

Result Update – Q4FY26 || Current Market Price – INR 937 || Target Price – INR 1,120 || Upside – 19% || Date: 4th May 2026

FINAL: Moving from narrative to operating leverage..

- Growth with normalisation of credit costs:** Bajaj Finance is exiting a two-year recalibration with legacy stress (MSME, 2W/3W) largely addressed and run-down visibility improving. Incremental growth is shifting to higher-quality segments (Gold, CV/Tractors, MFI), supporting a return to double-digit AUM growth by mid-FY27. With credit costs guided lower (1.45-1.60%), supporting concurrent growth acceleration and asset quality improvement.
- FINAL as a driver of operating leverage:** AI deployment at scale (27 agents live; 800+ targeted by FY27) is embedding cost efficiency across core functions. Given the large opex base, management's 25-40 bps annual opex-to-NTI improvement appears conservative. From FY27, management is pivoting toward earnings growth exceeding balance sheet expansion, signalling a shift to a more operating leverage-led model, with FINAL as a core margin driver.
- The ability to cross-sell to 119M customers:** With 119 million customers, including 75 million in the active cross-sell pool the platform has compounded at 32% over 19 years, positioning it among India's largest retail financial ecosystems. Engagement continues to deepen (PPC 6.1 FY26 vs. 5.8 in FY23), while management's 200 million customer ambition pivots the narrative toward lifetime value compounding rather than pure balance sheet growth. Customer acquisition is increasingly digital (3.5 million EMI cards sourced digitally in FY26), driving lower unit costs, while the cross-sell pool is scaling in profitability, with per-customer AUM (INR 67,500) and PAT (INR 2,740) both trending upward, reflecting improving wallet share and unit economics.

Valuation: We value Bajaj Finance Limited at **INR 1,120**, based on 4.5x FY28E ABV of INR 249, modestly below prior to reflect normalisation at scale. The multiple sits within the historical 4-7x range and is supported by ~20% ROE, implying ~22x FY28E earnings for a 25%+ compounder. 19% upside from cmp of INR 937; maintain **BUY**.

Key risks:

- Limited buffer in credit cost guidance:** Management's FY27 credit cost guidance of 1.45–1.60% embeds benign macro assumptions. With our estimates already at the upper end of the band, any stress in MSME or unsecured retail, particularly from weaker rural cash flows or a sub-par monsoon could drive a 20-30 bps uptick in provisions, posing downside risk to earnings delivery.
- NIM compression from adverse rate/mix dynamics:** Yields moderated 30 bps QoQ in Q4FY26 to 15.8% as the mix shifts toward secured lending. A sharper-than-guided decline from deeper rate cuts or faster secured scaling could pressure the 4.4-4.6% ROA delivery and force FINAL cost efficiencies to do more of the heavy lifting.

Key Highlights

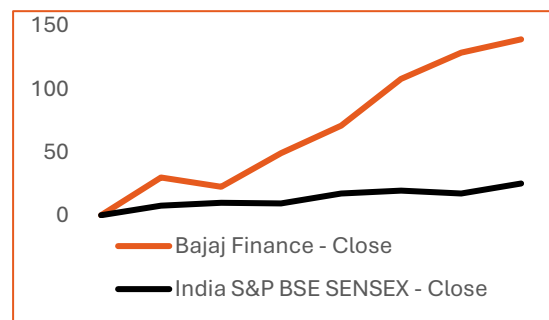
- AUM momentum sustained:** AUM crossed INR 5 lakh crore (+22% YoY), with strong loan growth (12.9 million in Q4) and continued customer addition (119 million franchise).
- Asset Quality improving:** GNPA/NNPA declined to 1.01%/0.41%, with lower Stage 3 assets and higher PCR (60%), indicating strengthening balance sheet.
- FINAL scaling up:** 27 AI agents deployed (target 800+), driving 72% DIY servicing and meaningful disbursement contribution from AI-led sourcing.

Particulars	
CMP (INR)	937
Market Cap (Cr)	5,83,123
Free Float Market Cap (Cr)	2,48,861
52 Week High / Low (INR)	1,102 / 788
Avg Daily Vol (1Y) shares	75,44,694
No. of Shares (Cr.)	623

Key Financial (INR Mn.)	FY26	FY27E	FY28E
Net Interest Income	4,41,101	5,27,137	6,38,607
PPOP	3,61,031	4,32,296	5,28,847
Net Profit	1,95,976	2,56,432	3,14,116
EPS	32	41	51

Holding	Sep-25	Dec-25	Mar-26
Promoters	54.67%	54.70%	54.71%
FIIIs	21.97%	21.49%	21.33%
DIIIs	14.39%	14.86%	15.10%
Govt.	0.08%	0.08%	0.08%
Public	8.78%	8.77%	8.73%
Others	0.12%	0.10%	0.07%
Total	100.0	100.0	100.0

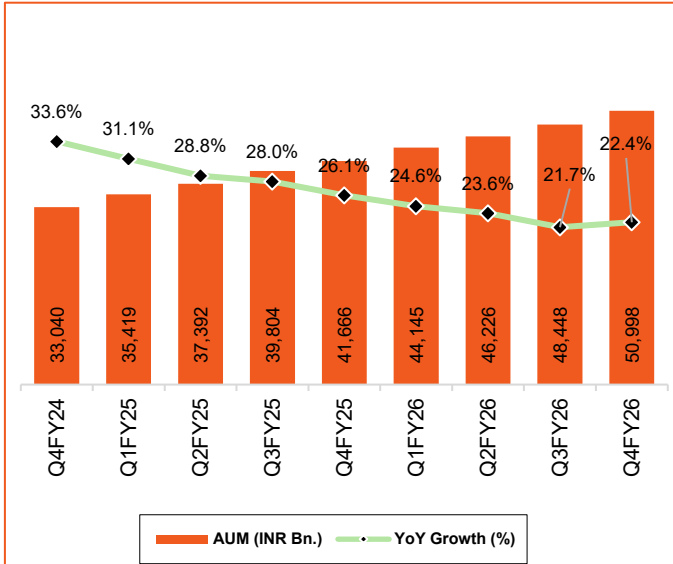
Source: Company, Deven Choksey Research



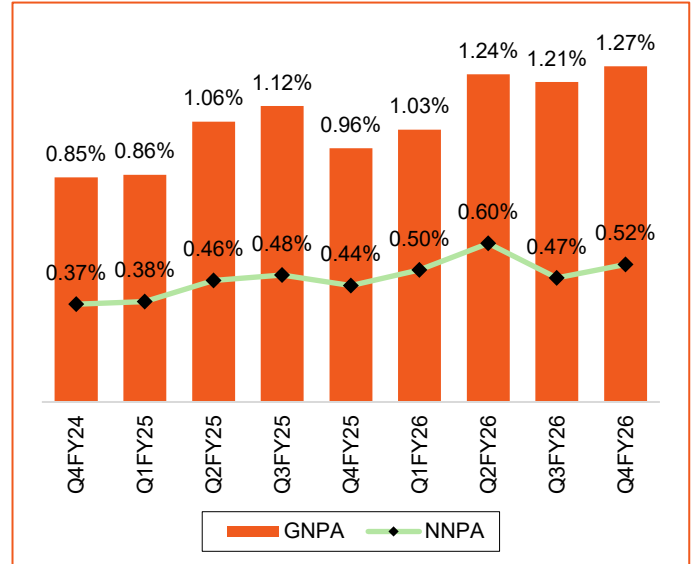
Source: Company Research, Deven Choksey Research

Story in Charts

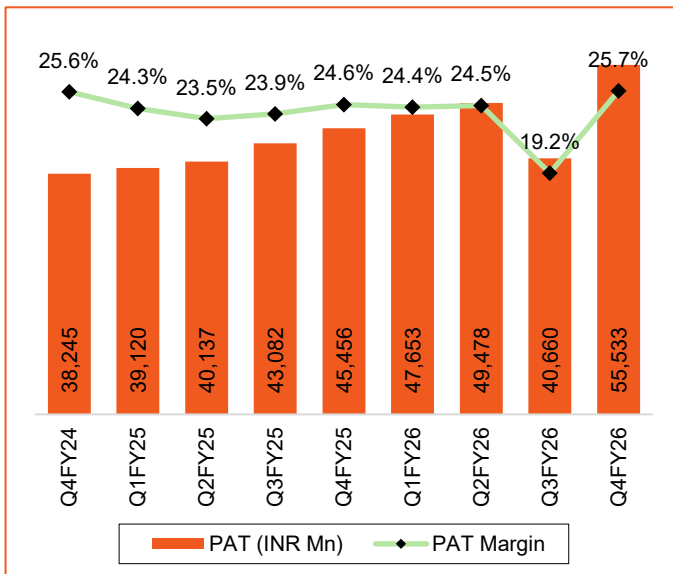
AUM of INR 5 lakh crore crossed; Growth moderates but remains industry leading.



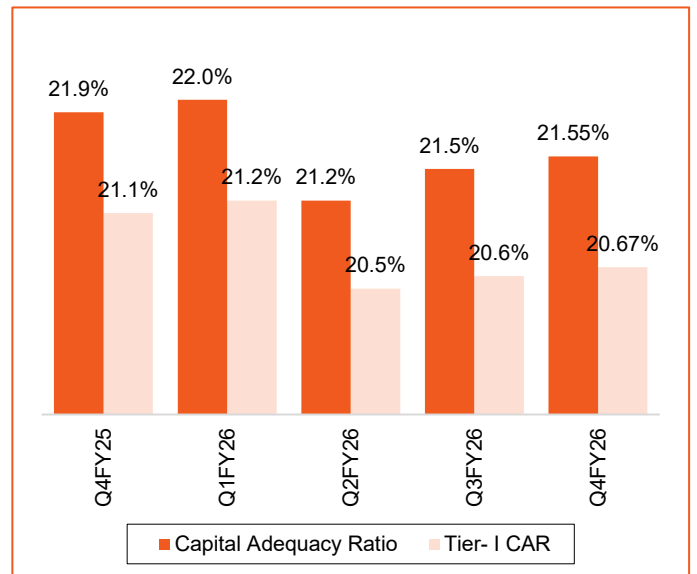
GNPA inches up, but NNPA holds steady as provisioning is doing its job.



Q3 noise behind us, Q4 PAT bounces to a record INR 5,553 cr, margin back to 25.7%



Capital adequacy at 21.55%; Growth runway fully self-funded.



Source: Company Research, Deven Choksey Research

Result Snapshot

Particulars (In Mn)	Q4FY26	Q3FY26	Q4FY25	QoQ	Y-o-Y
Income Statement					
Total Revenue from Operations	1,91,789	1,86,565	1,63,591	2.8%	17.2%
Interest expense	73,983	73,387	65,520	0.8%	12.9%
Net Interest Income	1,17,806	1,13,178	98,072	4.1%	20.1%
Other Income	24,276	25,581	21,096	-5.1%	15.1%
Total Operating Income	1,42,082	1,38,759	1,19,168	2.4%	19.2%
Employee costs	24,714	22,501	19,432	9.8%	27.2%
Other operating expenses	23,195	23,040	20,061	0.7%	15.6%
Operating expenses	47,909	45,541	39,493	5.2%	21.3%
PPOP	94,174	93,218	79,675	1.0%	18.2%
Loan Losses and Provisions	20,075	36,255	23,289	-44.6%	-13.8%
Profit before tax	74,099	56,963	56,386	30.1%	31.4%
Tax expense	18,565	13,651	10,993	36.0%	68.9%
Net profit	55,533	43,312	45,393	28.2%	22.3%

Source: Company Research, Deven Choksey Research

Key Concall Highlights

Growth & AUM

- Reaffirmed FY27 AUM growth guidance of 22-24%, supported by scaling new businesses.
- 15-17 MM new customer additions targeted in FY27.
- MSME growth to return to double digits by Q2/Q3 FY27.
- Gold loan portfolio expected to cross 5% of AUM by FY27 (vs ~3.5% currently).
- Long-term ambition: grow at 2x system credit growth to enter top 5-6 financial services lenders in 5-7 years.

Margins

- Marginal NIM moderation expected in FY27, contingent on rate cycle and geopolitical backdrop.
- Management clarified that NIM expansion is NOT required to achieve FY27 ROA guidance of 4.4-4.6%.
- Margin is one of four levers (alongside growth, opex, credit costs) to deliver long-term ROA of 4.3-4.7% / ROE of 20-22%.

Asset Quality & Credit Cost

- FY27 credit cost guided at 1.45-1.60% (revised metric), driven by 2W run-down and MSME normalisation.
- Captive 2W/3W book: 13% of GNPA's and 5% of credit cost in Q4 to wind down to <INR 1,500 cr by Sep'26.
- Guidance assumes easing geopolitical tensions; management indicated some conservatism is built in.
- Willingness to opportunistically build provisioning buffers to bulletproof the balance sheet.
- ECL provisioning now follows a bottom-up, product-level quarterly assessment.

Operating Efficiency

- Opex/NTI to improve 25-40 bps in FY27, driven by scale and AI-led efficiency.
- AI call-centre agents cost ~1/3rd of human equivalents, a key cost ratio lever.
- Management committed: earnings growth will outpace balance sheet growth in FY27.

FINAI Transformation

- FY27 to be the busiest year for FINAI deployment.
- Dedicated AI team to scale from 203 to 363 by Jun'27.
- 27 autonomous agents live, scaling to 800+ across Sales, Ops, DMS, HR, IT, Risk in FY27.
- Next phase: deployment of agentic AI platforms in FY27.

Capital Return

- Final dividend of INR 6/share (600% on face value), broadly in line with prior year.
- Includes a INR 0.60 special payout from BHFL stake monetisation gain.

Key Financials

Income Statement

Particulars (in Mn)	FY25	FY26	FY27E	FY28E
Interest Income	6,11,636	7,27,760	8,82,748	10,62,906
Interest Expense	2,47,708	2,86,660	3,55,611	4,24,299
Net Interest Income	3,63,928	4,41,101	5,27,137	6,38,607
Non interest income	85,612	97,536	1,14,117	1,33,517
Operating Income	4,49,540	5,38,636	6,41,254	7,72,124
- Employee expense	75,083	89,785	1,07,661	1,26,821
- Other operating expense	74,178	87,820	1,01,296	1,16,456
Operating Expense	1,49,261	1,77,606	2,08,958	2,43,276
Operating Profit	3,00,279	3,61,031	4,32,296	5,28,847
Provisions	79,660	1,00,219	90,386	1,10,026
PBT	2,20,618	2,60,811	3,41,909	4,18,821
Tax Expense	53,002	64,836	85,477	1,04,705
Share of profit/loss from associates				
PAT	1,67,617	1,95,976	2,56,432	3,14,116
Diluted EPS (INR)	27	32	41	51

Balance Sheet

Particulars (in Mn)	FY25	FY26	FY27E	FY28E
Source of Funds				
Share capital	1,242	6,214	6,214	6,214
Reserves & Surplus	9,65,687	11,24,373	13,37,300	15,95,481
Networth	9,66,929	11,30,587	13,43,514	16,01,695
Borrowings	36,12,487	44,07,234	53,32,753	63,99,303
Deposits	81,482	86,495	91,853	97,581
Other liabilities & provisions	371	371	371	371
Total Equity & Liabilities	46,61,268	56,24,687	67,68,491	80,98,951
Uses of Funds				
Cash & Bank Balances	1,35,435	5,26,379	5,76,310	6,82,285
Receivables	19,131	2,000	2,000	2,000
Net investments	3,44,408	35,000	36,000	37,000
Deferred Tax Assets	11,412	11,412	11,412	11,412
Loans & advances	40,78,441	50,23,254	61,15,926	73,39,111
Fixed assets	38,069	14,180	14,380	14,680
Other assets	7,459	7,500	7,500	7,500
Total Assets	46,61,268	56,24,687	67,68,491	80,98,951

Bajaj Finance Ltd.

Date	CMP (INR)	TP (INR)	Recommendation
04-May-26	937	1,120	BUY
12-Nov-25	1,009	1,050	HOLD
05-Sept-25	933	1,040	ACCUMULATE
02-May-25	8,868	9,707	ACCUMULATE
30-Jan-25	7,902	9,451	BUY
24-Oct-24	6,996	8,066	BUY
26-Jul-24	6,648	7,945	BUY

Rating Legend (Expected over a 12-month period)

Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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