



# **BAJAJ FINANCE LIMITED**

Mid quarter update in light of second wave  
04 June 2021

Bajaj Finance had a good Q4 with most lead financial indicators normalising to pre-COVID levels. The Company ended FY2021 with GNPA of 1.8% and NNPA of 0.75%, close to pre-COVID levels. The Company remained prudent on provisioning and carried an additional provision of ₹840 crore as of 31 March 2021.

The Company had outlined that barring a national lockdown or 3-4 large GDP states going into simultaneous lockdown for 3-5 weeks or EMI moratorium, the company is confident of delivering its long term guidance.

Given the severe second wave, the country has naturally been in a state of lockdown in May 2021. Most states have actually indicated extension of lockdowns till 7<sup>th</sup> or 15<sup>th</sup> June.

In our assessment, the impact of second wave is milder on financials but severe on employee health and wellbeing. The Company has made several policy interventions to support its employees and their families amidst a more fatal second wave. The Company has initiated vaccination drive for its employees.

Given the severity of the second wave and the consequent lockdown across most of India for last 35 days, **we would like to provide an update of its estimated impact on the Company's financials in FY2022.**

## Business Update

1. The Company remains open for business across all categories aided by stable EMI bounce rates in Q1 FY22.
2. B2B and Auto Finance businesses were most affected due to strict lockdowns in majority of states. These businesses delivered 70% of their planned volumes in April 2021 as multiple states started imposing lockdowns from mid April. Their volumes dropped to 40% in May 2021. Most states have indicated continued lockdown till 7<sup>th</sup> or 15<sup>th</sup> June. With expected reopening, June should be much better.
3. Other lines of businesses were less impacted in April and delivered 85% of planned disbursements. The Company leveraged its digital capabilities to remain largely functional during May and delivered 60% of planned disbursements. With expected reopening, June should be much better.
4. The Company estimates an impact of ₹ 4,000-5,000 crore to its AUM growth plan for FY2022 on account of the disruption caused by the second wave. However, Q1 FY2022 will see higher impact on AUM due to lower volumes in B2B businesses.
5. The Company has taken several actions to reduce its operating expenses and cost of funds to partially mitigate the financial impact caused by lower AUM growth.

## Portfolio update

6. The Company entered FY2022 with a COVID overlay provision of ₹ 840 crore and a well invested collections infrastructure capable of catering to 25-30% higher collections volumes across portfolios.
7. The second wave has caused a marginal increase in EMI bounce rates in Q1 FY22 over Q4 FY21. Average EMI bounce rates in Q1 FY22 were approximately 1.08X of Q4 FY21.
8. Forward flows across overdue positions were higher due to constraints on collections amidst strict lockdowns across most parts of India. As a result, the Company estimates its GNPA and NNPA in Q1 and Q2 to be higher.
9. The Company estimates an incremental credit cost of ₹ 1,100-1,300 crore versus planned credit cost in FY2022 on account of disruption caused by the second wave.
10. The Company follows ECL methodology of provisioning and accordingly majority of incremental credit cost will get accounted in Q1 FY22.
11. This update is based on information available to date and with an expectation that economic activity will normalize by early July.

# **BAJAJ FINANCE LIMITED**

Mid quarter update in light of second wave  
Thank You

This presentation has been prepared by and is the sole responsibility of Bajaj Finance Limited (together with its subsidiaries, referred to as the “Company” or “Bajaj Finance”. By accessing this presentation, you are agreeing to be bound by the trailing restrictions.

This presentation does not constitute or does not intend to constitute or form part of any offer or invitation or inducement to sell, or any solicitation of any offer or recommendation to purchase, any securities of the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment therefor. In particular, this presentation is not intended to be a prospectus or offer document under the applicable laws of any jurisdiction, including India. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. There is no obligation to update, modify or amend this communication or to otherwise notify the recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. However, the Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes.

These materials are being given solely for your information and may not be copied, reproduced or redistributed to any other person in any manner. The distribution of these materials in certain jurisdictions may be restricted by law and persons into whose possession these materials comes should inform themselves about and observe any such restrictions. Certain statements contained in this presentation that are not statements of historical fact constitute “forward-looking statements.” You can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “goal”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the **Company’s** actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, among others: (a) material changes in the regulations governing the **Company’s** businesses; (b) the Company's ability to comply with the capital adequacy norms prescribed by the RBI; (c) decreases in the value of the Company's collateral or delays in enforcing the Company's collateral upon default by borrowers on their obligations to the Company; (d) the Company's ability to control the level of NPAs in the Company's portfolio effectively; (e) internal or external fraud, operational errors, systems malfunctions, or cyber security incidents; (f) volatility in interest rates and other market conditions; and (g) any adverse changes to the Indian economy.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. The information contained in this presentation is only current as of its date and the Company does not undertake any obligation to update the information as a result of new information, future events or otherwise.