

Bajaj Finance (BAJFI)

₹ 1330

Rich valuation to stay on strong earnings visibility

- Bajaj Finance continues to report strong numbers with topline & PAT growth surpassing our estimates despite higher provisioning
- Provisions were higher at ₹ 290 crore. The company took additional charge of ₹ 70 crore due to demonetisation
- Despite higher provisioning cost, profit grew 43% YoY to ₹ 450 crore mainly led by strong NII (up 48% YoY) & other income traction (up 50% YoY)
- GNPA ratio on 120 days overdue increased 20 bps QoQ to 1.68%. PCR was maintained at 74%. During Q4FY17, the company provided ~2.5 million new loans vs. 1.6 million in Q4FY16

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 (~14% of the AUM) wherein it does not have any major competition. These segments are under penetrated and growing in size, thus providing a lucrative opportunity for growth. In FY17, BFL served ~1 crore clients. Further, it has a diversified loan portfolio with four broad categories viz. consumer finance (45% of loans), SME (37%) commercial (13%) and rural category (5%). Such diversity has given BFL an edge in terms of AUM growth (>40% CAGR to ₹ 60194 crore in FY11-17) and asset quality (GNPA ratio steady in 1.2-1.5% range in the past three years) despite a weak economic environment. PAT has increased at 40% CAGR in FY11-17 to ₹ 1837 crore. In FY17-19E, we expect PAT traction to remain strong at 34% CAGR to ₹ 3279 crore.

Expect AUM traction at 31% in FY17-19E led by consumer finance

Strong AUM traction of 44% CAGR over 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 of 38% CAGR over FY11-15 while CD financing within CF book saw 47% CAGR. Going ahead, we expect AUM growth at 31% CAGR to ₹ 100188 crore in FY17-19E, led by the CF segment (33% CAGR) that will be driven by CD financing business. Enhanced competition and growing risks in the LAP segment may keep traction in the SME segment a bit lower at 30% CAGR.

Steady asset quality, strong margins reflect strength of model

BFL's GNPA ratio at 1.7% (₹ 955 crore) as on FY17, is better than some of its peers wherein the ratio is above 2.5%. The asset quality has improved sharply over the last five to six years. The GNPA ratio was at 16.6%, 7.6% during FY09, FY10, respectively. Owing to strong underwriting processes, focus on affluent & mass affluent clients, NPA is expected to remain acceptable. Further, such healthy asset quality & higher yields in CF space enable BFL to earn one of the highest margins among its peers of ~10% as on FY17. We assume this will largely be sustained, going ahead.

Rich valuations to sustain; revise target price higher, retain BUY rating

A strong performance in a weak economic scenario (healthy return ratios - RoA at >3%, RoE at >20% GNPA at <2%) led to higher investor interest in BFL & P/ABV multiple to expand from 1x to >4x since September 2013. We upgrade EPS estimates for FY18E, FY19E by 2%, 5%, respectively. We expect PAT CAGR of 34% CAGR in FY17-19E to ₹ 3279 crore, as we factor in 31% CAGR in AUM & lower CI ratio. BFL's premium valuations are expected to sustain on better earnings visibility. We retain **BUY** & revise TP higher to ₹ 1500/share (earlier ₹ 1300) valuing at 25x FY19E EPS.

Rating matrix

Rating	:	Buy
Target	:	₹ 1500
Target Period	:	12 months
Potential Upside	:	13%

What's Changed?

Target	Changed from ₹ 1300 to ₹ 1500
EPS FY18E	Changed from ₹ 43.9 to ₹ 44.6
EPS FY19E	Changed from ₹ 56.9 to ₹ 59.9
Rating	Unchanged

Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
NII	1,477	996	48.3	1,523	-3.0
Other income	212	142	49.7	200	5.9
PPP	980	646	51.8	1,030	-4.8
PAT	450	315	42.8	556	-19.0

Key Financials

₹ Crore	FY16	FY17E	FY18E	FY19E
NII	4,010	5,507	7,245	9,498
PPP	2,509	3,636	4,756	6,245
PAT	1,279	1,838	2,440	3,279

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	54.0	39.3	29.9	22.3
Target P/E	60.7	44.2	33.6	25.0
P/ABV	9.7	7.8	6.4	5.2
Target P/ABV	10.9	8.8	7.1	5.8
RoE	21.1	21.8	22.9	24.8
RoA	3.2	3.3	3.3	3.5

Stock data

Particulars	Amount
Market Capitalisation	₹ 69261 Crore
GNPA (Q4FY17)	₹ 955 Crore
NNPA (Q4FY17)	₹ 250 Crore
NIM (Q4FY17) (calculated)	9.5
52 week H/L	1350/ 722
Face Value	₹ 2
Net worth	₹ Crore
DII Holding (%)	5.4
FII Holding (%)	19.3

Price performance (%)

Return %	1M	3M	6M	12M
Bajaj Finance	4.9	21.5	52.0	70.7
Shriram Transport	-6.1	7.6	19.7	-8.0
MMFS	-1.1	14.3	21.4	12.3
Shriram City Union	2.0	19.0	25.3	39.5

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
NII	1,477	1,357	996	48.3	1,523	-3.0	Higher-than-expected NII was largely due to strong growth in advances and better-than-expected margins
NIM (%) (calculated)	10.0	9.3	9.1	94 bps	11.1	-105 bps	
Other Income	212	182	142	49.7	200	5.9	Other income aided earnings
Net Total Income	1,689	1,539	1,138	48.5	1,724	-2.0	
Staff cost	264	227	165	60.5	253	4.7	
Other Operating Expenses	445	447	327	35.8	441	0.7	
PPP	980	865	646	51.8	1,030	-4.8	Robust operational performance continues
Provision	290	196	157	85.1	180	61.2	Provisions were higher at ₹ 290 crore vs. estimate of ~₹ 200 crore. The company took additional charge of ₹ 70 crore during the quarter on account of demonetisation and non-recurring provisions
PBT	691	669	489	41.2	850	-18.8	
Tax Outgo	241	241	174	38.3	294	-18.3	
PAT	450	428	315	42.8	556	-19.0	PAT came in higher than estimates owing to better topline

Key Metrics

GNPA	955	850	581	64.2	798	19.6	Headline asset quality on 120 days overdue increased 21 bps QoQ with GNPA ratio at 1.68%. The provision coverage ratio was steady at 74%
NNPA	250	200	145	72.0	212	18.1	
AUM	60,194	59,174	44,229	36.1	57,605	4.5	Strong traction in AUM led by consumer and commercial finance segment

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E		
	Old	New	% Change	Old	New	% Change
Net Interest Income	6,935	7,245	4.5	8,895	9,498	6.8
Pre Provision Profit	4,617	4,756	3.0	5,917	6,245	5.5
NIM(%) (calculated)	10.0	10.1	15 bps	9.8	10.2	40 bps
PAT	2,363	2,440	3.3	3,068	3,279	6.9
ABV per share (₹)	207.0	210.0	1.5	259.7	257.0	-1.0

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier	
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E
Credit growth (%)	38.7	33.3	31.5	30.5	31.5	30.5
Borrowings Growth (%)	38.7	33.0	30.1	30.6	32.4	30.3
NIM Calculated (%)	10.4	10.2	10.1	10.2	10.0	9.8
Cost to income ratio (%)	43.5	41.7	41.0	40.1	39.8	39.2
GNPA (₹ crore)	582.7	954.4	1,388.8	1,889.1	1,143.4	1,480.1
NNPA (₹ crore)	180.3	274.4	408.3	838.7	261.5	330.7

Source: Company, ICICIdirect.com Research

Company Analysis

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 FY17 was at ₹ 27159 crore, comprising 45% of total AUM of ₹ 60194 crore. Within the CF book, CD financing & lifestyle product financing book were at ₹ 6594 crore and ₹ 1529 crore, respectively. Apart from these, the CF book includes two and three wheeler finance, personal loans and home loans to salaried individuals.

Exhibit 1: Break-up of consumer finance (CF) book

AUM (₹ Crore)	FY14	FY15	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
2W & 3W finance	3593	3324	3773	4080	4466	4961	5057
Consumer durable finance	2531	4163	5556	6783	6937	7258	6594
Lifestyle finance	174	498	1016	1202	1370	1495	1529
Digital Product	NA	312	637	816	950	1002	1038
Non Digital Product	NA	186	379	386	420	493	491
Personal loans	2577	4303	6762	7516	8306.5	9442	10321
Personal loans Cross Sell	NA	2412	4004	4572	5148.75	5890.5	6490
Salaried Personal Loans	NA	1891	2758	2944	3157.75	3551.5	3831
Home Loans (Salaried)	453	839	1621	1966	2303.75	2790.5	3176
Total CF AUM	9,328	13,127	18,728	21,547	23,383	25,947	26,677

Source: Company, ICICIdirect.com Research

We expect the share of the CF division in total AUM mix to increase and stay above 45% (₹ 45285 crore) by FY19E from 40.5% as on FY15. It will be mainly led by CD financing & lifestyle financing segment.

We view the management decision to go slow on consumer loans in the near term as a prudent decision. We expect growth not to get impacted much owing to the diversified portfolio.

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 ₹ 22082 crore as on FY17. 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 14% of overall AUM as on FY17.

Exhibit 2: Break-up of SME book

AUM (₹ Crore)	FY14	FY15	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Loans	2033	3084	5421	6131	6478	7056	7374
Business Loans	NA	2461	4,309	4,866	5,057	5,483	5,640
Professional Loans	NA	623	1,112	1,265	1,421	1,573	1,734
Loan against property	6907	8232	8,332	8,661	8,536	8,575	8,423
Home loans (Self Employed)	2351	3071	3,233	3,466	3,463	3,817	3,946
SME cross sell	718	1233	1,887	2,136	2,126	2,261	2,250
Total SME AUM	12,009	15,620	18,873	20,394	20,603	21,709	21,993

Source: Company, ICICIdirect.com Research

Since FY11, the LAP book has witnessed robust growth of 38% CAGR to ₹ 8232 crore. Of late, traction in the LAP portfolio has slowed (proportion dipped to 14% as on Q4FY17 from 28.7% in FY14) owing to enhanced competitive pressures, higher commission payouts and ongoing focus on direct lending than through intermediaries.

We expect the share of the SME category in the total loan mix to dip to 40% by FY19E from 42.7% in FY16.

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 12% as on FY16 and 13% as on FY17. 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 as can be seen in the below exhibit.

Exhibit 3: Break-up of commercial lending category

AUM (₹ Crore)	FY14	FY15	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Construction equip. finance	448	188	158	261	419	639	896
Vendor Financing	862	1146	2161	2437	2567	2927	3271
Infrastructure lending	523	418	311	306	305	298	301
Loan against securities	841	1578	2659	2975	3107	3511	3984
Total Commercial AUM	2,674	3,330	5,289	5,979	6,398	7,375	8,452

Source: Company, ICICIdirect.com Research

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 4: Rural proportion to rise further, going ahead

AUM (₹ Crore)	FY14	FY15	Q4FY16	Q1FY17	Q2FY17	Q3FY17	FY17
Rural financing	50	333	1339	1688	1948	2575	3072
% of Total AUM	0.21	1.03	3.03	3.40	3.72	4.47	5.10

Source: Company, ICICIdirect.com 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 ₹ 3072 crore in FY17 from ₹ 50 crore in FY14

As business commenced recently i.e. in FY13, the book size is small and witnessed sharp traction. AUM increased to ₹ 3072 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.

Overall book expected to grow at 31% CAGR over FY17-19E

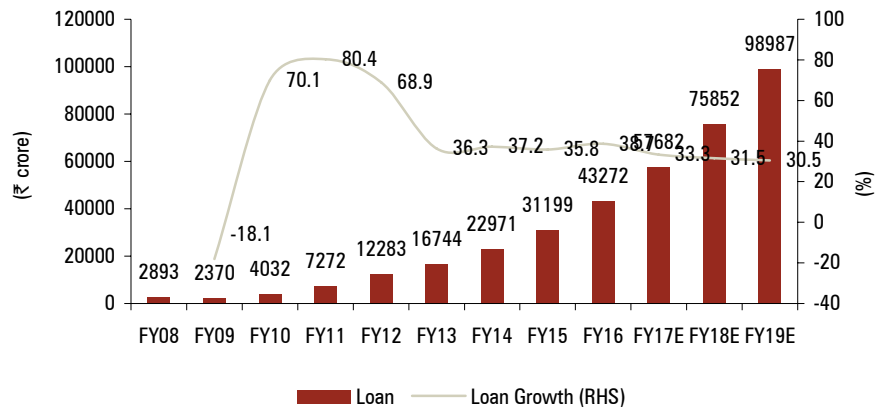
BFL has a diversified loan portfolio. Further, the company has a leadership position in under penetrated & growing segments like CD financing, lifestyle product financing, two-wheeler financing, LAP, etc. which accounts for ~50% of its portfolio. These factors have allowed BFL to clock strong AUM CAGR of >40% over FY11-17 to ₹ 60194 crore. This has been 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 FY17, of the total AUM of ₹ 60194 crore, about ₹ 3362 crore was the off book or securitised amount. The balance ₹ 56832 crore is advances outstanding in the balance sheet as on FY17.

Going ahead, we expect overall advances traction at 31% CAGR in FY17-19E to ₹ 98206 crore driven by CF segment.

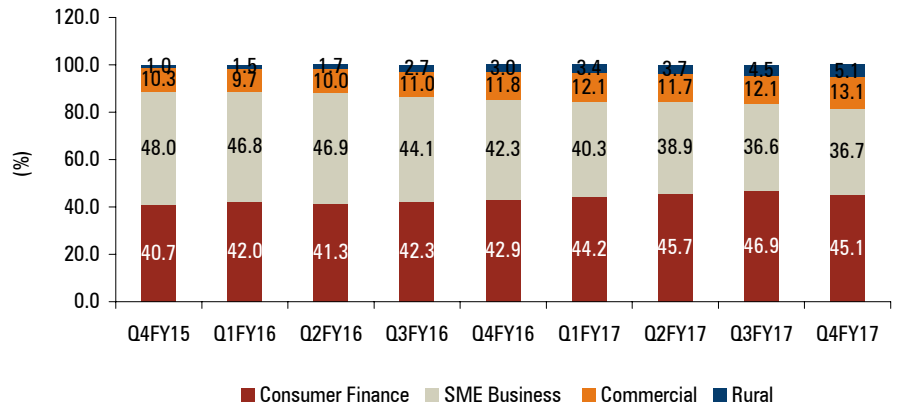
Going ahead, we expect overall advances traction for BFL at 31% CAGR in FY17-19E to ₹ 98206 crore driven by the CF segment

Exhibit 5: Credit (AUM – securitised amount) growth to stay healthy



Source: Company, ICICIdirect.com Research

Exhibit 6: CF proportion remains steady



Source: Company, ICICIdirect.com Research

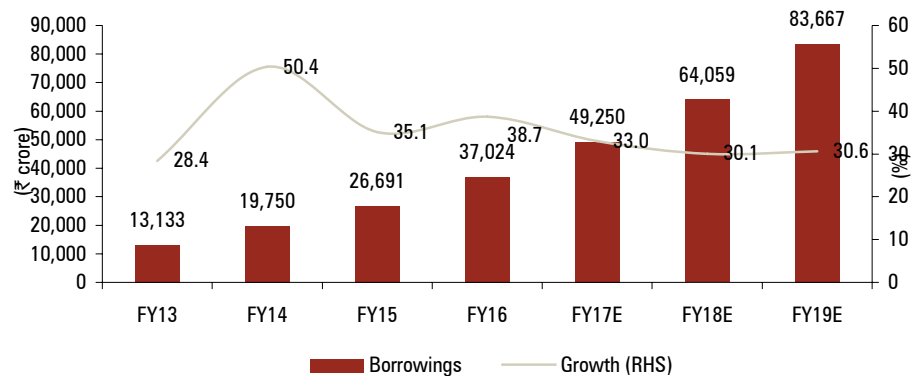
Well diversified funding; strong parentage, credit rating enable lower CoF

The borrowings of BFL as on FY17 were at ₹ 49250 crore. The borrowings are well diversified with NCDs proportion being the highest at 48% followed by banks at 35% and CPs/FDs at 17%. 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.

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

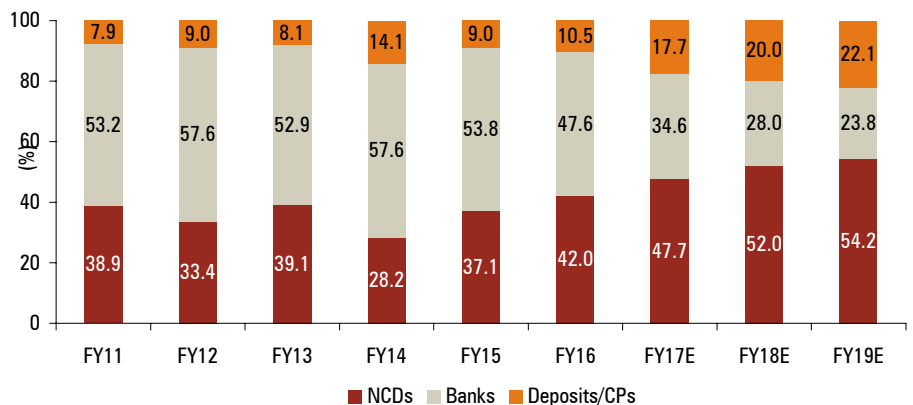
Further, at regular intervals, the company was able to raise funds via QIP, which also helps in reducing its cost of borrowings. In 2015, BFL raised ~₹ 1800 crore via allotment of warrants to promoters and equity to QIBs. Going ahead, the mix of borrowings is expected to shift towards non bank avenues owing to downward trajectory of market rates.

Exhibit 7: Trend in borrowings



Source: Company, ICICIdirect.com Research

Exhibit 8: Resource mix expected to be tilted towards NCDs and fixed deposits



Source: Company, ICICIdirect.com Research

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

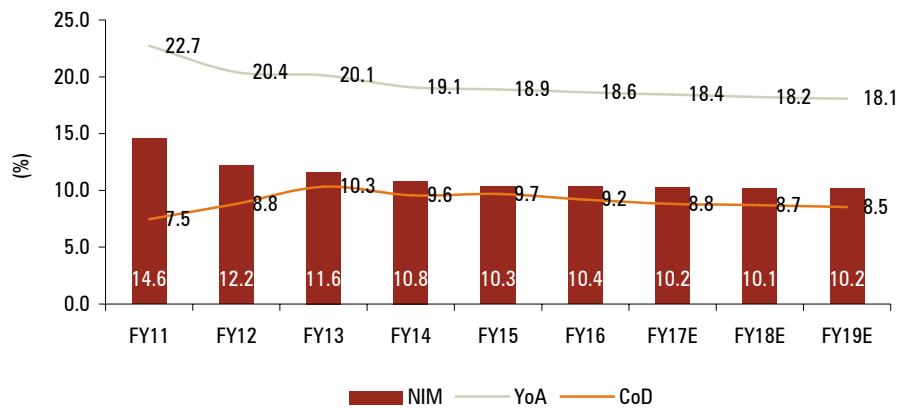
The margins of Bajaj Finance are one of the highest among its peers. Its margins during FY17 were at ~10%. Such high margins were on the back of strong blended yields of >17% and competitive CoF, which helps the company to earn overall spread of ~10%. Yields in the consumer financing category are high.

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 (like LAP), which impacted the yield, to some extent, but also helped maintain steady asset quality. The LAP portfolio, where yields are ~13%, increased at 38% CAGR over FY11-15.

With banks reducing their base rates, fall in money market rates and owing to the recent fund raising, the company could benefit on the CoF front, going ahead. We expect margins to stay at healthy levels of sub 10% ahead.

The margins of BFL are one of the highest among its peers. Its margins during FY17 were at ~10%. Such high margins were on the back of its strong blended yields of >17% and competitive CoF, which helped the company to earn overall spread of ~10%

Exhibit 9: Margins to stay at strong levels



Source: Company, ICICIdirect.com Research

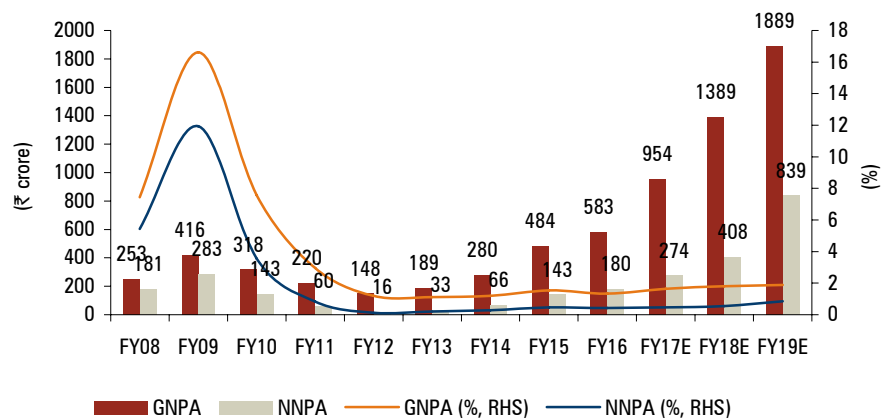
Asset quality remains at acceptable levels; expect to stay steady

Bajaj Finance's gross NPA ratio at 1.7% (₹ 955 crore), as on FY17, is relatively better than some of its peers and also 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. GNPA ratio was at 16.6%, 7.6% during FY09, FY10, respectively. This was owing to high stress witnessed 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 ₹ 955 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 FY17, the GNPA ratio is at 1.7%

Exhibit 10: Asset quality sees sharp improvement; expected to stay at acceptable levels going ahead



Source: Company, ICICIdirect.com 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.

Going ahead, we expect the GNPA ratio to increase a bit in FY17-19E. However, these levels are still acceptable and better than peers. The company indicated that it will start to report GNPA on 90 days overdue from Q1FY18E.

Outlook and valuation

In the past four 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 5.2x FY19E ABV for a RoA of 3.4% and RoE of 24%. The two year forward multiple increased from 1x to >4x 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 ₹ 60194 crore as on FY17 with asset quality staying under control (GNPA ratio at 1.7%). PAT over FY11-17 rose at a robust pace of 40% CAGR to ₹ 1837 crore as on FY17.

Over FY17-19E, we expect PAT CAGR to moderate compared to the past but still stay healthy at 34% CAGR to ₹ 3279 crore by FY19E driven by a steady operating performance, strong growth & margins and controlled asset quality & credit cost. We expect return ratios to stay healthy over the next two years with RoA of ~3.3% and RoE of ~23%. We believe the opportunity size in the consumer and SME space remains lucrative. BFL is well placed to capture it.

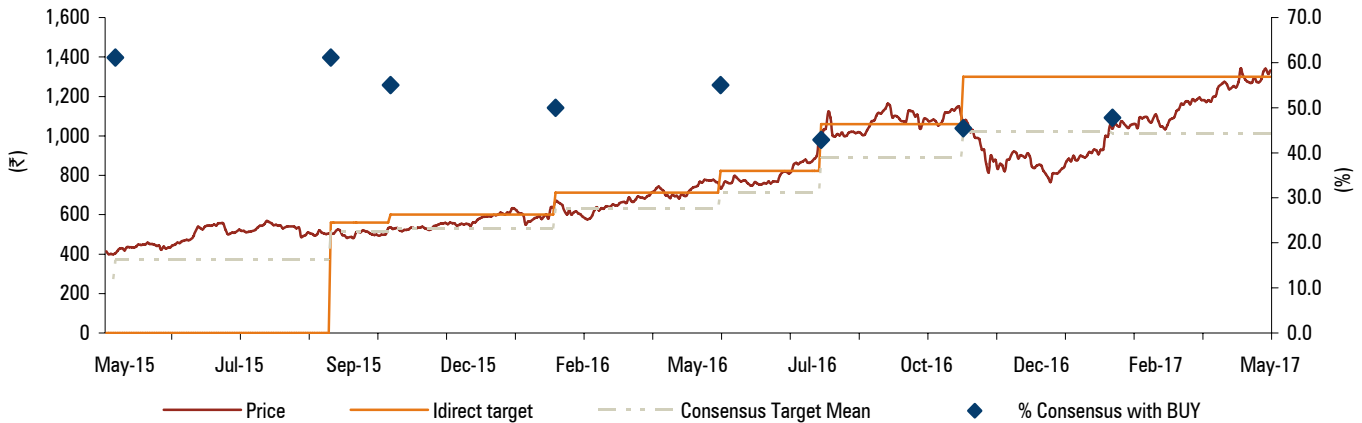
We upgrade EPS estimates for FY18E, FY19E by 2%, 5%, respectively. BFL's premium valuations are expected to sustain on better earnings visibility. We retain **BUY** and revise the target price higher to ₹ 1500/share (earlier ₹ 1300) valuing at 25x FY19E EPS.

Exhibit 11: Valuation

	Nil (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY15	2,872	29.6	897	24.9	74.1	93.1	14.3	3.1	20.4
FY16	4,010	39.6	1,279	42.6	54.0	138.1	9.7	3.2	21.1
FY17E	5,507	37.3	1,838	43.6	39.3	171.3	7.8	3.3	21.8
FY18E	7,245	31.6	2,440	32.8	29.9	210.0	6.4	3.3	22.9
FY19E	9,498	31.1	3,279	34.4	22.3	257.0	5.2	3.5	24.8

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com 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, ICICIdirect.com Research

Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bajaj Group of Industries	31-03-2017	61.25%	336.79M	0
2	GIC Private Limited	31-03-2017	2.60%	14.30M	0
3	Capital Research Global Investors	31-03-2017	1.11%	6.09M	0
4	Axis Asset Management Company Limited	30-04-2017	1.04%	5.74M	0
5	The Vanguard Group, Inc.	31-03-2017	0.91%	5.00M	+0.09M
6	BlackRock Institutional Trust Company, N.A.	30-04-2017	0.79%	4.34M	+0.11M
7	Birla Sun Life Asset Management Company Ltd.	30-04-2017	0.74%	4.08M	-0.12M
8	Invesco Hong Kong Limited	31-12-2016	0.64%	3.50M	+0.01M
9	Capital World Investors	31-03-2017	0.55%	3.03M	+3.03M
10	Motilal Oswal Asset Management Company Ltd.	31-03-2017	0.55%	3.02M	+0.12M

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	57.4	57.4	57.4	58.0	57.9
FII	18.3	19.7	19.4	18.5	19.3
DII	6.1	5.4	5.0	5.4	5.4
Others	18.2	17.6	18.2	18.1	17.4

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Capital World Investors	+54.63M	+3.03M	Lyxor Asset Management	-11.10M	-0.61M
William Blair & Company, L.L.C.	+15.95M	+0.96M	HDFC Asset Management Co., Ltd.	-9.28M	-0.51M
Bajaj (Sanjivnayan)	+3.50M	+0.19M	Norges Bank Investment Management (NBIM)	-4.50M	-0.36M
China Asset Management Co., Ltd.	+2.22M	+0.18M	American Century Investment Management, Inc.	-2.32M	-0.19M
Motilal Oswal Asset Management Company Ltd.	+2.09M	+0.12M	Birla Sun Life Asset Management Company Ltd.	-2.46M	-0.12M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				
	₹ crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E
Interest Earned	6937.1	9310.3	12166.0	15803.7
Interest Expended	2926.9	3803.4	4920.6	6305.8
Net Interest Income	4010.3	5507.0	7245.4	9497.9
Growth (%)	39.6	37.3	31.6	31.1
Non Interest Income	432.3	733.5	821.5	928.3
Operating Income	4442.6	6240.5	8066.9	10426.2
Employee cost	628.8	931.8	1220.7	1586.9
Other operating Exp.	1304.9	1672.3	2090.3	2593.8
Operating Profit	2508.9	3636.4	4755.9	6245.5
Provisions	543.6	817.7	1001.5	1223.9
PBT	1965.2	2818.6	3754.4	5021.6
Taxes	685.9	980.9	1314.0	1742.5
Net Profit	1,279.4	1,837.7	2,440.3	3,279.1
Growth (%)	42.6	43.6	32.8	34.4
EPS (₹)	24.7	34.0	44.6	59.9

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Valuation				
No. of shares (crore)	53.6	54.7	54.7	54.7
EPS (₹)	24.7	34.0	44.6	59.9
DPS (₹)	2.5	3.6	4.0	4.3
BV (₹)	141.5	176.4	217.4	272.4
ABV (₹)	138.1	171.3	210.0	257.0
P/E	54.0	39.3	29.9	22.3
P/BV	9.4	7.6	6.1	4.9
P/ABV	9.7	7.8	6.4	5.2
Yields & Margins (%)				
Net Interest Margins	10.4	10.2	10.1	10.2
Yield on assets	18.0	17.3	17.0	16.9
Avg. cost on funds	7.7	7.4	7.3	7.2
Yield on average advances	18.6	18.4	18.2	18.1
Avg. Cost of Borrowings	9.2	8.8	8.7	8.5
Quality and Efficiency (%)				
Cost to income ratio	43.5	41.7	41.0	40.1
Cost to assets ratio	4.9	4.7	4.5	4.4
GNPA	1.3	1.6	1.8	1.9
NNPA	0.4	0.5	0.5	0.8
ROE	21.1	21.8	22.9	24.8
ROA	3.2	3.3	3.3	3.5

Source: Company, ICICIdirect.com Research

Balance sheet				
	₹ crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E
Sources of Funds				
Capital	53.6	54.7	54.7	54.7
Reserves and Surplus	7271.0	9490.9	11675.2	14679.2
Networth	7324.6	9545.6	11729.9	14733.9
Borrowings	37023.7	49250.0	64058.7	83666.6
Other Liabilities & Provisions	2520.0	4875.0	6695.5	9205.4
Total	46,868.2	63,670.6	82,484.1	107,605.8
Application of Funds				
Fixed Assets	1125.6	1286.8	1299.6	1429.6
Investments	1034.1	4074.7	4482.2	4930.4
Advances	43272.0	57682.0	75851.8	98986.6
Other Assets	211.8	323.7	326.9	359.6
Cash	1224.7	303.5	523.5	1899.6
Total	46,868.2	63,670.6	82,484.1	107,605.8

Source: Company, ICICIdirect.com Research

Growth ratios				
	(% growth)			
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total assets	42.8	35.9	29.5	30.5
Advances	38.7	33.3	31.5	30.5
Borrowings	38.7	33.0	30.1	30.6
Net interest income	39.6	37.3	31.6	31.1
Operating Income	40.1	40.5	29.3	29.2
Operating expenses	35.3	34.7	27.1	26.3
Operating profit	44.1	44.9	30.8	31.3
Net profit	42.6	43.6	32.8	34.4
Net worth	52.6	30.3	22.9	25.6
EPS	37.3	37.4	31.4	34.4

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (NBFC)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
LIC Housing Finance (LICHF)	674	750	Buy	32,170	32.9	38.3	46.9	20.5	17.6	14.4	3.8	3.1	2.6	1.4	1.4	1.5	19.6	19.1	19.4
Reliance Capital (RELCAP)	657	740	Buy	15,590	38.3	42.7	58.9	17.2	15.4	11.2	1.2	1.3	1.2	1.6	1.6	1.9	6.7	6.8	8.8
HDFC (HDFC)	1,533	1,750	Buy	245,250	45.0	46.9	52.0	34.1	32.7	29.5	7.2	6.2	5.7	2.6	2.4	2.3	21.8	20.2	20.0
PTC India Financial Services (PTCIND)	47	42	Hold	3,070	7.0	6.1	6.0	6.8	7.7	7.9	1.7	1.4	1.2	5.0	4.0	3.0	24.7	18.8	14.7
CARE (CARE)	1,502	1,750	Buy	4,533	40.0	51.5	58.6	37.5	29.2	25.6	10.8	8.9	8.8	40.9	36.5	41.3	28.8	30.4	34.3
Bajaj Finserv (BAFINS)	4,318	4,900	Buy	71,505	117.2	150.3	203.2	36.8	28.7	21.2	5.4	4.5	3.7	1.9	2.1	2.4	15.7	17.1	19.3
Bajaj Finance (BAJAF)	1,318	1,500	Buy	69,261	24.7	34.0	44.6	53.4	38.8	29.5	9.3	7.5	6.1	3.2	3.3	3.3	21.1	21.8	22.9

Source: Company, ICICIdirect.com Research

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