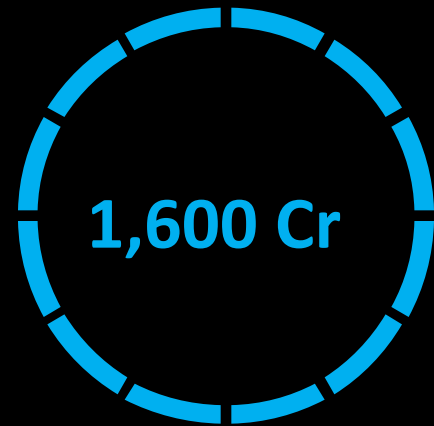




● ● ● ● ● ● Bajaj Housing Finance Limited ● ● ● ● ● ●

Debt Investors Presentation – Q2 FY20

# Bajaj Housing Finance Ltd.



Monthly Acquisition



Asset Under Management  
(as of Sep 30, 2019)



Employees

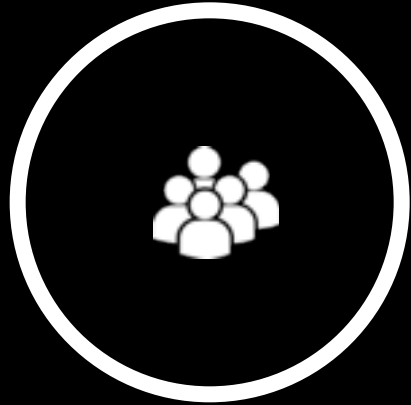


Locations  
(Urban-40; Rural-75)

- ❖ 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.

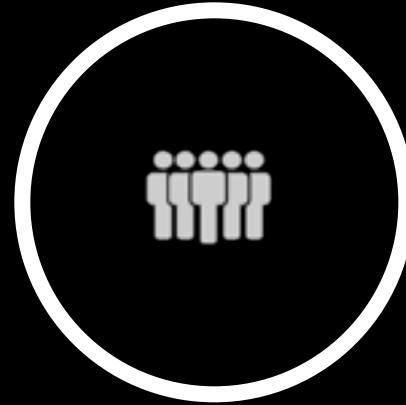
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## Independent Board

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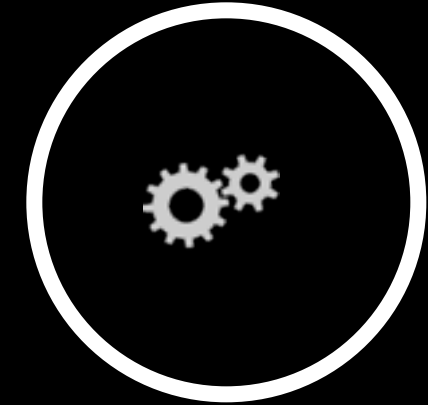
Separate and independent Board Committees



## Dedicated Functional Units

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



## Dedicated Infrastructure

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

A standalone, fully functional and operational legal entity

# Financials (as of 30 Sep'19)

₹ in Crore

Financials snapshot	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19	FY19
Assets under management	25,714	10,653	25,714	10,653	17,562
Assets under finance	22,875	10,653	22,875	10,653	17,332
Interest income	539	204	996	319	998
Fee and other income	96	37	154	68	158
<b>Total Income</b>	<b>635</b>	<b>241</b>	<b>1,150</b>	<b>387</b>	<b>1,156</b>
Interest expenses	371	139	688	209	685
<b>Net Interest Income</b>	<b>264</b>	<b>102</b>	<b>462</b>	<b>178</b>	<b>471</b>
Operating Expenses	88	85	170	155	297
Loan losses and provisions (ECL stage 1 & 2)	4	4	12	9	21
Loan losses and provisions (ECL stage 3 & write off)	9	1	10	1	4
<b>Profit before tax</b>	<b>163</b>	<b>12</b>	<b>270</b>	<b>13</b>	<b>149</b>
<b>Profit after tax</b>	<b>130</b>	<b>9</b>	<b>200</b>	<b>11</b>	<b>110</b>
<b>Ratios</b>					
Operating expense to Net Interest Income	33.3%	83.3%	36.8%	87.1%	63.1%
Loan loss to Average AUF	0.24%	0.21%	0.22%	0.29%	0.24%
Return on Average Assets	2.4%	0.4%	2.0%	0.3%	1.1%
Return on Average Equity	13.7%	1.8%	10.6%	1.1%	4.2%

# Behaviouralized ALM snapshot (as of 30 Sep'19)

Particulars	1 m	>1 to 2 m	>2 to 3 m	>3 to 6m	>6m to 1 yr	>1 to 3 yr	>3 to 5 yr	>5 to 7 yr	>7 to 10 yr	>10 yr	Total
Cash & Investments	2,843	-	-	-	-	-	-	-	-	-	2,843
Advances	374	217	217	643	1,275	4,797	3,598	2,744	3,143	5,998	23,007
Other inflows	6,138	-	-	-	-	6	-	-	-	72	6,215
<b>Total Inflows (A)</b>	<b>9,355</b>	<b>217</b>	<b>217</b>	<b>643</b>	<b>1,275</b>	<b>4,803</b>	<b>3,598</b>	<b>2,744</b>	<b>3,143</b>	<b>6,069</b>	<b>32,065</b>
<b>Cumulative Total Inflows (B)</b>	<b>9,355</b>	<b>9,572</b>	<b>9,790</b>	<b>10,432</b>	<b>11,707</b>	<b>16,510</b>	<b>20,109</b>	<b>22,852</b>	<b>25,996</b>	<b>32,065</b>	
Borrowings repayment	498	2,433	1,193	128	1,586	11,063	6,313	1,268	-	-	24,482
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	3,807	3,807
Other Outflows	726	7	28	-	28	2,882	-	0	-	105	3,776
<b>Total Outflows (C)</b>	<b>1,224</b>	<b>2,440</b>	<b>1,221</b>	<b>128</b>	<b>1,614</b>	<b>13,945</b>	<b>6,313</b>	<b>1,268</b>	<b>-</b>	<b>3,912</b>	<b>32,065</b>
<b>Cumulative Total Outflows (D)</b>	<b>1,224</b>	<b>3,663</b>	<b>4,885</b>	<b>5,013</b>	<b>6,627</b>	<b>20,572</b>	<b>26,885</b>	<b>28,153</b>	<b>28,153</b>	<b>32,065</b>	
<b>E. GAP (A - C)</b>	<b>8,131</b>	<b>(2,223)</b>	<b>(1,004)</b>	<b>514</b>	<b>(339)</b>	<b>(9,142)</b>	<b>(2,715)</b>	<b>1,476</b>	<b>3,143</b>	<b>2,158</b>	
<b>F. Cumulative GAP (B-D)</b>	<b>8,131</b>	<b>5,909</b>	<b>4,905</b>	<b>5,419</b>	<b>5,080</b>	<b>(4,062)</b>	<b>(6,777)</b>	<b>(5,301)</b>	<b>(2,157)</b>	<b>0</b>	
<b>Cumulative GAP as % (F/D)</b>	<b>665%</b>	<b>161%</b>	<b>100%</b>	<b>108%</b>	<b>77%</b>	<b>-20%</b>	<b>-25%</b>	<b>-19%</b>	<b>-8%</b>	<b>0%</b>	
Permissible cumulative GAP %	-15%				-15%						
Additional short term borrowings possible	9,781				7,147						

\*Other inflows include line of credit committed by other institutions, current and long term assets, tax paid in advance & interest and income receivable

\*Other outflows include loan commitments pending disbursement, lines of credit committed to other institutions, interest payable on bonds & sundry creditors

As per previous GAAP

## ECL Summary (as of 30 Sep'19)

ECL categorization	Sep '18	Dec '18	Mar'19	Jun'19	Sep'19
Stage 1 & 2 (represents standard assets)	99.98%	99.97%	99.95%	99.94%	99.94%
Stage 3 (represents GNPA)	0.02%	0.03%	0.05%	0.06%	0.06%

### Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Sep '18	Dec '18	Mar'19	Jun'19	Sep'19
Gross Stage 1 & 2 assets* (A)	10,746	14,061	17,435	20,601	23,481
ECL Provision Stage 1 & 2 (B)	14	20	26	34	37
Net Stage 1 & 2 assets (C = A-B)	10,731	14,041	17,409	20,567	23,443
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.13%	0.14%	0.15%	0.16%	0.16%
Gross Stage 3 assets@ (E)	2.3	4.5	9.5	13.1	13.3
ECL Provision Stage 3 (F)	0.5	1.0	3.4	4.2	6.0
Net Stage 3 assets (G = E-F)	1.8	3.5	6.1	8.9	7.3
Coverage Ratio % Stage 3 assets (H= F/E)	23.1%	23.1%	35.4%	32.3%	45.4%
ECL/Total Assets	0.14%	0.15%	0.17%	0.18%	0.18%

\*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

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**2.2%**

Spread

**8.28%**

COF

**9.85%**

Yield

**0.06%**

GNPA

**33%**

OPEX / NIM

**2.4%**

ROA

**13.7%**

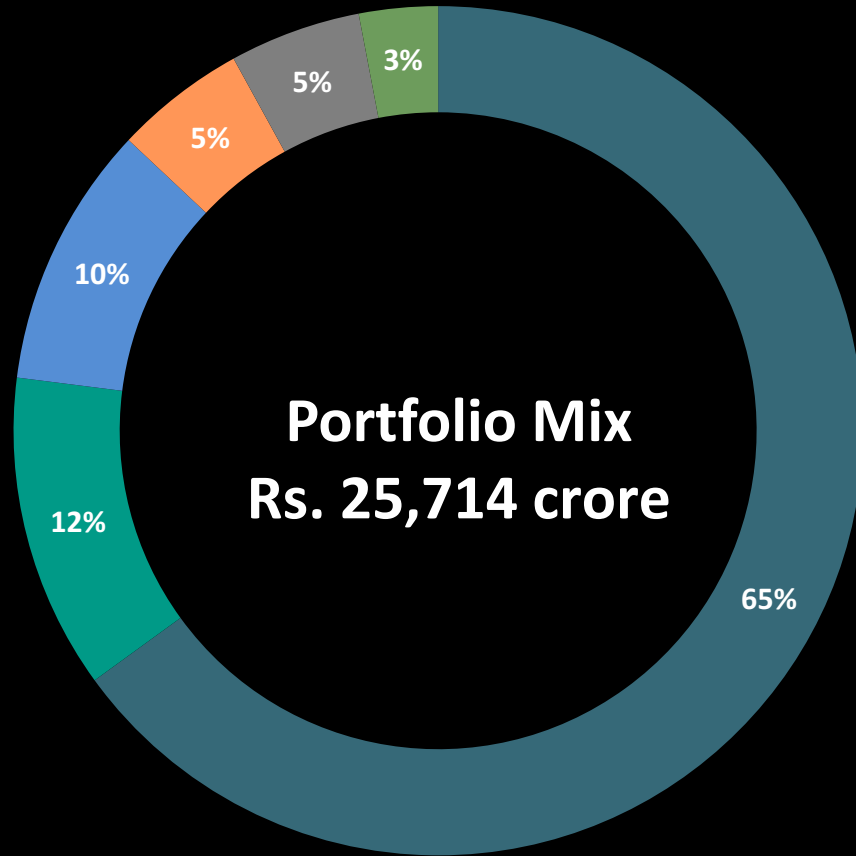
ROE

**19.95%**

Capital Adequacy

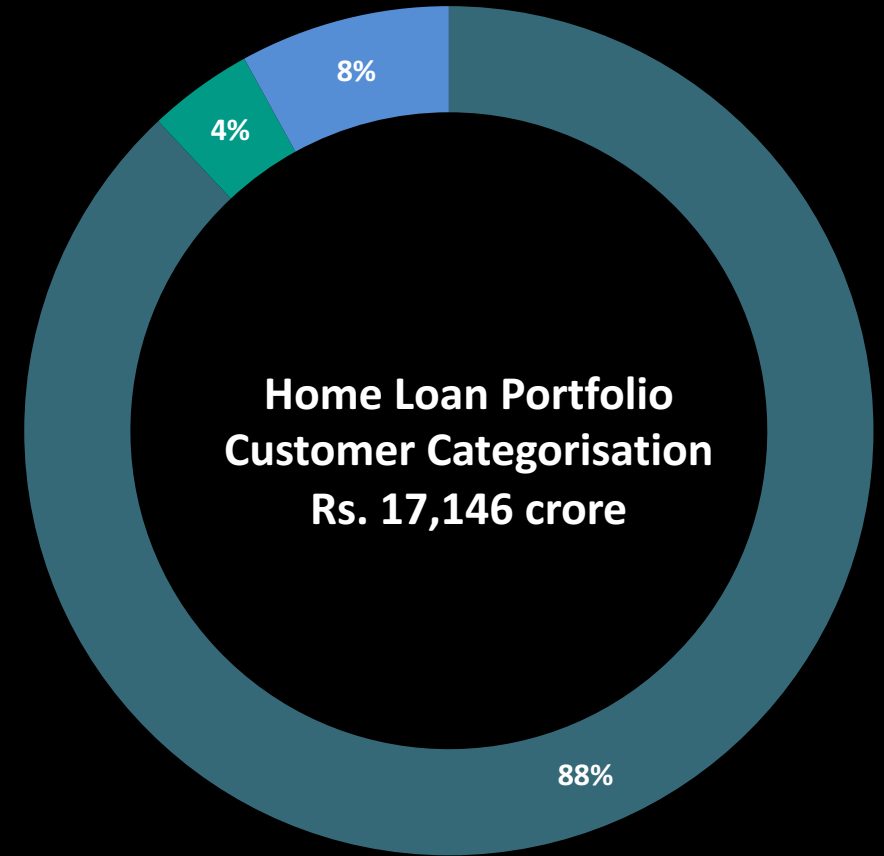
Target OPEX/NIM of <20% and ROE of 13-15%. The Company remains well capitalized

# BHFL Portfolio View



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

A well diversified portfolio with dominant share of HL

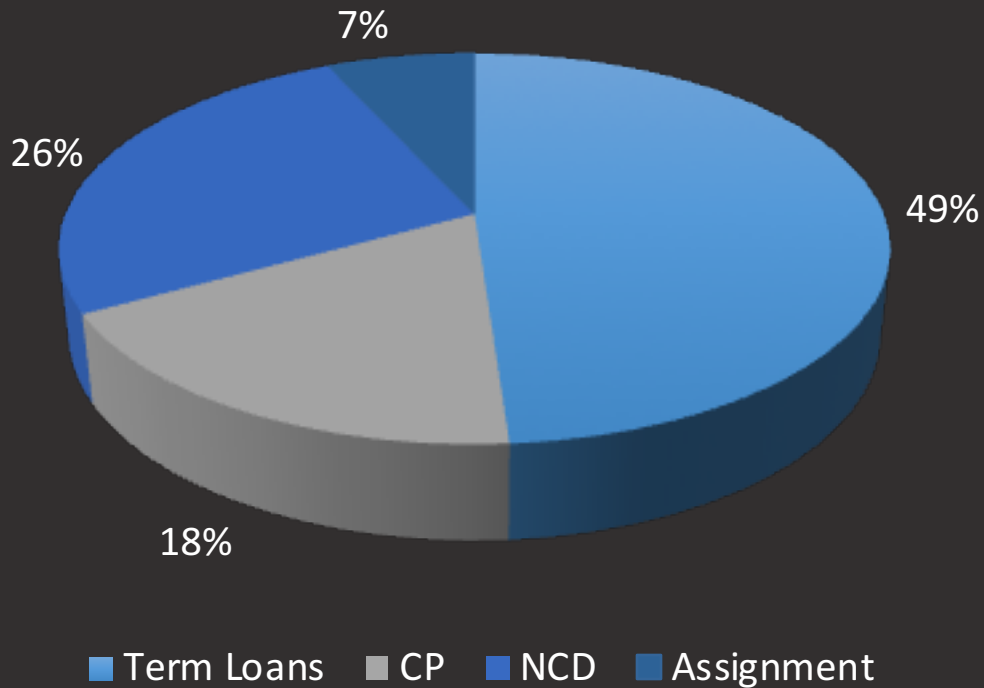


■ Salaried ■ Professionals ■ Self-Employed

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



## Treasury Strategy - Borrowing Mix



Sep 2019

- ✓ Market expected to stabilize and liquidity stress to ease out over 15-18 months
- ✓ Book mix to shift more towards long term Bank borrowings
- ✓ Maturity of book to open avenues for sub-debt and NCD borrowing supporting ALM
- ✓ Open ECB and NHB refinance helping 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 less than 2 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

- 38 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



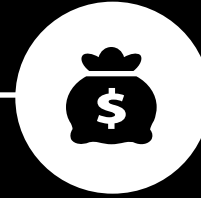
## BRAND NAME

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



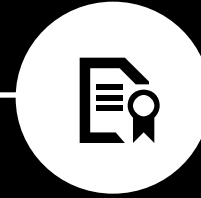
## CAPITAL

BFL has infused 3,550 Cr till date and is committed to grow Mortgages



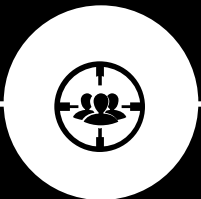
## COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



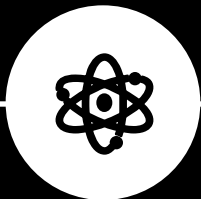
## CREDIT RATING

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



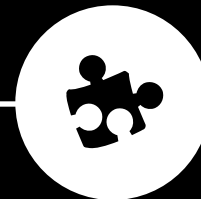
## CUSTOMER BASE

BHFL has access to the vast customer base of BFL (38 Mn+) to cross sell mortgages



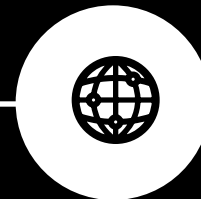
## ANALYTICS ORIENTATION

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

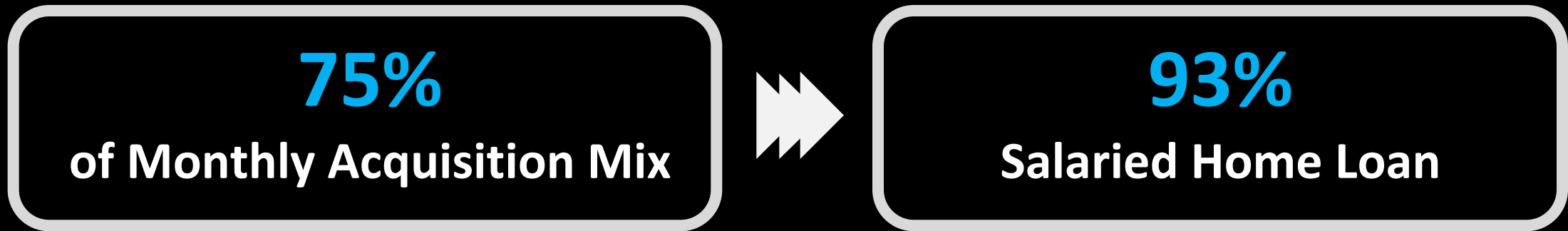


Full suite of mortgages products and services for retail and commercial customers

# Home Loans

**16,642 Cr**

Asset Under Management



<b>67%</b> Existing Customer base sourcing	<b>59%</b> FOIR	<b>70%</b> LTV at origination	<b>11 Lakh</b> Avg. Customer salary	<b>85%</b> Customers with 750+ CIBIL	<b>41 Lakh</b> Avg. Ticket Size
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75% of the Company's incremental AUM is contributed by HL to salaried individuals...

# Home Loans Verticals

**B2C**

**70%**

**B2B**

**30%**



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



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



**15%**  
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



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



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

Continue to leverage the 38 Mn+ existing customer base to grow

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

# Loan Against Property

---

**3,040 Cr**

**Asset Under Management**

**85%**

**Existing Customer mix**

**47%**

**LTV at Origination**



Operative in top 20 cities with ATS of 46 Lakh. Focused on Mass affluent and above salaried and self-employed customers



More focused on direct to customer strategy with intermediary business contributing less than 20% of new acquisition



ATS ranges from 30 Lakh to 100 lakh with a cap of 300 Lakhs. AUM mix is 22% from Salaried, 8% from SEP and 70% from SENP.



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



Self occupied residential property (SORP) constitutes 77% of the total book. Max LTV exposure restricted at 75%

## Rural Mortgages

---

**1,290 Cr**

**Asset Under Management**

**5.6%**

**Spread**

**75**

**Locations**

- ▶▶▶ Hub and spoke model with presence across 75 upcountry locations as HUB and 50 locations as Spoke thru ASSC tie-ups
- ▶▶▶ Only business where company acquires self-employed non professionals in HL. 50% Salaried and 50% SENP customer profile mix
- ▶▶▶ ATS of 16 lakh with average Home Loan LTV of 64% and average Loan against Property LTV of 42%
- ▶▶▶ 40% of portfolio is HL and 60% is LAP – targeting 50:50 acquisition mix by March 2020
- ▶▶▶ Highest standards of controllership across all products supported by adequate spread



# Lease Rental Discounting Business

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**2,651 Cr**

**Asset Under Management**

**20-25 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 – 100 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

# 1,301 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

# 143

**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

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## 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 12%



## Profitability & Risk metrics

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



## Granular Portfolio

- Continued 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

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Term	Full form
SMT	Senior Management Team
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 Business
B2B	Business to Customer
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