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Debt Investor Presentation

Q1FY23

AGENDA

01 Executive Summary

02 Key Drivers

03 Financial & Credit Quality Highlights

04 Portfolio & Treasury Update

05 Business Wise Update

06 Way Forward



Executive Summary





Monthly Acquisition
(as of Jun 22)



Asset
Under Management
(as of Jun 30, 2022)



Employees



Locations
(Urban-49; Rural-109)

Bajaj Housing Finance Ltd. (BHFL):

- ❖ is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC) and regulated by Reserve Bank of India (RBI)
- ❖ 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 5 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 and 710 Cr in FY22

₹ in Crore



- The Company had a strong quarter in terms of disbursements as well as AUM growth. AUM as of 30 June 2022 grew by 40% and stood at 57,425 crore as against 40,941 crore as of 30 June 2021
- The Company registered a strong sequential growth of 24% in disbursements during the quarter as against Q4FY22 and YoY growth of 118% as against Q1FY22. It recorded its highest ever monthly disbursement in the month of Jun'22
- Both commercial businesses (Commercial Real Estate and Developer Finance) maintained their performance in current quarter in terms of sanctions as well as disbursements. Retail businesses delivered a good performance in current quarter.
- Net Interest Income grew by 77% to 594 Cr from 335 Cr in Q1 FY22. In last year same quarter, most of the metrics were muted due to Covid delta impact.
- The Company delivered post tax profit of ₹ 316 crore as against ₹ 161 crore in Q1 FY22 registering growth of 96%
- Capital adequacy ratio stood at 24.57% as of 30 June 2022; BHFL received fresh capital infusion of 2,500 Cr during the quarter from Bajaj Finance Limited.

- The Company saw improvement in GNPA and NNPA which stood at 0.27% and 0.11% as of 30 June 2022 as against 0.31% and 0.14% as of 31 March 2022
- Bounce rates inched up marginally by 1 bps at 4.05% in Q1FY23 against 4.04% in Q4FY22
- Overall stage 2 assets, stood at 492 Cr as of 30 June 2022 as against 604 Cr as of 31 March 2022. Overall stage 3 assets stood at 134 Cr as of 30 June 2022 as against 146 Cr as of 31 March 2022
- The Company had a one-time restructuring (OTR) pool of 0.10% as of 30 Jun 2022 as against 0.32% as of 31 Mar 2022 which is still under moratorium. These loans have been classified under Stage 2 and the Company continues to carry 20% provisioning as against the regulatory requirement of 10%
- Loss provisioning for the quarter was 7 Cr as against 26 Cr in Q1FY22. The Company holds management overlay of 220 Cr as of 31 Mar 2022 as against 211 Cr as of 31 Mar 2022
- Cost of funds moved up marginally in Q1FY23 and stood at 6.28% as against 6.25% for Q4FY22. COF is expected to move up in current quarter post repo rate hikes in May and June. Liquidity buffer stood at 3,500 Cr as of 30 June 2022
- Borrowing mix as of 30 June 2022 was at 53%: 32%: 1%: 14% between banks: money market: ICD: assignment.



Key Drivers



TOP 4 MORTGAGE ORIGINATOR

- In 4 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 GNPA in corridor of 0.6%-0.8% and ROE of 13-15%
- Focus largely on salaried home loan opportunity

FOCUS ON CROSS SELL

- 60 Mn+ customer base of BFL
- 17 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
- 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



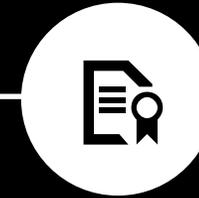
CAPITAL

2,500 Cr capital infusion completed taking total infusion to 7,550 Cr till date. Mortgages remain strategic to the group



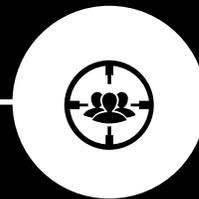
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



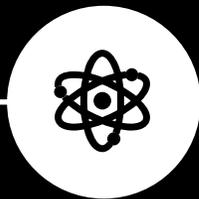
CREDIT RATING

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



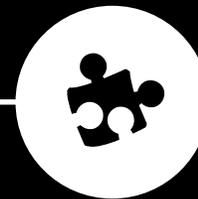
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (60 Mn+) to cross sell mortgages



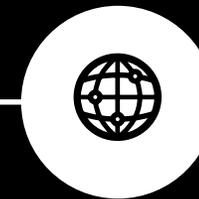
ANALYTICS ORIENTATION

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



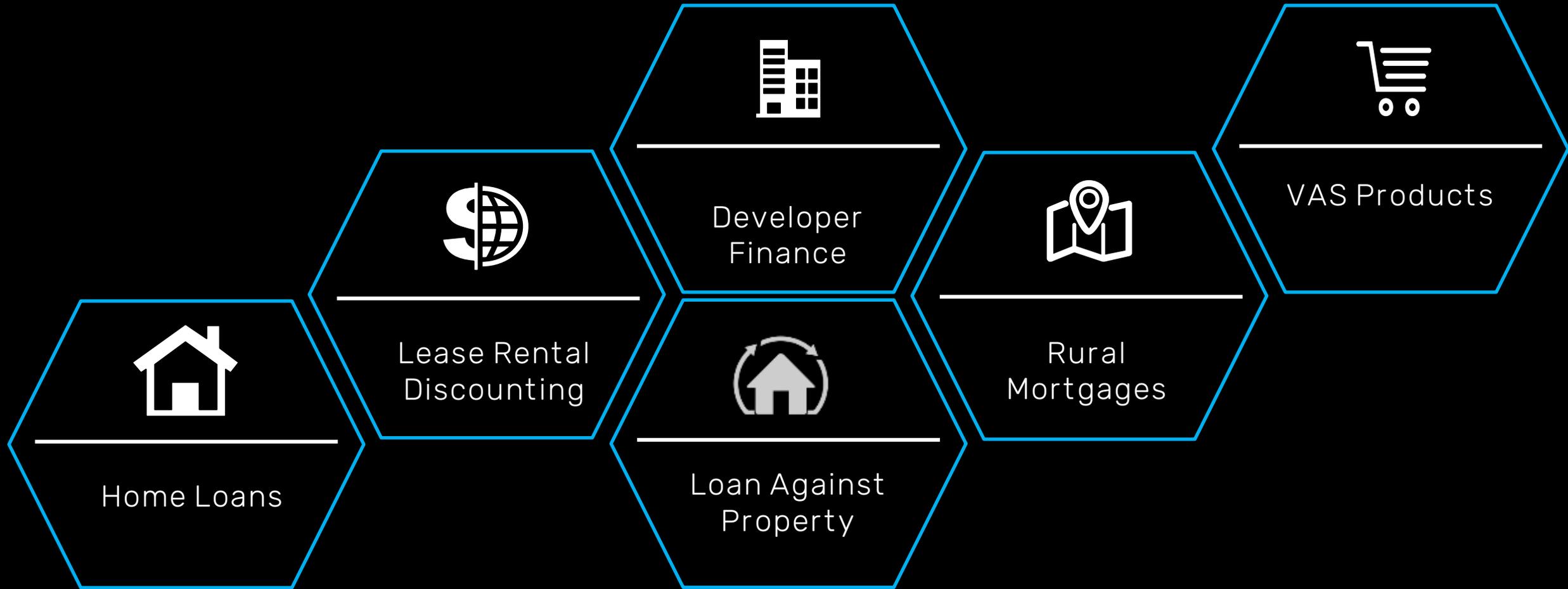
FULL PRODUCT SUITE

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



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

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 focused on SARFAESI wherever needed
- Dedicated team in place for efficient resolution of legal cases at different stages



Financial & Credit Quality
Highlights



₹ in Crore

Financials snapshot	Q1 FY23	Q1 FY22	YoY	FY22	FY21	YoY
Assets under management	57,425	40,941	40%	53,322	38,871	37%
Assets under finance	50,039	35,762	40%	46,482	33,419	39%
Interest income	1,072	777	38%	3,482	2,877	21%
Fee and other income	136	29	369%	226	218	4%
Net gain on fair value changes on investment	15	16	(6%)	59	60	(2%)
Total Income	1,223	822	49%	3,767	3,155	19%
Interest expenses	629	487	29%	2,155	1,966	10%
Net Interest Income	594	335	77%	1,612	1,189	36%
Operating Expenses	159	91	75%	471	329	43%
Loan losses and provisions	7	26	(73%)	181	247	(27%)
ECL stage 1 & 2	-	6	(100%)	77	199	(61%)
ECL stage 3 & write off	7	20	(65%)	104	48	117%
Profit before tax	428	218	96%	960	613	57%
Profit after tax	316	161	96%	710	453	57%
Ratios						
Operating expenses to Net Interest Income	26.8%	27.2%		29.2%	27.7%	
Loan loss to average AUF*	0.06%	0.30%		0.45%	0.80%	
Return on Average Assets*	2.62%	1.86%		1.78%	1.48%	
Return on Average Equity *	15.51%	10.51%		11.11%	7.80%	

Asset categorization	Jun'21	Sep'21	Dec'21	Mar'22	Jun'22
Stage 1 & 2 (represents standard assets)	99.72%	99.65%	99.65%	99.69%	99.73%
Stage 3 (represents GNPA)	0.28%	0.35%	0.35%	0.31%	0.27%

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and impairment allowance	Jun'21	Sep'21	Dec'21	Mar'22	Jun'22
Gross Stage 1 & 2 assets* (A)	36,378	39,892	43,760	46,803	50,370
ECL Provision Stage 1 & 2 (B)	316	330	359	388	388
Net Stage 1 & 2 assets (C = A-B)	36,062	39,562	43,401	46,415	49,983
ECL Provision% Stage 1 & 2 assets (D = B/A)	0.87%	0.83%	0.82%	0.83%	0.77%
Gross Stage 3 assets [@] (E)	102.5	142.0	152.3	146.4	134.5
ECL Provision Stage 3 (F)	36.6	56.2	74.7	79.5	78.2
Net Stage 3 assets (G = E-F)	65.9	85.9	77.6	66.9	56.3
Coverage Ratio % Stage 3 assets (H= F/E)	36%	40%	49%	54%	58%
ECL/Total Assets	0.97%	0.96%	0.99%	1.00%	0.92%

*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 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) 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.

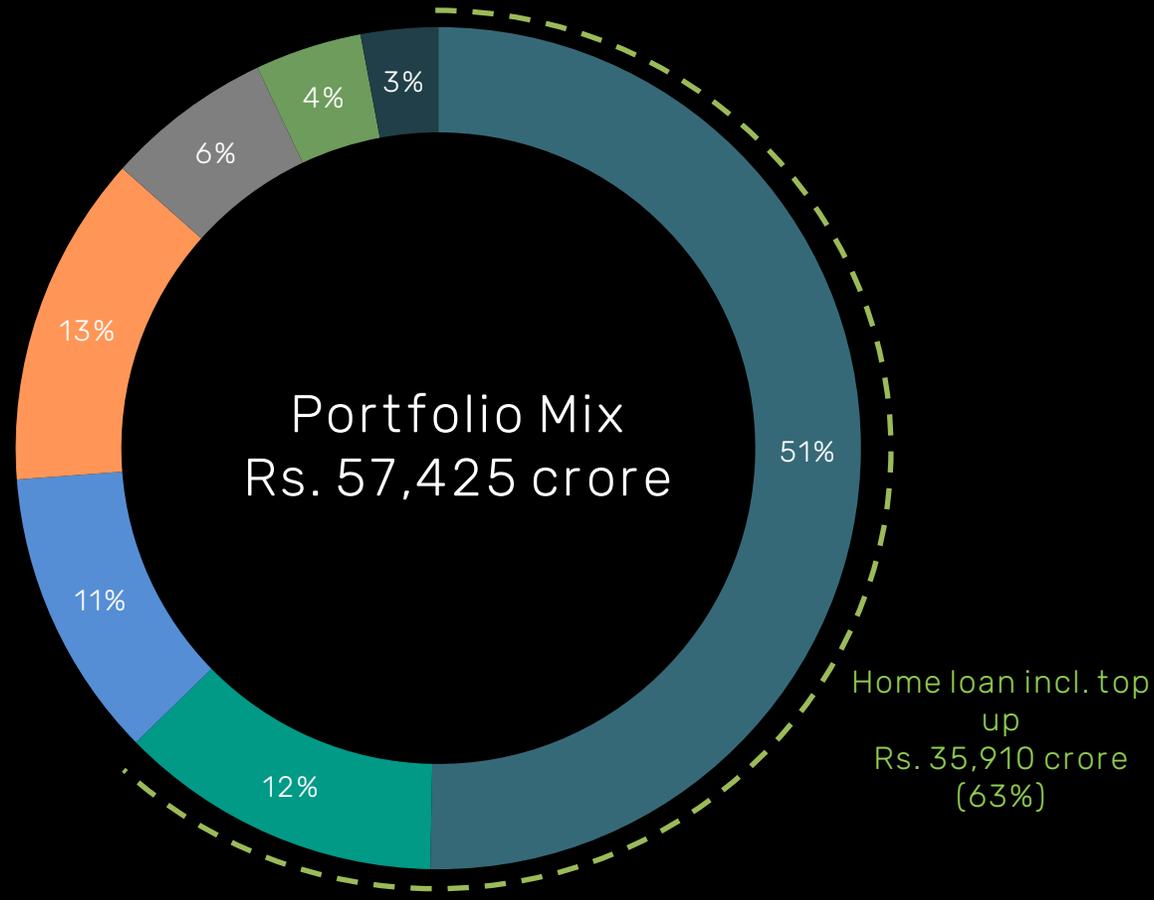
₹ in Crore

Particulars	AUM 30 Jun 22	GNPA	NNPA	PCR (%)	GNPA %			NNPA %		
					31 Dec 21	31 Mar 22	30 Jun 22	31 Dec 21	31 Mar 22	30 Jun 22
Home Loans	35,910	75	29	60.62%	0.31%	0.27%	0.23%	0.15%	0.12%	0.09%
Loan against property	6,417	30	14	53.65%	0.68%	0.65%	0.59%	0.39%	0.33%	0.28%
Lease rental discounting	7,352	-	-	-	-	-	-	-	-	-
Developer Finance	3,689	0	0	-	0.04%	0.03%	0.00%	0.03%	-	0.00%
Rural	2,356	23	11	51.73%	1.27%	1.22%	1.33%	0.67%	0.59%	0.65%
Others	1,701	7	2	72.00%	0.47%	0.41%	0.42%	0.16%	0.13%	0.12%
Total	57,425	134	56	58.16%	0.35%	0.31%	0.27%	0.18%	0.14%	0.11%

₹ in Crore

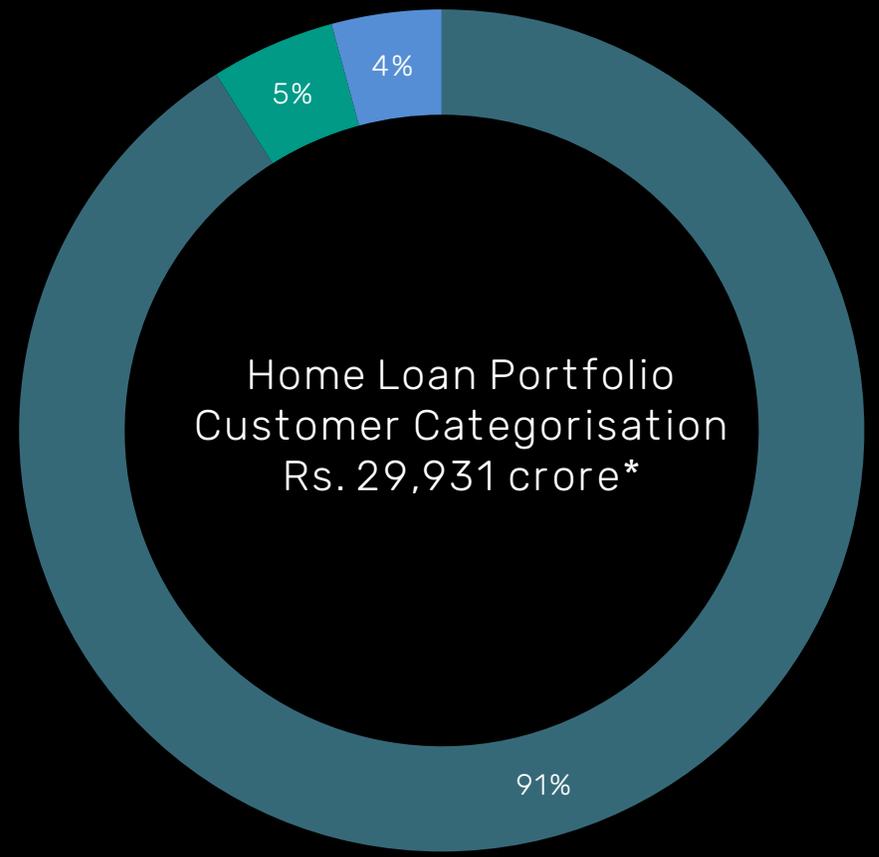
	Gross Assets Receivable				ECL Provision				PCR %			
	Stage 1	Stage 2		Stage 3	Stage 1	Stage 2		Stage 3	Stage 1	Stage 2		Stage 3
		OTR*	Normal			OTR*	Normal			OTR*	Normal	
Home Loans	31,792	157	117	75	164	41	20	45	0.5%	26.5%	17.1%	60.6%
Loan against property	4,867	55	62	30	33	13	10	16	0.7%	23.4%	16.1%	53.7%
Lease rental discounting	6,195	-	2	-	35	-	0	-	0.6%	-	13.4%	-
Developer Finance	3,716	-	0	0	27	-	0	-	0.7%	-	23.1%	-
Rural	1,607	21	60	23	10	6	9	12	0.6%	26.1%	15.7%	51.7%
Others	1,700	11	8	7	15	3	2	5	0.9%	23.7%	28.7%	72.0%
Total as of 30 Jun 2022	49,878	244	248	134	283	62	42	78	0.6%	25.6%	16.9%	58.2%
Total as of 31 Mar 2022	46,200	363	241	146	260	89	39	79	0.6%	24.5%	16.3%	54.3%
Total as of 31 Dec 2019	25,806	-	185	20	32	-	11	6	0.1%	-	6.1%	31.3%

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



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

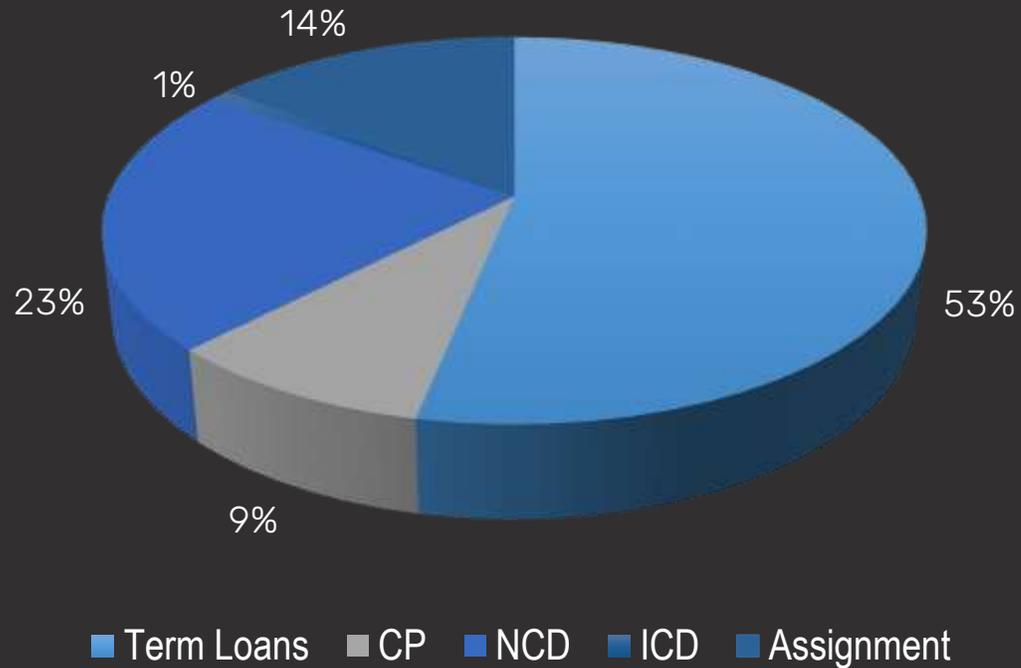
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

*Represents home loans portfolio including rural home loans 19



Jun 2022

- ✓ 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
- ✓ Open NHB refinance for diversification of borrowings in FY23
- ✓ Assignments to drive balance sheet growth and address ALM mismatch

Behaviouralized ALM snapshot

(as of 30 Jun 2022)

₹ 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	>5-7 Y	>7-10 Y	>10 Y	Total
Cash & Investments	1,467	290	600	748	173	222	-	0	-	-	-	-	3,500
Advances	489	351	538	1,000	1,098	2,715	4,734	13,414	8,305	5,661	5,336	6,398	50,039
Other inflows	6	4	1,536	775	526	1,192	4,044	2,566	2,649	601	421	1,100	15,421
Total Inflows (A)	1,961	645	2,674	2,523	1,798	4,129	8,778	15,980	10,954	6,262	5,757	7,499	68,960
Cumulative Total Inflows (B)	1,961	2,607	5,280	7,803	9,601	13,730	22,508	38,488	49,442	55,704	61,461	68,960	
Borrowings	947	-	1,146	1,576	1,100	3,142	7,021	20,049	10,753	1,940	565	1,799	50,039
Capital and Reserves & Surplus	-	-	-	-	-	-	-	-	-	-	-	9,557	9,557
Other Outflows	768	512	988	587	319	959	927	1,791	10	2	2,500	-	9,363
Total Outflows(C)	1,715	512	2,134	2,163	1,419	4,101	7,948	21,840	10,763	1,942	3,065	11,356	68,960
Cumulative Total Outflows (D)	1,715	2,228	4,362	6,524	7,943	12,045	19,993	41,833	52,596	54,538	57,603	68,960	
Mismatch (E = A-C)	246	133	540	360	379	27	830	(5,860)	192	4,320	2,692	(3,857)	
Cumulative mismatch (F= B-D)	246	379	919	1,279	1,658	1,685	2,515	(3,346)	(3,154)	1,166	3,857	0.00	
Cumulative mismatch as a % (F/D)	14%	17%	21%	20%	21%	14%	13%	-8%	-6%	2%	7%	0%	
Permissible Cumulative gap %	-10%	-10%	-20%										
Additional borrowings possible			2,238										

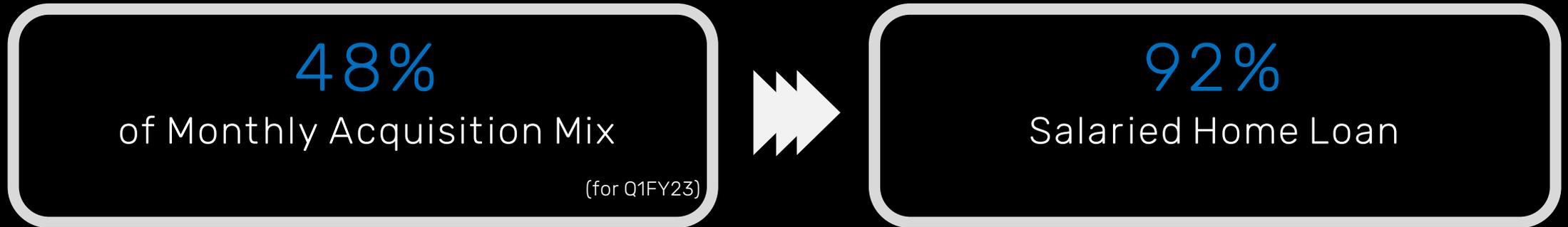


Business Wise Update



35,910 Cr

Asset Under Management



49%
Existing Customer
base sourcing

59%
FOIR

70%
LTV at origination

12.5 Lakhs
Avg. Customer salary

78%
Customers with
750+ CIBIL

50 Lakhs
Avg. Ticket Size

53% of the Company's incremental AUM for the quarter is contributed by HL to salaried individuals

Home Loans Verticals

B2C

60%

B2B

40%



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



Data-analytics based offer generation approach for better risk management



11%
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 60 Mn+ 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

6,417 Cr

Asset Under Management

55%

Existing Customer mix

44%

LTV at Origination



Operative in 26 locations with ATS of 59 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



Minimum ATS of 30 lakhs with a cap of 500 lakhs. AUM mix is 29% from Salaried, 15% from SEP and 56% from SENP



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



Self occupied residential property (SORP) constitutes 71% of the total book. Max LTV exposure restricted at 75%

2,356 Cr

Asset Under Management

5.58%

Spread

109

Locations



Hub and spoke model with presence across 109 upcountry locations as HUB and 181 locations as Spoke through ASSC tie-ups



ATS of 15 lakh with average Home Loan LTV of 62% and average Loan against Property LTV of 44%



59% of portfolio is HL and 41% is LAP; continue to focus on increasing the Home loan mix



Highest standards of controllership across all products supported by adequate spread

7,352 Cr

Asset Under Management

43 Cr

Average Ticket Size

Top 11

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 up to 600 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

3,689 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 11 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures

273

Active Developers

Developer Profile

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

25-30 Cr

Average Ticket Size

Operating Model

- Centralized underwriting
- Disbursal only after RERA and Building approvals
- Deferred disbursement basis stage of construction and sales milestones
- Principal sweep from Day 1
- 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 (7-8% 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
- Add new lines through refinance in FY23 and sub-debt
- 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