


Inline Quarter, Strong RoA Delivery to Continue!
Est. Vs. Actual for Q4FY24: NII – **INLINE**; PPOP – **INLINE**; PAT – **INLINE**
Changes in Estimates post Q4FY24
FY25E/FY26E: NII -1.6%/-2.5%; PPOP -2.0%/-2.6%; PAT -3.0%/-3.7%

Recommendation Rationale

- **Update of progress made w.r.t RBI restrictions** – The new loans booked during Q4FY24 were lower by ~0.8 Mn on account of the restrictions placed by the RBI on sanction and disbursal of loans under 'eCOM' and 'Insta EMI Card'. BAF has made required changes in response to these regulatory restrictions. The company has formally requested the RBI for a review and removal of these restrictions. To ensure compliance in form and spirit, BAF, in addition to digital lending products, has implemented KFS for all lending products effective Mar'24 and made it available in 20 vernacular languages.
- **Asset quality to remain stable** – Apart from the Rural B2C business, all other segments continue to exhibit healthy asset quality. Despite the company making a conscious shift towards the lower-risk lower-yielding segments, the management has guided for credit costs to range between 175-185bps, marginally higher vs. pre-COVID levels. This slight increase is owing to regulatory changes with respect to the definition of NPA. Additionally, BAF has accelerated its write-off policy to maintain lower risk on the balance sheet. This has led to an added impact of 10-12bps on credit costs.

Sector Outlook: Positive

Company Guidance: BAF expects to maintain its growth momentum as it enters FY25 and targets to add 12-14 Mn new customers during the year. Supported by newly launched secured businesses such as LAP, New car financing and tractor finance, BAF is aiming at delivering AUM growth of 25-28% in FY25E. Pivot towards lower-yielding secured businesses (likely to stabilise by Sep'24) along with continued pressure on CoF will continue to weigh on margins in H1FY25. The management expects CoF to peak out in Jul-Aug'24 and margins to contract by ~30-40bps in H1FY25. The C-I ratio is expected to improve by 20-40bps. Margins pressures will weigh on RoA, which are expected to be between 4.6-4.8%. Asset quality is likely to remain stable with GNPA contained at sub-1%.

Current Valuation: 5.3x Sep'25E ABV Earlier Valuation: 5.3x Sep'25E ABV
Current TP: Rs 8,600/share Earlier TP: Rs 8,810/share
Recommendation: We maintain our **BUY** recommendation on the stock.

Alternate BUY recommendations under our Coverage

MAS Financial Services (TP – Rs 380/share)

Financial Performance:

- **Healthy operating metrics:** BAF added 3.23 Mn customers (+5/-16% YoY/QoQ) during the qtr. vs 3.1/3.9 Mn customer YoY/QoQ, taking the total customer base to 83.64 Mn customers (+21/4% YoY/QoQ). The company booked ~7.9 Mn loans during the qtr. (+4/-20% YoY/QoQ). The new loans booked during the quarter were lower by approximately 0.8 Mn on account of the restrictions placed by the RBI, on sanction and disbursal of loans under 'eCOM' and 'Insta EMI Card'.
- **Encouraging operational performance:** NII grew by 28/5% YoY/QoQ, largely in line with our expectation, aided by AUM growth of 34/6% YoY/QoQ while margins (calc. on AAUM) contracted by ~19bps QoQ. Non-interest income grew by 12/4% YoY/QoQ, with healthy growth in fee income (~1.7% of Avg. AUM, growing at +16/3% YoY/QoQ). Opex grew by 25/5% YoY and C-I Ratio stood flat QoQ at ~34% QoQ. PPOP grew by 25/4% YoY/QoQ. Credit costs remained steady at 1.63% vs 1.66% QoQ. Earnings growth was at 21/5% YoY/QoQ.
- **Asset Quality Steady:** GNPA/NNPA stood at 0.85/0.37% vs 0.95/0.37% QoQ. PCR stood at 57%. Most segment ex-Rural B2C continue to report healthy asset quality trends. Hence, the management has continued to adopt a cautious approach in growing the Rural B2C book.

Outlook:

The execution of the LRS continues to progress well in terms of both maintaining AUM growth or growing the customer franchise. The company remains confident of delivering yet another strong performance in FY25 across most metrics. While margin pressures will persist in the near term owing to CoF pressures and the shift in the portfolio composition towards secured products. Despite NIM pressures, we expect BAF to deliver RoA/RoR of 4.6-4.7%/20-21% over FY25-26E. Factoring in lower NIMs we trim our NII/Earnings estimates by 2-3% each over FY25-26E.

Valuation & Recommendation:

We maintain our **BUY** recommendation on the stock. BAF currently trades at 4.5x Sep'25E ABV. We value the stock at 5.3x Sep'25E ABV and arrive at a target price of Rs 8,600/share, implying an upside of 18% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	8,013	+4.7	+28.1	8,110	-1.2
PPOP	6,412	+4.4	+25.3	6,499	-1.3
Net Profit	3,825	+5.1	+21.2	3,813	+0.3
NNPA (%)	0.4	+3 bps	+3 bps	0.4	-2 bps
RoAAUM (calc. %)	4.8	-7 bps	-51 bps	4.8	-

Source: Company, Axis Research

(CMP as of 25 Apr, 2024)

CMP (Rs)	7,294
Upside /Downside (%)	18%
High/Low (Rs)	8,190/5,933
Market cap (Cr)	4,52,200
Avg. daily vol. (6m) Shrs.	12,58,711
No. of shares (Cr)	60.5

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	55.9	54.8	54.6
FIIIs	20.4	20.9	20.6
MFs / UTI	9.1	9.8	9.6
Others	14.6	14.5	15.2

Financial & Valuations

Y/E Mar (Rs Cr)	FY24P	FY25E	FY26E
NII	29,582	37,101	46,576
PPOP	23,933	29,843	37,380
Net Profit	14,451	17,492	21,853
EPS (Rs)	233.8	283.0	353.6
P/E (x)	31.2	25.8	20.6
P/ABV (x)	6.0	5.0	4.1
RoA (%)	4.4	4.1	4.1
NNPA (%)	0.4	0.4	0.4

Change in Estimates (%)

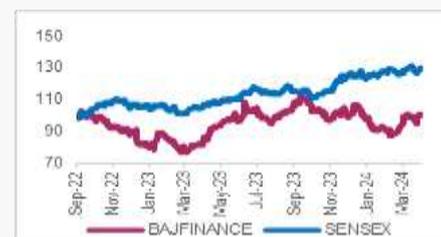
Y/E Mar	FY25E	FY26E
NII	-1.6	-2.5
PPOP	-2.0	-2.6
PAT	-3.0	-3.7

ESG disclosure Score**

Environmental Disclosure	2.1
Social Disclosure Score	24.2
Governance Disclosure Score	83.6
Total ESG Disclosure Score	36.7
Sector Average	37.3

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative Performance


Source: AceEquity, Axis Securities

Dnyanada Vaidya

Research Analyst

Email: dnyanada.vaidya@axissecurities.in

Prathamesh Sawant, CFA

Research Analyst

Email: Prathamesh.sawant@axissecurities.in

Key Highlights

- Update on Potential Listing of BHFL (Housing Subsidiary)** – Given that Bajaj Housing Finance Ltd. (BHFL) is classified as an Upper-level NBFC, it is mandatory for the company to be listed by Sep'25. Thus, the management has constituted a committee to evaluate the process of listing. Focus for the company will remain on improving RoE and the company is likely to deliver a sustainable RoE of 14-15%. The management has stated that there will be no business segment overlap between BAF and BHFL, except for LAP. While BAF's SME lending may require the company to offer LAP loans as a by-product, the company will end up competing with BHFL on a client basis rather than a structural basis.

Key Risks to our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit growth could potentially derail our earnings estimates. The scalability of new products also remains a key monitorable.
- Another risk could potentially emerge from customer behaviour amongst the new-to-franchise customers impacting the earnings of BAF.

Change in Estimates

	Revised		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	37,101	46,576	37,688	47,786	-1.6	-2.5
PBP	29,843	37,380	30,459	38,389	-2.0	-2.6
Provisions	6,479	8,191	6,366	8,057	1.8	1.7
PAT	17,492	21,853	18,025	22,692	-3.0	-3.7

Source: Company, Axis Securities

Results Review

	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Interest Earned	13,230	9,847	34.4	12,523	5.6	48,309	35,549	35.9
Interest Expense	5,217	3,592	45.2	4,868	7.2	18,725	12,560	49.1
Net Interest Income	8,013	6,255	28.1	7,655	4.7	29,584	22,989	28.7
Non-Interest Income	1,702	1,516	12.2	1,643	3.6	6,672	5,854	14.0
Total Income	9,715	7,771	25.0	9,298	4.5	36,256	28,843	25.7
Operating expenses	3,303	2,652	24.5	3,156	4.7	12,323	10,129	21.7
<i>Staff Cost</i>	<i>1,650</i>	<i>1,341</i>	<i>23.0</i>	<i>1,662</i>	<i>-0.7</i>	<i>6,396</i>	<i>5,050</i>	<i>26.7</i>
Pre provision profits	6,412	5,119	25.3	6,142	4.4	23,933	18,714	27.9
Provisions and contingencies	1,310	859	52.4	1,248	4.9	4,631	3,190	45.2
PBT	5,102	4,260	19.8	4,894	4.3	19,302	15,525	24.3
Provision for Tax	1,281	1,103	16.1	1,257	1.9	4,858	4,020	20.9
PAT	3,825	3,156	21.2	3,639	5.1	14,451	11,505	25.6
Operational Performance								
AUM	3,30,615	2,47,379	33.6	3,10,969	6.3	3,30,615	2,47,379	33.6
Loans Booked (Mn)	7.9	7.6	3.6	9.9	-20.1	36.2	29.6	3.6
New customer additions (Mn)	3.2	3.1	4.5	3.9	-16.1	14.5	11.5	4.5
Customer Franchise (Mn)	83.6	69.1	21.1	80.4	4.0	83.6	69.1	21.1
Cross-sell franchise (Mn)	50.8	40.6	25.1	49.3	3.0	50.8	40.6	25.1
Asset Quality								
Gross NPA (%)	0.9	0.9	-9bps	1.0	-10bps	0.9	0.9	-9bps
Net NPA (%)	0.4	0.3	3bps	0.3	3bps	0.4	0.3	3bps
PCR (%)	56.5	63.8	-734bps	64.2	-774bps	56.5	63.8	-734bps
Cost-to-Income Ratio								
Cost-to-Income Ratio	34.0	34.1	-13bps	33.9	6bps	35.1	34.6	47bps
Spread Analysis								
Yields on Advances (%)	16.5	16.5	2bps	16.7	-17bps	16.7	16.2	44bps
Yields -incl. fee income (%)	18.1	18.4	-24bps	18.4	-23bps	18.5	18.2	28bps
CoF (%)	7.9	7.5	38bps	7.8	10bps	7.7	7.0	68bps
Spreads (%)	8.6	9.0	-36bps	8.9	-27bps	8.9	9.2	-24bps
NIM (calc. % of AAuM)	10.0	10.5	-47bps	10.2	-19bps	10.2	10.5	-29bps

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss					(Rs Cr)
Y/E March	FY23	FY24P	FY25E	FY26E	
Net Interest Income	22,990	29,582	37,101	46,576	
Non-Interest Income	5,856	6,676	7,855	9,344	
Total Income	28,846	36,258	44,956	55,920	
Operating Expenses	10,130	12,325	15,113	18,540	
Pre-Provision Profits	18,716	23,933	29,843	37,380	
Provisions	3,191	4,638	6,488	8,201	
PBT	15,525	19,294	23,355	29,179	
Tax	4,020	4,858	5,881	7,347	
Profit After Tax	11,508	14,451	17,492	21,853	

Source: Company, Axis Securities

Balance Sheet					(Rs Cr)
Y/E March	FY23	FY24P	FY25E	FY26E	
Equity Share Capital	121	124	124	124	
Reserves & Surplus	54,251	76,572	92,315	1,11,982	
Net Worth	54,372	76,695	92,438	1,12,106	
Borrowings	2,16,690	2,93,346	3,75,376	4,74,968	
-- O/W is Deposits	44,666	60,151	80,350	1,06,417	
Other Liabilities	4,166	5,700	7,207	9,044	
Total Liabilities	2,75,229	3,75,742	4,75,021	5,96,118	
Cash & Bank balances	4,305	10,624	12,244	15,365	
Investments	22,752	30,881	38,090	47,800	
Loans	2,42,269	3,26,293	4,14,645	5,22,024	
Fixed Assets & Others	5,903	7,944	10,043	10,929	
Total Assets	2,75,229	3,75,742	4,75,021	5,96,118	

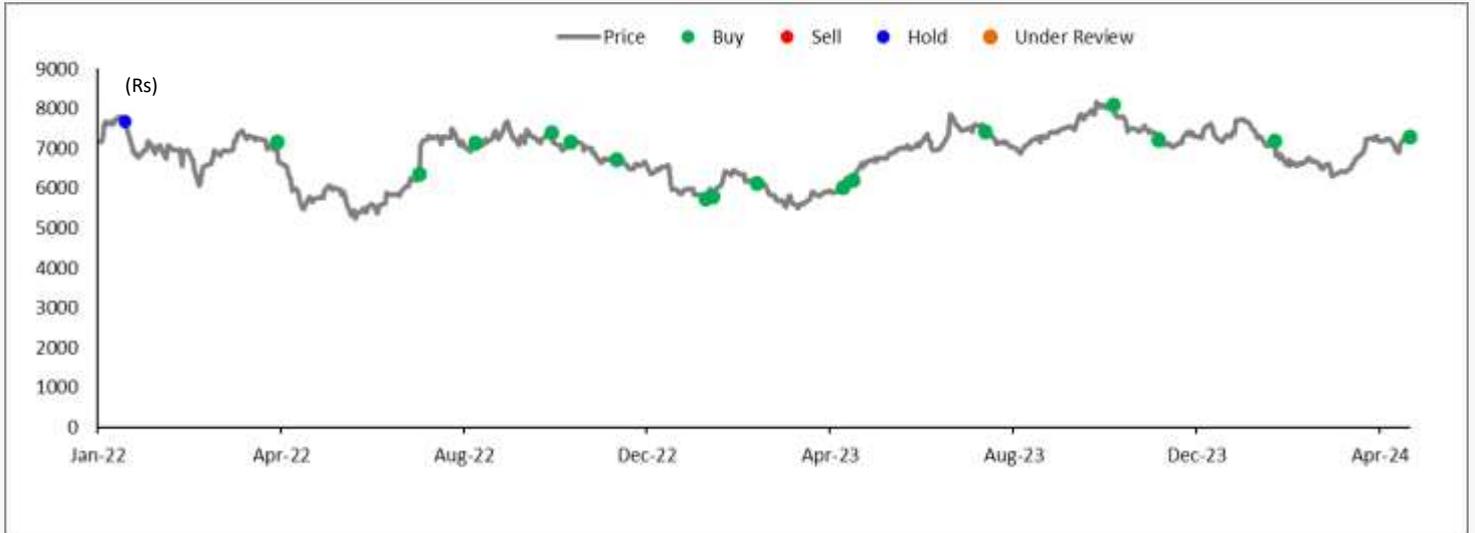
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24P	FY25E	FY26E
VALUATION RATIOS				
EPS	190.4	233.8	283.0	353.6
Earnings Growth (%)	63.4	22.8	21.0	24.9
BVPS	899.5	1,241.0	1,495.8	1,814.0
Adj. BVPS	886.5	1,221.2	1,466.7	1,778.4
RoAA (%)	4.8	4.4	4.1	4.1
ROAE (%)	23.7	22.0	20.7	21.3
P/E (x)	38.3	31.2	25.8	20.6
P/ABV (x)	8.2	6.0	5.0	4.1
Dividend Yield (%)	0.3	0.3	0.4	0.5
PROFITABILITY & OPERATING EFFICIENCY				
NIM – calc. on IEA (%)	9.6	9.3	8.9	8.9
Cost/Avg. Asset Ratio (%)	4.2	3.8	3.6	3.5
Cost-Income Ratio (%)	35.1	34.0	33.6	33.2
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	26.6	34.7	27.1	25.9
Borrowing Growth (%)	31.1	35.4	28.0	26.5
Equity/Loans (%)	22.4	23.5	22.3	21.5
Equity/Assets (%)	19.8	20.4	19.5	18.8
Total Capital Adequacy Ratio (CAR)	25.0	22.5	21.2	19.8
ASSET QUALITY				
Gross NPLs (%)	0.9	0.9	1.0	1.0
Net NPLs (%)	0.3	0.4	0.4	0.4
Coverage Ratio (%)	62.4	55.2	55.0	55.0
Provision/Avg. AUM (%)	1.5	1.6	1.7	1.7
ROAA TREE (on Total Assets)				
Net Interest Income	9.4	9.1	8.7	8.7
Non-Interest Income	2.4	2.1	1.8	1.7
Operating Cost	4.2	3.8	3.6	3.5
Provisions	1.3	1.4	1.5	1.5
Tax	1.6	1.5	1.4	1.4
ROAA	4.8	4.4	4.1	4.1
Leverage (x)	5.0	5.0	5.0	5.2
ROAE	23.7	22.0	20.7	21.3

Source: Company, Axis Securities

Bajaj Finance Price Chart and Recommendation History



Date	Reco	TP	Research
19-Jan-22	HOLD	8,190	Result Update
27-Apr-22	BUY	8,200	Result Update
28-Jul-22	BUY	8,250	Result Update
21-Oct-22	BUY	8,600	Result Update
01-Nov-22	BUY	8,600	Top Picks
01-Dec-22	BUY	8,600	Top Picks
01-Jan-23	BUY	8,600	Top Picks
30-Jan-23	BUY	7,400	Result Update
01-Feb-23	BUY	7,400	Top Picks
01-Mar-23	BUY	7,400	Top Picks
01-Apr-23	BUY	7,400	Top Picks
27-Apr-23	BUY	7,250	Result Update
27-Jul-23	BUY	8,800	Result Update
18-Oct-23	BUY	9,425	Result Update
16-Nov-23	BUY	9,425	Company Update
30-Jan-24	BUY	8,810	Result Update
26-Apr-24	BUY	8,600	Result Update

Source: Axis Securities

About the Analyst**Analyst:** Dnyanada Vaidya**Contact Details:** dnyanada.vaidya@axissecurities.in**Sector:** BFSI**Analyst Bio:** Dnyanada Vaidya is MMS (Finance) with over 6 years of research experience in the Banking/NBFC sector.**About the Analyst****Analyst:** Prathamesh Sawant, CFA**Contact Details:** prathamesh.sawant@axissecurities.in**Sector:** BFSI**Analyst Bio:** Prathamesh Sawant is MBA (Finance) and CFA Charter holder with over 7 years of experience in Equity Research & Valuation.**Disclosures:**

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