

11 November 2025

Mixed earnings

Bajaj Finance (BAF IN) Q2 earnings were mixed, driven by lower interest income and NIM, due to the MSME portfolio reduction and auto loan exit, with provisions staying elevated. While standalone credit cost rose to 2.7% vs 2.6% in Q1FY26, rural & urban consumer finance businesses have stabilized and MSME challenges are set to bottom in Q4FY26. AUM growth guidance is currently at 22-23%, in line with expectations. EMI cards in force; 36% YoY growth), LAP, and new businesses, including car, gold loans, and CV & tractor, may drive growth. We are monitoring asset quality trends. We retain **Accumulate** with a higher TP of INR 1,129. A tough FY26 may lead to temporary stock correction.

Weak top line and elevated provisions keep PAT in check: Q2 PAT of INR 42.5bn was below our estimates, up by a mere 2.8% QoQ; however, adj PAT (after exceptional items) was up 23.8% YoY. Muted performance was led by elevated provisions of INR 22.2bn, up 6.8% QoQ & 16.6% YoY, and soft NII growth of 4.9% QoQ after scaling back high-risk MSME and auto portfolios. NIM remain flat QoQ despite a 27bp improvement in COF to ~7.5% in Q2, as the benefit of lower funding cost was passed on. The cost-income ratio remains steady at 33.7% while opex/NTI improved to 32.6% vs 33.2% YoY. Continued opex optimization, led by AI-driven productivity gains, is likely to enhance operating efficiency and sustain ROA at ~4.6% during FY25-28E.

Consumer finance and new businesses to drive growth: AUM grew 22.9% YoY and 3.6% QoQ to ~INR 3.4tn in Q2, even as MSME and auto (2W & 3W) portfolios contracted by 4% QoQ and 9% QoQ, respectively, with management cutting MSME volume by 25% and continuing the planned run-off of the captive 2W & 3W portfolio. New businesses (gold & new car loans, and CV & tractor financing) contributed ~3% to Q2 AUM growth. A diversified product suite, deepening cross-sell (71.3mn franchise), and expansive physical footprint of 4,039 locations offer levers to sustain medium-term growth. Management trimmed AUM growth target to 22-23% from 24-25%, which aligns with our 23% AUM CAGR during FY25-28E.

Near-term asset quality stress cannot be ruled out: While GNPA rose 56bp QoQ to 1.6% in Q2, standalone credit cost increased 5bp to 2.7%, due to persistent stress in the MSME and 2W & 3W segments. Vintage metrics (3, 6 & 9 MOB) continue to improve and rural B2C & MFI portfolio classification has been upgraded from yellow to green; however, rising 2W & 3W delinquencies (~9% of overall loan losses) persist as these portfolios are being systematically wound down. We expect credit cost of 2.2% and GNPA of 1.5% during FY26-28E.

Retain Accumulate with a higher TP of INR 1,129: BAF saw MSME stress in Q2, but this was offset by a strong turnaround in its PL business. Trimmed growth guidance aligns with our estimated 23% AUM CAGR during FY25-28, reflecting caution we flagged in Q4FY25. We expect credit cost to decline to 2.2% for the standalone entity by FY26E, an improvement from 2.7% in Q2FY26, led by BAF's proactive stress recognition and portfolio downsizing (auto & MSME). We expect a 20% earnings CAGR and 4.6% ROA during FY25-28E, and this makes it a compelling long-term bet in India's robust consumption narrative. While our estimates remain unchanged, we raise our SOTP-based TP to INR 1,129 from INR 1,032 on core book at 5.2x (from 4.9x) FY27E P/ABV after factoring in a 13% rally in the past three months. We retain **Accumulate**.

Key financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
PPoP (INR mn)	216,253	270,148	343,088	410,488	482,939
YoY (%)	27.6	24.9	27.0	19.6	17.7
NP (INR mn)	126,441	166,615	185,617	236,331	284,815
YoY (%)	22.9	31.8	11.4	17.0	20.5
EPS (INR)	20.5	26.8	29.9	38.1	45.9
YoY (%)	20.2	31.2	11.5	27.3	20.5
P/PPoP (x)	31.2	25.0	19.7	16.4	14.0
RoAE (%)	20.5	20.8	19.1	20.0	19.7
RoAA (%)	4.9	5.0	4.5	4.6	4.6
P/E (x)	53.0	40.4	36.3	28.5	23.6
P/ABV (x)	9.4	7.8	6.4	5.2	4.3

Note: Pricing as on 10 November 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 1,129**

Upside: **5%**

CMP: **INR 1,085**

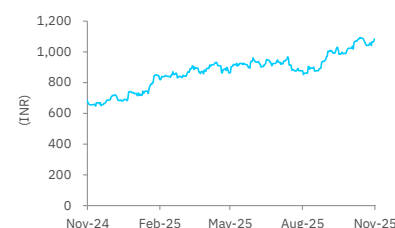
As on 10 November 2025

Key data

Bloomberg	BAF IN
Reuters Code	BJFN.NS
Shares outstanding (mn)	6,222.5
Market cap (INR bn/USD mn)	6,751/76,117
EV (INR bn/USD mn)	9,542/107,581
ADTV 3M (INR mn/USD mn)	7,559/85
52 week high/low	1,103/644
Free float (%)	42

Note: as on 10 November 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Shareholding (%)				
Promoter	54.7	54.7	54.7	54.7
% Pledge	0.0	0.0	0.0	0.0
FII	20.8	21.5	21.7	22.0
DII	15.2	14.9	14.6	14.5
Others	9.3	8.9	9.0	8.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	5.0	6.5	5.9
Bajaj Finance	23.7	25.6	57.6
NSE Mid-cap	5.7	10.1	5.5
NSE Small-cap	2.9	12.9	(3.5)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net interest income	269,393	331,112	408,885	514,342	651,337
Fee income	-	-	-	-	-
Trading profits	-	-	-	-	-
Non-interest income	61,632	78,713	97,998	84,075	78,214
Net operating revenue	331,025	409,825	506,883	598,417	729,552
Operating expenses	114,773	139,677	163,795	187,929	246,612
Pre-provisioning operating profit	216,253	270,148	343,088	410,488	482,939
Total provisions	45,722	78,829	76,913	91,862	98,946
Profit before tax	170,531	191,320	249,716	318,625	383,993
Tax	44,090	50,146	64,098	82,294	99,177
Minorities/exceptionals	-	25,411	-	-	-
Profit after tax	126,441	166,615	185,617	236,331	284,815
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Customer loans	2,433,344	3,043,592	3,733,619	4,620,313	5,751,611
Investments	383,983	431,326	516,181	663,316	568,901
Cash & bank balances	117,793	167,639	236,961	304,617	310,669
Fixed assets	31,025	36,139	51,494	64,619	81,346
Other assets	-	-	-	-	-
Total Assets	2,966,145	3,678,696	4,538,255	5,652,865	6,712,527
Net worth	720,105	879,957	1,065,573	1,301,904	1,586,720
Deposits	-	-	-	-	-
Borrowings	2,203,787	2,752,176	3,413,020	4,239,467	5,070,808
Other liabilities	42,253	46,563	59,662	111,494	55,000
Total Liabilities	2,966,145	3,678,696	4,538,255	5,652,865	6,712,527
Key operating ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Lending yield	19.2	18.6	18.4	18.7	18.6
Cost of Funds	7.2	7.5	7.3	7.3	7.3
Spreads	11.9	11.1	11.1	11.4	11.3
Net interest margin	10.5	10.0	10.0	10.1	10.5
CASA Ratio	-	-	-	-	-
Non-interest income / operating income	18.6	19.2	19.3	14.0	10.7
Cost/income	34.7	34.1	32.3	31.4	33.8
Operating expense/avg assets	(4.5)	(4.2)	(4.0)	(3.7)	(4.0)
Credit costs / avg loans	(1.8)	(2.4)	(1.9)	(1.8)	(1.6)
Effective tax rate	(25.9)	(23.1)	(24.1)	(25.8)	(25.8)
Loan deposit ratio	-	-	-	-	-
ROA decomposition (%)	FY24	FY25	FY26E	FY27E	FY28E
NII /Assets	10.5	10.0	10.0	10.1	10.5
Fees/Assets	-	-	-	-	-
Invst profits/Assets	-	-	-	-	-
Net revenues/Assets	12.9	12.3	12.3	11.7	11.8
Opex /Assets	(4.5)	(4.2)	(4.0)	(3.7)	(4.0)
Provisions/Assets	(1.8)	(2.4)	(1.9)	(1.8)	(1.6)
Taxes/Assets	(1.7)	(1.5)	(1.6)	(1.6)	(1.6)
Total costs/Assets	(8.0)	(8.1)	(7.4)	(7.1)	(7.2)
ROA	4.9	5.0	4.5	4.6	4.6
Equity/Assets	24.1	24.1	23.7	23.2	23.4
ROAE	20.5	20.8	19.1	20.0	19.7
Key financial ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Tier I Capital adequacy	24.6	24.2	23.8	23.3	23.9
Gross NPL	1.0	1.2	1.5	1.5	1.5
Net NPL	0.5	0.6	0.6	0.6	0.7
Slippage ratio	-	-	-	-	-
Per share data (INR)					
EPS	20.5	26.8	29.9	38.1	45.9
BVPS	117	142	172	210	256
Adj- BVPS	115	140	170	208	253
Valuation (x)					
P/BV	9.3	7.7	6.3	5.2	4.2
P/ABV	9.4	7.8	6.4	5.2	4.3
P/E	53.0	40.4	36.3	28.5	23.6

Note: Pricing as on 10 November 2025; Source: Company, Elara Securities Estimate

Exhibit 1: Q2FY26 results

P&L highlights (INR mn)	Q2FY26	Q2FY25	YoY (%/bp)	Q1FY26	QoQ (%/bp)
Income from operations	149,686	125,982	18.8	144,906	3.3
Interest Expenses	52,436	45,443	15.4	52,219	0.4
Net Interest Income	97,250	80,539	20.7	92,688	4.9
Other Income	22,175	18,936	17.1	22,065	0.5
Total Income	119,425	99,475	20.1	114,752	4.1
Total Operating Expenses	40,209	33,975	18.3	38,509	4.4
Operating Profit (PPOP)	79,216	65,500	20.9	76,243	3.9
Provisions & Write Offs	22,183	19,033	16.6	20,780	6.8
Profit before exceptional gain & tax	57,033	46,467	22.7	55,463	2.8
Exceptional Gain	-	25,441	-	-	-
Tax Expense	14,525	15,770	(7.9)	14,132	2.8
Profit after Tax	42,508	56,138	(24.3)	41,331	2.8
Profit after tax excluding exceptional gain	42,508	34,328	23.8	41,331	2.8

Balance sheet Details

Total AUM	3,381,210	2,750,430	22.9	3,264,500	3.6
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Asset Quality and other ratios:

Gross NPA (%)	1.6	1.3	26bps	1.0	56bps
Net NPA (%)	0.8	0.6	19bps	0.5	27bps
Cost to income ratio (%)	33.7	34.2	(49)bps	33.6	11bps
Credit cost (%)	2.7	2.8	(17)bps	2.6	5bps
NIM (%)	11.7	12.0	(29)bps	11.7	3bps

Source: Company, Elara Securities Research

Conference call takeaways

Business highlights and guidance

- ▶ BAF has reduced growth guidance to 22-23% from 24-25%, due to persistent MSME challenges, and credit cost has exceeded 2% to reach 2.05% as we had anticipated, although full-year credit cost guidance remains at 1.85-1.95% as the MSME business has been pared down by 25%.
- ▶ MSME growth moderated to 18% YoY, reflecting a risk-first approach, with challenges seen across the board rather than regionally, and unsecured MSME volume has been cut by 25% with likely MSME growth slowing to 10-12% for FY26 and credit challenges expected to end by FY26-end.
- ▶ Rural B2C and urban B2C portfolios reported improvement in delinquencies across the consumer finance segment.
- ▶ New businesses, including gold loans, new car loans, and CV & tractor financing, contributed 3% to overall Q2 AUM growth, and management remains positive on gold & car loans, and loan against property (LAP).
- ▶ In gold loans, the expansion plan includes opening 900 new branches and converting 500 branches into gold centers, supported by strong digital origination with 40-45% of disbursements via the app and 75mn active app users, with gold loan AUM set to reach INR 270-300bn by FY27.
- ▶ The captive 2W & 3W business contributes 9% of overall loan losses despite accounting for only 1.5% of AUM, and a steady runoff is underway.
- ▶ Tractor finance is an INR 10bn book with a planned 75:25 new-to-used mix, built through B2B OEM partnerships with regionally dominant firms, with operations currently in 400 towns focused primarily in the North and West India.
- ▶ A key competitive moat is the large existing-customer franchise, with 40-45% of business sourced digitally and INR 17-18bn of business generated each month through the app, and management is confident of sustaining this momentum.

- ▶ The customer franchise expanded to ~110.6mn, with ~4.1mn new customers added in Q2, and FY26 customer addition guidance stands at 16-17mn.
- ▶ Under the "FINAI Program," now in its ninth month, 123 high-impact areas have been identified, with 80 set to go live by February 2026, and AI voice bots contributed INR 20bn in origination in Q2.
- ▶ Five conversational AI text bots are live across core products, with 85% of customer service resolutions handled by AI bots, and 42% of B2B loan-application quality checks executed via AI.
- ▶ The program aims to increase AI involvement to 85-90%, with 42% of digital banners and all videos currently AI-generated, and AI-driven face recognition is being deployed across 300 branches and points of sale.
- ▶ Bajaj Housing Finance (BHFL) delivered 24% AUM growth despite increased competition, with steady results reflected in 18% PAT growth, ROA of 2.3%, GNPA of 26bp, and NNPA of 12bp.
- ▶ Bajaj Financial Services (BFSL) reported 40% AUM growth and 27% profit growth, while adding 94,000 customers in Q2.
- ▶ During the record 35-day festive season, strong consumer sentiment driven by GST and income-tax reforms resulted in 6.3mn loans being disbursed, up 27% YoY in volume and 29% YoY in value, and total festival disbursements of 7.4mn loans.
- ▶ The festival period saw 2.3mn new customers added, with 52% being new-to-credit, and the electronics category experienced strong demand.
- ▶ FY26 AUM growth guidance was revised down to 22-23% from 24-25%, due to risk actions in MSME and updated BHFL expectations.

Spread analysis

- ▶ Cost of funds improved by 27bp in Q2 to 7.52%, and FY26 cost of funds is likely to remain in the range of 7.50-7.55%.
- ▶ NIM remains flat QoQ as BAF retained margin by passing on lower cost-of-fund benefits to customers, and any future rate cuts are not likely to materially benefit FY26 funding cost.
- ▶ The deposit book grew 5% YoY and accounts for 18% of consolidated borrowings, with a measured approach adopted toward deposit growth and a continued focus on cost efficiency.

Asset quality

- ▶ Vintage metrics across 3, 6 and 9 months on book (MOB) improved following risk actions initiated in February.
- ▶ Loan loss to average AUM stood at 2.05v s 2.02% in Q1, with elevated losses driven by the captive 2W & 3W business and significant provisions in the MSME portfolio.
- ▶ Rural B2C and MFI portfolio classifications improved from yellow to green.
- ▶ Risk controls have been tightened and three personal loan (PL) and two PL metrics have been restored to pre-CY19-20 levels.
- ▶ GNPA stood at 124bp, with a sequential rise driven by two 31-day months in Q2 causing an 18-20bp impact, while NNPA remains at 60bp.
- ▶ Q2 credit cost remains elevated, and full-year credit cost is set to come in at the upper end of the 1.85-1.95% guidance range, with significant improvement likely in FY27.

Other highlights

- ▶ Manish Jain has been elevated as the fourth Deputy CEO and will oversee loans against securities, commercial lending, and the deposits business, taking the management group to four Deputy CEO and three COO.

- ▶ Opex-net total income (NTI) improved to 32.6% from 33.2% YoY.
- ▶ AI implementation is underway across business functions and is set to reflect meaningfully in the next 12-18 months.
- ▶ Other operating income was softer, due to flattening bad-debt recoveries as COVID-related write-off numbers are largely cleaned up.

Exhibit 2: Rural segment shows growth in overall AUM mix

AUM (INR mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Consumer B2B - Auto Finance Business	165,480	193,840	197,420	196,890	189,600	189,720	173,190	157,030	169,250
YoY growth (%)	62.9	64.5	52.1	33.6	14.6	(2.1)	(12.3)	(20.2)	(10.7)
QoQ growth (%)	12.3	17.1	1.8	(0.3)	(3.7)	0.1	(8.7)	(9.3)	7.8
AUM mix (%)	5.7	6.2	6.0	5.6	5.1	4.8	4.2	3.6	3.7
Consumer B2B - Sales Finance Businesses	229,730	244,850	234,480	269,750	271,690	291,490	291,090	328,390	335,500
YoY growth (%)	41.3	46.5	33.0	20.9	18.3	19.0	24.1	21.7	23.5
QoQ growth (%)	2.9	6.6	(4.2)	15.0	0.7	7.3	(0.1)	12.8	2.2
AUM mix (%)	7.9	7.9	7.1	7.6	7.3	7.3	7.0	7.4	7.3
Consumer B2C Businesses	581,780	617,050	660,930	716,280	772,390	831,430	876,960	923,330	966,080
YoY growth (%)	32.0	32.0	31.9	30.6	32.8	34.7	32.7	28.9	25.1
QoQ growth (%)	6.1	6.1	7.1	8.4	7.8	7.6	5.5	5.3	4.6
AUM mix (%)	20.0	19.8	20.0	20.2	20.7	20.9	21.0	20.9	20.9
Rural B2B Business	55,340	61,660	62,090	75,530	72,800	79,550	79,440	90,570	88,380
YoY growth (%)	27.8	31.6	29.3	35.7	31.6	29.0	27.9	19.9	21.4
QoQ growth (%)	(0.6)	11.4	0.7	21.6	(3.6)	9.3	(0.1)	14.0	(2.4)
AUM mix (%)	1.9	2.0	1.9	2.1	1.9	2.0	1.9	2.1	1.9
Rural B2C Business	208,800	214,260	222,060	235,430	251,780	274,020	297,740	329,500	361,800
YoY growth (%)	16.6	16.1	14.1	16.1	20.6	27.9	34.1	40.0	43.7
QoQ growth (%)	3.0	2.6	3.6	6.0	6.9	8.8	8.7	10.7	9.8
AUM mix (%)	7.2	6.9	6.7	6.6	6.7	6.9	7.1	7.5	7.8
SME Business	386,730	413,960	455,570	495,010	542,880	580,840	622,210	650,830	648,810
YoY growth (%)	33.9	34.1	34.9	41.6	40.4	40.3	36.6	31.5	19.5
QoQ growth (%)	10.6	7.0	10.1	8.7	9.7	7.0	7.1	4.6	(0.3)
AUM mix (%)	13.3	13.3	13.8	14.0	14.5	14.6	14.9	14.7	14.0
Securities Lending Business	169,860	192,050	220,380	220,430	233,590	252,620	253,770	272,250	295,080
YoY growth (%)	39.4	44.9	46.0	35.7	37.5	31.5	15.2	23.5	26.3
QoQ growth (%)	4.6	13.1	14.8	0.0	6.0	8.1	0.5	7.3	8.4
AUM mix (%)	5.9	6.2	6.7	6.2	6.2	6.3	6.1	6.2	6.4
Commercial Lending Business	195,580	206,720	220,060	235,890	246,150	260,570	277,600	298,830	313,590
YoY growth (%)	46.2	39.2	39.0	30.6	25.9	26.0	26.1	26.7	27.4
QoQ growth (%)	8.3	5.7	6.5	7.2	4.3	5.9	6.5	7.6	4.9
AUM mix (%)	6.7	6.6	6.7	6.7	6.6	6.5	6.7	6.8	6.8
Mortgages	909,340	965,290	1,033,160	1,096,710	1,158,360	1,220,190	1,294,610	1,363,770	1,444,120
YoY growth (%)	27.9	31.4	32.9	32.0	27.4	26.4	25.3	24.4	24.7
QoQ growth (%)	9.4	6.2	7.0	6.2	5.6	5.3	6.1	5.3	5.9
AUM mix (%)	31.3	31.0	31.2	31.0	31.0	30.7	31.1	30.9	31.2
Overall AUMs	2,902,640	3,109,680	3,306,150	3,541,920	3,739,240	3,980,430	4,166,610	4,414,500	4,622,610
YoY growth (%)	32.9	34.7	33.6	31.1	28.8	28.0	26.0	24.6	23.6
QoQ growth (%)	7.5	7.1	6.3	7.1	5.6	6.5	4.7	5.9	4.7

Source: Company, Elara Securities Research

Exhibit 3: Consumer lending and SME business loses share in AUM mix; rural lending on the rise

AUM Mix (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Consumer lending business	33.7	34.0	33.1	33.4	33.0	33.0	32.2	31.9	31.8
Consumer B2B -Auto Finance Business	5.7	6.2	6.0	5.6	5.1	4.8	4.2	3.6	3.7
Consumer B2B - Sales Finance Businesses	7.9	7.9	7.1	7.6	7.3	7.3	7.0	7.4	7.3
Consumer B2C Businesses	20.0	19.8	20.0	20.2	20.7	20.9	21.0	20.9	20.9
Total Rural Lending business	9.1	8.9	8.6	8.8	8.7	8.9	9.1	9.5	9.7
Rural B2B Business	1.9	2.0	1.9	2.1	1.9	2.0	1.9	2.1	1.9
Rural B2C Business	7.2	6.9	6.7	6.6	6.7	6.9	7.1	7.5	7.8
SME Business	13.3	13.3	13.8	14.0	14.5	14.6	14.9	14.7	14.0
Total Commercial Lending business	12.6	12.8	13.3	12.9	12.8	12.9	12.8	12.9	13.2
Securities Lending Business	5.9	6.2	6.7	6.2	6.2	6.3	6.1	6.2	6.4
Commercial Lending Business	6.7	6.6	6.7	6.7	6.6	6.5	6.7	6.8	6.8
Mortgages	31.3	31.0	31.2	31.0	31.0	30.7	31.1	30.9	31.2
Total AUM mix	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

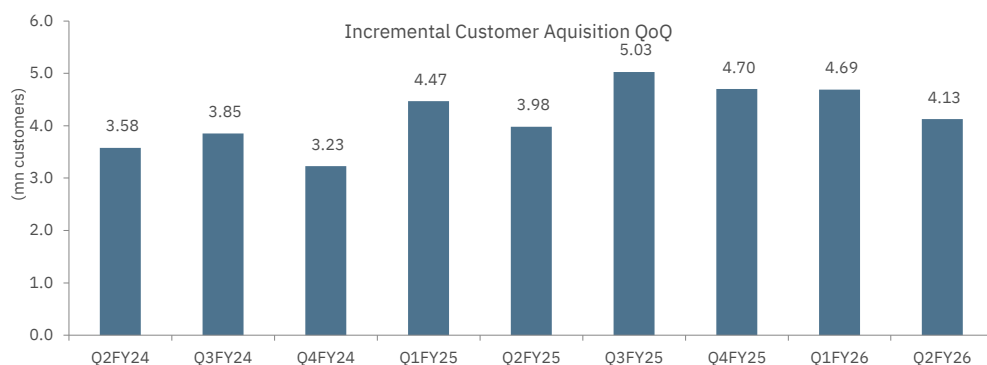
Source: Company, Elara Securities Research

Exhibit 4: New customer addition – growth decelerates

Key Data Metrics	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Customer Franchise (Units mn)	76.56	80.41	83.64	88.11	92.09	97.12	101.82	106.51	110.64
YoY gr. (%)	21.7	21.7	21.0	20.7	20.3	20.8	21.7	20.9	20.1
QoQ gr. (%)	4.9	5.0	4.0	5.3	4.5	5.5	4.8	4.6	3.9
Total Cross sell Franchise (Units mn)	46.67	49.28	50.75	55.14	57.70	61.56	64.45	67.77	71.32
YoY gr. (%)	28.2	27.7	25.1	24.6	23.6	24.9	27.0	22.9	23.6
QoQ gr. (%)	5.4	5.6	3.0	8.7	4.6	6.7	4.7	5.2	5.2
New to BAF Customers (Nos)	3,580,000	3,850,000	3,230,000	4,470,000	3,980,000	5,030,000	4,700,000	4,690,000	4,130,000
YoY gr. (%)	55.7	22.6	(5.8)	16.4	11.2	30.6	45.5	4.9	3.8
QoQ gr. (%)	(6.8)	7.5	(16.1)	38.4	(11.0)	26.4	(6.6)	(0.2)	(11.9)
EMI Card - CIF in mn	41.9	42.2	41	45.6	55.3	56.4	58.9	66.2	75.2
YoY gr. (%)	21.8	17.5	(2.4)	9.6	32.0	33.6	43.7	45.2	36.0
QoQ gr. (%)	0.7	0.7	(2.8)	11.2	21.3	2.0	4.4	12.4	13.6
Wallets	44.68	49.19	52.41	56.79	61.67	66.57	70.57	75.1	78.29
YoY gr. (%)	68.0	56.2	47.6	41.3	38.0	35.3	34.6	32.2	26.9
QoQ gr. (%)	11.1	10.1	6.5	8.4	8.6	7.9	6.0	6.4	4.2

Source: Company, Elara Securities Research

Exhibit 5: Incremental customer acquisition down QoQ



Source: Company, Elara Securities Research

Exhibit 6: Deposits in borrowing mix down to 18%

Liability profile	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Overall Borrowings (INR mn)	1,920,095	2,001,700	2,203,787	2,314,790	2,447,078	2,557,550	2,752,180	2,832,220	2,968,100
YoY gr. (%)	41.7	35.2	36.3	31.1	27.4	27.8	24.9	22.4	21.3
QoQ gr. (%)	8.7	4.3	10.1	5.0	5.7	4.5	7.6	2.9	4.8
Borrowings mix (%)									
Deposits	21.0	22.0	21.0	20.0	20.0	20.0	20.0	19.0	18.0
Bank Loans (incl. CC/OD/WCDL)	32.0	33.0	30.0	30.0	29.0	29.0	28.0	26.0	26.0
NCD	33.0	33.0	32.0	34.0	37.0	37.0	35.0	40.0	40.0
SUBORDINATE DEBT	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
SHORT TERM BORROWINGS	12.0	11.0	14.0	13.0	9.0	9.0	12.0	10.0	11.0
CBLO/ECB	1.0	-	2.0	2.0	4.0	4.0	4.0	4.0	4.0

Source: Company, Elara Securities Research

Exhibit 7: Opex to NII down, reflecting better cost efficiency

Consolidated	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Opex to Net Interest Income	34.0	33.9	34.0	33.3	33.2	33.1	33.1	32.7	32.6
YoY increase in bps	(190.0)	(80.0)	(10.0)	(70.0)	(80.0)	(80.0)	(90.0)	(60.0)	(60.0)
QoQ increase in bps	-	(10.0)	10.0	(70.0)	(10.0)	(10.0)	-	(40.0)	(10.0)
Loan loss to AUM	1.6	1.7	1.7	2.0	2.1	2.2	2.3	2.0	2.1
YoY increase in bps	13.0	15.0	19.0	42.0	57.0	47.0	67.0	3.0	(8.0)
QoQ increase in bps	(1.0)	13.0	(3.0)	33.0	14.0	3.0	17.0	(31.0)	3.0
Return on Average Assets	5.2	4.9	4.8	4.6	4.5	4.5	4.6	4.5	4.5
YoY increase in bps	(24.0)	(50.0)	(56.0)	(79.0)	(68.0)	(40.0)	(24.0)	(13.0)	(1.0)
QoQ increase in bps	(26.0)	(26.0)	(6.0)	(21.0)	(15.0)	2.0	10.0	(10.0)	(3.0)
Return on Average Equity	24.1	22.0	20.5	19.9	19.1	19.1	19.1	19.0	19.1
YoY increase in bps	53.0	(198.0)	(346.0)	(461.0)	(502.0)	(290.0)	(138.0)	(86.0)	2.0
QoQ increase in bps	(37.0)	(210.0)	(152.0)	(62.0)	(78.0)	2.0	-	(10.0)	10.0

Source: Company, Elara Securities Research

Exhibit 8: Overall GNPA growth accelerates

GNPA (INR mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Auto Finance Business	5,280	5,640	6,160	6,900	7,790	9,010	9,100	10,510	11,150
YoY gr. (%)	(39.9)	(24.6)	(5.1)	16.2	47.5	59.8	47.7	52.3	43.1
QoQ gr. (%)	(11.1)	6.8	9.2	12.0	12.9	15.7	1.0	15.5	6.1
Sale Finance Business	1,370	1,770	1,360	1,460	2,220	2,370	1,740	1,980	2,500
YoY gr. (%)	55.7	62.4	97.1	82.5	62.0	33.9	27.9	35.6	12.6
QoQ gr. (%)	71.3	29.2	(23.2)	7.4	52.1	6.8	(26.6)	13.8	26.3
Consumer B2C Business	6,920	8,030	6,780	7,190	10,680	12,390	10,330	11,390	15,630
YoY gr. (%)	71.7	60.6	46.4	40.7	54.3	54.3	52.4	58.4	46.3
QoQ gr. (%)	35.4	16.0	(15.6)	6.0	48.5	16.0	(16.6)	10.3	37.2
Rural B2B Business	340	430	310	290	590	720	470	570	700
YoY gr. (%)	41.7	48.3	63.2	45.0	73.5	67.4	51.6	96.6	18.6
QoQ gr. (%)	70.0	26.5	(27.9)	(6.5)	103.4	22.0	(34.7)	21.3	22.8
Rural B2C Business	2,680	2,880	2,380	2,450	3,730	4,040	2,690	3,300	4,740
YoY gr. (%)	18.1	13.4	24.6	25.0	39.2	40.3	13.0	34.7	27.1
QoQ gr. (%)	36.7	7.5	(17.4)	2.9	52.2	8.3	(33.4)	22.7	43.6
SME Business	4,980	5,550	5,730	6,490	8,470	9,400	8,640	10,370	14,390
YoY gr. (%)	16.6	14.7	34.5	51.3	70.1	69.4	50.8	59.8	69.9
QoQ gr. (%)	16.1	11.4	3.2	13.3	30.5	11.0	(8.1)	20.0	38.8
Securities Lending Business	40	20	20	20	20	20	20	20	50
YoY gr. (%)	100.0	-	(33.3)	-	(50.0)	-	-	-	150.0
QoQ gr. (%)	100.0	(50.0)	-	-	-	-	-	-	150.0
Commercial Lending Business	520	620	420	420	370	360	350	190	110
YoY gr. (%)	44.4	72.2	-	-	(28.8)	(41.9)	(16.7)	(54.8)	(70.3)
QoQ gr. (%)	23.8	19.2	(32.3)	-	(11.9)	(2.7)	(2.8)	(45.7)	(42.1)
Mortgages	4,320	4,690	5,000	5,320	5,660	6,290	6,320	6,850	7,600
YoY gr. (%)	(2.9)	4.7	10.9	12.2	31.0	34.1	26.4	28.8	34.3
QoQ gr. (%)	(8.9)	8.6	6.6	6.4	6.4	11.1	0.5	8.4	10.9
Overall GNPA	26,450	29,630	28,160	30,540	39,530	44,600	39,660	45,180	56,870
YoY gr. (%)	4.5	13.5	21.7	30.1	49.5	50.5	40.8	47.9	43.9
QoQ gr. (%)	12.6	12.0	(5.0)	8.5	29.4	12.8	(11.1)	13.9	25.9

Source: Company, Elara Securities Research

Exhibit 9: GNPA for auto finance business continues to worsen

GNPA (%)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Auto Finance Business	3.1	2.8	3.0	3.4	4.0	4.6	5.0	6.4	14.5
YoY increase in bps	(492.0)	(316.0)	(175.0)	(47.0)	89.0	175.0	199.0	297.0	1,053.0
QoQ increase in bps	(79.0)	(26.0)	21.0	37.0	57.0	60.0	45.0	135.0	813.0
Sale Finance Business	0.6	0.7	0.6	0.5	0.8	0.8	0.6	0.6	0.7
YoY increase in bps	6.0	7.0	18.0	18.0	22.0	9.0	2.0	6.0	(8.0)
QoQ increase in bps	24.0	12.0	(14.0)	(4.0)	28.0	(1.0)	(21.0)	-	14.0
Consumer B2C Business	1.2	1.3	1.0	1.0	1.4	1.5	1.2	1.2	1.6
YoY increase in bps	26.0	22.0	10.0	6.0	19.0	18.0	14.0	22.0	22.0
QoQ increase in bps	25.0	11.0	(27.0)	(3.0)	38.0	10.0	(31.0)	5.0	38.0
Rural B2B Business	0.6	0.7	0.5	0.4	0.8	0.9	0.6	0.6	0.8
YoY increase in bps	6.0	8.0	11.0	2.0	20.0	20.0	9.0	25.0	(2.0)
QoQ increase in bps	24.0	9.0	(20.0)	(11.0)	42.0	9.0	(31.0)	5.0	15.0
Rural B2C Business	1.3	1.3	1.1	1.1	1.7	1.8	1.1	1.3	3.1
YoY increase in bps	2.0	(3.0)	12.0	18.0	48.0	47.0	2.0	15.0	137.0
QoQ increase in bps	31.0	6.0	(24.0)	5.0	61.0	5.0	(69.0)	18.0	183.0
SME Business	1.3	1.3	1.3	1.4	1.6	1.7	1.5	1.8	4.0
YoY increase in bps	(19.0)	(23.0)	1.0	18.0	38.0	41.0	23.0	38.0	232.0
QoQ increase in bps	6.0	5.0	(6.0)	13.0	26.0	8.0	(24.0)	28.0	220.0

Securities Lending Business	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02
YoY increase in bps	-	-	(1.0)	-	(1.0)	-	-	-	1.0
QoQ increase in bps	1.0	(1.0)	-	-	-	-	-	-	1.0
Commercial Lending Business	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0
YoY increase in bps	-	6.0	(7.0)	(5.0)	(12.0)	(16.0)	(7.0)	(12.0)	(11.0)
QoQ increase in bps	4.0	3.0	(11.0)	(1.0)	(3.0)	(1.0)	(2.0)	(6.0)	(2.0)
Mortgages	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
YoY increase in bps	(16.0)	(14.0)	(11.0)	(10.0)	1.0	3.0	2.0	3.0	4.0
QoQ increase in bps	(10.0)	1.0	(1.0)	-	1.0	3.0	(2.0)	1.0	2.0
Overall GNPA	0.9	1.0	0.9	0.9	1.1	1.1	1.0	1.0	1.2
YoY increase in bps	(26.0)	(19.0)	(9.0)	(1.0)	15.0	17.0	11.0	17.0	18.0
QoQ increase in bps	4.0	4.0	(10.0)	1.0	20.0	6.0	(16.0)	7.0	21.0

Source: Company, Elara Securities Research

Exhibit 10: BHFL performance metrics improves QoQ

BHFL Key Metrics/Ratio Analysis	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NII (INR mn)	7,610	6,450	6,290	8,100	8,970	8,060	8,230	10,120	10,970
YoY gr. (%)	29.0	1.1	(0.3)	15.4	17.9	25.0	30.8	24.9	22.3
QoQ gr. (%)	8.4	(15.2)	(2.5)	28.8	10.7	(10.1)	2.1	23.0	8.4
PAT (INR mn)	4,510	4,370	3,810	4,830	5,460	5,480	5,870	5,830	6,430
YoY gr. (%)	47.4	30.8	26.2	4.5	21.1	25.4	54.1	20.7	17.8
QoQ gr. (%)	(2.4)	(3.1)	(12.8)	26.8	13.0	0.4	7.1	(0.7)	10.3
Total Opex to Net Interest Income	22.1	23.2	27.1	21.0	20.5	19.8	21.7	21.1	19.6
YoY increase in bps	(10.5)	(5.3)	2.3	(12.9)	(7.2)	(14.7)	(19.9)	0.5	(4.4)
QoQ increase in bps	(8.3)	5.0	16.8	(22.5)	(2.4)	(3.4)	9.6	(2.8)	(7.1)
Loan loss to AUM	10.00	0.01	0.18	0.05	0.02	0.15	0.12	0.16	0.18
YoY increase in bps	4,247.8	(95.2)	(52.6)	25.0	(99.8)	1,400.0	(33.3)	220.0	800.0
QoQ increase in bps	24,900.0	(99.9)	1,700.0	(72.2)	(60.0)	650.0	(20.0)	33.3	12.5
RoA	2.63	2.43	2.00	2.35	2.49	2.36	2.40	2.30	2.33
YoY increase in bps	12.9	2.5	(0.5)	(18.4)	(5.3)	(2.9)	20.0	(2.1)	(6.4)
QoQ increase in bps	(8.7)	(7.6)	(17.7)	17.5	6.0	(5.2)	1.7	(4.2)	1.3
RoE	16.12	15.02	12.65	14.32	13.03	11.50	12.10	11.60	12.23
YoY increase in bps	27.9	12.8	8.4	(16.8)	(19.2)	(23.4)	(4.3)	(19.0)	(6.1)
QoQ increase in bps	(6.3)	(6.8)	(15.8)	13.2	(9.0)	(11.7)	5.2	(4.1)	5.4

Source: Company, Elara Securities Research

Exhibit 11: GS3 for BHFL stable

BHFL asset quality	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Gross Stage 1 & 2 assets	713,010	735,140	796,090	855,760	901,390	958,390	998,040	1,062,510	1,133,920
YoY gr. (%)	29.0	26.0	27.4	28.3	26.4	30.4	25.4	24.2	25.8
QoQ gr. (%)	6.9	3.1	8.3	7.5	5.3	6.3	4.1	6.5	6.7
Gross Stage 1 & 2 assets % AUM	99.8	99.8	99.8	99.7	99.7	99.7	99.7	99.7	99.7
YoY increase in bps	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	0.0
QoQ increase in bps	(0.0)	0.0	0.0	(0.1)	(0.0)	(0.0)	0.0	(0.0)	0.0
Gross Stage 3 assets	1710.0	1710.0	1710.0	2360.0	2580.0	2810.0	2870.0	3150.0	3150.0
YoY gr. (%)	30.5	26.7	24.8	55.3	50.9	64.3	67.8	33.5	22.1
QoQ gr. (%)	12.5	-	-	38.0	9.3	8.9	2.1	9.8	-
Gross Stage 3 assets % AUM	0.24	0.23	0.21	0.28	0.29	0.29	0.29	0.30	0.28
YoY increase in bps	1.2	0.5	(2.0)	21.0	19.3	26.0	33.8	7.5	(2.9)
QoQ increase in bps	5.2	(3.0)	(7.6)	28.3	3.8	2.4	(1.9)	3.1	(6.3)
Coverage Ratio % Stage 3 assets	60.8	60.8	63.4	59.4	57.9	55.4	60.3	56.3	55.6
YoY increase in bps	12	11	(0)	(10)	(5)	(9)	(5)	(5)	(4)
QoQ increase in bps	(8)	(0)	4	(6)	(2)	(4)	9	(7)	(1)

Source: Company, Elara Securities Research

Exhibit 12: CIF growth run rate sees an uptick QoQ

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
EMI Card - CIF (mn)	42	42	41	46	55	56	59	66	75
QoQ growth	0.7	0.7	(2.8)	11.2	21.3	2.0	4.4	12.4	13.6

Source: Company, Elara Securities Research

Exhibit 13: Deposit, as a percentage of borrowing, declining

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Deposits as a % of total borrowings	21.0	22.0	21.0	20.0	20.0	20.0	20.0	19.0	18.0

Source: Company, Elara Securities Research

Exhibit 14: Overall branch count across rural and urban down

	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Urban Branches	1,469	1,538	1,569	1,585	1,596	1,599	1,582	1,544	1,539
Rural Branches	2,465	2,554	2,576	2,617	2,649	2,660	2,681	2,648	2,500
Urban Branches as a % of total branches	37.3	37.6	37.9	37.7	37.6	37.5	37.1	36.8	38.1
Rural Branches as a % of total branches	62.7	62.4	62.1	62.3	62.4	62.5	62.9	63.2	61.9

Source: Company, Elara Securities Research

Exhibit 15: Total customer franchise increases to a new high

(Units mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Total Customer Franchise	76.6	80.4	83.6	88.1	92.1	97.1	101.8	106.5	110.6
Non-delinquent customers	51.3	54.1	56.7	63.0	65.8	69.4	72.6	76.2	80.7

Source: Company, Elara Securities Research

Exhibit 16: Customer accretion healthy albeit a bit slower sequentially

(Units)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
New to BAF customers	3,580,000	3,850,000	3,230,000	4,470,000	3,980,000	5,030,000	4,700,000	4,690,000	4,130,000

Source: Company, Elara Securities Research

Exhibit 17: Operating leverage retains at 4.7x while COF improves

Particulars	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Cost of funds (%)	7.3	7.4	7.3	7.4	7.6	7.6	7.4	7.5	7.1
Operating leverage	5.4	4.7	4.9	4.9	4.7	4.7	4.7	4.7	4.8

Source: Company, Elara Securities Research

Exhibit 18: Early bucket delinquencies

Credit quality - portfolio composition	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Consumer Durable									
Bucket 0	99.5	99.4	99.5	99.5	99.5	99.4	99.4	99.5	99.5
30+	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.4	0.4
Digital Products									
Bucket 0	99.4	99.4	99.4	99.1	99.2	99.3	99.2	99.2	99.4
30+	0.5	0.5	0.5	0.8	0.6	0.5	0.7	0.6	0.5
Urban B2C									
Bucket 0	98.7	98.7	98.7	98.3	98.3	98.3	98.3	98.2	98.3
30+	1.0	1.0	1.0	1.2	1.2	1.1	1.3	1.3	1.0
Business & professional									
Bucket 0	99.3	99.3	99.3	98.7	98.6	98.7	98.6	98.3	98.0
30+	0.4	0.4	0.4	0.7	0.7	0.6	0.7	0.8	0.7
Loan against property									
Bucket 0	99.1	99.1	99.1	99.1	98.8	98.7	98.9	98.9	98.9

30+	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.4	0.4
Home loans									
Bucket 0	99.5	99.5	99.5	99.4	99.4	99.3	99.4	99.3	99.3
30+	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.5
Rural lending B2B									
Bucket 0	99.6	99.6	99.6	99.6	99.5	99.5	99.5	99.5	99.5
30+	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
Rural lending B2C									
Bucket 0	98.2	98.2	98.2	97.8	97.9	98.0	98.1	97.9	98.1
30+	1.4	1.4	1.4	1.9	1.6	1.5	1.6	1.7	1.3

Source: Company, Elara Securities Research

Exhibit 19: SOTP valuation

Standalone BAF Fair price - EVA (INR)	1,153
Standalone BAF Fair price basis Gordon Growth (INR)	1,064
Average of the two - BAF Value per share (INR)	1,109
Core book P/ABV (x)	5.3
BHFL - Market capitalization (INR mn)	902,390
BHFL P/ABV basis FY27 Net worth (x)	3.5
Stake adjusted market capitalization (INR mn)	280,296.3
SOTP Value per share (INR)	22.6
Value per share (including holding company discount of 20%) (INR)	20.3
SOTP target price (INR)	1,129
Current price, INR	1,085
Upside (%)	5.0

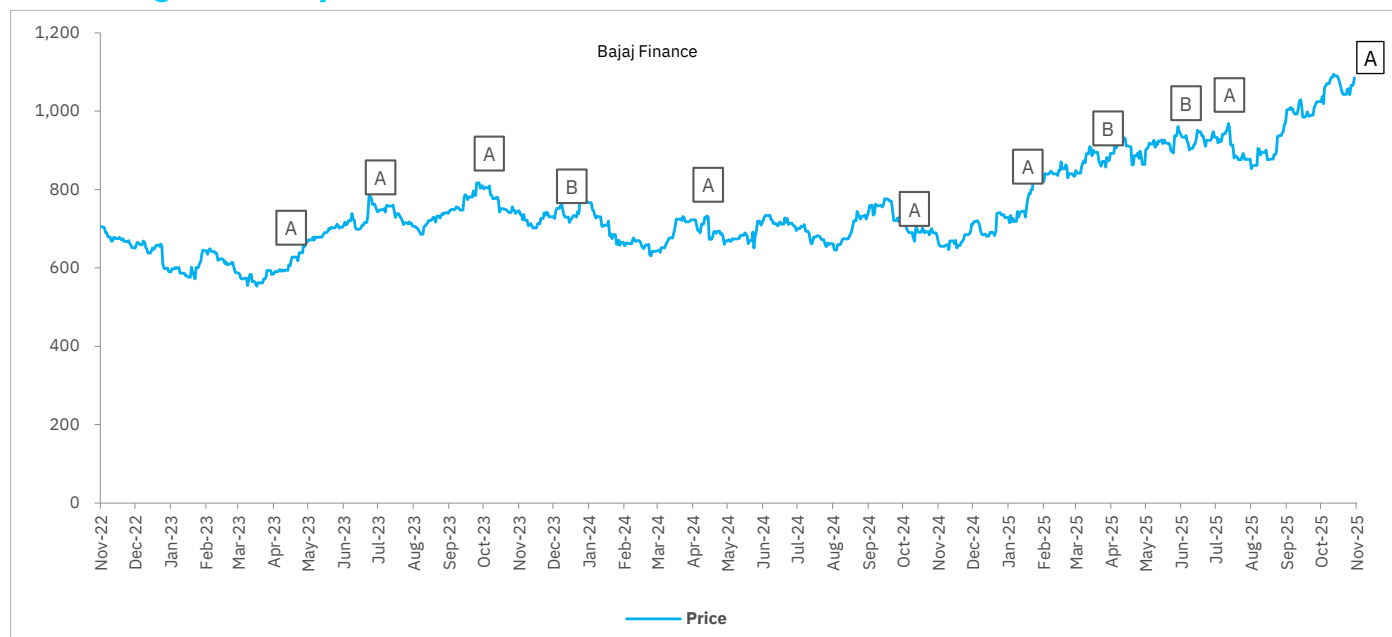
Note: Pricing as on 10 November 2025; Source: Elara Securities Estimate

Exhibit 20: Change in estimates

(INR mn)	Old			Revised			Change %		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest Income	413,818	510,288	636,576	408,885	514,342	651,337	(1.2)	0.8	2.3
Operating Profit	349,891	412,355	488,966	343,088	410,488	482,939	(1.9)	(0.5)	(1.2)
PAT	186,882	239,524	283,827	185,617	236,331	284,815	(0.7)	(1.3)	0.3
EPS (INR)	30	39	46	30	38	46	(0.2)	(2.3)	(0.2)
TP (INR)			1,032			1,129			9.4

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
27-Apr-2023	Accumulate	7,006	6,056
14-Jul-2023	Accumulate	8,681	7,482
17-Oct-2023	Accumulate	9,000	8,093
28-Dec-2023	Buy	9,000	7,259
25-Apr-2024	Accumulate	8,053	7,295
22-Oct-2024	Accumulate	7,683	6,678
29-Jan-2025	Accumulate	8,892	7,760
09-Apr-2025	Buy	11,161	8,736
16-Jun-2025	Buy	1,116	938
24-Jul-2025	Accumulate	1,032	959
10-Nov-2025	Accumulate	1,129	1,085

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