



Bajaj Finance Limited Q4'12 presentation

16th May 2012

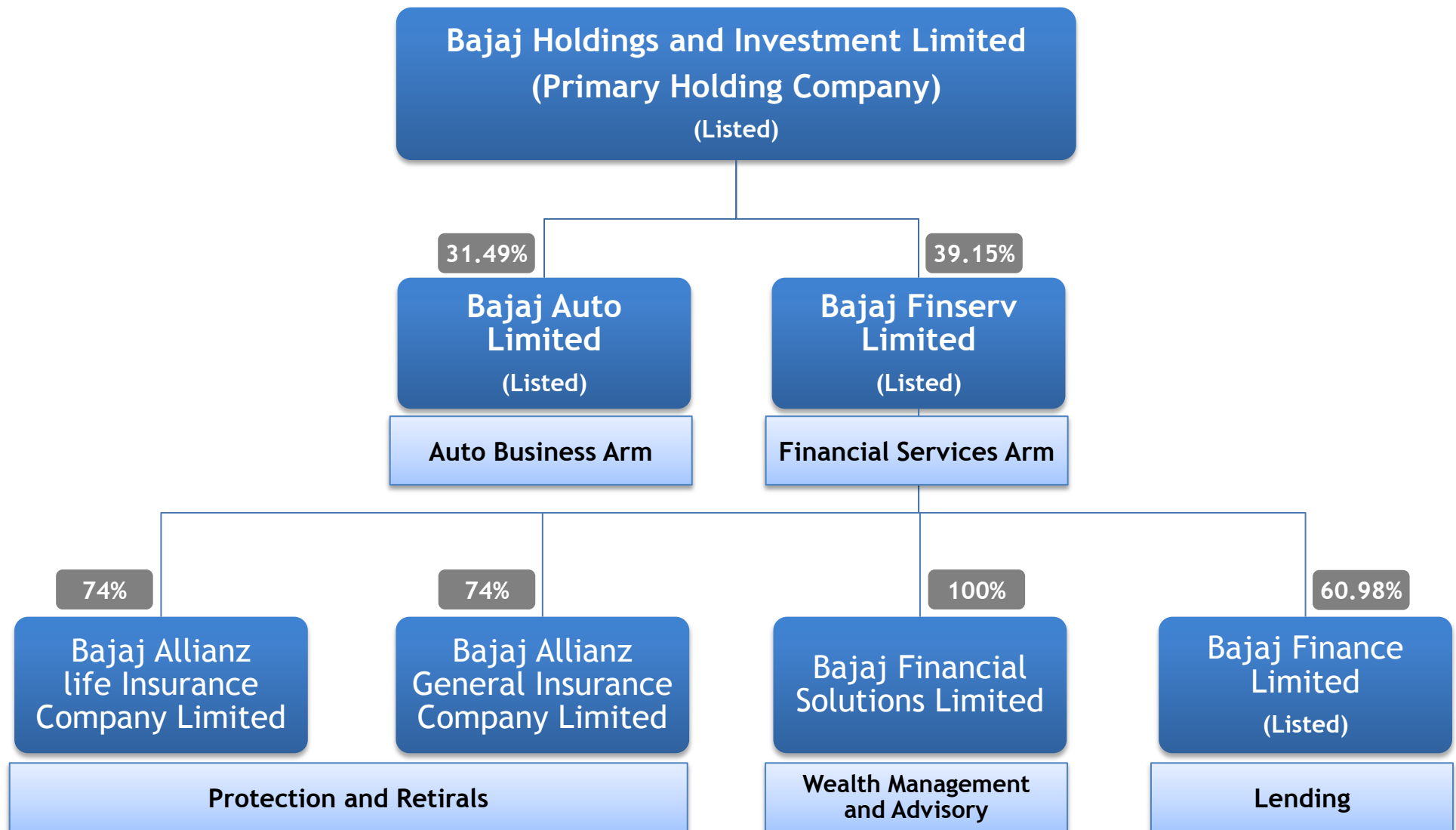
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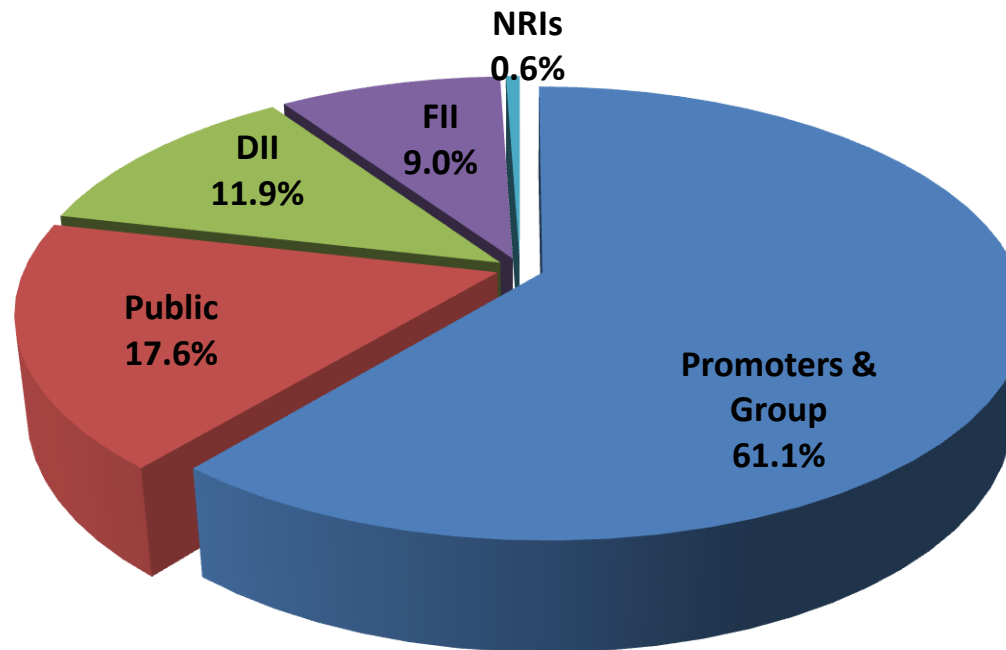
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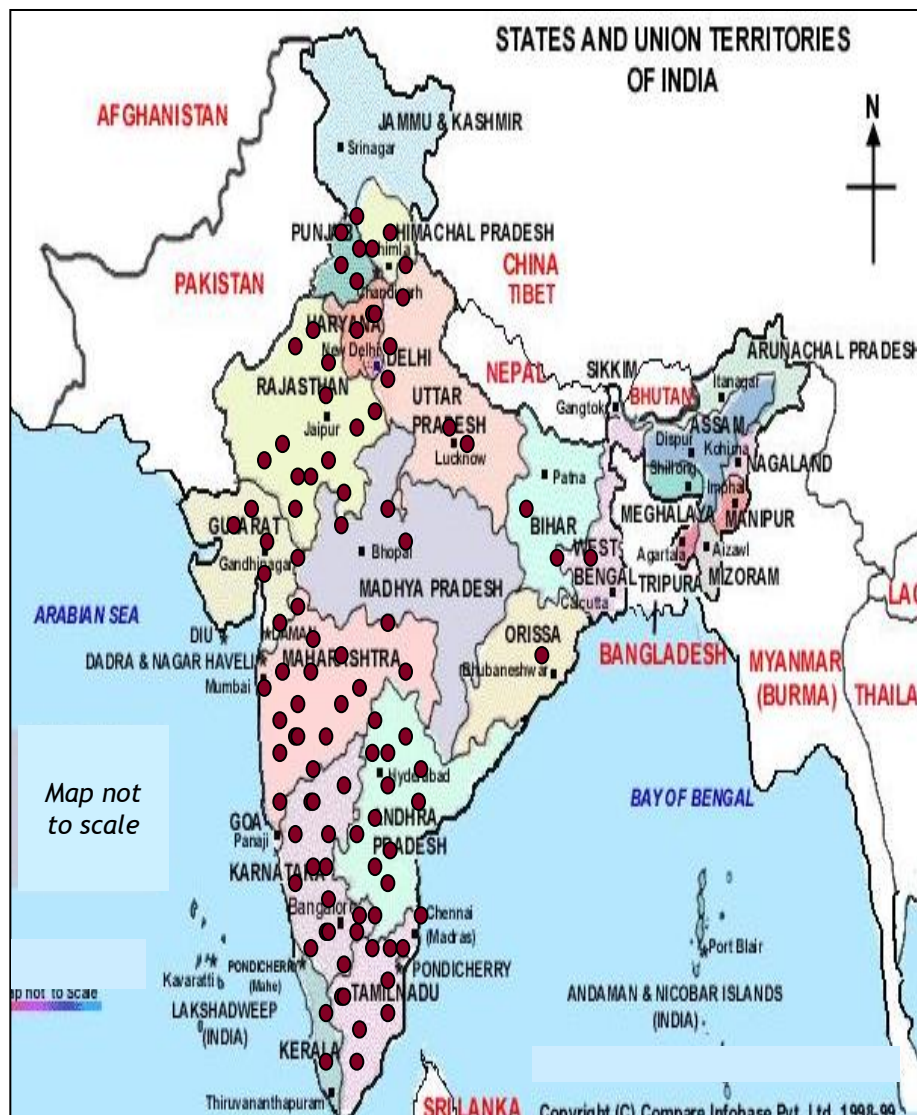


- Promoted by the Bajaj Auto group in 1987.
- The company last raised equity of ₹ 322 Crores in January 2006 by way of QIP and Preferential warrants to promoter (Bajaj Auto Limited).
- The company made right issues of equity shares of ₹ 409 Crores in December 2006.
- Bajaj Finserv exercised their right of conversion of 46.9L warrants out of the preferential allotment of 60L warrants, taking its shareholding in the company to 60.98% as on 31 March 2012.

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- Largest Two wheeler lender in India.
 - Largest Consumer Durables lender in India (~9% of consumer durable industry).
 - Amongst the most diversified non bank lender in India (9 product lines).
 - Amongst the largest new customer acquirer in India (22.21 Lacs in FY12).
 - Amongst the only non bank with a premium customer segmentation focus in India.
 - Amongst the lowest cost of fund borrower across non-banks in India.
 - Net NPA of 0.12% as of FY12 with a Return on assets of ~4.2%.

- Demonstrated consistent profitability track record in lending space for the last 25 years.
- AUM of ₹ 13,107 Crores, with a history of disbursing over 82 Lac loans, as of Q4'12. Disbursed 5.02 Lac loans in Q4'12.
- A diversified lending business with 9 product lines focusing on consumer finance, SME & commercial business.
- Strong distribution reach with more than 225 points of presence and more than 4,400 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.

Strong distribution reach



Geographic presence

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

Distribution

Business Line	FY09	FY10	FY11	FY12
Sales Finance - Dealer	4,500+	2,000+	2,500+	2,800+
2W- Dealer/ASCs	1,400+	1,275+	1,400+	1,400+
Small Businesses - Partner	175+	225+	250+	250+
Small Businesses - Support	175+	225+	275+	275+

of New loans disbursed ('000s)

Business Line	FY09	FY10	FY11	FY12
Sales Finance	352	515	1,038	1,542
2W	219	378	522	654
Small Businesses	3.5	5	9	25
Total	574	897	1,560	2,221

Assets under management (₹ Crores)

	FY09	FY10	FY11	FY12
AUM	2,539	4,032	7,571	13,107

Deep distribution, sizeable acquisition engine and growing balance sheet

- Customers acquired during Q4 FY12 **↑ 36%** to 5,01,669 from 3,70,002 in Q4 FY11.
- Deployments during Q4 FY12 **↑ 69%** to ₹ 4,208 Crores from ₹ 2,487 Crores in Q4 FY11.
- Total income for Q4 FY12 **↑ 58%** to ₹ 623 Crores from ₹ 395 Crores in Q4 FY11.
- Profit after tax for Q4 FY12 **↑ 52%** to ₹ 108 Crores from ₹ 71 Crores in Q4 FY11.
- Loan losses & provisions for Q4 FY12 **↑ 5%** at ₹ 40 Crores (including ₹ 14.6 Crores one time accelerated provision) as against ₹ 38 Crores in Q4 FY11. Excluding this one time provision, Loan losses and provisions for Q4 FY12 **↓ 33%**.
- As a result of the accelerated provisioning, the Provisioning coverage ratio stands at 89% in Q4 FY12 against 79% in Q4 FY11.
- Net NPA for Q4 FY12 stood at 0.12% against 0.80% in Q4 FY11. The Net NPA for Q4 FY12 is the lowest for the Company in the last 5 years.

Key performance highlights for the year

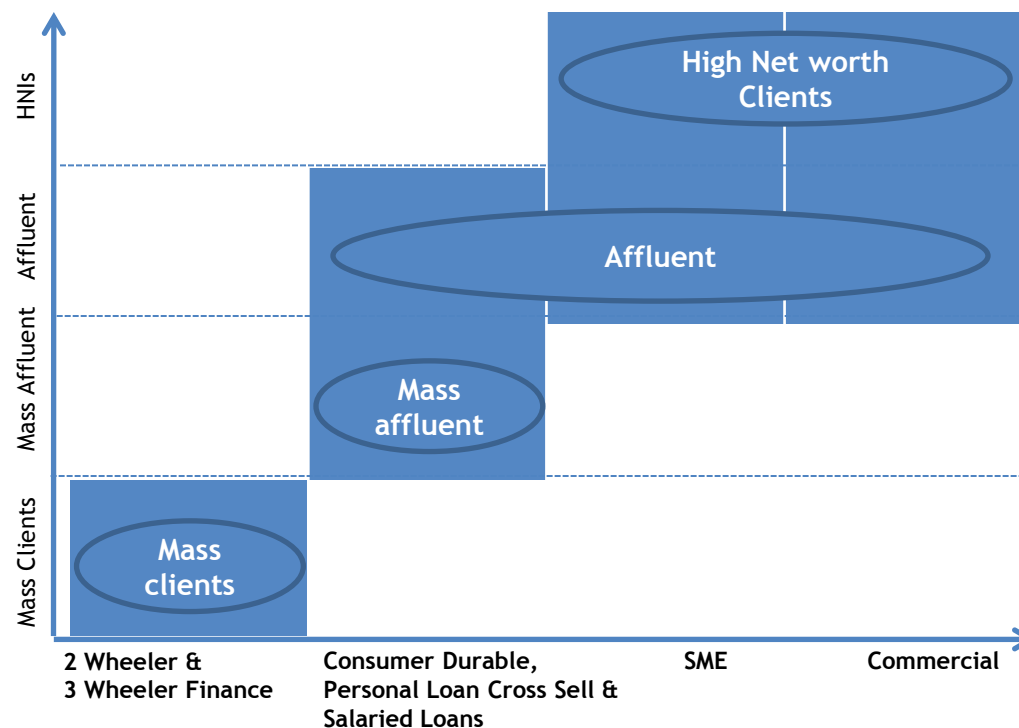
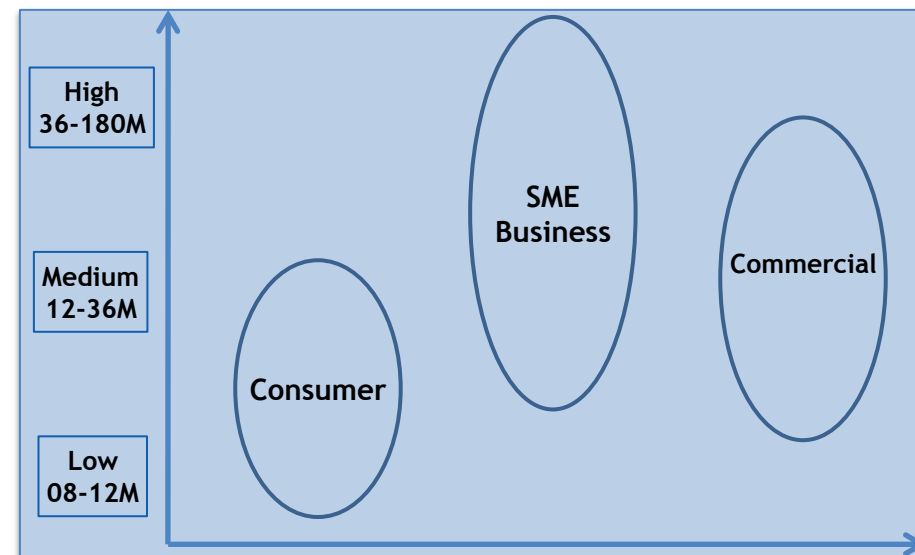
- Customers acquired during FY12 ↑ 41% to 22,20,694 from 15,69,784 in FY11.
- Deployments during FY12 ↑ 67% to ₹ 15,797 Crores from ₹ 9,435 Crores in FY11.
- Total income for FY12 ↑ 54% to ₹ 2,172 Crores from ₹ 1,406 Crores in FY11.
- Profit after tax for FY12 ↑ 64% to ₹ 406 Crores from ₹ 247 Crores in FY11.
- Loan losses & provisions for FY12 ↓ 25% at ₹ 154 Crores (including ₹ 20 Crores one time accelerated provision) versus ₹ 205 Crores in FY11. Excluding these one time provisions, Loan losses and provisions for FY12 ↓ 35%.
- Provisioning coverage ratio as at 31 March 2012 stood at 89% against 79% as at 31 March 2011.
- Net NPA for FY12 stood at 0.12% against 0.80% in FY11. The Net NPA for FY12 is the lowest for the Company in the last 5 years.
- Capital adequacy ratio (including Tier-II capital) stood at 17.51%. The Company continues to be well capitalized to support its growth trajectory.
- Board has recommended 120% dividend leading to ₹ 12/- per share for FY12.

- **Another excellent quarter** aided by strong volume momentum and strong credit performance across product lines.
- **Consumer businesses continued to outperform** due to stable demand and benign competitive environment. Given the high entry barriers to the business, the management continues to remain confident about consumer business . The company estimates its **Consumer Durable** industry market share at 9% of industry (Estimated sales of ₹ 40,000 Crores for consumer durable industry for the fiscal and Bajaj Finance has financed ₹ 3,579 Crores). **Two Wheeler** business maintained its market share at ~24% of Bajaj Auto's domestic sales. **Personal loan cross sell** continued to remain strong on all performance metrics. No geographic expansion during the quarter.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continued to grow in a healthy manner due to the company's sharp focus on customer segmentation of dealing with affluent and HNI clients. The company is now among the top 03-04 new loan originators in loans against property and business loans in India. It is now operational in 31 cities. No geographic expansion during the quarter.
- **Commercial businesses are in a cautious mode.** **Construction Equipment** business YoY disbursements grew significantly lower than company growth due to cautious outlook on the sector currently. Overall equipment demand has also slowed. **Infrastructure Financing** loan book has also slowed. During the quarter company added only ₹ 190 Crores to its infrastructure financing loan book. It was a good quarter for **Vendor Financing business**. The company continues to remain focus on the top 50 Bajaj Auto vendors. During the quarter it added ₹ 175 Crores new receivables to its vendor financing book.

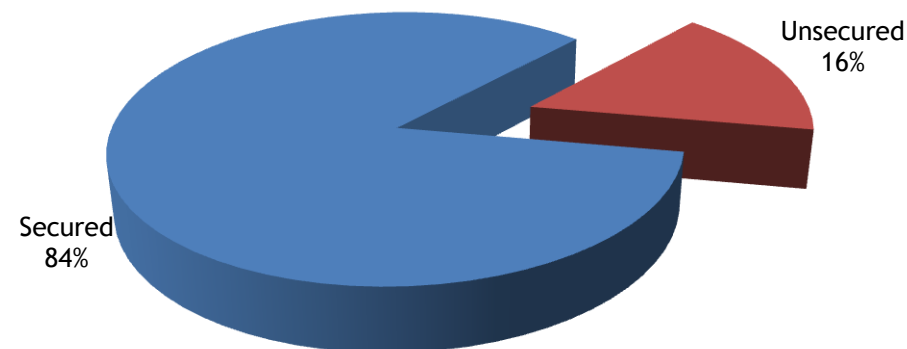
- **Interest cost for the company** continues to remain significantly lower amongst NBFC peers due to its conservative ALM in earlier years. While the cost of funds is inching up but the rate of growth is much slower compared to current borrowing cost due to longer maturity borrowings in last 2 years. During this quarter, the company received new sanctions of ₹ 1,000 Crores from new banking relationships.
- **Gross and Net NPA** stood at 1.16% and 0.12% respectively, amongst the lowest in the industry. Portfolio metrics across businesses continue to remain strong as the company enters next fiscal.
- **Lifestyle financing** - Given the rising aspirations and growing demand for better lifestyle products, it was natural to extend the existing 0% interest offering of consumer durables to financing lifestyle products like furniture, home furnishings, fitness equipment, luxury watches, etc. The Company has launched this business with a tie-up with 100 stores across ten cities to provide 0% finance on purchase of life style products. The Company has tied up with well known retail chains like @Home, Evok, Reliance Living, Hyper-city, Fitness One and Durian.

Products and Key characteristics

	Consumer	SME	Commercial
Product	Consumer Durable Financing	Mortgage	Construction Equipment Finance
	2 Wheeler & 3 Wheeler Finance	Loan Against Securities	Infrastructure Financing
	Personal Loan Cross sell & Salaried Loans	Small Business Loans	Secured Auto vendor Financing



Portfolio composition - Q4 FY12



Segment	Mar'11	Jun'11	Sep'11	Dec'11	Mar'12
Consumer Finance	44%	42%	41%	40%	38%
SME Business	44%	44%	45%	43%	43%
Commercial	12%	14%	14%	17%	19%

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
- 61.06% holding with promoter and promoter group.

Diversified lending business model

- 9 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 2 Wheeler 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 4,400 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 4 years.

Summary financial statement

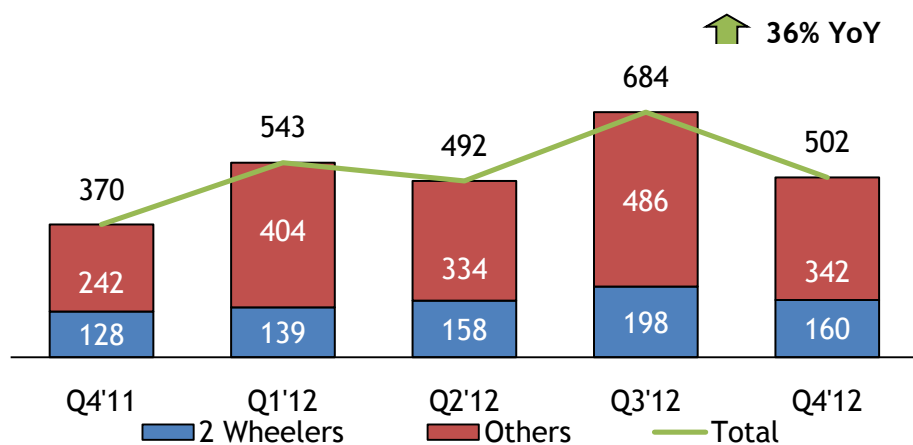
₹ in Crores						
Financials snapshot	Q4'12	Q4'11	YoY	FY12	FY11	YoY
Deployments	4,208	2,487	69%	15,797	9,435	67%
Assets under finance	12,283	7,272	69%	12,283	7,272	69%
Assets under management (AUM)	13,107	7,573	73%	13,107	7,573	73%
Total Interest & fee Income	623	395	58%	2,172	1,406	54%
Interest expenses	234	116	102%	746	371	101%
Net Interest Income (NII)	389	279	39%	1,426	1,035	38%
Operating Expenses	188	135	39%	670	460	46%
Loan Losses & Provision	40	38	5%	154	205	-25%
Profit before tax	161	106	52%	602	370	63%
Income tax	53	35	52%	196	123	59%
Profit after tax	108	71	52%	406	247	65%

Ratios	Q4'12	Q4'11	FY12	FY11
Total Opex to NII	48.3%	48.4%	47.0%	44.5%
Loan loss to Assets under finance *	0.3%	0.5%	1.3%	2.8%
Return on Average Asset under finance *	0.9%	1.0%	4.2%	4.4%
Earning per share - Basic (Rs.) *	29.4	19.4	110.8	67.5
Return on Average Equity *	5.6%	5.3%	23.5%	19.7%

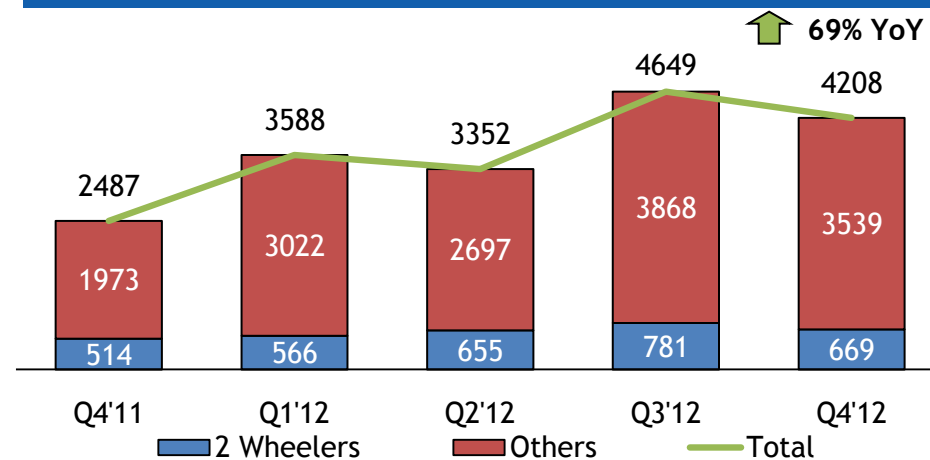
* Quarterly numbers are not annualized

Financial performance trends Q4-FY12

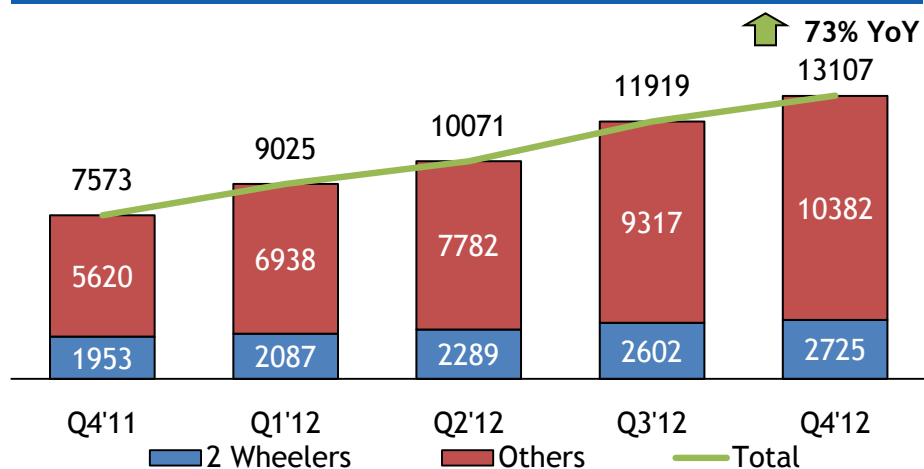
of Loans Disbursed ('000)



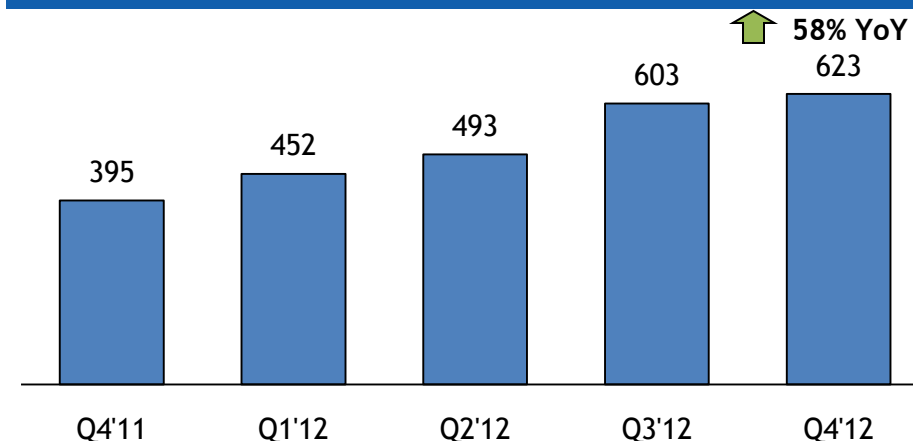
Disbursements (₹ Crores)



AUM (₹ Crores)

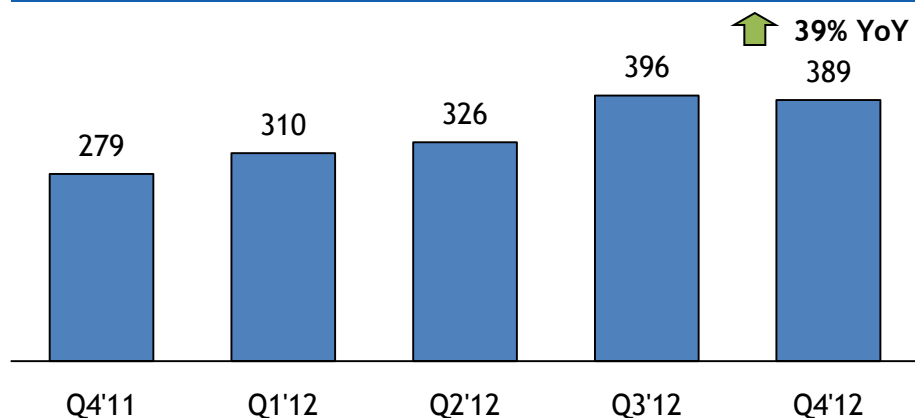


Revenue (₹ Crores)

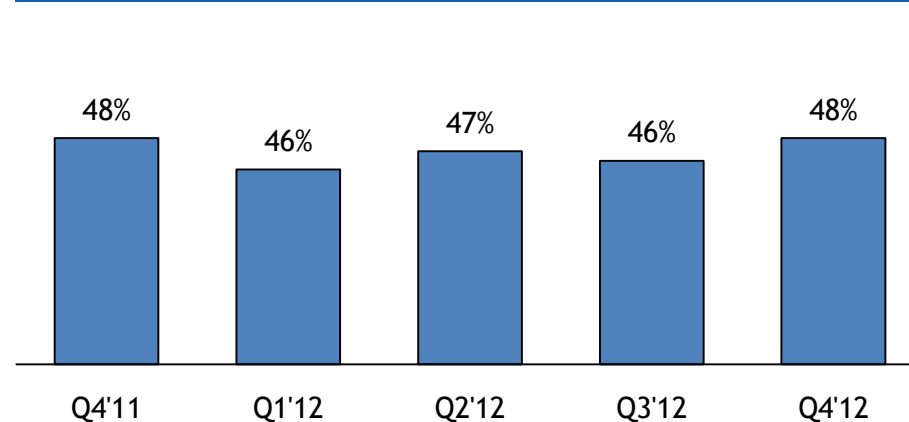


Financial performance trends Q4-FY12

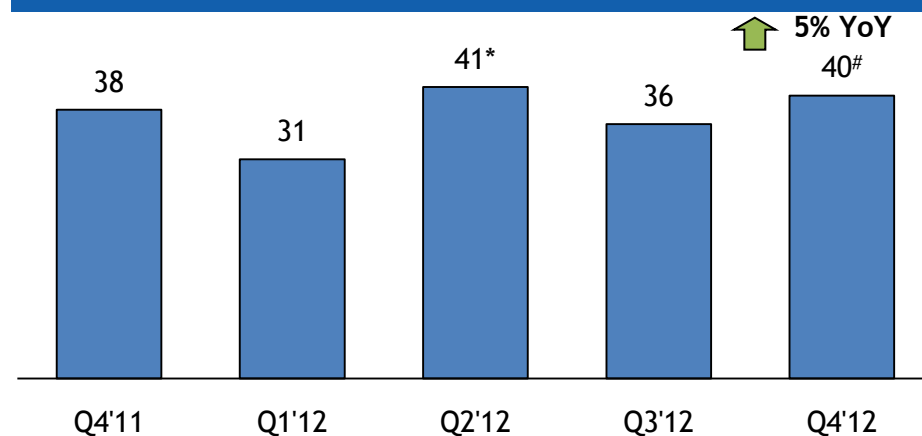
NII (₹ Crores)



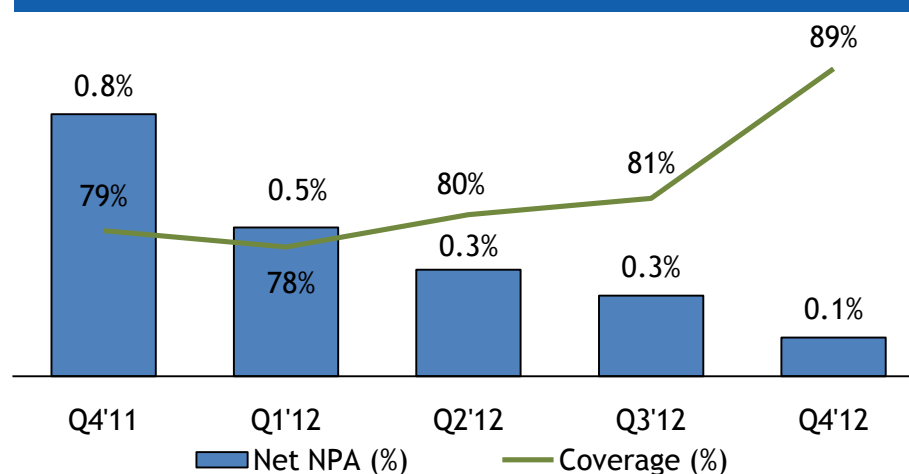
Operating Expenses % of NII



Loss provision (₹ Crores)



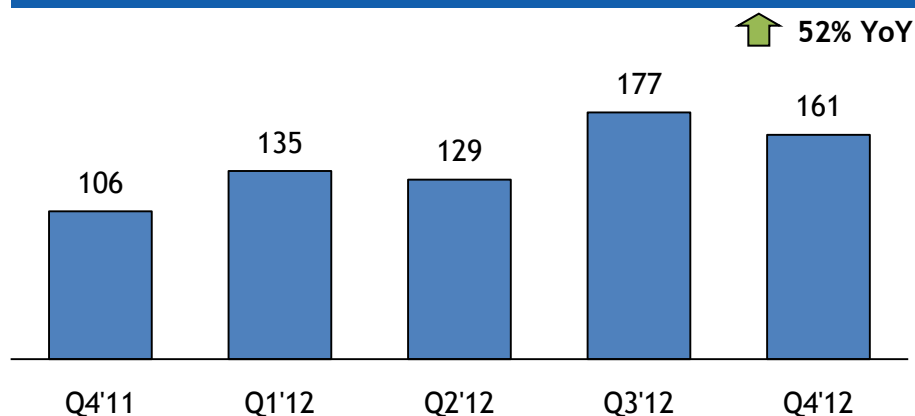
Net NPA & provisioning coverage



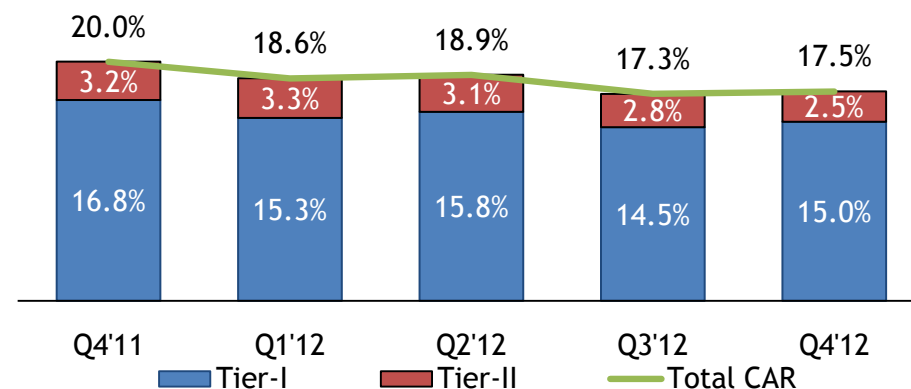
* Q2'12 includes one time accelerated provisioning of ₹ 5.4 Crores
Q4'12 includes one time accelerated provisioning of ₹ 14.6 Crores

Financial performance trends Q4-FY12

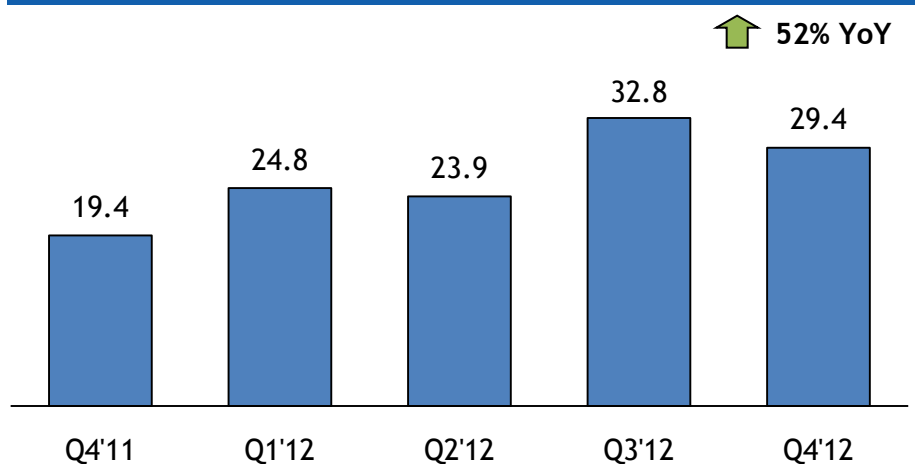
Pre-tax profit (₹ Crores)



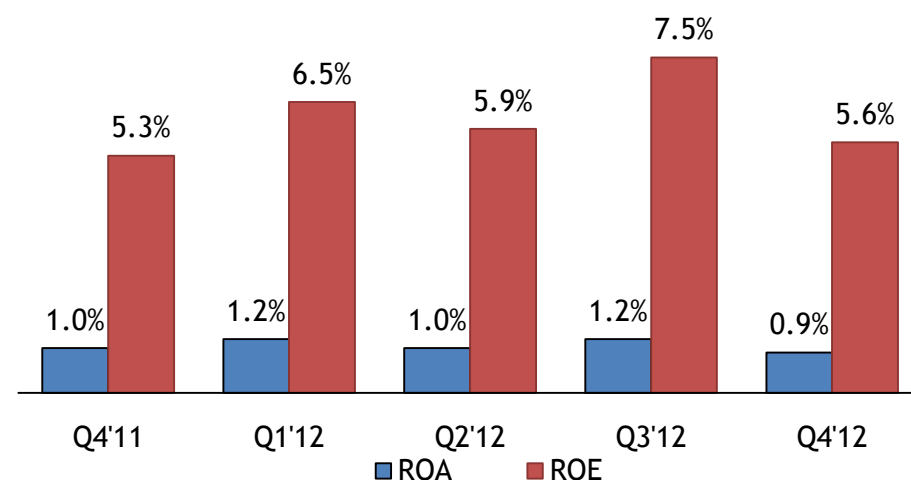
Capital adequacy



Earnings per share - Basic (₹)

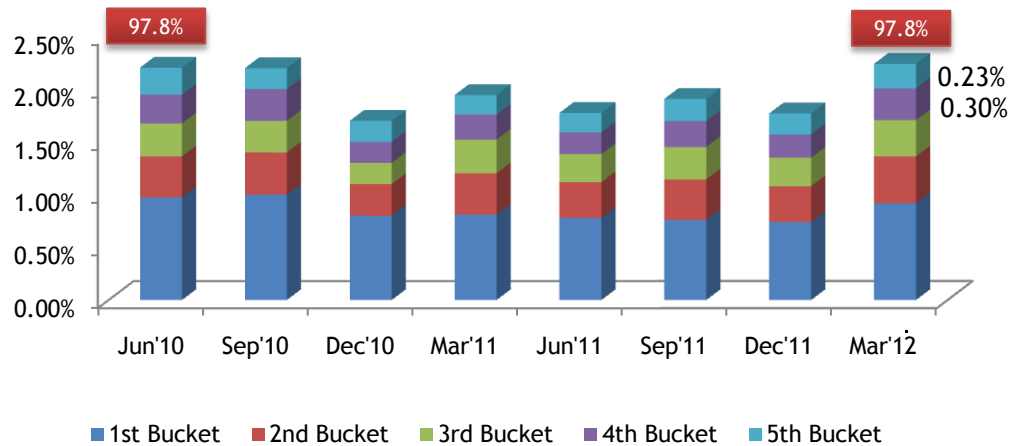


Return on average Assets under finance & Equity

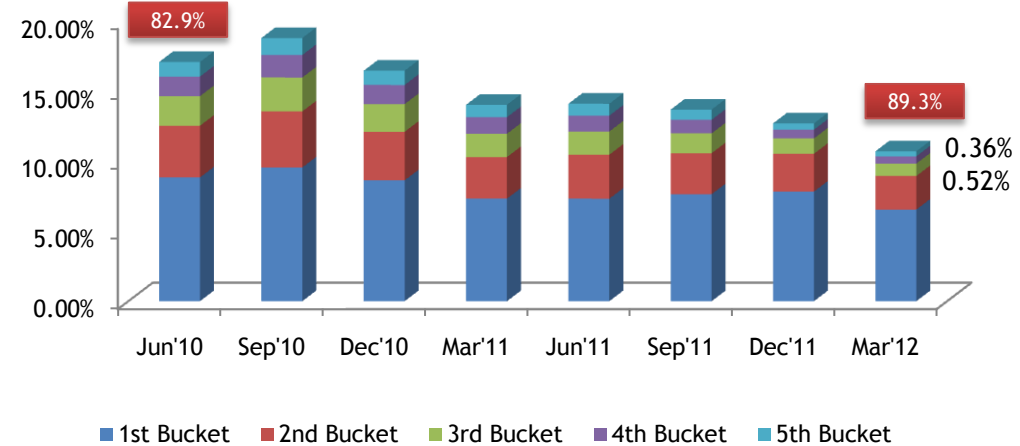


Credit Quality of Bajaj Finance customers across products - Portfolio composition

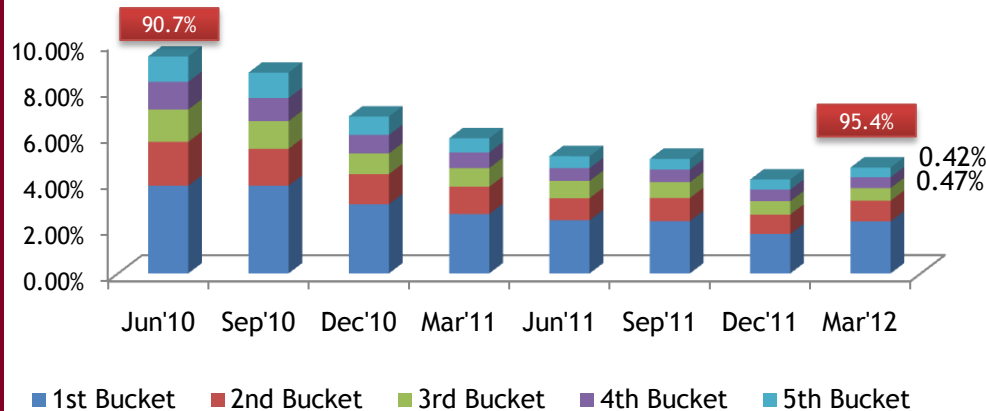
Consumer durable loan portfolio



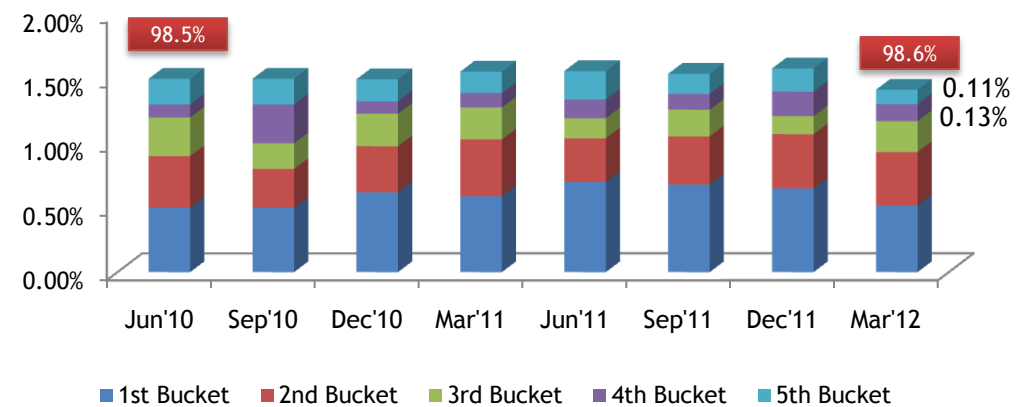
Two wheeler loan portfolio



Personal loan cross sell portfolio

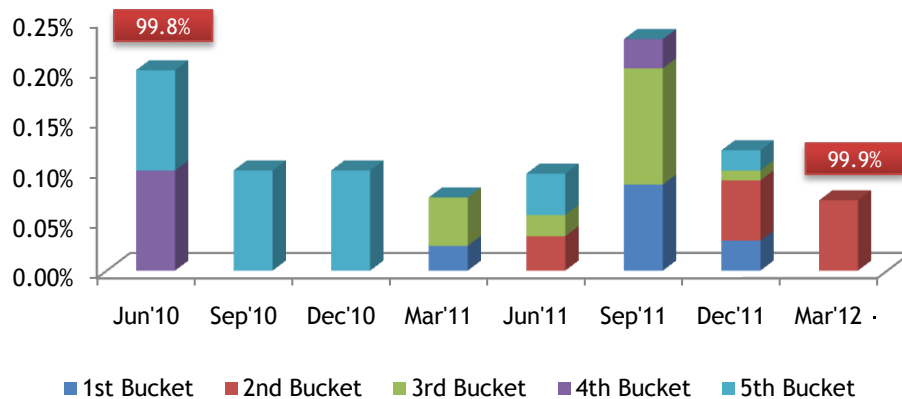


Small Business loan portfolio

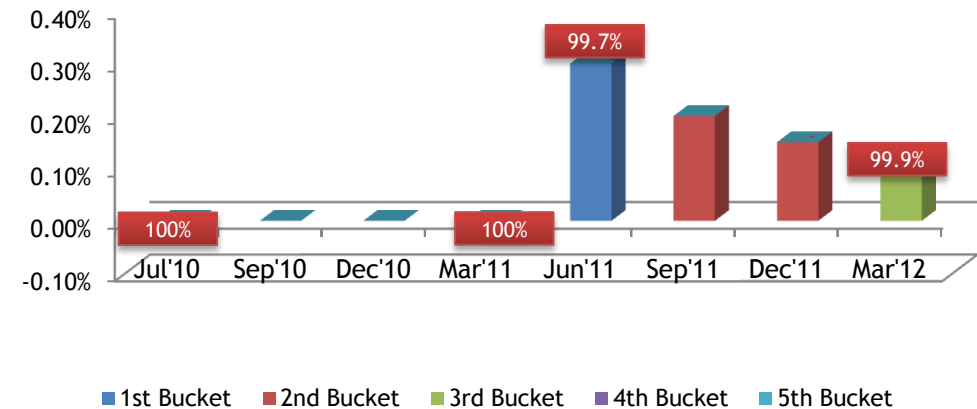


Credit Quality of Bajaj Finance customers across products - Portfolio composition

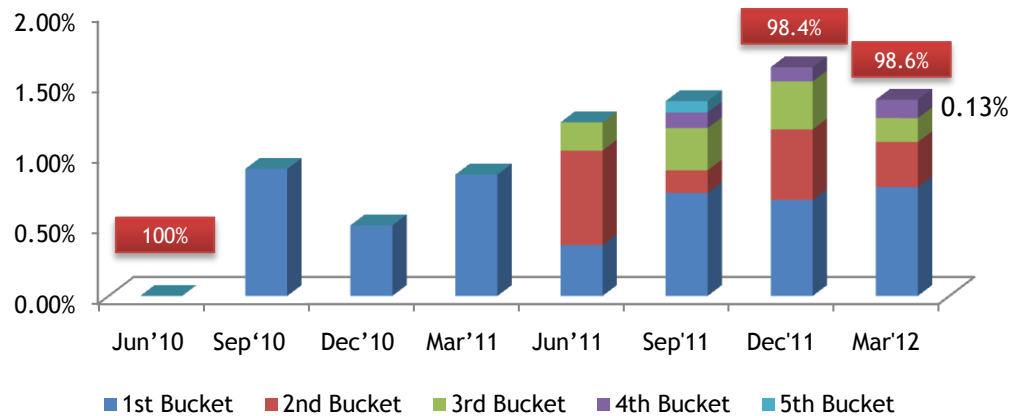
Loan against property portfolio



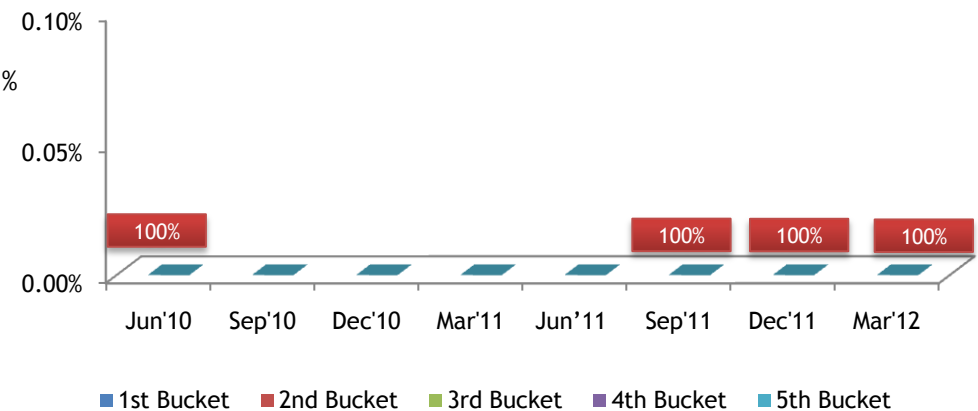
Home loan portfolio



Construction equipment financing portfolio



Loan against securities portfolio





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Thank you

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