

Bajaj Housing Finance



Beyond brick and mortar: Playing the major league

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01

Page # 03
Summary

02

Page # 06
Story in charts

03

Page # 8
Company overview

04

Page # 09
Shareholding pattern

05

Page # 10
Leader in mortgages with a comprehensive product suite

06

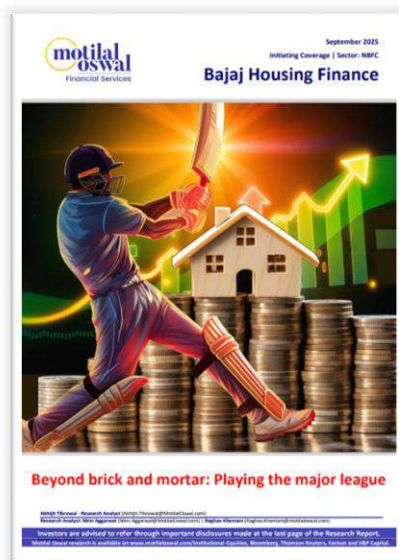
Page # 14
Strengthening the core for sustained growth

07

Page # 20
Growth leader in mortgages; execution better than peers

08

Page # 33
Housing finance industry: Unlocking the long-term potential



Beyond brick and mortar: Playing the major league

- ❖ Bajaj Housing Finance (BHFL) is the fastest-growing and the second-largest HFC in India, with a five-year AUM CAGR of ~29% over FY20-FY25. It had an AUM of INR1.2t as of Jun'25.
- ❖ BHFL offers a comprehensive suite of mortgage products that cater to a broad spectrum of customers, ranging from individual homebuyers to large-scale developers. BHFL has also introduced a near-prime and affordable segment, positioning itself to serve the entire housing finance ecosystem.
- ❖ The company has exhibited one of the strongest asset quality profiles among its peers, driven by its focus on large, prime-ticket loans, coupled with stringent underwriting standards and prudent risk management practices. GNPA has remained consistently benign, ranging between 0.30-0.35%, over the past five years, highlighting the resilience and stability of its portfolio.
- ❖ RoE is expected to remain moderate in the medium term, at ~13-14%, due to intense competition and relatively low yields in the prime home loan segment. While Bajaj Group's strong execution capabilities add credibility, the current premium valuations, when weighed against the modest RoE profile, may result in subpar stock returns going forward.
- ❖ BHFL trades at 3.6x P/BV and 29x FY27E P/E, which is a ~60% premium to its IPO price. We model AUM/PAT CAGR of ~22% each over FY25-28E, with an RoA/RoE of 2.3%/14.2% in FY28E. We initiate coverage on BHFL with a Neutral rating and a TP of INR120 (premised on 3.6x Sep'27E P/BV).

09

Page # 38
Peer comparison

10

Page # 40
Valuation and view

11

Page # 41
Key Risks

12

Page # 42
Leadership Team of Bajaj Housing Finance

13

Page # 43
Board of Directors of Bajaj Housing Finance

14

Page # 44
ESG initiatives

15

Page # 45
Bull and bear cases

16

Page # 46
SWOT analysis

17

Page # 47
Financials and valuations

Bajaj Housing Finance

BSE Sensex
81,101

S&P CNX
24,869


Stock Info

Bloomberg	BAJAJHFL IN
Equity Shares (m)	8332
M.Cap.(INRb)/(USDb)	931.9 / 10.6
52-Week Range (INR)	189 / 103
1, 6, 12 Rel. Per (%)	-3/-14/-
12M Avg Val (INR M)	2752
Free float (%)	11.3

Financial Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
NII	30.1	36.8	44.9
PPP	28.5	34.3	42.8
PAT	21.6	25.3	31.7
EPS (INR)	2.6	3.0	3.8
EPS Gr. (%)	0.7	17	25
BV/Sh. (INR)	24	27	31

Ratios (%)

NIM	3.3	3.3	3.3
C/I ratio	20.8	19.6	17.9
RoA	2.3	2.2	2.3
RoE	13.4	11.9	13.2

Valuation

P/E (x)	43.1	36.9	29.5
P/BV (x)	4.7	4.1	3.6

Shareholding pattern (%)

As On	Jun-25	Mar-25
Promoter	88.7	88.8
DII	0.6	0.7
FII	1.1	1.1
Others	9.6	9.4

CMP: INR112
TP: INR120 (+7%)
Neutral

Beyond brick and mortar: Playing the major league

Well-positioned to drive market-leading growth with pristine asset quality

- Bajaj Housing Finance (BHFL) is the fastest-growing and the second-largest HFC in India, with a five-year AUM CAGR of ~29% over FY20-FY25. It had an AUM of INR1.2t as of Jun'25. BHFL is the most diversified HFC in the country, offering a comprehensive suite of mortgage products that cater to a broad spectrum of customers, ranging from individual homebuyers to large-scale developers. To further strengthen its presence, BHFL has also introduced an affordable housing segment, positioning itself to serve the entire housing finance ecosystem.
- BHFL maintains one of the strongest asset quality profiles among its peers, driven by its strategic focus on large, prime-ticket loans, coupled with stringent underwriting standards and prudent risk management practices. GNPA and NNPA have remained consistently benign, ranging between 0.30-0.35% and 0.1-0.2%, respectively, over the past five years, highlighting the resilience and stability of its loan portfolio.
- BHFL enjoys a credit rating of AAA/stable credit rating from CRISIL and India Ratings for its long-term debt, highlighting its strong financial position.
- BHFL is the strongest franchise in the HFC sector, backed by: 1) robust AUM growth trajectory, 2) strong parentage of the Bajaj Group, 3) a focused, granular, and low-risk business model, 4) a relatively diversified AUM mix with high-yield growth engines, and 5) a tech-driven, scalable distribution.
- We expect BHFL's AUM growth to moderate over the medium term due to a larger balance sheet size and stronger competition from banks. In the near term, however, levers (such as increasing the share of construction finance in the AUM mix and gradually scaling up the affordable business) could help mitigate NIM contraction in a declining interest rate cycle. Eventually, though, BHFL is likely to settle at a lower blended spread/NIM profile.
- RoE is expected to remain moderate in the near-term, at ~12-14%, due to intense competition and relatively low yields in the prime home loan segment. While Bajaj Group's strong execution capabilities add credibility, the current premium valuations, when weighed against the modest RoE profile, may result in subpar stock returns going forward.
- BHFL trades at 3.6x P/BV and ~29x FY27E P/E, which is a ~60% premium to its IPO price. We model AUM/PAT CAGR of ~22% each over FY25-28E, with an RoA/RoE of 2.3%/14% in FY28E. We initiate coverage on BHFL with a Neutral rating and a TP of INR120 (premised on 3.6x Sep'27E P/BV).

Granular and low-risk business model

- BHFL has carved out a unique niche in the mortgages segment by focusing on affluent salaried borrowers with high credit scores (~77% of customers have CIBIL scores above 750 in home loans), and ~84% of its home loans are extended to salaried individuals, leading to a more predictable, low-risk loan book.

- The company maintains a low-risk, sustainable balance sheet, with its loans against property (LAP), lease rental discounting (LRD), and Construction Finance books also being granular (relative to the industry). A significant margin of safety is ensured through conservative LTV at origination. With guided gross NPAs of 0.6-0.8% and minimal credit costs, BHFL is positioned as a high-quality, low-volatility player in an otherwise competitive mortgage sector.

Best-in-class sourcing, underwriting, and collection framework

- BHFL has established a best-in-class framework for sourcing, underwriting, and collections, enabling it to maintain superior asset quality while driving robust AUM growth.
- The company has adopted an omnichannel sourcing strategy to maximize customer reach. It sources a reasonable portion (~ 7-10%) of its home loans from Bajaj Finserv's digital channels, which helps reduce costs (lower expense ratio) and enhance risk-adjusted spreads. BHFL has transitioned to in-house originations, resulting in lower customer acquisition costs, increased retention, and improved credit quality.
- The company has a well-defined credit evaluation and underwriting process that ensures risk performance across all product segments remains well within defined thresholds. It implements separate, dedicated underwriting structures for salaried and self-employed retail loans, along with specialized structures for commercial loans (LRD/CF).
- BHFL also has a robust four-tier collections framework comprising tele-calling, field collections, legal recovery, and settlements. This structure ensures effective loan recoveries, with an in-house debt management team handling retail loan collections and leveraging SARFAESI, where required, for efficient legal resolution.

Declining rate cycle to weigh on NTI despite stable spreads

- BHFL operates in a highly competitive market, facing strong competition from banks and other large HFCs. This competitive intensity is expected to exert pressure on yields as the company seeks to sustain its loan growth momentum. This may lead to a transitory contraction in NII over the very near term.
- Despite a growing share of non-housing loans (which rose from ~38% in FY22 to ~44% in FY25), BHFL's spreads have contracted ~90bp over the past three years due to rising borrowing costs, since the company has been unable to pass these costs to customers amid intense competition.
- We expect BHFL to maintain stable NIMs and spreads in FY26, as the impact of lower lending yields from rate cuts is likely to be offset by a commensurate reduction in the cost of borrowings. We expect its NIM to remain broadly stable at ~3.3% over FY26-27.
- While NIM and spreads are likely to stay broadly stable, non-interest operating income is likely to soften this year. This moderation will be led by 1) a lower investment income: FY25 investment income was boosted by surplus capital from the fundraise and higher reinvestment yields, whereas FY26 will have a relatively smaller investable surplus at lower rates, and 2) muted assignment income, as heightened competition is expected to limit loan growth, resulting in fewer assignments during the year. Collectively, these factors are likely to weigh on overall operating income, even as core spreads remain steady.

Tech-driven distribution and room for improvement in operational efficiency

- BHFL operates a fully digital loan lifecycle—from onboarding to servicing—which enhances customer experience while keeping operating costs under control. The company leverages e-agreements, Aadhaar-based KYC, and data analytics to underwrite efficiently and personalize offerings.
- With ~216 branches and a growing semi-urban and rural presence through the hub-and-spoke model, BHFL is expanding its distribution reach while keeping operating expenses in check. As BHFL scales further, operating leverage is expected to drive improvement in cost ratios. We estimate BHFL's cost-to-income ratio to decline from ~21% in FY25 to ~16.5% by FY28.

Asset quality resilient; expect benign credit costs of ~15bp over FY26-28

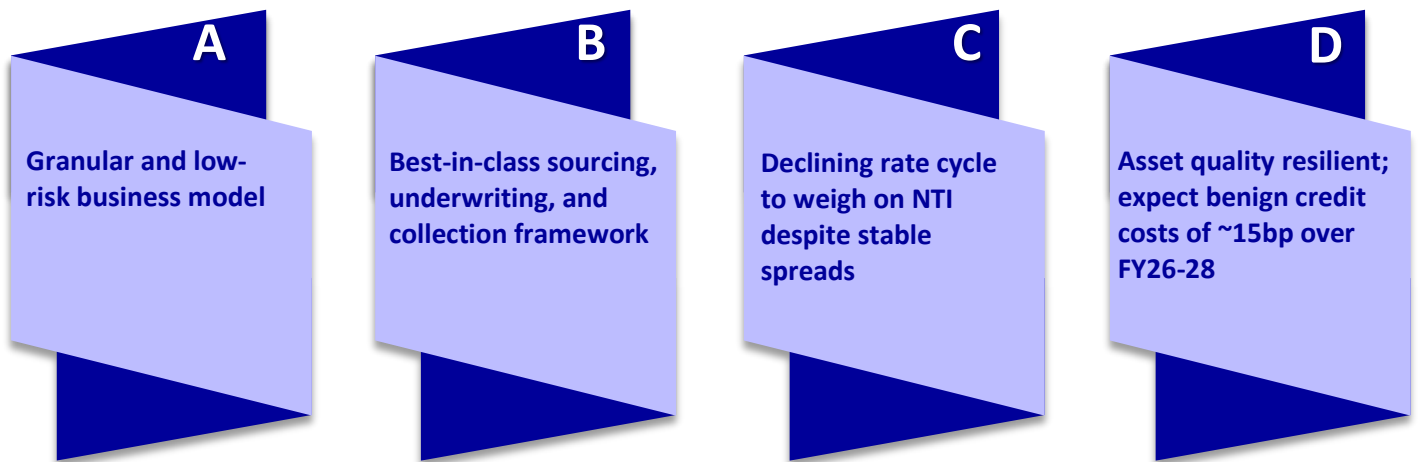
- BHFL has demonstrated robust asset quality performance over the years, which is attributed to: 1) a focus on low-risk salaried and mass affluent segment, wherein ~85% of its customers were salaried as of FY25, 2) centralized underwriting processes augmented by digitized credit processes and collection teams, 3) tight commercial underwriting and a focus on low-risk LRD within the wholesale segment, and 4) close tracking of early warning signals (EWS) and portfolio monitoring. This has translated into significantly lower credit costs. Over the past three years, the company's GS3 remained in the range of ~0.2%-0.3%, outperforming peers whose GNPA ranged between ~1.5% and 8.2% during the same period.
- While the share of non-housing loans in the loan mix has risen, the majority of these loans continue to be low-risk. Given the evolving risk profile of the company's loan book, it guides for normalized credit costs of ~20-22bp and GNPA in the range of ~40-60bp over the medium term. We estimate credit costs of ~15-16bp over FY26-FY28.

Valuation and view

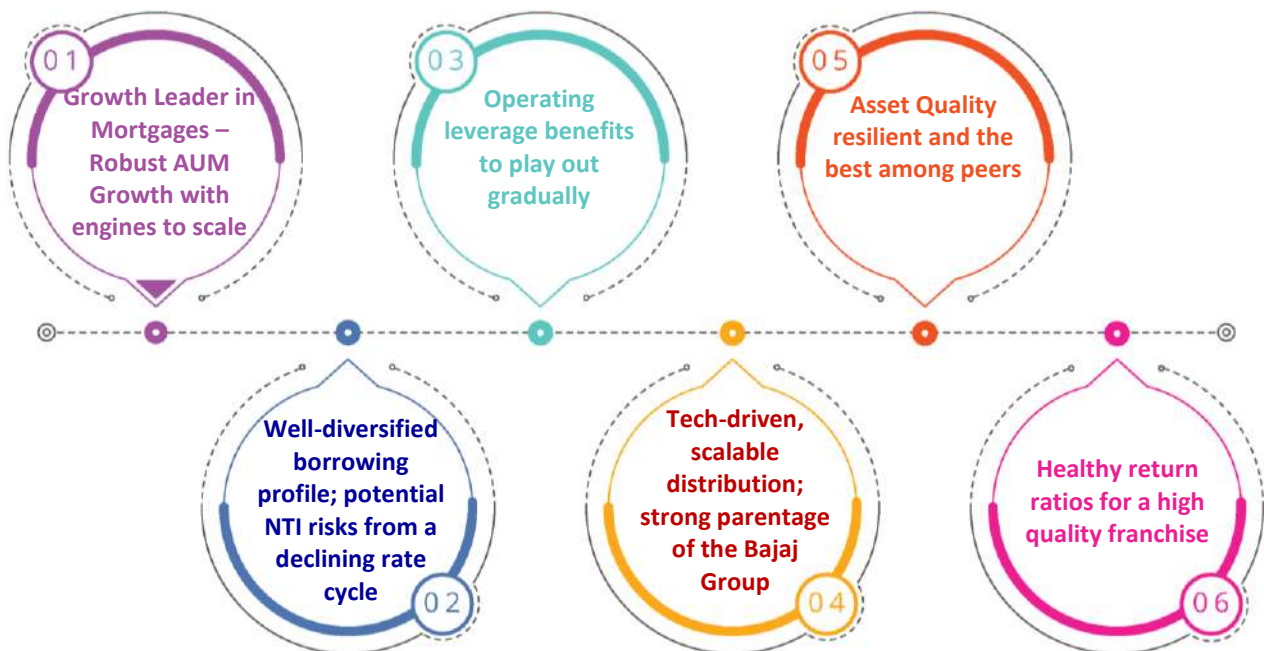
- BHFL has posted strong AUM growth, delivering ~29% AUM CAGR over FY20-FY25, supported by a diversified product suite and robust asset quality. However, we expect a gradual moderation in its AUM growth, given BHFL's increasing scale and rising competition from banks.
- BHFL trades at 3.6x FY27 P/BV, and we model AUM/PAT CAGR of ~22% each over FY25-FY28E, with steady-state RoA/RoE of ~2.3%/14.2% in FY28E. We initiate coverage on BHFL with a Neutral rating and a TP of INR120 (premised on 3.6x Sep'27E P/BV). **Key downside risks** include: 1) higher competition in the prime home loan segment, 2) increasing exposure to non-housing loans, 3) NIM pressure from sustained high competitive intensity in the sector, and 4) any slowdown in the real estate or economy.

STORY IN CHARTS

Bajaj Housing Finance: Playing the major league

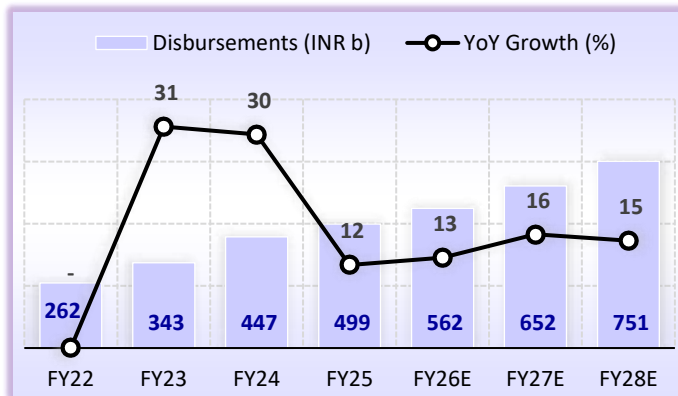


BHFL: Investment arguments

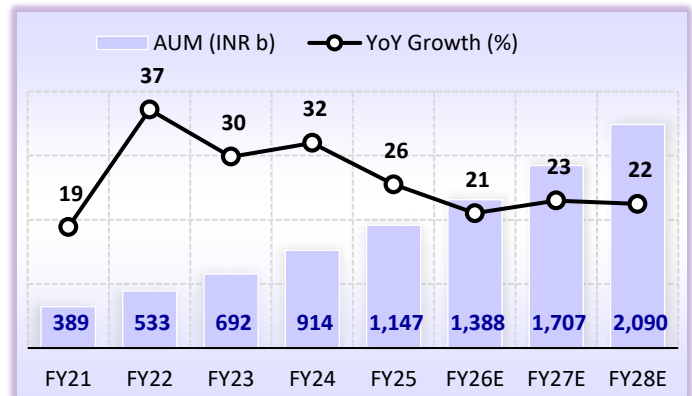


STORY IN CHARTS

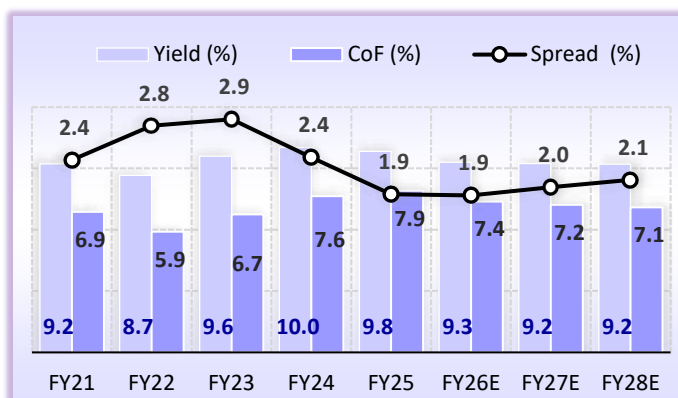
Expect disbursements CAGR of 15% over FY25-28



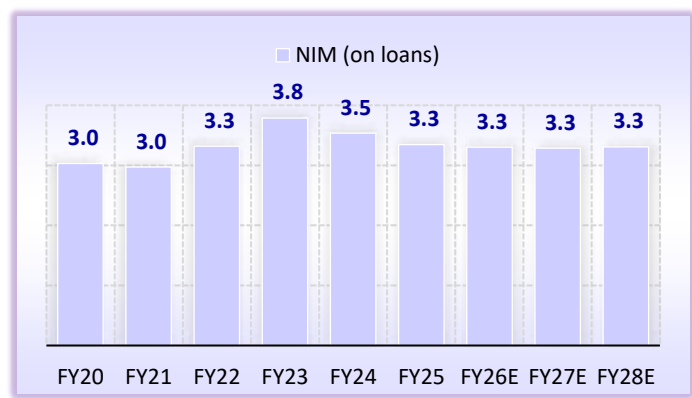
AUM CAGR of ~22% over FY25-FY28E



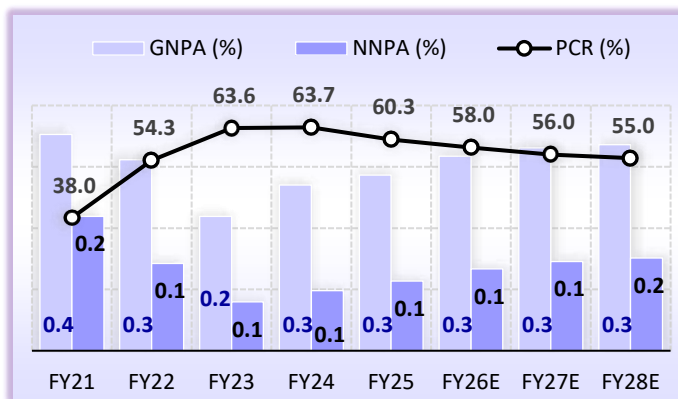
Expect spreads to remain at ~1.9% in FY26E



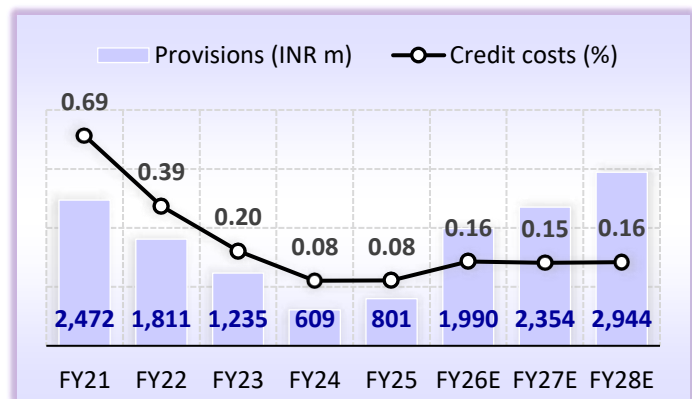
NIMs to remain broadly stable in FY26E



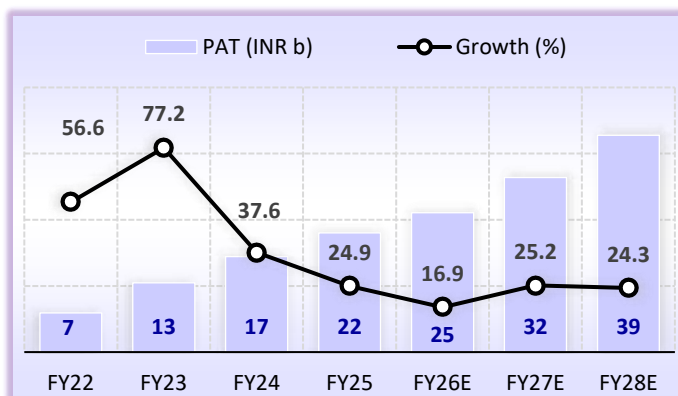
Expect asset quality to remain stable



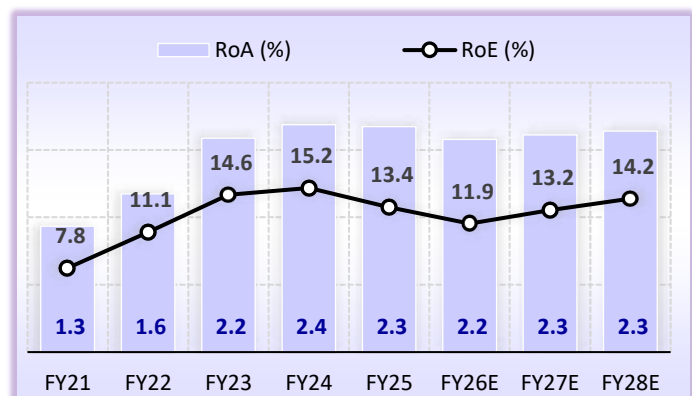
Credit costs to remain around ~15bp in FY27/FY28E



PAT CAGR of ~22% over FY25-FY28E



RoA/RoE of 2.3%/14% in FY28E



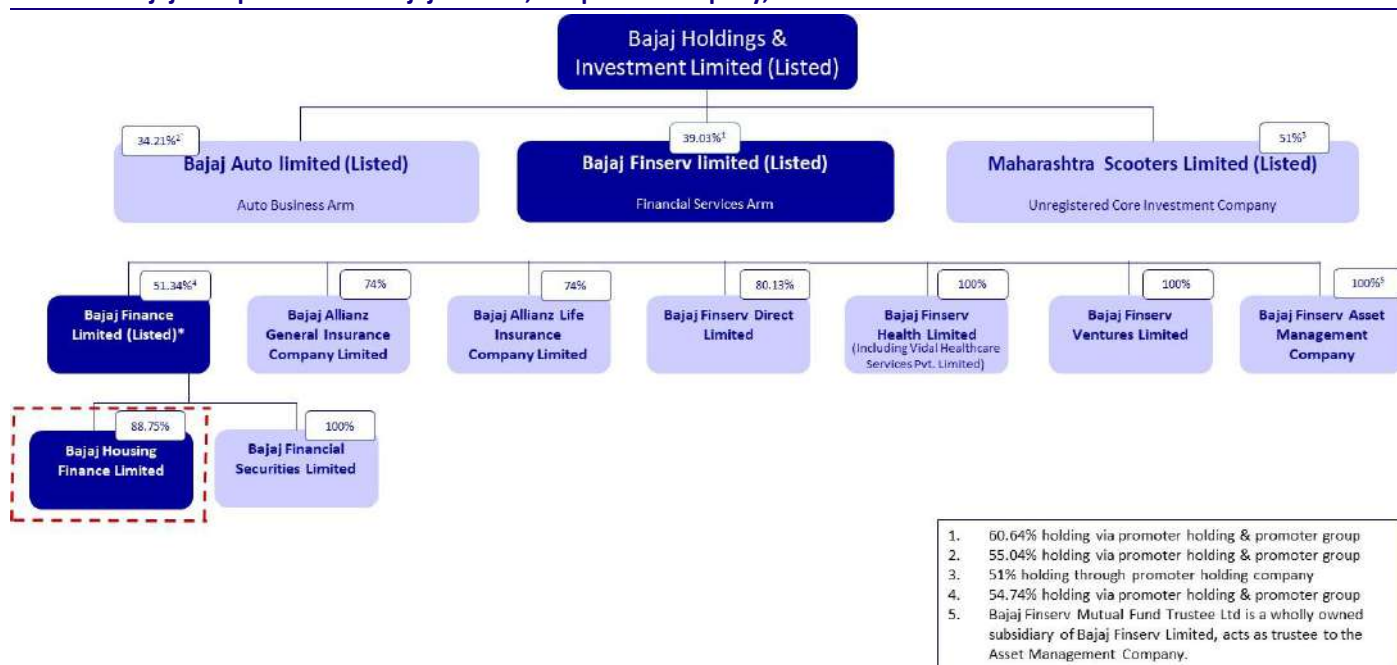
Source: MOFSL, Company

Source: MOFSL, Company

Company overview

- With an AUM of INR1.2t as of Jun'25, BHFL is the second-largest HFC in India after LICHF. It operates as a subsidiary of Bajaj Finance, one of India's most diversified NBFCs, which serves ~107m customers across the country. BHFL is headquartered in Pune.
- BHFL offers finance to both individuals and corporate entities for purchasing and renovating homes or commercial spaces. It also provides LAP for business or personal needs, along with working capital for business expansion. Additionally, the company extends financing to developers engaged in the construction of residential and commercial properties and offers LRD to developers and high-net-worth individuals.
- BHFL has an extensive distribution network of 217 branches expanding through 21 states and 175 locations as of Jun'25. The company delivered an AUM CAGR of ~29% over FY20-FY25. It has maintained a robust asset quality, and its gross stage 3 (GS3) stood at ~0.3% as of end-FY25.

Exhibit 1: Bajaj Group structure - Bajaj Finance, the parent company, holds ~88.75% stake in BHFL



Source: Company, MOFSL

Exhibit 2: Key business parameters as of Jun'25

AUM (INR t)	CRAR	GNPA/NNPA	Branches/ State
1.2	26.9%	0.3%/0.13%	217/21
Yields	NIM	Interest spread	RoA/RoE
9.5%	4.0%	1.8%	2.3%/11.6%

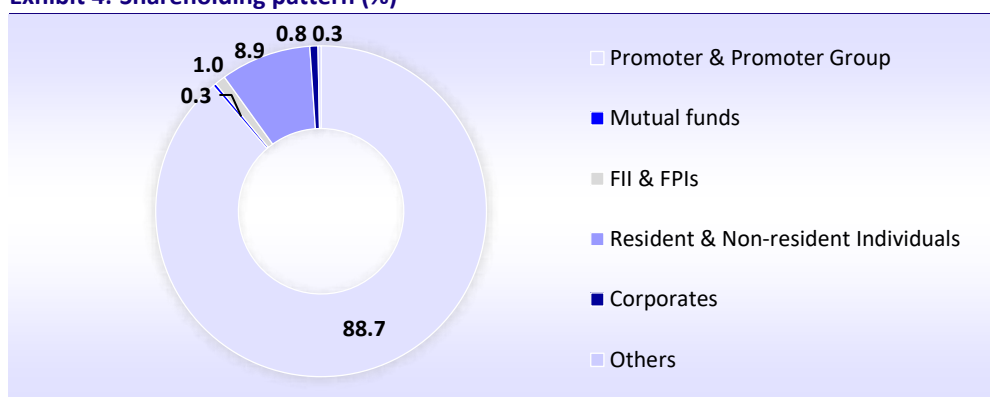
Shareholding pattern

Exhibit 3: Top 10 institutional investors

Investor	%
Catamaran Ventures LLP	0.21
Vanguard Group Inc.	0.38
ICICI Prudential Life Insurance	0.14
Government Pension Fund Global	0.13
Government of Singapore	0.10
Florida Retirement System - Allspring Global Investments, LLC (EMSC)	0.05
Serum Institute Of India Pvt Ltd	0.05
SBI Life Insurance Co. Ltd	0.04
Fidelity Investment Trust Fidelity Emerging Asia Fund	0.04

Source: MOFSL, Company; Note: Data as on Jun'25

Exhibit 4: Shareholding pattern (%)



Source: MOFSL, Company Note: Data as on Jun'25

Leader in mortgages with a comprehensive product suite

BHFL is among the fastest-growing NBFCs, posting an AUM CAGR of ~29% over FY20-FY25. It is the most diversified HFC in India, offering a comprehensive suite of mortgage lending products, including: i) home loans; ii) LAP; iii) LRD; and iv) developer finance. This helps the company to cater to a wide spectrum of customers, ranging from individual homebuyers to large-scale developers.

BHFL offers a comprehensive suite of mortgage lending products, including Home Loans, LAP, LRD and developer finance.

Who is a typical BHFL customer?

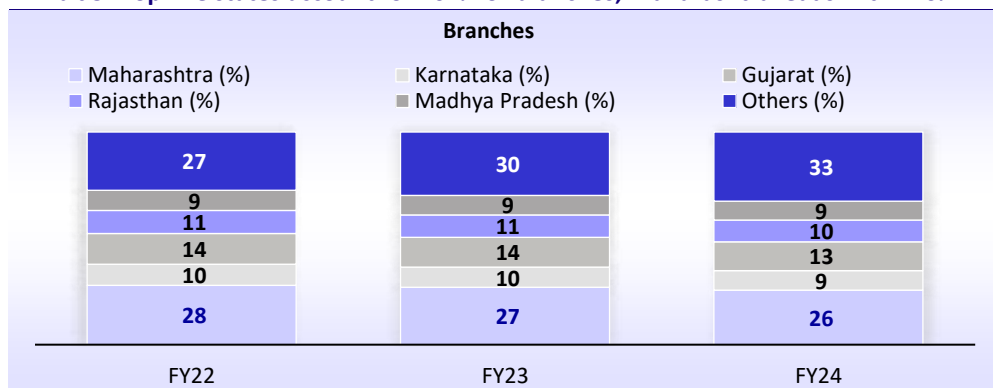
In the home loan segment, BHFL primarily focuses on prime housing, with an average ticket size (ATS) of INR4.5m as of Jun'25. The company maintains a risk-balanced portfolio by targeting customers with CIBIL scores above 750. Its customer base comprises both salaried and self-employed individuals, with salaried borrowers constituting the majority of the portfolio. Additionally, BHFL extends financing to developers, offering LRD and developer financing for residential and commercial properties, thereby catering to a broad spectrum of the mortgage market.

Extensive branch distribution network

BHFL operates across 21 states with a network of 217 branches as of Jun'25, covering 175 locations across India. The top five states account for ~67% of total branches, with Maharashtra leading at ~26%.

Top five states account for ~67% of BHFL's total branches, with Maharashtra leading at ~26%.

Exhibit 5: Top five states account for ~67% of branches; Maharashtra leads with ~26%



Source: MOFSL, Company DRHP

BHFL offers a comprehensive mortgage product suite. We delve deeper into each of its product segments below.

Housing loans: Focused on the low-risk retail segment

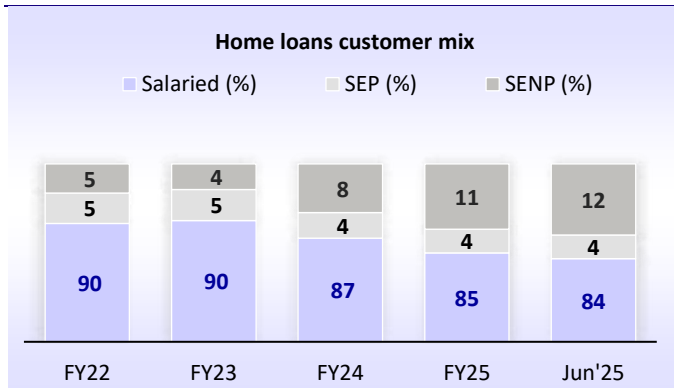
- BHFL is focused on building a low-risk, medium-return portfolio where home loans contribute ~56% to the AUM mix. Within home loans, ~92% pertains to lower-risk segments of salaried and self-employed professional customers.
- The company offers home loans for ready-to-move-in and under-construction properties to mass affluent customers with an average age of 35-40 years and an average annual salary of INR1.3m (Source: CRISIL). The loan comes with a tenor option of up to 40 years. The company's home loan offerings cover the entire spectrum of customer requirements, including financing for new home purchases, resales, and balance transfers, and additional top-ups for existing customers. BHFL has an overall ATS of INR4.5m for home loans, while home

BHFL launched a specialized strategic business unit in FY22 focused on near-prime and affordable housing customer segments.

loans sourced through indirect channels have a higher ATS of INR4.9m. The company emphasizes lending to customers with higher CIBIL scores, with ~77% of its customers having a CIBIL score of >750.

- The company originates home loans through: 1) its direct-to-customer (D2C) team, which leverages the builder ecosystem, branch-based engagements, and its internal digital assets to optimize lead conversion, and 2) its partnerships with intermediaries, including channel partners, aggregators, DSAs, and connectors, to deepen its penetration in micro-markets.
- To broaden its housing loan portfolio, BHFL launched a specialized strategic business unit (SBU) in FY22 focused on near-prime and affordable housing customer segments. It introduced *Sambhav Home Loans*, designed for first-time buyers from lower-income segments. Additionally, to offer a complete mortgage solution across customer categories, BHFL has expanded its customer profile to cover self-employed non-professional customers.

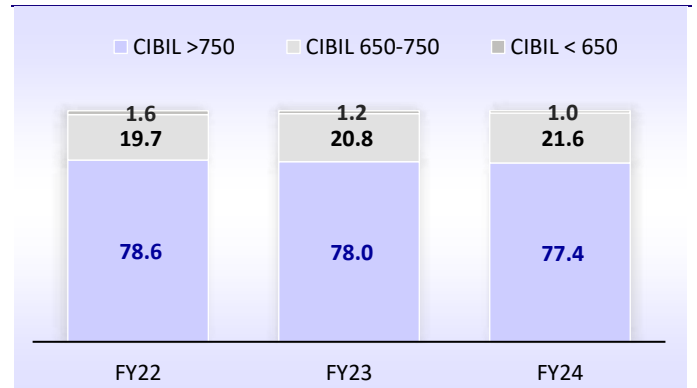
Exhibit 6: ~88% of the home loan customers are salaried



Source: MOFSL, Company

Note: SENP: Self-employed non-professional; SEP: Self-employed professional

Exhibit 7: ~77% of home loan customers have a CIBIL score of >750



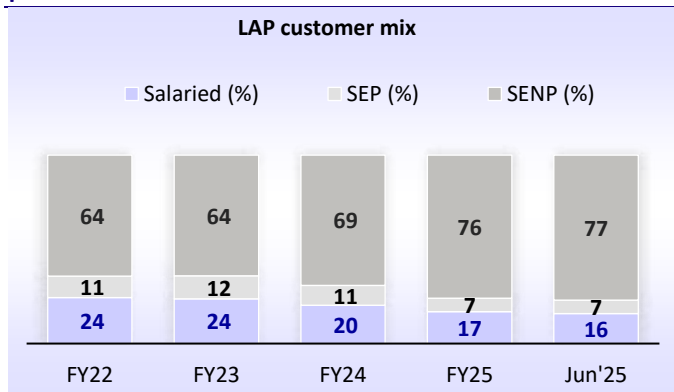
Source: MOFSL, Company DRHP

LAP has an overall ATS (at origination) of INR7.2m, average LTV (at origination) of ~51%, and a SoRP mix accounting for ~72% of the total LAP portfolio.

Loan against property (LAP)

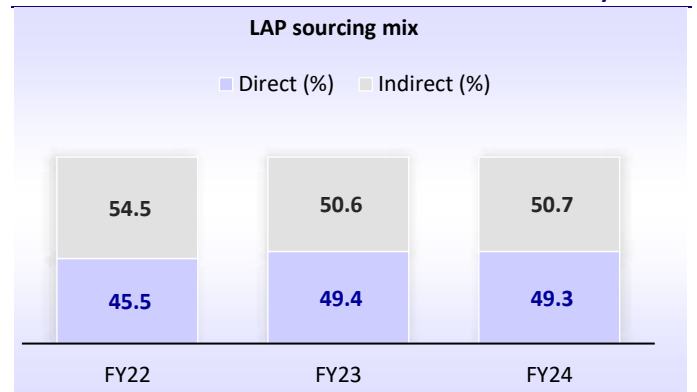
- BHFL serves LAP to SMEs, MSMEs, self-employed individuals, professionals, and salaried customers against both residential and commercial properties.
- Key features of the company's LAP include an overall ATS (at origination) of INR7.2m, an average LTV ratio (at origination) of ~51%, a maximum tenure option of up to 17 years, and a self-occupied residential property (SoRP) mix accounting for ~72% (of the total LAP portfolio).
- The LAP business operates across 74 locations, with a sourcing mix comprising both direct and indirect channels. Dedicated teams are in place to focus on expanding each channel. As of Jun'25, the LAP business reported an AUM of INR126b, reflecting ~30% YoY growth.
- The company leverages its well-established developer connections in the home loan sector to offer LAP for commercial properties developed by these partners.

Exhibit 8: 77% of LAP customers are self-employed non-professional



Source: MOFSL, Company

Exhibit 9: ~50% of the LAP business is sourced directly



Source: MOFSL, Company DRHP

LRD portfolio had an ATS of ~INR1.1b, with 300 active customers and a diverse lessee base comprising MNCs and Indian corporates.

BHFL's LRD customer base spans commercial real estate developers, listed REITs, private equity players, and sovereign funds.

Provides milestone-linked tranche disbursements to projects. All transactions are backed by the escrow mechanism.

Key objective developer financing is to create a sourcing funnel for BHFL's retail home loan business

Lease rental discounting

- BHFL provides LRD services to HNIs and developers across 17 locations in India, tailored to meet their commercial real estate requirements.
- LRD products are designed to finance commercial properties with established lease rental cash flows from reputable tenants under long-term lease agreements. As of Jun'25, the LRD portfolio had an ATS of ~INR1.06b, with 300 active customers and a diverse lessee base comprising MNCs and Indian corporates. BHFL's LRD customer base spans commercial real estate developers, listed REITs, private equity players, and sovereign funds.
- BHFL further extends its financing solutions to include construction finance for commercial properties, catering to both existing lease rental discounting clients and those with warehousing and industrial property needs.
- The company uses an escrow mechanism for rental tracking and has a dedicated portfolio monitoring team.
- **Sourcing strategy:** The relationship management team, backed by specialized expertise and thorough due diligence from internal and external consultants, drives business acquisition and ensures end-to-end client servicing, from initial sales to post-sales support. Within LRD, BHFL's focus is on Grade-A properties.

Developer finance

- BHFL provides financing to developers for both residential and commercial real estate development projects, adopting a D2C approach. This strategy emphasizes cultivating a granular loan book by extending construction finance to developers with a proven record of on-time project completion, strong financial health, and consistent loan repayment practices. BHFL caters to developers that are focused on micro market, regional, as well as pan-India projects.
- The company provides developer financing across 16 locations in India. As of Jun'25, it reported an ATS of ~INR490m, with 812 active funded projects and 543 active developer relationships.
- The loans provided in this segment are secured through project cash flows, project inventory, land, and an undivided share of land. BHFL provides milestone-linked tranche disbursements to projects based on the stage of construction, sales, and collections. All these transactions are backed by the escrow mechanism for cash flow tracking.
- A key objective of the company's developer financing segment is to create a sourcing funnel for its retail home loan business.

Other (Insurance policies)

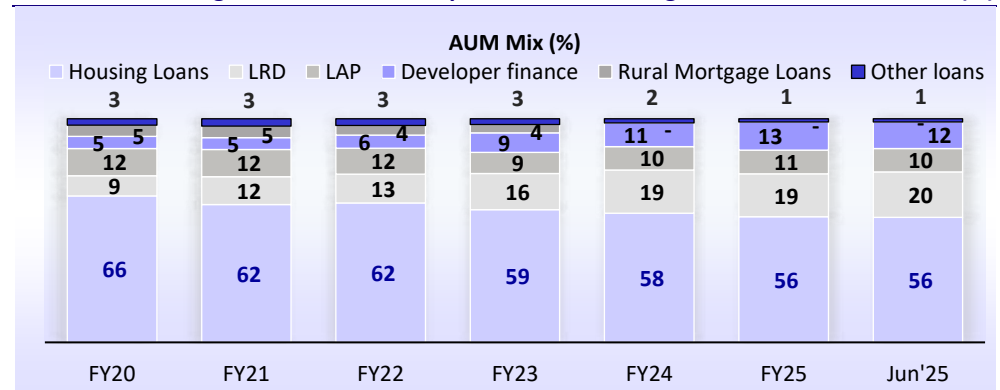
- BHFL provides non-collateralized loans to customers and enhances its income through the cross-selling of third-party value-added products and insurance policies.
- BHFL is a registered corporate agent with the Insurance Regulatory and Development Authority of India (IRDAI) and has expanded its insurance portfolio to include life, general, and health insurance products.

Affordable housing

- To further broaden its market reach, BHFL has launched a specialized SBU targeting near-prime and affordable housing customer segments, offering customized financial products to individuals who carry marginally higher credit risks than traditional prime borrowers.
- This SBU is designed to carefully calibrate pricing strategies that reflect the nuanced risk profiles of slightly more vulnerable customers, providing competitively priced solutions without compromising the risk thresholds defined for this business.
- BHFL has recently launched Sambhav Home Loans, a near prime and affordable home loan option for first-time buyers from lower-income segments. Through this strategic expansion, the company aims to secure a wider customer base, effectively manage credit risk, and sustain profitability in this distinct segment of the financial market.

Recently launched Sambhav Home Loans, a near prime and affordable home loan option for first-time buyers from lower-income segments

Exhibit 10: Housing loan dominates the product mix, holding ~56% share in total AUM (%)



Source: Company, MOFSL

Strengthening the core for sustained growth

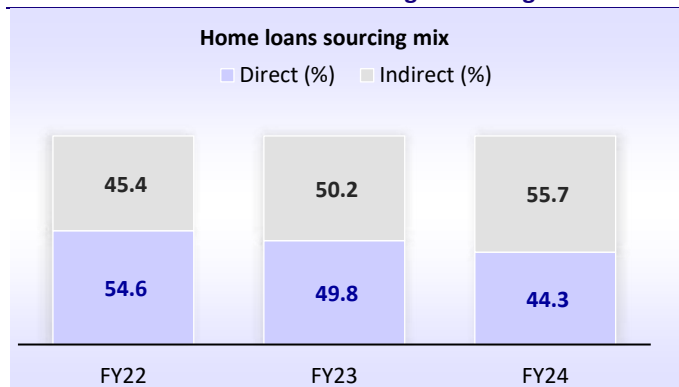
Best-in-class sourcing, underwriting, and collection framework

Strategic presence with an omnichannel sourcing strategy

BHFL employs a two-pronged sourcing strategy, leveraging both direct channels and intermediary sourcing

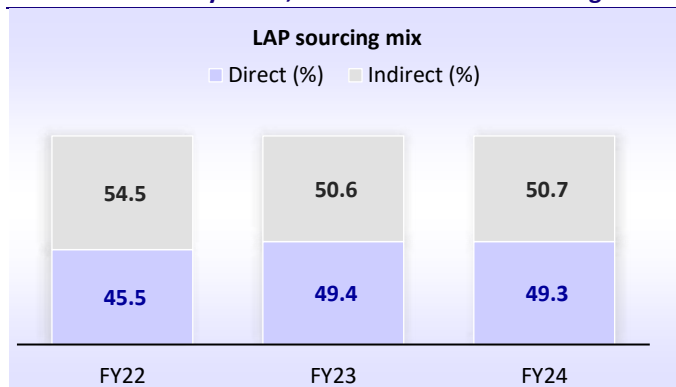
- BHFL has adopted an omnichannel sourcing strategy, combining physical presence with digital onboarding options. This approach broadens customer reach, caters to diverse preferences, and streamlines the loan application process, thereby improving customer experience and reinforcing market share.
- The company employs a two-pronged sourcing strategy for its retail products, leveraging both direct channels and intermediary sourcing, maintained separately for home loans and LAP. This structure ensures specialized expertise within each sourcing channel.

Exhibit 11: Share of indirect sourcing increasing in HL



Source: MOFSL, Company DRHP

Exhibit 12: Broadly 50:50, direct and indirect sourcing in LAP



Source: MOFSL, Company DRHP

The overall sourcing strategy can be broadly categorized as:

Micro-market focus for home loans

- BHFL has adopted a targeted approach by focusing on micro-markets within cities, enabling a deep understanding of local real estate trends, customer demographics, and behavior. This enables the company to customize its products and services, resulting in superior customer service and higher conversion rates.
- Partnerships with real estate developers are vital to BHFL's strategy, enabling the company to offer home loans to buyers of these projects. This creates a mutually beneficial relationship—developers gain a strong selling proposition, while BHFL accesses a ready pool of potential customers.

D2C strategy

- BHFL engages directly with customers through its branch-based sales teams, enabling personalized service and fostering loyalty. The D2C approach also leverages digital platforms to streamline processes, reduce costs, and enhance customer convenience, with features like lead tracking and improved website functionalities driving penetration and lead generation.

Active channel partners rose from 1,514 in Mar'22 to ~1,800 in Jun'25, significantly broadening BHFL's market reach

Expanding distribution network of intermediaries

- BHFL continues to grow its network of intermediaries, including channel partners, aggregators, direct sales agents, and financial advisors. The number of active channel partners rose from 1,514 in Mar'22 to ~1,800 in Jun'25, significantly broadening BHFL's market reach by capitalizing on the intermediaries' established relationships with prospective borrowers.
- BHFL primarily employs a direct-to-customer (D2C) strategy for developer financing, focusing on relationship-driven sourcing. This approach enables the company to build a detailed and engaged customer base by strengthening ties with existing clients and attracting new ones. In contrast, for LRD, BHFL utilizes a hybrid sourcing model that incorporates both D2C and intermediary channels.

Exhibit 13: BHFL's omnichannel sourcing strategy

	RETAIL		COMMERCIAL	
	HOME LOAN	LOAN AGAINST PROPERTY	LEASE RENTAL DISCOUNTING	DEVELOPER FINANCE
DIRECT	Developer ecosystem Self-sourcing Digital partners Digital ecosystem	Self-sourcing Digital partners Digital ecosystem	Relationshipled model (existing and new customers)	Relationshipled model (existing and new customers)
INDIRECT	Aggregators & direct selling agents Channel partners Connections	Aggregators & direct selling agents Connections	IPC & Wealth Management Companies	

Enabled by partnerships, domain expertise, & faster turn-around-time

Source: Company, MOFSL

BHFL has implemented a dashboard monitoring system that allows the risk team to pinpoint potential issues and take timely corrective actions

Disciplined underwriting backed by a robust collection framework

BHFL has a well-defined credit evaluation framework and underwriting processes to ensure that risk performance across all products remains well within the defined thresholds.

Retail underwriting

- The company has established a centralized underwriting process managed through six hubs, supported by the implementation of straight-through processing (STP) for salaried customers and approved project finance (APF) projects. This setup ensures faster and more accurate loan evaluations. The process is further strengthened by digitized credit workflows and the strategic integration of account aggregators, which provide digital access to customers' financial data from multiple institutions—subject to customer consent—enabling efficient retail underwriting.
- Furthermore, the risk team monitors EWS in accounts with a history of payment bounces to identify customers with a higher risk of delinquency. The company also conducts periodic portfolio reviews, leveraging credit bureau reports and credit databases. Additionally, it has implemented a dashboard monitoring

system that allows the risk team to access key borrower information, pinpoint potential issues, and take timely corrective actions.

Commercial underwriting

- BHFL has specialized underwriting teams for LRD and developer financing, operating within stringent board-approved credit policies. During the initial approval stage, the field teams conduct preliminary evaluations of loan applications, examining the developer's/ customer's profile, transaction structure, proposed funding schedules, and project milestones.
- Subsequently, a comprehensive credit appraisal memo supports the underwriting of each loan, which is reviewed by the centralized team. To ensure the security of commercial transactions, repayments are managed through escrow mechanisms, providing effective oversight and transparency over project cash flows and rental income associated with developer financing and LRD, respectively.

Collection framework

Four-tier in-house collection infrastructure, including touch-free collections (tele-calling), field collections, legal recovery, and settlement processes

- BHFL has a well-established collections framework supported by a robust four-tier in-house infrastructure, which includes touch-free collections (tele-calling), field collections, legal recovery, and settlement processes to efficiently manage loan collections.
- As of Mar'25, the collections team consisted of 260 personnel (compared to 356 as of Mar'24). While this number seems to have declined YoY, the decline is primarily due to a change in hiring strategy. Over the past two years, BHFL has increasingly added junior-level officers on outsourced payroll, and if these outsourced staff were to be included, the effective collections team size would have remained broadly stable.
- The company has also set up a specialized collections team to manage cases where collections are overdue for a certain period, as well as a separate team to focus on the resolution of cases through SARFAESI. As a result, collection efficiency improved from ~98.4% in FY22 to 99.5% in FY25P.

Enhancing overall customer experience by reducing TAT

- BHFL is committed to enhancing customer experience at every touchpoint by delivering faster turnaround times through seamless processes, centralized hub-based underwriting and operations, and the adoption of advanced digital tools and technologies, including AI and machine learning.
- Aligned with its aim of digitizing the customer journey, BHFL has introduced a do-it-yourself (DIY) customer onboarding platform. This platform allows customers, the company's salesforce, and channel partners to digitally initiate loan applications from anywhere and upload the required documents, which are directly routed to the centralized underwriting team.
- Industry-first digital initiatives introduced during the year, such as Aadhaar OTP-based e-agreements and OTP-based e-sanction letters, offer customers a unique and hassle-free experience while significantly reducing manual intervention.

Monthly portfolio monitoring that tracks bounce rates, portfolio health, product-wise GNPA, and credit bureau reports to quickly identify and address risks

BHFL has the highest credit rating of AAA/Stable from CRISIL/India Ratings

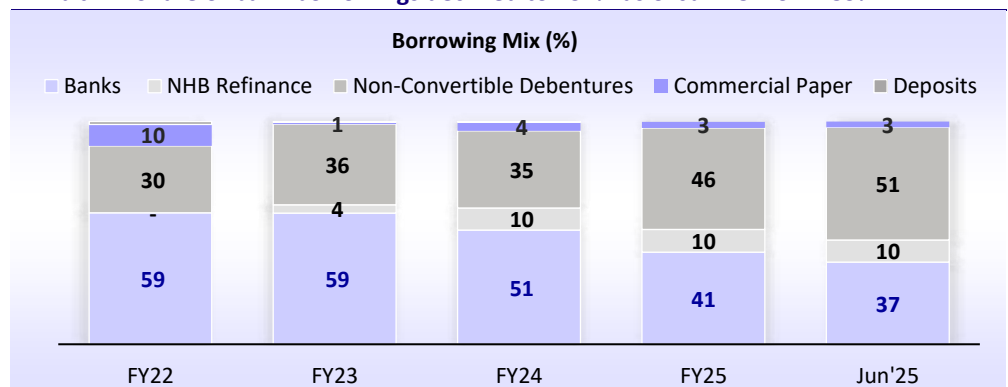
Risk management: Strong risk management practices

- BHFL has strong risk management policies to monitor portfolio performance, with dedicated risk teams for each product. The strong framework is supported by monthly reviews conducted by senior management and quarterly assessments by the risk management committee.
- **Retail risk management:** BHFL employs a fully digitized monthly portfolio monitoring process that tracks key indicators such as bounce rates, portfolio health, product-wise GNPA, customer segment mix, and credit bureau reports to quickly identify and address emerging risks. This proactive approach includes an early warning system that enables swift corrective action even before loan disbursement. Continuous analysis of customer behavior allows the company to refine credit policies, implement additional risk controls, and respond effectively to shifts in retail loan segment performance.
- **Commercial risk management:** A dedicated collateral risk management team performs thorough verification and multivariate analysis to ensure accurate and reliable collateral valuations. Additionally, the risk containment unit proactively detects and prevents fraud early in the loan process through both centralized and decentralized teams. This is supported by system-generated reports that flag exceptions and early warning signals.

Strong liability franchise; access to diversified borrowing sources

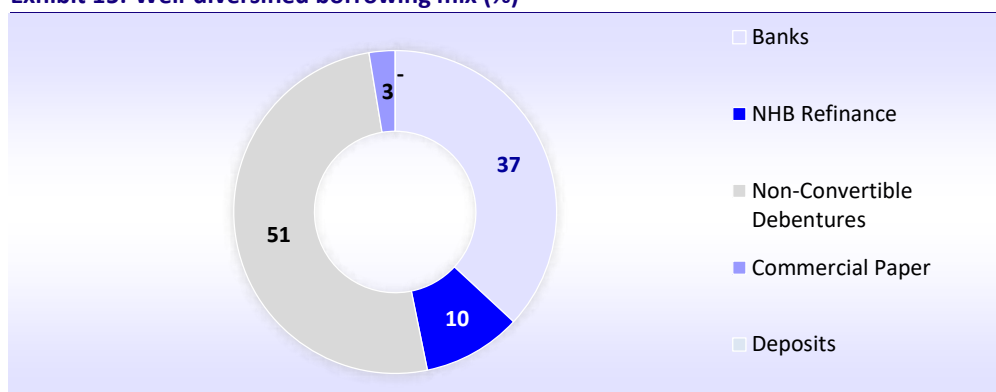
- BHFL diversifies its borrowing portfolio across various instruments, tenors, and a mix of fixed and floating borrowings. This approach aims to align the borrowing structure with the composition and tenor of the loan book, ensuring balanced asset-liability management and mitigating the risk of imbalances or excessive concentrations on either side of the balance sheet.
- BHFL has the highest credit rating of AAA/Stable from CRISIL/India Ratings for its long-term debt and A1+ from CRISIL and India Ratings for its short-term debt.
- The company began utilizing NHB sanctions from FY23, increasing the share of NHB refinance in the borrowing mix from ~4% in FY23 to ~10% as of Jun'25. As of Jun'25, ~40% of the company's borrowings are linked to floating rates and the remainder to fixed rates. On the asset side, over 95% of total loans are linked to floating rates, which creates a potential short-term interest rate mismatch. This exposes the company to margin pressures during interest rate cuts, as the alignment between floating rate assets and liabilities may not completely mitigate the impact.

Exhibit 14: Share of bank borrowings declined to ~37% as of Jun'25 from ~59% in FY22



Source: MOFSL, Company

Exhibit 15: Well-diversified borrowing mix (%)

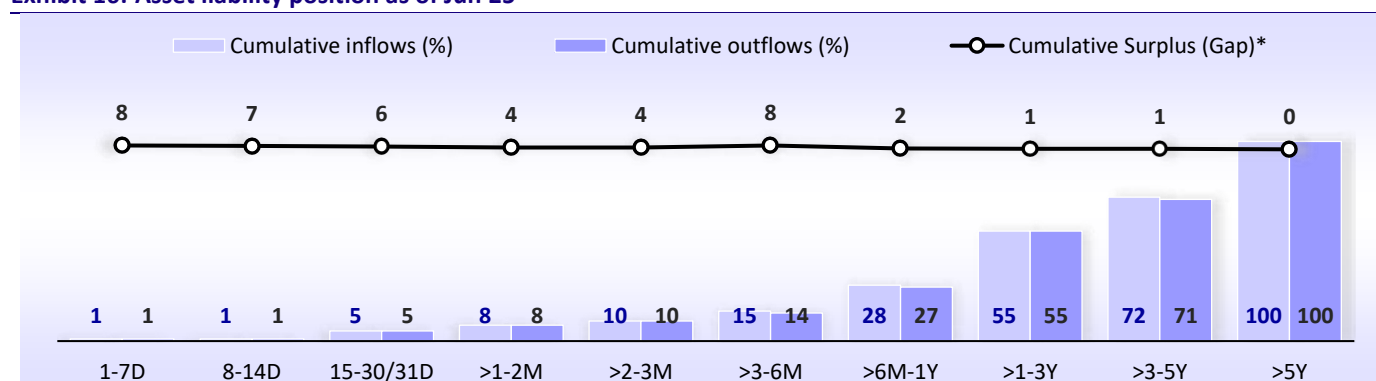


Note: Data as of Jun'25; Source: MOFSL, Company

Strong asset liability position despite near-term interest rate mismatch

- BHFL has a board-level committee of directors, the management-level committee (ALCO), and a sub-committee to monitor its asset liability management.
- The management-level committee meets every month to monitor mismatches and ensure an adequate level of liquidity. The company assesses an expected maturity pattern of assets and liabilities and maintains adequate liquidity for businesses. BHFL maintains liquidity as per the board-approved limits. Since mortgage products are generally long-tenor products, BHFL focuses on long-tenor liabilities to manage any asset-liability mismatches.
- The company ensures compliance with the regulatory liquidity coverage ratio (LCR) by holding sufficient daily liquidity in the form of high-quality liquid assets, including government securities, Treasury bills, and cash and bank balances.
- BHFL also holds a diversified portfolio of investments, including debt or liquid mutual funds, government securities, Treasury bills, certificates of deposit, triparty repo (TREPS), and short-term fixed deposits to support liquidity needs for business expansion.

Exhibit 16: Asset liability position as of Jun'25



Note: *As a % of cumulative outflows; Source: MOFSL, Company

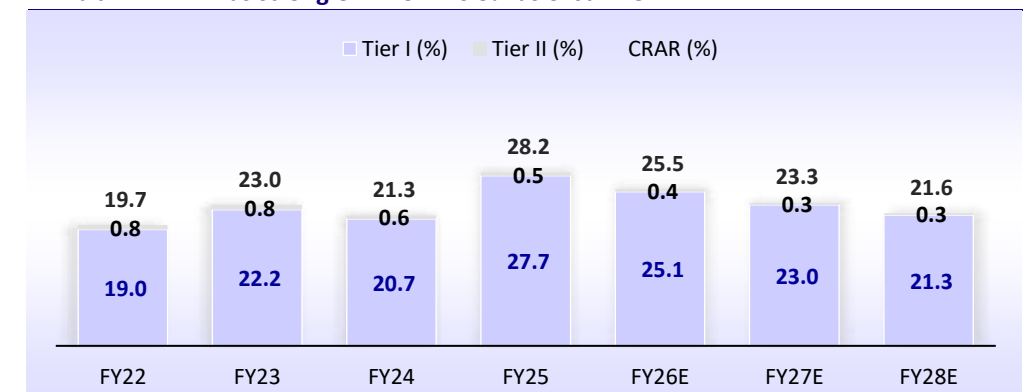
- To manage the interest rate risk arising from the mismatch of fixed-rate liabilities and floating-rate assets, the company enters into interest rate swaps to convert the notional amount of fixed-rate liabilities into floating-rate liabilities.

- The committee monitors the regulatory LCR for compliance and liquidity maintenance. LCR stood at 125% as of Mar'25 as against the regulatory requirement of 100%.

Capital adequacy improved after the IPO

- BHFL has a capital adequacy (CRAR) of ~26.9% and Tier-I capital of ~26.4% as of Jun'25, much higher than the regulatory requirement of 15% CRAR and 10% Tier-I. The recent capital issuance has led to a sharp rise in capital adequacy to ~28% in FY25 (from ~21% in FY24).

Exhibit 17: BHFL has strong CRAR of ~26.9% as of Jun'25



Source: MOFSL, Company

Growth leader in mortgages; execution better than peers

BHFL is the most diversified HFC in India, offering a full suite of mortgage lending products.

Expect BHFL's growth trajectory to moderate, with an AUM CAGR of ~22% over FY25-FY28E. It will still remain the industry growth leader and is fully equipped to maintain its growth leadership in the segment

From strength to scale: Navigating cycles, driving growth

- BHFL is the largest non-deposit-taking HFC in terms of AUM in India. It is the second-largest HFC in India with AUM of ~INR1.2t as of Jun'25. It is one of the fastest-growing NBFCs with an AUM CAGR of ~29% from FY20-25. It is the most diversified HFC in India, offering a full suite of mortgage lending products. Its mortgage product suite is comprehensive and comprises home loans, loans against property, lease rental discounting, and developer finance. This helps the company to serve every customer segment, from individual homebuyers to large-scale developers.
- BHFL primarily targets salaried individuals, aligning with its strategic objective of maintaining a low-risk retail portfolio across various segments. As of Jun'25, salaried customers constituted ~84% of its home loan portfolio.
- We expect BHFL's growth trajectory to moderate over the next few years, with an estimated AUM CAGR of ~22% over FY25-FY28E. However, it still remains the industry growth leader in the mortgages segment and is fully equipped to maintain its growth leadership in the segment. This will be aided by its robust sourcing network and stronger execution capabilities relative to peers.

Exhibit 18: Disbursements CAGR of 15% over FY25-FY28E

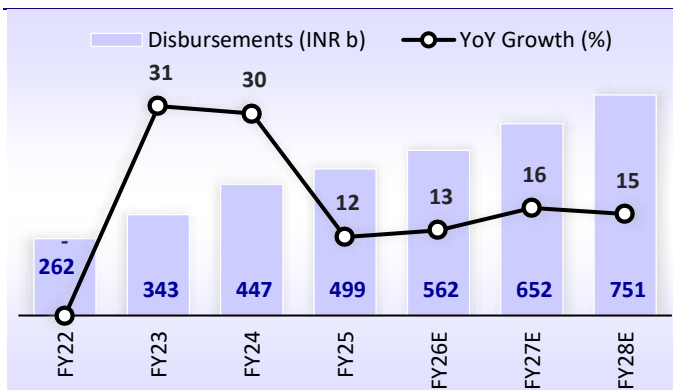
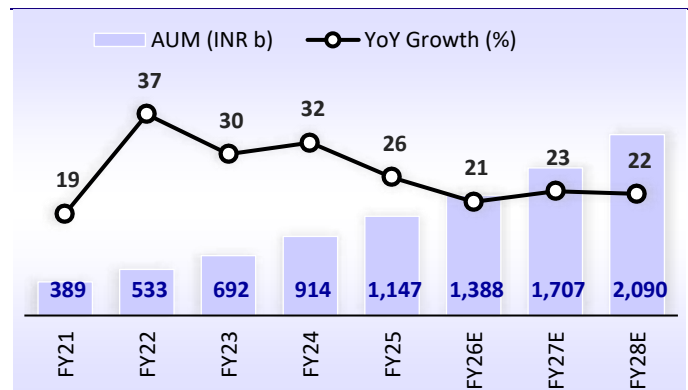


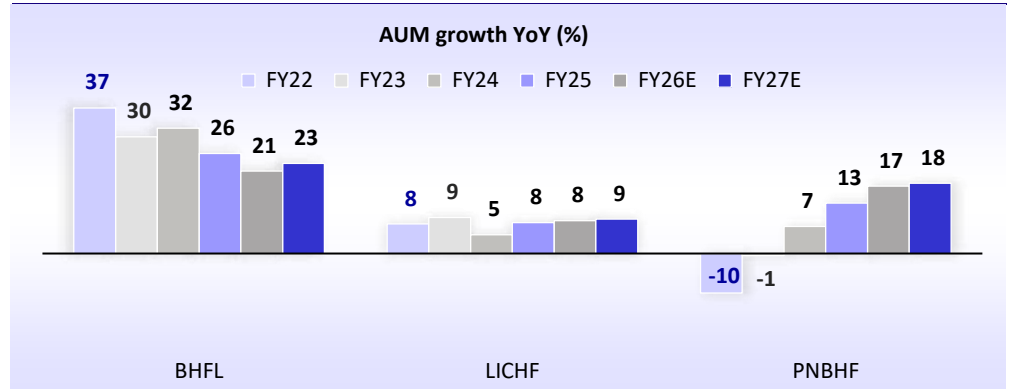
Exhibit 19: AUM CAGR of ~22% over FY25-FY28E



Peers like LICHF and PNBHF exhibited significant stress (post-Covid) in their wholesale loan book but BHFL was able to navigate it far better than its peers

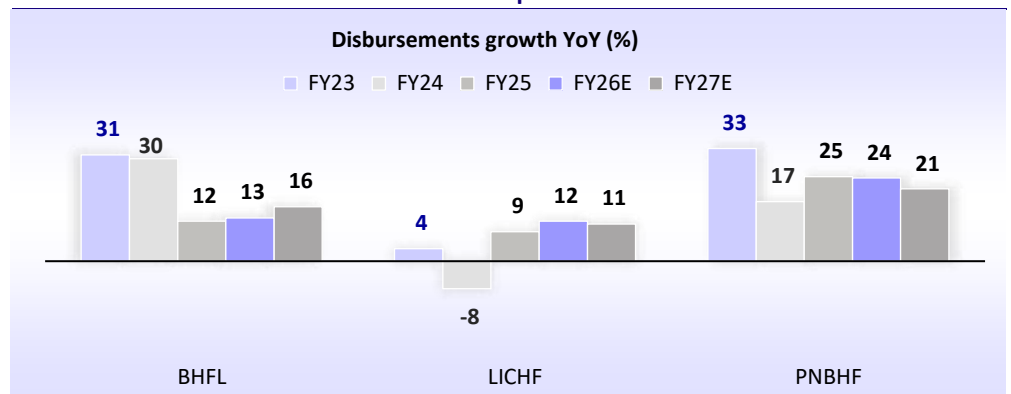
- BHFL remains committed to maintaining a low-risk retail portfolio, with housing loans comprising ~56% of its product mix as of Jun'25. However, the company is strategically driving growth by expanding its non-housing loan portfolio (including wholesale/corporate loans), which has grown from ~34% in total AUM mix in FY19 to ~44% in FY25. This shift is expected to support blended yields in a declining interest rate cycle and partly offset the compression in margins and the impact on profitability.
- BHFL aims to broaden its housing loan portfolio by further expanding into the affordable housing segment (launched in FY22). This expansion is driven by a risk-calibrated strategy to effectively address the full spectrum of the housing loan market.
- The company plans to further expand its geographical presence, strengthen relationships with existing developers, onboard new developers who meet its stringent underwriting standards, and focus on building a granular and diversified portfolio.
- BHFL has demonstrated a superior AUM CAGR over the last five years, and we believe that its growth leadership in the mortgage segment will continue. While its peers like LICHF and PNBHF exhibited significant stress (post-Covid) in their wholesale loan book, BHFL was able to navigate the Covid stress far better than its peers.

Exhibit 20: BHFL grew faster than its peers over the last five years



Source: MOFSL, Company

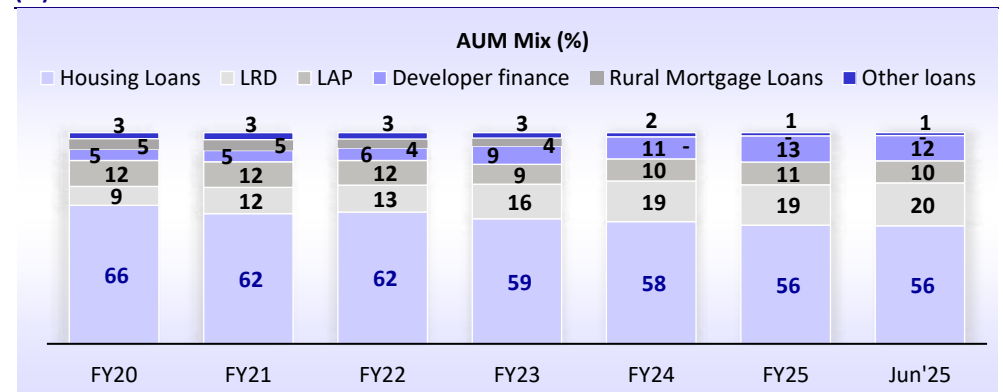
Exhibit 21: Disbursements momentum has improved for both BHFL and PNBHF



Source: MOFSL, Company

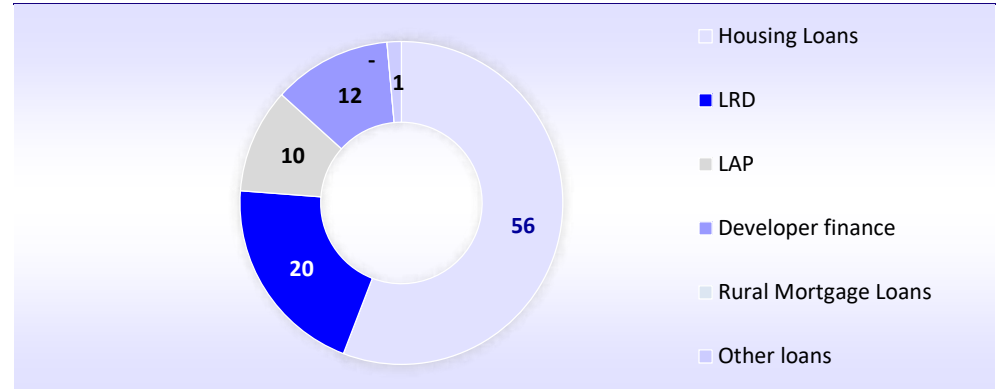
BHFL has gradually increased the proportion of non-home loans in its AUM mix. As a result, the proportion of home loans has reduced from 66% in FY19 to 56% as of Jun'25.

Exhibit 22: Proportion of non-home loans has gradually increased over the last few years (%)



Source: Company, MOFSL

Exhibit 23: AUM mix as of Jun'25 (%)

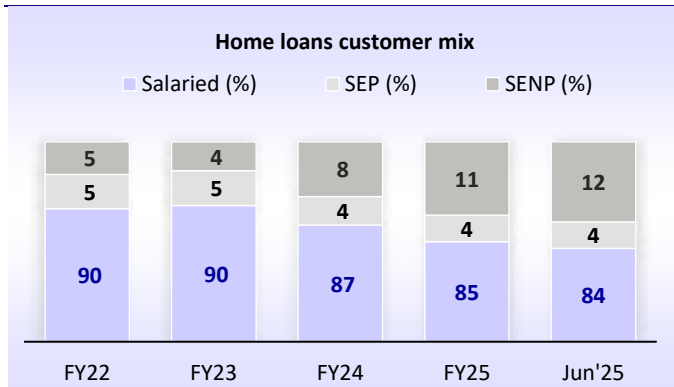


Source: Company, MOFSL

Robust underwriting standards driving a granular, risk-focused portfolio

- **Portfolio composition:** Nearly 92% of the home loan portfolio consists of low-risk segments, including salaried individuals and self-employed professionals. The company focuses on high-ticket loans within the prime segment, supporting the development of a granular and risk-optimized portfolio.
- BHFL has ATS (at origination) of ~INR4.5m in home loans and ~INR7.2m in LAP. The company prioritizes customers with a CIBIL score of over 750 to ensure strong credit quality.
- As of Jun'25, the ATS in the developer finance portfolio stood at INR490m, with 812 active funded projects and 543 ongoing developer relationships.

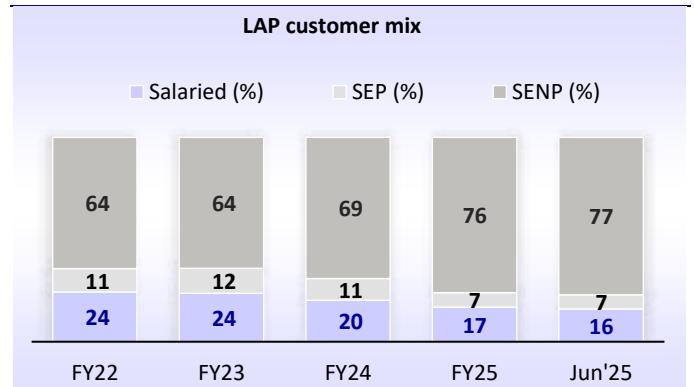
Exhibit 24: 84% of the home loan customers are salaried



Source: MOFSL, Company;

Note: SENP: Self-employed Non-Professional; SEP: Self-employed professional

Exhibit 25: 16% of LAP customers are salaried customers

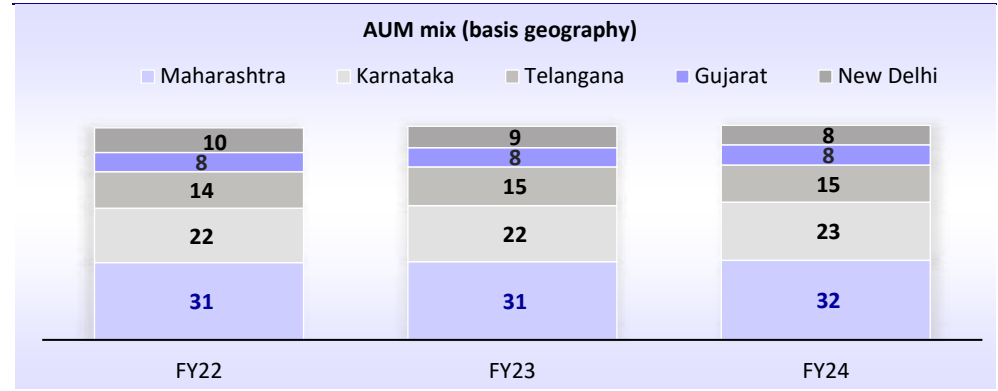


Source: MOFSL, Company

Note: SENP: Self-employed Non-Professional; SEP: Self-employed professional

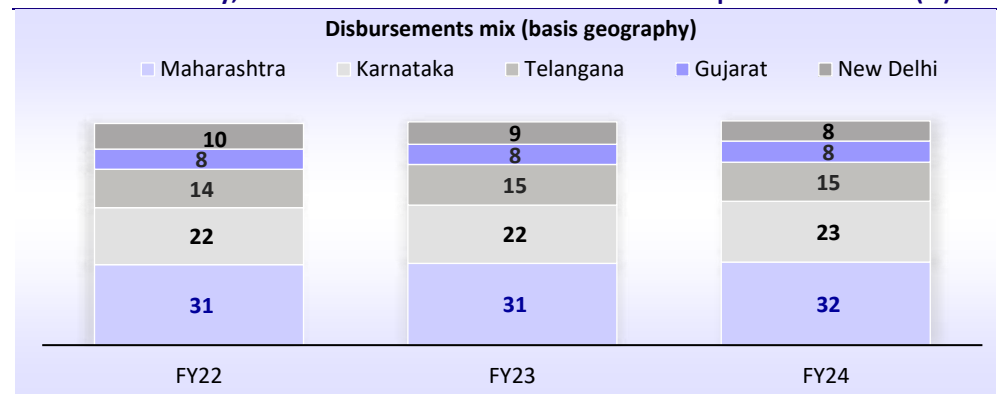
- BHFL operates in 21 states with a network of 217 branches and a presence in 175 locations across India. However, 85% of the company's total AUM is concentrated in its top 5 states: Maharashtra, Karnataka, Telangana, Gujarat, and New Delhi.

Exhibit 26: ~85% of the total AUM is from Top 5 states as of Mar'25 (%)



Source: Company DRHP, MOFSL

Exhibit 27: Similarly, ~85% of total disbursements were from Top 5 states in FY25 (%)



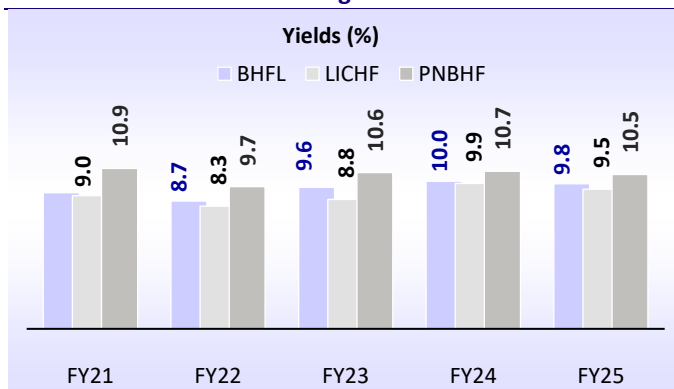
Source: Company DRHP, MOFSL

Declining rate cycle to weigh on NTI despite stable spreads

Well-diversified borrowing profile; potential margin risks due to policy rate cuts

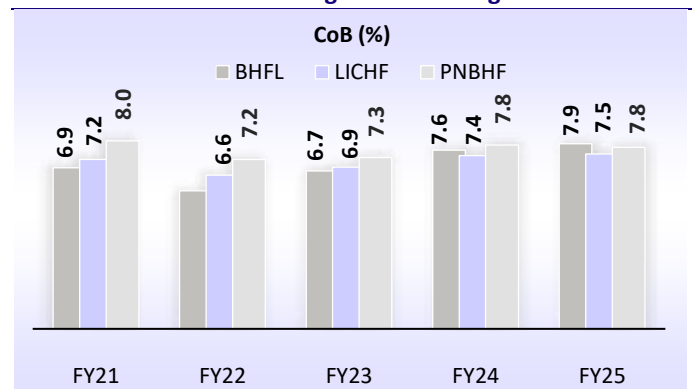
- BHFL operates in a highly competitive environment and faces competition from large banks and HFCs. The competition, particularly banks, may have access to a wider distribution network and access to cheaper funding.

Exhibit 28: Yield trends for large HFCs



Source: MOFSL, Company

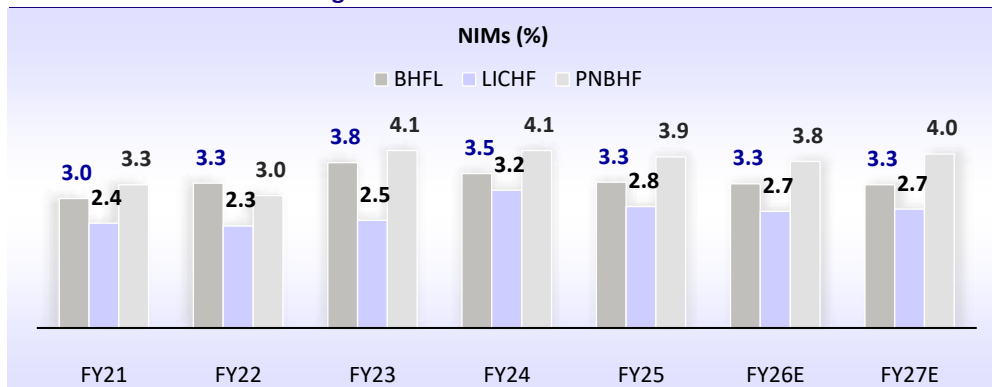
Exhibit 29: Cost of borrowing trends for large HFCs



Source: MOFSL, Company

- Banks offer home loans that are linked to an external benchmark (usually repo rate), and PSU banks are typically more aggressive in this segment in a declining interest rate environment. This could prompt BHFL to lower its interest rates (ahead of the re-pricing of its liabilities) to stem the balance transfer and sustain its strong growth trajectory.

Exhibit 30: NIM trends for large HFCs

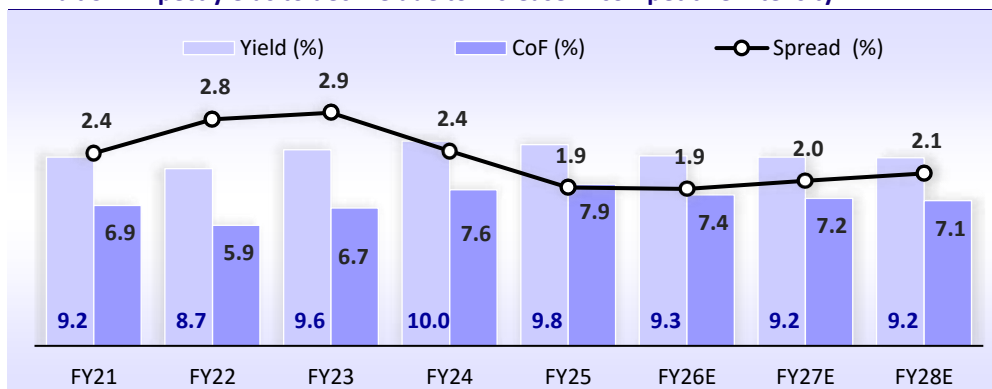


Source: MOFSL, Company

While NIMs and spreads are expected to remain largely stable, non-interest operating income is likely to soften this year

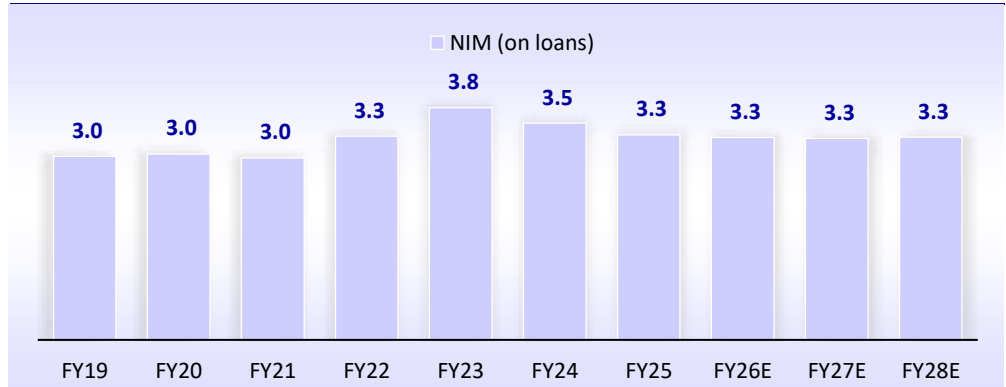
- The company is strategically increasing its share of non-housing loans, which should support the blended yields. The proportion of LRD and developer finance rose significantly to ~32% as of Jun'25 from ~19% in FY22. Nevertheless, spreads have narrowed (over the last 2-3 years) due to an increase in the company's borrowing costs, which it has been unable to fully pass on to customers due to intensifying competition in the market.
- We expect BHFL to maintain stable NIMs and spreads in FY26, as the impact of lower lending yields from rate cuts is likely to be offset by a commensurate reduction in the cost of borrowings. We expect NIMs to remain broadly stable at ~3.3% over FY26-27E.
- While NIMs and spreads are expected to remain largely stable, non-interest operating income is likely to soften this year. This moderation will be driven by 1) lower investment income: FY25 investment income was boosted by surplus capital from the fundraise and higher reinvestment yields, whereas FY26 will have a relatively smaller investable surplus at lower rates, and 2) muted assignment income, as heightened competition is expected to limit loan growth, resulting in fewer assignments during the year. Collectively, these factors are likely to weigh on overall operating income, even as core spreads remain steady.

Exhibit 31: Expect yields to decline due to increase in competitive intensity



Source: MOFSL, Company

Exhibit 32: NIMs to remain broadly stable in FY26/FY27E

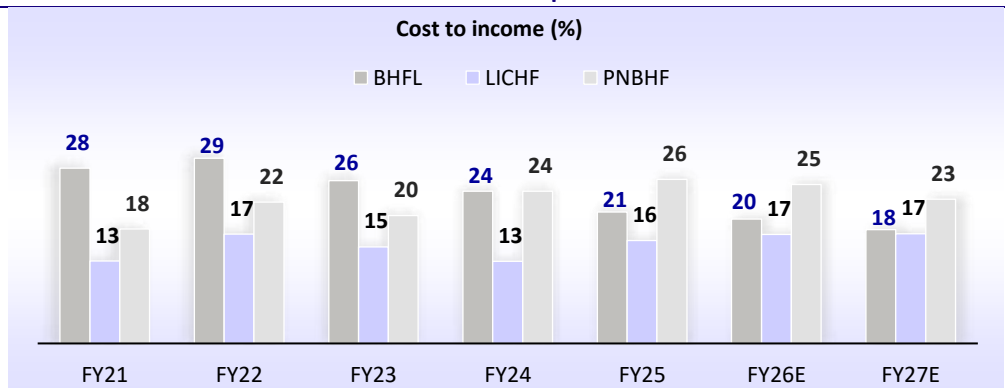


Source: MOFSL, Company

Operating leverage benefits to play out gradually

- It is often difficult to identify the operational efficiency winners by looking at the cost-to-income ratio and opex-to-avg. asset ratio in isolation. It is because these ratios are often a function of: a) size and scale, b) sourcing channel mix, and c) business model – in-house vs. outsourcing.
- Quite clearly, until FY24, BHFL's operational cost ratios were higher or in line with some of its peers. However, in the coming years, we expect BHFL to start exhibiting operating cost leadership as well, driven by its economies of scale.

Exhibit 33: Cost-to-income trends for BHFL and its peers

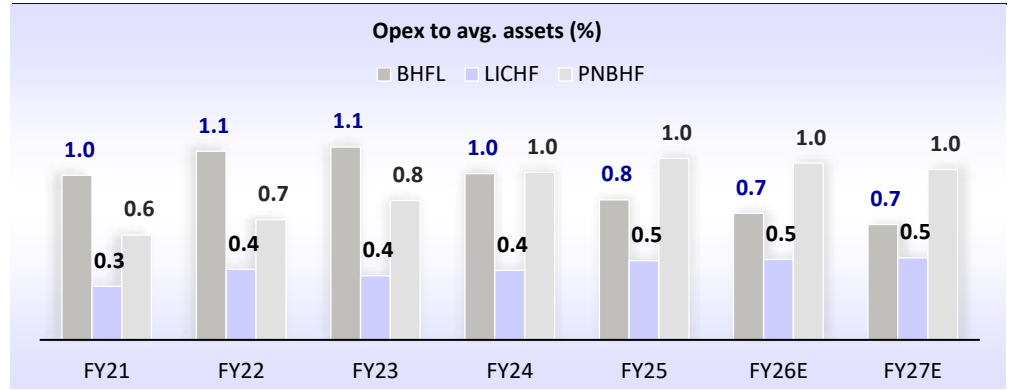


Source: MOFSL, Company

Expect BHFL to start exhibiting operating cost leadership, driven by its economies of scale

PNBHF's cost-to-income ratio (FY25: 26%) and opex-to-average asset ratio (FY25: 1%) will continue to remain higher than those of its peers, LICHF and BHFL, since it is also aggressively scaling up a dedicated emerging and affordable housing vertical. LICHF's opex-to-avg. asset ratio at ~0.5% is the lowest among HFCs, thanks to its size and sourcing model.

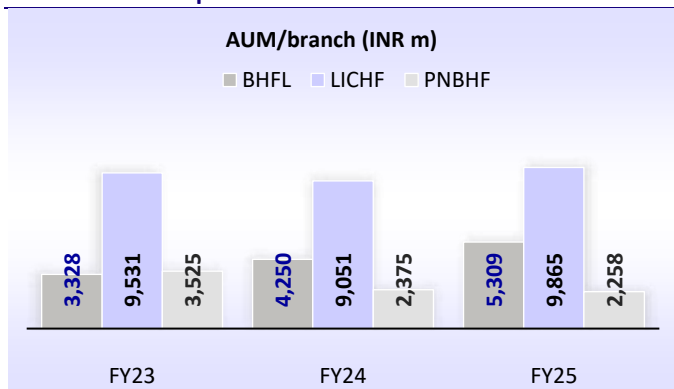
Exhibit 34: Opex-to-avg. asset trends for BHFL and its peers



Source: MOFSL, Company

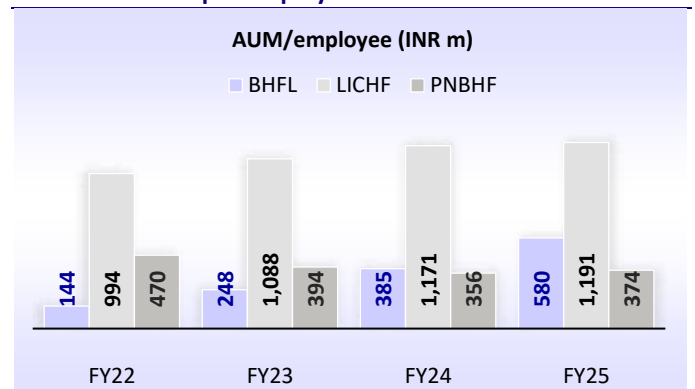
BHFL demonstrates robust productivity through significant operational efficiencies and strategic use of technology, allowing it to outperform peers in key areas. The company's operating expenses to net total income notably improved to ~21% in FY25 from ~24% in FY24, contributing to 28% growth in PPop. This stands in stark contrast to the general trend in the housing finance sector, where the cost-to-income ratio inched up in FY25 for peers like LICHF and PNBHF.

Exhibit 35: AUM per branch



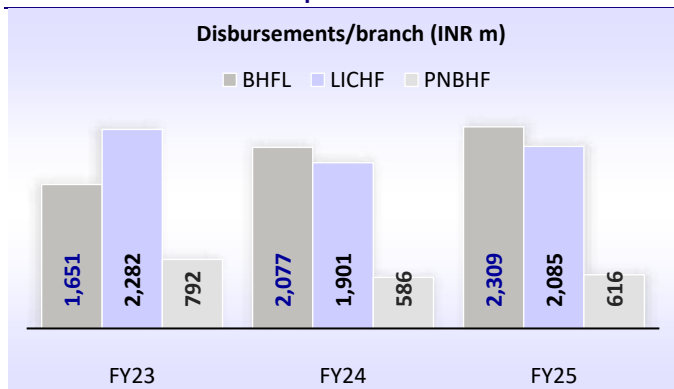
Source: MOFSL, Company

Exhibit 36: AUM per employee



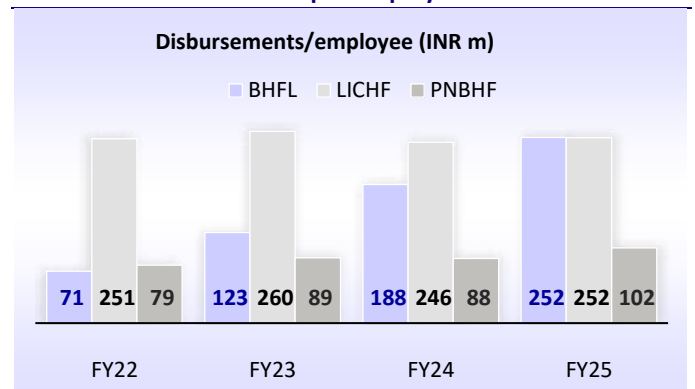
Source: MOFSL, Company

Exhibit 37: Disbursements per branch



Source: MOFSL, Company

Exhibit 38: Disbursements per employee

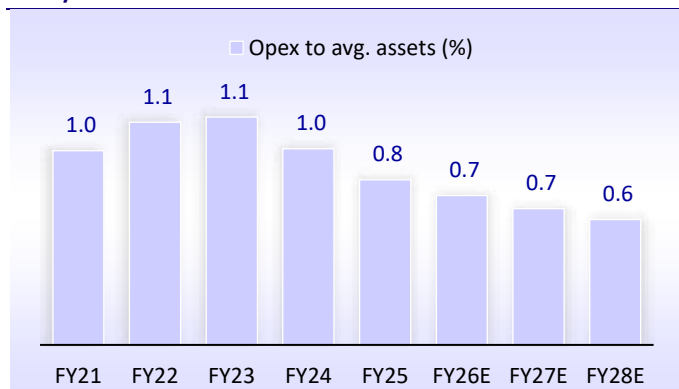


Source: MOFSL, Company

Note: The spike in Disbursements/employee and AUM/employee ratios for Bajaj Housing is partly optical. Over the past two years, the company has moved junior-level hiring to outsourced payrolls, which are not reflected in reported employee numbers. As a result, these productivity metrics appear positively skewed. The related costs for outsourced employees are booked under “Other expenses” rather than “Employee benefit Expenses”.

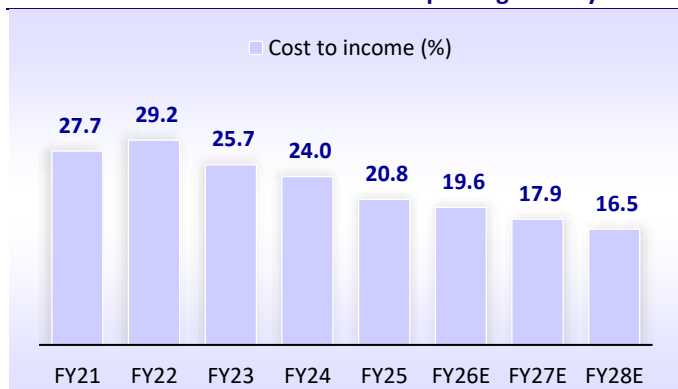
- BHFL has embraced digitization, launching a customer onboarding platform that enables digital loan applications and fulfilment, resulting in impressive penetration rates of 93% for e-agreements and 80% for online customer onboarding by Mar’25. Its centralized hub-based underwriting model, supported by digital tools, ensures faster approvals and quicker turnaround times. With a network of 216 offices and a dedicated team of 1,977 employees as of FY25, BHFL leverages its human capital and strategic physical presence, including offering home loans across 175 locations and a micro-market approach, to enhance market penetration and customer reach.
- BHFL’s robust underwriting and customer interface have helped it achieve excellent operational results. This strong operational performance has enabled BHFL to sustain growth and increase its market share amid intense competition from public sector banks in FY25, solidifying its position as the largest non-deposit-taking HFC by AUM and the second-largest HFC in India.

Exhibit 39: Opex-to-avg. assets ratio to decline to ~0.7% in FY26/FY27E



Source: MOFSL, Company

Exhibit 40: Cost-to-income ratio to improve gradually



Source: MOFSL, Company

- BHFL will continue to leverage technology and analytics to improve productivity, increase process automation, and reduce operating expenses. The company aims to leverage technology to enhance its underwriting processes by utilizing advanced data analytics. This approach enables the identification of patterns and more accurate risk assessments, facilitating better-informed and data-driven decision-making.
- Over the past four years, BHFL has improved its operational efficiency as its cost-to-income ratio has improved from ~33% in FY20 to ~21% in FY25 and its opex-to-avg asset ratio has improved from ~1.3% in FY20 to ~0.8% in FY25. We estimate that its opex-to-avg. asset ratio will improve gradually to ~0.7%/0.6% in FY27/FY28E.

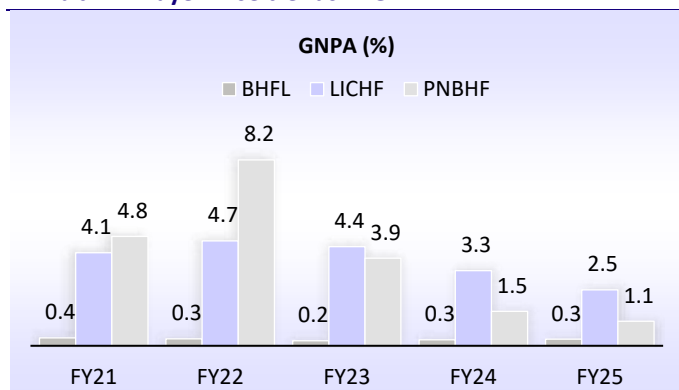
Strong asset quality of BHFL is attributed to its stringent underwriting practices, continuous portfolio monitoring and an EWS framework to identify potential threats

Asset quality resilient and the best among peers

Dedicated to cultivating a portfolio with a strong emphasis on risk control

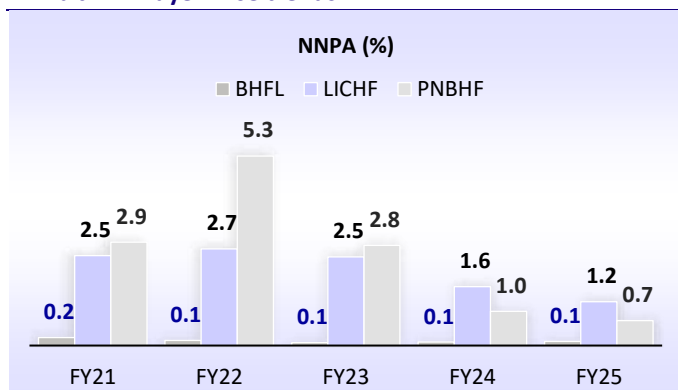
- BHFL has maintained strong asset quality by concentrating on the large and prime ticket-size segment, resulting in minimal delinquencies. The company's robust underwriting standards and prudent risk management practices have played a key role in sustaining a low-risk portfolio.
- It has demonstrated superior asset quality and efficient credit cost management compared to the broader housing finance sector. BHFL's GNPA/NNPA are among the lowest ratios in the industry. In comparison, the overall housing finance sector's gross NPA ratio was significantly higher at 2.3% and net NPA at 1.2% as of Mar'24.
- This strong asset quality is attributed to BHFL's stringent underwriting practices, continuous portfolio monitoring for retail and commercial products, and an early warning signal framework to identify potential threats. The company's LRD portfolio, for example, has maintained nil GNPA since its inception.

Exhibit 41: Player wise trends in GNPA



Source: MOFSL, Company

Exhibit 42: Player wise trends in NNPA



Source: MOFSL, Company

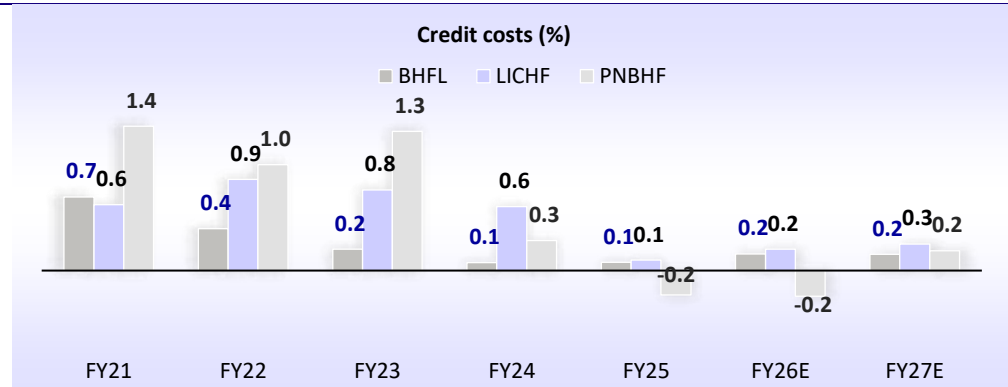
BHFL's credit costs remain minimal, signaling fewer new slippages, while the GNPA and NNPA levels indicate a high-quality loan book with limited stressed assets

BHFL's asset quality best among its peers

- BHFL stands out as the leader in asset quality among its peers, consistently maintaining the lowest credit costs, GNPA, and NNPA. This reflects BHFL's strong underwriting standards, effective risk management, and prudent provisioning practices. BHFL's credit costs remain minimal, signaling fewer new slippages, while the GNPA and NNPA levels indicate a high-quality loan book with limited stressed assets. Such strong asset quality positions BHFL favorably in the housing finance sector, offering greater stability and reduced credit risk.
- On the other hand, PNBHF has shown notable improvement after experiencing elevated credit costs and asset quality stress in earlier years, particularly around FY22. Through enhanced provisioning and recovery efforts, PNBHF has successfully lowered its GNPA and NNPA levels, closing the gap with BHFL and indicating a turnaround in asset quality. LIC Housing Finance (LICHF) has demonstrated a gradual improvement in both credit costs and NPAs, though it continues to lag behind BHFL and PNBHF in absolute terms. While the asset quality trends in the overall mortgage sector remain positive, BHFL will remain the benchmark for asset quality and risk management in the housing finance space.

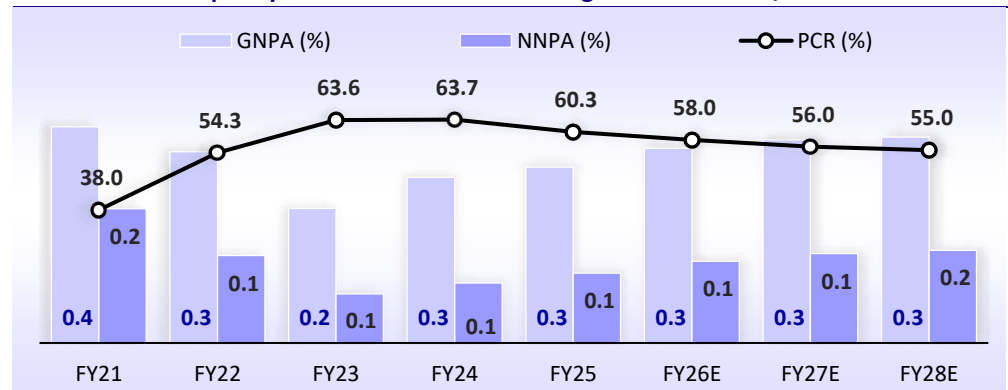
Exhibit 43: Credit costs to remain benign for BHFL and its peers

Consistently demonstrated superior asset quality, maintaining lower delinquency ratios, which translate into significantly lower credit costs



- BHFL has consistently demonstrated superior asset quality, maintaining lower delinquency ratios compared to its peers, which has translated into significantly lower credit costs for the company. Over the past three years, the company's GNPA remained in the range of ~0.2-0.3%, outperforming peers, whose GNPA varied between ~1.5% and 8.2% during the same period. As a result, BHFL achieved credit costs of ~0.1-0.5%, notably lower than the ~0.3-1.3% range reported by its peers.
- This robust performance exhibits the company's ability to sustain robust asset quality and stable credit costs, even under a tough external environment, owing to its rigorous underwriting standards and an effective collection framework.

Exhibit 44: Asset quality to remain resilient and range-bound in FY26/FY27

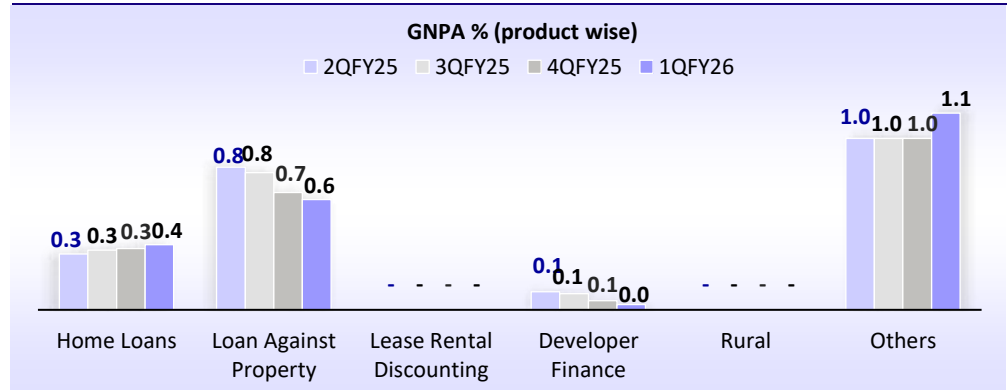


Source: Company, MOFSL

- As noted earlier, ~ 85% of BHFL's home loan portfolio serves salaried customers, enhancing the company's stability and resilience across business cycles. Asset quality has remained stable over the past four years, with GNPA improving from ~0.35% as of Mar'21 to ~0.3% as of Jun'25, while NNPA has improved from ~0.2% to 0.1% over the same period.
- The company has a proven track record of maintaining stable asset quality, outperforming its peers, which have exhibited volatility. Notably, even during the Covid-19 pandemic and its aftermath, while the peers were grappling with asset quality challenges, BHFL demonstrated remarkable stability and maintained credit costs within a controlled range.
- BHFL maintains a comprehensive risk management framework supported by digitized processes tailored to each product offering, ensuring early warning systems that track key indicators such as bounce rates and overdue positions.

- We anticipate the company will sustain its strong asset quality, with GNPA and NNPA remaining stable at current levels, thereby ensuring benign credit costs. We expect GNPA/NNPA of 0.3%/0.1% in FY26/FY27E.

Exhibit 45: Over the last four quarters, GNPA across product segments has been broadly stable

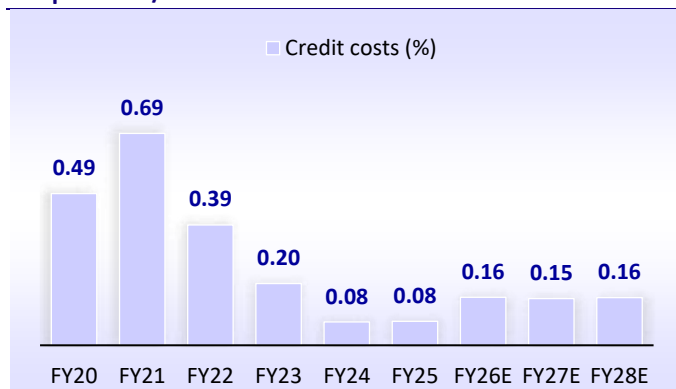


Source: Company, MOFSL

BHFL's credit costs would remain benign at ~15-16bp over FY26-28E.

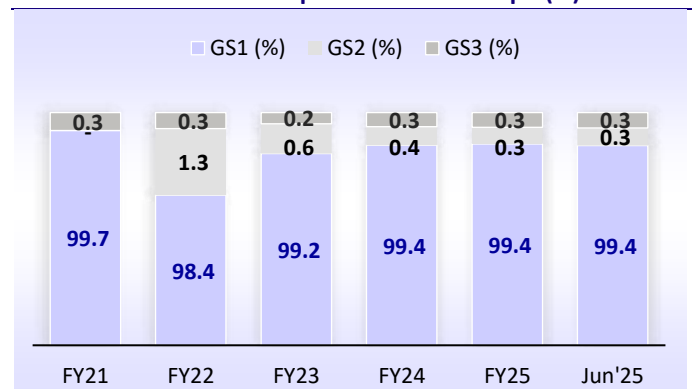
- In the years after Covid-19, BHFL reported credit costs of 40-70bp over FY20-22. However, its credit costs declined to <10bp over FY24-25. This was an outcome of its strong underwriting and robust collection efforts. Notably, the company's collection efficiency improved from around 98.4% in FY22 to ~99.5% in FY25. We expect BHFL's credit costs to remain benign and conservatively model credit costs of ~15-16bp over FY26-28E.

Exhibit 46: Credit costs to remain range-bound between 15-16bp in FY26/FY27E



Source: MOFSL, Company

Exhibit 47: Continuous improvement in 30+dpd (%)



Source: MOFSL, Company

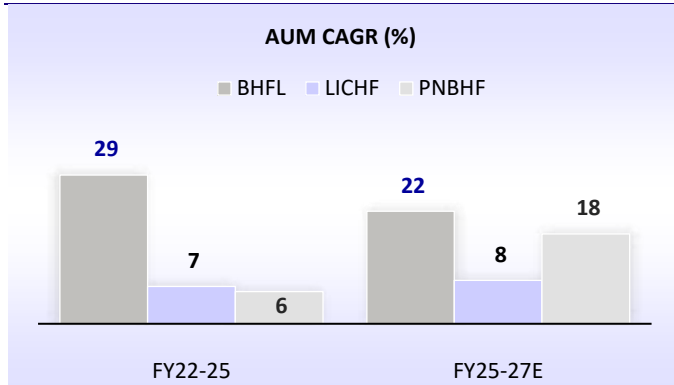
Through sustained AUM growth, operating leverage benefits, healthy asset quality, and benign credit costs, we expect BHFL to deliver a PAT CAGR of ~22% over FY25-FY28.

Healthy return ratios for a high-quality franchise

- BHFL (because of its HFC status) has a mono-line business model, wherein it offers the entire spectrum of mortgage products. Through a combination of sustained AUM growth, decent NTI (despite compression), operating leverage benefits, healthy asset quality, and benign credit costs, we expect the company to deliver a PAT CAGR of ~22% over FY25-FY28.
- Over FY22-FY25, BHFL has led with an impressive 29% AUM CAGR, significantly outpacing LICHF (7%) and PNBHF (6%). This growth momentum is projected to remain strong in FY26 - FY27, with BHFL expected to post a 22% AUM CAGR, again ahead of LICHF (8%) and PNBHF (18%). This consistent performance underscores BHFL's strong market positioning, efficient asset origination, and robust risk management practices.

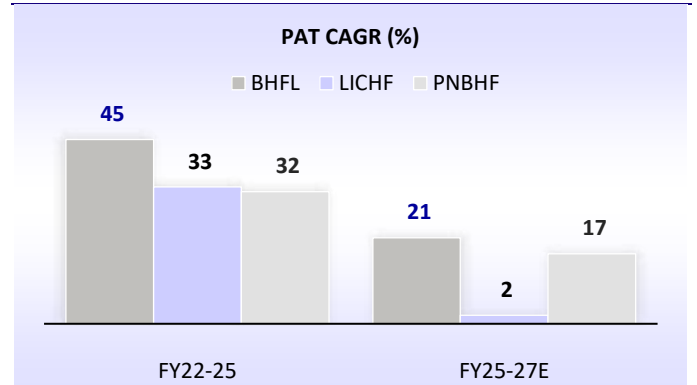
- On the profitability front, BHFL once again demonstrates clear leadership. The company delivered a 45% PAT CAGR over FY22-FY25, far exceeding LICHF (33%) and PNBHF (32%). Though the growth rate is expected to normalize slightly, BHFL will still lead in the FY25-27E period with an estimated 21% PAT CAGR, compared to a muted 2% for LICHF and ~17% for PNBHF. This performance indicates BHFL's ability to convert its AUM growth into bottom-line profitability efficiently.

Exhibit 48: It has the highest AUM CAGR and...



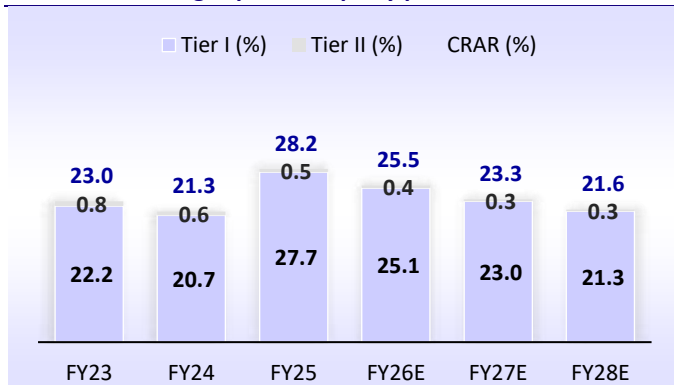
Source: MOFSL, Company

Exhibit 49: ...the highest PAT CAGR among its peers



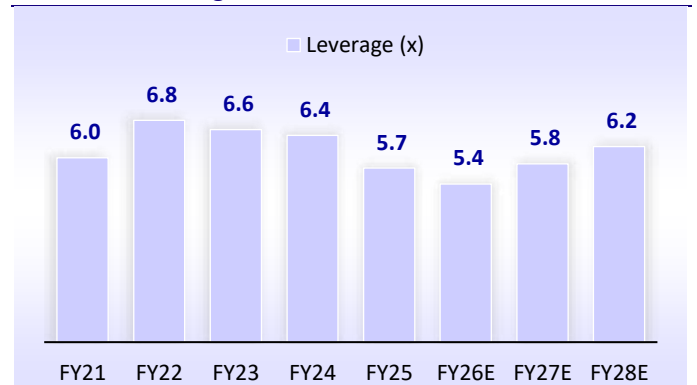
Source: MOFSL, Company

Exhibit 50: Strong capital adequacy position as of FY25



Source: MOFSL, Company

Exhibit 51: Leverage to increase from FY27 onwards

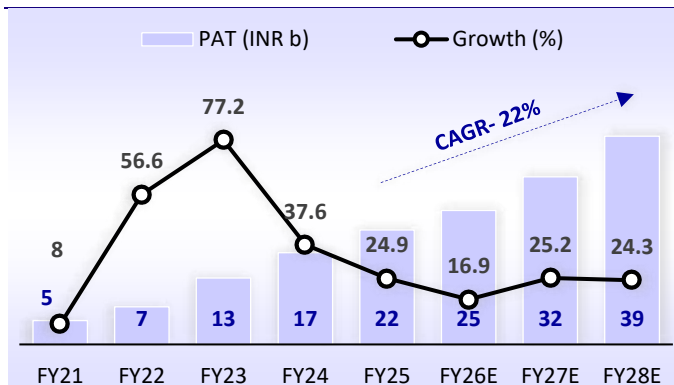


Source: MOFSL, Company

Leverage will keep improving and will boost the RoE profile, despite RoA remaining in the range of 2.2-2.3% over the next three years

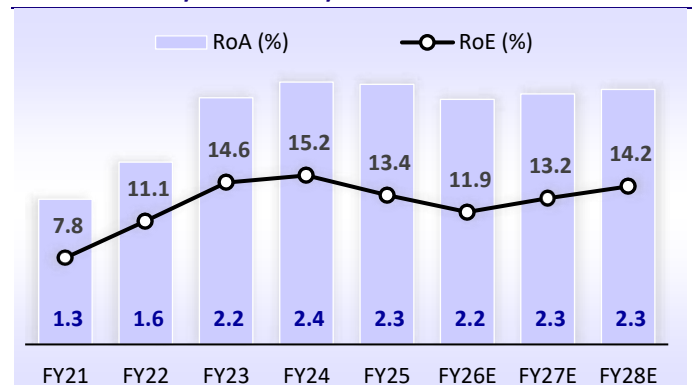
- The company is well-capitalized for growth, with a high capital adequacy (CRAR) of ~26.9% as of Jun'25. Even with an AUM CAGR of ~22% over FY25-28E, CRAR will decline to ~22% by Mar'28.
- Leverage will keep improving over the next two years and will boost the RoE profile, despite RoA remaining in the range of 2.2-2.3% over the next three years. We model an RoA/RoE of 2.3%/14% by FY28E.

Exhibit 52: PAT CAGR of ~22% over FY25-FY28E



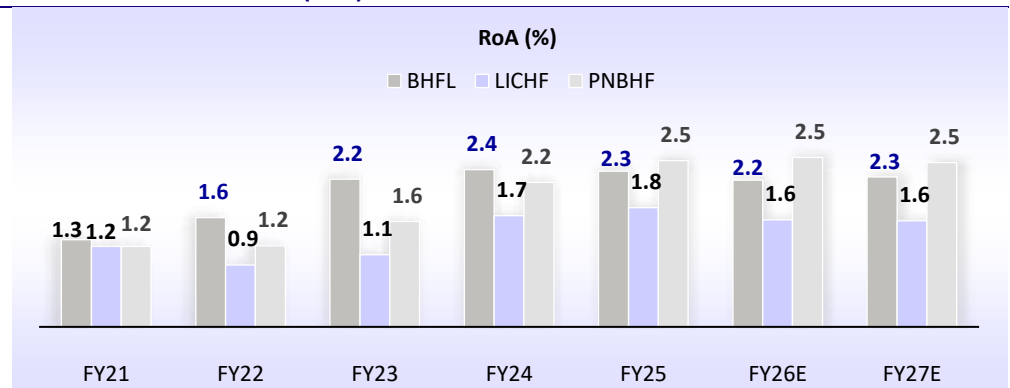
Source: MOFSL, Company

Exhibit 53: RoA/RoE of 2.3%/14% in FY28E



Source: MOFSL, Company

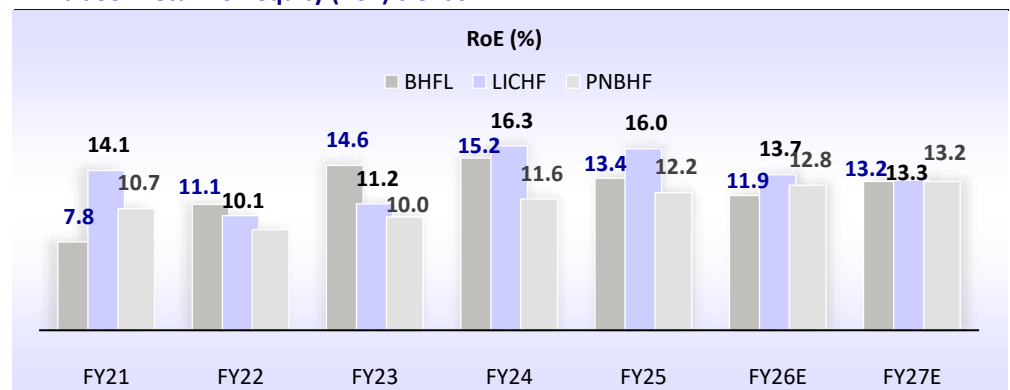
Exhibit 54: Return on asset (RoA) trends



BHFL's RoA has shown a strong upward trend, rising from 1.3% in FY21 to 2.3% in FY25

- BHFL's return metrics reinforce its position as a high-performing HFC in the housing finance space. In terms of RoA, BHFL has shown a strong upward trend, rising from 1.3% in FY21 to 2.3% in FY25, with our estimates holding steady at 2.2-2.3% through FY28E. This performance consistently outpaces LICHF, whose RoA projections remain below BHFL throughout the period. Its RoA trajectory reflects BHFL's efficient asset utilization, robust underwriting practices, and high-quality loan book.

Exhibit 55: Return on equity (RoE) trends



BHFL's RoE profile will continue to gradually improve as leverage picks up.

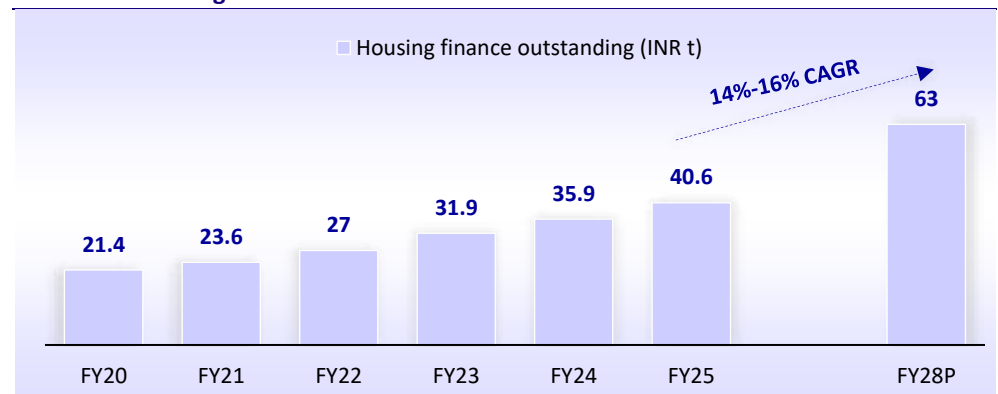
- LICHF delivered a healthy RoE of ~16% each in FY24 and FY25, aided by strong improvement in profitability and its ability to better leverage its balance sheet despite an inferior RoA profile compared to BHFL and PNBHF.
- However, BHFL's RoE profile will continue to gradually improve as leverage picks up. BHFL can generate strong shareholder returns while maintaining capital efficiency. BHFL's sustained improvement in RoE suggests superior financial management, stronger earnings growth, and effective balance sheet optimization. Together, the healthy RoA and RoE trends underline BHFL's scalable and profitable growth model.

Housing finance industry: Unlocking the long-term potential

Housing finance market in India to clock an AUM CAGR of ~14-16% over FY25-FY28

- The Indian housing finance market clocked a healthy ~13.7% CAGR from FY19 to FY25 due to a rise in disposable incomes, healthy demand, and a greater number of players entering the segment.
- The overall housing finance segment credit outstanding grew to ~INR40.6t as of Mar'25, led by the aspirations of a growing young population with rising disposable income migrating to metro cities and elevated demand in Tier 2 and 4 cities as well. Going forward, it is expected that the housing finance market in India would clock an AUM CAGR of ~14-16% during FY25-FY28.

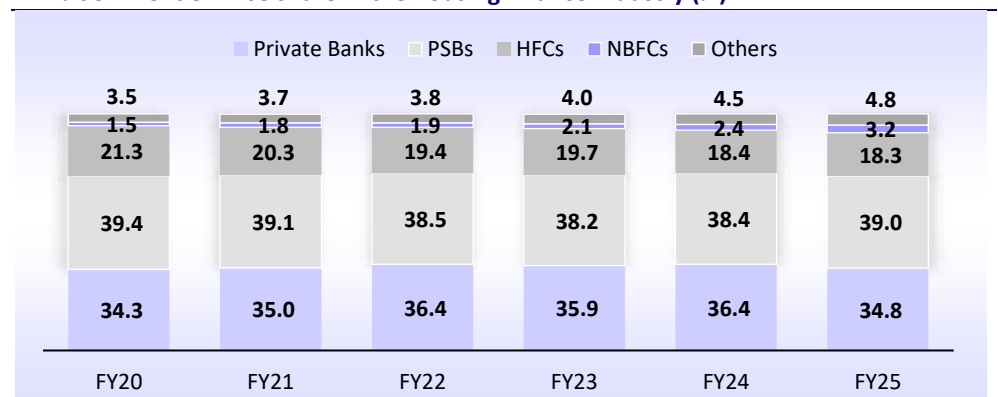
Exhibit 56: Housing finance in India to clock an AUM CAGR of ~14-16% over FY25-FY28



Source: CRISIL, MOFSL

- **Lender-wise share:** Public sector banks accounted for the highest share (~39%) in overall housing credit, which was followed by private sector banks with ~35% share and housing finance companies with ~18% share.
- During FY20-FY25, among major lenders, private sector banks witnessed the fastest growth in housing finance credit with a CAGR of ~14%, followed by public sector banks with ~13.5% CAGR during FY20 to FY25 and housing finance companies with ~10.3% loans CAGR.

Exhibit 57: Lender-wise share in the housing finance industry (%)

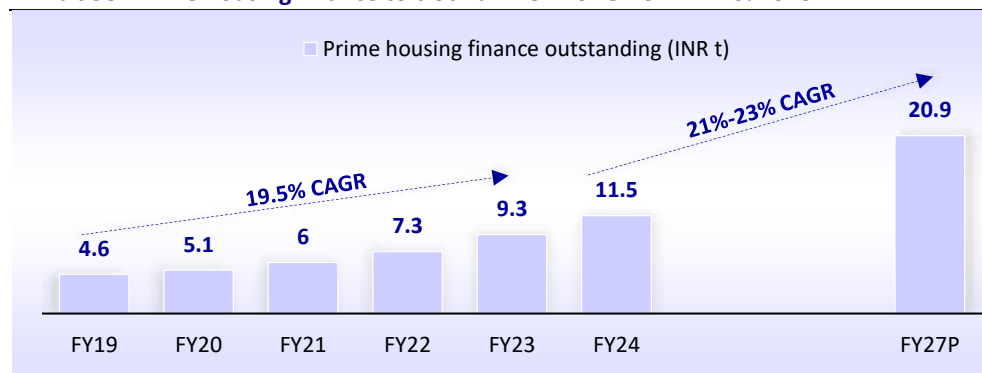


Source: CRISIL, MOFSL

Prime housing finance market: Leading the growth curve!

- The prime housing market has witnessed a CAGR of ~20.1% from FY19 to FY24, with outstanding credit of ~INR11.5t as of FY24. The growth witnessed by the prime housing finance market during the last five years has been faster than the overall housing finance market in India.
- **Banks dominate the prime housing finance segment in terms of market share in total credit outstanding:** The prime housing finance segment is primarily dominated by banks, with private sector banks accounting for the highest share in credit outstanding, with ~48% share as of FY24, followed by public sector banks with ~38% share. **Housing finance companies account for the third-highest share among lenders, with ~11%,** while NBFCs account for a very minuscule share in outstanding credit, with ~1.2% share as of FY24.

Exhibit 58: Prime housing finance to clock an AUM CAGR of ~21-23% over FY24-FY27



Source: CRISIL, MOFSL

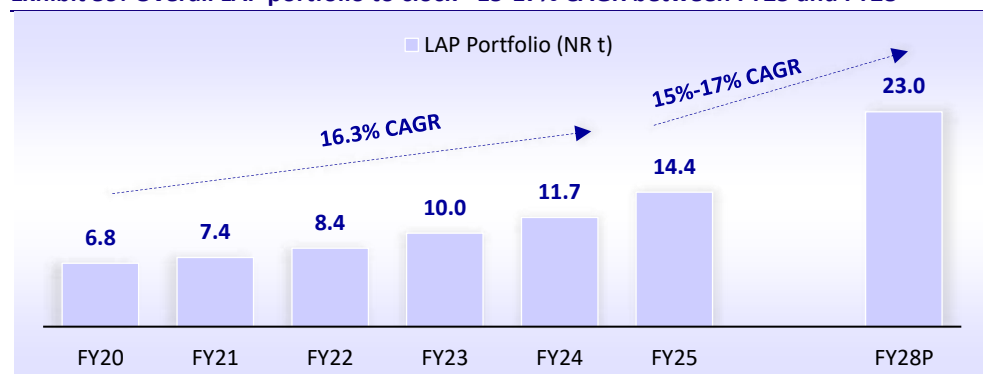
Key growth drivers in the prime housing finance segment

- **Rapid urbanization:** The rapid urbanization that has taken place in metro and urban regions has led to a rise in the population of the upper middle class and high-net-worth individuals nationwide.
- **Infrastructural development and growing connectivity:** Significant improvements have been made in infrastructure development along with rising metro connectivity and proximity to airports, which has led to a rise in industrial growth in Tier-1 & 2 cities, while also creating demand for housing near business hotspots across regions.
- **Rise in aspiration to own spacious and luxurious homes:** Following the pandemic-induced lockdowns, owing to a rise in the amount of time spent indoors and a rising hybrid work culture, home buyers now look for larger, spacious, and luxurious housing options, as housing is no longer considered a necessity.

Industry overview: Loan against property (LAP)

- The total LAP segment's market size has surged, rising from INR6.8t in FY20 to INR14.4t as of FY25.
- The LAP portfolio is projected to expand at a CAGR of ~15%-17% between FY25 and FY28, supported by the entry of new players into the segment and sustained government backing.
- Among the key ticket-size brackets, the LAP portfolio below INR2.5m witnessed the highest growth from FY20 to FY25 with a CAGR of 19.4%, followed by the INR2.5m to INR5m segment at ~18.2% and the INR5m to INR10m segment at 16.6%.

Exhibit 59: Overall LAP portfolio to clock ~15-17% CAGR between FY25 and FY28



Source: CRISIL, MOFSL

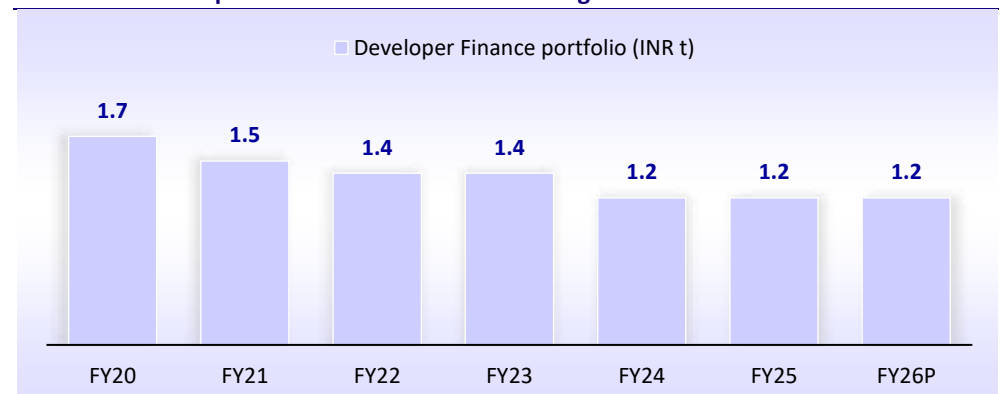
Key growth drivers in the LAP segment

- **Quick turnaround time, lower interest rate, and lesser documentation:** LAP loans are disbursed in about half the time taken for a secured MSME loan. It is also offered at a lower interest rate than unsecured MSME loans, personal loans, and business loans. LAPs require less documentation than other secured SME products, leading to fewer hassles for customers.
- **Higher comfort for lenders:** Lenders are comfortable disbursing LAP loans, as they offer favorable risk-return characteristics compared with MSMEs and unsecured loans. They also offer higher recovery in case of default (supported by the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002) and better asset quality.

Industry overview: Developer finance and lease rental discounting

- Over the past few years, NBFCs lending to the real estate sector have undergone a considerable change in terms of size, complexity, and interconnectedness with the financial sector. The majority of HFCs are downsizing their real estate portfolios due to asset quality concerns, while a few are actively expanding and have been able to do well owing to prudent credit quality and monitoring, diversified portfolio books, and a quality customer sourcing strategy.
- The commercial real estate market is expected to grow and expand, supported by the healthy growth of the Indian corporate and start-up ecosystem and their need for office space, strong office leasing trends, and the advent of the global capability centers of the multinationals. The overall supply and demand in the top seven cities are expected to reach ~59.1m square feet (msf) and ~56.8 msf, respectively, in FY25.
- NBFCs' real estate lending dipped to INR1.2t in FY25 from ~INR1.5t in FY19, mainly due to asset quality stress aggravated by pandemic-induced lockdowns, as the real estate industry was already in considerable stress before Covid-19.
- However, government interventions, low repo rates, and reduced stamp duties supported developers by providing the much-needed boost to keep construction projects afloat. These concessions led to an improvement in sales, benefitting the entire ecosystem.
- NBFCs' developer finance book plummeted 5.1% in FY25 with further downsizing of wholesale and real estate lending books. In FY26, the growth is expected to normalize to 1-2% as most of the portfolio transition by NBFCs is likely to have been completed.

Exhibit 60: Developer finance book is estimated to grow at ~0-2% in FY26P

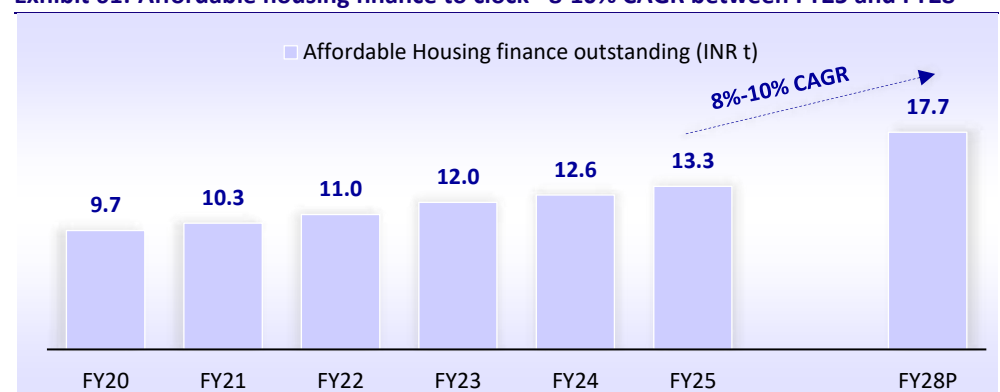


Source: CRISIL, MOFSL

Industry overview: Encouraging and favorable trends in affordable housing

- As of FY25, the outstanding affordable housing loan market stood at INR13.3t, accounting for nearly 33% of the overall housing loan portfolio. Over FY19-FY25, growth in this segment has been relatively muted, recording a CAGR of 6.4%, significantly lower than the ~13.7% CAGR posted by the overall housing loan market during the same period.
- This can be primarily attributed to a slowdown in economic activity, funding challenges due to the NBFC crisis, and the pandemic. Further, the rise of the hybrid work model and working from home, along with the rising propensity to spend, merged with the rising standard of living due to the rising incomes of individuals, has led to an increase in demand for bigger residential homes.
- Going ahead, the Union Budget 2024-25 allocation of INR2.2t towards PMAY-Urban over the next five years is expected to provide a strong push to affordable housing. According to CRISIL Intelligence, the segment is projected to gradually gain momentum, with the loan book estimated to reach INR16.5-17.7t by FY28, implying a CAGR of 8-10% over FY25-28.

Exhibit 61: Affordable housing finance to clock ~8-10% CAGR between FY25 and FY28



Source: CRISIL, MOFSL

Regulatory harmonization driving sector-wide discipline

- To enhance transparency and strengthen governance across the financial ecosystem, the RBI has continued to roll out regulatory measures aimed at harmonizing practices among lending entities. Under the Scale-Based Regulatory (SBR) framework, BHFL remains classified as an Upper Layer NBFC for FY25, as per the RBI's latest update dated 16th Jan'25.
- **Key regulatory developments during the year included:**
 - **Key Fact Statement (KFS):** Mandatory disclosure of all-in cost and key loan terms for retail and MSME loans to enhance pricing transparency.
 - **Credit Reporting:** Increased frequency of borrower data submission to Credit Information Companies (CICs) from monthly to fortnightly.
 - **Operational & Fraud Risk Management:** Revised guidelines to strengthen internal controls, resilience, and early warning mechanisms.
 - **Interest Charging Practices:** The RBI directed lenders to review interest practices to ensure fairness and transparency.
- In addition, the National Housing Bank (NHB) issued advisories to HFCs on delinquency reporting, segregation of compliance and secretarial roles, prevention of insurance mis-selling, and monthly monitoring of Principal Business Criteria (PBC).

Fulfillment of the RBI and NHB's norms and standards

- BHFL remains compliant with the prevailing rules and regulations on housing finance companies as issued by the RBI as well as the NHB. The company continues to be classified as an Upper Layer NBFC under the Scale Based Regulations issued by the RBI, under which the company has implemented required policies and processes to comply with these regulations, including the regulatory threshold of maintaining a minimum 60% of total assets towards housing finance and 50% of total assets for individual housing as laid down under 'Principal Business Criteria'
- As of 31 Mar'25, BHFL has ~63% of total assets towards housing finance and ~52% of total assets towards individual housing finance.

Peer comparison

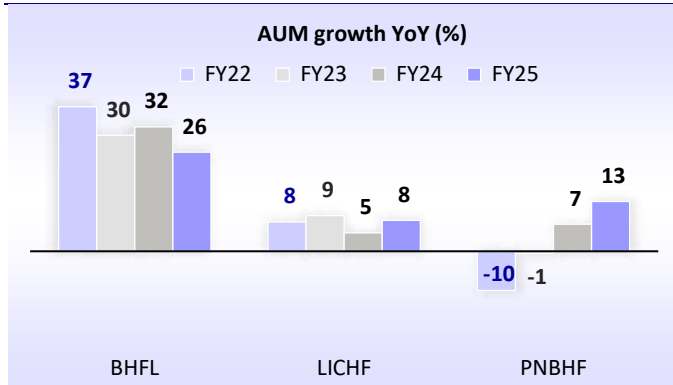
We present below a comparison of the large HFCs:

Exhibit 62: Peer comparison – snapshot of the financial performance of BHFL and its peers

Particulars (INR m)	BHFL			LICHF			PNBHF		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
NII	30,069	36,805	44,923	81,295	81,904	91,940	27,223	31,476	39,503
Other income	5,898	5,903	7,216	3,577	5,007	4,507	4,179	5,288	6,937
Opex	7,464	8,375	9,357	13,826	14,593	16,145	8,130	9,226	10,562
PPOP	28,503	34,334	42,783	71,416	72,719	80,743	23,272	27,538	35,879
Provisions	801	1,990	2,354	2,858	5,340	8,467	-1,585	-1,979	1,842
PAT	21,629	25,293	31,656	54,290	53,229	57,099	19,361	23,023	26,549
Particulars (INR b)	BHFL			LICHF			PNBHF		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Total assets	1,028	1,262	1,544	3,139	3,375	3,650	825	982	1,164
AUM	1,147	1,388	1,707	3,028	3,254	3,519	804	942	1,111
Disbursements	499	562	652	640	693	762	219	273	331
Borrowings	821	1,028	1,277	2,706	2,896	3,123	623	756	914
Networth	199	225	256	363	404	450	169	190	213
GNPA (%)	0.3	0.3	0.3	2.5	2.2	2.0	1.1	1.1	1.1
NNPA (%)	0.1	0.1	0.1	1.2	1.9	1.5	0.7	0.7	0.7
RoA Tree (%)	BHFL			LICHF			PNBHF		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Interest Income	9.7	9.2	9.2	9.1	8.7	8.7	9.4	9.2	9.1
Interest Expended	6.5	6.1	6.0	6.5	6.2	6.0	5.9	5.7	5.5
Net Interest Income	3.3	3.1	3.1	2.7	2.5	2.6	3.5	3.5	3.7
Other Operating Income	0.6	0.6	0.6	0.1	0.2	0.1	0.5	0.6	0.6
Net Income	3.9	3.8	3.7	2.8	2.7	2.8	4.1	4.1	4.3
Operating Expenses	0.8	0.7	0.7	0.5	0.4	0.5	1.0	1.0	1.0
PPoP	3.1	3.0	3.1	2.4	2.2	2.3	3.0	3.0	3.3
Provisions/write offs	0.1	0.2	0.2	0.1	0.2	0.2	-0.2	-0.2	0.2
PBT	3.0	2.9	2.9	2.3	2.1	2.1	3.2	3.3	3.2
Tax	0.7	0.6	0.6	0.5	0.4	0.4	0.7	0.7	0.7
Reported PAT	2.3	2.2	2.3	1.8	1.6	1.6	2.5	2.5	2.5
Leverage	5.7	5.4	5.9	8.9	8.5	8.2	4.9	5.0	5.3
RoE	13.4	12.1	13.4	16.0	13.9	13.4	12.2	12.8	13.2

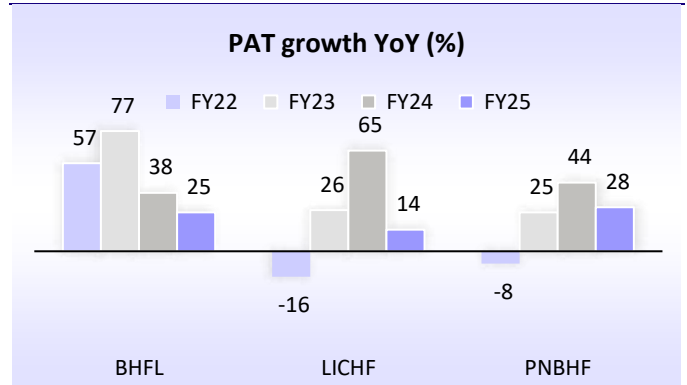
Source: Company, MOFSL

Exhibit 63: AUM growth for BHFL and its peers



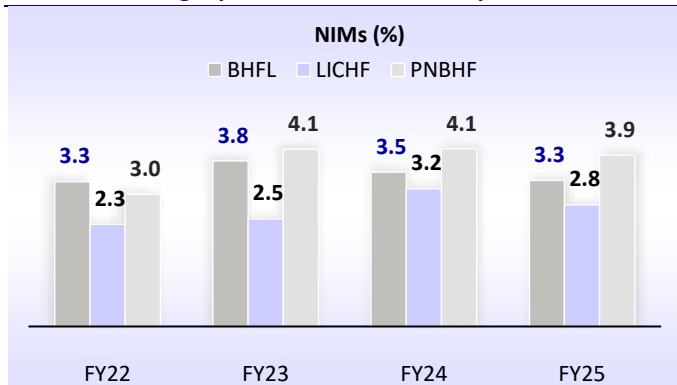
Source: MOFSL, Company

Exhibit 64: PAT growth for BHFL and its peers



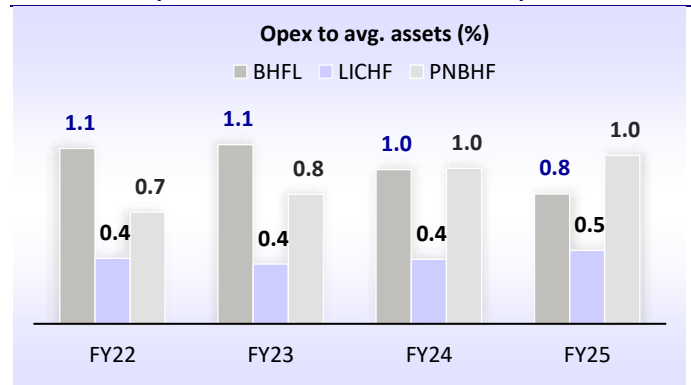
Source: MOFSL, Company

Exhibit 65: Margin profile for BHFL and its peers



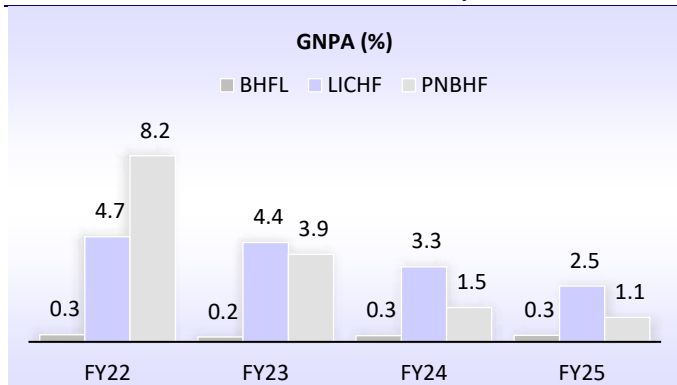
Source: MOFSL, Company

Exhibit 66: Opex ratio trends for BHFL and its peers



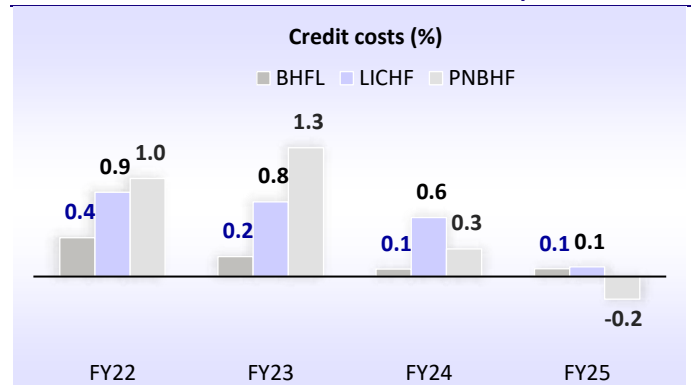
Source: MOFSL, Company

Exhibit 67: GNPA trends for BHFL and its peers



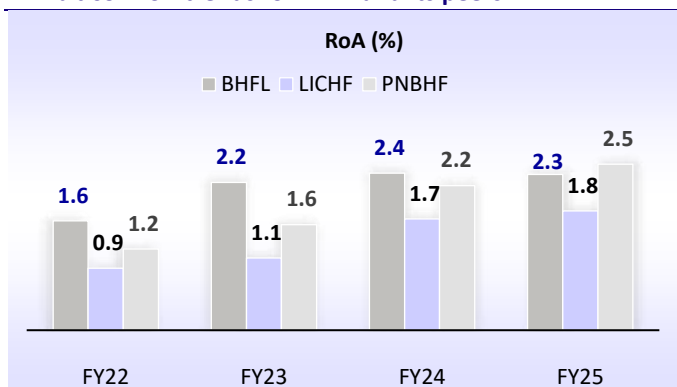
Source: MOFSL, Company

Exhibit 68: Credit cost trends for BHFL and its peers



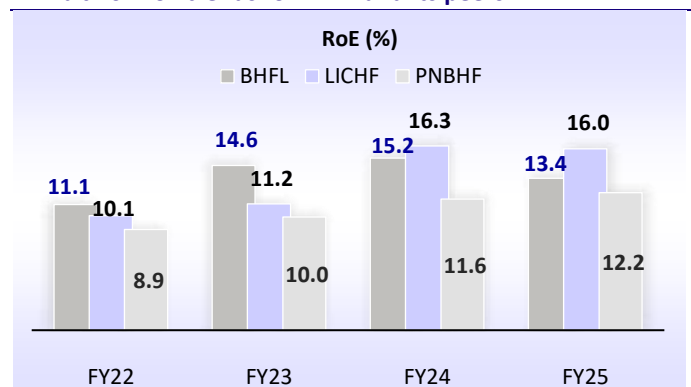
Source: MOFSL, Company

Exhibit 69: RoA trends for BHFL and its peers



Source: MOFSL, Company

Exhibit 70: RoE trends for BHFL and its peers



Source: MOFSL, Company

Valuation and view

Charting its trajectory to become the industry leader; valuations remain expensive

- BHFL has delivered strong AUM growth with a ~29% AUM CAGR over FY20-FY25, complemented with a diversified product suite and robust asset quality. However, we expect a gradual moderation in its AUM growth now due to its scale and rising competition from banks.
- Despite a growing share of non-housing loans (which rose from ~38% in FY22 to ~44% in FY25), BHFL's spreads have contracted by ~90bp over the past three years due to rising borrowing costs, since the company has been unable to pass these costs on to the customers amid intense competition. BHFL operates in a highly competitive market, facing strong competition from banks and other large HFCs. This competitive intensity will put pressure on its yields as the company seeks to sustain its loan growth momentum. This could potentially lead to a transitory compression in NIM in the near term. However, over the medium term, NIMs will subsequently improve, driven by 1) a decline in the company's CoB, 2) a higher mix of construction finance, and 3) a foray into higher-yielding affordable housing finance. We model stable NIMs of 3.3% each in FY26/FY27E (vs. ~3.3% in FY25).
- While the share of non-housing loans in the loan mix has risen, the majority of these loans continue to be low-risk. Given the evolving risk profile of the company's loan book, it guides for normalized credit costs of ~20-25bp and GNPA in the range of ~40-60bp over the medium term. We estimate credit costs of 15-16bp over FY26-FY28.
- While the company continues to demonstrate robust fundamentals, we believe that the positives are already fully factored into the stock. We further believe that there can be a time correction over a period along with a limited positive upside catalyst for the stock. BHFL trades at 3.6x FY27E P/BV, and we model AUM/PAT CAGR of ~22% each over FY25-FY28E with steady-state RoA/RoE of 2.3%/14.2% in FY28E. We initiate coverage on BHFL with a Neutral rating and TP of INR120 (premised on 3.6x Sep'27E P/BV).
- **Key downside risks** include 1) higher competition in the prime home loan segment, 2) increasing exposure to non-housing loans, 3) NIM pressure from sustained high competitive intensity, and 4) any slowdown in the real estate or economy.

Exhibit 71: Valuation Matrix for Housing Financiers (both large and affordable HFCs)

Val summary	Rating	CMP (INR)	TP (INR)	Mkt. Cap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Large HFCs																
BHFL	Neutral	112	120	932	3.0	3.8	27	31	2.2	2.3	11.9	13.2	36.9	29.5	4.1	3.6
LIC HF	Neutral	557	650	308	96.7	103.7	735	817	1.6	1.6	13.9	13.4	5.8	5.4	0.8	0.7
PNB HF	Buy	800	980	208	88.6	102.1	732	819	2.5	2.5	12.8	13.2	9.0	7.8	1.1	1.0
Affordable HFCs																
Aavas	Neutral	1,585	1,900	126	82.5	100.5	633	734	3.2	3.4	13.9	14.7	19.2	15.8	2.5	2.2
HomeFirst	Buy	1,253	1,600	131	51.2	64.6	413	473	3.9	4.0	15.6	14.6	24.5	19.4	3.0	2.6
Aadhar*	NR	512	NA	222	25.4	30.8	171	201	4.4	4.5	16.4	17.1	20.1	16.6	3.0	2.5
Aptus*	NR	349	NA	175	18.3	22.2	100	118	7.1	6.9	20.3	20.9	19.0	15.7	3.5	3.0
India Shelter*	NR	886	NA	96	43.9	53.9	291	342	5.2	4.6	17.4	17.6	20.2	16.5	3.0	2.6
Others																
CanFin	Neutral	742	900	99	71.1	77.5	439	502	2.2	2.1	17.4	16.5	10.4	9.6	1.7	1.5
Repco	Neutral	353	430	22	69.4	73.1	594	663	2.8	2.7	12.3	11.6	5.1	4.8	0.6	0.5

Source: Company, MOFSL; Note: *Refers to Bloomberg Consensus; NR refers to Not Rated

Key Risks

- **Intense competition in the prime home loans segment:** The prime home loans market is mature, highly competitive, and largely dominated by well-established banks with extensive branch networks. BHFL might face significant competitive pressures, as banks will continue to leverage their cost advantages to offer more attractive interest rates and flexible loan terms. These factors could limit BHFL's ability to expand its market share and sustain its loan growth trajectory over the long term.
- **Increasing exposure to non-housing loans:** The diversification into non-housing loans offers growth potential, but these segments come with higher inherent risks. Notably, BHFL's exposure to developer finance has steadily increased from ~6% in Mar'22 to ~12% as of Jun'25. Further, the exposure to self-employed non-professional customers has also increased in the loan mix, which is considered to be high-risk customers.
- **Margins to remain under pressure:** BHFL operates in a highly competitive market, facing intense competition from both banks and large HFCs. This competitive landscape could exert pressure on yields and margins as the company strives to maintain its market position. Additionally, repo rate cuts could result in a temporary contraction of NIMs, as assets undergo faster repricing than liabilities.
- **Slowdown in the economy or the real estate sector:** A slowdown in the broader economy or the real estate sector is likely to moderate growth for housing finance companies. Given BHFL's significant presence in the prime housing market, the company could be adversely affected by such a downturn.

Leadership Team of Bajaj Housing Finance



Atul Jain
Managing Director

Atul Jain was appointed the MD in 2022. Over the last decade, he led key portfolios in Bajaj Finance Limited (BFL) before taking over the reins of its mortgages arm, BHFL. During his time at BFL, Atul held numerous Senior Management roles, including those of the Chief Collections Officer and Enterprise Risk Officer.



C.A. Gaurav Kalani
CFO

Gaurav Kalani was appointed the CFO of Bajaj Housing Finance in 2018. Since his move in 2018 as the CFO of the BHFL, Gaurav has played a significant role in driving key strategies, including Capital Raising, AOPs and LRS planning and execution, as well as managing investor relations.



Jasinder Singh Chahal
President – Home Loans

Jasinder's career began at ICICI Bank, where he honed his skills in housing finance, retail distribution, portfolio management, and risk management. In his role at BHFL, Jasinder oversees Home Loan operations, with a strategic focus on leveraging technology and developing customer-centric processes to drive the division's growth.



Pawan Bhansali
Senior Executive VP – Near Prime and Affordable Business

Pawan joined as the Senior Executive VP and he also oversees the Rural and Emerging Business units. Pawan has previously worked with ICICI Home Finance Company Limited, where he was the Chief Distribution Officer. At BHFL, he is at the helm of the strategic business unit that encompasses Near Prime and Affordable Housing.



CA Vipin Arora
Executive VP – CRE and LAP

Vipin Arora was appointed in 2023 for CRE and LAP. Earlier he was the Group Business Head for the CRE and Affordable Housing verticals at Bajaj Housing Finance. Vipin has worked with several noted organizations such as ICICI Bank, Deutsche Post Bank HFC, Reliance Capital, and Dhanlaxmi Bank, apart from the Bajaj Group Companies.



C.A. Niraj Adiani
Executive VP - Risk

Niraj is a Chartered Accountant with over 16 years of experience in the BFSI sector and commands expertise in the fields of banking, credit analysis and risk, decision support, and mortgages. He has also worked with other key players in the industry, such as ICICI Bank and HDFC Bank.



C.A. Dushyant Poddar
Executive VP – Developer Finance

Dushyant joined the company in 2018 and is responsible for the Developer Finance function. He has previously worked with Citibank, N.A.



Amit Sinha
Executive VP – Home Loans

Amit has been associated with the Bajaj Group for more than 14 years and is responsible for home loans and B2C functions at BHFL. He holds a B. Com Degree from Delhi University and went on to complete a Post Graduate Program in Management from IMT Ghaziabad.



Biraj Kumar Mishra
Chief Business Officer – Home Loans

Biraj joined the company in 2022 and is responsible for the Home Loan – B2B function. He was previously associated with HDFC Bank Limited.

Board of Directors of Bajaj Housing Finance



Sanjiv Bajaj
Chairman

Sanjiv Bajaj is the Chairman of Bajaj Housing Finance Limited, Chairman of Bajaj Finance Limited and Chairman and Managing Director of Bajaj Finserv Limited, the holding company of the financial services businesses of the Bajaj Group, one of India's oldest and largest conglomerates. Sanjiv was the President of the Confederation of Indian Industry (CII) for 2022-23



Rajeev Jain
Vice Chairman

Rajeev Jain, (born on 06 September 1970), is the Vice Chairman and former Managing Director of the Company. At Bajaj Finance Rajeev has charted an ambitious growth path for the company. The company is at an inflection point and owes its exponential growth from a captive finance company to the most diversified non-bank in India today.



Atul Jain
Managing Director

Atul Jain started his career in Investment Banking and later moved to retail finance. He was previously associated with Bajaj Finance Limited as an enterprise risk officer, where he was involved in risk and debt management. He is a management graduate with over 24 years of work experience in the financial sector.



Dr. Arindam Kumar Bhattacharya
Independent Director

Dr. Arindam Kumar Bhattacharya, Independent Director, investor, and Senior Advisor to BCG. He has authored two books Globality– Competing with Everyone from Everywhere for Everything, and Beyond Great – Nine Strategies for Thriving in an Era of Social Tension, Economic Nationalism and Technological Revolution.



Anami Narayan Roy
Independent director

Anami Narayan Roy is a Non-Executive and Independent Director of the Company. He is a former Director General of Police, having served in the Indian Police Service in Maharashtra and with the Government of India for over 38 years. He is on the Board of companies such as Bajaj Finserv Limited, Bajaj Finance Limited, GlaxoSmithKline Pharma Limited, Siemens Limited, and Bajaj Auto Ltd.



Jasmine Chaney
Independent Director

Ms. Jasmine Chaney is a commerce graduate from Sydenham College and has a master's in management studies in finance from Somaiya Institute of Management Studies and Research, Mumbai University. She possesses almost three decades of work experience with CRISIL Limited (now CRISIL Ratings Limited), working in management roles.



S M Narasimha Swamy
Independent Director

S M Narasimha Swamy is an Independent Director of the Company. He holds a bachelor's degree in commerce and a master's degree in commerce, each from Sri Venkateswara University, Tirupati.

ESG initiatives



Environmental initiatives

- **Energy and resource efficiency:** BHFL has enhanced the use of digital platforms and e-documentation across loan origination, servicing, and customer engagement, resulting in reduced paper usage and lower energy intensity at branches. The company is also migrating a larger share of its customers to digital repayment modes, thereby reducing dependence on physical infrastructure.
- **Carbon footprint measurement and disclosure:** In FY25, BHFL reported ~22,800 tCO₂e emissions, with Scope 2 (electricity consumption) and Scope 3 (outsourced services and employee travel) being the primary contributors. The company has started tracking emissions more systematically, although its coverage remains narrower relative to global best practices.
- **Sustainable finance potential:** BHFL is evaluating opportunities to align with Bajaj Finance's broader ESG roadmap by developing financing products for energy-efficient and green-certified housing. It is in the early stages of designing "green housing loan" offerings to address the growing demand for sustainable housing finance.

Social initiatives

- **CSR and community development:** In FY25, BHFL allocated ~INR300m towards CSR initiatives, with a focus on education, healthcare, skill development, and financial literacy. The company partnered with NGOs and community organizations to enhance access to quality healthcare and vocational training, particularly benefiting rural youth.
- **Employee practices:** BHFL has institutionalized structured training programs, leadership development tracks, and internal mobility opportunities to support career progression for its core employee base. The company also emphasizes diversity, employee well-being, and engagement initiatives to foster an inclusive and transparent workplace culture.

Governance

- **Robust board structure and risk oversight:** BHFL's governance framework is aligned with RBI housing finance regulations as well as the parent Bajaj Finance's standards. Independent committees for Audit, Risk Management, IT & Cybersecurity, and Nomination & Remuneration ensure accountability, strengthen decision-making, and provide oversight on key risks.
- **Policy framework and compliance:** BHFL has adopted a comprehensive policy suite covering whistleblower protection, anti-money laundering (AML), related-party transactions, and vendor risk management. The company has also made focused investments in IT and cybersecurity infrastructure to enhance data protection and reduce exposure to digital fraud.
- **Transparent reporting and disclosures:** BHFL publishes both BRSR and BRSR Core reports, with limited assurance for select ESG metrics to enhance reliability and comparability with peers. Additionally, parent-level disclosures provide further oversight and alignment with global sustainability benchmarks.

Bull and Bear cases



Bull case

- ✓ In our bull case, we assume ~24% AUM CAGR, driven by a ~16% disbursement CAGR over FY25-FY28E.
- ✓ We expect spreads and margins to remain largely stable at ~1.9% and 3.3%, respectively, in FY26.
- ✓ We estimate NII and PPOP CAGR of ~24%/26% respectively over FY25-28 on account of strong loan growth and the company's ability to deliver operating efficiencies.
- ✓ We estimate cost ratios to improve over the next three years. We expect negligible credit cost, leading to a PAT CAGR of ~25% over FY25-FY28.



Bear case

- ✓ In our bear case, we assume ~20% AUM CAGR, driven by a ~13% disbursement CAGR over FY25-FY28E.
- ✓ We expect spreads and margins to remain largely stable at ~1.9% and 3.3%, respectively, in FY26.
- ✓ We estimate NII and PPOP CAGR of ~19% each over FY25-28 on account of strong loan growth and the company's ability to deliver operating efficiencies.
- ✓ We estimate cost ratios to improve over the next three years. We expect negligible credit cost, leading to a PAT CAGR of ~18% over FY25-FY28.

Exhibit 72: BHFL: Bull case scenario

INR m	FY26E	FY27E	FY28E
AUM	13,87,872	17,42,870	21,78,338
YoY Growth (%)	21	26	25
NIM (%)	3.3	3.3	3.3
NII	36,805	45,943	57,543
PPoP	34,334	44,172	56,471
Credit Costs	1,990	2,049	2,842
PBT	32,344	42,122	53,629
PAT	25,293	32,982	41,992
Growth (%)	17	30	27
RoA (%)	2.2	2.3	2.4
RoE (%)	11.9	13.7	15.1
BV (INR)	27	31	36
BHFL Multiple (Sep'27E)			4.2
BHFL Target Price (INR)			140
Upside (%)			25%

Source: MOFSL, Company

Exhibit 73: BHFL: Bear case scenario

INR m	FY26E	FY27E	FY28E
AUM	13,81,141	16,56,144	19,75,202
YoY Growth (%)	20	20	19
NIM (%)	3.3	3.2	3.2
NII	36,161	43,041	50,561
PPoP	33,613	40,431	47,557
Credit Costs	1,966	2,194	2,666
PBT	31,647	38,236	44,891
PAT	24,748	29,939	35,150
Growth (%)	14	21	17
RoA (%)	2.2	2.2	2.1
RoE (%)	11.7	12.5	12.9
BV (INR)	27	31	35
BHFL Multiple (Sep'27E)			2.8
BHFL Target Price (INR)			90
Downside (%)			-20%

Source: MOFSL, Company

SWOT analysis

- ✓ BHFL benefits from the support of Bajaj Finance, providing financial stability and enhancing brand credibility.
- ✓ BHFL has a diverse loan portfolio comprising home loans, LAP, LRD, and developer financing catering to various customer segments.
- ✓ Strong AUM CAGR of ~29% over FY20-FY25.

S

STRENGTH



- ✓ The company's business is hit by fluctuations in the repo rate, with any rate cut potentially leading to a transitory compression in NIMs.
- ✓ The company has a major focus on high-value home loans and LAP, which can be risky during economic downturns.

W

WEAKNESS



- ✓ The government initiatives like the PMAY and CLSS schemes create huge potential for home loan growth.
- ✓ There is significant untapped potential in semi-urban and rural areas, where housing finance penetration remains low.

O

OPPORTUNITY



- ✓ Any slowdown or downturn in the economy or real estate sector can affect the loan growth and repayments.
- ✓ BHFL operates in a highly competitive customer segment, leading to pressure on yields & margins.

T

THREATS



Financials and valuations

Income Statement

	INR m								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	23,031	28,774	34,818	52,692	72,024	89,862	1,05,030	1,28,130	1,56,558
Interest Expenses	16,160	19,659	21,553	32,113	46,926	59,793	68,224	83,207	1,01,167
Net Interest Income	6,871	9,116	13,264	20,579	25,098	30,069	36,805	44,923	55,391
Change (%)	119.4	32.7	45.5	55.1	22.0	19.8	22.4	22.1	23.3
Other Income	3,432	2,779	2,854	3,962	4,154	5,898	5,903	7,216	8,310
Total Income	10,302	11,894	16,118	24,541	29,251	35,967	42,709	52,139	63,701
Change (%)	121.7	15.5	35.5	52.3	19.2	23.0	18.7	22.1	22.2
Total Operating Expenses	3,384	3,290	4,709	6,306	7,029	7,464	8,375	9,357	10,516
Change (%)	13.8	-2.8	43.1	33.9	11.5	6.2	12.2	11.7	12.4
Employee Expenses	2,485	2,458	3,488	4,351	4,656	4,836	5,320	5,852	6,496
Depreciation	231	218	258	334	396	412	473	544	626
Other Operating Expenses	668	615	963	1,620	1,977	2,216	2,582	2,960	3,395
Operating Profit	6,918	8,604	11,409	18,236	22,222	28,503	34,334	42,783	53,184
Change (%)	313.3	24.4	32.6	59.8	21.9	28.3	20.5	24.6	24.3
Total Provisions	1,243	2,472	1,811	1,235	609	801	1,990	2,354	2,944
% Loan loss provisions to Avg loans ratio	0.5	0.8	0.5	0.2	0.1	0.1	0.2	0.2	0.2
PBT	5,675	6,132	9,599	17,001	21,613	27,702	32,344	40,429	50,241
Tax Provisions	1,461	1,600	2,500	4,423	4,301	6,073	7,051	8,773	10,902
Tax Rate (%)	25.8	26.1	26.0	26.0	19.9	21.9	21.8	21.7	21.7
PAT	4,213	4,532	7,098	12,578	17,312	21,629	25,293	31,656	39,338
Change (%)	307	8	57	77	38	25	17	25	24

Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	48,833	48,833	48,833	67,122	67,122	83,282	83,282	83,282	83,282
Reserves & Surplus	7,018	11,489	18,580	37,910	55,213	1,16,187	1,41,480	1,73,135	2,12,474
Net Worth	55,851	60,322	67,414	1,05,032	1,22,335	1,99,468	2,24,761	2,56,417	2,95,755
Borrowings	2,56,004	3,16,006	4,14,923	5,37,454	6,91,293	8,20,719	10,28,173	12,76,736	15,73,048
Change (%)	68.0	23.4	31.3	29.5	28.6	18.7	25.3	24.2	23.2
Other liabilities	1,869	2,256	2,934	4,056	4,643	7,900	9,123	10,452	11,978
Total Liabilities	3,13,724	3,78,584	4,85,271	6,46,541	8,18,271	10,28,088	12,62,057	15,43,605	18,80,781
Investments	25,080	32,660	12,483	20,009	19,386	25,333	26,600	27,930	29,326
Loans	2,79,754	3,34,189	4,64,821	6,21,139	7,93,008	9,95,129	12,21,108	14,98,517	18,33,389
Change (%)	61.4	19.5	39.1	33.6	27.7	25.5	22.7	22.7	22.3
Other assets	8,890	11,734	7,967	5,393	5,878	7,626	14,349	17,158	18,066
Total Assets	3,13,724	3,78,584	4,85,271	6,46,541	8,18,271	10,28,088	12,62,057	15,43,605	18,80,781

E: MOFSL Estimates

Financials and valuations

AUM Mix	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
AUM	3,27,050	3,88,710	5,33,220	6,92,280	9,13,700	11,46,840	13,87,872	17,06,874	20,90,453
Change (%)	86	19	37	30	32	26	21	23	22
On Books AUM	2,79,754	3,34,189	4,64,821	6,21,139	7,93,008	9,95,129	12,21,108	14,98,517	18,33,389
% of AUM	86	86	87	90	87	87	88	88	88
Off Books AUM	47,296	54,521	68,399	71,141	1,20,693	1,51,711	1,66,764	2,08,357	2,57,064
% of AUM	14	14	13	10	13	13	12	12	12
Disbursements	0	0	2,61,752	3,43,336	4,46,562	4,98,800	5,62,148	6,52,091	7,50,557
Growth YoY (%)		0	0	31	30	12	13	16	15

Ratios (%)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spreads Analysis (%)									
Avg. Yield on Loans	10.1	9.2	8.7	9.6	10.0	9.8	9.3	9.2	9.2
Avg Cost of Funds	7.9	6.9	5.9	6.7	7.6	7.9	7.4	7.2	7.1
Spread of loans	2.2	2.4	2.8	2.9	2.4	1.9	1.9	2.0	2.1
NIM (on loans)	3.0	3.0	3.3	3.8	3.5	3.3	3.3	3.3	3.3
Profitability Ratios (%)									
RoE	9.1	7.8	11.1	14.6	15.2	13.4	11.9	13.2	14.2
RoA	1.7	1.3	1.6	2.2	2.4	2.3	2.2	2.3	2.3
Cost/Income	32.8	27.7	29.2	25.7	24.0	20.8	19.6	17.9	16.51
Opex to avg. assets	1.3	1.0	1.1	1.1	1.0	0.8	0.7	0.7	0.6

Asset quality	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
GNPA (INR m)	233	1,191	1,464	1,373	2,156	2,870	3,899	4,990	6,197
GNPA (%)	0.08	0.35	0.31	0.22	0.27	0.29	0.32	0.33	0.34
NNPA (INR m)	143	739	669	500	782	1,140	1,638	2,196	2,789
NNPA (%)	0.05	0.22	0.14	0.08	0.10	0.11	0.13	0.15	0.15
PCR (%)	38.66	37.95	54.30	63.61	63.75	60.28	58.00	56.00	55.00
Credit costs	0.49	0.69	0.39	0.20	0.08	0.08	0.16	0.15	0.16

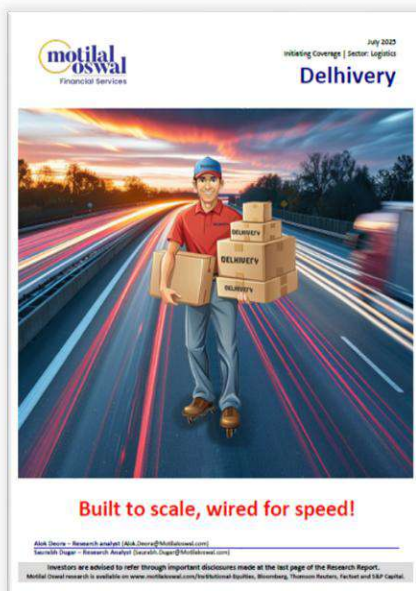
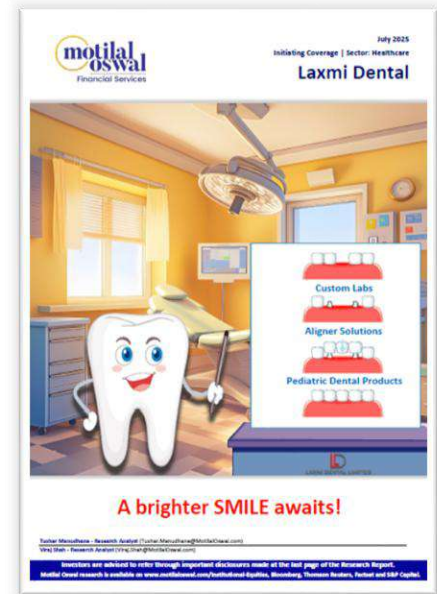
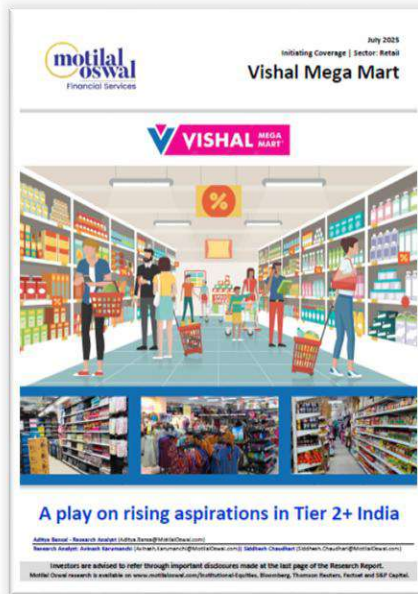
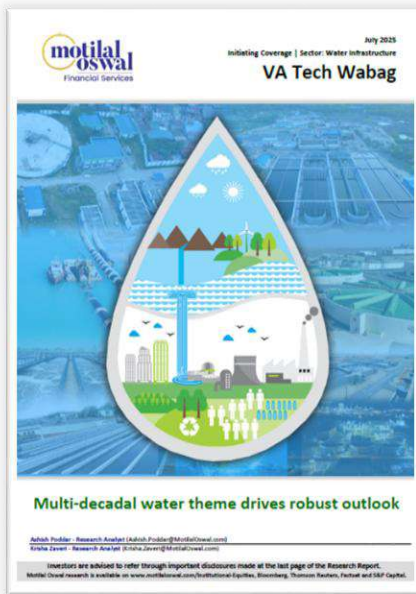
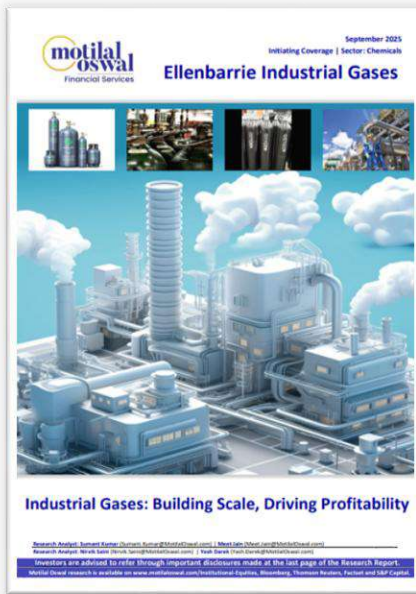
Valuation	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
No. of Shares (m)	4,883	4,883	4,883	6,712	6,712	8,328	8,328	8,328	8,328
EPS	0.9	0.9	1.5	1.9	2.6	2.6	3.0	3.8	4.7
EPS Growth (%)	196.2	7.6	56.6	28.9	37.6	0.7	16.9	25.2	24.3
Price-Earnings (x)	130	121	77	60	43	43	37	29	24
Book Value (INR)	11	12	14	16	18	24	27	31	36
BVPS Growth (%)		-27	47	14	23	91	-60	11	9
Price-BV (x)	9.8	9.1	8.1	7.2	6.1	4.7	4.1	3.6	3.2
DPS (INR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	-	-	-	-	-	-	-	-	-

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

RECENT INITIATING COVERAGE REPORTS



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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