DEVEN CHOKSEY RESEARCH

Q1FY26E Financial Services Earnings Preview

Result Preview

8th July 2025

Financial Services

NBFCs Likely to Maintain Growth Momentum in Q1FY26

Coverage	Rating	CMP	Target (INR)	Upside (%)
HDFC AMC	BUY	4,999	4,920	TA
Bajaj Finance	ACCUMULATE	925	971	5%
Bajaj FinServ	ACCUMULATE	2,006	2,133	6%
Cholamandalam Investment and Finance	ACCUMULATE	1,514	1,627	7%
CreditAccess Grameen	ACCUMULATE	1,285	1,208	TA
Poonawalla Fincorp	ACCUMULATE	468	411	TA
Jio Financial Services	HOLD	329	268	TA

Price Performance

	Close	1M (%)	YTD (%)
Nifty	25,461	1.83%	7.2%
Sensex	83,442	1.5%	6.3%
Nifty Financial Services	26,833	-0.1%	13.6%
USD / INR	85.7550	0.0%	+0.1%

Note: TP and recommendation have been retained from previous update reports; we will review it post detailed Q1FY26E results analysis and conference call of the said companies.
Source: Bloomberg, NSE; Data as of 7th July 2025

SECTOR OVERVIEW

- The NBFC sector is anticipated to register moderate loan growth in Q1 FY26E. Although unsecured lending may witness some slowdown due to tightening risk controls and regulatory oversight, segments including gold loans and Loan Against Property (LAP) are expected to maintain healthy traction, reflecting shift to a more balanced lending strategy amid evolving credit and interest rate dynamics.
- Q1FY26E may reflect seasonal moderation in collections and a mild impact on credit quality; however, the performance is expected to remain favorable (YoY). Key monitorable include evolving regulatory developments, asset quality trends, and funding environment. Lenders are expected to maintain a prudent stance, focusing on risk-adjusted growth and preserving portfolio quality amid dynamic market conditions.
- Following a period of aggressive growth led by unsecured lending, we expect NBFCs to recalibrate their strategies toward a more balanced risk-return framework. This strategic realignment is likely to emphasize portfolio diversification, prudent underwriting practices, and a sharper focus on sustainable asset quality—key measures aimed at enhancing long-term financial resilience amid an evolving macroeconomic and regulatory landscape.
- Co-lending arrangements are expected to gain further traction, offering NBFCs a capital-efficient pathway to expand their assets under management while managing rising leverage levels.
- HDFC AMC is expected to retain its position among the top asset manager, led by catalysts including introduction of new products, deeper penetration in tier 2 and tier 3 cities, and enhanced digital adoption. These initiatives are anticipated to strengthen distribution capabilities and improve customer acquisition, contributing to an expected revenue growth of 24.8% YoY. Furthermore, continued realization of synergy benefits from integration with its parent bank is likely to drive incremental value creation over the medium term, positioning HDFC AMC for sustainable long-term growth.
- The industry's Equity Assets Under Management (AUM) grew by 4.8% sequentially from INR 30.6 Trillion in Apr'25 to INR 32.1 Trillion in May'25. This growth was driven by mark-to-market gains from a sustained rally in equity markets for the third consecutive month, along with continued participation from retail and domestic investors, supported by broad-based market strength across sectors.
- For our coverage universe, NBFCs are expected to deliver AUM growth of 35.4% YoY (+5.4% QoQ) in Q1FY26E, supported by sustained disbursement momentum across diversified lending segments. The sector's continued focus on digital transformation and process automation is expected to drive operational efficiency gains and will mitigate the impact of elevated provisioning levels. We anticipate the net profit to grow by 22.2% YoY (+12.8% QoQ).

ANALYST
Ishank Gupta, fundamental-research2@devenchoksey.com

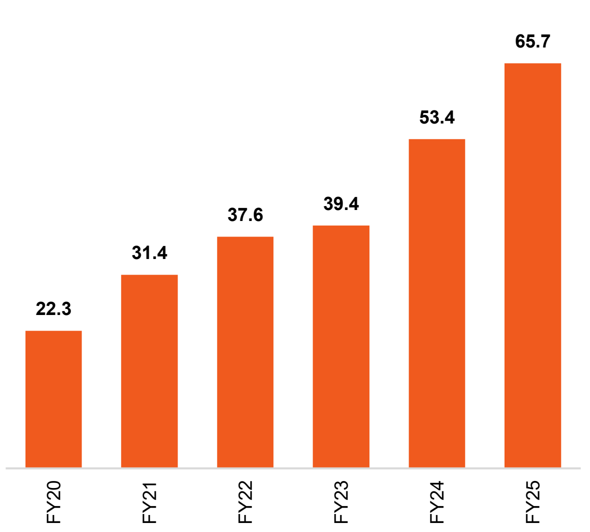
Phone: +91-22-6696 5555 | Ext-519
www.devenchoksey.com

Financial Services

Valuation

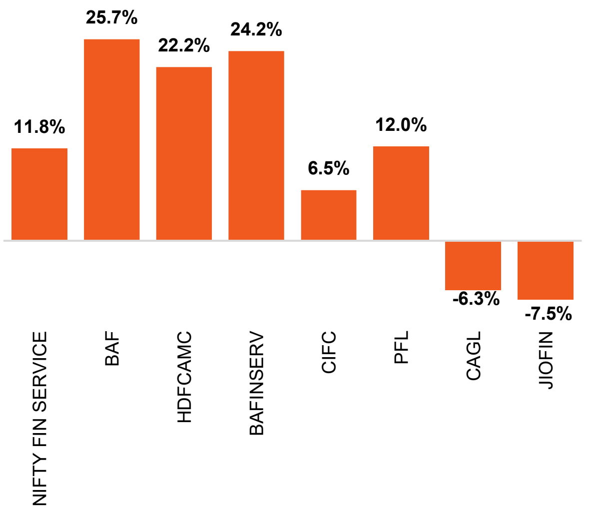
- Despite rising competitive intensity from banks, NBFCs continue to dominate the market in high-yield segments such as MSME lending, gold loans, and unsecured retail finance. Their ability to offer faster turnaround times, greater operational flexibility, and tailored product offerings provides a distinct competitive advantage in these segments.
- NBFCs are expected to outperform banks in terms of credit growth, led by continued momentum in gold loans, MSME lending, and personal loans. The recent cut in the repo rate by 50bps is likely to ease funding costs for NBFCs, thereby supporting margin improvement and enhancing their competitive positioning in high-yield, retail-focused lending segments.
- We believe that new product launches will be a significant growth catalyst for the NBFC sector in Q1FY26. Initiatives including targeting underserved segments and offering differentiated credit solutions are expected to support higher disbursements, diversify portfolios, and strengthen competitive positioning in a dynamic lending environment.
- **HDFC AMC and Poonawalla Fincorp remains our top pick, led by their strong brand equity and robust market positioning.**

Industry MF AUM has witnessed strong momentum in the past two years (INR Trillion)



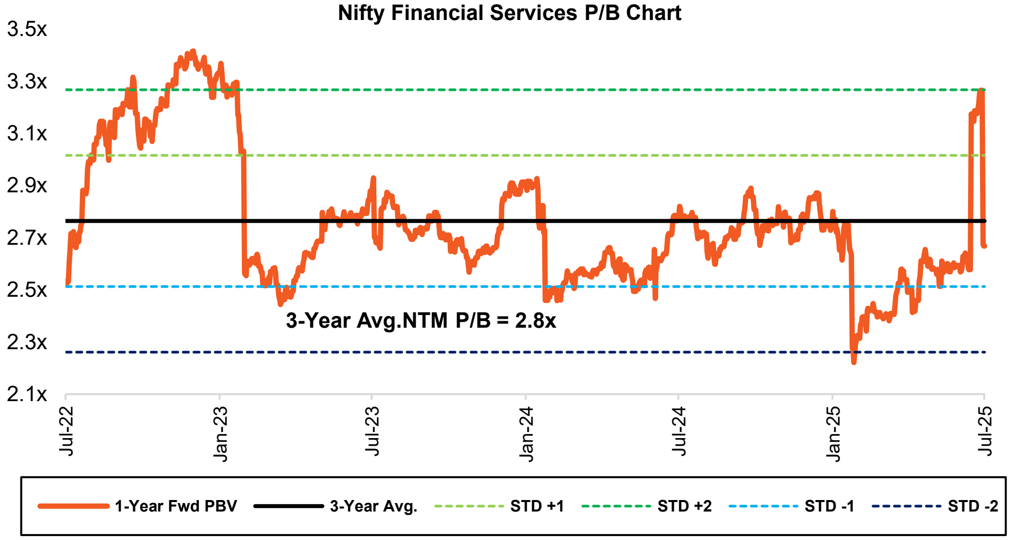
Source: AMFI, DevenChoksey Research

Stock performance for Coverage companies (1-year)



Source: NSE, DevenChoksey Research

Nifty Financial Services P/B Chart



Source: NSE, DevenChoksey Research

ANALYST
Ishank Gupta, fundamental-research2@devenchoksey.com
Phone: +91-22-6696 5555 | Ext-519
www.devenchoksey.com

Financial Services

Exhibit 1: Quarterly result expectation for companies under coverage

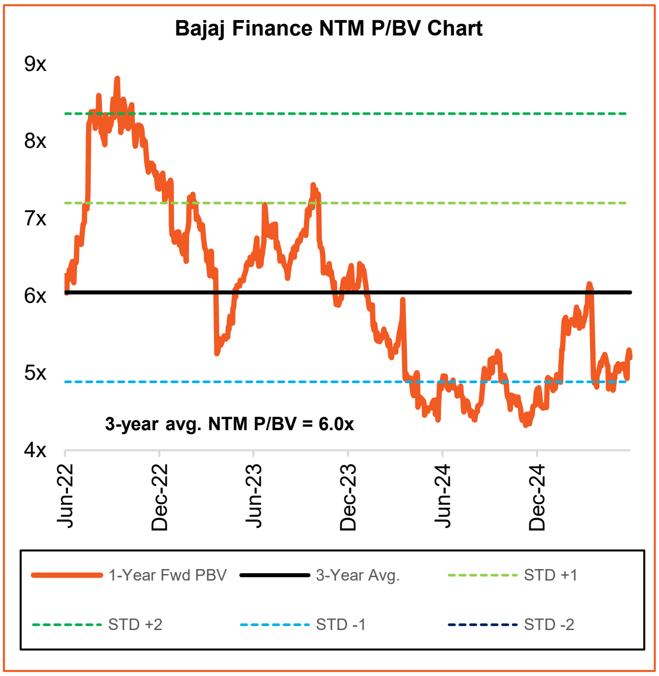
Q1FY26E (INR in Mn)	Outperform	Base	Underperform	View
HDFCAMC				
Revenue	10,163	9,679	9,195	▪ We anticipate HDFC AMC's assets under management (AUM) to grow by 18.2% YoY (+5.3% QoQ) in Q1FY26E, supported by robust inflows and solid fund performance, despite increased market volatility. The expansion (YoY) is led by continued momentum in systematic investment plans (SIPs). ▪ We expect the overall AUM mix to remain stable sequentially, indicating balanced growth across equity, debt, and passive categories. Stability combined with robust AUM expansion, is likely to support revenue growth of 24.8% YoY (+7.4% QoQ) in Q1FY26E. ▪ HDFC AMC is anticipated to observe a stronger EBITDA growth of 24.5% YoY led by healthy AUM growth and improved operating leverage. ▪ In the base case scenario, Net Profit is expected to grow by 7.7% YoY (+1.9% QoQ), assuming a normalized tax rate of 27.0% during the quarter.
EBITDA	7,825	7,404	6,988	
PAT	6,880	6,507	6,133	
AUM (INR in Bn)	8,100	7,941	7,782	
BAJAJ FINANCE				
NII	102,713	99,721	96,730	▪ We expect Bajaj Finance (BAF) to report AUM growth of 27.0% YoY (+7.9% QoQ) in Q1FY26E, supported by consistent customer additions and deeper penetration across existing and new markets. The NBFC's strategic focus on enhancing its digital infrastructure, expanding distribution, and broadening its product suite is expected to drive steady momentum across segments, despite a tempering credit environment. ▪ For Q1FY26E, we expect NII to grow by 19.2% YoY (+1.7% QoQ), led by robust AUM growth. A marginal decline in the cost of funds is also anticipated, which should aid margin stability and partially offset the impact of a competitive lending environment. ▪ Net profit is expected to grow 23.8% YoY (+6.6% QoQ) in the base case, driven by steady operating performance and controlled credit costs.
PPOP	85,383	82,896	80,409	
PAT	49,898	48,445	46,992	
BAJAJ FINSERV				
Total Income	383,170	372,009	360,849	▪ In the base case, we expect revenue to grow by 18.2% YoY, supported by sustained momentum in the lending business and a modest sequential recovery in the insurance segments. ▪ We anticipate Profit Before Tax (PBT) to grow by 18.9% YoY (+18.3% QoQ) in the base case, primarily driven by operating leverage gains from strong topline growth and cost efficiencies. ▪ Net Profit is expected to grow by 21.2% YoY (+7.2% QoQ) in the base case scenario.
PBT	73,112	70,982	68,853	
PAT	26,686	25,909	25,131	

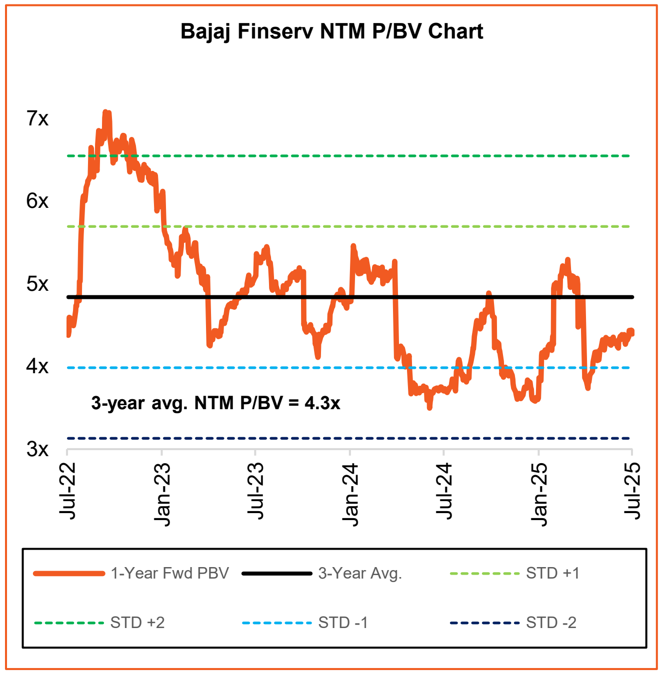
Financial Services

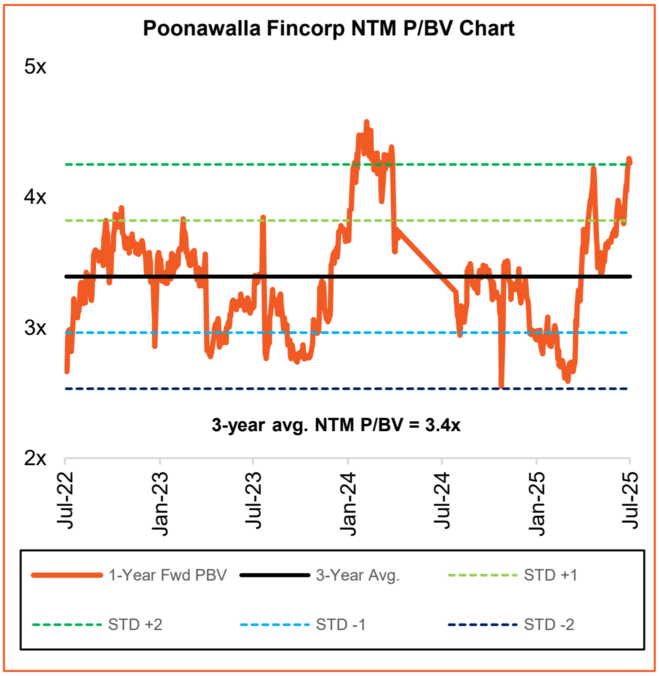
Exhibit 1: Quarterly result expectation for companies under coverage

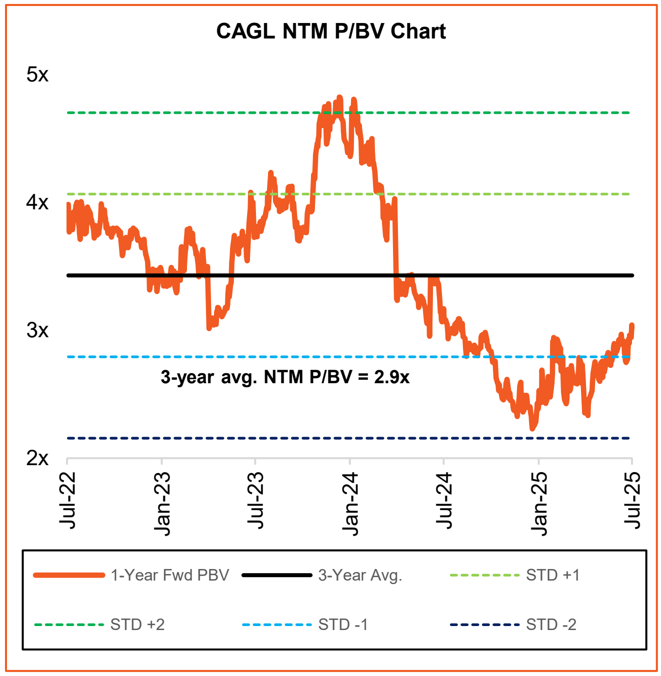
Q1FY26E (INR in Mn)	Outperform	Base	Underperform	View
CIFC				
NII	38,470	36,638	34,806	▪ We expect AUM to grow by 35.5% YoY (+5.4% QoQ), with vehicle loans accounting for the largest contribution to the overall expansion. ▪ In the base case scenario, NII is expected to grow by 42.3% YoY (+19.9% QoQ), driven by strong disbursement momentum and a rising share of interest-earning assets. NIMs are expected to remain stable QoQ, supported by improved asset yields and prudent liability management.
PPOP	26,204	24,957	23,709	
PAT	15,793	15,041	14,289	▪ We expect net profit to grow by 59.6% YoY in the base case, supported by strong NII growth and lower credit costs, along with improved asset quality and better cost control across core operating functions.
POONAWALLA FINCORP				
NII	8,946	8,685	8,425	▪ We expect Poonawalla Fincorp to report AUM growth of 28.1% YoY, supported by improved disbursements and continued diversification across its product suite. The company's strategic shift beyond traditional offerings is expected to sustain momentum and expand its customer base.
PPOP	6,568	6,377	6,186	▪ NII is expected to grow by 50.8% YoY and 42.4% QoQ, driven by strong AUM expansion and the incremental contribution from newly launched products. ▪ The cost-to-income ratio is expected at 35.1% in Q1FY26E, improving from 66.7% in Q4FY25 and 36.1% in Q1FY25, supported by operating efficiency gains, and lower depreciation expense during the quarter.
PAT	4,245	4,121	3,998	▪ Net profit is expected to grow by 41.3% YoY, supported by strong growth in interest income, stable asset quality, and improved operating leverage—reflecting the benefits of scale in a growing loan book.
CREDIT ACCESS GRAMEEN				
NII	9,475	9,199	8,923	▪ In the base case, we expect NII to grow by 5.0% QoQ, driven by moderate AUM expansion, improved portfolio mix towards higher-yielding segments. Additionally, a slight decline in the cost of funds is expected to support margin stability, contributing to overall NII growth for the quarter.
PPOP	6,657	6,463	6,269	▪ Operating profit for the quarter is expected to increase by 2.0% QoQ, supported by stable revenue and cost efficiencies, while declining on a YoY basis due to a high operating expenses.
PAT	1,283	1,246	1,208	▪ We expect PAT to grow by 164.1% QoQ, primarily driven by significantly lower provisioning compared to the previous quarter.

Financial Services







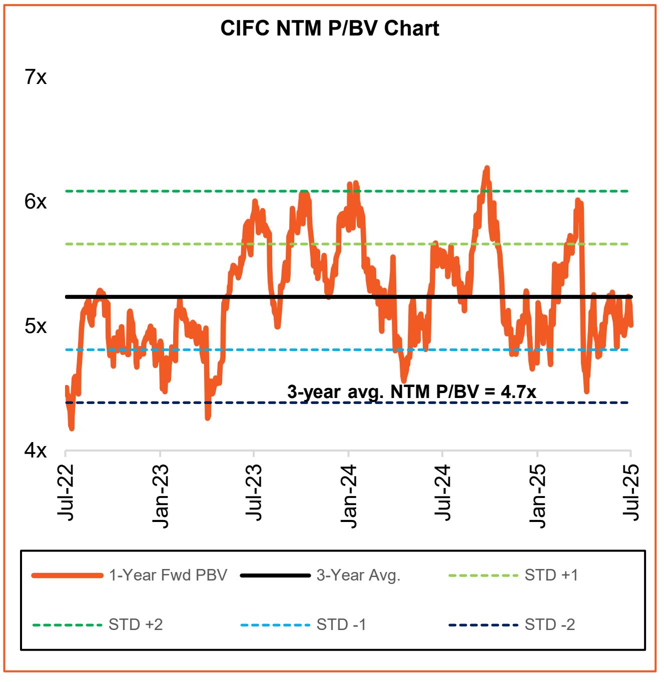


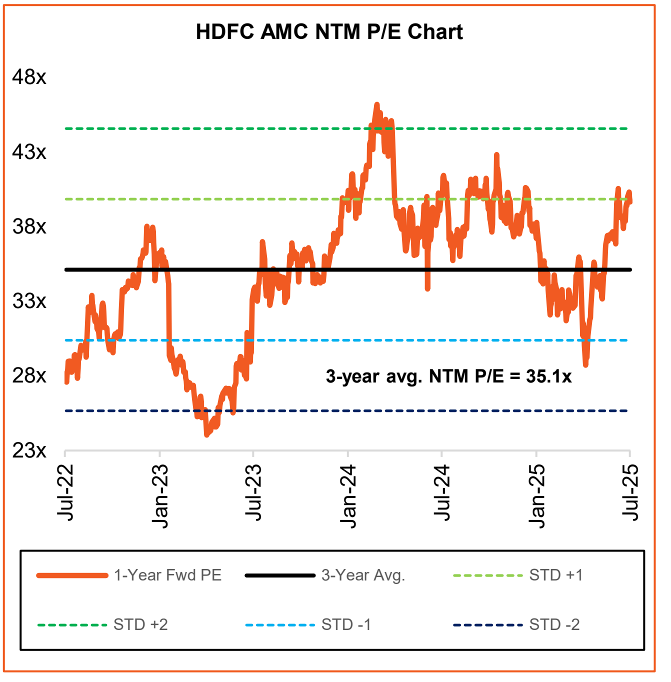
Source: Bloomberg, DevenChoksey Research

ANALYST
Ishank Gupta, fundamental-research2@devenchoksey.com

Phone: +91-22-6696 5555 | Ext-519
www.devenchoksey.com

Financial Services





Source: Bloomberg, DevenChoksey Research

ANALYST
Ishank Gupta, fundamental-research2@devenchoksey.com

Financial Services

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, **Ishank Gupta** (CA), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

DRChoksey FinServ Private Limited (hereinafter referred to as DCFPL) is a registered member of SEBI as a Research Entity vides Registration No. INH000011246 under SEBI (Research Analyst) Regulations, 2014,Portfolio Managers Entity vides Registration No. INP000007906 under SEBI (PORTFOLIO MANAGERS) Regulations, 2020 & Investment Adviser Entity vides Registration No. INA000017903 under SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013.

The information and opinions in this report have been prepared by DCFPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DCFPL. While we would endeavor to update the information herein on a reasonable basis, DCFPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent DCFPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or DCFPL policies, in circumstances where DCFPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. DCFPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. DCFPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on DCFPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

DCFPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, **Ishank Gupta** Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

DCFPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

DCFPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. DCFPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DCFPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that **Ishank Gupta**, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DCFPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DCFPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

The securities quoted are for illustration only and are not recommendatory.

DCFPL (Research Entity) and its research analysts uses Artificial Intelligence tools.

DCFPL and or its Research analysts shall be solely responsible for the security, confidentiality and integrity of the client data, use of any other information or data for research services, research services based on output of Artificial Intelligence tools and compliance with any law for the time being in force.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DCFPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restrictiond.

Investment in securities are subject to market risks, read all the documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Please send your feedback to research.retail@devenchoksey.com

DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058

ISHANK NAVAL GUPTA

Digitally signed by ISHANK NAVAL GUPTA
Date: 2025.07.08 11:31:21 +05'30'