BAJAJ FINANCE LIMITED

SEC/BM/2016/281 24 May 2016

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**

Dear Sir/Madam,

Sub: Investor Presentation for the quarter ended 31 March 2016

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

Thanking you,

Yours sincerely,
For **Bajaj Finance Limited**

Anant Damle
Company Secretary

Encl: As above

BAJAJ FINANCE LIMITED

Q4 FY16 Presentation

24th May 2016

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	Earning 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
POS	Point of Sale
PPC	Products per Customer
RBI	Reserve Bank of India
RERA	Real Estate Regulatory Agency
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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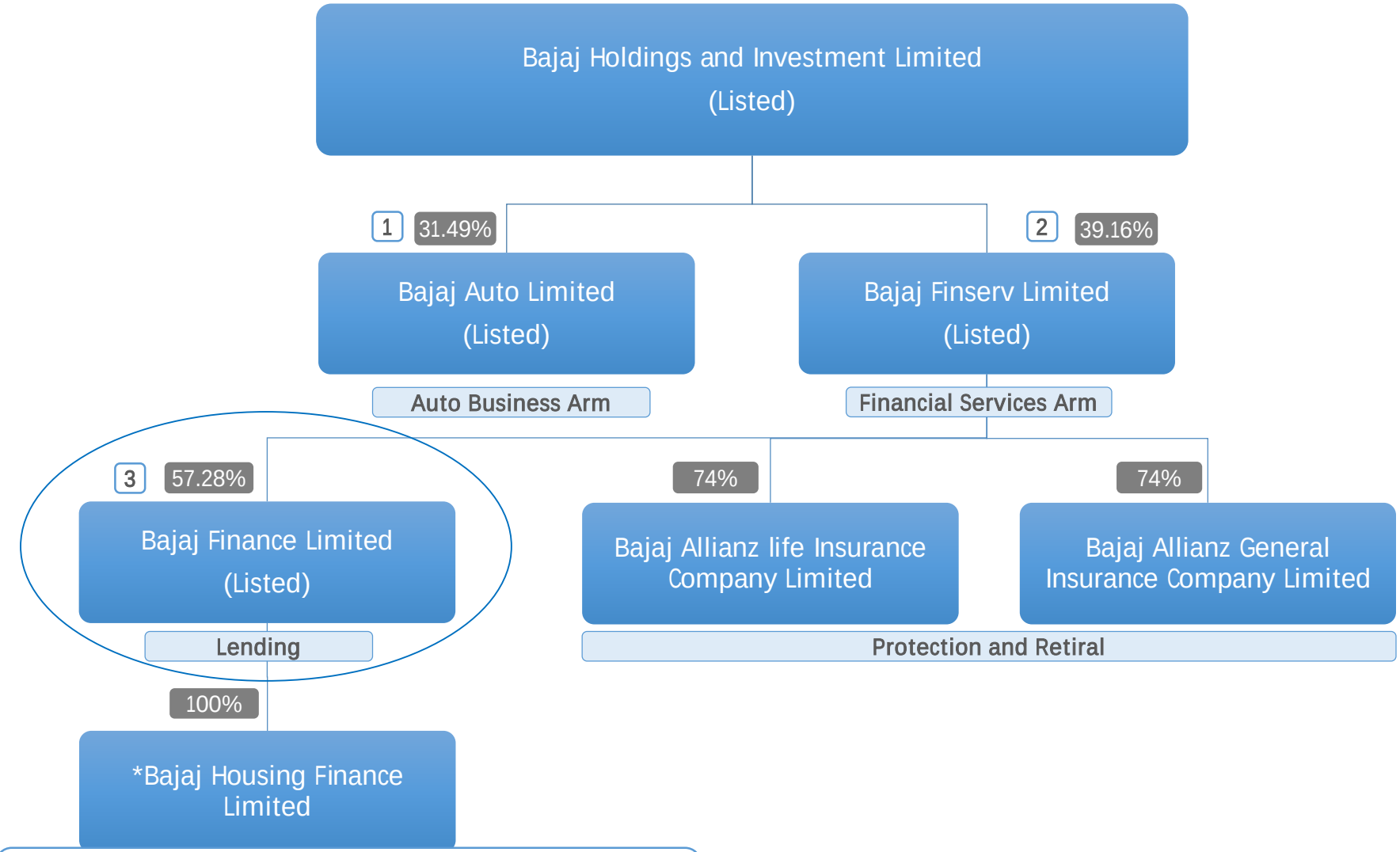
BAJAJ GROUP STRUCTURE



1. 49.29% holding through promoter holding company and promoter group
2. 58.35% holding through promoter holding company and promoter group
3. 57.35% holding through promoter holding company and promoter group

Above shareholding is as of 31 March 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 India Ratings
- Credit rating of AA+/Positive by CRISIL & AA+/Stable by ICRA
- 193 consumer branches and 397 rural locations with over 21,000+ distribution points
- Large customer franchise of 16.07 MM
- 6.83 MM new loans acquired in **FY'16**

Bajaj Allianz General Insurance Company*

- 2nd largest private General insurer in India as of FY15
- Offers a wide range of General insurance products across retail and corporate segments
- One of the most profitable General insurance companies in India. ROE of 28.9% in FY15
- Industry leading combined ratios (96.7% in FY15)
- Recognized in the market for claims servicing

Bajaj Allianz Life Insurance Company*

- Amongst top 4 private players as of FY15 on new business
- Diversified distribution mix consisting of agency, bancassurance, other partners, direct etc.
- AUM of over 43K crores as of FY 15
- One of the most profitable private life insurers in India.
- 120K + individual agents and 750 offices across India (FY15)

*BALIC and BAGIC section would be updated with FY16 numbers post announcement of financial results for Bajaj Finserv

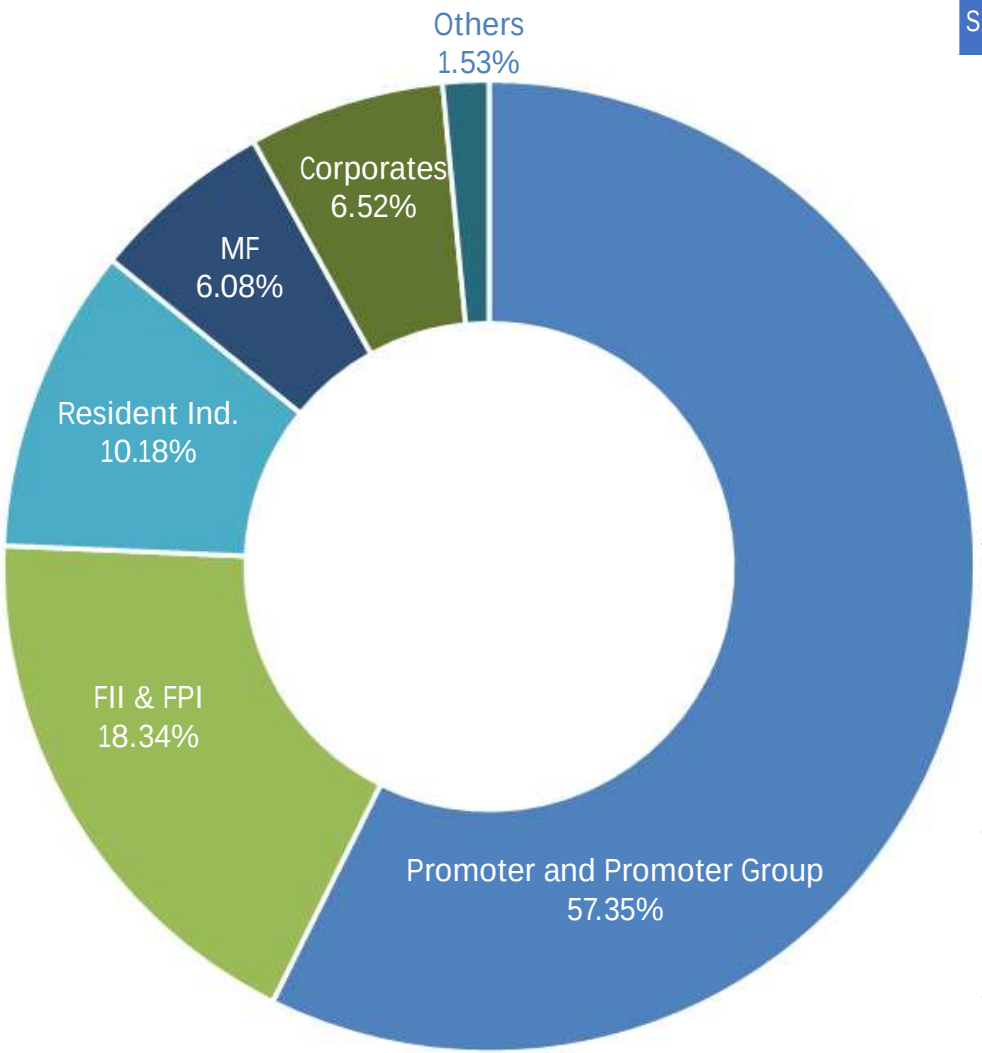
WHAT DO WE STAND FOR

"A non bank with strategy, structure and support model of a bank."

"Our diversified financial services strategy envisages an optimal mix of risk and profit to deliver a sustainable business model."

"The business construct is to deliver a sustainable ROA of 3% and ROE of 18-20% in the medium term"

BAJAJ FINANCE – SHAREHOLDER PROFILE



Top 20 investors & their holdings

S.No	Name of Shareholder	As on Mar'15	As on Mar'16
1	BAJAJ FINSERV LTD	61.53%	57.28%
2	MAHARASHTRA SCOOTERS LIMITED	3.78%	3.52%
3	GOVERNMENT OF SINGAPORE	-	2.37%
4	SMALLCAP WORLD FUND, INC	-	1.13%
5	ACACIA PARTNERS, LP	1.21%	1.13%
6	HDFC MID - CAP OPPORTUNITIES FUND	1.26%	0.92%
7	HDFC STANDARD LIFE INSURANCE COMPANY	0.41%	0.73%
8	ACACIA INSTITUTIONAL PARTNERS, LP	0.77%	0.71%
9	MACQUARIE EMERGING MARKETS ASIAN TRADING PTE. LTD.	-	0.61%
10	GOLDMAN SACHS INDIA FUND LIMITED	0.65%	0.61%
11	BFL EMPLOYEE WELFARE TRUST	0.30%	0.60%
12	ACACIA CONSERVATION FUND LP	0.64%	0.59%
13	AXIS LONG TERM EQUITY FUND	0.45%	0.55%
14	MACQUARIE BANK LIMITED	0.93%	0.52%
15	WF ASIAN SMALLER COMPANIES FUND LIMITED	0.62%	0.48%
16	ACACIA BANYAN PARTNERS	0.51%	0.48%
17	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	-	0.44%
18	PINEBRIDGE INVESTMENTS GF MAURITIUS LIMITED	1.10%	0.44%
19	BIRLA SUN LIFE TRUSTEE COMPANY	0.28%	0.36%
20	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	-	0.31%

FINANCIAL SNAPSHOT

₹ in Crore

Financials snapshot	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	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	36%	50%
Income from operations	599	916	1,406	2,172	3,110	4,073	5,418	7,384	36%	43%
Interest expenses	164	201	371	746	1,206	1,573	2,248	2,927	30%	51%
Net Interest Income (NII)	435	715	1,035	1,426	1,904	2,500	3,170	4,457	41%	39%
Operating Expenses	220	320	460	670	850	1,151	1,428	1,949	36%	37%
Loan Losses & Provision	164	261	205	154	182	258	385	543	41%	19%
Profit before tax	51	134	370	602	872	1,091	1,357	1,965	45%	68%
Profit after tax	34	89	247	406	591	719	898	1,279	42%	68%

Ratios	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Return on assets	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%
Return on equity	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.6%
Earning per share (Basic) - ₹	9.3	24.2	67.5	110.8	135.7	144.8	179.9	242.3
Net NPA	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%	*0.28%
NPA provisioning coverage	32%	55%	79%	89%	83%	76%	71%	77%

*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

BAJAJ FINANCE LIMITED PRODUCT SUITE

Bajaj Finance Limited

Consumer Lending

- Consumer Durable Financing
- Digital Product Financing
- Lifestyle Product Financing
- 2W & 3W vehicle Financing
- EMI Card
- Personal Loans to Salaried ★
- Personal Loans Cross Sell
- Home Loans for Salaried ★
- E-commerce - Seller Finance
- E-commerce – Consumer Finance
- Urban gold loans
- EMI Card – Retail spends

Small Business Lending

- Business Loans
- Professional Loans
- Loans Against Property
- Home Loans for Self Employed
- Lease Rental Discounting

Commercial Lending

- Infrastructure Financing *
- Auto Component Vendor Financing
- Large Value Lease Rental Discounting
- Loans Against Securities ★
- Financial Institutions Lending Business
- Light Engineering Business
- Corporate Finance Business

Rural Lending

- Consumer Durable Financing
- Gold Loans
- Personal Loans
- Asset Backed Refinancing
- Business Loans
- Professional Loans
- Loans Against Property

Relationships

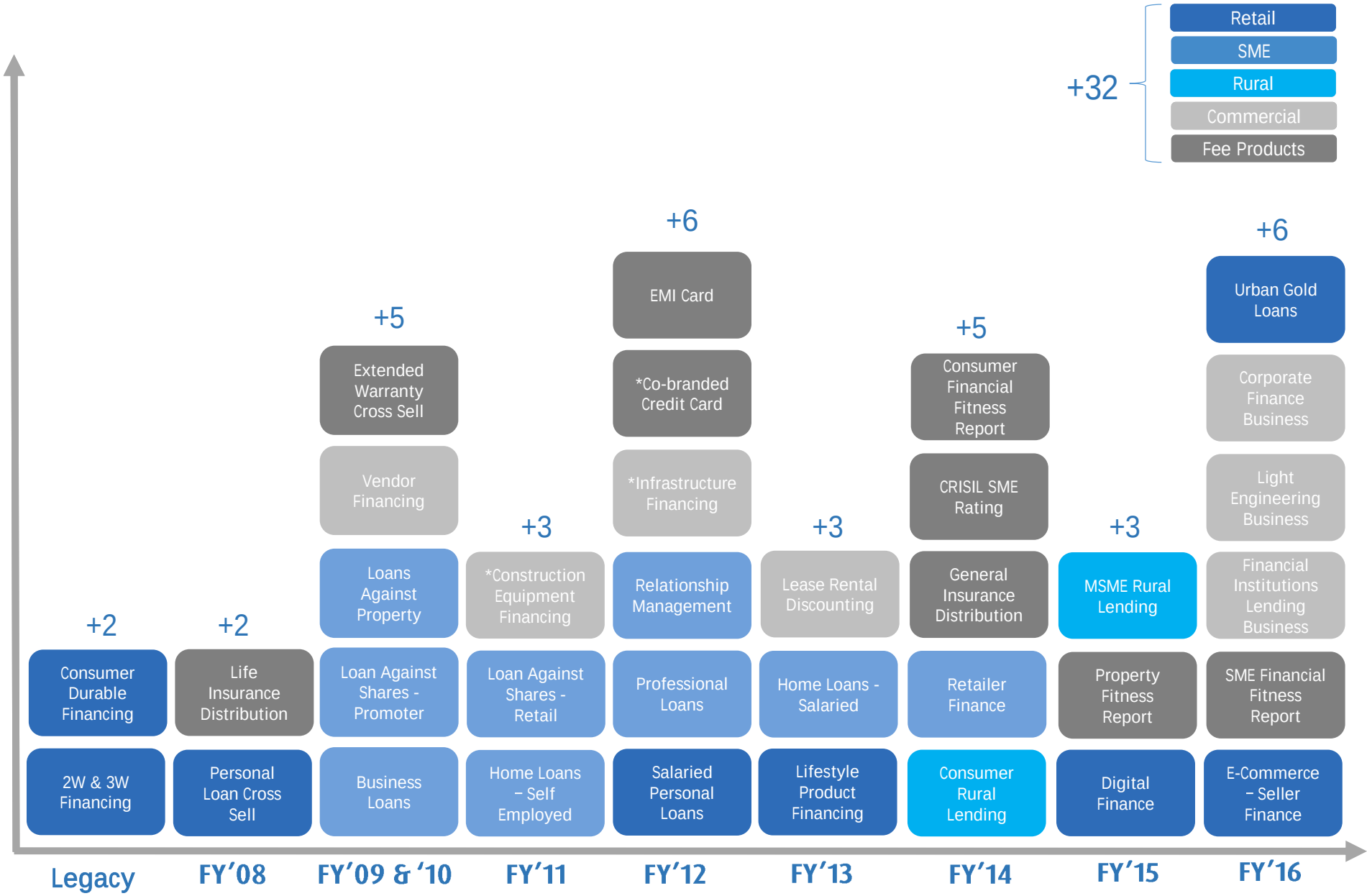
- Loan Cross Sell
- Term Deposits
- Life Insurance Distribution
- General Insurance Distribution
- Mutual Fund Distribution

Distribution Services

- CRISIL Rating
- Co-Branded Credit Cards
- Property Search Services
- Consumer Financial Fitness Report
- SME Financial Fitness Report
- Property Fitness Report
- Insurance Risk Report

* Paused ★ Available through Digital channels as well Newly launched product / business

BUSINESS/PRODUCT LAUNCH JOURNEY



* Closed

EXECUTIVE SUMMARY

Bajaj Finance

- 29 year old non bank with a demonstrated track record of profitability
- Focused on Consumer, SME & Commercial lines of businesses
- 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 ₹ 44,229 Crores of Assets under Management with a net NPA of 0.28% and a capital adequacy of 19.50% as at March 2016. The company in Q4 FY16 has delivered a pre tax profit of ₹ 489 Crores and a post tax profit of ₹ 315 Crores at a ROA[1] of 0.75% and ROE[1] of 4.3%

Consumer business

- Amongst the top three 2W lender in India focused on semi-urban & rural markets. Currently **contributes to 30.9% of Bajaj Auto's domestic** 2W sales
- 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 5.5 MM cards (CIF)
- Amongst the largest new loans acquirers in India (6.83 MM in FY16)

Rural business

- Highly diversified lender in the rural eco system offering over 12 products in consumer and MSME business categories with a unique hub and spoke business model
- Geographic presence across 397 towns and villages and retail presence across 3500+ stores

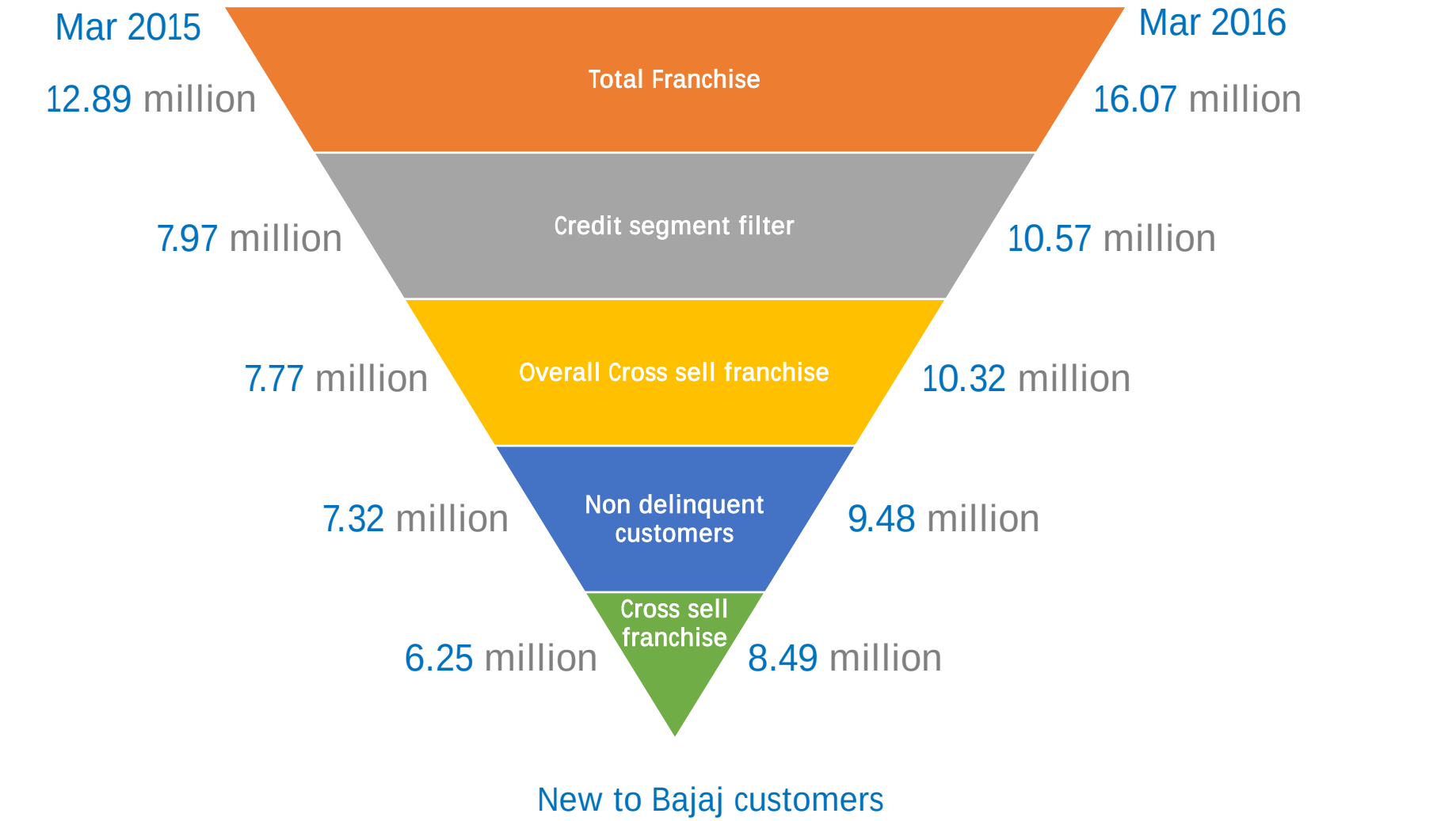
[1] Not Annualised

EXECUTIVE SUMMARY (CONTD.)

SME Business	• Focused on high net worth SMEs with an average annual sales of ₹ 25 Crores with established financials & demonstrated borrowing track records • Offer a range of working capital & growth capital products • Offer full range of mortgage (Loan against property, Lease Rental Discounting & Home Loans) and working capital 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 • Current mix of bank, debt markets and retail deposits is at 48:46:06
Credit Quality	• Gross and Net NPA of 1.23% and 0.28% respectively with a provisioning coverage of 77%. The company continued to provide for losses in excess of RBI requirements • Provisioning coverage ratio improved from 71% in Q4 FY15 to 77% in Q4 FY16
Credit Rating	• Credit rating of AAA/Stable by India Ratings, AA+/Positive by CRISIL & AA+/Stable by ICRA • Credit rating of A1+ for Short term debt program by CRISIL & ICRA • Fixed deposit program has been rated FAAA/Stable by CRISIL and MAAA/Stable by ICRA

* Source: Internal research - (chart depicts finance market size & our market share)

CUSTOMER FRANCHISE



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

KEY PORTFOLIO METRICS

	Business Segment	AUM (₹ Crores)					Deployments		IRR (%)	Ticket (Lacs)	Quarter gone by
		Q1 FY16	Q2 FY16	Q3 FY 16	Q4 FY 16	YoY	Q4 FY16	FY16	Range		
1.	2W & 3W finance	3,315	3,387	3,647	3,773	14%	860	3,315	22.0-28.0	0.50	
2.	Consumer durable finance	5,147	4,916	5,935	5,556	33%	2,715	12,972	24.0-26.0	0.29	
3.	Digital product finance	354	409	587	637	104%	430	1,558	24.0-26.0	0.28	
4.	Lifestyle product finance	211	275	366	379	104%	232	835	24.0-26.0	0.52	
5.	Personal loans cross sell	2,741	3,058	3,524	3,860	60%	770	2,917	16.0-33.0	1.23	
6.	Salaried personal loans	2,231	2,529	2,921	2,614	64%	582	2,481	14.0-16.0	4.79	
7.	Salaried – Home Loans	938	1,096	1,339	1,477	76%	242	977	9.6-10.5	33	
8.	Business loans (BL)	3,058	3,320	4,146	4,309	75%	891	4,318	17.0-20.0	15	
9.	Professional loans	737	845	985	1,112	78%	313	1,120	14.0-17.0	14	
10.	Loan against property (LAP)	8,424	8,985	8,890	8,332	1%	472	4,138	11.0-12.0	157	
11.	Self employed – Home Loans	3,063	3,094	3,238	3,089	1%	245	1,417	10.0-10.7	75	
12.	Loan against securities	1,516	1,704	2,352	2,659	69%	-	-	10.8-12.0	-	
13.	Vendor financing	1,333	1,322	1,472	1,394	22%	-	-	10.0-12.5	-	
14.	Financial institutions group	-	60	236	429	-	200	470	10.5-12.0	-	
15.	Corporate finance	75	247	314	338	-	25	343	10.5-12.0	-	
16.	Infrastructure lending	398	355	312	311	(26%)	-	-	NA	NA	**
17.	RM Business (LAP, HL, BL)	1,360	1,572	1,844	1,887	53%	288	1,479	10.0-12.0	64	
18.	Rural lending	522	661	1,159	1,339	302%	551	1,985	14.0-35.0	0.40	
19.	BFS Direct (HL, PL)	-	-	-	576	-	165	525	-	-	

** Paused

STRONG DISTRIBUTION REACH

Geographic Presence (No. of branches)					
Business Line	FY12	FY13	FY14	FY15	FY16
Consumer durable branches	82	91	114	161	193
SME business locations	31	57	80	119	262
Rural Branches	-	-	14	50	90
Rural Spokes	-	-	56	182	307
Total Rural presence	-	-	70	232	397

Active Distribution (Points of sale)					
Business Line	FY12	FY13	FY14	FY15	FY16
Consumer durable	2,800+	3,500+	4,900+	7,000+	9,400+
Digital	-	850+	1,600+	2,650+	5,200+
Lifestyle				1,150+	3,200+
2W–Dealer/ASCs	2,200+	2,600+	2,600+	3,000+	3,000+
SME – Partner	250+	400+	700+	700+	800+
Rural Consumer Durable	-	-	-	1,500+	3,200+

# of New loans disbursed ('000s)					
Business Line	FY12	FY13	FY14	FY15	FY16
Consumer Loans	1,465	1,908	2,450	3,623	4,690
Lifestyle & Digital	-	37	109	374	723
Personal Loans	90	116	137	206	299
2W & 3W	654	736	651	561	626
Rural Finance	-	-	22	131	448
SME/Commercial	12	11	20	30	48
Total	2,221	2,808	3,389	4,924	6,834

Assets Under Management (₹ Crores)						
Business Line	FY12	FY13	FY14	FY15	FY16	Mix
Consumer Lending	4,979	7,138	9,328	13,202	18,996	43%
SME Lending	5,270	7,750	12,009	15,551	18,692	42%
Commercial Lending	2,858	2,629	2,674	3,324	5,202	12%
Rural Lending	-	-	50	333	1,339	3%
Total AUM	13,107	17,517	24,061	32,410	44,229	100%

KEY PERFORMANCE HIGHLIGHTS FOR Q4 FY16

- Customers acquired during Q4 FY16 ↑ 36% to 15,82,954 from 11,62,742 in Q4 FY15
- Total income for Q4 FY16 ↑ 35% to ₹1,957 Crores from ₹ 1,445 Crores in Q4 FY15
- Loan losses and provisions for Q4 FY16 ↑ 37% to ₹ 156 Crores as against ₹ 114 Crores in Q4 FY15. During the quarter, the Company made an additional provision of ₹ 43.9 Crores in one of its Infrastructure lending account. Adjusted for this provision, loan loss and provision has increased by 16%
- Profit before tax for Q4 FY16 ↑ 42% to ₹ 489 Crores from ₹ 345 Crores in Q4 FY15
- Profit after tax for Q4 FY16 ↑ 36% to ₹ 315 Crores from ₹ 231 Crores in Q4 FY15. (Effective tax rate for Q4 FY15 was lower owing to the revaluation of deferred tax assets by the higher tax rate effective April 1, 2015)
- Return on Assets and Return on Equity for Q4 FY16 were 0.75% and 4.3% (not annualized) respectively

KEY PERFORMANCE HIGHLIGHTS FOR FY16

- Customers acquired during FY16 ↑ 39% to 68,34,762 from 49,24,448 in FY15
- Assets Under Management during FY16 ↑ 36% to ₹ 44,229 Crores from ₹ 32,410 Crores in FY15
- Total income for FY16 ↑ 36% to ₹ 7,384 Crores from ₹ 5,418 Crores in FY15
- Loan losses and provisions for FY16 ↑ 41% to ₹ 543 Crores as against ₹ 385 Crores in FY15. During the year, the Company made a provision of ₹ 74.9 Crores in two accounts of Infrastructure lending portfolio which is being wound down. Adjusted for this provision, loan loss and provision has increased by 27%
- Profit before tax for FY16 ↑ 45% to ₹ 1,965 Crores from ₹ 1,357 Crores in FY15
- Profit after tax for FY16 ↑ 42% to ₹ 1,279 Crores from ₹ 898 Crores in FY15
- Gross NPA and Net NPA as of 31 March 2016 stood at 1.23% and 0.28% respectively. The provisioning coverage ratio (PCR) stood at 77% as of 31 March 2016. Net NPA & provisioning coverage ratios stood at 0.45% and 71% respectively as of 31 March 2015 and have shown improvement in the corresponding period of the current year
- Capital adequacy ratio (including Tier-II capital) stood at 19.50%. The tier – I capital stood at 16.06%. The Company continues to be well capitalized to support its growth trajectory
- Return on Assets and Return on Equity for FY16 were 3.5% and 20.6% respectively
- The Board of Directors, at its meeting held on 9 March 2016, declared an interim dividend at the rate of ₹ 18 per share of face value ₹ 10 (180%). The Board of Directors have recommended a final dividend of ₹ 7 per share of face value ₹ 10 (70%) for FY15-16. The interim dividend and final dividend will aggregate to ₹ 25 per share of face value ₹ 10 (250%) (Previous year 180%)

SUMMARY FINANCIAL STATEMENT

₹ in Crores

Financials snapshot	Q4'16	Q4'15	YoY	FY'16	FY'15	YoY	FY'14
Assets under finance (AUF)	44,229	32,410	35%	44,229	32,410	35%	22,971
Assets under management (AUM)	42,756	31,199	37%	42,756	31,199	37%	24,061
Total Interest & fee Income	1,957	1,445	35%	7,384	5,418	36%	4,073
Interest expenses	806	612	32%	2,927	2,248	30%	1,573
Net Interest Income (NII)	1,151	833	38%	4,457	3,170	41%	2,500
Operating Expenses	506	374	35%	1,949	1,428	36%	1,151
Loan Losses & Provision	156	114	37%	543	385	41%	258
Profit before tax	489	345	42%	1,965	1,357	45%	1,091
Income tax	174	114	53%	686	459	49%	372
Profit after tax	315	231	36%	1,279	898	42%	719

Ratios	Q4'16	Q4'15	FY'16	FY'15	FY'14
Total Opex to NII	44.0%	44.9%	43.7%	45.1%	46.0%
Total Opex to Total Income	25.9%	25.9%	26.4%	26.4%	28.3%
Loan loss to AUF*	0.4%	0.4%	1.2%	1.2%	1.1%
Return on Average AUF*	0.8%	0.7%	3.5%	3.3%	3.6%
Earning per share - Basic (Rs.) *	58.9	46.3	242.3	179.9	144.8
Return on Average Equity *	4.3%	4.8%	20.6%	20.4%	19.5%

* Not annualized

MANAGEMENT DISCUSSION

Market Assessment :

- Economic indicators showed some improvement

Parameters	Jan '16	Feb '16	March'16	April'16
IIP	-1.5%	2.0%	0.1%	-
CPI	5.69%	5.26%	4.83%	5.39%
WPI	-1.07%	-0.91%	-0.85%	0.34%

- Consumer durables and Consumer non-durables have a recorded growth of 9.7% and -4.2% percent respectively, with the overall growth in Consumer goods being 0.8 % in February 2016
- As of April 1, 2016 projected gross bank credit of scheduled commercial banks amounted to ₹73.23 lac Crs registering an increase of 10.63% during the year as against an increase of 7.8% in the previous year
- As per RBI's 'Financial Stability Report' published in December 2015, Gross non-performing advances (GNPAs) of Scheduled Commercial Banks as a percentage of gross advances increased to 5.1% from 4.6% between March and September 2015. Stressed advances ratio increased to 11.3 % from 11.1% during the same period. PSBs recorded the highest level of stressed assets at 14.1% followed by Private banks at 4.6% and Foreign banks at 3.4%

Auto sector (FY16)

	Overall	PV	CV	2 Wheeler	3 Wheeler	Scooter /Other
YoY growth %	2.58%	7.24%	11.51%	3.01%	1.03%	11.79%

- Recently passed Real Estate Act 2016 requires stringent disclosures from developers. The act obliges the developer to park 70% of the project funds in a dedicated bank account which restricts developers to divert cash flows. Small developers without scale may struggle to stay afloat with the new regulations. Every state will have to ratify the Act and establish a State Real Estate Regulatory Authority (RERA). With this, the act will come in effect probably by March 2018. Overall the act will streamline the real estate market

MANAGEMENT DISCUSSION (CONTD.)

2 Wheeler & 3 Wheeler Financing	
Disbursed: 860 Crs (38% YoY)	• 2 Wheeler financing business disbursed 143K accounts in the quarter (24% YoY) • 3 Wheeler financing business disbursed 9.2K accounts in the quarter (125% YoY) • **2 Wheeler financing penetration of Bajaj Auto's domestic 2 Wheeler sales** was stable at 30.9% from 30.8% in Q4 FY15 • **3 Wheeler financing penetration of Bajaj Auto's domestic 3 Wheeler sales in** Q4 FY16 improved to 14%

Consumer Durables	
Disbursed: 9.9 lac accounts (Growth: 23% YoY)	• High temperatures in most parts of the country helped gain momentum in sales of Air Conditioners (ACs) and refrigerators • Finance volumes were driven largely by ICC T20 world cup stimulation and increasing EMI card activations • Retailer finance business, which is key to consumer durable business ecosystem disbursed 1,410 Crs. (62% YOY)

Digital Product Finance	
Disbursed: 160 K accounts (84% YoY)	• Geographic presence increased from 30 to 75 locations to diversify and realize the potential of this business • On boarded brands like Oppo, Asus & Gionee to offer more brands to consumer and diversify manufacturer concentration • Increased presence in laptop segment with addition of brands like HP & Dell

MANAGEMENT DISCUSSION (CONTD.)

Lifestyle Finance	
Disbursed: 45.9 K accounts (Growth: 90% YoY)	• Furniture remains the largest lifestyle finance category. EMI card franchise continues to contribute 42% of the total business done • Entered Life Care finance segment, financing elective medical procedures like dental procedures, eye care surgeries etc. • Business continues to invest in tie-ups across the country to strengthen Life Care finance channel. Enrolled 310 new Points of Sales were enrolled for Life Care segment in Q4 FY16

Personal Loan Cross Sell	
Disbursed: 770 Crs (Growth: 44% YoY)	• Through the Door (TTD) risk model created for predictive risk management and pricing • Loan on phone capability launched for existing customers – Credit to customers in 10 mins through paperless process • Increasing investment in analytics and technology to transform delivery process, customer experience and risk management

Urban Gold Loans	
Disbursed: 39 Crs	• Business has started gaining traction. AUM of 48 Crs within 6 months of launch • Leveraging existing real estate to deliver competitive pricing and better profitability • Launched in 60 existing urban branches in phase 1 • Processes being re-engineered to reduce TAT basis learnings of Phase 1

MANAGEMENT DISCUSSION (CONTD.)

Salaried Personal Loans	
Disbursed: 582 Crs (Growth: 21% YoY)	• Expanded presence to 55 cities with addition of 15 new locations in Q4 FY16 • Business is facing intense competition from private sector banks • Pure flexi product launched to offer better value proposition to customers

Salaried Home Loans	
Disbursed: 242 Crs (Growth: 81% YoY)	• Expanded presence from 12 locations to 19 locations. • Re-engineered processes which will drop the operating cost per file

EMI Cards	
Sourced: 411 K	• Cards in force (CIF) of 5.5 MM • Activation Retention Usage (ARU) unit created to increase spend categories of EMI card franchise • High engagement product for customer • Launched NTB program in May 2016 for external customers by providing EMI card at ₹349

MANAGEMENT DISCUSSION (CONTD.)

Retail EMI	
CIF: 5.5 MM	• Company expanded its EMI card proposition to new categories of fashion, travel and small appliances • Customer can now avail easy EMI financing on purchase of apparels, eyewear, accessories, small appliances and travel related expenditures • Currently launched in 3 cities (Pune, Hyderabad and Baroda) with presence in 280 stores

Rural Lending Consumer Business	
Rural B2B disbursed: 1.08 lac accounts Rural B2C disbursed: 200 Crs	• Break 2 grow strategy implemented by splitting the business into Rural B2B and Rural B2C • Business is now present in 397 location with 90 branches and 307 spokes. New branches were launched in Rajasthan and other existing states (Karnataka, Madhya Pradesh & Karnataka) • Business is on track to launch branches in Tamil Nadu in Q1 FY17

MSME Rural	
Disbursed: 54 Crs	• MSME's are in deep distress due to drought and thus business has been slowed down • Making effort on re-energising the business for growth, good monsoon is critical

MANAGEMENT DISCUSSION (CONTD.)

Business Loans	
Disbursed: 891 Crs (Growth: 84% YoY)	• Break 2 grow strategy implemented by dividing the markets into Prime, Growth and Emerging markets to provide sharper focus, balance risk and grow the business • Pure Flexi product has been launched to strengthen the value proposition for customers

Professional Loans	
Disbursed: 313 Crs (Growth: 51% YoY)	• Professional loans business continued to grow well • Pure Flexi product has been launched to strengthen the value proposition for customers

Loan Against Property	
Disbursed: 472 Crs (De-growth of 63% YoY)	• Loan against property business continued to remain in hyper competitive state • 100% 'Direct to Customer' transition has lowered business volume as envisaged • Introduced pre-payment penalty charges to manage attrition and intense competition • Re-engineering sales, credit and operations processes to profitably grow Loan Against Property business

MANAGEMENT DISCUSSION (CONTD.)

Home Loans – Self employed	
Disbursed: 245 Crs (De-growth of 50% YoY)	• 100% **'Direct to Customer'** transition lowered business volumes • As part of the ROE strategy for HL business, the company is building Developer finance in a cautious and steady manner

Commercial Lending Business	
	ACMF • Elevated competitive intensity seen in this business • Credit performance of portfolio continues to hold well Loan Against Securities (Net AR addition - 307 Crs) • Developed major client relationships • LAS B2B2C – Tied up with IndusInd bank, Karvy & RBL Corporate Finance (CF) & Financial Institution Group (FIG) • Corporate Finance and Financial Institutions Group Businesses are beginning to grow well • Disbursed 25 Crs in Corporate Finance and 200 Crs in FIG

MANAGEMENT DISCUSSION (CONTD.)

Infrastructure Finance & CE	
	• Infra financing business continues to remain in pause mode due to sectoral stress • Outstanding portfolio of 311 Crs • Company made an additional principal provision of 43.9 Crs in one infra account due to continued delay in servicing of interest and principal. Also reversed 8.28 Crs of the unrealized interest income • Construction equipment finance business now has an outstanding of only 55 Crs and is winding down as per plan

Relationship Management	
Disbursed - 288 Crs (Growth: 18% YoY)	• Customer Lifecycle model being created to map customer lifecycle journey across life insurance, general insurance, loan products and investments • Customer **servicing done by RM's to increase engagement. Investment and wealth** management products added to product suites

Fixed Deposits & IFA	
Addition of 394 Crs Total book -2243 Crs (Growth: 126% YoY)	• Fixed deposit program has been rated FAAA/Stable by CRISIL and MAAA/Stable by ICRA • Average deposit size is at 3.2 lacs with a weighted tenor of 27 months • **IFA channel now has 732 IFA's** enrolled. IFA channel crossed 150 Crs of total business in the first 9 months of launch with distribution spread across deposits, lending and investments • Corporate Liabilities program launched

MANAGEMENT DISCUSSION (CONTD.)

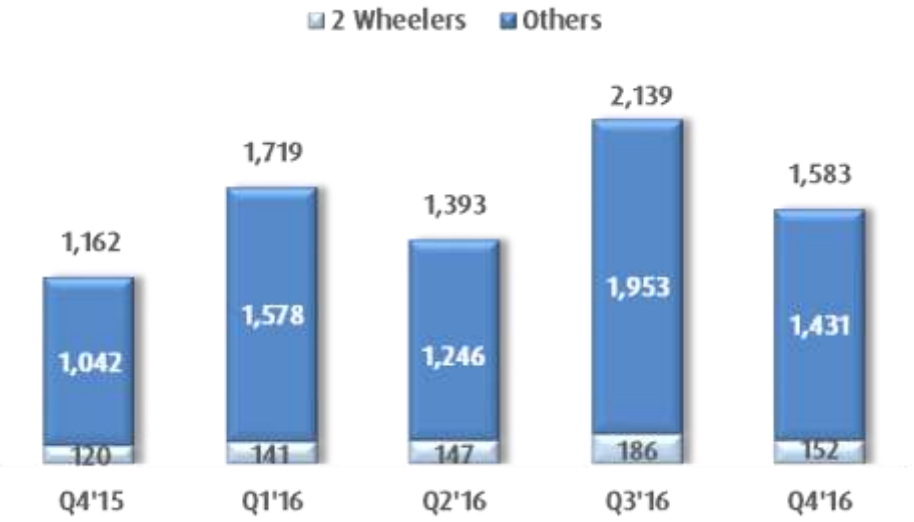
Portfolio Metrics	
	• GNPA: 1.23% in March 2016 as compared to 1.51% last year • NNPA: 0.28% in March 2016 as compared to 0.45% last year • Provisioning coverage ration stood at 77%. Company made a provision of ₹ 43.9 crore in one of its Infrastructure lending account in Q4 FY16

Interest Cost	
	• Interest cost for the company continues to remain significantly lower amongst its NBFC peers • Borrowing mix at the quarter end stood at 48:46:06 between banks, money markets and retail deposits respectively • Credit rating of AAA/Stable by India Ratings (Fitch), AA+/Positive by CRISIL & AA+/Stable by ICRA • Credit rating of A1+ for Short term debt program by CRISIL & ICRA

FINANCIAL PERFORMANCE TRENDS – Q4 FY16

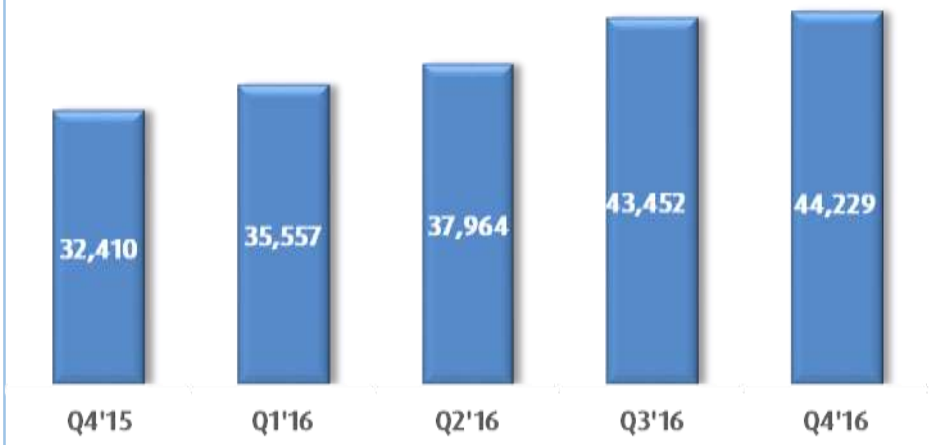
of Loans Disbursed ('000)

↑ 36% YoY



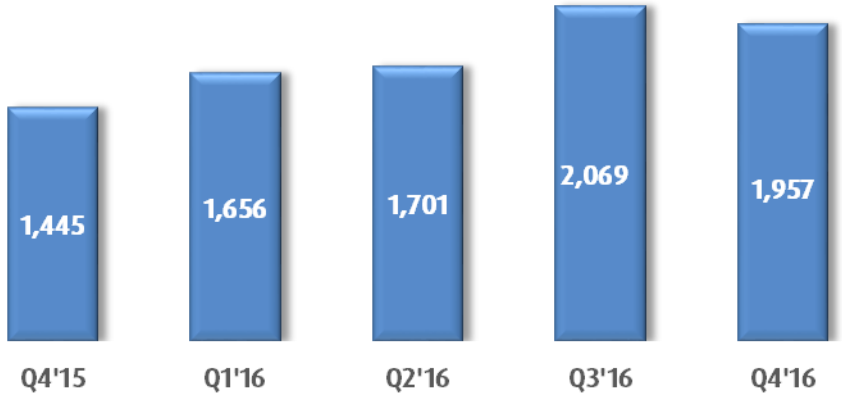
AUM (₹ Crore)

↑ 36% YoY



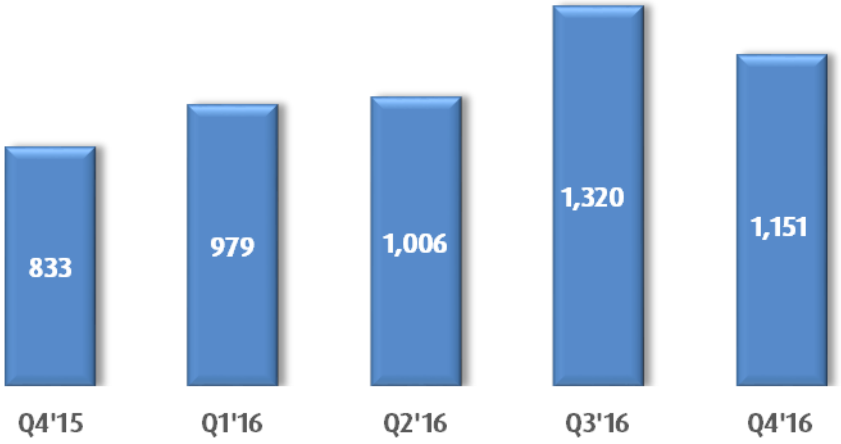
Revenue (₹ Crore)

↑ 35% YoY



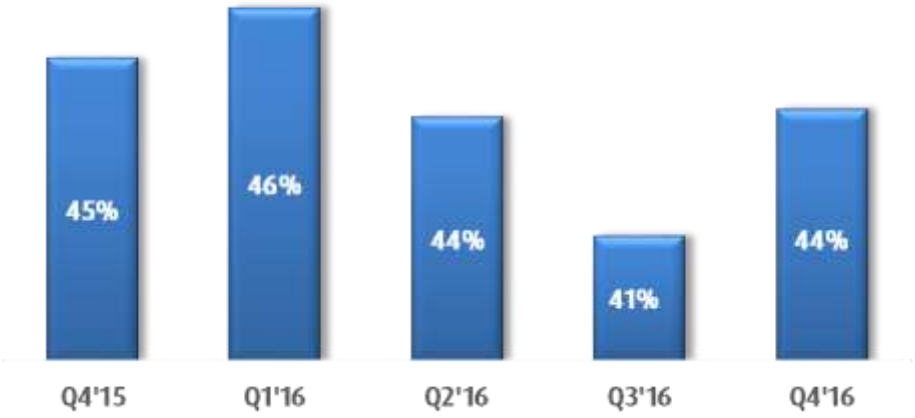
Net Interest Income (NII) (₹ Crore)

↑ 38% YoY



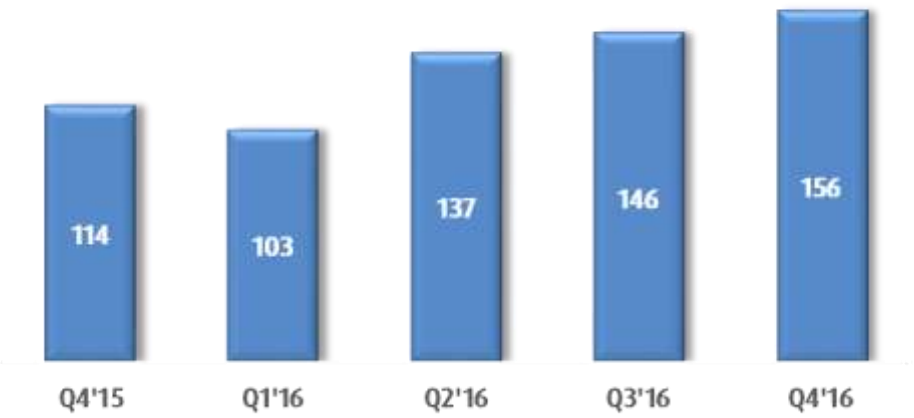
FINANCIAL PERFORMANCE TRENDS – Q4 FY16

Operating expenses % of NII

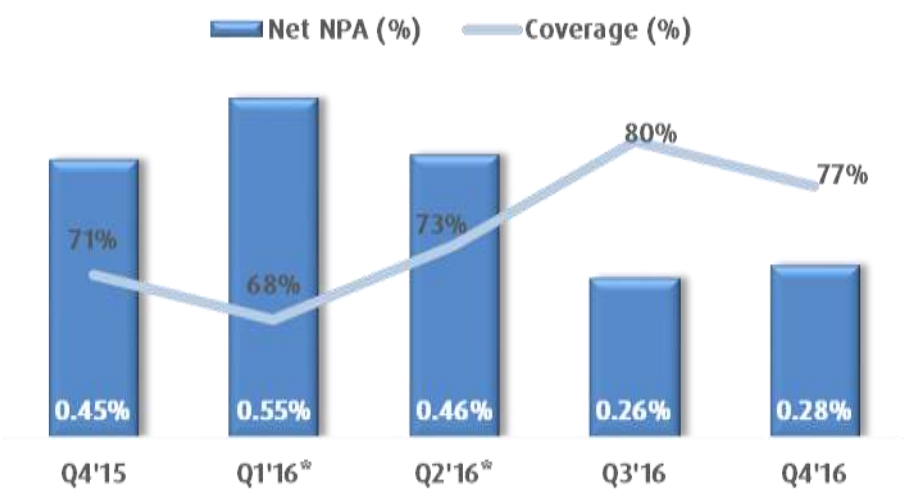


Loan loss provision (₹ Crore)

↑ 37% YoY

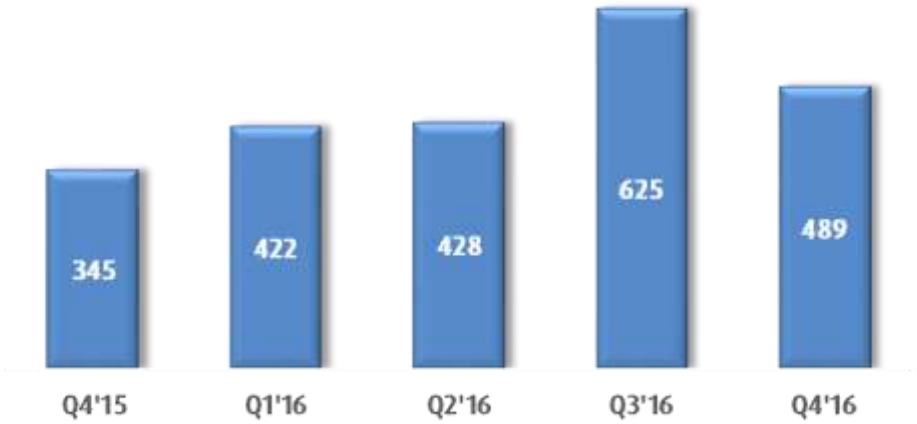


Net NPA & Provisioning coverage



Profit Before Tax (₹ Crore)

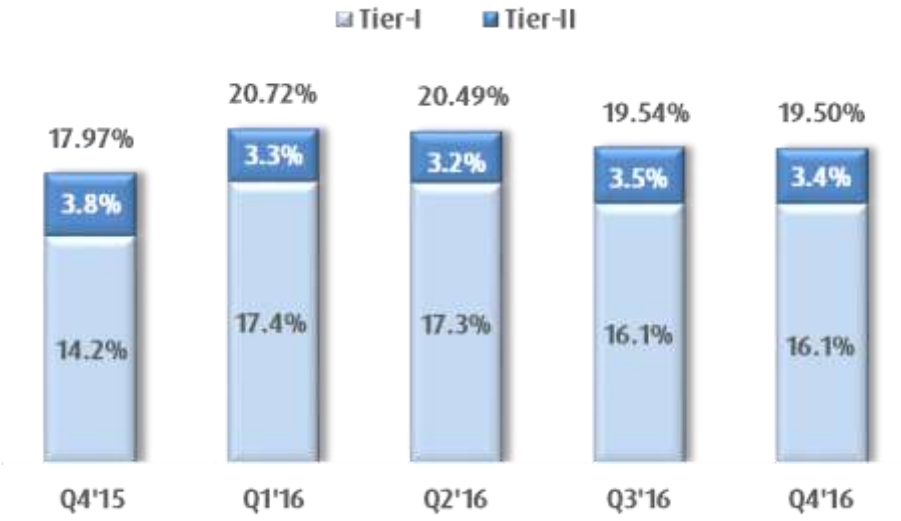
↑ 42% YoY



*The net NPA & provisioning coverage numbers for Q1FY16 are at 150 days over-dues while the same for previous quarters are at 180 days over-due.

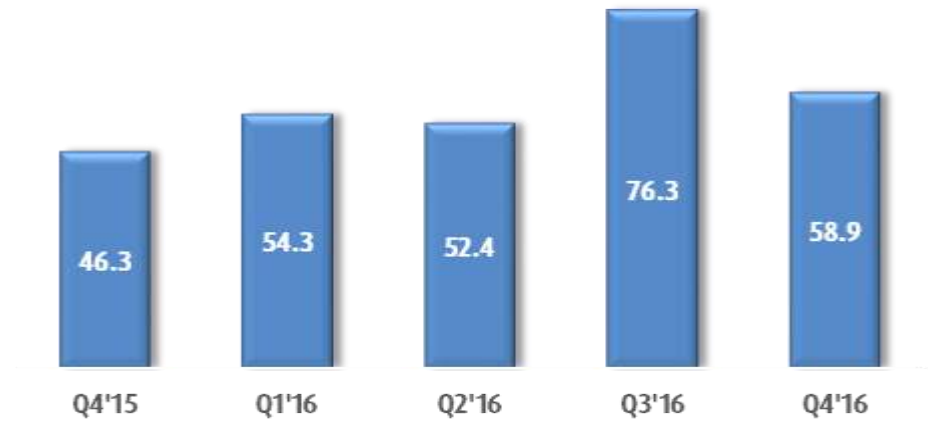
FINANCIAL PERFORMANCE TRENDS – Q4 FY16

Capital adequacy ratio

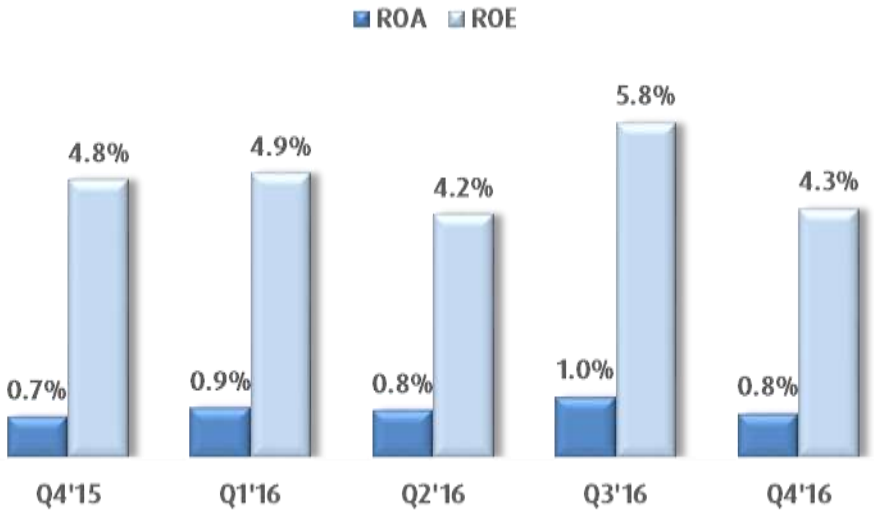


Earnings per share – Basic (₹)

↑ 27% YoY



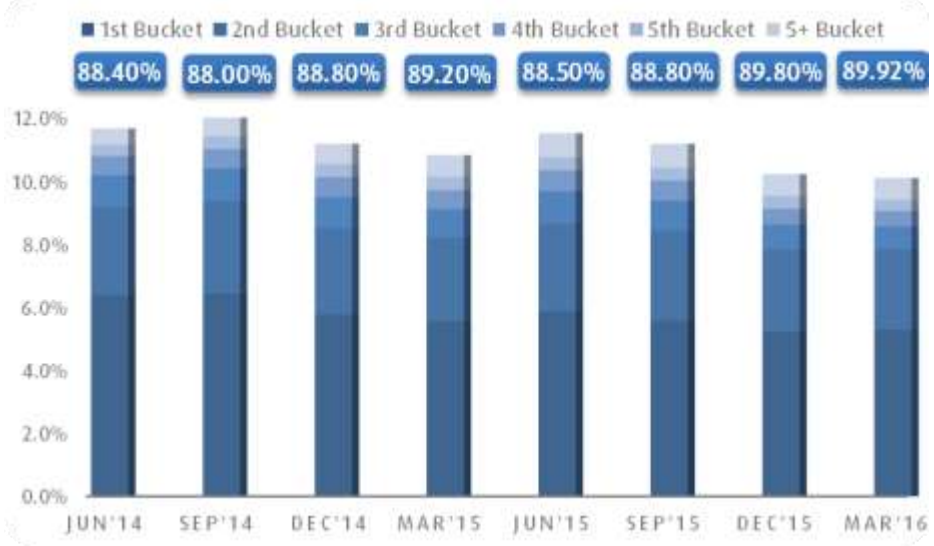
Return on avg. assets under finance & Equity



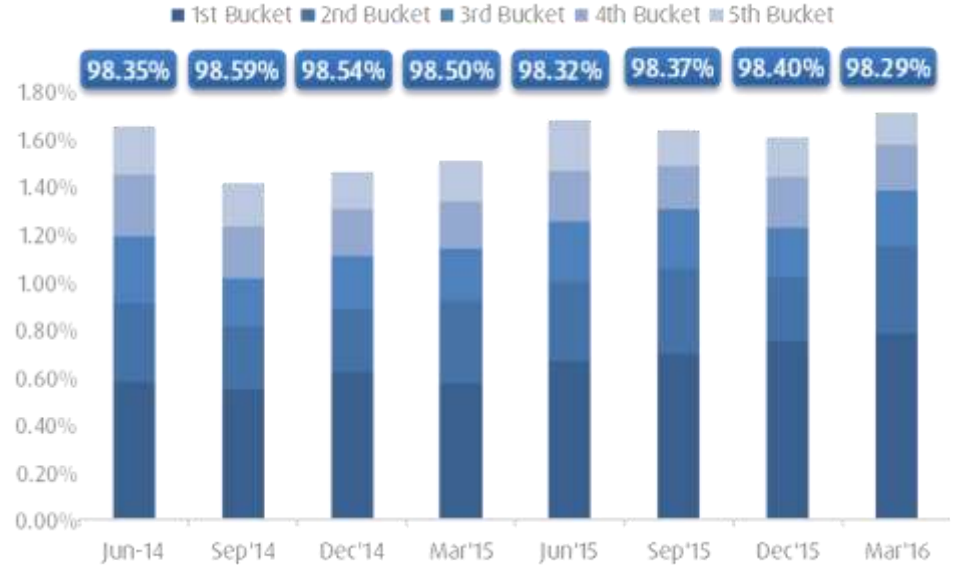
CREDIT QUALITY – PORTFOLIO COMPOSITION

Consumer durable loan portfolio

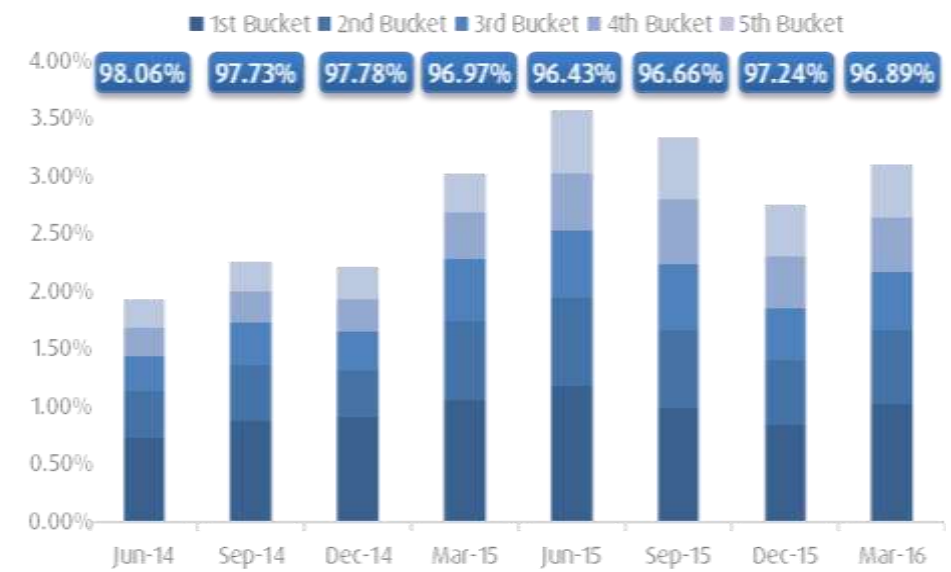
Two & Three wheeler loan portfolio



Lifestyle finance loan portfolio



Digital product finance loan portfolio

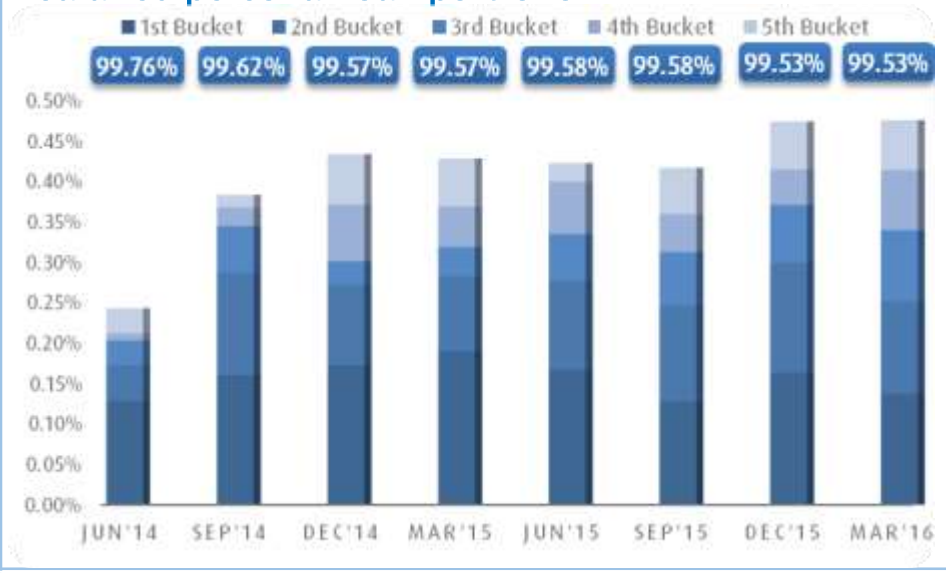


Legends indicate customers who are current/ no dues as of the month.

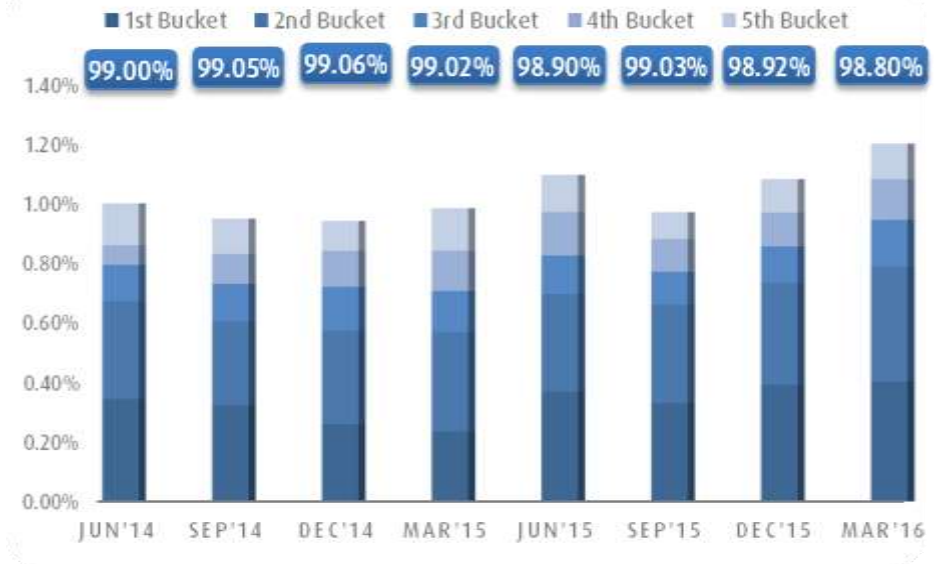
CREDIT QUALITY – PORTFOLIO COMPOSITION

Personal loan cross sell portfolio

Salaried personal loan portfolio



Small business loan portfolio



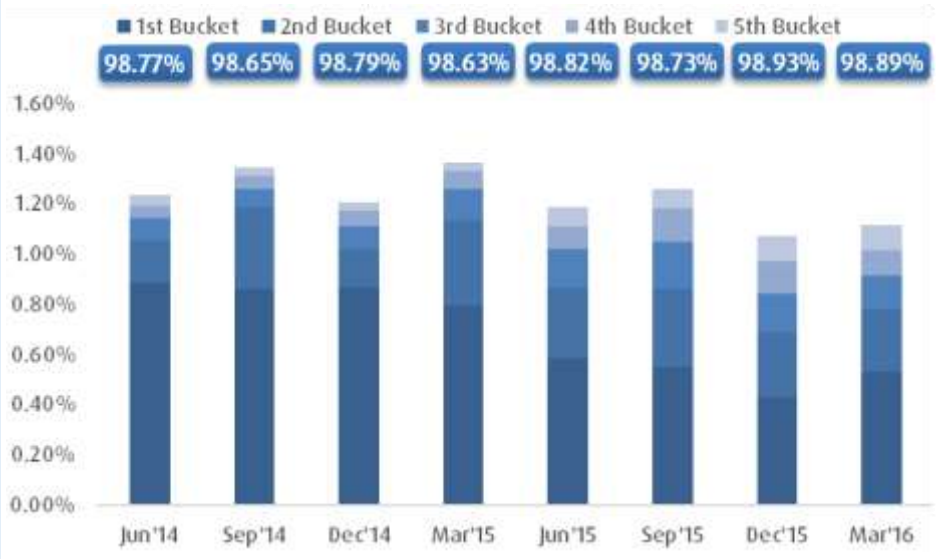
Loan against property portfolio

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

CREDIT QUALITY – PORTFOLIO COMPOSITION

Home loans portfolio

Rural Lending portfolio



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

CREDIT QUALITY – PROVISIONING COVERAGE

Business Segment (Values in₹ Crs)	AUM (FY16)	GNPA	NNPA	PCR (%)	GNPA (%)	NNPA (%)		Remarks
1. 2W & 3W finance	3,773	162	40	76%	4.28%	1.08%		Repossessable asset
2. Consumer durable finance	5,556	85	4	96%	1.68%	0.07%		
3. Lifestyle & Digital product finance	1,016	9	1	90%	0.90%	0.09%		
4. Personal loans cross sell	3,860	86	3	96%	2.17%	0.09%		
5. Salaried personal loans	2,614^	16	2	86%	0.60%	0.08%		
6. Salaried – Home Loans	1,477*	1	1	10%	0.05%	0.04%		1.25 X property cover
7. Business loans (BL)	4,309	66	12	81%	1.46%	0.28%		
8. Professional loans	1,112	7	1	79%	0.58%	0.12%		
9. Loan against property (LAP)	8,332	60	40	34%	0.74%	0.49%		1.5 X property cover
10. Self employed – Home Loans	3,089	8	4	48%	0.33%	0.17%		1.4 X property cover
11. Loan against securities	2,659	0	0	-	0.00%	0.00%		
12. Vendor financing	1,394	0	0	-	0.00%	0.00%		
13. Financial institutions group	429	0	0	-	0.00%	0.00%		
14. Corporate finance	338	0	0	-	0.00%	0.00%		
15. Infrastructure lending	311	11	9	20%	3.70%	2.98%		Made an additional provision of 43.9 Crs on a standard asset
16. RM Business (LAP, HL, BL)	1,887	6	3	54%				
17. Rural lending	1,339	5	1	83%	0.35%	0.06%		
18. BFS Direct	576	1	0	81%	0.22%	0.04%		
Bajaj Finance	44,229	539	123	77%	1.23%	0.28%		

PCR – Provisioning Coverage Ratio

PR COVERAGE HIGHLIGHTS IN Q4 FY16

Publication: 13th May, 2016 - Forbes India
Article access: http://forbesindia.com/article/anniversary-special/how-sanjiv-bajaj-turned-bajaj-finserv-into-a-financial-powerhouse/43283/0

PR COVERAGE HIGHLIGHTS IN Q4 FY16

'Multi-segment Focus has Put Co in a Sweet Spot'

ET NOW Q&A

In a chat with ET NOW, **Sanjiv Bajaj**, MD, Bajaj Finserv, shares his business outlook. Edited excerpts:

Your reports show Chennai floods were the main problem area for Bajaj Finserv in Q3. But it did not dent your profits, did it?

That is correct. If you look at our three main businesses, Bajaj Finance has had a record profit this quarter – up 58% to ₹408 crore. Despite the floods, the general insurance business had a good quarter in terms of the top line, which went up 14% to ₹1,348 crore. The bottom line, however, fell from ₹143 crore to ₹68 crore. The ₹85-crore hit was on account of the Chennai floods. What is interesting from an insurance point of view is that during the Chennai floods the rains actually stopped in the middle for a while, and started again. So, it is treated as two separate events. That is why the hit has been much higher than what we would have normally anticipated.

We have now taken this into account while reviewing our insurance treaties. But the result of that was an additional 7% in claimed ratio for the quarter. That is not something you would normally see in other quarters. That is why our profit came down.

As for the life insurance business, our growth on new business premium continues to be muted.

Bajaj Finserv is in a sweet spot. Our strategy of going in for multi-segment focus – across consumer, SME, commercial, rural and relationship management – is bearing fruit.

FILE PHOTO

Bajaj Finserv's numbers have been a delight. Do you think you can sustain such numbers?

We do not make projections on profits. But I can say that in the foreseeable future, we have the capacity to grow at around 25%, give or take 5%-7% given the nature of the external environment. This quarter we have grown substantially higher than that. We did a two-month long programme during Diwali and Dusshehra. That worked out really well for us across different consumer segments. We are now looking to make it a regular practice.

Can you achieve the historical rate of 30% AUM growth?

We think 25% is possible under current circumstances at least in the near future. If economic growth looks up in, say, the second half of next year, 30% could be possible too.

Publication date: February 5, 2016, The Economic Times– Multiple editions
Article access: http://articles.economictimes.indiatimes.com/2016-02-05/news/70373622_1_sanjiv-bajaj-bajaj-finserv-68-crore

PR COVERAGE HIGHLIGHTS IN Q4 FY16 (CONTD.)

Bajaj Fin enters lifecare financing, eyes ₹1,000-cr revenue in 5 years

fe Bureau

Mumbai, March 22: Bajaj Finance has ventured into lifecare lending, a segment through which it will finance expenses for elective medical procedures such as stem cell storage, eye care, dental treatment, maternity care and cosmetic-based hair and skin treatment.

The NBFC plans to launch this product in 40 cities across India, including tier-1 markets like Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Ahmedabad, Hyderabad and Pune, and hopes to garner around Rs 1,000 crore from it over the next five years, president of the consumer business Devang Mody told *FE*.

The company is the first lender in India to make a foray into the lifecare lending segment. The idea behind the move is to tap into a market which is untouched in India but is a booming business in many western countries.

"We have already serviced around 500 customers in the last few months ever since this went underway. The margins would be similar to those of our other consumer businesses such as furniture finance or consumer durables finance but the way we see it, this one more ecosystem for us to cater to and hence, we will be able to service more needs of our consumer," Mody said. Some of the procedures being covered by the company include laparoscopic hernioplasty, all types of bariatric surgery, total laparoscopic hysterectomy (uterus removal), and knee replacement surgery and all knee care related procedures, among others.

Publication date: March 23, 2016, The Financial Express
Article access: http://www.financialexpress.com/article/industry/banking-finance/bajaj-fin-enters-lifecare-financing-eyes-rs-1000-cr-revenue-in-5-years/228832/

AWARDS & ACCOLADES

- The Company has been recognized as one of "Asia's Best Workplaces 2016" by Great Place to Work Institute. The Company has improved its position to 16th best employer in India in 2016 versus 23rd in 2015.

- The Company has also once again been recognized amongst "Top 25 Employers in India, 2016" by AON Hewitt. This is third time in a row that the Company has received this recognition. Bajaj Finance Limited is one of the only 4 companies to make it to this list for a third year in a row.

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BAJAJ FINANCE LIMITED

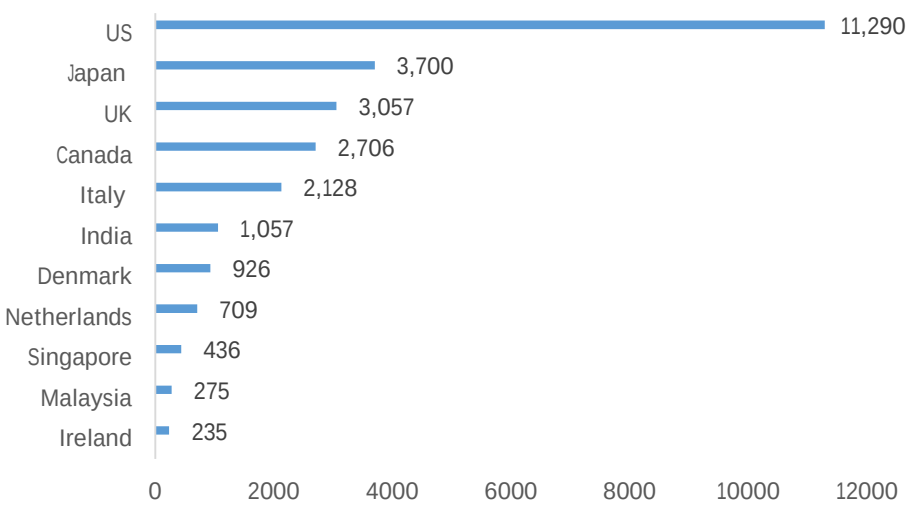
Q4 FY16 Presentation

THANK YOU

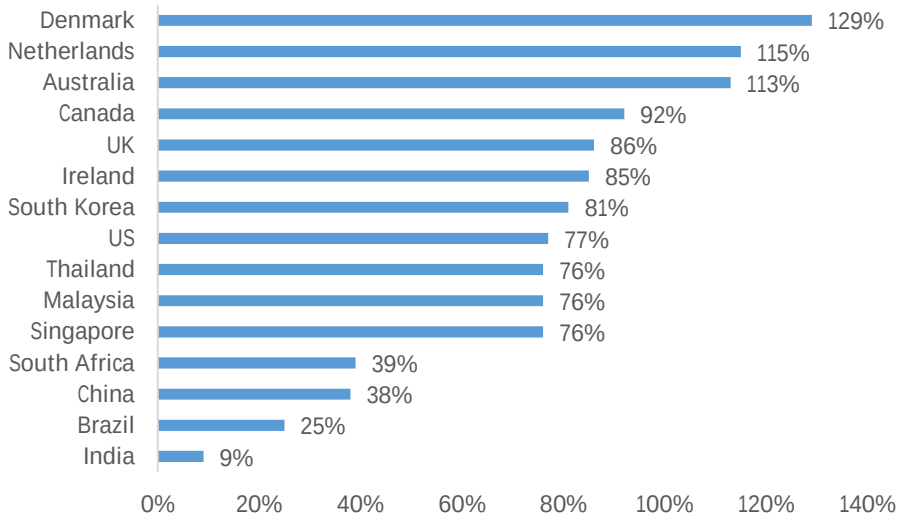
ANNEXURE

LENDING INDUSTRY OPPORTUNITY

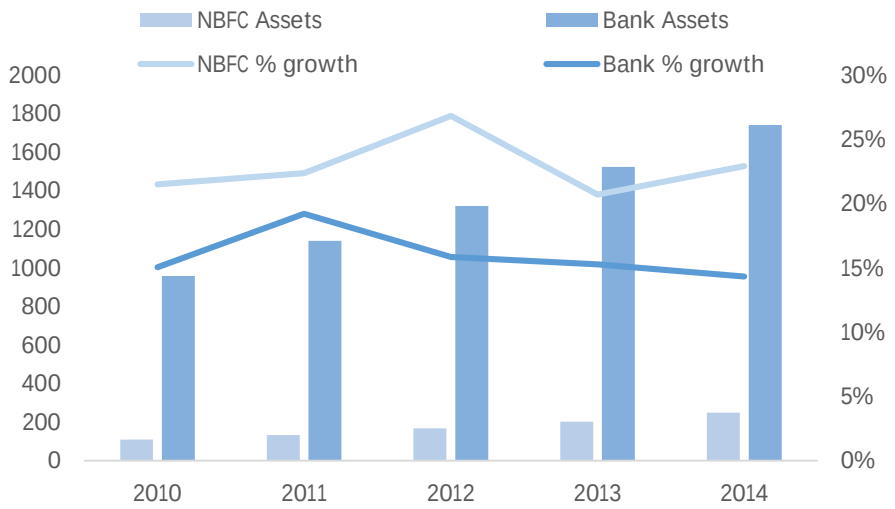
India vs. Advanced Economies – Bank Credit (US $ Bn)



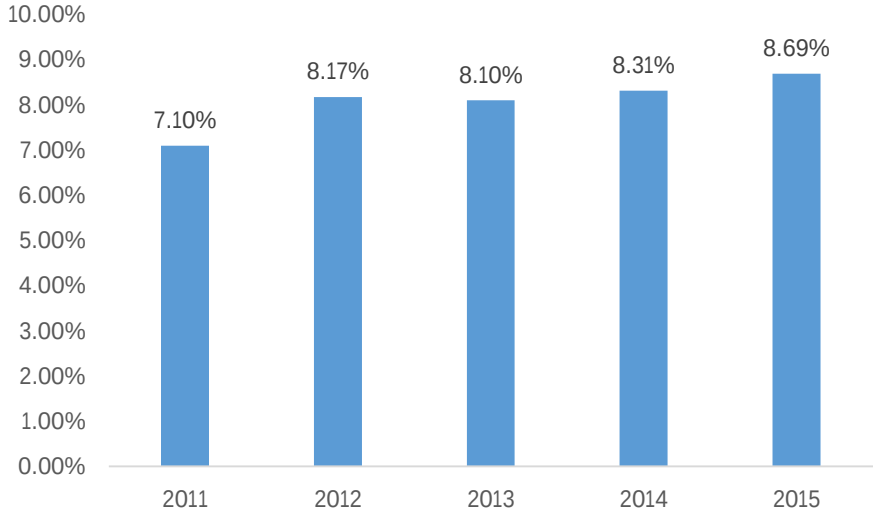
India vs. Advanced Economies - Household Debt/GDP (%)



India - Banks & NBFC Assets (US $ Bn)



India – Household Debt/GDP (%)



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

A FEW INITIATIVES IN THE LAST 24 MONTHS...

1. Low ticket high velocity collection capability (~250K accounts per month)
2. Work flow based underwriting for SME businesses on cloud.
3. Centre of Excellence for Analytics across Sales, Pricing, Risk, Marketing, Collection & Service
4. Direct cash collection model for unbanked rural customers
5. Flexi Loan to SME customers – Flexibility to prepay & withdraw
6. India's only E2E online salaried personal loan and business loan
7. Dedicated Digital Finance business carved out
8. 98% customer resolution in 02 working days
9. Property Fitness Report (Property Dossier)
10. 'Best Employer' awards by GPTW & Aon Hewitt
11. Launched MSME rural lending business
12. Co-branded EMI card with Vijay Sales
13. Co-branded EMI card with Ezone
14. Launched CD Mobile APP – Bajaj Finserv Experia

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	2.50*	2.67*	2.82*

SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
14	5	3.45*	3.47*	3.59*

Product offerings – Retail

Loan Products

- Consumer durable finance, Digital finance, Lifestyle finance, 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

Product offerings – SME

Loan Products

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

Fee Products

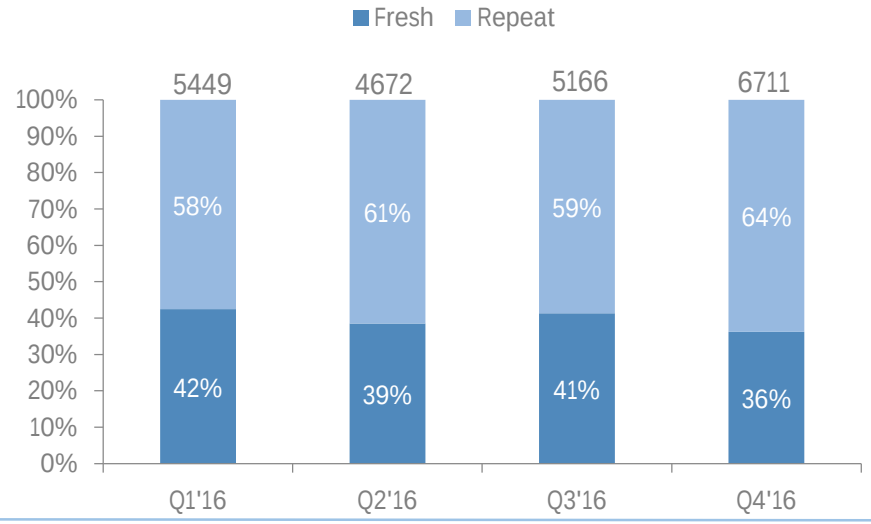
– EMI Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, CRISIL ratings, Property search services, Property fitness report, SME financial fitness report

* 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

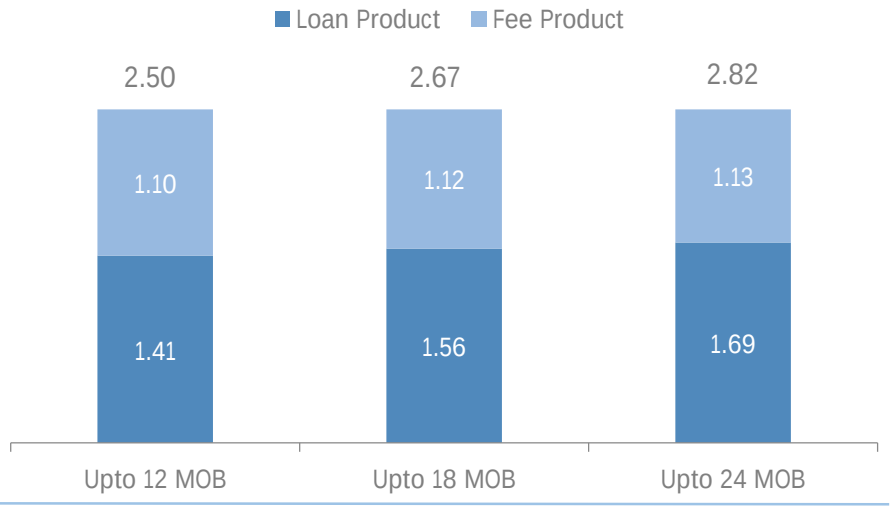
Product Per Customer (PPC)

Retail

Disbursed Value (` Crore) – Fresh v/s Repeat Mix

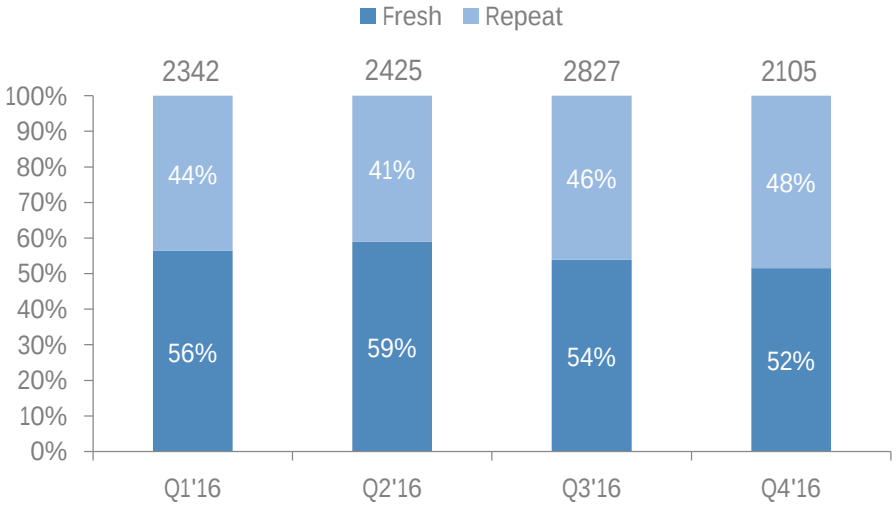


Product Per Customer (PPC)

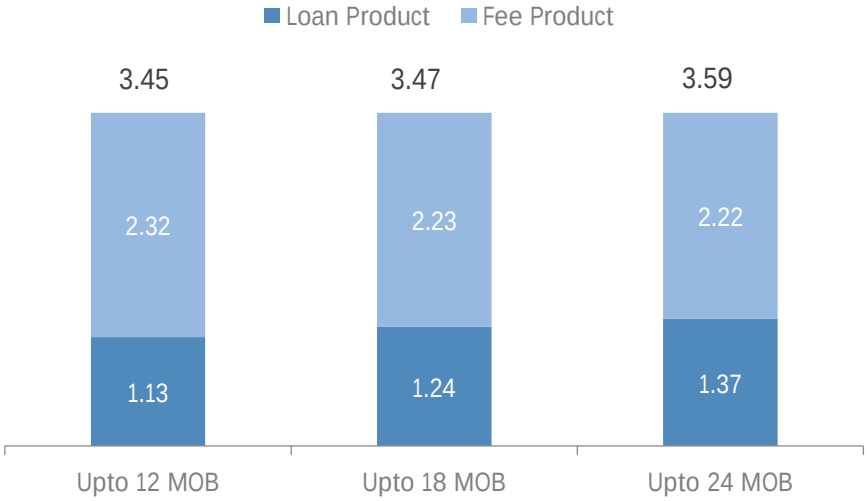


SME

Disbursed Value (` Crore) – Fresh v/s Repeat Mix



Product Per Customer (PPC)



* Base product is included in the PPC calculation

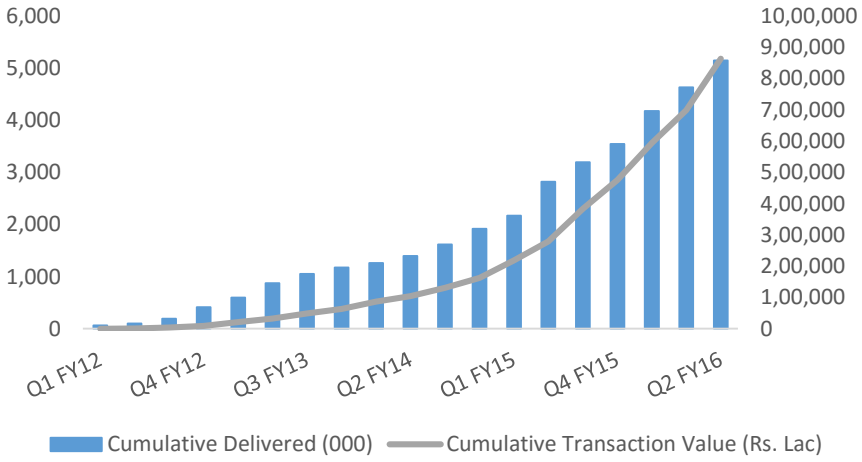
* PPC does not include short tenor & renewable loans (viz. PO, LAS & Retailer finance), TW, Infra and Rural lending sourcing

EMI CARD FRANCHISE

What is EMI Card

- EMI Card refers to Existing Member Identification Card.
- The EMI card can be used to purchase consumer durables & lifestyle products, by availing a loan from BFL without any documents.
- Customers simply have to Swipe & Sign to buy using an EMI card.
- Total volume for Q4'FY16 – 6,75,433
- Average line assigned per EMI card (Amount in Rs):
  - Per issued card – 83,939
  - Per active card – 84,645
- Activation rate of delivered EMI cards:
  - 0-6 MOB- 32%, 0-9 MOB – 35%, 0-12 MOB - 41%

Progress till date



Key milestones

- Launch of EMI Card Pilot: **May 2011**
- 1 Lac Transactions Milestone: **June 2012**
- 1 Mn Cards Milestone: **November 2012**
- EMI Card New Design Launch: **July 2013**
- 5 Lac transactions milestone: **October 2013**
- 1.5 Mn Cards Delivered Milestone: **November 2013**
- 2.4 Lac Transactions in single month : **Oct 2011**
- 3 Mn Cards Delivered Milestone : **Nov 2014**
- 15 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**

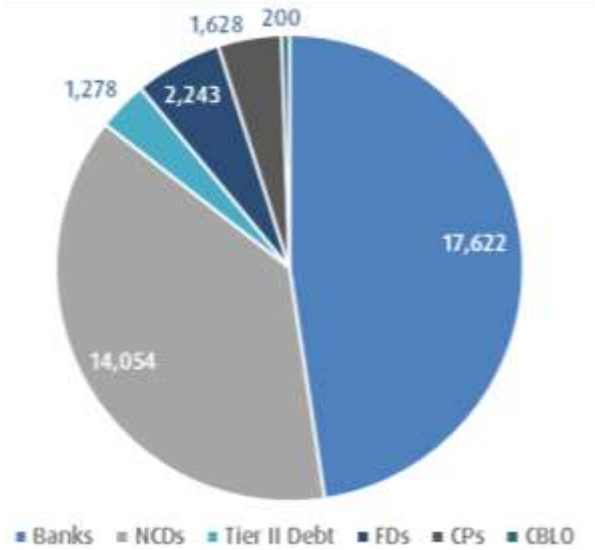
EMI Card Old & New design

Old EMI Card design (May 2011 to June 2013)

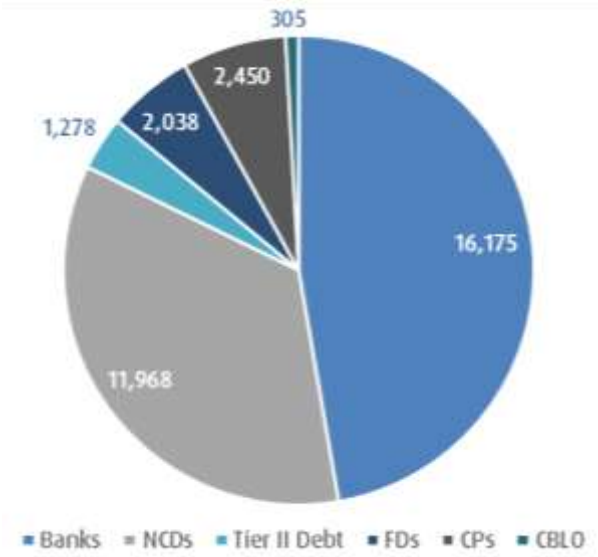
New EMI Card design (July 2013 onwards)

ALM STRATEGY

Borrowings – March'16 (₹ 37,025 Crs)

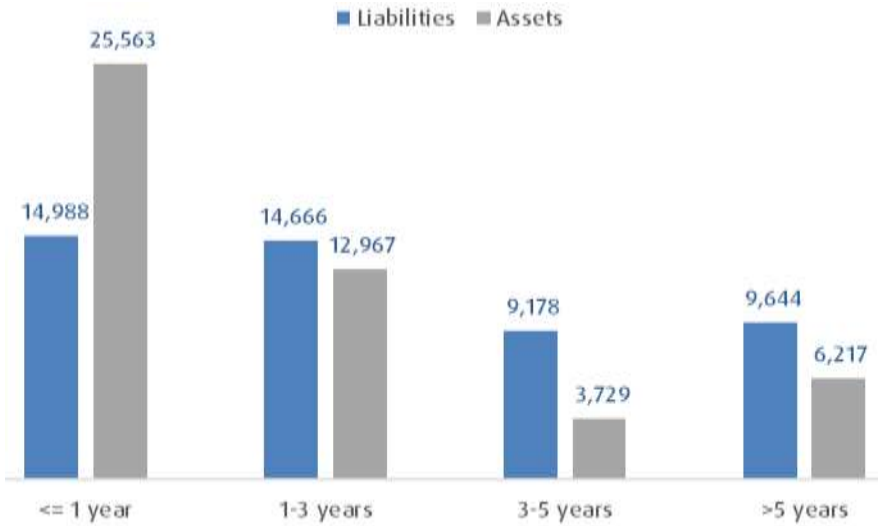


Borrowings – Dec '15 (₹ 34,214 Crs)



Loan Book (₹ Crs)

Behaviourilised 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%
- **Working Capital 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.**