Bajaj Housing Finance Limited

Debt Investor Presentation

Q2FY23

AGENDA

Executive Summary

Company Overview

2,875 Cr	62,931 Cr	3,150	158
Monthly Acquisition (as of Sep 22)	Asset Under Management (as of Sep 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), regulated by Reserve Bank of India (RBI) and classified as "Upper Layer NBFC" under the recent Scale Based Regulations issued by 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

Financial Snapshot for Q2FY23

₹ in Crore

Metric	Q2FY23	Q2FY22	Growth
Assets Under Management	62,931	44,429	42%
Total Income	1,340	902	49%
Net Interest Income	590	396	49%
Profit Before Tax	414	225	84%
Profit After Tax	306	166	84%
Net Worth	9,863	6,359	55%

GNPA	NNPA	CRAR
0.24%	0.11%	24.58%

Business Update

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- The Company registered strong growth in disbursals as well as AUM where AUM grew by 42% and stood at 62,931 Cr as of 30 September 2022 as against 44,429 Cr as of 30 September 2021.
- AR grew by 40% at 54,939 Cr as of 30 September 2022 as against 39,130 Cr as of 30 September 2021. Home Loans AR grew by 45%, LAP by 16%, LRD by 51% and Developer Finance by 69%.
- Disbursal growth during the quarter was healthy with YoY growth of 32% (8,624 Cr vs 6,517 Cr).
- The Company delivered a strong quarter in terms of profit after tax which grew by 84% to 306 Cr in Q2FY23 as against 166 Cr in Q2FY22.
- With Repo increase of 140 bps since May 2022, the cost of funds for the quarter inched up sequentially from 6.14% to 6.63% due to rate resets on existing borrowings as well as incremental borrowings at higher rates. Liquidity buffer stood at 1,805 Cr as of 30 September 2022.
- Capital adequacy remained strong at 24.58% as of 30 September 2022.
- Fund raising mix stood at 53% : 32% : 14% : 1% between Banks : Money market : Assignment : ICD as of 30 September 2022.

Business Update

- In Q2, LCR was 93% as against regulatory requirement of 50%.
- GNPA improved by 3 bps to 0.24% as of 30 September 2022 as against 0.27% as of 30 June 2022. NNPA remained in line with previous quarter at 0.11%.
- Loan losses and provisions for the quarter were 30 Cr as against 61 crore in Q2FY22. The Company holds management overlay provision of 242 Cr as of 30 September 2022.
- Overall stage 2 assets stood at 438 Cr as of 30 September 2022 as against 492 Cr as of 30 June 2022. Non overdue one-time resolution (OTR) assets classified as stage 2 as of 30 September 2022 stood at 219 Cr where the Company carries provisioning of 20% as against the regulatory requirement of 10%.
- Overall stage 3 assets stood at 131 crore as of 30 September 2022 as against 134 crore as of 30 June 2022.
- During the quarter, the Company deployed the e-agreement and e-sanction letter functionalities for faster turnaround and seamless customer onboarding experience.

Financial & Credit Quality Highlights

Financials

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₹ in Crore

Financials snapshot	Q2 FY23	Q2 FY22	YoY	H1 FY23	H1 FY22	YoY
Assets under management	62,931	44,429	42%	62,931	44,429	42%
Assets under finance	54,939	39,130	40%	54,939	39,130	40%
Interest income	1,248	836	49%	2.321	1.614	44%
Fee and other income	68	53	28%	203	79	157%
Net gain on fair value changes on investment	24	13	85%	39	30	30%
Total Income	1,340	902	49%	2,563	1.723	49%
Interest expenses	750	506	48%	1,379	992	39%
Net Interest Income	590	396	49%	1,184	731	62%
Operating Expenses	146	110	33%	307	201	53%
Loan losses and provisions	30	61	(51%)	36	87	(59%)
Profit before tax	414	225	84%	841	443	90%
Profit after tax	306	166	84%	622	327	90%
Ratios						
Operating expenses to Net Interest Income	24.7%	27.8%		25.9%	27.5%	
Loan loss to average AUF*	0.23%	0.65%		0.14%	0.48%	
Return on Average Assets*	2.33%	1.78%		2.45%	1.80%	
Return on Average Equity *	12.60%	10.60%		14.99%	10.55%	

* annualized

ECL Summary

Asset categorization	Sep'21	Dec'21	Mar'22	Jun'22	Sep'22
Stage 1 & 2 (represents standard assets)	99.65%	99.65%	99.69%	99.73%	99.76%
Stage 3 (represents GNPA)	0.35%	0.35%	0.31%	0.27%	0.24%

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and impairment allowance	Sep'21	Dec'21	Mar'22	Jun'22	Sep'22
Gross Stage 1 & 2 assets* (A)	39,892	43,760	46,803	50,370	55,286
ECL Provision Stage 1 & 2 (B)	330	359	388	388	407
Net Stage 1 & 2 assets (C = A-B)	39,562	43,401	46,415	49,983	54,878
ECL Provision% Stage 1 & 2 assets (D = B/A)	0.83%	0.82%	0.83%	0.77%	0.74%
Gross Stage 3 assets@ (E)	142.0	152.3	146.4	134.5	131.2
ECL Provision Stage 3 (F)	56.2	74.7	79.5	78.2	70.9
Net Stage 3 assets (G = E-F)	85.9	77.6	66.9	56.3	60.3
Coverage Ratio % Stage 3 assets (H= F/E)	40%	49%	54%	58%	54%
ECL/Total Assets	0.96%	0.99%	1.00%	0.92%	0.86%

*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.

Provisioning Coverage

₹ in Crore

Particulars	AUM 30 Sep 22	GNPA	NNPA	PCR (%)	GNPA %			NNPA %		
					31 Mar 22	30 Jun 22	30 Sep 22	31 Mar 22	30 Jun 22	30 Sep 22
Home Loans	37,946	72	31	57%	0.27%	0.23%	0.21%	0.12%	0.09%	0.09%
Loan against property	6,960	28	16	43%	0.65%	0.59%	0.52%	0.33%	0.28%	0.30%
Lease rental discounting	9,608	0	0	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Developer Finance	4,245	0	0	0%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Rural	2,432	24	11	54%	1.22%	1.33%	1.34%	0.59%	0.65%	0.62%
Others	1,740	7	2	71%	0.41%	0.42%	0.40%	0.13%	0.12%	0.11%
Total	62,931	131	60	54%	0.31%	0.27%	0.24%	0.14%	0.11%	0.11%

Stagewise ECL provisioning

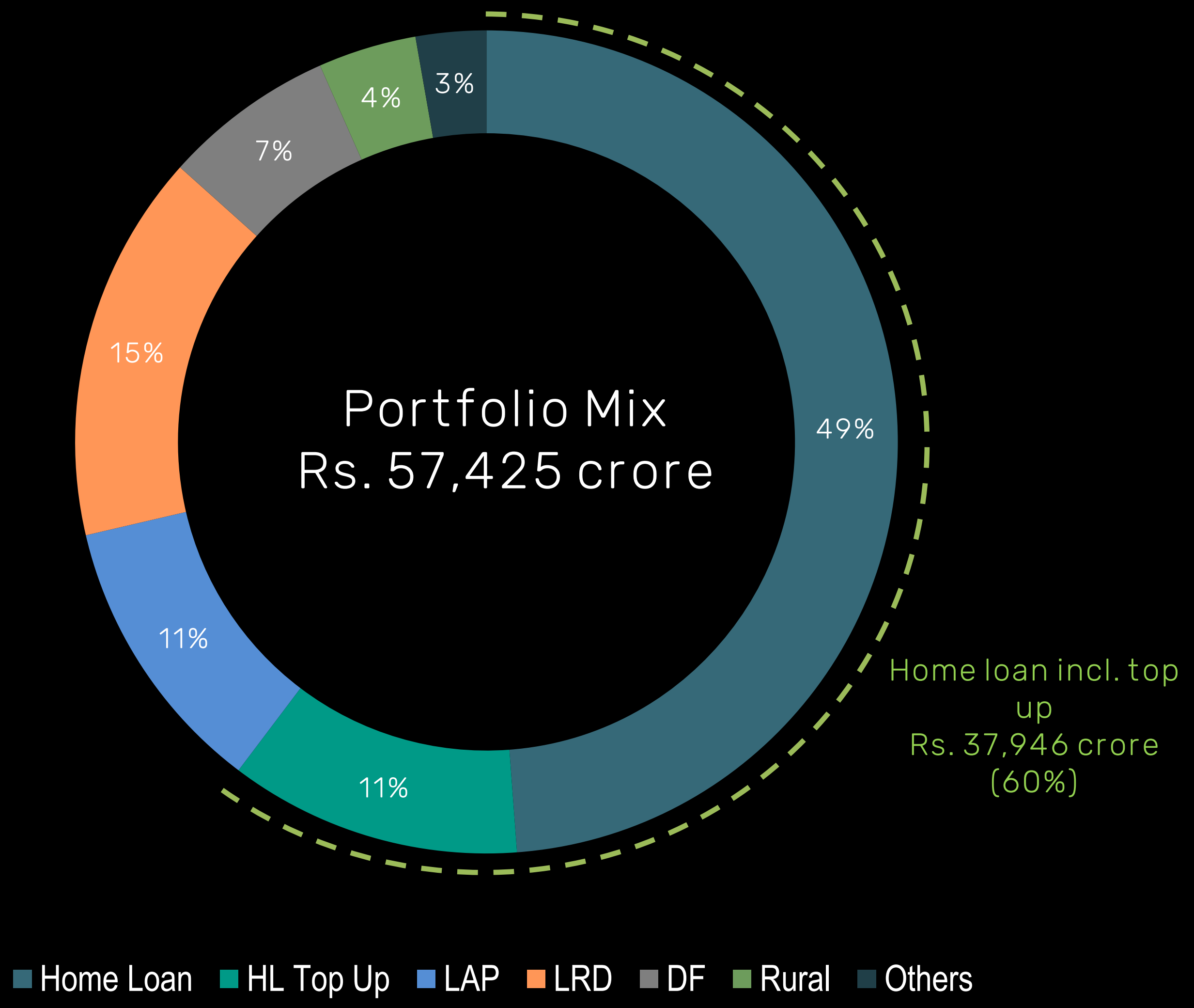
₹ in Crore

	Gross Assets Receivable				ECL Provision				PCR %			
	Stage 1	Stage 2 OTR*	Stage 2 Normal	Stage 3	Stage 1	Stage 2 OTR*	Stage 2 Normal	Stage 3	Stage 1	Stage 2 OTR*	Stage 2 Normal	Stage 3
Home Loans	34,095	143	100	72	177	37	19	41	0.5%	25.9%	19.0%	56.9%
Loan against property	5,262	45	61	28	36	10	10	12	0.7%	22.2%	16.4%	42.9%
Lease rental discounting	7,779	0	0	0	44	0	0	0	0.6%	0.0%	0.0%	0.0%
Developer Finance	4,276	0	1	0	31	0	0	0	0.7%	0.0%	0.0%	0.0%
Rural	1,694	24	48	24	11	6	7	13	0.6%	25.0%	14.6%	54.2%
Others	1,742	7	9	7	15	2	2	5	0.9%	28.6%	22.2%	71.4%
Total as of 30 Sep 2022	54,848	219	219	131	314	55	38	71	0.6%	25.1%	17.3%	54.2%
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%

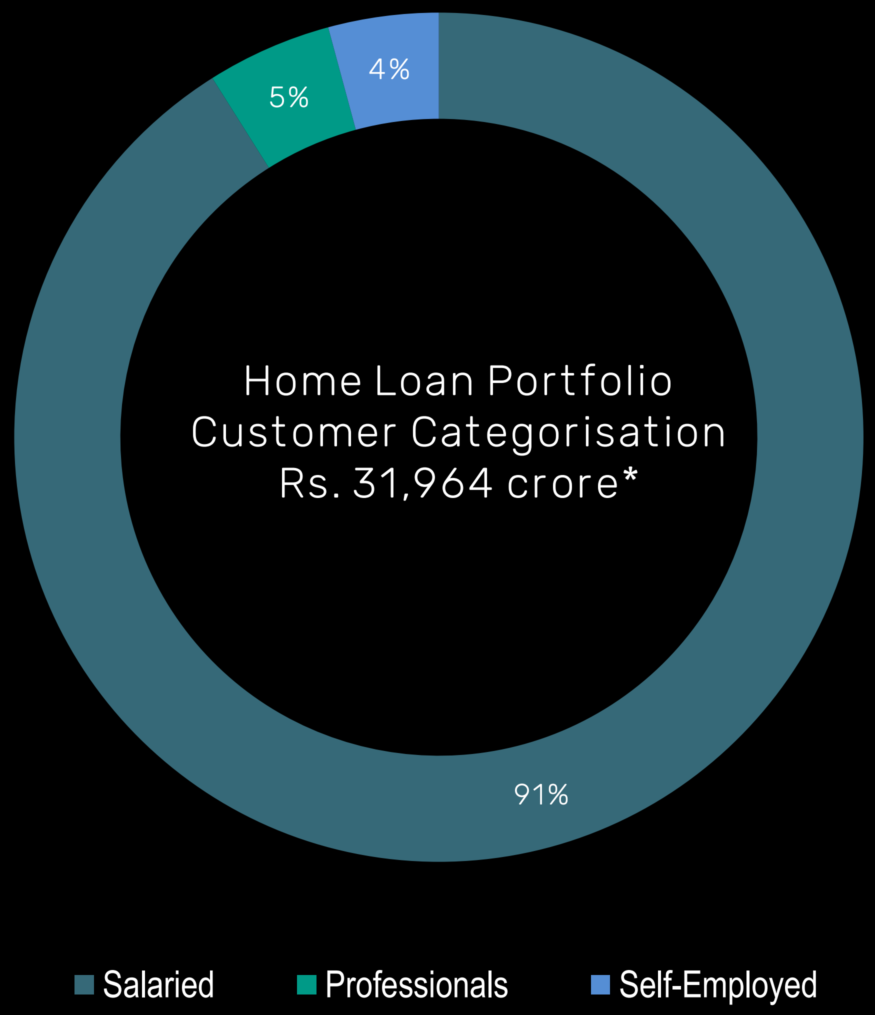
* Represents non overdue OTR assets classified as Stage 2

Portfolio & Treasury Update

BHFL Portfolio View



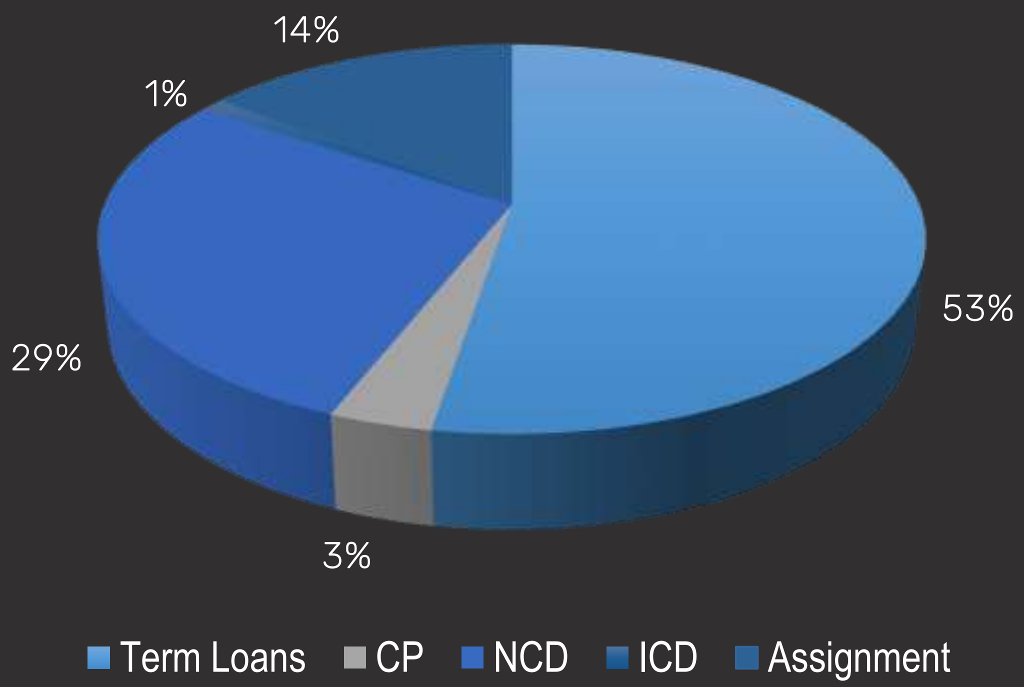
A well diversified portfolio with dominant share of HL



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

*Represents home loans portfolio including rural home loans

Treasury Strategy – Fund Raising Mix



Sep 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
- NHB refinance to diversify borrowings and support ALM mismatch
- Assignments to drive balance sheet growth and address ALM mismatch

Behaviouralized ALM snapshot
(as of 30 Sep 2022)

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₹ 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	642	260	75	45	99	684	0	0	-	-	1,805
Advances	614	344	456	1,001	977	2,752	4,823	14,344	9,221	20,408	54,939
Other inflows	5	3	1,056	1,271	1,023	1,331	3,640	2,832	3,104	5,509	19,775
Total Inflows (A)	1,262	607	1,587	2,317	2,098	4,767	8,463	17,176	12,325	25,917	76,519
Cumulative Total Inflows (B)	1,262	1,868	3,455	5,772	7,870	12,637	21,100	38,277	50,602	76,519	
Borrowings	64	-	599	1,154	1,270	2,732	7,237	21,723	12,438	6,014	53,232
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	9,863	9,863
Other Outflows	1,124	598	978	879	666	1,020	2,126	3,524	9	2,501	13,423
Total Outflows (C)	1,188	598	1,576	2,033	1,936	3,752	9,364	25,247	12,447	18,378	76,519
Cumulative Total Outflows (D)	1,188	1,786	3,363	5,395	7,331	11,083	20,447	45,694	58,140	76,519	
Mismatch (E = A - C)	74	9	10	284	162	1,016	(901)	(8,071)	(122)	7,539	
Cumulative mismatch (F = B-D)	74	82	93	377	539	1,554	654	(7,417)	(7,539)	0	
Cumulative mismatch as % (F/D)	6%	5%	3%	7%	7%	14%	3%	-16%	-13%	0%	
Permissible cumulative gap %	-10%	-10%	-20%								
Additional borrowings possible			956								

Key Drivers

BHFL Core Strategy

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

- 62.9 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

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

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 (62.9 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

Strong Underwriting & Debt Management Capabilities

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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 disbursal 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

BHFL Product Suite

- Home Loans
- Lease Rental Discounting
- Developer Finance
- Loan Against Property
- Rural Mortgages
- VAS Products

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

Business Wise Update

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37,946 Cr

Asset Under Management

48%
of Monthly Acquisition Mix
(for Q2FY23)

91%
Salaried Home Loan

46%	59%	70%	12.5 Lakhs	78%	51 Lakhs
Existing Customer base sourcing	FOIR	LTV at origination	Avg. Customer salary	Customers with 750+ CIBIL	Avg. Ticket Size

Home Loans Verticals

B2C	51%	B2B	49%

B2C

- Appx. 45-50% customers are having prior relationship with Bajaj
- Data-analytics based offer generation approach for better risk management
- 9% Contribution — Customer sourcing on digital channels across Bajaj Finserv assets
- 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

Continue to leverage the vast existing customer base to grow and expand distribution network as an additional funnel

B2B

- 5 Markets — Micro-Market approach basis customer spread
- 7-8 Years — Behaviouralized maturity of loan
- BHFL caters to majorly Elite, A+, A category developers
- 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

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

Loan Against Property

6,960 Cr	52%	44%
Asset Under Management	Existing Customer mix	LTV at Origination

- Operative in 25 locations with average ticket size of 61 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 30% from salaried, 14% from self-employed professionals and 56% 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%

Rural Mortgages

2,432 Cr	> 5%	109
Asset Under Management	Spread	Locations

- Hub and spoke model with presence across 109 upcountry locations as HUB and 189 locations as Spoke through ASSC tie-ups
- ATS of 16 lakh with average Home Loan LTV of 62% and average Loan against Property LTV of 44%
- 61% of portfolio is HL and 39% is LAP; continue to focus on increasing the Home loan mix
- Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting

9,608 Cr	53 Cr	Top 12
Asset Under Management	Average Ticket Size	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

Developer Finance

4,245 Cr	274	25-30 Cr
Asset Under Management	Active Developers	Average Ticket Size

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 and CCF exposure to lease rental discounting

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

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

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 (8-10% 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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Glossary of terms

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