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Debt Investors Presentation

Q1 FY22

Financial Snapshot for Q1FY22

- ▶ Assets under management (AUM) stood at ₹ 40,941 Cr as on 30th June 2021 as against ₹ 32,982 Cr as on 30th June 2020, ↑24%
- ▶ Net Interest Income for Q1FY22 was ₹ 335 Cr as against ₹ 243 Cr in Q1FY21, ↑38%
- ▶ Profit after tax for Q1FY22 was ₹ 161 Cr as against ₹ 92 Cr in Q1FY21, ↑75%
- ▶ Capital adequacy ratio (Including Tier-II capital) as on 30th June 2021 stood at 22.07%
- ▶ Net Worth stood at 6,032 Cr as on 30th June 2021
- ▶ Gross NPA at 0.28% and Net NPA at 0.18%

Particulars	₹ in Cr				
	Q1FY22	Q4FY21	Q1FY21	YoY	FY21
Assets under management	40,941	38,871	32,982	24%	38,871
Assets under financing	35,762	33,419	28,423	26%	33,419
Interest income	777	743	691	12%	2,877
Fees and other income	29	88	38	(24%)	218
Net gain on fair value changes on investments	16	9	27	(41%)	60
Total Income	822	840	756	9%	3,155
Interest expenses	487	471	513	(5%)	1,966
Net Interest Income (NII)	335	369	243	38%	1,189
Operating Expenses	91	98	74	23%	329
Loan Losses & Provision (ECL stage 1 and 2)	6	19	44	(86%)	199
Loan Losses & Provision (ECL stage 3 & write off)	20	11	1	NA	48
Profit before tax	218	241	124	76%	613
Profit after tax	161	179	92	75%	453

Bajaj Housing Finance Ltd.



Monthly Acquisition
(as of June 21)

*Acquisition impacted due to Covid wave 2



Asset
Under Management
(as of Jun 30, 2021)



Employees



Locations
(Urban-33; Rural-93)

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
- ❖ was carved out as HFC to conduct mortgages businesses for the group with dedicated focus
- ❖ 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 4 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 and 453 Cr in FY21

Business Update

- The Company had a soft quarter in terms of disbursements as well as assets growth owing to muted April and May months as various state governments had implemented movement restrictions. However, as movement restrictions started easing out from 2nd week of June across various states, disbursements have got back in momentum across major markets.
- AUM as on 30th Jun'21 stood at 40,941 Cr ↑24% Y-o-Y with AUM growth ~2,100 Cr for the quarter.
- Profit for the quarter ↑75% Y-o-Y driven by higher NIM. No additional Covid provisioning done during the quarter.
- Bounce rates across portfolio have marginally gone up since the last quarter and overall bounce rate stood at 4.94%, against 3.16% pre-Pandemic.
- GNPA and NNPA stood at 0.28% and 0.18 % as on 30th Jun'21. In addition, 0.55% of the book continues to be in moratorium under the RBI approved One-time restructuring scheme (OTR 1.0 and OTR 2.0). The OTR 1.0 pool has resumed their EMI servicing and is classified under stage 2 on which the Company has significantly higher provisioning than regulatory requirement.
- The Company continues to hold management overlay of 132 Cr as on June'21, besides carrying higher provision on OTR pool to meet any unforeseen eventuality on the portfolio emanating out of Covid.
- The cost of borrowings for company continued its downward trajectory in Q1 owing to repricing of existing term loans coupled with incremental borrowing at lower rate. Competitive cost of funds of the Company provide leeway to price its products competitively.

Business wise Moratorium & Restructuring Summary

₹ in Crore

Business	AUM Jun'21	Current Bucket Jun'21	Bkt. 2+ (%) Jun'21	OTR 1.0 and 2.0 (%) 30 th Jun'21	Bounce rate Jun'21	Bounce Rate (Mar'20 - Pre Covid)
HL	25,389	99.07%	0.53%	0.65%	3.74%	2.36%
LAP	4,813	97.86%	0.96%	0.67%	6.76%	4.52%
LRD	5,140	99.97%	0.03%	0.00%	NA	NA
DF	2,198	99.31%	0.65%	0.00%	NA	NA
Rural	2,021	96.70%	2.04%	0.92%	12.07%	7.67%
Others	1,380	99.06%	0.65%	0.41%	3.59%	2.97%
Total	40,941	98.93%	0.61%	0.55%	4.94%	3.16%

Financials

₹ in Crore

Financials snapshot	Q1 FY22	Q1 FY21	YoY	FY21	FY20	YoY
Assets under management	40,941	32,982	24%	38,871	32,705	19%
Assets under finance	35,762	28,423	26%	33,419	27,975	19%
Interest income	777	691	12%	2,877	2,303	25%
Fee and other income	29	38	(24%)	218	269	(19%)
Net gain on fair value changes on Investments	16	27	(41%)	60	74	(19%)
Total Income	822	756	9%	3,155	2,646	19%
Interest expenses	487	513	(5%)	1,966	1,616	22%
Net Interest Income	335	243	38%	1,189	1,030	15%
Operating Expenses	91	74	23%	329	339	(3%)
Loan losses and provisions	26	45	(73%)	247	124	99%
ECL stage 1 & 2	6	44	(86%)	199	86	131%
ECL stage 3 & write off	20	1	NA	48	38	26%
Profit before tax	218	124	76%	613	567	8%
Profit after tax	161	92	75%	453	421	8%
Ratios						
Operating expense to Net Interest Income	27.2%	30.5%		27.7%	32.9%	
Loan loss to Average AUF*	0.07%	0.16%		0.80%	0.55%	
Return on Average Assets*	0.5%	0.3%		1.5%	1.9%	
Return on Average Equity*	2.6%	1.6%		7.8%	9.1%	

* Not annualized

Behaviouralized ALM snapshot (as of 30 Jun'21)

Particulars	1 D - 7 D	7 D - 14 D	15 D - 30 D	> 1 - 2 M	> 2 - 3 M	> 3 - 6 M	> 6M - 1 Y	> 1Y - 3 Y	> 3Y - 5 Y	> 5Y - 7 Y	> 7Y - 10 Y	> 10Y	Total
Cash, Cash Equivalents & Investments	460	300	1,000	-	-	-	-	0	-	-	-	-	1,760
Advances	214	219	461	666	650	1,868	3,393	10,048	6,368	4,306	3,946	3,622	35,762
Other inflows	151	38	1,223	510	211	235	2,352	1,098	924	320	283	745	8,090
Total Inflows (A)	825	557	2,684	1,176	861	2,103	5,745	11,146	7,292	4,626	4,229	4,367	45,612
Cumulative Total Inflows (B)	825	1,382	4,066	5,242	6,104	8,206	13,951	25,097	32,389	37,015	41,245	45,612	
Borrowings	261	-	1,370	497	648	1,488	5,494	16,438	4,958	1,596	-	1,799	34,549
Capital and Reserves & Surplus	-	-	-	-	-	-	-	-	-	-	-	6,193	6,193
Other Outflows	353	401	659	287	169	421	60	15	4	2	2,500	-	4,870
Total Outflows(C)	614	401	2,029	783	817	1,909	5,554	16,453	4,961	1,598	2,500	7,992	45,612
Cumulative Total Outflows (D)	614	1,015	3,045	3,828	4,645	6,554	12,108	28,561	33,522	35,120	37,620	45,612	
Mismatch (E = A-C)	211	155	655	393	45	194	191	-5,307	2,331	3,028	1,729	-3,625	211
Cumulative mismatch (F= B-D)	211	366	1,021	1,414	1,459	1,653	1,843	-3,464	-1,133	1,895	3,625	-	211
Cumulative mismatch as a % (F/D)	34%	36%	34%	37%	31%	25%	15%	-12%	-3%	5%	10%	0%	
Permissible Cumulative gap %	-10%	-10%	-20%				-15%						
Additional borrowings possible			2,032				2,269						

ECL Summary

ECL categorization	Jun'20	Sept'20	Dec'20	Mar'21	Jun'21
Stage 1 & 2 (represents standard assets)	99.92%	99.91%	99.65%	99.65%	99.72%
Stage 3 (represents GNPA)	0.08%	0.08%	0.06%	0.35%	0.28%
Stage 3 (not classified as NPA)		0.01%	0.29%		

Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Jun'20	Sept'20	Dec'20	Mar'21	Jun'21
Gross Stage 1 & 2 assets* (A)	28,739	29,601	31,356	34,000	36,378
ECL Provision Stage 1 & 2 (B)	156	220	291	310	316
Net Stage 1 & 2 assets (C = A-B)	28,582	29,381	31,065	33,690	36,062
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.54%	0.74%	0.93%	0.91%	0.87%
Gross Stage 3 assets@ (E)	24.1	26.9	110.2	119.1	102.5
ECL Provision Stage 3 (F)	9.3	10.1	41.3	45.2	36.6
Net Stage 3 assets (G = E-F)	14.8	16.8	68.9	73.9	65.9
Coverage Ratio % Stage 3 assets (H= F/E)	38%	38%	38%	38%	36%
ECL/Total Assets	0.58%	0.78%	1.06%	1.04%	0.97%

*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 Key Ratios (Q1FY22)

2.6%

Spread

6.2%

COF

8.8%

Yield

0.28%

GNPA

27%

OPEX / NIM

1.9%

ROA

10.5%

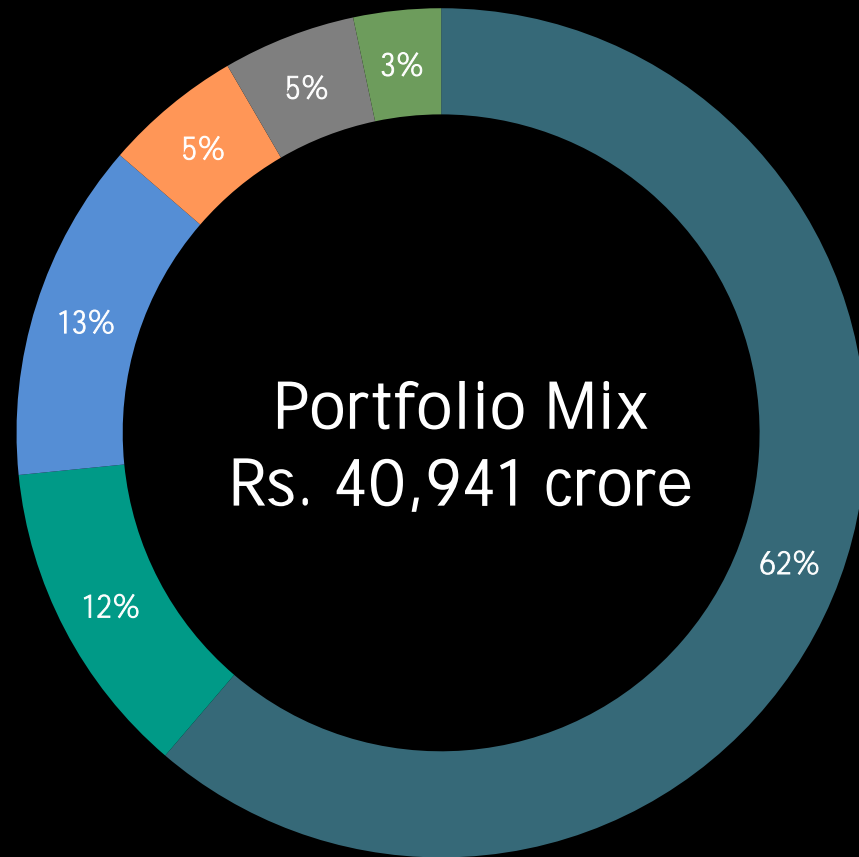
ROE

22.07%

Capital Adequacy

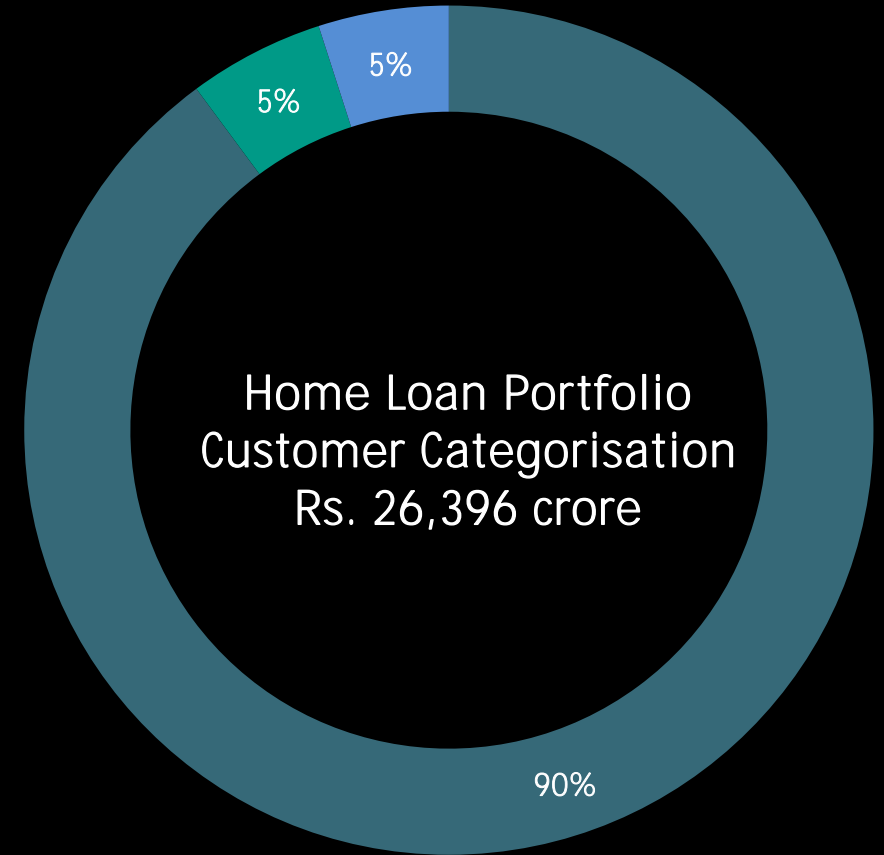
Target OPEX/NIM of <20% and ROE of 13-15%

BHFL Portfolio View



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

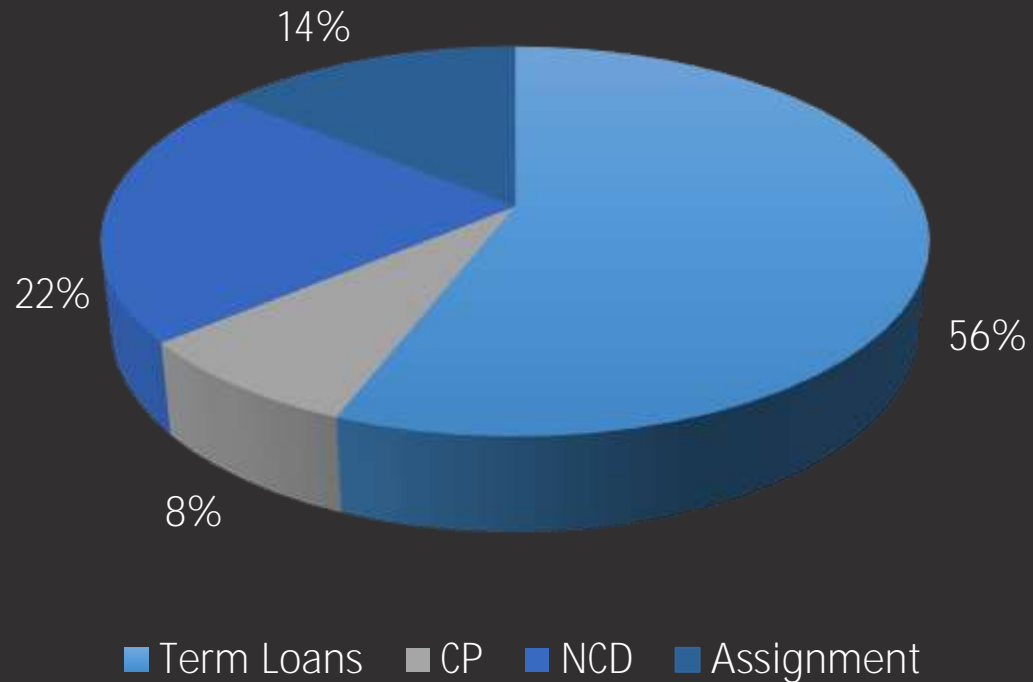
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

Treasury Strategy - Borrowing Mix



June 2021

- ✔ Money market liquidity to support growth over 15-18 months
- ✔ 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
- ✔ Assignments to drive balance sheet growth and address ALM mismatch

BHFL Core Strategy

TOP 4 MORTGAGE ORIGINATOR

- In 3 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

- 50 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



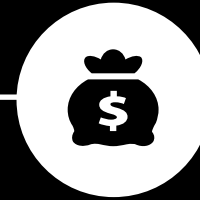
BRAND NAME

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



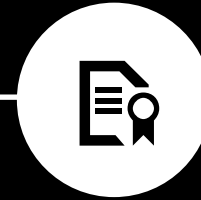
CAPITAL

BHFL has infused 5,050 Cr till date and is committed to grow Mortgages



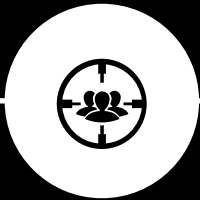
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



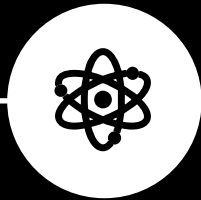
CREDIT RATING

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



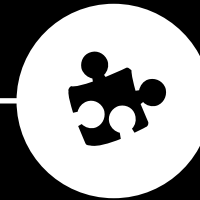
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (50 Mn+) to cross sell mortgages



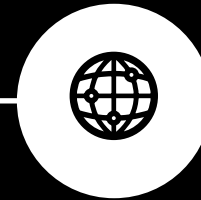
ANALYTICS ORIENTATION

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

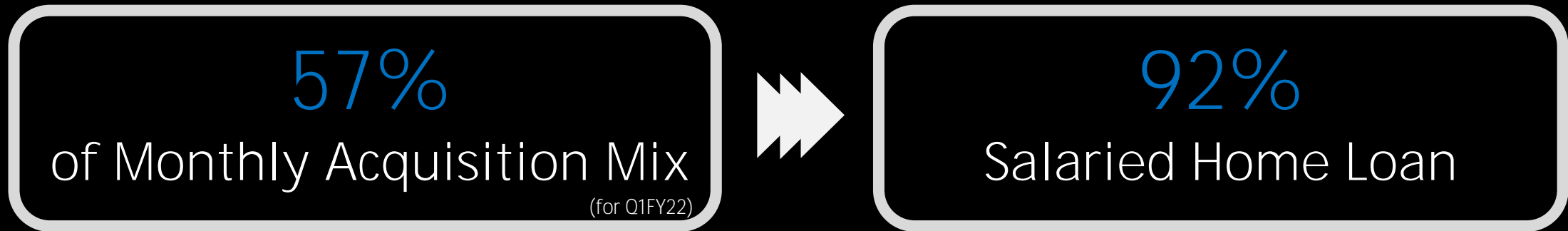


Full suite of mortgages products and services for retail and commercial customers

Home Loans

25,389 Cr

Asset Under Management



59% Existing Customer base sourcing	59% FOIR	70% LTV at origination	12 Lakh Avg. Customer salary	81% Customers with 750+ CIBIL	46 Lakh Avg. Ticket Size
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66% of the Company's incremental AUM for the quarter is contributed by HL to salaried individuals...

Home Loans Verticals

B2C

69%

B2B

31%



15%
Contribution



5
Markets



7-8
Years



BHFL caters to majorly Elite A+/A category developers

Customer sourcing on digital channels across Bajaj Finserv assets

Micro-Market approach basis customer spread

Behaviouralized maturity of loan

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

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

4-5
Years



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

Behaviouralized maturity of loan

Higher profitability in B2C channel driven by ability to cross-sell

Continue to leverage the 50 Mn+ existing customer base to grow as well as add distribution network as a new funnel

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

Loan Against Property

4,813 Cr

Asset Under Management

68%

Existing Customer mix

44%

LTV at Origination

- ▶▶▶ Operative in top 13 cities with ATS of 52 lakhs. Focused on mass affluent and above salaried and self-employed customers
- ▶▶▶ Continued focused on direct to customer strategy along with intermediary business
- ▶▶▶ ATS ranges from 30 lakhs to 100 lakhs with a cap of 300 lakhs. AUM mix is 29% from Salaried, 13% from SEP and 58% from SENP
- ▶▶▶ Business focused on Fresh LAP with faster turn-around-time of 72-120 hours
- ▶▶▶ Self occupied residential property (SORP) constitutes 72% of the total book. Max LTV exposure restricted at 75%

Rural Mortgages

2,021 Cr

Asset Under Management

6.2%

Spread

93

Locations

- ▶▶▶ Hub and spoke model with presence across 93 upcountry locations as HUB and 140 locations as Spoke through ASSC tie-ups
- ▶▶▶ Only business where company acquires self-employed non-professionals in HL
- ▶▶▶ ATS of 14 lakh with average Home Loan LTV of 62% and average Loan against Property LTV of 43%
- ▶▶▶ 49% of portfolio is HL and 51% is LAP
- ▶▶▶ Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting Business

5,140 Cr

Asset Under Management

35 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 – 300 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

2,198 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 7 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures

235

Active Developers

Developer Profile

- Developer should have built minimum 0.75 - 1 million sq. ft. 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

20-25 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 >17% 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
- OPEX/NIM ~20% by FY23



Diversified Borrowings

- Maintain optimal borrowing mix of bank lines and money market.
- Add new lines through refinance 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
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