Bajaj Finance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BAF IN
Equity Shares (m)	619
M.Cap.(INRb)/(USDb)	4164.1 / 49.8
52-Week Range (INR)	8192 / 6188
1, 6, 12 Rel. Per (%)	-10/-20/-35
12M Avg Val (INR M)	8466

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Net Income	363	447	562
PPP	239	298	380
PAT	144	171	223
EPS (INR)	234	275	359
EPS Gr. (%)	23	18	30
BV/Sh. (INR)	1,240	1,491	1,803
Ratios			
NIM (%)	10.4	9.8	9.9
C/I ratio (%)	34.0	33.5	32.4
RoA (%)	4.4	4.0	4.2
RoE (%)	22.0	20.2	21.8
Payout (%)	15.4	14.8	13.1
Valuations			
P/E (x)	28.8	24.4	18.7
P/BV (x)	5.4	4.5	3.7
Div. Yield (%)	0.5	0.6	0.7

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	54.7	54.7	55.9
DII	14.3	14.4	12.9
FII	21.2	20.7	20.2
Others	9.8	10.2	11.0

FII Includes depository receipts

CMP: INR6,727 TP: INR7,500 (+11%) Neutral

Navigating stress in B2C; credit costs elevated

Earnings in line; NIM continued to moderate but fee income healthy

- BAF's 1QFY25 reported PAT grew 14% YoY to ~INR39.1b (in line). NII grew 25% YOY to ~INR83.6b (in line). Non-interest income stood at ~INR20.5b (+21% QoQ and +22% YoY) due to the resumption of EMI card sourcing and one-off recovery from written-off pool of loans of INR450m.
- BAF's 1QFY25 NIM contracted ~23bp QoQ to ~9.8%. Out of this, ~13bp was on account of rise in CoF and ~10bp due to change in AUM composition.
- AUM growth in 1Q was supported by mortgages, commercial (ex LAS), SME, and new product segments such as cars and LAP. Higher growth in the secured product segments will likely keep yields under pressure in the near term. The management guided that the change in the AUM mix is expected to stabilize by Oct'24, which will result in stable NIMs. We estimate NIM of 9.9%/10% in FY25/FY26.
- We cut our FY26 PAT estimate by ~3% to factor in higher steady-state normalized credit costs. We estimate a CAGR of ~27%/24% in AUM/PAT over FY24-FY26 and expect BAF to deliver RoA/RoE of ~4.2%/22% in FY26.
- Upside risks: 1) Stronger AUM growth vs. its guidance of ~26-28%; and 2) the situation improving in the B2C business, resulting in lower-than-guided credit costs for FY25.

AUM up ~31% YoY; robust new customer acquisition

- BAF's total customer franchise stood at ~ 88.11m, up ~21% YOY and ~5% QoQ. New customer acquisitions surged to ~4.5m (vs. ~3.8m YoY and ~3.2m QoQ). New loans booked rose ~10% YoY to ~10.97m (vs. ~9.9m in 1QFY24).
- Total AUM grew 31% YoY and ~7% QoQ to INR3.5t. The rural B2C business continued to exhibit muted AUM growth given that BAF has cut business volumes in this segment amid higher delinquencies.

Slippages into Stage 2; credit costs elevated

- BAF's GS3/NS3 remained stable at ~0.85%/0.4%. However, the Stage 3 PCR further declined ~1pp QoQ to ~56%.
- Net credit costs in 1QFY25 stood at ~2pp (PY: ~155bp). Credit costs were elevated primarily due to muted collection efficiencies and ECL provisions for continuing slippages into Stage 2. BAF utilized ~INR1.1b from its macro-economic overlay.
- The management guided for gross credit costs of 1.75-1.85% in FY25. We model net credit costs of 185bp/170bp in FY25E/FY26E.

Highlights from the management commentary

- AUM growth guidance remains unchanged at 26-28% for FY25, but it will remain watchful of high delinquencies in certain segments.
- At the industry level, there has been some moderation in personal loans. ~35-40% of the total lending in the unsecured lending segment is from the PSU banks. BAF has lost some market share in the PL segment (which has declined ~30bp to ~6.7%).