

**Price:** 8,598

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

Bajaj Finance Limited (BFL) has launched its BFL 3.0 strategy, aiming to boost operational efficiency and customer reach. With a 28% growth in assets under management, reaching INR 398,000 crores, and an 18% increase in profit after tax to INR 4,308 crores, BFL is nearing 100 million customers. Strategic moves include a partnership with Bharti Airtel and expanding gold loan branches. Despite strong performance, BFL focuses on improving credit management and operational efficiency.

Sales		Profit & Loss		Profitability Matrix	
Current Year	56343 Cr	Operating Profit (Year)	36909 Cr	Operating Profit Margin	65.5 %
Previous Year	35684 Cr	Operating Profit (Quarter)	9937 Cr	EBITDA Margin	56.26 %
Current Quarter	15371 Cr	PAT (Year)	12653 Cr	Net Profit Margin	27.0 %
Previous Quarter	14488 Cr	PAT (Quarter)	3706 Cr	EPS	260
Revenue (QYoY)	12103 Cr				
Valuation Matrix		Growth (YoY)		Growth (QoQ)	
Trailing P/E	37.7	Sales Growth	28.4 %	Sales Growth	6.09 %
PEG Ratio	1.42	PAT Growth	22.86 %	Sales Growth QYoY	27.0 %
EV/EBITDA	20.8	EPS Growth	27.45 %	PAT Growth	2.15 %
P/B	6.72	Dividend Yield	0.42	PAT Growth QYoY	16.65 %
Capital Allocation		Holdings		Leverage	
RoE	20.5 %	Promoter	54.7 %	Debt/Equity	3.09
RoA	4.93 %	FII	20.8 %	Debt	244708 Cr
RoCE	12.3 %	DII	15.1 %	Market Cap	533058 Cr
RoIC	12.3 %	Public	9.32 %	Enterprise value	768277 Cr
		No of Shares	62.0 Cr	Cash Equivalents	9489 Cr

source : Company filings

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

Bajaj Finance Limited (BFL) has unveiled its long-range strategy, BFL 3.0, marking a new phase of transformation. This strategy is designed to enhance the company's operational efficiency and customer reach. The company reported an impressive annual growth in assets under management (AUM) of 28%, reaching INR 398,000 crores. The profit before tax (PBT) grew by 18% to INR 5,765 crores, while the profit after tax (PAT) also increased by 18% to INR 4,308 crores. The company is on track to cross a significant milestone of 100 million customers, with a current customer base of 97.12 million. The strategic focus on optimizing operating expenses and implementing AI capabilities is expected to further improve productivity and efficiency.

BFL's new initiatives include a strategic partnership with Bharti Airtel, which is expected to be a significant growth driver. This partnership aims to launch nine products on the Airtel Thanks app by March 2025, with a five-year vision and roadmap in place. Additionally, BFL has decided to discontinue the co-branded credit card business with RBL Bank and DBS, focusing instead on earning distribution fees and revenue share under the existing co-brand arrangement. The company is also expanding its gold loan branches, which have crossed 1,000, and is focusing on Tier 3 and Tier 4 markets to maintain a competitive edge.

The company's future growth and scaling perspectives are promising, with plans to grow the balance sheet by 25% and maintain credit costs below 2%. BFL aims to deliver a profit growth corridor of 22% to 23% in the next fiscal year. The company is well-positioned to capitalize on opportunities in the Indian credit market, with a strong capital base, talent, and distribution network. The management is confident that if credit costs remain under control, growth could accelerate further. The focus on maintaining a balance between growth, margin, and risk is central to BFL's strategy.

While the company's performance is strong, there are areas for improvement. The net non-performing assets (NPA) have increased to 48 basis points from 37 basis points last year, indicating room for better credit management. The company has been proactive in pruning high-risk segments and reducing exposure to unsecured loans. The management acknowledges the need for continued vigilance in credit cost management and is committed to further enhancing operational efficiencies. Overall, BFL's strategic initiatives and growth plans position it well for future success, but maintaining a focus on risk management and operational efficiency 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	95178.81	20.04	17.86%	7.43%	39.64%	8.95%	32.69%
Bajaj Finance	533057.80	37.71	20.49%	6.09%	27.00%	2.16%	16.63%
Bajaj Finserv	307851.63	35.90	15.28%	-4.93%	10.34%	6.90%	3.40%
Jio Financial	146366.85	91.08	1.27%	-36.79%	5.98%	-57.22%	0.33%
Bajaj Holdings	128088.70	17.05	14.77%	-54.73%	16.92%	21.72%	6.32%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant year-over-year increase, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding customer base.
Profit & Loss	Operating profit and PAT figures demonstrate solid profitability, with year-over-year growth indicating efficient cost management and revenue generation. The quarterly figures support a consistent performance, highlighting the company's ability to maintain profitability.
Profitability Matrix	High operating and EBITDA margins reflect strong operational efficiency and cost control. The net profit margin indicates effective management of expenses relative to revenue, while a healthy EPS suggests good returns for shareholders.
Valuation Matrix	The valuation metrics, including P/E and PEG ratios, suggest the company is valued fairly relative to its earnings growth. The EV/EBITDA and P/B ratios indicate a strong market position, with investors showing confidence in future performance.
Growth (YoY)	Year-over-year growth in sales, PAT, and EPS underscores the company's successful expansion and profitability strategies. The dividend yield, though modest, indicates a commitment to returning value to shareholders while reinvesting for growth.
Growth (QoQ)	Quarter-over-quarter growth in sales and PAT reflects the company's ability to sustain momentum and adapt to market conditions. The QYoY figures further emphasize consistent performance, supporting a positive outlook for future quarters.
Capital Allocation	The return metrics, including RoE, RoA, and RoCE, highlight effective capital utilization and investment strategies. The company's focus on maintaining a balanced approach to growth and returns is evident in these strong performance indicators.
Holdings	The promoter holding indicates strong confidence in the company's prospects, while significant FII and DII participation reflects broad investor interest. The public holding suggests a well-distributed ownership structure, supporting market stability.
Leverage	The debt/equity ratio indicates a high level of leverage, which could pose risks if not managed carefully. However, the substantial market cap and enterprise value suggest the company has a strong financial base to support its debt obligations.

**Analyst viewpoint:** Bajaj Finance Limited has demonstrated impressive operational growth, evidenced by a 6.09% increase in quarterly sales and a robust 27% annual growth. The strategic expansion of assets under management, which soared by 28%, underscores the company's adept market positioning and dynamic approach. The recent partnership with Bharti Airtel signifies a forward-thinking trajectory, aiming to leverage digital platforms for a broader customer outreach and product integration. Their exceptional profit metrics, with a profit after tax growth of 2.15% quarterly and 16.65% annually, coupled with solid operating profit margins, highlight efficient operational management and the company's commitment to delivering sustained investor returns.

Meanwhile, Bajaj Finance remains competitively positioned within its sector. The firm's valuation metrics reflect investor confidence, with a trailing P/E ratio of 37.7, suggesting expectations of continued earnings growth. However, the slight uptick in net non-performing assets is an area that management acknowledges and is addressing with enhanced credit risk strategies. Maintaining this balance between growth and risk management is crucial as the company charts a path to substantial fiscal achievements. Despite this minor challenge, Bajaj Finance's strategic initiatives and strong capital foundation position it well for mid-term market leadership.

Please read detailed disclosure on next page.





