

**BUY**

TP: Rs 4,000 | ▲ 21%

**BAJAJ FINANCE**

| NBFC

| 22 July 2020

## Opex control a positive surprise, liquidity buffers strong

**Bajaj Finance (BAF) reported 7% YoY AUM growth in Q1FY21. With opex softening (-11% YoY) and NII growing at 12% YoY, operating profit rose 25% to Rs 30bn. The company reported a decline in moratorium loan share to 16% as of June vs. 27% as of April. Provisioning coverage is 13.7% on the consolidated moratorium book. In our view, BAF is well capitalised and has enough liquidity to weather the secular slowdown. We maintain BUY and increase FY21/FY22 earnings by 5%/4%, rolling over to a new Jun'21 TP of Rs 4,000 (vs. Rs 3,000).**

Shubhramshu Mishra  
 research@bobcaps.in

**Loan growth slows due to lockdown:** AUM grew at a muted 7% YoY to Rs 1.4tn largely owing to a drop in loan volumes (-76% YoY) to 1.8mn. This marks the biggest fall in loan acquisition in the last 26 quarters.

**Moratorium loans decline, collections improve:** Loans under moratorium dipped to ~16% of AUM in June vs. 27% as of April. Management attributed this to a 50% increase in collection architecture throughput and to customers regularising repayments. The contingency provision against the pandemic is now at 13.7% of the consolidated moratorium book (Rs 217bn).

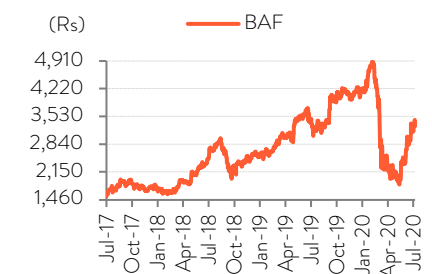
**Well capitalised to absorb risks to asset quality:** BAF reported provisions of Rs 16.9bn, of which Rs 14.5bn was towards Covid-19. The sharp increase in provisions led to a 20% YoY decline in net profit to Rs 9.6bn. The company remains well capitalised (22.6% tier-1 ratio) and has strong liquidity (Rs 206bn as of Jul'20) to absorb asset quality concerns.

**Maintain BUY:** We increase FY21/FY22 earnings estimates by 5%/4% to factor in opex control and raise our TP to Rs 4,000 as we continue to repose confidence in management's ability to make timely course corrections.

Ticker/Price	BAF IN/Rs 3,292
Market cap	US\$ 26.6bn
Shares o/s	602mn
3M ADV	US\$ 446.1mn
52wk high/low	Rs 4,923/Rs 1,783
Promoter/FPI/DII	56%/21%/10%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest income	97,252	134,972	152,661	168,828	209,523
NII growth (%)	39.5	38.8	13.1	10.6	24.1
Adj. net profit (Rs mn)	39,966	52,637	46,943	72,772	98,046
EPS (Rs)	69.3	87.7	78.2	121.3	163.4
P/E (x)	47.5	37.5	42.1	27.1	20.1
P/BV (x)	9.6	6.1	5.4	4.6	3.8
ROA (%)	3.8	3.6	2.7	3.7	4.1
ROE (%)	22.5	20.2	13.6	18.3	20.8

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



**FIG 1 – QUARTERLY PERFORMANCE**

(Rs mn)	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Interest Income	66,482	58,013	14.6	72,266	(8.0)
Interest expenses	24,976	21,134	18.2	25,474	(2.0)
Other Operating Income	15	70	(78.1)	43	(63.8)
<b>Net Interest Income</b>	<b>41,521</b>	<b>36,949</b>	<b>12.4</b>	<b>46,834</b>	<b>(11.3)</b>
Operating Expenses	11,567	12,928	(10.5)	14,515	(20.3)
<b>Operating Profit</b>	<b>29,954</b>	<b>24,022</b>	<b>24.7</b>	<b>32,320</b>	<b>(7.3)</b>
Provisions and Cont.	16,857	5,507	206.1	19,538	(13.7)
<b>Profit before Tax</b>	<b>13,097</b>	<b>18,514</b>	<b>(29.3)</b>	<b>12,782</b>	<b>2.5</b>
Tax Provisions	3,474	6,562	(47.1)	3,301	5.2
<b>Net Profit</b>	<b>9,623</b>	<b>11,953</b>	<b>(19.5)</b>	<b>9,481</b>	<b>1.5</b>

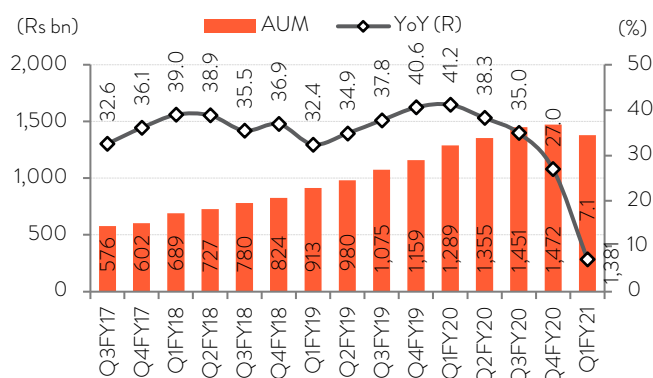
Source: Company, BOBCAPS Research

**FIG 2 – BOBCAPS ESTIMATES VS. ACTUALS**

(Rs mn)	Q1FY21E	Q1FY21A	Variation (%)
Interest Income	63,131	66,482	5.3
Interest expenses	22,496	24,976	11.0
Other Operating Income	35	15	(56.0)
<b>Net Interest Income</b>	<b>40,670</b>	<b>41,521</b>	<b>2.1</b>
Operating Expenses	14,867	11,567	(22.2)
<b>Operating Profit</b>	<b>25,804</b>	<b>29,954</b>	<b>16.1</b>
Provisions and Cont.	15,000	16,857	12.4
<b>Profit before Tax</b>	<b>10,804</b>	<b>13,097</b>	<b>21.2</b>
Tax Provisions	2,714	3,474	28.0
<b>Net Profit</b>	<b>8,090</b>	<b>9,623</b>	<b>19.0</b>

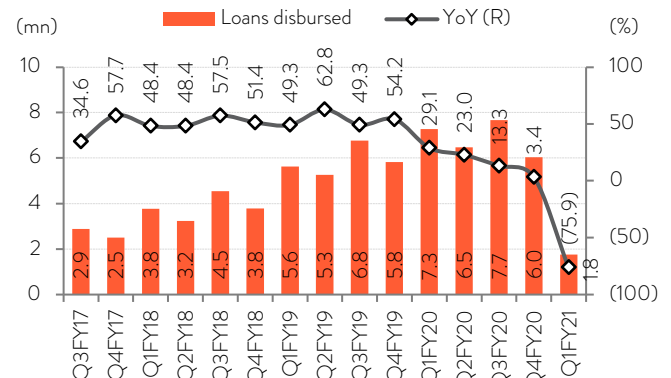
Source: Company, BOBCAPS Research

**FIG 3 – AUM DIPPED DUE TO LOW DISBURSEMENTS**



Source: Company, BOBCAPS Research

**FIG 4 – LOCKDOWN HIT LOANS DISBURSALS**



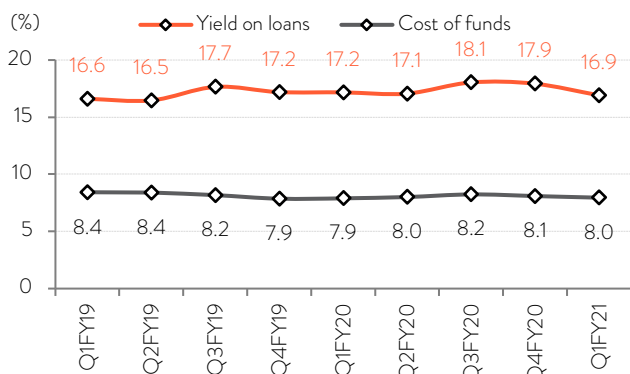
Source: Company, BOBCAPS Research

**FIG 5 – MOVEMENT IN MORATORIUM AND PROVISIONS**

Business Segment	AUM as of 30-April (Rs mn)	AUM under Moratorium (Rs mn)	% AUM under Moratorium	Covid19 provision amount	Provision as % of Morat book	AUM as of 30-June (Rs mn)	AUM under Moratorium (Rs mn)	% AUM under Moratorium	Covid19 provision amount	Provision as % of Morat book
Auto Finance Business	137,260	96,110	70	2,090	2.17	128,020	64,460	50	5,530	8.58
Sales Finance Business	106,000	27,420	26	630	2.30	92,310	18,130	20	2,450	13.51
Consumer B2C Business	305,050	87,710	29	2,510	2.86	292,190	44,540	15	7,850	17.62
Rural B2B Business	23,260	6,880	30	100	1.45	20,890	2,140	10	370	17.29
Rural B2C Business	106,500	30,200	28	960	3.18	102,810	10,150	10	1,770	17.44
SME Business	190,480	57,080	30	1,740	3.05	182,770	22,450	12	3,410	15.19
Securities Lending	40,370	130	0	0	0.00	39,570	0	0	0	NM
Commercial Lending	62,150	15,270	25	260	1.70	60,750	11,680	19	560	4.79
Mortgages	459,600	65,180	14	710	1.09	461,240	43,500	9	1,560	3.59
Consolidated AUM	1,430,670	385,980	27	9,000	2.33	1,380,550	217,050	16	23,500	10.83

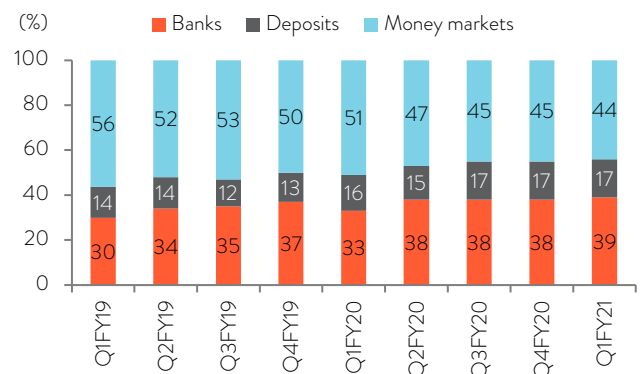
Source: Company, BOBCAPS Research

**FIG 6 – SPREAD LARGELY STABLE**



Source: Company, BOBCAPS Research

**FIG 7 – BORROWING MIX VEERS TOWARDS BANKS**



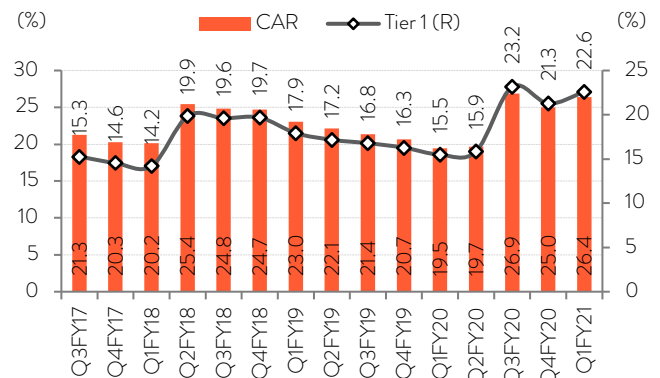
Source: Company, BOBCAPS Research

**FIG 8 – OPEX CONTROL STRONG IN Q1FY21**



Source: Company, BOBCAPS Research

**FIG 9 – WELL CAPITALISED**



Source: Company, BOBCAPS Research

FIG 10 – DETAILED QUARTERLY PERFORMANCE

	FY19				FY20				FY21	Variation (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	QoQ	YoY
<b>Profit and Loss (Rs mn)</b>											
<b>Total Income</b>	<b>39,362</b>	<b>42,614</b>	<b>49,854</b>	<b>52,945</b>	<b>58,013</b>	<b>63,215</b>	<b>70,194</b>	<b>72,266</b>	<b>66,482</b>	<b>(8.0)</b>	<b>14.6</b>
Interest Expenses	13,591	15,654	17,857	19,133	21,134	23,234	24,890	25,474	24,976	(2.0)	18.2
<b>Net Income</b>	<b>25,772</b>	<b>26,959</b>	<b>31,997</b>	<b>33,812</b>	<b>36,879</b>	<b>39,980</b>	<b>45,304</b>	<b>46,792</b>	<b>41,506</b>	<b>(11.3)</b>	<b>12.5</b>
Other Income	15	119	67	35	70	11	44	43	15	(63.8)	(78.1)
Operating Expenses	9,546	9,588	11,199	11,638	12,928	13,825	15,339	14,515	11,567	(20.3)	(10.5)
Employee	4,438	4,554	50,990	5,314	5,829	6,283	7,210	6,181	5,375	(13.0)	(7.8)
Others	5,108	5,034	(39,791)	6,324	7,099	7,542	8,129	8,334	6,192	(25.7)	(12.8)
<b>Operating Profits</b>	<b>16,241</b>	<b>17,491</b>	<b>20,864</b>	<b>22,209</b>	<b>24,022</b>	<b>26,167</b>	<b>30,008</b>	<b>32,320</b>	<b>29,954</b>	<b>(7.3)</b>	<b>24.7</b>
Provisions	3,268	3,146	4,508	4,093	5,507	5,942	8,308	19,538	16,857	(13.7)	206.1
<b>PBT</b>	<b>12,973</b>	<b>14,345</b>	<b>16,357</b>	<b>18,116</b>	<b>18,514</b>	<b>20,224</b>	<b>21,701</b>	<b>12,782</b>	<b>13,097</b>	<b>2.5</b>	<b>(29.3)</b>
Taxes	4,615	5,110	5,761	6,356	6,562	5,161	5,560	3,301	3,474	5.2	(47.1)
<b>Reported PAT</b>	<b>8,359</b>	<b>9,235</b>	<b>10,596</b>	<b>11,761</b>	<b>11,953</b>	<b>15,063</b>	<b>16,141</b>	<b>9,481</b>	<b>9,623</b>	<b>1.5</b>	<b>(19.5)</b>
<b>Asset Quality</b>											
GNPA (Rs mn)	12,497	14,077	16,140	17,327	20,018	21,057	22,469	22,762	18,532	(18.6)	(7.4)
NNPA (Rs mn)	3,326	5,007	6,456	7,088	8,007	8,501	9,769	9,189	6,618	(28.0)	(17.3)
GNPA (%)	1.4	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.4	(21bps)	(20bps)
NNPA (%)	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.5	(15bps)	(14bps)
PCR (%)	73.4	64.4	60.0	59.1	60.0	60.0	57.0	60.0	65.0	500bps	500bps
<b>Ratios (%)</b>											
Cost to Income	37.0	35.4	34.9	34.4	35.0	34.6	33.8	31.0	27.9	(313bps)	(713bps)
Tax Rate	35.6	35.6	35.2	35.1	35.4	25.5	25.6	25.8	26.5	70bps	(892bps)
CAR	23.0	22.1	21.4	20.7	19.5	19.7	26.9	25.0	26.4	140bps	692bps
Tier I	17.9	17.2	16.8	16.3	15.5	15.9	23.2	21.3	22.6	129bps	708bps
RoA	4.8	4.0	4.0	4.4	4.0	4.8	4.8	2.8	2.8	0bps	(120bps)
RoE	24.0	21.6	23.6	24.8	23.5	28.0	23.6	11.6	11.6	0bps	(1,190bps)
<b>Key Details (Rs bn)</b>											
AUM	913	980	1,075	1,159	1,289	1,355	1,451	1,472	1,381	(6.2)	7.1
On book Loans	899	945	1,041	1,125	1,251	1,308	1,396	1,414	1,324	(6.4)	5.8
Off book Loans	14	35	34	34	38	47	55	58	57	(1.6)	50.3
<b>AUM Mix (%)</b>											
Consumer Finance	38	38	39	39	39	39	39	39	37	(161bps)	(158bps)
SME Business	13	14	13	14	13	13	13	13	13	4bps	57bps
Commercial	13	12	11	10	12	10	9	8	7	(37bps)	(434bps)
Rural	7	7	8	8	8	8	9	9	9	(10bps)	94bps
Mortgages	28	29	29	29	29	30	30	31	33	204bps	441bps

Source: Company, BOBCAPS Research

## Earnings call highlights

### Business

- Q1FY21 was a pandemic quarter. During this period, BAF focused on employee safety, capital preservation, liquidity management, business scenario planning, operating expense management, collection capacity augmentation, customer propositions, business transformation framework, and lastly, but most importantly, calibrated restart of business as the country started to reopen.
- BAF restarted its urban B2B, rural B2B, auto finance, gold loan and loan against securities businesses from 10 May with stringent loan-to-value (LTV) and underwriting norms and a focus on existing customers. The company restarted its home loan and credit card distribution businesses from June. It deferred restart of other businesses, viz. loans against property, SME, urban B2C, rural B2C and commercial businesses to July due to moratorium extension.
- Post restart in May, the bounce rate and collection efficiency for 1.7mn new loans disbursed were in line or marginally better than pre-Covid (Feb'20) levels. If these metrics continue, the company will be comfortable taking a stronger growth stance for the second half of the year.
- Given the lockdown, BAF increased focus on its ~43mn customer franchise to increase penetration of fee products such as health cards and health insurance. It sold 0.5mn health cards to existing EMI card customers in Q1FY21. This product comes with a higher limit, EMI financing tie-ups at multispecialty hospitals and various other wellness benefits.
- In light of the lockdown, the company decided to convert some of its existing customers with no overdues and a good repayment track record from term loans to flexi loans for a switch fee. It has been offering flexi loans to customers for the last five years. As of 31 March, the existing book under the flexi category stood at Rs 368.5bn. The product gives customers the flexibility to drawdown when they need and prepay when they want digitally. It also has an added feature of only interest servicing for the first 1-2 years. In Q1, Rs 86bn worth of term loans were converted into flexi loans.
- Fee income was at Rs 1.4bn in Q1 due to flexi loan conversion, which earns 25-50bps higher pricing than regular term loans. Of Rs 86bn in disbursements during the quarter, Rs 50bn was to non-moratorium customers.
- Several cost-cutting measures have been initiated, including fixed pay cuts (5% at the junior level to 17.5% at the senior-most level), no incentives for Q1, call centre optimisation, freeze on travel, advertising & promotion, and

deferred physical training. BAF has also paused replacements and new hiring, branch expansion and deferred other discretionary costs till Sep'20.

- The company is accelerating its third transformation journey conceptualised in Q3FY20. It is utilising this pandemic phase to transform itself by deploying a “zero-based budgeting” methodology to reimagine all its businesses and functions. Zero-based budgeting should lower friction and increase transaction velocity. BAF plans to come out of this crisis as a company with enhanced customer experience, stronger digital orientation and a leaner cost structure. As and when demand returns fully, it will be ready to leverage this transformation to grow business rapidly.
- At this juncture, the company has access to 105mn customers and prospects. It intends to create an ecosystem of sales finance products and a complete range of financial services for these customers and prospects.
- Gold loans in rural markets are aggregating Rs 500mn-600m of AUM per month. The offering is in 75+ cities.
- Pricing pressure is visible in onboarding in the home loan segments.
- The company runs 40 different P&L and when recognizes provisions early to make business managers become risk conscious.

### **Covid-19 impact**

- Business operations in Q1 were considerably affected due to the pandemic and the consequent lockdowns, which led to significantly lower business acquisition and constraints on recovery of overdues from customers.
- As a matter of prudence, the company has reversed Rs 2.2bn of interest income from interest capitalised during the moratorium period.
- As of 20 July, BAF is operational in 2,322 locations, i.e. 85% of its business locations have reopened.

### **Asset quality**

- The consolidated moratorium book has reduced to Rs 217bn (~15.7% of AUM) from Rs 386bn (~27% of AUM) as of 30 April, owing to a reduction in bounce rate coupled with better collection efficiency.
- During the quarter, BAF made an additional contingency provision of Rs 14.5bn for Covid-19 – this takes the overall contingency provision against the pandemic to Rs 23.5bn as of 30 June (or 10.8% of the consolidated moratorium book). Together with existing expected credit loss provision of Rs 6.2bn, this provides overall provisioning coverage of 13.7% on the consolidated moratorium book.

- Collection infrastructure has been significantly augmented to mitigate credit costs. A total of 2,800 collections officers and ~16,000 collection agency staff have been added to manage the increased bounce volumes caused by Covid-19.
- Collection efficiency has moved up by 8-10% in June. Bounce rates have dropped by 3-4% every month for the last three months.
- If a customer has paid in June, then he is out moratorium.

### Liquidity

- BAF's liquidity position remains strong with an overall surplus of ~Rs 177bn as of 30 June on a consolidated basis (~Rs 206bn as of 20 July).
- This surplus represents 19.2% of its total borrowings. Given the environment, the company will continue to run a high liquidity buffer despite an impact on cost of funds in the short term. The carry cost of excess liquidity in Q1 was Rs 1.7bn.
- BAF continued to attract sizeable retail deposits in Q1. It reduced rates for retail deposit rates twice during the quarter, aggregating to a drop of 65bps. The Retail:Corporate mix stood at 70:30 as against 63:37 in Q4FY20, in line with its strategy of reducing reliance on corporate deposits.

### Guidance

- Management believes 75+ cities should revert to pre-Covid volumes by October, 40-75 cities by end-November, 10-40 cities by January and the top 10 cities by March – all subject to the absence of a second national lockdown. Based on this assessment, BAF estimates AUM growth of 10-12% in FY21.
- The company has updated its credit cost scenario model for FY21 factoring in extended disruptions. It now estimates that credit costs would increase by 100-110% (Rs 60bn-63bn for FY21) over the pre-Covid credit cost of the previous year. Strong pre-provision profitability will help absorb increased losses caused by the pandemic.

## Valuation methodology

BAF is trading at 5.4x/4.6x FY22E/FY23E BV for an estimated ROE of 18.3%/20.7%. We increase our FY21/FY22 earnings estimates by 5%/4% to factor in strong opex control. At the same time, we expect the company to maintain its pricing power as financiers vacate the consumer financing space. Spreads are likely to hold firm due to diversified funding sources and liquidity on the balance sheet.

We highlight that management skillfully tided over the retail NPA crisis of FY09-FY10 and has thereafter handled multiple threats to asset quality with timely corrections. This reinforces our positive growth outlook for H2FY22.

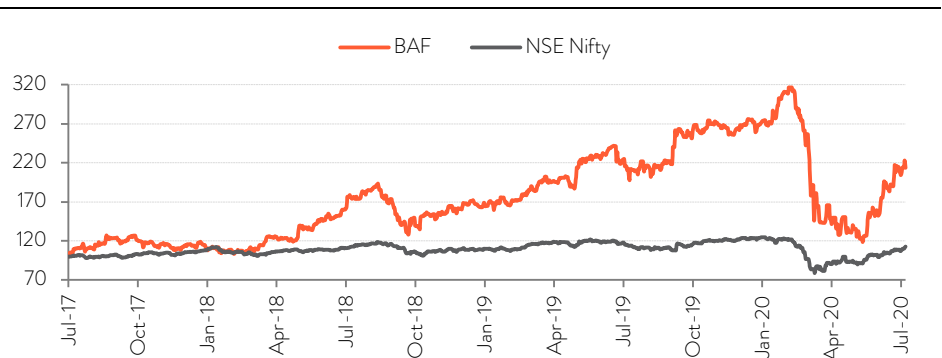
Valuing the stock based on a residual income model, we have a revised Jun'21 target price of Rs 4,000 (vs. Rs 3,000 for Mar'21 earlier). We introduce FY23 estimates. Our assumptions include cost of equity of 13.0% (vs. 13.3% earlier), risk-free rate of 7.75%, risk premium of 5%, and a long-term growth rate of 5%. Maintain BUY.

**FIG 11 – REVISED ESTIMATES**

(Rs bn)	Old			New			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Income	193.6	222.1	278.7	193.6	222.1	278.7	0.0	0.0	0.0
Operating Expenses	68.6	81.3	96.3	65.0	76.9	96.3	(5.3)	(5.4)	0.0
Operating Profits	125.0	140.8	182.5	128.6	145.2	182.5	2.9	3.1	0.0
Provisions	65.4	47.4	51.4	65.9	47.9	51.4	0.8	1.0	0.0
PBT	59.6	93.4	131.1	62.8	97.3	131.1	5.2	4.2	0.0
Tax	15.0	23.5	33.0	15.8	24.5	33.0	5.2	4.2	0.0
PAT	44.6	69.8	98.0	46.9	72.8	98.0	5.2	4.2	0.0
Loans	1,523	1,749	2,274	1,523	1,749	2,274	0.0	0.0	0.0
Borrowings	1,431	1,662	2,092	1,431	1,662	2,092	0.0	0.0	0.0
RoA	2.6	3.5	4.1	2.7	3.7	4.1	13bps	14bps	0bps
RoE	13.0	17.7	20.7	13.6	18.3	20.7	64bps	59bps	0bps
AUM	1,585	1,820	2,367	1,585	1,820	2,367	0.0	0.0	0.0

Source: BOBCAPS Research

**FIG 12 – RELATIVE STOCK PERFORMANCE**



Source: NSE



### Key risks

- Prolonged lockdown
- Higher credit costs than expected
- Longer time to resolve defaults than estimated

## FINANCIALS

### Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net interest income</b>	<b>97,252</b>	<b>134,972</b>	<b>152,661</b>	<b>168,828</b>	<b>209,523</b>
NII growth (%)	39.5	38.8	13.1	10.6	24.1
Non-interest income	21,530	34,152	40,983	53,264	69,226
Total income	118,782	169,124	193,644	222,091	278,749
Operating expenses	41,961	56,608	65,005	76,868	96,276
Operating profit	76,821	112,516	128,639	145,223	182,472
Operating profit growth (%)	57.6	46.5	14.3	12.9	25.6
Provisions	15,014	39,295	65,881	47,934	51,396
PBT	61,807	73,221	62,758	97,289	131,077
Tax	21,842	20,584	15,815	24,517	33,031
<b>Reported net profit</b>	<b>39,966</b>	<b>52,637</b>	<b>46,943</b>	<b>72,772</b>	<b>98,046</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>39,966</b>	<b>52,637</b>	<b>46,943</b>	<b>72,772</b>	<b>98,046</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Equity capital	1,154	1,200	1,200	1,200	1,200
Reserves & surplus	195,820	322,076	363,386	427,426	513,706
Net worth	196,974	323,276	364,586	428,626	514,906
Deposits	0	0	0	0	0
Borrowings	1,015,879	1,298,064	1,431,183	1,661,568	2,091,827
Other liabilities & provisions	29,472	22,574	25,960	29,854	34,332
<b>Total liabilities and equities</b>	<b>1,242,325</b>	<b>1,643,914</b>	<b>1,821,729</b>	<b>2,120,047</b>	<b>2,641,064</b>
Cash & bank balance	3,487	13,827	53,774	90,764	58,601
Investments	85,990	175,439	201,755	232,018	255,220
Advances	1,137,135	1,413,761	1,522,535	1,749,019	2,273,725
Fixed & Other assets	6,948	13,210	13,220	13,235	13,255
<b>Total assets</b>	<b>1,242,325</b>	<b>1,643,914</b>	<b>1,821,729</b>	<b>2,120,047</b>	<b>2,641,064</b>
Deposit growth (%)	NA	NA	NA	NA	NA
Advances growth (%)	42.1	24.3	7.7	14.9	30.0

### Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	69.3	87.7	78.2	121.3	163.4
Dividend per share	6.0	10.0	7.8	12.1	16.3
Book value per share	341.5	540.3	609.2	715.9	859.7

Source: Company, BOBCAPS Research

**Valuations Ratios**

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
P/E	47.5	37.5	42.1	27.1	20.1
P/BV	9.6	6.1	5.4	4.6	3.8
Dividend yield (%)	0.2	0.3	0.2	0.4	0.5

**DuPont Analysis**

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest income	9.3	9.4	8.8	8.6	8.8
Non-interest income	2.1	2.4	2.4	2.7	2.9
Operating expenses	4.0	3.9	3.8	3.9	4.0
Pre-provisioning profit	7.4	7.8	7.4	7.4	7.7
Provisions	1.4	2.7	3.8	2.4	2.2
PBT	5.9	5.1	3.6	4.9	5.5
Tax	2.1	1.4	0.9	1.2	1.4
ROA	3.8	3.6	2.7	3.7	4.1
Leverage (x)	5.9	5.5	5.0	5.0	5.0
ROE	22.5	20.2	13.6	18.3	20.8

**Ratio Analysis**

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
<b>YoY growth (%)</b>					
Net interest income	39.5	38.8	13.1	10.6	24.1
Pre-provisioning profit	57.6	46.5	14.3	12.9	25.6
EPS	29.2	59.6	26.6	(10.8)	55.0
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	10.0	10.6	10.4	10.3	10.4
Fees / Avg. assets	1.6	1.8	1.7	2.0	2.1
Cost-Income	35.3	33.5	33.6	34.6	34.5
ROE	22.5	20.2	13.6	18.3	20.8
ROA	3.8	3.6	2.7	3.7	4.1
<b>Asset quality (%)</b>					
GNPA	1.5	1.6	3.9	4.0	2.8
NNPA	0.6	0.7	1.6	1.6	1.2
Provision coverage	59.8	60.5	60.0	60.0	60.0
<b>Ratios (%)</b>					
Credit-Deposit	0.0	0.0	0.0	0.0	0.0
Investment-Deposit	0.0	0.0	0.0	0.0	0.0
CAR	20.7	25.0	26.0	26.4	24.2
Tier-1	16.3	21.3	22.7	23.6	22.2

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

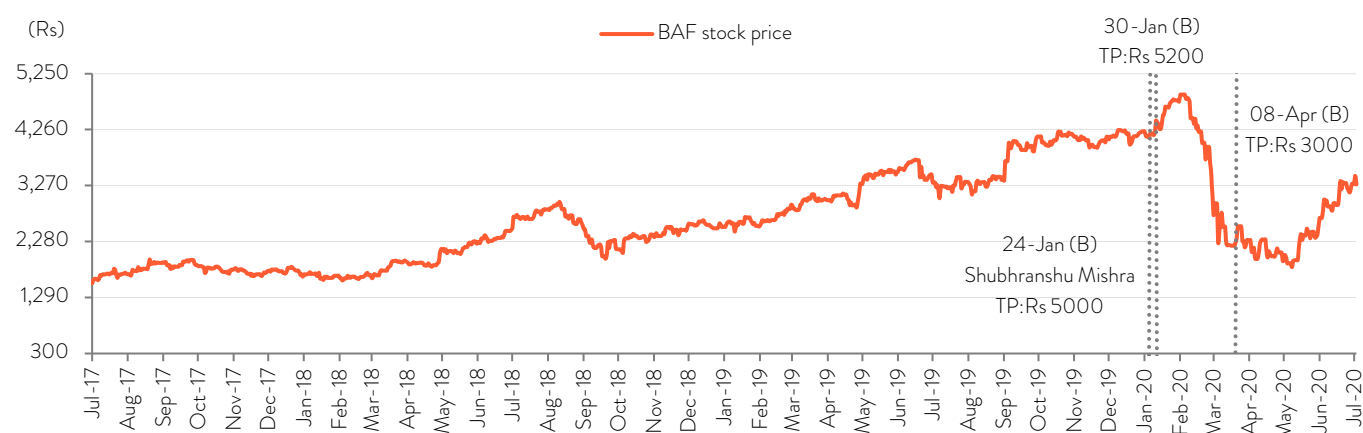
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### RATINGS AND TARGET PRICE (3-YEAR HISTORY): BAJAJ FINANCE (BAF IN)



B – Buy, A – Add, R – Reduce, S – Sell

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