

HSIE Results Daily

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Results Reviews

- Bajaj Finance:** Bajaj Finance (BAF) delivered a strong operating performance, with steady NIMs in a rising interest rate and strong AUM growth (+27% YoY) environment. The healthy AUM growth comes despite elevated competitive intensity in select segments such as home loans, B2B finance, etc. Asset quality improved further, with GS-II/GS-III at 1.3%/1.1% (FY22: 2%/1.6%) and normalised credit costs. The management articulated its 2022-27 Long Range Strategy (LRS), outlining ~25-30% AUM/PAT CAGR on the back of robust customer acquisition, further emphasis on cross-selling and the addition of new loan products. While our concerns on the quality of earnings from the new-to-franchise (NTF) customers and new products remain, the sharp 20% correction in the past few months appears at a disconnect from the franchise earnings potential. We tweak our FY23 earnings estimates (~4%) to factor in higher other income and upgrade to ADD with a revised TP of INR6,700 (earlier TP at INR7,314) with implied P/E of 28x Sep-24 EPS (in line with SBICARD for a broadly similar 32% earnings CAGR).
- DLF:** During Q3FY23, DLF booked its second-highest quarterly presales of INR 25.1bn (+24%/+22% YoY/QoQ), beating our estimate of INR 21bn; with this, the 9MFY23 presales stand at INR 66bn. With INR 80bn of new launches planned for Q4FY23, we expect DLF to comfortably surpass its FY23 presales guidance of INR 80bn. New products contributed 89% to the total presales with the luxury project The Grove (in Gurugram) clocking INR 15.7bn of sales booking. Hyderabad SEZ project was pushed back on account of delay in DESH bill causing DLF to fully repay INR 5.8bn of capex advance to DCCDL. This resulted in net debt reducing marginally to INR 20.9bn (vs INR 21.4bn in Q2FY23). Given (1) strong presales momentum supported by price hikes; (2) robust launch plans; and (3) an expected increase in office occupancy levels, we maintain BUY on DLF, with an unchanged TP of INR 450/share.

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Bajaj Finance

Correction offers an attractive entry; upgrade to ADD

Bajaj Finance (BAF) delivered a strong operating performance, with steady NIMs in a rising interest rate and strong AUM growth (+27% YoY) environment. The healthy AUM growth comes despite elevated competitive intensity in select segments such as home loans, B2B finance, etc. Asset quality improved further, with GS-II/GS-III at 1.3%/1.1% (FY22: 2%/1.6%) and normalised credit costs. The management articulated its 2022-27 Long Range Strategy (LRS), outlining ~25-30% AUM/PAT CAGR on the back of robust customer acquisition, further emphasis on cross-selling and the addition of new loan products. While our concerns on the quality of earnings from the new-to-franchise (NTF) customers and new products remain, the sharp 20% correction in the past few months appears at a disconnect from the franchise earnings potential. We tweak our FY23 earnings estimates (~4%) to factor in higher other income and upgrade to ADD with a revised TP of INR6,700 (earlier TP at INR7,314) with implied P/E of 28x Sep-24 EPS (in line with SBICARD for a broadly similar 32% earnings CAGR).

- **Steady operating metrics amidst rising competitive intensity:** BAF reported steady NII/PPoP growth (+25%/24% YoY), led by healthy AUM growth (+27% YoY) and steady NIMs (11.5%) amidst rising interest rates. Cost-to-income ratio clocked in at 35% and is likely to stay elevated during FY23-FY24, driven by investments in digital initiatives, distribution, and customer additions.
- **Medium-term strategy—omnichannel, doubling down on cross-sell:** BAF articulated its 2022-27 Long Range Strategy (LRS) building an incremental narrative around an omnichannel strategy to drive a 25% AUM CAGR. With a target client base of ~110mn customers by FY27, BAF is increasing its focus on cross-selling existing and to-be-launched new products. However, BAF's broad markers around growth and profitability appear ambitious, especially given its planned foray into below-prime customer and geographic segments coupled with continued elevated competitive intensity, in existing segments.
- **Upgrade to ADD on valuation:** Our REDUCE stance on BAF was largely centred on a downside risk to growth and expensive valuation. However, the ~20% valuation correction in the past three months offers some respite on multiples; upgrade to ADD despite marginally below-consensus estimates.

Financial summary

(INR bn)	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	FY22	FY23E	FY24E	FY25E
NII	59.2	47.3	25.3	55.4	6.9	175.2	226.7	274.8	339.7
PPOP	48.5	39.2	23.8	44.9	8.2	143.1	185.1	218.8	270.0
PAT	29.7	21.3	39.9	27.8	6.9	70.3	114.0	132.0	162.2
EPS (INR)	49.0	35.0	39.9	45.8	6.9	116.5	188.9	218.8	268.8
ROAE (%)						17.4%	23.4%	22.0%	22.0%
ROAA (%)						3.7%	4.8%	4.4%	4.4%
ABVPS (INR)						723	875	1,047	1,287
P/ABV (x)						8.0	6.6	5.5	4.5
P/E (x)						49.8	30.7	26.5	21.6

Change in estimates

INR bn	FY23E			FY24E			FY25E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
AUM	2,494	2,494	0.0%	3,120	3,120	0.0%	3,846	3,846	0.0%
NIM (%)	10.1	10.1	6 bps	9.8	9.8	0 bps	9.8	9.8	0 bps
NII	225.3	226.7	0.6%	274.7	274.8	0.0%	339.6	339.7	0.0%
PPOP	181.1	185.1	2.2%	219.9	218.8	-0.5%	271.1	270.0	-0.4%
PAT	110.1	114.0	3.6%	129.5	132.0	2.0%	159.3	162.2	1.8%
ABVPS (Rs)	866	875	1.0%	1,040	1,047	0.7%	1,280	1,287	0.6%

Source: Company, HSIE Research

ADD

CMP (as on 27 Jan 2023) INR 5,761

Target Price INR 6,700

NIFTY 17,604

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR7314	INR 6700
EPS %	FY23E	FY24E
	3.6%	2.0%

KEY STOCK DATA

Bloomberg code	BAF IN
No. of Shares (mn)	605
MCap (INR bn) / (\$ mn)	3,488/42,765
6m avg traded value (INR mn)	8,043
52 Week high / low	INR 7,778/5,220

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.4)	(9.9)	(15.7)
Relative (%)	(17.0)	(17.3)	(18.3)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	55.9	55.9
FIs & Local MFs	12.1	12.4
FPIs	20.5	19.9
Public & Others	11.4	11.6

Pledged Shares -

Source : BSE

Pledged shares as % of total shares

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DLF

New launches to drive rerating

During Q3FY23, DLF booked its second-highest quarterly presales of INR 25.1bn (+24%/+22% YoY/QoQ), beating our estimate of INR 21bn; with this, the 9MFY23 presales stand at INR 66bn. With INR 80bn of new launches planned for Q4FY23, we expect DLF to comfortably surpass its FY23 presales guidance of INR 80bn. New products contributed 89% to the total presales with the luxury project The Grove (in Gurugram) clocking INR 15.7bn of sales booking. Hyderabad SEZ project was pushed back on account of delay in DESH bill causing DLF to fully repay INR 5.8bn of capex advance to DCCDL. This resulted in net debt reducing marginally to INR 20.9bn (vs INR 21.4bn in Q2FY23). Given (1) strong presales momentum supported by price hikes; (2) robust launch plans; and (3) an expected increase in office occupancy levels, we maintain BUY on DLF, with an unchanged TP of INR 450/share.

- Financial highlights:** Revenue came in at INR 15bn (-4%/+15% YoY/QoQ, a beat of 13%). EBITDA was INR 4.8bn (-9%/+9% YoY/QoQ, a beat of 7%). EBITDA margin came in at 31.9% (-172/-161bps YoY/QoQ, vs 33.5% est.). The share of profits and associates & JVs: INR 2.2bn (+17%/+1.5% YoY/QoQ). RPAT/APAT was INR 5.2bn (-14%/+8.5% YoY/QoQ, beat of 7.8%). DCCDL revenue was INR 13.6bn (+16%/0% YoY/QoQ). EBITDA was INR 10.6bn (+16%/+1% YoY/QoQ) and PAT was at INR 3.6bn (+27%/0% YoY/QoQ).
- Second-highest quarterly presales ever:** Presales for Q3FY23 were the second-highest ever at INR 25.1bn (+24%/+22% YoY/QoQ), aided mainly by INR 15.7bn of presales from the luxury project The Grove at DLF 5, which is now completely sold out, and the second phase of recently launched product The Valley Gardens in Panchkula, which clocked presales of INR 5.4bn. New products contributed 89% to the presales in Q3FY23. For 9MFY23, presales stood at INR 66bn and with 3.1msf of launches planned for Q4FY23, we expect DLF to surpass its full-year guidance of INR 80bn in presales. Within the DCCDL office portfolio, occupancy was flat at 89%. In the retail portfolio, footfalls are still lower than the pre-COVID level; however, spend per head is seeing growth. DCCDL portfolio rental grew to INR 10bn (+15%/+2% YoY/QoQ).
- Robust balance sheet:** DLF generated a cash surplus of INR 6.3bn; however, it repaid INR 5.8bn of capex advance related to Hyderabad SEZ to DCCDL on account of asset development being pushed back (delay on DESH bill introduction in the winter session of parliament). This resulted in a marginal net debt reduction to INR 20.9bn (vs INR 21.4bn in Q2FY23). Collection during the quarter was robust at INR 14bn (+9%/+12% YoY/QoQ).

Consolidated financial summary (INR mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	14,948	15,497	(3.5)	13,023	14.8	57,174	58,764	68,395	73,267
EBITDA	4,772	5,213	(8.5)	4,367	9.3	17,426	17,595	21,631	23,704
APAT	5,179	6,039	(14.2)	4,772	8.5	16,664	19,062	22,669	26,143
EPS (INR)	2.1	2.4	(14.2)	1.9	8.5	6.1	7.7	9.2	10.6
P/E (x)						58.9	46.4	39.0	33.8
EV/EBITDA (x)						10.1	52.4	51.9	41.8
RoE (%)						4.2	5.1	5.9	6.5

Consolidated Estimate Change Summary

Particulars (Rs mn)	FY23E			FY24E			FY25E		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
Revenues	58,764	60,912	(3.5)	68,395	67,383	1.5	73,267	73,067	0.3
EBITDA	17,595	17,705	(0.6)	21,631	20,313	6.5	23,704	22,661	4.6
Margin (%)	29.9	29.1	87.6	31.6	30.1	148.1	32.4	31.0	133.9
APAT	19,062	19,143	(0.4)	22,669	21,709	4.4	26,143	25,384	3.0

Source: Company, HSIE Research

BUY

CMP (as on 27 Jan 2023)	INR 357
Target Price	INR 450
NIFTY	17,604

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 450	INR 450	
EPS %	FY23E (0.4)	FY24E +4.4	FY25E +3.0

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / (\$ mn)	881/10,803
6m avg traded value (INR mn)	1,709
52 Week high / low	INR 419/295

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.2)	(3.4)	(4.9)
Relative (%)	(6.8)	(10.8)	(7.4)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	74.95	74.95
FIs & Local MFs	4.67	5.09
FPIs	14.90	14.84
Public & Others	5.48	5.12
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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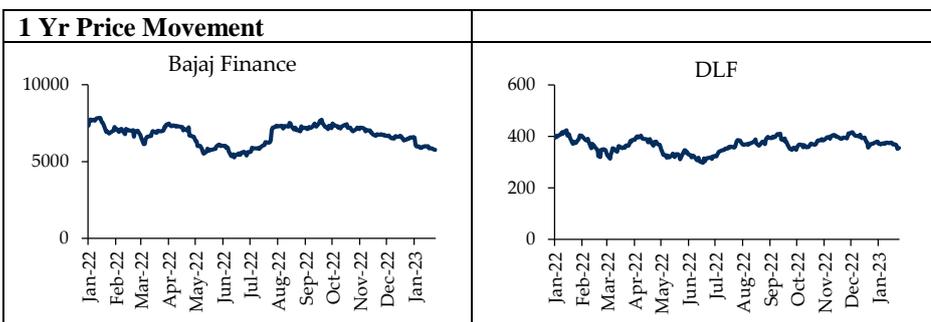
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Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Bajaj Finance	PGDM	NO
Deepak Shinde	Bajaj Finance	PGDM	NO
Neelam Bhatia	Bajaj Finance	PGDM	NO
Parikshit Kandpal	DLF	CFA	NO
Manoj Rawat	DLF	MBA	NO
Nikhil Kanodia	DLF	MBA	NO



Disclosure:

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