

Bajaj Finance (BAF) - BUY

Q4FY26 Result Update

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|---|------------------------------------|
| Current Market Price (CMP) Rs.930 | Fair Value (FV) Rs.1,075 |
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Rationale:

- Bajaj Finance reported strong asset-quality performance in most segments, reporting a 22 bps yoy decline in overall credit cost, 10 bps better than estimates.
- This provides comfort on strong underlying trends (driving down credit cost next year) and improves conviction on growth, although the impact of macro headwinds remains monitorable.
- Bajaj Finance is well placed due to its higher exposure to consumption-related sectors that are not directly affected by fuel shortages and asset-quality tailwinds in most segments.
- Retain BUY with an RGM-based FV of Rs1,075 (up from Rs1,025).

👍 Positives:

- Bajaj Finance reported a Profit After Tax (“PAT”) of Rs 5,550 crore in Q4FY26, up 22% yoy and 3% above our estimates.
- Net Interest Income (“NII”) growth was strong at 20% yoy, driven by 22% Asset Under Management (“AUM”) growth.
- Credit cost was moderate at 1.6% compared to 2.3% in Q4FY25 and 3.1% in Q3FY26.
- The company will deliver 19-20% RoE with 21-26% earnings growth in the medium term.
- A sharp 20 bps qoq moderation in gross stage-3 ratio to 1% led to an 11 bps qoq moderation in stressed loans to 3.2%. Write-offs were also moderate at 1.3% in Q4FY26 compared to 1.2% in Q3FY26 and 1.5% in 4QFY25

👎 Negatives:

- Net Interest Margin (“NIM”) compressed 15 bps yoy and 9 bps qoq to 9.5%, driven by a sharper decline in yields (down 64 bps yoy and 34 bps qoq) to 15.4%.
- Customer additions dipped 16% yoy on a high base (up 46% in 4QFY25).



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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