PL Capital PRABHUDAS LILLADHER

AAVAS Financiers (AAVAS IN)

Management Meet Update

March 27, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,500		1,700	
NII (INR. mn)	15,724	18,350	15,187	17,892
% Chng.	*3.5*	*2.6*		
PPoP (INR mn)	10,137	12,004	9,936	12,058
% Chng.	*2.0*	*(0.4)*		
EPS (INR)	95.6	112.2	93.8	113.1
% Chng.	*2.0*	*(0.7)*		

Key Data AVAS.BO | AAVAS IN

BSE Code	541988
NSE Code	AAVAS
52-W High / Low	INR 2,238 / INR 1,060
Face Value	10
Sensex / Nifty	75,273 / 23,306
Market Cap	INR 89 bn / $ 956 mn
Shares Outstanding	79.19 mn
3M Avg. Daily Value	INR 368.79 mn

Shareholding Pattern (%)

Promoters	48.95
FIIs	24.72
MF	9.74
DII	4.55
Public & Others	12.04
Promoters Pledge (Rs bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(11.7)	(24.9)	(30.3)	(42.0)
Relative	(3.5)	(14.8)	(24.8)	(39.9)

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII (INR mn)	10,099	12,240	15,724	18,350
NIM (%)	*6.7*	*7.1*	*7.9*	*7.9*
PPOP (INR mn)	7,594	8,769	10,137	12,004
PAT (INR mn)	5,738	6,492	7,561	8,875
EPS (INR)	72.6	82.1	95.6	112.3
Gr. (%)	*0.2*	*0.1*	*0.2*	*0.2*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoAE (%)	*14.1*	*13.8*	*14.0*	*14.2*
RoAA (%)	*3.3*	*3.2*	*3.3*	*3.3*
P/BV (x)	2.1	1.8	1.6	1.3
P/ABV (x)	2.1	1.8	1.6	1.4
PE (x)	15.6	13.8	11.9	10.1
CAR (%)	*44.5*	*45.6*	*45.4*	*44.7*

Picking up the slack in disbursements

Quick Pointers

- Expect disbursements to ramp up in Q4/ FY27
- Potential rating upgrade to support NIM; stable asset quality

Over the past three years, AAVAS has faced management changes, promoter stake sale, and regulatory headwinds, which have now largely subsided. Expect disbursements to pick up driven by branch expansion, CSC scale-up and RRO model. Company expects AUM growth of 18%/ 20% in FY27/ FY28E; we build 17%/ 18% as execution in non-RJ markets is key. Potential credit rating upgrade by July-26 is likely to support NIMs. Opex is expected to be elevated in FY27 due to new branch additions; credit cost is expected to remain benign at 15-16bps. We roll-forward to FY28E with a TP of Rs 1,500 (1.8x FY28E P/ABV). Stock has corrected 11.5% over the past month; maintain BUY on sustainable growth and margin outlook.

- **Expect AUM growth of 18% in FY27E:** AAVAS expects disbursement run-rate to pick up in Q4FY26 with a target of ~Rs 23bn (vs. Rs 17.2 bn in Q3FY26) aided by improved salesforce and tech integration. It is targeting ~ Rs 70bn of disbursements in FY27 with an AUM growth of ~18% in FY27E and ~20% in FY28E. Growth is expected to be driven by i) branch expansion (~50 additions in FY27, adding Rs 1–1.5bn incremental business), scaling up of the CSC (Common Service Centre) channel (from ~Rs 4bn in FY26 to ~₹11bn in FY27) and steady contribution from RROs (~Rs0.5–0.6bn disbursements at ~14.5% yields). On the geography front, core markets such as RJ continue to deliver 20–25% growth with pristine asset quality, while previously underperforming states like KA, MH and GJ are expected to recover, supported by management bandwidth. Additionally, it plans to expand into regions such as TN & UP (where branch presence remains lower vs. peers) which provides significant headroom for growth.

- **CoF to improve in FY27; opex elevated:** Management indicated a stable CoF in Q1FY27 and anticipates a credit rating upgrade by July-26, cushioning margins. On the opex side, it guided for a Cost/Income ratio of <40% in FY27 and ~35% over the medium term. Asset quality outlook remains stable, with a cautious stance in MP (limited to 5–10% growth) given its historically volatile nature, while core markets continue to perform well. Credit cost is expected to remain benign at ~15–16bps. While we expect credit cost to be in-line, we build a higher opex (C/I ratio of ~43% over FY26-28E), factoring in new branch additions.

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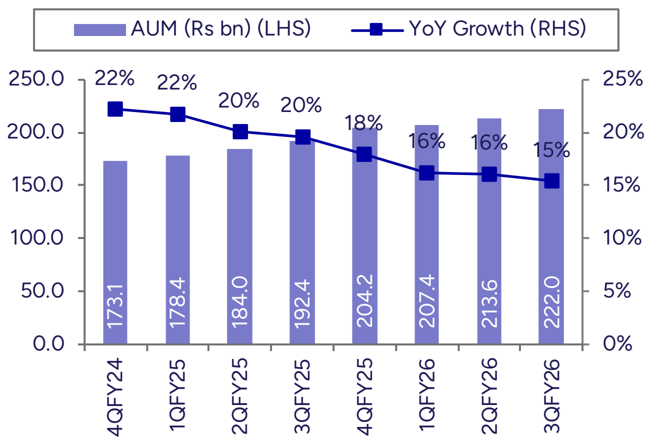
Exhibit 1: Change in Estimates

Particulars	Revised estimates			Old estimates			*Revision (%)*		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	*FY26E*	*FY27E*	*FY28E*
Net interest income (INR mn)	12,240	15,724	18,350	12,257	15,187	17,892	*-0.1*	*3.5*	*2.6*
Operating profit (INR mn)	8,769	10,137	12,004	8,790	9,936	12,058	*-0.2*	*2.0*	*-0.4*
Net profit (INR mn)	6,492	7,561	8,875	6,512	7,412	8,941	*-0.3*	*2.0*	*-0.7*
ABV (Rs)	614.4	711.3	820.9	614.8	710.0	820.8	*-0.1*	*0.2*	*0.0*

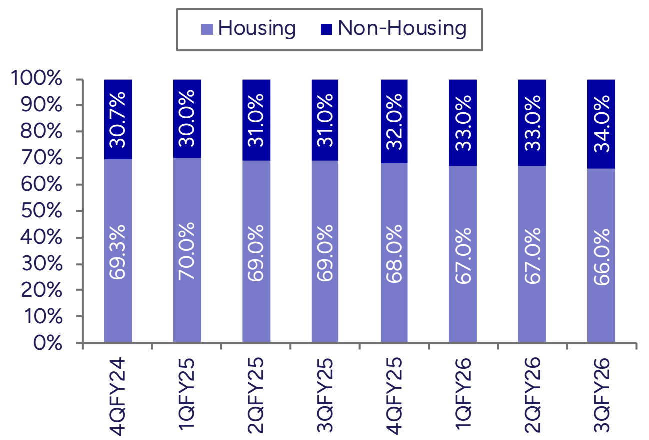
Source: PL

Exhibit 2: AUM growth was 15% YoY as of Q3FY26



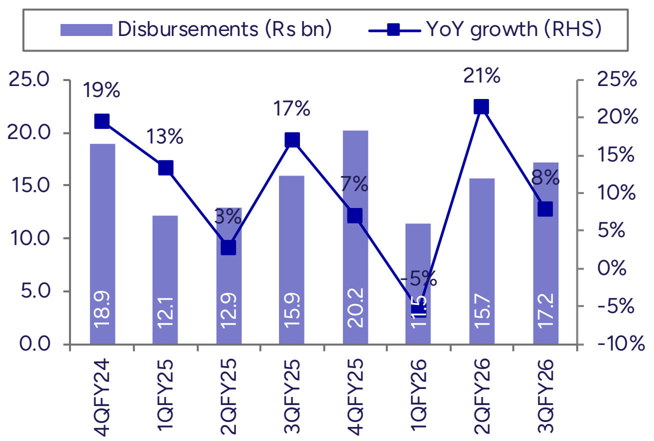
Source: Company, PL

Exhibit 3: Segment wise AUM mix over the quarters



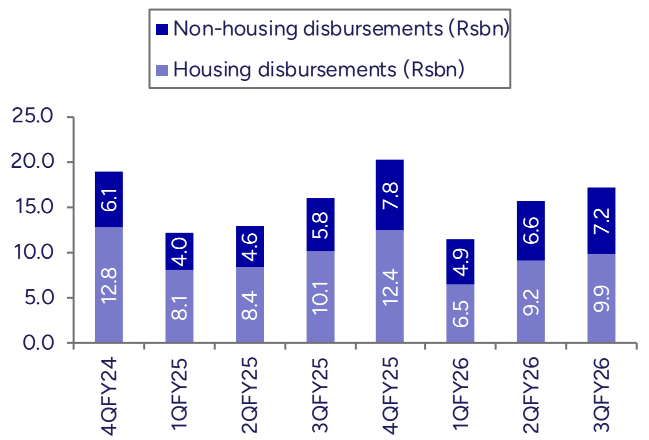
Source: Company, PL

Exhibit 4: Disbursement growth was steady at 8% YoY as of Q3FY26



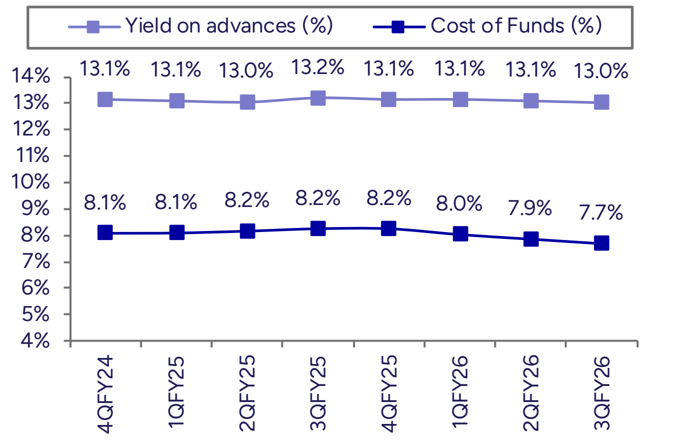
Source: Company, PL

Exhibit 5: Segment wise disbursement mix over the quarters



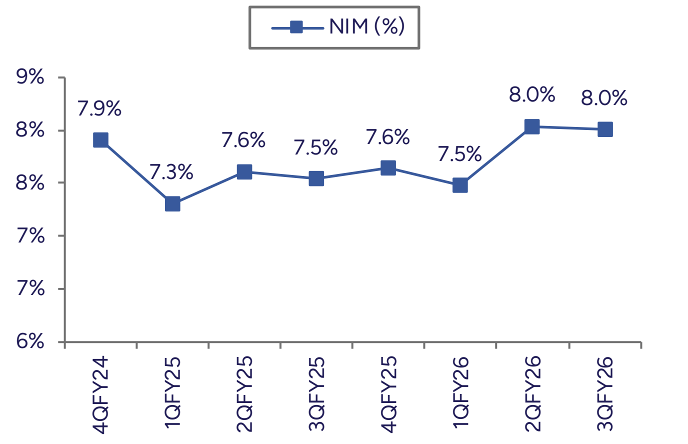
Source: Company, PL

Exhibit 6: Reported yield / CoF moderating as of Q3FY26



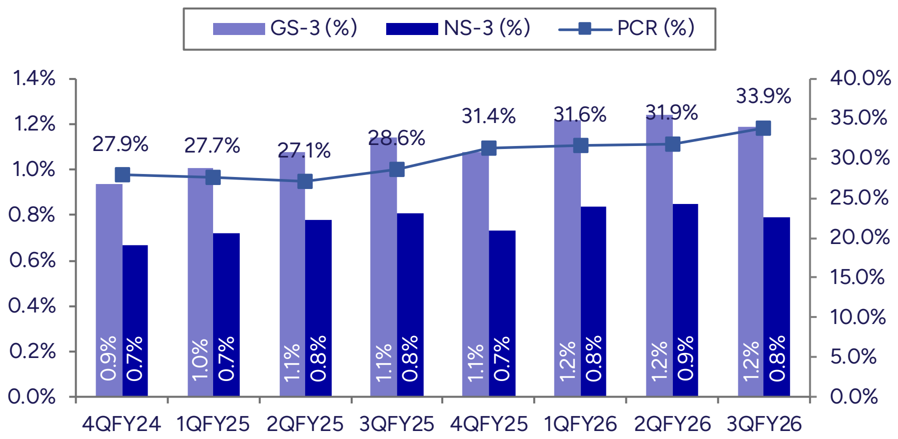
Source: Company, PL

Exhibit 7: Reported NIM remains largely stable in Q3FY26



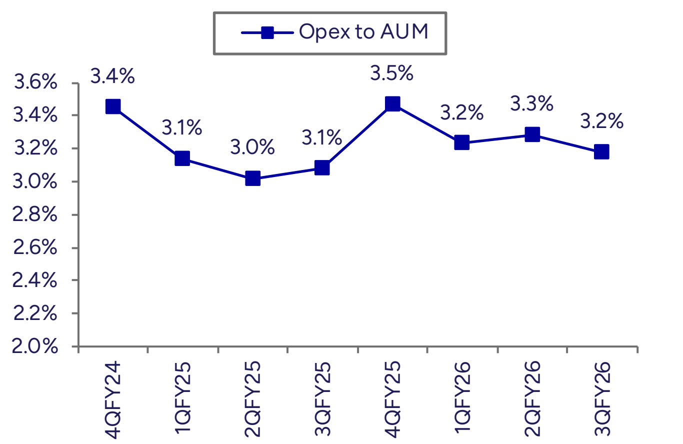
Source: Company, PL

Exhibit 8: Headline asset quality sees slight improvement during Q3FY26



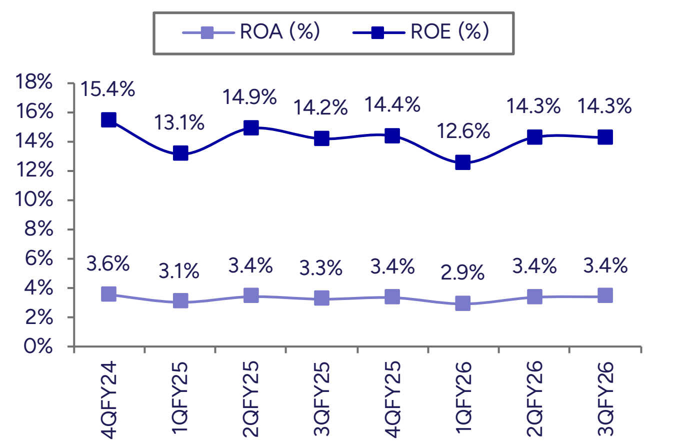
Source: Company, PL

Exhibit 9: Calc. opex/AUM improved to 3.2% as of Q3FY26



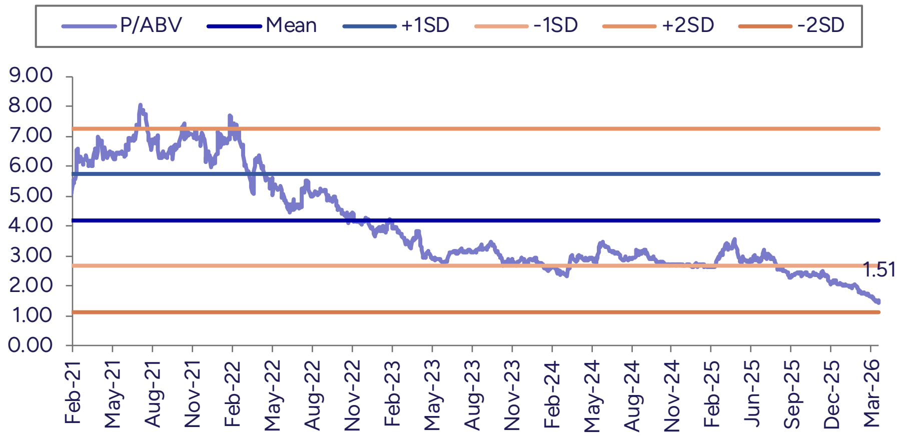
Source: Company, PL

Exhibit 10: ROA and ROE stood at 3.4% and 14.3% in Q3FY26



Source: Company, PL

Exhibit 11: One-year forward P/ABV of AAVAS trades at 1.5x



Source: Company, PL

Quarterly Financials

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Income statement (INR mn)								
Interest earned	4,586	4,798	4,906	5,118	5,353	5,490	5,636	5,738
Interest expended	2,210	2,352	2,489	2,587	2,647	2,714	2,755	2,745
Net interest income	**2,376**	**2,446**	**2,418**	**2,530**	**2,705**	**2,776**	**2,881**	**2,993**
Other income	882	628	898	859	1,022	790	1,038	1,008
Total income	5,468	5,426	5,805	5,976	6,375	6,280	6,675	6,746
Operating expenses	**1,440**	**1,379**	**1,368**	**1,447**	**1,719**	**1,662**	**1,727**	**1,730**
Employees	959	916	836	906	1,120	1,107	1,130	1,142
Others	481	463	531	541	599	555	598	588
Operating profit	**1,818**	**1,695**	**1,948**	**1,942**	**2,009**	**1,904**	**2,192**	**2,272**
Provisions	**43**	**86**	**48**	**61**	**76**	**113**	**80**	**79**
Profit before tax	1,775	1,610	1,900	1,881	1,932	1,792	2,113	2,193
Tax	349	348	421	420	395	399	473	493
Profit after tax	**1,426**	**1,261**	**1,479**	**1,461**	**1,537**	**1,393**	**1,640**	**1,700**
Balance sheet (INR mn)								
AUM	173,126	178,415	183,956	192,380	204,202	207,397	213,566	222,035
AUM growth (%)	*22.2*	*21.8*	*20.1*	*19.6*	*17.9*	*16.2*	*16.1*	*15.4*
Disbursements	18,900	12,109	12,937	15,946	20,238	11,454	15,599	17,219
Disbursal growth (%)	*19.5*	*13.4*	*2.8*	*17.0*	*7.1*	*(5.4)*	*20.6*	*8.0*
Borrowings	123,983	126,027	124,794	133,803	139,185	143,899	144,126	150,033
Borrowings growth (%)	*25.4*	*18.0*	*11.4*	*16.6*	*12.3*	*14.2*	*15.5*	*12.1*
Debt / Equity (x)	3.3	3.2	3.1	3.2	3.2	3.2	3.1	3.1
Assets / Equity (x)	4.4	4.2	4.4	4.3	4.3	4.3	4.2	4.2
Capital ratios (%)								
Total CAR	44.0	44.5	46.5	45.6	44.5	43.2	46.4	46.4
Tier-1	43.8	44.2	46.2	45.5	44.4	43.2	46.4	46.4
Tier-2	0.2	0.2	0.2	0.1	0.1	-	-	-
Profitability ratios (%)								
Yield on AUM	13.6	13.6	13.6	13.8	13.7	13.8	14.0	13.9
Cost of funds	7.4	7.5	7.9	8.0	7.8	7.7	7.7	7.5
NIM	7.9	7.3	7.6	7.5	7.6	7.5	8.0	8.0
Spread	6.2	6.1	5.7	5.8	6.0	6.1	6.4	6.5
Cost / Income	44.2	44.8	41.2	42.7	46.1	46.6	44.1	43.2
Opex / AUM	3.4	3.1	3.0	3.1	3.5	3.2	3.3	3.2
RoA	3.6	3.1	3.4	3.3	3.4	2.9	3.4	3.4
RoE	15.4	13.1	14.9	14.2	14.4	12.6	14.3	14.3
Asset quality ratios (%)								
GNPA	0.9	1.0	1.1	1.1	1.1	1.2	1.2	1.2
NNPA	0.7	0.7	0.8	0.8	0.7	0.8	0.9	0.8
Provision coverage	27.9	27.7	27.1	28.6	31.4	31.6	31.9	33.9
Credit costs	0.1	0.2	0.1	0.2	0.2	0.3	0.2	0.2

Source: Company, PL

Financials

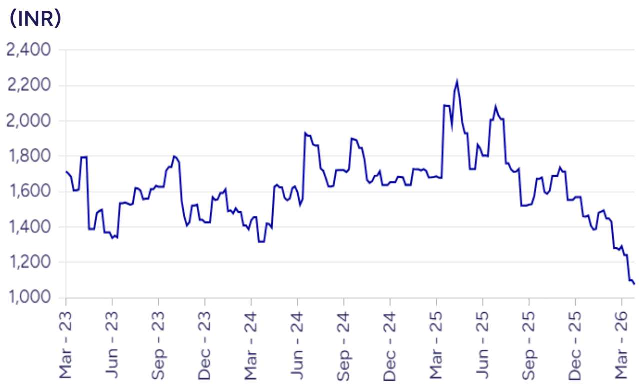
Y/e Mar	FY25	FY26E	FY27E	FY28E
Profit & Loss (Rs. mn)				
Interest income	20,174	23,206	27,708	31,769
Interest expense	10,075	10,965	11,984	13,419
NII	**10,099**	**12,240**	**15,724**	**18,350**
Other income	3,407	3,445	2,230	2,507
Total income	23,581	26,651	29,938	34,276
Operating expenses	5,912	6,916	7,816	8,853
Employee	3,778	4,495	5,081	5,754
Others	1,770	2,001	2,254	2,544
PPOP	**7,594**	**8,769**	**10,137**	**12,004**
Provisions	271	402	381	552
PBT	7,323	8,367	9,756	11,452
Tax	1,585	1,875	2,195	2,577
PAT	**5,738**	**6,492**	**7,561**	**8,875**
Growth ratios (%)				
AUM	17.9	15.6	17.1	17.6
Borrowings	12.3	8.9	12.0	14.2
NII	11.4	21.2	28.5	16.7
Opex	8.9	17.0	13.0	13.3
PPoP	17.0	15.5	15.6	18.4
Provisions	10.8	48.2	(5.2)	44.8
PAT	17.0	13.1	16.5	17.4
Profitability ratios (%)				
Yield on AUM	13.5	13.4	13.2	13.0
Cost of funds	7.7	7.5	7.5	7.4
NIM	6.7	7.1	7.9	7.9
Spread	5.8	5.9	5.7	5.6
Other Income/Assets	1.8	1.6	0.9	0.9
Cost/Income	58.5	56.5	49.7	48.2
Opex/Assets	3.2	3.2	3.2	3.1
Tax Rate	21.6	22.4	22.5	22.5
RoA	3.3	3.2	3.3	3.3
RoE	14.1	13.8	14.0	14.2
DuPont analysis (%)				
Interest income	11.5	11.6	12.0	11.8
Interest expense	5.7	5.5	5.2	5.0
NII	5.7	6.1	6.8	6.8
Other income	1.9	1.7	1.0	0.9
Total income	13.4	13.3	13.0	12.8
Operating expenses	3.4	3.5	3.4	3.3
Employee	2.2	2.2	2.2	2.1
Others	1.0	1.0	1.0	0.9
PPOP	4.3	4.4	4.4	4.5
Provisions	0.2	0.2	0.2	0.2
PBT	3.9	3.9	3.9	4.0
Tax	0.9	0.9	1.0	1.0
PAT	3.1	3.0	3.1	3.1

Source: Company, PL

Y/e Mar	FY25	FY26E	FY27E	FY28E
Balance sheet (Rs. mn)				
Cash & Bank	15,596	21,215	23,760	28,102
Loans	162,297	184,458	214,354	251,827
Investments	2,300	2,333	2,333	2,333
Fixed Assets	824	919	1,118	1,358
Other Assets	5,167	5,000	5,500	5,500
Total Assets	**186,184**	**213,926**	**247,065**	**289,121**
Borrowings	139,185	151,534	169,716	193,808
Other Liabilities & Provisions	3,391	12,052	19,448	28,537
Total Liabilities	**142,576**	**163,586**	**189,165**	**222,345**
Share capital	791	791	791	791
Other equity	42,817	49,549	57,110	65,985
Total equity	**43,608**	**50,339**	**57,901**	**66,776**
Total Liabilities & Equity	**186,184**	**213,926**	**247,065**	**289,121**
Balance Sheet ratios (%)				
Debt/Equity	3.4	3.2	3.1	3.1
Assets/Equity	4.6	4.6	4.6	4.6
Cash/Borrowings	0.1	0.1	0.1	0.2
CRAR	44.5	45.6	45.4	44.7
Asset quality (%)				
GNPA (Rs mn)	1,823	2,079	2,134	2,343
NNPA (Rs mn)	1,251	1,767	1,664	1,874
GNPA	1.1	1.1	1.0	0.9
NNPA	0.8	1.0	0.8	0.7
PCR	31.4	15.0	22.0	20.0
Credit Cost	0.2	0.2	0.2	0.2
Per share (Rs)				
EPS	72.6	82.1	95.6	112.3
BVPS	551.6	636.7	732.4	844.7
ABVPS	535.8	614.4	711.3	820.9
Valuation (x)				
P/E	15.6	13.8	11.9	10.1
P/ABV	2.1	1.8	1.6	1.4
P/BV	2.1	1.8	1.6	1.3

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	06-Feb-26	BUY	1700	1380
2	08-Jan-26	BUY	1700	1470
3	12-Nov-25	Accumulate	1900	1619
4	08-Oct-25	Accumulate	1925	1672
5	13-Aug-25	Accumulate	1925	1728
6	09-Jul-25	Accumulate	2072	1974
7	25-Apr-25	Accumulate	2072	2038
8	08-Apr-25	Accumulate	1900	2083
9	31-Jan-25	Accumulate	1900	1705
10	09-Jan-25	Accumulate	1900	1681

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	AAVAS Financiers	BUY	1700	1380
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	900	723
6	Home First Finance Company India	BUY	1375	1174
7	ICICI Prudential Life Insurance Company	Accumulate	725	684
8	LIC Housing Finance	Accumulate	525	496
9	Mahindra & Mahindra Financial Services	Accumulate	395	371
10	Max Financial Services	BUY	2050	1734
11	SBI Life Insurance Company	Hold	2125	2053
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

ANALYST CERTIFICATION

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