

Bajaj Finance Q4FY21

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)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	6010	6515	-7.75%	5848	2.77%	23546	23834	-1.21%
PBT	1572	1205	30.46%	1422	10.55%	5363	6808	-21.23%
PAT	1161	892	30.16%	1049	10.68%	3956	4881	-18.95%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	6855	7231	-5.20%	6658	2.96%	26683	26385	1.13%
PBT	1823	1278	43%	1555	17.23%	5992	7322	-18.16%
PAT	1347	948	42%	1146	17.54%	4420	5264	-16.03%

Detailed Results:

- The company had a mixed Q4 with consolidated revenue decline of 5% YoY & PAT growth of 42% YoY.
- Consolidated AUM for the company has risen 4% YoY. The Company estimates disbursement levels to go up to 90-105% of Q4FY20 in Q4FY21.
- The Company booked 5.47 MM new loans in Q4 FY21 as against 6.03 MM in Q4 FY20. New loans origination across businesses except auto finance is back to pre-COVID levels.
- The Company acquired 2.26 MM new customers in the current quarter. Total customer franchise stood at 48.57 MM as of 31 Mar 2021, a growth of 14% YoY. The cross-sell franchise stood at 26.89 MM growing 11% YoY.
- Existing customers contributed to 59% of new loans booked during Q4 FY21.
- NII has risen 2% YoY in FY21.
- As of 31st Mar 2021, the Company had a consolidated liquidity buffer of Rs 16,485 Cr representing 12.5% of borrowing.
- Consolidated cost of funds was at 7.39% in Q4 vs 8.37% last year.
- Deposit book stood at Rs 25,803 Cr, a growth of 20% YoY. It accounted for 20% of total assets.
- The Retail: Corporate mix stood at 77:23 in Q4 FY21 as against 67:33 in Q4FY20.
- Opex has risen by Rs 153 Cr YoY. Total Opex to net interest income risen to 34.5% in Q4FY21 vs 31% in Q4FY20.
- Loan losses and provisions for Q4 FY21 was Rs 1,231 Cr. The company has done accelerated write off in the quarter of ₹1,530 crore due to COVID related stress and advancement of its write-off policy. The Company holds management overlay provision of Rs 840 Cr as of 31 Mar 2021 for COVID-19 related stress.

13. CRAR remains at 28.34% while Tier-1 capital was at 25.1%.
14. GNPA was at 1.79% while NNPA was at 0.75%. The company also maintained a PCR of 58.4%.
15. In Q4, urban consumption businesses (B2B) were at 105%, rural consumption business (B2B) at 119%, credit card origination was at 95%, e-commerce was at 84% and auto finance business was at 85% of last year's volumes.
16. The Company is on course to deliver its 3-in-1 financial services for its 48.57 MM customers in a seamless manner by creating an omnichannel framework. It will also implement 3-in-1 financial services through an update in its Experia app.
17. The company's 4 productivity apps- Sales One app, Merchant app, Collections app and Partner app -will go live in a phased manner across businesses between May and September 2021.
18. The breakup of growth in the consolidated loan book is as follows:
 1. Auto Finance: -7% YoY
 2. Sales Finance: -9% YoY
 3. Consumer B2C: -3% YoY
 4. Rural Sales Finance: 8% YoY
 5. Rural B2C: 11% YoY
 6. SME Lending: 4% YoY
 7. Securities Lending: 26% YoY
 8. Commercial Lending: 29% YoY
 9. Mortgage lending: 7% YoY
19. Bajaj Housing Finance had a good quarter with AUM growth of 19% YoY and a rise in net interest income of 30% YoY. PAT increased 97% YoY. The entity's Opex to NII improved to 26.6% in Q4FY21 vs 25.4% in Q4FY20.
20. Bajaj Financial Securities Ltd (BFinsec) made a net profit of Rs 4.5 Cr on revenues of Rs 17 Cr in Q4 FY21.
21. The company announced a dividend of Rs 10 per share in Q4.

Investor Conference Call Highlights:

1. The company has capped its retail EMI card spend business at 50,000 accounts per month versus 150,000 accounts that they used to do pre-COVID.
2. The management states that it expects operating leverage to kick in as AUM starts to grow over the next 2, 3 quarters. Thus, Opex to NII should be back to pre-covid levels then.
3. The company already has 7.5 million customers on the Experia app and it expects to have 10 million users at the time of launch.
4. The first phase of eStore has gone live in February and it has around 25,000 SKUs currently.
5. The onboarding app of Bajaj Financial securities has gone live, and the trading app will go live on the 31st of May.
6. The B2B or point of sale business has fully automated underwriting. The B2C business has partial automation where the company decides on loaning money based on data points and analytics.
7. Only around 10% of retail customers will be eligible for automatic underwriting. The rest will need a human hand for underwriting.
8. As only 10% of customer acquisition will be fully automated, sales through the app through a merchant or others will be integral going forward.

9. The company is not looking to compete with other fintechs on new customer acquisition but to build a durable customer franchise and enhance upon it while steadily adding new customers.
10. There aren't any significant switching costs in most products except in mutual funds.
11. The company is planning on a small marketing budget of only Rs 40-50 Cr as it aims to drive customer acquisition through greater engagement at the point of sale.
12. The management has planned for credit costs of 150-170 bps, given there isn't any instance of full lockdown and the 3-4 large GDP states do not shut down together.
13. The total write-off in Q4 was around Rs 2000 Cr with Rs 1500 Cr being COVID-related and the rest is normal.
14. The management remains committed to maintaining the long-term guidance metrics of 25-27% balance sheet growth and 18-20% ROE. It states that the business should see the optimization payout once the apps are fully operational by Sep.
15. The management states that except for the B2C business, all of the others have momentum going for them.
16. The cost to NII ratio excluding the digital transformation costs would be 31.5%.
17. The company is looking to originate almost 2 million customers per quarter.

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 the post-COVID situation and has seen good traction across most categories. The current quarter was good for the company with PAT rising 42% YoY despite revenues and AUM growth flat YoY. The company's focus on building an omnichannel framework and app ecosystem is the immediate concern as it will also help it harness its potential through digital transformation. The app suite should be up and launched by Sep. It remains to be seen how the current situation evolves with the 2nd wave of COVID-19 in India and whether the company's preparations are adequate to weather the incoming uncertainty. 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.

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