



# Bajaj Finance Limited

Q3 FY20 Investor Presentation

29 January 2020



A small icon representing a document or list, consisting of a square with three horizontal lines and a small tab on the right side.

## Section 01

● ● ● ● ● ● Executive summary – Q3 FY20 ● ● ● ● ● ●

A good quarter, despite slowing demand environment, an episodic provision on a broker account and higher credit costs. Portfolio granularity strategy continued in Q3 FY20 across products and locations. Return on assets sustained its momentum due to better operating efficiencies (Opex to NII). Return on equity was higher despite capital raise on account of lower corporate tax rate.



Search trends on our large keyword portfolios across loan and consumption categories (electronics, mobile, furniture, apparel) reflected a significant demand slowdown in Q3. However, there is some uptick in our consumption categories since December, which has continued in January so far. Republic day sale momentum was also strong. However, we need to watch the incoming data for a little longer period to have a definitive view on demand environment.

## Balance Sheet and Franchise:

1. AUM grew by 35% YoY to ₹ 1,45,092 crore as of 31 December 2019. New loans booked grew by 13% YoY to 7.67 MM.
2. AUM growth was granular for most lines of businesses in the company (YoY growth for Consumer B2B sales finance – 7%, Consumer B2C – 43%, Rural B2B – 21%, Rural B2C – 58%, SME – 32%, Mortgages – 44%, Auto Finance – 51%, Commercial lending – 15%, Securities lending – 5%).
3. Consumer B2B sales finance had a slow quarter as the company witnessed significant slowdown in consumption categories. This was in addition to our cautious stance in digital products financing.
4. New customer acquisition momentum for the quarter remained strong at 2.46 MM. Total customer franchise stood at 40.38 MM as of 31 December 2019, a growth of 24% YoY. Cross sell franchise stood at 23.48 MM as of 31 December 2019. Strategy remains to grow wallet share of these 23.48 MM clients.
5. Existing customers contributed to 68% of new loans booked during Q3 FY20
6. We added 182 new locations in Q3 FY20 taking our total geographic presence to 2,179 locations in India as of 31 December 2019. Given corporate tax rate cut and capital raise, company has accelerated its geo expansion strategy and is opening over 200 new locations in Q4 as well.

## Liquidity Management

7. Consolidated borrowing mix for Banks: Money Markets: Deposits: ECB stood at 38%: 42%: 17%: 3%. Cost of funds at consolidated level has sequentially improved by 9 bps to 8.29% in Q3 FY20 from 8.38% in Q2 FY20. Reduction in cost of funds is mainly due to robust ALM, strong liquidity position and incremental borrowings coming in at much lower cost. Due to large capital raise, the company saw its CP borrowing go down dramatically from 8% to 2% sequentially. This resulted in an overhang of 12-14 bps in overall cost of funds. This overhang will remain in Q4 as well.

8. Consolidated liquidity buffer (free cash and cash equivalents) was ₹ 11,642 crore as of 31 December 2019. We remain very comfortably placed on liquidity.
9. During the quarter, the Company raised \$575 MM (equivalent to ₹ 4,083 Cr) under the ECB facility agreement with various banks.
10. Fixed deposits book stood at ₹ 20,235 crore, a growth of 76% YoY. Its contribution to consolidated balance sheet stood at 17% as of 31 December 2019. We now have over 7 different channels to grow deposits.

## Operating Efficiencies

11. Overall NIM remained strong in Q3 FY20 as well.
12. We continued to maintain strong focus on growing our fees and other income. Our fees and other income in Q3 FY20 grew by 52% YoY.
13. Operating expenses to net interest Income improved to 33.9% in Q3 FY20 as against 34.9% in Q3 FY19.

## Credit Cost

14. Loan losses and provisions grew by 84% YoY in Q3 FY20 to ₹ 831 crores. During the quarter, the Company has made an accelerated provision of ₹ 85 crore in one of its loan against securities account. On the residual outstanding of this account, based on the progress in Q4 we will take a final call on provision. Adjusted for this, loan losses and provisions grew by 65% YoY in Q3 FY20 to ₹ 746 crore.
15. Gross NPA & Net NPA stood at 1.61% and 0.70% as of 31 December 2019. Sequentially, GNPA is flat & NNPA has moved up by 5 bps.

16. From management assurance standpoint, the only portfolio that turned red in Q3 from our disclosures (Page 39) is auto finance portfolio. We are taking corrective actions to improve portfolio metrics.

## Profitability and Capital:

17. Consolidated profit before tax for the quarter grew by 33% YoY to ₹ 2,170 crore. Adjusted for accelerated provisioning, profit before tax grew by 38% YoY to ₹ 2,255 crore. Consolidated profit after tax for the quarter grew by 52% YoY to ₹ 1,614 crore.
18. Annualized Return on Assets for the quarter was 4.78% and Return on Equity was 23.78%.
19. Capital adequacy ratio stood at 26.87% as of 31 December 2019. Tier 1 capital stood at 23.16%. Consolidated leverage was 4.9X.
20. Company successfully completed ₹ 8,500 crores of capital raise through Qualified Institutions Placement in November 2019.
21. Standard assets provisioning was at 101 bps (ECL stage 1 & 2) under Ind AS as against requirement of ~40 bps as per prudential norms.

## Subsidiaries:

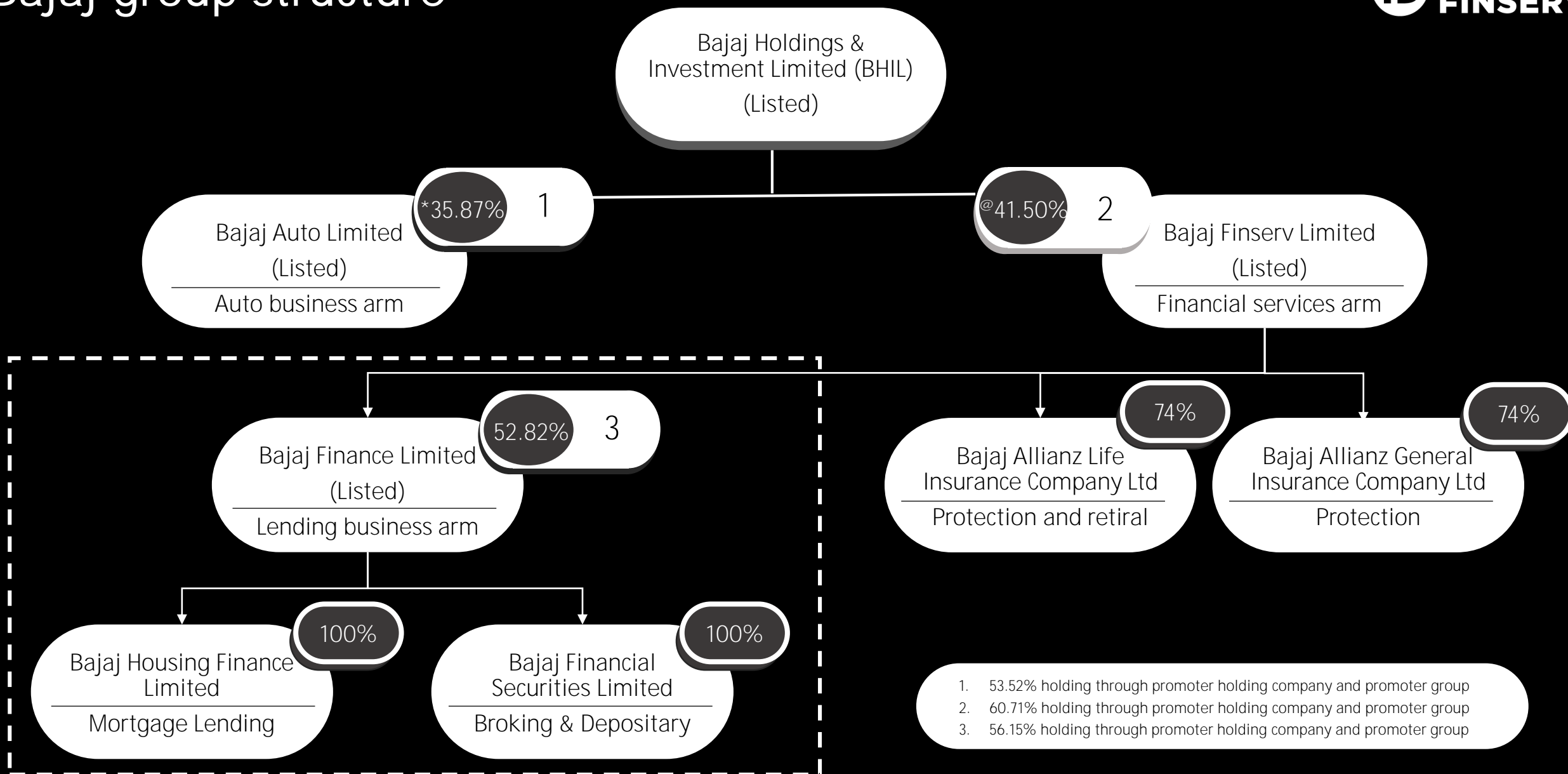
22. Bajaj Housing Finance Ltd continued to grow in a robust manner delivering profit after tax of ₹ 131 crore in Q3 FY20. The Board of Directors of BFL has approved investment in the equity of BHFL amounting to ₹ 1,500 crore.
23. Bajaj Financial Securities Limited has launched digital platform for its retail & HNI customers and opened branches in 4 cities in India for servicing its HNI customers.



## Section 02

 Bajaj Finance Limited overview 

# Bajaj group structure






Above shareholding is as of 31 December 2019

\*BHIL has a direct stake in Bajaj Auto Limited of 33.53% and an additional stake of 2.34% through its subsidiary, Maharashtra Scooters Limited

@BHIL has a direct stake in Bajaj Finserv Limited of 39.16% and an additional stake of 2.34% through its subsidiary, Maharashtra Scooters Limited



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

|  <p>Bajaj Finance Limited</p>  |  <p>Bajaj Allianz General Insurance Limited*</p>   |  <p>Bajaj Allianz Life Insurance Limited*</p>   |
|---|---|--|
| <ul style="list-style-type: none"> <li>• A 32 year old non bank finance company</li> <li>• Diversified across consumer, payments, rural, SME, commercial &amp; mortgage lending</li> <li>• 986 urban locations and 1,193 rural locations with over 1,07,100+ distribution points</li> <li>• Investment grade long term issuer credit rating of BBB-/Stable and short term rating of A-3 by S&amp;P Global Ratings</li> <li>• Credit rating of AAA/Stable by CRISIL, ICRA, CARE &amp; India Ratings.</li> <li>• Credit rating for short term borrowing is A1+ by CRISIL, ICRA &amp; India Ratings</li> <li>• Credit rating for FD program is FAAA/ Stable by CRISIL &amp; MAAA (Stable) by ICRA</li> <li>• Customer franchise of 40.38 MM</li> </ul> | <ul style="list-style-type: none"> <li>• 2nd largest private general insurer in India as of FY19</li> <li>• Consistently profitable amongst the private players. ROE of 16.2% in FY19</li> <li>• Multi-channel distribution supported by a wide range of products across all retail &amp; corporate segments</li> <li>• Offers a wide range of general insurance products across retail and corporate segments</li> <li>• Combined ratio of 96.7% for FY19 and 103.9% for Q4 FY19</li> <li>• Recognized in the market for claims servicing</li> <li>• AUM of ₹ 17.2K crore</li> <li>• Solvency ratio of 255% , well above regulatory solvency margin of 150%</li> </ul> | <ul style="list-style-type: none"> <li>• Amongst top 5 private players as of FY19 on new business</li> <li>• Diversified distribution mix consisting of agency, bank assurance, other partners, direct etc.</li> <li>• Deep pan India distribution reach of 600+ branches</li> <li>• AUM of ₹ 56.6K crore as on 31 March 19</li> <li>• Networth of ₹ 9.65K crore as on 31 March 19</li> <li>• One of the most profitable private life insurers in India</li> <li>• Solvency ratio of 804%</li> </ul> |

**“Non-bank with strategy & structure of a bank”**

---

**“Focused on mass affluent & above clients with a strategy to cross sell”**

---

**“Diversified financial services strategy with an optimal mix of risk and profit to deliver a sustainable business model”**

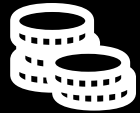
---

**“Business construct to deliver a sustainable ROA of 3.3-3.5% and ROE of 19-21% in the medium term”**

---

**“Focused on continuous innovation to transform customer experience and create growth opportunities”**

# Our general long term guidance on financial metrics



AUM growth  
in corridor of  
25%-27%



Profit growth  
in corridor of  
23%-24%



GNPA  
in corridor of  
1.4%-1.7%



NNPA  
in corridor of  
0.4%-0.7%



Return on assets  
in corridor of  
3.3%-3.5%



Return on equity  
in corridor of  
19%-21%

# Key strategic differentiators

Part of the Bajaj group – one of the oldest & most respected business houses

A trusted brand with strong brand equity

Focus on mass affluent and above clients

Total customer franchise of 40.38 MM and cross sell franchise of 23.48 MM

Strong focus on cross selling assets, payments, insurance and deposit products to existing customers

Centre of Excellence for each business vertical to bring efficiencies across businesses and improve cross sell opportunity.

A well diversified balance sheet

Consolidated lending AUM mix for Consumer: Rural: SME: Commercial: Mortgages stood at 39%: 9%: 13%: 9%: 30%  
Consolidated borrowing mix for Banks: Money Markets: Deposits: ECB stood at 38%: 42%: 17%: 3%

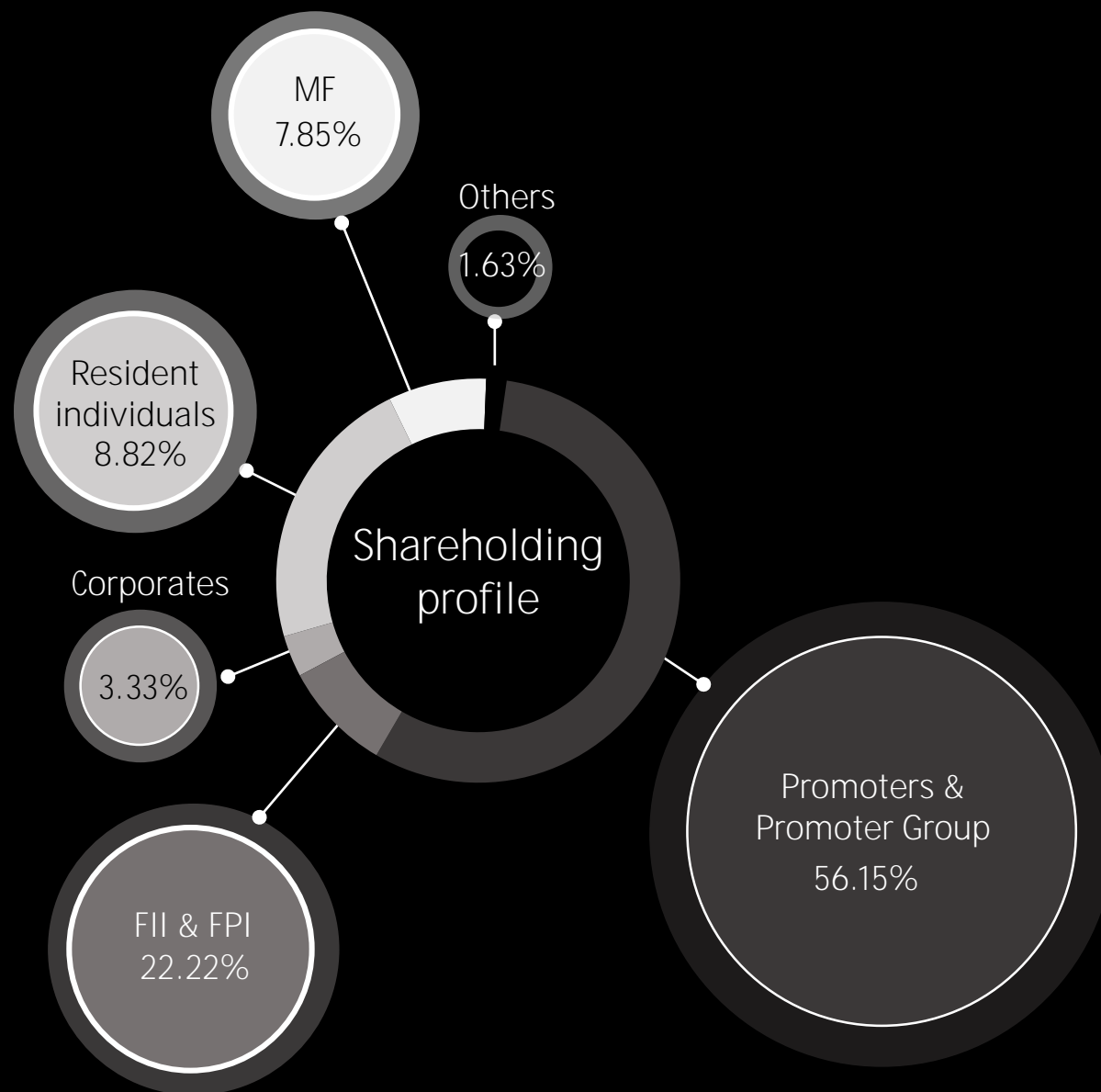
Highly agile & innovative

Continuous improvements in product features and digital technologies to maintain competitive edge

Deep investment in technology and analytics

Has helped achieve multi product cross sell and manage risk & controllership effectively. Obsessed to deliver frictionless experience to customer

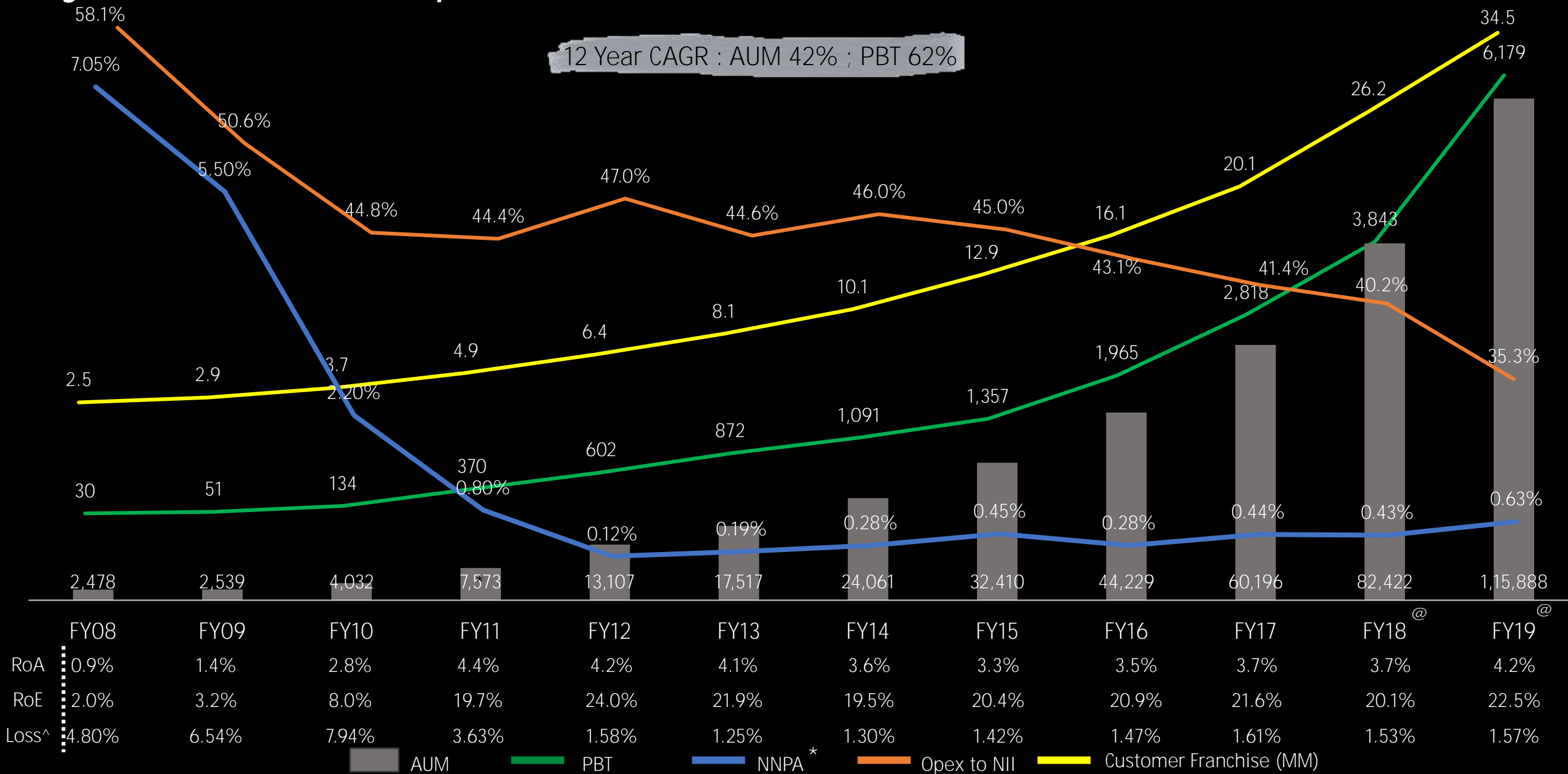
# Our Shareholder profile



## Top 20 investors & their holdings

| S.No | Name of Shareholder                           | As on 31 Dec 19 | As on 30 Sep 19 | As on 31 Dec 18 |
|------|---|-----------------|-----------------|-----------------|
| 1    | BAJAJ FINSERV LTD                             | 52.82%          | 54.81%          | 54.99%          |
| 2    | GOVERNMENT OF SINGAPORE                       | 4.62%           | 3.71%           | 3.70%           |
| 3    | MAHARASHTRA SCOOTERS LTD.                     | 3.15%           | 3.27%           | 3.28%           |
| 4    | STEADVIEW CAPITAL MAURITIUS LTD.              | 0.89%           | 1.14%           | 1.17%           |
| 5    | NEW HORIZON OPPORTUNITIES MASTER FUND         | 0.77%           | 0.80%           | 0.80%           |
| 6    | AXIS LONG TERM EQUITY FUND                    | 0.77%           | 0.83%           | 0.72%           |
| 7    | SBI ETF NIFTY 50                              | 0.57%           | 0.51%           | 0.40%           |
| 7    | NEW WORLD FUND INC.                           | 0.56%           | 0.58%           | 0.62%           |
| 8    | ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD   | 0.56%           | 0.58%           | 0.14%           |
| 9    | SMALL CAP WORLD FUND INC                      | 0.54%           | 0.56%           | 0.56%           |
| 11   | VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 0.48%           | 0.48%           | 0.45%           |
| 12   | NOMURA INDIA INVESTMENT FUND                  | 0.46%           | 0.38%           | 0.38%           |
| 13   | VANGUARD EMERGING MARKET STOCK INDEX FUND     | 0.44%           | 0.45%           | 0.47%           |
| 14   | SBI LIFE INSURANCE CO. LTD                    | 0.43%           | 0.38%           | 0.41%           |
| 15   | SBI EQUITY HYBRID FUND                        | 0.42%           | 0.43%           | 0.36%           |
| 16   | GOVERNMENT PENSION FUND GLOBAL                | 0.33%           | 0.31%           | 0.15%           |
| 17   | AXIS FOCUSED 25 FUND                          | 0.32%           | 0.36%           | 0.37%           |
| 18   | AXIS BLUECHIP FUND                            | 0.31%           | 0.29%           | 0.18%           |
| 19   | UTI – EQUITY FUND                             | 0.30%           | 0.34%           | 0.41%           |
| 20   | PEOPLE’S BANK OF CHINA                        | 0.30%           | 0.30%           | 0.23%           |

# 12 year financial snapshot



<sup>^</sup> Represents loan losses and provisions to average AUF under previous GAAP and Impairment of financial assets to average Loans book under Ind AS.

<sup>@</sup> All figures including FY17 are as per previous GAAP, whereas for FY18 and FY19 are as per Ind AS

<sup>\*</sup> As per the RBI regulations, NNPA numbers for upto FY15 are at 6 months overdue, FY16 are at 5 months overdue, FY17 are at 4 months overdue and FY18 are at 3 months overdue. Hence NPA across periods are not comparable



BAJAJ FINANCE LIMITED

| Consumer   | SME  | Commercial   | Rural  | Deposits   | Partnerships & Services  |
|--|--|--|--|--|--|
| <ul style="list-style-type: none"><li>• Consumer Durable Loans</li><li>• Digital Product Loans <sup>(E)</sup></li><li>• Lifestyle Product Loans</li><li>• Lifecare financing</li><li>• EMI Cards</li><li>• Retail Spend Financing</li><li>• 2-Wheeler &amp; 3-Wheeler Loans</li><li>• Personal Loan Cross-Sell</li><li>• Salaried Personal Loans <sup>(E)</sup></li><li>• E-Commerce - Consumer Finance</li><li>• Retailer Finance</li></ul> | <ul style="list-style-type: none"><li>• Unsecured Working Capital Loans <sup>(E)</sup></li><li>• Loans to self employed and Professionals <sup>(E)</sup></li><li>• Secured Enterprise Loans</li><li>• Used-car financing</li></ul> | <ul style="list-style-type: none"><li>• Loan against securities</li><li>• Large Value Lease Rental Discounting</li><li>• Vendor financing to auto component manufacturers</li><li>• Financial Institutions Lending</li><li>• Light Engineering Lending</li><li>• Specialty Chemicals Lending</li><li>• Corporate Finance Loans</li></ul> | <ul style="list-style-type: none"><li>• Consumer Durable Loans</li><li>• Digital Product Loans</li><li>• Lifestyle Product Loans</li><li>• Personal Loans Cross Sell</li><li>• Salaried Personal Loans</li><li>• Gold Loans</li><li>• Loans to Professionals</li></ul> | <ul style="list-style-type: none"><li>• Retail Term Deposits</li><li>• Corporate Term Deposits</li></ul> | <ul style="list-style-type: none"><li>• Life Insurance Distribution</li><li>• General Insurance Distribution</li><li>• Health Insurance Distribution</li><li>• Pocket Insurance <sup>(E)</sup></li><li>• Co-Branded Credit Card</li><li>• Co-Branded Wallet</li><li>• Financial Fitness Report</li></ul> |

BAJAJ HOUSING FINANCE LIMITED

|   |   |   |   |  |
|---|---|---|---|--|
| <ul style="list-style-type: none"><li>• Salaried Home Loans <sup>(E)</sup></li><li>• Salaried Loan Against Property</li></ul> | <ul style="list-style-type: none"><li>• Loan Against Property</li><li>• Self Employed Home Loans</li><li>• Lease Rental Discounting</li></ul> | <ul style="list-style-type: none"><li>• Developer Finance</li></ul> | <ul style="list-style-type: none"><li>• Loan Against Property</li><li>• Home Loans</li><li>• Secured Enterprise Loans</li></ul> | <ul style="list-style-type: none"><li>• Property search services</li><li>• Property Fitness Report</li></ul> |
|---|---|---|---|--|

# Executive summary – Consolidated

|                |  |
|----------------|--|
| Overview       | <ul style="list-style-type: none"><li>• 32 year old non bank with a demonstrated track record of profitable growth</li><li>• Diversified financial services company focused on Consumer, Rural, SME, Commercial, Mortgages and Payments</li><li>• Focused on mass affluent client with a strategy to cross sell</li><li>• Strong focus on deposits acceptance and fee product distribution</li><li>• Present in 986 urban locations and 1,193 rural locations in India with over 1,07,100+ points of sale</li><li>• Large customer franchise of 40.38 MM with loans cross sell franchise of 23.48 MM</li><li>• Amongst the largest new loan acquirers in India (7.67 MM in Q3 FY20)</li><li>• AUM mix of Consumer: Rural: SME: Commercial: Mortgages stood at 39%: 9%: 13%: 9%: 30% as of 31 December 2019</li><li>• AUM of ₹ 1,45,092 crore as of 31 December 2019 and a post tax profit of ₹ 1,614 crore in Q3 FY20.</li><li>• Capital adequacy ratio (including Tier II capital) stood at 26.87% as of 31 December 2019. Tier I capital stood at 23.16%</li></ul> |
| Subsidiaries   | <ul style="list-style-type: none"><li>• 100% shareholding in Bajaj Housing Finance Limited</li><li>• 100% shareholding in Bajaj Financial Securities Limited</li></ul>   |
| Treasury       | <ul style="list-style-type: none"><li>• Strategy is to create a balanced mix of wholesale and retail borrowings</li><li>• Borrowings of ₹ 1,22,050 crore with a mix of 38: 42: 17: 3 between banks, money markets, deposits &amp; ECB as of 31 December 2019</li></ul>   |
| Credit Quality | <ul style="list-style-type: none"><li>• Consolidated Gross and Net NPA as of 31 December 2019 stood at 1.61% and 0.70%, respectively</li><li>• Provisioning coverage ratio of 57% as of 31 December 2019</li><li>• Standard assets provisioning of 101 bps (ECL stage 1 &amp; 2) under Ind AS as against requirement of ~40 bps as per RBI and NHB</li></ul>   |

# Executive summary – Standalone

|                   |   |
|-------------------|---|
| Overview          | <ul style="list-style-type: none"> <li>• Focused on Consumer, Rural, SME, Commercial and Payments lines of businesses</li> <li>• Strategic business unit organization design supported by horizontal common utility functions to drive domain expertise, scalability and operating leverage</li> <li>• Focused on cross sell, customer experience and product &amp; process innovations to create a differentiated &amp; profitable business model</li> <li>• AUM mix of Consumer: Rural: SME: Commercial: Mortgage (residual) stood at 48%: 11%: 16%: 11%: 14% as of 31 December 2019</li> <li>• AUM of ₹ 1,16,460 crore as of 31 December 2019 and a post tax profit of ₹ 1,488 crore in Q3 FY20</li> </ul> |
| Consumer business | <ul style="list-style-type: none"> <li>• Present in 986 locations with 85,700+ active distribution points of sale as of 31 December 2019</li> <li>• Largest consumer electronics, digital products &amp; lifestyle products lender in India</li> <li>• <b>Financed ~63% of Bajaj Auto's domestic two-wheeler sales in BFL's operational locations in Q3 FY20</b> – disbursed 343K accounts</li> <li>• <b>Financed ~57% of Bajaj Auto's domestic three-wheeler sales in BFL's operational locations in Q3 FY20</b> - disbursed 55K accounts</li> <li>• Amongst the largest personal loan lenders in India</li> </ul>   |
| Payments          | <ul style="list-style-type: none"> <li>• EMI Card franchise stood at 20.5 MM cards in force (CIF)</li> <li>• Bajaj Finserv - RBL Bank co-branded credit card CIF stood at 1.66 MM as of 31 December 2019</li> <li>• Bajaj Finserv Mobikwik app has 13.5 MM users as of 31 December 2019 who have linked their EMI card to the wallet</li> </ul>   |
| Rural business    | <ul style="list-style-type: none"> <li>• Highly diversified lender in rural markets offering 10 loan products across consumer, SME &amp; mortgages business categories.</li> <li>• Operates with a unique hub and spoke business model</li> <li>• Geographic presence across 1,193 towns and villages with retail presence across 17,900+ points of sale</li> </ul>   |

# Executive summary – Standalone

|                     |   |
|---------------------|---|
| SME Business        | <ul style="list-style-type: none"><li>• Offers unsecured working capital loans to SME and self-employed professionals</li><li>• Secured offerings include enterprise loans against property and financing against used car</li><li>• Focused on affluent SMEs (average sales of ₹15 to 17 crore) with established financials &amp; demonstrated borrowing track record</li></ul>  |
| Commercial business | <ul style="list-style-type: none"><li>• Offers short, medium and long term financing to mid market corporates</li><li>• Offers a range of structured products collateralized by marketable securities or mortgage</li><li>• Offers financing against shares, mutual funds, insurance policies and deposits</li></ul>  |
| Treasury            | <ul style="list-style-type: none"><li>• Strategy is to create a balanced mix of wholesale and retail borrowings with a focus on long term borrowings</li><li>• Borrowings stood at ₹ 97,173 crore with a mix of 32: 43: 21: 4 between banks, money markets, deposits &amp; ECB as of 31 December 2019</li></ul>   |
| Credit Quality      | <ul style="list-style-type: none"><li>• Gross and Net NPA as of 31 December 2019 stood at 1.96% and 0.85%, respectively</li><li>• Provisioning coverage ratio of 57% as of 31 December 2019</li><li>• Standard assets provisioning of 1.20% (ECL stage 1 &amp; 2) under Ind AS as against requirement of ~40 bps as per RBI</li></ul>   |
| Credit Rating       | <ul style="list-style-type: none"><li>• Investment grade long term issuer credit rating of BBB-/Stable &amp; short term rating of A-3 by S&amp;P Global Ratings</li><li>• Credit rating for long term borrowing is AAA/Stable by CRISIL, ICRA, CARE &amp; India Ratings</li><li>• Credit rating for short term borrowing is A1+ by CRISIL, ICRA &amp; India Ratings</li><li>• Credit rating for FD program is FAAA/Stable by CRISIL &amp; MAAA (Stable) by ICRA</li></ul> |



## Section 03

### Financial performance – Q3 FY20



# Financial statement summary – Consolidated

₹ in crore

| Financials snapshot                                  | Q3 FY20  | Q3 FY19  | Y-o-Y | 9M FY20  | 9M FY19  | Y-o-Y | FY19     |
|--|----------|----------|-------|----------|----------|-------|----------|
| Assets under management                              | 1,45,092 | 1,07,507 | 35%   | 1,45,092 | 1,07,507 | 35%   | 1,15,888 |
| Assets under finance                                 | 1,39,561 | 1,04,127 | 34%   | 1,39,561 | 1,04,127 | 34%   | 1,12,513 |
| Interest income                                      | 6,105    | 4,387    | 39%   | 16,668   | 11,692   | 43%   | 16,349   |
| Fee and other income                                 | 921      | 605      | 52%   | 2,489    | 1,511    | 65%   | 2,153    |
| Total Income   | 7,026    | 4,992    | 41%   | 19,157   | 13,203   | 45%   | 18,502   |
| Interest expenses                                    | 2,489    | 1,786    | 39%   | 6,926    | 4,710    | 47%   | 6,624    |
| Net Interest Income                                  | 4,537    | 3,206    | 42%   | 12,231   | 8,493    | 44%   | 11,878   |
| Operating Expenses                                   | 1,536    | 1,119    | 37%   | 4,211    | 3,033    | 39%   | 4,198    |
| Loan losses and provisions (ECL stage 1 & 2)         | 203      | 76       | 166%  | 462      | 227      | 104%  | 260      |
| Loan losses and provisions (ECL stage 3 & write off) | 628      | 375      | 67%   | 1,514    | 865      | 75%   | 1,241    |
| Profit before tax                                    | 2,170    | 1,636    | 33%   | 6,044    | 4,368    | 38%   | 6,179    |
| Profit after tax                                     | 1,614    | 1,060    | 52%   | 4,316    | 2,819    | 53%   | 3,995    |
| Ratios   |          |          |       |          |          |       |          |
| Operating expenses to Net Interest Income            | 33.9%    | 34.9%    |       | 34.4%    | 35.7%    |       | 35.3%    |
| Loan loss to average AUF*                            | 0.61%    | 0.45%    |       | 1.57%    | 1.19%    |       | 1.57%    |
| Earning per share - Basic (₹) *                      | 27.3     | 18.4     |       | 74.2     | 48.9     |       | 69.3     |
| Return on Average Assets*                            | 1.2%     | 1.1%     |       | 3.4%     | 3.1%     |       | 4.2%     |
| Return on Average Equity *                           | 5.9%     | 5.9%     |       | 16.6%    | 16.4%    |       | 22.5%    |

\* Not annualized

A small icon of a balance scale, symbolizing justice or equity.

## Section 04



# Asset liability management



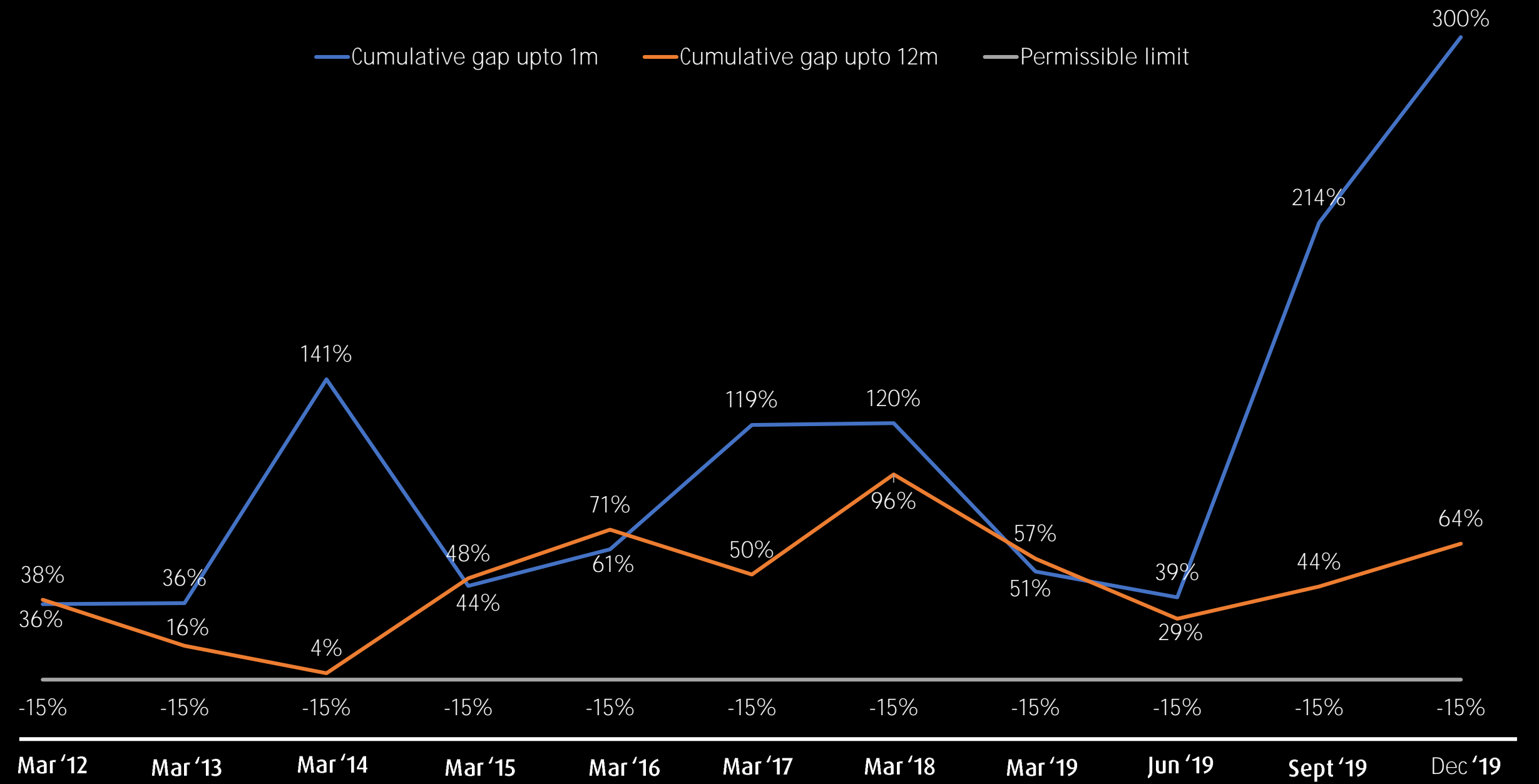
# Behaviouralized ALM snapshot as on 31 December 2019

| Particulars                          | 1m            | >1 to 2m      | >2 to 3m      | >3 to 6m      | >6m to 1 yr   | >1 to 3 yr      | >3 to 5 yr      | >5 yr           | Total           |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Cash, Cash Equivalents & Investments | 8,412         | 1             | 1             | 4             | 8             | 1,265           | 696             | 4,061           | 14,449          |
| Advances                             | 9,562         | 6,819         | 6,254         | 14,344        | 20,610        | 41,192          | 13,409          | 3,849           | 1,16,038        |
| Other inflows                        | 5,179         | 54            | 8             | 690           | 918           | 4,591           | 87              | 1,298           | 12,824          |
| <b>Total Inflows (A)</b>             | <b>23,152</b> | <b>6,875</b>  | <b>6,364</b>  | <b>15,038</b> | <b>21,535</b> | <b>47,048</b>   | <b>14,192</b>   | <b>9,207</b>    | <b>1,43,312</b> |
| <b>Cumulative Total Inflows (B)</b>  | <b>23,152</b> | <b>30,027</b> | <b>36,291</b> | <b>51,329</b> | <b>72,865</b> | <b>1,19,912</b> | <b>1,34,105</b> | <b>1,43,312</b> |                 |
| Borrowings                           | 1,575         | 1,430         | 3,108         | 12,198        | 18,714        | 40,608          | 13,370          | 10,975          | 1,01,978        |
| Capital and Reserves and Surplus     | -             | -             | -             | -             | -             | -               | -               | 33,111          | 33,111          |
| Other Outflows                       | 4,211         | 117           | 612           | 2,023         | 469           | 648             | 40              | 102             | 8,222           |
| <b>Total Outflows (C)</b>            | <b>5,786</b>  | <b>1,546</b>  | <b>3,720</b>  | <b>14,221</b> | <b>19,183</b> | <b>41,256</b>   | <b>13,410</b>   | <b>44,189</b>   | <b>1,43,312</b> |
| <b>Cumulative Total Outflows (D)</b> | <b>5,786</b>  | <b>7,333</b>  | <b>11,053</b> | <b>25,274</b> | <b>44,457</b> | <b>85,713</b>   | <b>99,123</b>   | <b>1,43,312</b> |                 |
| Mismatch (E = A-C)                   | 17,366        | 5,328         | 2,543         | 817           | 2,353         | 5,792           | 782             | (34,981)        |                 |
| Cumulative mismatch (F= B-D)         | 17,366        | 22,695        | 25,238        | 26,055        | 28,408        | 34,199          | 34,981          | 0               |                 |
| Cumulative mismatch as a % (F/D)     | 300%          | 310%          | 228%          | 103%          | 64%           | 40%             | 35%             | 0%              |                 |
| Permissible cumulative GAP %         | -15%          |               |               |               | -15%          |                 |                 |                 |                 |
| Additional borrowings possible       | 21,446        |               |               |               | 41,244        |                 |                 |                 |                 |

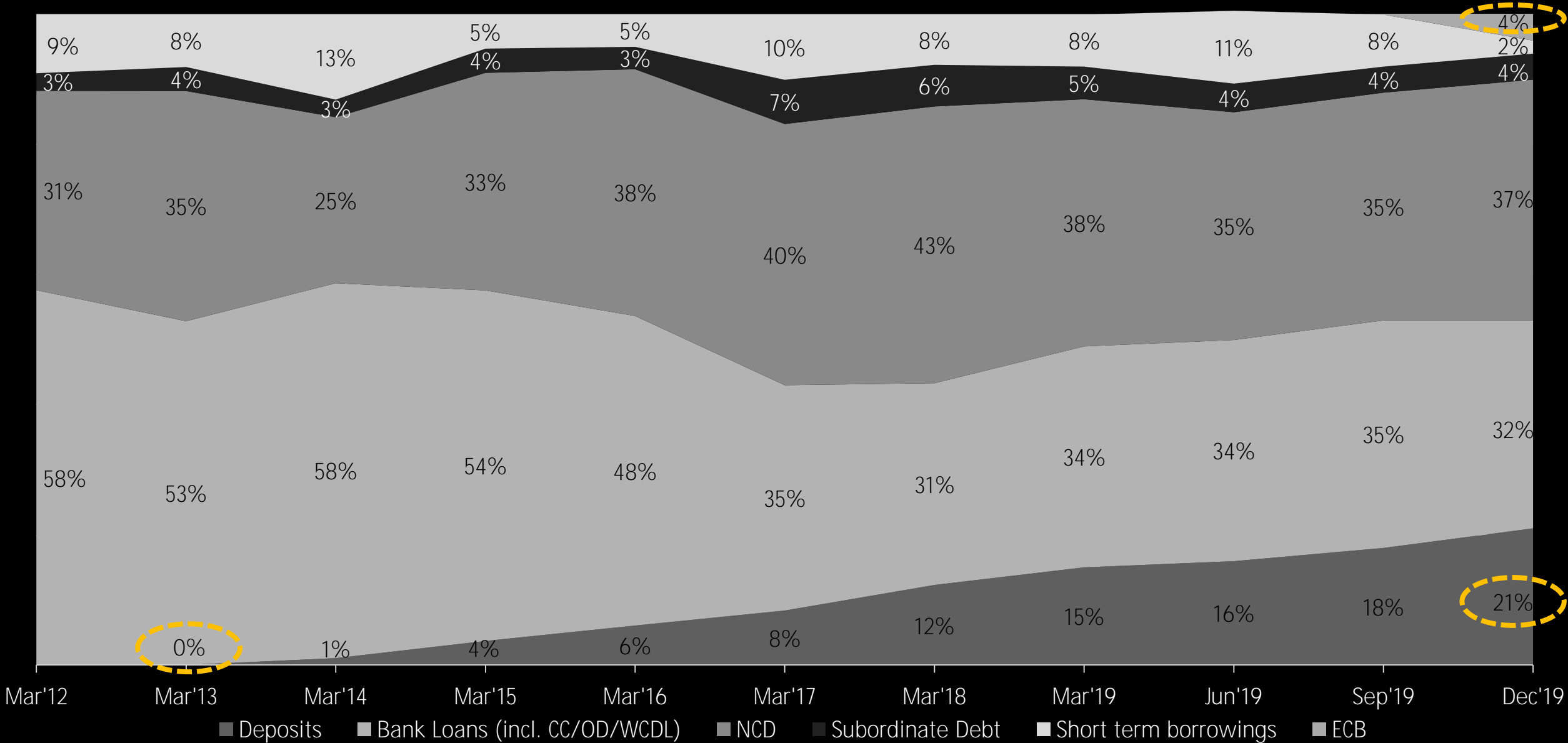
\* As per previous GAAP



# Disciplined ALM Management over the last 8 years

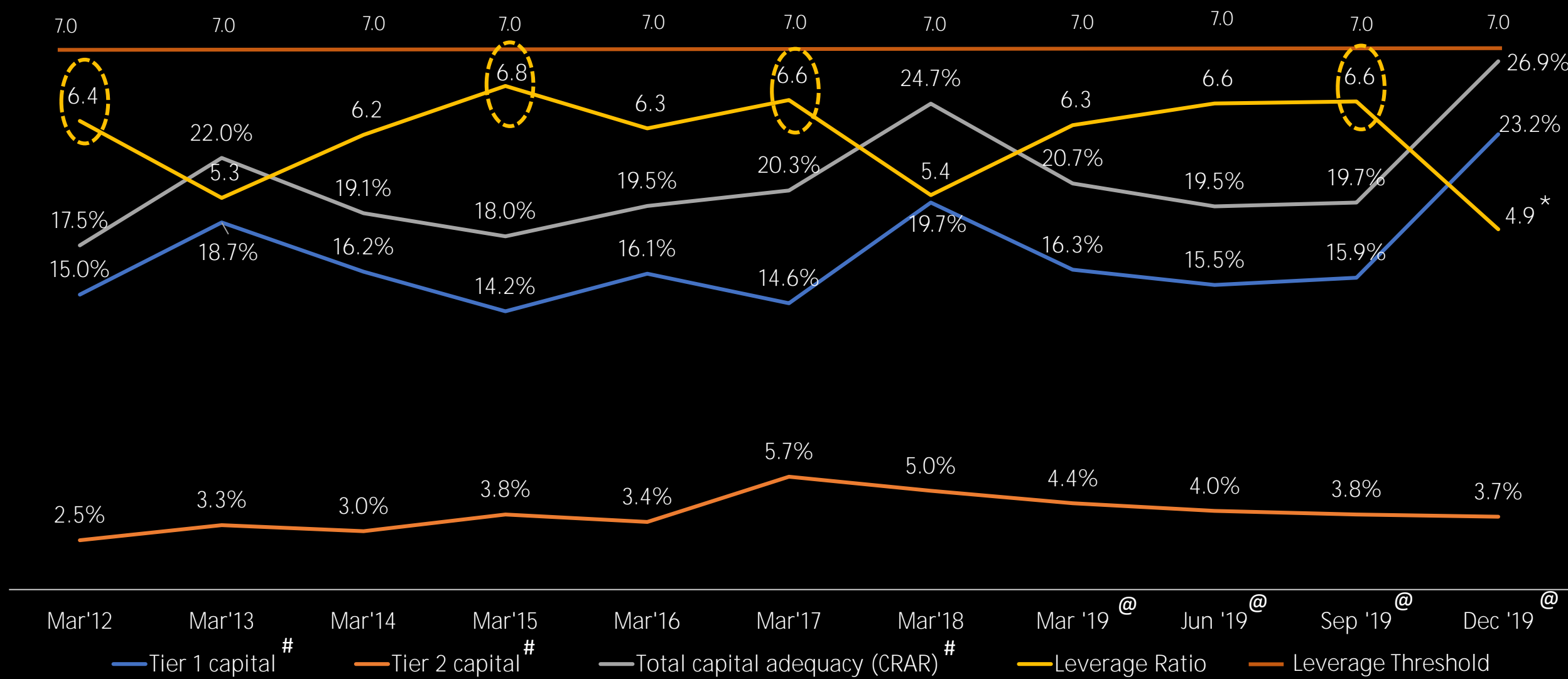


# Liability mix over the last 8 years..



\*Standalone borrowing mix

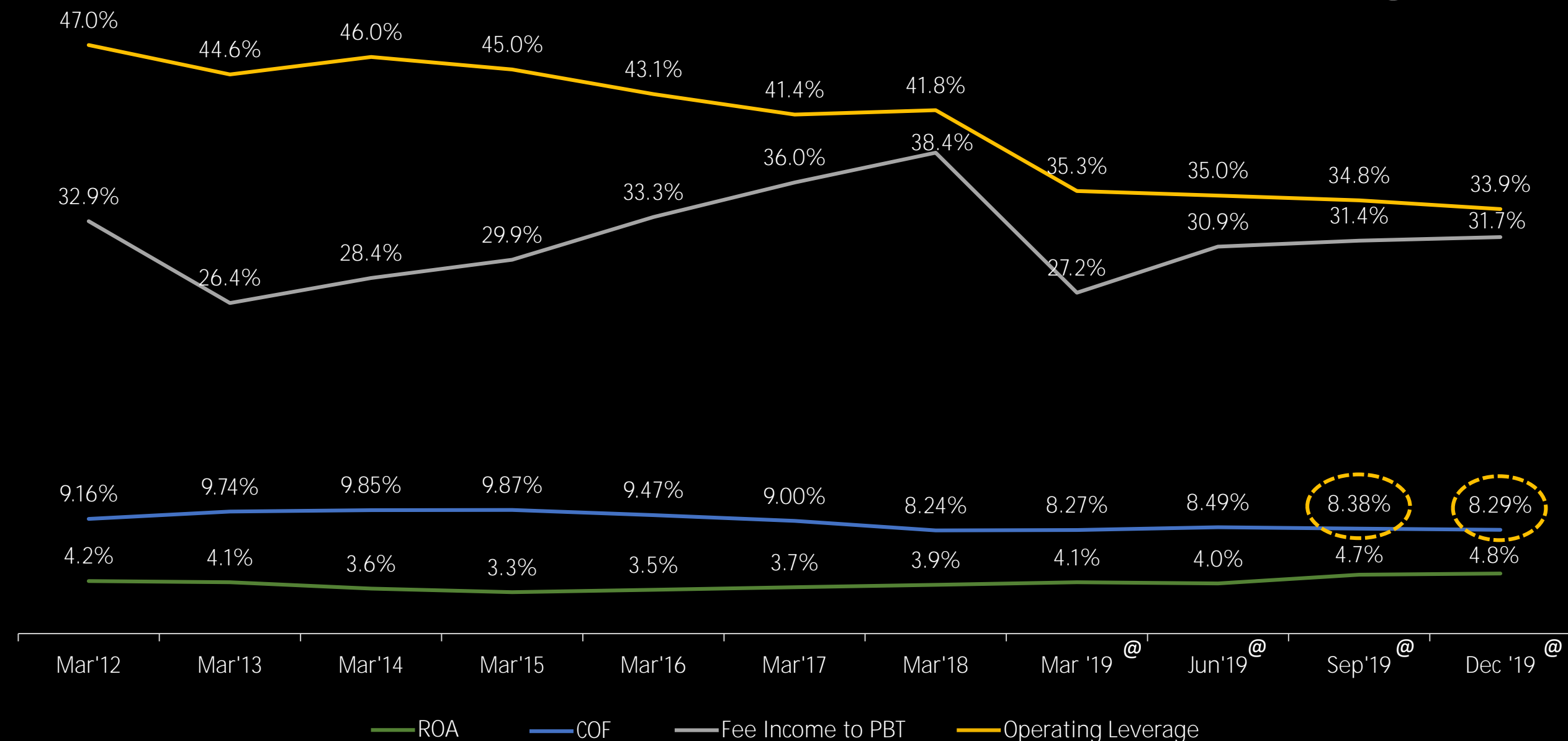
# Conservative leverage standards



\*Standalone leverage is approximately 4.1X as of 31 December 2019  
 #Capital Adequacy Ratios (CRAR) are on standalone basis  
 @ **March '19 onwards numbers are as per Ind AS**  
 Leverage threshold denotes a point below which the company has raised capital in last 8 years

denotes point at which the Company initiated its capital raising plan in last 8 years

# Resilient business model



@ Mar '19 onwards numbers are as per Ind AS. June '19, September '19 & December '19 numbers are for respective quarters  
 Post Ind AS, Fee income to PBT represents non-loan fees and commission income as a % of Profit Before Tax

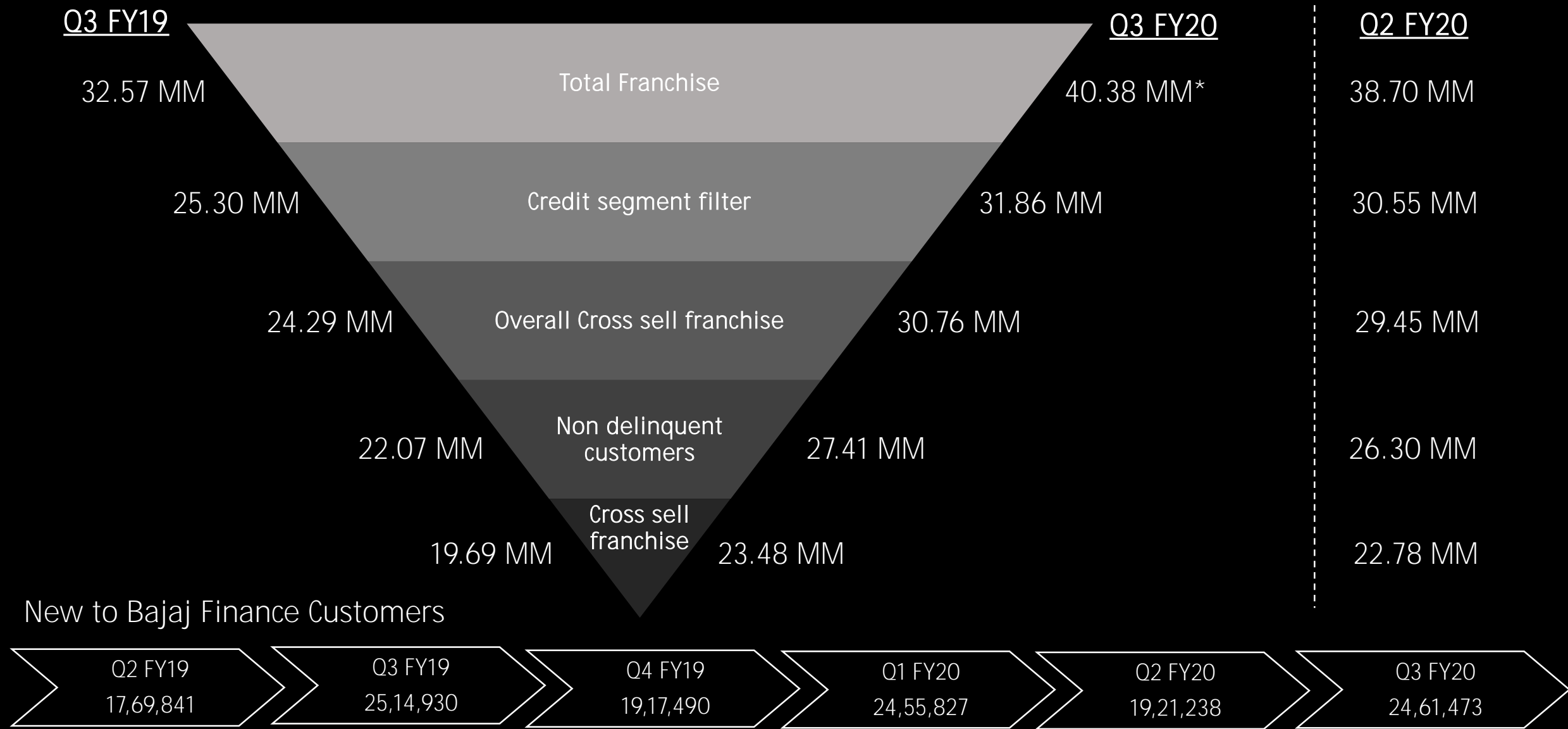


## Section 05

### Customer franchise and distribution reach



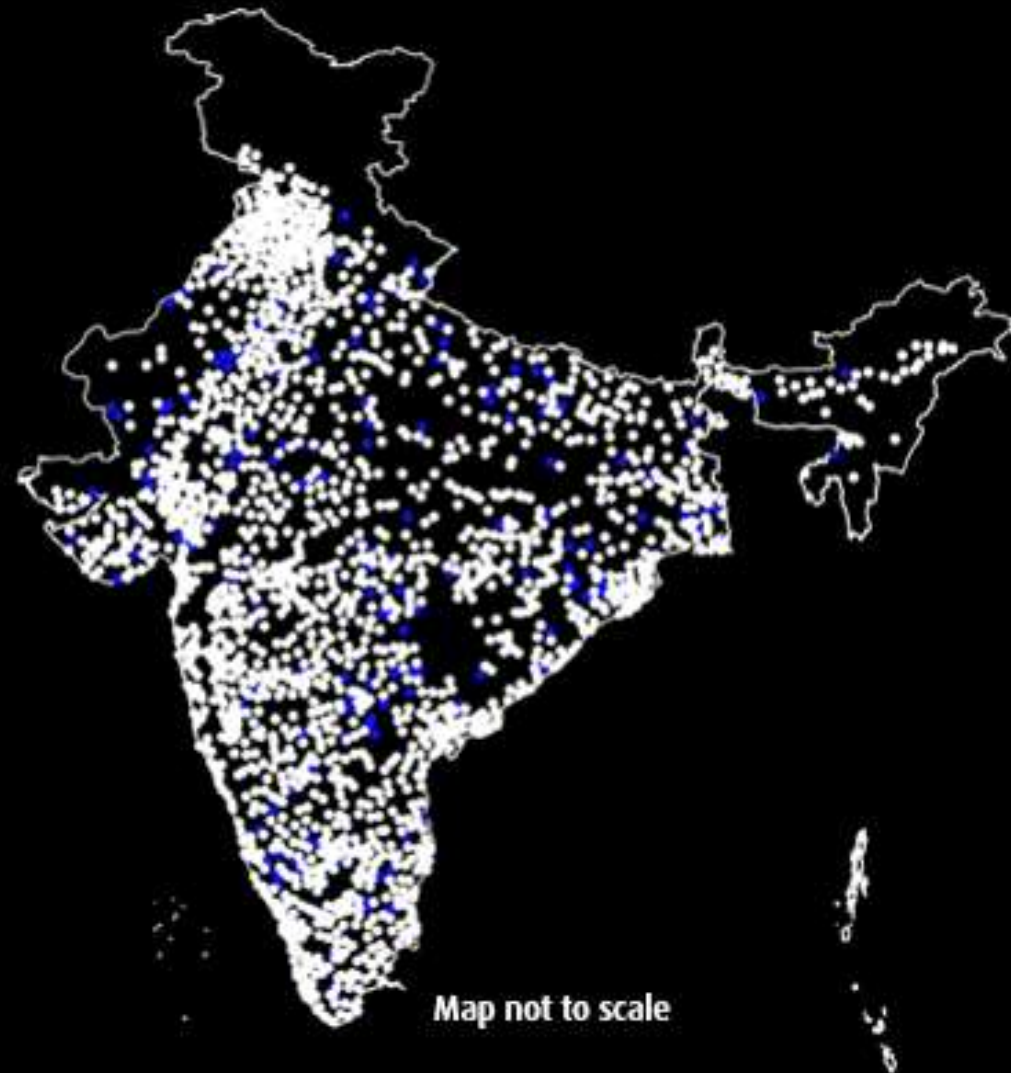
# Customer franchise



Continues to grow customer franchise by 8-9 MM and cross sell franchise by 3-4 **MM every year...**

\*In Q3 FY20, as part of "Golden Record" project, the Company flagged 0.78 MM duplicate customer IDs from its customer franchise.

# Geographic presence



| Geographic Presence              | 31 Mar 2016 | 31 Mar 2017 | 31 Mar 2018 | 31 Mar 2019 | 30 Sep 2019 | 31 Dec 2019 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Urban                            | 262         | 377         | 730         | 927         | 956         | 986         |
| Rural                            | 397         | 538         | 602         | 903         | 1,041       | 1,193       |
| Of which rural lending branches  | 105         | 177         | 219         | 347         | 427         | 445         |
| Of which rural lending franchise | 292         | 361         | 383         | 556         | 614         | 748         |
| Total Bajaj Finance presence     | 659         | 915         | 1,332       | 1,830       | 1,997       | 2,179       |

# Strong distribution reach

| Active distribution – points of sale         | 31 Mar 2016 | 31 Mar 2017 | 31 Mar 2018 | 31 Mar 2019 | 30 Sep 2019 | 31 Dec 2019 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Consumer durable stores – Urban              | 9,400+      | 14,000+     | 15,500+     | 20,400+     | 22,900+     | 23,300+     |
| Consumer durable stores – Rural              | 3,200+      | 5,500+      | 8,200+      | 14,500+     | 16,400+     | 17,900+     |
| Digital product stores                       | 5,200+      | 5,900+      | 15,900+     | 22,500+     | 24,200+     | 25,300+     |
| Lifestyle retail stores                      | 3,200+      | 3,900+      | 6,000+      | 7,700+      | 8,700+      | 9,000+      |
| EMI card – retail spends stores              | -           | 5,600+      | 12,100+     | 19,100+     | 22,200+     | 22,800+     |
| Bajaj Auto dealers, sub-dealerships and ASSC | 3,000+      | 3,200+      | 3,900+      | 4,600+      | 5,200+      | 5,300+      |
| Direct Sales Agents                          | 800+        | 1,500+      | 2,100+      | 2,800+      | 3,000+      | 3,500+      |
| Overall active distribution network          | 24,800+     | 39,600+     | 64,300+     | 91,700+     | 1,02,600+   | 1,07,100+   |



An icon showing two hands holding a dollar sign, symbolizing financial growth or investment.

## Section 06

● ● ● ● ● ● Business segment wise AUM ● ● ● ● ● ●

# Business segment wise AUM as of 31 December 2019

| Assets Under Management               | Standalone as of<br>31 Dec 2019 | BHFL as of<br>30 Sep 2019 | Consolidated<br>as of 31 Dec 2019 | Consolidated<br>as of 31 Dec 2018 | Growth     | Composition as<br>of 31 Dec 2019 |
|---------------------------------------|---------------------------------|---------------------------|-----------------------------------|-----------------------------------|------------|----------------------------------|
| Consumer B2B Auto Finance Business    | 13,176                          | -                         | 13,176                            | 8,741                             | 51%        | 9%                               |
| Consumer B2B Sales Finance Businesses | 13,960                          | -                         | 13,960                            | 13,035                            | 7%         | 10%                              |
| Consumer B2C Businesses               | 28,639                          | 741                       | 29,381                            | 20,515                            | 43%        | 20%                              |
| Rural B2B Sales Finance Business      | 2,708                           | -                         | 2,708                             | 2,239                             | 21%        | 2%                               |
| Rural B2C Business                    | 9,957                           | -                         | 9,957                             | 6,285                             | 58%        | 7%                               |
| SME Business                          | 18,569                          | 134                       | 18,703                            | 14,126                            | 32%        | 13%                              |
| Securities Lending Business           | 6,511                           | -                         | 6,513                             | 6,190                             | 5%         | 5%                               |
| Commercial Lending Business           | 6,503                           | -                         | 6,503                             | 5,660                             | 15%        | 4%                               |
| Mortgages                             | 16,437                          | 29,160                    | 44,191                            | 30,716                            | 44%        | 30%                              |
| <b>Total</b>                          | <b>1,16,460</b>                 | <b>30,035</b>             | <b>1,45,092</b>                   | <b>1,07,507</b>                   | <b>35%</b> | <b>100%</b>                      |
| Credit Card – CIF                     |                                 |                           | 1,662 K                           | 845 K                             | 97%        |                                  |
| EMI Card – CIF                        |                                 |                           | 20.5 MM                           | 16.5 MM                           | 24%        |                                  |
| Wallets                               |                                 |                           | 13.5 MM                           | 6.5 MM                            | 108%       |                                  |

## Section 07



Update on credit quality



# Credit Quality – Provisioning Coverage

Values in ₹ Cr

| Assets Under Management     | Consolidated<br>AUM<br>31 Dec 2019 | GNPA  | NNPA  | PCR<br>(%) | GNPA %    |           |           | NNPA %    |           |           |
|-----------------------------|------------------------------------|-------|-------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                             |                                    |       |       |            | 31 Dec 18 | 30 Sep 19 | 31 Dec 19 | 31 Dec 18 | 30 Sep 19 | 31 Dec 19 |
| Auto Finance Business       | 13,176                             | 798   | 355   | 55%        | 5.42%     | 5.57%     | 5.68%     | 2.11%     | 2.36%     | 2.61%     |
| Sales Finance Business      | 13,960                             | 156   | 30    | 81%        | 0.86%     | 1.08%     | 0.92%     | 0.26%     | 0.26%     | 0.18%     |
| Consumer B2C Business       | 29,381                             | 407   | 114   | 72%        | 1.49%     | 1.49%     | 1.34%     | 0.38%     | 0.41%     | 0.38%     |
| Rural B2B Business          | 2,708                              | 17    | 3     | 80%        | 0.60%     | 1.15%     | 0.59%     | 0.32%     | 0.36%     | 0.12%     |
| Rural B2C Business          | 9,957                              | 137   | 45    | 67%        | 1.42%     | 1.41%     | 1.33%     | 0.63%     | 0.45%     | 0.44%     |
| SME Business                | 18,703                             | 271   | 68    | 75%        | 1.75%     | 1.49%     | 1.41%     | 0.34%     | 0.34%     | 0.36%     |
| Securities Lending Business | 6,513                              | -     | -     | -          | -         | -         | -         | -         | -         | -         |
| Commercial Lending Business | 6,503                              | 39    | 16    | 58%        | -         | 0.58%     | 0.60%     | -         | 0.23%     | 0.25%     |
| Mortgages                   | 44,191                             | 529   | 387   | 27%        | 1.38%     | 1.20%     | 1.36%     | 0.96%     | 0.87%     | 0.99%     |
| Total                       | 1,45,092                           | 2,354 | 1,019 | 57%        | 1.55%     | 1.61%     | 1.61%     | 0.62%     | 0.65%     | 0.70%     |
| Total (excluding IL&FS)     | 1,45,092                           | 2,120 | 847   | 60%        | 1.34%     | 1.44%     | 1.45%     | 0.45%     | 0.52%     | 0.59%     |

GNPA remained flat on sequential quarter basis and increased by 6 bps YoY; NNPA increased by 5 bps on a sequential quarter basis and 8 bps YoY

# NPA movement - consolidated

Values in ₹ Cr

| Particulars   | Dec'18   | Mar'19   | Jun '19  | Sep '19  | Dec'19   |
|---|----------|----------|----------|----------|----------|
| Assets Under Management                                       | 1,07,507 | 1,15,888 | 1,28,898 | 1,35,533 | 1,45,092 |
| Opening GNPA (A)  | 1,471    | 1,691    | 1,804    | 2,094    | 2,213    |
| Roll Forward into NPA (i)                                     | 702      | 593      | 697      | 779      | 924      |
| Restructuring (ii)  | 13       | 14       | 5        | 7        | 12       |
| Total Slippages (B = i + ii)                                  | 715      | 607      | 702      | 786      | 936      |
| Roll back to standard (iii)                                   | 138      | 138      | 161      | 200      | 192      |
| Recoveries (iv)   | 39       | 67       | 54       | 65       | 58       |
| Realisation on sale of NPA receivables* (v)                   | 33       | 19       | -        | 24       | 18       |
| Write offs as per policy (vi)                                 | 251      | 183      | 196      | 185      | 380      |
| Write offs on sale of NPA receivables (vii)                   | 34       | 87       | -        | 193      | 147      |
| Total recoveries and write-offs (C = iii + iv + v + vi + vii) | 495      | 494      | 412      | 667      | 795      |
| Net slippages (B - C)   | 220      | 113      | 290      | 119      | 141      |
| Gross NPA (A + B - C)   | 1,691    | 1,804    | 2,094    | 2,213    | 2,354    |
| GNPA %  | 1.55%    | 1.54%    | 1.60%    | 1.61%    | 1.61%    |
| NNPA %  | 0.62%    | 0.63%    | 0.64%    | 0.65%    | 0.70%    |
| PCR %   | 60%      | 60%      | 61%      | 60%      | 57%      |

\*Portfolio sale is on cash basis

# ECL summary - consolidated

| Assets categorization                    | Dec '18 | Mar '19 | Jun '19 | Sep '19 | Dec '19 |
|--|---------|---------|---------|---------|---------|
| Stage 1 & 2 (represents standard assets) | 98.45%  | 98.46%  | 98.40%  | 98.39%  | 98.39%  |
| Stage 3 (represents GNPA)                | 1.55%   | 1.54%   | 1.60%   | 1.61%   | 1.61%   |

## Summary of stage wise assets and provision for impairment allowance

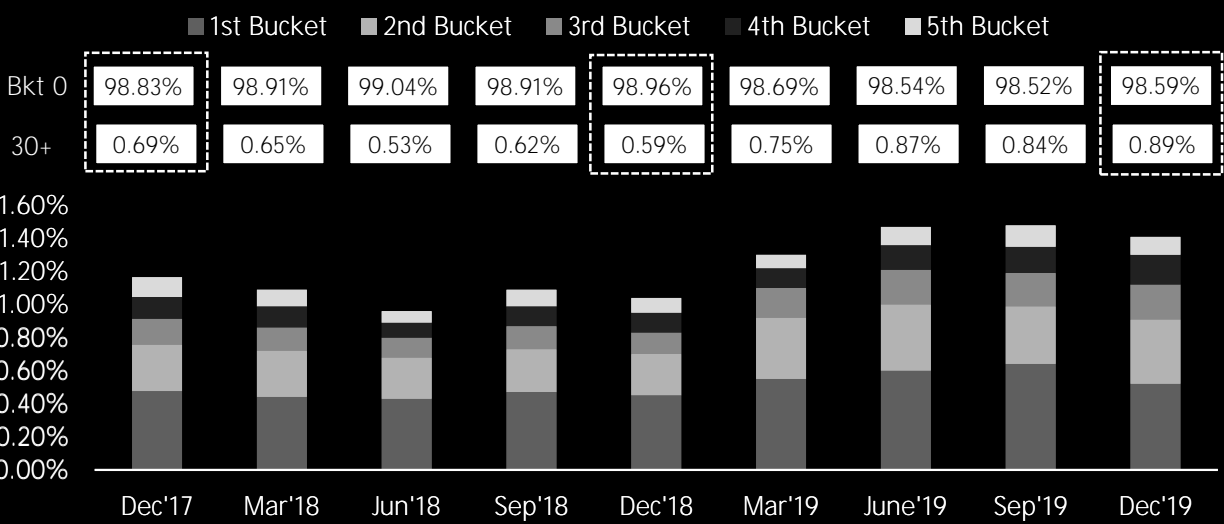
| Assets and impairment allowance              | Dec '18  | Mar '19  | Jun '19  | Sep '19  | Dec '19  |
|--|----------|----------|----------|----------|----------|
| Gross Stage 1 & 2 assets* (A)                | 1,07,094 | 1,15,438 | 1,28,570 | 1,35,552 | 1,43,534 |
| ECL Provision Stage 1 & 2 (B)                | 947      | 981      | 1,111    | 1,239    | 1,443    |
| Net Stage 1 & 2 assets (C = A-B)             | 1,06,146 | 1,14,458 | 1,27,459 | 1,34,312 | 1,42,091 |
| ECL Provision % Stage 1 & 2 assets (D = B/A) | 0.88%    | 0.85%    | 0.86%    | 0.91%    | 1.01%    |
| Gross Stage 3 assets@ (E)                    | 1,691    | 1,804    | 2,094    | 2,213    | 2,354    |
| ECL Provision Stage 3 (F)                    | 1,020    | 1,077    | 1,270    | 1,325    | 1,335    |
| Net Stage 3 assets (G = E-F)                 | 671      | 727      | 824      | 888      | 1,019    |
| Coverage Ratio % Stage 3 assets (H= F/E)     | 60%      | 60%      | 61%      | 60%      | 57%      |
| Overall coverage ratio                       | 1.81%    | 1.75%    | 1.82%    | 1.86%    | 1.90%    |

\*Gross stage 1 & 2 assets represent loans balance as per Ind AS after adjusting for the impact of amortisation of fees earned and acquisition cost incurred including other assets like security deposits, advance to dealer, receivable from related parties, capital advances etc

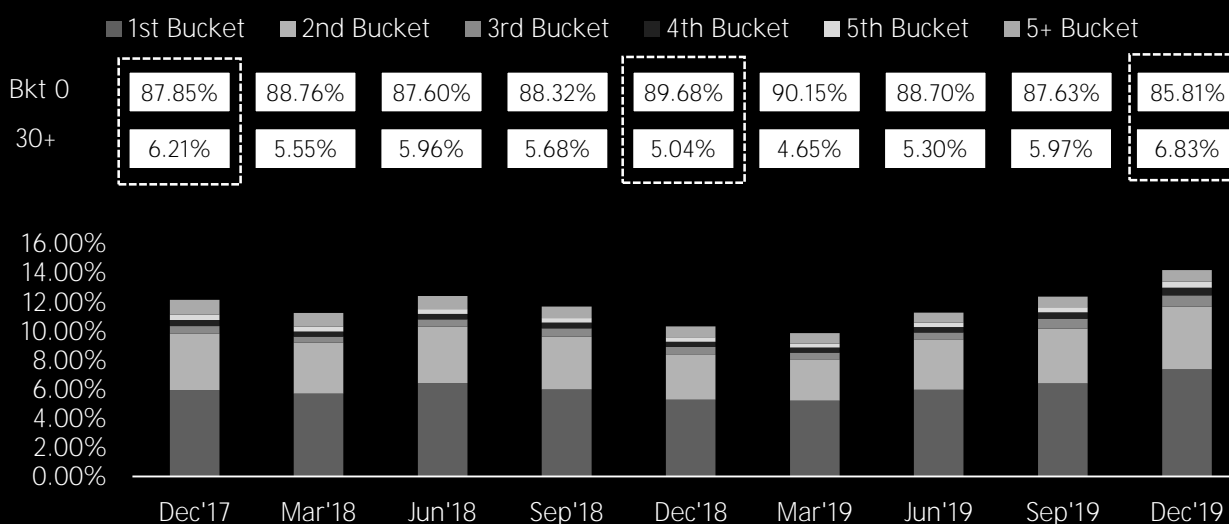
@ Gross Stage 3 assets represents loans balance as per Ind AS after adjusting for the impact of (i) amortisation of fees earned and acquisition cost incurred and (ii) overdue interest considered recoverable under Ind AS and other receivables considered as non-performing as at the end of respective periods.

# Credit quality – Portfolio composition

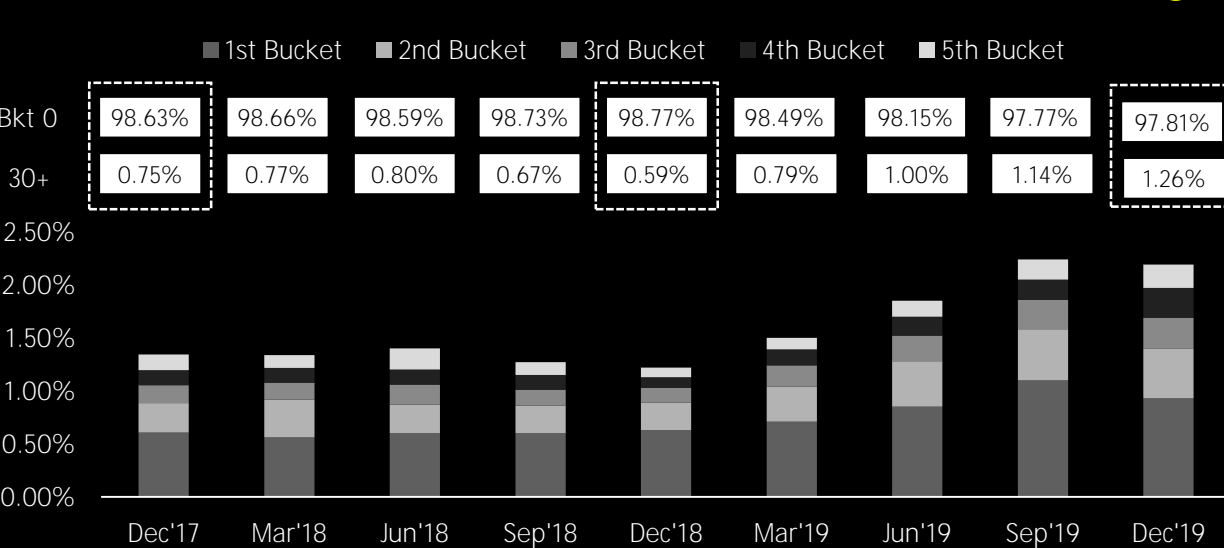
## Consumer durable



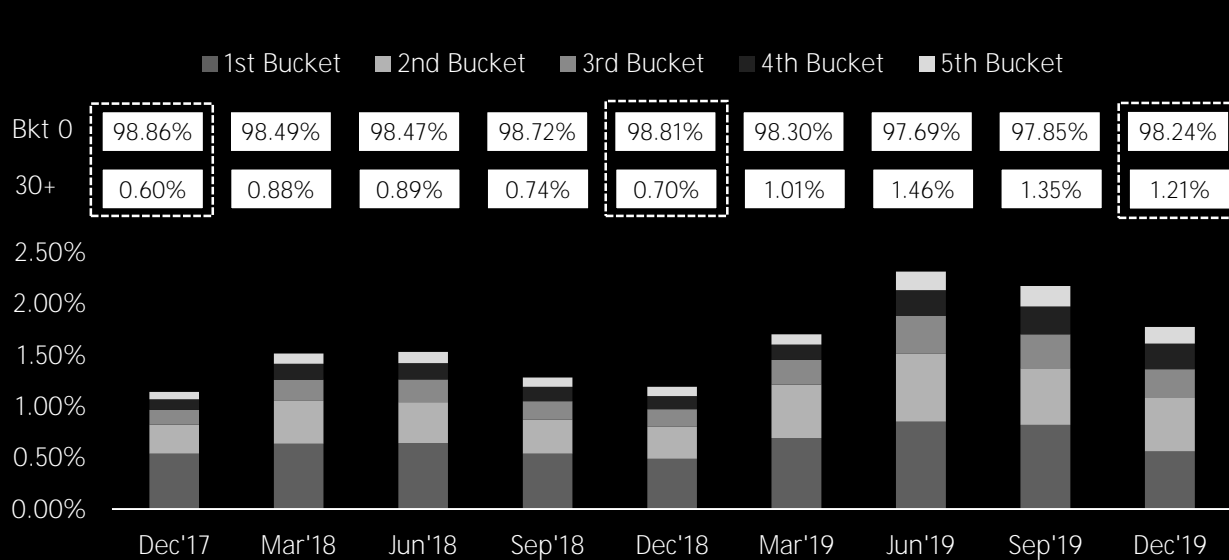
## Two & three wheeler



## Lifestyle

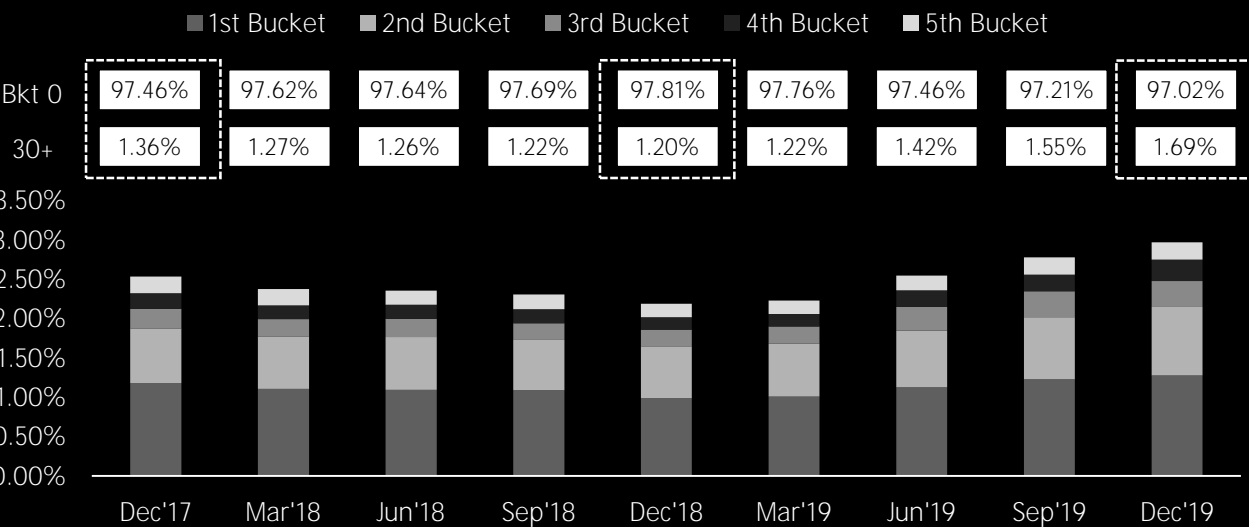


## Digital product

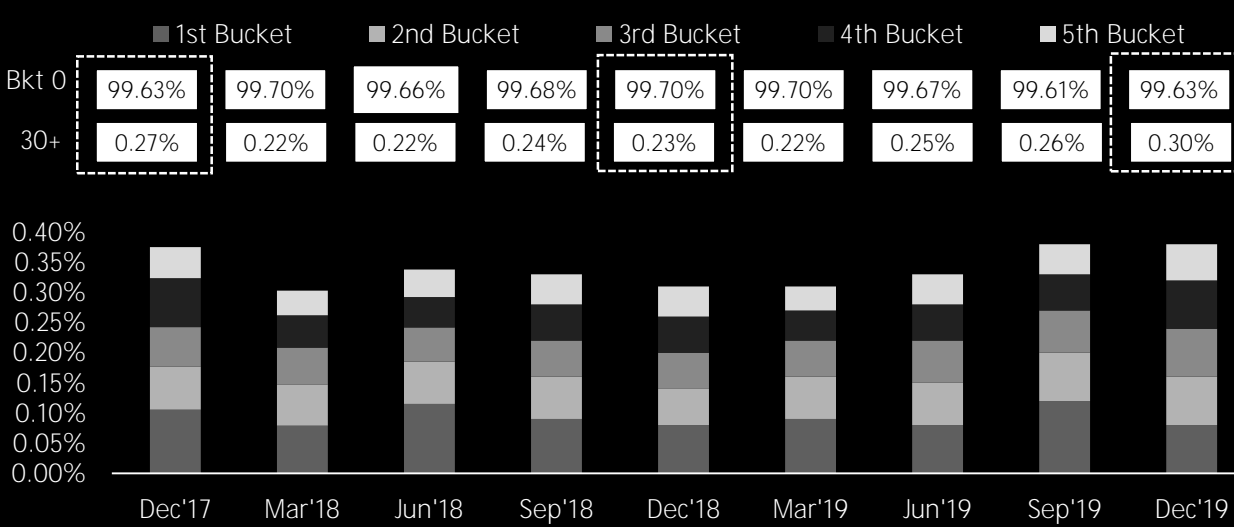


# Portfolio Credit quality – Including BHFL

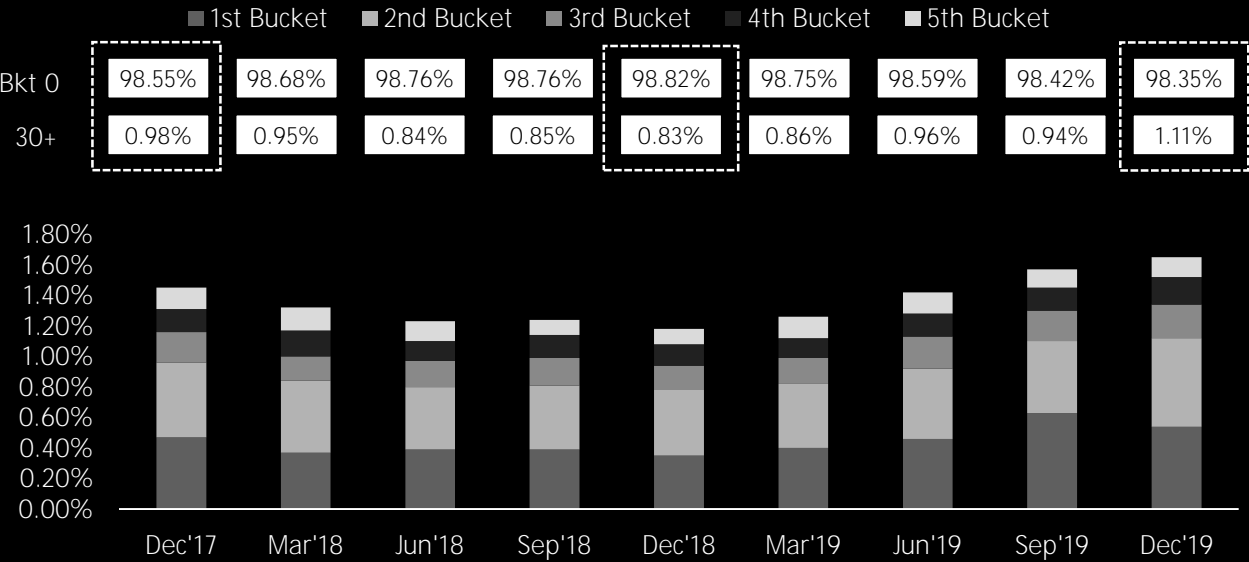
## Personal loans cross sell



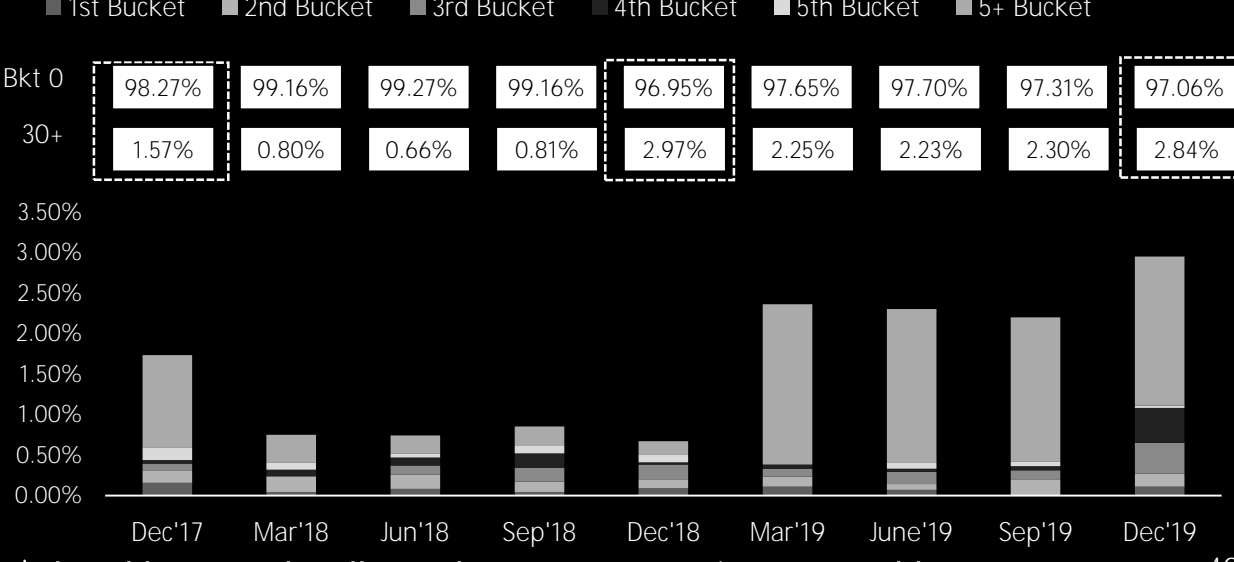
## Salaried personal loans



## Business & professional



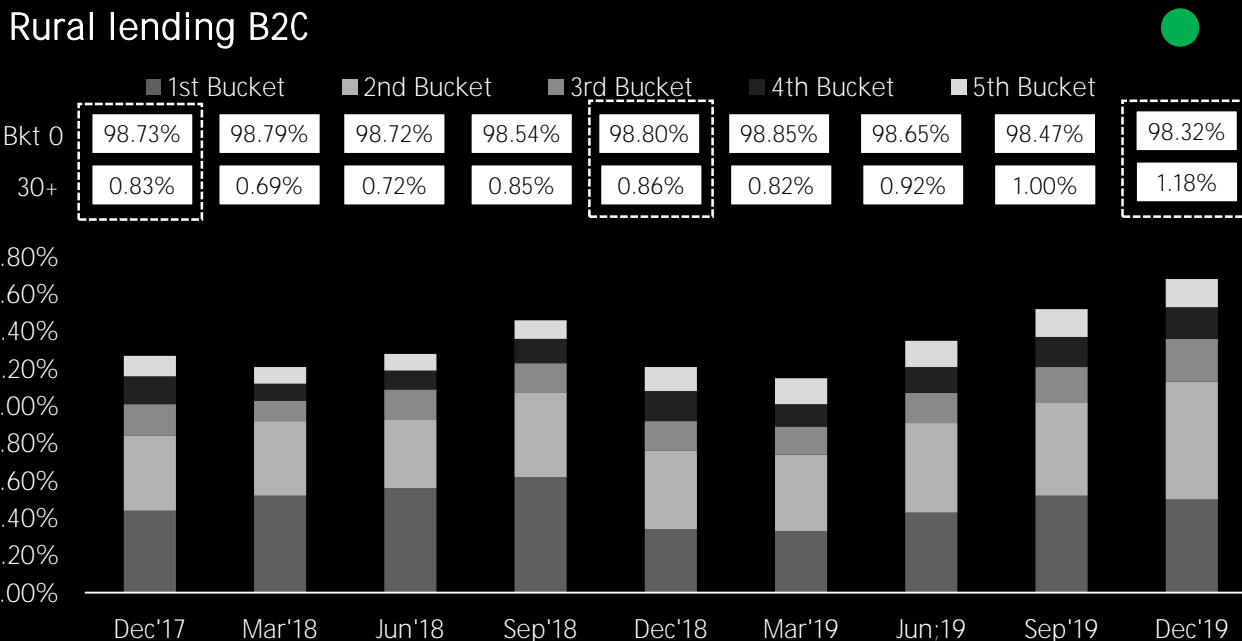
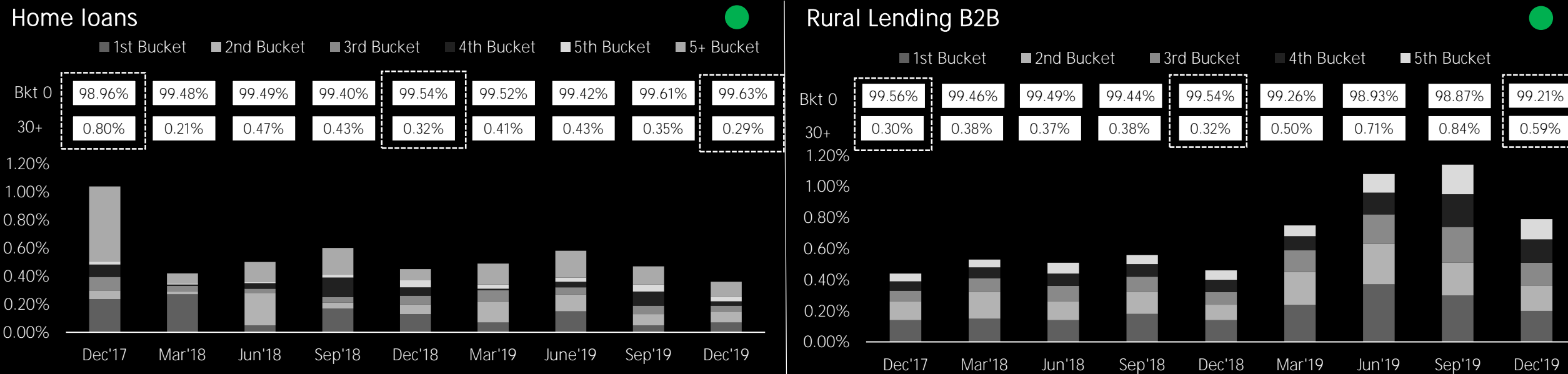
## Loan against property\*



\*Adjusted for IL&FS and a coffee conglomerate account, Dec'19 current portfolio is 99.03%



# Portfolio Credit quality – Including BHFL



- Securities lending business has a delinquent broker account with principal outstanding of ₹ 303 crore on which company has taken an accelerated provision of ₹ 85 crore.
- LAP portfolio has 2 major NPA accounts : IL&FS with principal outstanding of ₹ 234 crore and a coffee conglomerate account with principal outstanding of ₹ 91 crore. Adjusted for these two accounts, the current bucket of LAP portfolio stands at 99.03%.
- We remain in cautious mode in auto finance, unsecured personal loan and business loans businesses.

## Section 08

# Bajaj Housing Finance Limited Overview

# Executive summary – Bajaj Housing Finance Limited

## Bajaj Housing Finance Limited

- A 100% subsidiary of Bajaj Finance Limited, registered with National Housing Bank as a Housing Finance Company
- Offers full range of mortgage products such as home loans, loan against property and lease rental discounting to salaried & self employed customers. It also offers construction finance and inventory finance to credit worthy developers
- Focused on mass affluent and above customers (salaried and self employed)
- AUM of ₹ 30,035 crore as of 31 December 2019 and a post tax profit of ₹ 131 crore for Q3 FY20
- Capital adequacy ratio (including Tier II capital) stood at 18.91% as of 31 December 2019

---

## Home Loans

- Offers home loan with an average ticket size of approximately 41 lakhs
- Focused on developing B2B business by leveraging existing developer finance relationships and through tie-ups with new project launches
- Currently present across 33 locations in India

---

## Loan Against Property

- Offers loan to mass affluent and above self employed customers with an average ticket size of approximately 46 lakhs
- Strategy is to sell LAP product to existing customers only via direct to customer channel
- Currently present across 19 locations in India

---

## Rural

- Offers home loans and loans against property to salaried and self-employed customers with an average ticket size of approximately 18 lakhs for home loans and 12 lakhs for loan against property
- Hub and spoke strategy through branch network and ASSC tie ups
- Currently present across 73 locations in India

# Executive summary – Bajaj Housing Finance Limited

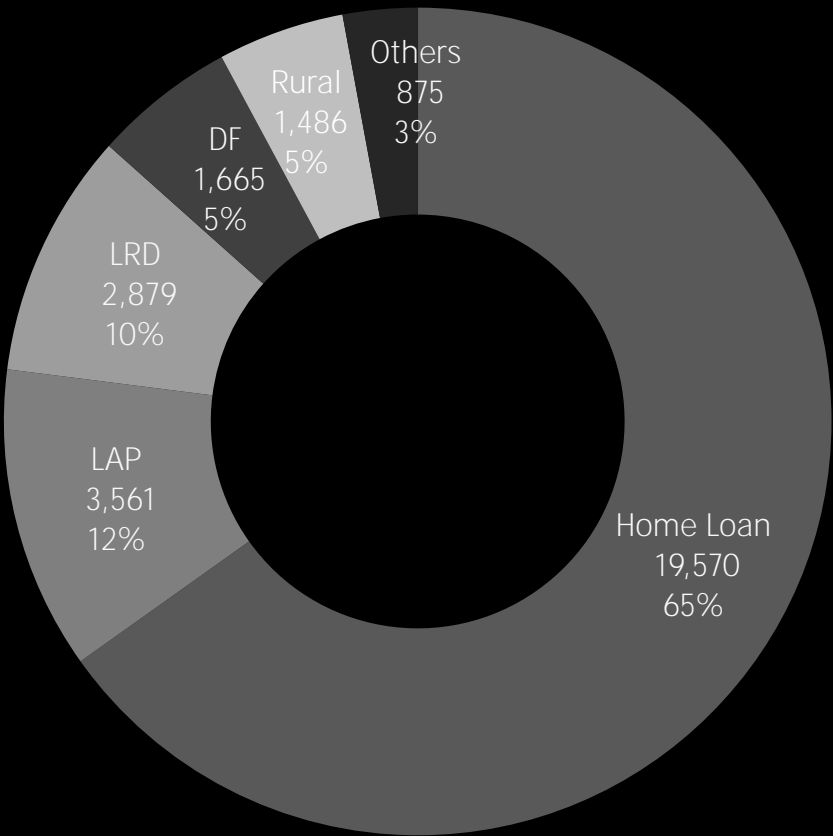


|                          |  |
|--------------------------|--|
| Lease Rental Discounting | <ul style="list-style-type: none"><li>• Offers loan against lease rentals to high net worth individuals and developers on commercial property leased mainly to corporate tenants</li><li>• All LRD transactions are backed by rentals through escrow mechanism</li><li>• Ticket size of lease rental discounting ranges from 5 - 100 crore with an average ticket size of approximately 25 crore</li><li>• Currently present across 8 locations in India (Mumbai, Delhi, Bangalore, Pune, Ahmedabad, Chennai, Kolkata and Hyderabad)</li></ul> |
| Developer Financing      | <ul style="list-style-type: none"><li>• Offers construction finance and inventory finance mainly to category A and A+ developers in India</li><li>• Average ticket size ranges between 15 – 35 crore</li><li>• Currently present in 8 locations (Mumbai, Bangalore, Pune, Ahmedabad, Chennai, Kolkata, Hyderabad and Surat)</li></ul>  |
| Credit Quality           | <ul style="list-style-type: none"><li>• Gross NPA and Net NPA, recognized as per extant NHB prudential norms and provisioned as per Expected Credit Loss (ECL) method prescribed in Ind AS, as of 31 December 2019 stood at 0.07% and 0.05% respectively</li></ul>   |
| Treasury                 | <ul style="list-style-type: none"><li>• Strategy is to create a balanced and sustained mix of borrowings</li><li>• Borrowings stood at ₹ 24,877 crore (excluding lease liability) with a mix of 63 : 37 between banks and money markets as of 31 December 2019</li></ul>   |
| Credit Rating            | <ul style="list-style-type: none"><li>• Credit rating for long term borrowing is AAA/Stable by CRISIL &amp; IND AAA/Stable by India Ratings</li><li>• Credit rating for short term borrowing is A1+ by CRISIL &amp; IND A1+ by India Ratings</li></ul>   |

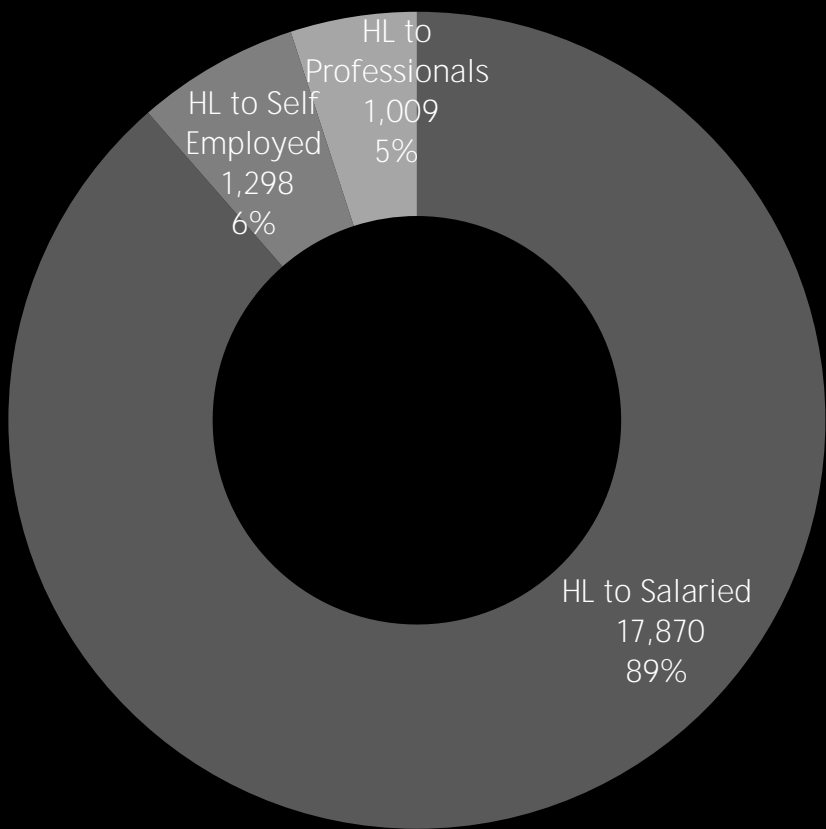
# Portfolio Composition - Bajaj Housing Finance Limited

₹ in Crore

Product Category



Home Loan Portfolio  
Customer Categorisation



Salaried focused home loans acquisition strategy (93% of Q3 FY20 acquisition)

# Customer Profile – Bajaj Housing Finance Limited

|                             | Home Loan                     | Loan Against Property         |
|-----------------------------|-------------------------------|-------------------------------|
| Average Loan Size – Overall | 39 lakhs                      | 28 lakhs                      |
| Average Loan Size – Urban   | 41 lakhs                      | 46 lakhs                      |
| Average Loan Size – Rural   | 18 lakhs                      | 12 lakhs                      |
| LTV (at origination)        | 71%                           | 46%                           |
| Average Loan Term – Overall | 18 years                      | 11 years                      |
| Average Customer Age        | 39 years                      | 41 years                      |
| Primary Security            | Mortgage of property financed | Mortgage of property financed |
| Repayment Type              | Monthly amortizing            | Monthly amortizing            |

# Financial statement summary – Bajaj Housing Finance Limited



₹ in Crore

| Financials snapshot                                  | Q3 FY20 | Q3 FY19 | 9M FY20 | 9M FY19 | FY19   |
|--|---------|---------|---------|---------|--------|
| Assets under management                              | 30,035  | 13,963  | 30,035  | 13,963  | 17,562 |
| Assets under finance                                 | 25,961  | 13,963  | 25,961  | 13,963  | 17,332 |
| Interest income                                      | 620     | 297     | 1,616   | 616     | 998    |
| Fee and other income                                 | 103     | 41      | 256     | 109     | 158    |
| Total Income   | 723     | 338     | 1,872   | 725     | 1,156  |
| Interest expenses                                    | 438     | 207     | 1,125   | 416     | 685    |
| Net Interest Income                                  | 285     | 131     | 747     | 309     | 471    |
| Operating Expenses                                   | 96      | 75      | 267     | 230     | 297    |
| Loan losses and provisions (ECL stage 1 & 2)         | 6       | 5       | 17      | 15      | 21     |
| Loan losses and provisions (ECL stage 3 & write off) | 8       | 1       | 18      | 1       | 4      |
| Profit before tax                                    | 175     | 50      | 445     | 63      | 149    |
| Profit after tax                                     | 131     | 37      | 331     | 48      | 110    |
| Ratios   |         |         |         |         |        |
| Operating expense to Net Interest Income             | 34%     | 57%     | 36%     | 74%     | 63%    |
| Loan loss to Average AUF*                            | 0.06%   | 0.05%   | 0.17%   | 0.19%   | 0.24%  |
| Return on Average Assets*                            | 0.5%    | 0.3%    | 1.5%    | 0.5%    | 1.1%   |
| Return on Average Equity*                            | 3.3%    | 1.4%    | 8.6%    | 2.3%    | 4.2%   |

\* Not annualized

# ECL summary – Bajaj Housing Finance Limited

| ECL categorization                       | Dec '18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
|--|---------|--------|--------|--------|--------|
| Stage 1 & 2 (represents standard assets) | 99.97%  | 99.95% | 99.94% | 99.94% | 99.93% |
| Stage 3 (represents GNPA)                | 0.03%   | 0.05%  | 0.06%  | 0.06%  | 0.07%  |

## Summary of stage wise assets and ECL provisioning

₹ in Crore

| Financial Assets & ECL provision             | Dec '18 | Mar'19 | Jun'19 | Sep'19 | Dec'19 |
|--|---------|--------|--------|--------|--------|
| Gross Stage 1 & 2 assets* (A)                | 14,061  | 17,435 | 20,601 | 23,481 | 26,532 |
| ECL Provision Stage 1 & 2 (B)                | 20      | 26     | 34     | 37     | 43     |
| Net Stage 1 & 2 assets (C = A-B)             | 14,041  | 17,409 | 20,567 | 23,443 | 26,488 |
| ECL Provision % Stage 1 & 2 assets (D = B/A) | 0.14%   | 0.15%  | 0.16%  | 0.16%  | 0.16%  |
| Gross Stage 3 assets@ (E)                    | 4.5     | 9.5    | 13.1   | 13.3   | 19.9   |
| ECL Provision Stage 3 (F)                    | 1.0     | 3.4    | 4.2    | 6.0    | 6.3    |
| Net Stage 3 assets (G = E-F)                 | 3.5     | 6.1    | 8.9    | 7.3    | 13.6   |
| Coverage Ratio % Stage 3 assets (H= F/E)     | 23%     | 35%    | 32%    | 45%    | 32%    |
| ECL/Total Assets                             | 0.15%   | 0.17%  | 0.18%  | 0.18%  | 0.19%  |

\*Gross stage 1 & 2 assets represent loans balance as per Ind AS after adjusting for the impact of amortisation of fees earned and acquisition cost incurred including other assets like security deposits, receivable from related parties, capital advances etc

@ Gross Stage 3 assets represents Loans balance as per Ind AS after adjusting for the impact of (i) amortisation of fees earned and acquisition cost incurred and (ii) overdue interest considered recoverable under Ind AS and other receivables considered as non-performing as at the end of respective periods.



# Behaviouralized ALM snapshot as on 31 December 2019

| Particulars                    | 1 m   | >1 to 2 m | >2 to 3 m | >3 to 6m | >6m to 1 yr | >1 to 3 yr | >3 to 5 yr | >5 to 7 yr | >7 to 10 yr | >10 yr | Total  |
|--------------------------------|-------|-----------|-----------|----------|-------------|------------|------------|------------|-------------|--------|--------|
| Cash & Investments             | 2,929 | -         | -         | -        | -           | -          | -          | -          | -           | -      | 2,929  |
| Advances                       | 465   | 276       | 279       | 818      | 1,592       | 5,581      | 4,280      | 3,389      | 3,866       | 5,575  | 26,121 |
| Other inflows                  | 3,480 | 1,000     | 1,000     | -        | -           | 5          | -          | -          | -           | 67     | 5,552  |
| Total Inflows (A)              | 6,874 | 1,276     | 1,279     | 818      | 1,592       | 5,587      | 4,280      | 3,389      | 3,866       | 5,643  | 34,603 |
| Cumulative Total Inflows (B)   | 6,874 | 8,150     | 9,429     | 10,247   | 11,839      | 17,426     | 21,706     | 25,094     | 28,960      | 34,603 |        |
| Borrowings                     | -     | 1,842     | 1,610     | 378      | 2,476       | 11,288     | 7,217      | 1,649      | 291         | -      | 26,750 |
| Capital Reserves and Surplus   | -     | -         | -         | -        | -           | -          | -          | -          | -           | 3,926  | 3,926  |
| Other Outflows                 | 759   | -         | 26        | 17       | 73          | 2,932      | -          | 0          | -           | 119    | 3,927  |
| Total Outflows (C)             | 759   | 1,842     | 1,635     | 396      | 2,550       | 14,220     | 7,217      | 1,649      | 291         | 4,045  | 34,603 |
| Cumulative Total Outflows (D)  | 759   | 2,601     | 4,236     | 4,632    | 7,181       | 21,401     | 28,618     | 30,267     | 30,558      | 34,603 |        |
| Mismatch (E = A - C)           | 6,115 | (566)     | (356)     | 423      | (958)       | (8,633)    | (2,937)    | 1,740      | 3,575       | 1,598  |        |
| Cumulative mismatch (F = B-D)  | 6,115 | 5,549     | 5,193     | 5,615    | 4,658       | (3,976)    | (6,913)    | (5,173)    | (1,598)     | 0      |        |
| Cumulative mismatch as % (F/D) | 806%  | 213%      | 123%      | 121%     | 65%         | -19%       | -24%       | -17%       | -5%         | 0%     |        |
| Permissible cumulative GAP %   | -15%  |           |           |          | -15%        |            |            |            |             |        |        |
| Additional borrowings possible | 7,328 |           |           |          | 6,738       |            |            |            |             |        |        |

\* As per previous GAAP

# BAJAJ FINANCE LIMITED

Q3 FY20 Investor Presentation

Thank You

This presentation has been prepared by and is the sole responsibility of Bajaj Finance Limited (together with its subsidiaries, referred to as the “Company” or “Bajaj Finance”. By accessing this presentation, you are agreeing to be bound by the trailing restrictions.

This presentation does not constitute or does not intend to constitute or form part of any offer or invitation or inducement to sell, or any solicitation of any offer or recommendation to purchase, any securities of the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment therefor. In particular, this presentation is not intended to be a prospectus or offer document under the applicable laws of any jurisdiction, including India. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. There is no obligation to update, modify or amend this communication or to otherwise notify the recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. However, the Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes.

These materials are being given solely for your information and may not be copied, reproduced or redistributed to any other person in any manner. The distribution of these materials in certain jurisdictions may be restricted by law and persons into whose possession these materials comes should inform themselves about and observe any such restrictions. Certain statements contained in this presentation that are not statements of historical fact constitute “forward-looking statements.” You can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “goal”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the **Company’s** actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, among others: (a) material changes in the regulations governing the **Company’s** businesses; (b) the Company's ability to comply with the capital adequacy norms prescribed by the RBI; (c) decreases in the value of the Company's collateral or delays in enforcing the Company's collateral upon default by borrowers on their obligations to the Company; (d) the Company's ability to control the level of NPAs in the Company's portfolio effectively; (e) internal or external fraud, operational errors, systems malfunctions, or cyber security incidents; (f) volatility in interest rates and other market conditions; and (g) any adverse changes to the Indian economy.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. The information contained in this presentation is only current as of its date and the Company does not undertake any obligation to update the information as a result of new information, future events or otherwise.

# Annexures

| Financials snapshot @         | FY08  | FY09  | FY10  | FY11  | FY12   | FY13   | FY14   | FY15   | FY16   | FY17   | FY18 <sup>@</sup><br>(Consol.) | FY19 <sup>@</sup><br>(Consol.) | YoY<br>(FY18-FY19) | CAGR<br>(12 yrs) |
|-------------------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------------------------------|--------------------------------|--------------------|------------------|
| Assets under management       | 2,478 | 2,539 | 4,032 | 7,573 | 13,107 | 17,517 | 24,061 | 32,410 | 44,229 | 60,196 | 82,422                         | 1,15,888                       | 41%                | 42%              |
| Income from operations        | 503   | 599   | 916   | 1,406 | 2,172  | 3,110  | 4,073  | 5,418  | 7,333  | 9,989  | 12,757                         | 18,502                         | 45%                | 39%              |
| Interest expenses             | 170   | 164   | 201   | 371   | 746    | 1,206  | 1,573  | 2,248  | 2,927  | 3,803  | 4,614                          | 6,624                          | 44%                | 40%              |
| Net Interest Income (NII)     | 332   | 435   | 715   | 1,035 | 1,426  | 1,904  | 2,500  | 3,170  | 4,406  | 6,186  | 8,143                          | 11,878                         | 46%                | 38%              |
| Operating Expenses            | 193   | 220   | 320   | 460   | 670    | 850    | 1,151  | 1,428  | 1,898  | 2,564  | 3,270                          | 4,198                          | 28%                | 32%              |
| Loan Losses & Provision (ECL) | 109   | 164   | 261   | 205   | 154    | 182    | 258    | 385    | 543    | 804    | 1,030                          | 1,501                          | 46%                | 27%              |
| Profit before tax             | 30    | 51    | 134   | 370   | 602    | 872    | 1,091  | 1,357  | 1,965  | 2,818  | 3,843                          | 6,179                          | 61%                | 62%              |
| Profit after tax              | 21    | 34    | 89    | 247   | 406    | 591    | 719    | 898    | 1,279  | 1,837  | 2,496                          | 3,995                          | 60%                | 61%              |

| Ratios                    | FY08  | FY09  | FY10  | FY11  | FY12  | FY13  | FY14  | FY15  | FY16  | FY17  | FY18  | FY19  |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Opex to NII               | 58.1% | 50.6% | 44.8% | 44.4% | 47.0% | 44.6% | 46.0% | 45.0% | 43.1% | 41.4% | 40.2% | 35.3% |
| Return on assets          | 0.9%  | 1.4%  | 2.8%  | 4.4%  | 4.2%  | 4.1%  | 3.6%  | 3.3%  | 3.5%  | 3.7%  | 3.7%  | 4.2%  |
| Return on equity          | 2.0%  | 3.2%  | 8.0%  | 19.7% | 24.0% | 21.9% | 19.5% | 20.4% | 20.9% | 21.6% | 20.1% | 22.5% |
| Net NPA *                 | 7.05% | 5.50% | 2.20% | 0.80% | 0.12% | 0.19% | 0.28% | 0.45% | 0.28% | 0.44% | 0.43% | 0.63% |
| NPA provisioning coverage | 29%   | 32%   | 55%   | 79%   | 89%   | 83%   | 76%   | 71%   | 77%   | 74%   | 70%   | 60%   |

@ All figures till including FY17 are as per previous GAAP, whereas for FY18 and FY19 are as per IndAS

\* As per the RBI regulations, NNPA numbers for upto FY15 are at 6 months overdue, FY16 are at 5 months overdue, FY17 are at 4 months overdue and FY18 onwards are at 3 months overdue. Hence NPA across periods are not comparable

# Glossary

|      |  |
|------|--|
| 2W   | Two Wheeler                            |
| 3W   | Three Wheeler                          |
| ACMF | Auto Components Manufacturer Financing |
| ALM  | Asset & Liability Management           |
| AR   | Assets Receivable                      |
| ARU  | Activation, Retention & Usage          |
| ASC  | Authorized Service Centers             |
| AUF  | Assets Under Finance                   |
| AUM  | Assets Under Management                |
| B2B  | Business to Business                   |
| B2C  | Business to Customer                   |
| BHFL | Bajaj Housing Finance Ltd              |
| BL   | Business Loan                          |
| CAGR | Compounded Annual Growth Rate          |
| CIF  | Cards in Force                         |
| CPI  | Consumer Price Index                   |
| ECB  | External Commercial Borrowings         |
| ECL  | Expected Credit Loss                   |
| EMI  | Existing Member Identification         |
| EPS  | Earnings Per Share                     |
| FIG  | Financial Institutions Group           |
| FII  | Foreign Institutional Investor         |
| FPI  | Foreign Portfolio Investment           |
| GNPA | Gross Non Performing Assets            |

|      |                                  |
|------|----------------------------------|
| HL   | Home Loan                        |
| IFA  | Independent Financial Advisor    |
| IRR  | Internal Rate of Return          |
| LAP  | Loan Against Property            |
| LAS  | Loan Against Securities          |
| MF   | Mutual Fund                      |
| MM   | Million                          |
| MSME | Micro, Small & Medium Enterprise |
| NII  | Net Interest Income              |
| NNPA | Net Non Performing Assets        |
| NTB  | New to Bajaj Finance             |
| Opex | Operating Expenses               |
| PAT  | Profit After Tax                 |
| PBT  | Profit Before Tax                |
| POS  | Point of Sale                    |
| PPC  | Products Per Customer            |
| RBI  | Reserve Bank of India            |
| ROA  | Return on Assets                 |
| ROE  | Return on Equity                 |
| SE   | Self Employed                    |
| SME  | Small & Medium Enterprise        |
| TAT  | Turn Around Time                 |
| TTD  | Through the Door                 |
| WPI  | Wholesale Price Index            |