

Bajaj Finance

BSE SENSEX	S&P CNX
25,305	7,749
Bloomberg	BAF IN
Equity Shares (m)	53.3
M.Cap.(INRb)/(USDb)	407.3 / 6.0
52-Week Range (INR)	7,852 / 4,125
1, 6, 12 Rel. Per (%)	11/39/79
Avg Val, INRm	437
Free float (%)	42.7

Financials & Valuations (INR b)

Y/E March	2016	2017E	2018E
NII	40.3	51.8	65.4
PPP	25.1	32.7	41.4
PAT	12.8	16.5	20.4
EPS (INR)	239	308	381
EPS Gr. (%)	34	29	24
BV/Share (INR)	1,371	1,631	1,956
RoA on AUM (%)	3.3	3.1	3.0
RoE (%)	21.1	20.6	21.2
Payout (%)	14.0	14.0	14.0

Valuations			
P/E (x)	31.9	24.7	20.0
P/BV (x)	5.6	4.7	3.9
Div. Yield (%)	0.3	0.5	0.6

CMP: INR 7,623 TP: INR8,450 (+11%)

Buy

- Bajaj Finance's (BAF) PAT for 4QFY16 stood at INR4.15b, up 36.4% YoY (7% below our estimate). The opex and provision were lower than our estimates, while net income also fell short of our estimate by 5% due to a decline of 20bp YoY in margin, resulting in the lower than estimated PAT.
- AUM growth for the quarter was impressive (+36% YoY, 2% QoQ) and reached INR442b, on the back of continued traction in the consumer business, up by a strong 44% YoY, and a growth of 56% YoY in the commercial business. However, the SME segment grew at lower rate of 20% YoY, largely due to a muted growth in the LAP book.
- BAF's asset quality remained healthy with GNPLs (15dpd) at 1.23%, up 28bp YoY and 6bp QoQ, while at 90dpd, GNPLs are 1.43% and NNPA are at 40bp. During the quarter, BAF made an accelerated provision of INR444m towards a standard infra. Exposure, resulting in PCR increasing to 77%.
- **Other highlights:** 1) Given the cautious outlook for the LAP segment, BAF has stopped sourcing LAP and home loans via distributors and is only giving loans to its existing credit tested customers 2) The company has tied up with Flipkart for online financing of products in select categories 3) With 5.5m cards in force, BAF is now the second largest card issuer in the industry 4) The company is among the largest new loan acquirers in India 5) The 2W and 3W businesses are growing on the back of growth in Bajaj Auto's business 6) BAF has forayed into Life care financing (for dental and eye surgery).
- **Valuation and view:** BAF continues to reap the benefits of healthy consumer demand and is now a dominant player in the consumer durable financing segment. The company continues to increase its market share in the consumer business, though a higher share of its incremental growth could be driven by the low-yield mortgage business, which could exert pressure on its margins. We are largely maintaining our FY17/18 PAT estimates. The stock currently trades at 4.7x/3.9x FY17/18E BV. We value the stock at INR8,450 based on the RI model, implying a PBV of 4.3x FY18E. Maintain **Buy**.

Quarterly Performance

Y/E March	FY15				FY16				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY15	FY16
Income from operations	11,801	11,703	14,164	13,532	15,716	15,921	19,717	18,212	51,200	69,566
Other Operating Income	635	620	601	762	746	878	897	957	2,618	3,477
Operating Income	12,436	12,322	14,766	14,294	16,462	16,799	20,614	19,168	53,818	73,043
YoY Growth (%)	34.0	28.1	38.0	33.5	32.4	36.3	39.6	34.1	33.5	35.7
Interest expenses	4,996	5,445	5,924	6,118	6,771	6,947	7,493	8,058	22,483	29,269
Net Income	7,440	6,878	8,842	8,176	9,692	9,853	13,121	11,110	31,335	43,775
YoY Growth (%)	24.6	18.7	33.8	31.6	30.3	43.3	48.4	35.9	27.4	39.7
Other income	24	96	88	156	96	206	83	406	364	792
Total Income	7,463	6,974	8,930	8,332	9,788	10,059	13,203	11,516	31,699	44,566
Operating Expenses	3,428	3,186	3,921	3,749	4,531	4,411	5,490	5,061	14,284	19,492
Operating Profit	4,035	3,788	5,009	4,583	5,257	5,648	7,714	6,455	17,051	24,283
YoY Growth (%)	22.0	24.2	33.8	35.2	30.3	49.1	54.0	40.9	30.3	42.4
Provisions and Cont.	829	800	1,079	1,138	1,033	1,368	1,462	1,565	3,846	5,429
Profit before Tax	3,206	2,987	3,931	3,446	4,224	4,280	6,252	4,890	13,205	18,854
Tax Provisions	1,092	1,016	1,347	1,136	1,468	1,486	2,167	1,740	4,591	6,861
Net Profit	2,114	1,972	2,584	2,310	2,756	2,794	4,085	3,150	8,979	12,785
YoY Growth (%)	20.3	18.0	33.1	26.8	30.4	41.7	58.1	36.4	24.9	42.4
Loan Growth (%)	38.6	40.9	37.2	35.8	33.0	36.5	41.4	37.0	35.8	37.0
Borrowings Growth (%)	38.6	40.9	37.2	35.8	33.0	36.5	41.4	37.0	35.1	38.7
Cost to Income Ratio (%)	45.9	45.7	43.9	45.0	46.3	43.9	41.6	43.9	45.6	44.5
Tax Rate (%)	34.1	34.0	34.3	33.0	34.8	34.7	34.7	35.6	34.1	34.1

E: MOSL Estimates

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: Quarterly Performance v/s Estimates (INR m)

Y/E March	4QFY16E	4QFY16A	Var (%)	Comments
Income from operations	19,108	18,212	-5	
Other Operating Income	1,014	957	-6	
Operating Income	20,122	19,168	-5	
YoY Growth (%)	40.8	34.1		
Interest expenses	8,409	8,058	-4	
Net Income	11,713	11,110	-5	Calc. margins on AUM down 20bp YoY to 10.3%
YoY Growth (%)	43.3	35.9		
Other income	416	406		
Total Income	12,129	11,516		
Operating Expenses	5,344	5,061	-5	Cost Income at 43.9%
Operating Profit	6,785	6,455	-5	
YoY Growth (%)	48.0	40.9		
Provisions and Cont.	1,757	1,565	-11	GNPLs improve 6bp QoQ
Profit before Tax	5,028	4,890	-3	
Tax Provisions	1,625	1,740	7	Tax rate at 34.5%
Net Profit	3,403	3,150	-7	Marginally lower NII perf. Led to PAT miss
YoY Growth (%)	47.3	36.4		
Loan Growth (%)	42.0	37.0		
Borrowings Growth (%)	42.0	37.0		
Cost to Income Ratio (%)	45.6	43.9		
Tax Rate (%)	32.3	35.6		

E: MOSL Estimates

AUM growth remains healthy at +36%

- 4Q is seasonally a weak quarter for BAF, despite that the company managed to clock +36% AUM growth. While high temperatures across the country helped with higher AC and refrigerator sales, 2 wheeler and 3 wheeler financing also grew at +24% YoY led by improved performance in Bajaj Auto's domestic sales.
- BAF has 31%/14% financing penetration of 2 wheeler and 3 wheeler in Bajaj auto's total domestic sales. Moreover widening products category, new distribution channels and focus on cross selling to existing customer are boosting incremental growth.
- AUM growth remained robust (up 36% YoY & 2% QoQ) at INR442b, driven by a strong +44% YoY growth in consumer segment (Consumer electronics & personal loans) and 56% YoY increase in commercial segment however the SME segment grew at lower rate of 20%, largely led by muted growth in LAP book.
- Given the growing competitive intensity in the mortgage space and substantially higher commissions charged by distributors, BAF would sell mortgage products only to its existing clientele, who have better credit scores and proven history of repayment. BAF intends to control its costs and asset quality via this move. The management continues to target AUM growth of 25-30% for next 3 years.

NIM decline 20bp YoY to 10.3%; Asset quality improves; PCR at 77%

- In line with RBI requirements, the company has moved its NPA recognition policy to 150dpd from 180dpd. Thus the YoY numbers are not comparable. Asset quality remained healthy with GNPLs (15dpd) at 1.23% improved 6bp QoQ & 28bp YoY, at 90dpd GNPLs are 1.43% and NNPA are at 40bps. During the quarter BAF made an accelerated provision of INR 444m towards a standard infra. exposure resulting PCR increase to 77%.
- NIMs during the quarter declined 20bp YoY to 10.3%; marginal decline was led by some loan mix shift towards relatively lower yielding products.

Conference call highlights

Growth guidance

- Growth guidance of 25% loan book growth
- Expect INR900-1000cr disbursement via direct mortgage book every quarter from 2QFY17

Businesses

- 2W and 3W business growing on back of growth in Bajaj Auto business growth.
- **Life care business:** Entered Life care financing (for dental and eye surgery). Tenure of 9-10 months. Doing stem cell financing for the last 2 years around 1000 cases per year stem cell. This has evolved into life care financing in newer areas.
- Lifecare business expected split 3-5 years down the line: 25% from dental, 25-30% from hair treatment and others from rest.
- **Started Urban gold loans**, targets to spread the business in 300 cities
- **EMI Card:** Card in force is 5.5m; cards approved but not issued at 6.5m. Retail EMI market size at 150,000cr. Would expand to 15 cities by July and 25 cities in FY17. 5000 touch points.
- **Mortgage business:** A few LRD accounts to HNI clients (10-12% of mortgage business) is via distributor, rest of the business would now be direct to customers.
- Mortgage is in hyper-competitive state; 70% of the NPA comes from northern market (Delhi and surrounding). North India would now form 15-17% of the total mortgage book down from ~25%.
- **LAP:** Currently 40% of the book outstanding is sourced via direct channel. Rest is via distributor.
- Introduced pre-payment penalty for LAP from this quarter in order to prevent customers from switching.
- **Business loans:** Roadmap is to target own customers (Currently 45% are own customers). As DSA charges 3% sourcing fees and company is able to charge only 2% from the customers.

Provisioning

- Additional provisions of INR440m during the quarter for the infra account in steel and power space (currently standard account). (Infra book now at <0.5% of the total book). Pool of accelerated provision: FY15: 75cr; FY16: 150cr. (infra and mortgage acc provisions). At 90dps GNPA 1.43% and NNPA at 40bps

Borrowing:

- **Public fixed deposits** now form 6% of total borrowing
- Fixed deposit and corporate liabilities to form 22-25% of total borrowing in 3-5 years.
- **Interest cost:** 9.45% for FY16. On FDs 9-9.1% plus SLR costs

Others:

- **Analytics:** Not working with consultants. In-house team to build business cases and run the analytics. Software development is outsourced.
- CIBIL rated customers are 100m in the system. BAF has currently only has 8.5m as of now.
- Cost to income ratio: on yearly basis the cost has declined. More of an yearly direction and less quarterly. Target ~40% by FY18.

Valuation and view

- BAF is trading at 3.9x FY18 P/B i.e. +100% premium to cross cycle valuation. In our view premium to peers can be justified on various counts.
- **Diversified and de-risked portfolio – A key strength of business model:** BAF has also ensured that it has a diverse set of growth drivers in the portfolio versus peers. **A diverse portfolio comprising of profit maximizers and scale builders helps reduce cyclicality in growth and assets quality.**
- **Cross Sell expert:** A well-diversified credit portfolio, focus on cross selling, customer acquisition, and systematic expansion in delivery channels both physical and virtual, selective distribution of products through these channels are likely to sustain robust growth in AUM. These, along with its small market share are likely to help sustain 30% CAGR in AUM over next 3 years.
- **Market share gains:** BAF is the largest consumer durables and lifestyle financier in the country and has been continuously gaining market share in these businesses. Continuous market share gain and strong distribution has created entry barriers for competitors. One of the key strengths that BAF has built over time is a quick turnaround time unmatched by most other retail financiers. Thus, other than purchases on credit cards of banks, there are very few other competitors that BAF sees in the consumer durables business, which enables it with pricing power.
- **Well managed asset quality and & tested management capabilities:** Despite lower growth and pressure on asset quality witnessed for peer group; BAF continues to clock healthy growth and has one of the best asset quality among the peer group. Management has not only demonstrated its ability to gain market share in segments, but has been alert to potential asset quality risks as well. It has withdrawn from certain segments like construction equipment, 3W financing and slowed down on LAP in a timely manner.
- **Timely investment in automation and technology:** BAF has been proactive in making timely investments in technology and automation which over a period of time will help reducing operating cost and reduce delivery cost.
- BAF continues to increase its market share in consumer business, as it has almost monopoly in some of the business like lifestyle financing; however higher share of incremental growth will be driven by low yielding mortgage business which will exert some pressure on yields, however superior blended margins, focused fee income strategy and low credit cost will keep core profitability strong.
- We value BAF based on residual income model assuming earnings CAGR of 17% by FY35E, $R_f=7.75%$, $\beta=0.8$, risk premium of 5% and terminal growth rate of 5%. We expect net profit to grow at CAGR of 30% over FY16-18E and RoEs to touch +21% by FY18E. The stock is currently trading at 4.7x/3.9x FY17/18E BV. We value the stock at a target price of INR8,450 (implying 4.3x FY18E BV). **Buy**

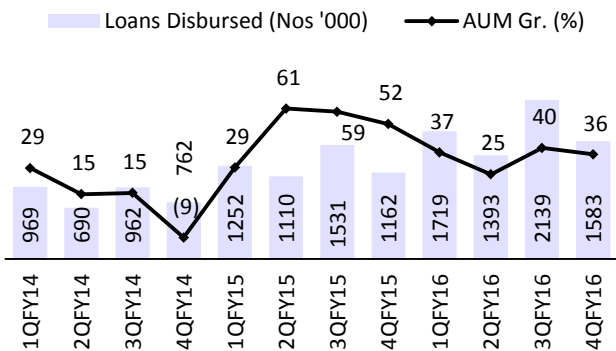
Exhibit 2: Quarterly Snapshot

	FY14				FY15				FY16				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)														
Total Income	9,283	9,617	10,703	10,711	12,436	12,322	14,766	14,294	16,462	16,799	20,614	19,168	-7	34
Income from operations	8,837	8,742	10,274	10,032	11,801	11,703	14,164	13,532	15,716	15,921	19,717	18,212	-8	35
Other Operating Income	446	875	429	679	635	620	601	762	746	878	897	957	7	25
Interest Expenses	3,314	3,821	4,097	4,501	4,996	5,445	5,924	6,118	6,771	6,947	7,493	8,058	8	32
Net Income	5,969	5,796	6,607	6,211	7,440	6,878	8,842	8,176	9,692	9,853	13,121	11,110	-15	36
Other Income	41	23	116	239	24	96	88	156	96	206	83	406	392	160
Operating Expenses	2,703	2,769	2,979	3,061	3,428	3,186	3,921	3,749	4,531	4,411	5,490	5,061	-8	35
Employee	779	808	892	929	1,078	1,059	1,198	1,172	1,446	1,498	1,705	1,647	-3	41
Others	1,923	1,960	2,088	2,132	2,350	2,127	2,723	2,577	3,085	2,913	3,784	3,414	-10	32
Operating Profits	3,307	3,050	3,743	3,389	4,035	3,788	5,009	4,583	5,257	5,648	7,714	6,455	-16	41
Provisions	639	523	795	622	829	800	1,079	1,138	1,033	1,368	1,462	1,565	7	38
PBT	2,669	2,527	2,948	2,768	3,206	2,987	3,931	3,446	4,224	4,280	6,252	4,890	-22	42
Taxes	911	857	1,007	947	1,092	1,016	1,347	1,136	1,468	1,486	2,167	1,740	-20	53
Reported PAT	1,757	1,670	1,941	1,821	2,114	1,972	2,584	2,310	2,756	2,794	4,085	3,150	-23	36
Asset Quality														
GNPA (INR m)	2,110	2,164	2,475	2,711	2,898	3,772	4,429	4,711	5,762	6,098	5,387	5,259	-2	12
NNPA (INR m)	463	494	495	643	692	1,284	1,447	1,404	1,875	1,680	1,086	1,197	10	-15
GNPAs (%)	1.1	1.1	1.2	1.2	1.1	1.4	1.5	1.5	1.7	1.7	1.3	1.2		
NNPAs (%)	0.3	0.3	0.2	0.3	0.3	0.5	0.5	0.5	0.6	0.5	0.3	0.3		
PCR (%)	78	78	80	76	76	67	68	71	68	73	80	77		
Ratios (%)														
Cost to Income	45	47.6	44.3	47.5	45.9	45.7	43.9	45	46.3	43.9	41.6	43.9		
Tax Rate	34.1	33.9	34.2	34.2	34.1	34	34.3	33	34.8	34.7	34.7	35.6		
CAR	21.5	20.9	19.5	19.1	18	19.3	18.7	18	20.7	20.5	19.5	19.5		
Tier I	18.1	17.7	16.5	16.1	15.2	15.1	14.7	14.2	17.4	17.3	16.1	16.1		
RoA (not annualised)	1	0.9	1	0.8	0.9	0.7	0.9	0.7	0.9	0.8	1	0.8	-20	14
RoE (not annualised)	5.1	4.6	5.2	4.6	5.1	4.6	5.6	4.8	4.9	4.2	5.8	4.3	-26	-10
Key Details (INR m)														
AUM	192,290	198,290	224,610	240,610	269,430	280,040	308,220	324,100	355,570	379,640	434,520	442,290	2	36
On book Loans	185,060	189,820	215,260	229,710	256,420	267,510	295,280	311,990	340,950	365,150	417,600	427,560	2	37
Off book Loans	7,230	8,470	9,350	10,900	13,010	12,530	12,940	12,110	14,620	14,490	16,920	14,730	-13	22
AUM Mix (%)														
Consumer Finance	42	41	40	39	40	40	38	41	42	41	42	43		
SME Business	49	50	52	53	53	54	55	48	47	47	44	42		
Commercial	9	9	8	8	7	6	6	10	10	10	11	12		
Rural	0	0	0	0	0	1	1	1	1	2	3	3		

Source: Company, MOSL

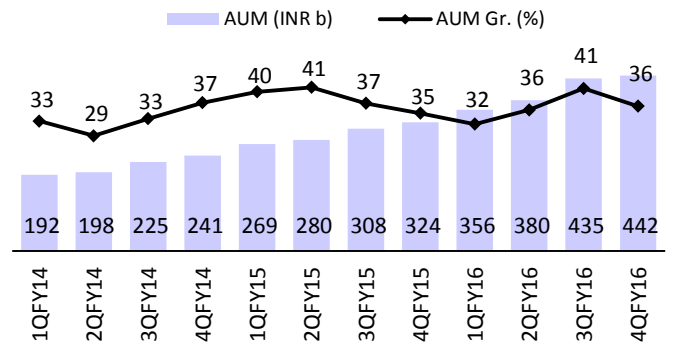
Story in charts

Exhibit 3: Nos. of loan disb. grew at healthy 36% YoY



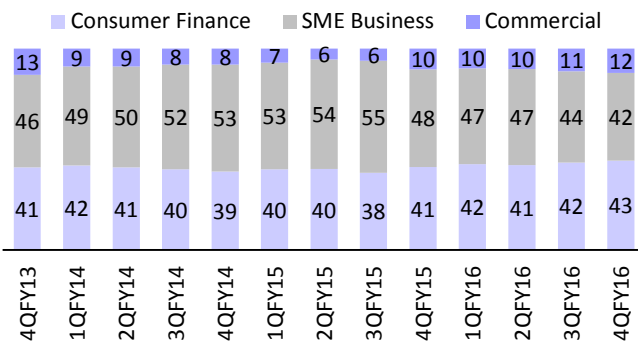
Source: MOSL, Company

Exhibit 4: AUM growth continues to remain strong



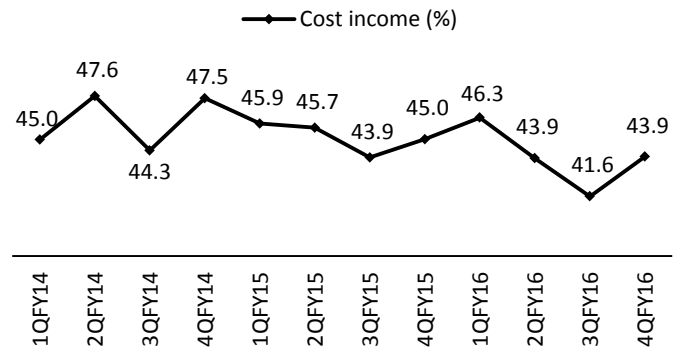
Source: MOSL, Company

Exhibit 5: AUM Mix: SME now accounts for 42%



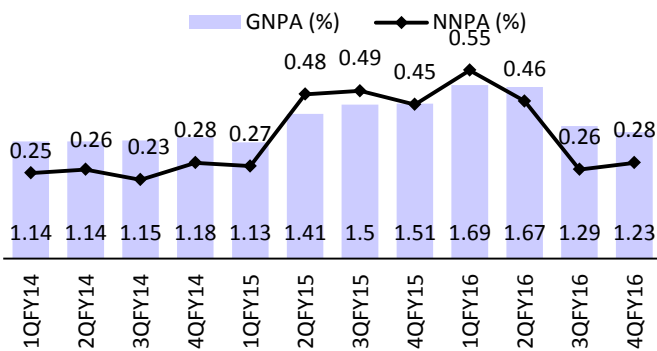
Source: MOSL, Company

Exhibit 6: Cross sell driving opex down



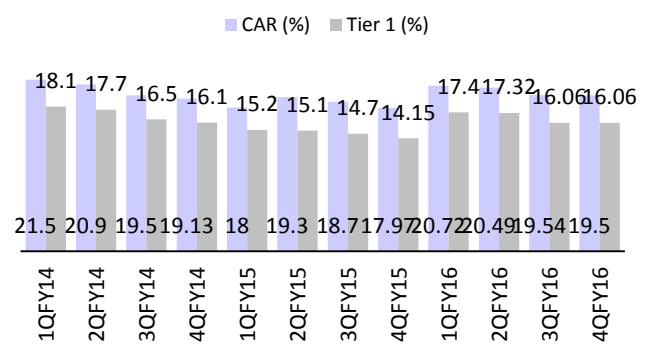
Source: MOSL, Company

Exhibit 7: NPL performance remain best among peers



Source: MOSL, Company

Exhibit 8: Well capitalized



Source: MOSL, Company

Financials and valuations

Income Statement								(INR Million)
Y/E MARCH	2011	2012	2013	2014	2015	2016	2017E	2018E
Interest Income	12,838	19,963	29,248	37,896	51,200	69,566	90,993	116,164
Interest Expended	3,710	7,462	12,057	15,732	22,483	29,269	39,213	50,728
Net Interest Income	9,128	12,501	17,191	22,163	28,717	40,297	51,780	65,435
Change (%)	50.1	36.9	37.5	28.9	29.6	40.3	28.5	26.4
Other Operating Income	1,085	1,668	1,689	2,429	2,618	3,477	3,835	4,180
Other Income	138	89	177	419	364	792	901	951
Net Income	10,351	14,257	19,057	25,011	31,699	44,566	56,516	70,567
Change (%)	44.9	37.7	33.7	31.2	26.7	40.6	26.8	24.9
Operating Expenses	4,606	6,691	8,523	11,511	14,284	19,492	23,832	29,148
Operating Income	5,745	7,566	10,534	13,500	17,415	25,074	32,684	41,419
Change (%)	45.5	31.7	39.2	28.2	29.0	44.0	30.3	26.7
Provisions and W/Offs	2,046	1,544	1,818	2,588	3,846	5,429	7,491	10,283
PBT	3,699	6,022	8,716	10,912	13,569	19,646	25,193	31,136
Tax	1,229	1,958	2,803	3,722	4,591	6,861	8,692	10,742
Tax Rate (%)	33.2	32.5	32.2	34.1	33.8	34.9	34.5	34.5
PAT	2,470	4,064	5,913	7,190	8,979	12,785	16,501	20,394
Change (%)	176.2	64.6	45.5	21.6	24.9	42.4	29.1	23.6
Proposed Dividend	366	496	747	802	903	1,339	2,063	2,549

Balance Sheet								(INR Million)
Y/E MARCH	2011	2012	2013	2014	2015	2016	2017E	2018E
Capital	366	413	495	498	502	534	536	536
Reserves & Surplus	13,215	19,923	33,173	39,411	47,497	72,711	86,799	104,210
Net Worth	13,581	20,336	33,668	39,909	47,999	73,245	87,334	104,745
Borrowings	67,086	102,264	133,490	197,496	266,908	370,250	491,574	635,717
Change (%)	107.9	52.4	30.5	47.9	35.1	38.7	32.8	29.3
Other liabilities & provisions	4,552	6,667	11,051	8,776	13,206	13,470	14,817	16,299
Total Liabilities	85,219	129,267	178,209	246,180	328,112	456,965	593,725	756,761
Investments	56	55	53	282	3,323	10,341	11,375	12,285
Change (%)	-98.1	-2.3	-4.0	436.3	1,077.9	211.2	10.0	8.0
Advances	72,718	122,831	167,440	229,710	311,995	427,560	564,379	722,405
Change (%)	80.4	68.9	36.3	37.2	35.8	37.0	32.0	28.0
Net Fixed Assets	1,026	1,388	1,762	2,199	2,492	2,870	2,880	2,890
Other assets	11,419	4,993	8,957	13,990	10,303	16,194	15,091	19,181
Total Assets	85,219	129,267	178,211	246,180	328,112	456,965	593,725	756,761

Financials and valuations

Ratios								
Y/E MARCH	2011	2012	2013	2014	2015	2016E	2017E	2018E
Spreads Analysis (%)								
Yield on Advances	22.7	20.4	20.2	19.1	18.9	18.0	17.8	17.6
Cost of borrowings	7.5	8.8	10.2	9.5	9.7	9.2	9.1	9.0
Interest Spread	15.2	11.6	9.9	9.6	9.2	8.8	8.7	8.6
Net Interest Margin	15.0	12.2	11.7	10.8	10.4	10.8	10.3	10.1
Profitability Ratios (%)								
RoE	19.7	24.0	21.9	19.5	20.4	21.1	20.6	21.2
RoA	3.8	3.8	3.8	3.4	3.1	3.3	3.1	3.0
RoA on AUM			3.8	3.4	3.2	3.3	3.2	3.0
Int. Expended/Int. Earned	28.9	37.4	41.2	41.5	43.9	42.1	43.1	43.7
Secur. Inc./Net Income	10.5	11.7	8.9	9.7	8.3	7.8	6.8	5.9
Efficiency Ratios (%)								
Op. Exps./Net Income	44.5	46.9	44.7	46.0	45.1	43.7	42.2	41.3
Empl. Cost/Op. Exps.	31.4	28.4	28.8	29.6	31.6	32.3	33.0	33.8
Asset-Liability Profile (%)								
Loans/Borrowings Ratio	108.4	120.1	125.4	116.3	116.9	115.5	114.8	113.6
Net NPAs to Adv.	0.8	0.1	0.2	0.3	0.5	0.3	0.4	0.5
CAR	20.0	17.5	22.0	21.0	18.0	19.5	18.3	17.5
Tier 1	16.8	15.0	18.7	18.0	14.2	16.1	15.5	15.0
Valuation								
Book Value (INR)	371	487	680	802	957	1,371	1,631	1,956
Price-BV (x)	20.6	15.7	11.2	9.5	8.0	5.6	4.7	3.9
Adjusted BV (INR)	365.2	486.0	677.4	798	947	1,371	1,631	1,956
Price-ABV (x)	20.9	15.7	11.3	9.6	8.0	5.6	4.7	3.9
EPS (INR)	67.4	98.4	119.4	144.5	179.0	239.3	308.1	380.8
EPS Growth (%)	176.0	45.9	21.3	21.1	23.9	33.7	28.8	23.6
Price-Earnings (x)	113.1	77.5	63.9	52.7	42.6	31.9	24.7	20.0
OPS (INR)	156.8	183.1	212.6	271.4	347.3	469.3	610.3	773.5
OPS Growth (%)	45.3	16.8	16.1	27.6	28.0	35.2	30.0	26.7
Price-OP (x)	48.6	41.6	35.9	28.1	22.0	16.2	12.5	9.9
Dividend per Share (INR)	10.0	12.0	15.1	16.1	18.0	25.1	38.5	47.6
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2	0.3	0.5	0.6

E: MOST Estimates

Corporate profile: Bajaj Finance

Company description

Bajaj Finance is a subsidiary of Bajaj Finserv, which holds 61% into the company. The company has transformed itself from a captive auto financier offering two wheeler loans for Bajaj Auto to a one of the most successful well diversified retail NBFC. The company operates in over ten business segments across consumer, SME and commercial businesses and is market leader in consumer durable and two wheeler financing (18% market share), lifestyle financing and is a large player in loan against property segment (15% market share).

Exhibit 12: Sensex rebased

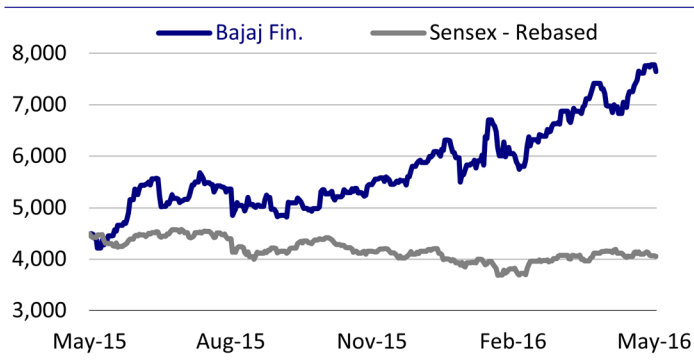


Exhibit 13: Shareholding pattern (%)

	Mar-16	Dec-15	Mar-15
Promoter	57.4	57.6	61.6
DII	6.1	6.7	5.6
FII	18.9	17.8	13.6
Others	17.6	17.9	19.2

Note: FII Includes depository receipts

Exhibit 14: Top holders

Holder Name	% Holding
Maharashtra Scooters Ltd	3.5
Government of Singapore	2.8
Acacia Partners LP	1.1
Pinebridge Investments Asia Limited A/c	1.1
HDFC Trustee Company Ltd A/c HDFC	1.1

Exhibit 15: Top management

Name	Designation
Rahul Bajaj	Chairman
Nanoo Pamnani	Vice Chairman
Sanjiv Bajaj	Vice Chairman
Rajeev Jain	Managing Director

Exhibit 16: Directors

Name	Name
Rahul Bajaj	Omkar Goswami*
Nanoo Pamnani*	Ranjan Sanghi*
Sanjiv Bajaj	D J Balaji Rao*
Rajeev Jain	Rajendra Lakhotia*
D S Mehta*	Rajiv Bajaj
Dipak Poddar*	Madhur Bajaj
Gita Piramal*	

*Independent

Exhibit 17: Auditors

Name	Type
Dalal & Shah	Statutory

Exhibit 18: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY16	239.3	236.9	1.0
FY17	308.1	303.7	1.4
FY18	380.8	386.1	-1.4

BAJAJ FINANCE REPORT GALLERY

BAF

30 July 2015
30 July 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR6,381 TP: INR7,194 (+13%) Buy

30 July 2015
30 July 2015 Results Update | Sector: Financials

Positive sales drive impressive operating performance

Bajaj Finance (BAF) reported a stellar set of numbers for 3QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth was impressive (EN YOY: 32% QoQ) and touched INR630B on the back of strong focus on demand, leading to strong 43% YOY growth in consumer finance and 32% YOY growth in the SME business. The commercial segment also grew a robust 52%.

BAF is now reporting QOPAs on 1500bp, thus YOY numbers are not comparable. However, asset quality during the quarter improved to 1.22% YoY, 1.76% last quarter, as the company sold mortgage NPAs and INR820B during the quarter and also improved recoveries led to asset quality improvement.

Other highlights: 1) Given the growing competition in the mortgage space and forward BAF would provide mortgage loans only to existing credit tested customers. 2) For SMF15, the company has not barred any capital and its profit growth has been higher than its loan book growth. 3) Management estimated that the company would raise equity capital for the next 3-6 months.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is now a dominant player in consumer durable financing segment. It continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. We raise FY17/18 PAT by 8% due to factor in higher growth in the back of strong growth momentum. The stock is currently trading at 3.5x/3.4x FY17/18E. We value the stock at INR7,194 based on our model, implying a P/B of 3.5x FY18E. Maintain Buy.

Quarterly Performance	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations	11,801	11,750	11,630	11,512	11,716	11,671	11,577	11,500	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Operating Profit	8,896	8,876	8,826	8,776	8,826	8,776	8,726	8,676	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Operating Expenses	2,905	2,874	2,804	2,736	2,890	2,849	2,851	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824
Net Income	5,991	6,002	6,022	6,040	5,936	5,927	5,925	5,852	5,552	5,552	5,552	5,552	5,552	5,552	5,552	5,552
EPS (Rs)	59.91	60.02	60.22	60.40	59.36	59.27	59.25	58.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52

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30 July 2015
30 July 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR5,306 TP: INR5,473 (+11%) Buy

30 July 2015
30 July 2015 Results Update | Sector: Financials

Another quarter of robust performance

Bajaj Finance (BAF) reported a stellar set of numbers for 3QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth continued to remain strong (up 36% YOY, 32% QoQ) at INR630B on the back of robust 42% YOY growth in consumer finance and 29% YOY growth in the SME business, the commercial segment also grew at a healthy 33%.

BAF is now reporting QOPAs on 1500bp; thus YOY numbers are not comparable. However, asset quality has remained stable sequentially with GMPA at 1.67% (vs 1.69% in the previous quarter). NPA's improved 87bp sequentially on account of higher provisions during the quarter.

Other highlights: 1) Consumer finance business launched 'Bajaj Finance' for sales led initiatives with Flipkart and Snapdeal. BAF would also provide online consumer financing via tie-ups with leading e-commerce websites by 4QFY15. 2) Launched first of its kind E2C model AFP packages, which will provide online approval with minimal data entry. 3) Acquired 1.4m customers during the quarter. 4) DoC reported to INR6B to set a housing finance customer demand and is among the few companies doing well in this space. 5) Continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. We raise FY17/18 PAT by 8% due to factor in higher growth in the back of strong growth momentum. The stock is currently trading at 3.5x/3.4x FY17/18E. We value the stock at INR5,473 based on our model, implying a P/B of 3.5x FY18E. Maintain Buy.

Quarterly Performance	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations	11,801	11,750	11,630	11,512	11,716	11,671	11,577	11,500	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Operating Profit	8,896	8,876	8,826	8,776	8,826	8,776	8,726	8,676	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Operating Expenses	2,905	2,874	2,804	2,736	2,890	2,849	2,851	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824
Net Income	5,991	6,002	6,022	6,040	5,936	5,927	5,925	5,852	5,552	5,552	5,552	5,552	5,552	5,552	5,552	5,552
EPS (Rs)	59.91	60.02	60.22	60.40	59.36	59.27	59.25	58.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52

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30 July 2015
30 July 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR5,133 TP: INR5,473 (+7%) Buy

30 July 2015
30 July 2015 Results Update | Sector: Financials

EN PAT beats healthy business momentum

Bajaj Finance (BAF) reported a stellar set of numbers for 3QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth remained robust (up 32% YOY, 32% QoQ) at INR635.6B, driven by a healthy 33% YOY growth in consumer finance and 28% YOY growth in the SME business; the commercial segment continues to do well.

BAF started reporting QOPAs on 1500bp basis. In line with BAF's equipment, from this quarter, this GMPA/NPA increased to 1.67%/0.55%. On a 1500bp basis, GMPA/NPA remained stable at 1.54%/0.48%. PCR declined marginally QoQ to 62%. GMPA/NPA on a 1500bp basis stood at 27%/70%.

Other highlights: 1) BAF new ranks among the largest new client acquirers in India, with 7.1m customer acquisitions in 3Q (1.2m in 2QFY15); 2) focused into e-commerce finance space via tie-up with Flipkart; 3) distributed INR30B in rural lending during the quarter and entered Karnataka; 4) continued to slow down the LRP business (LRF grew 13% v/s ALM growth of 32%) to realign the business model in the wake of interest competition.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. It continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. However, strong ALM growth and lower credit cost will mitigate the impact. Maintain Buy with a target price of INR5,473-5x FY17E.

Quarterly Performance	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations	11,801	11,750	11,630	11,512	11,716	11,671	11,577	11,500	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200
Operating Profit	8,896	8,876	8,826	8,776	8,826	8,776	8,726	8,676	8,376	8,376	8,376	8,376	8,376	8,376	8,376	8,376
Operating Expenses	2,905	2,874	2,804	2,736	2,890	2,849	2,851	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824
Net Income	5,991	6,002	6,022	6,040	5,936	5,927	5,925	5,852	5,552	5,552	5,552	5,552	5,552	5,552	5,552	5,552
EPS (Rs)	59.91	60.02	60.22	60.40	59.36	59.27	59.25	58.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52	55.52

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BAF

28 May 2015
28 May 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR4,499 TP: INR4,837 (+8%) Buy

28 May 2015
28 May 2015 Results Update | Sector: Financials

In line with estimates

Bajaj Finance (BAF) reported a stellar set of numbers for 2QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth remained robust (up 34% YOY, 32% QoQ) at INR613.1B, driven by healthy 42% YOY growth in consumer finance and 33% YOY growth in SME business. Whereas commercial segment continued to do well.

Asset quality remained stable sequentially, with GMPA/NPA at 1.51%/0.48%, while PCR improved marginally on a QoQ basis to 71%.

Other highlights: 1) BAF new ranks among the largest new client acquirers in India, with 7.1m customer acquisitions in 2Q (4.5m in 1QFY15); 2) the company moved into M2M financing to lend to micro and small enterprises in rural markets; 3) public deposits launched last year now stand at INR5B (8.6% of total borrowing); 4) Mortgage business remains hyper competitive, LAF business in consolidation mode and growing slower than the company; ALM growth % shareholders reported rising INR16B through QIP.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. It continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. However, strong ALM growth and lower credit cost will mitigate the impact. We raise FY16E/17E PAT by 36% to factor in higher growth. Maintain Buy with a target price of INR4,837-5x FY17E.

Quarterly Performance	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations	8,897	8,742	8,674	8,582	8,826	8,726	8,634	8,542	8,206	8,106	8,014	7,922	7,626	7,526	7,434
Operating Profit	6,896	6,876	6,826	6,776	6,826	6,776	6,726	6,676	6,376	6,376	6,376	6,376	6,376	6,376	6,376
Operating Expenses	2,001	1,866	1,848	1,806	1,900	1,849	1,851	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824
Net Income	4,895	4,910	4,978	4,970	4,926	4,927	4,902	4,852	4,552	4,552	4,552	4,552	4,552	4,552	4,552
EPS (Rs)	48.95	49.10	49.78	49.70	49.26	49.27	49.02	48.52	45.52	45.52	45.52	45.52	45.52	45.52	45.52

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14 January 2015
14 January 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR3,766 TP: INR4,080 (+8%) Buy

14 January 2015
14 January 2015 Results Update | Sector: Financials

Above estimate

Bajaj Finance (BAF) reported a stellar set of numbers for 1QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth remained robust (up 36% YOY, 32% QoQ) at INR590.0B, driven by healthy 42% YOY growth in consumer finance and 33% YOY growth in SME business. Whereas commercial segment continued to do well.

Asset quality remained healthy, with GMPA/NPA at 1.51%/0.48% (stable QoQ). PCR also remained stable QoQ at 68%.

Other highlights: 1) Consumer business continues to have a good run, BAF now ranks among the largest new client acquirers in India, with 7.1m customer acquisitions in 1Q (3.8m in 4QFY14); 2) market share in consumer durable lending increased to 32%; 3) BAF's financing has become a separate business; 4) health e-commerce strategy, will partner with leading e-commerce players and 5) mortgage business is in hyper competitive mode, hence will consolidate caution on LAF.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. It continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. However, strong ALM growth and lower credit cost will mitigate the impact. Maintain Buy with a target price of INR4,080 (3x FY17E v/s INR3,500).

Quarterly Performance	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from operations	8,897	8,742	8,674	8,582	8,826	8,726	8,634	8,542	8,206	8,106	8,014	7,922	7,626	7,526	7,434	
Operating Profit	6,896	6,876	6,826	6,776	6,826	6,776	6,726	6,676	6,376	6,376	6,376	6,376	6,376	6,376	6,376	
Operating Expenses	2,001	1,866	1,848	1,806	1,900	1,849	1,851	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824	
Net Income	4,895	4,910	4,978	4,970	4,926	4,927	4,902	4,852	4,552	4,552	4,552	4,552	4,552	4,552	4,552	
EPS (Rs)	48.95	49.10	49.78	49.70	49.26	49.27	49.02	48.52	45.52	45.52	45.52	45.52	45.52	45.52	45.52	

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14 October 2014
14 October 2014 Results Update | Sector: Financials

Bajaj Finance

CMF: INR2,730 TP: INR2,920 Buy

14 October 2014
14 October 2014 Results Update | Sector: Financials

BAF Finance (BAF) 2QFY15 PAT stood at INR1.19, up 18% YOY and down 7% QoQ (in line with estimates)

Bajaj Finance (BAF) reported a stellar set of numbers for 2QFY15 with PAT at INR1.19, up 18%YOY and down 7% QoQ (in line with estimates). While asset quality remained stable, we have below our estimate, lower-than-expected op stood to decline PAT. Strong ALM growth (41% YOY and 46% QoQ), stable asset quality (improved by 87bp on a sequential basis) were the key highlights of the quarter.

ALM growth remained robust (up 34% YOY and 44% QoQ) at INR630B, driven by a robust 42% YOY growth in SME segment and 33% growth in consumer business. Commercial segment (ECE and infrastructure) led-dep grew 30%.

Reported QOPAs/NPA stood at 1.41%/0.48% (up 22/220 QoQ). The increase was largely due to an infra account of INR5B that slipped into NPA. Adjusting for the same, NPA would have increased Baj QOP, in line with the estimate.

Other highlights: 1) Consumer business continues to have a good run, BAF now ranks among the largest new client acquirers in India, with 7.1m customer acquisitions in 2Q (4.5m in 1QFY15); 2) raised INR5B of tier-2 capital, helped shore up CAR by 130bp QoQ to 19.3%; 3) to set up FIC to 100% subsidiary and mortgage assets, will be booked under tier-2; 4) holding e-commerce strategy, will partner with leading e-commerce players to finance products above INR5,000.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. BAF continues to increase its market share in the consumer business, through a higher share of incremental growth to be driven by low yielding mortgage business, which will exert pressure on margins. However, strong ALM growth and lower credit cost will mitigate the impact. Maintain Buy with a target price of INR2,920 (2.6x FY16E v/s INR1,125).

Quarterly Performance	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations	8,897	8,742	8,674	8,582	8,826	8,726	8,634	8,542	8,206	8,106	8,014	7,922	7,626	7,526	7,434
Operating Profit	6,896	6,876	6,826	6,776	6,826	6,776	6,726	6,676	6,376	6,376	6,376	6,376	6,376	6,376	6,376
Operating Expenses	2,001	1,866	1,848	1,806	1,900	1,849	1,851	1,824	1,824	1,824	1,824	1,824	1,824	1,824	1,824
Net Income	4,895	4,910	4,978	4,970	4,926	4,927	4,902	4,852	4,552	4,552	4,552	4,552	4,552	4,552	4,552
EPS (Rs)	48.95	49.10	49.78	49.70	49.26	49.27	49.02	48.52	45.52	45.52	45.52	45.52	45.52	45.52	45.52

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SECTOR UPDATES

28 May 2015
28 May 2015 Results Update | Sector: Financials

Bajaj Finance

CMF: INR4,499 TP: INR4,837 (+8%) Buy

28 May 2015
28 May 2015 Results Update | Sector: Financials

In line with estimates

Bajaj Finance (BAF) reported a stellar set of numbers for 2QFY15 with PAT at INR1.19, up 58%YOY and 46% QoQ (17% beat). Strong ALM growth (41% YOY and 32% QoQ) on back of strong focus demand, improved asset quality and 87bp YOY improvement in calculated margins were the highlights of the quarter. ALM growth remained robust (up 34% YOY, 32% QoQ) at INR613.1B, driven by healthy 42% YOY growth in consumer finance and 33% YOY growth in SME business. Whereas commercial segment continued to do well.

Asset quality remained stable sequentially, with GMPA/NPA at 1.51%/0.48%, while PCR improved marginally on a QoQ basis to 71%.

Other highlights: 1) BAF new ranks among the largest new client acquirers in India, with 7.1m customer acquisitions in 2Q (4.5m in 1QFY15); 2) the company moved into M2M financing to lend to micro and small enterprises in rural markets; 3) public deposits launched last year now stand at INR5B (8.6% of total borrowing); 4) Mortgage business remains hyper competitive, LAF business in consolidation mode and growing slower than the company; ALM growth % shareholders reported rising INR16B through QIP.

Valuation and views: BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. It continues to increase its market share in the consumer business through a higher share of incremental growth to be driven by the low yielding mortgage business, which could pressure margins. However, strong ALM growth and lower credit cost will mitigate the impact. We raise FY16E/17E PAT by 36% to factor in higher growth. Maintain Buy with a target price of INR4,837-5x FY17E.

Quarterly

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