Bajaj Finance Q1FY21

Financial Results & Highlights

Brief Introduction:

Bajaj Finance is engaged in the business of lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. It also accepts public and corporate deposits and offers variety of financial services products to its customers.

Standalone Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	5901	5302	11.30%	6511	-9.37%
PBT	1184	1744	-32.11%	1205	-1.74%
PAT	870	1125	-22.67%	892	-2.47%
Consolidated Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	6650	5808	14.50%	7231	-8.03%
PBT	1310	1851	-29.23%	1278	2.50%
PAT	962	1195	-19.50%	948	1.48%

Detailed Results:

1. The company had stable Q1 with consolidated revenue growth of 14.5% YoY. PAT was down 19.5% YoY in Q1.
2. The company has made an extra contingent expected loss provision of Rs 1450 Cr on account of COVID-19. This brings the total provisioning up to Rs 2350 Cr.
3. Consolidated AUM for the company has grown 7% YoY due to the lockdown which was in effect till 10th Currently around 86 locations remain closed for the company which accounts for 15% of the business.
4. The company expects 75+ cities should revert to pre-COVID volumes by October, 40-75 Cities by end November, 10-40 cities by January, and the top 10 cities by March. Based on this assessment, the company estimates the AUM growth of 10-12% in FY21.
5. In Q1, the company switched Rs 8600 Cr of term loans to Flexi loans for some of its customers with no overdue and good repayment track record.
6. The company acquired 0.53 million new customers in Q1 showcasing a YoY growth of 16%.
7. CRAR was at 26.4% with Tier-I capital at 22.6%.
8. The company's surplus liquidity as of 20th July 2020 was at Rs 20,590 Cr.
9. Deposits book rose 33% YoY to Rs 20061 Cr. The retail to corporate mix stands at 70:30.

10. Net interest income for Q4 was up 38% YoY to Rs 4684 Cr. The same figure rose 42% YoY for FY20.
11. Total Opex to net interest income came down to 27.9% in Q1FY21 vs 35% in Q1FY20. Total Opex fell 11% YoY and 20% QoQ.
12. Consolidated moratorium book was reduced to Rs 21705 Cr (15.7%) on 30th June 2020 from Rs 38599 Cr (27%) on 30th April 2020 due to a reduction in bounce rate coupled with improved collection efficiencies.
13. GNPA was at 1.4% while NNPA was at 0.5%. The company also maintained a PCR of 65%.
14. The breakup of growth in consolidated loan book is as follows:
    1. Auto Finance: 17% YoY
    2. Sales Finance: -34% YoY
    3. Consumer B2C: 17% YoY
    4. Rural Lending: 19% YoY
    5. SME Lending: 12% YoY
    6. Securities Lending: -56% YoY
    7. Commercial Lending: 3% YoY
    8. Mortgage lending: 23% YoY
15. Bajaj Housing Finance had a good quarter with AUM growth of 52% YoY and growth in net interest income of 23% YoY. PAT growth for this subsidiary was at 31% YoY. The entity's Opex to NII improved to 30.4% in Q1FY21 vs 41.4% in Q1FY20.

Investor Conference Call Highlights:

1. S&P Global downgraded the company's long-term issuer rating on account of a sectoral downgrade due to COVID-19.
2. The company has decided to reverse interest income of Rs 220 Cr on the ongoing moratorium book.
3. The company got Rs 147 Cr from fee income from conversion to Flexi loans mentioned above.
4. Keeping in mind that the ongoing pandemic is one that no one has seen before, the management wants to stay conservative in its stance and thus the company has decided to account for greater provision than required.
5. The conversion to Flexi loans was not to mitigate the impact of the moratorium as around Rs 5000 Cr of conversions were from loans that didn't go to the moratorium. The management states that the conversion option was given mainly to keeping customer convenience in mind.
6. The gold loan business is operating in 400 cities and is aggregating Rs 70 to 80 Cr of assets per month.

7. The company has added 1500 new collection officers to its force.
8. The company has kept provisioning on the moratorium AUM in auto finance book at 11.8% vs an average of 14% across other divisions. This is mainly because the company expects higher residual value due to BSVI conversion resulting in prices going up for second-hand assets.
9. The management has clarified that the amount of Rs 21700 Cr of loans that are under a moratorium for June have not paid their EMIs for June. The rest of the customers have all paid up.

Analyst's View:

Bajaj Finance is one of the fastest-growing NBFCs in India today. The company has done well to bounce back quickly from in the post-COVID situation and has seen good traction across most categories. The company has done well to convert many of its term loans to Flexi loans, increasing customer convenience, and earning fee income along the way. It has also remained conservative by increasing its COVID provisioning to Rs 2350 Cr. It remains to be seen whether there are any further disruptions in place from the evolving situation from COVID-19 in India and how it will impact the company's operations. Nonetheless, given the company's strong market position, the management drive to derive new opportunities through the use of data and technology, and its strong balance sheet position, Bajaj Finance remains a pivotal NBFC stock for all Indian investors.