

Bajaj Finance

FREE MULTIBAGGER

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Bajaj Finance was Futurecaps prestigious multibagger giving 80X returns till now. We re-evaluated the stock & found further multibagger potential of 10-20X in next 10 Years making it a potential 1000X bagger overall.

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April 2024 NSE: BAJFINANCE BSE: 500034
CMP: ₹ 7120.00 BUY BELOW: 8000.00



ABOUT

Bajaj Finance Ltd (BFL) is mainly engaged in the business of lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. Sanjiv Bajaj is the current chairman and managing director. Rajeev Jain is the current managing director of the company.

Bajaj finance headquartered in Mumbai. BFL is present in 3,733 locations across the country, including 2,341 locations in rural/smaller towns and villages. It focuses on eight broad categories: (i) Consumer Lending (Sales finance), (ii) Personal Loans (iii) SME Lending, (iv) Commercial Lending, (v) Loan against Securities, (vi) Rural Lending, (vii) Deposits, and (viii) Partnerships and Services.



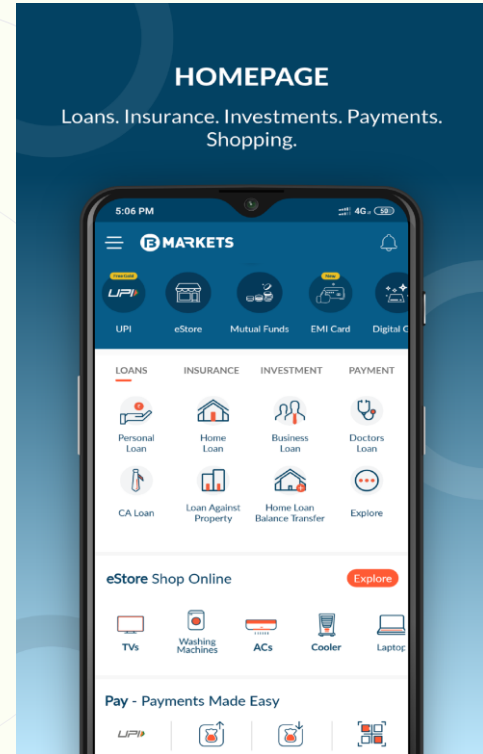
POSITIVES to become a multibagger

- To focus on profitable growth and endeavor to be among the **top 20** profit-making companies in India and the top five financial services companies in India. 100 additional locations in UP, Bihar and North-East India in 2024 and 100 more locations in 2025.
- It offers a diverse suite of over 50 **financial products** and services focused on Consumer Lending (Sales finance), Personal Loans SME Lending, Commercial Lending, Loan against Securities, Rural Lending, Deposits, and Partnerships and Services.



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- Bajaj Finance has also rapidly **expanded** its presence across the digital space through Bajaj Finserv App platform, the web platform and three proprietary marketplaces — Insurance Marketplace, Investment Marketplace and the EMI Store.
- Bb16.66 million **customers** have a wallet account with the Company, and (ii) 12.98 million customers have a UPI handle. During FY2023, 15.92 million bill payment transactions were executed by the customers using BFL's bill pay service.
- BFL disbursed 29.6 million **loans** — its highest ever, representing a growth of 20% over FY2022



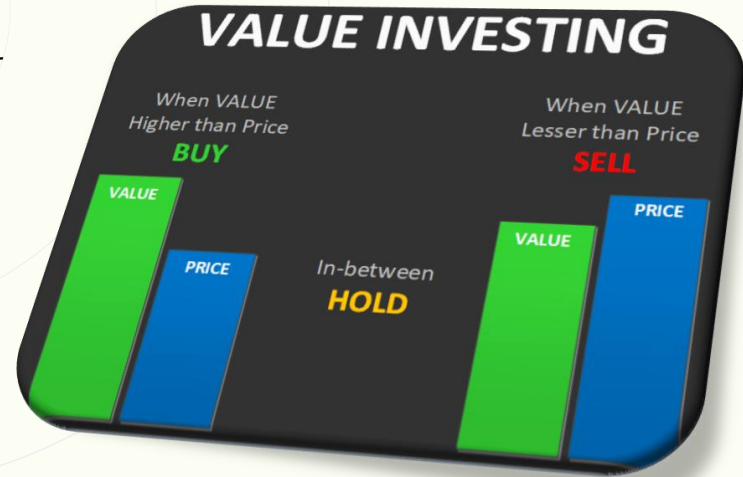
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- The Company continues to be the **largest lender** for financing of discretionary spends across consumer electronics, furniture, and digital products in India.
- Started **financing** two-wheelers across all manufacturers in addition to Bajaj Auto Ltd. two-wheelers. EV boom in two-wheelers will boost the revenue.
- In **partnership** with various financial service providers, BFL offers variety of products to its customers which includes life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card and financial fitness reports.



- The **Intrinsic value discount** stands at 50% as of today. Profit after tax (PAT): increased by 64% to 11,508 crore.
- Bajaj Finance has been growing **earnings** at an average annual rate of 27.5%, while the Consumer Finance industry saw earnings growing at 19.9% annually. Revenues have been growing at an average rate of 18.7% per year. Bajaj Finance's return on equity is 23%, and it has net margins of 45.7%.
- **Capital adequacy ratio** as on 31 March 2023: 24.97%, which was well above the RBI norms. Tier-I adequacy was 23.20%
- BHFL's **net interest income** increased by 52% to 2,454 crore; pre-impairment operating profit grew by 60% to 1,824 crore; PBT rose by 77% to 1,700 crore; and PAT increased by 77% to 1,258 crore.

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- The company's deposit program is rated the highest with a credit rating of **CRISIL** AAA/Stable and ICRA AAA/Stable. These ratings reaffirm the high reputation and trust that the Company has earned for its sound financial management and ability to meet financial obligations.
- BFL has been continuously investing and adopting various evolving technologies and **analytical tools** like Big Data, Cloud Computing and Open-Source software like Python.
- **Assets under management (AUM)** of the urban sales finance increased by 22% during FY2023.
- BFL remains well capitalised with a **capital-to-risk** weighted asset ratio (CRAR) of 24.97% as on 31 March 2023, making it among the best capitalised large NBFCs in India.



Financial snapshot

₹ 247,379 crore

↑ 29% YOY

16-year CAGR 36%

Core AUM

₹ 11,508 crore

↑ 64% YOY

16-year CAGR 52%

Profit after Tax

24.97%

as of 31 March 2023

Capital adequacy ratio

29.6 million

↑ 20%

New loans booked

₹ 28,846 crore

↑ 32%

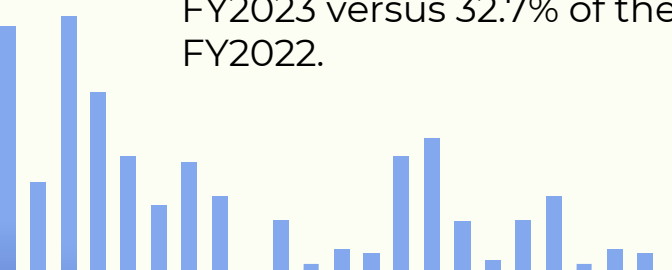
Net Interest Income

0.94%
Best ever

Gross NPA

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- **Total income:** increased by 31% to 41,406 crore. Net interest income (NII): rose by 32% to 28,846 crore. Pre-impairment operating profit: increased by 31% to 18,716 crore. Impairment on financial instruments: reduced by 34% to 3,190 crore.
- Government led **capital expenditure** has continued to be an important driver of the economy with gross fixed capital formation (GFCF) expected to contribute to 34.0% of the GDP in FY2023 versus 32.7% of the GDP in FY2022.



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- The Company delivered its highest ever **return on average assets (ROA)** of 5.3% in FY2023 and delivered return on average equity (ROE) of 23.5% on a consolidated basis.
- The Company plans to **expand its footprint** in some 300 to 350 locations to further deepen its presence across India to take geographical presence in 4,000 to 4,100 locations. On the app platform, the Company will focus on increasing the adoption for sales and service to increase online business and enhance self-service.



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- BFL's **Lifestyle Finance business** deals with discretionary spends with high ticket size products and services. In FY2023, it financed over 637,000 accounts, which represents a YoY growth of 38% over FY2022. The business served over 6,000 stores through BFL sales app & QR code as part of the digital adoption.
- Debt Equity Ratio is **moderate** around 4 with Interest Coverage Ratio at 2X.
- **PEG ratio** is below 1.0 with High Promoter Holdings of 55%



Business highlights



New customers

11.6 million

Highest ever customer franchise addition



Tech-driven

35.5 million

Net users on digital app platform



EMI Card franchise

42 million cards in force (CIF)

EMI Card franchise



Credit Rating

AAA/Stable for long-term borrowing from CRISIL, India Ratings, CARE and ICRA,

A1+ for short-term borrowing from CRISIL, India Ratings and ICRA, and

AAA/Stable for fixed deposit program from CRISIL and ICRA.

Negatives

- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. This is further elaborated in the section “Operational Risk Management
- Bajaj Finance's net **debt-to-equity ratio** (324.2%) is considered high.
- **Operating cash flow** is negative, therefore debt is not well covered
- Company is moderately **overvalued** at 8X Book Value & PE 32. Any corrections would be right opportunity to invest heavily on this counter.



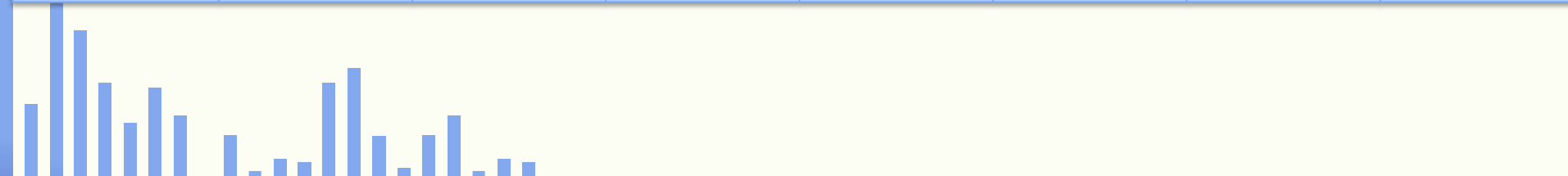
Negatives

- **Loss of reputation** can result in loss of customer thereby adversely impacting businesses of BFL Group
- BAJFINANCE's **earnings growth** over the past year (28%) did not outperform the Consumer Finance industry 44.2%.
- BFL Group provides **financial products** and services to millions of customers, any undesirable customer experience could result in loss of customers or even reputational loss
- **Reputational risk** could arise in case BFL is not able to meet the stakeholder expectations on climate related disclosures and initiatives
- Conforming with environment related standards could result in **increased expenses** / loss of business which would have otherwise been underwritten.



Profit & Loss

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	23-Mar	CY
Revenue	12,746	18,487	26,374	26,673	31,641	41,398	51,400
Interest	4,696	6,723	9,608	9,519	9,855	12,701	17,100
Expenses	4,115	5,454	9,159	10,839	11,880	12,680	15,231
Financing Profit	3,935	6,310	7,608	6,314	9,906	16,018	19,069
Financing Margin %	31%	34%	29%	24%	31%	39%	37%
Other Income	10	13	9	3	-17	-4	21
Depreciation	102	144	295	325	385	485	624
Profit before tax	3,843	6,179	7,322	5,992	9,504	15,528	18,466
Tax %	35%	35%	28%	26%	26%	26%	
Net Profit	2,496	3,995	5,264	4,420	7,028	11,508	13,784
EPS in Rs	43.19	69.12	87.48	73.35	116.09	190.07	226.36



WARREN BUFFETT CHECKLIST

Type	value
ECONOMIC MOAT	Moderate
GROWTH	Good
VALUATION	Good
DEBT	Moderate
INTEGRITY	Good

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MULTIBAGGER

The company has the potential to become multibagger in the order of 500-2500% in 5-10 year term.

BUYING STRATEGY

70% on current price levels, Remaining on 30% correction levels
[Conservative Investors can Buy 50% then remaining on 30% correction levels]

HOLDING PERIOD

5 Years

[We are into LONG TERM INVESTING and Investor should not expect quick up movements in price. Incremental Investing is advised & Any corrections should be considered as Opportunity to add more – Remember our focus should be the 500% Future returns – so any price correction investments will zoom the returns]

5 Years



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