

February 4, 2026

Q3FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,125		1,125	
NII (Rs.)	5,48,899	6,62,609	5,44,097	6,69,074
% Chng.	0.9	(1.0)		
PPoP (Rs.)	4,55,332	5,54,059	4,58,749	5,63,894
% Chng.	(0.7)	(1.7)		
EPS (Rs.)	42.4	52.3	43.1	53.6
% Chng.	(1.8)	(2.5)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Int.Inc. (Rs m)	3,63,928	4,47,805	5,48,899	6,62,609
Growth (%)	23.0	23.0	22.6	20.7
Op. Profit (Rs m)	3,00,457	3,67,973	4,55,332	5,54,059
PAT (Rs m)	1,67,795	1,99,462	2,63,068	3,24,551
EPS (Rs.)	27.0	32.1	42.4	52.3
Gr. (%)	14.7	18.9	31.9	23.4
DPS (Rs.)	2.7	3.2	4.2	5.2
Yield (%)	0.3	0.3	0.4	0.5
Margin (%)	9.7	9.7	9.6	9.5
RoAE (%)	19.0	18.3	20.5	20.9
RoAA (%)	4.0	3.9	4.2	4.3
PE (x)	35.7	30.0	22.8	18.4
P/BV (x)	6.0	5.2	4.3	3.5
P/ABV (x)	6.1	5.3	4.3	3.6

Key Data BJFN.BO | BAF IN

52-W High / Low	Rs.1,103 / Rs.787
Sensex / Nifty	83,739 / 25,728
Market Cap	Rs.6,001bn / \$ 66,480m
Shares Outstanding	6,222m
3M Avg. Daily Value	Rs.7265.97m

Shareholding Pattern (%)

Promoter's	54.70
Foreign	21.50
Domestic Institution	16.31
Public & Others	7.49
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.6)	10.1	14.6
Relative	(0.3)	6.0	5.6

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Steady growth; accelerated provision in Q3

Quick Pointers:

- Expect AUM to grow 23%/24% in FY26/FY27E
- Credit cost elevated due to accelerated provision in Q3

AUM grew steady at 22% YoY to Rs4,844.8bn led by strong growth in mortgages, sales finance and consumer B2C. Company is seeing strong traction in new verticals (Cars, Gold, MFI) and new customer addition (~17-18 mn in FY26) and we build an AUM growth of 23%/24% in FY26/FY27E. Expect FY26 NIM to remain stable aided by a lower cost of borrowing. Asset quality ratios stood flat as stress persists in the captive auto/ MSME portfolio. Credit cost remained elevated in the quarter (3.1%) due to accelerated provisions; however commentary indicated a healthy trend in early-stage delinquencies and expects a moderation in FY27E. We slightly tweak our estimates to account for higher credit cost and roll-forward to Mar-28E with a multiple of 4.2x and an unchanged TP of Rs 1,125. Maintain BUY on recovery in growth and credit cost outlook in FY27E.

- Expect AUM growth of ~23% in FY26:** AUM grew 22% YoY/5% QoQ to Rs4,844.8bn, driven by Mortgages (+25% YoY), Sales Finance (+22% YoY), Consumer B2C (+20% YoY) and commercial lending (+27 YoY%). New businesses non-captive auto, car loans, MFI and gold continue to see strong traction. While company has seen a strong momentum in the consumption finance portfolio, it has cut 25% of unsecured MSME volumes, resulting in 11% growth for the segment. New loans booked in 3QFY26 were +15% YoY to 13.9mn and BAF added 4.8mn new customers in the quarter, taking the total number of customers to 115.4mn. Company remains confident of adding ~17-18 mn new customers in FY26. Expansion in new verticals (Gold/MFI/Cars), and strong customer addition run-rate is likely to aid growth. Company has guided for an AUM growth of 22%-23% for FY26E; we build the same. Post FY26E, we expect AUM to growth 24% in FY27E with a recovery in MSME and ramp-up in new business verticals.
- Expect NIM to remain stable in FY26:** NII grew 21% YoY/ 5% QoQ and NIM (calc.) was stable QoQ at 9.6%. Cost of funds (reported) improved by 7bps QoQ to 7.45% and company expects it to trend between 7.55%- 7.60% in FY26. We expect NIM to remain stable in FY26E, aided by a lower cost of borrowing. However, expect a moderation to 9.5% by FY28E as the company grows in the secured segment. Cost/ Income Ratio stood at 32.8% (+20 bps QoQ) as the company accounted for a one-time charge of Rs 2.65bn due to the new labor codes. We build some improvement in FY27E/FY28E opex led by higher operating efficiencies (FINAL capabilities, service and contact centers). With a focus on growth in new and secured verticals, we expect BAF to deliver RoA/RoE of 4.3%/ 20.9% by FY28E.

- **Credit cost elevated; expect moderation in FY27:** Headline GNPA/NNPA stood largely flat at 1.21%/0.5% vs. 1.24%/ 0.6% in Q2FY26. PCR got a significant boost to 61% (vs. 52% as of Sep-25) as the company implemented a minimum Loss Given Default (LGD) floor across all businesses. Consequently, BAF made an accelerated ECL provision of Rs14.1bn in Q3. Management indicated an improvement in vintage credit performance across 3MOB, 6MOB and 9MOB and remains optimistic about credit cost outlook for FY27. We build a higher credit cost of 2.2% for FY26E due to accelerated provisions in 9MFY26. Post that, we expect a moderation to 1.8%/ 1.7% in FY27/ FY28E, as the stress in MSME subsidies and the share of captive 2W/3W in the portfolio runs down.

Exhibit 1: Q3FY26 Result Overview (Rs mn)

Y/e March	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var	Q2FY26	QoQ gr. (%)	9MFY26	9MFY25	YoY gr. (%)
NII	113,178	93,826	20.6	111,710	1.3	107,847	4.9	323,294	265,856	21.6
<i>Spread (%) (calc)</i>	<i>9.6</i>	<i>9.7</i>	<i>-16bps</i>	<i>9.4</i>	<i>14bps</i>	<i>9.5</i>	<i>2bps</i>	<i>9.6</i>	<i>9.8</i>	<i>-22bps</i>
Other income	25,603	22,931	11.7	24,889	2.9	23,881	7.2	73,322	64,606	13.5
Net Revenue	138,781	116,757	18.9	136,599	1.6	131,728	5.4	396,617	330,462	20.0
Opex	45,563	38,670	17.8	44,126	3.3	42,959	6.1	129,752	109,769	18.2
PPOP	93,218	78,088	19.4	92,474	0.8	88,769	5.0	266,864	220,693	20.9
Provisions	36,255	20,433	77.4	22,519	61.0	22,688	59.8	80,144	56,371	42.2
PBT	56,963	57,654	(1.2)	69,955	(18.6)	66,081	(13.8)	186,720	164,323	13.6
Tax	13,651	14,572	(6.3)	17,489	(21.9)	16,604	(17.8)	46,278	41,983	10.2
<i>ETR (%)</i>	<i>24.0</i>	<i>25.3</i>		<i>25.0</i>		<i>25.1</i>		<i>24.8</i>	<i>25.5</i>	
PAT*	40,660	43,082	(5.6)	52,466	(22.5)	49,478	(17.8)	137,791	122,339	12.6
Business Metrics										
AUM	4,844,770	3,980,430	21.7	4,859,000	(0.3)	4,622,500	4.8	4,844,770	3,980,430	21.7
Borrowings	3,069,150	2,557,550	20.0	3,627,908	(15.4)	2,968,100	3.4	3,069,150	2,557,550	20.0
Asset Quality Metrics										
GNPA (%)	1.21	1.12	-9bps	1.16	-5bps	1.23	2bps	1.21	1.12	-9bps
NNPA (%)	0.47	0.48	1bps	0.49	2bps	0.59	12bps	0.47	0.48	1bps
PCR (%)	61.3	57.2	415bps	57.5	383bps	51.8	956bps	61.3	57.2	415bps

Source: Company, PL *Includes exceptional item - impact of the new labor codes of Rs2.7bn

Exhibit 2: Change in Estimates

	Revised Estimate			Earlier Estimate			Change in estimates		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net interest income (Rsmn)	447,805	548,899	662,609	446,870	544,097	669,074	0.2%	0.9%	-1.0%
Operating profit (Rsmn)	367,973	455,332	554,059	368,943	458,749	563,894	-0.3%	-0.7%	-1.7%
PAT (Rsmn)	199,462	263,068	324,551	208,955	267,891	332,982	-4.5%	-1.8%	-2.5%
ABVPS (Rs)	183	222	269	185	224	273	-1.0%	-1.1%	-1.4%

Source: PL

Q3FY26 Concall Highlights

Growth

- Customer addition for FY26 is expected to be 17- 18mn, with the overall franchise on track to exceed 120mn customers.
- Competitive intensity in urban B2C and rural B2C segments particularly personal loans has magnified significantly, with public sector banks like SBI being major participants
- MSME business is anticipated to return to 20% growth range in 2-3 quarters
- The company's long-term ambition is to build a 200mn customer base within the next 3-4 years.
- Gold loan business is expected to continue strong growth through sustained distribution expansion with new branches planned
- Vehicle finance business is expected to grow at ~20%, with new car finance growing in ~30% and used car growth improving in second half of FY27; CV and tractor segments are projected to grow 30-40%
- Management has guided AUM growth of 22-23% for FY26

Operating Profitability

- Fee income growth is expected to normalize to 17-20% YoY in FY27
- Reported CoF in Q3FY26 stood at 7.45% and management expects it to be in the range of 7.55%-7.6% by FY26
- The company incurred a one-time exceptional charge of Rs2.65bn in Q3FY26 due to impact of new labor code
- A 2% stake in BHFL was sold via block deal for MPS compliance reducing BFL's shareholding to 86.7% and resulting in a Rs14.2bn gain recognized as an exceptional item in standalone financials

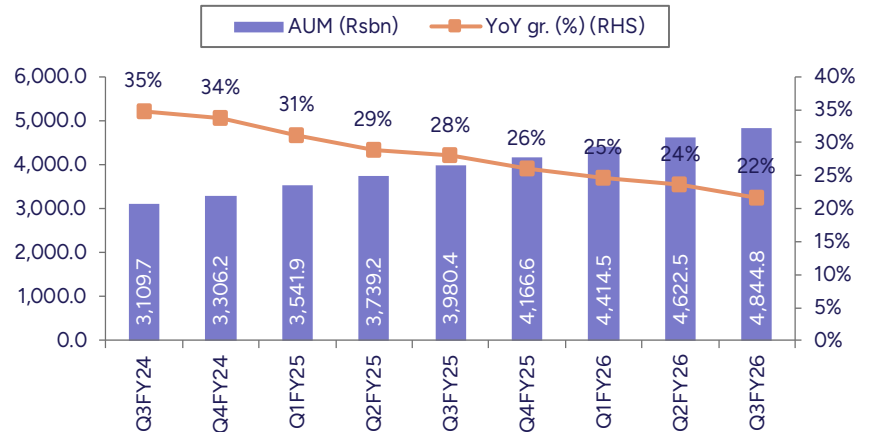
Asset quality

- Credit cost is anticipated to be in the range of 165-175bps in FY27, including the impact of permanent provisioning changes
- Management proactively strengthened its provisioning framework by implementing a minimum LGD floor across all businesses, a permanent change to enhance balance sheet resilience
- Accelerated ECL provision of Rs14.1bn made in Q3 across stages

Other highlights

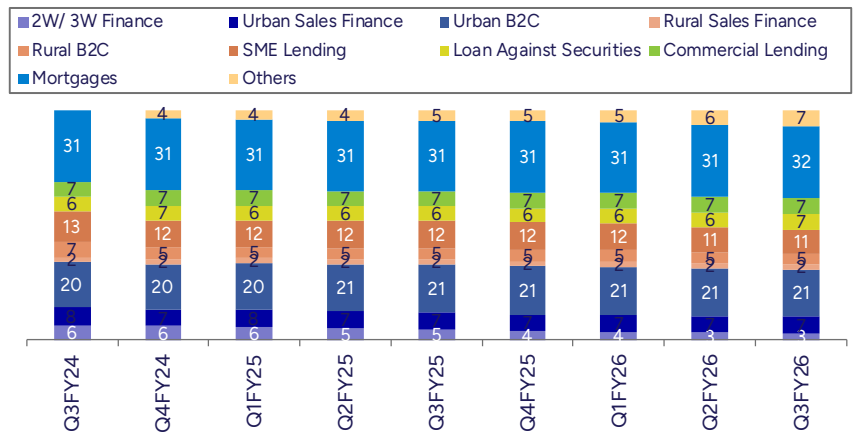
- 41% of quality check was automated through FINAL transformation while company recorded disbursements of Rs18.9bn through AI Voice & text BOTs
- Liquidity buffer stood at Rs150.8bn as of Q3FY26

Exhibit 3: AUM growth was at 22% YoY to Rs4,844.8bn



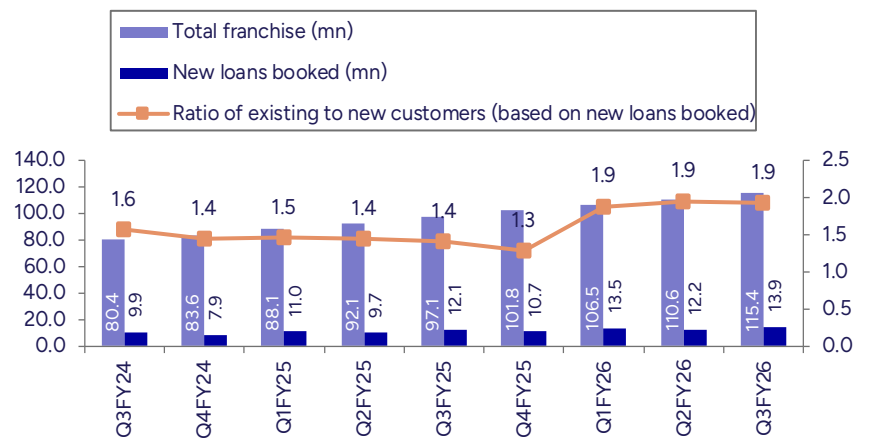
Source: Company, PL

Exhibit 4: AUM mix over the past quarters



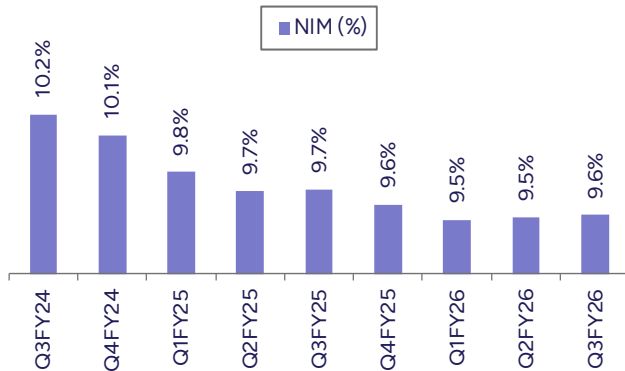
Source: Company, PL

Exhibit 5: Customer addition run-rate/ new loans booked remains strong



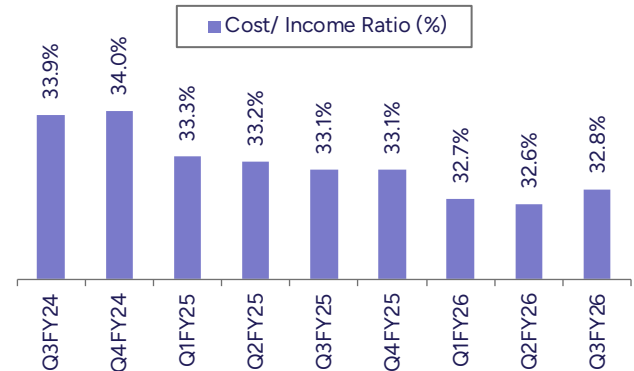
Source: Company, PL

Exhibit 6: Calc. NIM was largely stable in Q3 (+2bps QoQ)



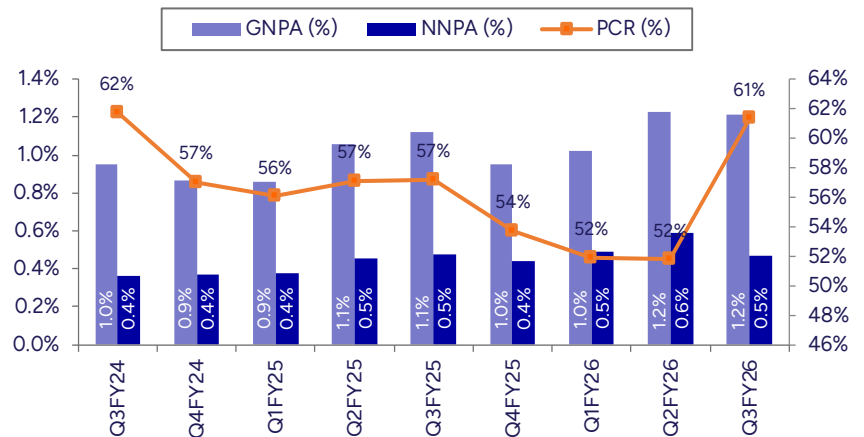
Source: Company, PL

Exhibit 7: Cost to income ratio saw a slight uptick QoQ



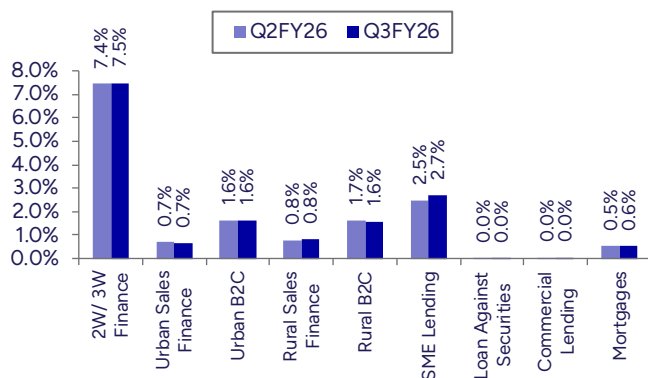
Source: Company, PL

Exhibit 8: Headline asset quality remained largely flat; PCR increases QoQ



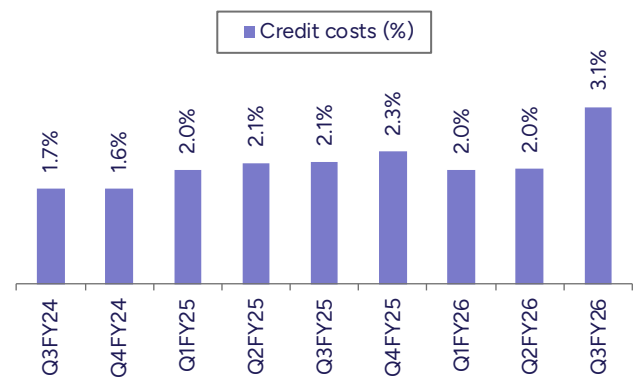
Source: Company, PL

Exhibit 9: 2W/3W finance & MSME continue to see stress



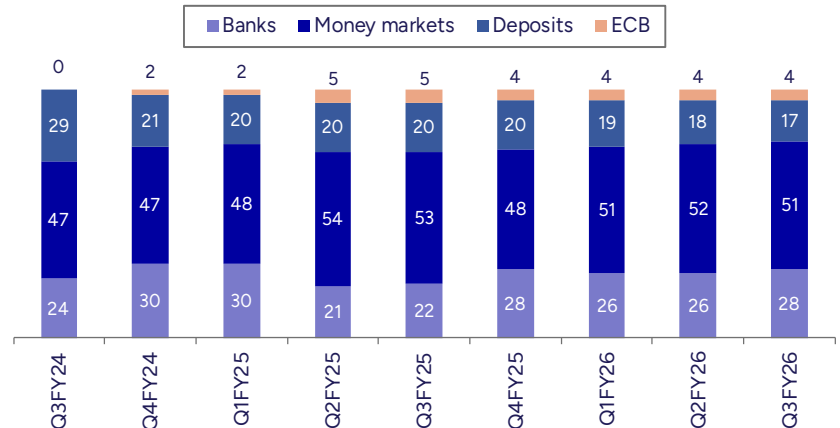
Source: Company, PL

Exhibit 10: Credit cost was elevated due to accelerated prov.



Source: Company, PL

Exhibit 11: Funding mix over the past quarters



Source: Company, PL

Exhibit 12: FINAL transformation update (1/3)

FINAL remains central to our long-term vision. Its implementation across businesses and functions is underway and has begun to show early signs of costs and productivity benefits. We are on track to become a future-ready financial services company.

#	Stage	Metric	UoM	Q1 FY26	Q2 FY26	Q3 FY26
1	Data for AI	Voice to text conversion for all customer interactions	# MM	-	-	20.7
		Text to data conversion for all customer interactions	# Lacs	6.3	5.8	5.2
		New loan offers generated from all voice and text AI initiatives	# Lacs	1.1	1.0	1.0
2	Product and service discovery	Videos generated	# Lacs	5.3	6.4	2.7
		Banners generated	# Lacs	0.7	1.0	1.2
3	Customer Engagement	Outbound and Inbound AI Voice BOTs live	# as of	8	9	9
		AI text BOTs live	# as of	2	7	11
4	Branch and point-of-sale	Face recognition cameras piloted	# as of	-	-	10
		Existing customer face match	# Lacs	-	12.4	45.9
5	Customer Onboarding	Documents processed for auto fill of application	# Lacs	107	121	215
		Home appliances energy label scans	#	-	-	25,400

Source: Company

Exhibit 13: FINAL transformation update (2/3)

#	Stage	Metric	UoM	Q1 FY26	Q2 FY26	Q3 FY26
6	Ops processing	Auto quality check (QC) of documents	%	-	-	41%
7	Disbursement	Loan disbursement through AI Voice & text BOTs	₹ in Cr	761	1,295	1,568
		Loan disbursement through voice log processing	₹ in Cr	-	-	325
8	Servicing	DIY Customers servicing through AI voice and text BOTs	%	26%	42%	48%
9	Debt Management Service	Receipts through AI Voice BOTs	#	-	56,150	1,13,300
10	Technology development	Business Requirement Document generated	#	1,470	5,820	7,740
		Test cases generated	#	17,760	16,230	23,300
		Software developer efficiency	%	21%	22%	25%

Source: Company

Exhibit 14: FINAL transformation update (3/3)

1. Data Intelligence

- The Company is on course to define data architecture for AI by Q4 FY26.
- In FY27, to enable intelligent capabilities, the Company will implement and scale data for AI-including feature marts, embeddings and data annotation across voice, text, video, images, unstructured data, and knowledge graphs.

2. Consumer AI

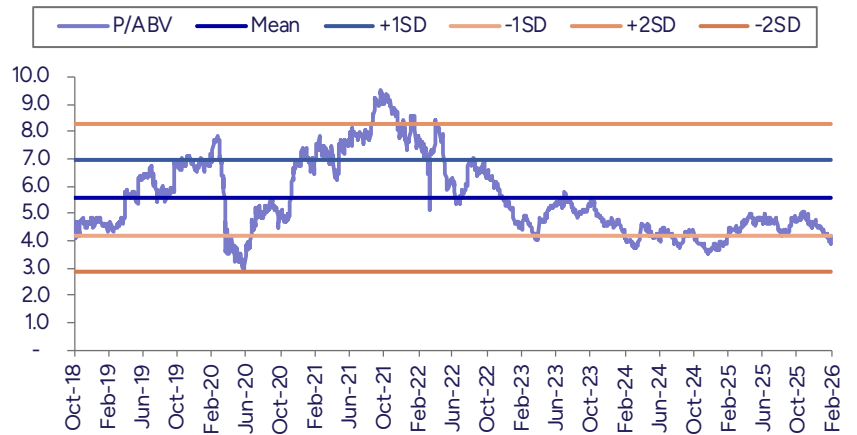
- Over next 6 months, 22 business journeys and 2 service journeys will be re-architected and AI injections like AI summary, AI in-page search, document scan via AI vision will be live on current digital platforms.
- In FY27, the Company will enable AI injections across the App & Website for all business and service journeys.
- In FY27, the Company will enable discovery across leading AI platforms such as ChatGPT and Gemini.
- In FY27, the Company will also build a new consumer AI platform with "Explore" as a core capability for all businesses and service journeys.

3. Agentic AI

- The Company is on course to build the multi-agent platform, with the first 25 autonomous agents going live to support priority enterprise functions. This will be implemented by Q4 FY26.
- In FY27, the Company will progressively scale its Agentic AI capabilities by implementing 800+ autonomous agents across sales, operations, DMS, HR, IT, and Risk.

Source: Company

Exhibit 15: One-year forward P/ABV of BAF trades at 4.2x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Inc. / Opt. Inc.	6,11,636	7,29,006	8,73,156	10,51,952
Interest Expenses	2,47,708	2,81,201	3,24,257	3,89,344
Net interest income	3,63,928	4,47,805	5,48,899	6,62,609
Growth(%)	23.0	23.0	22.6	20.7
Non-interest income	85,791	99,475	1,22,514	1,48,618
Growth(%)	28.4	16.0	23.2	21.3
Net operating income	4,49,718	5,47,280	6,71,413	8,11,227
Expenditures				
Employees	75,083	89,725	1,08,394	1,28,467
Other Expenses	74,178	89,583	1,07,687	1,28,701
Depreciation	-	-	-	-
Operating Expenses	1,49,261	1,79,307	2,16,081	2,57,168
PPP	3,00,457	3,67,973	4,55,332	5,54,059
Growth(%)	25.5	22.5	23.7	21.7
Provisions	79,660	1,02,561	1,04,575	1,21,324
Profit Before Tax	2,20,796	2,65,412	3,50,757	4,32,735
Tax	53,002	65,950	87,689	1,08,184
Effective Tax rate(%)	24.0	24.8	25.0	25.0
PAT	1,67,795	1,99,462	2,63,068	3,24,551
Growth(%)	16.1	18.9	31.9	23.4

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Source of funds				
Equity	6,209	6,209	6,209	6,209
Reserves and Surplus	9,88,127	11,55,663	13,99,050	16,97,294
Networth	9,94,336	11,61,871	14,05,258	17,03,503
Growth (%)	28.8	16.8	20.9	21.2
Loan funds	27,52,180	28,89,469	36,97,517	44,20,536
Growth (%)	24.9	5.0	28.0	19.6
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	8,16,859	14,88,939	17,75,735	22,67,957
Total Liabilities	45,63,375	55,40,279	68,78,511	83,91,996
Application of funds				
Net fixed assets	1,21,547	1,33,012	1,59,040	1,88,671
Advances	41,66,610	51,18,320	63,49,719	77,61,271
Growth (%)	27.7	22.8	24.1	22.2
Investments	-	-	-	-
Current Assets	2,75,218	2,88,947	3,69,752	4,42,054
Net current assets	2,75,218	2,88,947	3,69,752	4,42,054
Other Assets	-	-	-	-
Total Assets	45,63,375	55,40,279	68,78,511	83,91,996
Growth (%)	21.4	21.4	24.2	22.0
Business Mix				
AUM	41,66,610	51,18,320	63,49,719	77,61,271
Growth (%)	26.0	22.8	24.1	22.2
On Balance Sheet	41,66,610	51,18,320	63,49,719	77,61,271
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	9.7	9.7	9.6	9.5
ROAA	4.0	3.9	4.2	4.3
ROAE	19.0	18.3	20.5	20.9

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Int. Inc. / Operating Inc.	1,63,591	1,71,447	1,77,960	1,86,565
Income from securitization	16,642	18,852	19,767	20,882
Interest Expenses	65,520	69,177	70,113	73,387
Net Interest Income	1,14,714	1,21,122	1,27,614	1,34,060
Growth (%)	22.7	21.6	22.2	21.0
Non-Interest Income	21,184	23,838	23,881	25,603
Net Operating Income	1,19,256	1,26,108	1,31,728	1,38,781
Growth (%)	22.7	21.0	20.3	18.9
Operating expenditure	39,493	41,230	42,959	45,563
PPP	79,763	84,878	88,769	93,218
Growth (%)	-	-	-	-
Provision	23,289	21,202	22,688	36,255
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	56,474	63,676	66,081	56,963
Tax	11,018	16,023	16,604	13,651
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	19.5	25.2	25.1	24.0
PAT	45,456	47,653	49,478	40,660
Growth	19	22	23	(6)
AUM	41,66,610	44,14,500	46,22,500	48,44,770
YoY growth (%)	26.0	24.6	23.6	21.7
Borrowing	27,52,180	29,14,210	29,68,100	30,69,150
YoY growth (%)	24.9	25.9	21.3	20.0

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	964	964	964	964
EPS (Rs)	27.0	32.1	42.4	52.3
Book value (Rs)	160.2	187.1	226.3	274.4
Adj. BV(Rs)	157.2	183.2	221.8	268.9
P/E(x)	35.7	30.0	22.8	18.4
P/BV(x)	6.0	5.2	4.3	3.5
P/ABV(x)	6.1	5.3	4.3	3.6
DPS (Rs)	2.7	3.2	4.2	5.2
Dividend Payout Ratio(%)	10.0	9.9	10.0	10.0
Dividend Yield(%)	0.3	0.3	0.4	0.5

Asset Quality

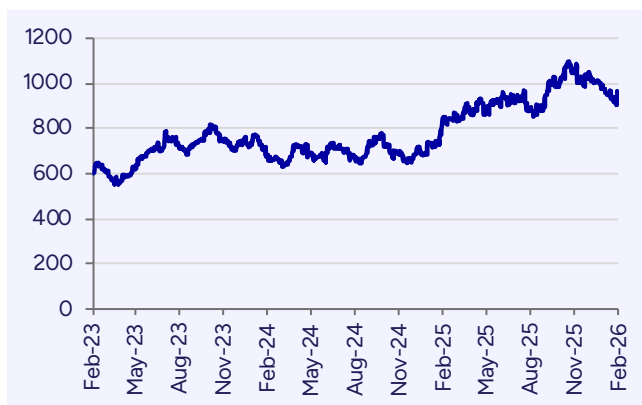
Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs(Rs m)	39,650	58,097	69,941	84,502
Net NPA(Rs m)	18,340	24,621	28,224	33,930
Gross NPAs to Gross Adv.(%)	1.0	1.1	1.1	1.1
Net NPAs to net Adv.(%)	0.4	0.5	0.4	0.4
NPA coverage(%)	53.7	57.6	59.6	59.8

Du-Pont as a % of AUM

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	8.7	8.9	8.8	8.7
NII INCI. Securitization	8.7	8.9	8.8	8.7
Total income	10.8	10.8	10.8	10.6
Operating Expenses	3.6	3.5	3.5	3.4
PPOP	7.2	7.3	7.3	7.3
Total Provisions	1.9	2.0	1.7	1.6
RoAA	4.0	3.9	4.2	4.3
Avg. Assets/Avg. net worth	4.7	4.6	4.8	4.9
RoAE	19.0	18.3	20.5	20.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	BUY	1,125	969
2	08-Dec-25	Accumulate	1,125	1,048
3	11-Nov-25	Hold	1,030	1,085
4	07-Oct-25	Hold	950	1,017
5	25-Jul-25	Hold	900	959
6	08-Jul-25	Hold	900	925
7	30-Apr-25	Hold	9,000	9,093

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	BUY	1,700	1,470
2	Bajaj Finance	BUY	1,125	969
3	Can Fin Homes	Accumulate	1,015	938
4	Cholamandalam Investment and Finance Company	BUY	1,850	1,594
5	HDFC Life Insurance Company	BUY	900	761
6	ICICI Prudential Life Insurance Company	Accumulate	725	684
7	LIC Housing Finance	Accumulate	525	496
8	Mahindra & Mahindra Financial Services	Accumulate	395	371
9	Max Financial Services	BUY	1,925	1,672
10	SBI Life Insurance Company	Hold	2,125	2,053
11	Shriram Finance	BUY	1,175	1,004
12	Sundaram Finance	Hold	5,000	5,288

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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