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Bajaj Finserv Ltd.

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NSE Code: BAJAJFINSV

Reuters Code:

BJFS.NS

Bloomberg Code: BJFIN:IN

Bajaj Finserv Ltd (BAJAJFINSV) is a 26 years old NBFC with business interest spread across the financial services sector having presence in three key businesses include lending through Bajaj Finance Ltd, life insurance, under Bajaj Allianz Life Insurance Company Ltd, and general insurance, under Bajaj Allianz General Insurance Company Ltd. In addition, the Company has wind-farm assets consisting of over 140 windmills in Maharashtra with an installed capacity of 65.2 megawatt and its wholly owned subsidiary, Bajaj Financial Solutions Ltd. offers financial products and advises clients on financial and wealth management.

Investor's Rationale

Topline grew on the back of strong Insurance business – Pune based NBFC has registered a healthy growth in its topline by 29.80% YoY at ₹13,086.1 mn in Q2FY'14 against ₹10,078.3 mn on consolidated basis. The traction in the segment extended in the quarter primarily on account of robust growth in Bajaj finance by 30.00% at ₹9,639.8 mn and in General Insurance business by 17.00% at ₹11,434.1 mn. Going forward the momentum in retail and SME lending is expected to continue because of the festive season.

EBITDA margin expanded 41bps due to slowdown in discretionary spending and higher liquidity – The EBITDA of the company increased by 30.6% YoY at ₹9,483.4 mn. OPM also expanded 41bps at 72.5% against 72.1% consumer segment (festive season) and SME business (particularly LAP) will continue to drive the disbursement growth. CAR of 20.9% with Tier I ratio of 18% will support BAJAJFINSV's growth plan. However, repricing of liabilities at higher rates may lead to some pressure on margins.

Bottom-line increased 27.8% YoY, despite higher finance cost – Net profit increased by 27.80% to ₹3,970.5 mn in the second quarter ended September 30 on account of the improved performance in topline. However, higher finance cost, tax and depreciation have pressurized the margins. Thus NPM contracted 49bps at 30.3% against the 30.8 YoY.

Focused to maintain healthy asset quality and product innovation – Asset quality was relatively stable in the quarter with gross NPA at 1.14% and net NPA at 0.26%. Cost to income ratio was elevated in the quarter as BAJAJFINSV continued to invest in technology and manpower. The company is also focusing toward cross selling and product innovation. The capital adequacy ratio of Bajaj Finance stood at 20.9 per cent. The company acquired nearly 7,000 new customers in the quarter under review.

Market Data

Rating	BUY
CMP (₹)	635
Target Price	770
Stop Loss	575
Duration	Short-term
52-week High-Low (₹)	968.0/561.0
Rise from 52WL (%)	12.6
Correction from 52WH (%)	34.7
Beta	0.57
1 year Average Volume (mn)	0.2
	3M- 2.4
Stock Return (%)	6M- 16.9
	1Y- 28.1
Market Cap (₹bn)	100.64
Book Value (₹)	151.3

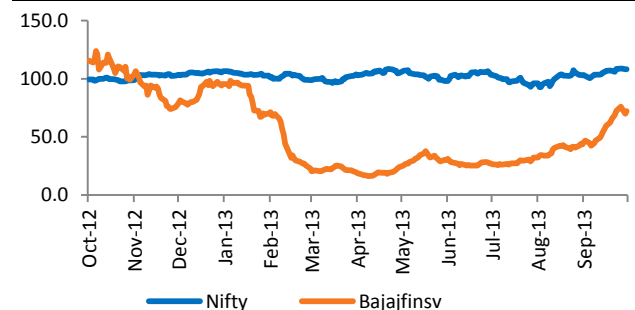
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	58.89	58.89	0.00
FII (%)	11.06	11.03	0.03
DII (%)	4.18	4.17	0.01
Public & Others (%)	25.87	25.91	(0.04)

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	13,086.1	10,078.3	12,698.1	29.8	3.1
Op. exp	3,602.7	2,816.0	3,769.7	27.9	(4.4)
EBITDA	9,483.4	7,262.3	8,928.4	30.6	6.2
OPM (%)	72.5	72.1	70.3	41bps	215.6bps
Net profit	3,970.5	3,106.1	4,015.8	27.8	(1.1)
NPM (%)	30.3	30.8	31.6	(48.8)bps	(127.6)bps
EPS (₹)	17.4	14.7	17.5	18.4%	-0.6%

One Year Price Chart





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