PL Capital
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Housing Finance Companies

Jul-Sep'25 Earnings Preview

October 8, 2025

Top Pick

LIC Housing Finance

Disbursals to pick up; growth to remain muted

Our coverage HFCs could see a mixed quarter; AuM growth would pick up to 1.9% QoQ to Rs3.76trn (0.7% QoQ in Q1) with an uptick in disbursals of 27.6% sequentially as Q2 generally sees a pick-up after a fall in Q1. Housing segment for banks (incl. HDFC) may grow by ~2.4% QoQ/10.0% YoY. Disbursal run-rate of LICHF/CANF is a monitorable, given weak credit flow in last few quarters.

NIM for coverage HFCs could fall by 11bps QoQ to 2.93%. NII may fall QoQ and grow by 4.0% YoY to Rs26.6bn due to faster loan repricing. Other income could increase by 8.4% QoQ to Rs2.2bn owing to seasonality which would be offset by 15.0% rise in opex to Rs6.08bn led by increase in both, staff costs and other opex. Hence, PPoP could fall QoQ by 4.6%. We see provisions to fall by 5bps QoQ to 21bps as Q2 sees better recoveries. PAT might decline QoQ to Rs16.5bn.

- **Slowing housing credit for banks could slightly uptick:** Bank credit to HFCs has been slowing down due to weaker demand; it decelerated from ~13.0% YoY in Jul'24 to 9.0% in May'25. Banks' housing credit growth was soft at 1.4% QTD in Aug'25. However, with increased liquidity in the system, housing segment for banks has seen a slight pick-up which may lead to 1.0% MoM growth in Aug'25 that could translate to 2.4% QoQ growth in Sep'25. Hence competitive intensity for HFCs could increase. For coverage HFCs, disbursals could increase by 27.6% sequentially to Rs207.7bn and we expect AuM to grow by 1.9% QoQ and 7.6% YoY to Rs3.76trn.

- **Margin to decline QoQ:** NIM may fall by 11bps QoQ to 2.93% due to repo rate cut over Feb'25 to Jun'25. NIM could decline in FY26 considering 1) increased competitive intensity from banks and 2) rate cut impact would be higher for HFCs compared to banks since housing loans are floating in nature.

- **Other income and opex to be higher QoQ**: Other income could inch up by 8.4% QoQ to Rs2.26bn owing to seasonality which would be offset by rise in opex by 15.0% QoQ to Rs6.08bn mainly led by LICHF.

- **PAT to might decline**: Provision cost for coverage HFCs may fall by 5bps QoQ to 21bps (vs +13bps in Q1FY26) owing to better recoveries. PAT may remain decline QoQ to Rs16.5bn (-2.5% YoY).

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Exhibit 1: Recommendation for PL coverage universe

Coverage Universe	CMP (Rs)	MCap (Rs B)	New Rating	Old Rating	New PT (Rs)	Old PT (Rs)	*Upside (%)*	P/ABV (x)				RoE (%)			
								FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
AAVAS Financiers	1,672	132	Acc	Acc	1,925	1,925	*15.2%*	3.1	2.7	2.4	2.1	14.1	13.7	14.2	14.6
Can Fin Homes	805	107	BUY	BUY	875	875	*8.7%*	2.2	1.9	1.6	1.4	18.2	16.9	15.2	14.9
LIC Housing Finance	567	312	BUY	BUY	725	725	*27.9%*	1.0	0.8	0.7	0.7	16.0	13.4	12.5	12.7

Source: Company, PL *ACC=Accumulate*

Exhibit 2: Q2FY26 HFCs Results Preview

Rs Million	NII	*QoQ*	*YoY*	PPOP	*QoQ*	*YoY*	PAT	*QoQ*	*YoY*
LIC Housing	20,252	*-2.0%*	*2.6%*	17,997	*-4.9%*	*3.3%*	12,953	*-4.7%*	*-2.5%*
AAVAS	2,646	*-4.7%*	*9.5%*	1,793	*-5.8%*	*-8.0%*	1,335	*-4.1%*	*-9.7%*
CANFIN Homes	3,687	*1.6%*	*8.5%*	2,979	*-2.0%*	*3.5%*	2,176	*-2.8%*	*2.9%*
Total HFCs	**26,585**	***-1.8%***	***4.0%***	**22,768**	***-4.6%***	***2.4%***	**16,464**	***-4.4%***	***2.5%***
Rs Billion	**Loans**	***QoQ***	***YoY***	**Margins**	***QoQ***	***YoY***	**Credit Cost**	***QoQ***	***YoY***
LIC Housing	3,151	*1.8%*	*7.0%*	2.55%	*-8.2bps*	*-12.9bps*	0.20%	*-4.6bps*	*9.8bps*
AAVAS	212	*2.0%*	*15.0%*	6.21%	*-11.1bps*	*-7.3bps*	0.15%	*-6.4bps*	*4.8bps*
CANFIN Homes	398	*2.7%*	*8.8%*	3.86%	*-4.4bps*	*-2.6bps*	0.23%	*-4.5bps*	*7.6bps*
Total HFCs	**3,761**	***1.9%***	***7.6%***	**4.21%**	*-7.9bps*	*-7.6bps*	**0.19%**	*-5.2bps*	*7.4bps*

Source: Company, PL

Exhibit 3: Asset quality is expected to improve sequentially

	Q1FY26			Q2FY26E		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR
LIC HF	2.62%	1.30%	50.83%	2.50%	1.25%	50.00%
CANFIN	0.98%	0.54%	44.97%	0.87%	0.47%	45.98%
AAVAS	1.22%	0.84%	31.15%	1.16%	0.80%	31.03%

Source: Company, PL

Exhibit 4: Q2FY26 Result Preview

Company Name		Q2FY26E	Q2FY25	YoY gr. (%)	Q1FY26	QoQ gr. (%)	Remark
LIC Housing Finance	NII (Rs mn)	20,252	19,739	2.6	20,658	(2.0)	NII is expected to decline by 2.0% QoQ. Loan growth is expected at 1.8% QoQ.
	PPOP (Rs mn)	17,997	17,417	3.3	18,920	(4.9)	
	Provisions (Rs mn)	1,600	773	106.9	1,929	(17.0)	Margins may decline by 8bps QoQ to 2.55%.
	PAT (Rs mn)	12,953	13,289	(2.5)	13,599	(4.7)	
	Loans (Rs bn)	3,151	2,946	7.0	3,096	1.8	PAT is likely to fall increase by 4.7%.
	Margin (%)	*2.55*	*2.68*	*-13bps*	*2.64*	*-8bps*	
	GNPA (%)	*2.50*	*3.06*	*-56bps*	*2.62*	*-12bps*	GNPA could improve QoQ by 12bps at 2.5%.
	Credit Cost (%)	*0.20*	*0.11*	*10bps*	*0.25*	*-5bps*	
AAVAS Financiers	NII (Rs mn)	2,646	2,418	9.5	2,776	(4.7)	AuM growth momentum may continue (+2.0% QoQ). NII may decline by 4.7% QoQ.
	PPOP (Rs mn)	1,793	1,948	(8.0)	1,904	(5.8)	
	Provisions (Rs mn)	81	48	67.8	113	(28.1)	
	PAT (Rs mn)	1,335	1,479	(9.7)	1,392	(4.1)	NIM could decrease by 11bps QoQ.
	Loans (Rs bn)	212	184	15.0	207	2.0	PAT likely to decrease by 4.1% QoQ
	Margin (%)	*6.21*	*6.28*	*-7bps*	*6.32*	*-11bps*	
	GNPA (%)	*1.16*	*1.08*	*8bps*	*1.22*	*-6bps*	Asset quality could improve by 6bps QoQ taking GNPA to 1.16%.
	Credit Cost (%)	*0.15*	*0.10*	*5bps*	*0.22*	*-6bps*	
Can Fin Homes	NII (Rs mn)	3,687	3,398	8.5	3,628	1.6	Loan growth could be 2.7% QoQ while NII increase would be 1.6%; margins to fall by 4bps.
	PPOP (Rs mn)	2,979	2,878	3.5	3,039	(2.0)	
	Provisions (Rs mn)	225	137	63.8	263	(14.3)	
	PAT (Rs mn)	2,176	2,115	2.9	2,239	(2.8)	PPoP would decrease by 2.0% QoQ while GNPAs to improve by 11bps to 0.87%
	Loans (Rs bn)	398	366	8.8	388	2.7	
	Margin (%)	*3.86*	*3.89*	*-3bps*	*3.90*	*-4bps*	
	GNPA (%)	*0.87*	*0.87*	*0bps*	*0.98*	*-11bps*	Provisions are likely to decrease by 14.3% QoQ along with credit costs expected to come down by 4bps.
	Credit Cost (%)	*0.23*	*0.15*	*8bps*	*0.27*	*-4bps*	

Source: Company, PL

Exhibit 5: **Change in Estimates**

	Rating		Target Price			NII (Rs bn)						PPoP (Rs bn)						PAT (Rs bn)					
						FY26E			FY27E			FY26E			FY27E			FY26E			FY27E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
AAVAS Financiers	Acc	Acc	1,925	1,925	0.0%	11.6	11.7	-0.6%	13.5	13.6	-1.3%	8.5	8.6	-1.2%	10.1	10.3	-2.3%	6.4	6.4	-1.2%	7.5	7.7	-2.3%
Can Fin Homes	BUY	BUY	875	875	0.0%	15.0	14.6	2.6%	15.8	15.7	0.7%	12.7	12.3	3.4%	13.2	13.1	1.2%	9.3	9.0	3.6%	9.6	9.5	1.3%
LIC Housing Finance	BUY	BUY	725	725	0.0%	82.6	82.6	0.0%	86.7	86.7	0.0%	71.5	71.5	0.0%	74.7	74.7	0.0%	51.6	51.6	0.0%	53.5	53.5	0.0%

Source: Company, PL *C=Current / P=Previous*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,925	1,728
2	Axis Bank	BUY	1,375	1,187
3	Bank of Baroda	BUY	270	262
4	Can Fin Homes	BUY	875	813
5	City Union Bank	BUY	245	219
6	DCB Bank	BUY	155	132
7	Federal Bank	BUY	220	199
8	HDFC Asset Management Company	BUY	6,000	5,559
9	HDFC Bank	BUY	1,075	983
10	ICICI Bank	BUY	1,730	1,376
11	IndusInd Bank	Hold	780	749
12	Kotak Mahindra Bank	BUY	2,350	2,127
13	LIC Housing Finance	BUY	725	591
14	Nippon Life India Asset Management	BUY	900	875
15	State Bank of India	BUY	960	865
16	Union Bank of India	BUY	150	139
17	UTI Asset Management Company	BUY	1,400	1,332

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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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