

Jan 30, 2025

RESULT REPORT Q3 FY25 | Sector: Financials

Bajaj Finance Limited

Resilience of Growth and RoE

Strong growth underpinned by resilient asset quality and stable margins

BAF delivered a small beat on our consolidated PAT estimate of Q3 FY25, wherein the strong AUM growth (6.5% qoq/28% yoy) was driven by stable NIM (steady CoF & Yield) and resilience in asset quality (Stage-2/Stage-3 increase of 2%/12% qoq). Relatively higher flows (though in-line with portfolio growth) in the initial delinquency buckets were seen in product segments of Urban/Rural Sales Finance, Urban B2C and Used Car Loans. Rural B2C and SME/Commercial segments witnessed an improvement in asset quality. Overall credit cost at annualized 2.16% was very close to Q2 FY25 level.

AUM growth in Q3 FY25 was driven by Urban/Rural Sales Finance, Urban/Rural B2C, SME/Commercial and the newer segments of Gold Loans and Car Loans. The 2w/3w portfolio declined with Bajaj Auto starting its own captive financing. The new loan bookings and customer addition were the highest ever in any quarter at 12.1mn (up 22% yoy) and 5mn respectively. Optimization of opex and calibrated employee addition (improving productivity) underpinned a controlled cost growth and sustained gradual improvement in Opex/AUM. Notwithstanding some challenges in macro, BAF continues to deliver strong RoE of 19%+.

Expects a gradual decline in credit cost and sustained strong growth

Management estimates a credit cost of 2-2.05% in Q4 FY25 (10-15 bps lower qoq) with encouraging improvement in collection/flows seen in Dec-Jan across many products. Key product-level asset quality comments made by the management were 1) portfolio trends in both Urban and Rural Sales Finance remains strong, 2) collections/flows have improved in Rural B2C, 3) default rates are lower in Urban B2C but collections/flows are yet to normalize, 4) after being impacted in April-Oct, the collection efficiency markedly improved in Nov-Dec in SME lending and 5) asset quality remains a challenge in used car refinancing. BAF is confident that credit cost would be below 2% in FY26 with likely further improvement in delinquency trends at product/segment level (proactive risk actions taken) and increase in the share of secured products. In personal loans (Urban/Rural B2C), the co. has significantly reduced disbursement/onboarding share of customers having 3 or more live unsecured loans and hopes to exit the fiscal with around pre-covid level of 5-7%.

Retain BUY on supportive valuation and expectations of earnings growth acceleration

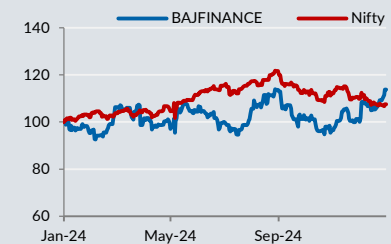
With emerging trends of improvement in credit cost, the growth and RoE outlook has become stronger. On consolidated basis, we expect BAF to deliver 27% earnings growth on 25% AUM growth over FY25-27 with avg RoA/RoE of 4.1%/21.5%. BAF has exhibited resilience in growth and profitability through various phases of competition, credit cycles and liquidity conditions. Stock is trading at palatable valuation of 17.5x PE and 3.6x P/BV on FY27 estimates. We retain BUY with enhanced 12m PT of Rs9200.

Reco	: BUY
CMP	: Rs 7,760
Target Price	: Rs 9,200
Potential Return	: +18.6%

Stock data (as on Jan 29, 2025)

Nifty	23,163
52 Week h/l (Rs)	7824 / 6188
Market cap (Rs/USD mn)	4514277 / 52166
Outstanding Shares (mn)	619
6m Avg t/o (Rs mn):	7,560
Div. yield (%):	0.5
Bloomberg code:	BAF IN
NSE code:	BAJFINANCE

Stock performance



	1M	3M	1Y
Absolute return	12.3%	10.5%	7.9%

Shareholding pattern

Promoter	54.7%
FII+DII	35.9%
Others	9.4%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	9,200	7,950

Δ in earnings estimates

	FY25e	FY26e	FY27e
EPS (New)	272.5	346.8	437.2
EPS (Old)	267.3	345.7	431.0
% Change	1.9%	0.3%	1.4%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Op. income	4,53,292	5,64,015	6,95,044
PPOP	3,02,924	3,79,063	4,69,402
Net profit	1,68,403	2,14,294	2,70,192
Growth (%)	16.5	27.3	26.1
EPS (Rs)	272.5	346.8	437.2
ABVPS (Rs)	1,447.3	1,746.6	2,135.2
P/E (x)	28.5	22.4	17.7
P/ABV (x)	5.4	4.4	3.6
ROE (%)	20.1	21.3	22.1
ROA (%)	4.0	4.1	4.1

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Exhibit 1: Result table

Particulars (Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Operating Income	1,80,351	1,70,912	5.5	1,41,636	27.3
Interest expended	(63,856)	(61,493)	3.8	(48,680)	31.2
Net Interest Income	1,16,495	1,09,419	6.5	92,956	25.3
Other Income	232	42	453.9	34	588.7
Total Income	1,16,727	1,09,461	6.6	92,990	25.5
Operating expenses	(38,670)	(36,390)	6.3	(31,567)	22.5
PPOP	78,057	73,071	6.8	61,422	27.1
Provisions	(20,433)	(19,091)	7.0	(12,484)	63.7
PBT	57,624	53,980	6.8	48,939	17.7
Tax	(14,572)	(13,877)	5.0	(12,566)	16.0
Adjusted PAT	43,082	40,137	7.3	36,390	18.4

Source: Company, YES Sec

Exhibit 2: Business Data

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
AUM	39,80,430	37,39,240	6.5	30,12,890	32.1
Consumer B2B -Auto Fin.	1,89,720	1,89,600	0.1	1,93,840	(2.1)
Consumer B2B -Sales Fin.	2,91,490	2,71,690	7.3	2,44,850	19.0
Consumer B2C	8,31,430	7,72,390	7.6	6,17,050	34.7
Rural Business	2,80,900	2,60,950	7.6	2,35,710	19.2
SME Business	4,69,430	4,43,820	5.8	3,57,380	31.4
Securities Lending	2,52,620	2,33,590	8.1	1,92,050	31.5
Commercial Lending	2,60,570	2,46,150	5.9	2,06,720	26.0
Mortgages	12,20,190	11,58,360	5.3	9,65,290	26.4

Source: Company, YES Sec

Exhibit 3: Customer Franchise

(mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Franchise	97.1	92.1	1.0	80.4	20.8
Non-Delinquent Customers	69.4	65.8	5.5	54.1	28.4
Cross sell franchise	61.6	57.7	6.7	49.3	24.9
New to BAF	5.0	4.0	26.4	3.9	30.6
New loans booked	12.1	9.7	24.5	9.9	22.3
EMI Cards in force	56.4	55.3	2.0	42.2	33.6

Source: Company, YES Sec

Exhibit 4: GNPA trend

GNPA - (%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
Consumer B2B-Auto Fin.	4.6	4.0	0.6	2.8	1.8
Consumer B2B-Sales Fin	0.8	0.8	(0.0)	0.7	0.1
Consumer B2C	1.5	1.4	0.1	1.3	0.2
Rural B2B	0.9	0.8	0.1	0.7	0.2
Rural B2C	1.8	1.7	0.1	1.3	0.5
SME	1.7	1.6	0.1	1.3	0.4
Mortgages	0.5	0.5	0.0	0.5	0.0

Source: Company, YES Sec

Exhibit 5: Key Ratios

(%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
Op Income / Average AUM*	18.7	18.8	(0.1)	18.8	(0.2)
Interest Expense / Average AUM*	6.6	6.8	(0.1)	6.5	0.1
NII / Average AUM*	12.1	12.0	0.1	12.4	(0.3)
Cost to Income	33.1	33.2	(0.1)	33.9	(0.8)
Provisions / Average AUM	2.12	2.10	0.0	1.7	0.5
RoE	19.1	19.1	0.0	22.0	(2.9)
RoA	4.5	4.5	0.0	4.9	(0.4)
CAR	21.6	21.7	(0.1)	23.9	(2.3)
Tier-1	20.8	20.9	(0.1)	22.8	(2.0)
Gross NPA	1.1	1.1	0.1	1.0	0.2
Net NPA	0.5	0.5	0.0	0.4	0.1
PCR	57.0	57.0	-	62.0	(5.0)

Source: Company, YES Sec; *Calculated

Exhibit 6: PCR trend

PCR - (%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
Consumer B2B-Auto Fin.	49.0	48.0	1.0	50.0	(1.0)
Consumer B2B-Sales Fin	81.0	82.0	(1.0)	79.0	2.0
Consumer B2C	60.0	59.0	1.0	65.0	(5.0)
Rural B2B	81.0	82.0	(1.0)	80.0	1.0
Rural B2C	72.0	72.0	-	62.0	10.0
SME	60.0	61.0	(1.0)	69.0	(9.0)
Mortgages	44.0	46.0	(2.0)	55.0	(11.0)

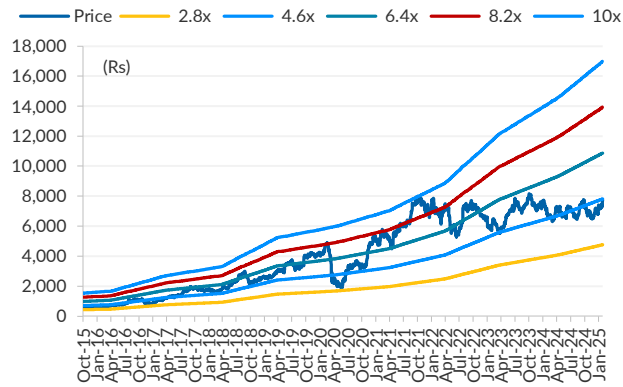
Source: Company, YES Sec

Exhibit 7: ECL Summary

(Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Stage 1 & 2 assets					
Gross Stage 1 & 2 assets	30,83,330	32,85,180	35,20,390	36,93,850	39,21,150
ECL Provision Stage 1 & 2	30,790	34,350	37,010	35,890	38,330
Net Stage 1 & 2 assets	30,52,540	32,50,830	34,83,380	36,57,960	38,82,820
Coverage ratio (%)	1.0	1.0	1.1	1.0	1.0
Stage 3 assets					
Gross Stage 3 assets	29,630	28,160	30,540	39,530	44,600
ECL Provision Stage 3	18,280	16,060	17,120	22,570	25,510
Net Stage 3 assets	11,350	12,100	13,420	16,960	19,090
Coverage ratio (%)	61.7	57.0	56.1	57.1	57.2

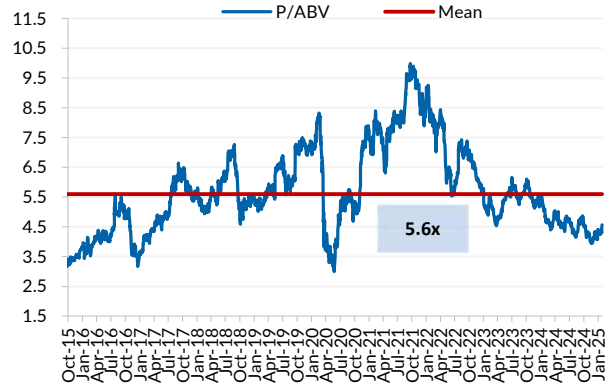
Source: Company, YES Sec

Exhibit 8: 1-yr rolling P/ABV band



Source: Company, YES Sec

Exhibit 9: 1-year rolling P/ABV vis-a-vis the mean



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Equity and Liabilities					
Equity Share Capital	1,209	1,236	1,236	1,236	1,236
Other Equity	5,42,511	7,65,718	9,08,813	10,97,801	13,42,685
Share-holders fund	5,43,720	7,66,954	9,10,049	10,99,037	13,43,921
Financial Liabilities	22,00,952	29,80,210	37,41,487	47,14,526	58,29,757
Deposits	4,46,656	6,01,509	7,21,811	8,66,173	10,39,408
Trade payables	20,955	28,307	34,677	42,479	52,037
Debt Securities	8,68,452	11,79,995	14,98,594	19,10,708	23,78,831
Borrowings (Excl. Debt Sec.)	8,15,494	11,16,175	14,17,542	18,07,366	22,50,171
Subordinated Liabilities	36,303	35,779	45,439	57,935	72,129
Other Financial Liabilities	13,093	18,444	23,424	29,865	37,182
Non-Financial Liabilities	7,615	10,253	12,569	15,414	18,912
Current tax liabilities (net)	1,392	1,086	1,358	1,698	2,122
Provisions	2,704	4,219	5,274	6,592	8,240
Other non-financial liabilities	3,518	4,948	5,937	7,125	8,550
Total Liabilities + Equity	27,52,287	37,57,416	46,64,105	58,28,977	71,92,590
Assets					
Financial Assets	27,15,935	37,09,912	46,14,840	57,77,775	71,39,251
Cash and Cash Equivalents	15,508	40,345	6,163	5,638	10,896
Bank balances	27,538	65,895	39,537	39,537	39,537
Trade Receivables	12,997	17,335	20,802	24,962	29,955
Other Receivables	1,489	278	348	435	544
Loans	24,22,689	32,62,933	41,60,240	52,41,902	64,99,959
Investments	2,27,518	3,08,807	3,70,568	4,44,681	5,33,618
Other Financial Assets	8,196	14,319	17,183	20,619	24,743
Non- Financial Assets	36,351	47,504	49,265	51,202	53,339
Current tax assets (net)	1,814	2,909	3,491	4,189	5,027
Deferred tax assets (net)	9,371	10,174	10,174	10,174	10,174
Property, plant and equipment	16,766	23,583	24,762	26,000	27,301
Goodwill	33	33	33	33	33
Other Intangible assets	7,076	9,318	9,318	9,318	9,318
Other non-financial assets	1,292	1,487	1,487	1,487	1,487
Total Assets	27,52,287	37,57,416	46,64,105	58,28,977	71,92,590

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs m)	FY23	FY24	FY25E	FY26E	FY27E
Income from Operations	4,13,974	5,49,695	7,03,331	8,74,496	10,51,129
Interest expense	(1,25,599)	(1,87,247)	(2,50,365)	(3,10,856)	(3,56,516)
Net interest income	2,88,375	3,62,448	4,52,966	5,63,641	6,94,613
Non-interest income	83	130	326	374	430
Total op income	2,88,458	3,62,578	4,53,292	5,64,015	6,95,044
Total op expenses	(1,01,300)	(1,23,252)	(1,50,367)	(1,84,952)	(2,25,641)
PPoP	1,87,158	2,39,326	3,02,924	3,79,063	4,69,402
Provisions	(31,897)	(46,307)	(77,183)	(91,805)	(1,07,215)
Profit before tax	1,55,262	1,93,019	2,25,741	2,87,258	3,62,187
Taxes	(40,202)	(48,584)	(57,338)	(72,964)	(91,996)
Net profit	1,15,060	1,44,435	1,68,403	2,14,294	2,70,192

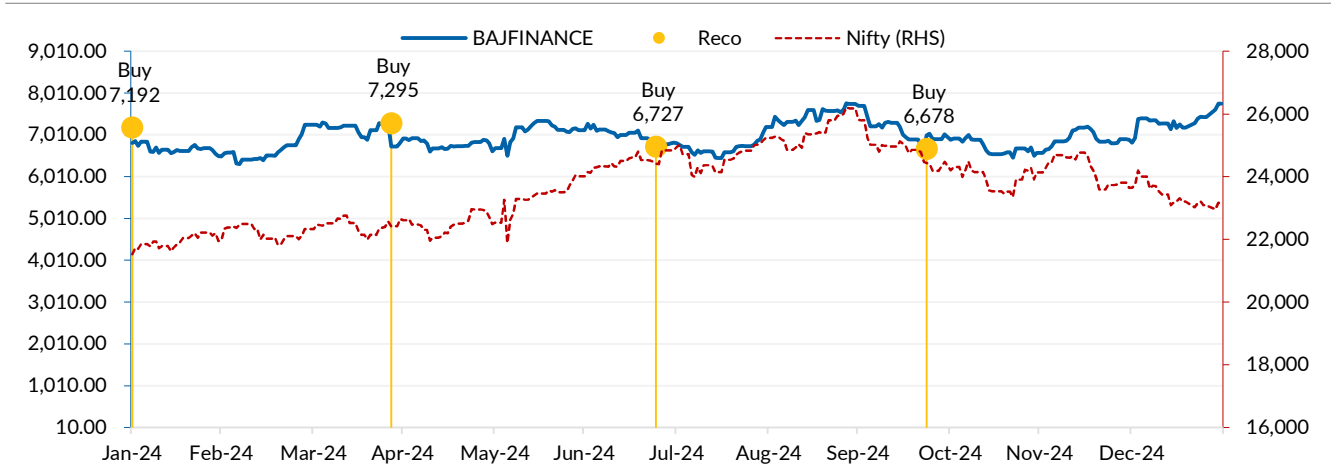
Source: Company, YES Sec

Exhibit 12: Growth and Ratio matrix

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Net interest income	31.8	25.7	25.0	24.4	23.2
Total op income	31.7	25.7	25.0	24.4	23.2
Op profit (pre-provision)	30.8	27.9	26.6	25.1	23.8
Net profit	63.7	25.5	16.6	27.3	26.1
Advances	26.6	34.7	27.5	26.0	24.0
Total Borrowings	28.0	35.6	27.0	27.5	24.5
Total assets	29.5	36.5	24.1	25.0	23.4
Profitability Ratios (%)					
NIM	13.0	12.5	12.0	11.8	11.7
Return on Avg. Equity	23.5	22.1	20.1	21.3	22.1
Return on Avg. Assets	4.7	4.4	4.0	4.1	4.1
Per share ratios (Rs)					
EPS	190.4	233.8	272.5	346.8	437.2
Adj. BVPS	885.6	1,221.2	1,447.3	1,746.6	2,135.2
DPS	30.0	36.0	35.0	35.0	35.0
Other key ratios (%)					
Cost/Income	35.1	34.0	33.2	32.8	32.5
Tier-I capital	23.2	21.5	20.0	19.2	18.9
Gross NPLs/Loans	0.9	0.9	0.9	0.9	0.9
Credit Cost	1.4	1.6	2.1	1.9	1.8
Net NPLs/Net loans	0.3	0.4	0.4	0.4	0.4
Tax rate	25.9	25.2	25.4	25.4	25.4
Dividend yield	0.4	0.5	0.5	0.5	0.5

Source: Company, YES Sec

Recommendation Tracker



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Analyst signature

Analyst signature

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