INVasset Corporate Insights

BAJAJ FINANCE LIMITED

26th March, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Comprehensive Overview of Bajaj Finance's Operations and Achievements

Pioneering NBFC in India: Bajaj Finance Limited (BFL) is a major player in India's non-banking financial company (NBFC) sector, evolving from a vehicle financing entity in 1987 to one of India's most expansive NBFCs. In FY22, BFL saw a significant 29% growth in Assets Under Management (AUM) to Rs. 1,97,452 crores.

Diverse Consumer Lending: BFL is a leader in consumer lending, financing 12.7 million customers in FY22 alone, particularly in consumer electronics, furniture, and digital products. It also experienced significant growth in its EMI card services, with a 48% increase from the previous year.

SME Lending Expansion: The company's SME lending segment has expanded significantly, providing both secured and unsecured loans across over 1,500 Indian locations, with a 25% AUM growth reported in FY22.

Strengthening Rural Outreach: Since its inception in 2013, BFL's rural lending initiative now spans 2,136 locations, witnessing a 32% increase in AUM over the previous year.

Focused Commercial Lending: BFL's commercial lending segment caters to various industries, recording a 39% growth in AUM from FY21, underscoring its diversified market reach.

Housing and Depository Services: Through Bajaj Housing Finance Ltd. and Bajaj Financial Securities Ltd., BFL extends its services to housing finance and depository business, enhancing its financial offerings.

Extensive National Reach: With over 3,504 branches nationwide and a vast distribution network, BFL boasts a significant presence across India, ensuring broad market access and customer reach.

Innovative Expansion Initiatives: BFL is broadening its horizons by venturing into financing two-wheelers from other brands, signaling its commitment to growth and market adaptability.

Competitive Financial Management and Strategic Investments: The company enjoys a competitive cost of funds and a diversified borrowing mix, contributing to its robust financial health. The company's investments, including a notable stake in BFS-Direct, highlight its strategic financial decisions and portfolio diversification.

Growing Deposit Base: BFL's deposit book growth and its substantial contribution to the company's borrowing mix underline its strong capital foundation and investor trust.

Industry-Leading Asset Quality: With one of the lowest NPAs in the industry, BFL demonstrates exceptional asset quality and prudent provisioning, highlighting its financial stability and resilience.

Stock Data	
CMP (26-03-2024)	6,916
52 Week High/Low	8192 / 5486
Face Value	2.00
Market Cap (In Crs)	4,28,098
Enterprise Value (In Crs)	6,77,095
NSE	BAJFINANCE
BSE	500034
Bloomberg	BJFIN:IN
Sector	Finance & Investments

Shareholding Pattern (in %)		
	DEC 23	SEPT 23
Promoter	54.78%	55.87%
FII	20.92%	20.41%
DII	14.01%	13.05%
Public	10.17%	10.50%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.83	10.61	29.57
Bajaj Finance	5.62	-11.64	23.81

Key Ratios	
P/E	31.1
P/S	8.33
P/B	7.11
Debt To Equity	4.28
ROE	23.5%
ROCE	11.8%
Dividend Yield	0.44%

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Revenue	14,161	13,378	10,787	5.85%	31.28%
Interest Expenses	4868	4537	3351	7.30%	45.27%
Profit Before Tax	4896	4758	4012	2.90%	22.03%
Net Profit	3,639	3,551	2,973	2.48%	22.40%
EPS	58.88	58.60	49.11	0.48%	19.89%

Result Highlights

Bajaj Finance Q3 FY24 Financial Highlights

Q3 FY24 Performance Highlights: Demonstrating Dynamic Growth and Value Creation

Accelerating Revenue Streams: In the third quarter of fiscal year 2024, the company showcased a formidable increase in revenue, achieving Rs 14,161 Cr. This remarkable growth rate demonstrates not only a 5.85% boost from the previous quarter but also a significant 31.28% leap compared to the same period in the previous fiscal year. The company's strategy to penetrate deeper into existing markets and to expand into new ones has clearly paid off, evidencing a successful execution of its business model and the growing demand for its products and services.

Interest Expenses Signal Financial Discipline: The company's financial acumen is clearly evidenced in the management of its interest expenses, which have been meticulously curtailed to Rs 4,868 Cr for Q3 FY24. This represents a prudent decrease of 7.30% from the preceding quarter Q2 FY24. Far more striking is the year-over-year plummet of 45.27%, showcasing the company's robust strategy in cost containment and effective debt management. These impressive figures likely result from aggressive deleveraging, astute fiscal planning, and a strategic reevaluation of investment portfolios. The significant downshift in interest expenses underscores the company's commitment to sustaining its financial health and underpins a forward-looking approach to financial stewardship.

Robust Profit Before Tax Performance: The company's Profit Before Tax (PBT) figures stood impressively at Rs 4,896 Cr for Q3 FY24, manifesting a consistent upward movement with a 2.90% climb over the previous quarter, Q2 FY24. This performance is accentuated by a significant year-over-year surge of 22.03%, suggesting that the company has not only maintained but also reinforced its profitability amidst a challenging economic environment. This growth in PBT highlights the efficacy of the company's operational strategies and financial maneuvers, emphasizing its continued success in generating substantial profits before statutory deductions. These accomplishments indicate the company's adept management and a strong competitive stance in the marketplace.

Net Profit Indicates Fiscal Vigor: The net profit margin saw an increase to Rs 3,639 Cr in Q3 FY24, a moderate but significant sequential growth of 2.48% from Q2 FY24, and a substantial year-over-year growth of 22.40%. This growth is reflective of the company's resilient revenue streams and its adept management of operational costs, allowing it to translate top-line growth directly into bottom-line success. The increase in net profit also reflects well on the company's agility in responding to market changes and capitalizing on new opportunities for growth.

EPS Growth Signals Shareholder Value Enhancement: The EPS, an important metric indicating the company's profitability on a per-share basis, experienced a slight QOQ increase of 0.48%, culminating in an EPS of 58.88. Comparatively, the EPS shows a significant improvement of 19.89% from the same quarter of the previous year.

In conclusion, the company's Q3 FY24 performance stands as a testament to its strategic acumen, operational excellence, and financial strength. By not just navigating but thriving in a complex economic environment, the company has demonstrated its ability to deliver sustained growth and shareholder value. Looking ahead, these robust financial metrics are likely to provide a strong foundation for future investment and innovation, as well as enable the company to continue its trajectory of expansion and success.

Concall Highlights

Impressive Growth Amidst Challenges: Bajaj Finance's Q3 FY24 Financial Summary In Q3 FY24, Bajaj Finance Limited demonstrated solid financial performance with significant annual growth, despite some operational hurdles. The company's AUM soared by 35% to ₹310,968 Cr and PAT rose by 22% to ₹3,639 Cr. Operational expenses as a percentage of net total income improved modestly, and although ROE experienced a slight decline to 22%, the company maintained a commendably low Net NPA at 0.37%. The quarter was also marked by strategic customer base expansion with nearly 9.86 million new loans and 3.85 million new customers.

Bajaj Finance's Q3 FY24: A Quarter of Robust Growth and Strategic Expansion: Bajaj Finance Limited's Q3 FY24 unfolded as a dynamic period of financial fortitude and strategic growth, marked by a 35% AUM YOY increase to ₹310,968 Cr and a 22% jump in PAT to ₹3,639 Cr, amidst operational improvements and digital advances. Financial stability was underscored by a low NPA of 0.37%, and the company strengthened its liquidity buffer to ₹11,624 Cr, with a deposit book rising by 35% YoY. Strategic initiatives included the addition of new locations and distribution points, enhancing the geographic footprint. Despite a minor dip in ROE to 22% and increased credit costs, the company fortified its capital adequacy to 23.87% and maintained solid profitability.

BFL's Ambitious Financial Trajectory: Setting the Bar for Future Performance: Bajaj Finance Limited (BFL) has set forth an optimistic long-term guidance on key financial metrics, aiming to steer the company towards substantial growth and profitability. They are targeting an AUM growth in the range of 25%-27%, indicating their strategy to substantially increase their lending portfolio. In parallel, BFL projects profit growth to remain strong, forecasting a corridor of 23%-24%. They also maintain stringent asset quality standards, with a Gross Non-Performing Assets (GNPA) range set between 1.2% and 1.4%, and a Net NPA goal even tighter at 0.4%-0.5%. Moreover, BFL envisions a robust Return on Assets (ROA) between 4.6%-4.8%, ensuring operational efficiency, and a high Return on Equity (ROE) in the corridor of 21%-23%, underscoring their commitment to delivering value to shareholders.

Bajaj Finance's Strategic Edge: A Blend of Tradition, Innovation, and Technology: With a customer base of over 80.41 million, Bajaj Finance leverages a data-driven strategy to cross-sell assets, payments, insurance, and deposit products effectively. Their balance sheet shows a healthy and diverse lending AUM mix and a borrowing mix that emphasizes stability. The company embodies agility and a commitment to digital innovation, continuously updating product features and adopting the latest digital trends. This transition from digitization to a customer-centric digital enterprise has positioned Bajaj Finance at the forefront of technological integration in customer experience and risk management, ensuring it maintains a competitive edge in the evolving financial landscape.

Impressive Sixteen-Year Financial Journey: Over the last 16 years, Bajaj Finance Limited has showcased a robust financial trajectory, with its customer franchise and AUM growing at an impressive CAGR of 35% and 36%, respectively. Starting from FY08, the company has consistently increased its loans booked, touching a CAGR of 25%. The net total income and profit after tax have followed suit, increasing at a CAGR of 35% and 52%, respectively, reflecting the company's strong revenue generation and profitability. The company maintained a steady operational efficiency with the ratio of operating expenses to net total income showing a modest increase to 35.1% in FY23.

Strategic Mastery and Extensive Reach: Bajaj Finance Limited has cemented its position with a strategic focus on urban, rural, SME, commercial, and payments sectors. As of December 2023, the company's AUM stood at ₹2,32,040 crore, exhibiting a rich AUM mix dominated by urban and rural segments. BFL recorded a substantial after-tax profit of ₹3,177 crore in Q3 FY24, reflecting strong profitability and a robust capital adequacy ratio of 23.87%. In consumer finance, BFL is the largest lender for consumer electronics and a leading financier for two-wheelers and three-wheelers in India, witnessing a YOY growth of 44% in these sectors. Furthermore, BFL boasts a wide presence with over 134.7K active distribution points and a sprawling rural outreach covering 2,554 towns and villages. The payments division also thrives with 42.2 million EMI cards in circulation and a substantial digital platform user base of 49.19 million.

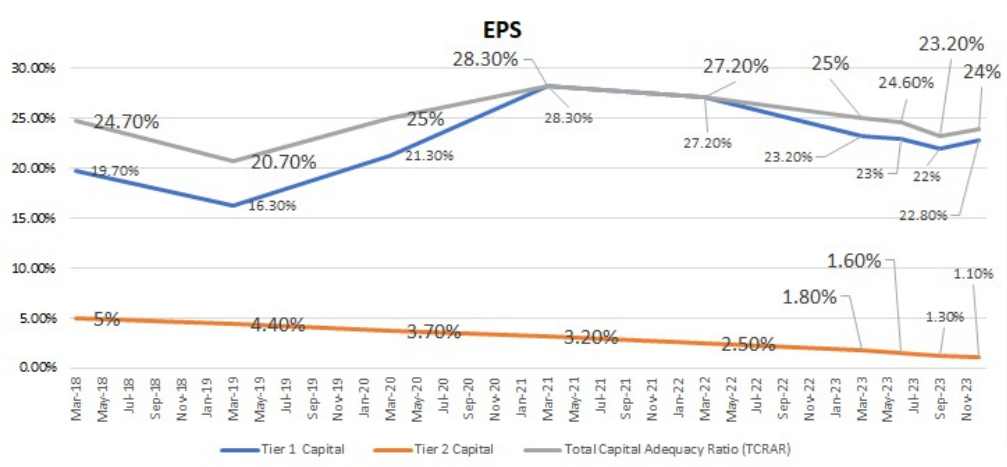
An Upward Trajectory: Bajaj Finance Limited has recorded an YOY growth across all key financial metrics in Q3 FY24, with AUM soaring by 35% to ₹3,10,968 crore. This growth is matched by a 36% increase in assets under finance and a notable 35% hike in interest income. The company's interest expenses climbed by 45%, yet the net interest income still saw a healthy 29% rise. Fees and commission income also grew by 16%, despite a decline in gains on fair value changes. Overall, Bajaj Finance's net total income surged by 25% to ₹9,298 crore, while the profit after tax jumped by 22% to ₹3,639 crore. Operational efficiency remained strong, with operating expenses amounting to 33.9% of the net total income. The robust financial performance is further evidenced by a solid pre-provisioning operating profit increase of 27% and an enhanced earning per share, which saw a 21% increase, highlighting the company's continuing profitability and shareholder value creation.

Stellar Growth Marks Bajaj Finance's Fiscal Performance: Bajaj Finance has demonstrated YOY growth in Q3 FY24, with Assets Under Management (AUM) rising by 38% and assets under finance by 39%. This is paralleled by a significant 36% increase in interest income, leading to a net interest income boost of 30%. Fees and commission income ascended by 15%, despite a decrease in gains from fair value changes. The company also improved operational efficiency, evidenced by a 26% increase in net total income and a 27% rise in pre-provisioning operating profit. Loan losses and provisions saw an increase, yet the company managed to keep these costs well absorbed, reflecting in a healthy 21% growth in both profit before tax and profit after tax. The enhanced profitability is further indicated by a strong earnings per share growth of 19%, affirming Bajaj Finance's solid financial strategy and value generation for shareholders.

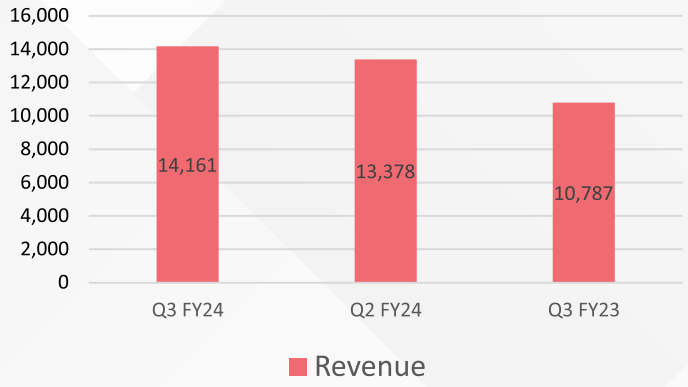
Scaling New Heights in Financial Performance: Bajaj Housing Finance has exhibited significant growth in Q3 FY24 with a 31% year-over-year increase in Assets Under Management (AUM), totaling ₹85,929 crore. The company's focused approach has led to a 29% rise in interest income and a substantial 17% increase in net interest income. Even more striking is the 45% growth in fees and commission income, underscoring the effectiveness of its service offerings. Despite a dip in net gains on fair value changes, Bajaj Housing Finance's net total income has grown by 17%, reaching ₹746 crore. Profitability indicators are equally strong, with profit before tax up by 27% and profit after tax climbing by 31%. This financial fortitude is reflected in an impressive 15.02% annualized return on average equity and a basic earnings per share growth of 30%, demonstrating robust operational efficiency and profitable expansion in a competitive market.

The Ascent of India's Credit Market: Projections and Potentials: India's credit market is on an upward trajectory, with predictions indicating a growth from ₹166 lakh crore to ₹268 lakh crore, at a robust average annual growth rate of 12.7%. This expansion is anticipated to be led by the retail credit sector, which is expected to grow at an accelerated pace of 15%, outstripping commercial credit's forecasted growth of 6.8%. The chart suggests a strong positive trend in the total credit market over the years, with Bajaj Finance Limited positioning itself to capitalize on this growth. The company's strategic focus on retail credit is evidenced by its estimated growth figures aligning with the overall market trend, indicating potential for significant gains in the coming years, especially up to FY28 as estimated (E). This aligns with India's increasing demand for consumer and commercial credit, underpinned by economic expansion and the rise in consumer spending.

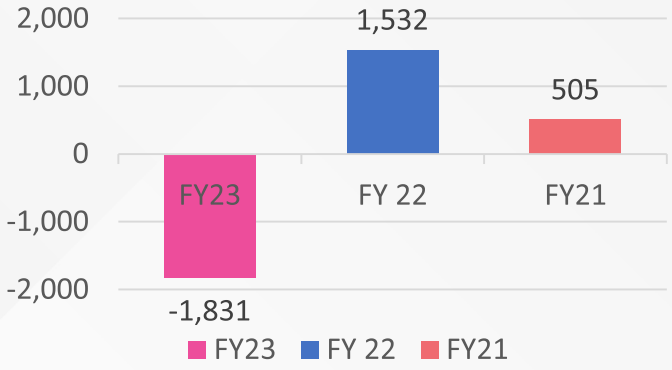
Robust Portfolio Health Underpins Bajaj Finance's Credit Stability: Bajaj Finance Limited's consolidated credit portfolio showcases exceptional quality and stability. The home loans segment exhibits robust health, with over 99% of the portfolio remaining in the most current bucket as of December 2023. This consistent performance is reflected across multiple stages, signifying strong repayment patterns among borrowers. In commercial lending, the portfolio is nearly impeccable with 99.83% being current, indicating minimal default risk. The loan against securities business is similarly outstanding, with a remarkable 99.99% current rate, suggesting high levels of borrower reliability and financial control. These figures underscore Bajaj Finance's stringent credit assessment processes and its customers' creditworthiness, positioning the firm as a leader in maintaining high-quality credit in diverse lending markets.



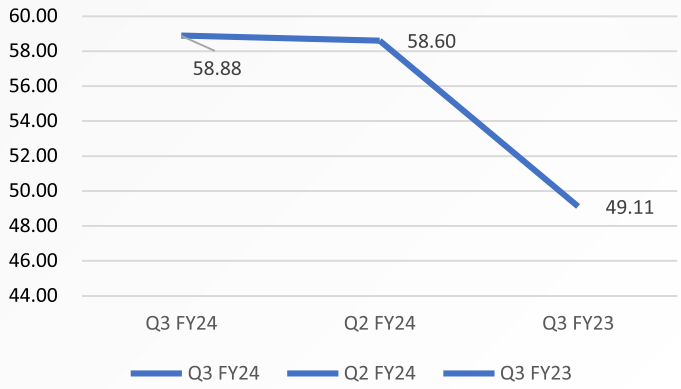
Revenue (In Cr)



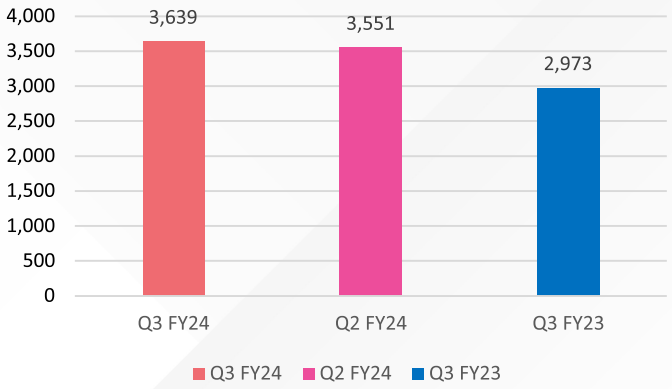
Cashflow (In Cr)



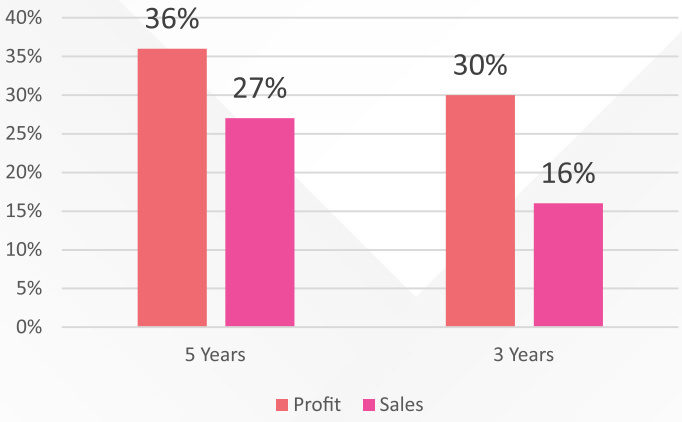
EPS



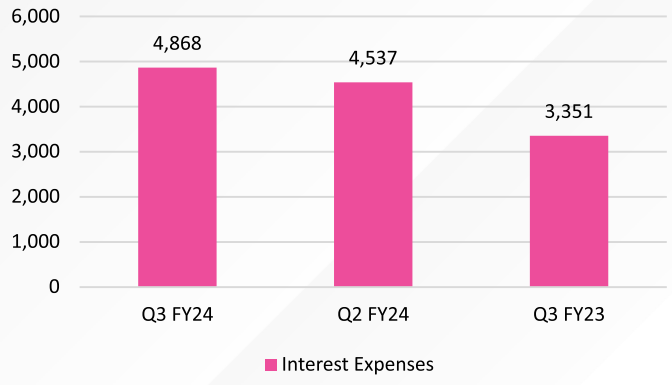
PAT (In Cr)



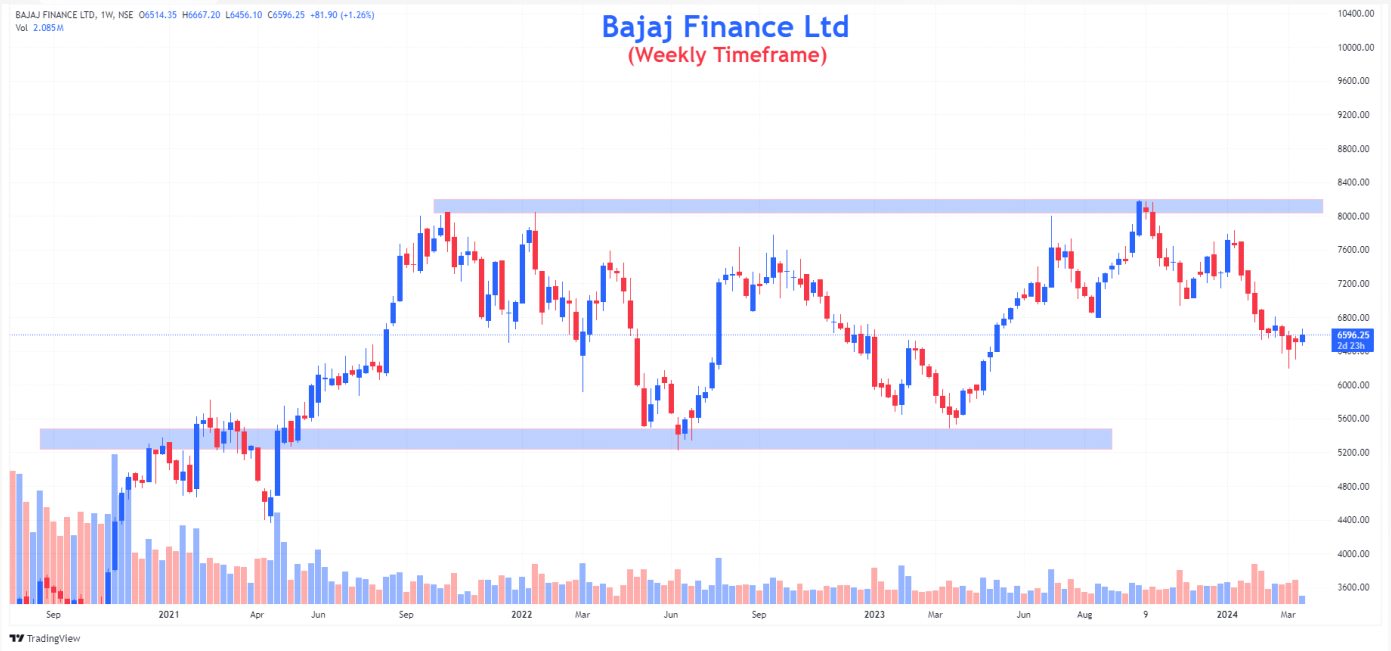
Compounded Growth (In %)



Interest Expenses (In Cr)



Technical Outlook



The weekly technical chart for Bajaj Finance Ltd shows a volatile trend with substantial price swings. After a strong uptrend, the stock experienced resistance near the 10000 mark, followed by a downward correction. It currently trades around the 6500 level. Volume has been inconsistent, indicating mixed investor sentiment. The repeated tests of support and resistance levels suggest consolidation, with the stock now closer to the lower end of the recent trading range, which may attract interest from buyers looking for value.
The technical analysis of Bajaj Finance reveals a progressive increase in both Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) over periods of 5 to 200 days, suggesting a positive trend. The SMA values range from 6,661 to 7,019.9, while the EMA values are slightly more aggressive, ranging from 6,645.4 to 7,249.3.

The Relative Strength Index (RSI) indicates stronger buying momentum on a daily basis at 65.79, compared to a weaker weekly figure of 47.79.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	6,661	6,645.4
10	6,595.4	6,546.5
20	6,582.6	6,523.7
50	6,747.7	6,754.6
100	6,948.4	7,065.1
200	7,019.9	7,249.3

Pivot Levels : FIBONACCI		
R1 6,813.8	Pivot 6,750.07	S1 6,697.1
R2 6,866.8		S2 6,633.4
R3 6,930.5		S3 6,580.4

	Daily	Weekly
Relative Strength Index (RSI)	65.79	47.79

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