Bajaj Finance | BUY

AR Analysis: Expanding horizon; changing mix

Ajit Kumar
ajit.k@jmfl.com | Tel: (91 22) 66303489
Raghvesh
raghvesh@jmfl.com | Tel: (91 22) 66303099
Mayank Mistry
mayank.mistry@jmfl.com | Tel: (91 22) 62241877
Shreyas Pimple
shreyas.pimple@jmfl.com | Tel: (91 22) 66301881
Shubham Karvande
shubham.karvande@jmfl.com | Tel: (91 22) 66303696
Arun Nalkara
arun.nalkara@jmfl.com | Tel: (91 22) 66303640

We highlight key takeaways from BAF's FY25 Annual Report. In unsecured loans, BAF gained market share of ~420/120bps YoY in consumer durable/personal loans, aided by strong growth in EMI cards post lifting of the RBI embargo and rising share of salaried/cross-sell PLs. In salaried PL, income criteria was relaxed (INR 0.3mn in FY25 vs. ~INR 0.5mn/0.6mn in FY24/22), which broadens the customer base but raises asset quality risks. Diversification into multiple segments remain a key strength, with non-BAF auto, SME and its sub-segments like industrial equipment, CV, tractors and new car financing delivering strong traction, underscoring BAF's pivot towards secured lending. Core fee income growth moderated in FY25 due to lower growth in distribution/foreclosure charges, and RBI disallowing prepayment penalties in a few categories from Jan'26 should put further pressure on core fee income growth in FY26. FY25 saw stress in the unsecured book intensifying, with slippages/write-offs at a 3-year high, driving a rise in Stage 2/3 assets and higher provisioning in unsecured loans. Tech spends has moderated (8% YoY in FY25 vs. 46% CAGR over FY21-24) but earlier heavy spends done on the tech side is leading to improvement in operating leverage. We expect pressure on yields due to movement in secured segments to be offset by decline in cost of funds. Further, pressure on fee income should be largely offset by operating leverage. Credit cost in FY26/27 should moderate from FY25 levels but still remain higher than long-term trends. We expect ~23%/27% AUM/EPS CAGR during FY25-27E and maintain our BUY rating with a revised TP of INR 1,060 driven by rollover, valuing BAF at 4.4x/22x Sep'27 BVPS/EPS.

- Unsecured loans: Sharp market share gains in PL/CD; criteria of availing salaried personal loans coming down and more focus on higher ticket size/longer tenure loans:

  In consumer durables, despite AUM YoY growth moderating to 25% YoY in FY25 vs. 32% in FY24, **BAF gained a massive ~420bps of market share on YoY basis.** This might be driven by ~44% YoY growth in O/s EMI Cards in FY25 after a decline of 2% YoY in FY24 due to RBI lifting embargo on sanction/disbursal of loans under 'eCOM'/'Insta EMI Card' in May'24. (Exhibit 1-5)

  In Personal loans (ex-Gold loans), YoY AUM growth bounced back to 30% YoY in FY25 vs. 23% in FY24 **leading to ~120bps YoY market share gains. We also note share of salaried personal loans (SPL) and personal loans cross-sell (PLCS) going up in the personal loans mix. However, annual gross earnings needed to avail SPL has come down to INR 0.3mn in FY25 vs. ~INR 0.5mn/0.6mn in FY24/22. This reduction in income criteria gives the company a larger customer base to cater to, though asset quality trends in the lower income salaried segment needs to be watched out for.** (Exhibit 6-9)

  BAF also highlighted its intention of expanding term loan portfolio from 5% to 20%, with more focus on longer tenures and larger ticket sizes in this segment.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,060
Upside/(Downside)	9.5%
Previous Price Target	1,000
Change	6.0%

Key Data – BAF IN	
Current Market Price	INR968
Market cap (bn)	INR6,023.1/US$68.4
Free Float	40%
Shares in issue (mn)	6,180.0
Diluted share (mn)	6,180.0
3-mon avg daily val (mn)	INR7,665.8/US$87.0
52-week range	979/644
Sensex/Nifty	81,425/24,973
INR/US$	88.1

Price Performance			
%	1M	6M	12M
Absolute	10.4	16.2	33.8
Relative*	9.2	5.7	34.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	1,44,512	1,67,795	2,11,964	2,67,365	3,32,813
Net Profit (YoY) (%)	25.6%	16.1%	26.3%	26.1%	24.5%
Assets (YoY) (%)	36.5%	24.1%	22.1%	23.3%	21.9%
ROA (%)	5.0%	4.5%	4.5%	4.6%	4.7%
ROE (%)	24.0%	22.2%	22.2%	22.9%	23.8%
EPS	23.4	27.0	34.1	43.1	53.6
EPS (YoY) (%)	22.8%	15.6%	26.3%	59.3%	57.0%
P/E (x)	**41.4**	**35.8**	**28.4**	**22.5**	**18.1**
BV	124	156	184	221	266
BV (YoY) (%)	38.0%	25.5%	18.3%	41.7%	44.5%
P/BV (x)	**7.80**	**6.22**	**5.25**	**4.39**	**3.64**

Source: Company data, JM Financial. Note: Valuations as of 10/Sep/2025

- Auto/SME lending: Focus on non-Bajaj auto portfolio; multiple segments to play with: **In auto loans,** BAF financed only ~18%/22% of Bajaj Auto's 2W/3W domestic sales in FY25 vs. ~41%/49% in FY24. However, BAF financed ~0.45mn non-Bajaj Auto 2W vehicles, up ~87% YoY. (Exhibit 10-11)

  In SME lending (including car financing), strong growth of 37% YoY in FY25 was supported by both its existing sub-segments and newer segments (industrial equipment financing, tractor financing, new car financing, etc.). In FY25, BAF launched industrial equipment financing (up 72% YoY), CV financing (AUM: INR 9.42bn in FY25), affordable housing and vehicle leasing reflecting BAF's broader push into secured lending. **Launched in FY24, new car financing** also gained pace with AUM becoming >3x to INR 52.8bn as of FY25 (~1.3% of consol AUM). **Tractor financing portfolio** (launched in FY24) also stood at INR 7.1bn as of FY25 (~0.2% of consol AUM).

  Unsecured SME loans for businesses and unsecured/secured loans for professionals both combined stood at INR 483.6bn, growing at 27% YoY in FY25. This needs close monitoring as far as asset quality trends are concerned. (Exhibit 12-14)

- Fee income: Core fee income comes under pressure as distribution/foreclosure charges comes under pressure: BAF's other income grew 28% YoY in FY25 (vs. ~14% in FY24), but the underlying **trend was weak as core fee income grew only ~13% YoY**, while the non-recurring other income grew by ~88% YoY in FY25.

  A key drag was **moderation in growth of foreclosure charges** (~16% YoY in FY25 vs. ~40%-60% YoY growth seen during FY22-24), which are likely to slow further with **RBI disallowing prepayment penalties on LAP/MSME** loans from Jan'26. (Exhibit 24-27)

  Distribution income also remained muted (1% YoY in FY25) possibly due to BAF stopping incremental sourcing of co-branded credit cards of RBL/DBS bank in 3QFY25. Distribution/foreclosure charges both combined constitutes ~47% of total core fee income and growth in these segments is expected to remain under pressure.

- Rising stress in unsecured loans; higher slippages/write-offs weigh in: In FY25, BAF reported its **highest slippages and write-offs in the past 3 years** - up 75%/69% YoY.

  This led to a **~10bps YoY rise in both stage 2 and stage 3 assets**, with the increase more pronounced in unsecured loans. (Exhibit 15-19)

  Further, **BAF strengthened its ECL models** during FY25, driving higher ECL/EAD ratio, primarily on unsecured portfolio. (Exhibit 20-23)

- Deposit granularity weakens: **On the liability side,** deposit growth slowed to 19% YoY in FY25 (vs. 35% in FY24)**, while the share of granular public deposits declined to 59% in FY25 (from 73% in FY21).** (Exhibit 28-31)

  We note that **~41% of deposits are maturing within a year**, offering potential funding cost relief in a declining rate cycle.

- Technology & AI: Scaling efficiency through digital capabilities: Tech spends growth moderated to 8% YoY (vs. 46% CAGR over FY21–24). However, huge investments made in earlier years in tech/analytics have led to improvement in cost ratios in the last few years (cost to income ratio of ~33% in FY25 vs. 35% in FY23).

  Key digital initiatives included approvals of two blockchain use cases for Insurance/banking, AI-powered document automation, and AI-led content creation. With 75+ AI deployments planned for FY26, BAF aims to achieve 1.15x–2x productivity gains across frontline teams. (Exhibit 32-33)

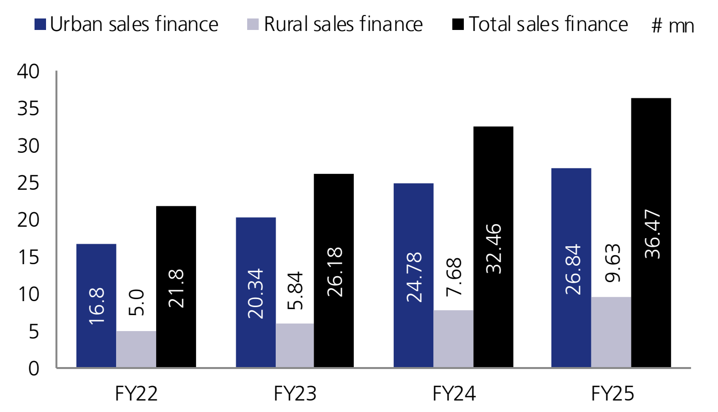
- Valuation and view: We expect pressure on yields due to movement in secured segments to be offset by decline in cost of funds. Further, pressure on fee income should be largely offset by operating leverage. Credit cost in FY26/27 should moderate from FY25 levels but still remain higher than long-term trends. We expect ~23%/27% AUM/EPS CAGR during FY25-27E and **maintain our BUY rating with revised TP of INR 1,060 driven by rollover, valuing BAF at 4.4x/22x Sep'27 BVPS/EPS.**

Trends in retail loans: Mixed trends across segments

Consumer durable loans: Growth slows but gains market share

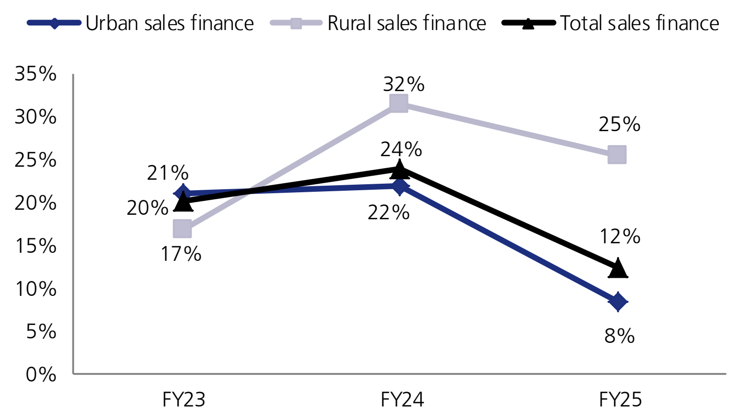
- In terms of volumes of consumer durable items being financed by BAF, growth came down materially in FY25 vs. FY24, maybe due to elevated stress in unsecured loans. Volume growth was only 12% YoY in FY25 vs. 24% in FY24 with urban markets registering volume growth of only 8% in FY25 vs. 22% in FY24.

Exhibit 1. Consumer durable volumes (mn): Moderation seen in consumer durables volume growth financed by BAF



Source: Company, JM Financial

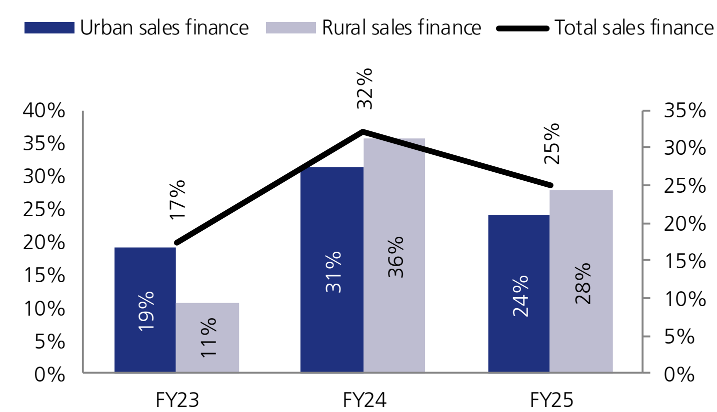
Exhibit 2. Consumer durable volume growth (YoY): Urban sales growth falls > rural sales growth



Source: Company, JM Financial

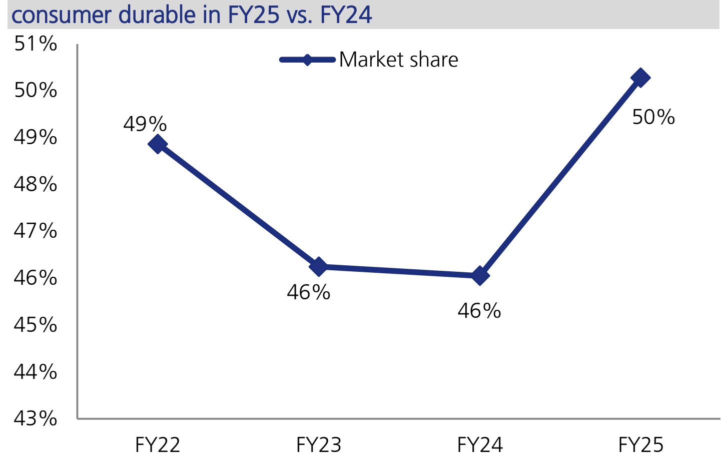
- Volume growth moderation is in line with moderation in loan growth in consumer durable for BAF. However, despite moderation in loan growth, **BAF has gained market share in consumer durables in FY25 vs. FY24 by a massive ~420bps YoY.**

Exhibit 3. Consumer durable loan growth: Loan growth slowed down , in line with volume growth slowdown



Source: Company, JM Financial

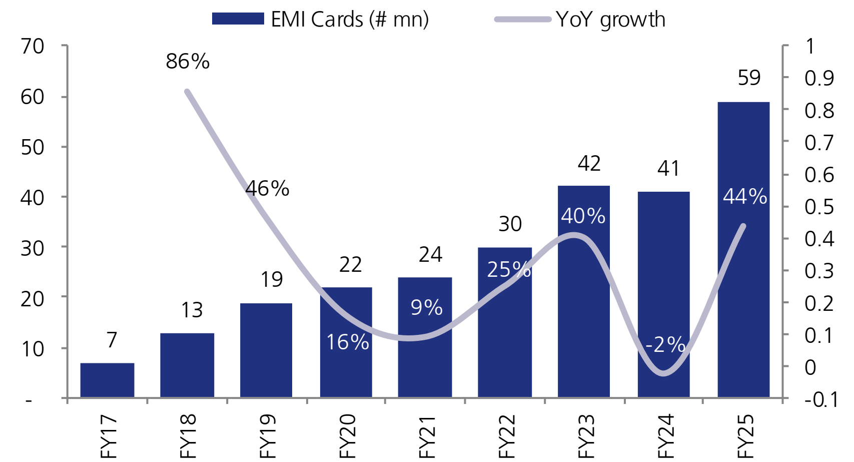
Exhibit 4. However, BAF still gained market share by ~420bps in consumer durable in FY25 vs. FY24



Source: Company, CRIF, JM Financial

- Further, outstanding EMI cards grew at a strong pace of 44% YoY in FY25 to ~59mn, following a decline of 2% YoY in FY24. This is driven by RBI lifting embargo on sanction and disbursal of loans under 'eCOM' and 'Insta EMI Card' in May'24.

Exhibit 5. Strong growth in EMI cards post lifting of embargo on eCOM/Insta EMI Card

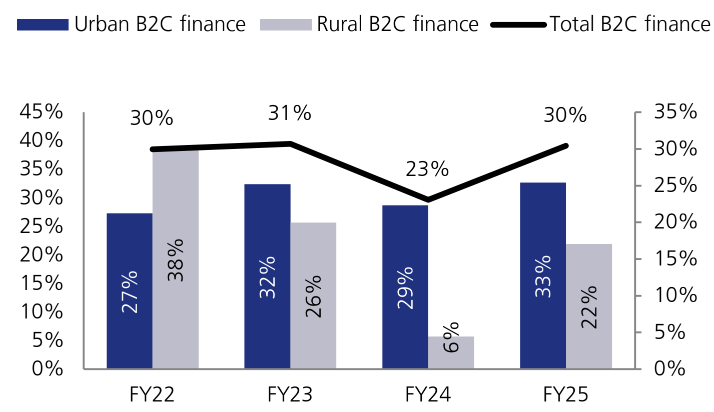


Source: Company, JM Financial

Personal loans: Growth bounces back with market share gains

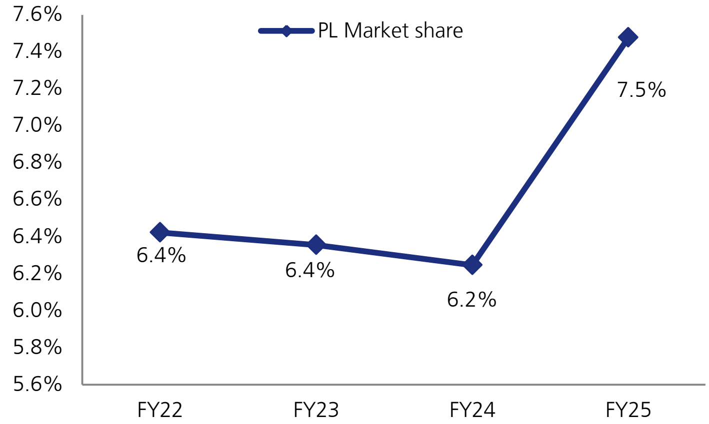
- After slowing down in FY24 especially in rural B2C, personal loan (excluding Gold loans) growth was back to a strong ~30% YoY in FY25 vs. ~23% YoY in FY24. **~30% YoY loan growth in FY25 for BAF was much higher than system personal loan growth of only 9% YoY, leading to its market share increasing by ~123bps YoY.**

Exhibit 6. Personal loan: Growth picks up in FY25 vs. FY24



Source: Company, JM Financial *Rural B2C excludes Gold loans

Exhibit 7. Personal loan: Increasing market share in FY25



Source: Company, CRIF, JM Financial

- More importantly, loan growth in relatively safer segments like existing customers (PLCS-Personal loan cross sell) and salaried customers (salary>INR300k) was higher than overall personal loan growth for BAF, **leading to higher share of existing and salaried customers in the personal loan mix.**

Exhibit 8. Higher share of existing and salaried customers in the personal loan mix

INR bn	FY20	FY21	FY22	FY23	FY24	FY25	FY22-25 (CAGR)
Personal Loan Cross Sell (PLCS)	192	172	214	290	376	503	33%
YoY		-10%	24%	35%	30%	34%	
% of total PL	47.5%	43.0%	41.1%	42.6%	45.0%	46.1%	
Salaried Personal loans	113	121	160	195	263	358	31%
YoY		7%	32%	22%	35%	36%	
% of total PL	28.1%	30.2%	30.8%	28.7%	31.4%	32.8%	
Total Personal loans	404	400	520	680	837	1,092	28%
YoY		-1%	30%	31%	23%	30%	

Source: Company, JM Financial

- **We also note that the eligibility criteria for taking salaried personal loans (SPL) have been coming down over the years.** As per FY25 AR, average annual gross earnings should be min. INR 0.3mn for availing SPL vs. INR 0.5mn in FY24. As per FY22 AR disclosure, the minimum average annual gross earnings for availing SPL were INR 0.6mn.

Exhibit 9. Minimum salary needed to avail SPL

Min. salary needed to avail SPL	FY21	FY22	FY23	FY24	FY25
Avg. Annual gross earnings (INR mn)	0.6	0.6	0.5	0.5	0.3

Source: Company, JM Financial

- Further, as per annual report, **BAF undertook a significant strategic shift towards expanding its term loan portfolio from 5% to 20%, with more focus on longer tenures and larger ticket sizes in this segment.**

Auto (2W/3W) loans: Exits legacy; scales up non-Bajaj Auto Portfolio

- In the 2W business, **BAF started financing non-Bajaj Auto 2Ws from Jun'22 onwards** and this business has been scaling up well. In FY25, BAF financed ~0.45mn non-Bajaj Auto 2W vehicles, up ~87% YoY. This business operates in 1,750 locations and serving around 35 OEM as of FY25.

Exhibit 10. Non-Bajaj Auto 2Ws business scaling up well in FY25

Non-Bajaj 2W Portfolio	FY23	FY24	FY25
2W Financed (# mn)	0.06	0.24	0.45
Locations		767	1,750
Retailers		6,000	14,000
OEMs		14	35

Source: Company, JM Financial

- From Dec'24 onwards, BAF has completely stopped financing Bajaj Auto-2W/3W vehicles. Hence, in FY25, BAF financed only ~18%/22% of Bajaj Auto's 2W/3W domestic sales vs. ~41%/49% in FY24.

Exhibit 11. Reducing % of BFL financing to Bajaj Auto

BFL Financing to Bajaj Auto	FY21	FY22	FY23	FY24	FY25	YoY
2W (# mn)	0.61	0.64	0.71	0.86	0.30	-65%
3W (# mn)	0.06	0.07	0.13	0.20	0.09	-54%
Total (# mn)	**0.67**	**0.71**	**0.84**	**1.06**	**0.39**	**-63%**
% of Bajaj Auto sales						
2W	34%	37%	40%	41%	18%	-23%
3W	54%	44%	44%	49%	22%	-27%
Total	**35%**	**38%**	**41%**	**42%**	**19%**	**-23%**

Source: Company, JM Financial

SME Lending: Multiple segments to play with

- In MSME lending, BAF provides secured/unsecured loans to MSMEs, professionals, tractor financing and new/used car financing and commercial vehicle financing.
- SME loan for BAF has been growing well with ~37% YoY growth in FY25 (~15% of AUM including car financing). It is supported by both its existing sub-segments and **newer segments (industrial equipment financing, tractor financing, new car financing, etc.).**
- The following additional disclosures were available from BAF AR on the new businesses-
  - **In FY25, BAF introduced industrial equipment financing** for machine tools, plastic processing, textiles and printing and packaging machines. This led to overall equipment financing portfolio (both medical and Industrial equipment financing) growing by ~72% YoY in FY25.
  - **In FY25, BAF launched commercial vehicle financing**, with presence in over 50 locations and AUM of ~INR 9.42bn as of FY25 (~0.23% of overall consolidated AUM)
  - **In tractor financing (launched in FY24)**, the AUM stands at ~INR 7.05bn as of FY25 (~0.17% of overall consol. AUM) vs. INR 0.3bn as of FY24.
  - **In new car financing (launched in FY24)**, the AUM became >3x to INR 52.8bn (~1.3% of overall consol. AUM). **As a result, share of new car financing has gone up in car financing AUM to ~44% in FY25 from nil in FY23.**
  - **In FY25, BAF launched affordable housing loans**, offering credit facilities to make home ownership accessible to all.
  - **In FY25, BAF also launched vehicle leasing** for corporates and has partnered with over 70 companies to provide this product.

Exhibit 12. SME loans: Several new segments have seen growth pickup in FY25

INR bn	FY22	FY23	FY24	FY25
Unsecured SME loans for Business	142.0	189.4	249.6	319.6
YoY growth		33%	32%	28%
Unsecured/Secured loans for professionals (Doctors/CAs etc.)	94.2	119.3	130.3	164.1
YoY growth		27%	9%	26%
Equipment financing (medical/Industrial)		3.1	5.0	8.5
YoY growth			61%	72%
Secured loans to SME/MSME	18.0	32.7	74.0	105.6
YoY growth		81%	127%	43%
Tractor financing			0.3	7.1
YoY growth				2612%
CV Financing				9.4
YoY growth				NA
Auto (Car) Financing	11.7	27.6	70.9	118.8
YoY growth		136%	156%	68%
New			16.8	52.8
YoY growth				214%
Used	11.7	27.6	54.1	66.0
YoY growth		136%	96%	22%
SME loans (including Car financing)	249.8	325.3	455.6	622.2
YoY growth		30%	40%	37%

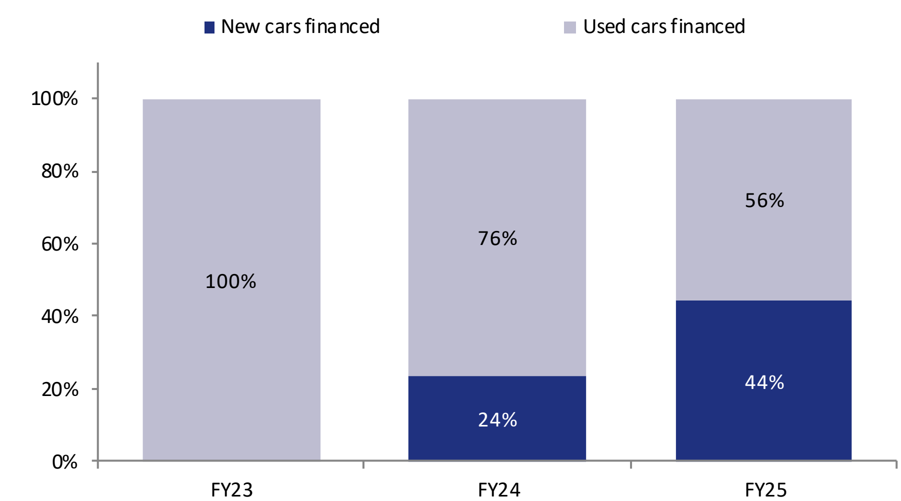
Source: Company, JM Financial

Exhibit 13. No. of dealer outlets and locations for new and used cars

FY25	New Cars	Used Cars
Locations	59	95
Dealer outlets	2,700	1,000

Source: Company, JM Financial

Exhibit 14. Share of new car financing has gone up in car financing AUM to ~44% in FY25 from nil in FY23.



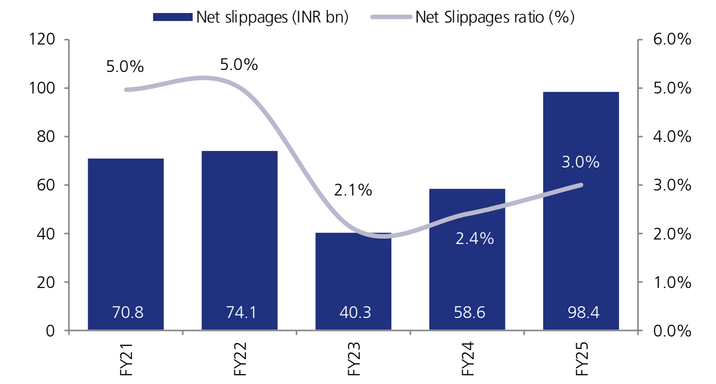
Source: Company, JM Financial

Asset quality: Stress rising in unsecured book

Reported net slippages/write-offs highest in last 3 years

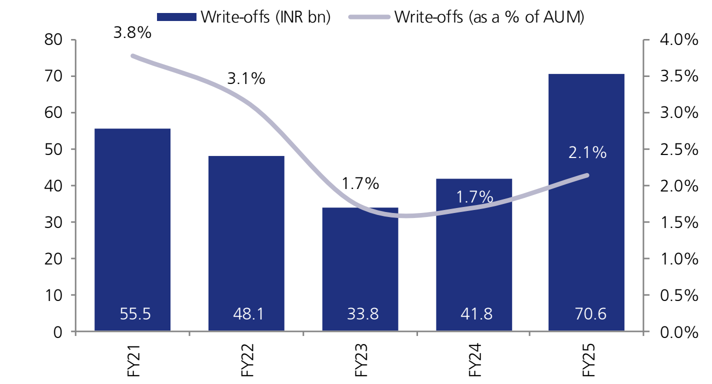
- **Net slippages and write-offs (reported) were highest in the last 3 years,** both in absolute terms and as % of AUM. In FY25, write-offs/net slippages in absolute terms were up ~69%/75% YoY.

Exhibit 15. Net slippages increasing in the last 3 years



Source: Company, JM Financial

Exhibit 16. Write offs increasing in the last 3 years



Source: Company, JM Financial

Inch up in stage 2/3 assets and ECL provisioning mainly in unsecured vs. secured loans

- Driven by higher net slippages, Stage 2/3 assets went up by ~10bps YoY, each at overall consolidated level. Disclosures from AR show that inch-up in stage 2/3 assets were sharper in unsecured loans vs. secured loans.

Exhibit 17. BAF (consol.): Increase in gross stage 2/3 assets in the mix

Gross assets (%)	FY21	FY22	FY23	FY24	FY25	YoY
Stage 1	93.7%	96.4%	97.8%	97.9%	97.7%	-0.2%
Stage 2	4.5%	2.0%	1.2%	1.2%	1.3%	0.1%
Stage 3	1.8%	1.6%	0.9%	0.8%	1.0%	0.1%

Source: Company, JM Financial

Exhibit 18. BAF (secured loans): Inch up in stage 2/3 assets were lower in secured loans

Secured assets (%)	FY21	FY22	FY23	FY24	FY25	YoY change
Stage 1	93.2%	96.1%	98.0%	98.4%	98.3%	-0.1%
Stage 2	4.6%	2.2%	1.1%	0.9%	0.9%	0.0%
Stage 3	2.1%	1.7%	0.9%	0.7%	0.8%	0.1%

Source: Company, JM Financial

Exhibit 19. BAF (unsecured loans): Inch up in stage 2/3 assets were sharper in unsecured

Unsecured assets (%)	FY21	FY22	FY23	FY24	FY25	YoY change
Stage 1	94.4%	96.8%	97.6%	97.3%	96.9%	-0.3%
Stage 2	4.2%	1.7%	1.4%	1.6%	1.8%	0.2%
Stage 3	1.4%	1.5%	1.0%	1.1%	1.2%	0.1%

Source: Company, JM Financial

- During the year, BAF strengthened its ECL modeling leading to increase in ECL provisioning (ECL/EAD) on YoY basis. **Disclosure from AR shows that ECL increase has been predominantly in unsecured loans vs. secured loans.**

Exhibit 20. BAF (consol.): Increase in ECL provisioning (ECL/EAD) on YoY basis

ECL/EAD (Overall) (%)	FY21	FY22	FY23	FY24	FY25	YoY
Stage 1	0.8%	0.8%	0.8%	0.7%	0.8%	0.1%
Stage 2	23.3%	28.0%	30.8%	29.7%	32.4%	2.7%
Stage 3	58.4%	58.0%	63.8%	57.0%	53.7%	-3.3%
Overall	**2.9%**	**2.2%**	**1.8%**	**1.5%**	**1.7%**	**0.2%**

Source: Company, JM Financial

Exhibit 21. BAF (secured loans): Lower increase in provisioning in secured loans

ECL/EAD (Secured)	FY21	FY22	FY23	FY24	FY25	YoY
Stage 1	0.6%	0.6%	0.5%	0.3%	0.4%	0.0%
Stage 2	17.6%	24.0%	22.0%	17.6%	21.1%	3.5%
Stage 3	49.6%	51.1%	54.0%	54.8%	48.9%	-5.9%
Total secured	2.5%	1.9%	1.2%	0.9%	0.9%	0.1%

Source: Company, JM Financial

Exhibit 22. BAF (unsecured loans): Higher increase in provisioning in unsecured loans

ECL/EAD (Unsecured)	FY21	FY22	FY23	FY24	FY25	YoY
Stage 1	1.1%	1.1%	1.3%	1.3%	1.4%	0.1%
Stage 2	31.7%	34.7%	41.0%	40.6%	41.0%	0.4%
Stage 3	77.4%	67.9%	75.2%	59.2%	58.4%	-0.8%
Total unsecured	3.4%	2.7%	2.6%	2.5%	2.8%	0.3%

Source: Company, JM Financial

Scenario analysis: ECL coverage to be ~12-13bps higher in downside scenario

- BAF provides scenario analysis for ECL coverage needed depending upon future economic conditions, as given below. In downside scenario, ECL coverage should have been ~12-13bps higher than current ECL coverage.

Exhibit 23. Scenario analysis for ECL coverage

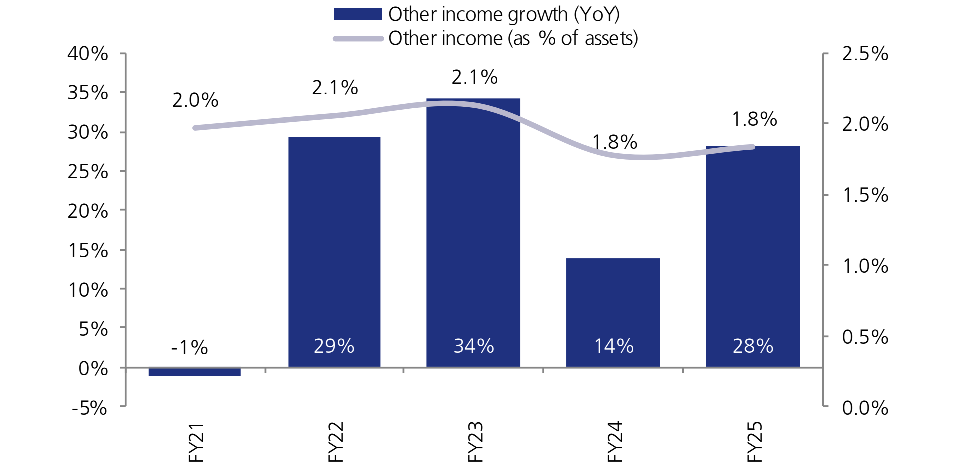
Scenarios	Probability	Unemployment rate	GDP growth	ECL Coverage (ECL/EAD)
Central	80%	Current 8.4%, 7.6% in next few years	RBI projected real GDP growth forecast of 6.5% YoY, Expected to moderate to 6.1% over a 3-year period	1.68%
Upside	10%	Peak 11.7%, 7.6% in next 2 years	Optimistic GDP estimate of 10.3% for Q127 before averaging back to 6.1% over two years	1.53%
Downside	10%	3.4% by Jun'26, 7.6% in next 2 years	GDP growth to reduce to 3.3% in Q127, then expected to normalise to around 6.1% within next 2 years.	1.82%

Source: Company, JM Financial

Fee income: Core fee income is under pressure

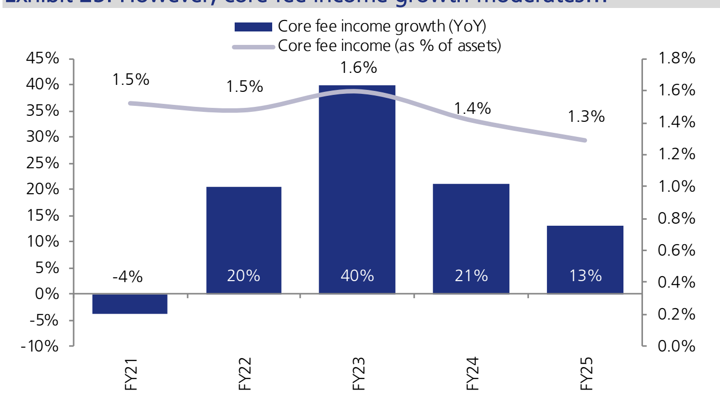
- Other income for BAF was up 28% YoY in FY25 vs. ~14% in FY24. However, excluding non-recurring fee income items like bad debt recoveries, net gain on fair value changes, interest income on assigned loans, dividend income, etc., **core fee income growth was low at ~13% YoY in FY25.**

Exhibit 24. Other income YoY growth increased in FY25



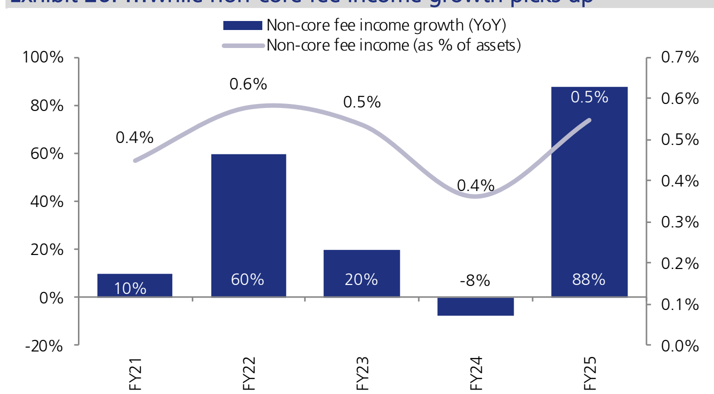
Source: Company, JM Financial

Exhibit 25. However, core fee income growth moderates…



Source: Company, JM Financial

Exhibit 26. …while non-core fee income growth picks up



Source: Company, JM Financial

- **Within core fee income streams, distribution income (income from selling third-party products/services) growth was only 1% YoY in FY25 (~27% of total other income in FY25).** This might be due to BAF stopping incremental sourcing of co-branded credit cards of RBL/DBS bank in 3QFY25.
- **Further, foreclosure income growth came down to ~16% YoY in FY25 vs. ~40%-60% YoY growth seen during FY22-24.** As per the latest RBI circular (link), NBFC-UL cannot charge prepayment penalties on partial/full repayment of floating rate LAP/MSME loans to individual/MSMEs from 1st Jan'26. Hence, this stream of income should further show a slowdown given BAF charges ~4%-5% of outstanding loans in its LAP segment.

Exhibit 27. Distribution/Foreclosure income growth moderated to ~1%/16% YoY in FY25 vs. ~20%-40% YoY growth seen in FY24

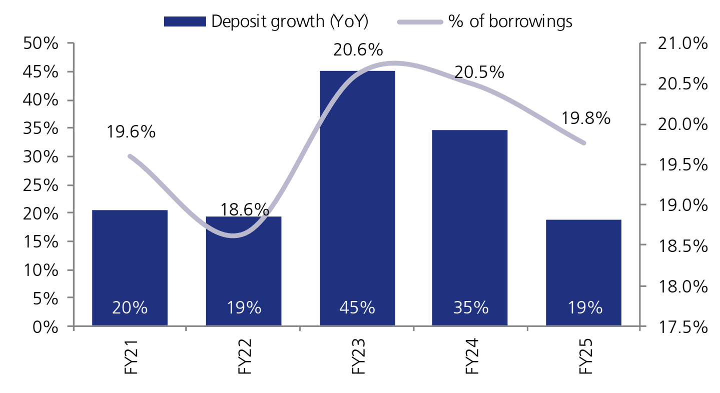
Total non-interest income	INR bn				Growth YoY			Mix (%)		
Core fee income	FY22	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Distribution income	12.0	18.9	23.0	23.3	58%	21%	1%	43%	43%	39%
Service and administration charges	11.6	14.8	17.7	21.3	28%	19%	20%	34%	33%	36%
Fees on value added services and products	4.5	6.1	6.5	8.8	35%	8%	35%	14%	12%	15%
Foreclosure income	2.3	3.2	4.4	5.1	41%	38%	16%	7%	8%	8%
Brokerage income	0.3	0.5	1.0	1.2	71%	103%	19%	1%	2%	2%
Sale of Service	0.7	0.4	0.5	0.3	-49%	31%	-46%	1%	1%	0%
Total core fee income	**31.4**	**43.9**	**53.2**	**60.1**	**40%**	**21%**	**13%**	**100%**	**100%**	**100%**
Other non-interest income	FY22	FY23	FY24	FY25	FY23	FY24	FY25			
Bad debt recoveries	8.9	11.0	8.5	7.1	24%	-23%	-16%			
Net gain on fair value changes	3.3	3.3	3.1	5.4	2%	-8%	75%			
Income on derecognised (assigned) loans	-	0.2	0.1	5.5	NA	-42%	4041%			
Net realisation on sale of written off loans	-	-	0.0	1.6	NA	NA	27510%			
Marketing, branding and allied services		-	1.2	4.9	NA	NA	313%			
Dividend income	-	0.0	0.0	0.1	NA	207%	429%			
Grant towards QR deployment operating expenditure	-	-	0.1	0.0	NA	NA	-83%			
Interest on income tax refund	0.0	0.0	0.0	0.3	200%	-97%	259200%			
Miscellaneous income	0.1	0.1	0.1	0.2	-2%	17%	78%			
Others	-	0.0	0.5	0.4	NA	1102%	-17%			
Total other non-interest income	**12.3**	**14.7**	**13.6**	**25.5**	**20%**	**-8%**	**88%**			
Total non-interest income	**43.7**	**58.7**	**66.8**	**85.6**	**34%**	**14%**	**28%**			

Source: Company, JM Financial

Deposits granularity weakens; in line with Industry

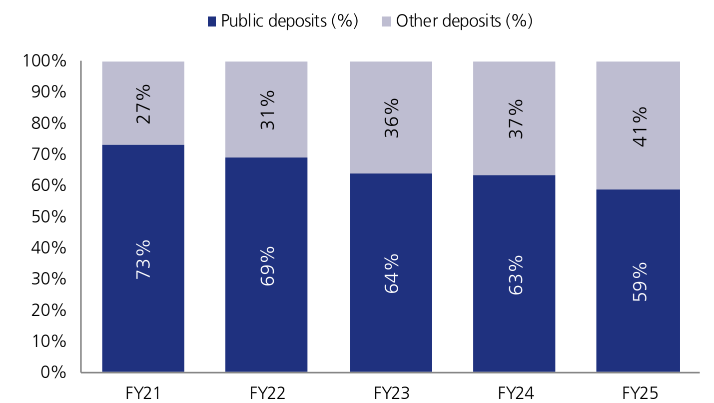
- Deposit growth for BAF has come down in FY25 (~19%/35% YoY growth in FY25/24). Further, the share of public deposits, which are more granular, has been coming down over the past few years (~59% in FY25 from 73% in FY21).
- We also note that ~41% of its deposits has a residual maturity of <1Year, which will provide benefits in this rate cut cycle.
- Further, share of paperless deposit in the mix has been going up in recent times.

Exhibit 28. Deposit growth for BAF has come down in FY25…



Source: Company, JM Financial

Exhibit 29. …with share of public deposits falling



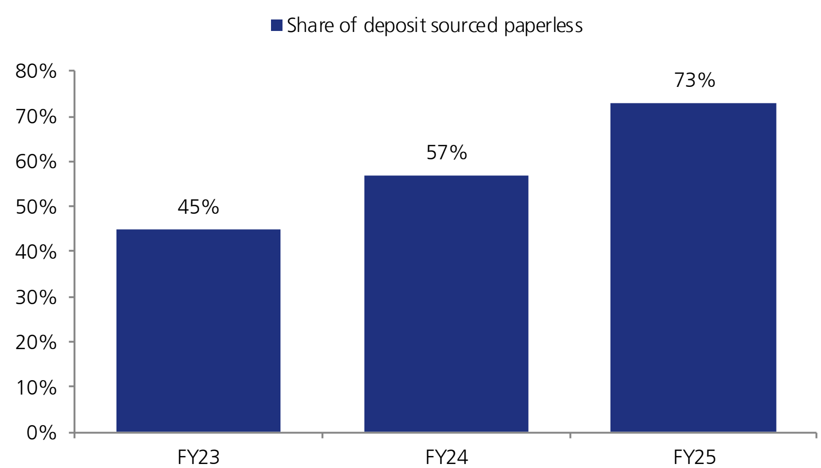
Source: Company, JM Financial

Exhibit 30. <41% of deposits have residual maturity of <1Year

Maturity profile of deposits - FY25	Residual	Original
<1 Year	41%	18%
1-2 Year	27%	22%
2-3 Years	24%	16%
>3 Years	8%	45%

Source: Company, JM Financial

Exhibit 31. Share of deposits sourced paperless is increasing significantly

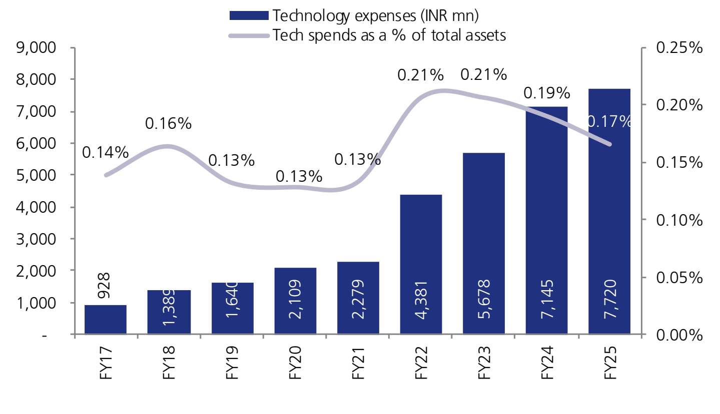


Source: Company, JM Financial

Technology: AI-led efficiency kicks in

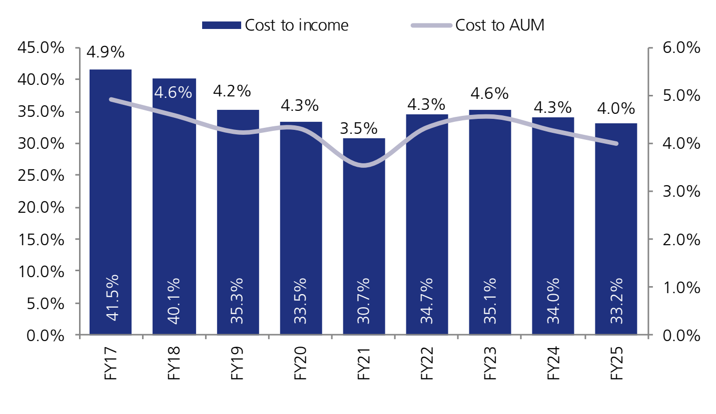
- Growth in tech spends moderated to only 8% YoY in FY25 vs. 46% CAGR during FY21-24. However, huge investments made in earlier years in tech/analytics have led to improvement in cost ratios in the last few years.

Exhibit 32. Growth in tech spends moderated to 8% YoY in FY25



Source: Company, JM Financial

Exhibit 33. Prior tech investments led to improvement in cost ratios



Source: Company, JM Financial

A few of the important and new pointers on technology given in AR that we found interesting are given below:

- **Blockchain:** In FY25, BFL approved two blockchain use cases spanning the insurance and banking domains.
  a. The insurance-related blockchain initiative aims to enhance trust, operational efficiency, and collaboration by providing near-real-time policy updates across lifecycle. BAF went live with one partner in Jan'25, contributing 15% to the total insurance volume. It plans to go live with another partner in Jul'25, contributing an additional 33% to the total insurance volume, bringing the total coverage to 48%. This initiative achieves a 100% reduction in manual insurance data exchanges, ensuring real-time visibility, zero data tampering and seamless integration with the existing core system and process.
  b. In banking, the focus is on implementing pre-debit notifications (UPI-PDN) use cases to enhance banking operations. BAF plans to go live with a key partner in 1QFY26. This approach eliminates the need for manual sharing of PDNs with partners, ensuring real-time processing and providing customers with instant EMI updates through any BFL Digital channel. This transition aims to increase transaction efficiency by 25% in FY26.
- **Early successes in Artificial Intelligence (AI):**
  a. **AI Voice BOTs in Personal Loan Business**: An AI-powered voice automation generated leads, enabling the disbursement of nearly INR 15bn in loans.
  b. **AI-Enabled Document Processing and Quality Control**: AI has been implemented to extract information from documents across processes. This has eliminated manual document verification in the processing of over 35mn documents.
  c. **AI-Powered Service Chat on Bajaj Finserv App:** Resulted in accelerated query resolution and thus reduced 70% of service requests.
  d. **AI-Agents for Service Email Automation**: 18% of service emails are now autonomously processed through Service CRM AI-agents.
  e. **Co-Pilot for SDLC Activities**: AI-assisted development efficiencies within the Software Development Life Cycle (SDLC).

f. **Generative AI for Content Creation**: AI now produces 100% of search engine optimisation (SEO) content, 71% of the videos and 36% of digital banners, marking a major shift in digital content generation.

- **As per Annual report, 75+ AI applications will be deployed in FY26. BAF aims to improve productivity by ~1.15x to 2x of employee, sales agent, etc. through AI.**

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income (NII)	2,95,819	3,63,928	4,57,129	5,59,920	6,82,631
Non Interest Income	66,836	85,790	1,01,601	1,23,603	1,51,819
Total Income	**3,62,655**	**4,49,718**	**5,58,730**	**6,83,523**	**8,34,450**
Operating Expenses	1,23,252	1,49,261	1,83,010	2,19,692	2,60,532
Pre-provisioning Profits	**2,39,403**	**3,00,457**	**3,75,721**	**4,63,831**	**5,73,918**
Loan-Loss Provisions	46,307	79,660	92,346	1,06,390	1,28,981
Others Provisions	0	0	0	0	0
Total Provisions	**46,307**	**79,660**	**92,346**	**1,06,390**	**1,28,981**
PBT	**1,93,096**	**2,20,796**	**2,83,375**	**3,57,440**	**4,44,937**
Tax	48,584	53,002	71,410	90,075	1,12,124
PAT (Pre-Extra ordinaries)	**1,44,512**	**1,67,795**	**2,11,964**	**2,67,365**	**3,32,813**
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	**1,44,512**	**1,67,795**	**2,11,964**	**2,67,365**	**3,32,813**
Dividend	22,248	34,768	34,735	41,836	49,311
Retained Profits	**1,22,264**	**1,33,027**	**1,77,229**	**2,25,530**	**2,83,502**

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	12,360	12,417	12,417	12,417	12,417
Reserves & Surplus	7,54,594	9,54,512	11,31,741	13,57,271	16,40,773
Stock option outstanding	0	0	0	0	0
Borrowed Funds	29,33,458	36,12,487	44,49,510	55,42,028	67,81,431
Deferred tax liabilities	0	0	0	0	0
Preference Shares	57,004	81,853	98,378	1,08,989	1,25,793
Current Liabilities & Provisions	0	0	0	0	0
Total Liabilities	**37,57,416**	**46,61,268**	**56,92,046**	**70,20,705**	**85,60,413**
Net Advances	32,62,933	40,78,441	50,27,946	62,07,072	75,95,203
Investments	3,08,807	3,44,408	4,24,590	5,24,163	6,41,385
Cash & Bank Balances	1,06,240	1,35,435	1,25,699	1,48,970	1,51,904
Loans and Advances	0	0	0	0	0
Other Current Assets	0	0	0	0	0
Fixed Assets	32,934	38,215	43,947	54,253	66,386
Miscellaneous Expenditure	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0
Total Assets	**37,57,416**	**46,61,268**	**56,92,046**	**70,20,705**	**85,60,413**

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	35.4%	23.1%	23.2%	24.6%	22.4%
Advances	34.7%	25.0%	23.3%	23.5%	22.4%
Total Assets	36.5%	24.1%	22.1%	23.3%	21.9%
NII	28.7%	23.0%	25.6%	22.5%	21.9%
Non-interest Income	13.9%	28.4%	18.4%	21.7%	22.8%
Operating Expenses	21.5%	21.1%	22.6%	20.0%	18.6%
Operating Profits	27.9%	25.5%	25.0%	23.5%	23.7%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	45.2%	72.0%	15.9%	15.2%	21.2%
Reported PAT	25.6%	16.1%	26.3%	26.1%	24.5%
Yields / Margins (%)					
Interest Spread	9.37%	8.80%	8.88%	8.85%	8.80%
NIM	10.24%	9.74%	9.83%	9.76%	9.68%
Profitability (%)					
ROA	5.02%	4.51%	4.51%	4.62%	4.69%
ROE	24.0%	22.2%	22.2%	22.9%	23.8%
Cost to Income	34.0%	33.2%	32.8%	32.1%	31.2%
Asset quality (%)					
Gross NPA	0.85%	0.96%	1.07%	1.11%	1.09%
LLP	1.60%	2.13%	1.99%	1.85%	1.83%
Capital Adequacy (%)					
Tier I	21.51%	21.09%	23.42%	23.27%	23.50%
CAR	22.52%	21.93%	24.18%	23.89%	24.01%

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	9.09%	8.65%	8.83%	8.81%	8.76%
Other Income / Assets	2.05%	2.04%	1.96%	1.94%	1.95%
Total Income / Assets	11.14%	10.68%	10.79%	10.75%	10.71%
Cost / Assets	3.79%	3.55%	3.54%	3.46%	3.34%
PPP / Assets	7.36%	7.14%	7.26%	7.30%	7.37%
Provisions / Assets	1.42%	1.89%	1.78%	1.67%	1.66%
PBT / Assets	5.93%	5.25%	5.47%	5.62%	5.71%
Tax rate	25.2%	24.0%	25.2%	25.2%	25.2%
ROA	4.44%	3.99%	4.09%	4.21%	4.27%
Leverage	5.4	5.6	5.4	5.4	5.6
ROE	24.0%	22.2%	22.2%	22.9%	23.8%

Source: Company, JM Financial

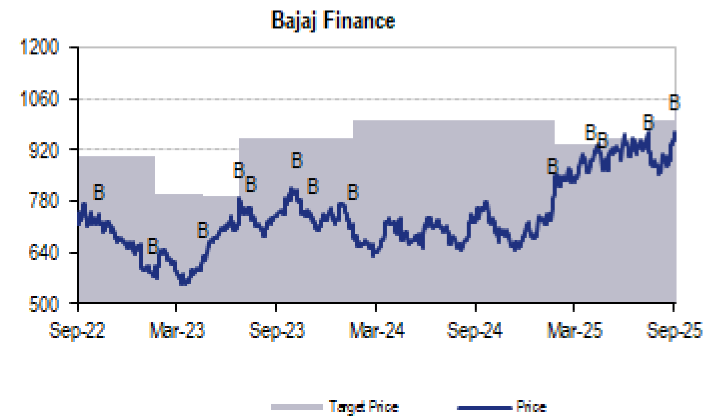
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	6,180.0	6,208.5	6,208.5	6,208.5	6,208.5
EPS (INR)	23.4	27.0	34.1	43.1	53.6
EPS (YoY) (%)	22.8%	15.6%	26.3%	59.3%	57.0%
P/E (x)	41.4	35.8	28.4	22.5	18.1
BV (INR)	124	156	184	221	266
BV (YoY) (%)	38.0%	25.5%	18.3%	41.7%	44.5%
P/BV (x)	7.80	6.22	5.25	4.39	3.64
DPS (INR)	3.6	5.6	5.6	6.7	7.9
Div. yield (%)	0.4%	0.6%	0.6%	0.7%	0.8%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jul-21	Buy	685	
27-Oct-21	Buy	900	31.4
19-Jan-22	Buy	900	0.0
4-Mar-22	Buy	900	0.0
27-Apr-22	Buy	900	0.0
11-Jul-22	Buy	900	0.0
27-Jul-22	Buy	900	0.0
21-Oct-22	Buy	900	0.0
27-Jan-23	Buy	800	-11.1
27-Apr-23	Buy	793	-0.9
5-Jul-23	Buy	950	19.9
26-Jul-23	Buy	950	0.0
17-Oct-23	Buy	950	0.0
16-Nov-23	Buy	950	0.0
29-Jan-24	Buy	1,000	5.3
30-Jan-25	Buy	935	-6.5
8-Apr-25	Buy	935	0.0
30-Apr-25	Buy	950	1.6
25-Jul-25	Buy	1,000	5.3
10-Sep-25	Buy	1,060	6.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.com
Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 27th Floor, Office No. 2715, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an “accredited investor” as such term is defined in National Instrument 45-106 Prospectus Exemptions and a “permitted client” as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.