



BAJAJ FINANCE LIMITED

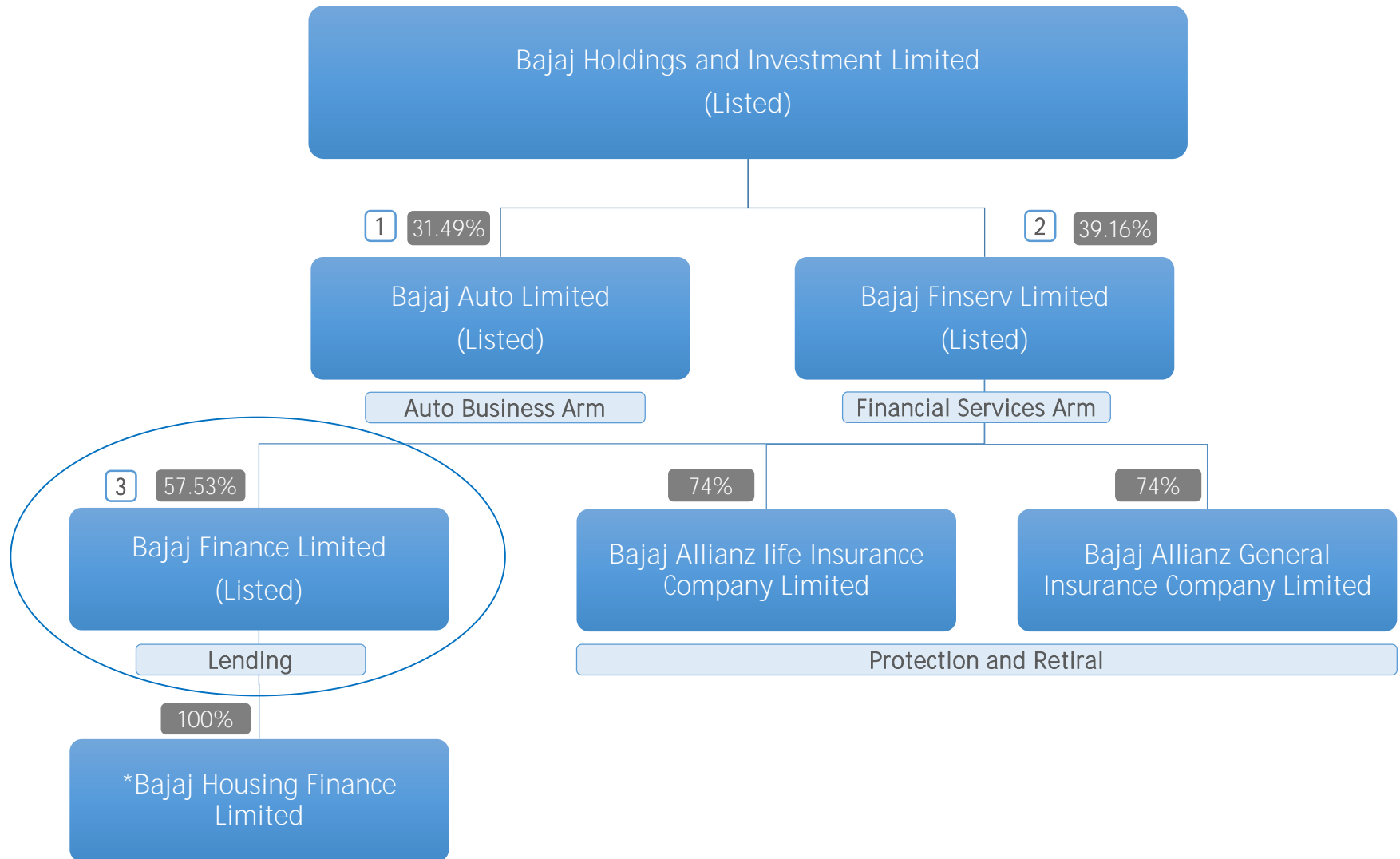
Q3 FY16 Presentation

3rd February 2016

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BAJAJ GROUP STRUCTURE



1. 49.29% holding through promoter holding company & promoter group
2. 58.35% holding through promoter holding company & promoter group
3. 57.60% holding through promoter holding company & promoter group

Above shareholding is as of 31 December 2015

*W.e.f Nov 2014 . Bajaj Housing Finance Limited has a 100% subsidiary named Bajaj Financial Securities Limited which does not have any operations

BAJAJ FINSERV GROUP - EXECUTIVE SUMMARY



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



Bajaj Finance Limited

- A 28 year old non bank finance company
- Diversified consumer, SME & commercial lender in India
- Credit rating of AAA/Stable by India Ratings
- Credit rating of AA+/Stable by CRISIL & ICRA
- 191 consumer branches and 326 rural locations with over 19,500+ distribution points
- Large customer franchise of 13.9 MM
- 4.92 MM **clients acquired in FY'15**



Bajaj Allianz General Insurance Company

- 2nd largest private General insurer in India as of FY15
- Offers a wide range of General insurance products across retail and corporate segments
- One of the most profitable General insurance companies in India. ROE of 28.9% in FY15
- Industry leading combined ratios (96.7% in FY15)
- Recognized in the market for claims servicing



Bajaj Allianz Life Insurance Company

- Amongst top 4 private players as of FY15 on new business
- Diversified distribution mix consisting of agency, bancassurance, other partners, direct etc.
- AUM of over 43K crores as of FY 15
- One of the most profitable private life insurers in India.
- 120K + individual agents and 750 offices across India (FY15)

WHAT DO WE STAND FOR

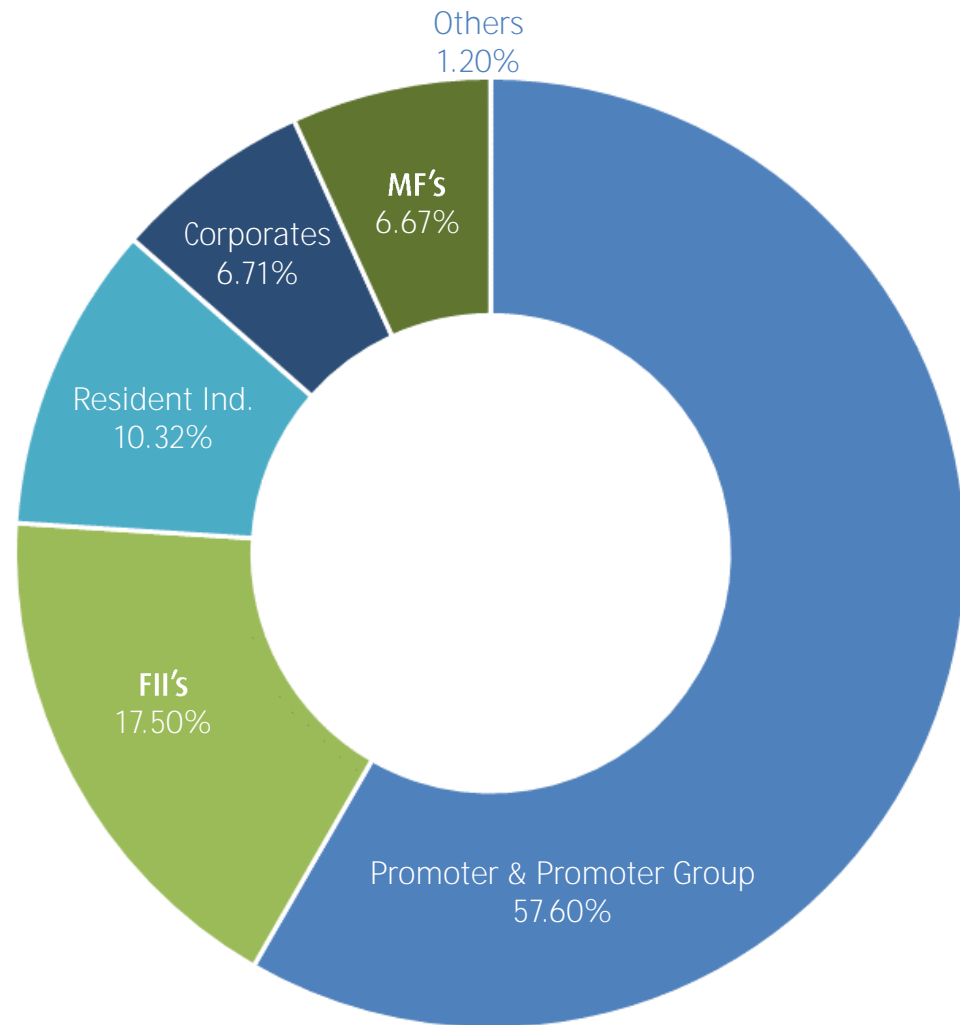
“A non bank with strategy, structure & support model of a bank.”

“Our diversified financial services strategy envisages an optimal mix of risk and profit to deliver a sustainable business model.”

“The business construct is to deliver a sustainable ROA of 3% & ROE of 18-20% in the medium term”

BAJAJ FINANCE – SHAREHOLDER PROFILE

Top 20 investors & their holdings

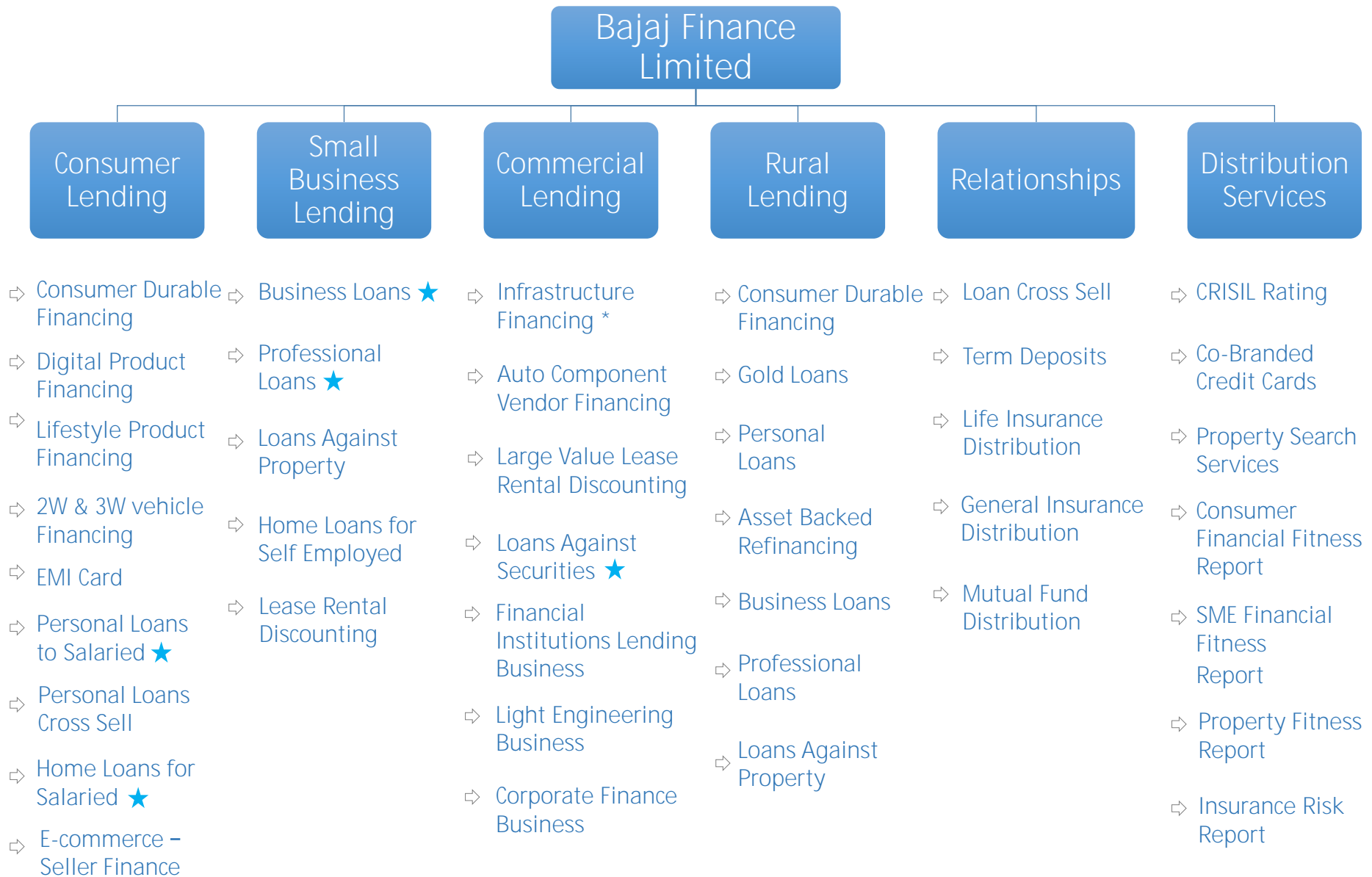


S.No	Name of Shareholder	As on Mar'15	As on Dec'15
1	BAJAJ FINSERV LTD	61.53%	57.53%
2	MAHARASHTRA SCOOTERS LIMITED	3.78%	3.54%
3	GOVERNMENT OF SINGAPORE	-	2.44%
4	SMALLCAP WORLD FUND, INC	-	1.13%
5	ACACIA PARTNERS, LP	1.21%	1.13%
6	HDFC MID - CAP OPPORTUNITIES FUND	1.26%	1.07%
7	HDFC STANDARD LIFE INSURANCE COMPANY	0.41%	0.76%
8	ACACIA INSTITUTIONAL PARTNERS, LP	0.77%	0.72%
9	MACQUARIE BANK LIMITED	0.93%	0.66%
10	GOLDMAN SACHS INDIA FUND LIMITED	0.65%	0.61%
11	ACACIA CONSERVATION FUND LP	0.64%	0.60%
12	AXIS LONG TERM EQUITY FUND	0.45%	0.55%
13	PINEBRIDGE INVESTMENTS GF MAURITIUS	1.10%	0.51%
14	MACQUARIE EMERGING MARKETS	-	0.49%
15	WF ASIAN SMALLER COMPANIES FUND LIMITED	0.62%	0.48%
16	ACACIA BANYAN PARTNERS	0.51%	0.48%
17	SBI MAGNUM TAXGAIN SCHEME	0.48%	0.37%
18	BIRLA SUN LIFE TRUSTEE COMPANY	0.28%	0.37%
19	SUNDARAM SELECT MIDCAP	0.54%	0.36%
20	PARVEST EQUITY INDIA	0.39%	0.36%

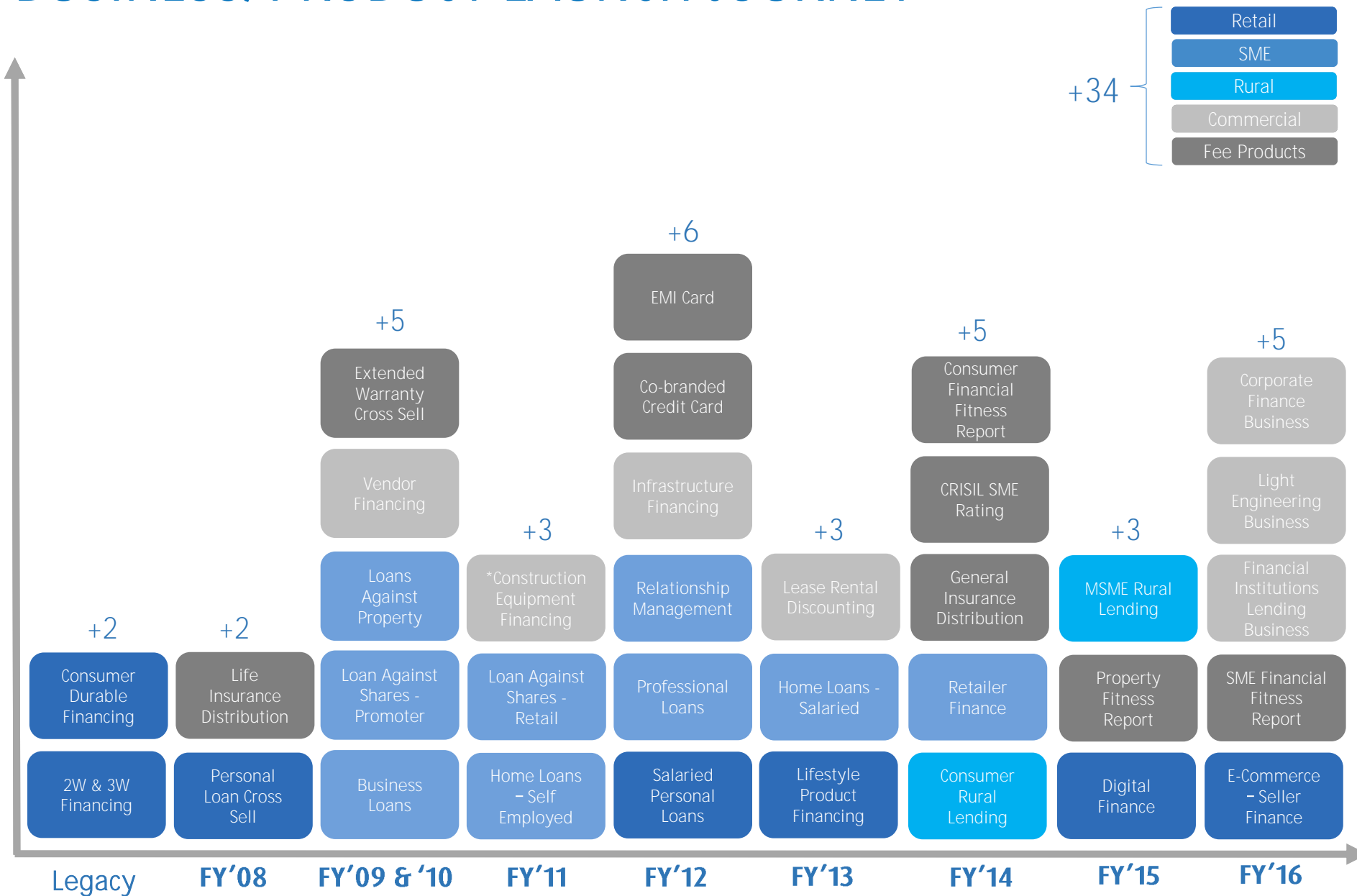
FINANCIAL SNAPSHOT

								₹ in Crore	
Financials snapshot	FY09	FY10	FY11	FY12	FY13	FY14	FY15	YoY (FY14 – FY15)	CAGR
Assets under management	2,539	4,032	7,573	13,107	17,517	24,061	32,410	35%	31%
Total interest & fee income	599	916	1,406	2,172	3,110	4,073	5,418	33%	44%
Interest expenses	164	201	371	746	1,206	1,573	2,248	43%	55%
Net interest income (NII)	435	715	1,035	1,426	1,904	2,500	3,170	27%	39%
Operating expenses	220	320	460	670	850	1,151	1,428	24%	37%
Loan losses & provision	164	261	205	154	182	258	385	49%	15%
Profit before tax	51	134	370	602	872	1,091	1,357	24%	73%
Profit after tax	34	89	247	406	591	719	898	25%	73%
Ratios	FY09	FY10	FY11	FY12	FY13	FY14	FY15		
Return on assets	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%		
Return on equity	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%		
Earning per share (Basic) - ₹	9.3	24.2	67.5	110.8	135.7	144.8	179.9		
Net NPA	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%		
NPA provisioning coverage	32%	55%	79%	89%	83%	76%	71%		

BAJAJ FINANCE LIMITED PRODUCT SUITE



BUSINESS/PRODUCT LAUNCH JOURNEY



* Closed

EXECUTIVE SUMMARY

Bajaj Finance

- 28 year old non bank with a demonstrated track record of profitability.
- Focused on Consumer, SME & Commercial lines of businesses.
- 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.
- The company has ₹ 43,452 Crores of Assets under Management with a net NPA of 0.26% and a capital adequacy of 19.54% as at September 2015. The company in Q3 FY16 has delivered a pre tax profit of ₹ 625 Crores and a post tax profit of ₹ 408 Crores at a ROA¹ of 1.0% and ROE¹ of 5.8%.

Consumer business

- Amongst the top three Two Wheeler lender in India focused on semi-urban & rural markets.
Currently contributes to 38% of Bajaj Auto's domestic Two Wheeler sales.
- Largest Consumer Electronics lender in India, focused on affluent consumers.
- Amongst the largest personal loan lenders in India.
- Amongst a few non banks with an active co-branded Credit Card.
- EMI Card (Existing Membership Card) franchise crossed 5.1 MM cards.
- Amongst the largest new loans acquirers in India (3.39 MM in FY14 and 4.92 MM in FY15).

Rural business

- Highly diversified lender in the rural eco system offering over 12 products in consumer and MSME business categories with a unique hub and spoke business model.
- Geographic presence across 326 towns and villages and retail presence across 2800+ stores.

¹ Not Annualised

EXECUTIVE SUMMARY (CONTD.)

SME Business

- 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 & growth capital products.
- Offer full range of mortgage (Loan against property, Lease Rental Discounting & Home Loans) and working capital products to SME & self employed professionals.
- Offer full range of growth & working capital lending products to professionals (Doctors & CA's).
- Built a dedicated SME Relationship Management channel to provide wide range of cross sell products to our SME franchise.

Commercial business

- Offer wholesale lending products covering short, medium and long term needs of Auto component & light engineering vendors and financial institutions in India.
- Offer a range of structured products collateralized by marketable securities or mortgage.

Treasury

- Strategy is to create a balanced mix of wholesale and retail borrowings.
- Current mix of bank, debt markets and retail deposits is at 47:47:06.

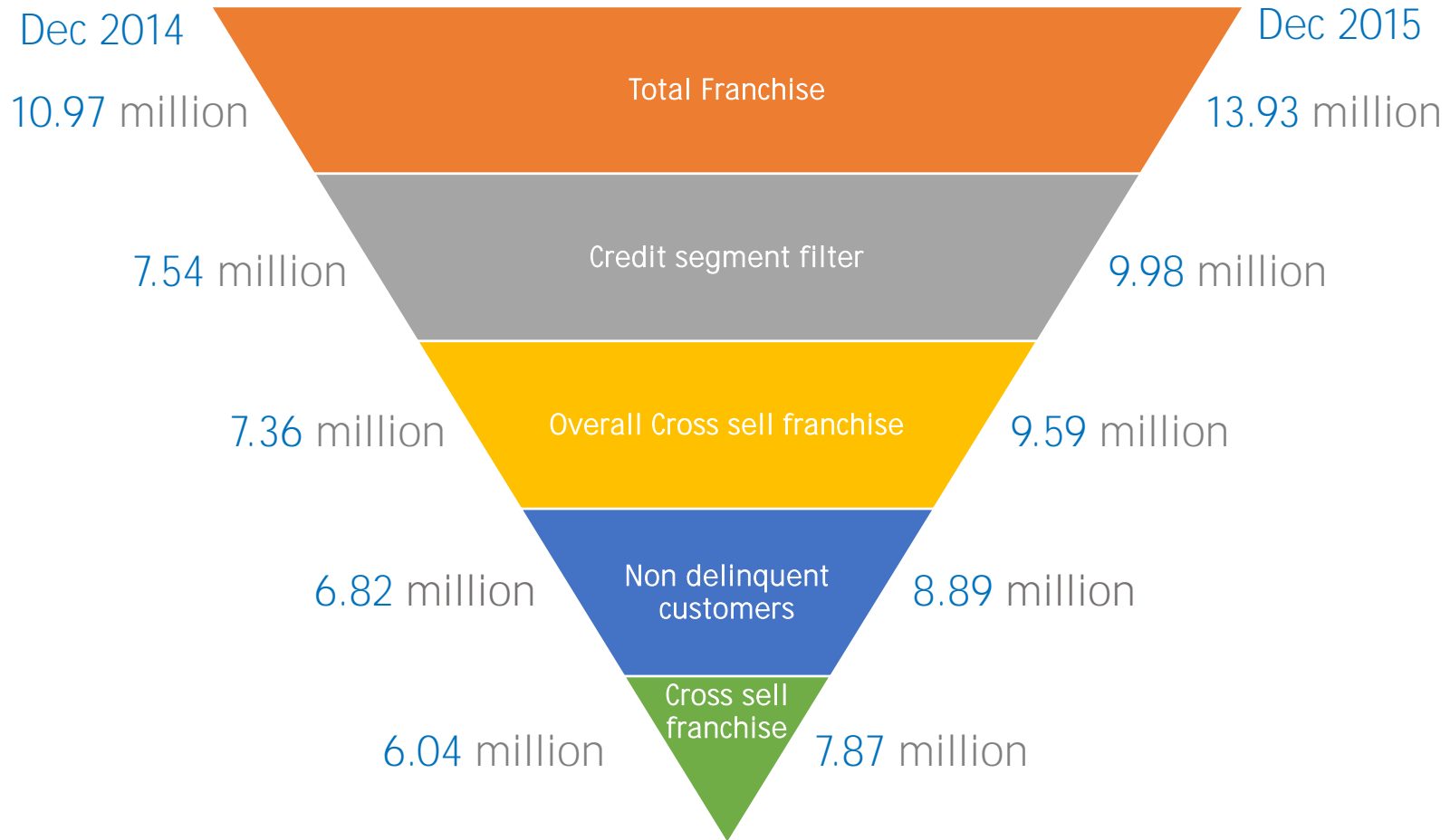
Credit Quality

- Gross and Net NPA of 1.29% and 0.26% respectively with a provisioning coverage of 80%. The company continued to provide for losses in excess of RBI requirements.
- Provisioning coverage ratio improved from 68% in Q3 FY15 to 80% in Q3 FY16.

Credit Rating

- Credit rating of AAA from India Ratings (Fitch).
- Credit rating of AA+/stable & LAA+ stable from CRISIL & ICRA.
- Fixed deposit program has been rated FAAA/Stable by CRISIL and MAAA/Stable by ICRA.

CUSTOMER FRANCHISE



New to Bajaj Customers



Growing Customer cross sell franchise by 20-25% every year...

KEY PORTFOLIO METRICS

Business Segment	AUM (₹ Crores)					Deploy- ments	IRR		Ticket (Lacs)	Quarter gone by
	Q3 FY15	Q1 FY16	Q2 FY16	Q3 FY 16	YoY	Q3 FY16	Range			
1. 2W & 3W finance	3,437	3,315	3,387	3,647	6%	973	22.0%	28.0%	0.50	
2. Consumer durable finance	4,180	5,147	4,916	5,935	42%	5,844	24.0%	26.0%	0.29	
3. Digital product finance	267	354	409	587	120%	518	24.0%	26.0%	0.28	
4. Lifestyle product finance	165	211	275	366	122%	265	24.0%	26.0%	0.52	
5. Personal loans cross sell	2,156	2,741	3,058	3,524	63%	848	16.0%	33.0%	1.17	
6. Salaried personal loans	1,586	2,231	2,529	2,921	84%	872	14.0%	16.0%	4.50	
7. Business loans (BL)	2,474	3,058	3,320	4,146	68%	1,470	17.0%	20.0%	15	
8. Professional loans	532	737	845	985	85%	314	14.0%	17.0%	16	
9. Loan against property (LAP)	7,802	8,424	8,985	8,890	14%	1,260	11.0%	12.0%	175	
10. Home loans (Self employed - HL)	2,981	3,063	3,094	3,238	9%	506	10.0%	10.7%	100	
11. Home loans (Salaried - HL)	755	938	1,096	1,339	77%	330	9.6%	10.5%	36	
12. Loan against securities	1,395	1,516	1,704	2,352	69%	-	10.8%	12.0%	200	
13. RM Business (LAP, HL, BL)	1,111	1,360	1,572	1,844	66%	545	10.0%	20.0%	53	
14. Vendor financing	1,075	1,333	1,322	1,472	37%	-	10.0%	12.5%	-	
15. Financial institutions group	-	-	60	236	-	210	10.5%	12.0%	-	
16. Corporate finance	-	75	247	314	-	73	10.5%	12.0%	-	
17. Infrastructure lending	442	398	355	312	(29%)	-	NA	NA	NA	**
18. Rural lending	234	522	661	1,159	395%	773	14.0%	35.0%	0.40	

** Paused

STRONG DISTRIBUTION REACH

Geographic Presence (No. of branches)

Business Line	FY12	FY13	FY14	FY15	FY16*
Consumer durable branches	82	91	114	161	193
SME business branches	31	57	80	119	206
Rural Branches	-	-	14	50	68
Rural Spokes	-	-	56	182	258
Total Rural locations	-	-	70	232	326

Distribution (Points of sale)

Business Line	FY12	FY13	FY14	FY15	FY16*
Consumer durable	2,800+	3,500+	4,900+	7,000+	8,600+
Digital	-	850+	1,600+	2,650+	3,100+
Lifestyle				1,150+	2,100+
2W-Dealer/ASCs	2,200+	2,600+	2,600+	3,000+	2,900+
SME – Partner	250+	400+	700+	700+	800+
Rural Consumer Durable	-	-	-	1,500+	2,800+

of New loans disbursed ('000s)

Business Line	FY12	FY13	FY14	FY15	FY16*
Consumer Loans	1,465	1,908	2,450	3,623	3,683
Lifestyle & Digital	-	37	109	374	517
Personal Loans	90	116	137	206	226
2W & 3W	654	736	651	561	473
Rural Finance	-	-	22	131	317
SME/Commercial	12	11	20	30	35
Total	2,221	2,808	3,389	4,924	5,251

**Assets Under Management (₹ Crores)

Business Line	FY12	FY13	FY14	FY15	FY16*	Mix
Consumer Lending	4,979	7,138	9,328	13,202	18,382	42%
SME Lending	5,270	7,750	12,009	15,551	19,146	44%
Commercial Lending	2,858	2,629	2,674	3,324	4,765	11%
Rural Lending	-	-	50	333	1,159	3%
Total AUM	13,107	17,517	24,061	32,410	43,452	100%

** LAS portfolio regrouped from SME Lending business to Commercial Lending business and Salaried Home Loans portfolio regrouped from SME Lending business to Consumer Lending business in Q1

* As at/ Year to date for the quarter ending

KEY PERFORMANCE HIGHLIGHTS FOR Q3 FY16

- Profit before tax for Q3 FY16 ↑ 59% to ₹ 625 Crores from ₹ 393 Crores in Q3 FY15
- Profit after tax for Q3 FY16 ↑ 58% to ₹ 408 Crores from ₹ 258 Crores in Q3 FY15.
- Assets Under Management during Q3 FY16 ↑ 41% to ₹ 43,452 Crores from ₹ 30,822 Crores in Q3 FY15.
- Deployments during Q3 FY16 ↑ 67% to ₹ 14,625 Crores from ₹ 8,757 Crores in Q3 FY15. *
- Total income for Q3 FY16 ↑ 39% to ₹ 2,069 Crores from ₹ 1,485 Crores in Q3 FY15.
- New loans acquired during Q3 FY16 ↑ 40% to 21,39,041 from 15,31,580 in Q3 FY15.
- Loan losses and provisions for Q3 FY16 ↑ 35% to ₹ 146 Crores as against ₹ 108 Crores in Q3 FY15.
- Return on Assets and Return on Equity for Q3 FY16 were 1.0% and 5.8% (not annualized) respectively. ROE is adjusted for capital raised by the company through QIP issue of ₹ 1,400 crores during Q1 FY16.
- Gross NPA and Net NPA as of 31 December 2015 stood at 1.29% and 0.26% respectively. The provisioning coverage ratio (PCR) stood at 80% as of 31 December 2015. Net NPA & provisioning coverage ratios stood at 0.48% and 68% respectively as of 31 December 2014 and have shown improvement in the corresponding period of the current year. During the quarter, the Company sold NPA receivables of 82 Crores worth in Mortgage business on cash basis. This helped improve GNPA and NNPA performance.
- Capital adequacy ratio (including Tier-II capital) stood at 19.54%. The tier – I capital stood at 16.06%. The Company continues to be well capitalized to support its growth trajectory.

* Gross deployment number is excluding revolving loans viz. Auto Component Manufacturer Financing, Loan Against Securities & Retailer financing

SUMMARY FINANCIAL STATEMENT

	₹ in Crores					
	Q3'16	Q3'15	YoY	9M'16	9M'15	FY'15
Financials snapshot						
Assets under finance (AUF)	41,760	29,528	40%	41,760	29,528	31,199
Assets under management (AUM)	43,452	30,822	41%	43,452	30,822	32,410
Total Interest & fee Income	2,069	1,485	39%	5,426	3,973	5,418
Interest expenses	749	592	26%	2,121	1,636	2,248
Net Interest Income (NII)	1,320	893	48%	3,305	2,337	3,170
Operating Expenses	549	392	40%	1,443	1,054	1,428
Loan Losses & Provision	146	108	36%	386	271	385
Profit before tax	625	393	59%	1,476	1,012	1,357
Income tax	217	135	61%	512	346	459
Profit after tax	408	258	58%	963	667	898
Ratios	Q3'16	Q3'15		9M'16	9M'15	FY'15
Total Opex to NII	41.6%	43.9%		43.7%	45.1%	45.1%
Total Opex to Total Income	26.5%	26.4%		26.6%	26.5%	26.4%
Loan loss to AUF*	0.4%	0.4%		0.9%	0.9%	1.2%
Return on Average AUF*	1.0%	0.9%		2.6%	2.5%	3.3%
Earning per share - Basic (Rs.) *	76.3	51.7		182.9	133.7	179.9
Return on Average Equity *	5.8%	5.6%		16.0%	15.4%	20.4%

* Quarterly & nine month numbers are not annualized

* ROE is adjusted for capital raised by the company through QIP issue of ₹ 1,400 crores during Q1 FY16

MANAGEMENT DISCUSSION

Market Assessment :

- Economic indicators showed some improvement

Parameters	Oct '15	Nov '15	Dec'15
IIP	9.8%	-3.2%	-1.3%
CPI	5.00%	5.41%	5.61%
WPI	-3.70%	-1.99%	-0.73%

- Consumer durables and Consumer non-durables have a recorded growth of 12.5% and -4.7% percent respectively, with the overall growth in Consumer goods being 1.3 % in November 2015
- As of December 25, 2015 projected gross bank credit of scheduled commercial banks amounted to ₹70.16 lac crores registering an increase of 11.05% during the year as against an increase of 10.05% in the previous year.
- As per **RBI's 'Financial Stability Report'** published in December 2015, Gross non-performing advances (GNPAs) of Scheduled Commercial Banks as a percentage of gross advances increased to 5.1% from 4.6% between March and September 2015. Stressed advances ratio increased to 11.3 % from 11.1% during the same period. PSBs recorded the highest level of stressed assets at 14.1% followed by Private banks at 4.6% and Foreign banks at 3.4%.

Auto sector (9M FY16)

	Overall	PV	CV	2 Wheeler	3 Wheeler	Scooter /Other
YoY growth %	1.31%	9.05%	8.47%	1.21%	-4.30%	11.39%

- In housing market, developers are increasingly struggling to raise funds for their new projects or being able to complete their ongoing projects due to inventory over supply. Developers have been focusing on clearing existing inventory with very few new launches. Overall real estate markets remain very subdued and near term horizon remains weak.

MANAGEMENT DISCUSSION (CONTD.)

Business Commentary :

- Overall the strongest quarter for the company in last 2 years with granular growth across most lines of businesses of the company.
- Two wheeler and Three wheeler financing business disbursed 971 Crs (21% YoY) during the quarter. Two Wheeler financing business disbursed 177K accounts in the quarter (11% YoY). Three Wheeler financing business disbursed 8.5K accounts in the quarter (47% YoY). Two Wheeler financing penetration of Bajaj **Auto's** domestic Two Wheeler sales increased to 38% from 37% in Q3 FY15. Three wheeler financing penetration of Bajaj **Auto's** domestic Three Wheeler sales in Q3 was at 17%.
- Consumer Durable business showed strong momentum in Q3 disbursing 14.59 lac accounts (30% YoY) on account of a strong festive season. Marketing campaign for Bajaj Finserv Experia mobile app, through which a customer can take loan approval online, also helped garner close to 200 K applications. Company will be launching Version 2 of the app soon with a more sophisticated UI/UX. Company clocked a new milestone of decisioning more than 81K applications on the day of Dhanteras across 200+ cities and towns.
- EMI card franchise crossed 5.1 MM cards in force. More than 50% of customers in Consumer Durable business, Lifestyle Finance business and Digital Product Finance business come from EMI card franchise
- Retailer finance business for consumer durable business remained strong, disbursing 1,753 Crs (98% YoY).
- Digital product finance business disbursed 178 K accounts (76% YoY) during the quarter. Business relationships with top 3 high value phone OEMs (Apple, Samsung, Sony) and laptop OEMs continued to strengthen. Approximately 6% of Apple phones sold in India are financed by BFL now. Business also saw expansion of tie ups with other mobile phone manufacturers

MANAGEMENT DISCUSSION (CONTD.)

- **‘Digital Activate’**, an online to offline partnership model with retailers, has been launched in Q3. Bajaj Finance Limited sold 50 phones via this channel as a test in December. The business is incorporating the learnings of the initial launch to streamline the process. This line is expected to deliver higher growth in next fiscal.
- Lifestyle finance business disbursed 50.4 K accounts in Q3 (122% YoY). Furniture remains the largest lifestyle finance category. Entering new categories like mattresses, care credit to grow this business. Business continues to leverage EMI card franchise with nearly 70% business contribution from existing customers.
- Salaried personal loans had a strong quarter with disbursal of 727 Crs in Q3 (51% YoY). **‘Direct to Customer’** contribution in Q3 increased to 54% from 50% in Q2 as part of the strategy to grow direct business. Business is expanding its geographical footprint to 15 new locations in Q4.
- Salaried home loans disbursed 330 Crs (112% YoY) in Q3. We are working on launching our 4th digital property viz. Experia-Commerce which will help customers identify and buy property along with a loan from Bajaj Finance Limited. We expect to launch the same in the next fiscal.
- E-Commerce seller finance business disbursed 82.6 Crs in Q3 across 160+ sellers of Flipkart and Snapdeal. Business continues to explore opportunities with various E-commerce players to create solutions for consumers as well as sellers of e-commerce companies.
- Personal loan cross sell business disbursed 802 Crs in Q3 (63% YoY). Growing customer franchise and investment in analytics capabilities has enabled this growth. Business contribution from Tier II has increased from 38% to 46% in last 12 months as part of the strategy to diversify the portfolio geographically.

MANAGEMENT DISCUSSION (CONTD.)

- BFS Direct business has generated 174 Crs of volumes between four different business lines (Personal Loans, Business Loans , Home Loans & Loan against Securities).
- Rural lending business continued to grow well in Q3 disbursing 624 Crs (271% YoY) owing to low base and superlative execution. The business added spokes to existing branches across states of Madhya Pradesh, Karnataka, Maharashtra and Gujarat during the quarter. The business is now present in 326 towns and villages in less than 3 years of its launch. The business is well on track to launch its branches in Rajasthan in Q4.
- MSME rural business disbursed 67 Crs in Q3 is yet to stabilise given first year of its launch.
- Business Loans had a strong quarter disbursing 1,266 Crs in Q3 (70% YoY). Portfolio performance continues to hold well across all parameters. Launch of Decision Support System enabled the business to build momentum for velocity and scale.
- Professional Loans continued to grow well and disbursed 310 Crs in Q3 (93% YoY). The pre-approved model to lend to **'Chartered Accountant'** has been initiated. Decision Support System functionality has also been extended to Professional Loans to help build momentum and achieve scale.
- Loan against property business continued to remain in hyper competitive state. The business disbursed 1,213 Crs in Q3 (1% YoY). LAP business has transitioned to 100% **'Direct to Customer'** in order to build a low cost & sustainable ROE business. As part of the **'Direct to Customer'** strategy, Bajaj Finance Limited henceforth, will only sell to its large existing customer franchise. Business is expected to de-grow during this transition but it should deliver growth from next fiscal. This change is a very significant change and if successful should help in delivering acquisition cost saves in the next fiscal

MANAGEMENT DISCUSSION (CONTD.)

- Self-employed home loan business disbursed 459 Crs in Q3 (de-growth of 20% YOY). The de-growth was on account of transition to a 100% '**Direct** to **Customer**' model. The D2C strategy has already started delivering results in terms of better acquisition and lower costs thereby improving profitability. This change is a very significant change and is helping to deliver a robust & sustainable mortgage business.
- Infra financing business continues to remain in pause mode due to sectoral stress. The outstanding portfolio is now down to 312 Crs comprising of 5 accounts. One account was fully provisioned in Q3.
- LAS business had a very good quarter with a net AR addition of 602 Crs catalyzed by growth in its retail segment. The business despite tremendous volatility continues to hold its portfolio performance well.
- Auto component financing businesses continued to grow well in this quarter with a net AR addition of 150 Crs.
- Corporate Finance, Financial Institutions (FIG) lending business & Light Engineering Business are beginning to grow well and disbursed 248 Crs in Q3. The total AUM has increased to more than 550 Crs in these businesses.
- Relationship management business which offers multiple products to clients across loans (secured and unsecured), wealth management and insurance products continued to gain momentum in last quarter. The business disbursed 537 Crs in Q3 (103% YoY).
- Fixed deposit business garnered 672 Crs of new fixed deposits during the Q3 taking the total deposit book to 2,038 Crs (218% YoY). The average deposit size stood at 3.3 lacs with a weighted tenor of 25 months. Fixed Deposit now contributes to 5.9% of total borrowings.

MANAGEMENT DISCUSSION (CONTD.)

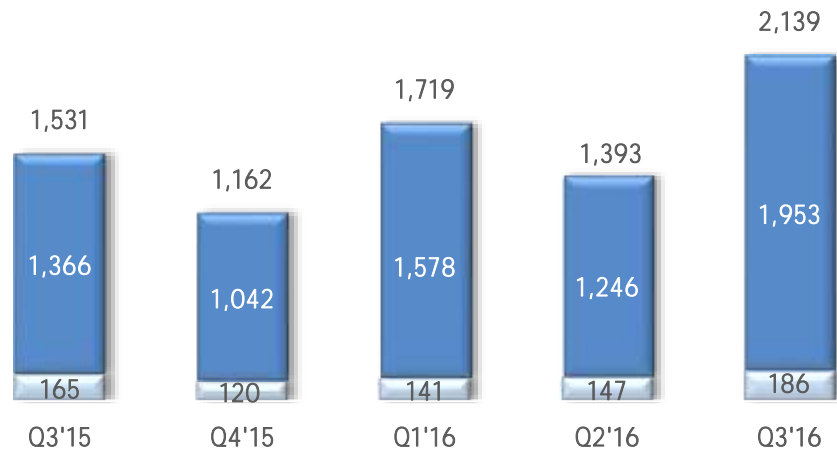
- IFA channel strategy to diversify our fixed deposit channel strategy is moving well with the business empaneling 658 **IFAs** during the quarter in partnership with BAGIC & HDFC Life.
- Gross NPA and Net NPA as of 31 December 2015 stood at 1.29% (1.50% last year) and 0.26% (0.49% last year) respectively. The provisioning coverage ratio stood at 80%. During the quarter, the Company sold NPA receivables of 82 Crores worth in Mortgage business on cash basis. This has helped improve LAP & Self employed HL portfolio metrics.
- Interest cost for the company continues to remain significantly lower amongst its NBFC peers. Borrowing mix at the quarter end stood at 47:47:06 between banks, money markets and retail deposits respectively.

FINANCIAL PERFORMANCE TRENDS – Q3 FY16

of Loans Disbursed ('000)

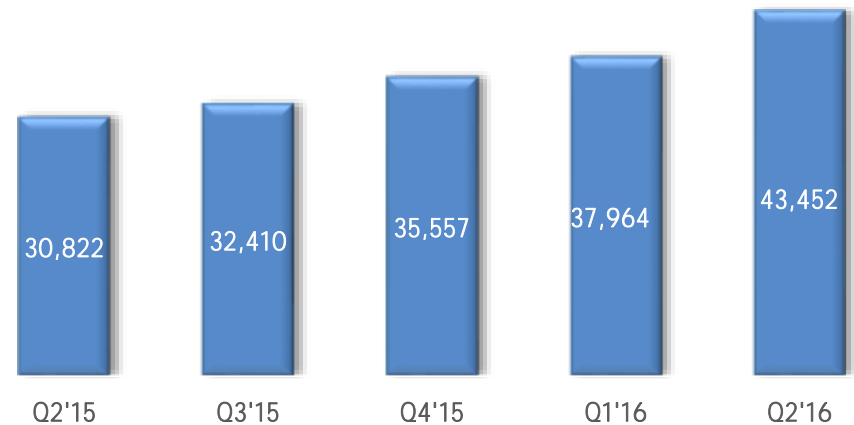
↑ 40% YoY

■ 2 Wheelers ■ Others



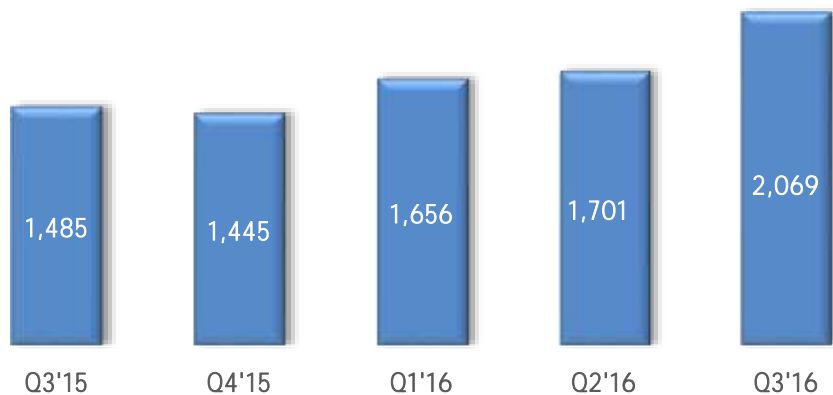
AUM (₹ Crore)

↑ 41% YoY



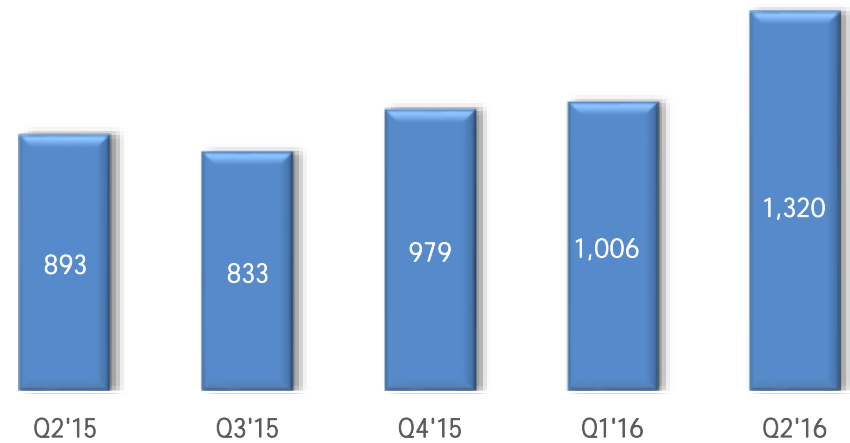
Revenue (₹ Crore)

↑ 39% YoY



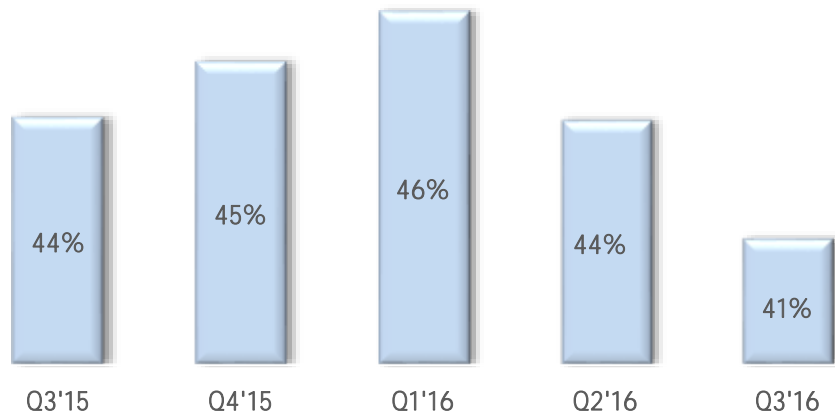
Net Interest Income (NII) (₹ Crore)

↑ 48% YoY



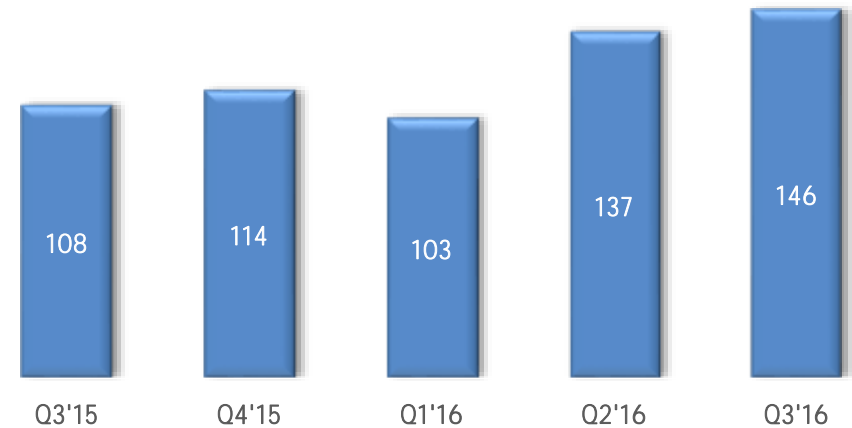
FINANCIAL PERFORMANCE TRENDS – Q3 FY16

Operating expenses % of NII

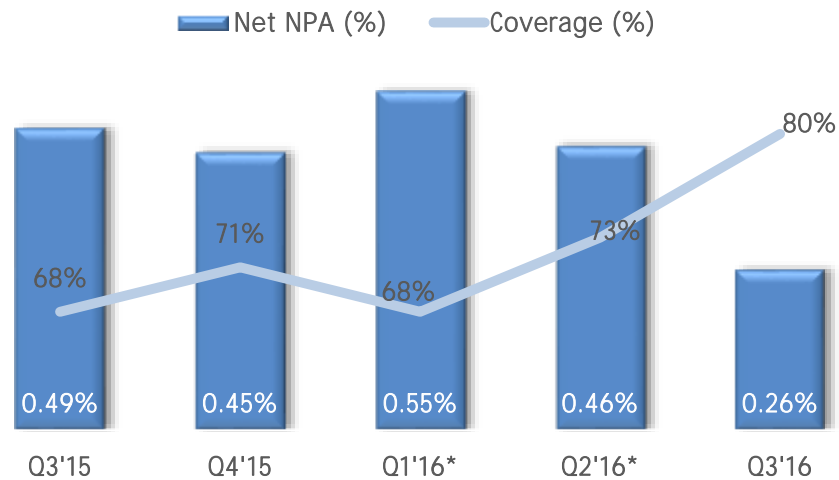


Loan loss provision (₹ Crore)

↑ 35% YoY

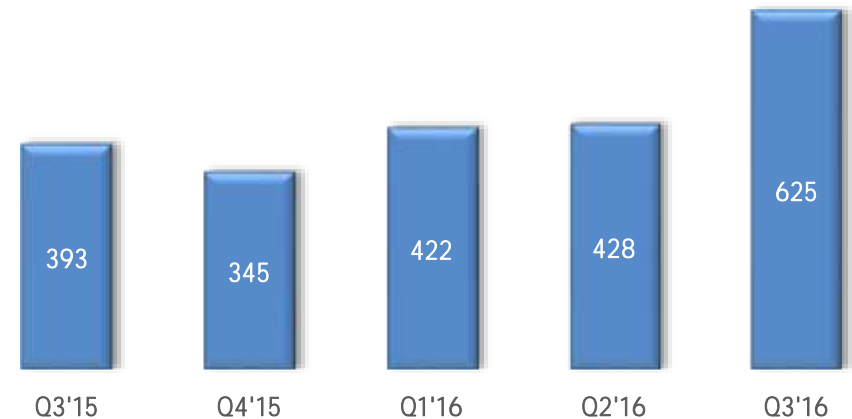


Net NPA & Provisioning coverage



Pre Tax Profit (₹ Crore)

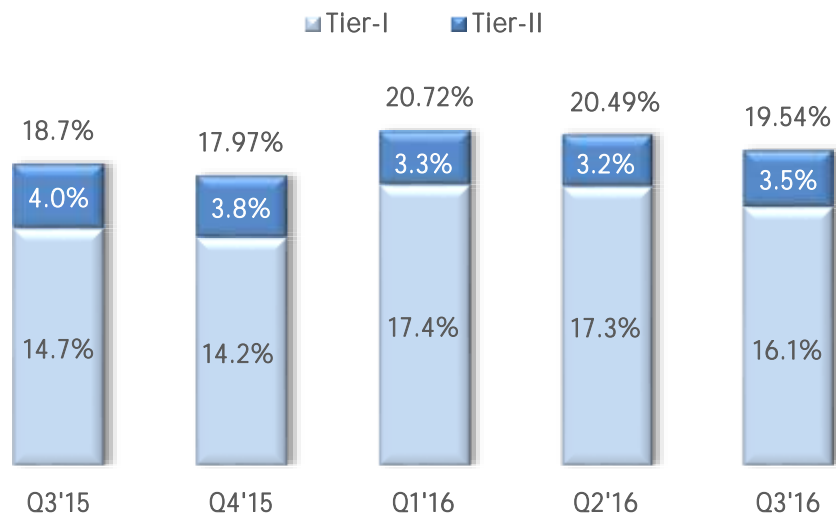
↑ 59% YoY



*The net NPA & provisioning coverage numbers for Q1FY16 are at 150 days over-dues while the same for previous quarters are at 180 days over-due.

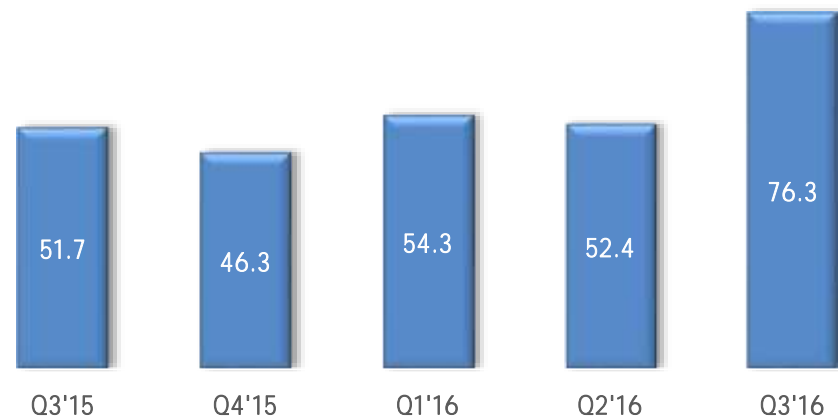
FINANCIAL PERFORMANCE TRENDS – Q3 FY16

Capital adequacy ratio

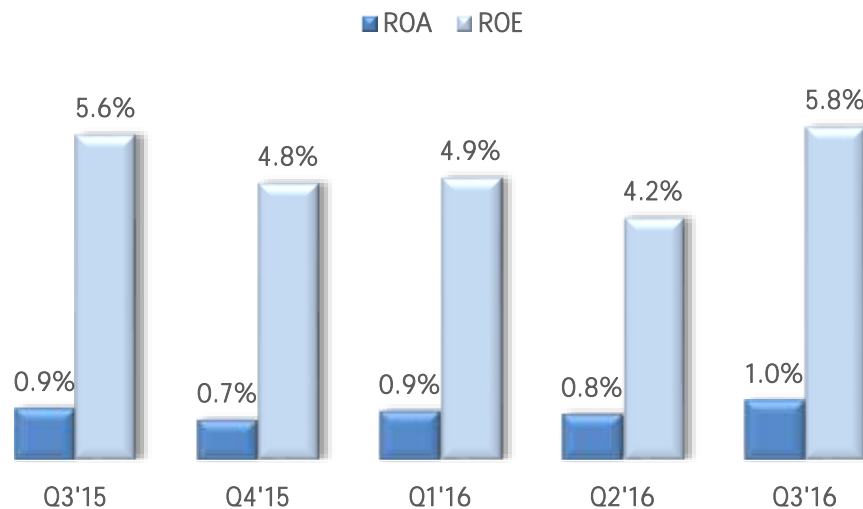


Earnings per share – Basic (₹)

↑ 47% YoY

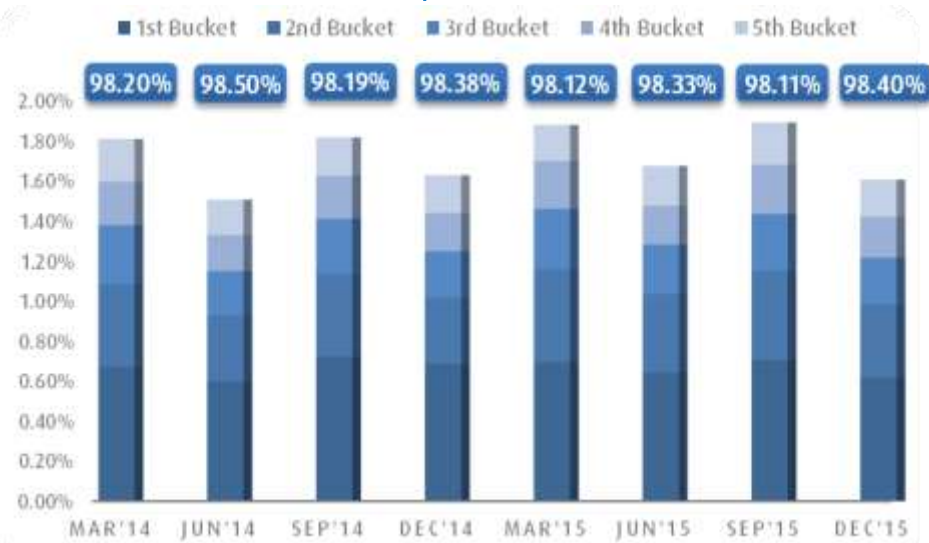


Return on avg. assets under finance & Equity

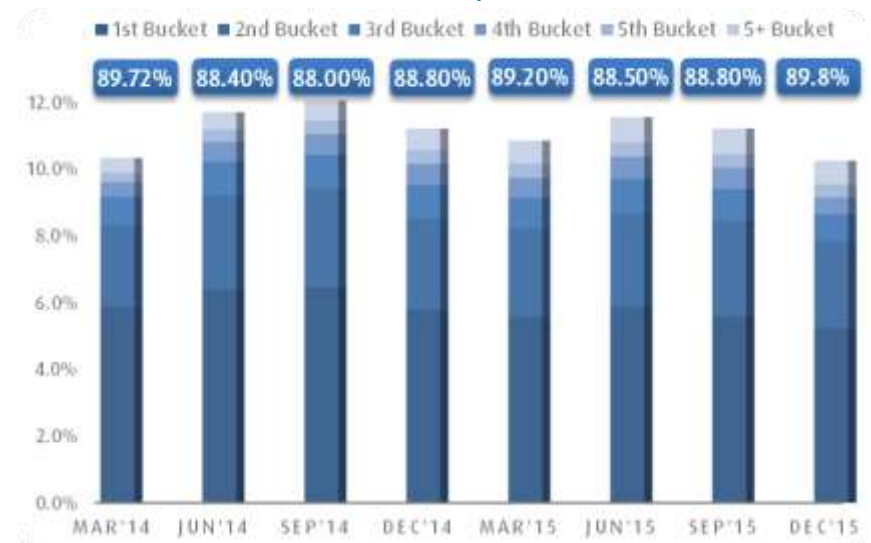


CREDIT QUALITY – PORTFOLIO COMPOSITION

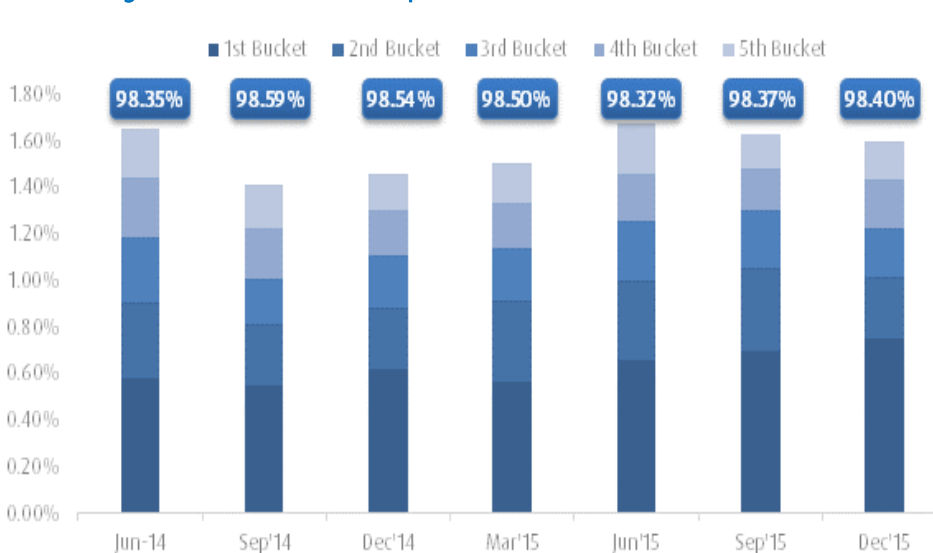
Consumer durable loan portfolio



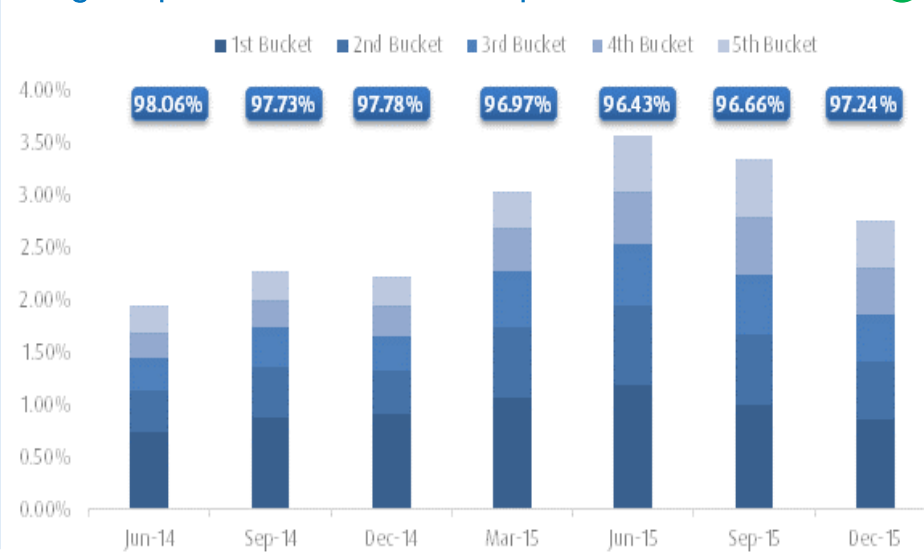
Two & Three wheeler loan portfolio



Lifestyle finance loan portfolio



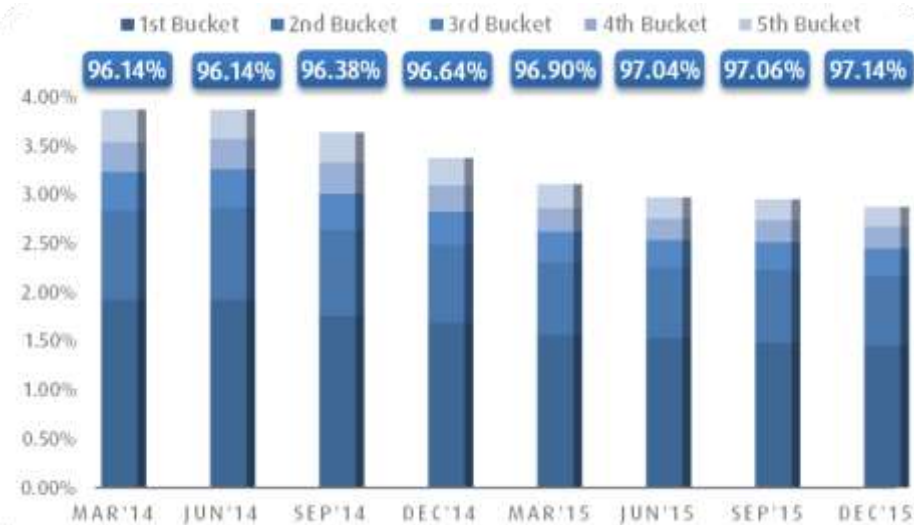
Digital product finance loan portfolio



Legends indicate customers who are current/ no dues as of the month.

CREDIT QUALITY – PORTFOLIO COMPOSITION

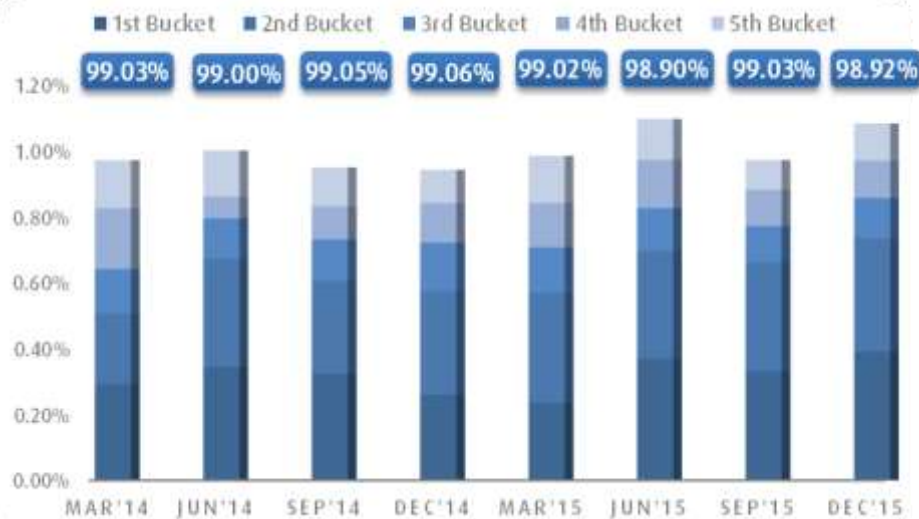
Personal loan cross sell portfolio



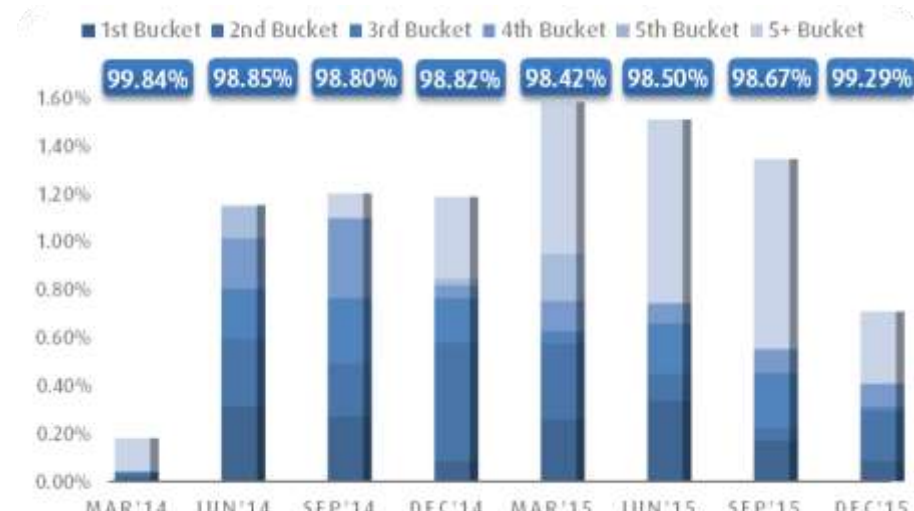
Salaried personal loan portfolio



Small business loan portfolio



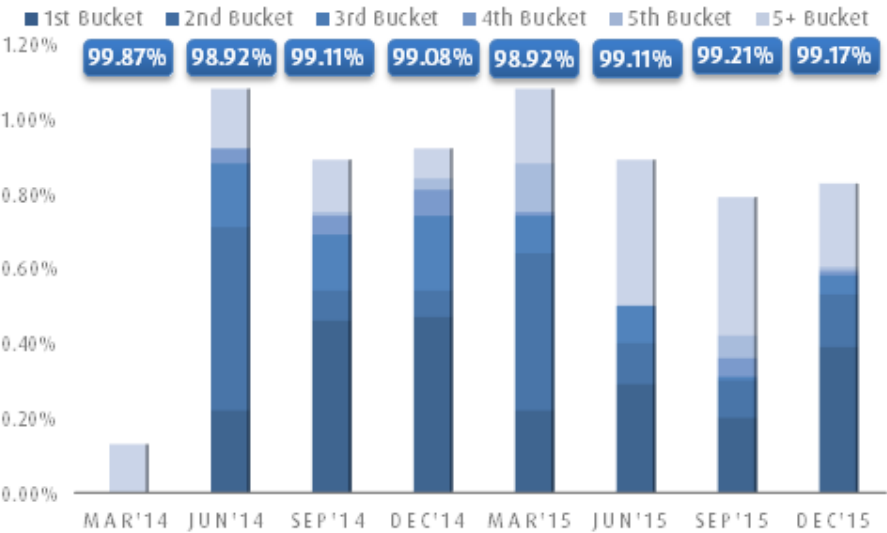
Loan against property portfolio



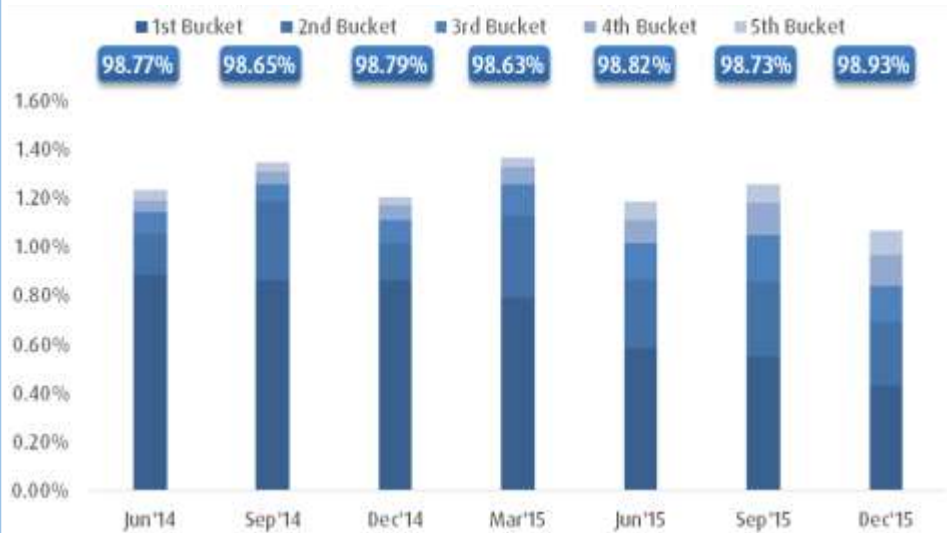
Legends indicate customers who are current/ no dues as of the month.

CREDIT QUALITY – PORTFOLIO COMPOSITION

Home loans portfolio



Rural Lending portfolio



Legends indicate customers who are current/ no dues as of the month.

PR COVERAGE HIGHLIGHTS IN Q3 FY16

SANJIV BAJAJ/BAJAJ FINSERV

Bajaj Finance continues to deliver very strong results

BY ANUJ SINGHAL &
SONIA SHENOY
CNBC-TV18

INTERVIEW

Sanjiv Bajaj, managing director of Bajaj Finserv Ltd, said performance of units Bajaj Finance (a non-banking financial company) and Bajaj Allianz Life Insurance Co. Ltd helped the parent post a 40% increase in profits in the September quarter. In an interview, Sanjiv Bajaj also welcomed the clarity in foreign ownership in insurance companies. Edited excerpts:

Can you just take us through the performance this quarter and which are the segments that have done well?

Our consolidated profits after tax (PAT) is up 40% to ₹441 crore. Now, Bajaj Finance continues to deliver very strong results. We have seen total income go up 37% to ₹1,701 crore while PAT for Bajaj Finance went up 42% to ₹279 crore. This is their highest ever PAT. So, record results from Bajaj Finance. The life insurance company has seen a lower top line. Our gross written premium (GWP) fell from ₹1,401 crore to ₹1,172 crore but shareholders'

PAT has more than doubled from ₹103 crore to ₹216 crore. Now, of this, roughly ₹60 crore or so is the transfer of profit from policyholders' to shareholders' account which we used to do till last year only end of the year. This year, as we have been saying from first quarter, we are doing it every quarter. So, even if you adjust for that, we have a growth in the bottom line for the life insurance company. The general insurance company has seen a rather flat quarter. Our gross premiums were up just 2% to ₹1,500 crore whereas PAT was marginally down from ₹145 crore to ₹141 crore. The main reason for this is because if you have seen the general insurance business has consistently grown at 10-12% quarter-on-quarter (Q-o-Q) but in the second quarter this year, a large part of the agricultural insurance business was taken away through very aggressive pricing by government insurance companies. So, we wrote roughly about ₹130 crore of lower agricultural insurance Q2 on Q2 and as a result, we lost out on the reinsurance

commission there. So, if I were to compare for example our claims ratio in Q2, it is actually lower than the previous year. It is at 72.9% versus 75.3% but the combined ratio is higher. So, we have lost out over there. Once again, of course, as we said, these would still be the best numbers in the industry but compared to how the general insurance is performing earlier, the performance was not great in this quarter too. So, effectively, it is Bajaj Finance and the life insurance companies' profits which have helped us on a consolidated basis take profits up by 40%.

So, for Bajaj Finance, your gross NPA has stabilized after last quarter's spike, but going forward, do you think it can go back to the lower levels that used to exist two or three quarters back?

When I compare whether from Q2 of this year where from 55 basis points (bps) it has come down to 46 bps or even from Q2 of last year it has come down from 48 bps it has come down to 46 bps. There is as we can see a marginal decline. We also have done some accelerated provisioning in this quarter. So, if it weren't for that, this 46 bps



Positive outlook: Sanjiv Bajaj

would have been an even lower number. So, yes, it looks right now that this number could further go down a little bit but as we have always said, it depends on the mix of business we write between our high return by the relatively riskier consumer loans and the SME and commercial loans which are lower in return relatively but also lower risk. So, it would really depend on the mix of these quarter-on-quarters.

Before I run out of time, I wanted to ask you about the fact that Insurance Regulatory & Develop-

ment Authority (Irda) has issued the final guidelines on foreign direct investment (FDI) in insurance firms. What has the reaction of your own foreign partner been?

The guidelines we issued some time back and since then, as of yesterday, Irda has issued a clarification guideline on what control means and that is what a lot of foreign players naturally were concerned about. They wanted clarity. This of course applies not only if you are bringing in additional money to take your stake up but it also applies for existing companies even if

they make no change, so it was important to get this clarity because if you go and talk to different people, you get different answers but since it is on paper now, I think it makes it very clear as we know the requirement of Indian ownership and control is in the act itself; so, Irda has only clarified that and explained what it would mean and I think the clarification is very clear, it is very fair and in line with the act. This will make matters, my sense is, much easier to resolve, whether it is for our own partner or for any other joint venture as well.

Sure, there is clarity now but some shareholder agreements had given the foreign investor a veto power on many policy decisions even though their holding was restricted to 26%, but this has now been completely done away with. Will that in any way be viewed as a negative?

To those foreign partners who had such rights, naturally they have lost those rights, but the point is they have not lost those rights after the IRDA clarification; they have lost those rights when the act got passed. There are benefits that they have gained as well; for example, they have gained the right to go up to 49%. So, there are pros and cons but what is important is that there is clarity over it and based on that, partners have to decide. So, for the power that you want and if somebody wants to be in India, they have no choice but to follow those guidelines, that is very clear.

PR COVERAGE HIGHLIGHTS IN Q3 FY16 (CONTD.)

Agile as an NBFC, Cautious Like a Banker

The dual mantra, coupled with a robust technology backbone, has set Bajaj Finance on the road to a scorching pace of growth

Bajaj Finance has been one of the fastest growing NBFCs over the last few years. The company has grown its loan book four-fold over the last four years. A technology-enabled relationship management approach and deep penetration has helped the company acquire an edge over its competitors. **Rajiv Jain**, MD & CEO of Bajaj Finance, talks to **Suraj Sankar** about the strategy and risk management system the company has put in place.

Please trace for us the journey of Bajaj Finance from an auto financier to a full-fledged NBFC. Until 2006, the company's strategy was to focus on captive lending, where 90% of the business was auto finance. In 2006 the group demerged its businesses into Bajaj Holdings, Bajaj Auto and Bajaj Finserv. Holding companies were formed to comply with different regulators and capital close to ₹750 crore was infused. I joined in August, 2007. The company's name changed from Bajaj Auto Finance to Bajaj Finance and was brought under Bajaj Finserv. Although two wheeler loans grew from ₹2,000 crore to ₹3,700 crore since then, a whole host of businesses came in and the share of auto finance came down to less than 8-9%.

What strategy did you adopt to grow during the slowdown? We run 18-20 business segments which include SME, home loan, personal loan, loan against shares

and consumer durables finance. In any particular business segment, if both the macro and micro indicators point to a slowdown, we stop lending. If either of the indicators is not strong, then we are cautious. For instance, over the past few years, we saw a weakness in macro and micro factors in the construction equipment business. Our peak exposure was 14%. We exited construction equipment and infrastructure financing and did so without any loss. In infrastructure we stopped at ₹700 crore. It is now down to ₹300 crore. In the loan against property segment, macro was not weak a year ago but micro was weak. Our internal assessment showed the market was overheated. It comprises 25% of our balance sheet, but has grown only 4% this year.

How do you manage risks in different business units?

If banks can operate in different lending segments, so can we. We say to our investors we will deliver 18-20% sustainable return on equity (RoE). While private banks generate RoE of 15-16% and NBFC in a single line of business generate 24% RoE, with 18% RoE, we provide the agility of the NBFCs and the risk management processes of the banks. We feel our diversified presence helps in mitigating risks while growing at a decent pace.

You are a strong player in consumer durables financing. What is your business model?

Manufacturers pay lenders to stimulate sales by offering them a discount to reduce interest cost. We are present at 15,000 points of sale. Our person at the store keys in data about the product and the customer. At the back end, we do application score card, bureau score card, fraud check and the approval decision is done within two minutes. A high processing and technology orientation is needed to achieve this quick turnaround time. We process around 18,000 applications across 150 cities every day, which serves as an entry barrier. During the first quarter of this fiscal, we acquired 1.5 million customers.

Going ahead, in which segment do you see growth?

We wish to dominate in the consumer business where entry barriers are high. In SME lending, we wish to consolidate, while in rural lending we want to accelerate growth. At present, we are small and nimble and hence can move with agility. On a sustainable basis, we intend to grow at twice the banking system, while right now we are growing three fold.

RAJIV JAIN
MD & CEO, BAJAJ FINANCE

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BAJAJ FIN

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BAJAJ FINANCE LIMITED

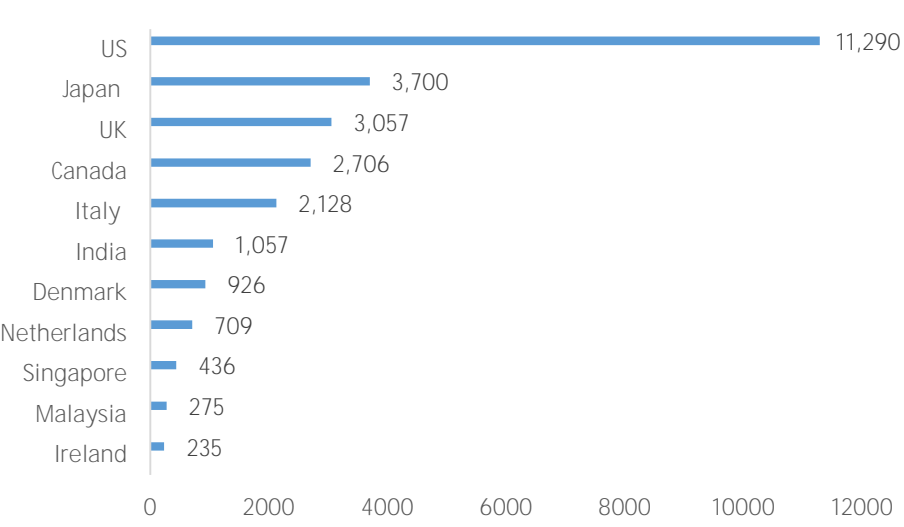
Q3 FY16 Presentation

THANK YOU

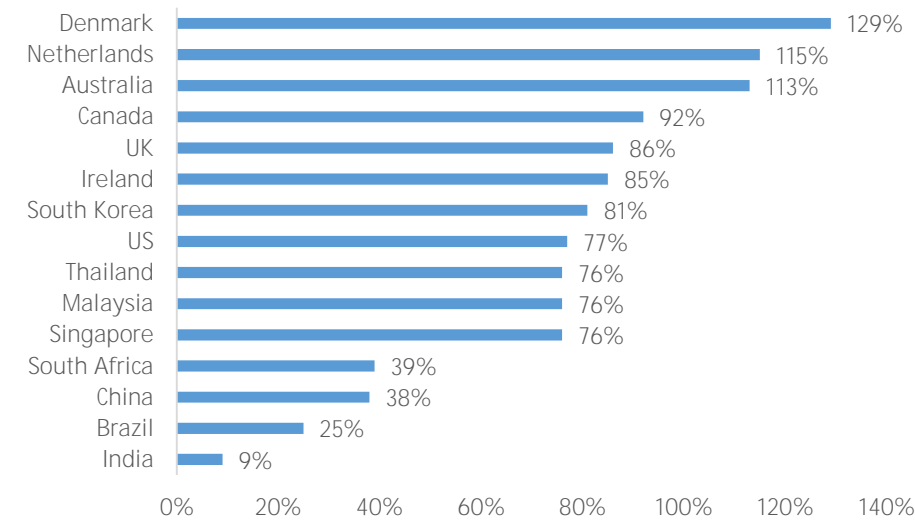
ANNEXURE

LENDING INDUSTRY OPPORTUNITY

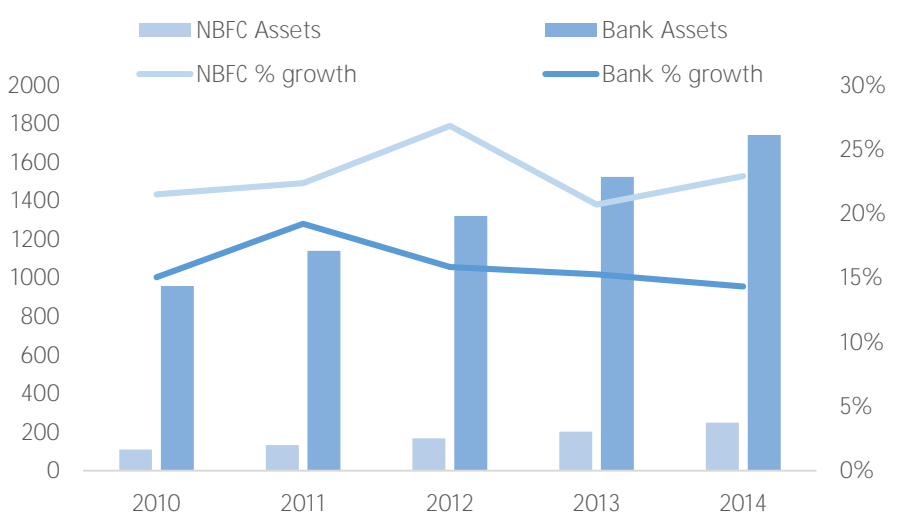
India vs. Advanced Economies – Bank Credit (US \$ Bn)



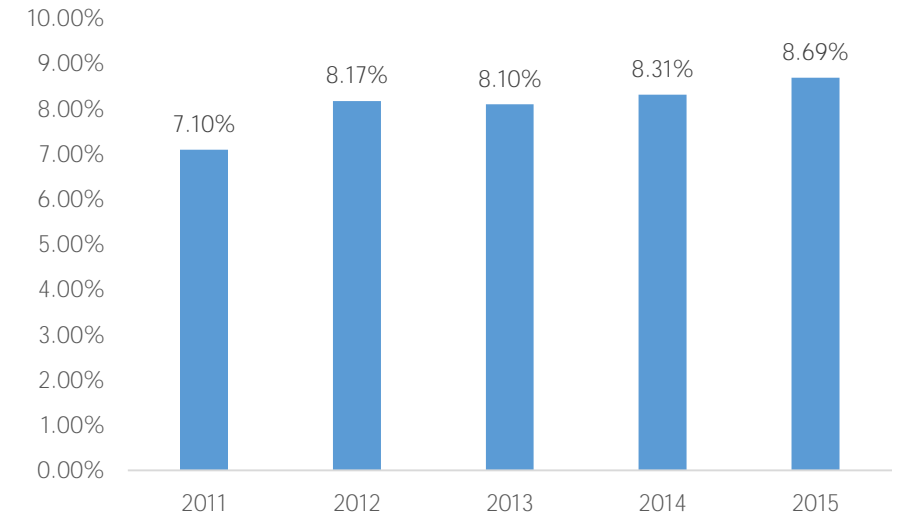
India vs. Advanced Economies - Household Debt/GDP (%)



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



India – Household Debt/GDP (%)



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

A FEW INITIATIVES IN THE LAST 24 MONTHS...

1

Last mile connectivity through cloud platform at 10,000+ retailers

2

Work flow based underwriting for SME businesses on cloud.

3

Low ticket high velocity collection capability (~250K accounts per month)

4

Direct cash collection model for unbanked rural customers

5

Flexi Loan to SME customers – Flexibility to prepay & withdraw

6

India's only E2E online salaried personal loan and business loan

7

Centre of Excellence for Analytics across Sales, Pricing, Risk, Marketing, Collection & Service

8

98% customer resolution in 02 working days

9

Property Fitness Report (Property Dossier)

10

'Best Employer' awards by GPTW & Aon Hewitt 3 years in a row

11

Dedicated Digital Finance business carved out

12

Launched MSME rural lending business

13

Co-branded EMI card with Vijay Sales

14

Launched CD Mobile APP – Bajaj Finserv Experia

PRODUCT PER CUSTOMER (PPC)

Product per Customer (PPC) is a measure of cumulative products bought by a customer over his/her lifetime.

Retail

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
16	3	2.17*	2.28*	2.39*

Product offerings – Retail

Loan Products

Consumer durable finance, Digital finance, Lifestyle finance, Personal Loan, Salaried Personal Loans, Salaried Home Loans

Fee Products

EMI Card, Credit Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, Fixed Deposit, Extended Warranty Insurance, Credit Vidya, Retail Financial Fitness report

SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
14	5	3.06*	3.08*	3.21*

Product offerings – SME

Loan Products

Business loans, Loan against property, Home loans, Construction equipment loans, Loan against securities

Fee Products

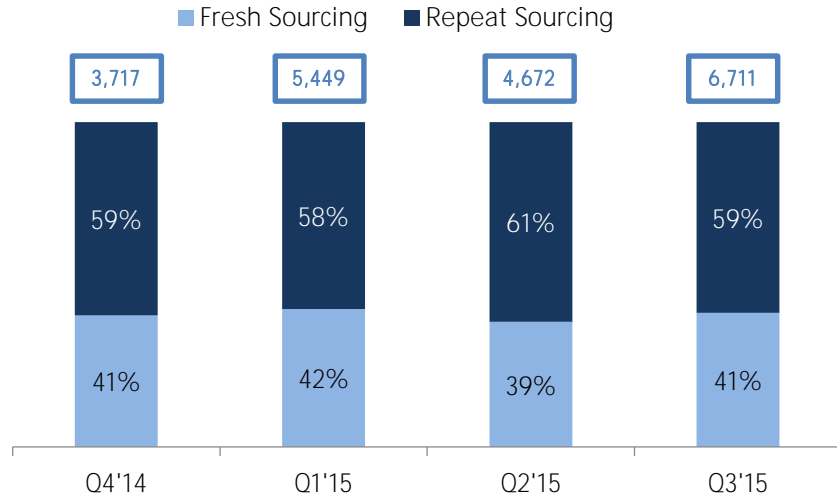
EMI Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, CRISIL ratings, Property search services, Property fitness report, SME financial fitness report

* Base product is included in the PPC calculation

* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, infra and Rural lending sourcing

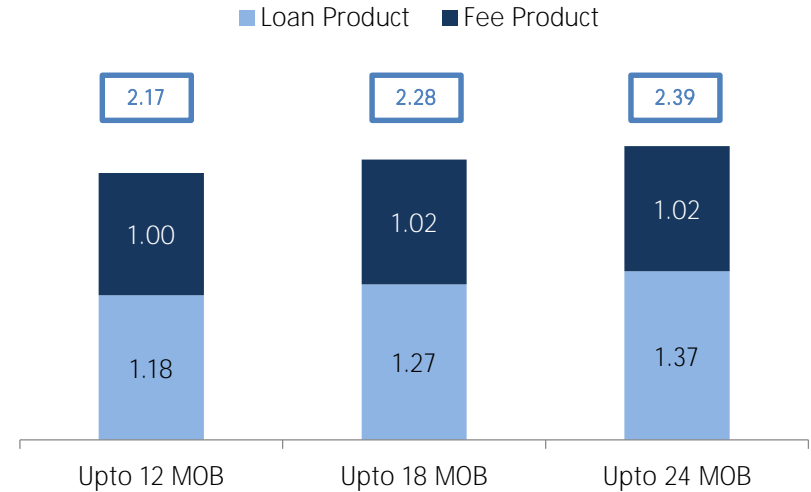
PRODUCT PER CUSTOMER (PPC)

Disbursed Value (₹ Crore) – Fresh v/s Repeat Mix

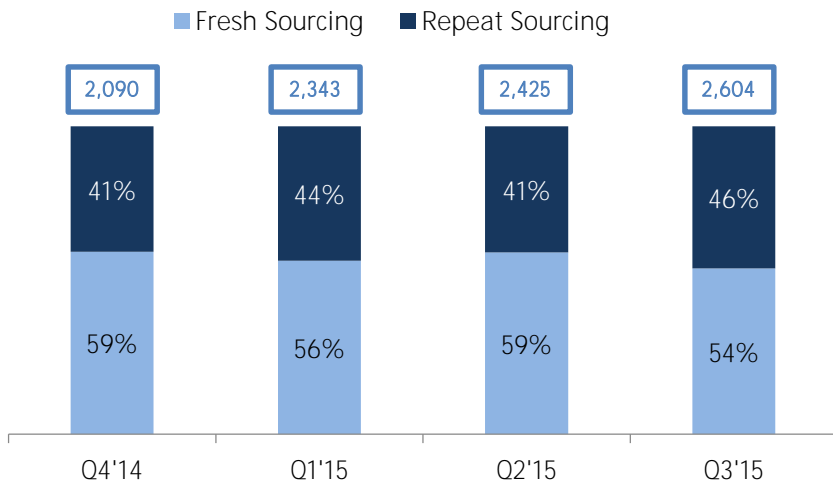


Retail

Product Per Customer (PPC)

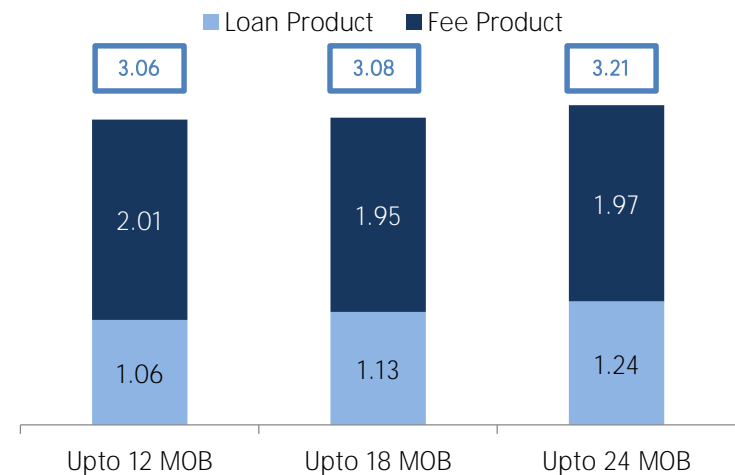


Disbursed Value (₹ Crore) – Fresh v/s Repeat Mix



SME

Product Per Customer (PPC)



* Base product is included in the PPC calculation

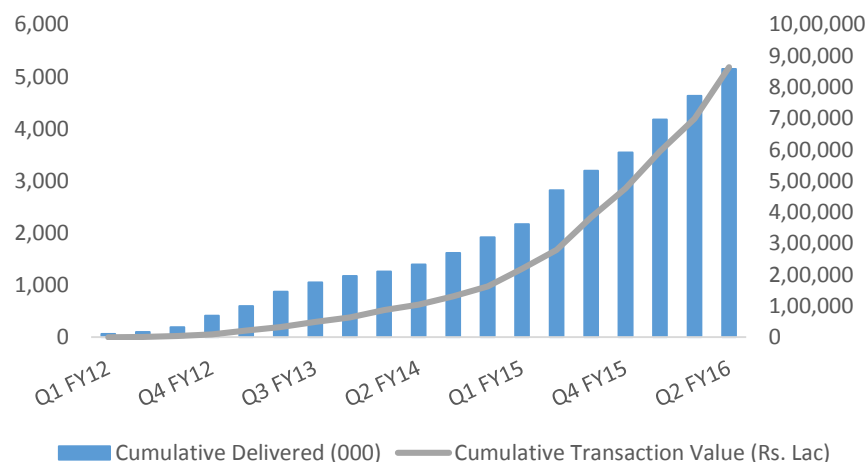
* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, Infra and Rural lending sourcing

EMI CARD FRANCHISE

What is EMI Card

- EMI Card refers to **Existing Member Identification Card**.
- The EMI card can be used to purchase consumer durables & lifestyle products, by availing a loan from BFL without any documents.
- Customers simply have to **Swipe & Sign** to buy using an EMI card.
- Total volume for **Q3'FY16** – 6,84,980
- Average line assigned per EMI card (Amount in Rs):
 - Per issued card – 84,450
 - Per active card – 84,221
- Activation rate of delivered EMI cards:
 - 0-6 MOB- 28%, 0-9 MOB – 37%, 0-12 MOB - 41%

Progress till date



Key milestones

- Launch of EMI Card Pilot: **May 2011**
- 1 Lac Transactions Milestone: **June 2012**
- 1 Mn Cards Milestone: **November 2012**
- EMI Card New Design Launch: **July 2013**
- 5 Lac transactions milestone: **October 2013**
- 1.5 Mn Cards Delivered Milestone: **November 2013**
- 2.4 Lac Transactions in single month : **Oct 2011**
- 3 Mn Cards Delivered Milestone : **Nov 2014**
- 15 lac Transactions Milestone : **Nov 2014**
- 1 Mn Active cards milestone crossed : **Feb 2015**
- First co-branded card launched with Vijay Sales : **May 2015**
- Second co-branded card launched with Ezone : **Dec 2015**

EMI Card Old & New design

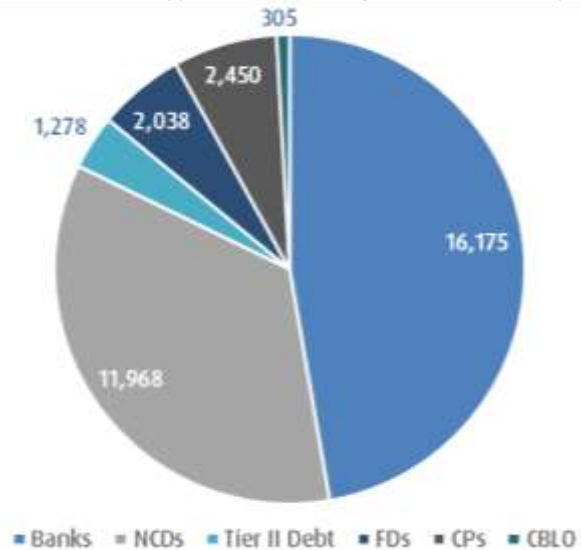


Old EMI Card design (May 2011 to June 2013)

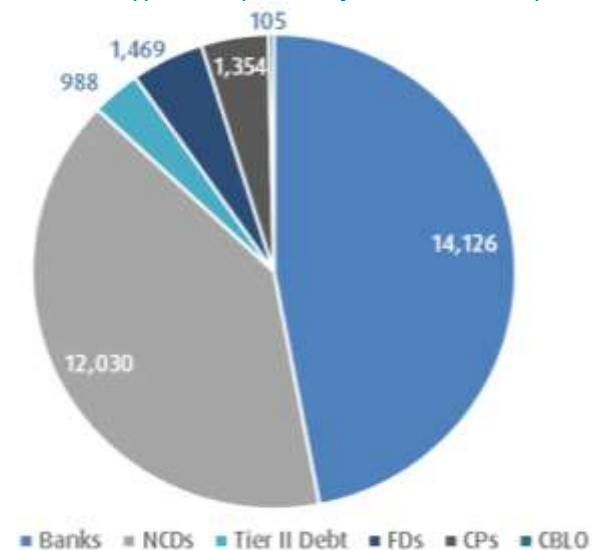
New EMI Card design (July 2013 onwards)

ALM STRATEGY

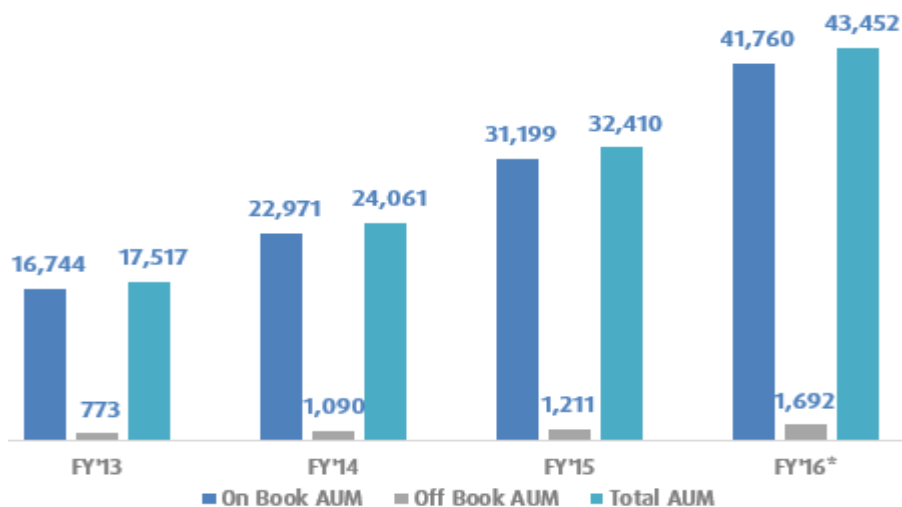
Borrowings – Dec '15 (₹ 34,214 Crs)



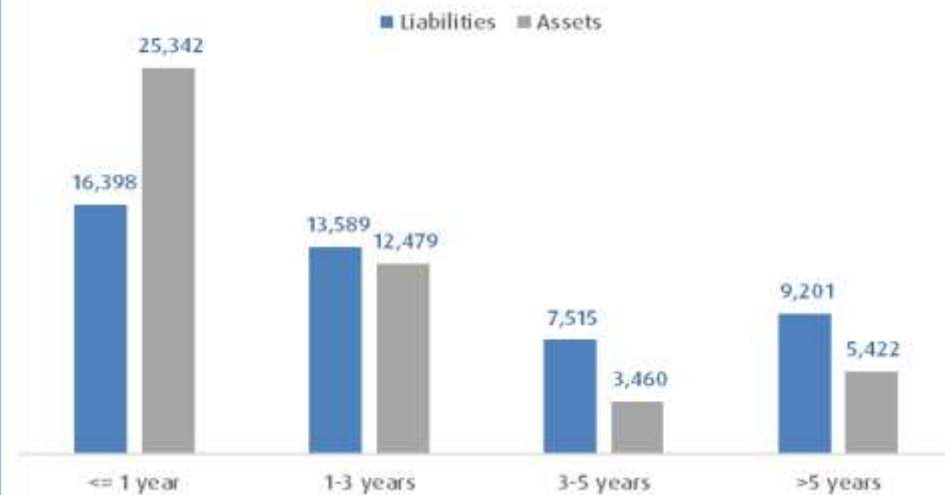
Borrowings – Sept '15 (₹ 30,071 Crs)



Loan Book (₹ Crs)



Behaviouralised ALM (₹ Crs)



NPA PROVISIONING STANDARDS

Bajaj Finance provides a general provision of 0.40% on all standard assets (0.50% on Mortgages) against RBI's requirement of 0.25% (from FY16 0.30%)

Consumer Finance provision coverage

- Consumer Durables :
 - 3-5 Bucket - 75%
 - Above 5 - 100%
- 2 and 3 Wheeler :
 - 3 – 5 Bucket – 30%
 - 6 - 12 Bucket - 60%
 - Above 12 - 100%
- Personal Loan Cross Sell :
 - 3 - 5 Bucket - 60%
 - Above 5 - 100%
- Salaried Personal Loan :
 - 3 - 5 Bucket – 75%
 - Above 5 - 100%

SME Finance provision coverage

- Home Loan / Loan against Property :
 - 4-5 Bucket - 15%
 - 6–12 Bucket - 25%
 - 13-18 Bucket – 40%
 - 18-24 Bucket – 60%
 - Above 24 - 100%
- Working Capital Loans :
 - 3-5 Bucket – 70%
 - Above 5 – 100%
- Loan against Securities :
 - Above 5 - 100%

Commercial Lending provision coverage

- Construction Equipment Finance :
 - 4 -5 Bucket - 15%
 - 6 - 9 Bucket - 30%
 - 10 - 12 Bucket - 60%
 - Above 12 - 100 %
- Auto Component Finance :
 - 6 – 12 Bucket – 10%
 - 12 – 18 Bucket – 20%
 - 18 – 24 Bucket – 30%
 - Above 24 – 100%
 - Graded provision on secured portfolio

Bajaj Finance provisioning standards are substantially stringent than RBI norms applicable for **NBFC's**.