

Current	Previous
CMP : Rs.4,499	
Rating : BUY	Rating : BUY
Target : Rs.5,435	Target : Rs.5,500

STOCK INFO

BSE	500034
NSE	BAJFINANCE
Index	S&P BSE 200
Bloomberg	BAF IN
Reuters	BJFN.BO
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs Mn)	502
Mkt Cap (Rs Mn)	225,625
52w H/L (Rs)	4694/1770
Avg Daily Vol (BSE+NSE)	37,519

SHAREHOLDING PATTERN

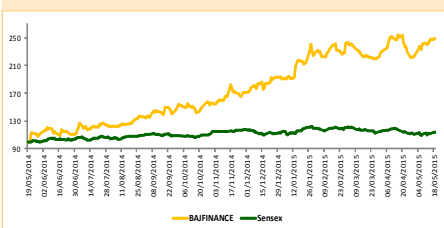
	%
(as on Mar. 2015)	
Institutions	19.2
Others, Incl Public	19.2
Promoters	61.6

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
BAJFINANCE	-2	7	152
SENSEX	-4	-5	13

Source: Capitaline, IndiaNivesh Research

BAJFINANCE v/s SENSEX



Source: Capitaline, IndiaNivesh Research

Daljeet S. Kohli
Head of Research

Tel: +91 22 66188826
daljeet.kohli@indianivesh.in

Yogesh Hotwani
Research Analyst

Tel: +91 22 66188839
yogesh.hotwani@indianivesh.in

Strong show continues... maintain BUY with revised target price of Rs 5,435

Rs.mn	Q4FY15	Q3FY15	Q4FY14	Q-o-Q %	Y-o-Y %	INSPL	Q4FY15E	Variance(%)
Net Interest Income	7,414	8,240	5,532	-10.0	34.0	7,533		-1.6
Pre Provision Profit	4,583	5,009	3,389	-8.5	35.2	4,483		2.2
Net Profit	2,310	2,584	1,821	-10.6	26.8	2,393		-3.5
Adj Net Profit	2,484	2,584	1,821	-3.9	36.4	2,393		3.8

Source: IndiaNivesh Research

Bajaj Finance Ltd (BFL) continues its strong show on all fronts with Net Interest income of Rs 7.4 bn, largely inline with expectation of Rs 7.5 bn led by healthy Asset Under Management (AUM) growth of 35% yoy. As expected, NIMs (calc) declined by 183 bps qoq to 9.4%. Operating profit was marginally ahead of expectation at Rs 4.6 bn, up 35% yoy. Net profit was slightly below expectation at Rs 2.3 bn mainly due to excess provisioning of ~Rs 174 mn. However adjusting for excess provisioning, Net profit was ahead of expectation. Asset quality continues to remain strong at Gross and Net NPA of 1.5% and 0.45% respectively. We tweak our earnings estimates / ABV by -2% / 0-1% for FY16E and FY17E respectively. We continue to maintain BUY with revised target price of Rs 5435, valuing it at 4x FY17E ABV.

Result update

AUM growth remains strong:

AUM growth of BFL remains strong at 35% yoy to Rs 324 bn led by strong growth in Consumer financing of 42% yoy and SME financing of 33% yoy. Consumer durables have grown at healthy pace of 53% yoy led by higher sales of TVs on back of Cricket world cup. Two wheeler financing penetration increased to 31% of Bajaj Auto's domestic sales as against 28% in FY14. LAP / Mortgage have delivered a lower growth of ~14% as the company is facing competition in the segment. Management has guided for loan growth of 20-25% for FY16.

(Rs mn)	% of total	Q4FY15	Q4FY14	% YoY	Q3FY15	% QoQ
Asset under management	100.0	324100	240610	34.7	308220	5.2
AUM - Consumer	40.7	132020	93280	41.5	117850	12.0
AUM - SME business	52.9	171360	128500	33.4	170510	0.5
AUM - Commercial	5.4	17390	18330	-5.1	17510	-0.7
AUM - Rural	1.0	3330	500	566.0	2350	41.7

Source: Company, IndiaNivesh Research

NIMs declined on back of seasonality:

NIMs (Calc) of BFL declined by 183 bps qoq to 9.4% mainly due to decline in yields on assets (Calc) by 183 bps qoq. Net Interest income grew by 34% yoy to Rs 7.4 bn, largely inline with expectation of Rs 7.5 bn. 54% of Borrowing of BFL are bank borrowings, 43% are market borrowings (which includes CP and NCDs) and remaining 3% are retail fixed deposits.

Yields/Costs/Margins (%)	Q4FY15	Q4FY14	YoY bps	Q3FY15	QoQ bps
NIM	9.4	9.5	-13	11.2	-183
Yield on funds	17.1	17.3	-13	19.3	-214
Cost of funds	9.5	9.6	-8	9.9	-38

Source: Calculated numbers

Asset quality remains stable:

Asset quality of BFL continues to remain best in the industry at Gross NPA of 1.51% and Net NPA of 0.45%. Provisioning coverage ratio improved to 71% from 68% in Q3FY15.

Gross/Net NPA (Rs mn)	Q4FY15	Q4FY14	YoY bps	Q3FY15	QoQ bps
Gross NPA	1.51	1.18	33	1.5	1
Net NPA	0.45	0.28	17	0.49	-4
Provision Coverage	71.0	76.0	-500	68.0	300

Source: Company, IndiaNivesh Research

Healthy Capital adequacy, Fund raising likely:

Capital adequacy of BFL remains strong at 18% with Tier I capital of 14.2%. Further the company is planning for QIP of Rs 14 bn and also to issue 0.925 mn warrants to promoter Bajaj Finserv at Rs 4400 per share. Assuming that company raise capital (by way of QIP) at current market price of Rs 4500, then it will lead to dilution of 6.2% of equity. However on positive note, it will lead to increase in adjusted book value by 16%-18% for FY16E and FY17E. As a result ROE is likely to come down by 400-430 bps for FY16E and FY17E to 16.5-17% from 21% estimated earlier.

Holding structure (%)	Post QIP Issue & Warrant conversion		
	Pre QIP Issue FY16E	Post QIP Issue FY16E	FY17E
Promoter	61.6	58.0	58.7
Others	38.4	42.0	41.3

Source: IndiaNivesh Research

	Pre Issue		Post Issue	
	FY16E	FY17E	FY16E	FY17E
ABV (Rs)	1149	1357	1338	1604
ROE (%)	20.8	20.8	16.5	16.9

Source: IndiaNivesh Research

Valuation

BFL has maintained its growth momentum with healthy Asset Under Management (AUM) growth of 35% yoy in Q4FY15 led by strong growth in both Consumer and SME financing. Asset quality also remains strong at Gross NPA of 1.5% and Net NPA of 0.45% which is one of the best in the industry. We are expecting earnings growth of 22% CAGR for FY15-17E and ROE / ROA of 21% / 3%. At CMP of Rs 4499, BFL is trading at P/ABV of 3.9x and 3.3x for FY16E and FY17E respectively. We continue to maintain buy rating on BFL with revised target price of Rs 5435, valuing at 4x FY17E ABV.

Revisit estimates (mn)	FY16E			FY17E		
	Old	New	% Change	Old	New	% Change
Net Interest Income	36950	35886	-3	45309	43774	-3
Pre Provision Profit	21948	21773	-1	26616	26240	-1
Net Profit	11366	11169	-2	13678	13413	-2
ABV (Rs)	1153	1151	0	1367	1359	-1

Source: IndiaNivesh Research

Rs mn	Q4FY15	Q4FY14	% YoY	Q3FY15	% QoQ	FY15	FY14	% YoY
Interest Income	13532	10032	34.9	14164	-4.5	51200	37886	35.1
Interest Expense	6118	4501	35.9	5924	3.3	22483	15732	42.9
Net Interest Income	7414	5532	34.0	8240	-10.0	28717	22153	29.6
Other Income	762	679	12.3	601	26.8	2738	2887	-5.2
Net Income	8332	6450	29.2	8930	-6.7	31699	25001	26.8
Total Income	14451	10950	32.0	14854	-2.7	54182	40733	33.0
Total Expenditure	3749	3061	22.5	3921	-4.4	14284	11511	24.1
Pre provisioning profit	4583	3389	35.2	5009	-8.5	17415	13490	29.1
Provisions & Write Offs	1138	622	83.0	1079	5.5	3846	2578	49.2
Profit Before tax	3446	2768	24.5	3931	-12.3	13569	10912	24.4
Tax	1136	947	20.0	1347	-15.7	4591	3722	23.4
Net Profit	2310	1821	26.8	2584	-10.6	8979	7190	24.9
EPS (Rs)	46.1	36.3	26.8	51.5	-10.6	179.1	144.2	24.2
Asset under management	324100	240610	34.7	308220	5.2	324100	240610	34.7
AUM - Consumer	132020	93280	41.5	117850	12.0	132020	93280	41.5
AUM - SME business	171360	128500	33.4	170510	0.5	171360	128500	33.4
AUM - Commercial	17390	18330	-5.1	17510	-0.7	17390	18330	-5.1
AUM - Rural	3330	500	566.0	2350	41.7	3330	500	566.0

Key ratios	bps			bps	
NIM	9.4	9.5	-13	11.2	-183
Yield on funds	17.1	17.3	-13	19.3	-214
Cost of funds	9.5	9.6	-8	9.9	-38
Cost to Income	45.0	47.5	-246	43.9	109
Gross NPA	1.51	1.18	33	1.50	1
Net NPA	0.45	0.28	17	0.49	-4
Provision Coverage	71.0	76.0	-500	68.0	300
CAR	18.0	19.1	-116	18.7	-72

Source: Company, IndiaNivesh Research

Income Statement (Rs Mn)	FY14	FY15	FY16E	FY17E
Interest Earned	37886	51200	63988	78054
Interest Expended	15732	22483	28103	34280
Net Interest Income	22153	28717	35886	43774
Other Income	2848	2983	3735	3947
Net Income	25001	31699	39621	47721
Total Income	40733	54182	67724	82002
Total Expenses	11511	14284	17848	21481
Pre Provision Profit	13490	17415	21773	26240
Provisions	2578	3846	4851	5917
Profit before tax	10912	13569	16922	20323
Tax	3722	4591	5754	6910
Net Profit	7190	8979	11169	13413

Source: IndiaNivesh Research

Balance Sheet (Rs Mn)	FY14	FY15	FY16E	FY17E
Liabilities				
Equity	498	500	500	500
Reserves and Surplus	39411	47497	58762	69517
Net Worth	39909	47997	59262	70017
Borrowings	197496	266900	330323	398182
Other Liabilities & Provisions	7220	11515	13005	14113
Total Liabilities	244625	326412	402590	482312
Assets				
Assets on Finance	229710	311990	386127	465451
Net Block	2199	2492	2741	3015
Other Assets	12434	11660	13722	13846
Total Assets	244625	326299	402590	482312

Source: IndiaNivesh Research

Valuation Ratios	FY14	FY15	FY16E	FY17E
Earning Per Share (Rs)	145	180	223	268
Book Value Per Share (Rs)	802	960	1185	1400
Adj Book Value Per Share (Rs)	783	931	1151	1359
Dividend Per Share (Rs)	16.1	18.0	20.5	22.5
P/E (x)	31.1	25.1	20.1	16.8
P/BV (x)	5.6	4.7	3.8	3.2
P/ABV (x)	5.7	4.8	3.9	3.3

Growth Y-o-Y (%)	FY14	FY15	FY16E	FY17E
Asset Under Management	37.4	34.7	23.8	20.5
Borrowings	50.4	35.1	23.8	20.5
Balance Sheet	38.1	33.4	23.4	19.8
Net Interest Income	28.9	29.6	25.0	22.0
Other Income	52.6	4.7	25.2	5.7
Net Profit	25.2	24.4	24.7	20.1

Return Ratios (%)	FY14	FY15	FY16E	FY17E
ROAE	19.6	20.4	20.8	20.8
ROAA	3.4	3.1	3.1	3.0

Yield / Margin (%)	FY14	FY15	FY16E	FY17E
Yield on Funds	18.2	18.1	17.6	17.6
Cost of Funds	9.6	9.7	9.4	9.4
Interest Spread	8.7	8.5	8.2	8.2
Net Interest Margin	10.7	10.2	9.9	9.9
Net Profit Margin	17.7	16.6	16.5	16.4
Dividend Yield	0.4	0.4	0.5	0.5

Other Ratios (%)	FY14	FY15	FY16E	FY17E
Cost / Income	46.0	45.1	45.0	45.0
Provision Coverage Ratio	75.1	69.0	70.0	70.0
Net NPA	0.3	0.5	0.4	0.4

Source: IndiaNivesh Research

Disclaimer: This document has been prepared by IndiaNivesh Securities Private Limited ("INSPL"), for use by the recipient as information only and is not for circulation or public distribution. INSPL includes subsidiaries, group and associate companies, promoters, employees and affiliates. INSPL researches, aggregates and faithfully reproduces information available in public domain and other sources, considered to be reliable and makes them available for the recipient, though its accuracy or completeness has not been verified by INSPL independently and cannot be guaranteed. The third party research material included in this document does not represent the views of INSPL and/or its officers, employees and the recipient must exercise independent judgement with regard to such content. This document has been published in accordance with the provisions of Regulation 18 of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. This document is not to be altered, transmitted, reproduced, copied, redistributed, uploaded or published or made available to others, in any form, in whole or in part, for any purpose without prior written permission from INSPL. This document is solely for information purpose and should not be construed as an offer to sell or the solicitation of an offer to buy any security. Recipients of this document should be aware that past performance is not necessarily a guide for future performance and price and value of investments can go up or down. The suitability or otherwise of any investments will depend upon the recipients particular circumstances. INSPL does not take responsibility thereof. The research analysts of INSPL have adhered to the code of conduct under Regulation 24 (2) of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. This document is based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Nothing in this document constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to recipients' specific circumstances. INSPL does not accept any responsibility or whatever nature for the information, assurances, statements and opinion given, made available or expressed herein or for any omission or for any liability arising from the use of this document. Opinions expressed are our current opinions as of the date appearing on this document only. The opinions are subject to change without any notice. INSPL directors/employees and its clients may have holdings in the stocks mentioned in the document.

This report is based / focused on fundamentals of the Company and forward-looking statements as such, may not match with a report on a company's technical analysis report

Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Daljeet S Kohli, Amar Maurya, Abhishek Jain, Yogesh Hotwani, Prerna Jhunjhunwala, Kaushal Patel, Rahul Koli, Tushar Manudhane & Dharmesh Kant.

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter:

Disclosure of Interest Statement		
1.	Details of business activity of IndiaNivesh Securities Private Limited (INSPL)	INSPL is a Stock Broker registered with BSE, NSE and MCX - SX in all the major segments viz. Cash, F & O and CDS segments. INSPL is also a Depository Participant and registered with both Depository viz. CDSL and NSDL. Further, INSPL is a Registered Portfolio Manager and is registered with SEBI.
2.	Details of Disciplinary History of INSPL	No disciplinary action is / was running / initiated against INSPL
3.	Details of Associates of INSPL	Please refer to the important 'Stock Holding Disclosure' report on the IndiaNivesh website (investment Research Section - http://www.indianivesh.in/Admin/Upload/635615016831250000_Stock%20Holding%20Disclosure%20List%20as%20on%20February%2020215.pdf link). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. INSPL and its affiliates may have investment positions in the stocks recommended in this report.
4.	Research analyst or INSPL or its relatives'/associates' financial interest in the subject company and nature of such financial interest	No (except to the extent of shares held by Research analyst or INSPL or its relatives'/associates')
5.	Research analyst or INSPL or its relatives'/associates' actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document.	Please refer to the important 'Stock Holding Disclosure' report on the IndiaNivesh website (investment Research Section - http://www.indianivesh.in/Admin/Upload/635615016831250000_Stock%20Holding%20Disclosure%20List%20as%20on%20February%2020215.pdf link). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. INSPL and its affiliates may have investment positions in the stocks recommended in this report.
6.	Research analyst or INSPL or its relatives'/associates' any other material conflict of interest at the time of publication of the document	No
7.	Has research analyst or INSPL or its associates received any compensation from the subject company in the past 12 months	No
8.	Has research analyst or INSPL or its associates managed or co-managed public offering of securities for the subject company in the past 12 months	No
9.	Has research analyst or INSPL or its associates received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months	No
10.	Has research analyst or INSPL or its associates received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months	No
11.	Has research analyst or INSPL or its associates received any compensation or other benefits from the subject company or third party in connection with the document.	No
12.	Has research analyst served as an officer, director or employee of the subject company	No
13.	Has research analyst or INSPL engaged in market making activity for the subject company	No
14.	Other disclosures	No

INSPL, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within. This information is subject to change, as per applicable law, without any prior notice. INSPL reserves the right to make modifications and alternations to this statement, as may be required, from time to time.

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.
 HOLD. We expect this stock to deliver -15% to +15% returns over the next 12 months.
 SELL. We expect this stock to deliver <-15% returns over the next 12 months.
 Our target prices are on a 12-month horizon basis.

Other definitions

NR = Not Rated. The investment rating and target price, if any, have been arrived at due to certain circumstances not in control of INSPL
 CS = Coverage Suspended. INSPL has suspended coverage of this company.
 UR=Under Review. Such e invest review happens when any developments have already occurred or likely to occur in target company & INSPL analyst is waiting for some more information to draw conclusion on rating/target.
 NA = Not Available or Not Applicable. The information is not available for display or is not applicable.
 NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Research Analyst has not served as an officer, director or employee of Subject Company

One year Price history of the daily closing price of the securities covered in this note is available at www.nseindia.com and www.economicstimes.indiatimes.com/markets/stocks/stock-quotes. (Choose name of company in the list browse companies and select 1 year in icon YTD in the price chart)



IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: research@indianivesh.in | Website: www.indianivesh.in

