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Debt Investors Presentation

Q3 FY21

Bajaj Housing Finance Ltd.



Monthly Acquisition
(as of Dec, 2020)



Asset Under Management
(as of Dec 31, 2020)



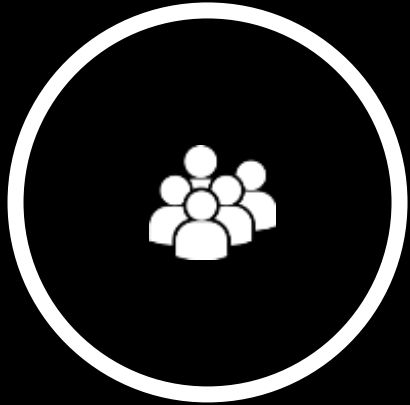
Employees



Locations
(Urban-32; Rural-78)

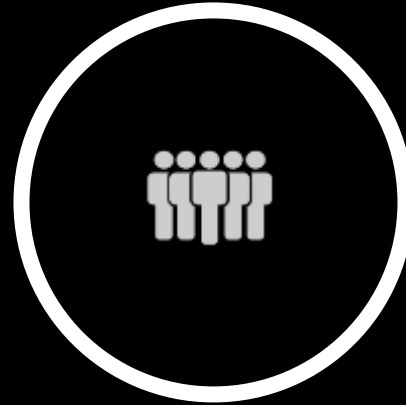
- ❖ Bajaj Housing Finance Ltd. (BHFL) is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC)
- ❖ BHFL is a 100% subsidiary of Bajaj Finance Ltd. (BFL) – a Bajaj Finserv Group Company
- ❖ BFL has been in the mortgage business since 2008
- ❖ BHFL has been carved out as HFC to conduct mortgages businesses for the group with dedicated focus
- ❖ BHFL started its full fledged operations from January 2018 with dedicated sales, operations, collections, branch & IT infrastructure

Bajaj Housing Finance Ltd.



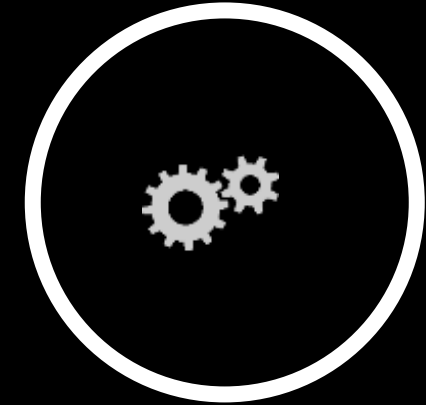
Independent Board

Separate and independent Board Committees



Dedicated Functional Units

Dedicated Sales, Credit, Risk, Ops, Collections, IT, Finance, HR and other support functions



Dedicated Infrastructure

Dedicated infrastructure in terms of separate Head office, branches and IT infrastructure

A standalone, fully functional and operational legal entity

COVID-19 - Moratorium, Restructuring & Provisioning

1. In Financial Year 2020, we continued our growth trajectory with all risk matrices in control till February 2020. Post onset of Covid-19 / Pandemic, we resumed business from June 2020 on a cautious note.
2. Post Pandemic, we have witnessed elevated bounce rates across portfolios. For Dec'20, bounce rate of portfolio stood at 5.2% as against 3.2% pre Pandemic.
3. Reserve Bank of India, in view of continuing disruption on account of COVID-19, post 2 rounds of moratorium which ended in Aug'20, issued guidelines on resolution framework through one time restructuring (OTR) to support customers impacted by the pandemic. In line with the RBI's guidelines and its Board approved policy, the Company has executed restructuring of 607 Cr pool (1.7% of AUM).
4. The Company has taken a cautious stance and has tightened underwriting norms across all lines of business. The business volume have grown steadily and are back to pre-COVID volumes in December 20. However, the AUM growth remained muted due to high portfolio attrition witnessed across the industry driven by reduced Benchmark rates by RBI over the past 12 months.
5. So far, the Company has taken a loan loss provision of ₹ 235 crore against its credit cost estimate of ₹200-250 crore for FY21. Based on current risk estimates, the Company has to residually take ₹ 15 crore in Q4 FY21.

Business wise Moratorium & Restructuring Summary

₹ in Crore

Business	AUM Dec'20	Current bucket (%) Dec'20	30+ (%) Dec'20	OTR (%) till 31 Dec'20	Bounce Rate Dec'20	Bounce Rate (Mar'20-Pre Covid)
HL	22,217	99.48%	0.35%	2.13%	3.98%	2.36%
LAP	4,417	99.30%	0.53%	1.48%	6.41%	4.52%
LRD	3,972	99.95%	0.00%	0.00%	NA	NA
DF	1,893	99.40%	0.60%	0.00%	NA	NA
Rural	1,846	98.80%	0.92%	2.61%	11.57%	7.67%
Others	1,147	99.23%	0.64%	1.59%	4.76%	2.97%
Total	35,492	99.46%	0.39%	1.70%	5.19%	3.16%

Financials

₹ in Crore

Financials snapshot	Q3 FY21	Q3 FY20	YoY	9M FY21	9M FY20	YoY	FY'20
Assets under management	35,492	30,035	18%	35,492	30,035	18%	32,705
Assets under finance	30,772	25,961	19%	30,772	25,961	19%	27,975
Interest income	747	620	20%	2,134	1,616	32%	2,303
Fee and other income	65	81	(20%)	130	212	(39%)	269
Net gain on fair value changes on Investments	9	22	(59%)	51	44	16%	74
Total Income	821	723	14%	2,315	1,872	24%	2,646
Interest expenses	492	438	12%	1,495	1,125	33%	1,616
Net Interest Income	329	285	15%	820	747	10%	1,030
Operating Expenses	87	96	(9%)	231	266	(13%)	339
Loan losses and provisions (ECL stage 1 & 2)	72	6	1100%	180	18	900%	86
Loan losses and provisions (ECL stage 3 & write off)	35	8	338%	37	18	106%	38
Profit before tax	135	175	(23%)	372	445	(16%)	567
Profit after tax	99	131	(24%)	274	331	(17%)	421
Ratios							
Operating expense to Net Interest Income	26.4%	33.7%		28.2%	35.6%		32.9%
Loan loss to Average AUF*	0.36%	0.06%		0.74%	0.17%		0.55%
Return on Average Assets*	0.3%	0.5%		0.9%	1.5%		1.9%
Return on Average Equity*	1.7%	3.3%		4.8%	8.7%		9.1%

Behaviouralized ALM snapshot (as of 31 Dec'20)

₹ in Crore

Particulars	1 - 7 D	7-14 D	15-30 D	>1 - 2 M	>2 - 3 M	>3 - 6 M	>6M- 1 Y	>1 - 3 Y	> 3 - 5 Y	> 5 - 7 Y	> 7- 10 Y	> 10 Y	Total
Cash, Cash Equivalents & Investments	509	250	-	-	-	750	-	-	-	-	-	-	1,509
Advances	335	152	279	583	595	1,655	3,005	9,161	5,687	3,740	3,301	2,788	31,280
Other inflows	221	-	1440	2	151	1,518	53	786	839	567	180	709	6,467
Total Inflows (A)	1,066	402	1,718	585	746	3,924	3,058	9,947	6,525	4,307	3,481	3,497	39,257
Cumulative Total Inflows (B)	1,066	1,468	3,186	3,772	4,517	8,441	11,499	21,446	27,972	32,279	35,760	39,257	
Borrowings	-	-	1,059	48	290	3,432	3,506	12,622	4,119	1,001	0	1,800	27,877
Capital and Reserves and Surplus	-	-	-	-	-	-	-	-	-	-	-	5,847	5,847
Other Outflows	229	274	477	284	182	971	78	153	0	0	2,500	385	5,533
Total Outflows (C)	229	274	1,536	331	473	4,403	3,584	12,775	4,119	1,001	2,500	8,033	39,257
Cumulative Total Outflows (D)	229	503	2,038	2,370	2,843	7,246	10,829	23,605	27,724	28,725	31,225	39,257	
Mismatch (E = A-C)	837	128	183	254	273	(479)	(526)	(2,828)	2,406	3,306	981	(4,536)	
Cumulative mismatch (F= B-D)	837	965	1,148	1,402	1,675	1,195	670	(2,158)	248	3,554	4,536		
Cumulative mismatch as a % (F/D)	366%	192%	56%	59%	59%	16%	6%	-9%	1%	12%	15%	0%	
Permissible cumulative gap %	-10%	-10%	-20%					-15%					
Additional borrowings possible	955	1,128	1,994				753						

ECL Summary

ECL categorization	Dec'19	Mar'20	Jun'20	Sept'20	Dec'20
Stage 1 & 2 (represents standard assets)	99.93%	99.92%	99.92%	99.91%	99.65%
Stage 3 (represents GNPA)	0.07%	0.08%	0.08%	0.08%	0.06%
Stage 3 (not classified as NPA)				0.01%	0.29%

Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Dec'19	Mar'20	Jun'20	Sept'20	Dec'20
Gross Stage 1 & 2 assets* (A)	26,532	28,199	28,739	29,601	31,356
ECL Provision Stage 1 & 2 (B)	43	112	156	220	291
Net Stage 1 & 2 assets (C = A-B)	26,488	28,088	28,582	29,381	31,065
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.16%	0.40%	0.54%	0.74%	0.93%
Gross Stage 3 assets [@] (E)	19.9	23.7	24.1	26.9	110.2
ECL Provision Stage 3 (F)	6.3	9.0	9.3	10.1	41.3
Net Stage 3 assets (G = E-F)	13.6	14.7	14.8	16.8	68.9
Coverage Ratio % Stage 3 assets (H= F/E)	32%	38%	38%	38%	38%
ECL/Total Assets	0.19%	0.43%	0.58%	0.78%	1.06%

*Gross stage 1 & 2 assets represent loans balance as per Ind AS after adjusting for the impact of amortisation of fees earned and acquisition cost incurred including other assets like security deposits, receivable from related parties, capital advances etc

@ Gross Stage 3 assets represents Loans balance as per Ind AS after adjusting for the impact of (i) amortisation 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.

BHFL Key Ratios (Q3FY21)

1.6%
Spread

7.6%
COF

9.2%
Yield

0.06%
GNPA

26%
OPEX / NIM

1.3%
ROA

6.8%
ROE

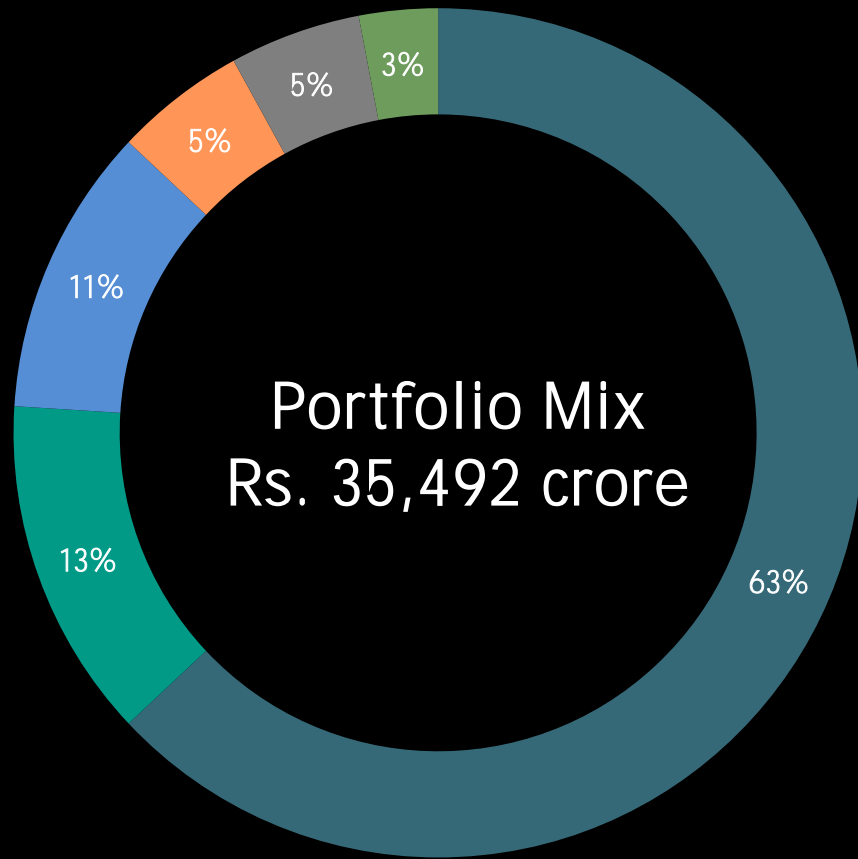
24.94%
Capital Adequacy

excl. Covid / Restructuring prov. 2.2%

excl. Covid / Restructuring prov 11.3%

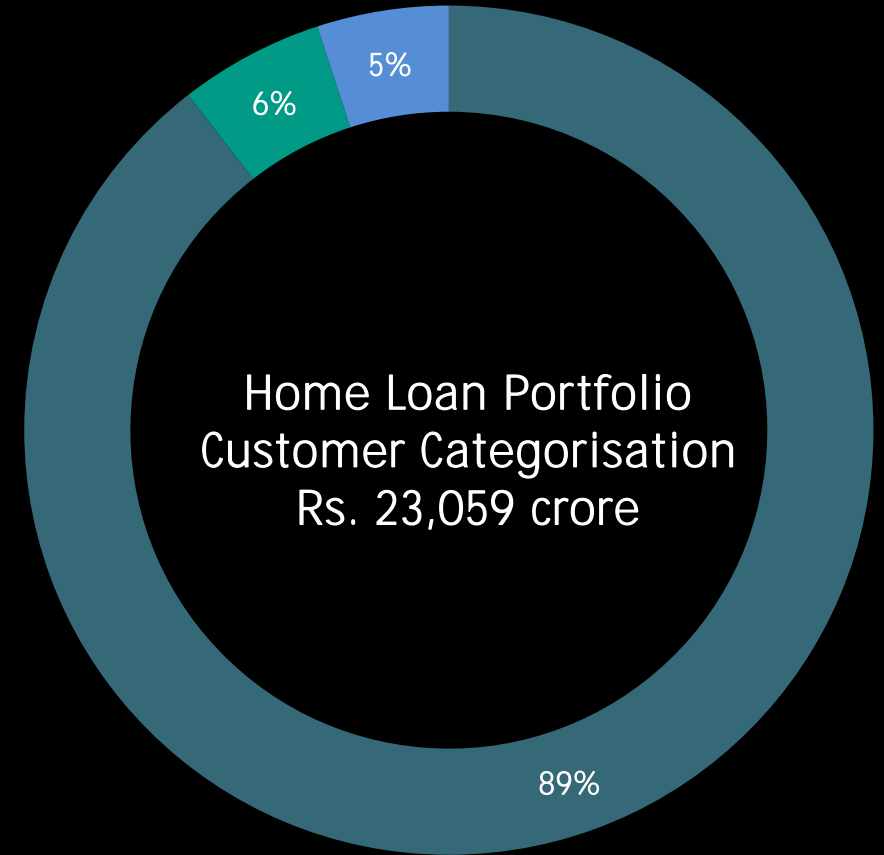
Target OPEX/NIM of <20% and ROE of 13-15%

BHFL Portfolio View



■ Home Loan ■ LAP ■ LRD ■ DF ■ Rural ■ Others

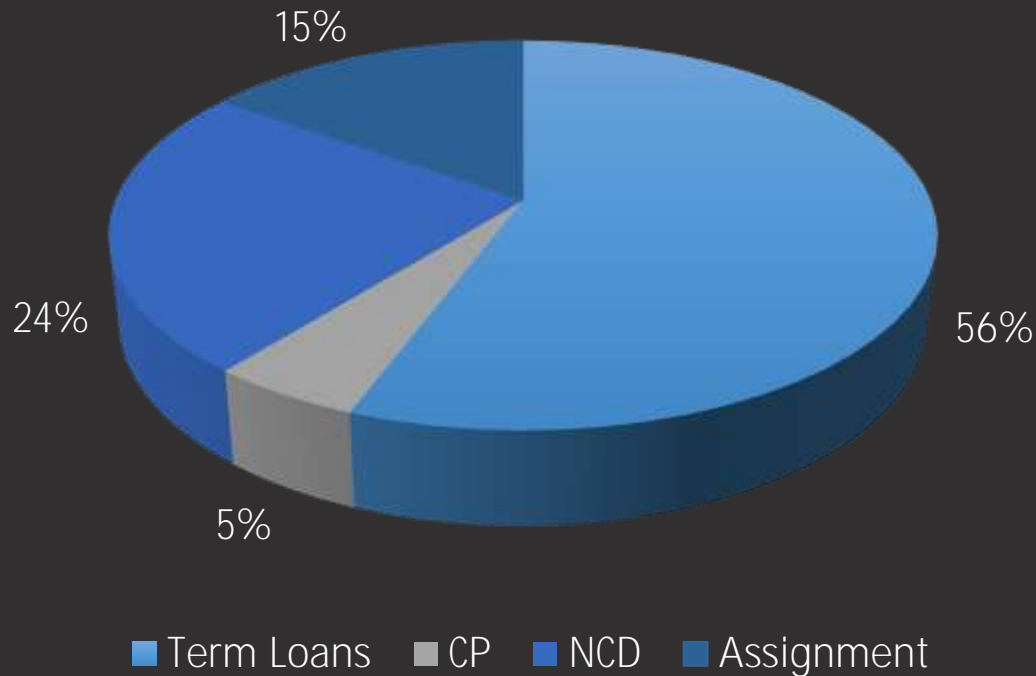
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

Treasury Strategy - Borrowing Mix



Dec 2020

- ✓ Money market liquidity to support growth over 15-18 months
- ✓ Rebalancing borrowing with higher money market mix
- ✓ Maturity of book to open avenues for sub-debt and NCD borrowing supporting ALM
- ✓ Open NHB refinance for helping in diversification of borrowings
- ✓ Assignments to drive balance sheet growth and address ALM mismatch

To add new brick of sub-debt, ECB, refinance as balance sheet matures and play aggressively on assignment

BHFL Core Strategy

TOP 4 MORTGAGE ORIGINATOR

- In 3 years of operations, BHFL ranks among top 7 mortgage 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 <0.75% GNPA & 13-15% ROE
- Focus largely on salaried home loan opportunity

FOCUS ON CROSS SELL

- 46 Mn+ customer base
- 12 Lakh Cr mortgage opportunity available
- 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

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

BHFL Strengths



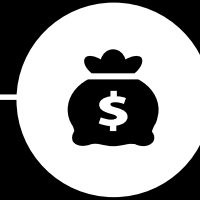
BRAND NAME

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



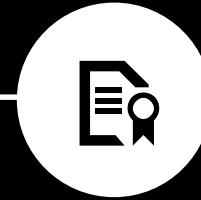
CAPITAL

BHFL has infused 5,050 Cr till date and is committed to grow Mortgages



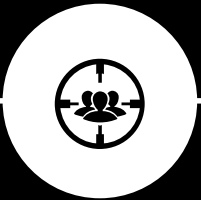
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



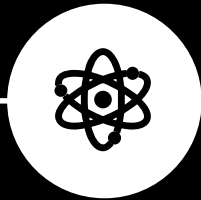
CREDIT RATING

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



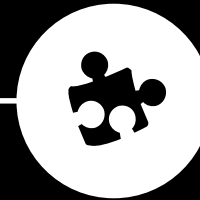
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (46 Mn+) to cross sell mortgages



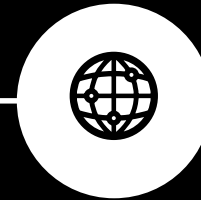
ANALYTICS ORIENTATION

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

BHFL Product Suite

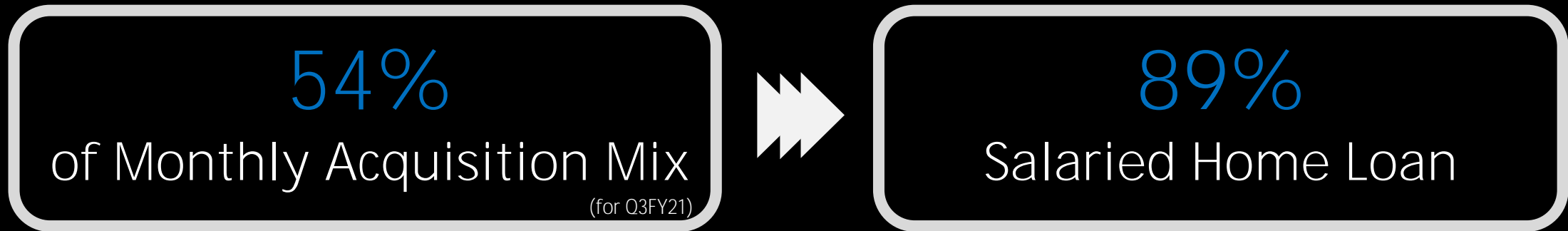


Full suite of mortgages products and services for retail and commercial customers

Home Loans

22,217 Cr

Asset Under Management



58%	59%	70%	13 Lakh	83%	45 Lakh
Existing Customer base sourcing	FOIR	LTV at origination	Avg. Customer salary	Customers with 750+ CIBIL	Avg. Ticket Size

39% of the Company's incremental AUM for the quarter is contributed by HL to salaried individuals...

Home Loans Verticals

B2C

78%

B2B

22%



15%
Contribution



5
Markets



7-8
Years



BHFL caters to majorly Elite A+/A category developers

Customer sourcing on digital channels across Bajaj Finserv assets

Micro-Market approach basis customer spread

Behaviouralized maturity of loan

Appx. 67-70% customers are having prior relationship with Bajaj

Data-analytics based offer generation approach for better risk mgmt.

4-5
Years



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



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



PSS to embed BHFL in developer ecosystem; door-opener for large relationship



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

Behaviouralized maturity of loan

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

Continue to leverage the 46 Mn+ existing customer base to grow as well as add distribution network as a new funnel

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

Loan Against Property

4,417 Cr

Asset Under Management

77%

Existing Customer mix

44%

LTV at Origination

- ▶▶▶ Operative in top 14 cities with ATS of 51 lakhs. Focused on mass affluent and above salaried and self-employed customers
- ▶▶▶ Continued focused on direct to customer strategy with intermediary business contributing to about 40% of new acquisition
- ▶▶▶ ATS ranges from 30 lakh to 100 lakh with a cap of 300 lakh. AUM mix is 28% from Salaried, 14% from SEP and 58% from SENP
- ▶▶▶ Business focused on Fresh LAP with faster turn-around-time of 72-120 hours
- ▶▶▶ Self occupied residential property (SORP) constitutes 72% of the total book. Max LTV exposure restricted at 75%

Rural Mortgages

1,846 Cr

Asset Under Management

5.3%

Spread

78

Locations

- ▶▶▶ Hub and spoke model with presence across 78 upcountry locations as HUB and 50 locations as Spoke thru ASSC tie-ups
- ▶▶▶ Only business where company acquires self-employed non professionals in HL
- ▶▶▶ ATS of 17 lakh with average Home Loan LTV of 61% and average Loan against Property LTV of 41%
- ▶▶▶ 45% of portfolio is HL and 55% is LAP – targeting 50:50 acquisition mix by Dec 2020
- ▶▶▶ Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting Business

3,972 Cr

Asset Under Management

27 Cr

Average Ticket Size

Top 8

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%). Loan size ranges from 5 Cr – 200 Cr
- ▶▶▶ All the LRD 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

1,893 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 8 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures

205

Active Developers

Developer Profile

- Developer should have built minimum 0.75 - 1 million sqft. in past 7-10 yr.
- Developer should not have more than 2-3 live projects
- Low leverage
- Developer should be large in the concerned micro-market

15-35 Cr

Average Ticket Size

Operating Model

- Centralized underwriting
- Disbursal only after RERA and Building approvals
- Deferred disbursement basis stage of construction and sales milestones
- Principal sweep from Day 1
- Interest servicing mandatory to be done on a monthly basis with no moratorium

Strong Underwriting and debt management capabilities

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
- Dedicated team in place for efficient resolution of legal cases at different stages

BHFL 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 (7-8% of the portfolio)



Capital adequacy

- Maintain CRAR of over >15% over the next 3 years against regulatory norm of 14%



Profitability & Risk metrics

- ROE: 13-15%
- ROA: 1.8% – 2.1%
- GNPA: < 0.75%



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
- OPEX/NIM ~20% by FY23



Diversified Borrowings

- Maintain optimal borrowing mix of bank lines and money market.
- Add new lines through refinance, sub-debt and ECB
- Assignment ~18-20%

Thank You

Bajaj Housing Finance Limited

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Glossary of terms

Term	Full form
OTR	One time Restructuring
ATS	Average Ticket Size
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
PSS	Property search services
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