



## “Bajaj Finance Q4 FY18 Results Conference Call”

**May 17, 2018**



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**MODERATOR:** **MR. KARAN SINGH -- JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

**Moderator:** Ladies and Gentlemen good day and welcome to the Bajaj Finance Q4 FY18 Results Conference 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 questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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 Singh from JM Financial. Thank you and over to you sir.

**Karan Singh:** Good everybody and welcome to Bajaj Finance Earnings Call to discuss the Q4 FY18 Results. To discuss the results, we have on the call Mr. Rajeev Jain who is the Managing Director, Mr. Sandeep Jain who is CFO, Mr. Rakesh Bhatt who is Chief Operating Officer, Mr. Atul Jain who is now CEO of Bajaj Housing Finance and Mr. Anup Saha who is President Consumer Business.

May I request Mr. Rajeev Jain to take us through the financial highlights and subsequent to which we can open for floor for Q&A session. Over to you sir.

**Rajeev Jain:** Good afternoon to all of you. We have uploaded the investor presentation in the investor section of our website. So, I will refer to the presentation for my comments and the management commentary.

If I can jump straight to Slide #8 of the presentation this is essentially the last 11 years track record of the company since we started the transformation journey I think it has been a pretty strong full year for the company which went by which is FY18. We ended the year with 84,000 crores of assets and profit after tax growth of 46% at 2674 crore. Overall year-on-year and CAGR as you can see in the presentation a very strong year-on-year asset grew 40% NII grew 43% operating expenses in this grew 44% that is the number that we got to track more closely as we get into the next year.

Loan losses and provisions came in stronger at only 30% growth and overall PAT grew by 46%. What gives me greatest joy in this panel is three important metrics Return on Assets after 5 years came in at 3.9%, a tad below 4%, Return on Equity despite the capital that we raised which is a large capital raise of 4.500 crore still came in at 20.5% and gross NPA and net NPA performance exiting the year came in at a record low of 1.48% gross NPA and net NPA of 38 basis points and provisioning coverage improve further to 75%. So pretty strong year for us as a company. If I may jump to management commentary and then I will open it for which is on Slide #14 essentially as you articulated there that BHFL is now fully operational since February 18.

Atul who has been at the company for last 16 years and in the previous role enterprise risk officer has been appoint as a Chief Executive Officer. The company is run independent from Bajaj Finance other than treasury. Treasury supports them horizontally otherwise entire management of Bajaj Housing Finance is independent of BFL. We think with a sharper focus the ambition is to build the industry leading mortgage business in the next three to four-year horizon. Overall the granularity of portfolio remains an important consideration so as part of that process we

added 215 locations in the current quarter itself and overall, we have added close to 350 odd locations in the last one year and the presence now is 1332 locations as a company. We think that should augment growth on one hand reduce risk on the other and also ensure continued growth momentum for us as a company for the next few years. Opex to NIM, as I said previously when I was starting financial commentary that is an area I would like the number to anchor between 40% and 41%, but given that we were having a strong year as you can see geo expansion to investment in talent technology and geography has meant that the number on a full year basis came in by 80 basis points higher than what our forecast which is 41%, but it is more investment than expense that is really how I would look at it. Headwind on this panel is the macros while we are positioned very well as a company given our ALM, but macro is the headwind micro is the tailwind that is really how I look at it. The deterioration in macro could mean lower margin businesses will get impacted, but we as a company are a micro focus company so we should be very well placed to manage the impact of the deteriorating macro.

Portfolio quality, we have added an additional panel to further improve transparency on risk metric that is a new panel, which is page 27, there has been added so that provides greater granularity of information in terms of risk metric. I think it has been a very strong quarter and exit from a risk metric standpoint. We believe in management and that risk is the engine of the growth of a company and engine is firing on all cylinders given we do not even have a single yellow in the portfolio metric that we have actually laid out to the street in this presentation. Last but not the least, we made a strategic investment in a wallet company which is India's second largest wallet company and created Bajaj Finserv MobiKwik Wallet. It is an exciting space and we are working very closely with the company to digitize our entire franchise and augment growth as we get into the next fiscal and to be followed in the next few years.

So that is on Page #14 if I take you for a moment to page on the franchise which is page 16 company ended with 26.2 million customers and close to 15.5 million what we call cross-sell franchise people that we want to do business with. It was an addition of a million customer just in one quarter of what we called the best customers and overall, we added 1.41 million customers. It is one of the largest retail franchise now in India among the top three or four retail franchises in India. We back this franchise with product suite that we have, as we offer one of the most diversified product suites. We back that with technology and analytics and hopefully we can create a sustainable growth model for the next few years for the shareholders.

Page #17 just retail distribution 1332 location 64, 500 retail points that we are doing business with. I will just jump very quickly to Slide #23, 24 essentially and 25 overall structural improvements. Improvement in two areas was caused by portfolio sales of Rs.64 crore not a very large portfolio sale, but loan against property business and in the home loan business, these are the two areas that turned green partially due to the Rs.64 crore portfolio sale but as I said the number is not very material and significant. Provisioning coverage in Slide #26 and then I will open up for questions. The consumer business gross NPA, SME, rural very steady and across all three of them improvement in the previous quarter that is really the quarter page 27 is there for those who are interested in the more granular NPA data moment that is really how the quarter is

overall stands for the next fiscal remains reasonably strong if the exit is strong then the entry makes the journey easier that is really where we are myself and the management is here to respond to any question.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. We will take the next question from the line of Ronak Raichura from Asian Market Securities. Please go ahead.

**Ronak Raichura:** Sir my question I was just looking at your two businesses one is of the mortgage business which is there even in the standalone and now that you have a dedicated housing company. I believe there will be advantages of actually having a housing finance company so do we plan to actually sell the standalone business mortgage business which is there in the standalone entity to the housing finance company?

**Rajeev Jain:** So fundamentally BFL shall not do - it is a 100% subsidiary of Bajaj Finance, so that is point one. Incrementally even we want to create a strong standalone mortgage business and given the size of the opportunity as a strategy, we decided that it will be run in BHFL. The 20,000 crore of balance sheet that we see as Q4 is the portfolio which was acquired till January 2018. Since February the entire acquisition sits in BHFL, so incrementally all assets. BFL does not do any mortgage business and any mortgage assets or any mortgage business is done through Bajaj Housing Finance.

**Ronak Raichura:** So then repayment that will happen therefore there will be no incremental business in Bajaj Finance and therefore the book will keep on falling right.

**Rajeev Jain:** If I may just add we expect 2.5 year by which the entire transition should happen in 2.5 to 3 years. My sense is between 2.5 to 3 years' time, As Sandeep is rightly saying not a material number you may see sitting there.

**Ronak Raichura:** So my question is therefore there will be definitely some incremental advantages of doing the business under a housing finance company. I understand that the sources of funding would be cheaper you might have access to NHP funding and all. So apart from that is there any specific advantages of getting it through housing finance company?

**Rajeev Jain:** Two big advantages given the size of the opportunity much sharper focus, greater efficiency in the process and lower cost of funds I think those are broadly the three points.

**Moderator:** The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.

**Abhishek Saraf:** Just two questions first on the Slide #on the NPA movement. So there is a sharp improvement in the rollback to standard which probably is the upgrade thing, so in which segments have you seen sharper upgrade happening and secondly on SMEs, I see that the SME growth has kind of picked up from 16% last quarter to 19% I know that you have been earlier saying that you have been a bit more cautious on the SME segment, but you think that are you seeing some kind of

momentum coming back because the GST thing is now behind in their base now and so what is your overall view on the SME segment now going forward?

**Rajeev Jain:** Overall view on SME is post demon post GST, things are stabilized last two, three months have been much better, so gives us greater confidence that things seem to be normalizing.

**Abhishek Saraf:** So is it possible now that probably we can see higher growth coming in because the SME book has been growing much lower than the overall book?

**Rajeev Jain:** Yes, the answer is yes and to answer your first question. In general rollbacks were across in a way I would argue does not include SME rollbacks. SME rollbacks will come back with a lag. So, if you are referring to the 96 to 140 crore rollback number – it is across, but I would just hasten to add that does not include SME rollback it should come in next two to three quarters.

**Moderator:** The next question is from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.

**Shubhranshu Mishra:** I have two questions first is with respect to the housing finance business I understand we will have access to low cost funds and the size of the opportunity, but then if you look at the number of housing finance companies already in the market how are we going to be any different from any of them that is my first question, I just want to understand the architecture of the present set of business and how do you plan to tackle the competition which is there in the market already that is the first question?

**Rajeev Jain:** It is not a new business for us. As you can see, it is Rs.24,000 crore of assets versus out of the Rs.84,000 crores of assets let stay with that first so 24/84 if you look at it that is 29% of the balance sheet has always been mortgage so that is part one. So, we have been competing and doing this business for last 9 to 10 years, but we do believe so it had the relevant size and scale to be separated. In fact one could argue that could it had been separated earlier. In our minds, 2 to 3 billion dollars is right size to run independent business. So probably, we are one year behind on the separation, as we got the license in December 16 by the time we fully separated as you just mentioned from January 17.

So, it was clear to us in our heads that it needs to be run separately requiring much sharper focus. While we do not do segmental reporting, suffice to say that we can do a much better job in mortgages that we have done so far and we thought that a sharper focus by the independent management team would be able to do that better than it sitting as a strategic business unit within the company and that is really the reason we took the decision to do this and we are personally quite excited. I would not ask a baby who has just born and who is born 3 months ago difficult questions. We agree the baby has been told that you are in a difficult place, that expectations are to build the industry leading mortgage business and we are confident that the baby shall deliver in the next 2 years to 3 years' time.

- Shubhranshu Mishra:** The architecture of the strategy at least for the next 12 months.
- Rajeev Jain:** Consistently articulated that we fundamentally have, out of the 26 million franchise that we have, out of 23 lakh crore of mortgage assets in India, our customer franchise has close to 6.5 lakh crores of mortgage loans that is a distinct difference we bring to the table who owns a home what is his repayment has been, that has been one part of the model. On top of it, we have a base of 60 million customers that we want to do business with. We take this franchise of 26 million and the 60 million prospects that we have aggregated over the last few years and take that to build risk models on them, pre-approve those clients, take them to the developers and generate velocity. Now, nobody has done that in the industry and the larger mortgage provider would probably have half a billion customers. So I am just giving you one expression of the differentiated proposition that we expect the baby to deliver on.
- Shubhranshu Mishra:** So this is for the next 12 months my specific question of next 12 month?
- Rajeev Jain:** Mortgage businesses are not delivered in 12 months, it is a 24 to 36 months view. It should not take that longer given that we run this business, but to deliver when I am referring to 24 to 36 months, I mean the industry leading metric they would require 24-30 months and you would see the improvement in every quarter from here on because as I said we run this business for the last 9 years and it is not like a new business for us.
- Shubhranshu Mishra:** Second is with respect to the rural franchise that you own, and the focus has been on increasing the rural franchise instead of rural branches so how do we look at the rural business as such going forward?
- Rajeev Jain:** Rural business we are quite excited, I think both in terms of aspirations of the mass affluent, our distribution footprint, the opportunity there 602 branches are only in top 10 states in India. Ambition would be to be in at least 16, 17 states in India which I would call must be present in, but rural is a double edge sword you expand too rapidly you are in trouble. Slowly is not a problem, but it is an opportunity loss. So, as we gain greater confidence in expanding the footprint and manage the risk you should see us continue to accelerate. It has grown Y-O-Y 100% for the last two years and we are quite excited about the rural lending business.
- Moderator:** The next question is from the line of Bharat Shah from ASK Group. Please go ahead.
- Bharat Shah:** I do not have any questions to ask, but I just wanted to make two statements. One of the deep sense of gratitude for what Bajaj Finance has done to our client portfolio over 9 years and second very strong congratulation to you and your team because this is not an easy business though the results of Bajaj Finance looks effortlessly superior, but it is a tough business which is managed fantastically well. So superior growth without compromising on quality of the growth and the risk metric is an outstanding achievement so hearty congratulation.

- Rajeev Jain:** I would just say that we are not resting on laurels. I think the management and the 14,000 people of our company continue to make effort to raise its bar. I think that is the spirit of the company and we hope that the shareholders never found us wanting on that cultural dimension which does not get represented in a number if I may say so.
- Bharat Shah:** And I will expect nothing every less than this from you and Bajaj Finance.
- Rajeev Jain:** 61% growth is the exception that is all.
- Bharat Shah:** I did not mean just the growth rate I mean the overall quality of the performance.
- Moderator:** The next question is from the line of Umang Shah from HSBC Securities. Please go ahead.
- Umang Shah:** I just have two questions one is on the mortgage business that do we have a particular size in mind 2 to 3 years down the line as to how big our mortgage business would be. So currently we are about 29% of total as you said, how big could be the business in next 2 to 3 years and what would be the consolidated ROA by then?
- Rajeev Jain:** You are absolutely right, its contribution to the overall balance sheet ought to grow because otherwise no point in separation and independent and a sharper focus. I would just wait for a little while for the management team to settle in and then raise the bar on what we expect from them. I think its contribution was at the peak of it if I may say so when LAP was the growing business and the mortgage contribution was 37%, today is down to 28%, 29%. So should we get back to 35%, 37% of the balance sheet as a company in the next 2 to 3 years' time the answer is yes and of course on expanded balance sheet. So that you have to multiply the numbers should create a reasonably large business for us as a company, but industry leading metric that is the bigger focus rather than just the size. This business has to be of size and scale we are very clear about but without any compromise on industry leading metric.
- Umang Shah:** Understood but that is exactly the reason why I asked the question that let us say 3 years down the line should one expect that the consolidated ROA still remain in the vicinity of 3% the reason being that because in the interim we may see some aberration because let us say if a LAP in the mortgage business on our balance sheet keeps running down and it keeps building on the housing portfolio there could be some aberration between standalone and consolidated, but is a 3% ROA a fair expectation for the consol balance sheet.
- Rajeev Jain:** We are committed to deliver that to the shareholders. It is 18% to 20% ROE on a consolidated basis and a 3% ROA. We outperform that is for shareholder to take, but we shall not deliver a lower than 3% return on assets to our shareholder.
- Umang Shah:** Just one more question related to this so incrementally even the LAP business will happen in the HFC.

- Rajeev Jain:** Everything is in HFC because the model does not work you have to do salaried mortgage, self-employed mortgages, loan against property, developer finance and lease rental discounting. A rightful mix of them delivers the rightful ROA and ROE on a standalone basis. So there was no option but to run a full service mortgage business out of BHFL.
- Umang Shah:** Which means a run down on our balance sheet might look a little aggravated in the near term?
- Rajeev Jain:** Answer is yes. Rightful thing to do would be to look at consolidated. We had chosen standalone reporting but now we have the benefit at hindsight and we have chosen quarterly reporting on consolidated standalone so from first quarter itself you will start to see the numbers separately.
- Umang Shah:** And last question on MobiKwik how much do we own currently, and do we have plans of any incremental investment in MobiKwik?
- Rajeev Jain:** 12.6% we own. As it becomes more and more strategic, we may evaluate it further.
- Moderator:** The next question is from the line of Utsav Gogiraj from Investec Capital. Please go ahead.
- Utsav Gogiraj:** My question is again regarding to the housing business since the interest rates are increasing I just wanted to understand how do you look at the cost of borrowing for the new entity and how do you want to maintain the spread in that business just wanted to know the impact on the cost of borrowing and how do you want to see?
- Rajeev Jain:** It is a headwind for lower margin businesses. As I was saying as part of my media interactions that macro is the deteriorating micro is improving that is how I really look at. Start from crude, go to dollar, go to CAD, go to CPI. It is a deteriorating macro at this point in time highly likely interest rates will be increased, headlines rates will be increased given where all the first three that I mentioned are going. So, macro is deteriorating micro is improving. Discretionary consumption of most companies of published results seen buoyancy in volumes. April has been a good month for two-wheeler, April has been a decent month for passenger vehicle, April has been a strong month for commercial vehicle.
- So, net-net, improving micro has then two parts the consumer discretionary part of the game which is our B2B business or B2C businesses, SME businesses a less impacted clearly lower margin business like the commercial business and the mortgage business are more impacted very clearly. We if you look at the behavioralized maturity that we have put out in the public domain as part of our Investor Deck would see that we are reasonably well-covered on our behavioralized maturity. So summarize to say that we should be amongst the least impacted. Will there be an impact, the answer is yes, but we should be far less impacted than otherwise. On the more specific point of mortgage business it is a headwind I agree because our plan two months ago was that we will be able to navigate this better. So, in a way they are in a more stormy situation than they would have liked themselves to be in, but that is for management to handle and deliver. So cannot do much about it we will navigate this.



- Moderator:** The next question is from the line of Omkar Kulkarni from Individual Investor. Please go ahead.
- Omkar Kulkarni:** My question was like if you see Slide #17 about distribution network the rural distribution has been increasing even the urban has been increasing, but in the last financial year, the pace of growth has decreased is there any reason for that or is it you are doing it for any purpose?
- Rajeev Jain:** 25,000 has gone to 40,000, 40,000 has gone to 64,000 you mean the total.
- Omkar Kulkarni:** I mean it was 14,000 and now it is 15,500 still it is a growth, but the pace of growth has decreased.
- Rajeev Jain:** Look every incremental branch expansion if you see the top 377 urban is looking at 730 outside of 120 markets in general there are only 5, 6, 7 distribution points. So the location distribution may expand, but not the exact footprint of the stores that we are present in so that is one part. The other part of it you have to see is that we have now separated the digital product store, they used to be together 6,000 has gone to 16,000 if you see. So if you take (+120) market you may have only 4, 5 consumer durable stores only 2, 3 furniture stores, but you may have 50-60 mobile stores so that is how you need to see the distribution footprint.
- Omkar Kulkarni:** One more longer-term question like whenever we look at company growth we look for longevity of growth and you have been demonstrating that for last 10 years upwards of 35% growth. So, given the size of opportunity you talked about like you are just 1% of the entire credit system and I guess the HDFC Bank is around 10% to 12% of the entire system. You have huge run way for growth so last time you mentioned that greed could derail the growth. Apart from greed and higher base what could derail the growth of Bajaj Finance?
- Rajeev Jain:** What I was telling Mr. Bharat Shah if the culture of the company was to dilute, the spirit of wanting to continue to raise the bar, that can also derail. Greed can derail the spirit which is brought the company to where it is can derail and we are committed to not dilute any of them.
- Omkar Kulkarni:** Even there any other risk to Bajaj Finance?
- Rajeev Jain:** We are operating business, we are operating company. Demon was a risk, GST was a risk. There are event risk that we cannot predict answer is only two-fold. As I said earlier remember we are in a risk business and ensure culture remains tightly coupled. Third and important point is, continue to focus on granularity of the portfolio. The more granular we are, less is the event risk will be exposed to. More concentrated we are, higher is the event risk will be exposed to so that is why we see the distribution footprint expansion we want to be in 2000 cities and towns in India not for growth alone, for granularity. We want to deal with the customer more and more directly, less and less through intermediaries. Not because intermediaries are a bad because we want to own the customer. So those are some of the dimensions. You can get on an offline call with me or Sandeep or any of us we can take through some more....

- Moderator:** The next question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.
- Ashish Sharma:** Just two question on BHFL, in the notes we have mentioned that we have invested 1200 crores in the subsidiary, so the first question is apart from this infusion, do we need to infuse any capital in the next 12 months?
- Rajeev Jain:** Like 800 crore to 1000 crore depending on the velocity sometime by October, November.
- Ashish Sharma:** That would be equity only.
- Rajeev Jain:** Only equity.
- Ashish Sharma:** Given that this infusion is coming in the subsidiary and in the phenomenal growth we are seeing in our businesses, we have raised capital in last year. As you mentioned this whole structure will release capital also given that it optimizes ratios for the company. Do we need to sort of raise capital in next say 18 to 24 months?
- Rajeev Jain:** I would go longer than that probably not for 3 years plus sitting here. We are very comfortably placed. What I mentioned that it just gives us greater capital efficiency. Our idea is to not create a leverage play, but without doing that just the benefit of the subsidiary would ensure that we are pushed out. If we had raised capital in 3 years this pushes it out to at least 4 years. We are quite comfortably placed.
- Ashish Sharma:** Do this subsidiary would remain a 100% subsidiary?
- Rajeev Jain:** Management has to deliver and then we will take decisions.
- Ashish Sharma:** Lastly, on this we have always mentioned about the franchisee of Bajaj Finance in terms of customers. In the latest presentation by Bajaj Finserv they talked about the consolidated, the group franchise. Just to cross-sell to that I mean how we are sort of cross-selling to the entire Bajaj Group Franchise because I think that number is quite big closer to 146 million as of December, so how we are trying to leverage?
- Rajeev Jain:** Those customers who are consented that we can sold the product, we essentially put them into an independent infrastructure, which ensures that by regulation they are not comprised and then we create propositions for them to purchase it that is really how it is.
- Moderator:** The next question is from the line of Jeetu Punjabi from EM Capital Advisors. Please go ahead.
- Jeetu Punjabi:** Two questions, you have eluded to this earlier that the last 3-4 months you have seen growth momentum come back and despite the macro/micro playing headwinds/tailwind, things have worked out well in the last quarter. Do you see this momentum that you have seen in the last 3, 4 months, do you expect it to continue?

- Rajeev Jain:** I cannot say yes, I cannot say no Jeetu. What I would say is I think after 5 quarter there is a degree of momentum that we are seeing. So if you want to convert that into yes, probably yes.
- Jeetu Punjabi:** Second question is for whatever reason if things slow down and I am not saying this quarter or next quarter, it does not matter. Whenever things slow down, would you see a deterioration in some of the key metrics in terms of asset quality and ROA or anything? Anywhere you see deterioration in the metrics?
- Rajeev Jain:** No, we are very comfortably placed entering the new fiscal.
- Moderator:** The next question is from the line of Sonia Lalwani from Purnartha Investments Advisory. Please go ahead.
- Sonia Lalwani:** Sir I just had two questions on the geography. I wanted to ask how are you planning for increasing your distribution network going ahead in one to two years' span?
- Rajeev Jain:** Fundamentally, our entire distribution is anchored around physical footprint being expanded. Of course, we have reasonably strong digital presence as well, but you should expect to see 1332 locations increase to 1550 or so by March '19. It also all depends on how our profit momentum is, if our profit growth momentum is stronger it could be stronger. If it is a little softer, then we would delay. But you should expect 1332 locations to at least get to 1550 and then as a result, the downstream physical footprint to also expand in the next fiscal.
- Sonia Lalwani:** Second question is on the geographical presence again, in which states like you are majorly planning of the expansion and currently in which states you have the most branches or most franchises located?
- Rajeev Jain:** Fundamentally, it is pan India footprint number one. Clearly, 1332 locations it is with the purpose of optimizing our investment. So clearly, we pick the easy states first which means more prosperous states, better human development in there, better banking penetration and so on and so forth. As we further increase penetration, it is not dilutive but not that accretive. So, it is what we call now deep geo, which is deeper distribution in state to ensure better controllership is really where we are headed so that is the thought process.
- Moderator:** The next question is from the line of Ravi Shrivastav from Bay Capital. Please go ahead.
- Ravi Shrivastav:** I had couple of questions. One was on the customer franchise slide that you have. So just wanted to understand this we have an overall cross-sell franchise of 18.88 million and non-delinquent customers are 17.22 million, does that mean that the difference of customers who have been delinquent?
- Rajeev Jain:** So, the answer is yes, the 19 million is overall cross-sellable franchise. So, 18.88 to 17.22 these are clients who have paid us, but when I use the word defaulted, Atul is clarifying it bounce which means you took a loan, you did not honor your installment. We went and collected, you

may have paid us immediately but based on the risk models, in some cases we may call you a cross-sell, some cases we may not. So it depends also based on our risk assessment and so on and so forth. But simpler answer is yes, those who have defaulted on us or bounced on us and the rest would not.

**Ravi Shrivastav:** So does that worry you because this number is almost 9% of the total cross-sell franchise, is that something that we should worry about?

**Rajeev Jain:** It should give you peace that it is a very tight metric we run. The more tighter funnel you see means more risk prudent we are. We can make this into a rectangle or a square. Today you want to give to 26 million customers irrespective of whether he paid us or not. Narrower the funnel, or in more inverted the pyramid, better-off you are. Which means that entire focus is on 15.5 million customers good with us, good in market, we would love to do business with them and that is really how our repurchase rates are. Then we open all doors for them. If I mix up, if I say look on 19 also I can take also some exposure, or on 17.5 itself I can take exposure on, I am starting to mix up. The moment I then mix up, then I could see outcomes which may not be consistent with what I estimated to be. So sharper focus on risk, but then open the doors that is the view.

**Ravi Shrivastav:** Second question is on the competitive scenario in general. So, I see now wherever you used to compete for example on Flipkart or on Amazon, it used to be only Bajaj Finserv offering a 3 month, 6 month, 9 month, and 0 EMI which is now given by HDFC and other as well. So how do you see competition coming in and does this growth is going to see challenge in the future?

**Rajeev Jain:** So we have never looked at competition and build our business. We fundamentally continue to compete with us. Clearly, as a result category expansion, doing more businesses with our customers has been the approach. 59% of the loans that we did in the previous quarter came from existing franchise. 26.5 million customer franchise would be among private sector banks probably the third or the fourth largest consumer franchise in India. And just keep doing more with them gives me a 60% higher run rate. 40% I can handle by granularity. Outside of 120 branches competition fundamentally just dissipates because this is very hard to do business there. So that has been our approach to building the business and we continue to do that.

**Moderator:** The next question is from the line of Subramaniam Iyer from Morgan Stanley. Please go ahead.

**Subramaniam Iyer:** My first question is from the consumer durable financing piece and investor already alluded to the competition in that space. So my question is that you all new-to Bajaj remains quite strong. So what is the share of new-to-credit in that? And as you become a larger entity and given that diversifying geographically, will this new-to-credit share go up in new-to Bajaj that is the first question?

**Rajeev Jain:** Let me give some texture. If you assume that Mumbai has 7.5 million household, 2.8 million are my customer. I am giving real hearts which means 1/3<sup>rd</sup> of Bombay household are my customer.

We assume Bangalore to be 5.5 million households, 1.9 million households are our customers. So clearly, even leave competition aside for a moment and having lend to millions of customers so one part is that, I am not even talking competition. The second order point is 35% of the customers continue to be for last many years new-to-credit which means do not have bureau scores. If we cannot underwrite score a new-to-credit customer, then who can. So it is not like just competition has come in so we are seeing that shift. 35% of the customers have remained new-to-credit and we have lent to millions of customer, we know how to score them. If at all anything year-on-year ability to do that continues to improve. So, we do not see structurally any big shift in the last 3 years that we saw. If you ask me 3 years and prior yes, there is a shift. In the last 3 years, no.

**Subramaniam Iyer:**

My second question is basically on the personal unsecured loans front, which is obviously big profit pool for you. We are increasingly seeing a lot of digital lending options coming up offering loans at 11% so how do you see the scenario there?

**Rajeev Jain:**

I have been hearing about it for last 3 years 4 years Fintech, startups. At 11% leave online, I would not do a loan offline because anybody who has done a 11% personal loan has eventually gone to the grave. Risk-adjusted in this business has not done on a gross margin of 6%, 6.5%, 7% which means if we take 8% of the cost of fund if we do it at anything less than 13.5% or 14% you are eventually going to grave. So, there are offline players and there are online players who do this at that rate, then they are missing the points that is a profit pool. It is not a balance sheet builder. You are not going to find us do that and the answer on the other hand is this whole digital lending is about go in input information and so on and so forth. We have walked away from that we are rapidly moving in the direction that I would find Subramaniam Iyer, pre-approve Subramaniam Iyer and tell him to just go on to the website, key in his mobile number and find his preapproved loan and just say yes and you would get a call and if he is the best customer, money dispense in 10 minutes period. So, this whole era of digital lending which is led by what I call application form fill and rule engine is a passé, at least to us as a company and I think industry is reasonably far behind on that metric if I sound pompous by saying it, but that is our view.

**Subramaniam Iyer:**

On your last question on your tie up with MobiKwik. So MobiKwik obviously has a large customer base reportedly about 65 million so what is the intent?

**Rajeev Jain:**

As I answered as they build out as our strategic partnership deepens and as it becomes more central to our consumer business strategy, we will respond appropriately.

**Moderator:**

As there are no further questions. I now hand the conference over Karan Singh for closing comments.

**Karan Singh:**

Yes, on behalf of JM Financial I would like to thank Mr. Rajeev Jain and the senior management team of Bajaj Finance and Bajaj Housing Finance and all the participants for joining us on the call today. Thank you and goodbye.

**Moderator:** Ladies and gentlemen, on behalf of JM Financial that concludes this call for today. Thank you for joining us and you may now disconnect your lines.