



## Bajaj Finance Limited Q2'12 presentation

*19<sup>th</sup> October 2011*

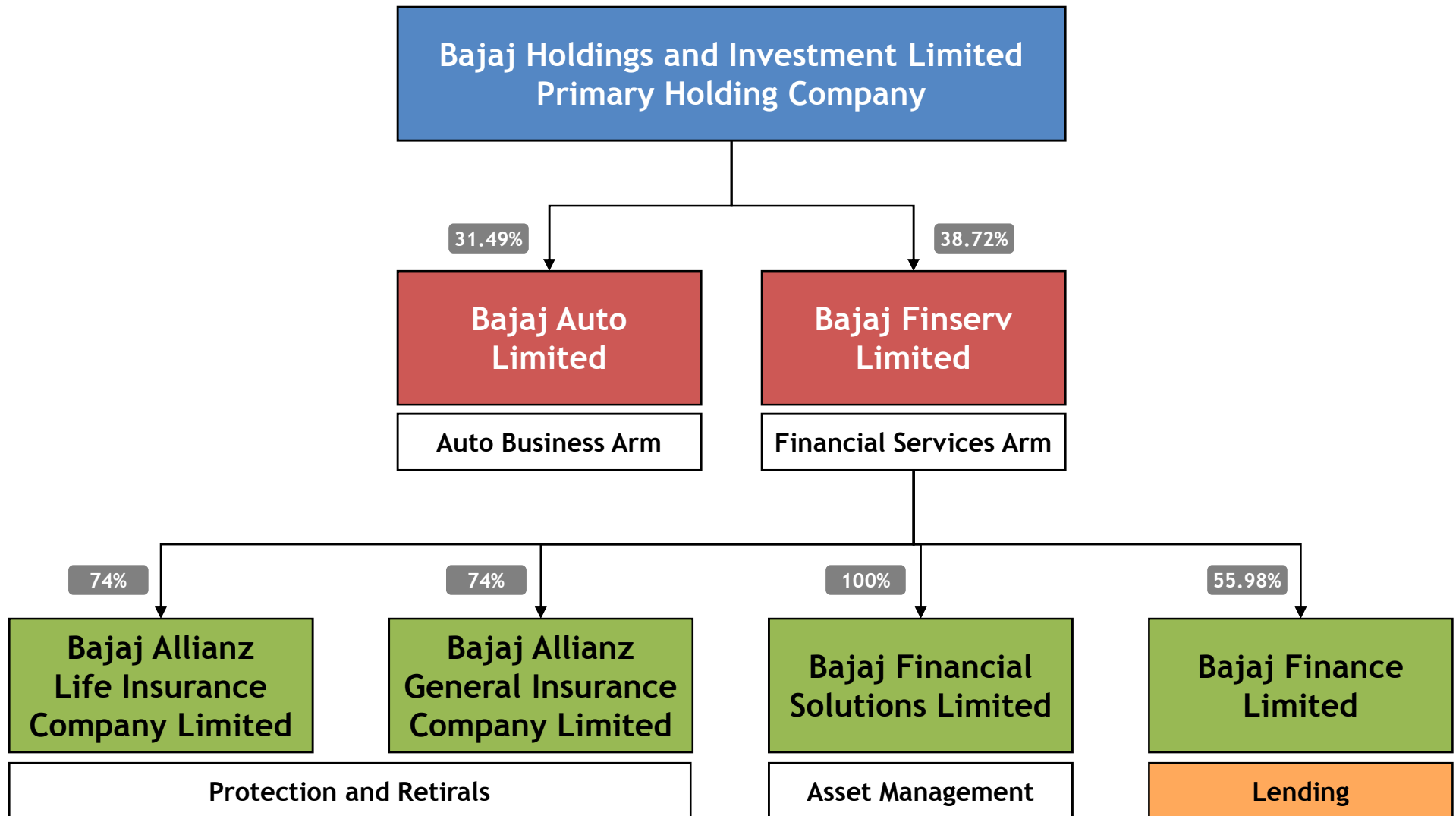
This presentation has been prepared by Bajaj Finance Limited (the “Company”) solely for your information and for your use. This presentation is for information purposes only without specific regards to specific objectives, financial situations or needs of any particular person and does not constitute and should not be deemed to constitute or form part of any offer or invitation or inducement to sell or issue any securities, or any solicitation of any offer to purchase or subscribe for, 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 upon in connection with, any contract or commitment therefor. The financial information in this presentation may have been re-classified and reformatted for the purposes of this presentation. You may also refer to the audited financial statements of the Company before making any decision on the basis of this information.

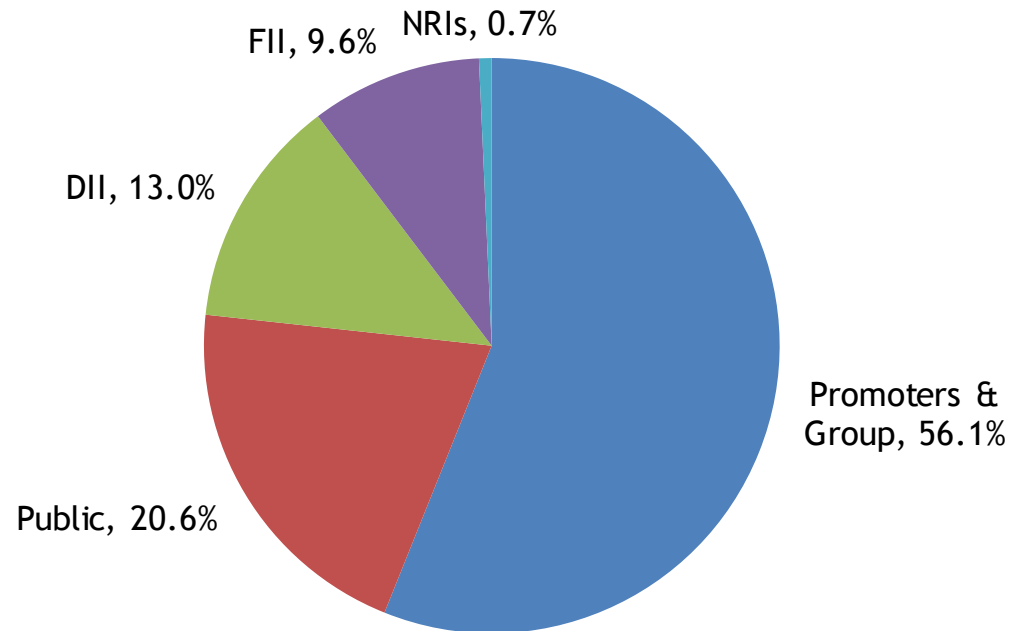
This presentation contains statements that may not be based on historical information or facts but that may constitute forward-looking statements. These forward looking statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company. These statements can be recognized by the use of words such as “expects,” “plans,” “will,” “estimates,” “projects,” or other words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions which the Company presently believes to be reasonable in light of its operating experience in recent years but these assumptions may prove to be incorrect. Any opinion, estimate or projection constitutes a judgment as of the date of this presentation, and there can be no assurance that future results or events will be consistent with any such opinion, estimate or projection. Actual results may differ materially from these forward looking statements due to a number of factors, including changes or developments in the Company’s business, its market and competitive environment, the Company’s ability to implement its proposed strategies and initiatives and/or due and political, economic, regulatory or social conditions in India and other factors relevant to the business of the Company. The Company does not undertake to revise any forward-looking statement that may be made from time to time by or on behalf of the Company. No representation, warranty, guarantee or undertaking, express or implied, is or will be made as to, and no reliance should be placed on, the accuracy, completeness, correctness or fairness of the information, estimates, projections and opinions contained in this presentation. Potential investors must make their own assessment of the relevance, accuracy and adequacy of the information contained in this presentation and must make such independent investigation as they may consider necessary or appropriate for such purpose. This presentation does not constitute and should not be considered as a recommendation by the Company that any investor should subscribe for, purchase or sell any of Company’s securities. By viewing this presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of the Company. Any opinions expressed in this presentation are subject to change without notice. None of the Company, book running lead managers, their affiliates, agents or advisors, the placement agents, promoters or any other persons that may participate in any offering of any securities of the Company shall have any responsibility or liability whatsoever for any loss howsoever arising from this presentation or its contents or otherwise arising in connection therewith.

This presentation and its contents are confidential and should not be distributed, published or reproduced, in whole or part, or disclosed by recipients directly or indirectly to any other person. In particular, this presentation is not directed at or accessible by persons located in the United States, Canada Australia or Japan and this presentation is not for publication or distribution or release in the United States, Australia, Canada or Japan or in any other country where such distribution may lead to a breach of any law or regulatory requirement. The information contained herein does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities for sale in the United States, Australia, Canada or Japan or any other jurisdiction where such distribution may lead to a breach of any law or regulatory requirement. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or absent registration or an applicable exemption from registration.

This presentation is not intended to be a prospectus or preliminary placement document or final placement document under the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended. Please also refer to the statement of financial and segmental results required by Indian regulations that has been filed with the stock exchanges in India and is available in our website [www.bajajfinance.com](http://www.bajajfinance.com) . This presentation may not be all inclusive and may not contain all of the information that you may consider material.

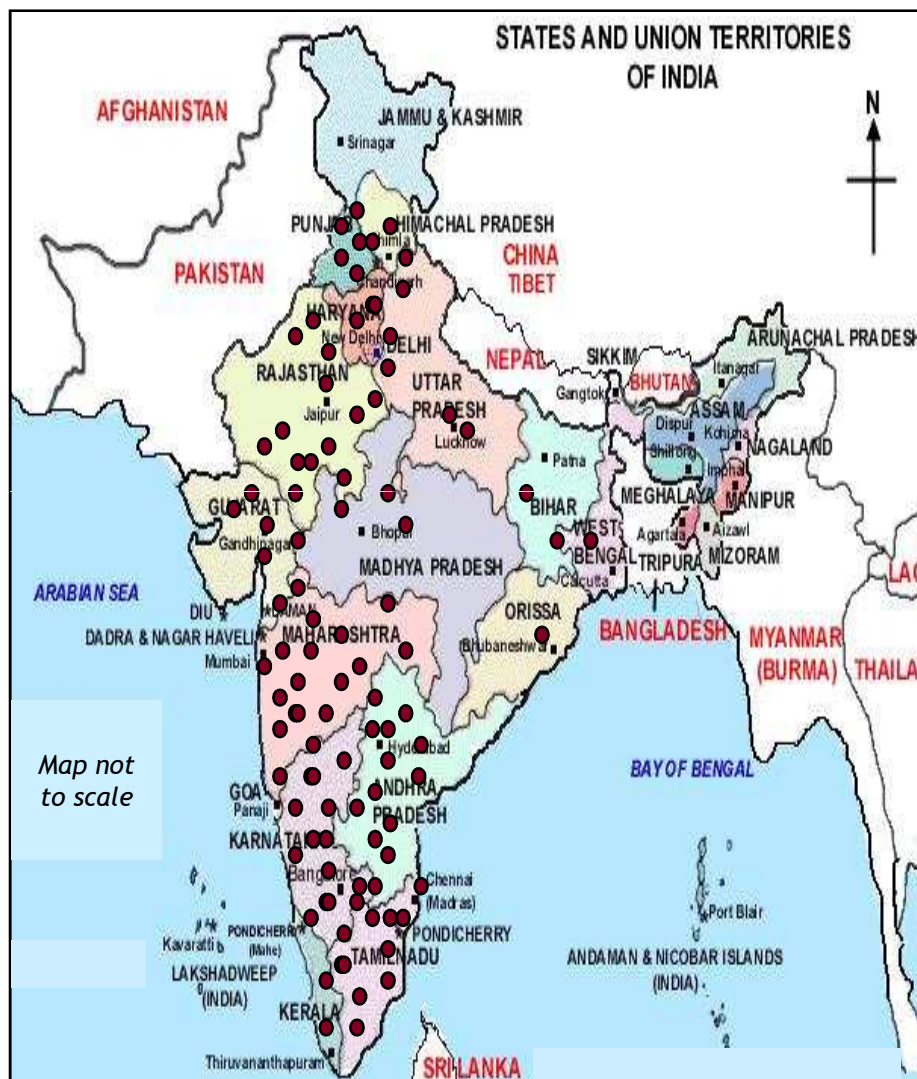
Viewing this information may not be lawful in certain jurisdictions. In other jurisdictions only certain categories of person may be allowed to view this information. Any person who wishes to view this site must first satisfy themselves that they are not subject to any local requirements which prohibit or restrict them from doing so. If you are not permitted to view this presentation on this website or are in any doubt as to whether you are permitted to view these materials, please exit this webpage





- 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 3 years. The company has obtained shareholder approval for the same in July 13, 2011 AGM.

# 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	731
2W	219	378	522	297
Small Businesses	3.5	5	9	7
Total	574	897	15,60	1035

## Assets under management ( ₹ Crores)

	FY09	FY10	FY11	FY12*
AUM	2539	4032	7571	10071

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 ₹ 10,071 Crores, with a history of disbursing over 70 Lac loans, as of Q2'12. Disbursed 4.92 Lac loans in Q2'12.
- 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 Q2 FY12 ↑ 55 % to 4,91,695 from 3,17,298 in Q2 FY11.
- Deployments during Q2 FY12 ↑ 58 % to ₹ 3,352 Crores from ₹ 2,128 Crores in Q2 FY11.
- Total income for Q2 FY12 ↑ 51% to ₹ 493 Crores from ₹ 326 Crores in Q2 FY11.
- Profit after tax for Q2 FY12 ↑ 66 % to ₹ 87.4 Crores from ₹ 52.8 Crores in Q2 FY11.
- Loan losses and provisions for Q2 FY12 ↓ 33% at ₹ 41 Crores as against ₹ 61 Crores in Q2 FY11 (including ₹ 5.38 Crores of accelerated provision).
- Provisioning coverage ratio for Q2 FY12 stood at 80% against 75% in Q2 FY11.
- Net NPA for Q2 FY12 stood at 0.33% against 1.4% in Q2 FY11. The Net NPA for Q2 FY12 is the lowest for the Company in the last 5 years.
- Capital adequacy ratio excluding current quarter's profits and including current quarter's profits (including Tier-II capital) stood at 17.1% and 18.9% 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. The new product launch of **EMI card** helped to grow revenue and stickiness. The company sold 2.25 Lacs EMI cards in Q2'FY12.
- The company entered into strategic partnership with Standard Chartered Bank to distribute Co-branded **Platinum & World Credit Card** to its existing good customer base.
- **Two wheeler financing business** maintained its market share at ~24% 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, except loan against shares which has not grown due to market volatility.
- **Construction equipment** financing business continued to grow in a steady manner. Despite a low base, the business grew by only 33% due to pricing pressures and slowing demand environment. **Infrastructure Financing** loan disbursement were ₹ 110 Crores during the quarter.
- **Borrowing environment** remained tough in Q2. However **Interest cost** continue to remain benign due to company's conservative ALM management 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 sanctions of ₹ 1250 crores from banks.
- **Portfolio metrics** across businesses continue to be strong. The company continues to strengthen its provisioning standards beyond RBI guidelines. The Gross and Net NPA stood at 1.61% and 0.33% 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"> <li>Maturity : 8 - 12 months</li> <li>Repayment : EMI</li> </ul>	<ul style="list-style-type: none"> <li>11% of the portfolio as of Q2'12</li> <li>One of the few organized players with cutting edge technology architecture &amp; robust risk management framework.</li> </ul>	<ul style="list-style-type: none"> <li>Mass Affluent and</li> <li>Affluent</li> </ul>
	Personal Loans Cross sell	<ul style="list-style-type: none"> <li>Maturity : 12-36 months</li> <li>Repayment : EMI</li> </ul>	<ul style="list-style-type: none"> <li>6% of the portfolio as of Q2'12</li> <li>Loans to existing customer with very good credit performance track record.</li> </ul>	<ul style="list-style-type: none"> <li>Mass Affluent and</li> <li>Affluent</li> </ul>
	2 Wheeler & 3 Wheeler Finance	<ul style="list-style-type: none"> <li>Maturity : 12 - 24 months</li> <li>Repayment : EMI</li> </ul>	<ul style="list-style-type: none"> <li>23% of the portfolio as of Q2'12</li> <li>Captive financing.</li> <li>Financing only Bajaj auto vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>Mass customers</li> </ul>
Small business	Mortgage	<ul style="list-style-type: none"> <li>Maturity :60 - 180 months</li> <li>Repayment : EMI</li> </ul>	<ul style="list-style-type: none"> <li>31% of the portfolio as of Q2'12</li> <li>Includes loan against property</li> </ul>	<ul style="list-style-type: none"> <li>Affluent and</li> <li>HNIs</li> </ul>
	Small Business Loan ("SBL") & secured vendor financing ("VF")	<ul style="list-style-type: none"> <li>Maturity :12 - 36 months (SBL)</li> <li>Maturity : 1 - 24 months (VF)</li> <li>Repayment : EMI (SBL &amp; VF)</li> </ul>	<ul style="list-style-type: none"> <li>10% of the portfolio as of Q2'12 (SBL)</li> <li>4% of the portfolio as of Q2'12 (VF)</li> <li>SBL to affluent small businessmen.</li> <li>VF to vendors of large auto manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>Affluent and</li> <li>HNIs</li> </ul>
	Loan against securities	<ul style="list-style-type: none"> <li>Maturity : 10 - 12 months</li> <li>Repayment : Bullet</li> </ul>	<ul style="list-style-type: none"> <li>3% of the portfolio as of Q2'12</li> <li>Launched retail loans to HNI customers in FY11.</li> </ul>	<ul style="list-style-type: none"> <li>HNIs</li> </ul>
Commercial	Construction Equipment Finance	<ul style="list-style-type: none"> <li>Maturity : 12-42 months</li> <li>Repayment : EMI</li> </ul>	<ul style="list-style-type: none"> <li>9% of the portfolio as of Q2'12</li> <li>Launched in FY11.</li> <li>Assets backed funding to Small, Mid &amp; strategic contractors.</li> </ul>	<ul style="list-style-type: none"> <li>HNIs and</li> <li>Affluent</li> </ul>
	Infrastructure financing	<ul style="list-style-type: none"> <li>Maturity : NA</li> <li>Repayment : Moratorium period followed by EMI</li> </ul>	<ul style="list-style-type: none"> <li>3% of the portfolio as of Q2'12</li> <li>Launched in FY12.</li> </ul>	<ul style="list-style-type: none"> <li>Large infrastructure companies</li> </ul>

# 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.

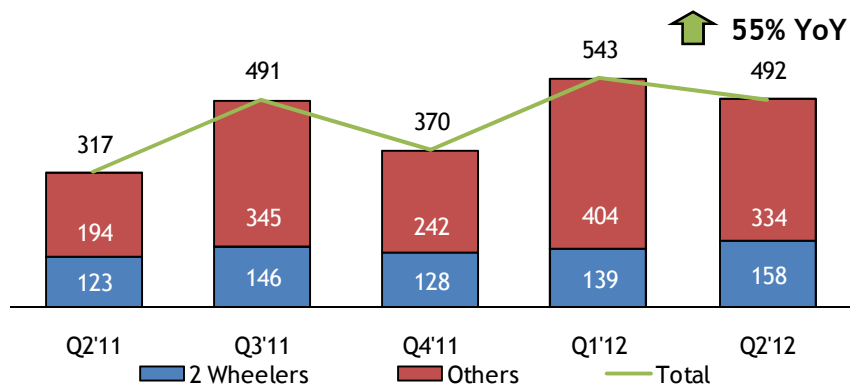
# Summary financial statement

Financials snapshot	₹ in Crores								
	Q2'12	Q2'11	QoQ	H1'12	H1'11	HoH	FY11	FY10	YoY
Deployments	3,352	2,128	58%	6,940	4,175	66%	9435	4585	106%
Assets under finance	9,333	5,781	61%	9,333	5,781	61%	7270	4032	80%
Assets under management (AUM)	10,071	5,781	74%	10,071	5,781	74%	7571	4032	88%
Total Interest & fee Income	493.3	326.4	51%	945.1	623.2	52%	1406	916	53%
Interest expenses	167.3	83.3	101%	309.7	156.0	98%	378	202	87%
Net Interest Income (NII)	326.0	243.2	34%	635.4	467.2	36%	1028	715	44%
Operating Expenses	153.0	103.4	48%	293.6	196.2	50%	454	320	42%
Loan Losses & Provision	41.2	61.5	-33%	72.7	122.1	-40%	190	261	-27%
General Provision	2.8	-	-	5.6	-	-	15	0	-
Profit before tax	128.9	78.3	65%	263.5	148.9	77%	370	134	176%
Income tax	41.5	25.5	63%	85.3	49.4	73%	123	45	173%
Profit after tax	87.4	52.8	66%	178.2	99.6	79%	247	89	178%

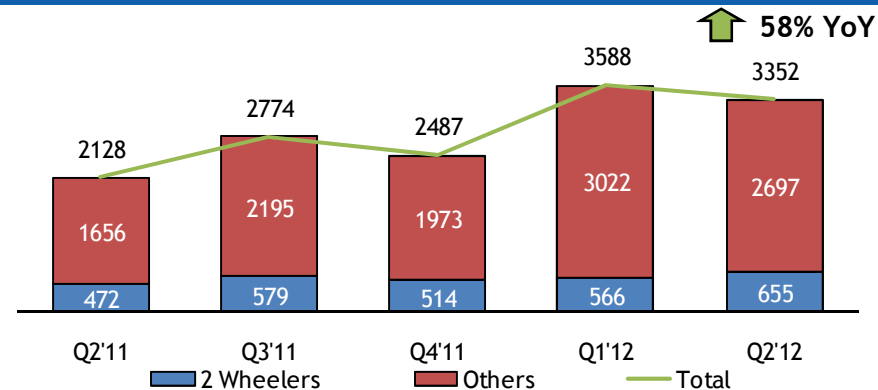
Ratios	Q2'12	Q2'11	H1'12	H1'11	FY11	FY10
Total Opex to NII	46.9%	42.5%	46.2%	42.0%	44.1%	44.7%
Loan loss to Assets under finance	0.5%	1.1%	0.8%	2.1%	2.8%	6.5%
Return on Average Asset under finance	1.0%	1.0%	2.1%	2.0%	4.3%	2.8%
Earning per share - Basic (Rs.)	23.85	14.42	48.64	27.2	67.47	24.43
Return on Average Equity	5.9%	4.3%	12.3%	8.3%	19.7%	8.0%

# Financial performance trends Q2-FY12

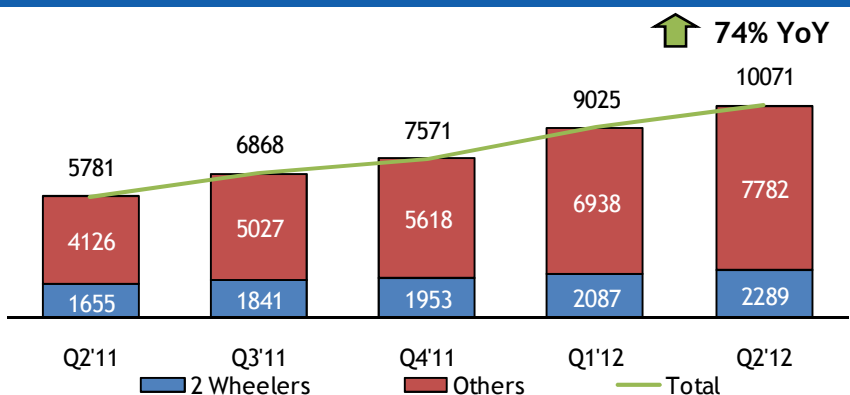
## # of Loans Disbursed ( '000)



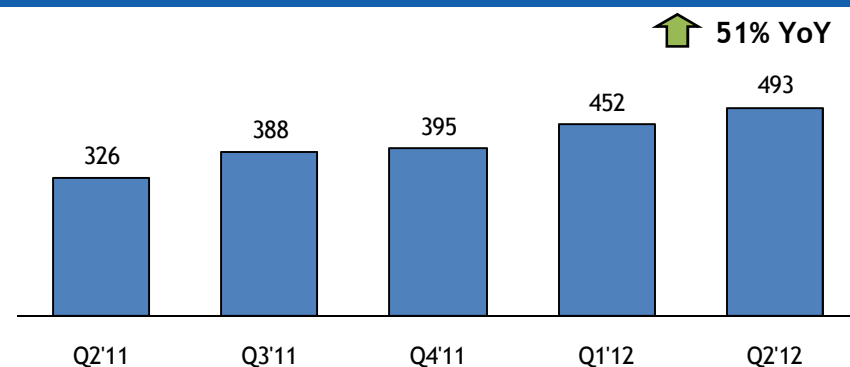
## Disbursements ( ₹ Crores)



## AUM ( ₹ Crores)

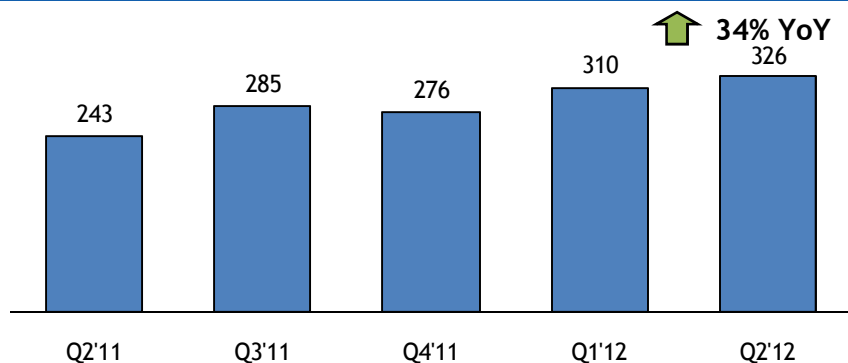


## Revenue ( ₹ Crores)

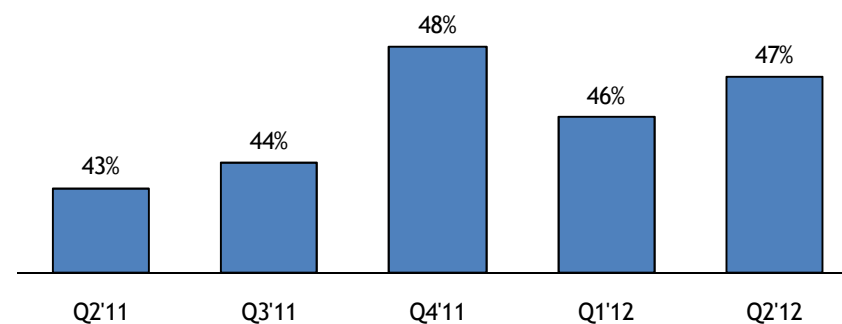


# Financial performance trends Q2-FY12

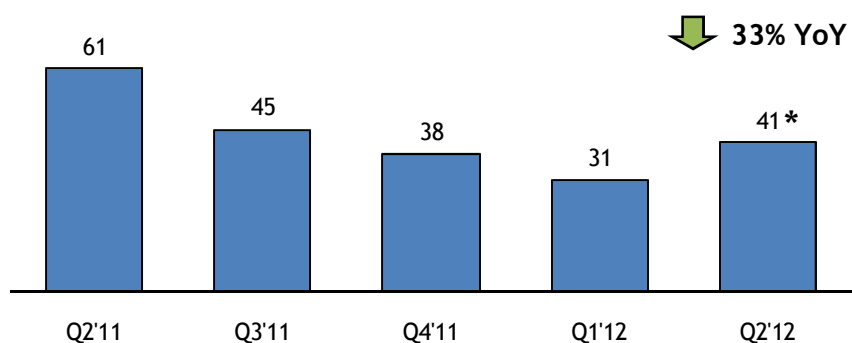
## NII ( ₹ Crores)



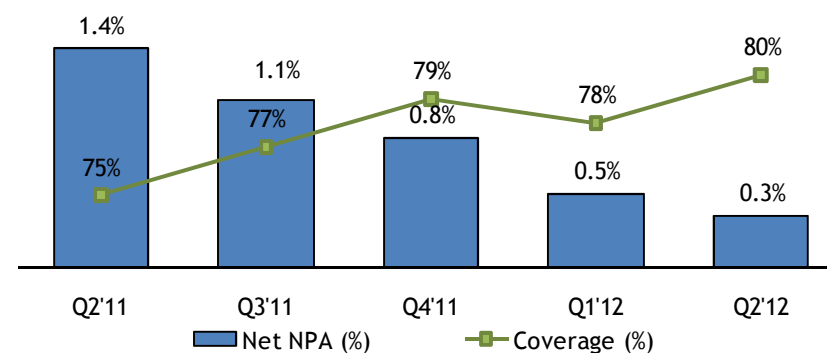
## Operating Expenses % of NII



## Loss provision ( ₹ Crores)



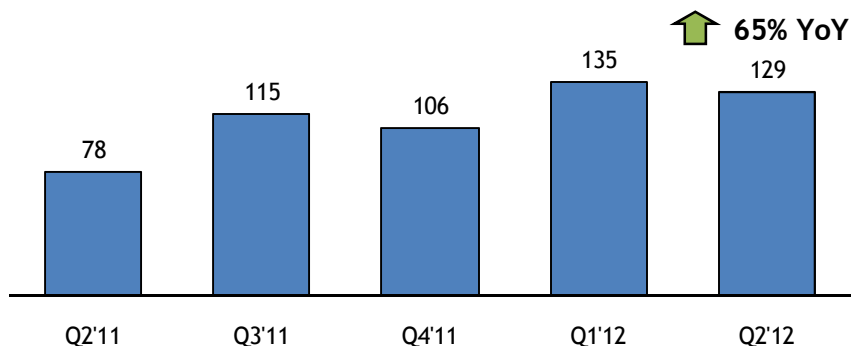
## Net NPA & provisioning coverage



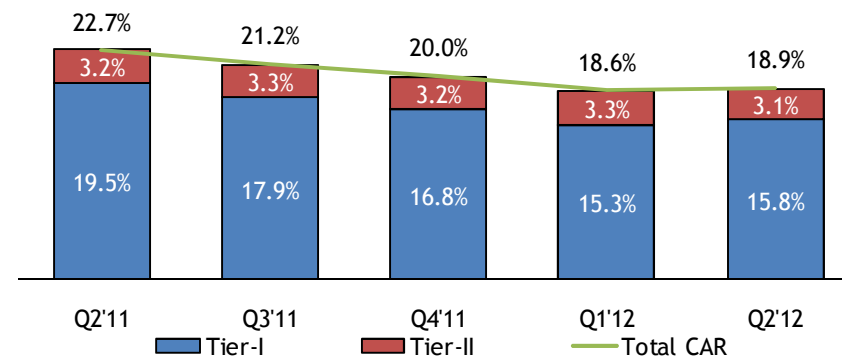
\* Q2'12 includes one time accelerated provisioning of ₹ 5.4 Crores

# Financial performance trends Q2-FY12

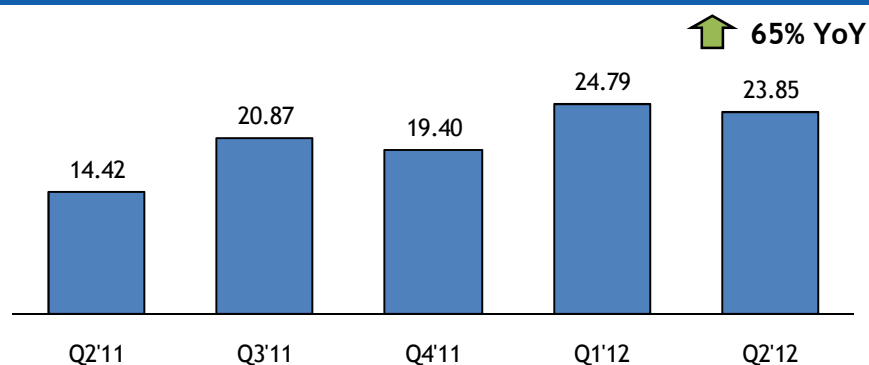
## Pre-tax profit (₹ Crores)



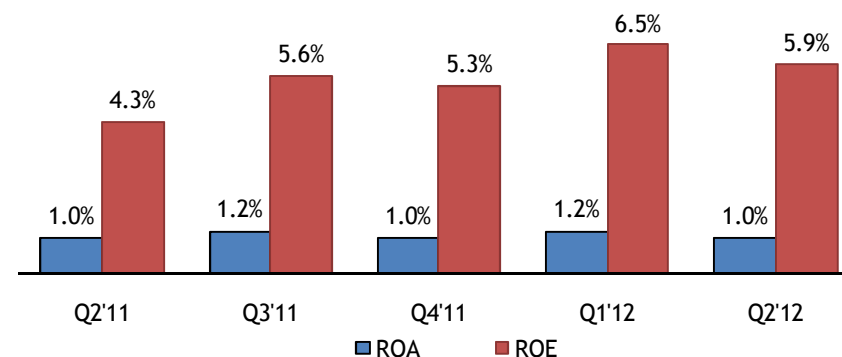
## Capital adequacy



## Earnings per share - Basic (₹)

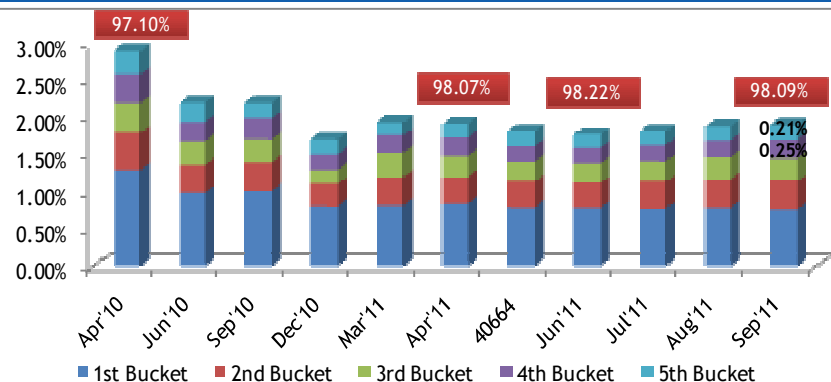


## Return on average Assets under finance & Equity

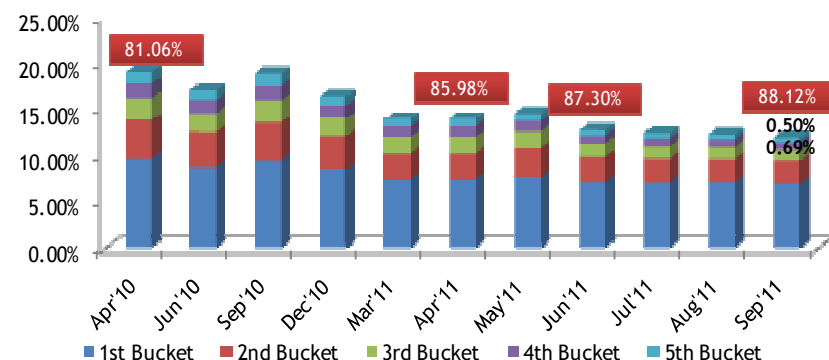


# Credit Quality of Bajaj Finance customers across products - Portfolio composition

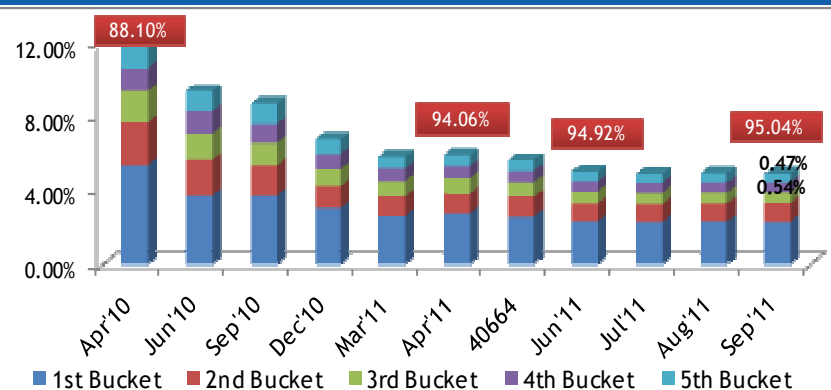
## Consumer durable loan



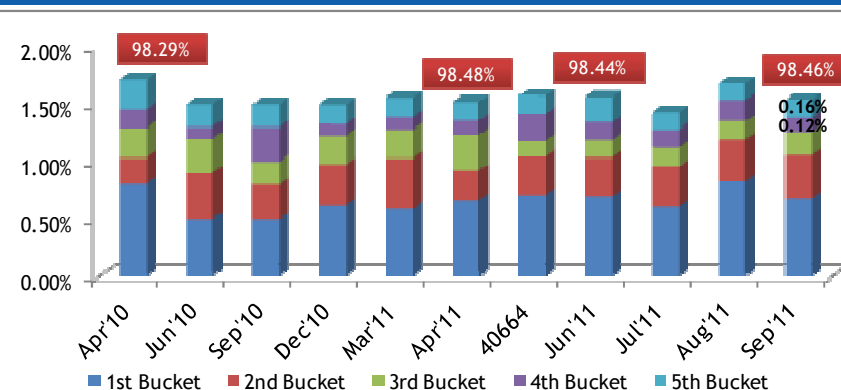
## Two wheeler loan



## Personal loan cross sell



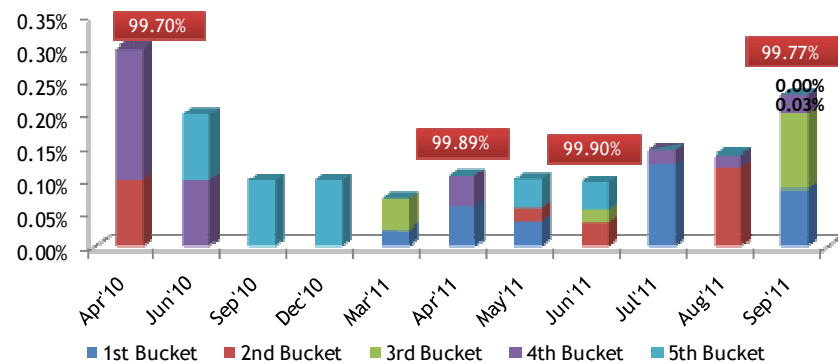
## Small Business loan



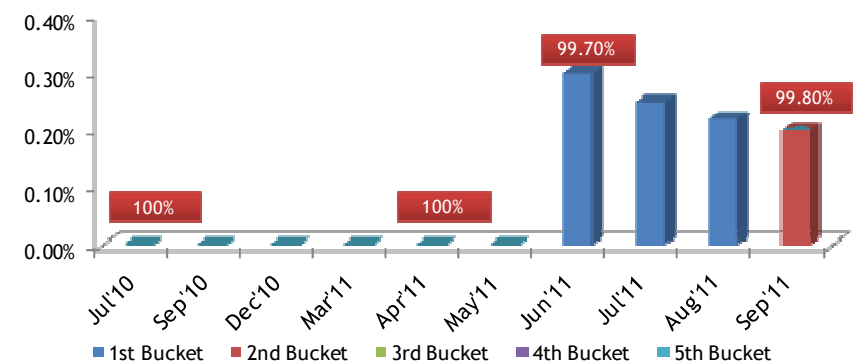


# Credit Quality of Bajaj Finance customers across products - Portfolio composition

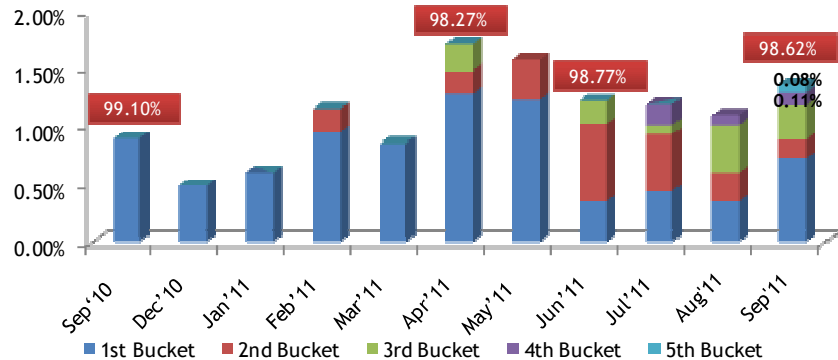
## Loan against property



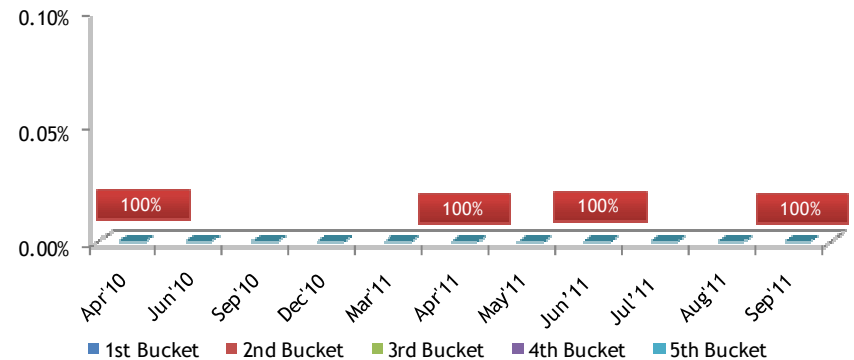
## Home loan



## Construction equipment financing

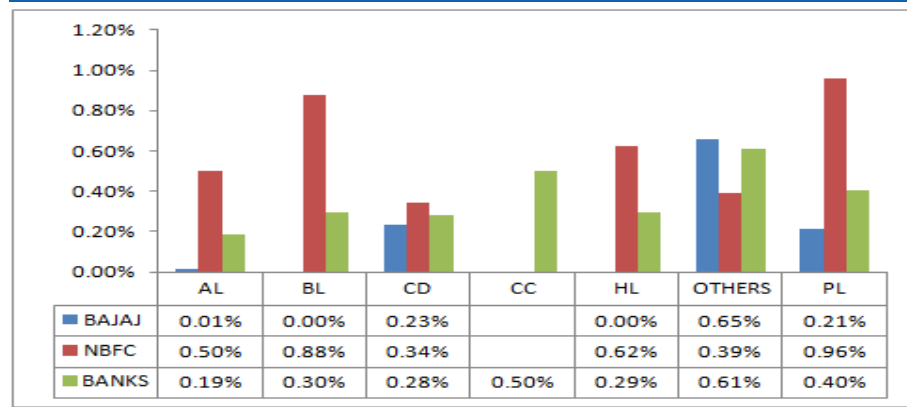


## Loan against securities

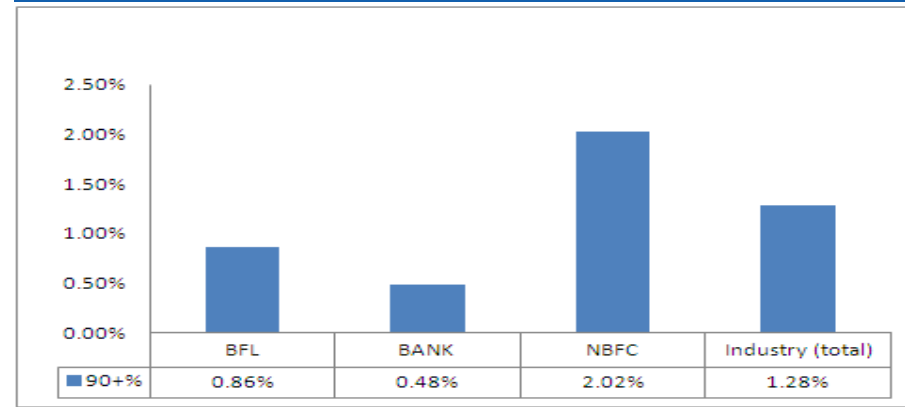


# Credit Quality of Bajaj Finance customers across products - Portfolio health test

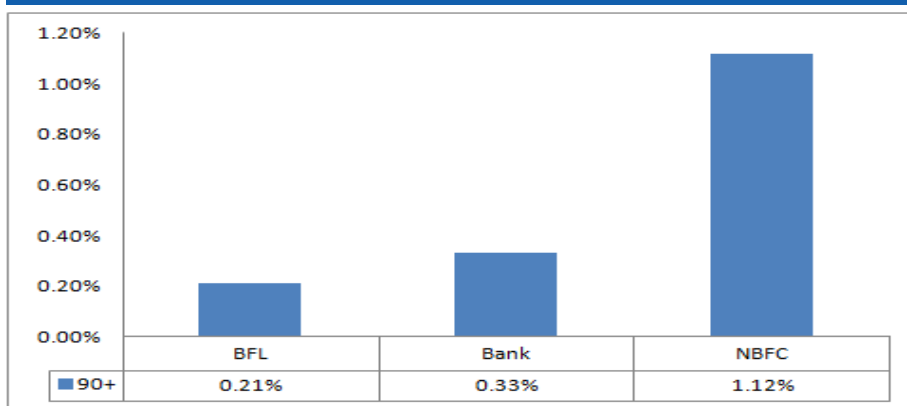
## Consumer durable loans - 90 dpd+



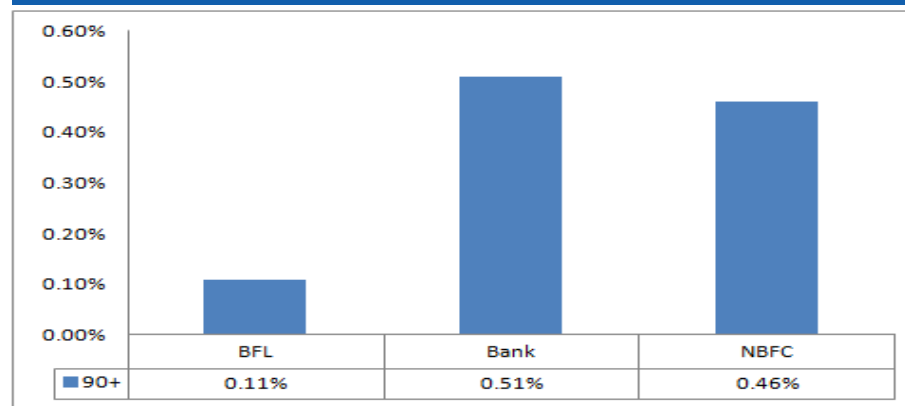
## Personal loan cross sell - 90 dpd+



## Business loans - 90 dpd+



## Loan against property - 90 dpd+



Source: Data from CIBIL - TransUnion Database

Note: Conclusion drawn are company's inference



**Bajaj Finance Limited**  
**Q2'12 presentation**  
**Thank you**

***19<sup>th</sup> October 2011***