

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
12-Dec-23	Quick Insight	7,293	7,250 – 7,350	8,300 – 8,400
05-Feb-24	Q3FY24	6,848		



BAJAJ FINANCE LIMITED

Bajaj Finance Ltd.

1QFY25 Quarterly Result Highlight

Bajaj Finance Ltd. (BAF) posted mixed bag 1QFY25 results as AUM growth stood robust amid a cyclically weak quarter, however, lower collection efficiency had an impact on asset quality deteriorating marginally. BAF's consol. PAT rose +14% YoY/ +2% QoQ to ₹39.12bn, at a slower pace than NII growth of +24% YoY/ +7% QoQ to ₹104.18bn (NII excluding Fee and other operating income came at ₹83.65bn, up 25% YoY/ 4% QoQ). Interest income for the quarter grew at +29% YoY/ +8% QoQ to ₹160.99bn, however, interest expense was up +39% YoY/ +9% QoQ to ₹56.84bn, due elevated cost of funds. Operating expenses were higher +22% YoY/ +5% QoQ at ₹34.71bn owing to cyclically elevated employee cost of ₹17.75bn up +19% YoY/ +8% QoQ. Amid lower collection efficiency, provisions for the quarter were elevated by +69% YoY/ +29% QoQ to ₹16.85bn. Thus, PPOP for the quarter stood at ₹69.47bn rising +25% YoY/ +8% QoQ.

- **Assets Under Management** – BAF's AUM registered growth of +31% YoY / +7% QoQ to ₹3,541.92bn, although slightly below 33-35% run-rate seen in last few quarters, but robust as far as cyclically weak quarter is concerned. Growth was supported by mortgages while vehicle loan finance also saw good traction with 65:35 mix between used car and new car. Rural B2C segment continues to witness moderate growth. EMI card issuance was resumed in May'24 while ECOM card in Jun'24, hence, complete contribution from these products would flow only from 2QFY25 onwards.
- **Asset Quality** – In 1QFY25, credit cost was elevated primarily on account of muted collection efficiencies during the quarter, resulting in net credit cost coming in at ~2%. Management guided for credit cost of 1.75-1.85% for FY25. Slippages increased for the quarter with Stage-2 assets rising by ~₹8.65bn sequentially. This is a transitory phenomenon and management believes it to reduce over rest of the quarters in FY25.
- **Net Interest Margin** – Net interest margin for the quarter was compressed by -22bps sequentially primarily on account of ~18bps increase in cost of funds. While change in AUM mix also had an impact on moderation in margins, management expect the mix to stabilize October onwards. Thus, with elevated funding cost and anticipation of higher contribution from secured products (like mortgages) 2QFY25 NIMs are likely to remain under pressure.
- **Concall Highlights** – 1) To remain watchful of delinquencies in certain product segments 2) Customer mix with no Unsecured loan, before CoVID – 63%, Mar'23 – 57%, Mar'24 – 58%. 3) BAF has no impact of RBI's circular on penal income 4) Decline in E-com sales impacted Urban sales which should pick up in next couple of quarters

Outlook and View

Bajaj Finance Ltd.'s performance was on the expected lines on growth front, however, came below on asset quality parameters owing to somewhat muted collections. While first quarter remains cyclically weak generally on overall business parameters, recovery in delinquencies and accelerated growth is anticipated in coming quarters as highlighted by the management.

New customer addition picked up well in 1QFY25 and would further accelerate with RBI's lifting of ban on customer on-boarding via digital products such as Insta EMI Card and eCom products. Operating leverage out of implementation of omni-channel strategy would play out going forward. This would support company's product diversification initiatives and management's 4.6-4.8% RoA guidance. **BHFL's potential IPO listing would be a key monitor-able for the company.**

Important Data

Nifty	24,835
Sensex	81,333
Key Stock Data	
CMP (₹)	6,800
Market Cap (₹ tn)	~4.20
52W High/Low	8,192.00/6,188
Shares o/s (crs)	61.89
Daily Vol. (3M NSE Avg.)	12,06,938
BSE Code	400034
NSE Code	BAJFINANCE
Bloomberg Code	BAF:IN

Shareholding Pattern (%) – Mar'24

Promoter	54.69
FII's	17.14
FII's	17.81
Public & Others	10.36

Financials

Particulars	₹ bn		
	FY24	FY25E	FY26E
Net Int. Inc.	362	457	563
Net Int. Mar.	10.4%	9.8%	9.6%
Operating Expenses	123	153	185
Core Profit	239	305	378
Provisions	46	67	83
PBT	193	238	295
Tax	49	61	75
PAT	145	177	220
EPS	236	287	355
ABV	1,239	1,482	1,784
P/E	29	24	19
P/Adj BV	5.5	4.6	3.8

Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
Bajaj Finance	-7%	9%	110%
Nifty 50	27%	58%	123%
Sensex	24%	55%	117%

Source: Company, Way2Wealth Research

Prasad Hase

prasadhase@way2wealth.com

91-22-4019 2908

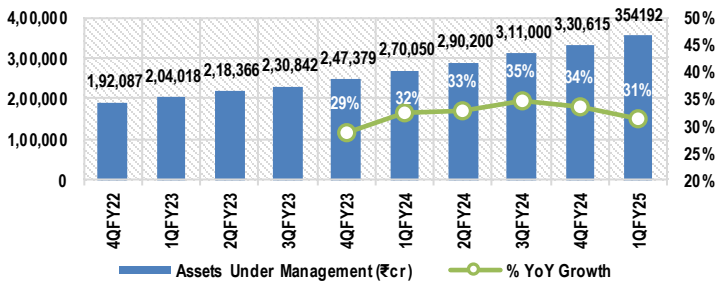
BAF posted robust performance in a cyclically weak quarter and has multiple levers in place to enhance it further for rest of the year, thus we recommend to accumulate this stock on any notable corrections. At CMP, the BAF is trading at 3.8x its FY26e P/B value.

Assets Under Managemet (₹ bn)	Q1FY25	Q1FY24	% YoY Chng	Q4FY24	% QoQ Chng	% AUM Mix (Q1FY25)
2W & 3W Finance	197	147	34%	197	0%	6%
Urban Sales Finance	270	223	21%	234	15%	8%
Urban B2C	716	548	31%	661	8%	20%
Rural Sales Finance	76	56	36%	62	22%	2%
Rural B2C	235	203	16%	222	6%	7%
SME Lending	495	350	42%	456	9%	14%
Loans Against Securities	220	162	36%	220	0%	6%
Commercial Lending	236	181	31%	220	7%	7%
Mortgages	1,097	831	32%	1,033	6%	31%
Total	3,542	2,701	31%	3,306	7%	

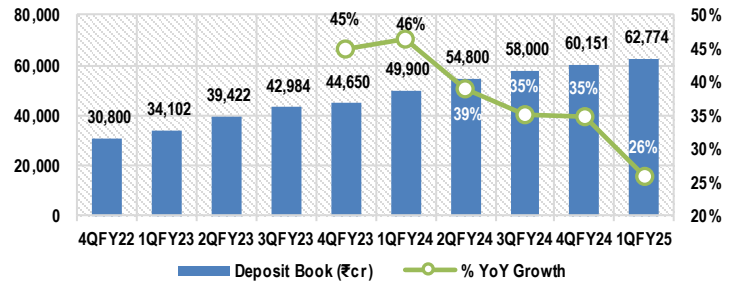
Source: Company, Way2Wealth Research

Financials in Chart

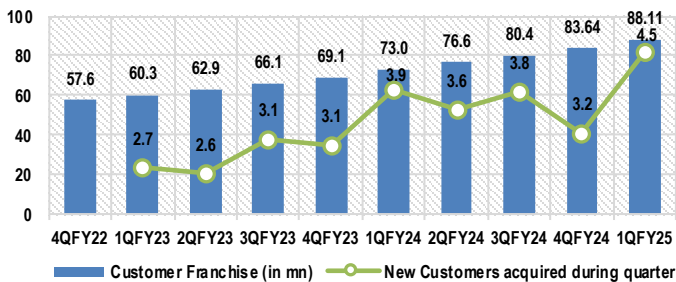
Robust AUM growth of 31% in a cyclically weak quarter



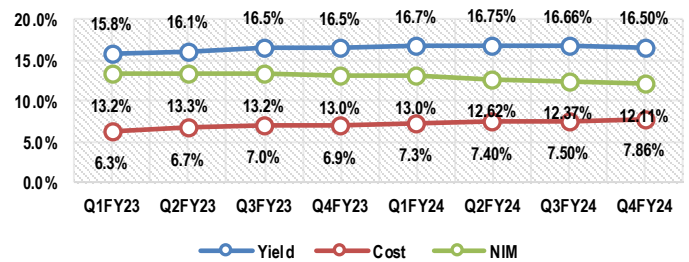
Deposit growth moderates amid increased competition for deposits amid Banks & NBFC players



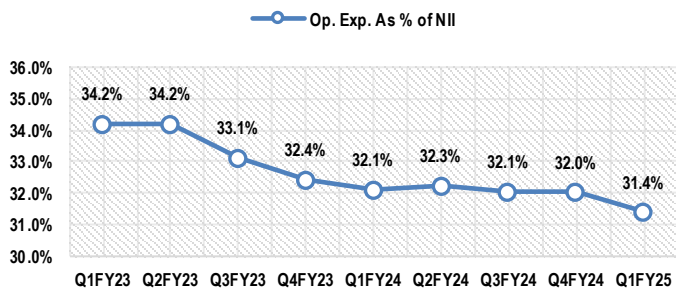
Amid fears of slow customer acquisition, BAF acquired 3.8 mn new customers during the quarter



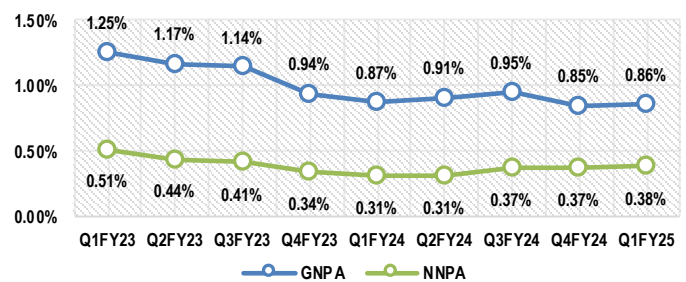
Cost of Deposits rises sequentially, likely to stabilize in 2HFY25



Op. Exp. As % of NII improving consistently



GNPA & NNPA remains largely stable; Stage-2 slippage increases amid lower collections



Source: Company, Way2Wealth Research

Quarterly Financials

(₹ bn)

Particulars	Q1FY25	Q1FY24	% YoY Chng	Q4FY24	% QoQ Chng	FY24	FY23	% YoY Chng
Interest Income	140	108	30%	132	6%	483	355	36%
Fees and commission income	15	13	14%	13	15%	53	44	21%
Other operating income	5	3	55%	4	41%	14	15	-7%
Interest Income	161	125	29%	149	8%	550	414	33%
Interest Expense	57	41	39%	52	9%	187	126	49%
Net Interest Income	104	84	24%	97	7%	362	289	26%
Other income	0	0	33%	0	-37%	0	0	61%
Core Income	104	84	24%	97	7%	363	289	26%
Fees and commission expense	6	5	18%	5	7%	19	19	2%
Employee benefits expense	18	15	19%	16	8%	64	51	25%
Other expenses	11	9	28%	11	1%	40	32	27%
Total expenses	35	29	22%	33	5%	123	101	22%
Operating Profit	69	55	25%	64	8%	239	187	28%
Provisions and Contingencies	17	10	69%	13	29%	46	32	45%
Share of profit/(loss) from associate	0	0		0		0	0	
Profit before tax	53	46	16%	51	3%	193	155	24%
Tax Expense	14	11	21%	13	6%	49	40	21%
Profit after tax	39	34	14%	38	2%	145	115	26%
Earnings per share	63	57	11%	62	2%	236	190	24%

Source: Company, Way2Wealth

Financials

(₹ bn)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Interest Income	273	355	483	614	768
Fees and commission income	31	44	53	74	87
Other operating income	13	15	14	19	22
Op. Interest Income	316	414	550	707	877
Interest Expense	98	126	187	249	314
Net Interest Income	219	289	362	457	563
Other income	0	0	0	0	0
Core Income	219	288	362	457	562
Fees and commission expense	18	19	19	28	34
Employee benefits expense	36	51	64	77	93
Other expenses	22	32	40	47	57
Total expenses	76	101	123	153	185
Operating Profit	143	187	239	305	378
Provisions and Contingencies	48	32	46	67	83
Share of profit/(loss) from associate	-	0	0	0	0
Profit before tax	95	155	193	238	295
Tax Expense	25	40	49	61	75
Profit after tax	70	115	145	177	220
Earnings per share	116	190	236	287	355
Dividend Per Share	20	30	36	44	53

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Bajaj Finance Ltd. as on 29 July 2024

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
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Receipt of Compensation	No
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