

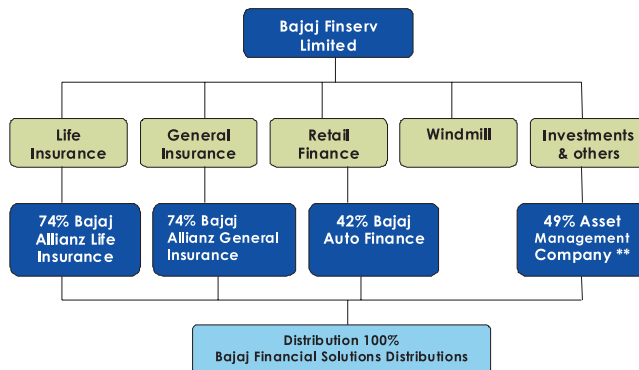
Bajaj Finserv Limited

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Company Description: Bajaj Finserv Limited (BFS) was carved out through the de-merger of Bajaj Auto Limited and came into existence on April 30, 2007. Accordingly the financial services and wind energy business of Bajaj Auto Limited were transferred to Bajaj Finserv Limited and it thus became the financial services arm of Bajaj Group. The Company is currently engaged in consumer finance, life insurance, general insurance, and wind energy businesses. BFS is engaged in life and general insurance businesses through its joint ventures with Allianz SE namely Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Limited. In the retail finance segment, Bajaj Auto Finance Limited, a group NBFC provides financing for consumer durables, personal and small business loans. Bajaj Allianz Financial Distributors Limited, a more recent joint venture between BFS and Allianz SE, is currently engaged in the business of distribution of financial products. In the wind energy business, BFS has installed 138 windmills in the state of Maharashtra with total installed capacity of 62.5 MW. Thus BFS is the holding company under which the various businesses of lending, protection, asset management, investment and financial solutions reside.

With its registered office located in Pune, Maharashtra, BFS operates and covers various financial services markets through its following subsidiaries, joint ventures and associates:

Subsidiaries: Bajaj Allianz Life Insurance Co. Ltd., Bajaj Allianz General Insurance Co. Ltd., Bajaj Financial Solutions Limited **Associate:** Bajaj Auto Finance Limited **Joint Venture:** Bajaj Allianz Financial Distributors Limited



Initiating coverage with an FY11 earnings estimate of INR 54.78 - We are initiating coverage of Bajaj Finserv Limited with earning estimates of INR 48.44 per share in FY11 and INR 54.78 per share in FY12 aided by the company's robust volume growth in its insurance and consumer finance business, coupled with its massive expansion plans to venture into new areas of finance. BFS's consolidated top line recorded almost three-fold increase to INR 9,854.1 million in FY10 from INR 3,853 million in the previous fiscal year. Its consolidated net profit was at INR 5545.3 million for the year ending March 2010. It was INR 713.1 million for the preceding year. Moreover, its fourth quarter numbers clearly indicates the company's shifting focus towards profitable business growth through cost control measures and underwriting of high-margin business in the insurance segment. Further, the revised RBI circular is said to have a strong positive impact for the company, lending significant upside potential to the stock of BFS.

Going ahead, the company has a clear play in the high growth insurance sector as the penetration rates for most of the financial products are very low compared to international levels which indicates potential for becoming a significant player within the industry.

BUY



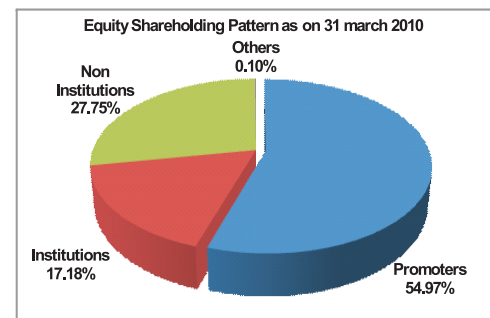
Target: INR 617

Stock Statistics

Bloomberg Code	BJFIN: IN
BSE Code	532978
NSE Code	BAJAJFINSV

CMP (INR)	463.35
Face Value (INR)	5
BSE Sensex	17,064.95

Market Cap (Crore INR)	6,703.91
52 Wk Hi/Lo (INR)	557.5/249.9
Avg. Volume	2,95,329



Historical Prices

	1 M	3 M	12 M
Price INR	144.95	148.60	31.80
Gain/Loss	-5.28%	-7.60%	331.76%

Investment Thesis

Life Insurance business to generate healthy growth

Life Insurance business will report healthy returns. Bajaj Allianz Life Insurance Co. Ltd. (BALIC) turned profitable in FY10 after having reported losses since its inception. Liberalization of insurance sector allowing private player that led to international players forming life insurance joint ventures has resulted in a spurt in life insurance business. The sector has grown at a robust rate of ~30% CAGR between FY04-FY09, primarily led by private life insurers. The growth is likely to continue as the life insurance penetration levels, which improved from about 2.6% in FY04 to a little over 4% in FY09, improve further.

After having reported a strong 130%+ CAGR between FY05 and FY08, BALIC reported a decline in APE (Annual Premium Equivalent) in FY09 and FY10. BALIC has consciously followed the strategy of pursuing profitability even at the expense of growth. As the Company focused on cost controls in agent commission and expanding distribution network while increasing the overall productivity, has led to decline in APE but higher profitability. At the same time, its renewal premium has continued to grow at a healthy pace and a higher proportion of renewal premium in grow written premium has aided BALIC in improving profitability. BALIC reported its first full-year profit of INR 5.4 billion in FY10 and its accumulated losses narrowed to INR 7 billion in FY10. We believe that the Company will be able to write-off its accumulated losses in next couple of years.

Steady profits from General Insurance

General Insurance maintains steady profitability. Bajaj Allianz General Insurance Co. Ltd. (BAGIC) is the second largest private general insurance company with a market share of about 9% and is the most profitable amongst the private general insurance companies. BAGIC has been in profit since its inception and reported net profit of INR 1.2 billion in FY10, representing a YoY growth of 27%.

General insurance industry has witnessed some slowdown post de-tariffication in 2007 and creation of Motor Pool by IRDA. Consequently the gross written premium growth in the general insurance sector has slowed down in recent years. At the same time intensifying competition from newer players, aggressive pricing in the retail segment and high discount in corporate segment has stunned the growth to some extent. Given the current challenging environment, BAGIC has favored maintaining rather than growing its market and instead focus on improved risk selection and pursuing profitable renewal business coupled with cost controls to further boost its profit. In spite the current demanding operating environment, we expect a 10-12% CAGR growth in BAGIC's total premiums on the back of a continued robust economic growth, increase in general insurance penetration levels, improvement in pricing trends across segments and focused revenue generation strategies.

BFS management expects its retail business to continue to drive general insurance growth through motor and health insurance. BAGIC's focus remains on selling individual health policies while cutting the number of group-health policies sold, as these policies tend to have wafer-thin margins.

RBI's revised guideline could translate into much higher valuations

Revised pricing guidelines – a boost to valuation of BFS shares. On May 4, 2010, the RBI issued revised guidelines for transfer of shares by Indian residents to non-residents. The revised guideline states that in respect of transfer of unlisted shares, the pricing cannot be less than the fair value to be determined by an appropriate third party (Category-I Merchant Banker or Chartered Accountant) as per the discounted free cash flow (DCF) method as compared to earlier pricing guidelines issued by erstwhile Controller of Capital Issues (CCI), which in our view significantly depressed the valuations in such transfers.

BFS has in place an agreement with Allianz wherein Allianz has an option to increase its holding in life and general insurance businesses as and when the regulations allowing higher shareholdings in these sectors are announced. Allianz can raise its stake in life insurance to 74% from current 26% and in general insurance to 50% from 26% at present. The current agreement links the option to be priced at the highest of the following:

- price per share (INR 5.42 for life and INR 10 for general insurance) plus interest @ 16% per annum compounded annually for 15 years (from 31st July 2001 to 30th July 2016 for life and 31st July 2001 to 22nd April 2016 for general)
- in case the shares are listed at the time of exercise, market price per equity share
- in case the shares are not listed at the time of option exercise, fair value of the Company's shares as determined by a mutually accepted accounting firm.

However, in view of the revised guidelines, Allianz will have to pay a much higher price for raising its stake in either of the businesses. Our current target price of INR 617 per share for BFS is our medium-term price target based on the assumption of Bajaj's 74% economic interest in life and 74% in general insurance business. We believe it will still be some time before the foreign investment limits in life and general insurance sectors are relaxed. The prices are likely to be higher considering the higher price Allianz would have to pay to increase its stake in these businesses that would result in substantial cash inflow for BFS and thus a higher valuation.

New Initiatives to accelerate growth pace

Foray into news business areas to add to growth pace: In March 2007 BFS's financial distribution JV came into existence and in April 2009 announced its asset management JV with Allianz thereby continuing to expand its business into newer areas into its effort to make BFS a one-stop solution for its customers' financial services requirements. In-principle approval from SEBI for the asset management business is still awaited. At the same time, BFS is aggressively adding to its product line and recently announced launch of its wealth management services while looking at expanding its lending business, BFS has launched construction equipment financing and retail loans against shares in April 2010.

These expansions will further widen BFS's product and services offering to its customers and it leverages its distribution network to cross these to its existing customer base, these are likely to expand the revenue base for the Company.

Well entrenched in Tier II and Tier III centers

Extensive distribution network. BFS, through its subsidiaries has a wide pan-India presence boasting an office network that spans nearly 1150 branches and over 210,000 agents across 650 towns in the country. Most of these branches and agent network is concentrated in tier II and tier III towns and the Company sells nearly 65% of its insurance policies outside the top-20 cities in the country. This will be of great help to BFS in expanding its reach to rural centers, from where the next bout of growth is expected to come from. BFS established most of its branch network during 2004-06 when costs were relatively low with larger proportion of branches set in tier III cities where competition too was not as intense as in tier-I and metros. Although, in its effort to control costs BFS's branch and agent network expansion has slowed as the Company seeks to improve overall productivity and profitability. Nevertheless, further expansion will be to tap rural customer base and given its strong presence in tier-III cities BFS can easily use these branches as bases from where the sales force can cater to the rural customers.

Strong brand backed by experienced management

Two well trusted names strengthened by experienced management augur well for future. Bajaj Finserv Limited (BFS) boasts association of two strong and well trusted brand names – the Bajaj Group which has been a leading business houses in India spanning host of industries from automobiles, home appliances, iron and steel, insurance, travel and financial services. BFS's international partner Allianz SE is one of the largest global financial services provider with operations in over 70 countries. The Group provides Risk Management and Loss Prevention Services and has insured most of the world's largest infrastructure projects (including Hongkong Airport and Channel Tunnel between UK and France). It is a large industrial insurer and has a substantial portfolio in the commercial and personal lines sector, using a wide variety of innovative distribution channels. The Company is ably supported by a strong management team with Rahul Bajaj, a well known industrialist with experience of more than four decades, at the helm of affairs as the Chairman leading an experience board comprised of members with substantial experience in varied fields. Mr. Sanjiv Bajaj, managing director of BFS, heads the management team again comprised of well experienced personnel from across the functions and areas of expertise.

All-round performance across business segments

Financial Highlights

Despite the current challenging environment, Bajaj Finserv Ltd. (BFS) reported a strong set of numbers in 4QFY10 aided by the robust volume growth in its insurance and consumer finance business, stringent cost control measures and improvement in portfolio quality across business segments. As a result, the consolidated net profit for the fourth quarter stood at INR 433.58 crore compared to Rs 107.13 crore in the corresponding period last year. Total income for FY10 surged to INR 984.20 crore from INR 385.30 crore in the year ago period.

Segment-wise, the life insurance business generated a profit (PAT) of INR 557 crore in 2009-10 against a loss of INR 71 crore in the previous year. Bajaj Allianz General, the non life arm of Bajaj Finserv registered a net profit of INR 121 crore during the year against INR 95 crore in the

previous fiscal. At the same time, vehicle finance arm Bajaj Auto Finance posted a net profit of INR 89.41 crore, almost three-fold compared to INR 33.92 crore in the year ended March 2009. However, the company's standalone net profit for the year ended March 31, 2010 decreased to INR 29.39 crore from INR 41.36 crore in the previous year. Total income grew to INR 129.80 crore from INR 113.71 crore in FY09.

Segment Break-up

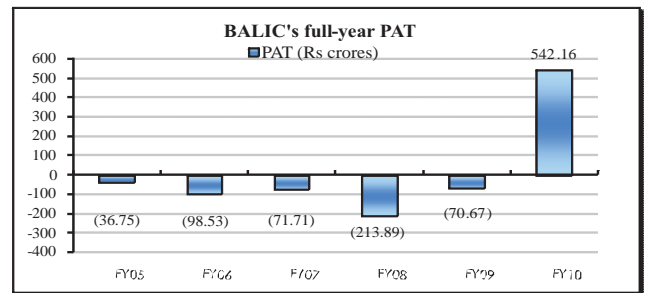
Segment results						
Consolidated Accounts (INR crore)	4QFY10	4QFY09	%yoy	FY10	FY09	%yoy
Segment Revenue						
Life Insurance	713.60	721.50	(1.09)	2153.00	2141.80	0.52
General Insurance	4805.90	4361.60	10.19	21458.00	7590.00	182.71
Investments and others	35.20	31.70	11.04	127.00	94.80	33.97
Windmill	4.90	6.20	(20.97)	43.00	41.60	3.37
Total Revenue	5559.60	5121.00	8.56	23781.00	9868.20	140.99
Profit before tax/loss						
General Insurance	50.00	74.40	(32.80)	179.60	149.60	20.05
Life Insurance	542.20	80.80	571.04	557.00	(70.70)	(887.84)
Investment & others	17.40	16.30	6.75	58.30	60.80	(4.11)
Retail financing	11.30	6.30	79.37	38.20	14.00	172.86
Windmill	(4.70)	(2.50)	88.00	(2.80)	0.70	(500.00)
PBT	616.20	175.30	251.51	830.30	154.40	437.76
Tax	30.30	35.00	(13.43)	98.80	77.00	28.31
Net profit	585.90	140.30	317.61	731.50	77.40	845.09
Less Minority Interest	147.60	33.00	347.27	172.40	6.00	2773.33
Net profit after minority interest	438.30	107.30	308.48	559.10	71.40	683.05
Adjustments	4.60	0.00		4.60	0.00	
Net profit	433.70	107.30	304.19	554.50	71.40	676.61

Source: Company

Bajaj Allianz Life Insurance Company (BALIC)

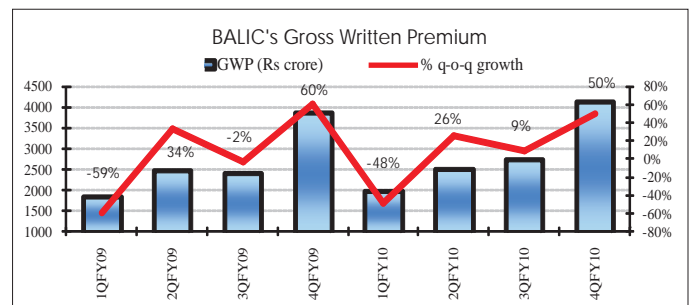
Bottom-line grows amid tight market conditions.

Bajaj Allianz Life reported a full-year profit for the first time since its inception. During 4QFY10, the company registered a pre-tax profit of INR. 542.16 crore, a 5.7x growth over the year-ago quarter. On a shareholder's account, the life insurer posted a profit of INR 542.16 crore versus a loss of INR 70.67 crore in FY09.



Source: Company

Total Gross Written Premiums (GWP) were 7% up to INR 11,419 crore from previous year's INR 10624.52 crore, thanks to the increase in renewal collections. However, New Business Premiums (NBP) marginally declined to INR 4,451 crore from INR 4,491 crore in the previous year. This was largely due to the stringent cost control measures implemented by the company.



Source: Company

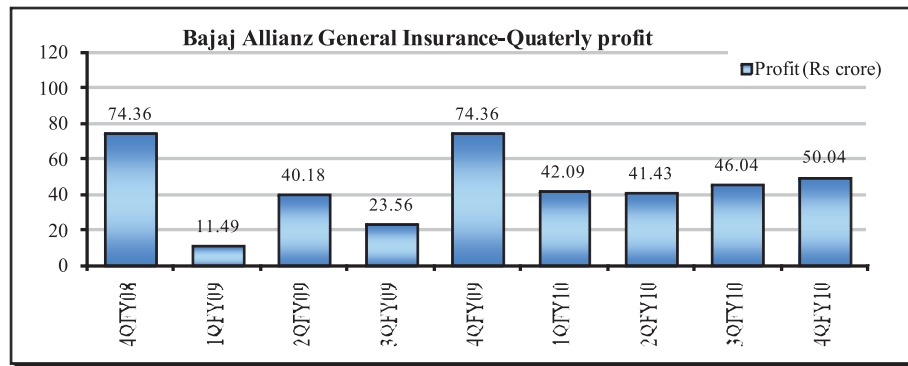
The number of policies/schemes sold by the company also saw a significant change. Bajaj Alliance Life came at third position after LIC and Reliance Life Insurance by selling 22.30 lakh policies in FY10.

Healthy growth in premiums

General Insurance profit steady

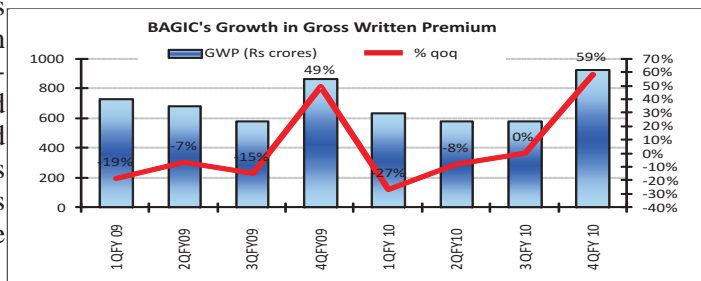
Bajaj Allianz General Insurance Company (BAGIC)

BAGIC reported a full year profit of INR 121 crore in FY10, a strong 27% growth from last year. For the fourth quarter the company witnessed a pretax profit of INR 50.04 crore, down 33% yoy due to an underwriting loss incurred by the company during the quarter.



Source: Company

Gross Written Premium (GWP) of BAGIC shrunk by 4.93% for the full year FY10 to INR 2724.89 crore from INR 2866.18 as the company continued to focus on reducing its exposure to the loss-making businesses and concentrated on cost control and profitability. Despite a fall in its GWP, BAGIC maintained its second position amongst the private insurers.



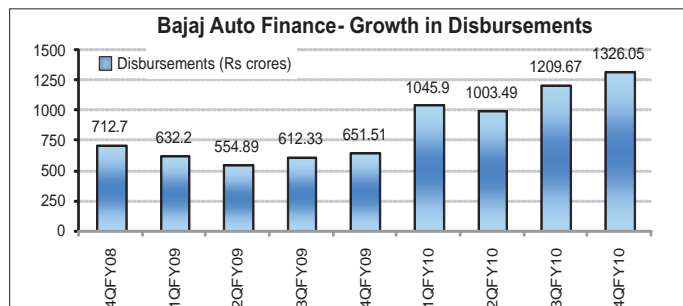
Source: Company

During 4QFY10, the company clocked gross written premiums of INR 924.44 crore compared to INR 868.84 crore in the year-ago period.

Strong growth in disbursements

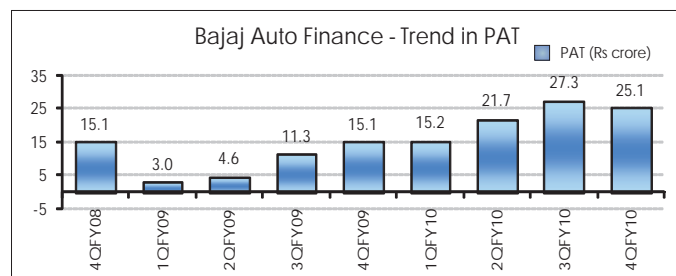
Bajaj Auto Finance Limited (BAFL)

Bajaj Auto Finance, the vehicle finance arm of the group, witnessed a strong quarter in terms of business growth with disbursements. The company reported a net profit of INR 25.12 crore, a 67% jump as against INR 15.06 crore in the quarter ended March 2009. Sales rose 42.07% to INR 224.53 crore in the quarter ended March 2010 from INR 158.04 crore in the year ago quarter. As a result, the company reported a 44.1% y-o-y growth in its total operating income to INR 252.76 crore. In addition, BAFL's net interest income grew 42% y-o-y at INR 198.2 crore, with deployments almost doubling to INR 1,326.05. crore



Source: Company

For the entire 2009-10 fiscal, the company's net profit rose over twofold to INR 89.41 crore, compared to INR 33.92 crore in the previous fiscal. Total income for FY10 stood at INR 910.06 crore, up 53% from INR 594.81 crore in FY09.



Source: Company

Industry Overview

Life Insurance Industry: Stiff Competition: Entrant of private players

Private players changed the game

With a huge population base and large untapped market area, India's Life Insurance Industry offers a vast opportunity for potential players. Today, at a value US \$ 41-billion Indian life insurance industry is considered to be the fifth largest life insurance market in the emerging economies globally, growing at a rapid pace of 15-20 percent annually. It all started with the post-liberalization era,

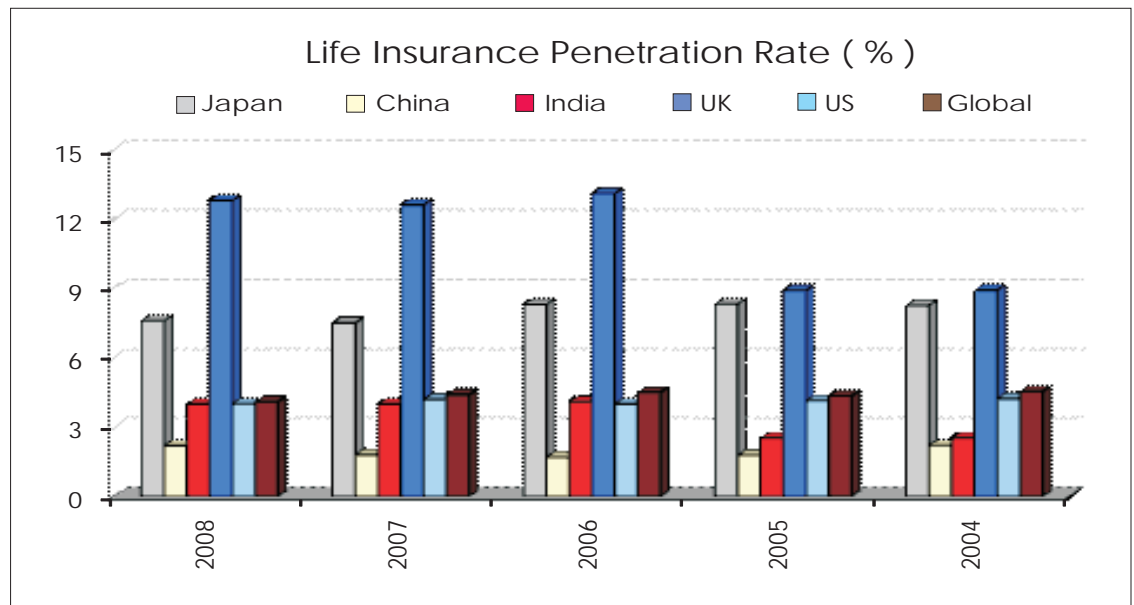
when the Indian life insurance industry underwent a big change with the entry of private participants along with a streamlined regulatory and supervisory regime. While it broke the monopoly of Life Insurance Corporation (LIC), the rate of growth in the post liberalization period has been faster in terms of product innovation, increasing awareness and the use of alternative distribution channels.

Today, as per IRDA, there are at present 22 private life insurance companies along with LIC registered with the Authority.

Penetration levels still low: A future growth Catalyst

Under penetrated market: A potential growth area. Nearly 80% of the Indian population is without any life insurance cover and health schemes. Meanwhile, the insurance penetration levels of life and other non-life insurances in India are also well below the international standard. Compared to the penetration rate of around 8%-10% in other Asian countries, India's penetration rates of life and other non-life insurance constitutes approximately 4% and 0.67% respectively. The global average of life Insurance penetration is 4.4%.

Going further, India's Insurance density measured as ratio of premium to total population is at US \$47.4 (2008-09), while China has it at US \$71.1, UK's insurance density at 7113.7 (one of the highest) and US's insurance density has it at 4086.5. These numbers alone indicate the immense growth potential of the insurance sector.



Source: IRDA

Improved performances in the first-three quarters of 2009-10. The life insurance industry registered an impressive growth of 25.47% in 2009-10 against deceleration of 6% registered in 2008-09. The 23 life insurers mobilised a first year premium of INR 1.09 lakh crore in 2009-10 compared to INR 87,108 crore in the previous year. LIC, during the year, collected a premium of INR 70,891 crore versus INR 52,954 crore in 2008-09, thereby growing by around 34 % during the year. As a result, the market share of LIC also increased to 65% in 2009-10 versus 61% in the previous year.

The other 22 private insurers mopped up a first year premium of INR 38,399 crore in FY2010 against INR 34,154 crore in the year-ago period, showing a growth of over 12 %. Among private life insurers, SBI Life was the biggest player. The insurer collected INR 7,041 crore as first year premium compared to INR 5,386 crore in 2008-09.

In terms of policies/schemes sold, state-owned LIC once again dominated the market. It sold 3.8 crore policies compared to 3.5 crore policies in 2008-09. Among private life insurers, Reliance Life Insurance sold the highest number of policies at 2.32 crore, closely followed by Bajaj Allianz Life that sold 2.23 crore in the same period.

On the basis of Weighted New Received Premiums (WNRP), private players clocked a better WNRP growth both on a yearly and monthly basis. WNRP for SBI Life Insurance grew significantly (37%) against private players' growth of 8%. ICICI Prudential Life Insurance (up

72% yoy and 97% mom), while Reliance Life Insurance grew in line with other private players. The remaining large private players' growth was flat to negative at 20%.

Premium Collection			
Insurers	Apr-Mar 10	Apr-Mar 09	% change
LIC	70891	52954	33.87
SBI Life	7041	5386	30.71
HDFC Standard Life	3261	2644	23.34
ICICI Prudential	6334	6813	-7.03
Bajaj Allianz Life	4451	4492	-0.90
Reliance Life	3921	3514	11.58
Birla Sun Life	2958	2824	4.75
Max New York Life	1848	1844	0.22
Private Total	38399	34154	12.43
Grand Total	109290	87108	25.47

Figures in Rs. Crores

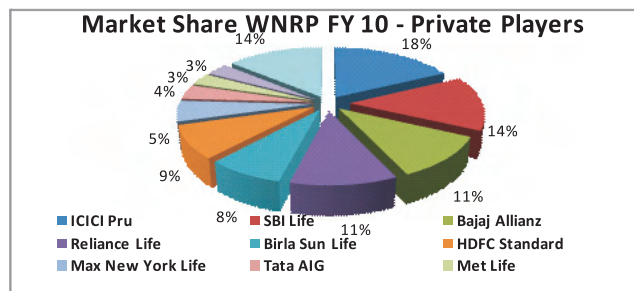
Source IRDA

No of Policies sold upto March		
Insurers	Apr-Mar 10	Apr-Mar 09
LIC	3,88,62,662	3,59,12,667
Reliance Life	23,26,154	22,19,678
Bajaj Allianz Life	22,30,686	25,90,765
ICICI Prudential Life	17,61,870	26,38,238
SBI Life	13,53,423	9,37,662
HDFC Standard	9,50,522	10,74,205
Private	1,43,61,773	1,50,10,710
Grand Total	5,32,24,435.00	5,09,23,377.00

Source: IRDA

Rural expansion is the key for future growth

Outlook: Bright prospects. So far, India's life insurance market has grown rapidly from 2001-2007. New business premiums have grown at a CAGR of 41% and combined total premium growth has been pegged at around 28% over this period. While the numbers are impressive, the industry is still at its nascent stage. But with rising population and higher income levels, the Indian life insurance industry by 2011-2012 is likely set to witness an increase of 5.1% to 6.2% of GDP in premium collection from the current 4.1%. The total market premiums could go up to US \$ 80-100 billion from the current US \$ 40 billion, more than two-fold increase on the back of higher annual growth of new business Annual Premium Equivalent (APE). The large part of this growth is expected to come from Tier-II and Tier-III cities and small towns.



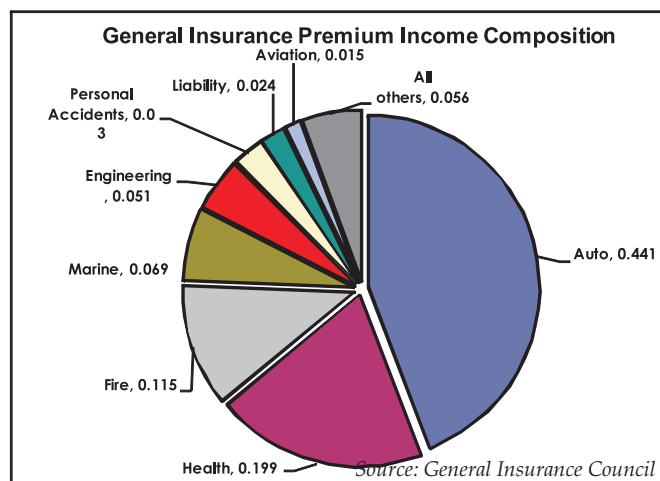
Meanwhile, the government is likely to reintroduce the Insurance Bill which proposes to increase the FDI cap in private sector insurance companies from the current 26% to 49%. Once cleared, it will help the Indian insurance companies raise much needed capital for expansion, thus presenting a huge opportunity for the foreign players to tap the life insurance market.

Product Mix: Autos form chunk of the pie

General Insurance Industry

India's non-life insurance sector is on an upswing though at a slower pace, given the de-tariffing of most segments since January 2007. The industry has grown by over 15% annually over the last five years. Under the de-tariffication regime, wherein a general insurer can price their standard products freely in the fire, engineering and motor segments. With the removal of pricing controls, insurers have to discount their rates, in their quest to retain or win market share. These practices not only led to stiff competition but also marked a fall in both premium rates and profitability margins.

However, motor and health insurance are the two sub segments of the general insurance segment which have shown tremendous potential and are growing fast.



Auto insurance has the biggest share in the general insurance market. Meanwhile **Health insurance** segment has shown substantial growth in the past few years. As of now, it contributes around 19.9% - second largest contributor after auto insurance. As of now, total number of general insurers registered with IRDA has gone up to 23, 4 public sector and 19 private sector players.

Non-life sector maintains uptrend. Backed by the recovery in auto industry and retail health segment, the general insurance industry reported a 13.42% growth in gross premium collection in 2009-10. The industry collected gross premiums of INR 34,755.21 crore in 2009-10 compared with INR 30,641.90 crore in 2008-09.

According to IRDA, the club of the four state-owned insurers logged a business growth of 13.85%, with their total premium coming at INR.20,528.47 crore, up from INR.18,031 crore earned in 2008-09. At the same time, the growth of the private ones stood at 12.82%.

Individually, United India posted a growth rate of 20.98% in the last financial year, whereas other two public insurers New India and National reported single-digit growth. Oriental Insurance moved ahead by reporting 19.02% growth in gross premium income. The two large private sector players- ICICI Lombard and Bajaj Allianz registered a drop in their premium collection during 2009-10.

Road Ahead: The Indian General Insurance market is likely to change significantly over the next few years. It is estimated that projected premium from General Insurance will rise to levels of close to INR 1 lakh crore in next 5 years since awakening is increasing in masses to insure themselves against possible casualties. So far, the premium from general insurance has recorded growth at a CAGR of over 15% between 2000 until 2009. From the levels of less than INR.10,000 crore registered in 2000, the amount of gross premiums went up to close to INR 35,000 crore by 2009 with larger penetration levels. This growth was mainly confined to large towns, metros and other cities. But since awakening levels are rising and rural incomes are surfacing, it is driving a large chunk of rural population towards insurance. In addition, rising growth in automobile sector, huge strides in healthcare will also open up health insurance potentials substantially.

Gross Written Premium upto March			
General Insurers	2009-10	2008-09	% change
New India	6013.43	5508.83	9.16
National	4620.92	4279.90	7.97
United India	5175.37	4277.77	20.98
Oriental	4718.75	3964.80	19.02
Royal Sundaram	907.08	805.79	12.57
ICICI Lombard	3295.06	3419.84	-3.65
Bajaj Allianz	2515.70	2640.49	-4.73
Reliance General	1979.65	1914.87	3.38
Public Total	20528.47	18031.30	13.85
Private Total	14226.74	12610.60	12.82
Grand Total	34755.21	30641.90	13.42

Figures in Rs. crore

Source: IRDA

Peer Comparison and Valuation

Given the general slowdown in the economy, Bajaj FinServ Ltd (BFS) maintained a strong bottomline growth in business during the period, growing at over twice the industry rates. BFS through its presence in lending via Bajaj Auto Finance and in Protection through Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance is a zero-debt company and has got cash and cash equivalents of more than INR 600 crores (approx) as on FY09 for its future growing business. In sync, the company has been on an expansion drive: it is already waiting for the approval from SEBI for its asset management company and has two more proposals to add to its varied basket of products. The two new segments that the firm is likely to rollout by next year include mutual funds and wealth management business.

In addition, the revised RBI guidelines on transfer of shares by Indian residents to non-residents under DCF method as against earlier net asset value method, could positively lead to an upside potential for the company (in best-case scenario). In view of this, we are initiating coverage with a "BUY" rating on BFS with a price target of INR 617. BFS's valuations on the street appear attractive amidst growing profits. We believe the stock offers good investment opportunity for investors looking at medium to long-term investment.

Our target price of INR 617 is derived by using a discounted cash flow model, estimating the company's growth and the sectors growth for the long term. Assuming a growth rate of 1.8% till perpetuity and a discounting rate (cost of equity K_e) at 10.40%, our calculations show that the stock is trading at nearly 26.4% discount from its calculated fair market value or about INR 454.20 lower than its calculated fair market value of INR 617.

BAJAJFINSV PEER GROUP COMPARISON								
Company	BSE Symbol	Price	Market Cap.	Book Value*	EPS (TTM)*	P/B*	P/E* (TTM)	P/C*
Bajaj Finserv Ltd	532978	456.15	6571.53	85.35	2.03	5.32	12.40	127.94
Reliance Capital	500111	637.05	15681.62	276.50	13.79	2.30	38.48	43.84
Religare Enterp	532915	415.25	5308.53	199.31	4.33	2.08	55.74	88.92
Tata Inv Corp	501301	466.85	2251.95	239.02	40.20	1.95	11.97	11.60
IndiaBulls Sec	532960	31.00	712.82	14.93	2.66	2.08	10.87	8.66

* As per latest standalone adj. profit after extra ordinary items

Source: Reuters, moneycontrol.com

Income Statement

<i>Annual Income Statement</i> <i>All figures in INR crore except share data</i> <i>FY ending -March</i>	March FY 08	March FY 09	March FY 10	March FY 11E	March FY 12E
Income from Operations	226.75	280.12	459.72	689.58	951.62
Other Income	2.06	2.97	1.21	-	-
Operating result from insurance business	125.19	98.06	0.00	-	-
Amount T/F from Policyholders account	3.26	4.15	524.48	524.48	524.48
Total Income	357.26	385.30	985.41	1,214.06	1,476.10
Expenditure					
Contribution to the policyholder fund	295.18	163.91	69.45	103.44	142.74
Other expenses	18.20	51.18	101.88	124.12	171.29
Total operating expenses	313.38	215.09	171.33	227.56	314.03
PBIDT	43.88	170.21	814.08	986.50	1,162.07
Interest	0.00	0.02	0.00	3.40	3.40
PBDT	43.88	170.19	814.08	983.09	1,158.66
Depreciation	29.70	29.81	22.02	68.81	129.63
PBT and before income from associates	14.18	140.38	792.06	914.28	1,029.03
Income from associates after tax	8.25	13.97	38.22	38.22	38.22
PBT	22.43	154.35	830.28	876.06	990.81
Provision for tax:					
Current tax	94.67	76.50	98.75	175.21	198.16
Deferred tax charged	(14.89)	(4.38)	0.00	0.00	0.00
Fringe Benefit tax	3.55	4.56	0.00	0.00	0.00
Total Tax	83.33	76.68	98.75	175.21	198.16
Profit/(Loss) before Minority Interest	(60.90)	77.67	731.53	700.85	792.65
Less: Minority Interest	(28.15)	6.36	172.41	0.00	0.00
Adjustments for revaluation			(4.59)		
PAT for EPS calculation	(32.75)	71.31	554.53	700.85	792.65
Weighted average no. of shares	14,46,83,510	14,46,83,510	14,46,83,510	14,46,83,510	14,46,83,510
EPS (Diluted)	(INR 2.3)	INR 4.9	INR 38.60	INR 48.44	INR 54.78

Balance Sheet

<i>Annual Balance Sheet</i> <i>All figures in INR crore</i> <i>FY ending -March</i>	March FY 08	March FY 09	March FY 10E	March FY 11E	March FY 12E
Gross Block	613.00	709.21	1,321.76	1,906.65	2,514.88
Depreciation	364.51	464.19	486.21	555.02	684.65
Net Block	248.49	245.02	835.55	1,351.62	1,830.22
Capital work in progress	60.26	119.24	119.24	119.24	119.24
Intangible Assets (Goodwill on investments)	15.86	3.32	3.32	3.32	3.32
Deferred Tax Assets (net)	19.14	23.52	23.52	23.52	23.52
Investments	4,229.59	4,273.74	4,273.74	4,273.74	4,273.74
Policyholders' investments	1,468.70	2,321.71	2,321.71	2,321.71	2,321.71
Assets held to cover linked liabilities	10,954.17	14,065.80	14,065.80	14,065.80	14,065.80
Current assets:					
Sundry Debtors	0.13	3.11	62.98	94.46	130.36
Cash & Bank Balances	649.05	641.84	1,061.92	1,605.00	2,331.42
Other Current Assets	330.67	592.31	592.31	592.31	592.31
Loans and Advances	186.97	245.45	245.45	245.45	245.45
Total Current Assets	1,166.82	1,482.71	1,962.66	2,537.23	3,299.54
Miscellaneous Expenditure	0.00	0.03	0.03	0.03	0.03
Total Assets	18,163.03	22,535.09	23,605.57	24,696.21	25,937.12
Shareholders' Funds					
Equity Share Capital	72.34	72.34	72.34	72.34	72.34
Reserves & Surplus	1,948.91	2,015.60	2,747.13	3,447.98	4,240.63
Fair value change account	(1.86)	0.00			
Total Shareholders Funds	2,019.39	2,087.94	2,819.47	3,520.32	4,312.97
Policy Liabilities	1,072.85	1,800.51	1,800.51	1,800.51	1,800.51
Provision for Linked Liabilities	10,954.17	14,065.30	14,065.30	14,065.30	14,065.30
Funds for future appro. in policyholders' a/c	390.98	502.32	502.32	502.32	502.32
Minority Interest	336.85	343.87	343.87	343.87	343.87
Loan Funds:					
Unsecured Loans	310.76	310.76	310.76	310.76	310.76
Total	13,065.61	17,022.76	17,022.76	17,022.76	17,022.76
Current liabilities & Provisions:					
Current Liabilities	2,086.18	2,259.66	2,598.61	2,988.40	3,436.66
Provision	991.85	1,164.73	1,164.73	1,164.73	1,164.73
Total Current Liabilities	3,078.03	3,424.39	3,763.34	4,153.13	4,601.39
Total Liabilities and SE	18,163.03	22,535.09	23,605.57	24,696.21	25,937.12

Key Ratios

	FY08	FY09
Key ratios		
Debt-Equity Ratio	0.50	0.62
Long Term Debt Equity Ratio	0.50	0.62
Current Ratio	0.09	0.09
Turnover Ratios		
Fixed Assets	0.03	0.03
Inventory	0.00	0.00
Debtors	2811.62	0.46
Interest Coverage Ratio	0.00	7713.5
Valuation Ratio		
Price to Earning (P/E)	-	35.28
Price to Book Value (P/BV)	-	0.94
Price/Cash EPS (P/CEPS)	-	23.13
EV/EBITDA	-	21.18
Market Cap/Sales	-	6.36

Source: Capital Line

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Branches & Associates

Delhi		Haryana	Uttar Pradesh	Uttaranchal
Barakhamba Road	Paschim Vihar	Faridabad	Agra	Dehradun (Subhash Road)
Chander Vihar	Pitampura (CD Plaza)	Hissar	Aligarh	Dehradun (Arya Nagar)
East Patel Nagar	Pitampura (KD Market)	Mahender Garh	Baghpat	Haridwar
Hauz Kazi	Pushp Vihar	Panipat	Meerut (Samrat Palace)	Kotdwar
Inder Puri - I	Rohini	Rohtak	Meerut (Delhi Road)	
Inder Puri - II	Rohtak Road	Sonepat	Varanasi	West Bengal
Janak Puri	Shahadra			Kolkata
Kalkaji	Shastri Nagar	Punjab	Bihar	
Karol Bagh	Sheikh Sarai	Amritsar	Balia	Mumbai
Najafgarh	Siddharth Extension	Barnala	Darbhangha	Borivali
Naya Bazar	Vikaspuri	Jalandhar		
Netaji Subhash Place				

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