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Stronger growth visibility, capital raise to support next leg...

About the stock: Bajaj Finance, a strong NBFC with digital footprints, have delivered consistent robust growth with consolidated AUM touching ~₹5.84 lakh crore. Harnessing its large franchise base digitally offers a huge opportunity.

- Bajaj Finance maintained strong operating metrics over long-term leading to ~20.6% RoE, ~4.6% RoA.

Q2FY27 performance: Bajaj Finance delivered a strong Q2FY27 performance, with consolidated AUM growing 26% YoY to ₹5,84,624 crore and customer franchise expanding to 12.9 crore. PBT and PAT increased 29% YoY to ₹8,537 crore and ₹6,367 crore, respectively, while annualised RoA and RoE stood at 4.6% and 20.6%. Asset quality remained comfortable, with GNPA/NNPA at 1.06%/0.42%, while annualised loan loss to average AUF stood at 1.56%.

Investment Rationale:

- Strong growth momentum and capital headroom to support sustained growth:** Bajaj Finance continued to witness broad-based growth momentum, with AUM growing 26% YoY and quarterly addition remaining strong at ₹37,680 crore. Customer acquisition remained healthy with 44.2 lakh additions, while strong traction in gold loans (+105%), rural consumer finance (+63%) and other newer businesses is further diversifying growth drivers. Stronger-than-anticipated momentum prompted management to raise FY27 AUM growth guidance to 26–27% from 22–24%. The proposed ₹17,500 crore capital raise, coupled with a lower targeted leverage corridor of 5.0–5.5x, provides adequate headroom to fund accelerated growth. We expect the company to sustain its medium-term AUM growth trajectory of 23–25%.
- Credit cost moderation and operating efficiencies to cushion near-term margin moderation:** Bajaj NIM declined 10–12 bps QoQ, with management now expecting FY27 compression to be marginally higher than the earlier 10–15 bps guidance as higher borrowing cost transmit through Q3–Q4. However, underlying credit trends remain encouraging, with annualised loan loss to average AUF at 1.32% excluding overlay, while Stage 2 & 3 improved to 1.88% excluding the transient gold loan movement and 3/6/9 MOB vintages continue to strengthen. Opex-to-NTI improved to 33% despite continued investment, with management retaining 25–40 bps efficiency improvement guidance for FY27. We expect moderation in credit cost and operating leverage to partly offset incremental margin compression, supporting earnings.

Rating and Target Price

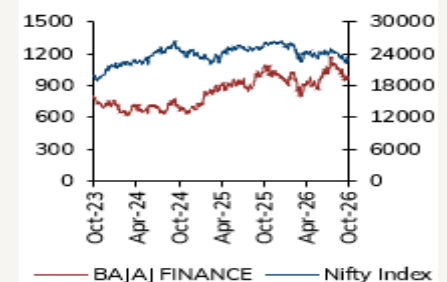
- Strong growth momentum, improving underlying credit cost and operating efficiency should partly offset near-term margin moderation and support healthy profitability. The proposed capital raise provides headroom to sustain accelerated growth, while diversified business engines and continued customer franchise expansion should support earnings.
- Factoring sustained RoA and dilution in return ratios owing to raising capital, we lower our multiple on standalone business at 4.1x FY28E BV, thereby revising our target price to ₹1,200 (earlier ₹1290). Maintain Buy rating.

BAJAJ FINANCE LIMITED**Particulars**

Particulars	Amount
Market Capitalisation	₹ 5,96,042 crore
Networth	₹ 1,23,180 crore
52-week H/L	1178 / 788
Face Value	₹ 1

Shareholding pattern

(in %)	Dec 25	Mar 26	Jun 26	Sep 26
Promoter	54.7	54.7	54.7	54.7
FII	21.5	21.3	20.2	19.8
DII	14.9	15.1	16.3	16.9
Government	0.1	0.1	0.1	0.1
Public	8.8	8.7	8.6	8.5
Others	0.1	0.1	0.1	0.0

Price Chart**Key risks**

- Growth margin trade-off
- Volatility in credit cost to impact earnings

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Key Financial Summary

₹ Crore	FY24	FY25	FY26	3-year CAGR (FY23-FY26)	FY27E	FY28E	2-year CAGR (FY26-28E)
NII (₹ crore)	36245	44036	53316	24%	64702	79648	22%
PPP (₹ crore)	23940	29168	35299	25%	43450	54204	23%
PAT (₹ crore)	14451	16779	19332	21%	25786	31715	24%
ABV (₹)	824	767	177		239	280	
P/E	70	81	35		24	19	
P/ABV	13.3	14.3	6.2		4.0	3.4	
RoA	4.4	4.0	3.8		4.1	4.1	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Guidance

- Management raised FY27 AUM growth guidance to 26–27% from 22–24% following the Q2 review, while retaining the medium-term growth corridor of 23–25% and the ₹11 lakh crore AUM aspiration by FY30.
- NIM compressed 10–12 bps QoQ and is ~5 bps lower in H1 vs. March. Management now expects marginally higher compression than the earlier 10–15 bps FY27 guidance, factoring in two more repo rate hikes, with the cost of funds impact flowing through in Q3–Q4. This is expected to be partly offset by operational efficiency and lower credit cost.
- Credit cost excluding the management/macro overlay came in at 1.32% in Q2, within the FY27 guided band. Management expects credit cost for the rest of FY27 to remain in a similar corridor.
- The Board approved, subject to shareholder approval, a capital raise of up to ₹17,500 crore, comprising ₹11,700 crore through QIP and ₹5,800 crore through preferential warrants to Bajaj Finserv. Management attributed the capital raising primarily for growth and strengthening balance-sheet resilience while sustaining medium-term RoA/RoE objectives.
- The leverage corridor for capital planning has been lowered to 5.0–5.5x from 5.5–6.0x. Consolidated leverage stood at 5.1x, while standalone leverage was ~4.4x.
- Dilution of the BHFL stake to 75% from 86.7% will proceed within the 3-year regulatory timeline, providing BHFL time to pivot towards prime and near-prime customers. Sambhav affordable housing disbursements are at ~₹500 crore/month and are targeted at ~₹800 crore/month by FY27-end and ₹1,300–1,400 crore/month by Q3FY28.
- Non-interest income grew 20% in H1FY27, ahead of the 16–18% guidance, led by B2B businesses. Management retained 15–18% fee income growth over the longer term. On the insurance commission discussion paper, management will await final regulations, with contingency plans ready.
- On the RBI draft on revolving loans, management expects a transient AUM impact and marginal NIM compression even in a complete-ban scenario. New term-loan variants will be launched from November 1, 2026.

Business Update

- AUM grew 26% YoY to ₹5,84,624 crore, with addition of ₹37,680 crore during the quarter. 44.2 lakh new customers were added, taking customer franchise to 12.9 crore. PAT grew 29% YoY to ₹6,367 crore and excluding the overlay, earnings grew 34% while annualised RoA/RoE stood at 4.6%/20.6%.
- New loans booked grew 11% YoY to 1.35 crore, though YoY growth is not comparable due to the earlier festive season during last year. Management reiterated FY27 guidance of 6–6.2 crore new loans, 1.8–2 crore new customers and 150–175 new locations.
- Gold loan book grew 105% YoY to ₹24,195 crore, forming ~4.1% of AUM. Gold loan branches increased by 321 to 2,022, with 2,700–2,800 guided by FY27-end.
- Short-tenor schemes were discontinued from August in favour of 9–12 month bullet loans with optional monthly/quarterly interest servicing. LTV is maintained at 75% inclusive of interest and average ticket size remains ₹2.4–2.5 lakh. Majority of customers are having bullet repayment scheme.
- Rural and urban consumer finance grew 63% and 43% YoY, respectively, while MFI grew 54%, CV & tractor 89% and LAS 42%. Captive 2W book declined to ₹2,387 crore. MFI branches stood at 480, with 520–550 guided by FY27-end.
- MSME grew 3% YoY as risk-driven pruning continued; management expects double-digit growth from H2FY27.

- Deposit book stood at ₹69,754 crore, contributing 14% of consolidated borrowings. Liquidity buffer stood at ₹19,995 crore, while cost of funds improved 9 bps QoQ to 7.31%, aided by interest rate hedging.
- Opex-to-NTI improved to 33.0% from 33.4% in Q1FY27 despite continued Gold Loan, MFI and technology investments. Management reiterated 25–40 bps improvement guidance for FY27.
- Full-time employee headcount stood at 75,845. 2,584 employees were added during the quarter, with net addition of 1,058 excluding Gold Loan and MFI businesses. Employee attrition stood at 15.1%.
- FINAI: AI unit headcount increased to 328 from 230. AI voice/text bots generated ₹2,744 crore of disbursement (+112% YoY), with voice-log processing contributing another ₹596 crore, while AI bots handled 75% of DIY customer service volumes. Agentic AI deployments increased to 65 from 23, with 130 AI agents live against FY27 targets of 118 deployments and 600+ agents. The first custom AI risk model went live in B2B for ~5 lakh accounts, indicating a 15–20% improvement in modelled risk outcomes; the B2C model is planned by January 2027 subject to B2B performance.
- BHFL AUM crossed ₹1.5 lakh crore, growing 25% YoY to ₹1,58,205 crore, with disbursement up 25%. Opex-to-NTI improved to 19.1% from 19.7%, PBT/PAT grew 18% YoY and RoE improved to 12.7%. Annualised loan loss to average AUF stood at 10 bps, while GNPA/NNPA stood at 29 bps/12 bps.
- BFSL AUM grew 59% YoY to ₹12,058 crore and PAT grew 36% YoY to ₹64 crore, with 1.21 lakh customers added during the quarter.

Asset Quality

- Gross loan loss to average AUF improved to 1.56% from 1.88% YoY. Excluding the overlay, loan losses declined 12% YoY to ₹1,829 crore.
- Additional prudent management and macro-economic provision of ₹337 crore was created during Q2FY27 against El Niño/monsoon and crude oil-related macro uncertainty.
- Stage 2 & 3 assets increased by ₹1,601 crore, taking their share to 2.02% from 1.87% in Q1FY27, including a ₹1,047 crore increase in Gold Loan Stage 2 due to short-tenor schemes. ~₹550 crore has subsequently reverted to Stage 1. Excluding the transient Gold Loan movement, Stage 2 & 3 improved to 1.88% from 1.9%, with management expecting no credit cost impact.
- GNPA/NNPA stood at 1.06%/0.42% vs. 0.96%/0.39% in Q1FY27. Management attributed the sequential increase largely to the higher number of days in Q2 rather than underlying portfolio stress. Provision coverage ratio remained at 60%.
- MSME GNPA increased to 2.98% from 2.82%, which management attributed to a denominator effect from muted growth and expects to peak; originations since the underwriting changes implemented from July 2025 continue to perform well.
- Share of 3PL customers in originations declined to 7% from 14%, with a target of 3.5% by February 2027. Business is also being selectively pruned in drought-declared districts across MFI and B2B, with Maharashtra the most impacted.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
NII	15945	13168	21.1	15223	4.7	Healthy AUM growth aided NII
Staff cost	2691	2154	24.9	2645	1.7	Company has added 2584 employees in Q2FY27
Other Operating Expenses	2584	2141	20.7	2442	5.8	
Opex to NII(%)	33.1	32.6	1.4	33.4	-1.0	Opex to NII has remained stable
PPP	10703	8877	20.6	10142	5.5	
Provision	2166	2269	-4.5	1993	8.7	Includes a prudent management and macro-economic provision of ₹ 337 crore
PBT	8537	6608	29.2	8149	4.8	
Tax Outgo	2171	1660	30.7	2068	4.9	
PAT	6367	4948	28.7	6081	4.7	PAT grew 28% led by healthy AUM growth and lower credit cost
Key Metrics						
GNPA	6196	5687	9.0	5241	18.2	GNPA & NNPA stood at 1.06% and 0.42% respectively
NNPA	2453	2742	-10.5	2114	16.0	
AUM	584624	462261	26.5	546944	6.9	Healthy growth across segments

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	68,806	81,982	98,271	1,21,037
Interest Expended	24,770	28,666	33,569	41,389
Net Interest Income	44,036	53,316	64,702	79,648
Growth (%)	21.5	21.1	21.4	23.1
Non Interest Income	59.1	23.6	29.0	35.7
Operating Income	44,095	53,340	64,731	79,684
Employee cost	7,508	9,244	10,774	12,929
Other operating Exp.	7,419	8,798	10,507	12,550
Operating Profit	29,168	35,299	43,450	54,204
Provisions	7,088	9,482	9,069	11,917
PBT	22,080	25,817	34,381	42,287
Taxes	5,300	6,484	8,595	10,572
Net Profit	16,779	19,332	25,786	31,715
Growth (%)	16.1	15.2	33.4	23.0
EPS (₹) (Calculated)	135.4	31.1	40.3	49.5

Source: Company, ICICI Research

Exhibit 3: Key Ratios (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of shares (crore)	124.2	621.8	640.1	640.1
EPS (₹)	135.4	31.1	40.3	49.5
BV (₹)	780.5	183.3	249.3	295.3
ABV (₹)	766.6	177.3	239.2	279.9
P/E	70.7	30.8	23.8	19.3
P/BV	12.3	5.2	3.8	3.2
P/ABV	12.5	5.4	4.0	3.4
Yields & Margins (%)				
Net Interest Margins	9.9	9.6	9.7	9.7
Yield on assets	16.8	16.2	15.8	15.8
Avg. cost of funds	7.6	7.2	6.9	6.9
Yield on average advances	18.9	17.9	17.3	17.3
Quality and Efficiency (%)				
Cost to income ratio	33.2	33.3	32.9	32.0
Cost to assets ratio	3.5	3.5	3.4	3.3
GNPA	1.0	1.2	1.1	1.2
NNPA	0.8	0.5	0.5	0.5
RoE	19.4	18.4	19.0	18.3
RoA	4.0	3.8	4.1	4.1

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	124	622	640	640
Reserves and Surplus	96569	113377	156645	188360
Networth	98937	116986	157285	189000
Borrowings	361249	435112	543891	652669
Other Liabilities & Provisions	5941	7854	9025	11838
Total	466127	559952	710201	853507
Application of Funds				
Fixed Assets	5694	8247	6683	7351
Investments	34441	30578	33636	36999
Advances	409757	500852	627963	774060
Other Assets	16235	20275	41920	35097
Total	466127	559952	710201	853507

Source: Company, ICICI Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	24.1%	20.1%	26.8%	20.2%
Advances	24.9%	22.2%	25.4%	23.3%
Borrowings	23.1%	20.4%	25.0%	20.0%
Net interest income	21.5%	21.1%	21.4%	23.1%
Operating Income	21.6%	21.0%	21.4%	23.1%
Operating expenses	21.1%	20.9%	18.0%	19.7%
Operating profit	21.8%	21.0%	23.1%	24.8%
Net profit	16.1%	15.2%	33.4%	23.0%
Net worth	29.0%	18.2%	34.4%	20.2%

Source: Company, ICICI Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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