

April 30, 2026

**Steady Q4; execution on track...**

**About the stock:** Bajaj Finance, a strong NBFC with digital footprints, have delivered consistent robust growth with consolidated AUM touching ~₹5.09 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.

**Q4FY26 performance:** Bajaj Finance reported steady Q4FY26 performance, with consolidated AUM rising 22% YoY to ₹5,09,975 crore, and customer franchise of 11.93 crore. NIMs remained broadly stable, supported by a 4bps sequential decline in cost of funds to 7.41%. Consolidated PAT stood at ₹5,553 crore (₹5,660 crore pre-one-offs), reflecting ~27% YoY growth, aided by strong operating leverage despite an additional ECL overlay of ₹142 crore. Asset quality remained comfortable with GNPA/NNPA at 1.01%/0.41%, while credit cost moderated to 1.65% (vs 2.17% YoY), supported by improving stage 2/3 trends.

**Investment Rationale**

- Customer franchise depth tailwinds to sustain FY27 growth:** Bajaj Finance's shift toward deeper wallet share across its 11.93 crore franchise is gaining traction, with record quarterly AUM addition of ₹25,498 crore helping the book cross ₹5 lakh crore milestone at 22% growth. Gold loans at 115% growth and new businesses in CV, tractor, and open-market 2W are increasingly offsetting the calibrated rundown of captive 2W/3W and MSME, both of which should normalize by H1FY27. Strong ETB cross-sell rates of 43–45% in car loans reflect the quality of the franchise, and early FINAL operating leverage position Bajaj Finance to sustain 22–24% AUM growth in FY27E.
- Asset quality resilience with improving credit cost trajectory:** Stage 2 and Stage 3 assets declined for the third consecutive quarter, with vintage performance across 3MOB, 6MOB, and 9MOB now tracking below pre-COVID levels. Management's proactive steps, a ₹142 crore macro-overlay in Q4 and a meaningful strengthening of Stage 2 PCR to ~45% from ~37% in Q3, reflect a deliberate effort to bulletproof the balance sheet ahead of a recovery. Credit cost on a net basis stood at 1.65% in Q4FY26, with captive 2W/3W wind-down and MSME normalization providing clear structural tailwinds; management guided trajectory remains steady at 1.45–1.6% in FY27 (under new accounting), with RoA at 4.4%-4.6%.

**Rating and Target Price**

- Improving asset quality indicators, a well-provisioned balance sheet, and clear structural tailwinds on credit cost as stress in MSME and captive 2W/3W portfolios approaches resolution supports steady RoA. Stable margins and accelerating franchise monetization further underpin the medium-term return profile.
- We continue to broadly maintain multiple on standalone business at ~3.8x FY28E BV and ₹119 per share for subsidiaries, maintaining our target at ₹1150. Maintain Buy rating.

**Key Financial Summary**

₹ Crore	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII (₹ crore)	36245	44036	53316	24%	64279	77077	21%
PPP (₹ crore)	23940	29168	35299	25%	42235	50044	20%
PAT (₹ crore)	14451	16779	19332	21%	23355	27814	18%
ABV (₹)	824	767	179		212	251	
P/E	60	70	32		25	21	
P/ABV	11.5	12.4	5.3		4.5	3.8	
RoA	4.4	4.0	3.6		3.7	3.6	
RoE	22.1	19.4	17.6		18.5	18.4	

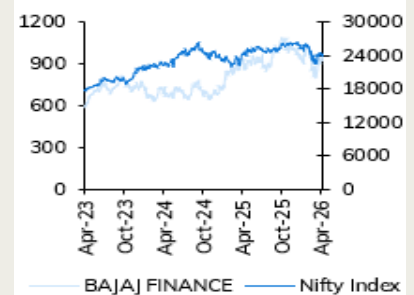
Source: Company, ICICI Direct Research

**BAJAJ FINANCE LIMITED****Particulars**

Particulars	Amount
Market Capitalisation	₹ 5,79,171 crore
52 week H/L	1,102/ 788
Face Value	1
Net worth	₹ 1,16,985 Crore
DII Holding (%)	15
FII Holding (%)	21

**Shareholding pattern**

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	54.7	54.7	54.7	54.7
FII	21.7	22.0	21.5	21.3
DII	14.5	14.4	14.9	15.1
Government	0.1	0.1	0.1	0.1
Public	8.9	8.8	8.8	8.7
Others	0.0	0.1	0.1	0.1

**Price Chart****Key risks**

- Growth margin trade-off
- Volatility in asset quality to impact credit cost and thus earnings

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## Concall highlights and outlook

### Guidance

- AUM growth guidance of 22–24% for FY27, aided by new businesses (gold loans, CV, tractor) launched in recent years and expected recovery in MSME from H2FY27. Company targeting to be among top 5–6 financial services lenders in India over next 5–7 years.
- Customer additions for FY27 expected at 1.5–1.7 crore, with overall franchise on track to exceed 12 crore customers; April FY27 tracking to potentially cross 50 lakh loans in a single month for the first time.
- MSME growth expected to normalize and return to double digit trajectory from Q2–Q3 FY27; worst will be behind by June 2026.
- Credit cost guided at 145–160 bps for FY27 on new net basis (recoveries netted against provisions); equivalent to earlier guidance of 165–175 bps on old gross basis, difference purely due to presentation change.
- Opex to NTI expected to improve by 25–40 bps from current 33.8% levels in FY27, driven by AI-led operating leverage.
- RoA guided at 4.4–4.6% and RoE at 19–20% for FY27. NIM expected to see marginal moderation contingent on interest rate trajectory.
- Non-interest income growth expected at 16–18% in FY27. Gold loan portfolio expected to contribute ~5% of total AUM by FY27 vs 3.5% currently.
- All FY27 guidance is contingent on easing of geopolitical tensions and macro stability.

### Business Updates

- AUM grew 22% YoY to ₹5,09,975 crore, crossing the ₹5 lakh crore milestone during the quarter; quarterly AUM addition of ₹25,498 crore was a record. New loans booked were 1.29 crore in Q4FY26 (+20% YoY). Customer franchise expanded to 11.93 crore, adding 39.3 lakh new customers in Q4. FY26 total customer addition came in at 1.75 crore, ahead of guidance of 1.4–1.6 crore.
- Gold loans continued strong momentum, growing 115% YoY to ₹17,831 crore (3.5% of AUM); 138 new gold loan branches added in Q4, taking total to 1,507. Management doubling down on branch expansion in FY27.
- MSME portfolio grew only 6% YoY, deliberately moderated due to proactive risk containment since Q2 FY26; book pruned by ~30% from peak runrate. Monthly disbursements reduced from ₹1,800 crore to ~₹1,400 crore. Expected to return to double digit growth from Q2–Q3FY27.
- Captive 2W/3W portfolio continued planned wind down, declining 60% YoY to ₹4,288 crore (<1% of AUM); expected to reduce to <₹1,500 crore by September 2026, providing structural tailwind to GNPA and credit cost in FY27.
- New businesses (CV & tractor finance, car loans, open market 2W/3W) growing faster than portfolio average on low base. 43–45% of new car finance volumes sourced from existing customer base (ETB), reflecting strong cross sell discipline.
- Deposit book stood at ₹68,533 crore, contributing 16% of consolidated borrowings. Cost of funds improved 4 bps QoQ to 7.41% in Q4; improved 43 bps over full year FY26 to 7.54% vs 7.97% in FY25.
- Geographic footprint stood at 4,098 locations with 2.42 lakh+ active distribution points as of 31 March 2026.
- NIMs remained steady in Q4. Opex to NTI came in at 33.8% on new basis (33.2% on old basis) vs 33.6%/33.1% in Q4FY25; marginal sequential increase due to New Labour Code cost impact and accelerated gold loan branch expansion. AI implementation accelerating and expected to drive efficiency gains in FY27.
- Exceptional charge of ₹265 crore towards New Labour Codes was taken in Q3FY26 (BHFL: ₹13 crore in Q4FY26). Annual recurring impact estimated at ₹100–125 crore going forward.
- FINAL transformation: 5.2 crore voice-to-data and 23 lakh text-to-data conversions completed in FY26. 27 AI voice and text bots live; all 26 crore

monthly communications to have embedded AI bot by June 2026. Loan disbursements through AI bots at ₹1,895 crore in Q4FY26 (₹5,520 crore for FY26). Auto QC of documents at 44% (target 90% in FY27). Software developer efficiency improvement at 28% (target 45% in FY27). 27 autonomous AI agents deployed; targeting 600+ in FY27. Peak processing capacity scaled from 100K loans/day (preAI) to 600K loans/day at Diwali FY26; targeting ~1 MM/day by Diwali FY27.

**Asset Quality**

- Stage 2 and Stage 3 assets declined sequentially by ₹430 crore in Q4 (Stage 3 down ₹761 crore, Stage 2 up ₹331 crore), reflecting continued improvement for the third consecutive quarter. Vintage credit performance across 3 MOB, 6 MOB, 9 MOB continues to reflect significant improvement, now tracking below pre-COVID FY20 levels — key basis for management's optimism on FY27 credit cost.
- Presentation change effective Q4FY26: recoveries against written-off loans reclassified from other operating income to loan losses & provisions on net basis across all periods. No impact on PBT/PAT; Opex/NTI moves from 33.2% to 33.8% and loan loss to average AUF moves from 1.75% to 1.65% on restated basis.
- Additional ECL overlay of ₹142 crore taken in Q4FY26 towards management and macroeconomic prudence.
- Stage 1 PCR at ~1.02%; Stage 2 PCR significantly strengthened to ~45% (from ~37% in Q3FY26); Stage 3 PCR at ~60%. Management indicated provisioning coverage to be maintained at current levels with intent to further strengthen balance sheet resilience opportunistically.
- Annualized credit cost at ~1.65% (new net basis) / ~1.75% (old gross basis). GNPA/NNPA stood at 1.01% / 0.41% as of 31 March 2026.
- All unsecured loans are written off once they cross 6 months past due.

**Exhibit 1: Variance Analysis**

	Q4FY26	Q4FY25	YoY (%)	Q3FY25	QoQ (%)	Comments
NII	14208	11744	21.0	13675	3.9	Steady AUM growth YoY aided NII
Staff cost	2471	1943	27.2	2250	9.8	Company has added 1789 employees in Q4FY26.
Other Operating Expenses	2330	2007	16.1	2306	1.0	
Opex to NII(%)	33.8	33.6	0.5	33.3	1.4	Opex to NII has remained stable
PPP	9417	7814	20.5	9121	3.2	
Provision	2008	2167	-7.3	3690	-45.6	Reclassification of recoveries against written off loans led to reduced credit cost
PBT	7410	5647	31.2	5431	36.4	
Tax Outgo	1857	1102	68.5	1365	36.0	
PAT	5553	4546	22.2	4066	36.6	PAT grew 22% including one-time actions & presentation change
<b>Key Metrics</b>						
GNPA	5119	3965	29.1	5880	-12.9	GNPA & NNPA stable at 1.01% and 0.44% respectively
NNPA	2062	1834	12.4	2273	-9.3	
AUM	509975	416661	22.4	485883	5.0	Healthy growth across segments

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	68,806	81,982	98,323	119,311
Interest Expended	24,770	28,666	34,044	42,234
Net Interest Income	44,036	53,316	64,279	77,077
Growth (%)	21.5	21.1	20.6	19.9
Non Interest Income	59.1	23.6	89.4	109.9
Operating Income	44,095	53,340	64,368	77,187
Employee cost	7,508	9,244	11,079	13,738
Other operating Exp.	7,419	8,798	11,054	13,404
Operating Profit	29,168	35,299	42,235	50,044
Provisions	7,088	9,482	10,675	12,457
PBT	22,080	25,817	31,560	37,587
Taxes	5,300	6,484	8,206	9,773
Net Profit	16,779	19,332	23,355	27,814
Growth (%)	16.1	15.2	20.8	19.1
EPS (₹) (Calculated)	135.4	29.9	37.6	44.8

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of shares (crore)	124.2	621.2	621.2	621.2
EPS (₹)	135.4	29.9	37.6	44.8
BV (₹)	780.5	184.7	221.5	265.4
ABV (₹)	766.6	178.7	212.2	251.3
P/E	70.1	31.8	25.3	21.2
P/BV	12.2	5.1	4.3	3.6
P/ABV	12.4	5.3	4.5	3.8
Yields & Margins (%)				
Net Interest Margins	9.9	10.5	10.4	10.1
Yield on assets	16.8	16.2	15.9	15.7
Avg. cost on funds	7.6	7.1	6.9	6.9
Yield on average advanc	18.9	18.0	17.5	17.2
Quality and Efficiency (%)				
Cost to income ratio	33.2	33.9	34.4	35.2
Cost to assets ratio	3.5	3.5	3.5	3.5
GNPA	1.0	1.2	1.1	1.2
NNPA	0.8	0.5	0.6	0.6
RoE	19.4	17.6	18.5	18.4
RoA	4.0	3.6	3.7	3.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	124	621	621	621
Reserves and Surplus	96569	113377	136969	164262
Networth	98937	116985	137591	164883
Borrowings	361249	435112	546533	677701
Other Liabilities & Provis	5941	7854	9110	11944
Total	466127	559952	693234	854528
Application of Funds				
Fixed Assets	5694	8247	9072	9979
Investments	34441	30578	41673	45841
Advances	409757	500852	621436	762697
Other Assets	16235	20275	21053	36011
Total	466127	559952	693234	854528

Source: Company, ICICI Direct Research

Exhibit 5: Growth				
	%			
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	24.1%	20.1%	23.8%	23.3%
Advances	24.9%	22.2%	24.1%	22.7%
Borrowings	23.1%	20.4%	25.6%	24.0%
Net interest income	21.5%	21.1%	20.6%	19.9%
Operating Income	21.6%	21.0%	20.7%	19.9%
Operating expenses	21.1%	20.9%	22.7%	22.6%
Operating profit	21.8%	21.0%	19.7%	18.5%
Net profit	16.1%	15.2%	20.8%	19.1%
Net worth	29.0%	18.2%	17.6%	19.8%

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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