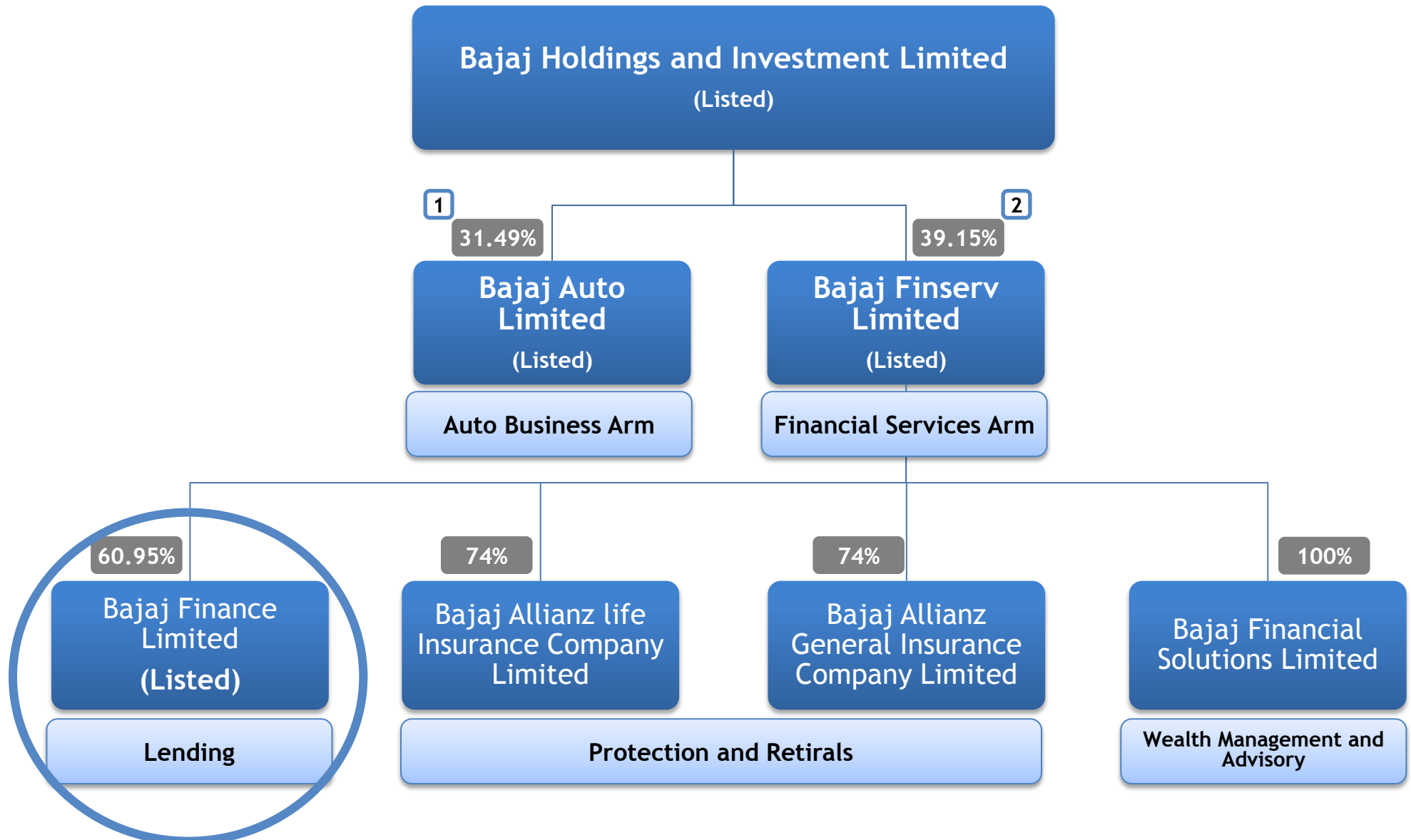




## Bajaj Finance Limited Q2'13 presentation

*19<sup>th</sup> October 2012*

# Bajaj Group structure



1. 50.02% holding through promoter holding company & promoter group
2. 58.88% holding through promoter holding company & promoter group



- A 25 year old non bank finance company
- Diversified consumer, SME & commercial lender in India.
- Credit rating of AA+ with (+) outlook by CRISIL & ICRA for over 6 years.
- 82 cities presence with over 4,200 distribution franchise.
- **Large customer franchise with 13.5 lac clients acquired in H1 FY13.**



Bajaj Finserv is the financial services arm of the Bajaj group with business interest in “Lending”, “Protection”, and “Wealth management” through its various subsidiaries



- 2<sup>nd</sup> largest policy acquirer amongst private insurers. 10.5 lac policies in FY12
- 4<sup>th</sup> largest private sector life insurer in India on new business & gross premium.
- 2<sup>nd</sup> highest AUM amongst private players. AUM of ₹ 39K crores as of FY12
- 2<sup>nd</sup> largest profitable life insurer in private sector in FY12.
- 1,044 Branches with over 173K agents.



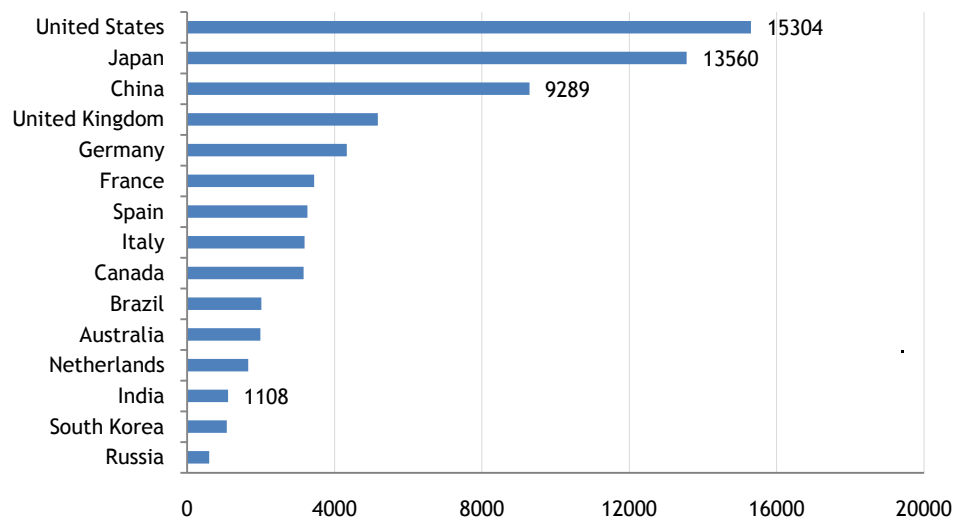
- 2<sup>nd</sup> largest private General insurer in India.
- Offer wide range of General insurance viz. Motor, Health & Corporate in India.
- Profitable non-life insurer since its first full year of operation.
- Best combined ratio in the industry.
- Strong franchise built on fast & efficient customer service.



- A new business diversification for BFS.
- Launched retail financial advisory business in 04 cities in FY11.
- Retail financial advisory business intends to build on a key client need gap of providing financial planning to retail clients in a profitable way.
- Received SEBI approval to launch mutual fund business. Proposed JV with Allianz.

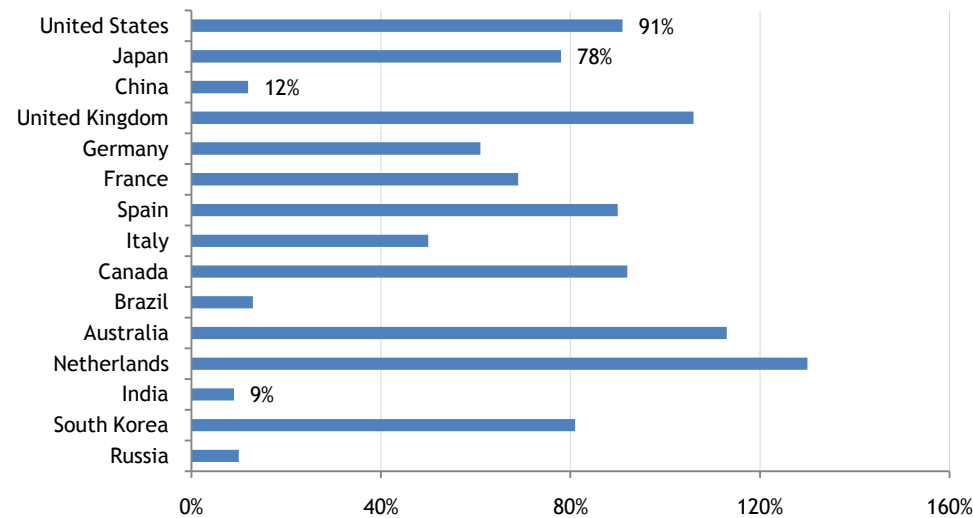
# Lending Industry - Opportunity

## India vs. Advanced Economies - Banking Assets (US\$ Bn)



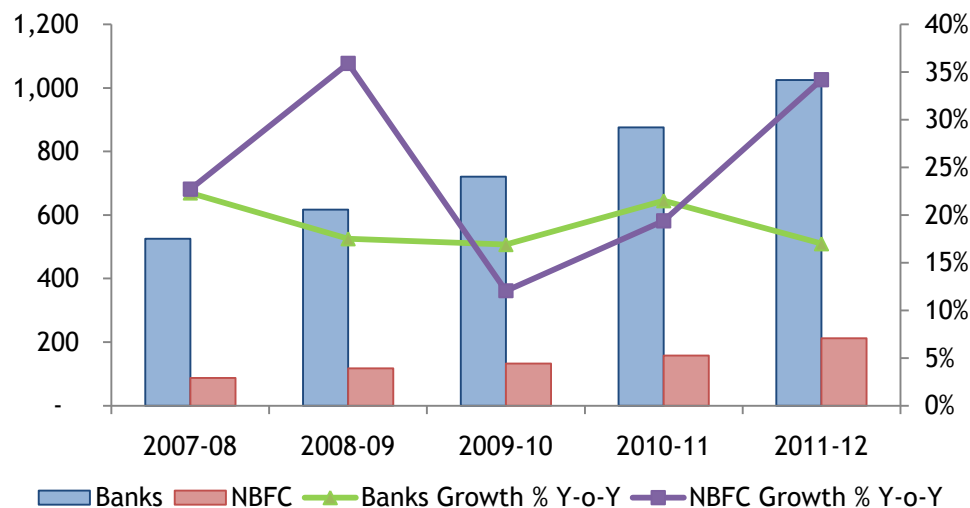
Source: World Economic Forum Report

## India vs. Advanced Economies - Consumer Debt/GDP (%)



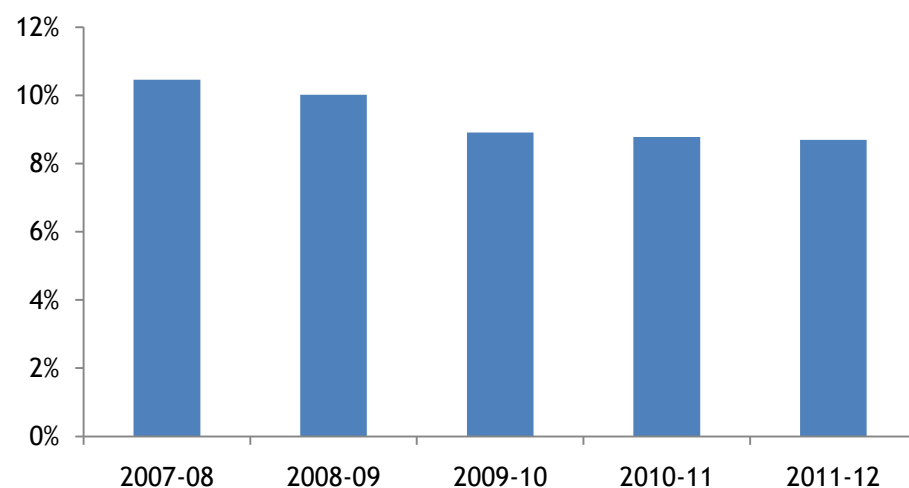
Source: International Monetary Fund

## India - Banks & NBFC Assets (US\$ Bn)



Source: Reserve Bank of India

## India - Consumer Debt/GDP (%)

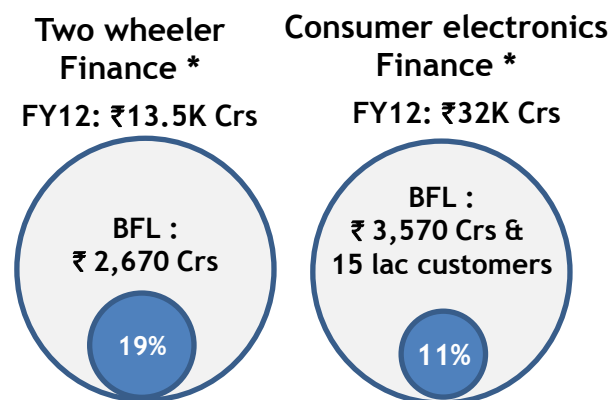


Source: Reserve Bank of India

- A 25 year old non bank with a demonstrated track record of profitability.
- Focused on Consumer, SME and Commercial lines of businesses spread across nine product lines.
- Strategic business unit organization design supported by horizontal common utility support functions to drive domain expertise, scalability and operating leverage.
- Strategy is to focus on cross sell, customer experience and product & process innovations to create a differentiated & profitable business model.
- As at September 30, 2012, the company has ₹ 15,370 crores of Asset under management with a net NPA of 0.20% and a capital adequacy of 17.7%. The company in H1 FY13 has delivered a post tax profit of ₹ 267 crores at a ROE of 12.3%, not annualised.

## Consumer lines of businesses :

- Largest **Two wheeler** lender in India focused on semi-urban & rural markets. Currently contribute 26% of Bajaj Auto's domestic sales. (chart depicts finance market size & our market share)
- Largest **Consumer electronics** lender in India. Focused on affluent consumers. LCD industry market share at 20% & LED industry market share at 30% of units sold in India. Currently we estimate our electronics market share at 12.5% (chart depicts market size & our market share in FY12)
- Amongst a few non banks with an active **co-branded Credit Card**.
- Amongst the largest new client acquirers in India (13.5 lacs in H1 FY13).



\* Source: Internal research, RBI reports, Bloomberg reports

## SME lines of business :

- Focused on high net worth SMEs with an average annual sales of ₹ 25 crores with established financials & demonstrated borrowing track records.
- Offer a range of working capital and growth capital products. 85% of the business is secured by mortgages and marketable securities.

### Small Business Loans \*

FY12 : ₹13K Crs



### Loans Against Property \*

FY12 : ₹ 20K Crs



## Commercial lines of business:

- Focused on high growth infrastructure sector in India with a mix of Asset backed financing and Corporate financing solutions.
- Offer wholesale lending products covering short, medium and long term needs of Top 50 vendors of Bajaj Auto Limited.

## Asset liability management:

- Strategy is to borrow wholesale and lend retail. Current mix of bank & debt markets is at 56:44.

## Credit Quality :

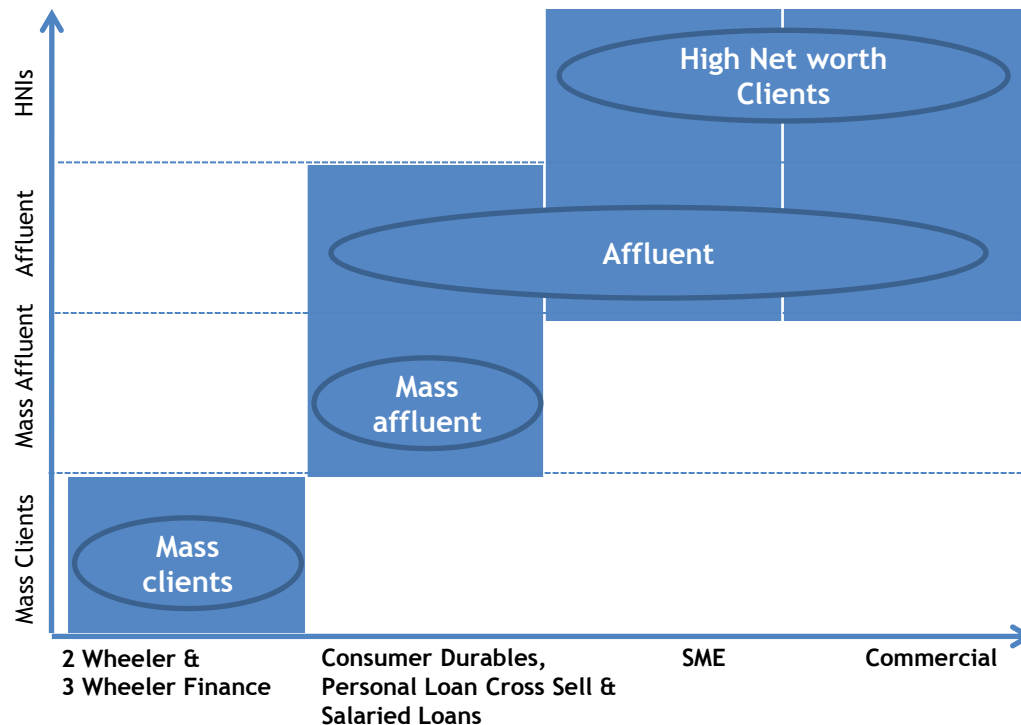
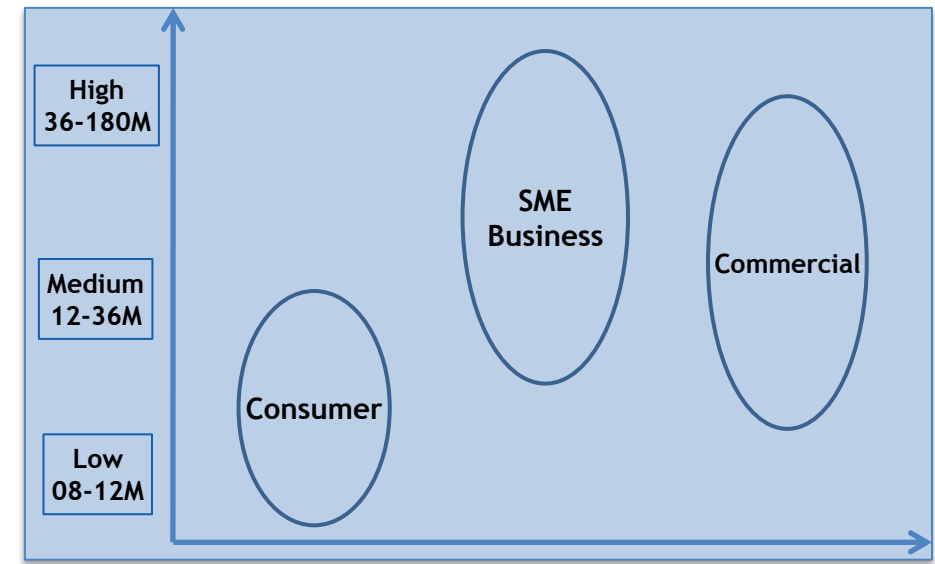
- Net NPA of 0.2% is amongst the lowest in banking & non banking space. Gross NPA is 1.1%.

## Credit Rating :

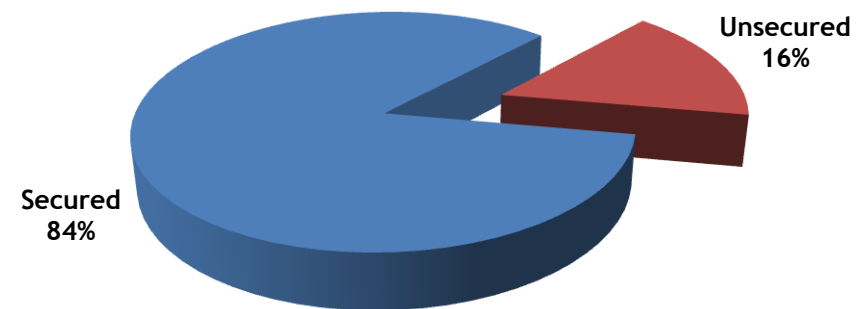
- Consistently holding AA+/stable and LAA+ stable rating from CRISIL & ICRA over last 6 years, with a positive outlook.

# Products and Key characteristics

Product	Consumer	SME	Commercial
	Consumer Durable Financing	Mortgage - LAP & HL	Construction Equipment Finance
	2 Wheeler & 3 Wheeler Finance	Loan Against Securities	Infrastructure Finance
	Personal Loan Cross sell & Salaried Loans	Small Business Loans	Secured Auto vendor Finance
Cross sell - Life/General Insurance, Extended Warranty & Credit Card			



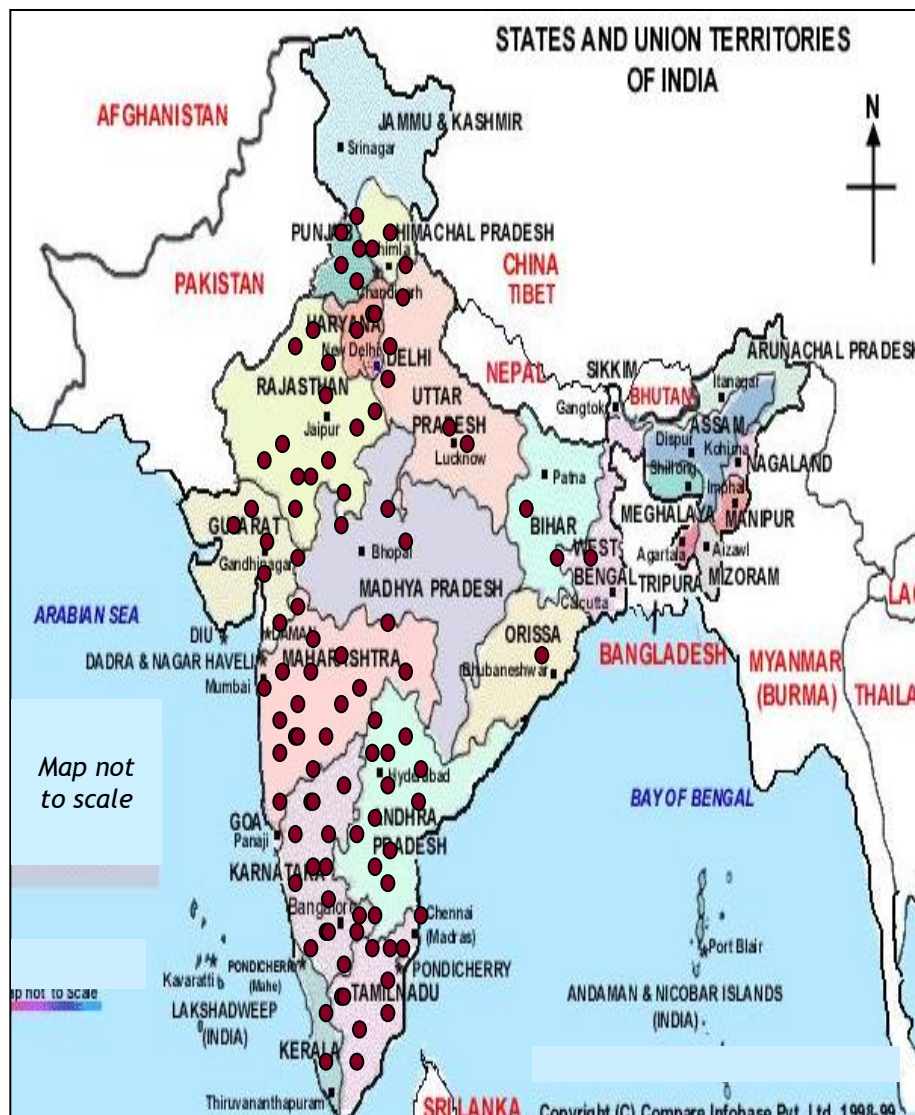
Portfolio composition - Q2 FY13



Segment	Jun'11	Sep'11	Dec'11	Mar'12	Jun'12	Sep'12
Consumer Finance	42%	41%	40%	38%	39%	39%
SME Business	44%	45%	43%	43%	45%	45%
Commercial	13%	15%	17%	19%	16%	16%



# Strong distribution reach



## Geographic presence

Business Line	FY09	FY10	FY11	FY12	FY13*
Sales Finance	87	79	79	82	82
2W - Hubs	55	54	54	54	54
2W - Spokes	200	150	150	150	150
Small Businesses	15	15	23	31	31

## Distribution

Business Line	FY09	FY10	FY11	FY12	FY13*
Sales Finance - Dealer	4,500+	2,000+	2,500+	2,800+	2800+
2W- Dealer/ASCs	1,400+	1,275+	1,400+	1,400+	1400+
SME - Partner	175+	225+	250+	250+	250+
SME - Support	175+	225+	275+	275+	275+

## # of New loans disbursed ('000s)

Business Line	FY09	FY10	FY11	FY12	FY13*
Sales Finance	352	515	1,038	1,551	1,006
2W	219	378	522	654	337
Small Businesses	3.5	5	9	16	11
Total	574	897	1,560	2,221	1,353

## Assets under management (₹ Crores)

	FY09	FY10	FY11	FY12	FY13*
AUM	2,539	4,032	7,571	13,107	15,370

\* as at Year to date for the quarter ending

Deep distribution, sizeable acquisition engine and growing balance sheet



- **FY13 continue to remain strong in the second quarter** as well aided by strong volume momentum and strong credit performance across Consumer and SME product lines.
- **Two Wheeler** business continues to grow in a healthy manner. Its market share has improved from ~24% of Bajaj Auto's domestic sales in FY12 to 26% in H1. Its Direct Cash Collection (DCC) business contribution is now stable at 40% of overall Two Wheeler business. We are now growing our **Three Wheeler & Commercial Vehicle** business. It's penetration to Bajaj Auto's domestic sales has grown from 9% in FY12 to 13% in H1.
- **Consumer businesses continued to outperform** despite moderate demand for consumer electronics. Benign competitive environment, strong sales stimulus & growing need of finance helped strong momentum. Given the high entry barriers to the business, the management continues to remain confident about its consumer business. The company estimates its market share at 12.5% in H1 against 11% in FY12. The company currently is in the process of adding 09 new locations for its consumer electronics financing business.
- **Personal loan cross sell and Salaried loans business** remained strong. The Company launched **India's fastest On-Line Personal Loans** in August 2012 for salaried customers. This facility allows the customer to obtain final approval for a loan upto ₹ 15 lakhs in 15 minutes time. The Company continues to increase its loan offerings through digital mediums of internet & mobile.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continue to grow in a healthy manner due to the company's sharp focus on customer segmentation. The company estimates that it is now among the top 03-04 new loan originators in loans against property and business loans in India. The Company is now operational in 31 cities and expanding the business in 05 new locations in Q3 FY13. It is also unveiling its 'Hub & Spoke' sourcing strategy and adding 12 new spokes in Q3 FY13 for its business loans business.

- **Infra commercial businesses are being de-grown** due to stress in the market. **Construction Equipment** business YoY disbursements have slowed by 61% due to the deteriorating portfolio and company's negative outlook on the sector currently. Overall equipment demand has also slowed considerably in Q2. **Infrastructure** loan growth has been flat in H1. There were no new sanctions in infra financing business in Q2.
- **The Auto Component Vendor Financing Business** is growing in a stable manner. It was a good quarter for this business. Its AR grew by ₹ 95 Crores in Q2 to ₹ 717 Crores. The company continues to grow this business in a steady manner with Bajaj Auto vendors & other strong OE auto component manufacturers in the industry.
- **Interest cost for the company** continues to remain significantly lower amongst NBFC peers due to its conservative ALM in earlier years. The cost of funds curve for the company is trending to a steady/declining mode. Cost of fund on an incremental basis has started to come down. The dip in last 30 days is ~50-60 bps across tenors in money market. However the pass through from banks is still not visible.
- **Gross and Net NPA** remained stable at 1.1% and 0.2% respectively. Portfolio metrics across businesses except Construction Equipment continued to remain steady in Q2. Construction Equipment portfolio deteriorated in line with the sharp deterioration in the industry performance in H1. We have managed to hold the deteriorated book in 01/02 installment outstanding in Q2. The AR is declining rapidly and is down by ₹ 55 Crores in H1.
- The Company launched its **New look web-site** in the month of September 2012 with added features for customer service thereby improving customer experience significantly. '**Document Vault**' is one of the steps in this direction. It is a very convenient feature that allows customers to access their key loan & KYC documents.

- **Clients** acquired during Q2 FY13 ↑ 22% to 6,00,792 from 4,91,695 in Q2 FY12.
- **Deployments** during Q2 FY13 ↑ 29% to ₹ 4,334 Crores from ₹ 3,352 Crores in Q2 FY12.
- **Total income** for Q2 FY13 ↑ 49% to ₹ 737 Crores from ₹ 493 Crores in Q2 FY12.
- **Profit after tax** for Q2 FY13 ↑ 48% to ₹ 129 Crores from ₹ 87 Crores in Q2 FY12.
- **Loan losses and provisions** for Q2 FY13 ↑ 20% at ₹ 53 Crores as against ₹ 44 Crores in Q2 FY12. The provisioning coverage ratio stands at 80% as of September 30, 2012 which is at the same level of September 30, 2011. The Company continues to provide for loan losses in excess of RBI requirements. During the quarter, the Company took an accelerated provision of ₹ 14 Crores as against ₹ 5 Crores in the corresponding quarter of the previous year. Excluding the accelerated provision, the loan loss provision was **flat** at ₹ 39 Crores.
- **Net NPA** for Q2 FY13 stood at 0.20% against 0.3% in Q2 FY12.
- **Capital adequacy** ratio as at Q2 FY13 (including Tier-II capital) stood at 17.7%. The Company continues to be well capitalized to support its growth trajectory.

# Summary financial statement

	₹ in Crores								
Financials snapshot	Q2'13	Q2'12	YoY	H1'13	H1'12	YoY	FY12	FY11	YoY
Deployments	4,334	3,352	29%	9,062	6,940	31%	15,797	9,435	67%
Assets under finance (AUF)	14,715	9,333	58%	14,715	9,333	58%	12,283	7,272	69%
Assets under management (AUM)	15,370	10,071	53%	15,370	10,071	53%	13,107	7,573	73%
Total Interest & fee Income	737	493	49%	1,440	945	52%	2,172	1,406	54%
Interest expenses	295	167	77%	558	307	82%	746	371	101%
Net Interest Income (NII)	442	326	36%	882	638	38%	1,426	1,035	38%
Operating Expenses	199	153	30%	400	296	35%	670	460	46%
Loan Losses & Provision	53	44	20%	85	78	9%	154	205	-25%
Profit before tax	190	129	47%	397	264	50%	602	370	63%
Income tax	62	42	48%	129	85	52%	196	123	59%
Profit after tax	129	87	48%	267	178	50%	406	247	65%

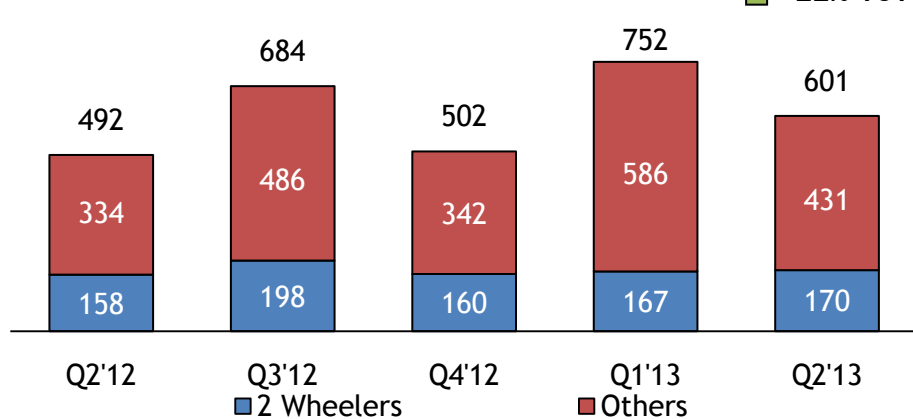
Ratios	Q2'13	Q2'12	H1'13	H1'12	FY12	FY11
Total Opex to NII	45.0%	46.9%	45.4%	46.4%	47.0%	44.5%
Loan loss to AUF*	0.4%	0.5%	0.6%	0.8%	1.3%	2.8%
Return on Average AUF *	0.9%	1.0%	2.0%	2.1%	4.2%	4.4%
Earning per share - Basic (Rs.) *	31.1	23.9	64.7	48.6	110.8	67.5
Return on Average Equity *	5.8%	5.6%	12.3%	11.9%	23.5%	19.7%

\* Quarterly & Half yearly numbers are not annualized

# Financial performance trends Q2-FY13

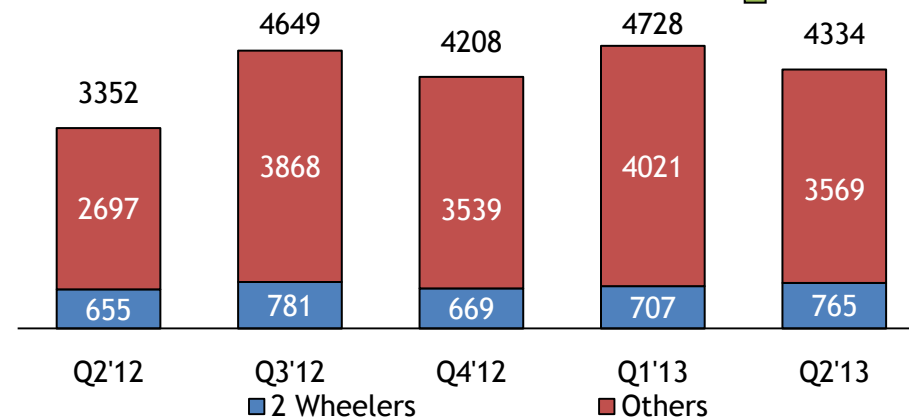
## # of Loans Disbursed ( '000)

↑ 22% YoY



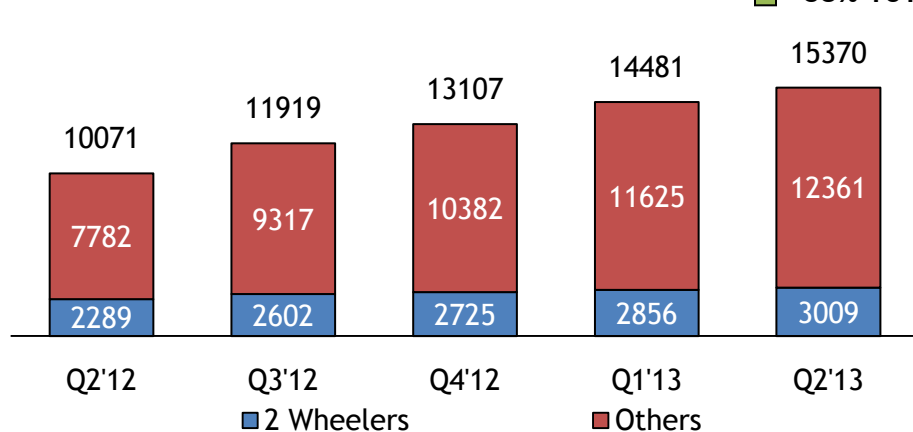
## Disbursements (₹ Crores)

↑ 29% YoY



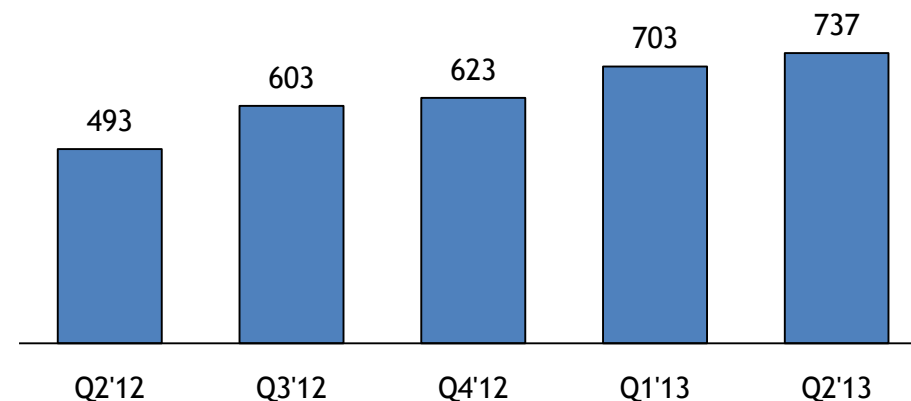
## AUM (₹ Crores)

↑ 53% YoY



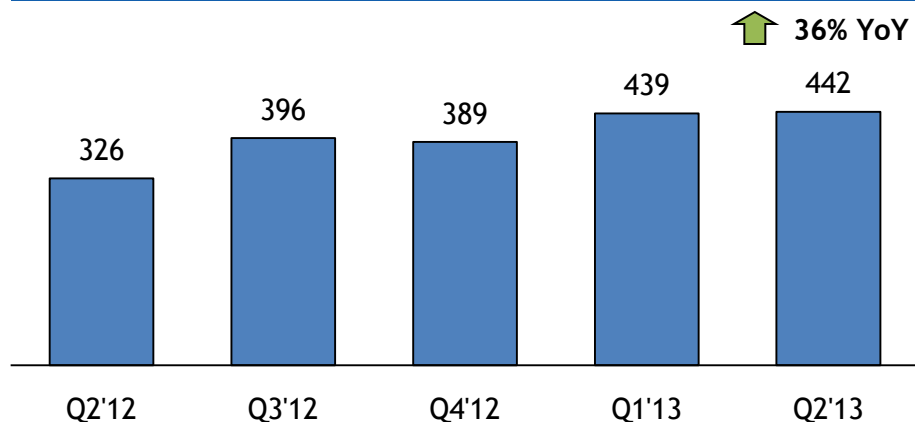
## Revenue (₹ Crores)

↑ 49% YoY

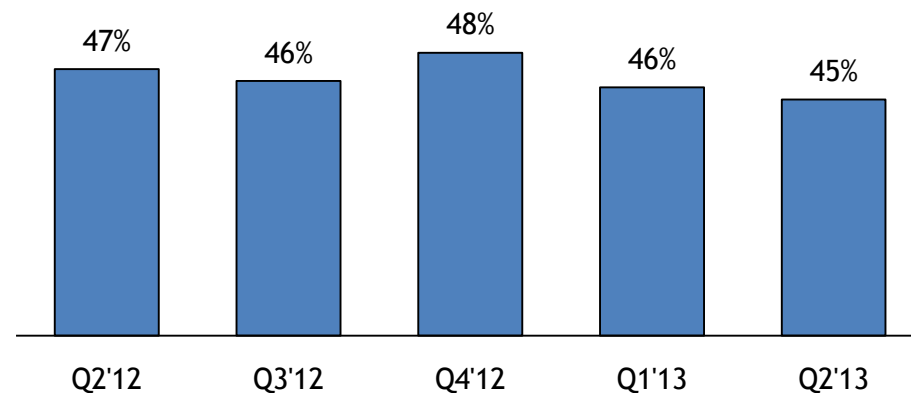


# Financial performance trends Q2-FY13

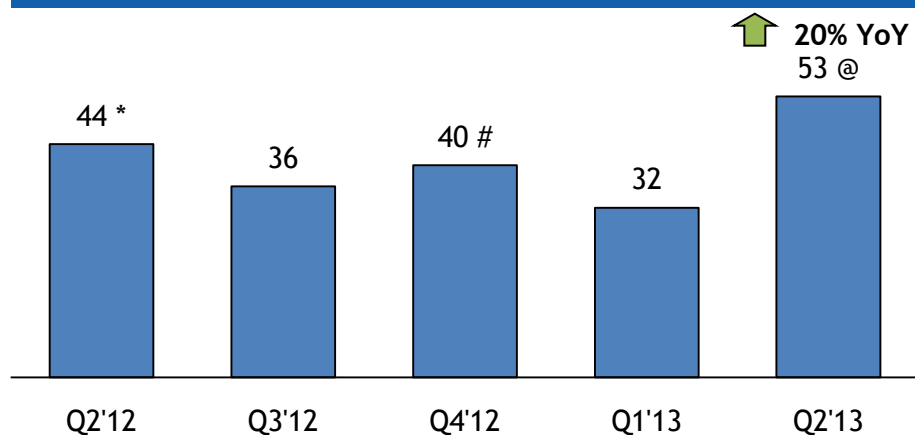
## NII (₹ Crores)



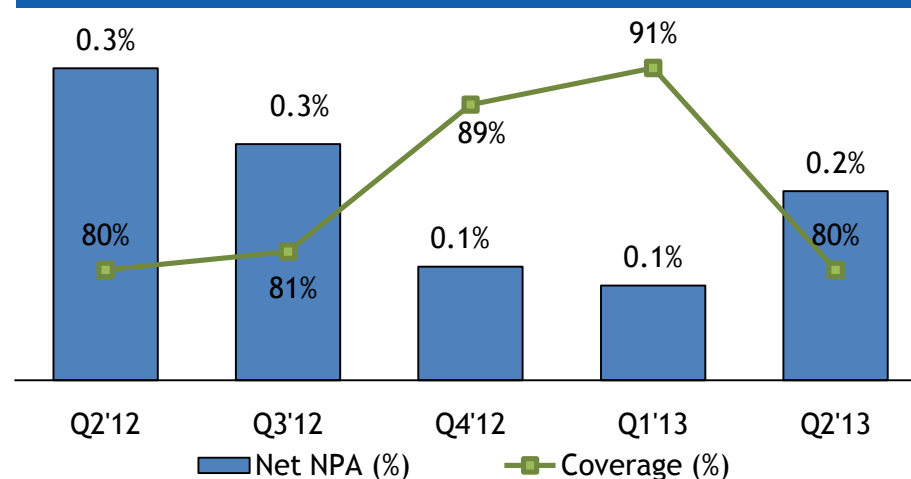
## Operating Expenses % of NII



## Loss provision (₹ Crores)



## Net NPA & Provisioning coverage

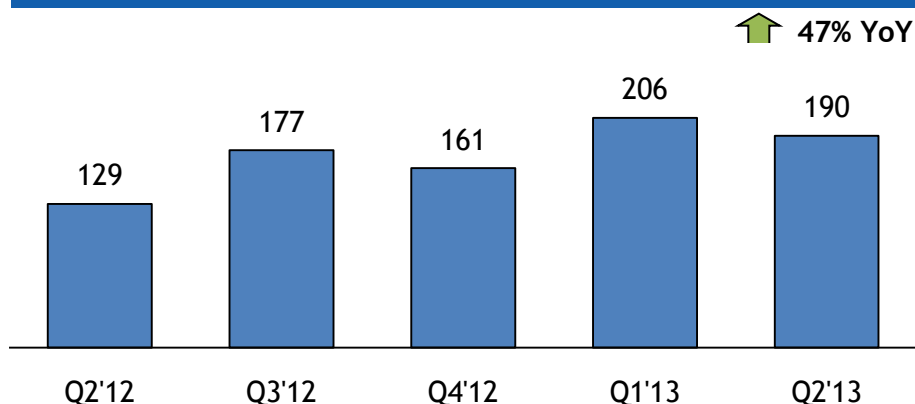


\* Q2'12 includes one time accelerated provisioning of ₹ 5.4 Crores  
 # Q4'12 includes one time accelerated provisioning of ₹ 14.6 Crores  
 @ Q2'13 includes one time accelerated provisioning of ₹ 14.0 Crores

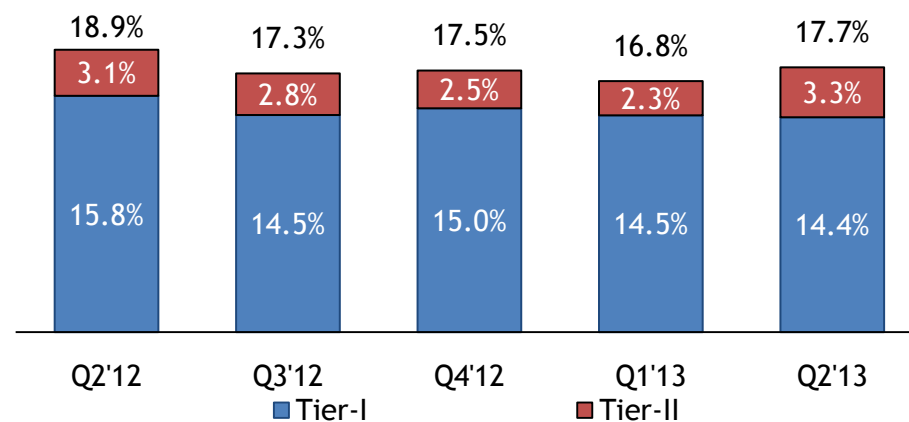


# Financial performance trends Q2-FY13

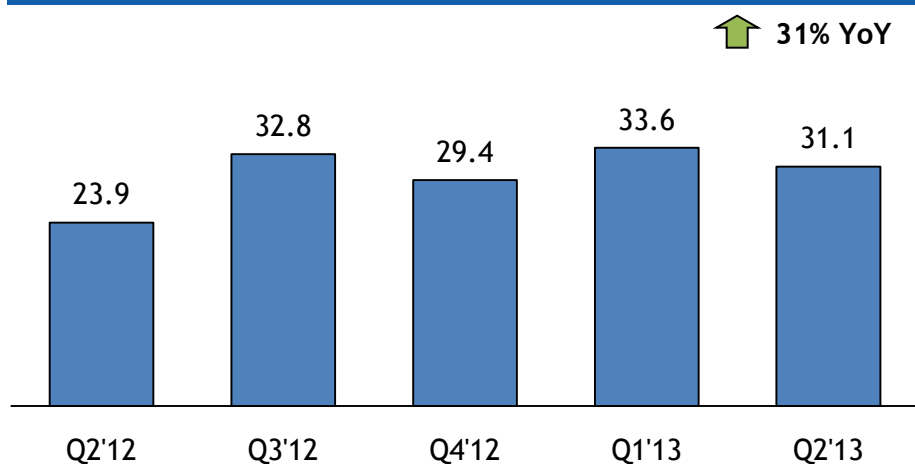
## Pre-tax profit (₹ Crores)



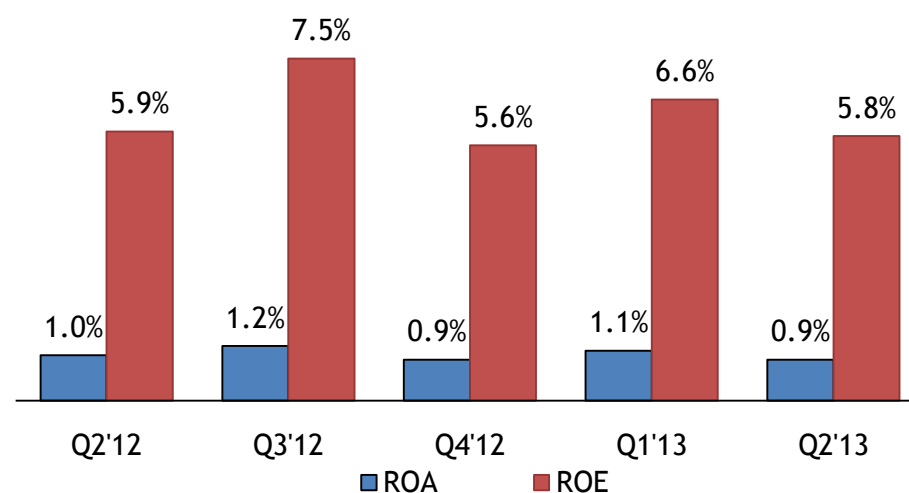
## Capital adequacy



## Earnings per share - Basic (₹)

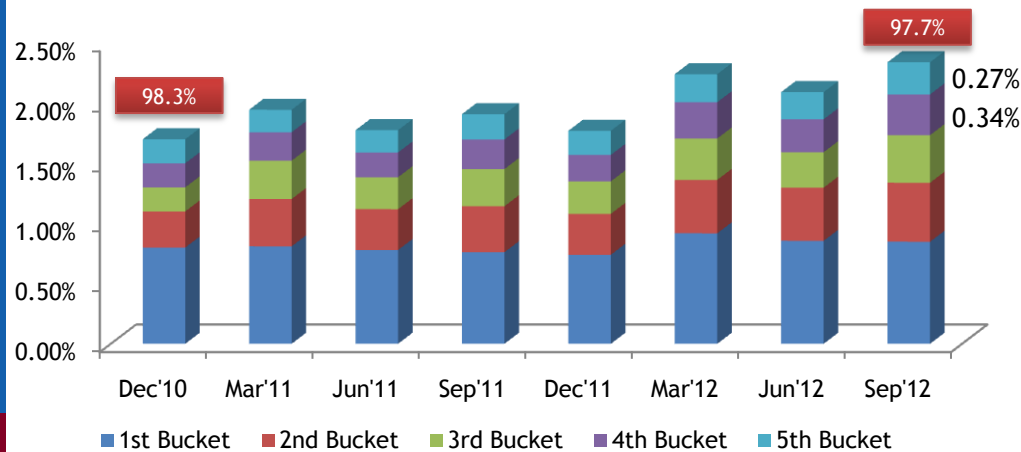


## Return on average Assets under finance & Equity

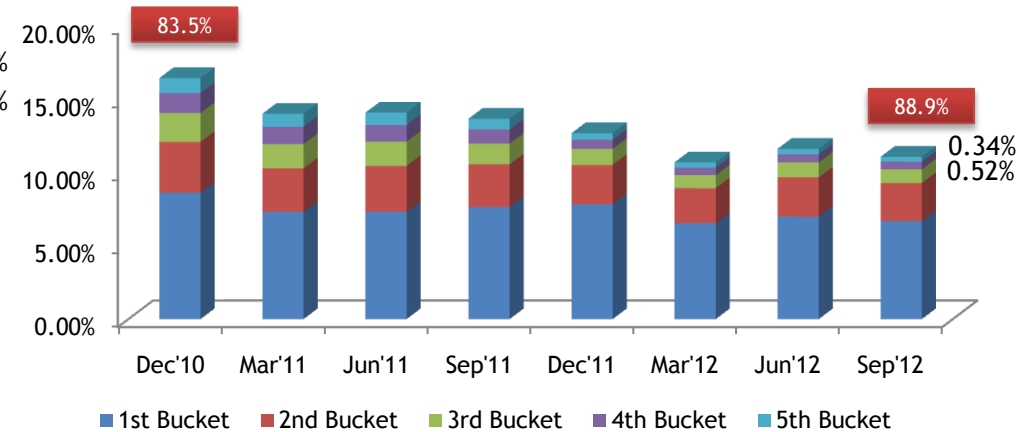


# Credit Quality of Bajaj Finance customers across products - Portfolio composition

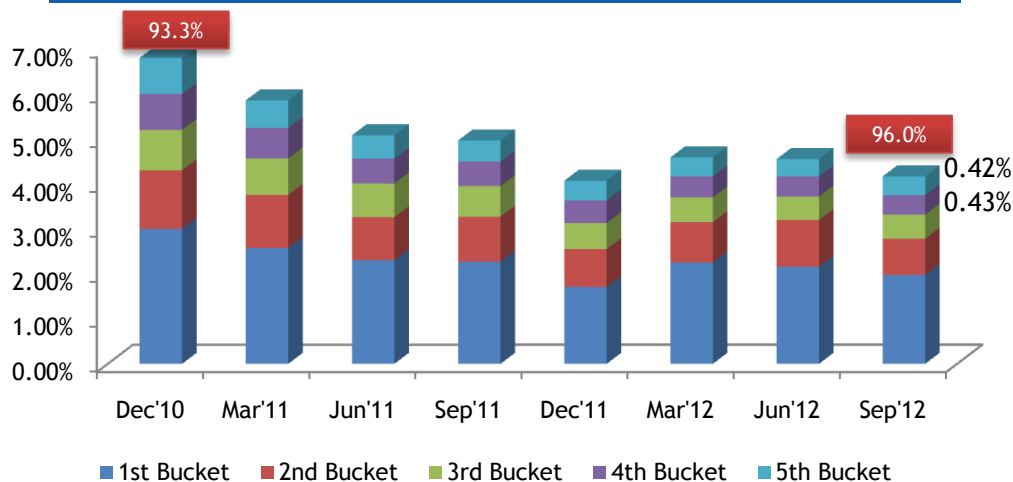
## Consumer durable loan portfolio



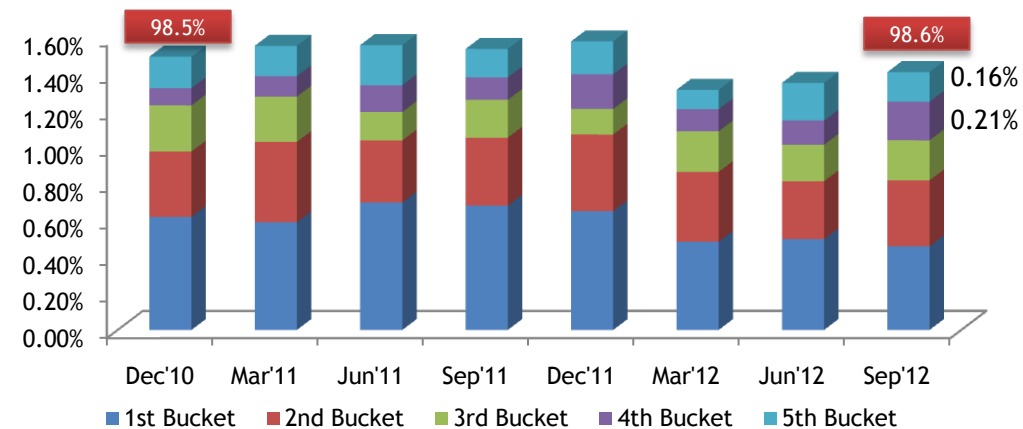
## Two wheeler loan portfolio



## Personal loan cross sell portfolio

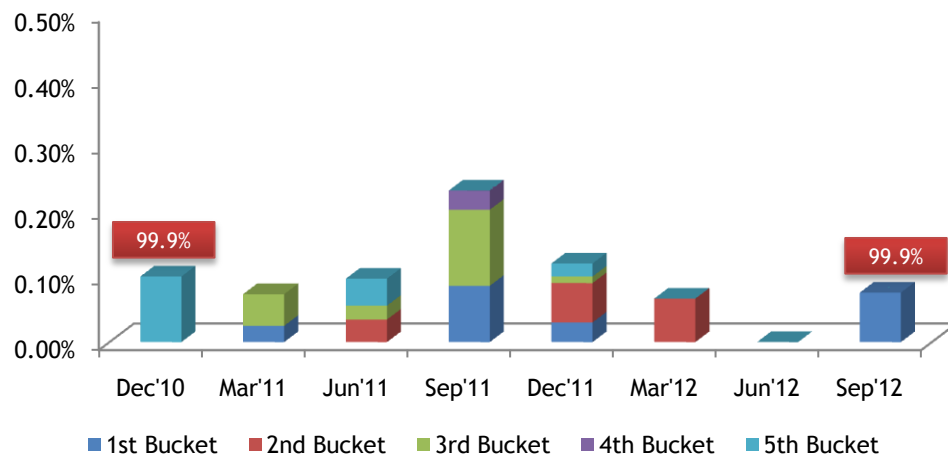


## Small Business loan portfolio

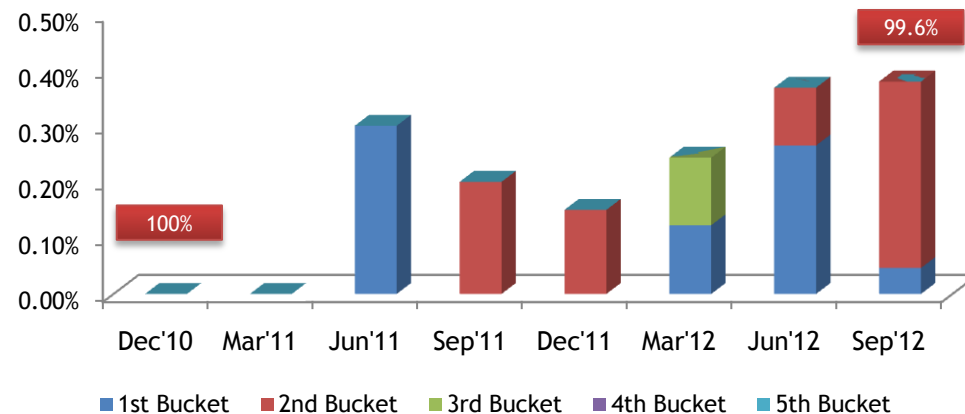


# Credit Quality of Bajaj Finance customers across products - Portfolio composition

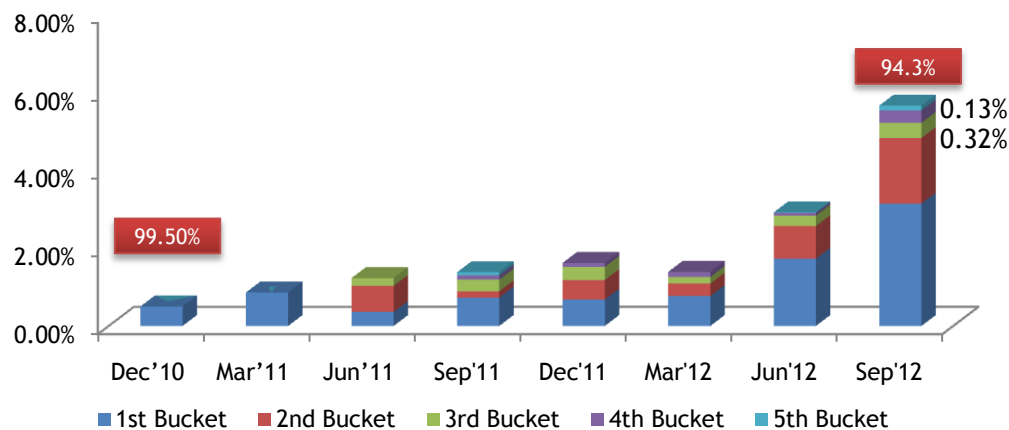
## Loan against property portfolio



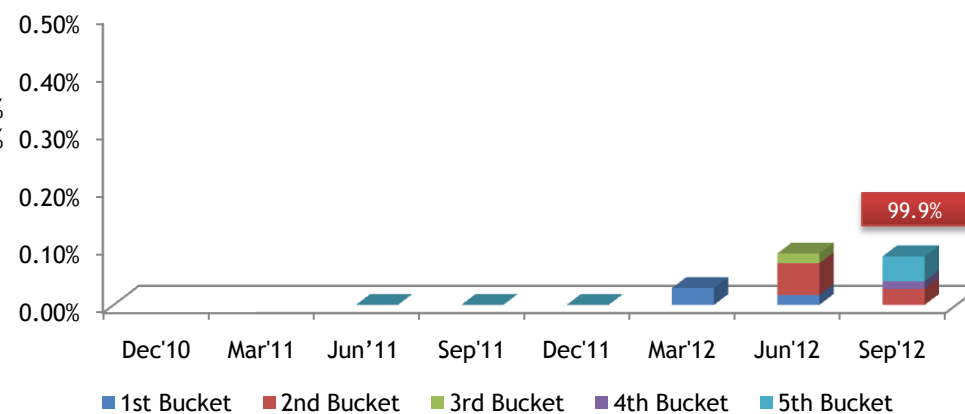
## Home loan portfolio



## Construction equipment financing portfolio



## Salaried personal loan portfolio



Loan against securities portfolio continues to remain all current since launch of the business.

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**Bajaj Finance Limited**  
**Q2'13 presentation**  
**Thank you**

***19<sup>th</sup> October 2012***