

07 November 2025

India | Equity Research | Initiating Coverage

Bajaj Housing Finance

NBFCs

The most diversified mortgage player; Scale benefit yet to play out fully

Bajaj Housing Finance (BHFL)'s success story is shaped by its ability to outpace industry growth (better leverage) – highlighted by BHFL's >25% credit growth since its foray into the mortgage business in FY17, complemented by pristine asset quality. BHFL's strategic entry into project financing (space vacated by many between FY17–22) has served as the linchpin behind its growth. It has since developed a well-oiled customer acquisition engine for retail prime housing, focused on building non-housing loan businesses like LAP and LRD, while successfully leveraging direct/indirect sourcing channels beyond Bajaj Finance's customer franchise. The exit of a large HFC created a vacuum and BHFL's vantage helped it gain credit market share. We see BHFL likely sustaining >20% near-term AUM/PAT growth and an improving RoE trajectory.

Initiating coverage with BUY and TP of INR 125

BHFL is among the fastest growing HFCs in India (FY20–25 AUM CAGR of 29%) with a keen focus on prime housing. We acknowledge that competitive intensity in prime housing has thinned out spreads, but this provides a cushion to credit cost. BHFL's strategic foray into loan against property (LAP)/developer financing (DF) [100–400bps yield differentiation, as compared to prime housing] is a key pathway in its journey towards spreads protection; this is complemented by its recent entry into the near-prime and affordable space - to expand spreads further. Superior execution, while rapidly scaling the mortgage portfolio, shows in its average credit costs of 22bps between FY22–25, while PCR held at 60% during the period, despite a non-housing portfolio of ~40%. We believe BHFL is well placed to sustain high growth given its presence across the mortgage value chain, competitive pricing (HL at ~9%) and a strong brand name. We model ~22% AUM CAGR and steady 12-13% RoE over FY26E/FY27E. We initiate coverage with a **BUY** rating and TP of INR 125, valuing the stock at 4x FY27E P/B.

Scale benefit yet to fully play out; likely to drive RoE higher

Notably, early signs of scale benefit have emerged with cost-assets' steady decline to 80bps in FY25, from 110bps in FY23. However, BHFL's staff cost, at >50bps as on Mar'25, is still higher compared other prime housing players of <20bps. Staff cost moderation could materially change the RoE profile for BHFL. The company is successfully leveraging a strong parentage, as is evident in its highest-in-industry leverage of ~5.5x (FY18–25); this could also drive near-term RoE expansion, in our view.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Interest Income	25,098	30,069	37,695	45,085
PAT	17,312	21,629	26,015	31,580
EPS (INR)	2.6	2.6	3.1	3.8
BVPS (INR)	18	24	27	31
P/E (x)	42.4	42.1	35.0	28.8
P/BV (x)	6.0	4.6	4.0	3.5
Gross Stage - 3 (%)	0.3	0.3	0.3	0.4
RoA (%)	2.4	2.3	2.3	2.3
RoE (%)	15.2	13.4	12.2	13.1

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Market Data

Market Cap (INR)	911bn
Market Cap (USD)	10,285mn
Bloomberg Code	BAJAJHFL IN
Reuters Code	BAJO.BO
52-week Range (INR)	148 / 103
Free Float (%)	11.0
ADTV-3M (mn) (USD)	5.9

Price Performance (%)	3m	6m	12m
Absolute	(3.5)	(7.5)	(20.5)
Relative to Sensex	(6.9)	(10.8)	(24.2)

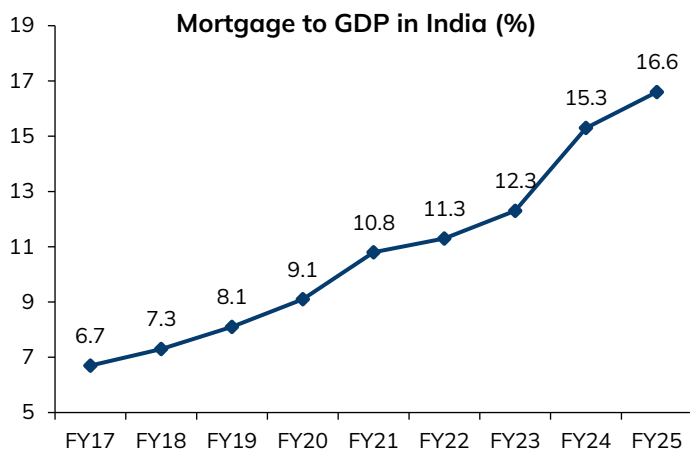
ESG Score	2024	2025	Change
ESG score	NA	76.6	NA
Environment	NA	55.6	NA
Social	NA	79.8	NA
Governance	NA	81.5	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-Sec research

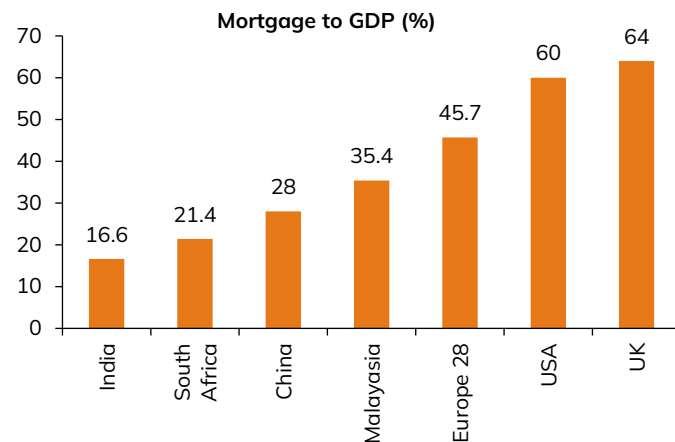
Story in Charts

Exhibit 1: Uptrend in India's mortgage to GDP ratio – avg improvement of ~100–120bps per year since FY17



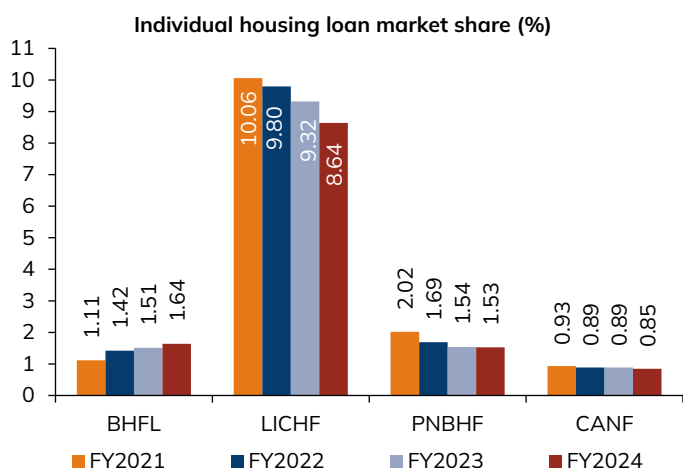
Source: Company data, I-Sec research

Exhibit 2: India's mortgage to GDP at 16.6% – still underpenetrated vs. global countries



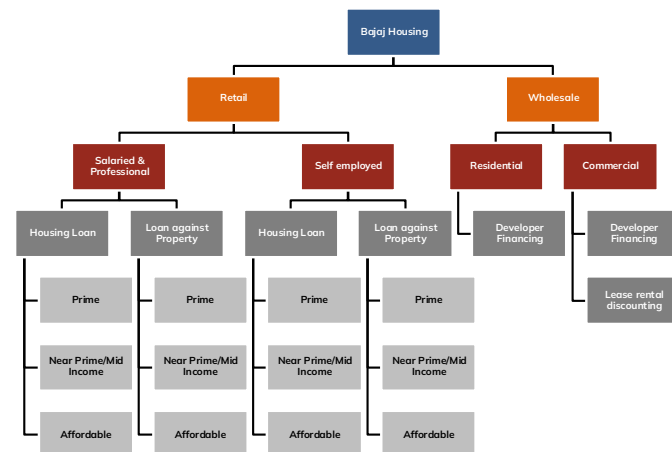
Source: Company data, I-Sec research

Exhibit 3: Market share improving ~10-15bps every year



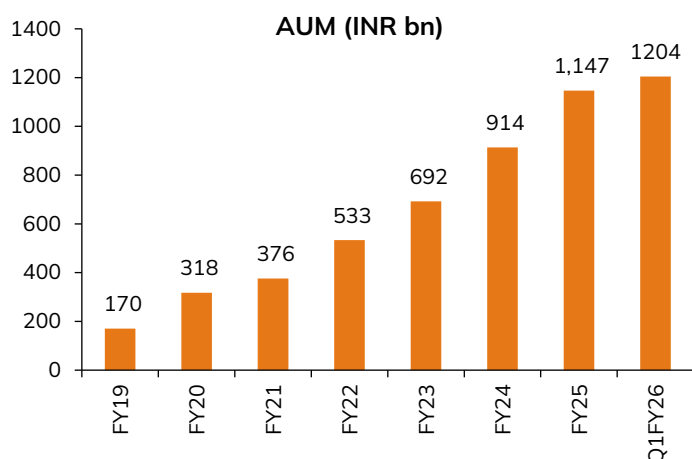
Source: Company data, I-Sec research

Exhibit 4: Diversified product offerings



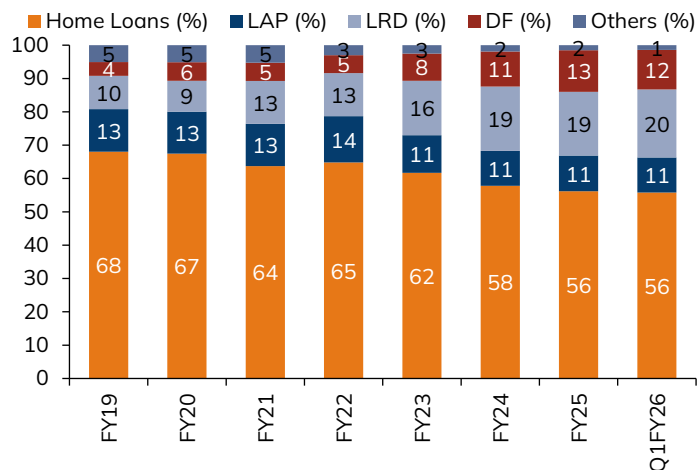
Source: Company data, I-Sec research

Exhibit 5: AUM surpasses INR 1trn within 8 years



Source: Company data, I-Sec research

Exhibit 6: AUM mix and evolution over the years



Source: Company data, I-Sec research

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Our thesis in a nutshell

BHFL is among the fastest growing HFCs in India (29% AUM CAGR between FY20–25 and much higher than system) with a focus on prime housing. As a result, it has been able to capture market share at a rapid pace along with consistent profitability. Moreover, in order to improve its return ratios, the company has strategically ventured into other mortgage products, namely LAP/lease rental discounting (LRD)/DF, which come with relatively higher yield (100-400bps yield differentiation vs. prime housing).

Further, to cover the entire gamut of mortgage products across ticket sizes, it has recently made efforts to enter the near-prime and affordable segments. This should also aid spreads expansion and improve the company's RoA profile. We believe, BHFL is well placed to sustain high growth given its presence across the mortgage value chain, competitive pricing (HL at ~9%) and a strong brand name.

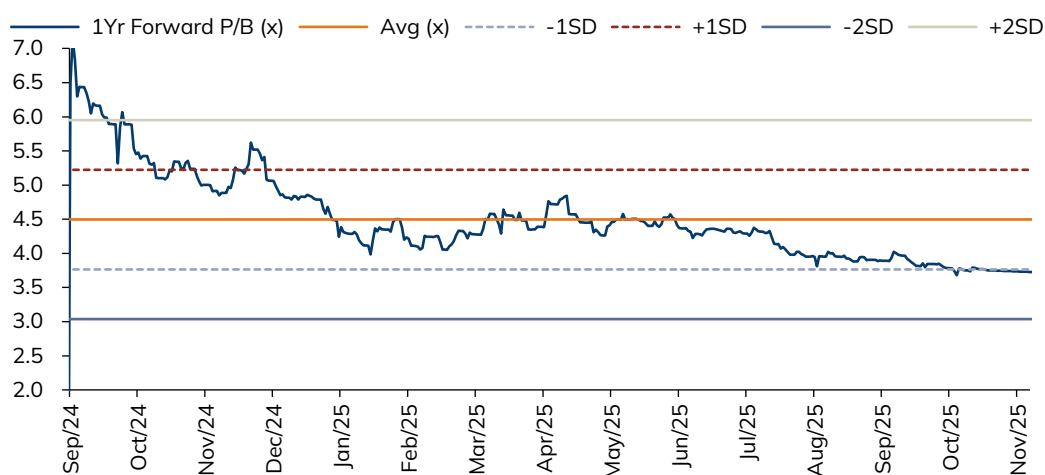
BHFL's strength lies in its superior execution capabilities, as is visible in the rapid expansion of its mortgage portfolio alongside contained credit cost. This reflects in credit costs averaging 22bps between FY22–25 with PCR at 60%, despite ~40% of non-housing portfolio and a 29% AUM CAGR over FY22–25.

Since the past three years, RoA has been steady in the range of 2.2–2.4% and RoE at 13–14% during FY23–25. We believe, BHFL's RoA has levers rooted in opex efficiency and margins potentially inching up; that said, a marginal rise in credit cost on a steady state basis could limit its RoA upside.

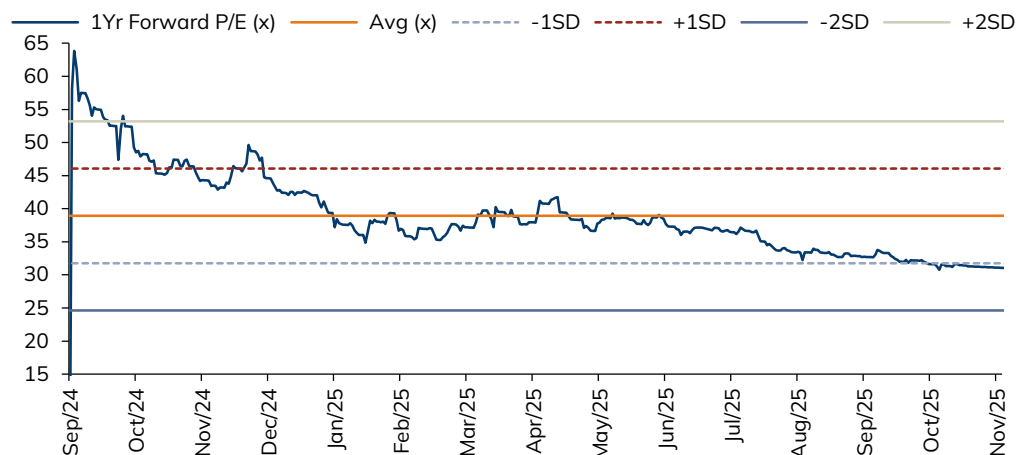
We model ~22% AUM CAGR and steady 12–13% RoE over FY26E/FY27E. We initiate coverage with a BUY rating and TP of INR 125, valuing the stock at 4x FY27E P/BV

Key risks include 1) competition in prime and near prime home loan segment 2) NIM pressure due to range bound yields in competitive market

Exhibit 7: Trading at ~3.8x valuation 1-year forward, premium to its peers, due to its superior execution capabilities



Source: Company data, Bloomberg, I-Sec research

Exhibit 8: On P/E, it is trading at ~31x 1-year forward


Source: Company data, Bloomberg, I-Sec research

Exhibit 9: Higher growth vs. industry; Superior RoA profile for HFC and execution skills justify BHFL's premium valuation

Company	CMP (INR)	P/E (x)				P/BV (x)				EPS (INR)			
		FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
Aadhar	499	26	24	20	16	4.4	3.4	2.9	2.4	19	21	26	32
Aavas	1,604	26	22	18	15	3.4	2.9	2.5	2.2	62	72	88	107
Aptus	295	24	20	17	15	3.9	3.4	3.0	2.6	12	15	17	19
HomeFirst	1,136	33	27	23	18	4.9	4.1	2.7	2.4	35	43	50	63
India Shelter	846	37	24	19	15	3.9	3.4	2.9	2.4	23	35	44	55
Bajaj Housing	109	42	41	35	29	6.0	4.6	4.0	3.5	3	3	3	4
LIC Housing	570	7	6	6	5	1.0	0.9	0.8	0.7	86	99	100	111
PNB Housing	909	16	12	11	11	1.6	1.4	1.2	1.1	58	74	84	86

Company	BV (INR)				RoAA (%)				RoAE (%)			
	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
Aadhar	113	148	173	205	4.2	4.3	4.4	4.6	18	17	16	17
Aavas	475	549	637	744	3.3	3.3	3.4	3.5	14	14	15	15
Aptus	76	86	99	114	7.6	7.4	7.0	6.7	17	19	18	18
HomeFirst	233	277	416	478	3.8	3.5	3.8	3.8	16	16	15	14
India Shelter	215	251	295	350	4.9	5.6	5.2	4.9	14	15	16	17
Bajaj Housing	18	24	27	31	2.4	2.3	2.3	2.3	15	13	12	13
LIC Housing	570	659	758	870	1.7	1.8	1.7	1.8	16	16	14	14
PNB Housing	577	649	732	818	2.2	2.5	2.5	2.2	12	12	12	11

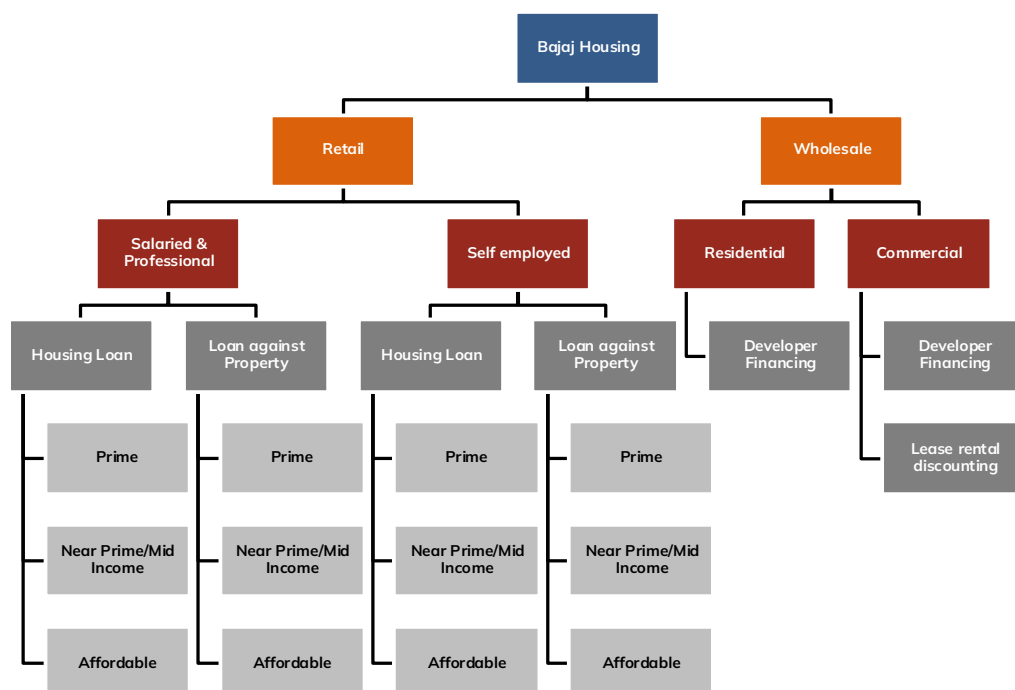
Source: Company data, Bloomberg, NSE, I-Sec research

A highly diversified mortgage player

Presence across real estate value-chain: Retail (HL + LAP) + Residential + Commercial Construction (DF) + Commercial (LRD)

BHFL's competitive edge stems from its product (retail + wholesale) and customer (B2C + B2B) diversification; thereby, capturing the entire value chain of mortgage solutions. In the retail segment, BHFL extends a wide portfolio of HLs, covering all three broad categories (prime housing + emerging + affordable) for both salaried and self-employed categories, alongside LAP products. Thus, the company covers an entire spectrum of mortgage financing products for retail customers. BHFL also structures specialised solutions for developers, enabling property owners (retail + wholesale) and real estate developers to access tailored and structured financing.

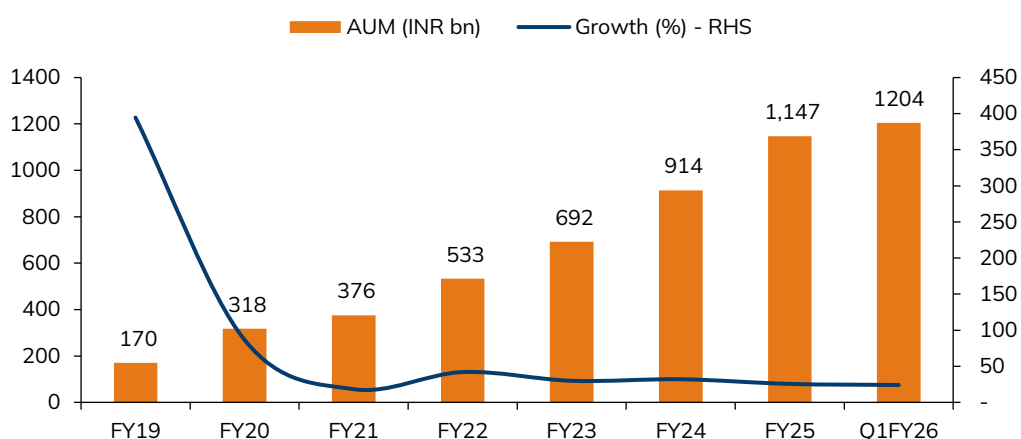
Exhibit 10: BHFL has presence across the entire spectrum of mortgage products and caters to customer segments across categories



Source: Company data, I-Sec research

Its suite of offerings is designed for both individuals and corporates, supporting purchase and renovation of homes as well as commercial premises. The portfolio is spread across four key product lines: 1) HLs; 2) LAP; 3) LRD; and 4) DF. While individual retail housing loans (HL) remain the core driver, the mix is balanced by meaningful exposure to LRD and DF. This bouquet of product offerings enables relevance across customer segments – from salaried homebuyers to large-scale real estate developers.

BHFL's strategic focus remains low risk (~77% of HL customers with a CIBIL score >750) and fast-growing HLs. As at Q1FY26, HLs contributed 55.8% of its AUM with ATS of INR4.5mn, of which 84% pertained to salaried customers, 12% to self-employed customers and 4% to professional customers. As at Q1FY26, its HL AUM was INR 673bn, implying 33% CAGR over FY19-FY25. Furthermore, its LAP, DF loans for residential as well as commercial construction and LRD against commercial properties comprised 10.5%, 11.9% and 20.4% of its AUM as at Q1FY26, respectively.

Exhibit 11: BHFL's AUM has grown at a CAGR of ~37% over FY19 to Q1FY26

Source: Company data, I-Sec research

BHFL plans to scale its retail HL portfolio by: 1) leveraging the developer ecosystem to acquire higher mix of HLs from the DF funded projects; 2) expanding distribution reach via a structured framework with intermediaries for increased activation and penetration; 3) deepening relationships in existing developer projects; and 4) geographical expansion – to increase footprint from 175 locations presently, to 250+ locations over the medium term.

BHFL's DF portfolio has remained resilient, supported by its robust underwriting practices and a strong monitoring mechanism, thereby aiding the company to deliver superior portfolio metrics. Its growth strategy revolves around: 1) deepening relationships with existing clients, 2) onboarding new customers; and 3) expanding into new operating markets to build a granular loan book, while simultaneously stabilising current locations to mitigate concentration risk.

BHFL's Commercial Real Estate (CRE) portfolio has also demonstrated strong performance since inception, achieving both growth and asset quality. It extends construction finance (CF) for commercial real estate, which acts as a pipeline for its LRD offerings. Additionally, the company provides LRD solutions for build-to-suit warehousing premises, tapping into the growing organised warehousing.

Exhibit 12: Product nuances for its bouquet of mortgage offerings

Particulars	Home Loan (HL)	Loan Against Property (LAP)	Lease Rental Discounting (LRD)	Developer Finance (DF)
AUM (INR bn)	673	126	245	143
AUM Mix (%)	55.8	10.5	20.4	11.9
Customers	Salaried, self-employed, and professionals and all customer classes: Prime, Near Prime and Affordable	Salaried, Self-employed and Professional customers	Commercial real estate developers, listed REITs, Private Equity and Sovereign funds	Catering to developers focused on micro market, regional as well as pan India project
Customer Profile	Salaried: 84%, Self-employed: 12% Professional: 4%	Salaried: 16%, Self-employed: 77% Professional: 7%	-	-
End use	New home purchase, resale, balance transfer and self-construction	Designed to extend finance against a residential or commercial property	Designed to finance commercial properties with established lease rental cash flows from reputable tenants engaged in long-term lease agreements	Offering CF for residential as well as commercial real estate
Sourcing Strategy	Micro market strategy to bifurcate locations into dedicated operational areas	Sourcing from both intermediaries as well as direct-to customer channels	Relationship led model for sourcing with focus on Grade-A properties	Catering to developers focused on micro market, regional as well as pan India projects
Locations	175	74	17	16
Average ticket size	INR 4.54mn	INR 7.18mn	INR 1.06bn	INR 0.49bn
LTV ratio (at origination)	68%	52%	-	-
Miscellaneous	Avg. customer salary: INR1.48mn Customers with CIBIL Score >750: 76.9%	SORP Mix: 72%	Active customers: 300	Active developer relationships: 543 Active projects: 812

Source: Company data

Note: Data as of Q1FY26

Exhibit 13: BHFL has seen highest growth among peers in the past 5 years

	AUM (INR bn) June'25	AUM FY20-FY25 CAGR (%)	AUM mix (June'25)					Average Ticket size	Yields	Customer mix (%)		Sourcing mix (%)	
			HL	LAP	LRD	DF	Others			Salaried	Self-employed	Direct	Indirect
BHFL	1,204	29	56%	10%	20%	12%	1%	4.5	9.7	84	16	58	42
LICHF	3,096	8	97%	0%	0%	3%	0%	NA	9.6	89	11	6	94
PNBHF	821	-1	72%	27%	0%	1%	0%	2.9	10.0	61	39	51	49
CANF	388	13	75%	7%	0%	11%	7%	2.4	10.1	70	30	21	79

Source: Company data, I-Sec research

Exhibit 14: BHFL's RoA has been superior among peers

	GNPL (%)			Credit cost (%)			RoA (%)			RoE (%)		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
BHFL	0.2	0.3	0.3	0.2	0.1	0.1	2.3	2.4	2.4	14.6	15.2	13.4
LICHF	4.4	3.3	2.5	0.7	0.6	0.1	1.1	1.7	1.8	12.0	16.0	16.0
PNBHF	3.9	1.5	1.1	1.1	0.2	-0.2	1.6	2.2	2.6	10.0	10.9	12.2
CANF	0.3	0.4	0.5	0.1	0.2	0.2	2.2	2.3	2.2	17.0	17.3	16.9

Source: Company data, I-Sec research

Exhibit 15: BHFL's opex to assets to improve further with scale

	AUM per Branch	Dis. per Branch	Cost-income ratio (%)			Opex-asset ratio (%)		
	FY25	FY25	FY23	FY24	FY25	FY23	FY24	FY25
BHFL	5,309	2,354	25.7	24.0	20.8	1.1	1.0	0.8
LICHF	10,024	2,085	15.7	13.0	16.2	0.4	0.4	0.5
PNBHF	2,258	618	20.2	24.0	25.9	0.8	1.0	1.0
CANF	1,633	366	16.9	19.9	17.1	0.6	0.7	0.6

Source: Company data, I-Sec research

Perfect combination of B2C and B2B model

While BHFL was a late entrant to mortgage financing, it has built a unique business model with a perfect combination of B2B and B2C. Rather than building a monoline single product mortgage company, it focused on covering entire spectrum of mortgage solutions for both retail and developers (residential + commercial).

In order to accelerate customer acquisition and compete with vintage mortgage financiers, BHFL activated both direct and indirect channels to reach customers faster.

For retail B2C business (HL + LAP), BHFL has established a strong customer sourcing channel, which includes both direct as well as indirect channels. Through its branch-based sales teams, BHFL directly engages with customers, reducing intermediary dependence and fostering stronger borrower relationships and quick turnaround.

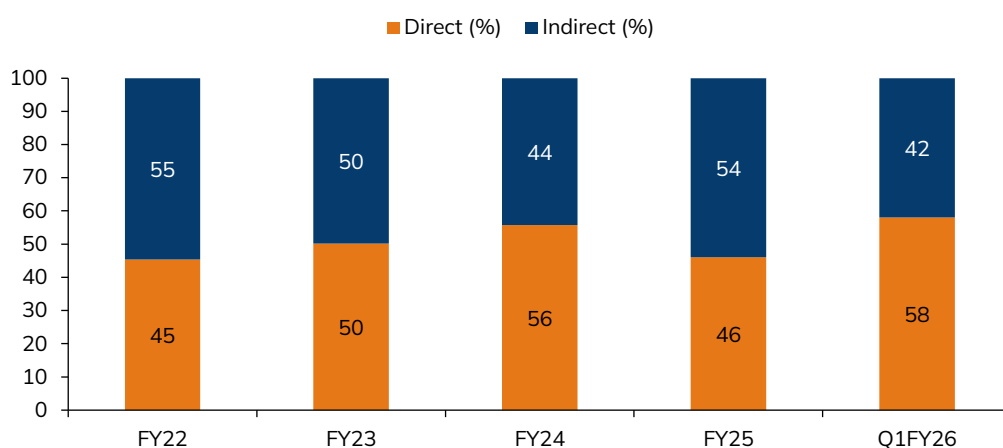
This direct engagement enables the company to deliver personalised services in HLs and LAP, enhancing customer loyalty and retention. As on Jun'25, direct customer sourcing stands at 58% of total AUM as of Q1FY26.

It also leverages partnerships with developers and activated digital platforms and collaborations for direct customer-sourcing. It has also activated indirect channels such as channel partners, aggregators, DSAs, third-party agents, and connectors, etc.

Complementing this, BHFL's D2C strategy leverages digital platforms to lower operating costs and improve convenience and reduce turnaround time for the borrower. It creates multiple digital touchpoints such as new functionalities on its website, which are closely tracked on regular basis to boost lead generation and market penetration.

This hybrid model, employing both intermediaries and direct interaction with customers, allows the company to meet a range of customer preferences and expand its market presence.

Exhibit 16: Broadly equal share of direct and indirect sourcing for HLs over the past few years



Source: Company data, I-Sec research

Note: Sourcing Channel Mix at AUM level for HLs

HLs – cornerstone of BHFLs mortgage business strategy

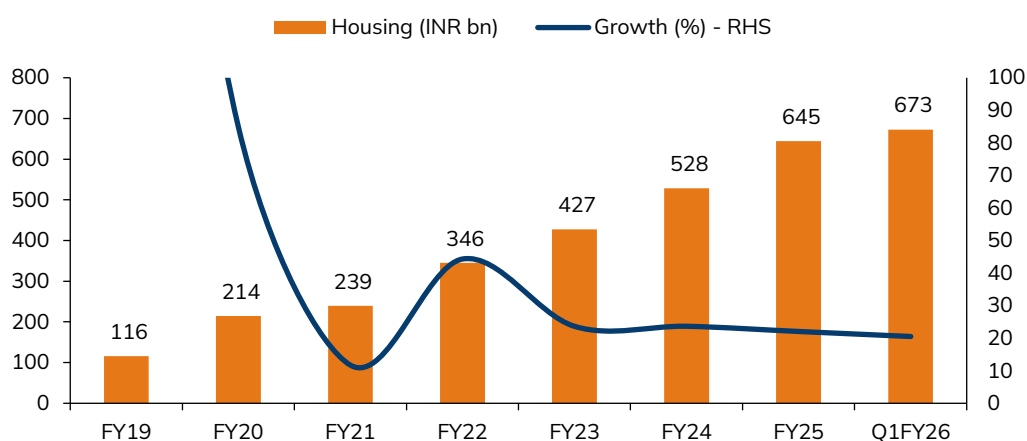
Despite being a late entrant to the mortgage financing business, BHFL has been one of the fastest mortgage financiers to reach >INR 650bn of retail HL – within eight years in the business. Unlike other mortgage financiers, the company has focused on building a product portfolio that is capable of covering a wider customer segment and across income profiles. Its HL offering caters to both the segments i.e. salaried and self-employed, and from affluent to low-income households. Initially, it started with prime housing; later, to diversify further, BHFL launched a specialised strategic business unit (SBU) focused on near-prime and affordable housing customers. Within this framework, BHFL introduced Sambhav HLs, a product designed for first-time buyers from the lower-income segment for new near-prime and affordable HLs. The initiative helps broaden its customer base while balancing risk management and profitability. Further, the company widened its customer profile to include self-employed non-professionals; thus, broadening its mortgage offerings.

BHFL offers HLs (~56% of total AUM, as on Jun'25) across 175 locations. Comprehensive HL offerings at BHFL include financing for new home purchases, resales and balance transfers and additional top-ups to existing customers; thereby, covering a wide range of customers' HL requirements.

As of Jun'25, HL ATS stands at INR 4.5mn at origination with direct channels sourcing of ~58% at the AUM level and average customer salary of INR 1.5mn p.a. with >80% customers as salaried. HL is spread across a mix of customers who have a bureau score of more than 750, which is 76.9% of this portfolio.

BHFL's HL strategy has a two-pronged approach – 1) generate retail leads from developer relationship built via project financing and 2) building DSA distribution network. BHFL aimed at deepening its market penetration by leveraging the company's developer finance-funded projects and established developer relationships. By positioning these projects, BHFL enhances its retail HL presence at developer counters while simultaneously expanding its reach by onboarding new APF (approved project finance) partners.

Exhibit 17: Growth slowed to ~20% in Q1FY26; will likely move in the same range



Source: Company data, I-Sec research

It also partners with other HFCs, NBFCs and SFBs for co-origination arrangements. To strengthen customer engagement, BHFL provides doorstep services and digitalised solutions catering to both traditional and tech-savvy clients. A notable initiative is 'DIY Home Loans', which enables customers to complete the entire loan application and approval process online, reducing turnaround time and minimising physical interactions by streamlining the submission of information, document upload and verification processes.

It employs a multi-channel sourcing model. Direct business is generated through tactical developer partnerships, self-sourcing by customer engagement, leveraging leads from the digital ecosystem and partnership with digital players. Indirect channels include intermediaries such as channel partners, aggregators, DSAs, third-party agents, and connectors.

Its sourcing strategy services a micro-market approach, utilising both direct customer relationships and partnerships with intermediaries. The micro-market model divides geographies into focused operational clusters, each managed by specialised field teams. This structure enables stronger local partnerships and tailored solutions aligned to market-specific dynamics by bringing in new partners and thereby enhancing sourcing efficiency.

Supported by analytics, D2C team prioritises self-sourcing through developers, branches, and digital partnerships while also optimising its internal digital assets to boost lead conversions.

In terms of indirect sourcing, BHFL's intermediary team partners with a wide array of collaborators, including channel partners, aggregators, direct selling agents, and connectors to enhance BHFL's reach in micro-markets and create a solid distribution network, augmented by digital onboarding tools and a partner portal that facilitates transparency and convenience in business dealings with BHFL.

Simultaneously, a strong D2C strategy ensures control over customer experience, allowing BHFL to deliver consistent and personalised services. This direct and indirect sourcing, along with leveraging both intermediaries and direct engagement with customers, allows BHFL to cater to various customer preferences and while being able increase its market presence.

Exhibit 18: Key features of its HL portfolio



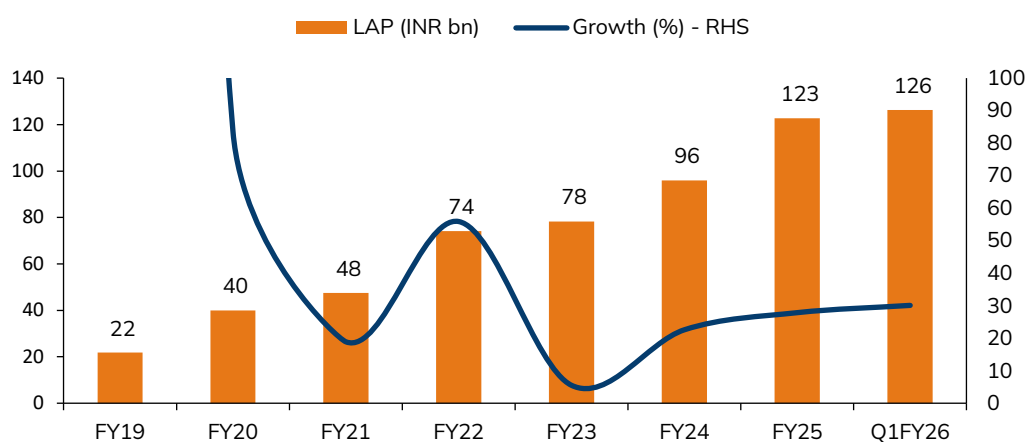
Source: Company data, I-Sec research

Extended product offering with LAP alongside HL; helps expanding target customer segment and improves risk-adjusted returns

BHFL entered mortgage financing with entry into prime housing (initial focus on Salaried segment) and DF (to source retail HLs). Alongside HL vertical, it has also forayed into LAP with core objective of developing underwriting capabilities which involve credit based on the assessment of the borrower's cash flow (i.e., cash flow backed lending), rather than solely collateral based lending.

The primary reason behind developing cash-flow-based underwriting capabilities is to expand the target customer segment beyond prime salaried, and start catering to professionals and self-employed segment. The same enabled the company to deliver a 76% AUM CAGR in LAP between FY18–25.

Exhibit 19: LAP is showing strong traction for BHFL with better yields

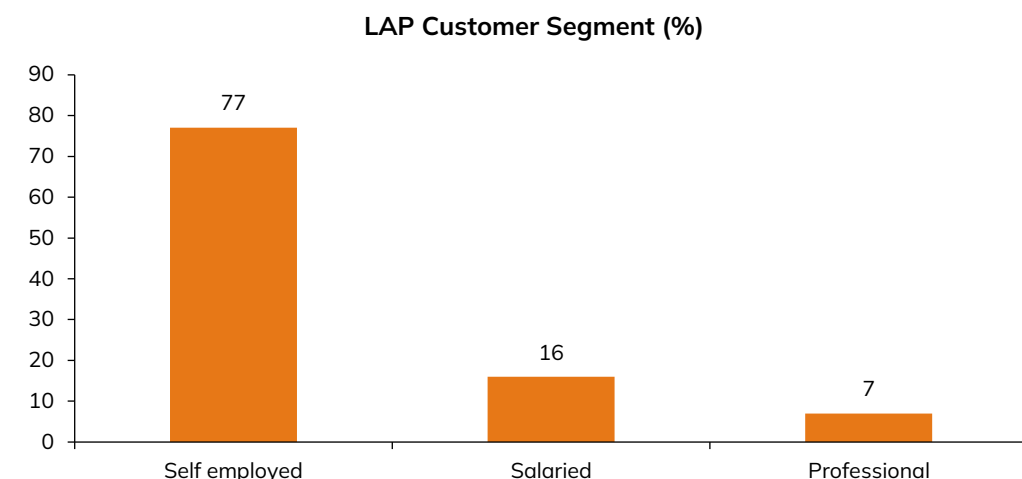


Source: Company data, I-Sec research

Given inherent higher risk in LAP than plain vanilla HL, BHFL adopted a cautious approach while scaling LAP segment as reflects in stringent LTV at 52% (at origination) and higher reliance on self-occupied residential properties (~72% as on Jun'25). It carefully chooses medium ticket size LAP (ATS at ~INR 7mn) to manage risk as well as returns.

BHFL caters to a varied clientele, comprising a mix of salaried and professional customers, as well as self-employed individuals. In its offerings, it provides a 'Flexi' facility, which is a type of term loan that enables customers to withdraw funds and make partial repayments at their convenience; thus, lowering the interest costs that accumulate based on actual fund usage.

Exhibit 20: Self-employed customers form >75% share in LAP product, generating higher risk-adjusted yields

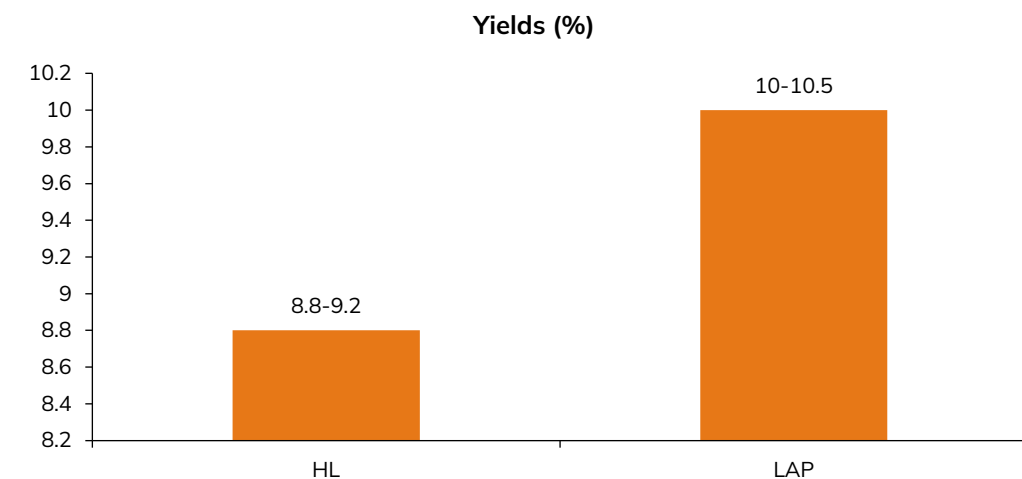


Source: Company data, I-Sec research

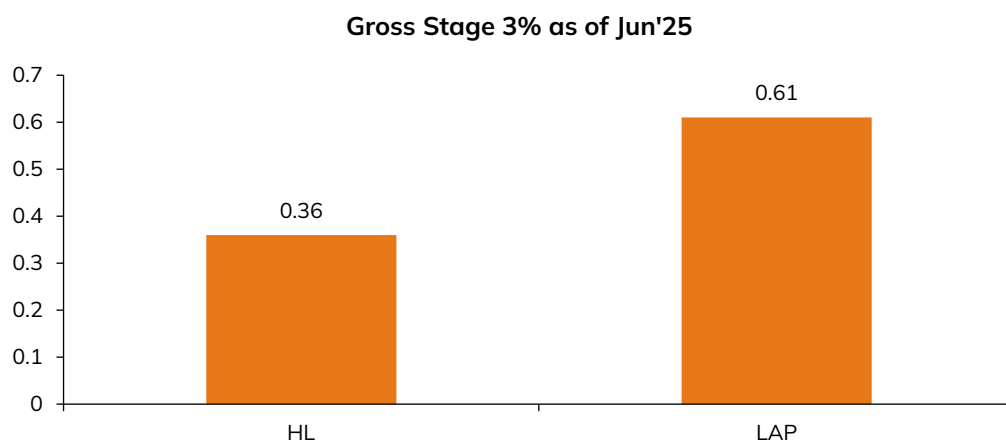
Note: Data as of Q1FY26

BHFL strategically entered into LAP segment with dual objective of – a) expanding target customer segment and b) improving risk-adjusted returns. LAP offers 120-130bps of yield premium over prime HL with only 30bps of higher GNPL as on June'25. Since FY18, it remained a key growth driver as reflects in 76% LAP AUM CAGR vs 56% HL AUM CAGR vs 65% total AUM CAGR between FY18-25. The same also helped it improving its blended yields to 9.8% (average for four quarters in FY25) vs 8.7% in FY22.

Exhibit 21: BHFL's LAP yields tend to be higher than HLs' by typically ~100bps



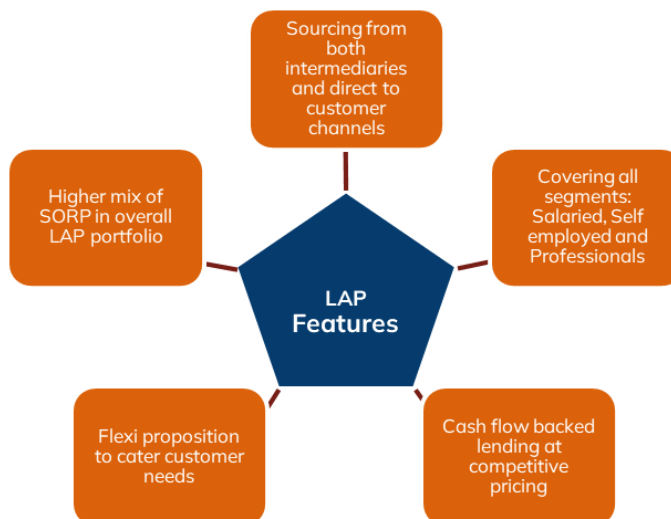
Source: Company data, I-Sec research

Exhibit 22: GNPL below 1% for HL and LAP products

Source: Company data, I-Sec research

BHFL originates LAP through both D2C and intermediary channels, with dedicated teams managing each channel. The D2C channel primarily caters to low-risk salaried and self-employed professional customers, leveraging leads from BHFL's digital platforms and partnerships.

To further expand its reach, BHFL engages with a wide network of intermediaries including aggregators, direct selling agents, and connectors. Additionally, BHFL capitalises on its established developer relationships from the HL business to extend LAP offerings on commercial properties developed by these partners.

Exhibit 23: Key features of BHFL's LAP portfolio

Source: Company data, I-Sec research

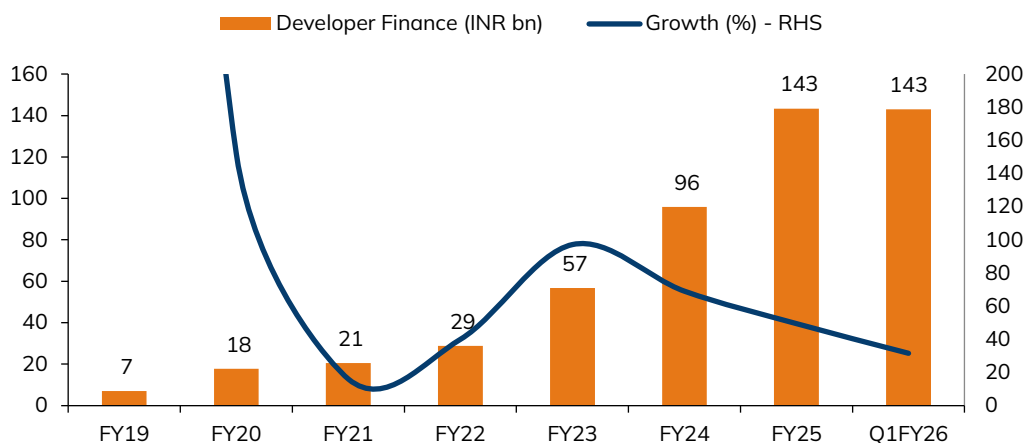
DF – strategic entry to expand customer sourcing engine for retail HL and improve margin profile

BHFL entered DF, post most mortgage players exited DF in recent past, with caution given lumpiness and cyclicity. Key rationale behind entering DF business is to provide a strong platform for sourcing retail mortgage customers and >13% yields would help improve NIM profile at entity level.

However, higher NIM comes with greater risk and if portfolio quality is not managed properly, credit cost could be materially higher than envisaged earlier. Management is

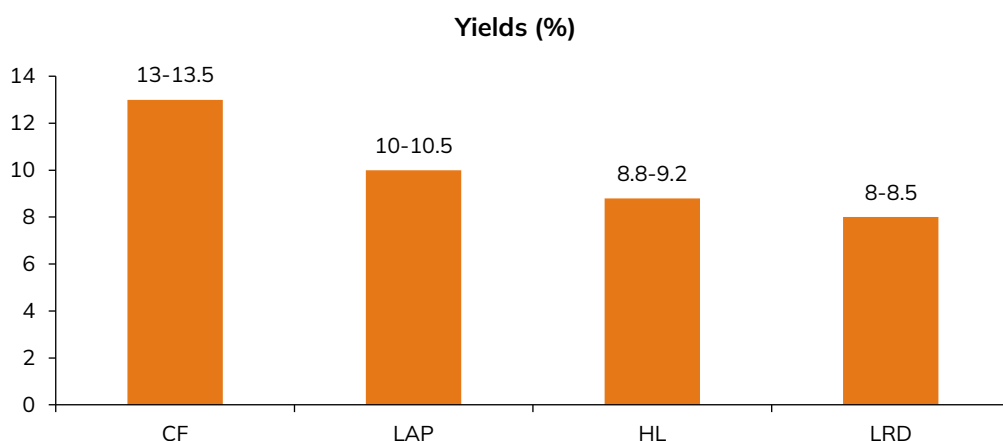
cognisant of this and hence adopted a cautious stance while scaling DF portfolio. The same reflects in average GNPL remaining at 0.03% between FY19 to FY25 under DF business.

Exhibit 24: DF portfolio CAGR of ~65% from FY19–Q1FY26; lending book of INR 143bn, as of Q1FY26



Source: Company data, I-Sec research

Exhibit 25: CF generating higher yields than other products, typically in the range of 13–13.5%



Source: Company data, I-Sec research

Under this portfolio, BHFL offers DF for residential as well as commercial real estate, while it refrains from land financing. DF for residential properties was started in FY18 and entered commercial properties in FY22. DF serves as a backward integration for its LRD product and HL. As of now, BHFL operates in 16 locations for DF with 543 active developer relationships, spread across a granular book of 812 projects.

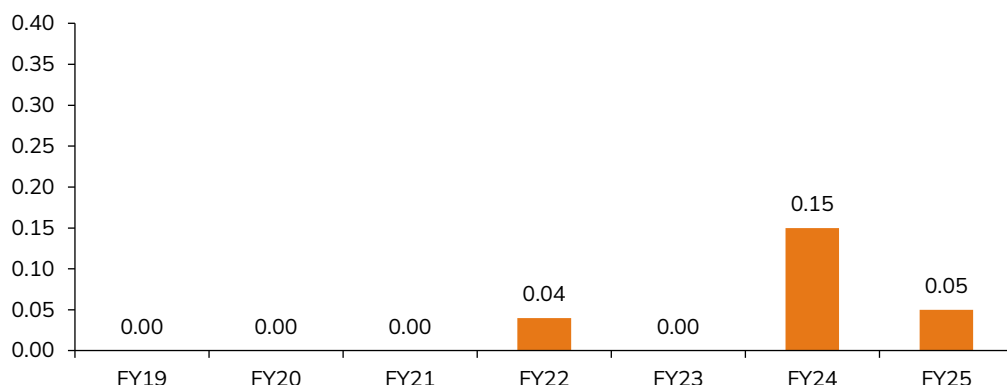
As of Q1FY26, DF's AUM is INR 143bn, which is 12% of overall AUM and management has an internal ceiling of 15% for this portfolio.

BHFL's successful execution in scaling DF reflects in the >100% AUM CAGR FY18–25, with an average GNPA of 0.03% for FY19–25. As of Q1FY26, GNPA in CF stood at 0.03%.

Historically, players who have done DF and have a longer-term track record include erstwhile HDFC Limited, Kotak Mahindra Bank and Standard Chartered Bank.

Exhibit 26: GNPL below <20bps since inception – shows portfolio's strong asset quality performance

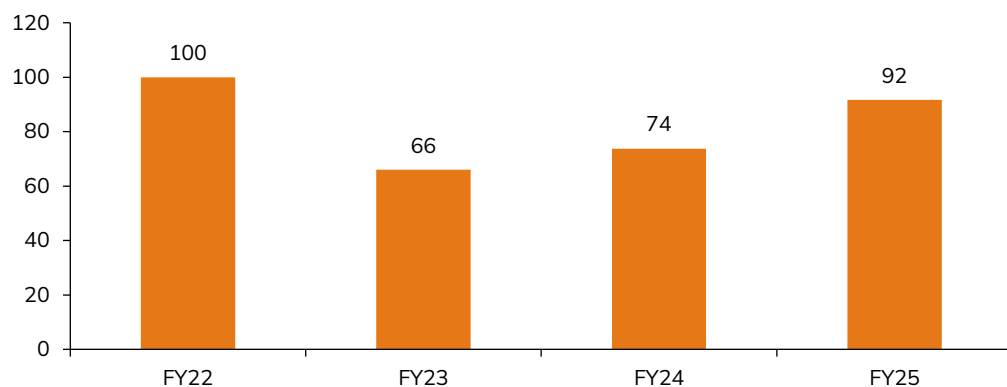
GNPL for Construction Finance (%)



Source: Company data, I-Sec research

Exhibit 27: Comfortable PCR on DF book, as of FY25

PCR on Developer Finance (%)



Source: Company data, I-Sec research

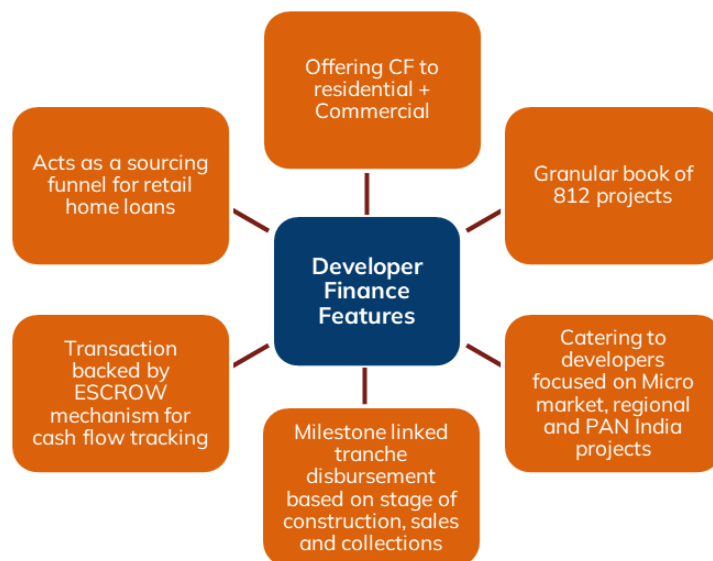
BHFL has an in-house sourcing model for DF and emphasises credit discipline by targeting developers with strong financials, proven execution of on-time project completion, and consistent repayment history. Idea is to build long-term relationship with quality developers and it focuses on mass-market developers, as it also augments its HL portfolio.

Yield for this segment typically ranges 13–13.5%. This ensures that it is restricting itself to high-quality developers and not moving down the curve in terms of customer quality, in search of higher yields. In order to ensure smooth operations, each DF agreement is secured by an escrow mechanism to manage project cash flows, which includes clearly defined sweep structures that comply with regulatory standards.

In terms of geography, DF portfolio is concentrated in top six metro cities. However, in terms of portfolio granularity, it is widespread across 812 projects.

In terms of collateral, loans are secured against project cash flows, inventory, land, and undivided share of land, which ensures adequate security in case of default. Moreover, disbursements are also done in phases, considering the project completion status, which ensures that funds are not stuck in unfinished projects.

Exhibit 28: Key features of DF



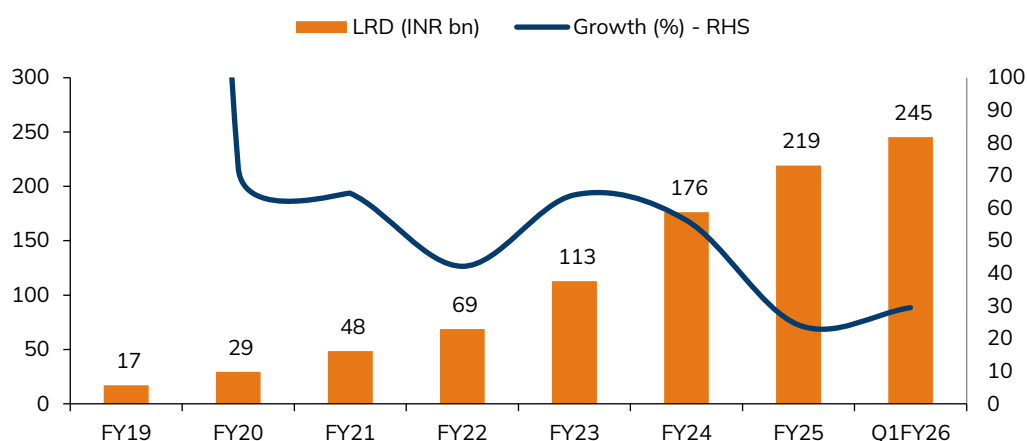
Source: Company data, I-Sec research

LRD – low-risk, low-margin but provides scale

Over the years, BHFL has carefully crafted its product offering – it focuses on building a loan portfolio (at consolidated level) that can offer balance sheet stability (low credit cost), margin and scale. In line with this, along with low-risk prime housing, it started scaling high-quality LRD portfolio. Both prime HL and LRD provide balance sheet stability (yields at <9%) while LAP and DF drives margins.

Given lumpiness and complex underwriting (mostly LRD involves a special case-to-case structure financing), many traditional NBFCs stayed away from LRD. However, BHFL sees this as a huge white-space and made inroads into the LRD business with a specialised team. A key pillar of BHFL's product diversification strategy is fine-tuning existing product offering as per customer needs and constantly working towards expanding customer reach by either by modifying existing product or developing a business line that can complement existing product offering. In line with strategy, BHFL entered commercial CF in FY22 to complement its LRD offering; thereby, broadening its sourcing mix and creating an entire synergistic ecosystem through backward integration.

LRD is the second-largest portfolio for BHFL, at INR 245bn as on Jun'25, and comprises 20.4% of its overall AUM. In terms of business split, ~80% is towards commercial, ~10% is towards malls and the balance is towards industrial, logistics and warehouse. Its focus remains on well-rated commercial properties and the lessee base primarily consists of major Indian corporations and MNCs. In terms of peers, banks are the most active player in LRD; in NBFCs, BHFL is the only player doing LRD.

Exhibit 29: Growth stabilising in LRD portfolio, but still strong, ~30%, on higher base

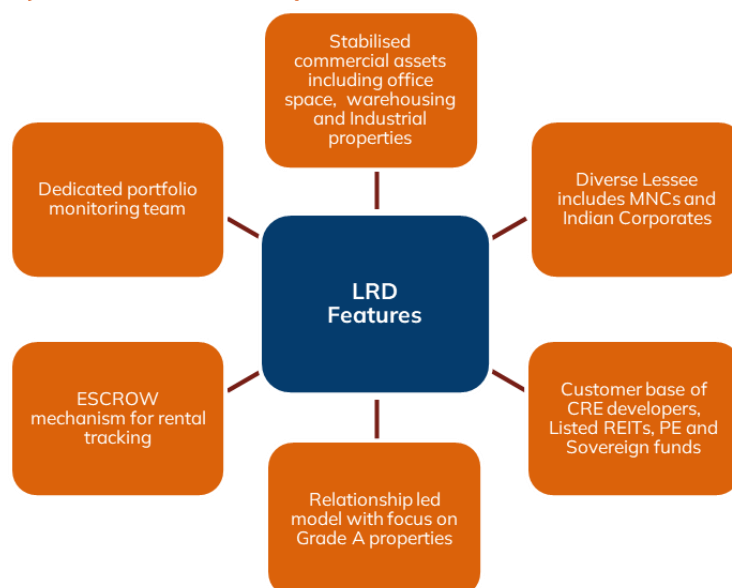
Source: Company data, I-Sec research

While LRD is a low-margin business for BHFL (~8.5% IRR + fees), negligible credit risk given its strategic focus on highly rated commercial properties leased out to MNCs and large Indian companies, it helps improving leverage. Considering complex loan structuring and relatively bigger ticket size, BHFL follows stringent underwriting, as it discounts only 90% of the present value of the rentals and asks for a charge on collateral over and above cashflows.

Business acquisition is driven by its specialised relationship management team, supported by thorough due diligence conducted by internal team and external legal and technical consultants. Assessment typically is done in phases wherein firstly; it does promoter assessment.

Here, the company engages in a detailed promoter background check. Only, after the promoter profile is satisfactory, would it go ahead with collateral assessment; lastly, it would also evaluate tenant/lessor profile.

Opex is quite lean in this business, as these are relationship-based models. Hence, despite low yield on a relative basis, it generates decent RoA for the entity and more importantly helps in improving leverage at entity level.

Exhibit 30: Key features of its LRD portfolio

Source: Company data, I-Sec research

Investment rationale

BHFL is the only prime-housing player offering 20%+ growth and ~2.4% RoA in the near term

While retail prime-housing has been the most preferred product segment for many lenders given the low risk, not many players have been successful in scaling and sustaining 20%+ growth and generating ~15% RoE, except BHFL. Its diversified product offerings, providing the flexibility to scale the product going through a cyclical upturn and calibrate growth for a product experiencing challenges, has been a key enabler for BHFL's sustained growth momentum across credit cycles.

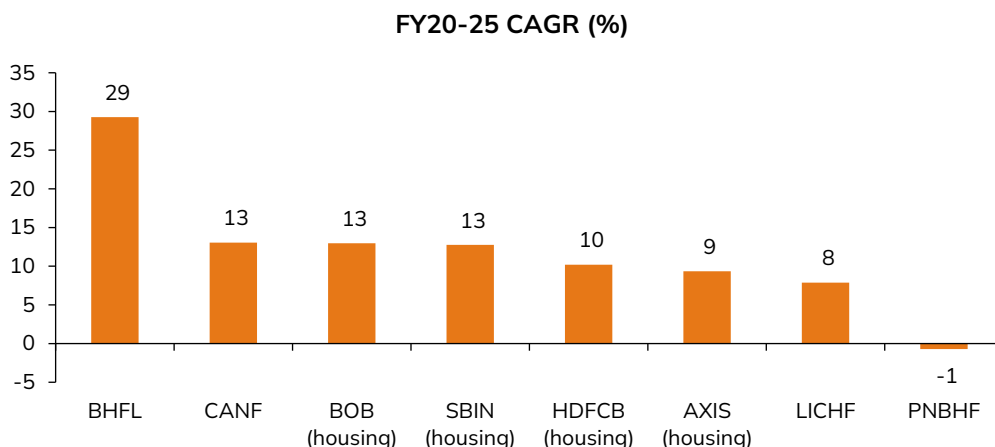
As seen during Covid-19, it calibrated growth across products and scaled low-risk LRD in FY21; In FY23, it calibrated the LAP segment and focused on scaling its DF book due to a revival in the real estate cycle post Covid-19. Moreover, the DF book is a funnel for scaling retail book as well.

Exhibit 31: Calibrated growth across products

Loan AUM (% YoY)	FY21	FY22	FY23	FY24	FY25
HLs	12	44	24	24	22
LAP	19	56	6	23	28
LRD	65	42	64	56	24
DF	16	40	97	69	49
Others	22	-19	8	0	-1
Total	18	42	30	32	26

Source: Company data, I-Sec research

Exhibit 32: Fastest-growing HFC among top players



Source: Company data, I-Sec research

BHFL delivered highest AUM CAGR of 29% between FY20–25. While it appears that BHFL has reached critical AUM base of >INR 1trn, individual segment-wise AUM is still at nascent stages; especially, near-prime and affordable housing, which it entered recently. LAP book stands at only INR 123bn (11% of AUM) and would likely be a key AUM growth driver in the near term. Overall, we expect BHFL to deliver 22% AUM CAGR over FY25–27E.

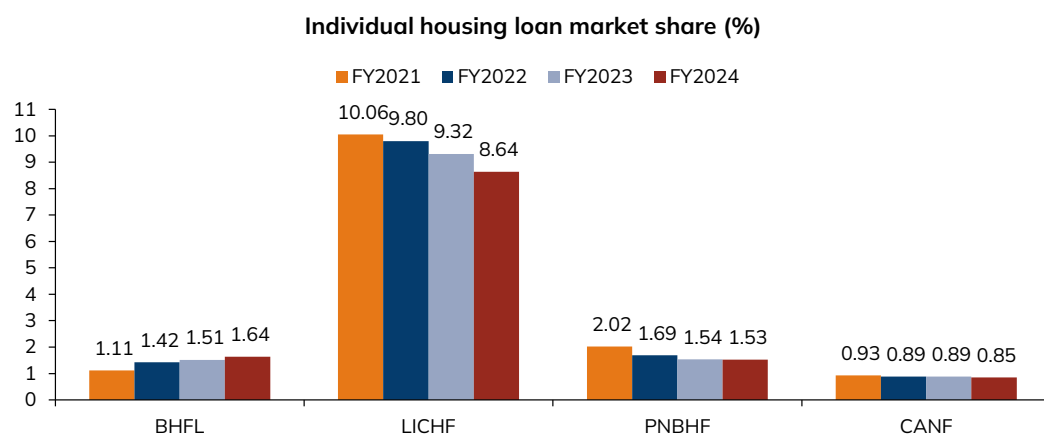
Housing finance – poised to deliver ~14% CAGR over medium term and gain market share

India's housing finance space is a structural play with the reducing average household size, from 5.5 members per household in 1991 to 5.3 members per household in 2001 to 4.8 members per household in 2011, as per Census 2011.

The housing finance market stands at ~INR 33trn (Mar'24) and the segment is a direct play on – 1) increasing income level and affordability in India; and 2) nuclearisation of households. Rising income levels, coupled with low interest rates (pre-Covid-19), have helped the HL industry to deliver a robust 10-year loan CAGR (FY10–20) of 16%.

BHFL has demonstrated its dominance in the prime house segment since its entry into the business in FY17, evident in a steady increase in the company's market share. BHFL's market share in individual HL rose to 1.6% by FY24, from 1.1% in FY21, implying ~10–15bps of market share gains every year. Notably, its disbursement market share is materially higher at ~5%, as on Mar'24, suggesting BHFL is well placed to improve its loan market share in the near term.

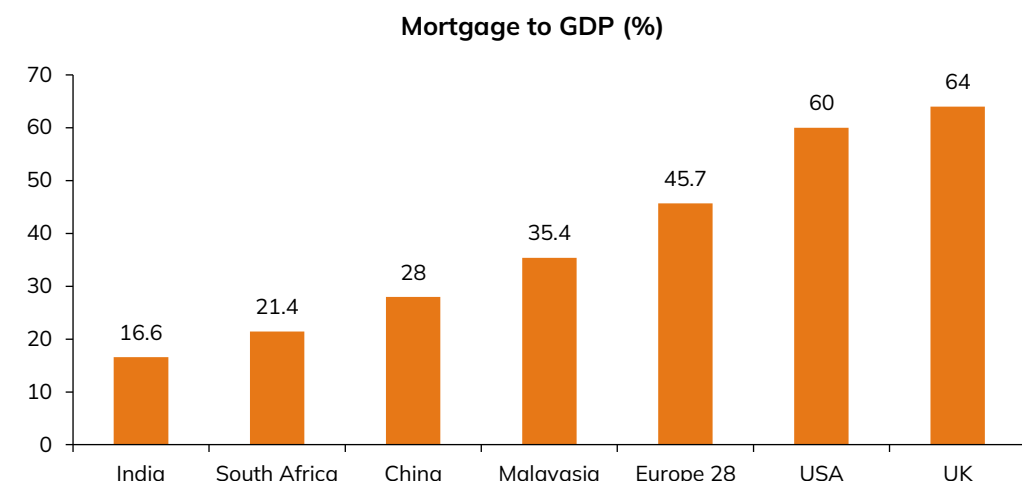
Exhibit 33: BHFL's market share improving ~10–15bps every year



Source: Company data, I-Sec research

Notably, despite such strong growth, housing finance penetration in India (16.6%) remains significantly lower than that in US (60%), the UK (64%) and less than South Africa (21.4%) and China (28%).

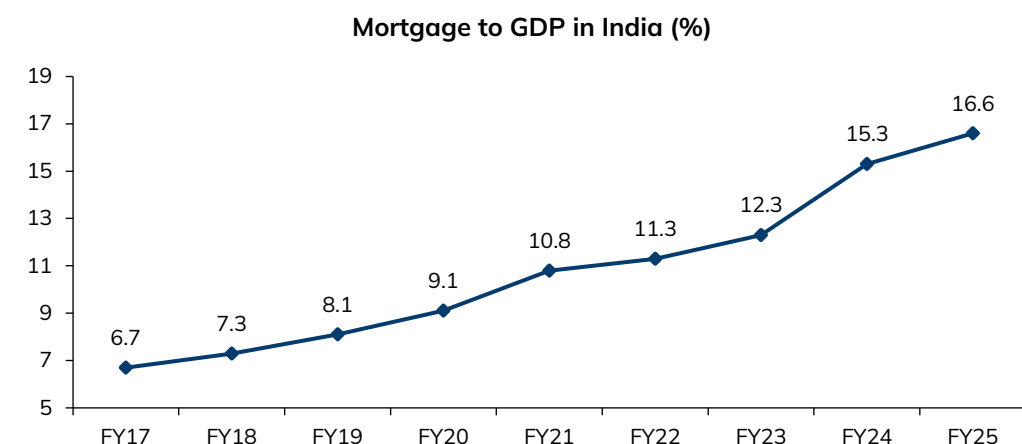
Exhibit 34: India's mortgage to GDP at 16.6% – still underpenetrated vs. global countries



Source: HOFINET, European Mortgage Federation, NHB, Crisil Intelligence

Note: India data as of FY25; China and South Africa data as of CY17; Europe 28 includes the 28 European Union Member states as of December 2018; Rest all countries data as of CY18

Exhibit 35: Uptrend in India's mortgage to GDP ratio – average improvement of ~100–120bps per year since FY17

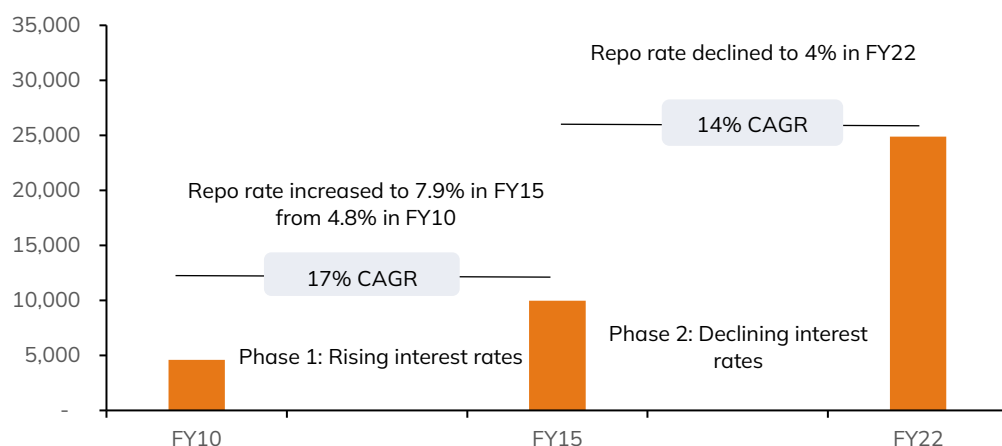


Source: NHB, World Bank, Crisil Intelligence

Note: Data for mortgage to GDP for India includes both HLs and Loans against property outstanding over constant GDP

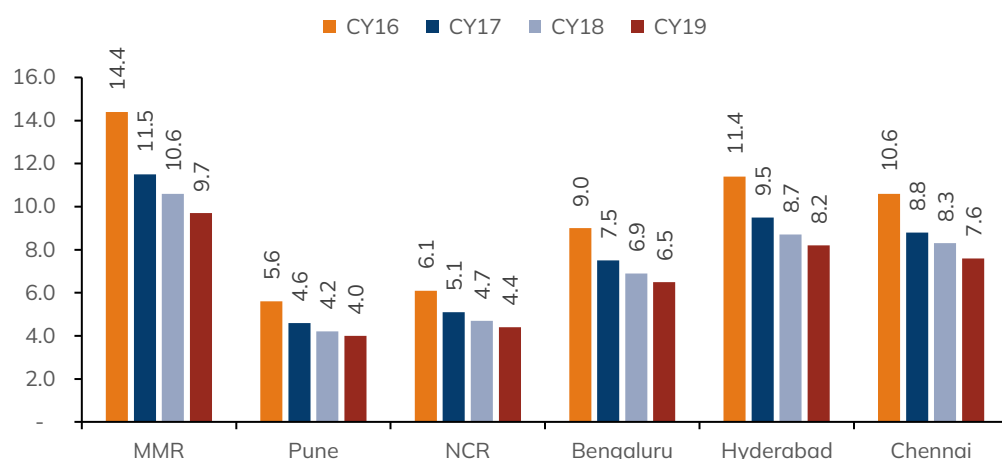
Historical trend suggests demand for homes/HLs is directly linked to increasing prosperity of Indian households. This is reflected in mortgage loan penetration rising to 16.6% by FY25, from 8.1% in FY19, implying ~100bps higher penetration each year.

Exhibit 36: Housing demand is inelastic - reflects in steady AUM growth across rate cycles



Source: I-Sec Research

Exhibit 37: Indian households' increased affordability – also noted in the declining ratio of 'home price to average income' in top cities...



Source: Home First Finance DRHP; CRISIL Report

Note: Affordability= Home Price/ Average Income

Productivity improvement to continue driving cost ratio lower

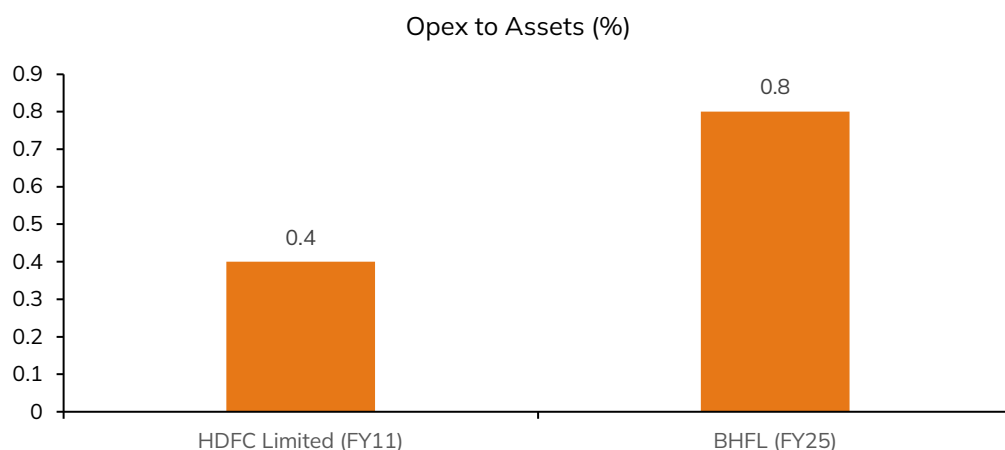
BHFL's profitability is highest amongst players with >50% prime housing share. Its RoA stood at 2.3% in FY25 vs. <2.2% for peers. RoA for PNB housing, adjusted for provision write-back and assuming normalised credit cost 20bps, could come down to 2.2%. More importantly, BHFL improves profitability even during business expansion phase. RoA expanded ~60bps during FY20–25 and it reported a strong 29% AUM CAGR during the same period.

Key RoA expansion drivers include – 1) asset yield improvement led by incremental growth in better margin products like near-prime, affordable, LAP and DF; 2) improvement in productivity, as reflects in cost-assets falling to 0.8% by FY25, from 1.3% in FY20; and 3) maintaining robust asset quality, resulting in credit cost moderating to 10bps by FY25, from 50bps in FY20.

Exhibit 38: BHFL generating stable RoA of 2.3%, and higher than most peers

DuPont analysis (%) - (% of avg. assets)	FY25				FY20			
	BHFL	LICHF	PNBHF	CANF	BHFL	LICHF	PNBHF	CANF
Interest Income	9.7	9.1	9.4	9.9	9.1	9.3	9.9	10.2
Interest Expended	6.5	6.5	5.9	6.4	6.4	7.1	7.2	6.8
Net Interest Income	3.3	2.7	3.5	3.5	2.7	2.2	2.6	3.4
Non-interest income	0.6	0.1	0.5	0.1	1.4	0.1	0.6	0.1
Total Income	3.9	2.8	4.1	3.6	4.1	2.3	3.2	3.5
Operating expenses	0.8	0.5	1.0	0.6	1.3	0.3	0.7	0.5
Operating profit	3.1	2.4	3.0	3.0	2.7	2.0	2.5	2.9
Provisions	0.1	0.1	-0.2	0.2	0.5	0.5	1.5	0.3
Profit before tax	3.0	2.3	3.2	2.8	2.2	1.6	1.0	2.6
Tax	0.7	0.5	0.7	0.6	0.6	0.4	0.2	0.7
Return on Assets	2.3	1.8	2.5	2.2	1.7	1.2	0.8	1.9

Source: Company data, I-Sec research

Exhibit 39: At BHFL's size, HDFC's cost to assets was almost half, suggesting enough potential to curb cost to assets

Source: Company data, I-Sec research

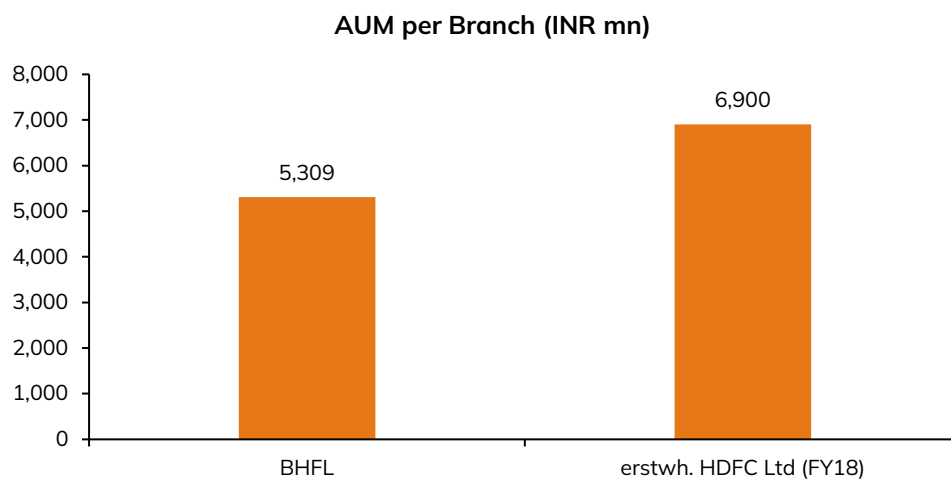
BHFL's RoA is at an optimal level of 2.3%, as on FY25. However, we still see levers for RoA improvement, essentially – 1) NIM expansion and 2) operating leverage.

- While we acknowledge that AUM mix is at an optimal level, inter-segment (like near-prime and affordable in retail HL) realignment would continue and the same is likely to drive NIM expansion in near term.
- Operating leverage has already started playing out, as evident in cost-assets moderating to 0.8% by FY25, from 1.3% in FY20. This was driven by better productivity, with AUM per employee CAGR of 34%, reaching INR 580mn by FY25, from INR132mn in FY20. However, staff cost, as % of assets, is still on the higher side at 50bps in FY25 vs. 20bps for HDFC Limited in FY11, when it was having a similar AUM size of ~INR 1trn. Notably, management is cognizant about scope for improvement in staff cost and has already initiated cost-rationalisation measures, showing in total manpower shrinking to ~2,000 by FY25, from >3,500 in FY22.

Despite being a late entrant to the mortgage segment, BHFL has been able to scale its housing portfolio faster than peers, as reflects in its strong 65% AUM CAGR between FY18–25 vs. <15% for peers. Key enablers have been steady disbursements driven by product diversification and constant investments towards building-up infrastructure. BHFL has strategically upfronted investments towards distribution, sales and its tech platform during initial years; since then, it has focused on improving productivity.

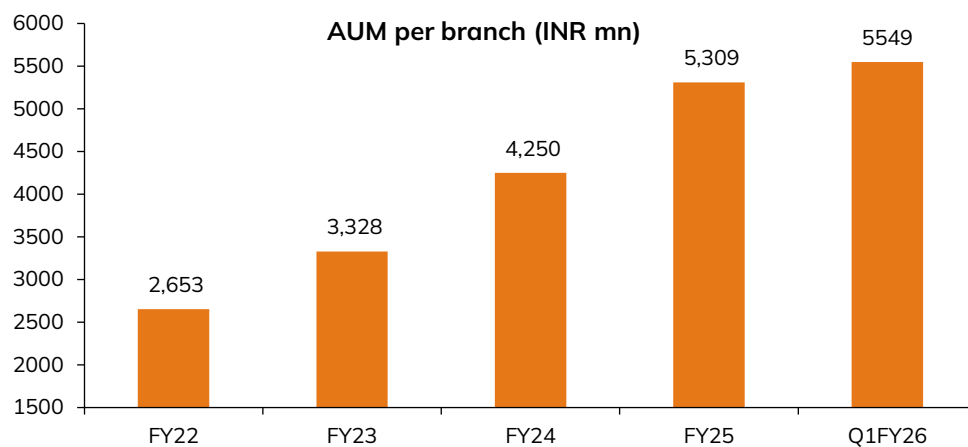
BHFL's AUM per employee has more than doubled since FY23 and is up ~4x since FY22. Similarly, disbursements too have risen ~4x since FY22. This was aided by its diversified product offering and digital initiatives, leading to steady AUM growth. However, we still see scope for further improvement (assuming ~20% AUM CAGR for BHFL for next five years to cross ~INR 3trn AUM), as we compare erstwhile HDFC Limited's productivity, when it was having assets size of ~INR 3.25trn in FY18.

Exhibit 40: AUM/branch - potential to improve vs. erstwhile HDFC



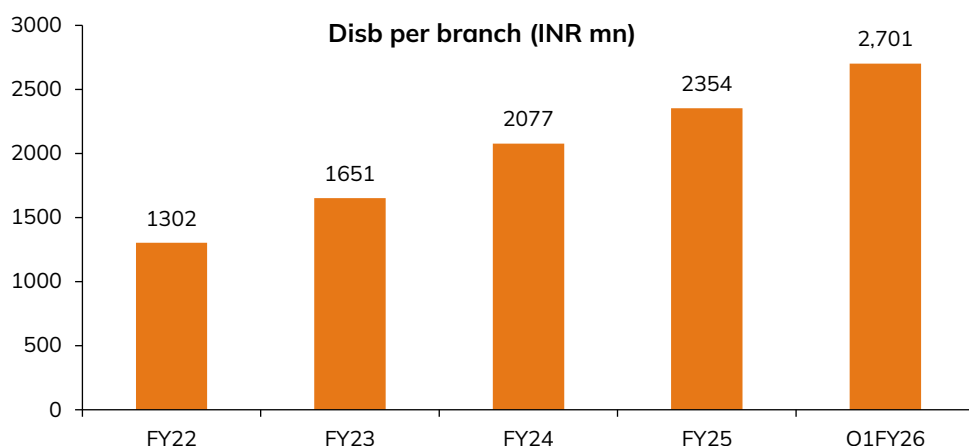
Source: Company data, I-Sec research

Exhibit 41: AUM/branch trending upwards with disbursements uptick in LAP/DF



Source: Company data, I-Sec research

Note: Q1FY26 numbers are annualised for comparison purpose

Exhibit 42: Uptrend in disbursement/branch, as locations are deeply penetrated across 21 states


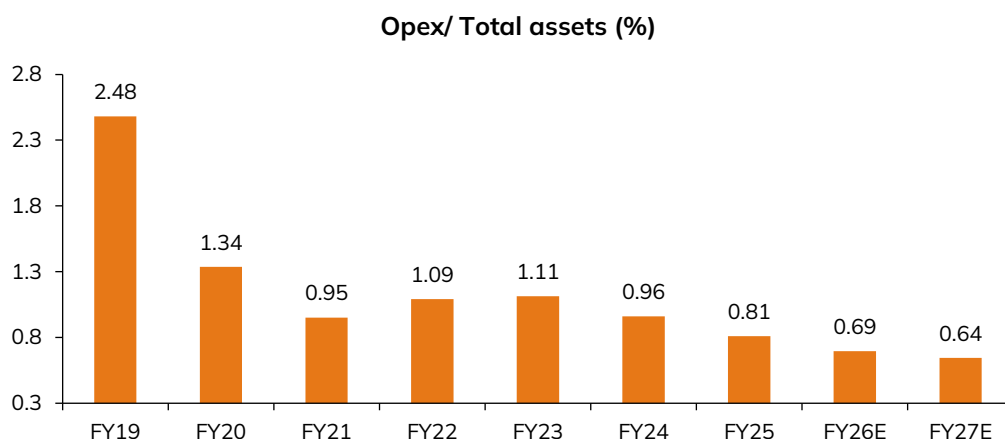
Source: Company data, I-Sec research

Note: Q1FY26 numbers are annualized for comparison purpose

BHFL's cost-income ratio moderated to ~21% by Jun'25, from >29% in FY22. Similarly, operating cost to total assets fell to 80bps by FY25, from its peak of 1.3% in FY20. Management attributes this to its focus on using technology and analytics to improve productivity and automate processes.

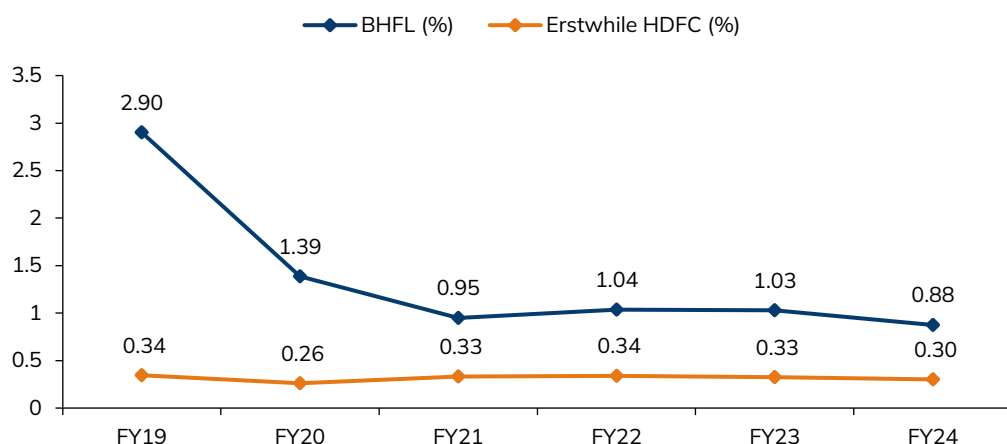
BHFL is focused on developing and absorbing its in-house talent in addition of following a diversity and inclusion approach. To retain its internal workforce for the purpose of supporting organisational growth, the company has put in place dedicated frameworks for employee retention and engagement. Overall, employee cost to assets has fallen to ~52bps for FY25 vs. 81bps in FY22.

This, we believe, is largely due to improvement in employee productivity (AUM per employee has more than doubled since FY23) and digital-friendly processes. Management also expects opex to NTI to reach 14–15% over the medium term.

Exhibit 43: Opex to assets now <1%, with operating leverage coming into play now


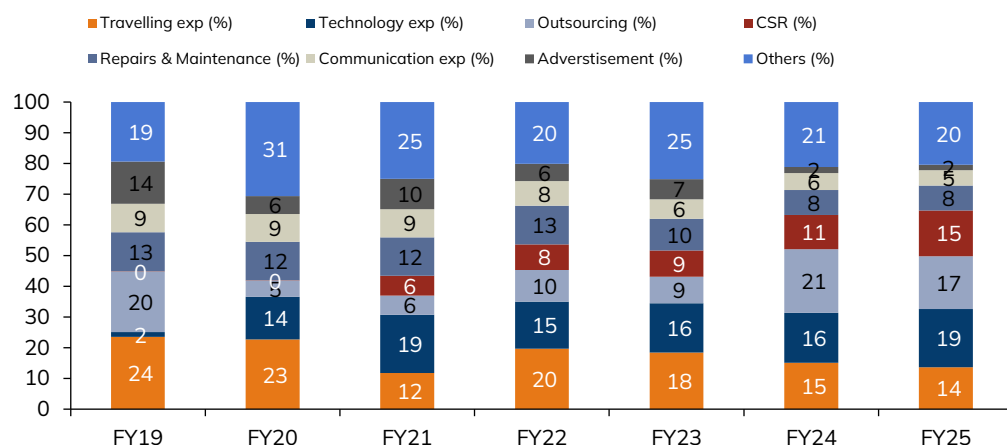
Source: Company data, I-Sec research

Cost analysis suggests that BHFL's staff cost, at 60bps of average AUM, is materially higher than that of erstwhile HDFC, at 20bps during FY21. This, we believe, is largely due to erstwhile HDFC's larger AUM vs. BHFL's and limited product offerings. Hence, as BHFL's AUM scales higher, it should see better cost efficiency and productivity.

Exhibit 44: BHFL's opex/average AUM now below 1%; likely to stabilise ahead

Source: Company data, I-Sec research;

Note: Operating expenses is calculated on average AUM

Exhibit 45: Technology expenses increased due to digital initiatives; advertisement expenses have reduced since inception

Source: Company data, I-Sec research;

Note: Employee cost is not part of other expenses

Digital process – end-to-end paperless loan journey

In-line with its strategic goal to improve customer experience and optimise operations, BHFL has adopted several digital initiatives aimed at modernising the entire HL journey. It has launched E-agreements, allowing customers to quickly sign loan agreements via a secure platform provided by National E-Governance Services Limited (NeSL), utilising AADHAR-based OTP authentication, which greatly minimises the requirement for multiple signatures on physical documents.

Additionally, the E-sanction letter system has been implemented to provide customers, with online sanction letters, secured through OTP verification; thus, removing the necessity for conventional paper-based communication.

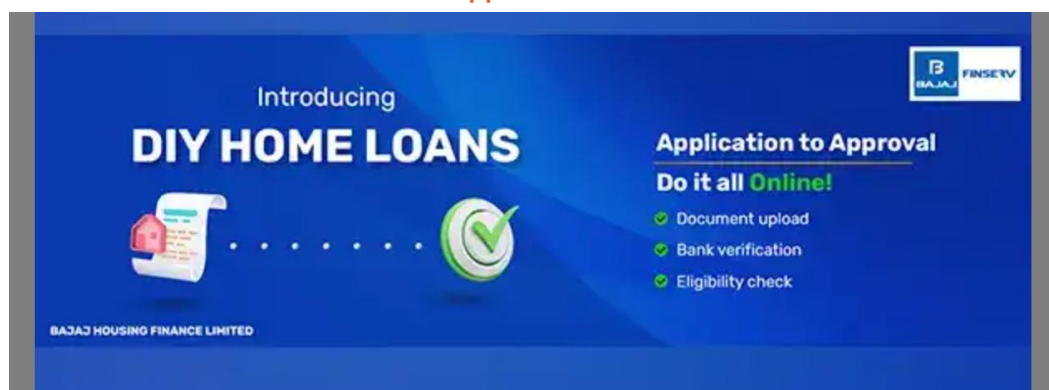
Exhibit 46: Digital Initiatives

Ease of Digital Acquisition	Ease of Internal Stakeholders	Ease of Process & Self- service	Use of Machine Learning	App & Portal Interactions
• Digital onboarding of customer • Chat bot through whatsapp to check loan offer instantly • Activities to attract and convert users based on targeted campaigns • Call me back feature & Call to apply feature on portal and app increased online traffic from 3mn in FY22 to 3.7mn users in FY24	• 100% Cloud-based architecture • Debt management app for effective tracking • Sales mobility app for digital sourcing by field teams	• 24x7 Customer portal & dedicated customer app • E-agreement to eliminate physical signatures and E- sanction letter • Centralised tranche disbursement unit for faster processing • DIY Home Loan platform • E-home loan feature where customers can quickly obtain an in-principle sanction letter	• Sentiment analysis assists in categorizing and prioritizing customer feedback based on tonality of customer complaint, directing complaints to the relevant resolution channels • Underwriting through 5 centralised hubs • Collateral assessment across 8 centralized hubs	• Monthly unique customers logging into portal & applications were 377,568 and 301,420 respectively for FY24 • Specialised mobile application for lead management and collection updates

Source: Company data, I-Sec research

The recently introduced DIY HL platform provides an online portal for customers, partners, and BHFL's salesforce to apply for HLs, upload documents, verify bank details, and easily check their eligibility. It has also launched a dedicated customer portal and mobile application, which allow clients to access loan details, download statements, utilise self-service options, and make online payments conveniently without the need to visit a branch.

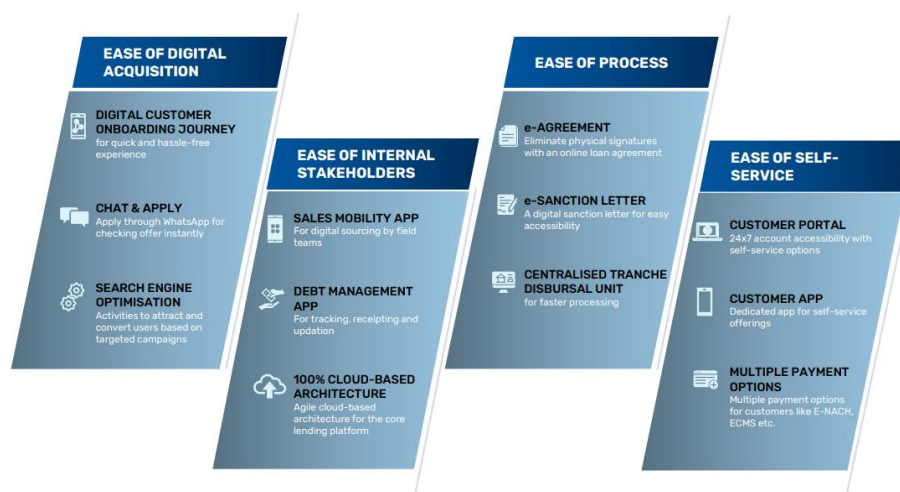
Exhibit 47: DIY screenshot from its app/website



Source: Company data, I-Sec research

Additionally, BHFL's website features an E-HL service that allows customers to quickly obtain an in-principal sanction letter by entering just a few details. Further, BHFL implemented a 'Call Me Back' feature, giving customers the flexibility to schedule calls at their preferred times, and a 'Call to Apply' feature, providing direct access to sales representatives for assistance and resolution of queries during the application process.

Exhibit 48: Consistently enhancing customer experience through digital initiatives



Source: Company data, I-Sec research

Exhibit 49: Digital transformation at its core



Source: Company data, I-Sec research

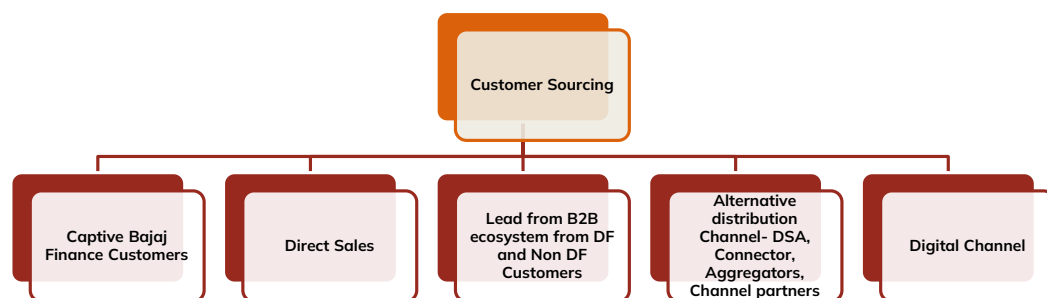
Expanding markets and sourcing channels to accelerate new customer acquisition; direct sourcing remains key acquisition channel

BHFL entered retail mortgages in FY18, and a strong captive customer base of Bajaj Finance helped its journey in terms of customer acquisition. While BHFL continued to mine the captive customer base of its parent, the company also focused on building strong acquisition channels on its own – spanning across markets and customer segment, covering both retail as well as wholesale clientele.

Taking cognizance of the changing customer preference towards digital loans, it balanced physical presence with digital onboarding to maximise reach. Further, in order to expand reach, it also activated DSA and connector channels to maximise branch productivity in addition to generating leads from the B2B ecosystem, primarily developers.

Its retail products (HLs and LAP) are originated through two distinct verticals, namely direct channels and intermediary channels, ensuring focus and specialisation in their own verticals.

Exhibit 50: Different channels for sourcing – direct channels and indirect



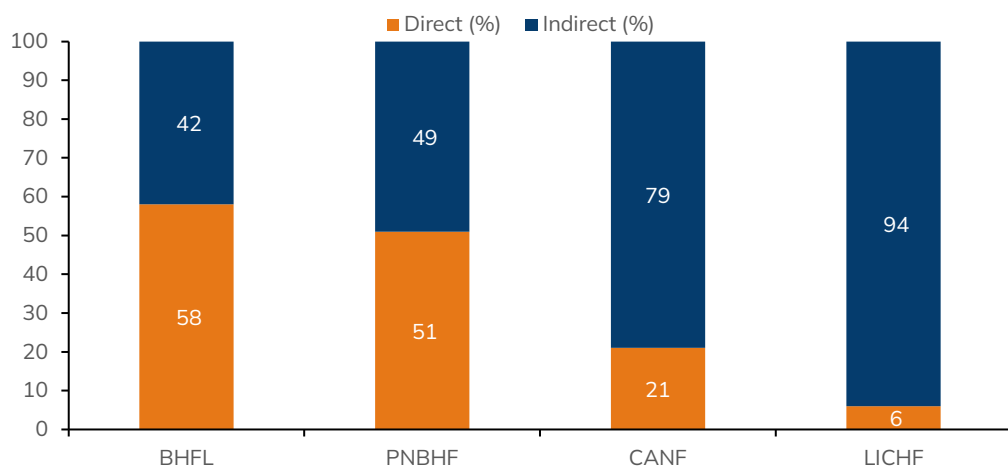
Source: Company data, I-Sec research

- **Direct channels, one of the highest amongst peers;** BHFL's key source of direct customer acquisition are: 1) Pan-India >200 physical branch network. 2) Huge captive customer base of Bajaj Finance. 3) Lead generation from its approved project financing – in most cases, it is a lender to the developer.

BHFL engages borrowers directly through its front-line branch sales teams, enabling customised service and stronger loyalty, as BHFL can provide personalised services and tailor its offerings to individual customer needs for HLs and LAP.

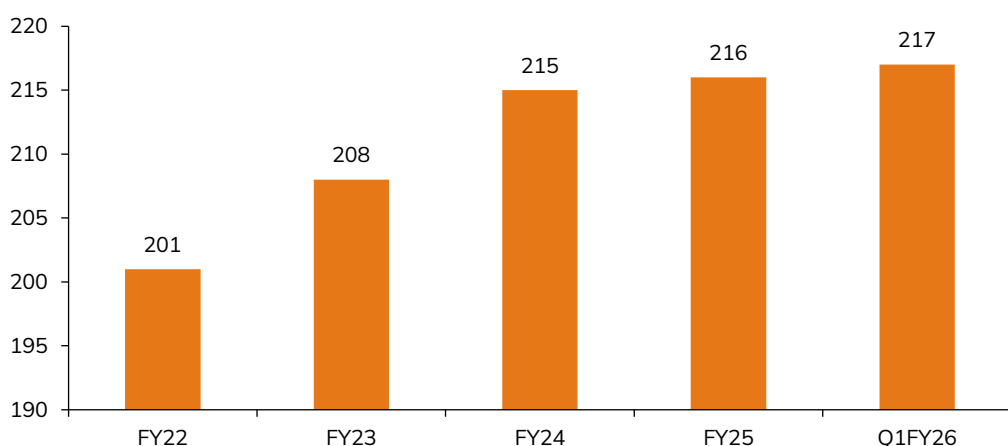
Digital platforms enhance reach, reduce overheads, and improve customer convenience. Multiple digital touchpoints on the company's website are consistently tracked to strengthen lead generation.

Exhibit 51: BHFL's sourcing mix – evenly distributed between direct and indirect channels



Source: Company data, I-Sec research

Exhibit 52: Branch network over the years



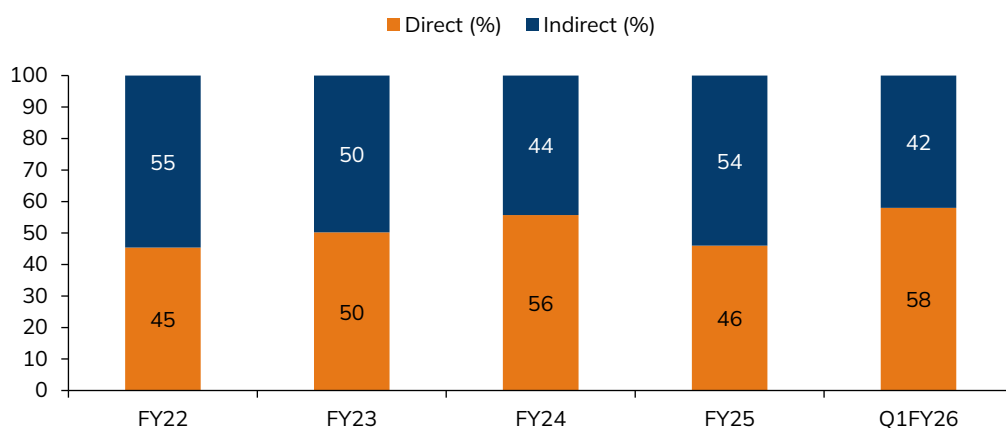
Source: Company data, I-Sec research

Partnerships with real estate developers form a critical sourcing lever, creating a win-win – developers gain a sales advantage through accessible financing, while BHFL gains direct access to potential HL customers. DF relationships are leveraged to source retail loans from both funded and non-funded projects.

BHFL targets specific sub-geographies within cities, gaining deep insights into local real estate trends and customer demographics/behaviours. This localised model assists BHFL to tailor its products and services to meet the specific needs of the community, which in turn improves conversion rates and enhances customer service.

- Alternative channels:** BHFL continuously grows its base of intermediaries such as channel partners, DSAs, financial advisors, aggregators and third-party agents. Active channel partners increased from 1,514 as at Mar'22 to 1,591 as at Mar'23 and 1,784 as at Mar'24, which enhanced its reach and market penetration. Intermediaries provide access to a broader borrower base due to their established local relationships.

Over the years, BHFL has strategically built a hybrid sourcing model, wherein it utilises both direct and indirect channels. This hybrid sourcing along with leveraging intermediaries, and direct engagement with customers, allows BHFL to cater to various customer preferences and boost its market presence. It also helped BHFL in sustaining >20% growth, despite intense competition in the prime housing and LAP segments.

Exhibit 53: HL sourcing mix at ~58% at AUM level

Source: Company data, I-Sec research

Note: Sourcing Mix for HLs at AUM Level

HL sourcing mix

BHFL has strategically strengthened its footprint across important mortgage-driven markets through branches, centralised hubs, and a network of active channel partners. As of Dec'23, Maharashtra accounted for the largest share of housing finance credit in India, at ~22% (as per Crisil). Hence, BHFL has its dominant presence in Maharashtra, with 31.5% of its total AUM as of Q4FY24 and 32% of its total FY24 disbursements – highest among the states it operates in.

By the end of Q1FY26, the distribution framework comprised of 217 branches, 5 centralised underwriting hubs and 8 centralised loan processing hubs.

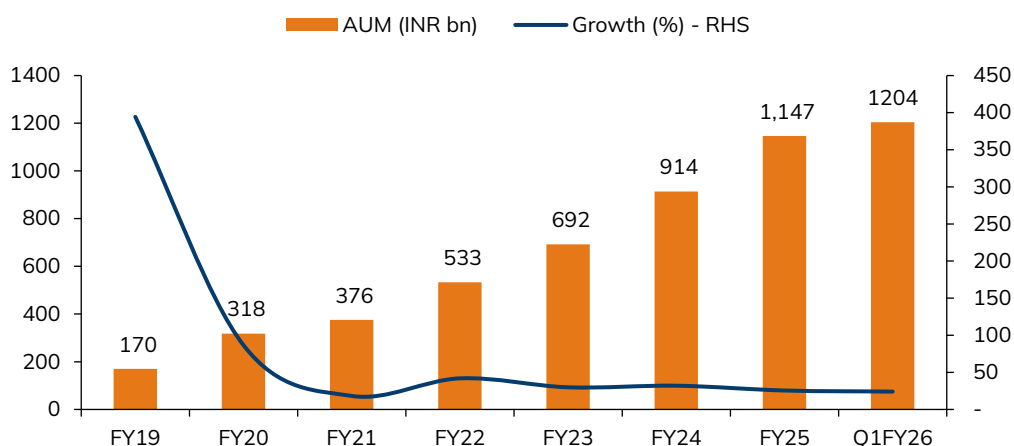
BHFL's omni-channel sourcing approach, extensive reach, and wide distribution enable it to add a significant volume of new customers each year. Alongside, its digital transformation efforts have elevated the experience for both clients and employees. It has introduced solutions such as instant in-principle sanction letters and a self-service DIY HL portal. During FY24, its portal and customer applications witnessed 377,568 and 301,420 unique monthly logins, respectively. Digital capabilities also include electronic sanction letters, agreements, and mandates.

In addition, BHFL has deployed mobile applications for its sales and collections teams, along with a dedicated portal for partners and a streamlined digital onboarding process, demonstrating its strong commitment to innovation.

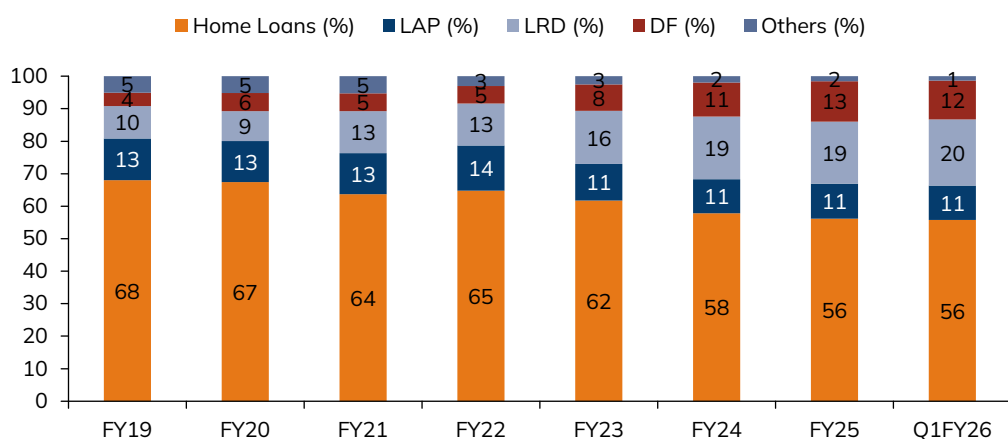
Presence across mortgage value-chain to help sustain high growth

BHFL is the fastest growing HFC and among very few entities in India, scaling loan AUM to >INR 1trn within eight years in the business. It delivered 65% AUM CAGR between FY18–25 with pristine asset quality, as reflects in average 30bps credit cost during the period.

Despite being a late entrant to mortgage financing and the presence of strong and established incumbents, BHFL gained market share between FY21–24 – improving from 1.11% in FY21 to 1.64% in FY24.

Exhibit 54: AUM surpasses INR 1trn within 8 years of business

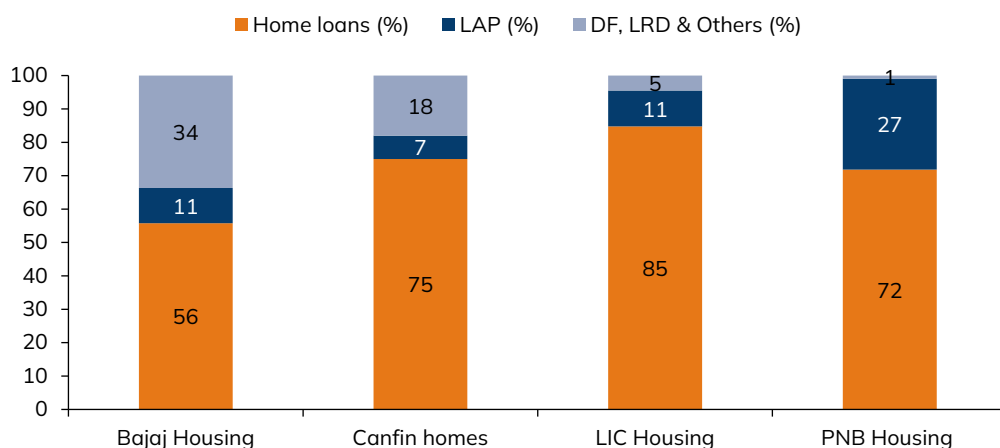
Source: Company data, I-Sec research

Exhibit 55: AUM mix and evolution over the years – spreading its wings across the entire mortgage spectrum

Source: Company data, I-Sec research

BHFL's ability to expand product offerings that can complement its existing business lines and executing business strategies without friction have been key enablers for the company's industry-leading growth since inception.

BHFL adopted a differentiated approach to mortgage financing; and, in the past eight years, it has built a product portfolio that encompasses the entire mortgage value-chain, unlike other HFCs/NBFCs that have focused on scaling one product/segment like prime housing or affordable housing.

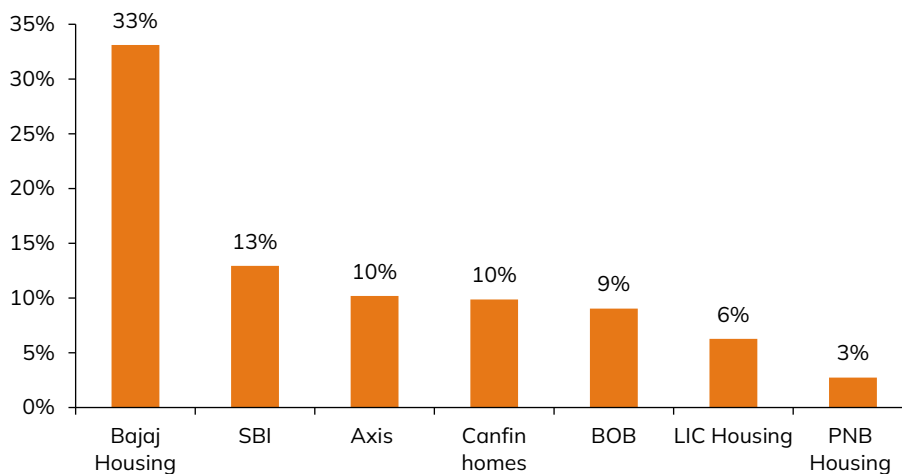
Exhibit 56: Most diversified product mix among peers

Source: Company data, I-Sec research

Note: LIC housing non- housing Individual product considered as LAP; Data as of Jun'25

Amongst the fastest to reach INR 1trn AUM; steadily gaining market share in retail HL

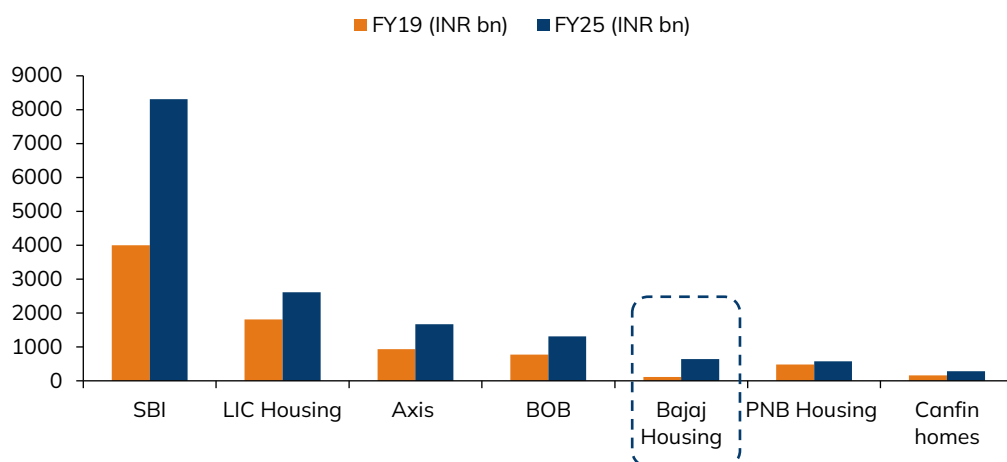
- BHFL is amongst the fastest entities to reach INR 1trn AUM – within eight years in the business. It delivered 33% loan AUM CAGR between FY19–25 vs. <15% for its closest peers. Loan growth has been driven by a strong 56% CAGR in HLs, 76% CAGR in LAP, 101% CAGR in LRD and 115% CAGR in DF.

Exhibit 57: BHFL – amongst fastest growing housing players...

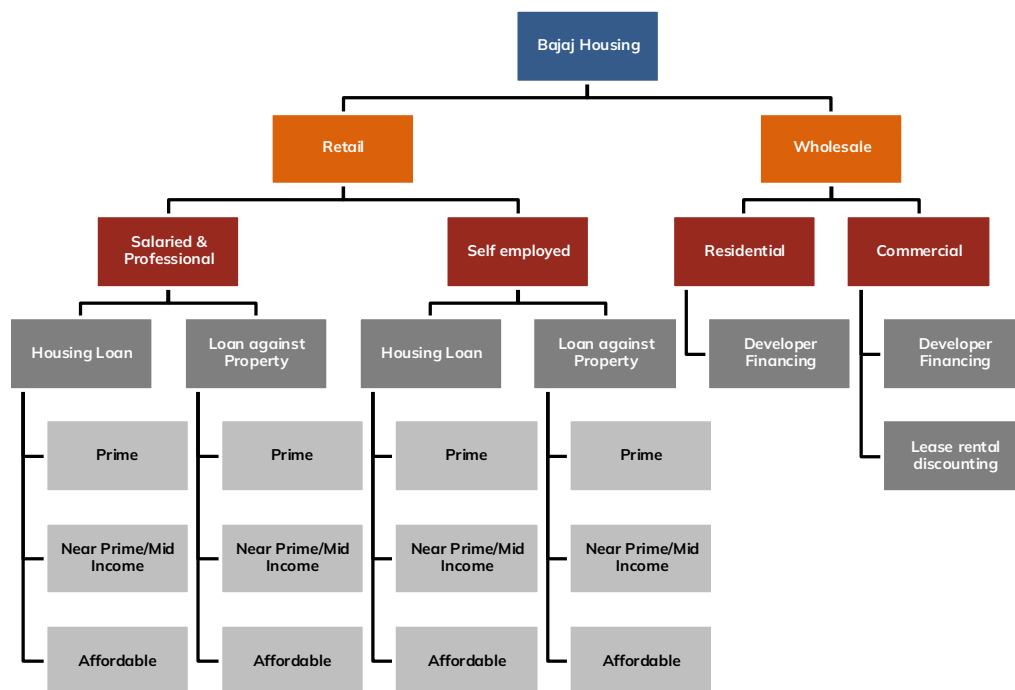
Source: Company data, I-Sec research

Note: FY25 LIC housing is Individual HL; FY19 is for Individual loans

Note: Data is CAGR FY19-25 for housing AUM

Exhibit 58: ...yet enough potential compared to peers

Source: Company data, I-Sec research

Exhibit 59: Diversified product offering

Source: I-Sec research, Company data

- **Retail mortgage** – Retail mortgage (HL+LAP) constitutes ~67% of total AUM as on June'25. While it entered mortgage business with Salaried Prime housing, gradually it introduced mortgage solutions for self-employed, mid-income and low-income households by creating verticals for near-prime and affordable housing.
- **Sambhav HLs – for venturing into near prime and affordable housing**

In line with its strategy to become one-stop solution for all mortgage financing, BHFL introduced Sambhav HLs in FY25, a product designed for first-time buyers from the lower-income segment. The initiative helps broaden its customer base while balancing risk management and profitability. Additionally, the company has widened its customer profile to include self-employed non-professionals, thereby completing its mortgage offerings. However, affordable is people-heavy business for generating leads and hence would entail higher cost to assets, which is more than offset by higher yields.

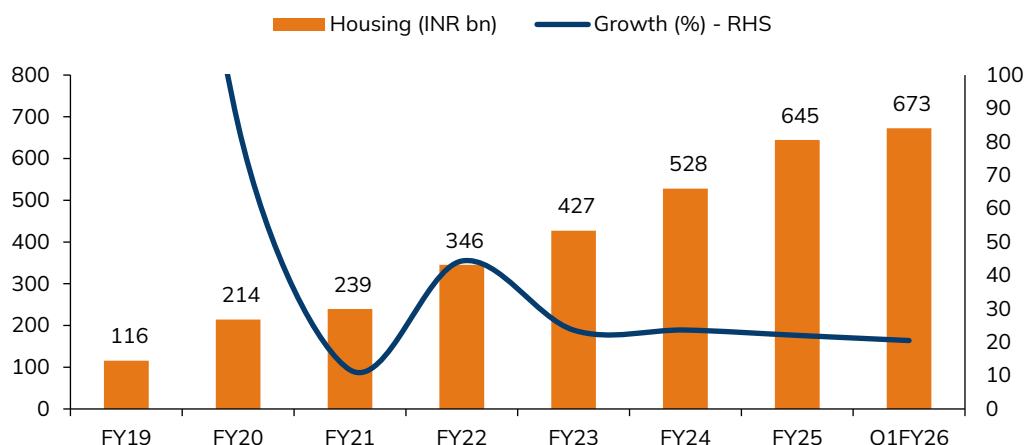
- Wholesale mortgage – Whole mortgage (DF + LRD) constitute balance 33% of AUM as on June'25. It entered DF with residential premises to complement its Retail HL business. However, in order to leverage its developer relationship and diversify offering it entered commercial premises financing in FY22 to support its LRD business.

Retail mortgage to remain key focus segment; low-risk and highly scalable

Retail mortgage is largely dominated by banks and select HFCs like LIC housing, PNB housing etc. BHFL entered retail mortgage in FY18 and since then Prime segment has remained the cornerstone of entity level business strategies. It started with plain vanilla HL, and after stabilising Prime housing, it supplemented LAP alongside HL segment to build capabilities to cater self-employed segment. While it expanded product offering and customer segment, it continued to be focused on low-risk prime segment and is selectively doing high-risk high margin products like LAP, self-employed segment etc to improve NIM at entity level.

BHFL has shown a steady growth trajectory over its eight-year operational history despite headwinds related to IL&FS crisis and Covid-19. It delivered 56% HL CAGR and 76% LAP CAGR between FY18-25.

Exhibit 60: Housing AUM reaches INR 673bn in Q1FY26

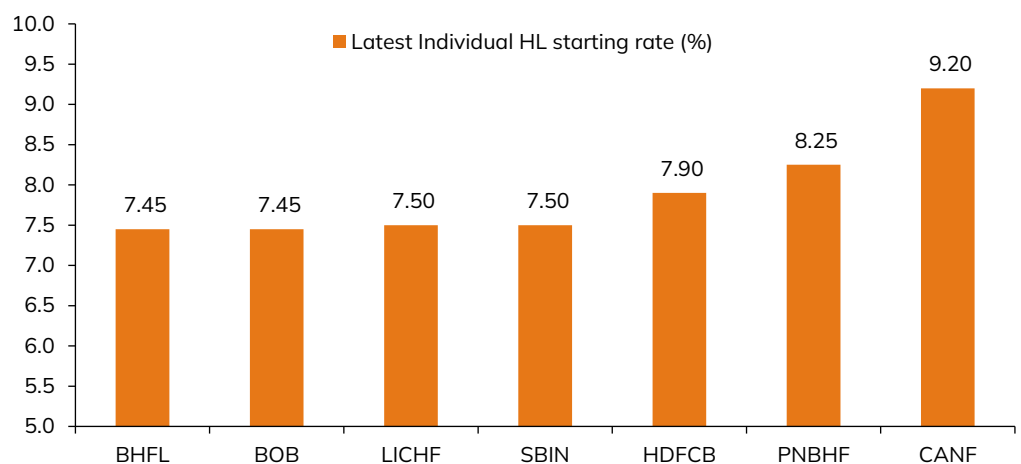


Source: Company data, I-Sec research

Within retail mortgage, it entered near-prime and affordable housing in FY24, to cover larger spectrum of households and leverage distribution network. BHFL is cognizant of the different skillset requirements for affordable and near-prime segment compared to that of Prime housing. Hence it is currently building blocks and data base to fine-tune credit underwriting and business processes. Currently, salaried segment contributes 84% of total HL and its entry into these two new segments would incrementally help it cater to self-employed segment more effectively.

Exhibit 61: HL product features

Source: Company data, I-Sec research

Exhibit 62: BHFL's HL rates among lowest vs. peers

Source: Company data, I-Sec research

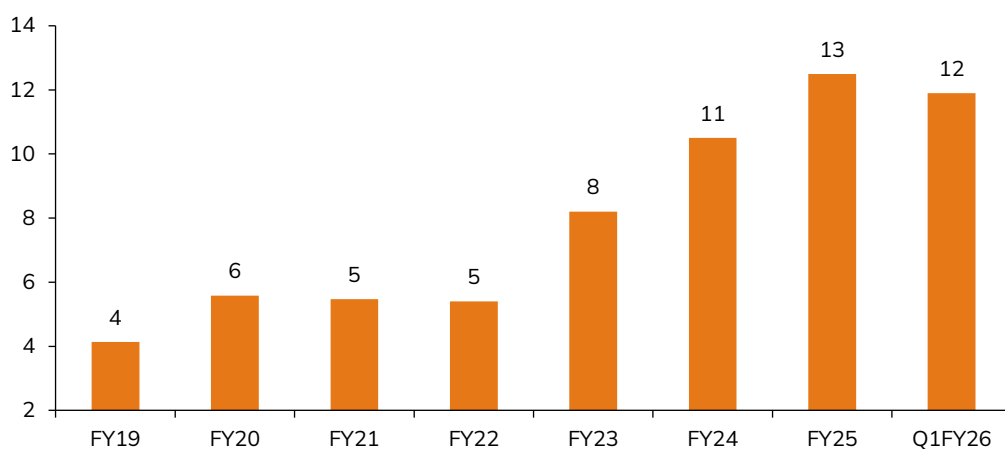
Note: Above are starting rates for individual HLs

DF – strategic move solving dual purpose of high yields and direct customer sourcing channel

In line with its strategy to build granular retail housing book, Bajaj Housing Finance entered DF business (residential projects - commenced in FY 2018) to accelerate its direct customer sourcing. CF acts as a backward integration for prime HLs. With same philosophy, it entered commercial CF in FY22 to support its LRD product.

Since its entry into CF business in FY18, execution track record has been superior – a) it delivered ~69% loan CAGR between FY19-24 when most players were de-risking balance sheet by reducing CF exposure and b) GNPL <0.2% since inception. As on June'25, construction financing contributes 12% of total AUM.

Exhibit 63: Share of developer in overall loan mix – up from 4% in FY19 to 12% in Q1FY26



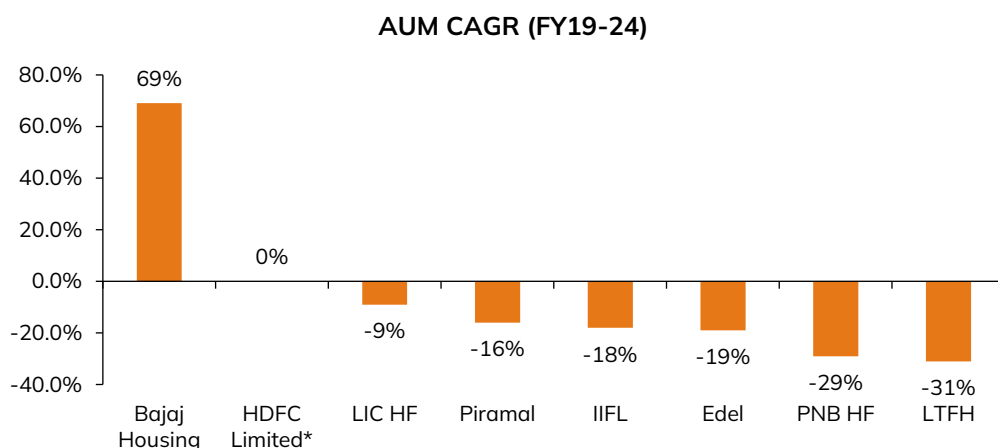
Source: Company data, I-Sec research

Execution track record in DF has been superior among peers

Following parent's (Bajaj Finance) strategy of entering / scaling businesses during downcycle (Consumer Finance post GFC in 2008) given low competition and vacant market place, Bajaj Housing scaled CF during real estate down-cycle between FY18-22. DF book for key lenders like PNB housing, LIC HF, Edelweiss, IIFL, Piramal and LTFH fell ~35%-85% during FY19-24. At the same time, Bajaj Housing became third largest players within select peers.

Bajaj Housing, within key DF players, stands out with strong >60% AUM CAGR during FY19-24; most lenders during same period were focusing on de-risking balance sheet by reducing CF exposure

Exhibit 64: BHFL saw strong >60% CAGR during FY19–24 while most lenders were reducing CF exposure



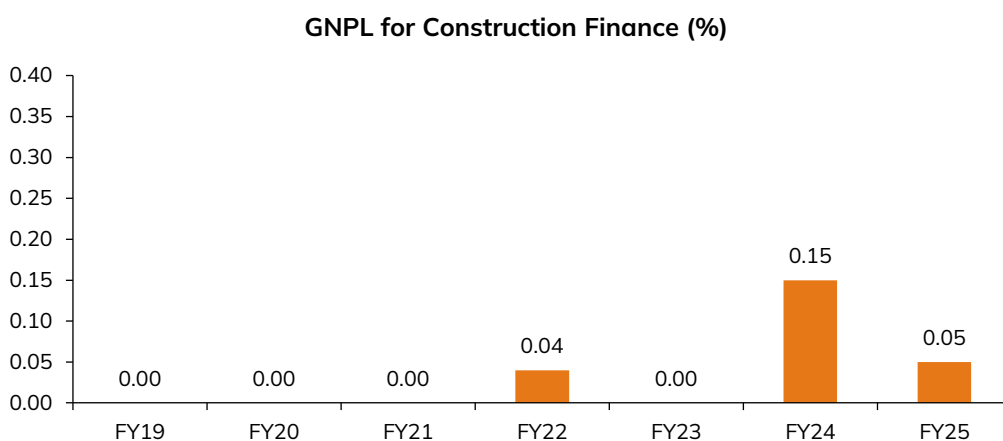
Source: I-Sec research, Company data; Note: HDFC Limited AUM CAGR period is between FY19-Dec'22

While scaling its DF book, Bajaj remained focus on quality of the book and more importantly it preferred developers / projects which can complement its Retail HLs. Thus, it preferred developers with a proven record of on-time project completion, strong financial health and steady loan repayment track-record. All loans to developers were secured through project cash flows, project inventory, land and undivided share of land.

It followed the more stringent norms in CF loans like loan disbursements in stages subject to construction progress, sales targets, a cap on funding relative to project costs, projected project completion in relation to construction stages and collection goals through retail home sales.

Its centralised risk team constantly monitor the progress of milestones, established at the loan's sanction stage to ensure compliance and mitigate risk.

Exhibit 65: GNPL remained <0.2% since inception in CF business



Source: I-Sec research, Company data

Exhibit 66: BHFL's quality underwriting and stringent risk management practises reflect in its lowest GNPL ratio among peers between FY19–24

GNPL- DF	FY19	FY20	FY21	FY22	FY23	FY24
Bajaj Housing	0.00%	0.00%	0.00%	0.04%	0.00%	0.15%
PNB HF	NA	8.20%	13.50%	37.13%	22.25%	3.31%
LIC HF	7.69%	17.73%	18.00%	31.00%	NA	NA
HDFC Limited	2.34%	4.71%	4.77%	4.76%	3.89%	NA
IIFL	4.40%	3.80%	1.10%	4.20%	0.39%	3.15%
Piramal	NA	NA	NA	4.60%	NA	NA

Source: I-Sec research, Company data;

BHFL entered the DF business much later than its competition and at a time when most players were struggling with asset quality issues in CF. As a result, competitive intensity between FY19–22 was lower, which helped BHFL cherry pick quality developers and build strong relationships. BHFL's market share improved to ~20% by FY24, from <1% in FY19. Within five years, BHFL emerged as one of the most preferred developer financiers in India.

Exhibit 67: BHFL's market share (within select players) steadily expands to 20% in FY24, from <1% in FY19

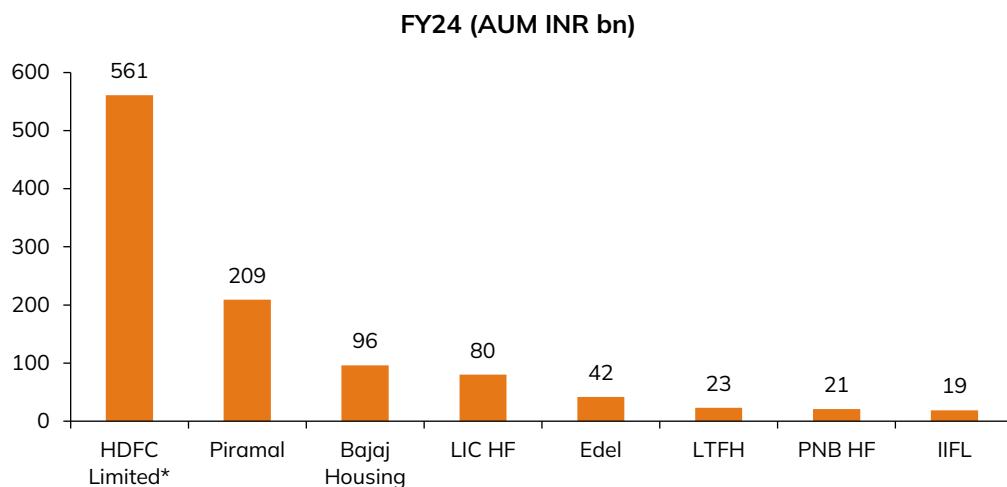
Market Share movement (%) (ex HDFC Ltd.)	FY19	FY20	FY21	FY22	FY23	FY24
Bajaj Housing	0.7%	1.7%	2.1%	3.6%	8.4%	19.6%
LIC HF	12.1%	13.6%	16.2%	16.1%	17.5%	16.4%
Piramal	47.6%	43.7%	44.2%	54.2%	47.4%	42.7%
Edel	10.7%	12.4%	11.4%	1.3%	8.5%	8.5%
LTFH	13.9%	14.2%	13.1%	13.9%	8.6%	4.8%
PNB HF	10.3%	9.9%	8.8%	7.3%	5.7%	4.2%
IIFL	4.7%	4.5%	4.3%	3.6%	4.0%	3.8%

Source: I-Sec research, Company data

Construction financing (CF) space was largely dominated by established NBFCs like HDFC Limited, Piramal, LIC Housing, PNB Housing, IIFL, LTFH and Edelweiss between FY15–22. Being a late entrant to the space, during its initial journey Bajaj Housing faced intense competition from strong incumbents. Hence, its AUM CAGR between FY20–22 was only 27% CAGR, during same time incumbents were sensing slowdown and had already started calibrating growth. Between FY20–22, cumulative AUM CAGR for players listed above (ex-BHFL) slowed by 8%.

Between FY22–24, BHFL (after spending ~5 years in CF) accelerated growth and grew its book by >80%. At the same time, it became the third-largest developer financier (within players listed above).

Exhibit 68: As on Mar'24, BHFL is the third-largest developer financier (within players listed below) with AUM of INR 96bn



Source: I-Sec research, Company data;

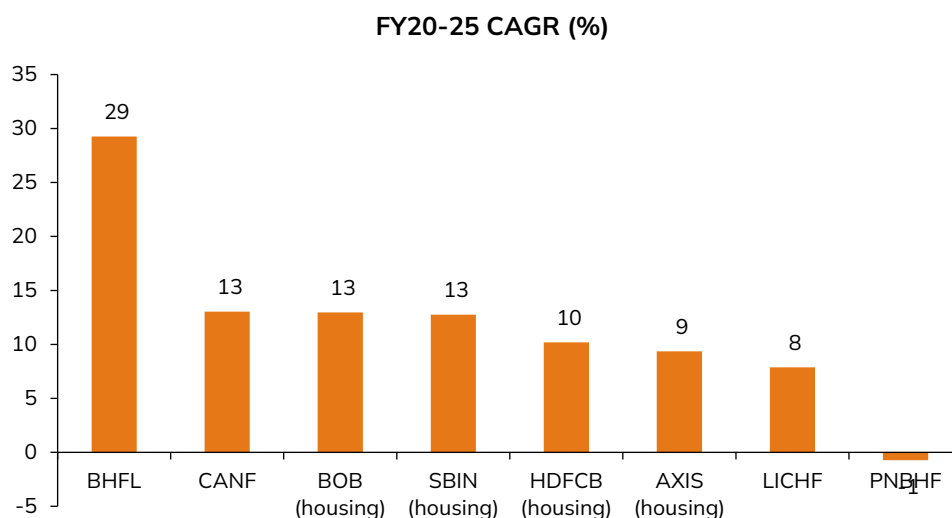
Note: HDFC Limited data as on Dec'22

Competitive funding cost, a key ingredient to scale prime housing; diversified borrowing and strong 'Bajaj' brand key enablers

Prime housing has been the most preferred product segment for most financiers given low-risk and huge untapped market (mortgage to GDP at ~12% vs. >30% global peers). The same resulted in heightened competition in the prime mortgage segment, and the entry of NBFCs/HFCs along with presence of strong incumbents (banks) put downward pressure on interest rates. Hence, lenders were forced to operate at low interest rates to compete; thus, access to low-cost funding is paramount to scale.

BHFL has delivered robust 29% AUM CAGR over FY20–25 vs. <15% CAGR for peers. The same has been driven by its competitive pricing and tailor-made mortgage solution to customers.

Exhibit 69: BHFL's 29% AUM CAGR over FY20–25 robust vs. peers' <15% CAGR



Source: Company data, I-Sec research

Note: We have considered total AUM for Housing Companies; For Banks- Housing/Mortgage portfolio is considered and we have excluded LAP portfolio if any disclosed by the banks separately; For HDFC Bank, AUM is inclusive of HDFC Limited's loan portfolio

Note: CAGR from FY20-FY25 shown above

Being a subsidiary of the renowned Bajaj Group, established in 1926, BHFL benefits from its parent's credibility and consumer recognition. The group operates across several industries, especially retail-focused, gaining recognition among Indian consumers, with businesses such as Bajaj Auto (2W and 3W), Bajaj Finance's lending and insurance products, Bajaj Allianz Life and General Insurance, Bajaj Finserv Asset Management's mutual funds, and Bajaj Financial Securities' broking services.

Over the decades, 'Bajaj' has become a trusted retail brand, supporting the recognition and expansion of BHFL. BHFL holds the highest long-term credit ratings (CRISIL AAA/stable and IND AAA/stable) and short-term credit ratings (CRISIL A1+ and IND A1+) in India.

Given this credit rating profile, BHFL has secured access to funds at competitive rates across diverse sources. By locking in low-cost funding for longer durations, BHFL ensures a sustainable funding base that enables competitive product pricing.

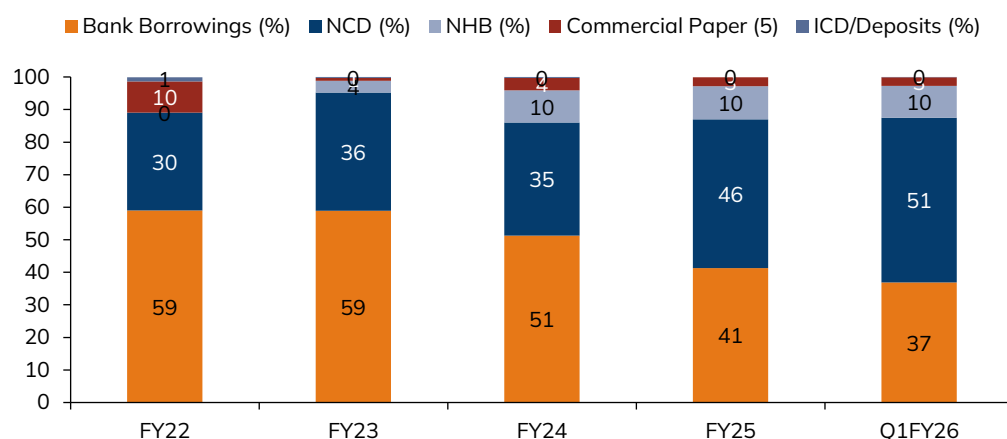
Exhibit 70: Operational history begins in FY18 – consistently 'AAA' rated ever since



Source: Company data, I-Sec research

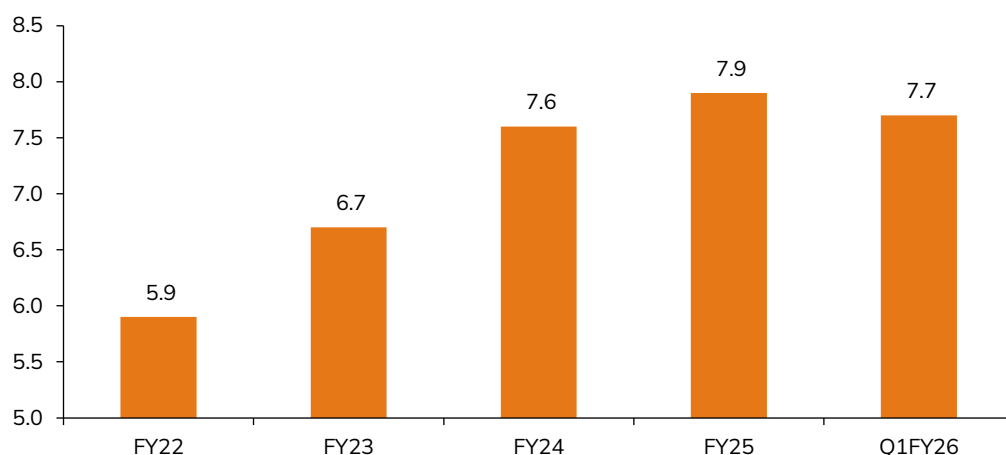
The company focuses on long-tenure floating-rate borrowings and continues to rebalance towards a mix that increases exposure to the money market; thereby, optimising risk and financial flexibility. BHFL has lending relationships with 17 banks as of Jun'25, providing a well-diversified funding profile. It has also secured approval under NHB's refinance scheme, which provides an economical and long-term source of funds. Consistent with its financial strategy, BHFL has moved away from over-reliance on bank loans by diversifying into non-convertible debentures, commercial papers, and NHB refinance as illustrated below:

Exhibit 71: NCD borrowings increased over the years – ~50% borrowings now form NCDs, helping optimise cost of funds



Source: Company data, I-Sec research

Exhibit 72: Cost of borrowings likely to decline due to repo rate cut of 100bps in CY 2025



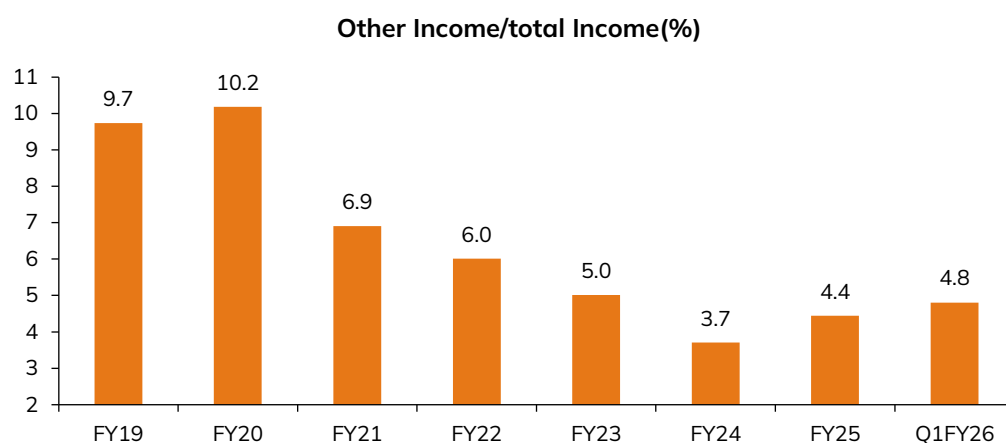
Source: Company data, I-Sec research

Other income – rationalising other income stream

In addition to secured products, BHFL provides unsecured loans to customers. It also generates revenue by cross-selling third-party financial products such as insurance. Through partnerships, it distributes life, health, and general insurance policies, other financial services products along with primary online healthcare services.

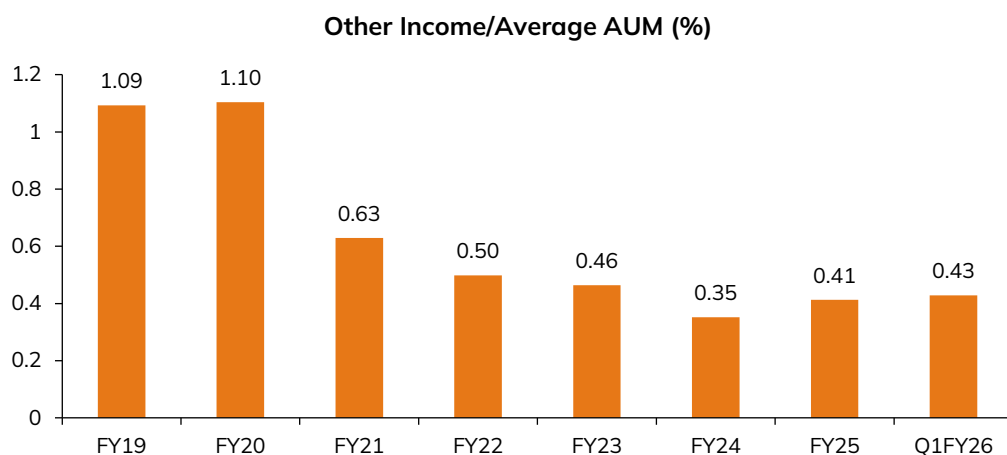
The company also received a Corporate Agency license from IRDAI during FY25, enabling it to serve customers' insurance needs while expanding its fee income base. Other income's share in total income has been inching up since FY24 and is now ~5%, as of Q1FY26. Moreover, BHFL also has INR ~14bn of assignment pool, income from which also aids other income.

Exhibit 73: Share of other income in total income is ~5%, as of Q1FY26



Source: Company data, I-Sec research;

Note: Total Income is calculated as Interest Income+ Non-Interest Income+ Other Income

Exhibit 74: Other income stable near ~40-43bps of AUM


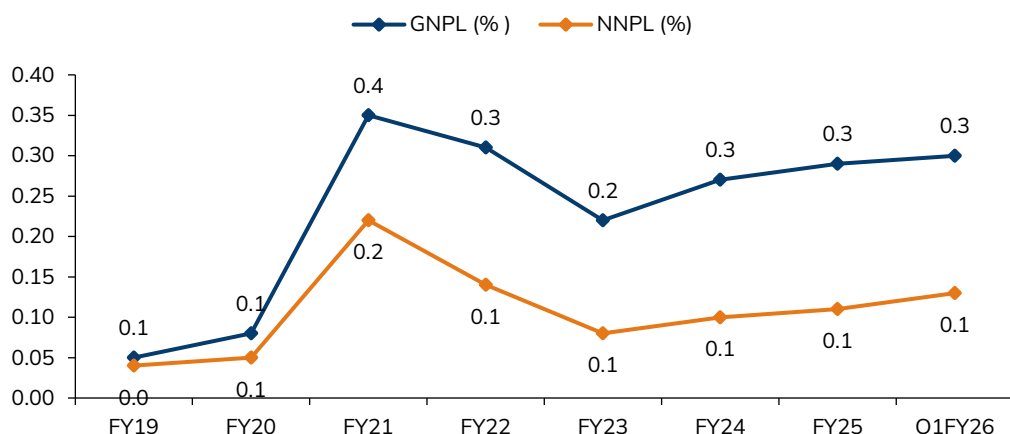
Source: Company data, I-Sec research

Higher share of prime housing and salaried customer base to help restrict credit cost between 20–30bps

BHFL has grown its AUM at 65% CAGR over the past 7 years and crossed INR 1trn in AUM. However, alongside robust AUM growth, asset quality metrics have also been pristine. This is because BHFL follows a strategy of low-risk model, which has ensured that asset quality remains well within control. BHFL has since inception focused on low-margin but relatively low-risky business. Its customer profile is robust and lending is secured in nature with a focus towards SORP as collateral.

Similar to erstwhile HDFC's business model, BHFL has also focused on quality salaried customers for prime HLs. As of Jun'25, HL constituted 56% of its AUM, which has an ATS of INR 4.6mn at origination and 84% of salaried customers with average customer salary of INR 1.48mn. Moreover, more than 3/4th of its customers have a CIBIL score of >750. Even for LAP, it has 72% SORP as collateral and LRD GNPA has been nil since inception. Lastly, for DF as well, BHFL has followed a granular book strategy, with a low-yielding portfolio, which has kept GNPA numbers well within check and much lower than its peers.

Overall, due to prudent risk management, robust underwriting, secured lending and focus on low-yielding but superior customer quality has ensured benign asset quality trends. Overall, spreads for BHFL are moderate at 1.8% as of Q1FY26, but this is supplemented by pristine asset quality metrics as well with GNPA/NNPA of 0.30%/0.13%, as of Q1FY26.

Exhibit 75: NNPA almost flat and GNPA ~30bps in last 3–4 years – boosts confidence of better asset quality


Source: Company data, I-Sec research

Even for LAP due to its focus on SORP, BHFL has lowered its risk by having 72% of customers with SORP as collateral. This will ensure that its asset quality is well protected, even across cycles. LAP GNPA among all its products is relatively higher at 0.61%, but it is still quite manageable and much benign vs. its peers.

Exhibit 76: GNPA consistently between 25–35bps for its largest portfolio

Segment Wise GNPA (%)	FY22	FY23	FY24	FY25	Q1FY26
HLs	0.29	0.21	0.27	0.34	0.36
LAP	0.80	0.77	0.68	0.65	0.61
LRD	0.00	0.00	0.00	0.00	0.00
DF	0.04	0.00	0.15	0.05	0.03
Others	0.41	0.50	0.91	0.95	1.09

Source: I-Sec research, Company data

Usually, LRD is a business model limited by banks, but BHFL has against all odds, built a successful LRD portfolio of INR 245bn. BHFL is the only NBFC, which has built an LRD portfolio of this size with robust asset quality metrics. Its LRD portfolio, which is the 2nd highest portfolio in terms of AUM, after housing, has nil GNPA as well as NNPA since inception. This speaks of its underwriting quality and strategy of catering to only premium quality customers with a focus on Grade-A properties, which though might come at a lower yield.

Exhibit 77: NNPA contained below 30bps across segments; nil NNPA for LRD since inception

Segment Wise NNPA (%)	FY22	FY23	FY24	FY25	Q1FY26
HLs	0.13	0.07	0.10	0.13	0.16
LAP	0.41	0.31	0.26	0.31	0.29
LRD	0.00	0.00	0.00	0.00	0.00
DF	0.00	0.00	0.04	0.00	0.00
Others	0.13	0.15	0.21	0.21	0.27

Source: I-Sec research, Company data

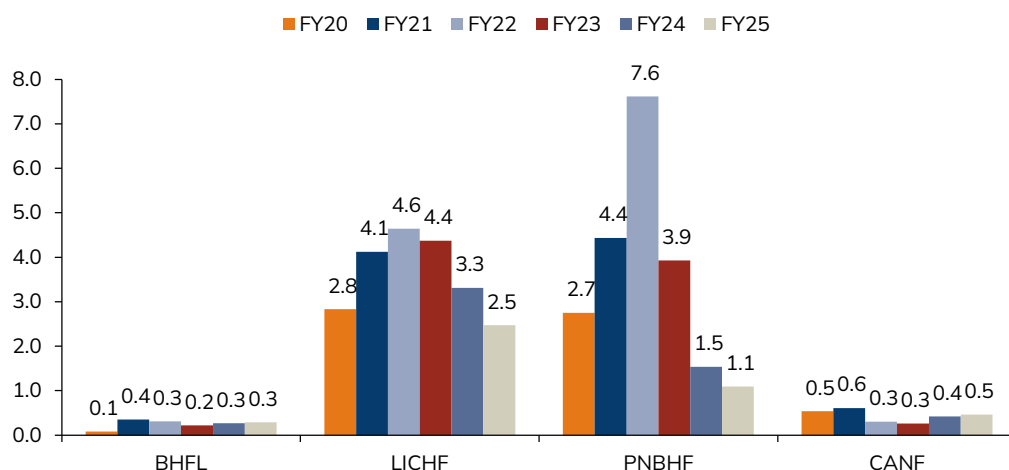
Lastly for DF, BHFL has been an outlier in terms of performance on growth as well as asset quality front. While most of the lenders have downsized this portfolio over the past few years, BHFL on the contrary has seized the opportunity and scaled this business. BHFL while scaling its DF book remained focused on quality of the book and more importantly it preferred developers/projects, which can complement its retail HLs. Thus, it preferred developers with a proven record of on-time project completion,

strong financial health and steady loan repayment track-record. DF average GNPA over the past five years has been less than 10bps and NNPA has been less than 5bps. This is despite AUM CAGR of >50% from FY20–25.

Pristine asset quality due to its superior customer profile

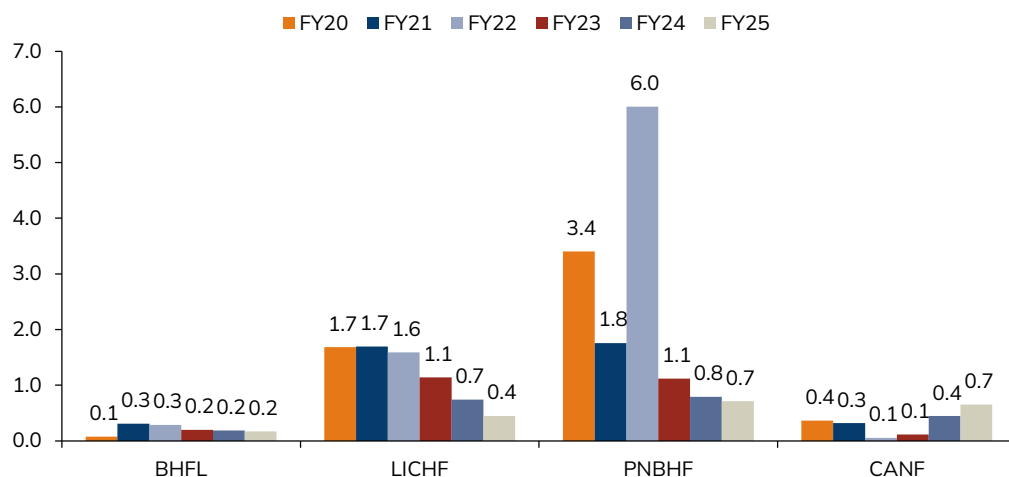
BHFL stands out as a leader in asset quality trends, which has consistently delivered lower GNPA, NNPA, slippages as well as credit cost among peers. BHFL among its peers into similar business has recorded the most superior performance, despite cycles. This is largely due to its superior customer profile and secured lending.

Exhibit 78: GNPA contained at ~20–30bps for past few years – much lower vs. peers



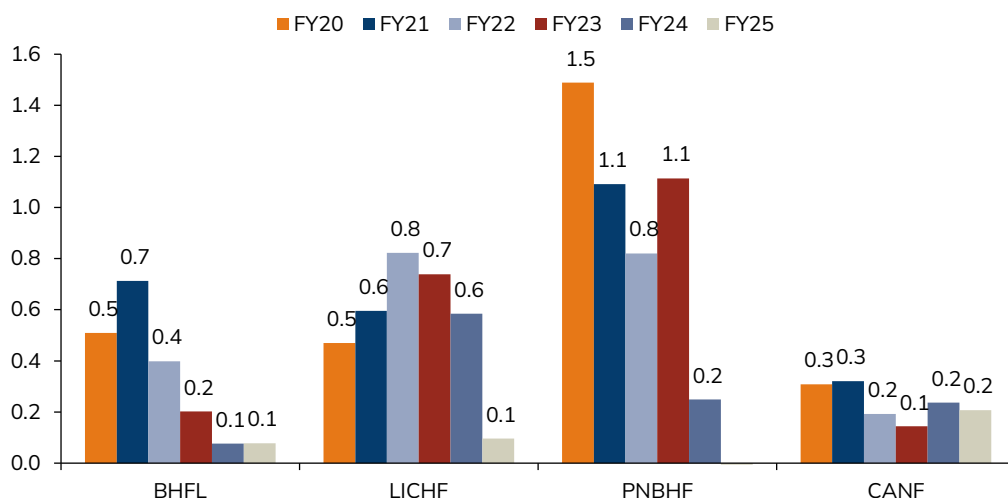
Source: Company data, I-Sec research

Exhibit 79: Slippages well-contained in the range of 20–30bps – much below peers



Source: Company data, I-Sec research

Exhibit 80: Credit cost benign at 10bps and less than peers, speaks for BHFL's robust underwriting and prudent risk management



Source: Company data, I-Sec research

Customised underwriting methods for each business segment

Retail portfolio products such as LAP, HLs and commercial products like DF and LRD each have unique underwriting structures. Retail underwriting is carried out using a centralised hub model to maintain consistency and control; whereas, commercial underwriting utilises a hybrid method that merges field due diligence with a centralised team review.

As of Jun'25, BHFL manages its retail underwriting through five centralised hubs, covering both salaried and self-employed segments. For commercial product financing, BHFL has dedicated underwriting teams handling LRD and DF, working strictly within board-approved credit policies. This ensures that customers are of superior quality; hence, asset quality ratios are well under control.

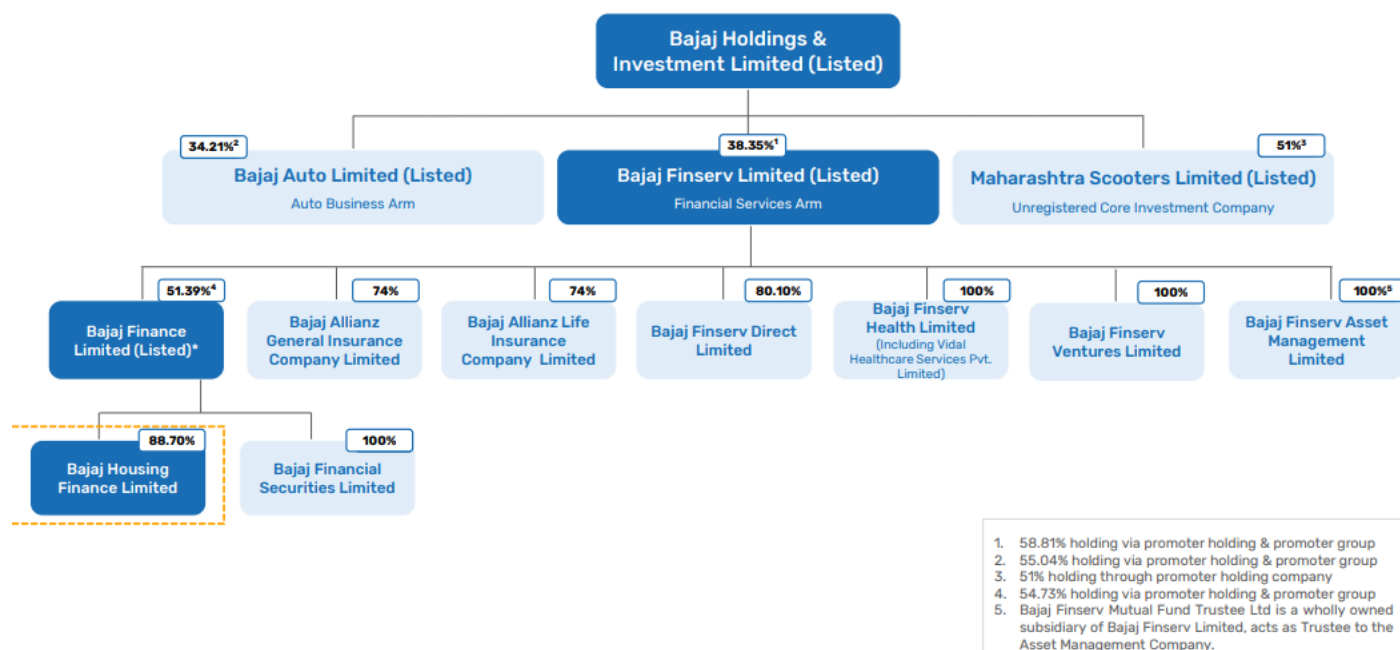
Specialised collection teams to manage overdue as well as resolution cases

It has set up a specialised collections team, to manage cases where collections are overdue for a certain period, and a separate team to focus on the resolution of cases through SARFAESI. As a result, its collection efficiency improved from 98.4% in FY22 to 99.5% in FY24.

Seasoned management at the helm in conjunction with Bajaj group's exceptional track record

BHFL's senior management includes a team of qualified and experienced personnel – a professional management akin to its parent. In terms of shareholding, Bajaj Finance owns 88.7% stake in BHFL, as of Jun'25.

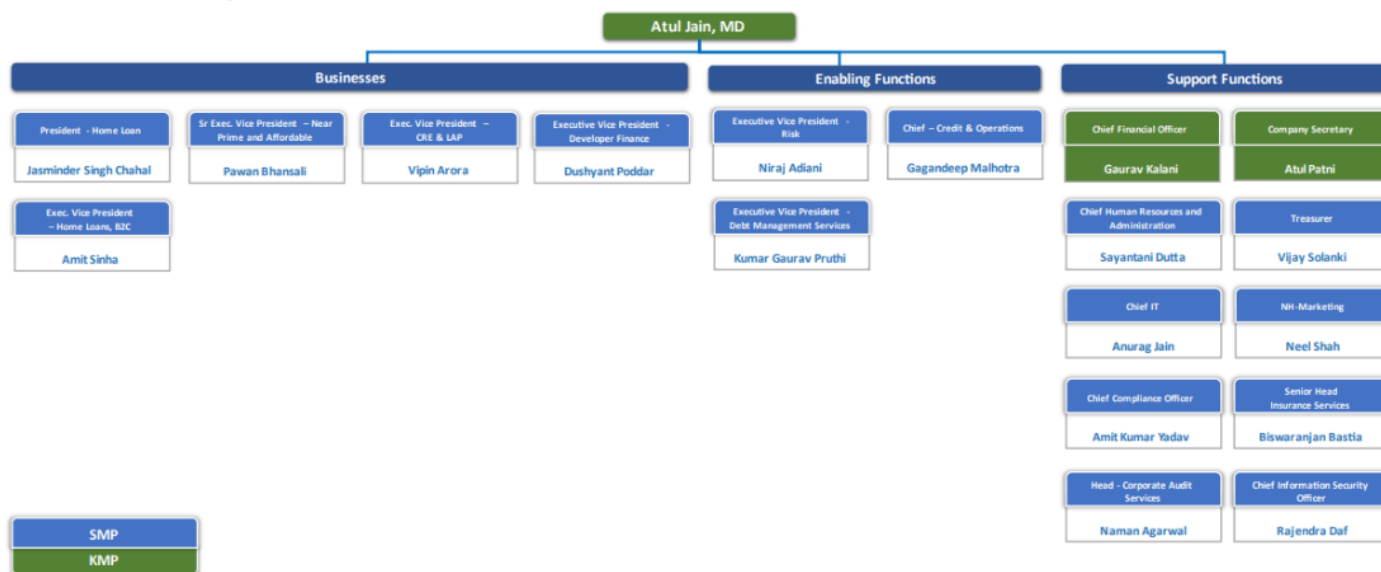
Exhibit 81: Bajaj group structure



Source: Company data, I-Sec research; Note: Shareholding as of Jun'25

Exhibit 82: BHFL – senior management team

BHFL: Senior Management Team



Source: Company data, I-Sec research

Exhibit 83: Key management personnel

Name	Designation	Profile
Atul Jain	Managing Director	He holds a Bachelor's degree in Commerce (Honours in Accounting) and a Master's degree in Business Administration, each from Punjabi University, Patiala. He has over 24 years of experience in the financial, investment banking and retail finance sectors and was previously associated with PNB Capital Services Limited as a Project Executive and with Prudential Capital Markets Limited. He joined the Bajaj group on 10 Jun'02, and joined BHFL with effect from 1 Apr'18. He was also previously associated with Bajaj Finance Limited as an Enterprise Risk Officer, where he was involved in risk and debt management.
Gaurav Kalani	Chief Financial Officer	He is responsible for finance and accounts functions in the company. He holds a Bachelor's degree in Commerce (non-collegiate) from Maharshi Dayanand Saraswati University, Ajmer. He is a chartered accountant registered with the Institute of Chartered Accountants of India. He joined the Bajaj group in 3 Apr'03 and joined BHFL with effect from 1 Apr'18
Atul Patni	Company Secretary and Compliance Officer	He is responsible for secretarial functions of the company. He has passed the Part-III examination for Bachelor's degree (honours) in Commerce and the LLB II Year (New Scheme) examination for Bachelor's degree in Law, each from the University of Rajasthan, and a Post Graduate Diploma in Management with specialisation in Finance from Institute of Rural Management, Jaipur. He is a fellow member of the Institute of Company Secretaries of India. He also holds a Post Graduate Diploma in Securities Law from Government Law College, Mumbai, and is a Chartered Associate of Indian Institute of Bankers certified by Indian Institute of Banking and Finance. He has over 13 years of experience in the financial sector, including over 10 years of experience in the banking sector. He was previously associated with AU Small Finance Bank Limited as a deputy company secretary, and with IDBI Bank Limited as a manager. He joined BHFL with effect from 14 Mar'22.
Jasminder Singh Chahal	President- Home Loan	He has passed the Bachelor's degree in Commerce (new course) examination held by the University of Pune, Pune and holds a Post Graduate Diploma in Management from Symbiosis Institute of Management Studies (SIMS), Pune. He was previously associated with ICICI Personal Financial Services Company Limited and is responsible for HL functions in the company. He joined BHFL with effect from 19 Aug'24.
Pawan Bhansali	Senior Executive Vice President- Near Prime & Affordable	He has passed the Part-II (three-year honours) examination for the degree of Bachelor of Commerce (honours) from University of Calcutta, Kolkata. He is a Chartered Accountant registered with the Institute of Chartered Accountants of India. He is an associate of the Institute of Company Secretaries of India. He was previously associated with ICICI Home Finance Company Limited as Chief Distribution Officer, and ICICI Bank Limited. He joined BHFL with effect from 19 Feb'24 and is responsible for near-prime and affordable functions in the company.
Amit Sinha	Executive Vice President – Home Loans	He holds a Bachelor's degree in commerce from University of Delhi, Delhi and a Post Graduate Certification in Strategic Management and Marketing Management from Institute of Management Technology, Ghaziabad. He joined the Bajaj group on 27 July'09 and joined BHFL with effect from 1 Feb'23. He is responsible for HLs and B2C functions in the company.
Vipin Arora	Executive Vice President – CRE & LAP	He has passed the Part III (simultaneous) examination for the Bachelor's degree in Commerce (pass) course from Shaheed Bhagat Singh College (Day), Delhi University, Delhi. He is a Chartered Accountant registered with the Institute of Chartered Accountants of India. He was previously associated with Dhanlaxmi Bank Limited and Reliance Home Finance Private Limited as Regional Credit Manager (E6 – Senior Manager) home finance. He joined BHFL with effect from 1 Apr'18 and is responsible for CRE & LAP functions in the company.
Dushyant Poddar	Executive Vice President – Developer Finance	He has passed the Part II (three-year honours) examination in Bachelor's degree in Commerce from University of Calcutta, Kolkata and a Post Graduate Diploma in Management from Indian Institute of Management, Indore. He is a Chartered Accountant registered with the Institute of Chartered Accountants of India. He was previously associated with Citibank, N.A. He joined BHFL with effect from 1 Apr'18 and is responsible for DF functions in the company.
Kumar Gaurav	Executive Vice President – Debt Management Services	He holds a Bachelor's degree in Commerce (Honours) from University of Delhi, Delhi and a Post Graduate Diploma in Business Management from Institute for Integrated Learning in Management, Delhi. He was previously associated with Indiabulls Financial Services Limited as Regional Sales Manager. He joined BHFL with effect from 1 Apr'18 and is responsible for debt management services in the company.
Niraj Adiani	Executive Vice President - Risk	He holds a Bachelor's degree in Commerce from Gujarat University, Ahmedabad. He is a Chartered Accountant registered with the Institute of Chartered Accountants of India. He was previously associated with HDFC Bank Limited and ICICI Bank Limited. He joined BHFL with effect from 1 Apr'18 and is responsible for risk functions in the company.
Gagandeep Malhotra	Chief – Credit & Operations	He holds a Bachelor's degree in Technology from National Institute of Technology, Kurukshetra and Master's degree in Business Administration from Indian Institute of Technology, Kanpur. He was previously associated with Citibank N.A. He joined BHFL with effect from 1 Jun'22 and is responsible for credit and operations functions in the company.

Name	Designation	Profile
Sayantani Dutta	Chief – Human Resources and Administration	She has passed the three-year degree course examination for the Bachelor's degree in Science (Honours) from Ranchi University, Ranchi and holds a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar. She was previously associated with Kotak Mahindra Bank Limited. She joined BHFL with effect from 11 Mar'24 and is responsible for human resources functions in the company.
Vijay Vikram Singh Solanki	Treasurer	He holds a Bachelor's degree in Engineering from Shivaji University, Kolhapur and a Master's degree in Business Administration from Institute for Technology and Management, Mumbai. He was previously associated with JM Morgan Stanley Fixed Income Securities Private Limited as Assistant Vice President and Khandwala Finances Limited. He joined BHFL with effect from 15 Dec'20 and is responsible for treasury functions in the company.
Anurag Jain	Chief – Information Technology	He holds a Bachelor's degree in Engineering from Guru Nanak Dev Engineering College, Panjab University, Ludhiana. He also completed an Executive Program in Leadership and Management from Indian Institute of Management, Calcutta. He was previously associated with Infinite Computed Solutions (India) Limited as Assistant Vice President. He joined BHFL with effect from 1 Apr'18 and is responsible for information technology functions in the company.
Neel Ravindra Shah	National Head – Marketing	He is the National Head – Marketing for BHFL. He holds a Bachelor's degree in Commerce and a Master's degree in Commerce, each from the University of Pune (formerly University of Poona) and a Master's degree in Business Administration from Symbiosis Centre for Management & Human Resource Development, Pune. He was previously associated with Group M Media India Private Limited. He joined BHFL with effect from 1 Apr'18 and is responsible for marketing functions in the Company.
Amit Kumar Yadav	Chief Compliance Officer	He holds a Bachelor's degree in Arts (Honours) in Business Economics from University of Delhi, Delhi and a Post Graduate Diploma in Business Administration from Symbiosis Centre for Distance Learning, Pune. He was previously associated with DHFL Pramerica Life Insurance Company Limited as Senior Manager – Regulatory and Corporate Compliance and Aviva Life Insurance Company India Limited as Manager – Sales Compliance. He joined BHFL with effect from 1 Apr'22 and is responsible for compliance functions in the Company.
Biswaranjan Bastia	Senior Head – Insurance Services	He holds a Bachelor's degree in Electrical Engineering from University College of Engineering, Burla, and holds a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar. He was previously associated with SREI Equipment Finance Private Limited. He joined BHFL with effect from 1 Nov'18 and is responsible for insurance functions in the company.
Naman Agarwal	Head – Corporate Audit Services	He has a Bachelor's degree in Commerce from the National Degree College, University of Lucknow. He is a Chartered Accountant registered with the Institute of Chartered Accountants of India. He has previously been associated with Indiabulls Financial Services Limited and ICICI Bank Limited. He joined BHFL with effect from 1 Apr'18 and is responsible for corporate audit services functions in the company.
Rajendra Pandurang Daf	Chief Information Security Officer	He holds a Bachelor's degree in Engineering from Amravati University, Amaravati. He was previously associated with KPMG Assurance and Consulting Services LLP as Senior Associate Director and Bajaj Allianz Life Insurance Company Limited. He joined BHFL with effect from 24 Jun'22 and is responsible for information security functions in the company.

Source: Company data, I-Sec research

BHFL vs. erstwhile HDFC Limited

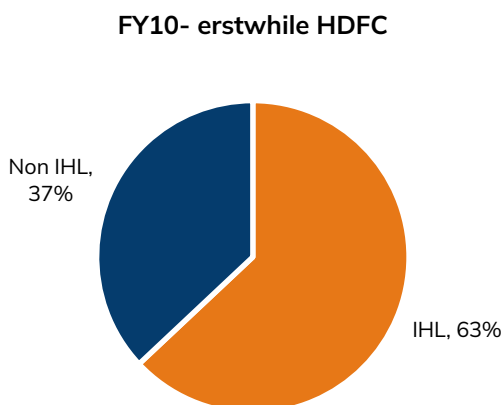
HDFC more cost efficient at ~INR 1trn AUM (FY10)

In many ways, BHFL and erstwhile HDFC Limited are similar on the strategy front – 1) diversified AUM mix; 2) focus on prime housing with preference towards salaried customers; 3) steady AUM growth; and 4) stringent underwriting and risk management practise.

During its initial phase, erstwhile HDFC sustained 20% AUM growth and 20% RoE (FY07–16) on the back of ~35% non-HL book (high yielding) and highly cost-efficient operations (~60bps gap in cost ratio between BHFL and erstwhile HDFC). Further, relatively low competition helped erstwhile HDFC in maintaining ~4% calculated NIMs during FY07–16.

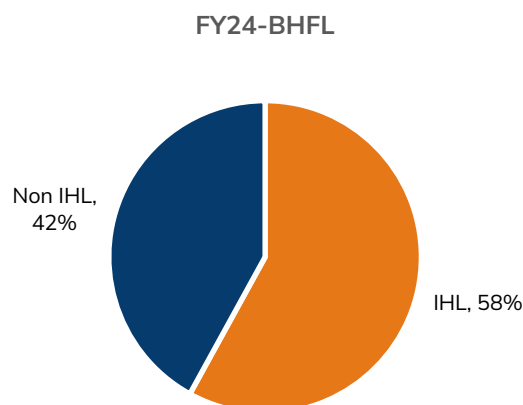
AUM mix of BHFL and erstwhile HDFC was similar at ~INR 1trn AUM

Exhibit 84: FY10 – erstwhile HDFC



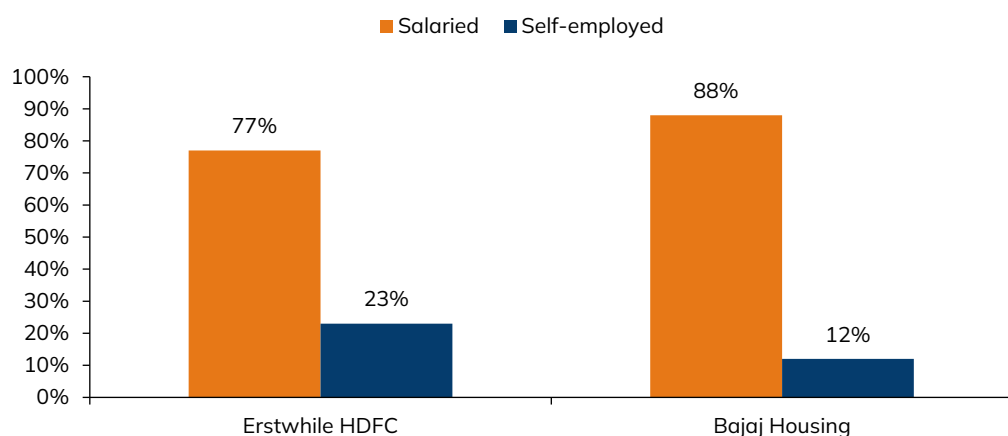
Source: I-Sec research, Company data

Exhibit 85: FY24 – BHFL



Source: I-Sec research, Company data

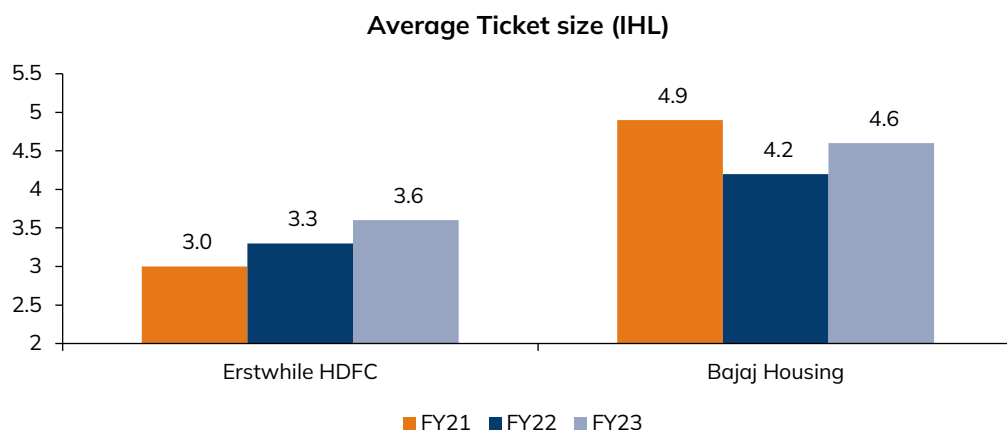
Exhibit 86: Salaried customer base remained most preferred segment for both mortgage players



Source: I-Sec research, Company data

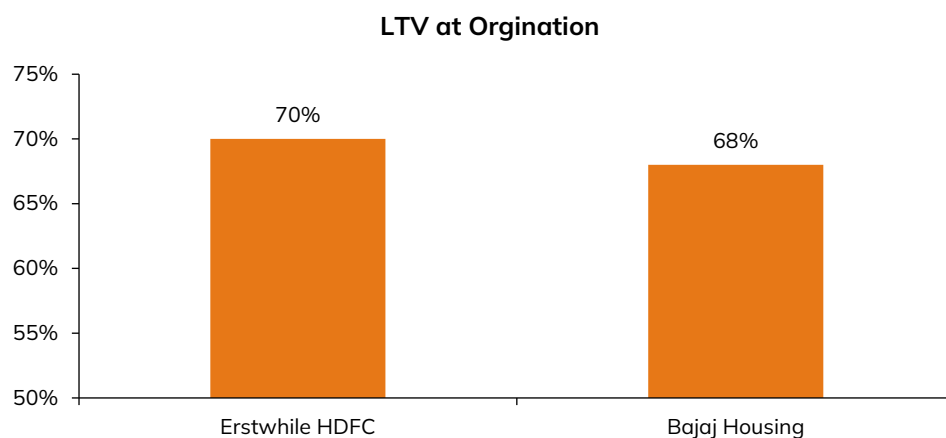
Note: Only for Individual loans; Bajaj Housing data as of Q1FY26 for home loans and salaried customers include professional customers which is ~4% of total HL book

Exhibit 87: Average ticket size at origination in individual HL stands between ~3.5mn–4.5mn for BHFL and erstwhile HDFC



Source: I-Sec research, Company data

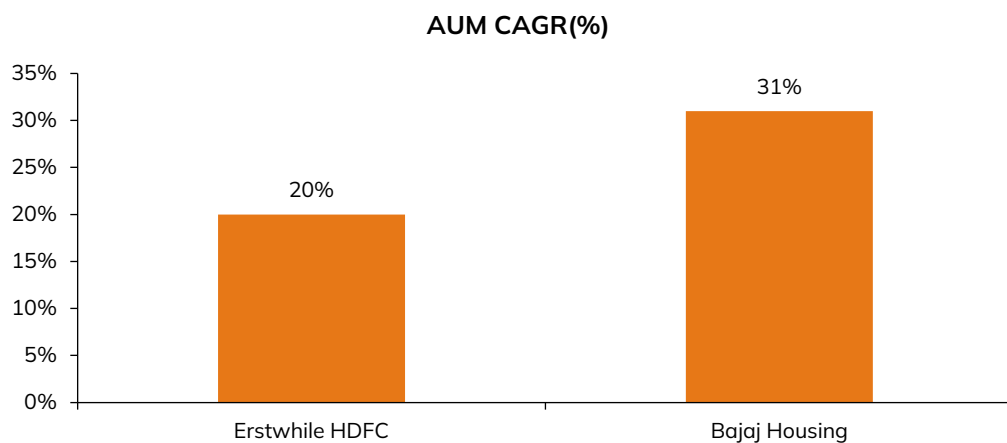
Exhibit 88: LTV at origination remained same at 68 to 70% for both players in individual HL category



Source: I-Sec research, Company data

While BHFL has been ahead in scaling its AUM from INR 500bn to ~INR 1trn, compared to erstwhile HDFC, its profitability has been lower. It took ~6 years for erstwhile HDFC vs. 4 years for BHFL in reaching INR 1trn from INR 500bn of AUM.

Exhibit 89: Journey from INR 500bn to ~INR 1trn



Source: I-Sec research, Company data

About Bajaj Housing Finance Limited (BHFL)

BHFL (formerly known as Bajaj Financial Solutions Limited) was incorporated as a subsidiary of Bajaj Finserv Limited (BFS) on 13 Jun'08. On 1 Nov'14, it was acquired by Bajaj Finance Limited (BFL) as a wholly-owned subsidiary – to operate as the housing finance arm of BFL. Following this, its name was changed to Bajaj Housing Finance Limited on 14 Nov'14; and, on 24 Sep'15, the company received its registration from NHB as a non-deposit taking HFC authorised to conduct housing finance business.

The company commenced its lending operations in Jul'17. Under RBI's scale-based regulations, BHFL has been classified as an Upper Layer NBFC (NBFC-UL) since 30 Sep'22, one of 15 NBFCs under this category. It is currently regulated by the RBI and supervised by NHB.

As per RBI's regulation for HFCs to maintain Principal Business Criteria (PBC) of 60% as on 30 Jun'25, BHFL has achieved the regulatory requirement with PBC of 61.71%.

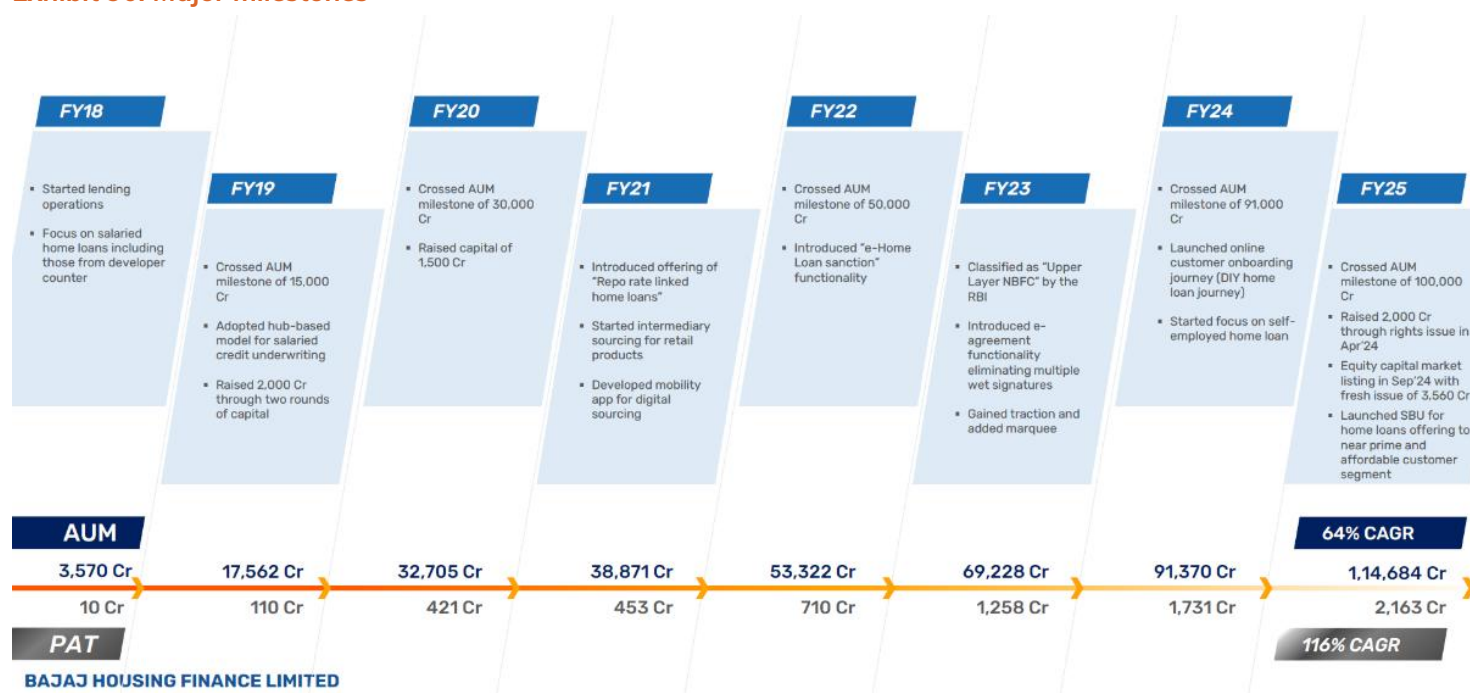
BHFL enjoys the highest credit rating of AAA/stable from CRISIL and India Ratings for its long-term debt programme, and A1+ from both rating agencies for its short-term debt programme, reflecting its robust financial standing and repayment capability.

BHFL ranks among the largest housing finance companies in India and continues to expand its retail and commercial businesses. Its strategy focuses on building a low-risk, medium-return portfolio, with HLs comprising 56% of the portfolio, of which 86% are attributed to low-risk salaried/professional customers. The company provides loans to individuals and corporates for purchase and renovation of residential and commercial properties, with its mortgage suite including: 1) HLs; 2) LAP; 3) LRD; and 4) DF.

The company's focus is on low-risk HL customers; and, as of Jun'25, HLs contributed ~56% of AUM with customer mix of salaried/self-employed/professional of 84%/12%/4%.

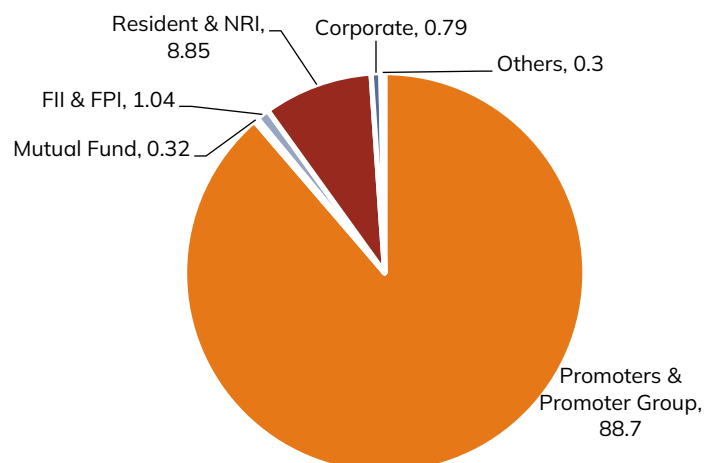
As of Jun'25, BHFL's AUM stands at INR 1,204bn, having grown at a CAGR of 37% between FY19–Q1FY26. The company has a pan-India presence – spread across 175 locations, 217 branches and 21 states, as on Jun'25.

Exhibit 90: Major milestones



Source: Company data, I-Sec research

Exhibit 91: 88.7% shareholding by Bajaj Finance Limited



Source: Company data, I-Sec research;

Note- Shareholding as of Jun'25

Financial outlook

AUM to expand at ~22% CAGR over FY25–27E

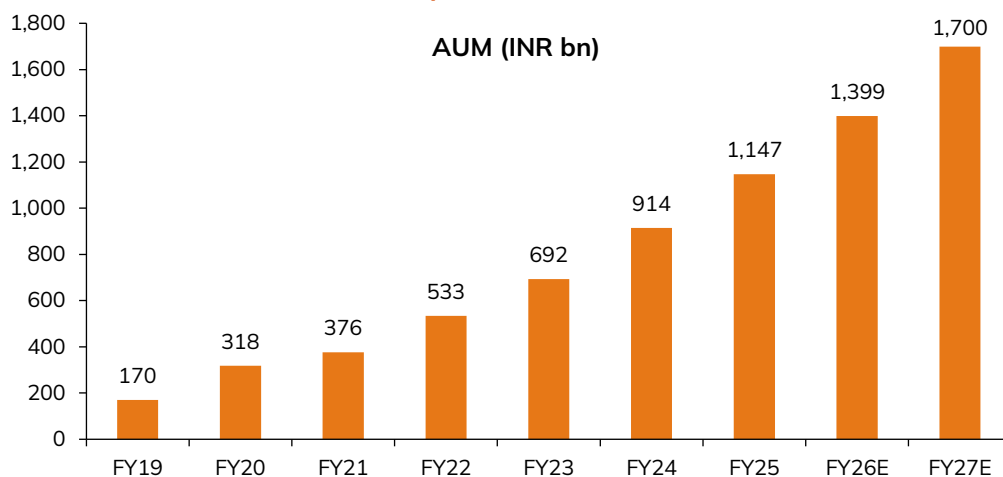
BHFL's competitive edge stems from its product (retail + wholesale) and customer (B2C + B2B) diversification which helps it capture the entire value chain of mortgage solutions. This has enabled BHFL to nudge its market share in individual housing loan higher to 1.6% by FY24, from 1.1% in FY21; also, implying ~10–15bps market share improvement every year. Notably, its disbursement market share is materially higher at ~5%, as on Mar'24, suggesting that BHFL is well placed to improve its loan market share in the near term.

BHFL has seen a robust growth runway over the past few years, evident in the 65% CAGR from FY18–25 and 29% CAGR from FY2–25. This is well above its peers, which have on average grown at ~7% CAGR over FY20–25. BHFL's disbursements have also grown broadly in line with its AUM, at a 29% CAGR between FY22–25.

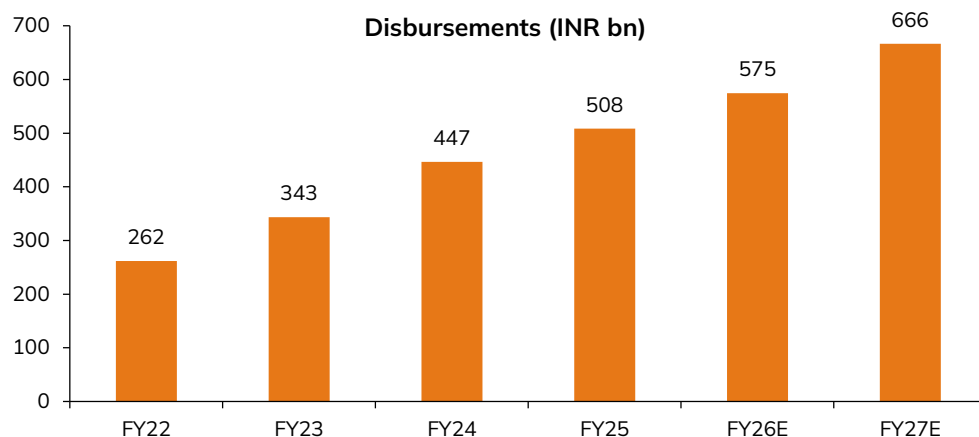
The company's current AUM mix constitutes 56% of housing, followed by 20% of LRD, 12% of DF and 11% of LAP. Given its diversified product mix, competitive pricing and offerings across varied customer profile, BHFL is well placed to capture a meaningful portion of the pie in India's under-penetrated mortgage market. Its non-housing portfolio now (on AUM basis) is 44% of the overall portfolio vs. 35%/33%/17% in FY22/FY20/FY18. Given RBI's principal business criteria (PBC) of minimum 60% exposure towards housing for on-book loans for HFCs, BHFL's loan mix is likely to remain steady at current levels.

Overall, with its diversified portfolio offerings and large market size, we envisage BHFL's AUM growth momentum to sustain. We are building in an AUM CAGR of 22% over FY25–27E for BHFL and expect the loan mix to remain largely stable.

Exhibit 92: AUM CAGR of ~22% expected over FY25–27E



Source: Company data, I-Sec research

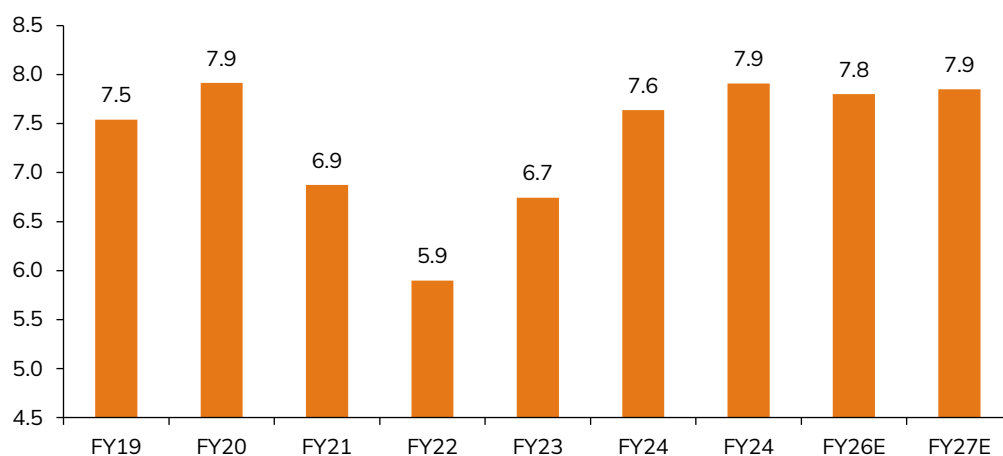
Exhibit 93: Disbursements likely to grow at ~14% CAGR over FY25–27E

Source: Company data, I-Sec research

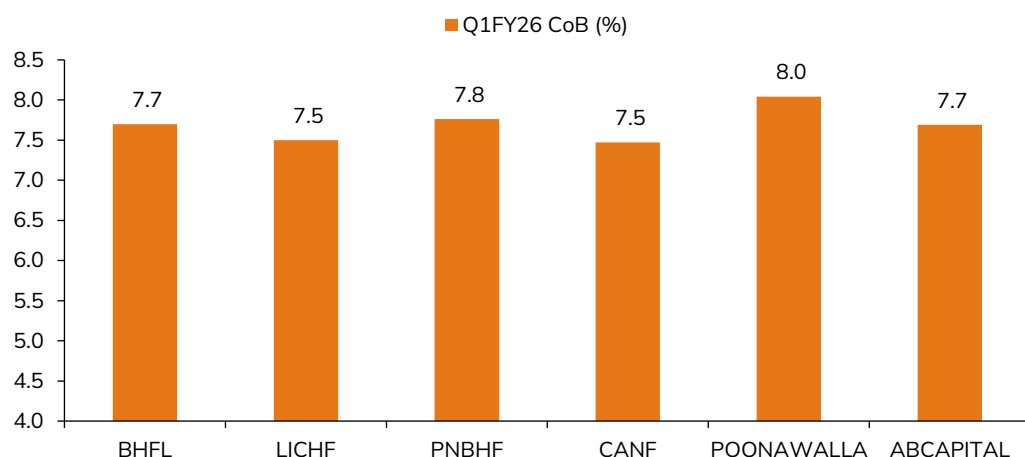
Liability cost well managed; thus, aiding BHFL's competitive pricing in lending

To complement its strong asset franchise, BHFL has actively managed its liability business. Over the years, it has built one of the most diversified funding mix with bank borrowings contributing 37% of total funding, NHB refinance at 10% and money market at 53%. Its cost of borrowings stood at 7.9%/7.7% in FY25/Q1FY26, which is one of the lowest among peers. It has seen a 21bps decline in cost of borrowings to 7.7% during Q1FY26. This was largely on the back of incremental borrowings being at a lower rate, coupled with repo rate transmission benefit on existing borrowings.

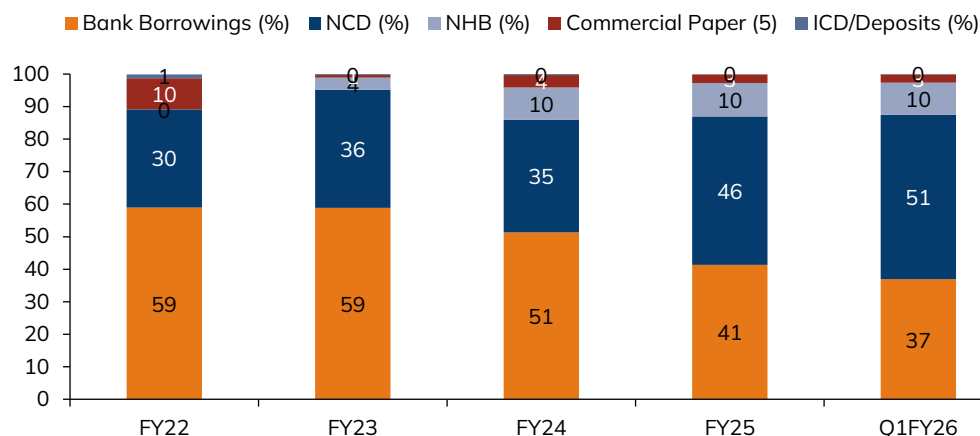
Of the total bank borrowings as of FY25-end, 23–24% is linked to MCLR and the balance is either repo or repo-equivalent, which can be a T-bill or G sec where the pass through is largely similar to repo rate. Money market borrowings and NHB refinance would largely be fixed in nature and of longer duration, which would enable stability in borrowing costs over the longer term. Going ahead, we expect borrowing cost to settle in the range of 7.8–7.9% for FY26E as well as FY27E.

Exhibit 94: Borrowing cost likely to stabilise around current levels

Source: Company data, I-Sec research

Exhibit 95: Large AAA-rated NBFCs' borrowing costs range of 7.5–8%


Source: Company data, I-Sec research

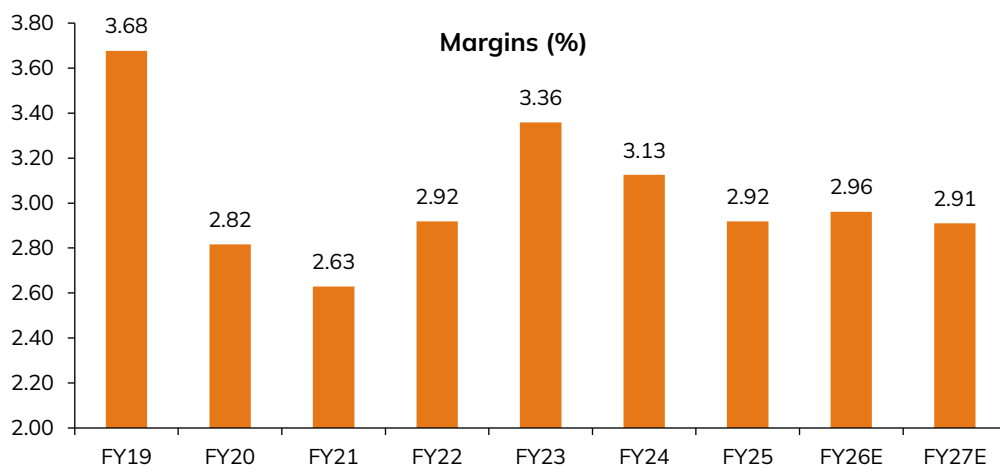
Exhibit 96: Borrowings mix from FY22–Q1FY26


Source: Company data, I-Sec research

NIM to sustain in the range of 2.9–3% over FY25–27E

BHFL has been able to manage NIM in a narrow range of 2.8–3%, despite maintaining a highly competitive prime housing share at 58% of total AUM. This was supported by its focus on product and customer diversification. Product extension beyond prime housing like individual LAP, construction finance, entry into near-prime and affordable and incremental focus on growing the self-employed segment are key drivers behind the company's steady NIM in recent years and despite having higher share of floating rate assets at ~96%.

Going ahead, management has guided that margins are expected to moderate by 15–20bps in FY26 due to a reduction in investment income, which in FY25 was higher due to two rounds of capital raising. BHFL raised INR 55.6bn in FY25, which was ~45% of its FY24 net worth. We expect yields to contract ~15bps in FY26E. Cost of funds too should ease by ~10bps in FY26E; thus, partially offsetting the impact of yield contraction.

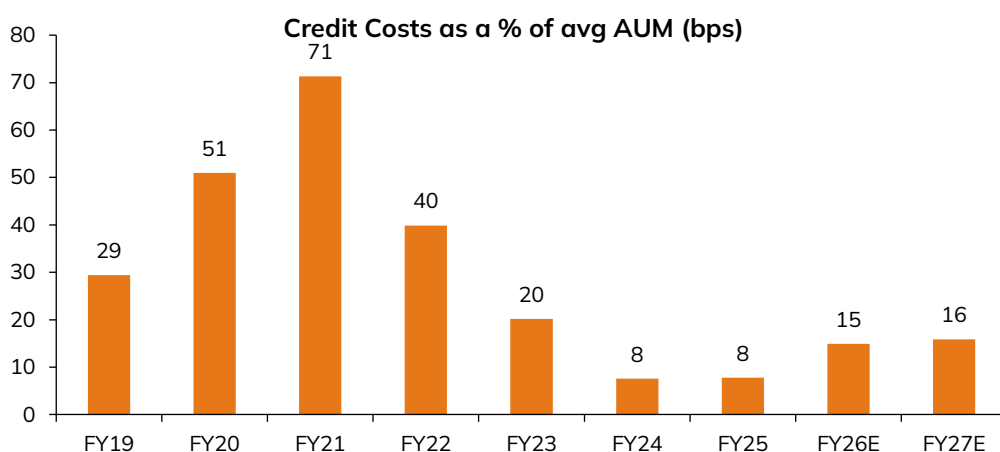
Exhibit 97: Margins likely to remain rangebound

Source: Company data, I-Sec research

Robust asset quality metrics aided by superior customer profile

BHFL largely focuses on the prime customer segment, which is relatively low yielding, but also less risky in nature. This is well reflected in BHFL's average credit cost (as a % of average AUM) staying at ~12bps over the past three years. Its GNPA over the past three years has averaged at ~26bps and NNPA at ~10bps, with PCR of ~63%.

BHFL's portfolio has more than doubled in the past three years ending FY25. While the company follows stringent underwriting and robust collection practises, we could see overall Stage-3 inching-up on a steady state basis, once the portfolio gets seasoned. This should translate into marginally higher credit cost as well, in a steady state scenario over the long term. We are, therefore, building in credit cost (as a % of average AUM) of 15bps/16bps for FY26E/FY27E.

Exhibit 98: Credit cost likely to remain below 20bps

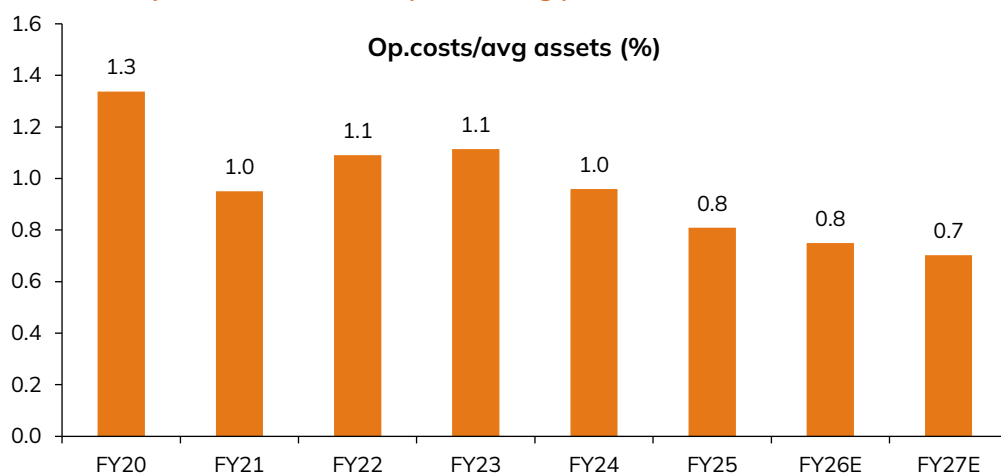
Source: Company data, I-Sec research

Opex to assets likely to decline gradually as portfolio builds further scale

BHFL's operating expenses, as a share of net total income, declined from 29.2% in FY22 to 25.7% in FY23, and further to 24% in FY24 and to 20.8%/21.1% in FY25/Q1FY26. BHFL continues to utilise technology and analytics to improve productivity, automate processes, and thereby reduce operating costs. Moreover,

digital initiatives have resulted in further improvement in efficiency. Also, diversified offerings are likely to help BHFL deliver higher productivity. Its AUM per branch has quadrupled since FY22. Ahead, we expect ~10bps improvement in cost ratios.

Exhibit 99: Opex moderation likely in coming years



Source: Company data, I-Sec research

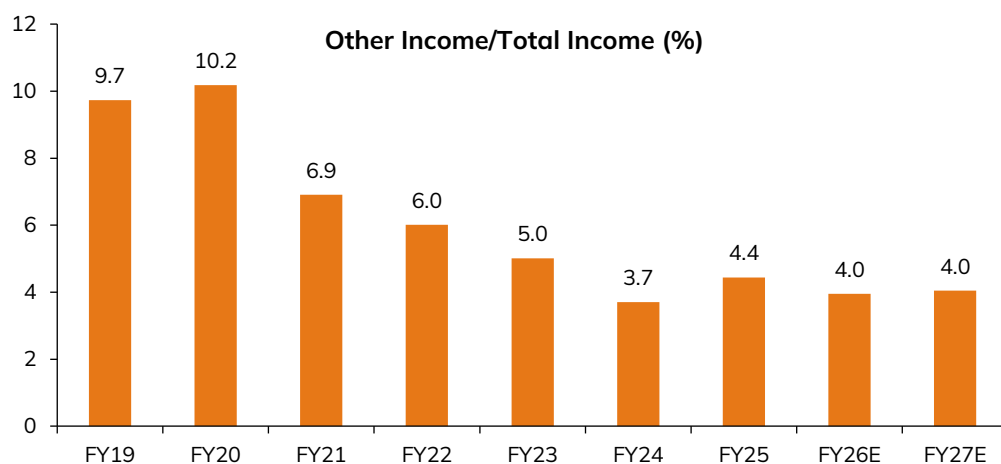
Other income's share in total income to hold around current levels

BHFL generates revenue by cross-selling third-party financial products such as insurance. Through partnerships, it distributes life, health, and general insurance policies, other financial services products along with primary online healthcare services. BHFL has also received a Corporate Agency license from IRDAI in FY25, enabling the company to serve customers' insurance needs while expanding its fee income base. Moreover, it has income from derecognised loans due to assignment.

Among non-interest income, fee and commission income is almost a-third of the total since the past two years. This has averaged at ~18bps of average AUM since the past five years and we expect a similar trend to continue.

Overall, non-interest income, as a % of total income (NII + non-interest income), has been ~14–16% over the past three years. We expect this trend to continue. Ahead, we peg non-interest income to be ~4% of the total income for FY26E as well as FY27E.

Exhibit 100: Other income likely to remain around 4% as a % of overall income



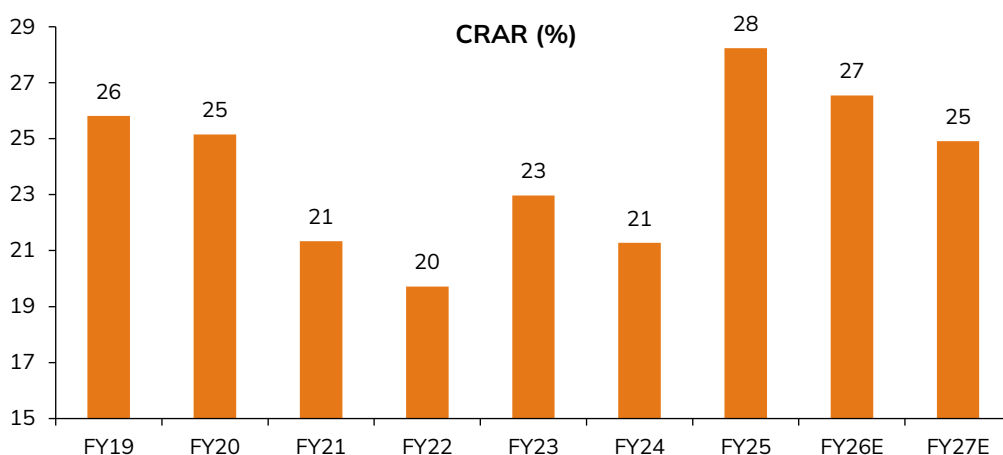
Source: Company data, I-Sec research

Capital adequacy healthy, aided by two rounds of fund raise in FY25

BHFL has a healthy capital adequacy ratio of 26.94% as of Q1FY26, against regulatory requirement of 15% and vs. 21.28% as of FY24-end. The sharp rise in CRAR can be attributed to two equity fund raise transactions in FY25, namely rights issue by parent in Apr'24 and IPO in Sep'24.

Going ahead, BHFL is expected to see a higher growth trajectory of >25%, as against a RoE estimate of 12-13% over the next 1-2 years, implying timely capital requirements in order to sustain growth momentum. Currently, BHFL has a leverage of 5.4x and it has a threshold of 8x.

Exhibit 101: CRAR at 26.94%, well above regulatory threshold post two rounds of equity fund raise in FY25



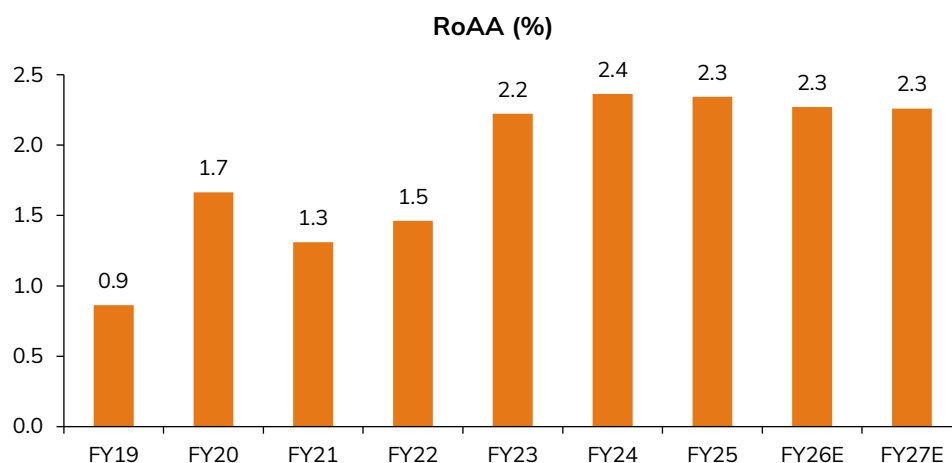
Source: Company data, I-Sec research

RoA likely to be stable ~2.3% until FY27E; PAT CAGR of >20% expected from FY25–27E

In terms of return ratios, BHFL has consistently delivered superior and steady performance. Since the past three years, RoA has been steady in the range of 2.2–2.4%. RoE also settled ~14% for FY23 as well as FY24; but, it moderated to ~13% for FY25 due to equity capital raise.

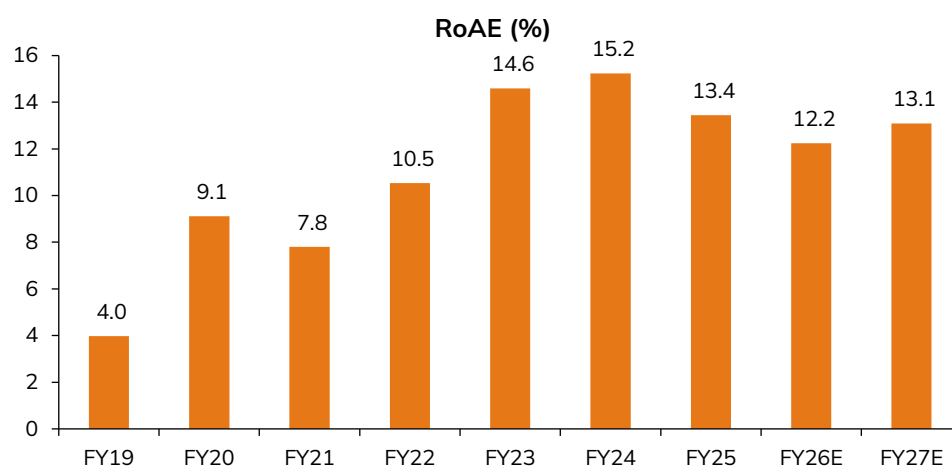
We believe, BHFL's RoA has levers from opex efficiency and some improvement in margins, while an inch-up in credit cost on steady state basis could partially offset the benefit flowing from opex efficiency and margins. Overall, we are building in RoA (calculated) of 2.3% for FY26E as well as FY27E, similar to FY25. This would imply a PAT CAGR of >20% over FY25–27E.

Exhibit 102: RoA likely to see slow and steady uptick, largely aided by opex efficiency



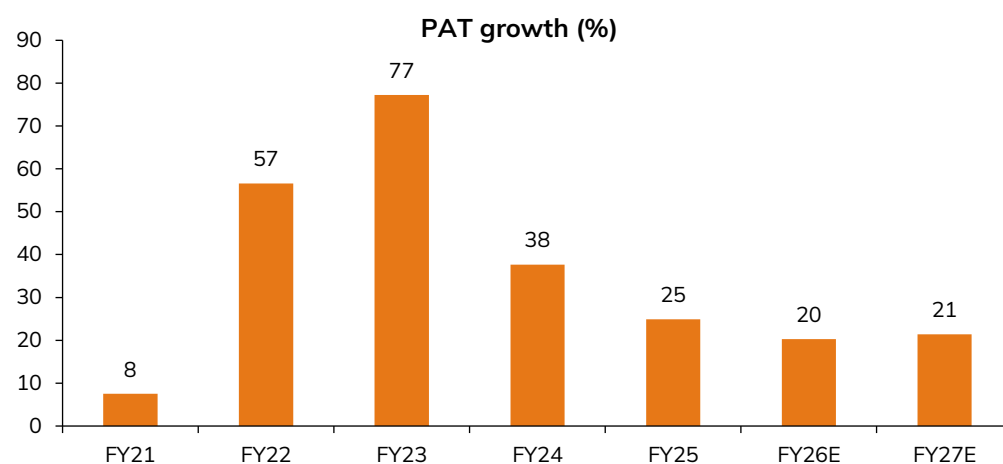
Source: Company data, I-Sec research

Exhibit 103: RoE dilution visible in FY25, due to fund raise; likely to reach ~13% by FY27E



Source: Company data, I-Sec research

Exhibit 104: Strong PAT growth of >20% expected over FY25–27E



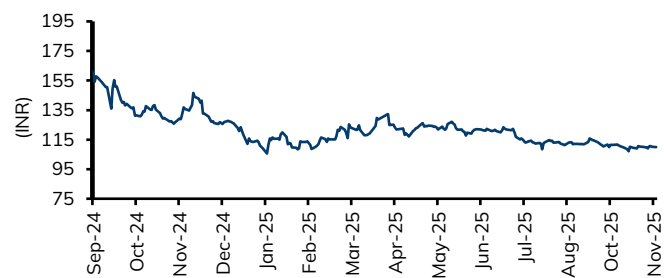
Source: Company data, I-Sec research

Exhibit 105: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	88.8	88.7	88.7
Institutional investors	1.9	1.6	1.4
MFs and other	0.5	0.3	0.3
Banks/ FIs	0.0	0.0	0.0
Insurance Cos.	0.3	0.3	0.2
FIs	1.1	1.0	0.9
Others	9.3	9.7	9.9

Source: Bloomberg, I-Sec research

Exhibit 106: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 107: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest Income	72,024	89,862	109,852	135,130
Net gain on fair value changes	1,332	1,643	1,736	2,118
Interest Expenses	(46,926)	(59,793)	(72,157)	(90,045)
Net Interest Income (NII)	25,098	30,069	37,695	45,085
Other Income	4	4	4	4
Total Income (net of interest expenses)	29,251	35,967	44,026	52,989
Employee benefit expenses	(4,656)	(4,836)	(5,143)	(5,931)
Depreciation and amortization	-	-	-	-
Fee and commission expenses	(117)	(119)	(149)	(186)
Other operating expenses	(2,256)	(2,508)	(3,302)	(3,700)
Total Operating Expense	(7,029)	(7,464)	(8,594)	(9,818)
Pre Provisioning Profits (PPoP)	22,222	28,503	35,432	43,171
Provisions and write offs	(609)	(801)	(1,898)	(2,463)
Profit before tax (PBT)	21,613	27,702	33,534	40,708
Total tax expenses	(4,301)	(6,073)	(7,520)	(9,128)
Profit after tax (PAT)	17,312	21,629	26,015	31,580

Source Company data, I-Sec research

Exhibit 108: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Share capital	67,122	83,282	83,282	83,282
Reserves & surplus	55,213	116,187	142,201	173,781
Shareholders' funds	122,335	199,468	225,483	257,063
Borrowings	689,451	820,343	1,029,076	1,264,250
Provisions & Other Liabilities	5,596	7,079	7,768	8,525
Deferred tax liabilities (net)	-	-	-	-
Current Liabilities and short-term provisions	889	1,197	1,281	1,371
Total Liabilities and Stakeholder's Equity	818,271	1,028,088	1,263,607	1,531,209
Cash and balance with RBI	640	618	760	921
Fixed assets	875	1,003	1,204	1,445
Loans	793,008	995,129	1,223,920	1,483,861
Investments	19,386	25,333	31,158	37,775
Deferred tax assets (net)	509	441	530	636
Current Assets including cash and bank	-	-	-	-
Other Assets	3,500	5,161	5,553	5,992
Total Assets	818,271	1,028,088	1,263,607	1,531,209

Source Company data, I-Sec research

Exhibit 109: Key Ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
AUM and Disbursements (INR mn)				
AUM	913,704	1,146,840	1,398,766	1,699,726
On-book Loans	793,008	995,129	1,223,920	1,483,861
Off-book Loans	120,697	151,711	174,846	215,865
Disbursements	446,562	508,430	574,526	666,450
Sanctions	-	-	-	-
Repayments	-	-	-	-
Growth (%):				
Total AUM (%)	32.0	25.5	22.0	21.5
Disbursements (%)	30.1	13.9	13.0	16.0
Sanctions (%)	-	-	-	-
Repayments (%)	-	-	-	-
Loan book (on balance sheet) (%)	27.7	25.5	23.0	21.2
Total Assets (%)	26.6	25.6	22.9	21.2
Net Interest Income (NII) (%)	22.0	19.8	25.4	19.6
Non-interest income (%)	(0.7)	50.8	8.0	25.9
Total Income (net of interest expenses) (%)	19.2	23.0	22.4	20.4
Operating Expenses (%)	11.5	6.2	15.1	14.2
Employee Cost (%)	7.0	3.9	6.3	15.3
Non-Employee Cost (%)	24.4	11.2	31.6	12.1
Pre provisioning operating profits (PPoP) (%)	21.9	28.3	24.3	21.8
Provisions (%)	(50.7)	31.5	137.0	29.7
PBT (%)	27.1	28.2	21.1	21.4
PAT (%)	37.6	24.9	20.3	21.4
EPS (%)	37.6	0.7	20.3	21.4
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	3.5	3.4	3.4	3.3
NIM on IEA (%)	3.1	2.9	3.0	2.9
NIM on AUM (%)	3.1	2.9	3.0	2.9
Yield on loan assets (%)	10.2	10.1	9.9	10.0
Yield on IEA (%)	9.0	8.7	8.6	8.7
Yield on AUM (%)	9.0	8.7	8.6	8.7
Cost of borrowings (%)	7.7	7.9	7.8	7.9
Interest Spreads (%)	2.5	2.1	2.1	2.1
Operating efficiencies				
Non interest income as % of total income	32.9	31.4	32.4	31.5
Cost to income ratio	24.0	20.8	19.5	18.5
Op.costs/avg assets (%)	1.0	0.8	0.8	0.7
Op.costs/avg AUM (%)	0.9	0.7	0.7	0.6
No of employees (estimate) (mn)	2,372	1,977	1,877	1,827
No of branches (x)	215	216	228	240
Salaries as % of non-interest costs (%)	66.2	64.8	59.8	60.4
NII /employee (INR mn)	10.6	15.2	20.1	24.7
AUM/employee (INR mn)	385.2	580.1	745.2	930.3
AUM/ branch (INR mn)	4,249.8	5,309.4	6,134.9	7,082.2
Capital Structure				
Average gearing ratio (x)	5.6	4.1	4.6	4.9
Leverage (x)	6.7	5.2	5.6	6.0
CAR (%)	21.3	28.2	26.5	24.9
Tier 1 CAR (%)	20.7	27.7	26.1	24.6
Tier 2 CAR (%)	0.6	0.5	0.4	0.4
RWA (estimate) - INR mn	573,518	701,884	863,255	1,046,597
RWA as a % of loan assets	72.3	70.5	70.5	70.5

Source Company data, I-Sec research

	FY24A	FY25A	FY26E	FY27E
Asset quality and provisioning				
GNPA (%)	0.3	0.3	0.3	0.4
NNPA (%)	0.1	0.1	0.2	0.2
GNPA (INR mn)	2,156	2,870	4,121	5,442
NNPA (INR mn)	782	1,140	1,855	2,340
Coverage ratio (%)	63.7	60.3	55.0	57.0
Credit Costs as a % of avg AUM (bps)	8	8	15	16
Credit Costs as a % of avg on book loans (bps)	9	9	17	18
Return ratios				
RoAA (%)	2.4	2.3	2.3	2.3
RoAE (%)	15.2	13.4	12.2	13.1
ROAAUM (%)	2.2	2.1	2.0	2.0
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	6,712	8,328	8,328	8,328
No of shares (fully diluted)	6,712	8,328	8,328	8,328
ESOP Outstanding	-	-	-	-
EPS (INR)	2.6	2.6	3.1	3.8
EPS fully diluted (INR)	2.6	2.6	3.1	3.8
Price to Earnings (x)	42.4	42.1	35.0	28.8
Price to Earnings (fully diluted) (x)	42.4	42.1	35.0	28.8
Book Value (fully diluted)	18	24	27	31
Adjusted book value	18	24	27	31
Price to Book	6.0	4.6	4.0	3.5
Price to Adjusted Book	6.0	4.6	4.1	3.6
DPS (INR)	-	-	-	-
Dividend yield (%)	-	-	-	-

Source Company data, I-Sec research

Exhibit 110: Key Metrics

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
DuPont Analysis				
Average Assets (INR mn)	732,406	923,179	1,145,848	1,397,408
Average Loans (INR mn)	707,073	894,068	1,109,525	1,353,891
Average Equity (INR mn)	113,683	160,902	212,475	241,273
Interest earned (%)	9.8	9.7	9.6	9.7
Net gain on fair value changes (%)	0.2	0.2	0.2	0.2
Interest expended (%)	6.4	6.5	6.3	6.4
Gross Interest Spread (%)	3.4	3.3	3.3	3.2
Credit cost (%)	0.1	0.1	0.2	0.2
Net Interest Spread (%)	3.3	3.2	3.1	3.1
Operating cost (%)	0.9	0.8	0.7	0.7
Lending spread (%)	2.4	2.4	2.4	2.4
Non interest income (%)	0.4	0.5	0.4	0.4
Operating Spread (%)	2.8	2.8	2.8	2.8
Tax rate (%)	19.9	21.9	22.4	22.4
ROAA (%)	2.4	2.3	2.3	2.3
Effective leverage (AA/ AE)	6.4	5.7	5.4	5.8
RoAE (%)	15.2	13.4	12.2	13.1

Source Company data, I-Sec research

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