

October 22, 2020

**Bajaj
Finance**

Current Price: ₹ 3233.25

STOCK DATA

BSE Code	500034
NSE Symbol	BAJFINANCE
Reuters	BJFN.BO
Bloomberg	BAF IN

VALUE PARAMETERS

52 W H/L(Rs)	4923.20/1783.10
Mkt. Cap.(Rs Cr)	194831.55
Latest Equity(Subscribed)	120.52
Latest Reserve (cons.)	32207.64
Latest EPS (cons.) -Unit Curr.	74.50
Latest P/E Ratio -cons	43.40
Latest Bookvalue (cons.) -Unit Curr.	536.49
Latest P/BV - cons	6.03
Dividend Yield -%	0.31
Face Value	2.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	22.05
Institutions	10.12
Non Promoter Corp. Hold.	1.45
Promoters	56.20
Public & Others	10.19

Financial Results

	Qtr Ending Sept. 20	Qtr Ending Sept. 19	In Cr. VAR %
Income from operations	5763.09	5463.46	5
Other Income	760.20	859.64	-12
Total Income	6523.29	6323.10	3
Interest Expended	2358.14	2323.42	1
Operating Expense	1087.75	1312.29	-17
Operating Profits	3077.40	2687.39	15
Depreciation / Amortization	71.52	70.73	1
Provisions and Write-offs	1700.41	594.23	186
PBT	1305.47	2022.43	-35
Tax Expense	340.59	516.14	-34
PAT	964.88	1506.29	-36
EPS	16.06	26.07	

Bajaj Finance Q2 profit declines 36% to Rs 965 crore, NII growth beats estimates

Bajaj Finance has posted sharp 36% decline in the net profit to Rs 964.88 for the quarter ended September 2020 (Q2FY2021). Income from operations on a consolidated basis increased 5% to Rs 5763.09 crore, while other income declined 12% to Rs 760.20 crore. Total income rose 3% to Rs 6523.29 crore in the quarter ended September 2020. Interest expenses rose 1% to Rs 2358.14 crore.

Operating expenses dipped 17% to Rs 1087.75 crore, allowing the operating profit to move up 15% to Rs 3077.40 crore. Depreciation moved rose 1% to Rs 71.52 crore, while loan loss provisions zoomed 186% to Rs 1700.41 crore in Q2FY2021. PBT dipped 35% to Rs 1305.47 crore. Effective tax rate rose to 26.1% in Q2FY2021 from 25.5% in Q2FY2020. Net Profit of the company declined 36% to Rs 964.88 crore in the quarter ended September 2020.

Business performance

The Assets under management (AUM) grew by 1% to Rs 137090 crore end September 2020 from Rs 135533 crore end September 2019. New loans booked during Q2FY21 were 3.62 million as against 6.47 million in Q2 FY20. Customer franchise end September 2020 stood at 44.11 million as against 38.70 million end September 2019.

Liquidity surplus stood at Rs 22414 crore end September as against Rs 8107 crore end September 2019. The cost of liquidity surplus for Q2FY21 was approximately Rs 220 crore as against Rs 47 crore in Q2 FY20. The Company's liquidity position remains very strong.

Total operating expenses to net interest income for Q2FY21 was 27.8% as against 34.6% in Q2 FY20.

With the onset of COVID-19 pandemic, the Company had taken significant measures to reduce operating expenses in April 2020. As a result, total operating expenses for Q2FY21 was down by 16% to Rs 1160 crore from Rs 1384 crore. Total operating expenses for Q2FY21 were lower by 224 crore on year on year basis.

Loan losses and provisions for Q2FY21 was Rs 1700 crore as against Rs 594 crore in Q2FY20.

Consequent to the ongoing pandemic, the Company has further increased its provisions on stage 1 and 2 assets by Rs 1370 crore to Rs 5099 crore end September 2020 as against Rs 3729 crore end June 2020. As per the company, it has strong pre-provisioning profitability to manage loan losses arising out of COVID-19.

As per the company, the pandemic and consequent lockdown imposed by the Government considerably impacted the Company's business operations during the half year ended September 2020. Apart from other adverse effects, the pandemic has also resulted in a significantly lower business acquisition and put constraints on recovery of overdues from customers.

Bajaj Finance has a strong branch network of 2641 branches end September 2020 up sharply from 2408 branches end June 2020.

Consolidated lending AUM mix for Consumer: Rural: SME: Commercial: Mortgages stood at 36%: 9%: 13%: 9%: 33%

Consolidated borrowing stood at Rs 124900 crore with a mix for Money Markets :Banks: Deposits: ECB stood at 42%: 37%: 17%: 4% end September 2020.

Asset quality

Gross NPA and Net NPA as of 30 September 2020 stood at 1.03% and 0.37% respectively, as against 1.61% and 0.65% as of 30 September 2019. The provisioning coverage ratio as of 30 September 2020 was 64%. Provisioning coverage on stage 1 and 2 assets was 369 bps as of 30 September 2020 versus 273 bps as of 30 June 2020 and as against 90-100 bps during pre-pandemic situation.

In line with Supreme Court order, the company has not classified any account as NPA which was not NPA as of 31 August 2020. Such accounts have been classified as stage 3 and provisioned accordingly. However, if the Company had classified borrower accounts as NPA after 31 August 2020, the Company's Gross NPA and Net NPA ratio would have been 1.34% and 0.56% respectively.

Capital adequacy ratio (including Tier-II capital) as of 30 September 2020 stood at 26.64%. The Tier-I capital stood at 23.01%.

In accordance with the Reserve Bank of India ('RBI') guidelines relating to 'COVID-19 Regulatory Package' dated 27 March 2020 and subsequent guidelines on EMI moratorium dated 17 April 2020 and 23 May 2020, the Company had offered moratorium to its customers based on requests as well as on a suo-moto basis between 1 March 2020 to 31 August 2020.

During the quarter, the Company has made an expected credit loss (ECL) provision on stage 1 and 2 assets of Rs 1370 crore taking the overall ECL provision on stage 1 and 2 assets to Rs 5099 crore end September 2020 as against Rs 3729 crore end June 2020. The ECL provision as a percentage of stage 1 and 2 assets is 3.59% end September 2020 as compared to 2.73% end June 2020 and 0.91% end September 2019.

The Company continues to hold a management overlay of Rs 2260 crore as part of its ECL provision for stage 1 and 2 assets of Rs 5099 crore end September 2020.

The Company based on its estimate and judgement has reversed capitalized interest of Rs 142 crore during the quarter ended September 2020, taking the overall reversal for the half year ended September 2020 to Rs 361 crore.

Book value of the company stood at Rs 570.8 per share at end September 2020, while adjusted book value stood at Rs 558.0 per share at end September 2020.

Bajaj Housing Finance

Bajaj Finance, registered with National Housing Bank as a Housing Finance Company, offers full range of mortgage products such as home loans, loan against property and lease rental discounting to salaried & self-employed customers. It also offers construction finance and inventory finance to credit worthy developers. The focus is on mass affluent and above customers (salaried and self employed).

AUM stood at Rs 33463 crore as of 30 September 2020 and a post tax profit of Rs 83 crore for Q2FY21. Capital adequacy ratio (including Tier II capital) stood at 25.97% end September 2020.

Financial Performance H1FY2021:

The company has reported 9%, on yoy basis, increase in its income from operations to Rs 11556.29 crore for the half year ended September 2020 (H1FY2021), while other income of the company rose 3% to Rs 1616.74 crore. Total income increased 9% to Rs 13173.03 crore. Interest expenses moved up 9% to Rs 4855.77 crore. NII of the company increased 9% to Rs 6700.52 crore.

Operating expenses dipped 15% to Rs 2160.22 crore, allowing the operating profits to increase 19% to Rs 6157.04 crore for H1FY2021. Depreciation increased 16% to Rs 155.74 crore, while provisions galloped 196% to Rs 3386.14 crore. PBT dipped 32% to Rs 2615.16 crore. Effective tax rate eased to 26.3% in H1FY2021 from 30.3% in H1FY2020. PAT of the company was down 29% to Rs 1927.20 crore in H1FY2021.

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions.

All disputes shall be subject to the exclusive jurisdiction of Delhi High court.