

Bharat Banking

Building at scale, profitably

ANALYST DAY 2023

November 23, 2023



Agenda

1 **Bharat: A big opportunity**

2 **Bharat Banking: Progress Made**

3 **Building distinction to scale,
profitably**

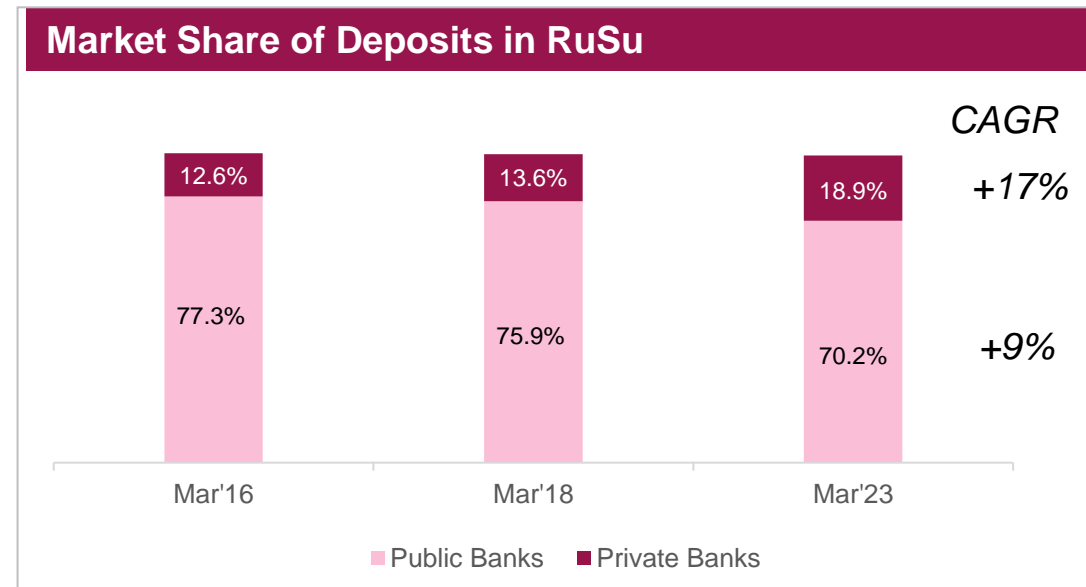
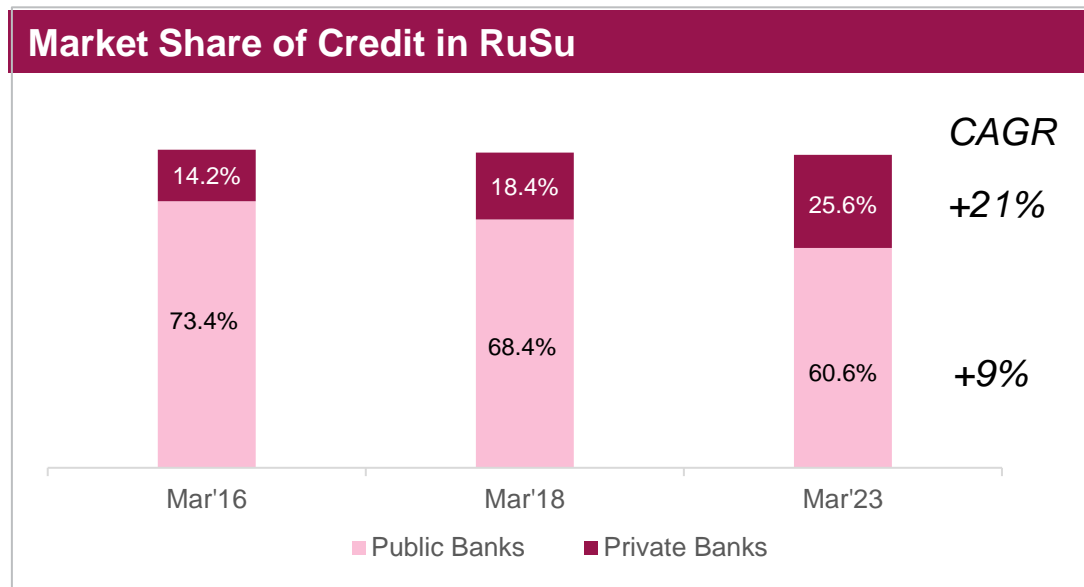
4 **Bharat Banking: How we envision?**

5 **Conclusion**

Section-1

**RuSu Markets: Continues to
be a growing opportunity**

Pvt. Sector banks **growing faster** in RuSu markets & continues to **gain market share** in both credit & deposits



Particulars (FY16 to FY23)	Credit O/S	Deposit Balance Sheet
Pvt. Sector Banks CAGR	21%	17%
Change in market share of Pvt. Sector banks	+11.4pp	+6.4pp
Absolute increase in balance sheet of Pvt. sector banks	INR 6.3L Cr	INR 6.2L Cr
CAGR for Pvt. Sector Banks: RuSu v/s Metro	21% / 16%	17% / 16.6%
PSU Share: RuSu v/s metro & urban as of Mar'23	60.6% / 52.4%	70.2% / 54.9%

Source: RBI Quarterly Publications

Favorable external tailwinds and internal strength makes a strong case to invest & grow in RuSu markets

Large govt. inflows into RuSu markets

Rise of new distribution models such as CSC

Have built a deep distribution in Bharat

Agri Stack being built at a pan India level

Diversification of income from agri to non-agri

Established quality operating model with high RAROC

Increasing internet penetration

Scaling up of new models- FPO, AIF, NHB, CGSTME etc.

Bharat volumes are PSL accretive, coming at high yield and fee

Physical integration through highways & road network

Improve market linkages (eNAM)

Comprehensive product suite & proven lending experience

Section-2

Progress on the areas of
delivery

Bharat Banking- A customer centric framework that is connecting all parts of the bank

Purpose of Bharat Banking is to enable **success of our customers** in Bharat, in both retail and institutional segments, by providing **best in class products, services and advisory** in a seamless, digital manner

Bharat Banking to work:






- On product verticals which largely cater to rural, semi-urban and agri segments
- On driving deeper penetration with other Retail Assets and liability products in the RuSu markets
- With other parts of the bank to provide solutions to their customers with specific needs of Agri / Rural / Farm to Fork supply chain
- On all financial inclusion initiatives of the bank

	Retail Lending	Retail Liabilities / Fee	Commercial / Business/Corporate Banking
Verticals	<ul style="list-style-type: none"> ▪ Farmer Funding ▪ Gold ▪ MFI Retail ▪ Farm Equipment Loans ▪ Bharat Enterprises ▪ Wholesale Agri ▪ Bharat SCF ▪ MFI Wholesale & Co-lending 	<ul style="list-style-type: none"> ▪ Source Liabilities through all available asset acquisition channels 	<ul style="list-style-type: none"> ▪ All enterprises asset business banking ▪ MSME business in Bharat Banking branches ▪ Co-lending
Horizontal	<ul style="list-style-type: none"> ▪ Retail Assets distribution in Bharat Bank branches ▪ Product, policy and process design in bharat banking markets. 	<ul style="list-style-type: none"> ▪ Sourcing through partners (like CSC) ▪ Product design and delivery in bharat banking branches. 	<ul style="list-style-type: none"> ▪ Fin-tech partnerships ▪ Agri-tech partnerships ▪ SCF solutions

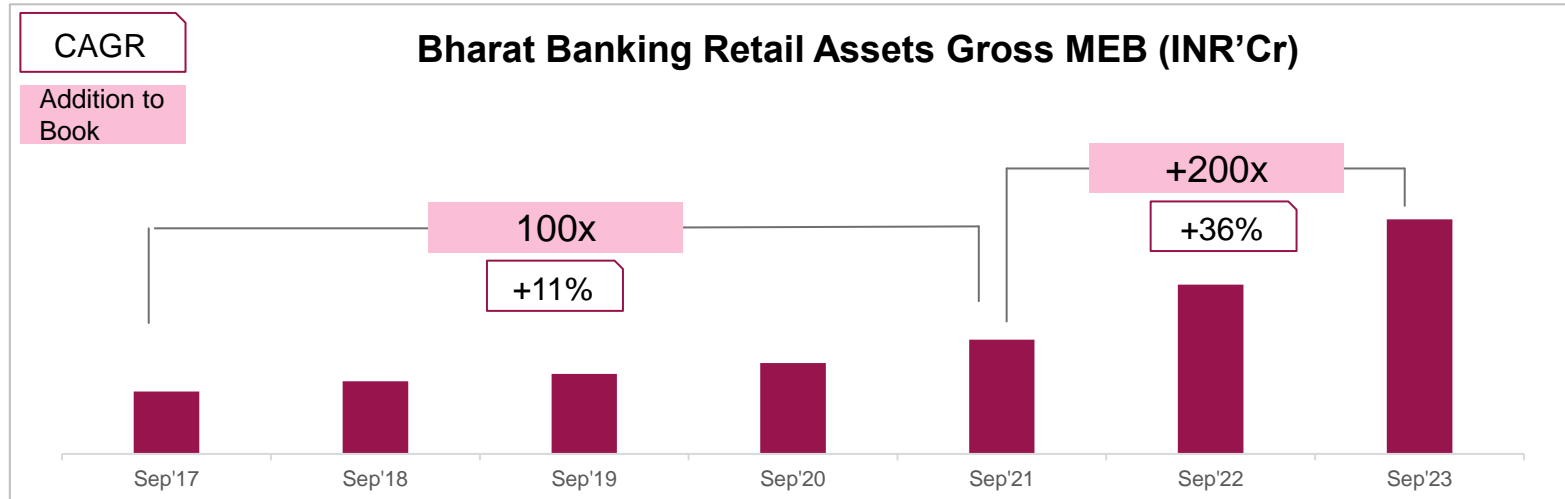
We are in the **midst of the transformation journey** and witnessing greenshoots across business lines

What we said?



		Started	Stage	Completed
1	Becoming a growth engine of the bank			
2	Expanding the risk adjusted NIM of the bank			
3	Making the bank organically self sufficient in PSL			
4	Building a low-cost distribution model with digital at the core			
5	Moving from a product led to a customer led model			

Becoming a growth engine of the bank



+3x rate of growth in last 2 years compared to previous period

Particulars	Sep'21	Sep'23	Delta
Bharat Banking (BB) Branches	2,065	2,372	+307
Gold Loan Enabled Branches	1,900	2,930	+1,030
BB Share in Overall Retail Assets disb of the bank	23.9%	34.1%	+10.2pp
BB Share in Retail Liabilities Book of the bank	12.2%	13.4%	120bps

Distribution expansion & significant increase in asset & deposit share of the bank

Growth is **across products, higher than the industry** average of 16% YoY in FY23 and 13% 5 year CAGR in RuSu markets

H1 YoY Gross
Book Growth

**Microfinance
Retail**

+36%

**Bharat
Enterprises**

+57%

Gold Loans

+32%

**Farm Finance &
Equipment**

+17%

**Other Retail Assets
from BB branches**

H1 YoY Disb.
Growth

+27%

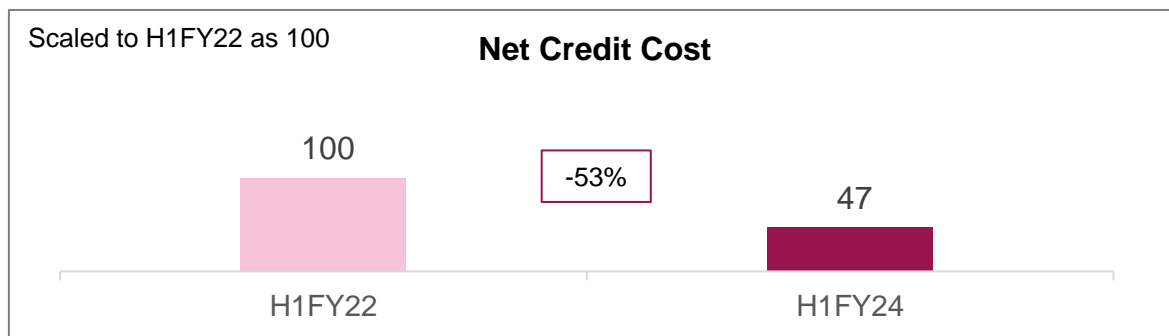
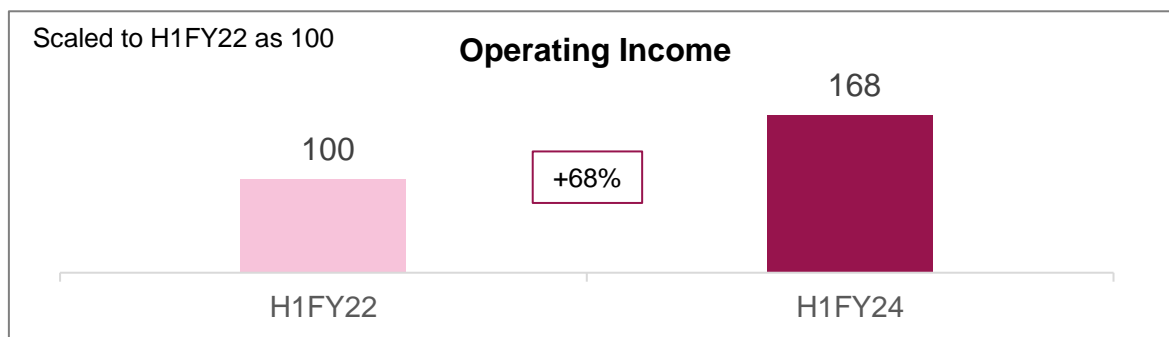
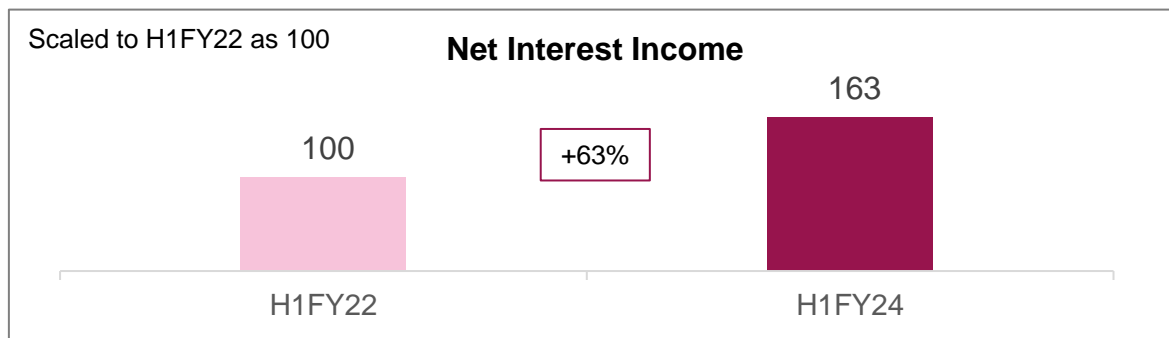
Cards

+29%

CSC Disb.

+3x

Expanding the risk adjusted NIM of the bank



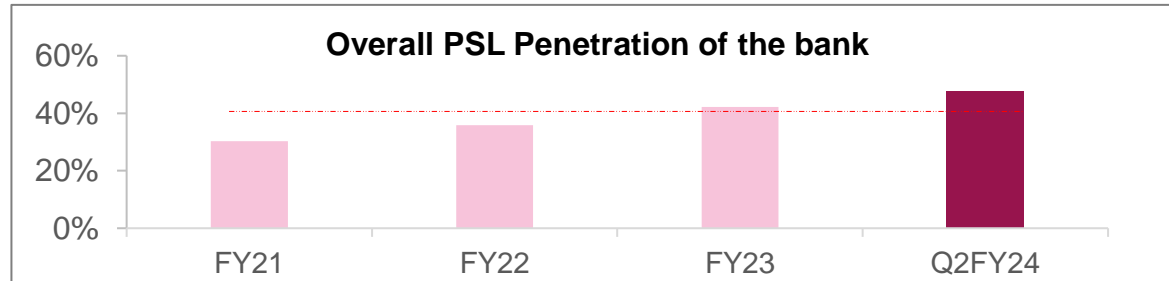
+115bps higher yield in H1FY24 in Bharat compared to non-Bharat markets

Boosting fee income by existing and new avenues (trade & forex)

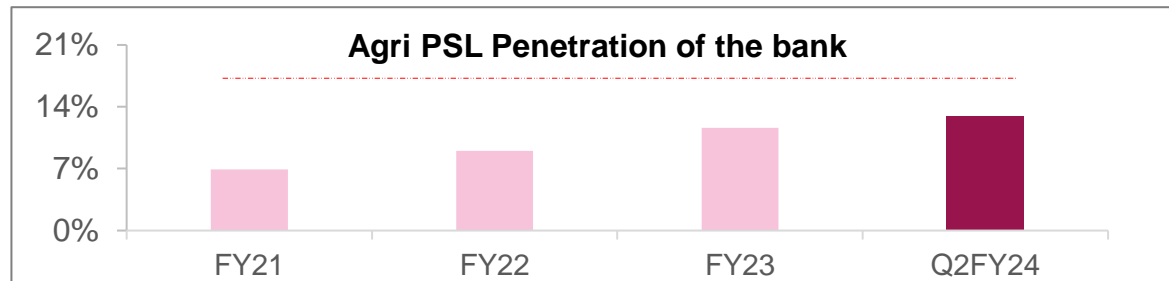
90%+ PSL accretive portfolio of Bharat Banking, contributing 84% SMF and 66% Agri PSL assets at bank level

High RAROC driven business

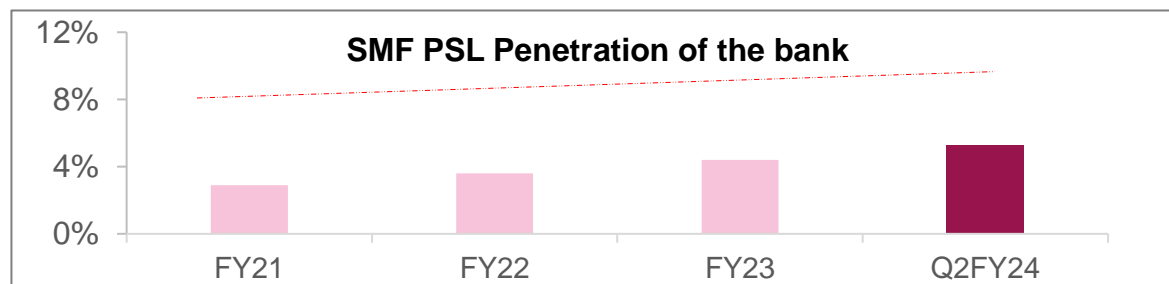
Making the bank organically self sufficient in PSL



58% increase in penetration rates in Q2FY24 v/s FY21 & self sufficient at an overall level



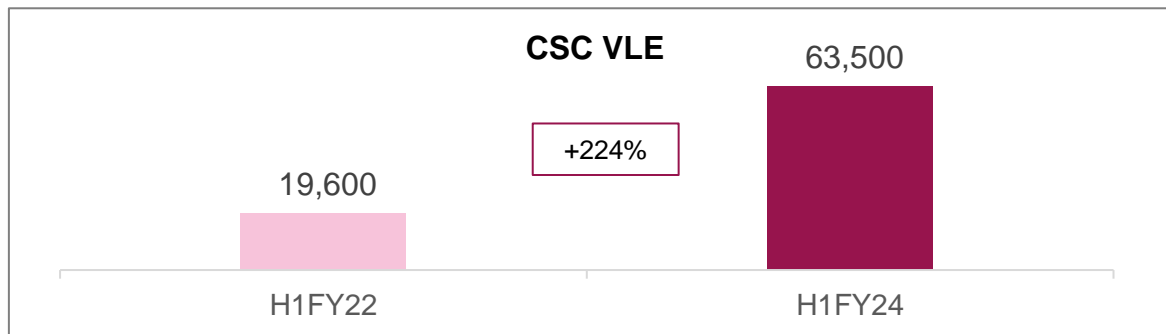
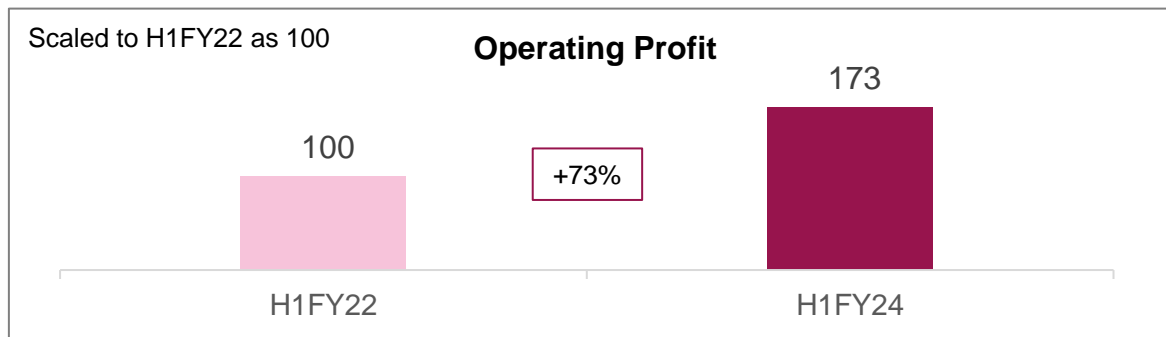
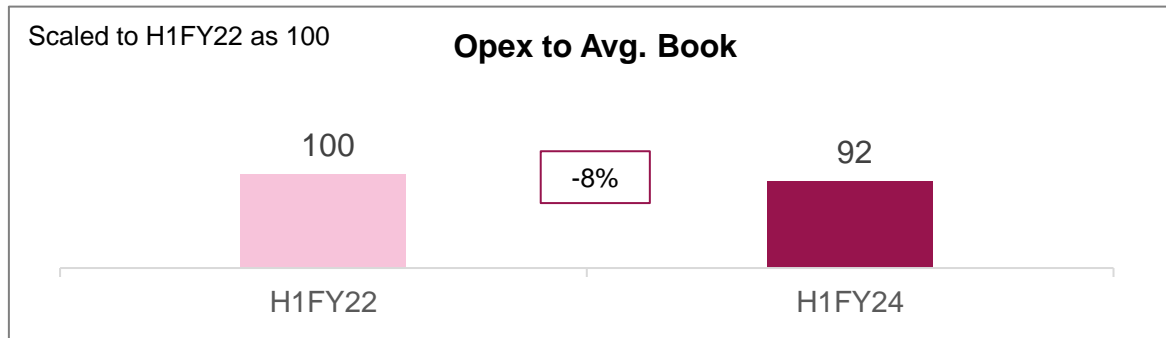
88% increase in Agri PSL penetration rates in Q2FY24 v/s FY21



83% increase in SMF penetration rates in Q2FY24 v/s FY21

----- Regulatory threshold

Building a **low-cost distribution model** with digital at the core



Delivered strong growth at better **unit economics**

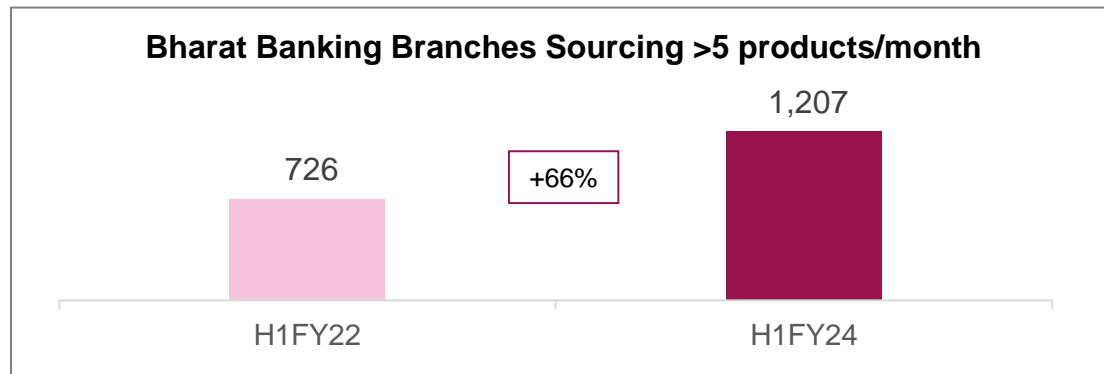
Delivered key digital Initiatives:
Co-lending, Gold Loan, eKYC CASA, MFI-R digital journey, & LOS for Bharat Ent wholesale

+2x disb in Sep'23 alone compared to the volumes in entire FY22 from CSC

Increasing product depth by moving from a **product to a customer** level view



Established the **organization structure** that allows to work across the bank

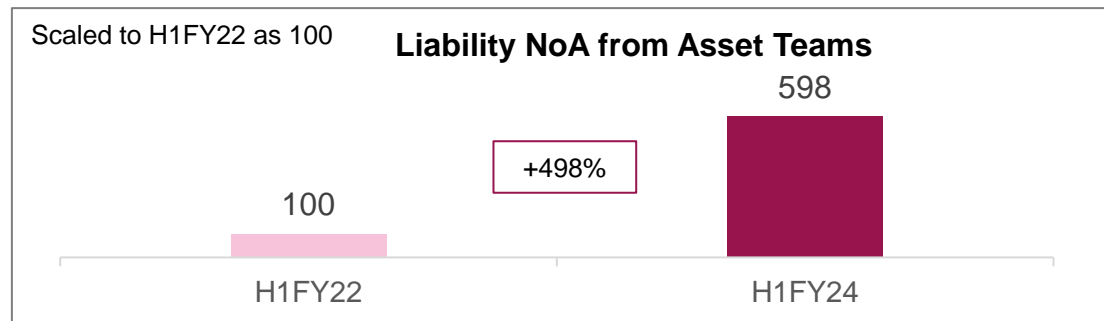


~4 avg. Unique products sourced by the **Deep Geo** channel in H1FY24, coming at 1/3 the cost of the DSA

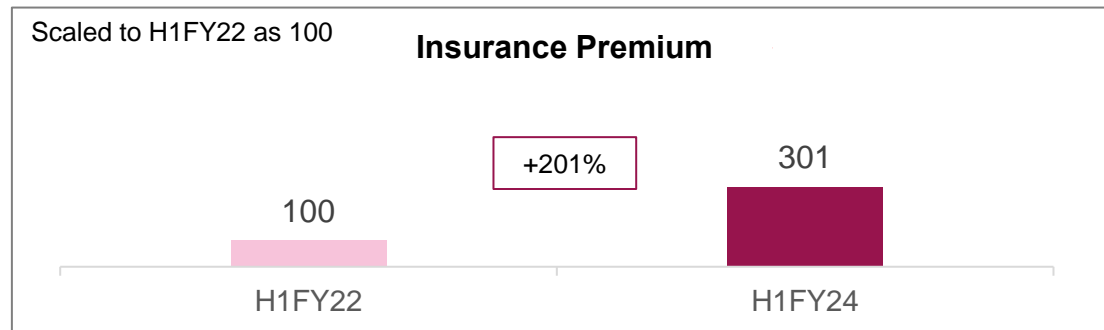
Scaled up several cross-sell initiatives



Established **5 new** prop channels in the bank cross selling gold loans



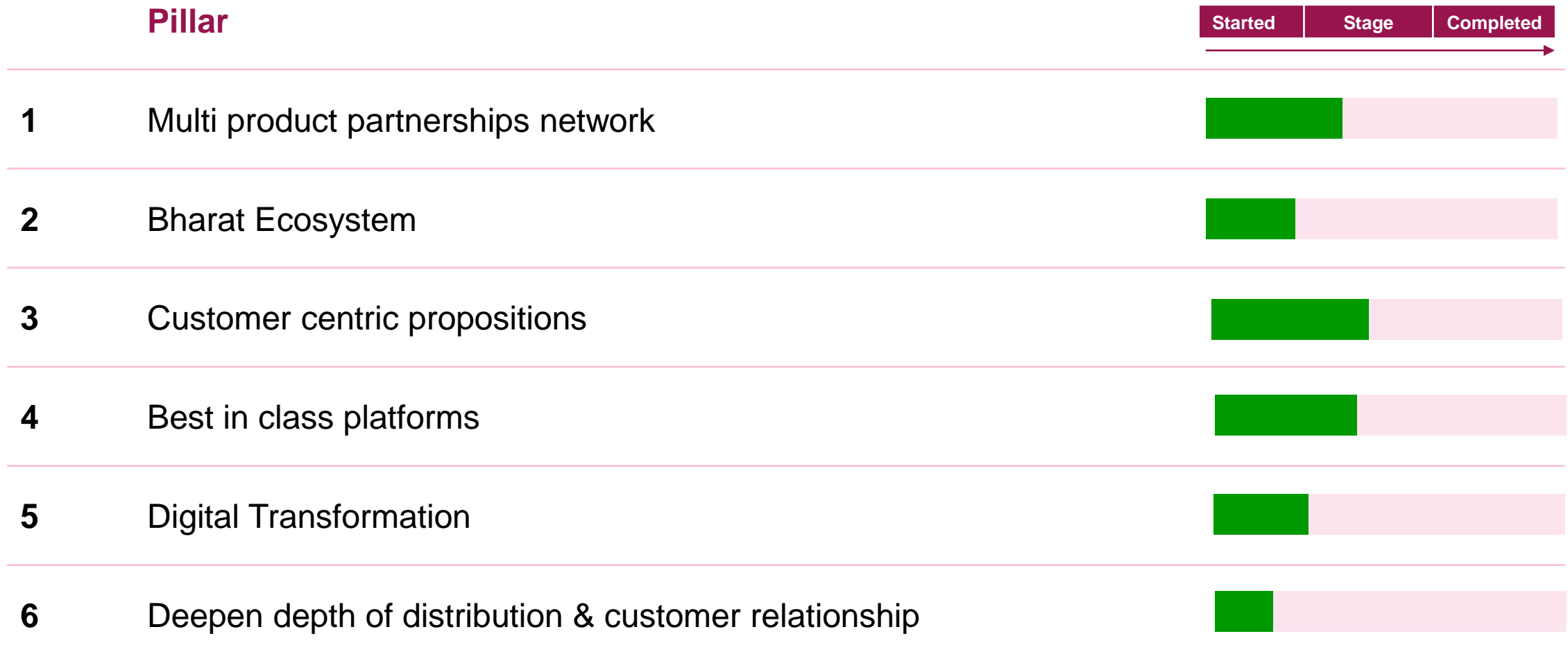
Asset led liability model established for NTB asset customers



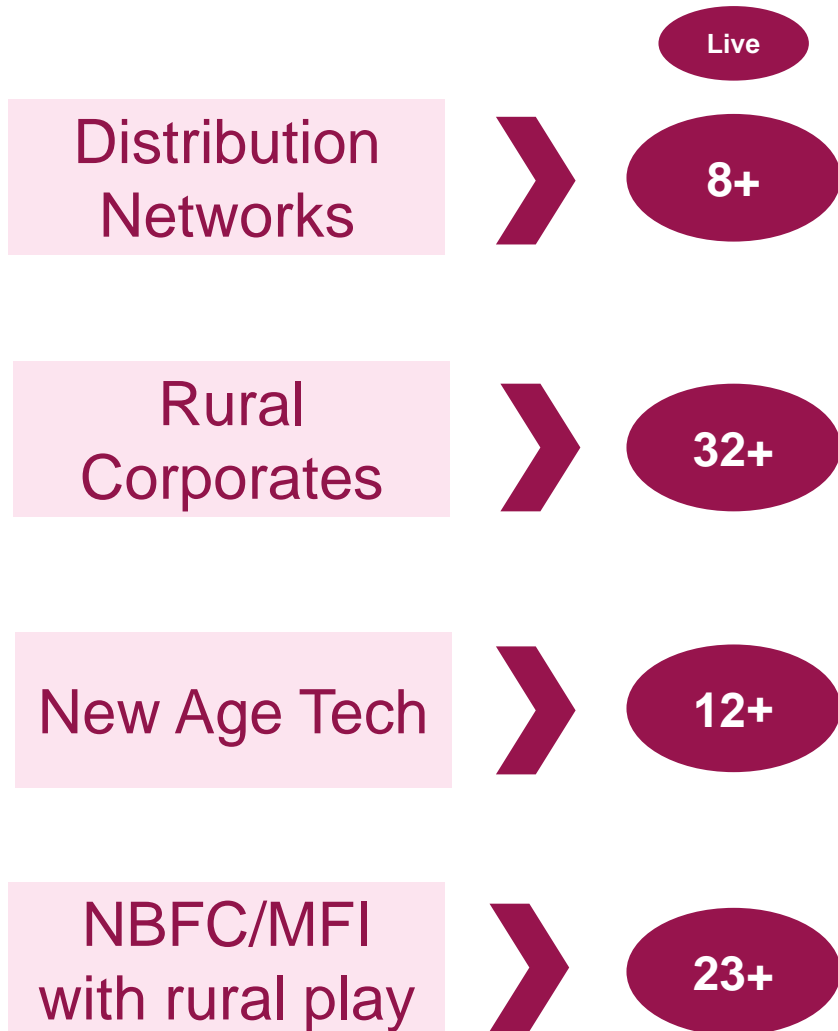
Insurance Penetration improving across businesses

Section-3: Building distinction to accelerate growth, profitably

Six key pillars to create distinction and accelerate profitable growth in Bharat



Creating a multiproduct partnership architecture to deepen distribution



Started witnessing **greenshoots** in several partnerships

CSC backed by strong growth momentum

- 3x YoY growth in disb. in H1FY24
- 90k+ liabilities NoA in H1FY24
- 24+ products sourced from the channel
- 63k+ strong VLE network

Gold loan disburseals

- 2x YoY growth in gold loan disb & 19% share of the partnerships channel in H1FY24

Building a robust **Bharat Ecosystem**

Quick scale-up

High product penetration

Deep reach

Customised prop. data driven lending programs

Large Agri Output Ecosystem

1200 FPO and 8 Lakh farmers on the platform

- Customised FPO product for ITC (Live)
- Retail credit & deposit products to the farmer (Live)
- Mobilise CA from FPO (Go-live in Dec'23)

Large Agri Input Ecosystem

Platform to provide digital credit with input & output linkages to small holding farmers

- Going live in Dec'23 and will help in accelerating SMF accretive business in a cost-efficient manner
- Customised SCF program for the channel finance (Live)

Large Trader Ecosystem

12lakh+ agents present in 95% of rural pin codes across 700 districts

- Increasing CA penetration in the agent network (Live) & preparing a customised lending program for them
- Mobilizing SA (Live) & FD in a low cost manner (Go-live in Dec'23)
- Moving from lead gen to digital sourcing for credit (On-going)
- Extend select banking services at the network (Go-live in Q4)

Creating customer centric propositions

Live

WIP

Our new rural branch

During working hours



After working hours (community meetings)



Entering new segments

Sampann savings account

Small ticket business loans

Agri Infra Financing

FPO Financing

Metal Pledge financing

eKYC CASA

Co-lending

eKYC FD & RD

Deepen relationships in the existing segments

Tractor refinancing

IL for MFI customers

Gold backed Credit card

Lease rent discounting

TA Financing

Agri CV

Micro LAP/Housing

2 new GI products

Forex/Trade

Seeing strong scale up in the products

- ~30% of the disb in Bharat Enterprises business in Q2FY24 came from new products
- Tractor refinancing has 40% NoA share in the disbursals in Q2FY24
- Sourced 5.7L CASA NoA from the partner network in the last 12 months

Best in class platform to accelerate growth

Co-lending (Live in Mar'23)

- Partnering with NBFCs' to jointly disburse loans to the borrower through a middle layer of technology & all the policies are coded into the system
- Increasing reach, garnering PSL accretive assets and building experience in new customer segments
- Adding 2 new products and 8-10 partners and scaling up volumes from the existing partners over the next 6 months

12+ partners live on the platform across multiple secured products

133% growth in Q2FY24 on a QoQ basis

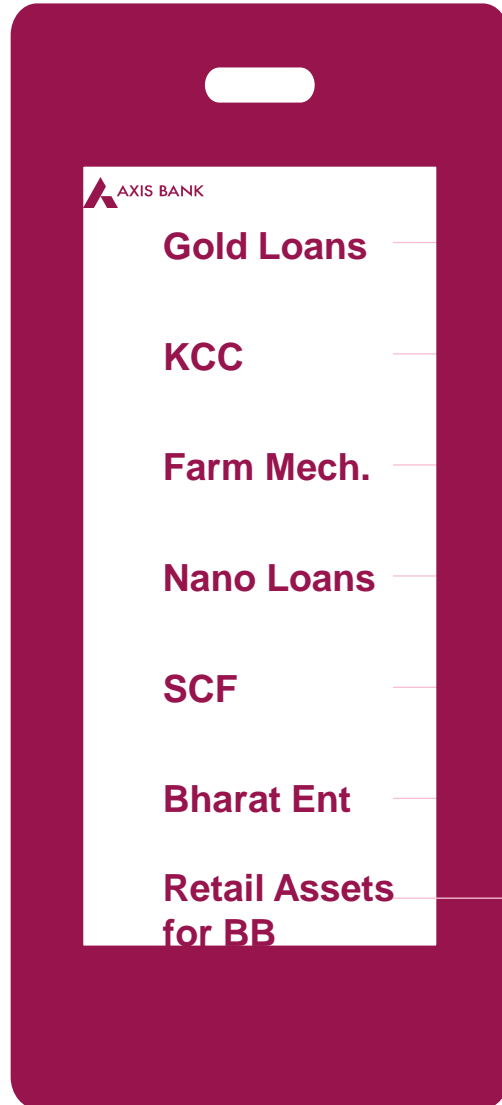
eKYC platform (Live in Aug'22)

- Sourcing customers using Aadhaar biometric framework from the partner location
- End to end sourcing at a fraction of cost & time
- Live with CASA and building more products on the platform: FD (Live in Dec'23), Adjacent Liability products and RD (Go-live in Q4) and then extending to digital credit products as well while continuing to strengthen the risk guardrails

4+ partners live on the platform

~5.7L NoA sourced from the channel since last Aug'22

Digital transformation of the business across all customer journey



Omnichannel

Multi-product

Vernacular

Phase-1 (Live), Phase-2 (Nov'23) and Full coverage (Dec'23)

Digital KCC in partnership with RBI-Innovation hub (Go-live in Q4)

Revamped journey on an industry leading platform (Go-live in Dec'23)

Digital journey on the industry leading platform (Go-live in Q4)

Digital onboarding journey (Go-live in Q4)

Digital journey (Go-live in H1FY25)

Digital journey for PL & Wheels extended to Bharat, Mortgage and SBB will be covered by next year

Deepen distribution and customer relationship

Connecting the dots

Figures of a Trading of Agri Allied Product client of Axis Bank in Gujarat

Current Relationship with the bank

- 8 Family SA and 3 CA
- Insurance – INR 10 Lakhs
- Pledge loan – INR 1 Cr

Opportunity Mapping

- 123 (57 inflow and 66 outflow) beneficiaries

Results

Our CA share in the beneficiaries increased from 12% (pre) to 33% (post) the initiative

Similarly, we have identified **22L+ beneficiaries** across SME customers

Mandi Mitra Model

Pilot launched in 7 Mandis, increased market share in all

Expanded pilot to **50 mandis this year** and **300 next year**



Asset led liability model

Improving penetration in the NTB and ETB asset customers

Co-origination with asset journey

Identifying upgrade opportunities across liability products

Section-4: How do we see the future?

We envision to **transform the business** in the next 12-18 months that will significantly accelerate growth



Best in class
Customer
experience

- Fully **digital customer journey** for all products
- **Omnichannel** experience across channels
- **Multi product** in a single journey
- All **products customised for RuSu**



Digitally
empowered
workforce

- **360 degree view** of the customer (Siddhi)
- **Multi-product** sourcing



Deep
distribution

- **100%** branch coverage
- **Product agnostic** asset centers
- Agent network as a mini bank with risk guardrails
- **Branch on wheels**

Key drivers to transform the business

Digital journeys	Partnerships	Ecosystem
New custom products	Deep Geo	CSC
Mandi Mitra	Connecting the dots	Asset led liability
Cross-sell programs	eKYC platform	Pre-approved lending
New branches	Universal UW	Risk Analytics
Customised policies	Co-lending	Govt. Programs

Section-5: Conclusion

Our endeavor is to build a **strong business** over the next 3-4 years...



Growing the balance sheet at 2x the industry average



Self sufficient in organic PSL compliance across segments



Building an **end to end omnichannel digital** delivery model



Scaling up **multiple ecosystems** in the RuSu markets



Expand **bank level returns** by consistently generating high RAROC

Thank You

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धन्यवाद

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ಧನ್ಯವಾದಗಳು

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ধন্যবাদ

धन्यवाद

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धन्यवाद

شکریہ



Acronym

AIF

BCBO

CASA

CSC

ECLGS

ENAM

ESDP

FD

FPO

GSS

GST

IC

MFI

NBFC

NHB

NIM

NPS

PSL

RD

RuSu

SCF

UPI

VLE

Full Form

Agriculture Infrastructure Fund

Business Correspondent Banking Outlets

Current Account and Savings Account

Common Service Network

Emergency Credit Line Guarantee Scheme

Electronic National Agriculture Market

Entrepreneurship Skill Development Programme

Fixed Deposit

Farmers Producer Organisation

Government Sponsored Scheme

Goods and Services Tax

International Cooperation

Microfinance Institution

Non-banking Finance Company

National Horticulture Board

Net Interest Margin

Net Promoter Score

Priority Sector Lending

Recurring deposit

Rural & Semi Urban

Supply Chain Finance

Unified Payments Interface

Village Level Entrepreneur