Bajaj Housing Finance Limited

Debt Investor Presentation

Q4 FY22

Bajaj Housing Finance Ltd.

2,870 Cr
Monthly Acquisition
(as of Mar 22)

53,322 Cr
Asset
Under Management
(as of Mar 31, 2022)

3,705
Employees

167
Locations
(Urban-58; 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

Financial Snapshot for FY22

BAJAJ FINSERV

₹ in Crore

Metric	FY22	FY21	Growth
Assets Under Management	53,322	38,871	37%
Total Income	3,767	3,155	19%
Net Interest Income	1,612	1,189	36%
Profit Before Tax	960	613	57%
Profit After Tax	710	453	57%
Net Worth	6,741	6,032	12%

GNPA	NNPA	CRAR
0.31%	0.14%	19.72%

Business Update

- The Company crossed a milestone of ₹ 50,000 Cr AUM during the quarter ending at ₹ 53,322 Cr.

- The Company raised capital of ₹ 2,500 Cr through rights issue from Bajaj Finance Limited on 7th April 2022. With additional capital infused in Apr'22, the capital base of the Company stands strong in excess of ₹ 9,200 Cr and is well capitalised to fund its future growth plans.

- Disbursements as well as AUM growth remained healthy during the quarter despite impact of Covid third wave.

- Despite the impact of third wave in the initial part of the quarter, retail businesses pulled back strongly in the latter part and grew sequentially.

- Commercial businesses (Commercial Real Estate and Developer Finance) continued their momentum through the quarter delivering a good quarter both in terms of sanctions as well as disbursements. Residential real estate market has been buoyant which entailed increased cash flows with developers leading to elevated levels of portfolio attrition on the developer portfolio.

- Debt management efficiency remained 100%+ during the quarter which enabled the Company to deliver improved GNPA and current bucket position. Current bucket position stood at 99.59% as of Mar'22 as against 99.53% as of Dec'21

Business Update

- Bounce rates improved sequentially by 1 bps at 4.04% in Q4FY22 against 4.05% in Q3FY22
- Gross NPA and Net NPA improved sequentially at 0.31% and 0.14% as against 0.35% and 0.18% in Q3FY22
- The Company had a one-time restructuring (OTR) pool of 0.32% as of 31 Mar 2022 as against 0.57% as of 31 Dec 2021 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%
- Overall stage 2 assets, including the OTR pool, improved by 20 bps at 1.29% as against 1.49% as against Q3FY22
- Loss provisioning for the quarter was 38 Cr as against 30 Cr in Q4FY21. The Company holds management overlay of 211 as of 31 Mar 2022 as against 203 Cr as of 31 Dec 2021
- Cost of funds continued its downward trajectory during the quarter driven by incremental borrowings at lower rate. Cost of funds for the quarter stood at 6.25% as against 6.27% for Q3FY22
- Money market mix grew in Q4FY22 with borrowing mix of 59% : 41% between banks and money markets as of 31 Mar 2022. The Company raised 2,500 Cr through NCDs during the quarter.

Business wise Restructuring Summary

₹ in Crore

Business	Assets Under Management as of 31st Mar'22	Current Bucket Mar'22	OTR 1.0 and 2.0 (%) till 31st Mar'22	Bounce rate Mar'22	Bounce Rate Mar'20 (Pre Covid)
HL	33,240	99.59%	0.31%	3.05%	2.36%
LAP	6,219	99.43%	0.70%	6.67%	4.52%
LRD	6,848	100.00%	0.00%	NA	NA
DF	3,136	99.62%	0.00%	NA	NA
Rural	2,276	98.71%	0.72%	11.76%	7.67%
Others	1,603	99.52%	0.22%	3.53%	2.97%
Total	**53,322**	**99.59%**	**0.32%**	**4.04%**	**3.16%**

Financials

₹ in Crore

Financials snapshot	Q4 FY22	Q4 FY21	YoY	FY22	FY21	YoY
Assets under management	53,322	38,871	37%	53,322	38,871	37%
Assets under finance	46,482	33,419	39%	46,482	33,419	39%
Interest income	961	743	29%	3,482	2,877	21%
Fee and other income	81	88	(8%)	226	218	4%
Net gain on fair value changes on investment	16	9	78%	59	60	(2%)
Total Income	**1,058**	**840**	**26%**	**3,767**	**3,155**	**19%**
Interest expenses	606	471	28%	2,155	1,966	10%
Net Interest Income	**452**	**369**	**22%**	**1,612**	**1,189**	**36%**
Operating Expenses	147	98	50%	471	329	43%
Loan losses and provisions	38	30	27%	181	**247**	(27%)
ECL stage 1 & 2	29	19	53%	77	199	(61%)
ECL stage 3 & write off	9	11	(18%)	104	48	117%
Profit before tax	**267**	**241**	**11%**	**960**	**613**	**57%**
Profit after tax	**198**	**179**	**11%**	**710**	**453**	**57%**
Ratios						
Operating expenses to Net Interest Income	32.5%	26.6%		29.2%	27.7%	
Loan loss to average AUF*	0.08%	0.09%		0.45%	0.80%	
Return on Average Assets*	1.8%	2.2%		1.8%	1.5%	
Return on Average Equity *	11.9%	12.0%		11.1%	7.8%	

* annualized

Behaviouralized ALM snapshot (as of 31 Mar'22)

₹ in Crore

Particulars	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	687	451	0	0	0	518	0	0	0	0	0	0	1,655
Advances	467	325	419	932	891	2,653	4,469	12,851	8,146	5,570	5,118	4,641	46,482
Other inflows	202	252	949	517	1,366	569	1,043	1,385	1,136	361	429	919	9,129
Total Inflows (A)	1,357	1,028	1,368	1,449	2,258	3,739	5,512	14,236	9,281	5,931	5,547	5,560	57,266
Cumulative Total Inflows (B)	**1,357**	**2,384**	**3,752**	**5,201**	**7,459**	**11,198**	**16,710**	**30,947**	**40,228**	**46,159**	**51,707**	**57,266**	
Borrowings	766	499	85	946	1,832	2,906	6,880	20,893	6,116	1,124	565	1,799	44,411
Capital and Reserves & Surplus	0	0	0	0	0	0	0	0	0	0	0	6,741	6,741
Other Outflows	496	438	1,232	490	251	646	29	21	9	2	2,500	0	6,113
Total Outflows(C)	1,262	937	1,317	1,436	2,083	3,552	6,909	20,914	6,125	1,126	3,065	8,541	57,266
Cumulative Total Outflows (D)	**1,262**	**2,199**	**3,516**	**4,952**	**7,035**	**10,587**	**17,496**	**38,410**	**44,535**	**45,660**	**48,726**	**57,266**	
Mismatch (E = A-C)	**94**	**91**	**51**	**13**	**175**	**187**	**-1,396**	**-6,677**	**3,156**	**4,806**	**2,482**	**-2,981**	
Cumulative mismatch (F= B-D)	**94**	**185**	**236**	**249**	**424**	**611**	**-786**	**-7,463**	**-4,307**	**499**	**2,981**	**0**	
Cumulative mismatch as a % (F/D)	**7%**	**8%**	**7%**	**5%**	**6%**	**6%**	**-4%**	**-19%**	**-10%**	**1%**	**6%**	**0%**	
Permissible Cumulative gap %	**-10%**	**-10%**	**-20%**										
Additional borrowings possible			**1,176**										

ECL Summary

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

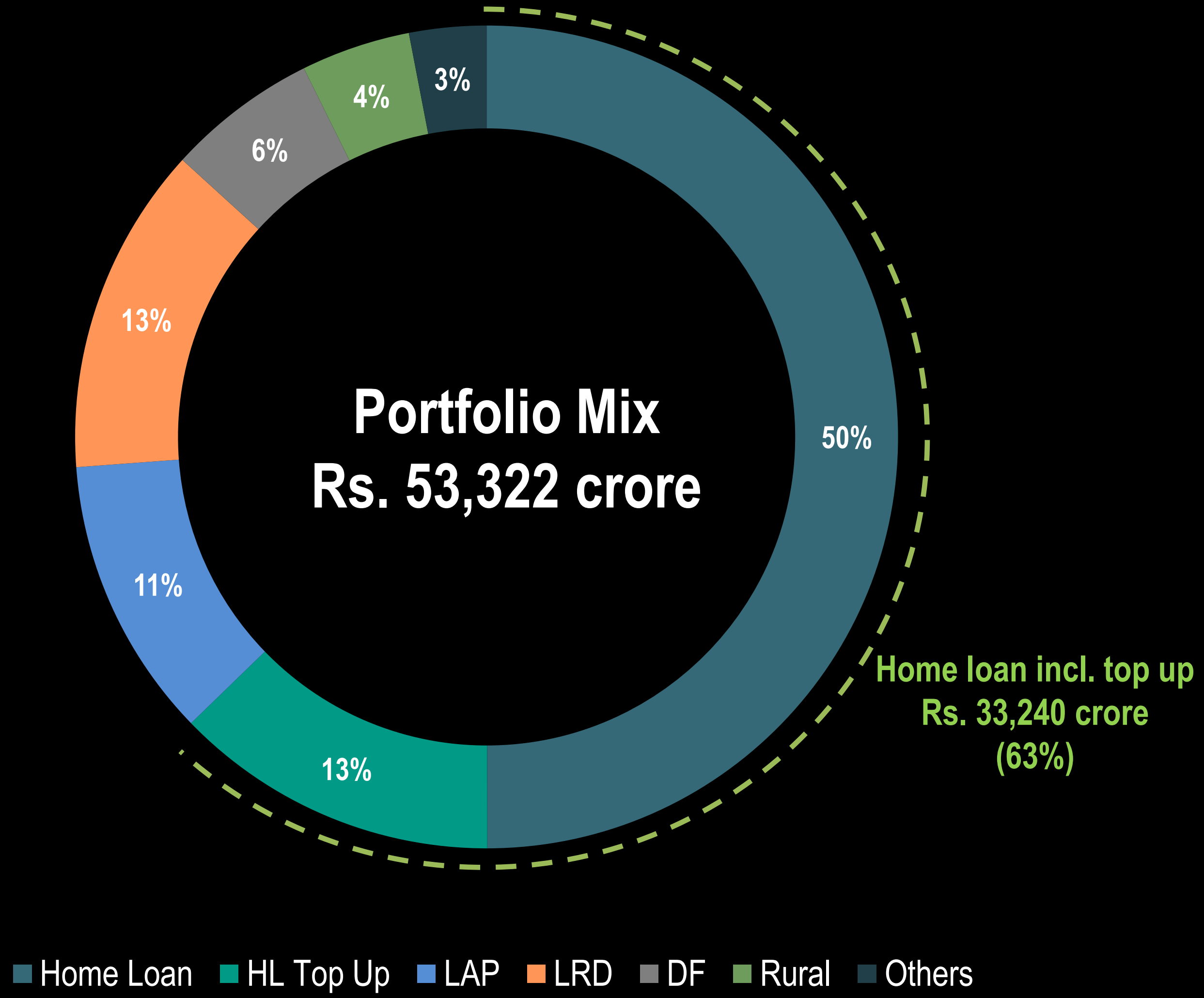
Summary of stage wise assets and provision for impairment allowance

₹ in Crore

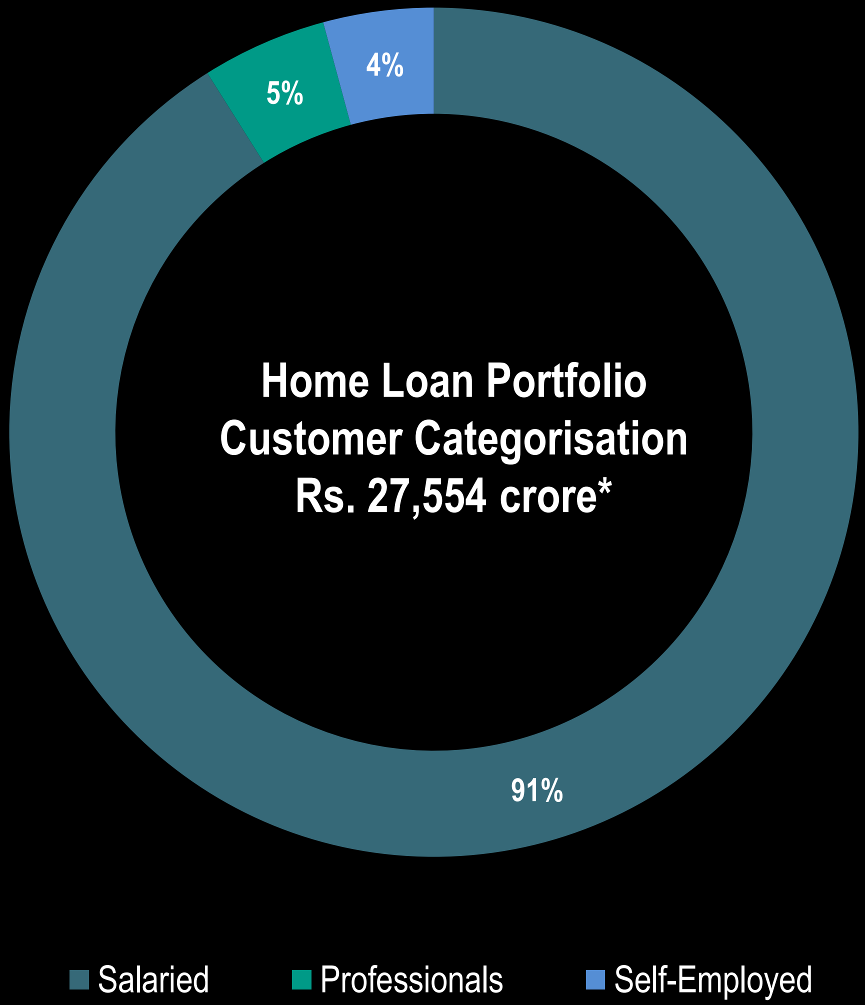
Assets and impairment allowance	Mar’21	Jun’21	Sep’21	Dec’21	Mar’22
Gross Stage 1 & 2 assets* (A)	34,000	36,378	39,892	43,760	46,803
ECL Provision Stage 1 & 2 (B)	310	316	330	359	388
Net Stage 1 & 2 assets (C = A-B)	33,690	36,062	39,562	43,401	46,415
ECL Provision% Stage 1 & 2 assets (D = B/A)	**0.91%**	**0.87%**	**0.83%**	**0.82%**	**0.83%**
Gross Stage 3 assets@ (E)	119.1	102.5	142.0	152.3	146.4
ECL Provision Stage 3 (F)	45.2	36.6	56.2	74.7	79.5
Net Stage 3 assets (G = E-F)	73.9	65.9	85.9	77.6	66.9
Coverage Ratio % Stage 3 assets (H= F/E)	**38%**	**36%**	**40%**	**49%**	**54%**
ECL/Total Assets	**1.04%**	**0.97%**	**0.96%**	**0.99%**	**1.00%**

*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.

BHFL Portfolio View



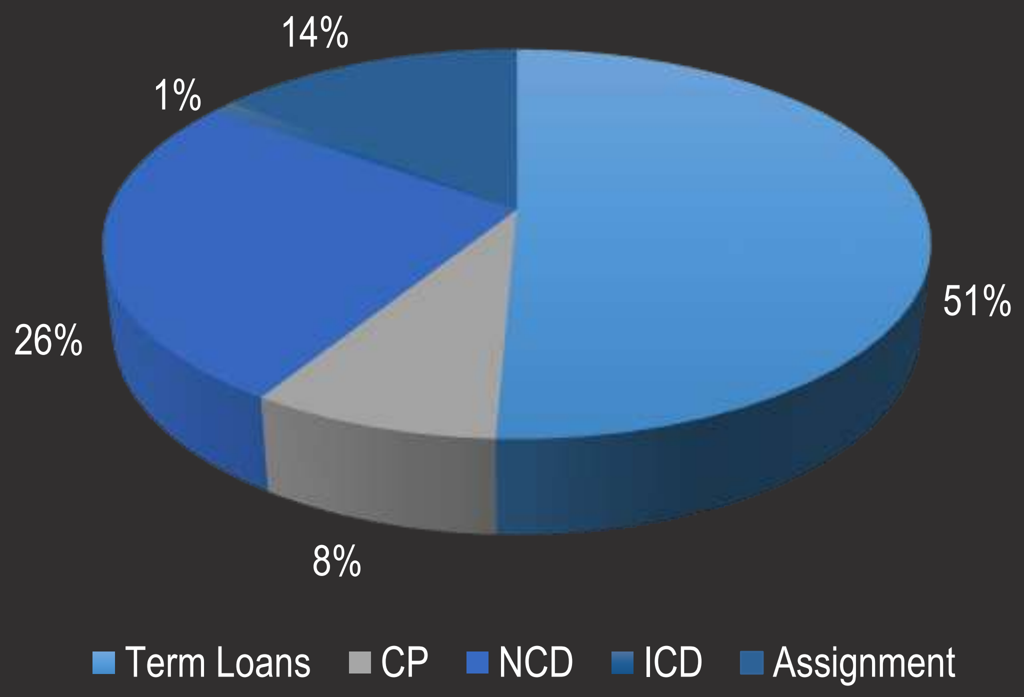
A well diversified portfolio
with dominant share of HL



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

*Represents home loans portfolio including rural home loans

Treasury Strategy - Borrowing Mix



Mar 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

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 <0.75% GNPA & 13-15% ROE
- Focus largely on salaried home loan opportunity

FOCUS ON CROSS SELL

- 57 Mn+ customer base of BFL
- 13 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

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 (57 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

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

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

Home Loans

33,240 Cr

Asset Under Management

61%
of Monthly Acquisition Mix
(for Q4FY22)

94%
Salaried Home Loan

52%	59%	70%	12.6 Lakhs	78%	49 Lakhs
Existing Customer base sourcing	FOIR	LTV at origination	Avg. Customer salary	Customers with 750+ CIBIL	Avg. Ticket Size

62% of the Company's incremental AUM for the quarter is contributed by HL to salaried individuals

Home Loans Verticals

B2C 68%			B2B 32%		
Appx. 50-55% customers are having prior relationship with Bajaj	Data-analytics based offer generation approach for better risk management	**14%** 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 57 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

Loan Against Property

6,219 Cr

Asset Under Management

59%

Existing Customer mix

44%

LTV at Origination

- Operative in 26 locations with ATS of 57 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 30% from Salaried, 14% 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%

Rural Mortgages

2,276 Cr	5.80%	109
Asset Under Management	Spread	Locations

- Hub and spoke model with presence across 109 upcountry locations as HUB and 140 locations as Spoke through ASSC tie-ups
- ATS of 15 lakh with average Home Loan LTV of 63% and average Loan against Property LTV of 43%
- 58% of portfolio is HL and 42% 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 Business

6,848 Cr

Asset Under Management

40 Cr

Average Ticket Size

Top 13

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 550 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

3,136 Cr	269	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 9 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures

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

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 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 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 >19% against regulatory norm of 15%

Profitability & Risk metrics

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

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

Bajaj Housing Finance Limited

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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