

**Price:** 8,416

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 13-Mar-2025

Bajaj Finance Limited has showcased a strong quarter with a 28% increase in assets under management, reaching INR 398,000 crores. The company added 5 million new customers, aiming to surpass 100 million by fiscal year-end. Strategic initiatives like BFL 3.0 focus on AI and operational efficiency. Partnerships, such as with Bharti Airtel, and expansion in gold loans highlight diversification. The company targets 25% balance sheet growth, maintaining credit costs below 2%.

| Sales              |          | Profit & Loss             |          | Profitability Matrix    |           |
|--------------------|----------|---------------------------|----------|-------------------------|-----------|
| Current Year       | 66151 Cr | Operating Profit(Year)    | 45746 Cr | Operating Profit Margin | 69.2 %    |
| Previous Year      | 41411 Cr | Operating Profit(Quarter) | 12344 Cr | EBITDA Margin           | 58.79 %   |
| Current Quarter    | 18035 Cr | PAT (Year)                | 14460 Cr | Net Profit Margin       | 26.3 %    |
| Previous Quarter   | 17091 Cr | PAT (Quarter)             | 4247 Cr  | EPS                     | 258       |
| Revenue (QYoY)     | 14164 Cr |                           |          |                         |           |
| Valuation Matrix   |          | Growth(YoY)               |          | Growth(QoQ)             |           |
| Trailing P/E       | 32.7     | Sales Growth              | 28.7 %   | Sales Growth            | 5.52 %    |
| PEG Ratio          | 1.11     | PAT Growth                | 25.54 %  | Sales Growth QYoY       | 27.33 %   |
| EV/EBITDA          | 18.2     | EPS Growth                | 10.73 %  | PAT Growth              | 6.17 %    |
| P/B                | 6.03     | Dividend Yield            | 0.42     | PAT Growth QYoY         | 16.71 %   |
| Capital Allocation |          | Holdings                  |          | Leverage                |           |
| RoE                | 22.1 %   | Promoter                  | 54.7 %   | Debt/Equity             | 3.74      |
| RoA                | 4.44 %   | FII                       | 20.8 %   | Debt                    | 324218 Cr |
| RoCE               | 11.9 %   | DII                       | 15.1 %   | Market Cap              | 521687 Cr |
| RoIC               | 11.9 %   | Public                    | 9.32 %   | Enterprise value        | 833545 Cr |
|                    |          | No of Shares              | 62.0 Cr  | Cash Equivalents        | 12360 Cr  |

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Bajaj Finance Limited's recent meeting highlighted a robust quarter with significant growth in assets under management (AUM), reaching INR 398,000 crores, marking a 28% year-on-year increase. The company achieved its highest ever AUM growth of INR 24,119 crores and booked 12 million new loans, adding 5 million new customers, bringing the total customer base to 97.12 million. The company is on track to surpass 100 million customers by the end of the fiscal year. The strategic initiative, BFL 3.0, was unveiled, marking a new phase of transformation aimed at enhancing operational efficiencies and leveraging AI capabilities to boost productivity. The company also reported a steady Return on Assets (ROA) and an 18% growth in Profit Before Tax (PBT) to INR 5,765 crores.

The company is actively pursuing diversification and strategic partnerships, notably with Bharti Airtel, which is expected to be a significant growth driver in the medium term. This partnership aims to create a comprehensive and compliant model that benefits both parties. Additionally, Bajaj Finance is expanding its gold loan business, having crossed 1,000 branches, focusing on Tier 3 and Tier 4 cities to leverage cost advantages. The company has also discontinued incremental sourcing of co-branded credit cards with RBL Bank and DBS, although existing cardholders remain unaffected. This strategic shift allows Bajaj Finance to focus on more profitable ventures while maintaining revenue streams from existing arrangements.

Looking ahead, Bajaj Finance is poised for continued growth, with plans to maintain a 25% balance sheet growth and a 22-23% profit growth corridor. The company is confident in its ability to manage credit costs below 2%, provided the external environment remains stable. The focus remains on optimizing operating expenses and enhancing credit risk management to sustain profitability. The company is also committed to maintaining its competitive edge through technological advancements and strategic market positioning.

While the company has demonstrated strong performance, there are areas for improvement. The management acknowledges the need to further stabilize credit costs and enhance collection efficiencies, particularly in the Urban B2C segment. The company is also focused on refining its debt management strategies to ensure sustainable growth. Overall, Bajaj Finance's strategic initiatives and robust financial performance position it well for future growth, though careful monitoring of external economic conditions and internal operational efficiencies will be crucial.

BAJFINANCE Daily Closing One Year Price Chart



| Name            | Mar Cap (Rs. Cr.) | P/E   | ROE    | Sales(G) QoQ | Sales(G) QYoY | PAT(G) QoQ | PAT(G) QYoY |
|-----------------|-------------------|-------|--------|--------------|---------------|------------|-------------|
| Muthoot Finance | 87984.80          | 18.51 | 17.86% | 7.43%        | 39.64%        | 8.95%      | 32.69%      |
| Bajaj Finance   | 521686.82         | 32.67 | 22.07% | 5.52%        | 27.33%        | 6.17%      | 16.70%      |
| Bajaj Finserv   | 288117.70         | 33.61 | 15.28% | -4.93%       | 10.34%        | 6.90%      | 3.40%       |
| Jio Financial   | 142281.77         | 88.52 | 1.27%  | -36.79%      | 5.98%         | -57.22%    | 0.33%       |
| Bajaj Holdings  | 126723.13         | 16.90 | 14.77% | -54.73%      | 16.92%        | 21.72%     | 6.32%       |

| Aspect               | Commentary  |
|----------------------|---|
| Revenue              | The company experienced a robust revenue increase, with a significant year-over-year growth. This indicates strong market demand and effective sales strategies, contributing to the company's financial health and potential for future expansion. |
| Profit & Loss        | The profit and loss statement reflects a healthy operating profit and net profit, showcasing efficient cost management and revenue generation. This financial stability supports the company's ability to reinvest in growth opportunities.         |
| Profitability Matrix | High operating and net profit margins indicate strong profitability, suggesting effective cost control and pricing strategies. The company's ability to maintain these margins is crucial for sustaining long-term financial health.                |
| Valuation Matrix     | The valuation metrics, including P/E and PEG ratios, suggest the company is valued fairly in the market. These indicators reflect investor confidence and the company's growth potential, aligning with industry standards.                         |
| Growth (YoY)         | Year-over-year growth metrics highlight significant sales and profit increases, demonstrating the company's successful expansion strategies and market penetration. This growth trajectory is a positive indicator for future performance.          |
| Growth (QoQ)         | Quarter-over-quarter growth shows consistent improvement, reflecting the company's ability to adapt and thrive in changing market conditions. This steady growth underscores the effectiveness of its operational strategies.                       |
| Capital Allocation   | The company's capital allocation metrics, such as RoE and RoA, indicate efficient use of resources to generate returns. This efficiency is vital for sustaining growth and providing value to shareholders.   |
| Holdings             | The distribution of holdings shows a balanced mix of promoter, institutional, and public ownership, suggesting a stable investor base. This diversity in holdings can provide resilience against market volatility.                                 |
| Leverage             | The leverage metrics indicate a high debt-to-equity ratio, which could pose risks if not managed carefully. However, the company's strong market cap and enterprise value suggest it has the capacity to manage its debt obligations.               |

**Analyst viewpoint:** Bajaj Finance Limited continues to impress with its robust financial performance, highlighted by a 28% growth in assets under management and a commendable 25% YoY increase in profitability, supported by strategic initiatives like BFL 3.0. The company's effective capital allocation is evident in its attractive RoE of 22.1%, despite a high debt-to-equity ratio, reflecting efficient resource utilization. Its partnerships and diversification, including the recent tie-up with Bharti Airtel and expansion into gold loans, showcase a proactive approach to market opportunities, enhancing its competitive edge. The key valuation metrics, such as a P/E ratio of 32.7 and a PEG of 1.11, suggest that the company is well-placed amongst its peers, providing a strong indication of investor confidence and future growth potential.

On a quarter-over-quarter basis, Bajaj Finance's growth metrics further underscore its operational success, backed by a 5.52% increase in sales and a 6.17% rise in profit after tax. The addition of 5 million new customers and the company's aim to exceed a 100 million customer base by the fiscal year-end are testament to its effective market penetration strategies. However, the need to stabilize credit costs and enhance collection efficiencies in the Urban B2C segment presents a manageable yet significant aspect of its operational landscape. While the high debt level is a point for cautious monitoring, the overall outlook remains positive, supported by a strategic focus on technological advancements and efficient operational practices.

Please read detailed disclosure on next page.

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|-----------------------------------|--|
| 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 |

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