

April 27, 2023

Q4FY23 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	7,835		7,835	
NII (Rs.)	3,41,067	3,92,312	3,41,067	3,92,312
% Chng.	-	-	-	-
PPoP (Rs.)	2,21,937	2,61,555	2,21,937	2,61,502
% Chng.	-	-	-	-
EPS (Rs.)	219.9	246.0	219.9	246.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Int.Inc. (Rs m)	2,18,842	2,88,375	3,41,067	3,92,312
Growth (%)	26.8	31.8	18.3	15.0
Op. Profit (Rs m)	1,43,072	1,87,175	2,21,937	2,61,555
PAT (Rs m)	70,282	1,15,077	1,32,305	1,48,010
EPS (Rs.)	116.8	191.3	219.9	246.0
Gr. (%)	58.8	63.7	15.0	11.9
DPS (Rs.)	20.0	5.0	5.2	5.2
Yield (%)	0.3	0.1	0.1	0.1
Margin (%)	11.4	12.1	11.8	11.7
RoAE (%)	17.4	23.6	24.0	24.2
RoAA (%)	3.7	4.8	4.6	4.7
PE (x)	51.8	31.7	27.5	24.6
P/BV (x)	8.3	6.8	5.5	4.4
P/ABV (x)	8.5	6.9	5.7	4.7

Key Data

[BJFN.BO](https://www.bajajfinance.com) | BAF IN

52-W High / Low	Rs.7,778 / Rs.5,220
Sensex / Nifty	60,301 / 17,814
Market Cap	Rs.3,666bn/ \$ 44,839m
Shares Outstanding	605m
3M Avg. Daily Value	Rs.6682.04m

Shareholding Pattern (%)

Promoter's	56.08
Foreign	19.17
Domestic Institution	12.99
Public & Others	11.76
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.2	(14.7)	(16.4)
Relative	2.3	(15.8)	(20.4)

Akshay Ashok

akshayashok@plindia.com | 91-22-66322245

Raj Mange

rajmange@plindia.com | 91-22-66322258

Strong growth momentum across businesses

Quick Pointers:

- Gross NPA/Net NPA at 0.94%/0.34% in Q4 vs 1.14%/0.41% of Q3FY23.
- Disbursed 29.6 MM loans, added 11.6 MM(record high) new customers in FY23

We maintain 'BUY' rating and our TP at Rs 7,835 on (7x Sep'24E PABV) as our FY24/25 estimates remain unchanged. The impact of rate hikes on cost of funds is more gradual than anticipated although we expect NIM's to moderate to 11.8% in FY24 from 12.1% in FY23. Management has maintained AUM growth guidance in the corridor of 25%-27% even as competition intensity remains high especially in consumer finance and mortgage segment. Re-rating can happen if company manages to achieve growth guidance and increase stickiness of new to franchise customers. Maintain 'BUY'.

- Earnings marginally below our estimates with PAT at Rs31.5bn:** BAF's Q4FY23 earnings (PAT at Rs31.5bn) stood marginally below our estimates (PLe: Rs32.7bn), on account of higher than expected cost of funds which came in at 7.39% an increase of 25bps over Q3FY23. PPoP aided by healthy NII and subdued growth in opex grew 5.5%QoQ/29.0% YoY to Rs51.1bn in line with our estimates [PLe of Rs52.3bn].
- Improvement in asset quality:** BAF's asset quality exhibited improvement during Q4FY23 with (1) significant improvement in auto finance asset quality (GNPA % at 4.79% vs 5.99% (Q3FY23)) (2) ECL Stage 3 provision at 8.5bn vs Rs 8.4bn (Q3FY23) (3) largely stable PCR at 63.8% vs 64% (Q3FY23). Overall stage 2 assets stood at Rs 3.60 bn as of 31 March 2023 as against Rs 3.94 bn of 31 December 2022.
- Healthy core performance with AUM growth of 7.2%QoQ:** In Q4FY23, BAF reported strong customer franchise addition of 3.09mn making it two quarters in a row of more than 3mn customers added. The company added 3.09mn customers, customer franchise grew 4.67%QoQ to 69.14mn and AUMs grew at 7.2%QoQ/25.3%YoY at Rs2,473bn. On QoQ basis, AUM growth was driven by Consumer B2C business (7.2%+) and Rural B2C (4.8%+). SME business growth rebounded recording 6.9%QoQ vs 4.5%QoQ growth shown in Q3FY23. Mortgages saw a rebound and recorded 5.7% QoQ growth after softness was seen in mortgages in the last quarter.
- Business Strategy:** Total geographic footprint stood at 3,733 locations and 1,54,650+ distribution points. The Company added 19 new locations and 10,750+ distribution points in Q4 FY23. The Company added 229 new locations in FY23. Company plans to add 150 new locations and 300 standalone gold loan branches in Q1 FY24. App platform has gone fully digital across all products and services. Final release of Web platform is on track for April end. Q2FY24 onwards, features on App and Web platform will go live simultaneously.

PAT at Rs 31.56bn increases by 6.2%QoQ/30.4%YoY marginally below our ests [PLe of Rs32.7bn] on account of higher than expected cost of funds.

NII growth stood strong with 5.6%QoQ/30.3%YoY growth at Rs62.5bn in line with our estimates [PLe of Rs63.1bn] supported by AUM growth of 25.3% YoY/7.2% QoQ to Rs2,473.7bn . Consumer lending showed strong sequential growth of 7.2%. Mortgages saw a rebound and recorded 5.7% QoQ growth after softness was seen in mortgages in the last quarter. NIM for Q4'23 at 12.99% vs 13.24% in Q3'23 and 12.80% in Q4'22

Operating expenses grew 2.7%QoQ and 26.7% YoY to Rs26.5bn [PLe of Rs26.5bn] PPOp aided by healthy NII grew 5.5%QoQ/29.0% YoY to Rs51.1bn in line with our estimates [PLe of Rs52.3bn]

Loan losses and provisions for Q4 FY23 stood at Rs8.5bn increasing 2.2%QoQ and 22.5%YoY [PLe: Rs8.6bn]

Asset quality improved QoQ as Gross NPA and Net NPA as of 31 March'23 stood at .94% and 0.34% respectively, as against 1.14% and .41% as of 31 Dec'22.

Exhibit 1: Q4FY23 – Strong NII growth; Mortgages growth rebound,AQ Strong

Y/e March (Rs mn)	Q4FY23	Q4FY22	YoY gr.	Q3FY23	QoQ gr.
Interest Income	98,469	73,682	33.6%	92,734	6.2%
Interest Expenses	35,920	25,684	39.9%	33,505	7.2%
Net Interest Income	62,549	47,999	30.3%	59,229	5.6%
Other Income	15,162	12,612	20.2%	15,126	0.2%
Total Income	77,712	60,610	28.2%	74,355	4.5%
Total Operating Expenses	26,522	20,939	26.7%	25,826	2.7%
Operating Profit (PPP)	51,190	39,671	29.0%	48,529	5.5%
Provisions & Write Offs	8,594	7,016	22.5%	8,413	2.2%
PBT	42,595	32,655	30.4%	40,116	6.2%
Tax Expense	11,033	8,460	30.4%	10,387	6.2%
Reported Profit	31,562	24,195	30.4%	29,729	6.2%
Asset Quality					
Gross NPAs (Rs mn)	23,254	31,592	-26.4%	26,316	-11.6%
Net NPAs (Rs mn)	8,411	13,427	-37.4%	9,465	-11.1%
Gross NPA (%)	0.94%	1.60%	-0.7%	1.14%	-0.2%
Net NPA (%)	0.34%	0.68%	-0.3%	0.41%	-0.1%
ROE %	24.20%	23.03%	1.2%	24.21%	0.0%
ROA %	2.64%	2.47%	0.2%	2.69%	-0.1%
AUM (Rs mn)					
Consumer Lending	8,45,997	6,70,281	26.2%	7,89,052	7.2%
SME Lending	9,98,211	7,74,249	28.9%	9,33,414	6.9%
Commercial Lending	3,86,983	3,35,691	15.3%	3,54,534	9.2%
Rural Lending	2,42,600	1,94,300	24.9%	2,31,420	4.8%
Total	24,73,790	19,74,520	25.3%	23,08,420	7.2%
AUM mix (%)					
Consumer Lending	34%	34%	0%	34%	0.0%
SME Lending	40%	39%	1.1%	40%	-0.1%
Commercial Lending	16%	17%	-1.4%	15%	0.3%
Rural Lending	10%	10%	0.0%	10%	-0.2%
Total	100%	100%	0.0%	100%	0.0%

Source: Company, PL

Conference Call Highlights:

- **AUM stood at Rs. 2.47trn in Q4FY23 (7.2% QoQ/29% YoY):** Overall AUM mix is stable and company expects no significant change in asset mix for the medium term. Competitive intensity and high inflation have led to subdued home loan demand in affordable space (Rs. <50L). Overall demand remains strong in luxury segment.
- **New customer addition of 3.1mn in Q4FY23** whereas new loans for the quarter stood at 7.56. For FY23, company added highest ever customer franchise of 11.57mn and highest ever new loans of 29.58mn. Management said it is confident of adding 11-12mn new customers in FY24. Company targets to dispense appx 35mn new loans in FY24 which is a 20% growth.
- **Cost of Funds increased by 25bps QoQ to 7.39%.** Despite increase in CoF, the company maintained its NIMs at 13.2% (same as Q3FY23). Company expects NIMs to moderate by 40-50bps in FY24 factoring in another set of interest rate hike by RBI. However, the same will be partially mitigated by improving opex metrics and robust credit metrics. So overall, 15-20bps effect on RoA can be expected.
- **Opex to NII improved at 34.1% vs 34.7% in Q3FY23** as operating leverage kicked in. For FY23, opex to NII stood at 35.1%. The company said that opex metrics have already peaked and opex to NII should be between 33-34% in FY24.
- Omnipresence app platform went live in a staggered manner on Google playstore in April 2023. As a part of its 'App=Web' strategy, features on App and Web platform will go live simultaneously from Q2FY24 onwards.
- **The Company deployed 413K merchant QR in Q4FY23.** Overall QR deployed stood at 627K as of 31 March 2023. The Company plans to deploy 2.1-2.4mn merchant QRs in FY24. Bajaj EDC machines will be launched in Q1FY24. These machines will be enabled with CC/DC, EMI card, Bajaj Wallet, UPI, invoice financing and product financing.
- **Asset quality improved QoQ with GNPA/NNPA at 0.94%/0.34%.** Credit costs are fully normalised and company holds management overlay of Rs. 9.6bn. These numbers further strengthen company's strategy of rock solid asset quality.
- BAF is building its own open architecture two-wheeler financing business which is expected to be launched June-July. The company expects around 250k-300k 2-wheeler loans (non-Bajaj Auto) in the current fiscal. The company is already clocking anywhere between 11,000 to 13,000 new accounts every month and it's a staggered rollout.
- **Company has guided 28-29% growth in profitability** on the back of robust consumer credit growth as India credit market is looking more and more retail. With overall unsecured loans market share of 7-8%, company believes opportunity remains large.
- **BAF plans to add 150 new locations** and over 300 standalone gold loan branches in Q1 FY24.

Exhibit 2: Core business trends strong led by Consumer business (+7% QoQ)

AUM (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Consumer B2B -Auto Finance Business	1,21,120	1,13,470	1,07,380	1,06,200	1,01,940	99,620	1,01,600	1,17,860	1,29,790
YoY gr.	-7%	-11%	-15%	-16%	-16%	-12%	-5%	11%	27%
QoQ gr.	-5%	-6%	-5%	-1%	-4%	-2%	2%	16%	10%
AUM % mix	8%	7%	6%	6%	5%	5%	5%	5%	5%
Consumer B2B - Sales Finance Businesses	1,15,260	1,11,750	1,25,550	1,49,200	1,49,770	1,64,750	1,62,590	1,67,120	1,76,270
YoY gr.	-17%	21%	59%	46%	30%	47%	30%	12%	18%
QoQ gr.	13%	-3%	12%	19%	0%	10%	-1%	3%	5%
AUM % mix	8%	7%	8%	8%	8%	8%	7%	7%	7%
Consumer B2C Businesses	3,04,500	3,13,990	3,36,790	3,63,440	3,87,720	4,12,070	4,40,720	4,67,330	5,01,080
YoY gr.	4%	7%	19%	25%	27%	31%	31%	29%	29%
QoQ gr.	5%	3%	7%	8%	7%	6%	7%	6%	7%
AUM % mix	20%	20%	20%	20%	20%	20%	20%	20%	20%
Rural B2B Business	28,830	29,140	32,580	39,930	41,290	45,640	43,290	46,840	48,030
YoY gr.	8%	39%	80%	64%	43%	57%	33%	17%	16%
QoQ gr.	18%	1%	12%	23%	3%	11%	-5%	8%	3%
AUM % mix	2%	2%	2%	2%	2%	2%	2%	2%	2%
Rural B2C Business	1,18,220	1,25,370	1,33,760	1,43,110	1,53,010	1,67,400	1,79,080	1,84,580	1,94,570
YoY gr.	11%	22%	30%	31%	29%	34%	34%	29%	27%
QoQ gr.	8%	6%	7%	7%	7%	9%	7%	3%	5%
AUM % mix	8%	8%	8%	8%	8%	8%	8%	8%	8%
SME Business	2,02,170	2,03,350	2,18,710	2,31,530	2,49,790	2,65,640	2,88,810	3,08,800	3,37,650
YoY gr.	4%	11%	20%	23%	24%	31%	32%	33%	35%
QoQ gr.	7%	1%	8%	6%	8%	6%	9%	7%	9%
AUM % mix	13%	13%	13%	13%	13%	13%	13%	13%	14%
Securities Lending Business	60,540	62,900	72,930	91,270	1,59,010	1,08,010	1,21,820	1,32,570	1,50,930
YoY gr.	26%	59%	37%	80%	163%	72%	67%	45%	-5%
QoQ gr.	19%	4%	16%	25%	74%	-32%	13%	9%	14%
AUM % mix	4%	4%	4%	5%	8%	5%	6%	6%	6%
Commercial Lending Business	82,930	90,110	98,010	1,04,780	1,14,980	1,20,400	1,33,780	1,48,480	1,58,340
YoY gr.	29%	48%	50%	40%	39%	34%	36%	42%	38%
QoQ gr.	10%	9%	9%	7%	10%	5%	11%	11%	7%
AUM % mix	5%	6%	6%	6%	6%	6%	6%	6%	6%
Mortgages	4,95,920	5,11,070	5,41,960	5,83,040	6,17,010	6,56,650	7,10,920	7,34,840	7,77,130
YoY gr.	7%	11%	18%	25%	24%	28%	31%	26%	26%
QoQ gr.	6%	3%	6%	8%	6%	6%	8%	3%	6%
AUM % mix	32%	32%	32%	32%	31%	32%	33%	32%	31%
Overall AUMs		29,420	1,700	-	-	-	1,050	-	-
YoY gr.	15,29,490	15,90,570	16,69,370	18,12,500	19,74,520	20,40,180	21,83,660	23,08,420	24,73,790
QoQ gr.	4%	15%	22%	26%	29%	28%	31%	27%	25%

Source: Company, PL

Exhibit 3: Customer franchise robust with 3.1mn new customers in Q4FY23

Key Data Metrics	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total Customer Franchise	48.57	50.45	52.80	55.36	57.57	60.30	62.91	66.05	69.14
YoY gr.	14%	18%	20%	20%	19%	20%	19%	19%	20%
QoQ gr.	5%	4%	5%	5%	4%	5%	4%	5%	5%
Total Cross sell Franchise	26.89	27.43	29.37	31.26	32.77	34.66	36.39	38.58	40.56
YoY gr.	11%	14%	23%	24%	22%	26%	24%	23%	24%
QoQ gr.	6%	2%	7%	6%	5%	6%	5%	6%	5%
New to BAF Customers (Nos)	22,60,681	18,80,000	23,50,000	23,60,000	22,10,000	27,30,000	26,10,000	31,40,000	30,90,000
YoY gr.	19%	253%	93%	8%	-2%	45%	11%	33%	40%
QoQ gr.	3%	-17%	25%	0%	-6%	24%	-4%	20%	-2%
Credit Card - CIF	20,50,000	21,30,000	21,90,000	25,90,000	27,50,000	29,60,000	31,50,000	32,90,000	34,60,000
YoY gr.	11%	18%	17%	36%	34%	39%	44%	27%	26%
QoQ gr.	8%	4%	3%	18%	6%	8%	6%	4%	5%
EMI Card - CIF in Mn	23.77	24.1	25.7	27.5	30	32.8	34.4	35.9	42
YoY gr.	8%	12%	25%	17%	26%	36%	34%	31%	40%
QoQ gr.	1%	1%	7%	7%	9%	9%	5%	4%	17%

Source: Company, PL

Exhibit 4: Healthy liability management with largely stable mix, deposits share to be 25% at the end of FY25

Liability profile	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Overall Borrowings (rs mn)	13,16,450	13,32,980	14,50,200	15,40,410	16,52,320	17,20,970	18,32,730	20,13,180	21,54,300
YoY gr.	1.4%	10.1%	16.1%	24.1%	25.5%	29.1%	26.4%	30.7%	30.4%
QoQ gr.	6.0%	1.3%	8.8%	6.2%	7.3%	4.2%	6.5%	9.8%	7.0%
Borrowings mix (%)									
Banks	22.0%	30.0%	29.0%	29.0%	28.0%	31.0%	31.0%	31.0%	33.0%
NCDs	34.0%	36.0%	37.0%	38.0%	40.0%	37.0%	37.0%	37.0%	36.0%
Tier 2 Debt	4.0%	3.0%	3.0%	2.0%	2.0%	3.0%	3.0%	1.0%	1.0%
FD	26.0%	21.0%	20.0%	20.0%	19.0%	20.0%	22.0%	21.0%	21.0%
Short term borrowings (CP, CBLO, ECB)	11.0%	10.0%	11.0%	11.0%	11.0%	9.0%	7.0%	10.0%	9.0%

Source: Company, PL

Exhibit 5: Opex to NII reduces sequentially to 34.1% as operating metrics have peaked

BAF CONSOLIDATED Key Metrics/Ratio Analysis	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Total Opex to Net Interest Income	35.3%	30.6%	38.1%	34.7%	34.6%	35.9%	35.9%	34.7%	34.1%
YoY increase in bps	430	270	1030	240	-70	530	-220	0	-50
QoQ increase in bps	300	-470	750	-340	-10	130	0	-120	-60
Loan loss to AUM*	1.1%	1.2%	0.8%	0.6%	0.4%	0.1%	0.4%	0.4%	0.4%
YoY increase in bps	-30	-6	-46	-37	-71	-111	-47.25	-24.5	-1.25
QoQ increase in bps	9	8	-34	-20	-25	-32	29.75	2.75	-1.75
Return on Average Assets	4.4%	2.8%	3.6%	5.2%	5.2%	5.3%	5.4%	5.4%	5.4%
YoY increase in bps	160	0	80	160	80	253	181	23	20
QoQ increase in bps	80	-160	80	160	0	13	8	2	-3
Return on Average Equity	13.2%	10.8%	15.2%	21.2%	22.8%	23.1%	23.6%	24.0%	23.9%
YoY increase in bps	160	-80	360	800	960	1227	840	278	114
QoQ increase in bps	0	-240	440	600	160	27	53	38	-4

Source: Company, PL

Exhibit 6: Asset quality continues to improve led by 13% QoQ improvement in Auto Finance business

BAF CONSOLIDATED ASSET QUALITY PROFILE	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
GNPA (Rs mn)									
Auto Finance Business	12,270	24,260	19,190	13,040	12,380	11,100	8,780	7,480	6,490
YoY gr.	35%	195%	204%	-19%	1%	-54%	-54%	-43%	-48%
QoQ gr.	-24%	98%	-21%	-32%	-5%	-10%	-21%	-15%	-13%
Sale Finance Business	1,450	1,330	910	450	4,320	530	880	1,090	690
YoY gr.	-24%	22%	194%	-83%	198%	-60%	-3%	142%	-84%
QoQ gr.	-45%	-8%	-32%	-51%	860%	-88%	66%	24%	-37%
Consumer B2C Business	5,000	8,960	7,090	4,790	3,610	3,350	4,030	5,000	4,630
YoY gr.	-4%	135%	194%	-51%	-28%	-63%	-43%	4%	28%
QoQ gr.	-49%	79%	-21%	-32%	-25%	-7%	20%	24%	-7%
Rural B2B Business	330	400	360	100	70	100	240	290	190
YoY gr.	120%	400%	1100%	-81%	-79%	-75%	-33%	190%	171%
QoQ gr.	-37%	21%	-10%	-72%	-30%	43%	140%	21%	-34%
Rural B2C Business	2,010	3,720	4,290	3,760	1,870	1,740	2,270	2,540	1,910
YoY gr.	20%	170%	352%	-10%	-7%	-53%	-47%	-32%	2%
QoQ gr.	-52%	85%	15%	-12%	-50%	-7%	30%	12%	-25%
SME Business	2,040	4,520	3,790	3,290	3,640	3,590	4,270	4,840	4,260
YoY gr.	-39%	62%	83%	-27%	78%	-21%	13%	47%	17%
QoQ gr.	-55%	122%	-16%	-13%	11%	-1%	19%	13%	-12%
Securities Lending Business			20	50	20	20	20	20	30
YoY gr.			-	-	-	-	-	-	-
QoQ gr.			-	-	-	-	-	-	-
Commercial Lending Business	-	-	440	440	440	360	360	360	420
YoY gr.	-	-	-	-	-	-	-	-	-
QoQ gr.	-	-	-	-	-	-	-	-	-
Mortgages	4,210	4,180	4,940	5,160	4,980	4,600	4,450	4,480	4,510
YoY gr.	94%	110%	115%	26%	18%	10%	-10%	-13%	-9%
QoQ gr.	3%	-1%	18%	4%	-3%	-8%	-3%	1%	1%
Overall GNPA	27,310	47,370	41,030	31,080	31,330	25,390	25,300	26,100	23,130
YoY gr.	16%	144%	185%	-26%	15%	-46%	-38%	-16%	-26%
QoQ gr.	-35%	73%	-13%	-24%	1%	-19%	0%	3%	-11%

Source: Company, PL

Exhibit 7: Pristine asset quality as total GNPA's fall below 1%

GNPA (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Auto Finance Business	9.3%	19.2%	16.0%	11.0%	11.0%	10.2%	8.0%	6.0%	4.8%
YoY increase in bps	284	1335	1155	-50	170	-900	-799	-505	-622
QoQ increase in bps	-223	984	-315	-496	-3	-86	-214	-202	-120
Sale Finance Business	1.1%	1.1%	0.6%	0.3%	2.8%	0.3%	0.5%	0.6%	0.4%
YoY increase in bps	-22	2	34	-161	170	-73	-11	34	-242
QoQ increase in bps	-80	-6	-41	-34	251	-249	21	11	-25
Consumer B2C Business	1.7%	2.8%	2.1%	1.3%	1.0%	0.8%	0.9%	1.1%	0.9%
YoY increase in bps	8	148	131	-201	-75	-201	-118	-25	-2
QoQ increase in bps	-164	114	-73	-78	-38	-12	10	15	-15
Rural B2B Business	1.1%	1.4%	1.1%	0.2%	0.2%	0.2%	0.5%	0.6%	0.4%
YoY increase in bps	55	119	95	-184	-94	-114	-55	37	22
QoQ increase in bps	-98	25	-26	-85	-8	5	33	7	-23
Rural B2C Business	1.7%	2.9%	3.1%	2.6%	1.2%	1.0%	1.2%	1.3%	1.0%
YoY increase in bps	12	155	221	-109	-45.5	-184	-186	-121	-24.5
QoQ increase in bps	-199	120	24	-54	-135.5	-18.5	22	11	-39
SME Business	0.9%	2.2%	1.7%	1.4%	1.4%	1.3%	1.5%	1.5%	1.2%
YoY increase in bps	-76	126	61	-94	49	-82	-24	15	-19
QoQ increase in bps	-139	121	-46	-30	4	-10	12	9	-30
Securities Lending Business	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY increase in bps	0	0	2	6	1	2	0	-5	1
QoQ increase in bps	0	0	2	4	-5	1	0	-1	1
Commercial Lending Business	0.0%	0.0%	0.5%	0.4%	0.4%	0.3%	0.3%	0.2%	0.3%
YoY increase in bps	-3	-4	43	40	38	29	-18	-18	-12
QoQ increase in bps	-2	0	45	-3	-4	-9	-2	-3	2
Mortgages	0.9%	0.9%	1.0%	1.0%	0.9%	0.7%	0.7%	0.6%	0.6%
YoY increase in bps	39	19	41	0	-6	-14	-32	-31	-26
QoQ increase in bps	-3	-4	9	-2	-9	-12	-9	-1	-4
Overall GNPA	1.8%	3.0%	2.5%	1.7%	1.6%	1.3%	1.2%	1.1%	0.9%
YoY increase in bps	18	156	142	-113	-19	-171	-128	-59	-66
QoQ increase in bps	-107	117	-51	-72	-13	-35	-8	-3	-20

Source: Company, PL

Exhibit 8: BHFL Robust financial metrics with largely stable NII at Rs.6.3bn

BHFL Key Metrics/Ratio Analysis	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
NII (Rs mn)	3,690	3,350	3,960	4,290	4,520	5,940	5,900	6,380	6,310
YoY gr.	30%	38%	60%	9%	22%	77%	49%	49%	40%
QoQ gr.	-6%	-9%	18%	8%	5%	31%	-1%	8%	-1%
PAT (Rs mn)	1,790	1,610	1,660	1,850	1,980	3,160	3,060	3,340	3,020
YoY gr.	97%	75%	100%	-7%	11%	96%	84%	81%	53%
QoQ gr.	-10%	-10%	3%	11%	7%	60%	-3%	9%	-10%
Total Opex to Net Interest Income	27%	27%	28%	29%	33%	33%	25%	25%	27%
YoY increase in bps	120	-330	-40	230	590	530	-310	-420	-600
QoQ increase in bps	20	60	60	90	380	0	-780	-20	200
Loan loss to AUM	0.1%	7.0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.4%
YoY increase in bps	-24	684	-7	-22	-1	-694	7	7	30
QoQ increase in bps	-27	691	-684	-2	-6	-2	17	-2	17
RoE	0.6%	0.5%	0.4%	0.4%	0.4%	0.7%	0.6%	0.6%	0.5%
YoY increase in bps	-60	-70	10	10	-20	16	18	19	10
QoQ increase in bps	30	-10	-10	0	0	26	-7	1	-9
RoA	3.0%	2.6%	2.6%	2.9%	3.0%	3.9%	3.2%	3.3%	2.9%
YoY increase in bps	-460	-380	110	120	0	128	55	43	-8
QoQ increase in bps	130	-40	0	30	10	88	-73	18	-41

Source: Company, PL

Exhibit 9: Strong QoQ growth of 5.2% in Credit cards and 17% in EMI cards

Particulars	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Credit Card - CIF	20,50,000	21,30,000	21,90,000	25,90,000	27,50,000	29,60,000	31,50,000	32,90,000	34,60,000
QoQ gr.	7.9%	3.9%	2.8%	18.3%	6.2%	7.6%	6.4%	4.4%	5.2%
EMI Card - CIF in Mn	24	24	26	28	30	33	34	36	42
QoQ gr.	1.1%	1.4%	6.6%	7.0%	9.1%	9.3%	4.9%	4.4%	17.0%

Source: Company, PL

Exhibit 10: Portfolio credit quality improves with sequential reduction in 30+ Bucket across divisions

Credit Quality- Portfolio Composition	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Consumer Durable									
Bucket 0	99.52%	99.05%	99.58%	99.72%	97.89%	99.66%	99.63%	99.64%	99.59%
30+	0.25%	0.69%	0.27%	0.22%	0.25%	0.30%	0.30%	0.27%	0.32%
2W & 3W									
Bucket 0	78.02%	71.14%	77.76%	82.86%	85.19%	86.02%	89.34%	91.68%	93.28%
30+	17.37%	16.35%	12.67%	11.01%	8.74%	8.41%	6.34%	5.22%	4.23%
Lifestyle									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
Digital Products									
Bucket 0	98.71%	98.71%	99.56%	99.74%	99.66%	99.46%	99.49%	99.57%	99.54%
30+	0.95%	0.95%	0.27%	0.20%	0.30%	0.48%	0.40%	0.32%	0.38%
Personal Loans cross sells									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
Salaried Personal Loans									
Bucket 0	-	-	-	-	-	-	-	-	-
30+	-	-	-	-	-	-	-	-	-
Business & professional									
Bucket 0	98.50%	97.30%	98.51%	98.73%	98.93%	99.02%	99.06%	99.14%	99.26%
30+	1.18%	1.97%	1.04%	0.90%	0.69%	0.63%	0.55%	0.41%	0.41%
Loan against property									
Bucket 0	98.47%	96.23%	97.15%	97.88%	98.56%	98.44%	98.62%	98.81%	98.84%
30+	0.50%	2.69%	1.76%	1.29%	0.79%	0.98%	0.86%	0.72%	0.73%
Home loans									
Bucket 0	99.56%	98.31%	99.05%	99.07%	99.45%	99.37%	99.41%	99.54%	99.56%
30+	0.24%	1.36%	0.69%	0.62%	0.28%	0.42%	0.41%	0.28%	0.27%
Rural lending B2B									
Bucket 0	99.75%	98.89%	99.60%	99.82%	99.79%	99.73%	99.64%	99.70%	99.64%
30+	0.10%	0.80%	0.18%	0.14%	0.18%	0.24%	0.28%	0.22%	0.28%
Rural lending B2C									
Bucket 0	97.67%	95.47%	94.49%	95.83%	97.79%	98.05%	97.94%	98.02%	98.13%
30+	1.83%	3.59%	4.19%	2.73%	1.83%	1.65%	1.70%	1.57%	1.58%

Source: Company, PL

Exhibit 11: No change in FY24/25 estimates

(Rs mn)	Old		Revised		Change in Estimates	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Interest Income	3,41,067	3,92,312	3,41,067	3,92,312	0.0%	0.0%
Operating Profit	2,21,937	2,61,502	2,21,937	2,61,555	0.0%	0.0%
PAT	1,32,305	1,47,971	1,32,305	1,48,010	0.0%	0.0%
EPS (Rs)	219.9	246.0	219.9	246.0	0.0%	0.0%
Price Target (Rs)	7,835		7,835		-	
Reco	BUY		BUY			

Source: PL

Exhibit 12: TP maintained at Rs 7,835
PT calculation and upside

Fair price - EVA	7,104
Fair price - P/ABV	8,566
Average of the two	7,835
Target P/ABV	7.0
Target P/E	35.6
Current price, Rs	6056
Upside (%)	29%
Dividend yield (%)	1%
Total return (%)	30%

Source: PL

Income Statement (Rs. m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Int. Inc. / Opt. Inc.	3,16,324	4,13,974	4,87,879	5,85,455
Interest Expenses	97,482	1,25,599	1,46,812	1,93,143
Net interest income	2,18,842	2,88,375	3,41,067	3,92,312
Growth(%)	26.8	31.8	18.3	15.0
Non-interest income	80	100	147	448
Growth(%)	(46.6)	24.9	46.8	205.5
Net operating income	2,18,922	2,88,475	3,41,214	3,92,760
Expenditures				
Employees	35,897	50,591	55,675	78,421
Other Expenses	36,108	45,855	56,801	44,133
Depreciation	3,846	4,854	6,802	8,651
Operating Expenses	75,850	1,01,300	1,19,277	1,31,205
PPP	1,43,072	1,87,175	2,21,937	2,61,555
Growth(%)	19.6	30.8	18.6	17.9
Provisions	48,034	31,897	40,339	40,339
Profit Before Tax	95,038	1,55,279	1,81,598	2,21,216
Tax	24,756	40,202	49,293	73,206
Effective Tax rate(%)	26.0	25.9	27.1	33.1
PAT	70,282	1,15,077	1,32,305	1,48,010
Growth(%)	59.0	63.7	15.0	11.9

Balance Sheet (Rs. m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Source of funds				
Equity	1,203	1,203	1,203	1,203
Reserves and Surplus	4,35,920	5,36,515	6,66,157	8,80,612
Networth	4,37,124	5,37,718	6,67,361	8,81,815
Growth (%)	18.4	23.0	24.1	32.1
Loan funds	16,67,432	17,42,678	20,86,419	26,28,570
Growth (%)	26.7	4.5	19.7	26.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	20,497	3,06,896	4,83,895	1,59,864
Total Liabilities	21,25,052	27,42,242	33,13,627	36,66,200
Application of funds				
Net fixed assets	12,959	16,237	18,022	20,409
Advances	19,14,233	24,73,790	31,27,112	39,16,482
Growth (%)	30.5	29.2	26.4	25.2
Investments	1,22,455	95,644	1,00,486	1,25,608
Current Assets	36,803	37,249	31,827	39,429
Net current assets	36,803	37,249	31,827	39,429
Other Assets	38,603	1,01,801	46,297	(4,35,727)
Total Assets	21,25,052	27,24,722	33,23,744	36,66,200
Growth (%)	23.9	28.2	22.0	10.3
Business Mix				
AUM	19,74,520	24,73,790	31,27,112	39,16,482
Growth (%)	29.1	25.3	26.4	25.2
On Balance Sheet	-	-	-	-
% of AUM	-	-	-	-
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

Profitability & Capital (%)

Y/e Mar	FY22	FY23	FY24E	FY25E
NIM	11.4	12.1	11.8	11.7
ROAA	3.7	4.8	4.6	4.7
ROAE	17.4	23.6	24.0	-

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Int. Inc. / Operating Inc.	79,209	85,090	92,734	98,469
Income from securitization	13,618	14,613	15,109	15,127
Interest Expenses	26,451	29,714	33,505	35,920
Net Interest Income	66,376	69,989	74,338	77,676
Growth (%)	47.9	31.2	23.9	28.2
Non-Interest Income	18	21	17	36
Net Operating Income	66,394	70,009	74,355	77,712
Growth (%)	47.9	31.2	23.8	28.2
Operating expenditure	22,705	23,936	24,636	25,181
PPP	42,575	44,865	48,529	51,190
Growth (%)	25.2	27.9	23.2	28.4
Provision	7,547	7,342	8,413	8,594
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	35,028	37,523	40,116	42,595
Tax	9,065	9,716	10,387	11,033
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.9	25.9	25.9	25.9
PAT	25,963	27,807	29,729	31,562
Growth	159	88	40	30
AUM	20,40,18	21,83,66	23,08,42	24,73,79
	0	0	0	0
YoY growth (%)	28.3	30.8	27.4	25.3
Borrowing	-	-	-	-
YoY growth (%)	-	-	-	-

Key Ratios

Y/e Mar	FY22	FY23	FY24E	FY25E
CMP (Rs)	6,056	6,056	6,056	6,056
EPS (Rs)	116.8	191.3	219.9	246.0
Book value (Rs)	726.6	893.8	1,109.3	1,365.0
Adj. BV(Rs)	712.1	879.8	1,057.3	1,299.9
P/E(x)	51.8	31.7	27.5	24.6
P/BV(x)	8.3	6.8	5.5	4.4
P/ABV(x)	8.5	6.9	5.7	4.7
DPS (Rs)	20.0	5.0	5.2	5.2
Dividend Payout Ratio(%)	0.0	-	-	-
Dividend Yield(%)	0.3	0.1	0.1	0.1

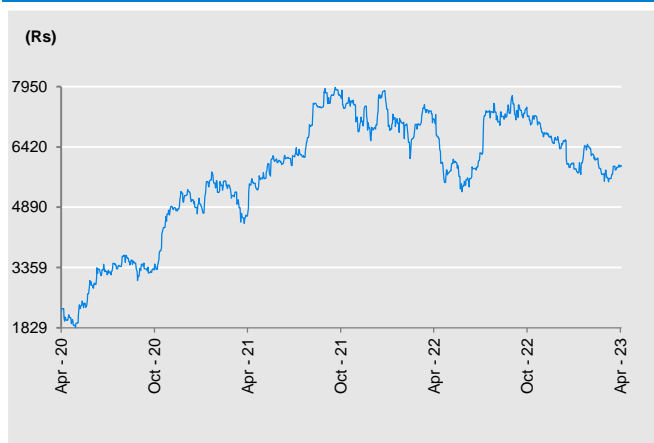
Asset Quality

Y/e Mar	FY22	FY23	FY24E	FY25E
Gross NPAs(Rs m)	30,628	23,254	69,735	90,471
Net NPA(Rs m)	13,017	8,411	31,271	39,165
Gross NPAs to Gross Adv.(%)	1.6	0.9	2.2	2.3
Net NPAs to net Adv.(%)	0.7	0.3	1.0	1.0
NPA coverage(%)	57.5	63.8	55.2	56.7

Du-Pont as a % of AUM

Y/e Mar	FY22	FY23	FY24E	FY25E
NII	11.4	12.1	11.8	11.3
NII INCl. Securitization	11.4	12.1	11.8	11.3
Total income	11.4	12.1	11.8	11.3
Operating Expenses	4.0	4.3	4.0	4.1
PPOP	7.5	7.9	7.8	7.2
Total Provisions	2.5	1.3	1.4	1.5
RoAA	3.7	4.8	4.6	4.7
Avg. Assets/Avg. net worth	4.8	4.9	4.9	4.5
RoAE	17.4	23.6	24.0	24.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	7,835	5,838
2	28-Jan-23	BUY	7,835	5,761
3	06-Jan-23	BUY	8,953	5,980
4	21-Oct-22	BUY	8,953	7,432
5	06-Oct-22	BUY	8,953	7,480
6	28-Jul-22	BUY	8,953	6,396
7	07-Jul-22	BUY	8,953	5,917

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	7,835	5,838
2	Cholamandalam Investment and Finance Company	Hold	820	841
3	L&T Finance Holdings	BUY	109	87
4	Mahindra & Mahindra Financial Services	Hold	260	251
5	Manappuram Finance	BUY	144	129
6	Muthoot Finance	BUY	1,315	1,028
7	SBI Cards and Payment Services	Accumulate	935	738
8	Shriram Finance	BUY	1,486	1,295

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Akshay Ashok- BTech, IT, Mr. Raj Mange- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Akshay Ashok- BTech, IT, Mr. Raj Mange- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com