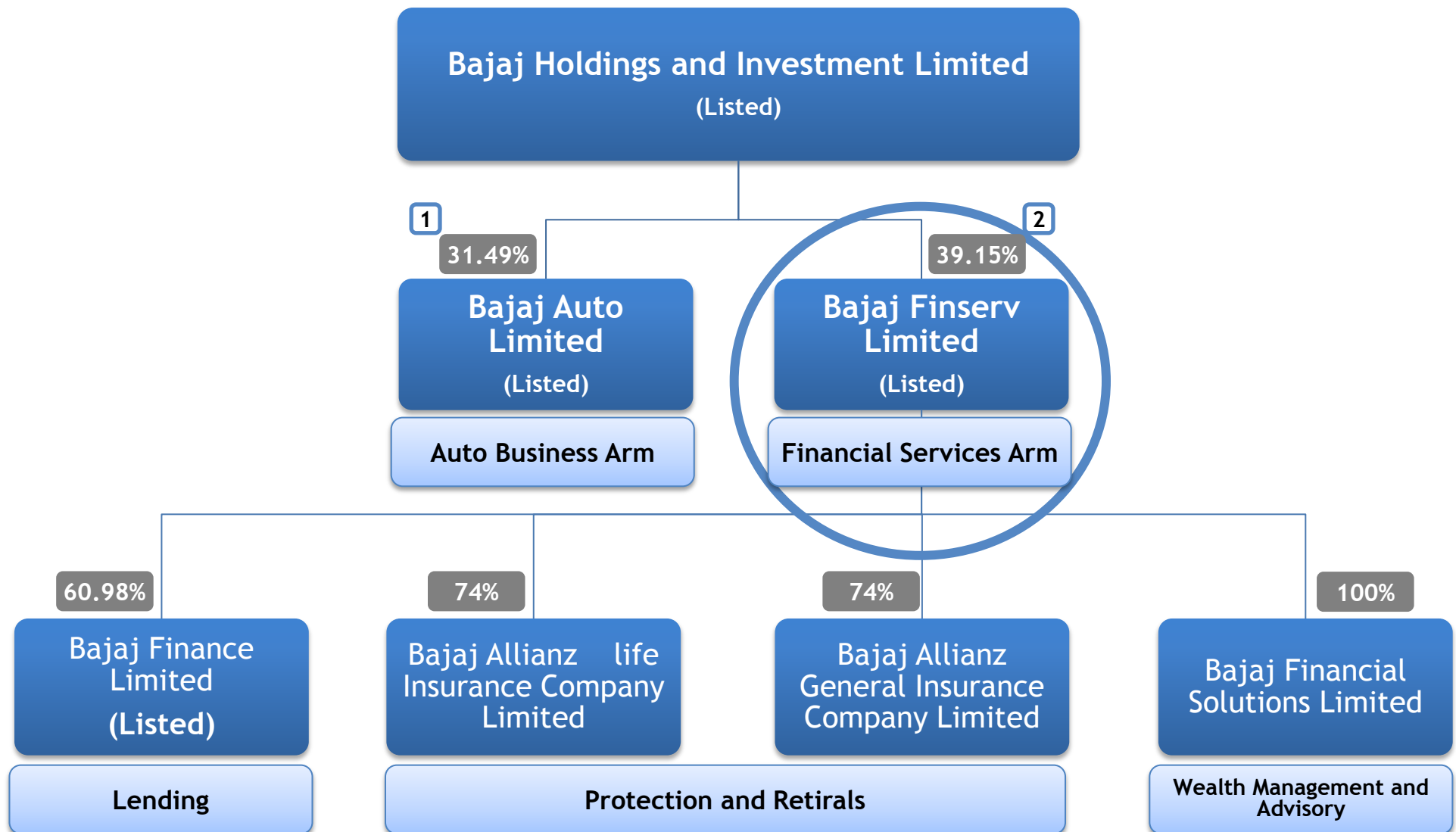


# Bajaj Finserv Limited

## June 20<sup>th</sup>-30<sup>th</sup> 2012

# Bajaj Group structure

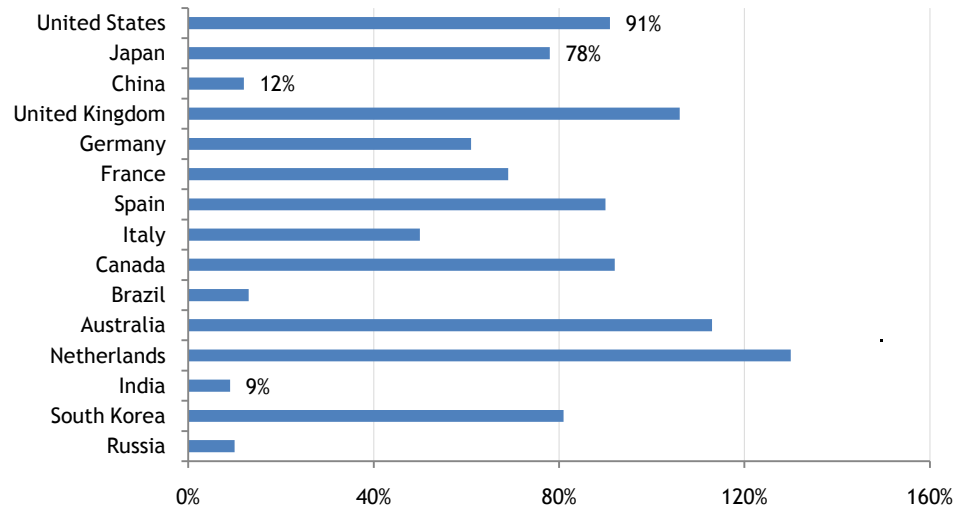


1. 50.02% holding through promoter holding company & promoter group
2. 58.88% holding through promoter holding company & promoter group

- 
- Bajaj is a 100 year old Indian industrial conglomerate started by shri Jamnalal Bajaj.
  - Bajaj Group has a solid track record of building profitable and sustainable businesses.
  - Bajaj Finserv came into existence as “Financial Services Arm” of the group post the demerger of Bajaj Auto Limited in FY06.
  - Bajaj Finserv in a short span of six years is now a diversified financial services company with presence across Lending, Insurance and Wealth management.
  - Bajaj Finserv pursues subsidiary structure for its businesses with independent companies focused on building large and scalable retail businesses.
  - Bajaj Finserv provides brand, capital & drives synergies across subsidiaries to build businesses.
  - Bajaj Finserv is a listed entity providing an opportunity to participate in India’s retail financial services story.

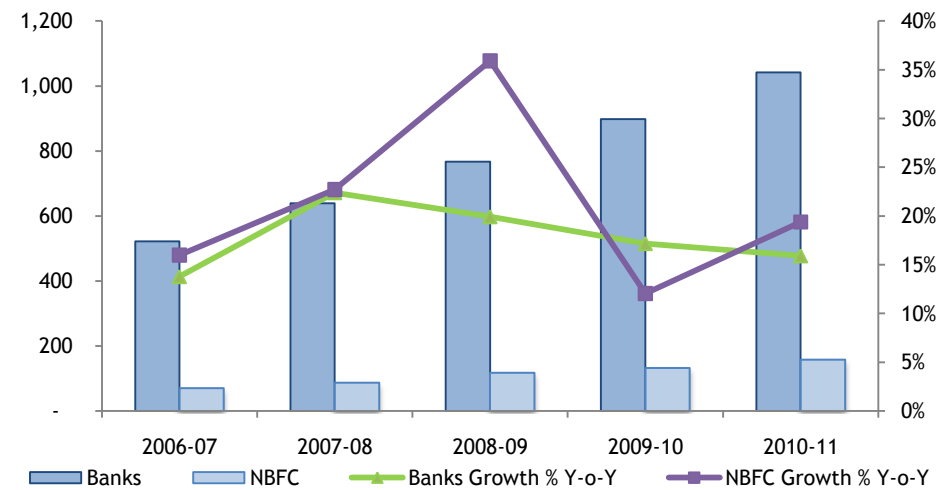
# Lending & Wealth management - Opportunity

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



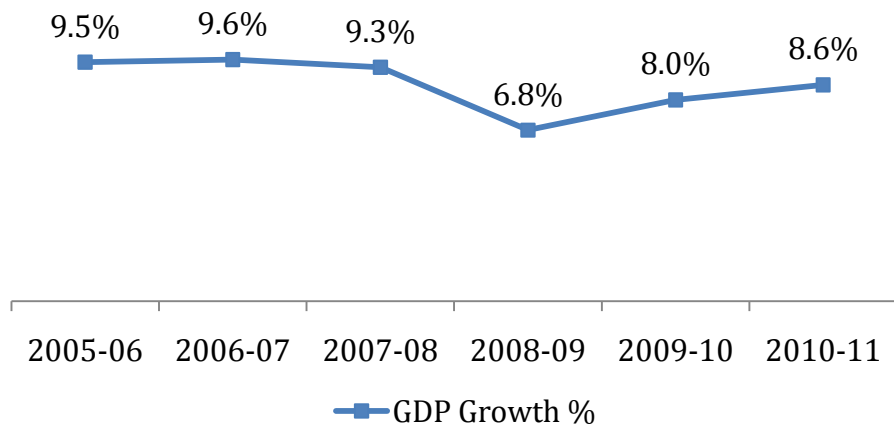
Source: International Monetary Fund

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



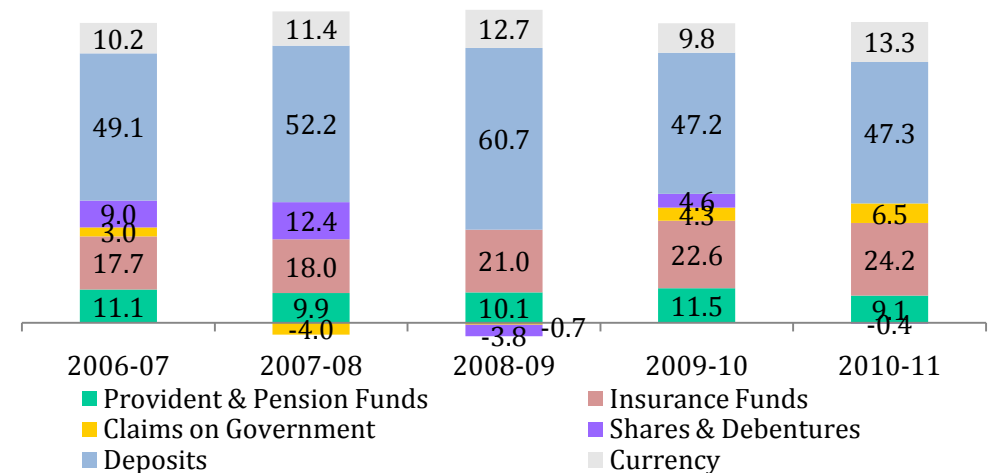
Source: Reserve Bank of India

## High savings rate present investments opportunity



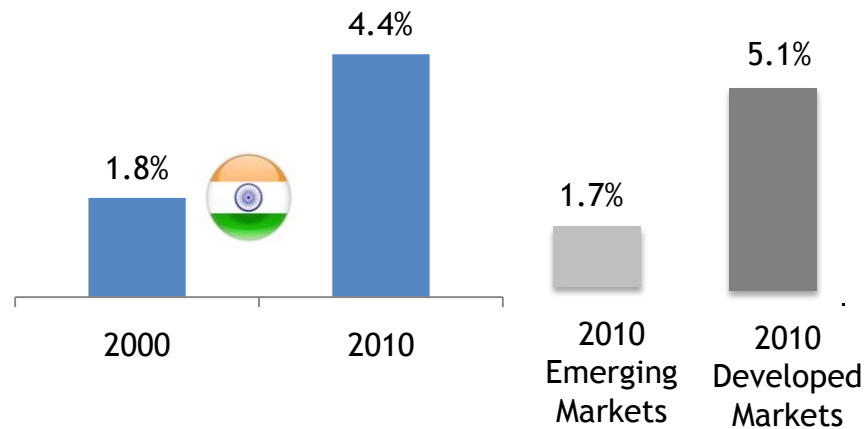
Source Economic Survey 2010-11

## Savings largely invested in low yield investments



# Life Insurance industry - Opportunity

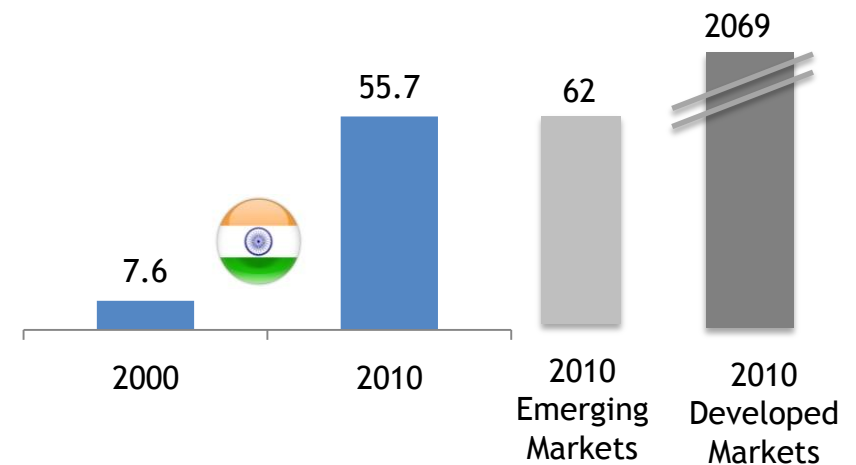
## Insurance Penetration to GDP



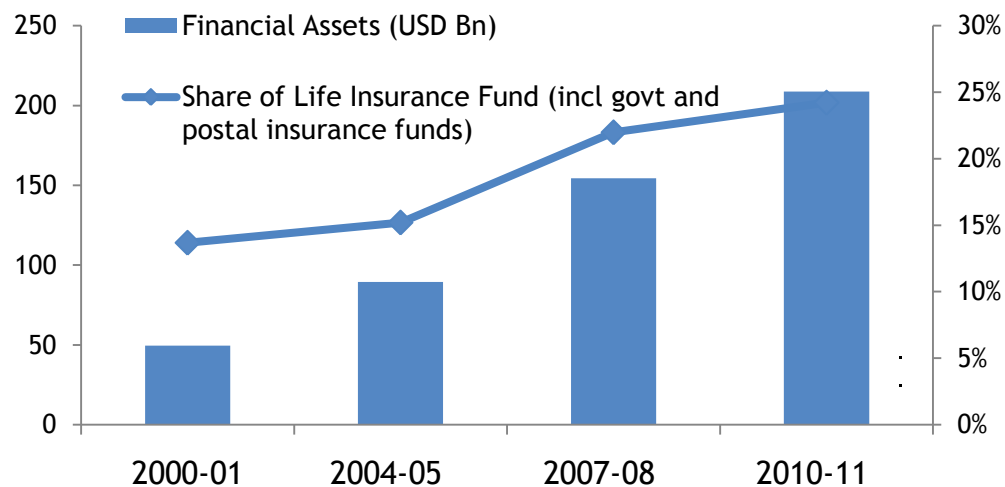
Swiss Re Report, IRDA Annual Report 2011

Emerging Markets – Asia, Latin Am, Africa, Middle East, Eastern Europe

## Insurance Density (USD/Capita)

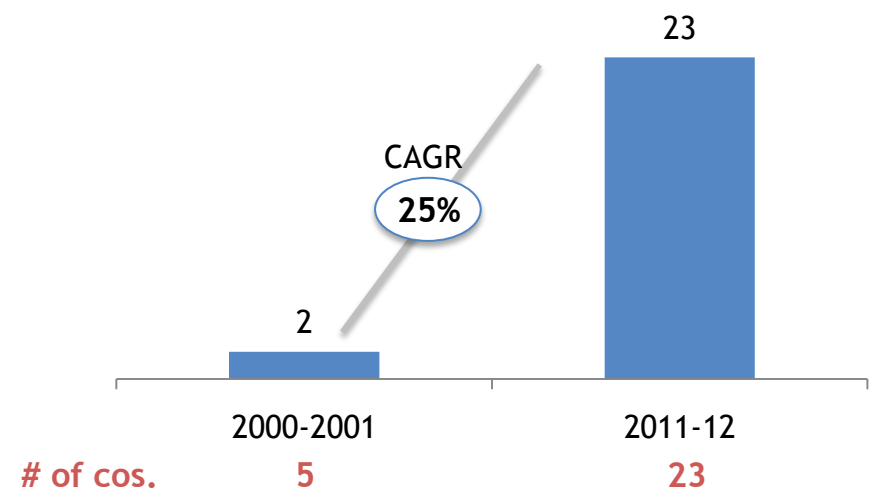


## Growing Share of Life Insurance in Financial Assets



RBI - Changes in Financial Assets/Liabilities of Household Sector

## First Year Premium (USD Billion)



# of cos.

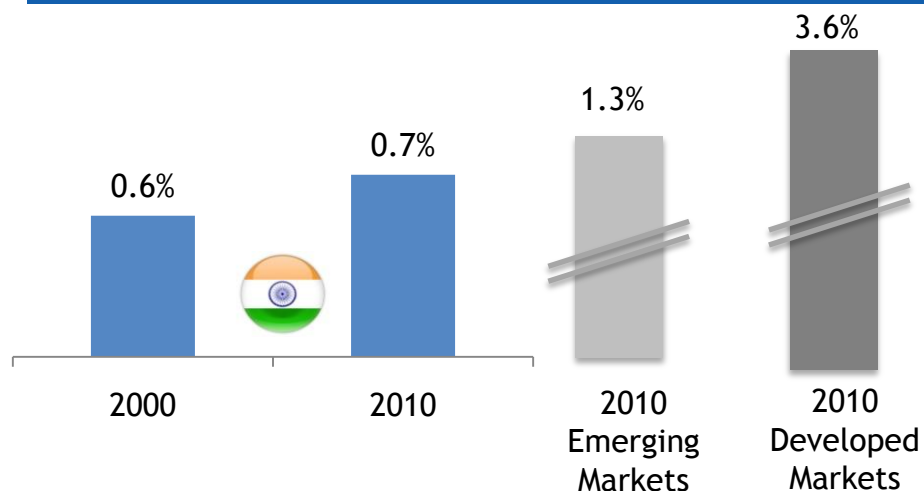
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23

Source: IRDA

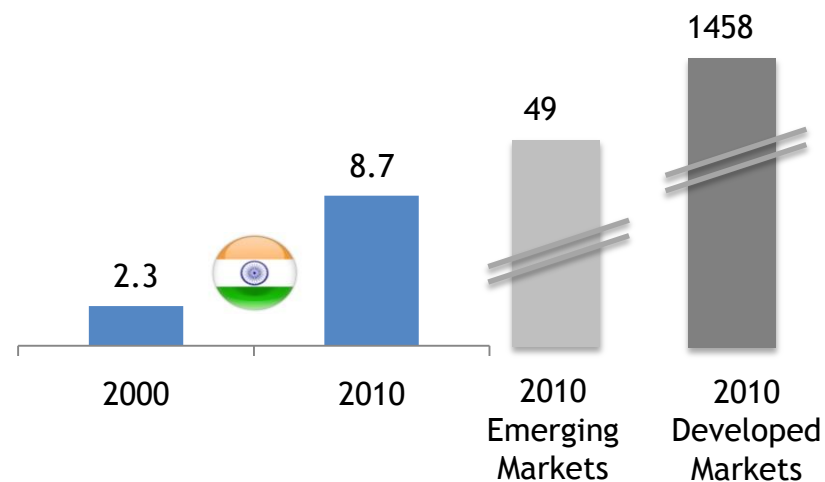
# General Insurance industry - Opportunity

## Insurance Penetration to GDP

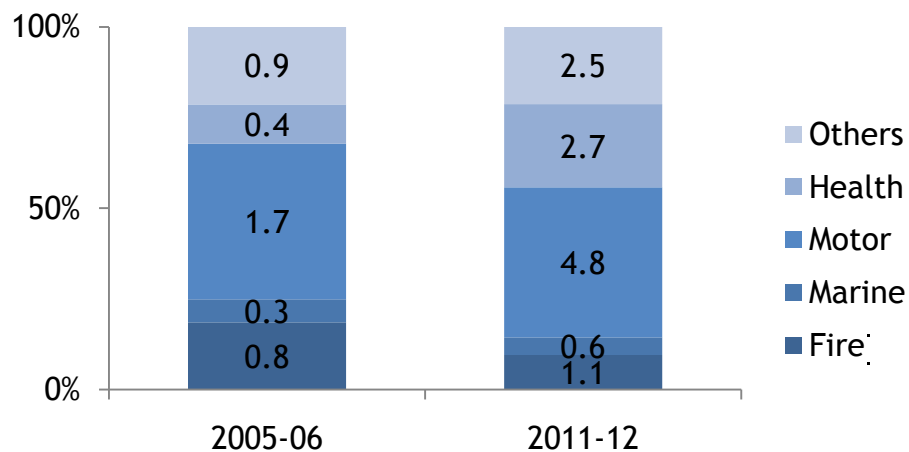


*Swiss Re Report, IRDA Annual Report 2011  
Emerging Markets – Asia, Latin Am, Africa, Middle East, Eastern Europe*

## Insurance Density (USD/Capita)

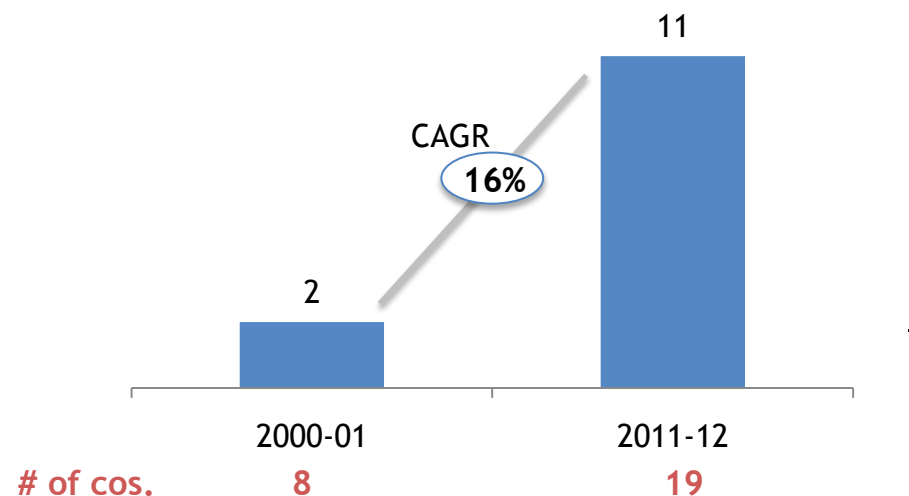


## Product Mix changing in favor of Health



*Source: IRDA, Includes specialized health players*

## First Year Premium (USD Billion)



*Source: IRDA, Excludes specialized players* 6

## **LENDING**

- A 25 year old non bank finance company
- Diversified consumer, SME & commercial lender in India.
- Credit rating of AA+ with (+) outlook by S&P & Moody for over 6 years.
- 82 cities presence with over 4,200 distribution franchise .
- Large customer franchise with 2.2 million clients acquired in FY12.

## **Allianz**

- 2<sup>nd</sup> largest policy acquirer amongst private insurers. 1.05 MM policies in FY12
- 4<sup>th</sup> largest private sector life insurer in India on new business & gross premium.
- 2<sup>nd</sup> highest AUM amongst private players. AUM of \$ 7.9 billion as of FY12
- 2<sup>nd</sup> largest profitable life insurer in private sector in FY12.
- 1,044 Branches with over 173K agents.



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

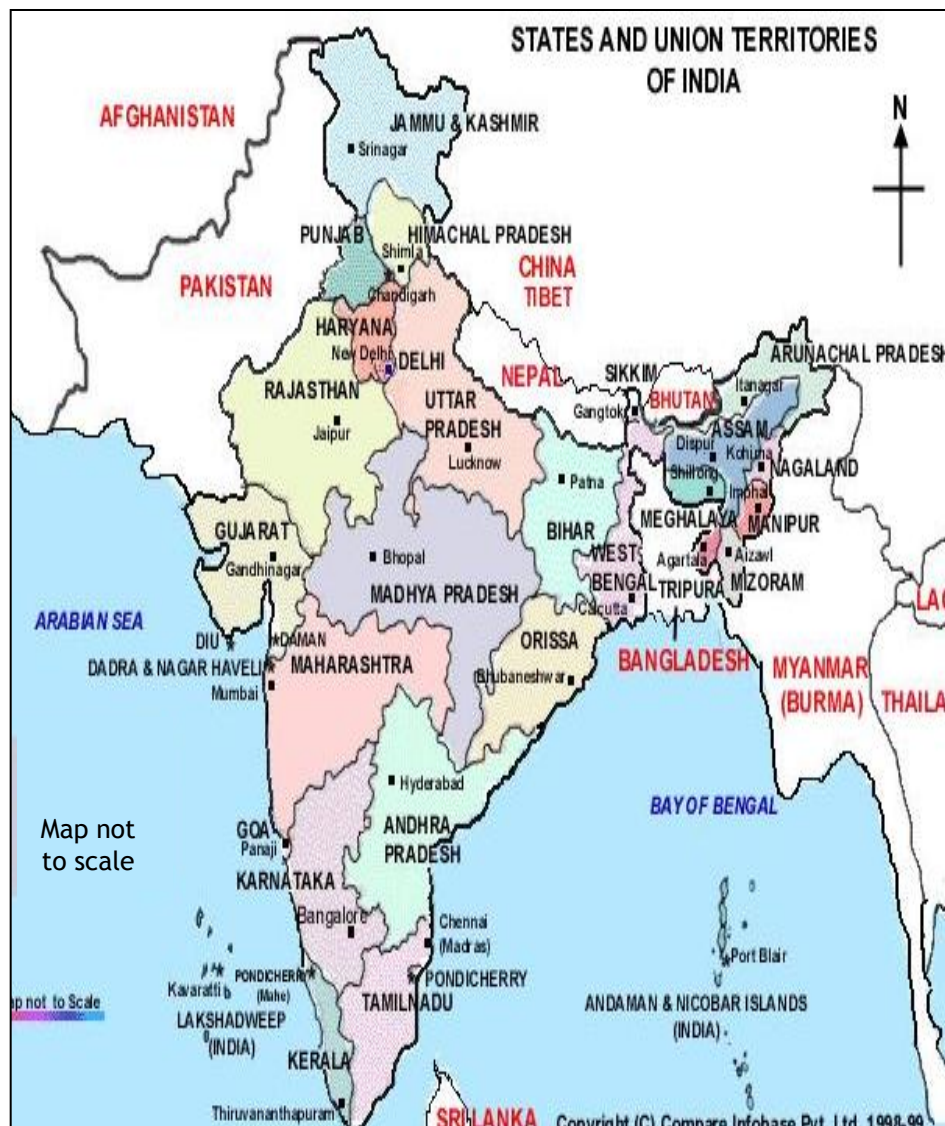
## **Allianz**

- 2<sup>nd</sup> largest private General insurer in India.
- Offer wide range of General insurance viz. Motor, Health & Corporate in India.
- Profitable non-life insurer since its first full year of operation.
- Best combined ratio in the industry.
- Strong franchise built on fast & efficient customer service.

## **WEALTH MANAGEMENT**

- A new business diversification for BFS.
- Launched retail financial advisory business in 04 cities in FY11.
- Retail financial advisory business intends to build on a key client need gap of providing financial planning to retail clients in a profitable way.
- Received SEBI approval to launch mutual fund business. Proposed JV with Allianz.

# Strong distribution reach



## Geographic presence

Business Line	FY10	FY11	FY12
Lending	79	79	82
Life Insurance	1,151	1,092	1,044
General Insurance	225	219	192
Wealth Management	0	4	4

## # of New clients / policy acquired (in million)

Business Line	FY10	FY11	FY12
Lending	0.9	1.56	2.22
Life Insurance	2.23	1.54	1.05
General Insurance	6.0	6.4	5.9
Wealth Management	0.0	0.0	0.001

## Assets under management (\$ million)

Business Line	FY10	FY11	FY12
Lending	806	1,514	2,621
Life Insurance	6,684	7,866	7,883
General Insurance	549	770	910
Wealth Management	0	0	0.6

Pan India footprint, sizeable acquisition engine and growing balance sheet



# Bajaj Finserv - Financial snapshot



## BAJAJ FINSERV | LENDING

Bajaj Finance	FY 10	FY 11	FY 12	CAGR %
# New Clients	0.9	1.6	2.2	57
Disbursement	917	1,887	3,160	86
AUM	806	1,514	2,621	80
Profit after tax	18	49	81	41
ROE (%)	8.0	19.7	23.5	
Financial consolidation @ 60.98%				



Bajaj Finserv	FY 10	FY 11	FY 12	CAGR %
# New Clients	9.1	9.5	9.1	0
New business	3,704	4,390	5,325	20
AUM - Lending	806	1,514	2,621	80
AUM - Investment	7,233	8,636	8,793	10
Profit after tax	150	268	367	56
Franchise value without carving out minority interest				

## BAJAJ | Allianz

General Insurance	FY 10	FY 11	FY 12	CAGR %
# New Policies	6.0	6.4	5.9	-1
Gross premium	503	581	668	15
AUM	549	770	910	29
Profit after tax	24	9	25	2
ROE (%)	16	5	14	
Financial consolidation @ 74%				

## BAJAJ | Allianz

Life Insurance	FY 10	FY 11	FY 12	CAGR %
# New Policies	2.2	1.5	1.1	-31
Gross premium	2,284	1,922	1,497	-19
AUM	6,684	7,866	7,883	9
Profit after tax	108	211	262	56
ROE (%)	45	61	45	
Financial consolidation @ 74%				

## BAJAJ FINSERV | WEALTH MANAGEMENT

Bajaj Financial Solutions	FY 10	FY 11	FY 12	CAGR %
# New Clients	0	0	0.001	
Disbursement	0	0	0.6	
AUM	0	0	0.6	
Profit after tax	-0.4	1.4	-1.7	
ROE	NA	NA	NA	
Financial consolidation @ 100%				

\$ million / # Million

1\$ = INR 50

# Bajaj Finserv - Consolidated Financials



	\$ in million					
Consolidated Revenue	FY08	FY09	FY10	FY11	FY12	CAGR
Insurance	2424	1946	2765	2487	2185	-3%
Windmill	7	8	9	8	17	25%
Retail Finance *	NA	NA	NA	222	434	NA
Investment & Others	14	19	25	28	24	14%
Consolidated Revenue	2445	1974	2800	2739	2655	2%

Consolidated profit	FY08	FY09	FY10	FY11	FY12	CAGR
Insurance	-9	16	147	231	309	142%
Windmill	-1	0	-1	32	14	93%
Retail Finance *	2	3	8	62	114	174%
Investment & Others	13	12	12	9	8	-11%
Consolidated profit before tax	4	31	166	334	445	224%
Tax expense	17	15	20	36	67	41%
Minority Interest	6	1	34	75	110	107%
Group profit after tax	-7	14	112	223	268	149%

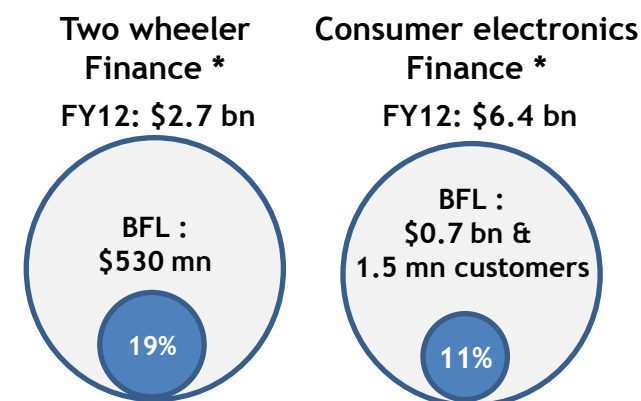
Ratios	FY08	FY09	FY10	FY11	FY12	CAGR
Shareholders fund	114	134	525	745	1020	
Earning per share (cents)	-5	10	77	154	185	
Return on Equity (%)	-1.6	3.4	21.1	29.9	31.2	

\* Bajaj Finance (Retail finance) was a associate company of Bajaj Finserv until Q1 of FY11.

- Strategy is to focus on cross sell, customer experience, product & process innovations to create a differentiated & profitable business model.
- Strategic business unit organization design supported by horizontal common utility support functions to drive domain expertise, scalability and operating leverage.
- As at the end of FY12, the company has \$ 2.62 billion of Asset under management with a net NPA of 0.12% and a capital adequacy of 17.5%. The company in FY12 has delivered a post tax profit of \$ 81 million at a ROE of 23.5%.

## Consumer lines of businesses :

- Largest Two wheeler lender in India focused on semi-urban & rural markets. We contribute 24% of Bajaj Auto's domestic sales. (chart depicts finance market size and our market share )
- Largest Consumer electronics lender in India. Focused on affluent consumers. LCD industry market share at 20% and LED industry market share at 30% of units sold in India. (chart depicts market size and our market share)
- Amongst a few non banks with an active co-branded Credit Card.
- Amongst the largest new client acquirers in India, 2.22 million in FY12.



## SME lines of business :

- Focused on high net worth SMEs with an average annual sales of \$ 5 million with established financials & demonstrated borrowing track records.
- Offer a range of working capital and growth capital products. 85% of the business is secured by mortgages and marketable securities .

### Small Business Loans \*

FY12E : \$2.6 Bn



### Loans Against Property \*

FY12E : \$4.0 Bn



## Commercial lines of business:

- Focused on high growth infrastructure sector in India with a mix of asset backed financing and corporate financing solutions.
- Offer wholesale lending products covering short, medium and long term needs of top 50 vendors of Bajaj Auto Limited.

## Asset liability management:

- Strategy is to borrow wholesale and lend retail. Current mix of bank & debt markets at 58:42.

## Credit Quality :

- Net NPA of 0.12% is amongst the lowest in banking & non banking space. Gross NPA as 1.16%.

	\$ in million					
Financials snapshot	FY08	FY09	FY10	FY11	FY12	CAGR
Deployments	605	490	917	1,887	3,159	51%
Assets under management	496	508	806	1,515	2,621	52%
Income from operations	101	120	183	281	434	44%
Interest expenses	34	33	40	74	149	45%
Net Interest Income (NII)	66	87	143	207	285	44%
Operating Expenses	39	44	64	92	134	36%
Loan Losses & Provision	22	33	52	41	31	9%
Profit before tax	1	10	27	74	120	112%
Profit after tax	4	7	18	49	81	110%

Ratios	FY08	FY09	FY10	FY11	FY12
Net NPA	7.0%	5.5%	2.2%	0.8%	0.1%
NPA provisioning coverage	30%	32%	55%	79%	89%
Return on assets	0.9%	1.3%	2.8%	4.3%	4.2%
Return on equity	2.0%	3.2%	8.0%	19.7%	23.5%

## Business strategy:

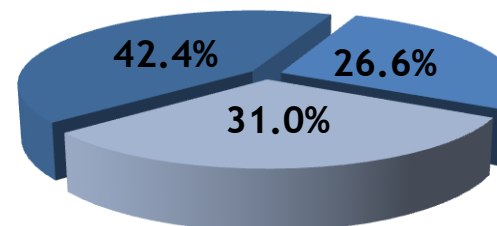
- Strategy is to build an efficient operating cost model, diversified distribution channels and grow market share with a focus on profitability and shareholder's return.

## Multi-channel sales engine:

- Over 173K Individual agents contributed 44.1% of new business in FY12.
- Over 250 Corporate agents including banc assurance partners contributed 30.5% in FY 12.
- 13,829 Number of employees as at 31 March 2012 operating from 1044 branches.

## Diversified product mix (FY12):

- Participating
- Non-participating
- Unit linked



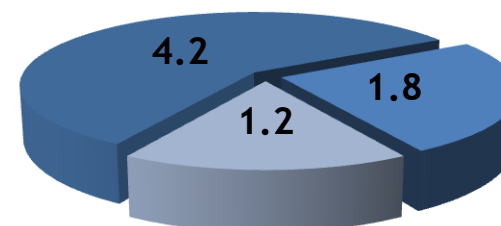
## Strong cost focus:

- Create strong price & value proposition through efficient cost & claim management.

## Assets under Management:

- Assets under management of \$ 7.9 billion as at FY12.

- Unit linked - Equity
- Unit linked - Others
- Traditional



## Profit and capital efficiency:

- One of the highest profits in the private sector with \$262 million post tax profit in FY12.
- Amongst the most capital efficient insurers in India with return on equity of 45% in FY12.
- Solvency ratio of 516% against 150% as required by regulator is amongst the best in the private life insurance industry.

## Regulatory and external environment:

- In September 2010, regulator capped the commissions payable to agents & distributors resulting in significant reduction in contribution of ULIP schemes from 84% in FY10 to 31% in FY12. This also caused large scale exit of distribution partners due to uneconomic model for them.
- Life insurance business is undergoing structural shift in customer preference for security over return.

## Key focus areas for foreseeable future:

- Return to growth in new business premiums. In Q4 FY 12, we have begun to witness momentum towards growth.
- Build a more balanced portfolio with higher contribution of ULIP products.
- Create and push simple saving cum protection products.
- Invest in improving agency productivity.
- Continue to remain focused on operating costs -acquisition and management.
- Investment performance both in Unit linked and traditional funds.

# Bajaj Finserv - Life Insurance Financials



\$ in million						
Particulars	FY08	FY09	FY10	FY11	FY12	CAGR
Shareholders fund	144	130	238	450	712	49%
Assets under management	2714	3431	6684	7866	7883	31%
Gross premium	1945	2125	2284	1922	1497	-6%
Total income	2144	1533	4284	2706	1481	-9%
Total expenses	702	589	560	483	396	-13%
Payment to policy holder	170	151	526	997	1099	59%
Movement in actuarial liability	1232	770	3116	1057	-215	NA
Surplus/ Deficit from operations	40	23	82	168	201	50%
Income under shareholders a/c	16	18	22	36	58	38%
Provision for tax	0	0	3	5	8	732%
Profit after tax	-43	-14	108	211	262	149%
Ratios	FY08	FY09	FY10	FY11	FY12	CAGR
Earning per share (cents)	-28	-9	72	140	174	
Return on Equity (%)	NA	NA	45	61	45	



## Business strategy:

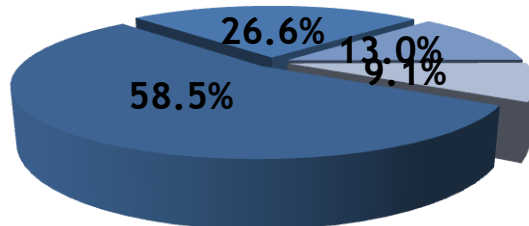
- Strategy is to build a differentiated model based on robust underwriting capability, efficient operating cost model, diversified distribution channels, excellent customer service with a focus on profitability and shareholder's return.

## Multi-channel sales engine:

- Over 9K agents, 23 bancassurance partners & 3,473 employees as of FY12.

## Diversified product mix (FY12):

- Motor
- Corp excl. health
- Health
- Others



## Strong cost focus:

- Create strong price & value proposition through efficient cost & claim management.

## Strong underwriting focus:

- Strong underwriting discipline with a focus on combined ratio. The business has one of the lowest combined ratios in the industry recording 96.1% and 107.2% before & after absorbing commercial vehicle motor pool losses respectively.

## Assets under Management:

- Assets under management of \$ 959 million as at 31<sup>st</sup> March 2012 at 4.7 times of net worth.

## Profit and capital efficiency:

- Consistent profits since inception.
- Delivered profit after tax of \$ 25 million in FY12, despite higher losses in motor business.
- Amongst the most capital efficient insurers in India with return of equity of 13.8% in FY12.
- Solvency ratio 156% against 130% as per IRDA norms.

## Regulatory environment:

- Commercial Vehicles business was a non economical due to large third party claims.
- Disbanding of commercial vehicle motor pool and commencement of “Declined Pool” now provides an opportunity to private general insurance companies to underwrite their business well.
- Writing minimum quota of commercial vehicles third party business, share of losses from the declined pool will now be reduced resulting in higher profitability.

## Key focus areas for foreseeable future:

- Balance business mix towards increasing contribution from health products.
- Grow direct business, especially online business.
- Build minimum required commercial vehicles third party business to avoid share of losses from the new Declined motor pool.

# Bajaj Finserv - General Insurance Financials



\$ in million						
Particulars	FY08	FY09	FY10	FY11	FY12	CAGR
Shareholders fund	115	135	159	167	192	14%
Assets under management	402	474	549	770	910	23%
Gross premium	481	530	503	581	668	9%
Total income	381	440	436	509	599	12%
Total expenses	100	126	117	137	150	11%
Payment to policy holder	189	272	277	340	382	19%
Change in Unexpired Risk Reserve	67	23	18	32	44	-10%
Surplus/ Deficit from operations	25	19	25	0	24	-1%
Income under shareholders a/c	9	11	11	13	15	15%
Provision for tax	12	11	12	4	14	3%
Profit after tax	21	19	24	9	25	4%
Ratios	FY08	FY09	FY10	FY11	FY12	CAGR
Earning per share (cents)	19	17	22	8	22	
Return on Equity (%)	21	15	17	5	14	

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**Bajaj Finserv Limited**  
**June 20<sup>th</sup>-30<sup>th</sup> 2012**  
**Thank you**