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Stock Update

Bajaj Housing Finance Ltd.

March 27, 2026

PRIME RESEARCH
Empowering decisions

Bajaj Housing Finance Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI - NBFC	Rs 75.9	Buy on dips in Rs 75-77 band & add further in Rs 69-71 band	Rs 85	Rs 90	4 quarters

BSE Code	544252
NSE Code	BAJAJHFL
Bloomberg	BAJAJHFL IN
CMP Mar 27, 2026	75.9
Equity Capital (Rs Cr)	8332.3
Face Value (Rs)	10
Equity Share O/S (Cr)	833.2
Market Cap (Rs Cr)	63201
Adj. Book Value (Rs)	26.1
Avg. 52 Wk Volumes	92,45,000
52 Week High	137.0
52 Week Low	75.0

Share holding Pattern % (Dec 2025)	
Promoters	86.7
Institutions	2.3
Non Institutions	11.0
Total	100.0

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Atul Karwa

atul.karwa@hdfcsec.com

Our Take:

Bajaj Housing Finance Limited (BHFL) is a non-deposit taking Housing Finance Company (HFC), engaged in mortgage lending since FY18. It offers financial solutions tailored to individuals and corporate entities for the purchase and renovation of homes and commercial spaces. Its mortgage product suite is comprehensive and comprises (i) home loans; (ii) loans against property (LAP); (iii) lease rental discounting; and (iv) developer financing.

BHFL is part of the Bajaj group, founded in 1926, a diversified business group with interests across various sectors. As at Dec’25, it had a network of 221 branches, spread across 178 locations in 20 states and three union territories, which are overseen by six centralized hubs for retail underwriting and seven centralized processing hubs for loan processing.

BHFL has also partnered with multiple insurance providers to offer bundled products to its customers. It has, registered itself as a corporate agent with the Insurance Regulatory and Development Authority of India (IRDAI) in Dec’23, enabling it to expand its suite of insurance products to include life, general, and health insurance. This expansion caters to the comprehensive insurance needs of its customers while creating an additional stream of fee income for it.

The Company’s focus is on scale alongside low risk and reasonable return. Keeping this in mind, it has ventured into prime housing and LRD as its key anchor products, which are low risk in nature. Overall, from a medium-term perspective, it aims for GNPA to hover in the range of 40-60bps and credit cost to be in the range of 20-25bps as portfolio matures.

Domestically, while the Indian real estate market showed continued demand in the "prime" and "super-prime" segments, the housing finance sector faced significant competitive intensity. High interest rates in the broader economy have kept the cost of funds elevated, placing pressure on the net interest margins (NIMs) of non-banking financial companies (NBFCs). While there are no liquidity concerns, the cost of incremental borrowing has necessitated a sharper focus on operational efficiency and a diversified borrowing mix to maintain profitability.

Q3FY26 Result Update

Bajaj Housing Finance reported a robust set of numbers for Q3FY26, driven by steady credit growth and stable asset quality. The company posted a PAT of Rs 665cr, representing a 21.3% YoY increase. This growth was underpinned by a healthy 19% rise in NII, which reached Rs 963cr. Despite a challenging environment for margins, BHFL managed to expand its AUM by 23% YoY to Rs 1.3 lakh crore, driven by strong disbursement momentum in the home loan and commercial real estate segments. Gross disbursements grew by 32% YoY to Rs 16,545cr, indicating that the company successfully captured market share in an aggressive lending landscape.

The company maintained its industry-leading asset quality with GNPA at 0.27% and Net NPA at 0.11%. This stability is particularly notable given the rising credit costs observed in the broader unsecured lending space. The Opex-to-Net Total Income (NTI) ratio improved to 19.0% from 19.8% in the previous year, highlighting the company's ability to leverage technology and the "Bajaj" brand ecosystem to scale without a proportionate increase in costs.

Management Guidance and Future Outlook

Management expects full-year AUM growth to gravitate between 22% and 23%. This takes into account a conscious decision to slow down certain segments like MSME lending, which grew at a more modest 11% this quarter. With the cost of funds expected to stabilize between 7.55% and 7.60% by the end of the fiscal year, the focus will remain on defending NIMs through better product pricing and optimizing the borrowing mix, which currently leans toward money market instruments (52%) and bank loans (39%).

Key Risks

- Slowdown in the real estate sector could adversely affect the company given its higher exposure to prime lending segment.
- Any unfavourable change in rules and regulatory policies by the RBI/NHB/Govt ministries can have a negative impact on the earnings outlook of the company.
- The housing finance industry is highly competitive. Banks with wider branch and distribution networks and cheaper cost of funds have a greater competitive advantage. The stiff competition from banks may pose increasing challenges, including lower-than-expected loan growth and lower NIM.
- In case the competition intensifies, and the cost of borrowings does not come down, the company can face a squeeze in its spreads/NIMs, affecting its profitability and the return ratios.
- Increasing exposure to non-housing loans and self-employed non-professional customers could lead to higher NPAs.

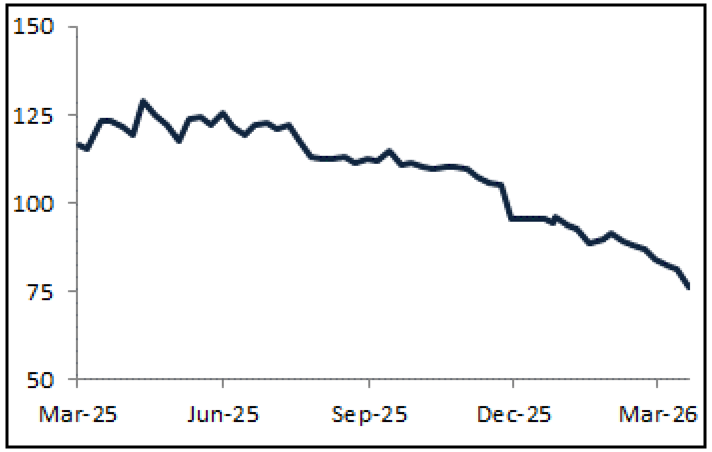
Valuation & Recommendation:

While BHFL's fundamentals remain best-in-class, the stock has faced valuation headwinds. , After a severe correction of 50% from its 52-week highs, the stock is gradually becoming attractive. The ability of the company to expand its RoE while moderating growth rate would be a key monitorable. We have estimated AUM/PAT growth of 22/21% CAGR over FY25-FY28. Investors can buy in the range of Rs 75-77 and add on dips in Rs 69-71 range for base case fair value of Rs 85 (2.4x FY28E ABV) and bull case fair value of Rs 90 (2.55x FY28E ABV) over the next 4 quarters.

Financial Summary:

Particulars (Rs cr)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	964	806	*19.6*	956	*0.8*	3007	3756	4587	5435
PPP	934	748	*24.8*	882	*5.9*	2850	3540	4413	5321
PAT	678	548	*23.7*	643	*5.5*	2163	2597	3166	3817
EPS (Rs)	0.8	0.7	*21.3*	0.8	*3.4*	2.6	3.1	3.8	4.6
P/E (x)						29.2	24.3	20.0	06.5
P/ABV (x)						3.2	2.8	2.5	2.2
RoAA (%)						2.3	2.3	2.2	2.2

Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Atul Jagdish Karwa

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Date: 2026.03.27 19:27:21 +05'30'

Disclosure:

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Any holding in stock – No

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400
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