

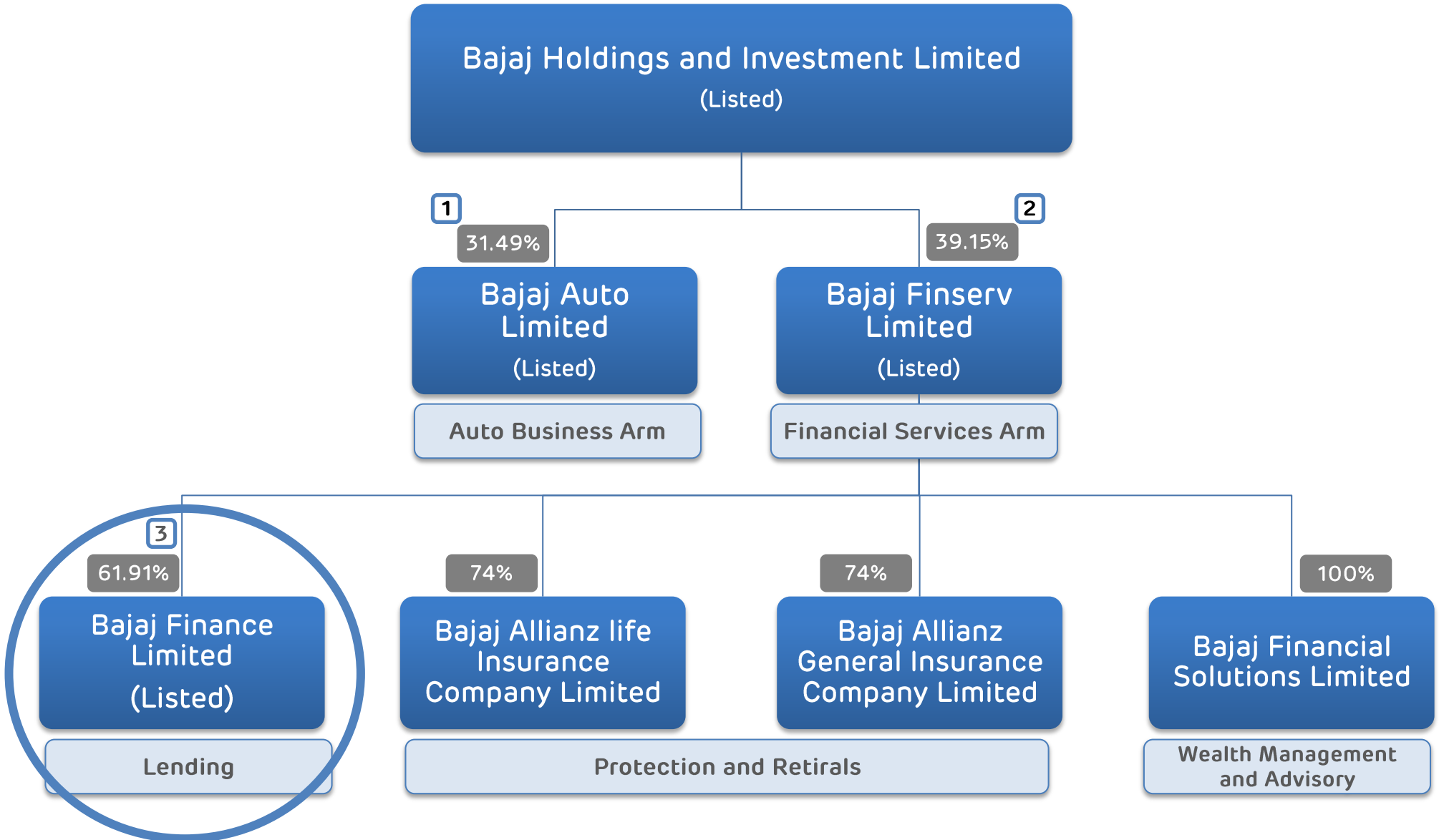


## Bajaj Finance Limited Q3 FY13 Presentation

15<sup>th</sup> January 2013

• Bajaj group structure	...3
• Bajaj Finserv group - Executive summary	...4
• Lending industry opportunity	...5
• Executive summary	...6
• Product & key characteristics	...8
• Strong distribution reach	...9
• Management discussion	...10
• Our innovations in Lending industry in FY13	...12
• Key performance highlights for the quarter	...13
• Summary financial statement	...14
• Financial performance trends Q3 FY13	...15
• Credit Quality of Bajaj Finance customers across products – Portfolio composition	...18
• Disclaimer	...20

# Bajaj group structure



1. 50.02% holding through promoter holding company & promoter group
2. 58.88% holding through promoter holding company & promoter group
3. 61.98% holding through promoter holding company & promoter group



- A 25 year old non bank finance company
- Diversified consumer, SME & commercial lender in India
- Credit rating of AA+ with (+) outlook by CRISIL & ICRA for over 6 years
- 91 cities presence with over 4,500 distribution franchise
- Large customer franchise with 21.9 lac clients acquired in 9M FY13



- 2nd largest policy acquirer amongst private insurers. 1.05MM policies in FY12
- 4th largest private sector life insurer in India on new business & gross premium
- 2nd highest AUM amongst private players. AUM of ₹ 39K crore as of FY12
- 2nd largest profitable life insurer in private sector in FY12
- 1,044 Branches with over 173K agents



Bajaj Finserv is the financial services arm of the Bajaj group with business interest in "Lending", "Protection", and "Wealth management" through its various subsidiaries



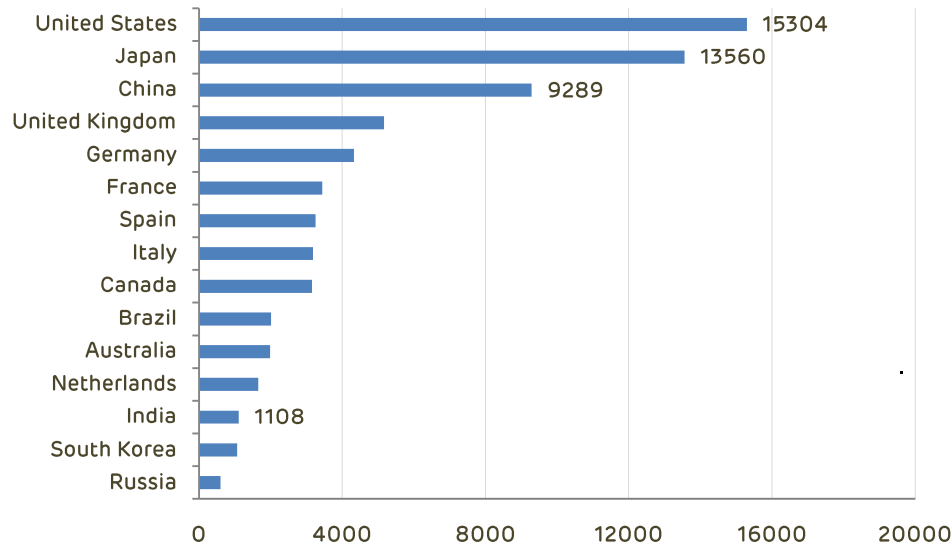
- 2nd largest private General insurer in India
- Offer wide range of General insurance viz. Motor, Health & Corporate in India
- Profitable non-life insurer since its first full year of operation
- Industry leading combined ratio
- Strong franchise built on fast & efficient customer service



- A new business diversification for BFS
- Launched retail financial advisory business in 04 cities in FY11
- Retail financial advisory business intends to build on a key client need gap of providing financial planning to retail clients in a profitable way
- Received SEBI approval to launch mutual fund business. Proposed JV with Allianz

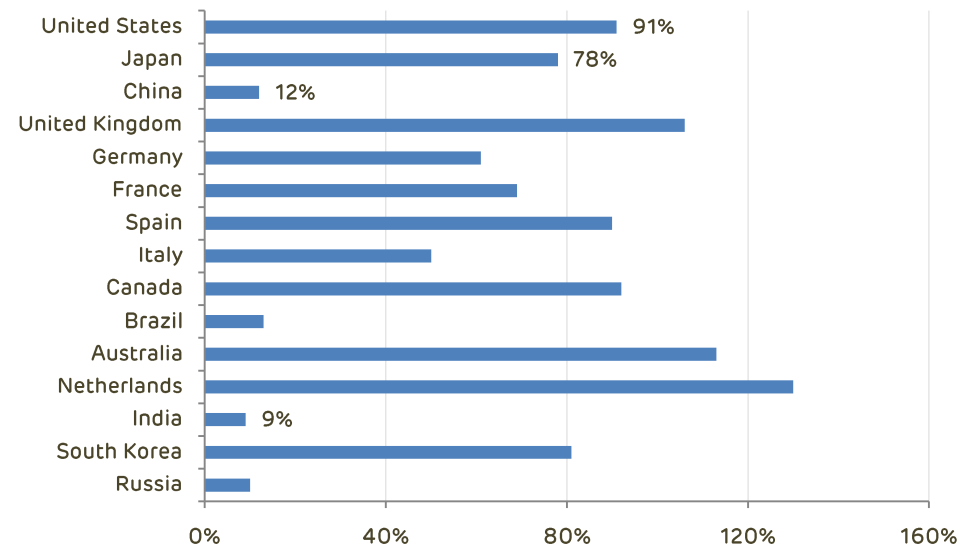
# Lending industry opportunity

## India vs. Advanced Economies – Banking Assets (\$ Bn)



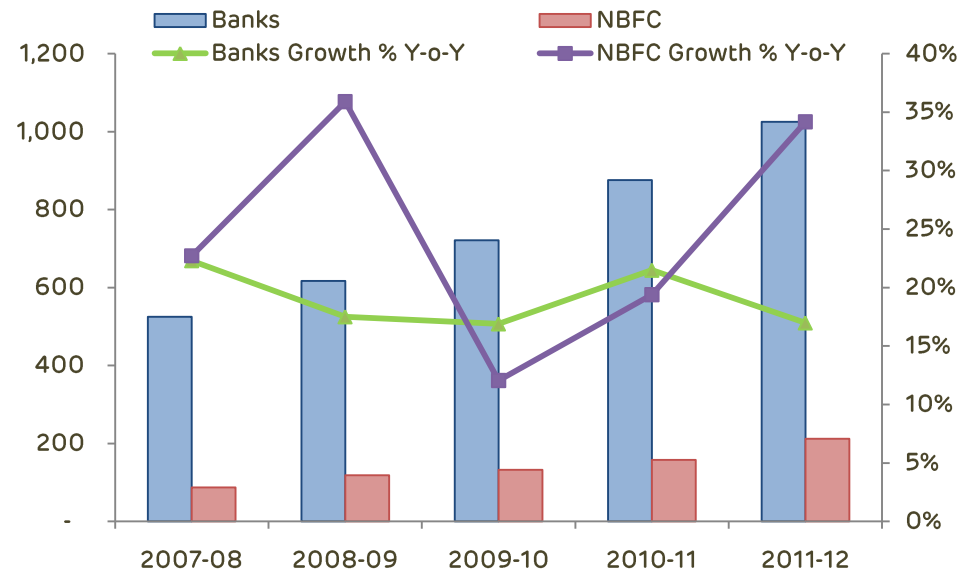
Source: World Economic Forum Report

## India vs. Advanced Economies - Consumer Debt/GDP (%)

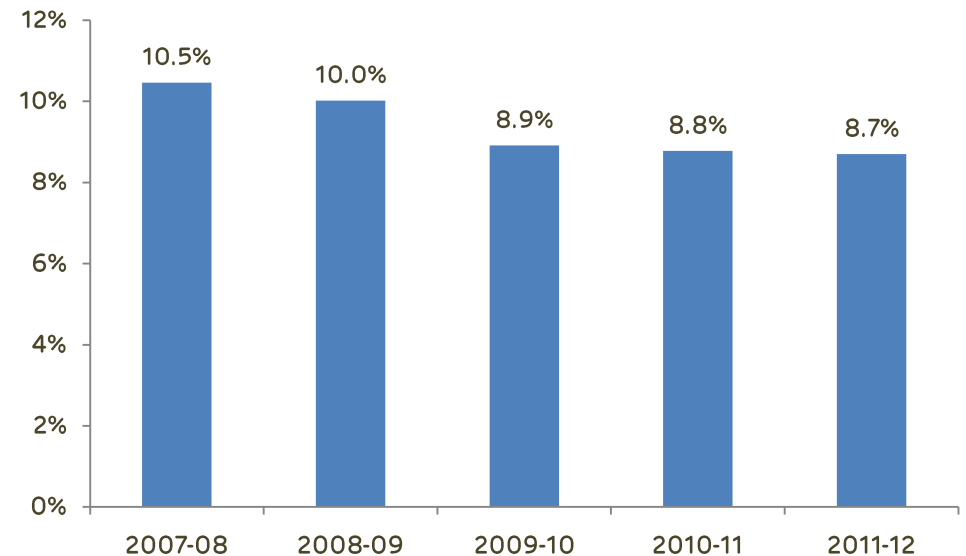


Source: International Monetary Fund

## India - Banks & NBFC Assets (US\$ Bn)



## India – Consumer Debt/GDP (%)



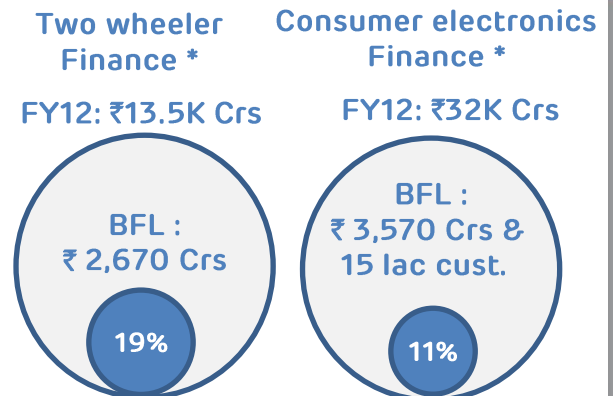
# Executive summary

## Bajaj Finance

- 25 year old non bank with a demonstrated track record of profitability.
- Focused on Consumer, SME and Commercial lines of businesses spread across nine product lines.
- Strategic business unit organization design supported by horizontal common utility support functions to drive domain expertise, scalability and operating leverage.
- Strategy is to focus on cross sell, customer experience and product & process innovations to create a differentiated & profitable business model.
- As at December 31, 2012, the company has ₹ 16,844 crores of Asset under management with a net NPA of 0.20% and a capital adequacy of 17.5%. The company in 9M FY13 has delivered a post tax profit of ₹ 428 crores at a ROE of 18.7%, not annualised.

## Consumer lines of businesses

- Largest **Two wheeler** lender in India focused on semi-urban & rural markets. Currently contributes 30% of Bajaj Auto's domestic sales.  
(chart depicts finance market size & our market share)
- Largest **Consumer electronics** lender in India. Focused on affluent consumers. LCD industry market share at 20% & LED industry market share at 30% of units sold in India. Currently we estimate our electronics market share at 14%.  
(chart depicts market size & our market share in FY12)
- Amongst a few non banks with an active **co-branded Credit Card**.
- Amongst the largest new client acquirers in India (21.9 lacs in 9M FY13).



\* Source: Internal research, RBI reports, Bloomberg reports

# ... Executive summary

## SME lines of businesses

- Focused on high net worth SMEs with an average annual sales of ₹ 25 crores with established financials & demonstrated borrowing track records.
- Offer a range of working capital and growth capital products. 85% of the business is secured by mortgages and marketable securities..

Small Business Loans \*  
FY12 : ₹13K Crs



Loans Against Property \*  
FY12 : ₹ 20K Crs



## Consumer lines of businesses

- Focused on high growth infrastructure sector in India with a mix of Asset backed financing and Corporate financing solutions.
- Offer wholesale lending products covering short, medium and long term needs of Top 50 vendors of Bajaj Auto Limited.

## Asset Liability Mgmt

- Strategy is to borrow wholesale and lend retail. Current mix of bank & debt markets is at 49:51.

## Credit Quality

- Net NPA of 0.2% is amongst the lowest in banking & non banking space. Gross NPA is 1.0%.

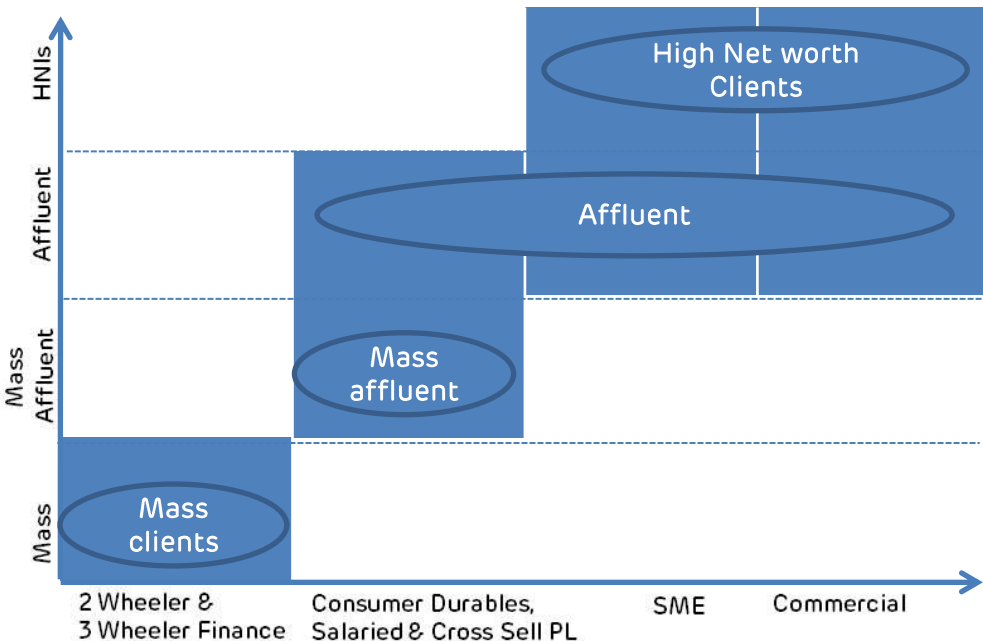
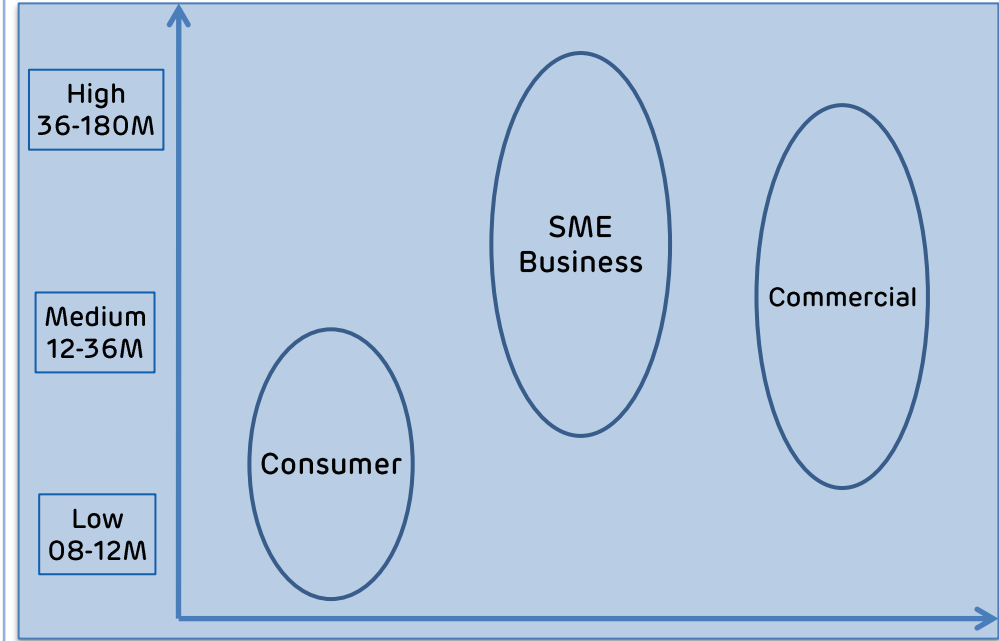
## Credit Rating

- Consistently holding AA+/stable and LAA+ stable rating from CRISIL & ICRA over last 6 years, with a positive outlook.

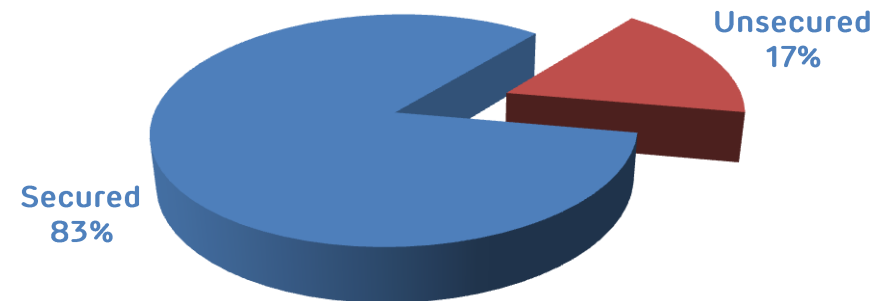


# Products & key characteristics

Product	Consumer	SME	Commercial
	Consumer Durable Financing	Mortgage – LAP & HL	Construction Equipment Finance
	2 Wheeler & 3 Wheeler Finance	Loan Against Securities	Infrastructure Finance
	Personal Loan Cross sell & Salaried Loans	Small Business Loans	Secured Auto vendor Finance
	Cross sell – Life/General Insurance, Extended Warranty & Credit Card		



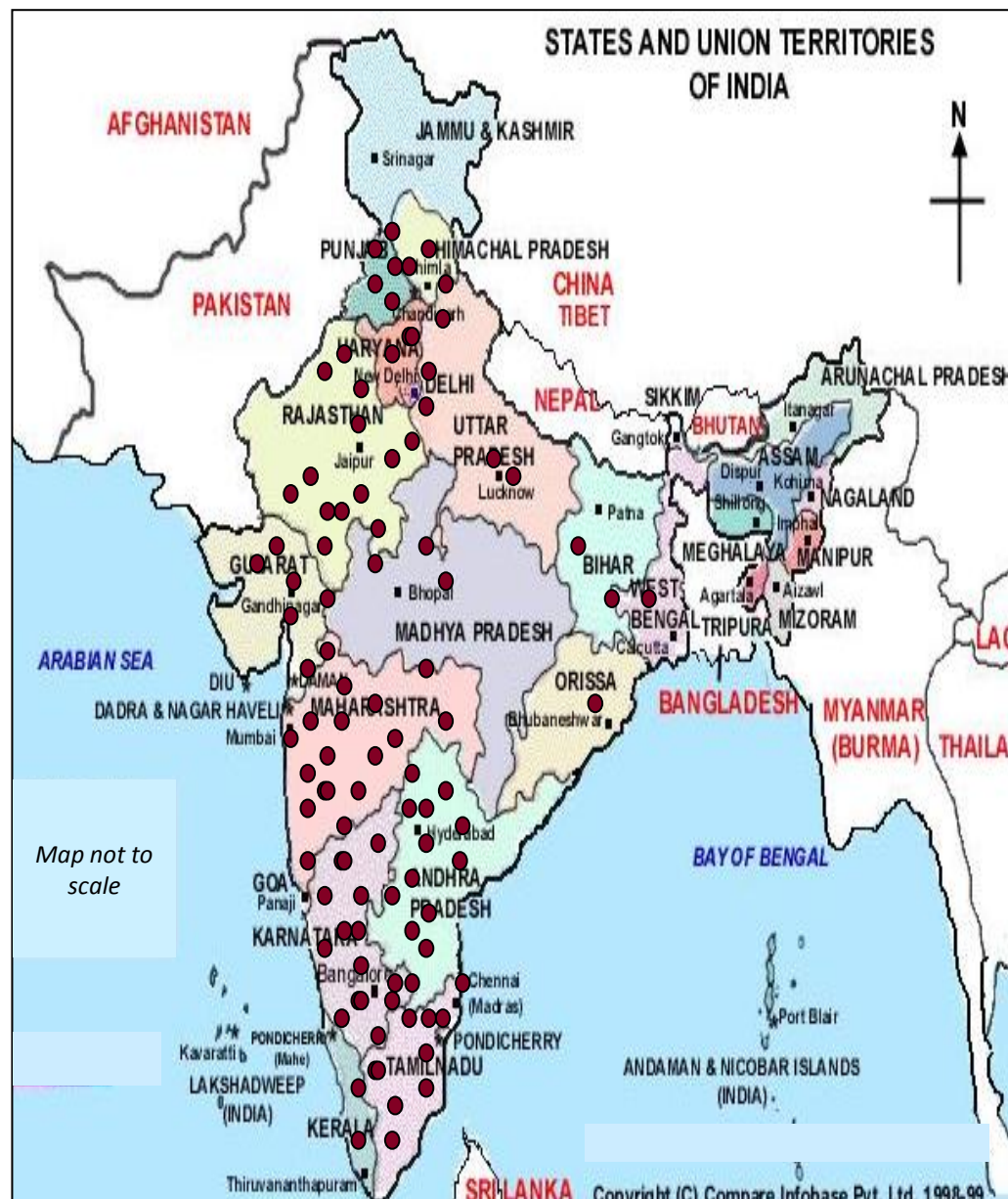
## Portfolio composition Q3-FY13



Segment	Jun'11	Sep'11	Dec'11	Mar'12	Jun'12	Sep'12	Dec'12
Consumer Finance	42%	41%	40%	38%	39%	39%	41%
SME Business	44%	45%	43%	43%	45%	45%	46%
Commercial	13%	15%	17%	19%	16%	16%	13%



# Strong distribution reach



## Geographic presence

Business Line	FY09	FY10	FY11	FY12	FY13*
Sales Finance	87	79	79	82	91
2W - Hubs	55	54	54	54	54
2W - Spokes	200	150	150	150	150
SME Businesses	15	15	23	31	37

## Distribution

Business Line	FY09	FY10	FY11	FY12	FY13*
Consumer Electronics	4,500+	2,000+	2,500+	2,800+	3000+
Lifestyle finance	-	-	-	-	600+
2W-Dealer/ASCs	1,400+	1,275+	1,400+	1,400+	1400+
SME - Partner	175+	225+	250+	250+	275+
SME - Support	175+	225+	275+	275+	300+

## # of New loans disbursed ('000s)

Business Line	FY09	FY10	FY11	FY12	FY13*
Sales Finance	352	515	1,038	1,551	1,613
2W	219	378	522	654	556
SME Businesses	3.5	5	9	16	17
Total	574	897	1,560	2,221	2,186

## Assets under management (₹ Crores)

	FY09	FY10	FY11	FY12	FY13*
AUM	2,539	4,032	7,571	13,107	16,844

\* as at Year to date for the quarter ending

- FY13 continues to remain strong in the third quarter as well aided by strong volume momentum and strong credit performance across Consumer and SME product lines.
- **Two Wheeler** business continues to grow in a healthy manner. Its market share has improved from ~24% of Bajaj Auto's domestic sales in FY12 to 30% in 9M FY13. Its Direct Cash Collection (DCC) business contribution is now stable at 40% of overall Two Wheeler business. We are now growing our **Three Wheeler & Commercial Vehicle** business. It's penetration to Bajaj Auto's domestic sales has grown from 9% in FY12 to 15% in 9M FY13.
- **Consumer businesses** continued to outperform despite moderate demand for consumer electronics. Benign competitive environment, strong sales stimulus & growing need of finance helped strong momentum. Given the high entry barriers to the business, the management continues to remain confident about its consumer business. The company estimates its market share at 14% in 9M against 11% in FY12. The company added 09 new locations for its consumer electronics financing business & related Cross sell businesses.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continue to grow in a healthy manner due to the company's sharp focus on customer segmentation. The company estimates that it is now among the top 03-04 new loan originators in loans against property and business loans in India. The Company is now operational in 37 cities. The Company also added 5 new locations in the current quarter. It also unveiled its 'Hub & Spoke' sourcing strategy and added 12 new spokes in Q3 FY13 for its business loans business.
- **Infra commercial businesses** are being de-grown due to stress in the market. **Construction Equipment** business YoY disbursements are down by 80% due to the poor macro environment for the sector. Overall equipment demand has also slowed considerably in Q3. **Infrastructure Finance** loan book has also de-grown in 9M. There were no new sanctions in infra financing business in Q3.

# ...Management discussion

- The Auto Component Vendor Financing Business is growing in a stable manner. It was a good quarter for this business. The company continues to grow this business in a steady manner with Bajaj Auto vendors & other strong OE auto component manufacturers in the industry.
- Interest cost for the company continues to remain significantly lower amongst NBFC peers due to its conservative ALM in earlier years. The cost of funds curve for the company is trending downwards, albeit slowly. The dip in last 30 days is ~50-60 bps across tenors in money market. The Company will benefit from broader interest rate cuts, as they happen.
- Gross and Net NPA remained stable at 1.0% and 0.2% respectively. Portfolio metrics across businesses except Construction Equipment continued to remain strong in Q3. Construction Equipment portfolio deteriorated in line with the sharp deterioration in the industry performance in 9M. We have managed to hold the deteriorated book in 30/60 dpd outstanding in Q3. The AR is declining rapidly and is down by ₹ 130 Crores in 9M.
- The Company launched its New look B2C portal (Experia) in the month of November 2012 with added features for customer service thereby improving customer experience significantly. 'Document Vault' is one of the steps in this direction. It is a very convenient feature that allows customers to access their key loan & KYC documents.
- The Company completed its annual Employee Engagement Survey (EES) in partnership with Aon-Hewitt. The Company's employee constituency continued to be highly engaged & its annual scores have seen a constant rise for last 4 years. In the current year, employees have rated the Company a score, which is in the top quartile of EES in BFSI space.
- The Company completed its annual Customer Satisfaction Survey (CSAT) in partnership with TNS. The Company's customer constituency continued to be highly satisfied & its annual scores have seen a constant rise for last 2 years. In the current year, customers have rated the an overall satisfaction score of 82% for Consumer business & 80% for SME business, indicating high customer satisfaction.

# Our innovations in Lending industry in FY13

End to end approval  
in 15 minutes.  
15 Crs business in  
first 03 months of  
launch.

India's fastest  
online salaried  
personal loan

Digital email  
statement to 750K  
clients every  
month.

India's first FI to  
send "Digital  
Monthly Billing  
Statement"

Only ICICI among  
banks has recently  
launched this  
facility.

India's first NBFC  
to provide  
"Digital Vault to  
customers"

India's first NBFC  
to provide E2E (7  
points)  
engagement to  
customers

# Key performance highlights for the quarter

Clients acquired during Q3 FY13 ↑ 22% to 8,33,280 from 6,84,238 in Q3 FY12.

Deployments during Q3 FY13 ↑ 12% to ₹ 5,200 Crores from ₹ 4,649 Crores in Q3 FY12.

Total income for Q3 FY13 ↑ 37% to ₹ 828 Crores from ₹ 603 Crores in Q3 FY12.

Profit after tax for Q3 FY13 ↑ 33% to ₹ 160 Crores from ₹ 120 Crores in Q3 FY12.

Loan losses and provisions for Q3 FY13 ↑ 42% at ₹ 51 Crores as against ₹ 36 Crores in Q3 FY12. The provisioning coverage ratio stood at 80% as of 31 December 2012 as compared to 81% as of 31 December 2011. The Company continues to provide for loan losses in excess of RBI requirements.

Net NPA for Q3 FY13 stood at 0.2% against 0.3% in Q3 FY12.

Capital adequacy ratio as at Q3 FY13 (including Tier-II capital) stood at 17.5%. The Company continues to be well capitalized to support its growth trajectory.



# Summary financial statement

	₹ in Crores								
Financials snapshot	Q3'13	Q3'12	QoQ	9M'13	9M'12	PoP	FY12	FY11	YoY
Deployments	5,200	4,649	12%	14,261	11,589	23%	15,797	9,435	67%
Assets under finance(AUF)	16,283	11,052	47%	16,283	11,052	47%	12,283	7,272	69%
Assets under management(AUM)	16,844	11,919	41%	16,844	11,919	41%	13,107	7,573	73%
Total Interest & fee Income	828	603	37%	2,268	1,549	46%	2,172	1,406	54%
Interest expenses	321	205	57%	879	513	71%	746	371	101%
Net Interest Income(NII)	507	398	27%	1,389	1,036	34%	1,426	1,035	38%
Operating Expenses	219	185	18%	619	481	29%	670	460	46%
Loan Losses & Provision	51	36	42%	137	114	20%	154	205	-25%
Profit before tax	237	177	34%	633	441	44%	602	370	63%
Income tax	77	57	33%	206	143	44%	196	123	59%
Profit after tax	160	120	33%	428	298	44%	406	247	65%

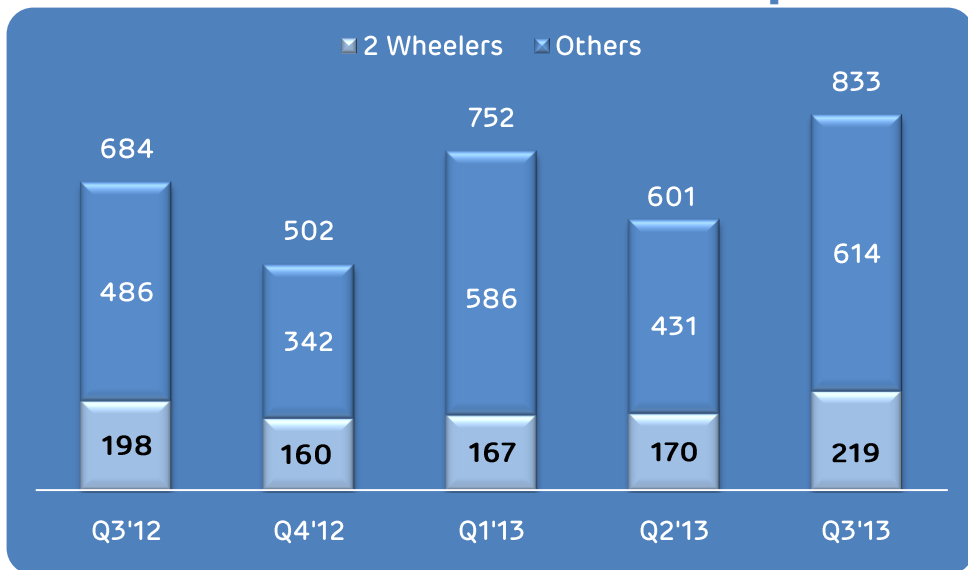
Ratios	Q3'13	Q3'12	9M'13	9M'12	FY12	FY11
Total Opex to NII	43.2%	46.5%	44.6%	46.4%	47.0%	44.5%
Loan loss to AUF *	0.3%	0.3%	0.8%	1.0%	1.3%	2.8%
Return on Average AUF *	1.0%	1.2%	3.0%	3.3%	4.2%	4.4%
Earning per share - Basic (Rs.) *	38.4	32.8	103.1	81.4	110.8	67.5
Return on Average Equity *	6.6%	7.1%	18.7%	19.2%	23.5%	19.7%

\* Quarterly & 9M numbers are not annualized

# Financial performance trends Q3 FY13

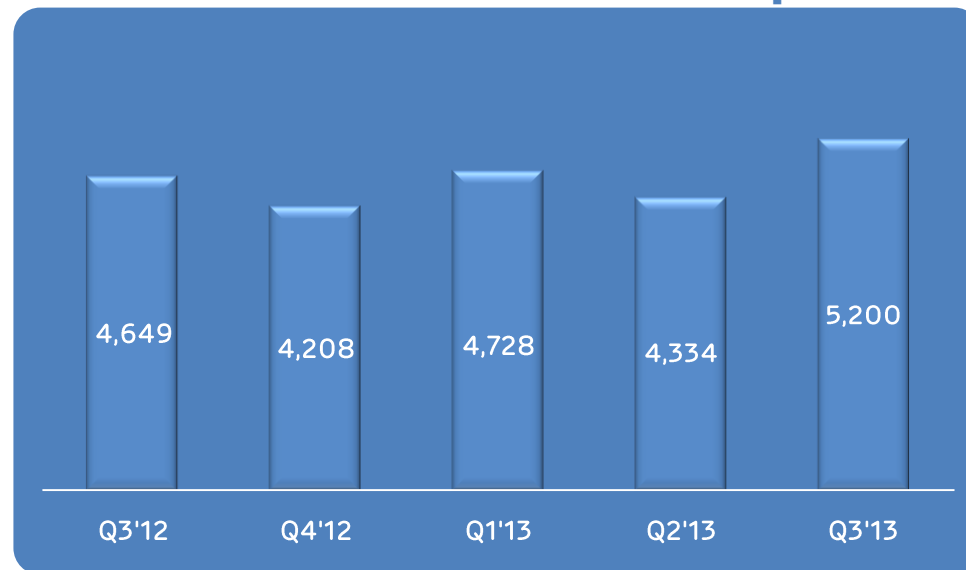
## # of Loans Disbursed ( '000)

↑22% YoY



## Disbursement (₹ Crore)

↑12% YoY



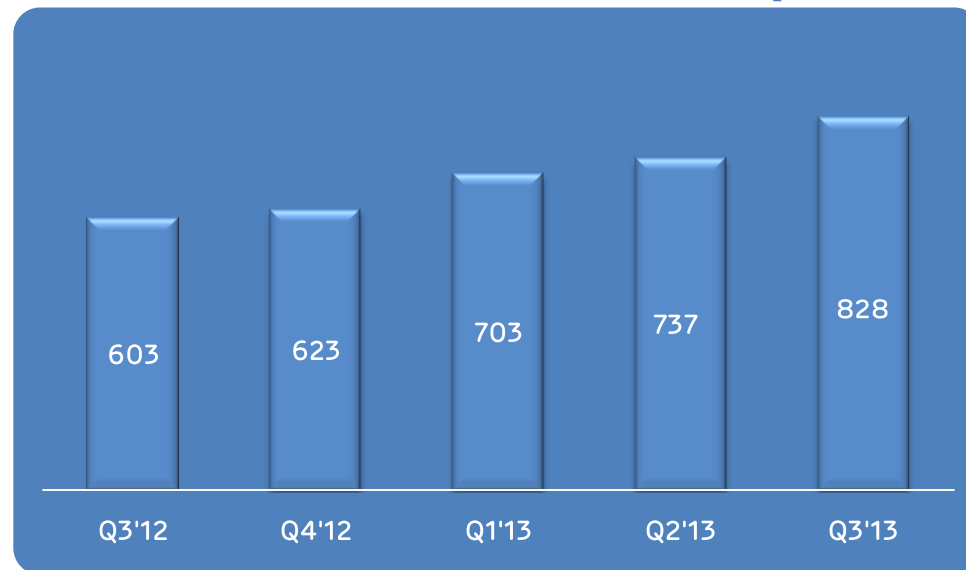
## AUM (₹ Crore)

↑41% YoY



## Revenue (₹ Crore)

↑37% YoY



Get More

Do More

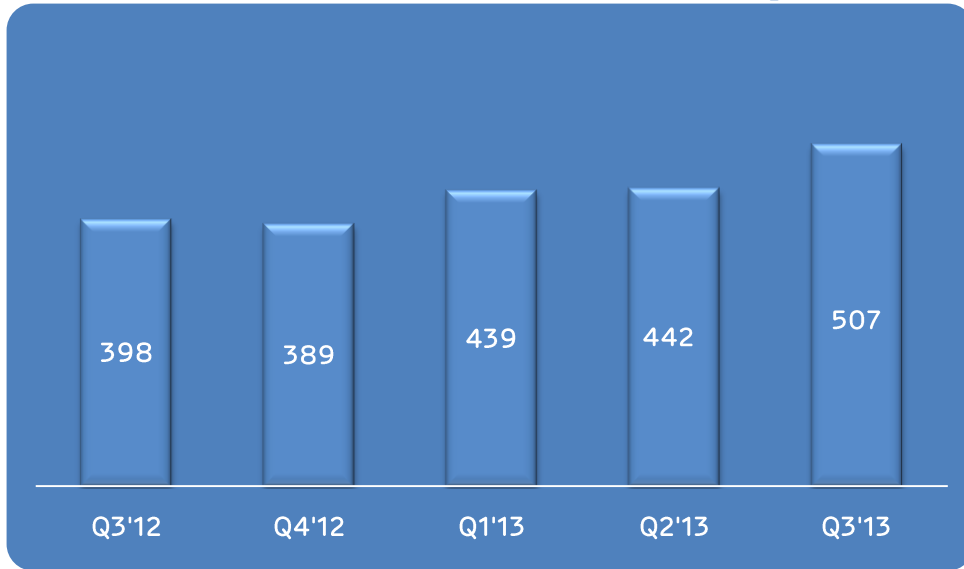
Enablers

Partners

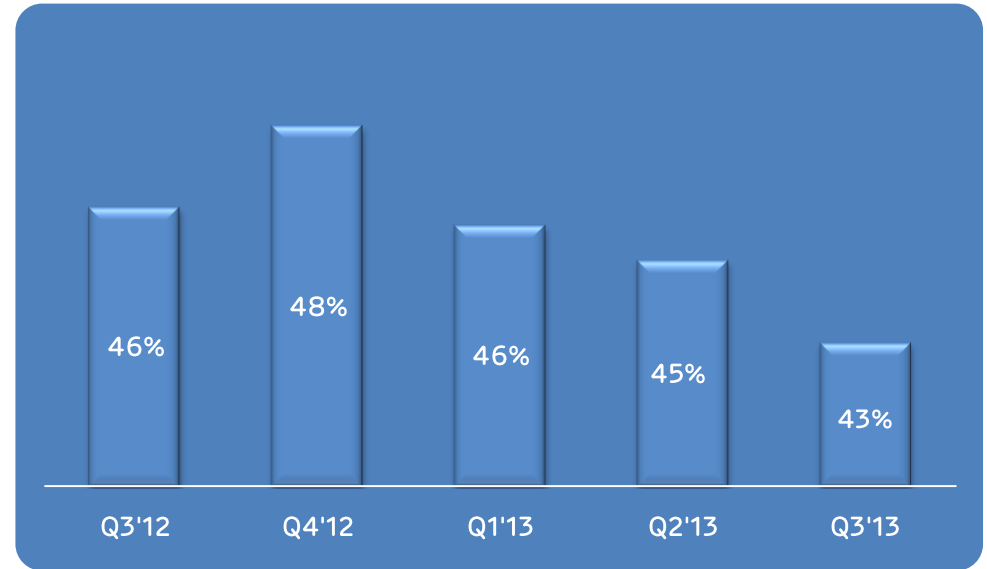


# Financial performance trends Q3 FY13

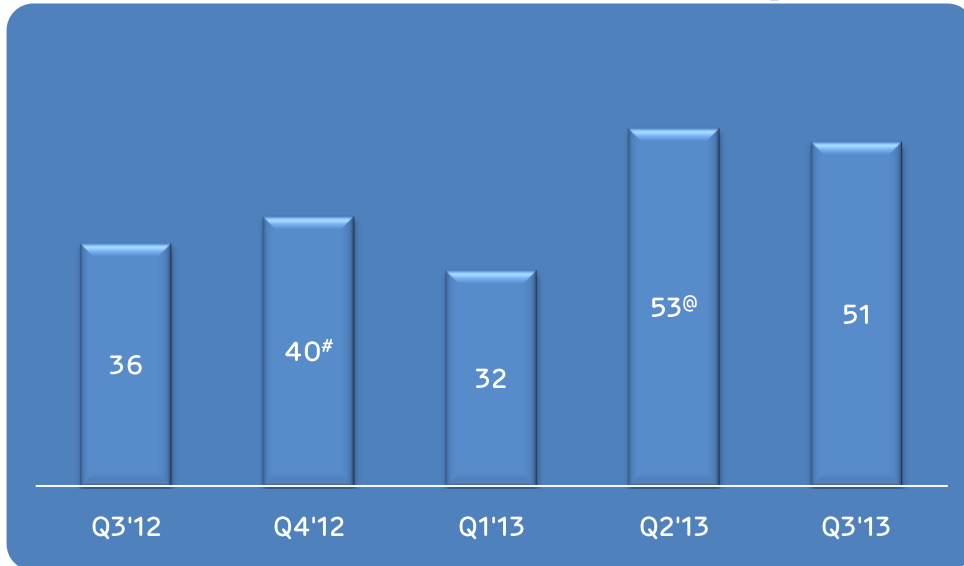
Net Interest Income (NII) (₹ Crore) ↑27% YoY



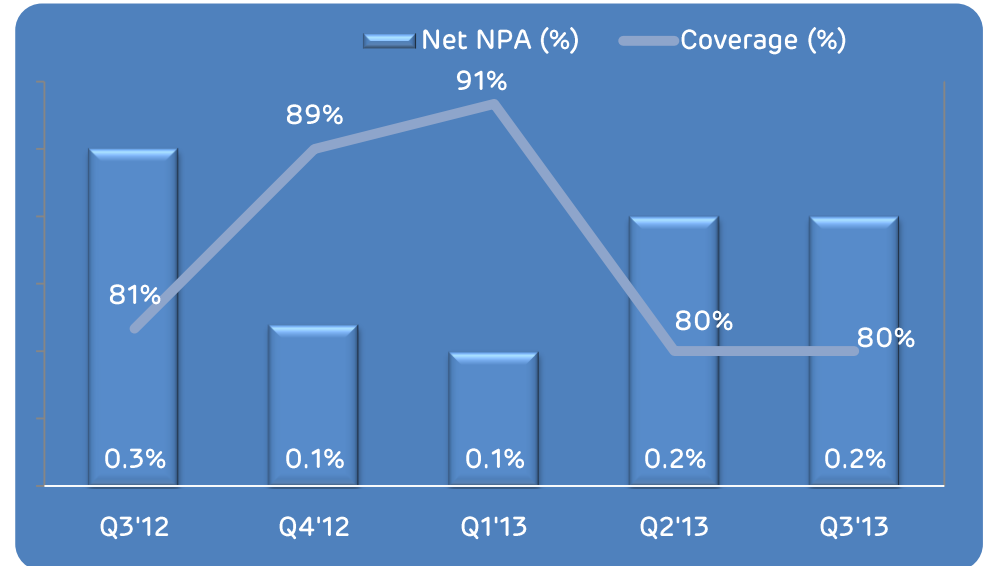
Operating expenses % of NII



Loss provision (₹ Crore) ↑42% YoY



Net NPA & Provisioning coverage

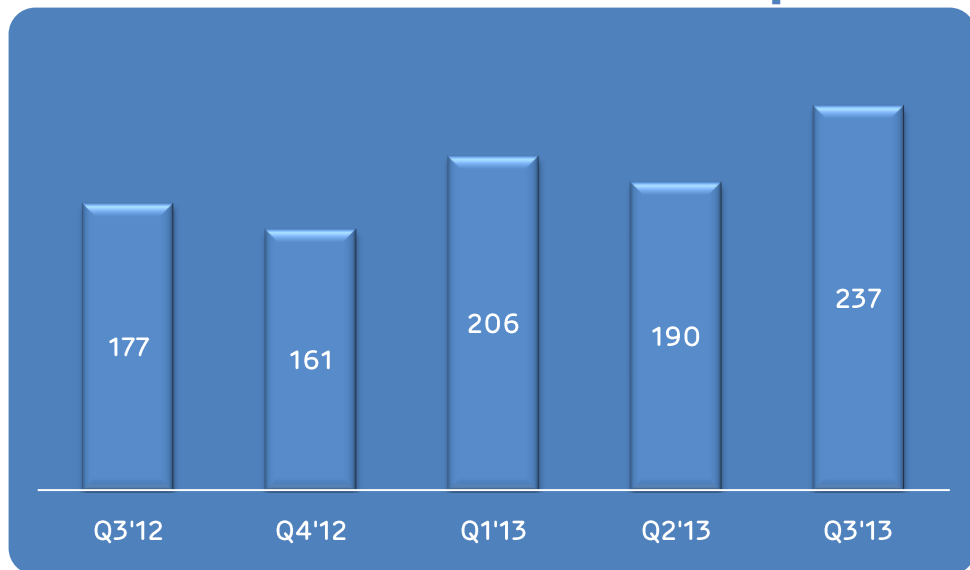


# Q4'12 includes one time accelerated provisioning of ₹ 14.6 Crores  
@ Q2'13 includes one time accelerated provisioning of ₹ 14.0 Crores

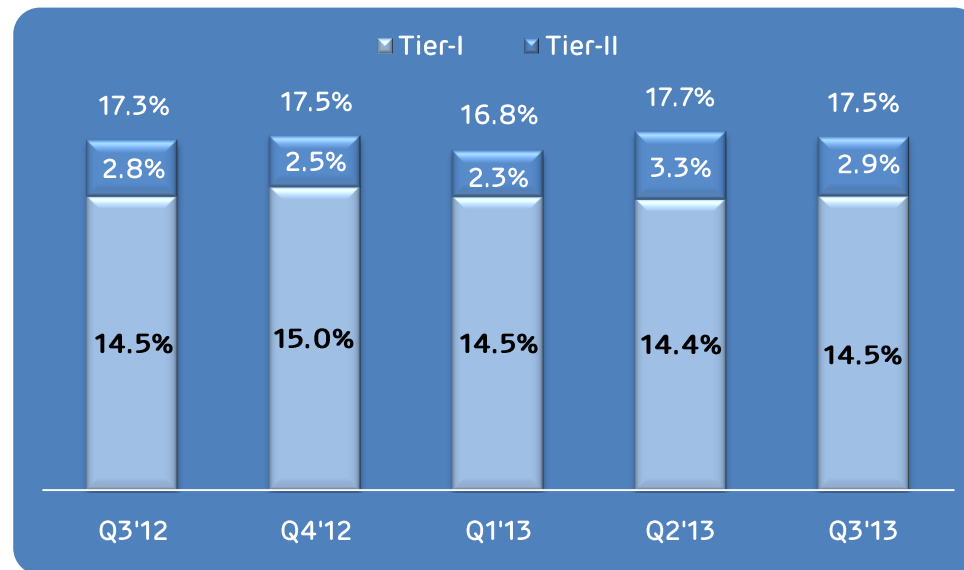
# Financial performance trends Q3 FY13

## Pre tax profit (₹ Crore)

↑34% YoY

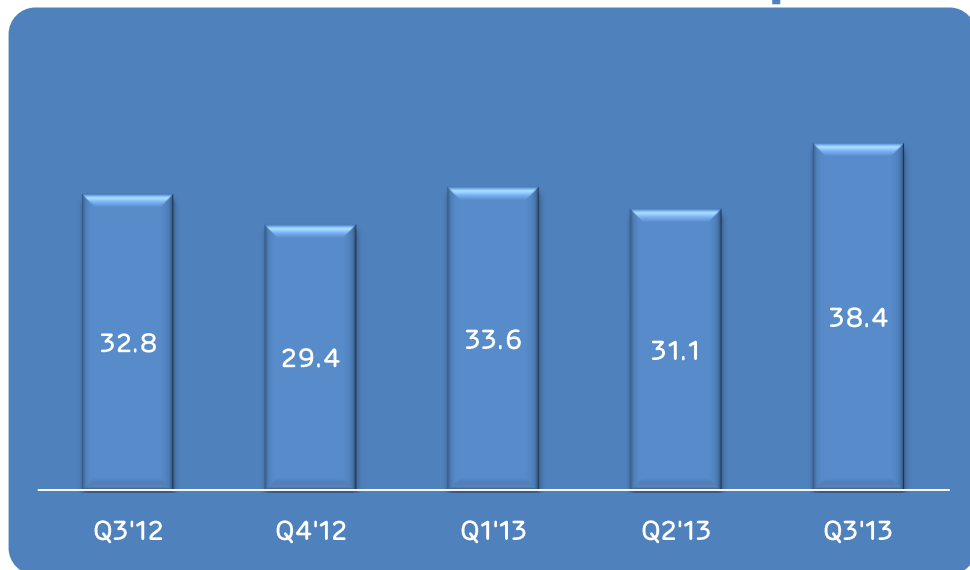


## Capital adequacy

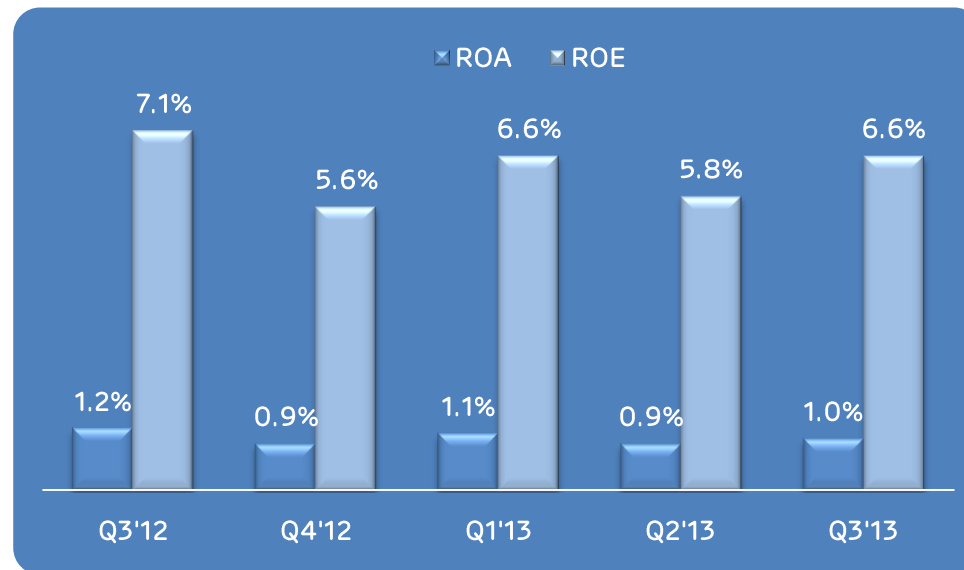


## Earning per share - Basic (₹)

↑17% YoY

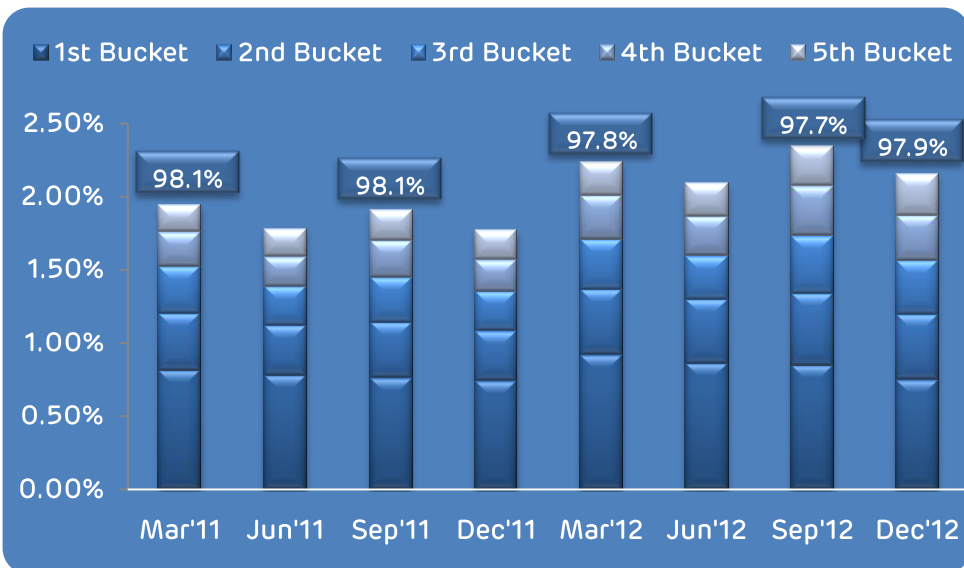


## Return on avg. assets under finance & Equity

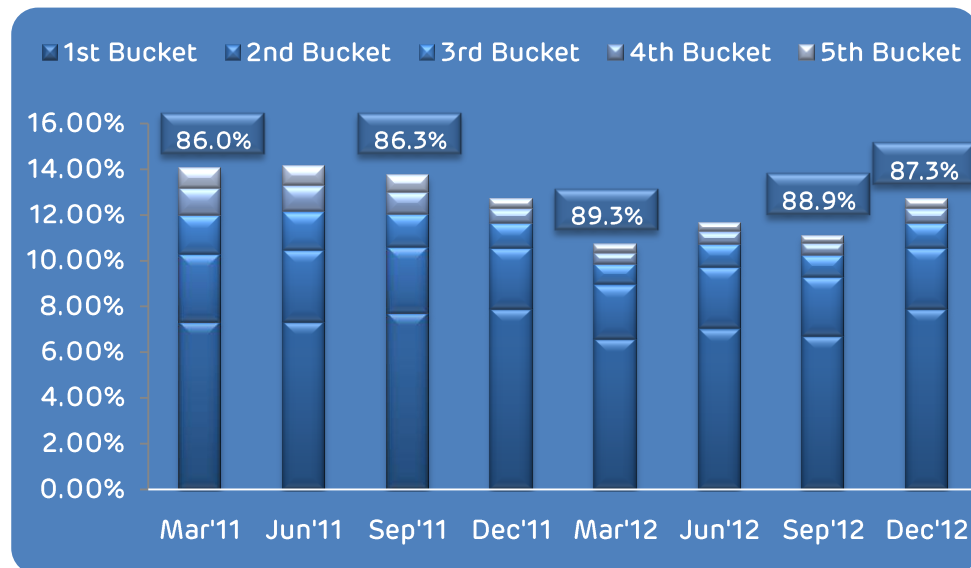


# Credit Quality of Bajaj Finance customers across products – Portfolio composition

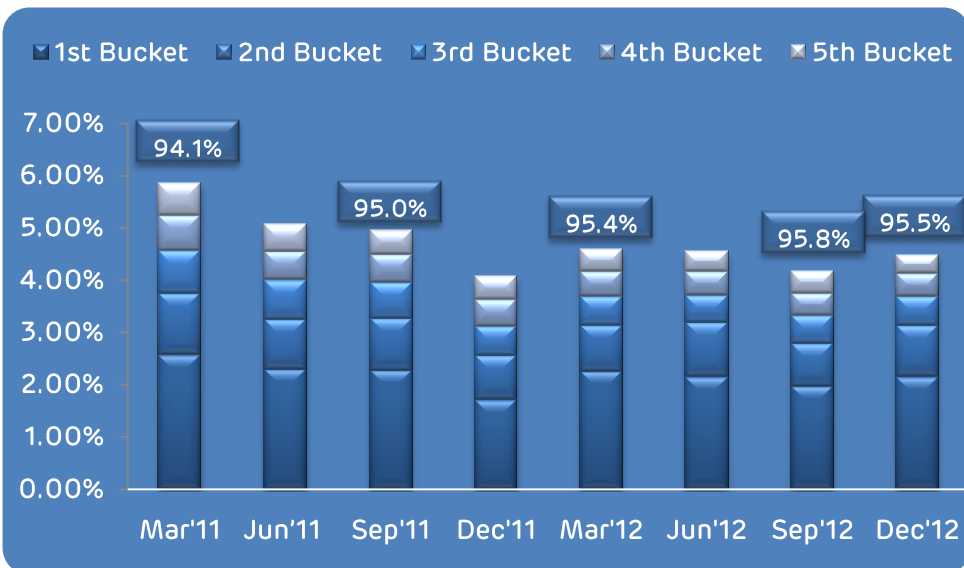
## Consumer electronics loan portfolio



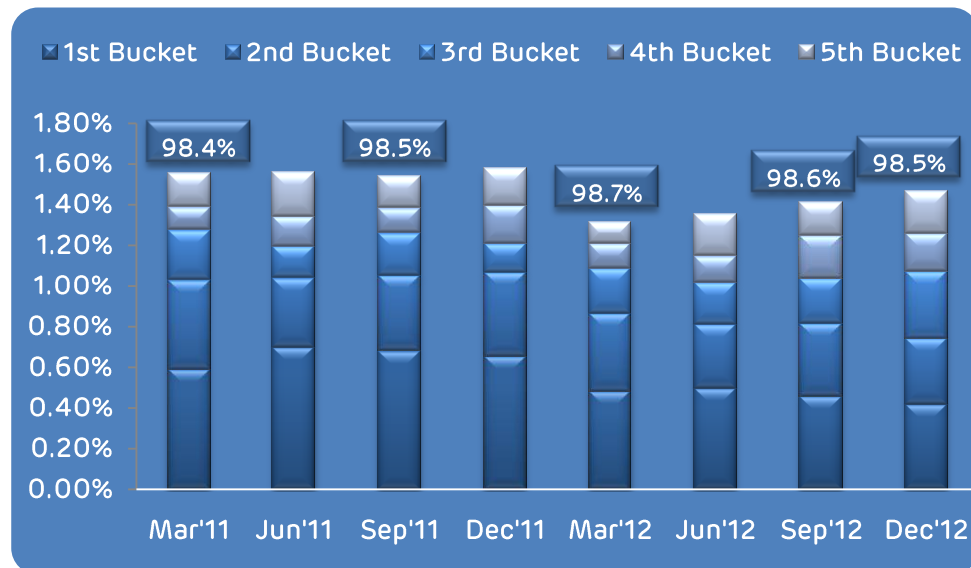
## Two & Three wheeler loan portfolio



## Personal loan cross sell portfolio

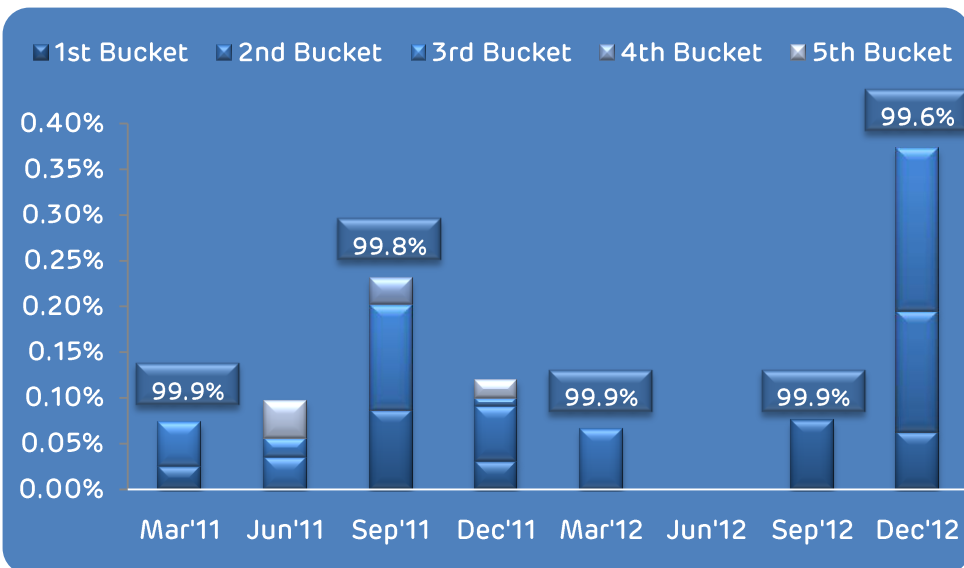


## Small business loan portfolio

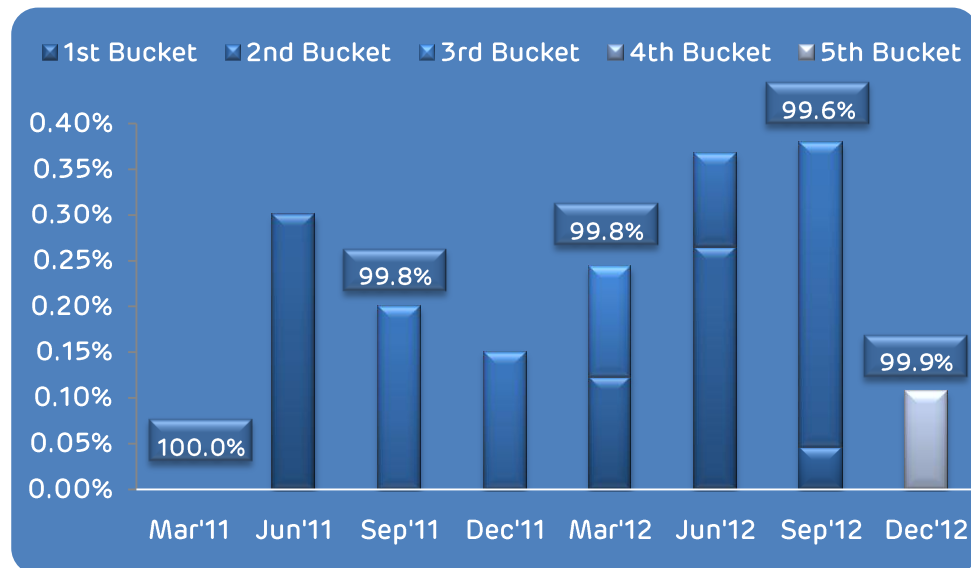


# Credit Quality of Bajaj Finance customers across products – Portfolio composition

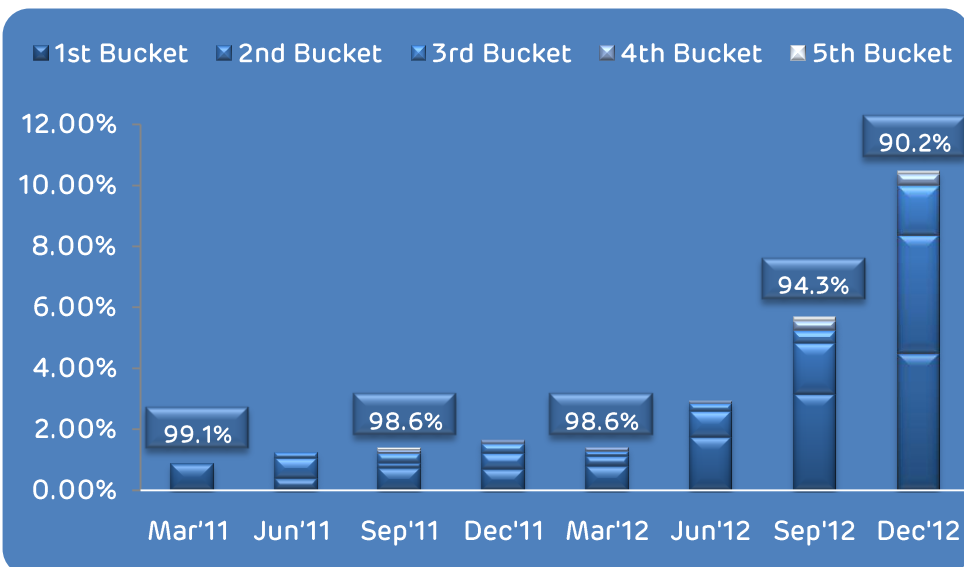
## Loan against property portfolio



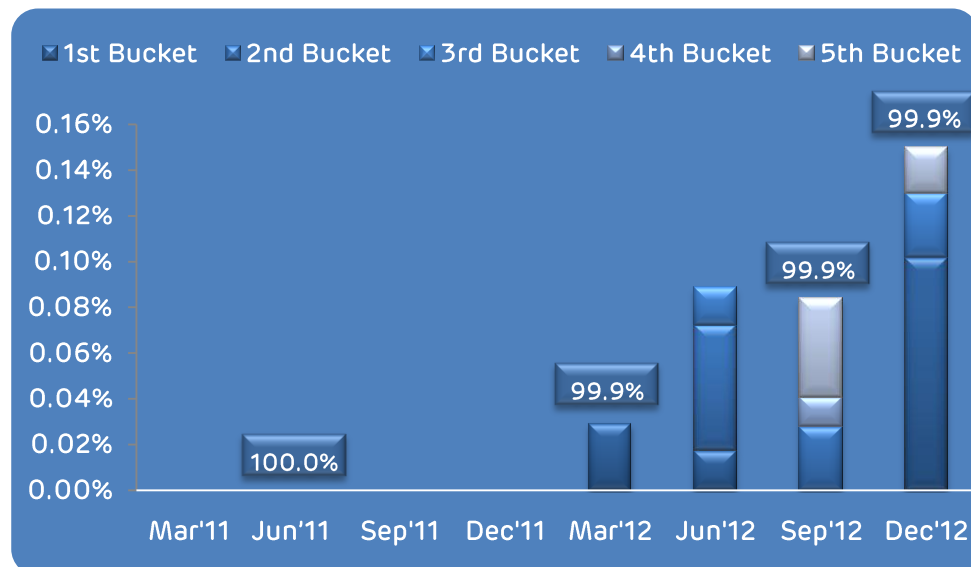
## Home loan portfolio



## Construction equipment financing portfolio



## Salaried personal loan portfolio



Loan against securities portfolio continues to remain all current since launch of the business.

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# Bajaj Finance Limited Q3 FY13 Presentation Thank you !!!

15<sup>th</sup> January 2013