


BAJAJ FINANCE LIMITED
Bajaj Finance Ltd.
Q3Y25 Quarterly Result Highlight

Bajaj Finance Ltd. (BAF) posted inline Q3FY25 performance amid a challenging environment. While credit costs came slightly on the elevated side this quarter, management's commentary that Q4FY25 credit costs to settle between 2-2.05% and to follow a downward trajectory in FY26 to below 2% restored confidence in investors. BAF's consol. PAT rose +13% YoY/ +7% QoQ to ₹43.1bn, beating street estimates by a notable margin. During the quarter, NII witnessed a growth of +25% YoY/ +6% QoQ to ₹116.5bn. Interest income for the quarter grew at +26% YoY/ +5% QoQ to ₹157.7bn, however, interest expense was up +23% YoY/ +4% QoQ to ₹61.5bn, due marginal elevated cost of funds. Operating expenses were higher +23% YoY/ +6% QoQ at ₹38.7bn with elevated employee cost rising +16% YoY/ +3% QoQ to ₹18.3bn. Amid elevated loan losses, provisions for the quarter came higher by +77% YoY/ +13% QoQ to ₹19.1bn.

- **Assets Under Management** – BAF's AUM registered growth of +28% YoY / +6% QoQ to ₹3,980.4bn led by SME lending and Urban B2C segment. Mortgage book witnessed strong growth momentum at +26% YoY/ +5% QoQ to ₹1,220.2bn. Management expects AUM to grow at 25% YoY rate in FY26. Recently announced Bajaj-Airtel partnership could act as a good growth lever for next year. This partnership opens an opportunity to cater to a large customer base of more than 200 mn non-overlapping Airtel users. By end-Q3FY25, total customer franchise stood at 97.1mn up +21% YoY/+6% QoQ and the company is well on-track to cross ~100mn by FY25.
- **Asset Quality** – In-line with industry trends asset quality of the company deteriorated marginally with GNPA / NNPA increasing ~5bps / ~2 bps to 1.1%/0.5% respectively. Management has undertaken preventive actions in some of the segments where higher delinquencies were observed such as used car financing has been curtailed which may slow down growth in vehicle financing. However, management now seeing asset quality stabilizing and hence remain confident of credit cost peaking out.
- **Net Interest Margin** – Net interest margin for the quarter remained stable sequentially at 9.7%. Management sees a limited room of 4-5bps for improvement in cost of funds this year irrespective of an interest rate cut.
- **Concall Highlights** – 1) Credit cost in Q4FY25 likely between 2.0-2.5%. 2) With increasing confidence in delinquency trends, Rural B2C business should recover and may grow at 20-23%. 3) In FY26, the company will try to achieve ~25% YoY AUM growth, 22-23% PAT growth and less than 2% credit cost. 4) In Bajaj-Airtel relationship, two products are live and total nine products will go live by Mar'25 which largely constitute MSME, Gold Loan, 2W Loan, LAP, etc.

Outlook and View

Bajaj Finance Ltd.'s in its LRS 2025-29 strategy, identified 3 more mega trends taking the total to 28 trends on which it will work upon, indicating management's continuous efforts to maintain industry leading AUM growth momentum. Although, BAF called-off its partnership with RBL Bank to distribute co-branded credit card, its new partnership with Airtel provides a good opportunity to cross sell multiple products. While the street was anticipating stabilization of asset quality there was an inch up in NPA ratios in Q3FY25 however, management's commentary of credit cost largely peaking out provided the most comfort. As Union Budget 2025's focus largely remained on catalysing domestic consumer demand by way of increasing disposable income in the hands of middle class, BAF is in sweet spot having the strongest presence in retail financing across product portfolio. Keeping in view, multiple initiatives undertaken by the company such as expansion of geographical presence, investments in building omnichannel ecosystem, etc. along-with anticipation of boost in consumer demand bodes well for the growth in Rural B2C and Urban B2C segments. Changes in the management and role of Mr. Rajeev Jain in the group remains key monitorable. **We have achieved our target range hence recommend investors to BOOK PROFIT. However, long term investors can stay put in the stock, as we remain constructive on the company's long-term prospects. At CMP, ₹8425 stock is trading at 4.8x FY26e P/Bk.**

Important Data

Nifty	23,482.15
Sensex	77,505.96

Key Stock Data

CMP (₹)	8425.80
Market Cap (₹ tn)	~5.21
52W High/Low	8,479/6,188
Shares o/s (crs)	
Daily Vol. (3M NSE Avg.)	
BSE Code	400034
NSE Code	BAJFINANCE
Bloomberg Code	BAF:IN

Shareholding Pattern (%) – Dec'24

Promoter	54.70
FII	17.76
FII	18.19
Public & Others	09.35

Financials

Particulars	₹ bn		
	FY24	FY25E	FY26E
Net Int. Inc.	362	453	557
Net Int. Mar.	10.4%	9.8%	9.4%
Operating Expenses	123	153	185
Core Profit	239	300	372
Provisions	46	76	90
PBT	193	224	282
Tax	49	57	72
PAT	145	167	210
EPS	236	270	339
ABV	1,239	1,465	1,752
P/E	36	31	25
P/Adj BV	6.8	5.8	4.8

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
Bajaj Finance	28%	20%	81%
Nifty 50	9%	36%	98%
Sensex	9%	34%	93%

Source: Company, Way2Wealth Research

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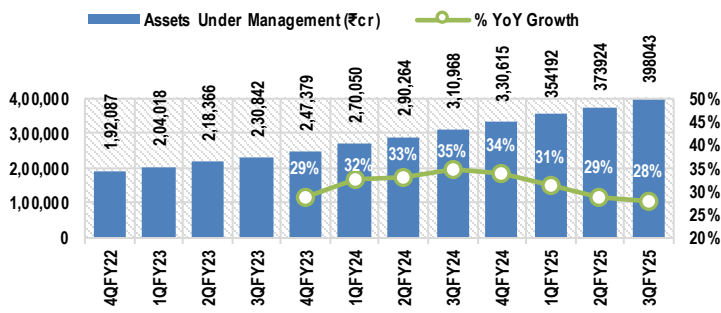
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Assets Under Management (₹ bn)	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng	% AUM Mix (Q1FY25)
2W & 3W Finance	190	194	-2%	190	0%	5%
Urban Sales Finance	291	245	19%	272	7%	7%
Urban B2C	831	617	35%	772	8%	21%
Rural Sales Finance	80	62	29%	73	9%	2%
Rural B2C	274	214	28%	252	9%	7%
SME Lending	581	414	40%	543	7%	15%
Loans Against Securities	253	192	32%	234	8%	6%
Commercial Lending	261	207	26%	246	6%	7%
Mortgages	1,220	965	26%	1,158	5%	31%
Total	3,980	3,110	28%	3,739	6%	-

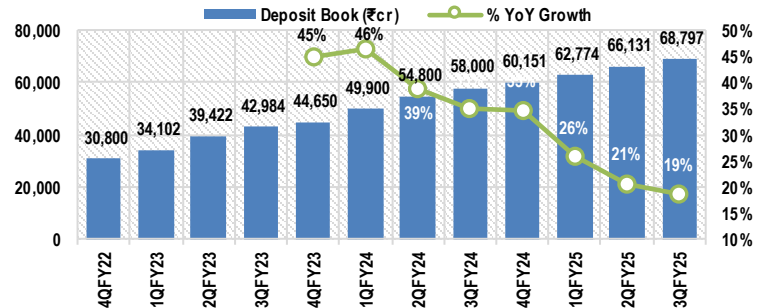
Source: Company, Way2Wealth Research

Financials in Chart

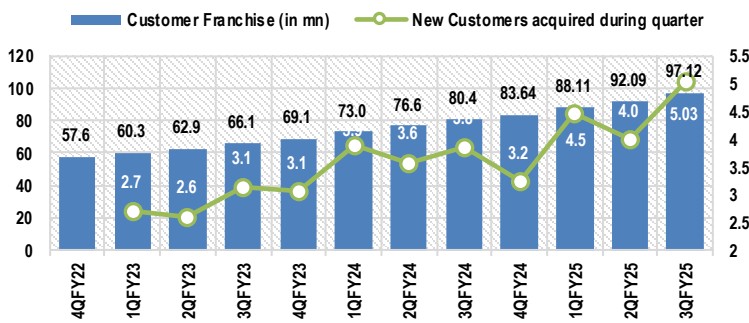
New Lines of Business contribute ~2% Growth



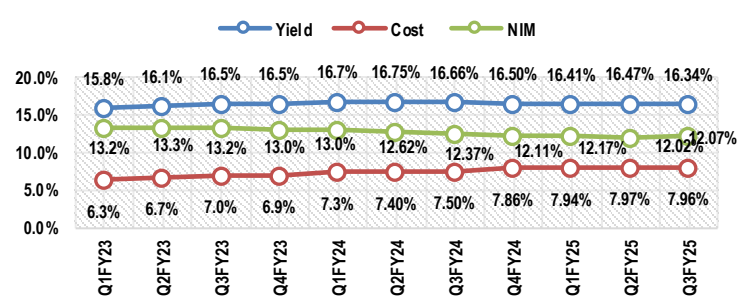
Deposit growth moderates amid intense competition



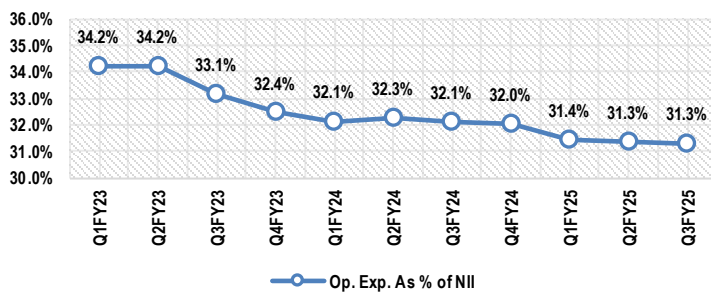
100 mn customer franchise mark will be surpassed in FY25



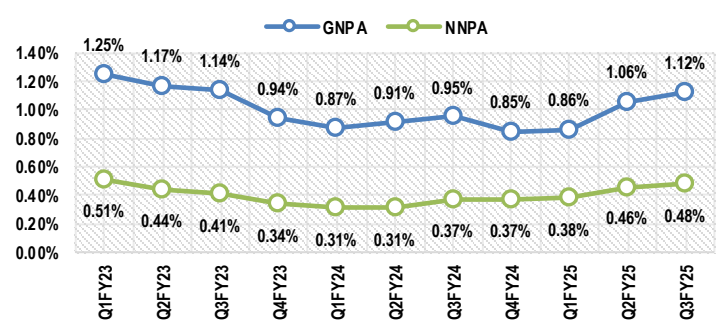
Yields moderate slightly with increase in secured lending mix



Op. Exp. As % of NII improving consistently



Loan losses elevate further; Likely picked out



Source: Company, Way2Wealth Research

Quarterly Financials

(₹ bn)

Particulars	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng	9MFY25	9MFY24	% YoY Chng
Interest Income	157.7	125	26%	150	5%	448	351	28%
Fees and commission income	15	13	17%	14	6%	45	39	13%
Other operating income	8	3	118%	7	12%	20	10	91%
Interest Income	180	142	27%	171	6%	512	400	28%
Interest Expense	63.9	49	31%	61	4%	182	135	35%
Net Interest Income	116	93	25%	109	6%	330	265	24%
Other income	0	0	597%	0	454%	0	0	392%
Core Income	117	93	26%	109	7%	330	265	24%
Fees and commission expense	7	5	46%	6	9%	19	14	32%
Employee benefits expense	19.6	17	18%	18	7%	56	47	17%
Other expenses	12	10	20%	12	4%	35	29	24%
Total expenses	38.7	32	23%	36	6%	110	90	22%
Operating Profit	78	61	27%	73	7%	221	175	26%
Provisions and Contingencies	20.4	12	64%	19	7%	56	33	70%
Share of profit/(loss) from associate	0	0		0		0	0	
Profit before tax	58	49	18%	54	7%	164	142	16%
Tax Expense	15	13	16%	14	5%	42	36	17%
Profit after tax	43	36	18%	40	7%	122	106	15%
Earnings per share	68	59	16%	65	6%	196	174	13%

Source: Company, Way2Wealth

Financials

(₹ bn)

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	273	355	483	614	758	963
Fees and commission income	31	44	53	62	86	111
Other operating income	13	15	14	27	23	28
Op. Interest Income	316	414	550	703	867	1,102
Interest Expense	98	126	187	250	311	390
Net Interest Income	219	289	362	453	557	712
Other income	0	0	0	0	0	0
Core Income	219	288	362	453	556	712
Fees and commission expense	18	19	19	28	34	44
Employee benefits expense	36	51	64	77	93	118
Other expenses	22	32	40	47	57	73
Total expenses	76	101	123	153	185	235
Operating Profit	143	187	239	300	372	477
Provisions and Contingencies	48	32	46	76	90	108
Share of profit/(loss) from associate	-	0	0	0	0	0
Profit before tax	95	155	193	224	282	368
Tax Expense	25	40	49	57	72	94
Profit after tax	70	115	145	167	210	275
Earnings per share	116	190	236	270	339	444
Dividend Per Share	20	30	36	44	53	53

Source: Company, Way2Wealth

Coverage

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
12-Dec-23	Quick Insight	7,293.00	7,250 – 7,350	8,300 – 8,400
05-Feb-24	Q3FY24	6,848.00		
29-Jul-24	Q1FY25	6,800.00		
30-Oct-24	Q2FY25	7022.50		

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Disclosure of Interest Statement: Bajaj Finance Ltd. as on 04 February 2025

Name of the Security	Bajaj Finance Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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