

BUY

TP: Rs 1,141 | ▲ 23%

BAJAJ FINANCE

| NBFC

| 30 April 2026

Healthy growth outlook

- **AUM growth guidance of 22-24% in FY27, aided by the growth in gold loans, CV/tractor finance, normalisation of MSME growth**
- **Foresees credit cost to tend down in the range of 1.45-1.60%. Opex to NII is expected to see improvement of 25-40bps going forward**
- **Maintain BUY on BAF with TP of Rs 1,141 (earlier Rs 1,193), assigning Mar'28E P/BV of 4.1x on a standalone entity**

Steady performance: BAF reported steady operating performance during the quarter. It reported a PAT of Rs 55.5bn, up 22% YoY (up 37% QoQ), primarily aided by lower credit costs in Q4FY26. Credit cost came in at 1.65% vs 3.1% in Q3FY26. Asset quality improved with GS3 and NS3 at 1.01% and 0.41% vs 1.2% and 0.5% in Q3FY26 respectively. NII grew 20% YoY (4.1% QoQ) in Q4FY26, with broadly stable NIMs. AUM saw a growth of 22.4% YoY and 5.3% QoQ, in line with the management's stated guidance of 22%-23% growth. For FY26, PAT increased 15.2% YoY.

Guidance: Management guided for 22-24% AUM growth in FY27 supported by growth in gold loans, CV/tractor finance, normalisation of MSME growth and scaling of new business. The company plans to add 15-17 mn customers. For FY26, BAF guided 17-18 mn customer additions. In terms of profitability, the company maintained long-term guidance of RoA at 4.3%-4.7% and RoE at 19-21%. It foresees credit cost to tend down in the range of 1.45%-1.60%, entirely contingent upon stability of macro environment led by scaling down of the 2W portfolio and recovery in the MSME business. Opex to NII is expected to see improvement of 25-40bps, going forward.

AUM growth: Gold loan portfolio is expected to increase to 5% of the product mix in FY27, which currently contributes to 3% of AUM. Additionally, MSME segment is expected to deliver double-digit growth from Q2FY27 onwards. Gold loan segment grew 115% YoY in Q4FY26. MSME segment rose 6% YoY, as the company strategically curtailed the offtake.

Maintain BUY: Q4 delivered stable operating performance, supported by healthy AUM growth and steady asset quality. Management highlighted the presence of adequate growth tailwinds rather than headwinds. We believe BAF's strong execution, sustained AUM expansion, ongoing technology integration, and gradual improvement in asset quality will drive healthy RoA of 4.2%-4.8% over FY27E-29E. However, MSME recovery remains a key monitorable, along with the pace of AI scale-up. Hence, we maintain BUY on BAF with TP of Rs 1,141 (earlier Rs 1,193), assigning a multiple of 4.1x to its Mar'28E P/BV.

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Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BAF IN/Rs 930
Market cap	US\$ 6.0bn
Free float	44%
3M ADV	US\$ 92.0mn
52wk high/low	Rs 9,366/Rs 788
Promoter/FPI/DII	56%/20%/13%

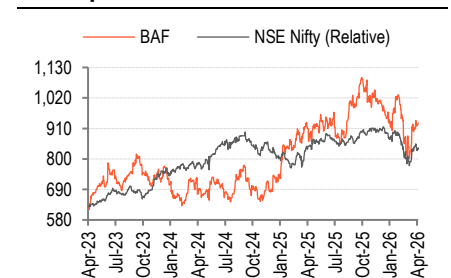
Source: NSE | Price as of 29 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NII (Rs mn)	4,41,101	5,38,192	6,70,633
NII growth (%)	21.2	22.0	24.6
Adj. net profit (Rs mn)	1,93,324	2,50,053	3,22,333
EPS (Rs)	31.1	40.0	51.5
Consensus EPS (Rs)	31.1	40.1	49.2
P/E (x)	29.9	23.2	18.0
P/BV (x)	5.1	4.2	3.4
ROA (%)	3.8	4.2	4.5
ROE (%)	18.4	19.7	20.8

Source: Company, Bloomberg, BOBCAPS Research

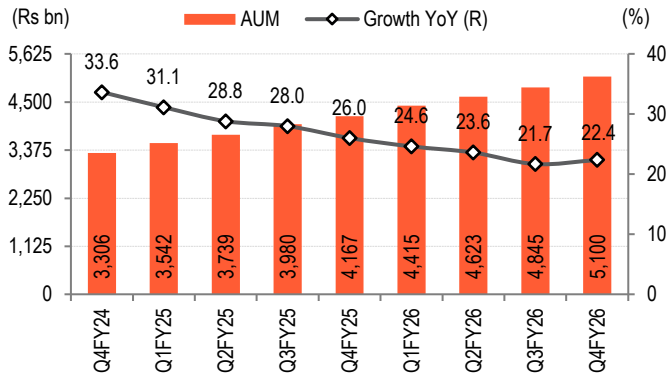
Stock performance



Source: NSE

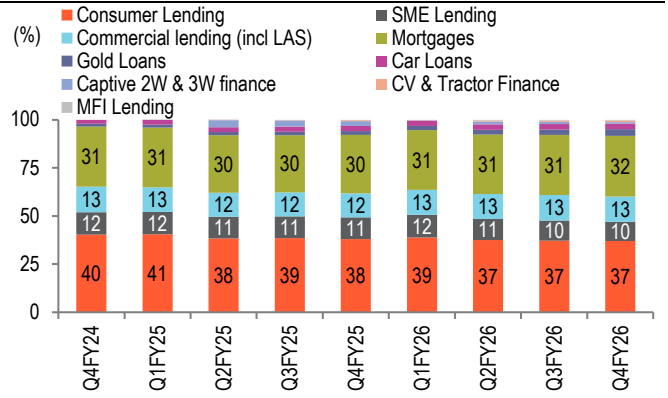


Fig 1 – AUM grew 22.4% at Rs 5,100 bn in Q4FY26



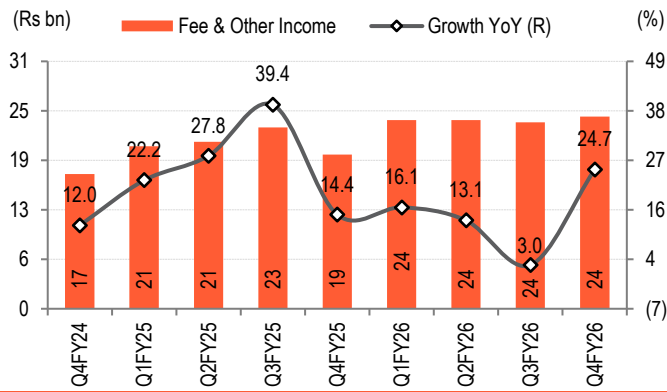
Source: Company, BOBCAPS Research

Fig 2 – AUM mix remains largely stable



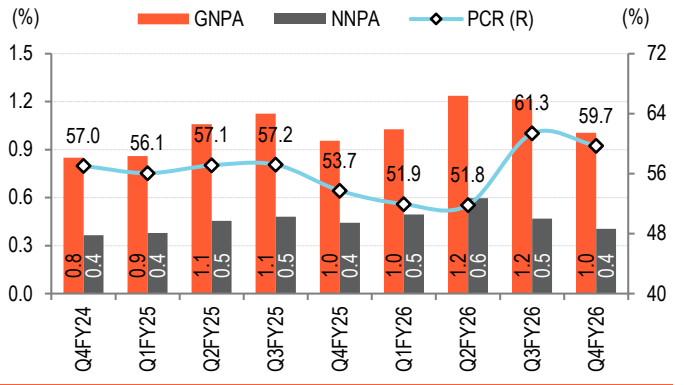
Source: Company, BOBCAPS Research

Fig 3 – Fees and other income grew at 24.7% YoY



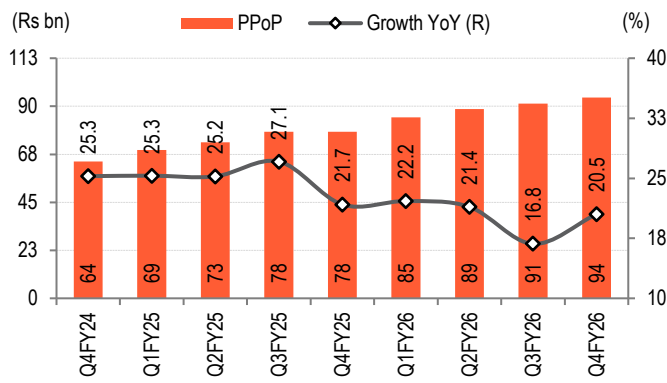
Source: Company, BOBCAPS Research | AUF: Assets under Finance

Fig 4 – GNPA and NNPA are expected to remain lower than long term guidance



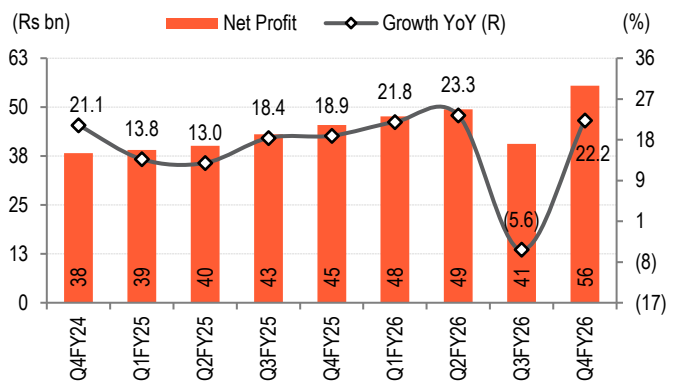
Source: Company, BOBCAPS Research

Fig 5 – PPOP grew 20.5% in Q3FY26 at Rs 94 bn



Source: Company, BOBCAPS Research

Fig 6 – Net profit grew 22.2%YoY in Q4FY26



Source: Company, BOBCAPS Research

Fig 7 – Profit and Loss Account

Consolidated (Rs mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	YoY (%)	QoQ (%)
Interest Income	1,40,492	1,49,870	1,57,682	1,63,591	1,71,447	1,77,960	1,86,565	1,91,789	17.2	2.8
Interest Expenses	56,839	61,493	63,856	65,520	69,177	70,113	73,387	73,983	12.9	0.8
Net Interest Income (NII)	83,653	88,377	93,826	98,072	1,02,270	1,07,847	1,13,178	1,17,806	20.1	4.1
Fee and Commission Income	15,242	14,264	15,106	15,217	17,840	17,800	19,616	22,289	46.5	13.6
Net gain on fair value changes	1,034	1,484	1,646	1,227	2,253	948	1,394	118	-	-
Sale of services	285	92	34	(139)	98	33	21	6	-	-
Recovery of assets written off	437	1,657	1,862	1,565	915	1,935	1,244	561	(64.2)	(55.0)
Other Income	3,533	3,588	4,253	1,603	2,726	3,133	1,302	1,304	(18.7)	0.2
Total Income	1,04,185	1,09,461	1,16,727	1,17,544	1,26,101	1,31,695	1,36,755	1,42,082	20.9	3.9
Employee Costs	17,748	18,348	19,555	19,432	21,026	21,545	22,501	24,714	27.2	9.8
Fees & Commission expenses	5,542	6,292	6,853	7,289	7,675	8,357	10,093	10,456	43.5	3.6
Depreciation	1,998	2,100	2,191	2,520	2,515	2,581	2,439	2,555	1.4	4.8
Other expenses	9,421	9,649	10,070	10,252	10,015	10,477	10,529	10,286	0.3	(2.3)
Total Operating Expenses	34,709	36,390	38,670	39,493	41,230	42,959	45,563	48,011	21.6	5.4
PPOP	69,475	73,071	78,057	78,051	84,871	88,736	91,192	94,072	20.5	3.2
Provisions & Writeoffs	16,847	19,091	20,433	21,665	21,202	22,688	34,251	20,075	(7.3)	(41.4)
PBT	52,628	53,980	57,624	56,386	63,668	66,048	56,941	73,996	31.2	30.0
Taxes	13,534	13,877	14,572	11,018	16,023	16,604	13,651	18,565	68.5	36.0
PAT	39,120	40,137	43,082	45,456	47,653	49,478	40,660	55,533	22.2	36.6

Source: Company, BOBCAPS Research

Fig 8 – Key Parameters and Product Mix

Particulars	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	YoY (%)	QoQ (%)
AUM Mix (Rs mn)										
Bajaj Finance	26,18,280	27,50,430	29,33,700	30,88,320	32,54,380	33,81,210	35,37,650	37,29,860	20.8	5.4
Housing	9,70,710	10,25,690	10,83,140	11,46,840	12,04,200	12,67,490	13,34,120	14,07,060	22.7	5.5
Consolidated AUM	35,41,920	37,39,240	39,80,430	41,66,610	44,14,500	46,22,610	48,44,770	50,99,750	22.4	5.3
Consolidated AUM (Rs mn)										
Consumer B2B -Auto Finance	1,96,890	1,89,600	1,89,720	1,73,190	1,57,030	1,42,630	1,35,760	1,26,130	(27.2)	(7.1)
Consumer B2B - Sales Finance	2,69,750	2,71,690	2,91,490	2,91,090	3,28,390	3,35,500	3,56,430	3,74,300	28.6	5.0
Consumer B2C	7,16,280	7,72,210	8,31,180	8,76,960	9,23,330	9,66,080	9,98,780	10,44,850	19.1	4.6
Rural B2B - Sales Finance	75,530	72,800	79,550	79,440	90,570	88,380	95,310	1,05,590	32.9	10.8
Rural B2C	1,77,700	1,82,650	1,92,480	2,02,090	2,14,050	2,26,460	2,37,300	2,52,340	24.9	6.3
SME	4,07,910	4,39,620	4,59,080	4,86,980	5,25,380	5,17,180	5,11,360	5,15,700	5.9	0.8
Securities Lending	2,20,430	2,33,590	2,52,620	2,53,770	2,72,250	2,95,080	3,17,060	3,32,470	31.0	4.9
Commercial Lending	2,35,890	2,46,150	2,60,570	2,77,600	2,98,830	3,13,590	3,31,840	3,38,390	21.9	2.0
Mortgages	10,96,710	11,58,360	12,20,190	12,94,610	13,63,770	14,44,120	15,27,470	16,20,770	25.2	6.1
Gold Loans	54,940	63,630	72,670	83,070	99,890	1,17,890	1,41,030	1,78,310	114.7	26.4
Car Loans	87,100	99,240	1,11,660	1,18,760	1,25,450	1,31,630	1,40,910	1,50,110	26.4	6.5
Captive 2W & 3W finance	-	1,40,000	1,27,630	1,06,910	-	70,860	55,420	42,880	(59.9)	(22.6)
CV & Tractor finance	-	4,200	10,350	16,470	-	26,620	32,200	38,810	135.6	20.5
MFI Lending	2,790	5,500	8,870	12,580	15,560	17,450	19,320	21,980	74.7	13.8
Total Consolidated AUM	35,41,920	37,39,240	39,80,430	41,66,610	44,14,500	46,22,610	48,44,770	50,99,750	22.4	5.3
GNPA (%)	0.86	1.06	1.12	0.96	1.03	1.24	1.21	1.01	4bps	(21bps)
NNPA (%)	0.38	0.45	0.48	0.44	0.49	0.60	0.47	0.40	(4bps)	(7bps)
Provision coverage ratio (%)	56.1	57.1	57.2	53.7	51.9	51.8	61.3	59.7	599bps	(163bps)
New Loans booked (mn)	11.0	9.7	12.1	10.7	13.5	12.2	13.9	12.9	20.5	(7.3)

Source: Company, BOBCAPS Research

Earnings Call Takeaways

Operational highlights

- Consolidated AUM grew 22.4% YoY (up 5.3% QoQ) at Rs 5,100 bn in Q4FY26.
- Consolidated PAT grew 22.2% YoY and 36.6% QoQ at Rs 55.5 bn in Q4FY26.
- CoF improved by 4 bps QoQ in Q4FY26 and stood at 7.41%.
- Deposits came in at Rs 685.3 bn and currently constitute 16% of consolidated borrowings, as of Q4FY26.
- Opex to NTI came in at 33.8% in Q4FY26 under the revised reporting framework (vs. 33.6% in Q3FY26). Otherwise, it would have been 33.2%. Going ahead, management expects a 25-40 bps improvement from the current levels.
- Management highlighted there was a marginal increase sequentially, due to an accelerated gold loan branch expansion and impact of the new labour code.
- The company booked 12.9 mn loans in Q4FY26 and added 3.93 mn new customers.
- The company has revised its disclosure of recoveries against written-off loans - previously reported under other operating income, it will now be reported under loan losses and provisions effective Q4FY26. This has no impact on PBT/PAT, but will impact opex to NTI and loan loss to the average AUF.
- The company has taken an additional ECL provision of Rs 1.42 bn in Q4FY26 towards the management and macroeconomic overlay.

Business Segments

- Gold loan portfolio grew 114.7% YoY in Q4FY26, now contributing 3.5% of the overall AUM. Management expects gold loan AUM to cross ~5% of total AUM by FY27, aided by continued branch expansion.
- MSME portfolio grew 5.9% in FY26, on account of proactive risk actions taken since Q2FY26. Management expects this business to return to double-digit growth by Q2-Q3FY27.
- Captive 2W & 3W business constitutes 0.8% of AUM but contributed 13% of GNPA and 5% of the overall credit cost in Q4FY26. This book is expected to wind down to less than Rs 15 bn by September 2026, leading to further improvement in GNPA resulting in lower credit costs in FY27.
- Gold loans, tractors, and CV financing businesses are expected to grow faster than the overall AUM growth, given its low base.

BHFL performance snapshot

- BHFL reported a robust AUM growth of 22.7% YoY to Rs 1,407 bn, driven by a strong momentum in disbursements.
- Disbursement grew 23% YoY from Rs 142.5 bn in Q4FY25 to Rs 175.1 bn in Q4FY26.
- Asset quality remained stable in Q4FY26 with GNPA and NNPA at 27 bps and 11 bps respectively.
- Opex to NTI for BHFL improved to 19.2% vs. 21.8% in Q4FY25, with management guiding for continued improvement over the long term.
- PBT grew 19.8%YoY at Rs 33,200 mn while PAT increased by 18.4% YoY at Rs. 25,603 mn with annualised ROA at 2.3% and ROE at 12.1% in FY26.
- PAT was up 14.1% YoY in Q4FY26 due to one-time tax benefit of Rs 340 mn in Q4FY25. Excluding this one-time impact, normalised PAT growth would have been 20% in Q4FY26.

Guidance

- The company estimates 22-24% AUM growth, aided by new businesses launched in the last few years.
- Consolidated NII grew 20.1% YoY and 4.1% QoQ to Rs 117.8 bn in Q4FY26.
- Management expects non-interest income to grow by 16-18% in FY27.
- ROA came in at 4.7% in Q4FY26 against 4.5% in Q4FY25. Management expects it to be in 4.4%-4.6% range.
- GNPA and NNPA came in at 1.01% and 0.41% respectively. Management guided that it is estimated to remain lower than the long-term guidance of 1.4% for GNPA and 0.5% for NNPA.
- The company expects to add 15-17 mn customers in FY27.

FinAI

- The company processed 600,000 loans on a single day during the peak of Diwali. Without AI, the company would have been able to process only 100,000 loans on a single day.
- AI team currently comprises 203 employees, expanding to ~363 by June 2027.
- Almost 100% of videos are AI-generated on customer engagement.
- ~2,700 AI-enabled cameras are expected to be deployed across branches for customer identification, leading to lower costs.

Valuation Methodology

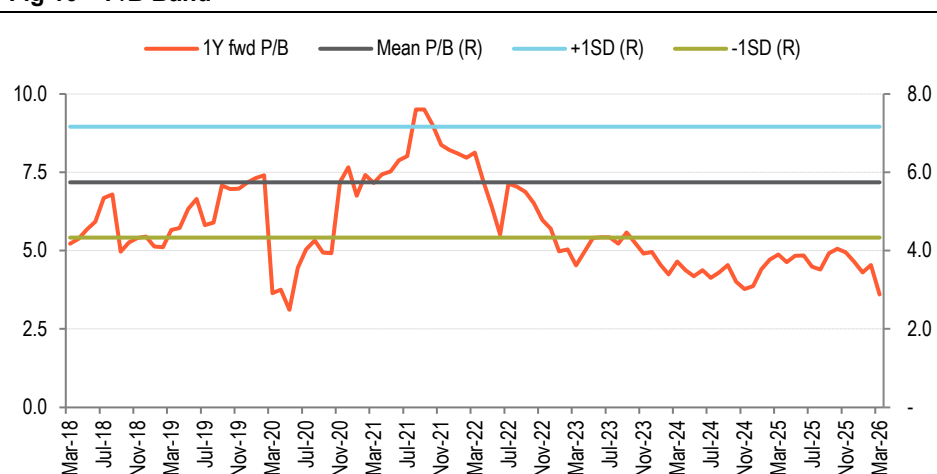
Maintains BUY: Q4 delivered a stable operating performance, supported by healthy AUM growth and steady asset quality. Management highlighted the presence of adequate growth tailwinds rather than headwinds. We believe BAF’s strong execution, sustained AUM expansion, ongoing technology integration, and a gradual improvement in the asset quality will drive healthy average RoA/RoE of 4%/21% over FY26–28E. However, MSME recovery remains a key monitorable, along with the pace of AI scale-up. Hence, we maintain BUY on BAF with TP of Rs 1,141 (earlier Rs 1,193), assigning a multiple of 4.1x to its Mar’28E P/BV.

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
NII	5,38,192	6,70,633	8,50,400	5,48,702	6,90,943	-	(1.9)	(2.9)	-
PPOP	4,36,617	5,48,100	7,07,944	4,36,916	4,92,703	-	(0.1)	11.2	-
PAT	2,50,053	3,22,333	4,40,382	2,39,789	2,64,736	-	4.3	21.8	-

Source: BOBCAPS Research

Fig 10 – P/B Band



Source: Company, BOBCAPS Research

Key Risks

- **Intensifying competition:** Based on a wide product suite, solid execution capabilities, and robust demand for credit in its target industries, we expect BAF to achieve 20%+ loan growth in the medium term. However, above-expected competition, particularly from banks and other financial institutions, could weigh on the performance — affecting earnings, margin and valuation assumptions.
- **Deteriorating asset quality:** Between FY19 and FY24, BAF’s GNPA and NNPA averaged just 1.4% and 0.6% respectively. Asset quality may decline because of slow economic growth or the recurrence of a pandemic (such as Covid) or a particular business segment.
- **Higher delinquency in new segments:** The company entering the higher risk microfinance and tractor financing markets, could pose risks to asset quality.

- Regulatory headwinds:** According to the RBI's scale-based NBFC framework published in 2022, BAF (along with 15 others) has been classified as an upper layer NBFC that must adhere to enhanced regulation. The company cannot, for instance, lend more than 20% to one entity and more than 25% to a group of entities. In future, RBI may even direct the company to transition from an NBFC into a bank, which would entail maintaining CRR, SLR and PSL – strictures that NBFCs aren't subject to and which would impact profitability, in our view.

Glossary

Glossary of Abbreviations			
AUF	Assets Under Finance	LRD	Lease Rental Discounting
AUM	Assets Under Management	MDR	Merchant Discount Rate
CIF	Cards in Force	MSME	Micro, Small & Medium Enterprises
CRR	Cash Reserve Ratio	PSL	Priority Sector Lending
ECL	Expected Credit Loss	SLR	Statutory Liquidity Ratio
EMI	Equated Monthly Installment	UPI	Unified Payment Interface
LAP	Loan Against Property		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	3,63,938	4,41,101	5,38,192	6,70,633	8,50,400
Nil growth (%)	23.0	21.2	22.0	24.6	26.8
Non-interest income	76,834	92,135	1,10,155	1,33,985	1,68,143
Total income	4,40,772	5,33,236	6,48,346	8,04,618	10,18,542
Operating expenses	1,49,272	1,77,763	2,11,730	2,56,518	3,10,598
PPOP	2,91,501	3,55,473	4,36,617	5,48,100	7,07,944
PPOP growth (%)	21.8	21.9	22.8	25.5	29.2
Provisions	70,882	94,819	1,09,375	1,28,959	1,42,152
PBT	2,20,796	2,60,819	3,27,242	4,19,141	5,65,792
Tax	53,002	64,843	77,189	96,808	1,25,410
Reported net profit	1,67,795	1,93,324	2,50,053	3,22,333	4,40,382
Adjustments	0	0	0	0	0
Adjusted net profit	1,67,795	1,93,324	2,50,053	3,22,333	4,40,382

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity capital	1,242	6,218	6,218	6,218	6,218
Reserves & surplus	9,65,687	11,33,772	13,78,458	16,94,335	21,18,415
Net worth	9,66,929	11,39,990	13,84,676	17,00,553	21,24,633
Debt securities	-	-	-	-	-
Borrowings	28,98,455	36,65,797	49,09,722	61,74,801	77,57,296
Other liab. & provisions	7,95,884	7,93,736	75,502	1,15,637	1,05,316
Total liab. & equities	46,61,268	55,99,524	63,69,900	79,90,992	99,87,245
Cash & bank balance	1,35,435	1,57,553	1,60,958	1,68,923	1,77,287
Investments	3,44,408	3,05,578	4,27,823	6,35,153	8,30,065
Advances	40,78,441	49,89,435	56,20,394	70,21,307	88,09,182
Fixed & Other assets	64,801	1,06,330	1,16,950	1,20,483	1,24,145
Total assets	46,61,268	55,99,524	63,69,900	79,90,992	99,87,245
Total debt growth (%)	24.3	26.5	33.9	25.8	25.6
Advances growth (%)	25.0	22.3	12.6	24.9	25.5

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
EPS	27.0	31.1	40.0	51.5	69.0
Dividend per share	56.0	6.0	7.0	7.0	7.0
Book value per share	155.8	183.3	222.7	273.5	341.7

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
P/E	34.4	29.9	23.2	18.0	13.5
P/BV	6.0	5.1	4.2	3.4	2.7
Dividend yield (%)	6.0	0.6	0.8	0.8	0.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	8.6	8.6	9.0	9.3	9.5
Non-interest income	1.8	1.8	1.8	1.9	1.9
Operating expenses	3.5	3.5	3.6	3.6	3.6
Provisions	1.7	1.8	1.8	1.8	1.6
ROA	4.0	3.8	4.2	4.5	4.8
Leverage (x)	4.8	4.9	4.6	4.7	4.7
ROE	19.4	18.4	19.7	20.8	22.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Net interest income	23.0	21.2	22.0	24.6	26.8
Pre-provisioning profit	21.8	21.9	22.8	25.5	29.2
EPS	15.6	15.0	28.7	28.9	33.9
Profitability & Return ratios (%)					
Net interest margin	8.6	8.6	9.0	9.3	9.5
Fees / Avg. assets	1.8	1.8	1.8	1.9	1.9
Cost-Income	33.9	33.3	32.9	32.1	31.6
ROE	19.4	18.4	19.7	20.8	22.4
ROA	4.0	3.8	4.2	4.5	4.8
Asset quality (%)					
GNPA	1.0	1.2	1.3	1.3	1.3
NNPA	0.4	0.5	0.5	0.4	0.4
Slippage ratio	-	-	-	-	-
Credit cost	1.9	2.0	1.9	1.8	1.6
Provision coverage	53.7	59.7	59.7	59.7	59.7
Ratios (%)					
Loans to Total debt	-	-	-	-	-
CAR	22.8	22.6	22.2	22.2	22.2
Tier-1	21.7	21.6	21.5	21.4	21.4

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

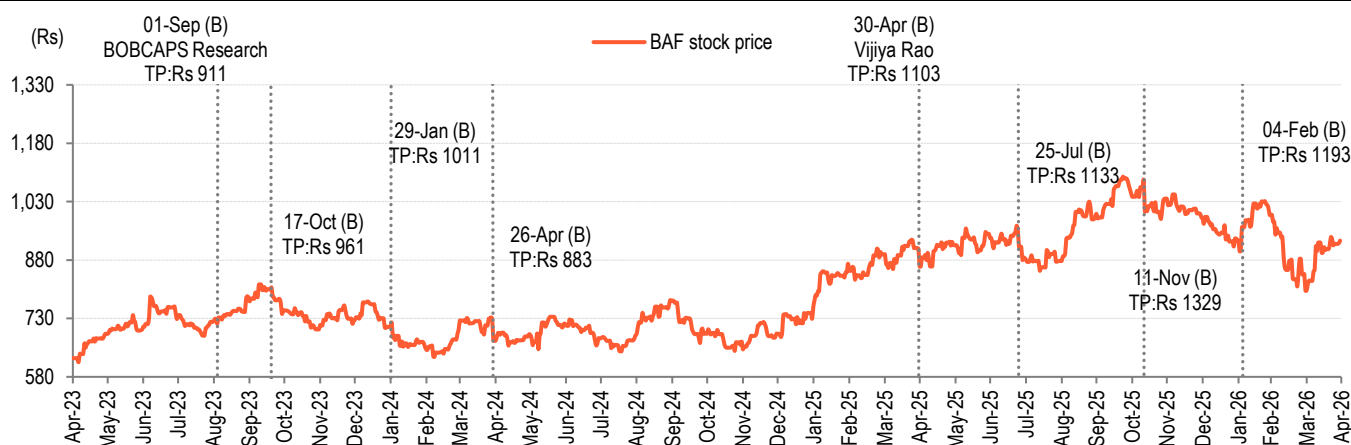
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): BAJAJ FINANCE (BAF IN)



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