



“Bajaj Finance Limited Q4 Financial Year 2015 Results Conference Call”

May 20, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Finance 4Q FY 2015 Results Call hosted by JM Financial. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Uberoi from JM Financial. Thank you and over to you!

Karan Uberoi: Thank you. Good evening everybody and welcome to Bajaj Finance's Earnings Call to discuss the fourth quarter results. To discuss the results we have on the call Mr. Rajeev Jain, who is the Managing Director, Mr. Rajesh Viswanathan who is the CFO, Mr. Pankaj Thadani who is the Chief Compliance Officer and Mr. Sandeep Jain who is Head of Investor Relations. May I request Mr. Rajeev Jain to take us through the financial highlights subsequent to which we can open the floor for Q&A session? Over to you Sir!

Rajeev Jain: Thank you. Good afternoon to all of you. We have just updated uploaded on our website, the presentation for Q4 as well. I will jump very quickly on to the page 12 of the investor presentation. Overall a pretty good quarter for the company, the overall balance sheet grew to 32,410 Crores which is a 36% growth, total income grew 31%, profit after tax grew at a very strong steady base of 27% to 231 Crores in the quarter. The company acquired record 1.16 million customers in the current quarter, which is a 51% growth.

Loan loss and provisions grew by 81% but it included a non-recurring provisions that we took on account of two factors one was a non-recurring provision and the other was a revision of our mortgage provisioning policy both of which were non-recurring in nature which is as there were one timers accounted for 17.5 Crores adjusted for this it would have been 53% growth.

Gross NPA and net NPA remained very steady at 1.51% and 0.45% that is really where they remained through the year and they remain pretty steady in Q4 as well.

Provisioning coverage stood at 71%. Capital adequacy post dividend stood at 17.97%, tier I capital stood at 14.15% both far in excess of RBI requirement. Board has recommended a dividend of Rs.18 per share. So overall a pretty good quarter on all matrix given that it is the full fiscal results are also out, I will just take two minutes to share how the overall full year fiscal has been.

The company acquired record 4.92 million customers in the fiscal gone by, which is 1.6 million customers more than last year which is a 45% growth. The profit after tax grew by



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25% on a full year basis. The total income grew by 33% and crossed the 5000 Crores mark to 5418 Crores. Loan loss and provisions grew by 49% to 385 Crores. Gross NPA stood because it is a cumulative number remained at 1.5 and 0.45, capital adequacy I have talked about, so pretty strong year and for the company had a continued strong quarter for the company as well.

I will jump straight to management discussion, which is on slide #15 and #16. I will just take five seven minutes and then we can take on questions.

Overall market assessment, bank credit growth continued to remain very slow till March 20 the growth was 9% which on March 31 actually grew to be 12.6%, much lesser than last year and if you took the first 350 days it was only 9%. Output gap continued to remain very low, EBITDA you would all be aware of March at a five-month low of 2.1%. Consumer durable growth data declined 4.7% though much better than corresponding period a year ago when it declined by 11.8%.

Auto sector some revival is visible. There was a 9% growth. Two-wheeler grew by 8%, three-wheeler grew by 11%, passenger vehicle grew by 4% and commercial vehicles degrew by -3%. This degrowth is much lesser than what it had been for the last previous two fiscals. Two wheeler growths were largely driven by scooters, which grew by 25%. Real Estate sector remained really slow, some of the markets saw the depreciation like lots of northern markets but otherwise if there was a growth the growth was in low single digit in terms of appreciations.

On volume momentum the company's volume momentum was strong so was the AR momentum. The company continued to work towards reducing the beta in its business model by continued diversification of this portfolio growing lesser riskier assets in the portfolio so on and so forth.

Two-wheeler financing penetration it jumped from 28% to 31% in the current quarter; however, overall volumes on year-on-year basis dropped by 16%. On a full year basis it dropped by 14%. Just as a reminder we are essentially a captive lender so if Bajaj Auto has a soft growth then we would also have a soft growth in our two-wheeler and three-wheeler lending business.

Three-wheeler lending business degrew by 29%; in the third quarter it had degrown by 39%. We had some portfolio quality related challenges in the business so in the last six months this portfolio has actually degrown by 40% and 30% and 28% respectively.



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Consumer durable business continued to have a strong showing acquired 800,000 customers in current quarter despite a muted growth. World Cup did drive up sales of televisions, the EMI card business contributed to close to 45% of the 800,000 customers that we acquired as a result of strong stimulation, strong promotion and activation campaigns from the EMI card business.

EMI card business from a quality of because it is to existing customers, its delinquencies in general happened to be just about half of the new customer for us a company historically for last three to four years, so it helped that it will grow our EMI card business.

In our consumer durable if our EMI card business grows then it is better for the overall quality of the portfolio. In the current quarter the company acquired 300,000 new EMI card customers. The overall EMI card itself is now up at 3.3 million customers.

Digital product financing business delivered 87,000 customers, which is at 313% growth. Last year same time we did not have financing tie with Samsung that is why you are seeing the large growth that you are seeing, largely last year we had only Apple and given the company is focusing only at affluent customers in digital products, we do not finance non-smart phones and that too smart phones below the value of 20,000 and that is why Apple and Samsung drive lion share if not virtually 95% of the overall volume that is driven by these two manufacturers.

Lifestyle business, which is essentially a furniture financing business disbursed 24000. Lifestyle business we hope to grow this business much more strongly as a result of separating this business from digital products. This should be a huge growth driver as we go forward from here. Cross-sell momentum remained very strong, salary personal loan for affluent salaried customers continued to grow well. Digital channels now contribute to 15% of the new acquisitions that which is online end-to-end approval and only the last mile requires the fulfillment alone is done by documentation executive otherwise from all the way up to approval 15% of the acquisition now comes from online for us as a company in the salaried personal loan business.

Rural business is now beginning to see fruits of our investments that we made over the last two and a half years. We were actually been working with strategy for last three but in market for the last two and half years, has now begin to really yield results. It grew with a very strong momentum. In the current quarter, we disbursed close to 330 Crores of new disbursals in the rural lending business and the business is now moving quite well.



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We are now present at 50 branches and 180 smaller towns and spokes we have launched out of these 230 towns in villages, we have launched in 150 towns and villages which is 26 branches and 125 spokes, the MSME rural wind business on March 15.

Mortgage business, business loan continued to grow quite well. Out of the overall business loan business, doctor professional loans, which are essentially doctors, contributed 22% of the business. In fourth quarter of this year we carved out a separate business out of our business loan business into doctors loans business. We are using cutting edge analytical tools to pre-approve super affluent and above category doctors in top 40 cities in India and approving them.

It is a different way of doing business and this business should grow very well and help us further diversify our loan business. Mortgage business remained in hypercompetitive mode. LAP business remained in consolidation mode, which has been so for the last three quarters. It grew at a much lower rate than the company. The overall growth rate for the LAP business versus the 35% balance sheet growth was sub 15%. In the LAP business the company-launched version 2 of it's direct to customer strategy to shift our overall acquisitions to the existing franchise, which is close to 9 million mass affluent and above customers.

Loan against securities business continued to grow very well. In a full year basis it has grown exceedingly well owing to strong market support from external standpoint.

Construction equipment business is now being fully provided for that is point 1. It is less than 175 growth of portfolio and it will fully wind down by September 2015.

Commercial infra business we continued to remain in pause mode. We did see some level of exits in the business, we managed to wind down 100 Crores of portfolios in the business in Q4 and further reduce our exposures in commercial infra.

To grow our commercial business, the company has launched in March financial institution group vertical and light engineering industry vertical. Both these along with auto component business should help grow commercial business in forthcoming years.

We also launched our wealth management version 2 and launched three channels in last quarter, which is a relationship management channel, a Tele RM/Video RM channel, and independent financial advisor channel in partnership with Bajaj Allianz General Company and with HDFC Life Company.



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So that is really the commentary, just as a last point on awards and recognition, the company was recognized as among the best employer in the country by second year in a row by Aon Hewitt Best Employers. They announced 11 best employers in the country. There was no ranking but we were the only financial services company to be ranked as per the Best Employer study done by Aon Hewitt.

Just last point as reminded to me by Rajesh, our fixed deposit book continued to grow in a healthy manner. We just stashed sort of 1000 Crores of FD book at 983 Crores while we garnered 381 Crores of fixed deposit. It is now the average tenure remains to be 20 months. Its contribution to the overall borrowing book is now close to 4%.

Just last point, there is, for some of you may have accessed the presentation, it is a new version of the presentation that we have uploaded. For compliance reasons we have not shared in the current quarter the portfolio wise summary. I do only want to state that all portfolios which we share remain very stable, also reflected in the gross NPA and the net NPA; however consumer durable portfolios, two-wheeler portfolios, lifestyle portfolios, personal loan portfolios, LAP portfolio, home loan portfolio remained very, very steady or I would say very similar to where they exited in Q3. That really brings me to the end of the management commentary and we are ready to take questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.

Ashish Sharma: Good evening. Congratulations on good set of numbers. Just on the digital part Rajeev, just wanted your views on you have seen some private banks have started focusing on the digital side, do you see this emerging as a competition for Bajaj Finance? Secondly your views and we have not heard anything on the tie-up with e-retailer you had mentioned about that we have a separate strategy for that, just on that?

Rajeev Jain: I think more competition is good that is point 1. Two our interest in e-commerce is to create long-term new avenues of growth as consumer behavior shifts in that direction, so we are not doing this for short term. We think it is a long haul play and we get no joy out of doing press releases on tie-ups. We are in advanced stages of engagement with all leading e-tailers at this point in time. We are taking a comprehensive solution on seller finance and consumer finance to them. As and when they are ready to do this, we are reasonably ready. So we are not only just talking to four e-tailers we are talking to a lot of smaller players who could tomorrow be in future be much larger. So we see it as a large opportunity because that is really the direction of the consumers and we are cognizant of that but we think it is a long haul. We have created a separate vertical under our President



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Consumer business who runs and run by a business side who is the e-commerce business head. So no action as yet but I have a single goal and the goal is what is the volume we are generating working with e-commerce, I mean so you will never see us make any announcement but that is our focus. Our focus is in generating business and I think you should ask whatever you are referring to what is the business that it is generating. So that is our strategy that is our approach that is the direction we are heading.

Ashish Sharma: But any colour on as to how much is for Bajaj Finance in terms of sourcing through the digital channel I mean how much of the business?

Rajeev Jain: We do not have a tie-up as yet right.

Ashish Sharma: No not from the e-tailer perspective but just from the digital perspective I mean?

Rajeev Jain: Digital grid today we offer three products, we offer salaried personal loan, we offer home loan for salaries, we offer business loan and we offer loan against securities. Month-on-month between these four products we are now acquiring close to somewhere between 55 and 60 Crores of new acquisition, which gets end-to-end approved digitally, and there is a documentation executive who runs to do the fulfillment of documentation. So you could walk in as a customer, get yourself approved that file does not go through a credit chain you would get approval in anywhere between 10 and 15 minutes time, the time that you take to key in the data that is required or going through full steps. So that number is now 55 to 60 Crores across all these four products, we foresee that this could grow to between 100 and 120 Crores in the current fiscal as we exit this current fiscal.

Ashish Sharma: Just lastly on the growth outlook, we have done very well in FY 2015 35% on a decent basis it is a good number, you expect such strong trends to sustain?

Rajeev Jain: I think foreseeably I think a 25% balance sheet grows and a 20% net income growth, we should be able to deliver as a company if you remain a growth company.

Ashish Sharma: Thank you.

Moderator: Thank you very much. Our next question is from the line of Ravi Naredi who is an individual investor. Please go ahead.

Ravi Naredi: Rajeev Ji, hats off for fantastic results in current situation. My point is that you have made the provision at 48% higher this year and in spite of that your gross NPA has risen to 1.5% in compared to 1.18%, can you comment on those two?



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- Rajeev Jain:** That number is entirely contributed by one large infra account where we are on a consortium so we have taken accelerated provision on that in the previous year as well, but not fully and that is the reason the gross NPA number has moved that is point 1. Predominantly I would say 75% contribution is that, balance 25% is contributed by some slippages in loan against property portfolio in the fiscal gone by. These are the two reasons otherwise it has been very, very steady.
- Ravi Naredi:** So that provision you have made or some more provision will come in the current year?
- Rajeev Jain:** In that infra account, we have covered around 50%. We could also see write back in that account but it depends on how the external environment for infrastructure companies change, if you do not see improvement in that account in the next one or two quarters we would probably provision the account fully.
- Ravi Naredi:** Secondly is the interest cost is 43% higher in compared to 35% gross in assets and the management so what is the reason?
- Rajeev Jain:** It is largely because on a year on year basis, there was a capital raise in the previous year so as a result you also see or drop in the previous year which is FY 2013 so that money equity does not have cost so that is the reason that is one driver; however, last year until November interest costs were running much higher than the previous year so these are the two reasons why interest cost grew. One was surplus equity that was sitting in the balance sheet and the second was for the first half of the year interest cost remained elevated.
- Ravi Naredi:** Current year definitely it will be down because 1400 you are going to raise, so there the cost over will be down this current year.
- Rajeev Jain:** That can happen.
- Moderator:** Next question is from the line of Sonal Gandhi from Capital Matrix. Please go ahead.
- Sonal Gandhi:** Thank you. Sir, I have a question on this bad debts written off, so what would be the bad debt written off during the year?
- Rajeev Jain:** Bad debts written off this is from the balance sheet data?
- Sonal Gandhi:** No, Sir, that is from P&L.
- Rajeev Jain:** We have not.



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- Sonal Gandhi:** Bad written off in the year?
- Rajeev Jain:** Bad debt written off data is normally in the balance sheet so I do not know.
- Sonal Gandhi:** Maybe we are routing it through the provision part but.
- Rajeev Jain:** Can we take two minutes? Can we just come back to you until our CFO just checks the number in the interest of time?
- Sonal Gandhi:** One more question, this question is on Q2 and Q4 why these two quarters are relatively bad as compared to Q1 and Q3?
- Rajeev Jain:** They are not relatively bad on a quarter-on-quarter basis, on a year-on-year basis the numbers do not change, but on quarter-on-quarter basis in the consumer durable business from new customer acquisition, it is an AC season 80% of the ACs sold in the year are sold in Q1, it is 30% of the industry sales, in Q3 is the Diwali season where all kinds of consumer durables sell including digital products and furniture so that is why Q1 and Q3 are seasonally stronger quarters and Q2 and Q4 are seasonally weaker quarters. There is a response; Rajesh would give you on the earlier question.
- Rajesh Viswanathan:** The bad debts written off are 182 Crores for this year and 129 Crores in the last year, 182 Crores also resulted in a release of provision of 139 Crores so net-net it is about 40 Crores.
- Sonal Gandhi:** Thank you Sir.
- Moderator:** Thank you very much. Our next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.
- Nischint Chawathe:** I first wanted two data points. One was what was the borrowings at the end of the quarter?
- Rajesh Viswanathan:** Borrowings ending the year which would be 27000 Crores.
- Nischint Chawathe:** Loans outside balance sheet?
- Rajeev Jain:** 260690.
- Nischint Chawathe:** Sorry, the loans outside balance sheet?
- Rajeev Jain:** 10.



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Nischint Chawathe: One or two more questions, one was I am just trying to understand you have been focusing a lot on cross-sell, so what proportion of the disbursement during the year in terms of quantum of disbursement would have been originated from existing borrowers?

Rajeev Jain: I would not be able to give you a number. We can give you a number but I would not be able to give it to you instantly but I will give you texture, Nischint. As I mentioned earlier, the consumer durable business 50% of the business comes from existing customer okay, that was 3.6 million customers so 1.8 million customers were repeat buyers. In lifestyle financing business, which is 80,000 customers, again 60% of the customers are repeat buyers. Repeat buyer's means from the total franchise. The total franchise of the company currently is the 11 million, so these 11 million and we did 4.9 million loans last year out of that 3.6 million was consumer durable, 1.8 came as repeat, lifestyle 60% which is out of 80,000, 48,000 were repeat, digital finance 60% again were repeat, two-wheeler and three-wheeler 20% are repeat, personal loan cross-sell 100% is repeat. In salaried loan 35% of the customers we acquired 38,000 customers were repeat. In SME business 30% of the customers are, when I say repeat being coming from existing franchise, between 30% and 35% of the customers business loans around 35%-40% and LAP and home loan around 30% between 25% and 30%. Rural business is a new business, so it is largely new customer at this point in time, and I will give you is some texture on business value.

Nischint Chawathe: I think I have broadly got it but I am still digesting the numbers. Just one or two more questions...

Rajeev Jain: Sandeep maybe you can put this together and give you the data. We will try and see if we can publish that from next quarter.

Nischint Chawathe: The other thing was on the LAP business, now what would be the strategy or would you kind of continue to run down the business?

Rajeev Jain: No we are not running down. It is still growing but growing very slowly. There are two issues in a business. One the hurdle rate that is coming through the new acquisition is adjusted ROE is just about 12%. We have done this business for seven years. It used to be 16% so that needs change so that is point 1. It did grow on a full year basis it grew as I said 14%-15%. It has to grow because it is a strategic asset class for us. The answer to the point 1 and point 2 is essentially going direct. We launched version 2 of our direct channel which is much sharper segmentation, much stronger customer proposition, much using analytics to pre-approve the client who may be a business known client or so on and so forth, and putting our proprietary sales force to do the loan that essentially means today the way the commission structure is customer is charged 1% and 90 basis points is shared with the distributor whereas in the direct business that we do we charge 1% and we do the



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business in 45 basis points. In the new model, we would be able to do in 30-35 basis points, so let us say 60 basis point improvement that would ensure that the hurdle rate ROE of 15% and above gets met No.1, the quality of customer will be better because it is a ring-fence customer which means he is not looking for a loan and we are taking a loan to him, the attrition rates will be lower. So I foresee that this 70-30 number in the LAP business which is indirect to direct in a 12 month horizon turn 30-70. Otherwise there is an issue with the hurdle ROE with the business, Nischint, so we are quite ahead in making the transition.

Nischint Chawathe: Just one final question and this was about the guidance that you gave for long-term loan growth and earnings. You said that we are looking at around 40% odd loan growth and around 20%?

Rajeev Jain: Must have been the year before. I never said that in the last 13 -14 months at least, that must be two years ago, Nischint do not take me out of context.

Nischint Chawathe: Sorry, so what would be your guidance on loan growth and earnings now?

Rajeev Jain: I think when we start a year in general our view is to deliver a 25% loan growth and a 20% net income growth. Clearly, we have a full product suite available, we have very strong management backing available, and our portfolios were in great shape. If the environment turn, can the growth be upwards of 30% the answer is yes, but until such time the environment remains what it is at this point in time I think the best-case scenario is to continue to deliver a 25% balance sheet growth and a 20% net income growth.

Nischint Chawathe: The net income growth is lower than the balance sheet growth and can we assume that broadly margins will tend to go down from here on?

Rajeev Jain: Margins would not go down Nischint. The mix would change.

Nischint Chawathe: Sorry, that is what I was referring to. Okay those were my questions. Thank you very much and all the best.

Moderator: Thank you very much. Our next question is from the line of Prakhar Agarwal from Edelweiss Securities. Please go ahead.

Prakhar Agarwal: Just couple of questions, first is on your commercial infra business, Sir you highlighted that there are couple of verticals that you have formed in the commercial infra to commence that business, can you throw some light on that how you plan grow it forward?



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Rajeev Jain: Fundamentally I mean these are the two businesses that we identified where which seemed I would say interesting by our commercial team and so financial institutions grew and essentially lending to non banks where I have an interest cost arbitrage as a result of brand and as a result of the larger size. So it is a business that we understand. We understand the drivers and the matrix and it is a large pool. When we looked at it, it looks like 120,000 Crores opportunity where the arbitrage is available to us, so that is one point. The second point is light engineering is closer if I drew a concentric circle it has some degree of overlaps even with our auto component business so it is a business that we understand, we understand auto component well so it is easier for us to understand light engineering as well so that is the second business. There is another vertical that we have identified. We have chosen to do that next year so we hope to build some volumes in both these. Our approach in the commercial business remains to build a measured long term sustainable low ROE but low burn business and that is a reason why we want to grow the business. So we will grow both these verticals in the current year and we hope that commercial starts to be a meaningful contributor in forthcoming years for us as a company.

Prakhar Agarwal: Secondly on this rural lending business last time last quarter you had attributed that you will be probably launching that business in Karnataka as well so have we done that and what are the plans additional geographies?

Rajeev Jain: We launched 11 branches in Karnataka and 4 more branches in Maharashtra and Gujarat. We now have 50 branches and 180 spokes, 230 towns and villages footprint is what we have as a company, 232. We are quite excited about the business in the same branches on March 1 we have launched business working capital loans and loans against property, again focused on affluent customers and above in the rural market. We hope to grow that business as well in the current year. So we are quite excited about the business, if first half goes well we have plans to grow in the second half of the year, new states would be added in the second half of the year as well for us as a company.

Prakhar Agarwal: Sir, one last question, we have seen a sequential decline in the net interest income, any outlook and some perspective on that?

Rajeev Jain: You have seen a sequential decline.

Prakhar Agarwal: Yes, we see a sequential decline in the net income?

Rajeev Jain: We continue to see it. We delivered on a full year basis, so I would look at ROA rather than looking at NIM because a drop in ROA and NIM should correspondingly two quarters lag you should see opex declining and in 6 to 8 quarters lag you should see loan loss and provisions declining so I would say the better thing to do would be to continue



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stay focused on and I am not saying do not look at it but we have delivered 3.2% ROA. I have said sustainably we want to deliver a 3% ROA as the company and 18% to 20% ROE. I think we have delivered 20.2% ROE in the current year, so while you are seeing margins decline you are seeing corresponding movement in opex and in loan loss and as a result it is 3.3%, I had said 3.2% ROE, it is 3.3% ROE, so I would not be troubled by NIM, it is not a compression, it is just a portfolio mix movement.

Prakhar Agarwal: Sir, one last question this housing trend I believe you had said do you have any outflow and what is the progress there?

Rajeev Jain: We are engaged with the NHB.

Rajesh Viswanathan: They are doing the due diligence and their inspection etc. has been completed so we are waiting for them to get some regulator approval and then they will give us a provision.

Prakhar Agarwal: Thank you so much Sir.

Moderator: Thank you very much. Our next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Hi Sir, basically on this NPA, adjusted for the infrastructure loan what would have been the gross NPA?

Rajeev Jain: Adjusted for the infra structured loan, it would have looked more like 32-33 basis points, I mean I am giving you...

Saurabh Kumar: 0.32%, so 32 basis points gross NPL that is it?

Rajeev Jain: Net NP and gross would have looked like 1.3.

Saurabh Kumar: Sir, just on this consumer portfolio, what is your experience Sir, what is like the loss given default on this business?

Rajeev Jain: It differs business by business. It is very difficult to generalize because there are close to 14-odd portfolios that we manage maybe if you circled up with Sandeep separately he could spend some time with you and we have reasonable I would say in most of them six seven year history so and they have churned many times over so we have reasonably.

Saurabh Kumar: Consumer durable financing if you can just like?



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- Rajeev Jain:** So, in general the matrix that we follow is last two sales matrix because the portfolio is churned very rapidly, that matrix is 85 basis points. Let me just tell you, I ran this business long, long time ago and I have seen this business and until G-Money and Citi financial closed in India these numbers were not even comprehensible so I think Euro use (unclear-41.34) very sharp customer segmentation focus, a very sharp dealer view is what has given us over the last seven eight years this kind of matrix.
- Saurabh Kumar:** One last question Sir, basically on your growth so I think one participant also asked so you highlighted 20%-25% growth. If I look at this year you have grown 35% and in your earlier concalls also you said 20%-25% but the growth has obviously been much better so what should a realistic number for next year look like?
- Rajeev Jain:** We do not want you to keep guessing. Let me be transparent and straightforward that the business construct is for a 25% balance sheet growth and a 20% net income growth. If the management outperformed if the external market supports, the growth could be higher. So this is my consistent response so in a way could one articulate that in the fourth quarter the management outperformed versus planned, I think that is really how I look, but it would not be proper for me to state that I can easily tell you right, a 30% growth you would buy because I delivered 35% growth that is not how we want to engage in community.
- Saurabh Kumar:** Sir, one last question if I may, so basically 54% of our borrowings are bank led, I mean, in your presentation so when the base rate decline do we pass on immediately?
- Rajeev Jain:** So in variable portfolios, the answer is yes, in fixed portfolios it depends on competitiveness, a state of competition I think these are the two drivers. The number of 54% also keeps moving so it also moves on quarter end which is really when we publish data because we have to respond to banks to use their short-term overdraft liens so realistically this number hovers between 42% and 47% actually.
- Saurabh Kumar:** Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Adesh Mehta from Ambit Capital. Please go ahead.
- Adesh Mehta:** Good evening Sir. Congratulations on a fantastic set of numbers. Sir you have been guiding that to do a net income growth of around 20% you would be needing to do an AUM growth of around 25%, but then what we are seeing in reality is for 25% net income growth we have to do around 35% AUM growth which we are doing right now, so Sir just wanted to know is there some thing we are missing in our budgeted incremental ROA like it is coming lower than what we have actually budgeted so basically my question is that



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the days when we really start doing 25% AUM growth our PAT growth could be lower than 20%?

Rajeev Jain:

Your question is very valid Adesh and I must compliment you. It is a very smart question. All of you are intelligent and I am not using it is an intelligent question. The response, I think it is a fair point. Let me you the response, it essentially mean, when we look at our portfolios we have high EBITDA portfolio and lower EBITDA portfolios. That essentially means that some higher EBITDA portfolios are not growing that well which has higher ROAs. That in our portfolio from a morale standpoint at this point in time as I shared even in current management discussions the two-wheeler business on a full year basis the portfolio declined by 14%. It is a higher margin business given the way we have created the model, it is tightly integrated into the Bajaj Auto and we have 80% dominance in terms of market share on the point of sale that business has degrown. That has grown. 27%-28% growth would have been sufficient to get a 25% net income growth so that is how your point is absolutely valid but that situation would change sometime.

Adesh Mehta:

So basically what is implicit in our 20% earnings growth assumption is the two-wheeler business picking up, am I right Sir?

Rajeev Jain:

What is implicit is the following: that essentially the diversified model is at work we have 15-16 businesses, some will have a good year, some will have an excellent year and some will have a bad year. Implicit level what it means is we should be able to still deliver 25% and 20%. Now last year it was two-wheeler in the current year, it could be something else, purpose and model of intent of creating a diversified business model. So we have clearly demonstrated that it has worked and has delivered results for us over the last two years.

Adesh Mehta:

Sir just some data points I would be needing, what could be your delinquency data for a different loan segments?

Rajeev Jain:

As I said we do publish this data every quarter due to the compliance reasons we are not able to do that. There is a change in the presentation as well. By end of Q1 we would again go back to publishing that data again so I only just wanted to tell you that across portfolios which you will see when we present Q1 the data remains very range bound (inaudible-48.15).

Adesh Mehta:

We have not seen any spike in delinquencies in any of the portfolios would that be a fair assumption?

Rajeev Jain:

In none of the portfolios. We have actually seen the improvements on a year-on-year basis, I would say most other than LAP. LAP we have seen year-on-year basis number from



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99.75 last year come down structurally to 98.6-98.7 that is where it remained in the current quarter.

- Adesh Mehta:** Sir, can I have the breakup of borrowings like into bank liens and secured NCD, CPA?
- Rajesh Viswanathan:** Bank lien contributed around 54% of the overall borrowing, fixed deposit around 4% to 983 Crores, year-to-debt stood at 990 Crores which is 4% of the overall borrowing, (indiscernible-49.20) contributed 5% and nonconvertible debenture contributed 33%.
- Adesh Mehta:** How much did CPA contribute Sir?
- Rajesh Viswanathan:** CPA is 5%.
- Adesh Mehta:** Thank you Sir. That is it from my side.
- Moderator:** Thank you very much. Our next question is in the line of Umang Shah from Emkay Global. Please go ahead.
- Umang Shah:** Thanks for taking my question. Congrats on a steady quarter. Just wanted to understand out of a rural portfolio of 330-odd Crores how much would be vehicle finance?
- Rajesh Viswanathan:** Vehicle finance would be around 50-60 Crores.
- Rajeev Jain:** It is not vehicle finance, it is just to remind you, we do only re-finance, so we do not do vehicle finance.
- Umang Shah:** Please correct me if I am wrong, so basically the strategy on two-wheeler financing or auto or vehicle finance strategy remains the same that we will remain as a captive financier as of now?
- Rajeev Jain:** Very much, yes. It is not vehicle rather than loan for vehicle. It is a very small portfolio. We do not want to compromise on the segmentation so we do only CAT A, B and C cars. We do not do CAT D car so let us say if it's an Indica or Indigo and so and so we do not do. It is our approach there is nothing wrong with the car. It is our segmentation. We do not do two wheelers. We do not do commercial vehicles. We do not do tractors so we want to continue to remain for segmentation so that is why we are taking longer to build this portfolio we were quite comfortable with that approach.
- Umang Shah:** Just to confirm in VS you said you do not do CVs so it would be purely personal cars?



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- Rajeev Jain:** Largely yes.
- Umang Shah:** My second question was that going by whatever discussion as we have had on the call so far assuming that over next three years timeframe we are closer to a 55000 to 60000 Crores balance sheet on that AUM size our consumer portfolio should be still at closer to 40% or you think that will probably go down?
- Rajeev Jain:** I think in the long run we are at 40%. I would see that go down to around 35%. SME adjust to around 45%. We get commercial to around 13% to 15% and rural to be around 6% to 7%. That is our thought process. It would be determined by external environment and how we perform in each one of these segments.
- Umang Shah:** Broadly so, the understanding should be that largely this AUM mix should be helping you to achieve the 3% ROA that is something which is not going to be diluted right?
- Rajeev Jain:** That is what I was going to say, yes, that is correct.
- Umang Shah:** Perfect, and just last question was, will the capital raising exercise be concluded in this quarter, should be?
- Rajeev Jain:** I cannot respond to that I have compliance guy sitting here. There is always a reason to go on.
- Umang Shah:** Thanks and all the best.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Uberoi for closing comments.
- Karan Uberoi:** On behalf of JM Financial I would like to thank Mr. Rajeev Jain and the Senior Management team of Bajaj Finance and all the participants who are joining us on the call today. Thank you and good-bye.
- Rajeev Jain:** Thank you very much.
- Moderator:** On behalf of JM Financial that concludes the conference call thank you for joining us. You may now disconnect your lines.