

July 27, 2017

Bajaj Finance Limited

Update on Bajaj Finance Limited, on the basis of Q1FY2018 results announced on July 19, 2017

Business growth: Bajaj Finance Limited (BFL) announced its Q1FY2018 results on July 19, 2017. During Q1FY2018, the company reported a steady YoY growth of 39% in assets under management (AUM), which is in line with the 36% growth in AUM during FY2017. During Q1FY2018, the company's disbursements grew by 48% YoY (58% growth in FY2017).

Asset quality: BFL migrated to 90+ days past due NPA recognition norm in Q1FY2018. The company's asset quality, reported at 90+ days past due, remains healthy with gross NPAs of 1.70% as on June 30, 2017 (1.68% as on March 31, 2017), and net NPAs of 0.53% as on June 30, 2017 (0.44 as on March 31, 2017). BFL maintained a provision coverage ratio of 69%.

Capitalisation/Leverage: The company's Tier I and CRAR improved to 14.20% and 20.15% respectively as on June 30, 2017 as compared to 14.81 and 17.82% respectively as on June 30, 2016. During the quarter, BFL raised Rs. 600 crore Tier II capital to augment its capital base.

Profitability: The company's results are in line with expectations. BFL reported a 42% YoY growth in net profits in Q1FY2018 supported by a growth in net interest income and controlled operating expenses. The company's profitability remains good with reported return on assets of 1.0% and return on equity of 6.1% for Q1FY2018.

- The results are broadly in line with expectations
- The key operating and financial metrics are steady as compared to the previous quarter

The previous rating rationale is available on the following link: [Click Here](#)

Key financial ratios:

	FY2016	FY2017	Q1FY2017	Q1FY2018
Net interest income	4,406	6,200	1,399	2,087
Profit before tax	1,965	2,818	652	925
Profit after tax	1,279	1,837	424	602
Assets under management	44,229	60,194	49,608	68,883
% Tier I	16.06%	14.56%	14.81%	14.20%
% CRAR	19.50%	20.30%	17.82%	20.15%
% Net profit/Average total assets	3.5%	3.7%	0.9%	1.0%
% Return on equity	20.6%	21.6%	5.5%	6.1%
% Gross NPAs	1.23%	1.68%	1.47%	1.70%
% Net NPAs	0.28%	0.44%	0.41%	0.53%
Provision coverage ratio	77%	74%	68%	69%

Amounts in Rs. crore

Source: Bajaj Finance Limited; ICRA research

**Analytical approach:**

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Link to applicable criteria:

[Rating Methodology for Non-Banking Finance Companies](#)

About the company

Bajaj Finance Limited is a non-banking finance company and a subsidiary of Bajaj Finserv Limited which in turn is a subsidiary of Bajaj Holdings and Investment Limited. The company had a total managed portfolio of Rs. 68,883 crore as on June 30, 2017 of which on book portfolio stood at Rs. 65,121 crore. BFL has a fairly diversified product mix with 40+ products offered across 4 business segments, namely, consumer, rural, SME and commercial.

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