



BAJAJ FINANCE LIMITED

Q4 FY15 Presentation

20th May 2015

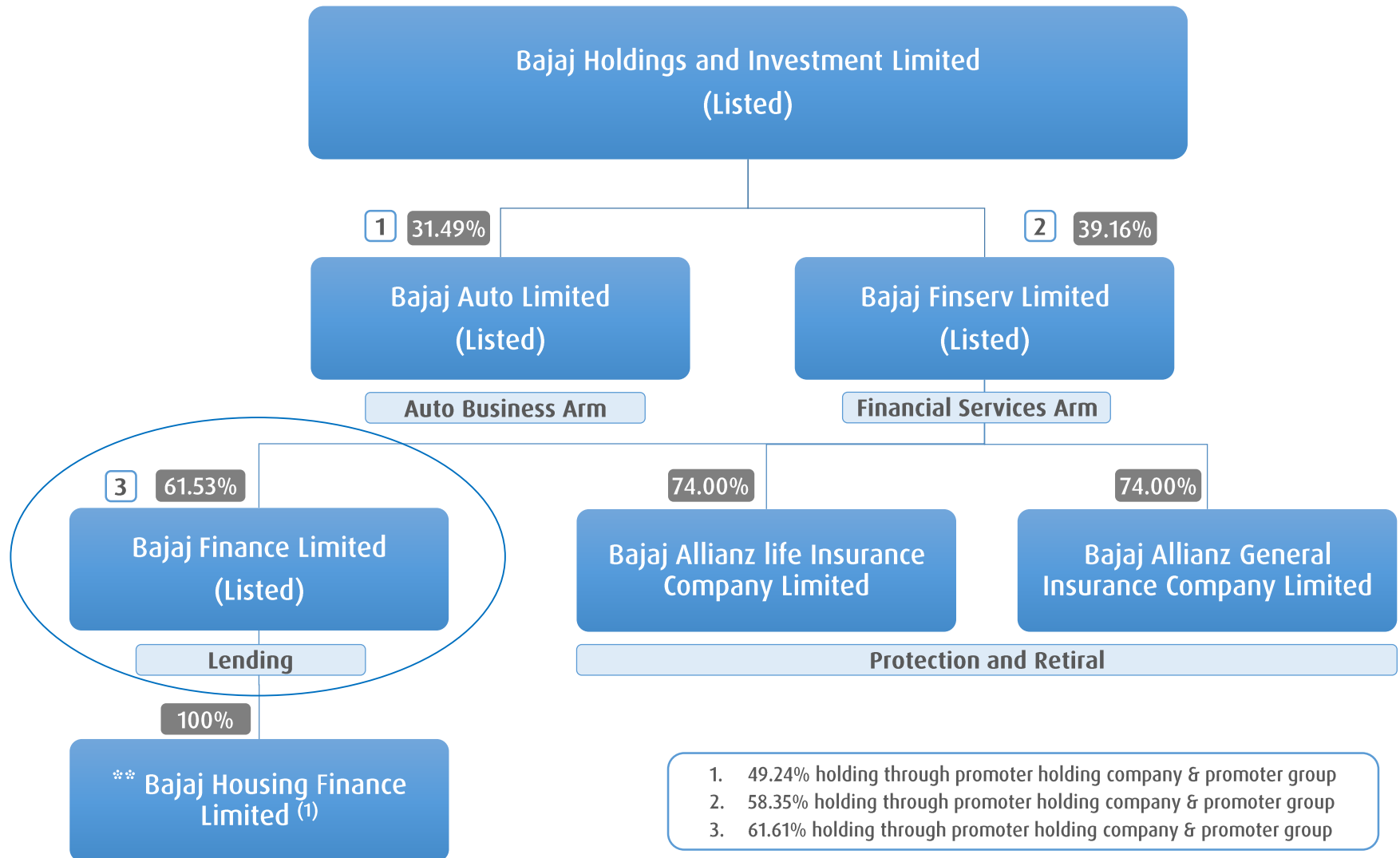
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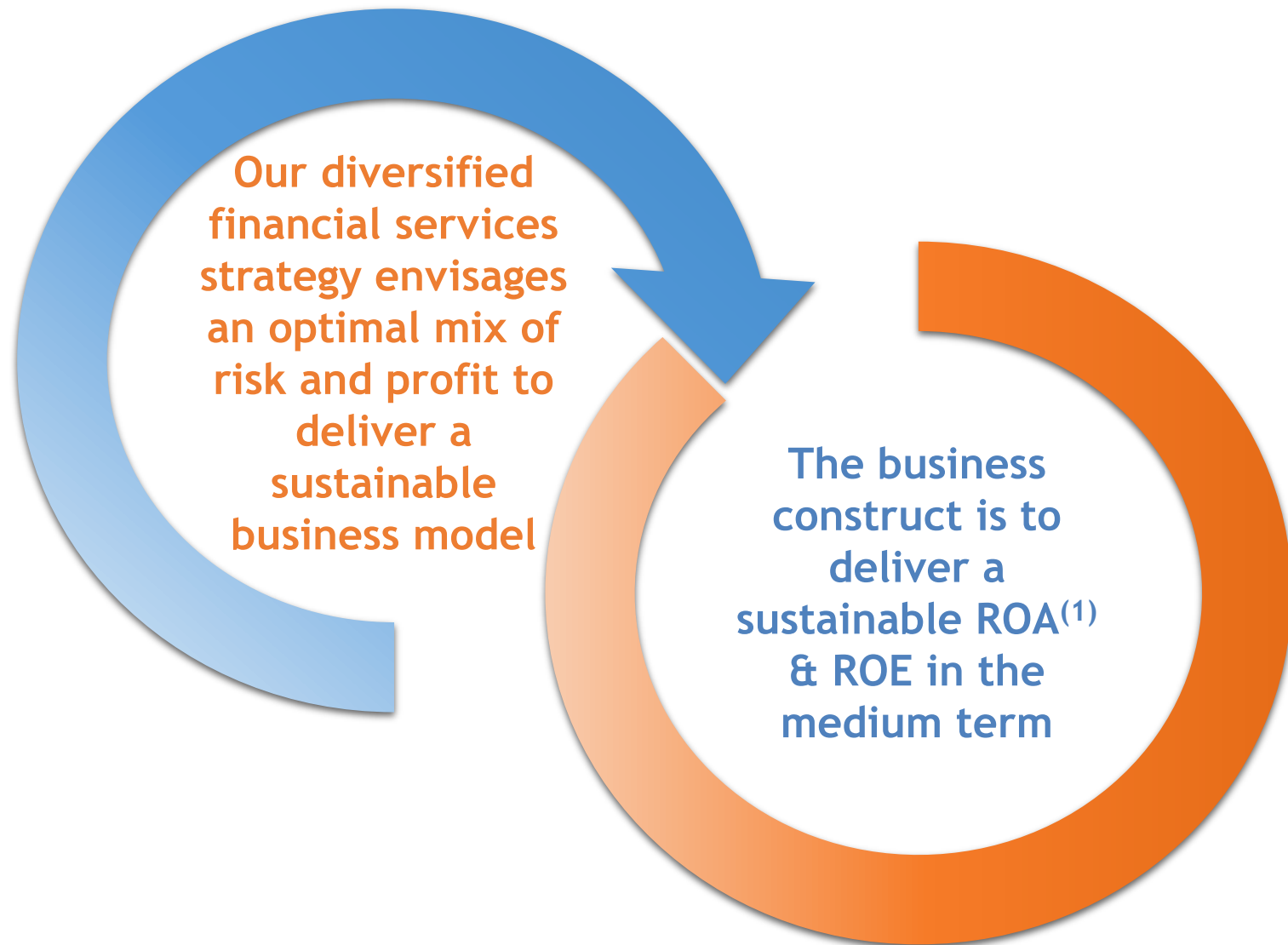
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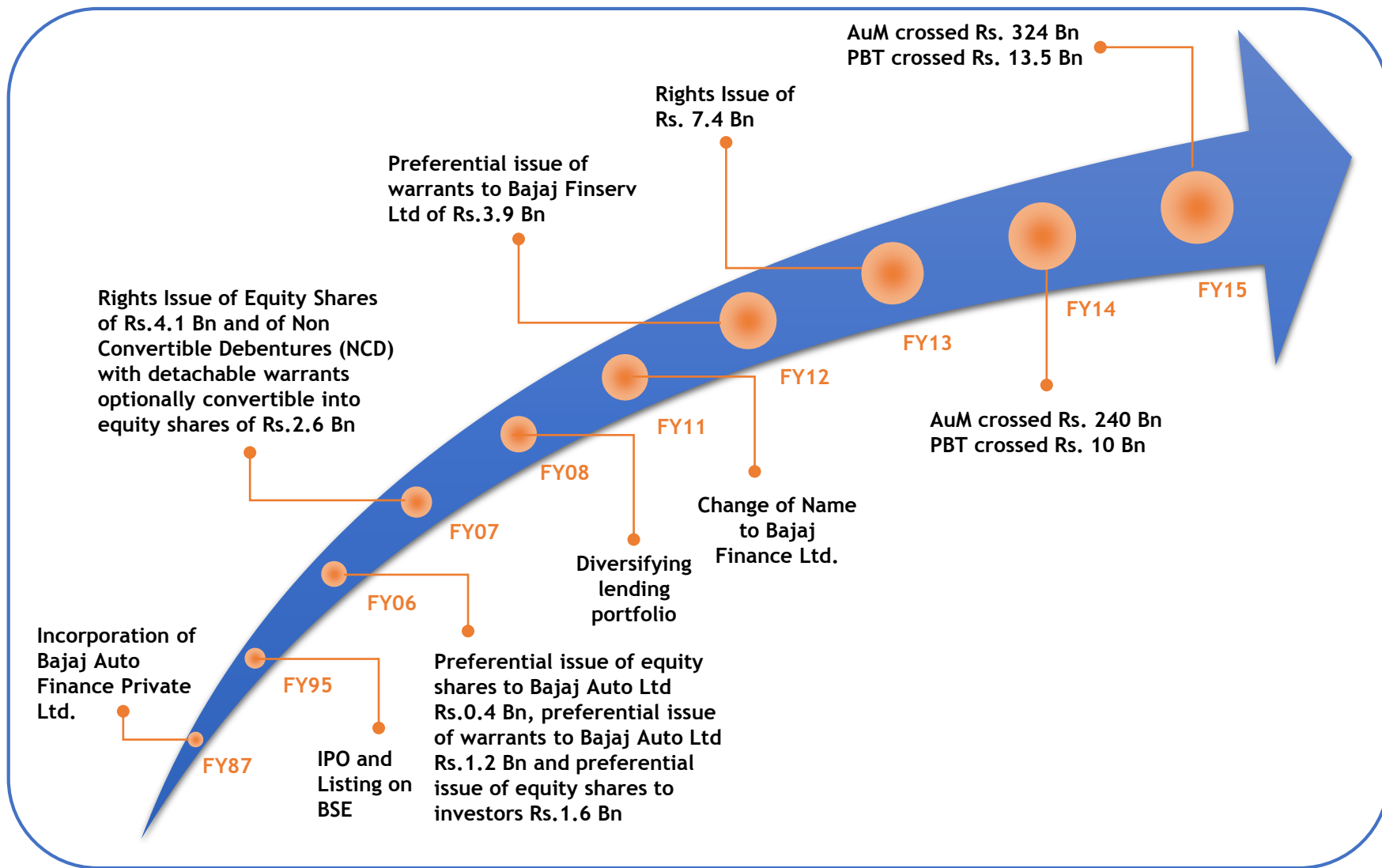
1 Has a 100% subsidiary named Bajaj Financial Securities Limited which does not have any operations

**W.e.f Nov 2014

Above shareholding is as of March 31, 2015



OUR JOURNEY THUS FAR



Successfully delivered the transformation journey in last 8 years

FINANCIAL SNAPSHOT

Financials snapshot

Rs. Bn	FY11	FY12	FY13	FY14	FY15 ⁽¹⁾	CAGR (FY11-15)
# of Loans (Mn)	-	-	-	-	4.9	-
Assets under management (AUM)	75.7	131.1	175.2	240.6	324.1	44%
Total Revenue (A)	14.1	21.7	31.1	40.7	54.2	40%
Finance Costs (B)	3.7	7.5	12.1	15.7	22.5	57%
Net Interest Income (NII) (A-B)	10.4	14.3	19.0	25.0	31.7	32%
Operating Expenses ⁽¹⁾	4.6	6.7	8.5	11.5	14.3	33%
Loan Losses and Provisions	2.0	1.5	1.8	2.6	3.90	17%
Profit before tax	3.7	6.0	8.7	10.9	13.6	38%
Profit after tax	2.5	4.1	5.9	7.2	9.0	38%

Ratios	FY11	FY12	FY13	FY14	FY15
Return on avg. receivables under financing ⁽²⁾	4.4%	4.2%	4.1%	3.6%	3.3%
Return on avg. equity ⁽³⁾	19.7%	24.0%	21.9%	19.5%	20.4%
Earning per share (Basic) - Rs.	67.5	110.8	135.7	144.8	179.9
Net NPA	0.80%	0.12%	0.19%	0.28%	0.45%
NPA provisioning coverage	79%	89%	83%	76%	71%

Strong financial performance over the last 5 years on all metrics

Notes

1. Consolidated; 2. Defined as employee benefits expense + depreciation and amortization + other expenses;
3. Defined as PAT/(Opening receivables under financing + closing receivables under financing)/2; 4. Defined as PAT/(Opening Network + Closing Network)/2

DIVERSIFIED BUSINESS MODEL

	Consumer (41% of FY15 ⁽¹⁾ AUM)	SME (53% of FY15 ⁽¹⁾ AUM)	Commercial (5% of FY15 ⁽¹⁾ AUM)	Rural (1% of FY15 ⁽¹⁾ AUM)
Product	Consumer Durable Financing	Loan Against Property	Vendor Financing - Term Loans & Purchase Order Financing	Consumer Durable Financing
	Digital Product Financing	Home Loans - Self Employed	Large Value Lease Rental Discounting	Gold Loans
	Lifestyle Product Financing	Loan Against Securities (Retail and Promoter)	Infrastructure Financing ⁽²⁾	Refinance
	2 Wheeler & 3 Wheeler Financing	Unsecured Working Capital Loans		Personal Loan Cross sell
	Personal Loan Cross sell	Loans to Professionals		Loans to Professionals
	Salaried Personal Loans	SME Cross Sell (mortgage and unsecured working capital loans)		Working Capital Loans to MSME
	Salaried Home Loan			Loan Against Property to MSME
	EMI Card Business			
Competitive Advantage	<ul style="list-style-type: none"> Cross sell capabilities supported by data warehouse and analytics Customer Lifecycle Management Low ticket - high volume transaction domain specialization 	<ul style="list-style-type: none"> Strong underwriting capabilities Relationship management approach enabled by technology Premium customer experience model Cross sell for SMEs 		<ul style="list-style-type: none"> Differentiated product offering Bajaj Brand Name

Fixed Deposits, Cross sell - EMI Card, Credit Rating Products, Life Insurance, General Insurance, Property & Financial Fitness Report, Mutual Fund Distribution

BUSINESS/PRODUCT LAUNCH JOURNEY



Sustained approach to product line expansion

Assets Under Management (Rs Bn)			
Business Line	FY13 ⁽¹⁾	FY14 ⁽¹⁾	FY15 ⁽¹⁾
Consumer Lending	71.4	93.3	132.0
SME Lending	84.0	128.5	171.4
Commercial Lending	19.8	18.3	17.4
Rural Lending	-	0.5	3.3
Total AUM	175.2	240.6	324.1

# of new loans disbursed ('000s)	
Select Product Lines	FY15 ⁽¹⁾
Consumer durable	3,579
Lifestyle finance	80
Digital finance	293
2W & 3W	560
PLCS	169
Salaried Loans	38
SME	31
Rural finance	131

Geographic Presence	
Business Line	FY15 ⁽¹⁾
Urban	161
Of which Consumer Lending branches	161
Of which SME Lending branches	119
Rural	232
Of which Rural branches	50
Of which Rural ASSCs ⁽²⁾	182

Distribution	
Product Line	FY15 ⁽¹⁾
Consumer durable product stores	7,000+
Lifestyle product stores	1,150+
Digital product stores	2,650+
2W-3W Dealer/ASCs ⁽³⁾ /Sub-dealers	3,000+
SME - Direct sales agents	700+
Rural consumer durable product stores	1,500+

Deep distribution, stable acquisition and growing balance sheet

KEY PERFORMANCE HIGHLIGHTS FOR Q4 FY15



- **Total income for Q4 FY15** ↑ 31% to ₹ 1,445 Crores from ₹ 1099 Crores in Q4 FY14.
- **Profit after tax for Q4 FY15** ↑ 27% to ₹ 231 Crores from ₹ 182 Crores in Q4 FY14.
- **Customers acquired during Q4 FY15** ↑ 51% to 11,62,742 from 7,68,137 in Q4 FY14.
- **Loan losses and provisions for Q4 FY15** ↑ 81% to ₹ 114 Crores as against ₹ 63 Crores in Q4 FY14. The Company continued to strengthen its provisioning policy. During the quarter, Company made a provision of ₹8.6 Crore to further strengthen its provisioning policy and also made a non-recurring provision of ₹8.8 Crore. Adjusted for these one time provisions, loan loss and provision has grown by ↑ 53%
- **Assets Under Management as of 31 March 2015** ↑ 35% to ₹ 32,410 Crores from ₹ 24,061 Crores on 31 March 2015.
- **Gross NPA and Net NPA for as of 31 March 2015 stood at 1.51% and 0.45% respectively.** The provisioning coverage ratio stood at 71% as of 31 March 2015. The Company continues to provide for loan losses in excess of RBI requirements.
- **Capital adequacy ratio (including Tier-II capital) as of 31 March 2015 stood at 17.97%.** The Tier – I capital stood at 14.15%. The Company continues to be well capitalized to support its growth trajectory.
- The board of directors have recommended a dividend of ₹ 18 per share (180%)

KEY PERFORMANCE HIGHLIGHTS FOR FY14-15



- Total income for FY15 ↑ 33% to ₹ 5,418 Crore from ₹ 4,074 Crore in FY14.
- Profit after tax for FY15 ↑ 25% to ₹ 898 Crore from ₹ 719 Crore in FY14.
- Customers acquired during FY15 ↑ 45% to 49,24,448 from 33,89,560 in FY14.
- Assets Under Management as of 31 March 2015 ↑ 35% to ₹ 32,410 Crore from ₹ 24,061 Crore on 31 March 2014.
- Loan losses and provisions for FY15 ↑ 49% to ₹ 385 Crore as against ₹ 259 Crore in FY14.
- Gross NPA and Net NPA for as of 31 March 2015 stood at 1.51% and 0.45% respectively. The provisioning coverage ratio stood at 71% as of 31 March 2015. The Company continues to provide for loan losses in excess of RBI requirements.
- Capital adequacy ratio (including Tier-II capital) as of 31 March 2015 stood at 17.97%. The Tier – I capital stood at 14.15%. The Company continues to be well capitalized to support its growth trajectory.
- The board of directors have recommended a dividend of ₹ 18 per share (180%)

SUMMARY FINANCIAL STATEMENT

	₹ in Crores						
Financials snapshot	Q4'15	Q4'14	YoY	FY'15 ⁽¹⁾	FY'14	YoY	FY'13
Assets under finance (AUF)	31,199	22,971	36%	31,199	22,971	36%	16,744
Assets under management (AUM)	32,410	24,061	35%	32,410	24,061	35%	17,517
Total Interest & fee Income	1,445	1,099	31%	5,418	4,073	33%	3,110
Interest expenses	612	450	36%	2,248	1,573	43%	1,206
Net Interest Income (NII)	833	649	28%	3,170	2,500	27%	1,904
Operating Expenses	374	309	21%	1,428	1,151	24%	850
Loan Losses & Provision	114	63	81%	385	258	49%	182
Profit before tax	345	277	25%	1,357	1,091	24%	872
Income tax	114	95	20%	459	372	23%	281
Profit after tax	231	182	27%	898	719	25%	591
Ratios	Q4'15	Q4'14		FY'15	FY'14		FY'13
Total Opex to NII	44.9%	47.6%		45.1%	46.0%		44.6%
Total Cost to Total Income	25.9%	28.1%		26.4%	28.3%		27.4%
Loan loss to AUF*	0.4%	0.3%		1.2%	1.1%		1.1%
Return on Average AUF*	0.7%	0.8%		3.3%	3.6%		4.1%
Earning per share - Basic (Rs.) *	46.3	36.6		179.9	144.8		135.9
Return on Average Equity *	4.8%	4.6%		20.4%	19.5%		21.9%

Market Assessment :

- As of April 3, 2015 gross outstanding credit of scheduled commercial banks amounted to ₹70.4 lac crore registering an increase of 12.6% against a growth of 13.37% in the previous year. Bank credit growth continued to show weak trends. Bank lending which was struggling with a 9% growth rate until early March surged to 12.6% only in the last 10 days of the fiscal.
- Output gap in the economy remains at an all time low. Demand momentum remains weak. Industrial growth fell to a five month low of 2.1% in March. Consumer durables declined 4.7 per cent in March but were a major improvement over corresponding period a year-ago when the decline was 11.8 per cent.
- Auto sector showed some revival in FY'15 registering a growth of 9%. Two wheeler & Three wheeler segment grew by 8% & 11% respectively, while Passenger and Commercial vehicles growth rates stood at 4% and -3% respectively. Two wheeler growth was largely driven by scooters which registered a YoY increase of 25%.
- Real estate sector remained really slow in the previous fiscal with no revival in Q4

Business Commentary :

- Overall a strong quarter for the company with robust volume momentum & strong credit performance across Consumer & SME businesses despite a soft demand environment.
- The company continued to readjust its portfolio mix to reduce the beta in its business model.

- Two Wheeler financing penetration of Bajaj Auto's domestic Two Wheeler sales inched up to 31% from 28% in the corresponding quarter for the previous year. Overall volume for the quarter dropped by 16% YoY and 14% for the entire year.
- Three wheeler business volume reduced by 28% due to portfolio quality challenges. Three wheeler financing penetration of Bajaj Auto's domestic Three Wheeler sales in Q4 was at 12% & 15% for the full year.
- **Consumer Durable business** had a strong quarter disbursing 800K accounts (53% YOY) in Q4 despite a muted growth for the industry. Rewarding promotional offers by manufacturers and retailers infused positive sentiments leading to FPTV market sales increasing by 10-12% during the quarter. Finance volumes were stimulated by cricket world cup and strong stimulation for EMI card customers. EMI cards contributed to 384 K customer acquisition for the quarter. Sustained contribution of digital products penetration (16%) also contributed to the high growth rate.
- Company acquired additional 300 K EMI cards during the quarter.
- **Digital Products Finance business** disbursed 87K accounts (313% YoY) for the quarter. Deepening relationships with leading manufacturers like Samsung, Apple, Sony and leading national & regional wireless chains enabled the business to register strong growth.
- **Lifestyle Finance business** disbursed 24K accounts (36% YoY). Focused account management with top 50 accounts helped deliver the growth.
- **Cross sell** momentum across Lending and Fee products remained strong. 'Property Fitness Report' launched for the company's Mortgage clients saw good momentum during Q4.
- **Salaried personal loans business** continued to grow well with healthy credit performance. Digital channels now contribute 15% of new originations.

- **Rural Lending business** continued with excellent momentum in Q4. Business over delivered on all metrics for 2014-15. During the quarter, the rural business made entry into the state of Karnataka with the launch of 11 branches. It also increased its geo coverage in Maharashtra and Gujarat by adding 4 branches in these states. Company continues to increase its footprint in a measured manner.
- The company launched MSME rural lending business in mid March in 26 of its 50 branches.
- **Business loans business** continued to grow well with strong credit performance. Professional loans now contributes to 22% of Business loans origination. The company had carved out Professional loans as a separate business structure last quarter which has come into effect in Q4.
- **Mortgage business** remained in a hyper competitive situation as all lenders want to grow this asset class. LAP business remained in consolidation mode and is growing at a slower rate than company AUM growth. The company launched V2 of its 'Direct 2 Customer' channel to shift its acquisition strategy towards existing franchise.
- **LAS business** had an excellent quarter supported by new product & renewed channels strategy.
- **Construction Equipment business losses** are fully provided for. The portfolio is now down to 175 Crs and is reducing steadily every month.
- **Commercial Infra business** remained in pause mode due to sectoral stress. To grow its commercial business, the company is launching 'Financial Institution Group' vertical and 'Light Engineering' industry vertical. The company continued to grow its Auto Component Vendor Financing business.
- The company has launched its wealth management V2 to build a more comprehensive 'Relationship Management' business by offering relationship services through 3 channels of 'RM', 'Digital Lounge' and 'IFA' for its different customer segments.

Other commentary :

- **Gross NPA and Net NPA** for Q4 FY15 stood at 1.51% and 0.45% respectively with a provisioning coverage ratio of 71% as of 31 March 2015. The Company continues to provide for loan losses in excess of RBI requirements.
- **Interest cost for the company continues to remain significantly lower** amongst NBFC peers. Current borrowing mix of BFL between banks, money markets and retail deposits is 54:43:03.
- The company garnered 381 Crs of Fixed Deposit during the quarter taking the total deposit book to 983 Crs. Average deposit size increased to above 3. lacs and weighted tenor is above 20 months.

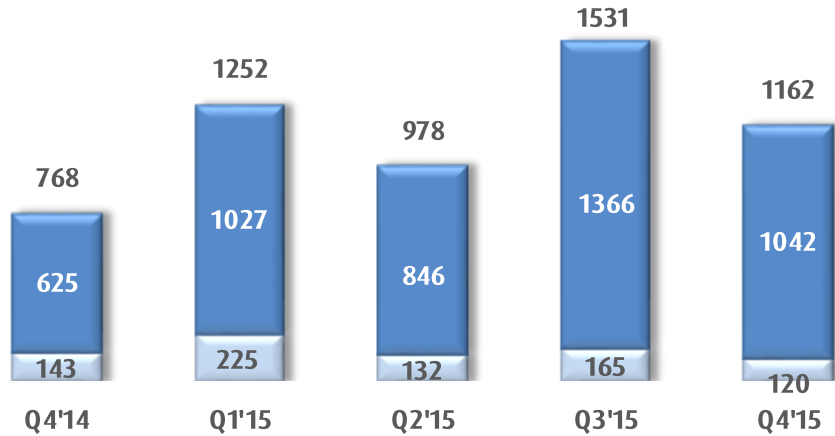
Awards and Recognitions :

- The company was recognized amongst the Best Employers in the country by 'AON Hewitt Best Employers Study 2015' for the 2nd year in a row. The company was now amongst the 11 best employers up from being amongst the 17 best last year.

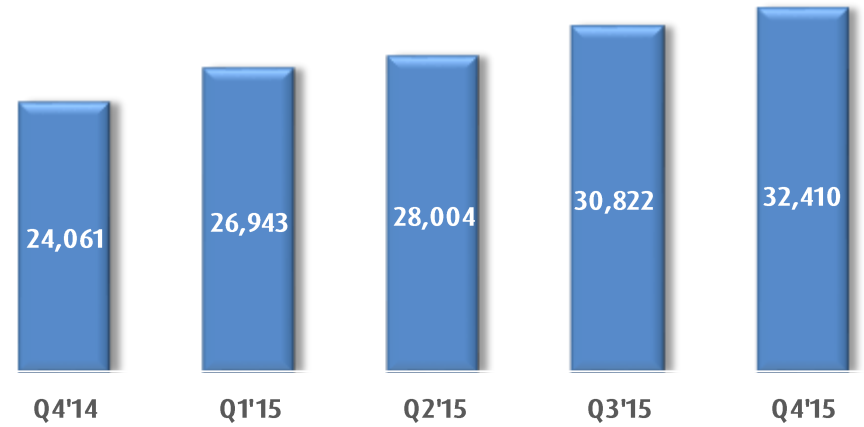
FINANCIAL PERFORMANCE TRENDS Q4 FY15

of Loans Disbursed ('000) ↑ 51% YoY

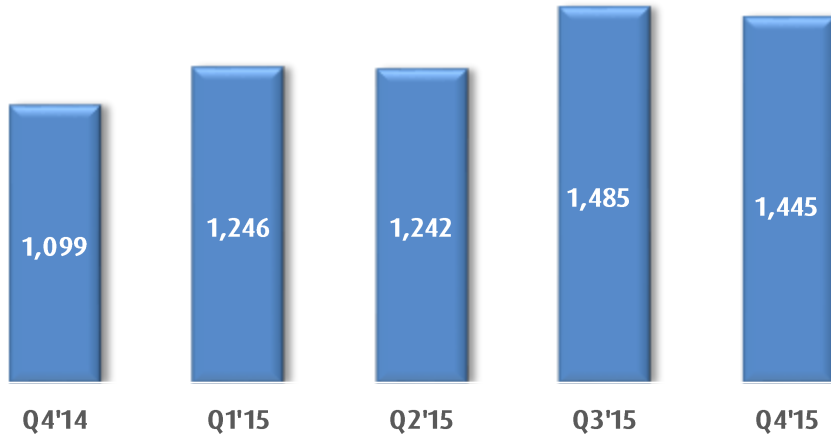
■ 2 Wheelers ■ Others



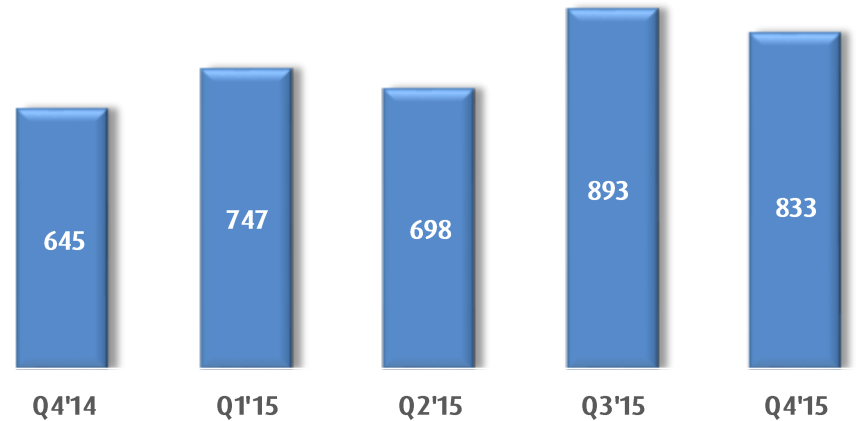
AUM (₹ Crore) ↑ 35% YoY



Revenue (₹ Crore) ↑ 31% YoY

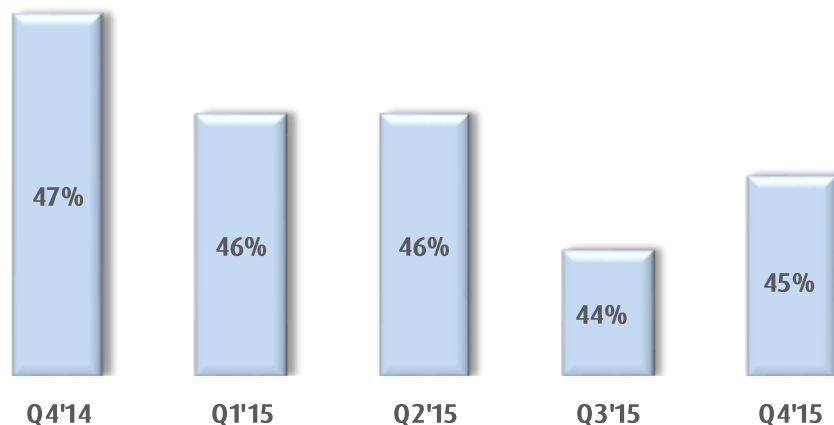


Net Interest Income (NII) (₹ Crore) ↑ 28% YoY



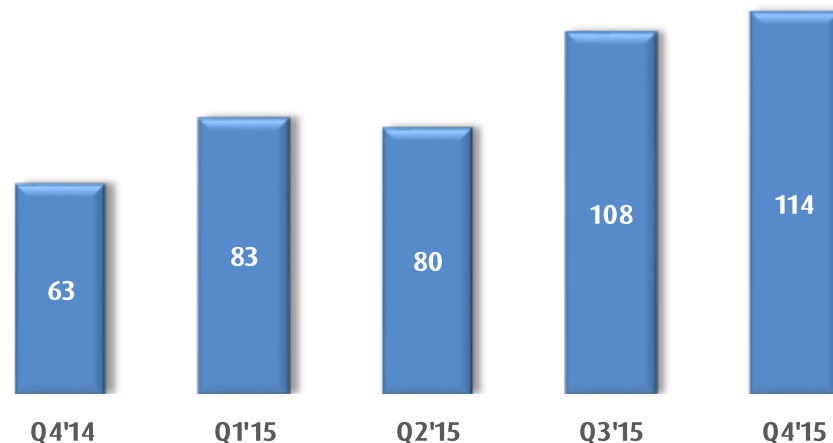
FINANCIAL PERFORMANCE TRENDS Q4 FY15

Operating expenses % of NII

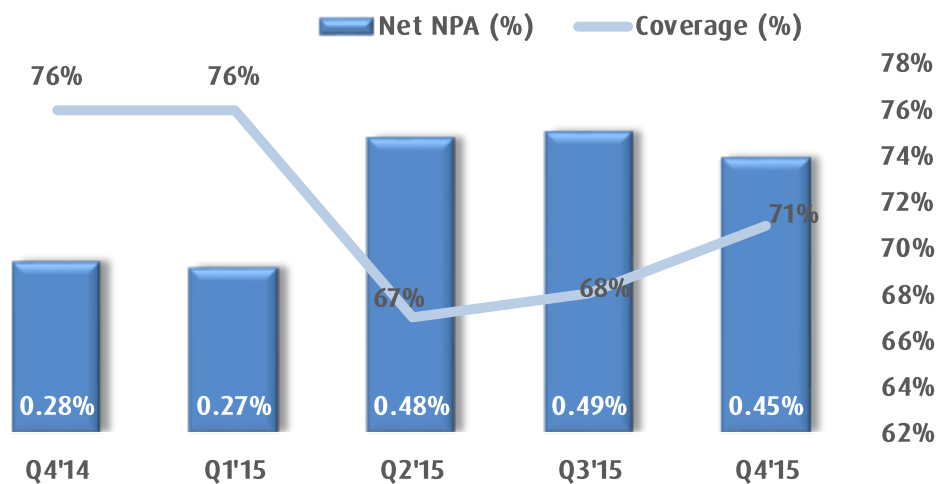


Loan loss provision (₹ Crore)

↑ 81% YoY

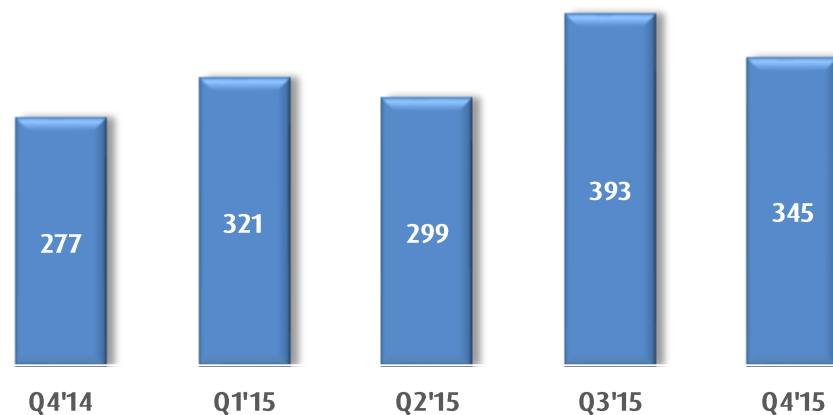


Net NPA & Provisioning coverage



Pre Tax Profit (₹ Crore)

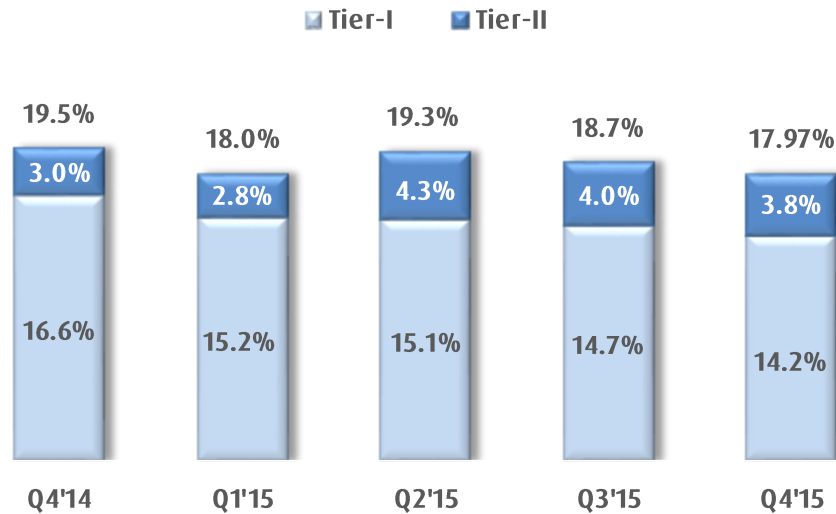
↑ 25% YoY



- Q3'14 includes one time accelerated provisioning of ₹ 21 Crores to strengthen our provisioning framework
- Q2'FY15 provisioning coverage was down due to one Infra account which slipped into NPA but for that provisioning coverage stood at 75%.

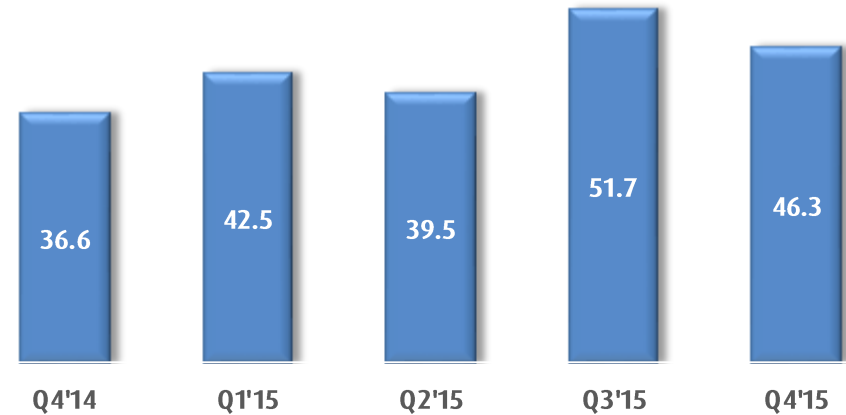
FINANCIAL PERFORMANCE TRENDS Q4 FY15

Capital adequacy ratio

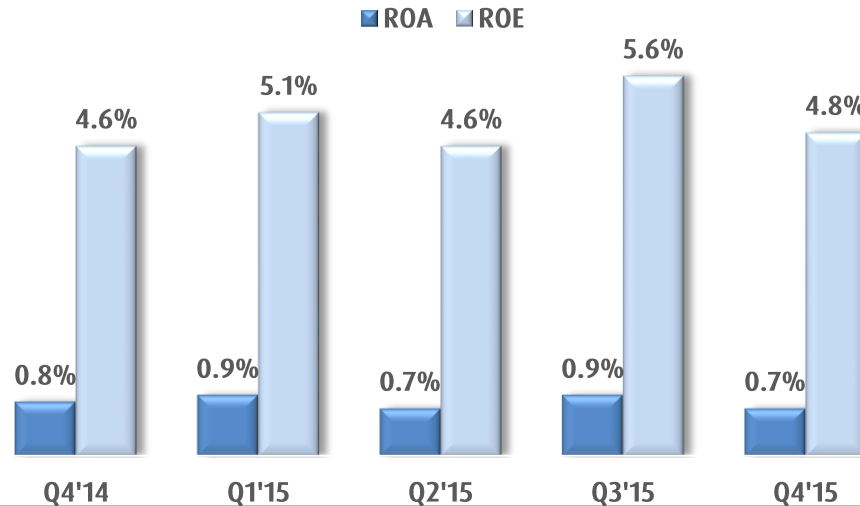


Earnings per share - Basic (₹)

↑ 27% YoY



Return on avg. assets under finance & Equity



PROVISIONING NORMS

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

Bajaj Finance Provisioning

RBI Norms

For FY15

- 6 months and ≤ 24 months - 10%
- >24 months and ≤36 months - 20% on secured & 100% on unsecured portion
- >36 months and ≤60 months - 30% on secured & 100% on unsecured portion
- >60 months - 50% on secured & 100% on unsecured portion
- Loss assets - 100%

For FY16

- 5 months and ≤ 21 months - 10%
- >21 months and ≤33 months - 20% on secured & 100% on unsecured portion
- >33 months and ≤57 months - 30% on secured & 100% on unsecured portion
- >57 months - 50% on secured & 100% on unsecured portion
- Loss assets - 100%

Consumer Lending provision coverage

- **Consumer Durables :**
 - 3 - 5 months overdue - 75%
 - Above 5 months - 100%
- **2 and 3 Wheeler :**
 - 3 - 5 months 30%
 - 6 - 12 months - 60%
 - Above 12 months - 100%
- **Personal Loan Cross Sell :**
 - 3 - 5 months - 55%
 - Above 5 months - 100%
- **Salaried Personal Loan :**
 - 3 - 5 months - 70%
 - Above 5 months - 100%

SME Lending provision coverage

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

Commercial Lending provision coverage

- **Construction Equipment Financing :**
 - 4 - 5 months - 15%
 - 6 - 9 months - 30%
 - 10 - 12 months - 60%
 - Above 12 months 100 %
- **Auto Component Vendor Financing :**
 - 6 - 12 months - 10%
 - 12 - 18 months - 20%
 - 18 - 24 months - 30%
 - Above 24 months-100%
 - Graded provision on secured portfolio

NPA provisioning norms are stringent than RBI norms