



Bajaj Finance Limited Q1'12 presentation

13th July 2011

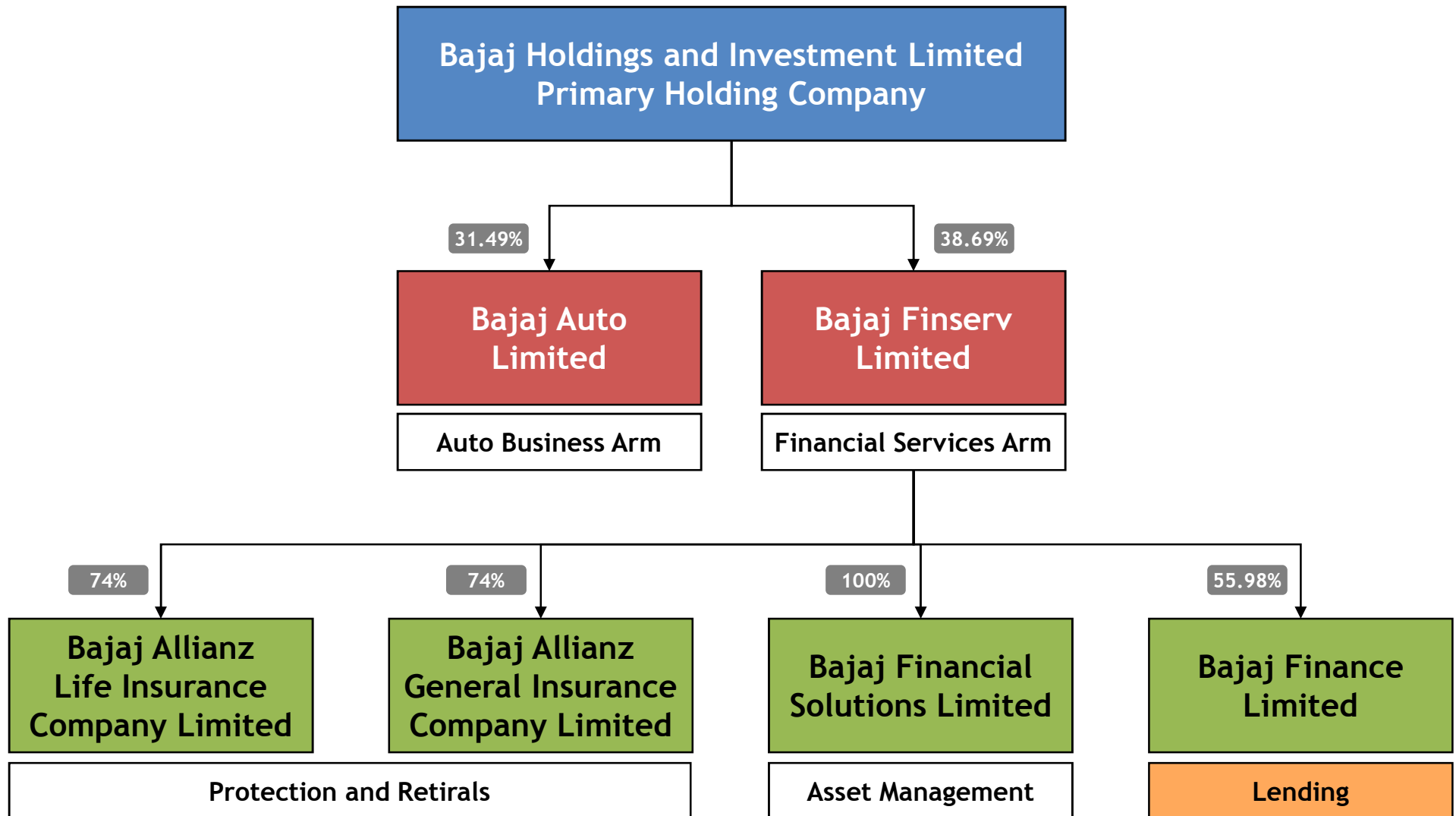
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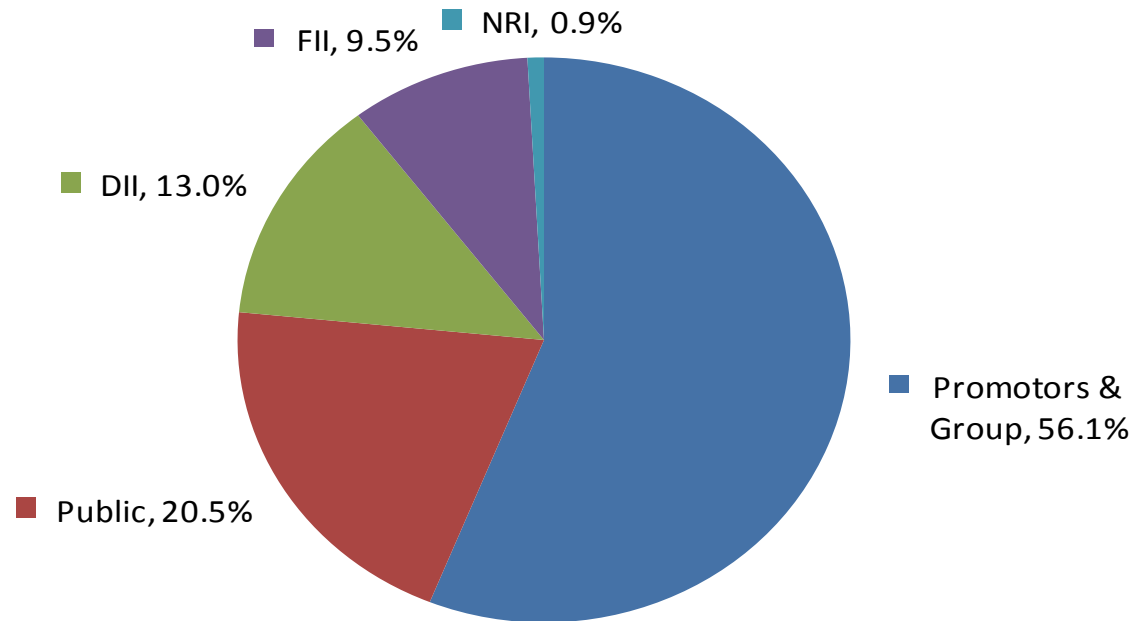
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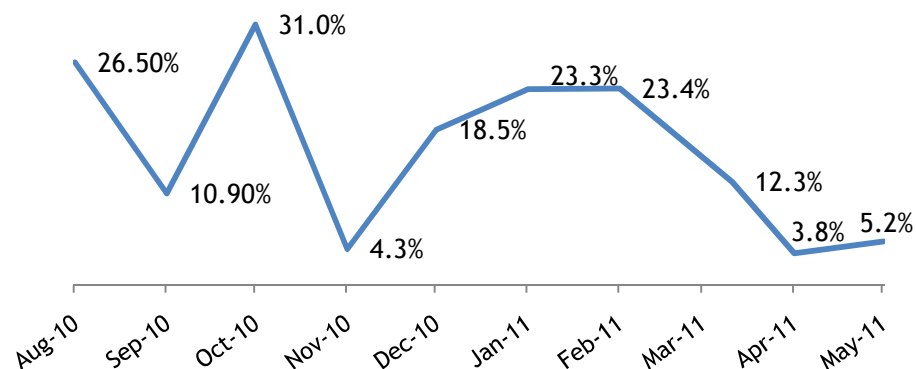




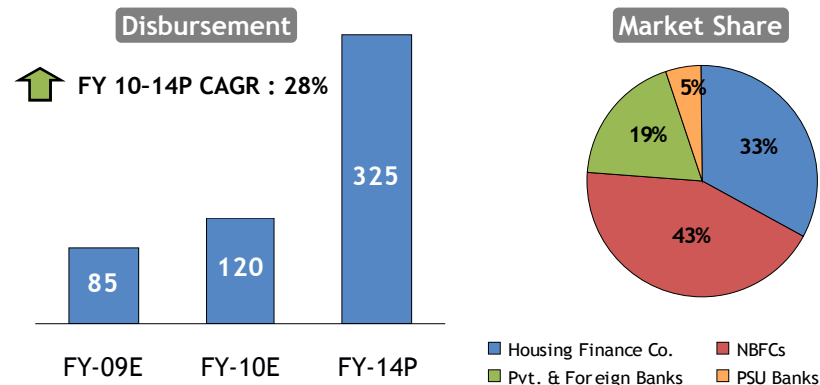
- Promoted by the Bajaj Auto group in 1987.
- The company last raised equity of 322 Crores in January 2006 by way of QIP and Preferential warrants to promoter (Bajaj Auto Limited).
- The company also made right issue of equity shares of 409 Crores in December 2006.
- The company has received approval from its board of directors to raise additional capital requirements for next 2-3 years. The company is in the process of obtaining shareholder approval for the same.

Strong growth with under-penetration

IIP for Consumer Durable sales - % Change

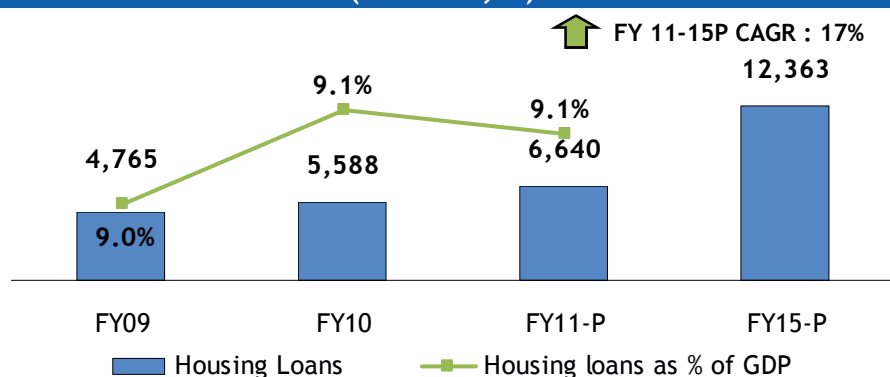


Loan Against Property in India (₹ Billion)



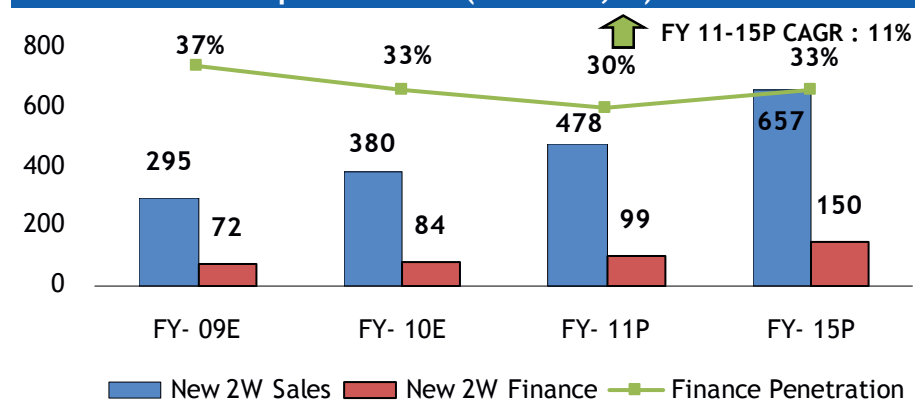
Source: CRISIL Research (Loan Against Property, December 2010)

Housing loans outstanding and % of GDP (₹ Billion, %)



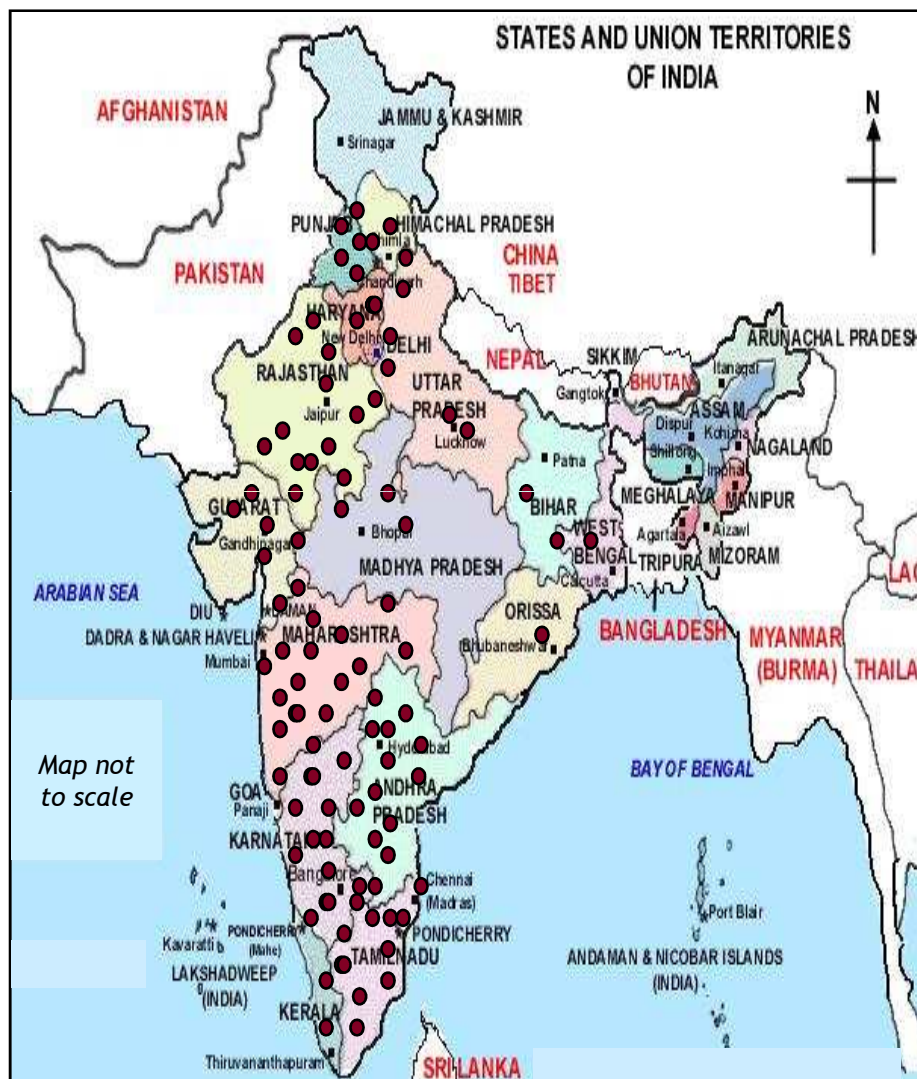
Source: CRISIL Research (Update Retail Finance Housing, Feb. 2011) and CSO

Two wheeler finance disbursements and finance penetration (₹ Billion, %)



Source: CRISIL Research (Update Retail Finance Auto, May 2011)

Strong distribution reach



Geographic presence

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

Distribution

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

of New loans disbursed ('000s)

Business Line	FY09	FY10	FY11	FY12*
Sales Finance	352	515	1,038	401
2W	219	378	522	139
Small Businesses	3.5	5	9	3
Total	574	897	15,60	543

Assets under management (₹ Crores)

	FY09	FY10	FY11	FY12*
AUM	2539	4032	7571	9025

Deep distribution, sizeable acquisition engine and growing balance sheet

* as at / Year to date for the quarter ending

- Demonstrated consistent profitability track record in lending space for the last 24 years.
- AUM of ₹ 9025 Crores, with a history of disbursing over 65 Lac loans, as of Q1'12. Disbursed 5.43 Lac loans in Q1'12.
- A diversified lending business with 8 product lines focusing on consumer finance, SME & commercial business.
- Strong distribution reach with more than 225 points of presence and more than 4,000 distribution partners and dealers across India.
- Strategy is to focus on mass affluent customers in consumer businesses and affluent and HNI customers in small businesses, through a judicious mix of:
 - Lower risk and lower returns products, for building scale and stability.
 - Moderate risk and higher return products, for profit maximization.
- Stable and deep management structure with top 100 management team members having experience from leading Multi National Companies and Transnational companies.

Key performance highlights for the quarter

- Customers acquired during Q1 FY12 ↑ 39 % to 5,43,092 from 3,90,998 in Q1 FY11.
- Deployments during Q1 FY12 ↑ 75 % to ₹ 3,588 Crores from ₹ 2,047 Crores in Q1 FY11.
- Total income for Q1 FY12 ↑ 52% to ₹ 452 Crores from ₹ 297 Crores in Q1 FY11.
- Profit after tax for Q1 FY12 ↑ 94 % to ₹ 91 Crores from ₹ 47 Crores in Q1 FY11.
- Loan losses and provisions for Q1 FY12 ↓ 49% at ₹ 31 Crores as against ₹ 61 Crores (including ₹ 16 Crores of one time accelerated provision) in Q1 FY11.
- Provisioning coverage ratio for Q1 FY12 stood at 78% against 63% in Q1 FY11.
- Net NPA for Q1 FY12 stood at 0.46% against 1.77% in Q1 FY11.
- Capital adequacy ratio excluding current year's profits and including current year's profits (including Tier-II capital) stood at 18% and 19% respectively. The Company continues to be well capitalized to support its growth trajectory.

- An excellent quarter aided by strong volume momentum across product lines.
- **Consumer durable business** was an out performer despite slowing consumer durable sales during the quarter. It demonstrates the strength of our distribution franchise and growing importance of financing as a tool to stimulate consumer durable sales.
- **Two wheeler financing business** maintained its market share at 24% as a percentage of Bajaj Auto's domestic sales in the markets we operate in.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continued to grow in a healthy manner.
- **Construction equipment** financing business continued to grow in a steady manner. During the quarter, the company deployed its first **Infrastructure Financing** loan. It disbursed ₹ 150 Crores short term (6 months) bullet repayment loan.
- **Interest cost** continue to remain benign due to company's conservative ALM management in the last 2 years. While the cost of funds is inching up but the rate of growth is much slower compared to current borrowing cost due to longer maturity borrowings in last 2 years. During this quarter, the company raised over ₹ 50 Crores as Tier-II debt and received sanctions of ₹ 800 Crores from banks.
- **Operating Expense** grew by only 52% despite AUM growth of 83% reflecting operating leverage benefits. However opex to NIM ratio was up to 45.5% v/s 41.5% YoY due to change in portfolio mix resulting in lower NIM. Consequently Opex to AR has dropped to 7% from 8.3%.
- **Portfolio metrics** across business continues to be very strong with no sign of deterioration owing to slowing environment. The Gross and net NPA stood at 2.08% and 0.46% respectively.

Key business lines

	Product	Indicative Terms, as of June 2011	Key Features	Target Customer Base
Consumer finance	Consumer durable financing	<ul style="list-style-type: none"> Maturity : 8 - 12 months Repayment : EMI 	<ul style="list-style-type: none"> 12% of the portfolio as of Q1'12 One of the few organized players with cutting edge technology architecture & robust risk management framework. 	<ul style="list-style-type: none"> Mass Affluent and Affluent
	Personal Loans Cross sell	<ul style="list-style-type: none"> Maturity : 12-36 months Repayment : EMI 	<ul style="list-style-type: none"> 6% of the portfolio as of Q1'12 Loans to existing customer with very good credit performance track record. 	<ul style="list-style-type: none"> Mass Affluent and Affluent
	2 Wheeler & 3 Wheeler Finance	<ul style="list-style-type: none"> Maturity : 12 - 24 months Repayment : EMI 	<ul style="list-style-type: none"> 23% of the portfolio as of Q1'12 Captive financing. Financing only Bajaj auto vehicles. 	<ul style="list-style-type: none"> Mass customers
Small business	Mortgage	<ul style="list-style-type: none"> Maturity : 60 - 180 months Repayment : EMI 	<ul style="list-style-type: none"> 31% of the portfolio as of Q1'12 Includes loan against property 	<ul style="list-style-type: none"> Affluent and HNIs
	Small Business Loan ("SBL") & secured vendor financing ("VF")	<ul style="list-style-type: none"> Maturity : 12 - 36 months (SBL) Maturity : 1 - 24 months (VF) Repayment : EMI (SBL & VF) 	<ul style="list-style-type: none"> 10% of the portfolio as of Q1'12 (SBL) 4% of the portfolio as of Q1'12 (VF) SBL to affluent small businessmen. VF to vendors of large auto manufacturer 	<ul style="list-style-type: none"> Affluent and HNIs
	Loan against securities	<ul style="list-style-type: none"> Maturity : 10 - 12 months Repayment : Bullet 	<ul style="list-style-type: none"> 4% of the portfolio as of Q1'12 Launched retail loans to HNI customers in FY11. 	<ul style="list-style-type: none"> HNIs
Commercial	Construction Equipment Finance	<ul style="list-style-type: none"> Maturity : 12-42 months Repayment : EMI 	<ul style="list-style-type: none"> 8% of the portfolio as of Q1'12 Launched in FY11. Assets backed funding to Small, Mid & strategic contractors. 	<ul style="list-style-type: none"> HNIs and Affluent
	Infrastructure financing	<ul style="list-style-type: none"> Maturity : NA Repayment : Moratorium period followed by EMI 	<ul style="list-style-type: none"> 2% of the portfolio as of Q1'12 Launched in FY12. 	<ul style="list-style-type: none"> Large infrastructure companies

What differentiates Bajaj Finance

Strong promoters

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

Diversified lending business model

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

Affluent & HNI customer focused business model

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

Strong Distribution Reach

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

High technology orientation and robust risk management

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

Stable & deep management structure.

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

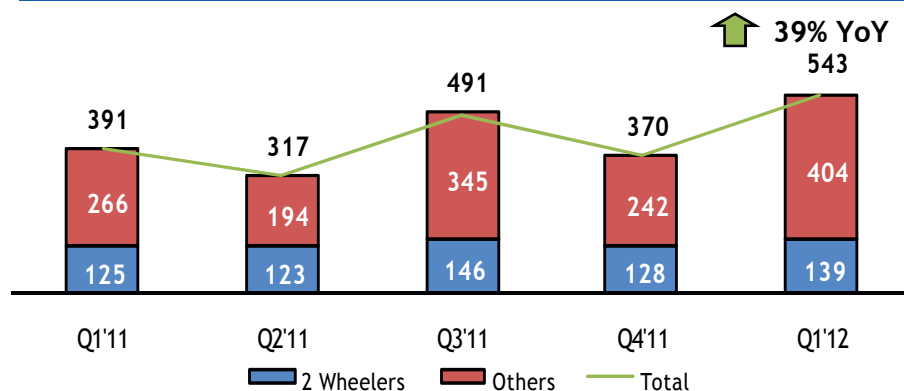
Summary financial statement

Financials snapshot	₹ in Crores					
	Q1'12	Q1'11	QoQ	FY11	FY10	YoY
Deployments	3588	2047	75%	9435	4585	106%
Assets under finance	8,528	4,937	73%	7270	4032	80%
Assets under management (AUM)	9,025	4,944	83%	7571	4032	88%
Income from operations	452	297	52%	1406	916	53%
Interest expenses	142	73	95%	378	202	87%
Net Interest Income (NII)	310	224	38%	1028	715	44%
Operating Expenses	141	93	52%	454	320	42%
Loan Losses & Provision	31	60	-48%	190	261	-27%
General Provision	3	-	0%	15	0	-
Profit before tax	135	71	90%	370	134	176%
Income tax	44	24	83%	123	45	173%
Profit after tax	91	47	94%	247	89	178%

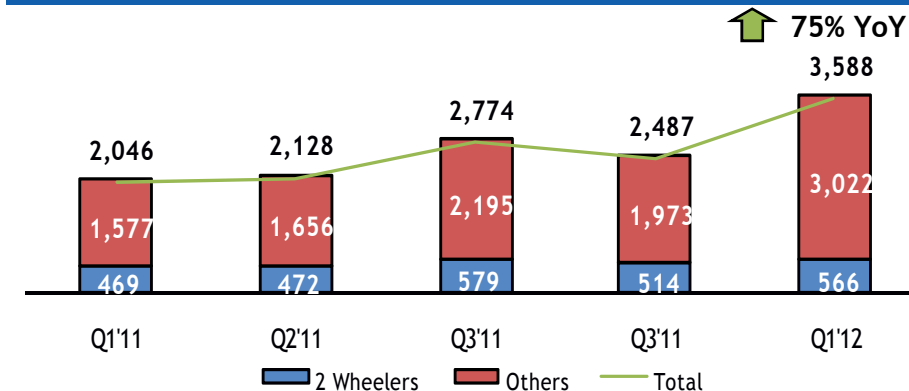
Ratios	Q1'12	Q1'11	FY11	FY10
Total Opex to NII	45.5%	41.5%	44.1%	44.7%
Loan loss to Assets under finance	0.4%	1.2%	2.8%	6.5%
Return on Average Asset under finance	1.2%	1.0%	4.3%	2.8%
Earning per share (Rs.)	24.79	12.78	67.47	24.43
Return on Average Equity	6.5%	4.0%	19.7%	8.0%

Financial performance trends Q1-FY12

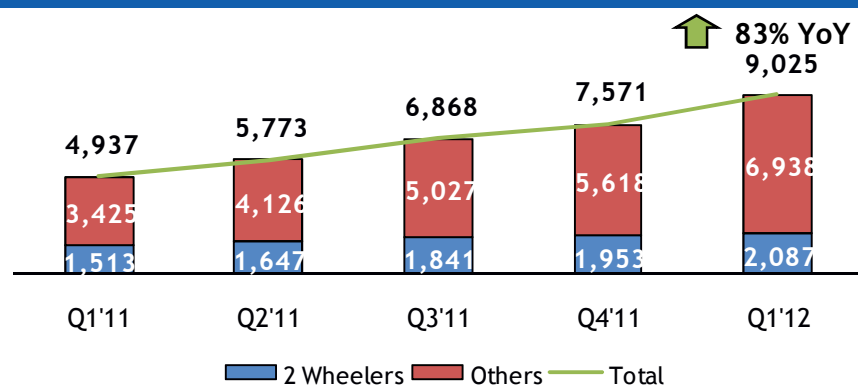
of Loans Disbursed ('000)



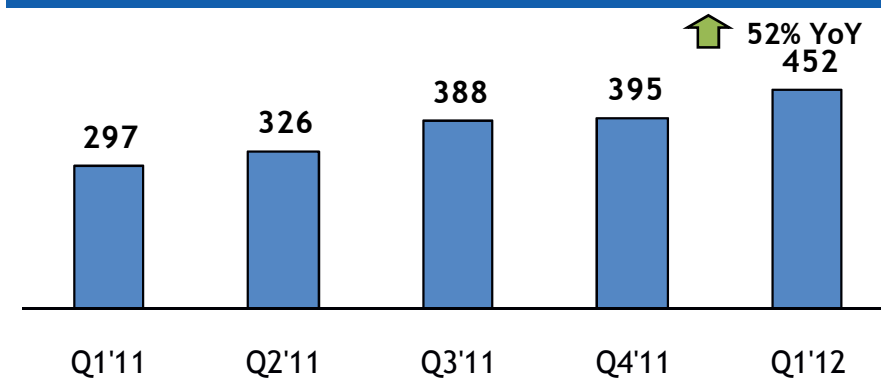
Disbursements (₹ Crores)



AUM (₹ Crores)

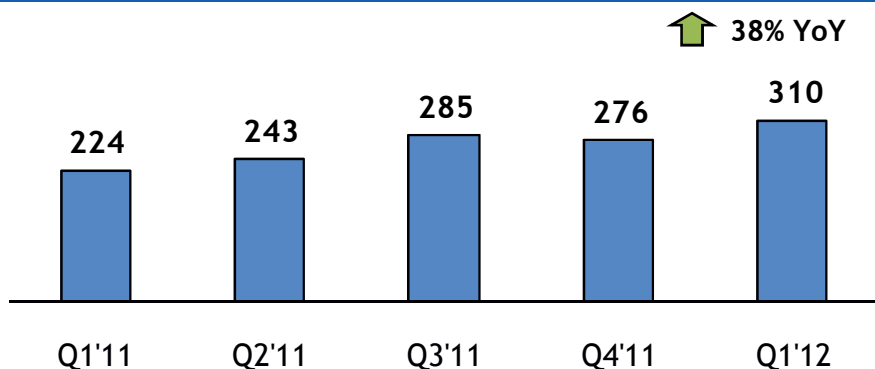


Revenue (₹ Crores)

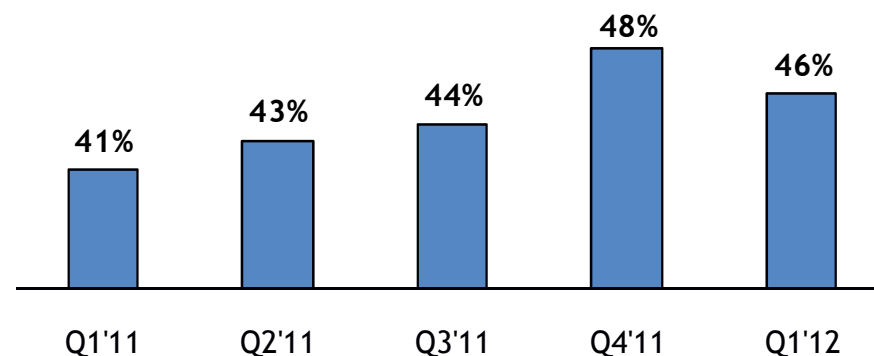


Financial performance trends Q1-FY12

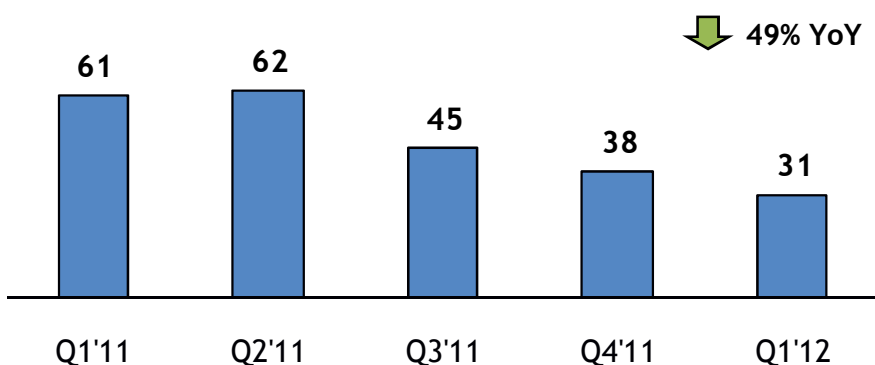
NII (₹ Crores)



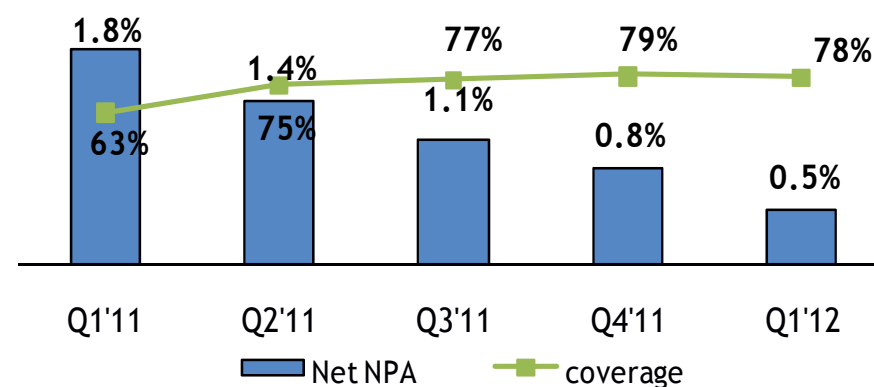
Operating Expenses % of NII



Loss provision (₹ Crores)

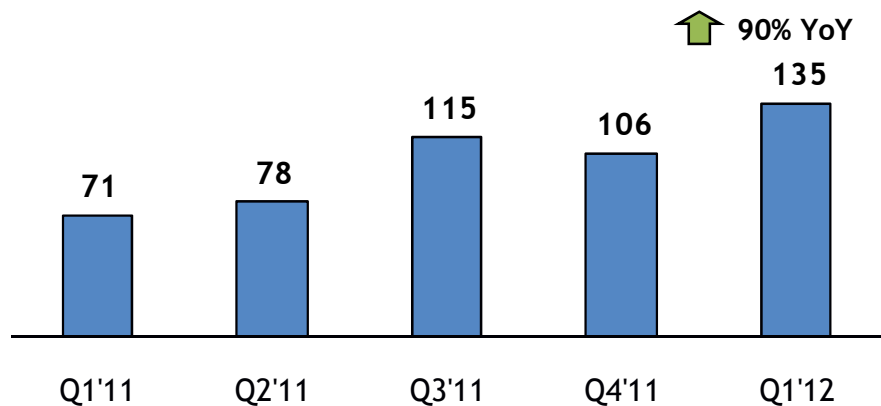


Net NPA & provisioning coverage

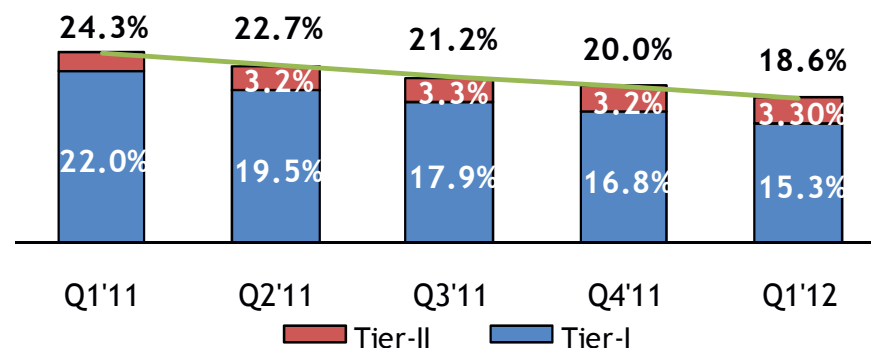


Financial performance trends Q1-FY12

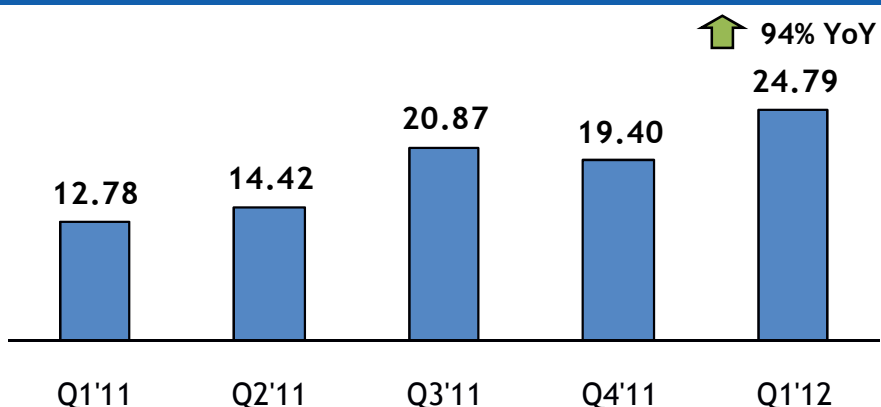
Pre-tax profit (₹ Crores)



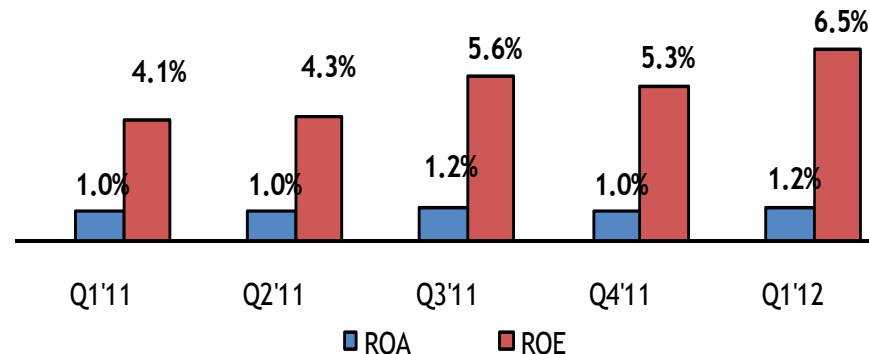
Capital adequacy



Earnings per share (₹)



Return on average Assets under finance & Equity





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Q1'12 presentation
Thank you

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