



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

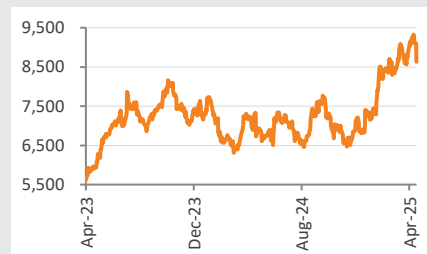
## Company details

Market cap:	Rs. 5,36,200 cr
52-week high/low:	Rs. 9,708 / 6,377
NSE volume: (No of shares)	11.88 lakh
BSE code:	500034
NSE code:	BAJFINANCE
Free float: (No of shares)	26.2 cr

## Shareholding (%)

Promoters	54.7
FII	21.5
DII	14.8
Others	9.0

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-3.5	9.3	24.2	24.7
Relative to Sensex	-9.0	5.8	23.1	19.7

Source: Mirae Asset Sharekhan Research, Bloomberg

## Bajaj Finance Ltd

## Inline Q4, Guidance slightly lowered

NBFC	Sharekhan code: BAJFINANCE		
Reco/View: Buy	↔	CMP: Rs. 8,636	Price Target: Rs. 10,500 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- Net earnings were in line although adjustment to ECL model led to a higher credit cost, which was offset by reversal of tax provisions and strong AUM growth.
- Management revised guidance for FY26 slightly on the lower side with respect to return ratios and AUM growth, citing focus on improving credit costs.
- We are building a 25% loan CAGR (versus >26% earlier), marginal improvement in NIMs, credit cost at 1.9-2.0% against its guidance of 1.85-1.95% and opex/assets at 2.8%/2.7% translating into RoA/RoE of >4%/>20%.
- Stock has outperformed Bank Nifty by 20%/17% on a YTD/12-month basis. We remain assertive for medium to long-term perspective. Hence, we retain a Buy with an unchanged PT of Rs. 10,500. At CMP, the stock trades at 4.6x/3.9x/ FY2026E/FY2027E BV estimates.

Net earnings in line for Q4FY25. NII grew 22.4% y-o-y/4.5% q-o-q at Rs. 9,807 crore due to lower yield on AUM and reduction of interest rate on select unsecured products. It marginally missed our estimates. NIM at 9.42% (as a percentage of AUM), was almost in line with estimates. However, it dropped by 28/1 bps (y-o-y/q-o-q). Other income grew by 24.4% y-o-y while dropped by 7.9% q-o-q as it stopped the business of co-branded cards and moderated fee charges to customers. Opex lagged estimates by 2.5% to Rs. 3,949 crore (up by 19.6% y-o-y and 2.1% q-o-q), thus cost to income reduced by 88 bps y-o-y to 33.1%. PPOp below estimates by 3.5% to Rs. 7,968 crore. Credit cost (as % of AUM) above estimates by 21 bps to 2.24%. It was also up by 65/18 bps (y-o-y/q-o-q) as it conducted annual refresh of the ECL model, resulting in an additional ECL provision of Rs. 359 crore, primarily on stage-1 assets. Net profit grew by 18.8% y-o-y and 5.5% q-o-q to Rs. 4,546 crore. Higher credit costs affected profitability, however reversal of tax provisions of Rs. 359 crore offset it. The RoA at 4.4% (as a percentage of AUM) improved by 10 bps on q-o-q and dropped by 20 bps y-o-y. GS-3/NS-3 dropped by 10/2 bps q-o-q to 0.96%/0.44% due to stress reduction across segments except two wheelers (rising by 200 bps y-o-y and 45 bps q-o-q). It is a captive business and management is running it down, hence, improvement in asset quality and reduction in credit cost. AUM was almost in line with estimates to Rs. 416,661 crore, reporting a strong growth of 26.0%/4.7% (y-o-y/q-o-q) driven by growth in urban B2C loans, gold loans, SME loans, car loans but two-wheeler loans declined by 12% y-o-y. The company booked 10.70 million new loans and added 4.7 million customers.

## Key positives

- Strong AUM growth in Urban B2C loan, Gold Loan, SME loan, car loan segments
- Cost-to-income ratio fell by 88 bps y-o-y to 33.1%, further it is expected to go down by 40-50 bps in FY26.
- GS-3/NS-3 assets dropped by 10/2 bps q-o-q to 0.96%/0.44%. The company has started seeing improvement in early vintages across all portfolios.

## Key negatives

- Management has revised guidance for FY26 slightly on the lower side with respect to the return ratio and AUM growth.
- Credit cost guidance remains slightly higher at 1.85-1.95% in FY26.
- Management has significantly revised other income growth at 13-15% (growth of 28% in FY25) on stopping branded credit business and moderation in fee/charges to the customers.

## Management Commentary

- Cost-to-income ratio fell by 88 bps y-o-y to 33.1%, further it is expected to go down by 40-50 bps in FY26.
- NIM would improve marginally. The company revised pricing in select unsecured businesses, the impact is expected to be offset by lower cost of fund (10-15 bps).
- Management revised AUM growth at 24-25% for FY2026, slightly downward from earlier corridor of 25-27%.
- Other income is likely to grow by 13-15% for FY26, versus a 28% rise in FY25 as it has stopped co-branded credit card business and also reduced fee charges to customers.
- Two-wheeler finance is a captive business and the management will run it down by March/June 2026. The residual portfolio will be Rs. 4,500 crore. Hence, improvement in asset quality and reduction in credit costs.
- RoA guidance was revised to 4.3-4.7% from 4.6-4.8% earlier and RoE stood between 19-21% versus 21-23%. A slightly lower growth guidance for AUM, lower other income growth and higher credit cost are negative for profitability however lower opex growth and stable asset quality are positive.

## Our Call

**Valuation – Maintain Buy with unchanged PT of Rs. 10,500:** Net earnings in line for Q4. We expect AUM/PAT CAGR of 25% each for FY25-27. Slight uptick in margin, improvement in cost to Income by 50 bps in FY26, stable asset quality, lower credit cost are expected to offset impact of lower growth in other income (13-15%) in FY26 from 28.3% in FY25). Overall, growth is expected to translate into the strong return ratios, RoA/RoE >4%/>20% in FY27E. The stock has outperformed Bank Nifty by 20%/17% YTD/12-month basis. We remain assertive for medium to long term perspective, hence we retain a Buy with an unchanged PT of Rs. 10,500. At CMP, the stock trades at 4.6x/3.9x/ FY2026E/FY2027E BV estimates.

## Key Risks

Intensifying competition in retail lending space; asset quality risk in unsecured segments.

## Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
NII	22,990	29,584	36,393	45,492	57,226
PAT	11,508	14,451	16,780	21,191	26,434
EPS (Rs)	189.7	235.1	268.2	338.7	422.5
RoA (%)	4.7%	4.4%	4.0%	4.1%	4.1%
RoE (%)	23.5%	22.0%	19.3%	20.0%	20.9%
P/E (x)	45.5	36.7	32.2	25.5	20.4
P/BV (x)	9.6	6.9	5.5	4.6	3.9

Source: Company; Mirae Asset Sharekhan estimates

## Key result highlights

- ♦ **Loan growth:** AUM was almost in line with estimates to Rs. 416,661 crore, growing by 26.0%/4.7% (y-o-y/q-o-q) driven by urban B2C loans, gold loan, SME loans, car loans but two-wheeler loans dropped by 12% y-o-y. It booked 10.70 million new loans and added 4.70 million customers. The management revised AUM growth guidance at 24-25% for FY2026, slightly downward from the earlier range of 25-27% driven by mortgage, MSME and unsecured (calibrated growth).
- ♦ **Stable NIM outlook:** NII was slightly below estimates by 0.7% at Rs. 9,807 crore (growth of 22.4% y-o-y/4.5% q-o-q) due to lower yield on AUM. NIM at 9.42% (as a percentage of AUM), was almost in line with estimates. However, it dropped by 28/1 bps (y-o-y/q-o-q). The company revised pricing in select unsecured businesses, the impact is expected to be offset by lower cost of fund (10-15 bps). We expect marginal improvement in NIMs.
- ♦ **Credit cost and asset quality outlook:** Credit cost (as % of AUM) above estimates by 21 bps to 2.24%. It was also up by 65/18 bps (y-o-y/q-o-q) as company conducted annual refresh of ECL model. The redevelopment resulted in an additional ECL provision of Rs. 359 crore, primarily on Stage 1 assets. Credit cost guidance stand at 1.85-1.95% for FY26. GS-3/NS-3 dropped by 10/2 bps q-o-q to 0.96%/0.44%. The company has started seeing improvement in early vintages across all portfolios. Asset quality outlook is stable.

## Results (Consolidated)

Particulars	Rs cr				
	Q4FY25A	QFY24	Q3FY25	Y-o-Y (%)	Q-o-Q (%)
Interest Earned	16,359	13,230	15,768	23.7	3.7
Interest Expended	6,552	5,217	6,386	25.6	2.6
NII	9,807	8,013	9,383	22.4	4.5
Other Income	2,110	1,696	2,290	24.4	-7.9
Total Income	11,917	9,709	11,673	22.7	2.1
Operating Expenditures	3,949	3,303	3,867	19.6	2.1
Pre- Prov Operating Profit	7,968	6,406	7,806	24.4	2.1
P&C	2,329	1,310	2,043	77.8	14.0
PBT	5,639	5,096	5,762	10.6	-2.1
Tax	1,102	1,281	1,457	-14.0	-24.4
Net Profit	4,546	3,825	4,308	18.8	5.5
AUM	4,16,661	3,30,615	3,98,043	26.0	4.7

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Large opportunity pool, improving outlook & policy tailwinds

NBFCs have become important constituents of India's financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) over the past few years. They continue to leverage their superior understanding of regional dynamics and customised products and services to expedite financial inclusion. Systemically-important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians. FY25 has been a tough year for NBFCs due to margin pressures, a moderation in disbursement growth and elevated credit costs. Regulatory pressures also weighed on the sector, marked by higher risk weights on unsecured personal loans & bank term loans to NBFCs. The regulator's clear focus was on ensuring long-term stability. We see the operational landscape for NBFCs improving in FY26E, which will support healthy loan growth and gradual improvement in asset quality led by a change in the monetary policy, improving system wide liquidity, stress peaking out in unsecured retail loans, relaxation in norms in terms of lowering risk weights for bank finance to NBFCs and microfinance loans. Since January 2025, the RBI has injected nearly Rs. 8.25 lakh crore into the banking system through a mix of open market bond purchases, variable rate repo operations, swaps and liquidity-enhancing measures. Some NBFCs have also asserted that the underlying environment seems to be improving. We see a lot of value in the NBFC sector, given that they will continue to offer healthy loan growth at reasonable valuations. Operating performance is expected to improve, and asset quality stress will also ease by H1FY26.

### ■ Company Outlook – Remain constructive on franchise

Bajaj Finance continues to derive benefits from a diverse loan portfolio, wide distribution network, effective execution and a strong management team. BAF has significantly strengthened its technology, digital platforms and product offerings. The management expects a 24-25% AUM growth driven by existing and new businesses, along with stable margin, and peaking out stress. It is leading player in the NBFC space which is expected to get benefit of policy tailwinds in the short term and of strong portfolio with wide network in the medium to long term.

### ■ Valuation – Maintain Buy with unchanged PT of Rs. 10,500

Net earnings in line for Q4. We expect AUM/PAT CAGR of 25% each for FY25-27. Slight uptick in margin, improvement in cost to Income by 50 bps in FY26, stable asset quality, lower credit cost are expected to offset impact of lower growth in other income (13-15%) in FY26 from 28.3% in FY25). Overall, growth is expected to translate into the strong return ratios, RoA/RoE >4%/>20% in FY27E. The stock has outperformed Bank Nifty by 20%/17% YTD/12-month basis. We remain assertive for medium to long term prospective, hence we retain a Buy with an unchanged PT of Rs. 10,500. At CMP, the stock trades at 4.6x/3.9x/ FY2026E/FY2027E BV estimates.

#### Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E(x)		P/BV(x)		RoA (%)		RoE (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Bajaj Finance	8,636	536,650	25.5	20.4	4.6	3.9	4.1	4.1	20.0	20.9
Cholamandalam Investment and Finance Company	1,492	1,25,464	22.2	17.2	4.1	3.3	2.5	2.7	20.7	21.3

Source: Company; Mirae Asset Sharekhan Research

## About company

BAF is one of India's largest and well-diversified NBFC. The company provides loans for two wheelers, consumer durables, housing, SME & MSME businesses etc. BAF undertook business and organisational restructuring in FY2008 and re-defined small business loans and consumer financing as its key niches. BAF has an AUM of ~Rs 4.0 lakh crore at of December 2025, serves more than 97.12 million clients and offers a wide range of lending services to retail, SME and commercial customers across urban and rural India. BAF continues to be the largest consumer durables lenders in India. As a business entity, BAF continues to deliver steady performance and superior asset-quality performance.

## Investment theme

BAF enjoys a dominant position in the retail finance space. BAF's dominance in the market is seen in its consistent growth and steady operational performance that has been maintained by the company across cycles. Superior asset quality is indicative of the company's high focus on risk management and robust credit underwriting capability and collections.

## Key Risks

Intensifying competition in retail lending space; Asset quality risk; Regulatory headwinds.

## Additional Data

### Key management personnel

Name	Designation
Mr. Rajeev Jain	Managing Director (Vice Chairman)
Mr. Anup Saha	Deputy MD
Mr. Sandeep Jain	CFO

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Bajaj Finserv Ltd	51.39
2	Maharashtra Scooters Ltd	3.05
3	Life Insurance Corp of India	2.77
4	Republic of Singapore	2.55
5	SBI Funds Management Ltd	2.37
6	Vanguard Group Inc/The	1.85
7	Blackrock Inc	1.60
7	FMR LLC	1.07
9	Axis Asset Management Co Ltd/India	1.06
10	UTI Asset Management Co Ltd	1.01

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

**DISCLAIMER**

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/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 SHAREKHAN 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 themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.sharekhan.com](http://www.sharekhan.com)

**Registration and Contact Details:** Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

**Registered Office:** The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

**Correspondence/Administrative Office Address** - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

**Chief Compliance Officer:** Mr. Joby John Meledan; Tel: 022-62263303; email id: [complianceofficer@sharekhan.com](mailto:complianceofficer@sharekhan.com)

For any complaints/grievance, email us at [igc@sharekhan.com](mailto:igc@sharekhan.com) or you may even call Customer Service desk on - 022- 41523200/022-69920600.