INVasset Corporate Insights

BAJAJ FINANCE LIMITED

9th May, 2024

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India's Best Performing and Most Customer Centric PMS

Bajaj Finance: A Powerhouse in Diversified Lending

Historical Growth and Presence: Bajaj Finance began in 1987 focusing on vehicle financing. Now, it stands as one of India's largest non-banking financial companies (NBFCs), serving over 1,538 locations with a substantial consumer lending portfolio in electronics, lifestyle products, and digital goods.

Mortgage Services: Accounting for 31% of Assets Under Management (AUM), Bajaj Finance offers a variety of mortgage products including home loans and loans against property. They have rights to repossess and auction the collateral on defaults, ensuring asset security.

SME and Professional Lending: Bajaj Finance caters to small and medium enterprises and professionals by providing unsecured working capital, vehicle financing, and medical equipment loans, with amounts ranging from ₹3 lakh to ₹6 crore.

Commitment to Rural Markets: Since 2013, Bajaj Finance has focused on rural areas, now operating in 2,136 locations across India. With a 32% increase in AUM year-over-year, rural lending signifies a significant growth area.

Diverse Commercial Lending: Bajaj Finance supports various industries including auto components, light engineering, specialty chemicals, and pharmaceuticals. The AUM in this sector has witnessed a robust growth of 39% from FY21.

Housing and Financial Securities: Bajaj Housing Finance and Bajaj Financial Securities add to the company's robustness, with housing finance showing diverse products like developer finance and rural mortgages, and securities adding 38,000 new customers in Q3 alone.

Financial Health and Stability: Bajaj Finance is recognized for having the lowest NPA (Non-Performing Assets) rates among NBFCs, with significant provisions for potential non-repayments, highlighting its strong risk management and financial health.

Strategic Investments and Offerings: Recent strategic moves include the issuance of convertible warrants, QIPs, and substantial NCDs, alongside acquiring significant stakes in technology firms, reflecting Bajaj Finance's progressive investment and growth strategy.

Stock Data	
CMP	6,605
52 Week High/Low	8192/6188
Face Value	2.00
Market Cap (In Crs)	4,08,856
Enterprise Value (In Crs)	6,91,578
NSE	BAJFINANCE
BSE	500034
Bloomberg	BAJFIN:IN
Sector	FINANCE & INVESTMENTS

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	54.69%	54.78%
FII	20.55%	20.92%
DII	14.33%	14.01%
Government	0.07%	0.07%
Public	10.19%	10.17%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-3.50	13.04	19.89
BAJFINANCE	-8.66	-11.29	-0.41

Key Ratios	
P/E	28.3
P/S	7.44
P/B	5.32
Debt To Equity	3.82
ROE	22.0%
ROCE	11.9%
Dividend Yield	0.52%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Revenue and Other Income	14,935	14,169	11,369	5.41%	31.37%
Interest Paid	5,217	4,868	3,592	7.17%	45.24%
Expenses	4,420	4,229	3,382	4.27%	30.69%
PBT	5,105	4,896	4,261	4.27%	19.81%
Net Profit	3,825	3,639	3,158	5.11%	21.12%
EPS	61.79	58.88	52.16	4.94%	18.46%

Result Highlights

Financial Fortitude: Analyzing Q4 FY24's Stellar Performance Across Key Metrics

Revenue and Other Income Growth: In the Q4 FY24, the company reported a substantial increase in revenue and other income, reaching ₹14,935 crores, marking a 5.41% growth quarter-over-quarter (QOQ) and a significant 31.37% increase year-over-year (YOY). This robust growth indicates a strong market demand and effective business strategies that have propelled the company's top-line growth, outpacing the previous quarters and the same quarter last year by a notable margin.

Interest Paid and Its Impact: The interest paid in Q4 FY24 stood at ₹5,217 crores, reflecting a 7.17% increase from the previous quarter and a 45.24% surge compared to Q4 FY23. This rise in interest expenses could be attributed to increased borrowings or higher interest rates, which might have been undertaken to support expansive growth or other capital-intensive initiatives. It's crucial to assess how this affects the company's financial health and cost structure moving forward.

Analysis of Expenses: Expenses for the company in Q4 FY24 were recorded at ₹4,420 crores, up 4.27% QOQ and 30.69% YOY. This escalation in expenses correlates with the company's increased revenue, suggesting that the growth is accompanied by proportional increases in operational costs. This raises questions about the company's efficiency improvements and cost management strategies during periods of rapid growth.

Profit Before Tax (PBT) Trends: The Profit Before Tax (PBT) for Q4 FY24 was ₹5,105 crores, showing a modest increase of 4.27% QOQ and 19.81% YOY. While the company has managed to grow its profits, the rate of increase in PBT is slower compared to revenue growth, indicating a squeeze in profit margins. This suggests that while the company is expanding, it is also facing growing pains related to cost management and possibly increased financial leverage.

Net Profit Analysis: Net Profit for Q4 FY24 came in at ₹3,825 crores, up by 5.11% QOQ and 21.12% YOY. This steady profit growth demonstrates the company's ability to retain earnings amidst rising expenses and interest obligations. However, the profit growth rate trailing revenue growth suggests that not all revenue is being efficiently converted into net income, highlighting areas for potential improvement in operational efficiency and cost reduction.

Earnings Per Share (EPS) Performance: Earnings Per Share (EPS) for Q4 FY24 was reported at ₹61.79, an increase of 4.94% QOQ and 18.46% YOY. The growth in EPS is reflective of the company's profitability improvements and effective capital management strategies. It also provides a valuable indicator for investors assessing the value and performance of the company over time, suggesting a positive outlook for shareholder returns if current trends continue.

Concall Highlights

Strategic Growth and Setbacks: FY24 Performance Highlights: FY24 was a milestone year for the company, achieving remarkable financial and operational growth. The Assets Under Management (AUM) saw an impressive increase to ₹330,615 crore, bolstered by a massive disbursement of 36.2 million loans and the acquisition of 14.5 million new customers. Despite these gains, the year wasn't without challenges; regulatory actions on two key products marked significant setbacks. Nevertheless, the company's commitment to compliance and strategic initiatives like the Account Aggregator, ONDC, and a new rewards platform slated for June '24 underscores a proactive approach to overcoming hurdles and enhancing its competitive edge. This strategy not only aims to fortify market position but also focuses on cost optimization, which is evident from a slight reduction in Opex to Net total income from 35.1% in FY23 to 34.0% this year.

Strategic Projections and Optimism for Fy25: Bajaj Finance Limited has laid out a robust management assessment for FY25, continuing its trajectory of growth with an expected AUM increase of 26-28%, supported by new secured financing ventures like LAP, New Car financing, and Tractor finance. While FY24 saw a moderated Net Interest Margin (NIM) due to rising costs and a strategic shift toward secured assets, the company anticipates a further 30-40 basis points moderation in NIM by September 2024. Operational efficiency is also projected to improve, with Opex to NTI expected to decrease by 20-40 basis points. Despite these challenges, Bajaj remains optimistic, projecting profit growth and maintaining strong metrics in credit cost, return on assets, and equity. The company's long-term outlook remains committed and strategically poised for sustained growth.

Expansive Growth in Digital and Geographic Footprint for Fy24: Bajaj Finance Limited showcased significant strides in both geographic expansion and digital engagement metrics in FY24. The company successfully augmented its presence by adding 412 new locations, culminating in a total of 4,145 branches. Notably, the standalone gold loan branches soared by 259%, from 181 to 650, indicating a focused expansion in this specific sector. Digital metrics further underscored growth with a 15% increase in app downloads reaching 63.04 million. Service requests through the app climbed, reflecting higher digital adoption among customers. The UPI handles and QR transactions at merchant PoS surged by 91% and 55%, respectively, demonstrating a robust increase in digital payments. This combined geographic and digital expansion underpins Bajaj Finance's strategic emphasis on integrating more comprehensive services and accessibility.

Leveraging Digital Platforms for Enhanced Financial Services: Bajaj Finance Limited's commitment to digital innovation is evident in its FY24 digital metrics, reflecting substantial engagement across its platforms. Personal loan disbursements through the app surged by 22% year-over-year, totaling ₹11.7K crore, signifying a strong consumer preference for digital financial solutions. Despite a decline in credit card acquisitions and Bajaj Mall visits, there was a remarkable 388% increase in Insurance Bazaar policy acquisitions and a 203% growth in Investments Bazaar mutual fund accounts, underscoring a shift towards more diversified financial services. The growth in flexi loan transactions by 48% also highlights the app's utility in facilitating adaptable financial transactions. These figures demonstrate Bajaj Finance's successful adaptation to a more digital-centric consumer base, optimizing service delivery and expanding market reach.

Sustained Growth and Diversification in Bajaj Finance's Customer Base: Over the past several years, Bajaj Finance Limited has demonstrated significant growth in its customer franchise, underlined by a consistent increase in new loans and customer additions. From FY17 to FY24, new loans booked increased from 10.1 million to 36.2 million, reflecting a 22% year-over-year growth. Similarly, new customer additions grew by 25% in FY24, reaching 14.5 million. This growth is complemented by an expanding total franchise, which saw a 21% increase to 83.6 million. Moreover, the company has effectively leveraged its existing customer base, increasing cross-sell franchises by 25% to 50.8 million. These metrics not only highlight Bajaj Finance's ability to attract new customers but also its proficiency in maintaining and expanding relationships with existing ones, thereby enhancing overall profitability and market footprint.

Comprehensive Overview of Bajaj Group's Corporate Structure: The Bajaj Group exhibits a complex yet strategically organized structure that efficiently segments its vast array of business operations. Bajaj Finserv Ltd, as the financial services arm, holds a substantial 39.06% stake in Bajaj Finance Ltd, the group's lending business entity, which itself fully owns subsidiaries like Bajaj Housing Finance Ltd and Bajaj Financial Securities Ltd. Additionally, Bajaj Finserv owns significant shares in both Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance, aligning with its focus on protection and retirement solutions. Beyond finance, Bajaj Holdings & Investment Ltd controls a 34.16% stake in Bajaj Auto Ltd, integrating automotive solutions into the group's diverse portfolio. This structure not only supports robust cross-functional synergies but also allows each entity to specialize and innovate within its sector, driving the group's overall market competitiveness.

Strategic Financial Targets Set by Bajaj Finance for Sustainable Growth: Bajaj Finance Limited has outlined ambitious long-term financial goals that signify a strong growth trajectory and operational excellence. The company targets an Assets Under Management (AUM) growth rate of 25%-27%, demonstrating its confidence in expanding its lending operations robustly. Additionally, Bajaj Finance aims for a profit growth rate of 23%-24%, reflecting its focus on profitability while scaling operations. Other critical financial metrics include maintaining the Gross Non-Performing Assets (GNPA) between 1.2%-1.4% and achieving a Return on Equity (ROE) in the range of 21%-23%, ensuring that profitability remains high. Furthermore, the company seeks to keep the Net Non-Performing Assets (NNPA) at a low of 0.4%-0.5%, emphasizing its commitment to high credit quality and efficient risk management. These targets underscore Bajaj Finance's strategic planning and its dedication to delivering shareholder value while ensuring financial stability.

Harnessing Strategic Advantages for Market Leadership: Bajaj Finance Limited distinguishes itself in the competitive financial sector through several key strategic differentiators. As a part of the venerable Bajaj Group, the company enjoys robust brand equity and a legacy of trust. With a focus on serving the mass affluent segment, Bajaj Finance leverages its comprehensive data analytics and technological capabilities to enhance customer experiences and facilitate effective cross-selling of assets, payments, insurance, and deposit products. Its customer base is substantial, boasting 83.64 million clients. The company's agile and innovative approach is reflected in its well-diversified balance sheet and its strategic AUM mix, which includes a significant proportion in urban, rural, SME, and commercial sectors. Committed to digital transformation, Bajaj Finance is evolving into a customer-centric digital enterprise, continuously enhancing its product features to maintain a competitive edge.

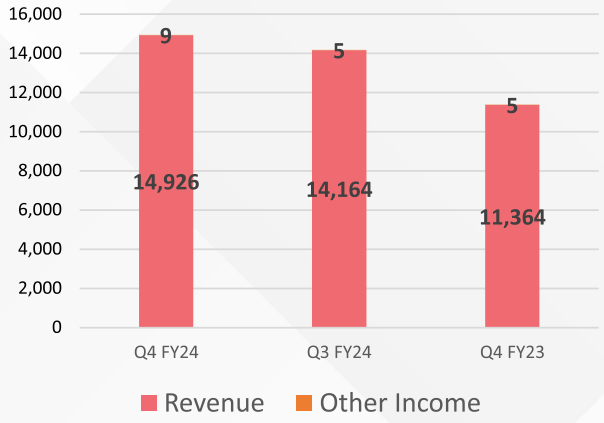
Diverse Financial Products Driving Bajaj Finance's Market Penetration: Bajaj Finance Limited has meticulously crafted a comprehensive product suite that caters to a broad spectrum of consumer, SME, commercial, and rural needs, significantly enhancing its market penetration. For consumers, offerings range from durable and digital product loans to specialized health EMI cards and E-commerce financing, addressing varied financing requirements. The SME sector benefits from unsecured working capital loans and sector-specific financing like medical equipment and new car financing. Commercial and rural segments are not left behind, with tailored products like IPO financing and tractor financing, respectively. Additionally, Bajaj Housing Finance and Bajaj Financial Securities further diversify the group's portfolio, offering everything from home loans to IPOs and proprietary trading, creating a robust financial ecosystem that supports every customer's needs.

Robust Financial Performance in Q4 FY24 by Bajaj Finance: Bajaj Finance Limited demonstrated a remarkable financial performance in Q4 FY24, with a significant year-over-year growth across key metrics. Assets under management soared by 35% to ₹2,44,826 crore, reflecting strong market expansion and customer acquisition strategies. Interest income also saw a substantial increase of 35%, amounting to ₹11,201 crore, driven by expanded loan portfolios and improved lending conditions. Net interest income rose by 29%, reaching ₹7,340 crore, indicating effective management of interest expenses which escalated by 48%. Profit after tax grew by 20% to ₹3,402 crore, underscoring the company's profitability despite increased provisions for loan losses, which saw a sharp 59% increase. These results highlight Bajaj Finance's robust operational execution and strategic financial management, positioning it well for continued growth in the financial sector.

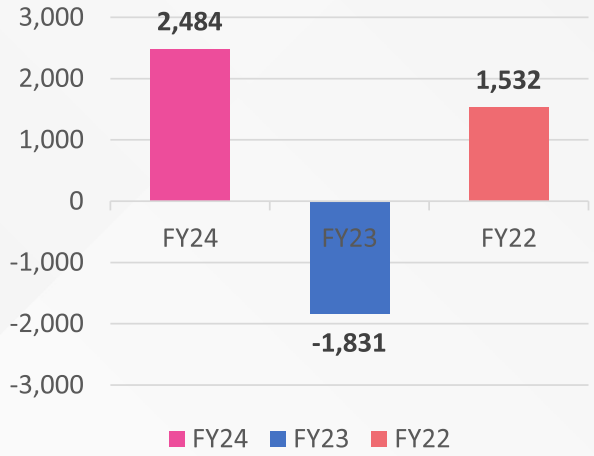
Expanding Distribution Network Fuels Bajaj Finance's Growth: Bajaj Finance Limited has significantly expanded its distribution network, illustrating its strategic focus on reaching a wider customer base across various segments. From March 2021 to March 2024, the number of active consumer durable stores in urban areas grew from 26,400 to 42,000, and in rural areas from 24,000 to 49,050. The expansion is notable in digital product stores and lifestyle retail stores, reflecting changing consumer preferences and the growth of e-commerce. Additionally, the presence in non-traditional sectors like non-captive two-wheeler dealers and tractor finance dealers has seen a substantial increase, enhancing Bajaj's market penetration. This strategic expansion not only broadens Bajaj's customer reach but also diversifies its portfolio, setting a solid foundation for sustained growth and market resilience.

Bajaj Finance's Commitment to ESG Excellence: Bajaj Finance Limited has made significant strides in Environmental, Social, and Governance (ESG) initiatives, marking its commitment to sustainable development. Environmentally, the company has implemented policies that include the installation of solar panels and significant reductions in paper usage, saving millions of trees. Socially, Bajaj has enriched communities by opening microfinance branches, skilling youth, and supporting women's empowerment and child health projects. On the governance front, the establishment of an ESG committee and the approval of comprehensive ethics and sustainability policies highlight its dedication to ethical conduct. These efforts have earned Bajaj Finance the recognition as the "Most Committed to ESG" company, underscoring its leadership in corporate responsibility.

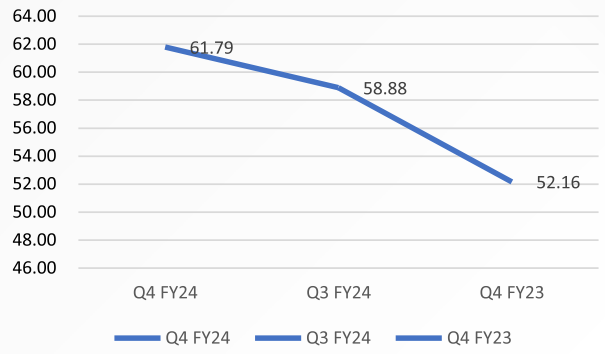
Revenue & Other Income (In Cr)



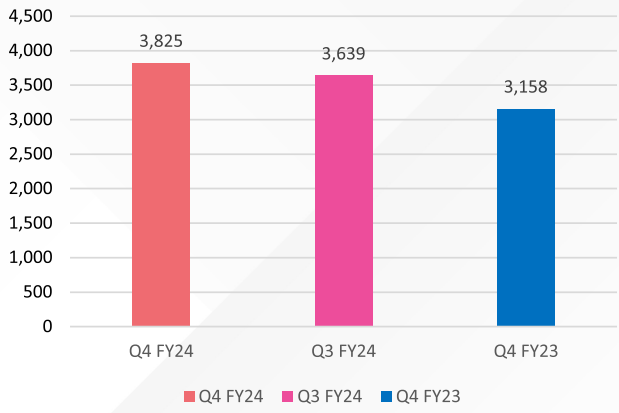
Cashflow (In Cr)



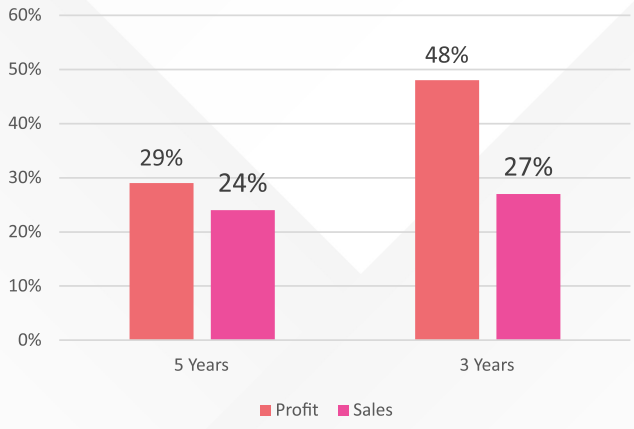
EPS



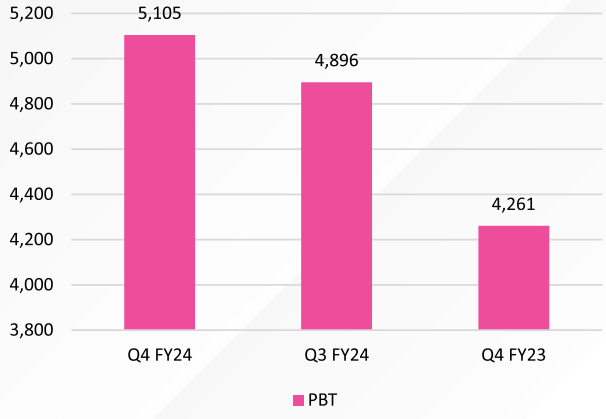
PAT (In Cr)



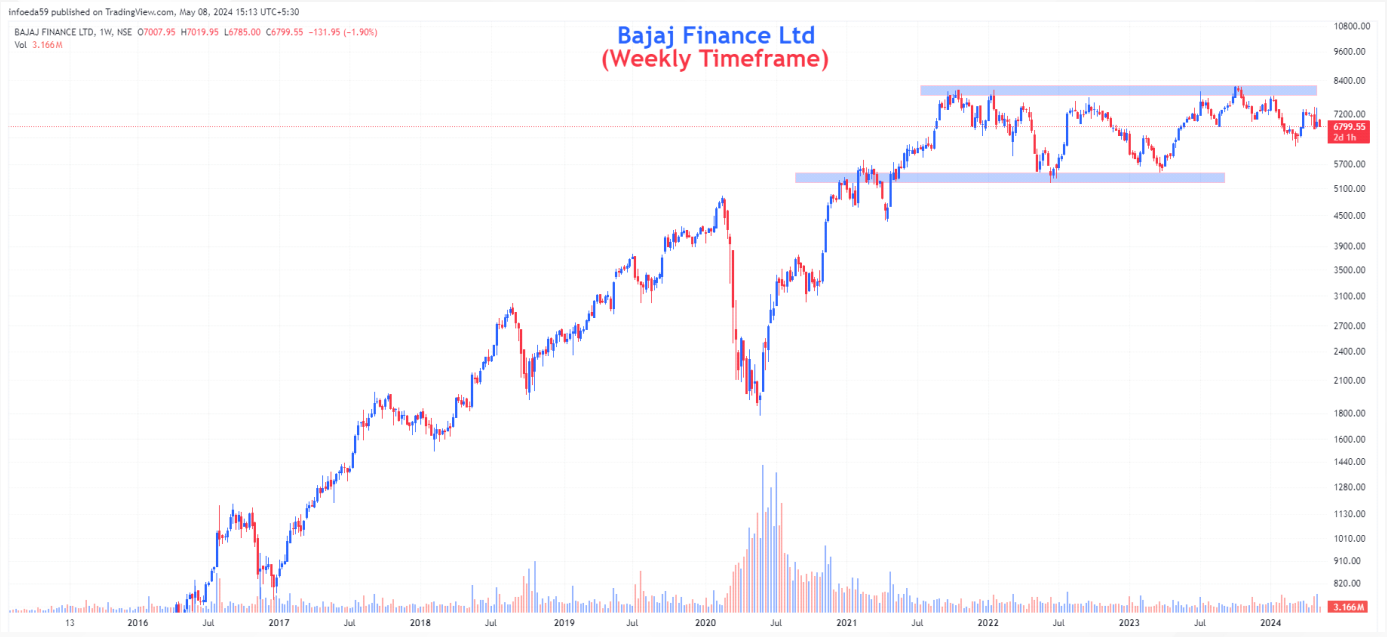
Compounded Growth (In %)



EBIT (In Cr)



Technical Outlook



The weekly timeframe chart of Bajaj Finance Ltd shows a robust uptrend starting from 2016, peaking in early 2020, followed by a sharp drop likely due to the COVID-19 market impact. The recovery was swift, with the stock achieving new highs post-2020. Since mid-2021, Bajaj Finance has been trading in a consolidation range between approximately 6,800 and 8,400. The recent trends suggest ongoing sideways movement, with reduced trading volume indicating possible investor caution regarding future directional moves.

The moving averages for Bajaj Finance indicate an overall bullish trend in the stock price. The 200-day (SMA) and (EMA) show the highest values at 7,219.5 and 7,033.0 respectively, suggesting long-term positive momentum. Shorter-term averages, such as the 5-day and 10-day, show lower values, indicating recent pullbacks or volatility.

The Relative Strength Index (RSI) values for Bajaj Finance indicate a lack of strong momentum, with both daily and weekly RSI below the neutral 50 mark. The daily RSI stands at 42.28, and the weekly at 40.44, suggesting that the stock is neither strongly oversold nor overbought. This positioning may hint at a cautious market sentiment.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	6,869.2	6,865.7
10	6,945.1	6,924.4
20	7,043.9	6,968.5
50	6,842.6	6,949.4
100	7,002.8	6,998.3
200	7,219.5	7,033.0

Pivot Levels : FIBONACCI		
R1 6,857.7	Pivot 7079.48	S1 6,763.1
R2 6,915.9		S2 6,726.8
R3 6,952.2		S3 6,668.6

	Daily	Weekly
Relative Strength Index (RSI)	42.28	40.44

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