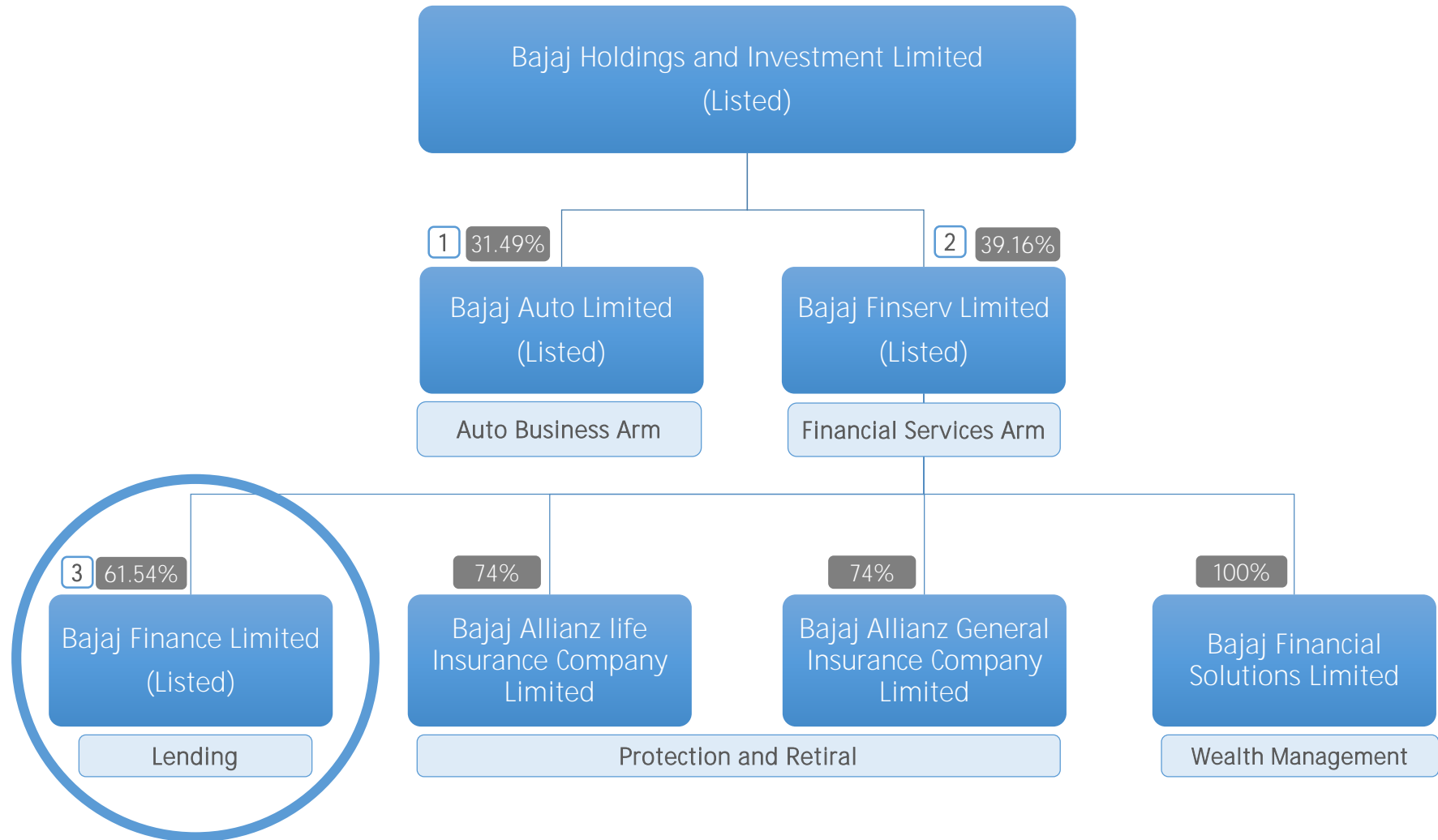




## Bajaj Finance Limited FY14 Presentation

21<sup>th</sup> May 2014

# Bajaj group structure



1. 50.02% holding through promoter holding company & promoter group
2. 58.89% holding through promoter holding company & promoter group
3. 61.61% holding through promoter holding company & promoter group

# Section 1

Rs. in Crore

## Financials snapshot

	FY09	FY10	FY11	FY12	FY13	FY14	YoY (FY13 - FY14)	CAGR
Deployments	2,451	4,585	9,435	15,795	19,367	26,024	34%	60%
Assets under management	2,539	4,032	7,573	13,107	17,517	24,061	37%	57%
Income from operations	599	916	1,406	2,172	3,110	4,073	31%	47%
Interest expenses	164	201	371	746	1,206	1,573	30%	57%
Net Interest Income (NII)	435	715	1,035	1,426	1,904	2,500	31%	42%
Operating Expenses	220	320	460	670	850	1,151	35%	39%
Loan Losses & Provision	164	261	205	154	182	258	42%	9%
Profit before tax	51	134	370	602	872	1,091	25%	85%
Profit after tax	34	89	247	406	591	719	22%	84%

## Ratios

	FY09	FY10	FY11	FY12	FY13	FY14
Return on assets	1.40%	2.80%	4.30%	4.20%	4.10%	3.60%
Return on equity	3.2%	8.0%	19.7%	23.5%	24.3%	19.4%
Earning per share (Basic) - Rs.	9.3	24.2	67.5	110.8	135.7	144.8
Net NPA	5.50%	2.20%	0.80%	0.10%	0.19%	0.28%
NPA provisioning coverage	32%	55%	79%	89%	83%	76%

**“A non bank with strategy, structure & 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% & ROE of 18-20% in the medium term”**

# Bank like model in an NBFC

Activities	Bank	BFL Approach	How?
CASA	✓	—	Not allowed as an NBFC
Deposits	✓	✓	Launched retail <b>TD in Jan'14</b> – over 200 Crs in first 90 days
Lending - Retail, SME & Commercial	✓	✓	40:50:10. Commercial being re-organized to grow to 20% in the medium term
Payments business	✓	✓	Awaiting approval for Credit Card
Transaction banking	✓	—	Not feasible as NBFC
Wealth Management & Distribution products	✓	✓	Multi channel wealth management model. Distribution of Life & General insurance, AUM, Demat, Rating products, Financial fitness report
Cross sell as strategy	✗	✓	Product per customer - 3 in retail & 5 in SME
NPA provisioning at 90 DPD	✓	✓	Early adoption of Usha Thorat committee recommendations
Treasury desk	✓	✓	Building an SLR trading desk for 4-8% of overall borrowing which is liquidity book
PSL requirements	✓	—	Launch PSL HL – Largest PSL pool
Financial inclusion	✓	✓	Launched Rural Lending business

## Bajaj Finance Limited

### Consumer Lending

### Small Business Lending

### Commercial Lending

### Wealth Management

### Distribution Services

⇒ Consumer durable loans

⇒ Two Wheeler

⇒ EMI Card

⇒ Personal Loans

⇒ Gold Loans

⇒ ABF Refinancing

⇒ Home Loans

⇒ Business Loans

⇒ Loan Against Property

⇒ Home Loans

⇒ Loan Against Securities

⇒ Construction Equipment Loans

⇒ Lease Rental Discounting

⇒ Infrastructure Loans

⇒ Auto Component Financing

⇒ Large Value Lease Rental Discounting

⇒ Promoter Loans Against Securities

⇒ Term Deposits

⇒ Life Insurance Distribution

⇒ General Insurance Distribution

⇒ Mutual Fund Distribution

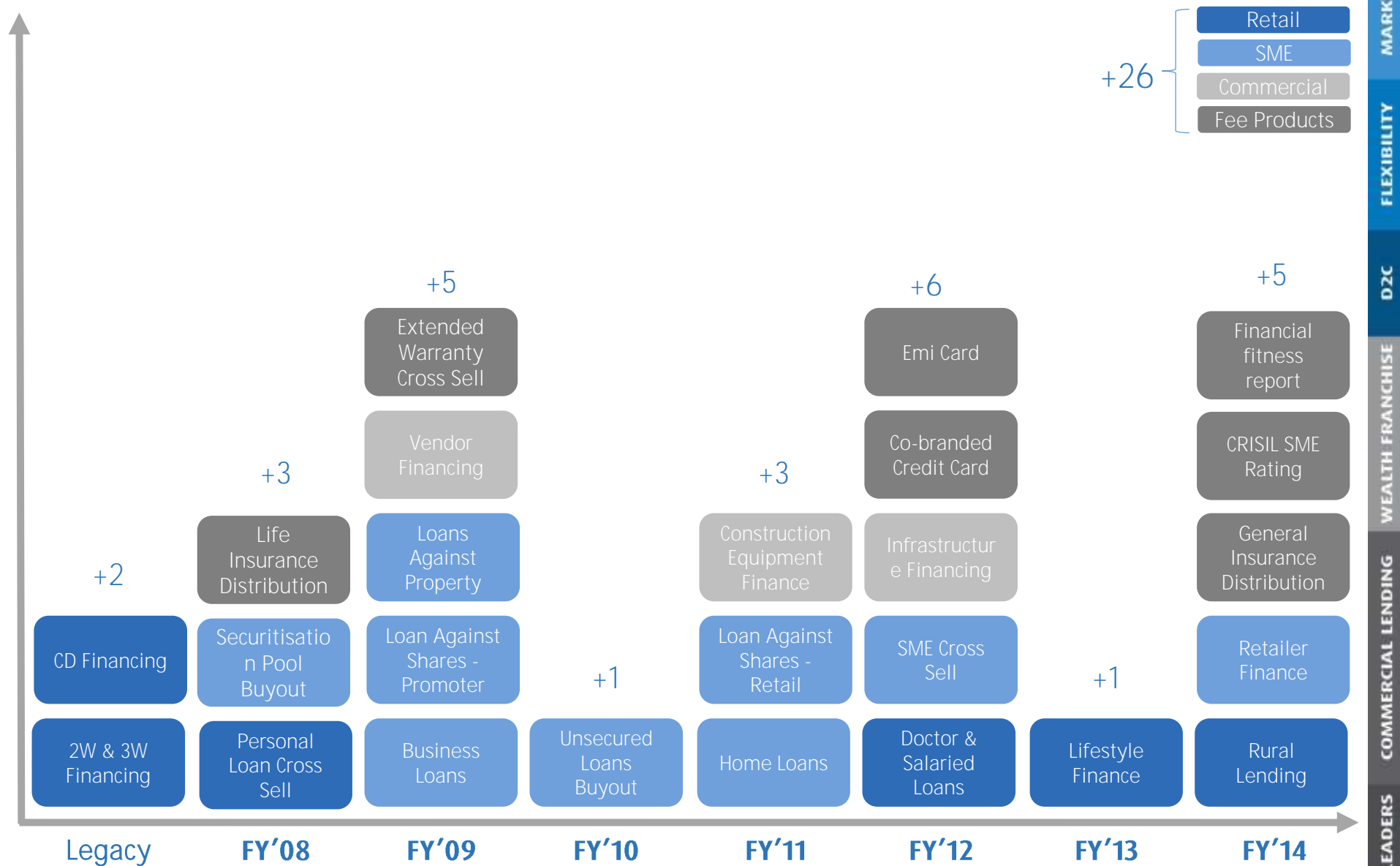
⇒ CRISIL Rating

⇒ Co-Branded Credit Cards

⇒ Property Search Services

⇒ Financial Fitness Report

# Business/Product launch journey



# Firsts to our credit in last 24 months...



1 One customer view

2 EMI Card : Loan approval from 3 min in last 6 years to 03 sec.

3 Last mile connectivity through cloud platform at 7000+ retailers

4 Work flow based underwriting for SME businesses on cloud

5 Low ticket high velocity collection capability (~250K accounts per month)

6 Direct cash collection model for unbanked rural customers

7 Flexi Loan to SME customers – Flexibility to prepay & withdraw

8 **India's** only E2E online salaried personal loan

9 Centre of Excellence for Analytics across Sales, Pricing, Risk, Marketing, Collection & Service

10 **India's only E2E online business** loan

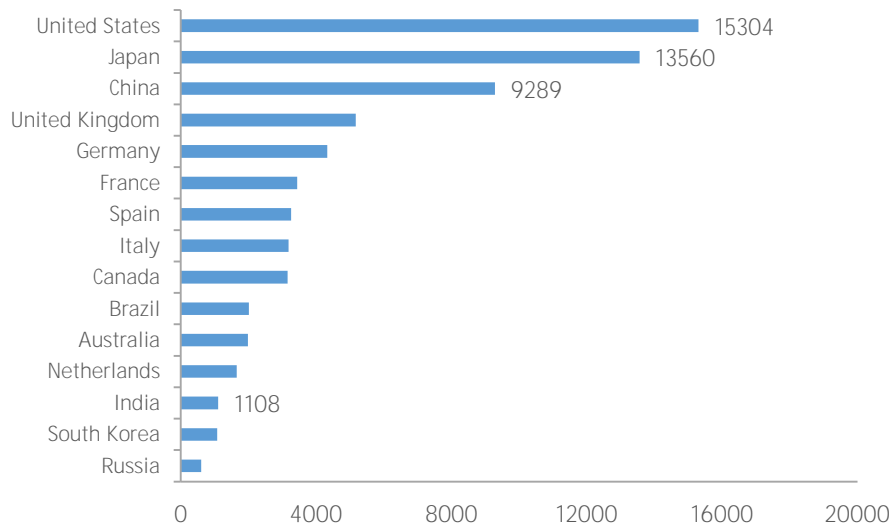
11 98% customer resolution in 02 working days

12 Best employer in BFSI by GPTW & Aon Hewitt for 2 years in a row

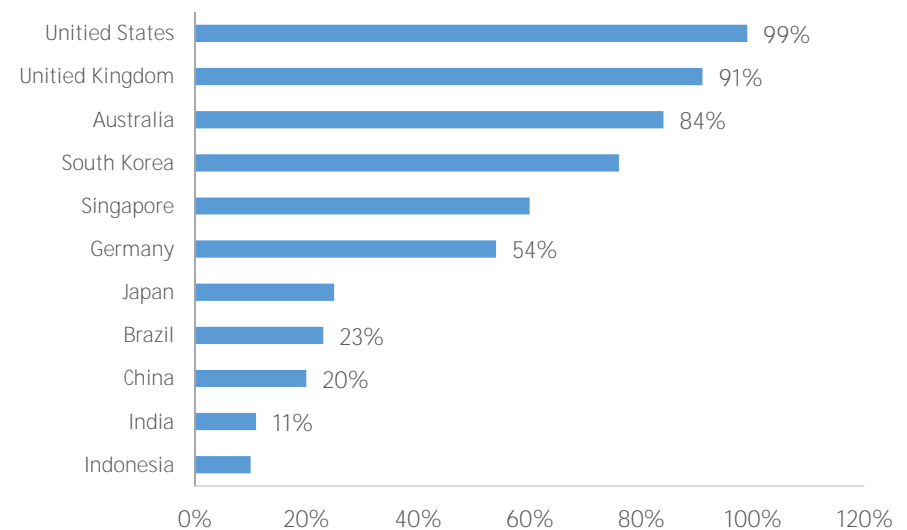
## Section 2

# Lending industry opportunity

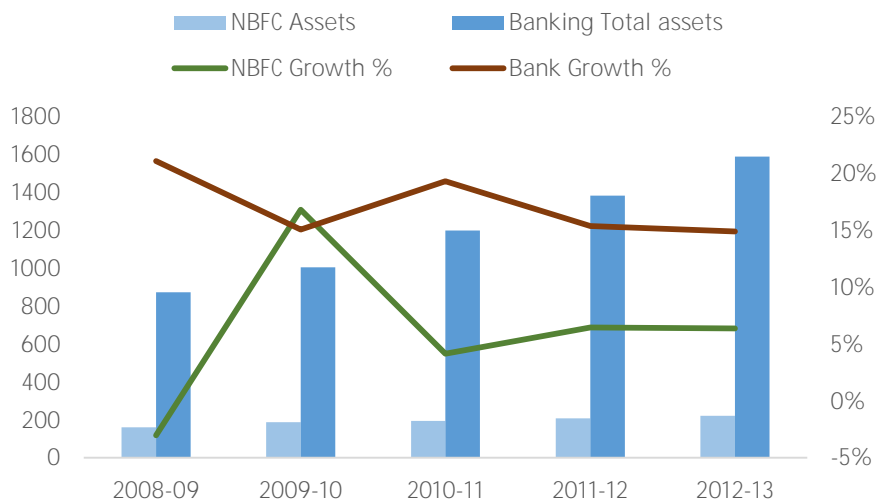
## India vs. Advanced Economies – Banking Assets (\$ Bn)



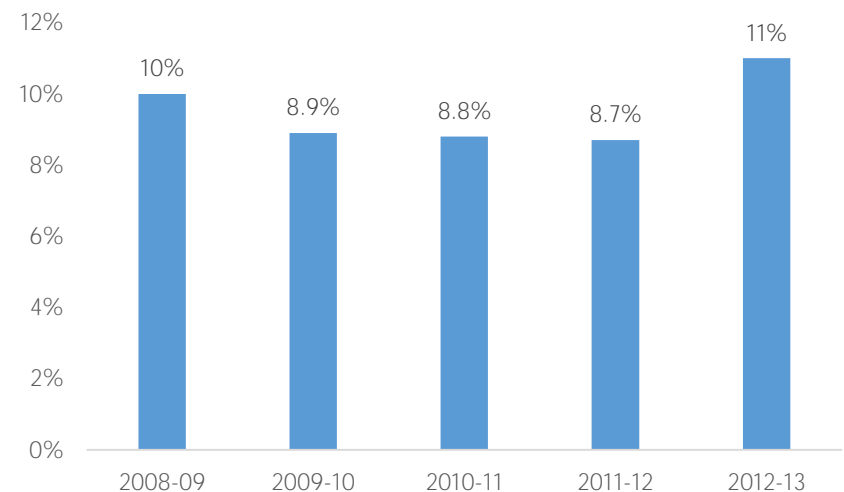
## India vs. Advanced Economies - Consumer Debt/GDP (%)



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



## India – Consumer Debt/GDP (%)

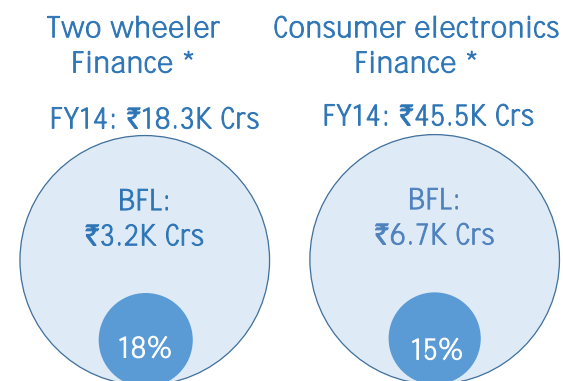


## Bajaj Finance

- 26 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 ₹24,061 Crores of Asset under management with a net NPA of 0.28% and a capital adequacy of 19.13% as at March 2014. The company in FY14 has delivered a full year pre tax profit of ₹1,091 Crores & a post tax profit of ₹7,19 Crores at a ROA of 3.6%. The company in Q4 FY14 has delivered a pre tax profit of ₹277 Crores and a post tax profit of ₹182 Crores at a ROA<sup>1</sup> of 0.8%.

## Consumer business

- Largest Two wheeler lender in India focused on semi-urban & rural markets. Currently contributes to 30% of **Bajaj Auto's domestic Two wheeler sales.**
- Largest Consumer electronics lender in India, focused on affluent consumers. Currently we estimate our electronics market share at 15%.
- The company has launched Salaried Home Loan business in January 2013. The company is now growing its Salaried Home Loans business by refining the business model to build a profitable growth engine.
- Amongst a few non banks with an active co-branded Credit Card.
- EMI Card (Existing Membership Card) crossed 1.6 MM cards in force.
- Amongst the largest new client acquirers in India (33.90 lacs in FY14).



<sup>1</sup> Not Annualised

\* Source: Internal research, RBI reports, Bloomberg reports - (chart depicts finance market size & our market share)

# Executive summary (cont..)



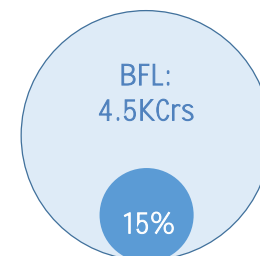
## SME Business

- 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. 84% of the business is secured by mortgages & marketable securities.
- Offer full range of mortgage products (LAP, LRD & HL) to salaried, SME & self employed professionals.
- A dedicated SME Relationship Management channel created to provide wide range of cross sell products to our SME franchise.

Small Business Loans \*  
FY14 : **23.4K Crs**



Loans Against Property \*  
FY14 : **29.5K Crs**



## Commercial 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 Auto component vendors in India.

## Treasury

- Strategy is to borrow wholesale and lend retail.
- Current mix of bank, debt markets and retail deposits is at 58:41:01.

## Credit Quality

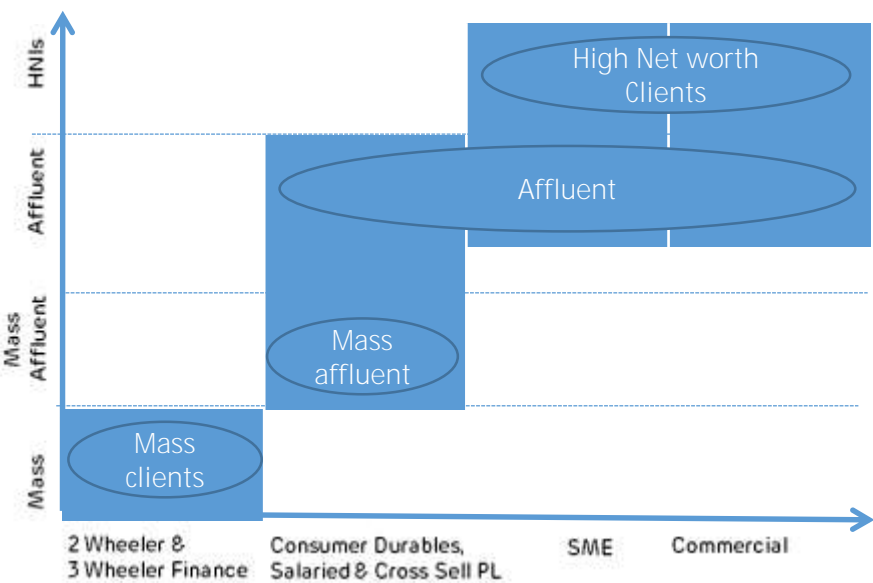
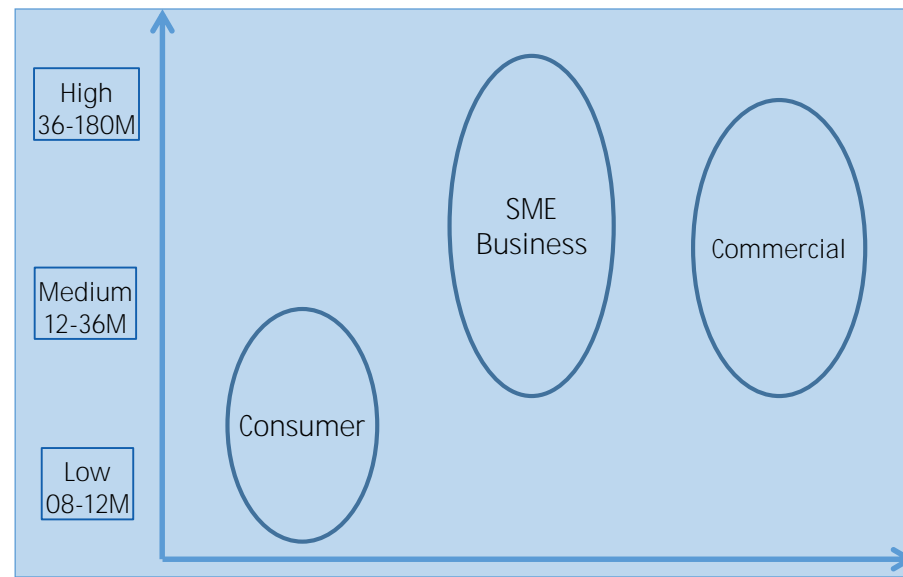
- Net NPA of 0.28% - amongst the lowest in the industry.
- Gross NPA - 1.18% and a provisioning coverage of 76%. Amongst most prudent on provisioning standards in the non bank space. Current provision standards are amongst the most stringent in the industry.

## Credit Rating

- Consistently holding AA+/stable and LAA+ stable rating from CRISIL & ICRA over last 7 years, with a positive outlook.
- The fixed deposit scheme has been rated FAAA/Stable by CRISIL and MAAA/Stable by ICRA.

# Products & key characteristics

Product	Consumer	SME	Commercial
	Consumer Durable Financing	Mortgage - LAP & HL	Construction Equipment Finance
	Lifestyle Financing		
	2 Wheeler & 3 Wheeler Finance	Loan Against Securities	Infrastructure Finance
	Personal Loan Cross sell		
	Salaried Loan	Small Business Loans	Secured Auto Component Finance
Cross sell - Life/General Insurance, Extended Warranty, Credit Card, Credit Rating, Financials Fitness Report			

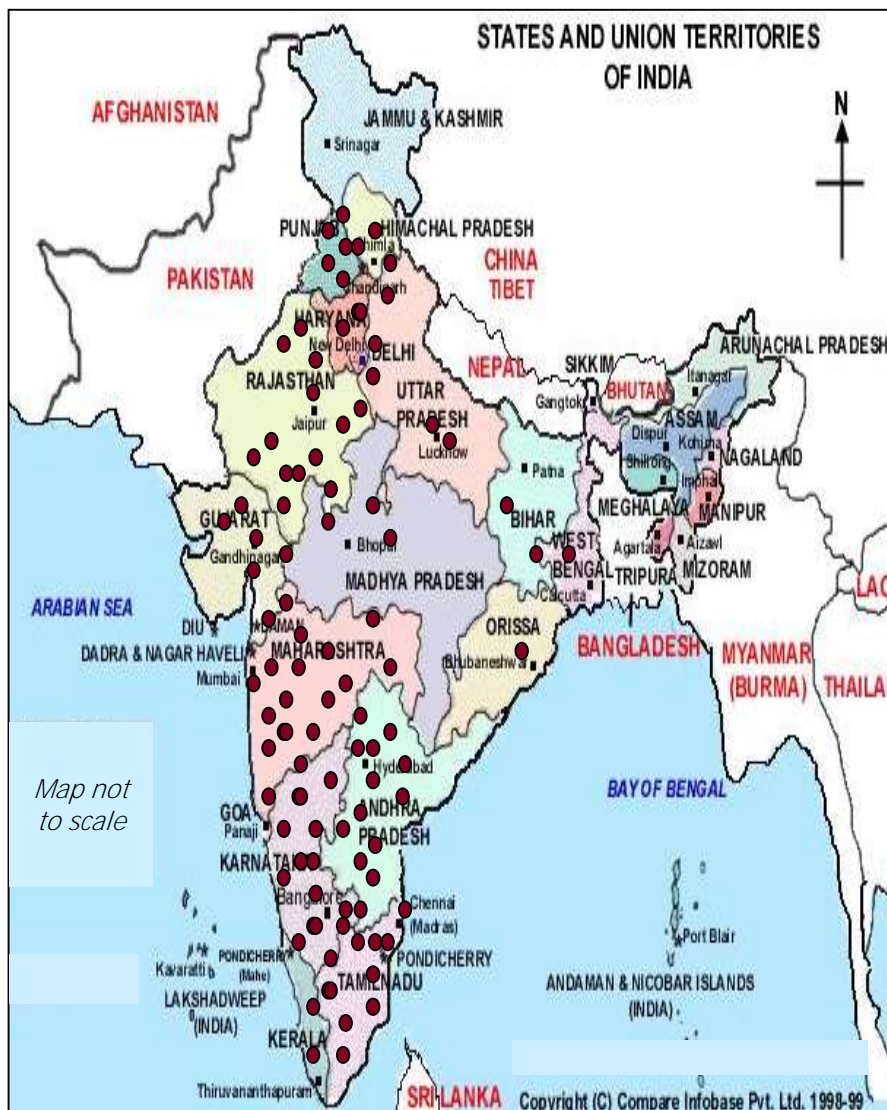


## Portfolio composition Q4- FY14



Segment	Sep'12	Dec'12	Mar'13	Jun'13	Sep'13	Dec'13	Mar'14
Consumer Finance	39%	41%	40%	42%	41%	40%	39%
SME Business	45%	46%	48%	49%	50%	52%	53%
Commercial	16%	13%	12%	9%	9%	8%	8%

# Strong distribution reach



## Geographic Presence

Business Line	FY10	FY11	FY12	FY13	FY14
Consumer Businesses	79	79	82	91	114
SME Businesses	15	23	31	57	80
Rural Branches	-	-	-	-	14
Rural Spokes	-	-	-	-	56
Total Rural locations	-	-	-	-	70

## Distribution

Business Line	FY10	FY11	FY12	FY13	FY14
Consumer Durable	2,000+	2,500+	2,800+	3,500+	4900+
Lifestyle finance	-	-	-	850+	1600+
2W-Dealer/ASCs	1,275+	1,500+	2,200+	2,600+	2,600+
SME - Partner	225+	250+	250+	400+	700+
SME - Support	225+	275+	275+	400+	600+

## # of New loans disbursed ('000s)

Business Line	FY10	FY11	FY12	FY13	FY14
Consumer Finance	515	1,038	1,555	2,060	2,697
Two Wheeler	378	522	654	736	651
Rural Finance	-	-	-	-	22
SME /Commercial	5	9	12	11	20
Total	897	1,560	2,221	2,808	3,390

## Assets Under Management (₹ Crores)

	FY10	FY11	FY12	FY13	FY14
AUM	4,032	7,571	13,107	17,517	24,061

Deep distribution, sizeable acquisition engine and growing balance sheet

# Key performance highlights for Q4 FY14

- Profit before tax for Q4 FY14 ↑ 16% to ₹277 Crores from ₹238 Crores in Q4 FY13
- Profit after tax for Q4 FY14 ↑ 11% to ₹182 Crores from ₹164 Crores in Q4 FY13.  
(Adjusted for one time gain in Q4 FY13 on revaluation of deferred tax assets, the Profit after tax grew by 14%)
- Assets Under Management during Q4 FY14 ↑ 37% to ₹24,061 Crores from ₹17,517 Crores in Q4 FY13.
- Deployments during Q4 FY14 ↑ 38% to ₹7,042 Crores from ₹5,106 Crores in Q4 FY13.
- Total income for Q4 FY14 ↑ 30% to ₹1,095 Crores from ₹842 Crores in Q4 FY13.
- Customers acquired during Q4 FY14 ↑ 15% to 7,68,137 from 6,22,513 in Q4 FY13.
- Loan losses and provisions for Q4 FY14 ↑ 38% to ₹62 Crores as against ₹45 Crores in Q4 FY13.
- Return on Assets and Return on Equity for Q4 FY14 were 0.8% and 4.6% (not annualized) respectively.
- Gross NPA and Net NPA for Q4 FY14 stood at 1.18% and 0.28% respectively. The provisioning coverage ratio stood at 76% as of 31 March 2014. The Company continues to provide for loan losses in excess of RBI requirements.
- Capital adequacy ratio (including Tier-II capital) stood at 19.13%. The Company continues to be well capitalized to support its growth trajectory.

# Key performance highlights for FY14

- Profit before tax for FY14 ↑ 25% to ₹1,091 Crores from ₹872 Crores in FY13
- Profit after tax for FY14 ↑ 22% to ₹719 Crores from ₹591 Crores in FY13.
- Assets Under Management as of FY14 ↑ 37% to ₹24,061 Crores from ₹17,517 Crores in FY13.
- Deployments during FY14 ↑ 34% to ₹26,024 Crores from ₹19,367 Crores in FY13.
- Total income for FY14 ↑ 31% to ₹4,073 Crores from ₹3,110 Crores in FY13.
- Customers acquired during FY14 ↑ 21% to 33,89,560 from 28,08,816 in FY13.
- **Loan losses and provisions** for FY14 ↑ 42% to ₹258 Crores as against ₹182 Crores in FY13. Without the accelerated provisioning of ₹38.40 Crs in FY14 and ₹16.71 Crs in FY13, which were made to strengthen our provisioning framework, the increase in loan losses would have been 33%.
- **Gross NPA and Net NPA for Q4 FY14 stood at 1.18% and 0.28%** respectively. The provisioning coverage ratio stood at 76% as of 31 March 2014. The Company continues to provide for loan losses in excess of RBI requirements.
- **Return on Assets and Return on Equity for Q4 FY14 were 3.6% and 19.4%** respectively.
- **Capital adequacy ratio** (including Tier-II capital) stood at **19.13%**. The Company continues to be well capitalized to support its growth trajectory.
- The Board of Directors has recommended a dividend of ₹16 per share (160%) for FY14.

# Summary Financial Statement



₹ in Crores

Financials snapshot	Q4'14	Q4'13	YoY	FY14	FY13	YoY	FY12
Deployments	7,042	5,106	38%	26,024	19,367	34%	15,797
Assets under finance (AUF)	22,971	16,744	37%	22,971	16,744	37%	12,283
Assets under management (AUM)	24,061	17,517	37%	24,061	17,517	37%	13,107
Total Interest & fee Income	1,095	842	30%	4,073	3,110	31%	2,172
Interest expenses	450	327	38%	1,573	1,206	30%	746
Net Interest Income (NII)	645	515	25%	2,500	1,904	31%	1,426
Operating Expenses	306	232	32%	1,151	850	35%	670
Loan Losses & Provision	62	45	38%	258	182	42%	154
Profit before tax	277	238	16%	1,091	872	25%	602
Profit after tax	182	164	11%	719	591	22%	406
Ratios	Q4'14	Q4'13		FY14	FY13		FY12
Total Opex to NII	47%	45.0%		46.0%	45%		47.0%
Loan loss to Assets under finance	0.3%	0.3%		1.1%	1.1%		1.3%
Return on Average AUF *	0.8%	1.1%		3.6%	4.1%		4.2%
Earning per share - Basic (Rs.)	36.6	35.4		144.8	135.9		110.8
Return on Average Equity *	4.6%	5.5%		19.4%	24.3%		24.9%

\* Quarterly numbers are not annualized

- **Stable quarter for the company** with robust volume momentum & strong credit performance in Consumer & SME businesses. The quarter however witnessed 20% YoY decline in Two Wheeler, 38% YoY decline in Three Wheeler financing business and sluggish growth in Commercial lending business.
- The company continued to readjust its portfolio mix to reduce the beta in its business model in Q4 as well.
- **Two Wheeler financing** penetration of Bajaj **Auto's** domestic Two Wheeler sales remained at 30%.
- **The Three Wheeler business de-grew 38% in Q4** due to slow down in commercial vehicle industry . It is currently operating in 16 states covering 138 key dealers of Bajaj Auto Ltd. Our market share of Bajaj **Auto's** Three Wheeler domestic sales currently holds at 27%.
- **Consumer durable finance business continued its solid run in Q4 as well** and delivered a YoY growth of 39%. Digital product sales helped consumer finance growth trajectory. Digital products now contributes to 15% of Consumer durable financing business. The company also added 12 new locations in Q4 FY14.
- **Lifestyle financing business continued to witness robust growth** with disbursement of 40K loans in Q4 FY14. The company is on its strategic path to grow Lifestyle finance into a large business.
- **SME businesses** (Mortgages, Business loans & Loans against securities) continued to grow in a robust manner with a very strong credit performance despite deteriorating external environment. The company is investing to grow its '**Direct** to Customer & Online **distribution**' channels. The company estimates it to be amongst the top 4 unsecured originators in FY14 and its mortgage market share is estimated at 3%.
- **Commercial Infra business** continued to de-grown due to sectoral stress, however company continued to grow its auto component finance business. The company had to provision for an account in Infra business in Q4 FY14.
- **Rural Lending business is tracking ahead of plan.** The company plans to add 21 new branches & 100 spokes in Rural Maharashtra & Gujarat in FY15.

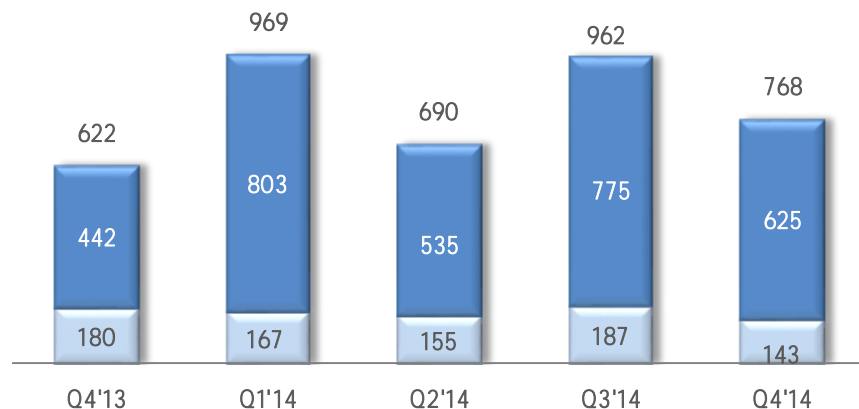
- Interest cost for the company continues to remain significantly lower amongst NBFC peers. Current borrowing mix of BFL between banks, money markets and retail deposits is 58:41:01. The company revamped its treasury practices and has strengthened its ALM & risk management framework during FY14.
- The company launched its fixed deposit program as an anchor wealth management product in Q4 FY14, to help build a strong foundation for a wealth management business as well as diversify its liability mix. The response has been strong with the Company raising over Rs.200 Crore from over 7,300 customers in less than 90 days of its launch. The strategy would be to start offering broader wealth management services to these customers in the forthcoming years.
- The company during Q4 completed assignment of ₹ 323 Crores of its mortgage business as part of its ALM & treasury diversification & ROE enhancement strategy.
- Gross and Net NPA remained healthy at 1.18% and 0.28% respectively. Portfolio metrics across consumer & SME businesses remained very strong in Q4 except CE & marginal stress in Infra portfolio. The company continued to take proactive policy actions to take out bottom 7-10% of potential “high risk” business. Collection efficiencies improved with increased contribution of digital collections.
- Distribution of fee based products viz. Life & General insurance, Wealth Management, CRISIL Ratings & Financial Fitness Report saw good traction across businesses and continued to remain strong.
- To grow & remain competitive in Digital distribution, the company developed ‘Mobility solution capability’ during the quarter. The company is tracking well on Digital channels presence – Web, Facebook (1130K likes), LinkedIn (150K followers) etc.
- Bajaj Finance Ltd's Back office Operations performed by Third Party BPO (TCS) has been appraised at Level 3 of the CMMI Institute's Capability Maturity Model Integration (CMMI).

# Financial performance trends Q4 FY14

## # of Loans Disbursed ( '000)

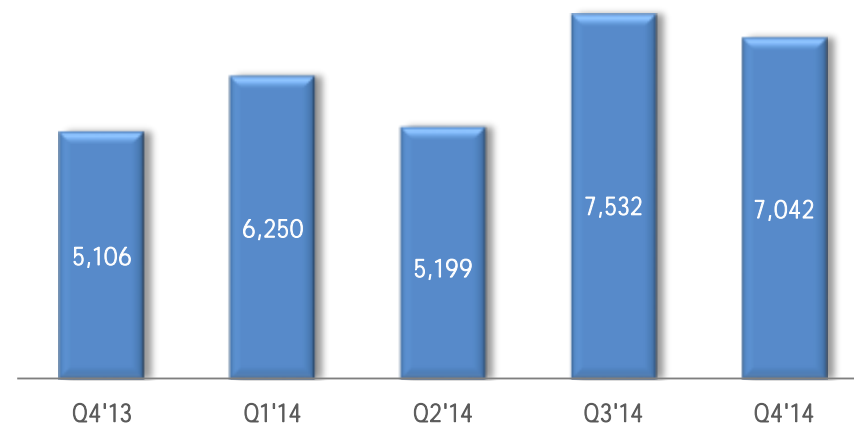
↑23% YoY

2 Wheelers Others



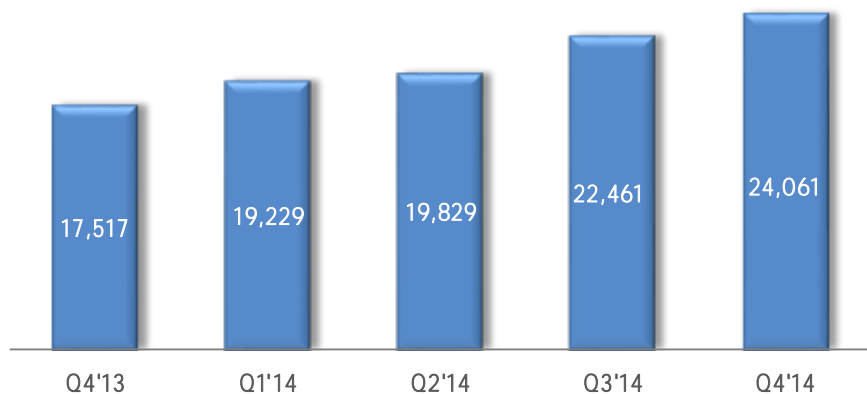
## Disbursement (₹ Crore)

↑38% YoY



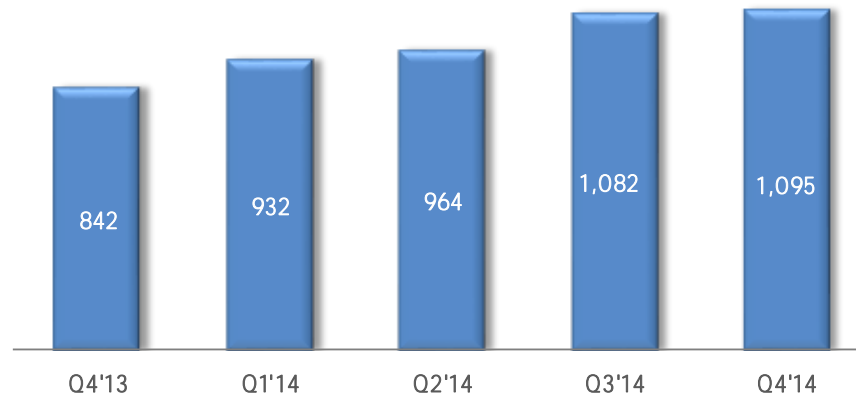
## AUM (₹ Crore)

↑37% YoY



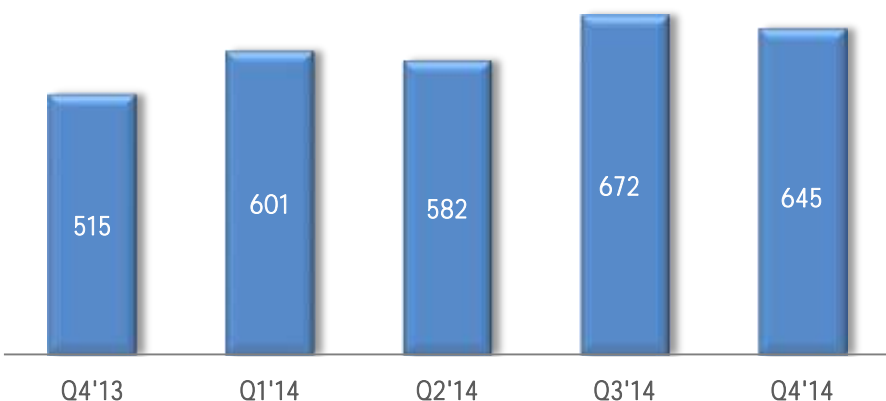
## Revenue (₹ Crore)

↑30% YoY

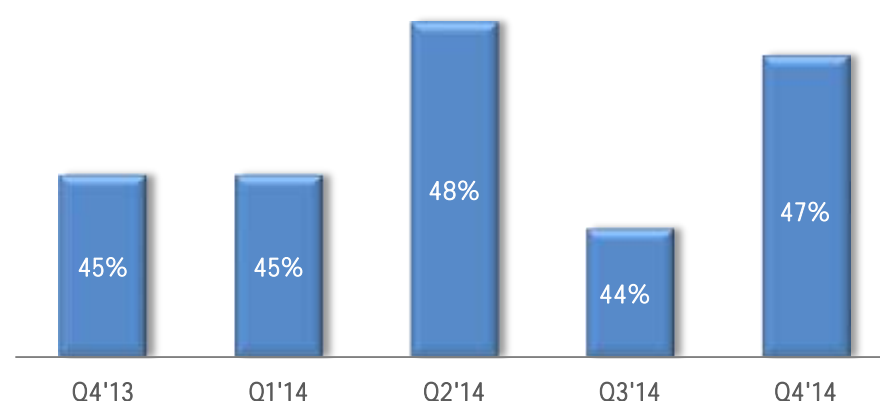


# Financial performance trends Q4 FY14

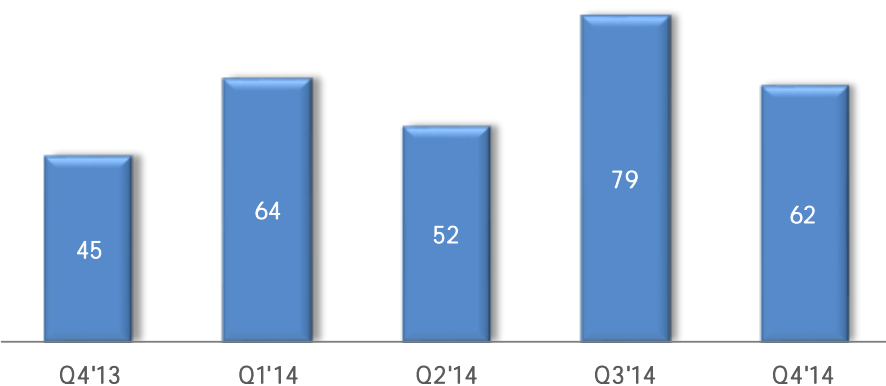
## Net Interest Income (NII) (₹ Crore) ↑25% YoY



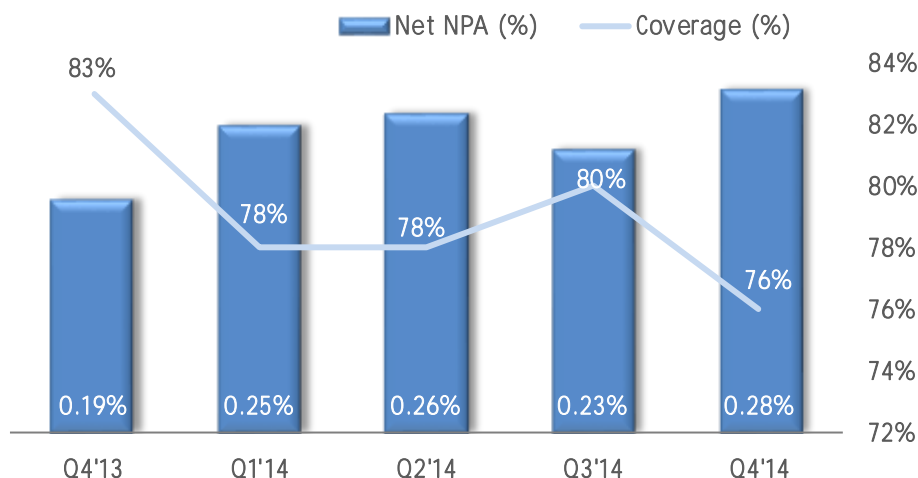
## Operating expenses % of NII



## Loan loss provision (₹ Crore) ↑38% YoY



## Net NPA & Provisioning coverage

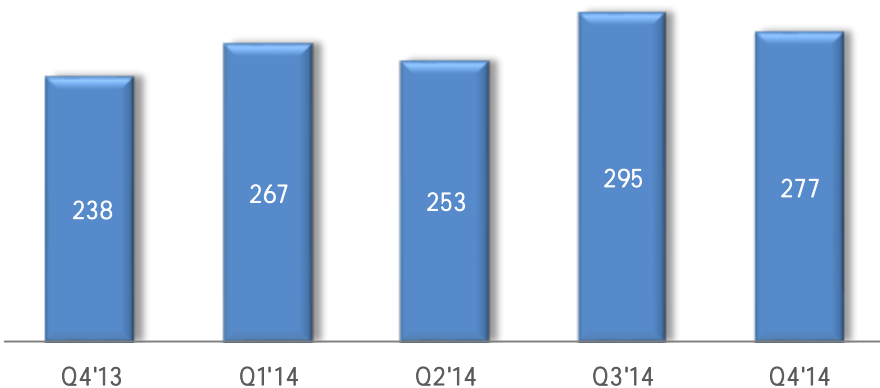


- Q1'14 provision on standard assets has been increased to 0.40% of the amount outstanding as on 30th June 2013 – incremental provision of ₹ 18 Cr
- Q3'14 includes one time accelerated provisioning of ₹ 21 Crores to strengthen our provisioning framework

# Financial performance trends Q4 FY14

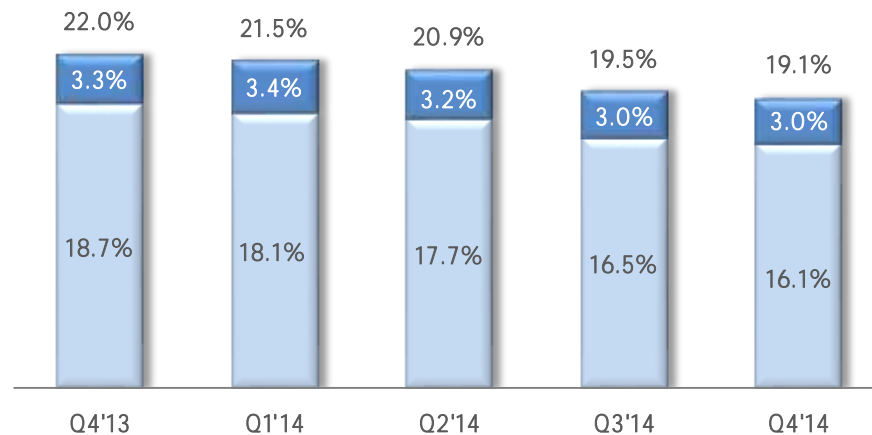
## Pre tax profit (₹ Crore)

↑16% YoY

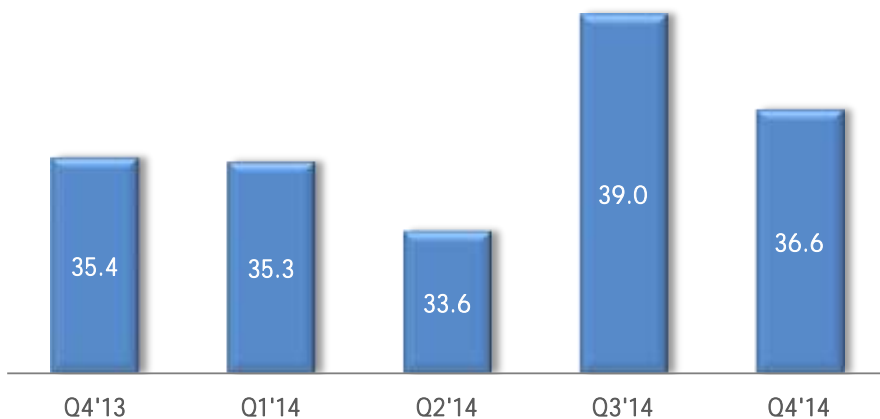


## Capital adequacy ratio

■ Tier-I ■ Tier-II

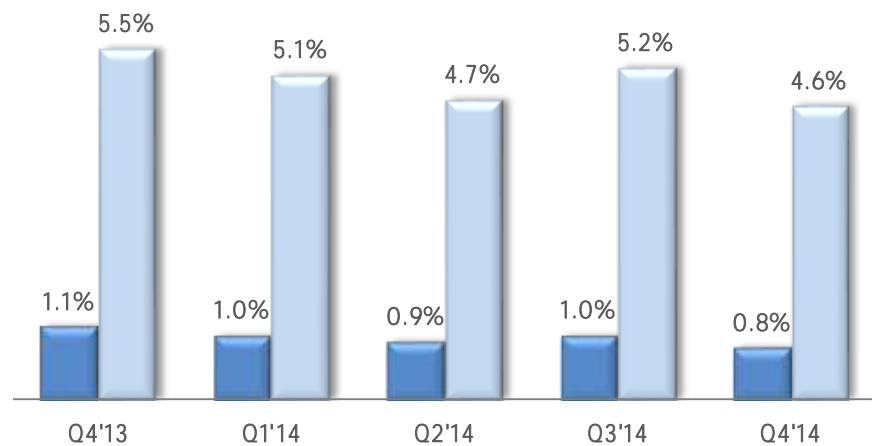


## Earnings per share - Basic (₹)



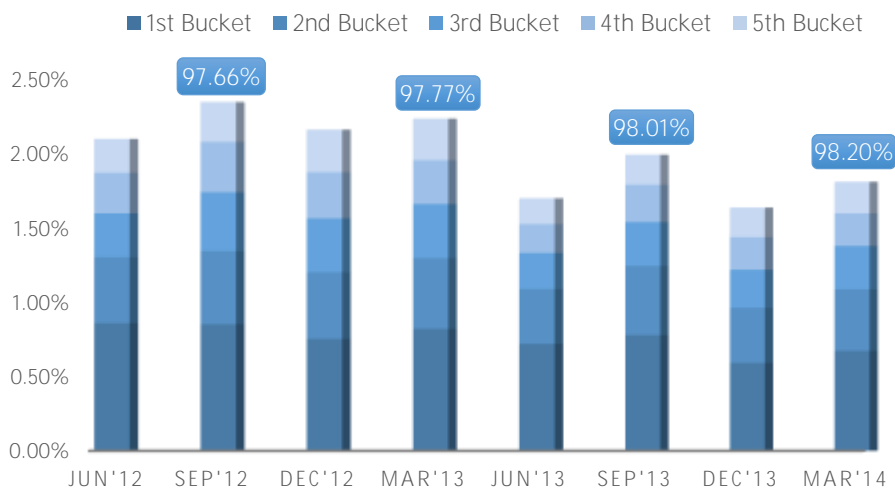
## Return on avg. assets under finance & Equity

■ ROA ■ ROE

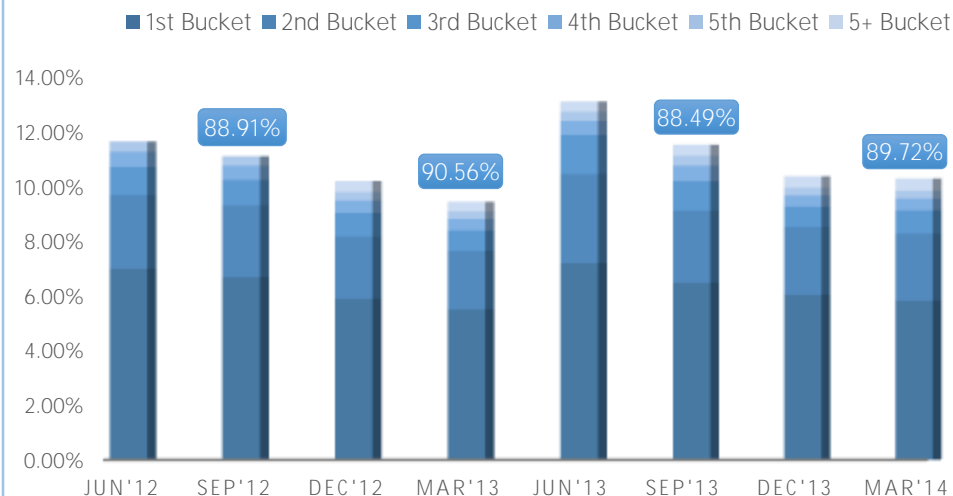


# Credit Quality – Portfolio composition

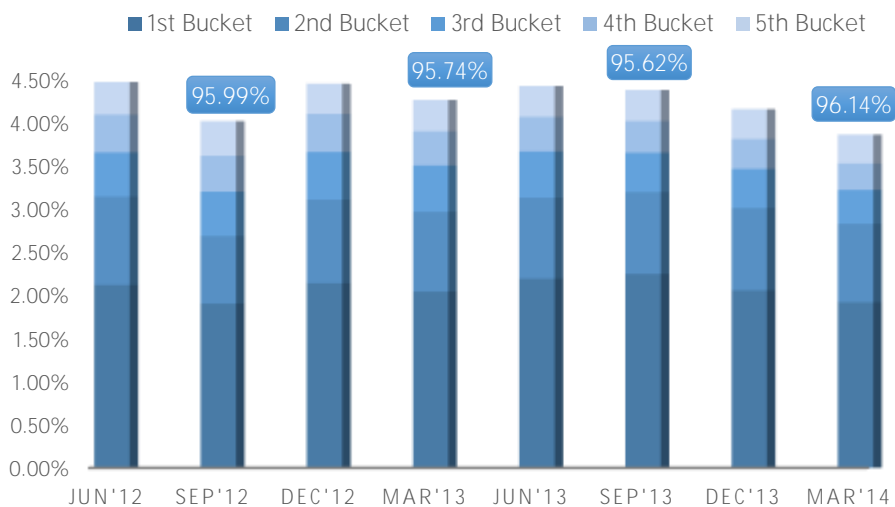
## Consumer durable loan portfolio



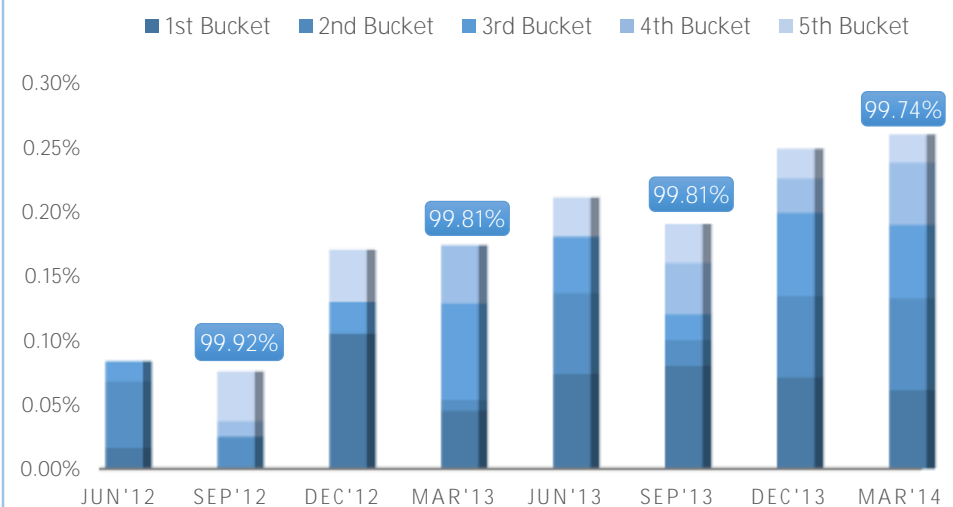
## Two & Three wheeler loan portfolio



## Personal loan cross sell portfolio



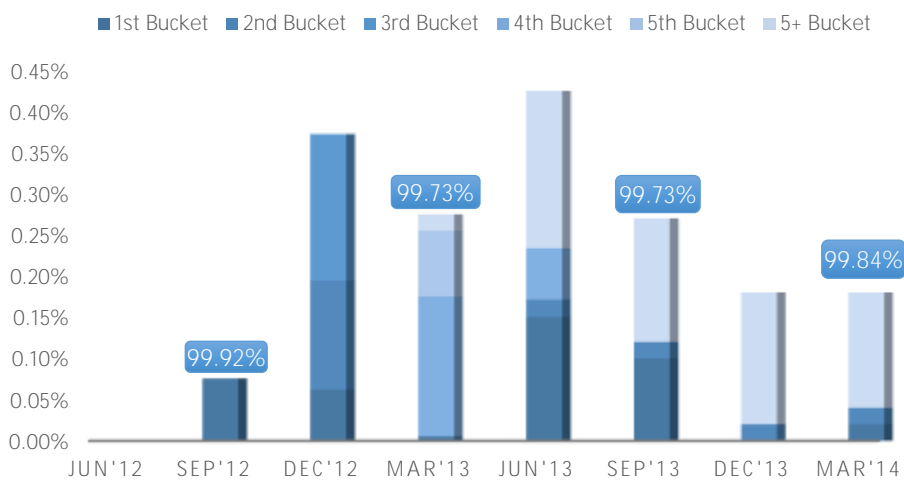
## Salaried personal loan portfolio



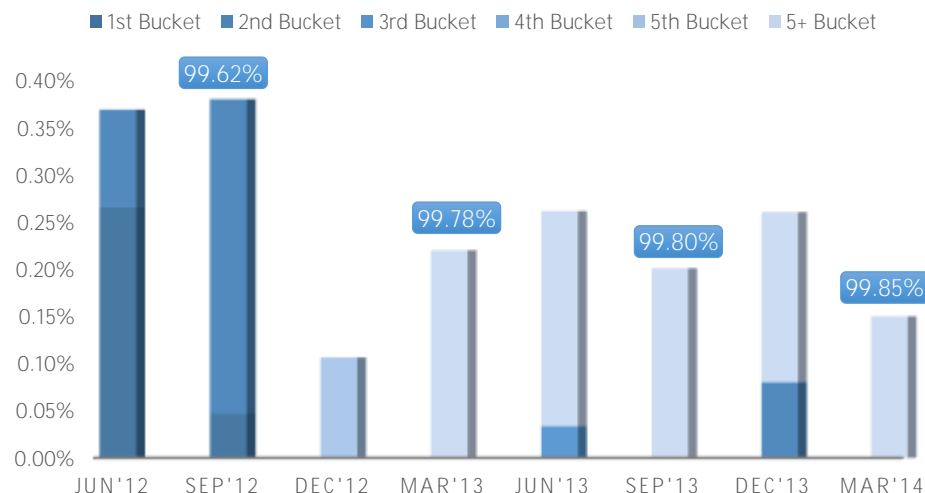
Legends indicate customers who are current/ no dues as of the month.

# Credit Quality – Portfolio composition

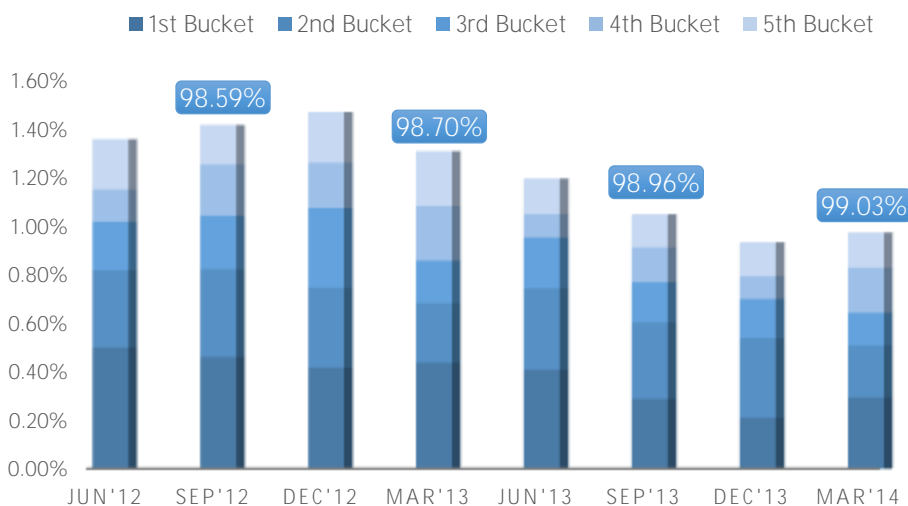
## Loan against property portfolio



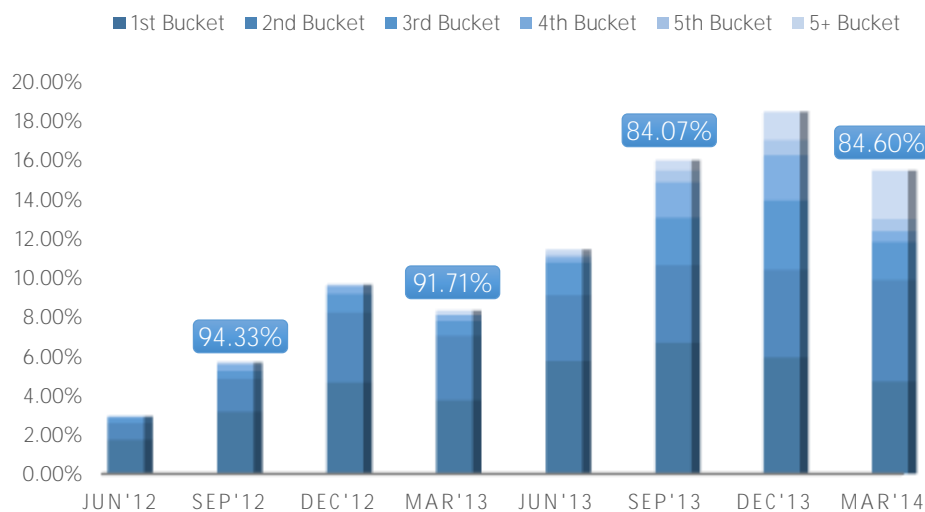
## Home loan portfolio



## Small business loan portfolio



## Construction equipment financing portfolio



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

# 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)
12	3	1.95*	2.00*	2.19*

## Product offerings – Retail

### Loan Products

- Consumer durable 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, Extended Warranty Insurance

## SME

Products offered	PPC Benchmark	PPC (12 MOB)	PPC (18 MOB)	PPC (24 MOB)
12	5	3.00*	3.10*	3.20*

## Product offerings – SME

### Loan Products

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

### Fee Products

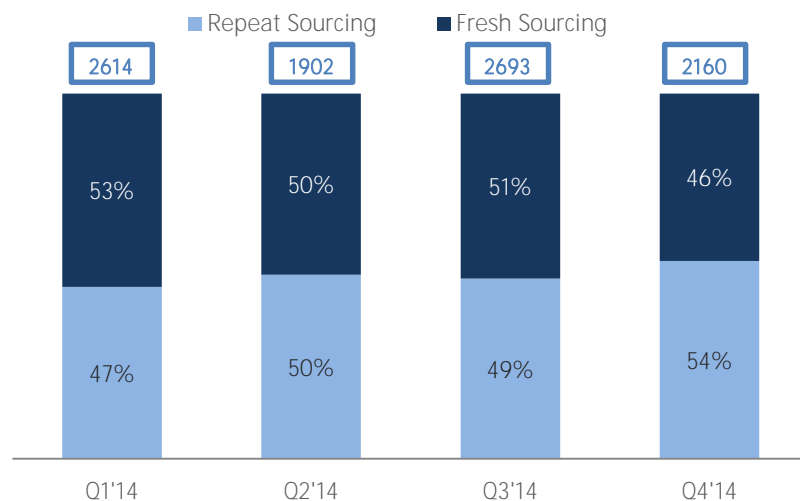
- EMI Card, EMI Card – Preferred, Life Insurance, Health Insurance, Mutual Fund, CRISIL ratings, Property search services

\* 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

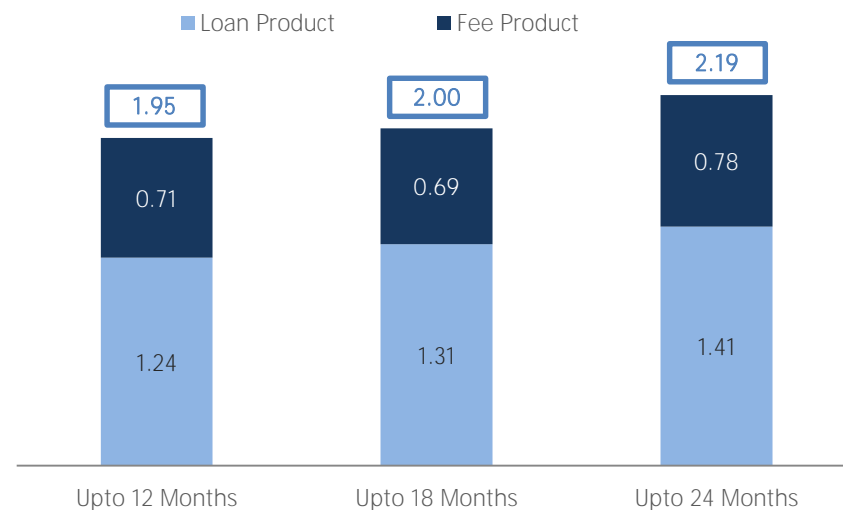
# Product Per Customer (PPC)

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

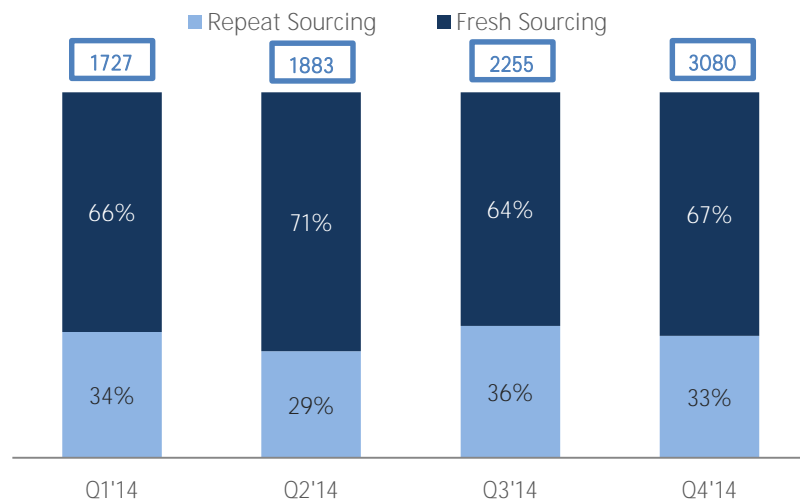


## Retail

Product Per Customer (PPC)

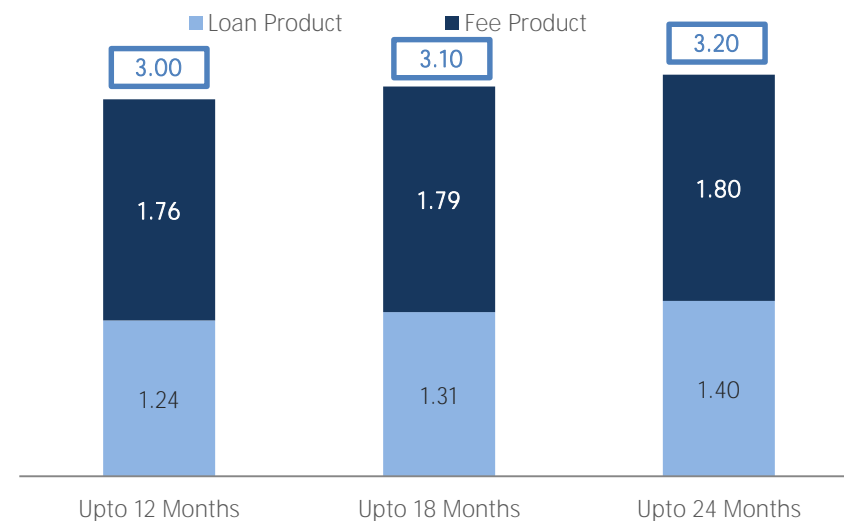


Disbursed Value (₹ Crore) – Fresh v/s Repeat Mix



## SME

Product Per Customer (PPC)



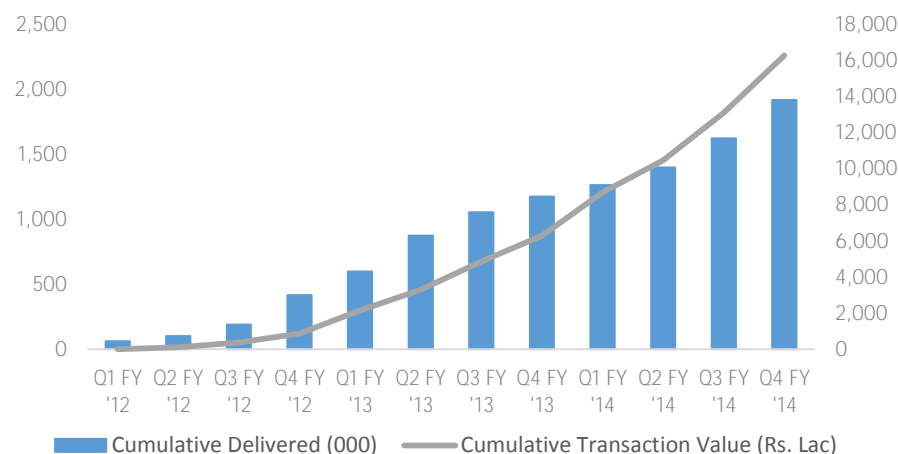
\* Base product is included in the PPC calculation

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

## 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.

## Progress till date – March'14



## 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 Milestone: November 2013
- 1.9 Mn Cards Delivered Milestone: March 2014

## EMI Card Old & New design



*Old EMI Card design  
(May 2011 to June 2013)*

*New EMI Card design  
(July 2013 onwards)*

BFL provides a **general provision of 0.40% on all Standard assets against RBI's requirement of 0.25%.**

## 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 - 55%
  - Above 5 - 100%
- **Salaried Personal Loan :**
  - 3 - 5 Bucket - 70%
  - 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**.

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FY15 Presentation  
Thank you

21<sup>th</sup> May 2014