cautionary stance in the MSME and Construction Equipment portfolio.
	AUM	30,62,945	26,31,903	16.4	29,17,090	5.0	
Borrowings	26,47,964	23,41,973	13.1	25,17,300	5.2		
Sundaram Finance	NII	7,705	6,685	15.3	7,592	1.5	Expect 17% AUM growth led by higher CV volumes
	PPOP	7,057	7,258	-2.8	6,940	1.7	
	PAT	4,815	5,459	-11.8	4,029	19.5	NIM to be largely stable supported by a lower CoF
	NIM (%)	5.5	5.5	-3 bps	5.6	-14 bps	
	Cost-to-income ratio (%)	29.0	26.9	210 bps	29.7	-70 bps	
	Credit cost (%)	0.7	0.0	66 bps	0.7	-9 bps	Remain wary of asset quality trends due to cash-flow pressures in the MSME segment
	AUM	6,02,509	5,14,760	17.0	5,82,360	3.5	
Borrowings	5,43,765	4,73,201	14.9	5,25,580	3.5		

Company Name	Q4FY26	Q4FY25	YoY gr. (%)	Q3FY26	QoQ gr. (%)	Remark
AAVAS Financiers	NII	3,590	2,705	32.7	2,993	19.9
	PPOP	2,401	2,009	19.6	2,272	5.7
	PAT	1,759	1,537	14.5	1,700	3.5
	NIM (%)	8.0	7.6	39 bps	8.0	2 bps
	Cost-to-income ratio (%)	42.8	46.1	-330 bps	43.2	-42 bps
	Credit cost (%)	0.3	0.2	10 bps	0.2	11 bps
	AUM	2,36,001	2,04,202	15.6	2,22,035	6.3
Can Fin Homes	Borrowings	1,51,534	1,39,185	8.9	1,50,033	1.0
	NII	4,133	3,485	18.6	4,210	(1.8)
	PPOP	3,536	2,946	20.0	3,511	0.7
	PAT	2,524	2,339	7.9	2,648	(4.7)
	NIM (%)	3.7	3.5	25 bps	4.0	-24 bps
	Cost-to-income ratio (%)	18.3	19.4	-109 bps	18.5	-27 bps
	Credit cost (%)	0.2	0.2	-1 bps	0.1	6 bps
Home First Finance Company India	AUM	4,24,618	3,82,170	11.1	4,09,464	3.7
	Borrowings	3,94,326	3,50,512	12.5	3,69,150	6.8
	NII	2,418	1,726	40.1	2,347	3.0
	PPOP	1,957	1,456	34.4	1,970	(0.6)
	PAT	1,404	1,047	34.1	1,402	0.2
	NIM (%)	6.3	5.0	130 bps	5.2	110 bps
	Cost-to-income ratio (%)	34.6	35.7	-108 bps	32.1	252 bps
LIC Housing Finance	Credit cost (%)	0.4	0.3	12 bps	0.5	-5 bps
	AUM	1,57,898	1,27,127	24.2	1,49,249	5.8
	Borrowings	1,03,723	95,507	8.6	99,257	4.5
	NII	23,409	21,664	8.1	21,017	11.4
	PPOP	20,979	18,790	11.7	18,961	10.6
	PAT	15,226	13,680	11.3	13,839	10.0
	NIM (%)	2.9	2.8	7 bps	2.7	22 bps
LIC Housing Finance	Cost-to-income ratio (%)	15.3	19.4	-415 bps	15.5	-24 bps
	Credit cost (%)	0.2	0.1	3 bps	0.2	-2 bps
	AUM	32,41,674	30,28,458	7.0	31,42,680	3.2
	Borrowings	28,94,352	27,05,972	7.0	27,20,520	6.4

Source: Company, PL

Exhibit 2 : Valuation Summary

Company Name	S/C	Rating	CMP (INR)	TP (INR)	Mcap (INR bn)	P/ABV				RoE				RoA			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Bajaj Finance	C	ACCUMULATE	915	1,025	5,681	5.8	5.0	4.2	3.4	19.0	18.0	19.8	20.6	4.0	3.9	4.1	4.2
Cholamandalam Investment and Finance Company	S	BUY	1,554	1,800	1,308	7.0	5.2	4.3	3.6	19.7	19.2	19.9	20.2	2.4	2.3	2.4	2.4
Mahindra & Mahindra Financial Services	C	ACCUMULATE	297	325	412	2.0	1.8	1.6	1.4	12.4	13.2	13.7	13.7	1.9	2.0	2.2	2.2
Shriram Finance	S	BUY	1,023	1,200	1,925	3.9	3.4	2.0	2.0	15.5	16.1	13.6	12.1	3.1	3.1	3.2	3.2
Sundaram Finance	C	ACCUMULATE	4,887	5,500	543	5.0	4.3	3.7	3.2	15.2	14.7	14.9	15.1	2.8	2.8	2.9	3.0
AAVAS Financiers	S	BUY	1,209	1,500	96	2.3	2.0	1.7	1.5	14.1	13.8	14.0	14.2	3.3	3.2	3.3	3.3
Can Fin Homes	S	BUY	836	1,000	111	2.3	1.9	1.7	1.4	18.2	18.2	17.3	16.5	2.2	2.3	2.3	2.2
Home First Finance Company India	S	BUY	1,060	1,250	110	4.0	2.7	2.3	2.1	16.5	15.5	13.2	13.3	3.5	3.9	3.6	3.4
LIC Housing Finance	S	HOLD	530	550	291	0.9	0.8	0.7	0.6	16.0	14.6	13.8	12.0	1.8	1.7	1.7	1.6

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 3 : Change in Estimates

	Rating		Target Price (INR)			NII (INR bn)						PPoP (INR bn)						PAT (INR bn)					
						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	ACCUMULATE	BUY	1,025	1,125	-8.9%	546.9	548.9	-0.4%	664.2	662.6	0.2%	445.5	455.3	-2.2%	549.7	554.1	-0.8%	251.9	263.1	-4.3%	316.7	324.6	-2.4%
Cholamandalam Investment and Finance Company	BUY	BUY	1,800	1,850	-2.7%	171.5	171.5	0.0%	204.9	204.9	0.0%	124.8	124.8	0.0%	149.6	149.6	0.0%	63.4	65.0	-2.5%	77.8	80.0	-2.8%
Mahindra & Mahindra Financial Services	ACCUMULATE	ACCUMULATE	325	395	-17.8%	104.1	103.4	0.7%	117.9	117.9	0.0%	73.2	72.6	1.0%	82.6	82.6	0.0%	36.4	35.4	3.0%	41.9	41.3	1.5%
Shriram Finance	BUY	BUY	1,200	1,175	2.1%	303.9	307.3	-1.1%	357.2	361.1	-1.1%	226.9	237.6	-4.5%	270.4	283.4	-4.6%	123.9	132.8	-6.7%	150.8	161.2	-6.5%
Sundaram Finance	ACCUMULATE	HOLD	5,500	5,500	0.0%	34.1	34.3	-0.6%	39.4	39.9	-1.2%	31.3	31.4	-0.3%	36.9	37.0	-0.2%	21.2	21.3	-0.2%	24.9	25.0	-0.1%
AAVAS Financiers	BUY	BUY	1,500	1,500	0.0%	15.7	15.7	0.0%	18.4	18.4	0.0%	10.1	10.1	0.0%	12.0	12.0	0.0%	7.6	7.6	0.0%	8.9	8.9	0.0%
Can Fin Homes	BUY	ACCUMULATE	1,000	1,015	-1.6%	18.1	18.3	-0.9%	20.2	20.6	-1.8%	15.2	15.4	-1.1%	17.0	17.4	-2.1%	11.0	11.1	-1.1%	12.2	12.5	-2.2%
Home First Finance Company India	BUY	BUY	1,250	1,375	-9.1%	10.6	10.8	-1.9%	12.7	12.9	-2.2%	8.5	8.7	-3.1%	9.8	10.1	-3.2%	6.1	6.3	-3.2%	7.1	7.3	-3.4%
LIC Housing Finance	HOLD	ACCUMULATE	550	525	4.8%	92.4	85.8	7.7%	89.4	84.6	5.7%	83.6	78.9	6.0%	81.8	78.3	4.4%	60.0	56.3	6.5%	58.2	55.5	4.9%

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	AAVAS Financiers	BUY	1500	1136
2	Bajaj Finance	BUY	1125	964
3	Can Fin Homes	Accumulate	1015	938
4	Cholamandalam Investment and Finance Company	BUY	1850	1594
5	HDFC Life Insurance Company	BUY	820	582
6	Home First Finance Company India	BUY	1375	1174
7	ICICI Prudential Life Insurance Company	BUY	685	517
8	LIC Housing Finance	Accumulate	525	496
9	Mahindra & Mahindra Financial Services	Accumulate	395	371
10	Max Financial Services	BUY	2040	1491
11	SBI Life Insurance Company	Accumulate	2100	1841
12	Shriram Finance	BUY	1175	1004
13	Sundaram Finance	Hold	5500	5359

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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