

BAJAJ FINANCE LIMITED

SEC/2017/49

30 January 2017

The Manager, BSE Limited DCS - CRD Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001	The Manager, Listing Department National Stock Exchange of India Ltd. Exchange Plaza, C-1. Block G, Bandra - Kurla Complex, Bandra (East) Mumbai - 400 051
Scrip Code:500034	Scrip Code: BAJFINANCE - EQ

Sir / Madam,

Sub: Investor Presentation for the quarter ended 31 December 2016

Please find enclosed herewith Investor Presentation for the quarter ended 31 December 2016.

Thanking you,

Yours faithfully,
For **BAJAJ FINANCE LIMITED**


ANANT DAMLE
COMPANY SECRETARY

Encl.: As above



BAJAJ FINANCE LIMITED

Q3 FY17 Presentation

30 January 2017

GLOSSARY

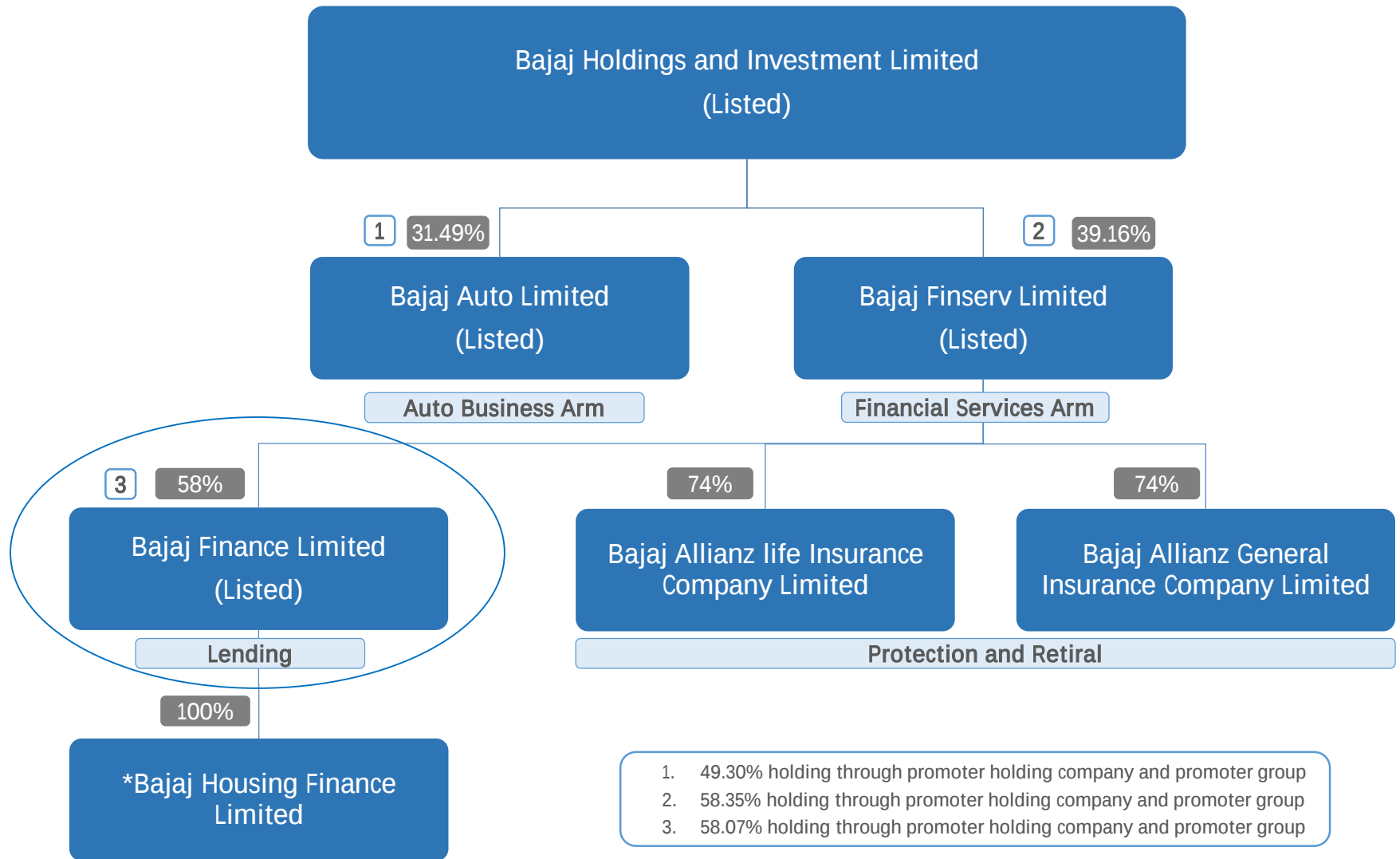
2W	Two Wheeler
3W	Three Wheeler
ACMF	Auto Components Manufacturer Financing
AR	Assets Receivable
ARU	Activation, Retention & Usage
ASC	Authorized Service Centers
AUF	Assets Under Finance
AUM	Assets Under Management
B2B	Business to Business
B2C	Business to Customer
BL	Business Loan
CAGR	Compounded Annual Growth Rate
CIF	Cards in Force
CPI	Consumer Price Index
EMI	Existing Member Identification
EPS	Earnings Per Share
FIG	Financial Institutions Group
FII	Foreign Institutional Investor
FPI	Foreign Portfolio Investment
GNPA	Gross Non Performing Assets
HL	Home Loan
IFA	Independent Financial Advisor

IIP	Index of Industrial Production
IRR	Internal Rate of Return
LAP	Loan Against Property
LAS	Loan Against Securities
MF	Mutual Fund
MM	Million
MSME	Micro, Small & Medium Enterprise
NII	Net Interest Income
NNPA	Net Non Performing Assets
NTB	New to Bajaj Finance
Opex	Operating Expenses
PAT	Profit After Tax
PBT	Profit Before Tax
POS	Point of Sale
PPC	Products Per Customer
RBI	Reserve Bank of India
ROA	Return on Assets
ROE	Return on Equity
SME	Small & Medium Enterprise
TAT	Turn Around Time
TTD	Through the Door
WPI	Wholesale Price Index

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BAJAJ GROUP STRUCTURE



Above shareholding is as of 31 December 2016

*W.e.f Nov 2014 . Bajaj Housing Finance Limited has a 100% subsidiary named Bajaj Financial Securities Limited which does not have any operations

BAJAJ FINSERV GROUP - EXECUTIVE SUMMARY



Bajaj Finserv is the financial services arm of the Bajaj group with business interest in "Lending", "Protection", and "Relationship management" through its various subsidiaries



Bajaj Finance Limited

- A 29 year old non bank finance company
- Diversified Consumer, SME, Rural & Commercial lender in India
- Credit rating of AAA/Stable by Crisil & India Ratings and AAA by CARE Ratings
- Credit rating AA+/Stable by ICRA (Positive outlook)
- 304 consumer branches and 519 rural locations with over 35,000+ distribution points
- Large customer franchise of 19.18 MM
- 6.83 MM new loans acquired in FY16



Bajaj Allianz General Insurance Company

- 2nd largest private General insurer in India as of FY16
- Offers a wide range of General insurance products across retail and corporate segments
- Highest profit after tax among private players in FY16. ROE of 22.5% in FY16
- Combined ratio of 99.3% in FY16
- Recognized in the market for claims servicing
- FY16 PAT of ₹ 564 crores



Bajaj Allianz Life Insurance Company

- Amongst top 4 private players as of FY16 on new business
- Deep pan India distribution reach
- Diversified distribution mix consisting of agency, bancassurance, other partners, direct etc.
- AUM of over 44K crores as of FY 16
- Net worth of ₹ 7,631 cr at 31st March 2016
- One of the most profitable private life insurers in India.
- FY16 PAT of ₹879 Crs

WHAT DO WE STAND FOR

“Non bank with strategy & structure of a bank”

“Focused on mass affluent & above clients with a strategy to cross sell”

“Diversified financial services strategy envisages an optimal mix of risk and profit to deliver a sustainable business model”

“Business construct to deliver a sustainable ROA of 3% and ROE of 18-20% in the medium term”

“Focused on continuous innovation to transform customer experience to create growth opportunities...”

KEY STRATEGIC DIFFERENTIATORS

Part of the Bajaj Group – one of the oldest & most respected business houses

A trusted brand with strong brand equity

Focus on mass affluent and above clients

Overall franchise of 19.18 MM and Cross sell client base of 10.30 MM

Strong focus on cross selling assets, insurance and wealth products to existing customer

Consumer PPC of 3.01 and SME PPC of 4.36

Diversified lending strategy

AUM mix for Consumer : SME : Commercial : Rural stood at 47% : 37% : 12% : 4%

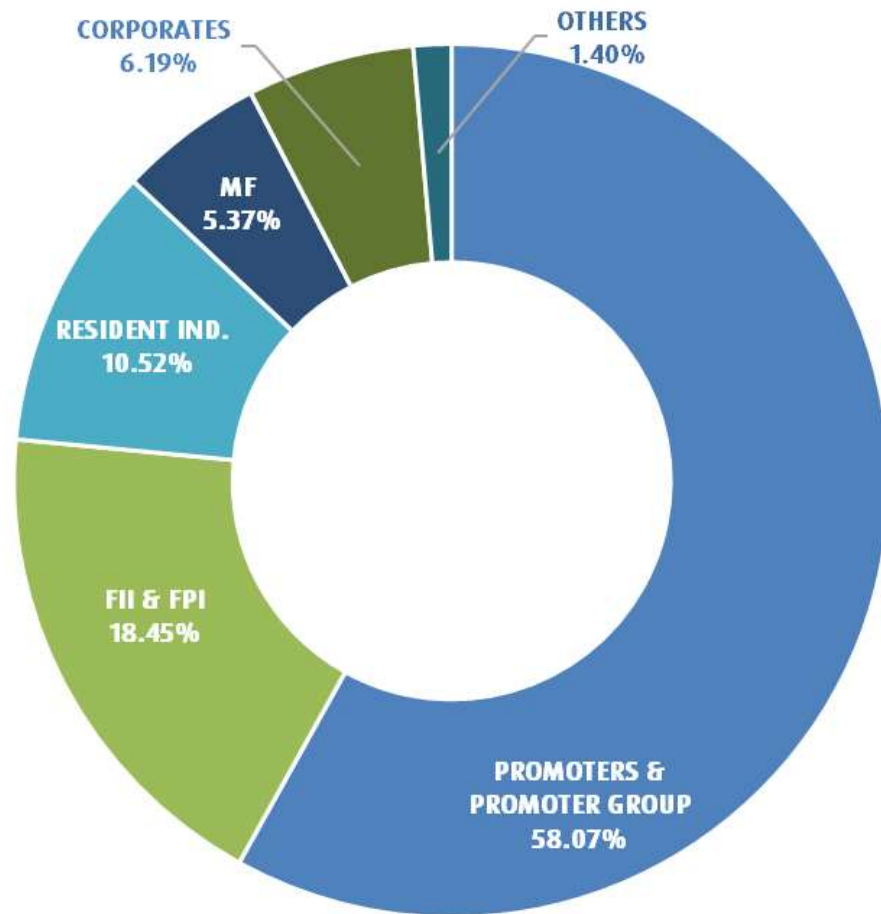
Highly agile & highly innovative

Continuous improvements in product features & timely transitions to maintain competitive edge

Deep investment in technology and analytics

Has helped establish a highly metricised company and manage risk & controllership effectively

BAJAJ FINANCE – SHAREHOLDER PROFILE



Top 20 investors & their holdings

S.No	Name of Shareholder	As on Mar'16	As on Dec'16
1	BAJAJ FINSERV LTD	57.28%	58.00%
2	MAHARASHTRA SCOOTERS LIMITED	3.52%	3.46%
3	GOVERNMENT OF SINGAPORE	2.37%	2.61%
4	SMALLCAP WORLD FUND, INC	1.13%	1.11%
5	NEW HORIZON OPPORTUNITIES MASTER FUND	-	0.90%
6	AXIS LONG TERM EQUITY FUND	0.55%	0.73%
7	HDFC MID - CAP OPPORTUNITIES FUND	0.92%	0.48%
8	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	0.44%	0.48%
9	NEW WORLD FUND INC	-	0.44%
10	MOTILAL OSWAL MULTICAP FUND	0.11%	0.41%
11	GOLDMAN SACHS INDIA FUND LIMITED	0.61%	0.40%
12	WF ASIAN SMALLER COMPANIES FUND LIMITED	0.48%	0.36%
13	ACACIA PARTNERS, LP	1.13%	0.35%
14	BIRLA SUN LIFE TRUSTEE COMPANY	0.36%	0.34%
15	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	0.31%	0.34%
16	TVF FUND LTD.	0.31%	0.33%
17	ISHARES INDIA INDEX	-	0.33%
18	BFL EMPLOYEE WELFARE TRUST	0.60%	0.30%
19	SBI MAGNUM TAXGAIN SCHEME	0.30%	0.29%
20	ACACIA INSTITUTIONAL PARTNERS, LP	0.71%	0.28%

FINANCIAL SNAPSHOT

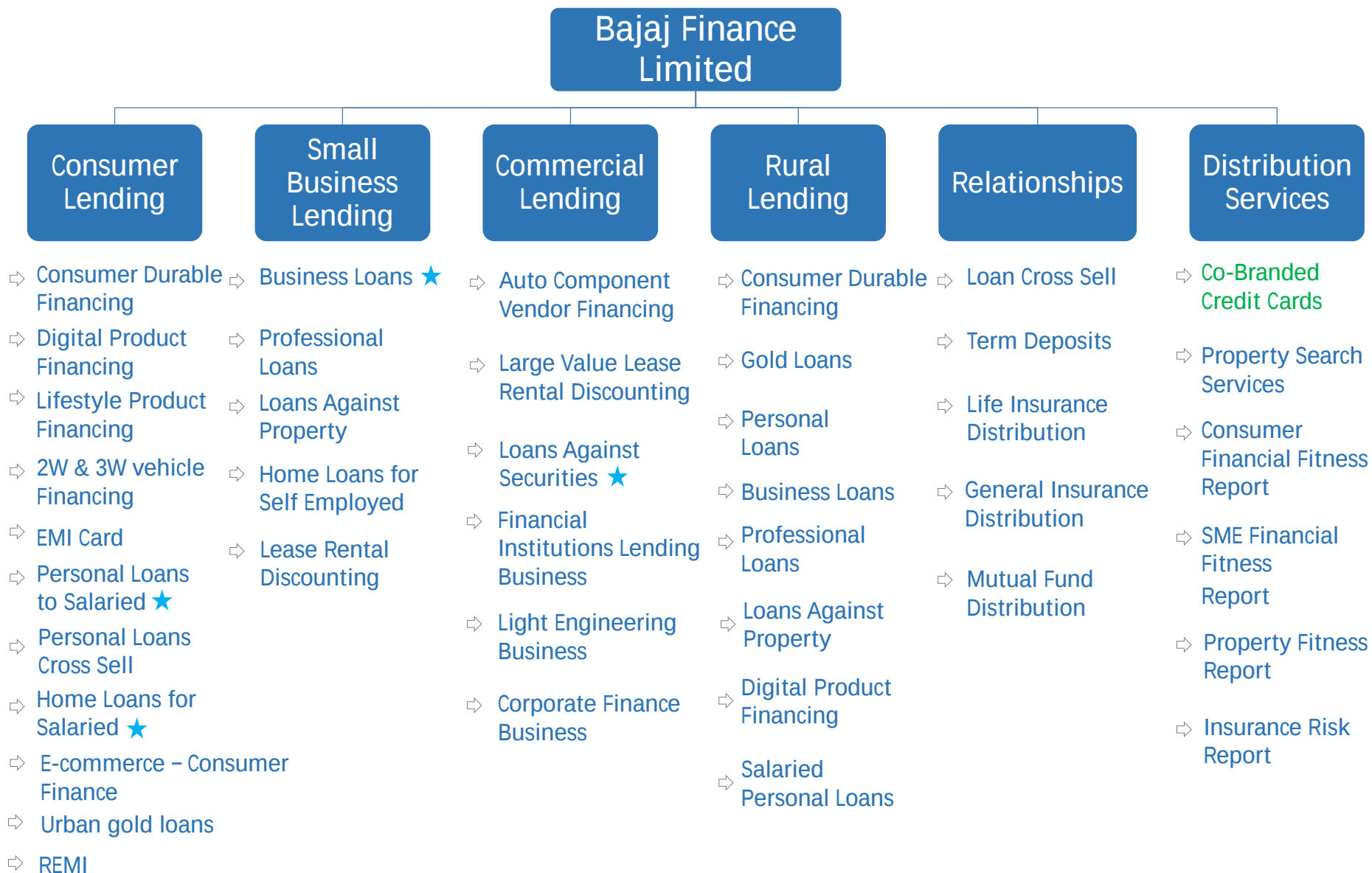
											₹ in Crs
Financials snapshot	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M FY17	YoY FY15 – FY16	CAGR (8 years)
Assets under management	2,539	4,032	7,573	13,107	17,517	24,061	32,410	44,229	57,605	36%	50%
Income from operations	599	916	1,406	2,172	3,110	4,073	5,418	7,384	7,396	36%	43%
Interest expenses	164	201	371	746	1,206	1,573	2,248	2,927	2,820	30%	51%
Net Interest Income (NII)	435	715	1,035	1,426	1,904	2,500	3,170	4,457	4,576	41%	39%
Operating Expenses	220	320	460	670	850	1,151	1,428	1,949	1,920	36%	37%
Loan Losses & Provision	164	261	205	154	182	258	385	543	529	41%	19%
Profit before tax	51	134	370	602	872	1,091	1,357	1,965	2,127	45%	68%
Profit after tax	34	89	247	406	591	719	898	1,279	1,387	42%	68%
Ratios	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M FY17		
Return on assets	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%	3.8%		
Return on equity	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.9%	22.3%		
Earning per share (Basic) - ₹ ^	0.93	2.42	6.75	11.08	13.57	14.48	17.99	24.23	25.8		
Net NPA	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%	*0.28%	**0.39%		
NPA provisioning coverage	32%	55%	79%	89%	83%	76%	71%	77%	74%		

*The net NPA & provisioning coverage numbers for FY16 are at 150 days over-due while the same for previous years are at 180 days over-due

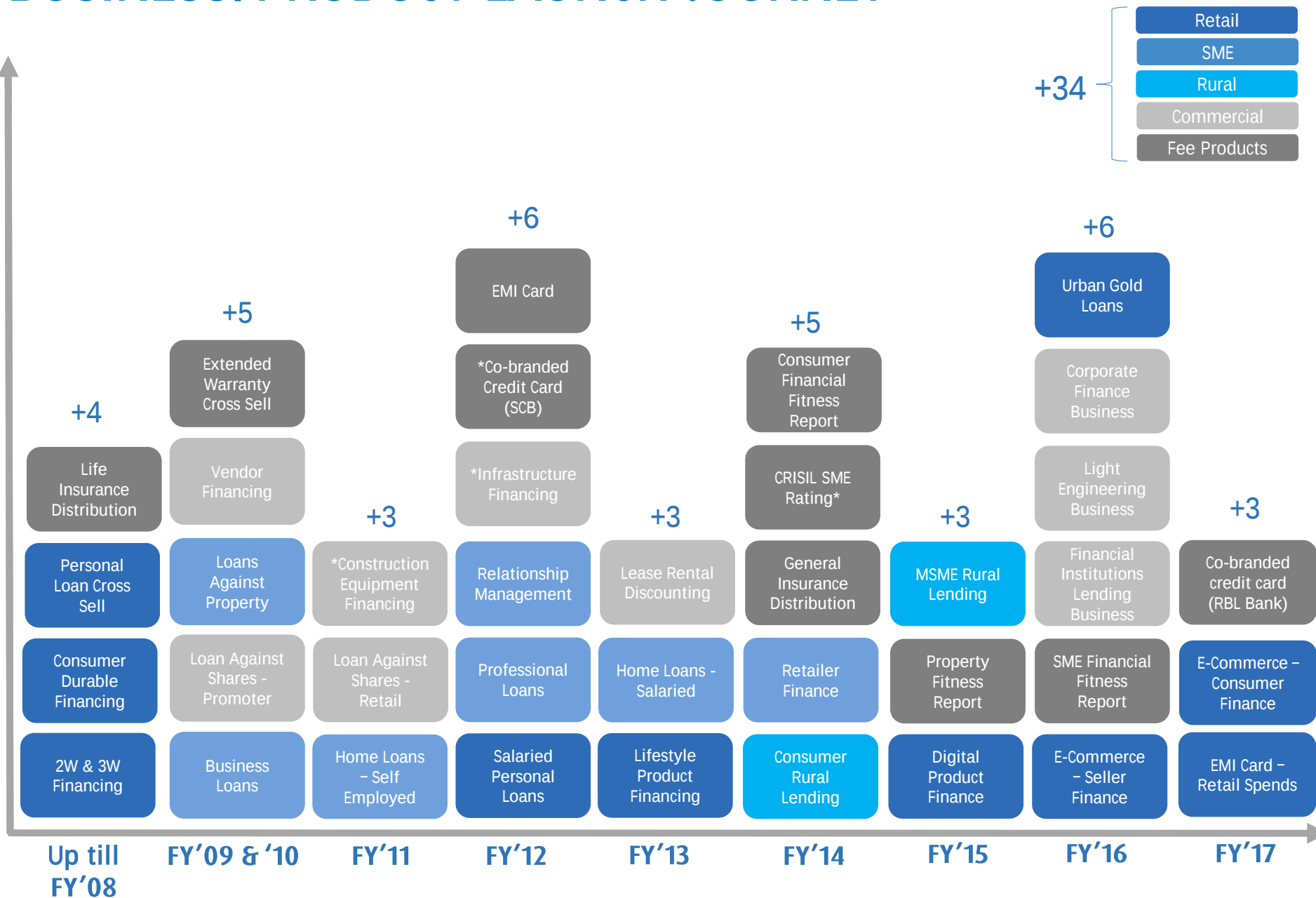
**The net NPA & provisioning coverage numbers for 9M FY17 are at 120 days over-due

^ EPS numbers adjusted for bonus and split

BAJAJ FINANCE LIMITED PRODUCT SUITE



BUSINESS/PRODUCT LAUNCH JOURNEY



* Closed

EXECUTIVE SUMMARY

Bajaj Finance

- 29 year old non bank with a demonstrated track record of profitability
- Focused on Consumer, Rural, SME & Commercial lines of businesses
- Portfolio mix for Consumer : SME : Commercial : Rural stands at 47% : 37% : 12% : 4%
- Strategic business unit organization design supported by horizontal common utility support functions to drive domain expertise, scalability and operating leverage
- Strategy is to focus on cross sell, customer experience and product & process innovations to create a differentiated & profitable business model
- The company has ₹ 57,605 Crs of Assets under Management with a net NPA of 0.39% and a capital adequacy of 21.26% as of 31 Dec 2016. The company in Q3 FY17 has delivered a pre tax profit of ₹ 850 Crs and a post tax profit of ₹ 556 Crs at an ROA¹ of 1.1% and ROE¹ of 6.4%

Consumer business

- Amongst the top three 2W lender in India focused on semi-urban & rural markets. Currently contributes to 46% of Bajaj Auto's domestic 2W sales
- Present in 304 locations with 25,000+ active distribution point of sale
- Largest consumer electronics lender in India, focused on affluent consumers
- Amongst the largest personal loan lenders in India
- EMI (Existing Membership Identification) Card franchise crossed 6.8 MM cards (CIF)
- Amongst the largest new loans acquirers in India (7.59 MM in 9M FY17)

Rural business

- Highly diversified lender in the rural eco system offering 11 products in consumer and MSME business categories with a unique hub and spoke business model
- Geographic presence across 519 towns and villages and retail presence across 3,900+ stores

¹ Not Annualised

EXECUTIVE SUMMARY (CONTD.)

SME Business

- Focused on high net worth SMEs with an average annual sales of ₹ 15 Crores with established financials & demonstrated borrowing track records
- Offer a range of working capital & growth capital products and mortgage (Loan against property, Lease Rental Discounting & Home Loans) products to SME & self employed professionals
- Offer full range of growth & working capital lending products to professionals (Doctors & CA's)
- Built a dedicated SME Relationship Management channel to provide wide range of cross sell products to our SME franchise
- Mortgage product strategy is to sell to existing customers only

Commercial business

- Offer wholesale lending products covering short, medium and long term needs of Auto component & light engineering vendors and financial institutions in India
- Offer a range of structured products collateralized by marketable securities or mortgage

Treasury

- Strategy is to create a balanced mix of wholesale and retail borrowings
- Borrowing mix of 37 : 54 : 09 between banks, money markets and retail deposits

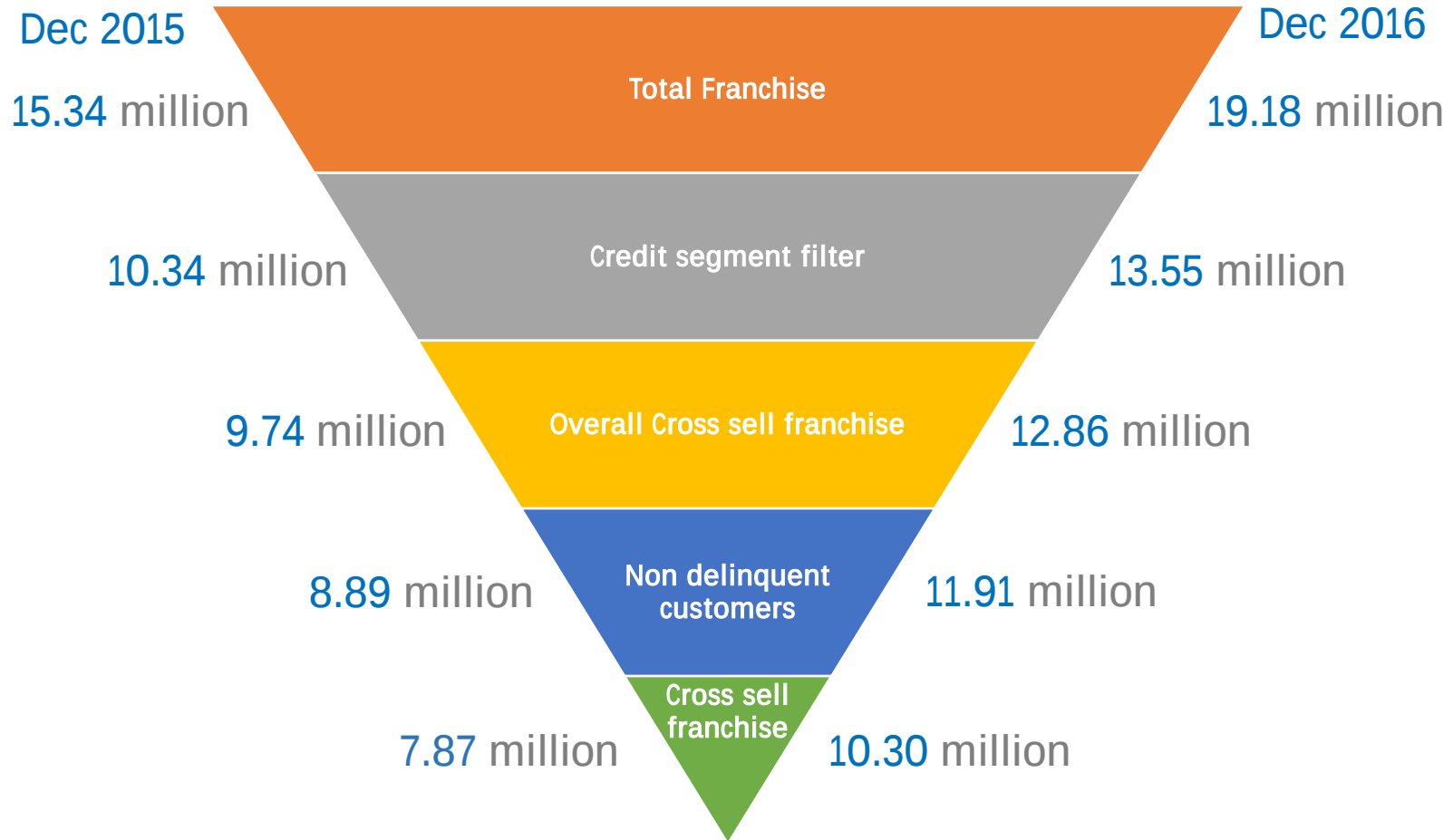
Credit Quality

- Gross NPA of 1.47% & Net NPA of 0.39% as of 31 Dec 2016 vs GNPA of 1.46% and NNPA of 0.35% as of 31 Dec 2015 at 120 dpd
- Provisioning coverage ratio stands at 74% as of 31 Dec 2016

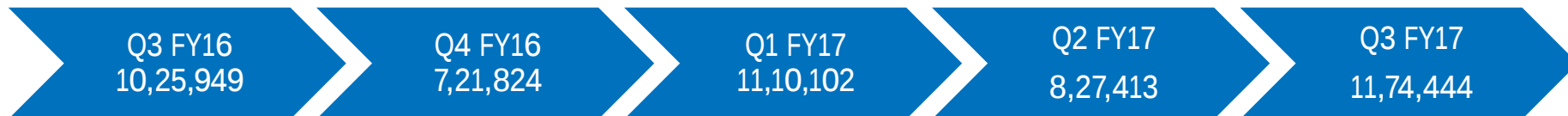
Credit Rating

- Credit rating for Long Term Debt Programme is AAA/Stable by CRISIL, India Ratings & CARE Ratings and AA+/Positive by ICRA.
- Credit rating for Short Term Debt Programme is A1+ by CRISIL, ICRA & India Ratings
- Credit rating for FD programme is FAAA/Stable by CRISIL & MAAA (Stable) by ICRA

CUSTOMER FRANCHISE



New to Bajaj customers



Growing customer cross sell franchise by 25-30% every year...

KEY PORTFOLIO METRICS

Business Segment		AUM (₹ Crores)					Deployments	IRR (%)	Ticket (Lacs)	Quarter gone by
		Q4 FY16	Q1 FY 17	Q2 FY 17	Q3 FY17	YoY	Q3 FY17	Range		
1.	2W & 3W finance	3,773	4,080	4,466	4,961	36%	1,295	22.0-28.0	0.58	●
2.	Consumer durable finance	5,556	6,783	6,937	7,258	22%	4,591	24.0-26.0	0.26	●
3.	Digital product finance	637	816	950	1,002	71%	760	24.0-26.0	0.22	●
4.	Lifestyle product finance	379	386	420	493	35%	335	24.0-26.0	0.48	●
5.	Personal loans cross sell	3,860	4,392	4,938	5,613	59%	1,261	16.0-33.0	1.56	●
6.	Salaried personal loans	2,614	2,764	2,947	3,274	12%	935	14.0-16.0	5.31	●
7.	Salaried – Home Loans	1,477	1,786	2,093	2,513	88%	576	9.0-10.0	37	●
8.	Business loans (BL)	4,309	4,866	5,057	5,483	32%	1,311	17.0-20.0	13	●
9.	Professional loans	1,112	1,265	1,421	1,573	60%	465	14.0-17.0	11	●
10.	Loan against property (LAP)	8,332	8,661	8,536	8,575	(4%)	1,228	11.0-12.0	103	●
11.	Self employed – Home Loans	3,089	3,286	3,252	3,539	9%	721	9.5-10.5	63	●
12.	Loan against securities	2,659	2,975	3,107	3,511	49%	-	9.5-11.0	-	●
13.	Vendor financing	1,394	1,545	1,551	1,817	23%	-	9.5-12.0	-	●
14.	Financial institutions group	429	433	438	622	164%	216	10.0-11.5	-	●
15.	Corporate finance	338	459	578	488	55%	56	10.0-11.5	-	●
16.	Infrastructure lending	311	306	305	245	(21%)	-	NA	NA	● *
17.	RM Business	1,887	2,136	2,126	2,261	23%	372	10.0-17.0	-	●
18.	Rural lending	1,339	1,688	1,948	2,575	122%	1,185	14.0-35.0	-	●
19.	BFS Direct (HL, PL)	576	721	843	1,110	-	378	9.0-16.0	-	●

* Paused

AUM of 57,605 Crs includes other small businesses which are not mentioned above

STRONG DISTRIBUTION REACH

Geographic Presence (No. of branches)

Business Line	FY13	FY14	FY15	FY16	FY17*
Consumer presence	91	114	161	193	304
SME presence	57	80	119	262	296
Rural presence	-	70	232	397	519
Total Bajaj Finance presence	91	184	393	590	823

Active Distribution (Points of sale)

Business Line	FY13	FY14	FY15	FY16	FY17*
CD retailer	3,500+	4,900+	7,000+	9,400+	14,000+
Digital retailer	850+	1,600+	2,650+	5,200+	5,900+
Lifestyle retailer			1,150+	3,200+	3,900+
Retail EMI retailer	-	-	-	-	4,600+
2W-Dealer/ASCs	2,600+	2,600+	3,000+	3,000+	3,000+
SME – DSA	400+	700+	700+	800+	1,000+
Rural retailer	-	-	1,500+	3,200+	3,900+
Total reach	7,000+	9,000+	16,000+	24,000+	35,000+

of New loans disbursed ('000s)

Business Line	FY13	FY14	FY15	FY16	FY17*
Consumer Loans	1,908	2,450	3,623	4,690	4,968
Lifestyle & Digital	37	109	374	723	1,083
Personal Loans	116	137	206	299	273
2W & 3W	736	651	561	626	605
Rural Finance	-	22	131	448	578
SME/Commercial	11	20	30	48	90
Total	2,808	3,389	4,924	6,834	7,597

Assets Under Management (₹ Crores)

Business Line	FY13	FY14	FY15	FY16	FY17*	Mix
Consumer Lending	7,138	9,328	13,202	18,996	26,998	47%
SME Lending	7,750	12,009	15,551	18,692	21,079	37%
Commercial Lending	2,629	2,674	3,324	5,202	6,953	12%
Rural Lending	-	50	333	1,339	2,575	4%
Total AUM	17,517	24,061	32,410	44,229	57,605	100%

* As at / Year to date for the quarter ending

KEY PERFORMANCE HIGHLIGHTS FOR Q3 FY17

- Customer franchise as of 31 Dec 2016 ↑ 25% to 19.18 MM from 15.34 MM as of 31 Dec 2015. During the quarter, the company acquired 1.17 MM new customers
- New loans booked during Q3 FY17 ↑ 35% to 28,79,595 from 21,39,041 in Q3 FY16
- Assets under Management (AUM) as of 31 Dec 2016 was ↑ 33% to ₹ 57,605 Crs from ₹ 43,452 Crs as of 31 Dec 2015
- Total income for Q3 FY17 ↑ 32% to ₹ 2,729 Crs from ₹ 2,069 Crs in Q3 FY16
- Loan losses and provisions for Q3 FY17 ↑ 23% to ₹ 180 Crs as against ₹ 146 Crs in Q3 FY16.
- Profit before tax for Q3 FY17 ↑ 36% to ₹ 850 Crs from ₹ 625 Crs in Q3 FY16
- Profit after tax for Q3 FY17 ↑ 36% to ₹ 556 Crs from ₹ 408 Crs in Q3 FY16
- Return on Assets and Return on Equity for Q3 FY17 were 1.1% and 6.4% (not annualized) respectively
- Gross NPA and Net NPA as of 31 Dec 2016 stood at 1.47% and 0.39% respectively. The provisioning coverage ratio stood at 74% as of 31 Dec 2016. The Company follows NPA recognition policy of 120 days overdue as required by RBI guidelines. The comparable Gross and Net NPA for last year stood at 1.46% and 0.35% respectively. The Company has not opted for 90 days' relaxation extended by RBI for recognition of loan accounts as NPA. During the quarter, the Company sold NPA receivables of 92 Crs worth across Consumer and SME businesses on cash basis.
- Capital adequacy ratio (including Tier II capital) as of 31 Dec 2016 stood at 21.26%. Tier I capital stood at 15.26%. During the quarter, the company raised ₹ 105 Crs by way of Tier II capital to augment its capital base. The Company continues to be well capitalized to support its growth trajectory

FINANCIAL STATEMENT SUMMARY

	₹ in Crores						
Financials snapshot	Q3'17	Q3'16	YoY	9M'17	9M'16	YoY	FY16
Assets under finance (AUF)	54,285	41,727	29%	54,285	41,727	29%	42,756
Assets under management (AUM)	57,605	43,452	33%	57,605	43,452	33%	44,229
Total Interest & fee Income	2,729	2,069	32%	7,396	5,426	36%	7,384
Interest expenses	980	749	31%	2,820	2,121	33%	2,927
Net Interest Income (NII)	1,749	1,320	33%	4,576	3,305	38%	4,457
Operating Expenses	719	549	31%	1,920	1,443	33%	1,949
Loan Losses & Provision	180	146	23%	529	386	37%	543
Profit before tax	850	625	36%	2,127	1,476	44%	1,965
Income tax	294	217	35%	740	513	44%	686
Profit after tax	556	408	36%	1,387	963	44%	1,279
Ratios	Q3'17	Q3'16		9M'17	9M'16		FY16
Total Opex to NII	41.1%	41.6%		42.0%	43.7%		43.7%
Total Opex to Total Income	26.3%	26.5%		26.0%	26.6%		26.4%
Loan loss to AUF*	0.3%	0.3%		1.0%	0.9%		1.2%
Return on Average AUF*	1.1%	1.0%		2.9%	2.5%		3.5%
Earning per share - Basic (Rs.) *	10.3	7.6		25.8	18.3		24.2
Return on Average Equity *	6.4%	5.8%		16.7%	15.4%		20.9%

* Not annualized

MACRO ECONOMIC INDICATORS

Parameters	Oct '16	Nov'16	Dec'16
IIP	-1.9%	5.7%	-
CPI	4.20%	3.63%	3.41%
WPI	3.79%	3.15%	3.39%

- Consumer durables and Consumer non-durables have recorded a growth of 9.8% and 2.9% respectively, with the overall growth in Consumer goods being 5.6% in November 2016
- As of 06 January 2017, projected gross bank credit of scheduled commercial banks amounted to ₹ 74.1 lac Crs, registering an increase of 6.08% during the year as against an increase of 10.59% in the previous year
- As per RBI's 'Financial Stability Report' published in December 2016, Gross non-performing advances (GNPAs) ratio of Scheduled Commercial Banks increased to 9.1% in September 2016 from 7.8% in March 2016. Stressed advances ratio increased to 12.3 % from 11.5% during the same period. PSBs continue to register the highest GNPA ratio at 11.8% followed by Foreign banks at 4.1% and Private banks at 3.2%

Auto sector (9M FY17)

	Overall	PV	CV	2W	3W	Scooters	Motorcycles
YoY growth %	7.31%	8.59%	3.52%	10.04%	1.88%	15.73%	6.30%

MANAGEMENT DISCUSSION

2 Wheeler & 3 Wheeler Financing

Disbursed: 1,295 Crs
(Growth: 33% YoY)

- 2 Wheeler financing business disbursed 208K accounts in Q3 FY17 (17% YoY)
- 3 Wheeler financing business disbursed 14K accounts in Q3 FY17 (65% YoY)
- 2 Wheeler financing penetration of Bajaj Auto's domestic 2 Wheeler sales improved to 45.6% in Q3 FY17 from 37.7% in Q3 FY16 due to de-monetisation
- 3 Wheeler financing penetration of Bajaj Auto's domestic 3 Wheeler sales in Q3 FY17 improved to 28.8% in Q3 FY17 from 17.5% in Q3 FY16

Consumer Durables

Disbursed: 16.47 lac
accounts
(Growth: 13% YoY)

- Business is now live in 304 locations with active presence in 14,000+ stores
- BFL co-branded cards along with Chroma and Bajaj Electronics went live in Q3 FY17
- CD business clocked a new milestone of more than 100K application logins on a single day of Dhanteras
- Volumes were impacted due to credit actions taken in Q2 FY17 & de-monetisation

Digital Product Finance

Disbursed: 3.46 lac
accounts
(Growth: 94% YoY)

- Business tie-ups remain strong with finance schemes on smartphones and laptops across all major OEMs. New OEMs signed up were Motorola, Google, Huawei and Reliance LYF
- De-monetisation impacted volumes in November 2016 to the extent of 35%. However business has returned to normalcy post mid December 2016
- Business entered into a strategic partnership with Pine Labs to increase distribution coverage. Pine Labs process was activated at 3K + stores

MANAGEMENT DISCUSSION (CONTD.)

Lifestyle Finance	• Expansion of categories to Life Care Finance, Loan For Furniture, Mattress finance across business helped deliver 51% YoY growth • Furniture contributed to 62% of business volumes • Life Care Finance delivered ~9K cases in Q3 FY17. It contributed to 13% of business volume in Q3 FY17 • Business enrolled 680 new clinics in Q3 FY17 for life care financing. It is currently present in 2,100+ clinics in 39 cities
REMI	• Immense traction gained from collaborations with fashion retail giants like Shoppers Stop, Globus, Megamart and Arvind Stores in Q3 FY17 • 3.5K stores added in Q3 FY17 taking the total distribution footprint to over 8K stores. Business is currently operational in 35 cities • EMI financing partnership with Future group has garnered tremendous response across financing of apparels & groceries. 25%+ are repeat customers every month • Average ticket size of 10K is 3X of credit card and debit card per spend
Ecommerce	• 'No Cost EMI' proposition clocked 12K transactions in a single day during promotions run by Flipkart and Amazon in the month of October 2016 • New categories added to the proposition viz, furniture, air purifiers, kitchen appliances etc.

MANAGEMENT DISCUSSION (CONTD.)

Credit Cards	- Launched co-branded credit cards distribution business with RBL Bank - Co-branded credit cards will have a set of unique customer value propositions including no-cost EMI options at PoS, accelerated rewards for high savings & no interest on cash withdrawals upto 50 days
EMI Cards 6.8 MM CIF	- Sourced 625K cards in Q3 FY17 - Activation, Retention and Usage (ARU) capabilities are being built to drive sales and stimulate EMI Card base - Achieved 1.7x transactions in Q3 FY17 as compared to Q3 FY16 with total count of 11.5 lac transactions across all categories (CD, Digital, Lifestyle, Ecommerce & REMI)
Personal Loan Cross Sell Disbursed: 1,261 Crs (Growth: 49% YoY)	- Investments made in top end campaign management tools to improve cross sell efficiency 24 new cities added in Tier 3 & 4 markets, increasing PLCS footprint to 257 cities - The 'loan on phone' model wherein loan is disbursed through a paperless process contributed to 16% of overall PLCS business volumes

MANAGEMENT DISCUSSION (CONTD.)

Gold Loans

Net AUM growth of
86 Crs

- Business crossed 460 Crs AUM
- Currently present in 60 urban branches and 130 rural branches
- New capabilities are being built to reduce customer TAT and provide ease for repeat transactions
- Business is significantly impacted due to de-monetisation

Salaried Personal Loans

Disbursed: 935 Crs
(Growth: 29% YoY)

- Salaried Loans business remodeled into “direct to customer” with over 70% of new customers coming through direct channel in Q3 FY17
- Business transformed from standard term loan to flexible term loan & line of credit thereby creating a differentiated product proposition in the market
- Business is now present in 72 locations
- Business continues to face intense competition on pricing and volume from private sector banks

Salaried Home Loans

Disbursed: 576 Crs
(Growth: 75% YoY)

- Business is now present in 26 locations
- Focus is on increasing Tier 2 penetration
- Business adopted a more cautious approach in developer finance post de-monetisation

MANAGEMENT DISCUSSION (CONTD.)

BFS Direct	• Business now has an AUM of 1,110 Crs • Business has seen good traction in its Home Loans business in Q3 FY17 • New platform to deliver end-to-end digital lifecycle experience along with new capabilities is being developed
Disbursed 378 Crs	

Rural Lending Consumer Business	• Business is now present in 519 locations with 131 branches and 388 spokes • Credit metrics of the business improved significantly post credit actions of June 2016 • Investments made in sales structure to focus on each product to scale business
RB2B: 237K RB2C: 499 Crs	

MSME Rural	• Secured sourcing was at 79% for new business in Q3 FY17 • Volumes are higher in Q3 FY17 as compared to Q2 FY17
Disbursed: 92 Crs	

MANAGEMENT DISCUSSION (CONTD.)

Business Loans

Disbursed: 1,311 Crs
(De-growth: 11%
YoY)

- Post de-monetisation, SMEs have reduced their borrowings due to steep slow down in business activity. Business is now slowly returning to normalcy
- Business has dipped due to decline in Prime & Growth markets by 6.4% and 15.6% respectively YoY in Q3 FY17
- D2C business contribution was 28% in November and December 2016

Professional Loans

Disbursed: 465 Crs
(Growth: 48% YoY)

- Professional loans delivered robust growth in Q3 FY17 due to 'multi-channel direct acquisition' approach which helped mitigate the impact of de-monetisation
- Business is now present in 118 locations. Tier II penetration increased from 47% to 52%
- Active participation in doctor and CA conferences augmented the direct reach to professionals in Q3 FY17

Loan Against Property

Disbursed: 1,228 Crs
(De-growth: 3%
YoY)

- Overall de-growth of business owing to de-monetisation
- Business is now present in 83 locations, with addition of 9 new locations in Q3 FY17
- Mortgage re-engineering has gone live and is expected to deliver lower costs and higher velocity in next fiscal

MANAGEMENT DISCUSSION (CONTD.)

Home Loans – Self employed

Disbursed: 721 Crs
(Growth: 42% YoY)

- Delivered a business of 721 Crs, registering a growth of 42% YoY
- 100% of the business is now D2C
- Business is now present in 54 locations

Commercial Lending

- ACMF book grew by 265 Crs in Q3 FY17
- Elevated competitive intensity seen from major private / foreign banks due to softening of interest rates & improving credit profile of several auto ancillaries
- Credit performance of portfolio continues to hold strong

Loan Against Securities

Net AUM growth of -
404 Crs

- AUM for LAS business has crossed 3,500 Crs
- Focus on building LAS ancillary products like IPO Financing has helped to grow fee based revenue stream
- B2B2C Segment remained on high growth phase with 15% contribution in AUM growth in Q3 FY17

MANAGEMENT DISCUSSION (CONTD.)

Relationship Management	
Disbursed: 371 Crs (De-Growth: 32% YoY)	- Demonetization impacted the SME segment. This led to lower disbursement figures & smaller ticket loans - HNI Salaried & Doctor segments added to counter the effect of demonetization on SME segment - Motor insurance & Financial report based engagement for HNI customers initiated

Fixed Deposits & IFA	
Total book – 3,901 Crs (91% YoY)	- Credit rating for FD programme is FAAA/Stable by CRISIL & MAAA (Stable) by ICRA - Corporate liabilities initiative launched in Q1 FY17, continues to show encouraging results with 175 corporates relationships developed so far - Average retail deposit size is at 4.1 lacs with a weighted tenor of 24.86 months - IFA channel now has 1,315 IFAs, activated 236 in Q3 FY17

Portfolio Metrics	
	- GNPA on 120dpd was 1.47% as of 31 Dec 2016 versus 1.46% in the previous year - NNPA on 120dpd was 0.39% as of 31 Dec 2016 versus 0.35% in the previous year - Provisioning coverage ratio stood at 74% - Company has not opted for 90 days' relaxation extended by RBI for recognition of loan accounts as NPA. - Sold NPA receivables of 92 Crs worth across Consumer & SME businesses on cash basis

MANAGEMENT DISCUSSION (CONTD.)

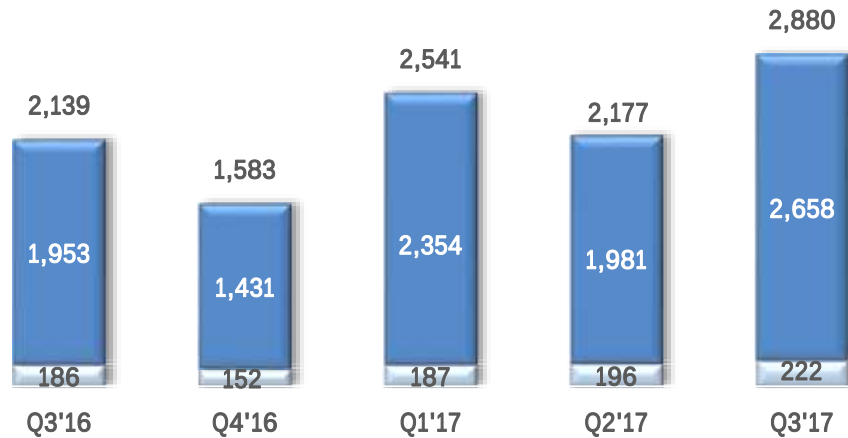
Interest Cost	• Interest cost for the company continues to remain significantly lower amongst its NBFC peers • Borrowing mix of 37 : 54 : 09 between banks, money markets and retail deposits • Credit rating for Long Term Debt Programme is AAA/Stable by CRISIL, India Ratings & CARE Ratings and AA+/Positive by ICRA • Credit rating for Short Term Debt Programme is A1+ by CRISIL, ICRA & India Ratings • Credit rating for FD programme is FAAA/Stable by CRISIL & MAAA (Stable) by ICRA
Employee Engagement Survey 86%	• Annual 'Employee Engagement Survey' score has further improved from 84% in FY16 to 86% in current year. The survey is conducted for us every year by Aon Hewitt • Company expects to remain in the top quartile of best employers in India

FINANCIAL PERFORMANCE TRENDS – Q3 FY17

of Loans Disbursed ('000)

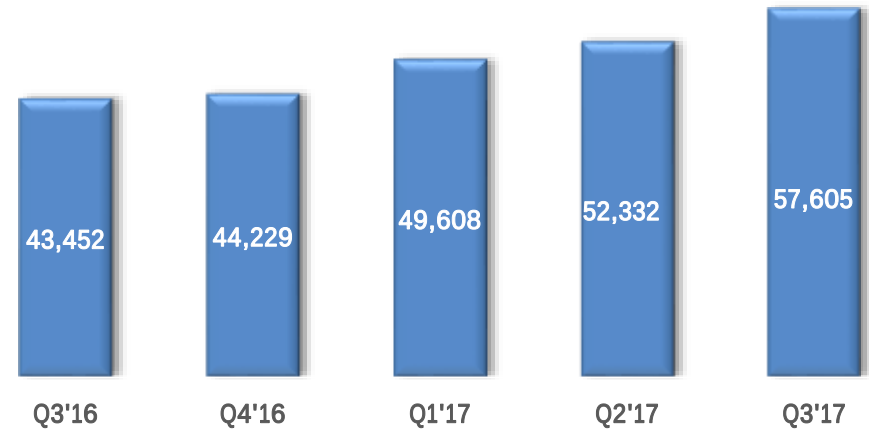
↑ 35% YoY

■ 2 Wheelers ■ Others



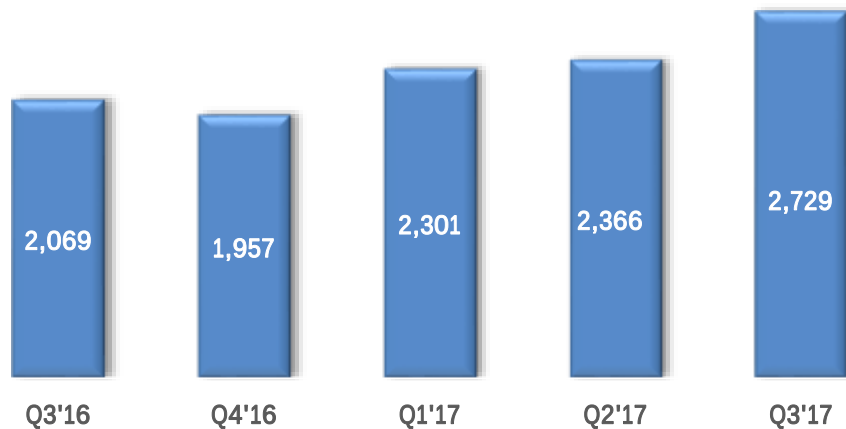
AUM (₹ Crore)

↑ 33% YoY

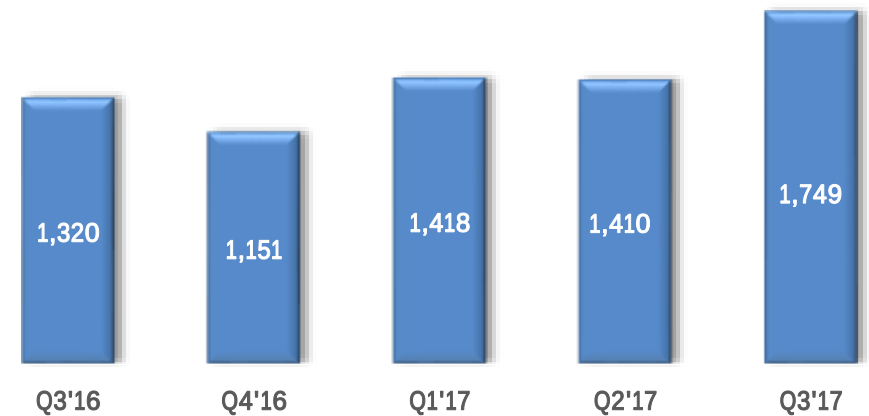


Revenue (₹ Crore)

↑ 32% YoY

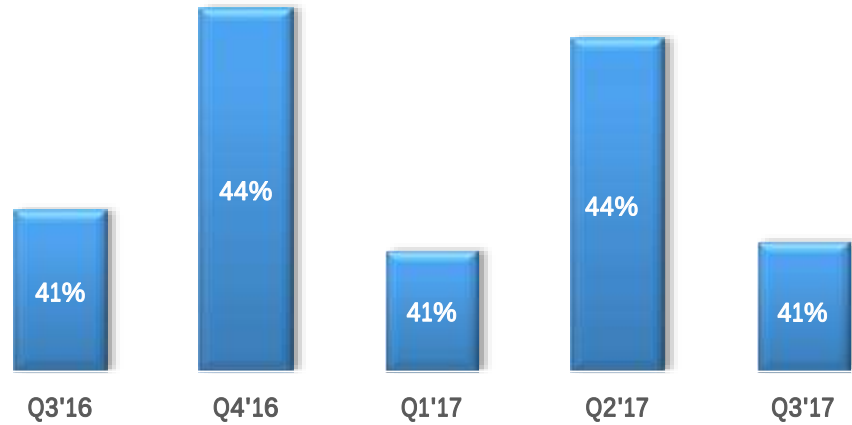


Net Interest Income (NII) (₹ Crore) ↑ 32% YoY



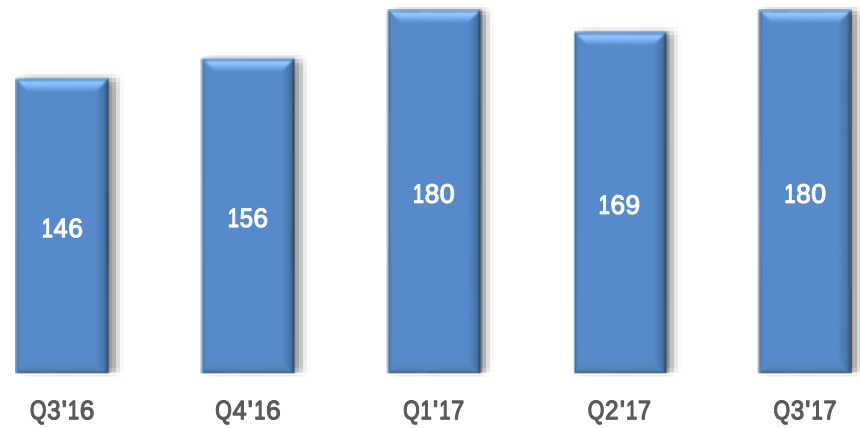
FINANCIAL PERFORMANCE TRENDS – Q3 FY17

Operating expenses % of NII

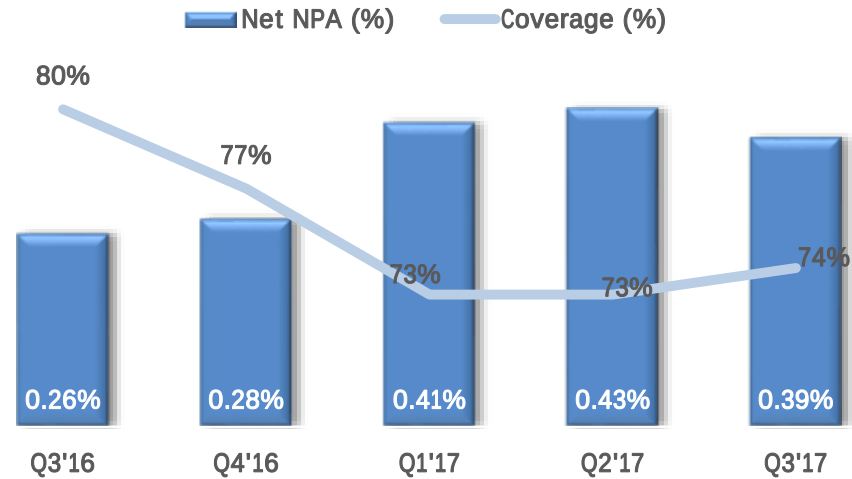


Loan loss provision (₹ Crore)

↑ 23% YoY

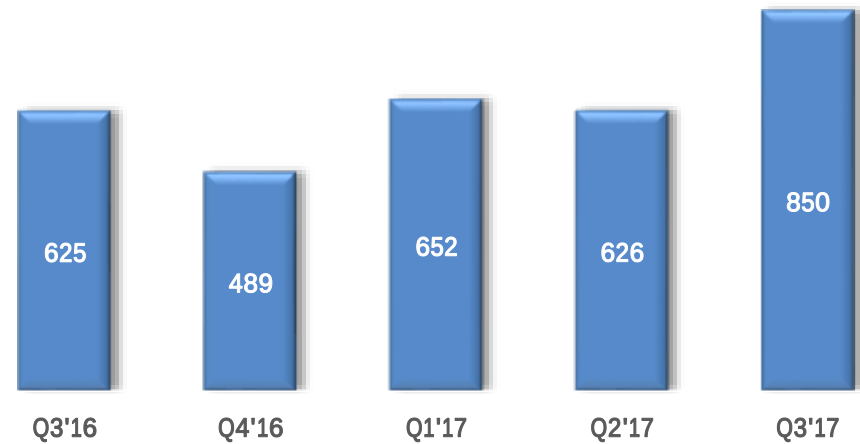


Net NPA & Provisioning coverage*



Profit Before Tax (₹ Crore)

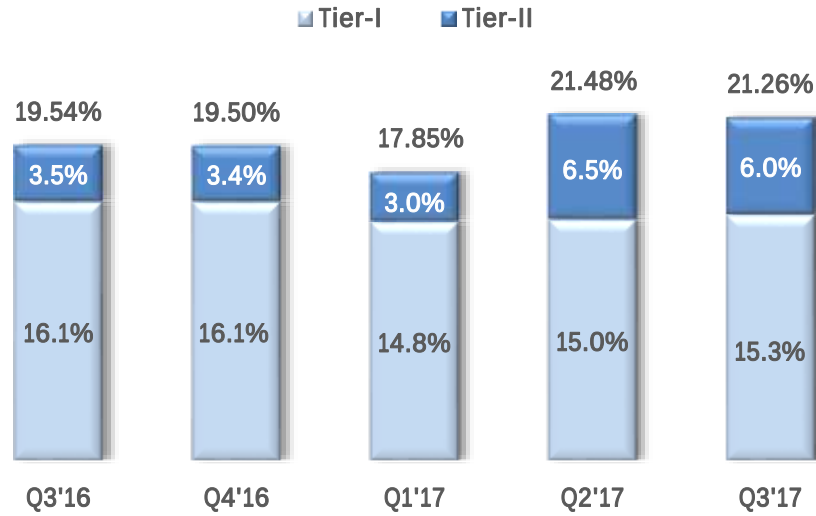
↑ 36% YoY



*The net NPA & provisioning coverage numbers for Q1 FY17 are at 120 days over-dues while the same for Q2'16, Q3'16 and Q4'16 quarters are at 150 days over-due.

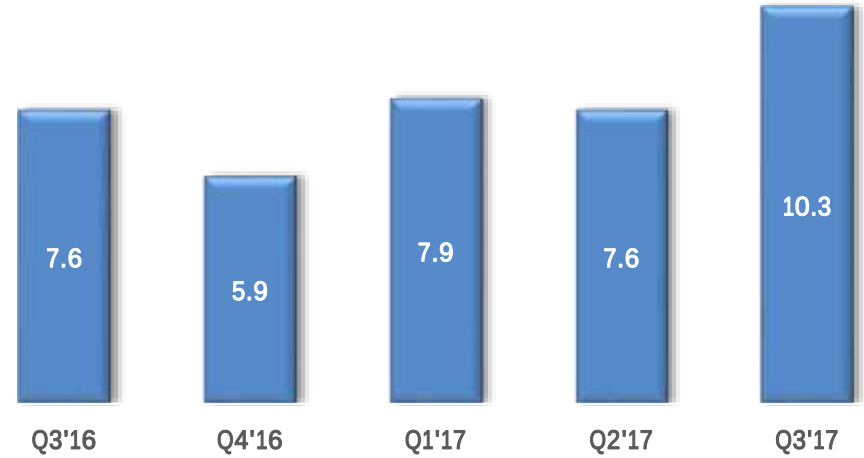
FINANCIAL PERFORMANCE TRENDS – Q3 FY17

Capital adequacy ratio

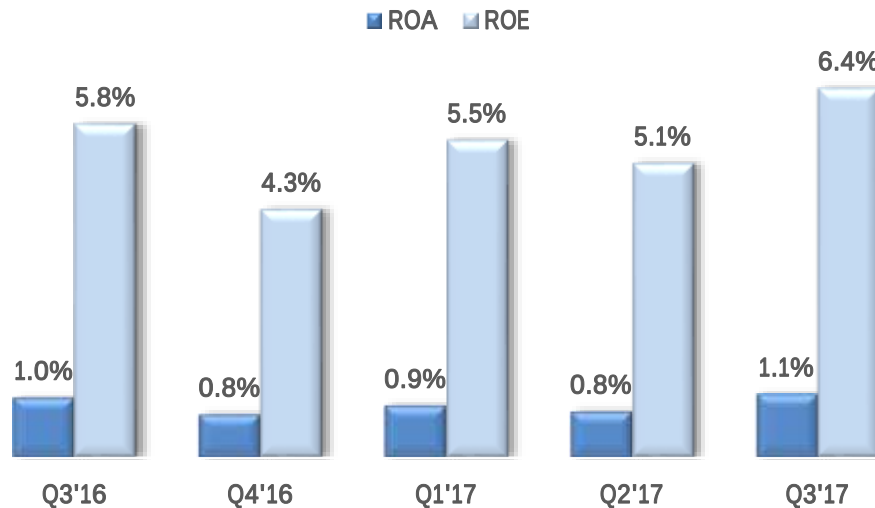


Earnings per share – Basic (₹)

↑ 35% YoY

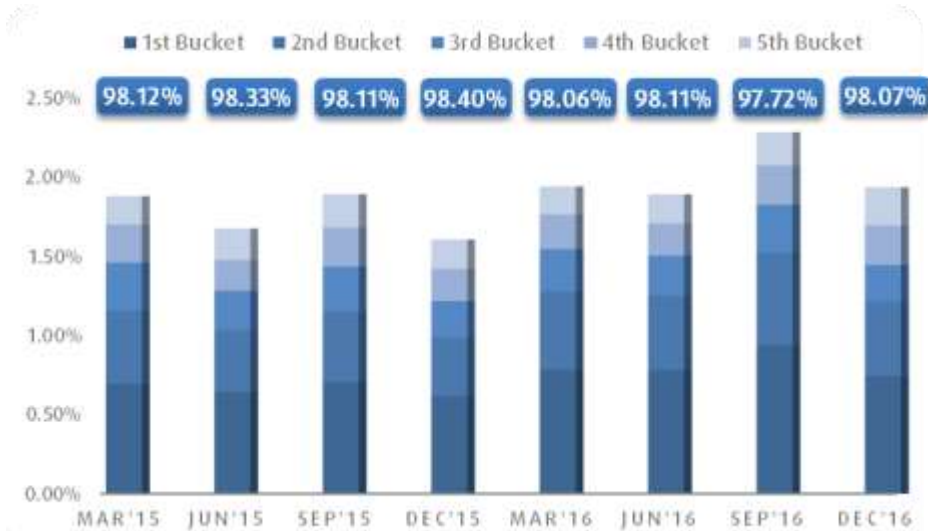


Return on avg. assets under finance & Equity

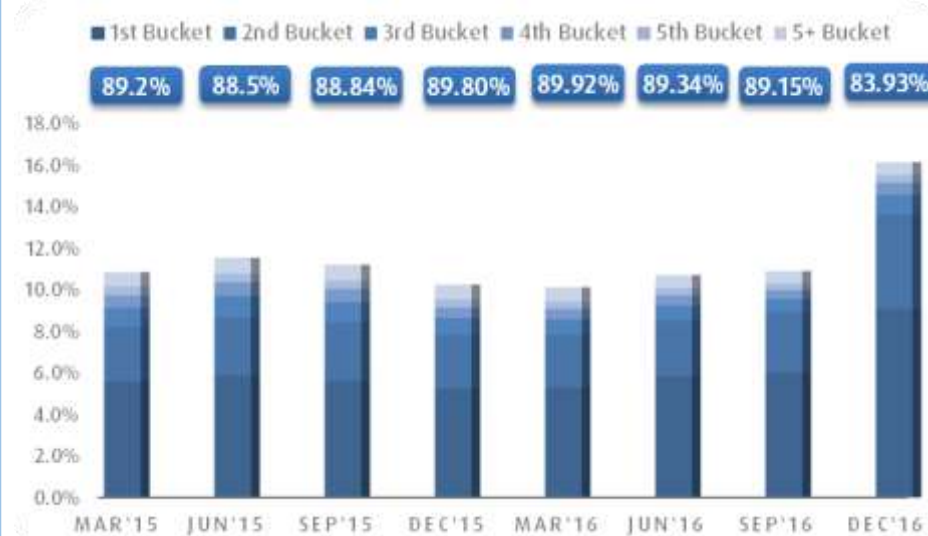


CREDIT QUALITY – PORTFOLIO COMPOSITION

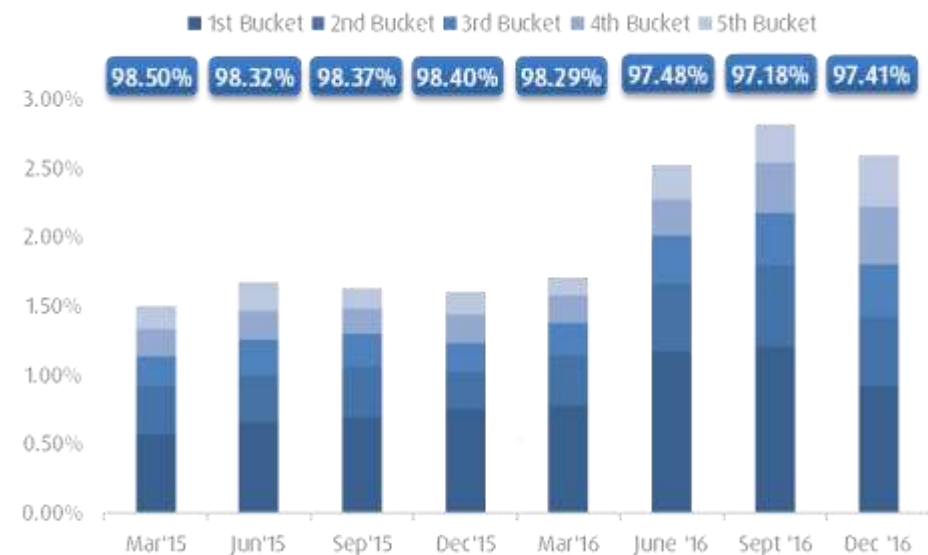
CD loan portfolio



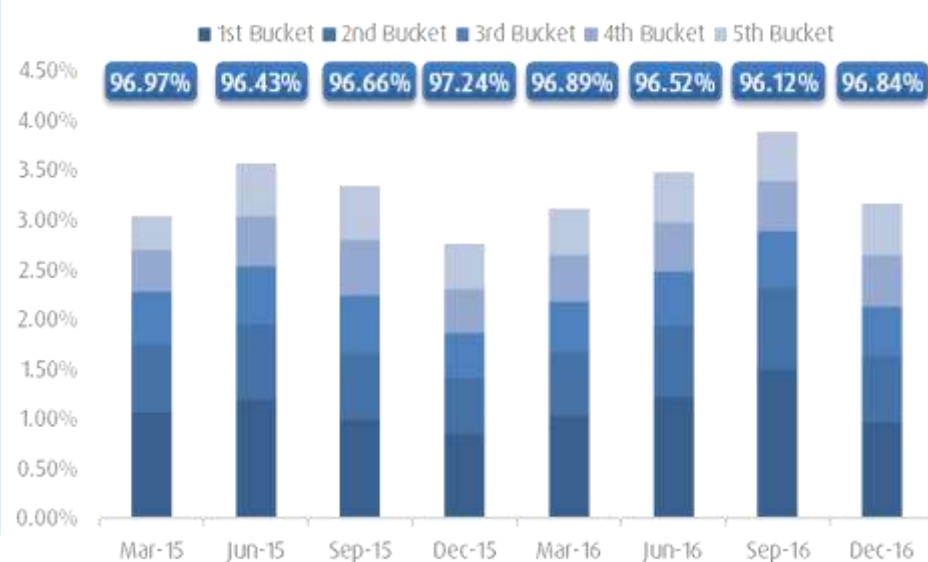
Two & Three wheeler loan portfolio



Lifestyle finance loan portfolio



Digital product finance loan portfolio



Legends indicate customers who are current/ no dues as of the month.

CREDIT QUALITY – PORTFOLIO COMPOSITION

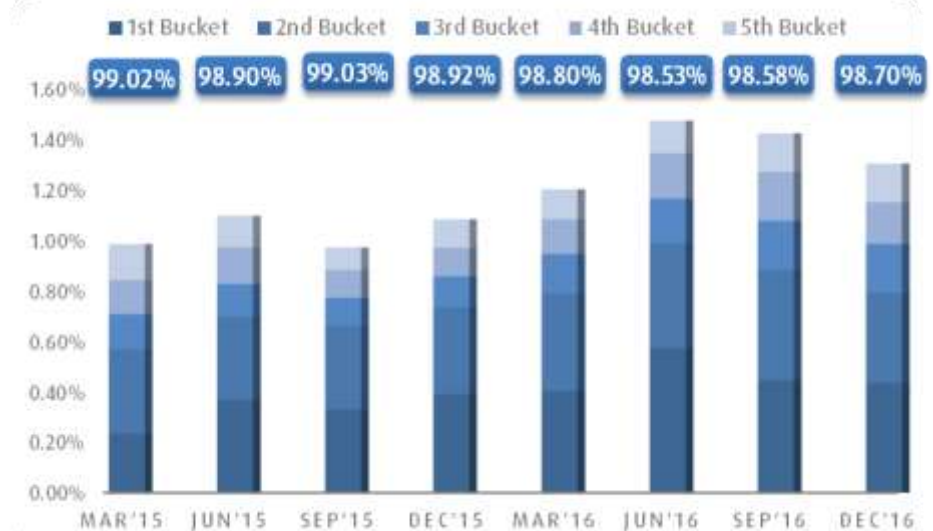
Personal loan cross sell portfolio



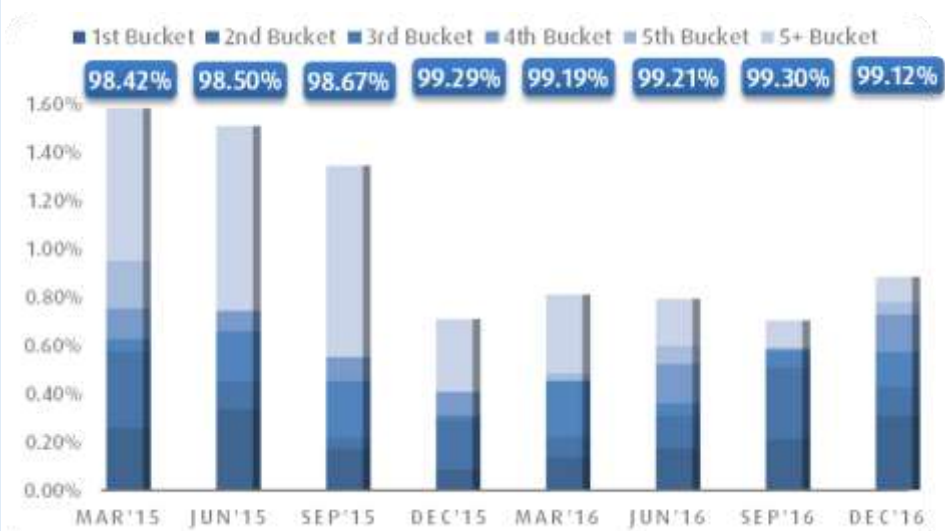
Salaried personal loan portfolio



Small business loan portfolio



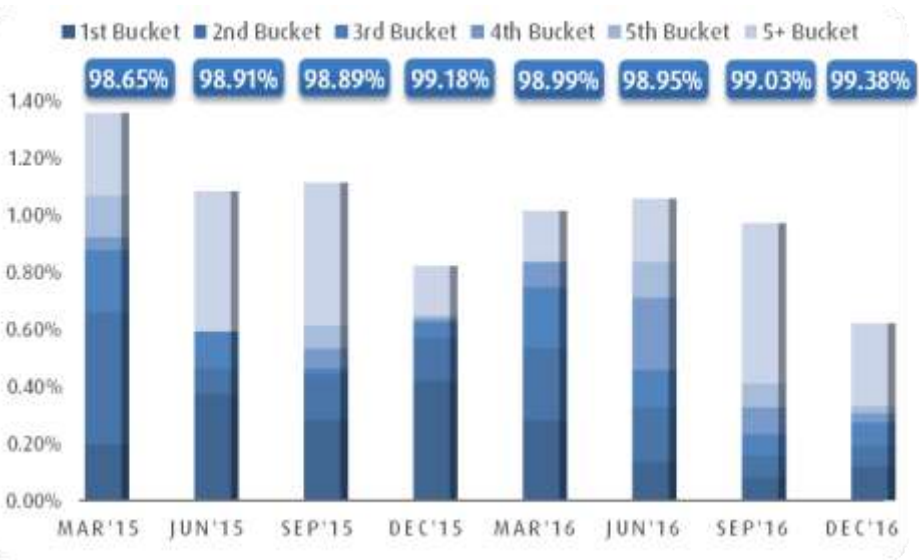
Loan against property portfolio



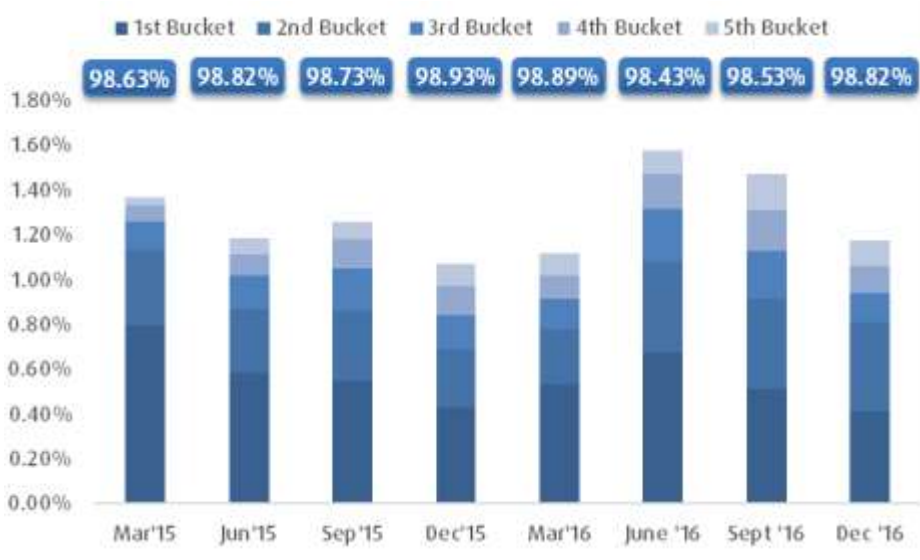
Legends indicate customers who are current/ no dues as of the month.

CREDIT QUALITY – PORTFOLIO COMPOSITION

Home loans portfolio



Rural Lending portfolio (Basket of 10 products)



Legends indicate customers who are current/ no dues as of the month.

CREDIT QUALITY – PROVISIONING COVERAGE

Business Segment (Values in ₹ Crs)		AUM Q3 FY17	GNPA	NNPA	PCR (%)	GNPA (%)	NNPA (%)		Remarks
1.	2W & 3W finance	4,961	230	87	62%	4.50%	1.74%	●	Repossessionable asset
2.	Consumer durable finance	7,258	141	11	92%	2.07%	0.17%	●	
3.	Digital product finance	1,002	19	3	87%	1.87%	0.25%	●	
4.	Lifestyle	493	9	2	83%	1.83%	0.32%	●	
5.	Personal loans cross sell	5,613	110	12	89%	1.92%	0.21%	●	
6.	Salaried personal loans	3,274	27	4	86%	0.80%	0.12%	●	
7.	Salaried – Home Loans	2,513	4	3	14%	0.16%	0.14%	●	1.25 X property cover
8.	Business loans (BL)	5,483	109	18	84%	1.95%	0.32%	●	
9.	Professional loans	1,573	11	1	88%	0.67%	0.08%	●	
10.	Loan against property (LAP)	8,575	75	44	41%	1.09%	0.64%	●	1.5 X property cover
11.	Self employed – Home Loans	3,539	39	24	40%	1.51%	0.91%	●	1.4 X property cover
12.	Loan against securities	3,511	-	-	-	0%	0%	●	
13.	Vendor financing	1,817	-	-	-	0%	0%	●	
14.	Financial institutions group	622	-	-	-	0%	0%	●	
15.	Corporate finance	488	-	-	-	0%	0%	●	
16.	Infrastructure lending	245	-	-	-	0%	0%	●	
17.	RM Business	2,261	10	2	80%	0.53%	0.11%	●	1.5 X property cover
18.	Rural lending	2,575	19	3	84%	0.72%	0.12%	●	
19.	BFS Direct	1,110	3	0	87%	0.27%	0.04%	●	
Bajaj Finance		57,605	820	217	100%	1.47%	0.39%		Q3 FY16 GNPA: 1.46% & NNPA: 0.35%

PCR – Provisioning Coverage Ratio

Total AUM includes other small businesses which are not mentioned above

PR COVERAGE HIGHLIGHTS IN Q3 FY17

INTERVIEW: RAJEEV JAIN

MANAGING DIRECTOR, BAJAJ FINANCE

We're heading towards mobile wallets, debit card swipes

While business-to-business (B2B) segments have been hit to some extent owing to the government's demonetisation move, Bajaj Finance's initiatives to move to digital channels have helped it maintain the momentum on collections, managing director Rajeev Jain told investors in a conference call. Edited excerpts:

What has been the impact of demonetisation on loan applications?

The top four businesses for us are the two-wheeler business, consumer electronics business, mobile products financing business and lifestyle financing businesses. Our B2B businesses have

close to 37,000 points of sale, where clients walk in and enquire about products they have to purchase. This is highly seasonal in nature. Between November 1 and 30, on an aggregate basis, the total number of log-ins, or applications, was close to 680,000, compared with 570,000 last year, which marks around 20% jump. But one has to look at it in the context that this quarter normally sees a 40-55% growth. The numbers tell you how inquiries and applications from customers dropped. I must clarify that this doesn't represent the quarter. It represents only the month of November – for a period of 30 days post demonetisation.

Has it hit growth in your consumer durables finance portfolio?

In the guidance, we had told investors that based on the portfolio performance, we've taken a decision to cut 18% of the (consumer durables finance) business.

If we had not cut 18% of this business, the growth would look like 25-26% versus 10% that you are seeing. In a way, there is a 6-8% impact we would have seen, if not for our credit action. The average book here is of five to six months. We believe that good growth here will be back from February-March onwards.



What has been the impact on asset reconstruction-based businesses?

Here the impact has been a lot

less than on discretionary B2B businesses. The majority impact we've seen is in loan against property (LAP). It's our view at this point in time that the luxury end of the real estate business market will see significant slowdown in velocity and as a result, we have cut maximum exposure by cities in our portfolios to go more retail, more distributive rather than concentrated. So, you see a 30% drop on a 30-day basis as a result of demonetisation, but 6-7% is the impact of demonetisation, 20-24% is the impact of our action, as a company, to cut down larger exposures.

What will be the short- and

long-term impact on your operating costs?

Fundamentally, outside of credit card, which doesn't present installments and is a billing-based product, we present by far the largest number of instruments in the retail loan business. There are 7 million customers we bank in the non-two-wheeler category and two-wheeler has another 700,000 customers. In the consumer side of the business – I am talking about non-two-wheeler – we've had a view that we don't want to reach a tipping point where just the cost of collections becomes so large that we could either see economy be-

ing compromised or loan losses turning out to be larger than the estimates just because of our inability to collect.

We started to invest in what we call digital channels five years ago. You see 5.6% of customers paid online even in October. That has accelerated to 12%. Where we are heading is the mobile wallets and debit card swipes. We had 1,200 dongles, we now have 7,000 dongles. I'm not so sure of that behaviour (use of digital channels) in the two-wheeler side of the business as yet, as we've seen it play out in the urban business and the mass affluent segment unlike in rural unbanked markets.

PR COVERAGE HIGHLIGHTS IN Q3 FY17 (CONTD.)

Bajaj Finance

In the money

Healthy loan growth momentum is expected to sustain

RADHIKA MERWIN

A few companies in the financial services space have turned multi-baggers in the last couple of years, thanks to their consistent and strong growth in earnings, backed by sound fundamentals. The stock price of Bajaj Finance has gone up over eight-fold over the last three years. A diversified non-banking finance company (NBFC), with focus on consumer, SME and commercial lending, Bajaj Finance has emerged a leader in most of its key segments.

The organisational restructuring it underwent in 2007, when it re-defined its core focus as consumer loans and small business financing, has paid off well. The company's assets under management (AUM) and earnings have grown by a robust 50 per cent and 68 per cent annually respectively, between 2008-09 and 2015-16.

The stock has re-rated sharply in the last two to three years, now trading at 5.7 times its one-year forward book from about three times last year.

Since our 'buy' call last November, the stock has doubled. While the sharp run-up may limit near-term upside, the company's long-term prospects remain sanguine. The stock's premium valuations are likely to hold up, thanks to the company's strong growth momentum, robust profitability, and good asset quality. The company recently

announced a stock split (1:5) and a bonus (1:1), which should aid liquidity in the stock.

Investors with a two-to three-year horizon can buy the stock.

More steam

Bajaj Finance has been scaling



CONSUMERFINANCIALS/SHUTTERSTOCK.COM

up its business, diversifying into new segments and verticals, without losing its focus on profitability and asset quality.

Currently, the company's business spans consumer finance, SME, commercial lending and rural. Within consumer finance, the company offers two- and three-wheeler finance, consumer durable, digital product, lifestyle product finance, personal loans and salaried home loans. With upbeat consumer spends, this segment has been delivering strong growth, with all verticals firing.

Within the SME segment, while business loans continue to

show good traction, loan against property and self-employed home loans slowed as the company moved to a 'direct to customer' model. The management is expecting growth to pick up in these segments in the second half of this fiscal.

As of June end, the company's assets under management stood at ₹49,608 crore, a growth of 40 per cent year-on-year.

Focus on cross-sell

The company's diverse portfolio offers good scope for cross-selling of products to customers. The ability to mine the existing client base augurs well for profitability. Of the 2.5 million customers acquired in the June quarter, 1.1 million were new. According to the management, the cross-

sell rate for the quarter was much higher at 60 per cent than the usual 40-odd per cent. As new verticals gain traction, it will open newer avenues for growth.

Over the next two to three years, the company plans to shift to a product mix of 35 per cent consumer loans (now 44 per cent), 45 per cent SME (40 per cent), 13 per cent commercial (12 per cent) and 7 per cent rural (3 per cent). This, the management believes, will lead to healthy returns.

Strong profitability

While on the one hand, robust offtake in loans and improving margins helped the company's net interest income (NII) grow, shifting to direct-to-customer model and operating leverage led to a fall in the cost to income ratio, boosting profitability. In the June quarter, NII grew a robust 45 per cent year-on-year, while cost to income fell from 45

per cent to 41 per cent. On a longer term perspective, the management expects cost to income to hover in the 38-40 per cent range, with the company's focus on technology and digitisation leading to operational leverage.

Under check

Bajaj Finance has been able to maintain steady asset quality. While its gross non-performing assets inched up sequentially in the June quarter, it was mainly due to the transition from 150-days NPA recognition to 120 days this fiscal as per the RBI's norms.

The net NPAs – gross NPAs less provision – stood at 0.41 per cent of total loans in the June quarter, higher than the 0.28 per cent in the March quarter.

The management has indicated some pressure in the self-employed home loans segment as some large accounts in the northern market became NPAs.

Overall, the company's return ratios remain healthy – return on assets at 1.6 per cent (annualised) and return on equity at 22 per cent (annualised).

It is also well capitalised to fund its growth with total capital adequacy ratio at 17.8 per cent in the June quarter.

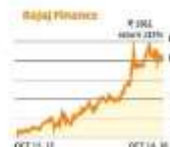


Why

- Strong traction in loans
- Improving profitability
- Well capitalised to fund growth

Did you know?

Bajaj Finance is among the top two-wheeler and consumer electronics lender in India



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BAJAJ FINANCE LIMITED

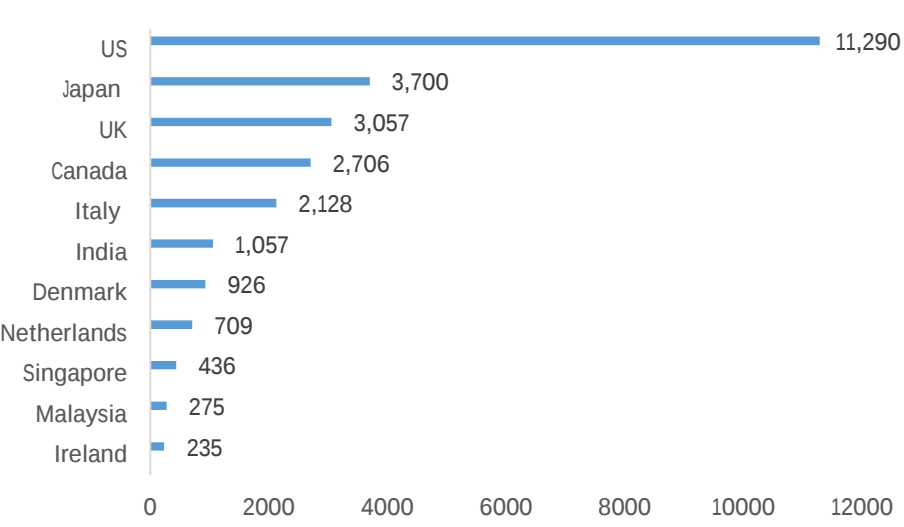
Q3 FY17 Presentation

THANK YOU

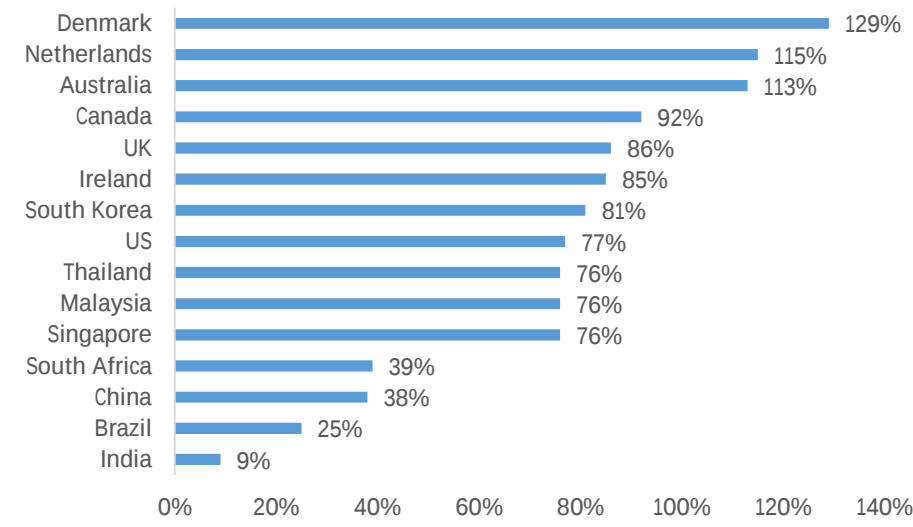
ANNEXURE

LENDING INDUSTRY OPPORTUNITY

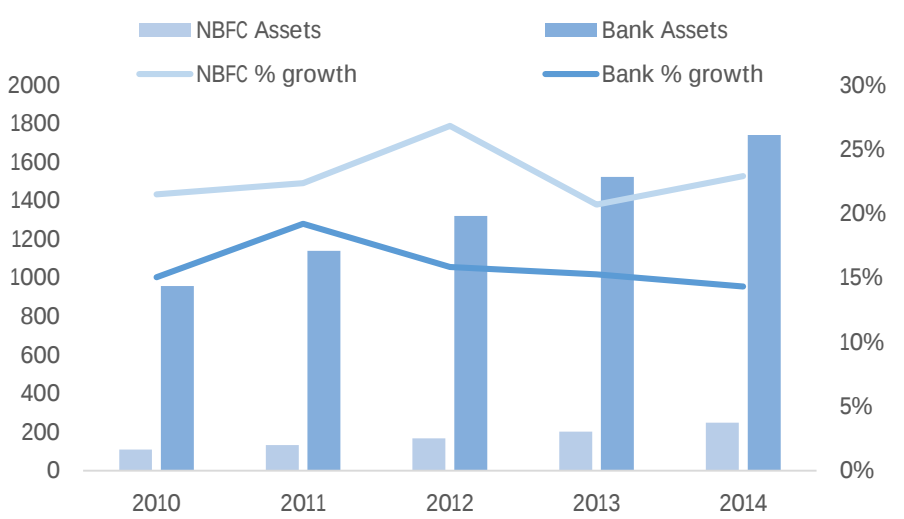
India vs. Advanced Economies – Bank Credit (US \$ Bn)



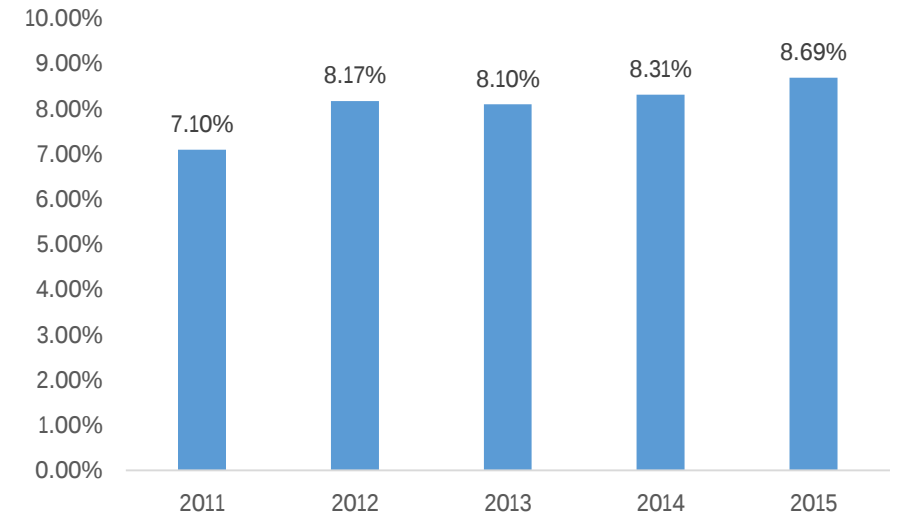
India vs. Advanced Economies - Household Debt/GDP (%)



India - Banks & NBFC Assets (US \$ Bn)



India – Household Debt/GDP (%)



* Source: Internal research, RBI reports, Bloomberg reports, Industry research reports

PRODUCT PER CUSTOMER (PPC)

Product per Customer (PPC) is a measure of cumulative products bought by a customer over his/her lifetime.

Retail

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
16	3	2.56*	2.83*	3.01*

Product offerings – Retail

Loan Products

- Consumer durable finance, Digital finance, Lifestyle finance, Retail EMI, Personal Loan, Salaried Personal Loans, Salaried Home Loans

Fee Products

- EMI Card, Credit Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, Fixed Deposit, Extended Warranty Insurance, Credit Vidya, Retail Financial Fitness report

SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
14	5	4.61*	4.43*	4.36*

Product offerings – SME

Loan Products

- Business loans, Loan against property, Home loans, Construction equipment loans, Loan against securities

Fee Products

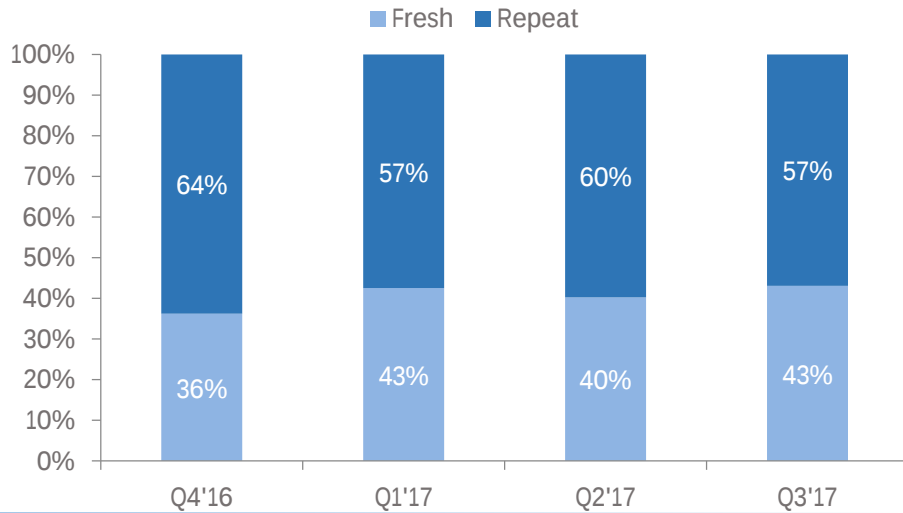
- EMI Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, Property search services, Property fitness report, SME financial fitness report

* Base product is included in the PPC calculation

* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, infra and Rural lending sourcing

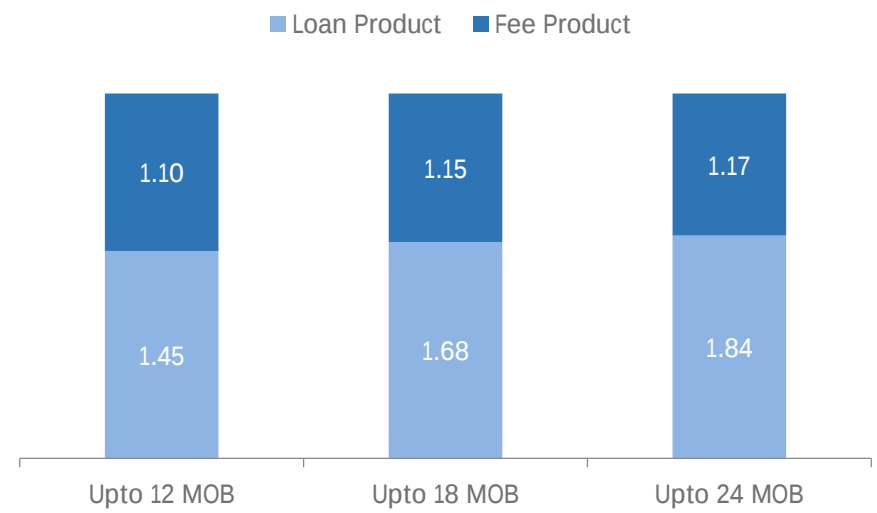
PRODUCT PER CUSTOMER (PPC)

Disbursed Value (₹ Crs) – Fresh v/s Repeat Mix

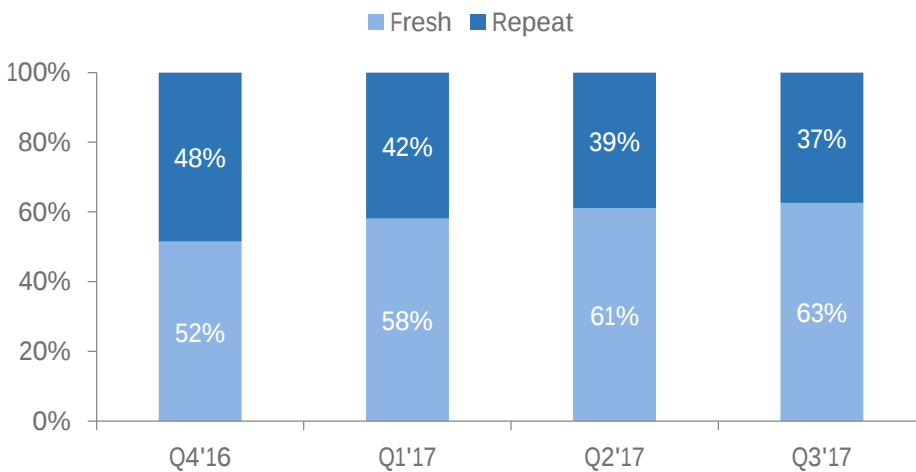


Retail

Product Per Customer (PPC)

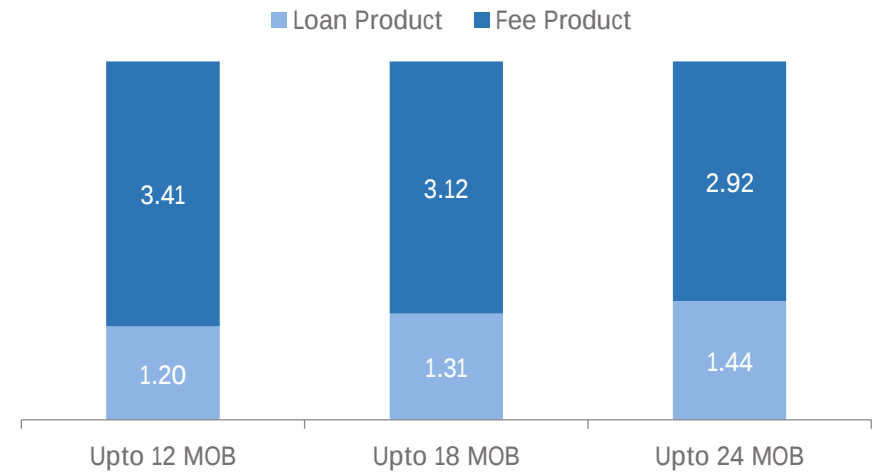


Disbursed Value (₹ Crs) – Fresh v/s Repeat Mix



SME

Product Per Customer (PPC)



* Base product is included in the PPC calculation

* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, Infra and Rural lending sourcing

EMI CARD FRANCHISE

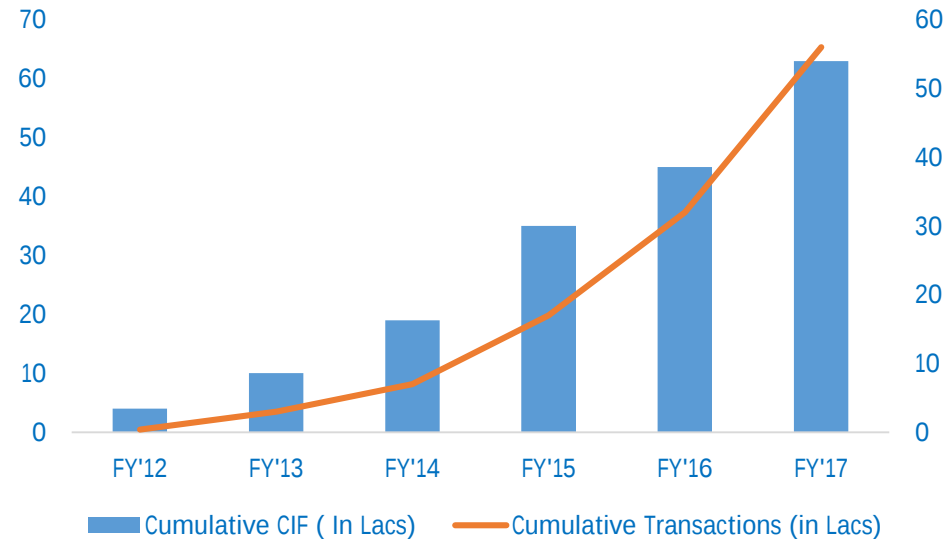
What is EMI Card

- EMI Card refers to **Existing Member Identification Card**.
- EMI card can be used at Consumer durable outlets, mobile stores and multiple retail outlets across footwear, apparel, eyewear & travel
- Customers simply have to **Swipe & Sign** to buy using an EMI card.
- Total cards acquired in Q3'FY17 – 6.25 lacs**
- Total card transactions in Q3 FY'17 – 11.5 lacs**
- Average limit assigned per EMI card (Amount in Rs):
 - Per issued card – 90 K
 - Per active card – 100 K
- Activation rate of delivered EMI cards:
 - 0-6 MOB: 26%, 0-9 MOB: 40%, 0-12 MOB: 41%

Key milestones

- Launch of EMI Card pilot: **May 2011**
- 1 Mn Cards milestone: **November 2012**
- EMI Card new design launch: **July 2013**
- 3 Mn Cards delivered milestone: **Nov 2014**
- 1.5 Lac transactions milestone: **Nov 2014**
- 1 Mn active cards milestone crossed: **Feb 2015**
- First co-branded card launched with Vijay Sales: **May 2015**
- Second co-branded card launched with Ezone: **Dec 2015**
- 2 Mn active cards milestone crossed: **Mar 2016**
- 3.4 Lac Transactions in single month: **May 2016**
- 2.5 Mn active cards milestone crossed: **Aug 2016**
- 1.1 Mn+ transactions on EMI card in single Quarter: **Dec 2016**

Progress till date



EMI Card Old & New design



Old EMI Card design (July 2013 to Sept 2016)



EMI Card design (Live from Dec 2016)

CO-BRANDED CREDIT CARDS WITH RBL BANK

Supercard World Max / World Prime



Supercard Platinum Max / Platinum Prime

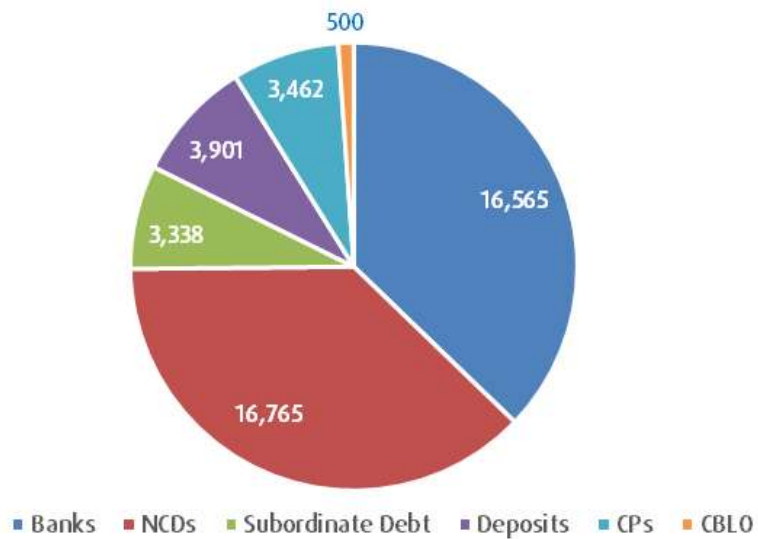


Supercard Platinum Classic

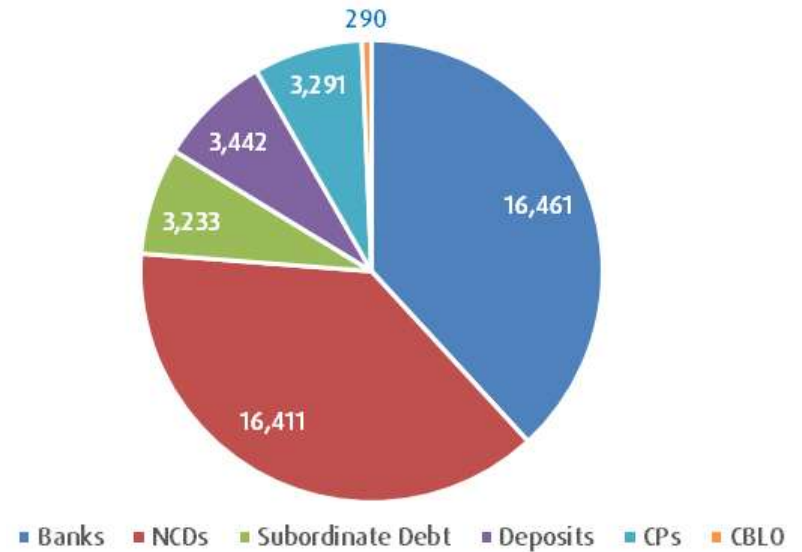


ALM STRATEGY

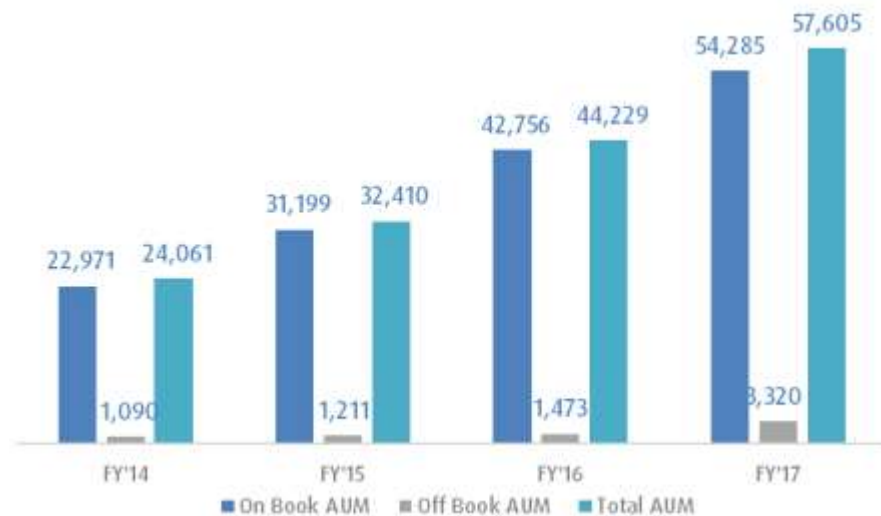
Borrowings – Dec '16 (₹ 44,531 Crs)



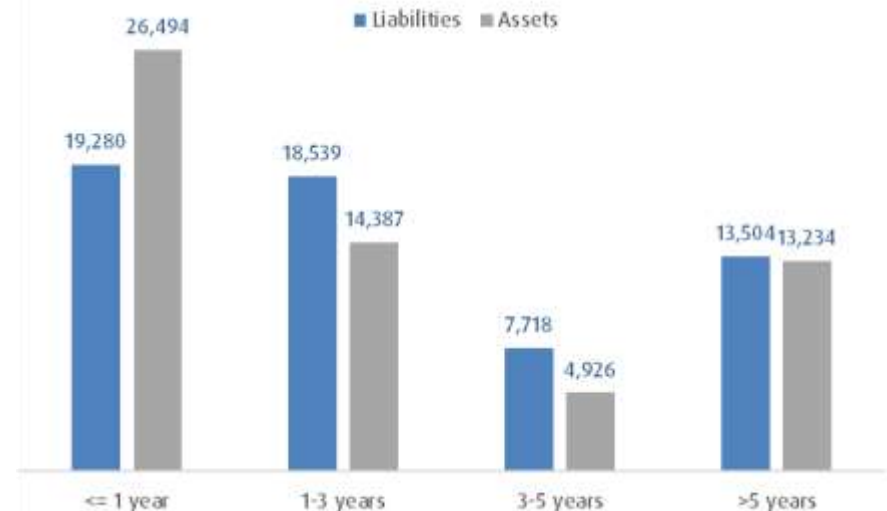
Borrowings – Sept '16 (₹ 43,127 Crs)



Loan Book (₹ Crs)



Behaviouralised ALM (₹ Crs)



NPA PROVISIONING STANDARDS

Bajaj Finance provides a general provision of 0.40% on all standard assets (0.50% on Mortgages) against RBI's requirement of 0.25% (from FY16 0.30%)

Consumer Finance provision coverage

- **Consumer Durables :**
 - 3-5 Bucket - 75%
 - Above 5 - 100%
- **2 and 3 Wheeler :**
 - 3 – 5 Bucket – 30%
 - 6 - 12 Bucket - 60%
 - Above 12 - 100%
- **Personal Loan Cross Sell :**
 - 3 - 5 Bucket - 60%
 - Above 5 - 100%
- **Salaried Personal Loan :**
 - 3 - 5 Bucket – 75%
 - Above 5 - 100%

SME Finance provision coverage

- **Home Loan / Loan against Property :**
 - 4-5 Bucket - 15%
 - 6–12 Bucket - 25%
 - 13-18 Bucket – 40%
 - 18-24 Bucket – 60%
 - Above 24 - 100%
- **Unsecured Business & Professional Loans :**
 - 3-5 Bucket – 70%
 - Above 5 – 100%
- **Loan against Securities :**
 - Above 5 - 100%

Commercial Lending provision coverage

- **Construction Equipment Finance :**
 - 4 -5 Bucket - 15%
 - 6 - 9 Bucket - 30%
 - 10 - 12 Bucket - 60%
 - Above 12 - 100 %
- **Auto Component Finance :**
 - 6 – 12 Bucket – 10%
 - 12 – 18 Bucket – 20%
 - 18 – 24 Bucket – 30%
 - Above 24 – 100%
 - Graded provision on secured portfolio

Bajaj Finance provisioning standards are substantially stringent than RBI norms applicable for NBFC's.