



BAJAJ HOUSING FINANCE LIMITED

Debt Investor Presentation
Q3 FY24

Agenda

Company Overview

Executive Summary

Financial & Credit Quality Highlights

Portfolio & Treasury Update

Key Drivers

Business Update

Way Forward

BAJAJ HOUSING FINANCE LIMITED



COMPANY OVERVIEW



Company Overview



Avg. Monthly
Acquisition

₹ 3,500 Cr

As of Dec'23



Assets Under
Management

₹ 85,929 Cr

As of Dec'23



Employees

2,585

As of Dec'23



Locations

186

As of Dec'23

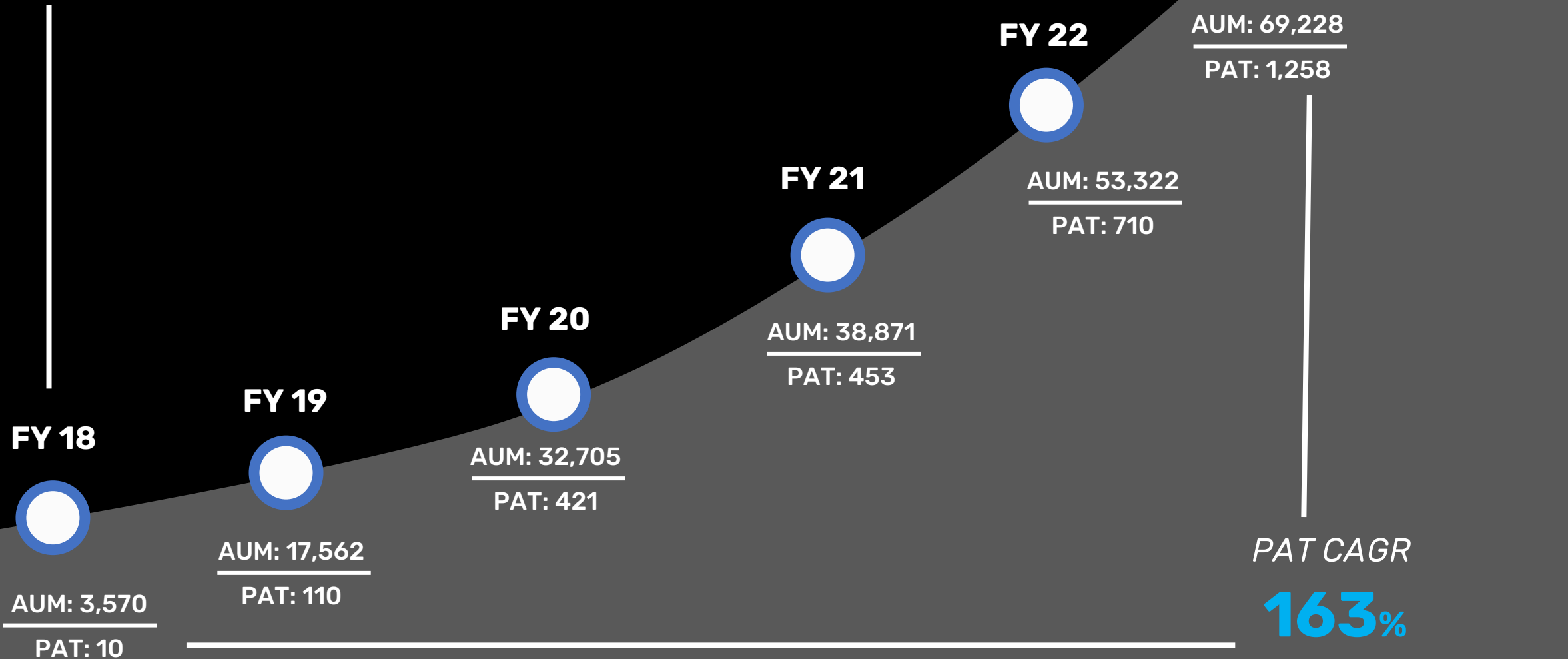
Bajaj Housing Finance Ltd. (BHFL):

- ❖ is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC), regulated by the Reserve Bank of India (RBI). The RBI through its press release dated 30 Sept 2022, has categorized the Company as "Upper Layer NBFC" (NBFC-UL) under the Scale Based Regulations
- ❖ 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 6 years of operations and has been profitable since inception – the Company delivered PAT of 10 Cr in FY18, 110 Cr in FY19, 421 Cr in FY20, 453 Cr in FY21, 710 Cr in FY22 and 1,258 Cr in FY23

Journey so far

AUM CAGR

81%



PAT CAGR

163%

EXECUTIVE SUMMARY



Company Overview

Assets Under Management	
Q3 FY23	Q3 FY24
65,581	85,929 31%↑

Total Income	
Q3 FY23	Q3 FY24
1,517	1,947 28%↑

Net Interest Income	
Q3 FY23	Q3 FY24
638	746 17%↑

Profit Before Tax	
Q3 FY23	Q3 FY24
452	572 27%↑

Profit After Tax	
Q3 FY23	Q3 FY24
334	437 31%↑

Net Worth	
Q3 FY23	Q3 FY24
10,198	11,853 16%↑

GNPA
0.25%

NNPA
0.10%

CRAR
21.92%

Business Update

- » The AUM of the Company grew 31% at ₹ 85,929 Cr as of 31 December 2023 as against ₹ 65,581 Cr as of 31 December 2022. Home Loans AUM grew by 21%, Loan against property by 15%, Lease Rental Discounting by 70%, Developer Finance by 74% and Rural mortgages grew by 19%.
- » AR as of 31 December 2023 grew by 26% at ₹ 73,197 Cr as against ₹ 57,991 Cr as of 31 December 2022.
- » Approvals were ₹ 17,767 crore in Q3FY24 as against ₹ 14,514 crore in Q3 FY23, a growth of 22% YoY.
- » Disbursements were ₹ 10,727 Cr during Q3 FY24 as against ₹ 7,429 Cr in Q3 FY23, a growth of 44% YoY.
- » The Company delivered profit after tax of ₹ 437 Cr in Q3 FY24 as against ₹ 334 Cr in Q3 FY23; a growth of 31%.
- » Cost of funds for Q3 FY24 stood at 7.70% as against 7.64% in Q2 FY24, an increase of 6 bps. The Company continued to carry sufficient liquidity buffer during the quarter and ended at ₹ 2,243 Cr as of 31 December 2023.
- » Capital adequacy remained comfortable at 21.92% as of 31 December 2023 with Tier -1 capital at 21.28%.
- » The Company got itself registered as a Corporate Agency with Insurance Regulatory and Development Authority of India (IRDAI).

Business Update

- » Borrowing mix - Banks : Money market : NHB : Assignment stood at 44% : 33% : 6% : 17% as of 31 December 2023.
- » In Q3 FY24, average liquidity coverage ratio remained comfortable at 149.22%; above regulatory requirement of 85%.
- » Opex to NII further improved to 23.19% in Q3 FY24 as against 24.45% in Q3 FY23.
- » GNPA at 0.25% as of 31 December 2023 as against 0.23% as of 31 December 2022, NNPA remained at 0.10% as of 31 December 2023 as against 0.10% as of 31 December 2022. Provisioning coverage ratio of 61%.
- » Impairment of financial instruments for the quarter was ₹ 0.56 crore as against ₹ 30.14 crore in Q3 FY23. The Company continue to hold management overlay provision of 150 Cr as of 31 December 2023.
- » Overall stage 2 exposure stood at ₹ 319 Cr as of 31 December 2023, marginally increased from ₹ 309 Cr as of 30 September 2023.
- » Overall stage 3 exposure stood at ₹ 186 Cr (0.25%) as of 31 December 2023 as against ₹ 171 Cr (0.24%) as of 30 September 2023.

FINANCIAL & CREDIT QUALITY HIGHLIGHTS



6-Year Financial Snapshot

₹ in Crore

Financials Snapshot	FY18	FY19	FY20	FY21	FY22	FY23	CAGR (6 yrs.)
AUM	3,570	17,562	32,705	38,871	53,322	69,228	81%
Total income	106	1,156	2,646	3,155	3,767	5,665	122%
Interest expenses	47	685	1,616	1,966	2,155	3,211	133%
Net Interest Income (NII)	59	471	1,030	1,189	1,612	2,454	111%
Operating Expenses	44	297	339	329	471	630	70%
Loan Losses & Provision	4	25	124	247	181	124	99%
Profit before tax	11	149	567	613	960	1,700	174%
Profit after tax	10	110	421	453	710	1,258	163%

Key Ratios:	FY18	FY19	FY20	FY21	FY22	FY23
Opex to NII	74.6%	63.1%	32.9%	27.7%	29.2%	25.7%
Loan loss to avg. AUF	0.22%	0.24%	0.55%	0.80%	0.45%	0.23%
Return on average assets	0.6%	1.1%	1.9%	1.5%	1.8%	2.3%
Return on average equity	1.1%	4.2%	9.1%	7.8%	11.1%	14.6%
Gross NPA	0.00%	0.05%	0.08%	0.35%	0.31%	0.22%
Net NPA	0.00%	0.04%	0.05%	0.22%	0.14%	0.08%
Provision coverage ratio	-	35%	38%	38%	54%	64%
CRAR (standalone)	45.12%	25.81%	25.15%	21.33%	19.71%	22.97%
Leverage ratio	3.03	5.26	5.62	6.28	7.20	6.16
Capital infusion*	1,200	2,000	1,500	-	-	2,500

* Capital infusion of ₹ 328 crore prior to FY18

Financials

₹ in Crore

Financials Snapshot	Q3 FY24	Q3 FY23	YoY	9M FY24	9M FY23	YoY
Assets under management	85,929	65,581	31%	85,929	65,581	31%
Assets under finance	73,197	57,991	26%	73,197	57,991	26%
Interest income	1,846	1,428	29%	5,295	3,749	41%
Fee and other income	101	89	13%	326	331	(1%)
Total Income	1,947	1,517	28%	5,621	4,080	38%
Interest expenses	1,201	879	37%	3,413	2,258	51%
Net Interest Income	746	638	17%	2,208	1,822	21%
Operating Expenses	173	156	11%	509	462	10%
Loan losses and provisions	1	30	(97%)	26	67	(61%)
Profit before tax	572	452	27%	1,673	1,293	29%
Profit after tax	437	334	31%	1,350	956	41%
Ratios						
Operating expenses to Net Interest Income	23.19%	24.45%		23.05%	25.36%	
Annualized Loan Loss to Average Assets	0.01%	0.21%		0.05%	0.17%	
Annualized Return on Average Assets	2.43%	2.37%		2.66%	2.44%	
Annualized Return on Average Equity	15.02%	13.32%		16.10%	15.05%	
Earning per share - Basic (₹) *	2.60	1.99		2.68	1.91	

*annualised

ECL Summary

Asset Categorization	Dec'22	Mar'23	Jun'23	Sept'23	Dec'23
Stage 1 & 2 (represents standard assets)	99.77%	99.78%	99.77%	99.76%	99.75%
Stage 3 (represents GNPA)	0.23%	0.22%	0.23%	0.24%	0.25%

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and Impairment Allowance	Dec'22	Mar'23	Jun'23	Sept'23	Dec'23
Gross Stage 1 & 2 assets* (A)	58,346	62,502	66,711	71,301	73,515
ECL Provision Stage 1 & 2 (B)	416	438	428	414	391
Net Stage 1 & 2 assets (C = A-B)	57,930	62,064	66,283	70,887	73,124
ECL Provision% Stage 1 & 2 assets (D = B/A)	0.71%	0.70%	0.64%	0.58%	0.53%
Gross Stage 3 assets@ (E)	134.6	137.3	151.5	171.1	186.3
ECL Provision Stage 3 (F)	73.6	87.3	99.9	103.9	113.0
Net Stage 3 assets (G = E-F)	61.1	50.0	51.6	67.1	73.3
Coverage Ratio % Stage 3 assets (H= F/E)	55%	64%	66%	61%	61%
ECL/Total Assets	0.84%	0.84%	0.79%	0.72%	0.68%

*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.

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
Home Loans	44,184	165	113	146	31	68	0.33%	18.79%	60.18%
Loan Against Property	6,375	82	36	34	15	19	0.53%	18.29%	52.78%
Lease Rental Discounting	9,845	0	0	67	0	0	0.68%	0.00%	0.00%
Developer Finance	8,611	15	0	59	4	0	0.69%	26.67%	0.00%
Rural Mortgages	2,444	49	23	11	9	14	0.45%	18.37%	60.87%
Other loans	1,737	8	14	12	3	12	0.69%	37.50%	85.71%
Total as of 31 Dec 2023	73,196	319	186	329	62	113	0.45%	19.44%	60.67%
Total as of 30 Sept 2023	70,992	309	171	352	62	104	0.50%	20.12%	60.76%
Total as of 31 Dec 2022	57,952	394	135	333	83	74	0.58%	21.02%	54.63%

Portfolio Performance – Provisioning Coverage



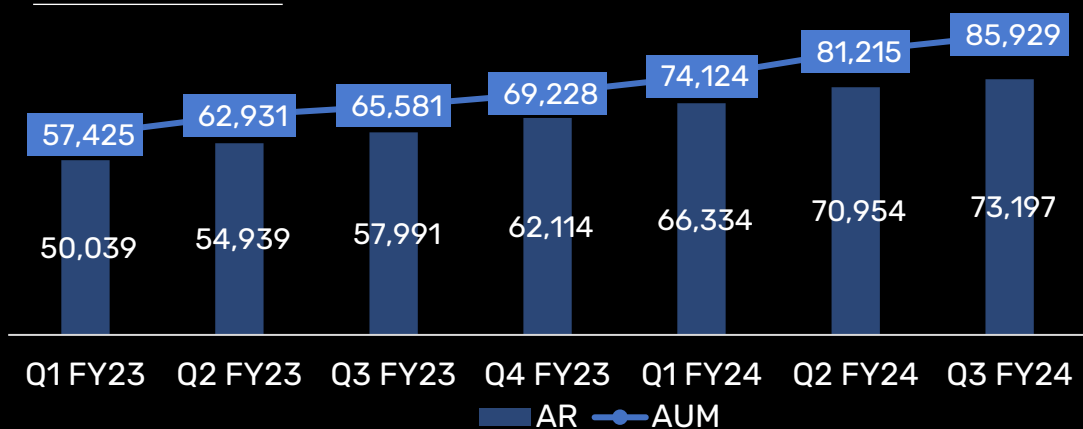
FINSERV

₹ in Crore

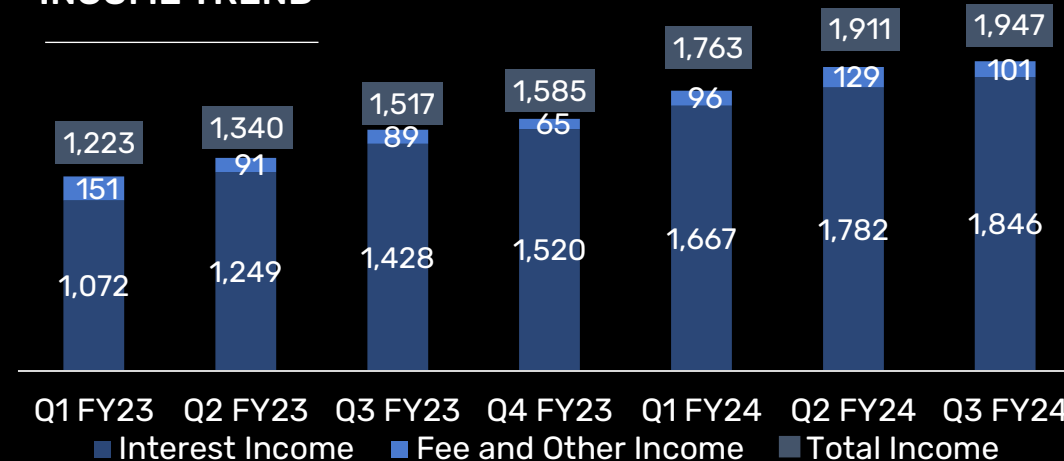
Particulars	AUM 31 Dec 23	GNPA	NNPA	PCR (%)	GNPA %			NNPA %		
					31 Dec 22	30 Sept 23	31 Dec 23	31 Dec 22	30 Sept 23	31 Dec 23
Home Loans	48,052	113	45	60.18%	0.19%	0.23%	0.25%	0.08%	0.10%	0.10%
Loan Against Property	7,918	36	17	52.78%	0.59%	0.60%	0.55%	0.33%	0.25%	0.26%
Lease Rental Discounting	16,696	0	0	0.00%	-	-	0.00%	-	-	0.00%
Developer Finance	8,563	0	0	0.00%	-	-	0.00%	-	-	0.00%
Rural Mortgages	2,966	23	9	60.87%	1.30%	1.00%	0.91%	0.52%	0.35%	0.36%
Other loans	1,734	14	2	85.71%	0.47%	0.72%	0.80%	0.15%	0.15%	0.11%
Total	85,929	186	73	60.67%	0.23%	0.24%	0.25%	0.10%	0.09%	0.10%

Financial Highlights

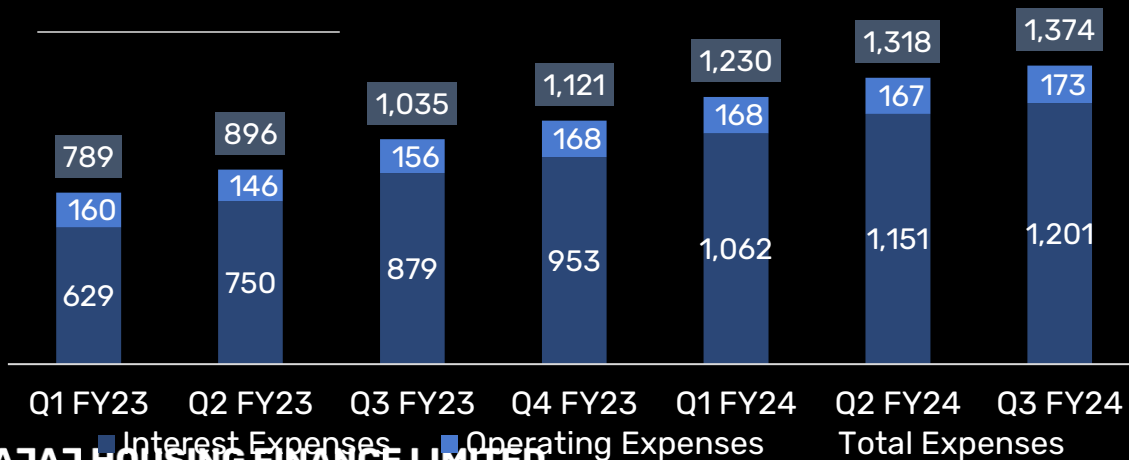
ASSET TREND



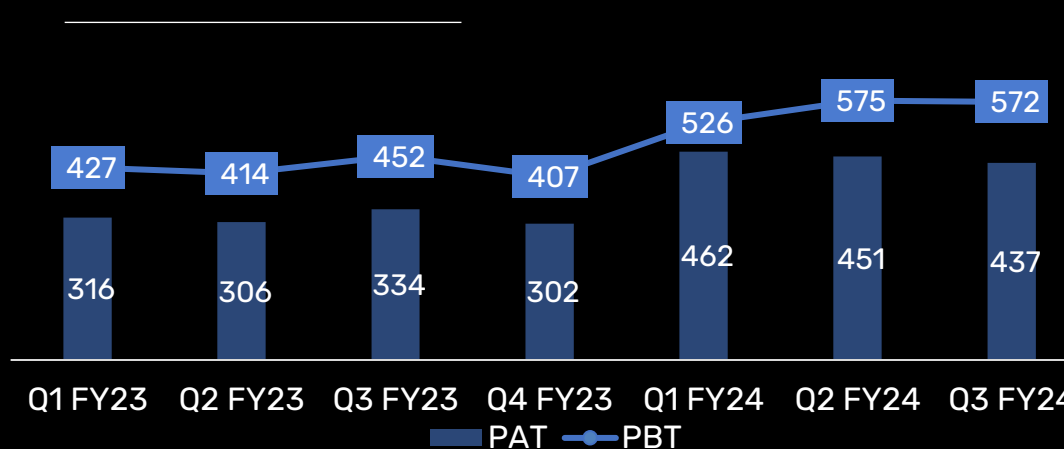
INCOME TREND



EXPENSE TREND



PROFITABILITY TREND

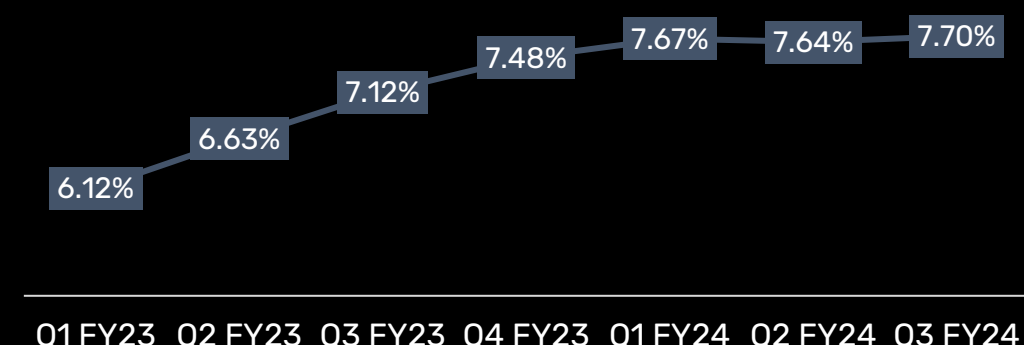


Financial Ratios (Annualized)

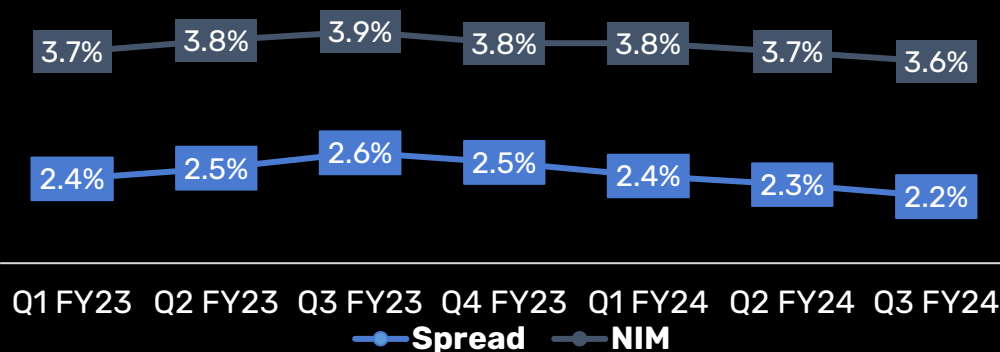
PORTFOLIO YIELD TREND



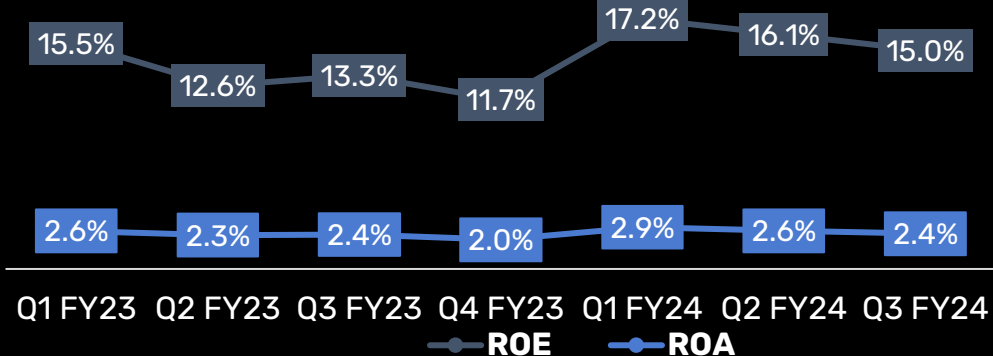
COST OF FUNDS TREND



NIM AND SPREAD TREND



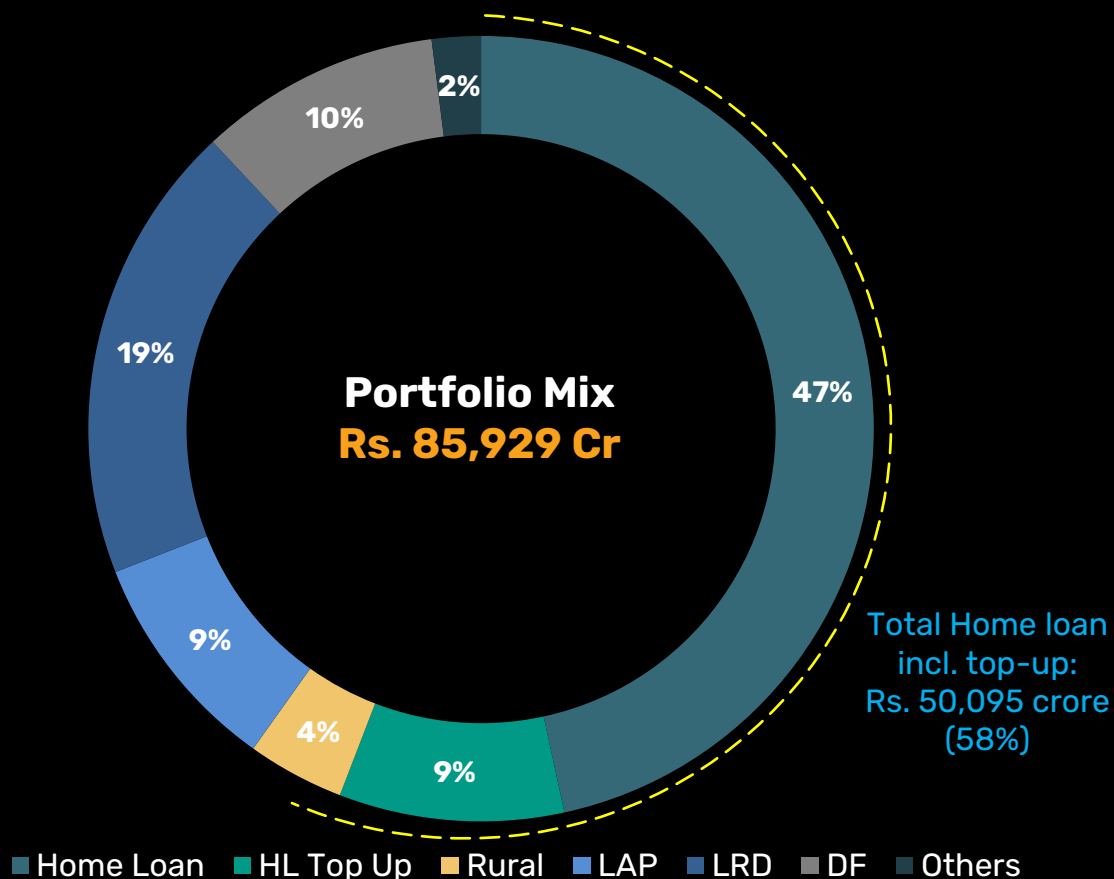
ROA AND ROE TREND



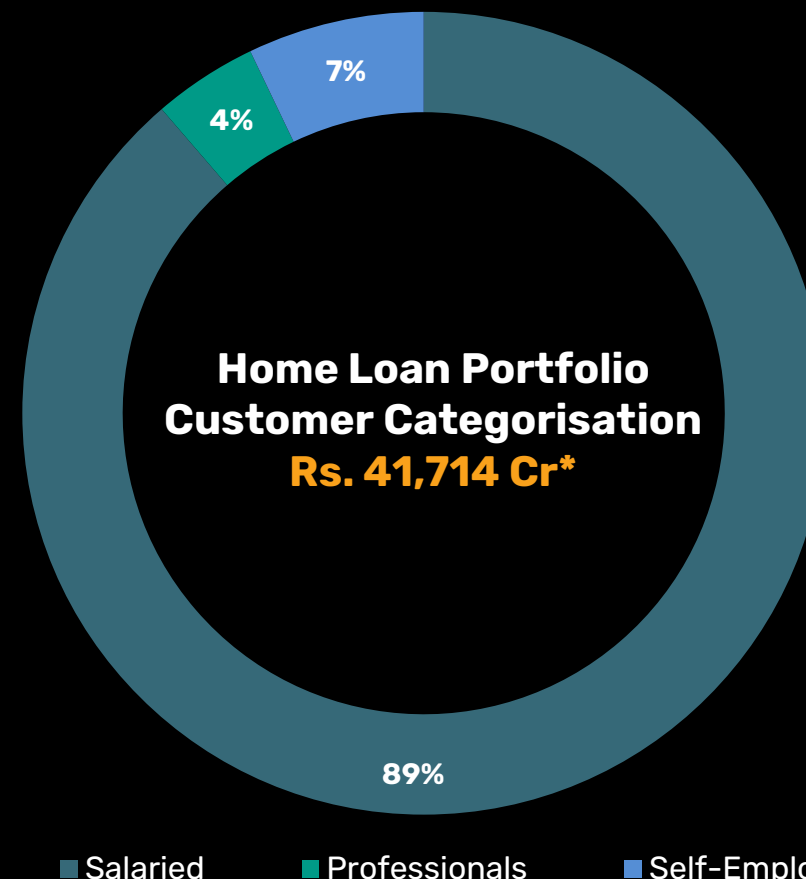
**PORTFOLIO &
TREASURY
UPDATE**



Portfolio View



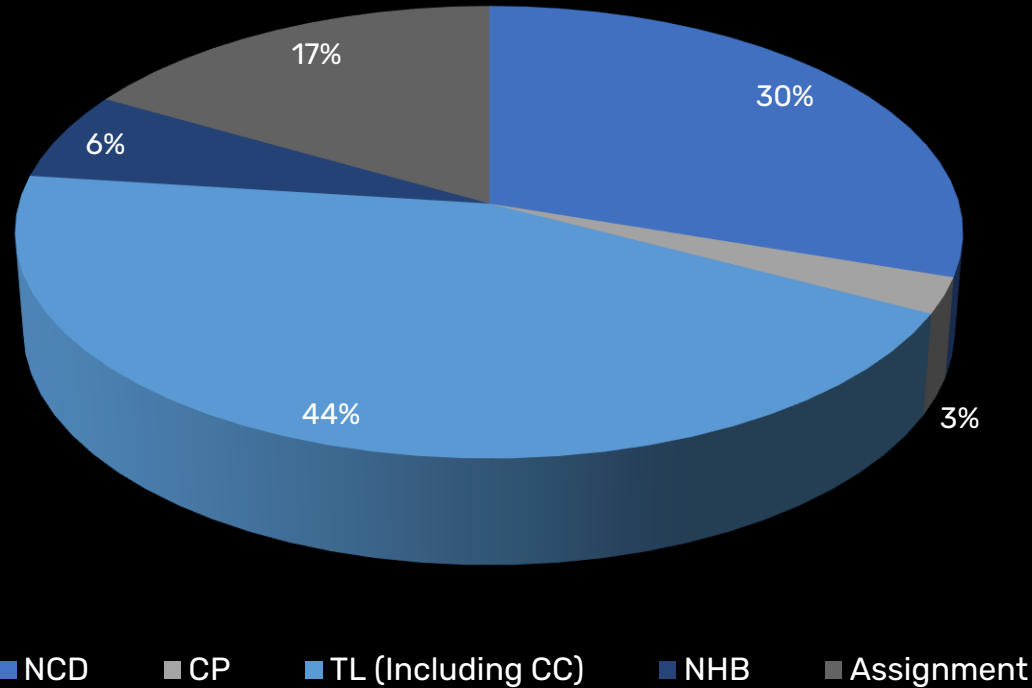
A well diversified portfolio with dominant share of HL



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

*Represents home loans portfolio excl. Top ups & incl. rural home loans

Treasury Strategy – Funding Mix



December 2023

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

Behaviouralized ALM Snapshot

₹ in Crore

Particulars	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	422	-	326	298	296	247	480	-	175	-	2,243
Advances	599	809	799	1,656	1,626	4,542	8,039	21,860	12,468	20,799	73,197
Other inflows	0	-	467	1,310	2,552	2,067	1,261	4,858	2,045	7,962	22,523
Total Inflows (A)	1,021	809	1,592	3,264	4,475	6,856	9,780	26,718	14,688	28,760	97,963
Cumulative Total Inflows (B)	1,021	1,830	3,422	6,686	11,161	18,016	27,797	54,515	69,202	97,963	
Borrowings	230	-	569	2,283	3,628	4,766	5,835	22,010	16,280	8,106	63,708
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	11,853	11,853
Other Outflows	467	421	1,013	629	779	2,076	5,057	7,394	766	3,799	22,401
Total Outflows (C)	697	421	1,582	2,912	4,407	6,842	10,893	29,405	17,046	23,759	97,963
Cumulative Total Outflows (D)	697	1,118	2,700	5,612	10,019	16,861	27,753	57,158	74,204	97,963	
Mismatch (E = A - C)	324	388	10	352	68	14	(1,112)	(2,687)	(2,358)	5,001	
Cumulative mismatch (F = B-D)	324	712	722	1,074	1,142	1,156	43	(2,643)	(5,001)	-	
Cumulative mismatch as % (F/D)	47%	64%	27%	19%	11%	7%	0%	(5%)	(7%)	0%	
Permissible cumulative gap %	(10%)	(10%)	(20%)								
Additional borrowings possible			1,575								

KEY DRIVERS



Core Strategy

- » In 6 years of operations, BHFL ranks among top mortgage originators in India
- » Aim to be amongst the top mortgage originators in the country in the NBFC space

- » Consented customer base of BFL
- » Focus on customer data enrichment to create right propositions
- » Lower risk


- » 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

 **Top Mortgage Originator**

 **Low Risk Business Model**

 **Focus On CROSS-SELL**

 **Diversified HL-Focused Business Mix**

 **Focus on Fee Income**

 **Focus on the Mass Affluent Segment**

- » To create a low-risk sustainable balance sheet delivering GNPA in corridor of 0.4%-0.6% and ROE of 13-15%
- » Focus largely on salaried home loan opportunity

- » 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

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

Strengths

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 infused in FY23 taking total infusion to 7,550 Cr till date with Net worth in excess of ₹ 11,400 Cr. Mortgages remain strategic to the group

Committed Line



BHFL has a committed credit line from BFL available on tap

Credit Rating

AAA

The company is rated AAA/stable for its long-term debt programme and A1+ for its short-term debt programme from CRISIL and India ratings.

Customer Base



BHFL has access to consented customer base of BFL and customer coming from Digital channels to cross sell mortgages

Analytics Orientation



BHFL mines 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

Strong Underwriting & Debt Management Capabilities

Retail Loans Underwriting

(Home Loans & Loan Against Property)

- » Separate dedicated underwriting structures for salaried and self-employed loans
- » Follow centralized hub model for underwriting for all businesses
- » Tele /Video PD for all salaried loans followed by business verification for all self-employed loans
- » Legal and technical evaluation of collateral through in-house collateral team and empaneled vendors
- » Stringent concurrent review of all sanctioned cases

Commercial Loans Underwriting

(Developer Finance & Lease Rental Discounting)

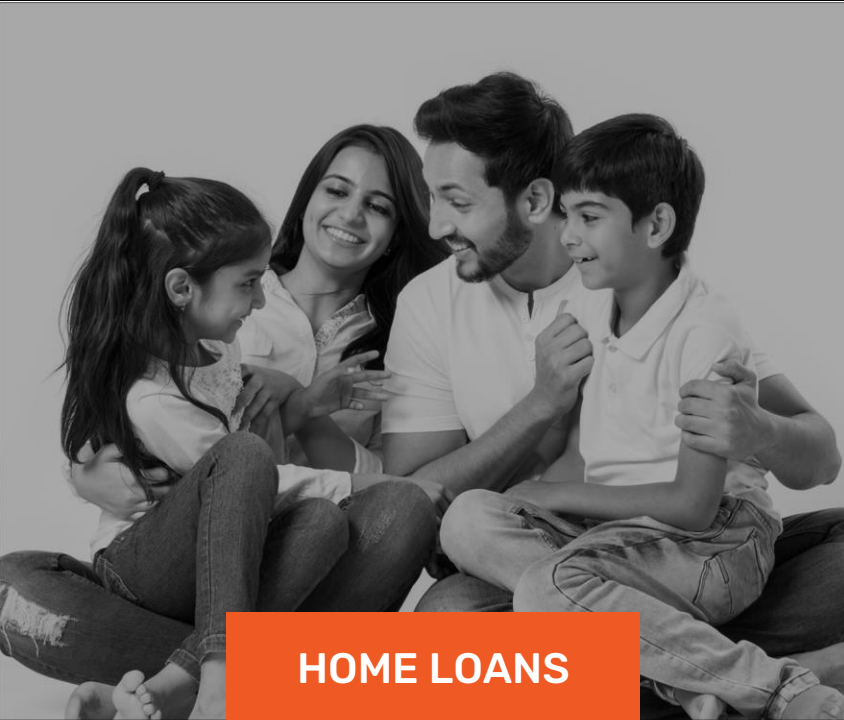
- » Dedicated underwriting structure of subject matter experts with relevant domain experience
- » For LRD transactions: In-depth assessment of customer's borrowing requirement, credit history, financials, market stature, borrowing entity structure, collateral site, credibility of lessee's, lock-in period
- » 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 transactions 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

PRODUCT SUITE



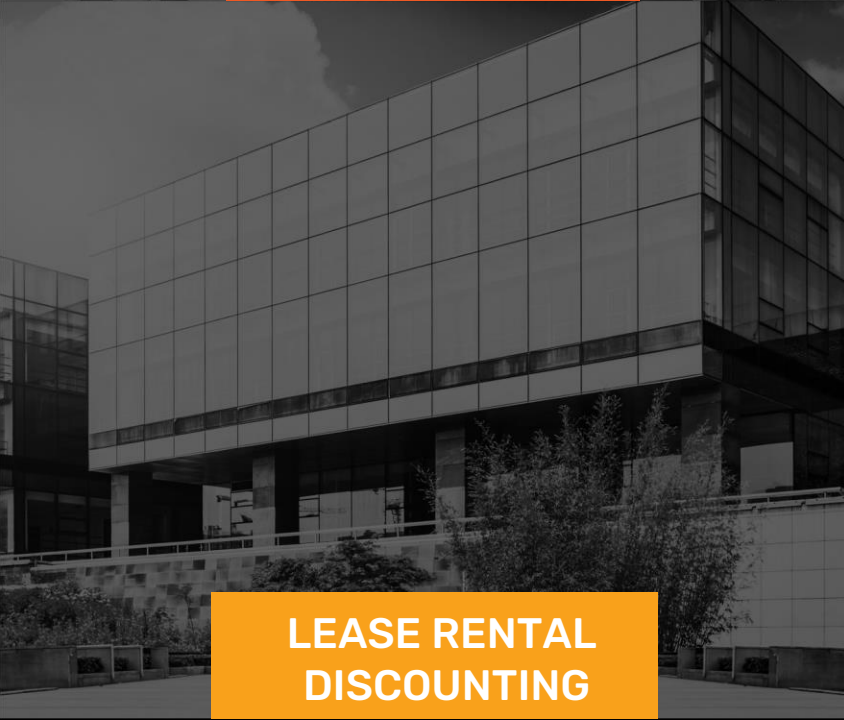


HOME LOANS

LOAN AGAINST PROPERTY



DEVELOPER FINANCE



LEASE RENTAL DISCOUNTING

VAS PRODUCTS



RURAL MORTGAGES

BUSINESS UPDATE



Home Loans

Rs. 48,052 Cr

Assets Under Management

84 Locations

51L

Average Ticket Size

(of the Portfolio)

89%

Salaried Home loans

(of the Portfolio)



47%

of overall monthly acquisition
(for Q3 FY24)

%

60%

FOIR



13.7L

Avg. Customer Salary



70%

Avg. LTV at Origination



77%

Customers with 750+ CIBIL



37%

Existing Customer Base sourcing

Home Loans Verticals

B2C 50%



Appx. 35-40% customers are having prior relationship with Bajaj



Data-analytics based offer generation approach for better risk management



Customer sourcing on digital channels across Bajaj Finserv assets

B2B 50%



Micro-Market approach basis customer spread



Behaviouralized maturity of loan



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



Behaviouralized maturity of loan



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



Combination of field & 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

Loan Against Property

Rs. 7,918 Cr
Assets Under Management

47 Locations

71L

Average Ticket Size
(of the Portfolio)

44%

Avg. LTV at Origination

- » 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 27% from salaried, 12% from self-employed professionals and 61% from self-employed
- » Business focused on Fresh LAP with faster turn-around-time of 72-120 hours
- » Self occupied residential property (SORP) constitutes 67% of the total book. Max LTV exposure restricted at 75%
- » Existing customer mix of 38% in the portfolio

Rural Mortgages

Rs. 2,966 Cr
Assets Under Management

110 Locations

18L

Average Ticket Size
(of the Portfolio)



Mix: 69% HL | 31% LAP

- » Hub and spoke sourcing model with presence across 110 upcountry HUB locations
- » Average Home Loan LTV of 65% and average Loan against Property LTV of 42%
- » Average Ticket Size of 21 Lakhs for Home Loan and 14 lakhs for Loan against Property
- » Continued focus on increasing the Home loan mix
- » Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting

Rs. 16,696 Cr

Assets Under Management

14 Locations

95Cr

Average Ticket Size
(of the Portfolio)



Caters primarily to
HNI & Developers

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

Developer Finance

Rs. 8,563 Cr
Assets Under Management

13 Locations

38Cr

Average Ticket Size

545

Active Projects
(In Portfolio)



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
- » Focus on converting DF exposure to retail low risk HL exposures and CCF exposure to lease rental discounting



DEVELOPER PROFILE

- » 345 Active Developer Relationships
- » Developer should have built minimum 0.75 - 1 million sq. ft. in past 7-10 years
- » Low leverage
- » Developer should be large in the concerned micro-market



OPERATING MODEL

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

WAY FORWARD



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 (12-14% 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: 0.40%-0.60%

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 and digitalization initiatives

Diversified Borrowings



- » Maintain optimal borrowing mix of bank lines and money market with focus on increasing money market borrowings
- » Enhance NHB refinance mix as part of total borrowings
- » Assignment ~15-20%

THANK YOU

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Glossary of terms

Term	Full form
ATS	Average Ticket Size
AUM	Assets under Management
AUF / AR	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
NHB	National Housing Bank