

July 25, 2025

Q1FY26 Result Update

█ Change in Estimates | █ Target | █ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	900		900	
NII (Rs.)	5,48,896	6,82,075	5,44,779	6,87,448
% Chng.	0.8	(0.8)		
PPoP (Rs.)	3,81,963	4,76,797	3,79,370	4,81,973
% Chng.	0.7	(1.1)		
EPS (Rs.)	35.3	44.9	35.0	45.4
% Chng.	0.9	(1.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	3,49,259	4,29,548	5,48,896	6,82,075
Growth (%)	27.5	23.0	27.8	24.3
Op. Profit (Rs m)	2,39,403	3,00,457	3,81,963	4,76,797
PAT (Rs m)	1,44,512	1,67,795	2,19,182	2,78,799
EPS (Rs.)	23.6	27.0	35.3	44.9
Gr. (%)	24.0	14.7	30.6	27.2
DPS (Rs.)	2.3	2.7	3.5	4.5
Yield (%)	0.2	0.3	0.4	0.5
Margin (%)	10.3	9.7	9.8	9.8
RoAE (%)	22.0	19.0	20.0	21.0
RoAA (%)	4.4	4.0	4.3	4.4
PE (x)	40.7	35.5	27.2	21.4
P/BV (x)	7.7	6.0	5.0	4.1
P/ABV (x)	7.8	6.1	5.1	4.2

Key Data

BJFN.BO | BAF IN

52-W High / Low	Rs.979 / Rs.642
Sensex / Nifty	82,184 / 25,062
Market Cap	Rs.5,959bn/ \$ 68,965m
Shares Outstanding	6,214m
3M Avg. Daily Value	Rs.9160.95m

Shareholding Pattern (%)

Promoter's	54.73
Foreign	21.71
Domestic Institution	15.53
Public & Others	8.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	4.6	29.1	45.3
Relative	4.5	19.7	41.7

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NIM to improve in FY26; credit cost elevated

Quick Pointers:

- Expect NIM to improve by 10 bps in FY26, supported by a lower CoF
- Credit cost continues to be elevated at 2%; company is seeing stress in captive auto and MSME portfolio

AUM grew 25% YoY to Rs 4,414.5 bn; we expect a similar run-rate in FY26E as the company adds new verticals (Cars, Gold, MFI) and customers (~14-16 mn). Expect NIM to improve by ~10 bps in FY26 supported by a lower cost of borrowing. Credit cost continues to be elevated in the quarter (at 2%) on account of higher stress in the auto/ MSME portfolio. Expect a moderation in FY26, factoring a healthy trend in early-stage delinquencies. We make minor changes to our FY26/FY27 estimates and assign a multiple of 3.9x (unchanged) on Mar'27 ABV with a TP of Rs 900. While we are positive on the growth outlook and execution capability of the management, valuation continues to be rich (trading at 1-year forward of P/ABV of 4.6x). Maintain HOLD.

- Expect ~25% growth in FY26:** AUM grew 25% YoY/6% QoQ to Rs 4,414.5 bn, driven by Mortgages (+24% YoY), Sales Finance (+22% YoY), Consumer B2C (+29% YoY) and SME business (+29 YoY%). Commentary highlighted a de-growth in the captive 2W/ 3W segment (-20% YoY) and expects it to reduce to ~3% of AUM by Mar-26. It is also seeing higher stress in the MSME portfolio and has taken significant credit actions in the business, resulting in lower AUM growth for the segment. Car loans, MFI and gold loans continue to see strong traction. New loans booked in 1QFY26 were +23% YoY to 13.5 mn and BAF added 4.7 mn new customers in the quarter, taking the total number of customers to 106.5 mn. Company remains confident of adding 14-16 mn new customers in FY26. Expansion in new verticals (Gold/MFI/Cars), partnership with Bharti Airtel and strong customer addition run-rate is likely to aid growth. Company has guided for an AUM growth of 24-26% in FY26; we build ~25% with secular growth across product lines/ partners.
- Expect NIM to improve by ~10 bps in FY26:** NII grew by 21.6% YoY/ 5.6% QoQ; however NIM (calc.) declined by 10 bps QoQ to 9.53% on account of higher liquidity buffer. Adjusted for excess liquidity, NIM was flattish QoQ. Cost of funds (reported) improved by 20 bps QoQ to 7.79% and company expects it to trend at 7.6%- 7.65% in FY26, factoring in the benefit of recent rate cuts. Cost/ Income Ratio stood at 32.7% (+40 bps QoQ) and we expect an improvement in FY26E led by higher operating efficiencies (GenAI capabilities, service and contact centers). We expect NIM to improve by 10 bps in FY26, with a focus on growth in new verticals, translating into an RoA/RoE of 4.4%/ 21% in FY27E.
- Credit costs elevated; seeing stress in auto/ MSME:** Headline GNPA/NNPA remained largely stable at 1.03%/ 0.50% vs. 0.96%/ 0.44% in Q4FY25 and PCR stood at 52%. Given over-leveraging and elevated stress in 2W/3W and MSME lending, company has taken significant credit actions in both these businesses by curtailing disbursements and restructuring accounts (of ~Rs 2 bn). While credit cost stood elevated in the quarter (2%), company is seeing an improvement in early-bucket delinquencies (ex-MSME) and expects a moderation in FY26. We build credit cost in the range of 1.9% for FY26E.

- **New succession plan in the works:** Mr. Anup Saha (current MD) has resigned and to ensure continuity, Mr. Rajeev Jain has been re-designated as the new MD until Mar-28. Company highlighted that it is working on a new succession plan and will present the same to the Nomination and Remuneration Committee in the next 6 months.

Exhibit 1: Q1FY26 Result Overview (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
NII	12,112	9,962	21.6	12,510	-3.2	11,471	5.6	54,890	42,955	27.8
Spread (%) (calc)	9.5	9.8	-30bps	9.7	-13bps	9.6	-10bps	9.8	9.7	5bps
Other income	499	459	8.6	429	16.2	454	9.8	2,188	2,017	8.5
Net Revenue	12,611	10,421	21	12,939	-2.5	11,926	5.7	57,078	44,972	26.9
Opex	4,123	3,471	18.8	4,341	-5	3,949	4.4	18,881	14,926	26.5
PPOP	8,488	6,950	22.1	8,598	-1.3	7,976	6.4	38,196	30,046	27.1
Provisions	2,120	1,685	25.9	2,145	-1.2	2,329	-9	8,958	7,966	12.5
PBT	6,368	5,265	20.9	6,453	-1.3	5,647	12.8	29,238	22,080	32.4
Tax	1,602	1,353	18.4	1,613	-0.7	1,102	45.4	7,320	5,300	38.1
ETR (%)	25.2	25.7		25		19.5		25	24	
PAT	4,765	3,912	21.8	4,840	-1.5	4,546	4.8	21,918	16,779	30.6
Business Metrics										
AUM	4,41,450	3,54,192	24.6	4,41,400	0	4,16,661	5.9	5,19,120	4,16,661	24.6
Borrowings	2,91,421	2,31,479	25.9	2,95,679	-1.4	2,75,218	5.9	3,31,750	2,75,218	20.5
Asset Quality Metrics										
GNPA (%)	1.02	0.86	16bps	0.91	11bps	0.95	7bps	0.98	0.95	3bps
NNPA (%)	0.49	0.38	11bps	0.4	9bps	0.44	5bps	0.42	0.44	-2bps
PCR (%)	51.9	56.1	-413bps	56.1	-413bps	53.7	-182bps	56.9	53.7	316bps

Source: Company, PL

Exhibit 2: Change in Estimates

	Revised Estimate		Earlier Estimate		Change in estimates	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net interest income (Rs mn)	5,48,896	6,82,075	5,44,779	6,87,448	0.8	-0.8
Operating profit (Rs mn)	3,81,963	4,76,797	3,79,370	4,81,973	0.7	-1.1
PAT (Rs mn)	2,19,182	2,78,799	2,17,308	2,81,912	0.9	-1.1
ROE (%)	20	21	19.9	21.3	15 bps	-24 bps
Loans (Rs bn)	5,191	6,456	5,214	6,440	-0.4	0.2
BVPS (Rs)	193	234	192	234	0.2	-0.1

Source: PL

Exhibit 3: One-year forward P/ABV of BAF trades at 4.6x



Source: Company, PL

Q1FY26 Concall Highlights

Growth

- AUM saw a robust growth by 25% YoY to Rs 4,414.5 bn (vs Rs 3,541.9 bn as of Q1FY25); aiming a disbursement of over 50 mn new loans in FY26.
- Strong traction was visible in Q1 with a record 13.5 mn loans booked and 4.7 mn new customers. Company aims to add 14–16 mn new customers in FY26 supported by digital-led distribution and product diversification.
- Deposit book grew 15% YoY to Rs 721.1 bn as of Q1FY26 contributing 19% to consolidated borrowings. Company aims to gradually reduce reliance on deposits to 15-16% over the next 12 months.

Operating Profitability

- CoF improved by 20 bps QoQ to 7.79% in Q1FY26. Company expects CoF to further decline and remain in the range of 7.60%–7.65% for FY26.
- Company expects increased reliance on NCDs, CPs, ECBs and bank borrowings; with NCD rates improving by 90 bps and bank loans reflecting rate transmission.
- Company expects improvement in NIM by ~10 bps in FY26 supported by rate cuts and corresponding reduction in cost of funds.
- Net gain on fair value changes increased 118% YoY primarily due to higher returns in mutual funds instead of G-Sec; adjusted for this NIM remained broadly stable.
- Company reported annualised ROA and ROE of 4.5% and 19.0% respectively (vs 4.6% and 19.9% in Q1FY25) with a guidance to maintain ROA in the 4.3% - 4.7% range and ROE between 19% - 21%.

Asset quality

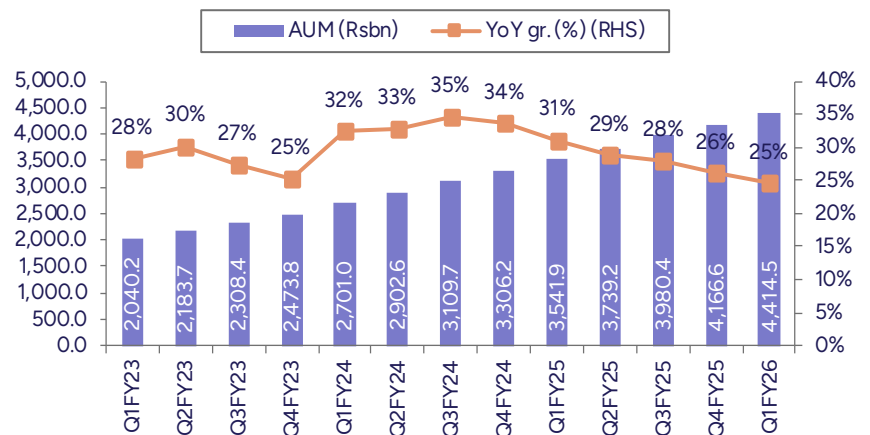
- GNPA/NNPA stood at 1.03%/0.50% (vs 0.86%/0.38% in Q1FY25). Loan losses and provisions rose 26% YoY to Rs 21.2 bn and loan loss to average AUM stood at 2.02% (vs 1.99% YoY).
- Stage 2 & 3 assets rose by Rs 8.8 bn in Q1 which includes Rs 2.2 bn of restructured standard accounts provided to MSME book; Stage 2 and Stage 3 increased by Rs 3.2 bn and Rs 5.5 bn respectively; expect additional restructuring of Rs 1.0–1.5 bn over the next quarter.
- Consumer leverage remains a concern, however the proportion of customers with 3+ loans has declined to 4% from 5.5% pre-Covid.
- Credit costs remained elevated in the 2W/3W segment driven by stress in the captive book, however Company is now in the process of winding down the segment; NNPA for the product stood at 3.63% vs 1.85% YoY.

Other highlights

- Capital adequacy remained strong at 21.0%. Tier-1 capital was 21.2%.

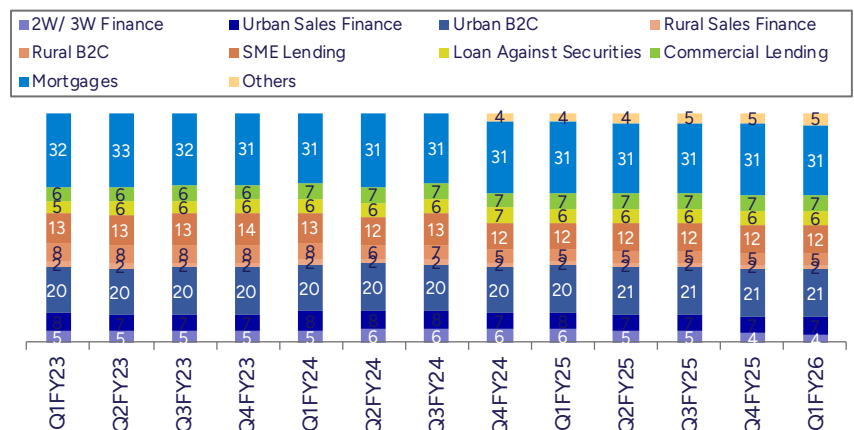
- Company approved the issuance of 8.2 mn equity shares to the Trustees of BFL Employee Welfare Trust under the ESOP Scheme, 2009.
- On 21 July 2025, Anup Saha tendered his resignation as MD and Director of BFL for personal reasons. To ensure continuity, the Board, based on the NRC's recommendation and in accordance with the applicable provisions of the Companies Act, 2013, entrusted Rajeev Jain (Executive Vice Chairman) with the role of managing the Company and re-designated him as Vice Chairman and Managing Director (VC & MD) for the remainder of his term as Director, i.e., until 31 March 2028.

Exhibit 4: AUM grew steady at 25% YoY



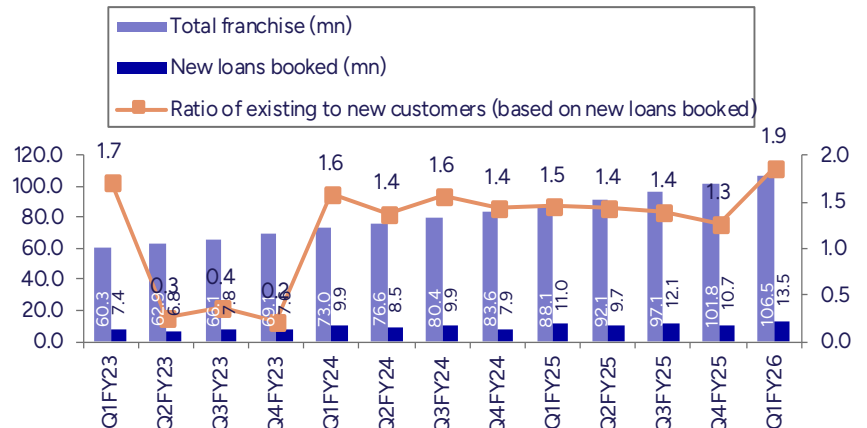
Source: Company, PL

Exhibit 5: AUM mix over the past quarters



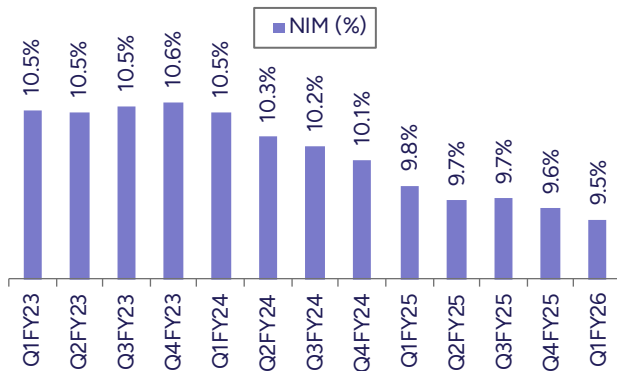
Source: Company, PL

Exhibit 6: Customer addition run-rate/ new loans booked remains strong



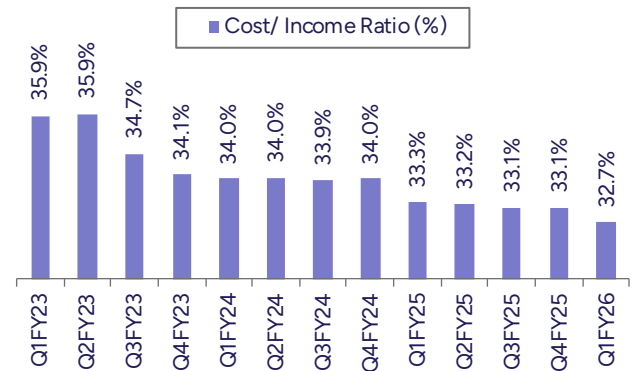
Source: Company, PL

Exhibit 7: NIM (%) has seen a moderation in the quarter



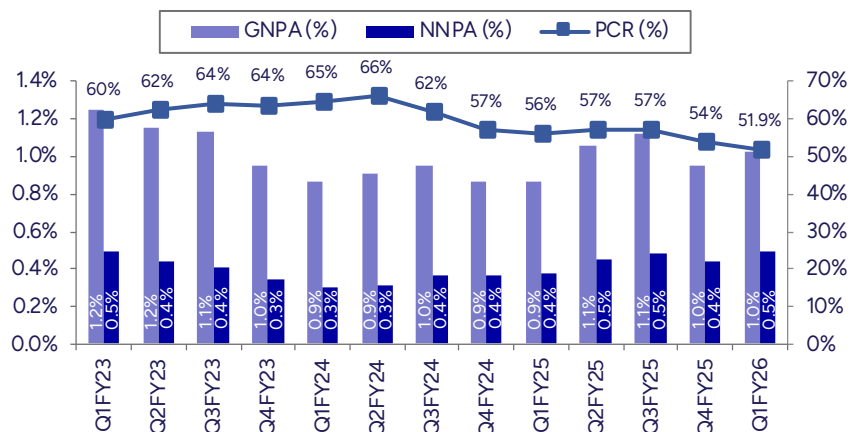
Source: Company, PL

Exhibit 8: Cost to income ratio (%) has improved QoQ



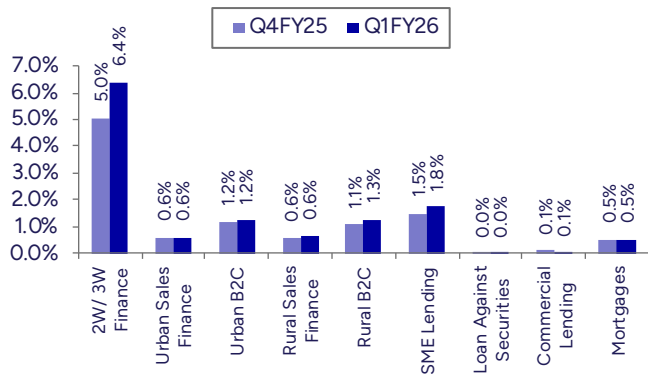
Source: Company, PL

Exhibit 9: Headline asset quality has remained stable



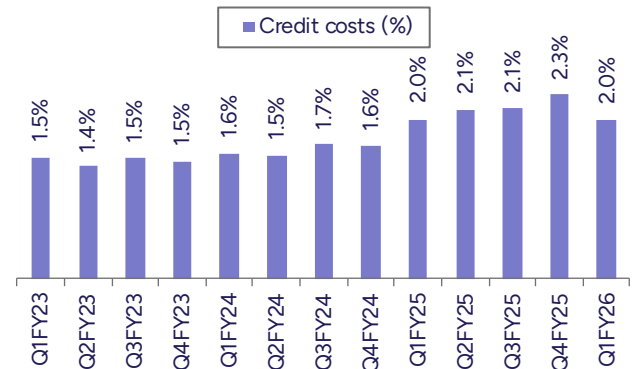
Source: Company, PL

Exhibit 10: GNPA (%) movement across segments- 2W/ 3W finance and MSME seeing stress



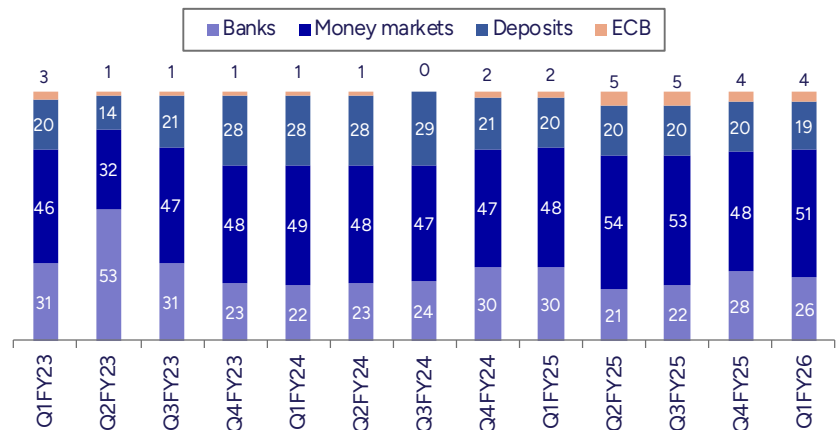
Source: Company, PL

Exhibit 11: Credit cost (%) continues to be elevated



Source: Company, PL

Exhibit 12: Funding mix over the past quarters



Source: Company, PL


Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	5,36,506	6,77,256	8,47,138	10,34,015
Interest Expenses	1,87,247	2,47,708	2,98,242	3,51,940
Net interest income	3,49,259	4,29,548	5,48,896	6,82,075
Growth(%)	27.5	23.0	27.8	24.3
Non-interest income	13,373	20,170	21,879	28,969
Growth(%)	(8.0)	50.8	8.5	32.4
Net operating income	3,62,632	4,49,718	5,70,776	7,11,044
Expenditures				
Employees	63,960	75,083	95,592	1,17,818
Other Expenses	59,269	74,178	93,220	1,16,429
Depreciation	-	-	-	-
Operating Expenses	1,23,229	1,49,261	1,88,812	2,34,247
PPP	2,39,403	3,00,457	3,81,963	4,76,797
Growth(%)	27.9	25.5	27.1	24.8
Provisions	46,307	79,660	89,582	1,05,065
Profit Before Tax	1,93,096	2,20,796	2,92,381	3,71,732
Tax	48,584	53,002	73,199	92,933
Effective Tax rate(%)	25.2	24.0	25.0	25.0
PAT	1,44,512	1,67,795	2,19,182	2,78,799
Growth(%)	25.6	16.1	30.6	27.2

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	6,209	6,209	6,209	6,209
Reserves and Surplus	7,65,718	9,88,127	11,90,529	14,47,410
Networth	7,71,926	9,94,336	11,96,738	14,53,619
Growth (%)	42.0	28.8	20.4	21.5
Loan funds	22,03,790	27,52,180	33,17,499	39,37,002
Growth (%)	36.3	24.9	20.5	18.7
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	7,81,700	8,16,859	11,43,179	16,20,338
Total Liabilities	37,57,416	45,63,375	56,57,415	70,10,958
Application of funds				
Net fixed assets	79,436	1,21,547	1,34,470	1,61,168
Advances	32,62,933	41,66,610	51,91,196	64,56,090
Growth (%)	34.7	27.7	24.6	24.4
Investments	-	-	-	-
Current Assets	4,15,047	2,75,218	3,31,750	3,93,700
Net current assets	4,15,047	2,75,218	3,31,750	3,93,700
Other Assets	-	-	-	-
Total Assets	37,57,416	45,63,375	56,57,415	70,10,958
Growth (%)	36.5	21.4	24.0	23.9
Business Mix				
AUM	33,06,150	41,66,610	51,91,196	64,56,090
Growth (%)	33.6	26.0	24.6	24.4
On Balance Sheet	33,06,150	41,66,610	51,91,196	64,56,090
% of AUM	100.00	100.00	100.00	100.00
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	10.3	9.7	9.8	9.8
ROAA	4.4	4.0	4.3	4.4
ROAE	22.0	19.0	20.0	21.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	1,49,870	1,57,682	1,63,591	1,71,447
Income from securitization	16,012	17,002	16,642	18,852
Interest Expenses	61,493	63,856	65,520	69,177
Net Interest Income	1,04,389	1,10,828	1,14,714	1,21,122
Growth (%)	22.3	23.6	22.7	21.6
Non-Interest Income	5,106	5,930	4,542	4,986
Net Operating Income	1,09,495	1,16,757	1,19,256	1,26,108
Growth (%)	23.8	25.6	22.7	21.0
Operating expenditure	36,390	38,670	39,493	41,230
PPP	73,106	78,088	79,763	84,878
Growth (%)	-	-	-	-
Provision	19,091	20,433	23,289	21,202
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	54,015	57,654	56,474	63,676
Tax	13,877	14,572	11,018	16,023
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.7	25.3	19.5	25.2
PAT	40,137	43,082	45,456	47,653
Growth	13	18	19	22
AUM	37,39,240	39,80,430	41,66,610	44,14,500
YoY growth (%)	28.8	28.0	26.0	24.6
Borrowing	24,47,080	25,57,550	27,52,180	29,14,210
YoY growth (%)	27.4	27.8	24.9	25.9

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	959	959	959	959
EPS (Rs)	23.6	27.0	35.3	44.9
Book value (Rs)	124.3	160.2	192.8	234.1
Adj. BV(Rs)	122.4	157.2	189.2	230.0
P/E(x)	40.7	35.5	27.2	21.4
P/BV(x)	7.7	6.0	5.0	4.1
P/ABV(x)	7.8	6.1	5.1	4.2
DPS (Rs)	2.3	2.7	3.5	4.5
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	0.2	0.3	0.4	0.5

Asset Quality

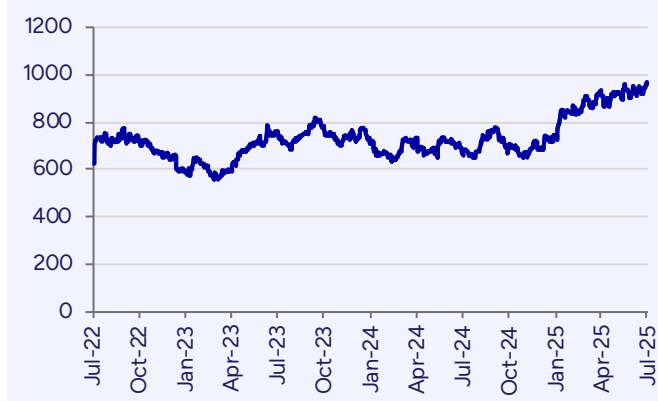
Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	28,160	39,650	51,077	63,368
Net NPA(Rs m)	12,100	18,340	22,010	25,973
Gross NPAs to Gross Adv.(%)	0.9	1.0	1.0	1.0
Net NPAs to net Adv.(%)	0.4	0.4	0.4	0.4
NPA coverage(%)	57.0	53.7	56.9	59.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	10.7	10.3	10.7	10.8
NII INCI. Securitization	10.7	10.3	10.7	10.8
Total income	11.1	10.8	11.2	11.2
Operating Expenses	3.8	3.6	3.7	3.7
PPOP	7.4	7.2	7.5	7.5
Total Provisions	1.4	1.9	1.8	1.7
RoAA	4.4	4.0	4.3	4.4
Avg. Assets/Avg. net worth	4.9	4.7	4.7	4.8
RoAE	22.0	19.0	20.0	21.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Hold	900	925
2	30-Apr-25	Hold	9,000	9,093

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	900	925
2	Cholamandalam Investment and Finance Company	Hold	1,575	1,514
3	Mahindra & Mahindra Financial Services	Hold	285	266
4	Shriram Finance	Hold	685	671
5	Sundaram Finance	Hold	5,000	5,167

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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