



# BAJAJ FINANCE LIMITED

## Q2 FY17 Presentation

27<sup>th</sup> October 2016

# GLOSSARY

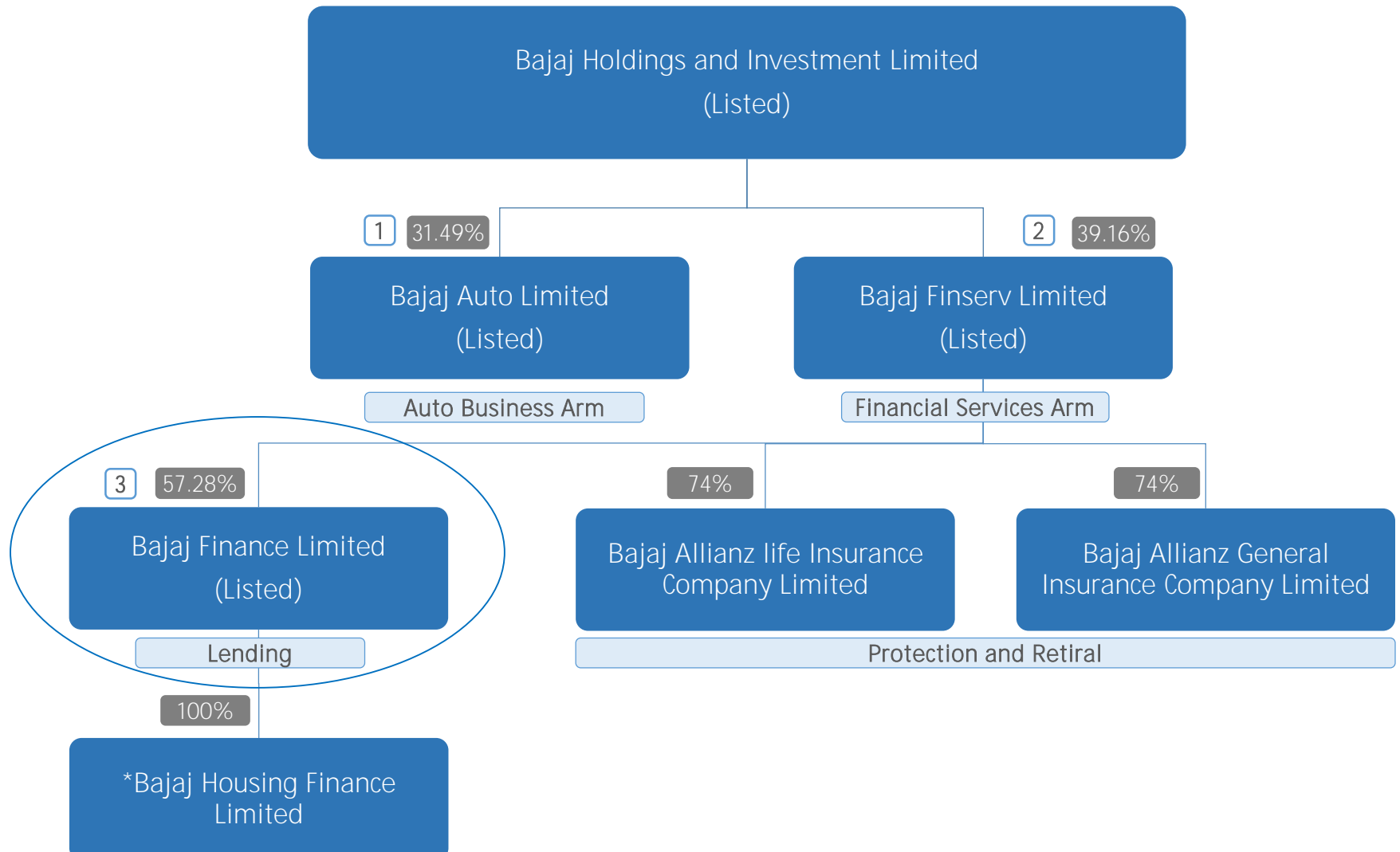
2W	Two Wheeler
3W	Three Wheeler
ACMF	Auto Components Manufacturer Financing
AR	Assets Receivable
ARU	Activation, Retention & Usage
ASC	Authorized Service Centers
AUF	Assets Under Finance
AUM	Assets Under Management
B2B	Business to Business
B2C	Business to Customer
BL	Business Loan
CAGR	Compounded Annual Growth Rate
CIF	Cards in Force
CPI	Consumer Price Index
EMI	Existing Member Identification
EPS	Earning Per Share
FIG	Financial Institutions Group
FII	Foreign Institutional Investor
FPI	Foreign Portfolio Investment
GNPA	Gross Non Performing Assets
HL	Home Loan
IFA	Independent Financial Advisor

IIP	Index of Industrial Production
IRR	Internal Rate of Return
LAP	Loan Against Property
LAS	Loan Against Securities
MF	Mutual Fund
MM	Million
MSME	Micro, Small & Medium Enterprise
NII	Net Interest Income
NNPA	Net Non Performing Assets
NTB	New to Bajaj Finance
Opex	Operating Expenses
POS	Point of Sale
PPC	Products per Customer
RBI	Reserve Bank of India
ROA	Return on Assets
ROE	Return on Equity
SME	Small & Medium Enterprise
TAT	Turn Around Time
TTD	Through the Door
WPI	Wholesale Price Index

# PRESENTATION PATH

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# BAJAJ GROUP STRUCTURE



1. 49.29% holding through promoter holding company and promoter group
2. 58.35% holding through promoter holding company and promoter group
3. 57.35% holding through promoter holding company and promoter group

Above shareholding is as of 30th September 2016

\*W.e.f Nov 2014 . Bajaj Housing Finance Limited has a 100% subsidiary named Bajaj Financial Securities Limited which does not have any operations

# BAJAJ FINSERV GROUP - EXECUTIVE SUMMARY



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



Bajaj Finance Limited

- A 29 year old non bank finance company
- Diversified Consumer, SME, Rural & Commercial lender in India
- Credit rating of AAA/Stable by Crisil & India Ratings and AAA by CARE Ratings
- Credit rating AA+/Stable by ICRA (Positive outlook)
- 294 consumer branches and 497 rural locations with over 33,000+ distribution points
- Large customer franchise of 18 MM
- **6.83 MM new loans acquired in FY'16**



Bajaj Allianz General Insurance Company\*

- 2nd largest private General insurer in India as of FY16
- Offers a wide range of General insurance products across retail and corporate segments
- Highest Profit After Tax among private players in FY 16. ROE of 22.5% in FY16
- Combined ratio of 99.3% in FY16
- Recognized in the market for claims servicing
- FY16 PAT of ₹ 564 crores



Bajaj Allianz Life Insurance Company\*

- Amongst top 4 private players as of FY16 on new business
- Deep pan India distribution reach
- Diversified distribution mix consisting of agency, bancassurance, other partners, direct etc.
- AUM of over 44K crores as of FY 16
- Net worth of ₹ 7,631 cr at 31st March 2016
- One of the most profitable private life insurers in India.
- FY16 PAT of ₹879 Crs

# WHAT DO WE STAND FOR

“Non bank with strategy & structure of a bank”

“Focused on mass affluent & above clients with a strategy to cross sell”

“Diversified financial services strategy envisages an optimal mix of risk and profit to deliver a sustainable business model”

“Business construct to deliver a sustainable ROA of 3% and ROE of 18-20% in the medium term”

“Focused on continuous innovation to transform customer experience to create growth opportunities...”

# KEY STRATEGIC DIFFERENTIATORS

Part of the Bajaj Group – one of the oldest & most respected business houses

A trusted brand with strong brand equity

Focus on mass affluent and above clients

Overall franchise of 18.0 MM and Cross sell client base of 9.84 MM

Strong focus on cross selling assets, insurance and wealth products to existing customer

Consumer PPC of 2.98 and SME PPC of 4.06

Diversified lending strategy

AUM mix for Consumer : SME : Commercial : Rural stood at 45% : 39% : 12% : 4%

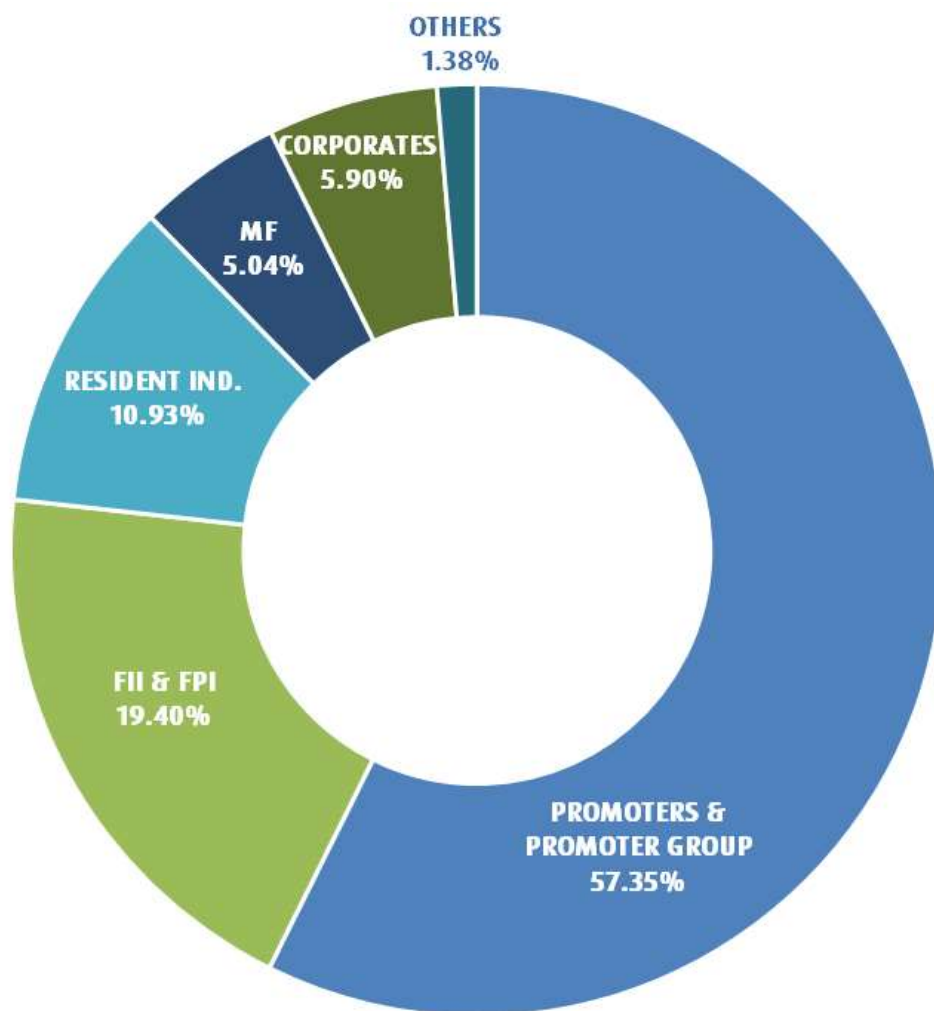
Highly agile & highly innovative

Continuous improvements in features of products & timely transitions to maintain competitive edge

Deep investment in technology and analytics

Has helped establish a highly metricised company and manage risk & controllership effectively

# BAJAJ FINANCE – SHAREHOLDER PROFILE



## Top 20 investors & their holdings

S.No	Name of Shareholder	As on Mar'16	As on Sep'16
1	BAJAJ FINSERV LTD	57.28%	57.28%
2	MAHARASHTRA SCOOTERS LIMITED	3.52%	3.52%
3	GOVERNMENT OF SINGAPORE	2.37%	2.61%
4	SMALLCAP WORLD FUND, INC	1.13%	1.13%
5	NEW HORIZON OPPORTUNITIES MASTER FUND	-	0.91%
6	AXIS LONG TERM EQUITY FUND	0.55%	0.67%
7	HDFC MID - CAP OPPORTUNITIES FUND	0.92%	0.47%
8	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	0.44%	0.47%
9	NEW WORLD FUND INC	-	0.45%
10	HDFC STANDARD LIFE INSURANCE COMPANY	0.73%	0.40%
11	GOLDMAN SACHS INDIA FUND LIMITED	0.61%	0.40%
12	WF ASIAN SMALLER COMPANIES FUND LIMITED	0.48%	0.36%
13	ACACIA PARTNERS, LP	1.13%	0.36%
14	ISHARES INDIA INDEX MAURITIUS COMPANY	-	0.36%
15	BFL EMPLOYEE WELFARE TRUST	0.60%	0.35%
16	BIRLA SUN LIFE TRUSTEE COMPANY	0.36%	0.34%
17	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	0.31%	0.34%
18	TVF FUND LTD.	0.31%	0.31%
19	SBI MAGNUM TAXGAIN SCHEME	0.30%	0.30%
20	ACACIA INSTITUTIONAL PARTNERS, LP	0.71%	0.29%



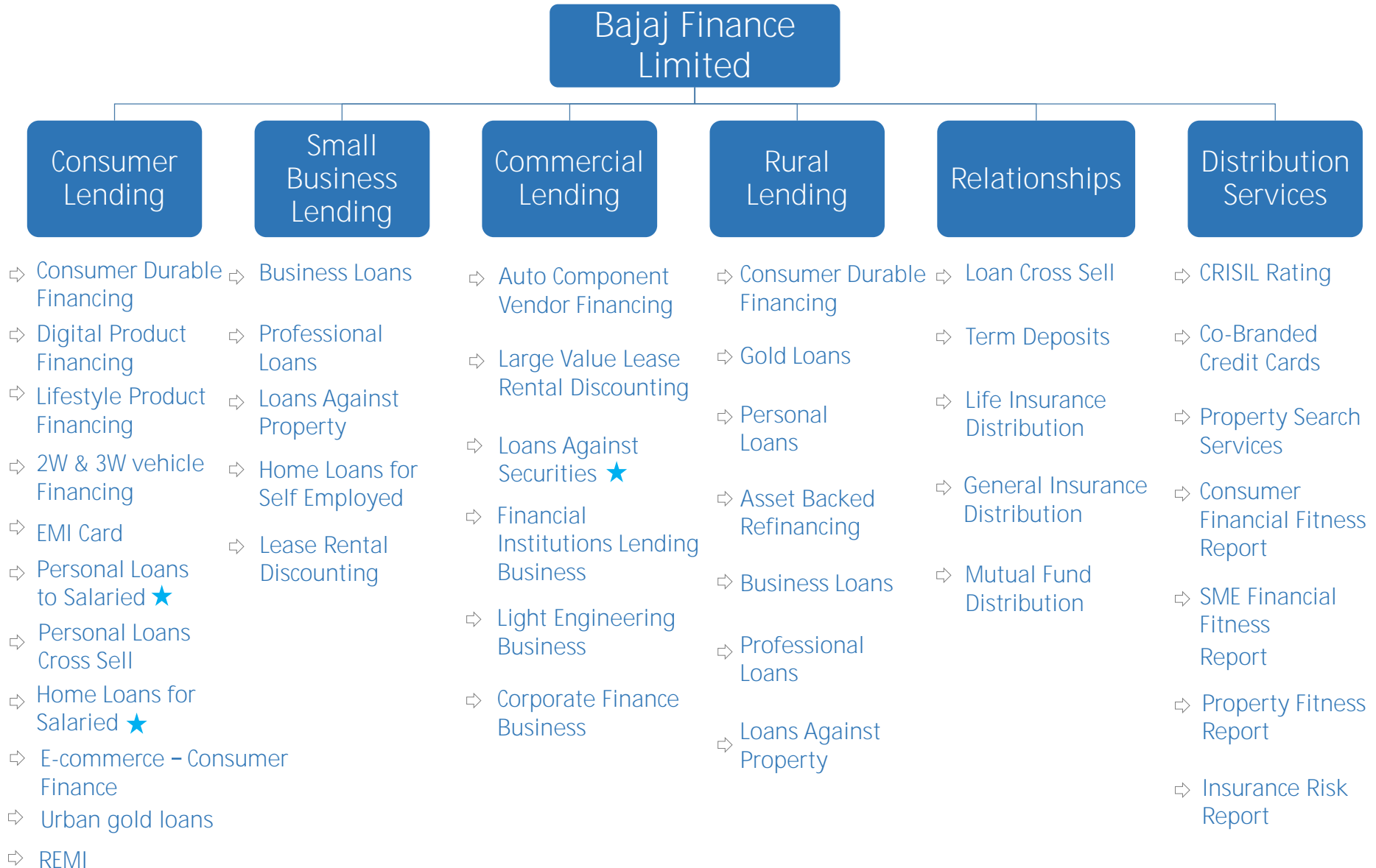
# FINANCIAL SNAPSHOT

Financials snapshot	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	YoY	CAGR
									FY15 – FY16	(8 years)
Assets under management	2,539	4,032	7,573	13,107	17,517	24,061	32,410	44,229	36%	50%
Income from operations	599	916	1,406	2,172	3,110	4,073	5,418	7,384	36%	43%
Interest expenses	164	201	371	746	1,206	1,573	2,248	2,927	30%	51%
Net Interest Income (NII)	435	715	1,035	1,426	1,904	2,500	3,170	4,457	41%	39%
Operating Expenses	220	320	460	670	850	1,151	1,428	1,949	36%	37%
Loan Losses & Provision	164	261	205	154	182	258	385	543	41%	19%
Profit before tax	51	134	370	602	872	1,091	1,357	1,965	45%	68%
Profit after tax	34	89	247	406	591	719	898	1,279	42%	68%
Ratios	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16		
Return on assets	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%		
Return on equity	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.9%		
Earning per share (Basic) - ₹ *	0.93	2.42	6.75	11.08	13.57	14.48	17.99	24.23		
Net NPA	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%	*0.28%		
NPA provisioning coverage	32%	55%	79%	89%	83%	76%	71%	77%		

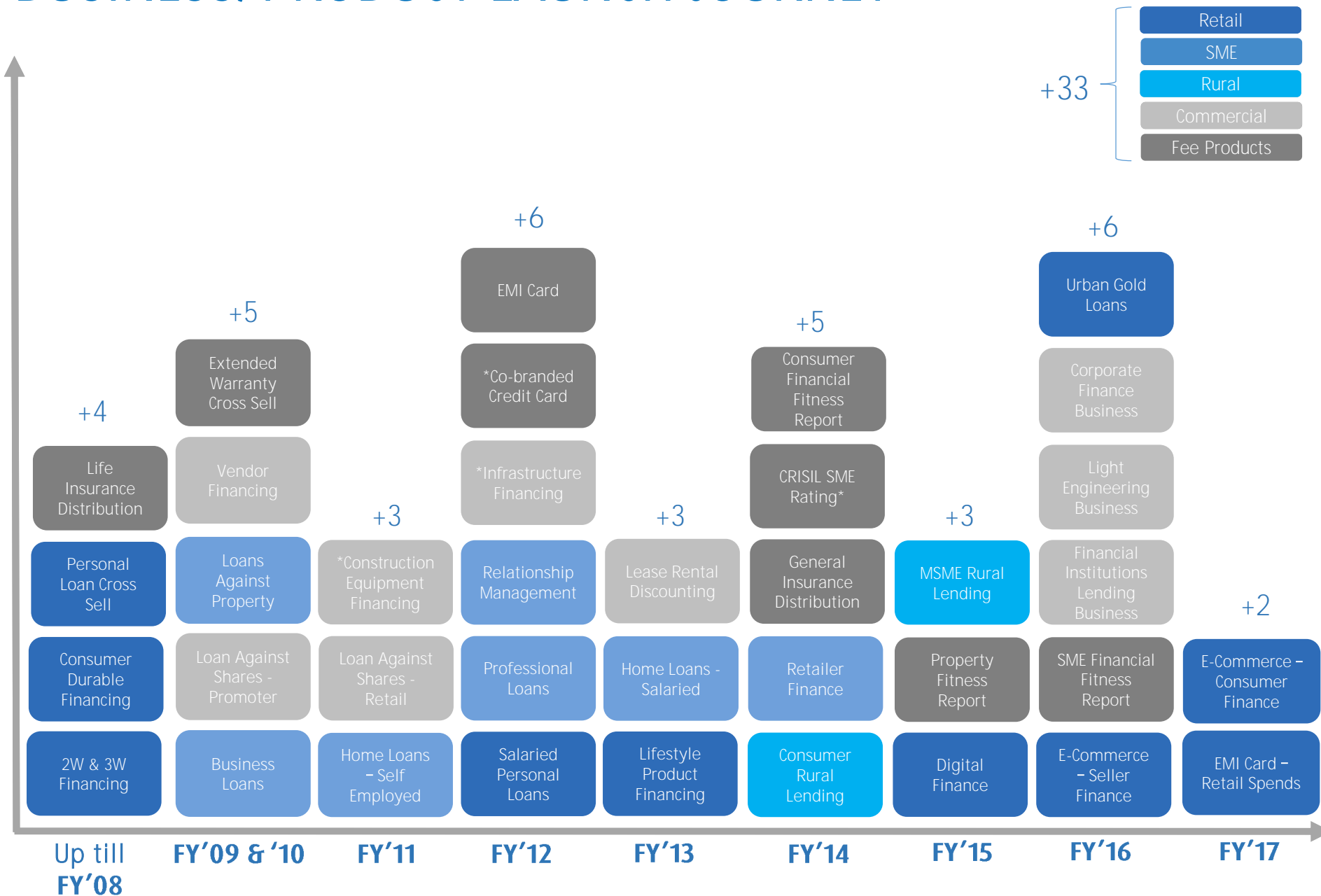
\*The net NPA & provisioning coverage numbers for FY16 are at 150 days over-due while the same for previous years are at 180 days over-due

\* EPS numbers adjusted for bonus and split

# BAJAJ FINANCE LIMITED PRODUCT SUITE



# BUSINESS/PRODUCT LAUNCH JOURNEY



\* Closed

# EXECUTIVE SUMMARY

## Bajaj Finance

- 29 year old non bank with a demonstrated track record of profitability
- Focused on Consumer, Rural, SME & Commercial lines of businesses
- Portfolio mix for Consumer : SME : Commercial : Rural stands at 45% : 39% : 12% : 4%
- 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
- The company has ₹ 52,332 Crores of Assets under Management with a net NPA of 0.43% and a capital adequacy of 21.48% as of 30 Sept 2016. The company in Q2 FY17 has delivered a pre tax profit of ₹ 626 Crores and a post tax profit of ₹ 408 Crores at an ROA<sup>1</sup> of 0.8% and ROE<sup>1</sup> of 5.1%

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## Consumer business

- Amongst the top three 2W lender in India focused on semi-urban & rural markets. Currently **contributes to 31% of Bajaj Auto's domestic 2W sales**
- Present in 304 locations with 25,000+ active distribution point of sale
- Largest consumer electronics lender in India, focused on affluent consumers
- Amongst the largest personal loan lenders in India
- EMI (Existing Membership Identification) Card franchise crossed 6.6 MM cards (CIF)
- Amongst the largest new loans acquirers in India (4.71 MM in H1 FY17)

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## Rural business

- Highly diversified lender in the rural eco system offering over 12 products in consumer and MSME business categories with a unique hub and spoke business model
- Geographic presence across 497 towns and villages and retail presence across 3,700+ stores

<sup>1</sup> Not Annualised

# EXECUTIVE SUMMARY (CONTD.)

## SME Business

- Focused on high net worth SMEs with an average annual sales of ₹ 15 Crores with established financials & demonstrated borrowing track records
- Offer a range of working capital & growth capital products and mortgage (Loan against property, Lease Rental Discounting & Home Loans) products to SME & self employed professionals
- **Offer full range of growth & working capital lending products to professionals (Doctors & CA's)**
- Built a dedicated SME Relationship Management channel to provide wide range of cross sell products to our SME franchise
- Mortgage product strategy is to sell to existing customers only

## Commercial business

- Offer wholesale lending products covering short, medium and long term needs of Auto component & light engineering vendors and financial institutions in India
- Offer a range of structured products collateralized by marketable securities or mortgage

## Treasury

- Strategy is to create a balanced mix of wholesale and retail borrowings
- Borrowing mix of 38 : 54 : 08 between banks, money markets and retail deposits

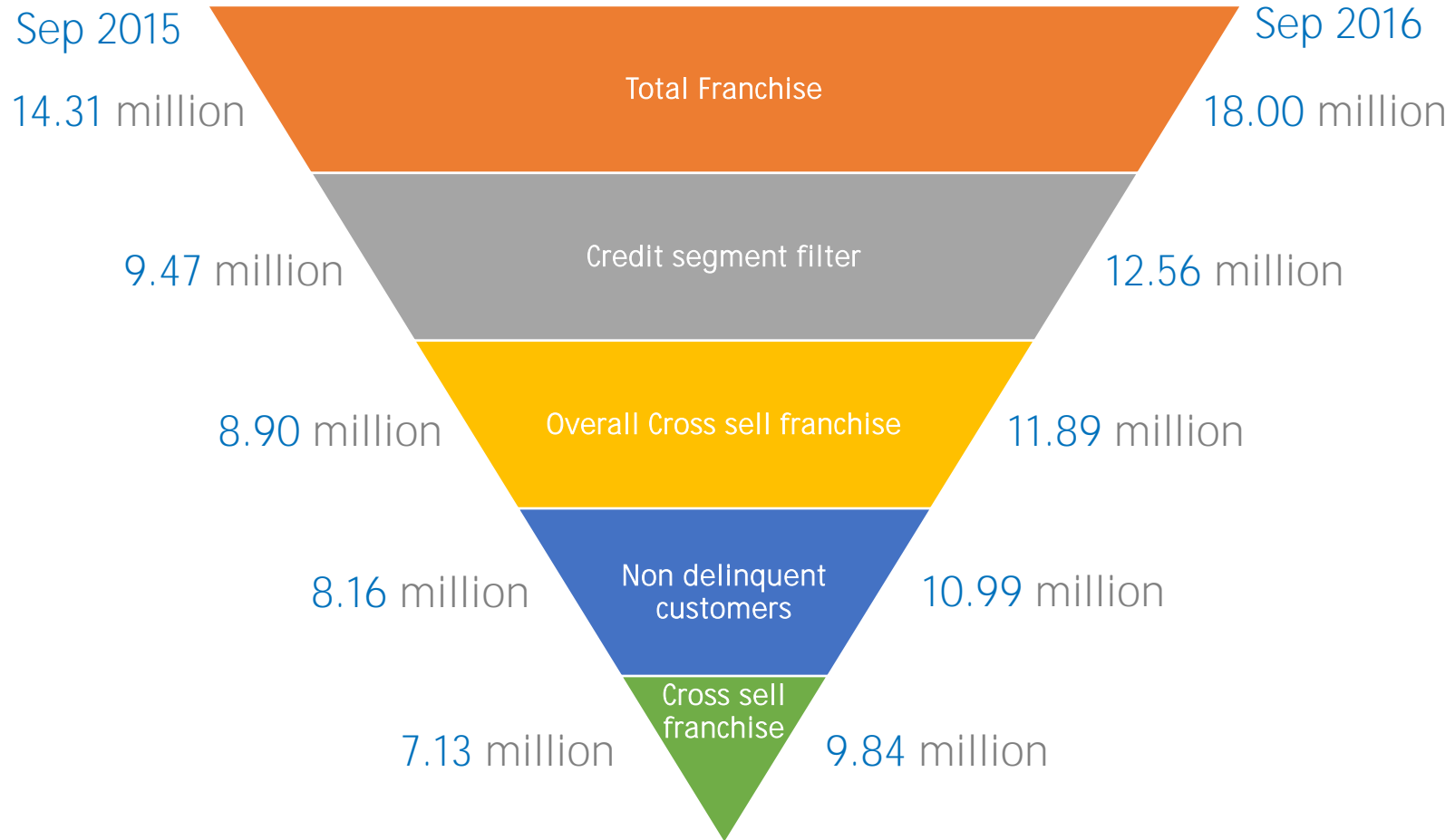
## Credit Quality

- Gross NPA of 1.58% & Net NPA of 0.43% as of 30 Sept 2016 vs GNPA of 1.88% and NNPA of 0.57% last year
- Provisioning coverage ratio stands at 73% as of 30 Sept 2016

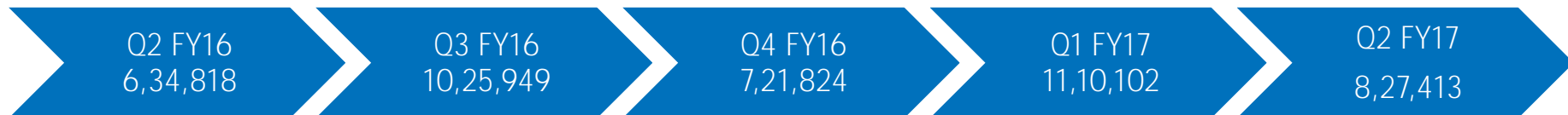
## Credit Rating

- Credit rating for Long Term Debt Programme is AAA/Stable by CRISIL and India Ratings, AAA by CARE Ratings and AA+ by ICRA
- Credit rating for Short Term Debt Programme is A1+ by CRISIL, ICRA & India Ratings
- Credit rating for FD programme is FAAA/Stable by CRISIL & MAAA (Stable) by ICRA

# CUSTOMER FRANCHISE



New to Bajaj customers



Growing customer cross sell franchise by 25-30% **every year...**

# KEY PORTFOLIO METRICS

Business Segment		AUM (₹ Crores)				YoY	Deploym ents	IRR (%)	Ticket (Lacs)	Quarter gone by
		Q3 FY16	Q4 FY 16	Q1 FY 17	Q2 FY17		Q2 FY17	Range		
1.	2W & 3W finance	3,647	3,773	4,080	4,466	32%	1,170	22.0-28.0	0.56	
2.	Consumer durable finance	5,935	5,556	6,783	6,937	41%	3,370	24.0-26.0	0.28	
3.	Digital product finance	587	637	816	950	132%	738	24.0-26.0	0.25	
4.	Lifestyle product finance	366	379	386	420	53%	281	24.0-26.0	0.49	
5.	Personal loans cross sell	3,524	3,860	4,392	4,938	61%	1,061	16.0-33.0	1.46	
6.	Salaried personal loans	2,921	2,614	2,764	2,947	17%	721	14.0-16.0	5.12	
7.	Salaried – Home Loans	1,339	1,477	1,786	2,093	91%	445	9.6-10.5	31	
8.	Business loans (BL)	4,146	4,309	4,866	5,057	52%	955	17.0-20.0	14	
9.	Professional loans	985	1,112	1,265	1,421	68%	370	14.0-17.0	12	
10.	Loan against property (LAP)	8,890	8,332	8,661	8,536	(5%)	814	11.0-12.0	131	
11.	Self employed – Home Loans	3,238	3,089	3,286	3,252	5%	398	10.0-10.7	63	
12.	Loan against securities	2,352	2,659	2,975	3,107	82%	-	10.8-12.0	-	
13.	Vendor financing	1,472	1,394	1,545	1,551	17%	-	10.0-12.5	-	
14.	Financial institutions group	236	429	433	438	630%	65	10.5-12.0	-	
15.	Corporate finance	314	338	459	578	134%	120	10.5-12.0	-	
16.	Infrastructure lending	312	311	306	305	(14%)	-	NA	NA	**
17.	RM Business	1,844	1,887	2,136	2,126	35%	209	10.0-12.0	65	
18.	Rural lending	1,159	1,339	1,688	1,948	195%	741	14.0-35.0	-	
19.	BFS Direct (HL, PL)	-	576	721	843	-	228	-	-	

\*\* Paused

# STRONG DISTRIBUTION REACH

## Geographic Presence (No. of branches)

Business Line	FY13	FY14	FY15	FY16	FY17*
Consumer presence	91	114	161	193	304
SME presence	57	80	119	262	294
Rural presence	-	70	232	397	497
Total Bajaj Finance presence	91	184	393	590	801

## Active Distribution (Points of sale)

Business Line	FY13	FY14	FY15	FY16	FY17*
CD retailer	3,500+	4,900+	7,000+	9,400+	13,000+
Digital retailer	850+	1,600+	2,650+	5,200+	6,800+
Lifestyle retailer			1,150+	3,200+	3,900+
Retail EMI retailer	-	-	-	-	2,400+
2W-Dealer/ASCs	2,600+	2,600+	3,000+	3,000+	3000+
SME – DSA	400+	700+	700+	800+	900+
Rural retailer	-	-	1,500+	3,200+	3700+
Total reach	7,000+	9,000+	16,000+	24,000+	33,700+

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

Business Line	FY13	FY14	FY15	FY16	FY17*
Consumer Loans	1,908	2,450	3,623	4,690	3,147
Lifestyle & Digital	37	109	374	723	667
Personal Loans	116	137	206	299	173
2W & 3W	736	651	561	626	383
Rural Finance	-	22	131	448	305
SME/Commercial	11	20	30	48	43
Total	2,808	3,389	4,924	6,834	4,718

## Assets Under Management ( ` Crores)

Business Line	FY13	FY14	FY15	FY16	FY17*	Mix
Consumer Lending	7,138	9,328	13,202	18,996	23,892	45%
SME Lending	7,750	12,009	15,551	18,692	20,369	39%
Commercial Lending	2,629	2,674	3,324	5,202	6,123	12%
Rural Lending	-	50	333	1,339	1,948	4%
Total AUM	17,517	24,061	32,410	44,229	52,332	100%

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



# KEY PERFORMANCE HIGHLIGHTS FOR Q2 FY17

- Customers franchise as of 30 Sep 2016 ↑ 26% to 18 MM from 14.3 MM as of 30 Sep 2016. During the quarter, the company acquired 0.8 MM new customers
- New loans booked during Q2 FY17 ↑ 56% to 21,76,798 from 13,93,309 in Q2 FY16
- Assets under Management (AUM) as of 30 Sep 2016 was ↑ 38% to ₹ 52,332 Crs from ₹ 37,964 Crs as of 30 Sep 2016
- Total income for Q2 FY17 ↑ 39% to ₹2,366 Crs from ₹1,701 Crs in Q2 FY16
- Loan losses and provisions for Q2 FY17 ↑ 23% to ₹169 Crores as against ₹137 Crores in Q2 FY16.
- Profit before tax for Q2 FY17 ↑ 46% to ₹626 Crores from ₹428 Crores in Q2 FY16
- Profit after tax for Q2 FY17 ↑ 46% to ₹408 Crores from ₹279 Crores in Q2 FY16
- Return on Assets and Return on Equity for Q2 FY17 were 0.8% and 5.1% (not annualized) respectively
- Gross NPA and Net NPA as of 30 Sep 2016 stood at 1.58% and 0.43% respectively. The provisioning coverage ratio stood at 73% as of 30 Sep 2016. The Company follows NPA recognition policy of 120 days overdue as required by RBI guidelines. The comparable Gross and Net NPA at 120 days for last year stood at 1.88% and 0.57% respectively. The Company continues to provide for loan losses in excess of RBI requirements.
- Capital adequacy ratio (including Tier-II capital) as of 30 Sep 2016 stood at 21.48%. The Tier-I capital stood at 14.97%. During the quarter, the company raised ₹ 1,955 Crs by way of Tier II capital to augment its capital base. The Company continues to be well capitalized to support its growth trajectory

# SUMMARY FINANCIAL STATEMENT

	₹ in Crores						
Financials snapshot	Q2'17	Q2'16	YoY	H1'17	H1'16	YoY	FY'16
Assets under finance (AUF)	49,981	36,515	36%	49,981	36,515	36%	42,756
Assets under management (AUM)	52,332	37,964	38%	52,332	37,964	38%	44,229
Total Interest & fee Income	2,366	1,701	39%	4,667	3,356	39%	7,384
Interest expenses	956	695	38%	1,839	1,372	34%	2,927
Net Interest Income (NII)	1,410	1,006	40%	2,828	1,984	43%	4,457
Operating Expenses	615	441	39%	1,201	894	34%	1,949
Loan Losses & Provision	169	137	23%	349	240	45%	543
Profit before tax	626	428	46%	1,278	850	50%	1,965
Income tax	218	149	46%	446	295	51%	686
Profit after tax	408	279	46%	832	555	50%	1,279
Ratios	Q2'17	Q2'16		H1'17	H1'16		FY'16
Total Opex to NII	43.6%	43.8%		42.5%	45.1%		43.7%
Total Opex to Total Income	26.0%	25.9%		25.7%	26.6%		26.4%
Loan loss to AUF*	0.3%	0.4%		0.7%	0.7%		1.2%
Return on Average AUF*	0.8%	0.8%		1.6%	1.6%		3.5%
Earning per share - Basic (Rs.) *	7.6	5.2		15.5	10.7		24.2
Return on Average Equity *	5.1%	4.2%		9.5%	9.5%		20.9%

\* Not annualized

# MANAGEMENT DISCUSSION

## Market Assessment :

- Economic indicators

Parameters	Jul '16	Aug'16	Sept'16
IIP	-2.5%	-0.7%	-
CPI	6.07%	5.05%	4.31%
WPI	3.72%	3.74%	3.57%

- Consumer durables and Consumer non-durables have a recorded growth of 2.3% and 0.1% respectively, with the overall growth in Consumer goods being 1.1% in August 2016
- As of September 30 2016, projected gross bank credit of scheduled commercial banks amounted to ₹75.2 lac Crs registering an increase of 10.44% during the year as against an increase of 9.12% in the previous year.
- As per **RBI's 'Financial Stability Report'** published in June 2016, Gross non-performing advances (GNPAs) of Scheduled Commercial Banks as a percentage of gross advances increased to 7.6% from 5.1% between September 2015 and March 2016 after the Asset Quality Review (AQR). Stressed advances ratio increased to 11.5 % from 11.3% during the same period. PSBs recorded the highest level of stressed assets at 14.5% followed by Private banks and Foreign banks at 4.5%.

## Auto sector (H1 FY17)

	Overall	PV	CV	2W	3W	Scooters	Motorcycles
YoY growth %	11.92%	12.34%	5.99%	17.47%	13.39%	26.94%	12.65%

# MANAGEMENT DISCUSSION (CONTD.)

## 2 Wheeler & 3 Wheeler Financing

Disbursed: 1,170 Crs  
(50% YoY)

- 2 Wheeler financing business disbursed 180K accounts in the quarter (30% YoY)
- 3 Wheeler financing business disbursed 15K accounts in the quarter (95% YoY)
- **2 Wheeler financing penetration of Bajaj Auto's domestic 2 Wheeler sales improved to 31.5% from 30.0% in Q2 FY16**
- **3 Wheeler financing penetration of Bajaj Auto's domestic 3 Wheeler sales in Q2 FY17 improved to 22% from 16% in Q2 FY16**

## Consumer Durables

Disbursed: 12.16 lac  
accounts  
(Growth: 34% YoY)

- Launched 26 new locations in Q2 FY17. Business is now present in 304 locations
- Premiumisation strategy launched in early April 2016 delivered 40K accounts in Q2 FY17
- Launched mobile application for in store demonstrators

## Digital Product Finance

Disbursed: 316 K  
accounts  
(Growth: 151% YoY)

- Business tieups remain strong with finance schemes on SmartPhones and Laptops with coverage across all major OEMs
- Business added 37 new locations in Q2 FY17. Business is now present in 137 locations
- Business went live with Experia Commerce capability to bring financing proposition on smartphones, tablets, laptops and watches from retailers to existing customers with 4 hour delivery promise

# MANAGEMENT DISCUSSION (CONTD.)

## Lifestyle Finance

Disbursed: 59.5 K  
accounts  
(Growth: 57% YoY)

- Overall furniture market remains very slow. Furniture contribution was 66% in Q2 FY17
- Life care finance segment launched in Q3 FY16 delivered about 6K cases in Q2 FY17
- Business continues to expand into life care financing space. It added 543 clinics across India in Q2 FY17 taking the total count of clinics to 1,403 clinics

## REMI

Disbursed: 52 K  
accounts

- EMI financing enabled in apparels (UCB, US Polo, Arrow), footwear (Adidas, Reebok, Puma), eyewear (GKB, Lawrence & Mayo), travel (Cox & Kings) & power backup (Sukam)
- EMI financing partnership with Future group has garnered tremendous response across financing of apparels & groceries. 25%+ are repeat customers every month
- Business added 20 cities in Q2 FY17. Currently present in 35 cities with presence in 5,100+ stores

## Ecommerce

Disbursed: 59 K  
accounts

- Business has partnered with all leading ecommerce players viz, Flipkart, Amazon & Snapdeal
- Business saw good traction across all major players during sales promos on Flipkart, Amazon & Snapdeal
- Financing present in 33 categories across Flipkart, Amazon and SnapDeal

# MANAGEMENT DISCUSSION (CONTD.)

EMI Cards	
6.6 MM CIF	<ul style="list-style-type: none"><li>• Sourced 531K EMI cards in Q2 FY17</li><li>• Continued investments in ARU (Activation, Retention &amp; Usage) for growth of retail segments</li></ul>
Personal Loan Cross Sell	
Disbursed: 1,061 Crs (Growth: 59% YoY)	<ul style="list-style-type: none"><li>• Business is 100% D2C</li><li>• Business invested in analytics &amp; technology capabilities of geo spatial mapping &amp; campaign management tools which will improve cross sell efficiency</li><li>• The loan on phone model wherein loan is disbursed through a paperless process delivered 132 Crs in Q2 FY17 contributing 17% of overall PLCS business volumes</li></ul>
Gold Loans	
Net AUM growth of 128 Crs	<ul style="list-style-type: none"><li>• Business crossed 370 Crs AUM</li><li>• Currently present in 60 urban branches and 130 rural branches</li><li>• New capabilities are being built to reduce customer TAT and provide flexibility of repeat transactions</li></ul>

# MANAGEMENT DISCUSSION (CONTD.)

## Salaried Personal Loans

Disbursed: 721 Crs  
(Growth: 21% YoY)

- Business is now present in 72 cities
- D2C business now contributes to 63% of total volumes
- Business continued progress in creating product variants suited for customer needs
- Business is facing intense competition from private sector banks who are offering personal loans at rates that do not support an unsecured business through cycles

## Salaried Home Loans

Disbursed: 445 Crs  
(Growth: 82% YoY)

- Business is now present in 20 locations
- Increased resourcing in top 6 locations to capitalize on the growth opportunity
- Growing Develop Finance gradually to create a robust ROE model

## BFS Direct

Disbursed 228 Crs  
(Secured: Unsecured  
mix at 50%:50%)

- Business now has AUM of 843 Crs
- Business has seen good traction across Salaried Personal Loans and Salaried Home Loans
- Investing deep to create a new platform to deliver exceptional customer experience which will be end to end digital

# MANAGEMENT DISCUSSION (CONTD.)

<div>Rural Lending Consumer Business</div> <div>RB2B: 113 K accounts RB2C: 400 Crs</div>	<ul style="list-style-type: none"><li>• Business is now present in 497 locations with 131 branches and 366 spokes. Launched 22 new branches in Andhra Pradesh and existing states in Q2 FY17</li><li>• Business is back in growth mode post good monsoon</li><li>• Credit metrics for business are holding well</li></ul>
<div>MSME Rural</div> <div>Disbursed 52 Crs</div>	<ul style="list-style-type: none"><li>• Took a decision to slow down this business in the beginning of this fiscal due to APMC crisis and lack of clarity on monsoon</li><li>• Key focus on secured lending, which now forms 85% of new business in Q2</li><li>• Unsecured lending is being run with close monitoring and precaution</li></ul>
<div>Business Loans</div> <div>Disbursed: 955 Crs (Growth: 15% YoY)</div>	<ul style="list-style-type: none"><li>• Business continues to grow well with strong portfolio quality</li><li>• <b>‘Break 2 Grow’ strategy is helping to diversify &amp; balance risk across portfolio.</b> Current mix in Prime, Growth &amp; Emerging markets stands at 44:42:14</li><li>• Pure Flexi is shaping out to be strong product proposition for customers</li><li>• Slowed down business in northern markets including Delhi which contributes to 12-15% of national volumes based on our risk assessment</li></ul>



# MANAGEMENT DISCUSSION (CONTD.)

## Professional Loans

Disbursed: 370 Crs  
(Growth: 47% YoY)

- An EMI card proposition was successfully launched in top 10 cities resulting into better engagement with Professionals
- Launched relationship model for doctors
- **'Mobility App' an app for our sales team to give immediate eligibility for professionals** has gone live and is gaining good traction

## Loan Against Property

Disbursed: 814 Crs  
(De-growth of 38% YoY)

- Business is now present in 74 locations
- 100% D2C transition has lowered business volume

## Home Loans – Self employed

Disbursed: 398 Crs  
(Growth of 39% YoY)

- 100% of the business is now D2C
- Business is now present in 54 locations
- **'Developer Finance' business has delivered 180** Crs of business volume

# MANAGEMENT DISCUSSION (CONTD.)

## Commercial Lending

- ACMF book grew 17% YoY in Q2 FY17
- Elevated competitive intensity seen from major private/foreign banks due to improving credit profile of several auto ancillaries
- Credit performance of portfolio continues to hold well
- Disbursed 120 Crs in Corporate Finance, 65 Crs in Financial Institutional Group & 25 Crs in Light Engineering

## Loan Against Securities

Net AUM growth of - 132 Crs

Loan book growth of 82% YoY

- Business continued to scale up its market share
- Expanded the product suite by adding ancillary products like IPO Financing, ESOP Financing, Loan for MF/Bonds
- Added more than 300 HNI relationships through B2B2C channel in H1 FY17

## Relationship Management

Disbursed: 209 Crs  
(De-Growth: 46% YoY)

- HNI Salaried Segment & HNI Doctor segment added to counter slowdown
- Wealth product basket expanded with introduction of new products
- Portfolio Management Services distribution launched for all RM clients to expand the product offering

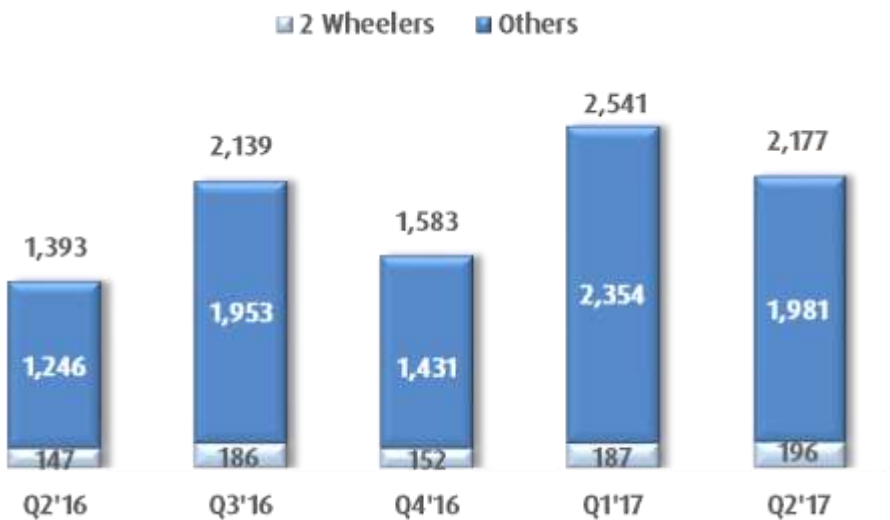
# MANAGEMENT DISCUSSION (CONTD.)

<div>Fixed Deposits &amp; IFA</div> <div>Total book – 3,442 Crs (135% YoY)</div>	<ul style="list-style-type: none"> <li>• Credit rating for FD programme is FAAA/Stable by CRISIL &amp; MAAA (Stable) by ICRA</li> <li>• Corporate liabilities initiative launched in Q1, continues to show encouraging results with 160 corporates relationships and total corporate book of 1569 Cr</li> <li>• Average Retail deposit size is at 3.8 lacs with a weighted tenor of 25.96 months</li> <li>• IFA mobile app launched, for empanelment, activation and business across products at a business level</li> <li>• <b>IFA channel now has 1018 IFA's, activated 225 in Q2 FY17.</b> Total business of 106 Crs from this channel in Q2 FY17 spread across, Fixed Deposits, Lending &amp; Mutual Funds</li> </ul>
<div>Portfolio Metrics</div>	<ul style="list-style-type: none"> <li>• GNPA of 1.58% as of 30 Sept 2016 as compared to 1.88% last year</li> <li>• NNPA of 0.43% as of 30 Sept 2016 as compared to 0.57% last year</li> <li>• Provisioning coverage ratio stood at 73%</li> </ul>
<div>Interest Cost</div>	<ul style="list-style-type: none"> <li>• Interest cost for the company continues to remain significantly lower amongst its NBFC peers</li> <li>• Borrowing mix – 38 : 54 : 08 between banks, money markets and retail deposits</li> <li>• CRISIL in its letter dated 6 October 2016, has upgraded its rating on Bajaj Finance <b>Limited's Long Term Debt Programme and Bank Facilities to 'CRISIL AAA/Stable' from 'CRISIL AA+/Positive'</b></li> <li>• Credit rating for Long Term Debt Programme is AAA/Stable by CRISIL and India Ratings, AAA by CARE Ratings and AA+ by ICRA.</li> <li>• Credit rating for Short Term Debt Programme is A1+ by CRISIL, ICRA &amp; India Ratings</li> </ul>

# FINANCIAL PERFORMANCE TRENDS – Q1 FY17

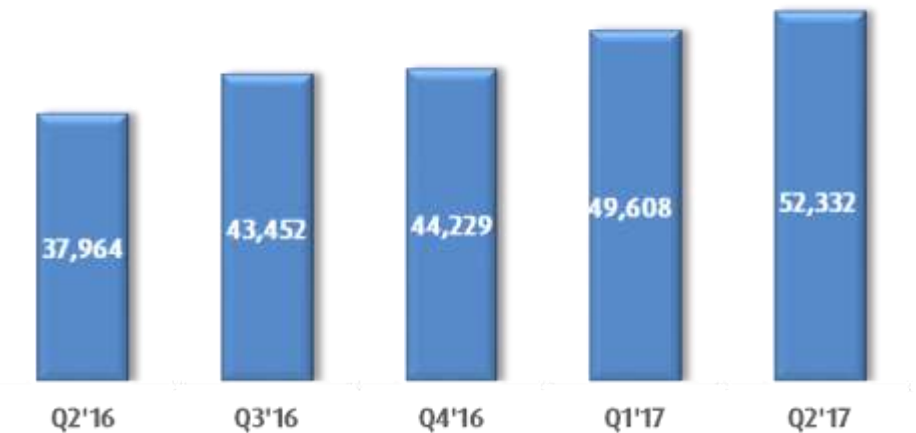
## # of Loans Disbursed ( '000)

↑ 56% YoY



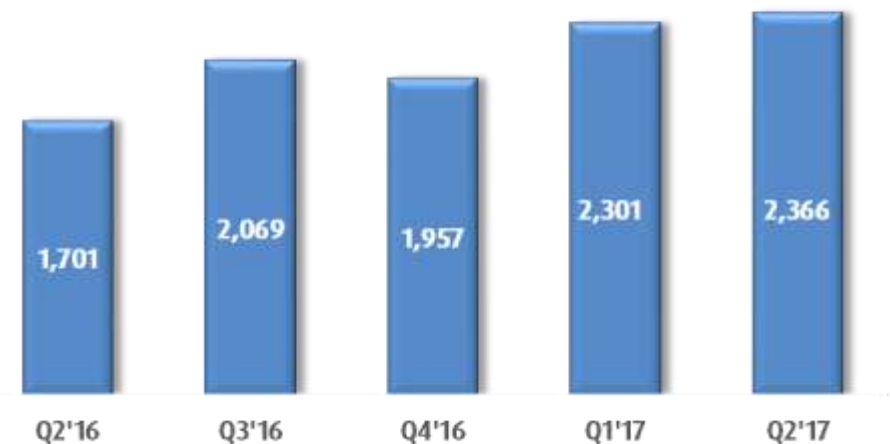
## AUM ( ` Crore)

↑ 38% YoY



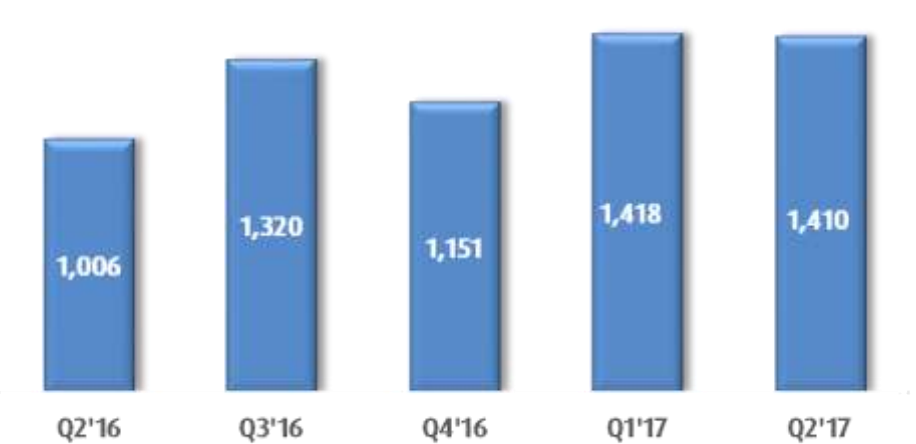
## Revenue ( ` Crore)

↑ 39% YoY



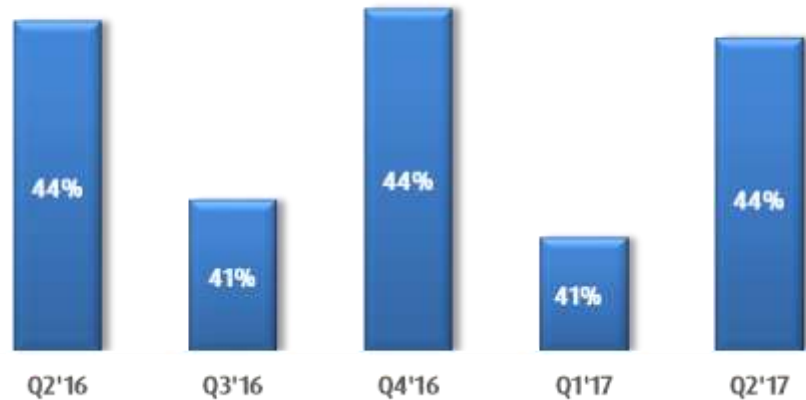
## Net Interest Income (NII) ( ` Crore)

↑ 40% YoY



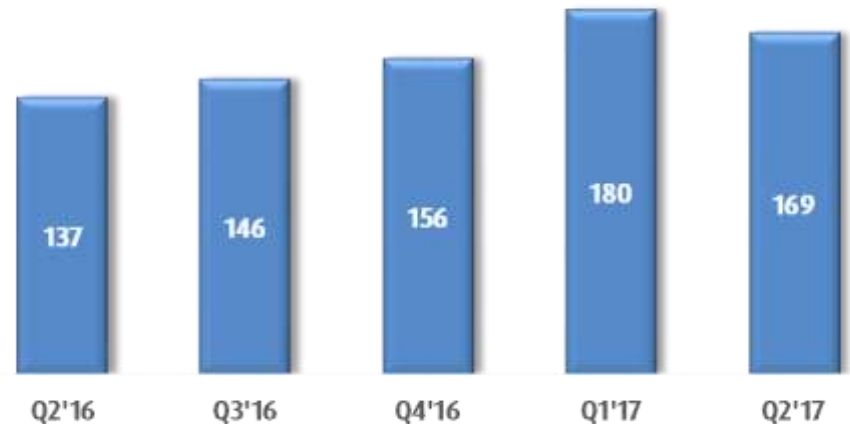
# FINANCIAL PERFORMANCE TRENDS – Q1 FY17

Operating expenses % of NII

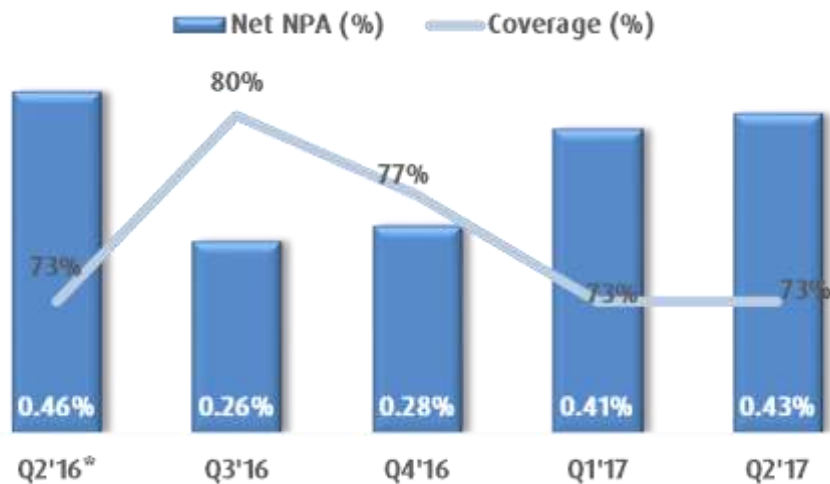


Loan loss provision (₹ Crore)

↑ 23% YoY

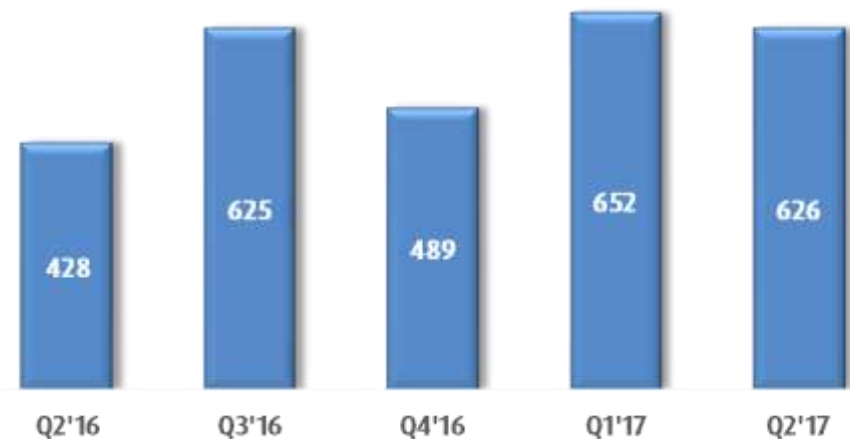


Net NPA & Provisioning coverage\*



Profit Before Tax (₹ Crore)

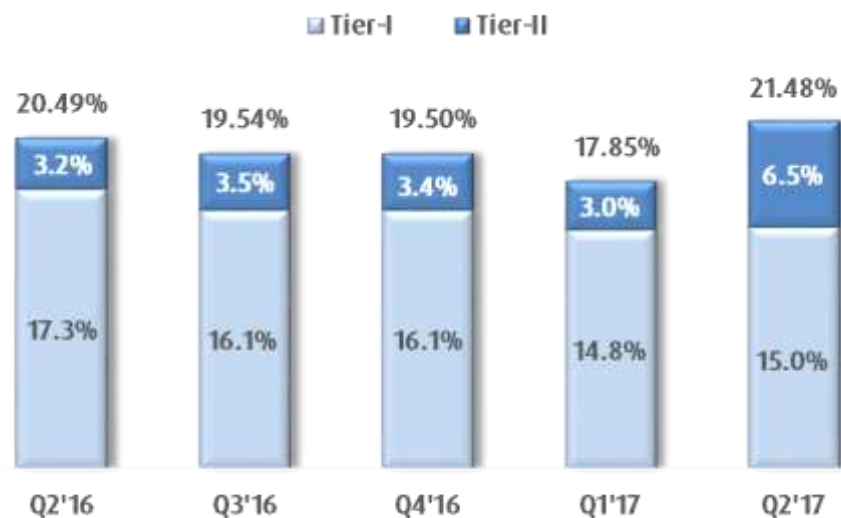
↑ 46% YoY



\*The net NPA & provisioning coverage numbers for Q1 FY17 are at 120 days over-dues while the same for Q2'16, Q3'16 and Q4'16 quarters are at 150 days over-due.

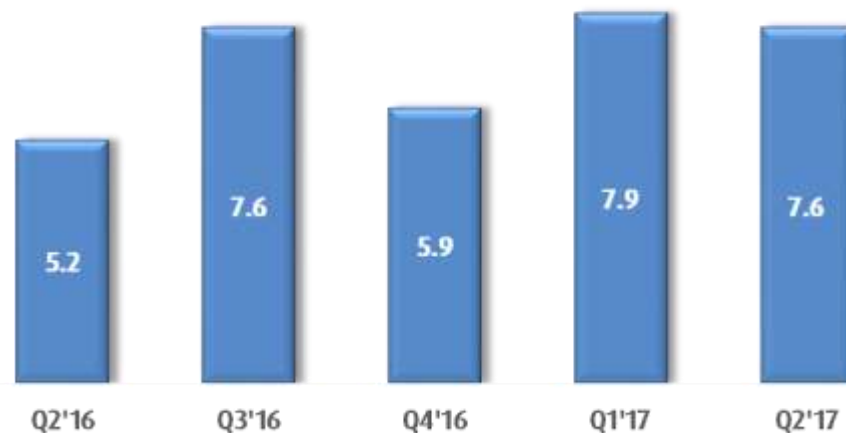
# FINANCIAL PERFORMANCE TRENDS – Q1 FY17

Capital adequacy ratio

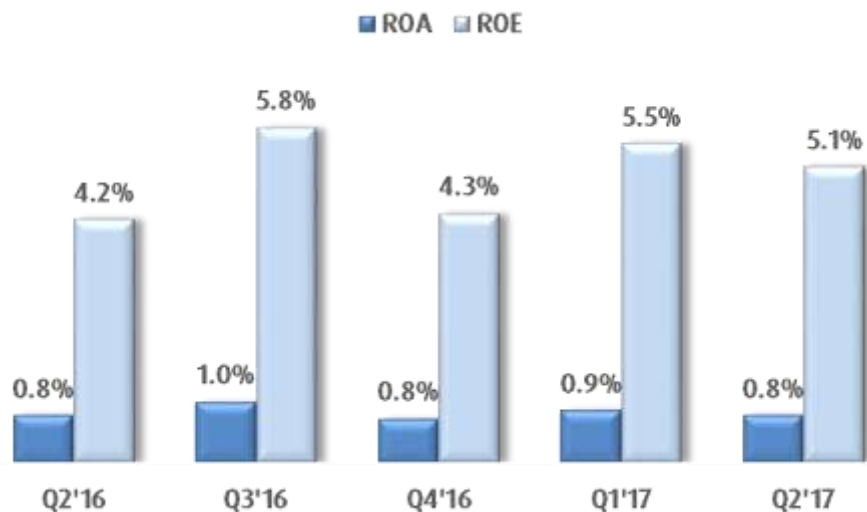


Earnings per share – Basic (₹)

↑ 46% YoY

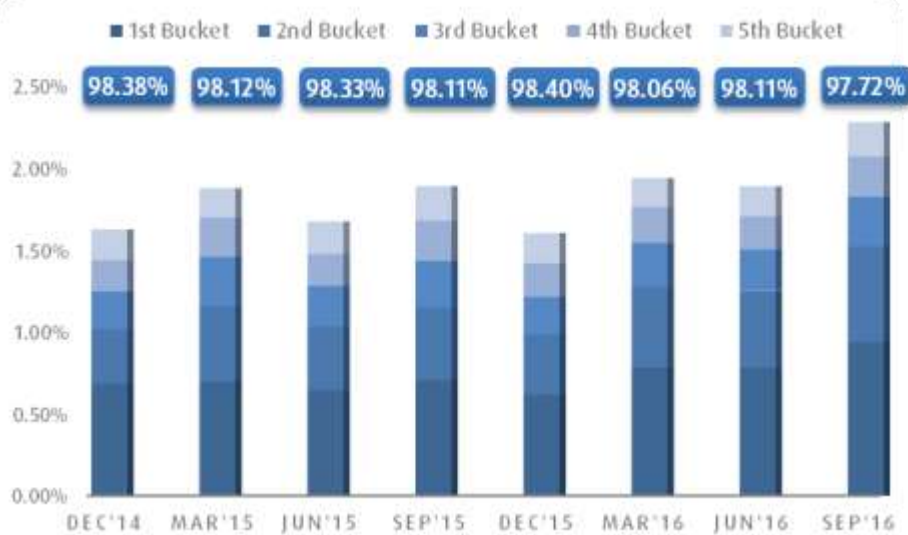


Return on avg. assets under finance & Equity

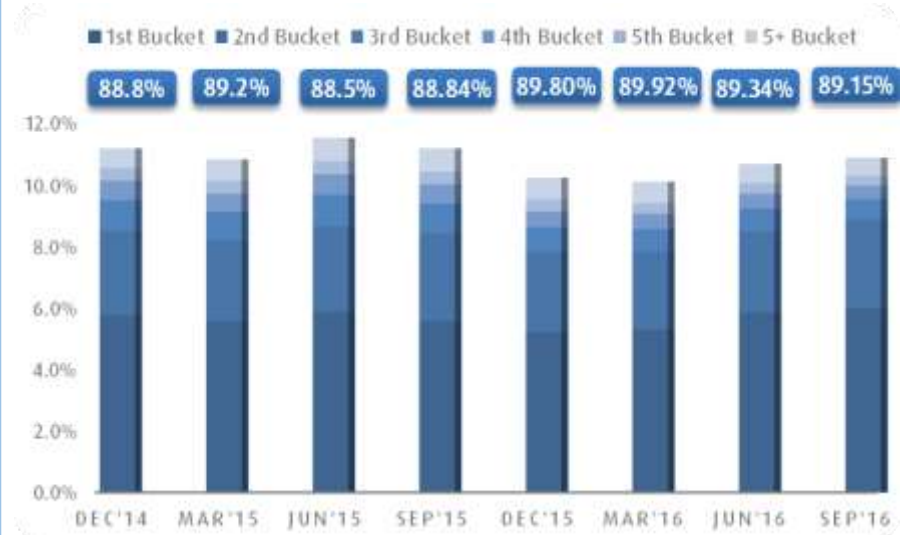


# CREDIT QUALITY – PORTFOLIO COMPOSITION

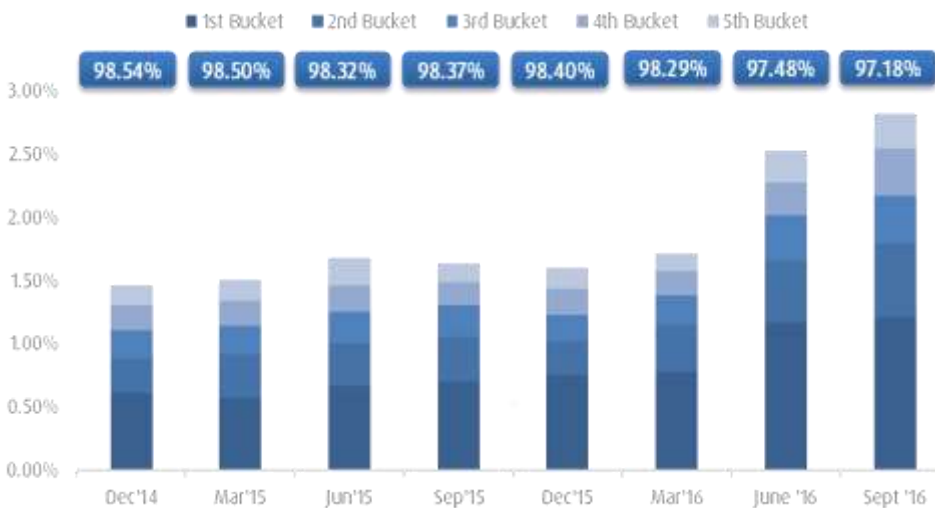
## CD loan portfolio



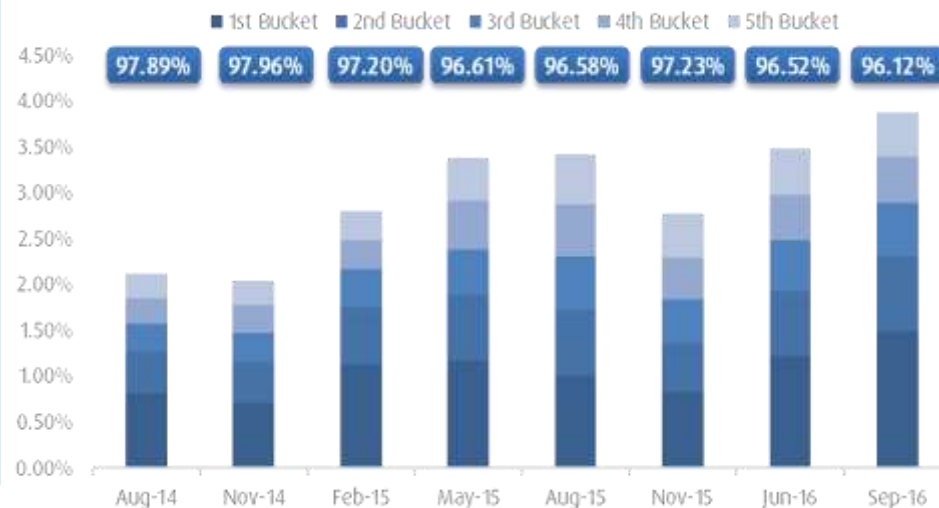
## Two & Three wheeler loan portfolio



## Lifestyle finance loan portfolio



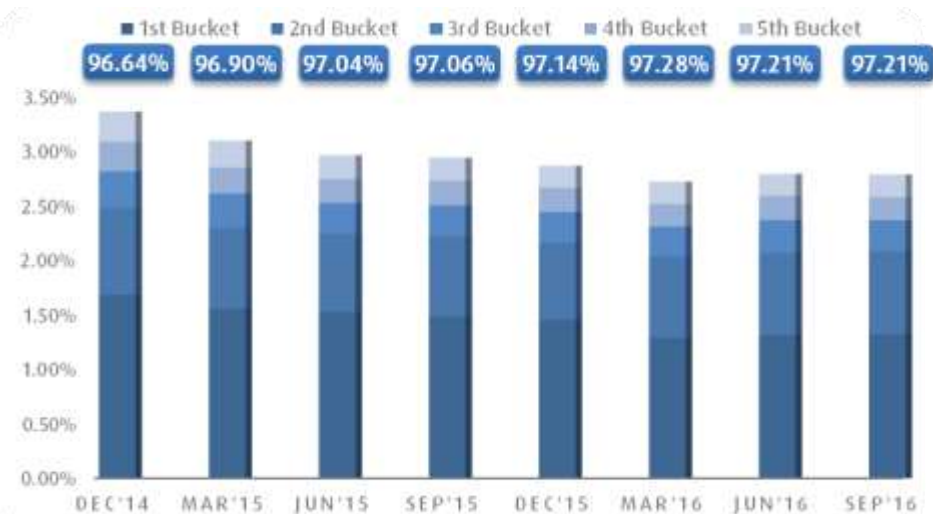
## Digital product finance loan portfolio



Legends indicate customers who are current/ no dues as of the month.

# CREDIT QUALITY – PORTFOLIO COMPOSITION

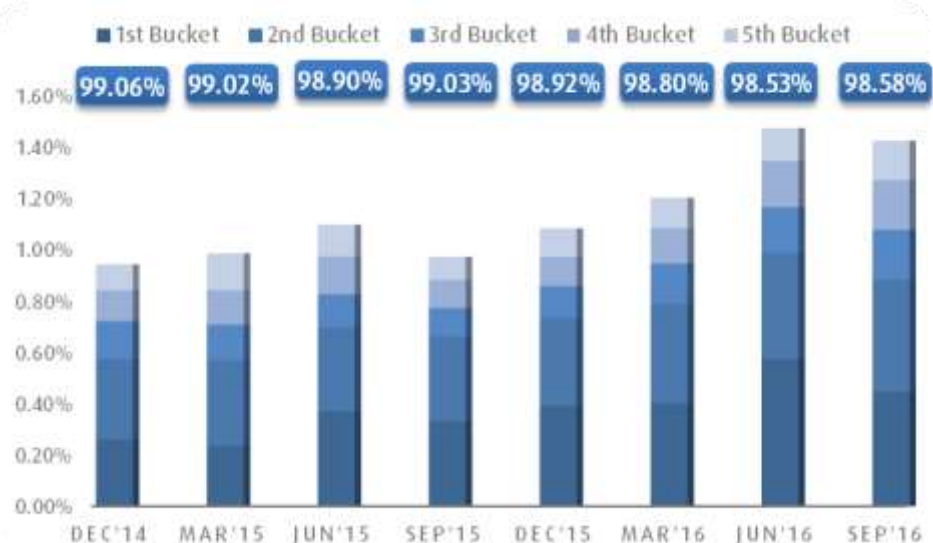
## Personal loan cross sell portfolio



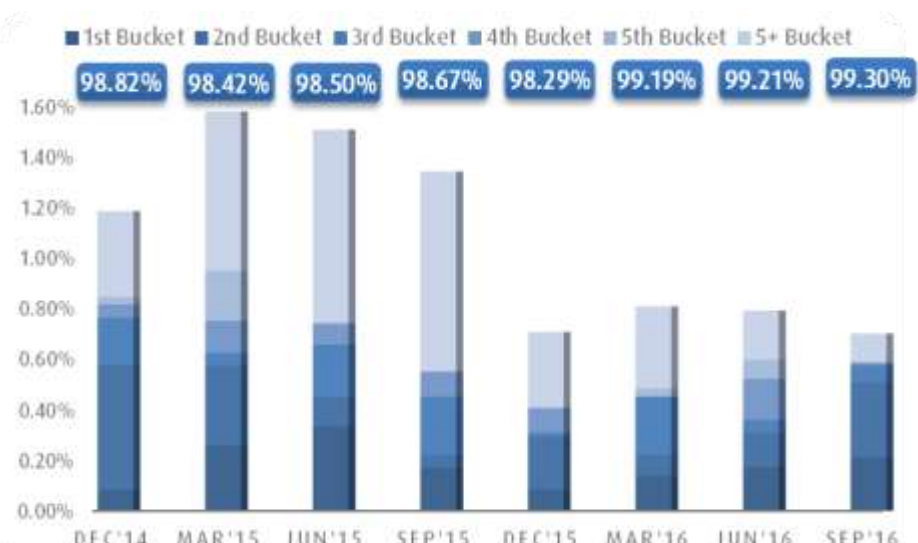
## Salaried personal loan portfolio



## Small business loan portfolio



## Loan against property portfolio

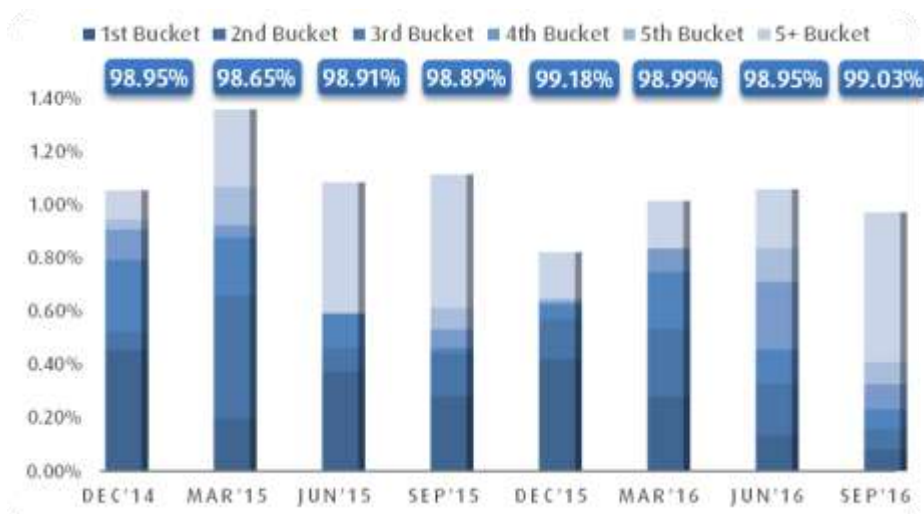


Legends indicate customers who are current/ no dues as of the month.

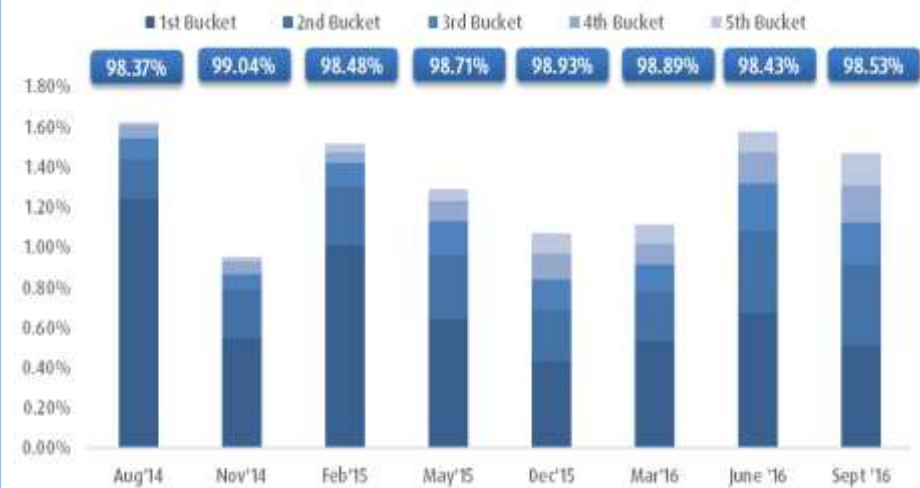


# CREDIT QUALITY – PORTFOLIO COMPOSITION

## Home loans portfolio



## Rural Lending portfolio (Basket of 10 products)



Legends indicate customers who are current/ no dues as of the month.

# CREDIT QUALITY – PROVISIONING COVERAGE

Business Segment (Values in ₹ Crs)		AUM Q2 FY17	GNPA	NNPA	PCR (%)	GNPA (%)	NNPA (%)		Remarks
1.	2W & 3W finance	4,466	193	60	69%	4.19%	1.34%	●	Repossessable asset
2.	Consumer durable finance	6,937	129	10	92%	2.02%	0.16%	●	
3.	Digital product finance	950	16	2	86%	1.69%	0.24%	●	
4.	Lifestyle	420	5	1	81%	1.22%	0.23%	●	
5.	Personal loans cross sell	4,938	120	12	90%	2.30%	0.23%	●	
6.	Salaried personal loans	2,947	26	3	87%	0.88%	0.12%	●	
7.	Salaried – Home Loans	2,093	3	2	14%	0.14%	0.12%	●	1.25 X property cover
8.	Business loans (BL)	5,057	104	17	84%	2.02%	0.33%	●	
9.	Professional loans	1,421	10	1	87%	0.73%	0.10%	●	
10.	Loan against property (LAP)	8,536	85	52	39%	1.12%	0.68%	●	1.5 X property cover
11.	Self employed – Home Loans	3,252	49	31	38%	2.09%	1.30%	●	1.4 X property cover
12.	Loan against securities	3,107	0	0	-	0%	0%	●	
13.	Vendor financing	1,551	0	0	-	0%	0%	●	
14.	Financial institutions group	438	0	0	-	0%	0%	●	
15.	Corporate finance	578	0	0	-	0%	0%	●	
16.	Infrastructure lending	305	11	8	21%	3.42%	2.71%	●	
17.	RM Business	2,126	22	11	50%	1.21%	0.60%	●	1.5 X property cover
18.	Rural lending	1,948	15	3	82%	0.77%	0.14%	●	
19.	BFS Direct	843	3	0	88%	0.31%	0.04%	●	
Bajaj Finance		52,332	808	218	73%	1.58%	0.43%		

## 'Next consumption wave will ride on credit'



**B**ajaj Finserv has created a financial stronghold with multiple business lines. Bajaj Finserv, a lending, insurance and wealth advisory firm has three arms – the non-banking finance firm Bajaj Finance, Bajaj Allianz General Insurance and Bajaj Allianz Life Insurance. Sanjiv Bajaj took charge of Bajaj Finance in 2008. Starting from a low base in 2007-08, when Bajaj first entered the financial services business, the company's revenue has grown to Rs 22,364 crore and profits have grown to Rs 1,863 crore in 2015-16. The company is currently valued at over Rs 20,000 crore and has earned a solid reputation among both peers and consumers. With a focus on sustainable profitability and innovation,

Consumer finance industry around the world plays a critical linkage role in developing consumer culture and giving a kick-start to the economy. How do you see it panning out in India?

Now our society is a mix of old India and new India, old India didn't spend, they didn't have anywhere to go and spend, there were no malls, they didn't have the opportunity to spend, no discretionary spend was available beyond the basic necessities. In the last 10 years the entire consumer space has changed and that has given rise to companies like us, and we are able to enable those consumers, we can stretch a person's money using EMIs, using schemes to help him buy products affordable and available to him. The most important point is generational; we all grew up in an environment of deficit not surplus, therefore, apart from the younger generation, most Indians do not like taking debt, which is not such a bad thing. In the country of 130 crore people, you can always

trade up for higher value product, that's how we end up meeting people's aspirations and enabling them. In our experience, we see section of consumer happy to trade up.

**Are non-performing loans becoming a challenge?**

What we have seen in India is that consumers want to pay. There are very few consumers in India who consciously do not want to pay. But some consumers have accumulated too much debt, or have a debt but have lost their jobs, which is why they are unable to pay. Other than those situations, we have seen that getting payments back is not a problem. On our part, it is our responsibility to see that we use good quality analytics to try and understand which cus-

tomers should be given how much leverage and that has helped us so far in having a very low net non-performing assets.

**Bajaj Finance has tied up with Future Group, what is the plan and potential of the two companies coming together.**

Time will tell us the potential but the next wave of growth will be enabled by finance. For us, it is as important to find new customers as it is to build the right type of partnerships so that we can take care of customers' multiple needs. The next wave of consumption will happen through credit only. I am excited because two Indians groups getting together to do something which is world class. It's a win-win tie-up for Bajaj Finance, Future Group and customers.

potential we have witnessed in India in the past decade encourages me to think that there won't be a problem in seeing over 20% of good quality growth.

**What you think of India's current macro-economic situation. Do you think we are going on the proper growth trajectory with self-dependency or still we are very much dependent on the external world?**

We do not live in an isolated world. Around 25 years after liberalisation, we are open to what is happening in the world, so obviously we have some impact of external factors. Nevertheless, our strengths are a very large consuming population, great skills and ability to manufacture locally, whether it is products or services. If we continue to focus on these, it will help us buffer



**Our major focus will be on the consumer segment. But we are increasing focus on rural and other segments. In these, it shouldn't be problematic to enhance growth from 20-25%**

Bajaj Finance has given handsome returns to investors. Currently Bajaj Finance is present in 20,000 stores across the country and has now tied up with Future Group to provide easy EMIs to customers on groceries and household essentials in the latter's stores. Vice chairman of Bajaj Finance Sanjiv Bajaj spoke with Anurag Shah about the company's prospects and industry scenario.

**What kind of scope does consumer finance offer today and what are your plans in this segment?**

Consumer finance has a very small portion of the total debt in India today. But in western countries it's a much larger proportion of the GDP. Even though we don't have to go that far, the opportunity we have today is large. As our income levels are growing, so are people's aspirations. With our consumer financing and EMI products, we are able to enable the aspirations, and that is what we are focused on.

get enough volumes, consumers who can come and buy; it's an issue of availability and accessibility. Today we need 20 more Bajaj Finance all over the country to reach out to the customers to provide them financial products. So I think it's an issue of accessibility today more than affordability.

**You mean to say people are willing to pay more when they have more access to finance?**

We have been doing consumer financing from the last many years, we find that availability of EMI finance plays a major role; of the customers who come to buy a 40 inch TV, one in three



Sanjiv Bajaj



**What we have seen in India is that consumers want to pay. There are very few consumers in India who consciously do not want to pay**

**Going forward, what strategies do you have for expansion and growth?**

Our major focus will be on the consumer segment. But we are increasing focus on the rural and other segments. In these, it shouldn't be problematic to enhance growth from 20-25% in the next few years. Having said that, there exist growth cycles, so if we deem that growth needs to be slowed in the coming years to maintain the quality of the growth, then we will slow it down. This is because we are long-term players who wish to be around for the next 100 years. But overall, the kind of

external shocks and leverage external benefits. Our capability can maneuver through slow to quality growth cycles. As we witnessed with China in the past 30 years, I believe the next 30 years belong to India.

**Do you expect further consolidation in the insurance sector? Also, there is a talk of Allianz quitting the joint venture with Bajaj...**

Rumours come and go, although they can be interesting to read in the newspapers. Our discussions are ongoing and Allianz is a very well-respected company having been our partner for the past 15 years. Beyond that, I cannot say anything because our discussions are ongoing at the moment. With regards to consolidation, I believe there are new opportunities for consolidation. But there will be new companies coming in because India has a huge opportunity for insurance. Be it banking or insurance, we need a lot more competition to really penetrate financial products right across India. Today India is not only 50-100 cities. We have to go much beyond that, and we need more competition not less.



# PR COVERAGE HIGHLIGHTS IN Q2 FY17 (CONTD.)

## Bajaj Finance's rich valuations sustainable

Expectations of strong earnings growth and expansion in return ratios will support high valuations

SHEETAL AGARWAL

The Bajaj Finance scrip has multiplied 10 times in three years; it rose twofold in the past year, to ₹10,022 a share currently. Such a run-up up has made Bajaj Finance be among the most expensive financials stocks. At current levels, it trades at six times the FY17 estimated book value. The question now is: are these valuations sustainable or should investors brace-up for a correction? The latter seems unlikely at the moment.

Strong leadership position, thanks to its first mover advantage in the niche segment of consumer durables financing, has fuelled healthy growth for the company over the past many quarters. In fact, the consumer durables financing segment is still under-penetrated and analysts believe Bajaj Finance could continue to gain market share going forward. The management's focus on product innovation and cross-selling will be key factors in driving future growth. It is because of this quality growth and visibility that the Street remains positive on the stock, with majority of analysts believing these rich valuations/stock levels are sustainable.

While the firm will continue to grow at a good pace in the near-term as the catalysts for consumption demand namely good monsoon, higher pay for government employees, One Rank One Pension, etc. play out, Bloomberg consensus estimates suggest earnings will grow 36 per cent and 31 per cent, respectively, in FY17 and FY18. This earnings momentum should translate into expansion in return on



equity ratio from 21 per cent in FY16 to 23 per cent in FY18. It is no surprise, then, that of the 20 analysts polled by Bloomberg since July, just two have a 'sell' recommendation on the stock with nine each having 'buy' and 'hold' ratings. Their average target price of ₹10,013 is pretty close to Tuesday's closing price, indicating the stock is fairly valued for now. But, as analysts roll over their stock price targets and earnings estimate to FY18, the price-to-book valuation should come down, if share price sustains current level. Some analysts cite risks to high growth and expensive stock valuations. "While Bajaj Finance continues to deliver strong growth, recent rally makes it the most expensive financial stock. We see risks to its growth which makes us believe there is little upside left in the stock," wrote Sunil Tirumalai, an analyst at Credit Suisse in a recent report on the company. He has raised his FY17 earnings estimate for the company by five per cent, but has a very low target price of ₹6,200 on the stock. Such a downside in the stock price is possible if the company's growth slows meaningfully and/or the asset quality worsens, for now unlikely, according to most analysts.

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# BAJAJ FINANCE LIMITED

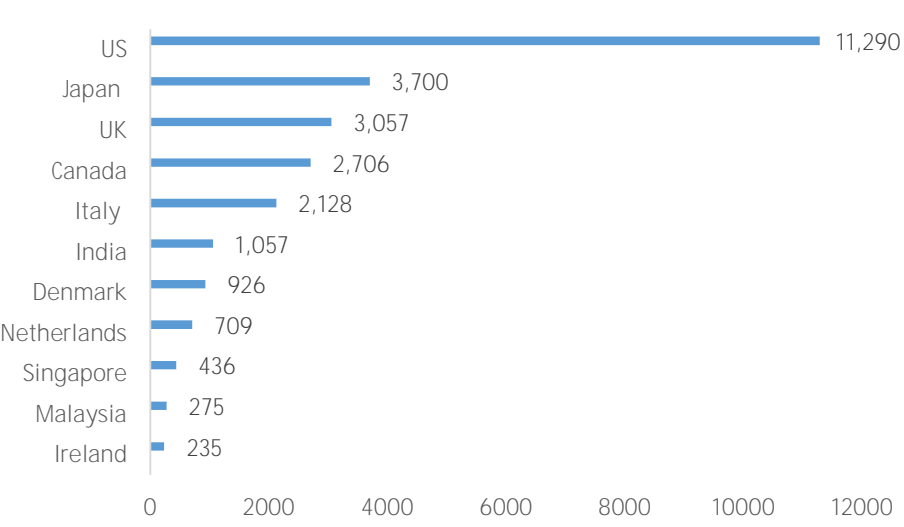
## Q2 FY17 Presentation

THANK YOU

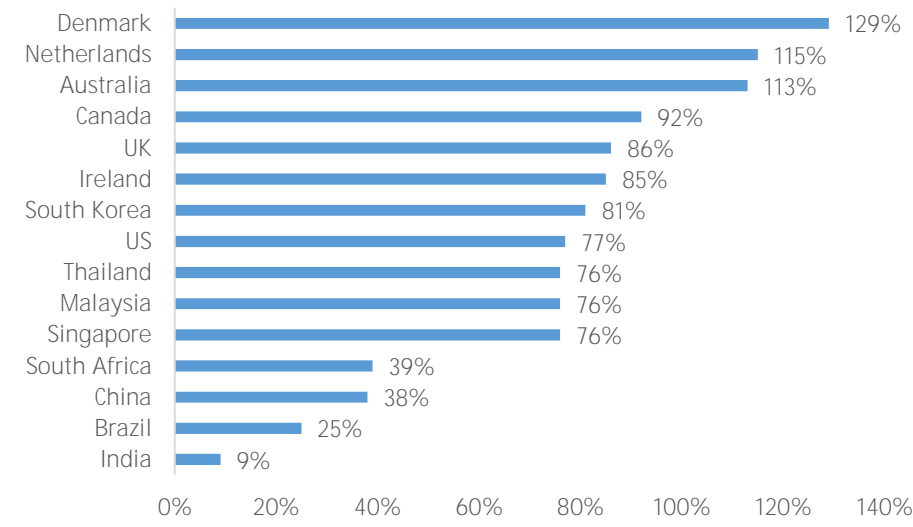
# ANNEXURE

# LENDING INDUSTRY OPPORTUNITY

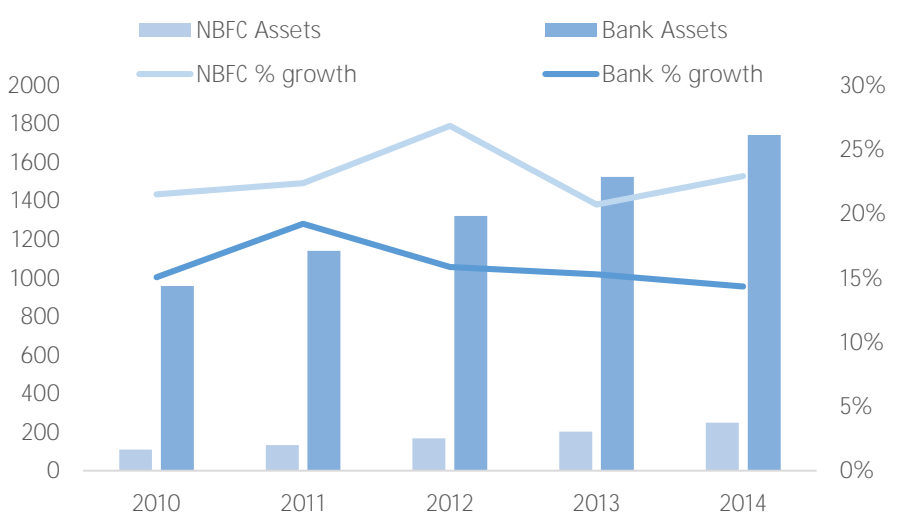
India vs. Advanced Economies – Bank Credit (US \$ Bn)



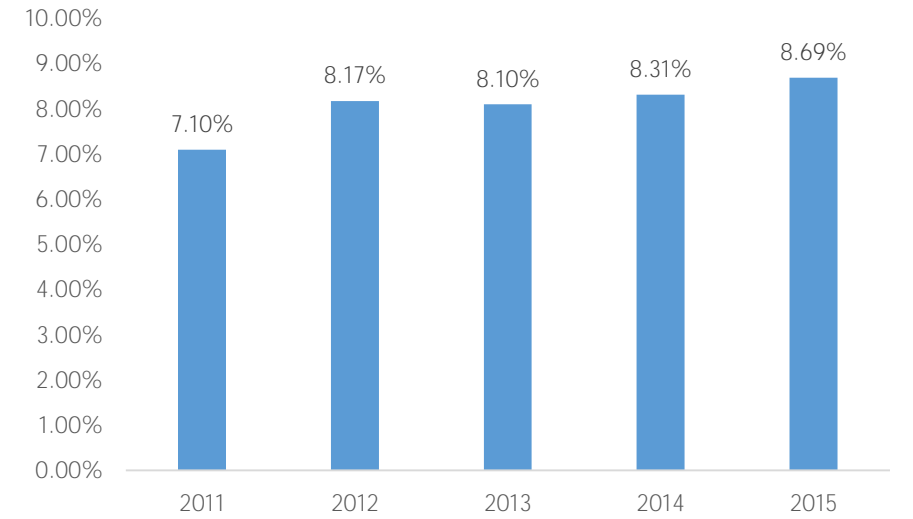
India vs. Advanced Economies - Household Debt/GDP (%)



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



India – Household Debt/GDP (%)



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



# A FEW INITIATIVES IN THE LAST 24 MONTHS...

1 Low ticket high velocity collection capability (~250K accounts per month)

2 Work flow based underwriting for SME businesses on cloud.

3 Centre of Excellence for Analytics across Sales, Pricing, Risk, Marketing, Collection & Service

4 Direct cash collection model for unbanked rural customers

5 Flexi Loan to SME customers – Flexibility to prepay & withdraw

6 **India's only E2E online salaried** personal loan and business loan

7 Launched Retail EMI category

8 Strategic partnership with Future Group for EMI financing

9 EMI Financing option on Flipkart platform

10 **'Best Employer' awards by GPTW & Aon Hewitt**

11 Launched MSME rural lending business

12 Co-branded EMI card with Vijay Sales

13 Co-branded EMI card with Ezone

14 Launched CD Mobile APP – Bajaj Finserv Experia

# PRODUCT PER CUSTOMER (PPC)

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)
16	3	2.62*	2.82*	2.98*

### Product offerings – Retail

#### Loan Products

- Consumer durable finance, Digital finance, Lifestyle finance, Personal Loan, Salaried Personal Loans, Salaried Home Loans

#### Fee Products

- EMI Card, Credit Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, Fixed Deposit, Extended Warranty Insurance, Credit Vidya, Retail Financial Fitness report

## SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
14	5	4.28*	4.08*	4.06*

### 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, Property fitness report, SME financial fitness report

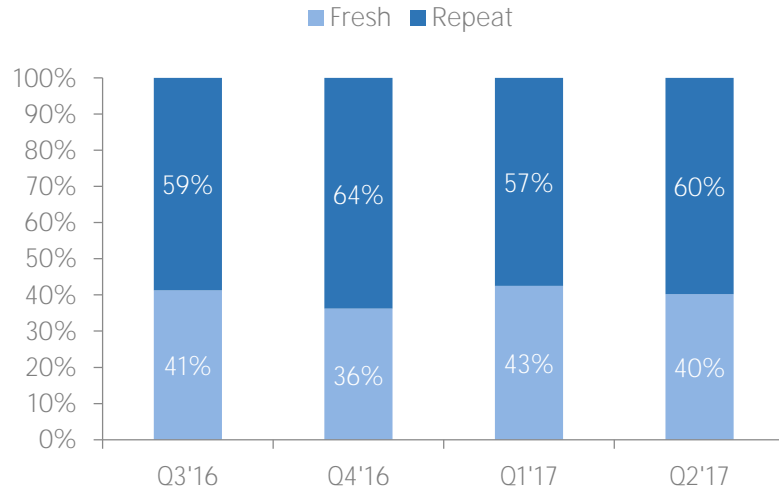
\* Base product is included in the PPC calculation

\* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, infra and Rural lending sourcing

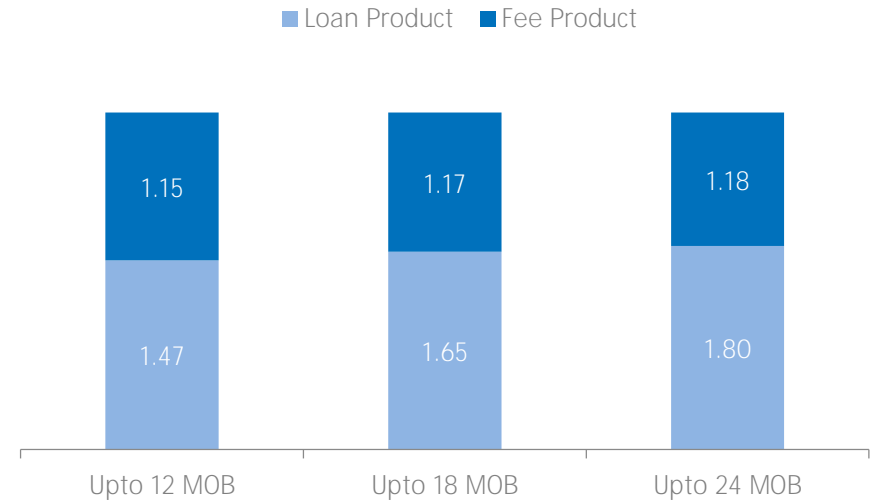
# Product Per Customer (PPC)

## Retail

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

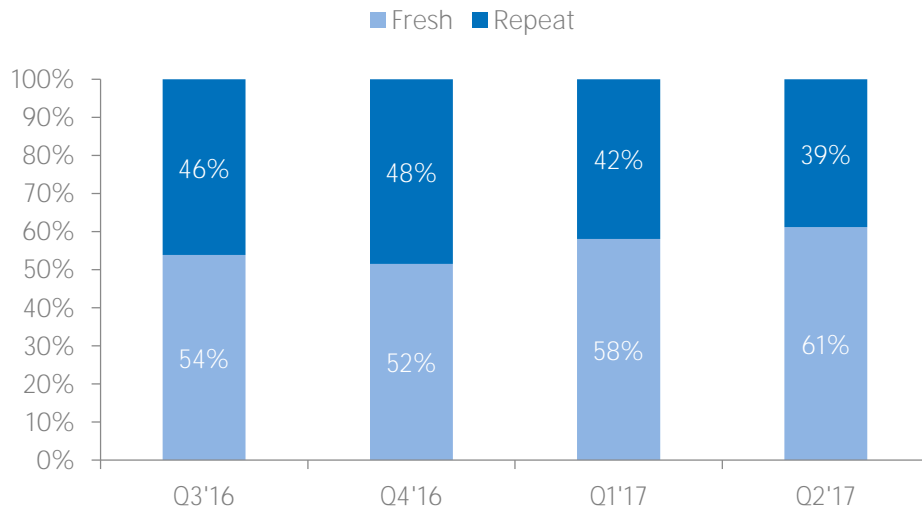


Product Per Customer (PPC)

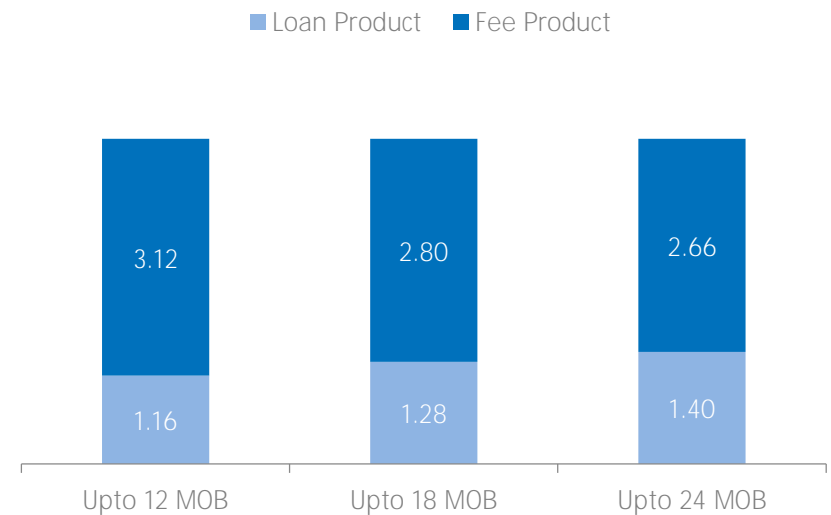


## SME

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



Product Per Customer (PPC)



\* Base product is included in the PPC calculation

\* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, Infra and Rural lending sourcing

# EMI CARD FRANCHISE

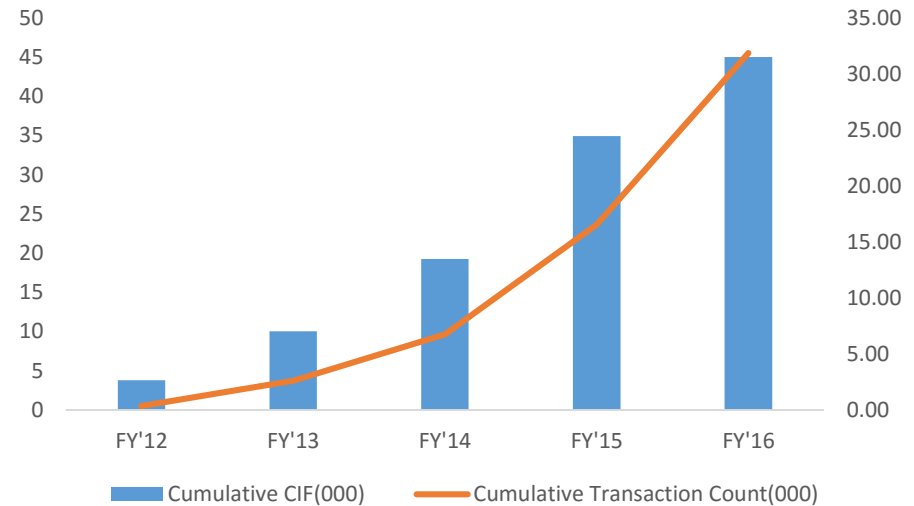
## What is EMI Card

- EMI Card refers to **Existing Member Identification Card**.
- The EMI card can be used to purchase consumer durables & lifestyle products, by availing a loan from BFL without any documents.
- Customers simply have to **Swipe & Sign** to buy using an EMI card.
- Total cards acquired in Q2'FY17 – 5.3 lacs**
- Total card transactions in Q2 FY'17 – 8.1 lacs**
- Average line assigned per EMI card (Amount in Rs):
  - Per issued card – 91,540
  - Per active card – 1,05,650
- Activation rate of delivered EMI cards:
  - 0-6 MOB: 25%, 0-9 MOB: 33%, 0-12 MOB: 40%

## Key milestones

- Launch of EMI Card pilot: **May 2011**
- 1 Mn Cards milestone: **November 2012**
- EMI Card new design launch: **July 2013**
- 3 Mn Cards delivered milestone: **Nov 2014**
- 1.5 Lac transactions milestone: **Nov 2014**
- 1 Mn active cards milestone crossed: **Feb 2015**
- First co-branded card launched with Vijay Sales: **May 2015**
- Second co-branded card launched with Ezone: **Dec 2015**
- 2 Mn active cards milestone crossed: **Mar 2016**
- 3.4 Lac Transactions in single month: **May 2016**
- 2.5 Mn active cards milestone crossed: **Aug 2016**

## Progress till date



## EMI Card Old & New design



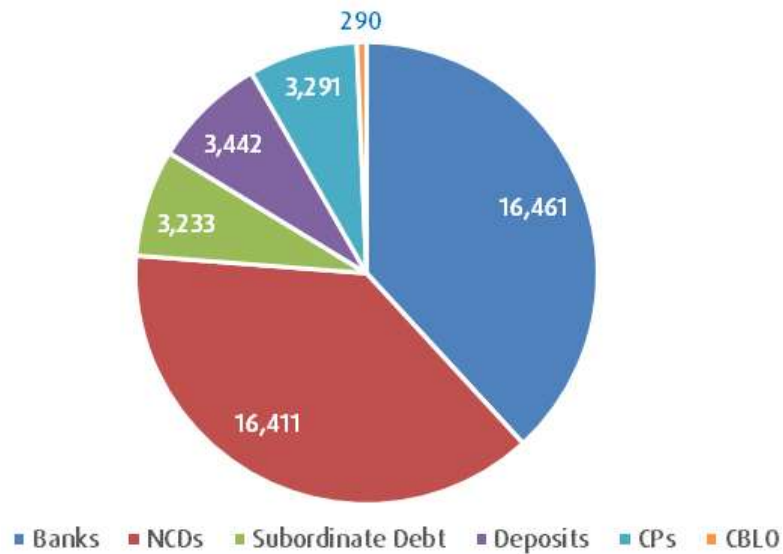
*Old EMI Card design (July 2013 to Sept 2016)*



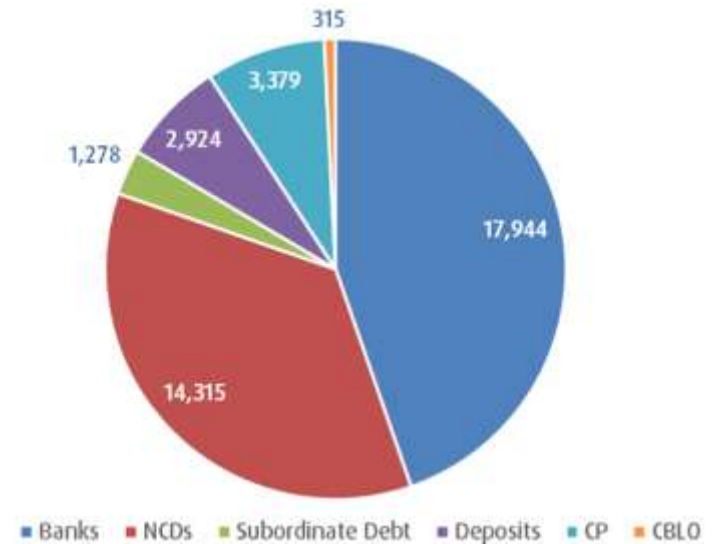
*EMI Card design (Oct 2016 onwards)*

# ALM STRATEGY

Borrowings – Sept '16 (₹ 43,127 Crs)



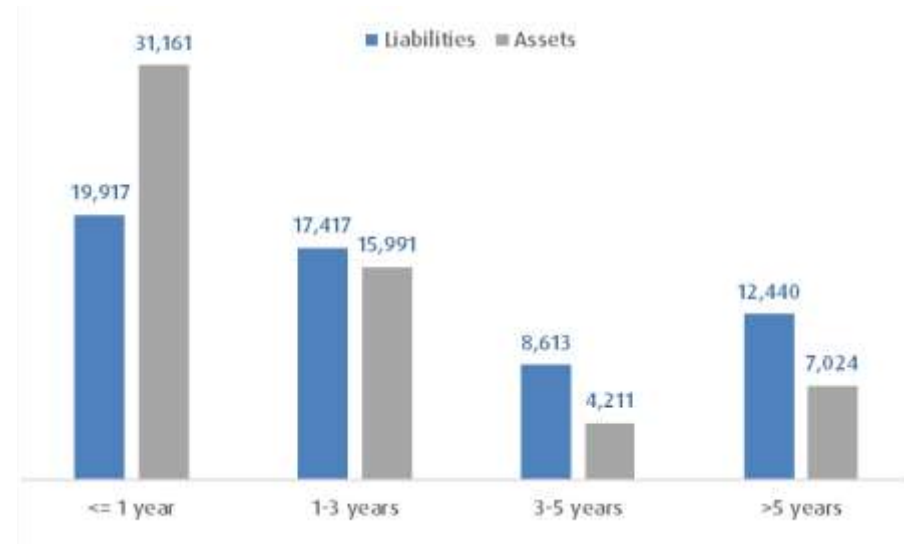
Borrowings – June '16 (₹ 40,155 Crs)



Loan Book (₹ Crs)



Behaviouralised ALM (₹ Crs)



# NPA PROVISIONING STANDARDS

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%)

## Consumer Finance provision coverage

- Consumer Durables :
  - 3-5 Bucket - 75%
  - Above 5 - 100%
- 2 and 3 Wheeler :
  - 3 – 5 Bucket – 30%
  - 6 - 12 Bucket - 60%
  - Above 12 - 100%
- Personal Loan Cross Sell :
  - 3 - 5 Bucket - 60%
  - Above 5 - 100%
- Salaried Personal Loan :
  - 3 - 5 Bucket – 75%
  - 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.