

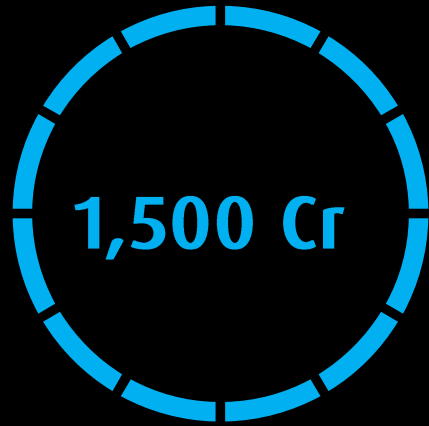


 **Bajaj Housing Finance Limited** 

Debt Investors Presentation

Q2 FY21

# Bajaj Housing Finance Ltd.



**Monthly Acquisition**  
(as of Sep, 2020)



**Asset Under Management**  
(as of Sep 30, 2020)



**Employees**

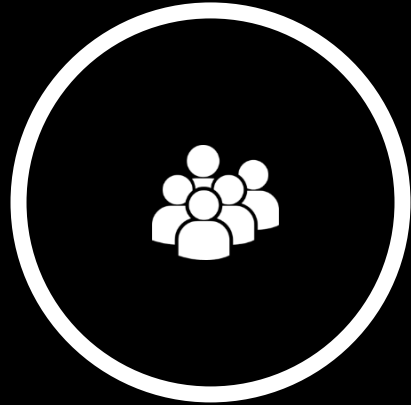


**Locations**  
(Urban-32; Rural-78)

- ❖ 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.

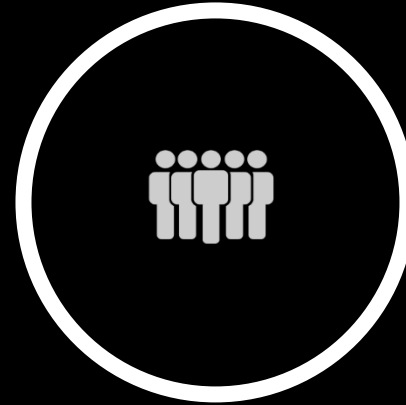
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## Independent Board

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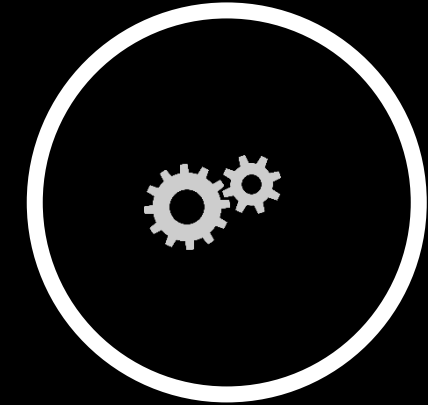
Separate and independent Board Committees



## Dedicated Functional Units

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



## Dedicated Infrastructure

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

**A standalone, fully functional and operational legal entity**

# COVID-19 - Moratorium, Restructuring & Provisioning

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1. In Financial Year 2020, we continued our growth trajectory with all risk matrices in control till February 2020. Post onset of Covid-19 / Pandemic, we resumed business from June 2020 on a cautious note.
2. Post Pandemic, we have witnessed elevated bounce rates across portfolios. For Sep'20, bounce rate of portfolio stood at 7.6% against 3.1% pre Pandemic.
3. Book under moratorium as of Aug'20 stood at 6.65%. Bounce rate of customers who availed moratorium are higher vis-à-vis customers not availing moratorium.
4. Reserve Bank of India, in view of continuing disruption on account of COVID-19, post 2 rounds of moratorium which ended in Aug'20, issued guidelines on resolution framework through one time restructuring (OTR) to support customers impacted by the pandemic. In line with the RBI's guidelines and its Board approved policy, the Company executed restructuring of 158 Cr pool (0.48% of AUM) in the month of Sep'20.
5. The Company has taken a cautious stance and has tightened underwriting norms across all lines of business. The business volume are growing steadily and expected to be back to pre-COVID volumes by Q4 FY21.
6. So far, the Company has taken a loan loss provision of ₹ 145 crore against its credit cost estimate of ₹200-250 crore for FY21. Based on current risk estimates, the Company has to residually take ₹ 55 - 105 crore in H2 FY21.

# Business wise Moratorium & Restructuring Summary

₹ in Crore

Business	AUM Sep'20	Current bucket (%) Sep'20	30+ (%) Sep'20	OTR (%) till 30th Sep	Bounce Rate Sep'20	Bounce Rate (Mar'20-Pre Covid)
HL	21456	98.89%	0.15%	0.57%	6.17%	2.36%
LAP	4205	98.55%	0.27%	0.43%	10.19%	4.52%
LRD	3395	99.95%	0.00%	0.00%	NA	NA
DF	1809	99.33%	0.62%	0.00%	NA	NA
Rural	1712	97.69%	0.28%	0.79%	15.63%	7.67%
Others	886	98.72%	0.11%	0.63%	6.83%	2.97%
<b>Total</b>	<b>33463</b>	<b>98.91%</b>	<b>0.18%</b>	<b>0.48%</b>	<b>7.59%</b>	<b>3.16%</b>

# Financials

₹ in Crore

Financials snapshot	Q2 FY21	Q2 FY20	YoY	H1 FY21	H1 FY20	HoH	FY'20
Assets under management	33,463	25,714	30%	33,463	25,714	30%	32,705
Assets under finance	29,200	22,875	28%	29,200	22,875	28%	27,975
Interest income	696	539	29%	1,387	996	39%	2,303
Fee and other income	26	85	(69%)	64	131	(51%)	269
Net gain on fair value changes on Investments	16	11	45%	43	23	87%	74
<b>Total Income</b>	<b>738</b>	<b>635</b>	<b>16%</b>	<b>1,494</b>	<b>1,150</b>	<b>30%</b>	<b>2,646</b>
Interest expenses	490	371	32%	1,003	688	46%	1,616
<b>Net Interest Income</b>	<b>248</b>	<b>264</b>	<b>(6%)</b>	<b>491</b>	<b>462</b>	<b>6%</b>	<b>1,030</b>
Operating Expenses	70	88	(20%)	143	170	(16%)	339
Loan losses and provisions (ECL stage 1 & 2)	64	4	1500%	109	12	808%	86
Loan losses and provisions (ECL stage 3 & write off)	1	9	(89%)	2	10	(80%)	38
<b>Profit before tax</b>	<b>113</b>	<b>163</b>	<b>(31%)</b>	<b>237</b>	<b>270</b>	<b>(12%)</b>	<b>567</b>
<b>Profit after tax</b>	<b>83</b>	<b>130</b>	<b>(36%)</b>	<b>175</b>	<b>200</b>	<b>(13%)</b>	<b>421</b>
<b>Ratios</b>							
Operating expense to Net Interest Income	28.2%	33.3%		29.1%	36.8%		32.9%
Loan loss to Average AUF*	0.23%	0.06%		0.39%	0.11%		0.55%
Return on Average Assets*	0.3%	0.6%		0.6%	1.0%		1.9%
Return on Average Equity*	1.5%	3.4%		3.1%	5.3%		9.1%

# Behaviouralized ALM snapshot (as of 30 Sep'20)

Particulars	1 -14 D	15-30 D	>1 - 2 M	>2 - 3 M	>3 - 6 M	>6M - 1 Y	>1 - 3 Y	> 3 - 5 Y	> 5 - 7 Y	> 7 - 10 Y	> 10 Y	Total
Cash, Cash Equivalents & Investments	797	500	-	750	-	-	-	-	-	-	-	2,047
Advances	337	337	488	498	1,431	2,587	8,281	5,227	3,585	3,462	3,340	29,572
Other inflows	91	518	2	7	160	2,543	748	802	546	151	620	6,187
<b>Total Inflows (A)</b>	<b>1,225</b>	<b>1,355</b>	<b>490</b>	<b>1,255</b>	<b>1,591</b>	<b>5,130</b>	<b>9,028</b>	<b>6,029</b>	<b>4,130</b>	<b>3,613</b>	<b>3,960</b>	<b>37,806</b>
<b>Cumulative Total Inflows (B)</b>	<b>1,225</b>	<b>2,580</b>	<b>3,070</b>	<b>4,324</b>	<b>5,915</b>	<b>11,045</b>	<b>20,073</b>	<b>26,102</b>	<b>30,232</b>	<b>33,845</b>	<b>37,806</b>	
Borrowings	-	51	235	879	1,370	5,483	11,224	4,782	1,159	-	1,800	26,937
Capital and Reserves and Surplus	-	-	-	-	-	-	-	-	-	-	5,739	5,739
Other Outflows	428	394	238	196	416	544	133	-	-	2,500	279	5,129
<b>Total Outflows (C)</b>	<b>428</b>	<b>445</b>	<b>474</b>	<b>1,075</b>	<b>1,786</b>	<b>5,982</b>	<b>11,357</b>	<b>4,782</b>	<b>1,159</b>	<b>2,500</b>	<b>7,818</b>	<b>37,806</b>
<b>Cumulative Total Outflows (D)</b>	<b>428</b>	<b>873</b>	<b>1,347</b>	<b>2,422</b>	<b>4,208</b>	<b>10,190</b>	<b>21,547</b>	<b>26,328</b>	<b>27,487</b>	<b>29,987</b>	<b>37,806</b>	
Mismatch (E = A-C)	797	910	16	179	(196)	(852)	(2,328)	1,247	2,971	1,113	(3,858)	
Cumulative mismatch (F= B-D)	797	1,707	1,723	1,902	1,707	855	(1,474)	(226)	2,745	3,858	0	
Cumulative mismatch as a % (F/D)	186%	204%	128%	79%	41%	8%	-7%	-1%	10%	13%	0%	
Permissible cumulative GAP %	-15%	-15%					-15%					
Additional borrowings possible	1,013	1,148				642						

## ECL Summary

ECL categorization	Sept'19	Dec'19	Mar'20	Jun'20	Sept'20
Stage 1 & 2 (represents standard assets)	99.94%	99.93%	99.92%	99.92%	99.91%
Stage 3 (represents GNPA)	0.06%	0.07%	0.08%	0.08%	0.08%
Stage 3 (not classified as NPA)					0.01%

### Summary of stage wise assets and ECL provisioning

₹ in Crore

Financial Assets & ECL provision	Sept'19	Dec'19	Mar'20	Jun'20	Sept'20
Gross Stage 1 & 2 assets* (A)	23,481	26,532	28,199	28,739	29,601
ECL Provision Stage 1 & 2 (B)	37	43	112	156	220
Net Stage 1 & 2 assets (C = A-B)	23,443	26,488	28,088	28,582	29,381
ECL Provision % Stage 1 & 2 assets (D = B/A)	0.16%	0.16%	0.40%	0.54%	0.74%
Gross Stage 3 assets@ (E)	13.3	19.9	23.7	24.1	26.9
ECL Provision Stage 3 (F)	6.0	6.3	9.0	9.3	10.1
Net Stage 3 assets (G = E-F)	7.3	13.6	14.7	14.8	16.8
Coverage Ratio % Stage 3 assets (H= F/E)	45%	32%	38%	38%	38%
ECL/Total Assets	0.18%	0.19%	0.43%	0.58%	0.78%

\*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 (Q2FY21)

**1.8%**  
Spread

**7.7%**  
COF

**9.5%**  
Yield

**0.08%**  
GNPA

**28%**  
OPEX / NIM

**1.2%**  
ROA

**5.8%**  
ROE

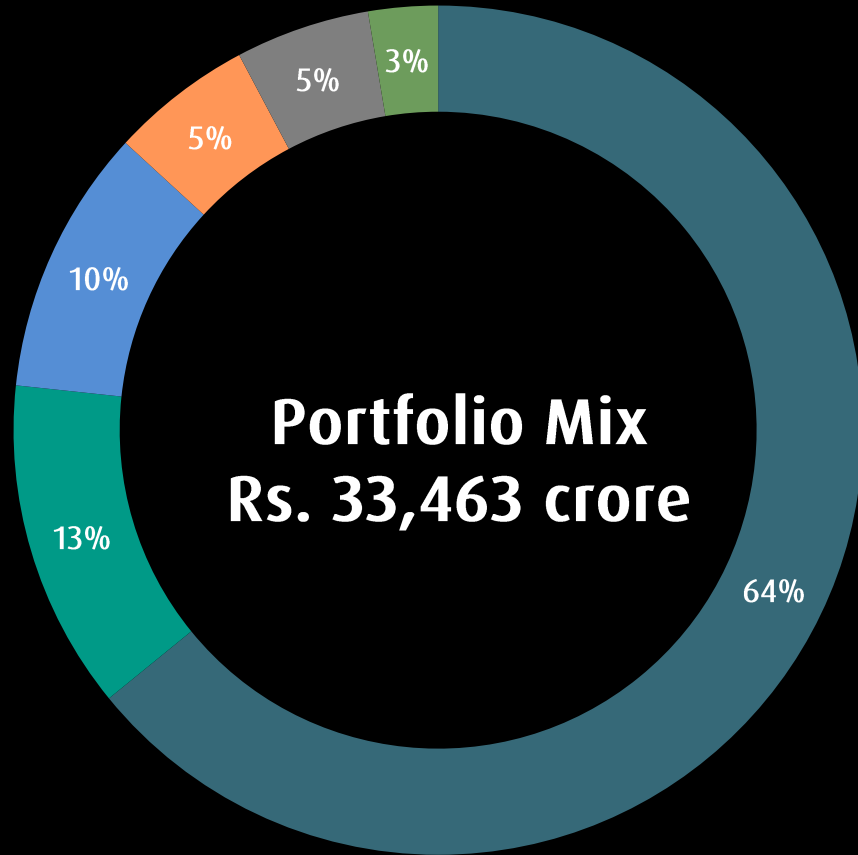
**25.97%**  
Capital Adequacy

excl. Covid / Restructuring prov. 1.9%

excl. Covid / Restructuring prov 9.4%

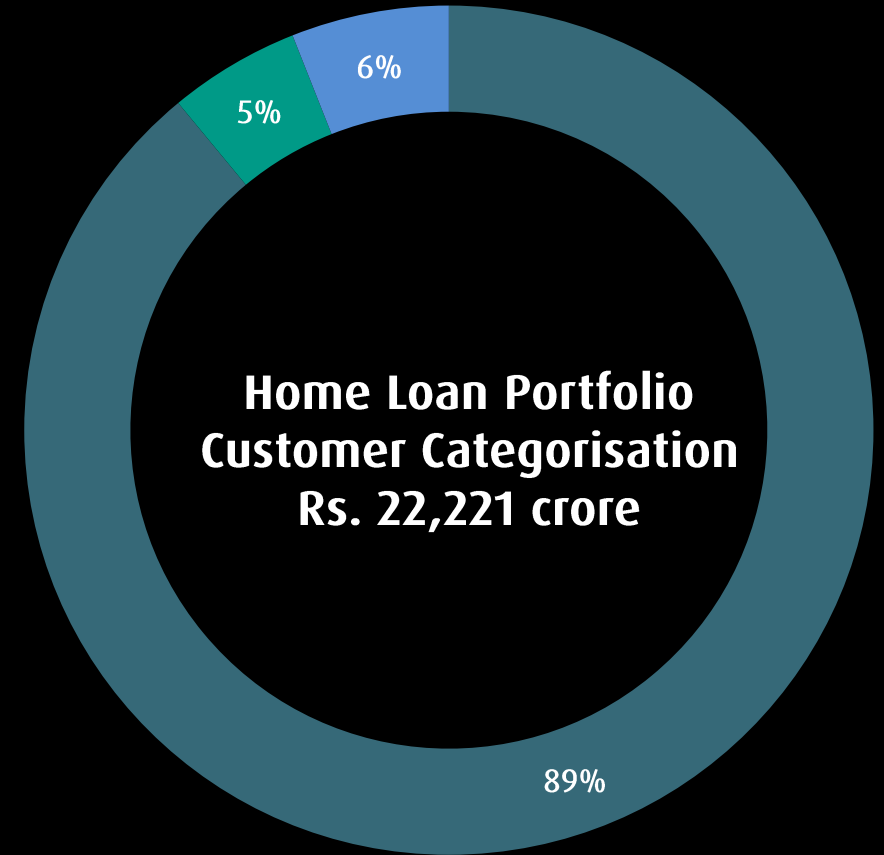
Target OPEX/NIM of <20% and ROE of 13-15%

# BHFL Portfolio View



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

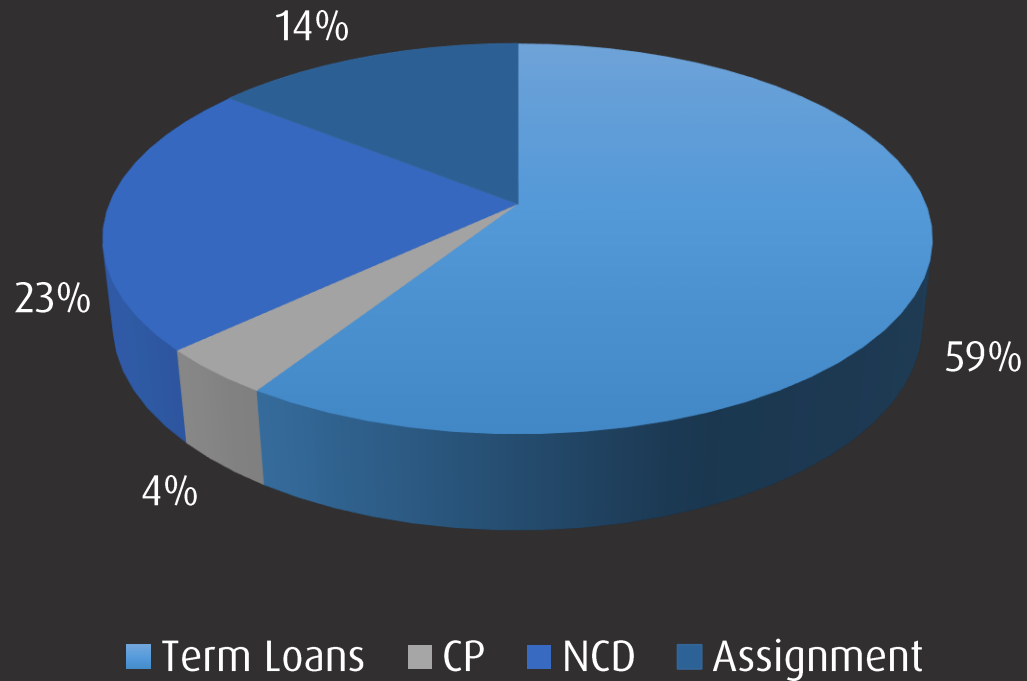
A well diversified portfolio with dominant share of HL



■ Salaried ■ Professionals ■ Self-Employed

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

# Treasury Strategy - Borrowing Mix



Sep 2020

- ✔ 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, ECB, 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

- 43 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



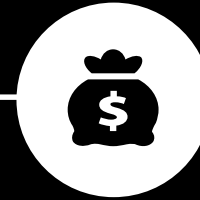
## BRAND NAME

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



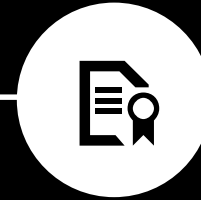
## CAPITAL

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



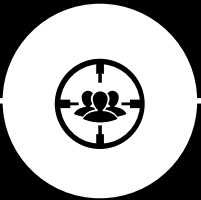
## COMMITTED LINE

BHFL has a committed credit line from BFL available on tap



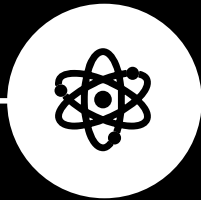
## CREDIT RATING

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



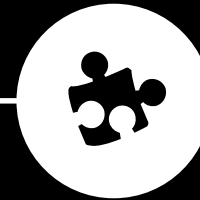
## CUSTOMER BASE

BHFL has access to the vast customer base of BFL (43 Mn+) to cross sell mortgages



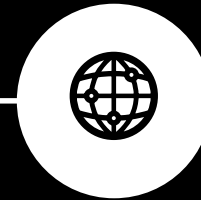
## ANALYTICS ORIENTATION

BHFL mines the vast customer base for eligibility & offer computation through highly sophisticated analytical models



## FULL PRODUCT SUITE

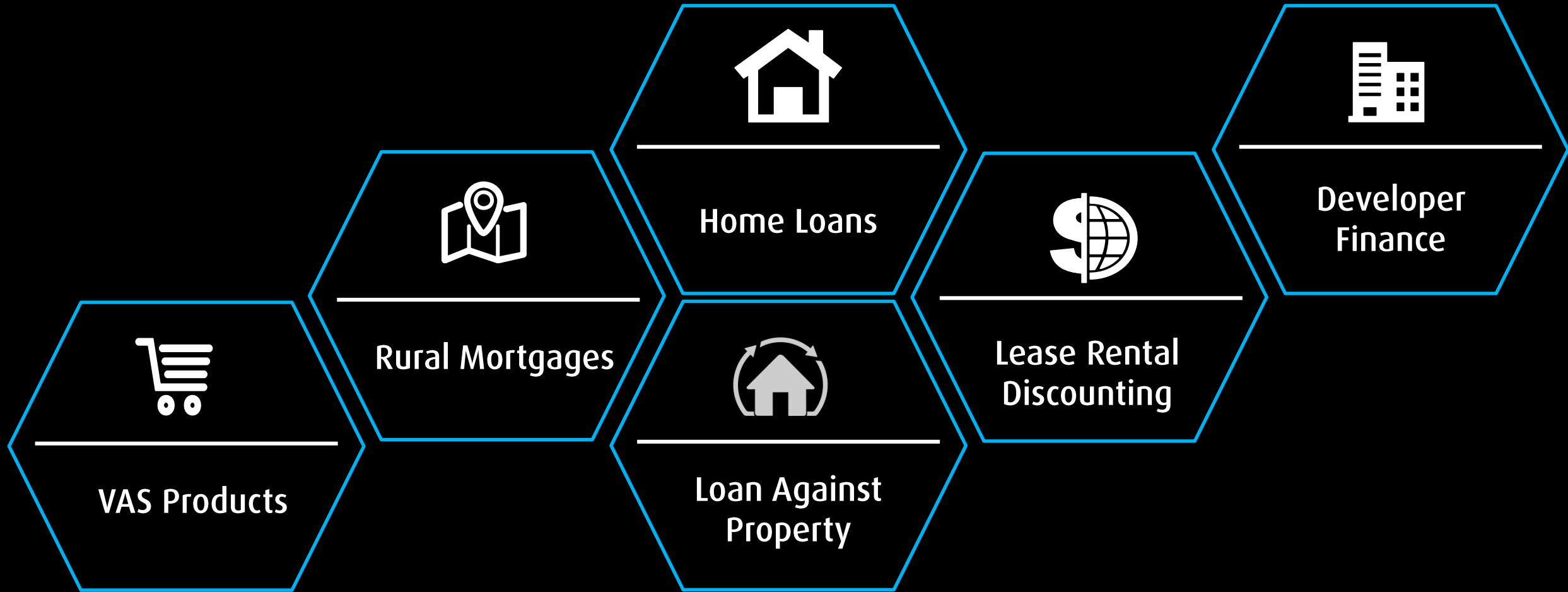
Mortgage products for Retail as well as Commercial customers with customized VAS products & services for cross sell / up-sell



## DEBT MANAGEMENT

Dedicated and well-staffed Debt Management unit for both urban and rural markets

# BHFL Product Suite

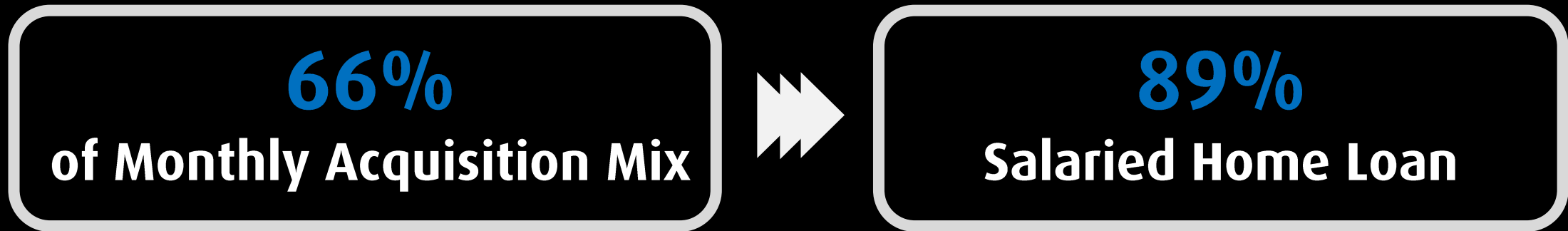


Full suite of mortgages products and services for retail and commercial customers

# Home Loans

**21,456 Cr**

Asset Under Management



<p><b>59%</b></p> <p>Existing Customer base sourcing</p>	<p><b>59%</b></p> <p>FOIR</p>	<p><b>71%</b></p> <p>LTV at origination</p>	<p><b>12 Lakh</b></p> <p>Avg. Customer salary</p>	<p><b>83%</b></p> <p>Customers with 750+ CIBIL</p>	<p><b>43 Lakh</b></p> <p>Avg. Ticket Size</p>
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59% of the Company's incremental AUM is contributed by HL to salaried individuals...

# Home Loans Verticals

**B2C**

**76%**

**B2B**

**24%**



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

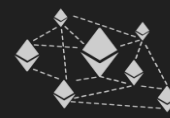


Data-analytics based offer generation approach for better risk mgmt.



**15%**  
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



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



PSS to embed BHFL in developer ecosystem; door-opener for large relationship



Only defined, selected, risk-approved projects allowed for sourcing

Continue to leverage the 43 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

**4,205 Cr**

**Asset Under Management**

**79%**

**Existing Customer mix**

**42%**

**LTV at Origination**

- ▶▶▶ Operative in top 14 cities with ATS of 49 lakhs. Focused on mass affluent and above salaried and self-employed customers
- ▶▶▶ Continued focused on direct to customer strategy with intermediary business contributing less than 20% of new acquisition
- ▶▶▶ ATS ranges from 30 lakh to 100 lakh with a cap of 300 lakh. AUM mix is 28% from Salaried, 14% 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

**1,712 Cr**

**Asset Under Management**

**5.1%**

**Spread**

**78**

**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 62% and average Loan against Property LTV of 42%
- ▶▶▶ 45% of portfolio is HL and 55% 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

## 3,396 Cr

Asset Under Management

## 26 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

1,809 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

195

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 14%



## 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

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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
PSS	Property search services
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