

Aavas Financiers

India | Diversified Financials | Result Update | Rating Downgrade



26 April 2025

Scalability challenges to emerge

AAVAS FINANCIERS (AAVAS IN) concluded the year on a decent note despite headwinds, with Q4 earnings falling in line with our expectations. Surpassing INR 200bn AUM threshold brings scalability challenges capping future growth momentum. Current valuation factors in all the positives emanating from superior risk management, stable growth, and steady earnings profile. Moreover, expensive valuation of 2.8-2.9x leave little room for error with a capped growth rate of 20% with a 2.7-2.8% ROA and 15% ROE. We downgrade to Reduce with a TP of INR 1,934 based on 2.7x FY27E P/ABV.

Lower interest, provision expenses aid PAT: PAT at INR 1.54bn was in line, up 5% QoQ and 7.8% YoY, although dragged by 18.8% QoQ/9.8% YoY rise in Opex, pushing cost-to-income ratio up 344bp QoQ and 201bp YoY, led by higher employee cost from new branches. NIM expanded 26bp QoQ to 6.8%, down 23bp YoY, to be further aided by 56% borrowings, and repo- & T-bill-linked where benefits are immediate while MCLR-linked to be repriced from Q1FY26. Around 70% of book is floating (PLR-linked), ensuring cost of borrowing reduction is passed on. Asset Liability Management remains strong with longer borrowing tenors. It targets ~5% spread with sharper focus on borrower profiles, and smaller ticket loans (<INR 1mn) to drive yield.

Scalability challenges to emerge: AAVAS surpassed INR 200bn AUM in Q4, up 18% YoY, driven by technology efficiency, digital upgrade, and rear-ended branch expansion, with new forays into Tamil Nadu (other South India states) planned for FY26. Disbursements rose 27% QoQ; however, moderation in the login-to-sanction ratio to 38%, down from 42%, tempered the otherwise healthy momentum. In Q4, the company recorded 55,000 logins across ~0.3mn live accounts. Its targeted 20% growth rate will be supported by a strategic 65%:35% mix between home loans (HL) and MSME loans, stable BT-outs (<6%), and robust proprietary models, which also aid in rundown restriction at ~17%, alongside continued footprint expansion.

Business shift to keep NPA in check: Q4 NPA at ~1.1% improved marginally by 6bp QoQ and 14bp YoY. While credit cost was restricted at 15bp, management retains target of 25bp as book and territories expand. Q4 saw 1+DPD below 5% target at ~3.4% and vintage states demonstrating superior show with both 1+ DPD and GNPA remaining under 4.0%. Emerging states too offer confidence with negligible 1+dpd, NPA below 3.0%. Loans with ticket size of <INR 0.1mn saw 1+dpd of 1.5% and NPA at 1%. Stage 3 provisions rose due to a new system rolled out in Q3, likely to stabilize in the range of 32-34%. Stage 1 has improved with decreasing bounce rates; we factor in a conservative 1.2% NPA during FY26-28E.

Downgrade to Reduce with unchanged TP of INR 1,934: While Q4 earnings was weak, FY25 concluded on a good note as AAVAS continues to navigate challenges. Increased competition and scalability issues are likely to drive business model tweaks, with a shift to SEMP and MSME segments. We expect NPA to rise to 1.2%, but its strong risk management should keep the situation stable. While Q4 saw inching up of provisions and a decline in logins to sanctions conversion keeping core and PAT in check. Modelling in a modest near to medium term, we pare down our earnings by 7% for FY26E and 10% for FY27E; we introduce FY28E. Given a ~18% stock rally in the past 3 months and expensive valuation, we downgrade to **Reduce** from Accumulate with an unchanged price target of INR 1,934 at 2.7x FY27E P/ABV.

Key financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
NII (INR mn)	10,858	12,176	15,282	17,781	21,248
YoY (%)	14.4	12.1	25.5	16.4	19.5
PPoP (INR mn)	6,489	7,597	9,427	11,134	13,826
YoY (%)	15.6	17.1	24.1	18.1	24.2
PAT (INR mn)	4,907	5,741	6,939	8,375	9,803
YoY (%)	14.1	17.0	20.9	20.7	17.1
EPS (INR)	62.0	72.5	87.6	105.7	123.8
Core RoE (%)	13.9	14.1	14.7	15.3	15.4
P/E (x)	32.9	28.1	23.3	19.3	16.5
P/ABV (x)	4.4	3.8	3.3	2.8	2.4

Note: Pricing as on 25 April 2025; Source: Company, Elara Securities Estimate

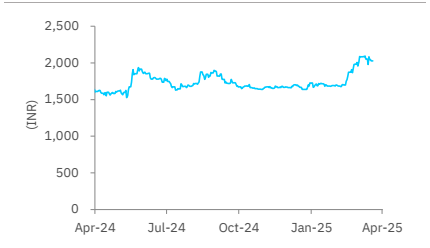
Rating: **Reduce**
 Target Price: **INR 1,934**
 Downside: **5%**
 CMP: **INR 2,038**
 As on 25 April 2025

Key data

Bloomberg	AAVAS IN
Reuters Code	AVAS.NS
Shares outstanding (mn)	79.2
Market cap (INR bn/USD mn)	161/1,889
EV (INR bn/USD mn)	271/3,210
ADTV 3M (INR mn/USD mn)	735/8
52 week high/low	2,238/1,457
Free float (%)	73

Note: as on 25 April 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	26.5	26.5	26.5	26.5
% Pledge	0.0	0.0	0.0	0.0
FII	35.9	35.5	34.0	29.7
DII	24.4	25.6	25.7	10.8
Others	13.2	12.4	13.8	33.1

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	4.7	(1.2)	7.2
Aavas Financiers	18.1	21.8	27.0
NSE Mid-cap	4.0	(3.9)	5.8
NSE Small-cap	3.4	(8.4)	(2.6)

Source: Bloomberg

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Financials (YE March)

Income statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	10,858	12,176	15,282	17,781	21,248
Other income	1,061	1,333	1,518	2,163	2,600
Gross Income	11,919	13,509	16,799	19,945	23,848
Operating expenses	5,430	5,912	7,372	8,811	10,022
PPOP	6,489	7,597	9,427	11,134	13,826
Provisions	245	271	570	445	1,314
PBT	6,244	7,326	8,857	10,689	12,512
Tax	1,338	1,585	1,918	2,314	2,709
PAT	4,907	5,741	6,939	8,375	9,803
Balance Sheet (INR bn)	FY24	FY25	FY26E	FY27E	FY28E
Capital	791	792	792	792	792
Reserves and Surplus	36,942	42,817	49,756	58,131	67,934
Net worth	37,733	43,609	50,548	58,923	68,726
Borrowings	123,983	139,185	179,872	222,815	266,361
Other liabilities	3,478	3,392	2,148	3,896	6,209
Total Liabilities	165,194	186,185	232,568	285,634	341,296
Fixed assets	715	824	721	867	1,037
Loans	140,044	162,297	203,184	244,486	292,267
Investments	1,822	2,300	102	122	146
Cash and bank balances	17,978	15,596	28,562	40,159	47,846
Other assets	4,636	5,167	-	-	-
Total Assets	165,194	186,185	232,568	285,634	341,296
Per Share data & Valuation Ratios	FY24	FY25	FY26E	FY27E	FY28E
EPS- (INR)	62.0	72.5	87.6	105.7	123.8
BV (INR)	476.8	550.6	638.2	744.0	867.7
ABV- (INR)	464.9	535.7	617.7	719.3	837.6
P/E- (x)	32.9	28.1	23.3	19.3	16.5
P/ABV-(x)	4.4	3.8	3.3	2.8	2.4
Yield and Cost (%)					
Yield on advances	12.2	11.8	12.2	12.3	12.3
Interest Income/ Avg. assets	10.7	10.6	11.0	10.8	10.8
Interest Expense/ Avg. assets	7.4	7.7	7.5	7.6	7.5
Net Interest Margin (%)	6.9	6.6	6.9	6.6	6.6
Asset Quality (%)					
Gross NPA	0.9	1.1	1.2	1.2	1.2
Net NPA	0.7	0.7	0.8	0.8	0.8
% coverage of NPA	28.7	32.4	31.4	30.0	30.0
credit cost (calc)	0.1	0.1	0.2	0.1	0.4
Capital Adequacy					
Tier 1	41.2	41.5	37.8	35.3	33.8
CAR	41.9	41.5	37.8	35.3	33.8
Growth Rates					
Loan growth	22.0	15.9	25.2	20.3	19.5
Earnings growth	14.1	17.0	20.9	20.7	17.1
Business Ratios					
RoAA	2.7	2.7	2.8	2.7	2.7
Core RoE	13.9	14.1	14.7	15.3	15.4
Leverage (x)	4.2	4.3	4.4	4.7	-

Note: Pricing as on 25 April 2025; Source: Company, Elara Securities Estimate

Exhibit 1: AAVAS Q4FY25 results highlights

(INR mn)	Q4FY25	Q4FY24	YoY (%/bps)	Q3FY25	QoQ (%/bps)	Comments
Interest Income	6,004	5,137	16.9	5,653	6.2	
Interest Expenses	2,647	2,216	19.5	2,587	2.3	
Net Interest Income	3,357	2,922	14.9	3,065	9.5	NII of INR 3,357mn was a slight beat (vs estimates of INR 3,288mn) and healthy, up 9.5% QoQ and 14.9% YoY
Other Income	371	331	12.1	327	13.5	Other Income at INR 371mn was up 13.5% QoQ and 12.1% YoY
Total Income	3,728	3,252	14.6	3,392	9.9	
Total Operating Expenses	1,719	1,434	19.8	1,447	18.8	Operating expenses spiked for the quarter totalling INR 1,719mn, up 18.8% QoQ and 19.8% YoY
Operating Profit (PPOP)	2,009	1,818	10.5	1,945	3.3	PPoP for the quarter was subdued, up 3.3% QoQ and 10.5% YoY at INR 2,009mn (vs estimates of INR 2,046mn), dragged by higher opex
Provisions & Write Offs	76	43	77.0	61	25.8	Provisions stood at INR 76mn up 25.8% QoQ and 77% YoY
PBT	1,932	1,775	8.9	1,884	2.6	
Tax	395	349	13.4	420	(5.8)	
Reported Profit	1,537	1,426	7.8	1,464	5.0	PAT of INR 1,5637mn was in line with estimates of INR 1,530mn, reflecting a sequential rise of 5% QoQ and 7.8% YoY, dragged by higher opex
Balance sheet Details						
Disbursement	20,238	18,931	6.9	15,946	26.9	
AUM	204,202	1,73,126	17.9	192,380	6.1	AUM grew by 6.1% QoQ and 17.9% YoY, reaching INR 204.2bn in line with estimates
Asset Quality						
Gross NPA (%)	1.1	0.9	14bps	1.1	(6)bps	GNPA improved marginally by 6bp QoQ (up 14bp YoY) and stood at ~1.1%
NNPA (%)	0.7	0.7	6bps	0.8	(8)bps	
NIM (%)	6.8	7.0	(23)bps	6.5	26bps	
Cost to Income ratio (%)	46.1	44.1	201bps	42.7	344bps	Cost-to-income ratio spiked 344bp QoQ and 201bp YoY to ~46.1%
Credit cost	0.2	0.1	5bps	0.1	3bps	Credit cost was stable, up 3bp QoQ and 5bp YoY

Source: Company, Elara Securities Research

Conference call key takeaways

Business updates

- ▶ Crossed INR 200bn mark in AUM, a testament to support and positive feedback from stakeholders.
- ▶ Q4 witnessed strong performance and momentum, with healthy login volume reaching 55,000.
- ▶ Upgraded technology implementation was among the fastest in the industry, reinforcing agility and commitment to innovation.
- ▶ AUM grew by 18% YoY, while disbursements registered a 10% increase.
- ▶ Plans for further branch additions in H1FY26, continuing to prioritize value-accretive processes and tech-led efficiency.
- ▶ Launch of PMAY 2.0 aligns well with underlying demand and is expected to support growth across geographies.
- ▶ Serving ~0.3mn live accounts.
- ▶ Every 3-4 years, expansion into a new state. In FY26, targeting Tamil Nadu and other southern states, with a front-ended approach to scaling operations within the fiscal year.
- ▶ Cautiously optimistic, having tightened underwriting standards. Login-to-sanction conversion ratio has moderated from 42% to 38%, leading to lower disbursements, but there are levers in place to accelerate growth once external environment turns more conducive.
- ▶ Total headcount stands at 7,223, primarily driven by rear-ended branch expansion.
- ▶ Targets 20% disbursement growth in FY26. With anticipated improvements in credit behavior, confident of accelerating growth through the year.
- ▶ Segments served — new-to-credit and new-to-mortgage customers — face limited competition from banks and are less sensitive to interest rate fluctuations.
- ▶ BT-outs remain steady at under 6%.
- ▶ Run-off has been ~17%, with no notable change in prepayment behavior observed.
- ▶ 65%:35% - HL: MSME loan book mix.

Financial performance

- ▶ Net worth has been compounding consistently, reflecting the strength of business fundamentals.
- ▶ Operating expenses as a percentage of assets (Opex/Asset) have declined due to focused cost optimization initiatives.
- ▶ Employee expenses have increased, primarily driven by new hires at recently opened branches—viewed as strategic investments to support long-term growth trajectory.
- ▶ Fee income is being approached more as a credit protection tool for customers, aligning with AUM growth, rather than as a standalone revenue stream.
- ▶ Adequate liquidity is sustained at all times.

Margin analysis

- ▶ Repo-linked borrowings benefited immediately from the favorable rate environment, while MCLR-linked borrowings are yet to reflect the impact—expected to kick in from Q1FY26.
- ▶ NIM expanded by 37bp during the quarter.
- ▶ Striving for ~5% spread

- ▶ Average borrowing tenure exceeds average asset tenure, strengthening ALM position. Total borrowings stood at INR 179bn, with the following mix: 51% term loans (TL), 25% assignment, 14% from NHB, 10% from debt capital markets.
- ▶ Maintaining one of the most well-diversified liability profiles in the industry.
- ▶ Successfully raised NCD amounting to INR 2bn from a marquee mutual fund in January 2025 at competitive pricing. Raised INR 6.3bn through NCD during the year, efficiently channelized toward retail loan disbursements.
- ▶ Average tenor of borrowings exceeds that of assets, ensuring positive asset-liability management across tenors.
- ▶ Retaining strong relationships with developmental institutions and establishing colending tie-ups with several banks.
- ▶ Currently, 56% of borrowings are linked to the repo and T-bill rates and are set to be repriced. COB is expected to follow a positive trajectory in line with the ongoing rate cut cycle.
- ▶ Consistently working to enhance disbursement yield, driven more by borrower profile, product type, and target segments rather than the interest rate cycle.
- ▶ Given ~70% of the lending book is on a floating rate basis and linked to the Prime Lending Rate, which in turn is tied to COB—any benefit from lower COB will be passed on to customers, rather than impacting yield compression.
- ▶ Continued focus on improving disbursement yield— currently lower than AUM yield – driven primarily by segment mix, especially the strategic focus on loans under INR 1mn.

Asset quality

- ▶ Delivering industry-leading asset quality.
- ▶ Credit cost is set to remain below 25bp on a sustainable basis.
- ▶ The 1+ DPD stands at 3.39%, with a target to keep it below 5%. The GS3 ratio is below ~1.2%. For vintage states, both the 1+ DPD and GNPA are expected to remain below 4%, with emerging states at less than 3%, accounting for just 1% of AUM.
- ▶ In terms of ticket sizes, for loans greater than INR 0.5mn, the 1+ DPD is at 4% and GNPA is 1%, while for loans under INR 0.1mn, the 1+ DPD is 1.5% and GNPA is 1%.
- ▶ Expected Credit Loss coverage is calculated based on asset recovery timelines, expected losses, and book behavior.
- ▶ ECL provisions stood at INR 1.04bn.
- ▶ Stage 3 provisions are incrementally rising due to the implementation of a new system and methodology in Q3, which includes monthly rollbacks, forward slippages, and adjustments based on economic behavioral changes. This provision is set to sustain in the range of 32-34%.
- ▶ Stage 1 has shown significant improvement, falling below guidance of 5%. The bounce trend is under control, with the 1+ DPD already decreasing. As a result, NPA is set to decline during Q1-Q2, with no regional challenges reported.

Exhibit 2: AUM growth moderates to 17.9% YoY; disbursements pick up pace growing 26.9% QoQ

(INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Starting Book	113,502	118,936	125,437	130,887	141,667	146,500	153,195	160,795	173,126	178,415	183,956	192,380
Growth YoY (%)	20.1	23.7	23.6	23.3	24.8	23.2	22.1	22.9	22.2	21.8	20.1	5.5
Growth QoQ (%)	7.0	4.8	5.5	4.3	8.2	3.4	4.6	5.0	7.7	3.1	6.3	7.8
Disbursements	10,936	11,467	12,025	15,817	10,682	12,585	13,624	18,931	12,109	12,937	15,946	20,238
Growth YoY (%)	136.5	27.2	26.5	22.9	(2.3)	9.7	13.3	19.7	13.4	2.8	17.0	6.9
Growth QoQ (%)	(15.0)	4.9	4.9	31.5	(32.5)	17.8	8.3	39.0	(36.0)	6.8	23.3	26.9
Repayments	5,502	4,966	6,575	5,037	5,849	5,890	6,024	6,600	6,820	7,396	7,522	8,416
Growth YoY (%)	82.7	34.5	35.2	(5.0)	6.3	18.6	(8.4)	31.0	16.6	25.6	24.9	27.5
Growth QoQ (%)	0.1	(9.7)	32.4	(23.4)	16.1	0.7	2.3	9.6	3.3	8.4	1.7	11.9
Ending Book - Overall AUMs	118,936	125,437	130,887	141,667	146,500	153,195	160,795	173,126	178,415	183,956	192,380	204,202
Growth YoY (%)	23.7	23.6	23.3	24.8	23.2	22.1	22.9	22.2	21.8	20.1	19.6	17.9
Growth QoQ (%)	4.8	5.5	4.3	8.2	3.4	4.6	4.7	4.7	3.1	3.1	4.6	6.1

Source: Company, Elara Securities Research

Exhibit 3: Product mix remains stable to maximize employee potential and customer requirement fulfillment

Loan Mix (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Home Loans	71.1	71.1	70.1	69.9	70.0	69.7	69.3	69.3	69.0	69.0	69.0	68.0
MSME	-	-	-	10.4	10.0	-	-	17.0	17.0	18.0	18.0	19.0
Other Mortgage Loans	28.9	28.9	29.9	19.7	20.0	30.3	30.7	13.7	14.0	13.0	13.0	13.0

Source: Company, Elara Securities Research

Exhibit 4: AAVAS maintains expertise and pricing power in non-salaried, self-employed customer segment

Overall breakdown (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Salaried	39.9	39.8	39.7	39.9	40.2	40.1	40.2	40.2	40.0	40.0	40.0	40.0
Non-Salaried	60.1	60.2	60.3	60.1	59.8	59.9	59.8	59.8	60.0	60.0	60.0	60.0

Source: Company, Elara Securities Research

Exhibit 5: NHB borrowings decline in liability mix while low-cost NCD up 50bp

Borrowing mix (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Term Loans - Banks	38.8	41.8	42.2	45.0	46.6	49.5	47.0	47.5	47.8	50.8	50.3	50.9
NHB refinance	22.9	20.5	22.0	20.8	21.3	18.3	18.8	19.6	19.6	18.1	15.9	14.4
NCD issues	15.8	14.7	13.5	12.2	11.2	11.4	10.1	9.0	8.6	6.0	9.0	9.5
Financial Institutions	-	-	-	-	-	-	(0.1)	(0.1)	-	-	-	-
Other parties	-	-	-	-	-	-	-	-	-	-	-	-
Assignment	22.5	23.0	22.3	22.0	20.9	20.8	24.2	24.0	24.0	25.1	24.8	25.2

Source: Company, Elara Securities Research

Exhibit 6: Network expansion robust given new market forays (such as in Uttar Pradesh and Karnataka)

Branches – state-wise (commencement of operations) (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Rajasthan (2012)	29.5	29.3	29.1	29.3	29.4	29.4	29.3	29.2	27.5
Maharashtra (2012)	13.9	13.8	13.7	13.7	13.4	13.2	13.2	13.4	12.8
Gujarat (2012)	12.7	12.6	12.6	12.5	12.3	12.1	12.1	12.1	11.6
Madhya Pradesh (2013)	14.2	14.1	14.0	14.0	13.9	13.7	13.7	13.7	13.9
Delhi (2013)	1.2	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3
Haryana & Punjab (2017)	5.8	5.7	5.7	5.7	6.3	6.2	6.2	6.2	6.3
Chhattisgarh (2017)	2.6	2.6	2.6	2.6	2.5	2.4	2.4	2.4	2.3
Uttar Pradesh (2018)	7.8	8.0	8.6	8.5	8.7	8.9	8.9	8.8	9.8
Uttarakhand (2018)	2.6	2.6	2.6	2.6	2.5	2.4	2.4	2.4	2.3
Punjab (2019) / Orissa (2021)	1.7	-	-	-	-	-	-	-	-
Himachal Pradesh (2020)	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0
Orissa (2021)		1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.5
Karnataka (2021)	6.9	6.9	6.9	6.8	7.1	7.5	7.5	7.5	9.6

Source: Company, Elara Securities Research

Exhibit 7: Spread contracts as yield comes off 10bp while COB remains stable

Spread analysis (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Average yield	12.7	12.9	13.0	13.1	13.3	13.2	13.1	13.1	13.1	13.0	13.2	13.1
Cost of Borrowings	6.9	7.0	7.3	7.6	7.7	7.9	8.0	8.1	8.1	8.2	8.2	8.2
Spread	5.8	5.9	5.8	5.5	5.6	5.3	5.1	5.1	5.0	4.9	4.9	4.9
NIM	7.7	8.2	8.2	8.3	8.0	8.0	7.9	7.9	7.3	7.6	7.5	7.6
Incremental Cost of borrowing	5.7	7.6	6.8	8.1	8.0	8.2	8.1	8.1	8.3	8.4	8.4	8.5

Source: Company, Elara Securities Research

Exhibit 8: ROA steady at 3.3%

(%)	3MFY23	HIFY23	9MFY23	FY23	3MFY24	HIFY24	9MFY24	FY24	3MFY25	HIFY24	9MFY25	FY25
RoA	3.2	3.4	3.4	3.5	3.16	3.3	3.3	3.3	3.0	3.3	3.3	3.3

Source: Company, Elara Securities Research

Exhibit 9: GNPA improves marginally by 6bp QoQ and stood at ~1.1%

Asset quality (INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Gross Stage 3	1,045	1,113	1,204	1,067	1,193	1,295	1,425	1,319	1,466	1,601	1,757	1,763
% portfolio in Stage 3	1.1	1.1	1.1	0.9	1.0	1.0	1.1	0.9	1.0	1.1	1.1	1.1
ECL Provision Stage 3	240	265	288	287	322	356	392	380	423	459	524	572
Net Stage 3	805	848	917	780	872	939	1,033	939	1,043	1,142	1,233	1,191
Net Stage 3 (%)	0.8	0.8	0.9	0.7	0.7	0.8	0.8	0.7	0.7	0.8	0.8	0.7
Coverage Ratio % Stage 3	23.0	23.8	23.9	26.9	27.0	27.5	27.5	28.8	28.8	28.7	29.8	32.4
Gross Stage 1 & 2	95,521	100,354	104,999	114,412	118,716	123,529	129,353	139,573	143,887	146,491	152,419	161,607
% portfolio in Stage 1 & 2	98.9	98.9	98.9	99.1	99.0	99.0	98.9	99.1	99.0	98.9	98.9	98.9
ECL Provision Stage 1 & 2	407	385	388	429	444	441	453	468	485	487	481	501
Net Stage 1 & 2	95,113	99,970	104,612	113,983	118,272	123,087	128,900	139,105	143,402	146,004	151,938	161,106
ECL Provision % Stage 1 & 2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Gross Stage 1, 2 & 3	96,565	101,467	106,203	115,479	119,910	124,824	130,778	140,892	145,353	148,092	154,176	163,370
ECL Provision Stage 1, 2 & 3	647	649	675	716	766	797	846	848	908	946	1,005	1,073
Total ECL Provision (%)	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7

Source: Company, Elara Securities Research

Exhibit 10: Home loan NPA declines by 5bp QoQ

Gross Stage 3 (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Home Loan	1.1	1.1	1.1	0.9	1.0	1.0	1.0	0.9	0.9	1.0	1.1	1.0

Source: Company, Elara Securities Research

Exhibit 11: Capital adequacy depletes by 106bp QoQ to 44.5%

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
CRAR	50.5	50.4	49.5	46.9	47.3	48.2	45.0	44.0	44.5	46.5	45.6	44.5
Tier I	49.8	49.7	49.2	46.5	47.0	48.0	44.8	43.8	44.2	46.2	45.5	44.4
Tier II	0.7	0.6	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Liquidity as a % of BS	12.8	10.9	(7.5)	10.3	13.6	13.3	11.4	10.9	10.1	7.5	8.4	8.4

Source: Company, Elara Securities Research

Exhibit 12: Downgrade to Reduce with an unchanged TP of INR 1,934 on 2.7x FY27E P/ABV

Fair price - EVA (INR)	1,910
Fair price - P/ABV (INR)	1,954
Average of the two (INR)	1,934
Target P/ABV (x)	2.7
Target P/E (x)	18.3
Current price (INR)	2,038
Upside (%)	(5)
Dividend yield (%)	-
Total return (%)	(5)

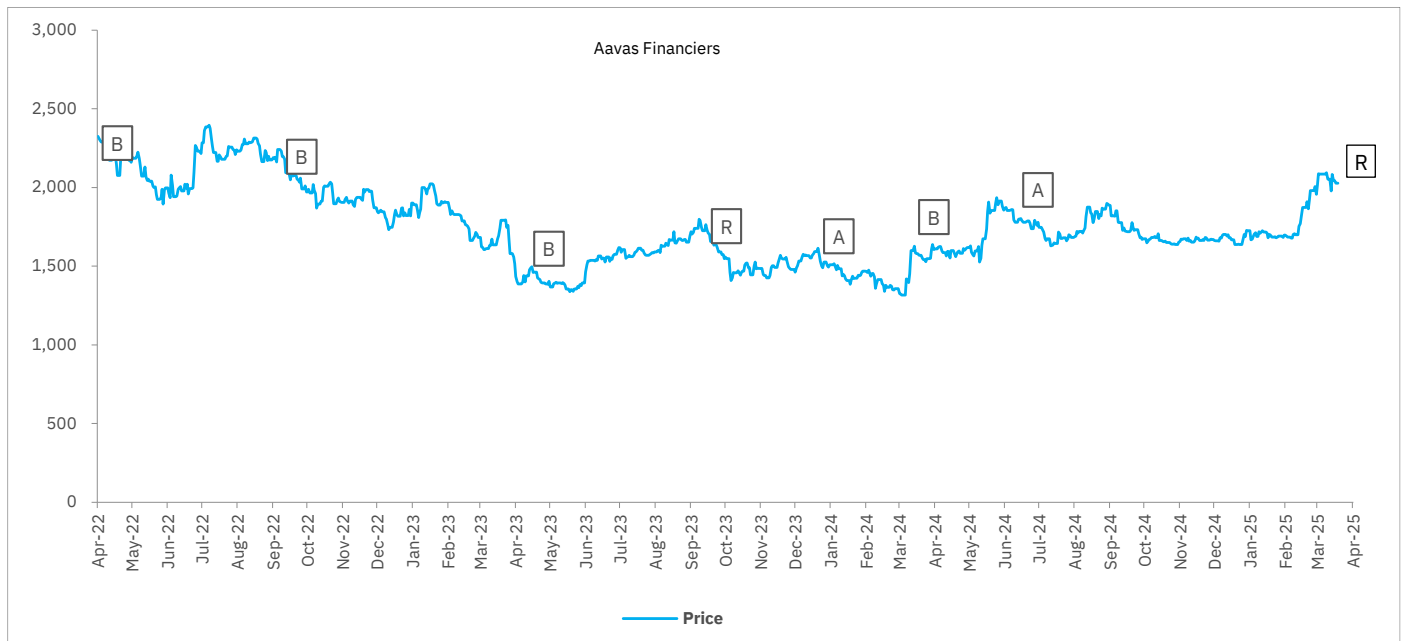
Note: Pricing as on 25 April 2025; Source: Elara Securities Estimate

Exhibit 13: Change in estimates

Particulars (INR mn)	Old		Revised		Change (%)		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net Interest Income	16,156	19,501	15,282	17,781	(5.4)	(8.8)	21,248
Operating Profit	10,079	12,493	9,427	11,134	(6.5)	(10.9)	13,826
PAT	7,501	9,278	6,939	8,375	(7.5)	(9.7)	9,803
EPS (INR)	95	117	88	106	(7.8)	(9.6)	124
Rating	Accumulate		Reduce				

Source: Company, Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
13-May-2022	Buy	3,001	2,076
21-Oct-2022	Buy	2,815	1,990
25-May-2023	Buy	1,678	1,404
27-Oct-2023	Reduce	1,460	1,547
02-Feb-2024	Accumulate	1,637	1,484
25-Apr-2024	Buy	1,934	1,605
25-Jul-2024	Accumulate	1,934	1,778
25-Apr-2025	Reduce	1,934	2,038

Guide to Research Rating

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