Dated: 12th Nov 2025

Aavas Financiers (AAVAS) - ADD

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.1619	**Rs.1900**

Rationale:

- Aavas' Q2FY26 performance ticked the right boxes with a pickup in disbursements, expanding margins and control over the 1 + days past due (dpd) levels.
- Expenses were, however, a tad higher.
- Loan growth remains tepid at 16%, which will gradually ramp up.
- While select peers have highlighted and reflected a rise in stressed loans in recent quarters, Aavas is much better placed.
- We tweak estimates; retain ADD with an FV of Rs1,900.

Positives:

- Aavas reported PAT of Rs163 cr, up 11% yoy and 5% above estimates.
- Net Interest Income (NII) was up 19% yoy, driven by a 16% AUM growth and 27 bps yoy Net Interest Margin (NIM) expansion.
- Calculated NIM expanded 16 bps qoq and 27 bps yoy to 7%.
- Stressed loans moderated 13 bps qoq to 2.8% in Q2FY26.
- The gross stage-3 ratio was stable qoq at 1.2%.
- Credit costs were moderate at 15 bps (11 bps in Q2FY25 and 22 bps in Q1FY26).
- We expect AUM growth to pick up to 19% by FY2028E.

Negatives:

- Disbursement growth was tepid at 8% yoy to Rs2700 cr in 1HFY26.
- 26 bps yoy rise in the cost-to-AAUM ratio to 3.3%.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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