

June 11, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
Bajaj Finance Ltd.	NBFC	3545	BUY	4000	13%

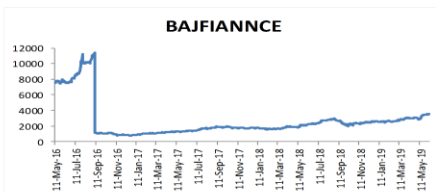
Key Stock Data

BSE Script Code	BAJFINANCE
NSE Script Code	BAJFINANCE
No. of shares	57.65
FV (Rs.)	2
MCAP (Rs.)	2,05,575
MCAP (\$)	2936 Crs
52 Week High	Rs.3555
52 week Low	Rs.1912
Time Frame	6 months

Shareholding Pattern

Promoters	55.17
DII's	8.11
FII's	20.67
Others	16.05

3 years Price Chart



Source: All above data from BSE Website and Capital Line

Bajaj Finance Ltd. (BAJFINANCE) is a subsidiary of Bajaj Finserv Ltd., which holds 55% of its stake into Bajaj Finserv Ltd. BAJFINANCE has transformed itself from captive auto loan provider for Bajaj Auto Ltd. to one of the most successful and diversified NBFCs. BAJFINANCE has a leadership position in consumer durable segment. BAJFIANNCE has large customer franchise of 34.48 Mn with loans cross sell franchise of 20.67 Mn as on FY19.

Investments Rationale**1. Strong 4QFY19 numbers during consumption slowdown period.**

BAJFIANNCE reported healthy set of 4QFY19 numbers despite consumption slowdown reported during the quarter, where total income grew by 52% Y-o-Y to Rs. 5308 Crs in Q4FY19 led by robust NII growth of 50% Y-o-Y to Rs. 3395 Crs for Q4FY19 as against Rs. 2265 Crs in Q4FY18. PAT for the quarter too grew above 50% during the quarter and reported at Rs. 1176 Crs in Q4FY19 as against Rs. 748 Crs in 4QFY17.

2. Stable asset quality.

Despite the consumption slowdown, BAJFINANCE asset quality has been stable where the GNPA's rose by mere 13 bps Y-o-Y to 1.54% in Q4FY19 as against 1.41% in Q4FY18 and NPA's rose by 20 bps Y-o-Y to 0.63% in Q4FY19 as against 0.43% in Q4FY18. Net of IL&FS exposure, GNPA's de-grew by 7 bps Y-o-Y and NNPA grew by barely 4 bps to 0.47% in Q4FY19 as against 0.43% in Q4FY18.

Outlook & Valuations

BAJFINANCE has constantly grown its market share even in challenging times. BAJFINANCE has a track record of maintaining healthy financials and sound returns ratio. We believe the company will be able to grow at a CAGR of 40% on the bottom-line over a period of next 2 years, therefore would like to recommend a BUY on the stock. The stock is trading at valuations of 6.96x on FY21E P/bv and on account of stable asset quality, would like to allot a P/bv of 8x on FY21 E to arrive at a target price of Rs. 4000.

Key Financial

Particulars	FY17 A	FY18 A	FY19 A	Amt in Crs	
				FY20 E	FY21 E
NII	6186	8143	11878	16629	22449
Op. Profit	2818	3843	6179	8813	12123
PAT	1837	2496	3995	5820	8082
BV	176	275	339	408	509
P/BV	20.19	12.86	10.45	8.68	6.96

Source : BSE Website and company research

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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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