Bajaj Finance

Stable performance; worries over fresh lockdowns

- Bajaj Finance (BAF) has reported AUM of Rs1,530bn (+4% yoy, +6.6% qoq) as on March 31, 2021, amid the normalization of activities during the quarter. The numbers are slightly better than our estimates; however, we would await further bifurcation of AUM in order to understand the sustainability of growth and future strategy of the company.

- New loans stood at ~5.5mn in Q4FY21, down from ~6.03mn last year and ~6.04mn last quarter, indicating the continued cautious stance of the company. Total customer base stood at ~48.6mn with fresh additions of ~2.3mn customers during the quarter against ~2.2mn additions in Q4FY20.

- BAF maintained a high liquidity buffer of Rs160bn as of March 31, 2021. Though the cash balance is much lower from ~Rs223bn as of September 30, 2020, we believe that the rundown of cash reserves has been slower than anticipated due to rising worries over lockdowns amid increasing Covid-19 cases.

- The company has reported a CAR of ~28.4% vs. ~28% in Q3, indicating the revival of profitability/growth in secured lending segments.

- We believe that BAF’s asset quality pain is largely provided for; however, the fresh round of lockdowns may delay the growth revival story further. We await clarity and guidance on the flexi and restructuring portfolio as well as launch of Bajaj Pay.

- We have a Hold rating on the stock with a TP of Rs5,400, corresponding to ~6x P/B FY23E. Retain an EW stance in NBFC EAP.

Please see our sector model portfolio (Emkay Alpha Portfolio): BFSI-NBFCs
Emkay Rating Distribution

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<th>Ratings</th>
<th>Expected Return within the next 12-18 months.</th>
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<tbody>
<tr>
<td>BUY</td>
<td>Over 15%</td>
</tr>
<tr>
<td>HOLD</td>
<td>Between -5% to 15%</td>
</tr>
<tr>
<td>SELL</td>
<td>Below -5%</td>
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</table>

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