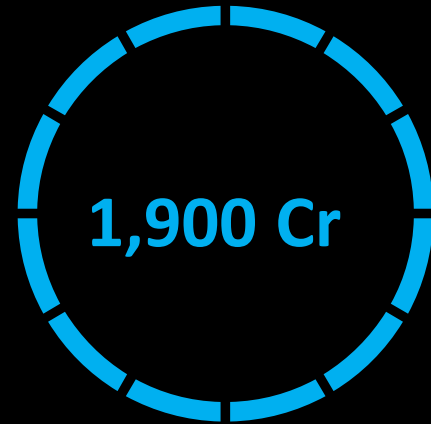




● ● ● ● ● ● Bajaj Housing Finance Limited ● ● ● ● ● ●

Debt Investors Presentation – Q3 FY20

Bajaj Housing Finance Ltd.



Monthly Acquisition



Asset Under Management
(as of Dec 31, 2019)



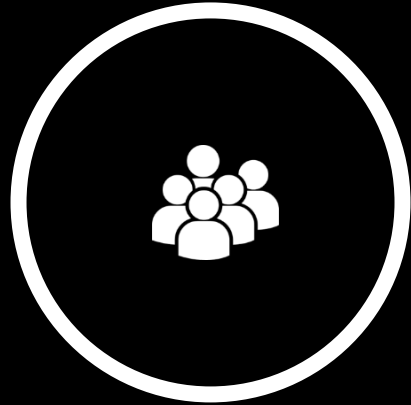
Employees



Locations
(Urban-40; Rural-73)

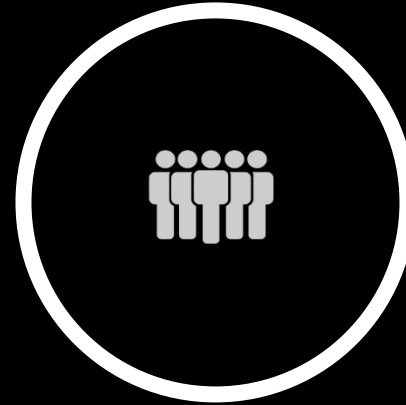
- ❖ Bajaj Housing Finance Ltd. (BHFL) is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC)
- ❖ BHFL is a 100% subsidiary of Bajaj Finance Ltd. (BFL) – a Bajaj Finserv Group Company
- ❖ BFL has been in the mortgage business since 2008
- ❖ BHFL has been carved out as HFC to 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.



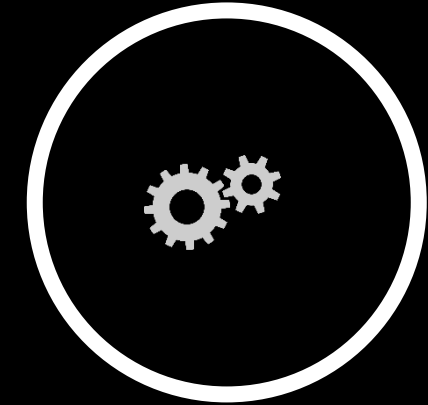
Independent Board

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

Financials

₹ in Crore

Financials snapshot	Q3 FY20	Q3 FY19	9M FY20	9M FY19	FY19
Assets under management	30,035	13,963	30,035	13,963	17,562
Assets under finance	25,961	13,963	25,961	13,963	17,332
Interest income	620	297	1,616	616	998
Fee and other income	103	41	256	109	158
Total Income	723	338	1,872	725	1,156
Interest expenses	438	207	1,125	416	685
Net Interest Income	285	131	747	309	471
Operating Expenses	96	74	266	229	297
Loan losses and provisions (ECL stage 1 & 2)	6	5	17	15	21
Loan losses and provisions (ECL stage 3 & write off)	8	1	18	1	4
Profit before tax	175	50	445	63	149
Profit after tax	131	37	331	48	110
Ratios					
Operating expense to Net Interest Income	33.6%	56.8%	35.6%	74.2%	63.1%
Loan loss to Average AUF	0.23%	0.20%	0.22%	0.25%	0.24%
Return on Average Assets	2.1%	1.2%	2.0%	0.7%	1.1%
Return on Average Equity	13.3%	5.6%	11.5%	3.1%	4.2%

Behaviouralized ALM snapshot (as of 31 Dec'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	2,929	-	-	-	-	-	-	-	-	-	2,929
Advances	465	276	279	818	1,592	5,581	4,280	3,389	3,866	5,575	26,121
Other inflows	3,480	1,000	1,000	-	-	5	-	-	-	67	5,552
Total Inflows (A)	6,874	1,276	1,279	818	1,592	5,587	4,280	3,389	3,866	5,643	34,603
Cumulative Total Inflows (B)	6,874	8,150	9,429	10,247	11,839	17,426	21,706	25,094	28,960	34,603	
Borrowings repayment	-	1,842	1,610	378	2,476	11,288	7,217	1,649	291	-	26,750
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	3,926	3,926
Other Outflows	759	-	26	17	73	2,932	-	0	-	119	3,927
Total Outflows (C)	759	1,842	1,635	396	2,550	14,220	7,217	1,649	291	4,045	34,603
Cumulative Total Outflows (D)	759	2,601	4,236	4,632	7,181	21,401	28,618	30,267	30,558	34,603	
E. GAP (A - C)	6,115	(566)	(356)	423	(958)	(8,633)	(2,937)	1,740	3,575	1,598	
F. Cumulative GAP (B-D)	6,115	5,549	5,193	5,615	4,658	(3,976)	(6,913)	(5,173)	(1,598)	0	
Cumulative GAP as % (F/D)	806%	213%	123%	121%	65%	-19%	-24%	-17%	-5%	0%	
Permissible cumulative GAP %	-15%				-15%						
Additional short term borrowings possible	7,328				6,738						

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

As per previous GAAP

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

ECL Summary

ECL categorization	Dec '18	Mar'19	Jun'19	Sep'19	Dec'19
Stage 1 & 2 (represents standard assets)	99.97%	99.95%	99.94%	99.94%	99.93%
Stage 3 (represents GNPA)	0.03%	0.05%	0.06%	0.06%	0.07%

Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Dec '18	Mar'19	Jun'19	Sep'19	Dec'19
Gross Stage 1 & 2 assets* (A)	14,061	17,435	20,601	23,481	26,532
ECL Provision Stage 1 & 2 (B)	20	26	34	37	43
Net Stage 1 & 2 assets (C = A-B)	14,041	17,409	20,567	23,443	26,488
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.14%	0.15%	0.16%	0.16%	0.16%
Gross Stage 3 assets@ (E)	4.5	9.5	13.1	13.3	19.9
ECL Provision Stage 3 (F)	1.0	3.4	4.2	6.0	6.3
Net Stage 3 assets (G = E-F)	3.5	6.1	8.9	7.3	13.6
Coverage Ratio % Stage 3 assets (H= F/E)	23.1%	35.4%	32.3%	45.4%	32%
ECL/Total Assets	Dec '18	Mar'19	Jun'19	Sep'19	0.19%

*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

2.2%

Spread

8.26%

COF

9.75%

Yield

0.07%

GNPA

33%

OPEX / NIM

2.1%

ROA

13.3%

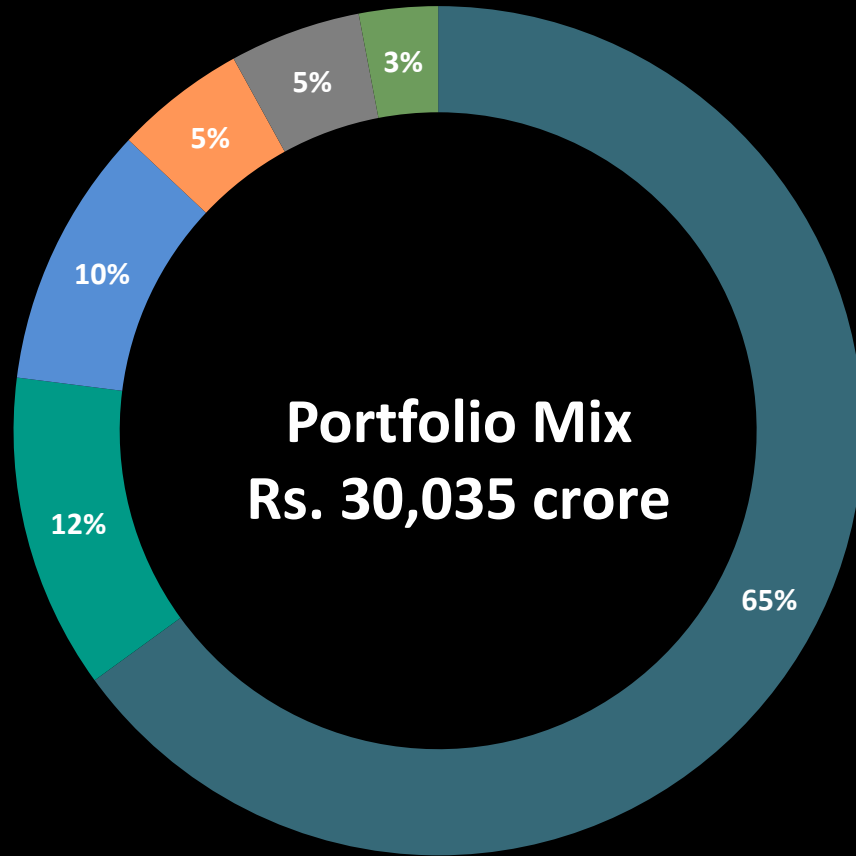
ROE

18.91%

Capital Adequacy

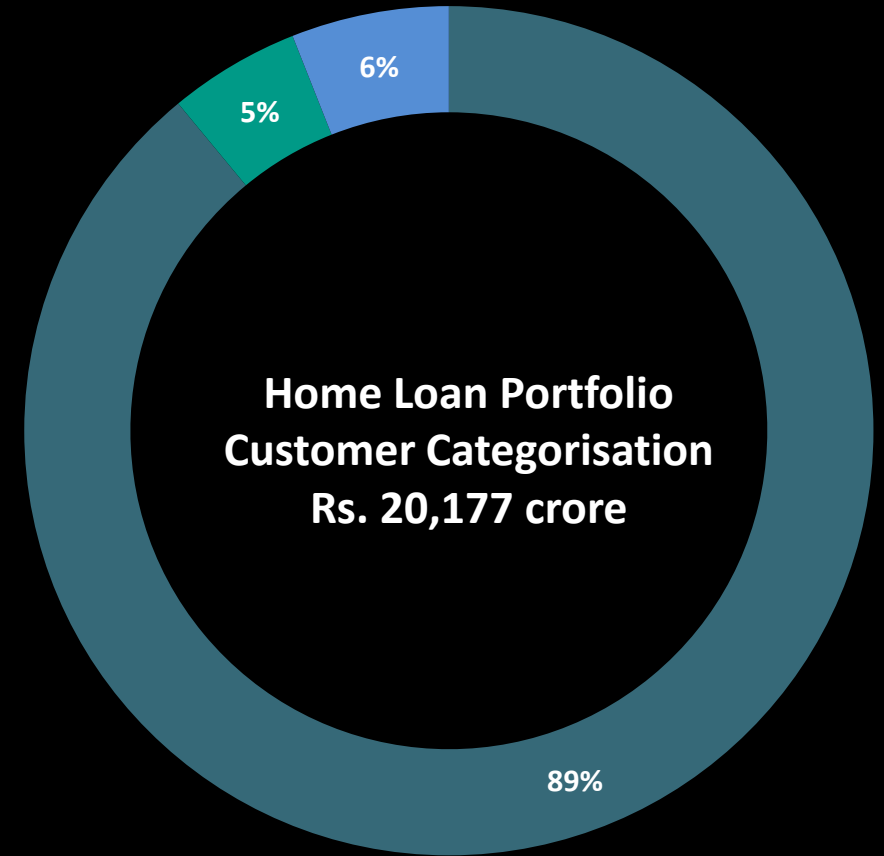
Target OPEX/NIM of <20% and ROE of 13-15%. The Company remains well capitalized with additional capital infusion of ₹ 1,500 Cr planned in Feb'20

BHFL Portfolio View



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

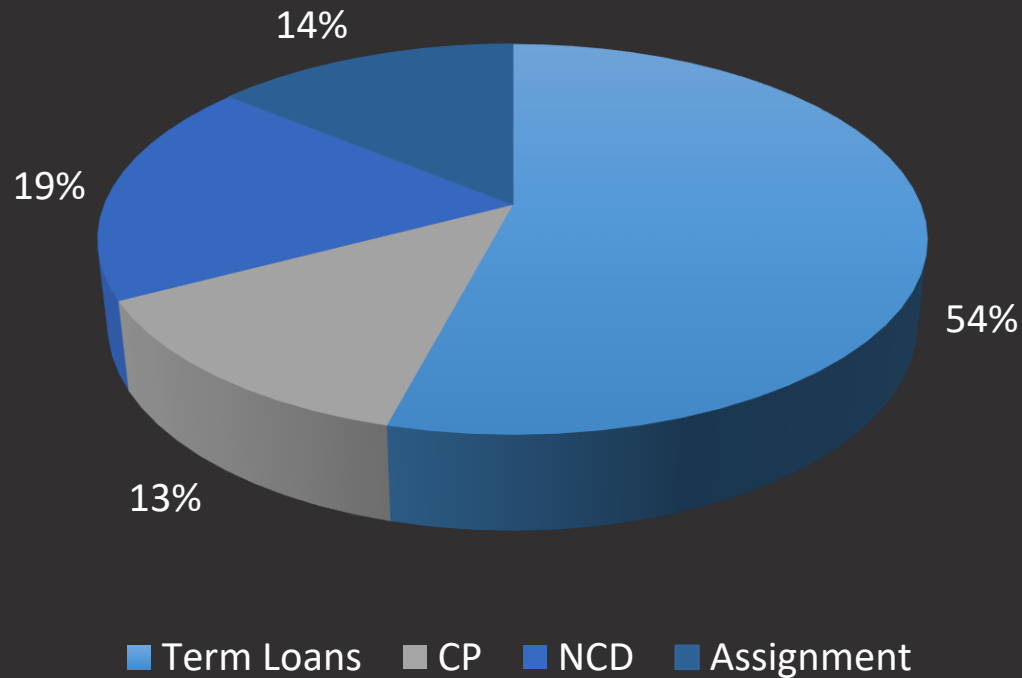
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

Treasury Strategy - Borrowing Mix



Dec 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

- 40 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



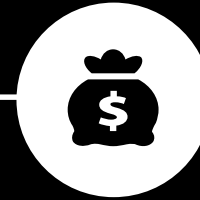
BRAND NAME

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



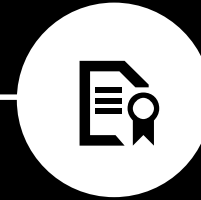
CAPITAL

BHFL has infused 3,550 Cr till date and is committed to grow Mortgages. Additional capital infusion of ₹ 1,500 Cr planned in Feb'20



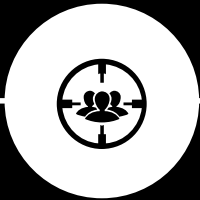
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



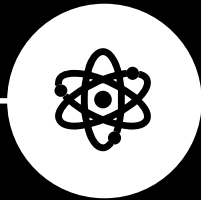
CREDIT RATING

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



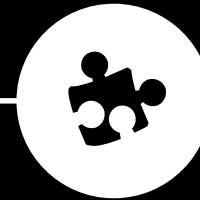
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (40 Mn+) to cross sell mortgages



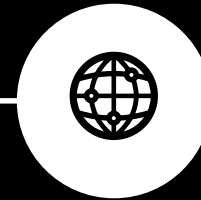
ANALYTICS ORIENTATION

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



FULL PRODUCT SUITE

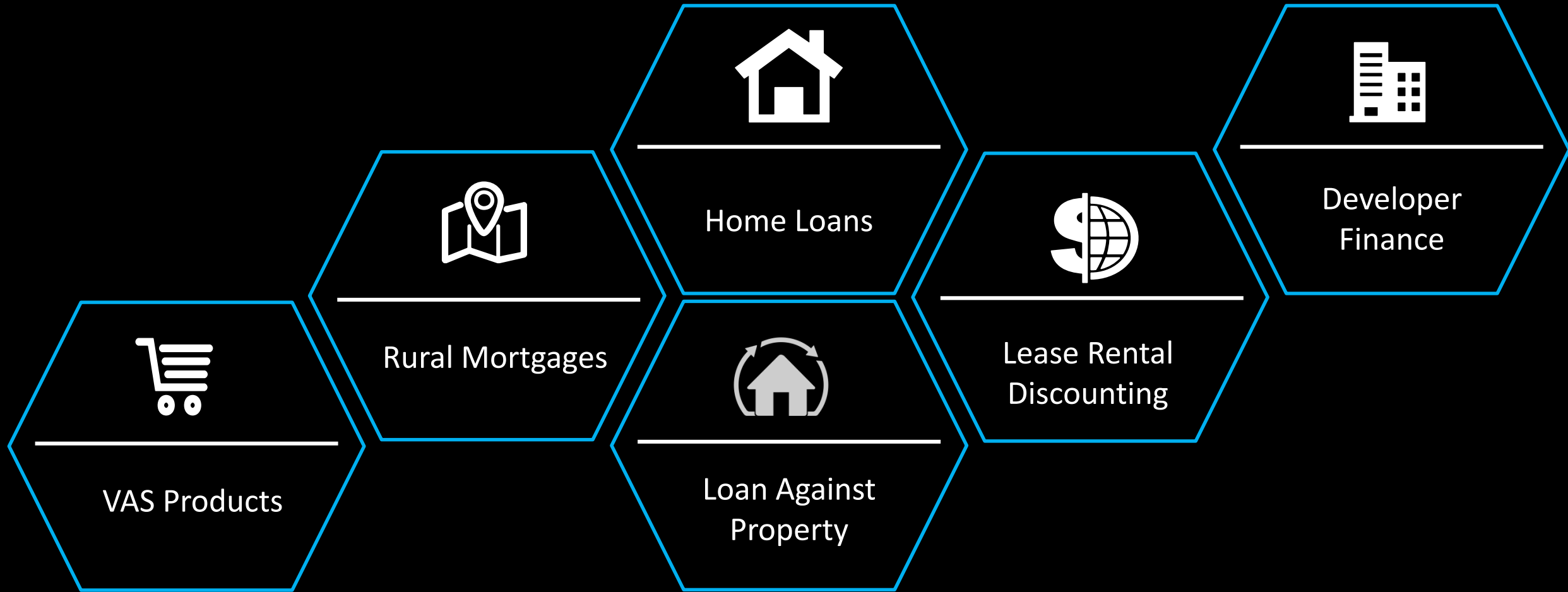
Mortgage products for Retail as well as Commercial customers with customized VAS products & services for cross sell / up-sell



DEBT MANAGEMENT

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

BHFL Product Suite

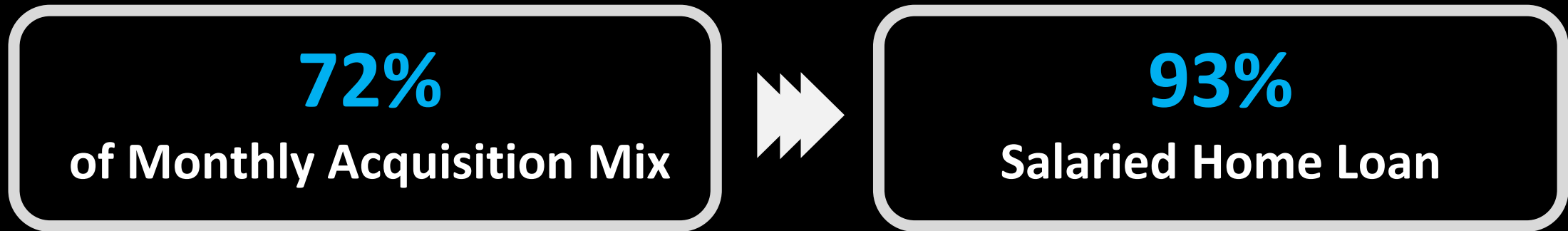


Full suite of mortgages products and services for retail and commercial customers

Home Loans

19,570 Cr

Asset Under Management



63%
Existing Customer base sourcing

59%
FOIR

71%
LTV at origination

12 Lakh
Avg. Customer salary

84%
Customers with 750+ CIBIL

41 Lakh
Avg. Ticket Size

72% of the Company's incremental AUM is contributed by HL to salaried individuals...

Home Loans Verticals

B2C

75%

B2B

25%



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

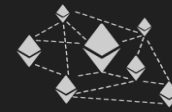


Data-analytics based offer generation approach for better risk mgmt.



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 40 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

3,561 Cr

Asset Under Management

83%

Existing Customer mix

46%

LTV at Origination

- ▶▶▶ Operative in top 16 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 26% from Salaried, 11% from SEP and 63% from SENP.
- ▶▶▶ Business focused on Fresh LAP with faster turn-around-time of 72-120 hours
- ▶▶▶ Self occupied residential property (SORP) constitutes 75% of the total book. Max LTV exposure restricted at 75%

Rural Mortgages

1,486 Cr

Asset Under Management

5.3%

Spread

73

Locations

- ▶▶▶ Hub and spoke model with presence across 73 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 & 50% SENP customer profile mix
- ▶▶▶ ATS of 18 lakh with average Home Loan LTV of 63% and average Loan against Property LTV of 41%
- ▶▶▶ 41% of portfolio is HL and 59% 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

2,879 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

1,665 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

172

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 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

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