



Bajaj Finance Limited Q3'12 presentation

18th January 2012

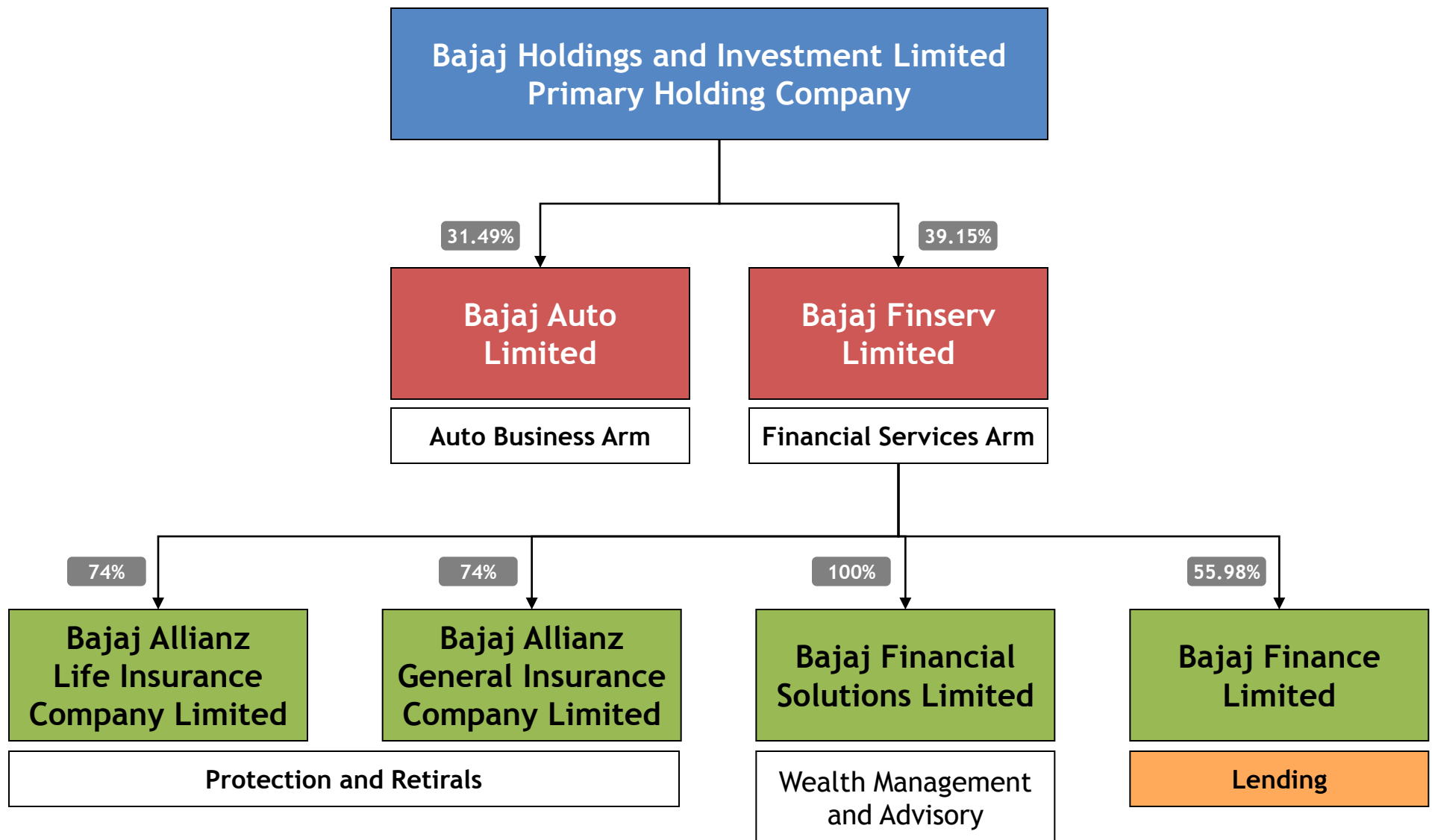
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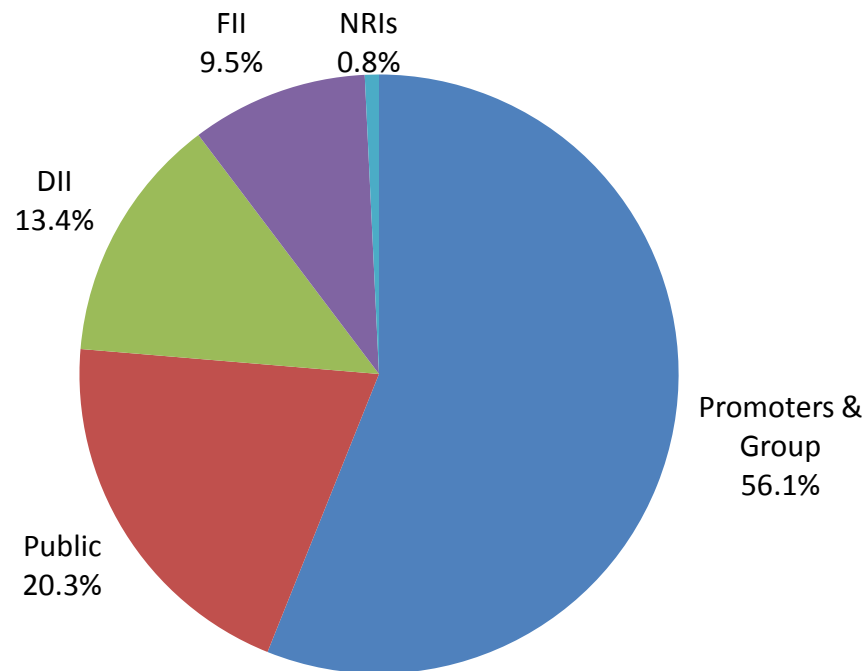
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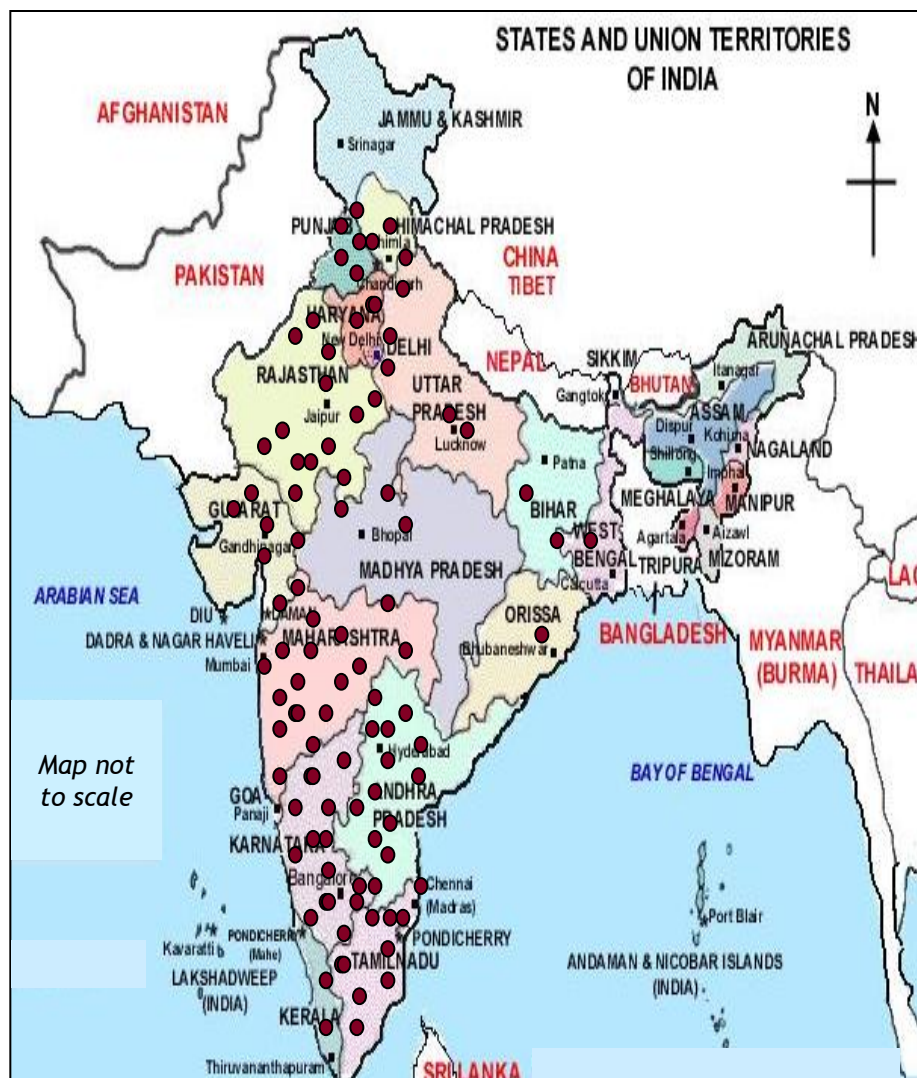
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- Promoted by the Bajaj Auto group in 1987.
- The company last raised equity of ₹ 322 Crores in January 2006 by way of QIP and Preferential warrants to promoter (Bajaj Auto Limited).
- The company made right issues of equity shares of ₹ 409 Crores in December 2006.
- The company has received application money from its promoters for 60 lac preferential warrants in Q2'FY12.

Strong distribution reach



Geographic presence

Business Line	FY09	FY10	FY11	FY12*
Sales Finance	87	79	79	82
2W - Hubs	55	54	54	54
2W - Spokes	200	150	150	150
Small Businesses	15	15	23	25

Distribution

Business Line	FY09	FY10	FY11	FY12*
Sales Finance - Dealer	4,500+	2,000+	2,500+	2,500+
2W- Dealer/ASCs	1,400+	1,275+	1,400+	1,400+
Small Businesses - Partner	175+	225+	250+	250+
Small Businesses - Support	175+	225+	275+	275+

of New loans disbursed ('000s)

Business Line	FY09	FY10	FY11	FY12*
Sales Finance	352	515	1,038	1,209
2W	219	378	522	494
Small Businesses	3.5	5	9	15
Total	574	897	1,560	1,719

Assets under management (₹ Crores)

	FY09	FY10	FY11	FY12*
AUM	2,539	4,032	7,571	11,919

Deep distribution, sizeable acquisition engine and growing balance sheet

* as at / Year to date for the quarter ending

- Demonstrated consistent profitability track record in lending space for the last 24 years.
- AUM of ₹ 11,919 Crores, with a history of disbursing over 77 Lac loans, as of Q3'12. Disbursed 6.84 Lac loans in Q3'12.
- A diversified lending business with 8 product lines focusing on consumer finance, SME & commercial business.
- Strong distribution reach with more than 225 points of presence and more than 4,000 distribution partners and dealers across India.
- Strategy is to focus on mass affluent customers in consumer businesses and affluent and HNI customers in small businesses, through a judicious mix of:
 - Lower risk and lower returns products, for building scale and stability.
 - Moderate risk and higher return products, for profit maximization.
- Stable and deep management structure with top 100 management team members having experience from leading Multi National Companies and Transnational companies.

Key performance highlights for the quarter

- Customers acquired during Q3 FY12 ↑ 39% to 6,84,238 from 4,91,386 in Q3 FY11.
- Deployments during Q3 FY12 ↑ 68% to ₹ 4,649 Crores from ₹ 2,774 Crores in Q3 FY11.
- Total income for Q3 FY12 ↑ 55% to ₹ 603 Crores from ₹ 388 Crores in Q3 FY11.
- Profit after tax for Q3 FY12 ↑ 58% to ₹ 120 Crores from ₹ 76 Crores in Q3 FY11.
- Loan losses & provisions for Q3 FY12 ↓ 20% at ₹ 36 Crores as against 45 Crores in Q3.
- Provisioning coverage ratio for Q3 FY12 stood at 81% against 77% in Q3 FY11.
- Net NPA for Q3 FY12 stood at 0.25% against 1.1% in Q3 FY11. The Net NPA for Q3 FY12 is the lowest for the Company in the last 5 years.
- Capital adequacy ratio excluding current quarter's profits and including current quarter's profits (including Tier-II capital) stood at 14.7% and 17.3% respectively. The Company continues to be well capitalized to support its growth trajectory.

- **An excellent quarter** aided by strong volume momentum across product lines.
- **Consumer durable business** was an out performer despite slowing consumer durable sales in the festive season during the quarter. The company estimates its consumer durable industry market share at 9% of industry (Estimated sales of 32,000 Crore for consumer durable industry as of December 2011 & Bajaj Finance has financed 2,820 Crores of durables of that).
- **Two wheeler financing business** maintained its market share at ~24% of Bajaj Auto's domestic sales in the markets we operate in.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continued to grow in a healthy manner, except loan against shares which has not grown due to market volatility.
- **Construction equipment** financing YoY disbursements were flat in Q3 due to the company's cautious outlook on the sector currently. The demand has also slowed.
- **Infrastructure Financing** loan disbursement were 429 Crores during the quarter. The company's continues to be prudent in lending to the sector and is approaching the same cautiously.

- **Interest cost for the company** continues to remain significantly lower amongst NBFC peers due to its conservative ALM in earlier years. While the cost of funds is inching up but the rate of growth is much slower compared to current borrowing cost due to longer maturity borrowings in last 2 years. During this quarter, the company received new sanctions of 1400 Crores from banks.
- **Gross and Net NPA** stood at 1.28% and 0.25% respectively, amongst the lowest in the industry. Portfolio metrics across businesses continue to be strong.
- The company announced a **new product variant** for its SME customer segments viz. “Flexisaver”. The product allows the customer flexibility to “Draw when they want” & “Pay when they want” without any charges. This product is a first of its kind offered by a NBFC. The company continues to not charge any of its customer any pre-payments or part pre-payment charges.
- The company continues to invest deep in enhancing its technology capability to improve risk management and growing cross sell. In line with the same, it expanded its current data warehousing framework to include **enterprise wide analytics** to improve cross sell, controllership and faster decision making.

Key business lines

	Product	Indicative Terms, as of December 2011	Portfolio Q3'12	Key Features	Target Customer Base
Consumer finance	Consumer durable financing	<ul style="list-style-type: none"> Maturity : 8 - 12 months Repayment : EMI 	<ul style="list-style-type: none"> 12% 	<ul style="list-style-type: none"> One of the few organized players with cutting edge technology architecture & robust risk management framework. 	<ul style="list-style-type: none"> Mass Affluent and Affluent
	Personal Loans Cross sell	<ul style="list-style-type: none"> Maturity : 12-36 months Repayment : EMI 	<ul style="list-style-type: none"> 6% 	<ul style="list-style-type: none"> Loans to existing customer with very good credit performance track record. 	<ul style="list-style-type: none"> Mass Affluent and Affluent
	2 Wheeler & 3 Wheeler Finance	<ul style="list-style-type: none"> Maturity : 12 - 24 months Repayment : EMI 	<ul style="list-style-type: none"> 22% 	<ul style="list-style-type: none"> Captive financing. Financing only Bajaj auto vehicles. 	<ul style="list-style-type: none"> Mass customers
SME business	Mortgage	<ul style="list-style-type: none"> Maturity : 60 - 180 months Repayment : EMI 	<ul style="list-style-type: none"> 32% 	<ul style="list-style-type: none"> Includes loan against property 	<ul style="list-style-type: none"> Affluent and HNIs
	Small Business Loan	<ul style="list-style-type: none"> Maturity : 12 - 36 months Repayment : EMI 	<ul style="list-style-type: none"> 8% 	<ul style="list-style-type: none"> Affluent small businessmen. 	<ul style="list-style-type: none"> Affluent and HNIs
	Loan against securities	<ul style="list-style-type: none"> Maturity : 10 - 12 months Repayment : Bullet 	<ul style="list-style-type: none"> 3% 	<ul style="list-style-type: none"> Launched retail loans to HNI customers in FY11. 	<ul style="list-style-type: none"> HNIs
Commercial	Construction Equipment Finance	<ul style="list-style-type: none"> Maturity : 12-42 months Repayment : EMI 	<ul style="list-style-type: none"> 8% 	<ul style="list-style-type: none"> Launched in FY11. Assets backed funding to Small, Mid & strategic contractors. 	<ul style="list-style-type: none"> HNIs and Affluent
	Infrastructure financing	<ul style="list-style-type: none"> Maturity : NA Repayment : Moratorium period followed by EMI 	<ul style="list-style-type: none"> 5% 	<ul style="list-style-type: none"> Launched in FY12. 	<ul style="list-style-type: none"> Large infrastructure companies
	Secured Vendor Financing	<ul style="list-style-type: none"> Maturity : 1 - 24 months Repayment : EMI 	<ul style="list-style-type: none"> 4% 	<ul style="list-style-type: none"> Vendors of large auto manufacturer. 	<ul style="list-style-type: none"> Affluent and HNIs

What differentiates Bajaj Finance

Strong promoters

- Promoted by erstwhile Bajaj Auto Ltd. Post the de-merger of Bajaj Auto, the shareholding in the Company was vested with Bajaj Finserv
- Debt free balance sheets of the promoter, Bajaj Finserv and of the primary holding company, Bajaj Holdings & Investments Limited
- 56.07% holding with promoter and promoter group.

Diversified lending business model

- 8 product line company focused on homogenous segments
- Profitable mix of consumer & SME business
- Balanced mix of secured and unsecured assets

Affluent & HNI customer focused business model

- Focus on acquiring & servicing affluent & HNI clients (with the exception of captive 2Wheeler financing business)
- Integral to risk management strategy
- Large wallet size allows deep cross sell framework

Strong Distribution Reach

- More than 225 points of presence across India
- More than 4,000 distribution partners and dealers

High technology orientation and robust risk management

- 100% dealer “Point of Sale” terminalisation and E2E enterprise data warehouse for risk management and data mining capabilities
- Distinct business, underwriting & risk management structure for robust risk management.

Stable & deep management structure.

- Top 100 management team members from leading MNCs.
- SBU business structure allows scalability.
- Top management vintage of 3 years.

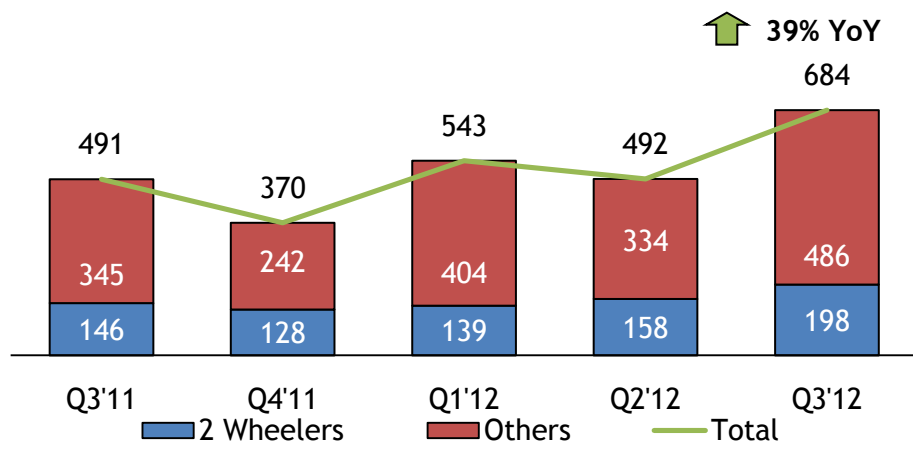
Summary financial statement

₹ in Crores									
Financials snapshot	Q3'12	Q3'11	QoQ	9M'12	9M'11	PoP	FY11	FY10	YoY
Deployments	4,649	2,774	68%	11,589	6,948	67%	9,435	4,585	106%
Assets under finance	11,052	6,710	65%	11,052	6,710	65%	7,270	4,032	80%
Assets under management (AUM)	11,919	6,868	74%	11,919	6,868	74%	7,571	4,032	88%
Total Interest & fee Income	603	388	55%	1,549	1,012	53%	1,406	916	54%
Interest expenses	207	103	101%	517	260	99%	378	202	87%
Net Interest Income (NII)	396	285	39%	1,032	752	37%	1,028	715	44%
Operating Expenses	183	125	46%	477	321	49%	454	320	42%
Loan Losses & Provision	36	45	-20%	114	167	-32%	205	261	-22%
Profit before tax	177	115	54%	441	264	67%	370	134	176%
Income tax	57	39	47%	143	88	63%	123	45	174%
Profit after tax	120	76	58%	298	176	69%	247	89	177%

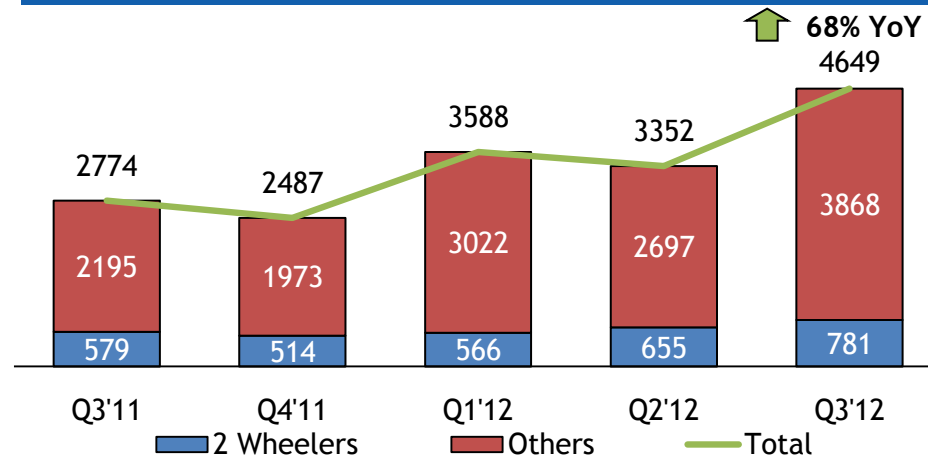
Ratios	Q3'12	Q3'11	9M'12	9M'11	FY11	FY10
Total Opex to NII	46.2%	43.9%	46.2%	42.7%	44.1%	44.8%
Loan loss to Assets under finance	0.3%	0.7%	1.0%	2.5%	2.8%	6.5%
Return on Average Asset under finance	1.2%	1.2%	3.3%	3.3%	4.3%	2.8%
Earning per share - Basic (Rs.)	32.8	20.9	81.4	48.1	67.5	24.4
Return on Average Equity	7.5%	5.9%	19.8%	14.2%	19.7%	8.0%

Financial performance trends Q3-FY12

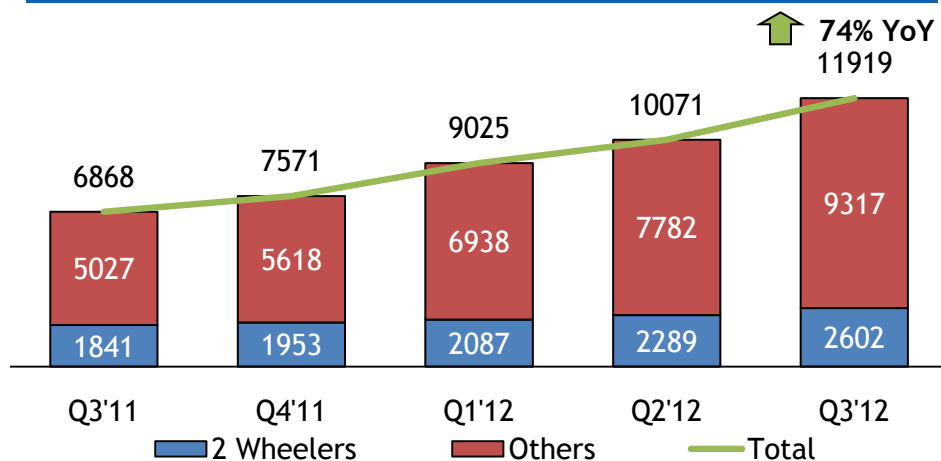
of Loans Disbursed ('000)



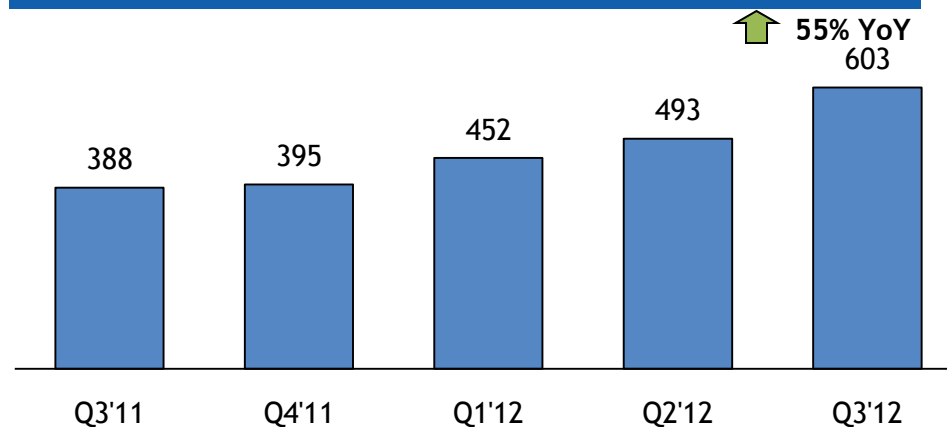
Disbursements (₹ Crores)



AUM (₹ Crores)

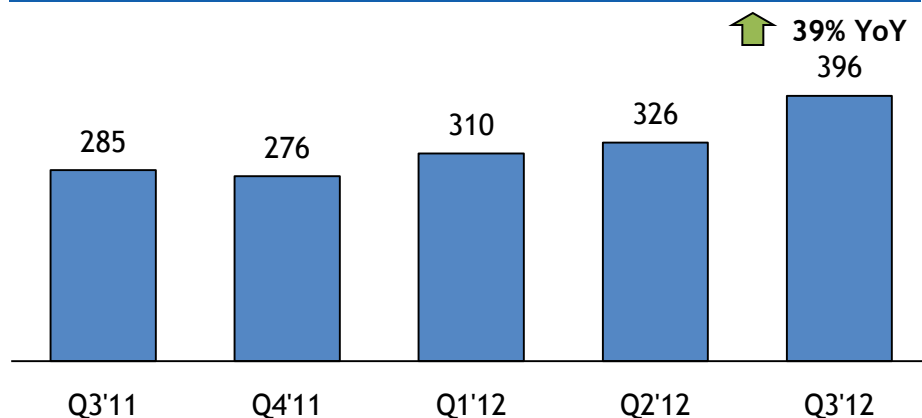


Revenue (₹ Crores)

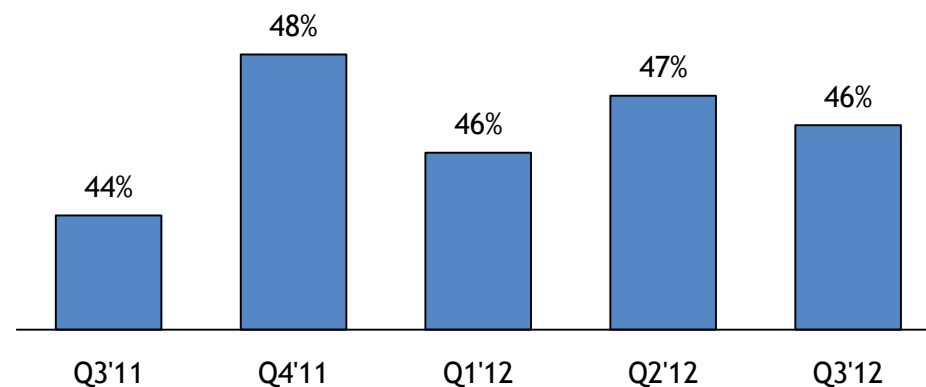


Financial performance trends Q3-FY12

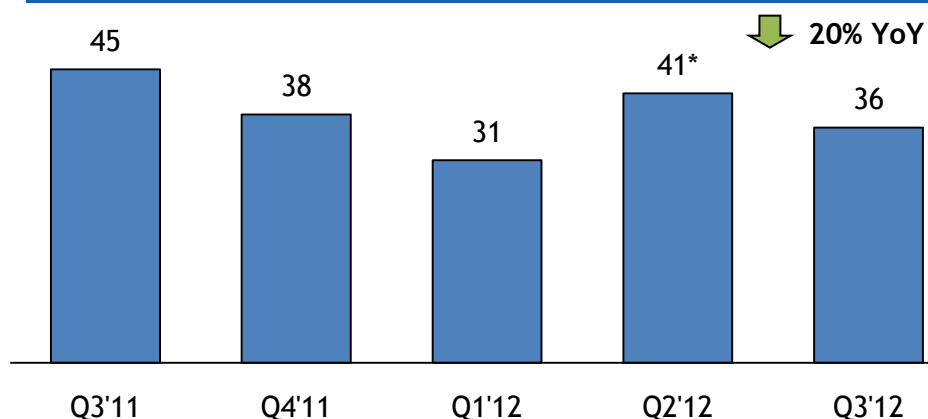
NII (₹ Crores)



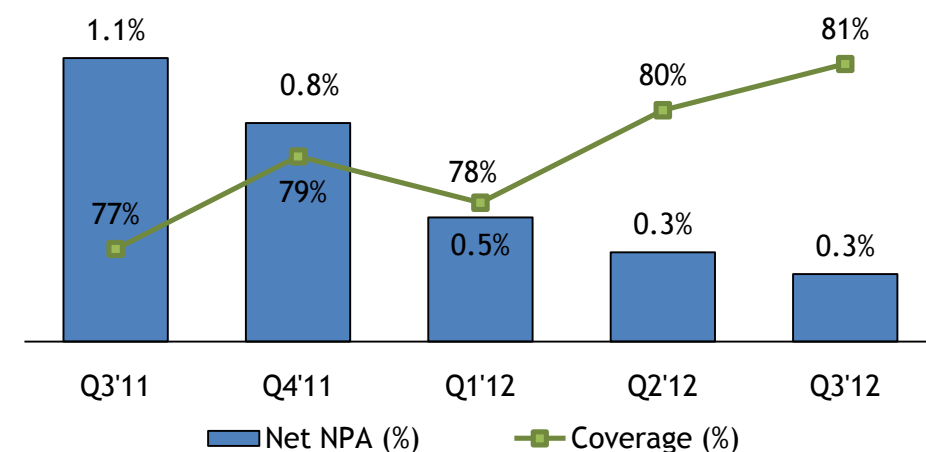
Operating Expenses % of NII



Loss provision (₹ Crores)



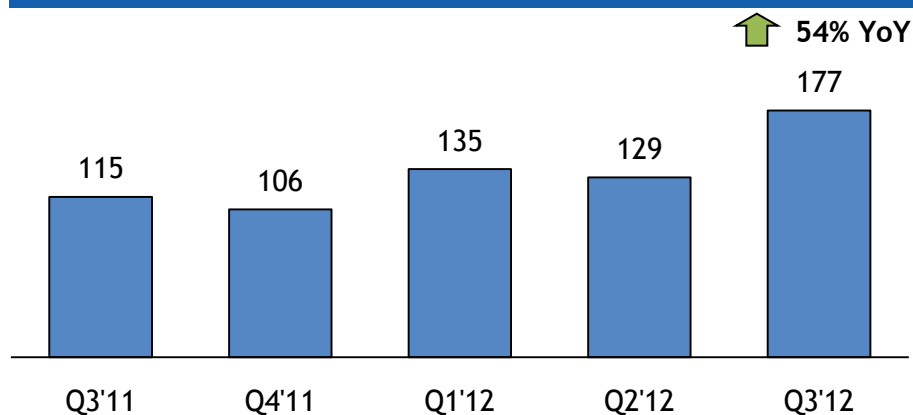
Net NPA & provisioning coverage



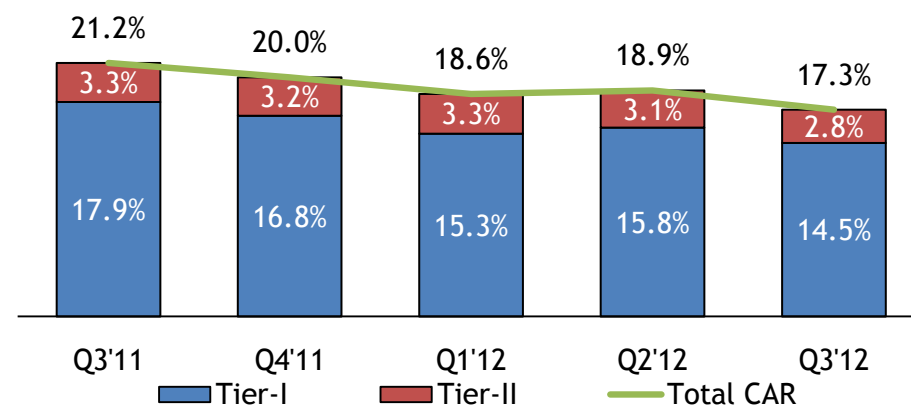
* Q2'12 includes one time accelerated provisioning of ₹ 5.4 Crores

Financial performance trends Q3-FY12

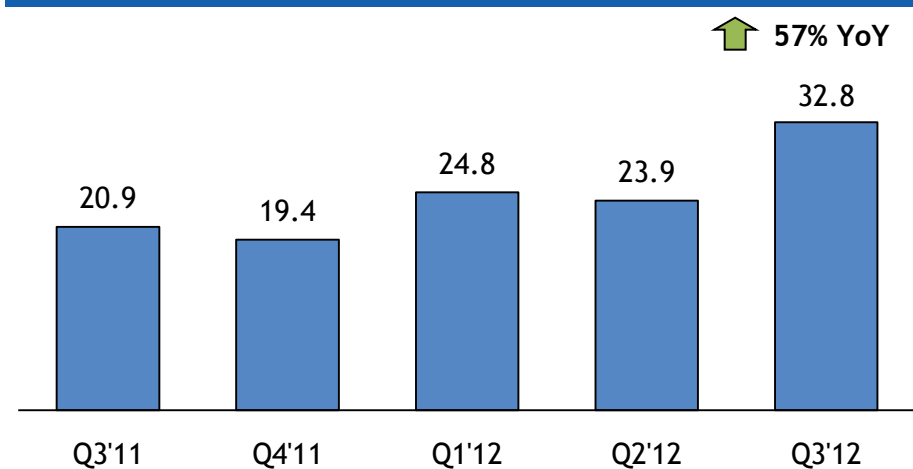
Pre-tax profit (₹ Crores)



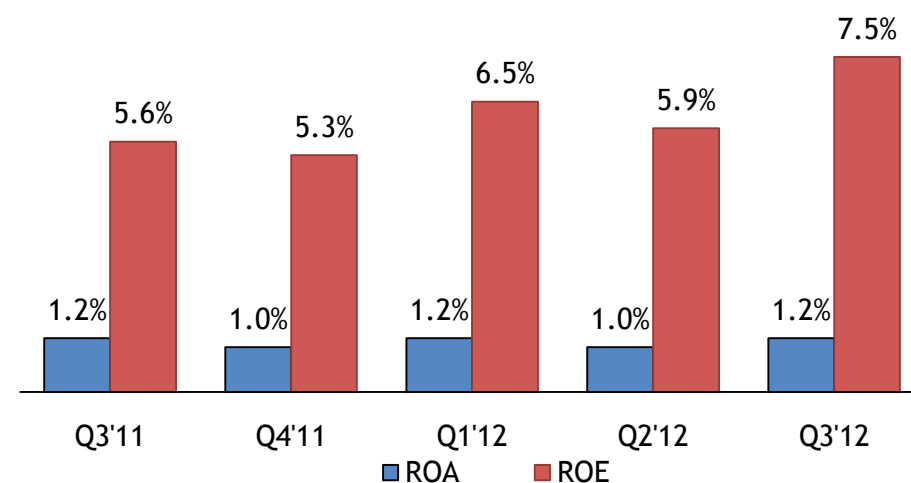
Capital adequacy



Earnings per share - Basic (₹)

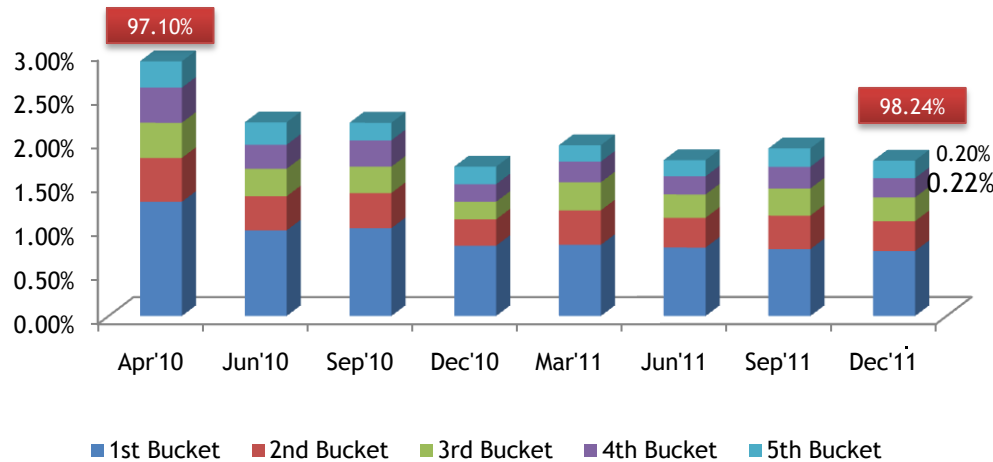


Return on average Assets under finance & Equity

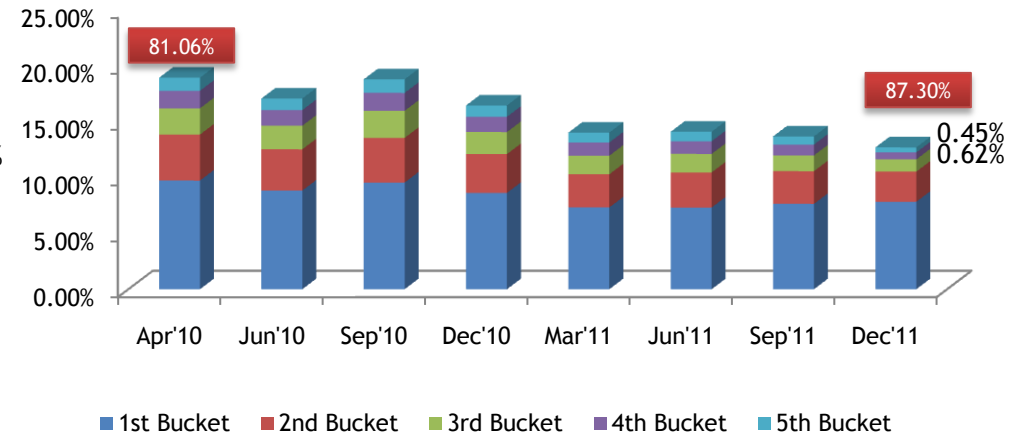


Credit Quality of Bajaj Finance customers across products - Portfolio composition

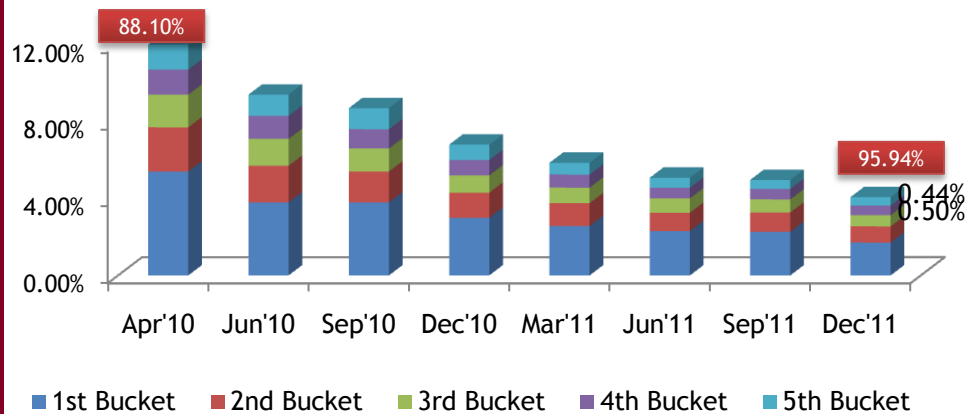
Consumer durable loan portfolio



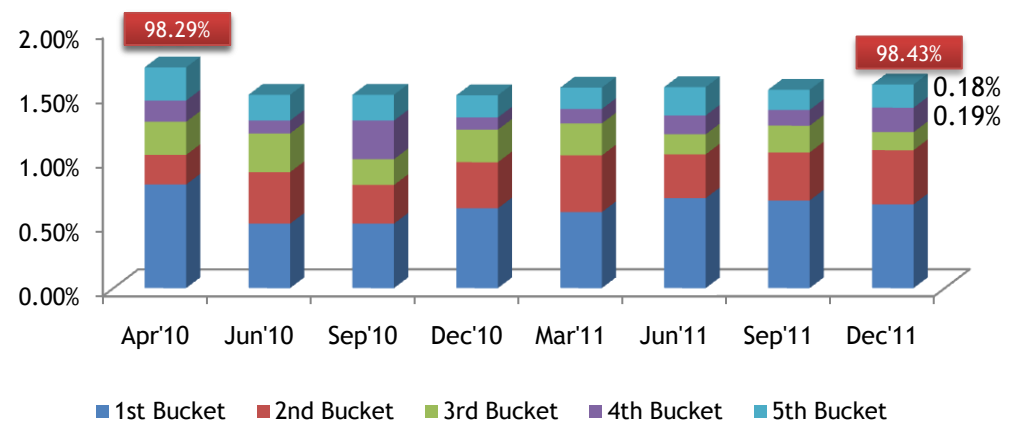
Two wheeler loan portfolio



Personal loan cross sell portfolio

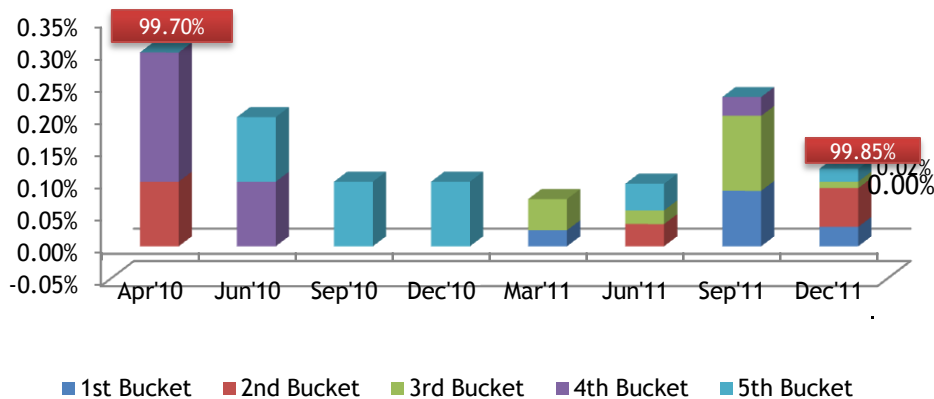


Small Business loan portfolio

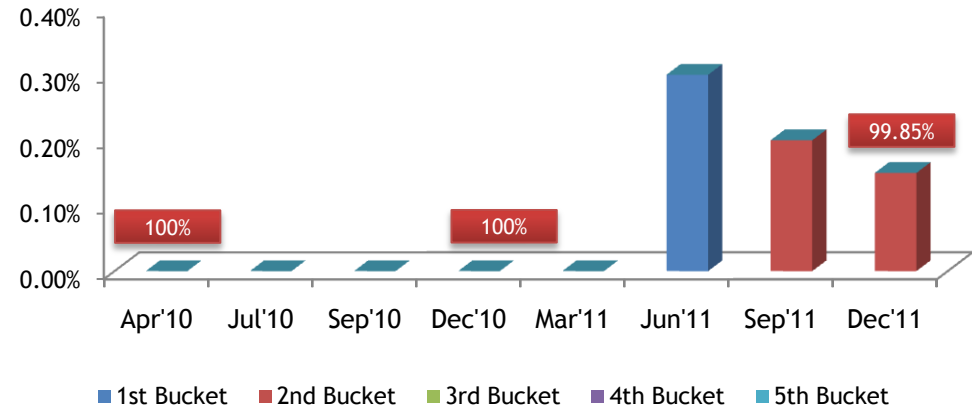


Credit Quality of Bajaj Finance customers across products - Portfolio composition

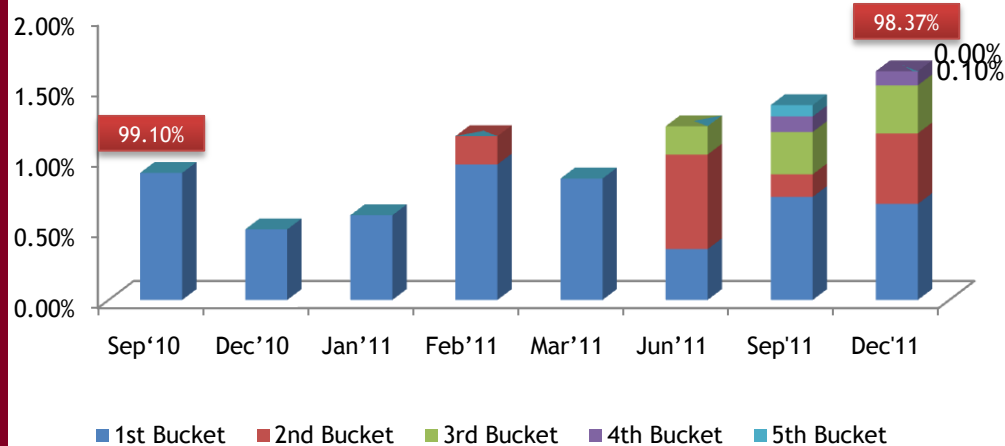
Loan against property portfolio



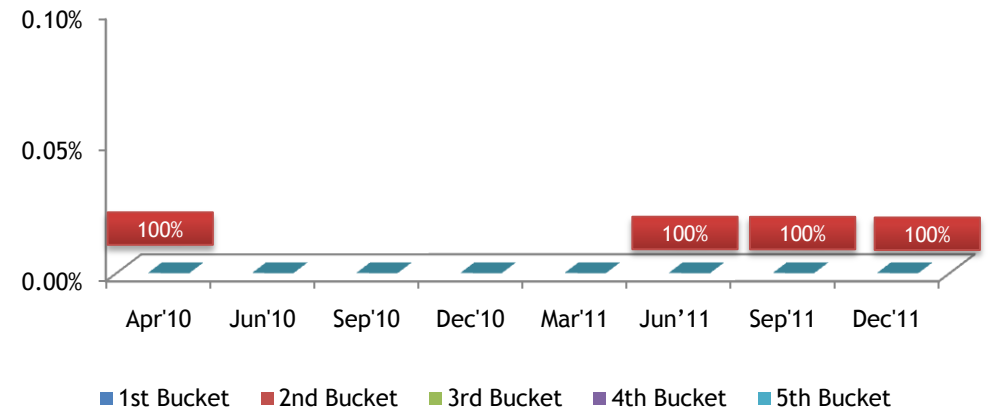
Home loan portfolio



Construction equipment financing portfolio



Loan against securities portfolio





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Thank you

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