

Bajaj Finance

Refer to important disclosures at the end of this report

Slowing growth; improving collections

CMP: Rs 3,121

as of (July 6, 2020)

TP: Rs 2,150 (■)

12 months

Rating: HOLD (■)

Upside: (31.1) %

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- Bajaj Finance (BAF) has reported Rs1.38tn in AUM (down 6% qoq/up 7% yoy), slowest growth in the past 10 years.
- Slowing growth (in spite of lower repayments) is an indication of relatively faster run down of book (with shorter maturity) and a steep cut in disbursements amid Covid-19 lockdowns.
- Growth in new loans (-76.7% yoy) and overall customer franchise (+16% yoy) have come off sharply. Considering cautious management approach, the declining trend is expected to continue even during Q2FY21 as well.
- BAF remains in liquidity conservation mode, reporting a liquidity surplus of Rs176bn.
- The AUM under moratorium (based on count of customers) has declined from 27% as of April 30, 2020, to 15.5% as on May 30, 2020, which is a positive surprise. However, we also need to keep an eye on the overall trend in bounce rates (~37% during Q4FY20) as well as absolute quantum of moratorium pending, which would be a key aspect for future provisioning requirement.
- The release does not specify segment wise moratorium however we remain more sceptical of overall collections for 2W/3W and consumer durable segment,
- BAF has stated that it may consider additional accelerated provisioning for Covid-19 in Q1FY21 as well.
- We remain appreciative of BAF's superior liability franchise and strong collection network. However, a clarity over asset quality would only emerge after the lockdowns and completion of the moratorium.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-NBFCs](#)

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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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