3 February 2025

THE MANAGER, BSE LIMITED DCS - CRD PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001	**THE MANAGER, LISTING DEPARTMENT NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST) MUMBAI - 400 051**
SCRIP CODE: 500034	**SCRIP CODE: BAJFINANCE – EQ**

Dear Sir/ Madam,

Sub: Transcript of Conference Call held in respect of the Financial Results for the quarter ended 31 December 2024

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Part A of Schedule III to the SEBI Listing Regulations

In furtherance of our letter dated 20 January 2025, the transcript of Q3FY2025 investors conference call has been uploaded on the website of the Company at Bajaj Finance Investor Relations –Quarterly Earnings Call (aboutbajajfinserv.com)

Also, enclosed is the transcript (pdf) as attachment for ease of reference.

Kindly take this on record.

Thanking you,
Yours Faithfully,
For **Bajaj Finance Limited**

VIJAY
RAMCHANDRA

Digitally signed by VIJAY RAMCHANDRA
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Bajaj Finance Limited

Q3 FY'25 Earnings Conference Call

January 29, 2025

MANAGEMENT: **MR. RAJEEV JAIN – MANAGING DIRECTOR – BAJAJ FINANCE LIMITED**
MR. ANUP SAHA – DEPUTY MANAGING DIRECTOR – BAJAJ FINANCE LIMITED
MR. SANDEEP JAIN - CHIEF FINANCIAL OFFICER – BAJAJ FINANCE LIMITED

MODERATOR: **MR. ANUJ SINGLA – BANK OF AMERICA SECURITIES**

Moderator: This call is not for media representatives or Bank of America investment bankers or commercial bankers, including corporate and commercial FX. All such individuals are instructed to disconnect now. A replay will be available for the Bank of America investment bankers and commercial bankers, including corporate and commercial FX. The replay is not available to the media.

Good day, and welcome to the Bajaj Finance Limited Q3 FY '25 Earnings Conference Call. This call will be recorded, and the recording will be made public by the company pursuant to its regulatory obligations. Certain personal information, such as your name and organization may be asked during the call. If you do not wish for it to be disclosed, please immediately discontinue this call.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and zero on your touch-tone phone.

I would now like to turn the call over to Mr. Anuj Singla. Please go ahead.

Anuj Singla: Thank you, Neerav. Good evening, everyone. This is Anuj Singla from Bank of America Securities. Thank you very much for joining us for the Bajaj Finance earnings call to discuss third quarter FY '25 earnings. To discuss the earnings, I'm pleased to welcome Mr. Rajeev Jain, Managing Director; Mr. Anup Saha, Deputy Managing Director; Mr. Sandeep Jain, CFO; and other senior members of the management team. Thank you very much, sir, for giving us the opportunity to host you.

I now invite Rajeev for his opening remarks, post which we will open the floor for Q&A. With that, over to you, Rajeev.

Rajeev Jain: Thank you, Anuj. Thank you BofA team for hosting us. Good evening to those who are in India. And depending on the geography, good morning. I'll take you through the presentation, investor presentation, that we put on the company's website. Let me jump right in. I'm on Panel number 4. Just at a high level.

Overall, I would say, good quarter on volumes, assets under management and opex, loan losses begin to stabilize or have rather stabilized, came in flat in terms of percentage points virtually between Q2 and Q3. Profit growth has begun to gain momentum. ROA was steady. We overall delivered AUM growth of INR24,119 crores, the highest that we have ever delivered, booked highest ever new loans of 12-odd million loans in the quarter and added 5 million new customers.

Customer franchise stood at 97.12 million. So well on course to cross 100 million as we finish the current fiscal year. It will be a big milestone, I would say, for us as a firm. Finserv app now just a tad below 67 million customers.

We shared the long-range strategy, which is BFL 3.0 A FINAI company was unveiled as part of our Investor Day on 10th of December. And overall, we're quite excited about this next phase of transformation for BFL as a company.

I would say this is 3.0, we had 1 Phase between 2008 and 2016, I would say, and second Phase between 2017 and 2024 and there's the third Phase. In terms of AUM, just a tad below INR4 lakh crores, at INR398,000 crores, annual growth of year-on-year growth of 28%. Opex to net total income came in at 33.1%, an improvement over 33.9% same time last year. PBT grew by 18% to INR5,765 crores. All these numbers are consol numbers. PAT grew by 18% to INR4,308 crores. ROE came in at 19.1% versus 22% at the same time last year. And net NPA came in at 48 basis points versus 37 basis points last year.

Panel 5, AUM, we've talked about, new loans, we've talked about new customers added. We've talked about -- we are very close to add 17-odd million customers in the current year. Run rate so far, we've done 13 million - 13.5 million. So 3.5 million is a clear run rate. It should be tad higher, I would say. So well on course to cross 100 million customer franchise.

In terms of location addition, as I've said in the past that, clearly, our geographic presence has peaked out. We added 14 new locations. In the current year, we've added only 60-odd locations, if my memory serves me right -- 50-odd locations. We have 4,209 or 4,210 locations. So we added 50 - 55 locations. We are adding more branches but not more locations, gold loan branches, as I'll take you through have crossed 1,000. Now in terms of cost of funds, liquidity buffer remained strong at INR13,600. Cost of funds, a marginal decrease, but largely flat. Deposits grew by 19%.

Operating efficiencies. Net interest income grew 23%. NIM was steady in Q3. Net total income grew by 26%. Opex to NTI improved to 33.1%. We continue to invest in optimizing our operating expenses and rapidly implement AI capabilities to improve productivity across the board, and we had shared our vision or mission for that as part of our Investor Day in December.

Now employee headcount stood at 62,176. We added a much smaller number of people in the third quarter. We added 2,824 people. These numbers are consol and consolidated annualized attrition came in at 16.2%. Clearly, as we head into the next year, it's likely that the employee headcount addition will continue to be smaller and smaller or lower and lower as we move into fiscal '26.

In terms of credit cost, as I said, it stabilized, came in at INR2,043 crores. Loan loss to average AUF was 2.16% versus 2.13%. It's a INR20 crores differential in a way for it to be a 2.16%, so that's why we used the word stabilized. Total net increase in Stage 2 and Stage 3 was at INR608 crores.

Last quarter, it was INR540 crores, this quarter it's INR600 crores, first quarter it is INR1,100 crores. So clearly, the formation of Stage 2 and Stage 3 have begun to stabilize at these numbers. So we continue to take proactive risk actions by cutting segments and pruning exposures, rather, I would say, aggressively at this point in time.

On a full year basis, we estimate loan loss to average AUF to be in the range of 2.2%, for quarter 4 to be in the range of 2% to 2.05%. So clearly, the downward trajectory should continue as you move from here. GNPA and NNPA stood at 112 basis points and 48 basis points, respectively, continue to be amongst the lowest. Clearly, as I've said many times to investors that last year was a record low in many ways, and it reflected in GNPA and NNPA, but we remain significantly within the range of our medium-term guidance on GNPA and NNPA.

We had shared with investors that clearly 3-plus unsecured loans is an area of concern. So across the board, we have reduced share of such customers now significantly. As we exit Q4, we'll be back to where we were at a pre-COVID level. So we have been continuously pruning. We pruned significantly even in Q3, and we will be below or equal to where we used to be pre-COVID as we exit March '25.

Profitability, we've talked about. Consolidated profits grew 18%. I'm on slide 7. And ROA came in at 4.5% versus 4.9% and ROE came in at 19%. Capital adequacy remains strong. Tier 1 is 20.8% and overall capital adequacy is at 21.6%. Just quickly, 2 additional updates. One is we have done a press release, a joint press release of a strategic partnership with Bharti Airtel, while for you -- it's a repeat of what we have already published to the street, but we are quite excited about this partnership.

And I can take some questions and provide some more clarity, if there are any. But overall, I would say our two products have gone live, nine products will be live on Airtel Thanks app by March 25. And we've created a five-year vision and a roadmap for this partnership. And I would say we are quite excited about this partnership.

Now, in terms of discontinuation of the co-branded credit card business, as you're aware, we have released again to the street, on mutually agreeing to seize incremental sourcing of co-branded credit card with RBL Bank and with DBS. These are our two partners. This discontinuation does not affect any of the existing cardholders who will continue to receive services from respective banks. I thought I'd just clarify that.

And we as BFL from a P&L standpoint will continue to earn distribution fees and revenue share under the co-brand arrangement. So I thought I'd clarify that as well that it does not affect the future revenue share from this arrangement.

I jump right over to Panel 43, which is customer franchise, continues to grow. It's at 61.56 million, what we classify as cross-sell franchise. As you can see, the addition continues to remain pretty strong.

I jump straight then to Panel 48, which is a segment-wise AUM number. The only reduction -- only change that you see is you're beginning to see two-wheeler and three-wheeler composition go down as a result of us not doing Bajaj Auto two-wheeler and three-wheeler financing since they have started two-wheeler and three-wheeler financing, captive finance company of their own. So this number would continue to go down.

It may probably stabilize sometime next year at around quarter 4 FY '26 at around 4-odd percent, between 3.5% and 4%. The rest of the composition, as you can see, largely remains range bound.

We'll go to panel 51 quickly on GNPA and NNPA. You see marginal movement in GNPA and NNPA across the board. That's one point I would like to make other than commercial lending and LAS, of course, you see a marginal movement across the board. But on an aggregate basis, I would make a point to you that -- which is on a year-on-year basis, that we remain reasonably well under the long-term guidance of 1.2% to 1.4%. And on NNPA, also, you see movement between on a year-on-year basis across the board. We remain well within 40 to 50 basis points of NNPA guidance is the point I would make.

Go to portfolio quality. I think three businesses from a management assurance standpoint, we have classified as Amber, 1 being two-wheeler and three-wheeler. I'm on Panel 55. As you can see, a year ago it was 94.72%. It's at 92% now. But mainly because of Stage 2, which was at 3.83% has gone to 5.53% that we classified the businesses Amber. However, keep in mind that this portfolio degrew -- but I have to do what I have to do, which is to state facts as they are.

But there will come a point where the number may look much worse off, but we may classify it as green. I'm just flagging it to you because in a degrowing portfolio, these percentages may not make sense. But there is pressure at this point in time in this portfolio. So that's why from a management assurance standpoint, we have classified it as yellow.

The second portfolio that we have classified as yellow is business and professional loans. Clearly, it was at 99.07% for the current bucket, in December '23. It's at 98.67% now. And as you can see, even in February '20, it was 99.01%. So it's from that standpoint that we have classified as yellow. And rural B2C continues to be yellow.

It started to grow. I think that's the good news. I think the AR grew on a year-on-year basis at 16%. So the business is back in a growth mode. So some of that will get solved. And we've seen -- we should be back to growth mode in the business. That business should grow between 20%-23% in the next fiscal as we move from here.

I think these are three businesses that we -- from a management assurance standpoint, have classified as yellow. I'll open the floor to questions now.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Congratulations for a good set of numbers. So firstly, maybe again in terms of indicating 2% to 2.05% for credit cost for 4Q. But when we look at maybe both in terms of the Stage 2 as well as Stage 3, there seems to be an increase in which way. So you alluded that at least in terms of the incremental trend, it's improving.

But otherwise, any other metrics which is giving you that much of a confidence that we would have picked out in terms of the credit cost? Because you indicated that it will keep on trending lower. And any guidance that you would want to give for FY '26?

Rajeev Jain: No, it's a fair question. Both the questions are fair. December and so far January have been better. December was better on collection efficiencies. Clearly -- so two things, at a headline level, early MOB results are looking better. I think that's the first point from a risk standpoint. We have pruned businesses. We've talked about it over the last two quarters, three businesses would flag out the largest increase in contribution was two-wheeler. That's a winding down book. Used cars, we've dropped the business by 30-odd percent. Rural B2C, we've talked about many times, but losses have peaked up.

Urban B2C given the size of the business, its contribution to the loss ought to be high, as you can see even from the provisioning panel. So I think just in SME or MSME, the early MOB have begun to look significantly improved. I won't use the word significantly, I would say they started to look better than they were. I think that's level one point.

Second order point is efficiencies. Even if I take October, November, December, October was better, November was okay, December was much better. So I think that's how I would classify. It's right now given the overall environment as you're seeing from results across the board, each month at a time, but it gives us a greater degree of confidence that if one more quarter goes well, we are, I would say, we are in a comfortable position. So that's the second point I would make to you.

Kunal, third point on a full year guidance, I would say to you that at a design level, it has to be sub 2%, I mean, in all. But we'll get greater confidence as to as we traverse through Q4. I must flag that point. It's -- I'm not creating uncertainty. I'm just making the point the way we as management are going about it. So if Q4 is in the range of 2% to 2.05%, then clearly next year number is up 2% is what I would say. We'll be a lot confident.

Kunal Shah: Okay. Sure. And secondly...

Rajeev Jain: Unless macro environment deteriorates very significantly, which I hope it doesn't. And it's not a place card statement. It's given that overall economy is slowing as we can see from higher frequency data. So that's the only caveat I would add.

Kunal Shah: And lastly, in terms of like last year, Q3, there were senior management changes, which were announced. Now it's been almost a year. So how are we looking at it in terms of the management transition? Any discussions out there? And what would be the road map -- so now LRS is also there. So maybe in terms of the certainty on the management side would also help? So maybe if you want to comment on that part.

Rajeev Jain: No, no. It's a fair point. We've laid down a comprehensive 15-month transition plan Kunal. We are 12 months into it. As you rightly said, we announced this last December. We expect the Board to take a view on the way forward by Q4.

Kunal Shah: By Q4?

Rajeev Jain: Yes.

Kunal Shah: Okay. Yes, thank you.

Moderator: Thank you. Next question is from line of Antariksha from ICICI Prudential. Please go ahead.

Antariksha: Thank you sir. So two sets of questions. The first is, can you give some color on your debt management piece, in a sense, what kind of opex does it incur given the fact that the system is under stress, how are costs per head panning out? Has that gone up significantly? What is the number of people involved?

When does collection become unviable in terms of ticket size? Earlier, I remember you had flagged that INR15,000 is a minimum ticket size below which it doesn't make sense. Something on that and how it's panned out through this time where delinquencies have gone up.

Rajeev Jain: If you recall, we had a conversation on this when I said I had -- there was a similar question that was asked in Q2, and we -- I shared that from a capacity planning standpoint, we realized when you deliver 161 basis points credit cost to AUM, which was FY'24, we delivered in, despite having sophisticated capacity planning models, you say, do you need to add capacity?

Clearly, we should have stayed true to our capacity planning model. And if you recall, we had said that we added close to 4,000 people if I'm not mistaken in Q1 and Q2 in debt management. So we have gone back and played as per the capacity planning model. I think that's the first point. So -- that's one part. And it's a lesson learned, I would say, for us as a firm.

Second part, the model has not changed. We continue to just sharpen the model. The only thing that has changed significantly is a lot more has gone digital. I mean today, 50% - 52% of our overall debt management infrastructure is -- the cash has kept -- despite the size having grown, cash has kept going down and centralization infrastructure has kept going up. So I think it is ensured that we have significant capacity, or it's a nonlinear model that we continue to build. So, it's the last point I would make to you.

Antariksha: Just to clarify this, you are saying 48% of the collection is still physical is it?

Rajeev Jain: Sorry, sorry.

Antariksha: Are you saying that 48% of the collection is still physical?

Rajeev Jain: Yes. Yes. It's by agencies, physical being defined as yes. Yes, answer is yes. Answer is yes.

Antariksha: Okay. What would be the number of people involved, rough, since you said 4,000 were added?

Rajeev Jain: No, as a firm, we have 64,000 people, as you saw. I think 57,000 - 58,000 in BFL, 20,000 people are in debt management, but they are all managers. They're employees and they're managers. They don't collect, they manage agencies who collect. So the centralized call centers are also managed by them and the field infrastructure, which is agency management, is also managed by them.

And mind you, this is across 27 product lines and across 4,205 cities and towns in India. And it means boots on the ground to be able to do an efficient whatever, 94% - 95% - 96%, depending on the type -- or 98% depending on the kind of business you're talking about for those levels of efficiencies, you need boots on the ground, non-linear, however. That's the only part I would continue to add.

Antariksha: Got it. The second piece I wanted to ask is on this Bharti Airtel partnership. Now you mentioned that there are about 37 crores, 38 crores customers that they enjoy. The question I wanted to know is what is the -- I mean non-Bajaj franchise, which can be lent to in that base. Because we also have a pretty hefty 10 crores customer base on which we have enough data, I'm sure the entire 37 crores of Bharti customers will not be backed by ability and willingness to pay. So what is the size of the opportunity in that partnership...

Rajeev Jain: That's a fair question. I'll request Harjeet who my colleague who is running the relationship to answer.

Management: Yes. Roughly about 200 million is the set we are targeting, which is -- does not overlap here.

Antariksha: Okay. And the products that you would start with are?

Management: So we're starting with nine. This basically includes personal loans, business loans, gold loans, we're going to be doing two-wheelers, Insta EMI card and a couple of more trading products and last, etc. So we start with nine and then over the year, we'll then look at the next set of products.

Antariksha: Got it. Sure. And just last point, sir. You highlighted, I think, in the previous times when we had started slowing down the B2C personal loan business that risk pricing was not being followed at both ends of the spectrum, not just the small ticket one. Has that scenario improved in the high-ticket segment in the sense that...

Rajeev Jain: Pricing has not changed. I mean, in fact, anyway, as the credit growth has slowed, the pricing pressure across the board has further intensified only, I would say, because credit growth is now significantly slower. So...

Antariksha: Wouldn't B2C taking out, especially in the higher ticket part of the spectrum is based on what?

Rajeev Jain: Sorry, sorry.

Antariksha: I'm saying if pricing is still not improved, then how is the higher ticket part of rural B2C better than it was? What has changed?

Rajeev Jain: No. In rural, we don't do high ticket at all. We never did high ticket actually. I mean, in fact, whatever prior to we're getting into trouble with it, that was only pull back. The corridor there is between 100,000 and 250,000, I would say. That's the -- average exposure is 120,000. Actually, we've cut exposures by 30-odd percent in the last 12 months. So average exposure is down to between 120,000 to 130,000. So we never did high-ticket loans in rural B2C.

Moderator: Antariksha may I request to come back for a follow-up question please. Thank you. Next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes. Hi team congrats on very strong numbers. Just firstly, in terms of just getting back to asset quality, can you share at least qualitatively, if not quantitatively, what are the 1 DPD formation trends across portfolios? Has that stabilized? Has that improved? Is it better than -- or is it back to run rate levels?

Rajeev Jain: So, it's a complicated question, I prefer number one, and across different businesses. I would say -- I'll tell you. Urban B2B remains pretty strong. So let me go from the easier ones, right. Urban B2B remains pretty strong from a -- let's go by line of business, okay. By two-wheeler, three-wheeler, we are -- we -- as I said earlier, I flagged it as yellow. So it is yellow. It's default rate plus the efficiencies, both are impacted at this point in time.

Last month, collection efficiencies are better in two-wheeler and three-wheeler, but the default rates were still elevated. So that's on level one point. And you realize Piran, both are a mix of the net outcome is a mix of higher bounce and lower efficiency and higher bounce and higher efficiency and lower bounce and higher efficiency, right. These are the three blocks that every portfolio would principally sit in.

Second portfolio is urban B2B, I talked about. We are -- that portfolio has remained very, very steady, I would say, despite significant growth in the business. Urban B2C default rates are lower, collection efficiencies are still lower, okay. December was better, as I said earlier. October was better, December was better, November was not okay. So we're still in a watch mode. Brings me to rural B2B. Rural B2B and all these numbers I compare personally with pre-COVID for whatever reason, even within the firm. Some people don't agree with me, but I say that is what we used to do.

And mind you, we were one third of the size so they're also right from a context standpoint. Rural B2B numbers used to be significantly lower. So you see them even higher year-on-year, but eventually, given our depth in the business, that number has never intended to remain there. It will get closer and closer to urban B2B now.

That gap, which used to be there pre-COVID that smaller markets give you lower default rate, given the massive penetration across the board by non-banks and banks has meant that advantage for benefit, which existed pre-COVID doesn't exist anymore. So if it's not there so far, it will get there. Let me make that point. I know where is it exactly, rural sales finance.

Gets me to rural B2C, as I said, we are coming out of the woods, I would say, efficiencies improved, bounce rate was never a problem, efficiencies were the problem, efficiencies have improved significantly. SME lending from April to October had gone up significantly. Bounce had not gone up, efficiency has dropped reasonably. November, December, is back at this point in time ever good that you have seen in the last 2 years.

So we've invested across the board, but I think we are seeing at least MSME deliver significant confidence at least so far. I think that completes the breakup in a way. Car loans, Piran, just to the last point, Sandeep was flagging to me, used car clearly, we've seen pressure. We have got business at 30% - 35%. I mean -- and we are among the top five used car lenders in India, but we've cut volumes by from INR400-odd crores to down to now INR250 crores, right?

New car continues to remain very healthy and very strong. So -- and that is where the growth is. Majority of the growth that you're seeing is in that space, that remains very strong, or we remain very comfortable from. That Piran, hopefully gives you some color.

Piran Engineer: No, that's useful. So the main segment, you're among the larger ones really the Urban B2C, where things are still slower. Because you mentioned that while default is lower, collection efficiency is also lower?

Rajeev Jain: Yes, I agree. Perfect. Your observation is correct. This may take longest to be back to normalcy. Absolutely.

Piran Engineer: Why?

Rajeev Jain: Why? As he is clarifying that we took three PL cuts what we have flagged, this end rule B2C is where the three PL issue was, as you flagged, we used to be pre-COVID at 9% -- 5% here and 1% there. We're still at 8%. We have some more ground to cover between Jan and Feb we have covered. It has gone all the way to 15%, 16% -- 13%, 14%, right? So aggregate, it has gone all the way to 14%. So we have brought it down.

As that gets -- mind you, still doesn't stop that customer to take more, post me. This is at the time of me giving a loan. So that is the main reason, I would say, Piran.

Piran Engineer: Got it. Got it. Fair enough. And just secondly, in terms of contingent to SME, you also marked it as Amber in your PPT, but you're still growing at 40% in this business. So what really -- what's the disconnect here?

Rajeev Jain: So, I have to do management assurance. It's a 98.67% current in an MSME book. It used to be at 99%. So we are used to significantly lower numbers is one point I would flag to you. I think that as I made in the passing as well that an MSME book at 99% and is used to be a great number, we are proud of that. It's a 98.67%. And as I said, last 3 months we have cut the business by 30%. So that's the only point. And growth is 31%. It's not 40%.

In that -- but the secured growth -- very similar. The numbers will be -- Anup is making a point on -- this has LAP also sitting there. This has BHFL also sitting there. This has BL also sitting there, and this has professional loans sitting there. These are the 4 portfolios that are principally sitting there. The slowest growing is professional loans because -- and LAP, actually, in terms of -- because now LAP -- because the margin profile to the earlier question that as the margin equation is just not adding up.

But it's a mix of four portfolios. At 98.67%, we are comfortable, but we want this to get back to over 99%. That's really why the cut-in business that we've done, and we'll get there.

Piran Engineer: Got it. Okay, that answers my question. Thank you and all the best.

Rajeev Jain: Thank you

Moderator: Thank you very much. Next question is from the lien of Viral Shah from IIFL Securities. Please go ahead.

Viral Shah: Yes. Rajeev, I have two to three questions, if I may, I'll go one by one. So one is on the used car business, you mentioned that, of course, the delinquencies are still relatively higher and that's an area where you are cautious. A, first of all, what is driving this? Is this the pricing on the usual vehicle front if at all?

Secondly, on this line item only. In the executive summary expansion that you are looking at accelerating this business, but on the other hand, you are saying that you are cutting down the business over here. So just if you can help just reconcile that piece?

Rajeev Jain: New car is accelerating, used car is -- yes, Anup is answering.

Anup Saha: If you think of old car loan numbers, mix of new cars and used cars. And of the used car, there is a sale purchase and there is a refinance. What we are seeing is the elevated losses are mostly in the refinance, and that's where we have taken sharp cuts. New car remains quite strong, and that's comfortable. However, the margin being very tight, we do it a particular corridor only. So the major cuts have been on refinance. However, on sale purchase as well, we have done some cuts. But the pressure is on refinance. So in a way, that's how you should see this.

Rajeev Jain: Of the three blocks what Anup is saying, of the three blocks, two blocks have continued to be in growth mode. And in a way, refinance as cash out. If you think about it -- so -- and like all consumption loans is under pressure. So in a way the pattern is very consistent. The sale purchase is not a problem. Pricing was also not a problem.

New car portfolio is in pristine shape. Pricing, as Anup said, we have to run only particular volume in the business. We have created a mix between sale purchase, refinance and new car and leasing. These are the four blocks to deliver eventually at scale a 13% - 14% ROE in aggregate, we've created a particular portfolio model, which we have to maintain.

Viral Shah: Good. And Rajeev, on the line item that you have as a car loan of INR11,100 odd crores, that is a new car segment, right?

Rajeev Jain: No, it's both, both. It's all cars. So 5.5 Cr and 5.5 Cr, almost equal.

Viral Shah: Okay. So the increase in delinquencies probably would be a function of the used car business, not as much...

Rajeev Jain: It is that only. One, as Sandeep is saying it's mature. But even otherwise, I mean, the bounce rates in new car are 2% versus bounce rate in used car portfolio are 11% - 12%, exactly. You see the difference is 2% and 12%.

Viral Shah: Fair enough. Rajeev, my second question is on the LAP piece…

Rajeev Jain: Just clarifying to me 3% - 3.5% to a new car, not 2%. So that's to be fair.

Viral Shah: Fair enough. Rajeev, the second question is on the loan against property piece. I know you have marked it green and you flagged the pricing pressure. But if I look at the Stage 1 and 2 here, that is sequentially seems to be on a declining trajectory. Are you seeing any, say, signs of asset quality stress, bounce rates, flow rates…

Rajeev Jain: This is a case by case, it's not just case -- I mean one or two case slips leads to this. So you're talking loan against property, right. Yes, that number is -- This is consol number. I just want to clarify. This is consol. This includes BHFL and BFL. The number is also there. The BHFL number is if you go to LAP, the INR10,821 crores is BHFL and -- so I mean, it's both. And that's the case by case view, don't have a risk view. It's a pricing view. In fact we proved business mainly as a result of pricing.

Viral Shah: Okay. And sir, basically, the deterioration that we are seeing, of course, it could be either in BHFL or BFL, but it's more of the more chunkier, not a more broad-based chain.

Rajeev Jain: No, no, no. Not at all.

Viral Shah: Okay. And Rajeev, on the gold loan front, if you can just say, give some color on our, I would say, not rapid growth because it's off a small base relatively, but the rapid expansion because this is coming from the context where a few players have flagged some difficulties in terms of adopting the regulatory guidelines or the comfort which regulator wants in terms of doing this business. So what is kind of driving this for you that it is working for you?

Rajeev Jain: No. As I've said in the past, we've converted this business into what we call a strategic business unit two years ago, we decided to run it like gold loan rather than run it like BFL. And that is a fundamental change that we made. We realize it's a gold loan business. It's a branch-based business, has to be run as a branch management business model and so on and so forth.

And we realize that this is -- it will be originated digitally and dispensed by branch. And the branch has to be an independent branch. As you can see, the branches, if you go to Panel 13 have moved from 537 last year same time to 827. And this quarter, we are adding -- so we'll cross 1,000 end of this year. So distribution expansion is the main driver to running it like a gold loan business rather than...

Anup Saha: Also, because we still are a small player, our focus is largely on Tier 3 and Tier 4. So we are not playing this in the Tier 1, Tier 2 because of a fair share point because in Tier 3, Tier 4, I get that advantage. And the cost is also low.

Rajeev Jain: So the point Anup is making is we are picking our -- given that there are much bigger players, there are banks, we are choosing wisely on where we want to compete. And so far, it's been successful in terms of helping us grow on one hand and maintain a competitive position from being a dominant share in that 3-mile area.

Viral Shah: If you simplify the conversation.

Rajeev Jain: Yes.

Moderator: Thank you very much. Viral, I'll request you to come back for a follow-up question, please.

Viral Shah: Fair enough.

Moderator: Thank you. Next question is from the line of Chintan Joshi from Autonomous. Please go ahead.

Chintan Joshi: Hi, thank you for taking my questions. And thank you for the comprehensive comments on the asset quality. Can I focus on growth and NIMs next? So on growth, you've indicated in previous calls that you've tightened credit standards in a number of areas you pruned businesses. But the growth rate is pretty strong at 28%. With the outlook that you see now, how do you think about the AUM growth for the next kind of 12 months?

And then secondly, on NIMs -- could you go a little bit more into the push and pull factors within the quarter. You highlighted stable cost of funds, but if you can give some color on kind of mix shifts within assets and liabilities. And also, how do we think about NIMs -- in the absence of a rate cut, how do we think about NIMs going forward? Thank you.

Rajeev Jain: So next quarter would be the right time to provide the guidance, but fair enough, I mean, would respond if the question is asked. So I would say we remain focused on delivering our medium-term guidance. Given the current external environment, overall, I would say we would like to grow on a consolidated basis, balance sheet should grow by 25%, maintain credit costs at below 2% and deliver a corridor of 22% - 23% profit growth as we venture into next year, next fiscal.

As I said, the only thing I would flag if the external environment doesn't deteriorate significantly. I think that's the only point I would make. We're a large business. There's no doubt about it. We'll end this year with INR420,000-odd crores of balance sheet, would have 25% share of total credit in India.

But we think opportunity remains very large, and we have the capital, talent, franchise, distribution products to -- and if you enter at a two or five credit cost levels, then we have tailwinds. So that's really how we are looking at next fiscal to be.

Chintan Joshi: Got it. If it goes to 205 then you could even accelerate your growth rate looking into the next year?

Rajeev Jain: Yes. If credit comes into control, as I said, we've the franchise, we've the distribution, we've the product. So clearly, if credit comes into better control within our guardrails, we could, of course, accelerate. There's no question.

Chintan Joshi: Okay. And then on your -- on the question on NIM?

Sandeep Jain: Yes. So Chintan, very clearly, we don't see more than 4 - 5 basis points play on cost of fund in the next year, given that most of the borrowings of the current year would see it through the entire next year and given where the situation of the banking system is at this point of time. So the path to expect from bank is not significant.

Incrementally, we have seen NCD money has already come 20 - 30 basis points cheaper than where it was, probably being available exactly two quarters back. So there is some benefit that is already coming in. We have seen peaking of cost of fund, we don't see more than 4 - 5 basis points play with or without rate cuts in the next year.

Chintan Joshi: Okay. And on the asset side?

Sandeep Jain: Asset side, we should be able to protect the NIM.

Chintan Joshi: Pricing pressure in some areas. Generally, like if you kind of think about both the mix and what headline rates are, like do you expect yielder advances to be very stable, of course, talking in absence of rate cuts just to keep it simple?

Sandeep Jain: Yes. So let me just repeat what Rajeev had said, I think, a couple of quarters back. There's a triangulation of growth, margin and profitability. We have very clear growth margin and, of course, risk, not profitability, but risk. Risk remains the fundamental most important point. If we see risk inching up, we don't hesitate in terms of cutting.

However, we don't want to grow without margins. So it's risk followed by margin followed by growth. So very clear that for us to remain sustainably profitable from a growth perspective, we would not have significant compromise on margins as we go into next year.

Rajeev Jain: And we think there remains reasonable opportunities. We as management have to continue to be at it, and we'll find the rightful triangulation.

Chintan Joshi: Okay, thank you.

Moderator: Thank you. Next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi thanks for this opportunities. The first one is around -- the first question almost every investor asks is, when do we convert to a bank, is it today, two years from now, three years from now, seven years from now, 10 years from now, a definite answer would be very helpful? Second is, Rajeev, your term in March'25, how do we think of management transition after that? What would be your role post March'25?

Third is, with the core brand going off, there will be some degree of income pressure that we would see. What kind of fee income growth can we see from FY'25 levels and FY'26? And if you can speak of any new products and partnerships, which are underway? Thanks.

Rajeev Jain: Shubhranshu, there are five questions, on a lighter note. Let me take the easier one first, on succession, as I said, 15 month plan, 12 months into it. Matter will be reviewed by NRC of the Board by March. And subject to Board's decision, I intend to remain in BFL and hopefully remain actively involved in shaping the strategy of BFL and its subsidiaries to drive short-term and medium-term goals is how I would look at future role, but that's subject to how the Board decides. I think that's point one.

Second question of yours was on bank. It's in public domain, we said we would like to remain a nonbank. RBI does not have -- also does not have a roadmap for nonbanks converting into banks. So both, then it works, that it would remain a nonbank, unless and until either one of us change our position. RBI changes its position or we change our position. So I think you should expect business as usual for the short to medium term. So we would not -- so I hope that clarifies.

And our ambition on the other hand, Shubhranshu, irrespective of bank or nonbank, would be -- to be a 200 million consumer company a share of 3% to 4% of total credit and 4% to 5% of retail credit in India, irrespective of whether we become a bank or a nonbank. So -- that's 2. Co-brand, I've already articulated, it will lead to incremental level dilution. So had we done more cards, we kept growing the franchise. So the impact is on incremental growth of it, rather than the numbers as they were currently stacked.

Four, in terms of -- and it is related to even previous question, NIMs, overall, we would -- we foresee stable -- mix stable pricing at this point in time, but this is depending on the external environment. But I think we have mostly come in range, I would say.

On the other hand, I would make a point to you that if the NIMs were to compress, given our FINAI strategy, we'll manage opex better. I think I just want to make that point from a direction standpoint as well. I think these were your questions. Did I miss anything, Shubhranshu?

Shubhranshu Mishra: Actually, I asked for the fee income growth in FY'26 and any new products or partnerships which we can look at going forward?

Rajeev Jain: Airtel partnership could be very large in the medium term, is what I would say. We are quite excited about it, as I said earlier, and both the companies are working together to create what I would call a, deep, comprehensive and a compliant partnership model, which is mutually beneficial. So I would say I'm personally quite excited about this partnership from a medium-term standpoint.

Fee income growth, I would say, given the environment, we would remain in the current state. And we have remained sideways on how the flows you're seeing in Q2 and Q3 is how the number should remain.

Sandeep Jain: I think what Rajeev called out earlier with respect to FY'26, he said it's not the right time to comment about FY'26, but let me still make a point. 25% by and large guardrail on balance sheet growth, 20% to 23% profit growth. There are levers that we have in terms of opex, in terms of fee, etc. We'll orchestrate those levers and ensure that we deliver the outcome for the shareholders.

Moderator: Thank you very much. Shubhranshu, I'll request you to come back for a follow-up question, please.

Shubhranshu Mishra: Sure, thanks.

Moderator: Thank you. Next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Yeah hi, Rajeev.

Rajeev Jain: Hi.

Bharat Shah: As I observe over the last 15 years, our classic playbook has been use of technology to de-risk our decision-making and remove prejudices, use technology to deliver productivity. Also, we have constantly added new lines of lending so as to de-risk overall business plus give the buoyancy to the asset growth?

Along with that, we have always been very, very sharp in both asset and liability management to arrive at the right margin and profitability, be whatever may happen. But generally, we have very adroitly managed that. That coupled with razor sharp focus on the quality of the credit has ensured that our credit costs have remained muted. Our use of technology has given us cross-sell opportunity, plus operational costs being contained.

And all that has remained that ROAs have remained very healthy and prudent leverage is insured, the superb return on equity consistently. These playbook has worked out quite beautifully over the last 15 years. Only one note I wanted to get your view on, that Symphony, which has played out very well, where every element of the -- every note of the Symphony is combined together to give a rising crescendo?

In other words, asset growth leading to a little higher net interest symptom growth, cost containment gave a little higher profitability. Credit cost containment gave a further higher boost to the profits. But of late, generally, there is more linear equation rather than rising crescendo kind of an equation?

So I wanted to get your view on that. When are we, even just now Sandeep made a remark for the 26% - 25% plus asset growth in the balance sheet, profit growth at 22% - 23%. Instead of the 25% asset growth, when do we hear 28% and 30% growth in the bottom line?

Rajeev Jain: Observation is absolutely correct, number one. You are asking -- if I summarize your point, you're saying operating leverage in terms of profit growth -- converted into a metric of profit growth being stronger than AUM growth. That's really been the case for the last 15 years.

So I will tell you one thing philosophically, nothing has changed, picture is remaining. I think that's one point I would make to you. Because there are like the Symphony world, many things have come to play from all directions, whether you look at – see in 17 years, we did not see a cycle. This is a mini cycle at work. I mean you look at various results of -- from a financial sector standpoint in the process, I would say, RBI was wise to flag it earlier.

So, it's a mini credit cycle at play. Given that it's a mini credit cycle at play, I would say as a firm, given we deal with all class of customers, given the size of the franchise, you run a decent job. I would not say a good job. I would say a decent job. So, if you look at the stack today, in first 9 months of results, NIM growth is at 25% - 26%.

Let me take the numbers out for a moment. One metric which is out of Symphony, is credit costs Bharat bhai. And we are committed to fix it. So if you actually see for 9 months, NIM growth is 23%. Total income growth is 24%. Pre-provisioning profit growth, opex is 22%. So there is operating leverage in the process, preprovision operating profit is 26%. So Symphony is working till here, okay, 28%, 24%, 26%.

One part of the Symphony, which is at play is credit cost. As I said, as a prudent form, we have taken actions, but the portfolio has to churn. As that churns through, we as managers are clear, I agree with your point that -- and on top of that, you throw in the FINAI transformation that we want to do, which means the operating expense growth is to further be lower, which is really you are sitting in the front seat, I presented at the Investor Day.

And some of the investors ask later that look that means your growth should be higher. And I said my excel is same as your excel. We just deliver the goods as we deliver the goods, as we gain more confidence, it's here for the shareholders to benefit from. So, one part of the Symphony, not at play Bharat bhai rest to the Symphony continues to chug in right direction.

I would say, 1 - 2 quarters maximum, we have stabilized from increasingly stabilized. We deliver -- I make the same point again that we deliver Q4 in terms of credit cost, we'll have a lot more confidence. But I'm just -- and I don't want to -- I'm not creating uncertainty. I repeat that point. I want to make sure the facts speak for themselves rather than promises. Does that make sense, Bharat?

Bharat Shah: Yes, absolutely. And I should have waited, but let me do it now. All through the 15 years in general it has played phenomenally. Whenever there have been attenuation, mostly it is due to the external environment and flux that we have experienced. But internally, we have played that symphony beautifully. It's just that "Dil Maange More", so wishing when do I see a rising crescendo…

Rajeev Jain: We agree. And as businesses mature, it's expected of that. I have a different point of view. I mean, irrespective of BFL, I would make a point that mature businesses need to be more efficient, rather than inefficient, whereas it plays out differently. So on some days, we'll do a discussion on this.

Bharat Shah: Sure. Thank you. All the very best.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I'll now hand the conference over to Mr. Anuj Singla for closing comments.

Anuj Singla: Thank you, Rajeev. Thank you, Bajaj Finance team, for the opportunity again. Sir, any closing comments before we conclude?

Rajeev Jain: Thank you, is the only comment. We started board meeting 9 am. We just finished at 6.30, and we just got into this call. So, we can just breathe a little bit. Thank you so much. Thank you BofA for organizing this. And over to Q4. Thank you.

Moderator: Thank you very much. We conclude today's conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.