



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

Debt Investor Presentation

Q4FY23

AGENDA

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Executive Summary





Monthly Acquisition
(as of March 23)



Asset Under Management
(as of Mar 31, 2023)



Employees

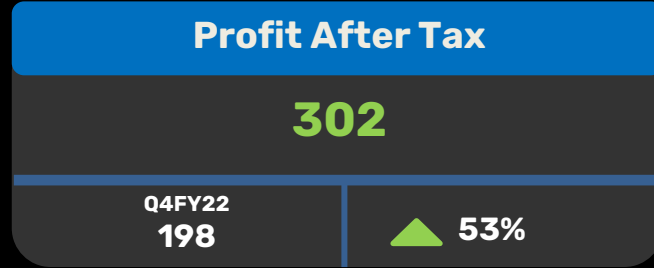
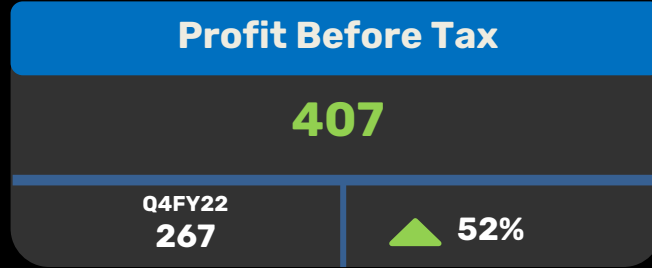
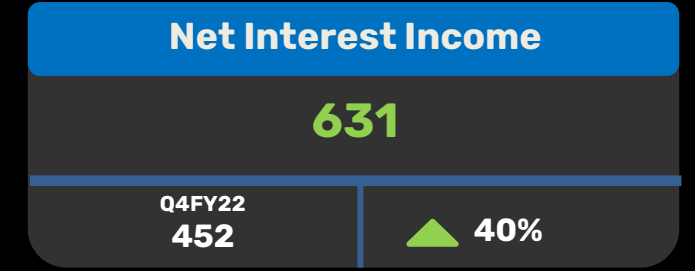
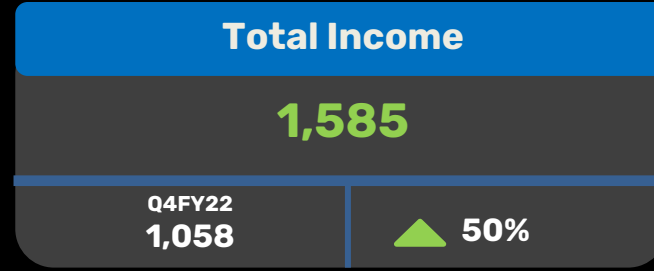
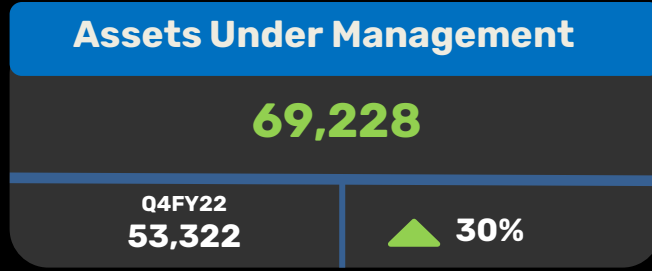


Locations
(Urban-52; Rural-109)

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 categorised 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 12 Cr in FY18, 104 Cr in FY19, 421 Cr in FY20, 453 Cr in FY21, 710 Cr in FY22 and 1,258 Cr in FY23

₹ in Crore



- The AUM of the Company grew 30% at 69,228 Cr as of 31 March 2023 as against 53,322 Cr as of 31 March 2022. Home Loans AUM grew by 24%, Loan against property by 4%, LRD by 64% and Developer Finance by 92%.
- AR grew by 34% at 62,114 Cr as of 31 March 2023 as against 46,482 Cr as of 31 March 2022.
- The Company had a better quarter on the acquisition front disbursing 9,026 Cr during Q4FY23 as against 7,463 Cr of Q4FY22, a growth of 21% Y-o-Y.
- The Company delivered profit after tax of 302 Cr in Q4FY23 as against 198 Cr in Q4FY22; a growth of 53%.
- With 250 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 Q4FY23 stood at 7.48% as against 7.12% in Q3FY23. The Company continued to carry sufficient liquidity buffer during the quarter and ending at 2,110 Cr as of 31 March 2023.
- Capital adequacy remained comfortable at 22.97% as of 31 March 2023 with Tier -1 capital at 22.19%.
- Borrowings mix stood at 52% : 3% : 32% : 12% : 1% between Banks : NHB : Money market : Assignment : ICD as of 31 March 2023.

- In Q4, liquidity coverage ratio remains comfortable at 129.12%, above regulatory requirement of 60%.
- Opex to NII improved to 26.5% in Q4FY23 as against 32.5% in Q4FY22.
- GNPA at 0.22% as of 31 March 2023 (0.31% as of 31 March 2022) as against 0.23% as of 31 December 2022, an improvement of 1 bps. NNPA also improved by 2 bps at 0.08% as of 31 March 2023. Provisioning coverage ratio at 64%.
- Loan losses and provisions for the quarter were 57 Cr as against 38 crore in Q4FY22. The Company continue to hold management overlay provision of 237 Cr as of 31 March 2023.
- Overall stage 2 assets stood at 360 Cr as of 31 March 2023 as against 394 Cr as of 31 December 2022. Of this, non overdue (0 DPD) one-time resolution (OTR) assets classified as stage 2 as of 31 March 2023 were 123 Cr where the Company carries provisioning of 20% as against the regulatory requirement of 10%.
- Overall stage 3 assets stood at 137 crore as of 31 March 2023 as against 135 crore as of 31 December 2022.



Financial & Credit Quality Highlights



₹ in Crore

Financials snapshot	Q4 FY23	Q4 FY22	Y-o-Y	FY23	FY22	Y-o-Y
Assets under management	69,228	53,322	30%	69,228	53,322	30%
Assets under finance	62,114	46,482	34%	62,114	46,482	34%
Interest income	1,520	961	58%	5,269	3,482	51%
Fee and other income	65	97	-27%	396	285	39%
Total Income	1,585	1,058	50%	5,665	3,767	50%
Interest expenses	954	606	57%	3,211	2,155	49%
Net Interest Income	631	452	40%	2,454	1,612	52%
Operating Expenses	167	147	14%	630	471	34%
Loan losses and provisions	57	38	50%	124	181	(31%)
Profit before tax	407	267	52%	1,700	960	77%
Profit after tax	302	198	53%	1,258	710	77%
Key Ratios:						
Operating expenses to Net Interest Income	26.5%	32.5%		25.7%	29.2%	
Loan loss to average AR*	0.38%	0.34%		0.23%	0.45%	
Return on Average Assets*	2.01%	1.76%		2.32%	1.78%	
Return on Average Equity *	11.67%	11.92%		14.59%	11.12%	

Asset categorization	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23
Stage 1 & 2 (represents standard assets)	99.69%	99.73%	99.76%	99.77%	99.78%
Stage 3 (represents GNPA)	0.31%	0.27%	0.24%	0.23%	0.22%

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and impairment allowance	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23
Gross Stage 1 & 2 assets* (A)	46,803	50,370	55,286	58,346	62,502
ECL Provision Stage 1 & 2 (B)	388	388	407	416	438
Net Stage 1 & 2 assets (C = A-B)	46,415	49,983	54,878	57,930	62,064
ECL Provision% Stage 1 & 2 assets (D = B/A)	0.83%	0.77%	0.74%	0.71%	0.70%
Gross Stage 3 assets [@] (E)	146.4	134.5	131.2	134.6	137.3
ECL Provision Stage 3 (F)	79.5	78.2	70.9	73.6	87.3
Net Stage 3 assets (G = E-F)	66.9	56.3	60.3	61.1	50.0
Coverage Ratio % Stage 3 assets (H= F/E)	54%	58%	54%	55%	64%
ECL/Total Assets	1.00%	0.92%	0.86%	0.84%	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.

Portfolio performance – Provisioning Coverage

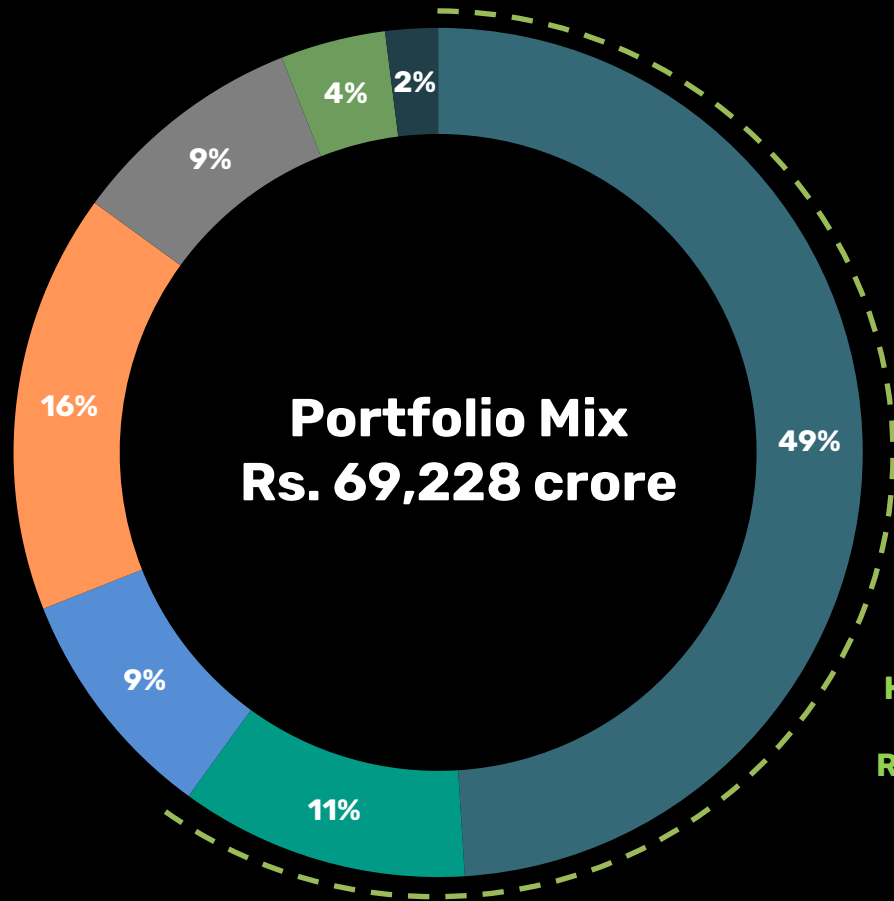
₹ in Crore

Particulars	AUM 31 Mar 23	GNPA	NNPA	PCR (%)	GNPA %			NNPA %		
					31 Mar 22	31 Dec 22	31 Mar 23	31 Mar 22	31 Dec 22	31 Mar 23
Home Loans	41,037	76	27	65%	0.27%	0.19%	0.20%	0.12%	0.08%	0.07%
Loan against property	6,538	29	12	59%	0.65%	0.59%	0.56%	0.33%	0.33%	0.23%
Lease rental discounting	11,260	-	-	-	-	-	-	-	-	-
Developer Finance	6,026	-	-	-	-	-	-	-	-	-
Rural Mortgages	2,592	23	9	62%	1.22%	1.30%	1.15%	0.59%	0.52%	0.43%
Other loans	1,775	9	3	70%	0.41%	0.47%	0.50%	0.13%	0.15%	0.15%
Total	69,228	137	50	64%	0.31%	0.23%	0.22%	0.14%	0.10%	0.08%

Stagewise ECL provisioning

	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	37,663	185	76	189	41	49	0.5%	22.4%	64.8%
Loan against property	5,000	94	29	36	19	17	0.7%	20.1%	58.7%
Lease rental discounting	9,684	-	-	62	-	-	0.6%	-	-
Developer Finance	6,066	7	0	46	2	0	0.8%	25.7%	0.0%
Rural Mortgages	1,950	62	23	12	13	15	0.6%	20.7%	63.1%
Other loans	1,779	12	9	15	3	6	0.8%	27.4%	70.3%
Total as of 31 March 2023	62,142	360*	137	360	78^	87	0.6%	21.8%	63.6%
Total as of 31 Dec 2022	57,952	394	135	333	83	74	0.6%	21.1%	54.6%
Total as of 31 Mar 2022	46,200	604	146	260	128	79	0.6%	21.2%	54.3%

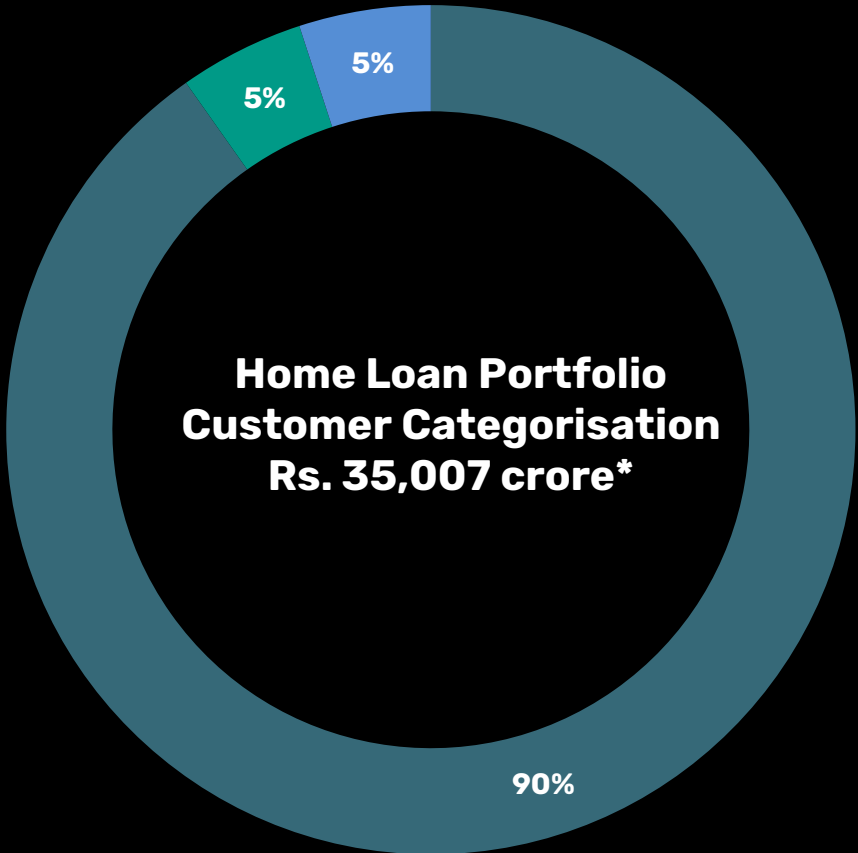
● ● ● ● ● ● **Portfolio & Treasury Update** ● ● ● ● ● ●



Home loan incl. top up: Rs. 41,037 crore (59%)

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

A well diversified portfolio with dominant share of HL

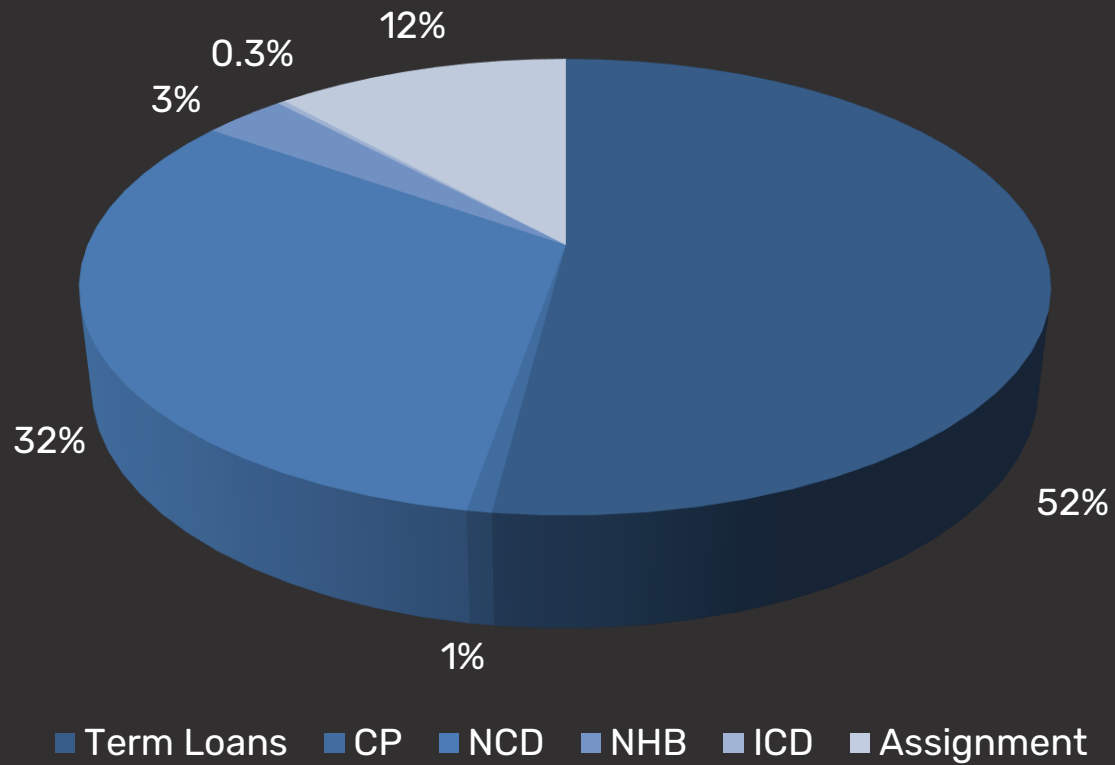


- Salaried
- Professionals
- Self-Employed

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

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

Treasury Strategy – Fund Raising Mix



March 2023

- ✓ 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 Mar 2023)

₹ 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	457	215	25	99	-	699	599	15	-	-	2,110
Advances	714	413	647	1,358	1,304	3,715	6,478	17,820	10,340	19,326	62,114
Other inflows	-	-	1,058	679	937	767	4,233	4,226	1,756	6,608	20,266
Total Inflows (A)	1,171	628	1,730	2,137	2,241	5,181	11,309	22,061	12,096	25,935	84,489
Cumulative Total Inflows (B)	1,171	1,799	3,529	5,665	7,907	13,088	24,398	46,459	58,555	84,489	
Borrowings	18	-	501	199	1,426	3,167	6,782	20,416	14,261	6,976	53,745
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	10,503	10,503
Other Outflows	1,025	550	1,082	945	728	1,540	4,091	5,720	551	4,009	20,241
Total Outflows (C)	1,042	550	1,583	1,144	2,154	4,707	10,873	26,136	14,812	21,488	84,489
Cumulative Total Outflows (D)	1,042	1,592	3,175	4,319	6,473	11,180	22,053	48,190	63,002	84,489	
Mismatch (E = A - C)	129	78	147	993	87	474	436	(4,076)	(2,716)	4,447	
Cumulative mismatch (F = B-D)	129	207	354	1,346	1,434	1,908	2,344	(1,731)	(4,447)	0	
Cumulative mismatch as % (F/D)	12%	13%	11%	31%	22%	17%	11%	(4%)	(7%)	0%	
Permissible cumulative gap %	-10%	-10%	-20%								
Additional borrowings possible			1,233								



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

- 69.1 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



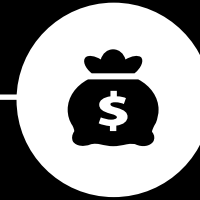
BRAND NAME

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



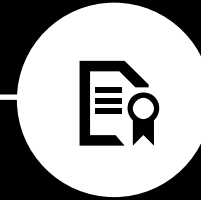
CAPITAL

2,500 Cr capital infused in FY23 taking total infusion to 7,550 Cr till date with Net worth in excess of 10,500 Cr. Mortgages remain strategic to the group



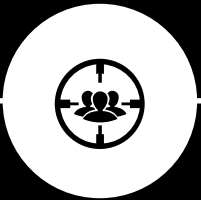
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



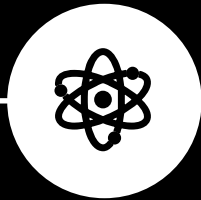
CREDIT RATING

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



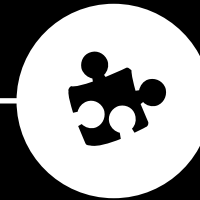
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (69.1 Mn) to cross sell mortgages



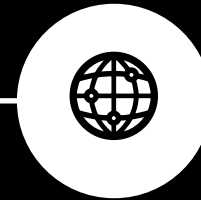
ANALYTICS ORIENTATION

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 though in-house collateral team and empaneled vendors as per the regulatory norms
- Checkpoints / hind-sighting processes over the life-cycle of the loan

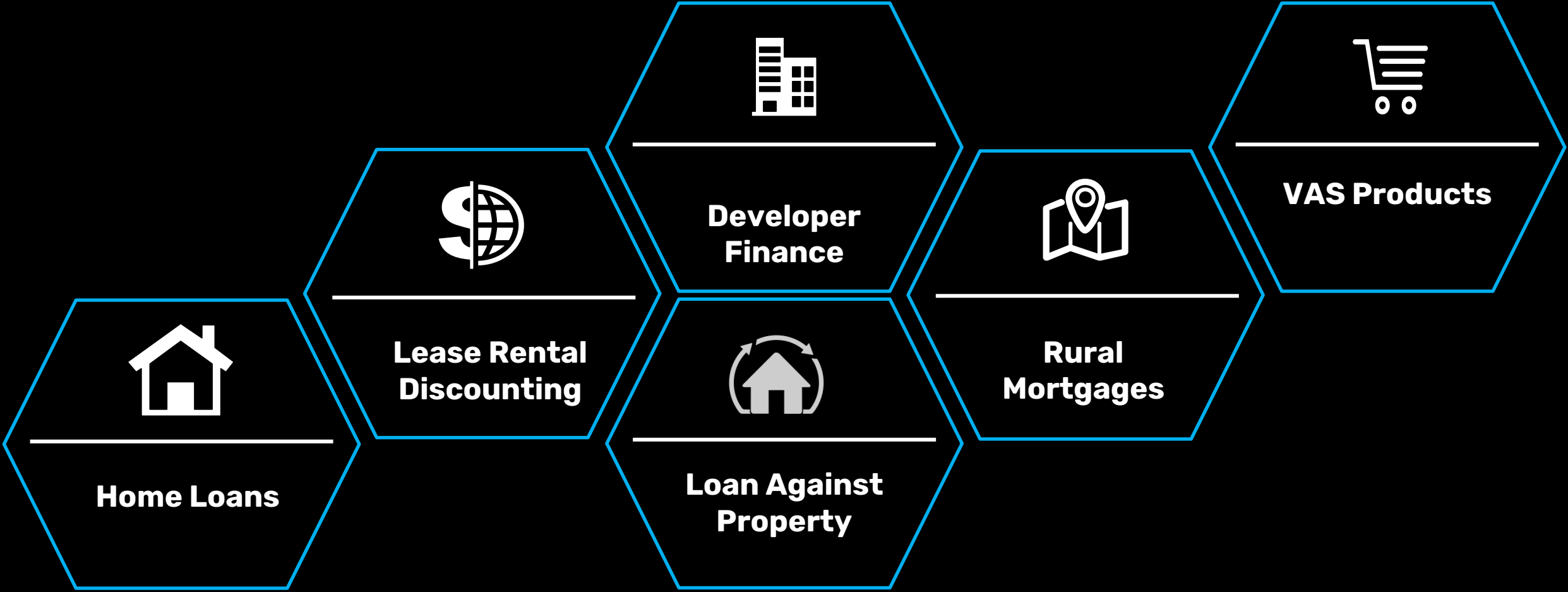
Commercial Loans Underwriting

(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

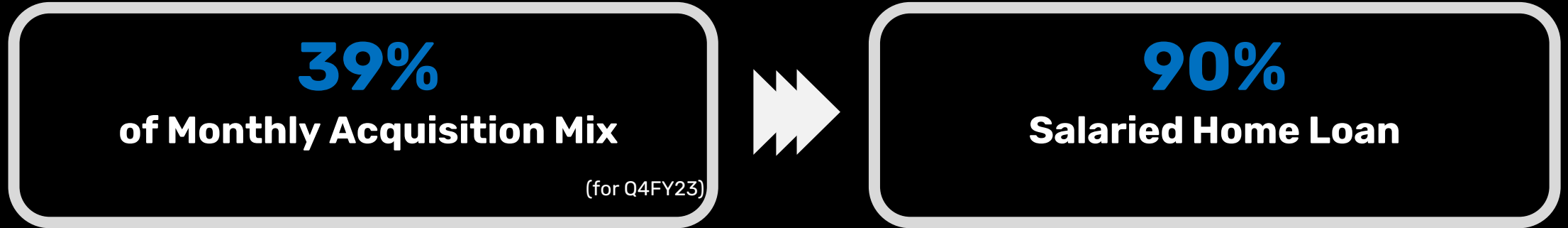


Business Wise Update



41,037 Cr

Asset Under Management



41%
**Existing Customer
base sourcing**

59%
FOIR

70%
LTV at origination

12.9 Lakhs
Avg. Customer salary

77%
**Customers with
750+ CIBIL**

50 Lakhs
Avg. Ticket Size

Home Loans Verticals

B2C

48%

B2B

52%



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

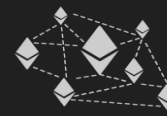


Data-analytics based offer generation approach for better risk management



10%
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

6,538 Cr

Asset Under Management

47%

Existing Customer mix

55%

LTV at Origination



Operative in 29 locations with average ticket size of 72 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 28% from salaried, 13% from self-employed professionals and 59% from self-employed



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



Self occupied residential property (SORP) constitutes 69% of the total book. Max LTV exposure restricted at 75%

2,592 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 62% and average Loan against Property LTV of 44%



64% of portfolio is HL and 36% is LAP; continue to focus on increasing the Home loan mix



Highest standards of controllership across all products supported by adequate spread

11,260 Cr

Asset Under Management

51 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

6,026 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 13 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures and CCF exposure to lease rental discounting

307

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 (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: 0.6%-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