

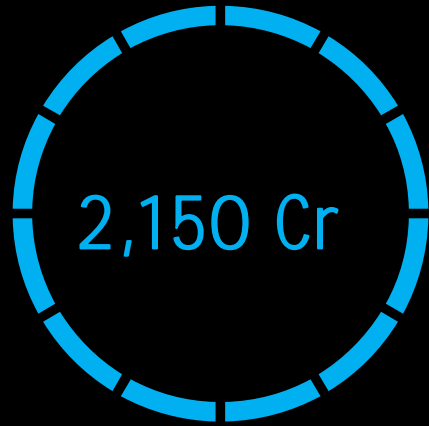


● ● ● ● ● ● Bajaj Housing Finance Limited ● ● ● ● ● ●

Debt Investors Presentation

Q4 FY21

Bajaj Housing Finance Ltd.



Monthly Acquisition
(as of March, 2021)



Asset Under Management
(as of Mar 31, 2021)



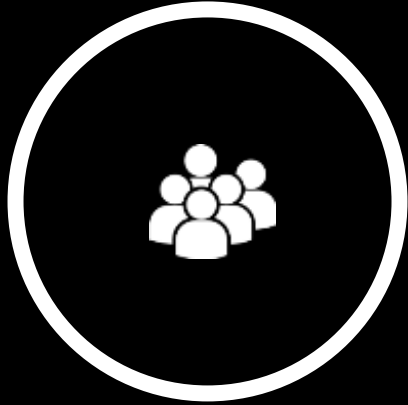
Employees



Locations
(Urban-32; Rural-93)

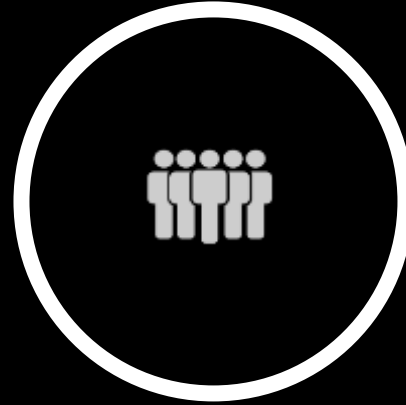
- ❖ Bajaj Housing Finance Ltd. (BHFL) is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC)
- ❖ BHFL is a 100% subsidiary of Bajaj Finance Ltd. (BFL) – a Bajaj Finserv Group Company
- ❖ BFL has been in the mortgage business since 2008
- ❖ BHFL has been carved out as HFC to conduct mortgages businesses for the group with dedicated focus
- ❖ BHFL started its full fledged operations from January 2018 with dedicated sales, operations, collections, branch & IT infrastructure

Bajaj Housing Finance Ltd.



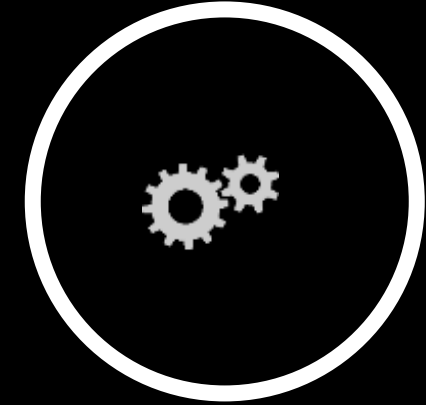
Independent Board

Separate and independent Board Committees



Dedicated Functional Units

Dedicated Sales, Credit, Risk, Ops, Collections, IT, Finance, HR and other support functions



Dedicated Infrastructure

Dedicated infrastructure in terms of separate Head office, branches and IT infrastructure

A standalone, fully functional and operational legal entity

Business Update

- In Financial Year 2021, the company maintained cautious approach on disbursements in the first half of the year and came back to growth stance from Q3. H2 disbursements were higher YOY but full year disbursements were short by 24% due to H1 impact.
- AUM growth for the year ended 31st March'21, was 19% Y-o-Y; subdued due to continued portfolio attrition pressure in H2 driven by reduced benchmark rates by banks and hyper competitive pressures.
- Profits for the year went up by 8% despite much higher cautionary provisions taken for Covid impact.
- Covid second wave in April will mean some impact on Q1 disbursements numbers, as large markets have gone into lockdown. However, assuming lockdown is intermittent and not national, the company expects to deliver normal growth in current year. In event of national lockdown or extended second wave, company may see impact on acquisitions.
- Bounce rates across portfolio barring Rural have marginally come down since the last quarter and stood at 4.34%, against 3.16% pre-Pandemic.

Business Update

- GNPA and NNPA stood at 0.35% and 0.22 % as on 31st March'21. In addition, company had a One-time restructured pool (as per RBI guidelines) of 1.53% of book. The same has been classified as Stage-2 in books due to elevated risk and company has adequately provided for in the portfolio for any future contingency arising out of the OTR pool.
- Company has a management overlay of Rs 166 crores as on March'21, besides higher provision on OTR pool to meet any unforeseen eventuality from Covid impact on portfolio.
- The incremental cost of borrowings for company has come down significantly in Q3 and Q4 for the company and with repricing of existing lines. Overall cost of funds have come down significantly enabling company to compete on pricing in market.
- Company continued to maintain higher liquidity in March end in view of second Covid wave.
- Commercial portfolios of the company i.e., Developer Finance and Lease Rental Discounting have demonstrated immaculate portfolio performance in pandemic

Business wise Moratorium & Restructuring Summary

₹ in Crore

Business	AUM Mar'21	Current bucket (%) Mar'21	30+ (%) Mar'21	OTR (%) till 31 Mar'21	Bounce Rate Mar'21	Bounce Rate (Mar'20-Pre Covid)
HL	23943	99.59%	0.32%	1.95%	3.36%	2.36%
LAP	4753	99.36%	0.46%	1.33%	6.38%	4.52%
LRD	4838	99.96%	0.00%	0.00%	NA	NA
DF	2057	99.45%	0.55%	0.00%	NA	NA
Rural	1980	98.78%	0.76%	2.34%	11.75%	7.67%
Others	1300	99.61%	0.24%	1.37%	4.01%	2.97%
Total	38,871	99.56%	0.33%	1.53%	4.34%	3.16%

Financials

₹ in Crore

Financials snapshot	Q4 FY21	Q4 FY20	YoY	FY21	FY20	YoY
Assets under management	38,871	32,705	19%	38,871	32,705	19%
Assets under finance	33,419	27,975	19%	33,419	27,975	19%
Interest income	743	687	8%	2,877	2,303	25%
Fee and other income	88	58	52%	218	269	(19%)
Net gain on fair value changes on Investments	9	29	(69%)	60	74	(19%)
Total Income	840	774	9%	3,155	2,646	19%
Interest expenses	471	491	(4%)	1,966	1,616	22%
Net Interest Income	369	283	30%	1,189	1,030	15%
Operating Expenses	98	72	36%	329	339	(3%)
Loan losses and provisions	30	89	(66%)	247	124	99%
ECL stage 1 & 2	19	69	(72%)	199	86	131%
ECL stage 3 & write off	11	20	(45%)	48	38	26%
Profit before tax	241	122	98%	613	567	8%
Profit after tax	179	91	97%	453	421	8%
Ratios						
Operating expense to Net Interest Income	26.6%	25.4%		27.7%	32.9%	
Loan loss to Average AUF*	0.09%	0.33%		0.80%	0.55%	
Return on Average Assets*	0.6%	0.3%		1.5%	1.9%	
Return on Average Equity*	3.0%	1.9%		7.8%	9.1%	

* Not annualized

Behaviouralized ALM snapshot (as of 31 Mar'21)

Particulars	1D - 7D	7D - 14D	15D - 30D	>1 - 2M	>2 - 3M	>3 - 6M	>6M - 1Y	>1Y - 3Y	>3Y - 5Y	>5Y - 7Y	>7Y - 10Y	>10 Y	Total
Cash & Investments	2,969	255	-	759	-	-	-	0	-	-	-	-	3,983
Advances	397	173	404	763	738	2,092	3,717	10,466	6,082	3,688	2,925	1,974	33,419
Other inflows	77	77	826	1,507	1,258	1,024	224	834	967	349	236	791	8,168
Total Inflows (A)	3,443	505	1,231	3,029	1,996	3,116	3,941	11,300	7,049	4,036	3,161	2,765	45,570
Cumulative Total Inflows (B)	3,443	3,947	5,178	8,207	10,203	13,319	17,260	28,559	35,608	39,644	42,805	45,570	
Borrowings	1,291	-	664	1,886	1,466	1,450	4,476	14,168	5,861	1,904	-	1,799	34,965
Capital Reserves and Surplus	-	-	-	-	-	-	-	-	-	-	-	6,032	6,032
Other Outflows	287	277	550	292	171	441	29	9	11	3	2,500	2	4,573
Total Outflows (C)	1,578	277	1,214	2,178	1,637	1,891	4,505	14,177	5,872	1,906	2,500	7,834	45,570
Cumulative Total Outflows (D)	1,578	1,855	3,069	5,247	6,884	8,776	13,280	27,458	33,330	35,236	37,736	45,570	
Mismatch (E = A - C)	1,865	228	16	851	358	1,224	(564)	(2,877)	1,176	2,130	661	(5,069)	
Cumulative mismatch (F = B-D)	1,865	2,093	2,109	2,960	3,319	4,543	3,979	1,102	2,278	4,408	5,069	-	
Cumulative mismatch as % (F/D)	118%	113%	69%	56%	48%	52%	30%	4%	7%	13%	13%	0%	
Permissible cumulative gap %	-10%	-10%	-20%				-15%						
Additional borrowings possible			3,397				3,629						

ECL Summary

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

Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Mar'20	Jun'20	Sept'20	Dec'20	Mar'21
Gross Stage 1 & 2 assets* (A)	28,199	28,739	29,601	31,356	34,000
ECL Provision Stage 1 & 2 (B)	112	156	220	291	310
Net Stage 1 & 2 assets (C = A-B)	28,088	28,582	29,381	31,065	33,690
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.40%	0.54%	0.74%	0.93%	0.91%
Gross Stage 3 assets [@] (E)	23.7	24.1	26.9	110.2	119.1
ECL Provision Stage 3 (F)	9.0	9.3	10.1	41.3	45.2
Net Stage 3 assets (G = E-F)	14.7	14.8	16.8	68.9	73.9
Coverage Ratio % Stage 3 assets (H= F/E)	38%	38%	38%	38%	38%
ECL/Total Assets	0.43%	0.58%	0.78%	1.06%	1.04%

*Gross stage 1 & 2 assets represent loans balance as per Ind AS after adjusting for the impact of amortisation 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) amortisation 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 (Q4FY21)

2.5%
Spread

6.5%
COF

9.0%
Yield

0.35%
GNPA

27%
OPEX / NIM

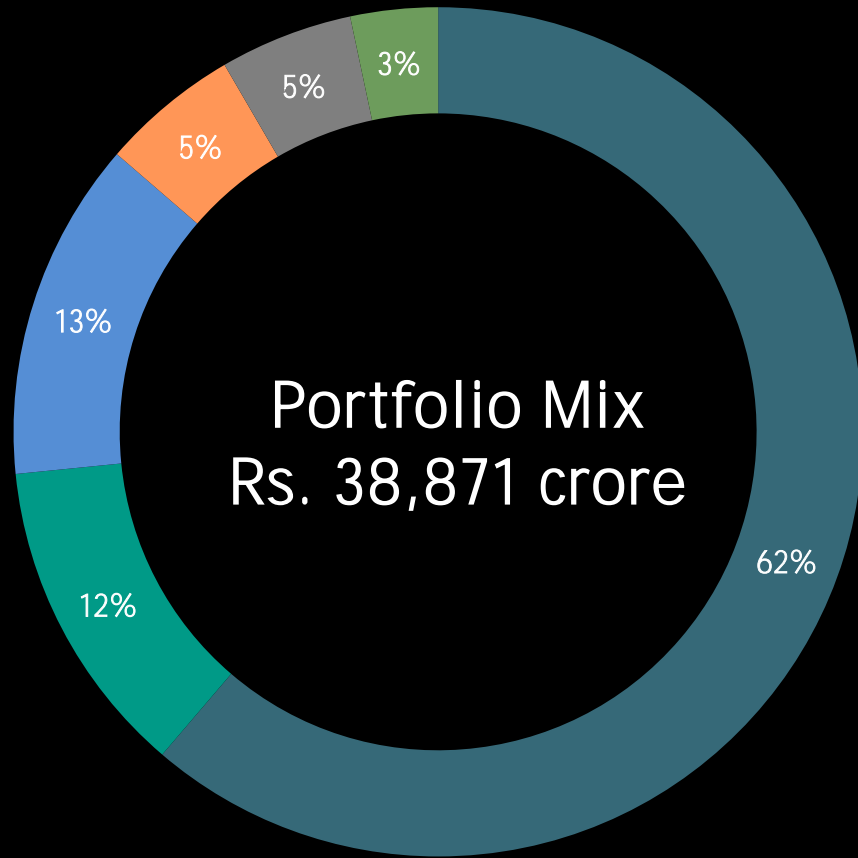
2.2%
ROA

12.0%
ROE

21.33%
Capital Adequacy

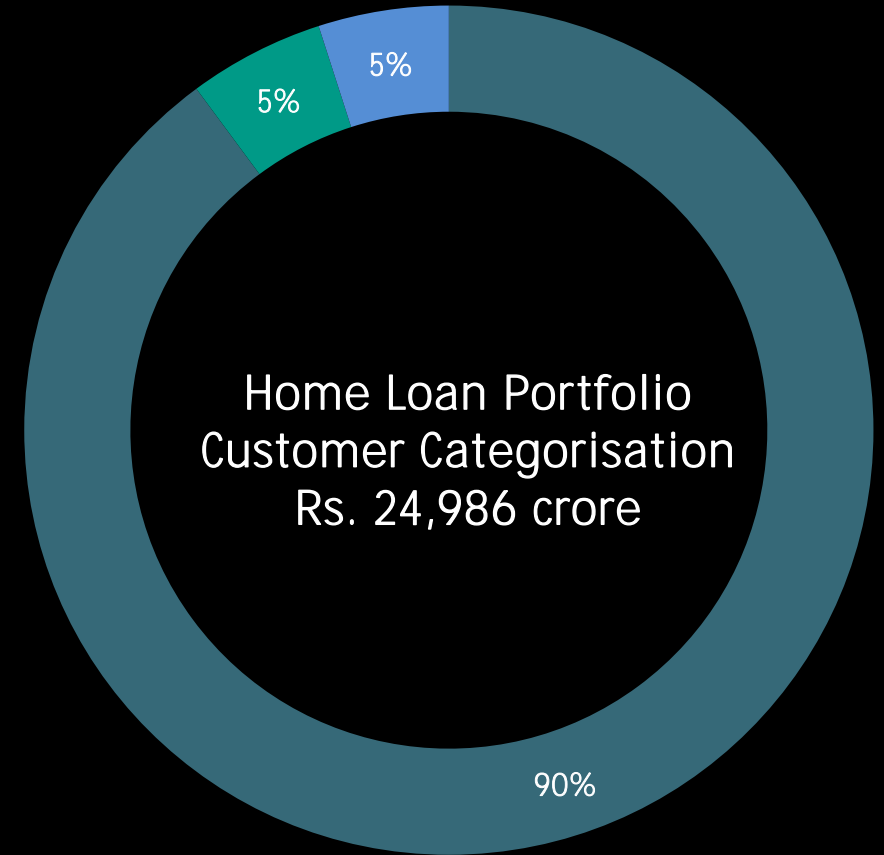
Target OPEX/NIM of <20% and ROE of 13-15%

BHFL Portfolio View



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

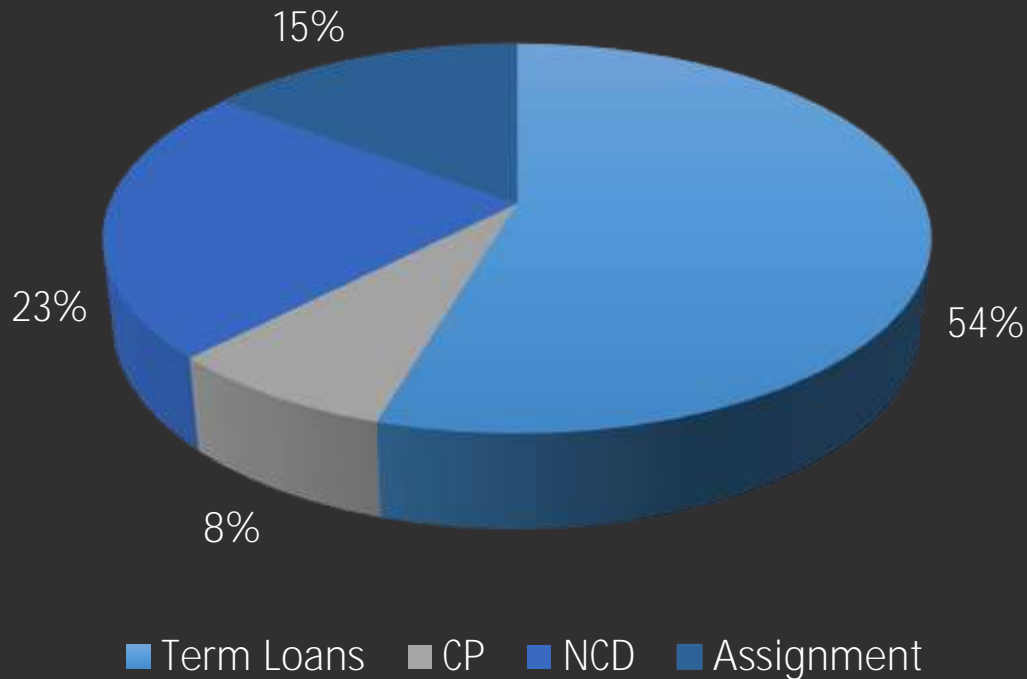
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

Treasury Strategy - Borrowing Mix



March 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 helping in diversification of borrowings
- ✓ Assignments to drive balance sheet growth and address ALM mismatch

To add new brick of sub-debt, refinance as balance sheet matures and play aggressively on assignment

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

- 48 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



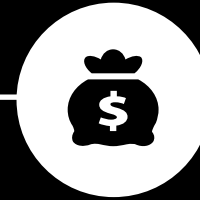
BRAND NAME

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



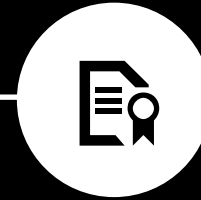
CAPITAL

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



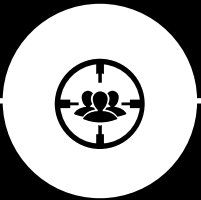
COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



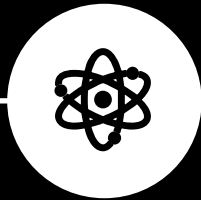
CREDIT RATING

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



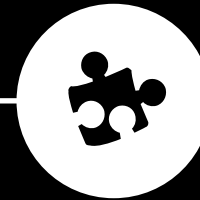
CUSTOMER BASE

BHFL has access to the vast customer base of BFL (48 Mn+) to cross sell mortgages



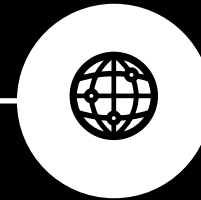
ANALYTICS ORIENTATION

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

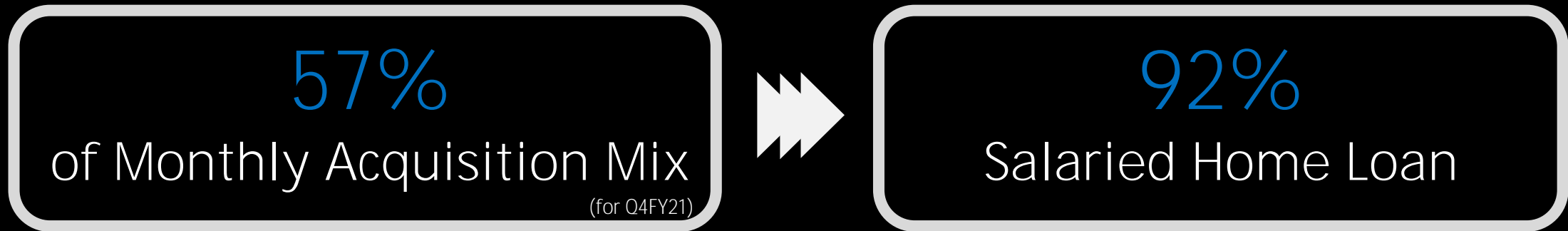


Full suite of mortgages products and services for retail and commercial customers

Home Loans

23,943 Cr

Asset Under Management



58% Existing Customer base sourcing	59% FOIR	70% LTV at origination	12 Lakh Avg. Customer salary	81% Customers with 750+ CIBIL	45 Lakh Avg. Ticket Size
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39% 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



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 46 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

4,753 Cr

Asset Under Management

71%

Existing Customer mix

44%

LTV at Origination

- ▶▶▶ Operative in top 14 cities with ATS of 52 lakhs. Focused on mass affluent and above salaried and self-employed customers
- ▶▶▶ Continued focused on direct to customer strategy with intermediary business contributing to about 66% of new acquisition
- ▶▶▶ ATS ranges from 30 lakh to 100 lakh with a cap of 300 lakh. AUM mix is 28% from Salaried, 13% from SEP and 59% 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

1,980 Cr

Asset Under Management

5.6%

Spread

93

Locations

- ▶▶▶ Hub and spoke model with presence across 78 upcountry locations as HUB and 50 locations as Spoke thru ASSC tie-ups
- ▶▶▶ Only business where company acquires self-employed non-professionals in HL
- ▶▶▶ ATS of 17 lakh with average Home Loan LTV of 58% and average Loan against Property LTV of 40%
- ▶▶▶ 48% of portfolio is HL and 52% is LAP – targeting 50:50 acquisition mix by Dec 2020
- ▶▶▶ Highest standards of controllership across all products supported by adequate spread

Lease Rental Discounting Business

4,838 Cr

Asset Under Management

32 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 – 200 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

2,057 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 8 locations (not operational in Delhi & NCR)
- Focus on converting DF exposure to retail low risk HL exposures

222

Active Developers

Developer Profile

- Developer should have built minimum 0.75 - 1 million sqft. 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

15-35 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 >15% over the next 3 years 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, sub-debt and ECB
- Assignment ~18-20%

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