20 October 2023

| THE MANAGER,<br>BSE LIMITED<br>DCS - CRD<br>PHIROZE JEEJEEBHOY TOWERS<br>DALAL STREET,<br>MUMBAI - 400 001 | THE MANAGER,<br>LISTING DEPARTMENT<br>NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST) MUMBAI - 400 051 |
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Dear Sir/Madam,

**Sub: Transcript of Conference Call held in respect of the Financial Results for the quarter ended 30 September 2023**

**Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Part A of Schedule III to the SEBI Listing Regulations**

In furtherance of our letter dated 17 October 2023, the transcript of Q2 FY2024 investors conference call held on 17 October 2023 at 6 pm IST has been uploaded on the website of the Company at https://www.bajajfinserv.in/finance-investor-presentation.

Also, enclosed is the transcript (pdf) as attachment for ease of reference.

Kindly take the above on record.

Thanking you,
For **Bajaj Finance Limited**

VIJAY RAMCHANDRA

Digitally signed by VIJAY RAMCHANDRA
DN: c=IN, o=PERSONAL, pseudonym=af20ff9cad3d4f5caf0aef4cad9c0847, 2.5.4.20=c78f85aa58180cc29440efb4e892d483d085d17b433a905c56ab2b61527257bf, postalCode=560027, st=KARNATAKA, serialNumber=fc8684b15269c625c72aa7633770e8c160d844db57fa2ef224f0cee0a8c26d0e, cn=VIJAY RAMCHANDRA
Date: 2023.10.20 20:52:47 +05'30'

**R. Vijay**
**Company Secretary**
Email ID: **investor.service@bajajfinserv.in**
Copy to Catalyst Trustee Ltd. (Debenture Trustee, Pune)

**Subramanian Iyer** Hello, everyone, this is Subramanian Iyer from Morgan Stanley. Thank you very much for joining us for the Bajaj Finance Q2 FY24 earnings call. To discuss the results, I'm pleased to welcome Mr Rajeev Jain, Managing Director, Mr Sandeep Jain, Chief Financial Officer, and other senior members of the management team. Thank you, Rajeev and Sandeep, for giving us the opportunity to host you. So, without further ado, I now invite Rajeev to take us through the key financial highlights for the quarter, post which, we will open the floor for Q&A. With that, over to you, Rajeev.

**Rajeev Jain** Thank you, Morgan Stanley, thank Subru for hosting us. I have with me, a few of my colleagues here, Anup, our Executive Director, Rakesh, our Executive Director, a few other senior colleagues in the room here. I'll take you through the investor deck, which has been uploaded on the investor section of our website. I'll refer to that. So, without taking too much time, let's just jump right into panel number four, which is our executive summary. So, I would say a good quarter across all financial and portfolio metrics. AUM grew by 20,167 crore. We booked over eight and a half million loans in the quarter that went by, added 3.58 million new customers. And Bajaj Finserv app now has just a tad below 45 million customers. Overall, AUM crossed 2,90,000 crores to end at 290,264 crore, a growth of 33%. Opex to NIM continues to hold at 34%, which is really were it was last quarter, as well. PAT grew by 28%, 3,551 crore. ROE, crossed a hurdle rate of 24%, to come in at 24.1%. And net NPA remained pretty steady at 31 basis points.

If we move to the next panel very quickly, I won't make all the points, but I have talked about AUM growth, I've talked about AUM, new loans booked, I've talked about. B2B disbursements grew by 31%. They came in at 80,610 crores on a year-on-year basis. New car financing business has gone live. We are now present in 85 locations. We are quite excited about the business and the way it's kicked off, and festival season is anyway right here. The microfinance pilot was launched on 1st September. It's a pilot, based in 12 villages in India, in UP and Karnataka, and 100 locations are on track to go lives by March 24. And if all goes well next year, we'll have 300 villages in India by March 25.

Customer franchise, I talked about it, 3.6 million addition. Overall, the first half, we've now added 7.42 million new customers to the franchise. The franchise is at just a tad below 77 million customers. I think we are very confident that we will add this year between 13 and 14 million new customers. We added 106 locations to the overall location footprint, and now it's at 3,934 odd locations. Liquidity, buffers stood at 11,400 crore, so they remained pretty strong. Q2 cost of funds came in at 7.67%, sequentially, it grew by six basis points. Deposits book, so liability, focus remained as strong as the assets side and grew by 39%, just a tad below 55,000 crores. Operating efficiencies, overall, NII grew by 26%, and NIM compression in the quarter was 14 basis points on a sequential basis. Opex to NIM continued to hold steady, as I said earlier, at 34%.

Employee headcount crossed 50,000 people, we added 4,500 people and annualised attrition, at this point in time, is at 13.5% versus the same time last year, when we did not publish this metric, it was 18.6%. So, clearly, we are heading in the right direction as a company on employee attrition, as well. Credit cost came in at 1,077 crore. We released 100 crore of management and macro overlay was released in the current quarter. GNPA and NNPA are pretty strong at 91 basis points and 31 basis points. You can see a movement of four basis points sequentially and three basis points. It's just daily DPD frame, rather than anything else. If you have any questions that Sandeep can answer later, or Fakhari can answer. But there's no movement there, except for these... It looks the best in the fourth quarter, just to give a texture. It looks flattish in the second quarter. It looks flattish in the first quarter.

**Sandeep Jain** Flattish in the first quarter. And then Q2 has the noise of 92 days in a quarter, resulting in higher flow off GNPA.

**Rajeev Jain** Quarter three is…

**Sandeep Jain** Flattish.

**Rajeev Jain** Flattish. So, Q1 and Q3 are flattish, Q2 is a little elevated, and that's how it will be every year, and Q4 is better. So, that's how we, daily DPD moves. So, you will see that it's very marginal, but just to make the point. Stage three assets, as you can see, continue to be in the right direction. Risk metrics except B2C businesses remain, all green, except B2C, which is yellow. PAT, I've talked about. PBT, I've talked about. Annualised ROA came in at 5.16% as against 5.41%, mainly NIM compression, which is slowly bringing us back to pre-COVID levels. Overall, on a full year basis, we feel that another 20, 25 basis points, 30 basis points of NIM compression that will happen between operating leverage, and so on and so forth, we should be able to sustain a 5% ROA on an exit basis, as we deliver the full year. Capital adequacy remained strong at 23.2%. Tier-1 capital of that was a tad below 22% at 21.88%.

Just two updates, you're aware of this. The Board of Directors has approved raising capital to the extent of 10,000 crores. 8,800 crore through QIP and 1,200 crore through preferrential allotment to Bajaj Finserv, to the promoters of the Company, which is Bajaj Finserv. So, that's just one update. And the second being Pennant Technologies, in which the company has entered into a binding term sheet for acquisition of a 26% stake in the company for an aggregate amount of 267.5 crore, valuing the company at 875 crore. I will just jump quickly to the omnipresence update on page 11. All metrics are moving in the right direction. Downloads, 16.5-17 million in the quarter. Net installs are 45 million. In-app programmes, 134, remain among the top five on Google Playstore. 35% service requests are now coming through consumer requests, service requests are coming through the app. UPI handle, bill pay transactions, are all moving in the right directions. We remain highly focused on app and web metrics, and the momentum remains pretty strong.

On panel 13 quickly, no panel 13. Just on key financial metrics, panel 14. 13 or 14? On panel 14, pretty much very steady. As you can see, H1 FY 24, 62,195 AUM per customer, PAT per customer is just a tad below RS 1,500, cross sell franchise, we're in the right direction, all metrics are moving in the right direction. We remain pretty comfortable with the ability to mine the franchise, and continue to generate similar outcomes as been so, as you can see on this panel, for the last seven, eight years. Jumping quickly to the end of it, so that I can open up for questions, on portfolios metrics. As you can see, all of them, two panels 52 or 51. 52. As you can see, everything remains within the corridor. Consumer durable and lifestyle, 99.51, current two wheeler, three wheeler, 94.71, current digital products, 99.41, urban B2C, 98%. All of them remain better than Feb 20.

While even rural B2C is just a tad below where it used to be in February 20, but from a management assurance standpoint, as you can see, the stage two used to be 110 basis points, it's 140 basis points, and that's why it's a yellow. Otherwise, in general, we are very comfortable on credit metrics. Just one last point I wanted to cover on PPC. We have added a new panel, which is panel number 41. It's a new panel that we've added. This used to be there five or six years ago, as our product portfolios continue to move, as various products have got added, whether on the lending side or on the payment side, it was a question, from various investors, how has your PPC been moving? So, I will take two minutes to make the point that there are four key blocks, in which our product per customers is broken up into.

Lending, all lending products of the company, distribution of products and services, all value-added products and services of BFL and partners, deposits, fixed deposits and systematic deposit plans, which is FD, and payments is any one of them being bought by the customer as taken as one payment product. It's really how they've been slotted. As you can see, as of 21, we used to have 5 products per customer, and there used to be two colours, as of FY 23, there are now three colours. It has moved from five products per customer on the left hand side that you see to 5.81 products per customer. As of the first half of the year, at this point in time, it's looking like 5.97 products per customer, 35 to 40 basis, 0.4, is now payments product. On the right hand side is as customers get onboarded, principally, how do they move? 12 MOB, 18 MOB, and 24 MOB as they complete.

So, if we are originating more and more customers, the left hand side will look a little suppressed. So, both have to be looked at that in 24 months onboard, because in the last 18 months, principally, we've onboarded 19 million new customers. Last year was 12 million customers, and this year first half is 7.5 million customers, that's 19 odd million customers. So, as they are mined and as they warm up to do become more engaged using digital assets and otherwise, their take up rates improve. So, look at both of them independently, is the only point. With that I have come to the end of my points that I wanted to raise. I am happy to answer any questions, between me and the management team members. Subramanian, over to you.

**Subramanian Iyer** Nadia, I think we can open the question queue.

**Operator** Of course. Thank you very much. We will now begin the question and answer session. If you would like to ask a question, please press star, followed by one on a telephone keypad now. If you change your mind, please press star, followed by two, to withdraw your question, when preparing to ask your question, please ensure your phone is unmuted locally. Ladies and gentlemen, we will wait for a moment while the question to assembles Thank you. Our first question goes to Antariksha Banerjee of ICICI Prudential. Please go ahead.

**Antariksha Banerjee** Hi. Thanks. I have two questions. One is starting from the point that the rural B2C is still lagging red and I think last quarter, we have spoken about some analysis that we were conducting on the leverage of customers and how that's moved. Any update you would want to share on that, and any portfolio actions that you're updated since then?

**Rajeev Jain** So, we wanted to really publish we are ready, but principally, the Bureau, technically, did not allow us to publish that, and rightfully so. But we can share some of it, as we want to publish it. So, the way it's looking is if you take 20, 22 and 23, in terms of count of loans that India was dispersing across all personal loans have grown from 4.5 odd crore by 2022 to seven odd crore by 23, and last year, it was 10.5 odd crore, 10.7 crore, to be precise. The larger growth principally seen was less than 50,000 and an 8 lakh plus, just at a frame level. So, that level two inputs for you. On an AUM basis, however, the less than 50,000 contribution to the total, and the total AUM looks to be like 13. 5. It grew from 7.5 lakh crore in FY 20 to around 13.5 lakh crore

Treat this data as 98%, 99%, so take it at a trendline level, rather than the 1% to 3%, if I may say so, adjusted, otherwise directionally, these numbers are… So, 7.63 lakh crore has moved to 10.5 lakh crore to 13.5 lakh crore. What it principally says is that at the industry level, the 93.73% of the total balances of 7.6 lakh core, it used to be current in FY 20. That number, in FY 22, was 91.75% current. And that number in FY 23 is 92.21% current, industry level, this is industry. When we look at that versus us, we look like, in FY 20, we were at 98.2% current. As of 22, we were 97.12%

current, and as of 23, we are at 98% current. So, when we look at this data, what they also told us is that less than 50,000 is really where a lot of corrosive outcomes are. And what level two told us is that, principally, those who have more of them, it doesn't mean they're more leveraged, but those who have more of them are more leveraged, are more imprudent, sorry, not leveraged.

I will clarify and re-emphasise the point, they're not necessarily more leveraged, they are more imprudent. So, what we have is we have cut between 8% and 14% of the business in urban and rural, 14% in rural and 8% in urban, as a preventive measure to those who have more smaller ticket loans, while they may be short term in nature, represent imprudence. So, that really, we would have liked to publish this data, because it would help you guys. But for technical reasons, we could not publish this data. I want to make a last point, we are looking at this data very closely on a month on month basis, and taking decisions to ensure we continue to protect the credit risk and portfolio risk in the company.

**Sandeep Jain** Just two call outs from my side. As Rajeev called out at the beginning of the call, itself, I think take the data with a pinch of salt. This is based on our internal assessment of how we understand the data to be. That's point number one. Point number two is the portfolio health that Rajeev referred to. We have taken into consideration customers with low delinquency all the way up to 179 days overdue. Customers beyond overdues of 180 days past due were ignored, because the write off policies to various actions that respective banks and NBFCs, would take, we are not privy that. So, from a comparison point of view, we have only considered customers from no delinquency up to 179 days overdue.

**Rajeev Jain** It's an important call out so . We are doing this exercise for all portfolios. It's not just for unsecured, because the overall supply side, as I keep making the point, across asset classes has increased significantly. So, it's not just for unsecured. This principle applies to all our product lines, and we've acted across product lines, as a company, to make sure that this imprudence, and it shows up. So, you may have a home loan with three BNPL, and I don't have, shows up that if you have three BNPL, your default rates look to be two, 2.5 X. Even for home loan, just as an example to make the point.

**Antariksha Banerjee** So, just [overtalking] follow up on this? Based on this exercise, do you conclude that the larger ticket 8 lakh plus, or even maybe the 5 lakh plus, if it is more overlapping with our customer base, despite having grown so fast, is relatively less of a problem, at least at the moment?

**Rajeev Jain** So, if you look at the 8 lakh plus, in FY 20, that number look like 291 basis points. 8 lakh plus in FY 22 is looking like, 90 plus I'm talking, it's looking like 120 basis points, and 8 lakh plus in FY 23 is looking at 115 basis points. This is industry. We were 28 basis points, in FY 20, we were 31 basis points, and we are at 18 basis points. So, yes, we do conclude that adjusted for less than 50,000, numbers in general, or greater than 51,000 and above are looking lower than FY 20.

**Antariksha Banerjee** Thank you. I just have one other different topic, and I'll not take much time. This is regarding the capital raise. I just want to understand what are your plans of utilising this capital in the mortgage business versus the non-mortgage side of the business, especially given the fact that the housing business is supposed to live separately as per the regulations?

**Rajeev Jain** Principally, that listing is eight, nine quarters away. As of now, it's eight quarters away. I have said in the public domain that we have formally placed, requested for an extension. Point number two, it's principally, capital adequacy, as you heard me, was 21.88%. Strong growth on both sides, both BFL and BHFL. H1 24 momentum, if I look at it, has been the strongest that we've seen in the last four years. We virtually added 43,000 crore on a consolidated basis. Even BFL is launching a whole lot of new lines of business, non Bajaj Auto has gone live, we are now doing 20,000 non Bajaj Auto two wheelers a month. LAP in BFL has gone live, new car financing has gone live, MFI pilot, I have just talked about, tractors is going live on January 1st. Emerging local corporate in BFL going live in December.

So, clearly, there is action on both sides of the balance sheet, and we are prudent allocators of capital. So, at a fundamental level, all I can tell is we will prudently allocate capital, and those who generate the sustainable return on equity will get capital for all our lines of business, I don't mean entities. And we are very capital prudent. Lastly, I think since you talk capital raise, we always raise capital, and consistently demonstrated our ability to deploy it effectively and deliver medium term ROE goals. So, even while we have one year to raise capital, even as we raise capital, we are clear that the short term/medium term goals of ROE hurdle rates that we have established will not be compromised in any given manner.

**Antariksha Banerjee** That is very well appreciated. Thanks for your time.

**Operator** Thank you. And the next question goes to Viral Shah of IIFL Securities. Viral, please go ahead, your line is open.

**Viral Shah** Hello. Congrats, Rajeev and Sandeep, on the good numbers. So, while you answered the first piece of my question on leverage, I just wanted to clarify is it possible to do that, if not now, but maybe next quarter, when the capital raise is done, then that is consent for putting out data in terms of leverage at the customer end?

**Rajeev Jain** We will try and work closely with the Bureau, because we are not de-constrained. We will work with the Bureau, and try and assess. Maybe, if they deem appropriate that you guys can reach out and work with them, that is also probably… We will assure you that we will try our best.

**Viral Shah** Thank you. And just incrementally, on that piece of question is within the housing finance subsidiary. So, right now, the mix of home loans, LAP is actually sub 60%. And because of the opportunities out there in the market, I think we are seeing opportunities in the developer and LRD segments. But what's the timeframe over which you have to reach 60%?

**Atul** I'm Atul here, I'll answer this question. So, regulatorily, we are required to have a 60% asset mix by 31st March 2024. That's an RBI guideline. And against that, as of 30th September, we are at 59%. The definition of our residential housing varies as per the regulation, so that includes 50% of individual home loans, which has to exclude top up. When you see the published figure, when you see home loan at 56%, actually, the home loan, individual home loan, which is excluding top-ups and the other VAS product component is roughly around 51%. Then up to 10%, you can have a CRE RH, which is called an amount lent for construction of residential dwelling units. So, when you add both as of today, as of 30th September, we are at 59.01, which is very close to 60%, which is required by 31st March 24. We intend to meet that before the regulation given time.

**Viral Shah** Fair enough. So, there is not going to be any incremental material delta from that, in terms of mix change even from now.

**Abdul** Right now it is 59.01, so 59.01 has to move to 60%, and yes we have a good six months, our attempt will be that up to 31st December, which is Q3, itself, we should be reaching that number of 60%, which is required on 31st March 24.

**Viral Shah** Got it. And the last piece of the question, Rajeev. In terms of when I look at those panels for different products, what I see is that for some of them, the stage two has come down, and probably the stage three has gone up. So, whether you look at B2C, there is a phenomena that you are referring to earlier, right? Nothing incrementally to read into it.

**Sandeep Jain** This is exactly the thing that we are referring to.

**Rajeev Jain** That's panel 49.

**Sandeep Jain** The customers were stuck because of days past due logic into stage two in the last quarter, and because of 92 days quarter, which is 31 days of July, 31 days of August, and 30 days of September, these customers have moved from 89 days to over 90 days in the current quarter.

**Viral Shah** And it should correct in the third quarter, basically?

**Sandeep Jain** Yes. The third quarter, as Rajeev explained, it will be a normalised quarter. Some noise will come in Q4 again, where because of the number of days in the quarter being lower, one may see one month of skip, in terms of the GNPA classification.

**Rajeev Jain** You may just want to clarify to everybody, that because we bank on 2nd, it is important.

**Sandeep Jain** This phenomena is pretty specific to us, because in most of the businesses, the banking due date for the customer is 2nd of the month. That creates an anomaly of customers getting stuck to 89 days at times in a given quarter.

**Rajeev Jain** 99% of our banking across the entire 24 million customers, 23.5 million customers we are banking, would be today on the second of the month.

**Viral Shah** So, just to get it right. In the quarters where the number of days are higher, you will see more slippage into stage three, right?

**Unidentified Male** Yes. And this is specific to Q2. Fortunately, there are only four quarters in a year, so it can't be more than one quarter, so this is specific to Q2. Q2 normally ends up losing out, and Q4 happens to be gainer, because of days past due logic.

**Viral Shah** Got it. It makes sense. Thank you. That's it from my end.

**Operator** Thank you. And the next question goes to Piran Engineer of CLSA. Piran, please go ahead, your line is open.

**Piran Engineer** Hi. Thanks for taking my question, and congrats on the quarter. I just wanted to understand your NPLs in B2C, both urban and rural, are pretty much similar, but we have green in one and yellow in one. And the same thing for SME, which is an unsecured product, your NPLs of 1.25%. So, I just wanted to understand why we treat them as different, in terms of our outlook. And secondly, will we expect, like we've seen growth in rural B2C slowing down this quarter, will we expect it to slow down in SME and urban B2C next quarter onwards?

**Rajeev Jain** It's purely data dependent, at this point in time. The only place where we are stance, in fact, let me make a point, and I made that last quarter, that principally, rural B2C slowed further. It grew year-on-year, the first quarter, 17%. Actually, you saw the numbers, 21 I had clarified it had gold loan, in the second quarter, it's actually grown only 12%. So, it's pure data dependent, as we feel. Now, that's one part. Second, as I said, Piran, technically, I can tell you it's green, but we are exactly stating what I'm… The greens, the yellows, and the reds are management assurance. What do we assess the position to be? That's an important point, is what I would just want to make to you. If you go to urban B2C, you see stage 2 at 143 basis points and 95 basis points.

Whereas here it's 109 basis points and 141 basis points. And leave even the number, it could have been 109 or 120. It is possible where we may have still given management assurance at yellow. I just want to clarify that.

**Piran Engineer** I thought it was 1.19. I'm looking at slide 48.

**Sandeep Jain** Are you looking at the GNPA?

**Rajeev Jain** Go to 51 and 52, which is really where we provide management assurance off. So, if you see urban B2C, we are on 52, you will see. You see 143 basis points, and you see 95 basis points, this is urban B2C. If you see the next panel, which is rural B2C, you'll see 109 basis points and 141 basis points. And we're starting to see it come off. So, it's possible by February or so the business will start to grow again, is really how we… Sandeep, do you want to make a point?

**Piran Engineer** The only confusion is slide 48 and 52, because 48, when I just look at the numbers numerically, fine, this is GNPA and you're referring to stage two, fair enough. Sorry, carry on.

**Rajeev Jain** It moves to the GNPA always. So, the early metrics is what is the current, what is the stage two and then stage three. In our business, we like to get things in early buckets, rather than in late buckets, at a philosophical level.

**Sandeep Jain** And I think, Piran, what you're seeing is the position on a given day, which is for the respective quarters. We are also looking at eventual flow into losses. So, what you're not able to see is the bounce rate, you're not able to see collection efficiency, and the eventual loss that's flowing in the P&L. Based on that, we also determine whether a particular business should be tagged as green or should it be tagged as yellow. At this point in time, we believe Rural B2C should be tagged as yellow and we should take corrective action which we have already taken.

**Rajeev Jain** That is growing lot more slowly, because that's what we can do.

**Sandeep Jain** And probably, one quarter from now, if we find things are looking better, the entire portfolio, bounce rate, efficiencies, and flow to losses are looking better, we may restart growing the business back again.

**Piran Engineer** Got it. And then secondly, on your LRD book, and that's been a strong growth driver, can you just give us some more colour on the book, in terms of how much of it is in malls versus offices, or who the types of landlords are, etc.? I know that in the past you said that it is even safer than LAP.

**Rajeev Jain** We won't be able to name.

**Piran Engineer** Okay, that's fine. But some comfort around it. Because it's grown to $2 billion now.

**Atul Jain** So, I'll give you the complete texture, so now what we do, as an LRD product, by definition, we generally don't do retail malls. We do generally a grade A commercial. It's a 12 year old business for us, we have been doing earlier there, and we have always seen an impeccable behaviour. Now on a basic guardrail, generally, malls and the retail malls are not done, barring one exclusion, which is at the REIT level, where we have a retail exposure. The business has always been 100% current for us, irrespective of the size. It is generally, the lease, the rentals are to Fortune 500 companies, mostly to MNCs in the IT sector. It's a grade A commercial. So, 100% of the portfolio, largely, would be grade A commercial, with retail being only one where the large corporate is there which is a REIT exposure, which is a non-grade A commercial office space.

The lessees are all largely Fortune 500 companies, and all cash flows are escrowed, by normal definition, receipts in escrow to discounting the EMI requirement, we have clear buffers of close to 30% to 40%. And escrow compliance is clearly adhered to. Just to give you a total comfort.

**Rajeev Jain** Last point. If they were ever butterflies in the stomach on this business, that was March 2020 till March 2022. Because we thought work from home was the new future, what would happen to this portfolio? This portfolio, even between March 20 and March 22, we did not see a single instance of default. If there was ever an event that those 24 months would be best case, much harder than any other portfolio, for this, because they were all empty, and the rentals had to keep coming.

**Atul Jain** And one last datapoint on this, just to give. Our total vacancy in our LRD portfolio is 1.6% against the total commercial market vacancy of close to 15% to 16%. So, the vacancy levels, even when we normally have a large cushion in the cash flow to, there, the total vacancy at a portfolio level is 1.6%. Because we get to know through.

**Piran Engineer** This is very useful. Thank you so much, and all the best.

**Operator** Thank you. And the next question goes to Abhishek Murarka of HSBC. Abhishek, please go ahead, your line is open.

**Abhishek Murarka** Hi, Rajeev and team, congratulations for the quarter. So, just one question on this NIM guidance. You say there is another 30 bps of compression to go, mostly due to an increase in cost of funds. And it's pretty much unlikely that you will see any yield compression here.

**Sandeep Jain** Abhishek, yes, I think if you look at the overall interest rate curve, it's significantly volatile in recent times. This is based on our assessment of the situation, as of today. We believe cost of fund is heading northwards. Of course, as I said, volatility has remained in place for quite some time now. I think the bigger thing is replacement of old money that we had borrowed for two, or even three years, at a very, very low price. They are coming from maturity and renewal. As renewal takes place for us and for the industry, the cost, also for us, tends to rise. And I think a significant portion of them are coming for maturity between the next quarter and probably the early part of Q4.

**Rajeev Jain** So, I think it will peak out by Q4, but clearly, second, third, and fourth quarter, we will see, replacement as the largest driver.

**Sandeep Jain** If you noticed, in the current quarter, movement in cost of fund was quite marginal. But I think it is the cash momentum in Q3, probably.

**Abhishek Murarka** Got it. And very unlikely that you would have space to increase yield in any of the segments?

**Rajeev Jain** Yes. We never diluted, the answer is yes. Other than our variable businesses, variable businesses being 32%, 33% mortgages, that's one part. And two, the commercial balance sheet, which is 7%, that's 40%, another 5%, 6% is LAS. So, 46% of the balance sheet has variability, the rest of the balance sheet… Of course, competitive activity may not allow us to, but just from a variable to fixed balance sheet component standpoint, 54 percentage is fixed. And 46% is variable. But saying with the last point, I would say and that's really where we've been continuing to invest in building our digital transformation, in our omnipresent strategy. And as I said over the last two quarters, we have peaked out.

So, clearly, operating leverage will start to play through. It's playing through already the last two quarters, it will start to play through more so as we move from here. And there will be a moment when we will further accelerate expansion, as we saw. For the next few quarters, we do clearly see operating leverage to play a bigger role in mitigating the NIII compression.

**Abhishek Murarka** Rajeev, in your Opex, that was my second question on Opex, what is the extent of the discretionary element? So, out of, let's say, quarterly 3,000 crore amount, how much is discretionary that you can run down, apart from banking on operating leverage to drive down the cost ratios?

**Rajeev Jain** I keep saying to people, we're an entrepreneurial company. If I don't want to spend the money, I don't want to spend the money. 45% is fixed. That's compensation, that's salaries. The rest, I can argue with you, I mean just theoretically. Can we squeeze out, and we did that in the pandemic. I want to make, it is a philosophical point, rather than how much can be squeezed point. We remain a growth company, so it's not like we go back to the pandemic days, where we really worked hard on squeezing costs out. But we are a lot more optimal, or optimising, cost more than we are at this point in time. That's all I will say, Abhishek.

**Abhishek Murarka** Sure. And just one quick question on Pennant Technologies. If you can shed some light on how exactly it helps? What are the plans there?

**Rajeev Jain** Rakesh?

**Rakesh Bhatt** Our relationship with Pennant actually goes a long way back. I was mentioning that, and you would have read also, that it's a strategic investment. Our relationship with Pennant Technologies goes a long way back, in 2016, it began, and it is strengthened year-on-year. And we are at a stage, wherein we are migrating our full core back end loan management application on to Pennant Technologies. So, being a core platform, and our partnership being quite good, and the founders running the company quite well, they have a lot of dimensions, which made it imperative for us to invest into Pennant Technologies. As you understand, the scale at which Bajaj Finance operates, we required a very robust platform. Our multiple group companies also use the platform, Bajaj Housing Finance uses it.

The full end-to-end lending suite of Pennant Technologies, and a couple more companies are also planning to go. So, at a Group level, also, it really made sense for us to do investment. And finally, we don't move technology investments on a financial basis. It's more of a strategic business, what we intend to do. With the owners and the founders, having the free hand and running the company, and we providing them the strategic directions and the tools, which were created at Bajaj Finance, and the playbook at Bajaj Finance will help the Company move forward. That's, essentially…

**Rajeev Jain** It's strategic for us, and it's strategic for them, is the second point that Rakesh was making, it's strategic for both. It's not just strategic for us. It's clearly strategic to us as it becomes a core lending platform for us, we've taken out time. A core lending platform needs to be really solid. It needs to be really resilient for us to take the decision that most of you have taken. We move product by product over long periods of time. I just want to reemphasise the point. And two, we clearly intend to help them build a roadmap for them, as a company, to become from what I would call a small sized company to a medium sized company, and hopefully, someday, a large sized company, so that we also create value for them and for us. So, that's a clear objective.

**Abhishek Murarka** Got it. Thanks so much. Thanks for all the answers. Thank you and all the best.

**Operator** Thank you. The next question goes to Kuntal Shah of Oak Lane Capital Management. Kuntal, please go ahead, you line is open.

**Kuntal Shah** Thanks for this opportunity, and my questions are two. Rajeev, we started investing upward of 200 crore in several companies, RBL, MobiKwik, and today, Pennant Technologies, so I'm sure some of them would be a strategic partnership, some would be growth enablers, some would be learning cost, low cost experiments. But given the 24% hurdle, what's your view and outlook, and more importantly, what is the quantum of investment we, as investors, can expect going forward? And secondly, on mobile, can you share some statistics on the quantum of origination failed journeys or drop off rates? The AUM, churn, etc., anything you can share with us on the mobile.

**Rajeev Jain** Around 21 million, that number I know. We don't publish, but if we publish reams of data, it will confuse you. So, out of 45 million net installs, the MAUs are anywhere between 20 and 21 million, and that number is growing. 90 day install rates are 76%, 77%, 78%. Daily active users, as Rakesh is saying, is around two, 2.5 million. And as the payments start to play through, we will see more adoption. On drop offs, etc., these are journeys. When I say journeys, the digital transformation. We are very clear that we run two companies now. We run an offline world, and we run a digital twin. And I do now realise that why they're so hard to pull off in a company, a digital twin and a normal twin. So, clearly, it's a journey, and I'll make the point that the way you see today the asset, it's going to go through a dramatic change in the next nine, 12 months' time.

We are off to a what I would call a phase three transformation of the entire asset. And it's not that you will see it in nine months, you will see changes happen every quarter. Because when we built this asset in December 21, it was based on imagination. Now the asset is being built on data. So, that's the fundamental shift. We have imagination about building the asset, and now we have a clear view on what leads to rage index, and I can go on and on. So, it's now being built on data. The entire phase three infrastructure that's being created is based on hard customer experience data. So, those are some two three points. Now on investment, one, we are very prudent about what we do. The first investment that we made was MobiKwik. We learnt a lot from them. We didn't know mobile technology.

That investment, principally, if all had gone well, would have made significant money for you, as investors, and for us, as their investor. Someday, we clearly do believe, still, that that investment will value the business. So, that's one part. Second was RBL. And we remained invested. They are a strategic partner of ours. We have three and a half million cards that we have helped, that you have helped create in our partnership, it's a strategic partnership. And we've onboarded five and a half million credit cards over a seven year journey, with a plus minus, I think it's 4.8 million ever cards onboarded, and we have a three and a half million card relationship with them. And as they transform the bank, hopefully, we, as investors, and you, as further investors in us, will realise value. The third investment we made last year was Snapwork, that was a small investment.

The fourth investment we made is Pennant Technologies. We have slotted our investments principally in three areas of application development on one side, second is products and third is emerging data. One Investment a year is really what we think we can consume, absorb, or work with. So, the only thing I want to assure you of is we remain very prudent in the way we make investments, because we realise it's hard to make money, it's easy to spend it. And they are strategic in nature, and they go through a very rigorous process, before being approved. So, our investment rationale remains reasonably high, and it's one at a time. Does that answer your question?

**Kuntal Shah** Yes, thanks. Just one last question. Can you care to comment on the RPA and impact on Opex, the way you visualise going ahead in the next couple of years?

**Rajeev Jain** RPA is now, we will…

**Anurag Chottani** RPA is a replacement to the APIs that we use. RPA is a very short term bridge that we use, in case the API development takes time, we deploy RPAs. And once the API development gets completed, the RPA gets truncated. So, our preference is to remain on API's, which are far more scalable, and far more configurable, rather than RPAs, which continue to keep changing as the UIUX undergoes change. So, our preference is to go to APIs rather than RPAs.

**Rajeev Jain** And on the second of the month, which I made an earlier point on, because we bank 23 million instalments, in general, between the second and the third, we see 200 million odd API hits on those two days, because people want to come and check whether they got debited, whether the statement of accounts of theirs is reflecting that or not. So, it's highly scalable, highly resilient. We've never been down, even on a single day, in the last two years, since we have went live.

**Rakesh Bhatt** If the reference of RPA was in respect to operating efficiency, we use it a bit somewhere in the operations, not at that kind of a scale. We would like to invest into pure technology, rather than RPAs. So, automate the full process is the goal, and it's only an in between bridge, as Anurag was mentioning. So, over the long term, we don't… Today itself, RPA doesn't contribute to operating efficiency in the scale at which you might visualise.

**Kuntal Shah** Thank, that really helps. And all the best.

**Operator** Thank you. And the next question goes to Kunal Shah of Citi Group. Kunal, please go ahead, your line is open.

**Kunal Shah** Hi. Firstly, with respect to the overall growth momentum, the way you mentioned that the first half has been clearly better, we are seeing almost 17% year-to-date growth. And given the expansion, the investments, which we have done, are we more confident that maybe compared to like 29% 31% guidance, which we had given in the last quarter, that we should be much more than that, not only in this particular year, but over the medium term, given that there is fundraise, also, which is there?

**Rajeev Jain** We'll take a year at a time, so clearly, can I say, given the strong momentum in the first half of the year, are we pretty confident of the year? The answer is yes. The long term guidance that we provided, do we remain confident of delivering that. The answer is yes. Anything over and above that, Kunal, we are here to work hard, to create value for shareholders, and to dominate financial services. That's one of our ambitions. So, if you're doing well on the credit side, if operating leverage is playing through, we can continue to deliver the hurdle rates of ROA and ROE, and we have sufficient gap, but the answer is yes. Just on a separate note, and I didn't make the point earlier, when the question or leverage analysis was asked. We have seen a tremendous amount of competitive activity. As far as the leverage analysis, that point also clearly came through. We used to have 7.5% share of this personal loan market in India. And that remains at 7.2% even now.

This is despite so much intense competitive activity within FY 20 and FY 23. We've seen less than a 25 basis points reduction. And that is because we've tightened the screws, because our ratios run at 20% of industry, in terms of the operating performance. So, we remain reasonably excited about all our lines of businesses, and have market share goals for each one of them. And we are in the right place to ensure that we can leverage that.

**Kunal Shah** And we never had the instances of inorganic opportunity earlier, but now, given that [overtalking] in terms of the… No. We are [overtalking] that the instances of… Hello? Can you hear me?

**Rajeev Jain** A little bit better, but earlier, I could not hear you at all.

**Kunal Shah** I was thinking that we never had the instance of inorganic opportunity, but now the product bucket has also diversified, and we are getting into the newer segments. So, still, would we keep the stance of maybe growing everything organically, or will we still evaluate anything inorganically to achieve the scale, or maybe to build the businesses?

**Rajeev Jain** In general, on the lending side of the business, purely organic. We have the time, we have the long-term orientation, we think we, at least, feel that building lending business organically is a better way to go. So, in the lending side of the business, purely organic, the answer is. That doesn't mean never say never. Maybe someday, but at least not in the near term horizon.

**Kunal Shah** Okay. Thanks a lot.

**Operator** Thank you. And the next question goes to Shubhranshu Mishra of Phillip Capital. Shubhranshu, please go head, your line is open.

**Shubhranshu Mishra** Hi, Rajeev, hi, Sandeep. Two quick questions, the first one is as and when the housing finance company gets listed, how do we look at the structure of the listing? How much would Bajaj Finserv own, and how much would Bajaj Finance hold? That is the first. The second is that we alluded to market share gain of almost 4% to 5% LRS, from 1.7% here. So, if we can go segment by segment, and talk about in which particular segments we are going to gain market share, which is the five year rolling plan. Thanks. Those are my two questions.

**Rajeev Jain** Data dependent, point number one. You like to grow all lines of businesses, including B2B. If our market share, let's say, in B2B is 50% plus, you would like to grow that as well. Let me make that point. I earlier made a point that if our market, as a company, in personal loans is currently 7.2%-7.3%, we would like to grow that, as well. So, subject to, data dependent, being defined as if the credit is holding, we would grow the business, if credit is not holding, we would not grow the business, because we are in a credit business. All lines Shubhranshu remain in high growth, as you can see even from the press release. The growth and the mix, largely, you are taking on three years or four years, and remain steady. Adjusted for a plus, minus 1% or 2%. If you go to, let's say, in the presentation on the portfolio mix, that would be…

If you look at the growth rate for the second quarter, two wheeler three wheeler, 63, because 10% of the growth is non-captive now. So, if it was captive to captive, it would have been a 50% growth, 12% growth is non-captive, so that's a new line of business. If you go to panel 45, you see year-on-year growth 39, 29, 37, the rural B2C, we talked about its we who have pulled back, 38, 38, 46, 28. There's tremendous opportunities in each one of these lines. The composition is another thing to look at, because this is plus, minus the composition that gives us the hurdle rate of ROA and ROE. So, if this shifts significantly, which is not expected to shift, from a business model standpoint, this is really where the corridor is plus, minus 1% or 2%. So, growth rates are strong across, number one, composition has remained largely here, for I will say four years already, plus, minus 1%, maximum 2%. And this is really what the composition ought to be, plus, minus 1%, and we just play along.

**Sandeep Jain** I think, Shubhranshu, as we've always said, the diversity of financial services model allows us to slow down a particular business, probably accelerate a particular business, based on, as Rajeev says, data dependency. As you look at two wheeler, three wheeler is showing a very strong read on portfolio quality, 94.5% portfolio quality, we have never seen in that business.

**Rajeev Jain** Never.

**Sandeep Jain** That is now growing at 63%. In the same vein, a similar high margin business, like rural B2C, but the data is not allowing us to grow. We are growing at 12% on a Y-o-Y basis. So, we do look at the business with data in mind, in terms of incremental rates. Based on that, we push forward and we pull back, depending on the stance of the business.

**Shubhranshu Mishra** And the first question, the structure of Bajaj Finance listing?

**Sandeep Jain** Listing of BHFL, I think Rajeev called it out a couple of times, it's eight quarters away from now. We have requested, and it has been put out in paper, as well in some way, we would like to request for an extension, if possible. However, if it doesn't come, then of course, we will work towards it. What the structure will be, how the listing will take place, etc. That's something that is not known, it's too far, at this point in time. I think strategy will evolve over a period of time, on that as well.

**Shubhranshu Mishra** If I can just squeeze in one last question. What is the revenue of Pennant technologies, as well as Snapwork, which is driven by Bajaj Finance today? And how does it look three years from now?

**Rajeev Jain** Last year, when we acquired Snapwork, the turnover was 37 crore, this year it will be 60 to 63 crore. It was a well-run small business, with well-run, build mobile applications for most financial services players in India. And we are helping him shape the business and grow the company.

**Shubhranshu Mishra** What's our contribution in both? That is my only question.

**Rajeev Jain** 30%. When we bought it last year.

**Shubhranshu Mishra** 30% on each?

**Rajeev Jain** No. Snapwork 35%. Pennant is also in 30%, 40%. Both BHL and BFL put together, another 30%, 35%. But then Pennant, as a company, is winning contracts with the largest of the guys now in India. So, they are now, clearly, the lending platforms to go to.

**Anurag Chottani** So, for Snapwork, they are expanding in international market, so this percentage is expected to go down, our contribution to the overall revenue for Snapwork is expected to go down. And we see, in the next 12 to 24 month period, the percentage will be in the range of 20% to 25% for Snapwork. And as we've just invested in Pennant, they have plans to expand internationally and invest further on their roadmap, as they take the product internationally, and more deployment in the domestic market.

**Sandeep Jain** Just to call out a word of caution. Pennant, we have signed a binding term sheet. So, the investment is subject to final negotiation, and so on and so forth that will take place of terms and conditions, shareholder agreement, and so on. We expect to complete everything by 31st December.

**Shubhranshu Mishra** Understood. This is a very helpful. Thank you so much.

**Operator** Thank you. The next question goes to Ashish Sharma of ENAM Asset Management. Ashish, please go ahead, your line is open.

**Ashish Sharma** Thanks for the opportunity. I'm not sure if it is repetitive, Rajeev, just your comments on… We've heard that the regulator has been mentioning, of late, about being a little concerned on the growth on unsecured loans. I think, in the press conference, they had clarified their concern on the growth part only. But what's your sense of the noise around unsecured loans?

**Rajeev Jain** Well, it's moderate, the growth. As we are now tracking, as I said earlier, we are tracking Bureau data every month. It's moderate. I think there is reasonable moderation, in terms of AUM and disbursements, not so much on count, as yet. I think that's the only point I would make. So, in terms of values, there is moderation. In terms of year-on-year growth rate on AUM, disbursements, on both there is moderation. But on count, there is yet to be full moderation. But as the new FLDG guidelines kick in, which has kicked in, what RBI announced two months ago, I think, it should moderate that, as well. I think it is a great step, and that should significantly moderate that number, as well.

**Ashish Sharma** And in case what we are hearing, in terms of preventative action, the raising of risk rate limits, there would be some impact on the profitability, but overall, it doesn't change anything from an overall perspective?

**Rajeev Jain** As Sandeep said earlier that we have levers, that are, what we call, scale builders in our business, and profit builders in our business. And there are not one or two, there are multiple in each line. We just orchestrate. That's really what we continue to do on an ongoing basis. There are clearly, and we have demonstrated that, I would say, to be modest, successfully. Over time, we don't push what should not be pushed, and we pull what needs to be pulled. So, that's really what we intend to continue doing.

**Ashish Sharma** Perfect. And lastly, on BHFL. We will be raising 10,000 crore, so do we need to even infuse, over the next 12 to 24 months, in BHFL anything above what we've already invested.

**Rajeev Jain** Absolutely, yes. We like to run businesses on low leverage ratios, build a good quality business at really low leverage. So, even a mortgage business, which today, if you take the second quarter, is at 22 basis points GNPA, 22 basis points? 24 basis points and nine basis points, we don't go by capital adequacy. The rightful of metric is leverage. So, our internal hurdle rate is 7X leverage. Even for a mortgage business, 6.5 to seven, as Atul was saying. We are a at 6.5, so 7X leverage is what we have internally defined to the rightful leverage ratio, even for a mortgage business. So, are we committed to continue to invest in the business? Yes.

**Ashish Sharma** Perfect. Thank you, Rajeev, and all the best for the next quarter.

**Operator** Thank you. That's all the questions that we have time for today. I would now like to turn the conference back to Mr Iyer for any closing comments.

**Subramanian Iyer** Thank you, Rajeev, Sandeep, Atul, Anup, Rakesh, and the Bajaj Finance team for your time and insights. I wish you all the very best. Thanks, everyone, for attending.

**Rajeev Jain** Thank you so much. Thank you for attending. Thank you. Good night.