

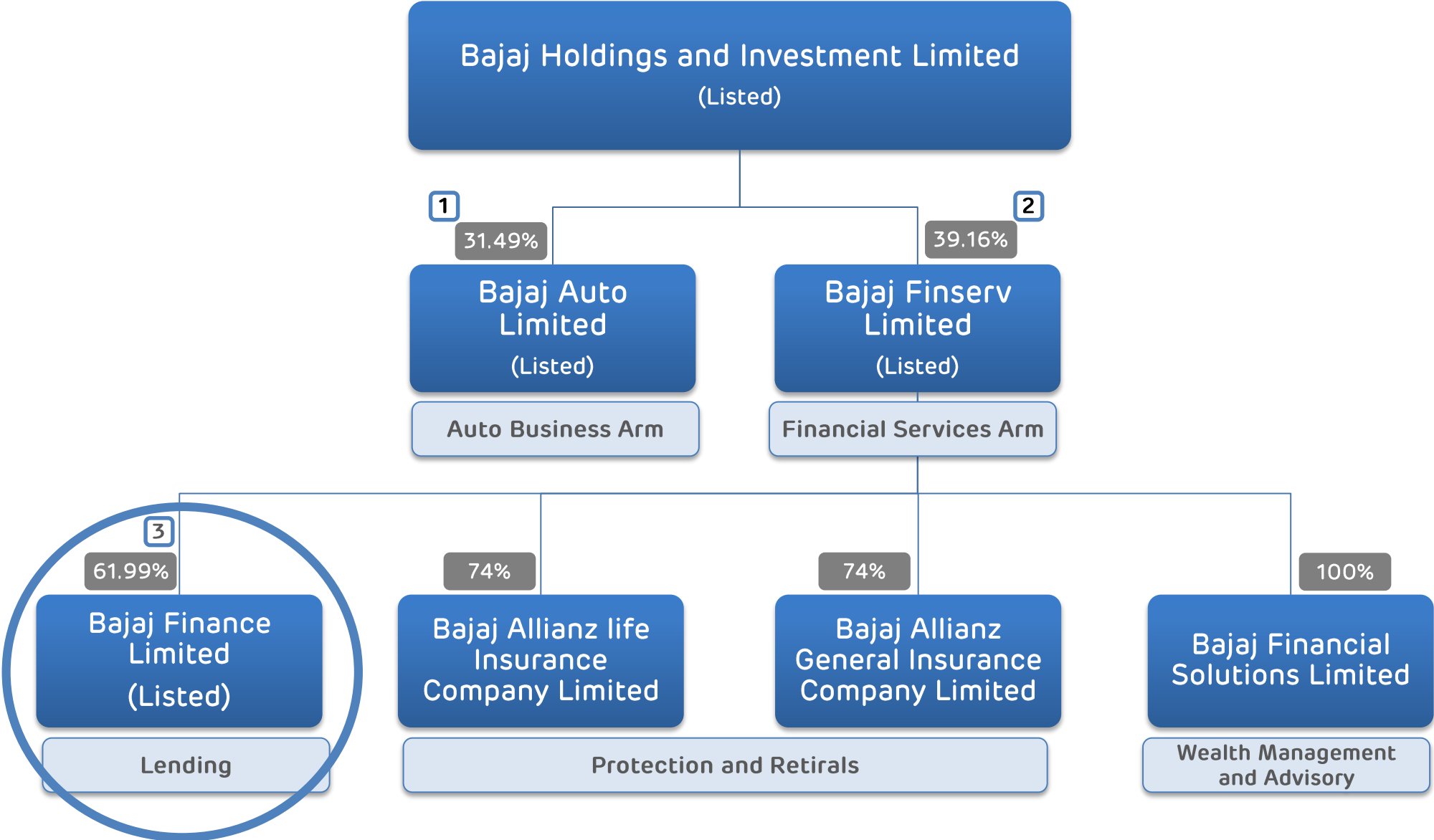


## Bajaj Finance Limited Q2 FY14 Presentation

15<sup>th</sup> October 2013

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# Bajaj group structure



1. 50.02% holding through promoter holding company & promoter group  
2. 58.89% holding through promoter holding company & promoter group  
3. 62.07% holding through promoter holding company & promoter group

# Bajaj Finserv group - Executive summary



- A 26 year old non bank finance company
- Diversified consumer, SME & commercial lender in India
- Credit rating of AA+ with (+) outlook by CRISIL & ICRA for over 7 years
- 101 cities presence with over 5,500 + distribution franchise
- Large customer franchise with 28 lacs clients acquired in FY'13



- AUM of ₹ 38K Cr. in FY13
- One of the most profitable private life insurers in India.
- 4th largest private sector life insurer in India on new business
- Among the top 5 largest policy acquirer in private insurers in FY13
- 992 Offices with almost 150K agents



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



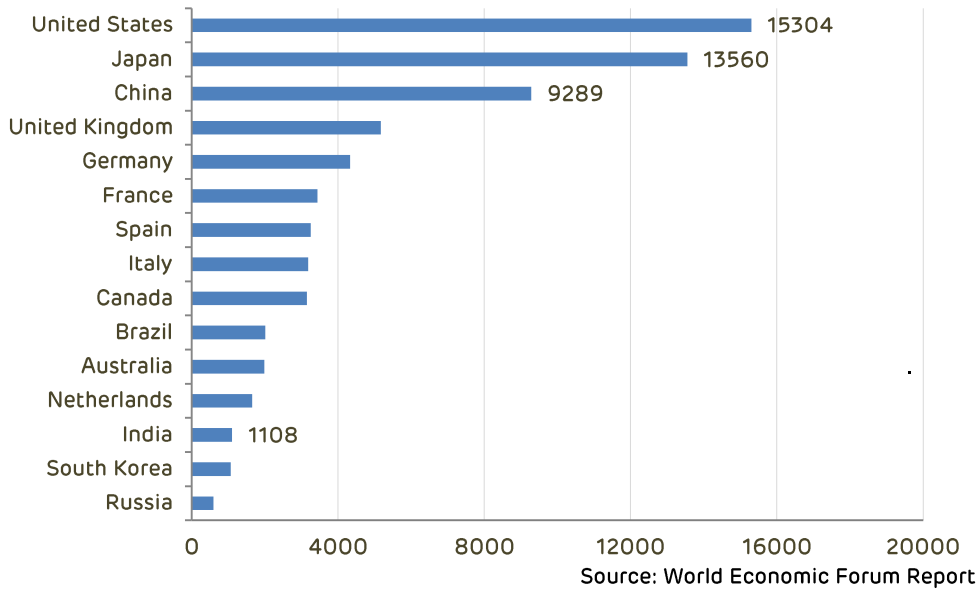
- 2nd largest private General insurer in India
- Offer wide range of General insurance viz. Motor, Health & Corporate in India
- One of the most profitable General insurance companies in India. ROE of 27% in FY13
- Industry leading combined ratios (93% ex TP Motor pool in FY13)
- Strong franchise built on fast & efficient customer service



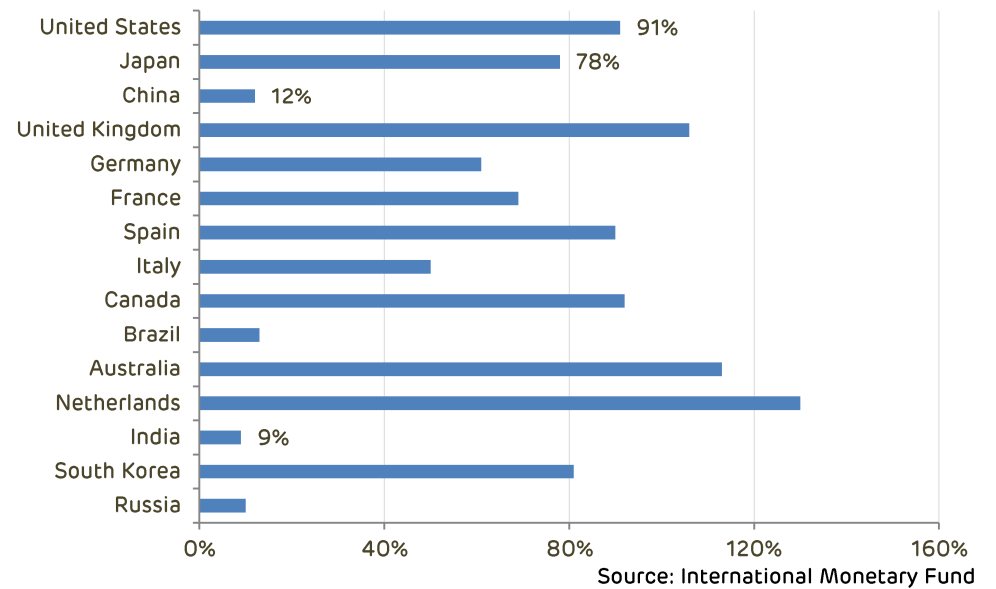
- A new business diversification for BFS
- Launched retail financial advisory business in 04 cities in FY11
- Retail financial advisory business intends to build on a key client need gap of providing financial planning to retail clients in a profitable way
- Current focus is cross selling to existing customers

# Lending industry opportunity

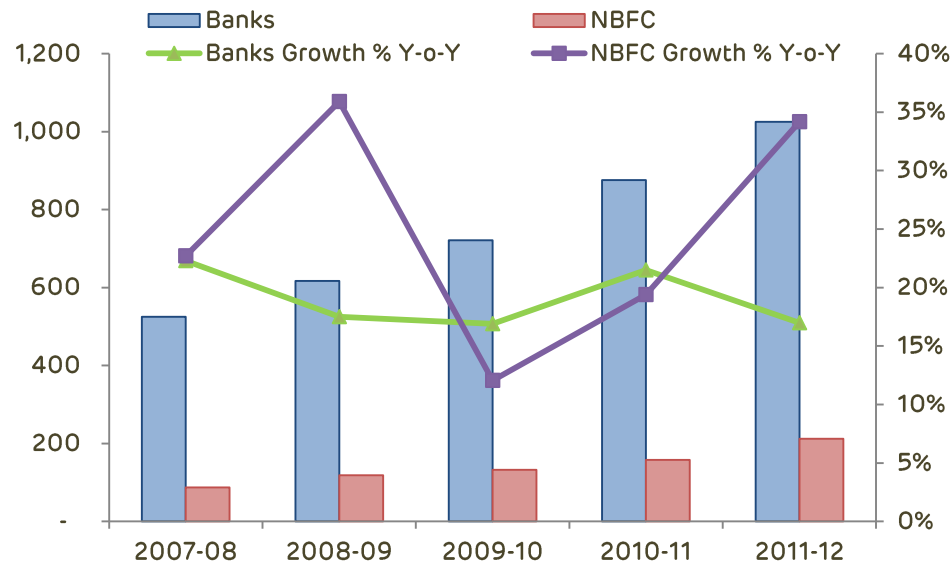
## India vs. Advanced Economies – Banking Assets (\$ Bn)



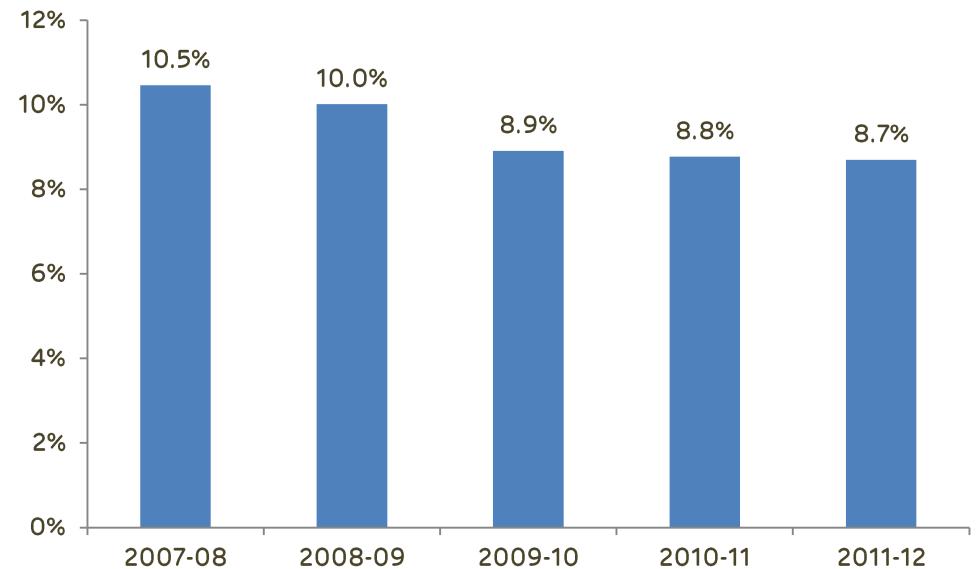
## India vs. Advanced Economies - Consumer Debt/GDP (%)



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



## India – Consumer Debt/GDP (%)



# Executive summary

## Bajaj Finance

- 26 year old non bank with a demonstrated track record of profitability.
- Focused on Consumer, SME and Commercial lines of businesses spread across eleven 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, 2013, the company has ₹ 19,829 crores of Asset under management with a net NPA of 0.26% and a capital adequacy of 20.9%. The company in Q2 FY14 has delivered a pre tax profit of ₹ 253 crores and a post tax profit of ₹ 167 crores at an ROA<sup>1</sup> of 3.6%.

## Consumer businesses

- Largest Two wheeler lender in India focused on semi-urban & rural markets. Currently contributes to ~30% of Bajaj Auto's domestic Two wheeler 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 14%. (chart depicts market size & our market share)
- Amongst a few non banks with an active co-branded Credit Card.
- EMI Card (Existing Membership Card) crossed 1.2 MM cards in force.
- Amongst the largest new client acquirers in India (16.6 lacs in 1<sup>st</sup> half).

### Two wheeler Finance \*

FY13: ₹ 17K Crs



### Consumer electronics Finance \*

FY13: ₹ 36K Crs



<sup>1</sup> Annualised

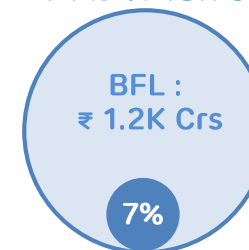
\* Source: Internal research, RBI reports, Bloomberg reports

# ...Executive summary

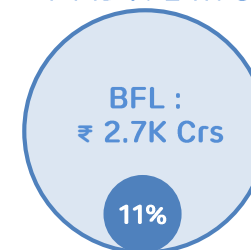
## SME businesses

- 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 & growth capital products. 81% of the business is secured by mortgages & marketable securities.
- Offer full range of mortgage products (LAP, LRD & HL) to salaried, SME & self employed professionals.
- A dedicated channel created in the company to provide a wide range of cross sell products keeping in line with company's cross sell orientation.

Small Business Loans \*  
FY13 : ₹ 18K Crs



Loans Against Property \*  
FY13 : ₹ 24K Crs



## Commercial businesses

- 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 Auto component vendors in India.

## Asset Liability Mgt.

- Strategy is to borrow wholesale and lend retail.
- Current mix of bank & debt markets is at 49:51.

## Credit Quality

- Net NPA of 0.26% - amongst the lowest in banking & non banking space.
- Gross NPA - 1.14% and a provisioning coverage of 78%. Amongst the most prudent on provisioning standards in the non bank space. Current provision standards are higher than leading banks.

## Credit Rating

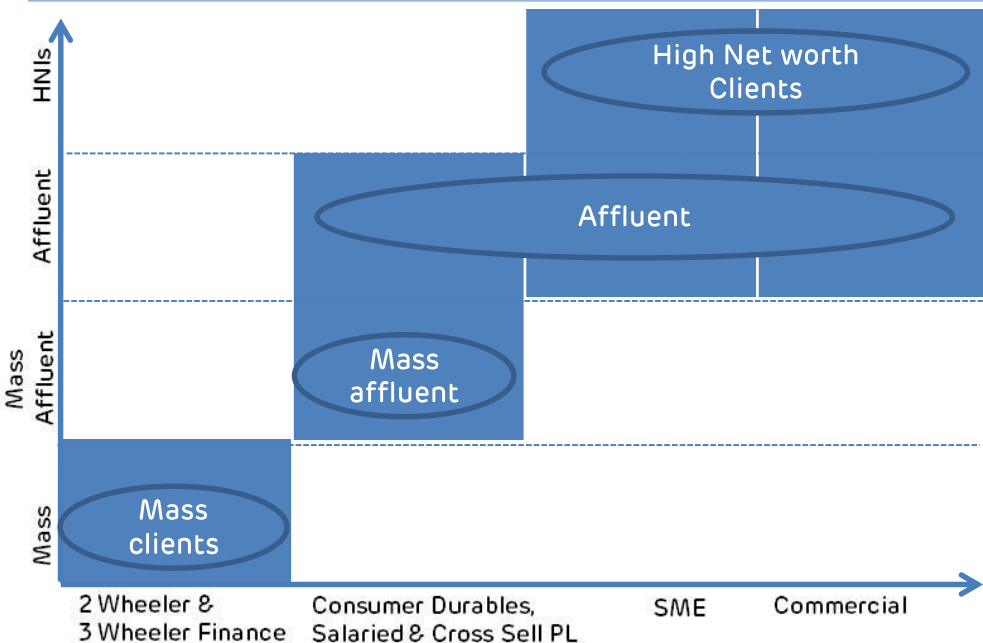
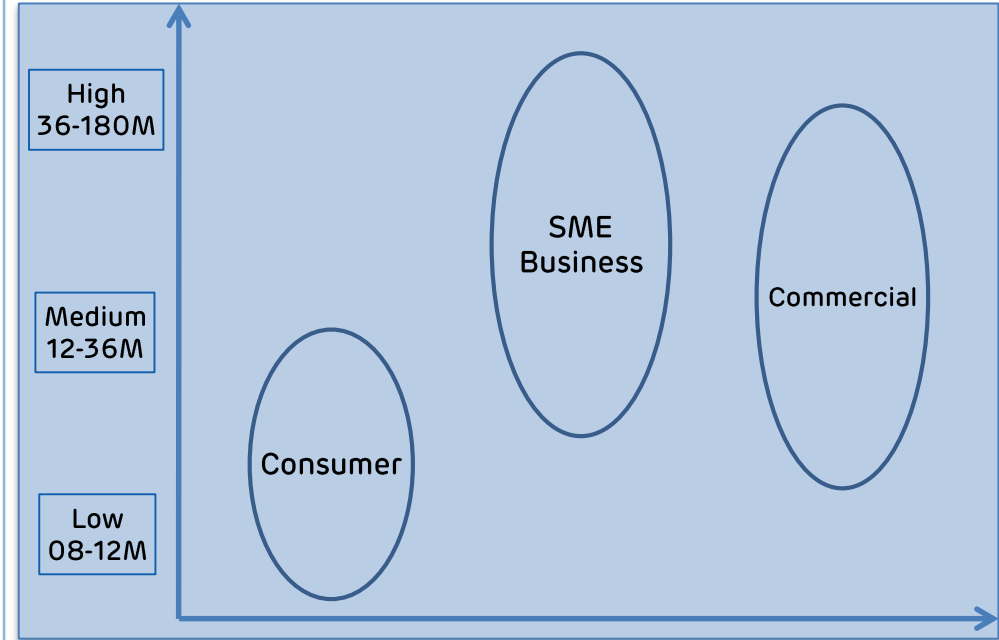
- Consistently holding AA+/stable and LAA+ stable rating from CRISIL & ICRA over last 7 years, with a positive outlook.

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

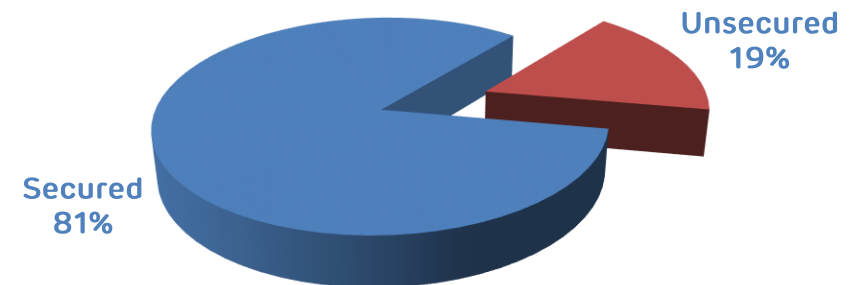


# Products & key characteristics

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



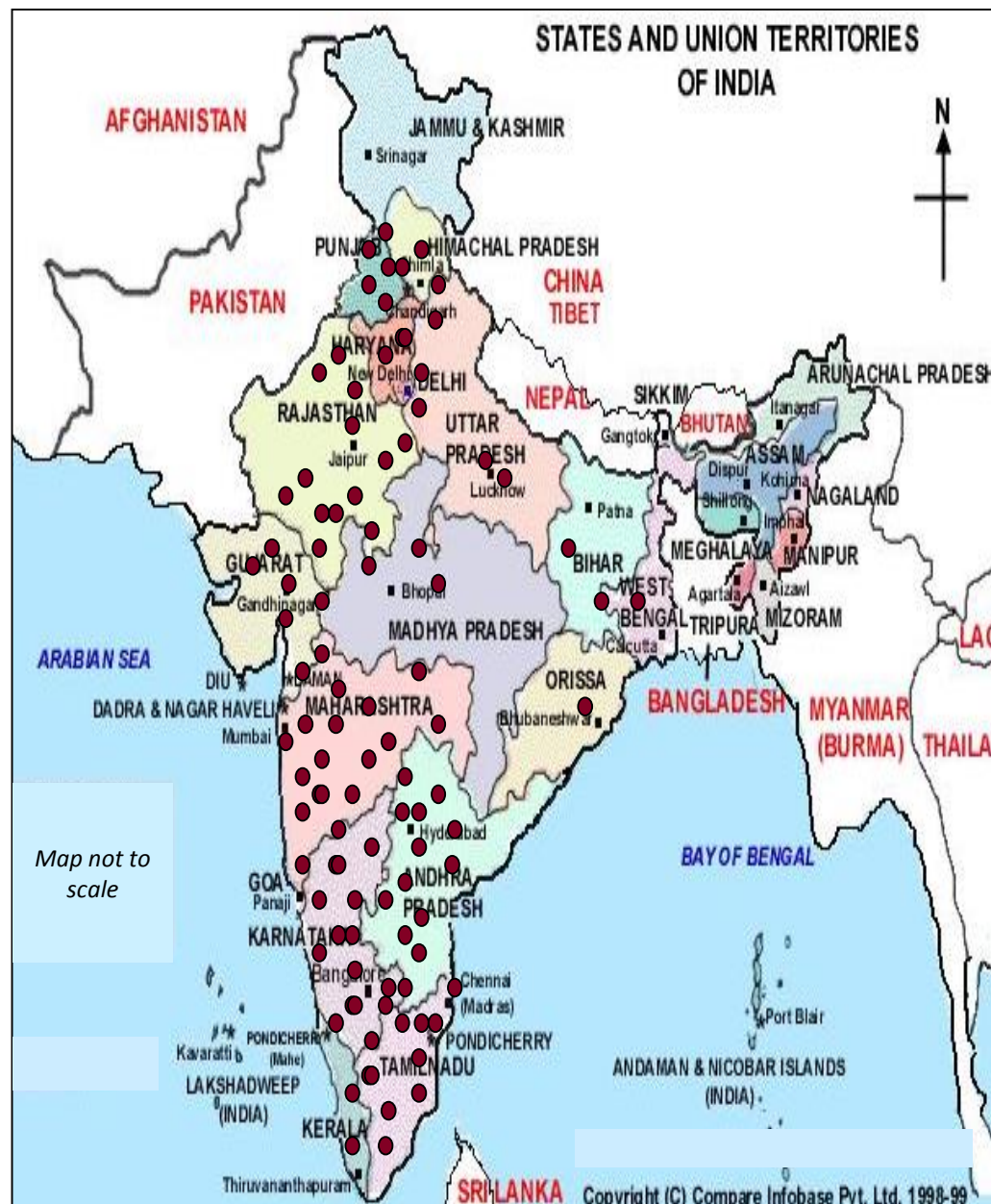
## Portfolio composition Q2- FY14



Segment	Mar'12	Jun'12	Sep'12	Dec'12	Mar'13	Jun'13	Sep'13
Consumer Finance	38%	39%	39%	41%	40%	42%	41%
SME Business	43%	45%	45%	46%	48%	49%	50%
Commercial	19%	16%	16%	13%	12%	9%	9%



# Strong distribution reach



## Geographic Presence

Business Line	FY10	FY11	FY12	FY13	FY14*
Sales Finance	79	79	82	91	101
2W - Hubs	54	54	54	54	54
2W - Spokes	150	150	150	150	150
SME Businesses	15	23	31	43	43
SME Spokes	-	-	-	14	18
Rural Branches	-	-	-	-	07
Rural Spokes	-	-	-	-	25

## Distribution

Business Line	FY10	FY11	FY12	FY13	FY14*
Consumer Electronics	2,000+	2,500+	2,800+	3500+	4400+
Lifestyle finance	-	-	-	850+	1500+
2W-Dealer/ASCs	1,275+	1,500+	2,200+	2,600+	2,600+
SME - Partner	225+	250+	250+	400+	600+
SME - Support	225+	275+	275+	400+	450+

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

Business Line	FY10	FY11	FY12	FY13	FY14*
Consumer Finance	515	1,038	1,555	2,060	1322
2W	378	522	654	736	322
Rural Finance	-	-	-	-	5
SME /Commercial	5	9	12	11	11
Total	897	1,560	2,221	2,808	1659

## Assets Under Management (₹ crores)

	FY10	FY11	FY12	FY13	FY14*
AUM	4,032	7,571	13,107	17,517	19,829

\* As at/ Year to date for the quarter ending

- Q2 FY14 for the company demonstrated a strong volume momentum, strong credit performance across Consumer and SME product lines and robust profitability. The company maintained a healthy growth momentum (20%) despite liquidity tightening. The company continued to maintain a cautious view on its Commercial business in Q2 as well.
- Two Wheeler financing de-grew 8% in Q2 due to slowdown in Two Wheeler industry. Our market share of 2W continues to be around 30% of Bajaj Auto's domestic sales.
- The Three wheeler business continues to grow in a healthy manner. It is currently operating in 15 states covering 123 key dealers of Bajaj Auto Ltd. Our market share of Bajaj Auto's 3W domestic sales continues to grow and currently holds at 21%. It has worked as a solid hedge to auto financing business strategy.
- Consumer durable & Life style finance business continued its solid run in Q2 as well and delivered a YoY growth of 27%. However consumer demand on an incremental basis is slowing steadily across discretionary (Consumer durable, Lifestyle & Personal Loans) and non discretionary (Home loans).
- Rural Lending business early indicators are encouraging and tracking ahead of our internal estimates on most parameters. The company is launching seven new hub locations and 28 spoke locations in second half of the year.
- SME businesses (Mortgages, Business loans & Loans against securities) continued to grow in a healthy manner on account of 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 investing to grow its 'Direct to Customer' channel in the SME business.
- Commercial businesses are being de-grown due to sectoral stress.

# ...Management discussion

- Interest cost for the company continues to remain significantly lower amongst NBFC peers. Borrowings are balanced between Long term & Short term to maintain healthy ALM. During Q2 Money markets were completely frozen for a good 50 days. The company remained largely unaffected during this period owing to its conservative ALM strategy. The company saw a marginal increase in Q2 interest cost.
- The company during the quarter maintained surplus liquidity to address the stressed liquidity scenario in the last 50 days. The other operating income for the quarter included a ₹ 27 crores income on these surplus borrowings invested in debt funds and bank CDs. Consequently the finance cost was also higher by 26 Crs.
- The company during Q2 completed assignment of ₹ 210 crores of its mortgage business as part of its ALM & treasury diversification strategy.
- Gross and Net NPA remained healthy at 1.14% and 0.26% respectively. Mortgage, Construction Equipment finance & Two Wheelers business contributed to the 'Net NPA'. Portfolio metrics/ credit quality across products remained very strong in Q2 except CE. The company continued to take proactive policy actions to take out bottom 7-10% of potential "high risk" business.
- Distribution fee based products viz. Life & General insurance, Wealth Management and CRISIL Ratings saw good traction across businesses and continued to remain strong.

Product per Customer (PPC) is a measure of cumulative products bought by a customer over his/her lifetime.

## Retail

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
12	3	1.76*	2.04*	2.16*

## SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
12	5	2.74*	2.84*	2.92*

## Product offerings – Retail

- Loan Products – Consumer durable finance, Lifestyle finance , Personal Loan, Salaried Personal Loans, Home loans
- Fee Products – EMI Card, Credit Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, Extended Warranty products

## Product offerings – SME

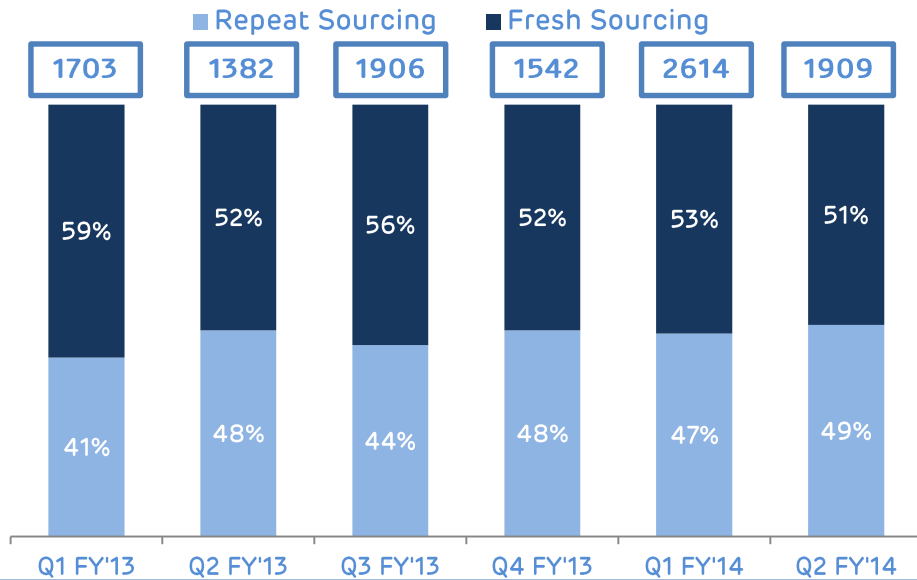
- Loan Products – Business loans, Loan against property, Home loans, Construction equipment loans, Loan against securities
- Fee Products – EMI Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, CRISIL ratings, Property search services

\* Base product is included in the PPC calculation  
 \* TW sourcing is not included in the calculation

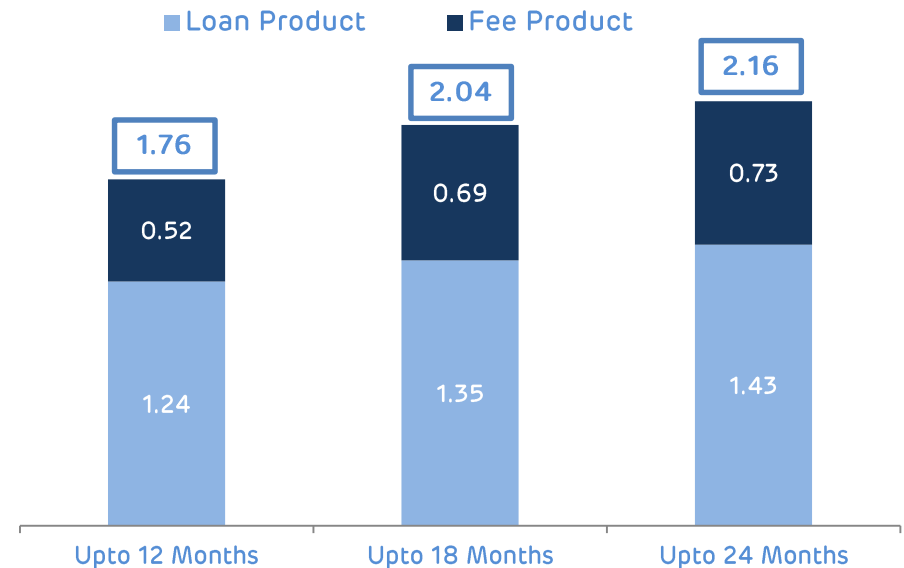
# Product Per Customer

## Retail

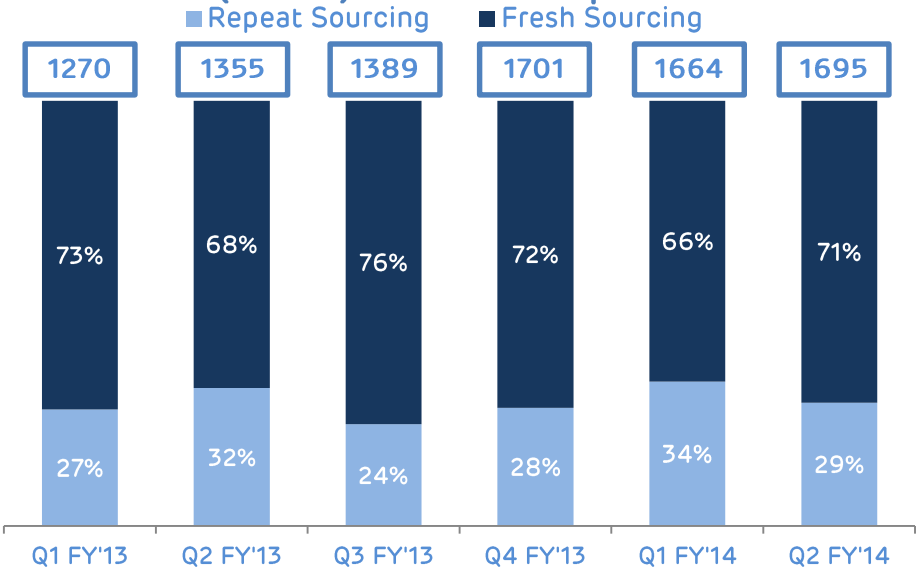
Disbursed Value (₹ Crore) – Fresh v/s Repeat Mix



Product Per Customer

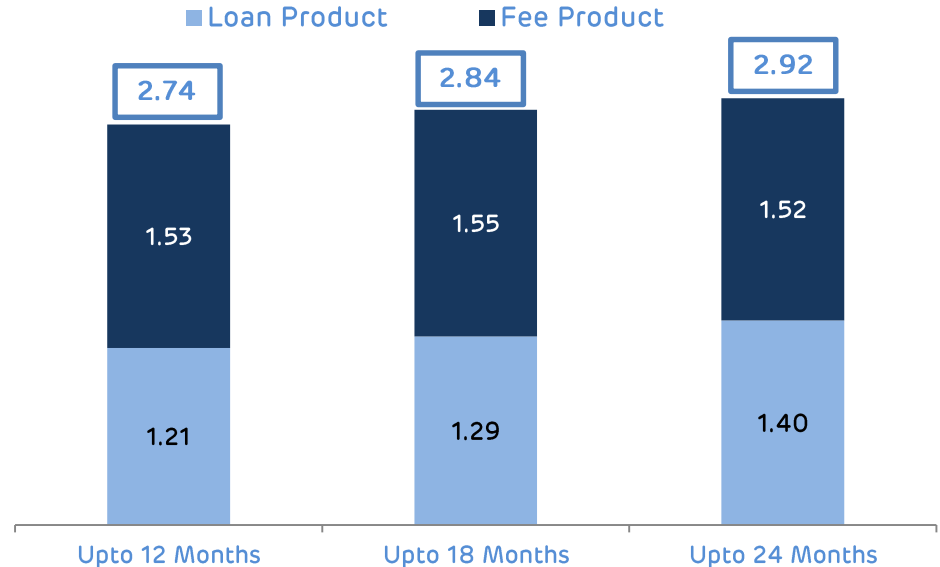


Disbursed Value (₹ Crore) – Fresh v/s Repeat Mix



## SME

Product Per Customer



# Key performance highlights for the Quarter

- Clients acquired during Q2 FY14 ↑ 15 % to 6,89,772 from 6,00,792 in Q2 FY13.
- Deployments during Q2 FY14 ↑ 20% to ₹ 5,199 Crores from ₹ 4,334 Crores in Q2 FY13.
- Total income for Q2 FY14 ↑ 31% to ₹ 964 Crores from ₹ 737 Crores in Q2 FY13.
- Profit after tax for Q2 FY14 ↑ 30% to ₹ 167 Crores from ₹ 129 Crores in Q2 FY13.
- Loan losses and provisions for Q2 FY14 ↓ 2% to ₹ 52 Crores as against ₹ 53 Crores in Q2 FY13..
- Gross NPA and Net NPA for Q2 FY14 stood at 1.14% and 0.26% respectively. The provisioning coverage ratio stood at 78% as of 30 September 2013. The Company continues to provide for loan losses in excess of RBI requirements.
- Capital adequacy ratio (including Tier-II capital) stood at 20.9%. The Company continues to be well capitalized to support its growth trajectory.



# Summary financial statement

	₹ in Crores						
Financials snapshot	Q2'14	Q2'13	YoY	H1'14	H1'13	HoH	FY'13
Deployments	5,199	4,334	20%	11,449	9,062	26%	19,367
Assets under finance (AUF)	18,982	14,715	29%	18,982	14,715	29%	16,744
Assets under management (AUM)	19,829	15,370	29%	19,829	15,370	29%	17,517
Total Interest & fee Income	964	737	31%	1,896	1,440	32%	3,111
Interest expenses	382	295	30%	714	558	28%	1,205
Net Interest Income (NII)	582	442	32%	1,183	881	34%	1,906
Operating Expenses	277	198	40%	547	399	37%	852
Loan Losses & Provision	52	53	-2%	116	85	36%	182
Profit before tax	253	190	33%	520	397	31%	872
Profit after tax	167	129	30%	343	267	28%	591
Ratios	Q2'14	Q2'13		H1'14	H1'13		FY'13
Total Opex to NII	47.6%	44.8%		46.2%	45.3%		44.7%
Loan loss to AUF *	0.3%	0.4%		0.6%	0.6%		1.1%
Return on Average AUF *	0.9%	0.9%		1.9%	2.0%		4.1%
Earning per share - Basic (Rs.) *	33.6	30.2		68.9	62.9		135.7

\* Quarterly numbers are not annualized

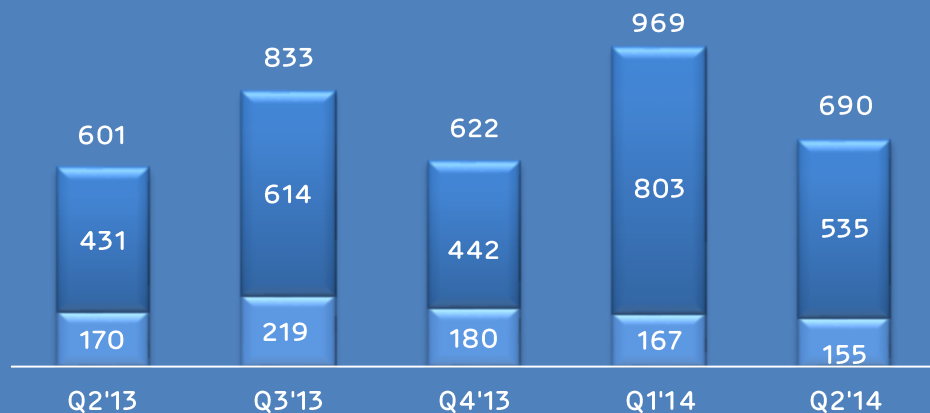


# Financial performance trends Q2 FY14

## # of Loans Disbursed ( '000)

↑15% YoY

■ 2 Wheelers ■ Others



## Disbursement (₹ Crore)

↑20% YoY



## AUM (₹ Crore)

↑29% YoY



## Revenue (₹ Crore)

↑31% YoY



Get More

Do More

Enablers

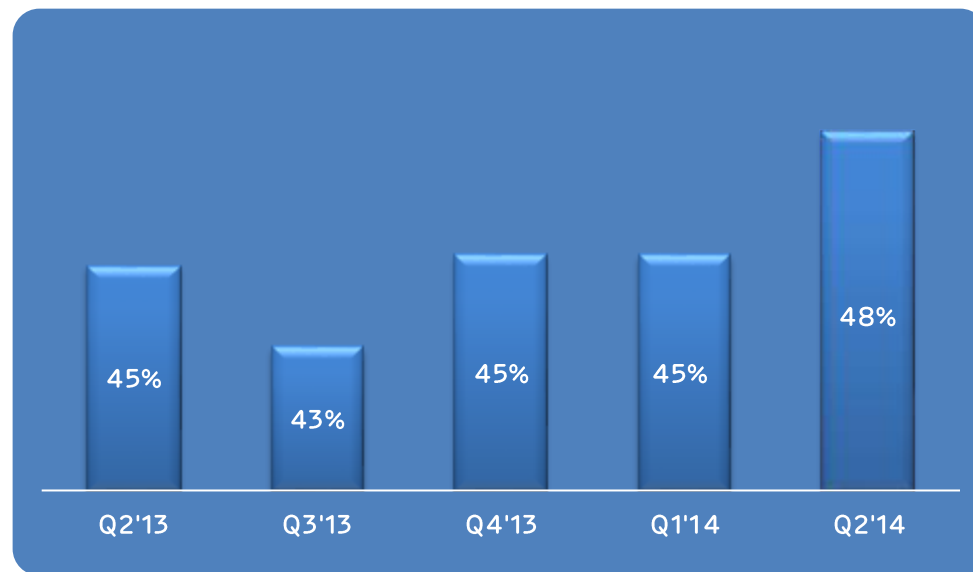
Partners

# Financial performance trends Q2 FY14

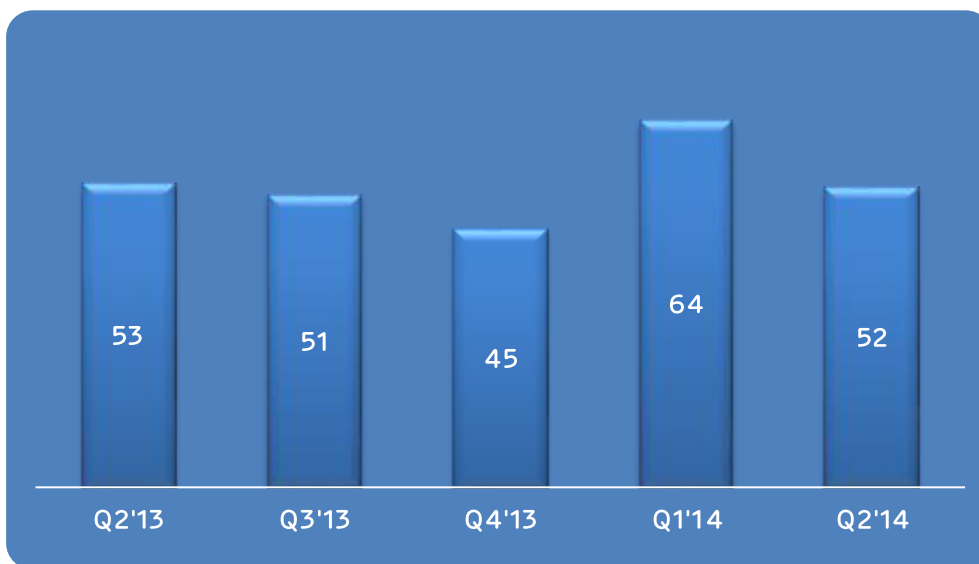
## Net Interest Income (NII) (₹ Crore) ↑32% YoY



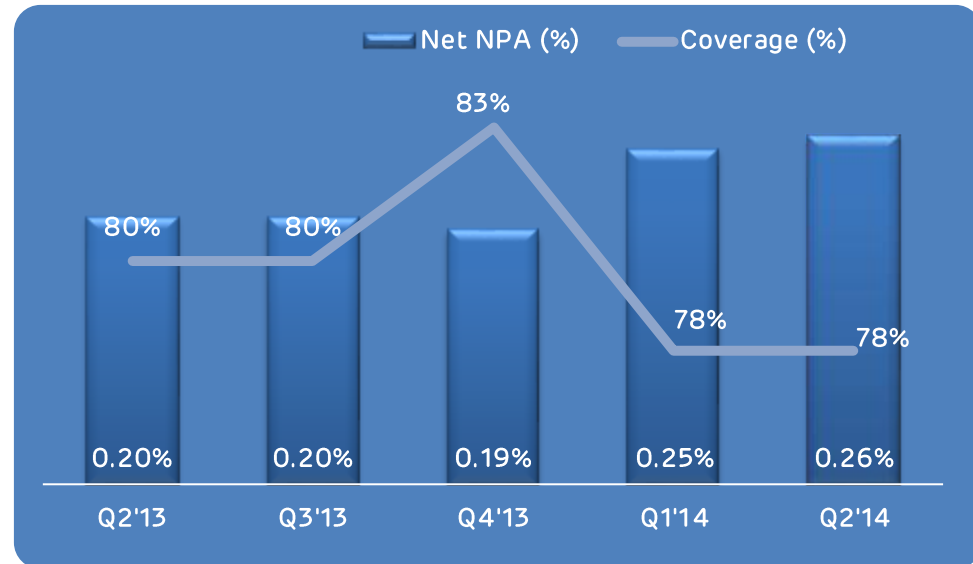
## Operating expenses % of NII



## Loan loss provision (₹ Crore)



## Net NPA & Provisioning coverage



- Q2'13 includes one time accelerated provisioning of ₹ 14.0 Crores
- Q4'13 includes one time accelerated provisioning of ₹ 2.7 Crores
- Q1'14 provision on standard assets has been increased to 0.40% of the amount outstanding as on 30th June 2013 – incremental provision of ₹ 18 Cr

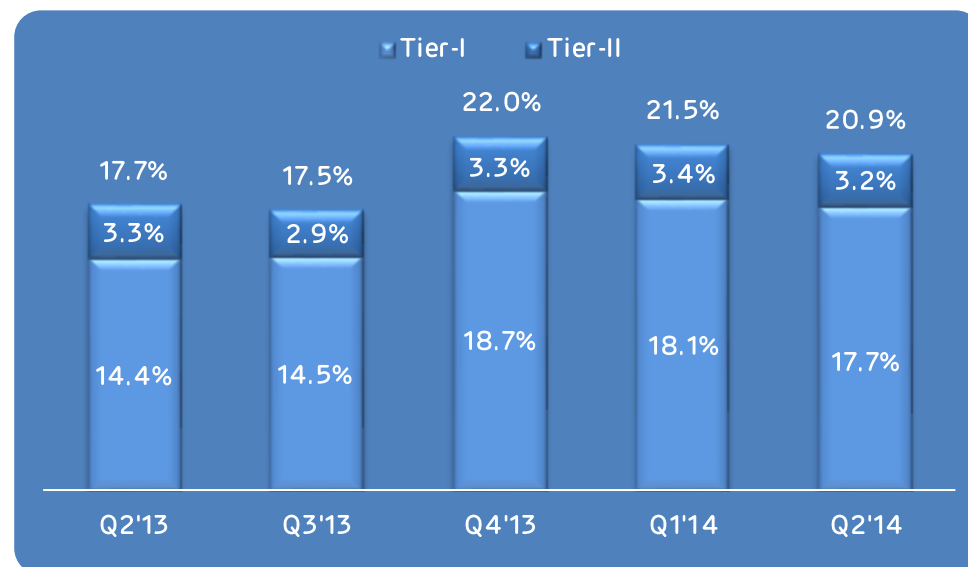
# Financial performance trends Q2 FY14

## Pre tax profit (₹ Crore)

↑33% YoY



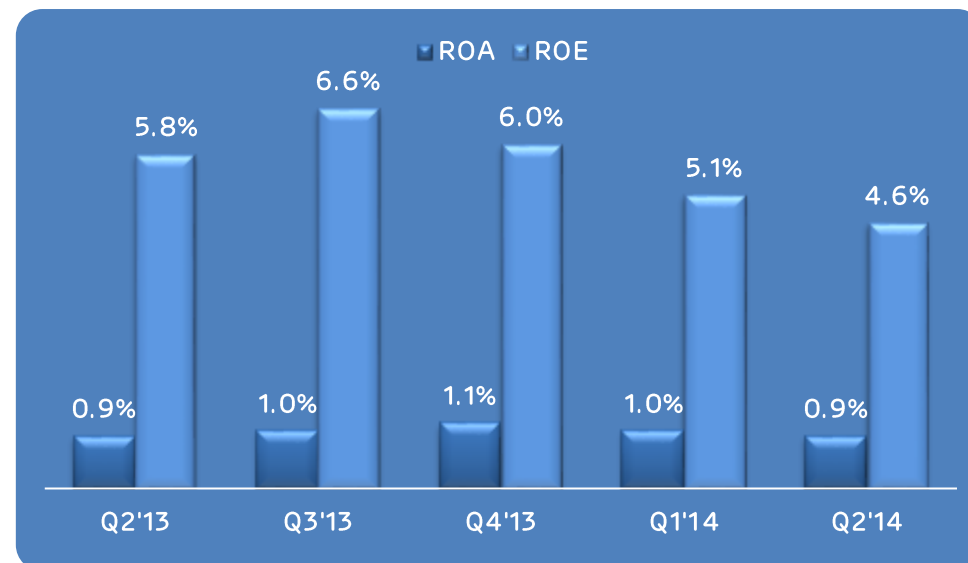
## Capital adequacy ratio



## Earnings per share - Basic (₹)



## Return on avg. assets under finance & Equity



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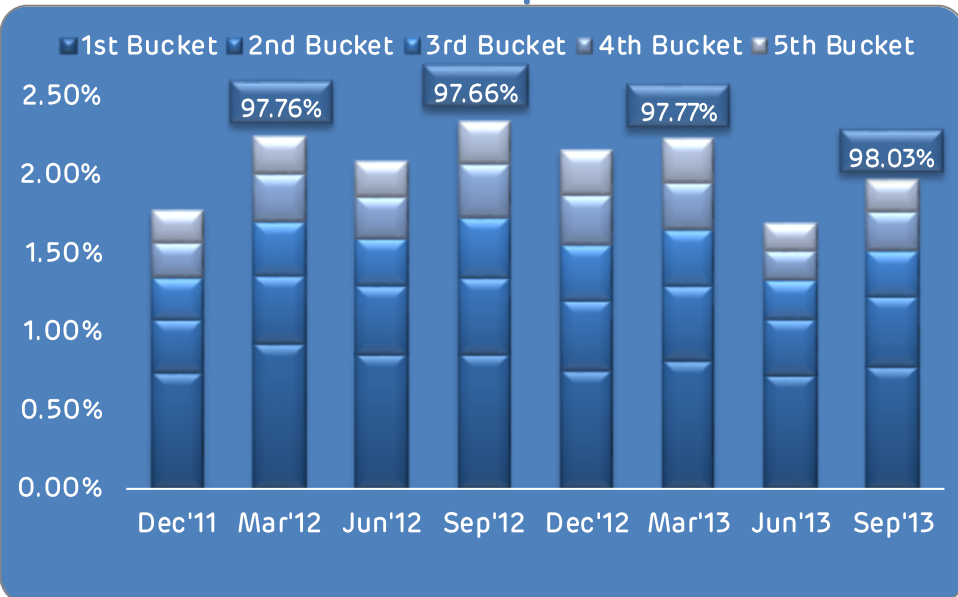
Do More

Enablers

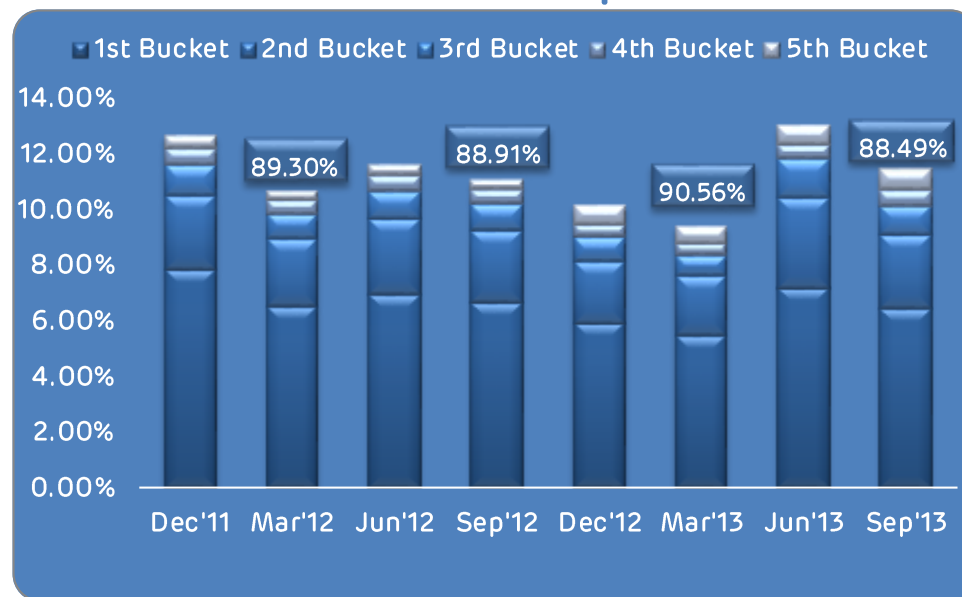
Partners

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

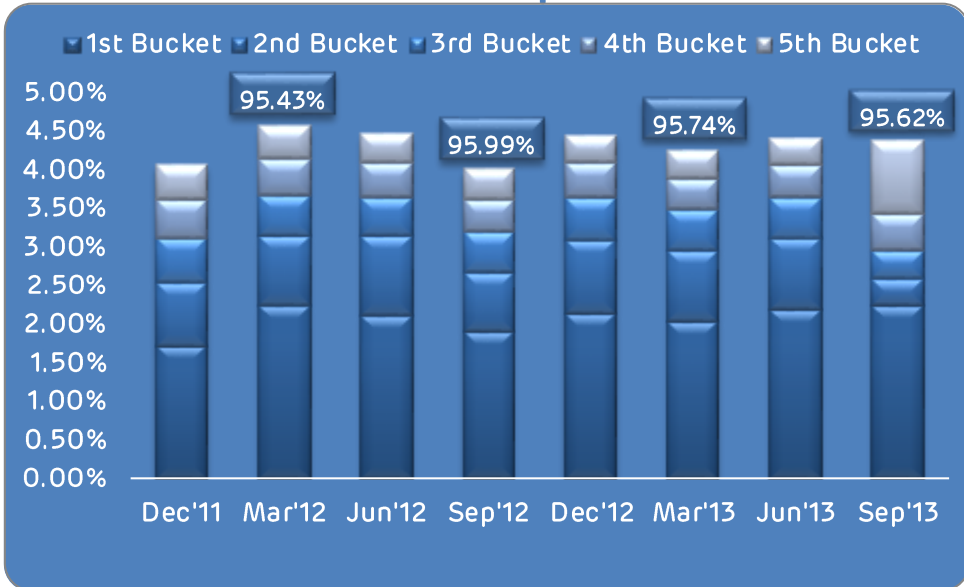
## Consumer durable loan portfolio\*



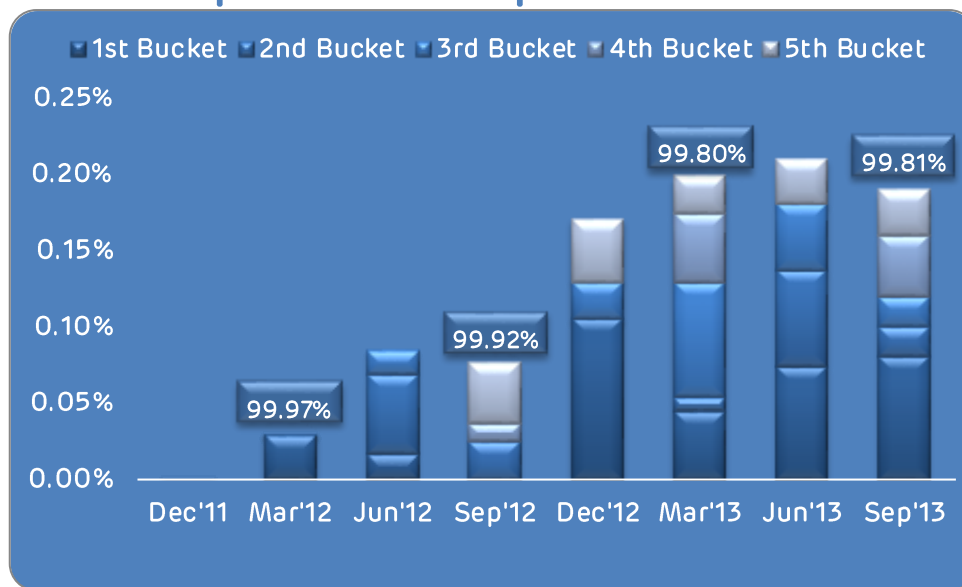
## Two & Three wheeler loan portfolio



## Personal loan cross sell portfolio



## Salaried personal loan portfolio



Legends indicate customers who are current/ no dues as of the month.  
\* Includes - Consumer electronics finance & Life style finance portfolio

Get More

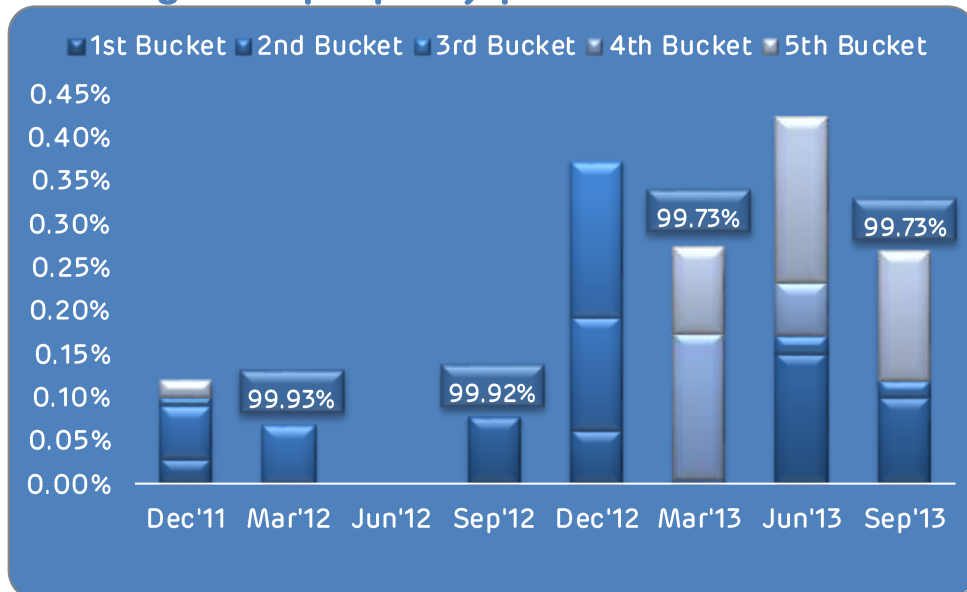
Do More

Enablers

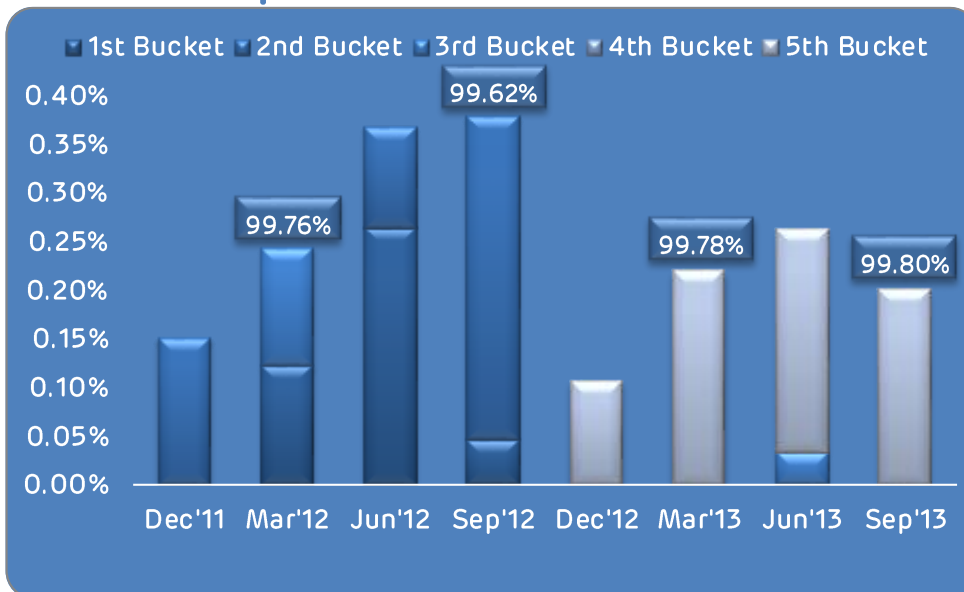
Partners

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

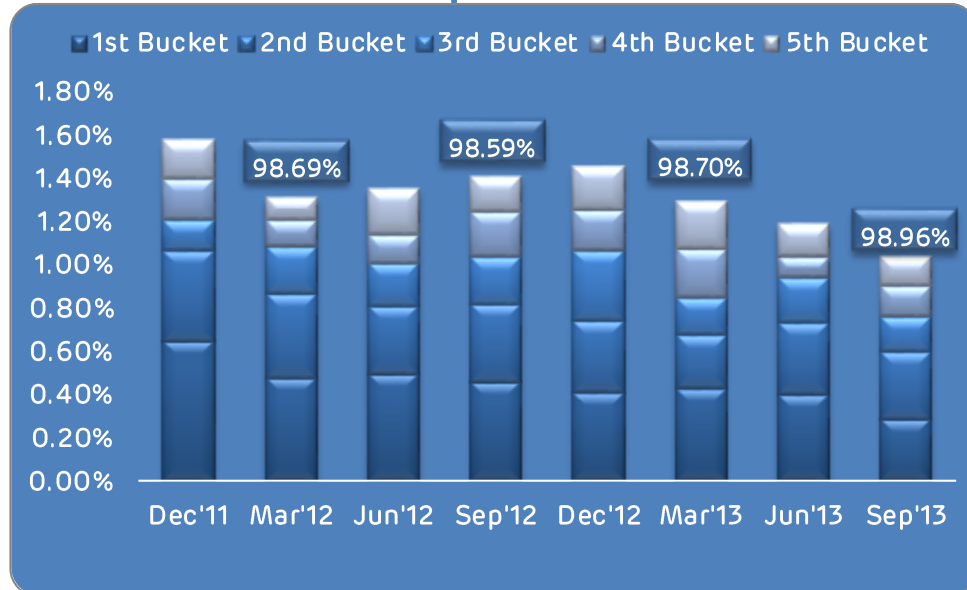
## Loan against property portfolio



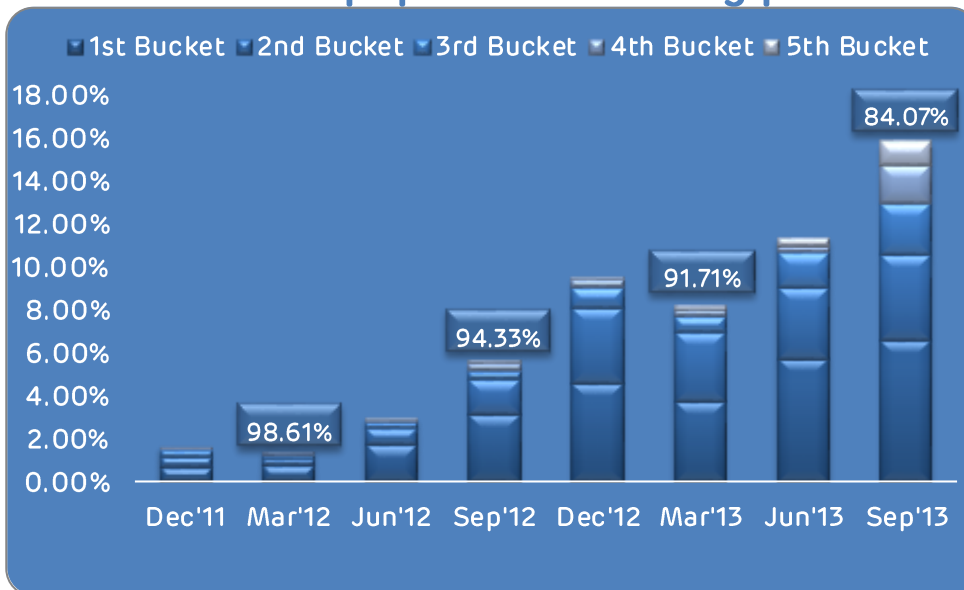
## Home loan portfolio



## Small business loan portfolio



## Construction equipment financing portfolio



Legends indicate customers who are current/ no dues as of the month.  
Loan against securities portfolio continues to remain all current since launch of the business.

# NPA Provisioning Standards

Bajaj Finance provides a general provision of 0.40% on all Standard assets against RBI's requirement of 0.25%.

## Consumer Finance provision coverage

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

## SME Finance provision coverage

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

## Commercial Lending provision coverage

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

Bajaj Finance provisioning standards are substantially stringent than RBI norms applicable for NBFC's.



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# Bajaj Finance Limited Q2 FY14 Presentation Thank you

15<sup>th</sup> October 2013