

Bajaj Finance

BSE SENSEX	S&P CNX
24,223	7,362
Bloomberg	BAF IN
Equity Shares (m)	53.3
M.Cap. (INR b)/(USD b)	273.5/4.3
52-Week Range (INR)	6496 / 3919
1, 6, 12 Rel. Per (%)	12/31/69
12M Avg Val (INR M)	291
Free float (%)	42.4

Financials & Valuation (INR Billion)

Y/E March	2016E	2017E	2018E
NII	40.4	52.8	65.6
PPP	25.3	33.8	41.7
PAT	13.0	16.1	19.8
EPS (INR)	244	303	372
EPS Gr. (%)	36	24	23
BV/Sh.(INR)	1,367	1,620	1,932
RoA on AUM (%)	3.3	3.0	2.8
RoE (%)	21.5	20.3	21.0
Payout (%)	14.0	14.0	14.0
Valuations			
P/E (x)	26.1	21.0	17.1
P/BV (x)	4.7	3.9	3.3
Div. Yield (%)	0.5	0.7	0.8

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

Festive sales drives impressive operating performance

- Bajaj Finance's (BAF) reported a stellar set of numbers for 3QFY16 with PAT at INR4.1b, up 58%YoY and 46% QoQ (17% beat). Strong AUM growth (41% YoY and 15% QoQ) on back of strong festive demand, improved asset quality and 87bp YoY improvement in calculated margins were the highlights of the quarter.
- AUM growth was impressive (41% YoY, 15% QoQ) and touched ~INR435b on the back of strong festive season demand, leading to strong 43% YoY growth in consumer finance and 32% YoY growth in the SME business; the commercial segment also grew at a robust 51%.
- BAF is now reporting GNPA on 150dpd; thus YoY numbers are not comparable. However, asset quality during the quarter improved to 1.29% v/s 1.67% last quarter, as the company sold mortgage NPA of INR820m during the quarter and also improved recoveries led to asset quality improvement.
- Other highlights:** 1) Given the growing competition in the mortgage space going forward BAF would provide mortgage loans only to existing credit tested customers. 2) For 9MFY16, the company has not burned any capital and its profit growth has been higher than its loan book growth. 3) Management iterated that the company would not raise equity capital for the next 24-30months.
- Valuation and view:** 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—though a higher share of incremental growth could be driven by the low-yield mortgage business, which could pressurize margins. We raise FY17/18 PAT by 8% each to factor in higher growth the back of strong growth momentum. The stock is currently trading at 3.9x/3.3x FY17/18E BV. We value the stock at INR7,194 based on RI model, implying a PBV of 3.7x FY18E. Maintain **Buy**.

Quarterly Performance					(INR Million)					
Y/E March	FY15				FY16				FY15E	FY16E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Income from operations	11,801	11,703	14,164	13,532	15,716	15,921	19,717	19,108	51,200	70,462
Other Operating Income	635	620	601	762	746	878	897	1,014	2,618	3,535
Operating Income	12,436	12,322	14,766	14,294	16,462	16,799	20,614	20,122	53,818	73,997
YoY Growth (%)	34.0	28.1	38.0	33.5	32.4	36.3	39.6	40.8	33.5	37.5
Interest expenses	4,996	5,445	5,924	6,118	6,771	6,947	7,493	8,825	22,483	30,036
Net Income	7,440	6,878	8,842	8,176	9,692	9,853	13,121	11,297	31,335	43,961
YoY Growth (%)	24.6	18.7	33.8	31.6	30.3	43.3	48.4	38.2	27.4	40.3
Other income	24	96	88	156	96	206	83	416	364	801
Total Income	7,463	6,974	8,930	8,332	9,788	10,059	13,203	11,712	31,699	44,762
Operating Expenses	3,428	3,186	3,921	3,749	4,531	4,411	5,490	5,021	14,284	19,452
Operating Profit	4,035	3,788	5,009	4,583	5,257	5,648	7,714	6,692	17,051	24,510
YoY Growth (%)	22.0	24.2	33.8	35.2	30.3	49.1	54.0	46.0	30.3	43.7
Provisions and Cont.	829	800	1,079	1,138	1,033	1,368	1,462	1,757	3,846	5,621
Profit before Tax	3,206	2,987	3,931	3,446	4,224	4,280	6,252	4,934	13,205	18,889
Tax Provisions	1,092	1,016	1,347	1,136	1,468	1,486	2,167	1,593	4,591	6,714
Net Profit	2,114	1,972	2,584	2,310	2,756	2,794	4,085	3,341	8,979	12,976
YoY Growth (%)	20.3	18.0	33.1	26.8	30.4	41.7	58.1	44.6	24.9	44.5
Loan Growth (%)	38.6	40.9	37.2	35.8	33.0	36.5	41.4	42.0	35.8	42.0
Borrowings Growth (%)	38.6	40.9	37.2	35.8	33.0	36.5	41.4	42.0	35.1	39.4
Cost to Income Ratio (%)	46.1	46.3	44.3	45.9	46.7	44.8	41.8	44.4	45.6	44.2
Tax Rate (%)	34.1	34.0	34.3	33.0	34.8	34.7	34.7	32.3	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	3QFY16E	3QFY16A	Var (%)	Comments
Income from operations	17,831	19,717	11	
Other Operating Income	1,037	897	-14	
Operating Income	18,868	20,614	9	Calc. margins on AUM stands at 12.9%
YoY Growth (%)	27.8	39.6		
Interest expenses	7,572	7,493	-1	
Net Income	11,296	13,121	16	Strong festive season sales led to 16% beat
YoY Growth (%)	27.8	48.4		
Other income	200	83		
Total Income	11,496	13,203		
Operating Expenses	4,758	5,490	15	Cost Income at 42%
Operating Profit	6,738	7,714	14	
YoY Growth (%)	34.5	54.0		
Provisions and Cont.	1,400	1,462	4	Asset quality improved sequentially on back of sell down
Profit before Tax	5,338	6,252	17	
Tax Provisions	1,842	2,167	18	Tax rate at 34.5%
Net Profit	3,496	4,085	17	Festive sales and better margins perf. led to 17% PAT beat
YoY Growth (%)	35.3	58.1		
Loan Growth (%)	37.0	41.4		
Borrowings Growth (%)	37.0	41.4		
Cost to Income Ratio (%)	42.1	41.8		
Tax Rate (%)	34.5	34.7		

E: MOSL Estimates

Festive season demand drives 41% YoY AUM growth

- Strong festive season demand during 3QFY16, a seasonally strong quarter, drove 41% YoY AUM growth for the company. Festive demand along with widening products category, new distribution channels and focus on cross selling to existing customer are boosting incremental growth.
- AUM growth remained robust (up 41% YoY & 15% QoQ) at INR435b, driven by a strong +43% YoY growth in consumer segment (Consumer electronics & personal loans) and 32% YoY growth in SME business (Mortgage, LAP & BL). Commercial segment which now also consists of LAS portfolio also grew at a robust rate of 51% YoY.
- Given the growing competitive intensity in the mortgage space, 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 improve 87bp YoY to 12.9%; GNPA reduce on back of sell down

- NIMs during the quarter improved 71bp YoY to 12.9% (12.02% in 3QFY15) on back of a) sustained strong growth in higher margin consumer finance business; b) Nearly 50% of the borrowing book is on floating rate, aided by 50bps rate reduction by the central bank in 3Q.
- In line with RBI requirements, the company has moved its NPA recognition policy to 150dpd from 180dpd. Thus the YoY numbers are not comparable. However, on a sequential basis asset quality improved (1.29% v/s 1.67% last quarter) as the company sold mortgage NPA of INR820m. There were some recoveries during the quarter which also led to asset quality improvement.

- Provisioning expenses during the quarter were at INR1.46b (INR1.1bm in 3QFY15). PCR for the quarter was at higher at 80% against 73% in the previous quarter, on back of sell down of NPAs.

Other highlights

- For 9MFY16, on a net basis the company has not burned any capital and its profit growth has been higher than its loan book growth. Management has iterated that the company would not raise equity capital for the next 24-30months. The capital requirement during the period would be met by raising Tier II capital (in the form of bonds) and selling down its housing loan portfolio.
- BAF's entire infrastructure loan book which currently stands at ~INR3b is standard, however the company has flagged off that one account of INR1.5b has been paying past due date and they fear that some stress might persist.
- Rural lending business continues to find a strong traction. AUM grew ~500% (on a lower base) to INR11.6b in 3QFY16 from INR2.35b in 3QFY15.

Conference call highlights

- **Growth guidance:** Targets to grow loan book by 25-30% YoY and report 20%-25% YoY PAT growth over the medium term with new customers to grow at 15-20% YoY.
- **Loan book contribution:** Going forward, consumer finance would remain the customer acquisition engine; however, growth in consumer book would taper down given the base effect. SME business and rural lending would drive the loan book over the medium term. Over the medium term, profile of loan book would change to consumer finance contributing 35-37%, SME 40-45%, rural lending 7-8% and rest others.
- **New products:** BAF would launch a new product category and announce a fee based opportunity soon. Further, the company has introduced gold loan products for existing customers, at present company's customers have taken gold loans of INR110b from the system and BAF is targeting this opportunity.
- **LAP and mortgage business:** Company would be offering LAP and mortgage products only as a cross-sell to existing customers. Expects mortgage book to grow by 25% in FY17.
- **Borrowing:** Targets 15-18% borrowing to come from fixed deposit (at present ~6%) over the next three years
- BAF would come up with its own flavor of MCLR starting 1st April, in order to face the banks and in-line with its philosophy of running the company like a banking firm.

Valuation and view

- BAF is trading at 3.3x FY18 P/B i.e. 100% premium to cross cycle valuation. In our view premium to peers can be justified on various counts.
- **Diverse 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, $R_f=7.71\%$, $\beta=0.8$, risk premium of 5% and terminal growth rate of 5%. We have raised FY17E/18E PAT by 8% each on back of strong growth momentum. Resulting in net profit to grow at CAGR of 30% over FY15-18E and RoEs to touch +20% by FY18E. The stock is currently trading at 3.9x/3.3x FY17/18E BV. We value the stock at a target price of INR7,194 (implying 3.7x FY18E BV). **Buy**

Exhibit 2: Upgrade estimate to factor in higher growth

INR B	Old Est.			New Est.			% Chg		
	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
NII	41	52	64	44	57	70	8	8	9
Other Income	1	1	1	1	1	1	0	0	0
Total Income	42	53	65	45	58	71	8	8	9
Operating Expenses	18	22	27	19	24	29	7	7	8
Operating Profits	23	31	38	25	34	42	9	9	9
Provisions	5	9	11	6	9	12	9	8	8
PBT	18	22	28	20	24	30	9	10	9
Tax	6	8	9	7	8	10	9	10	9
PAT	12	15	18	13	16	20	9	10	9
Loans	415	539	690	443	585	749	7	8	8
Borrowings	353	470	616	372	509	668	6	8	8
Credit Cost	1.3	1.3	1.7	1.3	1.4	1.7	0	4	0
RoA	3.1	2.9	2.8	3.3	3.0	2.8	6	3	2
RoE	19.9	18.8	19.7	21.5	20.3	21.0	8	8	6

Source: MOSL

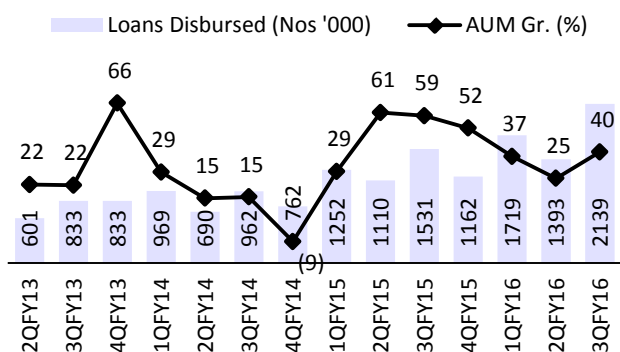
Exhibit 3: Quarterly Snapshot

	FY14				FY15				FY16			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	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	23	40
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	24	39
Other Operating Income	446	875	429	679	635	620	601	762	746	878	897	2	49
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	26
Net Income	5,969	5,796	6,607	6,211	7,440	6,878	8,842	8,176	9,692	9,853	13,121	33	48
Other Income	41	23	116	239	24	96	88	156	96	206	83	-60	-7
Operating Expenses	2,703	2,769	2,979	3,061	3,428	3,186	3,921	3,749	4,531	4,411	5,490	24	40
Employee	779	808	892	929	1,078	1,059	1,198	1,172	1,446	1,498	1,705	14	42
Others	1,923	1,960	2,088	2,132	2,350	2,127	2,723	2,577	3,085	2,913	3,784	30	39
Operating Profits	3,307	3,050	3,743	3,389	4,035	3,788	5,009	4,583	5,257	5,648	7,714	37	54
Provisions	639	523	795	622	829	800	1,079	1,138	1,033	1,368	1,462	7	36
PBT	2,669	2,527	2,948	2,768	3,206	2,987	3,931	3,446	4,224	4,280	6,252	46	59
Taxes	911	857	1,007	947	1,092	1,016	1,347	1,136	1,468	1,486	2,167	46	61
Reported PAT	1,757	1,670	1,941	1,821	2,114	1,972	2,584	2,310	2,756	2,794	4,085	46	58
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	-12	22
NNPA (INR m)	463	494	495	643	692	1,284	1,447	1,404	1,875	1,680	1,086	-35	-25
GNPAs(%)	1.1	1.1	1.2	1.2	1.1	1.4	1.5	1.5	1.7	1.7	1.3		
NNPAs(%)	0.3	0.3	0.2	0.3	0.3	0.5	0.5	0.5	0.6	0.5	0.3		
PCR (%)	78.0	78.0	80.0	76.0	76.0	67.0	68.0	71.0	68.0	73.0	80.0		
Ratios (%)													
Cost to Income	45.0	47.6	44.3	47.5	45.9	45.7	43.9	45.0	46.3	43.9	41.6		
Tax Rate	34.1	33.9	34.2	34.2	34.1	34.0	34.3	33.0	34.8	34.7	34.7		
CAR	21.5	20.9	19.5	19.1	18.0	19.3	18.7	18.0	20.7	20.5	19.5		
<i>Tier I</i>	18.1	17.7	16.5	16.1	15.2	15.1	14.7	14.2	17.4	17.3	16.1		
RoA (not annualised)	1.0	0.9	1.0	0.8	0.9	0.7	0.9	0.7	0.9	0.8	1.0	25	11
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	38	4
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	14	41
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	14	41
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	17	31
Disbursement	62,500	51,990	75,320	70,420	92,660	78,160	111,370	0	0	0	0	#DIV/0!	-100
AUM Mix (%)													
Consumer Finance	42	41	40	39	40	40	38	41	42	41	42		
SME Business	49	50	52	53	53	54	55	48	47	47	44		
Commercial	9	9	8	8	7	6	6	10	10	10	11		
Rural	0	0	0	0	0	1	1	1	1	2	3		

Source: Company, MOSL

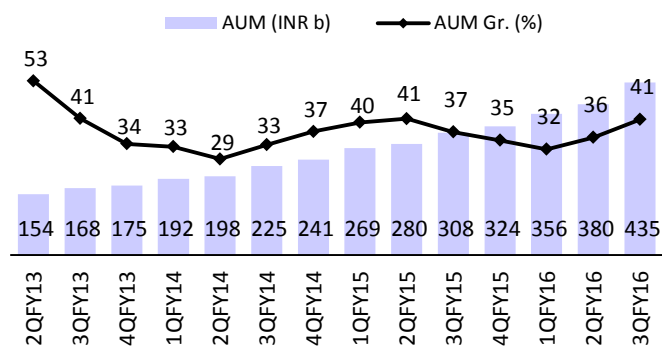
Story in charts

Exhibit 4: Nos. of loan disb. grew at healthy 40% YoY



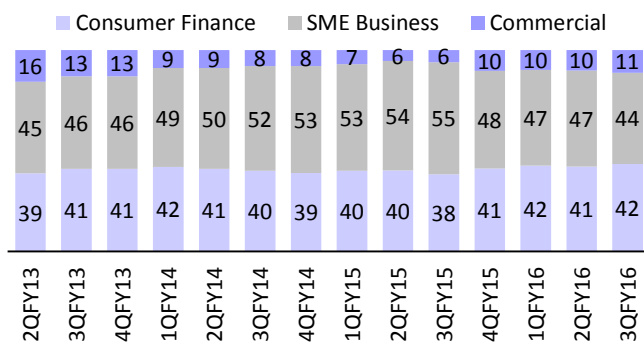
Source: MOSL, Company

Exhibit 5: AUM growth led by strong festive demand



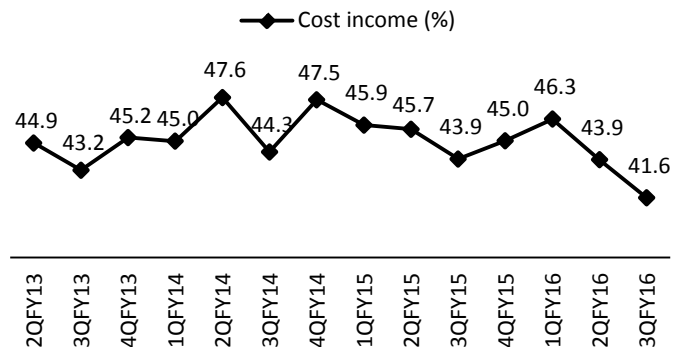
Source: MOSL, Company

Exhibit 6: AUM Mix: SME now accounts for 44%



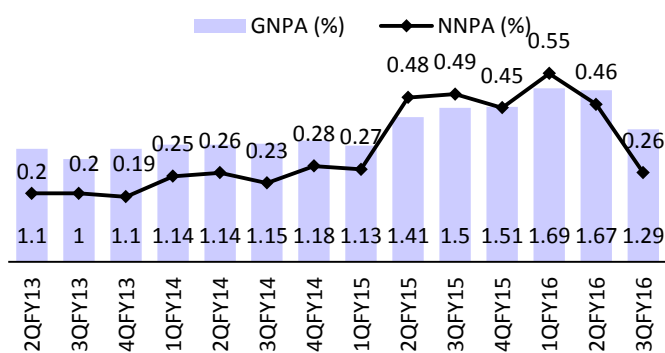
Source: MOSL, Company

Exhibit 7: Cross sell driving opex down



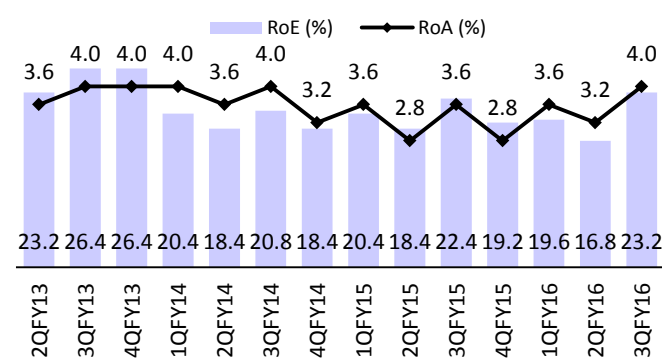
Source: MOSL, Company

Exhibit 8: INR820m sell down leads to decline in GNPA



Source: MOSL, Company

Exhibit 9: Healthy return ratios



Source: MOSL, Company

Exhibit 10: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
ICICIBC*	Buy	204	17.9	22.2	26.7	6.1	4.6	147	166	0.92	0.74	1.39	1.44	13.4	14.4
HDFCB	Buy	1,044	39.6	58.9	70.9	17.7	14.7	330	385	3.16	2.71	1.88	1.86	19.2	19.8
AXSB	Buy	381	13.7	40.0	47.7	9.5	8.0	250	290	1.52	1.31	1.68	1.68	17.0	17.6
KMB*	Neutral	666	18.4	24.7	31.3	27.0	21.3	206	237	3.23	2.81	1.38	1.54	13.9	14.8
YES	Buy	778	4.9	75.9	94.0	10.3	8.3	388	463	2.01	1.68	1.82	1.84	21.2	22.1
IIB	Buy	906	8.1	49.8	62.8	18.2	14.4	336	390	2.70	2.32	1.98	2.01	15.8	17.3
DCBB	Under Review	76	0.3	6.9	7.7	10.9	9.8	68	75	1.12	1.00	0.93	0.85	10.8	10.8
FB	Neutral	46	1.2	4.7	5.7	9.7	8.0	52	56	0.89	0.82	0.83	0.87	9.5	10.7
JKBK	Neutral	70	0.5	18.0	21.6	3.9	3.2	152	168	0.46	0.41	1.02	1.07	12.4	13.5
SIB	Buy	19	0.4	3.1	3.7	6.0	5.0	31	34	0.60	0.55	0.58	0.61	10.3	11.4
Private Aggregate			105.1			14.3	11.8			2.13	1.87				
SBIN (cons)*	Buy	166	19.5	31.0	38.7	5.0	4.0	254	286	0.61	0.54	0.78	0.84	12.7	14.3
PNB	Under Review	89	2.7	22.8	27.7	3.9	3.2	235	259	0.38	0.35	0.64	0.69	10.1	11.2
BOI	Neutral	93	1.1	9.3	19.5	10.0	4.8	350	366	0.27	0.25	0.10	0.19	2.7	5.4
BOB	Buy	121	4.2	19.3	23.7	6.3	5.1	191	209	0.63	0.58	0.55	0.60	10.5	11.8
CBK	Under Review	181	1.4	57.3	74.6	3.2	2.4	610	667	0.30	0.27	0.46	0.52	9.8	11.7
UNBK	Buy	123	1.3	43.1	51.8	2.9	2.4	344	386	0.36	0.32	0.66	0.69	13.2	14.2
OBC	Under Review	100	0.5	50.0	66.9	2.0	1.5	505	556	0.20	0.18	0.56	0.66	10.3	12.6
INBK	Buy	85	0.6	29.5	37.1	2.9	2.3	300	328	0.28	0.26	0.62	0.69	10.2	11.8
CRPBK	Neutral	38	0.1	18.7	21.6	2.0	1.7	152	169	0.25	0.22	0.57	0.59	12.9	13.4
ANDB	Buy	50	0.5	22.8	27.9	2.2	1.8	196	216	0.26	0.23	0.62	0.65	12.2	13.6
IDBI	Neutral	57	1.6	5.6	6.9	10.2	8.3	137	142	0.42	0.40	0.28	0.31	4.2	4.9
DBNK	Neutral	34	0.3	10.0	15.6	3.4	2.2	128	141	0.27	0.24	0.38	0.53	8.0	11.6
Public Aggregate			33.8			5.3	4.2			0.50	0.46				
HDFC*	Buy	1,161	27.7	39	44	18.5	14.5	186	212	3.83	2.98	2.41	2.40	21.9	22.0
LICHF	Buy	443	3.4	42	47	10.5	9.3	216	254	2.06	1.75	1.54	1.45	21.2	20.2
DEWH	Buy	184	0.8	32	40	5.7	4.6	203	234	0.91	0.78	1.25	1.30	16.9	18.6
IHFL	Buy	675	4.4	68	82	10.0	8.2	302	336	2.23	2.01	3.85	3.69	23.6	25.7
GRHF	Buy	249	1.4	8	11	30.0	23.7	28	35	8.83	7.11	1.98	2.26	27.8	33.2
REPCO	Buy	620	0.6	35	43	18.0	14.5	182	219	3.42	2.83	2.28	2.14	20.7	21.3
RECL	Under Review	179	2.7	57	59	3.1	3.0	345	391	0.52	0.46	2.45	2.17	17.6	16.0
POWF	Under Review	166	3.3	52	50	3.2	3.3	323	358	0.51	0.46	2.63	2.17	17.2	14.6
SHTF	Buy	804	2.8	73	92	10.9	8.7	516	588	1.56	1.37	2.21	2.40	15.1	16.5
MMFS	Buy	201	1.7	13	17	15.1	11.9	118	130	1.71	1.55	1.94	2.24	11.8	13.5
BAF	Buy	6,381	5.2	276	340	23.1	18.7	1,582	1,867	4.03	3.42	2.92	2.79	18.8	19.7
MUTH	Buy	185	1.1	24	31	7.6	5.9	156	176	1.19	1.05	2.92	3.18	16.5	18.9
SKSM	Buy	549	1.1	34	46	16.0	12.0	142	177	3.87	3.10	5.25	5.46	27.5	28.8
NBFC Aggregate			57.0			12.4	11.2			2.02	1.80				

Source: Company, MOSL

Financials and valuations

Income Statement								(INR Million)
Y/E MARCH	2011	2012	2013	2014	2015	2016E	2017E	2018E
Interest Income	12,838	19,963	29,248	37,896	51,200	70,462	94,187	120,261
Interest Expended	3,710	7,462	12,057	15,732	22,483	30,036	41,431	54,616
Net Interest Income	9,128	12,501	17,191	22,163	28,717	40,427	52,756	65,645
Change (%)	50.1	36.9	37.5	28.9	29.6	40.8	30.5	24.4
Other Operating Income	1,085	1,668	1,689	2,429	2,618	3,535	3,899	4,250
Other Income	138	89	177	419	364	801	901	951
Net Income	10,351	14,257	19,057	25,011	31,699	44,762	57,556	70,846
Change (%)	44.9	37.7	33.7	31.2	26.7	41.2	28.6	23.1
Operating Expenses	4,606	6,691	8,523	11,511	14,284	19,452	23,789	29,102
Operating Income	5,745	7,566	10,534	13,500	17,415	25,311	33,767	41,744
Change (%)	45.5	31.7	39.2	28.2	29.0	45.3	33.4	23.6
Provisions and W/Offs	2,046	1,544	1,818	2,588	3,846	5,621	9,304	11,655
PBT	3,699	6,022	8,716	10,912	13,569	19,690	24,464	30,089
Tax	1,229	1,958	2,803	3,722	4,591	6,714	8,342	10,260
Tax Rate (%)	33.2	32.5	32.2	34.1	33.8	34.1	34.1	34.1
PAT	2,470	4,064	5,913	7,190	8,979	12,976	16,122	19,828
Change (%)	176.2	64.6	45.5	21.6	24.9	44.5	24.2	23.0
Proposed Dividend	366	496	747	802	903	1,817	2,257	2,776

Balance Sheet								(INR Million)
Y/E MARCH	2011	2012	2013	2014	2015	2016E	2017E	2018E
Capital	366	413	495	498	500	533	533	533
Reserves & Surplus	13,215	19,923	33,173	39,411	47,497	72,315	85,795	102,376
Net Worth	13,581	20,336	33,668	39,909	47,997	72,847	86,328	102,909
Borrowings	67,086	102,264	133,490	197,496	266,908	372,147	509,363	667,704
Change (%)	107.9	52.4	30.5	47.9	35.1	39.4	36.9	31.1
Other liabilities & provisions	4,552	6,667	11,051	8,776	13,207	13,471	14,819	16,300
Total Liabilities	85,219	129,267	178,209	246,180	328,112	458,466	610,510	786,913
Investments	56	55	53	282	3,323	3,655	4,021	4,342
Change (%)	-98.1	-2.3	-4.0	436.3	1,077.9	10.0	10.0	8.0
Advances	72,718	122,831	167,440	229,710	311,995	443,032	584,802	748,547
Change (%)	80.4	68.9	36.3	37.2	35.8	42.0	32.0	28.0
Net Fixed Assets	1,026	1,388	1,762	2,199	2,492	2,502	2,512	2,522
Other assets	11,419	4,993	8,957	13,990	10,303	9,277	19,175	31,502
Total Assets	85,219	129,267	178,211	246,180	328,112	458,466	610,510	786,913

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	9.4	9.4	9.3
Interest Spread	15.2	11.6	9.9	9.6	9.2	8.6	8.4	8.3
Net Interest Margin	15.0	12.2	11.7	10.8	10.4	10.7	10.2	9.7

Profitability Ratios (%)

RoE	19.7	24.0	21.9	19.5	20.4	21.5	20.3	21.0
RoA	3.8	3.8	3.8	3.4	3.1	3.3	3.0	2.8
RoA on AUM			3.8	3.4	3.2	3.3	3.0	2.8
Int. Expended/Int.Earned	28.9	37.4	41.2	41.5	43.9	42.6	44.0	45.4
Secur. Inc./Net Income	10.5	11.7	8.9	9.7	8.3	7.9	6.8	6.0

Efficiency Ratios (%)

Op. Exps./Net Income	44.5	46.9	44.7	46.0	45.1	43.5	41.3	41.1
Empl. Cost/Op. Exps.	31.4	28.4	28.8	29.6	31.6	33.6	34.3	35.1

Asset-Liability Profile (%)

Loans/Borrowings Ratio	108.4	120.1	125.4	116.3	116.9	119.0	114.8	112.1
CAR	20.0	17.5	22.0	21.0	18.0	19.0	19.0	19.0
Tier 1	16.8	15.0	18.7	18.0	14.2	16.0	16.0	16.0

Valuation

Book Value (INR)	371	487	680	802	960	1,367	1,620	1,932
Price-BV (x)	17.2	13.1	9.4	8.0	6.6	4.7	3.9	3.3
Adjusted BV (INR)	365.2	486.0	677.4	798	950	1,367	1,620	1,932
Price-ABV (x)	17.5	13.1	9.4	8.0	6.7	4.7	3.9	3.3
EPS (INR)	67.4	98.4	119.4	144.5	179.6	243.6	302.6	372.2
EPS Growth (%)	176.0	45.9	21.3	21.1	24.2	35.6	24.2	23.0
Price-Earnings (x)	94.6	64.9	53.5	44.2	35.5	26.2	21.1	17.1
OPS (INR)	156.8	183.1	212.6	271.4	348.3	475.1	633.8	783.6
OPS Growth (%)	45.3	16.8	16.1	27.6	28.4	36.4	33.4	23.6
Price-OP (x)	40.7	34.8	30.0	23.5	18.3	13.4	10.1	8.1
Dividend per Share (INR)	10.0	12.0	15.1	16.1	18.1	34.1	42.4	52.1
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3	0.5	0.7	0.8

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

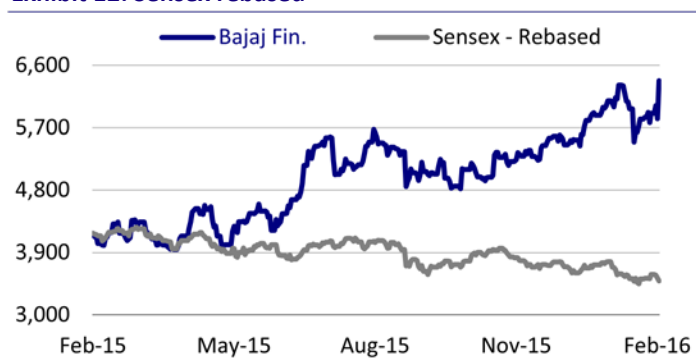


Exhibit 13: Shareholding pattern (%)

	Sep-15	Jun-15	Sep-14
Promoter	57.6	57.6	61.6
DII	6.3	5.8	6.9
FII	17.6	18.1	12.6
Others	18.5	18.5	18.9

Note: FII Includes depository receipts

Exhibit 15: Top management

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

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 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	243.6	221.1	10.2
FY17	302.6	280.9	7.7
FY18	372.2	352.4	5.6

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