Bajaj Finance (BAJFI)

ICICI Direct

CMP: ₹ 1000 | Target: ₹ 1180 (18%) | Target Period: 12 months | BUY

December 18, 2025

Company Update

Customer-centric growth strategy to aid market share

About the stock: Bajaj Finance, a strong NBFC with digital footprint, have delivered consistent robust growth with consolidated AUM touching ~₹4.62 lakh crore. Harnessing its large franchise base digitally offers a huge opportunity.

- Bajaj Finance maintained strong operating metrics over long-term leading to ~19% RoE, >4% RoA.

Investment Rationale

- **Customer-centric transformation driving market share expansion:** Bajaj Finance is accelerating its transition from product-centric to customer-centric operations, pivoting to deepen customer engagement and increase wallet share. With an existing >10 crore customer base and a target of 20-22 crore by FY30, the company plans to deepen engagement and grow product per customer from 6.05 to 6.5-7.5 in FY30. Expanded digital reach, AI-driven personalization and multi-channel distribution is expected to drive a 10x scale up in disbursements (₹800 crore to ₹8000 crore/month) with AUM projected to sustain >20% growth and PAT growing at 22-24% CAGR over H1FY26-30, supporting credit market share growth from 2.32% to 3.2-3.5% and reinforcing top-line momentum.
- **GST led consumption boost to power next growth phase:** Bajaj Finance stands to benefit from GST 2.0 reforms through a structurally stronger consumption cycle, as lower indirect tax incidence improves affordability and accelerates demand across discretionary segment. This has already reflected in robust festive-period traction, indicating that consumption-led credit demand is gaining durability rather than being event-driven. A sustained uptrend in consumer spending, supported by improving sentiment and policy-led affordability, positions Bajaj Finance well to scale disbursements and deepen penetration across its diversified lending and fee-based product suite.
- **AI-enabled operations fuel risk calibrated growth**: BFL is building a low-risk organisation by leveraging AI across credit, operational, fraud, compliance. AI-led automation of data preparation, customer segmentation, and impact simulations is expected to reduce risk analysis timelines from 10–15 days to ~1 day, cut operations and service costs by 50% by FY30 and lower credit costs by 15–20bps. This enhances resilience and scalability, with GNPA expected <1.2% and NNPA <0.4% from current FY26 target of 1.2-1.4% and 0.4-0.5%.

Rating and Target Price

- With a strong history of delivering robust growth and profitability, the AI-enabled, customer centric operations are expected to drive scalable AUM/PAT expansion, disciplined risk management ahead.

- Rolling over to FY28E, we value standalone business at ~3.8x FY28E BV and assign ₹119 per share for subsidiaries, revising our target at ₹1180 (earlier ₹1040). We upgrade rating from Hold to **Buy**.

BAJAJ FINANCE LIMITED

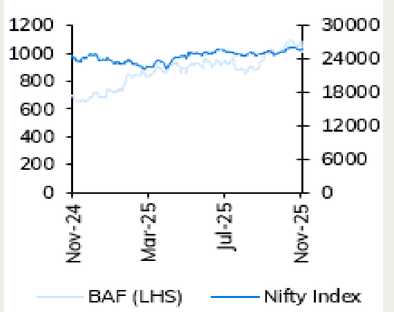
Particulars

Particulars	Amount
Market Capitalisation	₹ 621999 crore
52 week H/L	1102/ 678
Face Value	1
Net worth	₹ 103213 Crore
DII Holding (%)	14
FII Holding (%)	22

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	54.7	54.7	54.7	54.7
FII	20.8	21.5	21.7	22.0
DII	15.1	14.8	14.5	13.4
Government	0.1	0.1	0.1	0.1
Public	9.3	8.8	8.9	8.8
Others	0.0	0.1	0.0	0.1

Price Chart



Key risks

(i) Growth margin trade-off amid tighter liquidity

(ii) Elevated level of delinquencies to impact earnings

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Key Financial Summary

₹ Crore	FY23	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII (₹ crore)	28850	36245	44913	25%	53998	66824	81052	22%
PPP (₹ crore)	18718	23940	30046	27%	36279	45613	55660	23%
PAT (₹ crore)	11508	14451	16779	21%	20061	25979	31830	24%
ABV (₹)	887	824	767		180	218	263	
P/E	52	64	74		31	24	19	
P/ABV	11.3	12.1	13.0		5.5	4.6	3.8	
RoA	4.7	4.4	4.0		3.9	4.1	4.1	
RoE	23.5	22.1	19.4		18.8	20.1	20.2	

Source: Company, ICICI Direct Research

ICICI Securities – Retail Equity Research

Exhibit 1: Roadmap to LRS FY30

S.No.	Metrics	H1 FY26	LRS FY30
1	Customer Franchise (MM)	110.6	200-220
2	Cross Sell Franchise (MM)	71.3	120-130
3	India payments GMV	0.17%	0.4-0.5%
4	Share of total credit	2.32%	3.2-3.5%
5	Share of retail credit	2.81%	3.6-4.0%
6	Location Presence	4,039	4,600-4,900
7	App - Net installs (MM)	78	160-180
8	Web - Visitors (MM)	305	3,500-4,500
9	Return on Equity	19.2%	19-21%
10	AUM per Cross Sell Franchise (₹)	64.8k	85k-90k
11	PAT per Cross Sell Franchise (₹)	1,362	3.7k-3.9k
12	PPC	6.05	6.5-7.5

Source: Company, ICICI Direct Research

Exhibit 2: Transition from product centric to customer centric model

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Interest Earned	54969.5	69683.5	82772.8	100867.5	122953.2
Interest Expended	18724.7	24770.8	28774.8	34043.9	41901.1
Net Interest Income	36244.8	44912.7	53998.1	66823.6	81052.1
Growth (%)	25.6	23.9	20.2	23.8	21.3
Non Interest Income	20.7	59.1	72.7	89.4	109.9
Operating Income	36265.5	44971.8	54070.7	66913.0	81162.1
Employee cost	6396.0	7508.3	8934.9	10721.9	12866.3
Other operating Exp.	5929.2	7417.8	8857.3	10578.1	12635.5
Operating Profit	23940.3	30045.7	36278.5	45613.0	55660.3
Provisions	4630.7	7966.0	9168.9	10506.5	12646.3
PBT	19309.6	22079.6	27109.6	35106.5	43013.9
Taxes	4858.4	5300.2	7048.5	9127.7	11183.6
Net Profit	14,451.2	16,779.5	20,061.1	25,978.8	31,830.3
Growth (%)	25.6	16.1	19.6	29.5	22.5
EPS (₹) (Calculated)	157.0	135.4	32.3	41.8	51.2

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Valuation					
No. of shares (crore)	123.6	124.2	621.2	621.2	621.2
EPS (₹)	157.0	135.4	32.3	41.8	51.2
BV (₹)	833	781	187	228	278
ABV (₹)	824	767	180	218	263
P/E	64	74	31	24	19
P/BV	12.0	12.8	5.3	4.4	3.6
P/ABV	12.1	13.0	5.5	4.6	3.8
Yields & Margins (%)					
Net Interest Margins	10.4	9.9	10.6	10.7	10.6
Yield on assets	17.2	16.8	16.3	16.2	16.1
Avg. cost on funds	7.3	7.6	7.1	6.9	6.9
Yield on average advanc	19.3	18.9	18.1	17.8	17.5
Quality and Efficiency (%)					
Cost to income ratio	34.0	33.2	32.9	31.8	31.4
Cost to assets ratio	3.8	3.5	3.4	3.4	3.3
GNPA	1.0	1.0	1.2	1.1	1.2
NNPA	0.8	0.8	0.5	0.6	0.6
RoE	22.1	19.4	18.8	20.1	20.2
RoA	4.4	4.0	3.9	4.1	4.1

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Capital	123.6	124.2	621.2	621.2	621.2
Reserves and Surplus	76571.8	96568.7	115611.3	141068.3	172376.7
Networth	76695.4	98936.9	116232.5	141689.5	172998.0
Borrowings	293345.8	361248.7	444335.8	546533.1	672235.7
Other Liabilities & Provisi	5700.4	5941.3	6952.6	9110.3	11944.2
Total	375,741.6	466,126.8	567,520.9	697,332.9	857,177.9
Application of Funds					
Fixed Assets	4629.6	5694.0	6263.4	6889.7	7578.7
Investments	30880.7	34440.8	37884.9	41673.4	45840.8
Advances	328026.8	409757.3	506354.3	629483.1	775666.6
Other Assets	12204.6	16234.8	17018.3	19286.6	28091.9
Total	375,741.6	466,126.8	567,520.9	697,332.9	857,177.9

Source: Company, ICICI Direct Research

Exhibit 6: Growth (%)

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total assets	36.5	24.1	21.8	22.9	22.9
Advances	34.8	25.2	23.3	24.3	23.2
Borrowings	35.4	23.1	23.0	23.0	23.0
Net interest income	25.6	23.9	20.2	23.8	21.3
Operating Income	25.7	24.0	20.2	23.8	21.3
Operating expenses	21.5	21.1	19.2	19.7	19.7
Operating profit	27.9	25.5	20.7	25.7	22.0
Net profit	25.6	16.1	19.6	29.5	22.5
Net worth	41.1	29.0	17.5	21.9	22.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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