

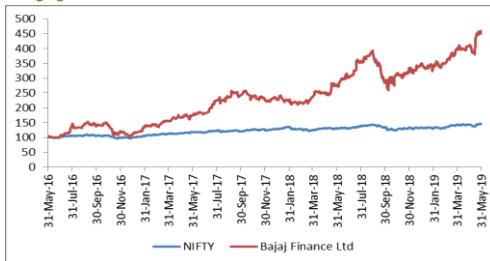
Market statistics as on May 31, 2019

Current stock price (Rs.)	3511.05
Shares O/S (Bn)	0.58
Market Cap (Rs. Bn)	2,029.14
P/E (x)	50.64
52W H (Rs.)	3534.8
52W L (Rs.)	1912
Price/Book	10.28

Shareholding pattern as on March 31, 2019

Promoters	55.17%
Domestic Institution	9.23%
Foreign Institution	20.67%
Non-institution	14.93%

Bajaj Finance vs. NIFTY



Credit Rating History



Financial Performance

Rs. Bn

Particulars (Consol.)	FY19	FY18	% chg
NII	118.8	81.4	45.9
Total Income	185.0	127.6	45.0
Operating Exp	42.0	32.7	28.4
PAT	40.0	26.7	49.4
Networth	196.9	165.2	19.2
Total Debt	866.4	615.7	40.7
Debt/Equity (x)	4.40	3.70	-
Cost to income (%)	30.45	34.92	-
ROA (%)	4.20	3.38	-
RONW (%)	22.50	20.10	-
CAR (%)	20.66	24.71	-
Tier I (%)	16.27	19.68	-
GNPA (%)	1.55	1.50	-
NNPA (%)	0.62	0.40	-

Source: Company Reports, * standalone figures
As per Ind-AS wherever applicable

Credit Drivers:

- **Expectation of strong support from the parent:** Bajaj Finance Ltd (BFL) is strategically important entity for the Bajaj group as it finances almost 1/3rd of sales of Bajaj Auto Ltd (BAL), Flagship Company of the group. Given the strategic importance, BFL is expected to receive strong support from its parent.
- **Large & well diversified retail asset financing NBFC:** BFL is amongst the top 10 retail asset financing NBFCs in India with assets under management (AUM) of Rs.1158 billion (consolidated basis) as on March 31, 2019.
- **Healthy asset quality:** BFL has been able to manage its healthy asset quality, despite having relatively riskier portfolio; reported GNPA and NNPA of 1.55% and 0.62% respectively as on March 31, 2019.
- **Well balanced resource profile:** BFL has a balanced funding profile with a mix of low-cost market borrowings, bank borrowings and public deposits.
- **Healthy earnings profile:** BFL's healthy earnings profile is underpinned by a large proportion of high yielding business segments and competitive borrowing costs.
- **Strong capitalization level:** BFL is well capitalized with a modest gearing level of 4.4 times compared to its peers and high capital adequacy ratio (CAR) and Tier I ratio of 20.66% and 16.27% respectively as on March 31, 2019.
- **Well managed ALM and comfortable liquidity:** BFL's strong liquidity management framework and adequate liquidity buffers support its asset liability management (ALM) profile.

About the Company:

BFL is a deposit taking non-banking finance company (NBFC) and is the lending arm of the Bajaj Group. It is a subsidiary of Bajaj Finserv Ltd, the financial services arm of the Bajaj Group. Initially, the company started financing for two and three-wheelers manufactured by Bajaj Auto Ltd, however, subsequently diversified into other lending segments such as auto loans, consumer durables loans, personal loans, home loans, loan against property, unsecured loans to small and medium enterprises (SME), loan against shares and vendor finance.

About the Group:

Bajaj Group is one of the oldest and largest conglomerates in India, set up by Shri. Jamnalal Bajaj in 1926. The Group comprises of 37 companies and has interest in various businesses including automobiles, home appliances, iron and steel, travel and financial services businesses viz. insurance and lending business. Bajaj Auto Ltd is the flagship company of the group and Bajaj Finserv is the holding company of the Bajaj Group's financial services businesses.

Industry Outlook:

Growth in NBFC sector is expected to be impacted in FY20 given the liquidity situation, which is expected to continue in first half of FY20. NBFCs are expected to witness growth of 12-14% in FY20 with a continued competition, especially from private banks and potentially from large PSU banks. Retail segment, of which vehicle finance is the largest, will fare relatively better. From an asset quality perspective as well, while overall, the quality of retail assets is expected to remain steady, segments such as SME lending, especially loan against property (LAP), and construction/infrastructure finance could witness some pressure. Further, the wholesale book typically has significant concentration risks, which could result in chunky NPAs. NBFCs are expected to reorient their funding mix given the current environment. On one side, securitisation has proved to be the preferred source of financing; NBFCs have also been tapping alternate sources such as public issuances of NCDs and ECBs. Relatively lower reliance on short-term borrowings while maintaining on-balance sheet liquidity is expected to impact the profitability of the sector; however, ability of NBFCs to pass on the increase in borrowing costs to their customers would define the extent of the impact. The capital position of NBFCs remains adequate with gearing levels expected to remain under control.

Key Credit Drivers:

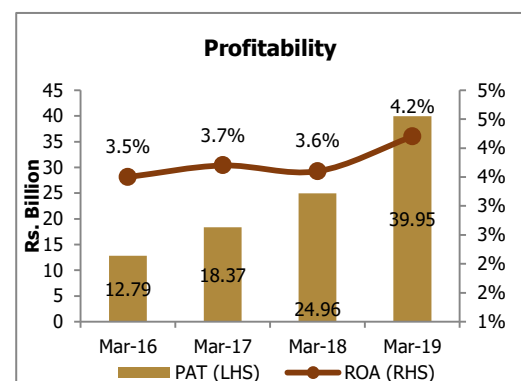
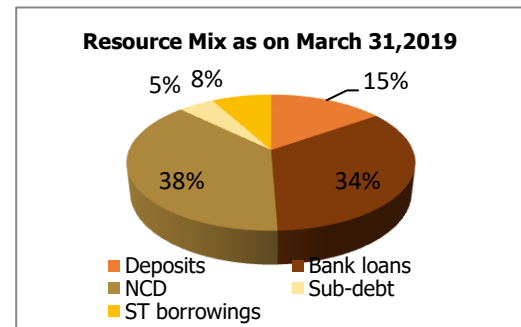
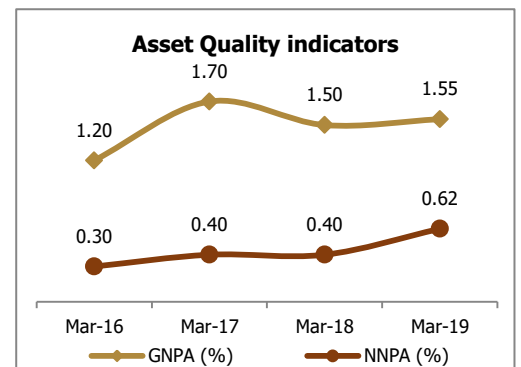
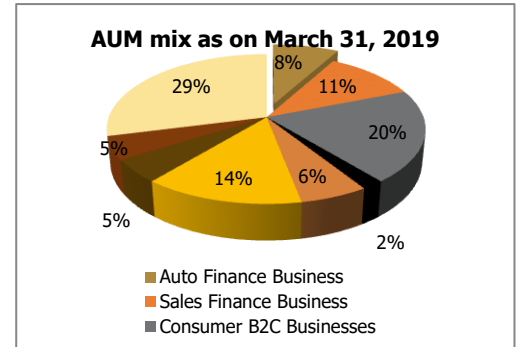
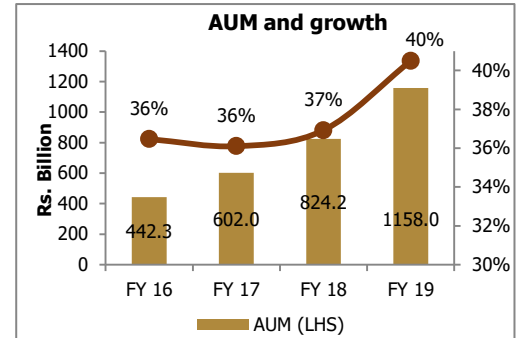
Expectation of strong support from the parent: BFL plays an important role in helping BAL meet sales targets and maintain market share. It financed almost 1/3rd of Bajaj Auto sales volume in FY2018, as against 20% in FY2010. Further, it being the group's only lending entity with a stable profitable track record, it gets strong synergies with the Bajaj group. BFL is strategically very important for the group and is expected to receive substantial financial, managerial, and operational support from its parent, Bajaj Finserv Ltd and its ultimate holding company, Bajaj Holdings and Investment Ltd (BHIL) on an ongoing basis.

Large & well diversified retail asset financing NBFC: Initially, BFL was known as a captive financier for BAL, but later the company revamped its business model and is currently among the top 10 retail financing NBFCs in India. It is one of the largest NBFCs in the consumer durable segment in the country. The company reported AUM of Rs.1158 billion as on March 31, 2019, of which mortgage loans constitutes of 29%, Consumer B2C Business make 20% and SME business accounts for 14%. The company operates with a pan-India reach through 97 urban branches and 903 rural branches as on March 31, 2019. Company's increasing penetration in the rural areas further supports its business scalability. BFL carries out its incremental mortgage business through its 100% subsidiary, Bajaj Housing Finance Limited (BHFL), while allowing mortgage business of BFL to run down. While the company has high exposure to risky asset segments such as personal loans and consumer durable loans, 2 and 3-wheeler finance, and unsecured business loans, which constitute around half of its loan portfolio and is vulnerable to economic cycles, however, mortgage portfolio whose share is expected to increase over the medium term, provides adequate balance to the combined business of BFL and BHFL, considering the large proportion of riskier short tenor profile of BFL's assets. BHFL has assets under management of Rs. 175.6 Bn billion as on March 31, 2019 with home loans constituting around 68%, loan against property (LAP) 16%, lease rental discounting loans (LRD) 10%, developer finance 4% and others 3%.

Healthy asset quality: BFL's well-diversified loan portfolio, use of technology-led data analytics, focus on risk management framework coupled with stringent underwriting norms/monitoring mechanism has enabled the company to manage its asset quality. Company's asset quality remains healthy with GNPA & NNPA at 1.55% and 0.62%, respectively, as on March 31, 2019. The company has taken various steps in terms of moderation of growth in LAP segment due to intense competition; strengthened its system driven credit appraisal process (with predefined approval limits and a deviation matrix) using risk-based data analytics and is expected to adjust its growth plans across business segments in response to market opportunities and challenges. The company has also formed a separate collection team for the consumer finance and SME financing business.

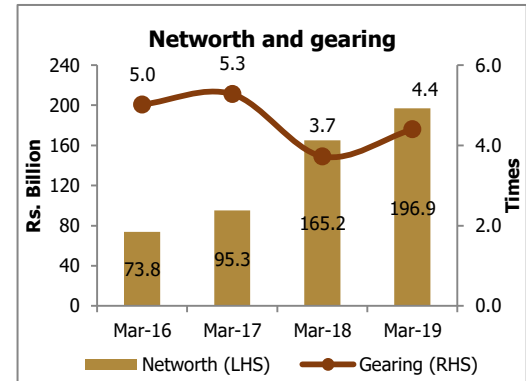
Well balanced resource profile: BFL has a well-balanced funding profile; despite wholesale in nature. As on March 31, 2019, NCDs (including sub-debt) constituted ~38%, bank loans 34% and short-term borrowings constituted 8% of overall borrowings. Apart from these, deposits formed 15% of the overall borrowings, thereby diversifying the liability profile. The proportion of NCDs in the overall debt profile has been steadily rising and stood at 34% as on March 31, 2019 (~30% as on March 31, 2012). Further being part of the Bajaj group helps BFL in mobilizing funds at competitive rates.

Healthy earnings profile: BFL has healthy earnings profile supported by large share of high yielding nature of the riskier loan portfolio and competitive borrowing costs; resulting in strong return on average assets for the nine months period ending on Dec 31, 2018 at 3.70%. BFL's profitability, however, remains vulnerable to higher credit costs given the inherent risks associated with the business segments (especially during any weak macroeconomic



environment) which the company caters to. Further, operating expenses ratio continued for the company to be higher than industry average, driven by the high proportion of low-ticket and short-tenure retail loan portfolio. BFL's profitability is expected to moderate over the medium term with a rise in share of mortgage segment in the overall AUM; however, it may still remain higher than its peers supported by the high proportion of unsecured loans. However, company's ability to control its credit costs across economic cycles will remain a key determinant of its profitability going ahead.

Strong capitalization level: BFL's strong capitalisation is supported by its healthy internal accrual generation ability (RoNW of 22.5% for FY2019) and regular external capital infusion (Rs 45.00 Billion via a qualified institutional placement in FY2018). BFL's capital adequacy ratio (CAR) ratio remained comfortably above the regulatory requirement with a CAR of 20.66% and Tier I ratio of 16.27% as on March 31, 2019. Gearing policy of the company remains conservative, with debt to equity stood at 4.2 times as on March 31, 2019. Healthy capitalisation profile of the company renders adequate cushion against asset-side risks. Further, the company has regularly received support from the group as indicated by equity capital infusion of around Rs.12 billion since inception and demonstrated its ability to raise funds (both debt & equity) as and when required.



Well managed ALM and comfortable liquidity: The Company has a comfortable liquidity profile marked by well-matched mix of short-term and long-term assets and liabilities. The high proportion of short-tenure loan products, such as consumer durable loans also supports the ALM profile. The total liquidity buffer (free cash and cash equivalents) for BFL was at Rs 48.57 Bn. The company also has undrawn CC/OD and bank lines of Rs 30 Bn. BFL raised Rs 106Bn from the money market and Rs 47 Bn through term loans from banks in Q4FY19.

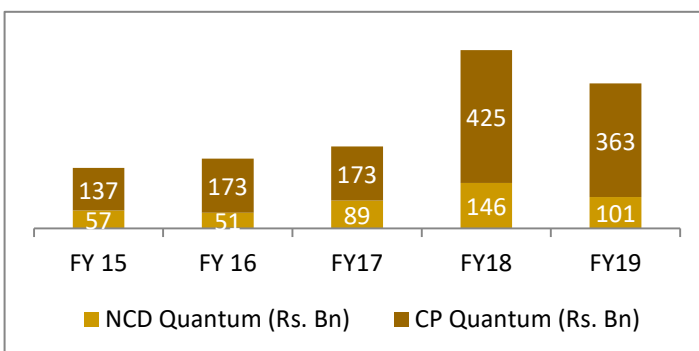
ALM Statement as on March 31, 2019

Particulars (Rs. Billion)	1M	>1 to 2M	>2 to 3M	>3 to 6M	>6M to 1Yr	>1 to 3Yr	>3 to 5Yr	>5Yr
Cumulative Outflows	101.1	110.0	154.1	216.6	358.9	677.6	835.0	1159.4
Cumulative Inflows	153.1	206.4	260.6	388.6	563.3	911.7	1046.3	1159.4
Cumulative mismatch	52.0	96.3	106.5	171.9	204.3	234.0	211.3	0
Cumulative Gap (%)	51%	88%	69%	79%	57%	35%	25%	0%

Key Management

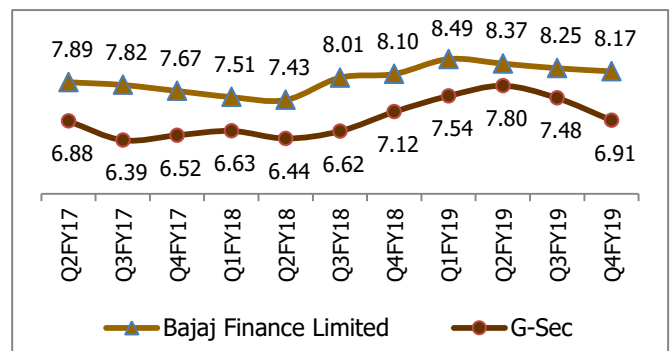
Name	Designation
Nanoo Pamnani	Vice Chairman
Sanjiv Bajaj	Vice Chairman
Rajeev Jain	Managing Director
Rakesh Bhatt	Chief Operating Officer
Sandeep Jain	Chief Financial Officer

NCD & CP Issuances over the last 5 years



Source: NSDL, Prime Database

Credit spread over 3 year G-sec



Source: Reuters

Latest issuances:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
BFL (Primary)	Secured	May 15, 2019	5 Years	8.54 p.a.	2.25

Other Information:

Auditors	SRBC & Co LLP Source: NSDL
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**Financials: (Consolidated as per IGAAP)****Profit & Loss Statement**

Particulars (in Bn.)	FY16	FY17	FY18
Operating Income	72.94	99.67	134.42
Other Income	0.40	0.25	0.24
Total Income	73.34	99.92	134.66
Employee Cost	6.30	9.32	14.20
Operating & Establishment Expenses	8.22	10.34	13.49
Administrations & Other Expenses	1.77	2.06	3.83
Provisions and Contingencies	5.43	8.04	10.45
Miscellaneous Expenses	7.20	10.71	13.89
Total Expenditure	23.54	32.51	45.51
Operating Profit	49.80	67.42	89.15
Interest	29.59	38.53	47.17
Depreciation	0.56	0.71	1.02
Profit Before Taxation & Exceptional Items	19.65	28.17	40.96
Profit Before Tax	19.65	28.17	40.96
Provision for Tax	6.86	9.81	14.22
Profit After Tax	12.79	18.36	26.74

Key Ratios

Particulars	FY16	FY17	FY18
Spread Analysis			
Interest Earned/ Avg. Assets (%)	16.54	15.82	15.30
Interest Expended/ Avg. Assets (%)	7.34	6.87	6.16
Net Interest Margin (NIM (%))	9.20	8.95	9.15
Operational & Financial Ratios			
Earnings Per Share (Rs)	238.77	33.58	46.49
DPS(Rs)	25.00	3.60	4.00
Book Value (Rs)	1367.83	175.56	287.68
Performance Ratios			
ROA (%)	3.06	3.16	3.38
ROE (%)	21.09	21.70	20.46
Financial Stability Ratios			
Total Debt/Equity(x)	5.05	5.3	3.70

Peer Comparison as on March 31, 2018

Particulars (in Bn.)	Bajaj Finance	Tata Capital	STFCL
Total Income	134.66	77.63	121.77
NII	68.85	27.65	67.35
PAT	26.74	7.89	15.68
Equity*	165.46	66.47	125.72
Debt	644.81	533.10	531.10
CRAR (%)	24.71	41.48	16.80
GNPA (%)	1.50	2.40	9.10
NNPA (%)	0.40	0.70	2.80
ROE (%)	20.46	18.00	13.10
ROA (%)	3.38	1.31	1.90
Leverage (x)	3.70	8.16	5.10

Source: Company Reports, ACE Equity, Figures are on consolidated basis except for Shriram Transport Finance Ltd (STFCL) which is on standalone basis, *Equity is adjusted for any miscellaneous expenditure written off and revaluation reserves and hence, there would be difference in reported networth and equity capital

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL

Balance Sheet

Particulars (in Bn.)	FY16	FY17	FY18
EQUITY AND LIABILITIES			
Share Capital	0.54	1.09	1.15
Shareholder's Funds	74.27	96.00	165.46
Long-Term Borrowings	252.87	331.16	458.96
Other Non-Current Liabilities	22.04	31.50	31.73
Total Non-Current Liabilities	274.91	362.66	490.69
Other Current Liabilities	86.22	121.11	150.97
Short Term Borrowings	56.38	89.22	107.57
Total Current Liabilities	142.61	210.33	258.54
Total Liabilities	491.79	669.00	914.68
ASSETS			
Net Block	2.90	3.66	4.70
Capital Work in Progress	0.00	0.00	0.00
Other fixed assets	0.00	0.00	0.00
Non-Current Investments	4.57	7.62	8.38
Long Term Loans & Advances	266.72	340.37	492.72
Other Non-Current Assets	0.00	0.00	0.00
Total Non-Current Assets	274.20	351.65	505.80
Cash and Bank	13.31	3.26	3.39
Other Current Assets	7.84	36.63	28.47
Short Term Loans and Advances	196.44	277.45	377.02
Total Current Assets	217.59	317.34	408.89
Miscellaneous Expenses not written off	0.00	0.00	0.00
Total Assets	491.79	669.00	914.68

Cash Flow Statement

Particulars (in Bn.)	FY16	FY17	FY18
Profit Before Tax	19.65	28.17	40.96
Adjustment	33.76	45.20	55.08
Depreciation	0.56	0.71	1.02
Dividend Received	0.00	0.00	0.00
Interest Income	-0.40	0.00	0.00
Provision & Written Off	-0.32	-0.20	-0.20
Bad debts irrecoverable written off	0.00	0.00	0.00
Provision for doubtful debts & advances	0.00	0.00	0.00
Other Adjustments	33.92	44.69	54.25
Changes in working Capital	4.77	15.29	5.34
Cash Flow after changes in Working Capital	58.18	88.66	101.38
Tax Paid	-7.40	-10.06	-14.84
Extra & Other Item	-149.48	-182.99	-291.16
Cash From Operating Activities	-98.70	-104.39	204.61
Cash Flow from Investing Activities	-6.87	-30.47	9.71
Purchase of Fixed Assets	0.00	0.00	0.00
Sale of Fixed Assets	0.01	0.01	0.01
Purchase of Investment	-952.98	-1307.36	2262.39
Sale of Investments	946.71	1278.38	2274.17
Investment in Subsidiaries	0.00	0.00	0.00
Dividend Income	0.00	0.00	0.00
Interest Income	0.35	0.00	0.00
Other Investment Activities	-0.95	-1.49	-2.08
Cash from Financing Activities	116.56	125.13	195.03
Net proceeds from borrowings & pref. shares	103.70	122.25	152.32
Net proceeds Equity Share Capital	15.16	3.38	45.38
Other Financial Activities	-2.30	-0.49	-2.66
Net Cash Inflow / Outflow	11.00	-9.72	0.13
Opening Cash & Cash Equivalents	2.28	12.97	3.25
Closing Cash & Cash Equivalent	13.28	3.25	3.38

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