

Bajaj Finance Ltd

Result Update Q3 FY24



BAJAJ FINANCE LIMITED

CMP INR 6866

Result Update Q3 FY24

Bajaj Finance (BAF) reported a mixed performance in the third quarter of fiscal year 2024, with its PAT growing by 22% YoY to approximately INR36.4 billion, in line with expectations. The cumulative PAT for 9M ended FY24 reached around INR106.3 billion, reflecting a robust YoY growth of approximately 27%. Net Interest Income (NII) witnessed a notable 29% YoY increase, amounting to around INR76.5 billion, in line with projections. Non-interest income also grew by 9% YoY, contributing to a 25% YoY growth in Net Total Income (NTI) to approximately INR93 billion.

Despite the positive financial performance, there was a QoQ decline of approximately 25 basis points in the Net Interest Margin (NIM), reaching around 12.4%, with the reported NIM contracting by about 10 basis points. The company anticipates a further NIM compression of around 20 basis points in FY25, attributed to the expected rise in the cost of borrowings and challenges in passing on additional interest rate hikes to customers.

In terms of business metrics, the company reported a 35% YoY growth in AUM, reaching INR3.1 trillion, with strong new customer acquisitions and a total customer franchise expanding by 22% YoY to approximately 80.4 million. Operational expenditure increased by 22% YoY to around INR31.6 billion, maintaining a stable Opex-to-NII ratio of about 34%. The company's focus on digital platforms and technology investments is expected to drive operating leverage in the future years.

While cost ratios remained broadly stable, there was a minor deterioration in asset quality, with GS3/NS3 rising by approximately 5 basis points each QoQ to around 0.95%/0.4%. Despite this, the Stage 3 Provision Coverage Ratio (PCR) declined by around 4 percentage points QoQ to approximately 61%.

Industry NBFC

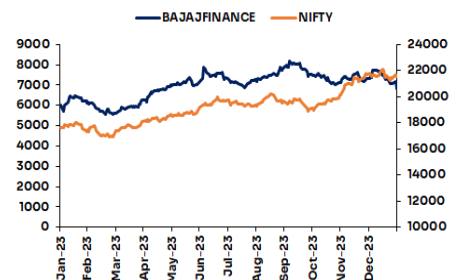
Script Details

Face Value (INR)	1
Market Cap (INR Cr)	1,64,477
Price (INR)	6866
No of Sh O/S (Cr)	1221
3M Avg Vol (000)	32391
52W H/L (INR)	142/102
Div. Yield (%)	2.69

Shareholding (%)

Promoter	33.7
FII	20.0
DII	23.2
Public	22.9
TOTAL	100.0

Price chart



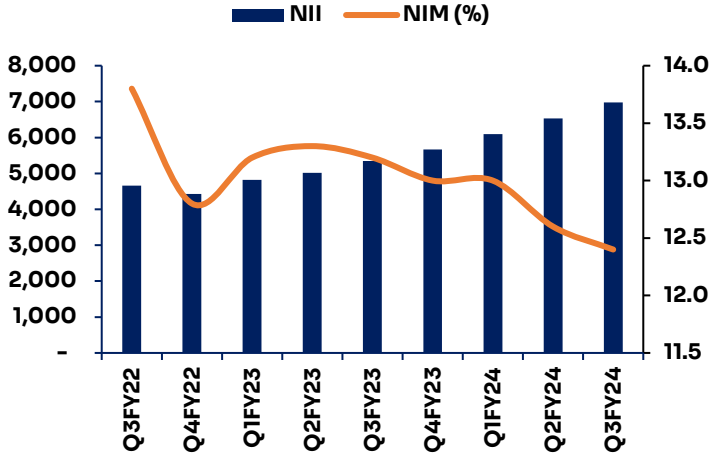
Key Consolidated Financial Data (INR Cr, unless specified)

	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
NII	3407.1	3953.0	4663.0	4429.4	4822.7	5018.0	5347.0	5669.3	6094.0	6532.1	6973.0
NIM (%)	11.5	13.1	13.8	12.8	13.2	13.3	13.2	13.0	13.0	12.6	12.4
PPOP	2872	3223	3903	3720	3924	4040	4351	4633	4994	5248	5539
YoY Growth	1.8	20.8	40.8	-66.4	36.6	25.4	11.5	24.6	27.3	29.9	27.3
Net Profit	843.0	1306.0	1934.0	2268.0	2356.0	2472.0	2624.0	2837.0	2959.0	3106.0	3177
NPM (%)	16.3	22.4	29.1	35.5	34.5	34.2	33.6	34.2	32.5	31.4	30.0

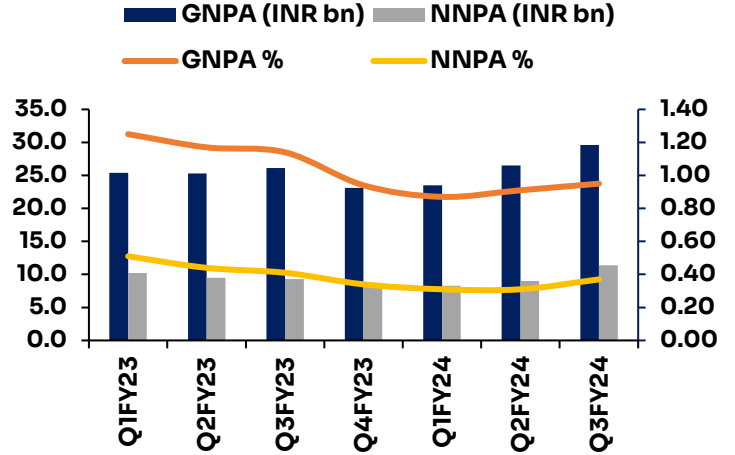
Source: Ventura Research & Company updates

Financial Summary in Charts

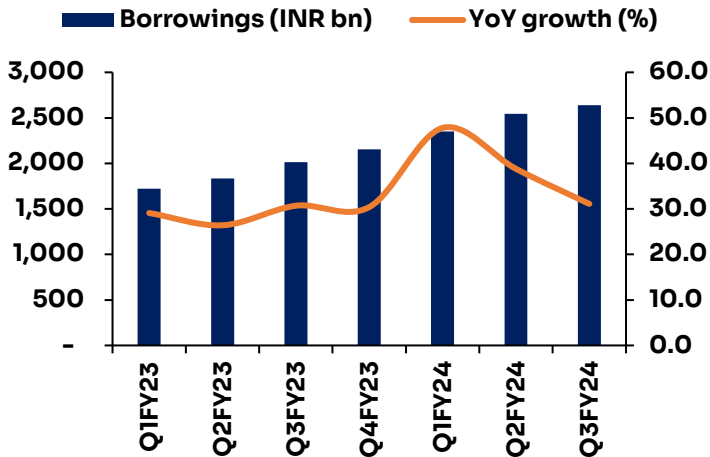
NII AND NIM



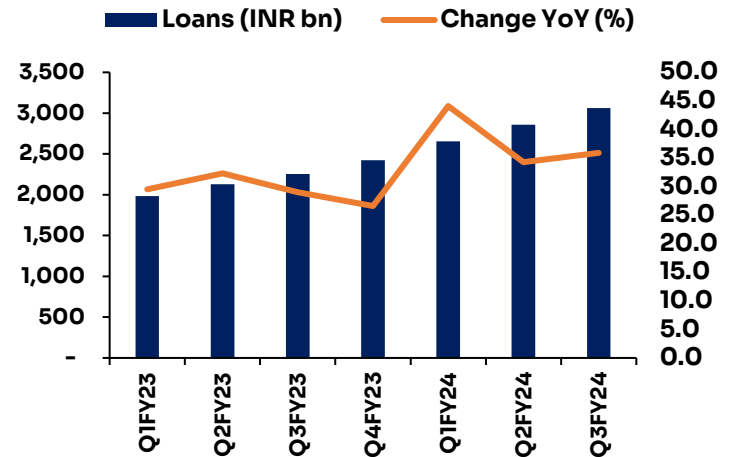
GNPA & NNPA



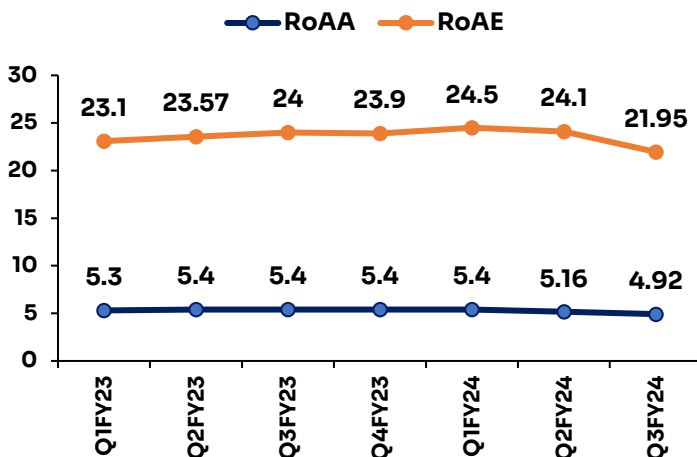
Borrowings



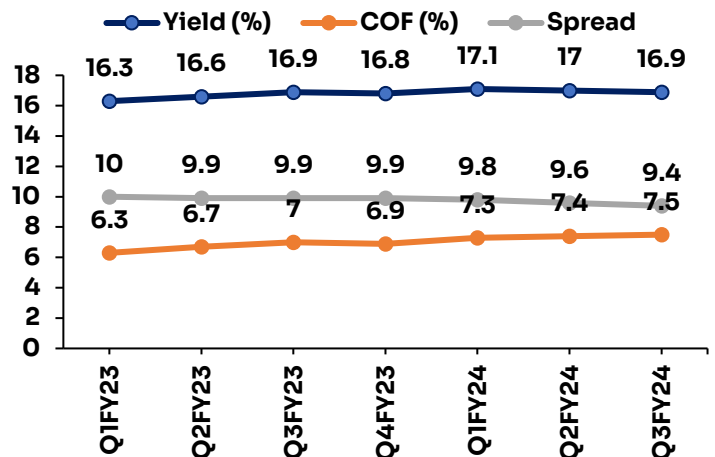
Loans



Return Ratios (%)



Spread



Key Highlights for Q3 FY24

Omnipresence metrics - Strong growth momentum across Geography and Digital metrics

Particulars	Unit	Q3 FY23	Q2 FY24	Q3 FY24	YoY
App business metrics					
EMI cards acquired on App - In the Qtr	# in'000	100	130	89	(11%)
Personal loan disbursed on App - In the Qtr	In ₹ Cr	2,301	2,910	2,861	24%
Credit card acquisition on App - In the Qtr	# in '000	59.2	69.9	59.7	1%
Flexi loan transactions on App - In the Qtr	# in MM	1.48	1.99	2.19	48%
DMS receipts on App - In the Qtr	# in 'MM	0.90	1.10	1.24	38%
Marketplace metrics					
Bajaj Mall visits - In the Qtr*	# in MM	44.2	52.0	46.0	4%
Bajaj Mall loans - In the Qtr *	# in'000	619	589	491	(21%)
Insurance Bazaar policies - In the Qtr	# in '000	153.7	106.0	149.1	(3%)
Investments Bazaar MF A/C - In the Qtr	# in '000	19.5	38.5	55.0	182%
Digital EMI card metrics					
EMI cards acquired digitally - In the Qtr	# in '000	637	678	439	(31%)
EMI cards acquired digitally CIF *	# in MM	3.1	4.2	4.5	45%
B2B loans from digital EMI cards - in the Qtr	# in '000	284	346	281	(1%)

Business Segment Wise Aum Consolidated

Particulars	Consolidated as of 31 Dec 2022	BFL as of 31 Dec 2023	Growth YoY	Composition as of 31 Dec 2023
Two & Three - wheeler Finance	11,786	19,384	64 %	6.2 %
Urban Sales Finance	16,981	24,485	44 %	7.9 %
Urban B2C	47,815	60,093	29 %	19.8 %
Rural Sales Finance	4,415	6,166	40 %	2.0 %
Rural B2C	18,458	21,426	16 %	6.9 %
SME Lending	29,798	41,691	39 %	13.3 %
Loan Against Securities *	13,257	16,038	45 %	6.2 %
Commercial Lending	14,845	20,672	39 %	6.7 %
Mortgages	73,487	22,085	31 %	31.0 %
Total	2,30,842	2,32,040	35 %	100.0 %
Co - brand Credit Card CIF	3.29 MM		21 %	

Concall Highlights

- During Q3, the company experienced the highest-ever addition of new customers, reaching 3.85 million, with an estimated total new customer addition for the fiscal year projected at 13-14 million.
- Bajaj Finance added 158 new locations and 9.5 thousand distribution points in Q3, bringing the total geographic presence to 4,092 locations and over 190,000 active distribution points.
- The company issued warrants and equity shares through preferential allotment and Qualified Institutional Placement (QIP). On January 19, 2024, Bajaj Finance acquired a 26.53% equity stake in Pennant Technologies Private Limited for ₹267.47 crore.
- The company has launched five new product initiatives so far in FY24
- The company has added two new pointers to their business construct namely technology & data first, and customer share. The company is striving for the highest levels of Customer Satisfaction Score and Products Per Customer.
- The RBI has granted one-year renewal to the company on the observed deficiencies in the co-branded credit cards. BAF will work with RBL Bank to get these deficiencies ironed out.
- From experience and new platform launch standpoint the company progressed well in providing similar experience across all its platforms. The company also launched an Auto mall in FY24.
- The company believes that other than Agriculture, BAF will be able to offer all products that are required by Retail and SME customers by FY25.

Valuation

At a TTM EPS of 226.4, BAF is trading at a TTM P/E of 30.4 which is slightly higher as compared to the average industry P/E of 23.4. We expect BAF to grow despite the challenging environment on the back of widespread outreach and growing margin.

Peer comparison

S.No.	Company Name	CMP	Sales (Cr)	EBITDA margin (%)	Market cap (Cr)	RoE (%)	RoIC (%)	P/E (X)	EV/ EBITDA
1	Bajaj Finance Ltd.	6889	14161.1	70.37	425765.4	23.5	12	30.9	18.7
2	Bajaj Finserv Ltd.	1609	26022.7	37.26	256746.1	14.8	11	34.6	14.2
3	Jio Financial Services Ltd.	250.5	413.6	87.6	159149.7		0.4	6330.6	3892.4
4	Cholamandalam Investment & Finance Company Ltd	1239	5007.4	72.05	104034.5	20.4	9.7	32.4	16.7
5	Shriram Finance Ltd.	2471	9300.7	71.36	92829.3	17.3	12	14.0	10.4

Source: Ventura Research & Company reports

Key Management Personnel

Sr. No.	Name	FY22	FY23
1	Mr. Sanjiv Bajaj	Chairman	Chairman
2	Mr. Manish Jain	CEO, Bajaj Financial Securities Ltd	CEO, Bajaj Financial Securities Ltd
3	Mr. Atul Jain	MD	MD, Bajaj Housing Finance Ltd.
4	Mr. Rajeev Jain	MD	MD
5	Mr. Anup Saha	Deputy CEO	ED
6	Mr. Rakesh Bhatt	Deputy CEO	ED
7	Mr. Sandeep Jain	CFO	CFO

Source: Ventura Research & Company reports

Financial Summary for Bajaj Finance

Fig in INR Cr (unless specified)	FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24
Interest Income	20,419	5,171	5,842	6,635	6,383	23,736	6,829	7,227	7,802	8,283	30,141	9,107	9,884	10,591
YoY %						16.2	32.1	23.7	17.6	29.8	27.0	33.4	36.8	35.7
Fees and Commission	2,363	556	915	843	839	2,941	986	1,038	1,069	1,109	4,202	1,284	1,253	1,228
YoY %						24.5	77.3	13.4	26.8	32.1	42.9	30.2	20.7	14.9
Net gain on fair value changes	528	83	52	44	82	261	27	57	77	47	208	45	29	30
YoY %						-50.6	-67.4	9.6	74.3	-42.5	-20.2	65.5	-49.9	-61.0
Sale of services	60	2	3	6	33	43	3	4	6	16	29	6	10	4
YoY %						-27.2	48.7	53.8	-4.2	-50.9	-33.3	91.9	155.5	-33.3
Others	163	104	213	294	280	892	301	280	261	261	1,103	222	233	250
YoY %						447.1	189.3	31.5	-11.4	-6.8	23.7	-26.3	-16.8	-4.2
Interest Expended	7,446	1,764	1,889	1,972	1,954	7,578	2,006	2,209	2,455	2,614	9,285	3,013	3,352	3,618
Net Interest Income	12,973	3,407	3,953	4,663	4,429	16,453	4,823	5,018	5,347	5,669	20,857	6,094	6,532	6,973
NIM %	9.3%	11.5%	13.1%	13.8%	12.8%	10.0%	13.2%	13.3%	13.2%	13.0%	10.3%	13.0%	12.6%	12.4%
YoY %						26.8	41.5	26.9	14.7	28.0	26.8	26.4	30.2	30.4
Net Operating Income	16,086	4,152	5,136	5,851	5,663	20,802	6,142	6,397	6,760	7,104	26,403	7,653	8,057	8,485
YoY %						29.3	47.9	24.6	15.5	25.5	26.9	24.6	25.9	25.5
Employee Cost	2,242	549	848	920	1,217	3,534	1,061	1,129	1,167	1,217	4,574	1,366	1,452	1,527
Other Operating Exp	2,773	731	1,065	1,028	726	3,550	1,157	1,228	1,242	1,254	4,881	1,293	1,357	1,419
Cost to income ratio	31.2%	30.8%	37.2%	33.3%	34.3%	34.1%	36.1%	36.8%	35.6%	34.8%	35.8%	34.7%	34.9%	34.7%
PPOP	11,070	2,872	3,223	3,903	3,720	13,718	3,924	4,040	4,351	4,633	16,948	4,994	5,248	5,539
YoY %						23.9	36.6	25.4	11.5	24.6	23.5	27.3	29.9	27.3
Provisions	5,721	1,724	1,239	995	664	4,622	748	705	811	803	3,067	989	1,059	1,248
PBT	5,363	1,148	1,768	2,610	3,059	8,585	3,176	3,335	3,540	3,830	13,881	4,005	4,189	4,291
YoY %						60.1	176.6	88.6	35.6	25.2	61.7	26.1	25.6	21.2
Taxes	1,407	305	462	676	791	2,234	820	863	916	993	3,592	1,046	1,083	1,114
Tax Rate						26.0%	25.8%	25.9%	25.9%	25.9%	25.9%	26.1%	25.9%	26.0%
PAT	3,955.5	843	1,306	1,934	2,268	6,351	2,356	2,472	2,624	2,837	10,289	2,959	3,106	3,177
PATM %		16.3%	22.4%	29.1%	35.5%	26.8%	34.5%	34.2%	33.6%	34.2%	34.1%	32.5%	31.4%	30.0%
YoY %						60.6	179.5	89.3	35.7	25.1	62.0	25.6	25.6	21.1

Source: Ventura Research & Company Financials

Financial Analysis

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23
Income Statement					Ratio Analysis				
Interest Income	20,668.0	20,419.0	23,736.1	30,141.5	Efficiency Ratio (%)				
Interest Expense	7,857.6	7,446.4	7,578.5	9,284.5	Int Expended / Int Earned	38.0	36.5	31.9	30.8
Net Interest Income	12,810.5	12,972.6	16,157.6	20,857.0	Int Income / Total Funds	49.5	47.4	40.2	45.9
YoY growth (%)	36.2	1.3	24.6	29.1	NII / Total Income	53.7	55.1	58.0	58.4
Non Interest Income	3,166.0	3,127.2	4,143.2	5,547.5	Other Inc. / Total Income	13.3	13.3	14.9	15.5
Total Net Income	15,976.5	16,099.8	20,300.8	26,404.5	Op. Exp. / Total Income	22.5	21.3	25.4	26.5
Total Operating Expenses	5,363.3	5,015.8	7,084.0	9,455.0	Net Profit / Total Funds	11.7	9.2	10.8	15.7
Pre Provision profit	10,613.2	11,084.1	13,216.8	16,949.5	Credit / Deposit	10.2	13.6	15.0	11.2
YoY growth (%)	41.3	4.4	19.2	28.2	Investment / Deposit	307.2	417.4	483.0	373.9
Provisions	3,805.2	5,721.3	4,621.6	3,067.0	NIM	10.3	9.3	10.0	10.3
Profit Before Tax	6,808.1	5,362.9	8,586.4	13,882.5					
YoY growth (%)	12.8	-21.2	60.1	61.7	Solvency				
Taxes	1,927.0	1,407.4	2,235.9	3,592.8	Gross NPA (Rs. Cr)	2,339.3	2,611.7	2,987.1	2,175.5
Net profit	4,881.1	3,955.5	6,350.5	10,289.7	Net NPA (Rs. Cr)	923.1	1,062.0	1,248.0	786.6
YoY growth (%)	25.5	-19.0	60.5	62.0	Gross NPA (%)	1.6	1.8	1.6	0.9
Balance Sheet					Net NPA (%)	0.7	0.8	0.7	0.3
Cash & Bank Balances	679.4	1,385.8	2,900.7	3,319.5	Capital Adequacy Ratio (%)	25.0	28.3	27.2	25.0
Investments	20,139.0	20,169.1	16,371.8	28,737.9	Tier I Capital (%)	21.3	25.1	24.8	23.2
Loan and Advances	1,13,417.1	1,13,089.8	1,44,276.3	1,79,097.1	Tier II Capital (%)	3.7	3.2	2.5	1.8
Other Assets	3,768.2	3,694.2	4,467.8	5,370.2	Per Share Data				
Total Assets	1,38,003.6	1,38,338.9	1,68,016.6	2,16,524.7	EPS	88.0	73.0	116.0	190.0
Debt Securities	41,713.8	43,071.7	59,034.6	65,669.9	Book Value	540.0	616.0	726.0	901.0
Borrowings	36,923.3	27,092.1	29,870.4	47,894.7	Adj Book Value of Share	529.0	602.0	711.0	891.0
Deposits	21,427.1	25,803.4	30,289.1	44,489.8	Valuation Ratio				
Other Liability	6,126.1	6,432.9	6,766.6	6,977.2	Price/Earnings (x)	77.6	93.5	58.8	35.9
Equity	120.0	120.3	120.7	120.9	Price/Book Value (x)	12.6	11.1	9.4	3.0
Reserves	31,693.2	35,818.4	41,935.2	51,372.2	Price/Adj.Book Value (x)	12.9	11.3	9.6	7.7
Share warrant O/s	0.0	0.0	0.0	0.0	Return Ratio				
Total Liabilities	1,38,003.6	1,38,338.9	1,68,016.6	2,16,524.7	RoAA (%)	3.6	2.6	0.5	0.5
Dupont Analysis					RoAE (%)	5.4	11.7	16.3	22.0
% of Average Assets					Growth Ratio (%)				
Net Interest Income	9.2	8.2	9.0	9.3	Interest Income	34.7	-1.2	16.2	27.0
Non Interest Income	2.3	1.9	2.3	2.4	Interest Expenses	32.3	-5.2	1.8	22.5
Net Income	11.5	10.1	11.3	11.7	Other Income	54.2	-1.2	32.5	33.9
Operating Expenses	3.8	3.1	3.9	4.1	Total Income	37.0	-1.2	18.4	28.0
Operating Profit	7.7	7.0	7.4	7.6	Net profit	25.5	-19.0	60.5	62.0
Provisions & Contingencies	2.7	3.5	2.5	1.3	Deposits	62.4	20.4	17.4	46.9
Taxes	0.3	3.3	4.4	5.8	Advances	19.2	-0.3	27.6	24.1
ROAA	3.6	2.6	3.6	4.7					

Source: Ventura Research & Company Financials

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