

Q4FY25 Financial Services Sector Review



Financial Services

NBFCs outpace banks with strong credit growth and evolving funding mix

COVERAGE STOCKS

Coverage	Rating	CMP	Target (INR)	Upside (%)
Bajaj Finance Ltd	ACCUMULATE	9,340	9,707	3.9
Bajaj FinServ Ltd	ACCUMULATE	2,015	2,133	5.9
Cholamandalam Invt. and Fin. Co. Ltd	ACCUMULATE	1,555	1,627	4.6
CreditAccess Grameen Ltd	ACCUMULATE	1,182	1,208	2.2
HDFC AMC Ltd	BUY	4,969	4,920	TA*
Jio Financial Services Ltd	HOLD	295	268	TA*
Poonawalla Fincorp Ltd	ACCUMULATE	418	411	TA*

Source: Deven Choksey Research, Price as of 13th June 2025, closing

Note: TA- Target achieved

SECTOR OVERVIEW – NBFCs

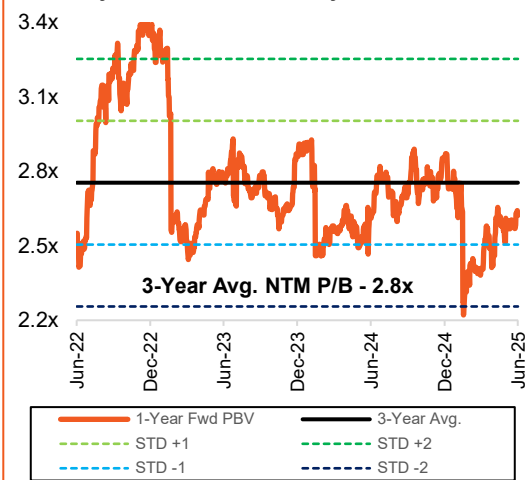
View and Valuation:

- During FY25, non-banking financial companies (NBFCs) demonstrated a remarkable performance, outpacing their banking sector counterparts in overall credit growth. NBFCs achieved a credit growth of 20.0%, compared to the banking sector growth of 12.0%. This significant expansion in credit was largely driven by robust demand for gold loans, which led to an increase in the total net advances of the NBFC sector, reaching INR 24.5 trillion.
- The balance sheet of the NBFC sector observed a significant expansion of 20.0% YoY to INR 28.2 trillion. Concurrently, total borrowings increased by 22.0% YoY to INR 19.9 trillion, which underscores the strong funding activity that is aiding the sector's robust momentum.
- The overall sector's profitability witnessed mixed trends; with the mainboard NBFC companies, profit grew by 8.0% YoY while the MFI segment net profit declined by 95.0% YoY, driven by elevated stress and peak provisioning.
- The sector exhibited marginal improvement in cost efficiency as the cost-to-income ratio moderated from 36.7% in FY24 to 36.2% in FY25. Further, the overall asset quality too improved marginally compared to FY24, with Gross NPA improving by 10bps in FY25. Nonetheless, the MFI's deviated from the broader trend by reporting higher delinquencies driven by higher stress.
- The funding landscape in the NBFC sector is expected to evolve further in FY26, as many NBFCs that relied on bank borrowings are expected to tap the public deposits and domestic bond markets for sizeable fundraising. Concurrently with easing inflation and personal income taxes, the lending is expected to shift towards personal consumption including personal loans, home loans, and vehicle loans.
- NBFCs have emerged as key players in MSME segment, with delivering a 32.0% CAGR credit growth over FY21-24, significantly outpacing their private and PSU banks counterparts which grew at 20.9% YoY and 10.4% YoY respectively. Further, the NBFC's are leading the micro high-yield LAP segment (i.e., with ticket size <INR 1 Mn.) with a dominant market share of 45.0%, well ahead of private banks at just over 25.0%.
- **Top Picks: We prefer CIBC and Bajaj Finserv for their strong brand equity, market positioning, and diversified growth in secured lending. HDFC AMC remains our top pick due to its improving market share, strong AUM growth, and expanding product offerings.**

MARKET DATA

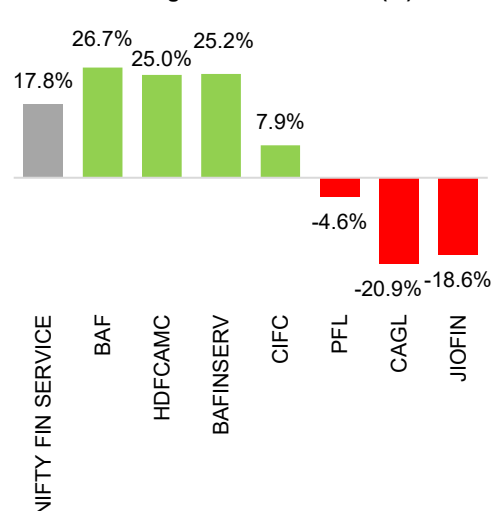
	Close	1M (%)	YTD (%)
Nifty	24,719	0.6	4.1
Sensex	81,119	0.0	3.3
Nifty Fin. Services	26,335	0.3	11.5
USD / INR	86.095	1.2	0.4

Nifty Financial Services 3-year P/B Chart



Source: NSE/ Bloomberg, DevenChoksey Research

Coverage stock returns 1 Yr(%)



Source: NSE/ Bloomberg

Financial Services

Robust AUM and earnings growth across coverage, led by Jio Financials' expansion:

- During Q4FY25, within our coverage, Jio Financial reported the highest sequential AUM growth at 139.4%, followed by Poonawalla Fincorp at 15.0% growth. Jio Financials' growth momentum was led by its expansion into tier-1 cities, launch of the Jio Finance App in Q1FY25, integration with MyJio App in Q2FY25, and introduction of Gen-AI based loan products across home loans, LAP, and loans against shares and mutual funds.
- In Q4FY25, our coverage observed a healthy NII growth of 20.5% YoY (+4.7% QoQ), largely aided by strong expansion in assets under management (AUM) and steady loan book growth across segments.
- Jio Financial registered a strong sequential NII growth of 27.6%, led by robust credit expansion and prudent treasury management. CIFIC followed with a sequential NII growth of 5.7%, driven by robust growth in assets under management (AUM) and improved spreads, underscoring operating momentum across its core business segments.

NBFCs witness slight moderation in bank funding share while mutual fund support stays steady:

- Since February 2018, banks lending to NBFCs has expanded more than 4 times, reflecting the sector's growing reliance on bank funding to support credit growth. In contrast, mutual fund (MF) exposure to NBFCs has grown at a slower pace, rising to ~1 times over the same period. However, MF debt exposure has remained consistently elevated, staying above INR 2.0 trillion for 13 consecutive months, with April 2025 exposure at INR 2.7 trillion, up 29.4% YoY (+9.1% QoQ).
- Although mutual fund's debt exposure has increased in absolute terms, its exposure to the sector has moderated from ~20.0% in late 2018 to ~16.7% in April 2025. In contrast, NBFCs borrowing mix from banks has nearly doubled from 4.5% in February 2018 to 8.9% in April 2025, as the banks have supported majorly in meeting the sector's overall financing needs amid evolving market dynamics.
- Further, the NBFC sector borrowings through corporate bonds increased by 42.8% YoY (+ 13.8% MoM) to INR 1.3 trillion in March 2025. The share of NBFC corporate debt to overall corporate bond market also expanded from 4.4% in March 2024 to 5.2% in March 2025.

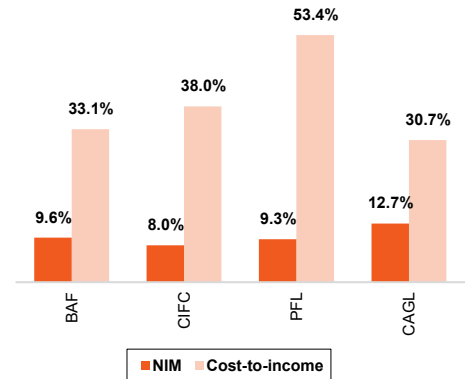
New product launches set to support growth in coming quarters:

- Jio Financial and BlackRock received SEBI's nod to launch their wealth management JV, expanding financial services access via technology.
- Poonawalla Fincorp introduced Business Loan 24/7, an industry-first fully digital MSME lending solution leveraging risk analytics and India's digital public infrastructure to enable instant approvals and responsible credit allocation for growth-ready enterprises.

Mutual fund AUM surges on strong equity and SIP inflows:

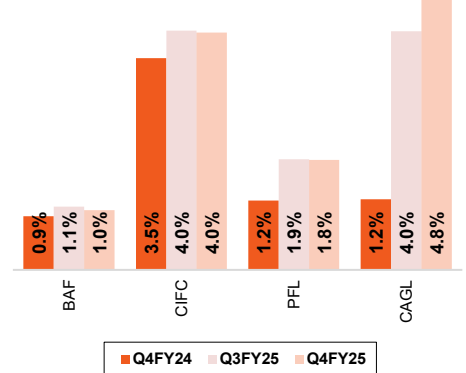
- The mutual fund industry's FY25 AUM stood at INR 65.7 trillion, up 23.0% YoY, led by net inflows of INR 8.2 trillion. Actively managed equity-oriented funds were the largest contributors, garnering INR 2.8 trillion in H1FY25 and INR 2.7 trillion in H2FY25, with NFOs contributing INR 900 Bn.
- Monthly SIP flows reached a record high of INR 265.0 Bn in December 2024, and ended FY25 at INR 258.0 Bn. Debt and liquid funds saw inflows of INR 1.4 trillion, while ETFs attracted INR 831.0 Bn.

Margin and cost dynamics reflect varied operating profiles in Q4FY25



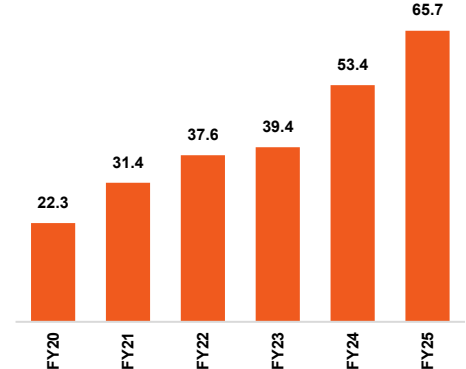
Source: Company Filings

Gross NPAs inch up but remain within comfort zone



Source: Company Filings

Industry AUM delivers strong and consistent growth trajectory



Source: AMFI

Financial Services

Bajaj Finance | Target: 9,707 | Rating: ACCUMULATE | Upside: 3.9%

- Bajaj Finance new loan bookings in Q4FY25 rose 36.0% YoY to 10.7 Mn, compared to 7.87 Mn in Q4FY24, reflecting strong origination across products. The company added 4.70 Mn customers, taking the total customer franchise to 101.82 Mn for FY25.
- The company's AUM stood at INR 41,61,610 Mn for FY25, registering a robust 26.0% YoY increase. The expansion was underpinned by strong loan volumes across business segments and the addition of 18.2 Mn new customers. Growth was led by gold loans, microfinance (MFI), and recently launched product lines over the past 2–3 years, reflecting effective diversification and execution.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
NII	98,072	4.5%	22.4%	-3.4%
PPOP	79,675	2.1%	24.3%	-6.0%
PAT	45,456	5.5%	18.9%	-3.7%
AUM (INR in Bn)	4,167	4.7%	26.1%	-1.1%

Bajaj Finserv | Target: 2,133 | Rating: ACCUMULATE | Upside: 5.9%

- The Company's insurance verticals experienced subdued growth during the period, reflecting the impact of evolving regulatory frameworks that have compressed margin profiles across certain product lines.
- BALIC launched BALIC 2.0 with a focus on sustainable and profitable growth while restructuring products to comply with revised product regulations. BALIC restructured most of its other products, focusing on a balanced product mix and cost for operating leverage.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
Revenue from Operations	3,65,952	14.2%	14.2%	2.2%
PBT	60,023	3.3%	8.6%	-9.7%
PAT	24,166	8.3%	14.1%	-0.4%

Cholamandalam Investment and Finance Co. | Target: 1,627 | Rating: ACCUMULATE | Upside: 4.6%

- CIFC's AUM stood at INR 1,998,760 Mn as of FY25, registering a robust growth of 30.0% YoY. The expansion was driven by strong momentum across business segments, particularly in Loan Against Property (LAP) and Home Loans, reflecting healthy demand in secured retail products.
- The management reaffirmed its AUM growth guidance of 20.0–25.0% for FY26E, reflecting cautious optimism amid supportive macro conditions. It also guided for a moderation in credit costs, indicating levels around 1.3% for FY26E.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
NII	30,557	5.8%	29.8%	1.1%
PPOP	23,315	9.6%	43.2%	12.6%
PAT	12,667	16.6%	19.7%	9.4%
AUM (INR in Bn)	1,999	14.5%	30.0%	9.0%

CreditAccess Grameen | Target: 1,208 | Rating: ACCUMULATE | Upside: 2.2%

- CAGL added 261,000 new customers in Q4FY25, with 43.0% being new-to-credit, reflecting strong customer acquisition momentum. Additionally, the share of retail finance in the overall portfolio increased from 2.7% in FY24 to 5.9% in FY25, underscoring the company's successful diversification strategy and deeper market penetration.
- The management expects the AUM to growth in the range 14.0%–18.0% for FY26E. Further, the blended net interest margin is expected to remain in the range of 12.6–12.8%, while credit costs are guided in the range of 5.5%–6.0% for FY26E.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
NII	8,761	1.7%	-5.0%	3.2%
PPOP	6,340	1.8%	-7.1%	-6.8%
PAT	472	-147.4%	-88.1%	-80.3%
AUM (INR in Bn)	259	4.6%	-2.9%	-8.4%

Note:

QoQ – Quarter on Quarter Growth | YoY – Year over Year Growth | Surprise – deviation from estimates

Financial Services

HDFC AMC | Target: 4,920 | Rating: BUY | Upside: TA

- HDFCAMC's market share in overall AUM improved from 11.4% in FY24 to 11.5% in FY25 with healthy improvement in its equity-oriented segment. Notably, the company has been witnessing a gradual market share growth in this segment.
- HDFC AMC added 26 new branches in FY25, bringing the total number of branches to 280. The company remains proactive in evaluating M&A opportunities that are likely to accelerate growth or enhance its presence in key segments, providing a strategic advantage.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
Revenue	9,012	-3.5%	29.6%	-5.3%
EBITDA	7,308	-4.4%	35.5%	4.2%
PAT	6,387	-0.4%	18.0%	-3.3%
AUM (INR in Bn)	7,545	-4.2%	25.4%	-5.9%

Jio Financial | Target: 268 | Rating: HOLD | Upside: TA

- Jio Financials' assets Under Management (AUM) rose sharply to INR 100.5bn as of FY25, compared to INR 1.7bn as of FY24. The AUM was up ~50x YoY driven by expansion of physical presence to 10 tier-1 cities, launch of Jio finance application in Q1FY25 and integration with MyJio in Q2FY25, and launch of Gen-AI based loan products like home loan, LAP, loan against shares and mutual funds.
- JFSL group entities have launched a diverse suite of offerings—including loans, digital gold, an investment tracker and spend analyzer, savings bank accounts, and insurance—strategically aligned to cater to the four core financial needs of customers: borrowing, investing, transacting, and protecting.

INR Mn	Q4FY25 A	QoQ	YoY
NII	2,681	27.6%	-4.5%
PPOP	3,736	13.1%	17.9%
PAT	3,161	7.2%	1.8%
AUM (INR in Bn)	101	139.4%	NA

Poonawalla Fincorp | Target: 411 | Rating: ACCUMULATE | Upside: TA

- In April 2025, Poonawalla Fincorp successfully raised INR 15,250 Mn through a Non-Convertible Debenture (NCD) issuance. The company plans to continue leveraging NCDs over the next three to five years to secure stable, long-duration funding. This approach is aimed at optimizing the liability mix, locking in cost-efficient capital, and supporting balance sheet growth in a calibrated manner.
- The management has reiterated its guidance, projecting AUM growth of 35.0–40.0% YoY over FY26E and FY27E. It has further reaffirmed its medium-term return profile, targeting an ROA of 3.0–3.5% by FY27E.

INR Mn	Q4FY25 A	QoQ	YoY	Surprise
NII	6,101	-0.6%	8.5%	-7.9%
PPOP	2,384	-36.1%	-41.8%	-41.9%
PAT	623	232.8%	-81.2%	-62.7%
AUM (INR in Bn)	356	15.0%	42.5%	5.5%

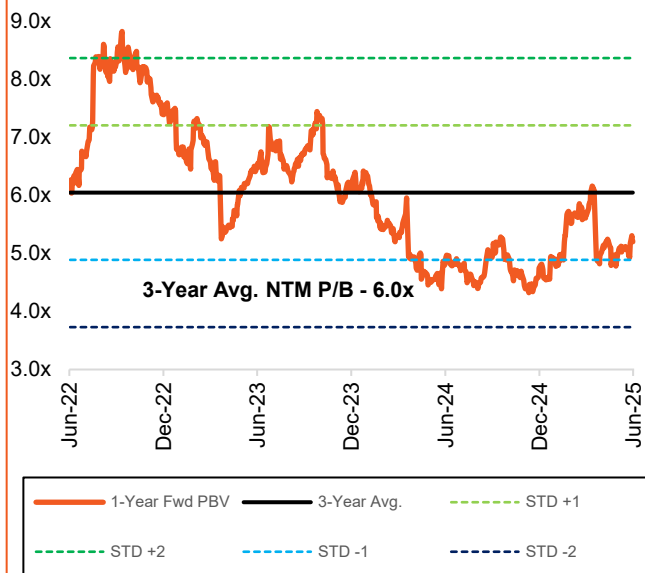
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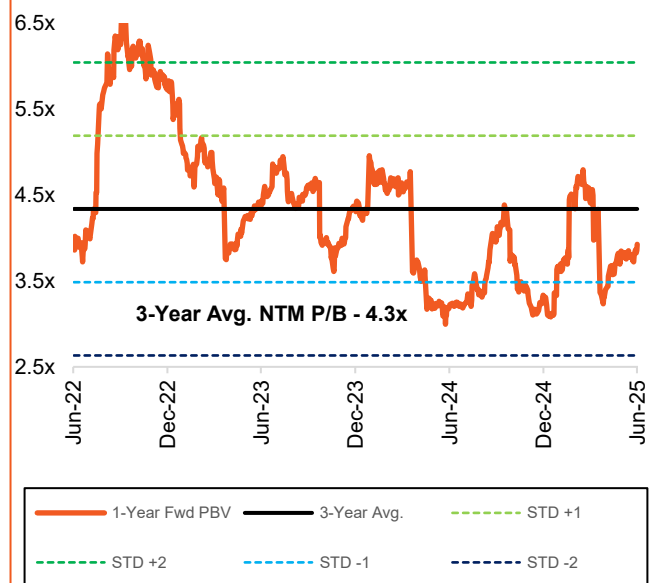
Financial Services

Valuation Charts

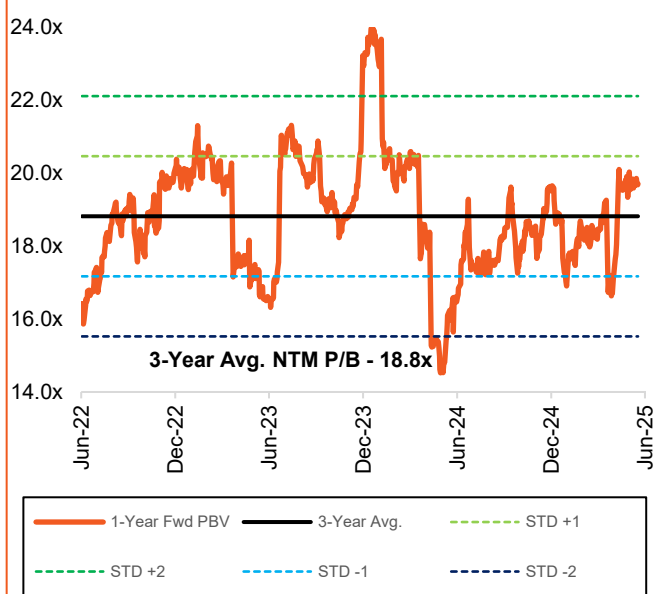
Bajaj Finance 3-year P/B Chart



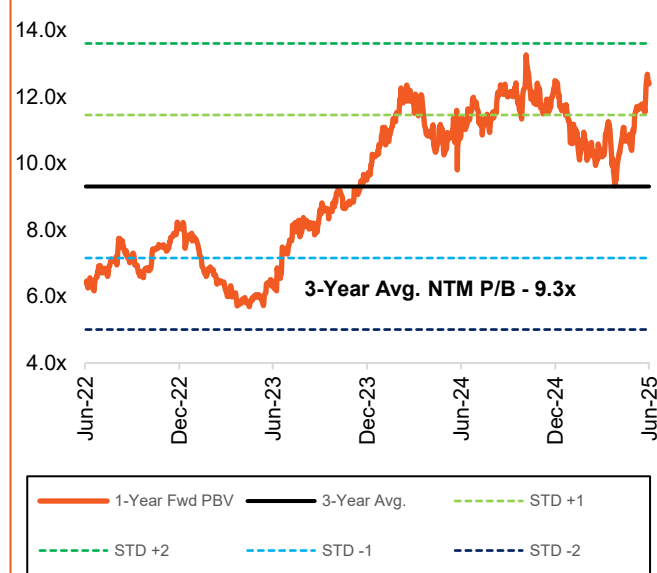
Bajaj Finserv 3-year P/B Chart



CIFC 3-year P/B Chart



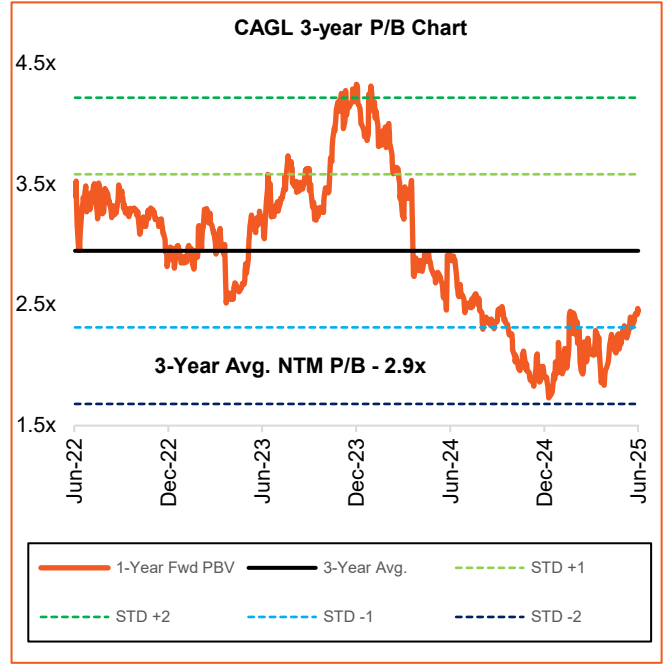
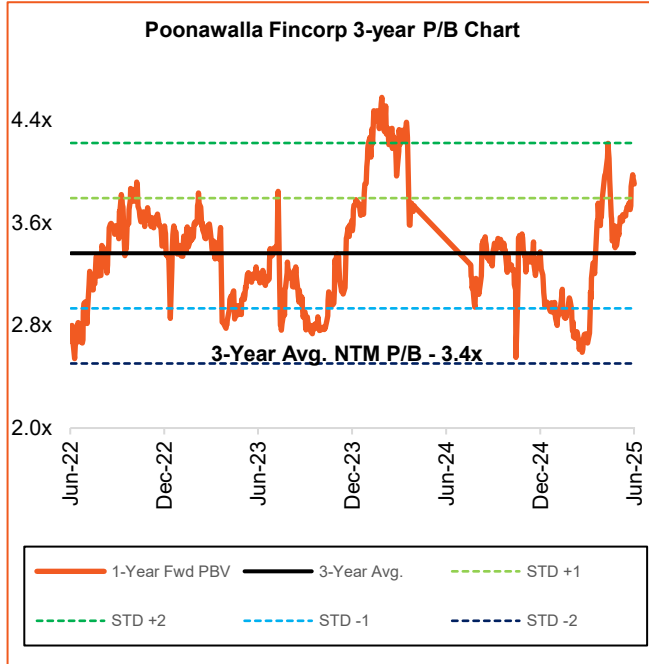
HDFC AMC 3-year P/B Chart



Source: Bloomberg, DevenChoksey Research

Financial Services

Valuation Charts



Source: Bloomberg, DevenChoksey Research

Financial Services

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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