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Debt Investor Presentation

Q3FY23

AGENDA

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Executive Summary





Monthly Acquisition
(as of Dec 22)



Asset
Under Management
(as of Dec 31, 2022)



Employees

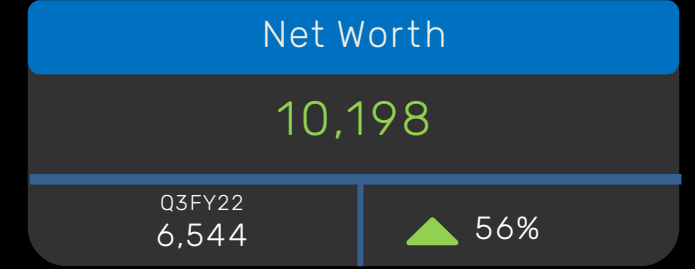
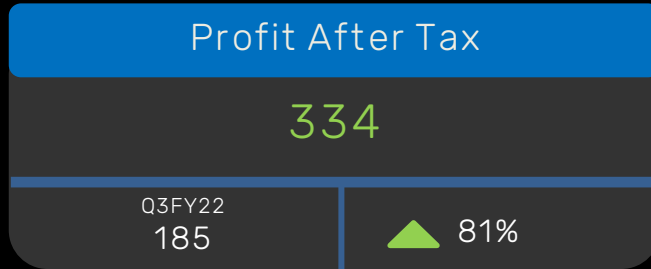
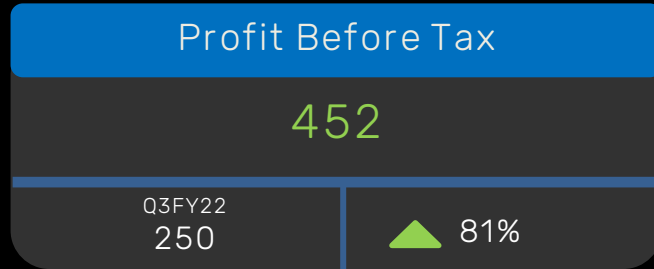
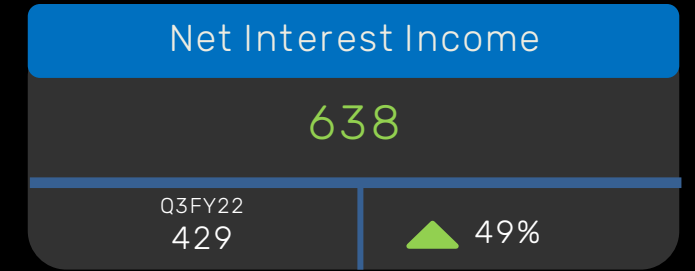
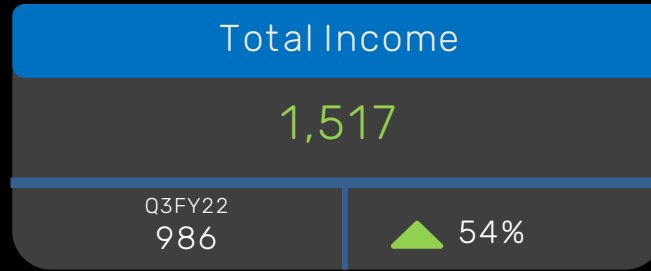


Locations
(Urban-48; Rural-109)

Bajaj Housing Finance Ltd. (BHFL):

- ❖ is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC), regulated by Reserve Bank of India (RBI) and classified as “Upper Layer NBFC” under the recent Scale Based Regulations issued by RBI
- ❖ is a 100% subsidiary of Bajaj Finance Ltd. (BFL) – a Bajaj Finserv Group Company
- ❖ started full-fledged operations from January 2018 with dedicated sales, operations, collections, branch & IT infrastructure. The Company operates as a completely independent entity with no common linkages with parent company
- ❖ has completed 5 years of operations and has been profitable since inception – the Company delivered PAT of 12 Cr in FY18, 104 Cr in FY19, 421 Cr in FY20, 453 Cr in FY21 and 710 Cr in FY22

₹ in Crore



- The AUM of the Company grew 33% at 65,581 Cr as of 31 December 2022 as against 49,203 Cr as of 31 December 2021. Home Loans AUM grew by 31%, Loan against property by 16%, LRD by 59% and Developer Finance by 69%.
- AR grew by 33% at 57,991 Cr as of 31 December 2022 as against 43,479 Cr as of 31 December 2021.
- The Company had softer quarter on the acquisition front disbursing 7,429 Cr during Q3FY23 as against 7,946 Cr of Q3FY22.
- The Company delivered profit after tax of 334 Cr in Q3FY23 as against 185 Cr in Q3FY22; registering growth of 81%.
- With 225 bps policy rate interventions by the RBI through the year, cost of funds for the Company also witnessed an upward trajectory. Cost of funds for Q3FY23 stood at 7.12% as against 6.63% in Q2FY23. The Company continued to carry higher liquidity buffer during the quarter and ending at 4,203 Cr as of 31 December 2022.
- Capital adequacy remained comfortable at 23.00% as of 31 December 2022. The Company had raised 2,500 Cr in April 2022 through Rights issue.
- Borrowings mix stood at 51% : 35% : 13% : 1% between Banks : Money market : Assignment : ICD as of 31 December 2022. The Company received Refinance sanction of 5,000 Cr from NHB during the quarter.

- In Q3, liquidity coverage ratio remains comfortable and above regulatory requirement of 60%.
- Opex to NII improved to 24.5% in Q3FY23 as against 28.7% in Q3FY22.
- GNPA at 0.23% as of 31 December 2022 as against 0.24% as of 30 September 2022, an improvement of 1 bps. NNPA also improved by 1 bps at 0.10% as of 31 December 2022. Provisioning coverage ratio at 55%.
- Loan losses and provisions for the quarter was 30 Cr as against 56 crore in Q3FY22. The Company continue to hold management overlay provision of 242 Cr as of 31 December 2022.
- Overall stage 2 assets stood at 394 Cr as of 31 December 2022 as against 438 Cr as of 30 September 2022. Of this, non overdue (0 DPD) one-time resolution (OTR) assets classified as stage 2 as of 31 December 2022 were 179 Cr where the Company carries provisioning of 20% as against the regulatory requirement of 10%.
- Overall stage 3 assets stood at 135 crore as of 31 December 2022 as against 131 crore as of 30 September 2022.



Financial & Credit Quality Highlights



₹ in Crore

Financials snapshot	Q3FY23	Q3FY22	YoY	9MFY23	9MFY22	YoY
Assets under management	65,581	49,203	33%	65,581	49,203	33%
Assets under finance	57,991	43,479	33%	57,991	43,479	33%
Interest income	1,428	907	57%	3,749	2,520	49%
Fee and other income	50	65	(23%)	253	146	73%
Net gain on fair value changes on investment	39	14	179%	78	43	81%
Total Income	1,517	986	54%	4,080	2,709	51%
Interest expenses	879	557	58%	2,257	1,549	46%
Net Interest Income	638	429	49%	1,823	1,160	57%
Operating Expenses	156	123	27%	463	325	42%
Loan losses and provisions	30	56	(46%)	67	143	(53%)
Profit before tax	452	250	81%	1,293	692	87%
Profit after tax	334	185	81%	956	512	87%
Key Ratios:						
Operating expenses to Net Interest Income	24.5%	28.7%		25.4%	28.0%	
Loan loss to average AR*	0.21%	0.54%		0.17%	0.50%	
Return on Average Assets*	2.37%	1.79%		2.44%	1.78%	
Return on Average Equity *	13.32%	11.47%		15.05%	10.86%	

Asset categorization	Dec'21	Mar'22	Jun'22	Sep'22	Dec'22
Stage 1 & 2 (represents standard assets)	99.65%	99.69%	99.73%	99.76%	99.77%
Stage 3 (represents GNPA)	0.35%	0.31%	0.27%	0.24%	0.23%

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and impairment allowance	Dec'21	Mar'22	Jun'22	Sep'22	Dec'22
Gross Stage 1 & 2 assets* (A)	43,760	46,803	50,370	55,286	58,346
ECL Provision Stage 1 & 2 (B)	359	388	388	407	416
Net Stage 1 & 2 assets (C = A-B)	43,401	46,415	49,983	54,878	57,930
ECL Provision% Stage 1 & 2 assets (D = B/A)	0.82%	0.83%	0.77%	0.74%	0.71%
Gross Stage 3 assets [@] (E)	152.3	146.4	134.5	131.2	134.6
ECL Provision Stage 3 (F)	74.7	79.5	78.2	70.9	73.6
Net Stage 3 assets (G = E-F)	77.6	66.9	56.3	60.3	61.1
Coverage Ratio % Stage 3 assets (H= F/E)	49%	54%	58%	54%	55%
ECL/Total Assets	0.99%	1.00%	0.92%	0.86%	0.84%

*Gross stage 1 & 2 assets represent loans balance as per Ind AS after adjusting for the impact of amortization of fees earned and acquisition cost incurred.

@ Gross Stage 3 assets represents loans balance as per Ind AS after adjusting for the impact of (i) amortization of fees earned and acquisition cost incurred and (ii) overdue interest considered recoverable under Ind AS and other receivables considered as non-performing as at the end of respective periods.

₹ in Crore

Particulars	AUM 31 Dec 22	GNPA	NNPA	PCR (%)	GNPA %			NNPA %		
					30 Jun 22	30 Sep 22	31 Dec 22	30 Jun 22	30 Sep 22	31 Dec 22
Home Loans	39,687	70	31	56%	0.23%	0.21%	0.19%	0.09%	0.09%	0.08%
Loan against property	6,878	32	18	45%	0.59%	0.52%	0.59%	0.28%	0.30%	0.33%
Lease rental discounting	9,835	-	-	-	-	-	-	-	-	-
Developer Finance	4,914	-	-	-	-	-	-	-	-	-
Rural	2,501	25	10	61%	1.33%	1.34%	1.30%	0.65%	0.62%	0.52%
Others	1,766	8	3	66%	0.42%	0.40%	0.47%	0.12%	0.11%	0.15%
Total	65,581	135	61	55%	0.27%	0.24%	0.23%	0.11%	0.11%	0.10%

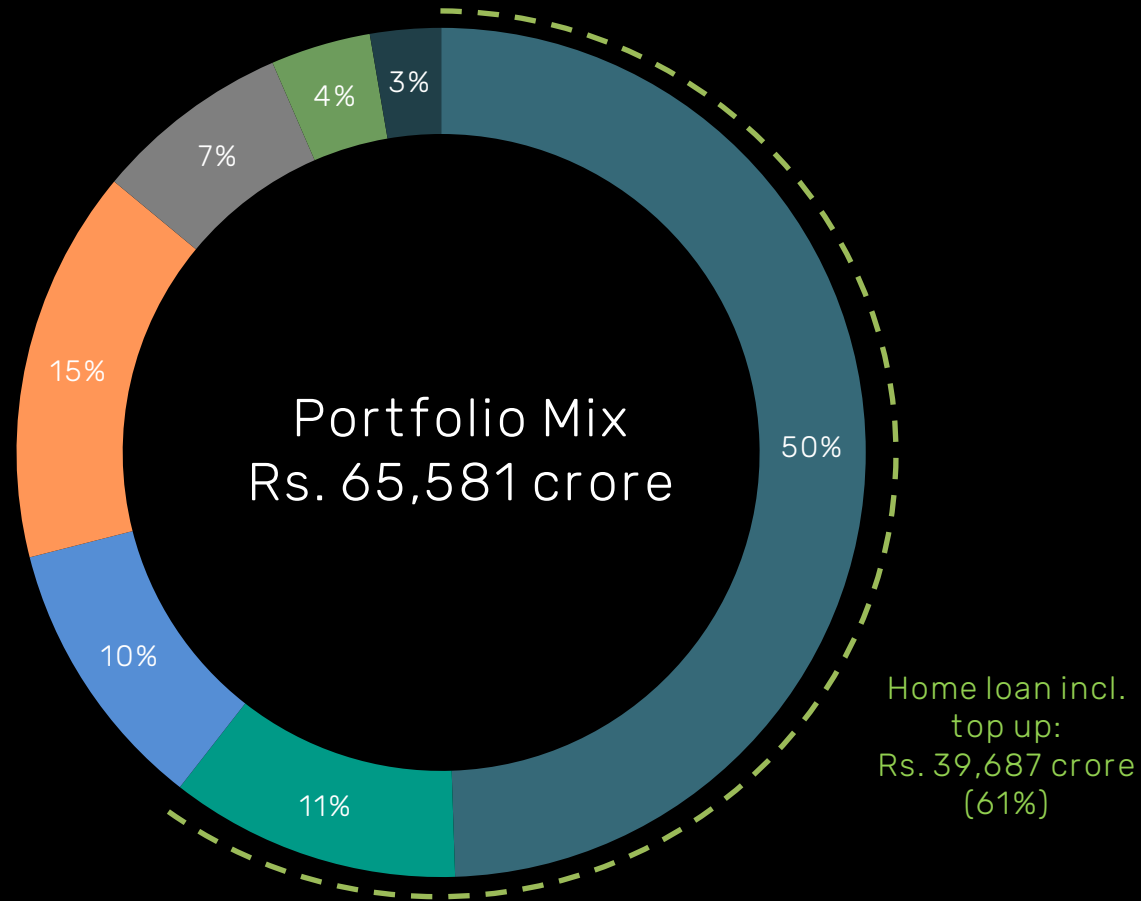
Stagewise ECL provisioning

₹ in Crore

Particulars	Gross Assets Receivable				ECL Provision				PCR %			
	Stage 1	Stage 2		Stage 3	Stage 1	Stage 2		Stage 3	Stage 1	Stage 2		Stage 3
		OTR*	Normal			OTR*	Normal			OTR*	Normal	
Home Loans	36,062	113	101	70	182	29	19	39	0.5%	25.9%	18.4%	55.9%
Loan against property	5,209	41	62	32	34	10	10	14	0.7%	23.4%	15.6%	44.2%
Lease rental discounting	8,161	0	0	0	53	0	0	0	0.6%	0.0%	0.0%	0.0%
Developer Finance	4,951	0	0	0	38	0	0	0	0.8%	0.0%	0.0%	0.0%
Rural	1,801	20	43	25	11	5	7	15	0.6%	23.3%	16.8%	60.0%
Others	1,769	4	9	8	15	1	3	6	0.8%	23.9%	28.9%	67.5%
Total as of 31 Dec 2022	57,952	179	215	135	333	45	38	74	0.6%	25.0%	17.7%	54.6%
Total as of 30 Sep 2022	54,848	219	219	131	314	55	38	71	0.6%	25.1%	17.3%	54.2%
Total as of 30 Jun 2022	49,878	244	248	134	283	62	42	78	0.6%	25.6%	16.9%	58.2%

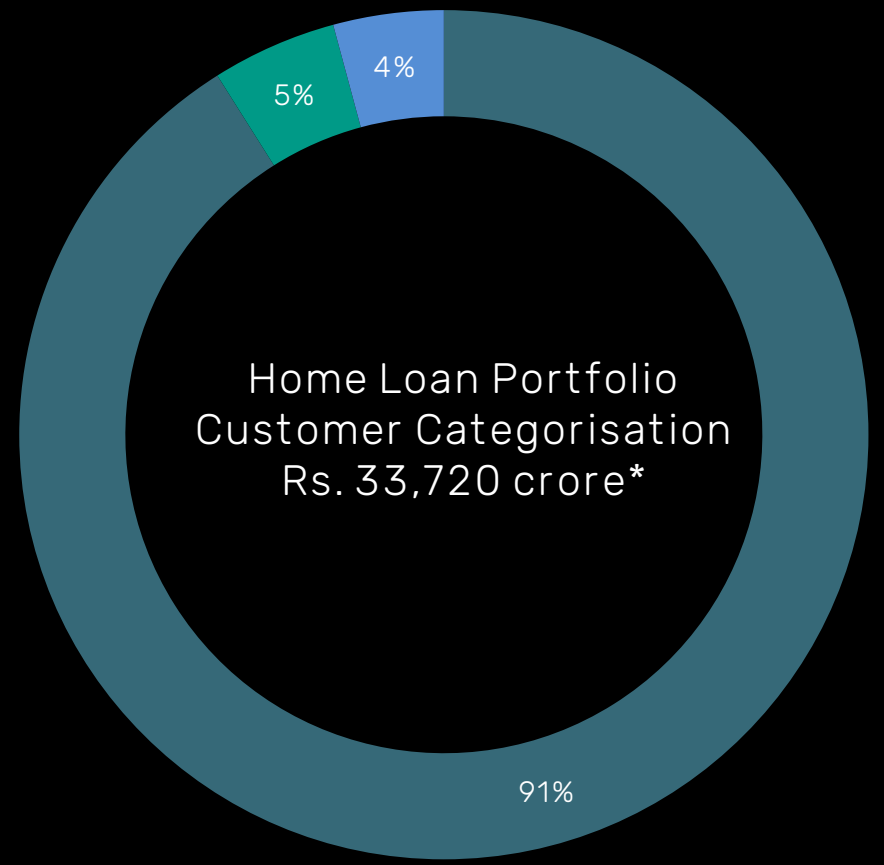
* Represents non overdue (0 DPD) OTR assets classified as Stage 2

● ● ● ● ● ● Portfolio & Treasury Update ● ● ● ● ● ●



■ Home Loan ■ HL Top Up ■ LAP ■ LRD ■ DF ■ Rural ■ Others

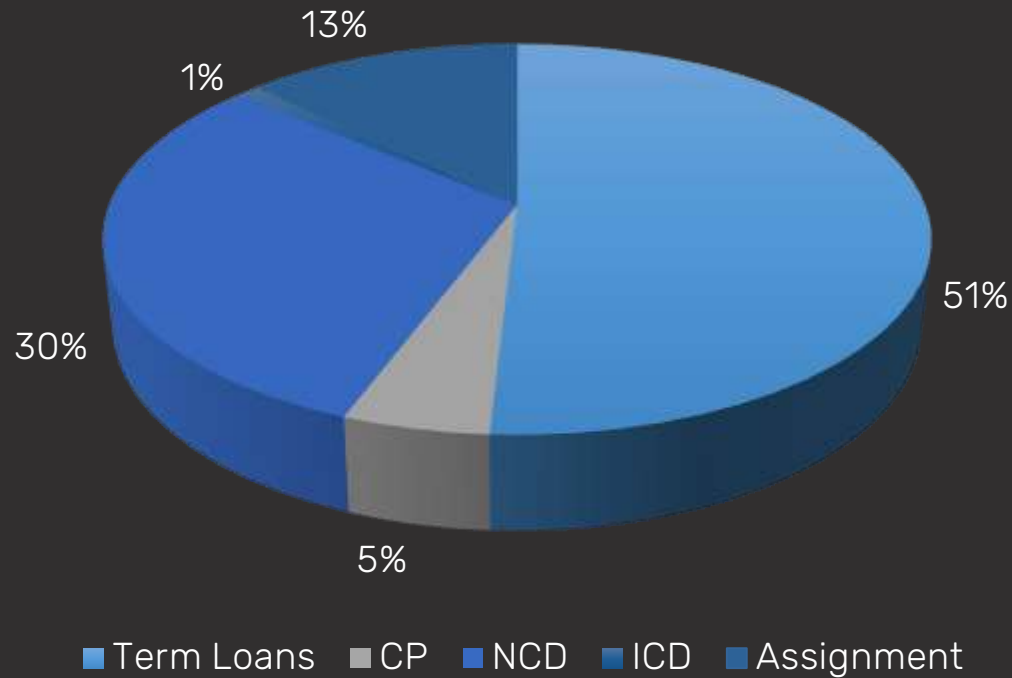
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

Focus on low-risk, fast growing Salaried Home Loan customer

*Represents home loans portfolio including rural home loans



Dec 2022

- ✓ Money market liquidity to support growth over 15-18 months
- ✓ Continued focus on longer tenor borrowings. Rebalancing borrowing with higher money market mix
- ✓ Maturity of book to open avenues for sub-debt and NCD borrowing supporting ALM
- ✓ NHB refinance to diversify borrowings and support ALM mismatch
- ✓ Assignments to drive balance sheet growth and address ALM mismatch

Behaviouralized ALM snapshot

(as of 31 Dec 2022)

₹ in Crore

	1-7 D	8-14 D	15-30 D	>1-2 M	>2-3 M	>3-6 M	>6 M-1 Y	>1-3 Y	>3-5 Y	>5 Y	Total
Cash & Investments	756	500	2,300	149	247	220	33	0	-	-	4,203
Advances	589	338	548	1,073	1,068	2,922	5,507	14,746	9,761	21,440	57,991
Other inflows	-	350	23	1,869	494	858	3,741	3,586	1,811	5,381	18,114
Total Inflows (A)	1,345	1,188	2,870	3,091	1,808	4,000	9,280	18,332	11,572	26,821	80,307
Cumulative Total Inflows (B)	1,345	2,533	5,403	8,494	10,303	14,302	23,582	41,915	53,486	80,307	
Borrowings	-	499	1,366	1,341	1,021	2,790	5,421	21,465	13,100	4,992	51,997
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	10,198	10,198
Other Outflows	1,193	601	1,165	956	770	1,132	3,442	4,459	528	3,867	18,113
Total Outflows (C)	1,193	1,100	2,531	2,298	1,791	3,922	8,863	25,925	13,628	19,057	80,307
Cumulative Total Outflows (D)	1,193	2,293	4,824	7,122	8,913	12,835	21,698	47,623	61,251	80,307	
Mismatch (E = A - C)	152	87	339	794	17	78	417	(7,592)	(2,057)	7,765	
Cumulative mismatch (F = B-D)	152	239	579	1,372	1,390	1,467	1,884	(5,708)	(7,765)	-	
Cumulative mismatch as % (F/D)	13%	10%	12%	19%	16%	11%	9%	-12%	-13%	0%	
Permissible cumulative gap %	-10%	-10%	-20%								
Additional borrowings possible			1,924								



Key Drivers



TOP 4 MORTGAGE ORIGINATOR

- In 5 years of operations, BHFL ranks among top 7 mortgage (top 3 HFC) originators in India
- Aim to be amongst the top 4 mortgage originators in the country

BUILD A LOW-RISK BUSINESS MODEL

- To create a low-risk sustainable balance sheet delivering GNPA in corridor of 0.6%-0.8% and ROE of 13-15%
- Focus largely on salaried home loan opportunity

FOCUS ON CROSS SELL

- 66.0 Mn customer base of BFL
- Focus on customer data enrichment to create right propositions
- Lower risk

DIVERSIFIED HL FOCUSED BUSINESS MIX

- Entire suite of products available to meet customer mortgage requirements
- Home loans to contribute 60%-65% of portfolio
- Risk based business mix to ensure low risk portfolio contribution
- Launched affordable housing vertical

FOCUS ON FEE INCOME

- Mortgage is a highly competitive & low margin business with minimal pricing width available
- Focus on cross-sell income through cross-selling / up-selling customized VAS products & services

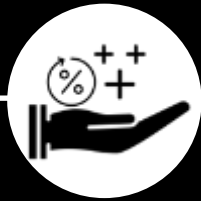
FOCUS ON MASS AFFLUENT (+) CLIENTS

- Focus on mass affluent and above customer segment
- Average age of 35-40 years and average salary of 10-20 lakhs



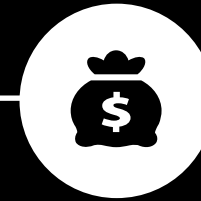
BRAND NAME

Bajaj group is one of the most reputed & vintage groups in the country. Bajaj Finance is a leading financial services name in the industry



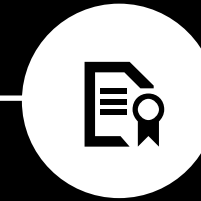
CAPITAL

2,500 Cr capital infusion completed taking total infusion to 7,550 Cr till date. Mortgages remain strategic to the group



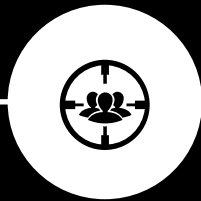
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



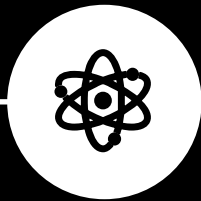
CREDIT RATING

Agency	Long-term	Short-term
CRISIL	AAA (Stable)	A1+
India Ratings	IND AAA (Stable)	A1+



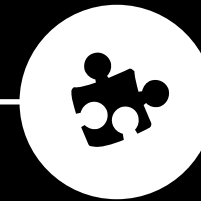
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (66.0 Mn) to cross sell mortgages



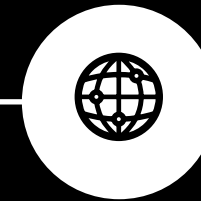
ANALYTICS ORIENTATION

BHFL mines the vast customer base for eligibility & offer computation through highly sophisticated analytical models



FULL PRODUCT SUITE

Mortgage products for Retail as well as Commercial customers with customized VAS products & services for cross sell / up sell



DEBT MANAGEMENT

Dedicated and well-staffed Debt Management unit for both urban and rural markets

Retail Loans Underwriting

(Home Loans & Loan Against Property)

- Separate dedicated underwriting structures for salaried and self-employed loans
- Salaried loans follow a hub model while self-employed loans are underwritten across all locations to address business and collateral related nuances
- Tele-PD for all salaried loans while physical PD with underwriter mandatory for all self-employed loans
- Legal and technical evaluation of collateral through in-house collateral team and empaneled vendors as per the regulatory norms
- Checkpoints / hind-sighting processes over the life-cycle of the loan

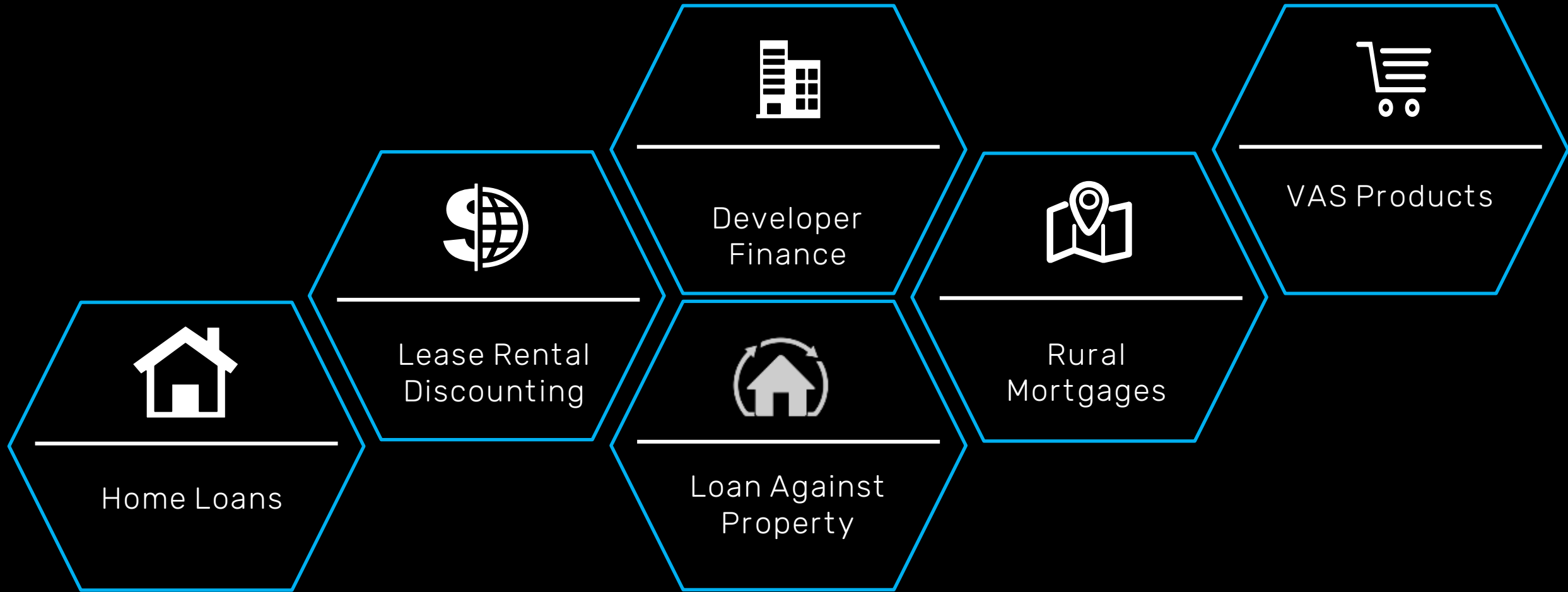
Commercial Loans Underwriting

(Developer Finance & Lease Rental Discounting)

- Dedicated underwriting structure of subject matter experts with relevant domain experience
- For LRD transactions: In-depth assessment of customer's borrowing requirement, credit history, financials, market stature, borrowing entity structure, collateral site, credibility of lessee's, lock-in period
- For DF transactions: Detailed assessment of developers' history, project site, approvals, cash flows, existing projects performance
- Use of industry best practices and tools for the preparation of Credit Approval Memo (CAM) for each commercial transaction
- Centralized disbursement of all commercial transaction for better controllership

Debt Management Approach

- Dedicated debt management structure for all Retail loans – urban as well as rural
- Debt management is done through in-house debt management team – no external agencies
- Backed by a strong legal structure focused on SARFAESI wherever needed
- Dedicated team in place for efficient resolution of legal cases at different stages



Full suite of mortgages products and services for retail and corporate customers

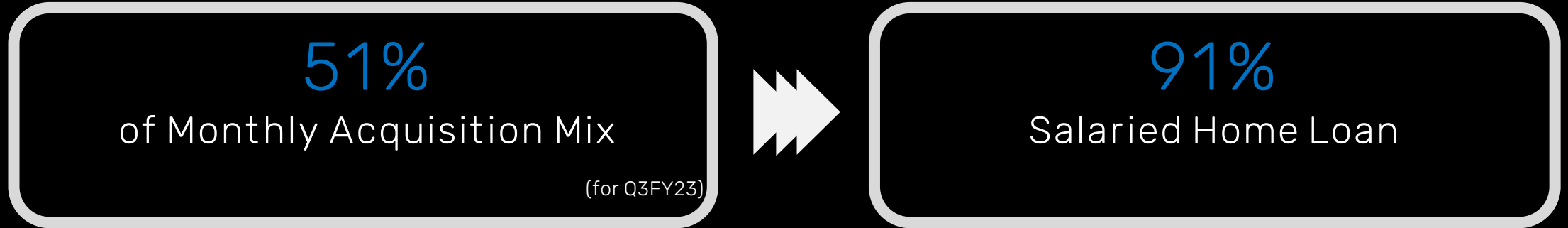


Business Wise Update



39,687 Cr

Asset Under Management



46%
Existing Customer
base sourcing

59%
FOIR

70%
LTV at origination

12.5 Lakhs
Avg. Customer salary

78%
Customers with
750+ CIBIL

51 Lakhs
Avg. Ticket Size

Home Loans Verticals

B2C

49%

B2B

51%



Appx. 45-50% customers are having prior relationship with Bajaj



Data-analytics based offer generation approach for better risk management



9% Contribution

Customer sourcing on digital channels across Bajaj Finserv assets



5 Markets

Micro-Market approach basis customer spread



7-8 Years

Behaviouralized maturity of loan



BHFL caters to majorly Elite, A+, A category developers



4-5 Years

Behaviouralized maturity of loan



Higher profitability in B2C channel driven by ability to cross-sell



Combination of field and regional underwriting processes for balancing TAT and Risk



Focused on DF funded projects for scale, relationship and risk mitigation



Build large array of partners to build scale going ahead



Only defined, selected, risk-approved projects allowed for sourcing

Continue to leverage the vast existing customer base to grow and expand distribution network as an additional funnel

Focus on the huge market opportunity in B2B to provide exponential growth. Less risky and highly stable portfolio

6,878 Cr

Asset Under Management

50%

Existing Customer mix

44%

LTV at Origination



Operative in 25 locations with average ticket size of 66 lakhs. Focused on mass affluent and above salaried and self-employed customers



Continued focused on direct to customer strategy along with expansion of intermediary business



AUM mix is 30% from salaried, 13% from self-employed professionals and 57% from self-employed



Business focused on Fresh LAP with faster turn-around-time of 72-120 hours



Self occupied residential property (SORP) constitutes 70% of the total book. Max LTV exposure restricted at 75%

2,501 Cr

Asset Under Management

17 L

Average Ticket Size

109

Locations



Hub and spoke model with presence across 109 upcountry locations as HUB and 193 locations as Spoke through ASSC tie-ups



Average Home Loan LTV of 61% and average Loan against Property LTV of 44%



63% of portfolio is HL and 37% is LAP; continue to focus on increasing the Home loan mix



Highest standards of controllership across all products supported by adequate spread

9,835 Cr

Asset Under Management

47 Cr

Average Ticket Size

Top 12

Locations



Offers lease rental discounting to high net-worth individuals (HNI) and developers primarily for leased out office spaces



Lessees are majorly Fortune 500 companies. The properties are relatively easier to lease out later as well



Conservative discounting and comfortable LTVs (~55%)



All transactions are backed by rentals through ESCROW mechanism with exclusive charge



Continuous monitoring of each transaction on a monthly basis by a dedicated risk team structure

4,914 Cr

Asset Under Management

Business Approach

- Focus on building a granular book
- Focused on end unit price <1 Cr other than Mumbai and <1.5 Cr in Mumbai
- No land financing
- Operative in 11 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures and CCF exposure to lease rental discounting

286

Active Developers

Developer Profile

- Developer should have built minimum 0.75 - 1 million sq. ft. in past 7-10 years
- Developer not to have more than 3-4 live projects
- Low leverage
- Developer should be large in the concerned micro-market

30 Cr

Average Ticket Size

Operating Model

- Centralized underwriting
- Disbursal only after RERA and Building approvals
- Deferred disbursement basis stage of construction and sales milestones
- Interest servicing mandatory to be done on a monthly basis with no moratorium



Way Forward





Optimal Balance Sheet Mix

- Focus on building a low-risk balance sheet with medium ROE. Salaried HL to be the core growth driver over the next 3-5 years.
- Developer Finance book to be range bound (8-10% of the portfolio)



Capital adequacy

- Maintain CRAR of over >17% against regulatory norm of 15%



Profitability & Risk metrics

- ROE: 13-15%
- ROA: 1.7%-2.0%
- GNPA: 0.6%-0.8%



Granular Portfolio

- Continue to focus on mass affluent customers as core target segment
- Continue to focus on ATS of 30 – 100 lakh in retail



Operating efficiency

- Continued focus towards OPEX management through cost out & process efficiencies



Diversified Borrowings

- Maintain optimal borrowing mix of bank lines and money market with focus on increasing money market borrowings
- Diversified borrowing mix by availing NHB refinance in FY23
- Assignment ~15-20%

Thank You

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Term	Full form
OTR	One time Restructuring
ATS	Average Ticket Size
AUM	Assets under Management
AUF	Assets under Finance
ECL	Expected Credit Loss
COF	Cost of funds
GNPA	Gross Non Performing Assets
VAS	Value added products & services
FOIR	Fixed obligation to income ratio
LTV	Loan to Value
B2C	Business to Customer
B2B	Business to Business
SENP	Self employed Non Professionals
SEP	Self employed Professionals
PD	Personal discussion
CAR	Capital adequacy ratio
ROA	Return on average assets
ROE	Return on average equity
ECB	External commercial borrowing
LCR	Liquidity coverage ratio