Axis Annual Analysis 2025

AAA

Bajaj Finance Ltd.

AXIS SECURITIES

Delivering Strong Growth While Navigating Headwinds

Summary

FY25 was marked by yet another consistent and strong performance delivery by BAF across operational parameters. The company resumed its growth trajectory post the lifting of the restrictions on 2 of its products (eCOM and InstaEMI) in early FY25 (May'24). AUM growth was strong across segments, while the company did not shy away from holding back growth in segments where elevated stress was visible. Asset quality challenges were present owing to unfavourable macros and customer over-leveraging. However, BAF was able to navigate these challenges and deliver pristine asset quality performance during the year. BAF continues to strengthen its presence in the lower-risk secured segments, while ensuring profitable growth delivery. BAF delivered a strong RoA/RoE of 4.6/19.4% in FY25.

Key Highlights

- **Financial Performance:** BAF added 18 Mn (+25% YoY) new customers during FY25, increasing the total customer base to 102 Mn (+22% YoY). New loan bookings stood at 43 Mn, growing at a healthy pace of 20% YoY. Consequently, AUM growth was robust at 25% YoY in FY25, with growth visible across segments. Risks emerged in the Rural B2C segment, and the company consciously decided to wind down the captive 2/3 Wheeler business, resulting in the company slowing down growth in these segments. It is gradually increasing its presence in secured segments and has also terminated its co-branded credit card partnership with DBS and RBL, with the intention to maintain a balanced mix of secured vs unsecured loans. The company maintains a strong pipeline of new product introductions for FY25. NII growth was slower compared to AUM growth due to NIM compression of ~49 bps over FY25. Non-interest income growth was healthy at 28% YoY, driven by strong traction in fee income (+14% YoY). Opex grew by ~21% YoY. With operating leverage gradually kicking in, the C-I Ratio improved to 33.2% vs 34% in FY24. PPOP grew by 25.5% YoY. Provisions grew by ~72% YoY, with credit costs at 2.2% compared to 1.6% YoY. This growth was due to the strengthening of the ECL model and emerging stress in certain segments. Earnings growth remained healthy.
- **Asset Quality:** BAF has maintained pristine asset quality with GNPA at sub-1% levels, despite visible stress in the rural B2C business, captive financing business, and macro headwinds due to customer over-leveraging. The company made a conscious effort to curtail lending and tightened credit filters in this segment. Apart from the Rural B2C business, all other segments continue to exhibit healthy asset quality. GNPA/NNPA stood at 0.96%/0.44% in FY25 vs. 0.85%/0.37% in FY24.
- **Operational Review:** Risk-weighted assets (RWA) stood at Rs 3,89,981 Cr (+24% YoY), constituting ~83.7% of total assets, flat YoY. Tier I/CRAR stood at 21.9/21.1%. The company continued to strengthen its distribution franchise and was present in 4,263 locations across the country, including 2,681 locations in rural/smaller towns and villages. During the year, BAF continued to expand its product offering for customers with new launches including (i) Vehicle leasing for corporates, (ii) Industrial equipment financing, (iii) Solar financing, (iv) Commercial vehicles financing, and (v) Bharat mortgages.

Key Competitive Strengths: (a) Strong distribution, (b) Omni-channel strategy augmenting market positioning, (c) Deep understanding of both rural and urban markets, (d) Diversified portfolio, (e) Strong cross-sell franchise, and (f) Best-in-class Asset Quality.

Growth Drivers: (a) Improving share of NBFCs in overall credit to GDP (%), (b) Strong growth runway for retail credit backed by expectations of improving share of retail credit to GDP (%), (c) New Product launches in-line with successful execution of the Long Range Strategy (LRS), enabling BAF strengthen its market position, (d) Strong Capital Adequacy to fuel medium term growth without dilution, and (e) Strong risk management framework to keep asset quality under check and support earnings growth.

Outlook & Valuation

We expect BAF to continue its strong and consistent growth trajectory, while reporting a 25% CAGR in AUM growth over the medium term, with contribution from the core existing products and a further push from the scale-up of the new products. We expect BAF to deliver a strong AUM/NII/Earnings growth of 25/26/25% CAGR over the medium term, driven by (i) Steady to marginally improving NIMs, (ii) Operating leverage driving cost ratio improvement, and (iii) positive outlook on asset quality keeping credit costs under control. We expect BAF to deliver a RoA/RoE of 4.4-4.6%/19-21%, broadly in line with the management's long-term guidance. **We reiterate our BUY recommendation on BAF, valuing the stock at 4.9x FY27E ABV to arrive at a target price of Rs 1,050/share, implying an upside of 14% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	FY24	FY25	FY26E	FY27E
NII	29,582	36,393	45,684	57,504
PPOP	23,933	30,028	37,313	46,550
Net Profit	14,452	16,779	20,902	26,055
EPS (Rs.)	23.4	27.0	33.7	42.0
ABV	122.3	15.8	179.8	214.2
P/ABV	7.7	6.0	5.1	4.2
NNPA (%)	0.3	4.5	4.5	4.5
ROA (%)	5.1	0.4	0.6	0.6

Source: Company, Axis Securities Research

(CMP as of 14th July, 2025)	
CMP (Rs)	919
Upside /Downside (%)	14%
High/Low (Rs)	979/643
Market cap (Cr)	5,70,900
Avg. daily vol. (6m) Shrs.	24,69,134
No. of shares (Cr)	621.3

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	54.7	54.7	54.7
FIIs	20.8	20.8	21.5
MFs / UTI	9.5	9.5	9.0
Others	15.0	15.0	14.8

Financial & Valuations

Y/E Mar (Rs. Cr)	FY25	FY26E	FY27E
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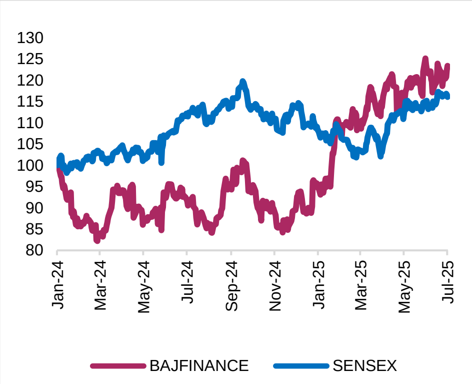
PPOP	30,028	37,313	46,550
Net Profit	16,779	20,902	26,055
EPS (Rs.)	27.0	33.7	42.0
ABV	152.8	179.8	214.2
P/ABV	6.0	5.1	4.2
RoA (%)	4.5	4.5	4.5
NNPA (%)	0.4	0.6	0.6

Relative Performance



Source: AceEquity, Axis Securities Research

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Key Operating Highlights

Robust Customer Growth Drives Strong AUM Growth

BAF's customer addition pace continued to remain strong as the company added ~18 Mn (+25% YoY) new customers, bringing the total customer base to ~102 Mn (~22% YoY). Strong momentum in the customer acquisition can be credited to its omni-channel strategy, robust distribution and pan-India geographical presence across rural and urban markets. The company booked ~43 Mn (~20% YoY) new loans, enabling the company to deliver a strong AUM growth of 25% YoY during the year.

Exhibit 1: Strong customer addition momentum continues

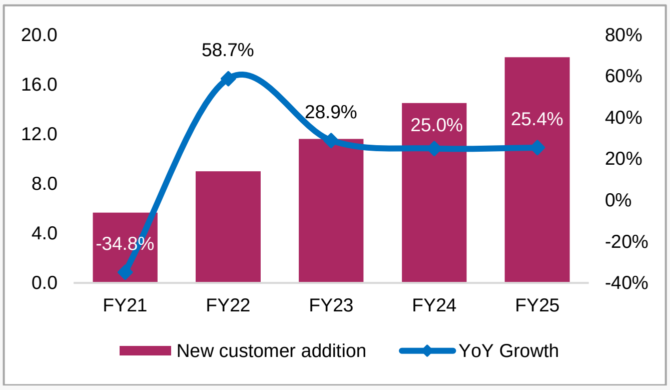
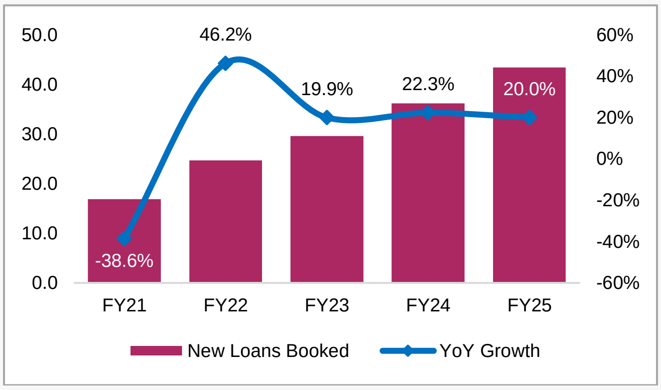


Exhibit 2: New loan bookings remain robust

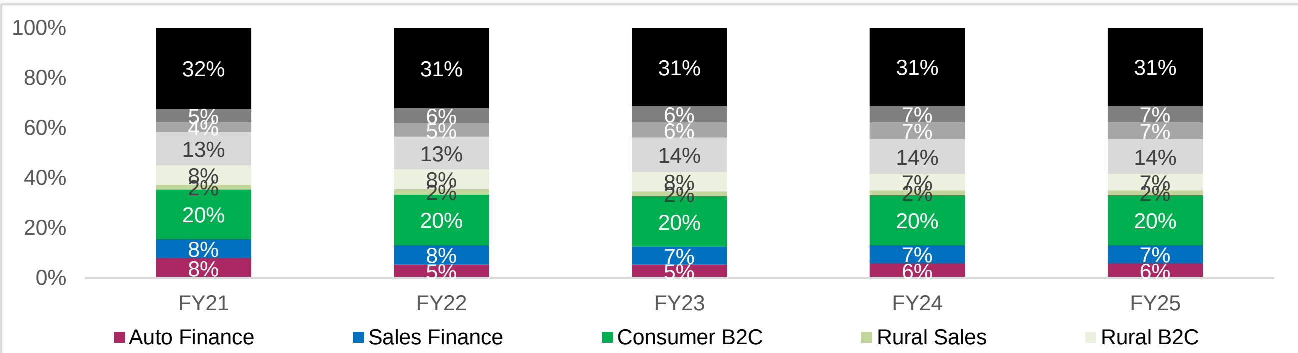


Source: Company, Axis Securities Research

Broad-based AUM Growth

BAF delivered a robust AUM growth of 25% YoY, driven by broad-based growth across segments. This performance was underpinned by a strong contribution from the existing core businesses, supported by a gradual ramp-up in the newly launched segments. The company resumed growth in the rural B2C segment, which was pruned down, gauging the emerging stress. Additionally, BAF has witnessed good traction in the new vehicle financing and the gold businesses. The lifting of the embargo on eCom and eInsta in May'24 enabled BAF to resume its growth in these segments, further supporting growth. Furthermore, it has partnered with Bharti Airtel to tap into Airtel's vast customer base to expand product offerings and increase penetration. During the year, BAF decided to run down the 2/3-wheeler captive financing business with increased focus on the non-BAL (Bajaj Auto Ltd.) 2-W financing business.

Exhibit 3: AUM Mix has remained steady over the past 5 years, with the company re-pivoting its portfolio mix towards lower risk assets like mortgages and new car loans



Source: Company, Axis Securities Research

During the year, BAF entered into new businesses such as (1) Commercial vehicle finance, (2) Third party inward assignments, (3) Solar finance, (4) Auto finance lease, and (5) Industrial equipment finance in lending, along with FASTag and Bajaj Prime in the payments' space.

Exhibit 4: Product Launches in FY25 as a part of the LRS

Products	Launch Period	Progress
Tractor Financing	Q4FY24	Expanded the presence and is currently present across 850+ dealers
CV Financing	Q1FY25	Currently present across 100+ dealers
Auto Lease Finance	Q2FY25	Partnered with 70+ companies
Bharat Mortgage	Q2FY25	Went Live
Bajaj Prime	Q2FY25	Monthly run-rate of 25,000 and over 100 partners signed
Industrial Equipment Financing	Q3FY25	
Gold Loans		Opened 313 branches in FY25, taking the total number of branches to 1,209 with an AUM of 8,307 Cr (81% YoY)

Source: Company, Axis Securities Research

Airtel Partnership to Support Growth

In FY25 (in Q3), BAF announced a partnership with Bharti Airtel (Airtel), which offers the company the opportunity to tap into Airtel's customer base of 375 Mn users. Currently, 9 of BAF's products (including personal loans, business loans, gold loans, 2-wheelers loans, instaEMI cards, etc.) have gone live as of Mar'25, and the company will look to expand its product offerings through FY26. It has identified a customer base of 200 Mn Airtel users that does not overlap with BAF. Currently, 3 of BAF's products have been piloted on the Airtel Thanks App, and the company plans to expand its offerings (an additional 6 products) in H1FY26 on the Airtel Thanks App.

Omni-Channel Approach Enhances Growth Momentum

BAF made significant progress in taking forward the omnichannel strategy, aiming to be a dominant player across all the vectors of consumer products, covering physical, app (Bajaj Finserv app), web (Bajaj Finserv Website), social and virtual platforms.

- ✓ **Geographical Expansion** - In FY25, BAF added 118 new locations, taking the total presence to 4,263 locations. The company strategically focuses on high-GDP contributing regions as a key criterion for selecting new locations. Additionally, it has broadened its gold loan portfolio by establishing standalone gold loan branches, taking the total count to 1,209 gold loan disbursement points by the end of FY25.
- ✓ The **Bajaj Finserv App** has been pivotal in BAF's growth, facilitating the onboarding of 6 Lc EMI card customers. Through the app, it has disbursed Rs 10,131 Cr in Personal Loans (PL) and Rs 1,347 Cr in Gold loans (GL), acquired 30,000+ credit cards, facilitated over 10 Mn flexi-loan transactions and 8 Mn DMS receipts. Additionally, the app was able to garner Rs 268 Cr in FDs and ranks as one of the top five financial services apps in the country.

- ✓ BAF's website – **Bajaj Finserv Website** has been instrumental in driving customer traffic and business growth, with over 770 features live on the web. BAF's web platform attracted 303 Mn unique customer visits, resulting in disbursals of Rs 6,508 Cr in FY25 and garnering Rs 901 Cr of deposits during the year. BAF aims to expand to six other regional languages by Dec'25. Which would further help the company widen its reach, build trust, enhance customer engagement and promote inclusion.
- ✓ **Payments business,** which plays a pivotal role in the omni-channel strategy to drive customer and merchant engagement, has 33 Mn wallet customers, 40 Mn UPI handles and distributed 1 Mn FASTag cards.

Exhibit 5: Tracking BAF's progress across key metrics

Particulars		Unit	FY2025	FY2024
(i)	**Geography**			
	New locations added	#	118	412
	Locations as at 31 March	#	4,263	4,145
	Standalone gold loan branches as at 31 March	#	964	650
(ii)	**App metrics**			
	Downloads	# in MM	75.90	63.04
	Net Installs as at 31 March	# in MM	70.57	52.41
	In-App programmes as at 31 March	#	148	147
	Service requests initiated on app	% of total SR	38.7	33.3
(iii)	**App payments metrics**			
	UPI handles till 31 March	# in MM	40.09	24.78
	Bill pay transactions	# in MM	32.66	27.54
	QRs at merchant Point of Sales (PoS) as at 31 March	# in MM	3.72	3.14
	Rewards issued	# in MM	106.44	93.70
(iv)	**App business metrics**			
	EMI cards acquired on App	# in MM	0.91	0.51
	Personal loans disbursed on App	₹ in crore	20.0k	18.4k
	Credit card acquisition on App	# in '000	31.0	245.4
	Flexi loan transactions on App	# in MM	11.62	9.89
	DMS receipts on App	# in MM	7.69	5.39
(v)	**Marketplace metrics**			
	Bajaj Mall visits	# in MM	187.40	181.00
	Bajaj Mall loans	# in MM	3.93	2.16
	Insurance Bazaar – insurance policies	# in MM	1.06	0.89
	Investments Bazaar – mutual fund A/C	# in '000	120.0	190.3
(vi)	**Digital EMI card metrics**			
	EMI cards acquired digitally	# in MM	3.63	1.78
	EMI cards acquired digitally – cards in force as at 31 March	# in MM	7.60	3.60
	B2B loans from digital EMI cards as at 31 March	# in MM	1.30	1.04

Source: Company, Axis Securities Research

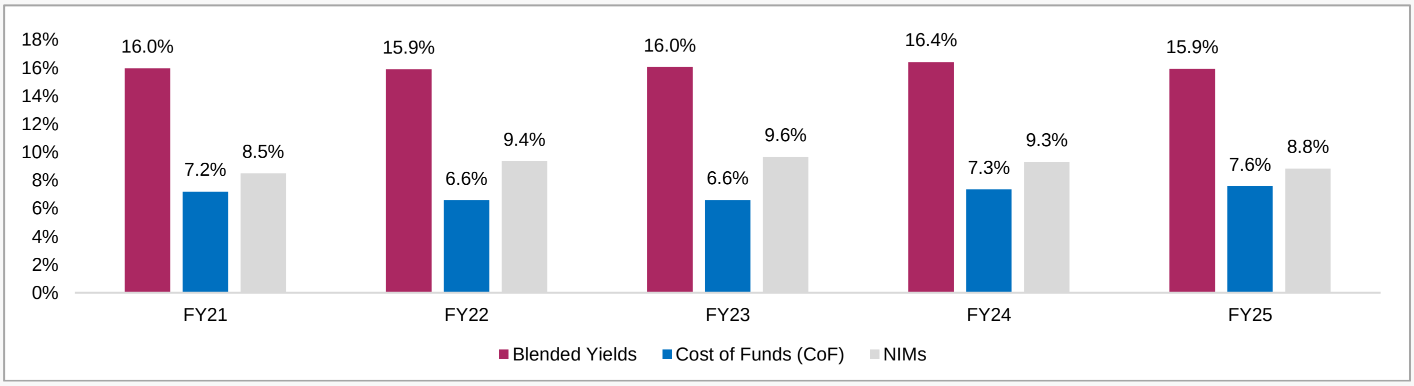
Well-placed on Liquidity Front

BAF continues to maintain conservative liquidity buffers. In FY25, Deposits constituted ~20% of its consolidated borrowings. The company continues to grow retail and corporate deposits as a part of its growth strategy and is simultaneously increasing its focus on digital origination of retail deposits. With more thrust on digital sourcing of deposits, ~73% of the deposits sourced during the year are paperless. Retail deposits now contribute to 59% of total deposits. BAF also has a robust asset-liability management framework and maintains enough liquidity buffer to meet its repayment obligations and emerging credit demand.

NIMs Pressures Emerge Led by Increase in CoF and Change in Product Pricing

In FY25, NIMs (calc.) remained under pressure and declined by ~49 bps, higher than expectations of a 30-35 bps margin compression. This decline was driven by multiple factors: (a) an increase in the CoF (23 bps higher YoY), (b) a shift in the product mix towards less-risky, relatively lower-yielding secured assets, and (c) a moderation in pricing of certain product offerings. However, BAF's judicious strategy of maintaining a longer duration for liabilities than assets, coupled with an optimal mix of borrowings between banks, money markets, external commercial borrowings, and deposits, has helped the company to effectively manage CoF over FY25.

Exhibit 6: NIM Compression Owing to an Increase in CoF and Change in Product Pricing



Source: Company, Axis Securities Research

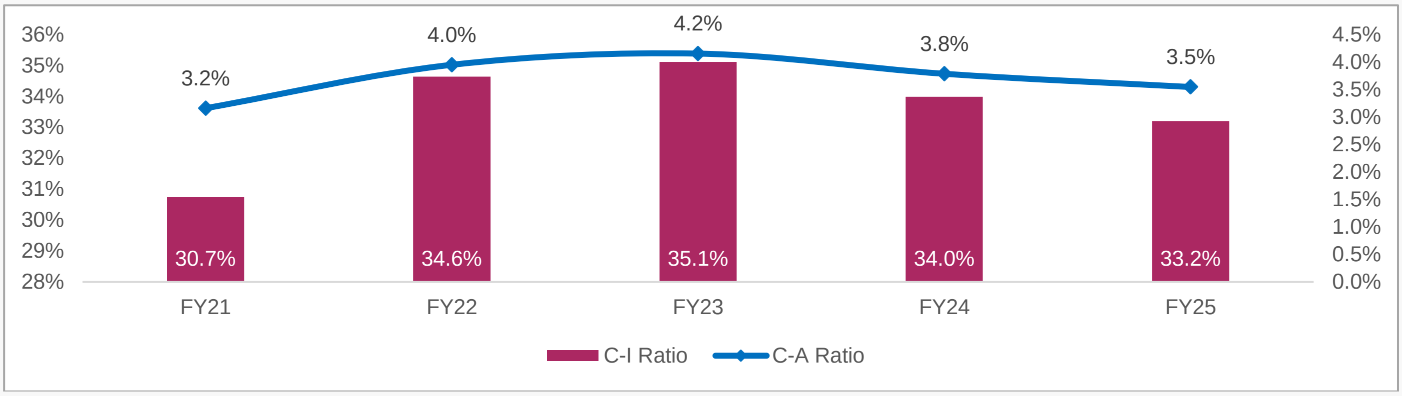
Fee Income Remains Healthy; Impact of Co-branded Card Discontinuation to be Immaterial

Fee income, accounting for ~1.6% of the average loan book, has shown moderate growth of 14% YoY. BAF offers a comprehensive suite of products to its customers, including life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit cards, and financial fitness reports. During Q3FY25, the company mutually agreed to halt the incremental sourcing of co-branded credit cards with RBL Bank Limited and DBS Bank India Ltd. BAF earned distribution fees and a revenue share under the co-brand arrangement, and this discontinuation will not materially affect its fee income stream.

Gradually Improving Opex Ratios

BAF witnessed an improvement of 79 bps YoY in the C-I Ratio, driven by improved operating efficiency. The company will look to deploy AI use cases across revenue, cost, customer engagement, underwriting, productivity and controllership. BAF estimates that it will deploy over 100 AI applications in FY26.

Exhibit 7: Cost Ratios are Gradually Improving with Operating Efficiency Kicking in



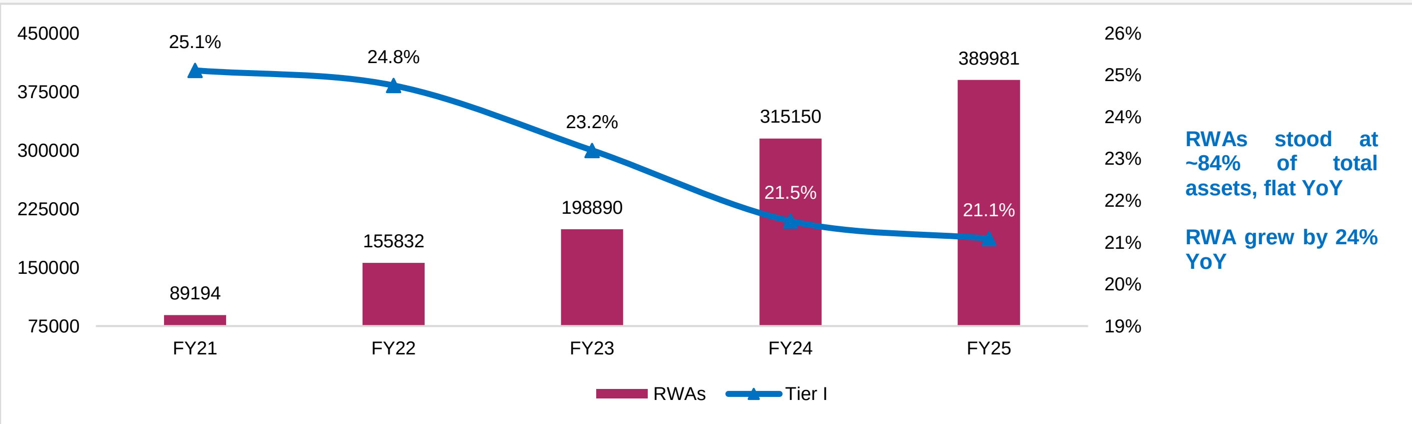
Source: Company, Axis Securities Research

Asset Quality Stable; Best Amongst Peers

In FY25, BAF witnessed a slight deterioration in the asset quality due to a stressed macroeconomic environment. Despite this, the company's asset quality metrics rank the best amongst its peers, highlighting its stringent credit underwriting standards and risk management strength. Slippages during FY25 were significantly higher (+60% YoY), with a slippage ratio of 3% vs 2.4% in FY24. During the year, asset quality stress was owing to a combination of multiple factors: (a) tough macro environment, (b) increased leverage in unsecured loans, and (c) rising systemic level risk. Through FY25, the personal loan segment, including its rural segment, remained impacted on account of higher flows. Additionally, stress was also seen in the used vehicle financing and 2/3-wheeler segments. Resultantly, BAF responded proactively by tightening exposure to vulnerable segments, pruning exposures and beefing up the collection infrastructure.

The necessary risk actions which were implemented provided some support. Given the concerns around leverage in unsecured lending, BAF refreshed its leverage framework to mitigate its impact on credit risk. Moreover, the company has also put in place a Board-approved policy defining the exposure limits across the consumer retail business, with further exposure limits for unsecured retail. **As a result of the rising stress along with an annual reset of the ECL model, credit costs rose from ~1.6% in FY24 to ~2.2% in FY25.**

Exhibit 8: Capital Position Remains Strong to Fuel Medium-term Growth



Source: Company, Axis Securities Research

Strengthening the Top Management Team

To prepare the company to achieve its long-term growth objectives, the Board of Directors approved senior management portfolio changes.

Manish Jain, President of B2B and FD business, is **being promoted to Deputy CEO**. Henceforth, he will also have expanded leadership responsibility for all B2B businesses, Payments, Fixed Deposits and Insurance. In his new role, Mr Jain will continue to report to Anup Saha.

Sidhant Dadwal, President of the B2C and SME business, is **being promoted to Deputy CEO**. Henceforth, he will also have expanded leadership responsibility for all B2C businesses, SME and Gold Loan. In his new role, Mr Dadwal will continue to report to Anup Saha.

Harjeet Toor, President of Bharat Lending, MFI and Strategic Partnerships, is **being promoted to Deputy CEO**. Henceforth, he will also have expanded leadership responsibility for Bharat Lending, Vehicle Loans, MFI and Strategic Partnerships. In his new role, Mr Toor will continue to report to Anup Saha.

Additionally, Mr Rajeev Jain's continuation with BAF in the capacity of Vice Chairman addresses leadership continuity issues and ensures the seamless execution of the strategy.

Key Subsidiary Highlights

Bajaj Finance has two subsidiaries: (i) Bajaj Housing Finance Ltd. (BHFL; 88.7% stake) and (ii) Bajaj Financial Securities Ltd. (BFSL; 100% stake).

Bajaj Housing Finance Ltd. (BHFL)

BHFL offers a full range of mortgage products: (i) Home loans, (ii) Loans against property, (iii) Lease rental discounting to salaried and self-employed customers, and (iv) Developer Financing. BHFL is focused on building a low-risk medium-return portfolio with a focus on mass affluent and above customers.

The company aims to scale its retail home loan portfolio through: (i) Leveraging developer ecosystem to acquire higher mix of home loans from developer finance funded projects, (ii) Expand distribution reach through structured framework with intermediaries for activation and higher penetration, (iii) Deepen relationship in existing developer projects, (iv) Leverage data analytics to reach mass affluent customers for refinance proposition, and (v) Geographical expansion to increase BHFL's footprint.

BHFL completed its listing in Sep'24, a year ahead of the stipulated timelines. The IPO was successful with both retail and institutional investors recording the highest number and amount of bids for any Indian IPO. The IPO was of Rs 6,560 Cr, which included the issuance of new equity shares amounting to Rs 3,560 Cr and an offer for sale amounting to Rs 3,000 Cr.

Financial Analysis of BHFL **(Rs Cr)**

Particulars	FY24	FY25	Change (%)	Comments
Assets under management	91,370	1,14,684	26%	Strong AUM growth was led by healthy growth across segments, particularly developer finance.
Net interest income	2,510	3,007	20%	Despite strong AUM growth, margin pressures resulted in slower NII growth, led by an increase in the CoF.
PPOP	2,222	2,850	28%	PPoP growth remained healthy due to strong other income
PAT	1,731	2,163	25%	Earnings growth remained healthy due to steady credit costs
GNPA	0.27	0.29		Asset quality remains well-maintained
CRAR	21.3	28.2		CRAR improved due to a fresh issue during IPO

Source: Company; Axis Securities Research

Bajaj Financial Securities Ltd. (BFSL)

BFSL functions as a wholly-owned subsidiary of BFL. It is registered with the SEBI, both as a stockbroker and as a depository participant. In FY25, BFSL significantly broadened its reach to 46 locations and 48 branches, providing a comprehensive suite of services to over 10 Lc clients in retail and HNI, encompassing DP services, Broking, Margin Trading Facility, and Financing for Offers For Sale. The customer franchise recorded a strong growth of 40% YoY, taking the franchise strength to ~10 Lc customers.

Financial Analysis of BFSL **(Rs Cr)**

Particulars	FY24	FY25	Change (%)	Comments
Assets under management	3,817	4,505	18%	AUM growth remained healthy, highlighting the widespread adoption and popularity of this financing option among clients.
Total Revenue	486	800	65%	Strong growth seen across segments
PAT	56	139	148%	

Source: Company; Axis Securities Research

Key Growth Drivers

Scope to Improve NBFC Credit Penetration as % of GDP

The NBFC sector has experienced rapid and sustained growth in overall credit and retail loans, growing by 14% and 20%, respectively. This strong growth is mainly attributed to the increased leverage among retail customers. Additionally, in order to increase the share of NBFCs in GDP, the RBI has made the regulations of NBFCs similar to banks with stringent liquidity norms and governance, focusing on innovation and customer centricity. In Apr'25, the RBI further added market-based securitisation of stressed assets, extended co-lending to all entities and loans, unified gold loan guidelines, and a review of UPI limits. These steps aim to enhance NBFCs' lending capability and importance in economic growth. These factors, coupled with the increased consumption and per capita income, would prove beneficial for BAF.

The company expects to maintain a steady and strong AUM growth trajectory of 24-25% going forward. Its market share in the overall credit market stands at ~2.3%. BAF aims to improve its share by focusing on growth across all lending segments. BAF plans to scale up steadily in newer segments such as gold loans and new car financing, while continuing to capitalise on the strong performance in its core business. The company plans to resume growth and scale the Rural B2C segment, as the asset quality headwinds continue to recede. BAF's AUM growth ambitions would be driven by strong customer acquisition, steady cross-selling, and growth visibility across segments.

Successful Long-Range Strategy (LRS) Implementation to Strengthen Competitive Positioning

BAF follows a highly disciplined approach to long-range strategic (LRS) planning, and the strategy evolves after analysing various macroeconomic factors, industry dynamics, and the technology megatrends. The company intends to evolve into a FinAI company, enabling it to deliver personalised customer experiences, deepen reach, enhance operational efficiencies, and drive long-term, sustainable growth.

i. **Ambition**: To be a leading financial services company and a viable payments player in India. Dominate with 200 Mn consumers, market share of 3%-4% of total credit, 4%-5% of retail credit and 1% of payments GMV.
ii. **Strategy**: To be an omnipresent financial services company dominant across all consumer platforms - physical, web, social, rewards, and AI
iii. **Approach**: To acquire and cross-sell across payments, assets, deposits, insurance, investments and broking products to Consumer, MSME, Commercial and Rural consumers across all consumer platforms efficiently.
iv. **Market Share**: Every business of the company is to be amongst the top 5 players in India in each line of business they operate in.
v. **Profit Share**: To be amongst the top 20 most profitable companies in India and the top 5 to 6 profitable financial services companies in India in absolute terms
vi. **Customer Share**: To grow the company's share of customers' wallet by offering all products and services in a frictionless manner and deliver the highest Customer Satisfaction (CSAT) Score and Products Per Customer (PPC).
vii. **Technology and AI first**: Technology and AI-first as an organisational culture to solve all problems. Be an early adopter and invest in emerging technologies and data practices. It should result in sustained growth, lower costs, improved productivity, superior customer experience, and robust controllership.

The company plans to launch new products under the LRS FY25-29 strategy. The financial strategies included are as follows:

Strategy	Execution Plans
Acquisition of customers	• Acquisition of the next 100 Mn customers for BAF by leveraging strategic partnerships and organic acquisition channels.
Focus on MSME as the next growth frontier.	• Focus on the unaddressed segments of MSME by leveraging both GST and Udyam registered entities, and offer at least 10 products.
Customer-Centric Personal Loans	• Create a comprehensive range of personal loan products designed to cater to diverse customer segments across various geographies.
Risk Management	• "Back to Basics" returning to core principles that assess borrowers' stability, ability, and intent to repay, and re-emphasises univariate risk-based decision-making and the art of underwriting for prudent risk management.
Products and Partnerships	• Invest in new product lines to seize the India opportunity and grow in a sustained manner. The following product initiatives have been envisaged for expansion of the BAF product suite: (i) Leasing multi-product distribution, and (ii) Green financing for both solar and EV.

Source: Company, Axis Securities Research

BAF aims to transform itself into a FinAI company wherein the AI-enabled technology architecture will integrate AI across all processes and deliver significant operating leverage and growth.

AI Strategies	Execution Plans
For Revenue	Incorporate conversational bots across all sales and service channels to enhance engagement and achieve a 3x increase in conversational rate.
For Cost Reduction	Boost productivity by 1.15x for front-line sales staff, 1.5x for full-time employees, and 2x for control functions.
For Risk	Convert unstructured data into structured data to support robust decision-making, identify patterns and generate new models that are auditable, transparent, and explainable.
For Productivity	Enhance productivity across the loan life cycle journey by reducing time in the loan process.
For Credit	Enable underwriters by creating summaries, screening, validation, and generating recommendation reports - AI will not be used to automate underwriting.

Stable Risk Metrics and Expectations of Improving NIMs to Support Earnings Growth

BAF's strong risk culture and robust risk management practices have ensured best-in-class asset quality despite facing multiple macro headwinds. The company has invested significantly in its risk organisation structure, which includes dedicated credit risk units for each business vertical, as well as specific units for underwriting, risk containment, fraud control, business intelligence, and operational risk management. BAF has also tightened its credit filters and shifted consciously towards lower-yielding, lower-risk segments. Additionally, the company accelerated its write-off policy to maintain a lower risk profile on its balance sheet.

Moreover, we believe NIM improvement in the rate cut cycle would further support earnings. BAF expects CoF to gradually decline by 10-15 bps over FY26 (assuming 3 rate cuts) and settle at 7.75-7.85% in FY26. This decline factors in the lag in the downward repricing of long tenor loans and ~75% of borrowings, which are fixed-rate. However, bank borrowings would be repriced faster, and the company has already seen a decline in NCD/CP rates. **Improving NIMs, Opex ratio improvement driven by improving operating efficiency and tapering credit costs should collectively drive robust earnings growth of 25% CAGR over FY25-27E. We expect BAF to continue delivering strong return ratios with RoA/RoE ranging between 4-4.1%/19-21% over the medium term.**

Risks & Mitigation

Increasing Competitive Intensity

BAF continues to face higher competition as new players expand their presence in similar segments. The company has been hinting at increased competition in the consumer durable financing space, wherein it has lost market share over a period of time.

Mitigation: While competitive intensity is likely to remain high, BAF's long-range strategy (LRS) will provide the company with ample growth opportunities. It has been seeing strong demand across segments in its existing product portfolio. Additionally, with the company looking to scale up new products such as new auto loans, 2-Wheeler, Gold loans, microfinance, etc., BAF remains well-positioned to deliver sustainable growth. The company believes in growing the business organically and with new product additions to the product suite, BAF will look to maintain its long-term guidance of 24-25% YoY despite stiff competition. Moreover, BAF has also positioned itself well with an unabated focus on margins and profitability over growth. It has also adjusted the pricing of certain products to align with the increasing competitive intensity.

Asset Quality Challenges in certain segments

While asset quality has remained healthy across most segments, BAF has seen some stress build-up in the rural B2C segment and the winding down of captive 2W/3W financing business. Continued stress in certain segments, resulting in higher delinquencies alongside impact on asset quality owing to regulatory changes, continues to remain a risk for the company.

Mitigation: The company has curtailed its growth momentum in segments where stress levels were on the rise. BAF continues to re-pivot its mix towards lower-risk assets like mortgages and new car loans. It also continues its strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on its experience that an existing customer typically demonstrates significantly lower credit risk than new ones. This ensures lower credit costs for the company, thereby supporting earnings.

Regulatory Tightening

As a systemically important NBFC (Upper Layer) under the RBI's Scale-Based Regulation (SBR) framework, BAF is subject to stricter regulatory oversight to ensure financial stability and protect investor interests. The regulator has been proactively looking at the NBFC sector while periodically introducing stricter regulations.

Mitigation: The company has ensured compliance with all the regulatory provisions prescribed by the RBI.

Operational Performance and Financial Statement Analysis

Profitability Analysis **(Rs Cr)**

Particulars	FY24	FY25	Change (%)	Comments
Net Interest Income	29,582	36,393	23.0	NII growth was slower due to pressure on NIMs due to high CoF and product pricing changes.
Non-Interest Income	6,676	8,561	28.2	Growth is driven mainly by Fee income, which continued to remain healthy.
PPOP	23,933	30,028	25.5	PPOP growth remained steady, supported by strong fee income and controlled Opex growth.
Provisions	4,638	7,966	72.0	Higher provision due to the refresh and strengthening of the ECL model, the majority of which is standard asset provision.
PAT	14,452	16,780	16.1	An increase in the credit costs weighed in on earnings, though growth remains healthy.
EPS	233.8	270.3	15.6	

Source: Company; Axis Securities Research

Spread Analysis **(in %)**

Particulars	FY24	FY25	Change	Comments
Blended Yields (Calc.)	15.2	14.9	-31 bps	Movement towards secured asset lending, along with moderated pricing in the unsecured assets, weighed in on the yields.
Cost of Funds (Calc.)	7.7	8.0	+23 bps	Refinancing of maturing borrowings at a significantly higher rate resulted in an increase in CoF.
Spreads (reported)	7.4	6.9	-55 bps	A sharper increase in CoF along with a fall in the yields resulted in a decline in the spreads.
NIMs (Calc.)	9.3	8.8	-49 bps	Same as above.

Source: Company; Axis Securities Research

Asset Quality **(in %)**

Particulars	FY24	FY25	Change	Comments
GNPA %	0.85	0.96	+11 bps	Higher slippages resulted in a slight inch-up in GNPA.
Slippage	6,903	11,044	45.6%	Stress in the rural B2C, 2/3 Wheeler vehicles, and customer over-leveraging have contributed to higher slippages.
Slippage Ratio (%)	2.4	3.0	+58 bps	Same as above.
NNPA %	0.37	0.44	+7 bps	
Credit Costs (%)	1.6	2.2	+54 bps	Higher provision due to the refresh and strengthening of the ECL model, and towards emerging stress in certain segments.
Provision Coverage Ratio %	57.0	53.7	-329 bps	

Source: Company; Axis Securities Research

Efficiency Ratios **(in %)**

Particulars	FY24	FY25	Change	Comments
Cost-Income Ratio	34.0	33.2	-79 bps	Improving operational efficiency with the use of AI resulted in an improved C-I Ratio.
ROA	4.4	4.0	-45 bps	Increased credit costs, with margin pressures weighing in on the RoA.
ROE	22.0	19.35	-70 bps	
Tier I	21.5	21.1	-42 bps	Capital position remains strong to fuel medium-term growth.
CRAR	22.5	21.9	-59 bps	Same as above.
RWA	3,15,150	3,89,981	24%	Risk Weighed Assets growth largely in line with AUM growth.
RWA to Total Loans (%)	96.6	95.6	+104 bps	

Source: Company; Axis Securities Research

Asset and Liability Analysis **(Rs Cr)**

Particulars	FY24	FY25	Change	Comments
AUM	3,30,615	4,16,661	25.0	Strong portfolio growth, which was broad-based, despite uncertain macros.
Borrowings	2,93,346	3,61,249	23.1	Well diversified borrowing mix comprising NCDs, Bank borrowings and ECBs.
Total Assets	3,75,742	4,66,127	24.1	Balance sheet growth remained resilient.

Source: Company; Axis Securities Research

Contingent Liability Analysis **(Rs Cr)**

Particulars	FY24	FY25	Change	Comments
Contingent Liabilities				
(a) Disputed Claims against the group not acknowledged as debts	126.9	147.2	16%	The group believes that the demands are not tenable and expects to succeed in its appeals/defence.
(b) VAT matter under appeal	4.3	4.3	-	Insignificant
(c) ESI matter under appeal	5.1	5.1	-	Insignificant
(d) Guarantees Provided	2.5	0.75	-	Insignificant
(e) Service Tax/GST under appeal	2,952	3,991	35%	Usual Business Activity
(f) Income tax matters	1.9	87.6		Usual Business Activity
Total Contingent Liabilities	**3,093**	**4,236**	**37%**	
Contingent Liabilities/Total Assets (%)	***0.8%***	***1.0%***		

Source: Company; Axis Securities Research

Financials (Consolidated)

Profit & Loss (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
Net Interest Income	**29,582**	**36,393**	**45,684**	**57,504**
Non-Interest Income	6,676	8,561	9,836	11,263
Total Income	**36,258**	**44,954**	**55,521**	**68,767**
Operating Expenses	12,325	14,926	18,208	22,217
Pre-Provision Profits	**23,933**	**30,028**	**37,313**	**46,550**
Provisions	4,638	7,984	9,418	11,786
PBT	**19,295**	**22,044**	**27,895**	**34,764**
Tax	4,858	5,300	7,046	8,782
Profit After Tax	**14,452**	**16,779**	**20,902**	**26,055**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
LIABILITIES				
Equity Share Capital	124	124	124	124
Reserves & Surplus	76,572	96,569	1,14,335	1,36,481
Net Worth	**76,695**	**96,693**	**1,14,459**	**1,36,605**
Borrowings	**2,93,346**	**3,61,249**	**4,56,246**	**5,72,930**
Other Liabilities	5,700	8,185	10,201	12,682
Total Liabilities	**3,75,742**	**4,66,127**	**5,80,907**	**7,22,217**
ASSETS				
Cash & Bank balances	10,624	13,544	16,879	20,984
Investments	30,881	34,441	40,598	46,863
Loans	3,26,293	4,07,844	5,10,596	6,38,414
Fixed Assets & Others	7,944	10,298	12,834	15,956
Total Assets	**3,75,742**	**4,66,127**	**5,80,907**	**7,22,217**

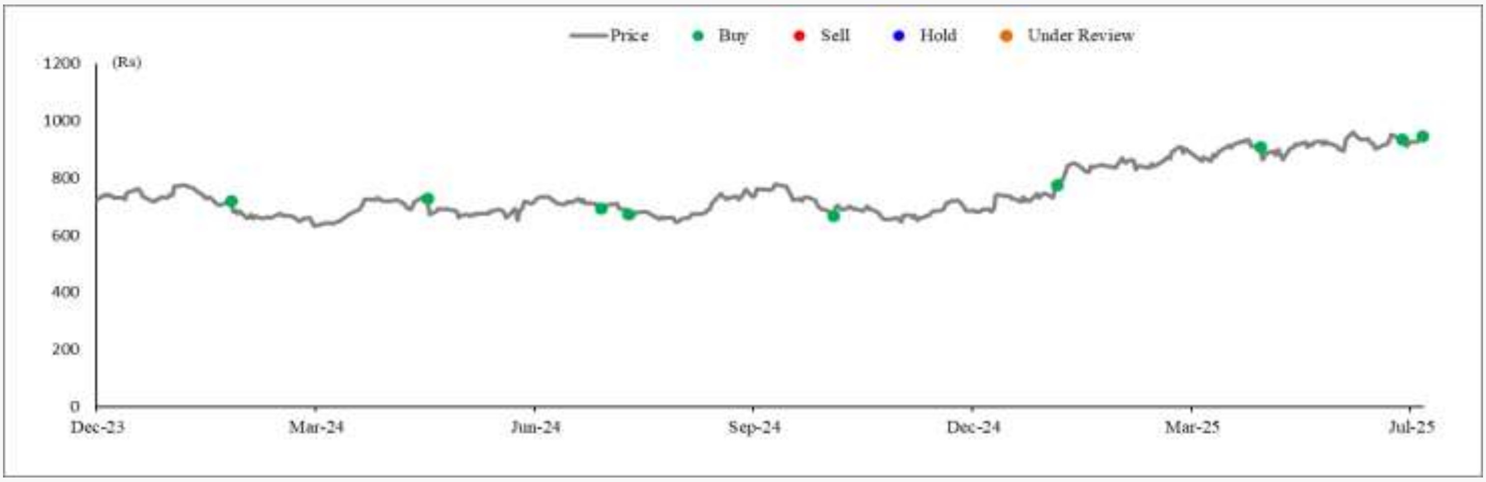
Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E March	FY24	FY25	FY26E	FY27E
VALUATION RATIOS				
EPS	23.4	27.0	33.7	42.0
Earnings Growth (%)	*22.8*	*15.6*	*24.6*	*24.7*
BVPS	124.1	155.7	184.4	220.0
Adj. BVPS	122.3	152.8	179.8	214.2
RoA (%)	5.0	4.5	4.5	4.5
ROAE (%)	22.0	19.0	19.8	20.7
P/E (x)	38.9	33.7	27.0	21.7
P/ABV (x)	7.7	6.1	5.2	4.4
OPERATING EFFICIENCY				
NIM (%)	10.2	9.7	9.7	9.8
Cost/Avg. Asset Ratio (%)	3.8	3.5	3.5	3.4
Cost-Income Ratio (%)	34.0	33.2	32.8	32.3
BALANCE SHEET STRUCTURE RATIOS				
AUM Growth (%)	33.6	26.0	25.2	25.0
Borrowings Growth (%)	35.4	23.1	26.3	25.6
Equity/Assets (%)	23.5	23.7	22.4	21.4
Equity/Loans (%)	20.4	20.7	19.7	18.9
Total Capital Adequacy Ratio (CAR)	22.5	21.7	21.2	20.1
ASSET QUALITY				
Gross NPLs (%)	0.8	1.0	1.2	1.3
Net NPLs (%)	0.3	0.4	0.6	0.6
Coverage Ratio (%)	57.0	53.7	54.8	54.7
Provision/Avg. AUM (%)	1.6	2.2	2.0	2.0
ROAA TREE (on Total Assets)				
Net Interest Income	9.1	8.6	8.7	8.8
Non-Interest Income	2.1	2.0	1.9	1.7
Operating Cost	3.8	3.5	3.5	3.4
Provisions	1.4	1.9	1.8	1.8
Tax	1.5	1.3	1.3	1.3
ROAA	4.4	3.9	4.0	4.0
Leverage (x)	5.0	4.9	5.0	5.2
ROAE	22.0	19.0	19.8	20.7

Source: Company, Axis Securities Research

Bajaj Finance Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jan-24	BUY	881	Result Update
26-Apr-24	BUY	860	Result Update
12-Jul-24	BUY	835	AAA
24-Jul-24	BUY	785	Result Update
23-Oct-24	BUY	766	Result Update
30-Jan-25	BUY	905	Result Update
30-Apr-25	BUY	1,050	Result Update
01-Jul-25	BUY	1,050	Top Picks
15-Jul-25	BUY	1,050	AAA

Source: Axis Securities Research