

October 24, 2018

Bajaj Finance (BAJFI)

₹ 2250

Well poised to sustain healthy show vs. peers

- PAT grew at a strong pace of 54% YoY to ₹ 924 crore. This was led by NII increase of 41% YoY to ₹ 2689 crore & lower YoY increase in operating expenses. Cost-to-income ratio stood at 36% vs. 41% seen last year.
- Headline asset quality increased slightly QoQ but was under control. GNPA ratio stood at 1.49% a rise of 10 bps QoQ and NNPA ratio rose by 9 bps to 0.53%. The provision coverage ratio dipped to 65% from 69% QoQ. Total slippages for the quarter were ₹ 483 crore vs. ₹ 379 crore in Q1FY19. The company indicated that it has ~₹ 225 crore of exposure to IL&FS which is adequately secured against property.
- The consolidated AUM including housing witnessed growth of 38% YoY to ₹ 100217 crore which was higher than estimate. It was largely led housing finance which rose by 47% QoQ to ₹ 10712 crore. Standalone AUM growth was a bit lower at 24% YoY to ₹ 89876 crore. Consumer finance grew by 39% YoY to ₹ 38797 crore.
- Customer franchise rose by 31% to 30.05 million from 22.99 million as of Q2FY18. New loans acquired in Q2 was up 63% to 5.26 million.

Stronghold in consumer loans & diversified portfolio to sustain growth

Bajaj Finance (BFL) is one of the leading asset finance NBFCs. The USP of BFL is its stronghold in the consumer durable (CD) & lifestyle product financing business (~15% of the AUM). Further, it has a diversified loan portfolio with five heads viz. consumer finance (39% of loans), SME (32%) commercial (11%), rural (7%) and mortgage (11%). Such diversity has given BFL an edge in terms of AUM growth (>40% CAGR to ₹ 60194 crore in FY11-17) and asset quality with steady 1.2-1.6% GNPA in the past three years). PAT rose 40% CAGR in FY11-18 to ₹ 2646 crore (old GAAP). With Ind-As, factoring NII and provisions adjustment, in FY19-21E, we expect PAT traction to be strong at 34% CAGR to ₹ 6546 crore.

Expect AUM traction at 33% in FY19-21E led by consumer and housing

Strong AUM traction of 44% CAGR in FY11-15 to ₹ 32410 crore was mainly driven by the SME category increasing at 51% CAGR followed by the CF category, which rose at 41% CAGR. Within SME, it was the LAP (25% of overall AUM then) portfolio that saw high traction in FY11-15 while CD financing within the CF book saw 47% CAGR. Going ahead, we expect AUM growth at 33% CAGR to ₹ 195116 crore in FY19-21E, led by consumer, housing and rural.

Steady asset quality, strong margins with Ind-As reflect strength of model

BFL's GNPA ratio at 1.49% (₹ 1471 crore), as on Q2FY19, is better than some of its peers wherein the ratio is above 2.5%. With expected credit loss (ECL model), NPA provisions are lower but standard asset provisioning is higher at 86 bps. BFL earns highest margins of ~10-11%. However, the management has guided on margin contraction from Q3FY18 onwards due to higher costs, partly offset by lower opex ratios.

Rich valuations to sustain; Retain BUY

A strong performance in a volatile economic scenario (healthy return ratios - RoA at >3.5%, RoE at ~20% GNPA at <2%) maintained investor interest even at higher P/ABV multiple with strong growth momentum at 33% CAGR in AUM, PAT CAGR of 34% in FY19-21E to ₹ 6546 crore. BFL's premium valuations may sustain as it is well placed compared to peers in terms of liquidity & exposure to IL&FS. We revise our TP to ₹ 2600 from ₹ 3050 earlier, valuing the stock at ~23 FY21E EPS (5.2x FY21E ABV) for a RoE of ~22.5% & RoAs of ~3.6%. Retain **BUY**.

Rating matrix

Rating	:	Buy
Target	:	₹ 2600
Target Period	:	12 months
Potential Upside	:	16%

What's Changed?

Target	Changed from ₹ 3050 to ₹ 2600
EPS FY20E	Changed from ₹ 80 to ₹ 84.8
EPS FY21E	Changed from ₹ 107 to ₹ 112.9
Rating	Unchanged

Quarterly Performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
NII	2,689	1,909	40.8	2,573	4.5
PPP	1,749	1,143	53.0	1,624	7.7
Provisions	315	221	42.6	327	-3.7
PAT	923	598	54.5	836	10.5

Key Financials

₹ Crore	FY18	FY19E	FY20E	FY21E
NII	8,126	11,269	14,862	19,657
PPP	4,878	6,901	9,053	12,037
PAT	2,496	3,671	4,918	6,546

Valuation summary

	FY18	FY19E	FY20E	FY21E
P/E	49.4	34.6	25.9	19.5
Target P/E	58.4	40.9	30.6	23.0
P/ABV	8.1	6.5	5.4	4.4
Target P/ABV	9.6	7.7	6.4	5.2
RoE	19.6	20.3	21.8	23.5
RoA	3.3	3.6	3.7	3.7

Stock data

Particulars	Amount
Market Capitalisation	₹ 129745 Crore
GNPA (Q2FY19)	₹ 1471 Crore
NNPA (Q2FY19)	₹ 512 Crore
NIM (Q2FY19) (calculated)	11.1
52 week H/L	2994/ 1511
Face Value	₹ 2
Net worth	₹ 17402 Crore
DII Holding (%)	8.2
FII Holding (%)	20.1

Price performance (%)

Return %	1M	3M	6M	12M
Bajaj Finance	-17.9	-15.2	-0.8	0.4
Shriram Transport	-18.9	-13.4	-10.7	-33.1
MMFS	-12.9	-15.7	-22.4	-16.8
Shriram City Union	-9.0	-7.7	-13.7	-15.4

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Variance analysis- consolidated

	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
NII	2,689	2,442	1,909	40.8	2,573	4.5	NII was higher owing to strong growth in advances & healthy margins
							Margins were healthy but dipped in Q2FY19 owing to rise in cost of funds and also due to seasonality.
NIM (%) (calculated)	11.0	8.6	10.23	77 bps	11.8	-83 bps	
Other Income	40	58	15	163.6	5	733.6	
Net Total Income	2,729	2,578	1,925	41.8	2,578	5.9	
Staff cost	460	469	348	32.1	447	2.9	
Other Operating Expenses	520	532	433	20.1	506	2.7	Opex has surprised positively as Ind-As adjustment has led to lower opex led by amortisation
Opex to NII(%)	36.4	41.0	40.9	-10.9	37.1	-1.7	Cost to income ratio has declined from previous trends
PPP	1,749	1,500	1,143	53.0	1,624	7.7	Robust operational performance continues
Provision	315	343	221	42.6	327	-3.7	
PBT	1,435	1,156	923	55.4	1,297	10.6	
Tax Outgo	511	405	325	57.2	461	10.7	
PAT	923	752	598	54.5	836	10.5	PAT traction stayed strong and higher than our estimates

Key Metrics

							Slippages were higher at ₹ 483 crore vs. ₹ 379 crore seen in Q1FY19. The company indicated
GNPA	1,471	1,400	1,187	23.9	1,280	14.9	that it has ~₹ 225 crore of exposure to IL&FS which is adequately secured against property.
NNPA	512	500	350	46.4	396	29.5	The provision coverage ratio is at 65%
AUM	100,217	97,520	72,669	37.9	89,904	11.5	

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Net Interest Income	10,883	11,269	3.5	14,424	14,862	3.0	
Pre Provision Profit	6,515	6,901	5.9	8,615	9,053	5.1	
NIM(%) (calculated)	11.4	11.4	2 bps	11.3	11.3	-4 bps	
PAT	3,420	3,671	7.4	4,637	4,918	6.1	
ABV per share (₹)	334.5	338.7	1.3	397.3	406.2	2.2	

Source: Company, ICICI Direct Research

Assumptions

	FY17E	FY18	Current		Earlier		
			FY19E	FY20E	FY21E	FY19E	FY20E
Credit growth (%)	33.3	40.1	35.8	33.8	32.9	35.0	33.8
Borrowings Growth (%)	33.0	30.7	32.3	32.4	32.8	32.3	32.4
NIM Calculated (%)	10.2	11.1	11.4	11.3	11.2	11.0	11.0
Cost to income ratio (%)	41.4	40.1	38.9	39.2	38.9	40.3	40.4
GNPA (₹ crore)	982.4	1,164.0	1,846.5	2,683.2	3,589.7	1,837.7	2,664.5
NNPA (₹ crore)	255.4	310.0	706.7	1,286.7	1,936.7	698.8	1,270.4

Source: Company, ICICI Direct Research

Company Analysis

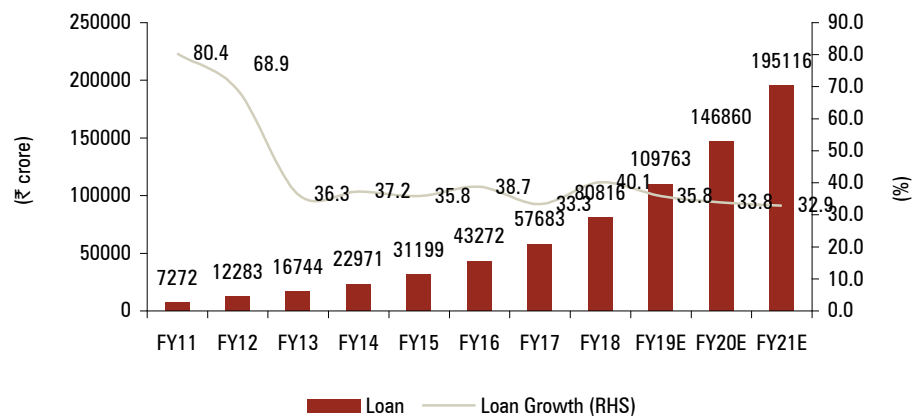
Overall book expected to grow at 33% CAGR over FY19-21E

BFL has a diversified loan portfolio. Further, the company has a leadership position in under penetrated & growing segments like CD financing, lifestyle product financing, two-wheeler financing, LAP, etc. which account for ~50% of its portfolio. These factors have allowed BFL to clock strong AUM CAGR of >40% in FY11-17 to ₹ 60194 crore. This has happened despite a weak economic environment in the past few years.

Of the total AUM, BFL places about 4-5% for securitisation for better asset-liability management. As on FY18, of the total AUM of ₹ 84033 crore, about ₹ 6908 crore was the off book or securitised amount. The balance ₹ 77125 crore is advances outstanding in the balance sheet as on FY18. Growth was strong at 38% YoY in Q2FY19. During Q2, BFL provided 5.26 million new loans.

Going ahead, we expect overall advances traction at 33% CAGR in FY19-21E to ₹ 195116 crore driven by CF and housing segment.

Exhibit 1: Credit (AUM – securitised amount) growth to stay healthy ahead



Source: Company, ICICI Direct Research

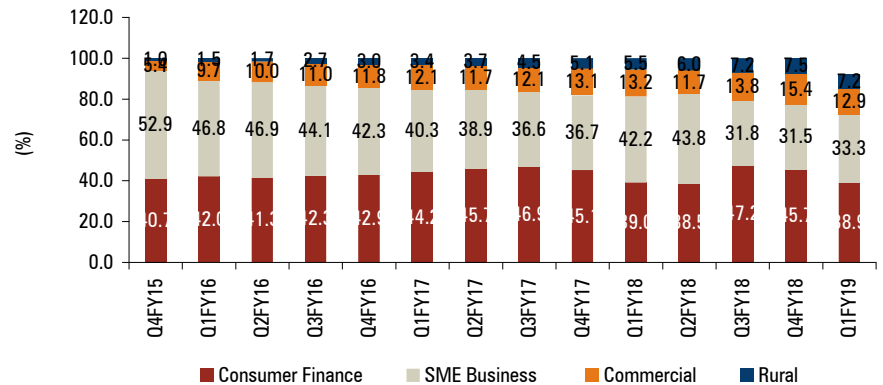
Exhibit 2: Break up of AUM as per new method of reporting

₹ crore	Q1FY18	Q2FY18	Q1FY19	Q2FY19	Absolute growth	Variation in %
					YoY	YoY
Consumer B2B Businesses	15114	14981	19131	20113	5132	34
Consumer B2C Businesses	11808	12973	17321	18684	5711	44
Rural Business	3821	4343	6674	7439	3096	71
SME Business	8571	10052	12133	13370	3318	33
Commercial Lending & Securities lending	9118	8525	12008	11760	3235	38
Mortgages	20513	21795	26047	28851	7056	32
Total AUM	68945	72669	93314	100217	27548	37.9

Source: Company, ICICI Direct Research

Going ahead, we expect overall advances traction at 33% CAGR in FY19-21E to ₹ 195116 crore driven by CF and housing segment

Exhibit 3: Consumer finance dominates loan mix (standalone excluding housing finance subsidiary)



Source: Company, ICICI Direct Research

Stronghold in CD financing & diversified nature of book

Bajaj Finance is an “asset finance” NBFC. The lending book can be broadly diversified into four categories viz. consumer finance (CF), SME finance, commercial finance and rural finance.

In the four broad categories, CF book as on FY18 was at ₹ 36730 crore, comprising 46% of total AUM of ₹ 80444 crore. Within the CF book, CD financing & lifestyle product financing book were at ₹ 8000 crore and ₹ 2845 crore, respectively, as on Q2FY18. Apart from these, the CF book includes two and three wheeler finance, personal loans and home loans to salaried individuals.

Exhibit 4: Break-up of consumer finance (CF) book

AUM (₹ Crore)	FY14	FY15	FY16	Q3FY17	FY17	Q1FY18	Q2FY18
2W & 3W finance	3593	3324	3773	4961	5057	5215	5398
Consumer durable finance	2531	4163	5556	7258	6594	7974	8000
Lifestyle finance	174	498	1016	1495	1529	2334	2845
Digital Product	NA	312	637	1002	1038	1217	1551
Non Digital Product	NA	186	379	493	491	513	506
Personal loans	2577	4303	6762	9442	10321	11641	12762
Personal loans Cross Sell	NA	2412	4004	5891	6490	7363	8060.5
Salaried Personal Loans	NA	1891	2758	3552	3831	4278	4701.5
Home Loans (Salaried)	453	839	1621	2791	3176	3669	4133.5
Total CF AUM	9,328	13,127	18,728	25,947	26,677	30,833	33,139

Source: Company, ICICI Direct Research; Break up not available now as the company has stopped publishing this data

We expect share of the CF division in consolidated AUM mix to increase and stay ~40% mainly led by CD financing & lifestyle financing segment. Personal loans and two-wheeler also continues to grow stronger.

BFL's SME was the largest category of the four broad categories and comprising ~48% of the total AUM as on FY15. It was at ₹ 15620 crore as on FY15 and ₹ 25320 crore as on FY18. It includes small business loans, loan against property (LAP), home loans to self-employed & SME cross sale. LAP comprises the highest part in SME financing and comprises ~13% of overall AUM as on FY18.

Exhibit 5: Break-up of SME book

AUM (₹ Crore)	FY14	FY15	FY16	Q3FY17	FY17	Q1FY18	Q2FY18
Loans	2033	3084	5421	7056	7374	8047	8577
Business Loans	NA	2461	4,309	5,483	5,640	5,990	6,229
Professional Loans	NA	623	1,112	1,573	1,734	2,057	2,348
Loan against property	6907	8232	8,332	8,575	8,423	8,582	8,596
Home loans (Self Employed)	2351	3071	3,233	3,817	3,946	4,371	4,467
SME cross sell	718	1233	1,887	2,261	2,250	2,349	2,248
Total SME AUM	12,009	15,620	18,873	21,709	21,993	23,349	23,888

Source: Company, ICICI Direct Research; Break up not available as the company has stopped publishing this data

Since FY11, the LAP book witnessed robust growth of 38% CAGR to ₹ 8232 crore. Of late, traction in the LAP portfolio has slowed (proportion dipped to 13% as on FY18 from 28.7% in FY14) owing to enhanced competitive pressures, higher commission payouts and ongoing focus on direct lending over intermediaries.

In the commercial category, it provides finance in the construction equipment (CE) and infrastructure space. Apart from these, BFL also offers wholesale lending products covering short, medium and long term needs of auto component vendors in India. The proportion of commercial segment was at 13% as on FY17 and 15% as on FY18. There has been a continuous run down in the book related to CE and infra financing. These segments witnessed asset quality pressures. Hence, BFL reduced its exposure.

Exhibit 6: Break-up of commercial lending category

AUM (₹ Crore)	FY14	FY15	FY16	Q3FY17	FY17	Q1FY18	Q2FY18
Construction equip. finance	448	188	158	639	896	1290	1604
Vendor Financing	862	1146	2161	2927	3271	3368	3479
Infrastructure lending	523	418	311	298	301	0	0
Loan against securities	841	1578	2659	3511	3984	6127	5408
Total Commercial AUM	2,674	3,330	5,289	7,375	8,452	10,785	10,491

Source: Company, ICICI Direct Research; Break up not available as the company has stopped publishing this data

In the rural eco system, BFL is a highly diversified lender. The company is currently present in CD financing, asset backed financing, gold loans, personal loans, etc. BFL functions through a hub & spoke model. The company operates its rural business in Maharashtra, Gujarat and Karnataka.

Exhibit 7: Rural proportion to rise further, going ahead

AUM (₹ Crore)	FY14	FY15	FY16	FY17	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Rural financing	50	333	1339	3072	4622	5497	6019	6674	7439
% of Total AUM	0.21	1.03	3.03	5.10	6.41	7.20	7.48	7.76	7.42

Source: Company, ICICI Direct Research

In rural areas, BFL is currently present in CD financing, asset backed financing, gold loans, personal loans, etc. Owing to its small size, the segment has witnessed sharp traction with the loan book increasing to ₹ 6019 crore in FY18 from ₹ 50 crore in FY14

As business commenced in FY13, the book size is small and witnessed sharp traction. AUM increased to ₹ 6019 crore in FY17 from ₹ 50 crore in FY14. Recently, the company also launched its MSME lending business in rural areas. We expect the rural portfolio to continue to witness sharp traction, going ahead.

Well diversified funding, strong parentage, credit rating enable lower CoF

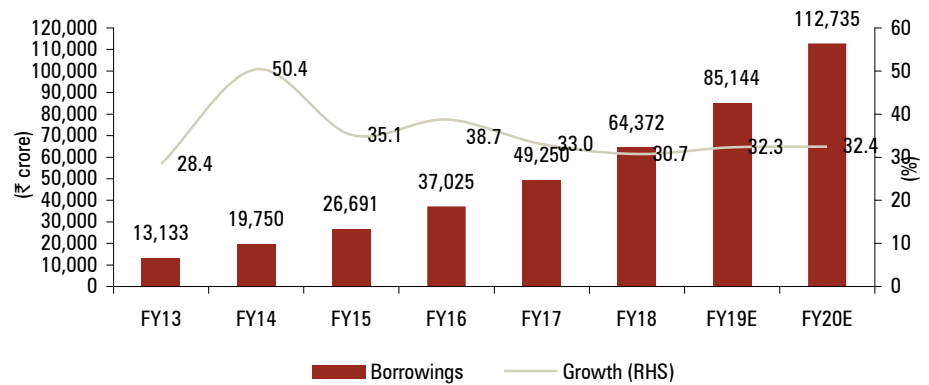
The borrowings of BFL as on FY18 were at ₹ 61567 crore. The borrowings are well diversified with NCDs proportion the highest at 51% followed by banks at 31% and CPs/FDs at 18%. This is owing to strong parentage and credit rating (consistently holding AA+/stable and LAA+ stable rating from Crisil and Icra over the last seven years, with a positive outlook. Further, the fixed deposit scheme has been rated FAAA/Stable by Crisil and MAAA/stable by Icra). The company is able to raise funds at competitive rates from various sources.

Further, at regular intervals, the company was able to raise funds via QIP, which also helps reduce its cost of borrowings. In 2015, BFL raised ~₹ 1800 crore via allotment of warrants to promoters and equity to QIBs.

In FY18, the company raised ₹ 4500 crore through QIP. Deposits are growing strong for Bajaj Finance and are at ₹ 9427 crore from ₹ 7569 crore now forming 14% of borrowings.

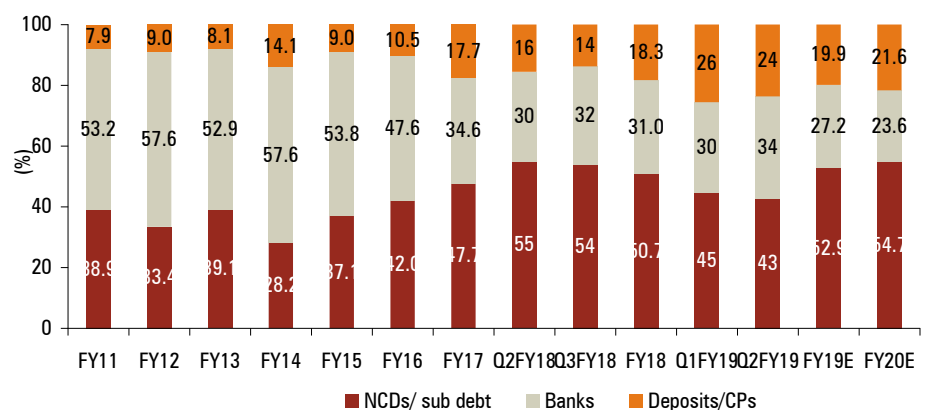
Borrowings are well diversified into bank term loans, NCDs and CPs/FDs

Exhibit 8: Trend in borrowings



Source: Company, ICICI Direct Research

Exhibit 9: Trend in resource mix



Source: Company, ICICI Direct Research

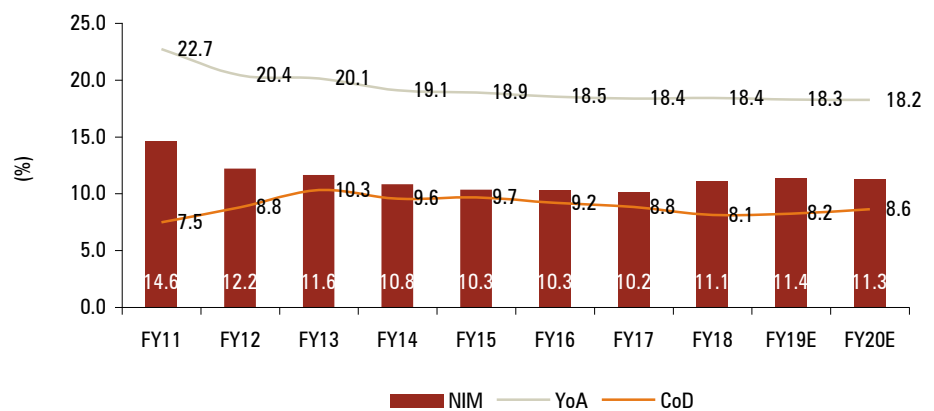
The margins of BFL are one of the highest among its peers. Its margins during FY18 were at ~10-11%. Such high margins were on the back of its strong blended yields of >17% and competitive CoF, which helped the company earn overall spread of ~10%

Margins one of the highest; to sustain at healthy levels, going ahead

The margins of Bajaj Finance are one of the highest among its peers. Its margins during FY18 were at ~10%. Such high margins were on the back of strong blended yields of >17% and competitive CoF, which helps the company to earn overall spread of ~10%. Yields in the consumer financing category are high.

In the past few years, margins witnessed a slide owing to a change in loan mix towards lower yielding segments as BFL's strategy was to go for scale and secured products like in the SME category (such as LAP). This impacted the yield, to some extent, but also helped maintain steady asset quality. The LAP portfolio, where yields are ~11-12%, increased at 38% CAGR in FY11-15. Margins at 10-11% in FY18 will be seen moderating with cost of funds rising and low yielding housing finance gaining traction.

Exhibit 10: Margins to remain strong



Source: Company, ICICI Direct Research

The company has entered into an agreement with One Mobikwik Systems Pvt Ltd (Mobikwik) on August 8, 2017, and invested ₹ 225 crore in the equity shares and cumulative compulsorily convertible preference shares of Mobikwik. This is a strategic investment helping to increase business from existing customers.

Asset quality remains at acceptable levels; expect to stay steady

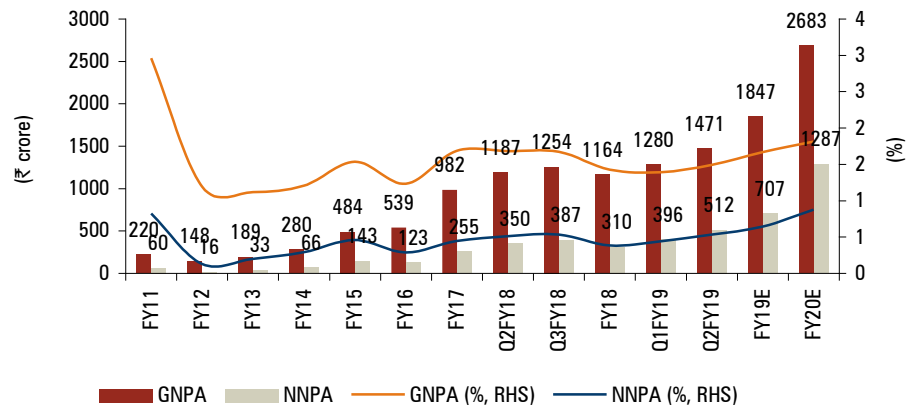
Bajaj Finance's gross NPA ratio at 1.5% (₹ 1141 crore), as on FY18, is relatively better than some of its peers especially considering the weak economic environment of the past two or three years. The asset quality has improved sharply over the last five or six years. The GNPA ratio was at 16.6%, 7.6% in FY09, FY10, respectively. This was owing to high stress in the two-wheeler financing and computer financing business then.

Post such a setback in asset quality, BFL focused on improving its risk management process and framework. This included product rationalisation like exiting the computer financing business, focusing on safer products like LAP and mortgages during the weak economy of FY11-14, increased use of Cibil scores, focusing on repeat customers with good repayment pattern and on affluent & mass affluent customers.

These efforts yielded large gains with improvement in asset quality as the absolute GNPA declined from ₹ 416 crore in FY09 to ₹ 148 crore by FY12 before increasing to ₹ 1141 crore by FY17. However, the loan book size is much larger now than in FY09.

BFL's asset quality has improved sharply over the last five or six years. The GNPA ratio was at 16.6%, 7.6% during FY09, FY10, respectively. As on FY18, the GNPA ratio is at 1.5%

Exhibit 11: Asset quality expected to stay at acceptable levels, going ahead



Source: Company, ICICI Direct Research

The credit cost (i.e. provisions as percentage of loans) also declined from 8.1% of advances in FY10 to 1.2% by FY13 and 1.6% as on FY16. In FY18, loan loss provisions to AUM stood at 1.23%.

Headline asset quality stayed steady QoQ with GNPA ratio at 1.39% a dip of 5 bps and NNPA ratio rose 16% to 0.44% from 0.28%. The provision coverage ratio improved dipped to 69% from 75% QoQ but with a rise from Q3FY18 of 68%, as Q4 was an exceptional quarter. The company has moved to Ind-As with expected credit loss on the basis of the standard asset provisioning has gone up to 89 bps from 40 bps. Accordingly, provisions were up 41%QoQ to ₹ 327 crore from ₹ 231 crore. Total slippages for the quarter were ₹ 379 crore.

Going ahead, we expect the GNPA ratio to increase a bit in FY18-20E. However, these levels are still acceptable and better than peers. The company has begun to report GNPA on 90 days overdue from Q1FY18 wherein the GNPA ratio was at 1.7%.

Outlook and valuation

In the past four to five years, investors have taken a keen interest in BFL as reflected in the sharp rise in its stock price since September, 2013. The stock performance has surpassed its peers. It is currently trading at ~6x FY19E ABV for a RoA of 3.7% and RoE of ~20%. The two year forward multiple increased from 1x to >5x currently post September 2013. We believe the reason for such strong interest is owing to its leadership position in the short duration, lower ticket size, CD financing and lifestyle product financing business along with the diversified nature of its loan portfolio. This has allowed BFL to register strong AUM growth of >40% CAGR in the past four years to ₹ 80444 crore as on FY18 with asset quality staying under control (GNPA ratio at 1.5%). PAT in FY11-18 rose at a robust pace of 40% CAGR to ₹ 2646 crore as on FY18.

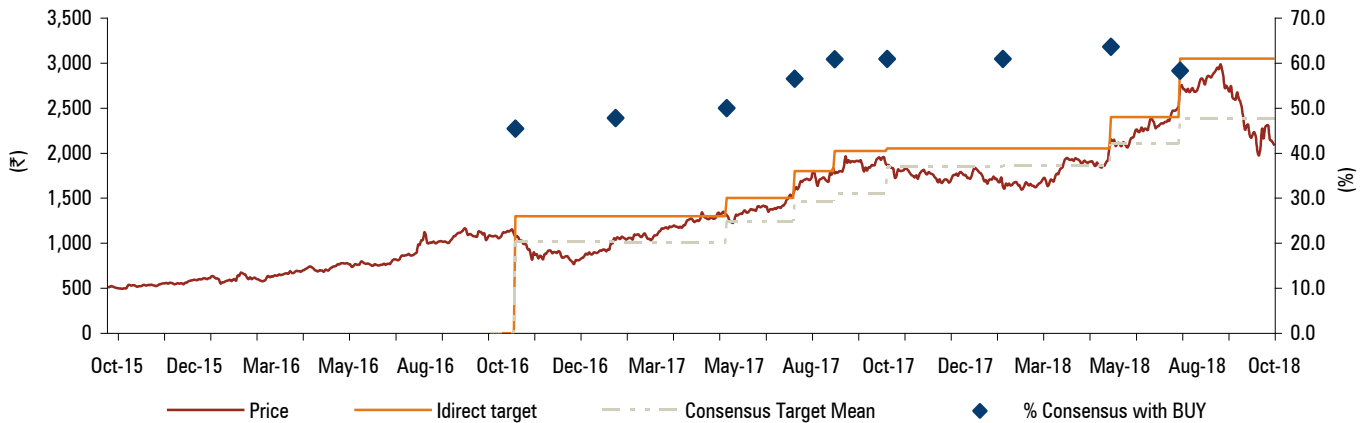
A strong performance in a volatile economic scenario (healthy return ratios - RoA at >3.5%, RoE at ~20% GNPA at <2%) maintained investor interest even at higher P/ABV multiple with strong growth momentum at 33% CAGR in AUM, PAT CAGR of 34% in FY19-21E to ₹ 6546 crore. BFL's premium valuations may sustain as it is well placed compared to peers in terms of liquidity & exposure to IL&FS. We revise our TP to ₹ 2600 from ₹ 3050 earlier, valuing the stock at ~23 FY21E EPS (5.2x FY21E ABV) for a RoE of ~22.5% & RoAs of ~3.6%. Retain **BUY**.

Exhibit 12: Valuation

	Nil (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY15	2,872	29.6	897	24.9	122.3	93.1	23.6	3.1	20.4
FY16	3,974	38.4	1,279	42.5	89.1	136.4	16.1	3.2	20.9
FY17	5,469	37.6	1,837	43.6	64.8	170.9	12.9	3.3	21.6
FY18	8,126	48.6	2,496	35.9	49.4	271.2	8.1	3.3	19.6
FY19E	11,269	38.7	3,671	47.1	34.6	338.7	6.5	3.6	20.3
FY20E	14,862	31.9	4,918	34.0	25.9	406.2	5.4	3.7	21.8

Source: Company, ICICI Direct Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY07	De-merger of erstwhile Bajaj Auto in 2007. The shareholding of Bajaj Auto in Bajaj Finance was vested with Bajaj Finserv, which is the financial services arm of the Bajaj Group
FY07	Induction of the new management personnel from leading multi national companies
FY08	Diversification of lending portfolio begins vs. earlier legacy business of two & three wheeler financing and consumer durable financing
FY08	Launch of personal loan cross sell business and Life insurance distribution business
FY09	Launch of vendor financing, loan against property and Loan against securities business
FY11	Launch of construction equipment financing business
FY12	Launch of loans to professionals, EMI card, infrastructure financing, SME cross sell and salaried personal loans
FY13	Launch of lifestyle product financing business
FY14	Launch of digital product financing and rural lending business
FY14	AUM crossed ₹ 24000 crore
Jun-15	Raises ₹ 1400 crore from QIBs and ₹ 408 crore via preferential allotment

Source: Company, ICICI Direct Research

Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bajaj Group of Industries	30-06-2018	58.27%	336.79M	0
2	GIC Private Limited	30-06-2018	3.55%	20.50M	-1.52M
3	Axis Asset Management Company Limited	30-06-2018	1.36%	7.88M	-0.33M
4	SBI Funds Management Pvt. Ltd.	30-09-2018	1.12%	6.49M	+0.16M
5	The Vanguard Group, Inc.	30-09-2018	1.04%	6.00M	-0.02M
6	UTI Asset Management Co. Ltd.	30-09-2018	0.94%	5.42M	+0.08M
7	BlackRock Institutional Trust Company, N.A.	30-09-2018	0.87%	5.05M	+0.06M
8	Capital World Investors	30-09-2018	0.67%	3.87M	-1.37M
9	Capital Research Global Investors	30-09-2018	0.58%	3.35M	0
10	DSP Investment Managers Pvt. Ltd.	31-08-2018	0.58%	3.33M	-0.12M

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	55.3	55.3	55.1	55.1	55.2
FII	21.2	20.4	19.5	19.5	20.1
DII	6.8	7.0	9.0	8.6	8.2
Others	16.7	17.3	16.4	16.8	16.5

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Matthews International Capital Management, L.L.C.	+29.09M	+0.87M	GIC Private Limited	-50.87M	-1.52M
Reliance Nippon Life Asset Management Limited	+22.43M	+0.75M	Capital World Investors	-40.79M	-1.37M
Kotak Mahindra Asset Management Company Ltd.	+19.41M	+0.48M	Motilal Oswal Asset Management Company Ltd.	-27.52M	-0.68M
Amundi Hong Kong Limited	+16.55M	+0.42M	Axis Asset Management Company Limited	-10.91M	-0.33M
Baron Capital Management, Inc.	+13.42M	+0.40M	IDFC Asset Management Company Private Limited	-10.90M	-0.27M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement (consolidated) ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Interest Earned	12748.0	17428.0	23406.4	30906.6
Interest Expended	4621.6	6158.8	8544.3	11249.7
Net Interest Income	8126.4	11269.1	14862.0	19656.9
Growth (%)	48.6	38.7	31.9	32.3
Non Interest Income	23.9	29.8	38.2	47.0
Operating Income	8150.3	11299.0	14900.2	19703.9
Employee cost	1456.6	2141.1	2997.6	4046.8
Other operating Exp.	1815.4	2257.2	2849.3	3620.4
Operating Profit	4878.4	6900.7	9053.3	12036.7
Provisions	1034.9	1334.1	1539.7	1966.4
PBT	3843.4	5566.6	7513.6	10070.4
Taxes	1347.1	1895.4	2595.9	3524.6
Net Profit	2,496.4	3,671.2	4,917.6	6,545.7
Growth (%)	35.9	47.1	34.0	33.1
EPS (₹)	44.5	63.6	84.8	112.9

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Valuation				
No. of shares (crore)	57.5	58.0	58.0	58.0
EPS (₹)	44.5	63.6	84.8	112.9
BV (₹)	276.6	350.9	428.4	532.9
ABV (₹)	271.2	338.7	406.2	499.5
P/E	49.4	34.6	25.9	19.5
P/BV	8.0	6.3	5.1	4.1
P/ABV	8.1	6.5	5.4	4.4
Yields & Margins (%)				
Net Interest Margins	11.1	11.4	11.3	11.2
Yield on assets	17.4	17.6	17.7	17.7
Avg. cost on funds	6.6	6.6	7.0	7.1
Yield on average advances	18.4	18.3	18.2	18.1
Avg. Cost of Borrowings	8.1	8.2	8.6	8.6
Quality and Efficiency (%)				
Cost to income ratio	40.1	38.9	39.2	38.9
Cost to assets ratio	4.4	4.4	4.4	4.3
GNPA	1.4	1.7	1.8	1.8
NNPA	0.4	0.6	0.9	1.0
ROE	19.6	20.3	21.8	23.5
ROA	3.3	3.6	3.7	3.7

Source: Company, ICICI Direct Research

Balance sheet ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Sources of Funds				
Capital	115.0	115.9	115.9	115.9
Reserves and Surplus	15791.3	20147.3	24717.1	30775.9
Networth	15906.3	20263.2	24833.0	30891.9
Borrowings	64372.0	85144.0	112734.6	149673.8
Other Liabilities & Provisions	6155.5	9586.8	14147.6	20262.5
Total	86,433.8	114,993.9	151,715.2	200,828.2
Application of Funds				
Fixed Assets	1187.6	1199.5	959.6	1151.5
Investments	3660.5	3697.1	3327.4	3660.1
Advances	80816.0	109763.0	146859.9	195116.4
Other Assets	541.0	216.4	173.1	138.5
Cash	228.7	118.0	395.3	761.7
Total	86,433.8	114,993.9	151,715.2	200,828.2

Source: Company, ICICI Direct Research

Growth ratios (% growth)				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Total assets	35.6	33.0	31.9	32.4
Advances	40.1	35.8	33.8	32.9
Borrowings	30.7	32.3	32.4	32.8
Net interest income	48.6	38.7	31.9	32.3
Operating Income	31.5	38.6	31.9	32.2
Operating expenses	27.6	34.4	32.9	31.1
Operating profit	34.2	41.5	31.2	33.0
Net profit	35.9	47.1	34.0	33.1
Net worth	65.7	27.4	22.6	24.4
EPS	31.1	42.9	33.4	33.1

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (NBFC)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
LIC Housing Finance (LICHF)	419	560	Hold	21,135	39.4	44.0	53.1	10.6	9.5	7.9	1.8	1.4	1.2	1.2	1.2	1.3	16.7	15.6	15.8
Reliance Capital (RELCAP)	240	525	Buy	6,201	51.7	64.9	69.6	4.6	3.7	3.5	0.5	0.4	0.4	1.5	1.7	1.6	10.0	12.0	11.9
Bajaj Finserv (BAFINS)	5,250	6,750	Buy	83,550	172.3	226.8	294.9	30.5	23.1	17.8	4.0	3.4	2.9	1.9	2.0	2.1	15.0	16.0	17.6
Bajaj Finance (BAJFI)	2,115	2,600	Buy	122,253	44.5	59.2	80.0	47.5	35.7	26.4	7.8	6.3	5.3	3.3	3.4	3.5	19.6	19.0	20.9

Source: Company, ICICI Direct Research

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