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Debt Investors Presentation

Q2 FY22

Financial Snapshot for Q2FY22

- ▶ Assets under management (AUM) stood at ₹ 44,429 Cr as on 30 September 2021 as against ₹ 33,463 Cr as on 30 September 2020, up 33%
- ▶ Net interest income for Q2FY22 was ₹ 396 Cr as against ₹ 248 Cr in Q2FY21, up 60%
- ▶ Profit after tax for Q2FY22 was ₹ 166 Cr as against ₹ 83 Cr in Q2FY21, up 100%.
- ▶ Capital adequacy ratio (Including Tier-II capital) as on 30 September 2021 stood at 20.26%
- ▶ Net Worth stood at 6,359 Cr as on 30th Sep 2021
- ▶ Gross NPA at 0.35%, Net NPA at 0.21%

Particulars	₹ in Cr							
	Q2FY22	Q1FY22	Q2FY21	YoY	H1FY22	H1FY21	YoY	FY21
Assets under management	44,429	40,941	33,463	33%	44,429	33,463	33%	38,871
Assets under financing	39,130	35,762	29,200	34%	39,130	29,200	34%	33,419
Interest income	837	777	696	20%	1,614	1,387	16%	2,877
Fees and other income	50	29	27	85%	79	64	23%	218
Net gain on fair value changes on investments	14	16	15	(7%)	30	43	(30%)	60
Total Income	901	822	738	22%	1,723	1,494	15%	3,155
Interest expenses	505	487	490	3%	992	1,003	(1%)	1,966
Net Interest Income (NII)	396	335	248	60%	731	491	49%	1,189
Operating Expenses	110	91	70	57%	201	143	41%	329
Loan Losses & Provision (ECL stage 1 and 2)	13	6	64	(80%)	19	109	(83%)	199
Loan Losses & Provision (ECL stage 3 & write off)	48	20	1	NA	68	2	NA	48
Profit before tax	225	218	113	99%	443	237	87%	613
Profit after tax	166	161	83	100%	327	175	87%	453

Bajaj Housing Finance Ltd.



Monthly Acquisition
(as of Sep 21)



Asset
Under Management
(as of Sep 30, 2021)



Employees



Locations
(Urban-47; Rural-96)

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 regained the momentum in disbursals as well as assets growth post subdued Q1 which was impacted by Covid 2.0
- Retail businesses got back into momentum with all major markets demonstrating strong disbursals growth. Commercial businesses also had a very good quarter in terms of sanctions as well as disbursals
- AUM as of 30th Sep'21 stood at 44,429 Cr; ↑33% Y-o-Y with AUM growth of ~3,490 Cr for the quarter
- Profit for the quarter was 166 Cr against 83 Cr in Q2FY21; ↑100% Y-o-Y
- Bounce rates across portfolio have improved sequentially at 4.07% as against 4.94% in Q1FY22 and 3.16% pre-pandemic.
- Debt management efficiency remained 100%+ throughout the quarter, helping improve the current bucket position to 99.46% as of Sep'21 against 98.93% as of Jun'21

Business Update

- GNPA and NNPA stood at 0.35% and 0.21% as of 30th Sep'21 against 0.28% and 0.18% as of 30th Jun'21. One-time restructured pool stood at 0.77% of the book as of 30th Sep and the Company continues to classify them under Stage 2 and carry 20% provisioning on them as against regulatory requirement of 10%
- The cost of borrowings for the Company continued its declining trajectory owing to incremental borrowings at lower rate. Cost of funds for the quarter improved by 42 bps at 6.31%
- Money market mix inched up in current quarter with borrowing mix of 62 : 38 between banks and money markets as of 30 Sep 2021 as against 65 : 35 as of 30 June 2021
- During the quarter, the Company executed assignment transaction of 597 Cr

Business wise Restructuring Summary

₹ in Crore

Business	AUM Sep'21	Current Bucket Sep'21	OTR 1.0 and 2.0 (%) till 30 th Sep'21	Bounce rate Sep'21	Bounce Rate (Mar'20 - Pre Covid)
HL	27,668	99.50%	0.79%	3.28%	2.36%
LAP	5,071	99.12%	1.60%	6.38%	4.52%
LRD	5,594	99.97%	0.00%	NA	NA
DF	2,526	99.47%	0.00%	NA	NA
Rural	2,120	98.40%	1.40%	10.61%	7.67%
Others	1,449	99.37%	0.76%	3.57%	2.97%
Total	44,429	99.46%	0.77%	4.07%	3.16%

Financials

₹ in Crore

Financials snapshot	Q2 FY22	Q2 FY21	YoY	FY21
Assets under management	44,429	33,463	33%	38,871
Assets under finance	39,130	29,200	34%	33,419
Interest income	837	696	20%	2,877
Fee and other income	50	27	85%	218
Net gain on fair value changes on Investments	14	15	(7%)	60
Total Income	901	738	22%	3,155
Interest expenses	505	490	3%	1,966
Net Interest Income	396	248	60%	1,189
Operating Expenses	110	70	57%	329
Loan losses and provisions	61	65	(6%)	247
ECL stage 1 & 2	13	64	(80%)	199
ECL stage 3 & write off	48	1	NA	48
Profit before tax	225	113	99%	613
Profit after tax	166	83	100%	453
Ratios				
Operating expense to Net Interest Income	27.8%	28.2%		27.7%
Loan loss to Average AUF	0.16%	0.23%		0.80%
Return on Average Assets*	1.8%	1.2%		1.5%
Return on Average Equity*	10.6%	5.8%		7.8%

* annualized

Behaviouralized ALM snapshot (as of 30 Sep'21)

Particulars	1 D - 7 D	8 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 & Investments	233	400	1,500	1,000	199	-	0	0	-	-	-	-	3,333
Advances	279	227	504	771	755	2,157	3,885	10,931	6,995	4,705	4,227	3,696	39,130
Other inflows	322	7	605	12	1,014	1,497	1,014	1,176	1,015	352	321	863	8,198
Total Inflows (A)	835	634	2,610	1,783	1,969	3,654	4,898	12,107	8,010	5,056	4,548	4,559	50,662
Cumulative Total Inflows (B)	835	1,468	4,078	5,861	7,830	11,483	16,382	28,488	36,498	41,554	46,102	50,662	
Borrowings	-	-	473	764	821	2,804	6,069	18,723	5,244	1,582	-	1,799	38,280
Capital and Reserves & Surplus	-	-	-	-	-	-	-	-	-	-	-	6,359	6,359
Other Outflows	425	329	1,009	342	203	536	658	15	5	1	2,500	-	6,023
Total Outflows(C)	425	329	1,482	1,106	1,024	3,341	6,727	18,738	5,249	1,583	2,500	8,158	50,662
Cumulative Total Outflows (D)	425	753	2,235	3,341	4,365	7,705	14,433	33,171	38,420	40,003	42,503	50,662	
Mismatch (E = A-C)	410	305	1,127	677	945	313	(1,829)	(6,632)	2,761	3,473	2,048	(3,599)	
Cumulative mismatch (F= B-D)	410	715	1,843	2,520	3,465	3,778	1,949	(4,683)	(1,922)	1,551	3,599	-	
Cumulative mismatch as a % (F/D)	97%	95%	82%	75%	79%	49%	14%	-14%	-5%	4%	8%	0%	
Permissible Cumulative gap %	-10%	-10%	-20%										
Additional borrowings possible			2,862										

ECL Summary

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

Summary of stage wise assets and provision for impairment allowance

₹ in Crore

Assets and impairment allowance	Sept'20	Dec'20	Mar'21	Jun'21	Sept'21
Gross Stage 1 & 2 assets* (A)	29,601	31,356	34,000	36,378	39,892
ECL Provision Stage 1 & 2 (B)	220	291	310	316	330
Net Stage 1 & 2 assets (C = A-B)	29,381	31,065	33,690	36,062	39,562
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.74%	0.93%	0.91%	0.87%	0.83%
Gross Stage 3 assets@ (E)	26.9	110.2	119.1	102.5	142.0
ECL Provision Stage 3 (F)	10.1	41.3	45.2	36.6	56.2
Net Stage 3 assets (G = E-F)	16.8	68.9	73.9	65.9	85.9
Coverage Ratio % Stage 3 assets (H= F/E)	38%	38%	38%	36%	40%
ECL/Total Assets	0.78%	1.06%	1.04%	0.97%	0.96%

*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 (Q2FY22)

2.7%

Spread

6.0%

COF

8.7%

Yield

0.35%

GNPA

27.8%

OPEX / NIM

1.8%

ROA

10.6%

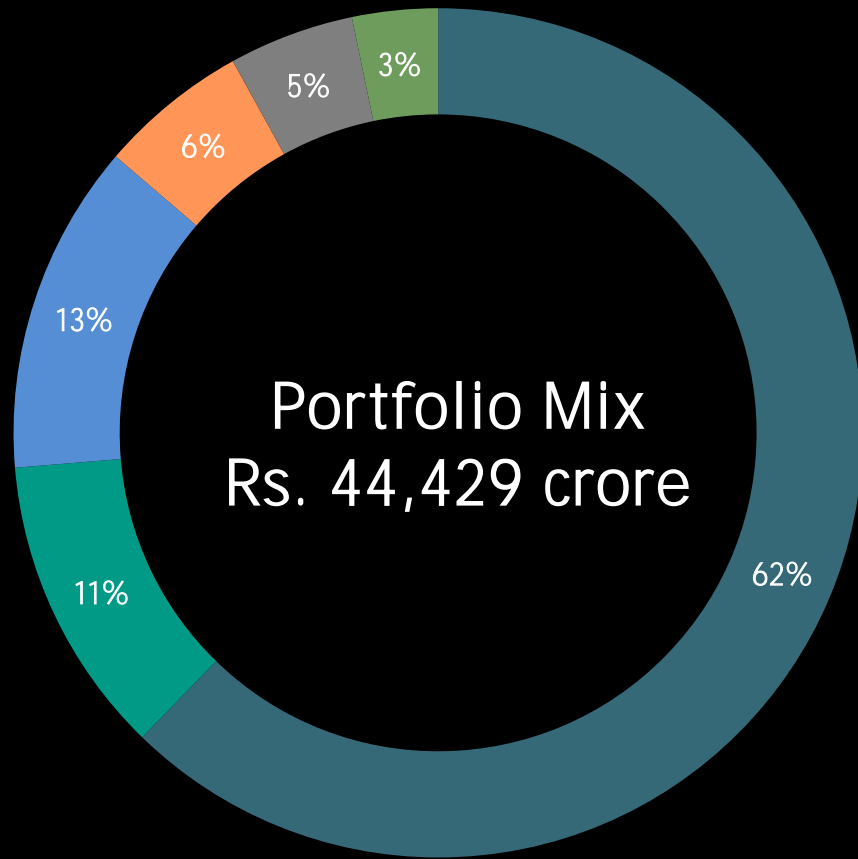
ROE

20.26%

Capital Adequacy

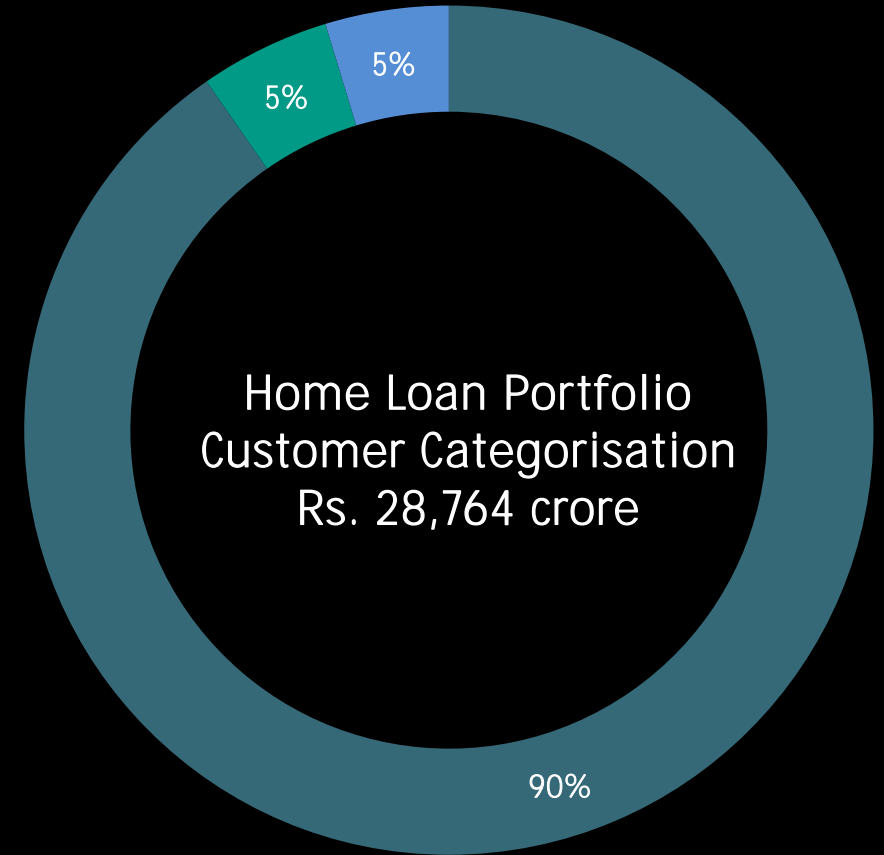
Target OPEX/NIM of <20% and ROE of 13-15%

BHFL Portfolio View



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

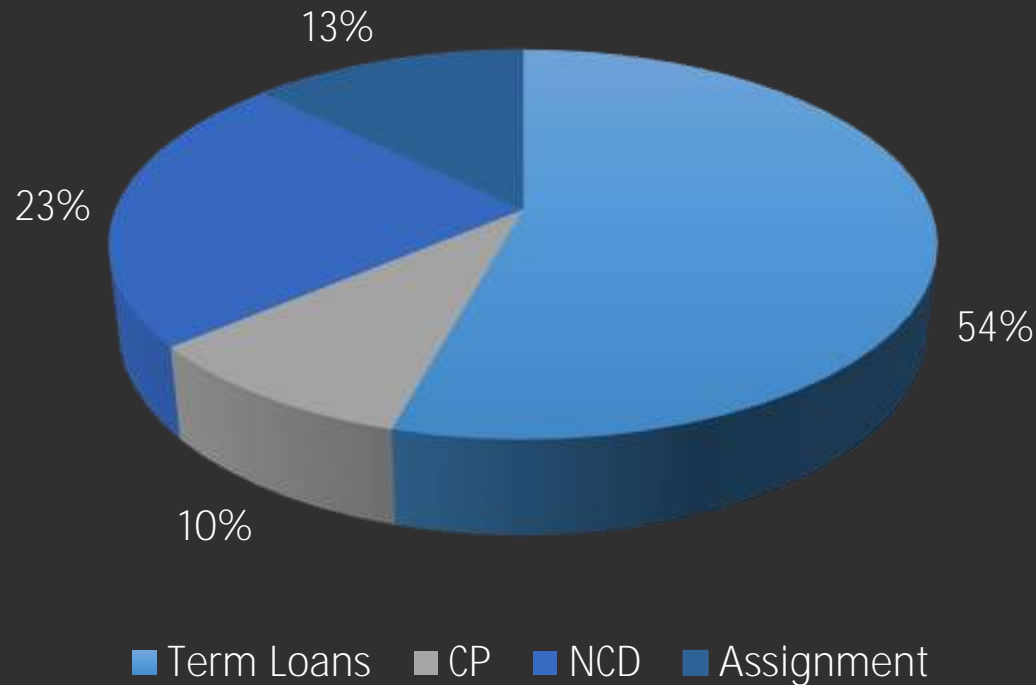
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

Treasury Strategy - Borrowing Mix



Sep 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

- 52 Mn+ customer base of BFL
- 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



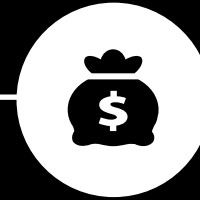
BRAND NAME

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



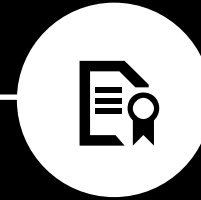
CAPITAL

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



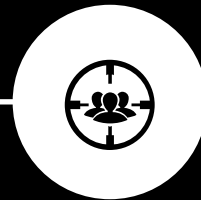
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



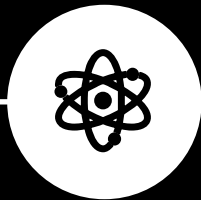
CREDIT RATING

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



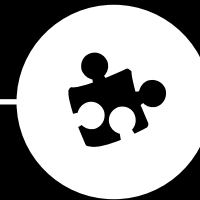
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (52 Mn+) to cross sell mortgages



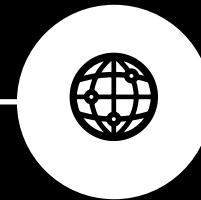
ANALYTICS ORIENTATION

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 (475)

BHFL Product Suite

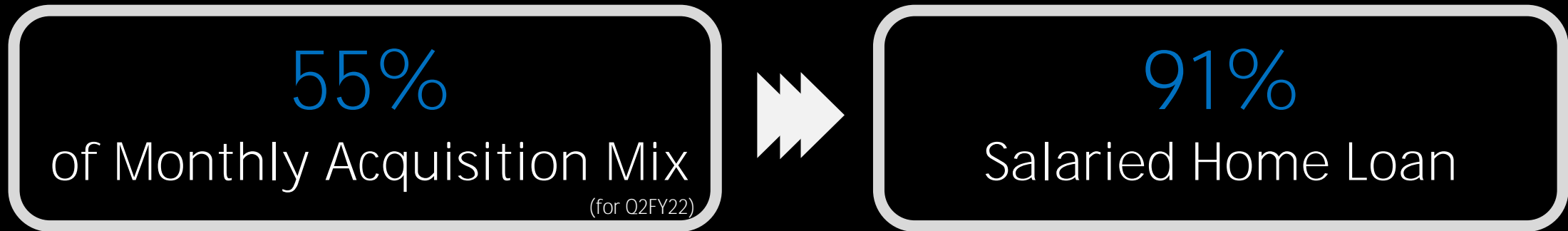


Full suite of mortgages products and services for retail and commercial customers

Home Loans

27,668 Cr

Asset Under Management



56%	59%	70%	12.5 Lakh	81%	47 Lakh
Existing Customer base sourcing	FOIR	LTV at origination	Avg. Customer salary	Customers with 750+ CIBIL	Avg. Ticket Size

63% of the Company's incremental AUM for the quarter is contributed by HL to salaried individuals...

Home Loans Verticals

B2C

73%

B2B

27%



16%
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. 55-60% 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 52 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

5,071 Cr

Asset Under Management

64%

Existing Customer mix

44%

LTV at Origination

- ▶▶▶ Operative in top 13 cities with ATS of 54 lakhs. Focused on mass affluent and above salaried and self-employed customers
- ▶▶▶ Continued focused on direct to customer strategy along with intermediary business
- ▶▶▶ Minimum ATS of 30 lakhs with a cap of 350 lakhs. AUM mix is 30% from Salaried, 13% from SEP and 57% 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

2,120 Cr

Asset Under Management

6.35%

Spread

96

Locations

- ▶▶▶ Hub and spoke model with presence across 96 upcountry locations as HUB and 140 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%
- ▶▶▶ 52% of portfolio is HL and 48% is LAP
- ▶▶▶ Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting Business

5,595 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 – 350 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

2,526 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

246

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 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 >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