

About the Company

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising of loans for two-wheelers, consumer durables, housing, and small businesses among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3+ Lc distribution points and caters to a customer base of 100+ Mn as on Mar'25.

Investment Rationale

- **NIMs to find support in the rate cut cycle:** The company has moderated pricing in certain unsecured products which impacted yields. Thus, NIMs contraction in FY25 was sharper than anticipated (49bps vs management's initial guidance of 30-35bps). In the current rate cut cycle, BAF expects CoF to gradually decline by 10-15bps over FY26 (assuming 3 rate cuts) and settle at 7.75-7.85% in FY26. This decline factors in the lag in the downward repricing of long tenor loans and ~75% of borrowings, which are fixed-rate. However, bank borrowings would be repriced faster, and the company has already seen a decline in NCD/CP rates. **However, with the mega rate cut of 50bps in the Jun'25 MPC meeting, we expect BAF's NIMs to move with a positive bias. Thus, BAF remains well-placed to navigate the rate cut cycle despite the pricing pressure in certain products and protect NIMs with a scope to improve margins over the medium term.**
- **Rajeev Jain's continuation ensures seamless strategy implementation:** Mr Rajeev Jain's continuation with BAF in the capacity of Vice Chairman addresses leadership continuity issues and ensures the seamless execution of the strategy. Additionally, in order to prepare the company to achieve its long-term growth objectives, the Board of Directors approved senior management portfolio changes, with (a) Manish Jain, President of B2B and FD business being promoted to Deputy CEO, (b) Sidhant Dadwal, President of the B2C and SME business, being promoted to Deputy CEO and (c) Harjeet Toor, President of Bharat Lending, MFI and Strategic Partnerships being promoted to Deputy CEO.
- **Asset Quality is certain segments on the mend; Credit costs to moderate:** Credit costs are expected to moderate as the captive 2/3-Wheeler financing business continues to wind down. The asset quality outlook in the rural B2C business continues to improve, and credit costs are expected to remain under control. Furthermore, the newer vintage in both the rural B2C and open architecture 2-Wheeler business continues to behave well and can be credited to the credit filter tightening and a conscious growth slowdown in these segments.
- **Growth buoyancy to continue:** AUM growth will be driven across segments with strong contribution from the core businesses and a gradual ramp-up in the newer secured businesses. The gold and new car loans business continues to see strong traction, albeit on a lower base. Moreover, the concerns around the rural B2C business continue to fade, and the management remains optimistic that growth will bounce back in this portfolio from FY26 onwards. BAF remains well-poised to deliver AUM growth of ~25% CAGR over FY25-27E while prioritising asset quality.

Valuation & Recommendation:

We expect BAF to deliver a strong AUM/NII/Earnings growth of 25/26/25% CAGR over the medium term, driven by (i) Steady-to-marginally improving NIMs, (ii) Operating leverage driving cost ratio improvement, and (iii) Positive outlook on asset quality, keeping credit costs under control. We expect BAF to deliver a RoA/RoE of 4.5-4.6%/19-21%, broadly in-line with the management's long-term guidance. **We recommend a BUY on the stock with a target price of Rs 10,225/share, implying an upside 10% from the CMP.**

Financial Summary

Y/E March	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	RoA (%)	NNPA (%)
FY24	29,582	23,933	14,452	233.8	1,222.7	7.6	5.0	0.3
FY25	36,393	30,028	16,779	270.3	1,527.9	6.1	4.5	0.4
FY26E	45,684	37,313	20,902	336.7	1,798.2	5.2	4.5	0.6
FY27E	57,504	46,550	26,055	419.7	2,142.4	4.3	4.5	0.6

Duration: 3-6 Months

CMP (Rs)	9,295
Target Price (Rs)	10,225
Upside (%)	10%

| Why Bajaj Finance Ltd?

- ✓ **Beneficiary of Rate Cut Cycle**
- ✓ **Strong AUM Growth Prospects**
- ✓ **Strong Asset Quality Metrics**
- ✓ **Healthy RoA Profile**

| Key risks

- ✓ **Asset Quality concerns from New Products**
- ✓ **Slower AUM growth**

MARKET DATA

No. of Shares	62.2
Market Cap	5,77,492
52-week High / Low	9,710/6,426
BSE Code	500034
NSE Code	BAJFINANCE

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| OBJECTIVE



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| Axis PUNCH is strong research based idea based on



Events Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyze changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
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- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimize returns over 3 to 6 months.

| Why to choose Axis PUNCH



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